

Submission

to

Senate Employment, Workplace Relations and Education
Legislation Committee

Inquiry into the Workplace Relations Amendment (WorkChoices) Bill 2005

Submitter: Rebecca Harrison
Research & Policy Worker

Organisation: Tenants Union of Victoria

Address: 55 Johnston Street
Fitzroy VIC 3065

Phone: (03) 9411-1410

Fax: (03) 9416 0513

Email: rharrison@tuv.org.au



ACN 081 34227
ABN 36 081 348 227

Fitzroy Office
55 Johnston Street
Fitzroy 3065
Phone (03) 9419 5577
Fax (03) 9416 0513

Secretary
Senate Employment, Workplace Relations and Education
Committee
Department of the Senate
Parliament House
Canberra ACT 2600
Australia

By Email: eet.sen@aph.gov.au

09 August 2005

Dear Committee Members,

RE: Inquiry into the Workplace Relations Amendment (Work Choices) Bill 2005

The Tenants Union of Victoria welcomes the opportunity to respond to the Inquiry into the Workplace Relations Amendment (Work Choices) Bill 2005.

The Tenants Union of Victoria 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 30,000 private and public renters in Victoria every year. Our commitment is to improving the status, rights and conditions of all tenants in Victoria. We represent the interests of tenants in law and policy making by lobbying government and businesses to achieve better outcomes for tenants, and by promoting realistic and equitable alternatives to the present forms of rental housing and financial assistance provided to low-income households.

We contend that the amendments to the industrial relations system proposed by the WorkChoices Bill will have a deleterious impact on low-income Australians – the 'working poor' and those reliant on government financial assistance - in the private rental market. For these people, housing costs are a direct cause of their experience of financial hardship and poverty.

Dysfunction in the private rental market is manifested in the significant undersupply of affordable housing located in areas close to employment opportunities. Research indicates that hundreds of thousands of Australian households pay so much of their incomes in rent that they are consequently experiencing poverty. To secure affordable housing, many people and families move to areas where rent may be less expensive, but there are fewer

employment opportunities. This means that to minimise rental costs, many households are risking the possibility of prolonged and/or intergenerational unemployment and welfare dependency as a direct consequence of an undersupply of affordable housing.

Housing is a basic survival need – people do not have the option whether to purchase it or not. The stated purpose of the WorkChoices Bill may be reform of the industrial relations system, but we are concerned that the unintended consequences of this reform package will be to further compromise housing choices. This is because the effects of enacting the Bill will be:

- A reduction in take-home income because of the loss of conditions such as weekend, shift and public holiday rates, overtime, redundancy pay, allowances and loadings;
- A minimum wage that does not keep pace with increases in the cost of living; and
- Reduced job security, due in part to the abolition of unfair dismissal for employees of companies with less than 100 staff, and because of the increased casualisation of the workforce as more Australians are employed under individual contracts;

Furthermore, we are concerned that the proposed 'welfare-to-work' reforms will also increase the likelihood of housing-related poverty for Australians affected by this policy. Currently, most recipients of government income support are also eligible for Commonwealth Rent Assistance (CRA), an income supplement paid in recognition of the increased housing costs faced by tenants in the private rental market (in comparison with the costs paid by those in public housing). These people (excluding families who remain eligible for CRA because they receive Family Tax Benefit) will no longer receive CRA once they start working; but if the work they secure is part-time, low paid and/or casual, these people may find themselves experiencing financial hardship because of the burden of their housing costs.

While we appreciate that a comprehensive analysis of the causes of poverty is not the purpose of this Inquiry, we nonetheless believe that the Committee and the Federal Government must understand the circumstances in which low-income renters survive; the effect that the cost of rent alone has on their experience of poverty; and their ensuing inability to cope with increases in their living costs caused by any reduction in their income (because of abolishment of penalty rates, loadings, overtime pay and similar).

The Affordability Crisis – the private rental market

A significant proportion of Australian households in the private rental market subsist in poverty, and their housing costs are a direct cause of their financial distress. 590,000 low-income private renter households experience 'housing stress,' defined as being in the bottom 40% of income distribution and spending 30% or more of income on housing. 949 698 Australians receive CRA, but 341 891 recipients (36%) still spend 30% or more of their income on housing. This proportion is widely recognised as a key indicator of poverty for households whose income are in the bottom 40% of distribution.

Private rental is the most likely form of housing tenure for low-income households (excluding aged pensioners), particularly for the young adult and middle-aged demographics. The cost of private rental has increased by 24% during the period 1975-1999, and for low-income households, housing costs (on average) increased from 16% to 23% of income. Compounding the increasing cost of rent is a shortage of rental properties at the low cost rent of the market. This shortage is acute in Australia's capital cities, and those on minimum or statutory incomes have great difficulty securing housing that is affordable and appropriate to their needs in these centres.

Attached is a copy of our most recent Affordability Bulletin, in which this research is detailed. The lack of affordable housing in our major cities is extremely problematic, given that these cities are where most, and the broadest range, of employment opportunities are located. Many low-income households are moving away from cities in order to secure affordable housing, but potentially reduce their opportunities of finding employment by doing so. Clearly, housing assistance needs to be considered in the context of broader welfare policy so that that CRA actually makes housing more affordable, and to ensure that low-income households do not have to choose housing related poverty in order to find and maintain employment.

The Transition to Home Ownership

Historically, the private rental market has been considered a place of transitional tenure, accommodating households prior to entering into home ownership. The assumption that most households will eventually own their own home underlies both housing policy and broader welfare policy. The reason that the aged pension has been set at a relatively low level in comparison to similar payments in other countries is because it is presumed that older Australians have low housing costs and a greater degree of financial security when they own their homes outright. Today, home ownership is widely considered essential to self-funded retirement and a reduced reliance on government financial assistance at this stage in the life cycle.

Recent research undertaken by the Australian Housing and Urban Research Institute (AHURI) examines whether the apparent decline in home ownership among Australians under 35 years of age is due to changes in affordability or to demographic phenomena. The obvious implication of changing affordability is that, in the future, a larger percentage of Australians will never be able to afford to purchase their own home. Alternatively, delays in family formation among younger Australians may cause ownership to be deferred to a later stage in life, while ultimately not affecting the overall rate of ownership.

Either way, it is likely that people will seek tenure in the private rental market for longer periods of time. However, we know this market is not capable of supporting a substantial proportion of the low-income households currently accommodated there, as demonstrated by: the almost 600 000 households suffering housing stress; the chronic shortage of rental housing available at the low-cost end of the market; and the incidence of households moving to areas with fewer employment opportunities in order to minimise their housing costs. Any further pressure on the private market from more people seeking to be accommodated there for longer periods will only disadvantage these low-income households further, as they are forced to pay more to secure housing, or risk potential unemployment by moving to areas where rents are more affordable but jobs less plentiful.

The WorkChoices Bill proposes to abolish the current regime of penalties, holiday and weekend rates, overtime and similar which presently form part of the incomes of many Australian employees, and seeks to encourage the use of contracts in which current rates of pay can be reduced. Obviously, any decline in income will make home purchase more difficult (especially in the context of today's inflated prices), putting more pressure on the private rental market to provide accommodation for more Australians over longer periods of time. Furthermore, any diminution of job security may make obtaining mortgages more difficult, potentially delaying or even preventing the transition to home ownership for increasing numbers of households. Given the significance of home ownership to the financial security of households and their need to rely on government income support, any indication that rates are declining, or may decline in the future, must be taken very seriously by policymakers.

In conclusion, the Tenants Union is doubtful that the future prosperity of Australia and Australian families will be ensured by reducing wages and job security. The changes to the industrial relations system proposed by the WorkChoices Bill will have the effect of reducing the take-home pay of low-income Australians, including many who are already struggling with poverty caused by their housing costs. Furthermore, diminished job security caused by the abolition of unfair dismissal laws and/or by the terms of an individual contract of employment, is likely to make the transition from private rental to home ownership more difficult in the future. The consequence of a decline in home ownership, or of deferral of purchase, is increased demand for accommodation in the private rental market. However, the private rental market cannot affordably accommodate a substantial proportion of the low-income households already there; any further pressure will likely constrain supply and increase prices further – an effect that that will have the most deleterious impact on low-income households, who simply do not have the resources to absorb any increase in the essential costs of living.

We urge the Government to rethink the WorkChoices Bill.

Yours sincerely,

Rebecca Harrison
Research & Policy Worker
Tenants Union of Victoria



Rental Housing Affordability Bulletin

A National Perspective

October 2005

The Private Rental Market and Low–Income Households

There has been a clear shift in policy away from the provision of housing assistance on public housing, and an increased reliance on the private rental market as a source/supplier of accommodation for low-income households (AIHW, 2003). This shift in policy has occurred despite an accumulation of evidence demonstrating that the private market is failing to provide a sufficient supply of appropriate and affordable housing and that low-income households in the private rental market are particularly vulnerable to poverty.

Recent data from the Real Estate Institute demonstrates that rents are becoming more expensive in Australia's capital citiesⁱ. Approximately 590,000 households in the private rental market are already struggling with housing stress. Housing stress is defined as spending more than 30% of disposable income on housing and being in the bottom 40% of income distribution.ⁱⁱ

Concurrent with increases in the cost of rent, there is an acute shortage of low to moderate cost rental dwellings in Australia's capital cities.ⁱⁱⁱ In particular, Sydney, Melbourne and Canberra are identified as cities where there is an insufficient supply of affordable housing available to meet increasing demand.^{iv}

Exacerbating this shortage is the tendency of higher income households to 'trade down' and occupy dwellings at the low-to-moderately priced end of the rental market in an effort to minimise their housing costs.^v This may assist more prosperous households to more quickly save for a deposit on their own home, but increased competition for a diminishing number of properties makes it even more difficult for low-income households to secure affordable housing.

The Role of Commonwealth Rent Assistance

The principal means by which housing support is provided by the Federal Government is Commonwealth Rent Assistance (CRA). CRA is an income supplement paid to eligible recipients in recognition of the increased costs faced by those in the private rental market (FaCS, 2004). However, despite the sheer amount of money spent, the evidence indicates that CRA is failing to make housing affordable for those on low incomes:

- Of the 949,698 recipients of CRA, 36% (341,891 recipients) spend 30% or more of their weekly income on housing.^{vi} The provision of CRA does not take into account substantial regional differences in the cost of rent. Rents in capital cities are significantly more expensive than those in non-metropolitan centres. This disparity is particularly pronounced in New South Wales, where rents in Sydney are approximately \$70 per fortnight higher than those paid in the rest of the state;^{vii}
- CRA is only available to recipients of certain government income support payments. A particularly unjust exclusion from eligibility is recipients of Austudy: 35,026 students^{viii} are expected to survive on \$163.25 per week. This amount constitutes approximately one-third of the minimum wage in Australia.^{ix} Data gathered by the Tenants Union of Victoria indicates that finding affordable housing in the private rental market on such a small income is impossible (see Tables below).

CRA is a demand subsidy that boosts the income of recipients, providing them with additional money to be spent on rent. Regrettably, despite being the primary form of housing assistance targeting the private rental market, it has absolutely no effect on the many other issues making rental accommodation less affordable particularly the supply of low cost housing.

CRA also has no effect on the dearth of supply that is particularly acute in metropolitan areas; on the location of rental housing in relation to job opportunities and community infrastructure; the standard and quality of the housing that is available; and on the possibility of discrimination by landlords and property managers in the provision of housing.

What is 'affordable housing'?

There is no consensus about the definition of housing affordability. Benchmarks of housing affordability are used in different contexts, and there is little agreement

about which standard provides the most accurate outcome. For this Bulletin, the Tenants Union of Victoria has concentrated on three well-recognised standards:

- **30% of Income:** A 'housing first' measure of affordability based originally on commercial lending terms. The assumption is that housing costs have first priority out of the household income. For low income households (such as those in receipt of statutory incomes and benefits), spending 30% or more of household income on rent is considered an indicator of housing stress.
- **25% of Income:** This is the proportion of income paid in rent by most public housing authorities. It recognises that most lower income households have a lesser threshold for affordability than the 30% applied to commercial lending.
- **Henderson Poverty Line (HPL) – After Housing Income:** 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 (Melbourne Institute, 2005).

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 dependant 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 households 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.

Two poverty lines are calculated: the HPL including housing costs and the After Housing HPL, or HPL from which the cost of housing has been removed.

The Tenants Union of Victoria supports a practical approach to the issue of affordability, believing that it is best demonstrated by households having sufficient income left over after paying their direct housing costs (ie their rent) for the other necessities of life. The following analysis highlights two indicators demonstrating the failure of the private rental market to affordably house low income Australians:

- The amount of income households have left at the end of the week after paying their housing costs; and
- The number of affordable properties available in the private rental market.

We have limited our analysis to direct housing costs ie: rent. However, a more comprehensive measure of housing affordability would factor in utilities and other housing-related expenses.

Affordability Across Australia – A Crisis in our Capital Cities

To provide a practical demonstration of the acute shortage of affordable housing in our capital cities, the Tenants Union conducted a simple survey. Focusing on the eastern seaboard of Australia, we set out to determine just how many low cost rental dwellings there were available on **Tuesday, 18 October 2005**. We derived the number of properties available database www.domain.com.au. Then we calculated the number of properties advertised that would be affordable to households in receipt of different types of statutory income or benefits, with reference to the 30% and 25% of household income and the After Housing HPL standards.

The tables on the following pages show the results of this analysis for representative household types.

The results clearly demonstrate that locating affordable housing in the private rental markets of Australia's capital cities is extremely difficult, and in some cases impossible, for low income Australians.

Note that the data presented relates only to the affordability and availability of rental dwellings; it does not address the related (and equally pressing) issues of the quality of housing stock, or whether renters can find housing appropriate to their particular needs and circumstances, in the private rental market.

1. Single person (> 21yrs) on Newstart Allowance, living alone

For a one bedroom unit

Affordability Measures	Sydney	Melbourne	Brisbane	Canberra	Adelaide	Perth	Hobart
30% Affordable Rent	\$66.00	\$66.00	\$66.00	\$66.00	\$66.00	\$66.00	\$66.00
No. properties available	0	0	0	0	0	0	0
30% After Housing Income	\$153.35	\$153.35	\$153.35	\$153.35	\$153.35	\$153.35	\$153.35
25% Affordable Rent	\$52.00	\$52.00	\$52.00	\$52.00	\$52.00	\$52.00	\$52.00
No. properties available	0	0	0	0	0	0	0
25% After Housing Income	\$157.23	\$157.23	\$157.23	\$157.23	\$157.23	\$157.23	\$157.23
After Housing HPL	\$63.00	\$63.00	\$63.00	\$63.00	\$63.00	\$63.00	\$63.00
No. properties available	0	0	0	0	0	0	0
HPL After Housing Income	\$154.07	\$154.07	\$154.07	\$154.07	\$154.07	\$154.07	\$154.07

Commentary:

This table illustrates most starkly the impossibility of singles accessing affordable rental housing. There are no properties available in any city without the person going into poverty. This example also shows that even access to CRA doesn't make housing affordable for young, single job seekers. Many singles in this situation would have no option but to live in poor quality rooming houses or caravan parks if they are unable to live with their parents.

2. Single person (>21 years) on Newstart Allowance, sharing

For a two bedroom flat

Affordability Measures	Sydney	Melbourne	Brisbane	Canberra	Adelaide	Perth	Hobart
30% Affordable Rent	\$66.00	\$66.00	\$66.00	\$66.00	\$66.00	\$66.00	\$66.00
No. properties available	0	17	0	0	6	0	3
30% After Housing Income	\$153.35	\$153.35	\$153.35	\$153.35	\$153.35	\$153.35	\$153.35
25% Affordable Rent	\$52.00	\$52.00	\$52.00	\$52.00	\$52.00	\$52.00	\$52.00
No. properties available	0	1	0	0	0	0	0
25% After Housing Income	\$157.23	\$157.23	\$157.23	\$157.23	\$157.23	\$157.23	\$157.23
After Housing HPL	\$63.00	\$63.00	\$63.00	\$63.00	\$63.00	\$63.00	\$63.00
No. properties available	0	8	0	0	6	9	3
HPL After Housing Income	\$154.07	\$154.07	\$154.07	\$154.07	\$154.07	\$154.07	\$154.07

Commentary:

This example highlights that sharing, traditionally seen as a form of rental housing that provides for greater affordability, makes only the slightest positive difference, in some cities to the level of affordable rentals. In Sydney and Brisbane low-income job seekers have no affordable rentals and in other cities there are only very few properties available. CRA is reduced by about one third for those who share, a situation that penalises people on the false assumption that sharers automatically have access to more affordable rentals.

3. Sole Parent with one child (7yrs) on Parenting Payment and FTB

For a two bedroom unit

Affordability Measures	Sydney	Melbourne	Brisbane	Canberra	Adelaide	Perth	Hobart
30% Affordable Rent	\$122.00	\$122.00	\$122.00	\$122.00	\$122.00	\$122.00	\$122.00
No. properties available	0	5	0	0	0	1	0
30% After Housing Income	\$284.46	\$284.46	\$284.46	\$284.46	\$284.46	\$284.46	\$284.46
25% Affordable Rent	\$97.00	\$97.00	\$97.00	\$97.00	\$97.00	\$97.00	\$97.00
No. properties available	0	0	0	0	0	0	0
25% After Housing Income	\$290.70	\$290.70	\$290.70	\$290.70	\$290.70	\$290.70	\$290.70
After Housing HPL	\$179.00	\$179.00	\$179.00	\$179.00	\$179.00	\$179.00	\$179.00
No. properties available	200	258	28	0	58	13	12
HPL After Housing Income	\$234.74	\$234.74	\$234.74	\$234.74	\$234.74	\$234.74	\$234.74

Commentary:

Despite the increased level of income support made available for parents with children there are still no affordable rentals in Canberra and very low levels in Perth, Hobart and Brisbane. While Sydney and Melbourne have many more properties available using one affordability measure the location of those properties are almost exclusively in outer suburbs with less employment, public transport and community service options.

4. Couple & two dependant children (aged 15 and 12) receiving Newstart Allowance

For a three bedroom house

Affordability Measures	Sydney	Melbourne	Brisbane	Canberra	Adelaide	Perth	Hobart
30% Affordable Rent	\$173.00	\$173.00	\$173.00	\$173.00	\$173.00	\$173.00	\$173.00
No. properties available	5	56	9	0	46	10	2
30% After Housing Income	\$404.24	\$404.24	\$404.24	\$404.24	\$404.24	\$404.24	\$404.24
25% Affordable Rent	\$141.00	\$141.00	\$141.00	\$141.00	\$141.00	\$141.00	\$141.00
No. properties available	0	3	0	0	11	0	0
25% After Housing Income	\$423.18	\$423.18	\$423.18	\$423.18	\$423.18	\$423.18	\$423.18
After Housing HPL	\$174.00	\$174.00	\$174.00	\$174.00	\$174.00	\$174.00	\$174.00
No. properties available	5	56	9	0	46	10	2
HPL After Housing Income	\$403.24	\$403.24	\$403.24	\$403.24	\$403.24	\$403.24	\$403.24

Commentary:

Again an example of extremely low levels of affordable rentals despite the extra benefits available to couples with dependant children. There are no affordable properties in Canberra and very low levels in all other cities.

5. Single person on minimum wage (\$467.40 per week)

For a one bedroom unit

Affordability Measures	Sydney	Melbourne	Brisbane	Canberra	Adelaide	Perth	Hobart
30% Affordable Rent	\$140.00	\$140.00	\$140.00	\$140.00	\$140.00	\$140.00	\$140.00
No. properties available	20	145	19	0	7	14	3
30% After Housing Income	\$327.40	\$327.40	\$327.40	\$327.40	\$327.40	\$327.40	\$327.40
25% Affordable Rent	\$117.00	\$117.00	\$117.00	\$117.00	\$117.00	\$117.00	\$117.00
No. properties available	0	86	1	0	4	2	1
25% After Housing Income	\$350.40	\$350.40	\$350.40	\$350.40	\$350.40	\$350.40	\$350.40
After Housing HPL	\$253.00	\$253.00	\$253.00	\$253.00	\$253.00	\$253.00	\$253.00
No. properties available	250+	250+	50	0	20	26	7
HPL After Housing Income	\$214.40	\$214.40	\$214.40	\$214.40	\$214.40	\$214.40	\$214.40

Commentary:

This table highlights that in every city except Canberra there is some level of affordable rental available in the 30% and HPL measure. In Melbourne there are even a range available at the 25% measure. This relatively improved affordability highlights the importance of the minimum wage in providing at least some chance of affordability and the risks of increased poverty associated with any reduction in the real value of the minimum wage.

ⁱ Real Estate Institute of Australia, *Real Estate Market Facts - December Quarter 2004*, 2005

ⁱⁱ National Centre for Social and Economic Modelling, *Trends in Housing Stress*, Paper presented at the National Summit on Housing Affordability, Canberra 28 June 2004

ⁱⁱⁱ see Australian Housing and Urban Research Institute (AHURI), *Changes in supply and need for low rent dwellings in the private rental market*, 2004 and Andrew Beer, *Housing Affordability and Planning in Australia* (paper presented to the Housing Studies Association Spring Conference, Belfast 2004)

^{iv} AHURI, *ibid.*

^v AHURI, *ibid.*

^{vi} Department of Family and Community Services (FaCS), *Annual Report 2003-2004*

^{vii} Australian Council Of Social Service and National Shelter, *Rent Assistance: does it deliver affordability?*, 2003

^{viii} FaCS, *Annual Report 2003-2004*

^{ix} FaCS, *ibid*