



Submission to Senate Standing Committee on Community Affairs

The Extent and Nature of Poverty in Australia

21st February 2023

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Recommendations

A meaningful increase to Commonwealth Rent Assistance

- That the Australian government, through the National Housing Supply and Affordability Council or the Economic Inclusion Advisory Committee, undertake an inquiry to examine reform of CRA to optimise value and impact for low-income rental households.
- And in the meantime, the Australian Government increase the maximum rate of CRA by at least 50%, and that this amount be indexed to the rental component of CPI from 2023 onwards.
- That eligibility for CRA be extended to all people who meet income tests requirements, irrespective of their source of income.
- The Australian Government permanently increase JobSeeker, Youth Allowance, Austudy, Abstudy, Special Benefit and Parenting Payments to at least \$73 per day.

Increased investment in social and affordable housing

- Commit and fund to delivering social and affordable housing to meet the target of social and affordable housing comprising 10% of total housing stock.
- Provide funding of an initial \$1million per annum over four years for NATSIHA to address Priority Reform Four of the National Agreement, to develop a National Aboriginal and Torres Strait Islander Housing and Homelessness Data Plan Strategy, collecting information and data on the need, supply and condition of housing for Aboriginal and Torres Strait Islander people and associated infrastructure.

Better housing security

- That the Australian government lead the development of a new national agenda for tenancy law reform with state/territory governments that provides better protections for tenants for security of tenure, rent setting, and rental increases.

1. Introduction

National Shelter welcomes the opportunity to make a submission to the Senate Standing Committee on Community Affairs on the 'extent and nature of poverty in Australia'.

This submission draws upon previous submissions made by National Shelter and is consistent with its policy positions. The focus of this submission is the interaction of housing, particularly housing costs and the current housing crisis, with poverty.

This submission will not canvass the definition of poverty and the overall levels of poverty in Australia. There is sufficient analysis in Australia on this including the work undertaken by the Poverty and Inequality Partnership¹.

It is well accepted that housing costs can be a significant contribution to poverty because it is the largest fixed cost for most households. Households that have lower housing costs can generally afford a higher standard of living than those on the same income with higher housing costs. Also, low incomes and poverty can prevent people from accessing and sustaining housing options. There are also tenure and spatial aspects to housing related poverty, with private renters and the public housing tenants more likely than home purchasers and homeowners to experience after housing costs poverty¹.

This submission will demonstrate the impact of housing costs and the magnitude of the current housing crisis, and the impact of low rates of income support, as contributors to poverty and housing unaffordability.

1.1 About National Shelter

National Shelter is a non-government peak body that aims to improve housing access, affordability, appropriateness, safety and security for people living on low incomes.

Since 1975, National Shelter has worked towards this goal by influencing government policy and action, and by raising public awareness about housing issues.

National Shelter's aim is to work towards every Australian having access to housing that is:

- affordable — people should not be living in poverty after they have met their housing costs
- adequate — everybody is entitled to housing that meets basic standards of decency and their own basic needs
- secure — people should not live under a threat of loss of home and shelter
- accessible — access to housing should be free from discrimination and conform with universal design principles, at a minimum.
- in the right place — housing should be located close to transport, services and support networks, job opportunities, and social and leisure activities
- able to meet their lifecycle needs — people have different housing needs at different stages of their lives, and housing should be available to meet these changing needs

National Shelter is supported by the work of State Shelters and members in all jurisdictions and its national member organisations, sponsors and associate members.

¹ <https://povertyandinequality.acoss.org.au/poverty/#what-is-poverty>

2. Housing as contributor to poverty

By almost every measure, Australia is facing a nationwide housing emergency. This has implications for low-income households who are already experiencing poverty, and is also a significant contributor to after housing poverty:

- Vacancy rates across Australia are functionally zero with both metropolitan, urban, and regional areas experiencing very low private rental vacancy rates at 0.8% (November 2022), with some areas experiencing vacancy rates at 0.1%^{ii iii}
- Domain state that vacant rental listings nationally are over 48% lower annually^{iv} with CoreLogic stating that new advertised rental listings for December 2022 being almost -14% lower than the five-year average for this time of year^v
- Significant increases in private rental prices^{vi} with the median rent for the December 2022 quarter having increased nationally 10.2% in 12 months, with capital cities increases 10.9% and regional areas 8.4%. The ten-year change in rental rates is 31.5% for units and 34.8% for houses nationally.
- The 2022 Rental Affordability Index (RAI) demonstrates deteriorating rental affordability in both capital city and regional areas of Australia. Regional areas were found to be the hardest hit, with rental affordability worsening across every state, even more so than capital cities^{vii}.
- Increasing rates of users of specialist homelessness services (SHS) with the number of users growing from 84,800 persons in 2017-18 to 91,300 persons in 2021-22^{viii}. This represents an increase of 8%, double the contemporary growth in national household population. Also, since 2017-18 the number of SHS services users has growth at double the rate in regional Australia as in capital cities (13% compared with 6%).
- The construction of social housing is not keeping pace with population growth or household growth. Social housing grew 2.6% between 2016-2021, while population growth was 5.7% and household growth 8.2%. In real terms, the growth of social housing was from 420,000 dwellings to 431,000 dwellings^{ix}.
- The winding up of the National Rental Affordability Scheme (NRAS) means that almost 25,000 incentives will expire between 2023 and 2026 placing additional pressure on the lower end of the market^x. It is anticipated that most of the homes owned by private NRAS recipients will not be retained as affordable housing, while NRAS properties owned by the community housing sector are more likely to be retained as affordable housing. This could see the loss of a minimum of 12,500 affordable rental homes but anticipate that the figure will be much higher.
- Recent research for CHIA has demonstrated that by 2041 there will be almost one million households with unmet housing needs^{xi} - an increase of 300,000 households from 2021². The research illustrates an overrepresentation of families with unmet housing need, and that lone person households' regional areas will be considerably impacted.
- People with disability or long-term health condition are over-represented in the private rental market than home ownership^{xii}. Ongoing project work in conducted by National Shelter, in conjunction with Rights & Inclusion Australia (R&IA)³, indicates that against virtually all measures people with disability are at further disadvantage when it comes to accessing and maintaining housing. Across the country renters with disability predominantly access the private rental market (for example, in Western Australia over 78,000 out of a total of 111,600) and are subject to discrimination and insecurity of tenure as a result of steeply rising rental prices, and an unwillingness on the part of landlords to apply the required modifications needed to make dwellings accessible.
- First Nations people continue to experience much poorer housing outcomes and homelessness, and it is well documented that poverty, unemployment, discrimination and a lack of appropriate

² Unmet need is defined as holds were not in appropriate housing on census night. These Australians were either experiencing homelessness, in overcrowded homes or spending over 30% of their income on rent.

³ This project is being undertaken by National Shelter, Rights and Inclusion Australia, and Enliven Communities. It is an Information, Linkages and Capacity Building (ILC) project funded by the department of Social Services (DSS).

housing impact on Aboriginal and Torres Strait Islander peoples' ability to access the housing they need^{xiii xiv}.

The housing crisis is predicted to increase, particularly for those households in the rental sector.

The increased quota for the permanent migration program to address the skills shortage gap will increase from 160,000 to 195,000 a year^{xv}. This is anticipated to place additional demand on our housing market, particularly the rental market. The Reserve Bank of Australia (RBA) anticipate that 'further large increases in rents expected over coming years as population growth picks up'^{xvi}.

To add to this, the October 2022 Budget predicted that cost of living pressures will be considerable for lower income households in the near future with increases in electricity prices and domestic gas prices. Real wages are expected to fall. It is projected that by June next year real wages will be 5% below June 2019. CPI is also rising faster than wages meaning wages are going backwards in real terms^{xvii} and are back to 2010 levels^{xviii}. The inflation spike is occurring in non-discretionary items (such as energy bills, food, transport) rather than discretionary items that can be left off purchasing for another time^{xix}.

Very low to low-income households are making very difficult decisions about expenditure on non-discretionary items that include housing, food, fuel, utilities, and healthcare.

The next sections unpack some of these issues in more depth.

2.1 Commonwealth Rent Assistance is not working

Commonwealth Rent Assistance (CRA) provides assistance to low-income renters in private rentals and community housing and prevents even more widespread housing stress and housing affordability issues among this group. However, CRA has not kept pace with increasing rents and household costs.

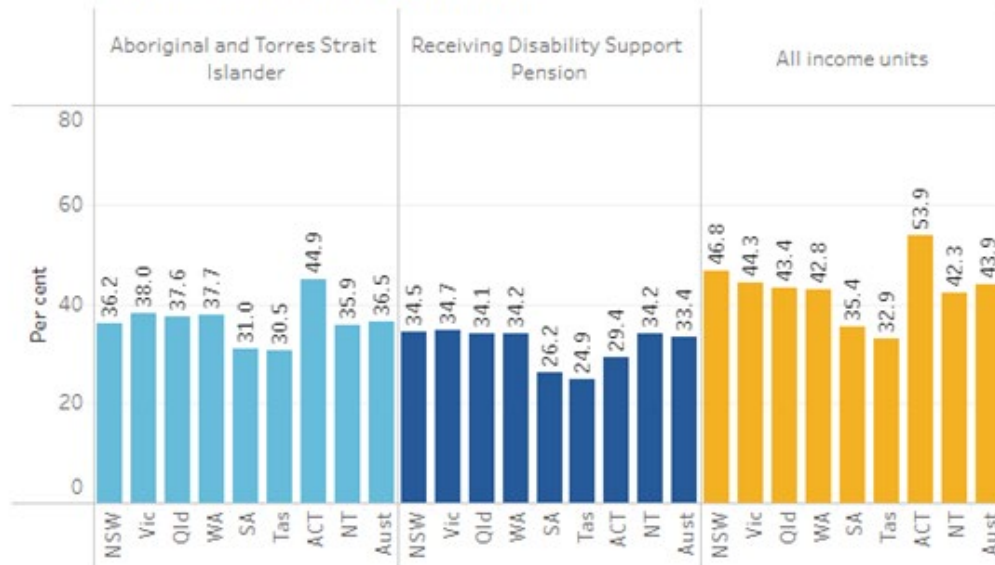
The most recent Report on Government Services (ROGS) states that the Australian government expenditure on Commonwealth Rent Assistance was \$4.9billion in 2021-22^{xx}. It is the most common form of housing assistance received by households today.

Low-income earners are particularly susceptible to housing instability as market factors lead to higher private rental prices. In 2019, just over 50% of lower income households renting in the private sector were paying more than 30% of their gross household income on housing costs.

The latest data from the ABS shows that across Australia, nearly 20% of low-income private renters were paying rents equating to more than half of their household income, and 58% of all low-income private tenants are paying more than 30% of their income on rent^{xxi}.

The most recent ROGS illustrates that of low-income households that received CRA, almost 72% would have experienced rental stress without CRA. Significantly, almost 44% still experienced rental stress with CRA. This means the value of CRA is not keeping pace with rental increases.

Figure G.2 Proportion of income units receiving CRA at end June, 2022, paying more than 30 per cent of income on rent by selected equity group, by jurisdiction



Source: table GA.13

Data tables are referenced above by a 'GA' prefix and all data (footnotes and data sources) are available for download above (in Excel and CSV format).



Source: <https://www.pc.gov.au/ongoing/report-on-government-services/2023/housing-and-homelessness>

There are a number of other identified issues with CRA including the rate of CRA indexed to overall inflation not the increases in rents, low-income households not eligible for CRA because they are not in receipt of income support payments, and a lack of regional variation in payment rates^{xxii}.

With this in mind, National Shelter recommends a review of CRA to ensure that is better targeted towards households in need, responds to regional variations, and is better able to respond to increased housing costs. This is a review that could be undertaken via the National Housing Supply and Affordability Council or the Economic Inclusion Advisory Committee, and input into the National Housing and Homelessness Plan.

While increasing CRA does not facilitate the supply of social and affordable housing, it provides meaningful relief to households who may not be eligible for or require a social and affordable housing outcome.

Recommendation

National Shelter recommends:

- That the Australian government, through the National Housing Supply and Affordability Council or the Economic Inclusion Advisory Committee, undertake an inquiry to examine reform of CRA to optimise value and impact for low-income rental households
- And in the meantime, the Australian Government increase the maximum rate of CRA by at least 50%, and that this amount be indexed to the rental component of CPI from 2023 onwards

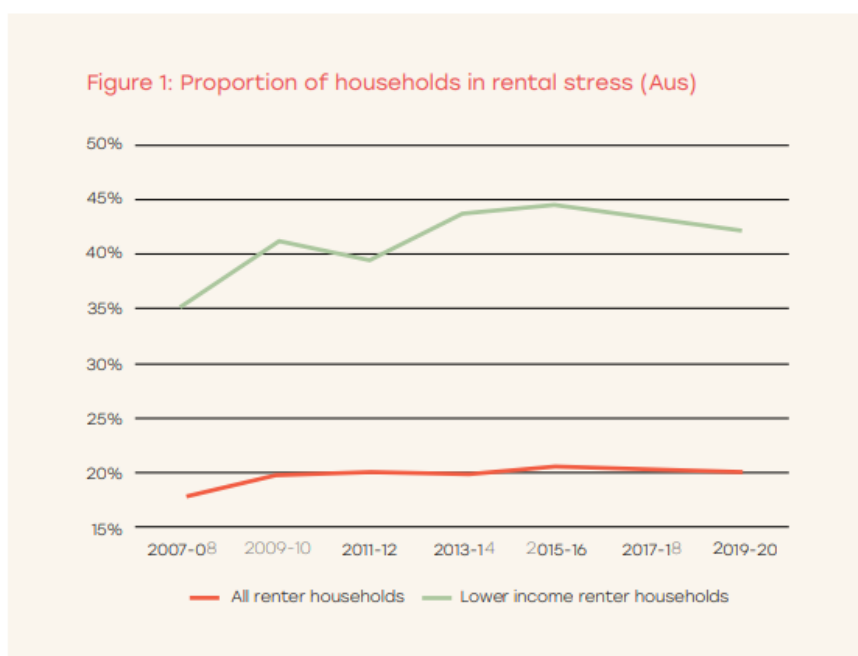
- That eligibility for CRA be extended to all people who meet income tests requirements, irrespective of their source of income.

2.2 Income support is insufficient

National Shelter and SGSEP produce the annual Rental Affordability Index. The index is an indicator of rental affordability relative to household incomes. The report has been produced since 2015. The index provides insights into how rental affordability impacts different places and household types.

The report highlights that poor rental affordability for lower income households including single people on JobSeeker payments, single pensioners, pensioner couples, single parents working part time, single income couples, single full time working parents, and students sharehousing.

In 2019-20, 42 per cent of all low-income households were in rental stress (paying more than 30 per cent of income on housing costs), compared to 35 per cent in 2008. This rises to 58 per cent when considering only the private rental market.



Source: https://www.sgsep.com.au/assets/main/Rental-Affordability-Index_Nov_2022_low-resolution.pdf

The time series of the Rental Affordability Index demonstrates the positive impact of temporarily raising the rate of JobSeeker had on rental affordability for a single person in capital city areas and regional areas. Once the supplement ceased, almost all areas reverted to their prior level of unaffordability. It is a clear indicator of how increasing income support can ensure that households are able to meet housing costs and also have available income to be able to meet their needs and costs.

COMPARE RAI HOUSEHOLD PROFILES OVER TIME BY REGION OF AUSTRALIA

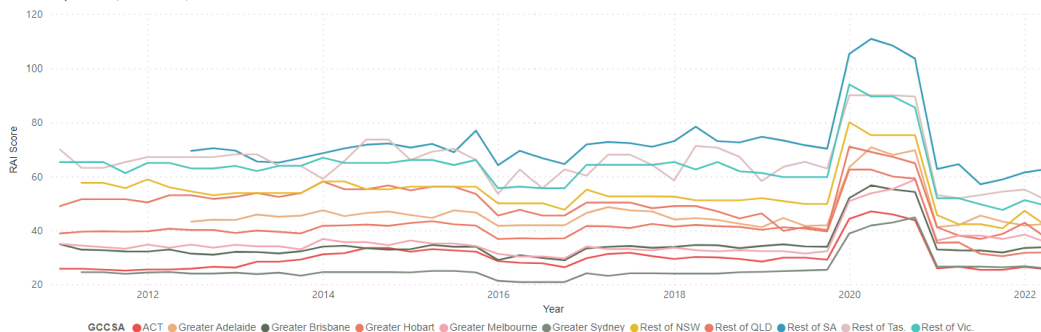
Use the filters below to view the RAI score for each household profile over time for the selected Region of Australia.

No bedroom size data is available for Greater Perth and Rest of WA.

Region of Australia: Household Profile:

Relative unaffordability	Share of income spent on rent	Index Score
Data not available		0
Very affordable rents		>200
Affordable rents	15% or less	151-200
Acceptable rents	20-25%	121-150
Moderately unaffordable rents	25-30%	101-120
Unaffordable rents	30-38%	81-100
Severely unaffordable rents	38-60%	51-80
Extremely unaffordable rents	60% or more	<50

RAI Comparison (2011 -2022)



Source: <https://www.sgsep.com.au/projects/rental-affordability-index>

Any meaningful impact to reducing after housing poverty and alleviating housing stress for lower income households must also include the permanent boost to income support.

National Shelter supports the campaign of Raise the Rate to permanently increase the working age payments to least \$73 per day. This would have a meaningful impact on the ability of low income households to meet housing costs and other non-discretionary items.

Recommendation

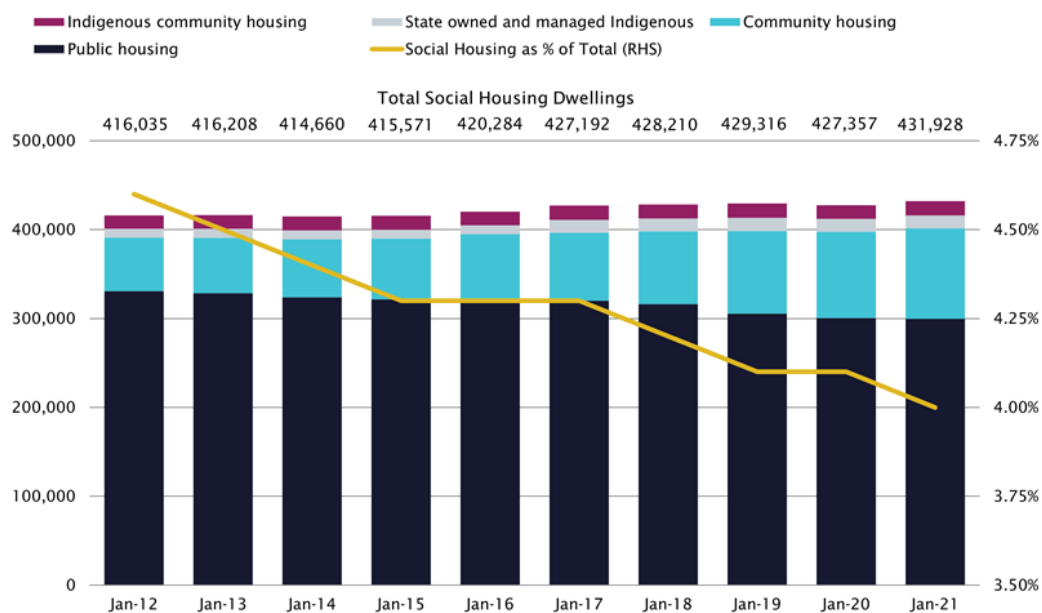
National Shelter recommends:

- The Australian Government permanently increase JobSeeker, Youth Allowance, Austudy, Abstudy, Special Benefit and Parenting Payments to at least \$73 per day.

2.3 Increased investment in social and affordable housing is needed

There is a need to significantly lift the investment into social and affordable housing to respond to the current demand, meet the backlog, and future demand. At least a minimum of 30,000 social and affordable dwellings needs to be delivered *annually* to meet this demand. Alternatively, we need to aim for social and affordable housing to be 10% of housing stock. This quantum does not need to be delivered from 2023/24, but a well laid out plan and commitment that ramps up delivery of a pipeline of 30,000 new dwellings per year. The current funding regime, including both the National Housing and Homelessness Agreement and the Housing Australia Future Fund will not achieve this aim.

While the stock of social housing dwellings has grown, the proportion of the stock to overall dwellings has declined. Also, the production of social housing is significantly lower than population growth^{xxiii}.



Source: Productivity Commission, *Report on Government Services 2022*, Housing and Homelessness, (Canberra: Productivity Commission, 2022)

Source:

https://www.aph.gov.au/About_Parliament/Parliamentary_departments/Parliamentary_Library/pubs/BriefingBook47p/HousingMarketInterventions

The funding commitment through the NHHA of \$1.6billion has remained relatively stable for some time without significant funding enhancements. The Australian government does have the means and will to provide significant funding towards housing outcomes when needed. This includes the \$2.5billion for the HomeBuilder scheme to support confidence in the residential construction sector, or the \$5.6billion Social Housing Initiative which had both significant social and economic benefits^{xxiv}.

Recommendations

National Shelter recommends:

- Commit and fund to delivering social and affordable housing to meet the target of social and affordable housing comprising 10% of total housing stock.

2.4 Better housing security is essential

Earlier this submission highlighted the significant increases in the private rental market and very low vacancy rates. The private rental market is highly competitive, and tenants are finding it increasingly difficult to locate appropriate and affordable housing. Tenants who are housed are facing insecurity of tenure as property owners significantly increase rents meaning that households have to decide whether to pay the increase or attempt to seek housing elsewhere. Either way, it is an unenviable position that is stressful for households and impacts on their health and wellbeing.

A significant and increasing proportion of Australians rent and will do so for long periods of time or the rest of their life. Renting is no longer a residual or transitional tenure – it is a normative housing experience for a larger number of households. Nationally, the long-term rental cohort is overrepresented by low-income households with 45.5% of all long term renters being low income^{xxv}.

Security of tenure is vitally important to prevent lower income households from bearing the costs of multiple moves in the private rental market with associated instability and disruption from relationships, support and education. Currently the private rental market is not providing security of tenure due to the significant rental increases which the tenant is not able to pay, or tenants given notices to leave so the property can achieve higher rents. Property owners are able to seek higher rents with tenants have very little meaningful recourse through tenancy regulations.

An outcome of this is forced moves for private rental households and the implications of these forced moves. It is difficult to establish a home that provides identity, security and a sense of belonging when housing is insecure.

As the Productivity Commission note '[c]ertainty over one's living location also promotes community and economic involvement, such as participating in local social and sporting activities and holding a job, and helps in maintaining continuity with services such as healthcare and schooling'^{xxvi}.

Housing transition is a critical life event, and moving from a tenancy can be problematic if it is not voluntary or not clearly stated. It can have a long term impact on the wellbeing of a household, including impacts on physical and mental health, as well as household stability and sense of control. It can disrupt access to place based services and this has a considerable impact on vulnerable households, families, older people and people with disability. Ending a tenancy may also precipitate a crisis in the household, leading to failed tenancies and homelessness, and becoming costly to households, government and community.

According to Martin et al (2022), the regulation of the Australian private rental sector directly affects about 40% of Australian households – 26% who live in private rental housing as tenants and 14% as owners^{xxvii}. States and territories are either currently undertaking reform of their residential tenancies legislation⁴ or have completed reform processes⁵. There is criticism that these processes have been 'uncoordinated at a national level, and significant divergences and gaps have opened up in the law'^{xxviii}. Despite the reforms, the regulations still accommodate property owners over the choice and control of the tenant resulting in an unbalanced relationship.

It is critical that tenancy regulations are more sophisticated to reflect the growing importance of renting, including better security of tenure, rent setting and rental increases.

While tenancy legislation is the remit of the state/territory governments, there has previously been a role for the Australian government to set the agenda for tenancy law. Almost 50 years ago the Australian government, through the reports of the Commission of Inquiry into Poverty, set the agenda for the law reform processes that eventually produced the residential tenancies legislation currently operating in all states/territories.

It is not unthinkable for the Australian government to lead the states/territories in establishing tenancy legislation that is consistent across the jurisdictions, particularly as the Commonwealth provides significant funds into the rental sector through Commonwealth Rent Assistance of almost \$5billion annually.

Recommendation

National Shelter recommends:

- That the Australian government lead the development of a new national agenda for tenancy law reform with state/territory governments that provides better protections for tenants for security of tenure, rent setting, and rental increases.

⁴ See South Australia, Western Australia, the Northern Territory, and Queensland is working through a second round of reforms.

⁵ See New South Wales, Victoria, and the ACT

3. Conclusion

There are two main causes of poverty that need to be addressed:

- Income related - poverty caused by lack of adequately paid employment, or availability of any employment at all; and the low level of benefits
- Housing-related, whereby housing costs leave people in a state of poverty after they are met.

National Shelter notes that in 2004 the Senate Standing Committee on Community Affairs released its report into the inquiry on poverty and financial hardship. This inquiry examined the extent, nature, and financial cost of poverty in Australia⁶.

The inquiry report made a number of recommendations that relate to housing that almost twenty years later have relevance today. These are:

- Increasing funding arrangements for public housing through the joint Federal and State/Territory funding agreement (currently the National Housing and Homelessness Agreement)
- Increased funding by the Commonwealth and the States/Territory for maintenance for social housing, increased funding for new social housing, and development of strategies to increase investment from the private sector into social housing
- Development a national housing strategy by the Commonwealth Government with specific strategies to increase supply of affordable housing for low-income groups, as well as reviewing the effectiveness of Commonwealth Rent Assistance

The 2004 report also recommended the development of an agreed national benchmark measure of poverty, and the development of a national anti-poverty strategy and implementation structures to support anti-poverty strategies. These are recommendations that are still needed today.

ⁱ See <https://povertyandinequality.acoss.org.au/poverty/comparison-of-poverty-rates-measured-before-and-after-housing-costs/> and <https://povertyandinequality.acoss.org.au/wp-content/uploads/2020/11/Poverty-property-and-place.pdf> and <https://bcec.edu.au/assets/2022/03/BCEC-Poverty-and-Disadvantage-Report-March-2022-FINAL-WEB.pdf>

ⁱⁱ <https://www.domain.com.au/research/vacancy-rates-november-2022-1186725/>

ⁱⁱⁱ Corelogic, 2023, Quarterly Rental Review, Australia, Released January 2023

^{iv} <https://www.domain.com.au/news/rent-prices-soar-to-record-highs-across-australias-capital-cities-1174319/>

^v Corelogic, 2023, Quarterly Rental Review, Australia, Released January 2023

^{vi} Corelogic, 2023, Quarterly Rental Review, Australia, Released January 2023

^{vii} <https://www.sgsep.com.au/projects/rental-affordability-index>

^{viii} <https://www.launchhousing.org.au/ending-homelessness/research-hub/australian-homelessness-monitor-2022>

^{ix} <https://www.launchhousing.org.au/ending-homelessness/research-hub/australian-homelessness-monitor-2022>

^x https://www.dss.gov.au/sites/default/files/documents/11_2022/september-2022-nras-quarterly-performance-report.pdf

^{xi} <https://www.communityhousing.com.au/chia-media-release-housing-stress-could-envelope-one-million-households-by-2041/>

^{xii} <https://www.pc.gov.au/research/completed/renters/private-renters.pdf>

^{xiii} See <https://www.aihw.gov.au/reports/housing-assistance/indigenous-people-focus-housing-homelessness/contents/at-a-glance>

^{xiv} See <https://www.aihw.gov.au/reports/australias-welfare/indigenous-housing>

^{xv} <https://immi.homeaffairs.gov.au/what-we-do/migration-program-planning-levels>

^{xvi} <https://www.rba.gov.au/monetary-policy/rba-board-minutes/2022/2022-12-06.html>

^{xvii} <https://www.theguardian.com/business/grogonomics/2022/oct/27/why-is-the-cost-of-living-going-crazy-even-as-the-reserve-bank-raises-rates>

^{xviii} <https://www.theguardian.com/business/grogonomics/2022/oct/27/why-is-the-cost-of-living-going-crazy-even-as-the-reserve-bank-raises-rates>

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^{xx} <https://www.pc.gov.au/ongoing/report-on-government-services/2023/housing-and-homelessness>

^{xxi} https://cms.launchhousing.org.au/app/uploads/2022/12/AustralianHomelessnessMonitor_2022.pdf

^{xxii} Ong, R., Pawson, H., Singh, R., and Martin, C. (2020) *Demand-side assistance in Australia's rental housing market: exploring reform options*, AHURI Final Report No. 342, Australian Housing and Urban Research Institute Limited, Melbourne, <https://www.ahuri.edu.au/research/final-reports/342>, doi:10.18408/ahuri8120801.

^{xxiii} See <https://blogs.unsw.edu.au/cityfutures/blog/2021/01/social-housing-production-continues-to-languish-while-demand-is-soaring/>

⁶ https://www.aph.gov.au/parliamentary_business/committees/senate/community_affairs/completed_inquiries/2002-04/poverty/index

xxiv <https://formerministers.dss.gov.au/11367/social-housing-initiative-creates-jobs-is-value-for-money/>

xxv See Stone, W., Burke, T., Hulse, K. and Ralston, L. (2013) Long term private rental in a changing Australian private rental sector, AHURI Final Report No.209. Melbourne: Australian Housing and Urban Research Institute

xxvi See Productivity Commission (2019), Vulnerable Private Renters: Evidence and Options, Commission Research Paper, Canberra.

xxvii Martin, C., Hulse, K., Ghasri, M., Ralston, L., Crommelin, L., Goodall, Z., Parkinson, S. and O'Brien Webb, E. (2022) Regulation of residential tenancies and impacts on investment, AHURI Final Report No. 391, Australian Housing and Urban Research Institute Limited, Melbourne, <https://www.ahuri.edu.au/research/finalreports/391>, doi: 10.18408/ahuri7124801.

xxviii Martin, C., Hulse, K., Ghasri, M., Ralston, L., Crommelin, L., Goodall, Z., Parkinson, S. and O'Brien Webb, E. (2022) Regulation of residential tenancies and impacts on investment, AHURI Final Report No. 391, Australian Housing and Urban Research Institute Limited, Melbourne, <https://www.ahuri.edu.au/research/finalreports/391>, doi: 10.18408/ahuri7124801.