



ST.KILDA
Community Housing Ltd

Submission to the Senate Inquiry Into
“The adequacy of the allowance payment system
for jobseekers and others, the appropriateness
of the allowance payment system as a support
into work and the impact of the changing nature
of the labour market”

August 2012

Introduction

St Kilda Community Housing (SCH) welcomes this opportunity to contribute to the Senate Inquiry. SCH is a registered community housing provider that has been providing rooming house accommodation within St Kilda for almost 30 years. By the end of 2012, SCH will be running 20 rooming houses with 336 rooms. In the past five years the profile of our stock has changed considerably. For example, in 2003-04, SCH had 17 properties with 286 rooms of which only 26% were self-contained units. By September 2012 that proportion will have risen to 63%.

As at June 30th 2012, we housed 301 tenants of whom 61 were living on Newstart Allowance, 32 were living on the Age Pension, 173 were living on the Disability Support Pension and the remainder were either waged or receiving Austudy. Our tenants have to fulfil the same eligibility criteria as public housing tenants in Victoria in terms of both income and assets. This means that our tenants are also among the most disadvantaged with most coming to us from homeless agencies or straight from the streets.

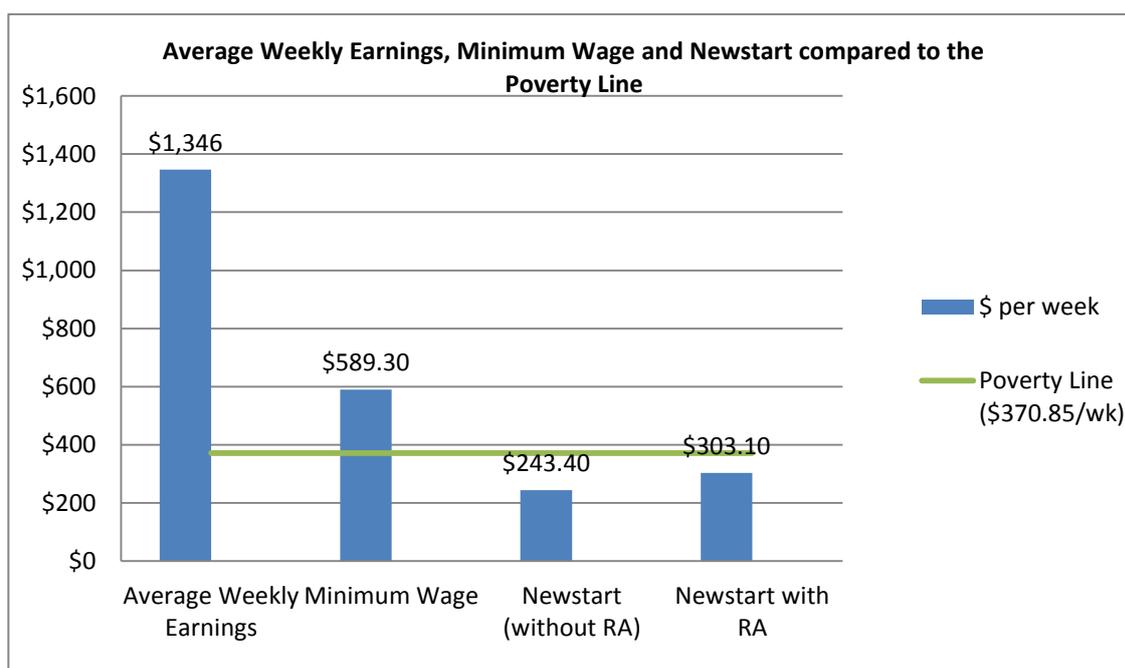
In 2011 SCH entered into an agreement with the Department of Human Services to undertake all of its own maintenance instead of using the centralised government maintenance system. As a consequence of this shift, SCH also established a social enterprise, T2M Maintenance Services. The social enterprise trains and employs tenants in basic maintenance services up to semi-skilled level. The intention is that tenants will be able to move over time from the social enterprise into the open labour market with relevant skills and experience to make them competitive. To date, the social enterprise employs some eight to ten tenants.

A major impetus behind the establishment of the social enterprise was not just that SCH felt it could achieve the twin goals of delivering maintenance services in a more efficient and effective manner whilst giving employment opportunities to tenants, it was also a recognition that tenants on Newstart Allowance struggle to survive financially.

This submission is therefore based upon our knowledge of our tenants and the impact the level of Newstart has had on the provision of housing services.

The adequacy of the allowance payment system for jobseekers and others, the appropriateness of the allowance payment system as a support into work and the impact of the changing nature of the labour market.

The adequacy of the Newstart Allowance has been questioned by many academics and commentators over a number of years now. The following chart shows where NSA is in relation to the poverty line.¹

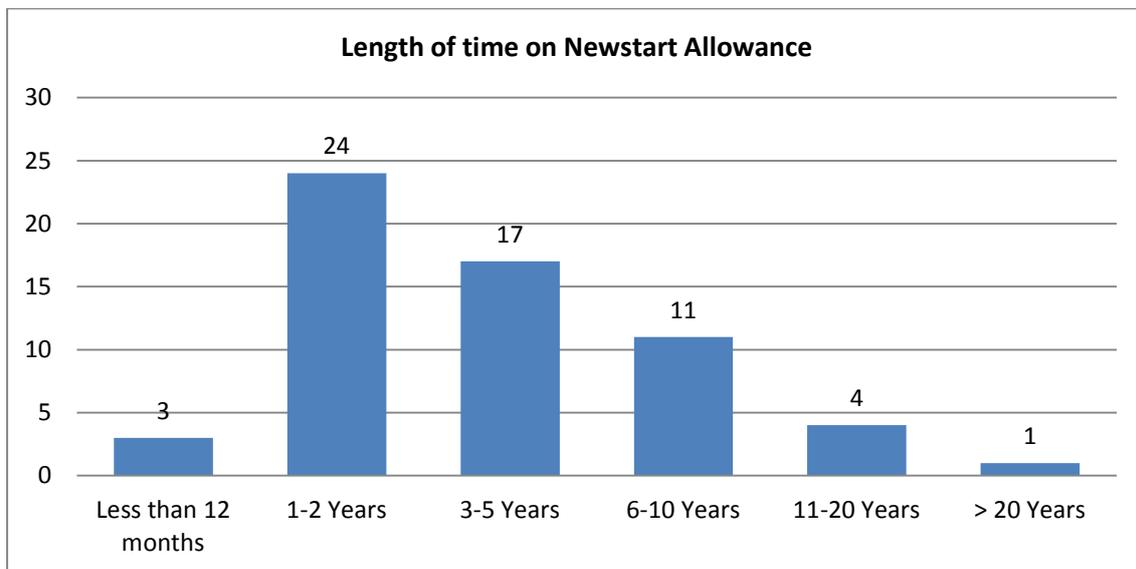


As this chart clearly demonstrates, the NSA is not an adequate income support payment when placed in comparison with the poverty line, even after housing costs have been taken into account.

However, SCH is aware that poverty lines are the subject of considerable debate at both a political and academic level. For this reason, we will concentrate on the argument that the level of NSA is low because it is envisaged as merely a temporary payment for someone who is between work rather than as an income replacement payment for individuals whose prospects of paid employment are slender. We shall also concentrate on the human impact of living on NSA.

¹ The data are based Melbourne Institute of applied Economic and Social Research, Poverty Lines: Australia December Quarter 2011 (April 2012) available from: <http://melbourneinstitute.com/downloads/publications/Poverty%20Lines/Poverty-Lines-Australia-Dec-2011.pdf> ABS, Average Weekly Earnings, Australia, Feb 2012 6302.0. Available from: <http://www.abs.gov.au/ausstats/abs@.nsf/mf/6302.0/> and Department of Human Services, A Guide to Australian Government payments. 1 January – 19 March 2012.

As stated earlier, some 61 or 20% of our residents are currently living on Newstart Allowance. The following chart gives a breakdown of length of time spent on that payment.



As this chart illustrates, 33 - or 54% - of our NSA recipients have been on the payment for more than three years. One tenant has been in receipt of Newstart for 21 years. It is the experience of SCH that, far from representing a temporary payment for individuals who are in between work, NSA is a more permanent condition.

Case Study

Ian has been living on Newstart for more than 20 years. He is in his early 40s. Whilst Ian reckons living on Newstart is do-able, this is only possible if his rent is set at an affordable rate. For example, in his previous accommodation, his rent went up by \$100 to \$160 a week in one year prompting him to seek more affordable accommodation elsewhere.

Ian says he has enough money for food but that he skimps and eats cheap foods which may not always be good for him as he has diabetes.

His biggest costs are his medications – even with the pharmaceutical allowance he has to pay between \$20 and \$30 a month.

Ian doesn't have a car and finds public transport expensive. Because of this, he finds it hard to maintain contact with his friends. A further consequence for Ian is that living on such a low income for such a long time has made it almost impossible to maintain any relationships.

Ian has a job network provider but they have failed to find him employment.

Occasionally Ian undertakes casual employment but he has found these jobs himself.

The case study presented above shows that, whilst it is possible for people to survive on Newstart for a long period of time, it can lead to social exclusion and isolation thereby preventing individuals participating in activities that are generally taken for granted. What is of particular concern with the case study is what appears to be a failure of the Jobs Services Australia providers to assist Ian into employment. Indeed Ian himself said that his long-term provider had been defunded and he had recently been transferred to another provider.

Whilst Ian's length of time on Newstart may be unusual, his lack of formal skills is common among our tenants. In addition, many of those who are on Newstart have a number of issues, such as drug and alcohol or mental health problems. It can sometimes appear to us as a social landlord somewhat arbitrary as to why one tenant is on a Disability Support Pension and another is on Newstart when they both have similar problems.

As a community housing provider, SCH faces challenges when housing those on such low incomes. For example, the majority of our houses are owned by the Director of Housing and we manage those houses on behalf of the Department of Human Services. Under our leasing arrangements, the Department has established a formula to determine the rents that can be charged. Currently, the maximum rent (excluding service charges) that be charged someone on Newstart is \$84.65 per week compared with \$147.06 for someone on a pension. This is a gap of more than \$60 a week.

SCH would suggest that the growing gap between the income levels of those on Newstart compared with those on a Disability Support or Age pension represents a perverse incentive for community housing providers to take those on the higher income, thereby potentially leading to discrimination against those living on such low incomes.

It was stated earlier that the biggest change for SCH has been in the profile of its housing stock from shared facilities to self-contained units. Until five years ago, SCH, like so many similar community housing agencies, charged rent according to the size and type of the room available. However, as the number of self-contained units increased, it was discovered that only those on pensions were putting their names down to live in such units. In order to ensure that individuals on Newstart were not discriminated against, SCH introduced a new rent-setting policy which determined rents solely according to income and not according to amenity.

The consequence of this policy change has been that individuals living on Newstart are represented right across our housing stock. This is not the case, however, for all other community housing agencies. SCGH is aware that a number of similar agencies in Melbourne structure their rents according to the size of the room/unit and not according to income.

Conclusion

In the current debates around Newstart, little is made of those who have been living on NSA for very long periods of time or the fact that the profiles of those on NSA and those on the DSP may be identical and it is merely a matter of chance as to whether a person is "lucky" enough to be put on the DSP.

Little also has been made of the fact that strict guidelines on the amount of rent that can be charged community housing tenants may act as a perverse incentive for community housing agencies not to house those on the lowest incomes. This is especially so for those agencies who structure their rents according to room size and type as well as those who are registered in Victoria as housing associations and are expected to use their own financial resources to provide 25% of the funding for all new housing development projects.

It is perhaps these lesser known effects of the low level of Newstart that should be most concern to policy makers.