



wa council of  
social service

Submission to the Western Australian  
Industrial Relations Commission

## 2020 State Wage Case

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## About WACOSS

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The Western Australian Council of Social Service (WACOSS) is the peak body for the community services sector and works to create an inclusive, just and equitable society. WACOSS represents 300 member organisations and individuals, and more than 500 organisations involved in the provision of community services to the people of Western Australia.

Our mission is to advocate for social and economic change to improve the wellbeing of Western Australians and to strengthen the community services sector that supports them. WACOSS is one of nine peak councils of social service, collaborating across Australia to bolster the united strength and weight of the work of each peak body, working collectively on campaigns of national significance.

Tackling difficult issues, systems, behaviours, and attitudes that contribute to inequality and exclusion, WACOSS develops evidence-based social policy and research to inform and influence government policy to change the lives of those facing adversity. Non-partisan and free from private interests, the organisation plays a unique and objective role within the sector.

## 1.0 Introduction

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The Western Australian Council of Social Service (WACOSS) considers the minimum wage to be a vital means of protecting low-income workers from poverty that delivers economic benefits to the wider Western Australian community and reflects community standards to support a decent standard of living for working people and their families. As the peak body of the community service sector in WA, and as an advocate for people experiencing disadvantage and hardship, WACOSS has a particular interest in the adequacy of living standards and quality of life experienced by Western Australians living on low incomes.

WACOSS's submission to the 2020 State Wage Case relies on the provisions in the *Industrial Relations Act 1979*, at Clause 50A(3)(a) for the Commission to consider in its determination of minimum rates of pay the need to:

- i. ensure that Western Australians have a system of fair wages and conditions of employment; and*
- ii. meet the needs of the low paid; and*
- iii. provide fair wage standards in the context of living standards generally prevailing in the community; and*
- iv. contribute to improved living standards for employees; and*
- v. protect employees who may be unable to reach an industrial agreement; and*
- vi. encourage ongoing skills development; and*
- vii. provide equal remuneration for men and women for work of equal or comparable value.<sup>1</sup>*

In preparing this submission, WACOSS has carefully considered the changing economic and workplace environment for low-wage workers. We have reviewed the state of knowledge in related areas and considered the latest research and analysis to ensure our submission is up to date and directly relevant to the lived experience of minimum wage workers in WA. We do so in order to provide the Commission with the best available data and analysis upon which to base its deliberations. This year we have also analysed the latest data on the impacts of the COVID-19 pandemic and associated economic downturn on employment conditions and the prospects for our economy.

## 2.0 WACOSS's claim

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**WACOSS submits that an increase to the State Minimum Wage rate of 4 per cent is consistent with the need to maintain a fair system of wages and conditions in the current Western Australian context; and is a very reasonable increase which takes into account current economic conditions.**

It is undeniable that this year's State Wage Case takes place in a context where many in our community are experiencing significant challenges and great uncertainty.

Crises have a disproportionate impact on people with the lowest incomes, as poverty makes it substantially more difficult to cope, adapt and recover. For people on the lowest incomes, their access to resources, disposable income, choice, power and social connections are all severely limited.

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<sup>1</sup> *Industrial Relations Act 1979* (WA)

The primary basis for WACOSS's claim is that this increase is needed in order to in order to meet the needs of the low paid and to contribute to improved living standards for employees. At the same time, we consider that this increase would bolster consumer demand and confidence, in turn supporting the broader economy and community as a whole.

It is the position of WACOSS that keeping low the wages of those paid the least in our community is not the answer to supporting economic recovery and growth. We do not consider the evidence to demonstrate that doing so generates more employment, but instead that it would hinder consumer consumption and so reduce economic activity. Further, increasing the State Minimum Wage is fundamental in addressing income inequality, which otherwise has a statistically significant adverse effect on economic growth. Rather than keeping wages low, to further stimulate economic activity it is incumbent upon the State and Federal Governments to increase investment in job-rich industries like health and social assistance, including early childhood support and community services. The recent COVID-19 pandemic has demonstrated how important these industries are for the economic and social wellbeing of our communities.

We appreciate that these are difficult times and the Western Australian Industrial Relations Commission faces a challenging decision for which there are comparatively few precedents. There is a real need to balance the best interests of low income working households and the needs for stimulus within our domestic economy against the viability challenges faced by many employers, particularly small businesses.

At this stage we consider it too early to have certainty about the likely level of unemployment and the comparative strength of our economy. To this end we are advocating a meaningful, but comparatively conservative increase to the State Minimum Wage that seeks to position us well for economic recovery.

We note that the next phase of stimulus response by State and Federal Governments in terms of targeted job creation and employment support initiatives is likely to be critical for the effectiveness of recovery, the numbers of individuals at risk of long-term unemployment, and the number of households facing financial crisis. We expect by next year's State Wage Case, a much stronger picture of economic and employment outcomes will have emerged.

Access to affordable and appropriate housing remains out of reach for many in WA, pushing these households into financial stress and hardship. With median rents increasing, low income households will experience greater hardship as a result.

As well as housing, this submission examines the cost pressures of energy and food for low income households. The regional variations in costs are discussed, noting the particular price burden on households in the North West.

WACOSS has included as part of this submission its analysis of compiled income and expenditure data provided by financial counselling agencies of 395 households who experienced financial hardship and stress in 2018/19. This data provides insight into the spending patterns of those households and the areas of expenditure they are forced to cut back in, contributing to a lower standard of living. Examining wage-only households in this data set reveals that nearly half of the average general expenditure of these households is on housing at 47.3 per cent, equating to \$872.41 a fortnight.

WACOSS is particularly concerned to see that these households are spending significantly less than the Western Australian average across areas like recreation, health and education, all of which directly impact on the quality of life and personal wellbeing of individuals and families.

The growth in the gap between the state minimum wage rates and median pay levels contributes to income inequality in Western Australia, with the state minimum wage currently sitting at only 42 per cent of the WA Average Weekly Ordinary Time Earnings. Western Australia continues to have the highest gender wage gap in the country, at 22.1 per cent compared to 13.9 per cent nationally.

New analysis by the South Australian Council of Social Service of the national distribution of waged poor, low-income waged and income support poor households has highlighted the disproportionate number of waged poor in Western Australia. WA represents approximately 10.5 per cent of the Australia population, but contains 15 per cent of waged poor households. This demonstrates the importance that increasing low wages has for the Western Australian community.

We have also highlight the important role that Increasing the wages of lower incomes households has in boosting the spending and consumption of those households, which is particularly pertinent in light of the economic impacts of the COVID-19 restrictions.

**WACOSS considers a 4 per cent increase to be essential in meeting the needs of the low paid and to contribute to improved living standards for employees.**

### 3.0 Measuring Cost of Living

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Despite common usage, the Consumer Price Index is not a cost of living index. As stated by the Australian Bureau of Statistics, a cost of living index measures the change in the cost of preserving a particular standard of living. An index of this nature would take into account change in the mode of living as well as price changes. While the term is often conflated with CPI, the ABS makes clear that this is in fact incorrect.<sup>2</sup>

While a valuable indicator, CPI is fundamentally a measure of the changes in the prices of a fixed basket of goods and services, rather than changes in the minimum expenditure needed to maintain a certain standard of living. As a result, there are inherent limitations in using CPI and inflation measures alone to draw inferences about the real living cost pressures faced by low-income households. It is for this reason that WACOSS developed the methodology and household models that it uses in its annual *Cost of Living in WA* reports, with a focus on a range of other important data sources as well, in our cost of living research and in this submission.

One approach for determining the costs associated with meeting a standard of living is the ‘budget standards’ approach in which experts draft standardised household budgets encompassing the minimum expenditure requirements for different types of families. A budget standard indicates how much income a particular family living in a particular place at a particular time needs to achieve a particular standard of living. It is derived by specifying every item that is needed by the family, pricing each item and summing to produce the overall budget. This approach was first used in Australia to set the basic wage in the 1907 ‘Harvester Judgement’.

In 2017, the Social Policy Research Centre published revised set of budget standards for low paid and unemployed households, based on a ‘healthy living standard’, using household spending patterns gathered from fieldwork. It is important to note, however, that the new budgets would support only a very frugal living standard, with no allowance for savings, repairs, ill health or one-off costs.<sup>3</sup>

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<sup>2</sup> Australian Bureau of Statistics (2010)

[www.abs.gov.au/AUSSTATS/abs@.nsf/DSSbyCollectionid/1E564CACF4CBEC32CA256ED8007EF06E](http://www.abs.gov.au/AUSSTATS/abs@.nsf/DSSbyCollectionid/1E564CACF4CBEC32CA256ED8007EF06E)

<sup>3</sup> Social Policy Research Centre (2017) [New Minimum Income for Healthy Living Budget Standards for Low-Paid and Unemployed Australians](#)

## 4.0 The Cost of Living in WA

The ability of low-income households in WA to achieve and maintain a basic standard of living is the focus of the annual WACOSS *Cost of Living Report*, which has been produced since 2007. Through this research, we seek to provide a picture of the challenges low-income households face year by year as they endeavour to ensure their living costs do not exceed their income.

The 2019 Cost of Living Report modelled five low-income household-types, and examined the adequacy of their income to afford a basic standard of living in line with agreed community standards during the previous financial year.

The 2019 Report found that living costs have increased in every expenditure category, including the first rise in rental costs for our model households since the *2014 Cost of Living Report*. The significant percentage growth in utility costs for each household is notable, as are the increased food costs this year. An upturn in the costs associated with running a car also had an appreciable impact on the relevant households.

### Weekly income and expenditure of our model households

	Income	Expenditure	Net Position
Single Parent Family	\$996.34 ▲	\$893.86 ▲	\$102.48 ▼
Working Family	\$1,461.00 ▲	\$1,250.34 ▲	\$210.66 ▲
Unemployed Single	\$310.38 ▲	\$326.81 ▲	-\$16.43 ▼
Age Pensioners (Renters)	\$757.64 ▲	\$704.72 ▲	\$52.92 ▲
Age Pensioners (Home Owners)	\$693.83 ▲	\$540.76 ▲	\$153.07 ▲

Source: WACOSS *Cost of Living Report 2019*

The model's Single Parent Family works 18 hours a week for 39 weeks a year at minimum wage plus casual loading and is eligible for government payments. The model's Working Family has one parent working full-time at above minimum wages (minimum wage + 33%), with the other parent working casually (16 hours per week at minimum wage with casual loading). They too are eligible for government payments.

The income of the single parent model household saw an increase of just 1.3 per cent (\$13.14) over the preceding 12 months. Expenditure as a whole has increased for the single parent family by \$18.56 (2.12 per cent), with a rise seen in each of the expenditure categories. Utilities had the largest percentage increase at 7.5 per cent, followed by transport at 4.4 per cent.

With two incomes, one of which is higher than the minimum wage, the model Working Family saw the household's income grew by 1.67 per cent or \$24.06. The model's weekly expenditure on basic living costs increased by 1.93 per cent or \$23.64 per week over the last 12 months. Low wage growth

and higher costs has meant that the difference between the working family's income and expenditure has increased by only by just 42 cents since 2017/18

It is important to remember that these calculations are focused on the bare essentials of a basic standard of living – and so makes little to no allowance for the families to save, for the single parent to undertake training in order to improve their employment prospects, or to enable either family to be able to respond to an unexpected cost or crisis (if the fridge or car breaks down). These are all measures that population surveys suggest are required to meet community expectations of minimum acceptable living standards.<sup>4</sup> The Single Parent 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.

To read the complete WACOSS [Cost of Living Report 2019](#), we direct your attention to the attachment accompanying this submission.

We note that the reporting period for our 2019 cost of living analysis predates the impacts of the COVID19 crisis, its economic impacts on living costs, and changes to income for some groups from interim stimulus measures. Reports, however, from frontline services have not indicated any significant improvement in living costs for low-income households thus far.

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<sup>4</sup> P Saunders, M Bedford (2017) *New Minimum Income for Healthy Living Budget Standards for Low-Paid and Unemployed Australians*, Social Policy Research Centre, UNSW Sydney

## 4.1 Housing

Housing, and in particular the unaffordability of the private rental market, and low supply of public and community housing relative to demand, remains the most pressing issue facing low-income individuals and households in Western Australia. Western Australians living in poverty are the most likely to be living in housing that is in the worst condition, and as a result, often the most expensive to maintain. The risk of poverty is more than twice as high for households renting privately than home-owners with or without a mortgage. Poverty is the highest amongst public renters, though this is in part due to the fact that the tight eligibility requirements for public housing means that this group has some of the lowest incomes.<sup>5</sup>

Research by the Bankwest Curtin Economics Centre (BCEC) found that Perth ranks as the least affordable city in Australia in terms of the typical housing cost shares paid by renters, at around 27 per cent of income. Further, around a fifth of WA's renters paid in excess of 40 per cent of income towards housing costs in 2015-16, compared with a national rate of 17 per cent. 10 per cent of WA renters were found to be paying at least half of their income in housing costs.<sup>6</sup>

Australian Housing and Urban Research Institute (AHURI) research has found that much of the growth in Australian housing supply has been in the mid-to-high price segments. This increase in the supply in these segments is not creating a 'trickle-down' effect into the low price segments by freeing up established housing stock.<sup>7</sup>

This lack of trickle-down is reflected in the findings of the WA Housing Industry Forecasting Group, which noted that, even during the period of 2017-18 where there were historically high levels of rental stock, "for those on the lowest incomes, conditions have not changed."<sup>8</sup> With vacancy rates having significantly dropped, we have already seen that rents are increasing, which will increase the burden on low-income households and renters.

The more of their income that households must dedicate to covering housing costs, the less they will be able to spend on other essentials like food, energy and health. It can also mean that any slight increases in their rent can have a dramatic impact on their ability to stay in a property and maintain the important connections they have established throughout their local community, along with their proximity to jobs and services.

Median rents recently increased to \$360 per week in Perth, which is the first increase in the median since January 2017.<sup>9</sup> As mentioned above, low income households saw little to no relief in rents during the period in which median rents were lower, but will be impacted significantly by higher rents. This weekly median accounts for *over 48 per cent* of the State Minimum Wage. Households are considered to be in "housing stress" when their housing costs exceed *30 per cent* of their income and their earnings are in the bottom 40 per cent of equivalised disposable income (which is true for minimum wage earners). If a household earning a minimum wage is paying 48 per cent of their

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<sup>5</sup> ACOSS (2018) [Poverty in Australia](#)

<sup>6</sup> Bankwest Curtin Economics Centre (2019) [Getting Our House In Order?](#), BCEC Housing Affordability Report

<sup>7</sup> Rachel Ong, Tony Dalton, Nicole Gurran, Christopher Phelps, Steven Rowley and Gavin Wood (2017) 'Housing supply responsiveness in Australia: distribution, drivers and institutional settings', *Australian Housing and Urban Research Institute*, AHURI Final Report 281

<sup>8</sup> Housing Industry Forecasting Group (2017) *Forecasting Dwelling Commencements in Western Australia 2017-2018*

<sup>9</sup> REIWA (2020) [Perth rents increase for the first time since January 2017](#)

income on rent in a median rental property, then they most certainly qualify as being in *severe* housing stress.

The annual *Anglicare Rental Affordability Snapshot* takes a ‘snapshot’ on a given day of the rental market and examines whether the properties being advertised are both *affordable* for a range of different low income types and whether those properties are *appropriate* for the composition of their household.<sup>10</sup>

The *2020 Rental Affordability Snapshot* took place on 21 March 2020 and hence includes consideration of supplementary payments that households may receive<sup>11</sup> to support them during the COVID-19 pandemic. Of the minimum waged household types examined, only the couple who were in receipt of the Commonwealth Parenting Payment saw any increase to their income.

The 2020 report found that only 1.2 per cent of properties advertised for rent in Perth were affordable and appropriate for a single on the minimum wage. Due to slightly lower rents in the South West and the Great Southern, 3.5 per cent of properties in that area were affordable and appropriate, while only 1 per cent were in the North West.

#### Affordable and Appropriate Properties by Region and Household Type

Household Type	Payment Type	Perth Metro		South West and Great Southern		North West	
		% Old rate	% with COVID-19 supplement	% Old rate	% with COVID-19 supplement	% Old rate	% with COVID-19 supplement
Couple, two children (one aged less than 5, one aged less than 10)	Minimum Wage + FTB A (both adults)	43.5	43.5	71.4	71.4	19	19
Couple, two children (one aged less than 5, one aged less than 10)	Minimum Wage + Parenting payment (partnered) + FTB A & B	18.8	34.1	35.3	60.6	7.3	12
Single, two children (one aged less than 5, one aged less than 10)	Minimum Wage + FTB A & B	10.7	10.7	24.8	24.8	6	6
Single	Minimum Wage	1.2	1.2	3.5	3.5	1	1
<b>Total number of properties</b>		<b>6187</b>		<b>685</b>		<b>384</b>	
<b>Median</b>		<b>\$370</b>		<b>\$330</b>		<b>\$475</b>	

Source: Anglicare WA (2020) *Rental Affordability Snapshot – Western Australia*

<sup>10</sup> Anglicare WA (2020) *Rental Affordability Snapshot – Western Australia*

<sup>11</sup> Noting that at 21 March 2020 the first stimulus payment (one-off) and the Coronavirus Supplement to Job Seeker Payment had been announced but not actually received - the former was not received until after 21 March and the latter until after 27 April.

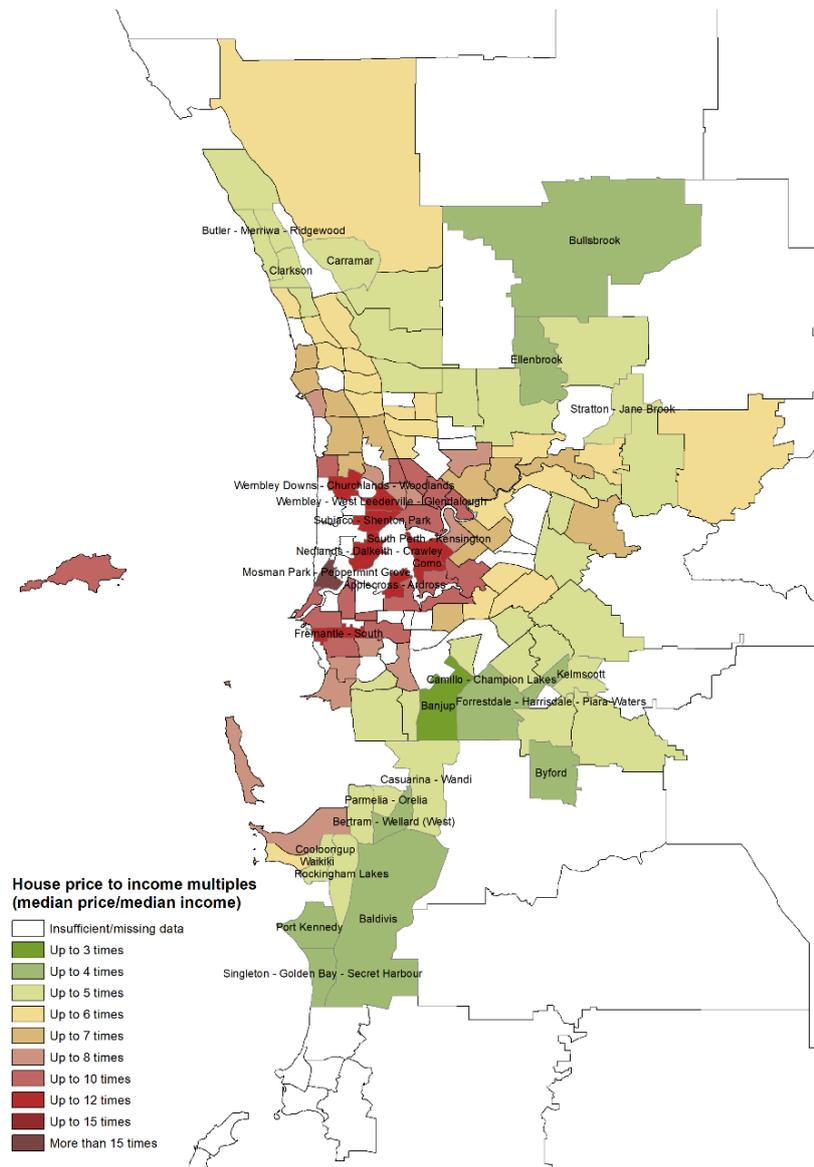
The unaffordability of rental housing in the North West is made particularly stark by this report, with even the couple with two children where both adults are paid the minimum wage finding that only 19 per cent of advertised rental properties in that region are affordable and appropriate. In comparison, 43.5 per cent of properties in the Perth metropolitan region would be affordable and appropriate for this household type.

Only 10.7 per cent of rental properties in Perth were affordable and appropriate for the minimum waged single parent, with that number dropping to just 6 per cent in the North West. The couple where one adult is paid the minimum wage and the household is in receipt of the Parenting Payment still finds that only 12 per cent of properties in the North West are affordable and appropriate for them, even if the COVID-19 supplement is also taken into account. When that temporary supplement is removed, they are only able to find 7.3 per cent of properties in that region that are affordable and appropriate, and just 18 per cent of properties in the Perth metro area.

The low level of accessible properties available to rent for single minimum wage earners and single parents on the minimum wage in particular, strongly indicates the likelihood that many of those households will be living in housing stress or housing that is not appropriate for their circumstances. The particular difficulties of meeting living costs while living on the minimum wage in the North West also needs to be considered when determining the appropriate level for the state minimum wage.

Figure 1 on the next page provides a mapping of housing affordability for the Perth metropolitan area by comparing the ratio of median household income within a local area to median household price within that area. The results are as we would expect, with established inner city, riverside and coastal properties commanding a price premium. While household incomes in these areas are higher overall, property values are even higher still, such that households in Dalkeith, Nedlands, Subiaco, Applecross or South Perth can expect to be spend *ten times* their annual income on housing. For the vast majority of households this level of expenditure would not be affordable or sustainable. Higher income households need to devote a much smaller overall *proportion* of their incomes to essential living costs (such as food and utilities) to maintain their standard of living, leaving greater discretion for spending on other things – enabling them to invest in property as a longer-term wealth building strategy.

**Figure 1: Price Income ratio – median house price as a multiple of median household income**

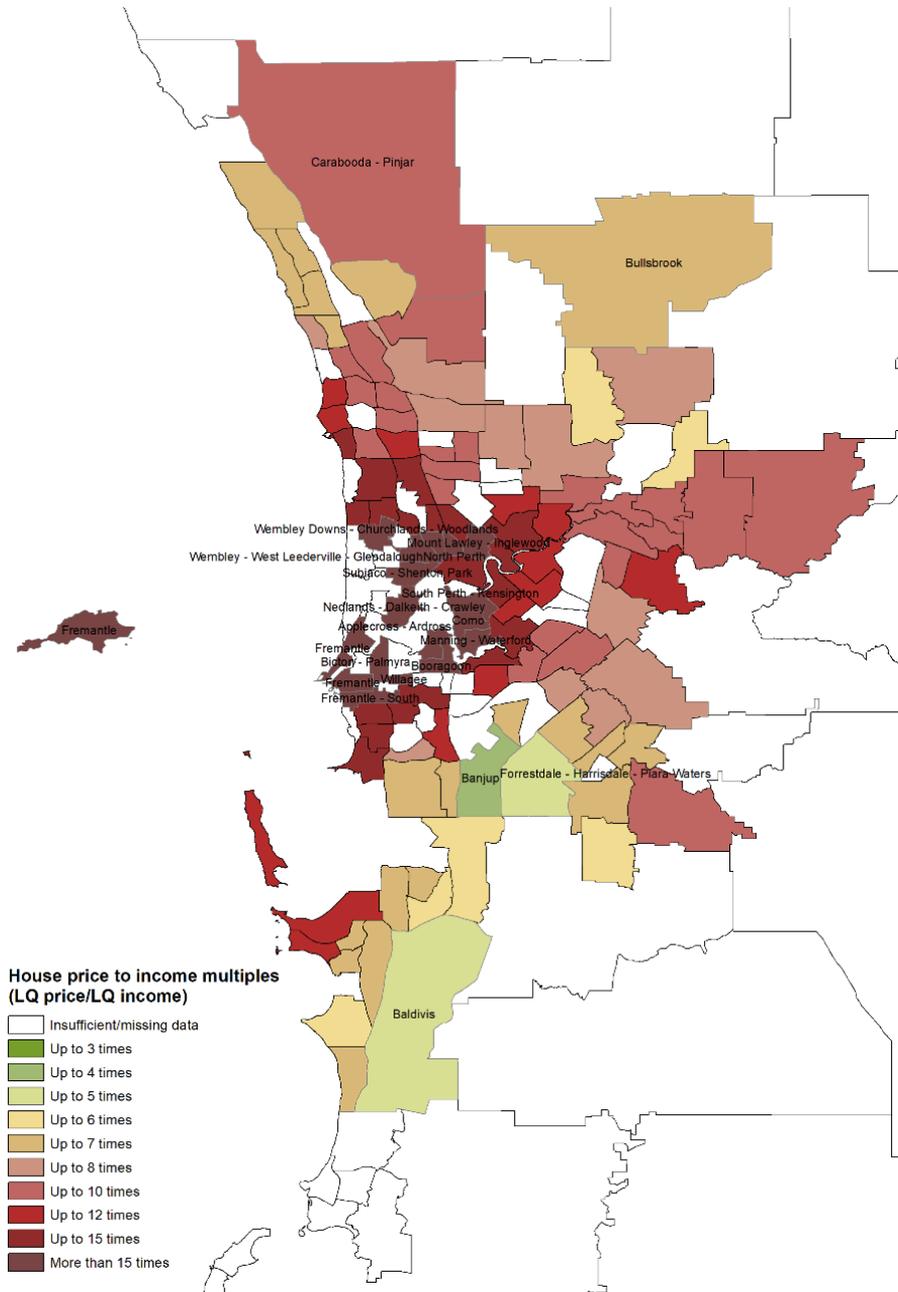


Source: Bankwest Curtin Economics Centre (2020)

The map also shows that relatively few areas have housing that is affordable for a household only able to spend three to four times their annual income on their mortgage (i.e. Bertram-Wellard and Baldvis to the south of Perth; Banjup, Forrestdale and Byford to the southeast; Ellenbrook and Bullsbrook to the northeast), and these are on the urban fringe, away from jobs and services. The average Perth household is spending seven times their annual income on housing alone.

Figure 2 provides a different index of housing affordability, comparing the price income ratio to households in the lower quartile of incomes against property prices in the lower quartile within their local area. It provides a more meaningful index of housing affordability for low income households and particularly those reliant on the State minimum wage, noting that both incomes and house prices are considered relative to the average for their local area.

**Figure 2: LQ Price Income Ratio – lower quartile house price as a multiple of lower quartile household income**



Source: Bankwest Curtin Economics Centre (2020)

Mapping lower quartile housing affordability extends and intensifies the unaffordability band around established and central areas (dark red), leaving relatively few areas on the outer urban fringe that remain comparatively affordable for lower income households (light green). Baldvis to the south, Banjup and Forrestdale to the southeast have lower quartile housing price ratios that are under five times lower quartile incomes, and comparatively few areas, like Bullsbrook to the north, are under seven times lower quartile incomes (light brown).

Notably the middle band of suburbs that were relatively affordable for middle income households in Figure 12 (including suburbs like Kewdale, Hamilton Hill, Bayswater, Victoria Park and Morley) have jumped from a *median* price to income ratio of around 4 to 6 times up to a *lower-quartile* price to income ratio in excess of *ten times* annual income. This potentially highlights a lack of diversity in the range of housing stock provided by the local housing market, with relatively few properties that are affordable for low income households. These properties are predominantly on the outskirts of the urban fringe, where there is limited access to transport infrastructure, jobs and services, which therefore increase other living costs for those households.

Recalling that housing costs are the single biggest component of the household budget for most households, impacting disproportionately on the cost of living for lower income and minimum wage households, this highlights the pressure of housing affordability on their living costs. The maps also clearly indicate that comparatively affordable housing is only found on the urban fringe, further away from jobs and services. This results in increased transport costs for these households increasing the effective cost of living in those locations, particularly where public transport is inadequate or not accessible.

## 4.2 Food

Inadequate income plays a significant role in food insecurity. According to research undertaken by Foodbank Australia, 49 per cent of people experiencing food insecurity said they had been unable to buy food due to an unexpected expense or large bill, and 35 per cent as a result of having to pay rent or make a mortgage repayment. 43 per cent said they are unable to buy food because they were living on a low income or pension.<sup>12</sup>

As of 2018, more than 4 million Australians had experienced food insecurity at least once in the preceding 12 months. One in four of these people go an entire day without eating at least once a week. In Western Australia there was an increase of 39 per cent since 2017 in the proportion of charities reporting more people are seeking food relief, with more than 508,000 meals provided each month.

Using data from the 2016 ABS Household Expenditure Survey, researchers from the University of Melbourne, Flinders University and Curtin University were able to examine variations in food insecurity by receipt of different types of income support payments.

Their analysis of the HES data revealed that people receiving Newstart Allowance (11 per cent), Austudy or Abstudy (14 per cent), the Disability Support Pension (12 per cent), the Carer Payment (11 per cent) and the Parenting Payment (9 per cent) were at significantly higher risk of food insecurity compared to those in receipt of the Age Pension (<1 per cent) or no payment at all (1.3 per cent). They also found that food-insecure households who were receiving income support payments were also experiencing high rates financial stress, with a large proportion co-currently experiencing fuel or energy poverty.<sup>13</sup>

The need for food relief is no longer being experienced as a short term emergency, and has become for some a day-to-day reality over an extended period of time, sometimes decades, that is unequivocally associated with financial hardship.<sup>14</sup>

Analysing data from the Department of Health's *WA Health & Wellbeing Surveillance System*, researchers have determined that those in Western Australia with money problems, those with low discretionary income, and those with both low annual household income *and* low discretionary incomes are *more than three times* as likely to report 'running out of food' compared with respondents who don't have money problems, have higher incomes and greater discretionary spending power.<sup>15</sup>

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<sup>12</sup> Foodbank Australia (2018) [Foodbank Hunger Report 2018](#)

<sup>13</sup> Jeromey B Temple, Sue Booth and Christina M Pollard (2019) 'Social Assistance Payments and Food Insecurity in Australia: Evidence from the Household Expenditure Survey,' *International Journal of Environmental Research and Public Health* (16) 455, available at <http://doi:10.3390/ijerph16030455>

<sup>14</sup> WACOSS (2019) *Food Relief Framework Report*, Lotterywest. <https://wacoss.org.au/library/food-relief-framework-report/>

<sup>15</sup> Alison Daly, Christina Pollard, Deborah Kerr, Colin Binns, Martin Caraher and Michael Phillips (2018) 'Using Cross-Sectional Data to Identify and Quantify the Relative Importance of Factors Associated with and Leading to Food Insecurity', *International Journal of Environmental Research and Public Health*, 15, 2620

A household is deemed to be in *food stress* when it needs to spend more than 25 per cent of disposable income on food. Those households are vulnerable to food insecurity as a result of low and inadequate income.<sup>16</sup>

Analysis of the financial counselling data in this report shows that those houses seeking assistance who are living below the poverty line are spending an average of 26 per cent of their income on food, placing them squarely in food stress.

Developed in 2018, *the Food Stress Index* measures the likelihood that households in a geographic area are vulnerable to food stress. It creates an index score through a weighted combination of variables including food costs, household compositions and household incomes.

Applying the index to Statistical Area 2 (SA2), it can be seen that households in the regional areas of Western Australia (such as in the East Pilbara, Halls Creek and Kununurra) are the most likely to suffer food stress. Within the Perth metropolitan region, outer-suburban areas such as Girrawheen, Armadale and Gosnells are more likely to suffer food stress, due the high proportion of households in the lowest income quintile.<sup>17</sup>

**Food Stress Index for Statistical Areas in Western Australia by quintile,  
ranging from 1 (least likelihood of food stress) to 5 (most likelihood of food stress)**

Food Stress Index Quintile	Western Australia Statistical Areas
1	Applecross—Ardross, Ashburton, Baldivis, Booragoon, Greenwood—Warwick, Innaloo—Doubleview, Karratha, Mount Hawthorn—Leederville, Murdoch—Kardinya, Newman, North Perth, Ocean Reef, Subiaco—Shenton Park, Success—Hammond Park, Wembley—West Leederville—Glendalough, Wembley Downs—Churchlands—Woodlands
2	Australind—Leschenault, Belmont—Ascot—Redcliffe, Bentley—Wilson—St James, Byford, Carramar, Coolbellup, Craigie—Beldon, Eaton—Pelican Point, Esperance Region, Kalgoorlie, Margaret River, Murray, Rivervale—Kewdale—Cloverdale, South Bunbury—Bunbury, Thornlie
3	Albany, Augusta, Busselton, Capel, Denmark, East Bunbury—Glen Iris, Esperance, Geraldton—North, Gingin—Dandaragan, Gnowangerup, Harvey, Maddington—Orange Grove—Martin, Manjimup, Pinjarra, Rockingham
4	Alexander Heights—Koondoola, Beckenham—Kenwick—Langford, Bridgetown—Boyup Brook, Broome, Dowerin, Exmouth, Kambalda—Coolgardie—Norseman, Kulin, Merredin, Moora, Mukinbudin, Narrogin, Northam, Pemberton, Roebourne
5	Armadale—Wungong—Brookdale, Calista, Carnarvon, Cooloongup, Derby—West Kimberley, East Pilbara, Geraldton, Girrawheen, Gosnells, Halls Creek, Kununurra, Leinster—Leonora, Meekatharra, Parmelia—Orelia, Plantagenet, Roebuck

Source: Timothy Landrigan et al (2019) 'Protocol for the Development of a Food Stress Index', *IJERPH*

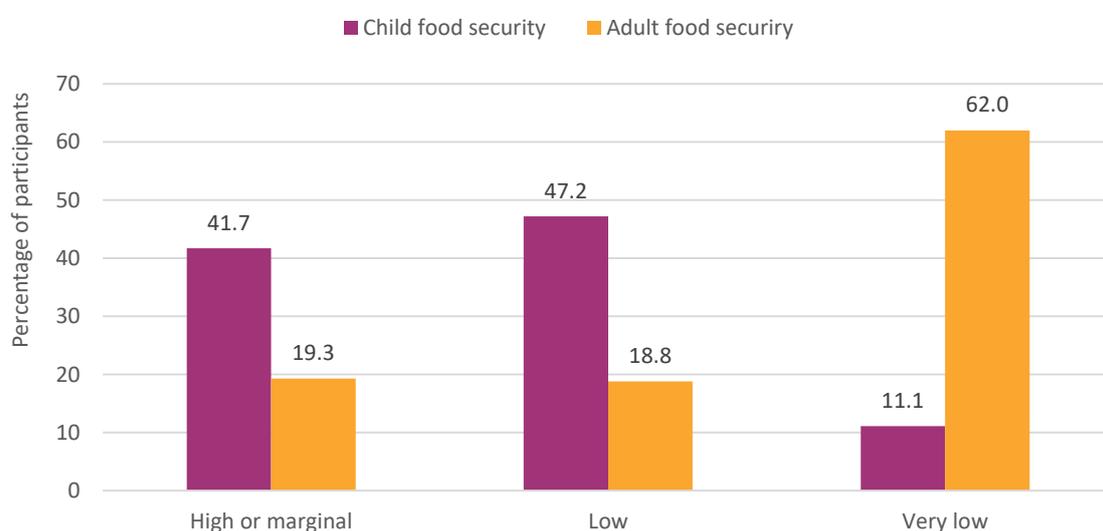
<sup>16</sup> Timothy J. Landrigan, Deborah A. Kerr, Satvinder S. Dhaliwal and Christina M. Pollard (2019) 'Protocol for the Development of a Food Stress Index to Identify Households Most at Risk of Food Insecurity in Western Australia', *International Journal of Environmental Research and Public Health*, 16, 79

<sup>17</sup> Ibid.

In preparation of the 2019/20 WACOSS State Budget Submission,<sup>18</sup> we spoke to people experiencing hardship and often heard stories from people having to find alternative ways of ensuring they can access food. One person spoke of catching public transport daily to buy ice to keep their food fresh as they waited for a donated refrigerator to arrive. There are many stories like this in our state, where people are not only unable to preserve their food, but struggle to afford healthy and nutritious foods in the first place.

Often it is adults and particularly parents bearing the brunt of food insecurity. The *100 Families WA Project* found around 80 per cent of adult individuals reported living with low to very low food security, compared to around 58 per cent of children in the project.<sup>19</sup> This suggests that often parents are placed in impossible situations and have to decide to go without meals to be able to feed or their children.

**Proportion of the 100 Families WA Sample (N=400) in Each Category of Food Security among Children compared to Adults on the USDA Household Food Security Module<sup>20</sup>**



Women are at greater risk of food insecurity and feel its impacts more strongly. *Over one in four women* in Australia (27 per cent) experienced food insecurity in the last 12 months, compared to 18 per cent of men. They are also more likely to have raised children on their own for an extended period (49 per cent compared to 28 per cent males). Single parent households (the vast majority of whom are single women) face *the highest risk* of food insecurity at 47 per cent compared to an overall population rate or 21 per cent.<sup>21</sup>

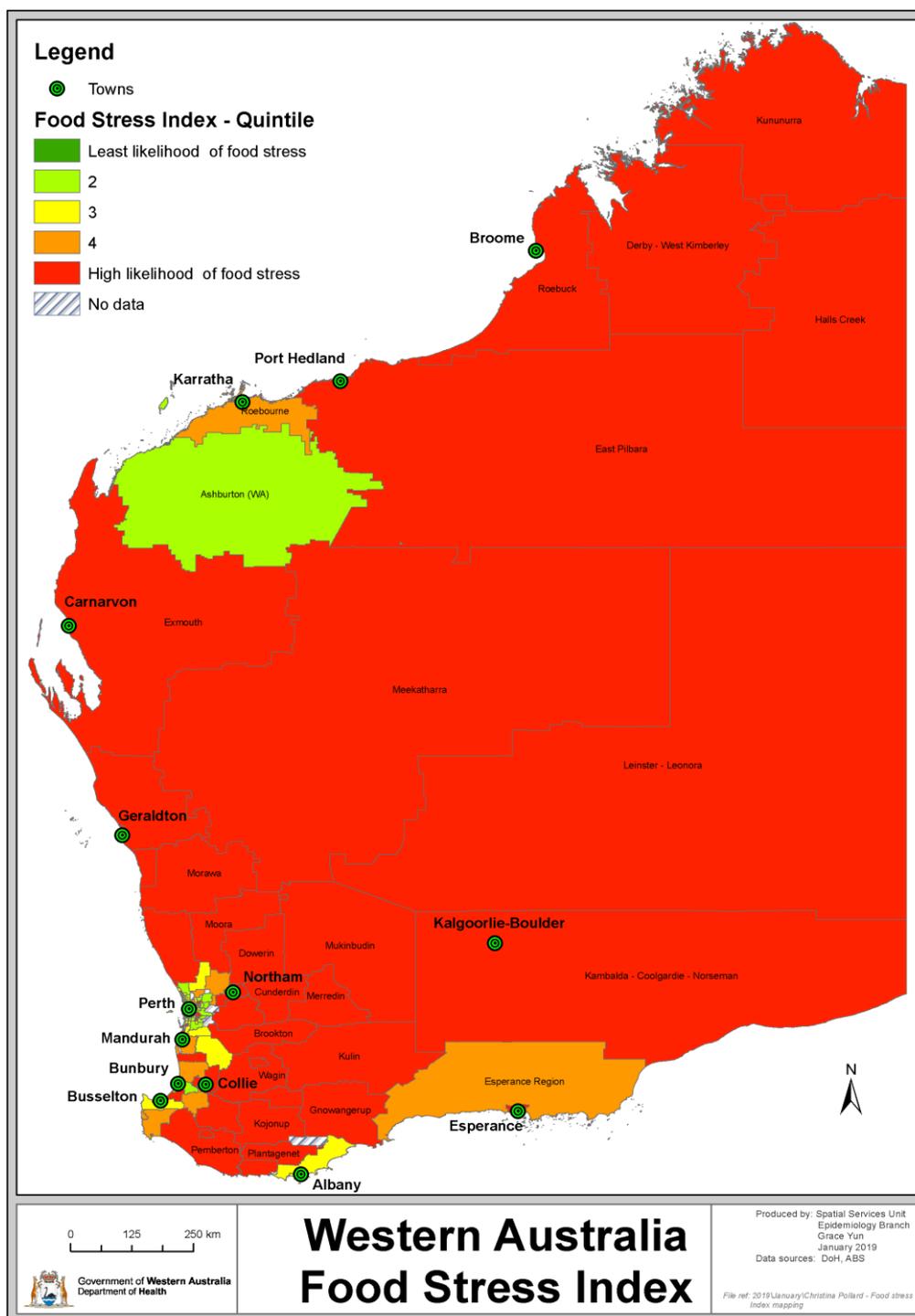
<sup>18</sup> Chris Twomey, Graham Hansen, Jennie Gray and Chris Chambers (2019) [A thriving community: Hope, inclusion and trust – Submission for the WA state budget 2020-2021](#)

<sup>19</sup> Ami Seivwright and Paul Flatau (2019). [Insights into hardship and disadvantage in Perth, Western Australia: The 100 families WA baseline report](#)

<sup>20</sup> Ibid.

<sup>21</sup> Foodbank Australia (2019) [Foodbank Hunger Report](#)

Regional and remote communities are a third more likely to experience food insecurity than those living in capital cities, and children are especially vulnerable.<sup>22</sup> Aboriginal people experience significantly higher levels of food insecurity, across both the metropolitan and regional and remote areas.<sup>23</sup>



Source: WACOSS (2019) *Food Relief Framework Report*

<sup>22</sup> Godrich, S., Lo, J., Davies, C., Darby, J. & Devine, A. (2017) 'Prevalence of socio-demographic predictors of food insecurity among regional and remote Western Australian children' *Australian and New Zealand Journal of Public Health*

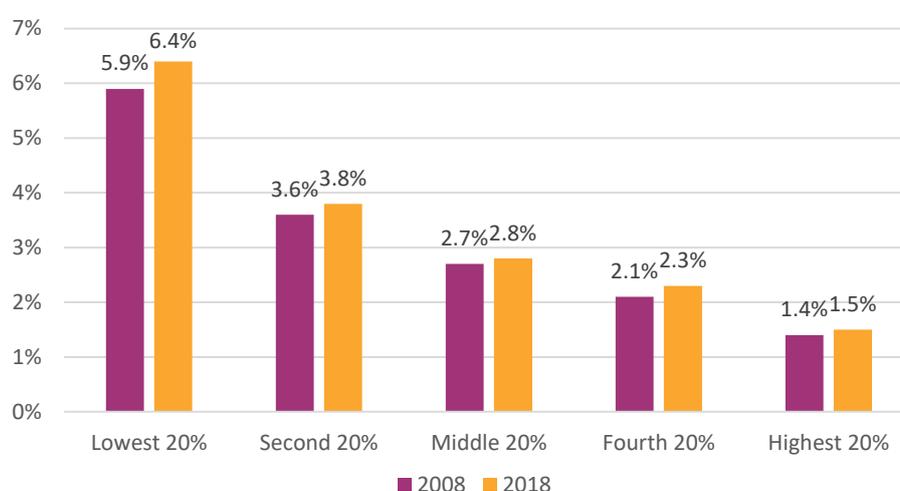
<sup>23</sup> Lee, A., Ride, K. (2018). [Review of nutrition among Aboriginal and Torres Strait Islander people](#). *Australian Indigenous Health Bulletin*, 18(1).

### 4.3 Utilities and Household Fees

Mounting unpaid bills and utility disconnections can have a significant impact on people’s wellbeing, from feelings of shame, the stress of trying to stretch their income as far as possible, and the difficult decisions they have to make as to what to prioritise, such as not eating or not cooling their homes during the heights of summer. It also impacts their ability to access affordable credit in future.

The cost of energy disproportionately impacts households on the lowest incomes, as they spend a higher percentage of their disposable income on energy bills and have little, if any, capacity to absorb additional costs.

**Electricity and gas expenditure as a percentage share of income by disposable income quintiles (Australia-wide)**



Source: ACOSS and the Brotherhood of St Laurence (2018)

The *2019/20 State Budget* increased household fees and charges by 2 per cent, which equates to \$127.77 per year for the representative household. While this was the lowest increase in household fees and charges in 13 years, it follows very significant increases in the previous two budgets. In 2017/18, the representative household saw an increase of 7.74 per cent (equating to around \$438.39/year) and a further 4.8 per cent in the 2018/19 Budget (around \$292.07/year). Cumulatively, this is an increase of \$858.23/year for the representative household or a 13 per cent increase on 2016/17 levels.

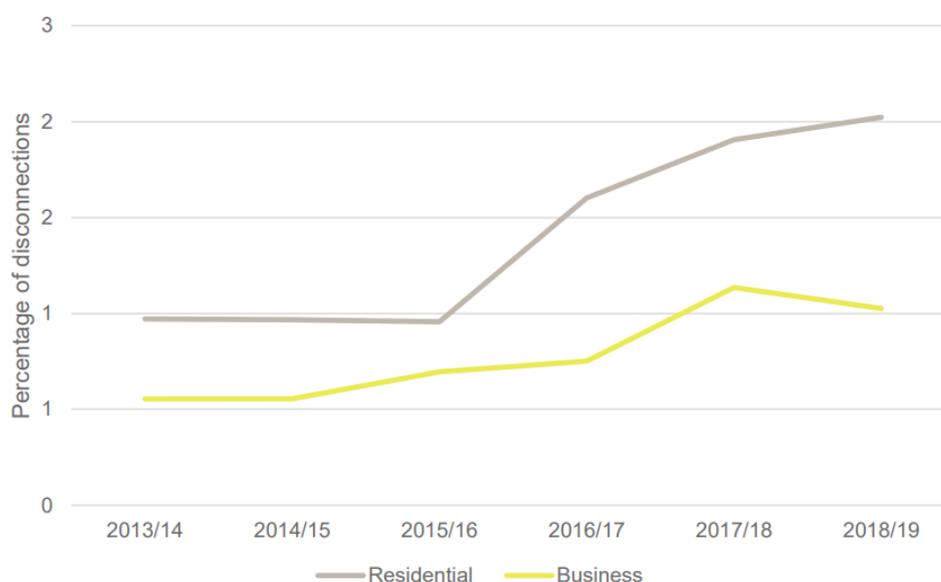
The *2019/20 State Budget* saw an increase of 1.75 per cent to the residential A1/A2 electricity tariff or \$30.81/year for the representative tariff. This followed an increase of 7 per cent in the 2018/19 State Budget – equivalent to \$120.57/year for the representative household. The State Government also increased the residential *fixed* charge paid by all households for electricity supply by 10.9 per cent at the beginning of the 2017/18 financial year, which was equivalent to a \$169/year increase to every household electricity bill. As the 2017 increase was to the fixed charge, households were unable to avoid it or mitigate its impact by reducing their electricity consumption.

While the State Government has made the welcome commitment to not increase household fees and charges, including utility fees, this year, the continued upwards trend in electricity

disconnections demonstrates the impact that the previous increases have had. Though the Energy Assistance Payment has been doubled to assist low-income households during the COVID-19 pandemic, to be eligible you must be in receipt of particular Commonwealth income support payments, which is unlikely for a minimum waged worker.

As noted by the Economic Regulation Authority, disconnection data is a “valuable indicator of how affordable energy is to customers.”<sup>24</sup> Over the past three years, the percentage of electricity disconnections has increased, with 2018/19 seeing it exceed 2.0 per cent for the first time since the ERA commenced reporting on electricity retailer performance in 2007.

**Percentage of residential and business electricity customer disconnections 2014 to 2019**



Source: Economic Regulation Authority (2020)

**Number and percentage of residential electricity customer disconnections 2014 to 2019**

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Number	9,235	9,412	9,774	15,935	19,743	21,212
Percentage	0.97	0.97	0.96	1.60	1.91	2.02

Source: Economic Regulation Authority (2020)

Western Australia continues to have the highest residential electricity disconnection percentage amongst the comparable jurisdictions of New South Wales, Victoria and South Australia, with the gap between WA and the next highest widening by 0.7 percentage points in 2018/19.

<sup>24</sup> Economic Regulation Authority (2020) *Annual Data Report – Energy Retailers 2018/19*

Residential gas disconnections decreased in 2018/19, though this was solely due to the decrease reported by Alinta Energy. WA continues to have the highest residential gas disconnection percentage across comparable jurisdictions.

The data collected by the Economic Regulation Authority relating to electricity customers on hardship programs, granted more time to pay and on instalment plans makes clear that the affordability of energy is a significant challenge in WA.

Over the past two years, the total number of electricity customers on a hardship program has increased by 60.5 per cent.

**Number and percentage of electricity customers on a hardship program at 30 June 2017 to 2019**

	2016/17	2017/18	2018/19
Number	21,948	31,552	35,218
Percentage	2.21	3.04	3.36

Source: Economic Regulation Authority (2020)

The percentage of residential customers granted more time to pay a bill in 2018/19 was the highest it had been in the past six years, at 13.4 per cent.

**Electricity customers granted more time to pay a bill 2014 to 2019 (%)**



Source: Economic Regulation Authority (2020)

The percentage of residential customers needing to go on instalment plans due to difficulties in paying their energy bills in 2018/19 was also the highest reported in the past six years, at 6.7 per cent.

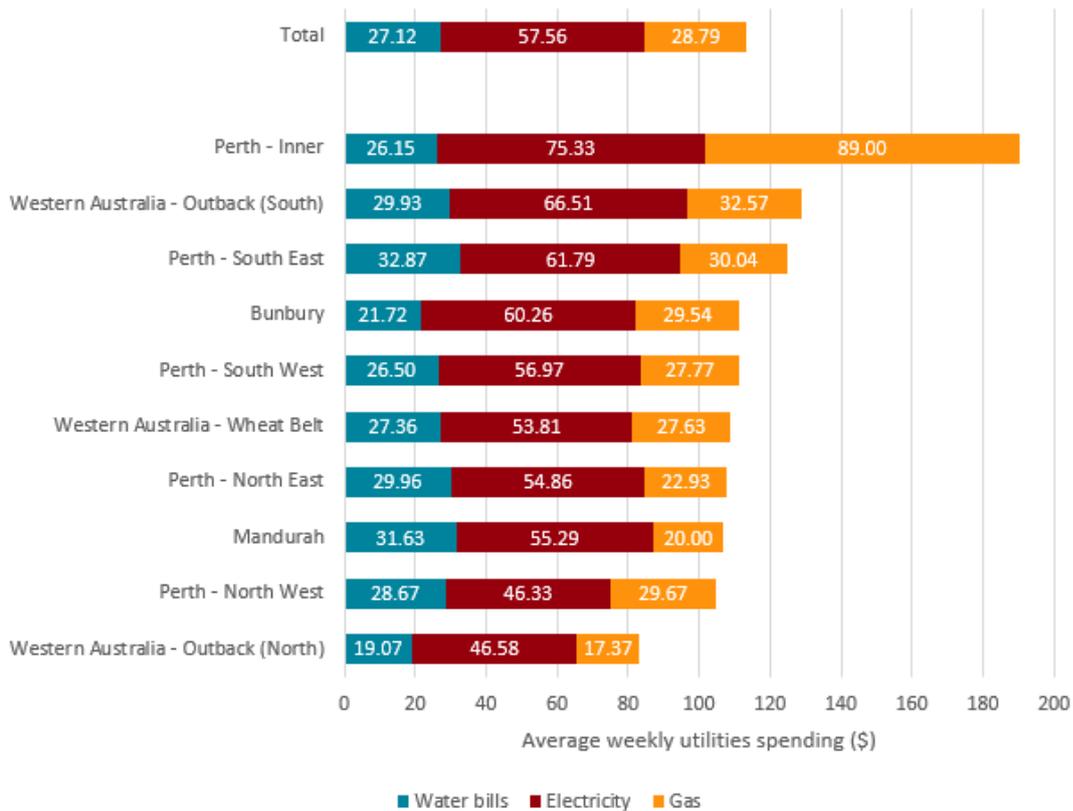
### Electricity customers on instalment plans 2014 to 2019 (%)



Source: Economic Regulation Authority (2020)

Analysing data for clients seeking support from the Financial Counselling Network of WA in 2019, we are able to see that the average household in financial debt is spending around \$113 per week on utilities, of which on average \$58 is electricity, \$27 is water and \$29 is gas. Households are spending slightly more on utilities on average in Outback South (\$129) and Perth South-East (\$125), and slightly less in Outback North (\$83) and Perth North West (\$105).

### Breakdown of weekly spending on utilities for financial counselling clients by location

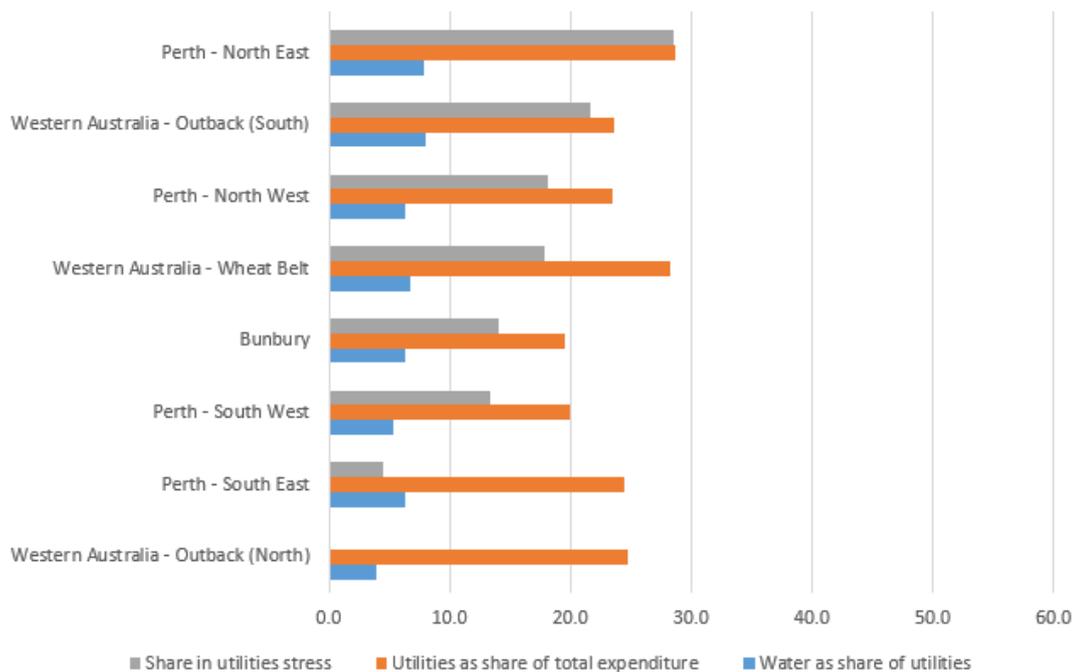


Source: Financial Counselling Network of WA (2019)

Considering only those areas with 10 or more observations (*ie excluding Perth Inner and Mandurah*) we can observe a higher proportion of households North-East of Perth experiencing utilities stress

(28.6% grey), compared to significantly fewer households South-East (4.5%) and South-West (13.3%) of Perth, with on average 16.9% of Western Australian households in utility stress. Utilities generally represents a similar proportion of household expenditure (orange) – slightly higher North-east of Perth (28.7%) and in the *Southern Outback* region (21.7%), slightly lower in Bunbury (19.5%) and South-West Perth (19.9%) compared to an average of 24.9%. Water as a share of total utilities expenditure (blue) varies from highs of around 7.9% in Perth North-East and 8% in Southern Outback regions, compared to lows of 3.9% in Outback North and 5.4% in Perth South-West, with an average of 6.7%.

**Utilities stress and household spending shares for financial counselling clients by location**



Source: Financial Counselling Network of WA (2019)

A rise in the minimum wage is essential so that those on low incomes are able to cover their power bills and maintain their living standards.

## 4.5 Costs in the Regions

It is important when considering the adequacy of the minimum wage that differences in the cost of living for regional areas is taken into account, particularly in the north of the state.

Limitations of the data on detailed household expenditure patterns in the *ABS Household Expenditure Survey* mean there is insufficient detail to confidently extend the WACOSS household models to individual regions within WA. The data below accurately reflects the differences in costs of essential items, but we recognise that low income households living in these regions will change their actual expenditure patterns to compensate so they can balance their weekly budget.

Analysis of rental costs for the four model households based on *REIWA market data* is included in the table below. It is important to note that availability can become an even more critical factor in regional areas with smaller housing markets and a more limited range of choice. While our analysis reflects the costs for the type of appropriate housing assumed in the four models, real households may not be able to secure appropriate housing in some regional centres, and so would be forced to compromise on either the appropriate dwelling size for their household composition, or on its affordability.

Weekly Expenditure across the Regions - RENT										
	Perth	Gascoyne	Goldfields Esperance	Great Southern	Kimberley	Mid West	Peel	Pilbara	South West	Wheat -belt
Single parent & Age pensioners	\$279.44	\$177.01	\$250.75	\$249.26	\$312.38	\$162.56	\$239.70	\$332.14	\$244.38	\$193.52
Working family	\$306.00	\$268.39	\$300.26	\$296.01	\$470.69	\$243.53	\$270.51	\$460.70	\$278.38	\$241.83
Unemployed person	\$102.00	\$89.46	\$100.09	\$98.67	\$156.90	\$81.18	\$90.17	\$153.57	\$92.79	\$80.61

Source: Calculations based on REIWA market data

The Mid West is the most affordable region to rent in for the single parent and age pensioner model households, with rental costs lower by \$116.88 per week for those household types than in Perth. The Wheatbelt is slightly more affordable than the Mid West for the working family and unemployed person, as a result of slightly lower median rental costs for houses in the region, but higher costs for renting units.

The Pilbara is the most expensive region for the single parent and age pensioner model households, spending \$52.70 more each week than their equivalents in Perth. For the working family and unemployed single models, the Kimberley is the most expensive region in which to rent, closely followed by the Pilbara.

Examining the changes from 2017/18 in the regions shows a very different rental experience for the model households compared to the Perth metropolitan area.

Weekly Difference from 2017/18 across the Regions - RENT										
	Perth	Gascoyne	Goldfields Esperance	Great Southern	Kimberley	Mid West	Peel	Pilbara	South West	Wheat -belt
Single parent & Age pensioners	\$5.31 1.94%	-\$14.24 -7.44%	\$15.94 6.79%	-\$1.49 -0.59%	-\$11.69 -3.61%	\$3.14 2.00%	\$14.87 6.61%	\$75.01 29.17%	-\$6.38 -2.54%	\$1.63 0.85%
Working family	\$5.31 1.77%	\$7.01 2.68%	-\$0.43 -0.14%	-\$2.77 -0.93%	\$8.93 1.93%	\$0.64 0.26%	\$2.76 1.03%	\$65.87 16.68%	-\$3.29 -1.13%	\$1.69 0.71%
Unemployed person	\$1.77 1.77%	\$2.33 2.68%	-\$0.14 -0.14%	-\$0.92 -0.92%	\$2.98 1.93%	\$0.22 0.26%	\$0.92 1.03%	\$21.97 16.68%	-\$1.06 -1.13%	\$0.57 0.71%

Source: Calculations based on REIWA market data

The rental market in the regions appears much more volatile than Perth, with significantly larger swings in either direction, in large part because the number of residential rental arrangements being entered into are much fewer than in Perth. What can be observed is a dramatic increase in rents for the Pilbara, with noticeable increases in the Goldfields/Esperance and the Peel regions as well. The significant increases for the Pilbara are the result of particularly high advertised rents during December 2018.

Weekly Expenditure across the Regions – FOOD AND BEVERAGES										
	Perth	Gascoyne	Goldfields Esperance	Great Southern	Kimberley	Mid West	Peel	Pilbara	South West	Wheat- belt
Single parent	\$208.69	\$226.43	\$226.84	\$208.48	\$234.56	\$222.04	\$207.64	\$230.18	\$210.57	\$217.66
Working family	\$301.19	\$326.79	\$327.40	\$300.89	\$338.54	\$320.47	\$299.69	\$332.22	\$303.90	\$314.14
Unemployed person	\$92.51	\$100.37	\$100.55	\$92.41	\$103.98	\$98.43	\$92.04	\$102.03	\$93.34	\$96.48
Age pensioners	\$185.01	\$200.74	\$201.11	\$184.83	\$207.95	\$196.85	\$184.90	\$204.07	\$186.68	\$192.97

Source: Calculations based on ABS 2015/16 HES, 2019 CPI and 2017 RPI data

The cost of food and beverages is the highest in the Kimberley, followed closely by the Pilbara. Food prices in Peel, the Southwest and Great Southern regions are all comparable to Perth metropolitan prices. Food prices in the Mid West and Gascoyne are slightly higher, but still lower than in the Kimberley and Pilbara.

Weekly Expenditure across Network Areas - ELECTRICITY					
	SWIS	Gascoyne/ Mid West	Goldfields Esperance	Kimberley	Pilbara
Single parent	\$17.75	\$15.27	\$10.74	\$29.62	\$34.83
Working family	\$35.35	\$32.44	\$27.11	\$49.32	\$55.45
Unemployed person	\$9.87	\$8.89	\$7.12	\$14.52	\$16.56
Age pensioners	\$25.36	\$22.88	\$18.36	\$37.32	\$42.44

Source: Calculations based on usage data supplied by Horizon Power

All model households are paying substantially more for electricity in the Pilbara and the Kimberley than those in the Southwest Interconnected System (Perth, Peel, Southwest and Great Southern). Model households in the Gascoyne/Mid West are spending slightly less than those in the SWIS, with the electricity expenditure of model Goldfields/ Esperance households noticeably lower.

As the Uniform Tariff Policy means that Horizon Power customers are charged for electricity at the same rate as Synergy customers, these divergences are the result of different levels of energy consumption. Climatic conditions outside of the SWIS have a significant impact on the amount of energy required to maintain temperatures in homes at a liveable and comfortable level.

The high level of energy consumption and the resultant size of the bills, combined with their seasonal and intermittent nature, mean that low-income households in regional areas can be at substantial risk of bill shock, with the likelihood of falling into utility debt even higher during the peak summer period.

Weekly Expenditure across the Regions – WATER										
	Perth	Gascoyne	Goldfields Esperance	Great Southern	Kimberley	Mid West	Peel	Pilbara	South West	Wheat- belt
Single parent	\$7.59	\$9.05	\$8.28	\$5.14	\$13.08	\$7.90	\$6.85	\$12.81	\$7.62	\$6.27
Working family	\$9.23	\$10.65	\$5.12	\$5.12	\$16.10	\$9.59	\$8.36	\$15.78	\$9.27	\$7.68
Unemployed person	\$3.08	\$3.55	\$1.71	\$1.71	\$5.37	\$3.20	\$2.79	\$5.26	\$3.09	\$2.56
Age pensioners	\$3.79	\$4.53	\$4.14	\$2.57	\$6.54	\$3.95	\$3.42	\$6.41	\$3.81	\$3.13

Source: Calculations based on average regional residential usage data supplied by the Water Corporation

Households in the Great Southern Region are on average spending the least on water, followed by those in the Peel and Wheatbelt regions. Tariff cap policies mean that up to the first 300kL in 'country south' and 500kL in 'country north', residential water consumption charges are no more than metropolitan charges after which the charges reflect the cost of providing services in the different country schemes. The lower water expenditure in those regions is thus a direct result of lower consumption.

Kimberley households are spending the most on water. For example, our working family are paying on average 57% more per week or an extra \$6.87 per week. In 2017/18, Pilbara households were spending the most on average, but a drop in water usage has relegated them to second highest spot this year.

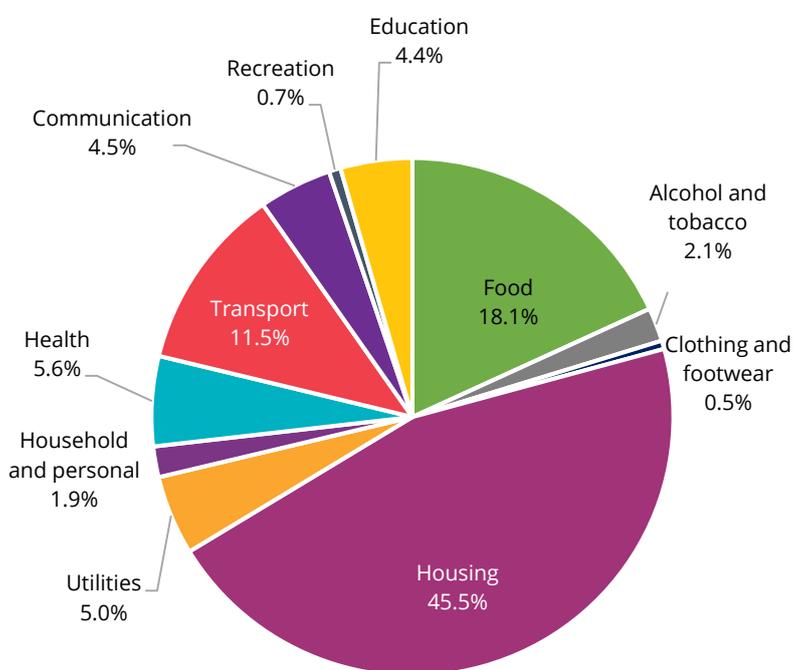
Average water use has in fact declined in every region except for the Kimberley and the Goldfields. This may suggest that more action is needed to address water efficiency in those regions, or that their particular climatic circumstances are resulting in more water being consumed. It may also be the case that a smaller number of households with especially high water consumption (e.g. uncovered backyard pools) is resulting in higher averages in those areas.

## 4.6 Financial Stress and Hardship

Research by the Fair Work Commission indicated that in 2018, 28.2 per cent of low-paid employee households had experienced financial stress.<sup>25</sup> This is almost twice the rate of all employee households that had experience financial stress at 14.7 per cent.

WACOSS has compiled income and expenditure data provided by financial counselling agencies of 395 households who accessed their services during 2018/19 to reveal the real-life living cost pressures being faced by households across Western Australia who are experiencing financial hardship and stress.

**Average general expenditure shares of all financial counselling clients**

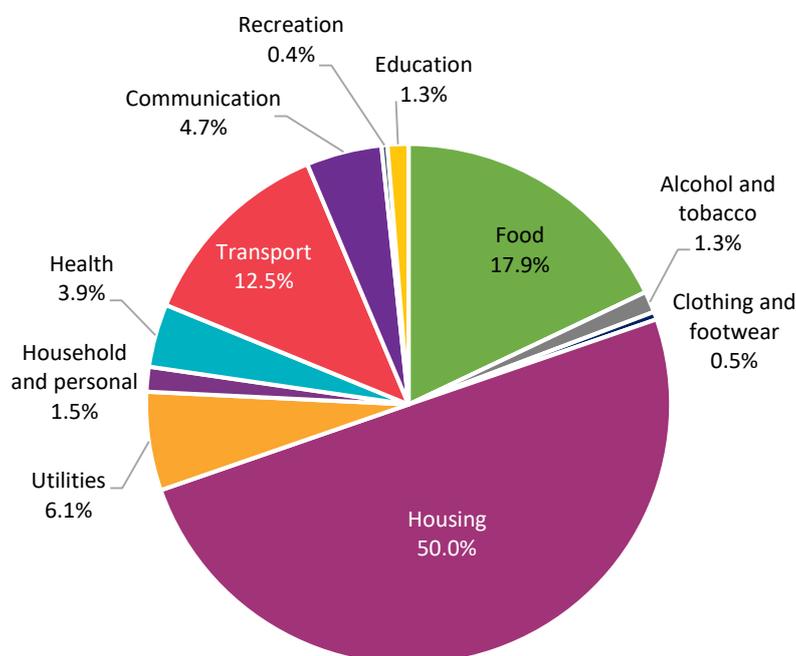


Fortnightly income and expenditure		
Income	\$/fortnight	%
Wages	1,057.53	59.5
Family Tax Benefit	138.50	7.8
Newstart Allowance	56.20	3.2
Other Centrelink Payments	403.42	25.1
Other	122.20	7.6
<b>Total</b>	<b>1,777.84</b>	<b>100</b>
General Expenditure		
	\$/fortnight	%
Housing	795.87	45.5
Food	317.01	18.1
Transport	200.99	11.5
Utilities	86.62	5.0
Communication	79.14	4.5
Health	98.05	5.6
Household and personal	33.51	1.9
Education	77.73	4.4
Alcohol/tobacco	36.66	2.1
Recreation	14.91	0.9
Clothing	9.15	0.5
<b>Total</b>	<b>1,749.64</b>	<b>100</b>
Debt Payments		
	\$/fortnight	%
Centrelink advance	11.58	3.3
Credit card	78.85	22.1
Personal loan	70.46	20.2
Other	190.43	54.0
<b>Total</b>	<b>352.67</b>	<b>100</b>
Debt to income		
	\$/fortnight	%
Ratio		19.8
Surplus/deficit		
	\$/fortnight	
<b>Total</b>	<b>-324.47</b>	

<sup>25</sup> Fair Work Commission (2020) *Statistical report – Annual Wage Review*

## Households in Poverty

### Average general expenditure shares



These households are those in the dataset below the poverty line (50 per cent of the national median equivalised household income). Higher rates of median income for WA may mean that this is an underestimate of rates of poverty for WA households relative to local living costs and community standards, meaning some households may not be included who would be under a state-specific poverty line.

The households in poverty have a noticeably greater average housing expenditure share than the mean of all the financial counselling clients (50 per cent vs 45.5 per cent), and spend a greater percentage of their expenditure covering utility costs (6.1% vs 5%). On average, 72.3 per cent of their income was needed to cover their housing and associated costs,<sup>26</sup> compared to 45 per cent for all of the households.

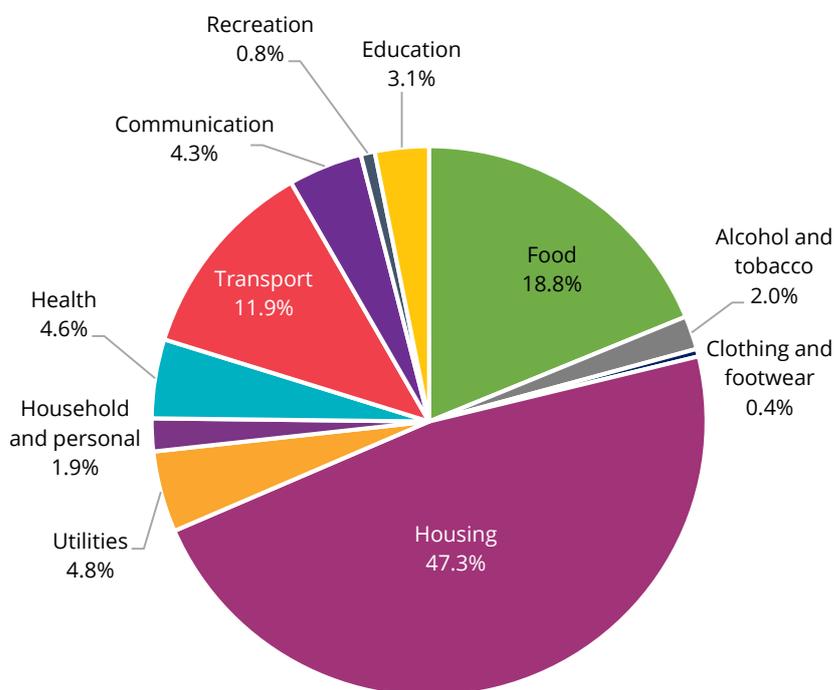
Their average education and health expenditure share is significantly lower than the mean of all households, suggesting the households in poverty are having to sacrifice their longer-term wellbeing in order to make ends meet. These households are spending an average of only \$3.77 on recreation compared to the \$14.91 of all households.

Fortnightly income and expenditure				
	Income	\$/fortnight	Per cent	
	Wages	196.47	27.1	
	Family Tax Benefit	13.68	1.9	
	Newstart Allowance	132.43	18.4	
	Other Centrelink Payments	325.21	45.1	
	Other	54.05	7.5	
	<b>Total</b>	<b>720.84</b>	<b>100</b>	
General Expenditure			\$/fortnight	Per cent
	Housing	521.76	50.0	
	Food	186.96	17.9	
	Transport	130.08	12.5	
	Utilities	63.91	6.1	
	Communication	48.62	4.7	
	Health	40.90	3.9	
	Household and personal	16.08	1.5	
	Education	13.45	1.3	
	Alcohol/tobacco	13.70	1.3	
	Recreation	3.77	0.4	
	Clothing	5.03	0.5	
	<b>Total</b>	<b>1039.32</b>	<b>100</b>	
Debt Payments			\$/fortnight	Per cent
	Centrelink advance	8.12	3.9	
	Credit card	53.76	25.8	
	Personal loan	30.44	14.6	
	Other	115.86	55.7	
	<b>Total</b>	<b>206.05</b>	<b>100</b>	
Debt to income			\$/fortnight	Per cent
	Ratio		28.9	
Surplus/deficit			\$/fortnight	
	<b>Total</b>	<b>-531.63</b>		

<sup>26</sup> This includes any mortgage and rent payments, council rates, water rates and bills, and home and contents insurance.

## Wage-only households

### Average general expenditure shares



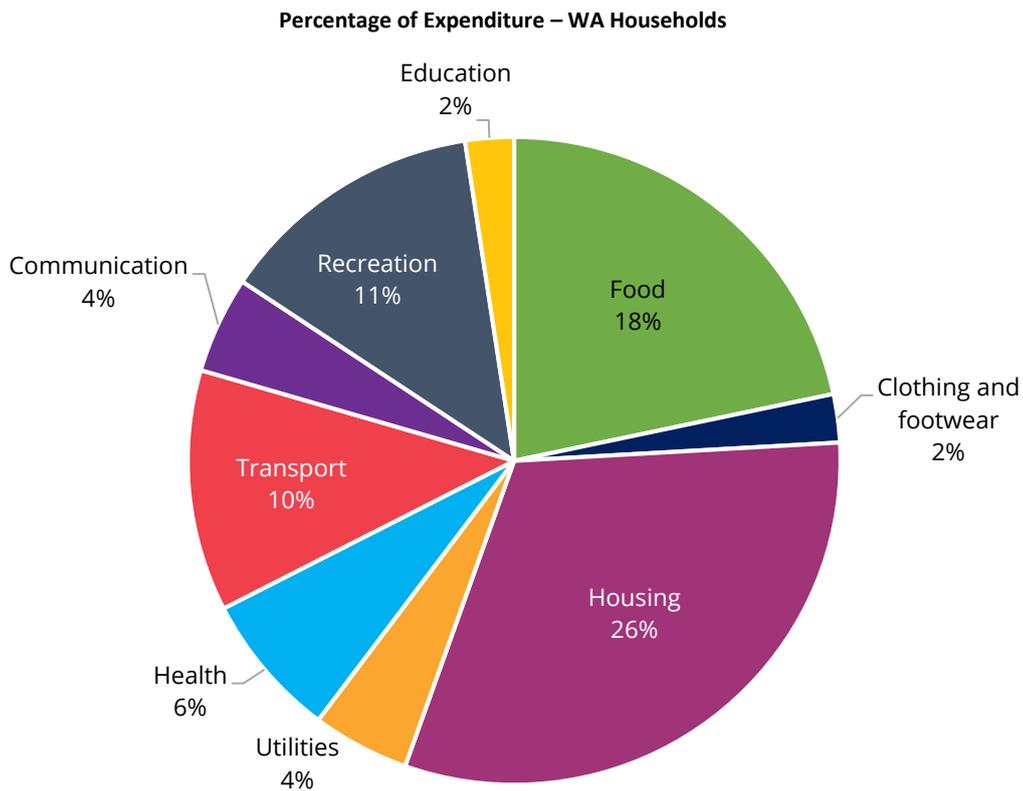
Examining separately the wage-only households who accessed financial counselling in 2019, reveals the specific challenges they face. Nearly half of the average general expenditure of these households is on housing at 47.3 per cent, equating to \$872.41 a fortnight. That accounts for 43.4 per cent of their fortnightly income alone, forcing them to cut back spending where possible elsewhere.

In particular, these households can be seen to be spending less on health, education, and clothing, both in dollar terms and as a proportion of their general expenditure than the other households accessing financial counselling. A higher percentage of their expenditure is going towards covering food and transport.

These households are on average spending \$207.36 more than the income they are bringing each fortnight. Excluding debt payments, they have only \$164.51 on average at the end of each fortnight after meeting their living expenses.

Comparing this data to that of the *2016 ABS Household Expenditure Survey* makes clear the stark reality for household experiencing financial hardship.

Fortnightly income and expenditure			
	Income	\$/fortnight	%
	Wages	1,825.37	68.9
	Family Tax Benefit	100.05	3.8
	Newstart Allowance	-	-
	Other Centrelink Payments	-	-
	Other	84.43	3.2
	<b>Total</b>	<b>2,009.85</b>	<b>100</b>
General Expenditure			
	\$/fortnight	%	
	Housing	872.41	47.3
	Food	346.4	18.8
	Transport	219.31	11.9
	Utilities	87.77	4.8
	Communication	80.91	4.4
	Health	85.51	4.6
	Household and personal	35.53	1.9
	Education	57.97	3.1
	Alcohol/tobacco	36.32	2.0
	Recreation	15.07	0.8
	Clothing	8.17	0.4
	<b>Total</b>	<b>1,845.34</b>	<b>100</b>
Debt Payments			
	\$/fortnight	%	
	Centrelink advance	5.06	1.4
	Credit card	65.37	17.6
	Personal loan	51.56	13.9
	Other	149.36	67.2
	<b>Total</b>	<b>371.91</b>	<b>100</b>
Debt to income			
	\$/fortnight	%	
	Ratio		14.0
Surplus/deficit			
	\$/fortnight		
	<b>Total</b>	<b>-207.36</b>	



Source: ABS (2017) Household Expenditure Survey

Financial counselling data reveals that those who sought assistance for financial hardship have *substantially* higher housing costs as a proportion of their fortnightly expenditure - on average 45.5 per cent of all their spending. In comparison, the ‘average’ Australian household (as measured in the HES) has just 26 per cent of expenditure dedicated to housing. The percentage of expenditure on utilities is also higher for the households receiving financial counselling (at 5 per cent for the mean and 6.3 for the households in poverty) than those in the HES dataset (only 4 per cent).

The percentages of expenditure on recreation (0.7 per cent) is *significantly* lower for the households receiving financial counselling than the average household in the HES (11 per cent). Lower expenditure shares are also seen in education and health. This indicates that households experiencing financial hardship are forced to cut back on spending in these areas in order to make ends meet, which will undoubtedly have an impact on their quality of life and personal wellbeing.

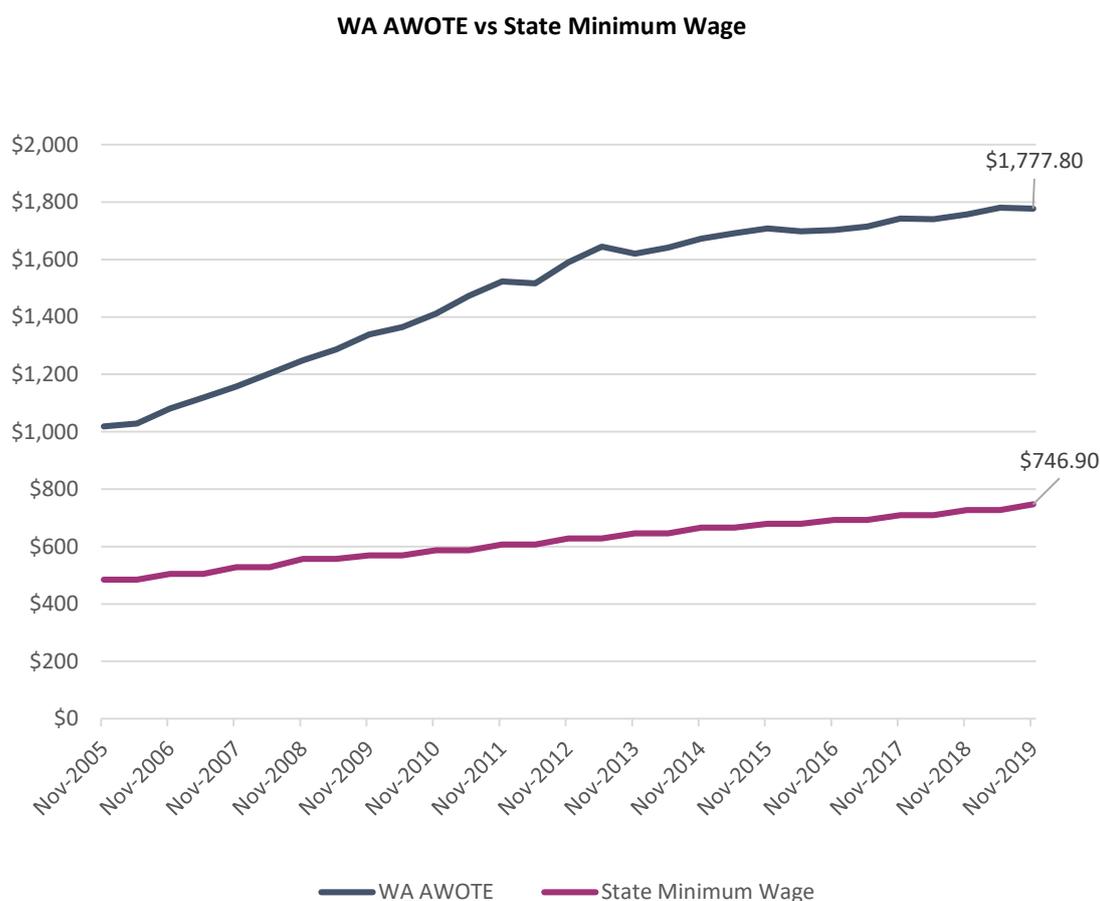
It is important we recognise that it costs us all more as a community when households on low incomes or in financial trouble cut back on their access to primary health care, the quality of their food and nutrition, and their recreational activities. This leads to higher rates of chronic disease, greater demands on our hospitals and tertiary care systems, reduced productivity and life expectancy.

**A 4 per cent increase to the level of the state minimum wage is necessary to ensure low income workers are able to meet their living costs and to prevent these workers from experiencing financial stress and hardship.**

## 5.0 Inequality and Poverty

Income inequality has a significant negative impact on society, both socially and economically, being linked to not only the undermining of community cohesiveness, but also to having a statistically significant adverse effect on economic growth.<sup>27</sup>

The growth in the gap between the state minimum wage rates and median pay levels has contributed to income inequality in Western Australia. As of November 2019, the minimum wage was only 42 per cent of the WA Average Weekly Ordinary Time Earnings (AWOTE). In November 2005, the minimum wage was 47.6 per cent of the WA AWOTE. In comparison, the National Minimum Wage comprises 44.7 per cent of Australia-wide seasonally adjusted average weekly earnings as of November 2019.



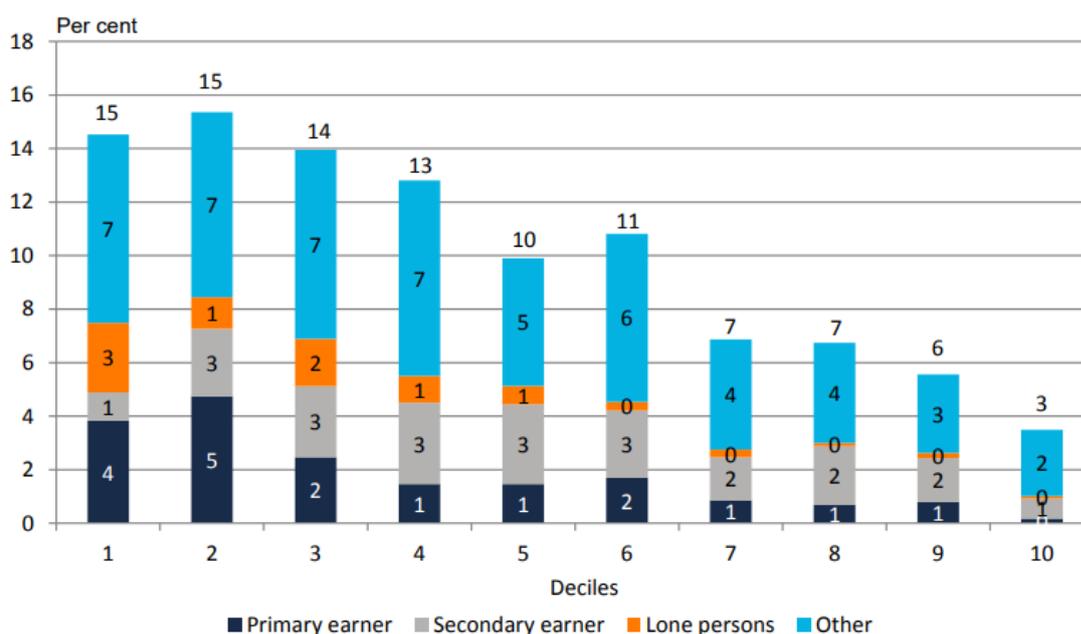
Source: ABS 6302.0, WA Department of Commerce

Research undertaken by the Fair Work Commission found that 44 per cent of minimum wage earners were in the lowest three deciles of household income for households where at least one member was employed.<sup>28</sup>

<sup>27</sup> OECD (2015) 'The Impact of Income Inequality on Economic Growth', *In It Together: Why Less Inequality Benefits All*, OECD Publishing, <http://dx.doi.org/10.1787/9789264235120-en>

<sup>28</sup> Carlos Jimenez and David Rozenbes (2017) 'Award reliant workers in the household income distribution', *Fair Work Commission Research Report 1/2017*

### Distribution of award-reliant employees by household income and earner status



Source: Fair Work Commission (2017)

Analysis by the Bankwest Curtin Economics Centre indicates that the jobs of casual workers “make an important contribution to household income and the standard of living it is able to achieve.”<sup>29</sup>

### Casual workers’ contribution to household wages and salaries

	Contribution to household earned income		Casual workers’ earnings as a share of total household earned income
	All casual workers	Total household earned income	
Tenure of casuals within household	\$ per week	\$ per week	%
only short-term casuals	816.44	2,272.57	52%
only long-term casuals	815.27	2,197.92	55%

Note: Households with only short-term or long-term casuals also have other workers in these households. Households with both short and long-term casual workers have been excluded. Casual earnings as a % of total household earned income is constructed separately for each individual household, and averaged over the sample of households. Therefore the average will not be the same as the ratio of average casual worker’s earnings to average household earned income.

Source: Bankwest Curtin Economics Centre | Authors’ calculations from Household Income and Labour Dynamics in Australia (HILDA) data (Wave 18).

This is particularly relevant in the context of state minimum wage case considerations, as evidence indicates that both short and long term casuals are significantly more likely to be on very low incomes.

<sup>29</sup> Rebecca Cassells and Alan Duncan (2020) ‘Short-term and long-term casual workers: how different are they?’ *Bankwest Curtin Economics Centre Research Brief COVID-19 #4*

	Number of casual workers, by weekly income band and job tenure with current employer			Share of casual workers, by weekly income band and job tenure with current employer		
	Less than 12 months tenure	12 months tenure or more	Total	Less than 12 months tenure	12 months tenure or more	Total
Weekly earned income (banded)	#	#	#	%	%	%
Zero	16,800	34,700	51,500	2%	2%	2%
Less than \$550	578,100	808,200	1,386,400	53%	49%	51%
At least \$550 and less than \$750	133,200	209,200	342,400	12%	13%	13%
\$750 or more	354,100	602,900	957,000	33%	36%	35%
<b>Total</b>	<b>1,082,300</b>	<b>1,655,000</b>	<b>2,737,300</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Note: Due to the nature of casual work, some workers will not have worked in the preceding week related to earnings and will have recorded zero earnings in the reference week. Casual workers have been defined using the ABS definition, which is a worker with no paid leave, no paid sick leave. Short-term casuals are those that employed in their current job for less than 12 months. Long-term casuals are those that have been employed for greater than 12 months.

Source: Bankwest Curtin Economics Centre | Authors' calculations from Household Income and Labour Dynamics in Australia (HILDA) data (Wave 18).

Increases to the minimum wage can be an effective mechanism to addressing income inequality in a society. A 2012 OECD report stated that higher minimum wages tend to be associated with compressed income distribution, thus contributing to a reduction in income inequality.

A rise in the minimum wage raises the income of those at the bottom of the income distribution, thereby contributing to greater income equality. This positive link between the level of the minimum wage (as a ratio of the median wage) and income equality is supported by the existing empirical literature and by new analysis of country-level data.<sup>30</sup>

The wage compression finding that minimum wages serve to raise wages relatively more at the lower end of the wage distribution has also been documented by a number of different researchers. A 2015 study into the impacts of minimum wages in Indonesia found that, in aggregate, minimum wage increases are associated with reductions in gender pay gaps, but not with changes in relative employment prospects by gender. The researchers stated:

that at the lower end of the average earnings distribution, minimum wages are associated both with the largest increase in average wages and with the starkest reduction in gender pay gaps, suggesting minimum wage increases and wage compression go hand-in-hand.<sup>31</sup>

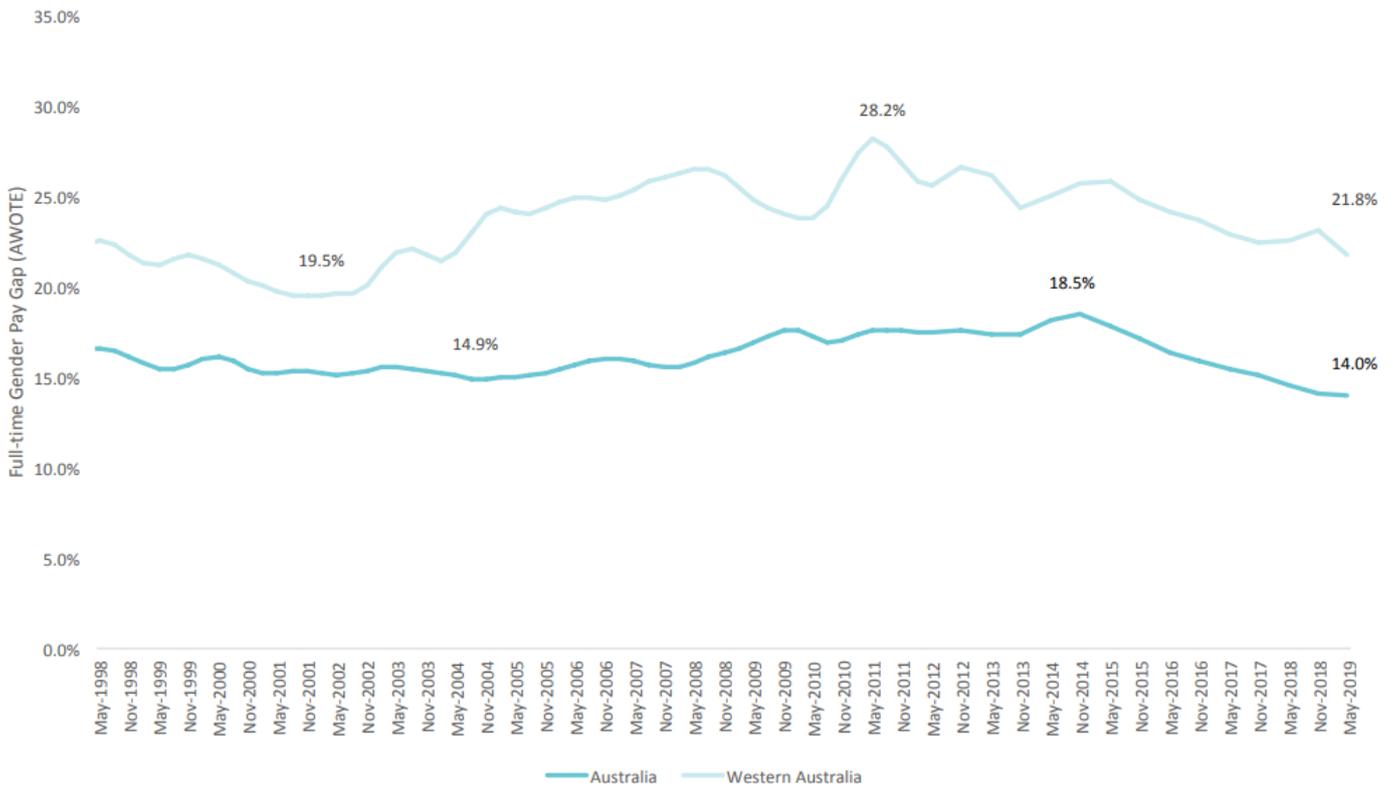
Western Australia continues to have the highest gender wage gap in the country, at 22.1 per cent compared to 13.9 per cent nationally.<sup>32</sup> Women working full-time in WA can expect on average to earn \$440 less per week than men working full-time.

<sup>30</sup> OECD (2012) 'Inequality in labour income – What are its drivers and how can it be reduced?', *OECD Economics Department Policy Notes*, No. 8, p 5

<sup>31</sup> M Hallward-Driemeier, B Rijkers, A Waxman (2015) 'Can Minimum Wages Close the Gender Wage Gap?', *Policy Research Working Paper*, World Bank Group, p 46

<sup>32</sup> Workplace Gender Equality Agency (2020) [Australia's Gender Pay Gap Statistics](#)

## Gender pay gap, full-time workers, Australia and WA, 1998 to 2019



Source: Department of Communities and BCEC (2019) *Women's Report Card*

37 per cent of women, compared to 24 per cent of men, live with less than \$400 per week. 22 per cent of women had no superannuation as of 2015-16, compared to 11 per cent of men, with the median superannuation balance of women 15 years and older (\$32,272) *almost half* that of men (\$61,895).<sup>33</sup>

Women are over-represented in casual and insecure work, with almost 30% of women and 25 per cent of men employed casually in WA. In 2017, 63 per cent of women in WA were satisfied with the job security provided by their current employment, lower than the national average of 67 per cent and much lower than the level of 75 per cent job security reported in 2007. The underemployment rate for women in WA has now reached an all-time peak of 12.9 per cent. Women in WA have the largest share of workers in the health (80 per cent) and education (74 per cent) sectors, and higher representation in retail trade (60 per cent).<sup>34</sup>

Over late 2018 and early 2019, the *100 Families WA* collaborative research project conducted a baseline longitudinal survey with 400 families living in Perth, as part of developing an ongoing evidence base on poverty and social exclusion in Western Australia. The findings of the survey reveal the significant challenges and level of hardship being experienced by these Western Australian

<sup>33</sup> Department of Communities and Bankwest Curtin Economics Centre (2019) [Women's Report Card](#)

<sup>34</sup> Ibid.

families.<sup>35</sup> The inadequacy of their income is demonstrated in the high proportion of financial stressors experienced by the families in the year prior to the survey.

69.5 per cent of the family members had sought assistance from welfare or community organisations and 52.5 per cent had sought financial help from friends or family. Further, 27 per cent currently have the burden of a pay day loan.

Nearly 80 per cent of the family members reported that they would not be able to access \$500 in savings in an emergency, and over 45 per cent cannot afford dental treatment when it is needed. Nearly 30 per cent of the family members reported that they are unable to afford to get together with friends or relatives once a month for a meal or a drink.

As stated in a 2017 report by the Workplace Gender Equality Agency and Bankwest Curtin Economics Centre:

At a macroeconomic level, gender pay gaps can depress economic growth and productivity. At an individual level, it slows down the rate of wealth accumulation by women relative to men. The ramifications reverberate across the life course, with women bearing greater exposure to poverty and disadvantage at every age. Within the context of an ageing population in which women are disproportionately represented, gender pay gaps and gender wealth gaps not only pose significant risks for the economic wellbeing of Australian women, they also have important implications for social equity and fiscal sustainability.<sup>36</sup>

The International Labour Organisation has found that “given the over-representation of women in low-paying jobs, minimum wages can...make a significant contribution towards lower gender pay gaps.”<sup>37</sup> In Australia, minimum wage increases from 1995 to 2005 were estimated to reduce the gender pay gap by 1.2 percentage points.<sup>38</sup>

Allowing the inequality within the Western Australian community to deepen, which would result from an insufficient increase to the minimum wage, will not only have a detrimental social impact, it will result in longer periods of less sustained economic growth for the state.

As identified in the Australian Council of Social Service submission to the Fair Work Commission, in 2017-18, there were 1,017,000 people living below the 50 per cent of median income poverty line and 1,666,000 people living below the 60 per cent of median income poverty line, in households where wages were the main source of income.

This comprised 38 per cent and 40 per cent of all people in poverty respectively (apart from people in self-employed households). This represents a significant increase in poverty in households with a wage-earner since 2013-14. In that year, 3 per cent of people below the 50 per cent of median

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<sup>35</sup> Ami Seivwright and Paul Flatau (2019) *Insights into hardship and disadvantage in Perth, Western Australia: The 100 Families WA Baseline Report*. The 100 Families WA project.

<sup>36</sup> Workplace Gender Equality Agency, Bankwest Curtin Economics Centre (2017) *Gender Equity Insights 2017: Inside Australia's Gender Pay Gap*

<sup>37</sup> International Labour Organisation (2018) “Effects on gender pay-gaps”, *Minimum Wage Policy Guide*, [http://www.ilo.org/global/topics/wages/minimum-wages/monitoring/WCMS\\_473657/lang-en/index.htm](http://www.ilo.org/global/topics/wages/minimum-wages/monitoring/WCMS_473657/lang-en/index.htm)

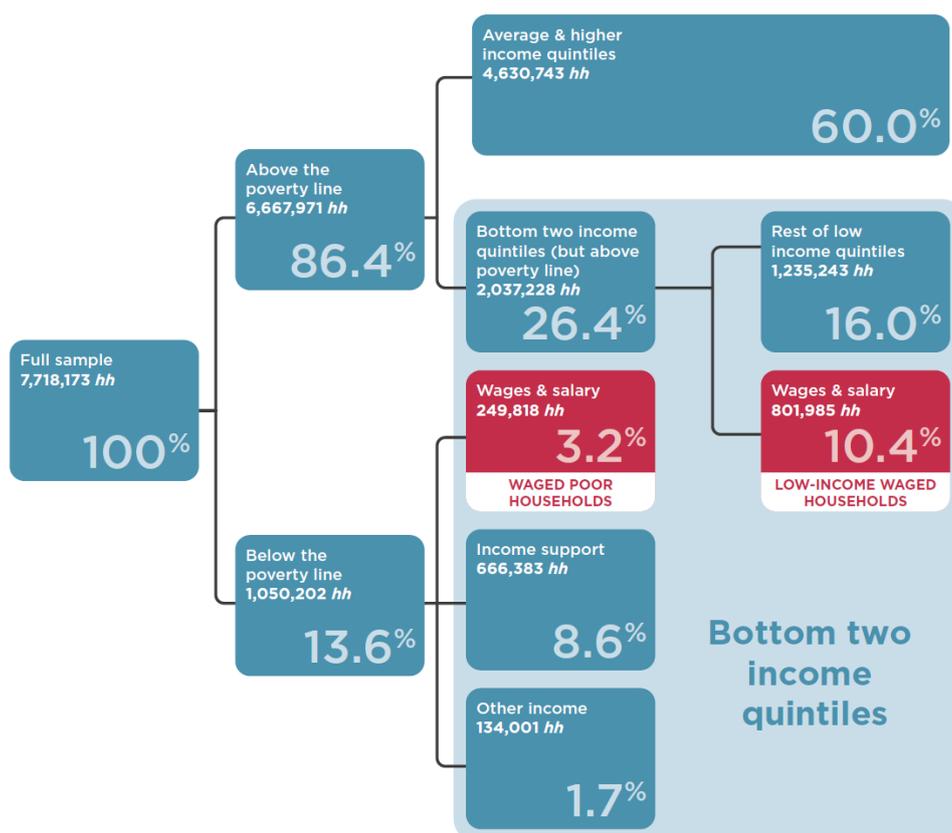
<sup>38</sup> S Austen, T Jefferson, A Preston, R Seymour (2008) *Gender Pay Differentials in Low Paid Employment*, Women in Social & Economic Research, commissioned by the Australian Fair Pay Commission

income poverty line and 34 per cent of those below the 60 per cent of median income poverty line came from households whose main income was wages.<sup>39</sup>

Recent analysis by SACOSS in the 2019 report *Working to make ends meet: Low-income workers and energy bill stress* draws attention to that group of low-income households often referred to as ‘the working poor’ who they choose to more accurately badge as ‘the waged poor’. This refers to that cohort of households and individuals whose main source of income is from wages and salaries, who are nevertheless living below the poverty line. The emergent focus on the increasing risk of financial hardship among this group highlights the impacts of the changing nature of work and our economy on the Australian community.

While the primary focus of the SACOSS report is on energy poverty, its analysis of data from the 2015-16 ABS Household Expenditure Survey (HES) indicates that approximately 3.2 per cent of households (around 250,000 out of the 7.7 million households) are ‘waged poor’ households – reliant on income from wages but living below the poverty line. A further 10.4 per cent or 800,000 households are ‘low-income waged’ households – that is, reliant on wages and not living in poverty, but otherwise in the bottom two income quintiles.

**Conceptual diagram of household types by main source of income**

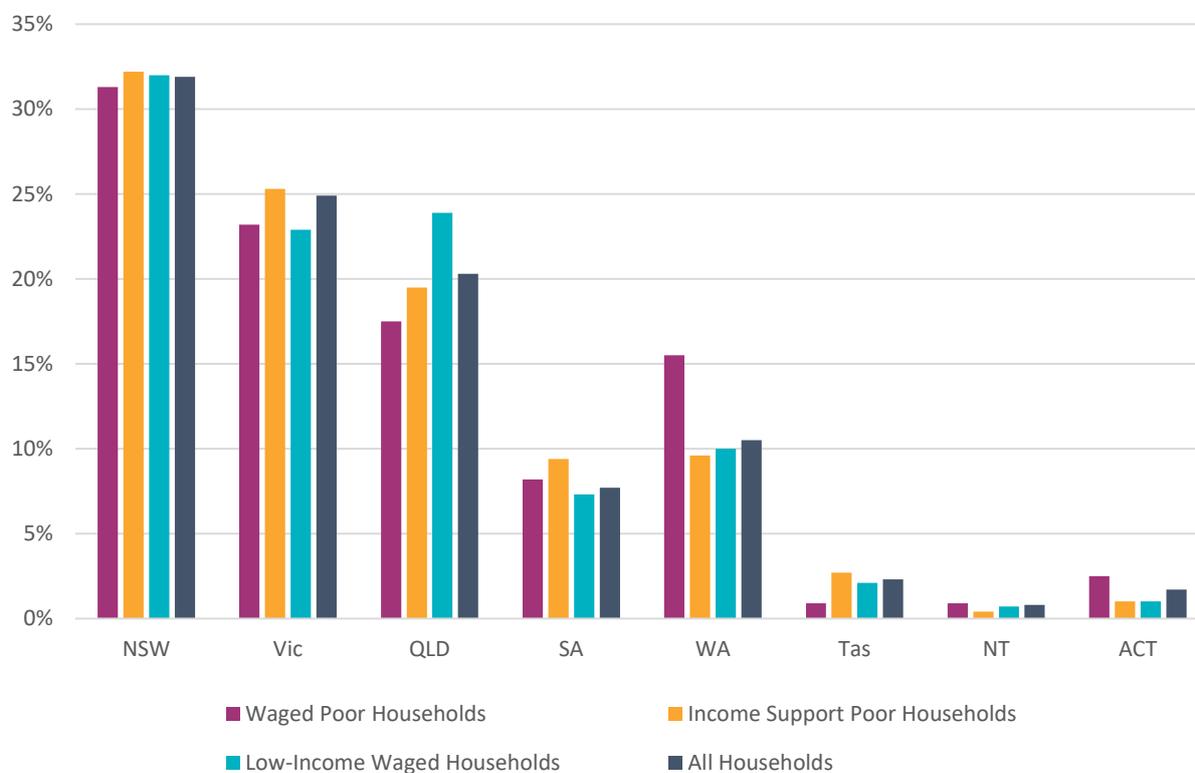


Source: SACOSS (2019) *Working to make ends meet: Low-income workers and energy bill stress*

<sup>39</sup> ACOSS (2020) [Submission to the Fair Work Commission on the Minimum Wage](#)

The national distribution of waged poor, low-income waged and income support poor households highlights the disproportionate number of waged poor in Western Australia. WA represents approximately 10.5 per cent of the Australia population, but contains 15 per cent of waged poor households.

**State/Territory of residence by different household groups, 2015-16**



Source: SACOSS (2019) *Working to Make Ends Meet: Low-Income Workers and Energy Bill Stress*

‘Waged poor’ households were found to most likely be renters (65 per cent), but a significant proportion of them (24 per cent) are owners with a mortgage. The majority of households living in poverty are renters, and waged poor households are twice as likely to be renting as the general population.

Waged poor households are also twice as likely to have just one household member employed compared to the general population. Their median household disposable income is \$438 per week, compared to \$383 for the income support households (\$655 for low income waged households, and \$832 for the general population).

On average, waged poor households spend 5.5 per cent of disposable income on energy. While this is less than the 6.7 per cent spend by households on income support living in poverty, it is still more than double the proportion spent by average households. Note, however, that the average amount spent by households on energy remains very similar irrespective of income, indicating inelasticity of demand. This suggests a certain level of essential consumption and that waged poor households have little opportunity to reduce consumption.

Over 45,000 *waged poor* households were unable to pay their bills due to financial hardship and a further 4,500 could not afford to heat their homes.

Waged poor households reported struggling to make ends meet and having little financial buffer to cope with unexpected events and little capacity to get ahead. Their incomes were barely adequate to cover essential living cost, with little or no discretionary spending. They frequently had to delay important spending (medical care, household repairs or car insurance) and often went without meals. Physical and mental health and caring responsibilities also often limited their capacity to work more hours and earn more income.

The driving purpose for establishing award minimum wage rates is to ensure that individuals and households who are in substantive work should not be living in poverty – hence the disproportionate number of waged poor households in WA must be a significant concern for the WAIRC.

The overrepresentation of this cohort in Western Australia indicates that an increase to the minimum wage would have a profound, positive impact in the community.

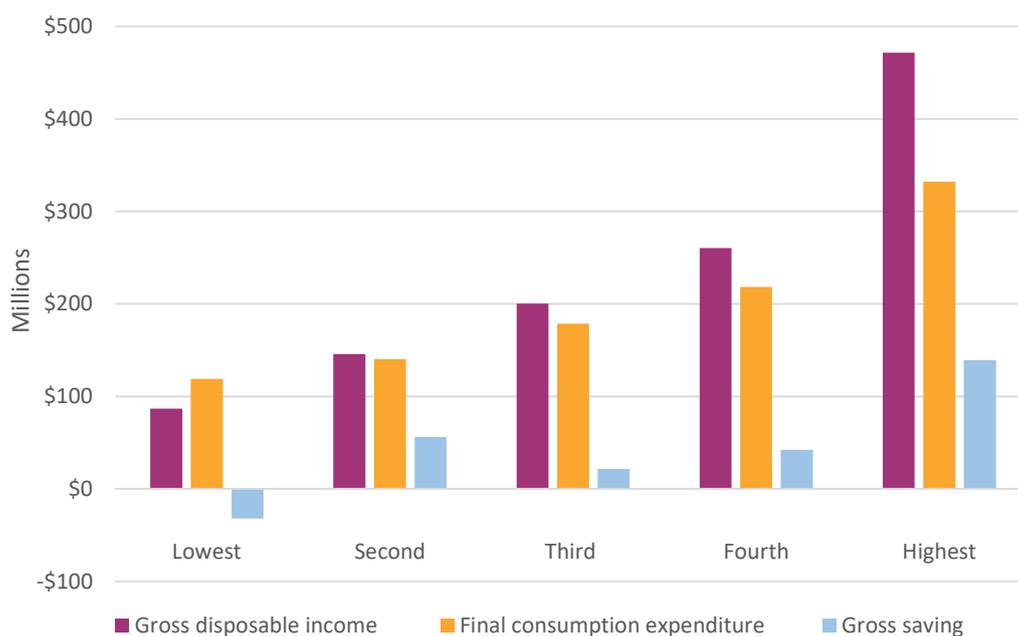
**An increase to the state minimum wage would be an important step towards enabling those in low-income households to improve their financial resilience, enabling them to respond more effectively to changing employment and financial circumstances.** A lack of resilience and a concomitant increase in financial hardship means both an increase in reliance on financial counselling and emergency relief services (who are already reporting high levels of unmet need), and a reduction in labour market responsiveness – both of which impact adversely on the strength of our economy and the well-being of low paid workers and their families.

## 6.0 The Impact of COVID-19

In the context of the COVID-19 pandemic and the economic impacts resulting from the measures necessary to reduce the spread of the virus, a healthy increase to the state minimum wage is essential for rebuilding economic confidence and growth.

Increasing the wages of lower incomes households lifts the spending and consumption of those households. The relationship between income and (largely non-discretionary) expenditure means that every extra dollar a low-wage worker earns is more than likely to end up boosting demand for goods and services, with those on the lowest incomes spending a proportionally higher amount of their earnings.

**Household Income, Consumption and Saving by equivalised household income quintile, 2017-18**



Source: ABS 5204.0.55.011 Table 1.8

When those on the lowest incomes see a rise in their wages, they will spend it on much-needed essential goods and services, typically locally, providing a crucial injection of activity into the economy of their community.

With low wage growth and depressed spending elsewhere in the economy, the state minimum wage has an integral role to play in stimulating consumer demand and earnings. In comparison to temporary stimulus measures, increases to the minimum wage are likely to have a more pronounced impact on low-waged consumers' confidence as it provides them with greater long-term income certainty.

The Fair Work Commission has consistently held in its recent decisions that "modest and regular minimum wages increase do not result in disemployment effects or inhibit workforce

participation”.<sup>40</sup> WACOSS considers that this position remains sound in the current context and that the wage increase advocated for in this submission would not lead to any disemployment effect.

WACOSS does not consider reduced business turnover as a result of COVID-19 restrictions to be an adequate reason to not provide the necessary increase to the state minimum wage. The Federal Government has delivered a significant program of support for businesses to ensure their ongoing viability during the pandemic. These supports include:

- JobKeeper wage subsidy scheme
- Enhanced instant asset write-off
- Acceleration of depreciation deductions
- Boosting Cash Flow for Employers payments<sup>41</sup>

The WA Government has likewise enacted measures to support businesses throughout the state, including:

- A one-off \$2,500 credit on electricity bills for small businesses
- Waiving licence fees for businesses in industries such as hospitality, tourism, retail and building trades. Liquor licence renewal fees for 2020 will also be waived, and refunds provided to businesses that have already paid.
- Increasing the payroll tax exemption threshold to \$1 million from 1 July 2020
- Providing a one-off grant of \$17,500 to businesses with a reconciled 2018-19 Australia-wide payroll of between \$1 million and \$4 million
- Waiving payroll tax for four months between 1 March and 30 June 2020, for businesses with an Australia-wide payroll of less than \$7.5 million
- Waiving rent for small businesses in WA Government-owned buildings until 30 September 2020
- No utility disconnections or charging of interest on deferred electricity payments
- Alternative tax payment arrangements
- Waiving late payment penalties for payroll tax, transfer duty, landholder duty, vehicle licence duty or land tax.<sup>42</sup>

It should also be noted that the recent addition of the COVID supplement to the Job Seeker payment (which recently replaced the Newstart Allowance as the main income support payment for unemployed adults) has significantly increased the base rate of income support for jobless persons. This has reduced the differential between the minimum wage and unemployment benefits.

It is crucial that the state minimum wage is set at a sufficient level to enable an increase in consumer spending as those temporary supports are lifted, so ensuring the scale of economic activity needed for those businesses to continue to prosper.

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<sup>40</sup> [2019] FWCFB 3500

<sup>41</sup> Australian Tax Office (2020) [The Australian Government's economic response to coronavirus](#)

<sup>42</sup> WA Government (2020) [COVID-19 coronavirus: Business and industry advice](#)

**An increase to the state minimum wage of 4 per cent is necessary to stimulate consumer demand and earnings growth in order to support Western Australia successfully recover from the economic impacts of the COVID-19 crisis.**

## 7.0 Conclusion

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It is view of WACOSS that in order to “*ensure that Western Australians have a fair system of wages and conditions; meet the needs of the low paid; provide fair wage standards in the context of living standards generally prevailing in the community; and contribute to improved living standards for employees*”<sup>43</sup> the State Minimum Wage needs to be raised by 4 per cent.

The State Minimum Wage has a crucial role in addressing poverty and income inequality in Western Australia. A sufficient income, coupled with safe and secure shelter, is essential for people to be able to fully engage in our community. Conversely, their absence are the foundations for entrenched disadvantage, compounding the other challenges people face.

Income inequality has a significant negative impact on society, both socially and economically, being linked to not only the undermining of community cohesiveness, but also to having a statistically significant adverse effect on economic growth. The overrepresentation of waged-poor households in Western Australia indicates that an increase to the state minimum wage would have a profound, positive impact in the community.

Increasing the wages of lower incomes households is also essential to boost the spending and consumption of low income households at this time, to support economic activity and growth in light of the impacts of the COVID-19 restrictions.

**WACOSS’s claim of a 4 per cent increase to the state minimum wage will deliver an undeniable benefit to many of the lowest-paid workers, and their families. A strong minimum wage — one which ensures people working full-time are provided with a decent living standard, well above poverty levels — benefits individuals and their families, but also delivers benefits to the Government, the community, and the Australian economy at-large.**

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<sup>43</sup> *Industrial Relations Act (1979)*