Workforce Disincentive Effects of Housing Allowances and Public Housing for Low Income Households in Australia

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ABSTRACT There is emerging interest in whether, and how, different types of rental housing assistance contribute to disincentives to entering paid work or working more hours. Using Australia as an example, the article compares the theoretical effects of housing allowances and public housing in terms of work disincentives. It also reports on empirical research that examined how households perceive such disincentives and the degree to which they affect decision making about paid employment, based on a survey of 400 public and private renters searching for paid work in Sydney and Melbourne. The research found that most households understood how their rental housing assistance would change when moving into work, and that this had little effect on private renters in receipt of housing allowances but did affect a sizeable minority of public renters. Job seekers identified the main difficulties in getting a job as age discrimination by employers, lack of personal skills and self-confidence, and location of housing relative to jobs. This highlights the importance of assessing the locational outcomes for households of different types of rental housing assistance, including housing allowances.

KEY WORDS: Housing Allowance, work disincentives, Australia

Introduction

One of the biggest trends in housing policy over the last 20 years in Europe, North America and Australasia has been increasing reliance by governments on different forms of housing allowances for households, rather than supply subsidies to the providers of social housing. While this has been a major policy change, much research, as reported in international housing journals, has continued to focus on supply subsidies, particularly changes to social housing. Where research has been conducted on housing allowances it has typically involved a single country, examining the design, cost and administration of specific housing allowance schemes. There have also been
a few comparative studies of housing allowances (e.g. Kemp, 1997; Ditch et al., 2001; Hulse, 2002).

Despite this work, there are significant gaps in research into housing allowances. In Australia, and this is not unusual, such research has involved analysis of existing secondary data sources. There has been very little empirical research examining the housing and other circumstances of households in receipt of housing allowances, with the exception of Wulff (2000), and only a few attempts to compare the housing and other circumstances of households in receipt of housing allowances directly with those of households assisted through supply subsidies (Burke & Hulse, 2002; Burke et al., 2004).

The overall aim of this article is to examine whether, and how, the two main forms of rental housing assistance for low-income households in Australia – housing allowances and public housing – provide disincentives for households to engage in paid employment, thus contributing to a ‘poverty trap’ in which it is not worthwhile for people to enter paid work or to work more hours. It reports on some key findings of research conducted for the Australian Housing and Urban Research Institute (AHURI)² that explored the work disincentives facing people living in public and private rental housing who were looking for paid work.

The article commences with a brief review of housing allowances and public housing in the Australian policy context. It then explores the concept of housing-related work disincentives and examines how the design of housing allowances and public housing provision affect work disincentives at a theoretical level. The final sections of the article explore the responses of unemployed job seekers to apparent work disincentives, reporting on a survey of public and private renters trying to move into paid work in Australia’s two largest cities: Sydney and Melbourne.

The Australian Policy Context: Housing and ‘Welfare Reform’

The two main forms of rental assistance for low-income households in Australia are housing allowances for private renters and tenancy of public housing, owned and managed by governments. These are distinct and mutually exclusive, and are framed in quite different legal and institutional arrangements.

Housing allowances are embedded within the national income support system which is the responsibility of the Australian federal government. They are available to households who rent in the private market and who are either in receipt of federal income support payments (92 per cent of recipients) and some low-income households with dependent children not in receipt of income support who receive more than the base level of designated family payments (8 per cent of recipients) (Department of Family and Community Services, 2004a, p. 115, Table 35). These housing allowances, known as Rent Assistance, are cash transfers paid to eligible people as an allowance attached to a primary income support or family payment.
Demand for Rent Assistance depends substantially on the number of people in receipt of statutory income support payments, which in turn is affected by factors such as the rate of unemployment. Rent Assistance is available to all eligible households and is not budget limited, as, for example, with housing choice vouchers in the United States. Households arrange their own accommodation in the private rental market and there are no benchmarks within the scheme in terms of affordability, appropriateness, quality or security of tenure.

In contrast, public housing is owned and managed by Australia’s six state and two territory governments, although funding has been provided mainly by the federal government through a series of specific purpose multilateral agreements between all Australian governments from 1945 to the present, known as the Commonwealth – State Housing Agreement (CSHA). This is subject to periodic review, usually every five years. In recent years, there has also been a series of supplementary bilateral agreements negotiated between the federal government and each state and territory. These agreements fund a small community and Indigenous housing sector (unlike public renters, some households within the small community housing sector, estimated at about 30,000 dwellings, are eligible for Rent Assistance). The stock of public housing has been static since the mid-1980s and has decreased slightly in recent years. Access to public housing is selective, with eligibility criteria and ranking systems that vary between states and territories (Hulse & Burke, 2005, Ch. 4).

Rent Assistance is the most significant type of government rental housing assistance for low-income households in Australia in terms of both coverage and cost. In June 2004, just under 950,000 ‘income units’ were in receipt of Rent Assistance and renting privately, approximately one in ten of all ‘income units’ in Australia. The annual cost of Rent Assistance in 2003–2004 was A$1.95 billion (Department of Family and Community Services 2004a, p. 115, Table 35). In contrast, in June 2003, the latest date for which figures are available, 381,000 households were living in various types of social housing funded by the CSHA, of which the majority (89 per cent) lived in public housing, comprising just under 5 per cent of all Australian households. Combined expenditure by governments on the CSHA in 2002–2003 was A$1.39 billion, split 74:26 between the federal government and the states/territories (Department of Family and Community Services, 2004b, pp. 149, 151, Tables A2, A6).

The different legal and institutional arrangements for housing allowances and public housing have implications in terms of access and coverage. Housing allowances are typically a hybrid policy instrument (Kemp, 1997) and, in the Australian case, they fall within the domain of housing policy but are administered as part of national income support programmes. Access to housing allowances is, therefore, substantially dependent on eligibility for income support payments rather than any assessment of ‘housing need’. Single people or couples without children who are in low-paid work are not eligible for housing allowances even if they have difficulty in paying private rents. They are also unlikely to be eligible for public
housing which since 1997 has been targeted primarily at those who are in receipt of income support payments and who have urgent or complex needs (Hulse & Burke, 2005).

Since 2000, the federal government has driven changes to income support programmes, and increasingly to rental housing assistance, under the banner of ‘welfare reform’ rather than any specific housing policy objectives. Income support payments for people of working age have been reconceptualized as temporary payments conditional upon evidence of job search or preparation for paid work (Commonwealth of Australia, 2002). Initially there was little consideration of housing in this process, with the federal government’s Reference Group on Welfare Reform (2000b, p. 5) noting only 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, such as ‘community development within public housing estates’.

Since 1999 the federal government has used the CSHA to promote changes to social housing to minimize work disincentives. One of the guiding principles of the 2003 Agreement is ‘to ensure that housing assistance supports access to employment and promotes social and economic participation’ (Commonwealth of Australia 2003, 1(1) 7, p. 4). For the first time, a financial penalty is applied to states and territories that do not introduce measures to reduce workforce disincentives for social housing renters including, but not restricted to, reform of rent setting systems in public housing (Commonwealth of Australia, 2003, Schedule 1, p. 22).

This provides a challenge for state and territory public housing authorities as rates of participation in the labour force are lower, and unemployment rates are higher, for public renters than for any other tenure group. Fewer than three in ten are in the labour force, comprising 22 per cent in work and 8 per cent who are unemployed and actively seeking work (Hulse et al., 2003, p. 14). Not surprisingly, housing policymakers are looking for means of changing policies and practices, particularly in public housing, to achieve demonstrable improvements in rates of participation in paid employment. This policy context has stimulated some research into the broader ‘non-shelter’ outcomes of government housing assistance, such as health status and neighbourhood cohesion (Bridge et al., 2003). However, the emphasis in research, as at a policy level, remains on whether, and how, rental housing assistance programmes contribute to disincentives to taking up paid work.

**Work Disincentives: Structural and Behavioural Dimensions**

Work disincentives are defined as factors that may discourage or deter people from moving into paid work or working more hours. They represent one type of explanation of different patterns of labour market participation and rates of unemployment among those in receipt of different types of rental housing assistance. Exploration of work
disincentives has to be seen in the context of other factors that make it difficult for people to secure paid work, such as labour market restructuring (Borland et al., 2001), increasing socio-spatial polarization (Yates, 2002), and the different profile of people living in different rental housing arrangements.

Given the recent targeting of public housing at people with urgent and complex needs noted above, by 2002–2003 almost half of all new households entering public housing (48 per cent) had ‘special needs’, defined as one or more of the following: Indigenous, household member with disabilities, and/or principal renter aged 75 and over or 24 or under (Department of Family and Community Services, 2004a, p. 107, Table 27). These characteristics mean that entering 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’ has also been noted by researchers in other countries, such as Ong (1998).

A review of the literature on work disincentives indicates a basic distinction between structural factors, such as government policy settings and changes in labour markets and housing markets, and behavioural factors such as individuals’ skills, capacities, attitudes and motivation in providing barriers to participating in paid work (Hulse et al., 2003). 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 & Wulff, 1993, pp. 4–5).

There is a growing literature in Australian social policy and labour market studies on calculation of the financial returns from paid employment, as a result of the combined impact of withdrawal of income support payments, payment of income tax and other factors (e.g. Beer, 1998; Keating & Lambert, 1998; Redmond, 1999). Analysis of the ways in which the design of different types of government rental housing assistance affects the financial returns from paid work in Australia has been very limited, with a few exceptions (e.g. Ingles, 2000). Thus the first stage of the research on which this article draws was an assessment of whether, and to what extent, Rent Assistance and public housing contribute to work disincentives by reducing the financial returns from paid work, using conventional measures such as effective marginal tax rates (EMTRs) and income replacement ratios.

The major objective of the research was, however, to investigate how households respond when faced with apparent financial disincentives. Researchers have used two main approaches to understanding behavioural responses to financial disincentives, including those attributable to different types of rental housing assistance. The first strand is modelling of the behavioural impact of work disincentives including micro-simulation modelling and econometric modelling of the impact of rental housing assistance on the supply of labour (e.g. Bingley & Walker, 2001; Fischer, 2000; Painter, 2001).
The second approach is empirical investigation of whether financial disincentives, including withdrawal of financial assistance towards rental housing costs, affect the decisions that unemployed people make when offered work. The Reference Group on Welfare Reform (2000a, p. 48) acknowledges growing interest in this area but notes that empirical research into the behavioural impact of EMTRs and other measures of financial disincentives is ‘in its infancy’ in Australia.

The literature review found only two small-scale qualitative empirical studies of the behavioural dimensions of work disincentives that were directly relevant to the research. A qualitative study in the United Kingdom, which included consideration of housing costs and housing allowances, found that a quarter of people moving into work, who were interviewed, were working for less money than they could have received in statutory benefits, about half had done the calculations and acted accordingly, and the remaining quarter had not calculated the financial implications (Ford et al., 1996). In Australia, Burke and Wulff (1993) found that public housing renters in two states (Queensland and Victoria) faced a real, and not just a statistical, poverty trap in entering employment but that, despite this, some still undertook paid work for a range of reasons, such as self-esteem and maintaining or improving skills.

It is important inconceptualizing the behavioural elements of work disincentives to move beyond a simple model of household responses to the projected financial returns from working (Kempson et al. 1997). Many factors could influence decisions about entering paid work including social expectations, opportunities, transport and childcare issues (Battle, 2001, p. 48). Men and women, and primary and secondary income earners, may consider a different range of factors in making decisions about work (Pryce, 1999), although this is often not considered in econometric modelling. For example, there is some indication that women, particularly those with dependent children, may weigh up the likely financial returns against an assessment of whether they can manage the practical logistics of combining work and family commitments (Ministry of Social Development, 2002) and that they are guided by an evaluation of the overall benefits, both financial and non-financial, of working or not working for their families (Burke & Hulse, 2002).

In this context, attributes of rental housing assistance other than financial assistance may be important in decision making about work such as the location of rental housing in relation to jobs, degree of security or insecurity of tenure, and ease or difficulty of moving to areas with better job prospects.

The Research
The empirical part of the research comprised of two components. The first involved modelling the financial effects of moving into work for those in receipt of Rent Assistance and households living in public housing resulting from the interplay of the tax and benefit system. The second involved a detailed face-to-face survey of 400 renters (public and private) who were seeking work in various areas in Sydney and
Workforce Disincentive Effects

Melbourne. The focus of the research was on active job seekers. The survey did not include non-participants in the labour market, that is, renters who were not looking for paid work for reasons such as disability or caring responsibilities. The sample was recruited in 21 Job Network offices operated by Mission Australia in Sydney and by Salvation Army Employment Plus in Melbourne in a range of locations in these two large cities with populations of 4.2 million and 3.5 million respectively. The offices are part of a national network in which the federal government contracts a variety of ‘for profit’ and ‘not for profit’ organizations to assist unemployed people in finding work. Sites were selected in areas with high rates of unemployment and high rates of public and private rental, according to 2001 census and other data, and interviews took place between March and May 2003.

The sample of 400 unemployed renters comprised people living in three types of rental arrangements: public renters who paid rent to a state housing authority (14 per cent), private renters who paid rent to a private landlord or real estate agent or ‘for profit’ organization (73 per cent), and sharers who paid rent to a relative or non-relative who lives with them (13 per cent). More than three-quarters of the sample were in receipt of unemployment benefits (Newstart or Youth Allowance) and four in ten spoke a language other than English at home.

The purpose of face-to-face interviews with job seekers was to explore the work disincentives faced by this group, particularly those associated with rental housing such as housing costs and location, and to develop an understanding of how they respond to such disincentives in making decisions about job search and moving into paid work. The remainder of the article outlines selected findings of the research comparing Rent Assistance and public housing (see Hulse & Randolph 2004 for more details on methodology and the detailed findings).

Financial Disincentives Associated with Rent Assistance and Public Housing

Modelling the financial impacts of moving into paid work for rent assistance recipients

Rent Assistance is a ‘gap’ housing allowance, paying 75 cents for each dollar of rent paid by eligible households above a minimum threshold and below maximum levels of assistance. Recipients are responsible for 100 per cent of their rent below the threshold and above the maximum level of assistance and for 25 per cent of the rent between those amounts. Rent thresholds and maximum levels of assistance vary according to household type and size, but do not take into account local and regional variations in rent levels. For single people without children, the maximum level of assistance also varies according to whether they share with other people or not. Across Australia, 62 per cent of recipients pay rents that are high enough to receive the maximum level of Rent Assistance (Department of Family and Community Services, 2004a, p. 114, Table 34).

Modelling of the effects of moving from unemployment into paid work indicates that households on statutory incomes already face very high EMTRs of between 65
and 85 per cent, 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 per cent for the highest income earners in Australia.

Rent Assistance is designed in such a way that it does not add to these already high EMTRs. It is a ‘supplementary allowance’ added to a primary income support payment, such as Newstart for unemployed people or, in the case of people with dependent children, to family payments (Family Tax Benefit Part A). As unemployed people move into paid work and start to receive additional income from wages, their combined payment (primary or family payment plus Rent Assistance) is tapered away (withdrawn) after a small amount of ‘free income’ that does not affect the level of payment. Rent Assistance is effectively treated as a part of the primary or family payment. It does not have a separate taper rate causing tapers to ‘stack’ as is the case with Housing Benefit in the United Kingdom (Kemp et al., 2002). 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 or family payment which is withdrawn as income from paid work increases.

The research modelled the financial impact of moving into work for four hypothetical household types. Figure 1 shows the results for one of these, single unemployed adults without children, a major group in receipt of Rent Assistance, with an overlay of incomes which unemployed renters in the survey reported that they earned in their last job. The results show that single unemployed adults face EMTRs of between 65 and 85 per cent, gaining only between 15 and 35 cents for each additional dollar earned. They also show that these very high rates apply over much of the income range that unemployed renters in the survey are likely to receive if they get jobs that pay at the same rate as their previous one. Figure 1 also compares ‘private renters’ in receipt of Rent Assistance with all others and illustrates the point that the effect of Rent Assistance is to increase income while unemployed, thus extending the income range over which payments are tapered away and high EMTRs occur.

In summary, high EMTRs exist for all unemployed people in Australia moving from income support payments and into work because of a combination of withdrawal of payments and the operation of the tax system, irrespective of housing situation and type of housing assistance. Rent Assistance makes a small contribution to this problem by increasing the income band over which very high EMTRs apply relative to other unemployed people moving into work who do not receive Rent Assistance.

The financial impact of moving into work for public renters paying income related rents

One of the most important attributes of public housing in Australia is the system of rent setting. Rents are based on a percentage of household income up to a maximum that is set at the assessed market rent (Department of Family and Community Services,
Figure 1. EMTRs for a single 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 (Hulse et al., 2003, Appendix 3). 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, and the modelling does not include rent subsidies for public renters. EMTRs were calculated for each additional dollar of earned income taking into account: withdrawal of income support payments (including Rent Assistance), income tax (including an allowance tax offset and low income tax offset) and the ‘shade in’ rate for the Medicare levy.

2004b, p. 150, Table A5). While the details of rent setting vary between states and territories, most are set at, or moving towards, a benchmark of 25 per cent of household income. Definitions of ‘household income’ also vary, with most jurisdictions using gross rather than net income, and some types of benefits are treated differently, such as those designed to compensate for the additional costs of disability or raising children.

Unemployed public housing renters moving into work already face the same high EMTRs of 65 to 85 per cent as other ‘non-private’ renters, discussed above, due to the interaction of the tax and income support systems. They also face a rent increase of 25 cents per each additional dollar earned, based on gross wages. This addition to already high EMTRs applies until rents reach market levels. EMTRs for public renters thus vary for individual households according to the unemployed person’s income support type, which determines the taper rate for withdrawal of payment, and also the details of the state or territory’s rent formula (including the treatment of income...
earned by other members of the household). The income range over which public housing rents add to EMTRs is determined by the market rent of the property.

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 A$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.

State and territory public housing authorities are grappling with this problem in view of the compliance requirements of the 2003 CSHA discussed above. To date there have been some minor reforms, such as a temporary ‘rent holiday’ to ease the transition into work and a ‘working allowance’ deducted from assessable income for rent calculations. None of these measures is as extensive as those in the United States where ‘earned income disregards’ in public housing are mandated by the federal government (Department of Housing and Urban Development, 2003, pp. 139–145).

**Behavioural Responses to Financial Disincentives Associated with Rental Housing Assistance**

*Understanding and assessment by job seekers of the impact of moving into work on rental housing assistance*

Most private renters in receipt of Rent Assistance (two-thirds of the sample) understood that entering paid employment would have no impact on their rent unless they chose to move (86 per cent), and also expected their Rent Assistance payment to decrease or finish when they got a job (84 per cent). They said that they were either ‘not concerned’ (80 per cent) or only ‘slightly concerned’ (13 per cent) about the impact of loss of Rent Assistance when they moved into work, although 30 per cent did agree that ‘I depend on Rent Assistance and am worried about losing it if I get work or work more hours’.

The majority of public renters paying rents based on household income said that they understood how their rents are calculated (80 per cent) and expected them to increase when they get a job (91 per cent). Public renters expected their rent to go up by a median A$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 that public housing renters pay, irrespective of income). Most public renters paying income related rents said that they were either ‘not concerned’ (41 per cent) or only ‘slightly concerned’ (32 per cent) about the effect of getting a job or working more hours on their rent, with a quarter (27 per cent) being ‘somewhat concerned’.

Most public renters paying income related rents (73 per cent) agreed that ‘it is fair that people pay more rent when they earn more’. Despite this, only half (52 per cent) of those paying rents based on incomes agreed that ‘if I get a job or work more hours and my rent goes up, I’d still be better off’, with a third (34 per cent) disagreeing with this statement. Four in ten (41 per cent) renters paying income related rents also
agreed that ‘there’s no point getting a job or working more hours if my rent goes up’, with almost half (46 per cent) expressing disagreement. These findings suggest that the system of setting rents based on gross household income does pose a disincentive to carrying out paid work for a sizeable minority of public renters, with the percentage of public renters in this situation being between 25 and 40 per cent. Responses varied according to the phrasing of specific questions, suggesting that these percentages should be regarded as indicative.

When asked to nominate the most important additional costs that they would face when in work, a quarter of public renters nominated rent increases. Rent increases and loss of Rent Assistance were not important factors for private renters or sharers in considering the additional costs of working.

The survey findings indicated that job seekers in receipt of Rent Assistance and renting privately and those renting public housing are well aware of the impact on their housing assistance of moving into paid work. Withdrawal of Rent Assistance on moving into work was not a major concern for private renters in receipt of this payment but between 25 and 40 per cent of public renters, depending on the phrasing of specific questions, expressed some concern that income related rents were a disincentive to working.

Other attributes of rental housing assistance: Household responses

Dimensions of rental housing assistance other than EMTRs can also contribute to work disincentives. Unemployed renters face the pressures of unemployment in quite different ways depending on their rental arrangement. Public renters have substantial security of tenure and pay lower rents when they are out of work (median A$69 per week), while private renters pay market rents (median A$125 per week) whether they are in paid work or not. These different arrangements meant that private renters were more likely to report that they experienced financial stress whilst out of work than public renters, as shown in Table 1.

One possibility is that experience of financial stress while unemployed, particularly for private renters, will be an additional inducement to take paid work, even if the returns are low. The trade-offs may be different for public renters who are less likely to report financial stress when unemployed and for whom the financial returns from working are even lower than for private renters, as discussed in the previous section.

Depending on the person and their circumstances, financial stress and insecurity could, however, be a positive or negative factor in looking for work. On this dimension, 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 2. Conversely, this type of security may make it more difficult for public renters to move to areas with more work, as reported by six in ten public renters. The difficulty in arranging transfers, especially to high-demand property in job-rich locations, was seen as a clear disadvantage. This situation is
Table 1. Job seekers’ views on the impact of their rental arrangement while searching for work

<table>
<thead>
<tr>
<th></th>
<th>Agree (%)</th>
<th>Neither agree nor disagree (%)</th>
<th>Disagree (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>I have been constantly worried about keeping up my rent payments</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public renters</td>
<td>37</td>
<td>19</td>
<td>44</td>
</tr>
<tr>
<td>Private renters</td>
<td>67</td>
<td>9</td>
<td>25</td>
</tr>
<tr>
<td>Keeping up my rent payments means that I have had to cut down on some necessities like food and heating</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public renters</td>
<td>60</td>
<td>11</td>
<td>30</td>
</tr>
<tr>
<td>Private renters</td>
<td>71</td>
<td>6</td>
<td>23</td>
</tr>
<tr>
<td>I am worried about losing my home</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public renters</td>
<td>25</td>
<td>12</td>
<td>63</td>
</tr>
<tr>
<td>Private renters</td>
<td>42</td>
<td>16</td>
<td>42</td>
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</tbody>
</table>

Public renters n = 57, private renters n = 293.

Respondents were asked to rate their agreement or disagreement with a number of statements on a five-point scale from ‘Strongly agree’ to ‘Strongly disagree’. Responses presented as ‘Agree’ and ‘Disagree’ combine two points on the scale.

compounded, particularly in Sydney, by the suburban location of much of the public housing stock. On the other hand, only a quarter of private renters (28 per cent) saw this type of rental as making it difficult to move to areas with more work, as indicated in Table 2, giving some support to the view that Rent Assistance enables more flexibility for households in moving to areas where the prospects of work are better than in their current location.

In summary, unemployment had led to significant stress and financial pressure for many renters, but private renters 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.

Table 2. Perceptions of job seekers on implications of their rental arrangement for job search

<table>
<thead>
<tr>
<th></th>
<th>Agree (%)</th>
<th>Neither agree nor disagree (%)</th>
<th>Disagree (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>This type of rental has helped me look for work by giving me a sense of security</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public renters</td>
<td>51</td>
<td>23</td>
<td>26</td>
</tr>
<tr>
<td>Private renters</td>
<td>39</td>
<td>27</td>
<td>34</td>
</tr>
<tr>
<td>This type of rental makes it difficult to move to areas with more work</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public renters</td>
<td>60</td>
<td>18</td>
<td>23</td>
</tr>
<tr>
<td>Private renters</td>
<td>28</td>
<td>27</td>
<td>45</td>
</tr>
</tbody>
</table>

Public renters n = 57, private renters n = 293.

Respondents were asked to rate their agreement or disagreement with a number of statements on a five-point scale from ‘Strongly agree’ to ‘Strongly disagree’. Responses presented as ‘Agree’ and ‘Disagree’ combine two points on the scale.
Location and Work Disincentives

Location as a disincentive in getting a job

Unemployed renters were asked to nominate the main difficulties they faced in getting a job. Irrespective of type of rental arrangement, the four most commonly cited were age discrimination by employers (either too young or too old), locational disadvantage, personal difficulties (low level of skills, low educational levels and poor health) and jobs being too low paid, as shown in Table 3.

From a housing policy perspective, the major work disincentive identified by respondents was locational disadvantage which comprised the following responses: 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. More than half of both private and public renters (56 per cent and 51 per cent respectively) nominated one or more of these locational issues as a major difficulty in getting a job.

The importance of location was illustrated when respondents were asked to nominate the additional costs they thought that they would face when in work, with six in ten (60 per cent) nominating travel costs as the most important. In this context, the research also found that 61 per cent of unemployed renters interviewed did not own a car and, therefore, travel costs relate primarily to public transport or the necessity to buy and operate a car in order to get to work. The survey findings suggest that one explanation for concern about additional travel costs when working is a mismatch between the location of jobs and ‘affordable’ private rental or public housing. There may well be other explanations that were not explored in the survey, such as the high cost of travel across the low density suburbs of much of Sydney and Melbourne.

These findings highlight the importance of assessing the locational outcomes for low income households of different types of rental housing assistance. In this context, the locational problems of older public housing have been acknowledged by Australian governments, but one of the advantages proposed for Rent Assistance has been its portability: households can move to areas with better job prospects and retain this type of assistance. However, the design of Rent Assistance focuses primarily on achieving horizontal equity between similar households and does not make provision for variation in rent levels between different housing and labour markets. The lack of a locational variable in the formula, unlike, for example, the equivalent payment in New Zealand (Hulse, 2002), limits the effectiveness of the payment in job-rich areas that typically have high housing costs (Berry & Hall, 2001).

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 the unemployed renters in the survey (46 per cent) said that they would do so willingly. A further 15 per cent said that they would do so reluctantly, while 37 per
Table 3. Main difficulties nominated by job seekers in getting a job, by renter type

<table>
<thead>
<tr>
<th>Most nominated difficulties in getting a job</th>
<th>Public renters (% of respondents)</th>
<th>Private renters (% of respondents)</th>
<th>Sharers (% of respondents)</th>
<th>All respondents (% of respondents)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st Age discrimination (65%)</td>
<td>Age discrimination (58%)</td>
<td>Location (70%)</td>
<td>Age discrimination (59%)</td>
<td></td>
</tr>
<tr>
<td>2nd Lack of skills/self-confidence (61%)</td>
<td>Location (56%)</td>
<td>Age discrimination (60%)</td>
<td>Location (57%)</td>
<td></td>
</tr>
<tr>
<td>3rd Location (51%)</td>
<td>Lack of skills/self-confidence (47%)</td>
<td>Lack of skills/self-confidence (60%)</td>
<td>Lack of skill, self-confidence (51%)</td>
<td></td>
</tr>
<tr>
<td>4th Job too low paid (32%)</td>
<td>Job too low paid (35%)</td>
<td>Job too low paid (26%)</td>
<td>Job too low paid (33%)</td>
<td></td>
</tr>
</tbody>
</table>

n = 400 (public renter = 57, private renter = 293, sharer = 50).
Respondents were asked to nominate (and rank) up to three difficulties they faced in getting a job, that is, to give more than one response. Percentages refer to the percentages of respondents who nominated a difficulty one or more times.
cent said ‘maybe’, with only 3 per cent saying they would not consider moving at all. Those who were most willing to move were younger, single, without dependent children, and had lived in their current accommodation for a short time. Compared to private renters, public renters were more likely to be female, older and more likely to have family responsibilities, and were less inclined to say that they would move willingly. In addition, more than a third of those in the sample 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.

Detailed analysis of the reasons given 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 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 that they liked living in their current area, they had family and community ties, they were 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. Some public renters mentioned the difficulties in getting a transfer within that sector while

![Figure 2](image_url)

**Figure 2.** Trade-offs between living in own area with no job or moving and getting a job, by renter type n = 400 (public renter = 57, private renter = 293, sharer = 50).
some private renters highlighted the difficulty in breaking a lease, the prospect of having to pay rent on two places at the same time, and the high costs of relocation.

When presented with a trade-off 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 even without a job, compared to private renters and sharers, as shown in Figure 2.

The greater reluctance of public renters to move to find work may also reflect the greater security and affordability in the sector, as well as difficulties in transferring to another area. They appear more reluctant to trade away these benefits for a job elsewhere, especially if it is likely to be casual or episodic (76 per cent of the public renters in the sample stated that their last job was either casual, temporary or part-time, compared to 56 per cent of private renters). Private renters do not have these benefits to trade and may well have less to lose if they move to get a job.

Conclusion

Unemployed renters in Australia face significant disincentives to working through the interaction of the tax and income support systems, with housing allowances in the private sector extending the reach of the poverty trap for private renters, and public housing rent setting deepening the trap for public renters. Most unemployed renters interviewed for the research understood how moving into work would affect their rental housing assistance. Income related rents appear to be an important consideration for between 25 and 40 per cent of public renters looking for work, but there was little indication that the loss of Rent Assistance played a significant role in the job decisions of private renters. This was an unexpected finding. It may be that as Rent Assistance is bundled with other income support payments, recipients simply do not perceive it to be a specific housing allowance. Alternatively, it may be that Rent Assistance makes only a limited contribution to meeting rents in the higher-cost metropolitan areas in which this research was conducted. This aspect of the issue clearly requires further research.

Renters interviewed for the research showed a broader understanding of the benefits of getting a job, and the difficulties in getting one, than merely responding to tax/benefits/rent calculations. They were aware of labour market disadvantages in terms of employer attitudes and for some, particularly public renters, that their own lack of skills and self-confidence created difficulties in getting a job. More than half of all those interviewed, both private renters in receipt of Rent Assistance and public renters, saw the location of their housing relative to job opportunities as presenting major difficulties in getting paid work. This suggests that it is important to understand the locational outcomes for households in receipt of different types of rental housing assistance, including housing allowances. Other research suggests that the suburban location of much public housing, together with the suburbanization of the private
rental market in recent years (Randolph & Holloway, 2004), adds to this disincentive effect.

These empirical findings should be regarded as exploratory in view of the small sample of public renters, and as interviews were conducted only in two large capital cities and with respondents who were actively looking for work. People living in smaller labour markets and those who are not currently participating in the labour market may face different disincentives and other factors that affect their decision making about entering paid work. The next stage of the research, also funded by AHURI, will involve more qualitative research to explore in greater depth some of the issues around housing assistance and work disincentives highlighted in this article.

Notes
1. The authors wish to thank an anonymous referee for detailed comments that assisted them in refining this article.
2. The authors wish to acknowledge the Australian Housing and Urban Research Institute Ltd (AHURI Ltd) that funded the research on which this article is based. The views expressed in the article are those of the authors and not AHURI Ltd.
3. ‘Income unit’ is a term used by the Australian federal government to refer to a group in which it is assumed that income is shared, that is, between partners in couple families and between parents and dependent children. Other family members, such as non-dependent children or other relatives, are treated as separate income units. Income units differ from families and households.
4. It proved difficult to recruit public renters through this method as many are not participants in the labour market, rather than unemployed and looking for work.

References


