

Submission
to

Department of Families, Housing, Community Services and Indigenous Affairs

Pension Review

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Dear Sir/Madam

RE: Pension Review

The Tenants Union of Victoria (TUV) welcomes the opportunity to make a submission to the Pension Review.

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 25,000 private and public renters in Victoria every year. Our commitment is to improving the status, rights and conditions of all tenants in Victoria.

This submission will focus on the need to address those issues particular to pension recipients who live in private and public rental. We recommend the pension review address three key issues:

- Basic cost of living pressures by increasing the base rate payments for all social security payments;
- Increasing energy and water prices by extending the Utilities Allowance; and
- Increasing housing stress by significantly reforming Commonwealth Rent Assistance.

The focus will be on the latter recommendation.

Base rate increase for all social security payments

Current social security payments are inadequate. These payments are close to or below commonly used poverty lines. The cost of essential goods and services has continued to rise sharply placing severe pressure on the quality of life experienced by households dependent on social security payments. It is vital government acts to ensure these households are able to maintain acceptable living standards.

We recommend increases to the base rate payments for all social security payments including Newstart Allowance and Youth Allowance recipients as well as each class of pension.

We recommend that such broad ranging changes to the social security payments should be considered as a key element of the Henry Review into Australia's Future Tax System.

Extend Utilities Allowance to all social security recipients

Energy, water, transport and basic food costs are also likely to increase with the implementation of the Commonwealth Government's Carbon Pollution Reduction Scheme. Both public and private tenants have neither the rights nor incentives to make capital investments in the properties they rent. As a result of this, those households who occupy thermally poor and energy inefficient homes and own inefficient appliances will suffer a disadvantage in comparison to households with the capacity to reduce their consumption through energy efficiency. Low income renters are particularly disadvantaged due to their lack of control over the efficiency of their properties and fixed appliances. Accordingly, the Utilities Allowance currently available to pensioners should be indexed to keep pace with real movements in average utility costs and should be made available to all recipients of pensions and benefits. This extension should particularly target private renters regardless of income source – statutory incomes or wages.

We recommend the extension of the Utilities Allowance to those social security recipients who are not currently eligible.

Housing assistance for pensioners

The rental sector houses Australia's most disadvantaged citizens. Approximately 439,028 household or about a quarter of Victorian households rent their homes. Once seen as a transitional tenure, renting has become the long-term option for many households who are unable to access home ownership or public rental housing. More than half of those living in rental housing experience housing stress, defined as devoting more than 30 percent of income to housing costs. Almost a third of all Rent Assistance recipients experience housing stress.

Significant proportions of Aged Pensioners, Disability Support Pensioners and Carers Payment recipients live in private rental housing:

- 18 percent of single Age Pensioners and 8 percent of couples
- 47 percent of single Disability Support Pensioners and 21 percent of couples
- 39 percent of single Carer Payment recipients and 21 percent of couples

There is significant dependence on the private rental market for social security recipients beyond the categories examined in the pension review. These include 60 percent of Newstart recipients and 44 percent of couples and 92 percent of Youth Allowance recipients and 72 percent of couples (Source: FaHCSIA 2008 Pension Review Background Paper).

The housing market context in which social security payment recipients exist continues to change considerably. Renting is no longer a transitional tenure, with a growing number of households living in private rental and an increase in the length of time households remain in private rental housing. Meanwhile, the stock of affordable private rental housing has also continued to decline. Disturbingly the result has been many low income households are being squeezed out of the market. Of concern here is the fact that older people who reach 65 years of age as renters are extremely unlikely to move out of this tenancy, while Disability Support Pensioners and Carers Payment recipients will continue to have serious difficulties securing private rental housing. In addition to this, the public housing system is in decline.

Of particular concern is the emergence of a major economic divide among older Australians between a majority in home ownership and those who live in private rental. Those ageing on low incomes without a significant asset base are more likely to experience insecurity of tenure, have less choice on their living arrangements and more vulnerable to social isolation.

We believe reform of Commonwealth Rent Assistance is the most appropriate mechanism to address housing issues for pensioners who rent their homes. Commonwealth Rent Assistance requires significant reform to ensure affordability for all recipients and to address the disparity of wealth between pensioners who rent and those who are home owners. The objective of rent assistance should be that it delivers increased affordability to recipients and that no recipient experiences poverty after paying housing costs.

We recommend immediate reform of CRA payments by making the following changes:

- Immediately increasing the maximum payment for all household types
- Indexing maximum payments to median rent movements
- Increasing the rate of CRA per dollar of rent paid
- Establishing an additional payment for relocation to areas with significant employment opportunities
- Abolishing the sharers' discount.

As the effect of these changes varies more detailed modelling is required to establish the specific detail of each change and their interaction. For example, an increase in the maximum payment only will benefit those households currently receiving the maximum payment but not have any effect for other recipients. By contrast, only increasing the rate of CRA per dollar of rent will benefit recipients who are not on the maximum payment but have no effect for other recipients. A combination of both measures would improve effectiveness within the overall objective of increasing affordability.

More long term reforms should include improved targeting of assistance to those households experiencing higher housing stress and expanding the eligibility for rent assistance to all renter householders with incomes equivalent to statutory incomes.

We welcome any further opportunity to discuss our recommendations and the issues discussed in this submission. Please contact me should you have any further questions or would like to discuss these issues further.

Yours sincerely,

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