



6 June 2017

The Secretary
Penalty Rates and Fair Pay Select Committee
Parliament House, Spring Street
EAST MELBOURNE VIC 3002

Re: Inquiry into penalty rates and fair pay

The Council to Homeless Persons is concerned that the recent decision of the Fair Work Commission to reduce penalty rates in hospitality and retail awards will increase the incidence of homelessness in Victoria.

Over the past decade rental costs across metropolitan Melbourne have risen by 4.9 per cent per annum, while rental costs across regional Victoria have increased by 4.1 per cent per annum¹. Yet incomes in Victoria are increasing at just 2.2 per cent per annum. Low income growth, paired with high growth in the cost of rental housing means that more people face difficulty in sustaining their housing - this is reflected in the continued growth in homelessness in Victoria, currently trending at around 5.1 per cent per year.

Financial difficulties are either the main, or a contributing factor in 44.5 per cent of episodes of homelessness in Victoria. Particularly affected are those on low incomes. It is a little known fact that 7,800 Victorians who were employed experienced homelessness last year.

We know that low paid workers in Victoria already face significant challenges affording housing. The most [recent DHHS Rent Report](#) revealed that the median rent for properties in Melbourne is \$390 per week (\$20,280 annually).² For this rent to be affordable, a worker would need to be earning \$1,300 per week (\$67,600 annually).

¹ DHHS, Rental Report December 2016, p. 3, Accessed at <http://www.dhs.vic.gov.au/about-the-department/documents-and-resources/research-data-and-statistics/current-rental-report> 6 June 2017

² DHHS, Rental Report December 2016





In fact, workers in hospitality and retail earn considerably less. The [McKell Institute](#) modelled a series of wage impact scenarios for workers earning between \$30,000 and \$55,000 and revealed that workers whose shifts included Sundays would be between 3% and 11% worse off.³

As people's wages are reduced over the implementation period this will have two related impacts that will increase homelessness.

- 1) Workers will have less income to meet rent costs in their current rental accommodation. This will increase the likelihood of them being unable to pay their rent and being evicted, and/or ending their tenancy to move to cheaper accommodation.
- 2) Competition for relatively low cost rental accommodation in Victoria is already fierce with many people searching for housing in a limited pool of cheaper properties. Decreasing the incomes of workers will only add to this competition for low cost accommodation – a process akin to increasing the number of players in a game of musical chairs. In this context, it is clear that the number of people who miss out on accommodation and who become homeless will increase.

In a market in which there are already considerable challenges for low income Victorians to sustain their housing, Council to Homeless Persons is concerned that any structural reforms that further decrease the incomes of low paid workers will have a significant negative impact on affected individuals' efforts to sustain their housing costs, and will ultimately lead to more homelessness.

We note that CHP member organisation Launch Housing has also contributed a submission to this process and endorse the more detailed comments and analysis provided by Launch.

Sincerely,

Jenny Smith
Chief Executive Officer

³ The McKell Institute, *The Impact of the Fair Work Commission's February 23 Sunday Penalty Rates Decision*, 25 February 2017