

2013 **Cost of Living Report**



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1.0 Introduction

Many Western Australian households are doing it tough. An increasing number of individuals and families are finding themselves in the desperate position of not being able to provide for the basic needs of themselves and their children. Most people in this situation seek assistance from family and friends or from charities and community services that provide emergency relief. Each year the sector provides assistance to over 515,000 Western Australians. While some of these may be average or middle income families whose life choices or circumstances have led them to temporary financial crisis, the majority are those on low incomes who are simply in circumstances where their weekly income is insufficient to allow them to keep up with the basic costs of live. While all individuals and families in financial crisis are worthy of care and support, different causes and circumstances need to be considered in determining social policy and program responses. The debate about the cost of living needs rigour, and decisions must be evidence based.

At the time of the release of this report we are in the last week of a Federal Election campaign in which public concerns about rising living costs have become a key focus of public debate. One consequence is that a number of mainstream myths and misapprehensions about the impacts of rising living costs on middle income families are being reinforced and may become the basis for poorly targeted policy commitments. Not only does this build an unwarranted sense of entitlement during a time during which state and federal governments need to be addressing structural deficits and better targeting expenditure on health and welfare, but it also serves to distract attention away from the relatively small but growing proportion of our population who are in fact being left behind by rises in the costs of essential goods and services (particularly housing, utilities, transport and food).

We hope the findings of this report will refocus the discussion of the cost of living onto our most disadvantaged households and families and encourage consideration of the kinds of policies and programs that are most likely to make a difference for those most at risk of financial hardship and poverty. Measures such as:

- ✦ A \$50 per week increase to the Newstart payment;¹
- ✦ An (annual) increase in the State Minimum Wage by the WA Industrial Relations Commission which takes into account the increasing cost of living in WA;²
- ✦ Significant investment in public and community housing, incentives to create more affordable rentals, and increased assistance to low-income and vulnerable people;
- ✦ Inclusionary zoning policies for new housing projects requiring 15% of developments over 10 units to be affordable to those in the lowest two income quintiles;
- ✦ A 15% concessional electricity tariff for concession card holders;
- ✦ Review of the appropriateness, accessibility and adequacy of state concessions; and
- ✦ Introduction of a targeted energy and water efficiency program for low income households.³

The Council notes that Western Australia is moving into a period of fiscal constraint and that the recent State Budget has foreshadowed significant cuts to programs and services. In this context Government needs to be mindful of those in hardship and ensure that vital programs and services are maintained so that an escalation of families in financial crisis is avoided.



1.1 Key findings of the 2013 Cost of Living Report

- ✦ Between 2011/12 and 2012/13, **the basic living costs of our three model households** (such as housing, food, utilities, transport) **increased at a faster rate than their income**, meaning that all of our low-income households were worse off than last year. The major contributors to the increased living costs were rent (which increased by 8.6%) and utilities (which increased between 11.7% and 13.2%).
- ✦ **The weekly incomes of our model single parent family and unemployed single are inadequate to meet basic living costs** for each household and the gap has widened appreciably since last year.

	Income	Expenditure	Net Position
Single Parent (Parenting Payment Single)	\$899.70	\$935.16	-\$35.46
(Newstart)	\$822.87	\$935.16	-\$112.29
Working Family	\$1,322.13	\$1,309.23	\$12.90
Unemployed Single	\$288.25	\$349.79	-\$61.54

The income of our working family surpasses their estimated basic living costs by \$12.90 per week, but in reality this small surplus is liable to be quickly eaten up by costs not incorporated into the expenditure modelling — any unplanned or unexpected costs from emergencies and repairs through to birthday presents or school excursions.

- ✦ **Housing is the major weekly expense facing each of our model households**, accounting for between 29% and 45% of their weekly income (up from 28 - 41% last year). As a consequence, the 8.6% rent increase was the biggest single cost increase for our households and accounted for 61% to 74% of their total rise in living costs. This is a conservative estimate that assumes our model households can access housing at below market rates, which is becoming increasingly unlikely.
- ✦ Suggestions that **middle-income Australian households are struggling with the cost of living** do **not** reflect the evidence that average wages have, over the past decade, increased faster than average living costs. The focus of public policy concerning the cost of living should be on households on low and fixed incomes who are at increased risk of poverty and financial hardship, not middle income households.
- ✦ If our model single parent household is **transferred from Parenting Payment Single to Newstart Allowance** their weekly income drops by an alarming \$77 per week. With large numbers of single parents having already been transferred in 2013, there is a significant rise in the presence and risk of childhood poverty.



2.0 Methodology

The Council has produced its Cost of Living Report annually since 2007. The first reports simply investigated the changes in basic living expenses such as housing, transport fuel, food and other essentials in WA over the preceding year. In 2009 we developed a model comparing the adequacy of income against the costs of living for a low-income family in Western Australia, which was subsequently picked up by other States. In 2012 we revised and expanded our Cost of Living Report, to include three model representing different at-risk household types on low incomes.

The *2013 Cost of Living Report* uses the same methodology as our 2012 report.⁴ It models the income and expenditure of three household types during the 2012/13 financial year in comparison to the two preceding financial years (2010/11 and 2011/12). Doing so allows us to analyse relative changes in living costs and understand their likely impacts on current and future levels of deprivation and need. Every household and family in WA is different, and so it would be unrealistic to expect these models to be a precise reflection of all living costs or household expenditures. However, with the conservative assumptions underpinning each model household clearly considered and referenced, **the Council is confident that the calculations undertaken and conclusions drawn reflect the real-life experiences of low-income households in WA.**

2.1 Our 3 model households

The key assumptions for our 3 households' income and expenditure are described below:

Table 1: WACOSS Household Models

	Single Parent Family	Working Family	Unemployed Single
Household members	Single mother with two dependent children.	Working family with 2 school aged children.	Single, unemployed female.
Age	34 years old, with two children aged 7 and 8.	2 adults aged 40 and 38 years, with two children aged 11 and 13.	44 years old.
Income source	Mother – works 18 hours a week for 39 weeks a year at minimum wage + casual loading. Eligible for government payments.	1 works full (minimum wage + 33%); the other casual (16 hours per week at minimum wage with casual loading). Eligible for government payments.	Newstart Allowance only.
Housing	Rents a unit (85% median unit rental)	Rents a house (85% median house rental)	Shares a house with 2 other adults (paying one third of 85% median house rental).
Education	Both children attend a public primary school.	Both children attend a public primary school.	-
Transport	Owens a small car.	Own a small car and uses public transport for 5 round trips per week.	Public transport is only mode of transport (5 round-trips per week).
Health	No private health insurance.	Has basic private health insurance.	No private health insurance.



2.2 Determining household income

Each of our three households' income has been estimated by using:

- Centrelink's online payment estimator;⁵
- The FaHCSIA *Guide to Social Security Law*⁶;
- The Centrelink website⁷;
- The WA Industrial Relations Commission's 2013 State Wage Case decision;⁸ and
- The Australian Taxation Office's online tax calculator.⁹

One important change for low-income households in the 2012/2013 financial year was the introduction of significant changes to the individual income tax rates. The income-free threshold was increased three-fold (from \$6,000 to \$18,200) as part of the Federal government's Carbon Price compensation package. However, this positive change was offset by a reduction in the low-income tax offset (the offset maximum decreased from \$1,500 in 2011-12 to \$445 in 2012/13), together with other changes to the rebate's threshold and withdrawal rate.

2.3 Determining household expenditure

Household expenditure in the *2013 Cost of Living Report* has been calculated using up to date and publicly available sources that reflect the average price and usage of products and services by Perth residents wherever possible. Where such figures are not readily available, we have modelled costs based on the Australian Bureau of Statistics' (ABS) *2009-10 Household Expenditure Survey* (with relevant CPI applied). All estimates of cost and consumption are intentionally conservative. Further detail on each of the essential costs in the household expenditure model is provided below:

- ✦ **Housing** — Expenditure is based on quarterly statistics of average house and unit rental prices advertised in the Perth metropolitan region published by the Real Estate Institute of Western Australia (REIWA). Note that it is assumed that our households have been able acquire rental accommodation at 85% of the median market rate.
- ✦ **Utilities** — The households' consumption of electricity, gas and water are based on State Government estimates of average usage. Prices were obtained directly from the utility providers for Perth residential households.
- ✦ **Food and beverages** — Food and beverage costs are based on the second quintile figures published in the ABS Household Expenditure Survey 2009-10 (with CPI applied), and vary depending on household size.
- ✦ **Transport** — Two of our households are assumed to own and use a small car, travelling 15,000 km per year. Our 2012 Cost of Living Report assumed that the households own a late model Suzuki Alto — the car which RAC WA calculated had the lowest running costs for the 2010/11 year. To remain consistent, we have once again based the car running costs on a late model Suzuki Alto. (Note this is likely result in an underestimate, as it is likely that our households would own an older, less fuel efficient car with higher running costs.)
- ✦ **Other household and living costs** — Other essential household costs, such as education, communication, and household services have been calculated based on the ABS's 2009-10 Household Expenditure Survey (with CPI applied).



3.0 Household Analysis

3.1 Single parent family

Our single parent family is comprised of a single mother with two primary school aged children. The mother works part-time, rents a unit, and owns a small car.

Single parent family (Parenting Payment Single) - WEEKLY INCOME				
	2010/11	2011/12	2012/13	% increase 2011/12 to 2012/13
Wage (gross)	\$347.64	\$359.64	\$371.63	3.3%
Parenting payment	\$206.71	\$216.57	\$229.27	5.9%
Other regular Government Benefits	\$275.45	\$283.50	\$293.66	3.6%
Government supplements (one off payments, converted to weekly amount)	\$60.49	\$61.75	\$53.48	-13.4%
Tax paid	-\$45.44	-\$49.08	-\$48.33	-1.5%
Total household income/week	\$844.86	\$872.38	\$899.70	3.1%
Increase on previous year	\$30.37	\$27.52	\$27.32	
% increase on previous year	3.7%	3.26%	3.1%	

The income of the single parent household has **increased 3.1%** over the last 12 months. The parent's wage, parenting payment and other government benefits have *each* experienced real increases of approximately \$12 per week.

The shift from the Single Parenting Payment to the Newstart Allowance

From 1 January 2013, a large number of sole parents who had been on Parenting Payment Single (PPS) since 2006 and whose youngest child is aged 8 or older became ineligible and were transferred to Newstart Allowance.¹⁰

While *our* single parent family has one child below 8 years of age and thus would not yet have been affected by the changes to the eligibility for Parenting Payment Single, it is still worth considering the financial impact this change has had on thousands of single parent families across Australia. It is estimated that these changes have negatively impacted more than 8,000 single parent families in WA, and 65,000 single parents Australia-wide.¹¹ Most of the families who have been moved from Parenting Payment Single to the Newstart Allowance have experienced cuts to their income of between \$60 and \$110 per week.¹²

If the children in our single parent family were aged 8 and 9 years on January 1, 2013 their mother would have been moved from Parenting Payment Single to Newstart Allowance. The table below provides a comparison of the resulting changes in household income.



Single parent family (Newstart Allowance) - WEEKLY INCOME			
	Single parent receiving Parenting Payment Single 2012/13	Single parent moved to Newstart Allowance from January 1, 2013	
Wage (gross)	\$371.63	\$371.63	
Parenting Payment Single	\$229.27	-	
Newstart Allowance	-	\$132.70	
Other regular government benefits	\$293.66	\$293.31	
Government supplements (one off payments, converted to weekly amount)	\$53.48	\$53.48	
Tax paid	-\$48.33	-\$28.53	
Total household income/week	\$899.71	\$822.59	Difference -\$77.12 or -8.6%

When shifted from Parenting Payment Single to Newstart Allowance, our model single parent family ends up **\$77.12 per week worse off**.

Insecure work and resilience

The mother in this household is assumed to already be working 18 hours per week for 39 weeks of the year while her children attend school. Our calculations assume that she is unable to work during school holidays when she must care for her children. As a casual employee, the mother would not have sick leave or annual leave entitlements, and there is no guarantee that she can secure an ongoing position that meets these holiday care requirements and allows her to maintain the number of hours she works each week. This job insecurity contributes to further financial insecurity for the family, as unpredictable casual pay often creates significant problems in reporting income to Centrelink. Single parents often report that inadvertent errors arising from different reporting periods, or the need to report income before pay has been received, often result in allowances being withheld or penalties applied.

Single parent family - WEEKLY EXPENDITURE				
	2010/11	2011/12	2012/13	% increase 2011/12 to 2012/13
Rent	\$308.13	\$333.63	\$362.31	8.6%
Food and beverage	\$217.92	\$211.20	\$212.75	0.7%
Utilities	\$28.42	\$31.33	\$35.26	12.5%
Transport	\$67.22	\$66.46	\$65.57	-1.3%
Other - household and living costs	\$251.05	\$254.03	\$259.27	2.1%
Total household expenditure/week	\$872.73	\$896.63	\$935.16	4.3%
Increase on previous year	\$19.60	\$23.90	\$38.53	
% increase on previous year	2.3%	2.74%	4.3%	

The single parent household's weekly expenditure on basic living costs has **increased by 4.3%** over the last 12 months. Utilities have increased by the largest percentage (12.5%), but in real terms this increase is equivalent to less than \$4 per week. On the other hand rent increased by 8.6% or \$29 per week. Rent is by far the largest household cost for this household. In 2012/13, the rent for a unit 85% of the median Perth price represented 40.3% of the single parent family's weekly income (or 44.1% of the income of a single parent family on Newstart Allowance).



The high cost of housing in Western Australia is the greatest cause of financial stress for low income households. While occasional financial assistance exists for households struggling to pay their utility bills (e.g. Hardship Utilities Grant Scheme), there is no additional assistance available for families struggling to pay their rent. The long waiting times to access public housing (131 weeks for applicants on the wait list, and 96 weeks for those on the priority wait list) and the ongoing inadequacy of investment in social housing to keep up with growing need remain major concerns for the Council.

Single parent family (Parenting Payment Single) - WEEKLY DIFFERENCE			
	2010/11	2011/12	2012/13
Total weekly income	\$844.86	\$872.38	\$899.70
Total expenditure	\$872.73	\$896.63	\$935.16
Difference	-\$27.87	-\$24.24	-\$35.46

With a 4.3% increase in household expenditure, but only 3.1% increase in household income over the past 12 months, **our single parent family's budget shortfall has increased from \$24.24 to \$35.46 per week.** That's \$35.46 per week in savings the family will have to find, perhaps by seeking cheaper accommodation (much easier said than done in reality, and finding, applying for and moving into new rental accommodation also incurs significant costs), reducing heating costs, or skipping or eating cheaper, but less nutritious meals.

It is also important to remember that these calculations make no allowance for the family to save, for the mother to undertake training in order to improve her employment prospects, or to enable the family to be able to respond to an unexpected cost or crisis (if the fridge or car breaks down). The single family does not have any health or home and contents insurance, and the model does not provide for any spending on items such as birthday presents, school excursions or other "non-essential" items. This family is already short of money every week, and are just one unexpected event or crisis away from financial crisis.

Single parent family (Parenting Payment Single vs. Newstart) - WEEKLY DIFFERENCE			
	Single Parent receiving Parenting Payment Single 2012/13	Single Parent moved to Newstart Allowance from January 1, 2013	Difference -\$77.12 or -8.6%
Total weekly income	\$899.70	\$822.58	
Total expenditure	\$935.16	\$935.16	
Difference	-\$35.46	-\$112.58	

When our model single parent family is shifted from Parenting Payment Single to Newstart Allowance (reducing their income by \$77.12 per week), the costs of achieving a basic standard of living does not decrease. As a result, the single parent family will find themselves having to make some very difficult decisions about their weekly expenditure in order to make ends meet, and avoid going into significant debt. The family's ability to make positive changes to their circumstances — for example, by seeking a higher paying job — will be undermined by the significant level of poverty they find themselves in.



3.2 Working Family

The working family consists of one parent working full time, one doing part-time casual employment and 2 school aged children. They rent a house, own a small car and use public transport for 5 round trips a week.

Working family - WEEKLY INCOME				
	2010/11	2011/12	2012/13	% increase 2011/12 to 2012/13
Combined wages (gross)	\$1,077.48	\$1,114.51	\$1,152.04	3.4%
Regular government benefits	\$215.96	\$220.51	\$226.93	3.0%
Government supplements (one off payments, converted to weekly figures)	\$57.51	\$62.97	\$58.26	-7.5%
Tax paid	-\$101.71	-\$111.21	-\$115.10	3.5%
Total household income/week	\$1,249.25	\$1,286.77	\$1,322.13	2.8%
Increase on previous year	\$36.10	\$37.52	\$35.55	
% increase on previous year	3.0%	3.0%	2.8%	

The largest real increase to the working family's income came as a result of the 2012 State Wage Case decision. As a result of this decision, our working family's weekly (before tax) wages **increased by 3.4%** or \$37.53 per week between 2011-12 and 2012-2013.

Working family - WEEKLY EXPENDITURE				
	2010/11	2011/12	2012/13	% increase 2011/12 to 2012/13
Rent	\$327.25	\$358.06	\$388.88	8.6%
Food and beverages	\$312.10	\$302.88	\$305.14	0.7%
Utilities	\$42.34	\$46.17	\$52.25	13.2%
Transport	\$94.64	\$94.68	\$95.17	0.5%
Other household and living costs	\$450.92	\$456.91	\$467.80	2.4%
Total household expenditure/week	\$1,227.25	\$1,258.69	\$1,309.23	4.0%
Increase on previous year	\$40.94	\$31.44	\$50.54	
% increase on previous year	3.5%	2.6%	4.0%	

Our working family's weekly expenditure on basic living costs has **increased by 4.0%** or \$50.54 per week over the last 12 months. The largest percentage increase was to utility costs (13.2% or \$6.08 per week), but the largest real increase was to rent which went up 8.6% (or \$30.82 per week). The combined increases to rent and utilities alone add up to \$36.90 per week — almost completely accounting for the household's \$37.53 growth in income!

Working family - WEEKLY DIFFERENCE			
	2010/11	2011/12	2012/13
Total weekly income	\$1,249.25	\$1,286.58	\$1,322.13
Total expenditure	\$1,227.25	\$1,258.69	\$1,309.23
Difference	\$22.06	\$27.88	\$12.90

Overall, our working family's weekly income has decreased by **\$14.98 per week less** than their basic living costs. In 2012/13, the family's weekly income surpassed their basic living costs by \$12.09 per week (down from \$27.88 in 2011/12). However, the fact that our calculations make *no* allowance for



the family to save, or for unexpected or non-essential expenditure, means the financial security of this family is low. The family are potentially just one accident, a couple of missed pay-checks or an unexpected cost (e.g. if the family's fridge or car breaks down, or an unexpected medical expense is incurred) away from a financial crisis.

3.3 Unemployed Single

Our unemployed single person's only income comes from government allowances and benefits. She is currently looking for work, lives in shared accommodation, and relies on public transport to get around.

Unemployed single – WEEKLY INCOME				
	2010/11	2011/12	2012/13	% increase 2011/12 to 2012/13
Newstart Allowance (with clean energy supplement included)	\$235.18	\$243.12	\$246.60	1.4%
Rent assistance	\$38.38	\$39.65	\$40.46	2.0%
Clean energy advance (2011/12) + Clean energy supplement (2012)	\$0.00	\$3.07	\$1.18	-61.5%
Tax paid	\$0.00	\$0.00	\$0.00	0.0%
Total household income/week	\$273.56	\$285.84	\$288.25	0.8%
Increase on previous year	\$8.77	\$12.29	\$2.40	
% increase on previous year	3.3%	4.5%	0.8%	

The weekly income of our unemployed person has increased little in recent years and **increased by only 0.8%** this year. There has been no real increase to her government benefits, only inadequate indexation. Unlike pension payments (which are indexed to Male Total Average Weekly Earnings, the Consumer Price Index (CPI), or the Pensioner and Beneficiary Cost of Living Index - whichever is higher) allowance payments are only indexed to CPI.¹³ This means that gap between allowance and pension payment rates is continuing to widen.

In 2012/13, our unemployed person was receiving government benefits totalling less than 50% of the WA State Minimum Wage while searching for work. As the calculations below show, unemployment benefits do not meet a basic standard of living and present significant barriers to a job-seeker's ability to find work.

Unemployed single - WEEKLY EXPENDITURE				
	2010/11	2011/12	2012/13	% increase 2011/12 to 2012/13
Rent	\$109.08	\$119.35	\$129.63	8.6%
Food and beverage	\$94.18	\$91.68	\$92.39	0.8%
Utilities	\$13.22	\$14.45	\$16.14	11.7%
Transport	\$11.08	\$11.08	\$11.92	7.6%
Other - household and living costs	\$98.03	\$98.40	\$99.72	1.3%
Total household expenditure/week	\$325.59	\$334.97	\$349.79	4.4%
Increase on previous year	\$10.72	\$9.38	\$14.82	
% increase on previous year	3.4%	2.9%	4.4%	



The unemployed person’s weekly expenditure on basic living costs has **increased by 4.4%** (or \$14.82 per week) over the last 12 months. The largest percentage increase was to utility costs (11.7% or \$1.69 per week), but utilities only account for 4.6% of her weekly income. The largest real increase in expenditure was to rent which went up 8.6% (or \$10.28 per week) — rent accounts for 37.1% of her weekly income. Food is another significant cost — at \$92.39 per week (or \$13.19 per day), food accounts for 32.1% of her weekly income).

The housing calculations above assume that our unemployed person can find shared accommodation where she pays one-third rent of a house at 85% of the Perth median house price. In the last 12 months her rental costs will have increased 8.6% (or \$10.28 per week) while Commonwealth Rent Assistance has increased only 81 cents per week. This problem is compounding, as rental costs also increased 9.4% between 2010/11 and 2011/12, with no equivalent increase in rent assistance.

Unemployed single - WEEKLY DIFFERENCE			
	2010/11	2011/12	2012/13
Total weekly income	\$273.56	\$285.84	\$288.25
Total expenditure	\$325.59	\$334.97	\$349.79
Difference	-\$52.04	-\$49.13	-\$61.54

The gap between the unemployed person’s income and expenditure means she will have to make some very tough choices about which basic costs of living are most essential in any week. The ongoing, negative difference between income and expenditure is a clear indication that this person is struggling to meet a basic standard of living in WA and facing significant financial hardship.

The calculations for all our households make no allowance for them to be able to save any money, to pay for any unexpected medical expenses, to purchase or contribute towards the cost of new white goods, to pay for training to increase her employment options, or to spend on any non-essential items. It is entirely reasonable to assume that this person would need to go into debt if any of these circumstances occur, ultimately incurring further weekly costs they cannot afford to cover interest payments on any debt.

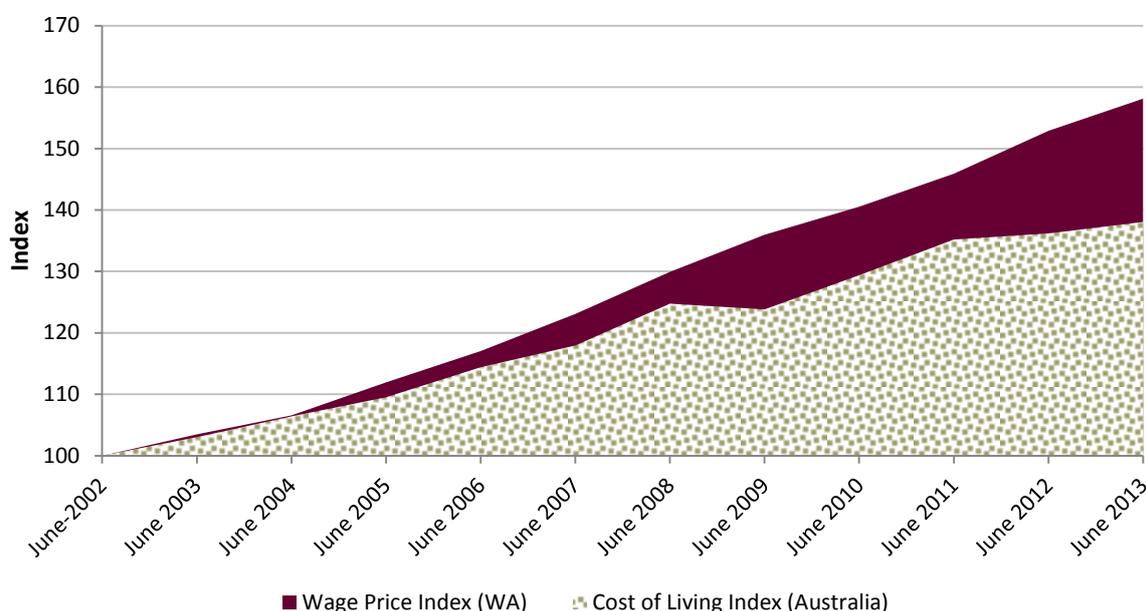


4.0 Key Observations & Implications

4.1 Myth vs. Reality — who is struggling with the cost of living?

The findings in section 3.0 have clearly shown that the incomes of low income households in WA are failing to keep up with increases in the basic costs of living. The same cannot be said of Western Australian households on middle or average incomes. A comparison of the ABS Wage Price Index¹⁴ and the ABS Cost of Living Index¹⁵ demonstrates that the growth in their income for the average working Australian over the past decade has significantly out-paced increases in their cost of living. The evidence is very clear that middle income households are not being hurt by the cost of living and are in fact much better off than they were a decade ago.

Figure 1: ABS Wage Price Index vs. ABS Cost of Living Index (Australia)



How many WA households are in similar circumstances?

The population of Western Australia was 2,034,400 as of July 2013. There were an average of 61,000 **unemployed** during 2012-13 and an average unemployment rate of 4.7%. The unemployment rate is forecast to rise to 5.5% in 2013-14 then to 5.75% in 2014-14, accounting for 83,000 out of work or an extra 22,000 people.¹⁶

There were 25,703 **single parent households** receiving Parenting payment single as of 29 March 2013. This does not include an estimated 6,000 single parent households in WA moved to Newstart Allowance on 1 January 2013.¹⁷

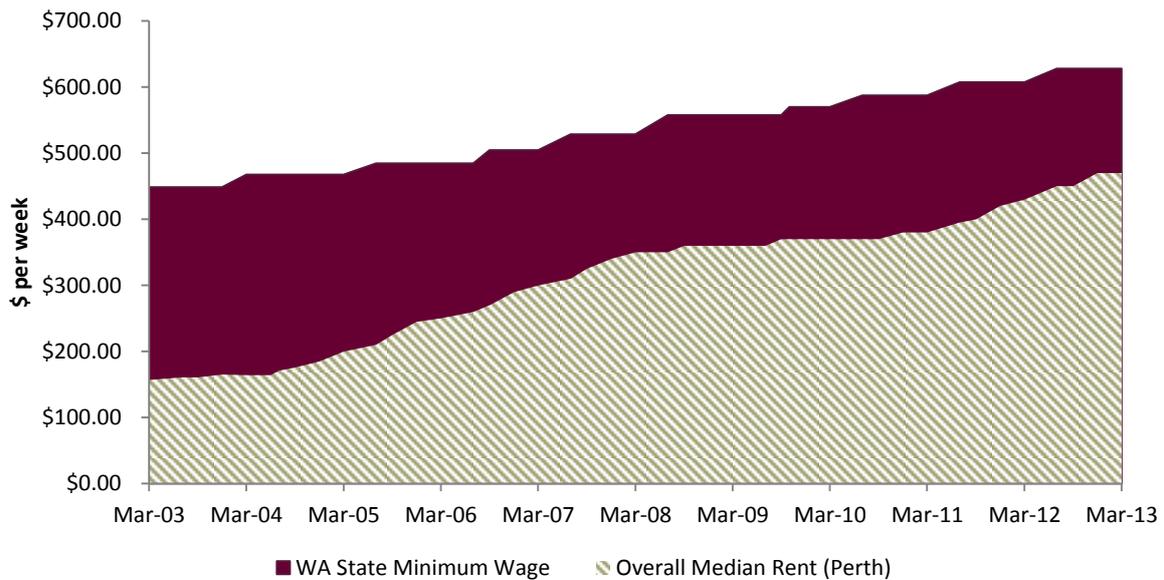
There were 138,277 **working families** in WA who received Family Tax Benefit Part A (FTB-A) as of 29 March 2013. FTB-A is means tested according to the age and number of children in the household, and the payment rate is tapered so that it cuts out at an income of \$48,000 for a single child and at \$95,000 for three or more children.¹⁸ With 2 children and annual income of \$67,000 our household is fairly representative.



4.2 Housing Affordability

It is no surprise that housing is the major weekly expense facing our model households. Our calculations have shown that between 2012/13 and 2013/14, any increase to our households' incomes was almost (or completely) consumed by increases in the cost of housing. More shocking is the realisation that over the past decade, Perth median rent as a percentage of the State Minimum Wage has increased from 35% in March 2003, to 75% in March 2013.

Figure 2: State Minimum Wage vs. Perth Median Rent



The unaffordability of Perth's housing market for households on low and fixed incomes remains a major concern for the Council.

On Saturday 13 April 2013, Anglicare WA undertook a snapshot of the availability of affordable¹⁹ and appropriate rental properties for low income households in metropolitan and regional Western Australia. The survey found that out of the 3,646 properties advertised in the Perth area, there were few affordable and appropriate for households on low or fixed incomes. In examining the appropriateness and affordability of those same properties for *our* households, we found that:

Household	Income	No. of properties affordable & appropriate in Perth ²⁰
Single Parent Family (Parenting Payment)	2+ bedroom property costing <\$266 per week	40 (0.1%)
Single Parent Family (Newstart)	2+ bedroom property costing <\$247 per week	16 (0.004%)
Working Family	2+ bedroom property costing <\$385 per week	882 (0.24%)
Unemployed Single	3+ bedroom property costing <\$315 per week (assumes rent is equally shared between 3 parties)	3 (0.0008%)
	<i>Total number of properties advertised</i>	3,646



The lack of affordable accommodation for low income households in WA makes a strong case for both the State and Federal governments to play a more active role in responding to the market failure of the housing system. While the Council has welcomed the continuation of affordable housing initiatives in the 2013/14 State budget, we remain concerned that the scale of investment in these initiatives falls well behind the growth in demand, meaning that they will need to be greatly expanded if they are to have a positive impact on the availability of affordable rental properties for low income Western Australian households.

4.3 The inadequacy of Commonwealth Rent Assistance

All three model households considered in our *2013 Cost of Living Report* live in private rental properties and are eligible to receive a Commonwealth Rent Assistance payment.²¹ Unfortunately, the failure of the rent assistance payment to keep up with soaring private rental costs in WA (and other states) has dramatically diminished the effectiveness of that assistance for low income households.

Household		2010/11	2012/13	% change
Single Parent Family	Rent Assistance received	\$67.62	\$72.03	6.5%
	Rent paid (85% median unit price)	\$308.13	\$362.31	17.6%
Working Family	Rent Assistance received	\$67.62	\$72.03	6.52%
	Rent paid (85% median house price)	\$327.25	\$388.88	18.8%
Unemployed Single	Rent Assistance received	\$38.38	\$40.46	5.4%
	Rent paid (85% median house price, one-third share)	\$109.08	\$129.63	18.8%

The high cost of rent in Perth means that low and fixed income households in WA inevitably have to pay a very high percentage of their income on rent, leaving little left over for food, utilities or other basic living costs and putting them at high risk of financial hardship.

Part of the reason for rent assistance payments failure to keep up with rental increases is that assistance levels are indexed to movements in the Consumer Price Index (CPI), rather than to (national) average increases in rent.²² Both the Harmer Pension Review and the Henry Tax Review found rent assistance to be inadequate and have recommended fundamental reform.²³

4.4 The inadequacy of the Newstart Allowance

Over the last decade, the gap between average weekly earnings on the one hand, and the State Minimum Wage, the Age Pension and Newstart Allowance on the other has grown markedly — resulting in dramatic increases in inequality within WA. Newstart Allowance recipients have experienced, by far, the lowest real *and* percentage increase in their weekly income, as shown in the table below:



Income	July 2003	July 2013	\$/week increase	% change
Newstart Allowance ²⁴	\$190.05	\$248.50	\$58.45	30.8%
Base Pension ²⁵	\$211.90	\$366.85	\$154.95	73.1%
WA Minimum Wage ²⁶	\$448.40	\$645.90	\$197.50	44.0%
Average Weekly Ordinary Time Earnings (WA) ²⁷	\$886.90	\$1,515.20	\$628.30	70.8%

Charities, unions and community welfare organisations across Australia²⁸ have come out publically in support of a \$50 per week increase to the Newstart Allowance. The Business Council of Australia has also joined the call for an increase, arguing that *"what remains important over the long term is for the level of the Newstart Allowance to be increased to avoid trapping jobseekers in entrenched disadvantage..."*²⁹ The Council remains concerned that the inadequacy of the Newstart Allowance creates a barrier to both workplace and social participation, which have wide-ranging and negative implications for the individual jobseeker, their immediate family, and society at large.

Furthermore, the decision by the Federal Government to change the eligibility requirements for Parenting Payment Single as of January 1, 2013 has resulting in approximately 8-9,000 single parent families in Western Australia and around 65,000 families nationwide being moved on to the Newstart Allowance³⁰, despite the long-standing concerns about its inadequacy to support a basic standard of living for a family with children for anything but a short period of time. The Council remains deeply concerned that being pushed further into poverty and disadvantage will have both long term negative effects on the children in these households.

4.5 Pressures on the community sector

As the peak body for the community services sector in Western Australia, the Council is keenly aware of how the increased cost of living in WA is continuing to create additional unmet demand for crisis, emergency relief and support services provided by charitable and community organisations.

The 2013-14 State Budget Papers highlighted a number of emerging concerns for the Council:

- ✦ WA Treasury is forecasting the WA unemployment rate will grow to 5.5% then 5.75% in the next 2 financial years — in real terms this means approximately 22,000 more people may be set to lose their jobs and around 83,000 people will be unemployed in 2014.³¹
- ✦ The State Government's plan to recover \$371 million through program rationalisation and to target further savings of \$350million through rolling program reviews³² is likely to result in a reduction in services during a time of growing need.
- ✦ The decision to reduce the scope of needs assisted by the Family Crisis Program provided by the Department of Child Protection and Family Support is likely to put additional pressure on an already stretched emergency relief sector, from households experiencing financial hardship.



5.0 Conclusion

Analysing the impact of cost of living pressures on different types of low income households in Western Australia enables us to better understand which cost increases have the greatest impact on individuals and families in different circumstances, and which social policy measures and support services are likely to be most necessary and effective. Taken together with ABS data on average wages and living costs, the findings of our modelling of income and living costs of three different low income households types indicates very clearly that it is really only low income households who are falling behind in their ability to meet rising essential living costs. Middle income households receiving average or above average wages have seen their incomes increasing faster than their essential living costs.

As a society we need to do more to keep our aspirations and sense of entitlement in check, and to be appreciative of the fact that most Australians have amongst the highest living standards in the world. It is time to debunk the myths surrounding rising living costs hurting 'everyone' and to bring some rigour into public policy discussion of the hard evidence of the cost of living impacts.

The evidence is clear that there is a small but significant and growing minority of households within our community who are really struggling and face increasing financial hardship and poverty. There is a real risk that focusing attention on rising living costs for middle Australia distracts attention away from the people who really do need improved support and assistance to avoid sliding further into poverty. As a relatively low taxing country with an ageing population, Australian governments must address emerging structural deficits to manage health, welfare and aged care expenditure.

The key findings of this report – that key essential living costs (particularly housing and utilities) have risen quicker than income support payments and minimum wages, that housing is the biggest single factor causing financial stress, and that single parent households moved from parenting payments to Newstart Allowance have experienced a dramatic reduction in income that puts them over \$112 per week behind the cost of a very basic and frugal standard of living – should be sobering. These three key issues – the adequacy of income support, the affordability of housing, and rising rates of child poverty³³ – should be of far greater concern to public policy debates than they are currently.

As the peak body for the community sector in Western Australia, representing around 800 charitable and not-for-profit services providing support to over 500,000 disadvantaged and vulnerable people every year, WACOSS is calling for:

- ✦ A \$50 per week increase to the Newstart payment;
- ✦ An annual increase in the State Minimum which takes into account the increasing cost of living in WA;
- ✦ Significant investment in public and community housing, incentives to create more affordable rentals, and increased assistance to low-income and vulnerable people;
- ✦ Inclusionary zoning policies for new housing projects requiring 15% of developments over 10 units to be affordable to those in the lowest two income quintiles;
- ✦ A 15% concessional electricity tariff for concession card holders;
- ✦ Review of the appropriateness, accessibility and adequacy of state concessions; and
- ✦ Introduction of a targeted energy and water efficiency program for low income households.



6.0 References

- ¹ For more on the Australian Council of Social Service-led campaign to increase the rate of the Newstart Allowance — *\$35 a day is not enough!*, visit http://acoss.org.au/take_action/allowances_statement_2012-02/.
- ² To read the Council's submissions to the WA State Wage Case, visit <http://goo.gl/ZXUbb8>.
- ³ See WACOSS's 2013-14 Pre-Budget Submission, http://www.wacoss.org.au/Files/WACOSS_Pre_Budget_Submission_2013-14.pdf
- ⁴ The 2012 Cost of Living Report provides a more detailed account of the methodology: <http://goo.gl/TbCM6q>.
- ⁵ Centrelink (2013) *Online Payment Estimator* <http://www.humanservices.gov.au/customer/enablers/online-estimators>.
- ⁶ FaHCSIA (2013) *Guide to Social Security Law*, http://guidesacts.fahcsia.gov.au/guides_acts/ssg/ssg-rn.html.
- ⁷ Pages accessed include: *Introducing the Clean Energy Supplement part of the Household Assistance Package* <http://www.humanservices.gov.au/customer/news/introducing-the-clean-energy-supplement-part-of-the-household-assistance-package>; *Schoolkids Bonus*, <http://www.humanservices.gov.au/customer/services/schoolkids-bonus>; *Payment rates for Family Tax Benefit Part A* <http://www.humanservices.gov.au/customer/enablers/centrelink/family-tax-benefit-part-a-part-b/ftb-a-payment-rates>; *Payment rates for Family Tax Benefit Part B* <http://www.humanservices.gov.au/customer/enablers/centrelink/family-tax-benefit-part-a-part-b/ftb-b-payment-rates>; *Parenting Payment* <http://www.humanservices.gov.au/customer/services/centrelink/parenting-payment>.
- ⁸ WA Industrial Relations Commission (2013) *State Wage Order Pursuant To Section 50a of the Act*, <http://goo.gl/7c3RKA>.
- ⁹ Australian Tax Office, *Online Tax Calculator* <http://www.ato.gov.au/Calculators-and-tools/Comprehensive-tax-calculator/>.
- ¹⁰ Before 1 July 2006 Parenting payment was paid until the youngest child turned 16, this was reduced to 8 years of age but for people already receiving Parenting payment were able to keep receiving the payment until their youngest child turned 16 under the grandfathering provisions that were put in place)
- ¹¹ The Age (23 August 2013) *A single-minded struggle to get by*, <http://www.theage.com.au/federal-politics/federal-election-2013/a-single-minded-struggle-to-get-by-20130822-2se9f.html>
- ¹² http://www.acoss.org.au/media/release/no_happy_new_year_for_people_hit_by_benefit_changes
- ¹³ ACOSS (2012) *\$35 a day: not enough to live on*, <http://goo.gl/5olmTo>.
- ¹⁴ Australian Bureau of Statistics (2013) *6345.0 - Wage Price Index, Australia, Jun 2013*, <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6345.0Jun%202013?OpenDocument>, Table 2b. Total Hourly Rates of Pay Excluding Bonuses: All Sectors by State, Original (Quarterly Index Numbers) [WA].
- ¹⁵ Australian Bureau of Statistics (2013) *6467.0 - Selected Living Cost Indexes, Australia, Jun 2013*, <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6467.0Jun%202013?OpenDocument>, Index Numbers; Employee households; All groups.
- ¹⁶ WA State Budget 2013-14, Budget Paper 3, p 30-31.
- ¹⁷ DEEWR, *DEEWR Payments by Commonwealth Electoral Division (ASGS 2011) - As At 29 March 2013*. 25,703
- ¹⁸ Dept. Human Services, *Payment Type, by Electorates - March 2013 Quarter - FaHCSIA Basic Dataset*, 138,277
- ¹⁹ An affordable rental was defined as a rental 30% or less of a family/individual's income.
- ²⁰ Anglicare Australia (2013) *Rental Affordability Snapshot: Anglicare WA, Western Australia*, <http://goo.gl/cJfScw>.
- ²¹ For more on Commonwealth Rent Assistance eligibility, visit FaHCSIA (2013) *Rent assistance*, <http://www.fahcsia.gov.au/our-responsibilities/housing-support/benefits-payments/rent-assistance>
- ²² National Welfare Rights Network (May 2013) *A home on the range or a home out of range? How Commonwealth Rent Assistance fails low income Australians*, <http://goo.gl/vYNWjO>.
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- ²⁶ Department of Commerce (2013) *Pay rates and award summaries*, <http://goo.gl/q8nSsn>.



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²⁸ ACOSS (30 April 2013) *Prominent Australians support increase to Newstart in May Budget*, http://www.acoss.org.au/media/release/prominent_australians_support_increase_to_newstart_in_may_budget

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³¹ WACOSS (9 August 2013) *Media Release: Moderate State Budget Misses Housing Priority, Thursday 8th August 2013*, <http://goo.gl/vqmXVN>.

³² WA Treasury (2013) *2013-14 Budget Paper, No.1*, page 10.

³³ An estimated 575,000 children (or 1 in 6) are in poverty, an increase of 15% since 2001, see: http://acoss.org.au/images/uploads/Reducing_poverty_ACOSS_2013_election_factsheet.pdf

