

The Rising Cost of Living

in

Western Australia

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wacoss

Western Australian
Council of Social Service Inc

*Ways to make
a difference*

For more information
contact:

Lorilee Beecroft
Policy Officer

2 Delhi Street
WEST PERTH 6005

lorilee@wacoss.org.au

About this paper

WACOSS has produced *The Rising Cost of Living in Western Australia* since 2006. The paper's intent has always been to track percentage changes in typical living expenses against increases in the scenario family's income. Over the life of the paper, our calculations have shown that the family continues to fall further behind as their living expenses increase by considerably more than their income.

Originally, the family's income figure was derived using the third quintile of mean income per week from the ABS' Household Income and Distribution Survey. The most recent survey, released in 2005/2006, has not since been updated.

As WACOSS' cost of living paper is updated yearly, income figures for consequent years had to be derived from different sources, which resulted in a lack of consistency and accuracy. A consistent methodology has now been applied and backdated, and can easily be updated yearly as the paper is written.

The family's 'income' figure has been calculated by adding the State-awarded minimum wage (which is handed down each July by the WA Industrial Relations Commission (WAIRC)) to the family assistance payment, administered by the Family Assistance Office. WACOSS makes a submission to the WAIRC State Wage Case each year.

Applying the new methodology for the first time this year, the paper shows that modest annual increases in the State minimum wage cause the family assistance payment to stagnate, remaining constant for three years. The family's disposable income is eroded over time as income increases fail to keep pace with escalating living costs.

Executive Summary

The cost of living in Western Australia has been greatly influenced by fluctuating economic conditions over the past two years. This time last year, WA was nearing the end of a prolonged mining and resources boom, driving up the cost of goods and services far beyond the reach of low-income families in this State. Not long after global markets crashed in late 2008, the West Australian economy began to display the negative impacts of the economic downturn; rising unemployment, record property repossessions, and an increased demand on community services.

In 2006-07, even before the effects of the economic downturn were being felt, 9750 people were turned away from community service organisations in WA. 81% of these people were eligible for the service, but were turned away due to the services operating at maximum capacity.¹

As vulnerable members of our community bear the brunt of the economic downturn, community service agencies report that the number of people struggling to make ends meet is growing. Agencies on the ground have reported sharp increases in demand for their services, and this looks set to continue.

The WA No Interest Loans Scheme (WA NILS), which provides assistance to low income households to purchase essential items, is processing applications at 3 times the rate they were in October/November 2008, increasing from approximately 50 per month to 150.

Relationships Australia reports an increase in the number of people presenting with relationship difficulties, and attributes these difficulties to financial stress and unemployment. They have also noted an increase in the number of people requesting a fee waiver, whereby clients either pay a reduced amount, or are not charged for service.

It is evident to see that the economic downturn is plunging many families into rapid and sustained hardship. Families that may otherwise have been able to avoid crisis are now faced with a number of immense challenges.

Key findings

This paper shows that from 2007 to 2009, **household expenses** have **increased by approximately \$105 per week, or 17.7%**. During the same period, **income levels** for minimum wage earners in WA have **increased by \$41, or 5.15%**.

Annual increases in the State minimum wage have not been high enough to change the family assistance payment, stagnating at \$268 per week for 2007, 2008 and 2009. After taking into account the average income increase, the **family's net position has deteriorated by \$64 per week over a two year period**.

Methodology

The data used in this paper is drawn from a number of sources (including the CPI) and the conclusions presented are in no way intended as evidence of living costs and/or household expenditure patterns. Rather, the paper highlights price rises which are placing a strain on the budgets of WA families living on minimum wage. It provides indicative data to demonstrate the continued trend in escalating living costs in WA for the past two years. It takes commonly tracked percentage increases, and considers these increases in dollar terms. In order to do so, the paper makes a series of assumptions which are referenced and sourced from the most current available data.

The family's 'income' figure has been calculated by adding the State-awarded minimum wage (which is handed down each July by the WA Industrial Relations Commission (WAIRC)) to the family assistance payment, administered by the Family Assistance Office. The family assistance payment, including rent assistance, has been estimated using the family assistance estimator, available online at http://www.familyassist.gov.au/Internet/FAO/fao1.nsf/content/online_services.

Applying the new methodology for the first time this year, the paper shows that modest annual increases in the State minimum wage cause the family assistance payment to stagnate, remaining constant for three years. The family's disposable income is eroded over time as income increases fail to keep pace with escalating living costs.

Who lives on a minimum wage in WA, and can this be considered 'low-income'?

ABS Labour Force statistics for July 2009 state that there are 1,147,700 people employed in WA.² The Trade and Labour Council of WA (TLCWA) estimates that approximately 7.1% of these are paid at a rate specified by a State award.³ They also state that the majority of employees reliant on minimum wages in WA are low-income employees.

A study commissioned in 2006 by the Australian Fair Pay Commission, conducted by the National Institute of Labour Studies, found that federal minimum wage (FMW) workers are strongly concentrated among low-income households when compared with other workers. They are not, however, particularly concentrated among the lowest income households when the entire Australian population is considered.⁴

In WA, the latest census data⁵ suggests that concentrations of low income households are located in a narrow band along the eastern side of the City stretching from Balga in the north to Armadale in the south-east; in the southern coastal areas of Kwinana, Rockingham and Mandurah; and in the suburbs to the immediate south of Fremantle. Balga, Midland and Midvale, Bentley, Hamilton Hill and Coolbellup all had more than one third of households classified as low income. Similar proportions were located in the south of WA, particularly in the suburbs of Calista, Medina, Rockingham, Shoalwater, Mandurah, Furnissdale and Coodanup.⁶

The Consumer Price Index and low-income West Australians

While it is difficult to accurately track living costs and household expenditure patterns, there are some useful indicators that draw a general picture of costs pressures. The Consumer Price Index (CPI) produced by the Australian Bureau of Statistics (ABS) is the most commonly used indicator of the cost of living.

However, even the ABS recognises the limitations of the CPI. It warns that a “true cost-of-living index, among other things, would need to be concerned with changes in standards of living and with the substitutions that consumers make in order to maintain their standard of living when faced with changing market conditions”.⁷

The headline CPI figure is inadequate as a measure of the cost of living for low-income earners. This inadequacy is due to the composition and weighting of the basket of goods used to calculate the CPI. Price movements in goods and services that form a small part of low-income earners’ budgets (for example, luxury goods and financial services) can offset price rises in vital goods and services such as food and housing.

The ‘headline’ CPI increase for Perth in the year to June 2009 was 1.4%. However, this figure masks significant increases in the types of goods and services that represent a large portion of low-income earners’ budgets. According to latest CPI figures, in the year to June 2009, the price of food in Perth increased by 3.7%, housing by 5.1%, rents by 9.3%, health services by 6.9% and education by 5.3%.⁸

WACOSS Family – Cost of Living

Increases in the cost of housing, food, health services and utilities are placing low-income families in Western Australia under immense pressure.

The scenario below draws a picture of the effects rising living costs are having on minimum wage earners and their families. Our representative household is a family with one parent working full-time, living in rental accommodation with two dependent children. The family receives a family assistance payment (Family Tax Benefit A and B) from the Family Assistance Office. They are also eligible to receive rent assistance. This amount forms part of the family's income figure.

The WACOSS cost of living scenario is a hypothetical model based on a number of referenced assumptions, with figures drawn from a variety of available sources. The scenario is not intended to be a comprehensive or precise reflection of living costs and/or household expenditure. It does, however, highlight the difficulty faced by many families living on a low income in WA.

While the family's disposable income may appear adequate, there are many additional household expenses *not* included in the scenario. Expenditure items such as clothing and footwear, education, home contents insurance, motor vehicle maintenance and repairs, and telephone bills are not included in this model.

The case can be made that the associated costs of running this household are actually very conservative, in that they do not take into account the many other cost pressures facing low-income families.

In addition, many low-income families not represented by this model may earn below minimum wage and will still have to absorb these cost pressures. This puts them at risk of homelessness and in danger of falling into poverty and debt cycles.

This paper shows that from 2007 to 2009, household expenses have increased by approximately \$105 per week, or 17.7%. During the same period, the family's income has increased by just \$41 per week, or 5.15%

After taking into account the average income increase, the family's net position has deteriorated by \$64 per week over a two year period.

Table 1: WACOSS Family – Cost of living from June 2007 to June 2009

P/wk	Income (Min wage ⁹ plus Family Assistance payment ¹⁰)	Food and h/hold items¹¹	Housing¹²	Fuel¹³	Health Services¹⁴	Childcare¹⁵	Utilities¹⁶	Total Expenses	Disposable Income
July 2007	Wage: \$528 Family Assistance \$268 Total: \$796	\$121	\$290	\$52	\$56	\$34	\$40	\$593	\$203
July 2008	Wage: \$557 Family Assistance \$268 Total: \$825	\$123	\$330	\$63	\$58	\$38	\$43	\$655	\$170
July 2009	Wage: \$569 Family Assistance \$268 Total: \$837	\$136	\$370	\$49	\$62	\$32	\$49	\$698	\$139
2 yr rise	\$41 (5.15%)	\$15	\$80	-\$3	\$6	-\$2	\$9	\$105 (17.7%)	Net position -\$64

Table 2: Summary

Increase	Income	Expenses	Surplus
07-08	29	60	-33
08-09	12	40	-31

Housing

Rental costs for a three bedroom home

Safe, affordable and accessible housing is a basic human right. A stable home environment provides people with a base from which to access employment, basic amenities and community services. Housing is vital in protecting individuals and families from disadvantage and social exclusion.

A recent AHURI study on the impact of housing affordability problems on financial and social wellbeing found that 70% of low-income renters are experiencing difficulty in paying rents, and 40% had been in arrears at some time in the last three years. Some 40% of lower income renters in the study moved annually in search of cheaper rents. Lower income renters in housing stress reported depriving themselves of basic goods and services in order to meet rental repayments, including meals and adequate health and/or dental care.¹⁷

It is becoming increasingly difficult for many low-income West Australians to secure and maintain rental accommodation, let alone purchase a home of their own. The median rent in Perth continues to rise. From 2007 to 2009, the median rent has increased by \$80, or 27.5%, from \$290 to \$370 per week. The vacancy rate currently stands at 2.9%, up 1.5% from the same time last year.¹⁸

Table 3 shows examples of the difference in median rental prices from June 2007 to the June 2009.

While the WACOSS scenario does not take into account rental accommodation costs for regional WA, Table 4 shows comparative weekly rentals for areas such as Broome, Albany, Kalgoorlie and Bunbury.

It is important to consider that these accommodation prices are averages, and depending on where they live, many families may be forced to pay well above these figures.

Table 3: Metropolitan Rental Accommodation June 2007 to June 2009

Suburb	Median Rental June 2007	Median Rental June 2008	12 month Increase	Median Rental June 2009	12 month Increase
Perth median	\$290	\$330	\$40	\$370	\$40
Ardross	\$360	\$375	\$15	\$450	\$75
Armadale	\$223	\$305	\$82	\$285	-\$20
Balga	\$256	\$301	\$45	\$320	\$19
Cottesloe	\$460	\$766	\$306	\$710	-\$56
Kalamunda	\$250	\$314	\$64	\$330	\$16
Midland	\$250	\$270	\$20	\$300	\$30
Rockingham	\$250	\$310	\$60	\$280	-\$30
Spearwood	\$290	\$295	\$5	\$260	-\$35
Wanneroo	\$286	\$315	\$29	\$328	-\$13
Suburb Average	\$291	\$361	\$69	\$362	-\$2

Table 4: Regional Rental Accommodation June 2009

Location	Rent (per/week)
Mandurah - Murray	\$295
Greater Bunbury	\$300
Geraldton – Greenough	\$320
Kalgoorlie – Boulder	\$360
Albany	\$280
Broome	\$615

(REIWA www.reiwa.com.au)

Fuel

Access to transport is a key determinant of disadvantage: a socially sustainable society is one where all people can access employment, education, community services and basic amenities. The gap between those who can easily access these supports and those who cannot reinforces patterns of wealth and poverty in the community.

Low-income households in Western Australia face a number of challenges in accessing affordable transport. They generally have the greatest dependence on private car transport due to their need to reside in less expensive outer suburban areas, which are often not well serviced by public transport networks.

The table below indicates that from June 2007 to June 2009, weekly average expenditure on petrol in the metropolitan region decreased by \$2.76. In the regions, this was more pronounced, decreasing by \$16.99. In the face of such stark increases from 2007-2008, these decreases, although marginal, will bring welcome relief to the family budget.

Table 5: Average Price for ULP in all Regions from June 2007 to June 2009

Date	Metro	Increase on previous	Av Metro Cost Per Week (40L)#	Non-Metro Average	Increase on previous	Non-Metro vs Metro Gap	Av Non-Metro Cost Per Week (80L)*
June 2007	\$129.90		\$51.96	\$144.24		\$14.34	\$115.39
June 2008	\$157.80	\$27.90	\$62.80	\$170.90	\$26.66	\$13.10	\$136.72
June 2009	\$123.00	-\$34.80	\$49.20	\$135.92	-\$34.98	\$12.92	\$98.40
Total decrease			\$2.76				\$16.99

Metro

Assumed Average Fuel Usage = 40L/week for approximately 40km/day (based on NRMA estimates of average use 15,000km per year and general estimate of fuel usage of 14km/L)

This will be higher for families who travel further each day

* Non-metro

Assumed Average Fuel Usage = 80L/week for approximately 80km/day (based on double metropolitan usage figures). Weekly fuel expenditure has risen by about \$43 over the past 5 years

This will be a lot higher for some families who travel regularly in the outer metropolitan area

(Fuelwatch by DOCEP www.fuelwatch.wa.gov.au)

Food and Basic Essentials

For low-income households, the cost of food and basic essentials impacts significantly on the family budget. An inability to purchase these essential items has negative consequences on a family's quality of life.

Table 6 shows the price increases for a number of selected household items.

Table 6: Comparison of Perth Average Retail Prices of Selected Items¹⁹

	2007	2008	2009
Dairy products			
Milk (2 litre)	3.13	3.57	3.22
Cheese, processed, sliced, (500g)	4.87	5.26	5.21
Butter (500g)(a)	3.18	4.67	4.38
Bread and cereal products			
Bread white loaf, sliced (650g)(b)	3.04	3.25	3.43
Flour, self raising (2 kg)	4.52	3.8	3.95
Rice, long grain (1 kg)	2.25	2.64	2.90
Meat and Seafood			
Loin chops (1 kg)	14.83	18.53	19.75
Chicken, frozen (1 kg)(d)	4.54	6.05	6.31
Bacon, middle rashers (250 g pkt)	5.16	5.36	6.62
Sausages (1 kg)	6.16	6.81	6.52
Fresh fruit and vegetables (e)			
Oranges (1 kg)	4.14	3.37	3.97
Potatoes (1 kg)	2.13	2.62	2.73
Tomatoes (1 kg)	4.9	4.2	3.88
Carrots (1 kg)	1.44	1.59	1.67
Onions (1 kg)	2	2.12	2.46
Processed fruit and vegetables			
Peaches (825 g can)	3.45	3.6	3.79
Pineapple, sliced (450 g can)	1.96	2.04	2.18
Peas, frozen (500 g pkt)	1.73	1.91	2.13
Other food			
Eggs (1 dozen)(d),(f)	4.69	4.76	4.60
Sugar, white (2 kg)(d)	2.89	2.85	2.87
Jam, strawberry (500 g jar)	3.18	3.4	3.34
Teabags (180 g pkt)	3.71	3.99	4.12
Coffee, instant (150 g jar)	7.3	7.81	8.25
Tomato sauce (600 ml)	1.74	1.91	2.22
Margarine, poly-unsaturated (500 g)	2.81	3.04	3.25
Baked beans, in tomato sauce (420 g)	1.4	1.45	1.59
Baby food (120 g can)	0.95	1.09	1.19
Household supplies			
Laundry detergent (1 kg)	5.88	5.64	5.70
Dishwashing detergent (450 ml)	3.39	3.60	3.31
Facial tissues (pkt 180)	2.24	2.13	2.22
Toilet paper (8 x 190 sheet rolls)	6.72	6.27	6.91
Pet food (400 g)	1.13	1.08	1.16
TOTAL	\$121.46	\$123.76	\$135.83

Conclusion

For low-income earners and people experiencing disadvantage, the cost of living in WA is rising much faster than incomes, creating significant financial hardship.

This paper shows that from 2007 to 2009, **household expenses** have **increased by approximately \$105 per week, or 17.7%**. During the same period, **income levels** for minimum wage earners in WA have **increased by \$41, or 5.15%**.

Annual increases in the State minimum wage have not been high enough to change the Family Assistance payment, stagnating at \$268 per week for 2007, 2008 and 2009. After taking into account the average income increase, the **family's net position has deteriorated by \$64 per week over a two year period**.

Applying a new methodology for calculating income for the first time this year, this paper shows that modest annual increases in the State minimum wage cause the Family Assistance payment to stagnate, remaining constant for three years. The family's disposable income is eroded over time as income increases fail to keep pace with escalating living costs. This places low-income families at risk of entering into poverty and debt cycles.

It is important to consider that for low-income families, the headline CPI figure is inadequate as a measure of the cost of living. This inadequacy is due to the composition and weighting of the basket of goods used to calculate the CPI. Price movements in goods and services that form a small part of low-income earners' budgets (for example, luxury goods and financial services) can offset price rises in vital goods and services such as food and housing.

The 'headline' CPI increase for Perth in the year to June 2009 was 1.4%. However, this figure masks significant increases in the types of goods and services that represent a large portion of low-income earners' budgets. According to latest CPI figures, in the year to June 2009, the price of food in Perth increased by 3.7%, housing by 5.1%, rents by 9.3%, health services by 6.9% and education by 5.3%.

Coupled with the effects of the economic downturn, it is evident to see that many families risk rapid and sustained hardship as they try to keep pace with escalating living costs. Families that may otherwise have been able to avoid crisis now face a number of immense challenges.

For more information please contact:

Irina Cattalini
Director - Social Policy
Phone: 9420 7222

Please refer also to the WACOSS paper *The Rising Cost of Essential Services* (June 2009), available online at www.wacoss.org.au

Endnotes:

- ¹ ABS (2005) A Guide to the Consumer Price Index: 15th Series, ABS cat 6440.0, online at [http://www.ausstats.abs.gov.au/ausstats/subscriber.nsf/0/A0C0F582E0909660CA2570A60000A4C1/\\$File/64400_2005.pdf](http://www.ausstats.abs.gov.au/ausstats/subscriber.nsf/0/A0C0F582E0909660CA2570A60000A4C1/$File/64400_2005.pdf) pp3-4
- ² ABS. Labour Force Statistics July 2009. See <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6202.0Jul%202009?OpenDocument>
- ³ Trade and Labour Council WA (TLCWA) submission to the State Wage Case 2009. See <http://www.wairc.wa.gov.au/WageCase/SWC2009/Incoming%5CSubmission%20of%20TLCWA%20050509.pdf>
- ⁴ Healy & Richardson. 2006. An Updated Profile of the Minimum Wage Workforce in Australia. National Institute of Labour Studies. See http://nils.flinders.edu.au/assets/publications/AFPC_1_MW_workers.pdf
- ⁵ ABS Census 2006
- ⁶ ABS Census 2006
- ⁷ ACOSS Community Sector Survey 2008. See www.acoss.org.au
- ⁸ ABS Consumer Price Index. July 2009. See <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6401.0Jun%202009?OpenDocument>
- ⁹ 2007and2008 min wage figures derived from: http://www.commerce.wa.gov.au/labourrelations/Content/Wages%20and%20Leave/Minimum%20wages%20and%20conditions/Minimum_wage_rates.html - 2009 decision submitted by the WAIRC on June 11 2009, see <http://www.wairc.wa.gov.au/>
- ¹⁰Rate calculated using the Centrelink Family Assistance/Child Support Estimator. See http://www.familyassist.gov.au/Internet/FAO/fao1.nsf/content/online_services
- ¹¹ ABS. Average Retail Prices of Selected Items, Eight Capital Cities, 2007, 2008, 2009. See <http://www.abs.gov.au/ausstats/abs@.nsf/PrimaryMainFeatures/6403.0.55.001?OpenDocument>
- ¹² REIWA Property Market Indicators, Perth Median Rent. See <http://reiwa.com.au/res/res-marketindicators-display.cfm>
- ¹³ Average price for Perth metropolitan area. Calculated using historical data. See www.fuelwatch.wa.gov.au
- ¹⁴ ABS. TABLE 14. CPI: Group, Sub-group and Expenditure Class, Percentage change from corresponding quarter of previous year by Capital City. (Health) 2007, 2008, 2009. See http://www.abs.gov.au/ausstats/abs@.nsf/mf/6401.0?opendocument?utm_id=HL
- ¹⁵ TABLE 14. CPI: Group, Sub-group and Expenditure Class, Percentage change from corresponding quarter of previous year by Capital City. (Household contents and services; childcare). See http://www.abs.gov.au/ausstats/abs@.nsf/mf/6401.0?opendocument?utm_id=HL
- ¹⁶ WACOSS. 2009. Rising Cost of Essential Services. See <http://www.wacoss.org.au/utilities/publications.htm>
- ¹⁷ Terry Burke and Simon Pinnegar, AHURI, Research Paper 9, 'Experiencing the Housing Affordability Problem: Blacked aspirations, trade-offs and financial hardships', January 2008.
- ¹⁸ REIWA Property Market Indicators, Perth Median Rent. See <http://reiwa.com.au/res/res-marketindicators-display.cfm>
- ¹⁹ ABS. Average Retail Prices of Selected Items, Eight Capital Cities. June 2009. See <http://www8.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6403.0.55.001Jun%202009?OpenDocument>