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Submission to

**Independent Inquiry into Insecure  
Work in Australia**

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## Introduction

The TUV welcomes the opportunity to provide a submission to the Insecure Work Inquiry. Our submission provides some data on effect of low income on housing affordability outcomes for those in insecure work.

The TUV was established in 1975 as an advocacy organisation and specialist community legal centre, providing information and advice to residential tenants, rooming house and caravan park residents across the state. We assist about 18,000 private and public renters in Victoria each year. Our purpose is to improve the status, rights and conditions of all tenants in Victoria.

In the current market context, inadequate or irregular income imposes considerable constraints on the ability of households to secure and maintain private rental housing. Insecure work yields irregular and often inadequate income. Our analysis indicates households dependent on wages below the Average Weekly Earning level face the prospect of rental stress in virtually every capital city.

In this submission we provide some analysis of the effect low income on housing affordability in several of the industries in which this form of insecure work are most prevalent. We use the methodology developed in the TUV *Private Rental Affordability Bulletin*.<sup>1</sup> This methodology is an income to housing cost ratio. We use two measures of housing affordability:

**30% of Total Income:** For low income households (defined as being in the lowest 40 percent of income distribution), spending 30 percent or more of household income on rent is considered an indicator of housing stress.<sup>2</sup>

**After Housing Poverty Line (AHPL):** Poverty lines are income levels derived for various household types against which poverty can be measured. Simply, if a household's income is less than the poverty line applicable to it, then that household is considered to be in poverty.<sup>3</sup> The AHPL refers to a poverty line with housing costs removed. The figures below show how far above or below the poverty line a household is after paying rent at the median level in dollar terms.

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<sup>1</sup> Available at <http://tuv.org.au/policy+and+research>

<sup>2</sup>A 'housing first' measure of affordability originally derived from commercial lending terms. The assumption is that housing costs have first priority out of the household income.

<sup>3</sup>The Henderson Commission of Inquiry into Poverty (1975) established the poverty line, based on a benchmark income of \$62.70 for a family of two adults and two dependent children in the September quarter of 1973. This amount was the disposable income required to support the basic needs of a family of this size. Poverty lines for other household types are derived from this benchmark figures using equivalence scales. Since then, the Melbourne Institute of Applied Economic and Social Research has updated the HPL using an index of per capita household disposable income, calculated using estimates provided by the Australian Bureau of Statistics (ABS). Thus, because the index is based on estimates, the poverty lines themselves are estimates. Also, updating poverty lines according to changes in household disposable income means that the poverty lines are relative levels of poverty - as real incomes rise, so will poverty lines. The value of the poverty lines will therefore be generally stable relative to general standards of living.

The analysis draws on a range of sources for median rent levels and national income data.<sup>4</sup>

We note that casual work is particularly prevalent in the accommodation and food services, retail and hospitality industries. We model housing affordability outcomes for two household types dependent on casual wages in these industries and those dependent on the minimum wage.

### **Hospitality workers**

Casual wages in the hospitality industry are inadequate to ensure workers are able achieve affordability renting at the median level in all capital cities. A family of two parents and two children under 15 dependent on a single casual wage plus applicable benefits and rent assistance is unable to rent affordability at the median rent level. Median rents consume just over 30 percent in Adelaide, Hobart, Melbourne and Perth and above 40 percent in Brisbane, Canberra, Darwin and Sydney. The combination of inadequate income and high rents place these households below the poverty line by considerable margins, from \$13 in Adelaide up to \$238 in Darwin on a weekly basis (see Attachment A for further detail)

Single people in the hospitality industry fare even worse, with the median rent for a one bed room unit consuming virtually the entire casual wage in this industry in each capital city. An affordable rent for these single casual workers would be \$47 per week – a rent level unknown even in shared rental accommodation or in the rooming house sector.

### **Retail workers**

Similar to the hospitality industry, wages in the retail sector are inadequate when compared to the rents households can expect to pay. Median rents for three bedroom houses in all capital cities for place a family of two adults and two children dependent on casual retail wages in rental stress. Rents consume more than a third of income in all capital cities and place households below the poverty line by up to \$218 per week in all cities except Adelaide.

The median rent for a one bed room flat would consume virtually the entire weekly wage of a single casual worker in the retail industry and would place them \$300 per week below the poverty line. An affordable rent for these workers would be \$60.

### **Minimum wage**

Affordability for households dependent on the minimum wage continues to deteriorate. Despite the fact that these households are eligible for the family tax benefit and rent assistance, their weekly income of \$925 is not sufficient to allow them to rent the median 3 bed room house affordably.

Households reliant on the minimum wage are required to outlay between 38.9 percent of their income in Adelaide and 60.7 percent in Darwin, with households in most cities outlaying about 40 percent. This seems tolerable and below the severe rental stress zone of the above households. However, when their income

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<sup>4</sup> Rent data is based on data collected by state housing authorities or real estate institutes. Income data is collected from Centrelink, the Family Assistance Office, Fair Work Australia and the ABS. Full citations are available on request.

is compared with the after housing poverty line, the affordability equation looks less tolerable. These households in each capital city remain below the poverty line by considerable amounts, ranging from \$43.19 in Adelaide, \$53.19 in Hobart and Melbourne up to \$268.19 in Darwin.

In order to move out of rental stress and above the poverty line, these households are required to increase their income to at least equal average weekly earnings of \$1,308.84. Even then, they will continue to devote between 24 percent and 42 percent of their income to rent.

### **Rent assistance**

Commonwealth Rent Assistance (CRA) is provided to recipients of Centrelink and Family Tax Benefit payments with the objective of improving affordability for private tenants. Many workers in insecure employment receive CRA either due to part receipt of a benefit such as Newstart or in addition to receiving Family Tax Benefit payments.

Unlike housing payments in many other nations, CRA is provided as an income support payment and is only intended to improve affordability for recipients rather than as a guarantee that recipients avoid housing poverty.<sup>5</sup> Generally, CRA achieves this all too modest objective, reducing the percentage of all recipients in rental stress from 71 percent before receipt of CRA to 42 per cent after. More than 40 percent of recipients - almost half - remained in housing stress. Rent consumes more than half the household budget for 14 percent of recipients.<sup>6</sup>

The maximum CRA rate is making a progressively smaller contribution to alleviating housing stress for CRA recipients. CRA has lagged behind increasing rents in all capital cities and now covers a smaller proportion of rent than in 1995. At a national level, median weekly rent has risen by 41 percent from \$164 in 1995 to \$232 in 2010 – that is the cost of rental housing as increased by 41 percent more than the general cost of living.<sup>7</sup> These figures reflect the general long term rise in housing prices. However, the maximum rates of CRA have remained virtually constant in real terms of this period.

The declining effectiveness of CRA compounds the problems associated with low income. Furthermore, households without children who do not receive some Centrelink benefits are not eligible for CRA. As a result, those workers on incomes comparable to those on benefit or in fact lower than those households with children receiving the family tax benefit are placed in a disadvantageous position.

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<sup>5</sup> CRA is paid to tenants in the private market and community housing, meeting 75 cents in the dollar for rent payments above a minimum threshold up to a maximum threshold. The maximum payment rates and rent thresholds vary according to a customer's household situation and number of children. Maximum weekly CRA payment rates range from \$38.40 for singles sharing accommodation, \$57.50 for singles not sharing to \$76.44 for singles or couples with three or more children. Those in shared housing have their CRA payments reduced by one third. Rent thresholds and maximum rates are indexed twice a year in line with CPI.

<sup>6</sup> Productivity Commission (2012) *Report on Government Services 2012*. Canberra: Productivity Commission.

<sup>7</sup> Colic-Piesker, V, Ong, R and McMurray, C (2010) *Falling Behind. The growing gap between rent and rent assistance 1995-2009*, Prepared by RMIT AHURI Research Centre for the Tenants Union of Victoria, available <http://www.tuv.org.au/policy+and+research/research>

### Consequences of low income

Housing affordability problems require households to adapt to their circumstances. As housing affordability is largely a function of income, higher income households are better able to adapt to a change of financial, employment, health or familial circumstances by using their financial resources to ensure their existing housing is either retained or alternative housing of an appropriate standard is secured. Low income households are much less able to make these adaptations without serious detriment to their financial situation or general wellbeing. Adapted from Burke, Table 2 below provides an overview of the adaptations households make to particular housing affordability problems and the problems associated with each of these.<sup>8</sup>

**Table 2: Adaptations to housing affordability problems**

Adaptation	Process	Associated problems
Deferment of move to independent living	Individuals remain at home, particularly young people	Reduces personal space, creates family tensions and in some cases may precipitate family breakdown  May defer marriage and child birth plans
Over-crowding	Household and individuals share a dwelling so that housing costs are spread. Affordability may be achieved but at cost of housing appropriateness	Over-crowding can create health problems, particularly those of a contagious nature  Reduces personal space, creates tensions and can accentuate domestic violence and relationship breakdown
Relocation	Households relocate to areas where property is more affordable	Areas of higher affordability may be affordable because of lack of other amenities and resources including transport and employment. The affordability problem is substituted by employment and social isolation problems, as in many small rural towns
Increase income	Households take actions legally (gain employment, seek higher paid position) or illegally (theft, drug dealing, black market activities) to obtain an income that covers housing costs	The seeking of adequate paid employment (most of it legal) has been the major way of addressing affordability, and the bulk of households succeed in doing so. Whether future labour markets will enable this to be sustained for most households is an important question

<sup>8</sup> Burke, T (2010) Housing Economics and Finance Course notes, Department of Human Services and Swinburne University.

Change household arrangements	People form new households (partner or re-partner) and/or share housing costs or increase household income such that housing costs are more affordable	Only a problem if this is a constrained decision. If so, it may create tensions and increase relationship breakdown, starting another round of housing hardship
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Households adapting to affordability problems are forced to make trade-offs. Burke et al found many low income renters are making trade-offs which are arguably unacceptable in an affluent society.<sup>9</sup> Trade-offs reported by low income households experiencing housing stress include economizing on food, heating and cooling, going without health or dental care, withdrawing from children’s educational activities, selling or pawning possessions. These are stark indicators of the effect of housing affordability problems on the health and wellbeing of low income households. Burke’s data shows low income home purchasers were much less likely than low income renters to report negative effects on their wellbeing in most categories.

Experiencing rent arrears is a consequence of low or irregular income observed very strongly in our case work. While we are not able to collect demographic income on our clients, anecdotally the vast majority of those provided with advice or representation with rent arrears who are in paid employment are in insecure or non-standard work. This experience is also associated with those clients who regularly move into and out of paid employment.

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<sup>9</sup> Burke, T, Pinnegar, S, Phibbs, P, Neske, C, Gabriel, M, Ralston, L, and Ruming, K (2007) Experiencing the housing affordability problem: blocked aspirations, trade-offs and hardships, Final Report, AHURI, Melbourne.





## Attachment A:

Hospitality Workers		Affordable Rent		Median Rent		
City	Property Type	Rent (30% Total Income <sup>1</sup> )	% of Median Rent	Rent	% of Income	Difference from AHPL
<b>Adelaide</b>						
Couple (2 children)	3 BR House	\$287.00	89.7%	\$320.00	33.5%	(\$13.99)
Single	1 BR Flat	\$59.00	25.7%	\$230.00	>100%	(\$300.47)
<b>Brisbane</b>						
Couple (2 children)	3 BR House	\$287.00	73.6%	\$390.00	40.8%	(\$83.99)
Single	1 BR Flat	\$59.00	20.3%	\$290.00	>100%	(\$300.47)
<b>Canberra</b>						
Couple (2 children)	3 BR House	\$287.00	66.7%	\$430.00	45.0%	(\$123.99)
Single	1 BR Flat	\$59.00	21.5%	\$275.00	>100%	(\$300.47)
<b>Darwin</b>						
Couple (2 children)	3 BR House	\$287.00	52.7%	\$545.00	57.1%	(\$238.99)
Single	1 BR Flat	\$59.00	20.1%	\$293.00	>100%	(\$300.47)
<b>Hobart</b>						
Couple (2 children)	3 BR House	\$287.00	87.0%	\$330.00	34.5%	(\$23.99)
Single	1 BR Flat	\$59.00	31.1%	\$190.00	95.9%	(\$292.40)
<b>Melbourne</b>						
Couple (2 children)	3 BR House	\$287.00	84.4%	\$340.00	35.6%	(\$33.99)
Single	1 BR Flat	\$59.00	19.7%	\$300.00	>100%	(\$300.47)
<b>Perth</b>						
Couple (2 children)	3 BR House	\$287.00	75.5%	\$380.00	39.8%	(\$73.99)
Single	1 BR Flat	\$59.00	19.7%	\$300.00	>100%	(\$300.47)
<b>Sydney</b>						
Couple (2 children)	3 BR House	\$287.00	71.8%	\$400.00	41.9%	(\$93.99)
Single	1 BR Flat	\$59.00	14.2%	\$415.00	>100%	(\$300.47)

Source: Hospitality Industry (General) Award 2010

[http://www.fwa.gov.au/documents/modern\\_awards/award/ma000009/default.htm](http://www.fwa.gov.au/documents/modern_awards/award/ma000009/default.htm)

Retail Workers		Affordable Rent		Median Rent		
City	Property Type	Rent (30% TI <sup>1</sup> )	% of MR	Rent	% of Income	Diff from AHPL
<b>Adelaide</b>						
Couple (2 children)	3 BR House	\$293.00	91.6%	\$320.00	32.8%	\$6.33
Single	1 BR Flat	\$60.00	26.1%	\$230.00	>100%	(\$300.47)
<b>Brisbane</b>						
Couple (2 children)	3 BR House	\$293.00	75.1%	\$390.00	40.0%	(\$63.67)
Single	1 BR Flat	\$60.00	20.7%	\$290.00	>100%	(\$300.47)
<b>Canberra</b>						
Couple (2 children)	3 BR House	\$293.00	68.1%	\$430.00	44.1%	(\$103.67)
Single	1 BR Flat	\$60.00	21.8%	\$275.00	>100%	(\$300.47)
<b>Darwin</b>						
Couple (2 children)	3 BR House	\$293.00	53.8%	\$545.00	55.9%	(\$218.67)

Single	1 BR Flat	\$60.00	20.5%	\$293.00	>100%	(\$300.47)
<b>Hobart</b>						
Couple (2 children)	3 BR House	\$293.00	88.8%	\$330.00	33.8%	(\$3.67)
Single	1 BR Flat	\$60.00	31.6%	\$190.00	94.6%	(\$289.56)
<b>Melbourne</b>						
Couple (2 children)	3 BR House	\$293.00	86.2%	\$340.00	34.9%	(\$13.67)
Single	1 BR Flat	\$60.00	20.0%	\$300.00	>100%	(\$300.47)
<b>Perth</b>						
Couple (2 children)	3 BR House	\$293.00	77.1%	\$380.00	39.0%	(\$53.67)
Single	1 BR Flat	\$60.00	20.0%	\$300.00	>100%	(\$300.47)
<b>Sydney</b>						
Couple (2 children)	3 BR House	\$293.00	73.3%	\$400.00	41.0%	(\$73.67)
Single	1 BR Flat	\$60.00	14.5%	\$415.00	>100%	(\$300.47)

Source: General Retail Industry Award 2010

[http://www.fwa.gov.au/documents/modern\\_awards/award/MA000004/default.htm](http://www.fwa.gov.au/documents/modern_awards/award/MA000004/default.htm)

<b>Adelaide</b>		Affordable Rent		Median Rent		
Household Type	Property Type	Rent (30% of Total Income)	% of Median Rent	Rent	% of Income	Difference from AHPL
Single - Austudy	1 BR Flat	\$60.00	26.1%	\$230.00	90.5%	(\$191.97)
Single (>21yrs) - Newstart [Sharing]	2 BR Flat	\$79.00	58.5%	\$135.00	47.7%	(\$67.82)
Single - Aged Pension	1 BR Flat	\$130.00	56.5%	\$230.00	53.0%	(\$11.92)
Single Parent (1 child) - Parenting	2 BR Flat	\$156.00	57.8%	\$270.00	51.4%	(\$73.29)
Couple (2 children) - Newstart	3 BR House	\$217.00	67.8%	\$320.00	44.3%	(\$162.19)
Couple (2 children) - AWE	3 BR House	\$393.00	122.8%	\$320.00	24.4%	\$339.69
Couple (2 children) - Min Wage	3 BR House	\$278.00	86.9%	\$320.00	34.6%	(\$43.19)

<b>Brisbane</b>		Affordable Rent		Median Rent		
Household Type	Property Type	Rent (30% of Total Income)	% of Median Rent	Rent	% of Income	Difference from AHPL
Single - Austudy	1 BR Flat	\$60.00	20.7%	\$290.00	>100%	(\$216.02)
Single (>21yrs) - Newstart [Sharing]	2 BR Flat	\$79.00	41.6%	\$190.00	67.1%	(\$122.82)
Single - Aged Pension	1 BR Flat	\$130.00	44.8%	\$290.00	66.8%	(\$71.92)
Single Parent (1 child) - Parenting	2 BR Flat	\$156.00	41.1%	\$380.00	72.4%	(\$183.29)
Couple (2 children) - Newstart	3 BR House	\$217.00	55.6%	\$390.00	54.0%	(\$232.19)
Couple (2 children) - AWE	3 BR House	\$393.00	100.8%	\$390.00	29.8%	\$269.69
Couple (2 children) - Min Wage	3 BR House	\$278.00	71.3%	\$390.00	42.1%	(\$113.19)

<b>Canberra</b>		Affordable Rent		Median Rent		
Household Type	Property Type	Rent (30% of Total Income)	% of Median Rent	Rent	% of Income	Difference from AHPL
Single - Austudy	1 BR Flat	\$60.00	21.8%	\$275.00	>100%	(\$216.02)
Single (>21yrs) - Newstart [Sharing]	2 BR Flat	\$79.00	40.0%	\$197.50	69.7%	(\$130.82)

Single - Aged Pension	1 BR Flat	\$130.00	47.3%	\$275.00	63.3%	(\$56.92)
Single Parent (1 child) - Parenting	2 BR Flat	\$156.00	39.5%	\$395.00	75.2%	(\$198.29)
Couple (2 children) – Newstart	3 BR House	\$217.00	50.5%	\$430.00	59.5%	(\$272.19)
Couple (2 children) - AWE	3 BR House	\$393.00	91.4%	\$430.00	32.9%	\$229.69
Couple (2 children) - Min Wage	3 BR House	\$278.00	64.7%	\$430.00	46.4%	(\$153.19)

Darwin		Affordable Rent		Median Rent		
Household Type	Property Type	Rent (30% of Total Income)	% of Median Rent	Rent	% of Income	Difference from AHPL
Single - Austudy	1 BR Flat	\$60.00	20.5%	\$293.00	>100%	(\$216.02)
Single (>21yrs) - Newstart [Sharing]	2 BR Flat	\$79.00	38.7%	\$204.00	72.0%	(\$136.82)
Single - Aged Pension	1 BR Flat	\$130.00	44.4%	\$293.00	67.5%	(\$74.92)
Single Parent (1 child) - Parenting	2 BR Flat	\$156.00	38.2%	\$408.00	77.7%	(\$211.29)
Couple (2 children) – Newstart	3 BR House	\$217.00	39.8%	\$545.00	75.4%	(\$387.19)
Couple (2 children) - AWE	3 BR House	\$393.00	72.1%	\$545.00	41.6%	\$114.69
Couple (2 children) - Min Wage	3 BR House	\$278.00	51.0%	\$545.00	58.9%	(\$268.19)

Hobart		Affordable Rent		Median Rent		
Household Type	Property Type	Rent (30% of Total Income)	% of Median Rent	Rent	% of Income	Difference from AHPL
Single – Austudy	1 BR Flat	\$60.00	31.6%	\$190.00	74.8%	(\$151.97)
Single (>21yrs) - Newstart [Sharing]	2 BR Flat	\$79.00	58.5%	\$135.00	47.7%	(\$67.82)
Single - Aged Pension	1 BR Flat	\$130.00	68.4%	\$190.00	43.8%	\$28.08
Single Parent (1 child) – Parenting	2 BR Flat	\$156.00	57.8%	\$270.00	51.4%	(\$73.29)
Couple (2 children) - Newstart	3 BR House	\$217.00	65.8%	\$330.00	45.7%	(\$172.19)
Couple (2 children) - AWE	3 BR House	\$393.00	119.1%	\$330.00	25.2%	\$329.69
Couple (2 children) - Min Wage	3 BR House	\$278.00	84.2%	\$330.00	35.6%	(\$53.19)

Melbourne		Affordable Rent		Median Rent		
Household Type	Property Type	Rent (30% of Total Income)	% of Median Rent	Rent	% of Income	Difference from AHPL
Single - Austudy	1 BR Flat	\$60.00	20.0%	\$300.00	>100%	(\$216.02)
Single (>21yrs) - Newstart [Sharing]	2 BR Flat	\$79.00	45.1%	\$175.00	61.8%	(\$107.82)
Single - Aged Pension	1 BR Flat	\$130.00	43.3%	\$300.00	69.1%	(\$81.92)
Single Parent (1 child) - Parenting	2 BR Flat	\$156.00	44.6%	\$350.00	66.7%	(\$153.29)
Couple (2 children) – Newstart	3 BR House	\$217.00	63.8%	\$340.00	47.1%	(\$182.19)
Couple (2 children) - AWE	3 BR House	\$393.00	115.6%	\$340.00	26.0%	\$319.69
Couple (2 children) - Min Wage	3 BR House	\$278.00	81.8%	\$340.00	36.7%	(\$63.19)

Perth		Affordable Rent		Median Rent		
Household Type	Property Type	Rent (30% of Total Income)	% of Median Rent	Rent	% of Income	Difference from AHPL
Single – Austudy	1 BR Flat	\$60.00	20.0%	\$300.00	>100%	(\$216.02)
Single (>21yrs) - Newstart [Sharing]	2 BR Flat	\$79.00	42.7%	\$185.00	65.3%	(\$117.82)
Single - Aged Pension	1 BR Flat	\$130.00	43.3%	\$300.00	69.1%	(\$81.92)
Single Parent (1 child) – Parenting	2 BR Flat	\$156.00	42.2%	\$370.00	70.5%	(\$173.29)
Couple (2 children) - Newstart	3 BR House	\$217.00	57.1%	\$380.00	52.6%	(\$222.19)
Couple (2 children) - AWE	3 BR House	\$393.00	103.4%	\$380.00	29.0%	\$279.69
Couple (2 children) - Min Wage	3 BR House	\$278.00	73.2%	\$380.00	41.0%	(\$103.19)

Sydney		Affordable Rent		Median Rent		
Household Type	Property Type	Rent (30% of Total Income)	% of Median Rent	Rent	% of Income	Difference from AHPL
Single – Austudy	1 BR Flat	\$60.00	14.5%	\$415.00	>100%	(\$216.02)
Single (>21yrs) - Newstart [Sharing]	2 BR Flat	\$79.00	35.1%	\$225.00	79.4%	(\$157.82)
Single - Aged Pension	1 BR Flat	\$130.00	31.3%	\$415.00	95.6%	(\$196.92)
Single Parent (1 child) - Parenting	2 BR Flat	\$156.00	34.7%	\$450.00	85.7%	(\$253.29)
Couple (2 children) – Newstart	3 BR House	\$217.00	54.3%	\$400.00	55.4%	(\$242.19)
Couple (2 children) – AWE	3 BR House	\$393.00	98.3%	\$400.00	30.6%	\$259.69
Couple (2 children) - Min Wage	3 BR House	\$278.00	69.5%	\$400.00	43.2%	(\$123.19)