

National Research Venture

Housing assistance and economic participation

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The overarching research question and context

- How do housing assistance programmes impact on economic participation outcomes?
- There are around 1 million working age housing assistance recipients
- Employment rates are low (around one-third)
- Over two-thirds of public housing households are jobless

Research approach

- Quantitative methods – simulation model to measure work incentives; econometric models to estimate behavioural responses
- Qualitative methods – in depth interviews that can reveal the reasons/motives/impediments surrounding decisions about employment

Commonwealth Rent Assistance (CRA)

Key findings

- CRA does not significantly blunt work incentives
- ‘Causes’ at most a 6–7% reduction in employment rates (larger for males)
- CRA recipients are nevertheless relatively prone to poverty and unemployment traps
- This is largely due to low wages, and interaction between taxes and income support programmes (‘stacking’ problem)

Commonwealth Rent Assistance (CRA)

Policy implications

- Reforms that use CRA as a 'carrot' to motivate moves into employment might be worthy of consideration

Public Housing Analysis

- Economic participation affected by a complex range of factors:
 - Income-related rents and work incentives
 - 'welfare locks'
 - Tenure effects
 - Other non-financial factors

Public Housing and work incentives

Key findings

- Unemployment traps and poverty traps are more severe than among other Income Support Programme (ISP) recipients, including CRA
- Particularly severe among female sole parents and female partners of the unwaged
- Impact of income related rents is modest
- Econometric evidence suggest small negative impacts on employment

Public Housing and work incentives

Reforms

- Set market rents and extend CRA to public housing tenants
- Small positive effect on employment rates, but will push around 30% of public housing tenants above the 30% of gross income housing affordability benchmark
- Alternative policy proposal – set fixed minimum rent, that is subsequently adjusted up to market rent once eligibility to ISPs is lost

Public Housing and work incentives

Cont...

Reforms

- There will be ‘winners’ and ‘losers’ in terms of housing affordability
- State Housing Authorities have introduced reforms and there are differences between states (e.g. definitions of assessable income)
- Reforms such as working allowances (in WA) can have modest impacts on work incentive measures

Public Housing welfare locks and tenure effects

Key findings

- What are Welfare Locks?
- Employment rates improve as waiting list applicants make a transition into public housing
- The lift in employment rates (around 6% for males) is particularly noticeable among wait turn applicants
- When allowance are made for 'control' variables the estimated lift in employment rates are even larger (around 12% for males)

Public Housing

Welfare dependence

- Sole parents and non-participants have longer spells in public housing
- Tenants occupying properties with high market rents have longer spells
- Transitions into employment with relatively high earnings are associated with short spells

Public Housing

Policy ideas / implications

- Reforms that introduce fixed term tenures, or tighten income eligibility rules might have positive impacts on efficient use and targeting of the stock
- But there could be a trade-off with negative impacts on employment outcomes

Welfare locks

A policy proposal

- Income eligibility rules are applied on entry to waiting lists
- Income eligibility rules relaxed once accepted on to waiting lists
- Rents continue to be set at 25% of assessable incomes
- The market rent cap is removed
- Any rent surplus is deposited in a Home Credit Fund
- The surplus can be accessed on exit for approved purposes

Figure 1

Employment rate of working age males
By housing tenure, 1982-2002

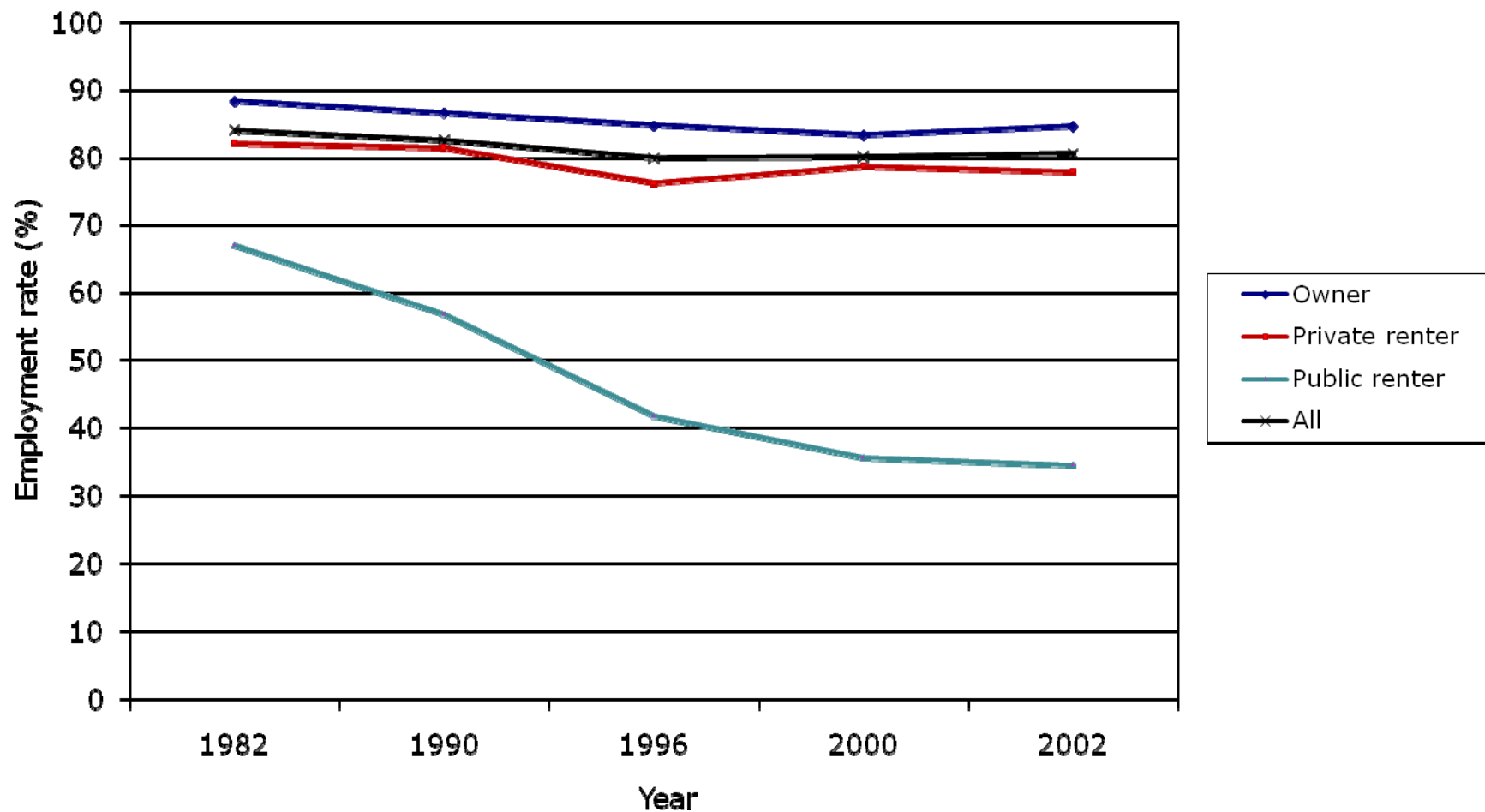


Figure 2

Employment rate of working age females
By housing tenure, 1982-2002

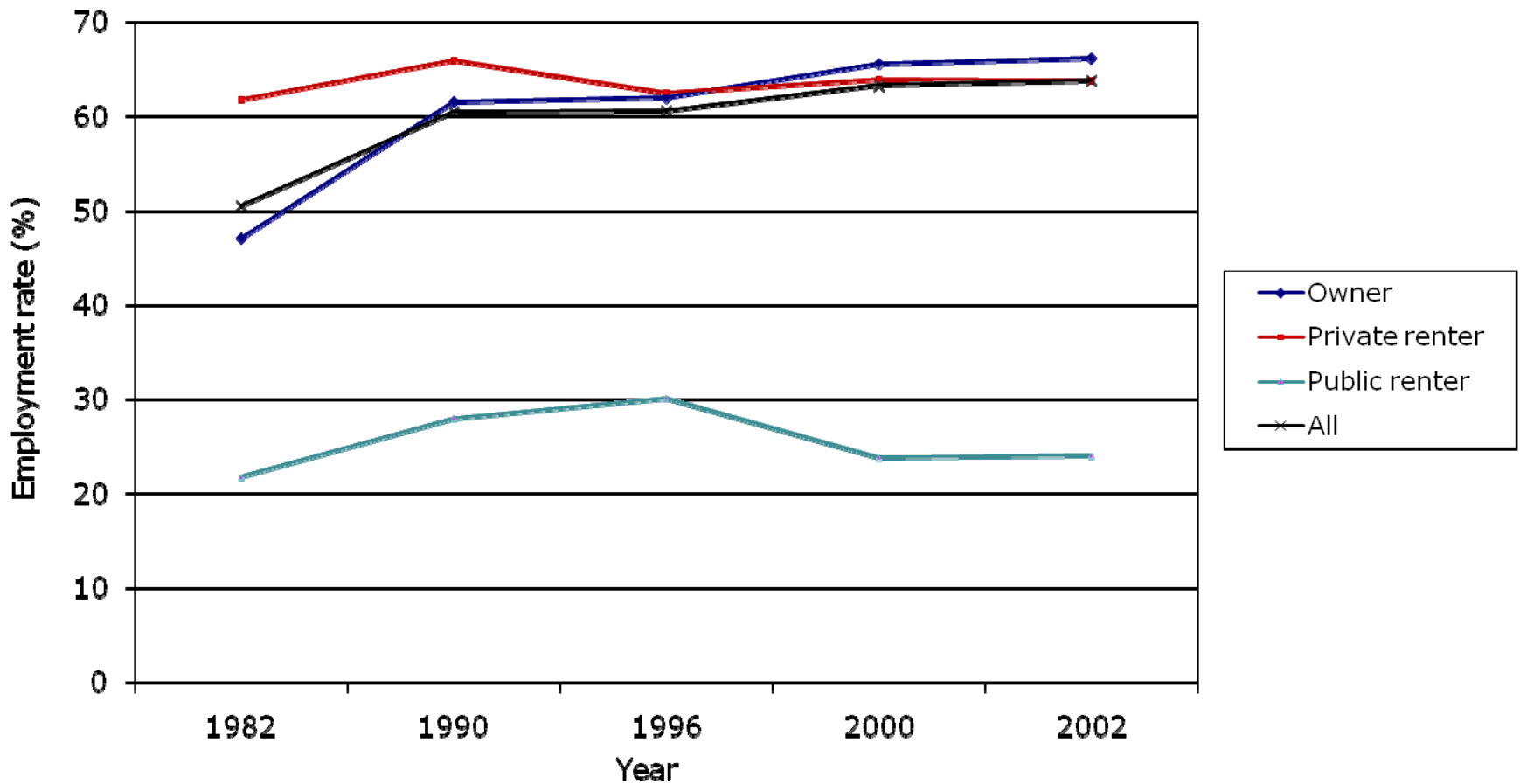


Figure 3

Actual & adjusted employment rates of working age public renters
By gender, 1982-2002

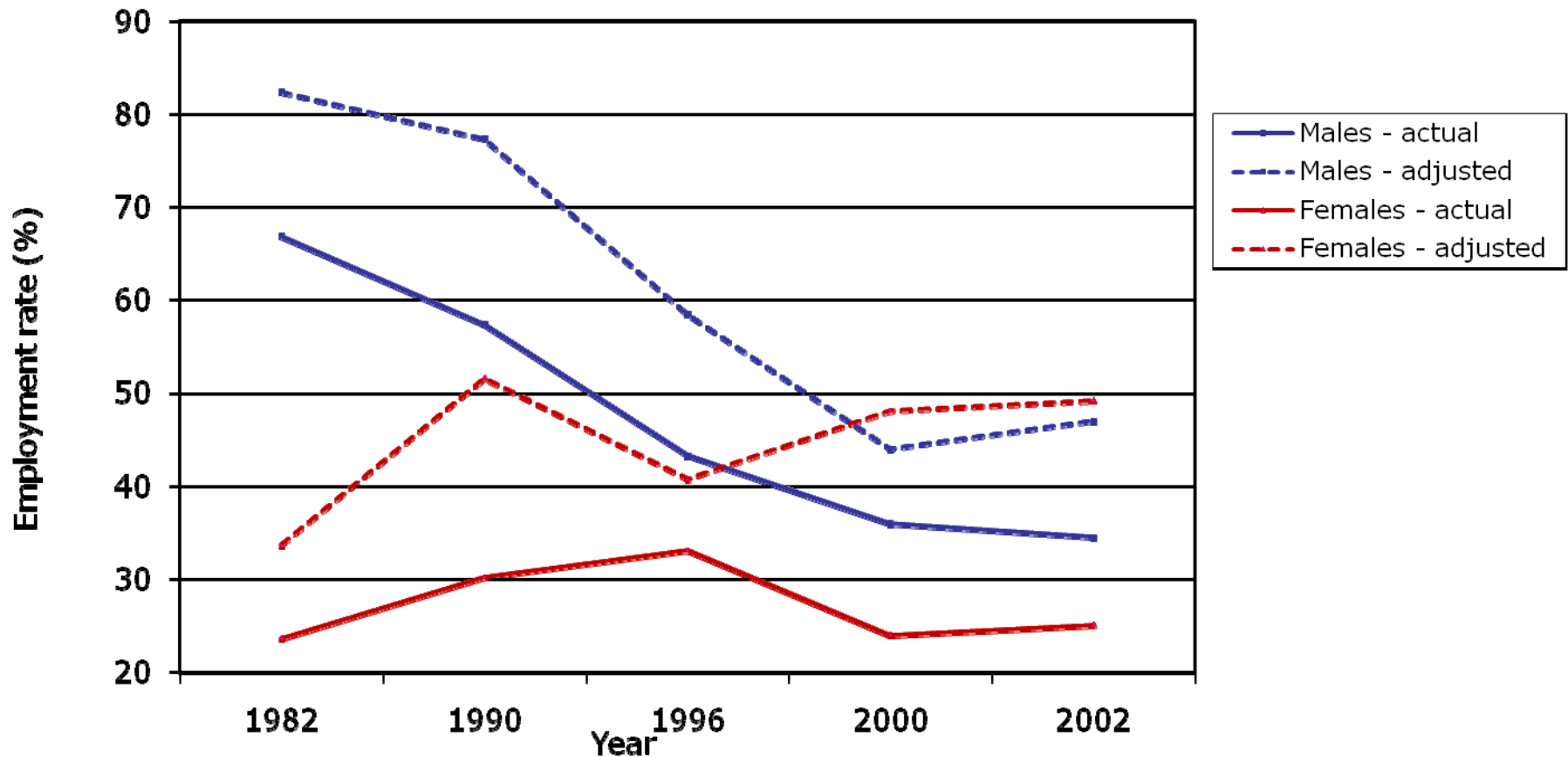


Table 1

Profile of working age public renters & all working age persons,
1982-2002, % by column

Socio-demographic characteristic		Public renter		All	
		1982	2002	1982	2002
<i>Gender:</i>	Male	40.1	38.2	49.6	49.1
	Female	59.9	61.8	50.4	50.9
<i>Age band:</i>	15-34	44.0	27.2	47.7	35.1
	35-64	56.1	72.9	52.3	64.9
<i>Highest qualification:</i>	Bachelor degree or higher	1.0	3.5	6.3	17.9
	Other post-school qualification	23.5	22.7	32.2	33.0
	No post-school qualification	75.6	73.6	61.5	49.0
<i>Income unit type:</i>	Couple with dependent children	51.0	20.3	41.9	33.9
	Couple with no dependent children	22.2	16.0	26.1	30.8
	Sole parent	15.6	26.4	3.3	5.7
	Single	11.2	37.2	28.7	29.5
<i>Number of dependent children:</i>	Zero	33.4	53.3	54.8	60.4
	One or more	66.6	46.7	45.2	39.6
<i>Region:</i>	Capital city	58.0	46.0	59.2	57.4
	Rest of state	42.0	54.0	40.8	42.6
<i>DSP recipient:</i>		7.5	26.8	2.1	4.9
<i>Population ('000s):</i>		331	358	9,247	12,088

Figure 4

Percentage of unwaged working age persons with RRs > 75%

By housing tenure and gender, 1982-2002

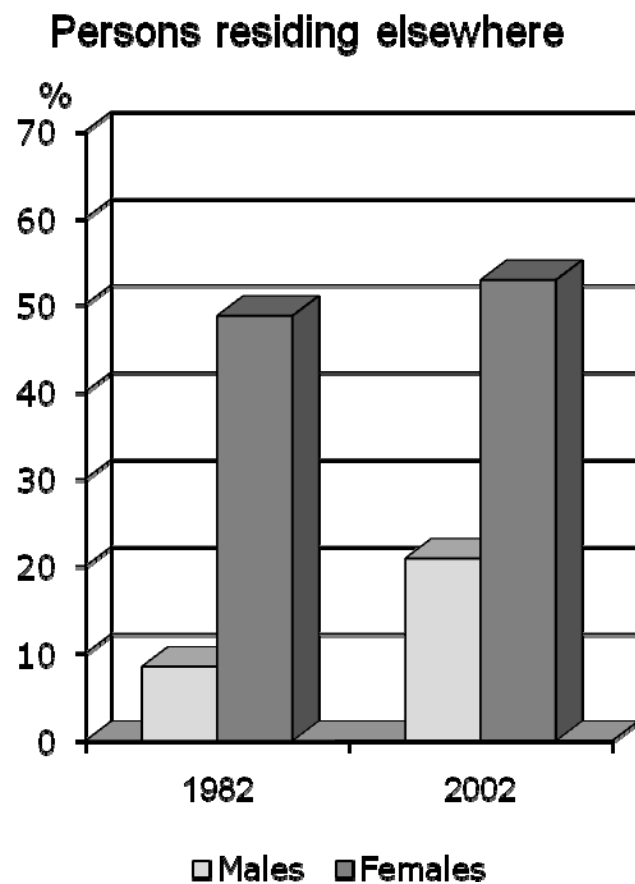
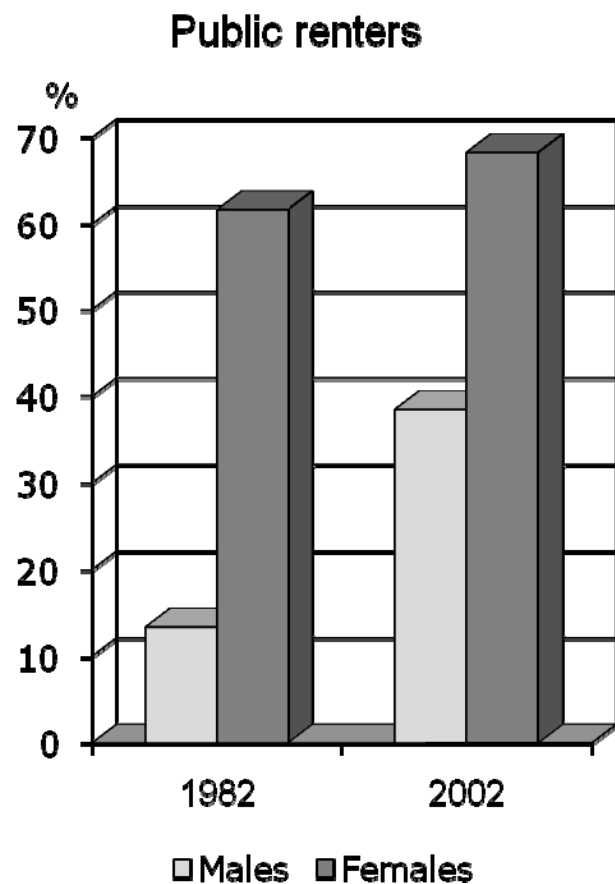


Figure 5

Percentage of unwaged working age female sole parents with RRs > 75% and their employment rates
By housing tenure, 1982-2002

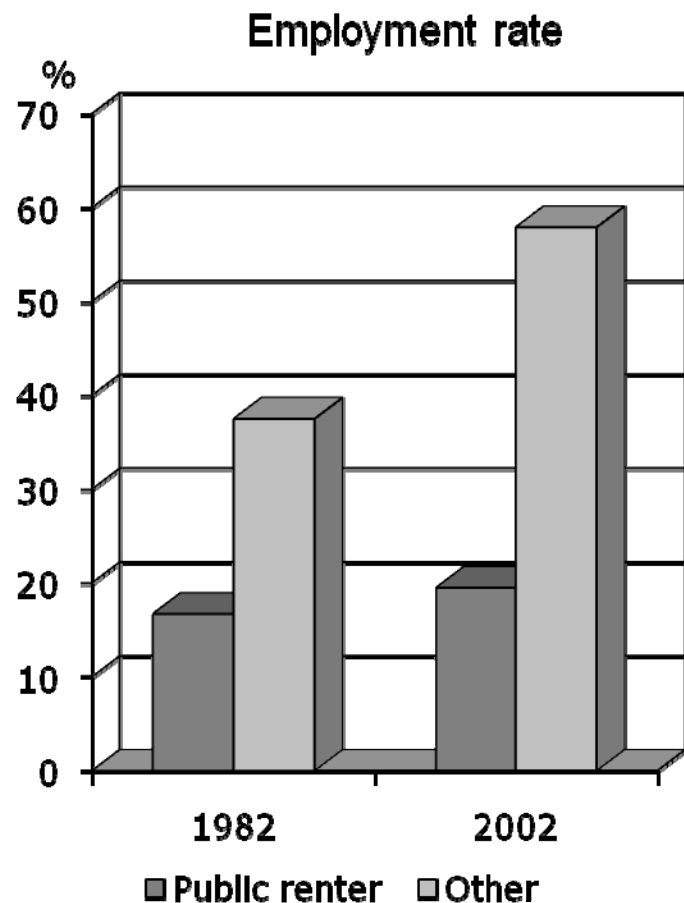
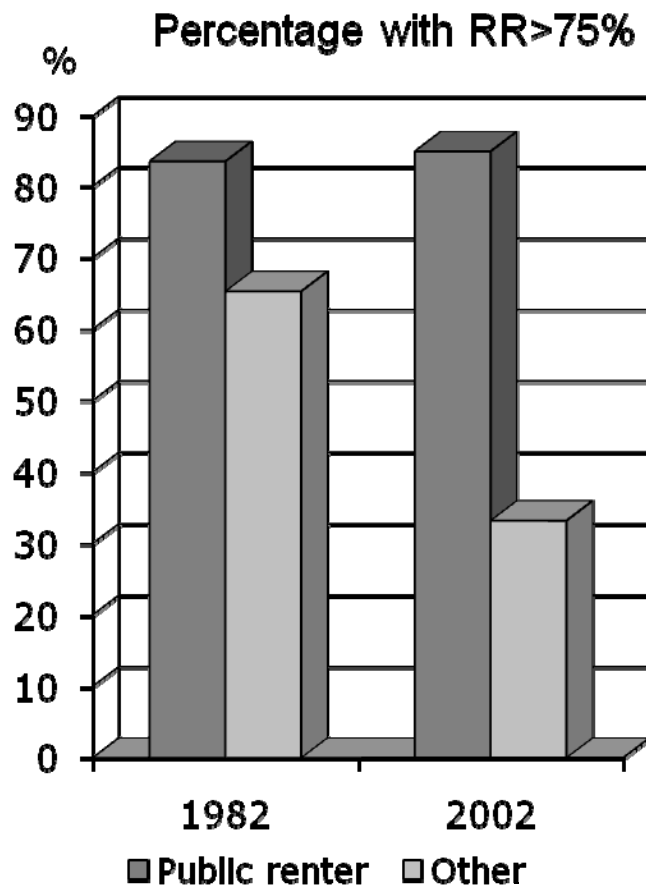


Table 2

Employment rates of wait turn & priority applicants before and after entry into public housing

Priority level	Entry onto wait list	Entry into Public Housing	Most recent observation
Wait turn	15.5	18.3	22.6
Priority	11.5	11.8	16.5

Source: Western Australia DHW public housing data 1999-2005

Table 3

Contemporaneous employment rates of applicants and tenants, by priority level and year

Priority level	1999	2000	2001	2002	2003	2004	2005	All
<i>Wait turn</i>								
Applicants	15.6	15.3	14.3	12.9	12.4	12.3	12.6	13.3
Tenants	18.4*	20.1*	18.8*	17.1*	19.9*	20.7*	22.5*	20.1*
<i>Priority</i>								
Applicants	11.3	8.9	7.3	7.2	6.5	6.8	6.4	7.3
Tenants	4.0*	14.4*	12.7*	12.7*	12.2*	12.0*	13.2*	12.6*

Source: Western Australia DHW public housing data 1999-2005

* Significantly different from applicants at 1% level