

MGA Independent Retailers

(MASTER GROCERS AUSTRALIA)

Modern Awards Review 2014

AM2014/190

**Submission on Common Issue – Transitional Provisions
(District Allowances)**

March 2018

1. MGA Independent Retailers (Master Grocers Australia) is a national employer industry association representing independent grocery, liquor and other retail outlets including hardware, in all States and Territories. These businesses range in size from small, to medium and large, and make a significant contribution to the retail industry, accounting for approximately \$15 billion in retail sales.¹
2. There are 2,700 branded independent grocery stores, trading under brand names such as: Supa IGA, IGA, IGA Xpress, FoodWorks, Foodland, Farmer Jacks, Supabarn, Friendly Grocers, and SPAR, with a further approximately 1,300 independent supermarkets trading under their own local brand names. In addition, there are numerous independent liquor stores operating throughout Australia and trading under names such as: Cellarbrations, The Bottle O, Bottlemart, Duncans, and Local Liquor, which are either single or multi-store owners. Our member's independently own hardware stores trade under brand names including Mitre 10 and True Value Hardware.
3. A substantial majority of employees in the independent supermarket and liquor sector are employed under the General Retail Industry Award 2010 ('GRIA'). The impact of any increases in the award is therefore dispersed to also affect consumers and employees generally.
4. MGA member retailers make a significant contribution to the Australian economy and to the communities in which they operate. They are a key gateway for employment which is of significant importance given high levels of unemployment amongst young Australians (those aged between 15 and 24) who, as an age group, are predominantly employed in award-reliant retail businesses.
5. The purpose of this submission is to oppose an application by the Shop Distributive and Allied Employees Association (SDA) to insert a new clause into the GRIA. MGA submits that independent supermarkets and liquor stores are generally small in nature, community-based, and family-run.

¹ PricewaterhouseCoopers, *The economic contribution of small to medium-sized grocery retailers to the Australian economy, with a particular focus on Western Australia* (June 2007), p iv

These businesses face genuine difficulty in absorbing the costs of increases in the GRIA as opposed to their larger chain counterparts and must resort to drastic measures to maintain viability such as increasing the price of goods, or reducing the number of employees.

6. The SDA is seeking the insertion of the new sub clause, in Clause 20 into the GRIA

as follows:

20. District allowances

An employee in the Shire of Ashburton, the Shire of Broome, the Shire of Carnarvon, the Shire of Derby-West Kimberley, the Shire of East Pilbara, the Shire of Exmouth, the Shire of Halls Creek, the City of Karratha, the Town of Port Hedland, the Shire of Shark Bay, the Shire of Upper Gascoyne and the Shire of Wyndham-East Kimberley in Western Australia will in addition to all other payments be paid an hourly allowance for the exigencies of working in those locations of 4.28% of the standard rate. This determination shall operation and from[DATE].

7. The SDA application refers to the Modern Award objective at s.134 of the Fair Work Act and to support the inclusion of the District allowance in the GRIA they have provided ten witness statements. MGA responds as follows.

Response to History of District Allowances in SDA regions

8. It is noted that District Allowances have been part of industrial awards for many decades and that their inclusion are decided on a number of factors such as the cost of living, climate and isolation. MGA submits that the significance of these factors have diminished over time and in the 21st century they can no longer be relied as valid reasons for the necessity of additional monetary payments.

Cost of living:

9. It is submitted that the cost of living in any large city or township in Australia is relative. If a person lives in Adelaide, Sydney, Broome or Alice Springs the cost to live in one of these places will be determined by the choice made by the individual to live in that particular part of Australia. The location itself will determine the value of the properties there and on balance it is more likely that a property in Broken Hill will be cheaper to purchase or rent than a property in Bondi.
10. The SDA submits that the 2017 Regional Price Index (RPI) that the cost of food is 12.4% higher in the Kimberley region. However, the SDA has failed to mention that in the Kimberley region, all areas have decreased in relative cost since the 2015 RPI except for housing, which remains high compared to the Perth metropolitan area. Similarly, in the Pilbara, most areas have decreased in relative cost since the 2015 RPI, with the exceptions being the health and personal care and clothing categories. In the Gascoyne, prices have moderated somewhat lower compared to 2015, with the exceptions being cigarette and alcohol and health and personal care.
11. Furthermore, many of the SDA witnesses claim that the cost of transport is high. Firstly, they don't travel many of the distances to work that a city commuter would travel and secondly if they drive they don't have the parking fees that are required in the city. As indicated in Makere (Manu) Brown's witness statement, Mr Brown spends approximately \$50 for fuel every three weeks.² Mr Brown states that he drives approximately 120km to and from work each week.³ This illustrates that the cost of petrol is relatively inexpensive compared to city commuters who would have the addition of toll fees to access freeways and parking fees if applicable.

² Witness statement of Makere (Manu) Brown at paragraph 11

³ Ibid at 38.

12. The cost of health support is described as expensive in the SDA's witness statements.⁴ MGA submits that this would be the same whether a person lives in the city or in a remote area. Furthermore, the Medicare rebate applies to all private and non-private patients and patients are only required to pay 15% of the cost of the appointment as the remaining 85% is paid for by the Department of Human Services. In all these situations it is questionable whether it is the responsibility of an employer to carry the burden of paying for a decision by an individual to live in a particular location in Australia.

Climate:

13. In regard to climate as referred to in the submissions of SDA witnesses, it is noted that Ms Cheng states that "the very hot weather causes difficulties even at work. The air conditioning has to overwork because it is so hot outside....".⁵ It is submitted that the cost of operating air conditioning is borne by the employer. The current cost of air conditioning is increasing exponentially for employers and paying a remote allowances in addition to the already increasing costs will only further limit employers ability to trade profitably, especially small business employers.

14. Climatic conditions in Australia may be hotter in some places than others and again it is matter of choice to live in particular place and the extremes of temperature are a natural expectation in some parts of the country. Should the employer carry the responsibility for what are the choices of lifestyle by an employee. It is interesting to note that in the summer period of 2017/2018 the climatic conditions were consistently hot in South Australia. Other southern parts of Australia experienced heatwave conditions during this period. MGA submits that it should not be the responsibility of the employer to pay additional costs to employees to compensate for this.

15. It is an expectation that the further the distance from a source of medical assistance or educational institutions a person travels then the greater the

⁴ Witness statement of Marites Giltrap at paragraph 15.

⁵ Witness statement of Foon Meng Cheng at paragraph 15.

burden on that person's ability to access those facilities. A person chooses whether to move closer to those opportunities, avail themselves of computer access or distance learning in respect of their educational requirements. Medical facilities will inevitably be a problem for many Australians who live remotely. This problem also is now affecting people around major cities in Australia, not just in remote regions. The further the population expands around Australia the issue of access to top medical facilities will remain an issue. Therefore, it is not just people who live distances from Perth but also people who live long distances from capital cities. This raises the question of who is liable to pay the cost and MGA submits it should not be the employer.

Modern Awards Objective Factors

s.134(1)(a): Relative living standards and the needs of the low paid

16. The statements provided by the SDA attempt to show that in some areas the cost of grocery items are higher and Mr. Brown in his statement provides that various grocery items in Hedland are more expensive than in Perth to demonstrate this point.⁶ They may well be higher in some cases, and it is submitted this could be the case in a major city or town depending on the store, but it should be noted that whenever grocery items are on "special" in IGA stores in the metropolitan areas then the same price will apply to the same items in most country regions. Also, that the larger supermarkets such as Coles and Woolworths do "price match" their products nationwide.

17. It should be noted that housing affordability is much easier in remote regions than closer to the major cities. Property values in Perth have a median range of \$530,000 whereas in Esperance (WA) they have a median price of \$325,000. The price of petrol may be a major factor for those living in remote areas but then they do not have the congestion that causes major traffic delays and therefore the costs associated with vehicle use diminishes. Furthermore, the parking costs associated with vehicle usage in the larger cities is lower or non-existent in country regions.

⁶ Witness statement of Makere (Manu) Brown at paragraphs 7, 8, 9 and 10.

18. The high usage of air conditioning due to temperature levels in some remote regions is regarded in several of the SDA witness statements as a significant cost burden, however recent temperatures have also been significantly higher in many capital cities, where there have been temperatures of 40 degrees recorded consistently during the Summer months of 2017/18 needing heavy usage of air conditioning. So, the argument that having to use air-conditioning excessively in country regions compared with city regions is of little value.
19. MGA acknowledges that when looking at specific costs there are examples of some costs being higher in country regions than in major cities. But perhaps the statistics are not considering the different cost burdens that are felt by those who live in cities. Today a person travelling by train to work is often required to pay high costs of commuting costs and time, those who travel by car have excessive petrol, toll and vehicle wear cost. There is no consideration given by an employer to this burden. However, it is questionable as to whether the employer should be the person responsible for carrying the burden of providing additional funding to support costs that should be the responsibility of Governments, either State or Federal. If a small store in Regional Western Australia has 10 full time employees (Level 1 GRIA) and is required to pay an additional \$52.00 per week for each employee, it will add an additional \$27,040.00 a year to wages expenses. An employer would have no alternative but to look for ways to cope with that cost and that would inevitably mean a reduction in staff or consumers will have to carry the burden of increased prices. It is inequitable to expect the employer to shoulder that burden.
20. There are political avenues available to relieve the needs of the low paid and disadvantaged in remote areas. In the WA Council of Social Services (WaCOSS) Cost of Living Report 2017 (Exhibit A) which refers to the needs of disadvantaged groups in the Western Australia. In the recommendations by the Council at page 45 there is reference to various mechanisms of assistance to disadvantaged groups, including trialling a Home Energy Action Plan to reduce the power Bills for low income earners. The Commission examined the difficulties faced by low income earners in regard

to rental costs and stated at Page 46 that that, "Housing remains the perennial issue. It is clearly not something that will resolve itself in time, with all the trends suggesting that the problem is growing more acute." MGA agrees with the views of WaCoss on this issue that "Serious government intervention is required. People need to recognise that housing is a right- not a privilege but our system is not geared to delivering affordable housing. There needs to be the political will on all levels of government to make that change happen." This viewpoint reinforces the submission of MGA that it is not an employer who carries the burden of providing better accommodation nor is the employer responsible for high rentals or the inability of an employee to pay high rentals. An employer can only do so much to provide reasonable wages but burdening an employer with increased costs can result in the negative effect of there being no employment at all. As WACOSS states there should be "an independent whole of Government inquiry into social concessions and setting targets for low affordable rentals".

21. MGA submits that it is not the responsibility of the employer to remedy the inequities that result from the difficulties faced by low paid workers, but rather it is both State and Federal governments that should bear the cost.

s.134(1)(b): The need to encourage collective bargaining

22. A proportion of MGA members have enterprise agreements but many of these agreements have passed their nominal expiry date and they have not been renegotiated. There is a significant reliance amongst MGA members on the GRIA and there is little appetite for collective bargaining. The main reason for this is because the threshold levels for negotiation of terms is excessively high and requires payments higher than most small retailers can afford.

23. The introduction of a district allowance in Western Australian regional towns is likely to discourage collective bargaining even further rather than encourage them. The ability for small retailers to meet the better off overall test becomes even more difficult when higher costs such as the additional burden of a significantly high remote allowance is added to the problem. In any negotiation for an enterprise agreement it would simply be another

hurdle that would have to be overcome due to the already high safety net in the GRIA. The addition of a District Allowance would place a further stumbling block to the possibility of making an enterprise agreement as it is seen as another financial burden that has to be negotiated and resolved before reaching a satisfactory agreement.

24. The need to promote workforce participation as part of social inclusion is an important part of any sound social and economic policy. Advocating for increased employment is a noble and worthwhile exercise and maintaining it is essential for increased productivity and growth. However, in order to achieve those goals, it is essential that those who employ staff are able to sustain their businesses. If the costs associated with employing staff increase to levels that become unviable then employment levels will drop. Small businesses are constantly under pressure to meet their business commitments, they are faced with wage increases annually and as previously stated by using the modern award they can reasonably predict wages costs each year.

25. However, the introduction of a new allowance places a further financial drain on small businesses and retailers are then placed in the dilemma of where to cut costs in order to meet an unexpected variation in their budgets and in many cases they need to consider reductions in employment. Many people in remote regions rely on employment in the local supermarket as the major source of employment and when higher costs impose a financial burden the employer will invariably reduce the employment levels and this has an inevitable deleterious social effect on the community. The SDA has not proven that there are any “benefits to employers” and a cost of upwards of \$20,000 per annum for a small store as a consequence of introducing a new allowance can hardly be regarded as “incidental”.

s.134(1)(c): The need to promote social inclusion through increased workforce participation

26. It is questionable that the introduction of a District allowance would promote flexibility in the workplace. There is nothing in the evidence of the SDA to suggest increased performance and efficiencies would emanate from the introduction of this payment.

s.134(1)(f): The likely impact of any exercise of modern award powers on business, including on productivity, employment costs and the regulatory burden

27. The SDA is prepared to accept that the inclusion of a District Allowance may increase an employer's costs. MGA submits, that is incorrect because the inclusion of a District Allowance will increase an employer's costs. It is correct for the SDA to argue that there are fewer employees in regional areas, but the SDA overlooks the fact that in most cases the stores are smaller, therefore their profits are less and that by the time the employer pays their wages, penalties and allowances and other costs and expenses their financial resources are stretched. The cost burden of any increase to wages or the imposition of a new allowance cannot be underestimated for an employer.

28. The employer will inevitably be impacted adversely if this allowance is implemented. Most small businesses struggle not only with wages and associated costs but with the growing competition that they face every day. In respect of the penalty rates many retailers will try to work on Sundays and Saturdays themselves so as to avoid paying them or they will work early in the morning and late at night for the same reason. However, if a District Allowance is introduced that would be a permanent impost that could have dire consequences for the business survival of many retailers and the inevitable result will be reduced employment levels. Business competitiveness and viability is directly impacted in a negative manner by unsustainable increases in any parts of the award. This is particularly the

case with respect to small businesses, because they carry a large proportion of award-dependent employees and derive only modest incomes from their operations.

29. In the last financial year MGA members have been affected significantly by the decision of the Commission to include overtime for casual employees in the GRIA. This has had the effect of significantly increasing wage costs. Other proposed variations such as casual conversion, and possible increased remote allowances in the award, are soon to be decided as part of the Award Review process. Any further increases in costs for retailers will have a severe adverse impact on the financial stability of independent businesses.
30. The Commission gave its decision in the Sunday Penalty Rates case in 2017 and that outcome has produced pleasing prospects for employers into the future. Employers were further buoyed by the outcome of the appeal against the decision, although the full benefits of the decision for employers will not be realised for some considerable time. It is hoped that any further political challenge to the decision is avoided.
31. It is imperative that the Panel is cognisant of the value that independent stores provide to the Australian economy and to the communities in which they operate. In particular, they are a key gateway for employment which is significant, given levels of unemployment amongst young Australians (those aged between 15 and 24) who, as an age group, are predominantly employed in award-reliant retail businesses.
32. Independent stores are primarily small businesses. Many small businesses operate with limited resources in the most concentrated supermarket sector, where 80 per cent of the market share is controlled by Coles and Woolworths. There has been some respite for smaller supermarkets who have for years been stymied by the power of the duopoly. The introduction of the effects test into the Competition and Consumer Act in 2017 has assisted in the fight to control the unabated growth of the chains, but the true value of the new competition laws is yet to be tested. Nevertheless, independent supermarkets and liquor stores continue their endeavours to remain viable in difficult market conditions

s.134(1)(g): The need to ensure a simple, easy to understand, stable and sustainable modern award system

33. The insertion of a district allowance would result in a significant expansion of the safety net. It cannot be assumed that the impact that this will have on business can necessarily be accommodated or absorbed. Furthermore, the SDA have not submitted any evidence that the insertion of a district allowance provision will provide the need to ensure a simple, easy to understand stable and sustainable modern award system.

s.134(1)(h): The Likely Impact of any Exercise of Modern Award Powers on Employment Growth, Inflation and the Sustainability, Performance and Competitiveness of the National Economy

34. This limb of section 134 of the Act requires the Commission to consider the likely impact of exercising its power in the context of the broader economy. The SDA submits that impact of the SDA' proposal on the national economy is negligible.⁷ However, the SDA has not provided satisfactory evidence to satisfy this point.

35. MGA submits that approximately 95 per cent of all retail businesses are either non-employing or small businesses (1 – 19 employees)⁸, and around 51 per cent of retail employees work in a full time capacity, with the remaining portion working either on a part-time or casual basis.⁹ Despite generating \$69.7 billion in economic output, the retail industry's contribution to the overall economy has been declining, albeit slightly, over the past decade.¹⁰

36. The Australian retail sector, particularly independent supermarkets, employs a far greater proportion of the least-skilled and most vulnerable workers in

⁷ District allowance submission filed by the SDA on 19 February 2018 at paragraph 123.

⁸ ABS, *Counts of Australian Businesses, Including Entries and Exits, June 2010 to June 2014*, April, Canberra, Catalogue No. 8165.0

⁹ ABS, *Labour Force, Australia, Detailed, Quarterly, Nov 2014*, Catalogue No. 6291.0.55.003.

¹⁰ Productivity Commission 2014, *Relative Costs of Doing Business in Australia: Retail Trade*, Research Report, Canberra, p 37.

Australia, including youth, students, single parents, non-primary income earners in households, trainees, apprentices, and mature-aged workers returning to the workforce. More than 115,000 individuals are employed in the independent supermarket industry across a variety of roles, and this represents a significant proportion of all employees employed in grocery retailing as a whole. Although confidence levels amongst consumers and businesses in the services sector are subdued, the retail industry still forms a critical component of the overall national economy.

37. As previously stated a substantial majority of independent supermarkets and MGA members are reliant on the GRIA. Any increases in award payments effectively magnify the labour costs associated with retail businesses and they exert a further strain on retailers' business operations. As the Productivity Commission confirmed in its 2014 Report:¹¹ Labour costs are the single largest area of expense for most retail businesses, whether based in Australia or elsewhere. In 2012-13 labour costs represented 47 per cent of the cost of doing business in the retail sector.

38. The circumstances of award-reliant industries are far more relevant to the performance and competitiveness of the national economy, including productivity, business competitiveness and viability, inflation and employment growth, than the circumstances of the broader economy. The capacity of an independent supermarket or liquor store to pay its workers is determined by the prices of its products, changes in productivity, the level of industry competition, and basic operational expenses.

39. From June 2011 to June 2015, the retail trade industry generated a survival rate of 57.1 per cent, notwithstanding an average survival rate of 61.9 per cent across all industries. Of those retail businesses operating in June 2011, nearly 48.5 per cent had exited the industry by June 2014, compared to an average of around 50 per cent across all industries.¹² The vicissitudes of operating an independent supermarket will therefore only be compounded by a significant increase in the costs of operating the business.

¹¹ Productivity Commission 2014, *Relative Costs of Doing Business in Australia: Retail Trade*, Research Report, Canberra, p 17.

¹² ABS, *Counts of Australian Businesses, Including Entries and Exits, June 2011 to June 2015*, April, Canberra, Catalogue No. 8165.0

40. The unique and unprecedented level of concentration in the supermarket sector accentuates the cost pressures for independent retailers. The Productivity Commission in its 2014 Report stated that:¹³

The cost of doing retail business is largely driven by geography, markets and commercial decisions. As such, many of the cost pressures facing retailers are market driven and require commercial responses.

41. MGA members have minimal flexibility in their operations due to their small size and nature, and therefore, they are far more susceptible to cost increases than their larger counterparts. The difficult retailing climate is further exacerbated by the increasing focus on saving and diversion away from spending. The Productivity Commission reports:¹⁴

“An increase in the household saving ratio, combined with relatively less spending on retail products (and more on services) and consumers seeking greater value for money, is creating a challenging environment for many retailers”

42. The supermarket and grocery sector is the largest contributor to retail turnover and it has grown consistently over the last two decades.¹⁵ Independent supermarkets constitute around 17 per cent of the supermarket industry.¹⁶ For these stores, wage costs, including the payment of penalties and allowances, are significant factors in assessing their viability.

43. It may well be argued therefore that the introduction of district allowances will affect only a specific number of stores but it should be noted that in more remote areas the population relies on working in supermarkets and if stores costs continually mount then the threat to the communities becomes significant. Given that almost 285,000 people are employed in grocery retailing (including supermarkets) accounting for almost one-quarter (23.9 per cent) of all retail industry employment in Australia¹⁷, the value of

¹³ Productivity Commission 2014, *Relative Costs of Doing Business in Australia: Retail Trade*, Research Report, Canberra, p 3.

¹⁴ Ibid p.17.

¹⁵ PricewaterhouseCoopers, *The economic contribution of small to medium-sized grocery retailers to the Australian economy, with a particular focus on Western Australia* (June 2007), p iii

¹⁶ Ferrier Hodgson – Ferrier’s Focus May 2011, *from Wesfarmers and Woolworths annual reports 2010, NARGA November 2010 Report, Master Grocers Australia December 2010*

<http://www.stuartalexander.com.au/aust_grocery_market_woolworths_coles_wholesale.php>

¹⁷ ABS, *Labour Force Survey – Detailed Quarterly – May 2013*, Catalogue No. 6291.0.55.003, Data cube E06, Employed Persons by Sex, Industry, State, Status in Employment.

independent supermarkets cannot be underestimated in any part of the country.

44. To ensure job stability, increased workforce participation – particularly in circumstances of an increasing national unemployment rate – and the overall performance and competitiveness of the national retail sector, MGA submits that there is a need to carefully consider the adverse impact that any increases in costs on the stores can have on the community.
45. Despite struggling for survival against the likes of Coles and Woolworths, independent supermarkets play a fundamental role in the communities in which they operate, as they are heavily committed to supporting their employees, many of whom include working mothers, tertiary students, school children, trainees and apprentices. Further, independent supermarkets are a key means for developing transferable job skills (e.g. interpersonal and communication skills) which enables employees who work in the industry to better enhance their abilities and qualifications, thereby contributing to social and economic participation. The flexibility which the stores can offer by way of employment options –both permanent and casual positions – as well as providing opportunities to those who wish to aspire to managerial levels, denotes their importance in encouraging and increasing labour force participation
46. Beyond the economic importance of independent supermarkets in providing thousands of entry-level employment opportunities, they also generate significant social and environmental benefits for their local communities. For example, the identification as a community supermarket means the independent supermarket is a means to connect to the local community and invariably contributes to community synergy. A large proportion of independent local supermarkets are found on high street locations which are easily accessible via walking means.
47. In addition, independent supermarkets enhance competition and consumer choice which is fundamental in Australia given the market concentration in the supermarket industry. Although they lack in resources by comparison to Coles and Woolworths, independent supermarkets focus more so on variable price merchandising, product selection, convenience and customer

service, so as to offer customers a different and more distinct experience in grocery shopping.

48. The financial prosperity of independent supermarkets is crucial to sustaining businesses which support these retailers. These independent supermarkets source a greater proportion of their goods and services from local producers and local service providers (e.g. local accountants, local printers, and local storage, warehousing and wholesalers), and account for a larger proportion of grocery employment than the market share they hold. In contrast, these types of support services would likely be procured interstate or centrally by major grocery retailers. Therefore, as PricewaterhouseCoopers validly points out in its report on the economic contribution of small to medium-sized retailers to the Australian economy:¹⁸
49. The local businesses and employees supported by independent retailers, and the communities in which independent grocery retailers operate gain significant social and community benefits as a result of the economic participation of small to medium sized enterprises, would be adversely impacted by any reduction in their market share.
50. The ever-increasing costs burden of operating a business is not devoid of significant psychological stresses which will only be compounded by further increases. Although businesses are seen as deriving great profits owning a business comes with assuming significant liability, and for many small to medium retailers if an analysis was undertaken between the hours invested in working in their store and the profits yielded at the conclusion of each week, many retailers would be found to be earning below the national minimum wage or the minimum modern award wage.
51. The retail industry is a significant contributor to Australia's economy and employment levels. There are more than 133,000 retail businesses in Australia, contributing around 5 per cent of gross domestic product and 9 per cent of total hours worked in the Australian economy.¹⁹ Food retailing – the bulk of which in terms of turnover comes from supermarkets and grocery

¹⁸ PricewaterhouseCoopers, *The economic contribution of small to medium-sized grocery retailers to the Australian economy, with a particular focus on Western Australia* (June 2007), p 45.

¹⁹ Productivity Commission 2014, *Relative Costs of Doing Business in Australia: Retail Trade*, Research Report, Canberra, p 2.

stores – accounted for around 48 per cent (\$108.2 billion) of total retail turnover in 2013-14.²⁰

52. MGA submits that while the independent supermarket sector is a substantial contributor to Australian employment as a whole, its longevity will be greatly assisted by ensuring that additional costs burden are not imposed on them.

53. In early 2018 the unemployment rate remained steady at 5.5 per cent and there were 35000 jobs added in December 2017. In fact, according to Business Reporter Stephen Letts²¹ 35,000 jobs were added in December well ahead of the forecasted figure of 15, 000. He continued that, “the growth was split between 15,100 full time positions and 19,500 part time jobs in December although over the year 300,000 full time jobs have been created compared to 100, 000 extra part time positions”. Whilst the figures are promising and encouraging overall the numbers do not necessarily translate into jobs into smaller struggling sectors of industry. Retail positions in smaller businesses are less readily available than in larger retail outlets as the independent supermarket sector is not amongst those who are employing staff at the present time.

54. There has been a marked transition from full time employment to part time employment demonstrating that there is a considerable number of people looking for additional hours of work. The economy is showing a rise in underemployment leaving millions of people who are working an insufficient number of hours.

55. In regional areas, a cooling of the mining industry has hurt prospects of jobs placing a greater reliance on independent retailers. The shift in Australia’s regional mining opportunities has reaffirmed the importance of Independent retail stores in these areas as an important source of employment. Any increases in any areas of the award will place increased limitations on those opportunities as retail employers struggle to maintain viability.

56. MGA submits that the inclusion of a District Allowance heightens the risk of unemployment for workers, particularly in light of the abovementioned statistics, and submits that this is a factor which must be considered.

²⁰ Ibid p. 38

²¹ <http://www.abc.net.news/2018-01-18/unemployment-december-2017/9338664>

57. A further allowance in addition to the recently introduced casual overtime rates and the proposed increase to Saturday and weekday evening rates will deal a severe financial blow to any small business wherever they may be located. More particularly, the introduction of a District Allowance in WA together with these proposed or new allowances in the GRIA will result in further store closure. If this application is successful those 20 or so employees working in the local supermarket who are unlikely to be members of the SDA, will undoubtedly find themselves with no income at all by mid-2018. The store will not be able to sustain this increase, in addition to other increases that are likely in July this year and also those that have resulted from other increased penalties. Store closures are inevitable.

Conclusion

58. Independent supermarkets have been challenged throughout the 2015-2016 with increased competition within the industry, low inflation, ever increasing wages and the introduction of overtime for casual employees have all taken their toll on the sustainability of small independent supermarkets. A District Allowance for Western Australian retailers' in the GRIA will undoubtedly increase the cost of operating a supermarket in areas of the regional areas of Australia that have been defined in this application. Our members have worked tirelessly to cope with the many challenges of award modernisation while continuing to best serve their communities.

59. Our member's stores continue to remain a point of entry into employment for countless employees across Australia, including in remote areas around Australia that have exceptionally high unemployment. The majority of independent supermarkets and liquor stores that make up our members are small businesses and employ those staff under the Award. Therefore, they are more susceptible to the economic pressures that flow from increases to award conditions. Any further increase to allowances will therefore be felt by our members and has the capacity not only to affect employment levels in these areas but the survival of entire businesses. This proposition is supported by the witness statements provided by MGA.

60. MGA members have struggled over many years in an effort to cope with the rising costs of operating their businesses, including staff reductions, and reducing employment hours. However, these cost saving efforts, should retailers be forced to continue them, will not be sustainable indefinitely and imposing the further burden of district allowances on retailers, when it is clearly the responsibility of the State and Federal Governments to provide financial support for the needs of low paid workers, is likely to have dire consequences.

Master Grocers Australia

4 April 2018.

"Exhibit A"



wacoss

WA COUNCIL of
SOCIAL SERVICE

*Ways to make
a difference*

WACOSS

Cost of Living

2017

TOMAT

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*Ways to make
a difference*

The Western Australian Council of Social Service represents three hundred member organisations in the provision of community services to the Western Australian community.

As one of nine peak social service councils across Australia, we partner with a national network to magnify our expertise, resources and impact. We ensure that Western Australia is represented on a national stage.

We are committed to genuine collaboration through a shared resourcing approach and capacity building, and seek to be the voice of the community service sector as a whole.

We tackle hard issues and challenge policy, systems, behaviours and attitudes that contribute to inequality, exclusion and disadvantage.



Introduction

People on low incomes are spending less everywhere it is possible.

That seems to be the inescapable conclusion when looking at the way expenditure patterns have changed since the last *Household Expenditure Survey* in 2009/10.

It is not surprising. Those in financial hardship are continually finding a higher proportion of their expenditure is subsumed by housing and utility costs. Wages have barely increased, particularly in Western Australia, where Wage Price Index growth has tended towards the lowest in the nation in recent times. Unemployment and underemployment remain high. For those who are unable to find work, there has not been a significant increase to the Newstart Allowance in over 20 years. Its value has eroded in real terms, falling behind the cost of living within our society to the point where it is utterly inadequate to provide a basic standard of living.

This release marks the tenth anniversary of the *WACOSS Cost of Living Report*. Though the first report came out in the year of the Global Financial Crisis, for Western Australia it was the midst of a decade-long mining boom. It tracked the ballooning of living costs across that period, as rents skyrocketed and so did wages. If you had a full-time job, you were using your growing wages to meet high living costs – but if you were unable to secure work, you were left behind.

Are things so different now, in the post-boom Western Australia? The decline in rental costs has been one of the most visible impacts in the costs, but at the same time we have seen significant job losses. While recent months have seen an improvement in the unemployment rate, it has not been driven by large increases in people securing full-time work. Precarious, intermittent work has almost become the new normal in WA, with even previously secure sectors like the public service facing widespread redundancies and minimal wage growth.

Where people are able to secure employment, they find their workplace conditions and wages under sustained attack, with Western Australia seeing it in cases such as Murdoch University and Griffin Coal. The rise of the 'gig-economy', zero-hour contracts and sham contracting arrangements is putting the welfare of workers under increasing pressure.

The modelling for our hypothetical families assumes they are able to find housing and, where relevant, secure employment. The households with both are doing well. Those relying entirely on government income support while renting, however, are either just breaking even or falling short of meeting their basic living costs.

This year WACOSS worked closely alongside the Bankwest Curtin Economics Centre as they prepared their *The Price Is Right? An examination of the Cost of Living in Western Australia* for simultaneous release. We thank them for their assistance and open approach to sharing information for the benefit of the Western Australian community.

Both reports feature, for the first time ever, detailed analysis of WA financial counselling data, revealing the reality of living cost pressures on people in financial stress and hardship.

Key findings of the 2017 Cost of Living Report

The release of the ABS 2015/16 Household Expenditure Survey has provided WACOSS with the opportunity to reset the expenditure baseline for our model households for the first time since their establishment in 2012. To preserve historical comparability, we have presented the models using both the original baseline (which was based on the 2009/10 HES) and the new baseline, to present an indication of changes in household consumption levels.

Figure 1: Income and expenditure of our model households

	Income	Expenditure		Net Position	
		Old Baseline	New Baseline	Old Baseline	New Baseline
Single Parent Family	\$978.96	\$875.66	\$845.93	\$103.31	\$133.04
Working Family	\$1,450.04	\$1,294.62	\$1,192.47	\$172.96	\$257.57
Unemployed Single	\$312.08	\$335.74	\$325.91	-\$23.66	-\$13.84
Age Pensioners (Renters)	\$727.14	-	\$714.44	-	\$12.70
Age Pensioners (Home Owners)	\$665.44	-	\$482.58	-	\$182.88

- ✦ **The single parent family has \$103.31 left after expenses on the original baseline, which increases to \$133.04 on the new.** The growth of their income has stagnated, however, rising by only 96 cents due to the cancellation of the Schoolkids Bonus.
- ✦ **The income of our working family surpasses their estimated basic living costs by \$172.96 per week on the original baseline.** With their access to two sources of wages, the new baseline provides them with an additional \$84.61 in their pockets.
- ✦ **The weekly income of our model unemployed single remains inadequate to meet basic living costs, with a gap of over \$23.66 between income support provided and a basic standard of living in line with community expectations on the original baseline.** The new baseline sees them still \$13.84 short.
- ✦ **The renting age pensioner has a higher level of income due to receiving rent assistance, but has dramatically larger expenditure.** While the home-owning age pensioner comes out \$182.88 ahead, the renting age pensioner has only \$12.70 left over after meeting their basic living costs.

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 two model families and a single person, representing different at-risk household types on low incomes.

The *2017 Cost of Living Report* uses the same methodology as our 2012 and subsequent reports.¹ It models the income and expenditure of three household types during the 2016/17 financial year in comparison to the two preceding financial years (2014/15 and 2015/16). The 2017 report introduces two age pensioner models for the first time, with one couple homeowners and the other renters.

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.

The Council is, however, confident that the conservative assumptions underpinning each model (clearly considered and referenced in Appendix 1 of the 2012 report) ensure the conclusions drawn reflect the real-life experiences of low-income households in WA. They provide a window into the pressures of changing living costs on their everyday lives that can guide policy and decision-making.

¹ The [2012 Cost of Living Report](#) provides a more detailed account of the methodology.

Our model households

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

Figure 2: WACOSS Household Models

	Single Parent Family	Working Family	Unemployed Single	Age Pensioners
Household members	Single mother with two dependent children.	Working family with two school aged children.	Single, unemployed female.	Couple, retired.
Age	34 years old, with two children aged 7 and 8.	Two adults aged 40 and 38 years, with two children aged 11 and 13.	44 years old.	Two adults aged 67 and 69 years.
Income source	Mother – works 18 hours a week for 39 weeks a year at minimum wage + casual loading. Eligible for government payments.	One 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.	Age Pension and supplements only.
Housing	Rents a unit (85% median unit rental)	Rents a house (85% median house rental)	Shares a house with two other adults (paying one third of 85% median house rental).	<i>Renters:</i> Rent a unit (85% median unit rental) <i>Owners:</i> Own a house
Education	Both children attend a public primary school.	Both children attend a public primary school.	N/A	N/A
Transport	Owens a small car.	Own a small car and uses public transport for five round trips per week.	Public transport is only mode of transport (five round-trips per week).	<i>Renters:</i> Public transport is only mode of transport (five round-trips per week). <i>Owners:</i> Own a small car
Health	No private health insurance.	Has basic private health insurance.	No private health insurance.	No private health insurance.

Determining household income

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

- Centrelink's online payment estimator;²
- The Department of Social Services' *Guide to Social Security Law*;³
- The Centrelink website;⁴
- The WA Industrial Relations Commission's 2016 State Wage Case decision;⁵ and
- The Australian Taxation Office's online tax calculator.⁶

Determining household expenditure

Household expenditure in the *2017 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), consistent with the way the model has been applied in previous years so we are able to track changes in living costs over time.

The completion of the ABS *2015/16 Household Expenditure Survey* now means that new data on the expenditure patterns of low income households has become available. This provides us with an important opportunity to update our existing models. Changes in the prices of basic goods and services can have a disproportionate impact on low incomes households, requiring them to alter their expenditure patterns accordingly. This is particularly true when it comes to changes in essential living costs that are effectively unavoidable, forcing households to prioritise their expenditure and make difficult life choices about what to reduce or go without.

To provide consistency in comparing the results for past years' models, we have run the models using the CPI-updated 2009/10 model, as well as providing a comparison using the 2015/16 HES figures.⁷ All estimates of cost and consumption are intentionally conservative and, as a result, likely understate the cost impacts on vulnerable households. 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). The models assume that our households have been able to acquire rental accommodation at 85% of the median market rate, though finding appropriate and affordable accommodation can be a challenge in reality.

² Centrelink (2017) [Online Payment Estimators](#).

³ Department of Social Services (2017) [Guide to Social Security Law](#).

⁴ Pages accessed include: [Introducing the Clean Energy Supplement part of the Household Assistance Package](#); [Schoolkids Bonus](#); [Payment rates for Family Tax Benefit Part A](#); [Payment rates for Family Tax Benefit Part B](#); and [Parenting Payment](#).

⁵ WA Industrial Relations Commission (2016) [State Wage Order Pursuant To Section 50a of the Act](#)

⁶ Australian Tax Office (2017) [Online Tax Calculator](#), using *Comprehensive tax calculator 2014*.

⁷ Note that state-specific tables have not yet been released by ABS. We are thankful to Bankwest Curtin Economic Centre for undertaking some analysis of the source data to provide the necessary state-based expenditure figures for low income households.

- ✦ **Utilities** — Our 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 inexpensive car, travelling 15,000 km per year. Our 2013 and 2014 Cost of Living Reports assumed that the households own a late model Suzuki Alto – the car which RAC WA calculated had the lowest running costs for those years. To remain consistent, we have again used the lowest car running costs, which in 2016/17 was the Suzuki Celerio.⁸ (Note this may result in an underestimate, as it is likely 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).

⁸ RAC WA (2017) *Vehicle Running Costs Guide* <http://rac.com.au/motoring/motoring-advice/buying-a-car/running-costs>

Household Analysis

Single parent family

Our single parent family is comprised of a single parent with two primary school aged children. The parent works part-time, rents a unit, and owns a small car. The parent in this household is assumed to already be working 18 hours per week for 39 weeks of the year while their children attend school. Our calculations assume that she or he is unable to work during school holidays when they must care for the children. In reality, this kind of work pattern is difficult to maintain, which is why single parents have one of the highest rates of movement in and out of part-time work.

Our single parent remains eligible to receive Parenting Payment Single (rather than being shifted to the much lower Newstart Allowance) due to one of the children being below the age of eight years.⁹

Single parent family (Parenting Payment Single) - WEEKLY INCOME						
	2014/15	2015/16	2016/17	% increase 2015/16 to 2016/17	\$ increase 2015/16 to 2016/17	
Wage (gross)	\$394.31	\$402.56	\$410.25	1.9%	\$7.69	
Parenting payment	\$241.82	\$245.27	\$247.57	0.9%	\$2.30	
Other regular Government Benefits	\$309.05	\$318.15	\$319.27	0.35%	\$1.12	
Government supplements (one off payments, converted to weekly amount)	\$51.66	\$54.25	\$46.00	-15.2%	-\$8.25	
Tax paid	\$58.73	\$48.23	\$50.13	3.9%	\$1.89	
Total household income/week	\$944.12	\$978.00	\$978.96	0.1%	\$0.96	

The income of the single parent household has **increased 0.1 per cent** (\$0.96) over the last 12 months. This is despite increases to the parent's wage by \$7.69. The biggest contribution to the extremely low income growth for the household is the cancellation of the School Kids Bonus, with the last contribution having been paid in July 2016. This means they received one of two payments this year before the bonus scheme ceased, and their income will be reduced a further \$8.25 in the coming year.

As described in more detail in our *2013 Cost of Living Report*, a casual employee (like our single parent) typically does not have sick leave or annual leave entitlements. This puts them in a precarious financial situation, especially when either they or their children become sick (requiring time off work), or during times when business may be slow. Increases in the unemployment and underemployment rate put them at further risk. Unpredictable pay can also result in difficulties in reporting income to Centrelink, particularly when income moves above and below key thresholds.

⁹ In the 2013 Cost of Living Report we undertook a comparison of the income of a single parent eligible for Parenting Payment Single, and a parent only eligible for Newstart. The single parent family's income was reduced considerably (-\$77.12 per week) as a result of being shifted to Newstart when the youngest child reached 8 years of age. For more information, refer to: WACOSS (2013) [2013 Cost of Living Report](#).

Single parent family - WEEKLY EXPENDITURE					
	2014/15	2015/16	2016/17	% increase 2015/16 to 2016/17	\$ increase 2015/16 to 2016/17
Rent	\$357.00	\$324.06	\$289	-10.8%	-\$35.06
Food and beverage	\$220.65	\$219.23	\$220.31	0.49%	\$1.08
Utilities	\$35.86	\$37.47	\$39.15	4.49%	\$1.68
Transport	\$55.16	\$54.79	\$56.76	3.60%	\$1.97
Other - household and living costs	\$269.50	\$270.37	\$270.44	0.03%	\$0.07
Total household expenditure/week	\$938.17	\$905.92	\$875.66	-3.34%	-\$30.26

As has been a consistent factor since the *2015 Cost of Living Report*, the decrease in expenditure for the single parent family is solely due to the continued reduction in median rent levels. Any significant up-turns in the rental market will immediately place considerable pressure on their financial situation. Weekly utility costs have increased by nearly 4.5 per cent (\$1.68) and transport by 3.6 per cent (\$1.97).

Single parent family (Parenting Payment Single) - WEEKLY DIFFERENCE			
	2014/15	2015/16	2016/17
Total weekly income	\$944.12	\$978.00	\$978.96
Total expenditure	\$938.17	\$905.92	\$875.66
Difference	\$5.95	\$72.08	\$103.31

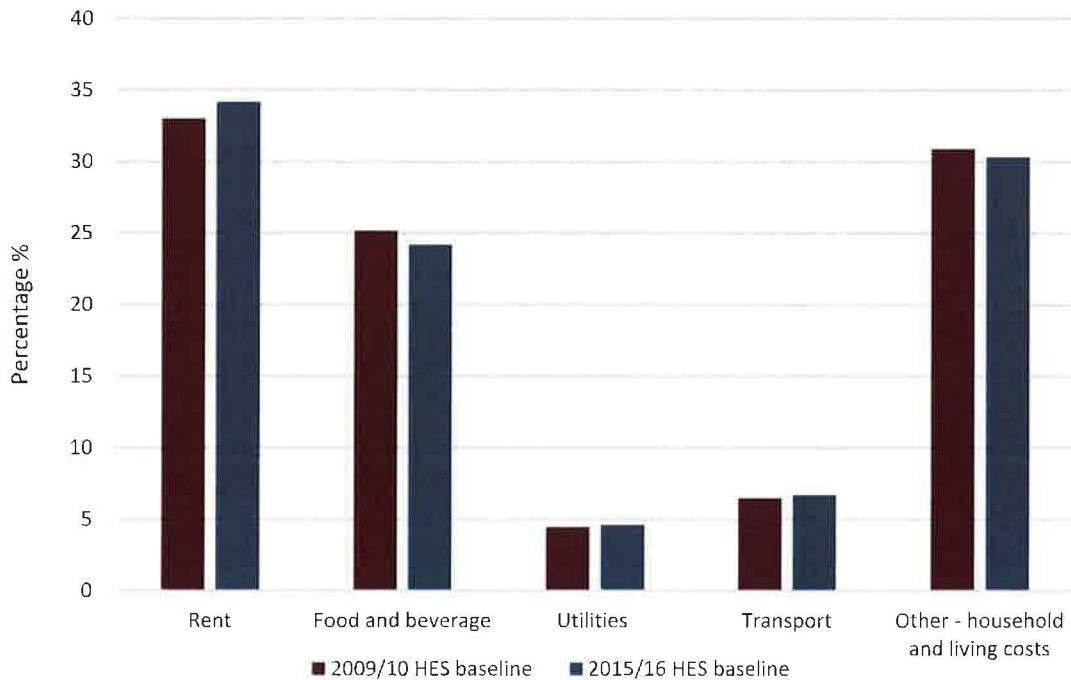
In 2016/17, the single parent family's weekly income surpassed their basic living costs by \$72.08.

Despite demonstrating an appreciable improvement, it is important to remember that these calculations make little allowance for the family to save, for the single parent to undertake training in order to improve their 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). It also assumes they are able to secure sufficient part-time work during the school term (and/or affordable care arrangements during holidays), but the rise in precarious work means they may be at increased financial risk. 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.

Single parent family – HES COMPARISON					
	2009/10 HES baseline		2015/16 HES baseline		% difference
Food and beverage	\$	220.31	\$	204.52	-7.17%
Clothing & Footwear	\$	29.19	\$	20.83	-28.64%
Household Contents & Services	\$	55.73	\$	57.22	2.67%
Health	\$	43.14	\$	50.55	17.18%
Phone/Internet	\$	35.68	\$	45.60	27.80%
Recreation	\$	57.84	\$	41.63	-28.03%
Annual Holiday	\$	14.56	\$	14.41	-1.03%
Education	\$	34.30	\$	26.25	-23.47%
Insurance & Financial Services	\$	-	\$	-	-
Other - household and living costs	\$	270.44	\$	256.50	-5.15%

Updating the expenditure categories in the model which use a baseline drawn from the new ABS HES data with the 2015/16 figures, sees a decline in spending costs for the single parent family across food and beverages, as well as household and living costs. Higher proportions of their expenditure is going towards rent, utilities and transport.

Figure 3: Single parent family expenditure pattern changes



Working Family

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

Working family - WEEKLY INCOME					
	2014/15	2015/16	2016/17	% increase 2015/16 to 2016/17	\$ increase 2015/16 to 2016/17
Combined wages (gross)	\$1,221.94	\$1,247.68	\$1,271.42	1.9%	\$23.74
Regular government benefits	\$254.10	\$262.42	\$262.99	0.22%	\$0.57
Government supplements (one off payments, converted to weekly figures)	\$58.91	\$59.33	\$47.02	-20.76%	-\$12.32
Tax paid	\$137.47	\$143.85	\$131.40	-8.66%	-\$12.45
Total household income/week	\$1,397.49	\$1,425.59	\$1,450.04	1.72%	\$24.45

The largest real increase to the working family's income came as a result of the 2016 State Wage Case decision. As a result of this decision, our working family's weekly (before tax) wages **increased by 1.9 per cent** or \$23.74 per week between 2015/16 and 2016/2017.

Working family - WEEKLY EXPENDITURE					
	2014/15	2015/16	2016/17	% increase 2015/16 to 2016/17	\$ increase 2015/16 to 2016/17
Rent	\$376.13	\$344.25	\$316.63	-8.02%	-\$27.63
Food and beverage	\$316.59	\$314.72	\$316.27	0.49%	\$1.55
Utilities	\$53.88	\$56.22	\$58.55	4.14%	\$2.33
Transport	\$87.46	\$87.97	\$90.42	2.79%	\$2.45
Other - household and living costs	\$487.39	\$491.46	\$495.20	0.76%	\$3.75
Total household expenditure/week	\$1,321.44	\$1,294.62	\$1,277.07	-1.36%	-\$17.55

Our working family's weekly expenditure on basic living costs has **decreased by 1.36 per cent** or \$17.55 per week over the last 12 months. As with our single parent, the largest decrease in expenditure is in housing, which outweighs the increased cost of utilities, transport and other household and living costs.

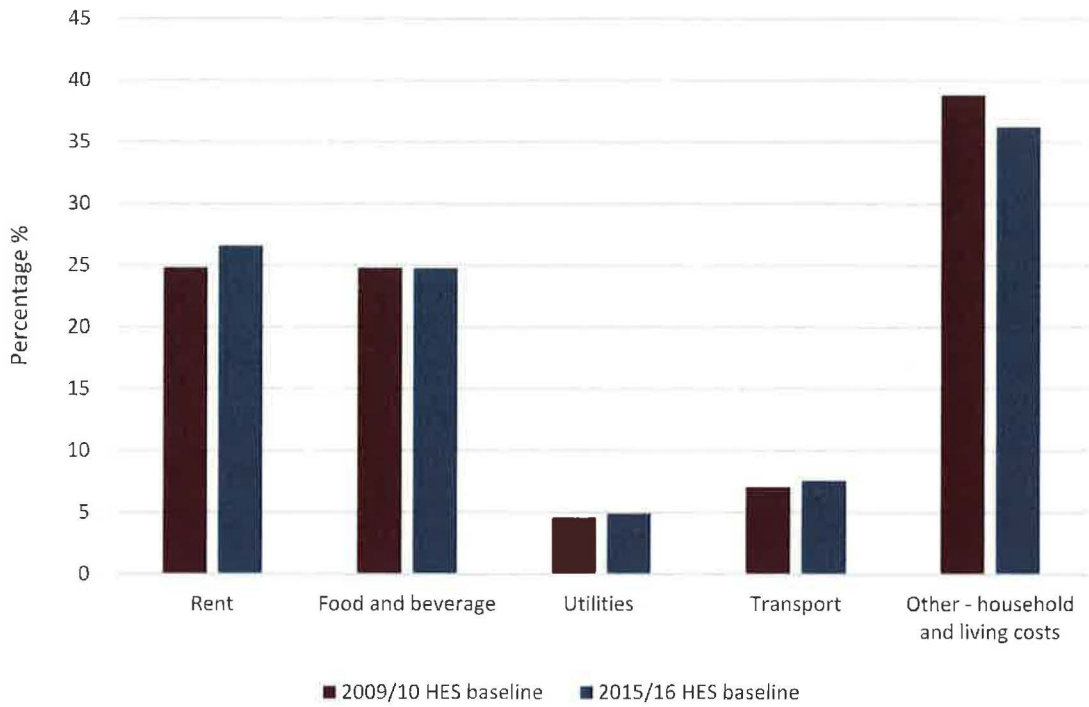
Working family - WEEKLY DIFFERENCE			
	2014/15	2015/16	2016/17
Total weekly income	\$1,397.49	\$1,425.59	\$1,450.04
Total expenditure	\$1,321.44	\$1,294.62	\$1,277.07
Difference	\$76.05	\$130.97	\$172.96

In 2016/17, the family's weekly income surpassed their basic living costs by \$172.96 per week (up from \$130.97 in 2015/16). This continued improvement to their position provides some allowance for the family to save, or to have some money to cover unexpected or non-essential expenditure. It should be noted, however, that if either of the couple had lost their job or had their hours reduced during this period, their financial position would be very different.

Working family – HES COMPARISON				
	2009/10 HES baseline	2015/16 HES baseline	% difference	
Food and beverage	\$ 316.27	\$ 295.07	-6.70%	
Clothing & Footwear	\$ 53.08	\$ 37.88	-28.64%	
Household Contents & Services	\$ 74.31	\$ 76.30	2.68%	
Health	\$ 114.80	\$ 89.21	-22.29%	
Phone/Internet	\$ 47.58	\$ 60.80	27.78%	
Recreation	\$ 102.83	\$ 74.01	-28.03%	
Annual Holiday	\$ 19.41	\$ 19.21	-1.03%	
Education	\$ 34.30	\$ 26.25	-23.47%	
Insurance & Financial Services	\$ 48.90	\$ 48.14	-1.55%	
Other - household and living costs	\$ 495.20	\$ 431.80	-12.80%	

Updating the expenditure categories in the model which use a baseline drawn from the new ABS HES data with the 2015/16 figures, sees a decline for the working family across food and beverages, as well as household and living costs. They too are now devoting a higher proportion of their expenditure to rent, utilities and transport.

Figure 4: Working family expenditure pattern changes



Unemployed Single

Our unemployed single person's only income comes from government allowances and benefits. She or he is currently looking for work, lives in shared accommodation, and relies on public transport to get to appointments (e.g. with Centrelink, job interviews, doctor), to visit friends or family, and to reach the supermarket or local library (to access the internet).

Unemployed single – WEEKLY INCOME					
	2014/15	2015/16	2016/17	% increase 2015/16 to 2016/17	\$ increase 2015/16 to 2016/17
Newstart Allowance	\$257.74	\$261.83	\$263.27	2.14%	\$5.52
Rent assistance	\$42.52	\$42.80	\$42.48	-0.75%	-\$0.32
Clean energy supplement	\$4.39	\$4.39	\$4.39	0%	\$0
Tax paid	\$0	\$0	\$0	0%	\$0
Total household income/week	\$304.65	\$309.02	\$312.08	0.99%	\$3.05

This year, the weekly income of our unemployed person **increased by just 0.99 per cent**. In real terms, this means they only have an additional \$3.05 per day to try to make ends meet.

As part of their income mix, the unemployed single has seen a reduction in the rent assistance they are receiving. Rent Assistance is paid at the rate of 75 cents for each dollar of rent above the minimum rent amount, up to the maximum rate, applicable to the family situation. The decline in median rents has caused the unemployed single to receive less rent assistance during the 2016/17 financial year as a result.

Unemployed single - WEEKLY EXPENDITURE					
	2014/15	2015/16	2016/17	% increase 2015/16 to 2016/17	\$ increase 2015/16 to 2016/17
Rent	\$125.38	\$114.75	\$105.54	-\$9.21	-\$9.21
Food and beverage	\$95.94	\$95.49	\$95.96	0.5%	\$0.47
Utilities	\$16.57	\$17.29	\$18.02	4.24%	\$0.73
Transport	\$12.96	\$13.26	\$13.80	4.07%	\$0.54
Other - household and living costs	\$102.64	\$102.88	\$102.41	-0.46%	-\$0.47
Total household expenditure/week	\$353.49	\$343.67	\$335.74	-2.3%	-\$7.93

In 2016-17, our unemployed person was receiving government benefits totalling around 45 per cent of the WA State Minimum Wage while searching for work.¹⁰ As the calculations below show, despite

¹⁰ In 2014/15 the WA State Minimum Wage full time weekly rate for adults was \$665.90.

the decrease in weekly expenditure, unemployment benefits do not meet a basic standard of living and present significant barriers to a job-seeker's ability to find work.

The unemployed person's weekly expenditure on basic living costs has **decreased by 2.3 per cent** (or \$7.93 per week) over the last 12 months – once again driven almost entirely by decreases in median rents. It should be noted, however, that the housing calculations assume that our unemployed person can find shared accommodation where they pay one-third rent of a house at 85 per cent of the Perth median house price.

Unemployed single - WEEKLY DIFFERENCE			
	2014/15	2015/16	2016/17
Total weekly income	\$304.65	\$310.46	\$312.08
Total expenditure	\$353.49	\$343.67	\$335.74
Difference	-\$48.83	-\$33.31	-\$23.66

The gap between the unemployed person's income and expenditure means they 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.

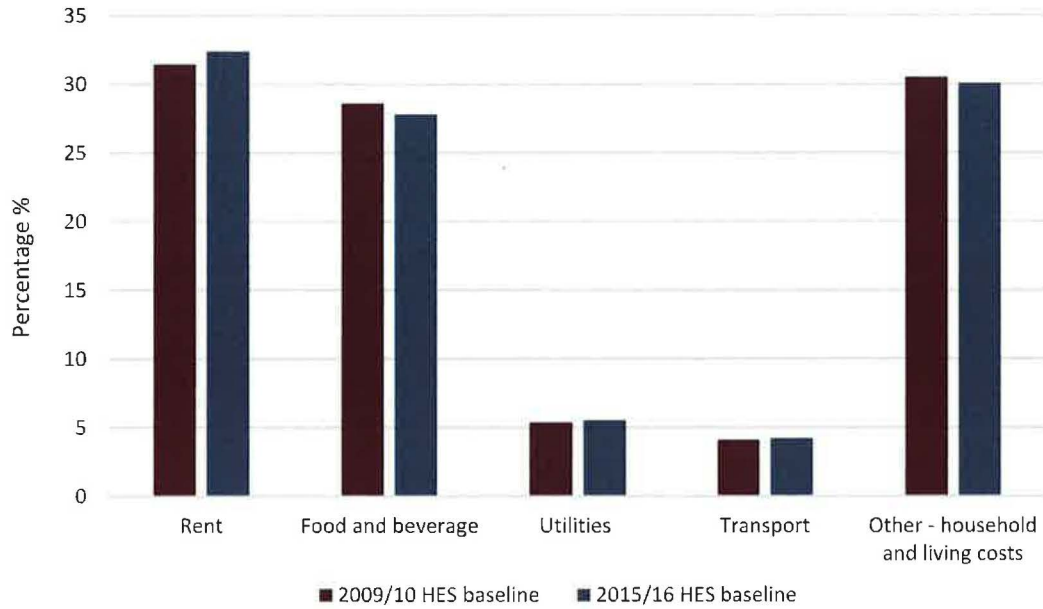
These calculations make no allowance for our unemployed single to be able to save any money, to pay for any unexpected medical expenses, to purchase or contribute towards the cost of new white goods, to pay for training to increase their employment options, or to spend on any non-essential items. It is entirely reasonable to assume that they would need to go into debt if any of these circumstances were to occur.

Unemployed single – HES COMPARISON				
	2009/10 HES baseline	2015/16 HES baseline	% difference	
Food and beverage	\$ 95.96	\$ 90.55	-5.64%	
Clothing & Footwear	\$ 13.27	\$ 9.47	-28.64%	
Household Contents & Services	\$ 32.31	\$ 33.17	2.66%	
Health	\$ 14.38	\$ 16.85	17.18%	
Phone/Internet	\$ 11.89	\$ 15.20	27.84%	
Recreation	\$ 25.71	\$ 18.50	-28.04%	
Annual Holiday	\$ 4.85	\$ 4.80	-1.03%	
Education	\$ -	\$ -	-	
Insurance & Financial Services	\$ -	\$ -	-	
Other - household and living costs	\$ 102.41	\$ 98.00	-4.31%	

Updating the expenditure categories in the model which use a baseline drawn from the new ABS HES data with the 2015/16 figures, sees a decline for the unemployed single across food and beverages, as well as household and living costs. As with the single parent and working family

households, a higher proportion of the unemployed single's expenditure is going towards rent, utilities and transport.

Figure 5: Unemployed single expenditure pattern changes



Age Pensioners

For the first time, WACOSS has included two age pensioner households in our Cost of Living modelling. The households are composed of retired couples aged 67 and 69. As retirees, the couple's only income is from the Age Pension and supplements. Two housing scenarios are provided: one where the couple rents a unit (at 85 per cent of the median unit rental cost), and the other where the couple owns a house.

The assumptions around their expenditure are very conservative, with the renters choosing a unit rather than a house as just mentioned, neither household having private health insurance, and the renters travelling exclusively by public transport.

Age Pensioners – WEEKLY INCOME 2016/17		
	Renters	Home Owners
Age Pension	\$603.16	\$603.16
Rent assistance	\$61.70	\$0
Clean energy supplement	\$10.57	\$10.57
Pension supplement	\$49.25	\$49.25
Cost of Living Rebate	\$2.45	\$2.45
Tax paid	\$0	\$0
Total household income/week	\$727.14	\$665.44

Age Pensioners – WEEKLY EXPENDITURE 2016/17		
	Renters	Home Owners
Rates and charges	\$0	\$25.61
Rent	\$289	\$0
Food and beverage	\$181.10	\$181.10
Utilities	\$42.14	\$44.11
Transport	\$13.80	\$43.34
Other - household and living costs	\$188.40	\$188.40
Total household expenditure/week	\$714.44	\$482.56

Access to rent assistance places the income of our renting Age Pensioner ahead of the home owner, but it is clear that the real value of their income is significantly lower with nearly 40 per cent of it going directly to covering their rental costs.

Age Pensioners – WEEKLY DIFFERENCE 2016/17		
	Renters	Home Owners
Total weekly income	\$727.14	\$665.44
Total expenditure	\$714.44	\$482.56
Difference	\$12.70	\$182.88

Despite the conservative assumptions, the renting Age Pensioners only exceed their basic living costs by \$12.70, placing them in severe risk of financial hardship and stress. Any unexpected expenditure, such as for a medical emergency, will immediately push them beyond what their income can cover.

The home owner, in the alternative, has \$170.18 more than the renter after expenses. This suggests that home ownership is critical to the financial resilience of retirees, particularly those reliant on the aged pension. With an ongoing trend of fewer households owning their home on retirement, we are likely to see an increased risk of poverty and financial hardship in age over time – exacerbated by population ageing.

The Cost of Living in Regional WA

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 WACOSS model households based on REIWA data is included in the table below. It is important to note that availability can become a much more critical factor in regional areas with smaller housing markets and a more limited range of choice. So while our analysis reflects the actual costs of 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 forced to compromise on either the appropriate size for their household makeup or on affordability.

Weekly Expenditure across the Regions - RENT										
	Perth	Gascoyne	Goldfields Esperance	Great Southern	Kimberley	Mid West	Peel	Pilbara	South West	Wheatbelt
Single parent & Age pensioners	\$289.00	\$335.75	\$240.13	\$237.79	\$302.39	\$175.31	\$235.45	\$253.51	\$256.70	\$247.56
Working family	\$317.05	\$419.69	\$298.56	\$302.81	\$459.85	\$243.31	\$272.64	\$333.84	\$288.58	\$252.03
Unemployed person	\$105.54	\$164.58	\$117.08	\$118.75	\$180.33	\$95.42	\$106.92	\$130.92	\$113.17	\$98.83

Source: Calculations based on REIWA data

For our single parent and aged pensioner households (both of whom rent a two-bedroom unit) median rental costs are significantly lower in the Midwest (\$112 less per week), and comparably lower in the Peel, Great Southern, Goldfields and Wheatbelt (between \$42 and \$54 less). Rental is also slightly lower in the Southwest and Pilbara (\$33 to \$36 cheaper, showing a big turn-around in rental costs from the peak of the resources boom) by comparison to those in Perth. Rental costs in the Kimberley are comparable but slightly higher (an extra \$13 per week), while the highest median rental cost for a two-bedroom unit is in the Gascoyne (where it costs nearly \$50 more than the metro area) perhaps reflecting the lack of this kind of housing stock.

For our working family and single unemployed person (who are looking to rent or share a three-bedroom house) the differences in housing costs are somewhat similar, with a few variations reflecting the comparative availability and demand for different types of housing stock. The most expensive housing is in the Kimberley (\$132 extra) and Gascoyne (\$102 extra) compared to Perth,

with costs also slightly higher in the Pilbara (\$16 extra). In contrast, the lowest housing costs for our working family are in the Midwest (-\$74), Wheatbelt (-\$65) and Peel (\$-\$45) with the cost in other regions only slightly less to those in Perth metropolitan region.

Weekly Expenditure across the Regions – FOOD AND BEVERAGES										
	Perth	Gascoyne	Goldfields Esperance	Great Southern	Kimberley	Mid West	Peel	Pilbara	South West	Wheatbelt
Single parent	\$202.83	\$220.07	\$220.48	\$202.63	\$227.98	\$215.81	\$201.82	\$223.72	\$204.66	\$211.55
Working family	\$291.68	\$316.48	\$317.06	\$291.39	327.85	310.35	290.22	321.73	294.31	304.23
Unemployed person	\$88.85	\$96.40	\$96.58	\$88.76	\$99.87	\$94.54	\$88.41	\$98.00	\$89.65	\$92.67
Age pensioners	\$177.70	\$192.81	\$193.16	\$177.52	\$199.74	\$189.08	\$176.81	\$196.01	\$179.30	\$185.34

Source: Calculations based on ABS 2015-16 HES and RPI data

By comparison, weekly expenditure on food for our single parent household is comparable in the Perth, Pilbara, Great Southern and Southwest regions, and only marginally higher in the Wheatbelt (\$9 extra) and Midwest (\$13 extra). Food expenditure is higher in the Goldfields (\$18 extra) and the Gascoyne (\$17 extra) and highest in the Pilbara (\$21 extra). The pattern of expenditure differences is very similar for the other households – with comparable food costs for the working family in the Perth, Pilbara, Great Southern and Southwest regions, marginally higher costs in the Wheatbelt (\$5 extra) and Midwest (\$19 extra). Food expenditure is higher in the Midwest (\$19 extra), Gascoyne (\$25 extra), Goldfields (\$26 extra), and Pilbara (\$30 extra), and highest in the Kimberley (\$36 extra). The same pattern generally holds true for our aged pensioner couple and our unemployed single – with highest food costs in the Kimberley, Pilbara, Gascoyne and Goldfields, and only marginal differences in costs in the other regions.

Weekly Expenditure across Network Areas - ELECTRICITY					
	SWIS	NWIS	West Kimberley	Gascoyne/ Mid-West	Esperance
Single parent	\$15.52	\$39.03	\$34.47	\$19.67	\$12.84
Working family	\$31.04	\$58.70	\$53.33	\$35.92	\$27.88
Unemployed person	\$8.85	\$18.07	\$16.28	\$10.48	\$7.80
Age pensioners	\$22.41	\$45.92	\$41.36	\$26.56	\$19.72

Source: Calculations. Data supplied by Synergy and Horizon Power

The patterns of weekly expenditure on utilities show the most dramatic regional variations, with all household models consistently spending twice as much on electricity in the Northwest Interconnected System (Pilbara) and West Kimberley as they do in the Southwest Interconnected System (Perth, Peel and Southwest), only marginally more in the Gascoyne and Midwest, and slightly less in the Esperance region. While all our household models spend a comparatively small proportion of their overall weekly budget on utilities (around 4 to 5 per cent) in the Perth region, the significant increase in regional electricity expenditure combined with the seasonal and intermittent nature of electricity bills is likely to mean that low-income regional households are much more at risk of bill shock, and more likely to get into utility debt during the peak summer period.

Figure 6: Network Areas



Weekly Expenditure across the Regions – WATER										
	Perth	Gascoyne	Goldfields Esperance	Great Southern	Kimberley	Mid West	Peel	Pilbara	South West	Wheatbelt
Single parent	\$7.10	\$10.82	\$15.06	\$6.96	\$17.33	\$9.89	\$6.89	\$37.60	\$8.20	\$13.89
Working family	\$8.62	\$13.00	\$17.98	\$8.46	\$20.66	\$11.90	\$8.37	\$44.50	\$9.91	\$16.60
Unemployed person	\$2.87	\$4.33	\$5.99	\$2.82	\$6.86	\$3.97	\$2.79	\$14.83	\$3.30	\$5.53
Age pensioners	\$3.55	\$5.41	\$7.53	\$3.48	\$8.67	\$4.94	\$3.44	\$18.80	\$4.10	\$6.94

Source: Calculations. Data supplied by the Water Corporation

Consumption patterns and costs for water show a similar but even more extreme pattern – with households in the Pilbara consuming 78 per cent more water and spending **five times** as much as those in Perth, with the Kimberley and Goldfields not far behind (2.3 to 2.4 times) and those in the Wheatbelt and Gascoyne and Mid West also spending around double.

Coupled with the high electricity prices, those living in the north of the state are clearly facing drastic pressures in the form of utility bills, as well as higher prices for their food as well. For those in the Kimberley and the Gascoyne, households are even paying more in rent than those in Perth.

Financial Counselling Data

On 7 September 2017, the Western Australian State Budget 2017-18 was delivered in the WA Parliament.

During that same week (September 4-10), at least 265 households unable to meet their basic weekly living costs and facing mounting personal debt sought the assistance of a not-for-profit community-based financial counselling service.

A qualified financial counsellor will work through a person's weekly household income and expenditure with them to provide expert advice on how to tackle their financial challenges, producing a weekly budget. Certified financial counsellors are also able to contact their creditors to halt or defer debt-recovery proceedings, negotiate debt waivers or reductions, and put in place a payment plan. They may also be able to provide access to emergency relief in the form of charitable donations or food parcels to help them through an immediate crisis.

WACOSS compiled the income and expenditure data provided by the WA Financial Counselling Network of those 265 households to reveal the real-life living cost pressures being faced by households in our state experiencing financial hardship and stress.

WA Financial Counselling Data - AVERAGE		
Income	\$/fortnight	Per cent
Wages	636.51	48.1
Family Tax Benefit	72.24	5.5
Newstart Allowance	52.9	4
Other Centrelink Payments	432.4	32.7
Other	128.09	9.7
Total	1,322	100
Expenditure	\$/fortnight	Per cent
Housing	601.87	48.5
Food	224.2	18.1
Transport	128.16	10.3
Utilities	68.5	5.5
Communication	57.83	4.7
Health	44.5	3.6
Household and personal expenditure	31.48	2.5
Education	26.35	2.1
Alcohol and tobacco	25.62	2.1
Recreation	19.85	1.6
Clothing	12.15	1
Total	1240.51	100
Debt	\$/fortnight	Per cent
Centrelink advance	23.21	6.9
Credit card	49.69	15.5
Personal loan	60.35	26.7
Other	142.04	50.8
Total	275.29	100
Fortnightly surplus/deficit	\$/fortnight	
Total	-193.67	

Wages vs Centrelink

Those who sought financial counselling assistance that only received wages were spending an average of \$234 over their fortnightly income, while those whose income consisted entirely of or was being supplemented by some sort of income support were \$99 closer to breaking even.

WA Financial Counselling Data – Wages vs Centrelink				
Income	Wages-Only		Newstart & Centrelink	
	\$/fortnight	Per cent	\$/fortnight	Per cent
Wages	1,702.50	91.6	208.61	18.6
Family Tax Benefit	38.49	2.1	84.48	7.5
Newstart Allowance	-	-	81.50	7.3
Other Centrelink Payments	-	-	666.20	59.3
Other	117.46	6.3	82.19	7.3
Total	1,858.45	100	1,123	100
Expenditure	\$/fortnight		\$/fortnight	Per cent
Housing	806	50.9	502	46.3
Food	239	15.1	220	20.2
Transport	178	11.2	107	9.8
Utilities	71	4.5	69	6.3
Communication	75	4.8	50	4.6
Health	63	4.0	37	3.4
Household and personal expenditure	50	3.2	22	2.1
Education	32	2.0	25	2.3
Alcohol and tobacco	25	1.6	26	2.4
Recreation	31	2.0	15	1.4
Clothing	13	0.8	12	1.1
Total	1,583	100	1,085	100
Debt	\$/fortnight		\$/fortnight	Per cent
Centrelink advance	4	0.8	33	19.0
Credit card	106	20.9	26	14.8
Personal loan	136	26.7	24	14.0
Other	263	51.6	90	52.1
Total	509	100	173	100
Fortnightly surplus/deficit	\$/fortnight		\$/fortnight	
Total	-234		-135	

Those on income support spent proportionately less across all categories, notably in housing, health, transport and recreation. The difference in housing costs is likely the result of those only earning wages with mortgages (see discussion *Renters vs Mortgagees*), rather than an indication that there was a range of more affordable rental options open to the income support recipients.

Expenditure on utilities, food, alcohol and tobacco, and clothing and footwear were relatively consistent across those only earning wages and those receiving income support. While this is to be expected in relation to utility expenditure, the latter three are generally considered to be areas open to more discretionary spending. This may suggest a limit to what discretion, on average, households are able to exercise.

Those only earning wages had a significantly higher debt burden than those receiving income support. This is likely to be the result of those on income support having fewer financial lending options that are open to them.

Renters vs Mortgagees

Unsurprisingly, on average the income of those who reported having a mortgage was higher than those renting. The expenditure of the mortgagees is similarly higher. They were on average \$302.84 more in deficit than those who were renting and did not have a mortgage.

WA Financial Counselling Data – Renters vs Mortgagees				
	Renters-Only		Mortgagees-Only	
Income	\$/fortnight	Per cent	\$/fortnight	Per cent
Wages	440.55	36.8	1043.69	63.69
Family Tax Benefit	67.18	5.6	88.36	5.4
Newstart Allowance	69.50	5.8	30.52	1.9
Other Centrelink Payments	522.10	43.6	280.62	17.1
Other	99.01	8.3	195.48	11.9
Total	1,198.34	100	1,638.67	100
Expenditure	\$/fortnight		\$/fortnight	Per cent
Housing	470.44	44.2	915.26	55.2
Food	217.79	20.5	248.21	15.0
Transport	110.89	10.4	164.60	9.9
Utilities	67.87	6.4	71.13	4.3
Communication	54.19	5.1	68.03	4.1
Health	37.23	3.5	58.79	3.5
Household and personal expenditure	28.29	2.7	38.37	2.3
Education	21.77	2.0	33.36	2.0
Alcohol and tobacco	27.64	2.6	22.71	1.4
Recreation	16.36	1.5	25.49	1.5
Clothing	11.40	1.1	11.71	0.7
Total	1063.87	100	1657.64	100
Debt	\$/fortnight		\$/fortnight	Per cent
Centrelink advance	32.51	14.4	7.97	2.1
Credit card	28.84	12.8	86.91	23.2
Personal loan	44.65	19.8	94.96	25.35
Other	119.16	52.92	184.72	49.3
Total	225.17	100	374.57	100
Fortnightly surplus/deficit	\$/fortnight		\$/fortnight	
Total	-90.70		-393.54	

The renters and mortgagees are spending 44.2 per cent and 55.2 per cent of their incomes respectively solely on housing costs. The ABS use a common measure of rental and mortgage stress to analyse the proportion of lower income households paying more than 30 per cent of their income on housing costs.¹¹ This measure clearly places both the renters and mortgagees in significant housing stress.

¹¹ Australian Bureau of Statistics (2017) 4130.0 – Housing Occupancy and Costs, 2015-16

Debt Burden

Debt here is distinguished between credit cards, personal and vehicle loans, and other debt which includes fines.

Fortnightly Debt Burden								
	Credit Card	% of Total Debt	Personal Loan	% of Total Debt	Vehicle Loan	% of Total Debt	Other Debt	% of Total Debt
Average	\$49.69	18.0	\$60.35	21.9	\$62.63	22.8	\$67.48	24.5
Wages only	\$106.24	20.85	\$136.18	26.73	\$120.61	23.67	\$127.63	25.05
Mortgage only	\$86.91	23.20	\$94.96	25.35	\$76.40	20.40	\$94.60	25.25
Renters only	\$28.84	12.81	\$44.65	19.83	\$53.60	23.80	\$53.95	23.96
Centrelink and NSA	\$25.67	14.82	\$24.21	13.98	\$39.62	22.88	\$40.42	23.34

Those households who saw the financial councillors in Budget week with wages only income have higher levels of debt to those with Centrelink only income (\$510 per fortnight vs \$173 per fortnight) with their sources of debt spread more or less evenly across credit cards (21 per cent) personal loans (27 per cent) vehicle loan (24 per cent) and other debt (25 per cent). By comparison, those with Centrelink income only generally have less credit card (15 per cent) and personal loan (14 per cent) debt, and higher levels of vehicle loan (23 per cent) and other (23 per cent) debt.

Lower-income household may turn to payday loans and other fringe financial lending to help resolve short-term financial problems, only to result in increasing levels of longer term financial stress. These households are least able to secure standard lower-interest rate loans and are to some degree 'forced' into borrowing funds from questionable short-term lenders to deal with immediate financial crises, exacerbating their financial hardship. Households pursuing this type of credit simply to resolve other debts and cover everyday expenses pay a significant premium for access to instant-cash and may be vulnerable to misleading and predatory lending practices that can lead to further spiralling debt.¹² These households are also more susceptible to being burdened with non-mortgage debts accumulated through traffic fines, court fines, rent and bills, Centrelink debt and more.

¹² [SACOSS Consumer Credit Legal Service Scoping Study](#)

Financial Counselling Data vs the Household Expenditure Survey

WACOSS and the Bankwest Curtin Economics Centre¹³ have also benchmarked the results against the household expenditure patterns captured by the *2016 ABS Household Expenditure Survey*. This is the first time that this type of analysis has been undertaken, and the results are quite dramatic.

Percentage of Expenditure – HES 2015/16										
	All	Mortgagees & Renters	Lowest quintile*	Highest quintile	Perth	Rest of WA	Low economic resource	FS 0	FS 1	FS 4
Housing	26.0	35.9	41.2	33.2	37.3	31.0	39.1	33.0	33.6	39.9
Food	18.0	15.2	17.1	13.1	15.1	15.8	17.3	15.5	17.0	16.3
Transport	10.0	8.9	6.2	10.0	9.1	8.2	7.5	12.1	10.5	9.6
Utilities	4.0	3.3	5.0	2.2	3.2	3.7	4.3	2.8	3.7	5.8
Recreation	11.0	8.9	6.1	11.3	8.3	10.7	6.1	9.0	7.2	1.9
Health	6.0	4.5	3.4	4.7	4.5	4.5	3.6	4.1	3.8	2.5
Communication	4.0	3.4	4.1	2.7	3.3	3.8	4.0	3.2	3.9	4.4
Education	2.0	2.0	0.6	3.5	2.1	1.5	1.3	2.2	1.8	1.2
Clothing and footwear	2.0	2.0	1.4	2.3	2.0	2.1	2.1	2.5	2.5	2.1

Percentage of Expenditure – FINANCIAL COUNSELLING DATA								
	All	Low income	Wages-only	Centrelink and NSA	Rent only	Mortgage only	Perth	Region
Housing	48.5	48.2	50.9	46.3	44.2	55.2	49.3	46.7
Food	18.1	19.3	15.1	20.2	20.5	15	17.4	18.9
Transport	10.3	10.4	11.2	9.8	10.4	9.9	10.5	10.4
Utilities	5.5	6.3	4.5	6.3	6.4	4.3	5	7.1
Communication	4.7	4.8	7.6	4.6	5.1	4.1	4.4	4.8
Health	3.6	3.4	6.4	3.4	3.5	3.5	4.2	3.3
Education	2.1	1.4	2	2.3	2	2	3.2	1.5
Recreation	1.6	1.2	2	1.4	1.5	1.5	1.3	2
Clothing and footwear	1	1	0.8	1.1	1.1	0.7	0.6	1.3

Note: * Adjusted by excluding the lowest two percentiles. Financial stress marker indicators refer to 0 (none), 1 (one) and 4 (four or more) markers of financial stress. NSA refers to Newstart Allowance.

¹³ See also Bankwest Curtin Economics Centre (2017) *The Price is Right? An examination of the Costs of Living in Western Australia*

Housing stands out as the single largest living cost for WA households in the HES data, with rent on average making up around 26 per cent of weekly expenditure for all households in the 2016 Household Expenditure Survey, ahead food (18 per cent), transport (10 per cent) and recreation (11 per cent).

However, the financial counselling data clearly shows that those who sought assistance for financial hardship have *significantly* higher housing costs as a proportion of weekly expenditure - on average 48.5 per cent of all their spending – close to double that of an ‘average’ household in the HES.

Note that we need to be wary of averages in interpreting the HES data, as it provides an average of housing costs across *all* households – including those who own their own home. When we dig deeper into the data to include only those households who are renting or have a recent (post 2009) and more substantial mortgage, we see their housing costs are somewhat higher (36 per cent) – but still much lower than those in financial hardship.

This still holds true when we look at the most vulnerable groups in the HES data – those in the lowest quintile (41 per cent), those tagged as ‘low resource households’ (with low income and low wealth) 39.1 per cent and those with one indicator (34 per cent) or more than four indicators (40 per cent) of financial stress. Those in financial hardship are spending at least a fifth more on their housing costs – and being forced to cut back in other areas.

As the single largest living cost for WA households, housing is also the biggest contributor to financial hardship. It is interesting to note that those households in financial hardship whose income is derived solely from wages are spending the most on housing - more than half (50.9 per cent, or an average of \$806.20 per week) of their disposable income. By comparison, those reliant on Centrelink income support payments such as Newstart Allowance are spending a comparatively lower proportion on housing (46.3 per cent or \$501.96 per week). This is still much higher than that spent by the lowest quartile income group (corrected) in the HES (41 per cent), the low resource group (39 per cent) and the group with four or more indicators of financial stress (40 per cent).

We see a similar pattern of differences in housing costs across metropolitan and regional households – with average households in Perth spending 37 per cent of income on housing costs compared to average regional households spending only 31 per cent, while Perth households in financial hardship are spending 49 per cent on housing and regional households in hardship 47 per cent.

Comparison between those households in financial hardship who have a mortgage and those only paying rent strongly suggests that the size of their mortgage is likely to be the reason the former group are in financial trouble, given they are spending well over half (55.2 per cent) of their weekly budget on housing alone (as opposed to 44.2 per cent for those in financial hardship who are renting). For some households this may be an indication that their circumstances have changed, a loss of employment and a reduction of income may have placed them in circumstances where they are struggling to keep hold of their home and could be forced to sell it if their circumstances do not improve or if interest rates rise.

While expenditure on food is the second largest ongoing weekly commitment for all household types, the patterns of expenditure on food between average households and those in financial hardship do not vary that significantly. Those on lower incomes spend a slightly higher proportion but a comparable amount per week – reflecting that a certain unavoidable level of expenditure on food is essential for daily life.

By comparison, rates of expenditure on utilities are slightly higher for households in financial hardship (5.5 per cent versus 4 per cent for an average household). Those in financial hardship on the lowest incomes and reliant on income support payments spend proportionately more (both 6.3 per cent), than the most vulnerable groups identified in HES (lowest quintile 5 per cent, low resource 4.3 per cent, those with four or more indicators of financial stress 3.7 per cent) This suggests that higher utility costs may contribute to financial hardship overall, but nowhere near the extent that housing costs do. Utility hardship might be best thought of as a symptom of financial hardship rather than a cause – the bills are infrequent and unpredictable and one of the first things to be put to the side when there simply isn't enough to go around.

In contrast, expenditure on potentially avoidable items that relate more directly to the quality of life is significantly lower in households in financial hardship – recreation accounts for 11 per cent of spending for the average household, but is only around 1.6 per cent of spending for those in trouble. Health spending for those in hardship is just 3.6 per cent, compared to 6 per cent for the average household. Spending on education, communication and personal care are also cut back in an effort to make ends meet.

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 or the quality of their food and nutrition. This leads to higher rates of chronic disease, greater demands on our hospitals and tertiary care systems, reduced productivity and life expectancy.

CASE STUDY: Francesca Hypothetical

Francesca is a young single mother caring for 2 young children and lives in public housing. She is unable to work due to her parenting commitments, consequently she receives single parenting payments from Centrelink.

Francesca has coped with the financial stress of living off the parenting payment and a few retail shifts, but has experienced a series of bill shocks such as her children's medical bills and increased power bills. It is difficult for Francesca to maintain stable, regular employment as a sole parent with frequently unwell children, especially with the high costs of childcare.

Her credit card debts have continually grown and bills frequently become overdue despite budgeting and restricting her expenditure.

She is unable to afford to send her children on school excursions, take them to the movies or join the local sports clubs, contributing to a sense of social isolation as a result.

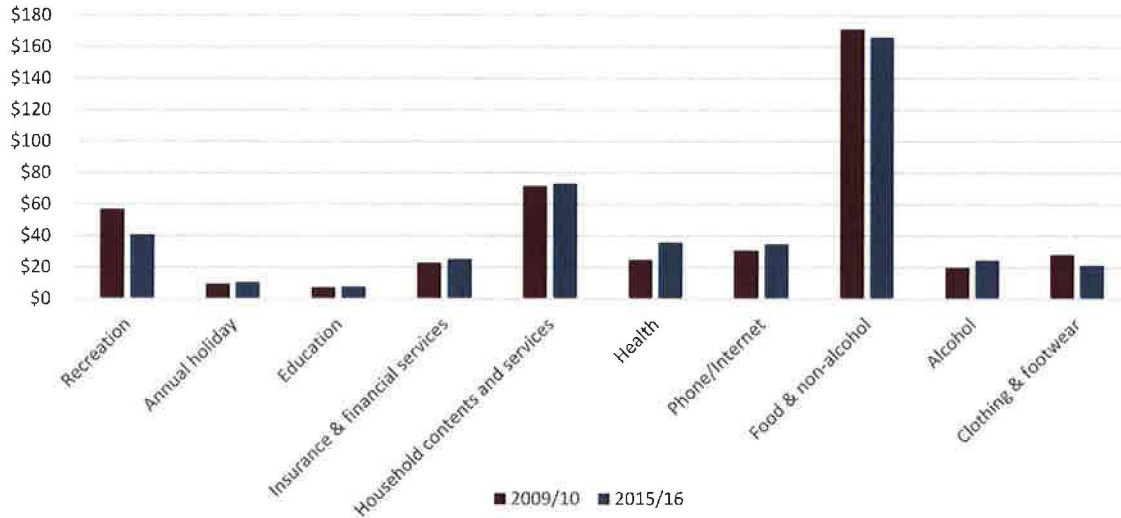


Discussion and Analysis

Income and Expenditure

Shifting to a new baseline using the 2015/16 *Household Expenditure Survey Data* has shown a decrease in expenditure in a number of the key relevant areas of our model households. Food and non-alcohol, clothing and footwear, and recreation have all seen decreases, with health, phone/internet and alcohol areas in which there was the largest increases.

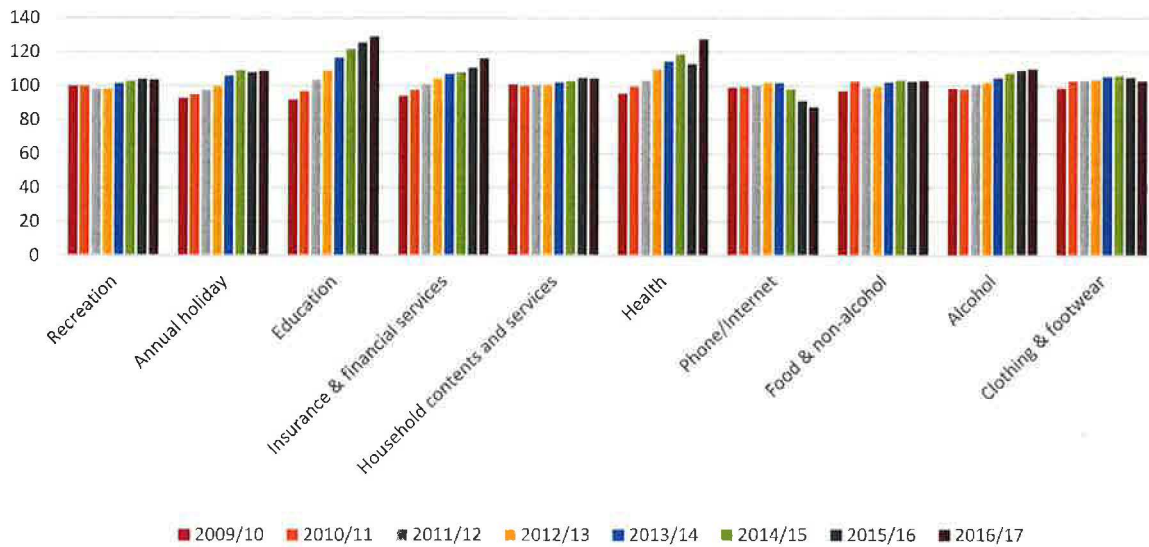
Figure 7: HES 2009/10 vs 2015/16



Source: ABS 6530.0

Interestingly, these decreases are not associated with any significant price decreases, as seen from the Perth CPI data below. The choice to reduce the level of consumption of these goods and services is clearly the result of households cutting expenditure in those areas to meet rising costs elsewhere.

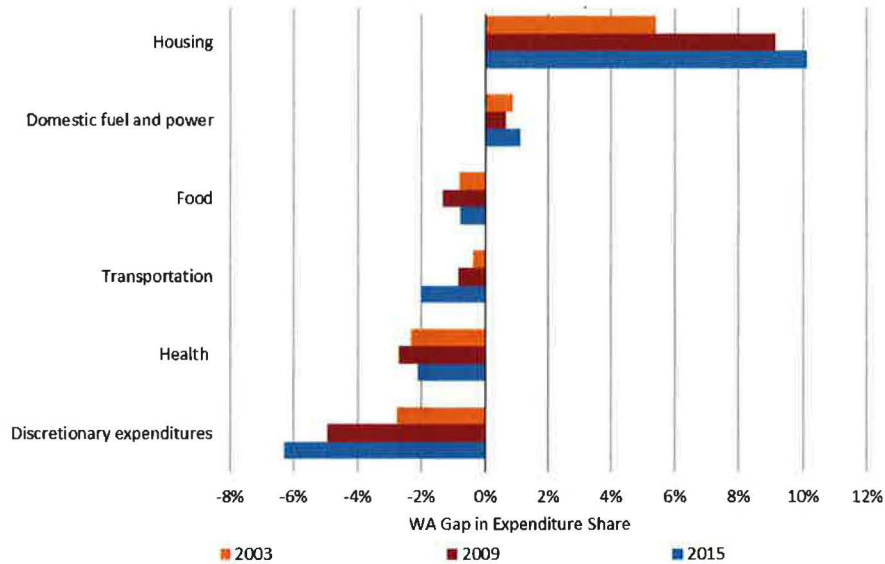
Figure 8: Perth CPI Index



Source: ABS 6401.0

The graph below demonstrates that those in financial stress are increasingly spending more on housing and utilities than the average Western Australian household, forcing them to cut their spending in more discretionary areas.

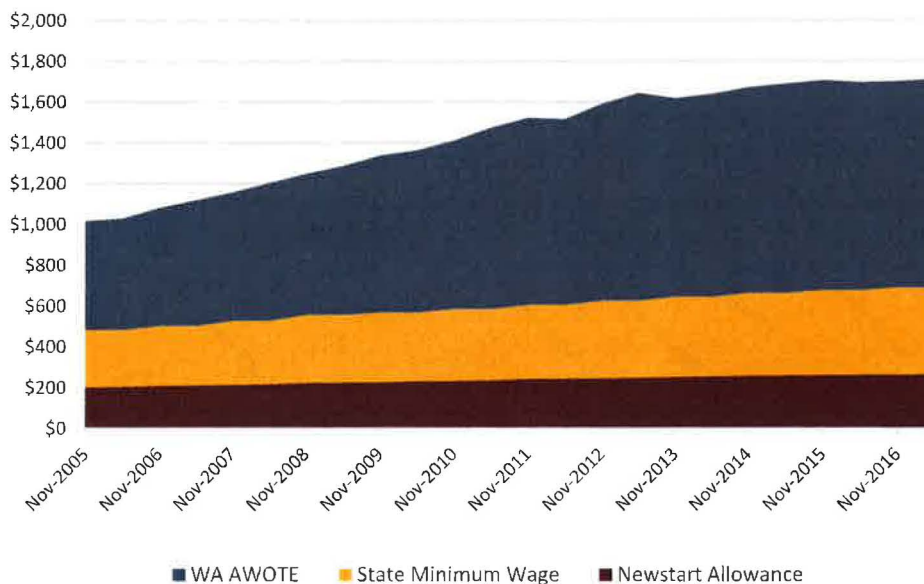
Figure 9: WA Gap in Expenditure Shares, Households with Financial Stress Measures, Relative to Average WA Household, 2003-2015



Source: Bankwest Curtin Economic Centre | Authors' estimates based on ABS Household Expenditure survey, 2003-04, 2009-10 and 2015-16

This is the undoubtable consequence of the fact that people on the lowest incomes simply do not have enough money. The buying power of those on Newstart Allowance or the minimum wage remains low. The State Minimum Wage makes up little over 40 per cent of the average weekly earnings in WA, while Newstart is just 15.6 per cent.

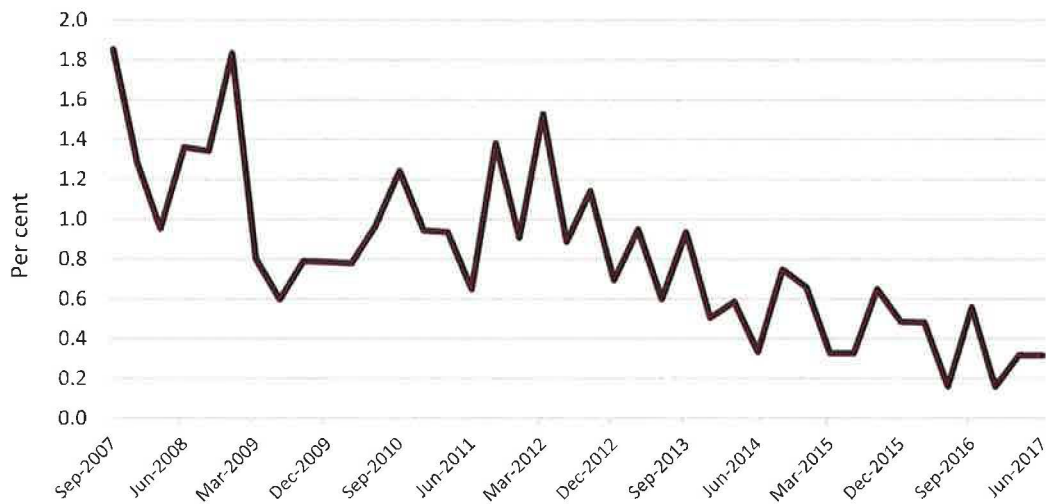
Figure 10: WA AWOTE, Minimum Wage and NSA



Source: ABS 6302.0, WA Department of Commerce, Australian Department of Human Services

This is despite the fact that wage growth as a whole in WA has continued to remain comparatively low, with most economists predicting that it is likely to remain so for the foreseeable future.

Figure 11: Quarterly percentage change in WA Wage Price Index

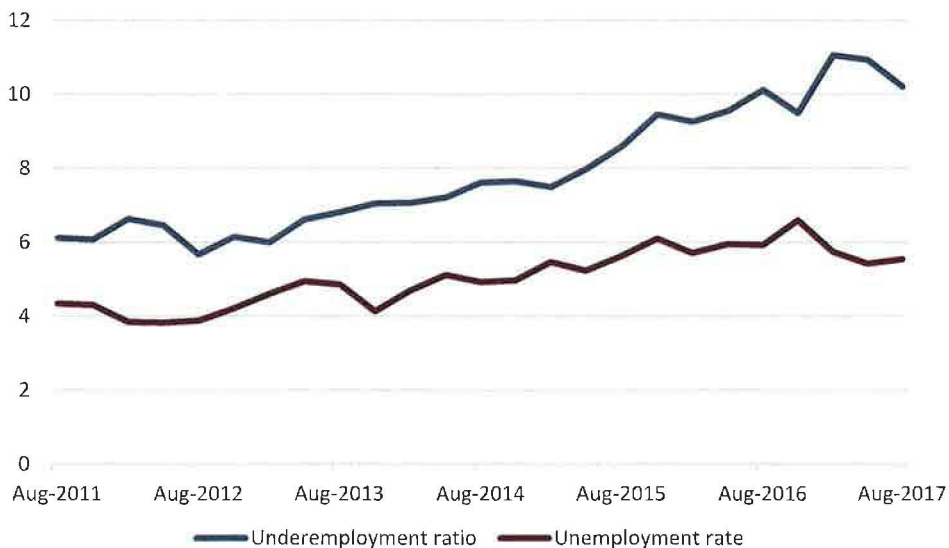


Source: ABS 6345.0

Employment

While our model households demonstrate improvements in living standards for those with access to secure employment, the reality is that many Western Australians are struggling to secure a job, particularly one that provides enough hours of work to deliver sufficient income.

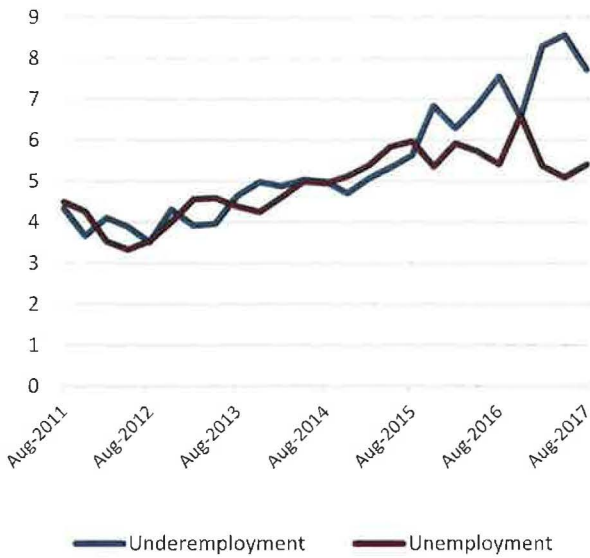
Figure 12: WA Underemployment vs Unemployment (Seasonally adjusted)



Source: ABS 6202.0 Table 23

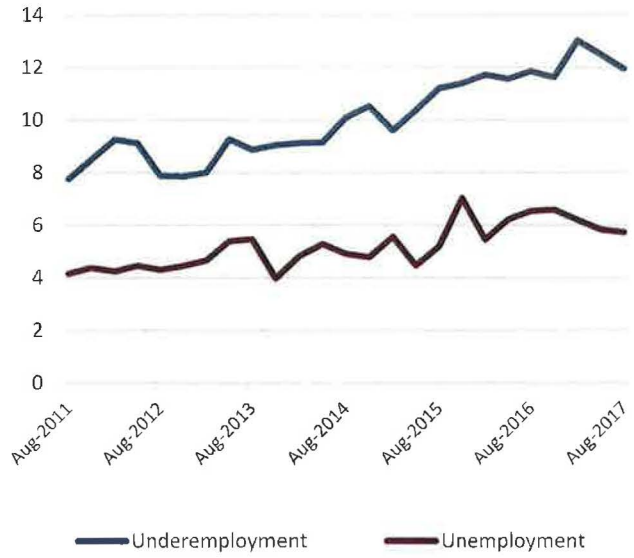
Underemployment continues to be significantly higher for women, with a current underemployment ratio of 11.9, while the male ratio is 7.7. The male underemployment rate is down from 8.6 in May 2017, but a third of that decrease can be accounted for in the increase in male unemployment over the same period. The unemployment rate for women is slightly better at 5.7.

Figure 13: WA Male Underemployment vs Unemployment



Source: ABS 6202.0 Table 23

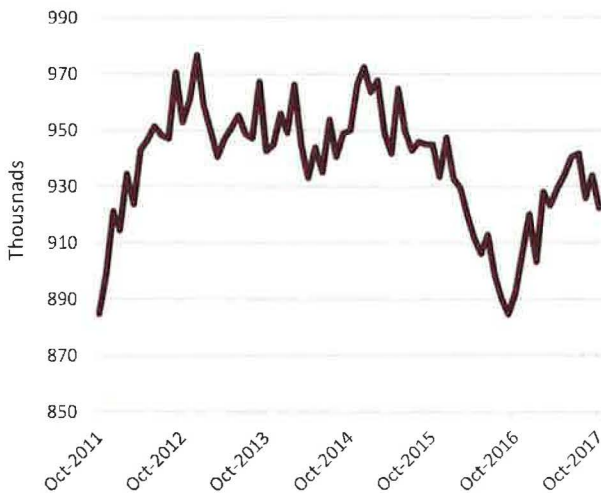
Figure 14: WA Female Underemployment vs Unemployment



Source: ABS 6202.0 Table 23

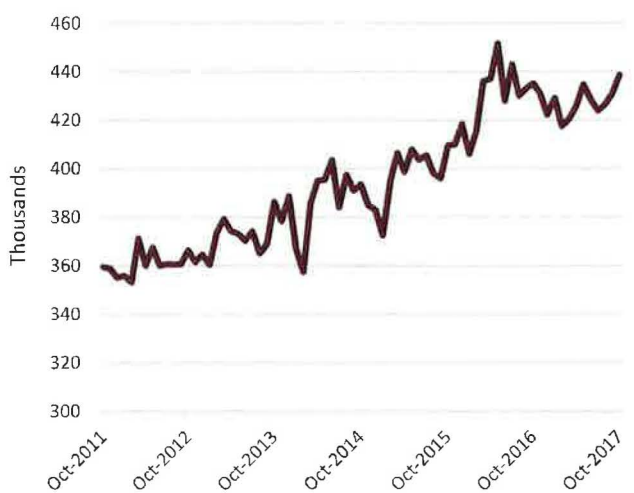
The decrease in unemployment appears to mostly be the result of an increase in the numbers of people now in part-time employment, with full-time employment having bounced back somewhat from the freefall of 2016, but showing signs of decline once again. The number of people in full-time employment remains considerable lower than in 2012 to 2015.

Figure 15: WA Full-Time Employment



Source: ABS 6202.0 Table 8

Figure 16: WA Part-Time Employment



Source: ABS 6202.0 Table 8

Rental Affordability

It is estimated that there are around 59,000 Western Australians unable to afford market housing and a further 73,000 requiring rent assistance to alleviate a position of rental stress.¹⁴ As of the end of 2016/17, there are 16,516 households on the public housing waitlist, with 1,590 on the priority waitlist.¹⁵ On average, applicants waited 139 weeks to be housed (or around 2.7 years).

While our hypothetical model households have seen a decline in the rent that they pay, it is important to recognise that the median rental price is a measure of the amount paid for *new* rental contracts rather than ongoing ones. Many lower income earners are not in a position to negotiate their rent down, due to a lack of experience and confidence or as a result of their precarious financial situation. They report being fearful of indicating to their landlord they may have trouble paying the rent in the future as they might be perceived as a 'risky' tenant. Further, as many are unable to find other affordable rental options within their local community, the lack of feasible alternative accommodation nearby deprives them of a negotiating position.

The discrepancy between median rents and the lived experience of those on low incomes is what makes research such as the annual *Anglicare Rental Affordability Snapshot* so valuable. This report 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.

The *2017 WA Rental Affordability Snapshot* found that a couple with two children in the Perth metropolitan area, where *both* parents were receiving the minimum wage and Family Tax Benefit Part A, were able to find 5,817 affordable and appropriate rental properties, which accounted to 46.8 per cent of those being advertised.¹⁶

That number more than halves as soon as *only one* of the parents has access to the minimum wage, down to only 2,244 affordable and appropriate properties or only 18 per cent of those advertised.

For a single parent of two children on the minimum wage and receiving Family Tax Benefit Part A and B, their options are even fewer, with only 764 properties affordable and appropriate or *only 6.1 per cent* of those advertised. A single on the minimum wage earner would only be able to find 124 or *just 1 per cent* of rental properties advertised that were affordable and appropriate, which included boarding houses or renting a room in a share house. A single on Newstart is even worse off, being unable to find any properties at all that are appropriate or affordable.

¹⁴ S Rowley, C Leishman, E Baker, R Bentley, and L Lester (2017) 'Modelling housing need in Australia to 2025' *Australian Housing and Urban Research Institute, AHURI Final Report 287*

¹⁵ Housing Authority (2017) *Annual Report 2016-17*, p 53

¹⁶ Anglicare (2017) *WA Rental Affordability Snapshot*

Greater Metropolitan Perth WA

Household Type	Payment Type	Number Affordable & Appropriate	Percentage Affordable & Appropriate
Couple, two children (one aged less than 5, one aged less than 10)	Minimum Wage + FTB A (both adults)	5817	46.8
Couple, two children (one aged less than 5, one aged less than 10)	Minimum Wage + Parenting payment (partnered) + FTB A & B	2244	18.0
Couple, two children (one aged less than 5, one aged less than 10)	Newstart Allowance (both adults)	55	0.4
Single, two children (one aged less than 5, one aged less than 10)	Minimum Wage + FTB A & B	764	6.1
Single, two children (one aged less than 5, one aged less than 10)	Parenting Payment Single	11	0.1
Single	Minimum Wage	124	1.0
Single	Newstart Allowance	0	0
Single in share house	Youth Allowance	0	0
Couple, no children	Age Pension	257	2.1
Single	Age Pension	83	0.7
Total No of Properties	12,437		

Source: Anglicare (2017) *WA Rental Affordability Snapshot*

Singles and those relying on income support clearly have little or no options available to them when looking to rent. For a single on the age pension, who we know are significantly more likely to be women, they find themselves able to find 67 per cent fewer properties than would a couple.

These statistics are of concern to the Council. While there has been a clear reduction in the *median* rental price, those on the lowest incomes are still facing very significant challenges in the rental market. As a result, they are either renting places that are inappropriate for their life circumstances, or that consume a significantly higher percentage of their income than is in line with agreed community standards.

Home Ownership and Poverty in Age

The addition of the Age Pensioner household models to this year's Cost of Living research has allowed us for the first time to evaluate the comparative impact of changing cost of living pressures on low-income households in retirement. The difference in the disposable income after housing costs between an aged couple who own their own home and those still reliant on the rental market are dramatic.

The renting couple are spending close to 40 per cent of their weekly income on rent alone, with the additional \$61.70 from rent assistance making little dent in the \$289 per week they are paying for rent – assuming they secured a unit at 85 per cent of the median rental price.

This means they have only \$12.70 left over once they have met their essential living costs to meet any unexpected costs, providing very little of a buffer against financial hardship. Unexpected medical costs, repairs or replacement of broken appliances are likely to be beyond their reach. In practice they will have to be going without on a regular basis to make ends meet.

In contrast, the age pensioner couple who own their own home have \$182.88 left over after covering their essential living costs per week. This includes owning and maintaining a small car - which the renting couple do not have and simply cannot afford. Of all our model households (including the working family with one parent working full-time and the other part-time on the minimum wage) they are the most financially secure – provided their circumstances do not change through separation or bereavement.

This research shows very clearly the significant difference between the quality of life and risk of poverty of ageing Australians who do not have substantial superannuation investments. Quite simply, the adequacy of the Age Pension relies entirely on home ownership, and those who do not own their own home on retirement are extremely likely to be living in poverty in age.

Currently approximately 79% of households own their own home at retirement, but economic modelling based on current ownership trends and population ageing suggest this will decline to 76% by 2021 and 73% by 2013.¹⁷

However, analysis of home ownership rates among seniors shows very clearly that home ownership rates on retirement are declining. For instance, the recent report *No place like home: The impact of declining home ownership on retirement*, raises concern about declining rates of home ownership in those approaching retirement age. The report concludes that “there is a clear link between deteriorating housing affordability and the adequacy of Australia’s current retirement income system.”¹⁸

ABS Census data indicates that the proportion of people aged 55-64 who own their own home but are still paying off their mortgage, increased by 22.9 percentage points between 1995-96 and 2013-14 – meaning the number of homeowners with outstanding mortgage debt approaching retirement nearly tripled between the last two censuses. At the same time, the proportion of households

¹⁷ *Australian demographic trends and their implications for housing subsidies*. Cigdem, Wood & Ong (2015) AHURI position paper No 164.

¹⁸ Saul Eslake (2017) *No place like home: The impact of declining home ownership on retirement*, Australian Institute of Superannuation Trustees

between 55-64 who are still renting increased by 8 percentage points, and the proportion of them who are renting more affordable and secure public housing has declined from over 60 per cent to less than 40 per cent. This means we can expect both an increasing number of retirees to cash out their super on retirement to pay out their mortgages (being more dependent on the aged pension than assumed) and an increasing number living in private rental, spending a rising proportion of their income on rent and at high risk of poverty and financial hardship in age.

Figure 17: Percentage of dwellings owned outright by age

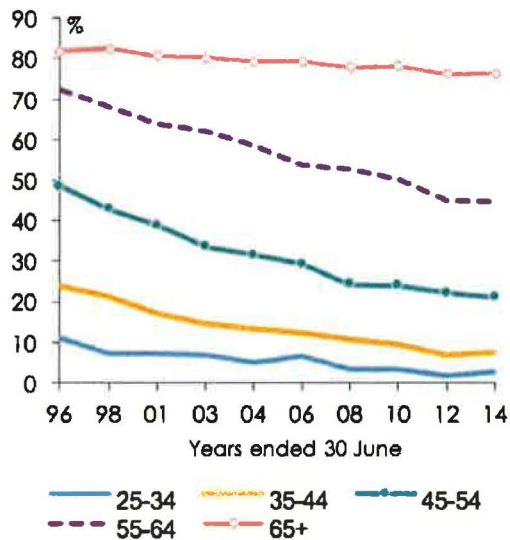


Figure 18: Percentage of dwellings with a mortgage by age

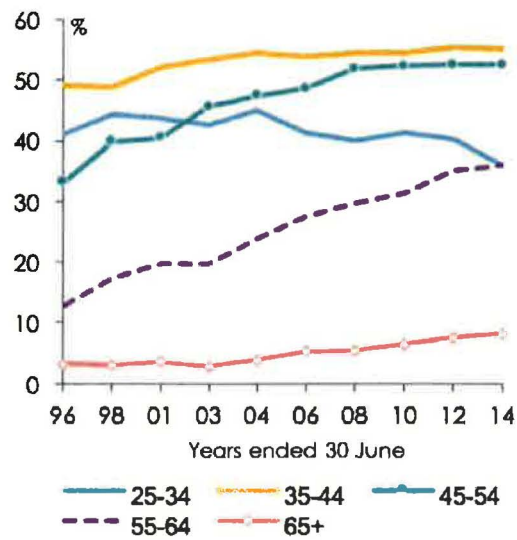


Figure 19: Percentage of home ownership by age

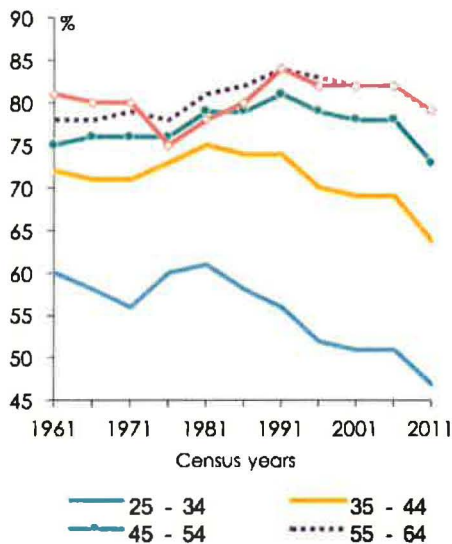
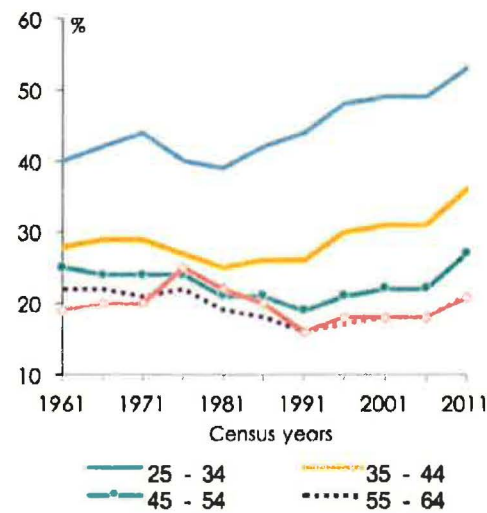


Figure 20: Percentage of households renting by age



Source: Eslake (2017) based on ABS Census data 4130.0

We know that our population is ageing, the proportion of those of working age compared to those in retirement is declining, and the proportion of our community aged over 85 years is increasing dramatically. This is not necessarily a bad thing, as with age comes wisdom, and retirement from work can open out many more opportunities to contribute to community life. However, the current

trends around housing affordability, home ownership on retirement, and the adequacy of superannuation savings, highlight significant risks of an increasing proportion of our community facing poverty in age.

A recent report on *Ageing and Homelessness* from Mission Australia highlighted the rising number of older Australians at risk of homelessness or seeking support from homeless services. Access to secure and affordable housing and the cost of private rental are critical factors, particularly for single older women, Aboriginal people and those escaping family violence.

We need to think carefully about how best to respond to this growing problem, and advocate for policies and programs that ensure equity and inclusion for those who have contributed throughout their lives to our society and economy and have a right to expect a modest but decent living in their later years.

Governments need to retreat from policies that inflate demand for housing (such as first home buyer schemes, and favourable tax treatment of income from investment housing) and seek instead to adopt policies that increase housing supply. Encouraging retirees to tap into their super to buy a home is likely to put upward pressure on housing prices, reduce retirement savings and increase reliance on the aged pension, while also reducing Commonwealth tax revenue.

Utilities

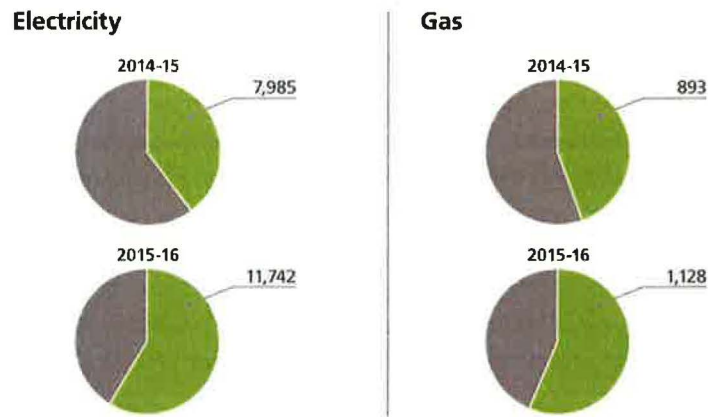
Difficulties in paying utility bills provide significant insight into the financial state of low-income households in our community.

For households doing it tough, a utility bill can represent the choice between paying their rent and buying food, or keeping the lights on, the fridge running and being able to heat or cool their home. As a result, low-income earners may be forced to forsake services, such as water or electricity, which are essential to maintaining a reasonable standard of living in order to feed themselves, or to keep a roof over their head.

2015-16 saw a significant increase in electricity and gas customers seeking assistance from their energy retailer, and a rise in direct debit terminations due to default. In electricity, 11 per cent or more than one in ten residential customers were granted more time to pay a bill (payment extension), up from 8.7 per cent in 2014-15, with the proportion of residential electricity customers on instalment plans reaching a six-year peak in 2015-16 at 4.7 per cent or nearly one in five.

Retailers are required to keep records of the number of direct debit plans they have terminated as a result of default (that is, non-payment in two or more successive payment periods). As can be seen below, the last financial year saw a sizeable increase in the number of direct debit cancellations due to non-payment.

Figure 21: Residential direct debit cancellations



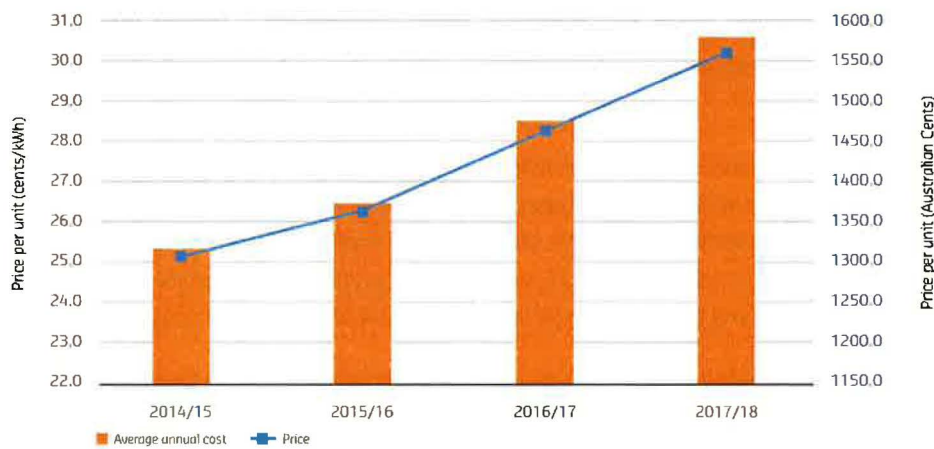
Source: Economic Regulation Authority (2017) *Snapshot of the small use energy market in WA*

In their annual performance report of energy retailers, the Economic Regulation Authority directly quoted Synergy as explaining:

*2015-16 was a difficult year for residential customers, with increasing demands on their disposable income due to a decline in economic conditions.*¹⁹

The pressure on living costs from energy prices is not expected to decrease. Forecasts show continued steep rises in electricity prices over the next year.

Figure 22: Projected trends in residential electricity prices and annual costs in WA²⁰



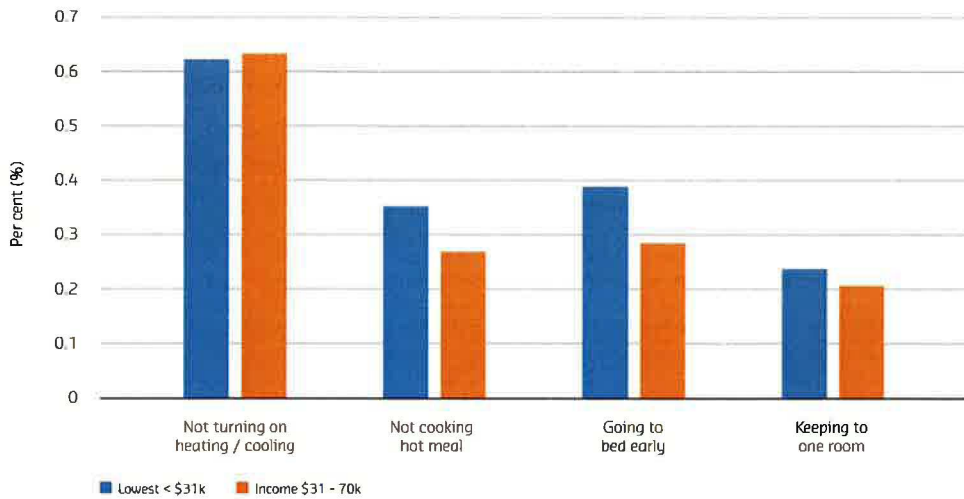
Source: AEMC, 2015

The 2016 BCEC Energy Poverty survey found that a number of low-income households were resorting to different measures in order to reduce their power bills.

¹⁹ Economic Regulation Authority (2017) *2016 Annual Performance Report – Energy Retailers*, p. 9

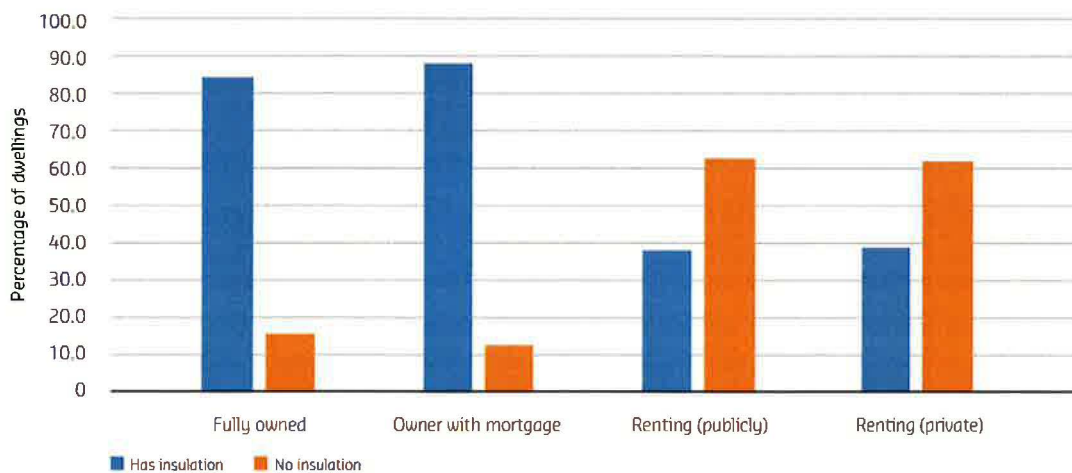
²⁰ Bankwest Curtin Economics Centre (2016) *Energy Poverty in Western Australia: A Comparative Analysis of Drivers and Effects*. BCEC Research Report No. 2/16

Figure 23: Proportion of low income households reporting use of cost cutting measures²¹



The report found that rental households were dramatically less likely to be insulated, meaning that those on low incomes were more likely to be using more power to regulate the temperature in their dwelling.

Figure 24: Percentage of dwellings with insulation in Perth 2009/10 (per cent)²²



Source: ABS, Cat. No. 4656-5

The Hardship Utility Grant Scheme (HUGS) provides financial assistance to those in financial hardship in order to pay their utility bills. An average of 109 people a day applied for HUGS over the last financial year, with approximately 27,000 Synergy customers making applications to HUGS in 2016/17.

As those households on average or better wages who own their own home are increasingly investing in solar energy and battery storage systems to reduce their electricity costs, fixed and network charges will continue to rise to maintain network profitability, resulting in an increased impost on

²¹ Ibid.

²² Ibid.

those on lower incomes and in rental properties who have neither the means nor the choice to invest in photovoltaics, insulation or efficient new appliances.

A recent report *Heatwaves, homes and health: Why household vulnerability to extreme heat is an electricity policy issue* by the Centre for Urban Research at RMIT highlights the significant risk posed to vulnerable households by the increasing prevalence of extreme heat, particularly in our tropical northerly climactic regions. It raises concerns about policy initiatives in the National Electricity Market (which does not include WA or NT) that aim to reduce peak electricity demand via 'price signals' which would make energy significantly more expensive during heatwaves, indicating significant risks to the health and well-being of vulnerable population groups (including seniors, infants and those with medical conditions such as thermo-regulatory dysfunction).

Research currently being conducted by Bankwest Curtin Economic Centre, WACOSS and Horizon Power²³ analyses the responses of vulnerable households to proposed electricity tariff structures ('power plans' with a peak consumption rate allowance, similar to mobile phone contracts) designed to encourage reduced peak consumption. The product links smart meter data to a mobile phone app to send an alert to consumers when they are approaching their peak consumption rate allowance, prompting them to reduce consumption or risk losing a financial reward. The trials suggested that, while the majority of consumers including vulnerable consumers could benefit from this approach, there was a third of vulnerable customers who struggled to maintain reduced consumption and would be financially worse off. It also highlighted increased anxiety among some vulnerable consumers, and the risk that some may suffer excessive discomfort in an effort to stay within their peak allowance, potentially putting their health and well-being at risk.

In both examples discussed above it is clearly important to balance the desire to reduce peak electricity consumption rates (to avoid the need for additional generation capacity and reduce the overall cost of electricity), against the essential service it delivers to maintain the health and well-being of vulnerable consumers in the face of climactic extremes. Households living in poor quality housing with inefficient appliances have limited capacity to reduce their exposure to extreme heat, and older households may underestimate their vulnerability to adverse health outcomes. It is likely that there is sufficient scope to achieve the desired electricity policy outcome of reducing peak consumption using pricing mechanisms if the majority of consumers are included and engaged, but vulnerable and concessional households are excluded from adverse affordability impacts. Medical cooling concessional arrangements currently do not adequately address the health and financial risks for those reliant on air conditioning, and this situation will be exacerbated as our population ages and the number of extreme weather events continues to increase. Local communities should also consider initiatives to make available cool public places as 'heat refuges' where vulnerable citizens can congregate and achieve some relief (such as public libraries or public spaces in shopping malls).

²³ Tom Houghton & Chris Twomey (2017) *Power plans for electricity: The impact of tariff structure changes on energy vulnerable households*. BCEC. (in press)

Food

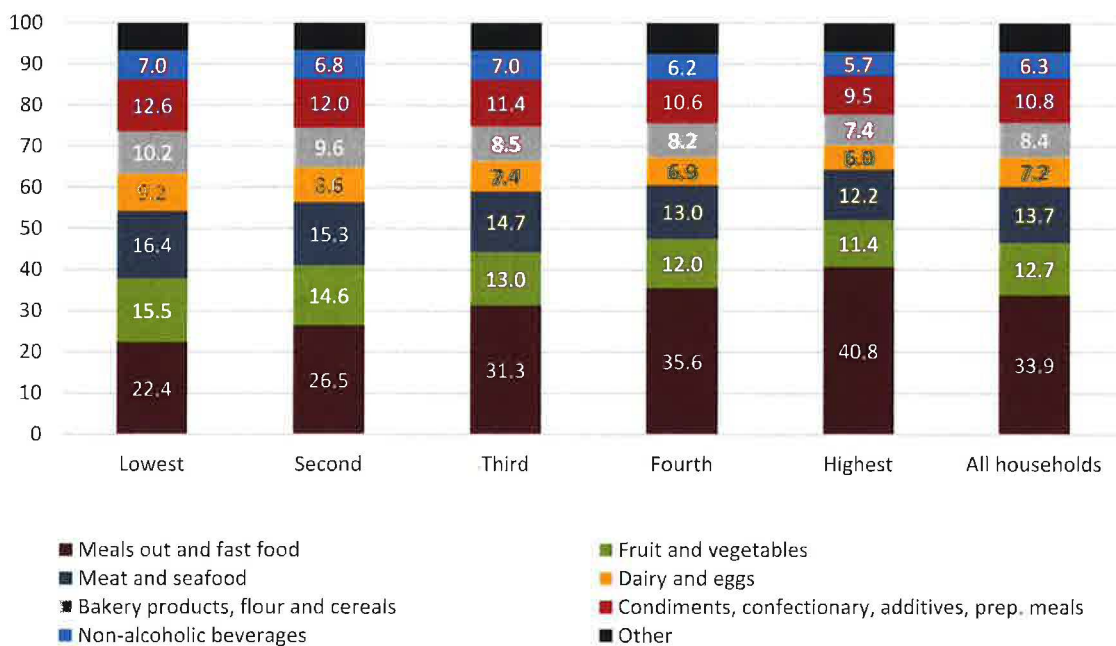
According to the 2015/16 Household Expenditure Survey data, households in the lowest income quintile are spending an average of \$144.15 each week on food and non-alcoholic beverages, a 23.8 per cent bite of their income.

In contrast, those in the third and fourth quintile are spending less than 15 per cent of their income, while the highest quintile less than 10 per cent.

Weekly Food and Non-Alcoholic Beverage Expenditure by Gross Household Income Quintiles						
	Lowest	Second	Third	Fourth	Highest	All households
Food expenditure	\$114.15	\$164.05	\$227.42	\$289.38	\$391.24	\$236.97
% of median gross income	23.8	17.3	14.1	11.7	9.5	14.7

Looking at the distribution of their food expenditure across different categories, shows that for all quintiles, eating out or ordering takeaway is the largest share of their expenditure. For the lowest quintile, that is a share of around 22.4 per cent, with the highest quintile nearly double that.

Figure 25: Distribution of weekly food expenditure by household income, Australia, 2015-16



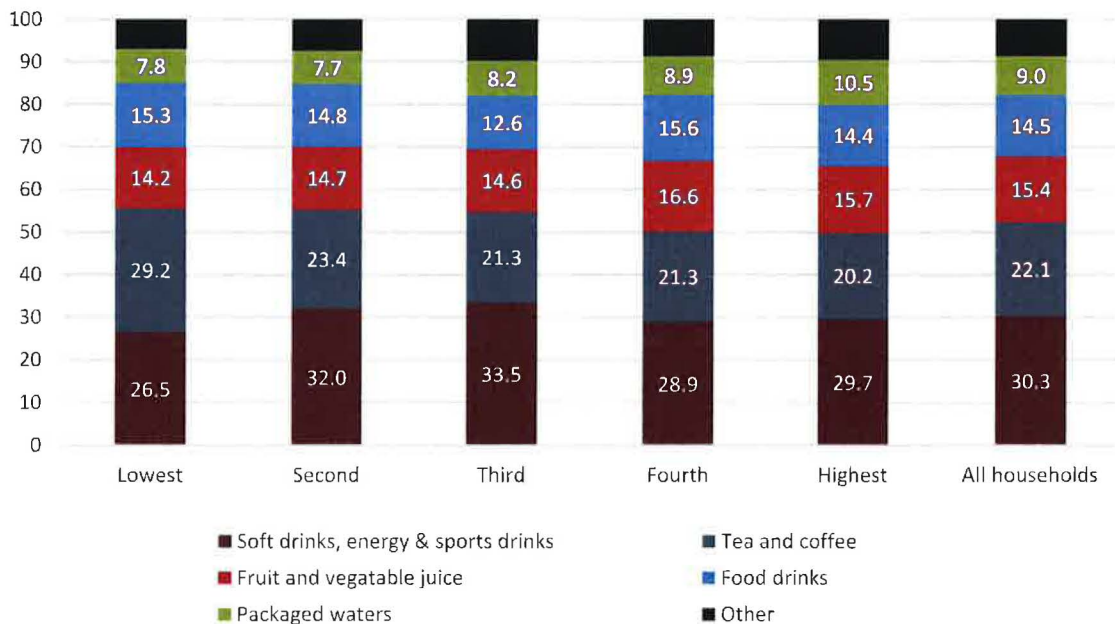
It can be seen that the fourth quintile has the largest share of their weekly food expenditure going towards fast food and takeaway, with the highest quintile devoting more of their food expenditure to having meals out. This could suggest that those on lower incomes are more likely to cook their own meals, as well as the likelihood that the takeaway they are ordering or the meals they are eating out are substantially cheaper.

Weekly Meals Out And Fast Food Expenditure by Gross Household Income Quintiles						
	Lowest	Second	Third	Fourth	Highest	All households
Fast food and takeaway	\$11.11	\$21.76	\$31.20	\$33.92	\$62.59	\$31.95
% of weekly food expenditure	9.1	10.9	13.5	14.8	13.8	13.1
Meals in restaurants, hotels, clubs and related	\$13.75	\$23.14	\$36.71	\$53.46	\$94.88	\$44.25
% of weekly food expenditure	12.0	14.1	16.1	18.5	24.3	18.7

Though the share of their weekly food expenditure that is going towards non-alcoholic beverages does not vary significantly, ranging from between 5.7 to 7 per cent, the distribution of that spending across different items is of interest. The largest share of the lowest quintile's non-alcoholic beverage consumption is going towards tea and coffee, while soft drinks, energy and sports drinks is the largest for every other quintile.

The third quintile, households with a gross income of around \$1,600, have the largest share of their non-alcoholic beverage expenditure going towards soft drinks. In dollar terms, the third quintile is in fact spending 22 cents more than the fourth quintile, at \$4.29 per week, though the highest quintile is still spending the most at \$4.97. This may or may not have implications for proposals to address the consumption of sugary-drinks through price inflation measures.

Figure 26: Distribution of weekly non-alcoholic beverage expenditure by household income, Australia, 2015-16



The 2017 *Foodbank Hunger Report* found that 3.6 million Australians experienced food insecurity at least once in the preceding 12 months. Of those people, three in five had experienced food

insecurity at least once a month. In Western Australia, there had been an increase of 11 per cent in the proportion of people seeking food relief since 2016, with 479,000 meals provided each month.

Cost of living pressures play a significant role in food insecurity. According to the report, 41 per cent of people who experienced food insecurity had not paid bills in order to buy food. 56 per cent said they had been unable to buy food due to an unexpected expense or large bill and 38 per cent due to having to pay rent or make a mortgage repayment. 35 per cent said they are unable to buy food because it was too expensive.²⁴

Recent research on the prevalence of food insecurity amongst regional and remote Western Australian children, found that 20.1 per cent of those children were food insecure. More than one in five were concerned that food would run out before their family could afford to buy more. Children in families that received government financial assistance saw a higher prevalence of food insecurity.²⁵

Without an adequate income to meet all of their expenses, people are forced to go without meals. This has a profound impact on their wellbeing, including their physical and mental health, social interactions, ability to function and, in the case of children, their growth and development. Measures to address food affordability and access are essential to combat what on a societal level should be entirely preventable.

The Future of Our Model

The WACOSS model households were established in 2012, relying on the information of the 2009/10 HES to determine the assumptions underpinning it. With the release of the 2015/16 HES data this September, we have the opportunity to critically examine those assumptions in time for our 2018 Cost of Living report to ensure they accurately represent the present reality of people's lives.

While 2009/10 may not seem that long ago, it could almost be a world apart from 2017. Facebook had only just overtaken MySpace in internet traffic, services like Spotify and Netflix were not available in Australia, and smartphone use had yet to become ubiquitous.

We may need to revisit our assumptions around how close to median rents our households are paying. On our modelling, an average of 33 per cent of their expenditure is going towards their rent, while the new HES data would suggest households in Perth are paying closer to 37 per cent, with those in the lowest quintile over 41 per cent.

In 2009, the ABS studied low income families by using the second income quintile as the reference due to the reliability of the interpretations that could be drawn, but in the 2015 survey this was addressed by excluding the lowest two percentiles of the first quintile. It is likely that our unemployed single and single parent family may better match the profile of the lowest quintile rather than the second, which is something that needs to be explored further.

This may indicate that the assumptions underpinning our models currently are *too* conservative and that a future update will need to reflect a greater proportion of expenditure on housing, placing even higher financial pressures on our model Western Australian households.

²⁴ Foodbank Australia (2017) [Foodbank Hunger Report 2017](#)

²⁵ Stephen Godrich et al (2017) 'Prevalence of socio-demographic predictors of food insecurity among regional and remote Western Australian children' *Australian and New Zealand Journal of Public Health*

Recommendations

The issues facing low income households trying to balance their finances are complex and are impacted by numerous factors at the personal, local, state and national level. The report highlights the need for multiple responses to address the key drivers of financial hardship.

While the State Government does not set the rate of income support payments like Newstart, it funds the services that support people facing poverty and financial hardship. In effect, the inadequacy of income support and the failure of the Commonwealth to provide for some of its citizens shifts significant costs onto the States and Territories, impacting on the economic viability of social housing support systems, utility costs, and the provision of community services and support.

It is, therefore, in the best interest of our State Government and our community to advocate strongly for an increase to income support payments through avenues such as the Council of Australian Governments. We believe there is a strong communality of interest between States and Territories to ensure the basic rights of their citizens to adequate social support, and that their combined advocacy is likely to be the most effective strategy to deliver meaningful change.

To tackle cost of living pressures and achieve a more equitable society, the Council recommends that the State Government:

1. Advocate to increase the **adequacy of income support payments** via the Council of Australian Governments
2. Set targets for **social housing and low-income affordable rentals** at METRONET Hubs
3. Introduce a **vacant residential property tax** at a rate of one per cent of the property's capital improved value
4. Gradually replace property-based stamp duty with a **broad-based progressive land tax** over ten years, with exemptions, deferrals and concession for low income earners
5. Trial a more **flexible model of financial assistance** for those in hardship
6. Establish a **brokerage fund** for residents not eligible for federal government support due to citizenship status
7. Exempt concessional households from paying the **tariff equalisation contribution (TEC)** levy
8. Trial a **Home Energy Action Plan** to reduce power bills of those on low incomes
9. Commission an independent whole-of-government inquiry into **social concessions**

Conclusion

There is always a risk that the real lives and day-to-day struggles of Western Australian households can get lost behind the numbers in a report like this. In some ways, it is difficult to say whether life has become any easier for people on low incomes since the first *WACOSS Cost of Living Report* came out ten years ago. Many things have changed, and the numbers seems to suggest that for most of us our quality of life has improved. However, we have also seen an increasing divide within our community. The fact is that a small group within our community have been left increasingly behind. For them life has never been tougher.

The legacy of the mining boom continues to cast a shadow across our state. This year we can see for the first time, through the financial counselling data, that there are some families with mortgages they simply cannot afford. It is very clear they are struggling simply to get by from week to week, trying to hold onto the family home in the hope their circumstances will improve, and facing a very real risk that they may lose it all. Its' likely many of them had well-paying jobs before things turned sour – they might have been just like us.

Housing remains the perennial issue. It is clearly not something that will simply resolve itself in time, with all of the trends suggesting the problem is growing more acute. Serious government intervention is required. People recognise that housing should be a right, not a privilege - but our system is simply not geared towards delivering access to affordable housing. Our focus should be on providing safe shelter for all, not lining the pockets of investors and developers. There needs to be the political will on all levels of government to make that change happen.

At the same time, our social security system is increasingly characterised by a short-sighted and punitive approach that prefers to drive people off income support, rather than provide the skills, resources and support that they need to support them to become prosperous and enable them to contribute to a healthy and diverse economy. This is a system epitomised by the cashless welfare card, mandatory drug testing, work for the dole programs, robo-debt and increasingly harsh compliance measures.

As a community, we know we are much better than this. Australia can still be the lucky country, a place where everyone truly can get a fair go in life and an opportunity to be part of something bigger.

Through our collective efforts, we can make a change.

Let us not see another ten years go past before we take the action necessary to achieve an inclusive, just and equitable society for all.

*WACOSS stands for an inclusive, just and equitable society.
We advocate for social change to improve the wellbeing of
Western Australians and to strengthen the community
services sector that supports them.*



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