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Getting a job: the role of rental housing assistance

by

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Abstract

Policies and programs to assist low income renters in Australia, as in many other countries, have developed in relative isolation from fundamental changes in labour markets and significant changes to income support programs. The federal government's 'welfare reform' agenda recognises the potential importance of housing in the overall structure of welfare and tax reform but has not addressed this issue in any depth. This lack of focus on the role of housing, and housing assistance, in getting a job is also reflected in the research literature. While there is a growing literature in social policy and labour market studies generally on work disincentives, there has been limited empirical research into the role of rental housing assistance in contributing to incentives or disincentives for unemployed people to enter paid work. In particular, there has been little research on the behavioural aspects of work disincentives.

The paper attempts to fill a part of this research gap. It reports on the findings of research into the financial and non-financial disincentives faced by renters who are unemployed and looking for paid work. This involved both theoretical modelling of disincentives and detailed interviews with 400 unemployed renters in Sydney and Melbourne. The findings identify how living in rental housing and being in receipt of different forms of rental housing assistance can contribute to incentives or disincentives to getting a job. This involves an examination of issues such as access to housing, rent setting, conditions of tenancy and location. There is a particular focus on how unemployed renters respond in the face of what appear to be quite considerable housing related disincentives to entering paid work.

1. Introduction

There is a growing literature in social policy and labour market studies on disincentives facing unemployed people entering paid work (e.g. Keating and Lambert 1998; Beer 1998; Redmond 1999). Much of this centres on calculation of the financial returns from paid employment, as a result of the combined impact of withdrawal of income support payments and payment of income tax. There are relatively few empirical studies that examine whether, and to what extent, calculation of the financial returns from working affects decision making about entering paid work in practice, a field of research described as being 'in its infancy' in Australia (Reference Group on Welfare Reform 2000a: 48).

Within this broad area of literature on work disincentives, there has been specific consideration of the role of housing and housing assistance in contributing to work disincentives, most notably in the United States and the United Kingdom. This research includes econometric modelling of the impact of different types of government housing assistance on the 'supply of labour' (e.g. Fischer 2000; Painter 2001; Bingley and Walker 2001), and country-specific analyses of the ways in which the design of different types of government housing assistance affects the financial returns from paid work (e.g. Kemp 1998; Ingles 2000). There has, however, been very little research about the behavioural aspects of any housing related work disincentives, with Ford, Kempson and England (1996) providing one of the few empirical studies.

This paper reports on research conducted for the Australian Housing and Urban Research Institute (AHURI), which explored different types of work disincentives relating to rental housing in two Australian cities, Melbourne and Sydney, and the views of unemployed renters who were actively seeking work on housing related work disincentives relative to a range of other factors.

The research focused on three types of rental arrangements: *public renters* who pay rent to a state housing agency, *private renters* who pay rent to a private landlord or real estate agent or 'for profit' organisation, and *sharers* who pay rent to a relative or non-relative who lives with them. The costs and conditions associated with each rental arrangement differ, particularly in terms of forms of access, rent setting and ongoing tenancy arrangements. One of the aims of the research was to identify how tenants' responses to unemployment and job seeking differed between these three types of rental arrangement.

The specific objectives of the paper are to:

- Identify conceptually the different types of housing related work disincentives that unemployed renters may face in different tenures;
- Explore empirically the behavioural aspects of work disincentives, in particular, the extent to which unemployed renters consider that aspects of their housing arrangements and housing assistance affect their ability to get a job compared to a range of other factors.

2. Australian policy context

Australia has a federal system of government in which the federal government¹ is responsible for income support policies and programs via Centrelink, a federal agency. Housing policy and funding of housing programs are a joint responsibility of the federal government, six states and two territories, with the states and territories owning and managing public rental housing.

Housing policies and programs in Australia have traditionally been assessed in terms of 'housing' outcomes such as affordability, appropriateness and adequacy, and security of tenure. More recently, there has been increasing recognition that such policies and programs may also affect participation in paid employment, health status, education levels and community cohesion (Bridge et al. 2003). In an Australian context, there has been most interest at a policy level in whether housing programs contribute to disincentives to taking up paid work. Interest has been fuelled, to a large extent, by the observation that rates of participation in the labour force are lower, and unemployment rates are higher, for public tenants than for any other tenure group (Hulse et al. 2003: 14).

The federal government's implementation of 'welfare reform' has reactivated consideration of the role of housing assistance in contributing to disincentives to work. People in receipt of income support payments are increasingly expected to search for paid work or prepare themselves for paid work through training and job preparation as part of the *Australians Working Together* strategy (Commonwealth of Australia 2002). Whilst there has been relatively little consideration of housing in this process, the federal government's Reference Group on Welfare Reform (2000b: 15) did note that: 'it is important that housing is not a barrier to social and economic participation and that housing policies, both public and private, support people's ability to find, access and take-up paid work'. The few suggestions about how this might be achieved mainly related to public housing

Housing policy has connected only slowly with the debate about 'welfare reform'. The Commonwealth-State Housing Agreement (CSHA), the main vehicle for funding public housing and other housing programs in Australia, has referred to the design of housing assistance to minimise work disincentives in general terms since 1999. The 2003 Agreement has as one of its guiding principles 'to ensure that housing assistance supports access to employment and promotes social and economic participation' (Commonwealth of Australia 2003: 1 (1) 7)). For the first time, a financial penalty will be applied to states and territories not meeting performance targets in reducing workforce disincentives. Not surprisingly, policy makers are looking for means of changing housing assistance policies and practices to achieve demonstrable improvements in rates of participation in paid employment by those in receipt of assistance provided under the CSHA. The focus is mainly on employment outcomes for public and community housing tenants, as the CSHA only covers some types of housing assistance. Relatively little attention has been paid to the employment status of households who receive housing assistance associated with home ownership or private rental.

Lack of consideration of housing in policy debates about 'welfare reform' is not unique to Australia. The New Zealand government's 'welfare reform' strategy, *Pathways to Opportunity*, does not specifically consider the role of housing except to acknowledge that job opportunities in areas where rents and housing costs are low

¹ Called at different times the Australian or Commonwealth government.

are often limited (Ministry of Social Policy 2001: 10). In Canada, where the provinces and territories have implemented strategies to move people from social assistance and into paid work, little attention has been given to the role of housing compared to other areas of concern such as child benefits (Human Resources Development Canada 1999). Similarly, in the United States, federal housing assistance was 'seldom mentioned' during the mid-1990s debate about reconfiguring social assistance payments (Kingsley 1997), although considerable attention has been given more recently to the role of housing assistance in facilitating movement off 'welfare' and into paid work.

3. Housing related work disincentives

Given this policy context, the research attempted to examine conceptually different types of housing related work disincentives facing active job seekers, which are acknowledged as only one element amongst many in explaining patterns of labour market participation and rates of unemployment amongst labour market participants. These must be seen in the context of fundamental labour market restructuring (Borland, Gregory and Sheehan 2001), the education and skill levels of people living in different tenure types, and mismatches between the skill levels of those not in paid work and the types of jobs available in proximity to where they live (Bradbury and Chalmers 2002).

In conceptualising work disincentives, there is a basic distinction between those seen as resulting primarily from *structural* factors in which individual decision making about work is shaped by a combination of market forces and government policy settings (such as the interactions between income from work and the tax and income support systems) and a view that *behavioural* factors such as individuals' skills, capacities, attitudes and motivation are highly significant as barriers to participating in paid work. Views differ on the relative importance of these two sets of factors, reflecting 'diverse theoretical and ideological assumptions and biases about such themes as the nature of the individual, the roles and responsibilities of the housing and welfare system, and the wider social and economic structures' (Burke and Wulff 1993: 4-5). Some types of disincentives have also received more explicit attention than others and lie at the *core* of the welfare reform debate, whereas others can be regarded as *underlying* issues that have generally received less explicit attention.

Using this framework, the research identified a number of possible housing related work disincentives, as outlined in Figure 1. The significance of each of these was explored through modelling of the financial effects of moving into paid work and earning additional income, interviews with policy makers, and a qualitative survey of 400 unemployed private renters, public renters and sharers in Sydney and Melbourne (Hulse et al. 2003).

A full discussion of the different types of housing related work disincentives and the research findings is available elsewhere (Hulse and Randolph 2004). Here we will comment only briefly on some of the key disincentives as they relate to the two main forms of government assistance to low income renters in Australia:

- Direct payments (called Rent Assistance) to households living in private rental housing and some community housing which are an integral part of the income support system;
- Supply of public housing and some community housing in which rent payments are based on a percentage of income.

Figure 1: Elements of housing and housing assistance that may impact on work disincentives in the Australian context

	Structural	Behavioural
Core	<p><i>Tax, income support and concessional charges</i></p> <ul style="list-style-type: none"> • Contribution of Rent Assistance to high effective tax rates as people move into work • Effect of withdrawal of concessional charges (rents based on income) as income from paid work increases 	<p><i>Individual characteristics</i></p> <ul style="list-style-type: none"> • Lack of information about housing and housing assistance • Individuals' skills and capacities in obtaining a workable combination of employment and housing
Underlying	<p><i>Market issues and broader government policies</i></p> <ul style="list-style-type: none"> • Lack of affordable housing in areas with good job opportunities and transport • Disadvantaged communities with low cost housing but limited job opportunities • Additional costs of working, such as transport, due to location of housing relative to jobs • Barriers to moving to areas with better work opportunities, e.g. effectiveness of Rent Assistance in high rent areas, public housing transfer policies, role of other private rental assistance schemes, residential tenancies legislation. 	<p><i>Social values and expectations</i></p> <ul style="list-style-type: none"> • Ideas about security of housing • Predictability in housing costs to facilitate budgeting • Appropriateness of housing in view of parenting and caring responsibilities, health status, disability and age • Ability to work at or near to home to manage balance between work and other commitments • Strong attachment to housing and/or community

4. Brief discussion of housing related work disincentives in Australia

4.1 Withdrawal of Rent Assistance within the context of the interaction of the income support and taxation systems more generally

While there has been little research in Australia on the impacts of the withdrawal of Rent Assistance on willingness to take paid work, research elsewhere has highlighted the critical role that withdrawal of financial assistance towards rental housing costs plays in the decisions that unemployed people make when offered work (Hirsch 1994; Randolph 1994; Giles et al. 1996; Ford, Kempson and England 1996; Wilcox and Sutherland 1997). The wider issue is whether withdrawal of financial assistance with private rental costs as income from paid work increases

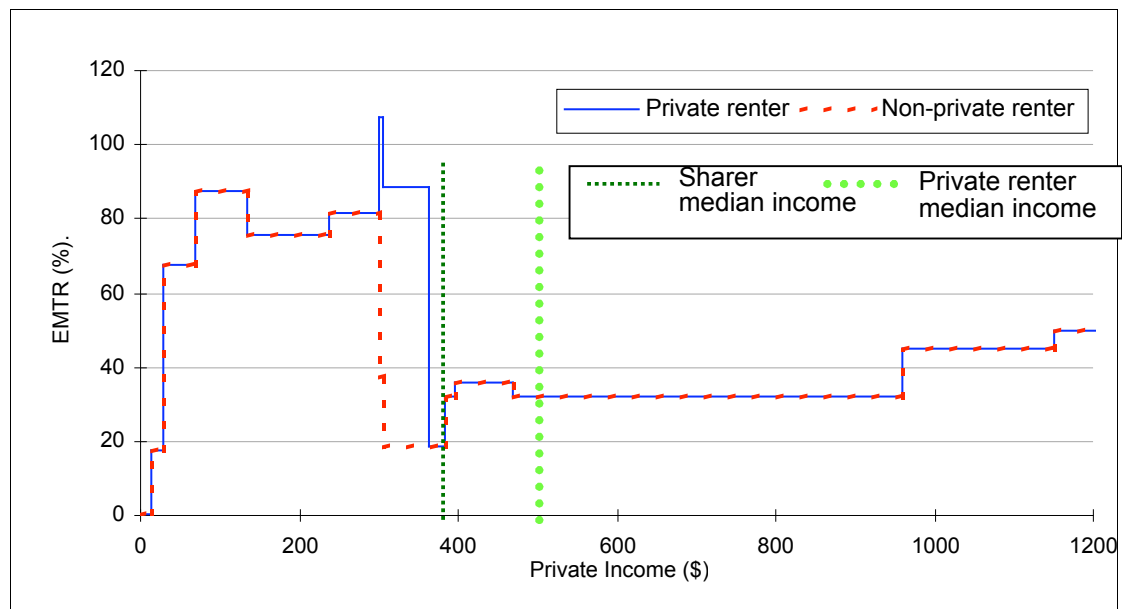
contributes to a poverty trap/unemployment trap in which people may not be better off, or not much better off, financially as a result of working in a paid job.

In the Australian context, modelling of the effects of households moving from unemployment into paid work as part of the current project indicates that they already face very high effective marginal tax rates (EMTRs) of between 65 and 85 cents in the dollar, irrespective of any type of housing assistance, due to a combination of withdrawal of income support payments, income tax on earnings and a special levy for health care (Hulse et al. 2003). This compares with a top marginal rate of income tax of 47.5 per cent for the highest income earners.

Rent Assistance is designed in such a way that it does not add to these already high EMTRs. There is no stacking of benefit 'tapers', defined as the rate at which income support payments are withdrawn as earned income rises, unlike the situation with, for example, Housing Benefit in the United Kingdom (Kemp 1998). Rent Assistance does, however, increase the income band over which these high EMTRs apply simply because it provides an addition to an income support payment, which is withdrawn as income from paid work increases.

The research included modelling of this effect for four hypothetical household types, one of which is included below as an example (Figure 2), which illustrates the high EMTRs faced by unemployed people moving into work such that they gain only 15 to 35 cents per additional dollar of wages. It also shows that these EMTRs occur over a larger income band for private renters in receipt of Rent Assistance than for those not in receipt of this type of assistance. Figure 2 also shows the median incomes earned by unemployed renters in the survey in their last job, indicating that these high EMTRs are likely to apply over much of the likely income from wages for this group.

Figure 2: EMTRs for a single unemployed adult on Newstart (payment for unemployed people) moving into paid work



Source: Modelling carried out for the project by the National Centre for Social and Economic Modelling, University of Canberra.

Notes: The median gross incomes of sharers and private renters were calculated based on data on income from last job provided by unemployed renters in the survey.

'Private renter' refers to private renter in receipt of Rent Assistance. 'Non-private renter' refers to all others, including public renters, home purchasers and owners.

4.2 Withdrawal of concessional assistance: rents based on a percentage of income

EMTRs faced by public renters are typically even higher than for sharers and private renters. They face the same EMTRs of 65 to 85 per cent as other 'non-private renters' shown in Figure 1, due to the interaction of the tax and income support systems, but could be faced with an additional rate of up to 25 cents in the dollar as a result of income related rents. The extreme case of an additional 25 per cent would apply if the housing agency charged 25 per cent from the first dollar of earned income, resulting in extremely high EMTRs of between 85 and 105 per cent. In practice, this addition to EMTRs due to income related rents varies according to the practices of state and territory housing agencies. Some have an area of 'free income' from paid work before charging increased rent or specific schemes to allow exemptions from rent increases for short periods to ease the transition into paid work.

The survey of unemployed renters indicated that public renters had the lowest wage levels of any of the renters in their previous job (median gross income of \$370 per week). If they were to find work at an equivalent rate of pay, very high EMTRs would apply over the whole of their likely wages, presenting, at least in theory, an overwhelming workforce disincentive for this group.

In addition to these financial disincentives, public housing tenants in Australia have been increasingly marginalised in terms of the labour market, due to targeting of allocations since 1997. By 1999-2000, nearly 45 per cent of households entering public housing had 'special needs', typically including indigenous status, youth, newly arrived migrants, frail aged, those with addictions and people with pressing health problems or a disability (Department of Family and Community Services 2002: 17). Securing and holding down paid work is likely to be more difficult for this group than for many others due to both the operation of the labour market and pressing personal needs such as dealing with addictions or family breakdown. This 'compositional effect' is also noted by Ong (1998) in explaining why public housing tenants in the United States worked fewer hours than either those without any housing assistance at all or private renters with housing vouchers.

4.3 Location: mismatch between housing and jobs

The underlying structural work disincentives identified in Figure 1 revolve around location or, more particularly, a spatial mismatch between areas where low income households can afford housing and areas where jobs are available. Increasing spatial inequality in Australia and the polarisation between high employment/high housing cost areas and low employment/low housing cost areas has been well documented (e.g. Gregory and Hunter 1996; Beer 2001; Yates 2002).² Households living in the latter areas face a dilemma: they can stay in affordable housing and either remain unemployed or commute long distances to work, with commensurate transport costs, or they can move to areas of job growth but pay much higher housing costs which may negate much of the benefits of additional income from work.

The research examined how the two main types of rental housing assistance deal with this dilemma. It found that, whilst much public housing was originally built in proximity to industries that generated employment, the longevity of the housing asset combined with substantial changes in the labour market mean that much of it is now

² The research considered the extensive literature, particularly from the United States, on the spatial mismatch between jobs and affordable housing and also on the 'neighbourhood effects' of living in low cost housing/high unemployment areas and of moving to other types of areas (Hulse et al. 2003).

in areas with high rates of unemployment (e.g. Peel 1995; Bryson and Winter 1999). Restrictive transfer policies in public housing make it difficult for tenants to move to other areas in search of work or to take up a job.

One of the proposed advantages of Rent Assistance for private tenants is that it avoids some of this inflexibility in location. Households can look for housing in an area of their choice and this, in theory, includes renting in locations where job prospects are good. The design of Rent Assistance, however, focuses primarily on achieving horizontal equity between similar households and does not include a loading for location in the calculation of payments. The impact of this is to limit the effectiveness of the payment in job-rich areas that typically have high housing costs, a problem that has been covered elsewhere (e.g. Berry and Hall 2001; Hulse 2002). The contribution of this research project was to examine whether unemployed renters themselves see a mismatch between affordable housing and the availability of jobs and, if so, how this is likely to affect their trade-offs between living in their current area and getting a job.

5. Behavioural factors

Whilst the financial implications of moving into work can be modelled, little is known about whether, and to what extent, factors such as high EMTRs and changes to housing assistance actually influence people's decisions and behaviours in deciding to enter the labour force or to work additional hours. A Canadian commentator has summarised this as follows:

These decisions (about moving into paid work) cannot simply be taken as given according to the usual simplistic assumptions of traditional economic theory. Issues such as social expectations, opportunities, transportation, childcare, workplace policies and many other factors fit into the equation. It is not clear, nor does economic theory suggest, that the effective marginal tax rate is the most important of these variables (Battle 2001: 48).

People may not be aware of high EMTRs generated by (additional) income from wages, or may not have calculated the impact of working on their disposable income (Millar, Webb and Kemp 1997). They may have done these calculations but decide to work anyway for non-financial reasons, such as self-esteem, pride or to retain or regain skills, or in the expectation of wages increasing in the medium term. One small-scale qualitative study in the United Kingdom found that a quarter of people were working for less money than they could have received in benefits, about a half had done the calculations and acted accordingly, and the remaining quarter had not calculated the financial implications of working (Ford, Kempson and England 1996).

This research suggests that decisions about moving into paid employment typically involve trade-offs between the financial, personal and family benefits expected from paid work, relative to the costs in terms of loss of income support payments and impact on personal and family wellbeing. These trade-offs may be different for women than for men, who may decide not to take up paid work at the moment because of other priorities, such as providing a stable and caring environment for their children or stabilising their health and personal circumstances.

The findings reported in the rest of the paper are based on detailed face-to-face interviews with 400 unemployed renters in Melbourne and Sydney that explored the behavioural aspects of housing related work disincentives (see Appendix 1). It should be emphasised that, in a paper of this size, it is possible to report on selected findings only (see Hulse and Randolph (2004) for full findings).

6. Access to rental housing and the ‘compositional effect’

As noted above, the research focused on three types of rental arrangements: public renters, private renters, and sharers. Not surprisingly, given the different means of access and allocation by which households gain access to these three tenure positions, the characteristics of people in each type of rental arrangement differed. These ‘compositional’ effects are important in understanding the different behavioural responses of tenants in different tenures to the decision about taking a job.

Firstly, whilst almost two-thirds of unemployed renters interviewed were male (64 per cent), the percentage of public renters who were female was higher than for the other two groups, as shown in Table 1. Public renters tended to be older and sharers younger, with private renters having a more even spread of ages.

Table 1: Age and gender of unemployed job seekers, by renter type

	Public renter (%)	Private renter (%)	Sharer (%)	All (%)
<i>Age</i>				
16-24	11	23	36	23
25-34	23	26	28	26
35-49	46	33	24	34
50 plus	21	17	12	18
<i>Gender</i>				
Male	58	64	70	64
Female	42	36	30	36

Note: May not add up to 100% due to rounding

Secondly, more than half of the unemployed private renters interviewed lived alone or shared with others, whereas public renters were more likely to live with other family members including children, as indicated in Table 2.

Table 2: Living arrangement of unemployed job seekers, by renter type

Living arrangement	Public renter (%)	Private renter (%)	Sharer (%)	All (%)
Living alone	37	33	4	30
Couple only	11	10	0	9
Sole parent and dependent children	14	6	2	7
Couple and dependent children	23	15	2	14
Living with non-dependent children	4	1	8	2
Group household with non-relatives	7	29	56	29
Living with relative (not parent)	5	5	28	8
Other	0	1	0	1
Total	100	100	100	100

Note: May not add up to 100% due to rounding

Thirdly, public renters and sharers had a lower level of educational achievement than private renters, as shown in Table 3. Fourthly, Almost four in ten renters (38 per cent) spoke a language other than English (LOTE) at home. These had significantly higher levels of education, with more than a third (37 per cent) having an undergraduate degree or higher, compared to only 8 per cent of non-LOTE speakers. This suggests specific disadvantages faced by LOTE speakers in finding paid work, despite a relatively high level of educational achievement.

Table 3: Highest level of education of unemployed job seekers, by renter type

Highest level of education achieved	Public renter (%)	Private renter (%)	Sharer (%)	All (%)
Less than Year 10	26	10	20	14
Finished Year 10	23	30	28	28
Finished Year 12	14	18	20	18
Apprenticeship/TAFE	23	21	22	22
University or higher	14	21	10	19
Total	100	100	100	100

Note: May not add up to 100% due to rounding

Lastly, the labour market and income support status of those in different rental arrangements varied. Only 13 per cent of unemployed renters interviewed were currently in paid work and, of these, 70 per cent were doing casual work, a pattern that applied across the different rental arrangements. Doing casual work made only a modest difference to nett weekly income.

For those who were not currently doing any paid work, only 39 per cent said that their last job was full-time, with the remainder having had casual work (46 per cent), part-time work or other arrangements (15 per cent). Previous employment was concentrated in a few job types, largely on a gendered basis: men employed as labourers, factory and process workers, and in service areas such as cleaners, drivers and security personnel, whilst women had been in hospitality, administration, retail sales and as factory/process workers. The major reasons for the last job finishing was that the person was no longer required or the employer went out of business.

A third of private renters and sharers (32 per cent in each case) had been out of paid work for less than three months, compared to 17 per cent of public renters. Public renters tended to have a different pattern, with 56 per cent not having done paid work for more than a year, compared to 31 per cent of private renters and 36 per cent of sharers.

Means of access to rental housing (bureaucratic, market and informal) are significant in that they help determine the profile of unemployed people in the different rental types. The differences in age, gender, living arrangement, level of education and speaking a LOTE at home between the three rental tenure categories are likely to be associated with differences in experience of the labour market, in calculation of the financial returns from working, and in behavioural responses to workforce disincentives. In other words, the characteristics of people living in different rental arrangements, the so-called 'compositional effect', may well be critical in an understanding of workforce disincentives.

7. Rents, security and financial pressures

Unemployed renters face the pressures of unemployment in quite different ways depending on their rental arrangement. Public renters pay rent based on a percentage of income (typically 25 per cent) and have a high degree of security of tenure. When they are unemployed and in receipt of unemployment payments, their rent is less than if they are in paid work and earning a higher amount. Private renters pay market rents which do not vary whether they are in paid work or not, and face eviction for non-payment of rent. Sharers may be able to negotiate their rental payments on an informal basis as they move in and out of work.

Not surprisingly, unemployed public renters and sharers pay less per week in rent than unemployed private renters. The median payment for unemployed renters in the survey was \$69 for public renters, \$75 for sharers and \$125 for private renters. For most public renters, this represented the whole rent of the property. In contrast, 40 per cent of private renters reported that they shared the rent payment with other residents. Sharers, by definition, paid rent to someone who lived with them, either a relative (45 per cent) or a non-relative (55 per cent).

As a result of both the compositional effect and different tenancy conditions, public renters experienced much lower levels of residential mobility. More than a third had lived in their current home for five or more years, compared to 12 per cent of private renters and 10 per cent of sharers. Just under a quarter of public renters (23 per cent) had lived in their current home for less than six months, compared to more than four in ten private renters (42 per cent) and half of all sharers (50 per cent).

What impact did these different rent and tenancy conditions have on unemployed renters as they looked for paid work?

- Just over half (53 per cent) said that they were experiencing difficulties with their rent payment whilst unemployed, with a third (31 per cent) experiencing moderate or major problems in paying the rent. Private renters were much more likely to experience moderate or major problems (37 per cent), compared to public renters or sharers (13 and 14 per cent respectively).
- Similarly, private renters were much more stressed about rental payments. Two-thirds (67 per cent) agreed that 'I have been constantly worried about keeping up my rent payments' while looking for work, compared to just over a third of public renters and sharers (37 and 38 per cent respectively).
- About half of unemployed people in the survey experiencing problems in rent payment had fallen into arrears. This was marginally more likely in the case of public renters, 59 per cent of whom had fallen behind with their rent, compared to 50 per cent of private renters and 47 per cent of sharers.
- Some 71 per cent of private renters agreed that 'keeping up my rent payments means that I have had to cut down on some necessities like food and heating', compared to 60 per cent of public renters and 48 per cent of sharers. Private renters were also less likely to agree (42 per cent disagreement) that 'I can afford day-to-day necessities after paying my rent', compared to 32 per cent of public renters and 36 per cent of sharers who disagreed with this statement.
- Private renters were significantly more concerned about lack of security of their housing, with 42 per cent agreeing that 'I am worried about losing my home' while unemployed and seeking work, compared to 25 per cent of public renters and 18 per cent of sharers.

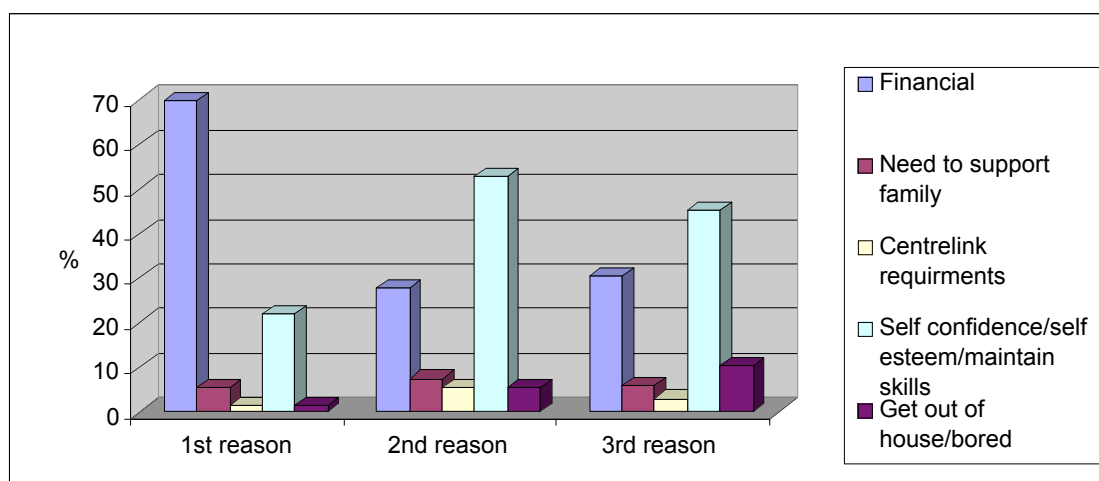
Clearly, unemployment had led to significant stress and financial pressure for many renters, but private tenants expressed the most concern, reflecting their more exposed position in terms of rent levels and security of tenure. These pressures are likely to influence decision making about looking for work.

8. Factors in making decisions about work

8.1 Attitudes to work and job seeking

Unemployed renters were asked to nominate their three main reasons in order of priority for wanting to get a job or work more hours. 70 per cent gave 'getting ahead financially' as their most important reason, with more than 20 per cent nominating self-confidence/maintaining skill levels as the most important. The single most important second and third reasons given were also to do with self-confidence/maintaining skill levels, as seen in Figure 3.

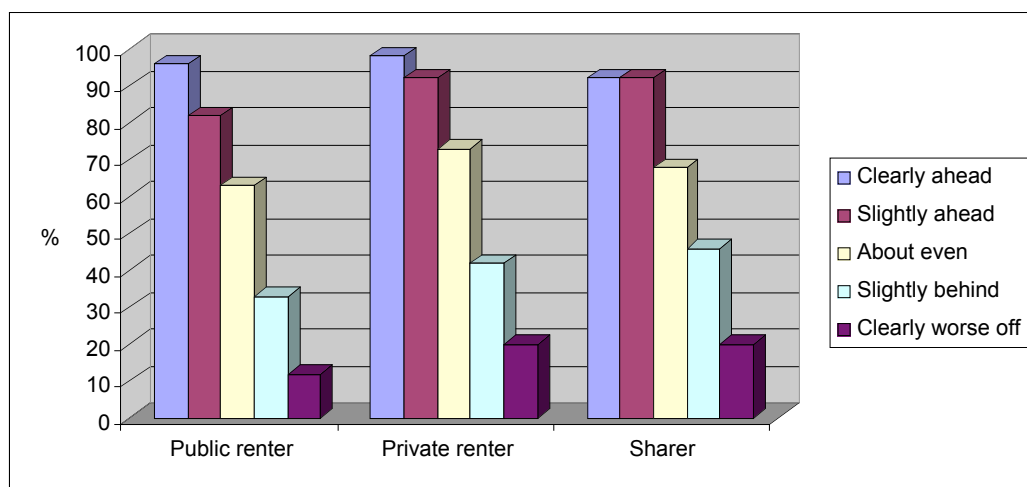
Figure 3: Three main reasons for wanting to work (in priority order), all renters



Very few people nominated that they wanted paid work to help pay the rent or to meet Centrelink requirements. In other words, whilst respondents do want a job to get ahead financially, there are also other important reasons why they want to do paid work. Responses were remarkably similar for public renters, private renters and sharers. Length of time out of work did make some differences. Four in ten of those who had been out of paid work for two years or more gave self-confidence/maintaining skills as their first priority reason for wanting to work, and five in ten of this group cited wanting to get ahead financially.

Ford, Kempson and England (1996) found that a quarter of people interviewed were working for less than they could have got in income support payments. As shown in Figure 4, respondents in the survey said that they would take a job if it meant that they were clearly ahead financially (97 per cent), slightly ahead (91 per cent), or about even (71 per cent). Four in ten (41 per cent) said that they would take a job even if they were slightly behind financially compared to Centrelink payments. At the most extreme, almost one in five (19 per cent) said that they would take a job even if clearly worse off compared to living on Centrelink payments.

Figure 4: Percentages of respondents who would take a job, comparing the pay to their Centrelink entitlement

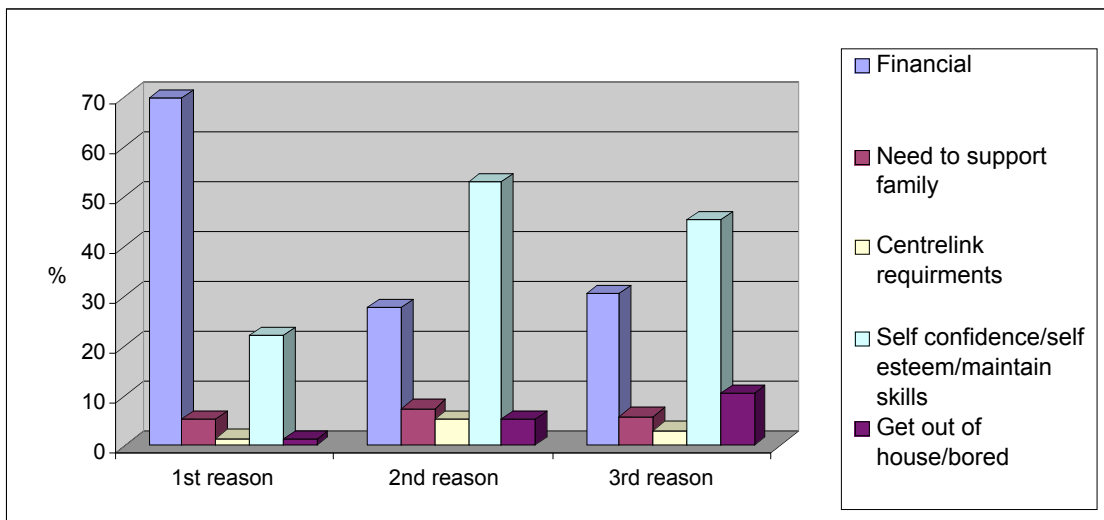


Higher percentages of private renters and sharers than public renters were willing to take a job even if this meant that they would be worse off in terms of money. Those who had been unemployed for a short term, particularly less than three months, and those who had been unemployed for two years or more were more likely to say that they would take a job even if they were financially about the same or worse off. Those who were currently doing some work were least likely to say that they would accept a job paying less than their Centrelink payments.

8.2 Difficulties in getting a job

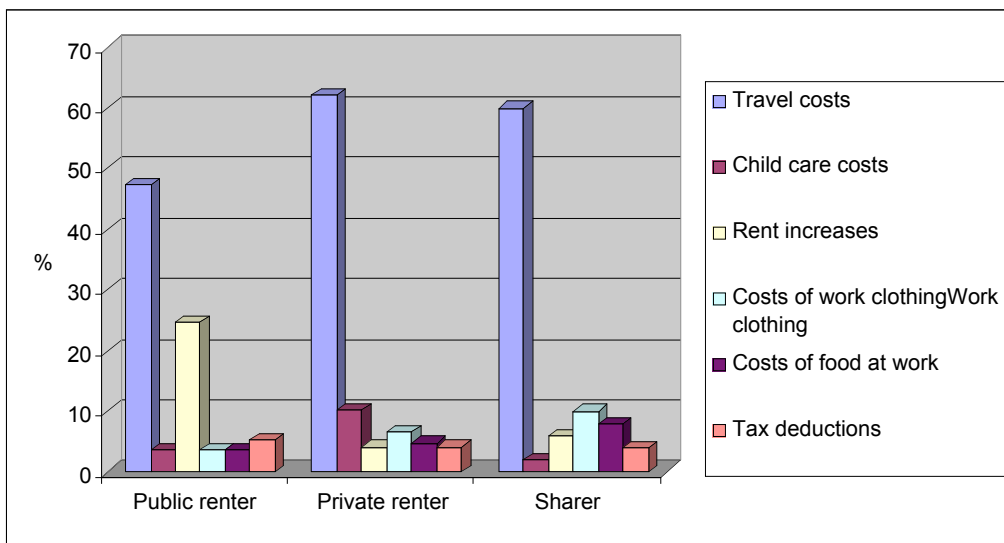
The main obstacles that respondents saw to getting a job were age discrimination by employers (too young or too old), locational disadvantage, and personal difficulties (low level of skills, low educational levels, and poor health), as shown in Figure 5. Other factors, such as problems moving on and off income support, were not considered to be important. From a housing policy perspective, the major work disincentive identified by respondents is location: not enough jobs in the areas where unemployed renters live, living too far away from places where there are jobs, and employers being reluctant to take on people who live in particular areas.

Figure 5: Three main difficulties in getting a job (in priority order), all renters



The importance of location is illustrated when respondents were asked to nominate the additional costs they thought that they would face when in work: 60 per cent gave travel costs as the most important, as shown in Figure 6.

Figure 6: Most important additional cost associated with working, by renter type



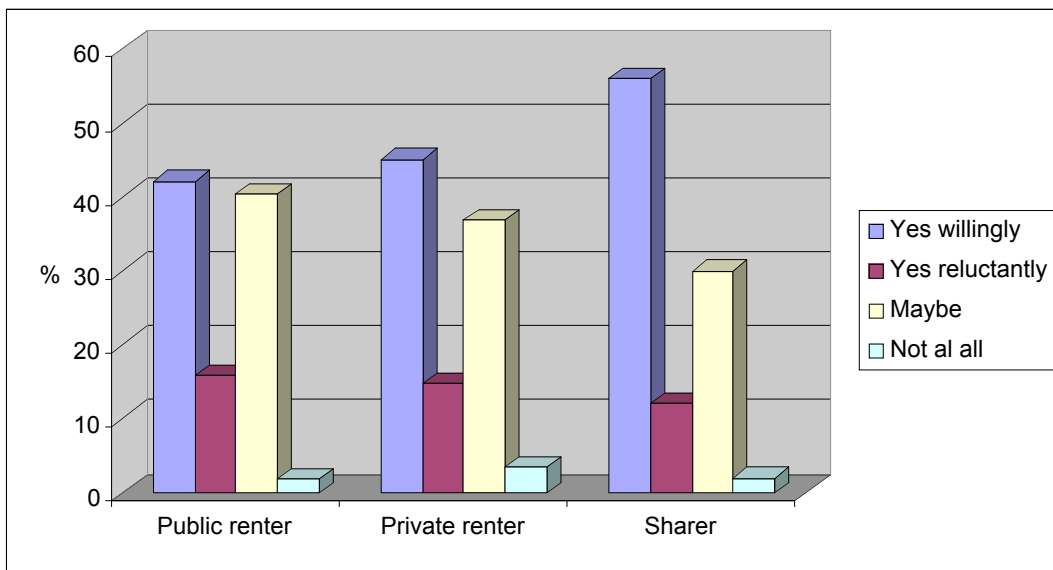
In this context, the research found that 61 per cent of unemployed renters interviewed did not own a car (67 per cent of public renters, 57 per cent of private renters and 74 per cent of sharers). These travel costs therefore relate primarily to public transport. Although travel costs were slightly more important for those who did not own a car, more than half of those who owned a car still nominated travel costs as the most important cost associated with working.

A quarter of public renters (most of whom paid rent as a percentage of income) nominated rent increases at the most important additional cost associated with working. Rent increases and loss of Rent Assistance were not important factors for private renters or sharers.

8.3 Trade-offs between living in an area and getting a job

When asked if they were willing to move to another area to get a suitable job, almost half of respondents (46 per cent) said that they would do so willingly, with a further 15 per cent saying that they would do so reluctantly, as indicated in Figure 7. One in four said 'maybe' or 'not at all' (37 and 3 per cent respectively). Sharers were more willing to move than private or public renters. Further analysis showed that the two most important factors associated with willingness to move to get a job were age and length of residence in current accommodation. Younger people and those who had only lived in their current home for a short time were much more willing than older people and those who had lived in their home for some years. Single people were also more likely to say that they would move than those living with a partner and/or children. Sole parents were the least willing to move to find work.

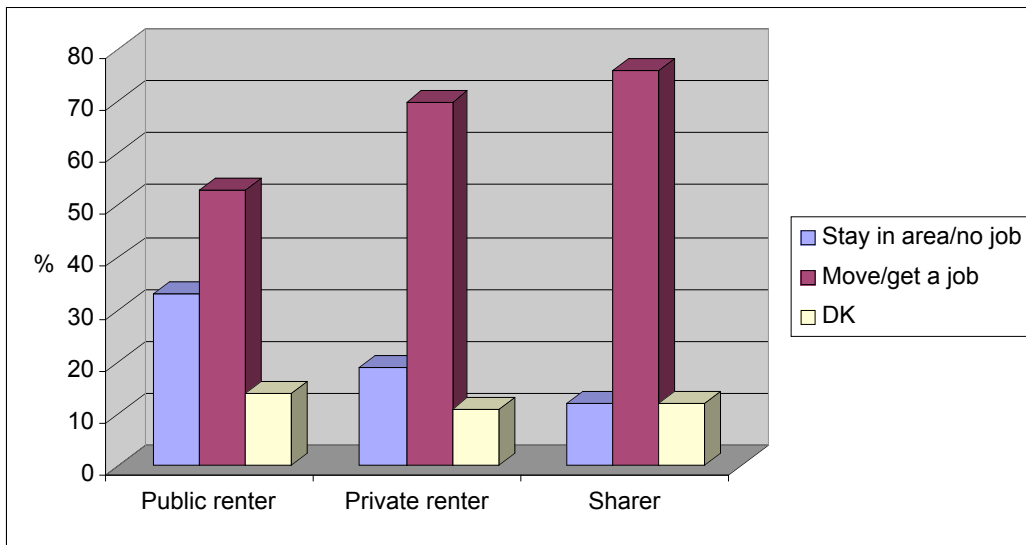
Figure 7: Willingness to move to another area to get a suitable job, by renter type



Detailed analysis of the reasons for these responses showed that those who were willing to move either did not like the area they lived in or did not mind moving around if necessary to get work. Many would only move for a job that was 'suitable', full-time, 'decent', or 'the right job'. Those who indicated that they would move reluctantly or 'maybe' indicated in their detailed comments that they did not really want to move, the main reasons being: they liked living in their current area, they have family and community ties, they are settled in the area, they would have to pay more rent, the costs of moving were too high, and they had already moved too many times.

When presented with a choice between remaining in their own area with the prospect of no job or moving to get a job, a higher percentage of public renters said that they would prefer to remain in their own area, compared to private renters and sharers, as shown in Figure 8. This is not surprising since they were older, more likely to live with family members and had lived in their current accommodation for longer, all factors which were found to lessen willingness to move to get a job.

Figure 8: Choice of living in own area with no job or moving and getting a job, by renter type



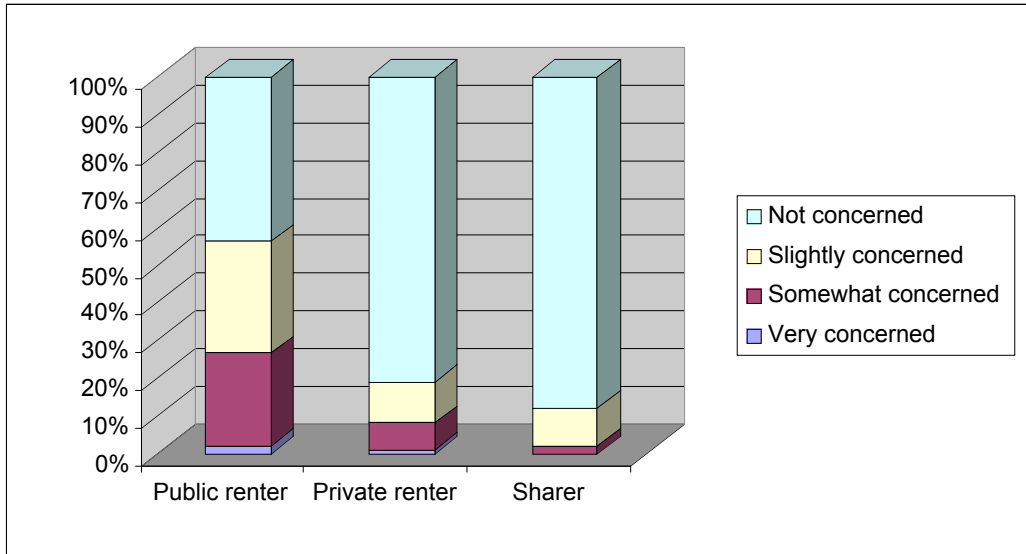
8.4 Understanding the impact of getting a job on housing assistance

The survey findings indicated that people who are currently in receipt of housing assistance are well aware of the impact on this if their income goes up because they get a job. Four in five public renters (79 per cent) expected their rent to increase, compared to 9 per cent of private renters and 28 per cent of sharers. Public renters expected their rent to go up by a median \$65 a week, and were aware that the increase was based on a percentage of their income. Indeed, many expected the rent to increase to market rent (the maximum which public housing tenants pay, irrespective of income). Nevertheless, half (49 per cent) agreed that if they earned (more) from paid work and their rent went up they would be better off, although a third disagreed with this view. Just under two-thirds of public renters (63 per cent) thought that 'it is fair that people pay more rent when they earn more', with one in five (21 per cent) disagreeing.

The other major form of assistance, Rent Assistance, was received by two-thirds of private renters in the survey (65 per cent) and just over a third of sharers (36 per cent). They expected that the payment would decrease or finish when they get a job, with 84 per cent of private renters on Rent Assistance expecting this to happen and only 9 per cent not expecting this. Overall, the majority of private renters and sharers were not concerned about the impact on their rents of getting a job or working more hours, as shown in Figure 9. Clearly, there would be no obvious impact on the rent they were charged. More than four in ten public renters (44 per cent) were also not concerned about the effect of getting a job, but a quarter indicated that they were 'somewhat concerned'.

However, this does not mean private renters were unconcerned about the loss of Rent Assistance. Some 28 per cent said they were worried about losing Rent Assistance if they obtained work, which suggests a minority have a concern about the continuing difficulty in paying rent even with a job.

Figure 9: 'If you get a job or work more hours, how concerned are you about the effect this might have on your rent?', by renter type



8.5 Other elements of housing assistance

Rent setting is, of course, not the only element of housing assistance that can contribute to work disincentives. Depending on the person and their circumstances, security and stability of housing – or, alternatively, flexibility and the ability to move – can help in the search for work. Sharers (66 per cent) and public renters (51 per cent) were more likely than private renters (39 per cent) to agree that the security associated with their rental arrangement helped them in looking for work, as indicated in Table 8.1.

On the other hand, a higher percentage of public renters agreed that their type of renting makes it difficult to move to areas with more work (60 per cent,) compared to private renters (28 per cent) or sharers (22 per cent). The difficulty in arranging transfers, especially to high demand property in job-rich locations, was a clear disadvantage for public tenants.

Table 4: Perceptions of the link between type of rental and job search

	Agree (%)	Neither agree nor disagree (%)	Disagree (%)
<i>This type of rental has helped me look for work by giving me a sense of security</i>			
Public renters	51	23	26
Private renters	38	27	34
Sharers	66	18	16
All	44	26	31
<i>This type of rental makes it difficult to move to areas with more work</i>			
Public renters	60	18	23
Private renters	28	27	45
Sharers	22	20	58
All	32	25	44

9. Conclusions

This research has shown that unemployed renters in the two areas that were the focus of this research – Melbourne and Sydney – face significant disincentives to gaining a job through the interaction of the housing assistance, tax and benefits systems. However, it also showed that they have a broader understanding of the benefits of getting a job, such that their job search decisions go much further than the financial trade-offs or rent/tax/benefits interactions. Behavioural issues are also important, as are ‘compositional effects’ in terms of the profile of the different groups to whom assistance is directed. Location of the home and access to work opportunities also appear to be major barriers to gaining suitable work for many.

These findings strongly imply that rent levels and housing assistance per se are only part of the picture. If we are really concerned about the barriers that housing places on renters trying to find a job that will offer long-term financial rewards and security, then a range of interrelated initiatives to address both the supply and demand side of the equation need to be developed. Supply side measures will include programs to enable access to affordable housing in job-rich areas, freeing up the lettings system to allow movement across areas, better Rent Assistance to better meet the higher rents in some metropolitan areas, and wider access to more secure affordable housing for private renters so that they too can make job decisions free from the anxiety of losing their home.

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Appendix 1: The survey of unemployed renters

The purpose of the survey was to collect primary data on the housing circumstances of unemployed people and the impacts, if any, of the characteristics of different housing tenures and types of housing assistance on incentives or disincentives to taking up paid work. The survey involved detailed, face-to-face interviews in Sydney and Melbourne.

The research team negotiated agreements with Mission Australia in Sydney and Salvation Army Employment Plus in Melbourne for recruitment of interviewees in their Job Network site offices.³ The target was to complete 20 face-to-face interviews with unemployed renters in 10 Mission Australia Job Network offices in Sydney and 10 in Salvation Army Employment Plus offices in Melbourne to achieve a final sample of 400. Sites selected were located in areas with high rates of unemployment and high rates of rental according to 2001 Census and other data. Particular care was taken to select some sites in areas with a concentration of public renters. Selection was intended to cover inner, middle and outer suburban locations, within the constraints of the location of offices operated by the two Job Network providers.

Interviews were conducted between March and May 2003 with those job seekers who rented public housing, rented private housing or lived in share arrangements. Interviewers were briefed to screen out home owners/purchasers and people living at home with their parents or in-laws.

A final sample of 400 unemployed renters was achieved, with 208 completed interviews in Melbourne and 192 in Sydney. Despite considerable effort, it proved impossible to recruit as many public renters as originally intended. Almost three-quarters of the final sample were private renters, with the remainder being either public renters or sharers, as shown in Table A.1.

Table A.1: Final sample by renter type

Renter type	Number	%
Public renter	57	14.3
Private renter	293	73.3
Sharer	50	13.5
Total	400	100.0

³ The federal government contracts various organisations (both 'for profit' and 'non-profit') to run its Job Network program to provide assistance, at various levels, to job seekers.