# Cover for: Housing Assistance and Employment in Australia, Productivity Commission Research Paper, Volume 1: Chapters, February 2015.*Housing Assistance and Employment in Australia*, Productivity Commission Research Paper, Volume 1: Chapters, February 2015

Commonwealth of Australia 2015

ISBN 978-1-74037-540-5 (Volume 1)

ISBN 978-1-74037-541-2 (Volume 2)

ISBN 978-1-74037-542-9 (Set)



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An appropriate reference for this publication is:

Productivity Commission 2015, *Housing Assistance and Employment in Australia*, Commission Research Paper, Canberra.

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| The Productivity Commission |
| The Productivity Commission is the Australian Government’s independent research and advisory body on a range of economic, social and environmental issues affecting the welfare of Australians. Its role, expressed most simply, is to help governments make better policies, in the long term interest of the Australian community.  The Commission’s independence is underpinned by an Act of Parliament. Its processes and outputs are open to public scrutiny and are driven by concern for the wellbeing of the community as a whole.  Further information on the Productivity Commission can be obtained from the Commission’s website ([www.pc.gov.au](http://www.pc.gov.au/)). |
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# Foreword

This is the second of the Productivity Commission's flagship research papers, where a significant resource investment by the Commission is made in a critical public policy issue, and where clear conclusions are drawn where justified.

This paper, which looks at links between housing assistance for those in need and their participation in employment, has one important similarity with the first such flagship — the 2013 paper, *An Ageing Australia —* which is central to cost effective social policy delivery and in turn to effective national governance. Both pieces of work addressed State as well as Commonwealth issues. Increasingly, the most challenging public policy problems are at the Commonwealth–State social policy interface, and effective policy responses require co-operation and, frequently, active integration between governments, to be successful.

Both flagship papers have made use of some of Australia's most important data bases. In this case, however, a specific objective of the project was to expose how much value lies in previously underdeveloped Commonwealth and State administrative data. Commonwealth and State agencies made significant internal investments in order to curate and present this data, and we thank them for this.

Aside from any consideration of the policy conclusions in this piece of research, the Commission strongly advocates better and continued use of administrative data, and the need for investment by governments at all levels in making it available to researchers, both public and private.

The team producing this report was led by Lou Will, with oversight by Patrick Jomini and included Rebecca Chin, Jackson Bunting, Matthew Forbes, Dan Marshall and Miriam Veisman-Apter.

Peter Harris  
Chairman

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# Acknowledgements

A number of government agencies provided data for, and/or feedback on, this research project. The Commission would particularly like to thank:

* Mark Morrison, Celia Skipsey and Ken Rimmington from the Commonwealth Department of Human Services
* John Riley and Ben Carmody from the Commonwealth Department of Social Services
* Liz Pugh and Ken Wilkinson from the Commonwealth Department of Employment
* Melissa Knowles, Adam Charlton and Geoff Slack from the South Australian Department for Communities and Social Inclusion
* Sarah Mewett and Guy Dyson from the Western Australian Department of Housing.

The Commission also wishes to thank the external referees — Robert Breunig (Australian National University) and Michael Dockery (Curtin University) — for helpful feedback on background papers 5 and 6.

The findings and views reported in this paper are those of the Productivity Commission and should not be attributed to the external referees or any of the government agencies that provided data for, and/or feedback on, the research.

# Abbreviations and explanations

Abbreviations

ABS Australian Bureau of Statistics

ACT Australian Capital Territory

ASGC Australian standard geographical classification

BP Background paper

CH Community housing

COAG Council of Australian Governments

CPI Consumer price index

CRA Commonwealth rent assistance

CSHA Commonwealth State Housing Agreement

DCSI Department for Communities and Social Inclusion

DES Disability Employment Services

DHS Department of Human Services

DIPR Disposable income post rent

DPMC Department of the Prime Minister and Cabinet

DSP Disability Support Pension

DSS Department of Social Services

DVA Department of Veterans' Affairs

EMTR Effective marginal tax rate

FTB Family Tax Benefit

GST Goods and services tax

HA Housing assistance

HILDA Household, Income and Labour Dynamics in Australia Survey

IC Industry Commission

ICH Indigenous community housing

ISP Income support payment

JSA Job Services Australia

MTR Marginal tax rate

NAHA National Affordable Housing Agreement

NHS National Housing Strategy

NPA National Partnership Agreement

NRAS National Rental Affordability Scheme

NRSCH National Regulatory System for Community Housing

NSW New South Wales

NT Northern Territory

NWS Newstart Allowance

PC Productivity Commission

PCTT Productivity Commission tax and transfer model

PP Parenting Payment

PPP Parenting Payment Partnered

PPS Parenting Payment Single

SA South Australia

SA2 Statistical Area 2

SAAP Supported Accommodation and Assistance Program

SIHC Survey of Income and Housing Costs

SH Social housing

SHA State Housing Authority

SHI Social Housing Initiative

SOMIH State owned and managed Indigenous housing

SPP Specific Purpose Payment

WA Western Australia

YA Youth Allowance

Explanations

|  |  |
| --- | --- |
| Billion | The convention used for a billion is a thousand million (109). |

# Glossary

|  |  |
| --- | --- |
| Community housing | Rental housing provided for low to moderate income and/or special needs households, managed by community‑based organisations that have received a capital or recurrent subsidy from government. |
| CRA | Commonwealth Rent Assistance. An Australian Government payment to income support recipients or people who receive more than the base rate of the Family Tax Benefit Part A, and who rent in the private market. |
| EMTR | Effective marginal tax rate. A measure of the financial incentive for an employed income support recipient to work more. The EMTR indicates the proportion of an extra dollar of gross private income that is lost from disposable income through income tax and the reduction of benefits. |
| Household | One or more persons, at least one of whom is at least 15 years of age, usually resident in the same private dwelling. Some households contain more than one family. |
| Income unit | Income units are formed either by couples or singles, with or without dependent children, living within a household. Income units differ from families in that related, non-dependent individuals form separate income units rather than being attached to the family nucleus. |
| ICH | Indigenous community housing: dwellings owned or leased and managed by ICH organisations and community councils in major cities, regional areas and remote areas. |
| Private rent assistance | Private rent assistance is provided to low-income households experiencing difficulty in securing or maintaining private rental accommodation either:   * directly by states and territories, or * by not-for-profit organisations funded by state or territory governments.   It assists households to meet rent payments, relocation costs and the costs of bonds; advice or information services may also be offered. |
| Public housing | Dwellings owned (or leased from private landlords) and managed by State and Territory housing authorities to provide affordable rental accommodation. |
| Replacement rate | A measure of the financial incentive for an income support recipient to enter work. The replacement rate is measured by the ratio of disposable income while not working to an estimate of the disposable income that an individual would receive if they worked. |
| SA1 | Statistical area level 1. The second smallest geographical area as defined by the Australian Statistical Geography Standard. Each SA1 has an average population of 400 people. |
| SA2 | Statistical area level 2. A medium sized geographical area that represents an aggregation of SA1 regions. Each SA2 has an average population of roughly 10,000 people. |
| Social housing | Public and community housing. |
| SOMIH | State owned and managed Indigenous housing: dwellings owned and managed by State housing authorities that are allocated only to Indigenous households. |