

**Submission to inquiry:  
Adequacy of Newstart and related payments  
and alternative mechanisms to determine the  
level of income support payments in Australia**  
September 2019



**TENANTS'  
UNION**  
OF NEW SOUTH WALES

## Introduction

The Tenants' Union of NSW is the peak body representing the interests of tenants in New South Wales. We are a Community Legal Centre specialising in residential tenancy law and policy, and the main resourcing body for the statewide network of Tenants Advice and Advocacy Services (TAASs) in New South Wales. We have long-standing expertise in renting law, policy and practice.

Our work, and that of the Tenants Advice and Advocacy Services we work alongside, brings us into frequent contact with very low, low and moderate income households who rent across NSW. These include many households who are recipients of the Newstart Allowance (NSA) and related payments, as well as all recipients of Commonwealth Rent Assistance (CRA).

Our comments are relatively brief and with a focus on Commonwealth Rent Assistance, but we draw your attention to the submission from ACOSS and their recommendations. We have had the opportunity to review a draft of their submission. We generally agree with their submission and recommend this to you.

## Housing: a basic human need

When considering the question of an acceptable standard of living in Australia, it is essential this takes account of access to safe and secure housing. Over the past 20 years housing costs (rent and utilities) have increased at a significantly higher rate than other basic needs costs (food, clothing, medications, transportation, health and personal care costs). Housing costs are consistently the largest expense in a household budget for all low income households, but in particular those renting their homes in the private rental market.

According to the most recent Anglicare rental affordability snapshot only four percent of all properties across Australia were affordable and appropriate for those on income support payments.<sup>1</sup> As outlined in the section below on Commonwealth Rent Assistance, this means that a significant proportion of recipients of government income support are currently in severe rental stress. In practice this means they are often sacrificing other basic necessities such as food and medicines to avoid homelessness.

At the same time, it is clear many have not succeeded to avoid this. Homelessness is increasing. The Australian Bureau of Statistics estimates that 116,000 people were homeless in 2016, representing an increase in number of almost one third in the years between 2006 and 2016. In NSW the increase in the number of people experiencing homelessness has been particularly significant, rising by 70% over the 10 year period.

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<sup>1</sup> Anglicare (2019), *Rental Affordability Snapshot*, April 2019, <http://tiny.cc/Anglicare> (accessed 12/09/19)

Rising housing costs in the private rental market has placed particular pressure on those receiving NSA and other related payments, with the Australian Council of Social Services reporting an increase of 75% in the number of people on NSA accessing members' homelessness services across Australia.

Research undertaken by the Social Policy Research Centre at the University of NSW in 2017 revised earlier 'budget standards' for a Minimum Income for Healthy Living (MIHL) standard they had previously been developed in the mid-1990s which have been used to inform government policy settings in a number of areas. The budget standards used for the MIHL standard includes a very specific and minimal set of basic essentials (i.e. the budget is 'extremely tight') with no allowance for even modest or occasional 'luxury' items and assuming wastage is kept to an absolute minimum.

They found those on government income support were receiving an amount well below the income level required to meet a MIHL standard. For single adults in receipt of NSA the research identified an increase of \$96 per week was required to bring income levels up to MIHL standard. For couples with children there was also a significant gap between their income and the MIHL standard – for couples with 1 child this gap was \$58 a week, for those with 2 children \$126 a week.<sup>2</sup>

The Tenants' Union of NSW accepts that the MIHL standards usefully provide an absolute baseline as reference for the absolute minimum required for a healthy life. However for an acceptable standard of living they are overly austere and further may not adequately account for a range of contingent and/or variable costs across households. The authors note, for example, that the variability and complexity of determining relevant housing costs means it is almost impossible to develop a representative housing budget that can be applied to all households.

They reference different housing costs in relation primarily to tenure as that relates to mortgage costs vs rent and rent settings in public vs private rental housing. In addition, however it should be noted the model also does not reflect minimum housing costs because it does not take account of the proportionately higher utility costs, primarily energy costs, faced by lower income renting households who often find themselves in poor quality rental housing (see further discussion of this below)<sup>3</sup>. Raising the rate of NSA and other related payments only to the absolute baseline laid out by the MIHL standards would likely be insufficient to protect against entrenchment of poverty for those in receipt of income supports even for the short term, let alone those who find themselves longer term unemployed. We note that ACOSS's recommendation is to immediately increase the rate

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<sup>2</sup> Saunders & Bedford (2017), *New Minimum Income for Healthy Living Budget Standards for Low-Paid and Unemployed Australians* (SPRC Report 11/17). Sydney: Social Policy Research Centre, UNSW Sydney

<sup>3</sup> Australian Council of Social Services and Brotherhood of Saint Laurence (2018), *Energy Stressed in Australia*, October 2018, ACOSS. <https://www.acoss.org.au/wp-content/uploads/2018/10/Energy-Stressed-in-Australia.pdf> (accessed 13/09/2019)

with a path to calculate further necessary increases through the creation of a Social Security Commission.

### **Recommendations**

1. The Henderson poverty line (50% of median income) be adopted as the most appropriate guide to determining income support payments. This determination leads to necessary increases in the rate of NSA and other related payments across all family types such that all recipients of income support payments are kept or lifted out of poverty (that is, receive income at a rate that reflects a minimum 50% of median income).
2. Failing this, we support the Australian Council for Social Service's recommendation for an immediate increase in the single rate of NSA and related payments by an absolute minimum of at least \$75 per week with indexation and further measures be taken to determine appropriate levels of support.
3. Any increase in income support payments be indexed twice per year to movements in a standard Australian Bureau of Statistics measure of wage levels (before tax), as well as movements in the Consumer Price Index.

### **Commonwealth Rent Assistance**

Commonwealth Rent Assistance currently does not provide adequate assistance to renters on NSA and other related payments to meet their housing costs. Currently the payment is indexed to the Consumer Price Index (CPI). However rents have increased at a much higher rate than CPI. Between 2003 and 2017 CPI increased by 41%, average rents increased by 64%. This has meant increases to CRA have fallen far behind rent increases in the private rental market.

In 2018 the median CRA payment was \$135 per fortnight, equating to 30% of median fortnightly rent (\$450 per fortnight). Just over 1.3 million people were receiving Commonwealth Rent Assistance, a significant number of these in rental stress. The Australian Institute for Health and Welfare reports 40% of all CRA recipients are currently in rental stress, with a third of these paying more than 50% of their income on rent.<sup>4</sup>

The Tenants' Union NSW favours a conception of housing affordability which means that households on very low and low incomes have sufficient funds to live an adequate standard of living after housing costs<sup>5</sup>, with housing costs understood to include not just rent but also utilities. Utility costs need to be taken into account as housing costs to ensure a person's housing meets an acceptable and safe standard, especially in relation to heating and cooling. Working with this broader definition, we feel the number of CRA

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<sup>4</sup> Australian Institute of Health and Welfare, *Housing Assistance in Australia 2019*, <https://www.aihw.gov.au/reports/housing-assistance/housing-assistance-in-australia-2019/contents/financial-assistance> (accessed 12/09/19)

<sup>5</sup>

recipients struggling with housing costs is significantly understated in the figures above.

Immediately increasing the maximum amounts of CRA would help vulnerable households experiencing the worst affordability problems. We suggest an immediate increase to maximum rates of CRA must adequately take into account housing costs as they are borne by different household types, as well as local housing market conditions and current rents. There is, for example, available data indicating recipients of the single rate of government income support are generally disproportionately impacted by costs of housing and may require greater assistance. Similarly rents in the private rental market can vary substantially depending on location. This variation needs to be taken into account to ensure households in receipt of CRA are able to cover housing costs alongside all other typical living costs.

We are also aware that apart from those receiving income support payments, there are many other low income households within our communities who are currently in housing stress and should be appropriately assisted via Commonwealth Rent Assistance payments. We expect that while this will increase the cost of the program, those who do not currently engage with the Centrelink system will avoid doing so until they find it necessary.

In assessing the budgetary and social impacts of increasing Commonwealth Rent Assistance, it is necessary to note that tenants in public and community housing will feel no benefit from such an increase despite also falling far below the income needed for an adequate standard of living. However, Commonwealth Rent Assistance is used as an effective operating subsidy to community housing providers (and the Aboriginal Housing Office). Tenants are required to pass 100% of their subsidy to their housing provider. An increase to CRA will increase the costs of the program while not increasing usable household income. This operating subsidy is not accounted for under current housing expenditure such as the National Housing and Homelessness Agreements. We do not make a recommendation on this point at this time.

There is some possibility that increasing Commonwealth Rent Assistance will act in an inflationary manner particularly at the lowest cost points in the private market. This is particularly likely in housing forms marketed towards people on lower incomes, such as boarding or rooming houses, where proprietors are keenly aware of the nature of their resident's incomes. Existing academic work does not give a clear indication of the degree of the effect though we note that there is a current Research Project being conducted for the Australian Housing and Urban Research Institute examining the issues of demand-side assistance and hope this work informs future design of assistance.

### **Recommendations**

4. Increase the maximum rate of Commonwealth Rent Assistance by a minimum of 30% for all recipients, with variation in increase above this minimum to take account

of family or household type, as well as local housing market conditions and current rents.

5. Index arrangements for Commonwealth Rent Assistance to take account of local market housing conditions and fluctuations in rents, rather than the current arrangement of CPI indexation
6. Expand eligibility for CRA to all very low and low income households by removing the eligibility requirement for a person or family to qualify for a social security payment and instead link eligibility to income.

### **Other related matters – Proposals regards introduction of Automatic Rent Deduction Scheme, Cashless Debit Card, and drug testing of welfare recipients**

The Tenants' Union of NSW has previously provided a [submission](#) on the Automatic Rent Deduction Scheme (ARDS) outlining our concerns and recommending it should not proceed. Introduction of ARDS would represent a disproportionate response to the relatively small 'problem' of arrears and debt in social housing. It would undermine the agency of people living in social housing and their ability to manage their own finances. We also hold concerns the scheme in practice would add unnecessary layers of complexity to social housing tenancy management systems with the potential to reduce fairness and transparency, and in some cases have unintended consequences that would place vulnerable households under extreme financial stress (see in particular our discussion of potential impact of ARDS in situations of rental rebate variation or cancellation in our 2017 submission).

We similarly hold concerns about the introduction of Cashless Debit Cards and drug testing of welfare recipients. As with ARDS, these proposals represent a punitive and coercive paternalistic approach that is not justified. For both there is no evidence that their introduction would improve the lives of the people they impact, and potential they would instead be detrimental. Their introduction would further stigmatise recipients of government income, in particular social housing tenants who are already facing significant stigma within the community. It is likely to cause particular problems in relation to Commonwealth Rent Assistance where it may exacerbate inflationary effects by transforming a cash payment into restricted use subsidy. We endorse ACOSS's submission on this point.

Working with tenants to overcome difficulties and restore financial independence for recipients who are struggling with financial difficulties and/or budgeting problems would be far more appropriate. Similarly redirecting the funds that would be required for the introduction and administration of the proposed drug testing regime and Cashless Debit Card scheme towards community based approaches to tackling addiction problems and towards specialist alcohol, drug and gambling addiction treatment programs would be a far more appropriate and efficient investment of government funds.

## Recommendations

7. The Automatic Rent Deduction Scheme and drug testing of welfare recipients should not proceed.
8. Compulsory income quarantining (including 'cashless cards') should be phased out as quickly as possible in consultation with individuals and communities affected, giving people given the option to continue on a voluntary basis.

## Alternative pathways to ensure adequacy of payments

While the focus of debate has concentrated on the amount of assistance given, Government has two paths to ensure the adequacy of income support payments. It can increase the amount of assistance, or it can act to reduce the costs facing those receiving assistance. While governments in Australia do not generally control pricing, with some notable exceptions, it does hold several levers to influence the living costs of the community.

### Real investment in public and community housing

To adequately address provision of affordable, secure, safe housing governments needs to invest substantially in public and community housing. The current shortfall in provision of genuinely affordable dwellings for people in receipt of the lowest 40% of incomes was calculated by Troy et al (2019) to be 651, 200 in 2016 and is projected to rise to 1, 023, 900 by 2036<sup>6</sup>. A large number of people experiencing this shortfall are currently being supported, though inadequately, by Commonwealth Rent Assistance.

The most effective protection against an increase in rent assistance costs, particularly for housing costs, is the provision of housing by government. Whether it takes the form of public housing or funding delivered to community housing with direct operating grants. As well as reducing the need for measures like rent assistance, provision of 'non-market' housing provides positive pressure on market housing by introducing real competition and higher standards. It is an effective lever for government to drive positive outcomes for both direct assistance recipients and others.

As noted above, the Commonwealth Rent Assistance which was designed as a private market product has been called on to also act as an operating subsidy in some forms of public and community housing. This means increasing Rent Assistance acts in different ways on the overall budget of programs, and also the impact on positive outcomes for those recipients. See Appendix 1 for the impact of different kinds of reforms on different tenure types.

### Recommendation

9. A National Housing Strategy be adopted, with a clear commitment to the aim of

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<sup>6</sup> Troy, van den Nouwelant & Randolph (2019), Estimating need and costs of social and affordable housing delivery, March 2019, <https://cityfutures.be.unsw.edu.au/research/projects/filling-the-gap/> (accessed 13/09/2019)

delivering 1 million truly affordable homes with rents appropriate to the household by 2036 as part of ensuring all people have a safe, secure and affordable home.

### **Ensuring safe and secure, and affordable housing**

The recommendations outlined above would be a step towards addressing the problem of housing affordability for those in receipt of income supports and/or in low income households. However, these steps alone will not ensure safe and secure housing which the inquiry recognises is necessarily part of an acceptable standard of living in Australia.

We recommend that the federal government and state governments, both as funders and providers of housing services and as regulators with responsibility for the operation of housing systems, ensure efficient government expenditure and investment towards safe and secure housing through further regulation, including reforms to current tenancy law.

#### *Introducing minimum standards with regards energy efficiency for private and public rental housing*

Very low and low income renters in the private rental sector are particularly vulnerable to energy poverty, often unable to afford to appropriately warm or cool their home and with limitations on their ability to adapt or install energy efficiency features for their housing.<sup>7</sup> Renters are four times more likely not to have insulation in their home. Low quality inefficient rental housing means they are paying higher energy bills to heat and cool their homes and are more likely to face adverse health consequences. The 2017 Australian Housing Conditions Dataset (AHCD) found 21% of renters on very low incomes are not able to keep their homes comfortably cool in summer, and 19% are not able to keep their homes comfortably warm in winter.<sup>8</sup>

Reform of this nature has begun to be considered in the COAG Energy Council Trajectory for Low Energy Buildings but more can be done<sup>9</sup>. Reforms to current state based tenancy laws introducing minimum energy efficiency standards are required. Savings as a result of improvements in energy efficiency across rental housing stock (both private and public) would lower general housing costs for recipients of income support payments and/or assistance.

#### *Tenancy reform to improve security for renters*

Currently in most jurisdictions across Australia renters can be evicted using 'no grounds' or 'no specified reason' termination provisions – with many facing eviction due to retaliation or discrimination.<sup>10</sup> State based residential tenancy laws need to be reformed to provide greater security to people who rent their homes.

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<sup>7</sup> Liu & Judd (2018) 'Tenure as barrier to low carbon living', State of Australian Cities Conference, November 2017

<sup>8</sup> Liu et al (2019) Poor quality housing and low income households, Shelter Brief No. 63

<sup>9</sup> COAG Energy Council (2019) *Trajectory for Low Energy Buildings*.

<http://coagenergycouncil.gov.au/publications/trajectory-low-energy-buildings> (accessed at 13/09/2019)

<sup>10</sup> Victoria recently introduced reforms to limit the use of 'no specified reason' termination notices, with end of fixed term termination notices only allowed at the end of the first fixed term.

The increased moving costs associated with this instability puts strain on budget finances and are unaccounted for in standards such as the Minimum Income for Healthy Living Budget Standards. By ensuring homes are stable and reliable, this also allows for a significantly improved standard of living without further call on expenditure by social security programs.

Further, rents as currently set in social housing are set at a rate that does not leave residents with sufficient funds for an adequate standard of living. Even substantial increases to NSA will not resolve this issue (see Appendix A). Consideration should be given to reforming rent setting models, and funding, to ensuring that the after housing costs of social housing residents is enough to for an adequate standard of living. At current income levels this may mean a much lower rent level, with Government funding to public and community housing providers set to cover operational costs. To ameliorate against budgetary pressures and continuing to prioritise new applicants with greater risk of homelessness, social housing eligibility should be expanded to allow for cross-subsidy from people with greater incomes (and therefore higher though still affordable rents). This will also have the effect of reducing stigma of public and community housing tenants.

### **Recommendation**

10. Federal Government should convene an intergovernmental committee of responsible State and Territory ministers to prevent wastage of assistance payments by enabling safe, secure and affordable rental housing by legislating in all jurisdictions for
  - minimum habitability standards, including energy efficiency, and
  - an end to evictions without just cause (however described).
  
11. Rent-setting models in public and community housing be reformed with a person-centred approach ensuring sufficient standard living after housing costs, and wider eligibility criteria.

For more information, please contact Leo Patterson Ross, Senior Policy Officer,



## References

Australian Council of Social Services and Brotherhood of Saint Laurence (2018), *Energy Stressed in Australia*, October 2018, ACOSS <https://www.acoss.org.au/wp-content/uploads/2018/10/Energy-Stressed-in-Australia.pdf> (accessed 13/09/2019)

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Davidson, P., Saunders, P., Bradbury, B. and Wong, M. (2018), *Poverty in Australia, 2018*. ACOSS/UNSW Poverty and Inequality Partnership Report No. 2, Sydney: ACOSS.

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## Appendix A:

### Comparative shortfalls in income for a single person living alone under different standards for different tenures after increasing Newstart Allowance by \$75pw and Commonwealth Rent Assistance maximum rate by 30%

#### MIHL standard\*

After housing costs	Public and community housing				Private rental			
	No change	NSA increase only	CRA increase only	Increase both	No change	NSA increase only	CRA increase only	Increase both
\$224.21	-\$12.52	\$43.73	-\$12.52	\$43.73	-\$100.50	-\$25.50	-\$79.90	-\$4.90

#### Henderson Poverty line#

After housing costs	Public and community housing				Private rental			
	No change	NSA increase only	CRA increase only	Increase both	No change	NSA increase only	CRA increase only	Increase both
\$353.29	-\$141.60	-\$85.35	-\$141.60	-\$85.35	-\$229.58	-\$154.58	-\$209.10	-\$134.10

\*Housing costs here refers to rent only; utilities must be paid after housing costs. NSA includes Energy Supplement and assumes no change in ES. MIHL standards adjusted to June 2019 using PBLCI series: A4116572J except for rents which are adjusted using CPI series A2326431V.

# Poverty line calculated from the ACOSS and UNSW report 'Poverty in Australia 2018'. Private rent cost uses MIHL standard adjusted using CPI series A2326431V