

Commission recommends market rents for social housing



Social housing in Sydney. Picture: John Appleyard

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The way financial assistance is given to low-income people in public and social housing should be dramatically reformed, the Productivity Commission says, with the two-tier system abolished, market rents paid by everyone and Commonwealth Rent Assistance increased 15 per cent to ease the pain.

The commission's draft report into options for human services reform, handed down today, recommends dismantling the unfair divide between public-housing tenants — who have rent capped as a portion of their income — and those in social housing who pay market rents, with commonwealth compensation, to offset the extra costs.

The commission says rent assistance, paid to about 1.4 million people on welfare payments including the dole and the Age Pension, at a cost of almost

\$5 billion a year, should be extended to those in public housing, on condition that state and territory governments abolish fixed rents.

Such a move would abolish an entrenched unfairness in the system where, in Victoria at least, public-housing tenants receive about \$2500 more in support annually than do low-income earners and welfare recipients in the private market.

“People eligible for social housing should have genuine choice over where they live, including the choice to rent in the private market, but whether they live in social or private housing should not determine the level of financial assistance they receive,” the draft report says.

The changes would require a tricky rebalancing of cost between federal and state governments. Canberra would face increased spending on rent assistance while the states would recoup more money from tenants in public housing, which the commission suggests they should spend on further support.

“State and territory governments should provide an additional payment for tenants with a demonstrated need for additional assistance,” the report says.

“Eligibility for, and the level of, this ‘high-cost housing payment’ would be a matter for state and territory governments but could include assistance for those who need to live in high-cost areas for work or other reasons. This payment could be delivered to the tenant as a top-up to CRA.”

Productivity commissioner Stephen King said the CRA should also be indexed against rents, meaning the cost to the federal government would climb over time but the housing affordability gap for tenants would not widen.

“An overhaul is needed to create a fairer, more flexible system so people who are eligible for housing assistance have greater choice over where they live,” Mr King said.

“This means people can move closer to the services they use, such as schools, and be closer to where they work or want to work.”

More broadly, the report also found the commissioning of family and community services is “siloed and unco-ordinated” and called for longer contracts and scheduled tendering to provide certainty in a sector plagued by instability.