

The Rising Cost of Living in WA

December 2011



wacoss

Western Australian
Council of Social Service Inc

*Ways to make
a difference*

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Executive Summary

The *WACOSS Rising Cost of Living report 2011* indicates that the cost of living for low income households in Western Australia is rising faster than wages, potentially meaning many more households will struggle to make ends meet.

The 2011 report demonstrates significant increases in both the cost of living and the income for a Western Australian family relying on the minimum wage between July 2010 and July 2011, with the cost of key expenses such as food, housing and essential services outstripping a modest rise in income.

The WACOSS household model indicates that the model family's net income increased by \$31 per week in 2010-11, while the cost of key expenses increased by \$32 per week, leaving the household \$1 per week (or \$52 a year) worse off.

The household has done significantly worse this year than it did in the previous year. By comparison, between July 2009 and July 2010 the increase in the household's net income was more than double the increase in expenses. The model household's income increased by \$42 per week in 2009-10 while the cost of key items increased by only \$18. As a result the household was \$24 per week or \$1248 a year better off in 2009-10.

Low and fixed income households are particularly vulnerable to rising cost pressures. These households have shown slower income growth and spend a greater proportion of their incomes on essential goods and services. People on low incomes are much more likely to have to make tough choices between essentials such as rent, utilities and food and may be forced to forego social and recreational activities.

While the WA economy has recovered from the global economic downturn of 2008-09 and is again driving the national economy, not all West Australians are sharing in this prosperity. Cost of living increases over the past two years, many of which are linked to the resources boom, have put financial pressure on many West Australian households. Over this period the costs of essential services have increased by considerably more than that of most discretionary or luxury items, many of which have become cheaper in real terms. The costs of electricity, gas and water in particular, have increased significantly and are forecast to continue to rise. Over the two year period of this study (between June 2009 and June 2011) the cost of electricity increased by 36%, water by 17% and gas by 31%.¹

Housing costs are major driver of cost of living pressures with median rents in Perth around \$380 per week and the median cost homeownership over \$450,000. These costs are significantly higher in some regional areas. After paying housing costs a growing number of low-income households are unable to pay other bills and require assistance from financial counsellors and emergency relief agencies. In the 12 months to June this year 19,417

referrals were made to financial counsellors because people had difficulties paying utility bills, compared to 9,456 referrals in the previous year.² Cost pressures also impact on the ability of people on low incomes to afford a healthy diet, leading to an increased risk of obesity, diabetes, heart disease and other chronic illnesses in later life.

The WACOSS Household model highlights the cost pressures on low income households. The model is a hypothetical scenario based on a couple with two children, one aged 8 and the other 5, with one parent employed full-time on the state minimum wage. The report compares changes in the household's income relative to cost increases for a fixed set of key items. The WACOSS Household model is not intended to provide a comprehensive or precise reflection of all living costs or household expenditure. It does however provide a robust and illustrative measure of how the changing costs of the goods and services relied on by Western Australian households on low incomes impact on their weekly budget and their ability to make ends meet.

The Council has produced *The Rising Cost of Living in WA* report since 2006. As the peak advocacy body for disadvantaged, low-income and vulnerable people, The Council has a particular interest in drawing attention to the impact of cost of living pressures on low-income West Australians.

The Council is engaged in a range of initiatives which seek to draw attention to cost of living pressures and help alleviate the impacts of rising living costs on low income households.

Cost of Living Pressures

Rising living costs are a major concern for most West Australians. Over the past few years the costs of most essential services, including housing, food, electricity and water, have increased significantly. In particular, household electricity tariffs rose by 57% between April 2009 and July 2011¹ delivering a major blow to household budgets.

To measure the impact of changing living costs on Western Australians households we first need to have a clear understanding of how household budgets differ depending on the level of household income and the choices different households must make to cover the basic necessities of life before they consider discretionary or luxury items. This is why The Council has developed the WACOSS Household Model.

The Consumer Price Index (CPI) indicates that prices in Perth increased by 3% from June 2010 to June 2011 and 7% over the two years to June 2011.³ The headline CPI figure, however, does not provide an accurate measure of the true living costs that most households actually experience. This is because the CPI is based on an average price increase across a basket of items that an average household might purchase, which includes a mix of essential and discretionary or 'luxury' items. It does not take into account the spending patterns of households on lower incomes, who spend significantly more of their income on essential items, nor does it reflect how spending patterns change to reflect rising costs – as households are forced to make difficult decisions and prioritise their spending.

Increases in essential items that households cannot avoid paying for have an immediate impact on household spending patterns which relates directly to the proportion of income they need to spend on essentials. In other words, when you are on a low income, not all items in the CPI basket are equal. The analysis below shows that during the last 12 months the cost of essential services has increased significantly compared to discretionary and luxury items months.

Essential items such as food, utilities, health and public transport have all risen by substantial amounts. The rise in prices is significant across utilities (electricity, gas and water) which are crucial to maintaining a decent standard of living. On the other hand discretionary items such as clothing & footwear, motor vehicles and household appliances have decreased in price, delivering benefits only to those who can afford them.

Figure 1: 2009-11 costs of essentials compared to discretionary items

Generally discretionary items	% change	Essential items	% change
Alcohol & tobacco	+13%	Food	+7%
Clothing & footwear	-1%	Rent	+7%
Household appliances	-5%	Electricity ²	+36%
Motor vehicles	-1%	Gas and other household fuels	+31%
		Water and sewerage	+17%
		Health	+9%
		Public transport	+6%
		Education	+13%
		Insurance and financial services	+9%

Source: ABS Consumer Price Index, Australia, Sept 2011, Cat 6401.0, Table 13, Perth

Unfortunately, prices of essential services in WA are likely to continue to rise, adding even greater pressure to already struggling households. The Western Australian Government announced a projected increase of 29% for electricity prices by 2015 in the last State budget. In addition, WA Treasury modelling indicates that the recent announcement of a \$23 per tonne price on carbon by the Federal Government will add an additional 7% to the cost of electricity for a 'representative' household (together with a 1% increase in water charges and a 1.9% increase in public transport costs).⁴

In this context it is also important to note that low income households are often living in older and less energy efficient housing stock and/or rental housing, are more likely to rely on older and more inefficient appliances, and are less likely to be able to invest in efficiency measures. Taken together with the fact that low income households spend a greater proportion of their income on utilities, this means that they are disproportionately affected by rising utility costs.

Housing costs represent a substantial proportion of weekly household budgets in Western Australia, and is a key driver of cost of living pressures in WA. According to a recent report by University of Canberra 90,000 households in WA are experiencing housing stress and

paying 30% or more of their incomes on mortgage repayments or rent. Perth had the second highest level of mortgage stress of any capital city, with 13% of total mortgagees in housing stress.^{5 6} This is not surprising given the high cost of homeownership in WA.

The median price to purchase a house in Perth was \$470,000 in June 2011. While this represents a slight fall from the historic high of over \$500,000 in early 2010, the dream of home ownership still remains well beyond the aspirations of many Western Australian households.⁷

High house prices mean people require larger loans to purchase their own homes. An average loan of \$325,000⁸ at a standard variable interest rate of 7.56%⁹ repaid over 25 years requires monthly repayments of \$2,414.¹⁰ This means that a household would require a gross annual income of \$86,900 per year to avoid being in housing stress. This compares with an average household income of \$84,250,¹¹ and is well beyond the \$47,400 earned by the family in the WACOSS household model.

The increasing number of Civil Property Possession Applications before the Supreme Court is a stark indication of the pressures on some WA households. There were 461 repossession applications before the Supreme Court in the September Quarter 2011, the highest number recorded and 68% higher than September 2009.¹²

Rental costs in Perth and across regional WA remain at historical highs. REIWA data indicates the median weekly rent for Perth in June 2011 was \$380 per week – an increase of 5.6% from June 2009. This is 23% of the average weekly income, or 42% of the WACOSS Household Model's minimum wage income. Rents in regional centres and towns across the Pilbara and Kimberley continue to far outstrip those in the metropolitan area.^{13 14}

Low-income households in particular are disproportionately affected by increases in the cost of living.

Low Income Households¹⁵

The rising cost of living impacts on most households in Western Australia, but those living on low and fixed incomes are most vulnerable to cost increases. This is because low income households tend to have slower income growth¹⁶ and spend a relatively higher proportion of their weekly income on essential items.¹⁷

The situation is made worse by the high level of income inequality that exists in Western Australia. The ABS Household Income and Income Distribution Survey 2009-10 reports that WA has the highest income inequality in the country.¹⁸ Pictured in dollar terms, low-income households in WA are faring worse than their Eastern counterparts. From 2007-08 to 2009-10, the weekly disposable income available to low-income households in WA for food, utilities, rent and other daily essentials decreased by \$18 to \$457 per week.¹⁹ In the same period, the income of households in the highest income quintile increased by \$267²⁰.

Low income families not only have to choose between essential services; they also forego participation in social activities, taking vacations and pursuing hobbies. They are also ill-prepared to deal with emergencies. The table below shows the indicators of financial stress low-income families were facing in 2009-10 in comparison to other WA households.

Figure 2: Indicators of financial stress in the last 12 months

Financial stress indicator	All households (%)	Low income households (%)
Unable to raise \$2000 in a week for something important	15.0	21.3
Spent more money than received	15.3	18.7
Could not pay electricity, gas or telephone bills on time	13.1	19.4
Sought financial help from friends or family	7.7	9.9
Could not afford holiday for at least one week a year	24.7	38.2
Could not afford a night out once a fortnight	15.9	27.8
Could not afford friends or family over for a meal once a month	7.3	15.4
Could not afford a special meal once a week	12.2	24.0
Could only afford second hand clothes most of the time	10.1	14.6
Could not afford leisure or hobby activities	11.2	21.2

Source: ABS, Household Expenditure Survey, Australia, 2009-10, Cat 6530.0, Table 30, WA

We know that prices of most essential items have increased significantly since 2009-10 and that incomes have not kept pace in that period. It is therefore likely that a higher percentage of households are currently facing financial stress and the severity of financial stress is higher than outlined below.

The cost of housing is a major driver of cost of living pressures on low-income West Australians. Due to the shortage of social housing stock²¹ and the unaffordability of homeownership many low income families are forced to rent in the private rental market. With the high cost of private rent it was estimated that in 2006, 62% of low and moderate income households in Western Australia were in rental stress. This equates to 38,174 households paying 30% or more of their income on rent. A quarter of low and moderate income households were in extreme housing stress, paying more than 50% of their income on rent.²² Given the increase in rental costs since the 2006 Census, this figure is likely to be significantly higher when the 2011 Census results become available.²³

A recent snapshot of rental affordability in WA conducted by Anglicare reinforced just how unaffordable private rental accommodation is for people on low incomes. Only 0.5% of private rentals across the state were found to be affordable and appropriate for low-income households relying on Centrelink benefits (such as the Aged Pension, Newstart Allowance, Disability Support Pension and Youth Allowance) as their main source of income.²⁴

The high cost of housing has resulted in an increasing number Western Australian households seeking assistance from financial counsellors or emergency relief agencies because they are unable to pay their bills. Around 45% of financial counselling clients are those in the private rental market.²⁵ At the end of June 2011, the utility companies had referred a total of 33,040 households for financial assistance since the Hardship Utility Grants Scheme (HUGS) commenced in August 2008. In addition, the most recent Australian Council of Social Service Community Sector Survey revealed that over 94% of organisations surveyed identified housing and homelessness services as the most acute area of unmet need²⁶.

Access to services such as electricity, gas and water are essential for a minimum standard of living. The consequences to people being disconnected or having supply to these services restricted include increased stress, deterioration in health, poor diet and inability to fully participate in society.²⁷

Food stress is also an issue for low income households. Food stress, like housing stress refers to the situation where households need to pay 30% or more of their household income to eat healthy and nutritional food. A South Australian study undertaken in 2010 showed that food stress disproportionately affected low-income households in Adelaide. This research showed that low income households need to spend 30% or more of their household budget to be able to eat a healthy diet compared to wealthy households which spend about 9%. As healthy food is more expensive low-income households are more likely

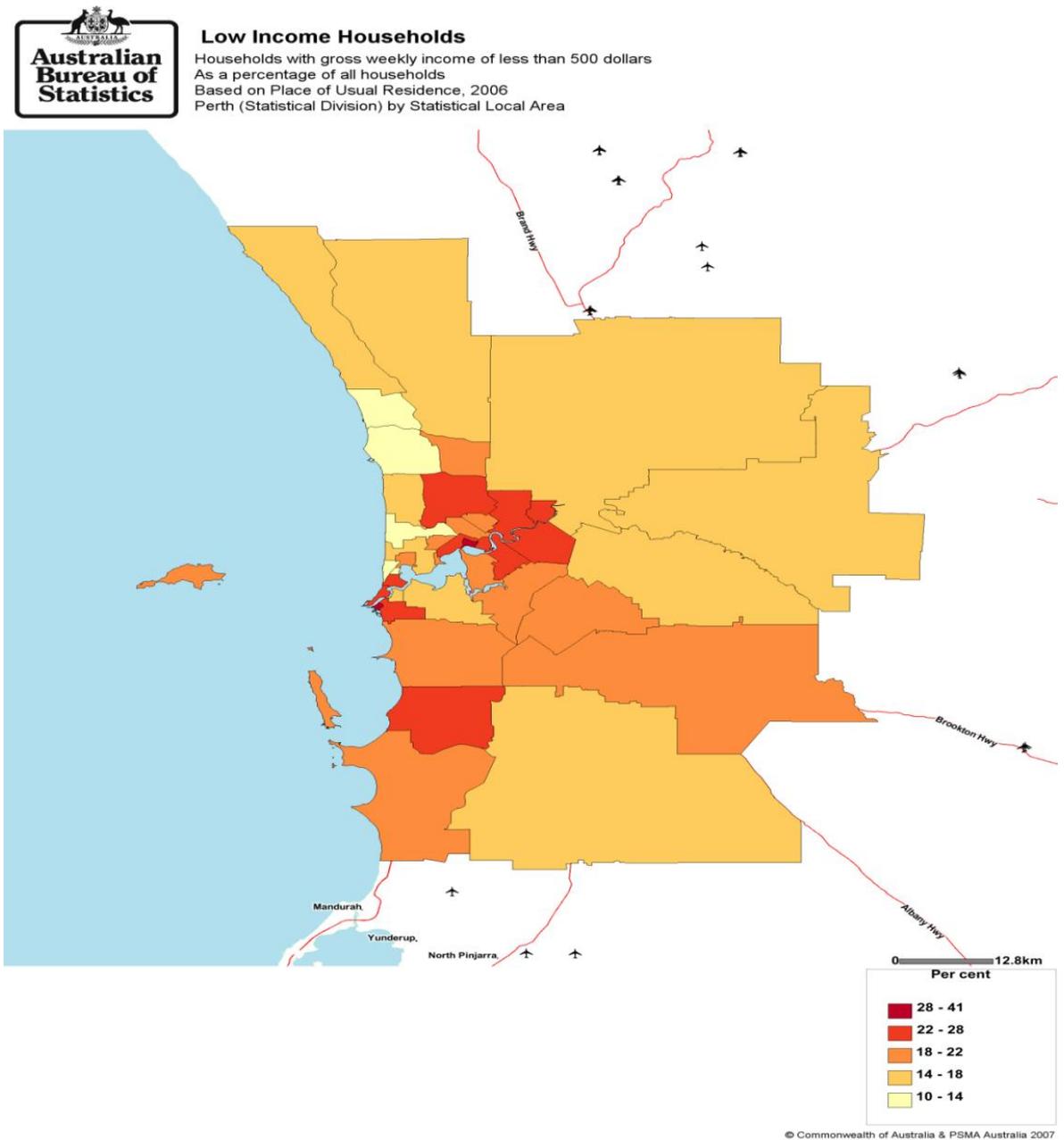
to purchase unhealthy processed foods that are high in fat and are strongly linked to obesity, heart disease and diabetes.^{28 29}

Forthcoming research into food stress by WACOSS will examine the extent to which low-income households in Perth are affected by food stress and develop a robust measure of the cost of good nutrition. Food stress is likely to be even more pronounced for low-income household in regional WA, particularly the Pilbara and Kimberley, where the price of healthy food is significantly higher.³⁰

Geographically, the Census (2006) tells us that concentrations of low-income households (those earning less than \$500 gross per week) are located in the urban fringe along the eastern side of the City stretching from Stirling, Bayswater and Bassendean to Victoria Park, as well as in Inner Perth. Low income households are also located in Kwinana, Rockingham and Cockburn; and in the fringe suburbs of Fremantle.

While it is useful to be aware of the areas where high concentrations exist, we know that people live on low incomes right across the state, throughout both metropolitan and regional areas.

Figure 3: Location of low income households in the Perth metropolitan area



WACOSS Household Model

The WACOSS Household Model is a hypothetical scenario based on a number of referenced assumptions. The scenario is not intended to be a precise reflection of all living costs and/or household expenditure. It is also not meant to represent all low-income households or the most common households. It does, however, illustrate the financial pressure faced by many families living on low incomes in WA.

Household Characteristics

We assume that the family consists of two parents and two dependent children, one aged 8 and the other 5. One parent is employed full time on the state minimum wage. The family rents a 3 bedroom house from a private landlord.

Household Income

Apart from the income of one parent, the family receives assistance (Family Tax Benefit Part A and Part B) from the Family Assistance Office. They are also eligible to receive rent assistance. It is assumed the household does not receive any other income. This amount forms part of the family's total weekly income figure.

Household Expenditure

The WACOSS household model tracks increases in the prices of a fixed set of key expenses. These include food and household items, rent, fuel, health services, child care and utilities. The list of expenses is not intended to be a comprehensive list of household expenditure. It provides an indicative guide of how the household is fairing by comparing changes in income with changes in the price of a fixed set of key expenses.

It should be noted, however, that there is a widespread community belief that a basic standard of living is one that goes beyond means for survival such as food, shelter and clothing. Items such as health, insurance and means for social inclusion and general well-being make up a decent quality of life. Together, these items allow people the opportunity to lead secure and healthy lives.³¹

The WACOSS Household Model

Figure 4: Estimated weekly household income

Household Income*	Jul-09	Jul-10	Jul-11	\$ change Jul-10 - Jul-11
State Minimum Wage ³²	\$569	\$587	\$607	\$20
Family Assistance ³³	\$268	\$295	\$305	\$10
Gross Income	\$837	\$882	\$912	\$30
Tax ³⁴	-\$77	-\$80	-\$79	\$1
Net Income	\$760	\$802	\$833	\$31

*Income estimates differ from last year's report as Tax and Net Income are included. Assumes the household does not receive any other income. Parenting Payment, Child Care Benefit, Family Tax Benefit Part A Supplement, Family Tax Benefit Part B Supplement and low income tax offset payment which the household may be eligible for are not included. See end notes for explanation and references for above data.

Figure 5: Estimated weekly household expenses selected items

Selected Item*	Jul-09	Jul-10	Jul-11	\$ change Jul-10 - Jul-11
Food and household items ³⁵	\$136	\$140	\$146	\$6
Rent ³⁶	\$370	\$370	\$380	\$10
Fuel ³⁷	\$48	\$50	\$56	\$6
Health services ³⁸	\$62	\$65	\$68	\$3
Child care ³⁹	\$32	\$33	\$35	\$2
Utilities ⁴⁰	\$36	\$44	\$49	\$5
Total	\$684	\$702	\$734	\$32

*The selected items are not intended to be a comprehensive list of household expenditure. The selected items are used to illustrate the household's budgetary position relative to cost changes of a fixed set of selected key items. Appendix 1 lists the cost changes of food and household items. See end notes for references for above figures.

Figure 6: Disposable income relative to cost increases of selected items

	Jul-09	Jul-10	Jul-11	\$ change Jul-10 - Jul-11
Increase Net Income	\$760	\$802	\$833	\$31
Increase cost of selected items	\$684	\$702	\$745	\$32
Household position relative to cost increase	\$76	\$100	\$88	-\$1

Figures 4, 5 and 6 show increases in the household's income relative to increases in the cost of a basket of key selected items. Even though the household's income grew between July 2010 and July 2011 it did not keep pace with the rising cost of key expenses. The households net income increased by \$31 per week but the cost of key expenses increased by \$43 per week, leaving the household \$1 per week out of pocket. Extended over a year this means the family would be \$52 a year worse off.

The household is significantly worse off compared to the previous year. Between July 2009 and July 2010 the increase in the household's net income was more than double the increase in expenses. The household's income increased by \$42 per week while the cost of key items increased by only \$18 per week, leaving the household \$24 per week better off in 2009-10. This would effectively mean that the family was \$1248 better off over the course of last year.

The WACOSS Household illustrates the cost of living pressures on many West Australian households and in particular the tough choices people on low incomes have to make. After tax the household's income is \$833 per week, which isn't a lot of money for two adults and two growing children. A third of the household's gross income comes from family assistance. As a result of the high cost of rent the family is in housing stress paying 42% of their gross income on rent.

It is interesting to note that WACOSS Household Model does not fall within the ABS definition of a low-income household as the family's earnings do not fall within the second and third deciles. This indicates that, while our model shows this family is struggling to make ends meet, there is a significant proportion of the population who are much worse off. Households who are unemployed or reliant on a single parent, disability or aged pension are significantly worse off. For instance a household with the same family characteristics except that both parents receive Newstart Allowance would have a weekly disposable income of \$745. This unemployed household would have no money left over relative to the key household expenses and would be \$88 a week worse off compared to the WACOSS Household Model.⁴¹

In order to manage their budgets, low income households may need to make difficult decisions about what they spend their money on. They may have to rent a smaller and less appropriate house in an outlying suburb for a slightly lower rent (where they then face higher transport costs and their children might be forced to change schools); they may have to choose between essential items, such as buying decent food or paying utility bills; they may be unable to participate in social activities, visit family and friends or be unable to buy new school shoes for their children.

When households are unable to meet the costs of living the impact can be far reaching. How well people cope depends on factors such as their level of education, support from family and friends as well as their mental and physical health and resilience. Families in financial stress may have to go into debt to get by, which can in turn lead to increased demands as they struggle to service debts. They may be at risk of electricity disconnection, eviction and homelessness. It may also have a negative impact on their health and psychological wellbeing and cause family conflict and breakdown.

These household impacts have wider implications for the broader community, including increased demand on government support services and budgets and greater reliance on already stretched community support agencies.⁴²

Limitations of the Model

It is important to note that the WACOSS household model is based on a family living in Perth. It is clear, however, that low income households in regional areas can be worse off because they face higher costs of accommodation, transportation and other essential services.⁴³ Across WA, there is a lot of diversity amongst households and a single household model will never accurately capture or represent their true costs of living. However, the WACOSS model does highlight the pressures that vulnerable households are facing in meeting the costs of their daily needs.

It is likely that a household with the same composition as the WACOSS household model would spend more on food and drink which would impact on expenditure on other items. To eat healthily it is likely that expenditure on food and drink is more likely to be around to \$300 per week, or around a third of household income.

Conclusion

The purpose of the WACOSS *Rising Cost of Living in WA* report is to track increases in the cost of living. This report seeks to draw attention to living pressures and what these increases mean in the lives of people on low incomes. While the Western Australian economy, and mining sector in particular, have recovered from the recent financial downturn not everyone in the community is enjoying the benefits of the state's growing economic prosperity.

This year's report found that the WACOSS model household's income increased between July 2010 and July 2011 but did not keep pace with the rising cost of key expenses. The household's net income increased by \$31 per week in 2010-11 but the cost of key expenses increased by \$43 per week, leaving the household \$12 per week or \$624 a year worse off. The household is significantly worse off compared to last year. Between July 2009 and July 2010 the increase in the household's net income was more than double the increase in expenses. The household's income increased by \$42 per week in 2009-10 while the cost of key items increased by only \$18. As a result the household was \$24 per week or \$1248 a year better off last year.

Rising costs of living are a major concern for many West Australians. Essential items such as food, utilities, health and public transport have all increased by much more than general discretionary items. The rise in prices is significant across utilities (electricity, gas and water) which are crucial to maintaining a minimum standard of living. As households cannot do without these services the increases in their costs have delivered a blow to many household budgets.

Households on low and fixed incomes are most vulnerable to cost increases. This is because low income households tend to have slower income growth and spend a relatively higher proportion of their weekly incomes on essential items, such as rent, electricity, food and transportation. Low income households are much more likely than other households to have to choose between essential services, forego participation in social activities, take holidays and pursue hobbies. They are also ill-prepared to deal with emergencies.

Housing costs in particular are a major driver of cost of living pressures. The lack of affordable housing options means many low income households are forced to live in unaffordable private rentals. Only a tiny percentage of rentals across Western Australia are affordable and appropriate to people on low incomes. As a result many low and moderate income households live in housing stress, paying 30% or more of their incomes on rent. After paying rent many of these families struggle to pay bills and need assistance from financial counsellors or emergency relief agencies.

Food stress is also an increasing concern for low income households. Evidence suggests people on low-incomes are more likely to eat unhealthy food because it is cheaper. This places people on low incomes at greater risk of developing health problems such as obesity, diabetes and heart disease, demonstrating a clear link between nutritional poverty and ill-health. Food stress and nutritional poverty potentially also lead to greater demands on the health system and higher public expenditure over time. It is in the interests of the whole community to encourage and support low income families to make healthier dietary choices.

While the WACOSS household model does not fall within the ABS definition of a low-income household, the model does illustrate the cost of living pressures on many low income Western Australian households, and the difficult choices people on low incomes have to make. Many household's whose primary source of income comes from benefits (such as Newstart Allowance, Single Parent, Aged or Disability Support Pension) are significantly worse off compared to the WACOSS Household Model and have to make difficult choices in order to exist on a tight weekly budget.

What Else is WACOSS Doing?

WACOSS has a particular interest in the impact of cost of living pressures on low-income, disadvantaged and vulnerable West Australians. This *Rising Cost of Living in WA* Report is just one initiative WACOSS undertakes to highlight cost of living pressures on low-income households. Other WACOSS initiatives that are directed at alleviating cost of living pressures on West Australians include:

- Tariff and Concession Tariff Review (TCFR) – In response to the challenges faced by some households in meeting the cost of energy, the State Government established the Tariff and Concession Framework Review. WACOSS partnered with the Office of Energy to investigate potential alternative tariff and concession structures to ensure electricity used for essential services remains affordable for all Western Australians.⁴⁴
- Cost of Essential Services Reports – WACOSS also produces an annual Cost of Essential Services report, which tracks increases in the cost of utilities – water, gas and electricity.⁴⁵
- Future work on the Cost of Living – will focus on particular areas such as essential services, housing, transport, health and education. WACOSS intends to partner with National Disability Services WA to develop a model of cost of living pressures for people living with a disability.
- Joint Cost of Living Project with the State Councils of Social Service. WACOSS will be working with our sister organisations around the country to produce a uniform national cost of living model. WACOSS produced the first Cost of Living Report in 2006, and other state COSSes have since developed and extended this work. In October 2011 the South Australian Council of Social Service held a Cost of Living Summit bringing together leading thinkers from business, academia, government and the community sector to generate policy ideas on key cost of living issues.⁴⁶
- Emergency Relief Sector Support Program – The Emergency Relief (ER) sector in WA consists of nearly 300 agencies and their outlets, providing direct services to clients in financial crises, in the form of material and financial assistance. WACOSS has received ongoing support from Lotterywest since 2006 to deliver the *Emergency Relief Sector Support Program*. The ER Sector Support Program provides: information, resources, support and guidance to ER agencies and outlets in WA.⁴⁷
- Housing Advisory Roundtable (HART). WACOSS along with a number of other Peak Community bodies, including ShelterWA, Community Housing Coalition and Council on the Aging, is a member for the Housing Advisory Roundtable and works with the Department of Housing to address the impacts of Housing pressures on low-income and disadvantaged groups in WA.
- Food stress – WACOSS plans to partner with Curtin University and the Department Of Health in 2012 to research food stress in Western Australia.

About WACOSS

The Western Australian Council of Social Service (WACOSS) is the leading peak organisation for the community services sector, and represents 300 member organisations and individuals and over 800 organisations involved in the provision of services to individuals, families and children in the community.

WACOSS is part of a national network consisting of the State and Territory Councils of Social Service and the Australian Council of Social Service (ACOSS). Our national coverage strengthens our capacity to represent the interests of people in Western Australia across the breadth of state and national agendas.

Each year WACOSS member organisations deliver services to hundreds of thousands of Western Australians. The services we provide include health, community services and development, disability, employment and training, aged and community care, family support, children and youth services, mental health and drug and alcohol treatment, indigenous affairs, support for culturally and linguistically diverse people, victims of violence and abuse, housing and advocacy.

We speak with and for Western Australians who use community services, to bring their voices and interests to the attention of government, decision makers, media and the wider community.

Appendix 1 - Perth average retail prices of selected food and household items

Food and Household Items	2007	2008	2009	2010	2011
Dairy products					
Milk (2 litre)	3.13	3.57	3.22	3.16	2.36
Cheese, processed, sliced, (500g)	4.87	5.26	5.21	5.19	5.52
Butter (500g)	3.18	4.67	4.38	3.94	3.94
Bread and cereal products					
Bread white loaf, sliced (650g)	3.04	3.25	3.43	3.28	3.06
Flour, self raising (2 kg)	4.52	3.80	3.95	3.66	3.19
Rice, long grain (1 kg)	2.25	2.64	2.90	2.97	2.98
Meat and Seafood					
Loin chops (1 kg)	14.83	18.53	19.75	20.40	21.69
Chicken (1 kg)	4.54	6.05	6.31	6.17	6.08
Bacon, middle rashers (250 g pkt)	5.16	5.36	6.62	9.79	9.71
Sausages (1 kg)	6.16	6.81	6.52	6.70	7.22
Fresh fruit and vegetables (e)					
Oranges (1 kg)	4.14	3.37	3.97	3.79	4.99
Potatoes (1 kg)	2.13	2.62	2.73	2.60	2.72
Tomatoes (1 kg)	4.90	4.20	3.88	4.18	6.26
Carrots (1 kg)	1.44	1.59	1.67	1.76	1.78
Onions (1 kg)	2.00	2.12	2.46	2.27	2.31
Processed fruit and vegetables					
Peaches (825 g can)	3.45	3.60	3.79	3.73	3.85
Pineapple, sliced (450 g can)	1.96	2.04	2.18	2.23	2.11
Peas, frozen (500 g pkt)	1.73	1.91	2.13	2.09	2.03
Other food					
Eggs (1 dozen)	4.69	4.76	4.60	4.35	5.33
Sugar, white (2 kg)(d)	2.89	2.85	2.87	3.28	3.46
Jam, strawberry (500 g jar)	3.18	3.40	3.34	3.46	3.35
Teabags (180 g pkt)	3.71	3.99	4.12	4.33	4.21
Coffee, instant (150 g jar)	7.30	7.81	8.25	8.11	7.21
Tomato sauce (600 ml)	1.74	1.91	2.22	2.28	2.06
Margarine, poly-unsaturated (500 g)	2.81	3.04	3.25	3.25	3.06
Baked beans, in tomato sauce (420 g)	1.40	1.45	1.59	1.63	1.44
Baby food (120 g can)	0.95	1.09	1.19	1.25	1.22
Household supplies					
Laundry detergent (1 kg)	5.88	5.64	5.70	5.74	8.98
Dishwashing detergent (450 ml)	3.39	3.60	3.31	3.36	3.34
Facial tissues (pkt 180)	2.24	2.13	2.22	2.17	2.09
Toilet paper (8 x 190 sheet rolls)	6.72	6.27	6.91	7.00	6.76
Pet food (400 g)	1.13	1.08	1.16	1.30	1.57
Total	\$121.46	\$123.76	\$135.83	\$139.69	\$145.88

Sources: WACOSS The Rising Cost of Living in WA 2010; ABS cat. 6403.0.55.001 - Average Retail Prices of Selected Items, Eight Capital Cities, June 2011.

Endnotes

¹ Note however that there were significant increases in electricity prices just before and just after the reporting period – since April 2009 the total cumulative price increase has been 57%.

Cumulative impact of rising domestic electricity tariffs A1.

Date	Increase	Cumulative effect
1-Apr-09	10%	110%
1-Jul-09	15%	126.5%
1-Apr-10	7.5%	135.9%
1-Jul-10	10%	149.5%
1-Jul-11	5%	156.9%

Note that the ABS Consumer Price Index figure for rising energy costs (36%) in Table 1 are calculated between June 2009 and June 2011, which does not include the 15% increase in April 2009 or the 5% increase in July 2011.

² Department for Child Protection. Hardship Utility Grant Scheme (HUGS) Report to the Hugs Steering Committee. April – June 2011.

³ ABS, 2011. Consumer Price Index, Australia. Table13. CPI: Group, Sub-Group and Expenditure Class, Index Numbers by Capital City.

⁴ WA Treasury modelling of a \$23 per tonne carbon price suggests:

	Before Carbon Tax \$	% Change	\$ Change	Household cost \$
<i>Electricity</i>	1,590.80	7.0	111.36	1,702.16
<i>Water Charges</i>	1,342.34	1.0	13.25	1,337.59
<i>Transperth Fares</i>	1,020.50	1.9	19.50	1,040.00
Total	3,935.64	3.7	144.11	4,079.75

A “representative” household has the following consumption levels:

- 6,259 kWh of electricity pa
- 270 kilolitres of water pa
- Five standard 2-zone Transperth fares and ten Transperth school fares per week

What is interesting about the above assumptions is that if you normally catch public transport, you’ll actually be worse off than if you normally drive.

http://www.treasury.wa.gov.au/cms/uploadedFiles/Treasury/Publications/Preliminary_Assessment_Impact_Proposed_Carbon_Tax_on_WA_August2011.pdf

⁵ Australians for Affordable Housing. Housing costs through the roof: Australia’s housing stress. Available online: <http://housingstressed.org.au/wp-content/uploads/2011/10/Housing-costs-through-the-roof-Final-Report.pdf>.

⁶ The latest report by Fitch Ratings also indicates that mortgage stress has increased in WA. The mortgage delinquency rate in the six months to March 2011 had increased to 1.99 per cent, up from 1.94 per cent. The South West maintained its number two spot as the second worst performing region in Australia, with the delinquency rate climbing from 2.8 per cent from the last report to its current 2.93 per cent. See Perth Now. Mortgage stress rises in WA – Fitch Ratings report. Available

online <http://www.perthnow.com.au/business/mortgage-stress-rises-in-wa-fitch-ratings-report/story-e6fmg2ru-1226075535370>.

⁷ Median price from REIWA June Quarter 2011. REIWA data shows the median house price in Perth fell 5.6% in the September Quarter 2011 to \$453,000. Landgate also provides monthly median figures. See Median House Price – Metro WA (not including Mandurah). Available online: [http://www.landgate.wa.gov.au/corporate.nsf/chartfiles/\\$file/mehpm.pdf](http://www.landgate.wa.gov.au/corporate.nsf/chartfiles/$file/mehpm.pdf).

⁸ Average loan size is for Western Australia owner occupation and purchase of new dwellings. See ABS Housing Finance Cat. 5609.0. September 2011. Available online: [http://www.ausstats.abs.gov.au/ausstats/meisubs.nsf/0/68281EA48C8FB4D3CA257942000ECOCC/\\$File/56090_sep%202011.pdf](http://www.ausstats.abs.gov.au/ausstats/meisubs.nsf/0/68281EA48C8FB4D3CA257942000ECOCC/$File/56090_sep%202011.pdf).

⁹ This is the average standard variable rate of the four major banks as at 1 December 2011: Commonwealth 7.56%, ANZ 7.55%, NAB 7.47% and Westpac 7.61%.

¹⁰ Calculations made using REIWA's Loan Repayment Calculator. Available online: <http://reiwa.com.au/Faq/Calculators/Pages/What-will-my-repayments-be.aspx>.

¹¹ ABS Cat 6302.0 – Average Weekly Earnings, Australia, Aug 2011. Table 12E. Average Weekly earnings, Western Australia (Dollars) Seasonally Adjusted. Earnings; Persons full Time; Adult Total Earnings; Western Australia.

¹² See Supreme Court of Western Australia. Civil Property Possession Applications. Available online: <http://www.supremecourt.wa.gov.au/content/about/statistics.aspx>.

¹³ REIWA indicates that the median rent in Broome for the June Quarter 2011 was \$620 per week. The Pilbara Development Commission lists the minimum, maximum and average rents for centres and towns across the Pilbara in its Pilbara Housing and Land Snapshot Residential and Commercial – Quarter Ending June 2011. Available online: [http://www.pdc.wa.gov.au/media/80564/2011q2%20housing%20&%20land%20snapshot%20\(hals\).pdf](http://www.pdc.wa.gov.au/media/80564/2011q2%20housing%20&%20land%20snapshot%20(hals).pdf)

¹⁴ See Real Estate Institute of WA, Property Market Indicators. Available online: <http://reiwa.com.au/Research/Pages/Market-indicators.aspx>.

¹⁵ Unless otherwise indicated this report uses the ABS definition of low-income. Low income refers to households in the second and third equivalised disposable household income deciles. The lowest income decile is not treated as low-income because the ABS has analysed trend relationships between disposable income, wealth (or net worth) and household expenditure which shows that lowest income decile (1st) actually has expenditure much higher than its disposable income when compared to the 2nd and 3rd deciles.

The ABS has further analysed the lowest income decile to reveal that there is actually only 1 in every 3 households in this lowest income decile that also has “lowest expenditure”. The remaining 2 out of 3 spend higher than their income. Given 2 out of 3 households in this group spend more than they earn, it must be possible because of other factors such as wealth. Households in the lowest decile actually have more wealth (or net worth) than the 2nd and 3rd deciles. It is for this reason the ABS suggests that it is better to use 2nd and 3rd deciles when talking about “low income” groups potentially experiencing financial hardship.

See ABS Cat. 6554.0 Household Wealth and Wealth Distribution 2009-10, October 2011, pp.11-13.
Available online:

[http://www.ausstats.abs.gov.au/ausstats/subscriber.nsf/0/51342DFD54324472CA257928001107B4/\\$File/65540_2009-10.pdf](http://www.ausstats.abs.gov.au/ausstats/subscriber.nsf/0/51342DFD54324472CA257928001107B4/$File/65540_2009-10.pdf).

16 Over the past decade, the disposable incomes of low income households has only grown by 36% whereas the households in the highest income quintile have seen their incomes grow by 82%, ABS Household Income and Income Distribution Survey 2009-10, Cat 6523.0, Table 1.1E

17 In 2009-10, low income households spent 75% of their weekly disposable income on housing costs, domestic fuel & power and food & non-alcoholic beverages, whereas households in the highest income quintile spent only 28% on these essentials, ABS Household Expenditure Survey 2009-10, Cat 6530.0, WA data tables, Table 5

¹⁸ The Gini coefficient is used worldwide as a measure of income inequality in a society. Zero indicates total equality and 1 indicates maximal inequality. WA has the highest Gini coefficient of any State or Territory with a score of 0.367. The Northern Territory had the lowest with 0.277. See ABS Cat. 6523.0 Household Income and Income Distribution, Australia - Detailed tables, 2009-10. Tables 1.1A – 1.1H.

19 Cat 6523.0 ABS Household Income and Income Distribution Survey, Detailed tables, 2009-10, WA Table 1.1E

²⁰ *ibid.*

²¹ As of June 2011 there were 24,136 applications for public housing, representing approximately 51,000 people. The number of applications is almost double the number in 2004 when there were 12,779 applications. The average waiting time to secure a tenancy was 113 weeks. See WACOSS Pre-Budget Submission 2012-13 Closing the Social Divide. Available online: http://www.wacoss.org.au/Libraries/P_A_State_Budget_PreBudget_Submission/WACOSS_Pre_Budget_Submission_2012-13_-_Closing_the_Social_Divide.sflb.ashx.

²² Shelter WA 2010. A quick guide to housing facts and figures, p.4. Available online: http://www.shelterwa.org.au/documents/WA_Quick_Guide_final.pdf.

²³ Social Housing Taskforce Report. More than a roof and four walls, p.10

²⁴ See WACOSS Media Release: Snapshot of Rental Affordability Crisis in WA. Available online: http://www.wacoss.org.au/publications/news/11-04-14/WACOSS_Media_Release_Snapshot_of_Rental_Affordability_Crisis_in_WA_14th_April.aspx. Information about Anglicare WA's research can found at the bottom of the media release.

²⁵ Financial Counsellors Association of WA, Hotline Statistics, 2011.

²⁶ Australian Community Sector Survey, ACOSS Paper 173, Volume 9 – Western Australia.

²⁷ National Disability Services WA. Pre Budget Submission 2012 - 2013. NDS WA State Budget Priorities 2012 -2013. Available online: <http://www.nds.org.au/publications?s=&c=&e=113>.

²⁸ See also Interview with Dr John Coveney ABC Adelaide, Low earners suffering 'food stress' <http://www.abc.net.au/news/video/2010/09/28/3023946.htm?site=adelaide>.

²⁹ For a discussion on the relationship between nutrition and health in Western Australia see Davis, P. and Joyce, S. (2011). *Health and Wellbeing of Adults in Western Australia 2010, Overview and Trends*. Department of Health, Western Australia., pp.41-6. Available online: http://www.health.wa.gov.au/publications/documents/Health_and_Wellbeing_Adults_WA2010_Overview_Trends.pdf. For a discussion about the relationship between low socio-economic position and health see Johnson, S., Daly A., Mullan N., and Phillips, M. (2007). *An Explanation of Socioeconomic Differences in Physical and Mental Functioning in the Western Australian Population*. Available on the Department of Health website: <http://www.health.wa.gov.au/publications/documents/Predicting%20PCS%20and%20MS.pdf>.

³⁰ See Department of Regional Development and Lands Regional Price Index 2007 for a comparison of metropolitan and regional food prices. Available online: <http://www.rdl.wa.gov.au/publications/Documents/Regional%20Prices%20Index%202007.pdf>.

31 Extensive community survey work undertaken by the Social Policy Research Centre (SPRC) produced the following list of items that Australians believe no-one in Australia should have to do without:

- A decent and secure home
- Secure locks on doors and windows
- Roof and gutters that do not leak
- Furniture in reasonable condition
- Washing machine
- Heating in at least one room of the house
- Warm clothes and bedding for cold periods
- Home contents insurance
- A substantial meal at least once a day
- Television
- Computer skills
- Telephone
- Car comprehensive insurance
- Up to \$500 in emergency savings
- Regular social contact
- One week's holiday away each year
- Presents for family and friends
- Medical treatment when required
- Prescription medicines
- Dental treatment when needed
- Dental check-ups for children

- A separate bed for each child
- A separate bedroom for each child over 10
- Books and new clothes for school
- School activities/outings for children
- Hobby or leisure activity for children

See Saunders, P. and Wong, M., Still Doing it Tough: an update on deprivation and social exclusion among welfare service clients, Social Policy Research Centre, University of New South Wales, July 2009

³² Assumes the household receives the adult state minimum wage. The current minimum wage rates and previous minimum wage rates are available from the WA Department of Commerce, Pay rates and award summaries. See:

http://www.commerce.wa.gov.au/labourrelations/content/Employers/Pay_rates_leave_and_conditions/Pay_rates_and_award_summaries.html.

³³ Family assistance figures for Jul-11 calculated with the Centrelink online rate estimator, available online at <https://www.centrelink.gov.au/RateEstimatorsWeb/publicUserCombinedStart.do..> Components of family assistance are outlined in the table below. Figures for Jul-09 and Jul-10 are from WACOSS Rising Cost of Living in WA 2009 and 2010 Reports.

Family Assistance	Jul-09	Jul-10	Jul-11
Family Tax Benefit Part A	not available	\$160	\$165
Family Tax Benefit Part B	not available	\$68	\$70
Rent Assistance	not available	\$67	\$70
Total	\$268	\$295	\$305

³⁴ Tax is calculated on wages plus rent assistance. Assumes the family pays some tax on Centrelink benefits. Tax for Jul-09 is from Weekly tax table NAT 1005 For payments made on or after 1 July 2009; Tax for Jul-10 is from Weekly tax table NAT 1005 1 July 2010; Tax for Jul-11 Weekly tax table NAT 1005 for payments on or after 1 July 2011 to 30 June 2012. Available from the ATO website at <http://www.ato.gov.au/businesses/content.aspx?doc=/content/00279683.htm>.

³⁵ WACOSS Rising Cost of Living in WA August 2010. July-11 calculated from ABS cat. 6403.0.55.001 - Average Retail Prices of Selected Items, Eight Capital Cities, June 2011 see <http://www.abs.gov.au/ausstats/abs@.nsf/mf/6403.0.55.001>.

³⁶ Perth metropolitan median weekly rent. WACOSS Rising Cost of Living in WA 2010; REIWA Property Market Indicators <http://reiwa.com.au/Research/Pages/Market-indicators.aspx>. Assumes the household does not receive rental subsidy through the National Rental Affordability Scheme (NRAS).

³⁷ Assumed average fuel usage is 40L per 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 year and for people living in regional WA where fuel prices and average distance travelled are significantly higher. Fuel prices per litre from Fuelwatch,

Historical Price Search available:

<http://www.fuelwatch.wa.gov.au/fuelwatch/pages/public/historicalPriceSearch.jspx>.

³⁸ Healthcare figures from WACOSS Rising Cost of Living 2010; ABS cat 6401 Consumer Price Index, Australia Table 12 CPI: Group, sub-group and expenditure class, percentage change from corresponding quarter of previous year Health Perth.

³⁹ Child care figures from WACOSS Rising Cost of Living 2010; ABS cat 6401 Consumer Price Index, Australia Table 12 CPI: Group, sub-group and expenditure class, percentage change from corresponding quarter of previous year Child care, Perth.

⁴⁰ Utilities figures differ slightly from previous WACOSS Cost of Living Reports and have been calculated from WACOSS Information Sheet. Utility Price Rises 2006—11 available online at http://www.wacoss.org.au/Libraries/P_A_Cost_of_Living_The_Rising_Cost_of_Essential_Services_Papers/WACOSS_Information_Sheet_Utility_Price_Rises_2006-2011.sflb.ashx.

The table below provides weekly figures calculated from the WACOSS information sheet.

Essential Service	Jun-08	Jun-09	Jun-10	Jun-11
Ave weekly cost electricity	17	19	25	27
Ave weekly cost water	7	8	8	10
Ave weekly cost gas	8	9	11	12
Ave weekly cost utilities*	\$32	\$36	\$44	\$49

⁴¹ Estimates for unemployed household's income calculated by Centrelink online estimator. Assumes both parents do not receive any other income and do not have tax taken out of their Centrelink benefits. All other characteristics are the same as the WACOSS Household Model.

Couple household both parents looking for work		
Parent 1	Fortnightly Income (\$)	Weekly Income (\$)
Newstart	439.40	220
FTB Part A	329.28	165
FTB Part B	140.00	70
Rent Assistance	140.14	70
Partner 2		
Newstart	439.40	220
Total	\$1488.22	\$745

⁴² QCOSS. Cost of living Report 2011. Ensuring low income households a basic standard of living. Issue No.1 / May 2011.

⁴³ See Department of Regional Development and Lands Regional Prices Index November 2007.

⁴⁴ Further information about the Tariff and Concession Framework Review (TCFR) can be found on the WACOSS website:

http://www.wacoss.org.au/policy_and_advocacy/essential_services/tariff_and_concessions_frame

[work.aspx](#). Information is also available on the Office of Energy website:

http://www.energy.wa.gov.au/2/3624/64/tariff_and_concession_framework_review.pm.

⁴⁵ Past Rising Cost of Living in WA Papers and Rising Cost of Essential Services Papers can be found on the WACOSS website:

http://www.wacoss.org.au/policy_and_advocacy/cost_of_living/rising_cost_of_living_papers.aspx.

⁴⁶ The outcomes from the SACOSS Cost of Living Summit will be made available on the SACOSS website: <http://www.sacoss.org.au/index.html>.

⁴⁷ Further information about WACOSS Emergency Relief Sector Support Program can be found on the WACOSS website:

http://www.wacoss.org.au/sector_development/emergency_relief_sector_support_program.aspx.

