

Submission to the Senate Community Affairs References Committee Inquiry into the extent and nature of poverty in Australia

JANUARY 2023



Introduction

Homelessness Australia is the national peak body for homelessness in Australia providing systemic advocacy for the homelessness sector. We work with a large network of organisations to provide a unified voice when it comes to preventing and responding to homelessness.

Homelessness Australia (HA) welcomes the opportunity to provide a Submission to the Senate Community Affairs References Committee Inquiry into the extent and nature of poverty in Australia.

Homelessness Australia's submission is focussed on the following terms of reference:

- (b) the relationship between the costs of renting, lack of affordable housing and poverty
- (c) the impact of poverty as a driver of lack of housing security and homelessness, and
- (e) the relationship between income support payments and housing poverty, and
- (f) mechanisms to address and reduce poverty

Housing market drivers of poverty

Research analysing data from the 2021 Census reveals that more than 640,000 Australian households experience housing stress or homelessness, and that if nothing is done to deliver more affordable rental homes, need will grow to almost one million households by 2041.

Since the 2021 Census, the situation in Australia's housing market has considerably worsened for low income renters. Vacancy rates have fallen to record lows, and rents have skyrocketed at record rates. In the 12 months to December 2022, rents in Australia increased 10.2 per cent, and the vacancy rate fell to 1.2%.

Over 2023 rents are likely to continue to surge upwards as rising interest rates and competition for rentals exacerbate inflationary pressure. For renters, housing costs are the biggest item in household budgets. In 2019-20, rental costs comprised 20.2 per cent of gross household budgets for all private renters, and 32 per cent of income for low income renters. More than half (58%) of those renting from a private landlord pay more than 30 per cent of income on rent.

Paying so much income on rent results in households having too little money left after paying rent to meet other essential expenses. As a result, individuals and families have to curtail other areas of spending, forgoing meals altogether or eating poor quality food, being unable to heat or cool their home, being unable to afford medical or dental care, the costs of education, transport or recreation. These forgone expenses result in direct impacts on health and wellbeing, and limit people's future opportunities.

Poverty as a driver of lack of housing security and homelessness

Paying so much in rent that other essential expenses are forgone is one impact of the combination of low income and the high cost of renting. Another consequence is housing insecurity and homelessness.

When people spend over 30 per cent of a low income on rent they are vulnerable to shocks in income, or unavoidable expenses that result in inability to meet the cost of rent. A lost shift, a period of illness, a gap between contracts, a car repair that is essential to retaining paid work, a child's emergency medical bill are all costs that can tip an overstretched budget into the black.

The inability to afford the cost of renting is a direct driver of homelessness that is becoming a growing problem as the cost of renting increases. Housing stress is now the fastest growing cause of homelessness, with 9.2 per cent more people needing homelessness support because of financial stress or housing crisis in 2021-22 compared to 2020-21.

Income support payments and housing poverty

Commonwealth Rent Assistance (CRA) is one way that the Federal Government relieves cost of living impacts on people with low incomes, but the value of the payment has fallen well behind the cost of rents. In 2021, 45.7 per cent of all people who received CRA were still in rent stress after receiving the payment, but 65 per cent of those receiving JobSeeker payments and 72 per cent of people receiving Youth Allowance were still rent stressed.

This acute pressure can be immediately alleviated by increasing income support payments. In 2020, when most people receiving CRA were also receiving the Coronavirus supplement or JobKeeper, we saw rent stress among people on the lowest benefits more than halved: to 31 per cent of people on JobSeeker and 27 per cent of those on Youth Allowance.

Mechanisms to address and reduce poverty

Fixing the housing crisis so that everyone can access a home they can afford is critical to addressing poverty in Australia. This will require policy to address both income adequacy and the supply of affordable rental homes.

Recommendation ONE

Homelessness Australia recommends that the maximum rate of Commonwealth Rent Assistance be increased by 50 per cent and benchmarked to actual rents paid.

Recommendation TWO

Homelessness Australia recommends that working age social security payments be increased to at least \$73 a day.

Recommendation THREE

Homelessness Australia recommends the Federal Government build on existing commitments to social housing by increasing investment so it can resource at least 25,000 social housing properties each year.

References

- (1) Ryan van den Nouwelant, Laurence Troy and Balamurugan Soundararaj, Quantifying Australia's unmet housing need A national snapshot, UNSW, City Futures, November 2022
- (2) Corelogic, Quarterly Rental Review Report, January 2023
- (3) Australian Bureau of Statistics, Housing Occupancy and Costs 2019-20, May 2022
- (4) AIHW, Specialist homelessness services annual report 2021-22, December 2022
- (5) AIHW, Housing Assistance in Australia, Data tables: Financial assistance 2022, June 2022

ABOUT HOMELESSNESS AUSTRALIA

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Visit homelessnessaustralia.org.au

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Homelessness Australia acknowledges the Traditional Custodians of all of the lands on which we meet and work. We pay our respects to First Nations peoples and elders past, present and future. Always was, always will be, Aboriginal land.