



PENSIONERS RENTAL REBATE ANALYSIS

FIRST DRAFT
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Prepared for
NSW Department of Family and Community Services

Independent
insight.



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EXECUTIVE SUMMARY

For some time, the discussion on housing affordability in Australia has focused on the increasing cost of purchasing a home. Importantly, focusing on housing affordability through the lens of home ownership, does not provide insight into the households that are struggling with housing affordability most – those in the rental market. According to the Australian Institute of Health and Welfare, about 15 per cent of older Australians are renters, and these people are generally a highly vulnerable and economically disadvantaged group. Older Australians strongly prefer to age in place.

The target groups we have focused on, due to their significant size, are age pensioners and disability support pensioners, with a disaggregation down to their partnered and non-partnered sub-groups.

We are able to assess the housing stress of each of these target groups independently with publicly available data. The Department of Social Services Payment Demographics data from 2016 Quarter 4 shows the location of pensioners by payment type. This shows the population by postcode and local government area for age pensioners and disability support pensioners separately.

The Rental Affordability Index by SGS Economics and Planning provides information, by postcode and local government area, about what proportion of income is spent on rent in each area, taking into account the number of bedrooms to define suitable housing.

Using income assumptions, which put single incomes at \$25,000 and couple incomes at \$45,000, for all pension types, we can estimate the level of housing stress among each of the four target groups. Using the difference in income among partnered and non-partnered households, and the difference in location and population of age pensioners and disability pensioners, we can see how these variables affect housing stress levels and how different levels of rent assistance could alleviate housing stress for each pensioner type.

Key findings of this analysis to be added in the full draft

1. INTRODUCTION

1.1 Scope of Work

SGS Economics and Planning was commissioned by NSW FACS to prepare an evidence base to inform the allocation of the future budget for rent assistance for pensioners.

The scope of work for this project is to:

- Identify the number of households of pensioners in varying levels of housing stress
- Identify the target groups of pensioners relevant to providing the rent assistance
- Identify the cost of providing rent assistance to each target groups of pensioners who rent
- Identify direct and indirect benefits to individual, community and economy.

1.2 Data Sources

The following data sources were incorporated into this analysis:

- Demographics data for 2016 Quarter 4 from the Department of Social Services
- Payments by Local Government Area (LGA) data for 2016 Quarter 4 from the Department of Social Services
- Payments by Postcode data for 2016 Quarter 4 from the Department of Social Services
- Rental Affordability Index from SGS Economics and Planning for 2016 Quarter 4
- Productivity Commission's Report on Government Service 2016
- Productivity Commission's Housing Decisions of Older Australians Survey 2015
- Australian Institute of Health and Welfare's Housing Assistance in Australia 2016

The datasets above are the best available at the time of writing.

The Household Expenditure Survey (2016-17) is due to be released mid-year 2017 by the Australian Bureau of Statistics. This includes the Pensioner and Beneficiary Living Cost Index, which would allow further refinement of the income and rent expenditure assumptions listed in the next section.

The Department of Social Services and the Department of Human Services were contacted to obtain data on the number of households including pensioners who rent by each relevant demographic. Delays in receiving this data mean that it will be analysed and incorporated into a final report.

2. WHO IS IN HOUSING STRESS

2.1 Overview

The target groups we have focused on, due to their significant size, are age pensioners and disability support pensioners, with a disaggregation down to their partnered and non-partnered sub-groups.

We are able to assess the housing stress of each of these target groups independently with publicly available data. The Department of Social Services Payment Demographics data from 2016 Quarter 4 shows the location of pensioners by payment type. This shows the population by postcode and local government area for age pensioners and disability support pensioners separately.

The Rental Affordability Index by SGS Economics and Planning provides information, by postcode and local government area, about what proportion of income is spent on rent in each area, taking into account the number of bedrooms to define suitable housing.

Using income assumptions outlined below, which put single incomes at \$25,000 and couple incomes at \$45,000, for all pension types, we can estimate the level of housing stress among each of the four target groups. Using the difference in income among partnered and non-partnered households, and the difference in location and population of age pensioners and disability pensioners, we can see how these variables affect housing stress levels and how different levels of rent assistance could alleviate housing stress for each pensioner type.

2.2 Defining Pensioners

For the purpose of this project, the definition of a pensioner is one who receives one of the payments listed below as their primary government payment:

- Age Pension
- Disability Pension
- Wife Pension – Partner on Age Pension
- Wife Pension – Partner on Disability
- **Widow B Pension (their housing stress has not been calculated since there are only six recipients in NSW)**

As per the current data, this is for all receiving these payments, not just those who are renting. This includes those who are:

- Homeowners
- In aged care
- In social/public housing
- Living in a rent free property e.g. with their adult children

The number of renters has been estimated at approximately 15.5-15.6% of the total pensioner population, using nation-wide data from the Australian Institute of Health and Welfare, and the Department of Social Services.

Upon receiving the requested data from the Department of Social Services, this will be refined to count only those who receive a payment listed above as their main source of income, and also receive rent assistance for the full draft report.

2.3 Assumptions

Within the limitations of the current data, certain assumptions have been made in order to provide an estimated number of households in rental stress.

These assumptions are:

- Assessing the number of recipients under housing stress is limited to the areas indexed by the Rental Affordability Index, which is limited by available rental data.
- A single pensioner requires a one bedroom dwelling.
- A pensioner couple requires a two bedroom dwelling.
- When there are 5 or less people of a pension type in an area, the population will be assumed to be 5.
- Rent assistance has been defined by Commonwealth Rent Assistance (CRA) payment rates, as CRA payments are 10.8 times¹ more common than private rent assistance, and with more readily available data.

2.4 Defining Housing Stress

For the purpose of this analysis, housing stress refers to the relationship between income and rent expenditure.

It is generally accepted that if housing costs exceed 30% of a low income household's (households in the lowest 40% of income distribution) gross income, then that household is experiencing housing stress (30/40 rule). In the RAI, households who are paying 30% of income on rent have a score of 100, indicating that these households are at the critical threshold for housing stress. A score of 100 or less indicates that households would pay more than 30% of income to access a rental dwelling, meaning they are at risk of experiencing housing stress.

The RAI is calculated using the following equation, where 'qualifying income' refers to the household income required to pay rent where rent is equal to 30% of income.

$$RAI = \frac{\text{Median Income in the Area}}{\text{Qualifying Income in the Area}} * 100$$

The exact figures used to measure housing stress are as follows:

TABLE 1: HOUSING STRESS LEVELS BY RATIO OF RENT TO INCOME

RAI Score	Share of income spent on rent	Relative Unaffordability
<50	60% or more	Extremely unaffordable rents
50-80	38-60%	Severely unaffordable rents
80-100	30-38%	Unaffordable rents
100-120	25-30%	Moderately unaffordable rents
120-150	20-25%	Acceptable rents
>150	15% or less	Affordable rents

Source: Rental Affordability Index from SGS Economics and Planning

¹ <http://www.aihw.gov.au/housing-assistance/haa/2016/financial-assistance/>

2.5 Refining the Count to Renters

To estimate the pensioners who are in the rental market, we have used the existing data, at a national level, to remove the percentage of those owning their home, or in social housing.

For NSW Overall:

TABLE 2: TOTALS BY PENSIONER GROUP FOR NSW

Target Group	Number of recipients
Pensioners ²	1,069,704
Age Pensioners	816,414
Disability Support Pensioners	249,506

Source: DSS Payment Demographics data from 2016 Quarter 4

As noted in section 2.1, these numbers are inflated, as they are not confined to those renting, or already receiving rent assistance. The following tables show the percentage of pensioners in social housing or owning a home, based on the nation-wide data.

Pensioners Owning their Home (Owner Occupied):

TABLE 3: HISTORICAL FIGURES OF HOMEOWNERSHIP AMONG PENSIONERS FOR AUSTRALIA

Type	Home	12-Jun	13-Jun	14-Jun	15-Jun	16-Jun	16-Dec
DSP	Own	586,458	590,882	602,385	598,384	581,584	577,212
DSP	Non	241,002	230,856	228,069	216,007	201,307	241,002
AGE	Own	1,703,543	1,766,926	1,807,999	1,865,649	1,898,605	1,926,755
AGE	Non	574,672	585,213	596,903	620,546	639,556	643,317

Source: DSS Disability Support Pension (DSP) - Payment Trends and Profile Report June 2016, DSS Age Pension (AGE) - Payment Trends and Profile Report June 2016

Although the number of age pensioners owning their home is rising from 2012 to 2016, the overall proportion owning their home is decreasing. Both the number and proportion of homeowners among disability pensioners is decreasing, and therefore increasing the number of renters and housing stress in general. Due to the significant number of homeowners receiving the age pension, we have used a linear regression to estimate the number of homeowners in quarter 4 of 2016, shown under the green box above.

It can be seen from the table above that the proportion of homeowners has decreased for both age pensioners and disability pensioners. We have assumed that private renting increases by the same amount that homeownership decreases.

The table below shows the estimated percentages of age and disability pensioners who are renting by end of 2016. The percentage of each payment type does not add to 100% because of other housing categories such as social housing, aged care, retirement villages, and living rent-free with family or friends.

² Commonwealth Senior Health Card holders intentionally excluded due to higher income levels

TABLE 4: TOTAL PENSIONER HOMEOWNERS FOR AUSTRALIA

Household Type	Total for Australia	Number of Homeowners	Percent of Homeowners	Percent of Renters
Age Pension	2,570,072	1,926,755	75%	15.6%
Disability Pension	772,313	195,101	66.1%	15.5%
Wife Pension (AGE)	5,490	-	-	
Wife Pension (DSP)	5,326	-	-	

Source: ABS 2011 Disability, Australia, 2009. ABS cat. no. 4446.0.,
 ABS 2013 Housing occupancy and costs, 2011–12. ABS cat. no. 4130.0.,
 AIHW Housing Assistance in Australia 2013, p. 40
 DSS Age Pension (AGE) - Payment Trends and Profile Report - June 2016,
 DSS Disability Support Pension (DSP) – Payment Trends and Profile Report – June 2016.

Estimated Pensioners Renting in NSW:

By applying the estimated percentage of renters to the total number of pensioners in NSW, we have derived the renters who receive different pension types in NSW (see table below).

TABLE 5: TOTAL PENSIONER RENTERS FOR NSW

Household Type	Total for NSW	Estimated Renters in NSW
Age Pension	816,414	127,361
Disability Support Pension	249,506	38,673
Wife Pension (AGE)	1,888	295
Wife Pension (DSP)	1,616	250

Source: DSS Age Pension (AGE) - Payment Trends and Profile Report - June 2016, DSS Disability Support Pension (DSP) – Payment Trends and Profile Report – June 2016.

There are approximately three times more aged pensioners than disability support pensioners, and this ratio remains consistent for the estimated number of renters. The total number of estimated renters in this analysis is 166,579 individuals, which lines up with the figures for Commonwealth Rent Assistance in NSW, which show that the number of age and disability pensioners claiming CRA in 2016 was 175,265.³

³ See Table 7

2.6 Age Pensioners by Level of Housing Stress

The Rental Affordability Index by SGS Economics and Planning analyses rental affordability for incomes in increments of \$5,000, meaning any income assumptions must be rounded to the nearest \$5,000 to be assessed using this index. For this reason, we have assessed incomes by increasing annual income by \$5,000 increments. The fortnightly rent assistance numbers are based on the current maximum rate for single and couple pensioners, averaged by the relevant single and couple proportions, as illustrated below:

- AGE CRA = 45% x \$132.30 + 55% x \$124.60
- DSP CRA = 76% x \$132.20 + 26% x \$124.60

TABLE 6: BUDGETING INDIVIDUAL RENT ASSISTANCE USING INCOME ASSUMPTIONS

Increment	Single Income p.a.	Couple Income p.a.	Fortnightly AGE CRA ^(a)	Fortnightly DSP CRA ^(b)
Current rates	\$25,000	\$45,000	\$128.02	\$130.38
+\$5,000	\$30,000	\$50,000	\$320.33	\$322.68
+\$10,000	\$35,000	\$55,000	\$512.64	\$514.99
+\$15,000	\$40,000	\$60,000	\$704.94	\$707.30
+\$20,000	\$45,000	\$65,000	\$897.25	\$899.61

Source:

^(a)AGE CRA = 45% x \$132.30 + 55% x \$124.60 based on DSS Payment Demographics Relationship Status Proportions

^(b)DSP CRA = 76% x \$132.20 + 26% x \$124.60 based on DSS Payment Demographics Relationship Status Proportions

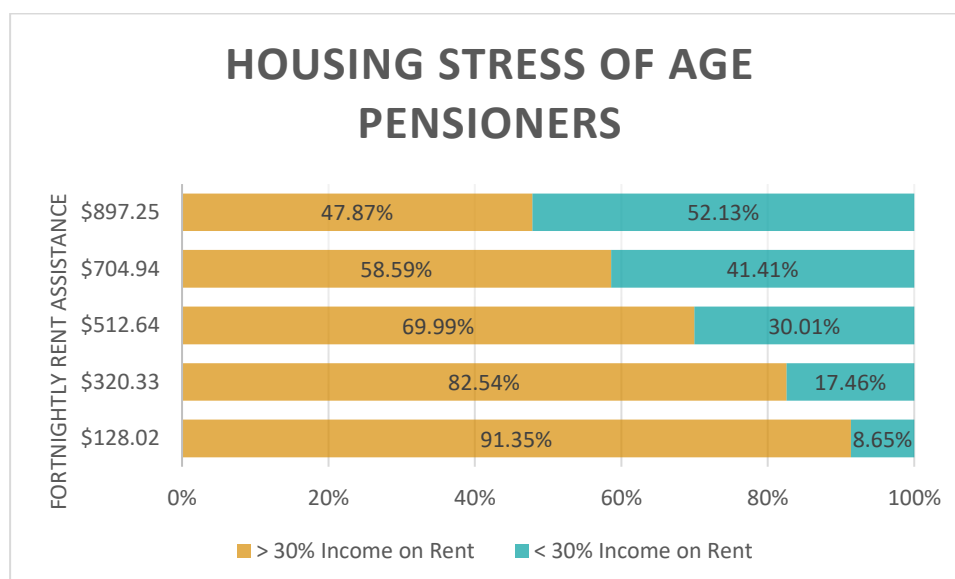
The single and couple populations under each level of housing stress have been calculated, and added together, to create the overall counts for age pensioners and disability pensioners. The single populations are calculated using the income assumptions outlined above, specifically the 'Single Income p.a.' column, and the assumption that any one bedroom dwelling is suitable. The couple populations are calculated using the 'Couple Income p.a.' column, and the assumption that any two bedroom dwelling is suitable. Here they are added together, with the incomes translated into fortnightly rent assistance.

TABLE 7: TOTALS BY LEVEL OF HOUSING STRESS FOR AGE PENSIONERS IN NSW

Rent Assistance	\$128.02	\$320.33	\$512.64	\$704.94	\$897.25
Extremely unaffordable rents	31,630	22,719	16,106	9,756	4,542
Severely unaffordable rents	66,847	47,384	40,906	31,319	27,289
Unaffordable rents	17,865	35,026	32,128	33,542	29,138
Moderately unaffordable rents	7,084	16,005	22,493	26,459	27,731
Acceptable rents	3,148	3,892	11,836	20,775	29,138
Affordable rents	787	2,335	3,892	5,509	9,525
Total	127,361	127,361	127,361	127,361	127,361

Source: DSS Payment Demographic Data 2016, Rental Affordability Index from SGS Economics and Planning

FIGURE 1: STACKED BAR CHART OF HOUSING STRESS OF AGE PENSIONERS



Source: DSS Payment Demographic Data 2016, Rental Affordability Index from SGS Economics and Planning

The orange bar in the chart above represents the percentage of age pensioners in housing stress, defined as spending more than 30% of their income on rent. The percentage of age pensioners in housing stress, even with the current rate of rent assistance, is over 90%.

The number of age pensioners that are not in housing stress overtakes the number that are in housing stress at the \$897.25 mark, meaning that this is the level of rent assistance for each pensioner required to make a significant impact on the level of housing stress among age pensioners.

Number of Recipients of Commonwealth Rent Assistance (CRA)

This analysis above is based on the assumption that every pensioner should be given the financial resources to afford a private rental property. In reality, many people on low incomes are making concessions on this by living with family, in shared housing that falls outside our assumptions of suitability, or allowing more than 30% of their income to be budgeted for rent.

This is why our numbers for age pensioners are higher than the current count of age pensioners who are claiming rent assistance, shown below:

TABLE 8: NUMBER RECEIVING RENT ASSISTANCE BY PAYMENT TYPE FOR NSW

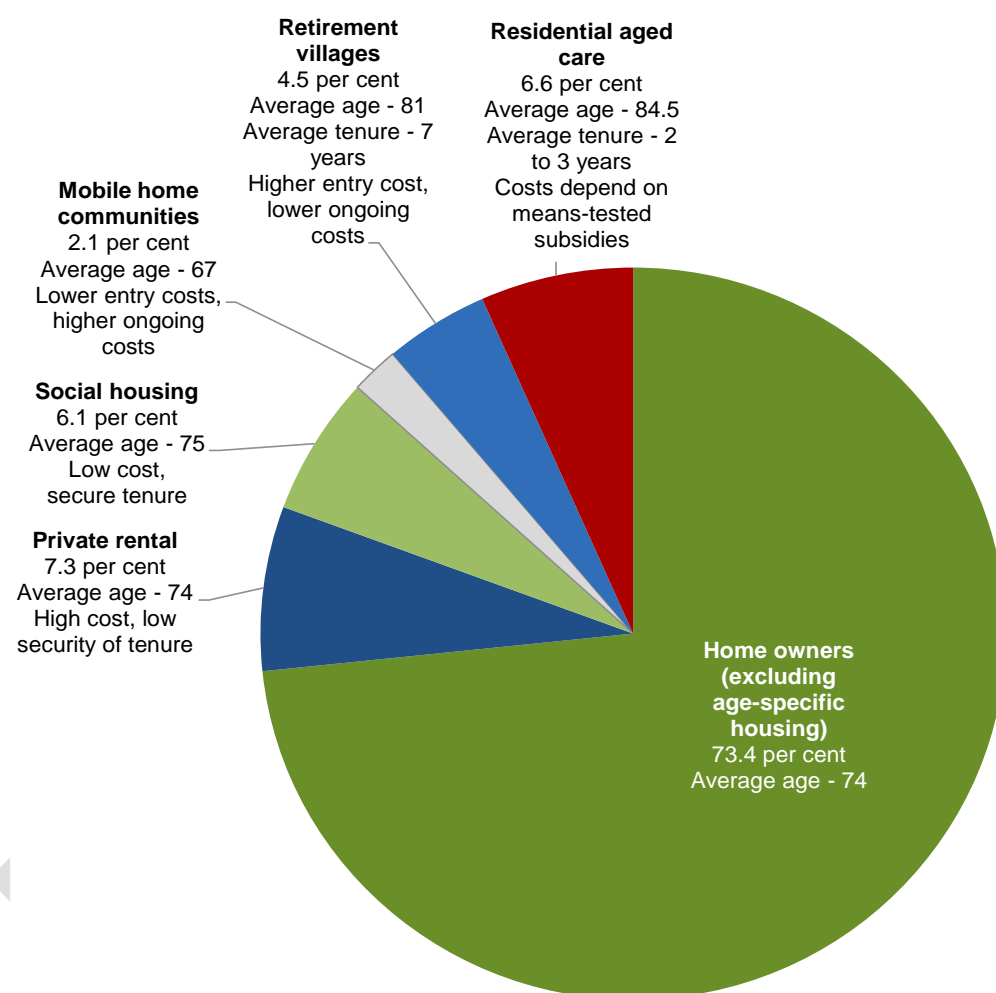
Payment Rates	Number of Recipients on CRA	On CRA & Indigenous
Age Pension	88,436	1,617
Disability Support Pension	86,829	6,501
Wife Pension (AGE)	Unavailable	Unavailable
Wife Pension (DSP)	Unavailable	Unavailable

Source: Productivity Commission's Report on Government Services 2016, Sector G

Estimated vs Actual Renters

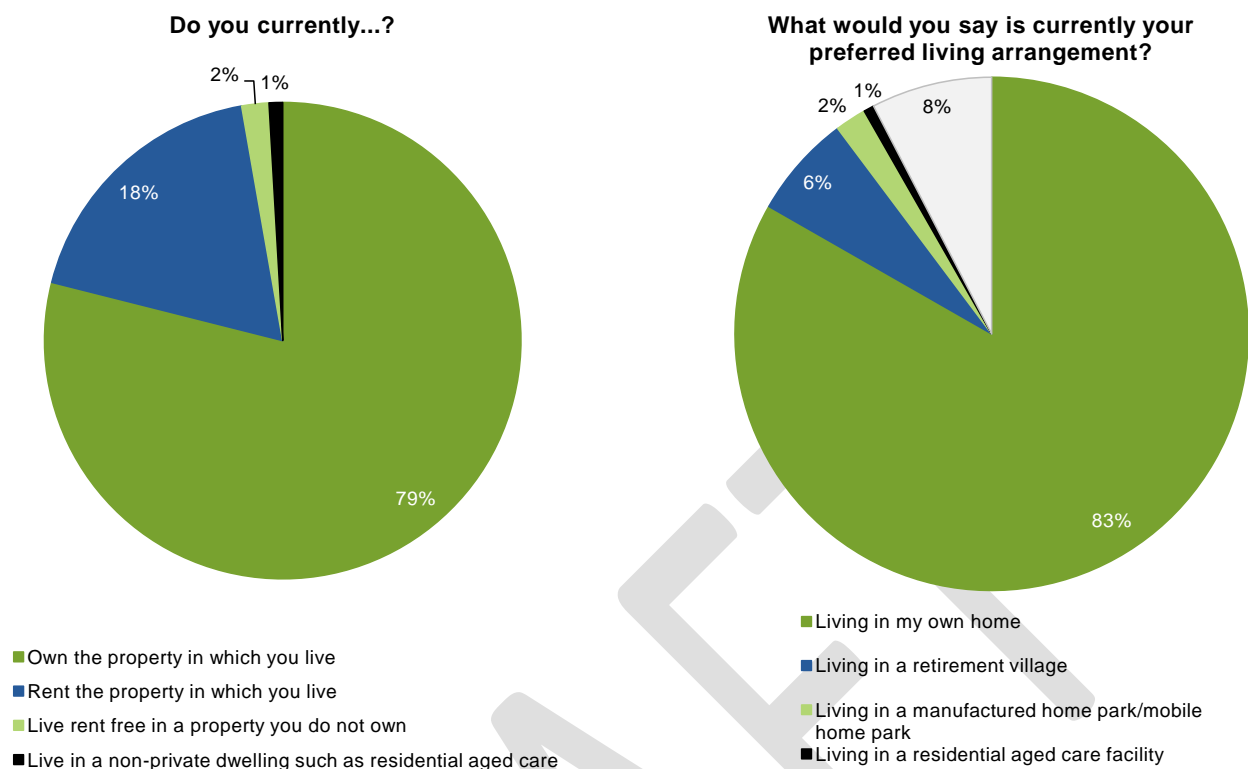
According to a survey undertaken by the Department of Social Services in 2015, a significant proportion of pensioners are living in other facilities than private rental properties considered in this analysis (see chart below). This is not to say that this analysis is inadequate, but rather, that many age pensioners are making compromises on basic needs, such as suitable housing, due to financial constraints.

FIGURE 2: WHERE DO OLDER AUSTRALIANS LIVE: PROPORTION OF POPULATION OVER 65 IN 2011



Source: Productivity Commission's Housing Decisions of Older Australians Survey 2015

FIGURE 3: STATISTICS ON PREFERRED LIVING ARRANGEMENT FOR AUSTRALIAN OVER 60 YEARS OF AGE



As seen in the left chart above, 2% of Australians aged 60 or above are living rent free with their families. Although this shifts the financial strain away from the state of federal budget, the burden is borne by the family, which means that the effect of pensioner housing stress is also felt by younger generations. It also means that housing stress creates intergenerational disadvantage within families, reducing the ability of families to move up the economic ladder by providing a better situation for their children.

From the right chart above we can see that living in one's own home, be it owned or rented, is overwhelmingly the preferred living arrangement by those aged above 60.

2.7 Disability Pensioners by Level of Housing Stress

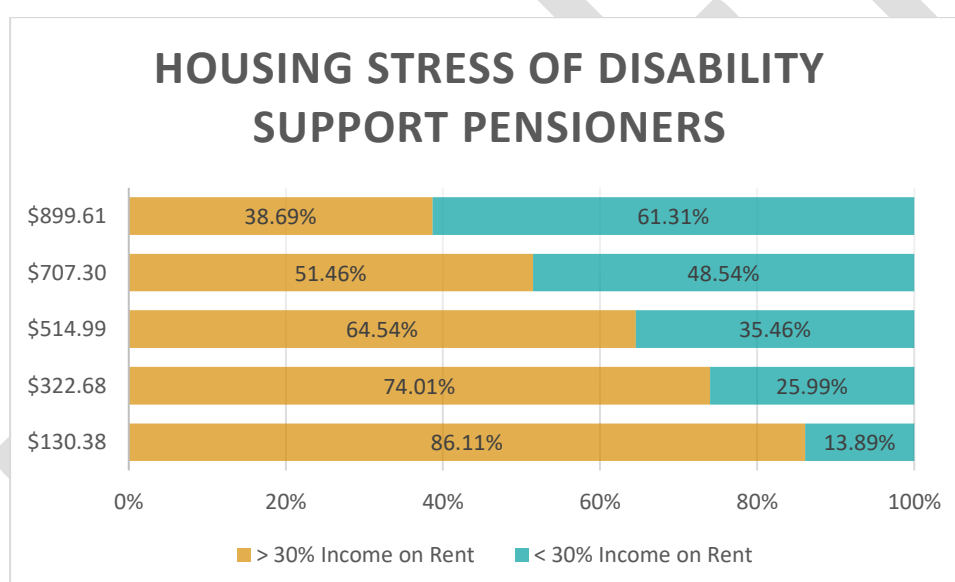
By applying the same method described above, we have assessed the impacts of different levels of rent assistance on housing stress of disability pensioners. The results are shown below.

TABLE 9: TOTALS BY LEVEL OF HOUSING STRESS FOR DISABILITY SUPPORT PENSIONERS IN NSW

Rent Assistance	\$130.38	\$322.68	\$514.99	\$707.30	\$899.61
Extremely unaffordable rents	5,985	4,316	3,228	2,307	930
Severely unaffordable rents	20,062	12,733	9,867	6,875	6,015
Unaffordable rents	7,257	11,573	11,864	10,718	8,020
Moderately unaffordable rents	3,737	6,967	6,711	7,956	10,747
Acceptable rents	1,306	2,104	5,370	8,088	9,165
Affordable rents	327	980	1,633	2,729	3,797

Source: DSS Payment Demographic Data 2016, Rental Affordability Index from SGS Economics and Planning

FIGURE 4: STACKED BAR CHART OF HOUSING STRESS AMONST DISABILITY SUPPORT PENSIONERS



Source: DSS Payment Demographics Data from 2016 Quarter 4, Rental Affordability Index

Under different levels of rent assistance, disability support pensioners are in less housing stress than age pensioners. Since the income assumptions in this analysis are the same for age and disability pensioners, the location is the factor that is reducing housing stress, i.e. the disability pensioners are living in more affordable areas, compared to age pensioners.

2.8 Relationship Status and Housing Stress

Relationship status determines the base level of income available to a household. Being in a couple requires two bedrooms in order for a dwelling to meet definitions of suitability. These are the proportions incorporated into this analysis:

Ratio of Singles to Couples

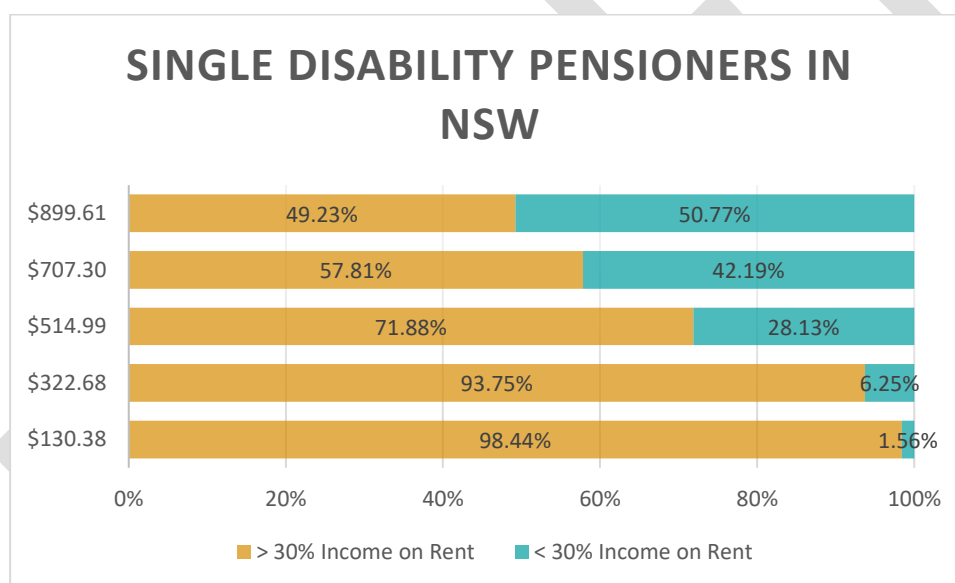
TABLE 10: PROPORTION PARTNERED AND NOT PARTNERED BY PAYMENT TYPE FOR NSW

Payment Type	Partnered	Not Partnered	% Couple	% Single
Age Pension	447,041	369,373	55%	45%
Disability Pension	60,163	189,343	24%	76%
Wife Pension (AGE)	n/a	n/a	n/a	n/a
Wife Pension (DSP)	n/a	n/a	n/a	n/a

Source: DSS Payment Demographics data from 2016 Quarter 4

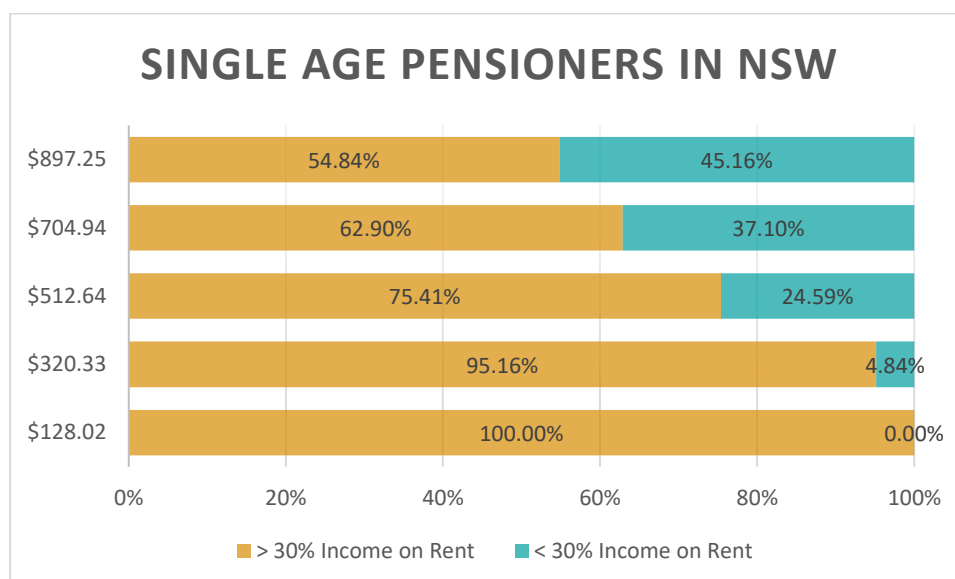
Effect of Relationship Status on Housing Stress

FIGURE 5: STACKED BAR CHART OF HOUSING STRESS AMONGST SINGLE DISABILITY PENSIONERS



Source: DSS Payment Demographic Data 2016, Rental Affordability Index from SGS Economics and Planning

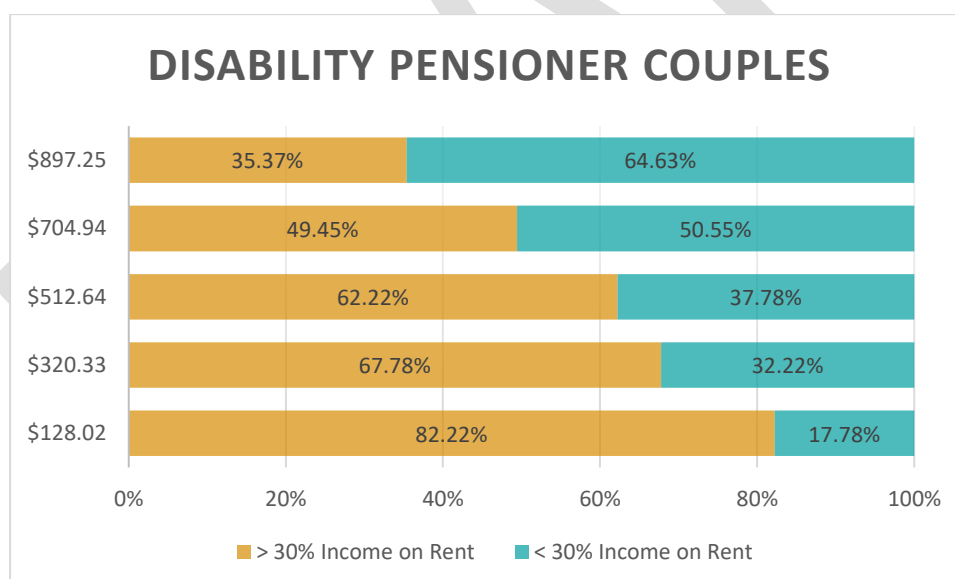
FIGURE 6: STACKED BAR CHART OF HOUSING STRESS FOR SINGLE AGE PENSIONERS



Source: DSS Payment Demographic Data 2016, Rental Affordability Index from SGS Economics and Planning

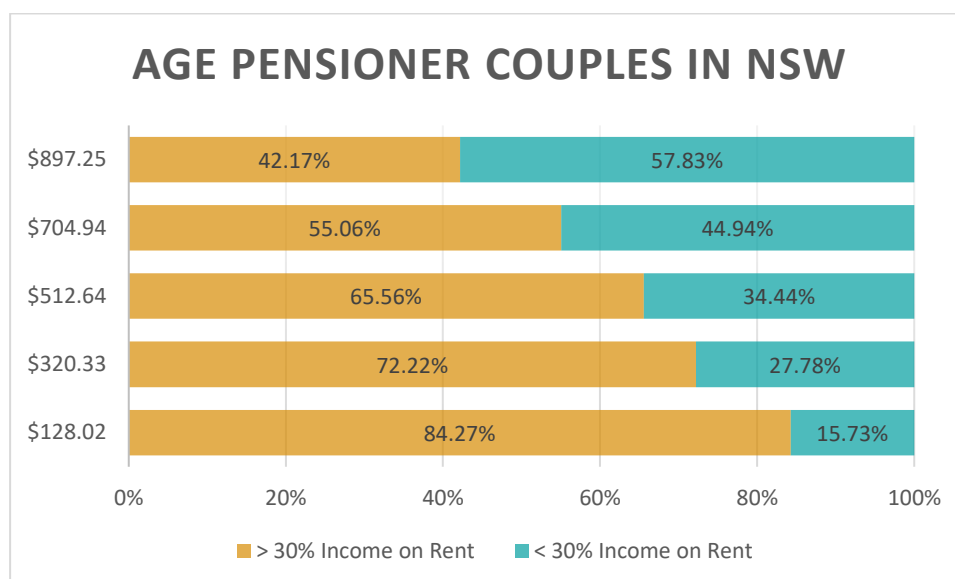
For single pensioners, those on disability are under slightly less housing stress than single age pensioners. Since approximately three quarters of disability pensioners are single, whereas less than half of age pensioners are single, this would have a significant impact on comparing the overall distribution of housing stress between the two payment types.

FIGURE 7: STACKED BAR CHART OF HOUSING STRESS FOR DISABILITY PENSIONER COUPLES



Source: DSS Payment Demographic Data 2016, Rental Affordability Index from SGS Economics and Planning

FIGURE 8: STACKED BAR CHART OF HOUSING STRESS FOR AGE PENSIONER COUPLES



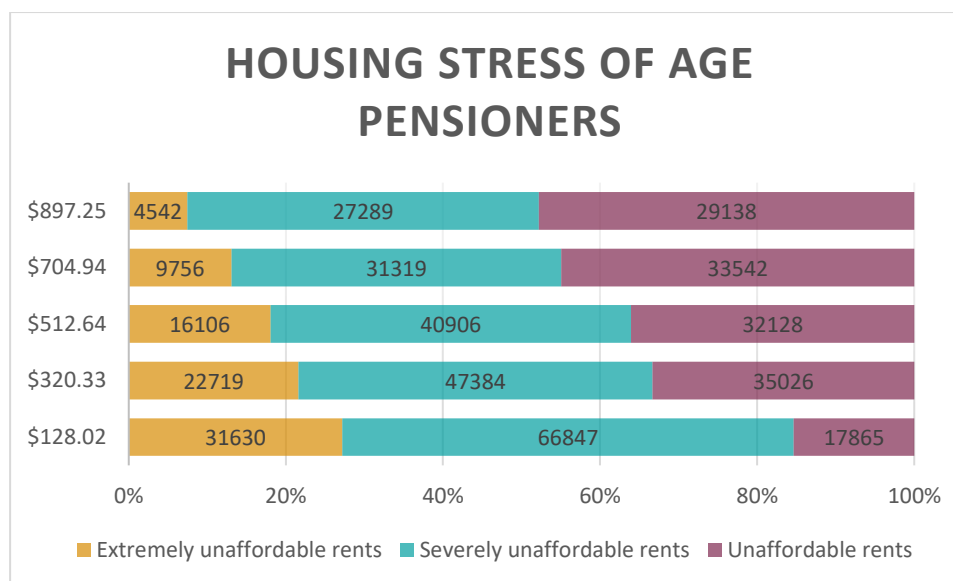
Source: DSS Payment Demographic Data 2016, Rental Affordability Index from SGS Economics and Planning

Among couples, there is still a slightly lower level of housing stress for disability pensioners. Since this effect cannot be attributed to relationship status, it must be attributed to the locations that disability pensioners choose to live. One way in which this effect may differ in reality is in the definition of suitable housing. In this analysis, it is assumed that single pensioners require a one bedroom dwelling, and couple pensioners require a two bedroom dwelling.

However, it is likely that single disability pensioners, based on their requirement of a live-in carer, would require a two bedroom dwelling. Also, the number of bathrooms and design facilities would impact suitable housing for both age and disability pensioners. However, these requirements have not been considered in this analysis, due to lack of relevant data available for Australian dwellings.

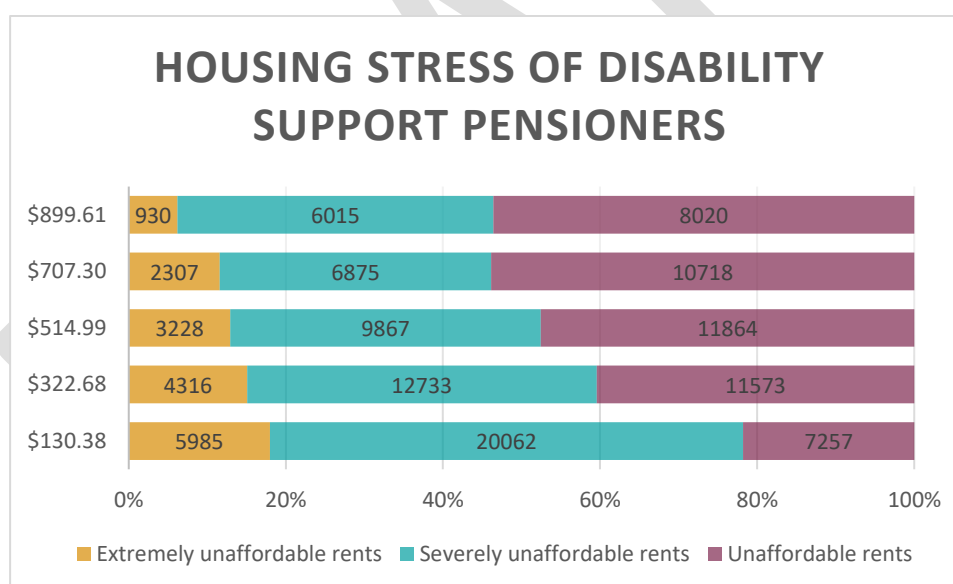
2.9 Comparison of Pensioners Spending >30% of Their Income

FIGURE 9: STACKED BAR CHART OF HOUSING STRESS OF AGE PENSIONERS



Source: DSS Payment Demographic Data 2016, Rental Affordability Index from SGS Economics and Planning

FIGURE 10: STACKED BAR CHART OF HOUSING STRESS OF DISABILITY SUPPORT PENSIONERS

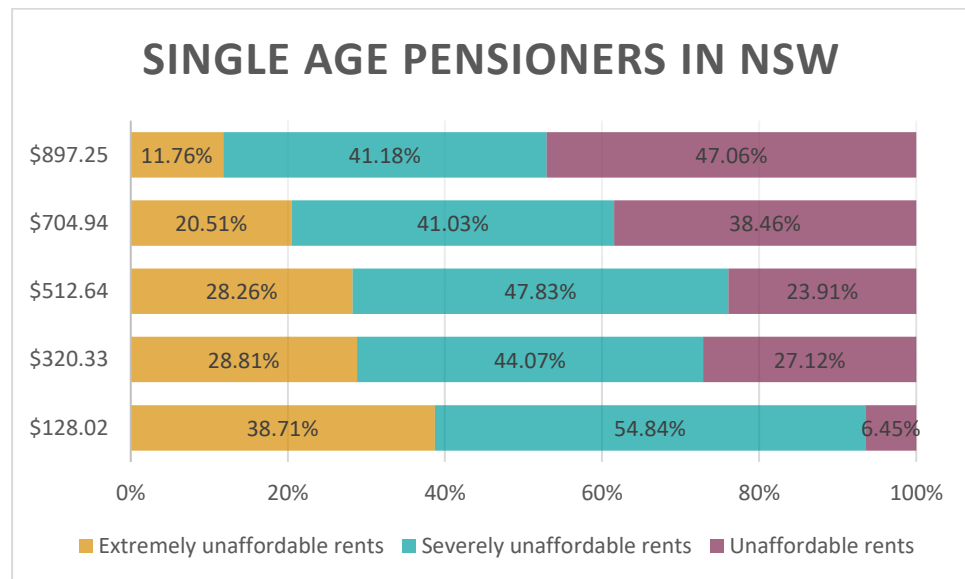


Source: DSS Payment Demographic Data 2016, Rental Affordability Index from SGS Economics and Planning

Of those considered to be in housing stress, as defined by the 30% benchmark, disability pensioners are in less extreme stress. At the current rate of rent assistance, most are paying severely unaffordable rents, while few are paying extremely unaffordable rents. Increasing rent assistance has a significant impact on the level of housing stress in terms of increasing the affordability of suitable dwellings, and the impact lessens after the \$707.30 benchmark. These levels of rent assistance have been chosen due to the limitation of the Rental Affordability Index, which is measured in annual income increments of \$5,000.

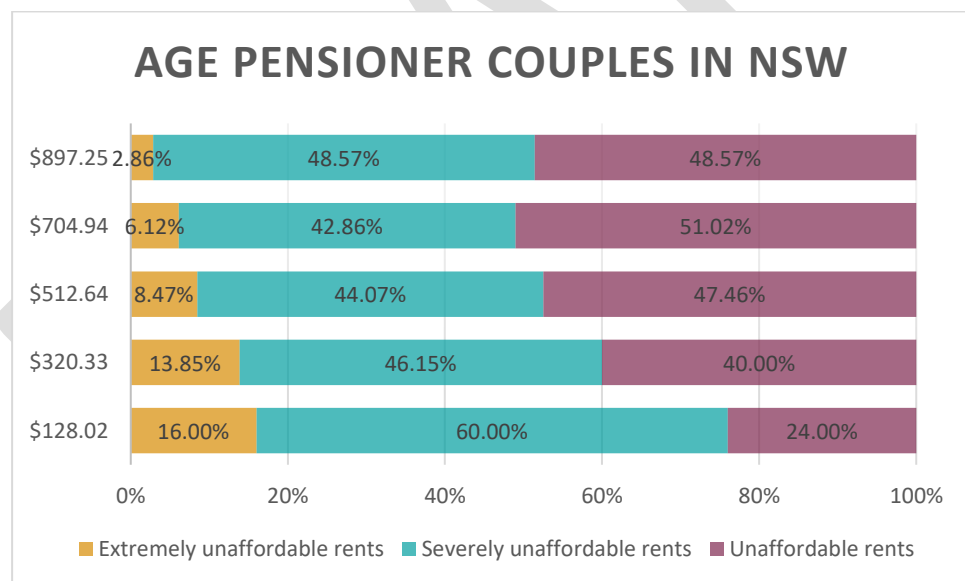
2.10 Relationship Status of Pensioners Spending >30% of Their Income

FIGURE 11: STACKED BAR CHART OF HOUSING STRESS OF SINGLE AGE PENSIONERS



Source: DSS Payment Demographic Data 2016, Rental Affordability Index from SGS Economics and Planning

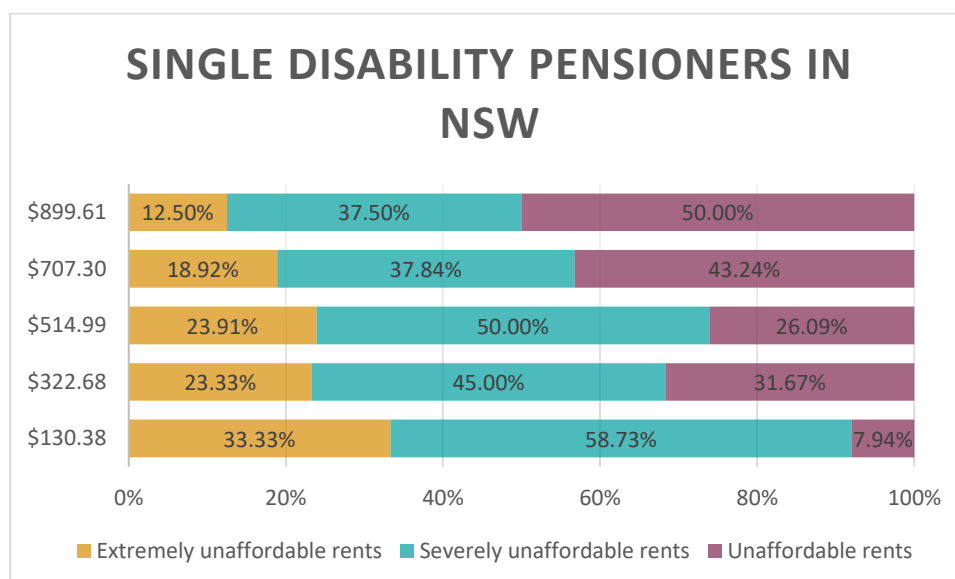
Figure 12: Stacked Bar Chart of Housing Stress of Age Pensioner Couples



Source: DSS Payment Demographic Data 2016, Rental Affordability Index from SGS Economics and Planning

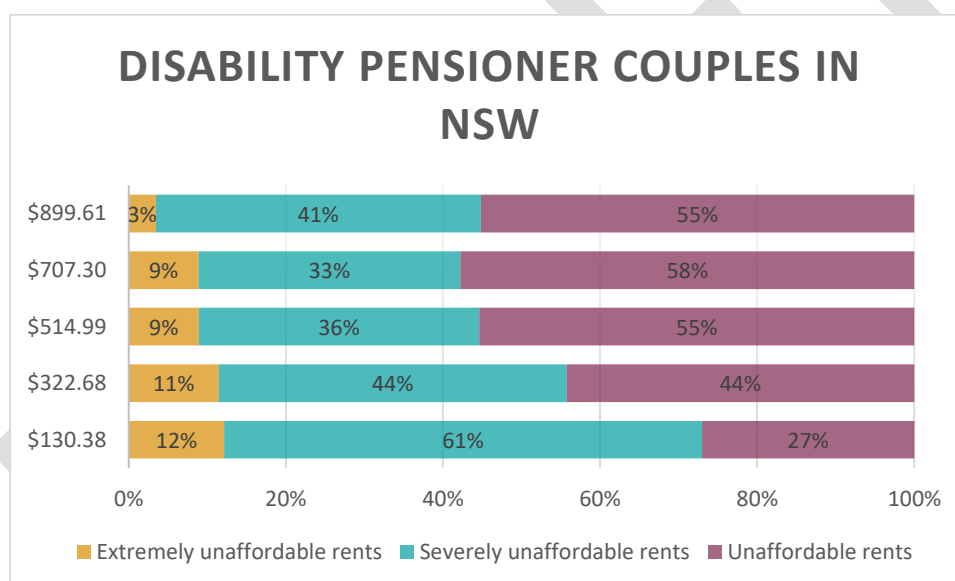
Age pensioner couples are in significantly less housing stress than their single counterparts, meaning that their higher incomes are relieving housing stress even though they require two bedrooms. It may be that couple are turning to one bedroom dwellings to find affordable housing, and therefore there are less suitable dwellings available for single pensioners.

FIGURE 13: STACKED BAR CHART OF HOUSING STRESS OF SINGLE DISABILITY PENSIONERS



Source: DSS Payment Demographic Data 2016, Rental Affordability Index from SGS Economics and Planning

FIGURE 14: STACKED BAR CHART OF HOUSING STRESS OF DISABILITY PENSIONER COUPLES



Source: DSS Payment Demographic Data 2016, Rental Affordability Index from SGS Economics and Planning

Disability pensioners have a similar spread of housing stress, when compared to age pensioners, across the three categories shown above. Couples are in significantly less extreme housing stress, but do not escape housing stress entirely. Their higher incomes shift into less severe levels of housing stress. This does not lessen the numbers in housing stress, so much as it lessens the consequences of housing stress.

2.11 Key findings

In NSW, there are around 816,000 recipients of age pension and 249,500 on disability support pension. Based on the best data available at the time of writing, it is estimated that 15.6% of age pensioners and 15.5% of disability pensioners are living in private rental properties.

Both DSS data and SGS' Rental Affordability Index were used to assess the housing stress currently felt by these renters and the extent to which increased levels of rent assistance would alleviate this.

This analysis has found that the vast majority (over 90%) of age pensioners, even with the current rate of rent assistance, are experiencing different levels of housing stress, where housing stress is defined as spending more than 30% of their income on rent. To examine the impact of providing additional rent assistance, we have increased their income in the increment of \$5000 per annum, until the number of age pensioners that are not in housing stress overtakes the number that are in housing stress. This threshold is estimated at \$20,000 per annum or \$897 per fortnight, which can be seen as the level of rent assistance required to make a significant impact on the level of housing stress among age pensioners.

The same analysis was repeated for the disability pensioners. Overall, disability support pensioners are in less housing stress than age pensioners. This is largely because the disability pensioners are currently living in more affordable areas, compared to age pensioners. In terms of the threshold to make a significant impact on housing stress, additional rent assistance of \$15,000 per annum or \$707 per fortnight is required to lift almost half of the disability pensioners out of housing stress.

As expected, our analysis has found that single pensioners are in more housing stress, compared to couple pensioners. For both single and couple pensioners, those on disability are under slightly less housing stress than those on age pension.

For those in housing stress, we have categorised them into three severe levels: extremely unaffordable (spending >60% of income), severely unaffordable (spending 38-60%) and unaffordable (spending 30-38%). Using the percentage of pensioners paying extremely unaffordable rents as a measure for vulnerability to housing stress, it is recommended that the target groups should be prioritised in following order:

- Single age pensioners (39% paying extremely unaffordable rents)
- Single disability support pensioners (33% paying extremely unaffordable rents)
- Age pensioner couples (16% paying extremely unaffordable rents)
- Disability support pensioner couples (12% paying extremely unaffordable rents).

3. HOW MUCH ASSISTANCE

The analysis in the previous chapter has found that a rent assistance of \$700 to \$800 per fortnight is required to make a significant impact on the housing stress experienced by pensioners in NSW. However, it is expected that its cost would substantially exceed the \$25 million budget cap considered at the 2017 Federal Budget. As such, the current maximum rent assistance has been used in calculating the costs of a possible rental rebate for those in highest needs only (i.e. pensioners paying extremely unaffordable rents).

3.1 Assumptions

The assumptions made are that:

- Income is consistent across the primary payment types for pensioners.
 - Single income is estimated to be \$25,000 p.a. for each individual.
 - Couple income is estimated to be \$45,000 p.a. for each individual.
- Rent assistance (RA) is set at the maximum available.
 - Single RA is estimated to be \$132.20.
 - Couple RA is estimated to be \$124.60.
- The available budget is set at \$25,000,000 (\$25M).

3.2 Calculating the Budget Using Maximum Possible Assistance

Using the maximum level of rent assistance for singles and couples, the cost can be simply estimated as such:

$$\begin{aligned} \text{Cost} &= \text{Number of Recipients} \\ &\quad * (\text{Single Ratio} * 132.20 + \text{Couple Ratio} * 124.60) \\ &\quad * \text{Ratio of Renters} \end{aligned}$$

The table below shows the costs of providing the rent assistance to different target groups.

TABLE 11: COST OF PROVIDING RENT ASSISTANCE TO AGE PENSIONERS

Target Group	Rent Assistance	Number of People
Single age pensioners	\$118,305,076	35,543
Single disability support pensioners	\$32,691,632	9,644
Age pensioner couples	\$31,436,930	9,445
Disability support pensioner couples	\$3,146,262	928

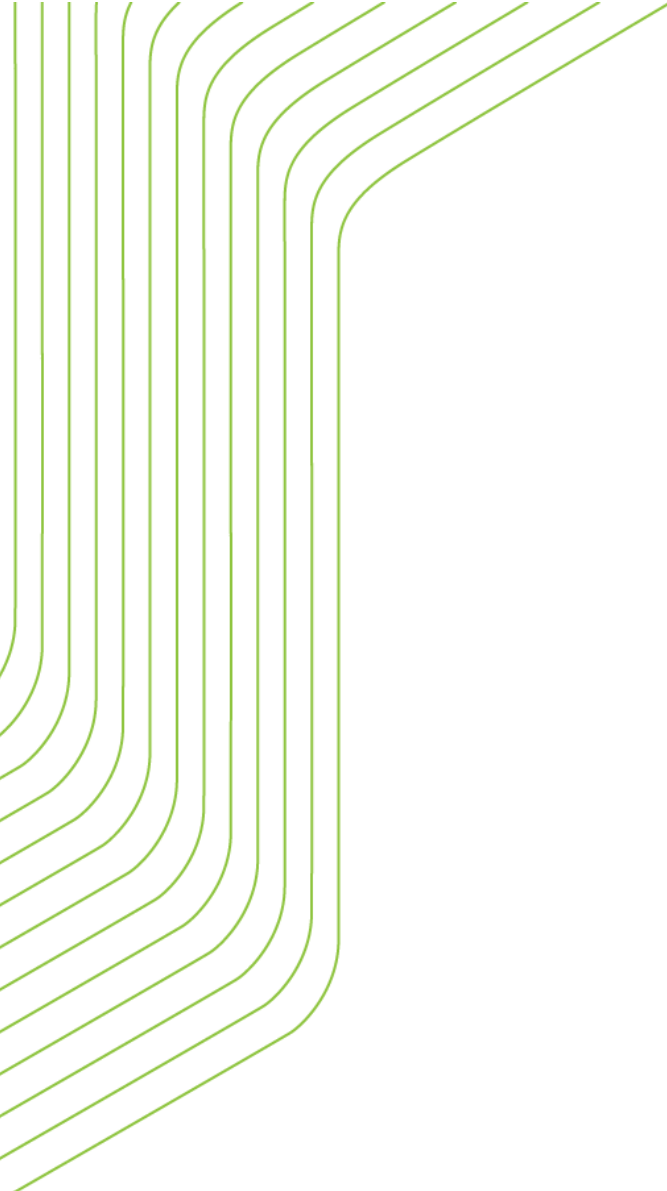
Source: DSS Payment Demographics data from 2016 Quarter 4, Rental Affordability Index from SGS Economics and Planning, Rent Assistance maximums sourced from DHS Payment Rates (humanservices.gov.au)

This is assuming the pensioners counted here are all receiving the maximum amount of rent assistance, which is therefore inflated. The given budgets cover the annual cost of rent assistance for each of the target groups listed, and only for those who are classified above as in “extreme housing stress”.

4. DIRECT AND INDIRECT BENEFITS

To be completed in the full draft once the scenarios have been agreed with FACS.

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