# 1 What is this report about?

|  |
| --- |
| Key points |
| * This project examines the links between housing assistance — social housing and Commonwealth Rent Assistance — and employment. * Access to novel, very large administrative datasets is a feature of the project: * Centrelink payments data include over 2.5 million Australian working-age income support recipients at 30 June 2013, including 255 000 public housing tenants and 940 000 recipients of Commonwealth Rent Assistance. * Data on all public housing applicants and tenants in South Australia and Western Australia cover over 50 000 households in each state in 2013. |
|  |
|  |

## 1.1 The main focus of the report[[1]](#footnote-1)

Employment is critically important to an individual’s wellbeing — it significantly contributes to their living standards and quality of life, through the effect on their development of skills and knowledge (human capital), income, sense of purpose and social engagement.

Adequate housing is also central to wellbeing (ASIB 2012). But, for a wide range of reasons, some Australian households struggle to afford adequate housing (AIHW 2014; PC 2004; Wood, Ong and Cigdem 2014). In response, governments have implemented housing assistance policies.

Many have argued that some of these policies create disincentives to employment (for example, IC 1993; NCOA 2014; Treasury 2010a). Conversely, it has also been argued that the stability provided by adequate housing enhances an individual’s employment prospects (for example, AIHW 2014; Commonwealth of Australia 2015).

This study focuses on the links between the two key forms of housing assistance provided to lower income renting households — social housing and Commonwealth Rent Assistance (CRA) (box 1.1) — and participation in employment.

|  |
| --- |
| Box 1.1 Major forms of housing assistance for renters |
| **Social housing** is provided by not‑for‑profit, non‑government or government organisations. Forms of social housing include:   * *public housing*: owned (or leased) and managed by state and territory government housing authorities * *state‑owned and managed Indigenous housing*: like public housing but allocated only to Indigenous Australians * *community housing*: owned (or leased) and managed (often under contract with state governments) by community‑based organisations * *Indigenous community housing*:owned (or leased) and managed by Indigenous community housing organisations and community councils.  |  | | --- | | Numbers of social housing dwellings, 2004 to 2014**a,b** | | |  | | --- | |  | | | **a** Numbers of Indigenous community housing dwellings were estimated for 2005 and 2014 taking into account the data for other years. **b** Some affordable housing built under the National Rental Affordability Scheme is included in the community housing numbers. | |  | |  |   **Commonwealth Rent Assistance** (CRA) is a non‑taxable income support supplement payable to people who: rent in the private market or community housing; receive an income support payment or more than the base rate of Family Tax Benefit part A; and pay rent above a minimum threshold. For community housing tenants, CRA is often paid by Centrelink directly to landlords. |
| *Sources*: SCRGSP (2015), BP 1. |
|  |
|  |

Other policies that may affect housing are not dealt with because:

* their potential links to employment are less clear — for example, first home owner grants
* they are relatively small scale — for example, bond guarantees provided to low income households by state and territory governments
* the data that would support an analysis of any links with employment outcomes are not readily available — for example, initiatives to improve the supply of lower cost housing, like the previous National Rental Affordability Scheme (NRAS).

This report also does not investigate the long term decline in the relative size of the public housing stock, the growth of community housing or housing affordability.

## 1.2 Why look at housing assistance and employment?

Housing assistance has a broad reach. Close to one in seven Australians either lives in social housing or rents privately and receives some CRA (figure 1.1).[[2]](#footnote-2)

While social housing is becoming a less common form of tenure, over the past six years the share of the population receiving CRA has increased.

Housing assistance is a significant outlay for taxpayers. In 2012‑13, the Australian Government provided $1.3 billion in funding to state and territory governments for social housing, and spent $3.6 billion on CRA. State and territory governments spent a further $3.9 billion on social housing (DPMC 2014), with some of this offset by tenant rents.

Social housing waiting lists are large (SCRGSP 2015) and, as discussed below, being on a waiting list could affect incentives to work. Currently, at least two in five households would need to move out of social housing to make way for waiting families, but the rate of exits from social housing is much lower than that, and has been falling. People can spend many years on waiting lists (BP 1).

With such a large demand for social housing, providers have increasingly given priority to more highly disadvantaged people — especially those who are homeless or at risk of homelessness (BP 1).

|  |
| --- |
| Figure 1.1 A growing share of Australians receive housing assistance**a,b**  Per cent of the population |
| |  | | --- | |  | |
| **a** There is some overlap between the two forms of assistance because community housing tenants typically receive CRA. **b** Population estimates are derived by applying estimates of the average size of public housing households from the Survey of Income and Housing (ABS 2013), and income units receiving CRA from the Report on Government Services (SCRGSP 2015), to data on the number of households living in social housing and income units receiving CRA from SCRGSP (2015). |
| *Sources*: ABS (2013b), (2014); SCRGSP (2015). |
|  |
|  |

Past research examining the late 1990s to early 2000s (Dockery et al. 2008a, 2008b; Whelan and Ong 2008; Whelan 2004) found that housing assistance probably affected participation in employment (chapter 3, chapter 4, BP 5 and BP 6).

This report builds on that research using novel datasets (built from administrative records) to provide a more recent and detailed understanding of the relationship between housing assistance and employment. Through a collaboration with the Commonwealth Department of Human Services, the Commission has been able to study the characteristics of all working-age income support payment recipients over the decade to 2013 — including receipt of housing assistance and participation in employment (BP 3). The data provide annual snapshots of this population. At 30 June 2013, for example, they include over 2.5 million Australian working age income support recipients, including 255 000 public housing tenants and 940 000 CRA recipients.

Similar information, but with fortnightly detail, has been accessed from a database created by the Commonwealth Department of Employment (the Research and Evaluation Database). Two states, South Australia and Western Australia, also generously provided de‑identified administrative records for public housing applicants and tenants (BP 4). (The records include information about the characteristics of applicants and tenants, but not their identity.) Approaches to access data were also made to some other jurisdictions, but they either declined to be involved in the study, or were unable to provide records within the study timeframe.

## 1.3 Why might housing assistance affect employment?

Social housing might affect incentives (and also opportunities) to work in a number of ways:

* *Rent setting models:* For most tenants, rent is set at about a quarter of their income (chapter 2, BP 1, BP 2). The linking of rent to a change in income has two potential effects (discussed in more detail in BP 2):
* A ‘price effect’ — as a tenant earns more, their rent increases. They might also receive less in welfare payments. The combination of lower welfare payments and higher rents reduces the financial rewards from working. In other words, tenants face high effective marginal tax rates (EMTRs).
* An ‘income effect’ — with rent set at 25 per cent of income, a tenant might consider they have enough income left after paying for housing to get by, and choose to spend their time on activities other than paid work, for example, caring for a child.
* Work incentives for young people might be particularly affected by rent setting approaches in social housing because rents are based on household income. If so, the whole‑of‑life impact of such incentives can be expected to have society‑wide costs as well as costs to the individual.
* *Stability effects:* Lease terms in social housing typically favour longer tenures than in the private market, where tenure can be more uncertain (chapter 4, BP 1). The stability provided by ongoing tenure in social housing might mean that a person is better able to work (and study) than would be the case in other housing tenures. The stress and uncertainty associated with a lack of stable housing are likely to negatively affect a person’s search for work.
* *Mobility constraints:* The relatively small number of social housing properties, and high demand for them, mean that transferring between social housing properties can be difficult, both within and between states (PC 2014). A person thinking about moving to take up a job might find it difficult to access social housing close to that job. A move into the private rental market might mean higher rent and less security of tenure. The difficulty of transferring creates a disincentive to move for employment, especially if the job is temporary or the likely number of hours of work (and, therefore, income) is unclear.
* *Location effects:*
* Some social housing might be located in areas with poor access to transport or jobs (chapter 3, BP 3). Getting to a job might take so long and cost so much that a person decides it isn’t worth it.
* A concentration of social housing can lead to a concentration of disadvantaged people (chapter 3, BP 3). Employment outcomes might be affected, for example, if high rates of social exclusion in a neighbourhood mean that residents don’t have strong family and social networks to support them in accessing employment opportunities.
* *Welfare locks:*
* Rules about entry to social housing could affect the work activity of people on waiting lists (chapter 4, BP 4, BP 6). People can only enter social housing if their income is low. People on a waiting list may choose not to work so that their income remains low enough for them to qualify for a property. This is known as a ‘welfare lock’.
* Welfare locks might also affect tenants. In some states, people whose earnings are above a certain level can be asked to leave social housing (BP 1). Rather than move, they might decide not to work, or to reduce hours, to continue to qualify. This is more likely if alternative housing is not readily available, waiting lists are long (so re-entry probabilities are low), and if the security of jobs on offer is low.

Some of these effects could also apply in the private rental housing market when CRA recipients consider employment:

* *Rent levels:* In contrast with social housing tenants, CRA recipients pay market rents (not rents set as a percentage of their income), and CRA isn’t withdrawn until a recipient is earning a relatively high income (chapter 2, BP 2). Their financial incentives to work are, therefore, different from those of social housing tenants. CRA has a different price effect. It doesn’t increase EMTRs in the way that social housing rent setting models do, but recipients face EMTRs over a wider income range than non‑recipients do (chapter 2, BP 2). CRA increases a recipient’s real income, so it might influence work decisions via an income effect. The evidence suggests, however, that income after paying housing costs is higher for many social housing tenants than it is for CRA recipients. To the extent that income effects matter, they are likely to matter more for social housing tenants.
* *Mobility constraints:* As private renters, CRA recipients don’t face the same disincentives to moving as social housing residents do. It is relatively easy to move between private rental properties, although a person might be less willing to move to take up a job if low cost accommodation is not readily available or landlords are unwilling to provide housing to people with a high probability of being CRA recipients (PC 2014). In this case, it is not receipt of CRA (or the way that it is withdrawn) that creates the disincentive to move, but the supply of low cost rental housing.
* *Location effects:* Rents are typically lower in locations with poor transport infrastructure, that are more distant from strong labour markets and that concentrate disadvantage. These factors can have potentially adverse effects on the likelihood of employment (chapter 3, BP 3).

Although both types of housing assistance could affect work incentives, social housing and issues relating to waiting lists have a greater potential to affect participation in employment than receipt of CRA.

## 1.4 Research questions considered in the report

The primary question considered is:

* Does housing assistance affect recipients’ participation in employment?

In answering this, a number of related questions are considered. They cover some, but not all, of the issues and potential influences raised in the previous section. The questions considered are:

* What sort of price and income effects do social housing tenants and CRA recipients face? (Discussed in chapter 2 and BP 2)
* How do the employment rates of social housing tenants, CRA recipients, and income support recipients living in other tenures compare? (chapter 3, BP 3 and BP 5)
* Are younger residents of social housing less likely to work than their counterparts in other housing tenures? (chapter 3 and BP 5)
* Are social housing and lower cost rental properties typically located in areas with limited job opportunities? (chapter 3, BP 3 and BP 5)
* Is housing stability related to employment? (chapter 4 and BP 5)
* Does social housing have a stability effect on employment? (chapter 4, BP 4 and BP 6)
* Do social housing waiting lists reduce work incentives? That is, do welfare locks exist for applicants to social housing? (chapter 4, BP 4 and BP 6)

## 1.5 Structure of the report

In chapter 2, we look at how housing assistance works — especially, who receives it and how much assistance people receive. We also explore the price and income effects of assistance, that is, how it affects EMTRs and recipients’ income after housing costs.

Chapter 3 uses data from the Department of Employment’s Research and Evaluation Database for the 10 years to 2013. It relates housing assistance to the characteristics of people receiving it, for example, their gender and age, whether they work and the areas they live in. Those characteristics are then used in a multivariate analysis to estimate the possible influences of housing assistance on employment.

Chapter 4 contains analysis of data for public housing applicants and tenants in South Australia and Western Australia spanning the 10 years to 2013. It considers whether stability effects and welfare locks exist.

Chapter 5 presents conclusions and implications for housing assistance policy.

# 2 How does housing assistance work?

|  |
| --- |
| Key points |
| * The two main forms of housing assistance for low income renters — social housing and Commonwealth Rent Assistance (CRA) — work in quite different ways. * Social housing rents are typically set at 25 per cent of a tenant’s assessable income. CRA recipients face market rents. * Social housing tenants receive an implicit subsidy — the difference between market rent and the rent paid by a tenant. CRA is an explicit subsidy — tenants receive a transfer payment to offset their rent. * A social housing tenant typically pays more in rent as their assessable income increases. CRA recipients pay market rent, irrespective of their income, although CRA declines with increases in assessable income above the level at which a recipient’s income support payment has been withdrawn. * Differences in the ways that the two types of subsidy are withdrawn mean that they have different effects on recipients’ financial incentives to work. * Rent increases mean that social housing subsidies increase tenants’ effective marginal tax rates (EMTRs) from the first dollar earned. CRA doesn’t affect EMTRs until recipients are earning a relatively high level of income. * Many recipients of housing assistance face high EMTRs. Although housing assistance contributes to EMTRs, withdrawal of income support payments is the primary driver of particularly high EMTRs. |
|  |
|  |

This chapter examines how the two main forms of housing assistance — social housing (public and community) and Commonwealth Rent Assistance (CRA) — work. It describes who is eligible for each type of assistance, how assistance is provided and its value to recipients, and how assistance changes as household income changes. It shows that the two types of assistance work in very different ways. More detail is presented in BP 1, BP 2 and BP 4.

## 2.1 Who is eligible for housing assistance?

In the main, only people with low incomes and few assets can apply for public housing. Different jurisdictions have different limits but, in most jurisdictions, a person working full‑time at the minimum wage would not be eligible for entry into public housing (figure 2.1). Most people who apply for public housing rely on income support. Applicants must meet requirements relating to Australian and State residency and minimum age, and not own any property that could be used to resolve their housing needs, although exceptions apply in special circumstances such as in cases of domestic violence (BP 1).

|  |
| --- |
| Figure 2.1 Income limits for public housing entry vary by state**a,b**  Limits for single, childless applicants |
| |  | | --- | |  | |
| a The WA limit is for people with disability in metropolitan and some country areas. For people without disability, the limit in metropolitan and some country areas is $430. Higher limits apply in north‑west and remote areas. b The minimum wage income is calculated for someone working 38 hours a week. |
| *Sources*: DHS (2014b); Fair Work Commission (2014); State Housing Authority websites. |
|  |
|  |

Eligibility criteria for community housing are largely the same as for public housing. Community housing organisations that cater for a particular disadvantaged group, such as people with disability, use additional criteria.

However, having low income and few assets does not guarantee entry to social housing. As noted in chapter 1, demand exceeds supply, so state housing authorities give priority to people with urgent housing needs, for example, homeless people, people at risk of homelessness, victims of domestic violence, and people with severe disabilities who are living in housing that is not appropriate for their needs. Waiting times for the highest priority applicants are typically less than a year. It is common for non‑priority applicants to wait for several years.

In the past, lease terms in public housing were ongoing with no fixed end date. In recent years, most jurisdictions have begun to offer new tenants fixed term leases, but tenants who were living in public housing when the rules changed remain on ongoing leases. The length of fixed term leases varies across jurisdictions.

The reasons jurisdictions moved to fixed term leases differ. In New South Wales, for example, lease terms reflect a view that public housing is for those in high need and only while they are in need. In South Australia, fixed term leases are a means of managing tenants; those who do not meet lease conditions might not have their lease renewed (BP 1).

In most cases, leases in community housing are ongoing.

Because fixed term leases are relatively new in social housing, and not used by all providers, the majority of tenants still have lifetime tenure. Many continue to live in social housing even if their circumstances would make them ineligible if they applied for housing today.

CRA is paid to all who meet the eligibility criteria — that is, they rent in the private market or community housing, and receive an income support payment (ISP)[[3]](#footnote-3) or at least the base rate of Family Tax Benefit Part A (FTB A). (Public housing tenants are not eligible for CRA.)

## 2.2 How is assistance provided and how large is it?

### Social housing

Social housing providers assist tenants by charging less rent than tenants would pay in a private rental setting. For most social housing tenants, rent is set at 25 per cent of their *assessable* income.[[4]](#footnote-4) This is usually well below the market rent for an equivalent home. In Western Australia, for example, the average single public housing tenant without children pays about $82 a week in rent to the state housing authority. The equivalent property would cost about $325 a week to rent from a private landlord (chapter 4, BP 4). Where the market rent for a property is less than 25 per cent of a tenant’s income, they pay the market rent.

Some social housing providers also offer services and programs to support tenants and encourage community participation. The extent and form of services offered vary between states (BP 1).

### CRA

CRA recipients pay market rents but receive rent assistance from the Australian Government to help meet their housing costs.[[5]](#footnote-5) The level of assistance depends on how much rent a person pays and their family situation. CRA is not paid at very low levels of rent. Above the low rent thresholds (which vary with a person’s family situation), CRA rises by 75 cents for every dollar increase in rent up to a maximum amount (which also varies with a person’s family situation). Once the maximum amount is reached, CRA doesn’t change if rent increases. In Western Australia, for example, the average single CRA recipient without children pays market rent of $182 per week, and receives CRA of $62 per week leaving an effective payment of $120 per week after the subsidy.

### Factors that drive differences between the two types of subsidy

The subsidy received by public housing tenants is often larger than that received by CRA recipients.[[6]](#footnote-6) This reflects:

* differences in the locations of the two types of tenant: in some jurisdictions, public housing tends to be located in suburbs closer to the city centre (and with higher implied rents), reflecting the availability of residential land at the time that much of the public housing stock was built. CRA recipients tend to be more broadly spread throughout cities (BP 3)
* historically higher subsidies in social housing, amplified by faster growth in rents than in CRA. Over the past decade, rents have risen faster than the general level of prices (ABS 2014b). As rents have risen, so too has the implicit subsidy received by social housing tenants (SCRGSP 2015). In contrast, CRA has grown at the same rate as prices in general (because it is indexed to the consumer price index)
* differences between the profile of the public housing stock and the size of tenant households — many properties were built for families, but many new tenants are single. In Western Australia, for example, more than half of all single tenants (without children) live in homes with more than one bedroom (chapter 4, BP 4). To the extent that single public housing tenants live in larger (higher rent) properties than single CRA recipients, subsidies to public housing tenants will be higher.

## 2.3 What happens to assistance as income rises?

When a social housing tenant’s income increases, their rent goes up (unless they are already paying market rent for their home). This means that the size of the implicit subsidy falls.

Rent increases by 25 per cent of each extra dollar of *assessable* income. This doesn’t necessarily mean that rent increases by 25 cents of each extra dollar of *earned* income (in contrast to the message from some reports, for example, Hulse and Saugeres (2008), Whelan and Ong (2008) and Treasury (2010b)). This is because, beyond a minimum threshold, as a tenant’s earnings increase, their income support decreases, and this is taken into account when determining assessable income. For example, if a person’s ISP decreases by 50 cents when they earn an extra dollar, their assessable income only increases by 50 cents. Their rent goes up by 25 per cent of this amount, or 12.5 cents.

In contrast, when a CRA recipient who receives an ISP starts to earn income from work, their rent assistance doesn’t change. As their earnings rise, their ISP falls, but they continue to receive the same amount of CRA. Rent assistance only starts to fall when an ISP approaches zero or, for people who receive CRA as part of FTB A, as that benefit is withdrawn.

## 2.4 How does assistance affect financial incentives to work?

The effects of housing assistance on a recipient’s disposable income and, therefore, financial incentives to work, are illustrated for a single, childless Newstart Allowance (NWS) recipient in figure 2.2. See BP 2 (and that paper’s attachments) for the details underlying this analysis — and for similar analyses for other types of welfare recipients.

In this example, the NWS recipient is assumed:

* to live in a home with an annual market rent of $10 000
* if they earn no income, to receive an annual Newstart Allowance of about $13 300[[7]](#footnote-7)
* if they earn no income and live in social housing, to pay annual rent of about $3300, and have a post housing disposable income of about $10 000
* if they earn no income and rent privately, to pay annual rent of about $6700 once CRA of about $3300 is taken into account, leaving them with a post housing disposable income of about $6600
* once they earn income, irrespective of their housing tenure, to have NWS withdrawn at a rate of 50 cents in the dollar at annual incomes between about $2600 and $6500, and 60 cents in the dollar at incomes above about $6500.

Figure 2.2 shows the person’s post housing annual disposable income at different levels of market income. The series labelled ‘NWS, no HA’ shows how much post housing disposable income the person would have if housing assistance was not available. The gap between this series and those labelled ‘NWS, SH’ and ‘NWS, CRA’ at any level of income shows the person’s housing subsidy if they are living in social housing or renting privately and receiving CRA, respectively. These subsidies affect a person’s level of disposable income after housing costs are met. At zero market income (that is, income excluding government transfers), the implicit subsidy received by the social housing tenant is close to $6700. The subsidy associated with renting privately and receiving CRA, is about $3300.

|  |
| --- |
| Figure 2.2 Budget constraints**a**  Single, childless Newstart Allowance (NWS) recipient |
| |  | | --- | |  | |
| a Market rent is assumed to be $10 000 per annum |
| *Source*: Estimated using PC Tax and Transfer Model 2014. |
|  |
|  |

Figure 2.3 shows the effective marginal tax rates (EMTRs) that the NWS recipient faces (the price effects mentioned in chapter 1). At any level of market income, the schedules show the share of an extra dollar of market income that the person retains after taking into account any reduction in housing assistance, withdrawal of NWS and payment of income tax. At market income of $10 000, for example, if living in social housing the NWS recipient takes home 30 cents of each extra dollar of earned (and faces an EMTR of 70 per cent). If renting privately and receiving CRA, they take home 40 cents (and face an EMTR of 60 per cent). The many changes of direction in the schedules reflect the complex interactions between the welfare and taxation systems.

|  |
| --- |
| Figure 2.3 Effective marginal tax rates**a,b**  Single, childless Newstart Allowance (NWS) recipient |
| |  | | --- | |  | |
| a Market rent is assumed to be $10 000 per annum. b The small step down in the EMTR schedule at a market income of about $66 000 reflects the point at which the low income tax offset goes to zero. |
| *Source*: Estimated using PC Tax and Transfer Model 2014. |
|  |
|  |

The difference between the series labelled ‘NWS, SH’ and ‘NWS, CRA’ up to market incomes of about $25 000 shows the effect of social housing rent setting rules on EMTRs. At this level of income, the person’s NWS is fully withdrawn. Between incomes of about $25 000 and $31 000, comparison of the ‘NWS, CRA’ and ‘NWS, no HA’ schedules shows the effect of the withdrawal of CRA on EMTRs. If living in social housing, the person continues to pay more in rent as income rises, up to a market income of about $40 000, at which point they start paying market rent ($10 000 per annum). If the person faced a market rent of more than $10 000 a year, the ‘NWS, SH’ series would continue to reflect an EMTR of 25 per cent beyond $40 000.

Interactions between housing assistance and the rest of the tax and transfer system are complex, and highly dependent on the type of transfer payment that a person receives and their family situation (BP 2 and attachments). Many ISP recipients, including single, childless Disability Support Pension (DSP) and Newstart Allowance recipients, face very high apparent financial disincentives to work at the levels of income that they might be expected to earn if they entered the labour market. (For example, a full time job at the minimum wage would pay about $33 000 per annum.) Withdrawal of housing assistance contributes to the EMTRs faced by these groups, but it is the withdrawal of the primary ISP that contributes most to the particularly high EMTRs. Single, childless DSP and NWS recipients are also large recipients of housing assistance — representing 47 per cent of public housing tenants on ISPs, and 40 per cent of CRA recipients (excluding those who receive the payment only because they get FTB A).

# 3 Links between housing assistance and employment

|  |
| --- |
| Key points |
| * In the main, Commonwealth Rent Assistance (CRA) recipients have similar observed characteristics and rates of employment to income support payment (ISP) recipients who do not receive housing assistance. * Public housing tenants have markedly lower employment rates than other ISP recipients. * But this study shows that working age public housing tenants have observed characteristics that are typically associated with lower levels of employment. For example, in comparison with other ISP recipients, public housing tenants are more likely to be Disability Support Pensioners, older and, if a jobseeker, classified as facing significant barriers to getting work. * Public housing tenants are also likely to have other characteristics that are typically associated with lower rates of employment that are not observed directly in the data for this study, for example, drug and alcohol problems, mental health issues and criminal records. This study also takes into account these ‘unobserved’ effects. * When observed and unobserved characteristics are taken into account, differences in rates of employment between public housing tenants and other ISP recipients prove to be very small. * In other words, public housing tenants tend to have similar rates of employment to other ISP recipients with the same observed and unobserved characteristics. It is the characteristics of individuals, and not housing assistance, that explain public housing tenants’ relatively low employment rates. |
|  |
|  |

In chapter 1, it was suggested that characteristics of housing assistance might negatively influence the work decisions of recipients. Possible reasons for an effect include the increases in disposable income post rent, and higher effective marginal tax rates, created by housing assistance, and the location of public housing, in particular in areas of concentrated disadvantage. It was also suggested that the work decisions of young people living with parents or guardians in public housing might similarly be adversely affected by rent setting models. This chapter uses a novel dataset to investigate the links between housing assistance and participation in employment among income support payment (ISP) recipients.

The chapter opens with a description of findings from previous research (section 3.1). The dataset used in the current study is then described (section 3.2) and research results are presented (section 3.3). The potential effects of living with parents or guardians who receive housing assistance on young people’s employment participation are discussed separately (section 3.4). Additional observations that arise from the analysis conclude the chapter (section 3.5). The chapter summarises the more detailed analysis presented in BP 3 and BP 5.

## 3.1 Findings from previous research

Previous studies have found that housing assistance recipients are much less likely to work than other Australians (box 3.1). This is not surprising. Housing assistance has been targeted to those in need — typically ISP recipients. In other words, housing assistance recipients tend to have characteristics that are typically associated with lower rates of employment. Only a small number of Australian studies have investigated whether a link between housing assistance and employment remains after those characteristics are taken into account (BP 5):

* One set of studies focused on CRA and found some evidence that receipt of CRA has a small negative relationship with employment (Dockery et al. 2008a; Whelan and Ong 2008; Whelan 2004). However, in many instances the estimated effects were not statistically different from zero.
* Another stream of work examined whether declines in the employment rates of public housing tenants between 1982 and 2002 relative to those of people in other tenures could be explained by changes in observed characteristics of tenants over that period (Wood, Ong and Dockery 2009). The authors concluded that:

… changes in observable characteristics can account quite well for the long‑run deterioration in employment participation rates of male public renters compared to men in other tenures … [but] differences in observable characteristics cannot explain the decline in employment participation of female public renters ‘relative’ to women in other tenures. (p. 118)

The authors hypothesised that the relative declines for females might have been due to changes in their unobserved characteristics, for example, an increase in the proportion of women with low education attainment, or mental health or substance abuse issues.

These studies were based on small samples of housing assistance recipients:

* raising the possibility that members of those samples were not representative of all housing assistance recipients
* ruling out analysis of sub‑groups to test whether the link between housing assistance and employment rates (and potential policy responses) might differ between groups.

In addition, CRA recipients were not directly identified in these datasets. Studies that analysed the employment outcomes of CRA recipients inferred CRA status from information about household composition, income, housing tenure and rent level. Not all CRA recipients could be identified (Whelan and Ong 2008), and estimates for some ISP types (Disability Support Pensioners and Newstart Allowees) were markedly lower than counts from administrative data (Whelan 2004). These issues raise the possibility that the research results apply to the sample of individuals that were identified, rather than all CRA recipients.

Finally, while these studies took into account housing assistance recipients’ observed characteristics, the authors were not able to control for unobserved characteristics as this requires data that records information about people over time (panel data). Different conclusions about the links between housing assistance and employment might have emerged if these characteristics had been taken into account.

|  |
| --- |
| Box 3.1 Previous estimates of employment rates |
| In almost all years since 2000, about 70 per cent of working age Australians have been in employment (ABS 2014d). Estimates of employment rates for working age housing assistance recipients are markedly lower than this. Differences in the composition of the populations underlying those estimates — for example, whether or not people with disability are included — are likely to explain some of this variation. But the fact that many of the estimates are drawn from relatively small (and potentially not fully representative) samples of the population, and that receipt of CRA is not directly measured in some datasets, probably also contributes to the variation. Population‑level data that accurately identify CRA recipients, like those presented in this study, do not confront these issues. For comparability with the Whelan (2004) and Whelan and Ong (2008) analyses, estimates from this study presented in the table below exclude Disability Support Pensioners. Estimates presented elsewhere in the paper include this group.   |  | | --- | | Employment rates of working age housing assistance recipients  Per cent, number of observations on which an estimate is based are presented in square brackets (in thousands (denoted by K) for the current study) | | |  |  |  |  |  | | --- | --- | --- | --- | --- | | Authors, data source | Sample / data sourcea | CRA recipientsb | Public housing tenantsc | Govt benefit recipients without housing assistanced,e | | Kelly et al. (2005) | 15–64 year olds (excluding dependents), 2000‑01 / SIHC | 20  [310] | 28  [377] | 44  [2 210] | | Whelan (2004) | Non‑disabled, 16‑64 year olds, 2001 / HILDA | 31  [na] | 55  [379] | 33  [na] | | Whelan and Ong (2008) | Non‑disabled, 16‑64 year olds, 2001 / HILDA | 29  [157] | 44  [368] | 51  [1 860] | | Wood et al. (2009) | 15–64 year old males, 2002‑03 / SIHC |  | 35  [na] |  | |  | 15–64 year old females, 2002‑03 / SIHC |  | 25  [na] |  | | Current studye,f | 15–64 year olds not on DSP, 2003 / DHS | 26  [596 K] | 15  [158 K] | 25  [1 214 K] | | Groenhart and Burke (2014) | 15–64 year old males, 2011‑12 / SIHC |  | 33  [na] |  | |  | 15–64 year old females, 2011‑12 / SIHC |  | 26  [na] |  | | Current studye,f | 15–64 year olds not on DSP, 2013 / DHS | 24  [681 K] | 14  [125 K] | 24  [970 K] | | | na not available a SIHC — Survey of Income and Housing Costs; HILDA — Household, Income and Labour Dynamics in Australia survey; DHS — Department of Human Services, administrative data (unpublished); DSP — Disability Support Pension. b Estimates from Kelly et al. (2005), Whelan (2004) and Whelan and Ong (2008) exclude CRA recipients who receive Family Tax Benefit Part A (FTB). In these studies, eligibility for CRA is inferred from information on income, rent and household composition. Figures from the current study include FTB recipients who also receive an ISP. CRA recipients are identified in the data. c Employment rates for public housing tenants from the current study are for ISP recipients only. Estimates from other studies are for all tenants. d Estimates from Whelan (2004) and Whelan and Ong (2008) include public housing tenants in receipt of ISPs. e Government benefit recipients in the Kelly et al. (2005) and Whelan and Ong (2008) studies appear to include people whose only benefit is FTB (that is, they do not receive an ISP). The current study excludes this group and it appears that Whelan (2004) does too. f Figures for CRA recipients and public housing tenants exclude working age children living at home with parents or guardians. These children are included in the group of ISP recipients without housing assistance. | |
|  |
|  |

## 3.2 Data used in the analysis

The novel dataset used in this study, constructed from administrative records held in the Centrelink payments database, meant that this study did not have to contend with some of the data constraints faced by previous studies. In particular:

* the data include all housing assistance recipients who also receive ISPs — questions about whether or not the data are representative of this population do not arise
* at any point in the study period (2003 to 2013), the data include at least 2.5 million observations — enabling robust analysis of sub‑groups in the population
* CRA status is observed directly
* the data are longitudinal (that is, ISP recipients can be tracked over time), enabling the use of analytical methods that take into account both observed and (time invariant) unobserved characteristics of housing assistance recipients.

As with all data, this source has some drawbacks. The main one stems from the fact that the data are a by‑product of the administration of ISPs, so only include information relevant to that purpose. Measures for some observed characteristics that are typically associated with employment are not available, in particular, educational attainment.[[8]](#footnote-8) This issue is less important, however, if those characteristics are stable across time. In that case, some of the analytical methods used in the study take them into account. It is also less important if a characteristic varies little across ISP recipients. If ISP recipients have similar levels of education, differences in employment outcomes between sub‑groups of ISP recipients cannot be explained by differences in educational attainment.

Another potential drawback is that the data do not permit analysis of all working age recipients of housing assistance (figure 3.1). In particular, the data:

* exclude public housing tenants who do not receive ISPs
* do not include information about the characteristics of CRA recipients who do not receive an ISP, but are eligible for CRA because they receive Family Tax Benefit Part A (FTB‑only recipients).

There are, however, good arguments for excluding these two groups from an analysis of the links between housing assistance and participation in employment:

* An estimated 28 per cent of working age public housing tenants do not receive ISPs (author estimates based on unpublished data from ABS 2013b). Of this group, about 10 per cent are students. Among those who are not students, nearly 80 per cent are employed. It is likely that many are paying market rent and no longer receiving a housing subsidy.
* FTB‑only recipients accounted for about 14 per cent of the CRA population in 2013 (SCRGSP 2014). This group has relatively high rates of employment (about three‑quarters are employed) (author estimates based on unpublished data from ABS 2013b). They also typically live in households with higher incomes than ISP recipients.

|  |
| --- |
| Figure 3.1 Recipients of housing assistance in Australia, 2013**a,b,c,d,e,f**  Analysis in this chapter based on the population identified in the grey box |
| This chart shows the various categories of housing assistance recipients, and specifies those who are included in the analysis – public housing residents (255 667 individuals) and Commonwealth Rent Assistance recipients (942 116 individuals). |
| a An explanation of the difference between income units, households and persons is presented in BP 3. b Boxes with dashed edges represent knowledge gaps, where a precise number of housing assistance recipients is not known. c The total number of people living in households receiving housing assistance are estimates based on assumed numbers of people living in households receiving different types of assistance. d Residents of State‑owned and managed Indigenous housing are not separately identified in the DHS data. e Housing assistance measures such as one‑off bond payments are not included. f Comparisons of administrative and Census data for South Australia and Western Australia suggest that between 5 and 10 per cent of working age public housing residents are not reported to state housing authorities. The vast majority of under‑reporting appears to involve people who are not income support recipients. |
| *Sources*: AIHW (2014); SCRGSP (2014); ABS (*TableBuilder Pro, 2011*, Cat. no. 2073.0); DHS (unpublished). |
|  |
|  |

The data have a couple of other important limitations.

First, community housing tenants cannot be separately identified. Although their rent is calculated as a proportion of their incomes (as in public housing), most, if not all, are identified as CRA recipients. That said, because community housing is a relatively uncommon tenure (figure 3.1), results for CRA recipients are interpreted as if all recipients are renting privately.

Second, working age young people who receive ISPs and live with parents or guardians who receive housing assistance are not identified as housing assistance recipients unless they receive CRA in their own right. This is less of a concern in the case of CRA. Parental receipt of CRA is unlikely to have a large effect, if any, on whether a young person works because the household’s eligibility for CRA is not affected by the young person’s employment income. In the case of public housing, however, the measure of household income used to determine how much rent a household pays can include the income of working age children who live at home — potentially influencing their employment decisions. Within the data used for the study it is possible to infer the housing tenure of some young people from their parents’ information. These data are used in section 3.4 to examine whether young ISP recipients who live with parents or guardians in public housing are less likely to work than their peers who live with their parents in other tenures.

More information about the data used in the study and a description of the characteristics of housing assistance recipients are presented in BP 3.

Access to data derived from Centrelink administrative records enabled this project to add to the previous research in a number of ways:

* rates of participation in employment by public housing tenants, CRA recipients and other ISP recipients are compared
* the comparisons are undertaken for sub‑groups of the ISP population — by ISP type, state of residence and for young people living at home
* in addition to observed characteristics like age and the presence of young children in a household, the comparisons take into account the:
* socioeconomic characteristics of the neighbourhoods in which ISP recipients live
* potential effect of stability of residence on participation in employment
* time‑invariant unobserved characteristics of ISP recipients.

## 3.3 What are the links between housing assistance and employment?

### Simple analysis suggests a housing assistance–employment link

An initial examination of the data for ISP recipients suggests that housing assistance, or at least public housing, might be related to participation in employment.[[9]](#footnote-9) About one in five working age ISP recipients were employed at 30 June 2013 (table 3.1). Working age CRA recipients had similar employment rates to other income support recipients, but public housing tenants were much less likely to work — only 9.8 per cent of this group were working at 30 June 2013. Lower rates of employment among public housing tenants relative to CRA recipients and other income support recipients who don’t receive housing assistance are seen across all ISP types (figure 3.2).

|  |
| --- |
| Figure 3.2 Employment of housing assistance recipients by income support payment type**a,b,c**  Per cent reporting earned income |
| |  | | --- | |  | |
| a ISP recipients aged 15–65. b Other payments include a range of less common income support payments, including Bereavement Allowance, Wife’s Pension, Wife’s Disability Support Pension, Austudy, Partner Allowance, Sickness Allowance, Special Benefits, Widow Allowance and Abstudy. c Employment rates are based on a pooled sample spanning from 2005 to 2013. These figures are not directly comparable to those in table 3.1 where the focus is on working age ISP recipients active at 30 June 2013. |
| *Source*: Author estimates based on Research and Evaluation Database. |
|  |
|  |

The much lower rates of employment among public housing tenants relative to those reported in previous research (box 3.1) most likely reflect the fact that the data used in this study exclude public housing tenants who did not receive ISPs.

### But the observed characteristics of public housing tenants might explain their lower employment rates

Public housing tenants differ from ISP recipients in other tenures in a number of ways that might affect their participation in employment (table 3.1).

|  |
| --- |
| Table 3.1 Characteristics of working age ISP recipients at 30 June 2013**a**  Per cent of ISP recipients within each tenure |
| |  |  |  |  | | --- | --- | --- | --- | |  | Renter with CRA | Public housing | No housing assistance | | *Employed* | *19.8* | *9.8* | *18.9* | | **Income support payment type** |  |  |  | | Disability Support Pension | 30.5 | 52.4 | 32.0 | | Newstart Allowance | 29.3 | 20.7 | 25.2 | | Parenting Payment (Single) | 16.5 | 10.5 | 6.9 | | Parenting Payment (Partnered) | 5.3 | 2.6 | 3.5 | | Youth Allowance (Student) | 6.1 | 0.2 | 11.3 | | Youth Allowance (Job seeker) | 1.9 | 0.6 | 6.7 | | Carer Payment | 6.6 | 10.1 | 9.3 | | **Demographic characteristics** |  |  |  | | Percentage aged 50−64 | 24.8 | 43.6 | 34.1 | | Female | 62.0 | 62.7 | 55.3 | | Married or partnered | 19.9 | 23.6 | 30.5 | | Indigenous | 10.8 | 18.0 | 13.2 | | Preferred language — English | 93.0 | 90.0 | 91.3 | | Medical condition | 41.2 | 58.5 | 40.6 | | **Regional characteristics** |  |  |  | | Major city | 64.7 | 68.5 | 64.5 | | Areas of high disadvantage (lowest IRSD decile)b | 20.3 | 46.9 | 20.3 | | **Other characteristics** |  |  |  | | Work capacity 0‑7 hours a week (DSP recipients) | 60.4 | 64.6 | 61.9 | | Jobseeker classification stream 3 or 4 (Newstart Allowance or Youth Allowance (Jobseeker))c | 45.5 | 73.8 | 39.8 | | **Number of ISP recipients (‘000)** | 779.6 | 231 | 1 160.3 | |
| a Results presented in this paper take into account a person’s housing tenure at 30 June 2012. People who were not ISP recipients at that date are excluded from the dataset. This explains why the total number of ISP recipients in this table is smaller than the number in figure 3.1. Very similar characteristic indicators for working‑age ISP recipients are obtained when those people who were not ISP recipients at 30 June 2012 are included in the data. b Socio‑economic status is measured by an Index of Relative Socioeconomic Disadvantage created by the ABS using data from the 2011 Census (ABS 2014c). The index includes information about the socioeconomic characteristics of the residents of an area including unemployment rates, education levels, English language ability and household income. Areas are defined by the ABS’s level 1 statistical areas (ABS 2010). On average, these areas are home to 400 people. c Data from Department of Human Services, administrative data (unpublished). |
| *Source*: Author estimates based on Research and Evaluation Database. |
|  |
|  |

Public housing tenants, for example, are much more likely to be receiving the Disability Support Pension (DSP), tend to be older and, if jobseekers, are much more likely to have been assessed as facing significant or severe barriers to employment. They are also somewhat more likely to live in areas of higher socioeconomic disadvantage. CRA recipients tend to have characteristics more like those of ISP recipients who don’t receive housing assistance.

### Taking observed characteristics into account, public housing tenants are still less likely to work than other income support recipients

Even when observed characteristics other than housing tenure are taken into account, public housing tenants are less likely than other ISP recipients to be employed. Overall, the probability that a public housing resident is employed, all other characteristics equal, is 6.2 percentage points lower than the probability for a CRA recipient, and 6.4 percentage points below the probability for ISP recipients who do not receive housing assistance (BP 5). There is not much difference between the employment probabilities of CRA recipients and ISP recipients who do not receive housing assistance.

Differences in employment probability by type of housing assistance are found for all ISPs, but the differences vary markedly by payment type (figure 3.3).

|  |
| --- |
| Figure 3.3 Predicted probability of employment, by housing assistance type and income support payment type**a,b,c**  Average predicted probability of employment, accounting for observed characteristics |
|  |
| a ISP recipients aged 15–65. This figure excludes FTB(A)‑only recipients of CRA. Estimates are calculated using a cross‑sectional logit model that allows for interactions between housing assistance and ISP type. b Estimates are calculated using a cross‑sectional logit model that allows for interactions between housing assistance and ISP type, run on pooled data spanning from 2005 to 2013.  c Other payments include a range of less common income support payments, including Bereavement Allowance, Wife’s Pension, Wife’s Disability Support Pension, Austudy, Partner Allowance, Sickness Allowance, Special Benefits, Widow Allowance and Abstudy. |
| *Source*: Author estimates based on Research and Evaluation Database. |
|  |
|  |

The probability of employment for DSP recipients living in public housing, for example, is nearly 4 percentage points below that for DSP recipients who do not receive housing assistance. For Parenting Payment (Single) this gap is about 15 percentage points and for Youth Allowance recipients, at least 9 percentage points.

### Unobserved characteristics explain the gap

Public housing allocation has particularly focused on households in greatest need since the 1999 Commonwealth–State Housing Agreement. These are:

… households that at the time of allocation are either homeless, in housing inappropriate to their needs, in housing that is adversely affecting their health or placing their life and safety at risk, or that has very high rental housing costs. (SCRGSP 2014, p. 17.21)

Across the decade to 2013, the share of greatest need households among new public housing tenants increased from 38 to 77 per cent (SCRGSP 2014).

It is possible that public housing tenants are different from other ISP recipients in ways that are not easily observed in the data, and that these differences matter for employment. For example, greatest needs tenants might have drug or alcohol problems, a criminal record, mental health issues or needs related to domestic violence. To the extent that these unobserved characteristics don’t change across time (or are highly correlated with characteristics that don’t change over the time period studied), statistical techniques can be used to account for their effect on employment — even if the nature of these characteristics is unknown (BP 5).[[10]](#footnote-10)

When these unobserved characteristics are taken into account, differences in employment rates between ISP recipients who do and do not receive housing assistance become very small (figure 3.4). Some groups are marginally more likely to be employed with no housing assistance compared with CRA or with public housing (a positive bar in figure 3.4), while others are marginally less likely to be employed (a negative bar), but the differences are small.

These results indicate that public housing tenants and CRA recipients would have similar employment rates as other ISP recipients if they had the same observed and unobserved characteristics.

Just what the unobserved characteristics of public housing tenants are that account for their relatively low employment rates is a question that could usefully be taken up in further research. More detailed information from State Housing Authorities about the factors that influence the allocation of housing to a tenant, linked with the type of data used in this report, would be useful to that exercise.

|  |
| --- |
| Figure 3.4 Expected effect of housing assistance on employment, by income support payment type**a,b**  Percentage point difference from no housing assistance, 2004–2013 data, accounting for observed and unobserved characteristics |
| |  | | --- | |  | |
| a The employment effect of housing assistance is calculated using odds ratios from a fixed effects logit model that includes interaction terms between housing assistance type and ISP, and takes into account unobserved differences between ISP recipients. b Other payments include a range of less common income support payments, including Bereavement Allowance, Wife’s Pension, Wife’s Disability Support Pension, Austudy, Partner Allowance, Sickness Allowance, Special Benefits, Widow Allowance and Abstudy. |
| *Source*: Author estimates based on Research and Evaluation Database. |
|  |
|  |

## 3.4 Are young people particularly affected by public housing rent setting rules?

In chapter 1, it was suggested that young people living with parents or guardians might be particularly affected by rent setting rules in public housing. The rules relating to younger household members vary around the country, but all states include the incomes of at least some younger members in determining a household’s rent (table 3.2).

Jobs held by young people are often low paid. Including a young person’s earnings in household income for rent setting purposes could reduce their financial incentives to work. As a result, younger residents of public housing who live with parents or guardians might be less likely to work than their counterparts in other housing tenures.

As noted above, young people living with parents or guardians in public housing cannot be directly identified in the data used in this study. It is possible, however, to link some young ISP recipients (aged 16–24) to their parents who also received an ISP, and assign them a housing assistance status. The young people included in this sample are not necessarily living with their parents, but the data are restricted to those who live in the same neighbourhood as their parent.[[11]](#footnote-11) It is, therefore, likely that the vast majority of young people included in the analysis live with their parents. The results presented below are assumed to apply to young ISP recipients who are living with parents or guardians.

|  |
| --- |
| Table 3.2 How the income of young people is treated in setting households’ public housing rents**a** |
| |  |  | | --- | --- | | Jurisdiction | Rent setting rules relating to young people living at home | | New South Wales | Assessable income includes income from all household members aged 18 years or over (Housing NSW 2015). Household members aged 18 to 20 years other than the tenant or their spouse contribute 15 per cent of assessable income in rent (Housing NSW 2014). Older tenants usually pay between 25 and 30 per cent. | | Victoria | Assessable income includes the combined incomes of all household members 18 years of age or over (DHS Vic 2014a). | | Queensland | Assessable income excludes wages of young household members aged under 22 who are studying full time at school, TAFE, university or completing an apprenticeship (Queensland Government 2014). | | Western Australia | Household members aged between 16 and 21 years and those with student incomes who are under the age of 25 years, will have their assessable income calculated at 10 per cent for rent (Department of Housing WA 2015) | | South Australia | Income received by children aged 16 to 20 are assessed at 15 per cent. Once a child in a household turns 21, they are considered to be an adult and their income is assessed at 25 per cent (Government of South Australia 2014). | | Tasmania | Assessable income includes income from people aged 16 and over. Concessional rates apply for children and grandchildren household members up to 26 years of age (Housing Tasmania 2013). For people aged under 25, 50 per cent of income is assessable, and for 25 year olds, 75 per cent. | |
| a The table presents information relevant to young people living at home. Different rules apply for young people who are tenants in their own right, or the spouse of a tenant. |
|  |
|  |

A comparison of the employment rates of young ISP recipients living with parents or guardians reveals that those living in public housing are less likely to work than their peers in other housing tenures (figure 3.5). This might, however, be a function of their characteristics and have nothing to do with public housing rent setting rules.

Looking at the observed characteristics of these young ISP recipients, differences by housing tenure are relatively small (table 3.3) in comparison with ISP recipients overall (table 3.1). Young public housing residents are more likely to be Indigenous, live in an area of high disadvantage, and/or have a medical condition. They are less likely to be receiving the Youth Allowance (Student) payment. When these observed differences are taken into account, some differences in employment rates by tenure remain (figure 3.6).

Unfortunately the data did not support examination of whether young people’s unobserved characteristics explain the differences in employment rates between tenures (BP 5). Because of this, it is not possible to draw a firm conclusion about the effect of rent setting rules on the employment decisions of young people who live with parents or guardians in public housing. However, if it was assumed that these results do reflect the relationship between housing assistance and participation in employment for young people, they suggest that that relationship is not particularly strong.

|  |
| --- |
| Table 3.3 Characteristics of young ISP recipients living at home at 30 June 2013  Per cent of ISP recipients aged 16–24 within each tenure |
| |  |  |  |  | | --- | --- | --- | --- | |  | Renter with CRA | Public  housing | No housing assistance | | *Employed* | 19.1 | 13.7 | 24.1 | | **Income support payment type** |  |  |  | | Disability Support Pension | 12.9 | 19.2 | 14.1 | | Newstart Allowance | 8.7 | 10.7 | 9.1 | | Parenting Payment (Single) | 6.2 | 7.5 | 3.8 | | Parenting Payment (Partnered) | 0.9 | 1.2 | 1.0 | | Youth Allowance (Student) | 34.3 | 22.5 | 46.7 | | Youth Allowance (Job seeker) | 30.1 | 30.4 | 21.2 | | Carer Payment | 4.5 | 5.5 | 2.9 | | Othera | 2.3 | 3.0 | 1.2 | | **Demographic characteristics** |  |  |  | | Female | 50.0 | 47.8 | 50.0 | | Married or partnered | 2.9 | 3.5 | 2.8 | | Indigenous | 18.5 | 28.4 | 13.4 | | Preferred language — English | 97.1 | 98.8 | 98.7 | | Medical condition | 20.9 | 28.2 | 20.4 | | **Regional characteristics** |  |  |  | | Major city | 67.7 | 71.8 | 70.8 | | Areas of high disadvantage (lowest IRSD decile)b | 24.9 | 49.7 | 22.9 | |  |  |  |  | | **Number of ISP recipients (‘000)** | 37 047 | 24 542 | 49 283 | |
| a Other payments include a range of less common income support payments, including Bereavement Allowance, Wife’s Pension, Wife’s Disability Support Pension, Austudy, Partner Allowance, Sickness Allowance, Special Benefits, Widow Allowance and Abstudy. b Socio‑economic status is measured by an Index of Relative Socioeconomic Disadvantage created by the ABS using data from the 2011 Census (ABS 2014c). The index includes information about the socioeconomic characteristics of the residents of an area including unemployment rates, education levels, English language ability and household income. Areas are defined by the ABS’s level 1 statistical areas (ABS 2010) — the second smallest geographic areas for which the ABS publishes information. On average, these areas are home to 400 people. |
| *Source*: Author estimates based on Research and Evaluation Database. |
|  |
|  |

|  |
| --- |
| Figure 3.5 Employment of young ISP recipients living at home, by parents’ housing assistance status**a,b,c**  Per cent reporting earned income |
| |  | | --- | |  | |
| a ISP recipients aged 16–24. b Other payments include a range of less common income support payments, including Bereavement Allowance, Wife’s Pension, Wife’s Disability Support Pension, Austudy, Partner Allowance, Sickness Allowance, Special Benefits, Widow Allowance and Abstudy. c Employment rates are for a pooled sample spanning from 2005 to 2013. These figures are not directly comparable to those in table 3.3 where the focus is on young ISP recipients active at 30 June 2013. |
| *Source*: Author estimates based on Research and Evaluation Database. |
|  |
|  |

|  |
| --- |
| Figure 3.6 Predicted probability of employment for young ISP recipients living at home, by parents’ housing assistance status**a,b,c**  Average predicted probability of employment, accounting for observed characteristics |
|  |
| a ISP recipients aged 16–24. b Estimates are calculated using a cross‑sectional logit model that allows for interactions between housing assistance and ISP type, run on pooled data spanning from 2005 to 2013. c Other payments include a range of less common income support payments, including Bereavement Allowance, Wife’s Pension, Wife’s Disability Support Pension, Austudy, Partner Allowance, Sickness Allowance, Special Benefits, Widow Allowance and Abstudy. |
| *Source*: Author estimates based on Research and Evaluation Database. |
|  |

## 3.5 Some other observations from the analysis

### Interstate differences in public housing rules don’t matter much to employment

As described in chapter 2, BP 1 and BP 2, public housing rules relating to eligibility, lease terms and rent setting vary somewhat between the states. For example, since 2006, New South Wales has offered fixed term leases to new tenants, whereas in Victoria, tenants have ongoing tenure. There is little evidence that variations in rule setting have an effect on employment rates (figure 3.7).

|  |
| --- |
| Figure 3.7 Expected effect of housing assistance on employment rates, by state  Percentage point difference from no housing assistance, 2004–2013 data, accounting for observed and unobserved characteristics |
| |  | | --- | |  | |
| *Source*: Author estimates based on Research and Evaluation Database. |
|  |
|  |

### There is little evidence of links between location and employment

Chapter 1 raised the possibility that housing assistance recipients might live in areas with poor access to transport and jobs, or in areas of concentrated disadvantage, with potentially adverse effects on the likelihood that they work.

Maps of capital cities showing the areas in which housing assistance recipients live and where lower skilled jobs are located (BP 3) do not suggest a substantial mismatch, in large part because both housing and jobs are spread throughout major cities.

The location of public housing does vary considerably across capital cities. Perth and Sydney have greater proportions of public housing on the fringe; Melbourne has a higher proportion of public housing residents in the inner and middle suburbs. Public housing in Brisbane and Adelaide is spread more evenly. When compared to public housing residents, CRA recipients are more broadly spread across all capital cities.

The observation that lower skilled jobs are also spread across cities is consistent with previous research. For example, after researching housing–jobs spatial mismatch in Melbourne, Dodson (2005) concluded that:

… there is no evidence for a strong spatial mismatch between housing affordability and the location of employment opportunity in Melbourne. Areas where unemployment is highly concentrated are typically located within close proximity to areas where employment growth is strong. (p. 56)

As urban populations have spread, jobs have followed. As Davies (2009) notes:

A popular view of the suburbs is that they are ‘commuter’ or ‘dormitory’ locations that provide workers for the city centre but lack good jobs themselves … However the reality is that the suburbs now host most metropolitan jobs. (p. 1)

However, it is also the case that suburbs further from the city centre are typically less well served by public transport. Difficulties in accessing employment might be a factor in ISP recipients’ outcomes, but as Burke et al. (2014) note, ‘a significant gap remains in understanding the relationship between rental housing and transport disadvantage’ (p. 1). It was not possible within the time frame of this study to link the data used to information about the transport options in the areas in which ISP recipients live. This work could be taken up in further research.

Analysis of the link between housing assistance and employment used information about the socioeconomic characteristics of neighbourhoods in which ISP recipients live. Public housing tenants, in particular, are very likely to live in neighbourhoods of concentrated disadvantage: nearly half live in the most disadvantaged 10 per cent of neighbourhoods in Australia (table 3.1).

When this information was included in the analysis that took account only of ISP recipients’ observed characteristics, the results suggested that living in a more disadvantaged neighbourhood affects an ISP recipient’s employment participation negatively (BP 5). But that relationship disappeared in the analysis that also took into account ISP recipients’ unobserved characteristics. This may suggest that it is individual rather than neighbourhood characteristics that matter to participation in employment.

But that is not necessarily the case. Those with worse prospects may move into neighbourhoods with lower housing costs — and higher disadvantage. If that is the case, individuals’ characteristics are associated both with poorer employment prospects and with neighbourhood disadvantage. The relationship between neighbourhood disadvantage and participation in employment may, therefore, not be ‘causal’, but simply reflect people’s limited choices when choosing a neighbourhood in which to live.

Information about the process through which public housing tenants come to live where they do can be used to get around this statistical problem (Hedman and van Ham 2012). While private renters can select the neighbourhood in which they live to some extent (that is, subject to housing availability and their budget), public housing tenants tend to have less choice — their individual characteristics have less of an influence on where they live. Associations between neighbourhood disadvantage and individuals’ participation in employment among public housing residents are, therefore, more likely to reflect a causal relationship between neighbourhood and participation in employment.[[12]](#footnote-12)

Preliminary analysis for public housing tenants shows that living in a highly disadvantaged area is associated with lower levels of employment, but that this effect is really quite small, especially when compared with the influence of individual factors that affect participation in employment (BP 5).[[13]](#footnote-13) This is an issue that could be explored further using the data accessed for this report (work that was outside the timeframe of this project).

# 4 Welfare locks and stability effects

|  |
| --- |
| Key points |
| * Low income eligibility limits for public housing potentially create ‘welfare locks’, that is, an incentive for applicants to avoid employment in order to remain eligible for a property. To the extent that income limits also apply for tenants, welfare locks potentially exist for them too. * For some tenants, the stable address and living arrangements that come with a move into public housing might facilitate employment (a stability effect). * For eligible people, the financial incentives to enter and remain in public housing are strong. * The analysis shows that public housing tenants typically pay less rent than they would if renting an equivalent property in the private market and receiving Commonwealth Rent Assistance. * These financial incentives are stronger where private rents are higher. * Public housing tenancies also appear to be much more stable than those of low income renters in the private market. * Analysis of all income support recipients shows that housing stability is positively related to employment. Recipients who move once over the course of a year are predicted to have an employment rate nearly 4 percentage points below that of their peers who do not move — a large difference in the context of an employment rate for non‑movers of about 21 per cent. * A simple comparison of employment rates prior to and following a move into public housing reveals that, over the study period (2004 to 2013), employment rates increased both: * while applicants were on the waiting list, and * following a move into public housing. * Overall, the simple analysis is: * not strongly suggestive of welfare locks for applicants in either South Australia or Western Australia * consistent with a positive stability effect for some tenants * not consistent with welfare locks for tenants in Western Australia. * Stronger conclusions could be drawn with more accurate data on applicants’ employment. |
|  |
|  |

In chapter 1, it was suggested that the rules governing entry into social housing might affect the work activity of people on waiting lists. Properties are typically only allocated to people on low incomes. Once people have moved into public housing, in many states, they have security of tenure even if their income rises (BP 1). The theory is that an applicant might choose not to work while waiting for social housing to ensure that their income remains low, and enter employment after being allocated a property. This is known as the ‘welfare lock’ hypothesis.

An alternative hypothesis was also raised in chapter 1. The stability provided by ongoing tenure in social housing might mean that a person is better able to work (and study) than would be the case if they were renting privately.

Chapter 1 also raised the possibility that welfare locks might apply to tenants in states where ongoing tenancy is contingent on tenants remaining below an income threshold.

Little change in employment rates while applicants are on a waiting list, followed by higher rates of employment on entry into social housing could be consistent with welfare locks or stability effects. This chapter examines whether there is any evidence of either effect in the public housing systems of South Australia and Western Australia — the two states that provided data suitable to such an analysis. The question of whether welfare locks exist for tenants in Western Australia, where income limits apply to tenants, is also considered. A summary of findings from previous research opens the chapter (section 4.1). The novel data used in the analysis are then described (section 4.2), and research results are presented (section 4.3). The chapter is based on more detailed analysis that is presented in BP 4 and BP 6.

## 4.1 Findings from previous research

Only one Australian study has tested the welfare lock hypothesis. Dockery et al. (2008b) analysed the employment outcomes of public housing applicants and tenants in Western Australia between 1999 and 2006, concluding that:

… there is a sizeable ‘lock‑in’ effect created by the rationing of public housing … We believe there is also evidence of an enabling effect of entering public housing through stability of tenure and the release of tenants’ resources that can boost economic participation. (p. 71)

In terms of the size of the effect of public housing on employment, they found that:

After controlling for other factors that might influence employment outcomes, entering public housing is estimated to increase the probability of being employed by around 11 percentage points for males and 5 percentage points for females. (p. 70)

Some survey evidence also suggests that welfare locks might exist. Hulse and Saugeres (2008) interviewed 105 housing assistance recipients in New South Wales and Victoria:

Several respondents were renting privately but were waiting for public housing and did not want to work or look for work so that they could remain eligible. (p. 53)

Some of the responses also suggested a link between housing stability and employment:

Lack of housing stability impacted on employment participation in that several people said that it was important for them to feel settled first in their housing and have housing security before they could look for paid work. (p. 55)

Other research hasn’t found a clear cut relationship between employment and a move into public housing. Phipps and Young (2005) interviewed 178 tenants just after they had moved into public housing and 151 about six months later. They found that:

In some cases households used the extra disposable income generated by savings on rent to reduce their employment … On the other side of the ledger, the increase in self esteem reported by some respondents meant they wanted to work on their career … The additional disposable income also meant respondents had additional resources available for job searches. (p. 72)

This chapter adds to the previous research by examining more recent evidence for Western Australia and analysing the situation in another state — South Australia.

## 4.2 Data used in the analysis

### Where the data come from

Following Dockery et al. (2008b), the research in this chapter is based on datasets built from administrative records for public housing applicants and tenants. The records were created by the state housing authorities (SHAs) of South Australia and Western Australia in the course of administering public housing waiting lists and managing public housing.[[14]](#footnote-14) The datasets could not have been constructed without the assistance of staff in the respective SHAs, and the Commission is very grateful for their help.

The data span 2004 to 2013, and include information about applicants’ and tenants’:

* demographic characteristics
* income from different sources (including employment)
* level of housing need while on the waiting list.

Information about employment status was not collected. Instead, it is assumed that applicants or tenants who reported employment income were employed. This approach is likely to be reasonable for tenants, but there is a question mark over the data for applicants.

Information about tenants’ incomes is collected regularly (at least twice yearly in South Australia and annually in Western Australia). Information for applicants is collected when they enter the waiting list, and at entry to public housing.[[15]](#footnote-15) Applicants are asked to notify state housing authorities of any change in their circumstances while waiting for a tenancy but, in Western Australia at least, housing officials believe this happens rarely (Dyson, G., Dept of Housing, pers. comm., 15 January 2015). Information about applicants’ incomes is also collected if they apply for other services offered by a SHA, in particular, bond assistance.

The administrative records from both South Australia and Western Australia include income observations for some applicants following their entry to the waiting list. However, because data are not collected regularly, and reporting by applicants might be patchy, estimated employment rates for applicants following entry to the waiting list are viewed with caution.

### Key characteristics of public housing in South Australia and Western Australia

Public housing is more prevalent in South Australia, and tenants typically have longer tenures than their peers in Western Australia (table 4.1). South Australia has much higher income eligibility thresholds — the highest in the country — and tenants can reasonably expect to remain in public housing provided they don’t breach lease conditions. Western Australia’s thresholds for applicants are the lowest in the country. From 2006, similar thresholds have applied to tenants.

|  |
| --- |
| Table 4.1 Key features of public housing administration in South Australia and Western Australia |
| |  |  |  |  | | --- | --- | --- | --- | |  | Units | South Australia | Western Australia | | Households in public housing at 30 June 2013a | Number | 40 500 | 36 000 | | Mean tenancy duration at 30 June 2013 | Years | 13.1 | 7.7 | | Frequency of tenants’ rent assessments |  | Twice yearly | Annual | | Households on waiting list at 30 June 2013a | Number | 24 600 | 21 500 | | Waiting list categories for new applicants | Number | 3 | 2 | | Allocations to highest needs applicants, 2013 | Per cent | 85 | 48 | | Median time to allocation, high needs applicants, 2012‑13 | Days | 250 | 504 | | Income limit for applicantsb | Dollars per week | 970 | 430 | | Income limits apply to tenants |  | No | Yes | |
| a Figures rounded to nearest 100. b South Australia — Limit for a single person household. Western Australia — Limit for a single person without disability, applying in a metro area. |
| *Source*: BP 4. |
|  |
|  |

South Australia places new applicants into one of three waiting list categories:

* category 1 households are in urgent need of housing and unable to access a private rental
* category 2 households do not have an urgent need for housing but face long‑term barriers to accessing suitable housing in the private rental market or other housing options
* category 3 households qualify for public housing but do not have a high enough need to be placed in categories 1 or 2.

The vast majority of new public housing tenants in South Australia are category 1 households. In contrast, only half of new tenant households in Western Australia are from their highest priority category. Western Australia uses two waiting list categories:

* priority applicants are in urgent need of housing
* wait turn applicants qualify for public housing but are not in urgent need of housing.

A profile of applicants and tenants in each state is presented in BP 4.

## 4.3 Research results

### Financial incentives to enter and remain in public housing are strong

Public housing tenants in both South Australia and Western Australia typically pay lower rents than they would if they were renting privately and receiving Commonwealth Rent Assistance (CRA) (figure 4.1). A move into public housing typically leaves tenants with more disposable income post rent and many tenants would be financially worse off if they moved out of public housing.

The relatively large implicit subsidies associated with public housing tenancy in Western Australia reflect the higher levels of market rent in that state. In 2011‑12, private rents averaged $376 a week in Perth, versus $291 a week in Adelaide (ABS 2013a).

Many singles living in public housing in both states receive a particularly large implicit subsidy. In addition to public housing rent setting rules, this reflects the fact that they tend to live in properties with markedly higher market rents than their peers who rent privately and receive CRA even if they would not choose to live in such properties if they were renting privately. This most likely reflects a mismatch between the profile of public housing tenants and the housing stock (figure 4.2).[[16]](#footnote-16) In South Australia, for example, close to half of the stock consists of three‑bedroom properties, while over half of all households are made up of singles. Due to the limited availability of single‑bedroom properties (just over 10 per cent of the stock), many single‑person households occupy two‑ or three‑bedroom properties.[[17]](#footnote-17)

|  |
| --- |
| Figure 4.1 Subsidies tend to be larger in public housing in South Australia and in Western Australia**a,b,c,d,e**  Mean rents, 30 June 2013, selected household types |
| |  | | --- | | **Western Australia** | |
|  |
| a The rent subsidy received by public housing tenants is implicit — tenants don’t actually receive a payment. The subsidy is the difference between the market rent for their property and the rent that they pay. b CRA recipients pay market rents and receive CRA (the subsidy) as a payment to offset the cost. c Children aged under 16 include any person in the household aged under 16. d Mean rents for single, childless renters receiving CRA are for all singles, that is, both sharers and those who live alone. The CRA subsidy presented in the figure is the maximum rate for singles who live alone. (Sharers receive a lower rate.) e The CRA subsidies presented for singles and couples with children aged under 16 years only are the rates for families with less than three children. |
| *Sources*: Public housing — Department for Communities and Social Inclusion, Housing SA, administrative data (unpublished); Department of Housing (Western Australia), administrative data (unpublished). CRA — Author estimates based on unpublished data from the Research and Evaluation Database. |
|  |

|  |
| --- |
| Figure 4.2 Many single tenants live in multi‑bedroom dwellings |
| |  | | --- | |  | |
|  |
| *Source*: Department for Communities and Social Inclusion, Housing SA, administrative data (unpublished), Department of Housing (Western Australia), administrative data (unpublished). |
|  |
|  |

In short, low income Australians have a financial incentive to enter public housing, and a financial incentive to stay once they become tenants, and these incentives are stronger in areas where private rents are higher.

### Secure tenancies are an additional reason for tenants to prefer public housing

In contrast to the situation that can apply in private rental accommodation, if public housing tenants in South Australia continue to meet the conditions of their fixed term lease, they will be offered a further fixed term lease at its expiry (BP 1). In Western Australia, public housing tenancies are ongoing provided that tenants continue to meet eligibility criteria.

There is some evidence that low income private renters in South Australia have relatively short tenancies. The South Australian government provides bond guarantees for low income households. In 2012‑13, the income eligibility threshold for a single applicant for a guarantee was the same as for public housing — $970 a week. In that year, about 15 500 bonds were released as tenancies ended. Half of the tenancies that ended had lasted less than 1.2 years (60 weeks) (unpublished data from Housing SA).[[18]](#footnote-18) In contrast, half of the tenants who left public housing during 2012‑13 had been living in public housing for over 7 years. Only 15 per cent of tenants left after less than 12 months of residence.

To the extent that a low income renter values security of tenure, public housing is likely to be considerably more attractive than private rental.

#### More generally, housing stability appears to be positively related to employment

Short tenures are a concern from an employment perspective. Analysis of the employment rates of income support recipients suggests that there is a positive relationship between a stable address and employment (BP 5). Income support recipients who move once over the course of a year are predicted to have an employment rate that is nearly 4 percentage points lower than that of their peers who do not move (figure 4.3). Given an average employment rate among income support recipients with stable housing in the preceding year of about 21 per cent, this is a large effect.

|  |
| --- |
| Figure 4.3 Changing address negatively affects the likelihood that an income support recipient works**a**  Number of address changes in previous year. Percentage point difference in the predicted employment rates of movers and non‑movers. |
| |  | | --- | |  | |
| a Address changes are measured as moves between postcodes. Employment effects are calculated from a fixed effects logit model that separates the effect of number of moves from other influences on whether or not income support recipients are employed. |
| *Source*: Author estimates based on Research and Evaluation Database. |
|  |
|  |

### Public housing tenants typically have higher employment rates than applicants

About 20 per cent of working age head tenants in South Australia, and about 20 per cent of all working age tenants in Western Australia, were employed at 30 June 2013 (figure 4.4).[[19]](#footnote-19) In both states, employment rates among applicants tended to be lower — much lower for those in a higher priority category.[[20]](#footnote-20)

|  |
| --- |
| Figure 4.4 Tenants’ employment rates tend to be higher than applicants’**a**  Percentage of working‑age people employed, at 30 June, 2004 to 2013 |
| |  | | --- | |  | |  | |
| a Figures for South Australia are for working‑age head applicants and head tenants. Figures for Western Australia are for all working age applicants and tenants. |
| *Source*: Department for Communities and Social Inclusion, Housing SA, administrative data (unpublished), Department of Housing (Western Australia), administrative data (unpublished). |
|  |
|  |

Looking at changes over time, employment rates for both tenants and applicants typically rose slightly across the first half of the decade that ended in 2013, then dropped somewhat — more strongly in the case of Western Australian tenants.

The relatively steep fall in employment among Western Australian tenants might be a reflection of changes in the tenant population. Perhaps the people who entered public housing in the second half of the decade were less likely to work than those who exited. However, the employment rates of tenants who lived in public housing for the whole period, 2007 to 2013, also fell (by 3.4 percentage points).

It is possible that the introduction of income eligibility thresholds for all tenants in 2006 has influenced employment activity. The thresholds have not been adjusted since they were introduced, and are relatively low — $430 a week for a single person without a disability living in a metro area (workshop participants, Department of Housing, pers. comm., 17 December 2014). Falling employment rates among Western Australian tenants are consistent with a possible welfare lock for tenants. The possibility of welfare locks among tenants is discussed further in the next section.

### Simple longitudinal analysis does not suggest welfare locks are a concern

Greater insight into the relationship between public housing and employment is gained by comparing employment rates for entrants before and after they move into public housing.

In both South Australia and Western Australia, contrary to the welfare lock hypothesis, applicants were more likely to be employed when they entered public housing than when they joined a waiting list (figure 4.5). In other words, many applicants do not avoid employment while waiting for public housing. Employment rates also increased in the year following entry into public housing in both states.

There are a number of possible explanations for the observed increases in employment following entry to public housing:

* release from a welfare lock effect while on the waiting list — some applicants might have managed their employment while on the waiting list, to avoid exceeding the income eligibility limit
* a stability effect following entry to public housing — some applicants might have found it easier to work once they had a stable address and living situation
* policy changes that led to employment increases across time, for example, a change in the level of support offered to tenants seeking employment (however, discussions with the SHAs do not suggest that there were any change in local approaches to supporting tenants, and employment patterns for income support recipients receiving housing assistance do not suggest that national policy changes led to consistent increases in employment rates across the decade (BP 3))
* a consistent increase in general employment rates over time (although in neither state do the data suggest that this occurred to an extent that would explain the increases among people who moved into public housing).

|  |
| --- |
| Figure 4.5 Employment rates typically rise while waiting for public housing and following allocation of a property**a,b,c** |
|  |
| a Rates are for people who spent at least one year in public housing. Similar employment rate patterns are obtained when tenants who spent at least three years in public housing are included in the analysis.  b Observations include working age household heads (South Australia) or individuals (Western Australia) who are observed both as an applicant and a tenant between 2004 and 2013, and whose category did not change while on the waiting list. c Employment rates at ‘entry onto waiting list’ are at 30 June after entry to the waiting list. Employment rates at ‘entry into public housing’ and ‘1 year after entry into public housing’ are at the 30 June after each of those events. |
| *Source*: Department for Communities and Social Inclusion, Housing SA, administrative data (unpublished), Department of Housing (Western Australia), administrative data (unpublished). |
|  |
|  |

In the case of Western Australia, given income eligibility thresholds are similar for applicants and tenants, it is likely that a person who manages their employment to retain eligibility pre-entry will do the same thing post-entry. Any welfare locks consequently would apply both to applicants and to tenants, and the observed increases in employment following a move into public housing are more likely due to a stability effect.

Overall, the patterns in employment rates in both South Australia and Western Australia suggest welfare locks, if they exist, are not strong. The increases in employment following entry into public housing might reflect the positive effect of housing stability for some new tenants. Entry to public housing possibly provided some tenants a stable base from which to seek work.

Unfortunately, the results for South Australia and Western Australia are not easily compared. First, the South Australian figures only include head tenants, whereas employment rates for all working-age household members are reflected in the Western Australian results. If head tenants have a different probability of employment from other household members, interstate comparisons will be flawed. Second, the two states use different categories — although comparisons of tenants who were category 1 or 2 or priority applicants, or category 3 or wait turn applicants, might be valid.

To facilitate an interstate comparison, the analysis was restricted to single person households (and data for category 1 and 2 applicants in South Australia were merged). Very similar tenant employment levels are observed for the two states, for both higher and lower needs categories (BP 4).

This observation has implications for the question of whether income eligibility thresholds for tenants in Western Australia create welfare locks. If that is the case, it might be expected that employment rates among tenants in that state would be markedly lower than in South Australia. The fact that this isn’t the case suggests that welfare locks are not an issue for tenants in Western Australia.

### Characteristics of the data limit more complex analysis

One problem with using the employment rates of people prior to and following a move to draw conclusions about the effect of public housing on employment is that the ‘counterfactual’ is unknown. What would the employment rates of ‘movers’ have looked like if they hadn’t moved into public housing? Maybe the patterns of increasing employment would have occurred even if this group hadn’t moved into public housing.

One way of testing this possibility is to compare the employment rates of those who move into public housing with those who remain on the waiting list. Assuming that people who become tenants would have had similar employment rates to their peers who remained on the waiting list, any differences between the groups could be attributed to a move into public housing. This was the approach adopted by Dockery et al. (2008) in concluding that welfare locks exist.

However, analysis of this type requires information about applicants’ employment outcomes while they remain on the waiting list. As mentioned above, there is a question mark over how up‑to‑date this information is for applicants in both South Australia and Western Australia.

If applicants tend not to notify their state housing authority when they are in employment, then their employment rates will be understated. A comparison of tenant and applicant employment rates will suggest that tenants are more likely to be in employment, when that might not be the case. Dockery et al. (2008b, footnote 19) note that their results might be affected by this issue.

The Commission has compared tenant and applicant employment rates (BP 6). Like Dockery et al.’s (2008) study, the results suggest that welfare locks exist. However, tests of the data suggest that the results are likely to be biased in favour of this finding (BP 6).

## 4.4 Further research is needed

The problem of a lack of reliable data on applicants’ incomes and, therefore, employment could be resolved by linking data of the sort used in this chapter with Centrelink payments data (assuming that most, if not all, applicants for public housing are income support payment recipients and that they accurately report changes in their income to Centrelink).

The duration of private tenancies also merits further investigation, particularly because the bond guarantee data cited above do not include information about why tenancies ended. Further research could explore why so many low income private tenancies appear to be quite short. Are tenants choosing to move or are landlords asking tenants to leave? Are tenants with longer tenures more likely to be employed?

The possibility that income eligibility thresholds create welfare locks for tenants also merits further investigation. One way of testing this might be to compare the employment outcomes of tenants in Western Australia prior to and following the introduction of the eligibility threshold with those of tenants in another jurisdiction that did not introduce policy changes over the same period. Another might be to look at Western Australian data pre and post the policy change.

# 5 Summary and policy observations

|  |
| --- |
| Key points |
| * This project drew on three large administrative datasets — Centrelink payments data and records from the state housing authorities of South Australia and Western Australia — to examine the links between housing assistance and participation in employment. * The forms of housing assistance examined encompassed social housing (primarily public housing) and Commonwealth Rent Assistance (CRA). * Only about 10 per cent of working age public housing tenants who receive income support payments (ISP) are employed. In contrast, the employment rate among other working age ISP recipients, including those who receive CRA, is about 20 per cent. * Receipt of housing assistance plays a very small role in public housing tenants’ relatively low employment rates. It is the characteristics of individuals, and not the characteristics of the housing assistance that they receive, that matter to participation in employment. * Welfare locks among applicants for public housing — where people avoid employment while waiting for public housing in order to remain eligible — do not appear to be particularly important in South Australia or Western Australia. Employment rates do increase after entry into public housing, and this might be related to the added stability a household gains from the move. More generally, housing stability is associated with higher employment rates. * A number of reviews and inquiries have recommended charging public housing tenants market rent, while allowing them to receive CRA, in order to improve employment rates. However, as the employment rates of public housing tenants who are ISP recipients are associated with their characteristics and not their housing tenure, this change is unlikely to improve their employment rates. * Many existing policies focus on providing assistance to public housing tenants seeking employment. However, employment rates have not changed much over the period examined in this project (2003 to 2013). * Nevertheless, there is scope for increasing employment among public housing tenants. * A new approach may be needed to tackle the low levels of employment in public housing; one which provides coordinated support across jurisdictions to public housing tenants while also ensuring that the financial incentives that they face do not deter them from entering the workforce. * The effectiveness of such an approach could be established through a policy trial combining intensive case management for public housing tenants with bonuses paid after entering paid employment and moving into the private rental market. Any such trial should include a robust evaluation process, including cost–benefit analysis. * Recognising the positive effects of housing stability on participation in employment, governments could consider ways to improve the stability of tenures in the private rental market. |
|  |

This project has examined the links between participation in employment and receipt of housing assistance in the form of either public housing or Commonwealth Rent Assistance (CRA). It has also assessed the effect of housing assistance on recipients’ financial incentives to work, including effective marginal tax rates (EMTRs) faced at different levels of earned income. Although community housing is not explicitly considered in much of the analysis, many of the conclusions for public housing are likely to be applicable to this housing tenure.

Use of datasets created from administrative records has been a feature of the project. Access to Centrelink administrative data on all income support payment (ISP) recipients for the period 2003–13 has enabled a more detailed look at the relationship between housing assistance and employment than has been possible previously. Access to administrative records for public housing applicants and tenants in South Australia and Western Australia has enabled research into the effects that a move into public housing may have on employment for people who became tenants over the decade to 2013 — a period that saw increasing priority for high needs applicants in housing allocations.

Key observations from the analysis — reflecting both on the linkages between housing assistance and employment as well as the implications of other welfare policies for housing assistance recipients — are summarised in section 5.1. Section 5.2 examines the recommendations made by past reviews and inquiries in light of the findings from this research project, and comments on options for future policy directions.

## 5.1 Summary observations

### Personal characteristics explain low employment rates among public housing tenants

About 10 per cent of working age public housing tenants who receive ISPs are employed. In contrast, the employment rate among other working age ISP recipients, including those who receive CRA, is about 20 per cent.

Perhaps these differences aren’t surprising. Public housing tenants differ from other ISP recipients in many ways that might affect whether they work, other than their housing tenure. They are much more likely to be Disability Support Pensioners, tend to be older and, if jobseekers, are much more likely to have been assessed as facing significant or severe barriers to employment. They are also much more likely to live in disadvantaged neighbourhoods where accessing jobs might be more difficult and where many neighbours might rely on ISPs. Furthermore, many were allocated a property because they had an urgent need for housing — for example, because they were homeless or at risk of homelessness, which can be linked with other characteristics that affect employment, such as mental health or substance abuse issues. CRA recipients tend to have characteristics that are more like those of ISP recipients who don’t receive housing assistance.

Econometric analysis indicates that if public housing tenants had the same characteristics as other ISP recipients, they would have similar employment rates — more tenants would be employed. It is the characteristics of individuals, and not the characteristics of the housing assistance that they receive, that matter to employment.

### Stable housing is likely to matter more to employment than welfare locks

Financial incentives to enter, and remain in, public housing are strong. Many public housing tenants have more disposable income after paying rent than they would if they were renting privately and receiving CRA (especially if they live in a higher rent area). This outcome is accentuated by differences between the profiles of the housing stock and tenant households — many singles live in multi‑bedroom dwellings, which attract higher rents in the private market. Public housing tenants also tend to have greater housing stability. Lease terms are typically longer than those available in the private market. In some states, tenure is ongoing. Given these characteristics of public housing, it is not surprising that waiting lists around the country are long.

Policy makers have been concerned that people on waiting lists might avoid employment so that they can remain below the income eligibility thresholds for public housing. That is, that a ‘welfare lock’ exists for public housing applicants.

Contrary to the welfare lock hypothesis, employment rates among successful applicants for public housing in both South Australia and Western Australia increased while they were on the waiting list — suggesting that welfare locks, if they exist, are not particularly important in these states. Employment rates also tended to increase following a move into public housing. In both South Australia and Western Australia, these increases are more suggestive of a positive effect of housing stability.

Eligibility thresholds — set at relatively low levels of income — were introduced for public housing tenants in Western Australia in 2006. While this might have been expected to discourage some tenants from working, the evidence suggests that, in general, this has not been the case.

More broadly, housing stability is important to employment for all ISP recipients. Address changes are negatively associated with employment. The more times a person has moved over a 12‑month period, the less likely it is they will be working at the end of that year.

### Housing assistance affects recipients’ financial incentives to work — but not as much as withdrawal of income support payments

Some ISP recipients, including the most prevalent recipients of housing assistance — single, childless Disability Support Pension (DSP) and Newstart Allowance recipients — face very high apparent financial disincentives to work. Withdrawal of housing assistance contributes to the EMTRs faced by these groups, but it is the withdrawal of the primary ISP that drives the particularly high EMTRs.

Public housing tenants typically pay 25 per cent of their assessable income in rent. This means that a tenant’s rent rises as their employment income increases. Initially, the EMTR associated with rent setting rules is 25 per cent but as their ISP commences to be withdrawn assessable income is significantly affected. The EMTR *due to housing assistance* consequently falls. For a Newstart Allowee, for example, the EMTR falls to 10 per cent when their ISP is withdrawn at a rate of 60 cents in the dollar. The housing assistance EMTR returns to 25 per cent when the ISP is fully withdrawn if the tenant has not started paying market rent.

Unlike public housing rent setting rules, CRA does not contribute to EMTRs at lower levels of earned income. For ISP recipients who do not receive Family Tax Benefits part A (FTB A), CRA is withdrawn only once their ISP is reduced to zero — for example, for a Newstart Allowee, this occurs when their annual income exceeds about $25 000 — and then at the same rate as the ISP (60 cents in the dollar). For families that receive CRA as part of their FTB A, withdrawal of CRA starts from an income of about $50 000, and occurs along with withdrawal of FTB A (which is withdrawn at a rate of 20 cents in the dollar).

## 5.2 Policy observations

Housing assistance policies have been the focus of many reviews over the past three decades. Similar recommendations have emerged over time, but the review effort has not led to much change in housing assistance policies (box 5.1).

Most recently, the *Review of Australia’s Welfare System* (the McClure Review) has called for governments to recognise housing assistance as a ‘fundamental component of securing social and employment outcomes’ (Commonwealth of Australia 2015, p. 81).

The review has raised concerns about the effects of public housing rent settings, which were found to create poor work incentives for tenants. In addition, the review pointed to the discrepancies in the level of support offered to public housing tenants and tenants in the private rental market, who receive a lower subsidy (in the form of CRA) and are also affected by lower levels of housing stability. To address these issues, it recommended that:

* public housing rents should no longer be based on income, and tenants should receive CRA
* the levels and indexation of CRA should be reviewed, to ensure it reflects the costs of rental housing (Commonwealth of Australia 2015).

|  |
| --- |
| Box 5.1 Past reviews and reforms of housing assistance policies — consistent themes across decades |
| Over the past three decades, housing assistance policies have been a focus for a number of government reviews, including those by the Senate Standing Committee on Community Affairs (1997), the Senate Select Committee on Housing Affordability (2008), Australia’s Future Tax System Review (Treasury 2010b) and, most recently, the National Commission of Audit (2014) and the Indigenous Jobs and Training Review (The Forrest Review) (Australian Government 2014). The Productivity Commission has also reviewed aspects of these policies on a number of occasions (see, for example, IC 1993; PC 2004, 2014).  A few consistent themes are evident in the recommendations made across time:   * Public housing rent setting may create disincentives to workforce participation, and should be reviewed. Many commentators suggested that public housing tenants should pay market rents and receive Commonwealth Rent Assistance (CRA). More broadly, a number of reviews called for clearer policy direction for public housing and substantial increases in funding to boost supply. * CRA should be reviewed, and the Australian Government should consider extending eligibility and raising the amount paid. CRA has been found to be ineffective in addressing the housing difficulties experienced by some recipients.   In response to the reviews, governments acknowledged the need to assist low income households and shared the concerns raised about the possibility that rent setting models affect workforce participation by public housing tenants.  However, on the whole, the recommendations have not led to much change — and some key attempts to reform housing assistance policies have been unsuccessful.   * Following the release of the National Housing Strategy (1992), the 1992 Commonwealth Budget increased CRA, and included a commitment that ‘[p]eople on low incomes paying more than 20 per cent of their income on rent will be assisted by the Government towards meeting those costs’ (DHHCS 1992b, pp. 14–15, quoted in IC 1993, p. 251). However, no specific policy was introduced to ensure this affordability benchmark was met. * In 1996, the Council of Australian Governments (COAG) adopted a framework for long term housing assistance reform that included extending CRA eligibility to public housing tenants, while abolishing Commonwealth housing assistance grants to the States and Territories. COAG intended to finalise negotiations on the new framework in 1997 (COAG 1996). However, the Commonwealth decided not to pursue the reforms (FACS 1999). According to Hulse (2002, p. 16), there were a number of reasons for the decision, but:   Ultimately, the proposals were unsuccessful due to Commonwealth concerns about the cost implications, state and territory concerns about the financial arrangements, and community and interest group opposition. |
|  |
|  |

The review emphasised the role of the *Reform of the Federation White Paper* process, which is currently underway and is likely to have substantial implications on housing assistance policy (Commonwealth of Australia 2015). TheWhite Paper, which is being developed by the Australian Government in consultation with States and Territories, is seeking to clarify the roles and responsibilities of each level of government. The taskforce that is developing the White Paper has published five issues papers, including one on housing and homelessness policies. The paper outlines the roles of governments in housing markets, and highlights the substantial overlap between the Australian and the State and Territory Governments’ roles within housing assistance. It seeks feedback on the expected effects of assigning full responsibility for housing assistance to one level of government, and looks to establish which is the lowest level of government that could deliver services effectively (DPMC 2014). Consultations continue and the White Paper will be delivered in 2016.

In addition, at least two other current inquiries are likely to make recommendations for change in housing assistance policies.

* The Senate Economics References Committee is completing an inquiry into affordable housing. Housing assistance policies were raised in several submissions to the inquiry, including from the Department of Social Services and housing organisations. The report is due in mid‑April 2015 (SSCE 2014).
* The New South Wales Government is consulting on suggested reforms to its social housing policies. The reforms are intended to introduce a new approach to the state’s social housing system, which will act as a safety net for vulnerable people and support their transition back into the private rental market. One of the options proposed is to expand the range of services available to social housing tenants to enhance their employment outcomes (FACS NSW 2014).

### Moving public housing tenants to market rents and CRA eligibility is unlikely to improve participation in employment

A number of reviews have suggested that public housing tenants should pay market rents rather than rents set as a percentage of income, and that they should become eligible for CRA (including IC 1993; NCOA 2014; Treasury 2010b; McClure Review, as above).

One argument for this change is that it will reduce the effect of housing assistance on EMTRs, increasing the share of pay that is taken home and hence improve participation in employment. As many of the bodies that have suggested this policy change have observed, it would also have a number of other effects.

* Removal of the financial incentive to enter public housing would also reduce waiting lists.
* It would help to address differences in the profiles of the housing stock and tenant households — contributing to more efficient use of the housing stock. But it would also result in longer waiting lists for single person households (unless the composition of the housing stock changed).
* It would improve equity *between* public tenants and private tenants, as many public housing tenants are financially better off than their peers in the private rental market.
* It would possibly improve, over the longer term, inequity *among* public housing tenants, created by rent setting models that mean tenant households can pay similar rents for very different properties.

However, because the employment rates of public housing tenants who are ISP recipients are primarily associated with their characteristics and not their housing tenure, this change is unlikely to have much effect on their employment (figure 5.1). That said, to the extent that some of these characteristics could be modified to be more like those of other ISP recipients, for example, through some intensive intervention, the EMTRs associated with public housing rent setting could start to matter to whether tenants enter employment.

|  |
| --- |
| Figure 5.1 Expected employment effect of moving from public housing to receipt of CRA, by income support payment type**a**  Percentage point difference from no housing assistance, 2004–2013 data |
| |  | | --- | |  | |
| a The employment effect of housing assistance is calculated using odds ratios from a fixed effects logit model that includes interaction terms between housing assistance type and ISP, and takes into account unobserved differences between ISP recipients. As the odds ratio effect is a relative measure, the expected effect is calculated on the basis that 12.2 per cent of Carer Payment recipients who do not receive any housing assistance are employed. It is assumed that the mean effect of unobserved differences is zero. |
| *Source*: Author estimates based on Research and Evaluation Database. |
|  |
|  |

Such a policy change would also leave many tenants financially worse off because CRA at current levels would not fully compensate them for the increase in rent that they would face. For example, a single, childless Disability Support Pension (DSP) recipient with no other sources of income receives an ISP of about $19 970 a year, or $383 a week.[[21]](#footnote-21) Living in public housing under current rent setting rules, they would pay rent of about $96 a week (25 per cent of their assessable income). Assume that they would have to pay a market rent of $190 if they rented from a private landlord (the median paid by DSP recipients renting privately in 2013). Under current policy settings, they would receive CRA of about $64 a week, in effect reducing their out‑of‑pocket rent to about $126 a week (30 per cent of income). In other words, rather than paying rent of $96 a week in public housing, they would pay $126. Overall, they would have about $30 a week less in disposable income after paying rent, or about $1500 a year.

At higher market rents, the DSP recipient would experience larger falls in post rent income if they were asked to pay market rent, and received CRA (figure 5.2). At a market rent of $250 a week, they are worse off by about $90 a week (or about $4700 a year).

The average single public housing tenant in South Australia lives in a property with a market rent of $205 a week. In Western Australia, the average is $322 a week. These figures suggest that many tenants would be worse off, some much more so, under the suggested policy change, given current rent setting policies, market rents and rates of CRA.

|  |
| --- |
| Figure 5.2 A move to market rents would leave many public housing tenants worse off**a,b,c**  Examples are for people with no income other than their ISP |
| |  | | --- | |  | |
| a NWS — Newstart Allowance; DSP — Disability Support Pension; PP and FTB — Parenting Payment Single and Family Tax Benefit. b The schedule for the PP recipient does not include the effects on disposable income of the Seniors and Pensioners Tax Offset. Inclusion of this offset has no discernible effect on the schedule. c ISP, FTB and CRA rates as at June 2014. |
| *Source*: Estimated from the PCTT 2014 model. |
|  |
|  |

One option to reduce the effect of the suggested policy change on public housing tenants’ post rent incomes would of course be to increase CRA. While this would have a fiscal impact, there is also a risk that, at least in the short run (that is, before there can be a meaningful supply response), it would contribute to increases in rents. Modelling of the likely effect of an increase in CRA on the supply of low cost rental properties and rents would be useful to understanding the likely effect of any increase in CRA on recipients’ post rent incomes.

## 5.3 A potential way forward: better employment incentives for public housing tenants

As this report has shown, public housing tenants have markedly lower employment rates than other ISP recipients (chapter 3). Governments have committed to addressing this issue in the National Affordable Housing Agreement, by ‘creating incentives for public housing tenants to take up employment opportunities within the broader employment framework’ (COAG 2009, p. 8).

There is substantial scope for increasing employment rates in public housing. Although only 10 per cent of public housing tenants who receive ISPs are employed, many tenants have been assessed by Centrelink and job services providers as having work capacity. Over 80 per cent of those who are not working are estimated to have some work capacity, and 20 per cent are estimated to have a relatively high work capacity (BP 3).[[22]](#footnote-22)

A number of existing policies, both targeted and universal, aim to support public housing tenants in finding employment (box 5.2).

Existing policies focus on providing assistance to public housing tenants seeking employment. However, these policies have been unsuccessful in raising employment rates over the period examined in this project (BP 3). They would appear not to be particularly effective at addressing the characteristics that are impeding employment for many tenants. In addition, as chapter 2 shows, for many tenants, entering employment often results, at best, in a small net increase in disposable income, as a result of the high EMTRs that occur as ISPs are withdrawn, and as income‑based rents in public housing increase. These EMTRs markedly reduce tenants’ financial incentives to take up a job.

|  |
| --- |
| Box 5.2 Employment services available to public housing tenants |
| Unemployed public housing tenants are entitled to access mainstream employment services. These are available to all job seekers based on their personal circumstances, regardless of where they live. Services are delivered via two programs.   * Over 50 per cent of working age tenants in receipt of ISPs receive the Disability Support Pension (BP 3), and are eligible for assistance through the Disability Employment Services (DES) program. DES providers assist job seekers to build work capability and find suitable jobs. They also offer support after clients start work (DEEWR 2013). * Job Services Australia (JSA) offers employment services to public housing tenants who are receiving Newstart Allowance (21.7 per cent of working age tenants who receive an ISP) and other ISPs (including those on Parenting Payment and Disability Support Pension recipients who choose to use JSA). JSA groups applicants into one of four streams, based on their characteristics and the barriers to employment that they face. Of the Newstart recipients residing in public housing, over 70 per cent are classified in streams 3 and 4, entitling them to additional services (BP 3). For example, applicants in stream 4 are regarded as having severe barriers to employment, and are entitled to intensive assistance, including counselling and subsidised training (DoE 2013). New JSA contracts from 1 July 2015 may affect stream allocations and the services delivered.   Of the job seekers who participated in the DES program or in stream 3 of JSA in the 12 months to June 2014, one in three were employed in September 2014. Of those who participated in stream 4 of JSA, one in four were in employment in September 2014 (DoE 2015a, 2015b).  Some State Governments and not‑for‑profit organisations offer employment programs catering specifically to public housing tenants. For example, two programs currently offer case management to Victorian public housing tenants:   * Five ‘Work and Learning Centres’ are operated by not‑for‑profit organisations and provide case management services for disadvantaged people, particularly public housing tenants (DHS Vic 2013b). The first centre was established in 2005 and was co‑funded by the former federal Department of Education, Employment and Workplace Relations and the Brotherhood of St Laurence (Horn 2012). Since 2011, the Victorian Government has been funding the centres (DHS Vic 2013b) (see box 5.4 for details about the evaluation of the centres). * A Public Tenant Employment Program is operated by the Victorian Government, providing public housing tenants with access to accredited training and assistance in finding and retaining employment. Between 2005 and 2012, the program assisted over 2800 tenants to find work or attend vocational training (DHS Vic 2013a). |
|  |
|  |

A new approach may be needed to tackle the low levels of employment among ISP recipients living in public housing. Such an approach could combine intensive support for tenants looking for employment with temporary changes to EMTRs. It could:

* build on existing services and policies, such as employment services and bonuses offered to welfare recipients who find and keep a job
* offer some extra support services for public housing tenants, in recognition of the barriers they face in finding employment and moving into the private rental market
* ensure that the financial consequences faced by public housing tenants do not deter them from entering the workforce. While the welfare system offers incentives to finding employment (box 5.5), the high EMTRs faced by public housing tenants may need to be temporarily adjusted
* integrate the employment and housing support services available to tenants in a coordinated effort to assist them in finding and keeping a job, as well as moving into and sustaining a private tenancy.

Integrated employment policies, which include financial incentives, have been shown to be effective in promoting the employment of public housing tenants in the United States (box 5.3). To establish the benefits of this approach in Australia, governments could trial a policy that would offer all public housing tenants the option to participate in intensive case management and receive financial incentives once they find and keep a job. The components of such a trial are discussed in more detail below.

|  |
| --- |
| Box 5.3 Integrated employment services for public housing tenants: evidence from the United States |
| Housing assistance policy in the United States places a strong emphasis on improving the employment outcomes of public housing tenants by using a variety of case management and other experimental policies. Over the years, a number of policy experiments (also known as demonstration projects) intended to improve employment outcomes have been funded by the Federal Department of Housing and Urban Development (HUD). Some of these policies continue to operate. For example:   * One of the HUD’s smaller policies, the Family Self‑Sufficiency Program, includes intensive intervention through case management, and has been found to be effective in promoting employment among housing assistance recipients. The program has been operating since 1990. It offers very low income households a cash bonus if all working age members complete training, find employment, leave public housing and no longer receive welfare payments within a five‑year timeframe. The cash payments accumulate in a savings account that can’t be accessed while the household receives intensive case management services, governed by a contract it signs with its housing provider (HUD 2013). An evaluation of the program found its success rate was over 60 per cent (deSilva et al. 2011). * In 2014, the HUD decided to renew the funding to Jobs‑Plus, an integrated initiative targeting public housing residents (HUD nd). Initially operating from 1998 to 2003 in six cities across the United States, the program included three components: * employment services centres in public housing areas * changes to rent setting rules to reduce work disincentives, either by setting a fixed rental payment or varying the percentage of income charged as rent when income increased * community support and extensive informal assistance, intended to reach residents who would not use mainstream employment services.   (continued next page) |
|  |
|  |

|  |
| --- |
| Box 5.3 (continued) |
| An evaluation of the program found that it led to increased employment rates and higher earnings among residents. The increases in income were larger for those who were not receiving welfare payments, compared with welfare recipients, and the positive effects on income were still found three years after the program had ended. The evaluation also found that the program was very challenging to implement, due to the involvement of many different organisations and administrative difficulties (for example, the HUD took two years to approve the variation to rent setting rules) (Bloom, Riccio and Verma 2005). |
|  |
|  |

### Intensive case management

Case management can be defined as:

… a collaborative, client focused approach in which services and responses are coordinated and delivered based on assessed risk and need, to achieve goals (outcomes) that are identified by the individual. … Within a case management model, all services work in a coordinated way to achieve shared outcomes for the individual. (DHS Vic 2012, p. 5)[[23]](#footnote-23)

In a trial, intensive case management services could be offered to any job seeker in public housing for a certain period of time. The initial focus of the case manager would be on preparing their clients to enter the workforce, finding suitable employment for them and providing relevant support while initially in work. Once they find a job and are settled in employment, clients could be supported in finding appropriate accommodation in the private rental market. Policy makers could also consider introducing two‑tiered case management, including a more intensive approach until clients find a job and move out of public housing, and then providing occasional support and contact to ensure clients are able to sustain their employment and private tenancy.

In designing an intensive case management model for public housing tenants, policy makers can draw on lessons learnt from past and current efforts. Evaluations of past attempts have shown the importance of cooperation between different parts of government, as well as proactive engagement with job seekers and employers (box 5.4).

|  |
| --- |
| Box 5.4 Examples of intensive case management projects |
| Over the years, a number of intensive case management programs have been run in Australia. Some have focused on people eligible for or receiving housing assistance.  The Youth Homeless Jobseeker Trial (YP4)  The Youth Homeless Jobseeker Trial (YP4) ran from 2005 to 2008 at four locations in Victoria, and was intended to ascertain the benefits of case management. YP4 was designed to be a randomised control trial — eligible individuals (homeless people under 35, receiving Newstart or Youth Allowance) were to be randomly assigned to a treatment or a control group. Each member of the treatment group was assigned a case manager, who was supposed to meet with the client regularly, discuss their needs, direct them to the appropriate services and, if required, assist them in accessing those services. YP4 did not involve any new services — the members of the control group had access to the same services, but were not assigned a case manager.  The trial’s evaluation done by the Melbourne Institute found that it had a number of problems:   * the rate of recruitment was lower than expected, partly because recruitment was initially based on ‘spontaneous recognition’ by Centrelink staff. This approach was later replaced by identification using Centrelink payments administration data. However, these data did not include the clients’ homelessness status * assignment to the treatment or control groups was not completely random * case managers were allocated very little time for each client * 20 per cent of participants had no contact with their case manager.   The evaluation showed that the program did not have a significant effect on the economic or psychological wellbeing of treatment group participants. This was linked in part to the issues with the program’s implementation (Borland, Tseng and Wilkins 2013).  Centres for Work and Learning  Also in Victoria, five Centres for Work and Learning offer integrated case management to disadvantaged people, focusing on public housing tenants. The Brotherhood of St Laurence established the first centre in 2005 in the Melbourne suburb of Fitzroy. Clients mostly self‑refer to the centres, although the centres’ case managers also work within public housing estates, to try and reach disengaged clients (Brotherhood of St Laurence 2012). Apart from outreach to residents, the centres also approach prospective employers, and support them (as well as job seekers) to ensure employment is sustainable.  In its evaluation of the first centre in Fitzroy, the Brotherhood of St Laurence has reported that it delivered employment outcomes that were comparable to those achieved by Job Services Australia (Horn 2012). This was seen as a positive outcome, as the Brotherhood of St Laurence considered that the centre’s clients faced particularly high barriers to employment (Brotherhood of St Laurence 2012). Similar results were reported in a later evaluation, which encompassed all five centres currently operating in Victoria (Bodsworth 2014). The results may have been affected by the fact that clients chose to join the centres, which indicates a high willingness to find a job. |
|  |
|  |

### Financial incentives

Once unemployed public housing tenants find a job, and their employment income rises, they face high EMTRs, in part due to an increase in rents. As a result, they may see only a small increase in their disposable income (chapter 2). A number of policies are already in place to ease the financial transition into work for income support recipients in public housing (box 5.5).

|  |
| --- |
| Box 5.5 Financial incentives for public housing residents moving into employment |
| There are a number of policy initiatives in place that delay the increase in effective marginal tax rates experienced by income support recipients who find a job. Some of these initiatives are offered specifically to public housing tenants.   * Working credits allow income support recipients to accrue credits while they are not working, which they can use to offset their employment income once they get a job. This allows individuals to continue receiving Centrelink benefits for a short while, even after their income has risen above the cut‑off level. Most recipients can accumulate working credits to offset income of up to $1000 — in effect, this would allow them to receive Newstart Allowance for an additional fortnight if they take up a full time job at the minimum wage.   Working credits are available to all income support recipients of working age, with the exception of full time students and apprentices receiving Youth Allowance and Austudy, who can access the Student Income Bank. This program operates in a very similar way to working credits, but with much higher income and accrual limits. It allows participants to generate income of up to $472 a fortnight, and continue to accrue credits. Accrued credits can be used to offset a total income of up to $10 600 (DHS 2014a; DSS 2015).  In 2008, an evaluation of the working credits program found that it increased employment rates and earnings for recipients. For example, employment rates for single women receiving parenting payments increased by nine percentage points, and reached about 35 per cent, as a result of the introduction of working credits. Effects were weaker for other types of recipients, with the employment rates of men on unemployment benefits estimated to have risen by two percentage points, to about 20 per cent (Leigh, Wilkins and van Zijl de Jong 2008).  Eligible income support recipients who commence work are also able to keep their concession card and receive other payments, such as Family Tax Benefit A, at a higher rate for a limited period of time (DHS 2014a; DSS 2015).   * The Commonwealth Government offers bonuses to eligible job seekers who get and keep a job, and to those who move for work. * The ‘Job Commitment Bonus’ provides a payment of $6500 to eligible people aged 18 to 30 who have been on Newstart Allowance or Youth Allowance (as a job seeker) for 12 months or more, if they find and keep a job and remain completely off welfare for a continuous period of 24 months. The bonus is paid in two instalments. As this is a new program, payments will only be made after July 2015 (DoE 2014). * The ‘Relocation Assistance to Take Up a Job’ program offers up to $9000 to eligible job seekers who move to start work (DoE 2014).   (continued next page) |
|  |
|  |

|  |
| --- |
| Box 5.5 (continued) |
| * New South Wales, Victoria, Queensland and the Northern Territory offer grace periods for public housing residents whose income rises after they secure employment. In these jurisdictions, tenants may be eligible to pay reduced rents for a period of up to six months before their rent is adjusted to reflect their new income (DHS Vic 2014; Housing NSW 2015; Northern Territory Government 2014; Queensland Government 2014). |
|  |
|  |

A trial of integrated employment incentives could build on existing policies by offering proactive case management for a set of self‑identified job seekers, accompanied by:

* a reduction in EMTRs for recipients of ISPs through larger employment bonuses. To achieve this, public housing tenants who find a job and receive an employment income that is high enough to cause a reduction in their ISP could receive a cash bonus after a set amount of time.[[24]](#footnote-24) Tenants could continue to face the same EMTRs as currently apply, however, a proportion of their withdrawn ISP could be returned to them once they have passed employment milestones. Bonuses could be paid in instalments, for example after three and 12 months in continuous employment. A higher amount could be paid to those who also move out of public housing
* a grace period during which public housing rents do not rise despite the increase in the household wage. As outlined in box 5.5, these are already available in some jurisdictions but not as part of a co‑ordinated effort to reduce EMTRs. They should only be offered once during the trial for eligible participants, to prevent tenants temporarily reducing their working hours and then reapplying for additional rent concessions.

The financial incentives offered as part of the trial could also be made available to public housing tenants who find a job without the support of case managers.

### Evaluation strategy

The trial should include an evaluation framework, incorporating a cost–benefit analysis. To achieve this, detailed and consistent data should be collected on participants and providers, allowing comparisons across time. Administrative data could be used to identify trends among similar groups of public housing tenants who do not participate in the trial. Non‑participants should be used as a comparison group, to help with an evaluation of whether any benefits arise from varying employment incentives. Additional information may need to be collected from a matched sample of non‑participants, if administrative data do not include relevant variables, such as individuals’ level of education.

Findings from the evaluation could inform future reform directions in the broader welfare system. This may be of particular importance in considering broader policy changes to address high EMTRs. High EMTRs are a result of the means testing inherent in the Australian tax and transfer system. Extending the income range over which people are eligible for some income support would lower EMTRs, but could also lead to higher budget outlays on welfare (DWP 2010). At the same time, by increasing take‑home pay, lower EMTRs may have positive effects on workforce participation (Pareliussen 2013). The United Kingdom is currently reforming its welfare system, including its housing assistance policies, and is reducing EMTRs (box 5.6). Lessons learnt from this process may be informative for Australian policy makers.

|  |
| --- |
| Box 5.6 Lowering EMTRs to boost workforce participation: The UK welfare reform |
| Successive governments in the United Kingdom have been concerned about the effects of welfare payments and, in particular, housing assistance, on workforce participation (see, for example, DERT 2000). Housing benefit payment rules, as well as other income support policies, have been changed repeatedly in an attempt to improve work incentives. This has resulted in a highly complex payment system, with effective marginal tax rates (EMTRs) of almost 100 per cent in some cases (DWP 2010).  The UK Government is overhauling its welfare system to reduce regulatory complexity and encourage employment. Since 2013, the Government has been progressively rolling out ‘universal credit’, which amalgamates the main welfare payments and tax credits available to healthy working age individuals, including housing and unemployment benefits. It is paid out based on nationally consistent rules, and withdrawn at a rate of 65 per cent as income rises (currently each type of payment has different taper rates). The highest EMTRs in the new system, for individuals who pay tax on employment income and receive benefits, reach 76 per cent (Pareliussen 2013).  The UK Government expects the new welfare system to boost workforce participation, by increasing the financial rewards to find and keep a job. The new system lowers EMTRs, and increases the income households can earn before they lose benefits. As a result, ‘the combined withdrawal of benefits and taxes from the lowest earners (who tend to have the least secure employment prospects) is always less than from higher earners’ (DWP 2010, p. 56). To receive benefits, each individual must comply with their ‘claimant commitment’, which varies according to their circumstances. For example, job seekers are required to actively look for work to remain eligible for benefits (DWP 2010).  According to Government estimates, the introduction of universal credit will reduce the number of workless households by up to 300 000 (DWP 2010), corresponding to about one per cent of the UK workforce (Pareliussen 2013). Evaluations of the universal credit rollout to date have showed that the ‘early evidence [on labour market outcomes under universal credit] is encouraging’ (DWP 2014, p. 3).  (continued next page) |
|  |
|  |

|  |
| --- |
| Box 5.6 (continued) |
| The OECD expects that the increase in labour supply will come particularly from groups that are under‑represented in the workforce, such as single parents (Pareliussen 2013). The organisation has warned that the new regime may encourage a disproportionate number of part‑time jobs, as a constant EMTR does not offer a strong incentive for benefit recipients to increase their working hours after entering the workforce. In contrast, a system where EMTRs are very high for very low incomes, but are then reduced dramatically (for example, from 100 per cent to 30 per cent) as income rises, may be more effective in promoting full‑time work (OECD 2014). |
|  |
|  |

## 5.4 Improving stability in the private rental market

One of the key differences between private and public tenants is the length of their leases — in South Australia, the median duration of private tenancies that ended in the financial year 2012‑13 was just over one year.[[25]](#footnote-25) In contrast, the median duration of public housing tenancies was over seven years (chapter 4).

Address changes are negatively associated with employment rates for ISP recipients (chapter 4). More broadly, housing instability may have adverse effects on wellbeing:

A lack of secure and stable housing can affect the health and wellbeing of a person, and their ability to obtain and maintain employment. A severe consequence of not being able to secure or sustain suitable housing is homelessness. (AIHW 2013a, p. 2)

Research suggests that housing stability tends to increase the probability of employment, and have a positive effect on a number of other wellbeing indicators, including people’s health (AIHW 2013b; Phipps and Young 2005; Wood, Ong and Dockery 2007).

However, Australia’s private rental market has been described as one where lease terms are relatively short and regulations offer tenants only limited protection (Kelly et al. 2013). This could be hampering some private renters in finding and retaining employment, and discouraging some public housing tenants from moving to a private tenancy. In this context, governments could consider two possible actions to increase the stability of tenure for private renters: reforming tenancy legislation and increasing their involvement in head leasing.

### Possible policy options

Compared to other OECD countries, Australia’s tenant protection is relatively weak, ranking below that offered by regulation in Canada and New Zealand (OECD 2011).[[26]](#footnote-26) For example, compared with tenants in other developed countries, Australian tenants have shorter lease terms and shorter notice periods when landlords decide to terminate a tenancy. Further, landlords in Australia can generally terminate a lease without citing a specific reason (known as ‘without‑grounds termination’).[[27]](#footnote-27) Researchers have argued that this could contribute to insecurity and instability for tenants (Kelly et al. 2013), which may lead to poorer employment outcomes (PC 2014; Stone et al. 2013).

Rental market regulation is the responsibility of State Governments, and each jurisdiction periodically reviews and updates its tenancy act. Some researchers and tenancy advocacy groups have suggested a broad review of legislation, which would encompass ways to prevent evictions and increase lease terms (Hulse, Milligan and Easthope 2011; Kelly et al. 2013; National Shelter 2010). Reforms to rental market regulations have, for example, been undertaken in Ireland over the course of the past decade (box 5.7).

In the course of jurisdictions’ reviews of tenancy regulation, they might consider introducing the requirement to put in place repayment plans for tenants who are in rent arrears. This requirement was introduced in New South Wales in 2010 (National Shelter 2010).

Any such reviews will need to balance the need for tenant protection with possible implications for landlords, and the supply of dwellings in the private rental market (FaHCSIA 2008).

Reviews of tenancy legislation would benefit from the use of administrative data from state housing authorities (SHAs), and, in particular, rental bond lodgements. These data are likely to shed light on patterns in, and reasons for, turnover in the private rental market.

Head leasing might also be considered further.[[28]](#footnote-28) Head leasing is often used by community housing providers — in 2010, about a quarter of community housing dwellings were head leased (AIHW 2011). Some SHAs head lease properties directly to boost their stock (see for example, Housing NSW (2014)), or assist community housing providers in head leasing dwellings that are used as transitional accommodation for households in urgent need (see for example, Queensland Government (2013)).

|  |
| --- |
| Box 5.7 Strengthening security of tenure through regulation: the Irish experience |
| Ireland has one of the smallest private rental sectors of all OECD countries, with private rental accounting for about 10 per cent of the housing stock in 2009 (in comparison, in Australia, private rental dwellings formed 24 per cent of the housing stock in 2009) (OECD 2011). In an attempt to support the development of a larger and more sustainable private rental sector, the Irish Government introduced substantial reforms in 2004, intended primarily to promote security of tenure for tenants.  Prior to 2004, Irish landlords offered tenants similar lease terms to those available in Australia. Tenants could sign a fixed term lease, often for 12 months, or a monthly lease. The notice period to end a tenancy was 28 days (O’Sullivan 2014).  The Residential Tenancies Act 2004 introduced a new lease term of four years. Under the Act, a tenant who occupied a dwelling for six months is entitled to continue living in the dwelling for another three and a half years. The tenancy can be terminated earlier at the request of the tenant, in cases where the tenant does not comply with their obligations under the lease, or if the landlord requires the dwelling for their own occupation, the occupation of a family member, for renovations or for sale (O’Sullivan 2014). Landlords and tenants can still sign fixed term leases, and tenants have the right to notify their landlords at the end of lease if they choose to remain in the property after their lease expires (Citizens Information 2011).  Some researchers have pointed out that the introduction of greater security of tenure does not appear to have had a negative effect on supply in the private rental market (Kelly et al. 2013). Since the introduction of the Act in 2004, the private rental market in Ireland has grown substantially. Between 2006 and 2011, the proportion of households renting privately has grown from 10 to 19 per cent (Central Statistics Office 2012).  More recent reviews undertaken by the Irish Government have shown that concerns around security of tenure still remain. The average lease length is 18 months, implying that many tenants do not benefit from the longer lease terms introduced by regulation (DKM Economic Consultants 2014b). In addition, rents have been rising rapidly and there is a shortage of affordable rental housing (DKM Economic Consultants 2014a). The reviews have found ‘considerable scope to improve the security of tenure in Ireland’ (National Economic & Social Council 2014, p. 51). The Irish Government is currently considering options for changes to the private rental market, to further increase security of tenure (DKM Economic Consultants 2014a). |
|  |
|  |

State Governments could consider head leasing properties in the private rental market for longer periods and offering them to public housing applicants and tenants. Longer leases would offer tenants stability of tenure and could improve participation in employment.

Broader use of head leasing could also:

* address some of the mismatch in the public housing stock, with large dwellings built for families currently occupied by small households (chapter 4). SHAs could head lease smaller properties in the private rental market. Larger dwellings that do not suit the needs of public housing applicants could be let at market rents to households that are not eligible for public housing, providing SHAs with additional revenue
* create more flexibility for SHAs to house clients in areas that are close to good public transport options, although this might require larger rent subsidies, as rents in these locations tend to be higher
* increase the flexibility of SHAs to accommodate the needs of applicants and tenants, without reshaping the public housing stock. Changing the stock to suit the current composition of applicant and tenant households may mean it will not be well suited to the needs of future applicants.

A Public consultation

Over the course of this project, the Commission has consulted with a range of stakeholders. As detailed in tables A.1 and A.2, meetings were held with government departments, industry associations, welfare groups, academics and various other non‑government organisations.

A roundtable was held in Melbourne on 3 March 2015. A list of participants is provided in table A.3.

The Commission would like to thank all who have contributed to this study.

|  |
| --- |
| Table A.1 Visits |
| |  | | --- | | Participant | | **Sydney, New South Wales** | | Australian Council of Social Service | | Housing NSW | | National Shelter | | University of New South Wales — Faculty of Built Environment | | **Melbourne, Victoria** | | Australian Housing and Urban Research Institute | | Brotherhood of St Laurence | | Department of Human Services (Victoria) | | Housing & Homelessness Policy Research Working Group | | RMIT — Centre for Urban Research | | Swinburne University — The Swinburne Institute for Social Research | | **Adelaide, South Australia** | | Housing SA | | **Perth, Western Australia** | | Department of Housing (Western Australia) | | Western Australian Council of Social Service | | **Canberra, Australian Capital Territory** | | Australian Institute of Health and Welfare | | Community Housing Federation of Australia | | Department of Social Services (Commonwealth) | | Department of Human Services (Commonwealth) | | Department of Employment (Commonwealth) | |
|  |
|  |

|  |
| --- |
| Table A.2 Teleconferences |
| |  | | --- | | Participant | | Department of Housing and Public Works (Queensland) | |
|  |
|  |

|  |
| --- |
| Table A.3 Roundtable  Melbourne (3 March 2015) |
| |  |  | | --- | --- | | Participant | Organisation | | Iain Scott | Department of Social Services | | Sean Innis | Department of Social Services | | Ben Carmody | Department of Social Services | | Michelle Wilson | Department of Human Services | | Mark Morrison | Department of Human Services | | Julie Polson | Department of Employment | | Nicole Berry | Department of the Prime Minister and Cabinet | | Geoff Slack | Housing SA | | Deborah Brill | Department of Family and Community Services, NSW | | Emma Forrest | Department of Housing (Western Australia) | | Carol Croce | Community Housing Federation of Australia | | Ian Winter | Australian Housing and Urban Research Institute | | Gavin Wood | RMIT | | Michael Dockery | Curtin University | | Jacqui Phillips | Australian Council of Social Service | | Tony Nicholson | Brotherhood of St Laurence | | Peter Harris | Productivity Commission | | Alison McClelland | Productivity Commission | | Jenny Gordon | Productivity Commission | | Ralph Lattimore | Productivity Commission | | Patrick Jomini | Productivity Commission | | Lou Will | Productivity Commission | |
|  |
|  |

# References

ABS (Australian Bureau of Statistics) 2010, *Australian Statistical Geography Standard (ASGS): Volume 1 - Main Structure and Greater Capital City Statistical Areas*, July 2011, Cat. no. 1270.0.55.001, Canberra.

—— 2013a, *Housing Occupancy and Costs 2011-12*, August, Cat. no. 4130.0.

—— 2013b, *Microdata: Survey of Income and Housing, Australia, 2011–12*, Cat. no. 6541.0.30.001, Canberra.

—— 2014a, *Australian Demographic Statistics*, Jun 2014, Cat. no. 3101.0, Canberra.

—— 2014b, *Consumer Price Index, Australia, Sep 2014*, Cat. no. 6401, Canberra.

—— 2014c, IRSD (Index of Relative Socio-economic Disadvantage), http://www.abs.gov.au/ausstats/abs@.nsf/Lookup/2033.0.55.001main+features100052011 (accessed 20 January 2015).

—— 2014d, *Labour Force, Australia, Detailed - Electronic Delivery, Nov 2014*, Cat. no. 6291.0.55.001, Canberra.

AIHW (Australian Institute of Health and Welfare) nd, Head-leased dwelling (private), Meteor Metadata Online Registry, http://meteor.aihw.gov.au/content/index.phtml/  
itemId/327414 (accessed 2 February 2015).

—— 2011, *Community housing 2009-10*, Cat. no. HOU 235, Canberra.

—— 2013a, *Housing assistance in Australia 2013*, Cat. no. HOU 271, Canberra.

——2013b, *National social housing survey: a summary of national results 2012*, May, Bulletin 117, Canberra.

—— 2014, *Housing Assistance in Australia 2014*, Cat. no. HOU 275, Canberra.

ASIB (Australian Social Inclusion Board) 2012, *Social Inclusion in Australia: How Australia is Faring*, 2nd Edition, ASIB, Canberra.

Australian Government 2014, *Creating Parity - The Forrest Review*, August, https://indigenousjobsandtrainingreview.dpmc.gov.au/ (accessed 23 January 2015).

Bloom, H., Riccio, J. and Verma, N. 2005, *Promoting Work in Public Housing - The Effectiveness of Jobs-Plus*, March, MDRC, http://www.mdrc.org/project/jobs-plus-community-revitalization-initiative-public-housing-families#related-content (accessed 25 November 2014).

Bodsworth, E. 2014, *Investing in local people and harnessing local communities - A progress report on Victoria’s Work and Learning Centres*, August, Brotherhood of St Laurence.

Borland, J., Tseng, Y.-P. and Wilkins, R. 2013, *Does Coordination of Welfare Services’ Delivery Make a Difference for Extremely Disadvantaged Jobseekers? Evidence from the ‘YP4’ Trial*, Melbourne Institute Working Paper, March, 12/13.

Brotherhood of St Laurence 2012, *Centre for Work and Learning, Yarra - Evaluation report*, June, Research and Policy Centre.

Burke, T., Stone, J., Glackin, S. and Scheurer, J. 2014, *Transport disadvantage and low‑income rental housing*, Positioning Paper, 157, Australian Housing and Urban Research Institute.

Central Statistics Office 2012, *The Roof over our Heads*, August, Dublin.

Citizens Information 2011, *Types of tenancy in Ireland*, http://www.citizensinformation.ie/en/housing/renting\_a\_home/types\_of\_tenancy.html (accessed 3 February 2015).

COAG (Council of Australian Governments) 1996, *Long-Term Housing Assistance Reform, Council of Australian Governments’ Communiqué*, 14 June, http://archive.coag.gov.au/coag\_meeting\_outcomes/1996-06-14/docs/attachment\_a.cfm (accessed 13 August 2014).

—— 2009, *National Affordable Housing Agreement*, http://www.coag.gov.au/node/305 (accessed 24 April 2013).

Commonwealth of Australia 2015, *A New System for Better Employment and Social Outcomes - Final Report of the Reference Group on Welfare Reform to the Minister for Social Services*, February, Canberra, https://www.dss.gov.au/our-responsibilities/review-of-australias-welfare-system/a-new-system-for-better-employment-and-social-outcomes-full-version-of-the-final-report (accessed 4 March 2015).

Davies, A.K. 2009, *‘The structure of suburban employment in Melbourne’*, University of Melbourne, Melbourne.

DEEWR (Department of Education, Employment and Workplace Relations) 2013, *Evaluation of Disability Employment Services 2010-2013*, http://www.dss.gov.au/our-responsibilities/disability-and-carers/publications-articles/policy-research/evaluation-of-disability-employment-services-2010-2013 (accessed 29 August 2014).

Department of Health, Housing and Community Services 1992, *National Housing Strategy: agenda for action*, December.

Department of Housing WA (Department of Housing Western Australia) 2015, *Rental Policy Manual*, Perth, http://www.dhw.wa.gov.au/HousingDocuments/  
Rental\_Policy\_Manual.pdf (accessed 22 January 2015).

DERT (Department of the Environment, Transport and the Regions) 2000, *Quality and Choice: A Decent Home for All*, The Housing Green Paper, April, London.

deSilva, L., Wijewardena, I., Wood, M. and Kaul, B. 2011, E*valuation of the Family Self-Sufficiency Program: Prospective Study*, February, Department of Housing and Urban Development, Washington, D.C.

DHS (Department of Human Services) 2014a, *A Guide to Australian Government Payments 20 September – 31 December 2014*, http://www.humanservices.gov.au/  
spw/corporate/publications-and-resources/resources/co029/co029-1409.pdf (accessed 30 September 2014).

—— 2014b, Disability Support Pension, http://www.humanservices.gov.au/  
customer/services/centrelink/disability-support-pension (accessed 20 February 2015).

DHS Vic (Department of Human Services, Victoria) 2012, *Social Housing Advocacy and Support Program (SHASP): Interim Integrated Case Management Guidelines*, http://www.dhs.vic.gov.au/\_\_data/assets/word\_doc/0008/746963/shasp\_interim-integrated-case-management-guidelines-1112.doc (accessed 29 August 2014).

—— 2013a, Public Tenant Employment Program, http://www.dhs.vic.gov.au/about-the-department/plans,-programs-and-projects/programs/housing-and-community-building/public-tenant-employment-program (accessed 29 August 2014).

—— 2013b, Work and Learning Centres, http://www.dhs.vic.gov.au/for-individuals/housing-and-accommodation/public-housing/living-in-housing/training-and-employment/work-and-learning-centres (accessed 29 August 2014).

—— 2014a, Market and Rebated Rent, http://www.housing.vic.gov.au/market-and-rebated-rent (accessed 22 January 2015).

—— 2014b, Public housing - fixed rent, http://www.dhs.vic.gov.au/for-individuals/housing-and-accommodation/public-housing/living-in-housing/rent-in-public-housing/public-housing-fixed-rent (accessed 3 February 2015).

DKM Economic Consultants 2014a, *Future of the Private Rented Sector*, Report prepared for The Housing Agency on behalf of the Private Residential Tenancies Board, Ireland, October, Dublin, http://www.prtb.ie/mwg-internal/de5fs23hu73ds/progress?id  
=feuC301dqR (accessed 7 January 2015).

—— 2014b, *Rent Stability in the Private Rented Sector*, Report prepared for The Housing Agency on behalf of the Private Residential Tenancies Board, Ireland, September, Dublin, http://www.prtb.ie/mwg-internal/de5fs23hu73ds/progress?id=8Jw1xLf+YE (accessed 7 January 2015).

Dockery, A.M., Feeny, S., Hulse, K., Ong, R., Saugeres, L., Spong, H., Whelan, S. and Wood, G. 2008a, *Housing assistance and economic participation*, Research Paper, Australian Housing and Urban Research Institute.

Dockery, A.M., Ong, R., Whelan, S. and Wood, G. 2008b, *The relationship between public housing, wait lists, tenure and labour market outcomes*, Research Paper, 9, Australian Housing and Urban Research Institute.

Dodson, J. 2005, *Is there a spatial mismatch between housing affordability and employment opportunity in Melbourne?*, Final Report, 80, Australian Housing and Urban Research Institute.

DoE (Department of Employment) 2013, *Job Services Australia eligibility and how to register*, http://employment.gov.au/job-services-australia-eligibility-and-how-register (accessed 29 August 2014).

—— 2014, *New employment programmes available from 1 July*, http://employment.gov.au/news/new-employment-programmes-available-1-july (accessed 29 January 2015).

—— 2015a, *Labour Market Assistance Outcomes - Disability Employment Services*, January.

—— 2015b, *Labour Market Assistance Outcomes - Job Services Australia*, January.

DPMC (Department of Prime Minister and Cabinet) 2014, *Roles and Responsibilities in Housing and Homelessness*, Reform of the Federation White Paper - Issues paper 2, December, Canberra.

DSS (Department of Social Services) 2015, *Guide to Social Security Law*, http://guides.dss.gov.au/guide-social-security-law (accessed 29 January 2015).

DVA (Department of Veterans’ Affairs) 2013, *DVA Benefits and Services*, http://www.dva.gov.au/pensions\_and\_compensation/yandyp/Pages/ch6.aspx (accessed 21 July 2014).

DWP 2010, *Universal Credit: welfare that works*, November, London, https://www.gov.uk/government/publications/universal-credit-welfare-that-works (accessed 5 February 2015).

—— 2014, *Universal Credit Pathfinder Evaluation*, October, London, https://www.gov.uk/government/publications/universal-credit-pathfinder-evaluation (accessed 6 February 2015).

FACS (Department of Families and Community Services (C’Wlth)) 1999, *Housing Assistance Act 1996 Annual Report 1996-1997*, Canberra, http://www.dss.gov.au/our-responsibilities/housing-support/publications-articles/housing/housing-assistance-act-1996-annual-reports/commonwealth-state-housing-agreement-csha-annual-report-1996-1997?HTML (accessed 13 August 2014).

FACS NSW (Department of Family and Community Services, New South Wales) 2014, *Social Housing in NSW: A discussion paper for input and comment*, November, http://www.facs.nsw.gov.au/reforms/social-housing-in-nsw (accessed 23 January 2015).

FaHCSIA (Department of Families, Housing, Community Services and Indigenous Affairs) 2008, *The Road Home: A National Approach to Reducing Homelessness,* Canberra.

Fair Work Commission 2014, Annual Wage Review 2013–14 Decision, https://www.fwc.gov.au/awards-and-agreements/minimum-wages-conditions/annual-wage-reviews/annual-wage-review-2013-14-1 (accessed 23 February 2015).

Government of South Australia 2014, How Rent is Set for Public Housing, http://www.sa.gov.au/topics/housing-property-and-land/housing/renting-and-letting/renting-public-housing/being-a-public-housing-tenant/rent-water-and-other-charges/how-rent-is-set-for-public-housing (accessed 22 January 2015).

Hedman, L. and van Ham, M. 2012, ‘Understanding neighbourhood effects: Selection bias and residential mobility’, *Neighbourhood effects research: New perspectives*, Springer, pp. 79–99, http://link.springer.com/chapter/10.1007/978-94-007-2309-2\_4 (accessed 20 March 2015).

Horn, M. 2012, ‘Integrated approached to address high levels of unemployment in public housing neighbourhoods: the Centre for Work and Learning, Yarra’, presented at National Housing Conference, Brisbane, 31 October.

Housing NSW (Housing New South Wales) 2014a, Headleasing policy, http://www.housing.nsw.gov.au/Forms+Policies+and+Fact+Sheets/Policies/Headleasing+Policy.htm (accessed 2 February 2015).

—— 2014b, Tenancy Charges and Account Management Policy Supplement, http://www.housing.nsw.gov.au/Forms+Policies+and+Fact+Sheets/Policies/Tenancy+Charges+and+Account+Management+Policy+Supplement.htm#concessional (accessed 22 January 2015).

—— 2015, Charging Rent Policy, http://www.housing.nsw.gov.au/  
Forms+Policies+and+Fact+Sheets/Policies/Charging+Rent+Policy.htm (accessed 22 January 2015).

Housing Tasmania 2013, Housing Tasmania Rent Setting Method, Hobart, http://www.dhhs.tas.gov.au/\_\_data/assets/pdf\_file/0009/148851/Housing\_Tasmania\_Rent\_Setting\_Method\_Policy.pdf (accessed 22 January 2015).

HUD (Department of Housing and Urban Development, United States) nd, Jobs Plus Pilot Program, http://portal.hud.gov/hudportal/HUD?src=/program\_offices/administration/  
grants/fundsavail/nofa14/jppp (accessed 25 November 2014).

—— 2013, *Programs of HUD*, http://www.huduser.org/portal/publications/  
progs\_of\_hud.html (accessed 21 July 2014).

Hulse, K. 2002, ‘Rent Assistance: Time for a Policy Review?’, *Just Policy: A Journal of Australian Social Policy*, no. 25, pp. 13–25.

Hulse, K., Milligan, V. and Easthope, H. 2011, *Secure occupancy in rental housing - conceptual foundations and comparative perspectives*, Final Report, 170, Australian Housing and Urban Research Institute.

—— and Saugeres, L. 2008, *Home life, work and housing decisions: a qualitative analysis*, Research Paper, 7, Australian Housing and Urban Research Institute.

IC (Industry Commission) 1993, *Public Housing*, Inquiry Report, 34, Canberra.

Kelly, J.-F., Hunter, J., Harrison, C. and Donegan, P. 2013, *Renovating Housing Policy*, October, Grattan Institute, Melbourne.

Leigh, A., Wilkins, R. and van Zijl de Jong, M. 2008, *Working Credits - A low cost alternative to universal earned income tax credits?*, Final report for the Australian Government Department of Employment and Workplace Relations, March, Melbourne Institute of Applied Economic and Social Research.

Manley, D. and Van Ham, M. 2012, ‘Neighbourhood effects, housing tenure and individual employment outcomes’, *Neighbourhood effects research: New perspectives*, Springer, pp. 79–99, http://link.springer.com/chapter/10.1007/978-94-007-2309-2\_7 (accessed 20 March 2015).

NCOA (National Commission of Audit) 2014, *The Report of the National Commission of Audit*, Appendices, Volume 2, March, Canberra.

National Economic & Social Council 2014, *Homeownership and Rental: What Road is Ireland On?*, December, 140.

National Shelter 2010, *A Better Lease on Life - Improving Australian Tenancy Law*, April, http://www.tenantsact.org.au/\_literature\_143607/A\_Better\_Lease\_on\_Life. (accessed 7 January 2015).

Northern Territory Government 2014, Employment Incentive Scheme, http://www.housing.nt.gov.au/public\_housing/living\_in\_public\_housing/employment\_incentives\_and\_commercial\_enterprise (accessed 3 February 2015).

O’Sullivan, E. 2014, ‘The Private Rented Sector in the Republic of Ireland’, presented at Bigger and Better: The Future of Private Renting in Northern Ireland, Belfast, 6 November.

OECD (Organisation for Economic Co-operation and Development) 2014, *Connecting People with Jobs: Activation policies in the United Kingdom*, OECD Publishing, Paris.

—— 2011, *Housing and the Economy: Policies for Renovation*, OECD Publishing, Paris.

Pareliussen, J. 2013, *Work Incentives and Universal Credit - Reform of the Benefit System in the United Kingdom*, OECD Economics Department Working Papers, 1033, OECD Publishing, http://www.oecd-ilibrary.org/economics/work-incentives-and-universal-credit\_5k49lcn89rkf-en (accessed 29 July 2014).

PC (Productivity Commission) 2004, *First Home Ownership*, 28, Melbourne.

—— 2014, *Geographic Labour Mobility*, Research Report, Canberra.

Phipps, P. and Young, P. 2005, *Housing assistance and non-shelter outcomes*, Final Report, 74, Australian Housing and Urban Research Institute.

Queensland Government 2013, Community Rent Scheme, https://www.qld.gov.au/housing/housing-providers-investors/community-rent-scheme/ (accessed 2 February 2015).

—— 2014a, How Rent is Calculated, https://www.qld.gov.au/housing/public-community-housing/how-rent-is-calculated/ (accessed 22 January 2015).

—— 2014b, Rent policy update, https://www.qld.gov.au/housing/public-community-housing/rent-policy-update/ (accessed 3 February 2015).

SCRGSP (Steering Committee for the Review of Government Service Provision) 2014, *Report on Government Services 2014*, Productivity Commission, Canberra.

—— 2015, *Report on Government Services 2015*, Productivity Commission, Canberra.

SSCCA (Senate Standing Committee on Community Affairs) 1997, *Report on Housing Assistance*, December, http://www.aph.gov.au/Parliamentary\_Business/  
Committees/Senate/Community\_Affairs/Completed\_inquiries/1996-99/housing/report/index (accessed 27 June 2014).

SSCE (Senate Standing Committees on Economics) 2014, Affordable housing - Senate Economics References Committee inquiry, http://www.aph.gov.au/  
Parliamentary\_Business/Committees/Senate/Economics/Affordable\_housing\_2013 (accessed 23 January 2015).

SSCHAA (Senate Select Committee on Housing Affordability in Australia) 2008, *A good house is hard to find: Housing affordability in Australia*, June.

Stone, W., Burke, T., Hulse, K. and Ralston, L. 2013, *Long-term private rental in a changing Australian private rental sector*, Final report no. 209, Australian Housing and Urban Research Institute.

Treasury 2010a, *Australia’s Future Tax system - Papers*, http://taxreview.treasury.gov.au/content/content.aspx?doc=html/pubs\_reports.htm (accessed 13 December 2014).

—— 2010b, *Australia’s Future Tax System: Report to the Treasurer*, Detailed Analysis, vol. 2, Canberra.

Turton, P. 2014, ‘Coaching Inspiration Back into Case Management: Key Learning from the Detour Innovation Action Project’, *Parity*, vol. 27, no. 3, pp. 16–18.

Whelan, S. 2004, *An analysis of the determinants of the labour market activities of housing assistance recipient*s, Final Report, 70, Australian Housing and Urban Research Institute, http://www.ahuri.edu.au/publications/p60203/ (accessed 22 April 2013).

—— and Ong, R. 2008, *Econometric Modelling of Housing Assistance and Labour Market Participation*, Research Report, 6, Australian Housing and Urban Research Institute, Melbourne.

Wood, G., Ong, R. and Cigdem, M. 2014, *Housing affordability dynamics in Australia: new insights from the last decade*, Final Report, 233, Australian Housing and Urban Research Institute, http://www.ahuri.edu.au/publications/projects/p53021 (accessed 9 December 2014).

——, —— and Dockery, A. 2009, ‘The Long-run Decline in Employment Participation for Australian Public Housing Tenants: An Investigation’, *Housing Studies*, vol. 24, no. 1, pp. 103–126.

Wood, G., Ong, R. and Dockery, M. 2007, ‘A quasi-experimental approach to the analysis of the employment outcomes of public housing tenants’, presented at 2nd Australasian Housing Researchers’ Conference, Brisbane, 20 June.

1. This report draws on six detailed background papers referenced as BP 1, BP 2, etc. [↑](#footnote-ref-1)
2. About three quarters of CRA recipients are eligible for the maximum payment (SCRGSP 2015). [↑](#footnote-ref-2)
3. Income support payments are welfare payments administered by the Department of Human Services. Rent assistance is also available to recipients of some Department of Veterans Affairs pensions (DVA 2013). Due to our focus on incentives to work, these payments are not analysed in this report. [↑](#footnote-ref-3)
4. The types of income included in assessable income vary between jurisdictions, and some types of income are assessed at a lower rate. Assessable income also differs slightly in community housing, both between and within jurisdictions (BP 2.) [↑](#footnote-ref-4)
5. Community housing tenants are an exception. They typically pay income based rents and are eligible for CRA. CRA is not included in the measure of assessable income used in setting rents, and is payable to the community housing provider — it does not contribute to a household’s income. [↑](#footnote-ref-5)
6. Similar conclusions most likely apply to community housing, but data that would confirm this to be the case are not available. [↑](#footnote-ref-6)
7. Rates at March 2014. [↑](#footnote-ref-7)
8. Information on educational attainment is available for recipients of Youth Allowance and some Newstart Allowees. [↑](#footnote-ref-8)
9. The analysis presented in the remainder of this chapter is based on a person’s ‘lagged’ housing tenure, that is, their tenure 12 months prior to the point at which their employment is examined. For example, information about housing tenure at 30 June 2012 is used in analysing the relationship between housing assistance and employment for people who were ISP recipients at 30 June 2013. People for whom information about previous tenure is not available are dropped from the analysis. Excluding this group from the analysis does not alter summary measures of ISP recipients’ characteristics. This approach takes care of potential endogeneity in the relationship between housing assistance and employment (BP 5). [↑](#footnote-ref-9)
10. Fixed effects panel regression techniques account for the unknown idiosyncrasies of each observation by assuming that these do not vary over the observation period. [↑](#footnote-ref-10)
11. Neighbourhoods are defined using ‘level 1 statistical areas’, the second smallest classification of geography used by the ABS. These areas have an average population of 400 people. [↑](#footnote-ref-11)
12. The limited ability of public housing residents to choose their neighbourhood minimises the problem of selection bias in estimating neighbourhood effects among that sub-population (Manley and Van Ham 2012). [↑](#footnote-ref-12)
13. Public housing residents living in areas in the bottom quintile according to the Index of Relative Socioeconomic Disadvantage were predicted to have an employment rate 0.6 percentage points lower than those living in the top three quintiles, after taking into account both observed and unobserved characteristics. In contrast, having a permanent medical condition was predicted to reduce the employment rate of a public housing resident by 4.3 percentage points. [↑](#footnote-ref-13)
14. The records were de-identified before the Commission received them, that is, the records did not include the identity of applicants and tenants, or any information that might enable the identities to be recovered. [↑](#footnote-ref-14)
15. From 16 January 2012, Western Australian applicants have been asked to declare their income at an annual review. [↑](#footnote-ref-15)
16. It might also reflect the location of public housing in higher rent areas, but if that was the key factor, it might be expected that the differences between market rents paid by public housing tenants and CRA recipients would be consistently large across household types. [↑](#footnote-ref-16)
17. This is not to say that single person households should live in single bedroom properties. Many single person households need more than one bedroom, for example, for when family or friends come to stay. But it is possible that the properties that are occupied by public housing tenants are less well suited to their needs than those occupied by CRA recipients — for example, the public housing tenants might be in stand alone family homes, the CRA recipients in two- or three-bedroom apartments. [↑](#footnote-ref-17)
18. Data provided in addition to the administrative records for public housing applicants and tenants. [↑](#footnote-ref-18)
19. These rates are higher than those reported in chapter 3 because they are based on data for all tenants, not just those in receipt of income support payments. [↑](#footnote-ref-19)
20. As noted above, applicants’ employment rates will be underestimated to the extent that applicants do not update their state housing authority when their income changes. [↑](#footnote-ref-20)
21. Rate paid at June 2014, excluding the pension supplement. [↑](#footnote-ref-21)
22. These figures are Productivity Commission estimates based on Department of Human Services, administrative data (unpublished); the Research and Evaluation Database (unpublished); and ABS (2013b). For full details on the data and assumptions used in calculating these figures, see BP 3.

    Work capacity was regarded as high for tenants on the Disability Support Pension who were assessed as having work capacity of over eight hours a week; and for tenants receiving Newstart or Youth Allowance (Job seeker) who were considered ‘work ready’ or who had moderate barriers to employment. Recipients of other income support payments, such as Parenting Payments, were assumed to be able to achieve similar employment rates to ISP recipients on similar payments who were not living in public housing. [↑](#footnote-ref-22)
23. Some organisations working with disadvantaged individuals refer to this process as mentoring or coaching, focusing on clients’ strengths and capabilities rather than the challenges they face (Turton 2014). [↑](#footnote-ref-23)
24. Income support recipients are allowed to generate income up to a certain level before their payment is reduced. In February 2015, Newstart recipients could earn up to $100, and single Disability Support Pension recipients could earn up to $160 a fortnight, before their payment was gradually reduced (DHS 2014a). [↑](#footnote-ref-24)
25. For households that had received a bond guarantee from the State Government. [↑](#footnote-ref-25)
26. The OECD indicator used in this comparison measures the extent of tenant–landlord regulation within a tenancy. It includes measures for the ease of evicting a tenant, the degree of tenure security and deposit requirements. Scores are reported on a scale of zero to six, where six represents maximum tenant protection. Based on 2009 data, scores varied between 1.83 in the United States, and 4.33 in Sweden. Australia’s score was 2.33, and the median was 2.42 (OECD 2011). [↑](#footnote-ref-26)
27. ‘Without grounds terminations’ can occur in all jurisdictions, except in Tasmania, where there is only a limited period around the end of a rental lease when tenants can be evicted without specific reason (National Shelter 2010). [↑](#footnote-ref-27)
28. Head leasing refers to situations where dwellings owned by private individuals or private corporations are leased to social housing providers, who then sublet them to eligible households. The social housing provider is usually responsible for tenant selection and tenancy management functions. Head leasing involves at least two leases: one between the dwelling owner and the social housing provider, and one between the provider and the tenant. The relevant Residential Tenancies Act applies to both leases (AIHW nd). [↑](#footnote-ref-28)