



**THE SALVATION ARMY**

**AUSTRALIA SOUTHERN TERRITORY**

**SUBMISSION**

**SELECT COMMITTEE ON HOUSING  
AFFORDABILITY IN  
AUSTRALIA**

**April 2008**

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## **Introduction**

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The Salvation Army provides nationwide support to Australians experiencing financial hardship, housing crises, homelessness, alcohol and other drug addictions, mental illness, disabilities, educational disadvantage, unemployment, child abuse, neglect and domestic violence. Each year around 1million people are assisted by The Salvation Army.

A significant proportion of our work relates to homelessness and over the past 12 months our services supporting homeless people have experienced a significant increase in demand.

This increase in demand appears to be related to rising housing costs that have forced people to seek crisis accommodation for the first time. As well as seeing an increase in people seeking support, our homelessness services are finding it difficult to move people through to the rental housing market, or into public housing, which creates blockages throughout the system.

Effectively meeting the needs of people seeking assistance from our services becomes difficult when the major support structures of our community are unable to cope with demand.

As well as placing pressure on our housing services the current housing affordability crisis is creating an environment of economic stress for people on income support and low wages which also forces them to approach emergency relief services for the first time.

In a recent survey of The Salvation Army's Community Support Services (Emergency Relief Centres) the organisation interviewed 1,250 clients seeking assistance and found that 10% were homeowners. The data indicated that that these households were paying 48.8% of their income in housing costs. The cost of housing for those in the private rental market was even higher, with 53.5% of their incomes being used to pay for housing.

In a recent study conducted by the Australian Housing Urban Research Institute (AHURI), it was found that "where over 50% of income is going towards housing costs, many renters are adopting practices that are arguably unacceptable in an affluent society." (AHURI: 2007).

People presenting at our services have reported that the cost of housing has led to them to go without meals, pawn possessions, not treat health and dental problems and has meant that their children have missed out on participating in school activities.

Housing stress among renters is also contributing to high mobility rates according to the AHURI Report. The experience of transience for children is an important factor that can lead to their disconnection from learning and to failure at school.

It is unacceptable that this situation has been tolerated in Australia given years of economic prosperity and budget surpluses.

Unfortunately, this economic prosperity has been paralleled by years of neglect of public and social housing infrastructure and homelessness figures that have doubled over the past twenty years.

Urgent action needs to be taken to build more affordable housing stock in Australia, underpinned by investment in all housing tenure types. This is critical to ensuring that all Australians are able to participate in the social and economic life of our community.

The Salvation Army presents to this Inquiry hoping that it can identify and promote sustainable responses to growing Australia's stock of affordable housing.

## **What Affordability Crisis?**

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There is little doubt that the Australian Housing Market is in crisis. The extent to which this is a reality is highlighted below:

- After housing costs, 357,000 Australian families with children have insufficient money for food, clothing, heating and transport. (Australians For Affordable Housing: 'Housing Less Affordable Than Ever': September 2007).
- Australia has been identified as one of the least affordable housing markets in the world. Sydney, Melbourne, Adelaide and Perth are ranked in the top 20 least affordable cities. (Australians For Affordable Housing: 'Housing Less Affordable Than Ever': September 2007).
- It is estimated that house prices across the nation have more than quadrupled over the last 20 years. (National Shelter: Housing Australia Fact Sheet: 2008)
- It is estimated that since the 1980s, the deposit required for a first home loan of a medium priced house has risen from an

amount equivalent to approximately 25% of the average annual household income, to 60% of the average annual household income. (National Shelter: Housing Australia Fact Sheet: 2008)

- Over 1.1 million low to middle income households are suffering 'housing stress'. Households are paying more than 30% of their income in either rent or mortgage repayments. This represents 1 in every 7 households. This is in contrast to the expectation that in 2001, the number of households experiencing housing stress was expected to double in 15 years and reach 1 million in 20 years. (Australians For Affordable Housing: 'Housing Less Affordable Than Ever': September 2007).

The situation is just as critical in the Home Ownership Market:

- The median house price in Australia has increased from 4 times the average annual income to 6 to 7 times the average annual income. (The Australian Labor Government: 'Making Housing Affordable Again': 2008)
- Australian households are paying the second highest mortgage rate in the developed world. (Bloomberg.com: 'Australian Foreclosures Rise: Rates at 12-Year High': 2008)
- It is estimated that the number of households that have defaulted on mortgages since March 2007 has risen by 17%. (Bloomberg.com: 'Australian Foreclosures Rise; Rates at 12-Year High': 2008)
- Approximately 10-15% of low-income households that have entered the home ownership market, risk losing their housing if

interest rates rise by 1%. (Burke and Pinnegar: AHURI Presentation, National Housing Conference: 2008)

- It is estimated that the medium house price is 27 times the annual household income of the poorest renters, compared with 16 times the annual income of the poorest renters in 1996. (AMP, NATSEM: Income and Wealth Report Issue: 2008)

As a result of the pressures on the general housing market, people in the rental market are experiencing pressures such as:

- Rental vacancy rates which are at critically low levels and it is estimated that in all Capital Cities, the vacancy rate is less than 2%. (Real Estate Institute of Australia: Market Facts: 2007)
- 35% of Commonwealth Rent Assistance recipients spending 30% or more of their income on housing costs. (Australians For Affordable Housing: 'Housing Less Affordable Than Ever': September 2007).
- More than 1 in 5 households in the private rental market experiencing rental stress. (The Australian Labor Government: 'Making Housing Affordable Again': 2008)
- An estimation that private renters comprise over half of the 1 million low to moderate households, who are experiencing housing stress. (National Shelter: Housing Australia Fact Sheet: 2008)
- Approximately 1 in 10 of low-income households within the private rental market who spend an average of more than 50% of income on housing. (Australia Institute of Health and Welfare: Australia's Welfare: 2007)

- Almost 30% of low income households in the private rental market that are paying more than 40% on rent, foregoing meals due to economic hardship. (Burke and Pinnegar: AHURI Presentation, National Housing Conference: 2008)

This level of stress around housing affordability is unacceptable. It is exacerbated by a significant underspend on public and social housing.

It has been estimated by the Australian National Audit office that the Commonwealth State Housing Agreement (CSHA) total funding allocation has in real terms 'decreased by 31% over the past decade'.

### **Affordability Crisis – Transition Crisis**

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Most Australian's regard home ownership as foundational to family stability and 'real' participation in the life of their community. One of the consequences of changing social arrangements such as divorce and blended families, flexible and sometimes fragile labour markets, increasing social mobility and the increasing cost of home ownership is that this may be an unachievable aspiration in the future.

Whether or not home ownership is the primary form of housing tenure in the future is less relevant as an issue than the sustainability of housing tenure.

Families, regardless of their makeup, require a stable place to call home. Without some housing stability children and young people are not able to build a sound base for educational achievement, nor are they able to develop the relationship skills that underpin active



participation in society. Transience is the enemy of developing skills for life. The children in homeless families are often permanently damaged by transient lifestyles and are unable to make effective transitions through school into further education or labour market places.

The foundations of a transition from school to work, homelessness to home, poverty to income security and unemployment to employment are built on a safe and affordable place to live.

In 1996, in his address at the National Conference on Homelessness, the Human Rights Commissioner, Chris Sidoti, said 'adequate housing is essential for human survival with dignity. Without a right to housing, many other basic human rights will be compromised, including the right to family life and privacy, the right to freedom of movement, the right to assembly and association, the right to health and the right to development'. (Sidoti:1996:1). Inadequate housing, and thus the right to housing has particular significance for children.

At the invitation of the Government of Australia in 2006, the United Nations Special Rapporteur on adequate housing was invited to undertake an examination, and report on the status of the right to adequate housing.

In the report prepared by Miloon Kothari, the Special Rapporteur, he was 'particularly troubled by the inadequate housing and living conditions he witnessed in some parts of the country, given that Australia is one of the wealthiest developed countries with a comparatively small population.' (Kothari: 2006:4).

Further, he reported 'that poor housing conditions have a direct affect on many aspects of other rights of those affected, including the right to health, to education, to safety, to public participation, to the exercise of civil and political rights, access to justice and the right to be free from discrimination – all of which Australia has committed itself internationally to protecting and promoting.' (Kothari: 2006:4).

In responding to the national housing affordability issue, government, industry and community must recognise Australia's international human rights obligations and implement domestic law, policy and programmatic responses to ensure that human rights are not only acknowledged but are also afforded.

The Salvation Army affirms the right to housing outlined in the Universal Declaration of Human Rights and agrees that this right is essential for people's health and wellbeing. It also is foundational in encouraging active citizenship and ensuring a transition for disadvantaged Australians from exclusion to inclusion.

## **Cost of Living Challenges**

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There is a growing divide in Australia between households and communities that have access to sufficient resources to meet essential living costs, such as housing and food, and households and communities that find themselves unable to do so. This inability to meet these costs, and an inability to access essential services such as housing, health care, education programs and employment, results in the exclusion of people from their communities.

In Australia housing stress is defined as a household that pays more than 30% of household income on housing, irrespective of tenure type. The Salvation Army recently conducted a survey of clients using some of its Community Support Services over 5 working days.

This data is currently being interrogated at the Institute of Social Research at Swinburne University but early outcomes indicate the following:

1. Of 1250 people surveyed - 122 were homeowners, 578 were in rented properties and 550 were tenants in public housing.
2. The housing cost figure for homeowners was 48.8% of their income.
3. People in rental properties paid 53.5% of their income for their housing.

These figures are well in excess of the recommended 30% of income. Participants reported that they were unable to afford utility costs, school related expenses, food and clothing because of the high cost of housing.

## **Inquiry Recommendations**

**Within the scope of the Inquiry's Terms of Reference, namely:**

- a) Proposed assistance for first home owners by state, territory and the Commonwealth governments and their effectiveness in the absence of increased supply,

- b) The role of all levels of government in facilitating affordable home ownership,

and also with reference to the concerns of The Salvation Army about the impact of housing affordability on low-income people in all housing tenures, The Salvation Army submits the following recommendations.

**The Salvation Army recommends that:**

1. A National Affordable Housing Agreement is developed and implemented that encompasses all housing tenures and includes clear targets focused on seeking to reduce the overall incidence of housing affordability stress and homelessness.
2. Housing related costs, such as utilities and water rates, are included in existing community and industry definitions of housing stress. Transport costs might also be included where housing is only affordable in remote suburbs or cities where proximity to essential services and employment opportunities is restricted.
3. There is appropriate regulation of financial products and services to ensure that households accessing these products are able to service household debt.
4. Consideration is given to promoting No Recourse loans similar to those available on overseas markets, particularly France.
5. A review of the Commonwealth Rental Assistance Program (CRA) is undertaken to improve its effectiveness and impact

on housing affordability for households in the private rental market. This review should include an examination of the current bond and rent assistance schemes administered by state and territory governments.

6. The funding levels of Commonwealth Rental Assistance should take into account regional differences in private rental market costs.
7. Early intervention schemes such as the Home Advice Program should be expanded to increase our capacity as a community to prevent people on low incomes from 'falling out' of rental housing. A review of this program in 2007 highlighted its effectiveness when it documented outcome rates of 89% success at preventing at-risk families from losing their current accommodation and becoming homeless. (Mackenzie, Desmond, Steen: 2007).
8. There is a continuing policy commitment to, and funding expansion of, the Supported Accommodation Assistance Program (SAAP) as a national response to the needs of households at risk of, or experiencing, homelessness.
9. A review of the Home Purchase Assistance Program is undertaken with a particular focus being given to mortgage relief in situations where loan repayments are at risk because of unforeseen changes in family circumstances.
10. In partnership with state, territory and local governments, there is an increase of program funding for community based financial lending services.

11. There is a consistent national framework specific to tenancy legislation.
12. Concessions programs across the country are expanded to reduce the impact of the rising costs of living and its effect upon a household's ability to meet housing expenses.

These recommendations are focused on ensuring that Australian most at risk of losing housing tenure because of affordability issues are given every opportunity to remain in their existing housing and avoid homelessness.

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