



Comments to the Department of Housing and Works Consultation Paper: Simplification and Amalgamation of Rent Models

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General Comment

Shelter WA strongly supports the basic principles underlying the application of rent subsidies as summarised on page 1 of the Consultation Paper. In particular, Shelter WA believes that tenants with a similar capacity to pay, should pay similar rents, and that this rent should be directly related to their capacity to pay.

Shelter WA supports the objectives of the review of the rent assessment rules to make the system as simple and consistent as possible. However, Shelter WA does have some concerns about the potential impact of some of the proposed changes on certain groups of vulnerable tenants. In addition to comments on specific proposals discussed below, Shelter WA is concerned that the combined impact of the proposed changes may be far greater than the impact of any of the individual proposals.

For instance, a single parent with a working adult non-dependant and receiving maintenance for two younger children could be affected by both Proposals 3 and 4. While Shelter WA agrees that it would be administratively overly cumbersome to create a set of rules that would cover every case where a single or combination of proposals might affect some families unfairly, it is nevertheless possible to protect vulnerable families through a combination of the application of the Discretionary Decision Making Policy and a properly constructed transition mechanism.

Shelter WA believes that where the proposed changes result in larger increases in rent, it should be phased in over time. In order to ensure that vulnerable tenants are not unduly affected by sudden large rent increases, Shelter WA proposes that the Department cap the maximum rent increase that may result from the changes proposed in the Discussion Paper.

Recommendation 1

That the proposed changes be implemented slowly, and that the Department guarantee that no tenant's rent will increase by more than 10% per year as a result of the proposed changes.

Proposal 1: Phase out the Pensioner Allowance in full by August 2003

Shelter WA supports Proposal 1 since it will result in greater simplicity and greater horizontal equity among tenants. In addition, Shelter WA agrees with the Discussion Paper that the impact of the proposed change will be relatively minor both in percentage and in dollar terms.

Proposal 2: Remove the \$1.10 fixed rate for the third and subsequent children under Rent Model 3. Assess all children at 10% of Additional Family Tax Benefit Part A. Change to be phased in over a three year period.

Shelter WA generally supports Proposal 2 since it will result in greater horizontal equity among tenants. Nevertheless, as pointed out in the Discussion Paper, this proposal will result in significant rent increases for a significant number of households, and the impact will increase with the number of children in the household. It should also be noted that the impact of this proposal on the rent paid will be somewhat greater than argued in the Discussion Paper for those families who have children between 13 and 15 years old, since the amount of Family Tax Benefit received for this group is higher.

Shelter WA expects that the proposed three year period to phase in this change will be effective in mitigating the impact of the proposal on the rent of most families. Nevertheless, very large families will still experience a relatively large increase in rent in the final year of the transition. While Shelter WA agrees that there is a relatively small number of such very large families, it is understood that a large proportion of these families are of CALD or Indigenous background. Shelter WA supports Proposal 2 subject to the implementation of Recommendation 1 above.

Proposal 3: Assess maintenance payments in Rent Model 1 and 2 at 20%

Shelter WA generally supports Proposal 3 since it will result in greater horizontal equity among tenants. However, while Shelter WA agrees with the analysis of the Discussion Paper that this proposal will result in relatively minor changes for the majority of affected tenants, the impact could be far greater for a substantial minority of tenants (ie. those receiving maintenance payments in excess of \$100). In addition, some families may be affected by a combination of Proposals 3 and 4. Again, Shelter WA supports Proposal 3 subject to the implementation of Recommendation 1 above.

Proposal 4: Assess all non-dependents 16 to 21 years (and students less than 25 years) at 10% of income and assess the income of all other non-dependents at 23% or 25%, and add this to the rent

Once again, Shelter WA generally supports Proposal 4 as it will result in greater horizontal equity among tenants as well as a simpler system. Shelter WA agrees with the analysis of the Discussion Paper that in many cases the actual rent increase resulting from the proposal will be smaller than the maximum possible due to the market rent constraint.

However, as highlighted in the Discussion Paper, Proposal 4 has a large potential impact on the 1356 households containing non-dependants who are currently assessed under Rent Model 1. As indicated above, this impact could be even larger for families who are also affected by Proposal 3. In addition, Shelter WA has been made aware that some groups of vulnerable tenants, such as people with disabilities, may be particularly affected by this proposal.

Given the fact that this proposal could result in potentially large rent increases for vulnerable groups of tenants, Shelter WA urges particular care with regard to the implementation of the proposal. Since some of these tenants are likely to be less able to stand up for themselves, it is important that decisions regarding these potentially large rent increases should not be left to the discretion of one individual officer only.

Shelter WA therefore supports Proposal 4 subject to the implementation of Recommendation 1 above.

Proposal 5: Retain the \$30 Working Allowance but make it consistent across the rent models, make it applicable to all household members of the household but time limited per person for a period of 12 months

Shelter WA appreciates that a consistent application of the Working Allowance across the rent models solves some of the confusion surrounding the current inconsistent application of the allowance in the various rent models. While Shelter WA supports making the Working Allowance applicable to all household members, it does not support any time limitation since this creates a disincentive for tenants or their children to look for employment, and therefore a potential poverty trap.

Even a time limited Work Allowance to some extent mitigates the initial costs of moving into employment. However, in Shelter WA's view this may still create a disincentive to work and for three reasons.

1. Shelter WA is aware that in the current labour market, the majority of people who make the transition from unemployment to employment will do so via a low paid, part time job. After they have gained work experience and confidence, they will then move to better paid and / or full time positions. However, a time limit on the Working Allowance will create a financial incentive large enough to induce at least some tenants to quit this transitional job before the end of the time limit, thus preventing their transition to better paid positions.
2. As highlighted in the Discussion Paper, the transition to work is costly. Many unemployed people will be put off taking on transitional part time employment if they know they will only benefit marginally in a financial sense for a limited period of time.
3. It is a step backwards from the most recent application of the Work Allowance (ie. in Rent Model 3) and as such against the spirit of the CSHA, under which the State has undertaken to reduce poverty traps and reduce disincentives to work.

Finally, Shelter WA does not agree with the analysis of the likely financial impact of Proposal 5 on the Department's rental revenue. While it is agreed that the Working Allowance results in a loss in rental revenue of \$7.50 per week per tenant, in Shelter WA's view this will be more than compensated by the higher rental income to the Department resulting from the tenant having paid work. This is particularly true if Proposal 4 is implemented.

Recommendation 2

That the \$30 Working Allowance be retained and made consistent across the rent models, made it applicable to all household members of the household and that the 12 month time limit in Rent Models 1 and 2 be abolished.

Proposal 6: Discontinue the threshold limit rule and assess all income at 23% in Rent Models 1 and 2

Shelter WA supports Proposal 6 since it will result in a simpler and more equitable rent assessment system. Shelter WA agrees with the Discussion Paper that this proposal will benefit affected tenants.