



Our ref: 03.15.05

3 August 2012

Committee Secretary  
Senate Education, Employment and Workplace Relations Committees  
PO Box 6100  
Parliament House  
Canberra ACT 2600  
Email: eewr.sen@aph.gov.au

Dear Committee Secretary

**Inquiry by the Education, Employment and Workplace Relations References  
Committee into the adequacy of the allowance payment system**

I am writing in response to the invitation for submissions to the inquiry by the Education, Employment and Workplace Relations References Committee 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, as announced on 26 June 2012.

Shelter NSW works to make the housing system better for low-income and disadvantaged people in New South Wales.

Our comments are limited to the following terms of reference of the inquiry (emphasis added):

- (a) the adequacy of the allowance payment system for jobseekers and others, with particular reference to *the adequacy of the Newstart Allowance payment as an income support payment for jobseekers* and the adequacy of all other allowance payments that support a range of recipients who study or provide care;
- (b) the appropriateness of the allowance payment system as a support into work, with particular reference to:...
  - (ii) *the effectiveness of the allowance payment system* in facilitating transitions between working and other activities, such as studying, caring and retirement, or in the event of illness or disability, and *in helping or hindering recipients to overcome barriers to employment*, and...

**Shelter NSW**

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## 1. The adequacy of Newstart levels in relation to housing costs

Newstart levels are grossly insufficient to cover essential living costs. For example, the single rate of Newstart Allowance is currently \$244.85 per week,<sup>1</sup> but a survey by the Australia Institute in September 2011 found that respondents believed that, on average, the amount required to meet the cost of living was \$454.00 per week.<sup>2</sup>

Housing costs comprise a major component of cost-of-living expenses, and Newstart levels of payment do not reflect current housing costs. The median weekly rent in Australia rose by 50% between the censuses in August 2006 and August 2011, from \$190.00 to \$285.00.<sup>3</sup> By contrast, the rate for the Over-21 Years Single Unemployment Benefit rose by only 19% over the same period, from \$205.30 to \$244.85.<sup>4</sup>

Newstart recipients who are seeking housing in the private rental market face limited choices and fierce competition for vacancies. This is demonstrated by an Anglicare Australia survey of newspapers and real estate websites on April 14 of this year: it showed that in Sydney, no affordable private rental properties were available if you were single and on Newstart Allowance, or single and aged over 18 on Youth Allowance.<sup>5</sup>

The impacts of low income levels on the capacity to access good housing are wide-ranging:

- Living in housing stress — One way of measuring housing stress is the '30/40 rule', in which lower-income households, being those in the lowest two quintiles of the equivalent disposable income distribution, pay more than 30% of their gross income on housing.<sup>6</sup> The impacts of living in housing stress can be wide-ranging. Expenditure on food, utilities, health or children's needs can be affected — meals skipped, heating under-utilised, possessions pawned or sold. Living with housing stress can have an impact on health, family relationships and

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<sup>1</sup> The maximum fortnightly payment for a single person with no children on Newstart is \$489.70 per fortnight (Centrelink, viewed 31 July 2012:

<[http://www.centrelink.gov.au/internet/internet.nsf/payments/newstart\\_rates.htm](http://www.centrelink.gov.au/internet/internet.nsf/payments/newstart_rates.htm)>).

<sup>2</sup> Richard Denniss and David Baker, 'Are unemployment benefits adequate in Australia?', Australia Institute, Policy Brief no. 39, April 2012, p. 5.

<sup>3</sup> Australian Bureau of Statistics, '2011 census quickstats, Census of Population and Housing', 2011, 'viewed on 31 July 2012: <[http://www.censusdata.abs.gov.au/census\\_services/getproduct/census/2011/quickstat/0](http://www.censusdata.abs.gov.au/census_services/getproduct/census/2011/quickstat/0)>.

<sup>4</sup> Department of Families, Housing, Community Services and Indigenous Affairs, '5.2.1.20. Single Unemployment & sickness benefit — November 1984 to present date', from '5. Rates & payment methods' in 'Guide to social security law', 2 July 2012, viewed 3 August 2012:

<[http://guidesacts.fahcsia.gov.au/guides\\_acts/ssg/ssguide-5/ssguide-5.2/ssguide-5.2.1/ssguide-5.2.1.20.html](http://guidesacts.fahcsia.gov.au/guides_acts/ssg/ssguide-5/ssguide-5.2/ssguide-5.2.1/ssguide-5.2.1.20.html)>.

<sup>5</sup> Also there were no affordable and available properties if you were: a couple with no children on the Age Pension, single and in a share house and on Youth Allowance; a single with one child less than 5 and on Parenting Payment Single; single with two children (one aged less than 5 and one aged less than 10) and on Parenting Payment Single; a couple with two children (one aged less than 5 and one aged less than 10) and on Newstart; or a single with two children (one aged less than 5 and one aged less than 10), on the minimum wage and on Family Tax Benefit Part A and Part B (Anglicare Australia, 'Anglicare Australia rental affordability snapshot', April 2012, pp. 15–17).

<sup>6</sup> Judith Yates and Michelle Gabrielle, 'Housing affordability in Australia', Australian Housing and Urban Research Institute, Research Paper no. 3, 2006, p. 14.

wellbeing, and problems in these areas can contribute to family breakdown, which can trigger homelessness.<sup>7</sup>

- Homelessness — Inadequate income is a direct cause of homelessness, in the context of two factors: rising housing costs and the increased difficulty in accessing affordable accommodation in the private rental market (due to an insufficient supply). Between the censuses in 2001 and 2006, these two issues were linked to a 16.8% increase in homeless families with children, and a 10.4% increase in homeless adults without children.<sup>8</sup> The impact of rising housing costs on homelessness is also reflected in data from the Homeless Persons Information Centre (the NSW telephone referral service for people who are homeless or at risk of homelessness): in 2010–11, the most common primary reason identified by people seeking emergency housing assistance was housing stress (11,352 calls).<sup>9</sup> Newstart recipients form a significant proportion of those who are homeless. For example, for the December quarter 2011, the most common sources of income for people seeking assistance from specialist homelessness services were Newstart and the Parenting Payment (both were 24% — but 31% did not report their main source of income).<sup>10</sup> Further, not only can having a very low income such as that provided by Newstart cause homelessness, being homeless presents an additional barrier to accessing employment.
- Living in housing which is not well-located — Cheaper, hence more affordable, housing tends to be located in areas that are not well-serviced. Households on very low incomes, including those on Newstart, tend to be housed in these areas. Living in housing which is not close to job opportunities, public transport, schools, health services, support networks, shops and leisure activities creates extra difficulties for unemployed people.
- Living in other precarious housing circumstances which are not sustainable — People who have experienced domestic or family violence may resort to housing or assistance which places them at risk of further violence, where they cannot afford alternative housing. People on very low incomes may also resort to living in inappropriate housing (such as housing which does not meet disability, cultural or other needs), overcrowded living conditions or poor quality housing.<sup>11</sup>

All of these factors present significant challenges for people seeking employment.

As stated by the Australian Housing and Urban Research Institute in 2011: ‘...the housing affordability problem is as much an income support problem as a housing cost

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<sup>7</sup> Gary Marks, ‘Income poverty, subjective poverty and financial stress’, Department of Families, Community Services and Indigenous Affairs, Social Policy Research Paper no. 29, 2007, p. v. See also Caitlin McDowell, ‘A tale of two cities: rental affordability in Greater Sydney’, *Around the House*, no. 89, March 2012, pp. 10–12, on food insecurity.

<sup>8</sup> Chris Chamberlain and David MacKenzie, *Counting the homeless 2006: Australia*, Australian Bureau of Statistics, 2008, cat. no. 2050.0, pp. xi, 46–52.

<sup>9</sup> Data for the Homeless Persons Information Centre for 2010–11 was supplied to Shelter NSW on 19 December 2011.

<sup>10</sup> Australian Institute of Health and Welfare, ‘Specialist Homelessness Services Collection, December quarter 2011’, 2012, cat. no. HOU 263, p. 9.

<sup>11</sup> Katie Florance, ‘What housing issues contribute to homelessness?’, 2010, Shelter Brief no. 44, pp. 6–14.

one.<sup>12</sup> We need to ensure that our income-support system, designed to address poverty, works 'with' a good housing system.

**Shelter NSW calls for an increase in income support allowances so that people have sufficient income to access well-located and adequate housing which will improve access to employment. We support the campaign by the Australian Council of Social Service for a \$50 per week increases to Newstart and other allowances ('\$35 a day is not enough!').<sup>13</sup>**

## 2. The adequacy of Commonwealth Rent Assistance levels

Related to our concern about the inadequacy of current Newstart levels is our concern about the adequacy of payments of Commonwealth Rent Assistance (CRA), which is part of the income support system. A high proportion of CRA recipients are living in housing stress. In 2011, 40.8% of households receiving CRA in New South Wales were in rental stress.<sup>14</sup> As stated in the 'Henry tax review': '...the current maximum levels of [Rent] assistance are too low for many people to secure an adequate standard of housing'.<sup>15</sup>

**Shelter NSW supports the call by National Shelter for the maximum rate of Commonwealth Rent Assistance to be increased by 30% (approximately \$15.00 per week for those receiving the maximum allowance), and for CRA levels to be indexed to the rental component of the Consumer Price Index from 2012 onwards.<sup>16</sup>**

Thank you for the opportunity to contribute a submission to this inquiry.

Sincerely

Mary Perkins  
Executive Officer

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<sup>12</sup> Terry Burke, Michael Stone and Liss Ralston, 'The residual income method: a new lens on housing affordability and market behaviour', Australian Housing and Urban Research Institute, AHURI final report no. 176, October 2011, page 25.

<sup>13</sup> Australian Council of Social Service, '\$35 a day is not enough! Lift paltry allowances and help people into paid work', 2012, viewed 28 May 2012: <[http://www.acoss.org.au/take\\_action/allowances\\_statement\\_2012-02/](http://www.acoss.org.au/take_action/allowances_statement_2012-02/)>.

<sup>14</sup> Unpublished data from the Department of Families, Housing, Community Services and Indigenous Affairs, from Steering Committee for the Review of Government Service Provision, 'Report on government services 2012', volume 2, January 2012, chapter 16, table 16A.66. The data refers to 'income units', which are defined as a single person or a couple, with or without dependents (p. 16.59).

<sup>15</sup> Australia's Future Tax System Review, 'Australia's future tax system: report to the Treasurer, part one, overview', December 2009, p. 66.

<sup>16</sup> National Shelter, 'Meeting housing challenges', draft policy platform, March 2012, p. 14.