



**Senate Community Affairs References Committee
Inquiry into Poverty and Financial Hardship**

**Submission from
Shelter NSW**

March 2003

About Shelter NSW

Shelter NSW is a community-based, State-wide, peak housing body, which aims to advance the housing interests of low-income and disadvantaged people in NSW. It is also part of a national network of Shelter organisations in each State and Territory, and is a constituent member of National Shelter.

Shelter NSW was established in 1975, and was involved in advocacy and campaigning in support of public housing and in the development of community-based alternatives like housing co-operatives (not lending agencies, but groups of people interested in co-operative housing living and management).

Shelter's vision is to work for a just and equitable housing system, where housing for all is a right, not a privilege.

Shelter's role is to:

- Promote a coordinated response within the community sector to housing issues affecting housing low-income and disadvantaged people;
- Work with and influence government and relevant community sector organisations so that they develop housing policies and programs which meet the needs of low-income and disadvantaged people;
- Increase public awareness of housing issues and support for adequate and sustainable responses;
- Research and develop responses to housing issues;
- Provide quality information, assistance and support to the community sector, members and other stakeholders.

Shelter has 119 organisational members and 46 individual members. Organisational membership includes specific-interest peak groups (e.g., tenants, youth, community housing, etc.), a wide range of housing providers, public and private tenant groups, local government councils, regional housing bodies, community services agencies, etc.

Recommendations from Shelter NSW

Housing specific recommendations

1. Increasing direct grants and seeking new investment from a range of sources for social housing.
2. Commitment to a goal of doubling the proportion of social housing stock over 10 years. In the next 12 months, and on a continuing basis for the next 10 years, this will require a 10% increase in social housing stock or an additional 12,821 units of housing per year.
3. That government gradually expand eligibility for social housing as stock grows, and use the extra revenue generated from mixed incomes to make the sector more economically viable, as well as providing affordable housing for low and moderate income wage earners. Those paying higher rents should cross subsidise the cost of properties let at lower rents.
4. Social housing stock should consist of a combination of
 - State/Territory Housing Authority public housing
 - Community housing
 - Cooperative housing
 - Other not-for-profit housing.
5. The Federal Government to restore and improve capital funding levels for the Commonwealth-State Housing Agreement, on the basis that this is still the most effective means of ensuring appropriate, secure, affordable, safe and well-located housing for all Australians.
6. The Government should examine the options proposed by the National Affordable Housing Consortium and enter negotiations with the States and Territories in developing options such as housing bonds, secondary mortgage instrumentalities, government guarantees, tax concessions, etc., in the interests of attracting private finance into affordable housing for low- and moderate-income earners.

Shelter NSW's submission

Shelter NSW welcomes the Senate Inquiry into Poverty.

Shelter NSW has most experience in housing and welfare matters; therefore we limit our comments to these terms of reference:

- 1 (a) The extent, nature and financial costs of
 - (i) poverty and inequality in Australia;
 - (iv) poverty in Australian communities and regions;

- (c) the effectiveness of income-support payments in protecting individuals and households from poverty.

1. Term of reference 1 (a) (i) – The extent, nature and financial costs of poverty and inequality in Australia

Ever since the idea of a “culture of poverty” arose in the 1960s, many affluent people have subscribed to the convenient and self-flattering myth that poverty represents some kind of characterological disorder involving laziness, promiscuity, “inability to defer gratification,” and so forth. I have a simpler theory: Poverty isn’t a mental disorder; it’s a lack of money¹.

1.1 Inquiries into Poverty in Australia

Poverty can be defined in many ways, as absolute (not having enough to meet basic needs) or relative (living standards in relation to others in the community). Shelter NSW believes both aspects are worthy of discussion and applicable to Australia today.

In this submission, we focus on poverty defined as a lack of means to exercise choice and participate in mainstream community, that is, a relative definition. However, the submission refers to instances of absolute poverty as well.

There have been other notable inquiries into poverty in Australia. In 1974, Ronald Henderson headed a landmark inquiry into poverty. Henderson concluded that “poverty in Australia is inseparable from inequalities firmly entrenched in our social structure”². This is no less true today. Many of Henderson’s recommendations such as the provision of a universal basic income and employment programs were never implemented.

The inquiry came up with a measure of poverty (‘the Henderson poverty line’) which is regularly updated and used by some community groups and universities. However the Australian Government has not adopted an official measure.

Just prior to the calling of the current inquiry, debate was raging about various measures of poverty, the statistics they are based on, how many Australians could be said to be living in poverty, or even if any are at all³.

1.2 Absolute and relative poverty - indicators

In the industrialised economies such as Australia, there is evidence of absolute poverty - that is, some people do have difficulty meeting basic needs such as housing and adequate nutrition. Absolute poverty is evident amongst some indigenous communities that may lack basic services, education and adequate health care.

Recent punitive changes to social security rules allowing reductions of income have exacerbated the incidence of those living in absolute poverty, and disproportionately affected the most vulnerable - the homeless, the Indigenous, the young, the mentally ill or addicted⁴. When someone is ‘breached’ for failing to meet the Work Activity Test, they are in effect

¹ Barbara Ehrenreich, being interviewed ‘Border Talk’,
http://www.pbs.org/pov/pov2002/borders/talk/dialogue008_be.html.

² Henderson Report (1975): 14.

³ See the recent report by NATSEM for the Smith Family at
<http://www.natsem.canberra.edu.au/pubs/poverty01.html> and the Centre for Independent Studies’s response: Saunders and Tsumori (2002) *Poverty in Australia - Beyond the Rhetoric*, CIS: St Leonards.

⁴ See www.acoss.org.au; www.breachreview.org; www.ombudsman.gov.au for inquiries into the breaching regime.

fined a proportion of their payment. If they are 'breached' a third time, all payments are withdrawn.

We also have to judge poverty in relation to the developed industrialised society that we live in. That is, judging standards of living by comparing different income groups. Relative poverty measures indicate the level of social inequality. Looking at how wealth is shared amongst Australians is no less important because it is indicative of how fair a society is. People who work and earn a living should be adequately paid, while those who can't work or are surplus to demand for labour should be looked after. Those who are well-off should contribute to the tax system so that this can happen.

Poverty exists amidst affluence. The fact is that the benefits of 10 years of growth have been distributed mainly to the well-off. The incomes of the wealthiest 20% increased at almost double the rate of the lowest and also middle-income earners between 96-97 and 99-00⁵. The pie may be getting bigger, but the wealthy are also getting an increasingly bigger portion of the pie.

If we look at a longer-term picture, the evidence is even more compelling. The richest 10% of Australians hold over 50% of all household wealth. The bottom 50% hold only 3%. From the late 1970s until the early 1990s, the income disparity between the top fifth and the bottom fifth increased by almost 50%⁶.

1.3 Recent debates on measuring poverty

Briefly, we will discuss the recent controversy about measuring poverty, absolute and relative, by citing the recent reports by NATSEM (for the Smith Family) and the Centre for Independent Studies. The NATSEM research says that relative poverty amongst Australians has actually increased in the decade between 1990 and 2000⁷. This claim has been refuted by the CIS on the basis that in times of growth, everyone gains and that the report blurred the line between absolute and relative poverty. The Hon. Tony Abbott also indicated, on ABC TV's *4 Corners* (9/7/01) that he thought that incomes were not diverging and had increased, although he did not refer to any statistical information or research⁸.

⁵ ABS 6523.0, 6401.0.

⁶ Bartholomew, T. (1999) for the Salvation Army 'A long way from home', p. vii.

⁷ NATSEM (for the Smith Family) *Financial Disadvantage in Australia 1990 to 2000: the persistence of poverty in a decade of growth*, Harding, Lloyd and Greenwell.

⁸ From the *4 Corners* transcript: " TONY ABBOTT: And the rich getting richer is simply that -- it's a myth.

I know in politics, perceptions can rapidly become reality.

But the truth is that, as NATSEM and the other statistics show, people in the lowest-income deciles are getting better off, just as people in the higher-income deciles are getting better off.

And they're getting better off at approximately the same rate.

STEPHEN MCDONELL: But today NATSEM released a report containing some worrying new statistics for the Government, figures which DO show society getting richer and the poor getting poorer."

The Age Commented that "Of course there are problems with his contention that the gap between rich and poor has not widened..." *The Age*, 12/6/01. For the ensuing controversy, see

http://www.abc.net.au/public/news/2001/07/item20010710101508_1.htm for ACOSS's comments and <http://www.greenleft.org.au/back/2001/457/457p10.htm> for a critique from *Green Left Weekly*.

While it is generally true that incomes rise *on average* in periods of economic growth, there is no link between growth and greater income *equality*⁹. So, although Australia has enjoyed 10 years of growth, this has not produced greater equality or a decent standard of living for all. In fact, many Australians report feeling less certain about the future, and more insecure in their jobs.

The Centre for Independent Studies argument with the NATSEM report is indicative of a general state of denial about the real problem of poverty in Australia today. The CIS criticised the use of low-income ABS data sets as inaccurate and the use of mean incomes instead of median incomes to calculate poverty rates. The Henderson line is also criticised because it is updated to average weekly earnings. The new cost budget standard developed by the Social Policy Research Centre from UNSW also comes in for criticism, because while acknowledged as being rigorous, it is apparently too complicated¹⁰. However, the CIS does not suggest any alternative measure and thereby elides the question as to whether poverty actually exists.

The NATSEM report does not suggest policy prescriptions as such. The CIS suggests that the problem of unemployment should be addressed by US-style welfare to work regime whereby much lower wages are allowed.

Rather than rejecting all measures of poverty, Government could consider measures that cost a decent standard of living (albeit minimal). The low cost budget standard, developed by the Social Policy Research Centre at UNSW, takes into account what people need (defined by people as providing a 'reasonable' or minimal' standard of living).

The two main strengths of the budget standard method, which underlie its recent revival, are its transparency and its flexibility. Because the standards are developed from the 'bottom up' by specifying each and every item required to attain and maintain a particular standard of living, it is possible to make the many assumptions and judgements that underlie a budget standard transparent.¹¹

Alternatively, the Government could consider using the measure commonly used in Europe by setting the poverty line at 60% of median income. Or it could accept NATSEM's method, which uses average earnings.

The Government should decide on a measure of poverty, produce regular reports, and set targets for poverty reduction.

Rather than endlessly debating the validity of the different poverty measures, the debate needs to move on to the terrain of creating a society that most people are happy to live in, and enjoy a decent standard of living as well as a feeling of inclusion.

1.4 Government Policy, Growth and Poverty: Inclusiveness or Jungle Law?

Neo-liberal governments in the Anglophone countries have actively chosen not to intervene to reduce absolute and relative poverty. Instead they have prioritised maintaining low interest rates and low inflation, and a budget surplus. Such decisions contribute to the numbers of people living in relative poverty. The growth of the casualised labour market, facilitated through legislation, has made a major contribution to the number of employed people living

⁹ Deininger and Squire (1996) concluded that: "there appears to be little systematic relationship between growth and changes in aggregate inequality" (p. 587). Periods of growth were almost equally as often associated with increases in inequality as they were with declines.

¹⁰ Saunders and Tsumori (2002) *Poverty in Australia - Beyond the Rhetoric*, CIS: St Leonards.

¹¹ Saunders, P. (1998) 'Household budgets and income distribution over the longer term: evidence for Australia' SPRC Discussion Paper no. 89.

in poverty permanently or falling in and out of it, depending on how many hours of work they manage to obtain in any given week.

Unemployment rates of 5-9% and upward may not be a temporary condition. Rather, such rates are a *byproduct* of industrial restructuring and globalisation and also *advantageous* to it: maintaining a pool of casual and part-time employed and unemployed persons helps keep wages growth in check (and therefore inflation). This is the so-called 'natural rate of unemployment'.

Without government intervention to create more jobs, structural unemployment is a normal feature of capitalist economies. Through leaving everything to the 'invisible hand of the market', governments have abdicated their responsibility to intervene, thereby accepting the 'casualties' of growth. The real people who are those casualties are increasingly alienated. Polls indicate that Australians perceive a growing gap between the 'haves' and the 'have-nots' or feel that their living standards and quality of life have been eroded¹². Some have started voting for minor parties that give voice to the frustration they feel.

Those whose incomes are based on pensions, allowances and low and casual pay may have trouble affording non-discretionary items. Housing costs in particular have been accelerating at a much greater rate than their incomes. For this section of the community, economic growth of the last decade has delivered very little.

It should also be recognised that casualisation has meant that many Newstart recipients - the 'unemployed' - actually work casually or on a temporary basis. Many low-paid workers say that they would like to work more hours, indicating a huge under-employment problem. Increasingly, people who cannot find work are being unemployed for on average longer periods¹³.

Shelter NSW does not believe that 'there is no alternative'. A restructured tax system could produce better education, health and housing outcomes through greater social expenditure. This would help to alleviate poverty and create greater social cohesion and better quality of life.

1.5 Australia and the OECD: Improvement Required

Although Australia has a reputation for egalitarianism, this is no longer deserved. If we compare relative poverty rates in Australia to other OECD countries, Australia compares badly to all countries except the United States of America. The European social democracies such as the Scandinavian countries have more generous welfare benefits and lower rates of income inequality due to redistributive measures. They spend a greater proportion of GDP on social expenditure than Australia.

Australia's income distribution is much sharper than the relatively flatter distribution in some OECD countries. For example, public tenants' incomes in the late 1990s were equivalent to 53% of average household earnings in Australia, whereas in France, Germany, the Netherlands and Sweden they were 70%¹⁴.

¹² See "Quality of Life in Australia: An Analysis of Public Perceptions" by Richard Eckersley in the National Centre for Epidemiology and Population Health (NCEPH); Mackay, H. (1998) 'Mind and Mood' and (1999) 'Turning Point: Australians Choosing Their Future'.

¹³ ACOSS, 'Joblessness in Australia: 12 Budget Priorities', www.acoss.org.au.

¹⁴ Stephens et. al., 2002, cited in Saunders, P. (2002).

Australia spends less of our GDP - 18.1% - as social expenditure than the OECD average - 22%. France spends 29% while Sweden leads the field with 33.3%¹⁵.

Although Australia lies near the middle of the scale in overall OECD ranking of inequality, the difference between upper and lower wages and salaries is high. The ratio between a manufacturing worker and executive's incomes is 0:19 in Australia, closest to the UK and exceeded only by the US¹⁶.

Using the Gini coefficient¹⁷, Australia ranks 16 out of 21 countries. Again, Sweden was rated the most equal at 0.222 and the US the most unequal at 0.375. Australia's rate is 0.317, similar to Spain, Japan, Switzerland and Ireland.

The Australian social security system "lies at the bottom of the OECD generosity ranking"¹⁸. The benefits are equivalent to 45% of average income¹⁹, while the US's lay at 38%. By way of contrast, Sweden's universal social insurance benefits equalled 60% of average income.

The CPI indexes Australia's social security system. However payments bear little relation to disproportionate increases in average weekly earnings, rising housing costs, or other rising living costs.

1.6 Housing and Poverty

The cost of housing is a major contributor to poverty. Housing affordability in the major population areas is at an all-time low.

The most extreme example of poverty is homelessness.

Today's Australian housing market is characterised by:

- relentlessly rising housing prices and a growing 'housing affordability crisis' (Berry and Hall, 2001)
- an increasing 'mismatch' between housing need and housing outcomes, resulting in both over and under-crowding and rising short-term and chronic homelessness (Chamberlain and Mackenzie, 2002)
- a decrease in private rental low-rent dwellings, especially in our capital cities (Yates, 1999)
- increasing social segregation expressed spatially in the creation of homogeneous enclaves of rich and poor residents within the metropolitan areas and in greater socio-economic divisions between city and country (Baum et al., 1999)
- the creation of a vicious circle of multiple disadvantage in marginalised areas, raising the spectre of 'social exclusion' and the inter-generational perpetuation of unemployment and disengagement (Berry, 2000)²⁰.

Many of those living in poverty are renters with low incomes²¹.

¹⁵ Saunders, P. 2002: OECD Social Expenditure data cited p. 29.

¹⁶ *ibid.* p. 197.

¹⁷ Saunders is here referring to the Luxembourg Income Study. A Gini coefficient rates equality by giving a value between 0 and 1. 0 assumes everyone earns exactly the same, while 1 is the highest level of income inequality.

¹⁸ *ibid.* p. 57.

¹⁹ The figure changes for the worse if cash benefits only are compared with average weekly earnings. In August, 2002 AWE were \$878 a week while in January 2003 Newstart was only 21% of AWE at \$197 a week.

²⁰ Brotherhood of St Laurence in partnership with Committee for Economic Development Australia (2002) *Affordable Housing Project Background Paper*, Prepared for the Brotherhood of St Laurence by Professor Mike Berry.

68% of public housing tenants and 55% of private tenants reported that, in the case of emergency, they would be hard pressed to come up with \$2000 in a week²².

Almost 70,000 Australians live in caravan parks permanently²³.

Home ownership, once a relatively achievable state for Australian wage earners, is declining, especially amongst younger Australians²⁴.

Housing-related poverty affects employment prospects. Without stable and affordable housing it is harder to find, or keep, a job²⁵.

Government needs to develop a National Housing Strategy to deal with the affordability crisis in Australia. Reducing housing costs would significantly reduce poverty.

2. Term of Reference 1 (a) (iv) – Poverty in Australian communities and regions

Poverty has a specific geography. This often remains concealed within the general ABS data.

Spatial and social inequality is increasing, mainly due to changes in the geographical organisation of industry and employment²⁶. Geographers have pointed to worrying geographical polarisation incomes in cities and between cities, the regions and rural areas.

Regions where working class people have concentrated, due to previously existing job prospects or the expectation of job prospects which may not have emerged (such as the large broad acre estates built in Sydney's outskirts or near industrial plants) may now be areas with a low percentage of resident wage earners. There is a perception that public housing tenants mainly populate such areas, which is of course partly true (and this is exacerbated by the tight targeting of housing assistance combined with loss of low-skilled jobs). But other areas are also home to thousands of unemployed or underemployed private renters who also live in geographical areas of disadvantage²⁷.

Table 1 shows the geographical variance in unemployment rates.

Table 1: Unemployment rates in different statistical divisions, May 2001

Sydney Metro and Regions	4.9%
NSW Balance	7.4%
Fairfield/Liverpool, South West Sydney	9.7%
Northern Beaches, Sydney	1.9%
Newcastle	10.8%

Source: ABS, *NSW 2001 Yearbook*.

Unemployed people gather in certain areas for good reasons: cheaper housing, and availability of public housing. Whilst incomes have diverged, so too has the actual physical

²¹ Statistically, employment and home ownership significantly reduce the chances of living in poverty.

²² Burke, T. Preliminary findings, AHURI Symposium, Sydney, 2002. Paper forthcoming on AHURI website.

²³ ABS, 2000, cited in Saunders, P. (2002) *The Ends and Means of Welfare: coping with economic and social change in Australia*: 4-5.

²⁴ Financial Planning Association and NATSEM, 2002.

²⁵ Bartholomew, T. (1999) for the Salvation Army 'A long way from home'.

²⁶ Gregory and Hunter (1995) have mapped the growth of work-rich and work-poor neighbourhoods.

²⁷ Randolph and Holloway, 2002.

distance between rich and poor. Although the Government has urged the unemployed to ‘move where the jobs are’, when rents are high, this is difficult or impossible. The places with the lowest unemployment rates also have the highest rents - for example, Sydney’s North Shore. Although it is possible to commute long distances, the cost becomes prohibitively expensive especially as hours of work decrease.

There is evidence that outmigration from cities such as Sydney may be because of poverty caused by housing and other costs. Murphy’s 2002 study for AHURI showed that out of 7000 people surveyed (who had moved out of Adelaide and Sydney) over 40% cited ‘housing costs’ as a very important factor in their decision to move²⁸. However, there is a strong link between lower housing costs, lower wages and higher unemployment rates. Moving out of the city is likely to increase job prospects.

Disparity between weekly individual median incomes between city, country, and regions is indicative of the relative concentration of people living on low incomes in some areas. This is shown in Table 2.

Table 2: Median Individual Weekly Incomes

Statistical Division	Median Individual Weekly Income
Nambucca, mid-North Coast, NSW Burnie, Northern Tasmania Playford, Elizabeth, SA	\$200-\$299
Adelaide Hills (Ranges), SA East Unley (Adelaide), SA	\$400-\$499
Woollahra, East Sydney, NSW	\$700-\$799

Source: All figures are from the *ABS Community Profiles* based on the outcomes of the 2001 Census.

The housing market sifts and sorts households by market capacity,²⁹ which means that households’ choice about where to live is conditioned by costs relative to income. This leads to tenure-based and income-based polarisation. Lower cost areas attract lower income people, and vice-versa, the wealthy also create their own enclaves. This polarising process can create areas of social exclusion.

These disparities cause inefficiencies in economies and to greater social conflict:

The exclusion and lack of mobility of the unemployed reduces the overall efficiency of the metropolitan and national economies. At the extreme, the phenomenon of ‘social exclusion’ results in the marginalisation or disconnection of multiply disadvantaged sub-groups from the mainstream institutions of civil society, entailing separation from work, leisure, cultural pursuits, family and other social networks³⁰.

As spatial segregation becomes more concentrated, resentment grows and so does fear, leading to greater surveillance, policing and the creation of ‘gated’ communities. The result is dis-integration rather than harmony.

²⁸ Murphy, 2002. See Australian Housing and Urban Research Institute’s website: <http://www.ahuri.edu.au>.

²⁹ Randolph and Holloway, 2002: 3.

³⁰ Brotherhood of St Laurence in partnership with Committee for Economic Development Australia (2002) *Affordable Housing Project Background Paper*, Prepared by Prof. Mike Berry.

3. Term of Reference 1 (c) – The effectiveness of income-support payments in protecting individuals and households from poverty

3.1 Poverty amongst income support recipients

The main causes of poverty are (a) not having a full time job and (b) paying a high percentage of income on meeting housing costs (either as rent or mortgage repayments). Poverty is significantly less likely amongst waged full time workers and home owners who have paid off their mortgage.

Shelter believes that pensions and allowances are too low to allow recipients pay for housing in Sydney in particular. They are not indexed to average weekly earnings. Although they are indexed to CPI, many costs such as housing in some areas have far outstripped CPI.

On such low incomes, there is a case to be made for arguing that some are in danger of living in absolute poverty. Once housing costs are paid, people living in poverty have difficulty paying for the following items and services:

- Large or multiple bills
- Education costs (yearly fees, school uniforms, books, excursions)³¹;
- New footwear
- New clothes
- Motor vehicles
- Bond (when moving house) and removalist money
- Dental work
- Doctor's bills (where no bulk billing available)
- Holidays
- Transport fares
- Nutritious food

The incomes we are talking about are far below average weekly earnings. A Newstart recipient (single adult rate) currently receives up to \$233 a week. Average weekly earnings are \$878 a week.³² If we use the Henderson poverty line, most Australians on benefits subsist on incomes up to \$132 a week below it³³. Part time and casual workers often subsist on comparable incomes and make up another part of those living in poverty - a new class of 'working poor'.

Homelessness is a pressing issue. It has been reported greater numbers of people are seeking assistance from welfare agencies, especially in relation to housing³⁴. The affordability crisis has contributed to this problem and community sector workers often find it very difficult to house clients affordably when they are exiting transitional crisis housing. Rising rents, plus unemployment, breaching rules, mental illness and substance abuse are all contributing factors to this very real problem. The result can be 'churning': the homeless person moves between shelters, emergency housing and the streets.

³¹ As reported anonymously by E. a teacher at a public school in Sydney's south-west, who said in interview that the school rarely offered excursions and never offered school camps, because the school knew that most parents would not be able to afford these things. She also said that some parents could not afford the small school fees. (Interview, 2002).

³² ABS, Key Indicators, August 2002.

³³ See ACOSS's Info Sheet 304 'Below poverty line social security payments', 18 July 2001.

www.acoss.org.au.

³⁴ See various Supported Accommodation and Assistance Program reports, FaCS.

3.2 Rent Assistance is not working

Rent Assistance was designed to assist those on income support payments with housing affordability in the private rental market. It is a supplementary payment, payable in addition to most classes of income support payments, upon presentation of proof of housing costs. The Commonwealth spends \$1.6b a year on Rent Assistance, a greater amount than the \$1.4b spent on the Commonwealth-State Housing Agreement (which funds the direct provision of public housing).

Rent Assistance is not keeping up with rising rents in most capital cities. The upper cap of Rent Assistance entitles those on allowances to receive a maximum of \$46 a week, where rents exceed \$102. However many people pay more than this in rent. Rent Assistance does not assist in lifting many people out of poverty because they still pay more than 30% of their incomes in rent³⁵, thereby remaining in 'housing stress', even after they receive Rent Assistance.

Although it has been assumed that Rent Assistance is least effective in Sydney, the problem is also evident in other capital cities and some regional areas as well, and is therefore not confined to one particular city.

The figures for 2000-01 indicate 42% of Rent Assistance recipients spend more than 30% of their income in rent. 9% of them spend more than 50% of their income on rent³⁶. In other words, Rent Assistance does not provide affordability for nearly half of those who receive it, and nearly 1 in 10 of all recipients spend over half their total income on rent.

Rent assistance makes little difference to housing affordability in the capital cities. As Berry has shown³⁷, housing affordability in the capital cities declined significantly between 1986 and 1996. See Table 3.

Table 3: Housing Stress among private tenants using 30% benchmark, 1986-1996

City	1986 %	1996 %
Melbourne	60.5	74
Sydney	67.3	80.7
Brisbane	63.7	64.3
Perth	59.9	56.1
Hobart	57.7	62.4
Darwin	70.7	63.7
Adelaide	63.4	76.1
All capital cities	64.1	72.7

Source: Berry and Hall (2001, p. 61).

The above indicates that most affordable housing is found in non-metropolitan Australia. However, moving to find cheaper housing can mean lesser job prospects and in addition loss of income, and even the removal of Newstart payments for up to 26 weeks, if a recipient moves to an area with a higher unemployment rate.

³⁵ It is broadly accepted that a person paying more than 30% of their total income in housing costs is in 'housing stress'.

³⁶ FaCS 2001: Table 21.

³⁷ Berry,

<http://www.chp.org.au/ConferencesForums/AffordableHousing2002/Mike%20Berry%20Presentation.ppt>

Case Study 1: Rent assistance inadequacy

Mrs Day was a sixty year old grandmother who was the guardian of her fourteen year old grandson (Dominic). She was renting in the private market in the eastern suburbs of Sydney. Her grandson had obtained a place in a high school in the eastern suburbs, which provided specialist support for children with intensive educational needs. Mrs Day had been on the housing register for many years but had not been offered a Department of Housing property. She was in receipt of Centrelink benefits as well as Rent Assistance.

Mrs Day believed that it was essential for her grandson's future that he remain at the local high school, where he had established himself, made friends and had begun to respond positively to the learning environment.

She had been a local of the region since her birth and her children and Dominic's cousins all lived locally and were an important support base. She had accessed local services like her GP, for all her life. The choice of renting in the eastern suburbs, although necessary in Mrs Day's view, placed great financial strain on her income.

With Rent Assistance Mrs Day's income was barely \$600 per week and her rent for a two-bedroom place was \$300 per week. She also had added expenses associated with the care of Dominic that included school uniforms, books, excursion expenses as well as essentials such as feeding and clothing a fourteen year old boy.

The financial strain placed on the family unit created uncertainty with regards to the long term viability of retaining their home. Some expenses that seemed to come out of the blue could badly affect her budget, and she was distressed when she received notices from her real estate agent indicating she was behind in the rent. She also realised that her rent was at the lower end of the market in the region and that it was unlikely that she could move to another two bedroom place close to public transport at a similar rent.

Some weeks she had to choose between paying rent and buying food. She also relied on extended family support to assist in the funding of essential equipment for Dominic's schooling. Although she had made the choice to remain in the eastern suburbs to provide opportunities for her grandson, she also worried that the financial strain adversely impacted on her ability to care for her grandson.

3.3 AUSTUDY recipients are the worst off

Those who are over 25 who want to study are eligible for Austudy but ineligible for Rent Assistance. ACOSS has shown that Austudy recipients are in fact the worst off of all income support recipients, subsisting on incomes 37% below the poverty line³⁸. Because in many cities rental prices have risen exponentially, subsisting on Austudy becomes nearly impossible. For mature age students or students from poor or rural families, the costs associating with studying, rent, food, transport and utilities can be too great - it is better financially to remain unemployed and receive Newstart allowance than to study and improve one's prospects.

³⁸ See ACOSS's Info Sheet 304 'Below poverty line social security payments', 18 July 2001. www.acoss.org.au.

Case Study 2: Austudy is not enough

Wendy is 30. She has worked in retail and hospitality for many years. Her parents are elderly pensioners.

In 2002, Wendy enrolled in a full time graphic design course at Enmore TAFE in Sydney. She applied for Austudy and scaled down her hours to 6 hours retail work on a Saturday, which paid \$100 a week. This meant her weekly income was about \$248 a week³⁹.

Wendy was renting a room in a share house within walking distance of the TAFE. Her rent was \$130 a week.

After paying her rent, utilities, plus buying materials for the course, Wendy estimates that some weeks she may only have \$20 left for food.

Wendy was doing two hours of homework a night, and working Saturdays. After 6 weeks she found it too stressful to juggle the demands of the course, and pay for rent, food, and also keeps working on the weekends. She dropped out.

Wendy went off Austudy and returned to working in retail at a different art supplies shop and is now employed as a casual.

Wendy had this to say: “Austudy should definitely have Rent Assistance - if the dole has it, then Austudy should have it too. As a person trying to better myself - because I don’t want to work as a casual in retail for the rest of my life where I live from week to week and the only way of doing that is educating myself and getting the qualifications - I find it hard to because Austudy is less than the dole. You also have more expenses when you are studying. The dole is more than Austudy!”

3.4 The demise of direct housing assistance

Historically, in the half-century since the first CSHA in 1945, public housing has ensured secure and affordable housing for low-and and sometimes moderate-income earners. Affordability and security of tenure have characterised it throughout that period, as distinct from the exigencies many people faced in the private rental market. For many of public tenants, home ownership was never really an option, but public housing offered the nearest parallel to the security provided by home ownership. It gave people an opportunity to develop a stable basis for their lives, to seek employment, and to get involved in their communities – the benefits, both tangible and intangible, of what has come to be called “social capital”.

Concerns were increasingly aroused throughout the 1990s – particularly in the latter half of the decade – by what was seen as the “welfarization” of public housing. Such measures as increased targeting of public housing to people on statutory benefits (these now constitute more than 90 percent of public tenants), segmentation of waiting lists for particular needs groups, and increasing restriction of public housing to people with high and complex levels of need, have all added to these concerns.

A long-term decline in Commonwealth finance, the historic configuration of public housing stock, and changes to the CSHA by federal government have led to some of these outcomes being problematic indeed.

It is vital that public housing – by far the most substantial of all of these programs and with a proven track record of housing people securely and affordably – should continue. It is also

³⁹ An Austudy recipient is allowed to earn \$236 a fortnight in addition to \$297 a fortnight in Austudy payments. Rent Assistance is not payable to Austudy recipients. Wendy was earning \$100 and receiving \$148 in Austudy payments, which equalled \$248.

vital for capital funding levels to increase substantially, given that funding reductions together with increased targeting of public housing to at-risk groups have led to a steep decline in new construction (combined with a blow-out in waiting lists) and an equally steep decline in rental returns with higher percentages than ever of tenants on statutory benefits. However, this response alone will not meet the crisis of affordability and the decline in low-income stock in the private rental market. It is necessary to develop an overall program which will locate strategies like public housing, community housing, affordable housing and low-income home ownership assistance programs within a broad policy framework. Contrary to the direction of public housing policy in recent years, it is important to broaden the eligibility criteria for social housing to increase the possibilities of viability by way of increased rental returns.

Case Study 3a: public housing provides security of tenure and affordability

A pensioner in his late 70s was paying all of his pension in rent on a property in inner Sydney. He relied on income earned from odd jobs and assistance from friends to cover his living costs. He had been on the waiting list for public housing for 14 years. He had lived in the inner Sydney suburb for many years - he was born in the neighbouring suburb. He had long-standing connection with the communities he lived in.

The property he rented from a private landlord had been in poor but reasonable condition at the commencement of the lease a decade or more earlier but the landlord had allowed it to run down, since his intention was to redevelop the site. The property had extensive white ant damage- the bedroom was uninhabitable and parts of the ceiling in the lounge and kitchen had collapsed.

On return from hospital after major orthopaedic surgery the tenant sought some emergency repairs the landlord responded with a termination notice. The tenant sought emergency assistance from the Department of Housing who were able to allocate him a property in a nearby location. He now has secure housing in reasonable condition at a rent that leaves money over after rent payments. Making ends meet on the pension is still tough but is much easier than before.

Case Study 3b: public housing provides security of tenure and affordability

A refugee family consisting of a single mother and 5 young children fled their home country following persecution in their home country. They arrived in Sydney after the grant of Protection Visa 2 years ago. The family spoke little English at time of arrival, and the mother's English is still poor. The only income of the family is Family Assistance and single mother pension. Stable housing is of vital importance for this family to settle in Australia. The family was approved for priority housing by the Department of Housing (DoH). Due to the lack of suitable housing stock, the family was put onto the Special Assistance Scheme (SAS) to seek accommodation in the private market with a rental subsidy paid by the DoH.

After renting in the private market for 2 years, the landlord served the family a 60 day no ground notice of termination despite absence of any breach of their tenancy agreement during their 2 years of tenancy. The no ground notice of termination and the fear of homelessness caused the already traumatised family into further stress. Upon advised of the 60 days no ground notice of termination, DoH offered the family public housing in a mixed private and public housing townhouse complex. The family accepted the offer and relocated accordingly. The public housing tenancy agreement was established before the introduction of renewable tenancy.

This case highlights the vulnerability of the socially and economically disadvantaged persons and the lack of security of tenure in the private rental market. Although DoH rental subsidy provides the family with financial assistance, tenancy in the private market is subjected to 60 days no ground notice of termination. Public housing provides the family with the protection against 60 days no ground termination that can be used by private landlords for a wide range of reasons.

3.5 Income Support Payments and ‘Breaching’

Poverty occurs when costs (for basic items including housing) cannot be met because income is too low. Shelter NSW believes that current income support payments are too low and do not adequately take account of housing costs. We also believe that the practice of ‘breaching’ exacerbates housing-related poverty and homelessness. It can also contribute to arrears in public housing.

Breaching of those on Newstart Allowance who do not meet the stringent requirements of the Work Activity Test has led to people losing their rented premises due to rental arrears, and exacerbates homelessness. The already homeless do not have a fixed address where mail can be sent to and are much more likely to be ‘breached’. Young people are also over-represented. If someone is breached 3 times, they are left with no income whatsoever.

Such a punitive approach is not based on any evidence that there is enough demand in the current jobs market to soak up unemployed labour:

Since the late 1970s there has been no less than 5 unemployed persons for every job vacancy, with extended periods of about 10 unemployed persons per job vacancy and peaks of over 30 unemployed persons for every vacancy⁴⁰.

Given that this is the case, and without demand management approaches (i.e. full employment programs), it seem unnecessary to force people into even greater poverty when it would appear that their services are not actually required - they cannot all be absorbed into the current labour market, for a range of reasons, mainly reasons outside any one individual’s control. This is not unknown – it was the conclusion of the 1977 Myers Report.⁴¹

4. Conclusion – Does the End Justify the Means?

In Shelter’s opinion there are two main causes of poverty that need to be addressed:

- (i) income related - poverty caused by lack of adequately paid employment, or availability of any employment at all; and the low level of benefits;
- (ii) housing-related, whereby housing costs leave people in a State of poverty after they are met.

Affordable housing is a growing problem in Australia today. The Federal Government must adopt a National Housing Strategy that seeks to address this. This implies funding the Commonwealth-State Housing Agreement at adequate levels to address the poor supply of affordable housing.

⁴⁰ Henman and Perry (2002) ‘Welfare dependency? A critical analysis of changes in welfare recipients’ *Australian Journal of Social Issues*, No. 3, August 2002.

⁴¹ National Coalition Against Poverty: ‘Squeezing blood from a stone’, August 2001: http://www.bsl.org.au/ncapwebsite/blood_from_a_stone.pdf.