



# REFORMING RENT ASSISTANCE

Ending rental stress across Australia





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The author of this report is Maiy Azize. This and previous reports are available on the Anglicare Australia website: [www.anglicare.asn.au](http://www.anglicare.asn.au). The data in this paper draws on the results of Anglicare Australia's Rental Affordability Snapshot. The data for the Snapshot is provided through an agreement with the [REA Group](#).

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## About this paper

This paper explores how and whether Commonwealth Rent Assistance is delivering on its aim, which is to alleviate rental stress for people on the lowest incomes. The paper is released in the wake of the 2023 Report on Government Services, which shows that the cost of rent assistance has grown to \$4.9 billion per year.

Our analysis shows that:

- » The payment leaves one in two of its participants in rental stress, because it has not been raised as rents have soared
- » The payment excludes those on the lowest incomes. For example, only one in three people on the JobSeeker payment is eligible for the payment. Only one in four income support recipients get the payment overall.
- » People on lower incomes get less help, with eligibility rates that are more favourable to people on higher payments and incomes
- » Part of the reason the payment was introduced was to reduce Government spending on social housing. However, the Government spends almost four times as much on Commonwealth Rent Assistance payments (\$4.9 billion) than on social housing and homelessness services combined (\$1.6 billion).

This paper concludes that the payment is not a solution to rental affordability. To truly address the housing crisis, the Federal Government will need to refocus on ending the shortfall in social housing and raising rates of income support.

## Issues in Commonwealth Rent Assistance

The past three decades have seen a major shift in how the Federal Government approaches housing. The Commonwealth used to directly supply homes as its main policy response for housing affordability. Between the 1940s and the 1970s, Australian governments built around 23 percent of all new homes.<sup>1</sup> Public and social housing was a major focus of these building programs, providing secure homes for people on low incomes and freeing up affordable private rentals for people on middle incomes.

This changed in the 1980s and 1990s, when the Federal Government began relying on the private market to deliver homes and the focus of social housing shifted. Instead of providing homes to people on low and middle incomes, the focus of social housing changed to people in dire or special circumstances.<sup>2</sup>

Instead of supplying housing, the Federal Government began offering 'demand-side' assistance to people in the private market. These include first-home buyer grants for those looking to buy a home, tax concessions for investors who earn incomes as landlords, and Commonwealth Rent Assistance to ease the financial stress of renting for those on those on low incomes. Commonwealth Rent Assistance payments are available to people receiving income support payments, including Family Tax Benefits, who are renting in the private rental market or are in community housing. It is calculated as 75 percent of a person's rent above a minimum threshold up to a maximum threshold.

In 2021-22, the Federal Government spent \$4.9 billion on rent assistance payments.<sup>3</sup> Expenditure on the payment has almost quadrupled since it was introduced, up from \$1.4 billion in 1993-94.<sup>4</sup> The enormous expansion of the payment is important, as part of the justification for moving to demand-side assistance was to reduce the cost to Government in delivering housing.<sup>5</sup> Yet Federal Government funding for

Commonwealth Rent Assistance now far outstrips the combined funding it provides for both social housing and homelessness services, which in 2021-22 was at \$1.6 billion.<sup>6</sup>

This makes Commonwealth Rent Assistance the Government's biggest housing program for people on low incomes. The sheer scale of this investment means it warrants scrutiny – it should be delivering value, alleviating rental stress, and helping those most in need. Unfortunately, our analysis shows that the payment is failing to achieve its goals.

### **Failing people on the lowest incomes**

For years, Commonwealth Rent Assistance has been used by Governments as a talking point to explain the low rate of working age payments, creating an impression in the minds of the public and commentators alike that most people on Centrelink payments are recipients of Commonwealth Rent Assistance. This is untrue. Only one in three people on JobSeeker are eligible for the payment (38 percent).<sup>7</sup> Young people out of work fare even worse, with only one in ten on Youth Allowance eligible (12 percent).<sup>8</sup> In total, only one in four income support recipients receive the payment at all (27 percent).<sup>9</sup>

The requirement for more formal lease arrangements means that people who have sought informal solutions to the rental crisis are simply ineligible for help. People who are experiencing tertiary homelessness, such as those who are couch-surfing, are locked out of secure accommodation because they lack the income to secure a lease. For those who do hold a formal lease, cut-in rates mean that people on the very lowest incomes are among the least likely to get support.

These gaps in eligibility criteria particularly affect single people, single working people, couples on low incomes that don't have children, and those on the lowest payments.



Those who do receive the payment will find that it is inequitably structured for recipients on the lowest incomes. A single person on Youth Allowance, for example, must spend a third of their income on rent before they can receive assistance; pushing them into rental stress *before* they receive a payment. A single person on the Age Pension, by comparison, becomes eligible for assistance once they have spent 14 percent of their total income on rent.<sup>10</sup> The rates of payment, and what those rates mean for rental affordability, are shown in Table 1.

Table 1. Impact of rent assistance on affordability for payment types

Family type	Total fortnightly income	Minimum rent threshold for CRA (cut-in)	Maximum rent threshold for CRA (cut-out)	Maximum CRA payment	Maximum affordable rent per week
Single - Age Pension	\$936.80	\$135.40	\$337.54	\$151.60	\$163.26
Single – JobSeeker Payment	\$668.40	\$135.40	\$337.54	\$151.60	\$123
Single in a sharehouse – Youth Allowance	\$562.80	\$135.40	\$270.16	\$101.07	\$99.60
Single in a sharehouse – JobSeeker Payment	\$668.40	\$135.40	\$270.16	\$101.07	\$115.42
Couple, two children – JobSeeker Payment	\$1,217.40	\$262.78	\$500.60	\$178.36	\$209.36
Couple, two children – Minimum Wage	\$2903.65	\$262.78	\$500.60	\$178.36	\$462.30
Couple, no children – Aged Pension	\$1412.40	\$219.20	\$409.60	\$142.80	\$233.28

In part, the differences in the levels of assistance between households reflect differing needs. A couple with two children have different housing needs than a couple with no children, or a single person on Youth Allowance. Yet when these differences are examined more closely, another picture emerges. Looking at eligibility for the payment, the cut-in point, as a proportion of household income shows that some households have to spend a much larger proportion of their income on rent before they are eligible to receive housing assistance.

The cut-in points are inequitable, disadvantaging households on lower income support payments. The indexation of the payment and these thresholds means this inequity is maintained year on year.

The payment is also poorly designed for people living in sharehousing, adding to eligibility issues for single people on low payments such as JobSeeker or Youth Allowance. The cut-out rate for shared accommodation is \$270, around \$30 less than the average room in an Australian major city, excluding bills.<sup>11</sup> Requirements to hold a lease or a tenancy agreement, which can be rare for people in shared accommodation, also helps explain why some of the lowest income earners in Australia are not eligible for the payment.

### **Leaving people in rental stress**

Despite the cost of the program, a high proportion of payment recipients remain in rental stress. The latest figures show that almost one in two people receiving the payment remain in rental stress. The outcomes are the worst for young people, with two in three recipients under the age of 24 in rental stress.<sup>12</sup> The rate of rental stress among those receiving the payment, and its particular severity for young people, reflects serious issues with the design of the payment.

This is backed by a ten-year analysis of results from Anglicare Australia's Rental Affordability Snapshot. The Snapshot analyses the affordability of rental advertisements for households on low incomes. Table 2 shows that almost no advertised rentals are affordable for these households. The calculations factor in the highest allowable amount of assistance.

Table 2. Affordable and suitable rentals 2012-2022, by household type

Household Type	Payment Type	Affordable and Appropriate 2012	Affordable and Appropriate 2022	Change
Couple, two children (one aged less than 5, one aged less than 10)	JobSeeker Payment/ Newstart Allowance	0.7%	0.2%	-0.5%
Single, two children (one aged less than 5, one aged less than 10)	Parenting Payment Single	0.2%	0.0%	-0.2%
Couple, no children	Age Pension	2.6%	1.4%	-1.2%
Single, one child (aged less than 5)	Parenting Payment Single	0.3%	0.1%	-0.2%
Single, one child (aged over 8)	JobSeeker Payment/ Newstart Allowance	0.0%	0.0%	0%
Single	Age Pension	0.8%	0.7%	-0.1%
Single aged over 21	Disability Support Pension	0.8%	0.1%	-0.7%
Single	JobSeeker Payment	0.0%	0.0%	0.0%
Single aged over 18	Youth Allowance	0.0%	0.0%	0.0%
Single in share house	Youth Allowance	0.0%	0.0%	0.0%
Couple, two children (one aged less than 5, one aged less than 10)	Minimum Wage + FTB A (both adults)	30.8%	15.3%	-15.5%
Single, two children (one aged less than 5, one aged less than 10)	Minimum Wage + FTB A & B	3.5%	0.7%	-2.8%
Couple, two children (one aged less than 5, one aged less than 10)	Minimum Wage + Parenting payment (partnered) + FTB A & B	N/A	3.7%	N/A

Source: Anglicare Australia Rental Affordability Snapshot, 2012-22.

The data for the Snapshot is provided through an agreement with the REA Group.

This analysis shows that while rents have skyrocketed, the maximum rate of Commonwealth Rent Assistance hasn't kept pace. Each year the payment falls further behind rental costs. Its thresholds are indexed to general inflation, rather than average rental costs. Because rents have grown much faster than Consumer Price Index (CPI), the gap between rental costs and rent assistance payments has been growing. Research from the Productivity Commission shows that since 1995 rents have grown at more than twice the rate of the general cost of living.

### **Reforming the payment, and recognising its limitations**

As our ten-year analysis shows, there are very few affordable options for people looking for a home in the private rental market. Yet boosting Commonwealth Rent Assistance should not be mistaken for a systemic or long-term solution to poverty or housing stress. In fact, the decision to focus the Government's affordable housing investment in the private rental market has exacerbated the lack of affordable housing for people on low incomes. This has led to a massive shortfall in social housing, estimated at 500,000 homes.<sup>13</sup> Analysis by the Australian Housing and Urban Research Institute shows that governments' move away from directly supplying housing has led to a housing market that has never been less affordable. The shortage of affordable rentals for low-income households grew between 1996 and 2011.<sup>14</sup>

It is critical to **reinvest in social housing**. The decades since the Government has turned away from social housing have proven to be the most disastrous for housing affordability. Governments must commit to ending the social housing shortfall if they are serious about tackling housing affordability.

Based on our findings, Anglicare Australia calls for reform to make income support fairer and tackle housing stress. We recommend **refocusing housing support away from Commonwealth Rent Assistance to working age payments**. As this

paper has shown, only one in three people on the JobSeeker payment receive the additional payment, and only one in four recipients of income support payments. Raising Commonwealth Rent Assistance will not reduce poverty for around 75 percent of income support recipients, and in most cases, it is a counter-productive distraction.

Anglicare Australia acknowledges that Commonwealth Rent Assistance has become an important source of income for community housing providers, who have often championed an increase to the payment and would directly benefit from the ability to raise rents as the incomes of their tenants grow. This is a symptom of the diminishing funding for social housing. Should advocacy on the payment continue, it should focus on expanding access to support, not simply raising it for the few who are already eligible. For example, **removing the cut-in rate for the payment** would greatly expand access. This would mean that households on the lowest incomes can spend a smaller proportion of their budget on rent before getting support. Removing the cut-in rate is a simple change that would expand access to thousands of young people and renters on very low incomes.

To make the payment more equitable, **eligibility and payment rates should be based on median rents** for rooms in sharehouses. There must also be reform of the cut-out rates to make the payment equitable across income types. In addition, payment rates should be based on the amount of rent paid, not household makeup, including for a couple. This would mean that the payment partially levels the inequalities facing single people, instead of worsening them.

To expand access to the payment, **the requirement for a lease agreement should be removed**. A statutory declaration that a person meets the requirements, their address, and the amount of rent or board they pay should be enough to secure payment. It also means that people who have sought informal solutions to the rental crisis won't be punished because they can't secure a formal lease.

**Pre-payments should be permitted.** People should be able to access a payment to help them secure a property and moving costs. Being able to demonstrate additional income from Commonwealth Rent Assistance would also make it easier for people on low incomes to secure a lease. This could be capped if needed, and could form part of a statutory declaration that a person is seeking a rental within a certain budget and requires a pre-payment. The lack of pre-payment has previously been identified by the homelessness sector as a major barrier to tackling couchsurfing and other forms of homelessness.

Finally, it is clear that the payment has not kept pace with soaring rents. Several major reviews have recommended that **the payments be indexed to rental prices, rather than general inflation.** The Harmer Review found that bi-annual increases to the payment had not kept pace with rental inflation in the private rental market, and recommended that Commonwealth Rent Assistance be indexed to a new measure based on the actual rents paid by income support recipients.<sup>15</sup> The Henry Tax Review also recommended that the maximum rent threshold be indexed in line with national rents. Commonwealth of Australia (2010) Australia's Future Tax System.<sup>16</sup>

Ultimately, however, Commonwealth Rent Assistance is not a solution to rental affordability or poverty. Advocates should think carefully about pursuing changes to the payment as a solution, particularly if the calls do not also include structural reform of the payment.

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