

Penalty Rates and  
Fair Pay Select Committee  
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IT'S TIME TO END  
HOMELESSNESS

# Penalty Rates and Fair Pay Select Committee Submission

## Launch Housing Submission

May 2017

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A merger between



## Launch Housing's submission

Launch Housing is pleased to provide this submission to the Parliament of Victoria's *Penalty Rates and Fair Pay Select Committee*.

## About Launch Housing

Launch Housing is Melbourne's largest independent provider of homelessness services, delivering housing and homelessness programs across 14 sites in the metropolitan area. Launch Housing was formed by a merger of Hanover and HomeGround and commenced operating on 1 July 2015 with a sole mission - to end homelessness.

Launch Housing provides housing and support service to 18,000 clients each year across the following Local Government Areas in Melbourne:

- City of Melbourne
- City of Port Phillip
- City of Yarra
- City of Greater Dandenong
- City of Kingston
- City of Moreland
- City of Glen Eira
- City of Darebin
- City of Stonnington
- City of Hume
- City of Monash
- City of Whittlesea
- City of Maribyrnong
- City of Wyndham
- City of Banyule
- City of Brimbank
- City of Casey

Launch provides a range of housing and services including:

- Two Education First Youth Foyers- supporting 80 young people into education and employment
- 65 long term supportive housing units at Elizabeth Street Common Ground
- 700 transitional housing properties
- 115 beds at four crisis accommodation services
- 180 properties through HomeGround Real Estate – Launch Housing's not-for-profit real estate agency
- Private rental brokerage programs

- Rough Sleepers Outreach and Street to Home (both working to house and support rough sleepers)
- A wide range of individualised support programs
- State-wide specialist homeless children’s service

## Homelessness, income support and employment

There is a common misconception that people who experience homelessness are not engaged in the labour market, or that they do not aspire to work. This is not actually the case; the majority of people who experience homelessness are in the labour market in that they are employed or seeking employment.

### Homelessness

The 2011 Census reported that 105,000 Australians were homeless on Census night and 22,789 Victorians. This is a “point in time” count and reflects the numbers who were homeless on that one night. Table One below indicates the breakdown.

<b>ABS Homelessness Figures 2011</b>		
<b>Homeless Groups</b>	<b>Australia</b>	<b>Victoria</b>
Improvised dwellings	6813	1,092
Supported homelessness accommodation	21,258	7,845
Temporarily with other households	17,369	3,324
Boarding houses	17,721	4,397
Other temporary lodging	668	90
Living in severely overcrowded dwellings	41,390	6,041
<b>TOTAL</b>	<b>105,237</b>	<b>22,789</b>

As indicated in the mauve shaded section of Table One, 21, 258 Australians were staying at a Specialist Homeless Service (SHS) on Census night (20.2% of people experiencing homelessness). 7,845 Victorians were staying at a specialist homeless service on Census night (33.1% of people experiencing homelessness).

The Australian Institute of Health and Welfare (AIHW) collects data on all people who receive support from a SHS over an entire year. In plain language, if we use the census data we can assume that the AIHW data accounts for about 20% of people who experience homelessness over a year nationally (or 33% in Victoria). Table Two below shows that a significant number of people staying at SHS were connected to the labour market. Those people in employment (higher in Victoria than nationally), receiving Newstart or Youth Allowance are all in the labour market. This data reflects a similar finding that in 2008, 32.1% of people in a SHS were in the labour market (reported in a Flinders University study on homelessness and unemployment prepared for the Australian Government)<sup>1</sup>.

<b>TABLE TWO</b>						
<b>Source of Income for clients receiving support from Specialist Homelessness Services (SHS) 2015-16<sup>2</sup> - VICTORIA</b>						
<b>Source of income</b>	<b>Men</b>	<b>%</b>	<b>Women</b>	<b>%</b>	<b>All</b>	<b>%</b>
Newstart	9,690	34.0	7,614	20.1	17,304	26.0
Parenting Payment	730	2.6	10,298	27.2	11,028	16.6
Disability Pension	7,040	24.7	5,904	15.6	12,945	19.5
Youth Allowance	2,045	7.2	2,639	7.0	4,684	7.1
Aged pension	1,150	4.0	1,383	3.6	2,533	3.8
<b>Employment</b>	<b>1,561</b>	<b>5.5</b>	<b>3,599</b>	<b>9.5</b>	<b>5,160</b>	<b>7.8</b>
Nil Income	3,896	13.7	2,740	7.2	6,636	10
Other						
<b>TOTAL</b>	<b>36,607</b>	<b>100</b>	<b>55,986</b>	<b>100</b>	<b>86,594</b>	<b>100</b>
<b>Source of Income for clients receiving support from Specialist Homelessness Services (SHS) 2015-16 - AUSTRALIA</b>						
<b>Source of income</b>	<b>Men</b>	<b>%</b>	<b>Women</b>	<b>%</b>	<b>All</b>	<b>%</b>
Newstart	27,847	37.5	23,067	21.3	50,914	27.9
Parenting Payment	2,048	2.8	32,312	29.8	34,360	18.8
Disability Pension	16,692	22.5	13,982	12.9	30,674	16.8
Youth Allowance	6,591	8.9	8,652	8.0	15,243	8.3
Aged pension	2,123	2.9	2,581	2.4	4,704	2.6
<b>Employment</b>	<b>4,130</b>	<b>5.6</b>	<b>8,691</b>	<b>8.0</b>	<b>12,820</b>	<b>7.0</b>
Nil Income	8,668	11.7	8,560	7.9	17,228	9.4
Other						
<b>TOTAL</b>	<b>81,560</b>	<b>100</b>	<b>135,169</b>	<b>100</b>	<b>216,729</b>	<b>100</b>

The AIHW data (above) only accounts for 20% of people experiencing homelessness nationally (or 33% in Victoria) i.e. those people who are actually in a Specialist Homelessness Service (SHS).

#### **SUMMARY**

Approximately 30% of people in Specialist Homelessness are in the labour force and about 7 to 8% in employment

There is less data regarding income and employment for other cohorts of people experiencing homelessness.

#### Rough Sleepers/Primary Homelessness

People who are sleeping rough represent the most vulnerable group and the group most likely to experience severe health issues. The number of people sleeping rough has increased drastically over the past two years in Melbourne. The City of Melbourne Street Count reports a 74% increase in people rough sleeping in the Melbourne CBD from 2014 to 2016. <sup>3</sup>

There is no national data collected on income source or employment for rough sleepers. Launch Housing does collect this data from clients in our Rough Sleepers Initiative in the City of Melbourne. This program provides assertive outreach to people rough sleeping to assist them find housing and to link them into services. This data shows that for clients assisted through this program, 46% were on Newstart, 35% on Disability Support Pension and 5.4 % with no income (the remainder are recorded as income unknown).

#### **SUMMARY**

There is no national or state data on income source and employment for people who are rough sleeping. Launch Housing's data indicates that a substantial number of people rough sleeping are likely to be in the labour market

#### Other Cohorts of people Experiencing Homelessness

Again, it is difficult to get specific data on income and labour force participation for other cohorts of people experiencing homelessness.

The ABS Australian General Social Survey found that the majority of people who had experienced homelessness did not receive assistance from a service but managed to resolve their homelessness.<sup>4</sup>

*“Two-thirds (67% or 952,800 people) of those who had experienced homelessness in the last 10 years had not sought assistance from service organisations during their most recent experience of homelessness. About 15% of people who had experienced homelessness in the last 10 years sought assistance from housing service providers during their most recent experience of homelessness, 7.9% sought crisis accommodation/supported accommodation for the homeless, 7.0% sought a church or community organisation and 6.7% contacted a counselling service (Table 17).”*

The fact that these people resolved their homelessness indicates that they have found housing in the private rental market. This would suggest that they are in employment or have some source of income other than or as a supplement to a Centrelink benefit.

#### SUMMARY

While there is no national or state data on income source and employment for all people who have experienced homelessness, it is reasonable to assume that a significant number of them are in the labour market

#### Employment and Homelessness

People who experience homelessness face significant barriers to employment and tend to gain employment that is low paid and precarious. Insecure low paid work also seems to be common, with people who have experienced homelessness in Australia tending to work fewer hours than those who have not experienced homelessness and they to be clustered in occupations and industries with higher rates of casualization.<sup>5 6 7</sup>

Launch Housing undertook a survey of clients living on our Transitional Housing properties in 2015 to find out more about their experiences of the Commonwealth funded employment services and to ascertain the type of support they required to assist them into employment. The goal was to survey 70 participants living in transitional accommodation. In all, a total of 126 tenants were contacted of whom: 42% (n=53) were not eligible (not on Newstart or Youth Allowance); in a handful of cases, tenants stated they weren't interested before eligibility could be confirmed. Of the remaining 73 tenants whose eligibility was confirmed, 70 agreed to complete the survey; with only three refusals registered; this is an outstanding response rate.

The report of this survey showed the following:

- In their *last paid job*, 66% of participants were employed on a casual basis while 23% were employed on a permanent or ongoing basis; 3% had fixed-term contracts and 3% were self-employed.
- The most common jobs were in retail (27%) or hospitality (19%). Some had worked in health care and social assistance (support worker, child carer, nurse, personal carer); while others had worked in a range of jobs including: in administration, transport, cleaning, as a removalist, lift operator, and as packers.

#### SUMMARY

People who experience homelessness tend to be employed or have been employed in jobs that are casualised and insecure. They tend to work, or have worked fewer hours and experience underemployment. A survey of Launch Housing clients showed that the most common jobs they had been or were employed in were retail and hospitality, two industries impacted on by the changes to penalty rates.

## Income, Housing Affordability and Housing Stress

Given the extremely low levels of social housing in Australia and particularly Victoria, employment and adequate income is vital for people to be able to get into and maintain housing. Social housing (public and community housing) comprises only 4.3 % of all housing stock in Australia<sup>8</sup> By way of comparison, social housing comprises 17.5% of all housing stock in England and Wales, although it is much higher in London (around 40% for many local government areas)<sup>9</sup>

Launch Housing welcomes the recent and substantial investments by the Victorian Government to increase the supply of social housing. However, this will not be sufficient to significantly improve the supply of affordable housing over the short to medium term. This means that the very limited supply of public housing will continue to be mainly available for people who are outside the labour market.

Therefore, for most Victorian's in the labour market (including those on Newstart and Youth Allowance) private rental is, and will continue to be, the main source of housing for them. People who are in receipt of Newstart or Youth Allowance or receive more than the base rate of Family Tax Benefit A may also be eligible to receive Commonwealth Rental Assistance (CRA) to assist with rental costs.

### SUMMARY

Private rental is the main housing option for housing for people who are in the labour market, including those on Newstart, Youth Allowance and in part –time and casual employment. This means that the amount of income such households receive is fundamental to them getting into and maintaining housing

### Housing Stress and Affordability

The most widely used and accepted measure of housing stress in Australia is the 30:40 rule, where a household is defined as being in housing stress if its housing costs exceed 30 per cent of income and the household is in the bottom 40 per cent of the income distribution.<sup>10</sup>

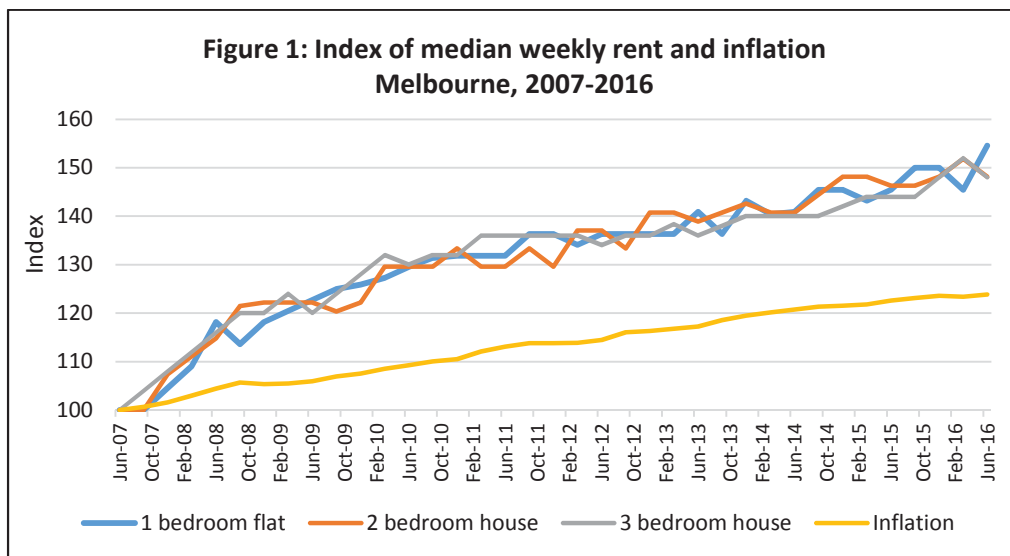
Over the past decade in Melbourne, house prices<sup>11</sup> have risen at twice the rate of average weekly earnings<sup>12</sup> and rental prices<sup>13</sup> have increased at twice the rate of inflation.<sup>14</sup> During this time there has been a steep fall in the supply of rental affordability<sup>15</sup> for lower income households and long waiting lists for social housing.<sup>16</sup> These changes make it harder for people to break into the housing market and maintain secure housing and increase the risk of homelessness for lower income households.<sup>17</sup>

Recently, Infrastructure Victoria estimated that between 75,000 and 100,000 Victorian households do not have access to affordable housing and recommended that Victoria needs 30,000 new affordable housing dwellings to meet current demand.<sup>18</sup>

CRA is designed to help lower income households meet the cost of housing in the private rental market.<sup>19</sup> It supported more than 1.3 million households in 2014-15, costing the federal budget \$4.2 billion.<sup>20</sup> But despite this outlay, 41.2% of households that receive CRA are in housing stress, paying more than 30% of their income on rental costs.<sup>21</sup>

Figure 1 shows that rental costs for a range of properties in Melbourne have risen at twice the rate of inflation over the past ten years. The steepest rise was for one-bedroom flats, which increased by 55% during this time. The impact of rising rental prices in excess of inflation, and hence income support payments, is that lower income households pay a greater proportion of their total income on rental costs.

Rising rental prices has led to a sharp fall in rental affordability for lower income households. In June 2007, 27% of Melbourne’s rental properties were affordable for lower income households; by June 2016 that figure had fallen to just 8.2%.<sup>22</sup> Such is the decline in rental affordability that in June this year there were just 25 one-bedroom units across Melbourne that were affordable for a single person receiving Newstart and CRA.



Source: Department of Health and Human Services, *Rental Report statistics – June quarter 2016*; ABS 6401.0 – Consumer Price Index, Australia, June 2016, Tables 1 and 2 (Australia).

\* Data has been rebased to 100 in 2007.

### SUMMARY

Because house prices have risen far in excess of increases in earnings and Commonwealth Rental Assistance (CRA), this means that an increasing number of Victorians, including those in the labour market, are living in severe housing stress.



## Housing Affordability, Housing Stress and Penalty Rate Reductions

Because of the reliance on private rental as the main source of housing for people engaged in the labour market, any reduction in income, or increase in rent will increase the likelihood of people moving into housing stress and at risk of becoming homeless. When a person or household on a low income is spending over 40% of their income on housing, they are well above the level at which housing stress is defined and any reduction in income, no matter how small can lead to a loss of housing.

### Median House Prices Melbourne

The Department of Health and Human Services (DHHS) provides a quarterly rent report which tracks the changes in rent and the availability of affordable rental properties across Melbourne. The most recent report is for the quarter ending December 2016.<sup>23</sup> This shows that the median price in Melbourne for a 1 bedroom flat was \$340 per week for that quarter and for a 2 bedroom flat was \$400 per week. The lowest median rent for a 2 bedroom flat were Melton (\$250 per week), Pakenham (\$270 per week) and St Albans- Deer Park (\$279 per week). The report does not provide information on lowest rents for 1 bedroom flats due the very small amount of one bedroom properties in affordable areas.

### Impact of penalty rate reductions on housing stress

We have prepared some examples to illustrate the potential impact that a reduction in penalty rates could have on people who are experiencing or at risk of homelessness. Table three (below) provides some examples of the reduction in income that three people would experience based on the proposed changes to penalty rates. Table Four (below) details the impact these cuts would have on housing stress and the individual's capacity to afford private rental.

In all circumstances none of the three people below can afford to rent alone. Renting a one bedroom flat at Melbourne median prices would see them all paying between 44 to 55% of their income before the changes to penalty rates. This would increase to 45 to 63% of income post penalty rate changes.

If they rented a 1 bedroom flat at Werribee, Jo would be paying 33% of income at Werribee which might be manageable, but Imani would be pay 39%, rising to 40% after penalty rate changes and Sharon would be paying 43% rising to 48%.

The only option for Imani and Sharon is to share a flat (Table Five) and the only possible scenario below where they could do this at an affordable rent is to share a flat in Pakenham (or St Albans – Ardeer or Melton). This is very competitive and it is highly unlikely that they will get housing in these areas. The DHHS rental report showed that for the quarter October to December for the City of Brimbank there were 0 affordable 1 bedroom flats for rental, with 24 affordable two bedroom flats for the quarter. For the City of Casey, 2 affordable 1 bedroom flats for and 6 affordable two bedroom flats for the quarter. For the City of Melton, there were 2 affordable 1 bedroom flats for rental and 11 affordable two bedroom flats for the quarter.

**SUMMARY**

The changes to penalty rates will have a negative impact on housing affordability for low paid workers and in some cases this will be very significant and place them at severe risk of homelessness.

**TABLE THREE**

**Examples of impact of penalty rate reductions on rental affordability and housing stress**

Example	Current Pay – after tax	New Pay- after tax	30% of current income i.e. amount deemed affordable	30% of new income i.e. amount deemed affordable
Jo – 35 year old -Kitchen Attendant – grade 2 18 hours M- F (7 – midnight) 10 hours Sat 10 hours Sun	781.76	750.51	234.52	225.15
Imani– 20 year old casual fast food 20 hours M- F 6 hours – Sat 3 hours - Sunday	663.02	653.44	198.90	196.03
Sharon – 57 year old Pharmacy assistant –level 4 16 hrs M – F 8 Hr Sunday	611.72	541.88	183.52	162.56

<b>TABLE FOUR</b>				
<b>Rental Affordability and housing stress for Jo, Imani and Sharon One bedroom flat</b>				
<b>Renter</b>	<b>Current % of income paid in housing on Melb median 1 bedroom flat</b>	<b>New % of income paid in housing on Melb median 1 bedroom flat (post penalty reductions)</b>	<b>Current % of income paid in housing on Werribee # 1 bedroom flat</b>	<b>New % of income paid in housing on Werribee 1 bedroom flat (post penalty reductions)</b>
Jo	Rent - \$340 pw 44% of income	Rent - \$340 pw 45 % of income	Rent \$258 pw 33% of income	Rent \$258 pw 34% of income
Imani	Rent - \$340 pw 51% of income	Rent - \$340 pw 52% of income	Rent \$258 pw 39% of income	Rent \$258 pw 40% of income
Sharon	Rent - \$340 pw 55% of income	Rent - \$340 pw 63% of income	Rent \$258 pw 43% of income	Rent \$258 pw 48% of income

# Average price for one bedroom flats advertised in Werribee 15 May 2016

<b>TABLE FIVE</b>				
<b>Rental Affordability and housing stress for Jo, Imani and Sharon A room in a shared two bedroom flat</b>				
<b>Renter</b>	<b>Current % of income paid in housing on Melb sharing a room in a median 2 bedroom flat</b>	<b>New % of income paid in housing on Melb sharing a room in a median 2 bedroom flat (post penalty reductions)</b>	<b>Current % of income paid in housing on Melb sharing a room in a median 2 bedroom flat in Pakenham</b>	<b>New % of income paid in housing on Melb sharing a room in a median 2 bedroom flat in Pakenham (post penalty reductions)</b>
Jo	Rent - \$200 pw 26% of income	Rent - \$200 pw 27 % of income	Rent \$135 pw 18 % of income	Rent \$135 pw 18% of income
Imani	Rent - \$200pw 29% of income	Rent - \$200 pw 38% of income	Rent \$135 pw 21% of income	Rent \$135 pw 21% of income
Sharon	Rent - \$200 pw 33% of income	Rent - \$200pw 37% of income	Rent \$135 pw 22% of income	Rent \$135pw 25% of income

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- <sup>14</sup> Australian Bureau of Statistics, *6401.0 – Consumer Price Index, Australia, June 2016*, Tables 1 and 2 (Australia).
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- <sup>16</sup> Department of Health and Human Services, 'Public housing waiting and transfer list June 2016', Available from <http://www.dhs.vic.gov.au/about-the-department/documents-and-resources/research,-data-and-statistics/public-housing-waiting-and-transfer-list>.

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<sup>18</sup> Infrastructure Victoria, *Victoria's Draft 30-year Infrastructure Strategy*, 2016, p. 95.

<sup>19</sup> Steering Committee for the Review of Government Service Provision, *Report on Government Services 2016*, Productivity Commission, 2016: G.6.

<sup>20</sup> Department of Social Services, *Annual Report 2014-15*, Australian Government, 2015, p. 56.

<sup>21</sup> Steering Committee for the Review of Government Service Provision, *Report on Government Services 2016*, Productivity Commission, 2016: G.8.

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