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Human Services inquiry
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Tenants Union of Victoria submission to Productivity Commission Draft Report

Introducing Competition and Informed User Choice into Human Services: Reforms to Human Services

The Tenants Union of Victoria (TUV) was established in 1975 as an advocacy organisation and specialist community legal centre, providing information and advice to residential tenants, rooming house and caravan park residents across the state. The TUV represents the interests of tenants living in the private rental market as well as public and community housing tenants.

1. Reforms to Commonwealth Rent Assistance

The value of CRA needs to be increased, however the proposed increase of 15 percent is inadequate to address the realities of rental stress in the private rental housing market.

In Melbourne the median weekly rent for a one bedroom apartment is \$350.¹ Currently a single person receiving the maximum CRA receives a CRA payment of \$66 per week. This is 18.9 percent of the total amount of rent paid by the tenant. If CRA is increased by 15 percent as proposed, the maximum payment will increase by just \$9.90 per week, raising the proportion to 21.9 percent of the weekly rent paid. Melbourne is a relatively affordable city compared to other capital cities around Australia and so the proportion of CRA will be even lower in cities such as Sydney.

Currently a single person on Newstart Allowance receives a weekly income of \$329 per week (including maximum CRA). If they received a 15 percent increase in CRA their total payment would instead be \$338.90 per week. Even with an increase in CRA by the proposed amount, this entire income would not be enough for a Melbourne resident to pay the median rent of \$350.

The affordability gap can be demonstrated not only in the private rental market, but also in the rooming house sector. Rooming houses are an accommodation of last resort for many low income singles. Rooming house accommodation is often unsafe, unhealthy, and inappropriate, however it is the only accommodation available to many. The median rent for a rooming house in Melbourne in 2016 was found to be \$195 per week, with rents as high as \$235 being charged.² With a 15 percent increase in CRA as recommended by the Productivity Commission, a recipient would still pay 57.5 percent of their income in rent (as opposed to 59 percent that they would pay under the current rate).

¹ Department of Health and Human Services, *Rental Report March quarter 2017*, Victorian Government.

http://www.dhs.vic.gov.au/data/assets/pdf_file/0008/988676/Rental-Report-March-quarter-2017.pdf

² Council to Homeless Persons and Tenants Union of Victoria, *Rooming house residents living in poverty, paying exorbitant rents*, October 2016. https://www.tuv.org.au/articles/files/media_releases/MR20161010_rooming-house-poverty.pdf

This would be for a single room in shared accommodation that is likely to be unsafe and unsuitable. Under the proposed changes by the Productivity Commission the individual would remain in severe rental stress, paying over 50 percent of their income on rent.

Between 1999 and 2009 the value of CRA as a percentage of rent decreased significantly, in Melbourne CRA decreased in value by 23.1 percent during this time period.³ In Victoria 76 percent of low income households are in rental stress (paying over 30 percent of their income on rent) and 39 percent are in severe rental stress (paying over 50 percent of income on rent).⁴ A 15 percent increase in CRA would raise the value of CRA however it would not be sufficient to lift the majority of recipients out of housing poverty.

Not enough affordable housing

The recommendations put forward fail to address the significant issue of the lack of affordable housing. Instead it focuses entirely on demand-side subsidies, rather than also providing funding and/or policy incentives to increase the supply of affordable and social housing. Infrastructure Victoria estimated that in Victoria there are 75,000 and 100,000 vulnerable, low-income households who do not have their housing requirements appropriately met.⁵

Whilst there are over 30,000 people on the Victorian waiting list for social housing there are almost 120,000 households who receive Commonwealth Rent Assistance in Victoria who, despite the payment, are still experiencing rental stress. Of these, 50,000 are in the very lowest income bracket.⁶

Infrastructure Victoria identified that there is a need for 30,000 additional affordable housing dwellings to be built within 0 to 10 years to meet current demand for affordable housing in Victoria.⁷

The 2017 Anglicare Affordability Snapshot found that only 0.03 percent of rental properties in Melbourne were affordable to a single on Newstart Allowance, whilst only 0.004 percent were affordable to a single on Youth Allowance.⁸ Clearly the most significant factor affecting choice of CRA recipients is the severe lack of social and affordable housing.

2. Market rents in social housing

The Tenants Union of Victoria is concerned about the Productivity Commission's draft recommendations 5.2 that would see market rents being charged in social housing. A reform of this nature would cause catastrophic consequences for vulnerable and disadvantaged tenants, the housing and homelessness system, and the Australian community as a whole.

Whilst attempting to promote choice and equality between recipients of Government support, greater consideration needs to be given to the significant barriers that exist in the private rental market for low income and vulnerable groups. The private rental market is not accessible, nor stable or affordable for many tenants on low incomes, particularly those with certain vulnerabilities or disadvantage.

³ Colic-Peisker, V., et al, *Falling Behind; The growing gap between rent and rent assistance 1995-2009*, RMIT University for the Tenants Union of Victoria, 2010, p12. https://www.tuv.org.au/articles/files/housing_statistics/Falling_Behind_CRA.pdf

⁴ ABS Customised Census data, 2015.

⁵ Infrastructure Victoria, *Victoria's 30-year infrastructure strategy*, December 2016, p98.

<http://www.infrastructurevictoria.com.au/sites/default/files/images/IV%2030percent20Year%20Strategy%20WEB%20V2.PDF>

⁶ Ibid

⁷ Ibid

⁸ Anglicare Australia, 2017, *Anglicare Australia Rental Affordability Snapshot*, Canberra. <http://www.anglicare.asn.au/docs/default-source/default-document-library/rental-affordability-snapshot-2017.pdf?sfvrsn=4>

A state-based 'high-cost housing payment' would not provide the same level of certainty to tenants in need. A model of this type would create inconsistency between the states, where tenants in one state or territory may receive a higher level of support than tenants in the same situation in another state or territory. This would not provide the greater level of equality that appears to be a priority of the Productivity Commission. This model would still see some tenants receiving greater assistance than others, however it would not provide the level of certainty or consistency across Australian jurisdictions than currently exists.

The private rental market not accessible or secure

There are significant barriers to accessing housing in the private rental market for tenants who are on low incomes, have limited or poor rental histories, and who may have other vulnerabilities. A recent study found that 50 percent of tenants felt that they had been discriminated against and 50 percent feared being placed on a tenancy blacklist.⁹

The private rental market is highly constrained and competitive, particularly at the lower end of the market where there is a demonstrated shortage in affordable housing. Low income tenants and tenants exiting social housing do not have easy access to housing that is appropriate for their needs. Tenants who can demonstrate a good rental history and the capacity to pay the rent will be given preference over others who cannot demonstrate one or both of these – thus young people leaving home, new migrants, students and people with low or inconsistent incomes are at a disadvantage to others. The lack of affordable housing further exacerbates access issues, as tenants on insufficient incomes are forced to bid for properties out of their price range, where agents and landlords are unlikely to select them as the preferred applicant.¹⁰

Agents also believe that some prospective tenants are not suitable for the private rental market. These are tenants with complex needs including one or more of the following: severe physical disability; mental illness; substance abuse and other social problems such as violent personal relationships.¹¹

A good rental history and a regular income are the keys to successful private rental applications. Landlords commonly have the luxury of selecting tenants from a pool of applicants. Prospective tenants from social housing are generally not well regarded, meaning that many tenants are constrained from exercising 'choice' over their housing by external factors outside of their control.

Discrimination is another factor limiting choice for many tenants. This is particularly prevalent for migrants, people from non-English speaking backgrounds, and culturally and linguistically diverse communities, people of Aboriginal or Torres Strait Islander descent, people with physical disabilities or mental illness, students and young people, single parents, people on statutory incomes, and social housing tenants; who are all vulnerable to discrimination. A report by the Equal Opportunity and Human Rights Commission found that people applying for rental properties in the private market experience discrimination based on characteristics that are protected under the Equal Opportunity Act; including race, disability or having children. Despite this the discrimination is rarely reported.¹²

⁹ Choice, National Shelter, and National Association of Tenant Organisations, *Unsettled: Life in Australia's private rental market*, February 2017.

¹⁰ Wallis Consulting Group, *Access to the Private Rental Market: Industry Practices and Perceptions*, June 2018, https://www.tuv.org.au/articles/files/housing_statistics/Research_Report_Access_to_the_private_rental_market.pdf

¹¹ Ibid

¹² Victorian Equal Opportunity & Human Rights Commission, *Locked out - Discrimination in Victoria's private rental market*, August 2012.

Lack of security of tenure in the private market

The private rental market does not provide long term security to its residents. 83 percent of Australian renters have no fixed-term lease or are on a lease that is 12 months long or less.¹³ In Melbourne the median tenancy duration is 17 months, and in regional Victoria it is even lower at 16 months.¹⁴ A recent study characterised the experience for low income renters living in the private market as one of ‘incessant anxiety and fear’ due to a lack of protection and security.¹⁵ For the Productivity Commission’s recommendations to be truly successful in providing recipients of Government support greater choice there would need to be a significant and national reform of tenancy law, to provide greater rights to tenants to ensure true stability of housing.

Housing location

Public housing is generally located in areas of high amenity, close to services and transportation. If market rents were to be charged in these properties the rents would be prohibitively high to the current residents and all other households eligible for housing assistance. With this change tenants receiving benefits would be forced to move away from vital services and amenities, and their local communities. A 10 year ‘transitional arrangement’ for existing social housing tenants would not address the issue, it will merely delay the problem. It is well documented that the cost of living increases the further from the CBD a household is located, and so this move would further disadvantage tenants by reducing their benefits and security of tenure, whilst increasing their cost of living.

Conclusion

The Tenants Union of Victoria supports an increase of Commonwealth Rent Assistance, however this increase must make an appreciable difference to rental housing stress. A 15 percent increase in CRA is not sufficient to alleviate housing stress for the majority of recipients.

The Tenants Union of Victoria does not support charging market rents in Social Housing. The severe lack of affordable housing in the private rental market, as well as the lack of security and barriers to access provide poor housing outcomes for vulnerable households. Increasing affordable housing would provide a better solution to tenants’ lack of choice in the housing market.

¹³ Choice, National Shelter, and National Association of Tenant Organisations, *Unsettled: Life in Australia’s private rental market*, February 2017.

¹⁴ Department of Health and Human Services, Rental Report March quarter 2017, Victorian Government.
http://www.dhs.vic.gov.au/_data/assets/pdf_file/0008/988676/Rental-Report-March-quarter-2017.pdf

¹⁵ Morris, A, Hulse, K, Pawson, H, *Long-term private renters: Perceptions of security and insecurity*, 2017, Journal of Sociology.