

Overview

The way in which government benefits and taxes are distributed amongst households is an area of growing interest in economic and social policy reflected in the recent reforms to taxation and income support (Reference Group on Welfare Reform 2000; Treasury 1998). In the housing context government taxes and benefits play an important role in shaping the supply and demand for housing in Australia. Commonwealth, state and territory as well as local governments have a wide range of policies and programs that may contribute to the tenure choices made by households.

The purpose of this paper is to present aggregate and distributional data on the major forms of housing assistance provided both through government outlays and taxation expenditures. These include five major benefit areas: direct assistance provided through Commonwealth Rent Assistance (CRA), public rental housing rebates under the Commonwealth-State Housing Agreement (CSHA), the Australian Government's First Home Owner Grant (FHOG), and indirect assistance through non-taxation of imputed rent for owner-occupiers and capital gains tax exemption for home owners.

This report by the Australian Institute of Health and Welfare (AIHW) is the Institute's contribution to the Australian Housing and Urban Research Institute's (AHURI) research project 60098: a distributional analysis of the impact of direct and indirect housing assistance. While it covers a range of assistance types, the data presented in this paper are not comprehensive due to the diversity of forms of assistance and the lack of information at the national level on these benefits. The approach taken in this paper represents only one methodology that can be employed, and it is important to recognise that other assumptions could be used in estimating the value of assistance to households.

The analysis of the distribution of housing assistance in Australia

In Australia there have been relatively few attempts to examine the distributional implications of the direct and indirect assistance provided to housing. Flood and Yates (1987) undertook some of the earliest work in Australia. The work done for this paper is based on the methodology employed in that study and completes the first detailed update of this seminal work. It has been undertaken by the Institute under the auspices of an AHURI research project, the first stage of which was completed by Judy Yates and reported in a companion piece to this paper (Yates 2002b). This first stage provided estimates of the extent of the major forms of assistance provided to home owners through FHOG and through tax expenditures arising from the income tax system and examined the distributional impact of these forms of assistance.

Brief results from the second stage of this AHURI project were presented in Australia's Welfare 2003, Chapter 5. This paper sets out the underlying methodology and more detailed results of that project by providing data on the distributional impact of the major forms of direct housing assistance provided to renters. It also integrates the results of the two studies to give an overview of the distribution of these direct and indirect housing benefits and the characteristics of the households receiving these benefits.

Executive summary

The type and level of government housing related benefits to households vary considerably across tenure types. In rental markets the benefit is relatively easy to identify and quantify. In homeownership this is a more difficult task given the range of benefits and taxes that home ownership attracts. Due to data limitations the results presented in this report examine aggregate values of assistance in 2000–01 based on administrative data and examine the distribution of this assistance based on the 1999 Australian Bureau of Statistics Australian Housing Survey data.

The value and distribution of direct and indirect housing assistance across tenure type

In 2001–02 the value of the assistance measured in this paper was estimated to be \$25.2 billion. This covers the value of government outlays (direct assistance) and taxation expenditure (indirect assistance) and comprised:

- Direct assistance to renters valued at \$3.2 billion comprising:
 - \$1.8 billion for rent assistance to private renters through the Commonwealth Rent Assistance, and
 - around \$1.4 billion for housing assistance to public renters under the Commonwealth–State Housing Agreement.
- Direct assistance for homeownership through the Australian Government First Home Owner Grant of approximately \$1 billion.
- Indirect assistance to home owners valued at around \$21 billion in the form of:
 - capital gains tax exemption¹ of \$13 billion, and
 - imputed rent tax exemption benefit² of \$8 billion.

While the value of indirect assistance is greater than direct assistance by a factor of five, the different nature of this assistance and the basis used to measure these benefits make such direct comparison unreliable.

This report shows how, in 1999, the distribution of this group of benefits varies across households by income group, household type and location:

- Benefits to renters are targeted to low income households while benefits to home owners are not.
- More than 77% of the total CRA benefit was received by households with incomes in the bottom two income quintiles; 90% of the total public housing rental subsidy was received by households in public housing with incomes in the lowest two income quintiles (Table A4.3).
- Assistance to home owners, on the other hand, primarily benefits higher income households. Nearly 70% of tax benefits towards home purchasers went to households

¹ See Glossary for definition of capital gains tax exemption.

² See Glossary for definition of imputed rent tax exemption.

with incomes in the top two income quintiles. The tax benefit towards home owners without mortgages shows that a significantly higher proportion of this benefit (93%) was received by households with incomes in the top two income quintiles (Table A4.3).

- Specific groups such as youth or income support recipients are targeted in rental assistance. Sole parents, aged pensioners and young persons had high levels of access to CRA and public rental rebates. Assistance to home owners was more generally spread across the population.
- The distribution of housing benefits varies across states and territories based on the different proportions of renters and owners present. In 1999 homeownership varied from 75% of all households in Victoria to 46% in the Northern Territory (Table 4.6). Private renters range from 37% of total households in the Northern Territory to 17% in South Australia. Public renters comprise 13% of households in the Northern Territory and only 3% in Victoria. These features impact on the distribution of government housing assistance in terms of absolute and relative values across states and territories.

Private renter households

At June 2001 there were approximately 943,000 income units receiving CRA. The majority of these were private renters. It is estimated that this comprised 698,000 households (Table 2.2). Private renter households which receive CRA benefited an average amount of \$2,470 per year, which varied from \$2,850 in the Northern Territory to \$2,060 in Tasmania. Differences in household income and size and rent distributions contribute to these variations.

The distribution of CRA amongst households showed that in 1999 over three-quarters of total government expenditure on CRA (77%) was received by households in the lowest two income quintiles.

Queensland and Tasmania reported over 8% of their total population in receipt of CRA – well above the national average of 6% based on the 1999 data. The Northern Territory and the Australian Capital Territory reported the lowest proportion at 1% and 2% of the total population respectively (Table 2.6).

Across household types there is significant variation in both the proportions renting in the private rental market and the proportion of these renters that are receiving CRA. Group households and one-parent households have the highest proportions of their groups in private rental at 71% and 37% respectively compared with an average of 22% across all households (Table 2.7). However for group households only 14% are CRA recipients compared with the average of 26% of all private renter households. For one-parent private renter households over two-thirds (69%) receive CRA. This reflects the different characteristics of these two groups in key areas such as income and labour force participation.

Similarly for households where the age of the reference person is under 25 years of age there is a very high proportion of households that are private renters (72%) yet use CRA at a rate just below the national average. For households where the head is aged 65 years or more the proportion of households in the private market is relatively small, comprising only 7% of such households, but 44% of these private renters receive CRA.

Public renter households

In 2000–01 approximately 88% of the 342,500 public rental households in Australia received a rebate.³ This represents around 302,500 households. Public renter households that receive a rebate get an average benefit of \$4,150 per year which varies from \$5,380 in New South Wales to \$2,220 in Tasmania (Table 2.11). Different household income levels of tenants and market rent of public housing dwellings contribute to these variations. Due to significant changes in the 1999 CSHA over previous agreements relating to targeting those in most need the 1999 survey data may not reflect current proportions of tenants receiving rebates and their level of rebates (AIHW 2001a).

The distribution of the rebate amongst households showed that in 1999 households in the lowest two income quintiles received over 90% of the total value of rebates. While rebated public rental households represent 4% of all households they are 12% and 6% of all households in the first and second income quintiles respectively (Table 2.13).

In 1999 the proportion of rebated public renter households in the total population varied across states and territories from 10% in the Northern Territory to 3% of the total population in Victoria (Table 2.14). Similarly the Northern Territory had the highest proportion of public housing renters (rebated and non-rebated) to total households at 13% while Queensland had the lowest at 3%. From the survey data Queensland had the highest proportion of public renters who were receiving a rebate (86%) while South Australia had the lowest with only two-thirds of all public renter households being identified as in receipt of a rebate⁴ (Table 2.15).

Twenty-one per cent of one-parent households are in public rental households and 83% of these receive a rebate (Table 2.17). While only 2% of all group households are in public rental housing, nearly all of them (95%) receive a rebate.

In public housing there are above average numbers of households where the reference person is under 25 years of age or aged 65 years or more. In 1999, 7% of households where the age of the reference person is under 25 years were in public rental housing as were 7% for the 65 years and over group, compared with 5% for the population overall (Table 2.19). For the under 25 years group 93% received a rent rebate while for the 65 years and over group the proportion was 72%.

Home owners

Data on access to home owners' benefits through grants and tax expenditures are more limited than data on the rental sector. In this report a range of assumptions had to be made to derive benefits values and examine their distribution.

The value of the First Home Owner Grant was distributed on a per household basis to new purchasers while the data on exemption from capital gains tax and imputed rent were spread over the 70% of households who fully own or are purchasing their dwelling (Table 1.1). This differs from the methodology used to determine the CRA or public housing rental rebate, where recipients and value of CRA or public housing rental rebates could be uniquely identified and estimated.

³ See Glossary for definition of rent rebate.

⁴ See Appendix 4 (Table A6) for a comparison of the Australian Housing Survey 1999 and administrative CRA and rebate data.

In 1999 homeownership varied from 62% in the lowest income quintile to 83% in the top quintile. In the lowest quintile this comprised 54% of households being owners without mortgage and 8% being home owners with mortgage. In the top quintile 31% were owners without mortgage and 51% owners with mortgage (Table 4.5).

The mean dwelling value in Australia in 1999 was \$222,000 ranging from \$297,000 for New South Wales, to \$125,000 for Tasmania. Equity values also varied from \$248,000 in New South Wales, to \$99,000 in Tasmania (Table 3.3).

Across all home owners the proportion of equity in the dwelling increases with the age of the reference person. In households where the age of the reference person is 25 to 34 years, average equity is 50%, increasing to 69% for the 35 to 44 years group, 86% for the 45 to 64 years group, reaching 99% for the 65 years or more group (Table A3.3).

First Home Owner Grant (FHOG)

The First Home Owner Grant provided to Australian citizens who purchased a new or established dwelling a one-off \$7,000 payment. Assistance is not means tested, but the applicant must not have previously owned a home and the property must be intended to be a principal place of residence.⁵

As the FHOG was not operating in 1999 an estimate based on the 2000 criteria was used to illustrate the distribution. Based on this approach almost half of the total value of FHOG was received by households with incomes in the top two income quintiles. Another 32% of this benefit went to households with incomes in the third income quintile (Table A4.3).

Imputed rent exemption

In 2000-01 the net value of non-taxation of the imputed rent after allowing costs to be deductible for owner-occupiers was estimated to be approximately \$8 billion of tax expenditure (Table 3.1). The estimation of imputed rent tax expenditure as with the value of imputed rent from owner occupation varies considerably by state and territory based on dwelling and equity values.

Across all income groups the average value of non-taxation of the imputed rent was \$1,600 based on 1999 data. This ranged from zero to home owners in the lowest income quintile to \$2,400 per year per household in the top quintile. For owners without a mortgage (outright owners) the average value was \$3,200 while for owners with a mortgage (purchasers) the value was negative \$300 per year per household.

For households where the reference person was young (25-34 years of age) the average annual value of imputed rent was negative valued at -\$1,200. Negative benefits applied on

⁵To offset the impact of the introduction of the goods and services tax, from 1 July 2000 the Australian Government established the First Home Owner Grant. The grants are administered by the states and territories and provide Australian citizens who purchase a new or established dwelling with a one-off \$7,000 payment. Assistance is not means-tested, but the applicant must not have previously owned a home and the property must be intended to be a principal place of residence. During March 2001, the Australian Government introduced an Extra First Home Owner Grant for New Homes, providing an additional \$7,000 grant, non-means tested, for first home owner applicants constructing or purchasing a new dwelling. This additional grant was reduced to \$3,000 from 1 January 2002 and ceased on 30 June 2002. The states and territories also administered this grant (FHOG on-line 2001).

average only to young households with higher income, because of their greater capacity to service mortgage debt.

Capital gains exemption

In 2000-01 the value of the exemption from capital gains tax to home owners was estimated to be approximately \$13 billion of tax expenditure (Table 3.1). To examine the distribution, the potential benefit of this tax expenditure was spread over the 70% of households who fully own or are purchasing their dwelling.

In 1999 the estimated distribution of capital gains was \$1,200 per household who fully own or are purchasing their dwelling, ranging from zero in the lowest income quintile to \$2,300 per household in the top income quintile (Table A3.2).

The effect of the different housing benefits

The most noticeable effect on welfare is the ability of housing assistance to improve a household's command over goods and services by reducing the amount of household budget that has to be allocated to meet housing costs. By reducing housing costs either through government outlays or taxation expenditures households are able to devote less of their budget to housing.

For private rental the value of CRA is currently included in the gross household income distributions presented in this report. However the value of public renter rebates and tax expenditures are not, and the significant value of these forms of benefits is likely to change the relative income levels of those households that attract these benefits.

Access to public housing rebates does not increase measures of household gross income but reduces the proportion of a household's budget that has to be spent on housing and basic living costs. Similarly tax concessions to owner-occupiers contribute to home ownership rates, and provide home owners with a higher standard of housing consumption than would otherwise be possible. One effect of this is to improve the adequacy and affordability of housing for older people. As a result, considerable pressure has been taken off the age pension system and CRA payments.

Despite the inclusion of imputed rent in national accounts data, most income distribution studies do not include imputed rent in the definition of household income. In general, this is said to be because of the difficulties associated with its measurement. The inclusion of these indirect benefits, however, may significantly change the distribution of income.

1 Housing assistance in Australia

1.1 Background

One of the principal aims of housing assistance is to overcome the problems that households face in obtaining or retaining suitable accommodation – whether due to cost, availability or adequacy – and to provide households with the flexibility to meet changing demand.

In providing shelter that is basic to general health and wellbeing, housing assistance represents an important element of Australian, state and territory governments' social policy and welfare frameworks. The Australian Government and the states and territories have developed and implemented strategies aimed at providing housing assistance to people on low incomes or with special needs, and at preventing and reducing homelessness. Similarly governments have supported home ownership through a range of government outlays and taxation expenditures. These forms of assistance may vary in their purpose and impact, reflecting the different economic and social objectives they support. Some are highly targeted to low income or households with special needs while others are universally available (AIHW 2003b).

Housing assistance can take many forms. It may be one-off, such as with the First Home Owner Grant (FHOG) or it may be ongoing, such as with Commonwealth Rent Assistance (CRA). It may be a part of a housing program such as the Commonwealth-State Housing Agreement (CSHA), or it may be provided in the form of general income support such as CRA or as a tax expenditure such as through the capital gains tax exemption for owner-occupiers. It can be measured in terms of budget outlays, such as the specific purpose payments or capital outlays for public housing, or it can be measured in terms of the benefits derived by those in public housing who are charged below market rents. In this report housing assistance is used in a broad sense to include assistance that is based on economic or social policies and programs that are not in the first instance for the purpose of housing assistance. For example, supplementary payments through the income support system are often considered as income support and not housing assistance and treated as such in government budget reporting. Similarly some taxation expenditures such as land tax exemption for owners are not simply a form of housing assistance. The impact of state/territory taxes and exemptions, however, is beyond the scope of this report.

Most of the housing assistance provided in Australia is tenure specific: that is, it varies according to the tenure of the recipient. Table 1.1 provides an overview of the tenure structure in different regions of Australia as at 1999.

Table 1.1: Percentage of each tenure group within state/territory, 1999

Tenure	State or territory								All
	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	
Owners without mortgage	40.6	42.5	34.8	34.2	38.2	40.5	30.8	16.0	38.8
Owners with mortgage	28.9	32.2	32.7	33.7	30.8	30.1	37.3	29.7	31.3
<i>All owners</i>	<i>69.6</i>	<i>74.8</i>	<i>67.5</i>	<i>67.9</i>	<i>69.0</i>	<i>70.5</i>	<i>68.0</i>	<i>45.7</i>	<i>70.1</i>
Public renters	5.3	3.8	3.4	4.5	10.7	5.9	10.1	13.3	5.1
Private renters	23.0	18.7	26.3	24.1	16.9	20.4	20.4	37.0	22.1
Other tenure ^(a)	2.1	2.7	2.8	3.5	3.4	3.2	1.5	4	2.7
All	100	100	100	100	100	100	100	100	100

(a) Includes dwellings being occupied rent-free, community housing.

Source: Australian Housing Survey, 1999, confidentialised unit record files.

For the 39% of households owning their home and the 31% who are purchasing their home housing assistance includes:

- government outlays such as the FHOG, CSHA Home Purchase Assistance and the Aboriginal and Torres Strait Islander Home Ownership Program;
- tax expenditures including the non-taxation of imputed rent from owner occupation, rates and land tax concessions and capital gain and stamp duty exemptions;
- government regulations and standards in housing and financial markets; and
- other assistance such as home purchase advisory and counselling services.

The 22% of households in the private rental market may be eligible for assistance through a range of policies and programs. The major types of assistance are:

- government budget outlays including financial assistance to households to pay rent, bond and relocation costs;
- tax expenditure providing incentives for investors and landlords through negative gearing incentives;
- government regulations and standards for tenants and landlords including residential tenancy legislation and 'affordable housing' planning regulations;
- other services such as tenant advice services and automatic rent deductions for income support recipients.

The 5% of households in public rental housing receive a range of assistance through:

- capital outlays covering rebate/subsidised rent, repairs, maintenance and upgrade, housing modification, construction and purchase;
- security of tenure;
- government regulations and standards: appeals mechanisms, regulations aimed at ensuring only low income households access low income rental housing, allocations policy; and
- priority allocation and relocation, and coordination of support services.

Government assistance to households in community housing (which comprise less than 1% of all households in Australia), including Indigenous community housing, takes many forms covering:

- tenants' access to rebate/subsidised rent along with access to Commonwealth Rent Assistance, recurrent funding of organisations and undertaking of repairs, maintenance and upgrades and capital funding for dwelling and infrastructure construction;
- taxation benefits including charitable tax status for organisations;
- government regulations and standards which provide skills development, accreditation, development of specific building guidelines and regulations aimed at ensuring only low-income households access low income rental housing; and
- other activities of government including sector coordination, partnerships and incentives and coordination of support services and transition paths to long-term accommodation.

Why examine the distribution of different types of housing assistance?

The cash, non-cash and tax expenditures of government related to housing assistance comprise an important part of Australia's 'social wage'. Other major components are the provision of health care, education and community services.

This assistance replaces or reduces the expenditure of individual household members on housing goods and services. It allows for a greater portion of the household budget to be available for non-housing goods and services, contributing to the level of household wellbeing.

The desirability of examining the effect of both direct and indirect assistance can be demonstrated by the following scenario: if public housing tenants no longer received a non-cash rent rebate but were charged a market rent and received cash rent assistance from Centrelink, there would be an apparent increase in the cash income of these households. However, the capacity to purchase non-housing goods and services would remain unchanged for most households (or would even be reduced) as the increase in income is offset by the removal of their rent subsidies. This is due to the fact that the average value of a rebate to public housing tenants is greater than the amount they would receive from CRA for the same housing situation.

As will be indicated below, much of the government policy to improve living standards and address concerns of inequality has taken the form of indirect assistance or non-cash transfers. This is particularly so in the case of assistance provided to home owner and the International Labour Office has long recognised the importance of measuring the benefits derived from home ownership when examining income distributions. As housing assistance facilitates home ownership it may play an important role in income redistribution.

To understand how government housing assistance affects living standards it is therefore necessary to examine both cash and non-cash transfers of housing assistance.

Effects of housing assistance

Housing assistance through government outlays, tax expenditures and regulatory activity may have a range of effects on individual households and communities. At an individual level, and in relation to housing outcomes, these can include incentive or price allocation effects whereby household behaviour is changed as a result of the assistance provided. This change in behaviour can relate either to the amount or quality of housing consumed or to tenure. It may also have an impact on non-shelter outcomes. At a broader level, the form of

housing assistance may have an impact on the amount and nature of housing supplied in the private or public sectors and, through this, an impact on the economy as a whole.

In terms of achieving what was seen as one of its principal aims – that of ensuring households are able to obtain or retain suitable accommodation – the effectiveness of housing assistance is likely to be measured in terms of how well it is targeted.

Government expenditures and transfers may be targeted to a variety of groups as part of the policy direction of the program, whether economic or social. In this report the measure used to examine the ‘targeting’ of particular government payments or tax expenditures is based on the degree to which it is specifically directed towards low income persons, income units or households.

No precise measures of the degree of targeting are calculated given the different bases of the data being examined. The way in which government benefits and tax expenditures are allocated varies across the area examined and this variation makes detailed analysis difficult. For individual households, rent assistance values are identified uniquely for that household while the value of tax expenditures is based on a derived average benefit for all eligible households in the income group.

Households in need of assistance in meeting their housing needs are likely to be those with the highest housing costs and with the least capacity to meet those costs. Within the younger age group, many of these are likely to be households with children. In broad terms, those with high housing costs will be households in the high-cost housing markets and households with high housing needs. Those with the least capacity to pay will be households in the lower part of the income distribution and households with children. Households in need of assistance in gaining access to home ownership are also likely to be younger households in the low to middle part of the income distribution with low savings. Over a lifetime, housing assistance provided to younger households to enable them to become home owners can result in reduced needs for housing assistance at a later stage in their life-cycle if these households had remained in rental housing.

The long-term budgetary implications of the type of housing assistance provided is likely to become increasingly important with the ageing of the population and with changing tenure patterns over time and space.

1.2 Analysis of the distribution of housing assistance in Australia

The current interest in structural ageing and understanding the spatial aspects of housing provision needs to be informed by data that examine a wider range of housing assistance than just government outlays, particularly in light of the implications that assistance provided to improve access to homeownership to younger households may have in reducing pressures for rent assistance as these households age. There is an increasing concern that the failure to examine the impact of capital outlays and taxation expenditures may lead to a distorted view of the impact of housing assistance.

In 2001-02, Australian Government expenditure on housing was approximately \$25.2 billion. It comprised: \$21 billion of government taxation expenditures; First Home Owner Grant of \$1 billion; \$1.4 billion capital expenditure through the CSHA (primarily public housing); and \$1.8 billion on CRA.

A distributional analysis of the indirect assistance provided to housing through the federal tax system was reported in a companion piece to this paper (Yates 2002b). In the initial output from the Australian Housing and Urban Research project conducted by Judy Yates, data were provided on assistance provided to home owners through FHOG and on the level and distribution of assistance provided by tax expenditures arising from the current income tax system.

This paper complements the data in its companion report by providing data on the distributional impact of the key forms of direct housing assistance. It extends it by integrating the results of the two studies to give an overview of the extent to which direct and indirect housing assistance is targeted to those most in need of it.

Direct assistance is delivered to low income renters through:

- Commonwealth Rent Assistance (CRA), which provides assistance towards rental costs for households on income support renting privately; and
- the Commonwealth-State Housing Agreement (CSHA), which funds public rental housing, community housing (including crisis accommodation and state-owned and managed Indigenous rental housing assistance).

The assistance through budget outlays arise from expenditure on:

- CRA – the major recurrent outlay to private renters; and
- public housing – the major capital outlay of the CSHA.

Across tenures other subsidies exist such as Private Rental Assistance under the CSHA program, and the ATSI HO program. Similarly, the Supported Accommodation Assistance Program (SAAP), Aboriginal hostels and nursing homes provide accommodation but are outside the scope of this study.

1.3 Data sources

Three main sources of data are used in this paper:

- The 1999 Australian Housing Survey (AHS) with a final sample of 13,800 households across Australia (the distributional information presented in the paper is based on this survey data – for an overview of this survey see ABS (2000c)).
- The CSHA Public Housing 2001–02 data.
- The June 2001 CRA administrative data.

1.4 Caveats on the approach used

- In this report the aggregate measures are based on 2001–02 data and the distribution of assistance is based on the 1999 ABS Australian Housing Survey which represents the most up-to-date, data source detailed to enable these estimates to be calculated. The use of this data source may provide data that are different from administrative data in areas such as Commonwealth Rent Assistance and public housing rent rebates.
- The calculation of rebate values in public housing is based on market rents estimated from the 1999 Australian Housing Survey. These estimates may differ from estimates of market rent using different data sources.
- The First Home Owner Grant was not in place in 1999 but data for 1999 have been used here as a proxy measure for their likely distributional impact.
- Imputed rent of owner-occupation, while being a major item in Australia’s system of national accounts, is not a concept that is widely used or applied in measures of the distribution of assistance in the Australian context. Calculations of the imputed rent associated with owner-occupation were based on a conservative set of assumptions consistent with national accounts estimates.
- Agreed methodologies for estimating and allocating taxation expenditures are not readily available in Australia and the range of assumptions and limitations of the survey data used should be borne in mind when interpreting the data presented. The estimates presented here are not estimates of how much revenue would be raised if the tax system was changed, because people’s behaviour could change in response to changes in the tax system.
- The value of exemption from capital gains for home owners is not realised for individual home owners on an annual basis but only at disposal of the current dwelling. The average value approach used here, however, is based on an annualised average equivalent to what would be the lump sum on realisation. This has the effect of smoothing the impact of capital gains on household income.
- The values of assistance for CRA and rent rebates can be estimated directly from data available in the 1999 AHS. The value of assistance provided by the FHOG, imputed rent and capital gains exemption, however, is derived from, and distributed according to, a

number of assumptions. There may be alternative approaches that could be employed both to estimate the amount of assistance and to distribute it at a household level.⁶

- Estimates of capital gain are based on trends in dwelling prices up to 1999 and so do not take into account the very significant Australia-wide increases in dwelling prices from 2000 to 2003.

⁶ Yates (2002b) provides a sensitivity analysis for at least some of the assumptions made.

2 Housing assistance to renters

2.1 Overview

Commonwealth Rent Assistance (CRA) provided to social security recipients in the private rental market and subsidised public housing funded through the CSHA are the two major forms of direct housing assistance provided to renters.

CRA is the major form of assistance to private renters and it is paid directly by Centrelink as part of its income support payment. CRA is a non-taxable income supplement paid by the Australian Government to income support recipients or individuals and families who receive more than the base rate of the Family Tax Benefit Part A (FTBA) in recognition of the housing costs they face in the private rental market. All pensioners, allowees (that is, recipients of allowances such as Newstart Allowance), beneficiaries and those receiving more than the base rate of FTBA may be eligible for this assistance.

CRA is paid at a rate of 75 cents for every dollar of rent above a given threshold until the maximum payable rate is reached. The maximum rates and thresholds vary according to a client's situation and their number of children (Table 2.1). For single people without children, the maximum rate also varies according to whether accommodation is shared with others. Rent thresholds and maximum rates are indexed on 20 March and 20 September each year to reflect changes in the consumer price index.

Table 2.1: Eligibility and payment scales for CRA for Centrelink clients (dollars per fortnight), 20 March 2000

Personal circumstances	Minimum rent to be eligible for CRA	Minimum rent to be eligible for maximum CRA	Maximum CRA	Average CRA paid
Single, no children	73.80	176.73	77.20	59.08
Single, no children, sharer	73.80	142.47	51.50	43.48
Single, 1 or 2 children	97.00	217.27	90.20	69.02
Single, 3 or more children	97.00	233.00	102.00	81.94
Partnered, no children	120.20	217.00	72.60	58.92
Partnered, 1 or 2 children	143.60	263.87	90.20	71.30
Partnered, 3 or more children	143.60	279.60	102.00	78.88
Partnered, illness separated, no children	73.80	176.73	77.20	72.12
Partnered, temporarily separated, no children	73.80	170.60	72.60	73.56

Source: SCRCSSP 2001, volume 2, table 16.1, p.759.

The second major form of assistance to renters to be considered is that provided by the public housing system. Though small by international standards, public housing provision has been a major form of housing assistance to low income households in Australia since the establishment of the CSHA in 1945. It has been the primary policy response to the failure of

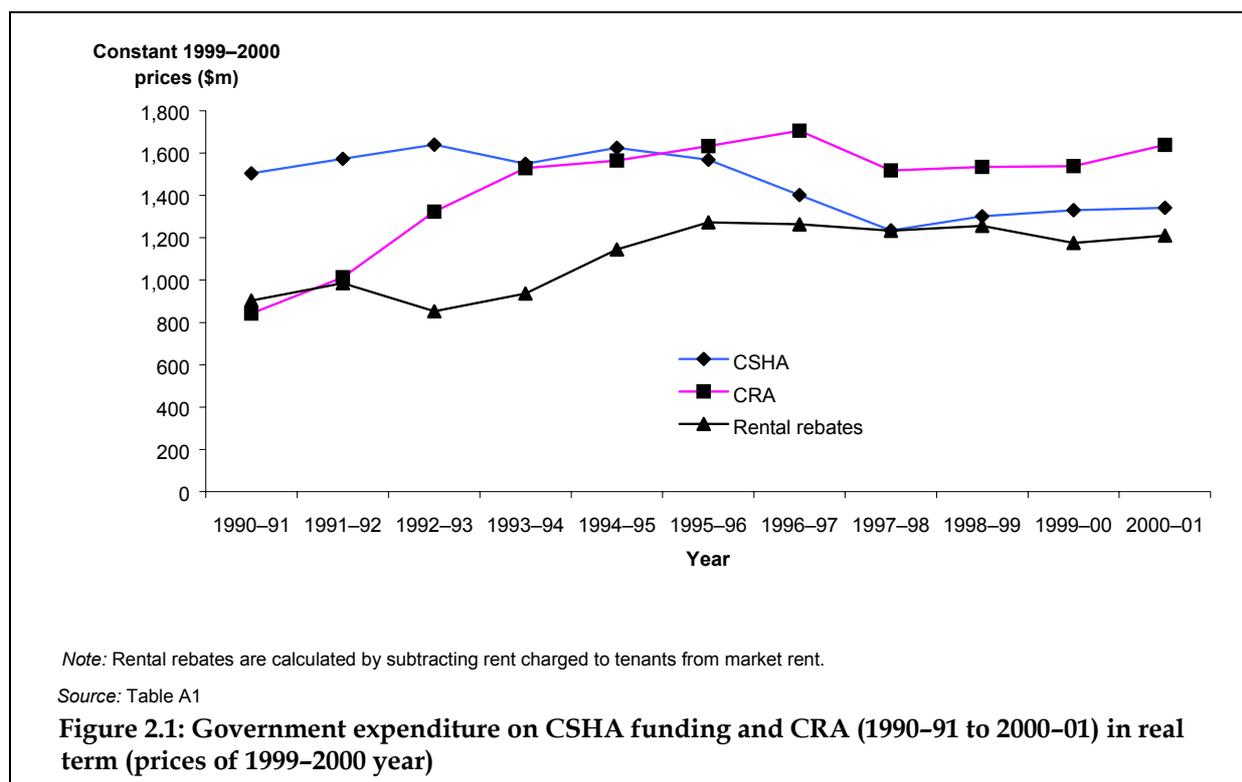
the private market to provide adequate, affordable, secure and accessible accommodation for people on low income.

Public housing is administered by the states and territories, which provide publicly owned dwellings that are funded through the CSHA and used to provide appropriate, affordable and accessible shelter for low to moderate income earners who are unable to enter the private market. Eligibility for public housing is determined by multi faceted criteria designed to identify those most in need. Under this program, low income public housing tenants pay reduced rents to housing authorities, and the level of rent paid is based on household income. Although rent rebate schemes are not uniform across state housing authorities, most of the states share a consensus that rent charged to tenants eligible for a rebate will not exceed 25% of their household assessable income. The rental rebate is the difference between what tenants are charged and the market rent they would pay without a rebate.

In 2001-02, the Australian Government provided over \$1.8 billion through CRA, and the Australian, state and territory governments provided slightly less than \$1.4 billion for housing programs covered by the CSHA. Public housing accounted for the majority of CSHA funding. Assistance to renters through these two programs provides the focus of this paper. The CSHA also provides funds for community housing, as well as State and Territory Owned and Managed Indigenous Housing, Home Purchase and Home Ownership assistance, Private Rental Assistance and the Crisis Accommodation Program. Within the \$1.4 billion funding for CSHA, only a small amount was spent on these five CSHA programs – for example, \$80 million was spent on private rent assistance (SCRCSSP 2001). Inadequate data prevents a detailed analysis of these relatively small programs. Other forms of government assistance that provide accommodation, such as the Supported Accommodation Assistance Program, Aboriginal hostels, and nursing homes, also are not included in the analysis in this section.

Figure 2.1 below provides an indication of the changing relativities in the amount of assistance provided in real terms (1999-2000 GDP deflators were used as constant prices) over the last decade through CRA and the CSHA as reflected in budget outlays.

CSHA funding and CRA expenditure



Measuring the value of assistance

In measuring the value of government assistance to households there is a range of methodologies possible (US Department of Commerce 1984). Regarding assistance to renters the two most common approaches are the outlays approach and the market value approach. In this report two different methods are used for examining rental assistance for both these approaches: a recipient value approach and a cell/population average approach.

The outlays approach

The outlays method looks at the actual government budget outlays. These may be in the form of:

- cash transfers between government and the community or government and a third party provider; or
- the budget cost to the government of providing a service.

In this approach the value of housing assistance to the community is calculated by summing all related recurrent and capital expenditure net of any receipts or repayments from the community. Under this method administration costs may be included or excluded.

In terms of measuring the two rental assistance programs examined in this report:

- Commonwealth Rent Assistance is measured in terms of the cash value of the CRA entitlement; and
- public housing is measured in terms of the net outlays of Australian and state/territory governments in the provision of public rental housing.

This method has the advantage of simplicity; only expenditure recorded in budget statements are taken into account, and the subsidy is the net government expenditure in a given year. It is a useful measure for policy makers because it takes account of budget constraints in the current year and it provides an estimate of the impact of the government's housing budget on the economy.

Using this method, Figure 2.1 shows that CRA expenditure increased nearly 95% in real terms between 1990–91 and 2000–01, while expenditure on CSHA assistance has declined by almost 11% over the same period. The average annual increase rate of CRA expenditure is nearly 7%, whereas net expenditure through the CSHA has decreased annually by 1%.

However, considerable caution should be taken in interpreting these data as indicators of the relative assistance provided to renters under each program. CRA is a demand-driven recurrent expenditure program, whereas CSHA expenditure includes a component for capital investment that has resulted in approximately \$30 billion of public housing assets that have the potential to provide ongoing assistance in the form of below market rents.

In other words, the net expenditure method based on budget outlays has significant weaknesses as a measure of the amount of assistance provided to those in public rental housing. It ignores the benefits to present generations that accrue from spending in the past and considers only the benefits to current recipients of housing assistance. These issues do not arise in relation to CRA which is based only on recurrent expenditures.

The market value approach

The second method estimates the value of the assistance in terms of the effect the subsidy has in changing the price paid for rent by the consumer. This approach overcomes the weakness in relation to capital outlays noted above. It is based on the annual costs of the flow of housing services received by various groups, compared with what they would have to pay in the absence of government intervention. It should be noted that the value placed on the subsidy may be an average or marginal value as this approach utilises an imputed market value which is not in fact realised and this assumption may be challenged. In addition, the market rents that would apply to public rental dwellings in the absence of government subsidies are difficult to determine.

Using the market value approach:

- the value of Commonwealth Rent Assistance is the same as measured in terms of the cash value of the CRA entitlement; but
- the value of assistance provided to public renters is measured by taking the private rental market values as a benchmark, so that the cost of occupying a dwelling is compared with the market rent value. The rent subsidy/rebate towards public rental housing is then measured by subtracting rent charged by government from the market rent value.

The difference between this and the outlays approach for public housing is shown in Figure 2.1. The value of the rental rebates provides an alternative value of the assistance provided by the assets funded through CSHA outlays. In 1990–91 rebates amounted to nearly \$904 million and increased to \$1,211 million (using 1999–2000 constant prices) in 2000–01, corresponding to an increase of nearly 60% in real terms in the last decade. The average annual rate of increase in real terms is 4.8% between 1990–91 and 2000–01. This compares with the 7% growth in CRA. The rise in the value of rent rebates, despite a decline in CSHA allocations, reflects the combined effect of the increase in the market rental value of existing public housing and the increased targeting of the stock available (and hence the reduced capacity to pay of public housing tenants).

Allocating assistance to population groups

In this report two different methods are used for examining the distribution of rental assistance – a recipient value approach and a cell/population average approach. Both approaches are widely used in income distributional analysis but provide different measures of distribution of housing assistance.

Recipient value approach

The recipient value approach measures the actual average value of assistance to only those households in a population group that are eligible and currently access this benefit. It averages the benefit across only current recipient households of the type identified.

This approach identifies the value to the household currently receiving such benefits. It represents the average CRA benefit paid to CRA recipients, or rebate value that eligible public rental households receive.

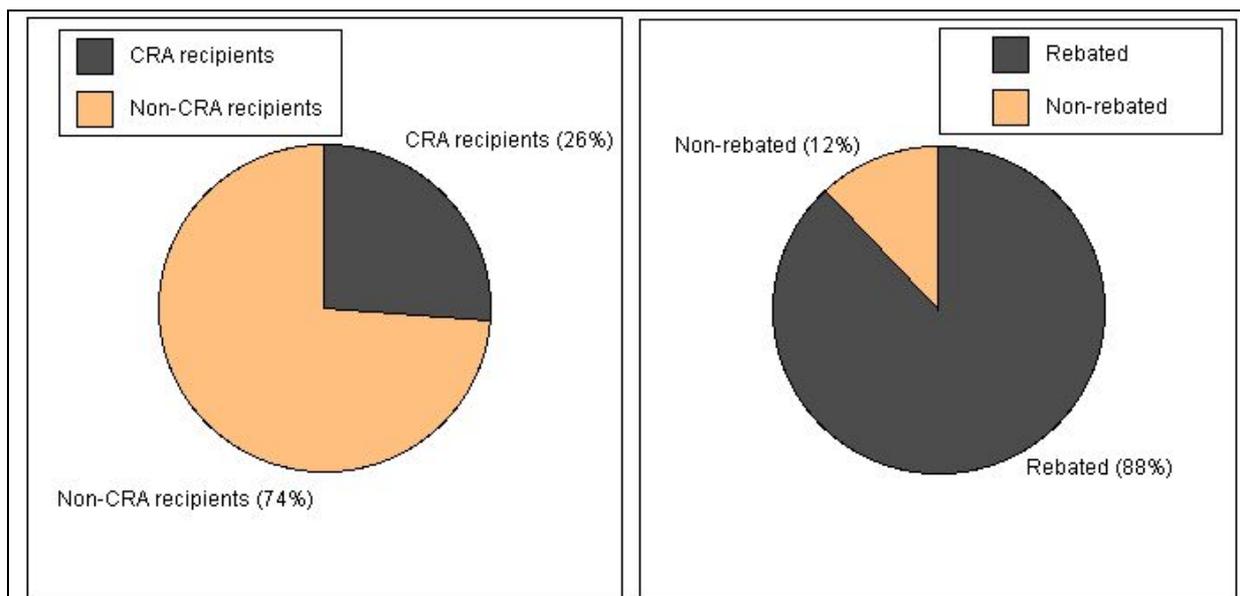
Cell/population average approach

The cell/population average approach uses the value of assistance directed to a population group irrespective of whether individuals in the group are eligible or access this benefit. It averages the benefit across all households of the type identified. This approach is akin to that used in household expenditure surveys, consumer price indexes and fiscal incidence studies where distributions are presented in terms of a total relevant to that population group or geographic area.

In a policy context it equates to the 1996 introduction of pensioner charges for the Pharmaceutical Benefits Scheme (PBS) where a subsidy was applied to a population group, such as age pensioners, and not targeted to only such as age pensioners who use PBS medicines.

Notes in interpretation of data on these two forms of assistance

As noted above, there are marked differences in the way CRA and public housing rebates policy and administration have developed and these issues should be borne in mind when interpreting the results presented in this section. CRA amounts are relatively transparent while public housing rebates are more complex to calculate and interpret. There will be relatively little difference in these measures for universal assistance available to all households. For targeted assistance, any differences will provide an indication of the relative size of the target population compared to the population as a whole.



Source: Australian Housing Survey, 1999, confidentialised unit record file.

Figure 2.2: Distribution of beneficiary in private renters and public housing renters, Australia, 1999

Figure 2.2 illustrates the basic difference in distribution of assistance to the private rental market and to public housing tenants.

The private rental market provides for all types of households, and low income CRA eligible households account for less than one-quarter of the total households. However, the public housing sector is by its nature predominantly occupied by low income households. The government's virtual monopoly in the provision of public housing means that as a sector it is well targeted and has very high proportions of low income households.

2.2 Assistance to private renters

Aggregate measure

Commonwealth Rent Assistance (CRA)

The Australian Government spent over \$1.8 billion on CRA in 2001–02, and at June 2001, 943,877 income units were receiving this assistance – where an income unit is defined as either a single person or couple with or without dependants (AIHW forthcoming). Using an estimated ratio of income units to households, AIHW used the 1999 Australian Housing Survey to estimate the total number of households receiving CRA. It is estimated 698,300 households receive CRA, and the average amount of annual benefit was \$2,470 per household (Table 2.2). (See Appendix 3 for the methodology used in deriving the ratio of income units to households.)

Table 2.2: Private renter households: total income units and households at June 2001 and estimated annual CRA payment for each household by state/territory, 2000-01

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Australia
number of income units									
Total number of income units assisted at June 2001 ^(a)	316,545	201,477	237,125	86,956	64,586	22,704	8,375	5,861	943,877
number of households									
Total estimated number of households assisted at June 2001 ^(b)	229,300	140,900	184,000	63,000	52,100	19,100	5,400	3,800	698,300
per cent of households									
Percentage of households in private rental market receiving CRA ^(b)	22	27	32	28	27	41	3	10	26
\$ per year									
Average annual benefit each household received through CRA, July 2001 to June 2002	2,610	2,560	2,420	2,450	2,180	2,060	2,430	2,850	2,470

(a) SCRCSSP 2001, table 16A.48; FaCS data (unpublished).

(b) This estimate is based on AHS 1999 data.

Table 2.2 shows that, at a national level, 26% of private renters are receiving CRA benefits. However there is a large degree of variation in the percentage of households receiving CRA across jurisdictions. Tasmania has the highest percentage of private renter households receiving CRA (41%), while only 3% of households receive CRA in the ACT.

Within all jurisdictions, the annual payment of CRA for each household ranged from \$2,060 to \$2,850 per annum. In the Australian Capital Territory, the average CRA payment per household (\$2,430) was marginally below the national average of \$2,470. The level of payments in the Northern Territory was the highest of all jurisdictions at \$2,850 (Table 2.2). Factors that influence these results are variations in household composition, including differing ratios of income units to households in jurisdictions and income unit size, as well as rental variations and the differing proportions of CRA recipients receiving the maximum benefit.

CSHA Private Rental Assistance (PRA)

In addition to the funding for CRA provided by the Australian Government, \$80 million was provided for CSHA PRA in 2001-02. Of this amount, \$46 million was in the form of loans for rental bonds, while \$28 million was for rental assistance. A total of 153,000 households received PRA in 2001-02. Due to insufficient data available on PRA in the 1999 AHS data, and to the small quantities involved when comparing with CRA, PRA is not included in the aggregate or distributional analysis. Details of PRA are published in the Housing Assistance Act Annual Report and the Institute's CSHA PRA national data report (AIHW 2003f).

Distribution measures

As previously indicated, the distributional information presented in this section is based on the 1999 Australian Housing Survey carried out by the Australian Bureau of Statistics.

Information on household income cut-offs used to determine income quintiles can be found in Appendix 5.

Comparability of data sources

A comparison of survey and administrative data suggests that the total value of direct housing benefits is slightly under-estimated in the survey data. The details of the discrepancies between the housing survey data and administrative data are available in Appendix 4.

Also, as the AHS 1999 data are a sample rather than a census, the estimates derived from the AHS 1999 are subject to sampling variability. One measure of sampling variability used in this paper is the relative standard error. In the tables which show distributional analysis, estimates with relative standard errors between 25% and 50% are indicated by placing one asterisk next to the figure while those with relative standard errors greater than 50% have two asterisks. For further information about sampling variability refer to additional information contained in ABS (2000c).

Distribution of recipients and value of assistance

Income quintiles

Overall more than 77% of total CRA benefits were received by households with incomes in the bottom two income quintiles (Table 2.3). This clearly shows that those households with incomes in the lowest income quintiles are most likely to receive CRA, reflecting the targeting of this benefit.

The greatest proportion of households receiving CRA in the total population were in the second income quintile (12%). The reason for there being greater use in this bracket than in the first income quintile (10%) is probably due to the greater number of private renters in the second income quintile (26% compared with 19%). The proportions of households receiving CRA among private renters are the highest in the bottom two income quintiles (53% and 46%). Overall, 26% of private renters receive CRA (Table 2.3).

The combination of higher average CRA benefit and the percentage of households receiving CRA in the total population explains the greatest proportion of total CRA benefits being received by households in the second income quintile.

Table 2.3: Private renter households: percentage of households receiving CRA by household income quintile, 1999

	Income quintile					All
	1st	2nd	3rd	4th	5th	
Percentage of total CRA benefit	34.5	42.6	18.2	4.0	0.6	100
Percentage of households receiving CRA in total population	10.1	11.9	5.1	1.4	0.3	5.8
Percentage of private renter households	19.2	25.6	27.6	22.0	16.2	22.0
Percentage of households receiving CRA among private renters	52.5	46.3	18.4	6.5	1.9	26.0

Note: Income quintiles are derived from the Australia-wide population.

Source: Australian Housing Survey, 1999, confidentialised unit record files.

There is little variation overall in the dollar amount of CRA received by households across the bottom four income quintiles. The average CRA benefit is estimated to be \$1,660 per recipient household per annum, but this varies from \$1,340 for recipients with incomes in the fourth income quintile to \$1,710 for recipients with incomes in the third income quintile. For recipient households in the first three income quintiles, the average amount received varies from the overall average by less than \$60. The fact that the highest average amount of CRA (\$1,710) is received by households with incomes within the third income quintile may reflect the ability of these households to secure higher cost rental properties and thus attract a higher benefit (Table 2.4).

Table 2.4: Private renter households: annual average CRA amount by household income quintile, 1999

	Income quintile					All
	1st	2nd	3rd	4th	5th	
All CRA recipients	1,650	1,690	1,710	1,340	*980	1,660
All private renters	860	790	320	90	20	430

Note: Income quintiles are derived from the Australia-wide population.

Source: Australian Housing Survey, 1999, confidentialised unit record files.

In contrast, the average amount received by all private renters was \$430 per annum. It declines consistently over the five income quintiles. On average, households in the lowest income bracket receive the highest amount of CRA (\$860) while the highest earners receive the least. The relatively high values for the average value of CRA received by all lower income renter households reflect the relatively higher incidence of CRA recipients in the low income quintiles (Table 2.3).

States and territories

Estimates derived from the 1999 AHS data show that nationally in 1999 about 22% of households in Australia were renting in the private rental market. Among them, 26% received CRA benefits. However, these figures vary across jurisdictions (Table 2.5). In the

Table 2.5: Private renter households: proportion of CRA recipients among private renters and proportion of private renters in the total population by state/territory, 1999

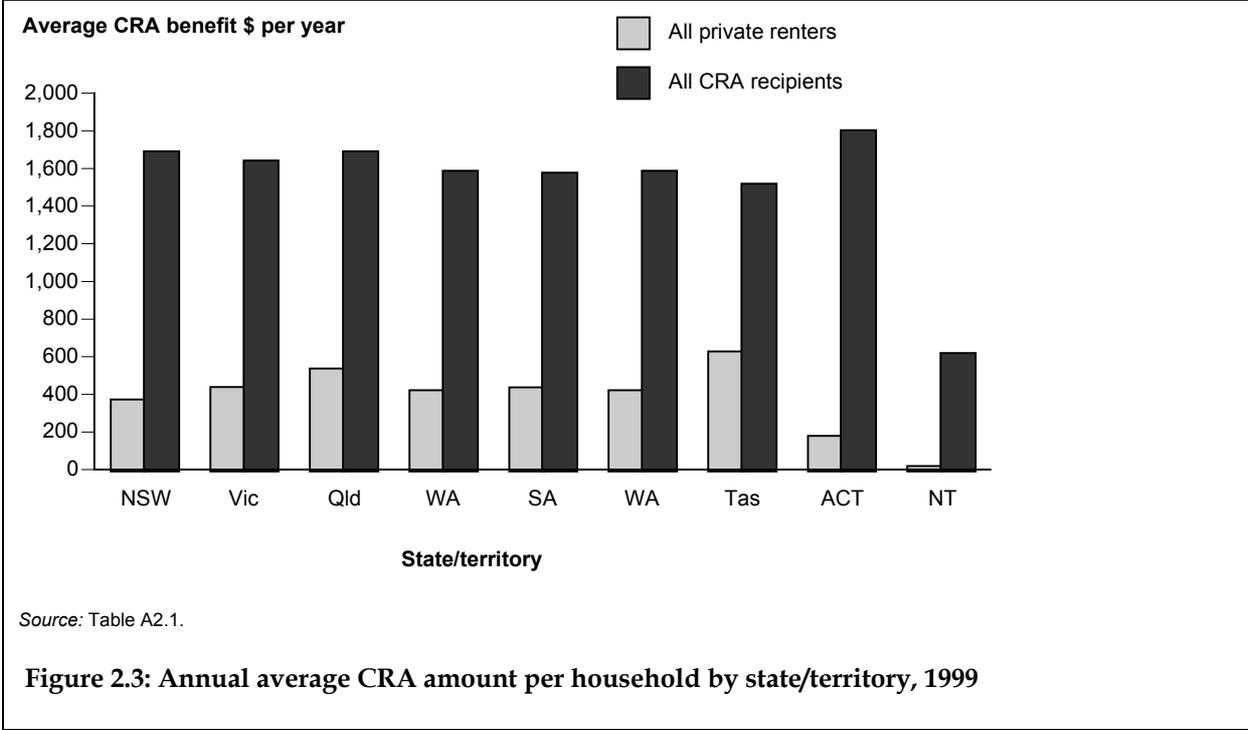
	% CRA recipients in all private renters	% private renters in total population
New South Wales	22.0	23.0
Victoria	26.7	18.7
Queensland	31.7	26.3
Western Australia	26.5	24.1
South Australia	27.7	16.9
Tasmania	41.3	20.4
Australian Capital Territory	9.9	20.4
Northern Territory	2.9	37.0
All	26.0	22.1

Source: Australian Housing Survey, 1999, confidentialised unit record file.

Northern Territory, 37% of households were in the private rental market, but only 3% of these received CRA benefits. In South Australia there was a lower proportion of private

renter households (17%), but a higher proportion of CRA recipient households (28% of private renters).

While Tasmania and the Australian Capital Territory had similar proportions of private renter households (20%), Tasmania had a much higher proportion of CRA recipients among private renters (41% compared with 10%).



Overall, the amount of assistance which is received by households with incomes in the first three income quintiles varies little from the average for that jurisdiction. CRA recipient households in New South Wales and Queensland received the highest annual CRA benefits of \$1,690 (Table A2.1).

The difference between the average amount of CRA received by CRA recipients and the average benefit received by all private renters is smallest for Tasmania (\$1,520 and \$630 respectively) (Figure 2.3). This is in part due to the high proportion of private renter households in Tasmania receiving a CRA benefit (42%) (Table 2.6). The difference is greatest in the Australian Capital Territory (\$1,800 to \$180) for the opposite reasons – the rate of CRA recipient households among private renters is only 10% (Table 2.5).

The distribution of CRA received in the Northern Territory exhibits a significantly different distribution when compared to the national level. A large proportion (82%) of CRA benefits in the Northern Territory was received by households with an income within the fourth income quintile (Table 2.6). However this estimate is subject to a relative standard error between 25% and 50%.

Tasmania is the only jurisdiction in which over half of CRA benefits (51%) are provided to households with incomes in the lowest income quintile. In all other jurisdictions CRA recipients are more concentrated in the second lowest income quintile (Table 2.5). A significant proportion of the total CRA benefit in the Australian Capital Territory (30%) is received by households with incomes in the third income quintile; this is a considerably higher proportion than other jurisdictions.

Table 2.6: All households: percentage of total CRA benefit and percentage of households receiving CRA in total population by household income quintile and state/territory, 1999

	Income quintile					All
	1st	2nd	3rd	4th	5th	
Percentage of total CRA benefit within state or territory						
New South Wales	37.5	43.5	16.9	2.0	0.1	100
Victoria	34.6	39.8	20.5	3.8	1.3	100
Queensland	31.3	42.9	19.3	6.0	0.5	100
Western Australia	28.6	47.3	17.5	5.3	1.3	100
South Australia	37.3	43.1	16.1	3.5	—	100
Tasmania	51.3	31.6	12.5	2.2	*2.3	100
Australian Capital Territory	*8.0	*62.5	29.5	—	—	100
Northern Territory	*17.8	—	—	*82.2	—	100
All	34.5	42.6	18.2	4.0	0.6	100
Percentage of households receiving CRA within state or territory and income quintiles						
New South Wales	9.2	11.4	4.7	**0.7	**0.2	5.1
Victoria	10.5	9.5	4.4	**1.4	**0.3	5.0
Queensland	13.0	16.7	7.5	*2.7	**0.4	8.3
Western Australia	9.5	14.0	6.1	**1.7	**0.8	6.4
South Australia	7.3	8.5	*3.4	**0.9	—	4.7
Tasmania	16.7	11.8	*3.8	**1.7	**1.8	8.4
Australian Capital Territory	**1.5	**8.9	**2.9	—	—	2.0
Northern Territory	**3.3	—	—	**3.0	—	1.1
All	10.1	11.9	5.1	1.4	0.3	5.8

Notes

1. Income quintiles are derived from the Australia-wide population.

2. The estimates are derived from the AHS, they may differ from the administrative data. See Appendix 4 for details.

Source: Australian Housing Survey, 1999, confidentialised unit record files.

Household composition

As Table 2.7 shows, households which consist of one parent with dependent children have the highest proportion of CRA recipients among private renters (69%). A relatively high proportion of these households were in the private rental market (37% compared with an overall level of 22%). Group households showed a different pattern with a very high proportion living in the private rental market, but quite a low proportion of these were receiving CRA benefits (14%).

Table 2.7: Private renter households: proportion of CRA recipients from all private renters and proportion of private renters in the total population by household composition, 1999

Household composition	% CRA recipients in all private renters	% private renters in total population
One family: couple only	14.2	16.4
One family: couple with dependent children only	32.4	18.0
One family: other couple	20.3	9.2
One parent with dependent children	68.5	37.3
Lone person	22.1	25.6
Group household	14.2	70.5
Other household	20.3	24.3
All	26.0	22.1

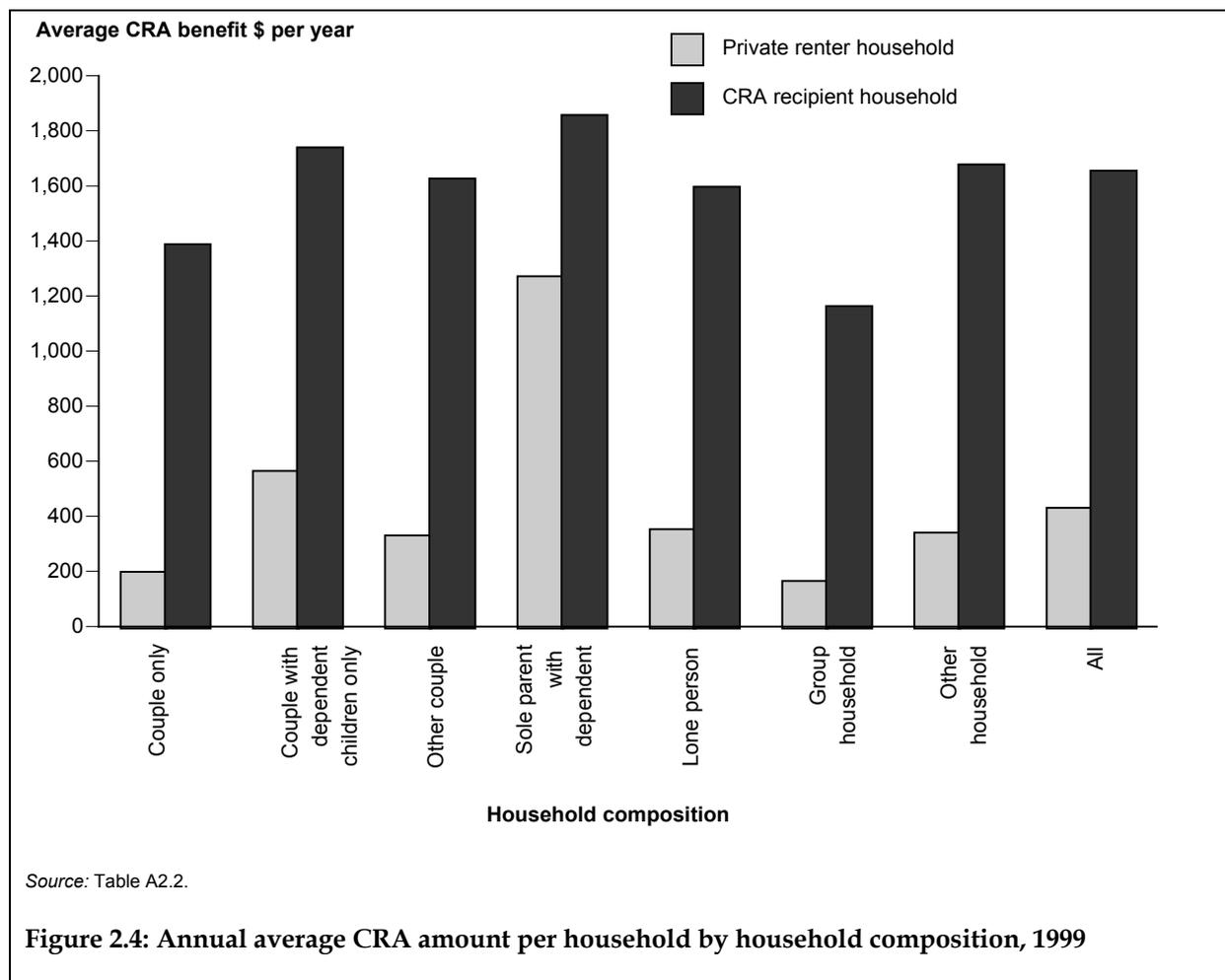
Source: Australian Housing Survey, 1999, confidentialised unit record files.

The average annual dollar amount of CRA benefit provided to households ranged from \$1,164 for group households to \$1,858 for a single-parent household with dependent children (Figure 2.4).

The existence of children within the household is a significant factor in the amount of CRA that is received, with households which include children being the two groups receiving the highest amount of assistance (\$1,740 for couples with dependent children only, and \$1,858 for a lone parent with dependent children). Lone person households are also in receipt of a high amount of this assistance (\$1,597) (Figure 2.4), though, unlike households with children, these households generally fall into the lowest income quintile (Table A2.2).

For households containing a sole parent with dependent children, the average amount of CRA of assistance received by all CRA recipients varies little between the different income quintiles. Also, the amount of assistance is highest for this household type within each income quintile. However, this is not the case for the average amount of benefits received by all private renters where the amount received per household declines as income rises (Table A2.2).

The high proportion of CRA recipients among private renters in the 'one parent with dependent children' group (69%) (Table 2.8) contributes to the relatively small difference between the average amount of CRA received by all private renters and all CRA recipients for this group (\$1,858 and \$1,27 respectively) (Figure 2.4). This difference is greatest in the couple only households (\$1,389 compared with \$198). Again this can be explained by the lower proportion of CRA recipient households (14%) compared with other household types (Table 2.8).



For most household types, the largest proportion of CRA benefits are received by households with an income within the second lowest income quintile. The exception to this is the 'lone person' household where 93% of total benefits are received by households with incomes in the first quintile.

Across household composition type the highest proportion receiving CRA were 'sole parent with dependent children' households (26%). Group households were the next to benefit from CRA with 10% of this household type receiving a CRA benefit.

Lone person households with incomes in the three highest income quintiles receive no support (Table 2.8). Apart from these households, the average CRA amount received by lone person households is comparable with that received by other household types (Table A2.2).

Table 2.8: Percentage of total CRA benefit and percentage of households receiving CRA in total population by household composition and income quintile, 1999

Household composition	Income quintile					All
	1st	2nd	3rd	4th	5th	
Percentage of total CRA benefit within household composition						
One family: couple only	23.0	62.3	10.1	3.8	0.8	100
One family: couple with dependent children only	8.8	52.0	36.3	2.6	0.2	100
One family: other couple	**2.3	*34.4	41.0	19.9	2.4	100
One parent with dependent children	27.0	60.9	10.2	*0.9	**0.9	100
Lone person	93.1	6.9	—	—	—	100
Group household	*11.1	43.7	26.0	17.2	2.0	100
Other household	*7.3	29.7	41.4	20.5	1.0	100
All	34.5	42.6	18.2	4.0	0.6	100
Percentage of households receiving CRA in population of given household composition and given income quintiles						
One family: Couple only	3.3	5.0	*1.5	**0.5	**0.1	2.3
One family: Couple with dependent children only	*13.2	21.1	8.8	*0.9	**0.1	5.8
One family: Other couple	4.1	*7.0	*3.9	*1.9	**0.1	1.9
One parent with dependent children	27.3	36.9	13.0	*3.1	**5.9	25.5
Lone person	9.9	*1.8	—	—	—	5.6
Group household	**22.0	31.6	*9.3	*5.1	**1.9	10.0
Other household	**8.2	7.9	7.7	*4.6	**0.3	4.9
All	10.1	11.9	5.1	1.4	*0.3	5.8

Note: Income quintiles are derived from the Australia-wide population.

Source: Australian Housing Survey, 1999, confidentialised unit record files.

Age of reference person

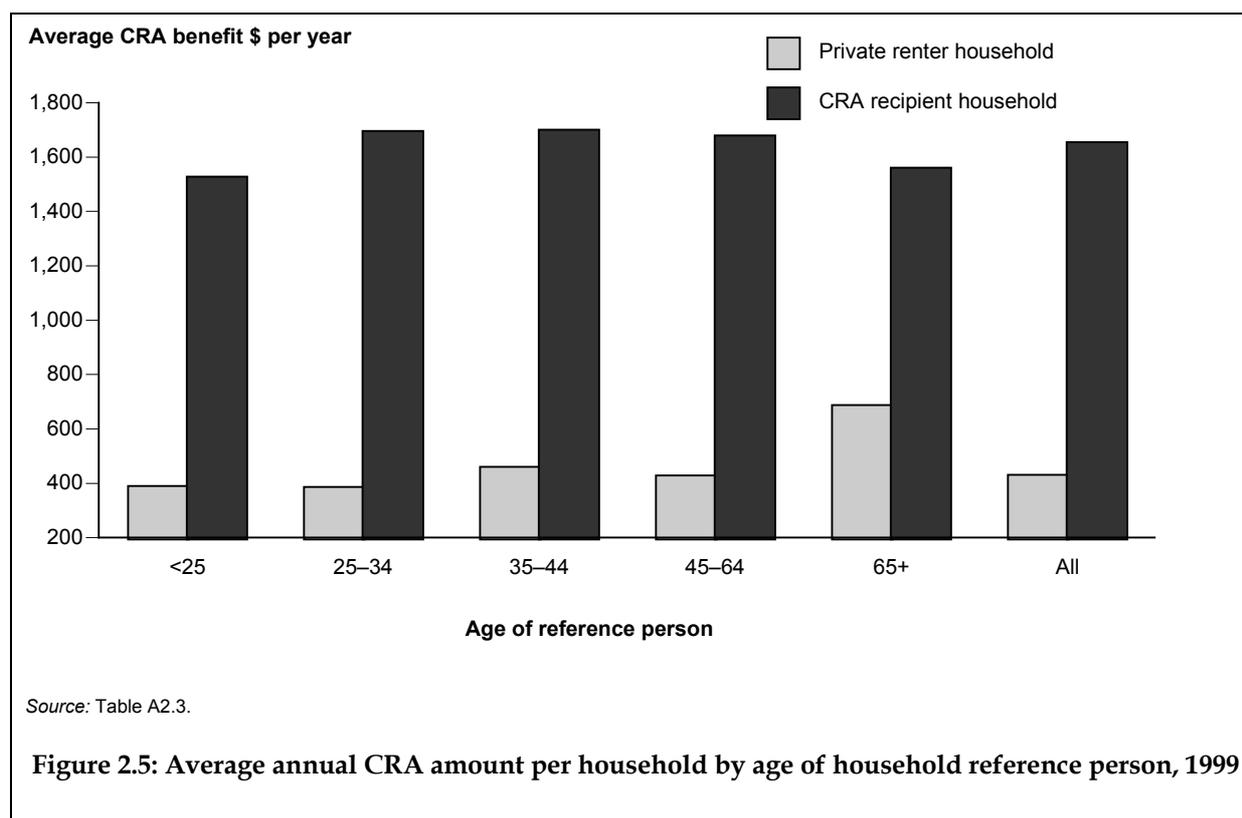
Table 2.9 shows the distribution of private renter households and CRA recipients among private renters across age groups of household reference person. The greatest use of private rental is seen in households in which the reference person is aged less than 25 years. The proportion of private renter households in this age group was 72%. Households where the reference person is aged 65 years and over had the lowest proportion of private renters in the total population (7%), however the proportion of private renters receiving the CRA benefit was the largest (44%). In contrast, households in which the reference person is aged between 25 and 34 had a relatively high proportion of private renters (43.4%), but the lowest proportion of CRA recipients (23%).

Table 2.9: Private renter households: proportion of CRA recipients from all private renters and proportion of private renters in the total population by age group, 1999

Age of reference person (years)	% CRA recipients in all private renters	% private renters in total population
<25	25.5	72.4
25–34	22.8	43.4
35–44	27.1	22.7
45–64	25.5	12.5
65+	44.0	6.5
All	26.0	22.1

Source: Australian Housing Survey, 1999, confidentialised unit record files.

Households with a reference person in the lowest age grouping (less than 25 years) received the lowest amount of CRA (\$1,528) (Table A2.3). This may reflect the high proportion of ‘group’ households that typically exist within this age group, as these persons are less likely to have entered into a substantive familial relationship or to be parents at this age.



Within the first three income quintiles, there is little variation between the amount of CRA that is received by households regardless of the age of the reference person (Table A3.5). In the highest income quintile, no households in which the reference person is aged less than 25 years or 65 years or more received CRA benefit. Given the typical pattern of earnings through life, and the derivation of income quintiles from the whole population, there would be comparatively few households where the reference person was aged less than 25 or

65 years or more in the highest income quintile. Moreover, households where the reference person is aged 65 years or more with incomes in the highest income quintiles are more likely to own their homes outright than be in the private rental market.

The variation between the average annual amount of CRA received by all CRA recipients across the various age groups is less than \$175. The difference was more marked when comparing the amount received across all private renters, with the lowest amount (\$387) being received by 25–30 year olds and the highest amount (\$688) being received by the 65 years and over age group (Table A2.3). The different proportions of private renters and of private renters receiving CRA benefit by age of the reference person explain this difference (Table 2.9).

Table 2.10: All households: percentage of total CRA benefit and percentage of households receiving CRA in total population by household income quintile and age of reference person, 1999

Age of household reference person	Income quintile					All
	1st	2nd	3rd	4th	5th	
	Percentage of total CRA benefit					
<25	38.6	37.4	18.4	5.6	—	100
25–34	20.8	51.8	23.1	3.8	0.5	100
35–44	27.4	47.4	19.3	5.6	0.2	100
45–64	47.5	30.0	17.2	3.1	2.2	100
65+	67.8	31.6	*0.6	—	—	100
All	34.5	42.6	18.2	4.0	0.6	100
	Percentage of households receiving CRA in total population					
<25 years	35.8	30.6	13.7	*5.6	—	18.5
25–34	26.2	25.2	8.3	*2.2	**0.7	9.9
35–44	20.2	18.2	4.9	*1.3	**0.1	6.1
45–64	9.5	5.8	2.7	*0.6	**0.3	3.2
65+	4.0	2.8	**0.1	—	—	2.9
All	10.1	11.9	5.1	1.4	0.3	5.8

Note: Income quintiles are derived from the Australia-wide population.

Source: Australian Housing Survey, 1999, confidentialised unit record files.

The greatest difference from the average distribution of the proportion of CRA benefit received within each income quintile is seen in the 65 years and over age group. Households in this age group with incomes in the lowest income quintile received 68% of all CRA benefits, compared with an average for all age groups of 35% (Table 2.10). For all age groups, the greatest proportion of households receiving CRA in the total population were households with incomes in the second income quintile.

2.3 Assistance to public housing tenants

Aggregate measure

In 1999 public housing households constituted an estimated 5% of all households in Australia (ABS 1999). As Table 2.11 shows, at 30 June 2002, 342,500 households lived in public housing, with 302,500 households (88%) receiving a rental subsidy. The proportion of rebated tenants in the Australian Capital Territory (79%) is markedly different from the national average (88%). Rent subsidies totalled nearly \$1.25 billion for the year ending 30 June 2002. The average annual benefit to public renters was \$4,150 per recipient household (Table 2.11).

There is, however, a large degree of variation in the average annual benefit received by households in each jurisdiction. The highest annual rent rebate is received in New South Wales where each household received an average \$5,380 for the year ending 30 June 2002. The lowest was in Tasmania, where the typical household received an average annual benefit of \$2,220. These results are likely to be influenced primarily by the level of rents within the different private rental markets.

Table 2.11: Public rental households: total rebated households at 30 June and estimated annual rent rebate in CSHA public housing program by state/territory, 1 July 2001 to 30 June 2002

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Australia
number of households									
Total number of all households in public housing at 30 June 2002	125,300	62,400	48,900	30,800	46,300	12,100	11,000	5,600	342,500
Total number of all rebated households assisted at 30 June 2002	112,200	56,000	43,800	26,700	39,300	10,700	8,700	5,000	302,500
per cent									
Percentage of public rental households that receive a rebate	89.5	89.7	89.6	86.7	84.9	88.6	79.2	89.6	88.3
dollars per year per recipient household									
Average annual benefit received through rental rebates for 2001–02	5,380	4,220	3,010	2,960	3,060	2,220	4,540	3,920	4,150

Source: AIHW Public housing national minimum data set, 2001–02.

As the value of the annual rental rebate is based on the cost of rental housing in the private rental market, there is a correlation between the cost of rental housing within the jurisdiction and the value of the annual rent rebate. In New South Wales, due to continued strong growth in housing prices generally, there has been pressure on the availability of affordable housing for low to moderate income households in Sydney and coastal New South Wales (SCRCSSP 2003:16.79). The high cost of securing housing in the private rental market partially explains why households in this jurisdiction receive the highest annual benefit through rental rebates for all jurisdictions. Likewise, high rents in the Australian Capital

Territory result in households receiving the second highest average annual benefit, estimated to be \$4,540.

Distribution measures

A measure of public housing rental subsidies can be obtained by taking the difference between market rents and the rent charged to public housing tenants. Using this method, the total benefit in 2000–01 was \$1.25 billion, obtained using administrative data from the national minimum data set on public rental housing. This translated to about \$4,150 per household per annum. It should be noted that the market rent value recorded in the state/territory information management system is a notional value and the method used to evaluate and update across jurisdictions varied.

In the 1999 Australia Housing Survey a question used for obtaining the rent subsidy was ‘What is the difference between the rent you pay and the market rent for this accommodation?’. This means that the market rent which the respondent used to work out their rent subsidy is very subjective and is based on the tenants’ awareness of market values of similar accommodation in the area.

A comparison of this estimate between administrative data and the 1999 AHS shows a slight discrepancy for this value (for details, see Appendix 4).

Distribution of recipient and value of assistance

Among those households receiving a public housing rental rebate, the level of assistance differed very little over the first four income quintiles. Households in the fifth income quintile received no assistance at all. The average level of assistance provided to all public renters was similar in the first two income quintiles but progressively reduced over the third and fourth. Overall the average benefit through rental subsidies that public renters received in 1999 was almost \$3,700 (Table 2.12).

The average amount received by households in each income quintile also shows some variation. Households with income in the fourth income quintile received the lowest dollar amount nationally of \$3,330, while the highest amount (\$3,990) was received by households in the second income quintile. There are very few households in the higher income quintiles who receive any subsidies from public housing and none in the top income quintile.

As a result of the high proportion of rebated public rental households (88%), the difference between the average amount received by rebated public renters and all public renter households (\$3,698 and \$2,760 respectively) is not as big as that seen in the analysis of private renters.

Table 2.12: Public rental households: annual rental subsidy amount (\$) per household by household income quintile, 1999

	Income quintile					All
	1st	2nd	3rd	4th	5th	
Rebated public rental households	3,550	3,990	3,710	*3,330	—	3,700
All public renters	2,860	3,070	2,060	*800	—	2,760

Note: Income quintiles are derived from the Australia-wide population.

Source: Australian Housing Survey, 1999, confidentialised unit record files.

Table 2.13 shows that the distribution of total rental subsidies is highly targeted, with a significantly higher proportion of households with incomes in the lowest income quintiles in all jurisdictions benefiting from below market rents. Overall, households in public housing with incomes in the lowest income quintile receive 57% of the total benefits. A further 33% of public housing rental subsidies is received by households with incomes in the second income quintile.

The greatest use of rebated public housing was in the bottom income quintile (12% of all households) compared with 0% in the top quintile and an overall level of 4%. This is likely to be a result of the strict means test used to target subsidised public housing to low income households.

Table 2.13: Public rental households: distribution of rebate by household income quintile (%), 1999

	Income quintile					All
	1st	2nd	3rd	4th	5th	
Percentage of total rental subsidies	57.3	33.1	8.8	0.8	—	100
Percentage of rebated public renters in total population	11.5	5.8	1.7	0.2	—	3.8
Percentage of rebated public renters in all public renters	80.5	76.9	55.5	24.2	—	74.6

Note: Income quintiles are derived from the Australia- wide population.

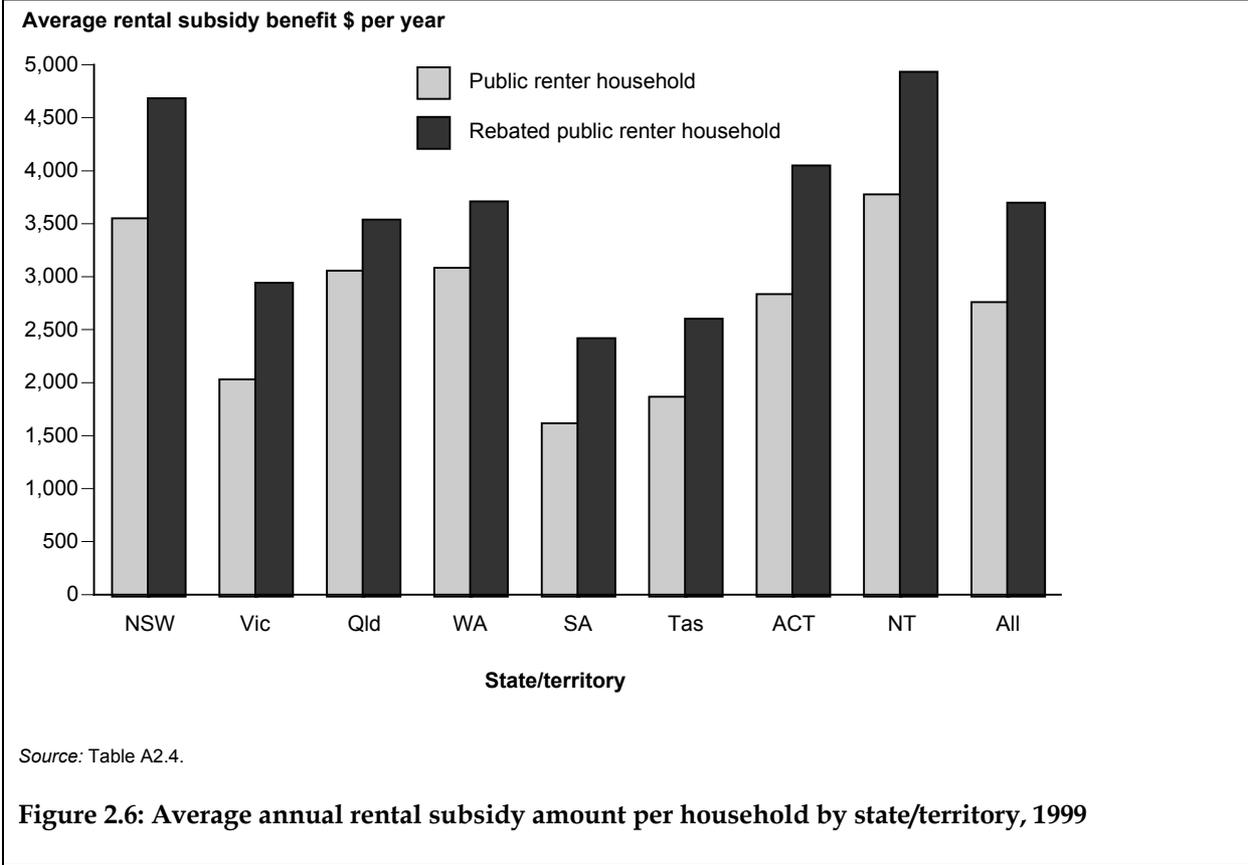
Source: Australian Housing Survey, 1999, confidentialised unit record files.

States and territories

Figure 2.5 shows that the average rental subsidy dollar amount varies across jurisdictions ranging from \$4,940 in the Northern Territory and \$4,660 in New South Wales to \$2,420 in South Australia.

Within the first two income quintiles, the Northern Territory received the highest average amounts (\$4,830 and \$5,625 respectively), and New South Wales received the second largest (\$4,400 and \$5,180 respectively). The average amount received by households in these two income quintiles for all jurisdictions was \$3,550 and \$3,990 respectively. New South Wales had the highest dollar amounts of assistance provided to households in the third and fourth income quintiles of all jurisdictions (Table A2.4).

Queensland and Western Australia showed the smallest differences in benefits received between rebated public rental households and total public rental households. This can be attributed to the fact that most public rental households are rebated in these states (86% in Queensland and 83% in Western Australia) (Figure 2.6).



Approximately 3.8% of the total population were living in rebated public rental households. The proportions living in this type of housing differ from 10% in the Northern Territory to 3% in Victoria. Within all jurisdictions there was a decline in the percentage of the total population living in rebated public rental housing as the level of income increased (Table 2.14).

Table 2.14: All households: percentage of total rental subsidies and percentage of households occupying public housing in receipt of rental subsidies in total population, state/territory by household income quintile (%), 1999

State or territory	Income quintile				All
	1st	2nd	3rd	4th	
Percentage of total rental subsidies within state or territory					
New South Wales	53.4	34.9	*10.9	**0.8	100
Victoria	62.3	28.8	**6.1	**2.9	100
Queensland	46.6	43.1	*10.3	—	100
South Australia	72.4	24.7	*2.7	**0.2	100
Western Australia	66.5	*24.4	*9.2	—	100
Tasmania	60.0	*38.1	**1.9	—	100
Northern Territory	*46.6	*42.8	**10.6	—	100
Australian Capital Territory	66.1	*27.9	**6.0	—	100
All	57.3	33.1	8.8	**0.8	100
Percentage of rebated public renters within state or territory and income quintiles					
New South Wales	11.1	6.6	2.4	0.2	4.0
Victoria	9.5	3.8	0.8	0.3	2.6
Queensland	7.8	5.0	1.8	—	3.0
South Australia	19.6	8.6	1.2	0.3	7.1
Western Australia	12.5	4.5	1.8	—	3.7
Tasmania	9.9	6.7	0.5	—	4.2
Northern Territory	42.4	30.2	7.9	—	10.2
Australian Capital Territory	30.5	14.0	3.0	—	7.1
All	11.5	5.8	1.7	0.2	3.8

Notes:

1. Income quintiles are derived from the Australia-wide population.
2. 5th quintile has nil value.

Source: Australian Housing Survey, 1999, confidentialised unit record files.

Table 2.15 shows that approximately 5% of the total number of households in Australia were living in public rental housing. However in the Northern Territory this figure was 13%, and in South Australia it was 11%. Both Queensland and Victoria had less than 4% of households living in public housing (Table 2.15).

Queensland had the highest level of rebated households in public housing (86.4%) while South Australia has the lowest at 66.7%. The total proportion of rebated public renter households is close to 75%.

Table 2.15: All households: proportion of public housing renters who are rebated and proportion of all public housing renters in the total population, by state/territory, 1999

State or territory	Percentage of public housing renters who receive rent rebate	Percentage of public housing renters in total population
New South Wales	75.8	5.3
Victoria	69.0	3.8
Queensland	86.4	3.4
Western Australia	83.2	4.5
South Australia	66.7	10.7
Tasmania	71.7	5.9
Australian Capital Territory	70.0	10.1
Northern Territory	76.5	13.3
All	74.6	5.1

Source: Australian Housing Survey, 1999, confidentialised unit record files.

Household composition

Figure 2.7 shows the average amount of rental subsidy received, across rebated public renters and all public renters, by household composition. Overall, households consisting of a sole parent with dependent children received the highest average amount of rental subsidy per recipient household (\$4,600). Group households received the lowest amount of assistance with an annual average – per rebated household – of \$2,700. In general, the highest level of assistance was received by households within the second income quintile.

Group households had incomes that placed them above the first income quintile. For households containing only one couple, there was a high level of assistance to those in the first two income quintiles.

Group households exhibit the smallest difference in average rental subsidy benefit received between rebated and total public housing renters (\$2,560 and \$2,700 respectively) due to the high proportion of rebated households in all public rental households (95%). 'Other' households experienced the greatest difference (\$1,860 for public renter households and \$3,867 for rebated households) as a result of the low level of rebated households (48% of public renting households) (Table 2.17).

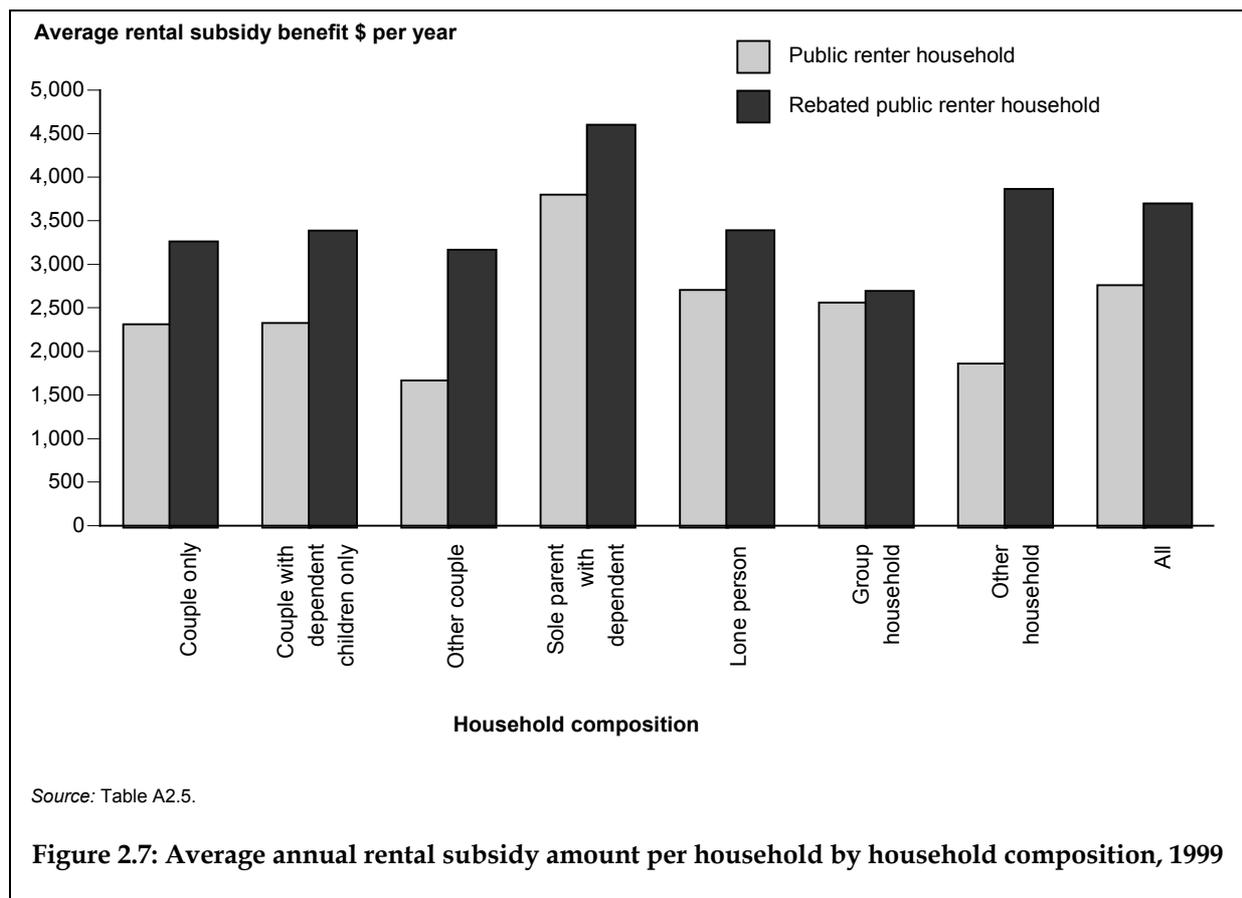


Table 2.6 shows that of all one parent with dependent children households, 17% were living in rebated public rental housing which is much higher than the percentage of households of all types (occupants) that live in rebated public housing (4%). Lone person households also have a relatively high use of rebated public housing, with 7% of all lone persons living in such housing.

Lone persons in the first income quintile received 93% of the rebated rents from public housing for that household composition, which is significantly higher than the overall level of 57%. Couple households in the second income quintile, however, accounted for a relatively high proportion of the total rental subsidy benefit if they had incomes within the second income quintile (over 50% compared with the overall level of 33%). This is likely to reflect a structure of social security payments that provides couple households with incomes that are above the first quintile boundary.

Table 2.16: All households: percentage of total rental subsidies and percentage of households occupying public housing in receipt of rental subsidies in total population, by household composition by household income quintile, 1999 (%)

Household composition	Income quintile				All
	1st	2nd	3rd	4th	
Percentage of total rental subsidies within households composition					
One family: couple only	43.8	50.5	**1.4	**4.2	100
One family: couple with dependent children only	**0.7	60.4	39.0	—	100
One family: other couple	**9.6	*55.4	*35.0	—	100
One parent with dependent children	47.1	49.4	*2.3	**1.2	100
Lone person	92.8	*3.1	*4.1	—	100
Group household	—	*52.1	**47.9	—	100
Other household	**5.9	71.6	*22.5	—	100
All	57.3	33.1	8.8	**0.8	100
Percentage of rebated public renters within household composition and income quintiles					
One family: couple only	4.2	2.8	**0.2	**0.2	1.5
One family: couple with dependent children only	**0.5	6.4	*2.1	—	1.4
One family: other couple	**8.4	*9.8	*2.6	—	1.4
One parent with dependent children	33.8	18.5	*3.5	**4.8	17.3
Lone person	12.1	*1.4	**0.7	—	6.9
Group household	—	*7.8	**3.4	—	2.0
Other household	**9.2	*8.7	*3.2	—	3.0
All	11.5	5.8	1.7	**0.2	3.8

Note: Income quintiles are derived from the Australia-wide population.

Source: Australian Housing Survey, 1999, confidentialised unit record files.

The proportion of public renter households in the total population varies for different household compositions (Table 2.17). Households that contain one parent with dependent children had the highest representation, with a much higher proportion (21%) than that for the overall proportion (5%). Lone person households had the second largest proportion (9%). Couple and group households had relatively low rates of public housing tenants among these household compositions.

The level of rebated households also varies for different types of household composition. Group households had the highest rebate proportion (95% of public renters), while one parent with dependent children and lone person households also had relatively high rebate proportions (about 80%) (Table 2.17).

Table 2.17: All households: proportion of public housing renters who are rebated and proportion of all public housing renters in the total population by household composition, 1999

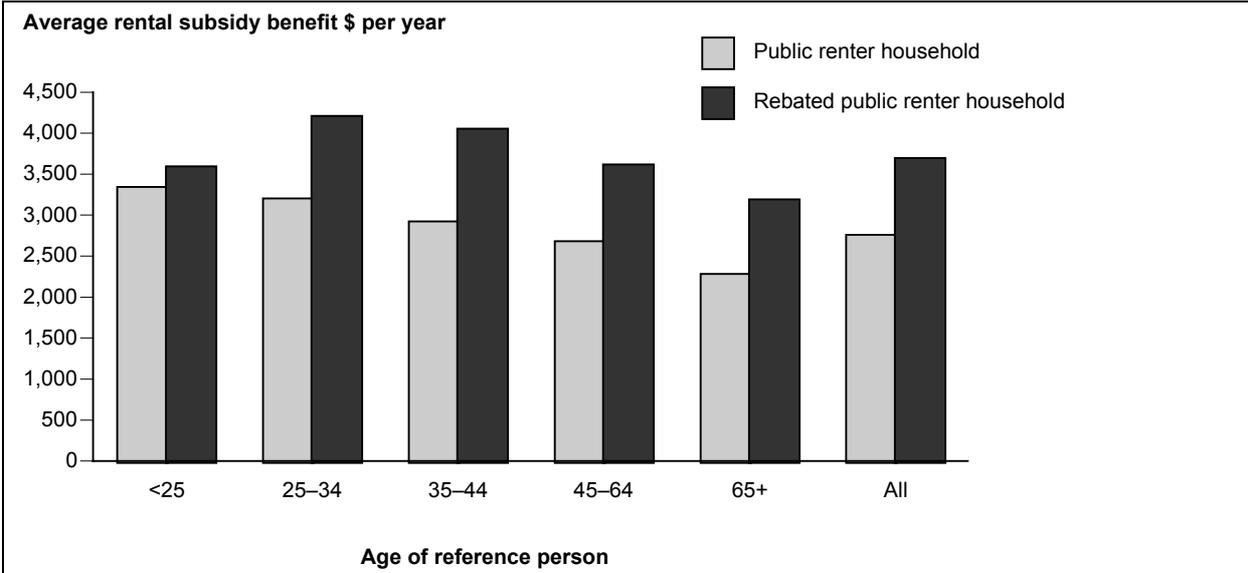
Household composition	Percentage of public housing renters who receive rent rebate	Percentage of public housing renters in total population
One family: couple only	70.9	2.1
One family: couple with dependent children only	68.7	2.1
One family: other couple	52.7	2.6
One parent with dependent children	82.5	21.0
Lone person	79.8	8.6
Group household	95.0	2.1
Other household	48.1	6.1
All	74.6	5.1

Source: Australian Housing Survey, 1999, confidentialised unit record files.

Age of household reference person

The average annual amount of rent subsidy per rebated household ranges from \$3,194 for those households where the reference person was aged 65 years and over to \$4,212 for those households where the reference person is aged between 25 and 34 years. The average annual amount of public rental subsidy across income quintiles also varies with the age of the reference person. Among households in the first income quintile, those with a reference person aged between 25 and 34 years received the highest average amount of subsidy (\$4,270) (Table A2.6).

The under 25 years age group experienced the smallest difference in average amount received between rebated and all public rental households (\$3,600 and \$3,340 respectively), reflecting that 93% of all public rental households in this age group are rebated (Table 2.19). These households are more likely to have entered into public rental housing for the first time, given the age of the main tenant, and therefore the figures reflect strict entry requirements with respect to income level.



Source: Table A2.6.

Figure 2.8: Average annual rental subsidy amount per household by age of household reference person, 1999

The distribution of rental subsidy benefits by income quintile and age of the household reference person shows that the proportion of benefits received declines as income increases, with the exception of those households where the reference person was aged between 25 and 34 years. In these rebated households, households with an income in the second income quintile account for the highest proportion of benefits.

The highest proportion of rebated public renters in the total population by age of main tenant occurs in the under 25 years age group (7%). This is significantly higher than the national level of 4%. The higher proportion is mostly due to people in this age bracket having very low incomes and therefore being eligible for assistance.

Table 2.18: All households: percentage of total rental subsidies and percentage of households occupying public housing in receipt of rental subsidies in total population by age of household reference person and income quintile (%), 1999

Age of household reference person (years)	Income quintile				All
	1st	2nd	3rd	4th	
Percentage of total rental subsidies within age of household reference person					
<25 years	48.6	*38.7	*12.7	—	100
25–34 years	38.9	51.7	9.4	**0.1	100
35–44	43.4	39.1	15.6	*1.9	100
45–64	66.9	23.4	8.3	*1.3	100
65+	78.8	19.8	*1.4	—	100
All	57.3	33.1	8.8	0.8	100
Percentage of rebated public renters within age of household reference person and income quintiles					
<25 years	20.4	*9.5	*3.4	—	6.8
25–34 years	18.3	9.9	*1.6	**0.1	3.8
35–44	17.6	7.3	*2.0	**0.3	3.2
45–64	13.1	4.5	*1.4	**0.2	3.1
65+	7.8	3.1	**1.0	—	4.9
All	11.5	5.8	1.7	**0.2	3.8

Note: Income quintiles are derived from the Australia-wide population.

Source: Australian Housing Survey, 1999, confidentialised unit record files.

Table 2.19 shows the distribution of public renter households and rebated public renter households among total public renters across different age groups for the household reference person. The greatest difference among age groups is seen in the households in which the reference person was aged less than 25 years. These households not only had the highest (7.3%) proportion of public renters, but also had the highest rebate rate (93%) compared with those for other age groups.

Table 2.19: Proportion of public housing renters who are rebated and proportion of all public housing renters in the total population by age group, 1999

Age of household reference person (years)	Percentage of public housing renters who receive rent rebate	Percentage of public housing renters in total population
<25 years	93.0	7.3
25–34 years	76.0	5.1
35–44	72.1	4.4
45–64	74.2	4.2
65+	71.5	6.9
All	74.6	5.1

Source: Australian Housing Survey, 1999, confidentialised unit record files.

2.4 Summary

Overall, more than 77% of total CRA benefits were received by households with incomes in the bottom two income quintiles. Also the high proportion of private renter households receiving CRA in the bottom two income quintile groups (53% and 46% respectively) reflects the targeting of this benefit.

The distribution of the total public rent rebate and rebate recipients across income quintiles indicates that the public rent rebate system has been even better at targeting assistance to low income households. This is reflected in a considerably higher proportion of low income households who benefit from public housing rent rebates in the first two income quintiles (over 80% and 77% respectively) and 90% of total rent rebate going to households with incomes in the bottom two income quintiles.

According to administrative data, in 2001-02 the average CRA benefit was \$2,480 per recipient household per annum. However, in the same year the public housing rent rebate system on average provided a greater amount of assistance to its recipients. The average annual benefit to public renters was \$4,160 per household.⁷

The distributional analysis shows that there is little variation overall in the dollar amount of CRA received by households across income quintiles. However the public housing rent rebate system has a greater ability to vary according to differential rents. The average rental subsidy dollar amount varies from \$4,940 in the Northern Territory and \$4,660 in New South Wales to \$2,420 in South Australia and \$2,600 in Tasmania. This reflects the difference in market rent value in each region.

Despite the lower average benefit per CRA recipient household compared with the average rent rebate per rebated public renter household, the total number of households that benefited from CRA was much larger than the total number of rebated public renter households. In 2001-02, the CRA scheme assisted 674,950 households in the private rental sector. This is more than double the number of rebated public renter households (300,000 households) in the same time period.

⁷ The apparent difference of \$1,660 is indicative only due to the different methods used to derive the two averages.