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**WA COUNCIL of  
SOCIAL SERVICE**

*Ways to make  
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2016

**WA Council of Social Service  
Annual Research Report**

# **Cost of Living**



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## Contents

1.0	Introduction .....	3
1.1	Key findings of the 2016 Cost of Living Report .....	4
2.0	Methodology .....	5
2.1	Our three model households .....	5
2.2	Determining household income .....	6
2.3	Determining household expenditure .....	6
3.0	Household Analysis .....	7
3.1	Single parent family .....	7
3.2	Working Family .....	9
3.3	Unemployed Single .....	11
4.0	Key Observations & Implications .....	13
5.0	Conclusion .....	21
6.0	Recommendations .....	21
7.0	References .....	24



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The **Western Australian Council of Social Service** is the leading peak organisation for the community services sector in Western Australia. We represent 300 members and over 800 organisations involved in the provision of services to hundreds of thousands of individuals, families and children in our community each year.

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

As the peak body of the community service sector in WA, and as an advocate for low income and disadvantaged people, the Council has a particular interest in the adequacy of living standards and quality of life experienced by Western Australians living on low incomes.



## 1.0 Introduction

Across the globe, inequality is on the rise. Despite avoiding the worst of the Global Financial Crisis, the gap between the rich and poor has continued to widen in Australia. Western Australia in particular, has seen a sharp growth in inequality, taking it to a higher level than even the country as a whole. Low income households are increasingly being left behind, with the gap between average earnings and the minimum wage and income support continue to widen.

The recently released ACOSS *Poverty in Australia Report* suggests there are nearly 3 million people around Australia living in poverty, with 731,000 of them being children.<sup>1</sup> Child poverty has risen by 2 per cent over the last decade, to bring it to a rate of 17.4 per cent. That same period of time has seen a consistent and entrenched rate of poverty averaging around 12 per cent – providing clear indication that not enough is being done to tackle poverty.<sup>2</sup>

Figures indicate that 240,000 Western Australians are living below the poverty line, with a further 150,000 at risk of financial hardship.<sup>3</sup> These figures are likely to be an underestimate, as they do not take into account higher living costs in Western Australia.

Women, in particular, face the brunt of this inequality. Western Australia has the widest gender pay gap in the country at 23.9%, which is 3% higher than New South Wales in second place and 7.7% higher than the nation as a whole.<sup>4</sup> The higher representation of women in lower-income occupations and undertaking unpaid work has profound consequences on their ability to achieve a basic standard of living and to avoid poverty in retirement.

The ability of low income households in WA to achieve a basic standard of living is the focus of the Western Australian Council of Social Service's (the Council's) *Cost of Living Report*, which has been produced annually since 2007. This report models three low income households, and examines the adequacy of their income to enable them to afford a basic standard of living in line with agreed community standards. Through this modelling, we seek to provide a picture of the challenges low-income households face year by year as they endeavour to ensure their basic costs of living do not exceed their meagre income.

Those challenges look set to grow. Legislation introduced into the Federal Parliament will see further harsh cuts to support low income families, young people, carers and pensioners – some of which has already been passed.

Without adequate support, living costs place significant pressure on a household's financial resilience. Poor financial resilience for low income households can mean that just one emergency or crisis, such as crises related to their health, employment or living situation, could find them facing severe financial shock and becoming over-indebted.

The Council aspires to see all members of the Western Australian community achieve a financial position whereby they are able to live fulfilling and meaningful lives and actively pursue their aspirations to the benefit of our whole population. This report, however, draws attention to the profound structural and economic barriers many in our community continue to face in achieving this outcome.





## 1.1 Key findings of the 2016 Cost of Living Report

The 2016 report finds our model households in a position not far removed from the year before. Improvements in living costs are almost entirely on the back of a weakening rental market, with housing costs remaining the biggest single driver of financial hardship for low income households. It is not clear how many real low income families will actually have seen any genuine decrease in their rental costs, as many may not be in the position to negotiate their rents down due to either a lack of experience or other affordable options, or as a result of their precarious financial situation. Further, this leaves the ability of these households to cover their living costs almost entirely in the hands of the vagaries of our rental market.

**Figure 1:** Income and expenditure of our three model households

	Income	Expenditure	Net Position
Single Parent Family	\$978.00	\$905.92	\$72.08
Working Family	\$1,425.59	\$1,294.62	\$130.97
Unemployed Single	\$310.46	\$343.67	-\$33.21

- ✦ **The weekly income of our model unemployed single remains inadequate to meet basic living costs**, with gap of over \$30 between income support provided and a basic standard of living in line with community expectations.
- ✦ **The income of our working family surpasses their estimated basic living costs by \$130.97 per week**, but rising unemployment rates in Western Australia places job security at risk. The loss of even one source of income would put this family in a financially precarious situation.
- ✦ **The income of our single parent family surpasses their estimated basic living costs by \$72.08 per week**, but leaves them still vulnerable to financial shock. High levels of underemployment for female workers leave the single parent at risk of poor mental health outcomes as a result of a financial hardship and a lack of a sense of mastery and social support.<sup>5</sup>
- ✦ **Annual increases to the State and National Minimum Wages rates are critical to low paid, award-reliant workers having any chance of their income keeping up with the growing cost of living in Perth.** However, minimum wage decisions have consistently fallen short of what is necessary to deliver a demonstrable improvement to living standards for low-wage employees and have categorically failed to match the growth in average weekly earnings.
- ✦ **A significant increase to the Newstart Allowance rate is still desperately needed.** \$263 a week is simply not enough for even a basic standard of living.
- ✦ **Concessions are a fundamental tool to enable cost of living pressures to be met by everyone in the community.** However, while household fees and charges have risen, state concessions have not kept pace with living costs and are increasingly inadequate for those facing financial hardship.



## 2.0 Methodology

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

The *2016 Cost of Living Report* uses the same methodology as our 2013 and subsequent reports.<sup>6</sup> It models the income and expenditure of three household types during the 2015/16 financial year in comparison to the two preceding financial years (2013/14 and 2014/15). Doing so allows us to analyse relative changes in living costs and understand their likely impacts on current and future levels of deprivation and need. Every household and family in WA is different, and so it would be unrealistic to expect these models to be a precise reflection of all living costs or household expenditures. However, with the conservative assumptions underpinning each model household clearly considered and referenced, **the Council is confident that the calculations undertaken and conclusions drawn reflect the real-life experiences of low-income households in WA.**

### 2.1 Our three model households

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

**Figure 2: WACOSS Household Models**

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



## 2.2 Determining household income

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

- Centrelink's online payment estimator;<sup>7</sup>
- The Department of Social Services' *Guide to Social Security Law*;<sup>8</sup>
- The Centrelink website;<sup>9</sup>
- The WA Industrial Relations Commission's 2015 State Wage Case decision;<sup>10</sup> and
- The Australian Taxation Office's online tax calculator.<sup>11</sup>

There were no significant changes to the make-up of the income received by our households (ie. no government benefits introduced or removed) in the 2015/16 financial year.

## 2.3 Determining household expenditure

Household expenditure in the *2016 Cost of Living Report* has been calculated using up to date and publicly available sources that reflect the average price and usage of products and services by Perth residents wherever possible. Where such figures are not readily available, we have modelled costs based on the Australian Bureau of Statistics' (ABS) *2009-10 Household Expenditure Survey* (with relevant CPI applied). All estimates of cost and consumption are intentionally conservative 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 acquire rental accommodation at 85% of the median market rate, though finding appropriate and affordable accommodation can be a challenge in reality.
- ✦ **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 2013/14 was the Suzuki Celerio.<sup>12</sup> (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).



## 3.0 Household Analysis

### 3.1 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 attain, 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 8 years.<sup>13</sup>

Single parent family (Parenting Payment Single) - WEEKLY INCOME					
	2013/14	2014/15	2015/16	% increase 2014/15 to 2015/16	\$ increase 2014/15 to 2015/16
Wage (gross)	\$382.50	\$394.31	\$402.56	2.09%	\$8.25
Parenting payment	\$239.72	\$241.82	\$245.27	1.43%	\$3.45
Other regular Government Benefits	\$301.63	\$309.05	\$318.15	2.94%	\$9.10
Government supplements (one off payments, converted to weekly amount)	\$53.48	\$51.66	\$54.25	5%	\$2.58
Tax paid	\$51.90	\$58.73	\$48.23	-17.87%	-\$10.50
<b>Total household income/week</b>	<b>\$931.38</b>	<b>\$944.12</b>	<b>\$978.00</b>	<b>3.59%</b>	<b>\$33.88</b>
Increase on previous year	\$31.68	\$12.74	\$33.88		
% increase on previous year	3.5%	1.35%	3.59%		

The income of the single parent household has **increased 3.59 per cent (\$33.88)** over the last 12 months. The parent's wage has increased by \$8.25, the parenting payment by \$3.45 and other government benefits (including both regular and one-off payments) by \$9.10.

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 they or their children may be unwell (requiring time off work), or during times when business may be slow. Increases in the unemployment 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



Single parent family - WEEKLY EXPENDITURE					
	2013/14	2014/15	2015/16	% increase 2014/15 to 2015/16	\$ increase 2014/15 to 2015/16
Rent	\$379.31	\$357.00	\$324.06	-9.23%	-\$32.94
Food and beverage	\$218.10	\$220.65	\$219.23	-0.64%	-\$1.42
Utilities	\$35.81	\$35.86	\$37.47	4.48%	\$1.61
Transport	\$66.85	\$55.16	\$54.79	-0.67%	-\$0.37
Other - household and living costs	\$266.57	\$269.50	\$270.37	0.32%	\$0.87
<b>Total household expenditure/week</b>	<b>\$966.64</b>	<b>\$938.17</b>	<b>\$905.92</b>	<b>-3.44%</b>	<b>\$32.25</b>
Increase on previous year	\$31.47	-\$28.47	-\$32.25		
% increase on previous year	3.4%	-2.95%	-3.44%		

The single parent household's weekly expenditure on basic living costs has **decreased by 3.44 per cent** over the last 12 months. The largest dollar and percentage decrease relates to housing — rent has decreased by \$32.94 per week (or 9.23 per cent). The cost of utilities has seen a significant increase of 4.48 per cent (or \$1.61).

Single parent family (Parenting Payment Single) - WEEKLY DIFFERENCE			
	2013/14	2014/15	2015/16
Total weekly income	\$931.38	\$944.12	\$978.00
Total expenditure	\$966.64	\$938.17	\$905.92
<b>Difference</b>	<b>-\$35.26</b>	\$5.95	\$72.08

In 2015/16, the single parent family's weekly income surpassed their basic living costs by \$72.08 per week (up from \$5.95 in 2011/12).

Despite demonstrating an appreciable improvement, it is important to remember that these calculations make no 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). 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.





### 3.2 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					
	2013/14	2014/15	2015/16	% increase 2014/15 to 2015/16	\$ increase 2014/15 to 2015/16
Combined wages (gross)	\$1,185.58	\$1,221.94	\$1,247.68	2.11%	\$25.74
Regular government benefits	\$232.12	\$254.10	\$262.42	3.27%	\$8.32
Government supplements (one off payments, converted to weekly figures)	\$58.26	\$58.91	\$59.33	0.72%	\$0.42
Tax paid	\$123.71	\$137.47	\$143.85	4.65%	\$6.39
<b>Total household income/week</b>	<b>\$1,352.25</b>	<b>\$1,397.49</b>	<b>\$1,425.59</b>	<b>2.01%</b>	<b>\$28.09</b>
Increase on previous year	\$30.12	\$45.24	\$28.09		
% increase on previous year	2.3%	3.35%	2.01%		

The largest real increase to the working family's income came as a result of the 2015 State Wage Case decision. As a result of this decision, our working family's weekly (before tax) wages **increased by 2.11 per cent** or \$25.74 per week between 2014/15 and 2015/2016.

Working family - WEEKLY EXPENDITURE					
	2013/14	2014/15	2015/16	% increase 2014/15 to 2015/16	\$ increase 2014/15 to 2015/16
Rent	\$397.38	\$376.13	\$344.25	-8.47%	-\$31.88
Food and beverages	\$312.82	\$316.59	\$314.72	-0.59%	-\$1.87
Utilities	\$53.33	\$53.88	\$56.22	4.34%	\$2.34
Transport	\$97.79	\$87.46	\$87.97	0.58%	\$0.51
Other household and living costs	\$481.30	\$487.39	\$491.46	0.84%	\$4.07
<b>Total household expenditure/week</b>	<b>\$1,342.62</b>	<b>\$1,321.44</b>	<b>\$1,294.62</b>	<b>-2.03%</b>	<b>-\$26.83</b>
Increase on previous year	\$33.39	-\$21.18	-\$26.83		
% increase on previous year	2.6%	-1.58%	-2.03%		

Our working family's weekly expenditure on basic living costs has **decreased by 2 per cent** or \$26.83 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 utilities, transport and other household and living costs.



Working family - WEEKLY DIFFERENCE			
	2013/14	2014/15	2015/16
Total weekly income	\$1,352.25	\$1,397.49	\$1,425.59
Total expenditure	\$1,342.62	\$1,321.44	\$1,294.62
<b>Difference</b>	<b>\$9.63</b>	<b>\$76.05</b>	<b>\$130.97</b>

In 2015/16, the family's weekly income surpassed their basic living costs by \$130.97 per week (up from \$76.05 in 2014/15). Their position has improved to a point where there is now some allowance for the family to save, or to have some money to cover unexpected or non-essential expenditure. However, with rising unemployment rates and significant lay-offs having occurred on the back of changing economic circumstances, it should be noted 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.



### 3.3 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, or even to reach the supermarket or local library (to access the internet).

Unemployed single – WEEKLY INCOME					
	2013/14	2014/15	2015/16	% increase 2014/15 to 2015/16	\$ increase 2014/15 to 2015/16
Newstart Allowance	\$251.39	\$257.74	\$263.27	2.14%	\$5.52
Rent assistance	\$41.62	\$42.52	\$42.80	0.67%	\$0.28
Clean energy supplement	\$4.35	\$4.39	\$4.39	0%	\$0
Tax paid	\$0	\$0	\$0	0%	\$0
<b>Total household income/week</b>	<b>\$297.36</b>	<b>\$304.65</b>	<b>\$310.46</b>	<b>1.91%</b>	<b>\$5.81</b>
Increase on previous year	\$9.11	\$7.29	\$5.81		
% increase on previous year	3.2%	2.45%	1.91%		

This year, the weekly income of our unemployed person **increased by just 1.91 per cent**. In real terms, this means they only have an additional 83 cents per day to try to make ends meet.

Unemployed single - WEEKLY EXPENDITURE					
	2013/14	2014/15	2015/16	% increase 2014/15 to 2015/16	\$ increase 2014/15 to 2015/16
Rent	\$132.46	\$125.38	\$114.75	-8.46%	-\$10.63
Food and beverage	\$94.72	\$95.94	\$95.49	-0.47%	-\$0.45
Utilities	\$16.45	\$16.57	\$17.29	4.31%	\$0.72
Transport	\$12.46	\$12.96	\$13.26	2.31%	\$0.30
Other - household and living costs	\$101.91	\$102.64	\$102.88	0.24%	\$0.25
<b>Total household expenditure/week</b>	<b>\$358.00</b>	<b>\$353.49</b>	<b>\$343.67</b>	<b>-2.78%</b>	<b>-\$9.82</b>
Increase on previous year	\$8.21	-\$4.51	-\$9.82		
% increase on previous year	2.3%	-1.26%	-2.78%		

In 2015/16, our unemployed person was receiving government benefits totalling around 45 per cent of the WA State Minimum Wage while searching for work.<sup>1</sup> As the calculations below show, despite

<sup>1</sup> 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 2.78 per cent** (or \$9.82 per week) over the last 12 months.

The housing calculations assume that our unemployed person can find shared accommodation where she or he pays one-third rent of a house at 85 per cent of the Perth median house price. However, Anglicare WA's 2016 rental snapshot data reveals that during the period of their survey, there was no appropriate and affordable accommodation options available to our model unemployed person.<sup>2</sup>

Unemployed single - WEEKLY DIFFERENCE			
	2013/14	2014/15	2015/16
Total weekly income	\$297.36	\$304.65	\$310.46
Total expenditure	\$358.00	\$353.49	\$343.67
<b>Difference</b>	<b>-\$60.64</b>	<b>-\$48.83</b>	<b>-\$33.31</b>

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 occur were to occur.

<sup>2</sup> See pages 19 and 20 of this report for the discussion of the Anglicare rental snapshot data.





## 4.0 Key Observations & Implications

Though the three model households have shown some improvement in their living costs since 2014/15, the lack of significant growth in their incomes is part of a trend in Western Australia towards high levels of inequality.

The Gini coefficient is a measure of income distribution amongst a population. The numbers range between 0 and 1, with 0 corresponding to perfect income equality and 1 corresponding to perfect income inequality. Examining the Gini coefficient for all Australian states, Western Australia can be seen to have the most unequal distribution of income across Australia – higher even than the nation as a whole.

Gini Coefficient 2013-14 (National and States) <sup>14</sup>

	Gini Coefficient
<b>WA</b>	<b>0.371</b>
NSW	0.345
<b>Australia</b>	<b>0.333</b>
Queensland	0.325
Victoria	0.314
SA	0.291
Tasmania	0.281
ACT	0.272
NT	0.268

Using the standard 50% poverty line derived from a benchmark estimate of national median equivalised income, as well as excluding those who report as having zero or negative income, and deducting housing costs from income, the Social Policy Research Centre at UNSW have calculated that there are nearly 240,000 Western Australians in poverty.<sup>15</sup> The use of a national median is likely to underestimate the experience of financial hardship in WA, given higher living costs and higher median wages. Consideration of a 60% poverty line provides a good estimation of those individuals and households who are struggling to get by and at risk of financial hardship, suggesting an additional 150,000 Western Australians are at high risk.<sup>16</sup>

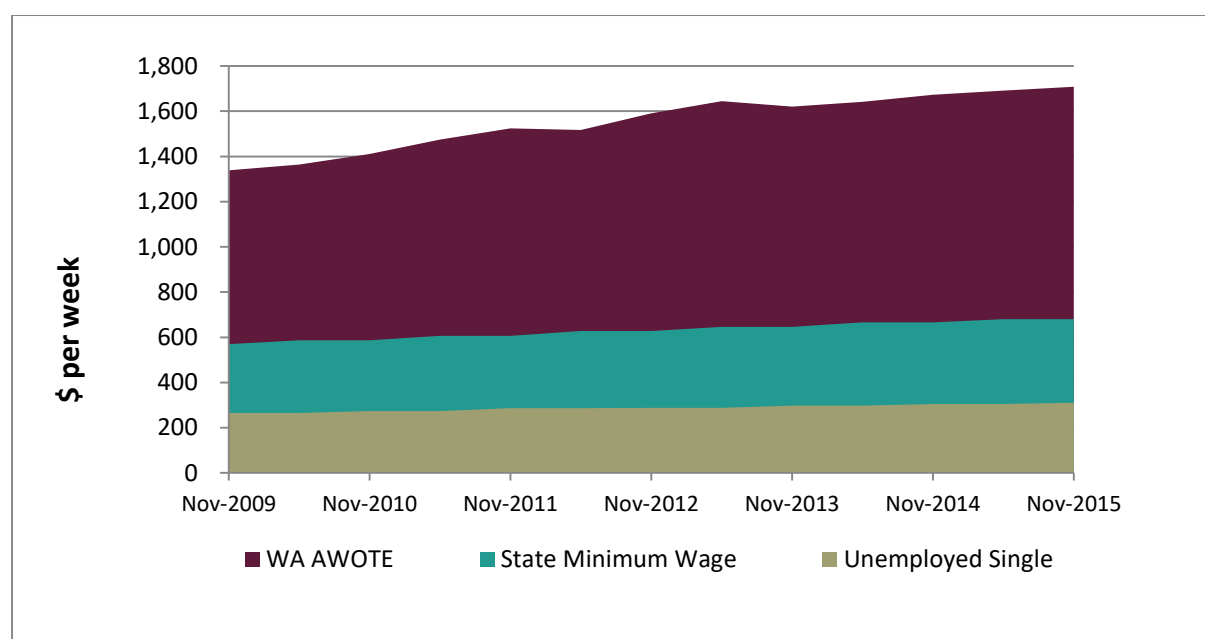
This inequality can be seen quite starkly when examining the differences between the State Minimum Wage, income support for an unemployed single and the WA Average Weekly Ordinary Time Earnings. As shown in Figure 3, while the average weekly ordinary time earnings have seen



considerable growth over the last seven years, the level of the state minimum wage and income support for an unemployed single have remained relatively steady.

As of November 2015, the minimum wage was only 39.78 per cent of the WA Average Weekly Ordinary Time Earnings. In November 2009, the minimum wage was 42.55 per cent of the WA AWOTE. Our unemployed single is receiving, through the combination of Newstart and Rent Assistance, only 18.17 per cent of the WA Average Weekly Ordinary Time Earnings. This is down from 19.78 in 2009.

**Figure 3: WA AWOTE vs State Minimum Wage vs Unemployed Single**



Source: ABS, 6302.0 – Average Weekly Earnings, Australia, May 2016, Table 13E (WA)

As part of the 2016 State Wage Case, WACOSS<sup>17</sup> and UnionsWA<sup>18</sup> both advocated to the Western Australian Industrial Relations Commission that a \$30 per week increase to the State Minimum Wage was required – in part to prevent the gap between average weekly earnings and the minimum wage widening. Even a \$30 increase would have been insufficient to address that gap, but would have prevented it widening further. The decision by the WA Industrial Relations Commission to increase the State Minimum Wage by only \$13 per week<sup>19</sup> will only see income inequality in WA grow.

The Newstart Allowance has comprehensively failed to keep up with both the Minimum Wage and Average Weekly Earnings growth for Western Australians.

**Figure 4: Newstart Allowance 2015**

Income	Nov 2009	Nov 2015	\$/week increase	% change
Newstart Allowance	\$232.50	\$263.27	\$30.77	13%
WA Minimum Wage	\$504.40	\$679.90	\$175.50	35%
Average Weekly Ordinary Time Earnings (WA)	\$1,028	\$1,709	\$681	66%

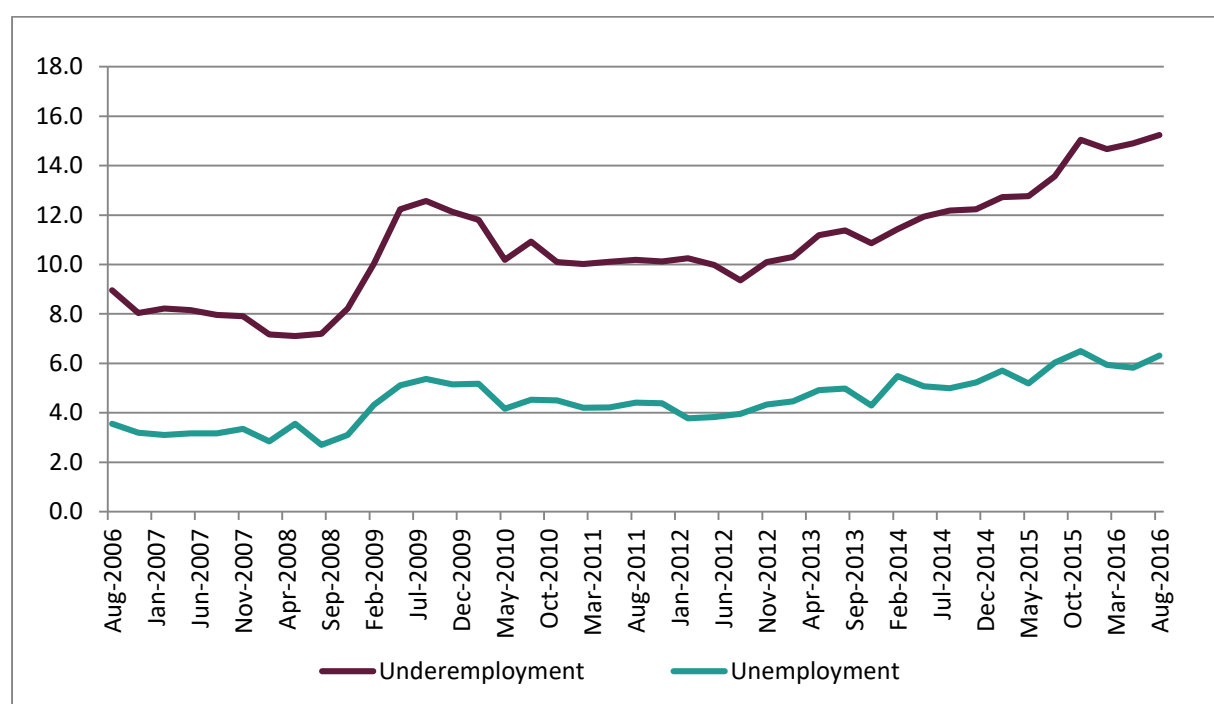


The results of this failure can be seen with our model Unemployed Single, who, despite some improvement, faces living costs that are still over thirty dollars greater than their income, clearly placing them in financial hardship. Their income is simply insufficient to meet their cost of living.

A person only receiving Newstart and associated supplements, including Commonwealth Rent Assistance, is living \$110 a week below the poverty line, with those on Youth Allowance \$150 below.<sup>20</sup>

WA's rising unemployment rate demonstrates the scale of this issue.

**Figure 5: WA Unemployment and Underemployment Rates % (Seasonally Adjusted)**



Source: ABS, 6202.0 – *Labour Force, Australia*, Jul 2016, Table 8. Labour force status by Sex (WA); ABS, 6202.0 – *Labour Force, Australia*, Jul 2016, Table 23. Underutilised persons by State, Territory and Sex

With more and more Western Australian's having to rely on income support measures such as Newstart, all while average earnings are rising, inequality in this state will continue to widen.

Unemployment is not the only concerning labour force measure on the rise. The end of Western Australia's resources boom has seen a significant rise in the rate of underemployment and underutilisation of employees, and increasing casualisation of the workforce.

Former FIFO workers and those employed in mining-related industries are increasingly finding themselves underemployed. The follow-on impact of that is the significant reduction they then face in their income, making the management of their mortgages or borrowings a stressful and complex scenario. They may find themselves, as a result, having to resort to payday lenders and the like to

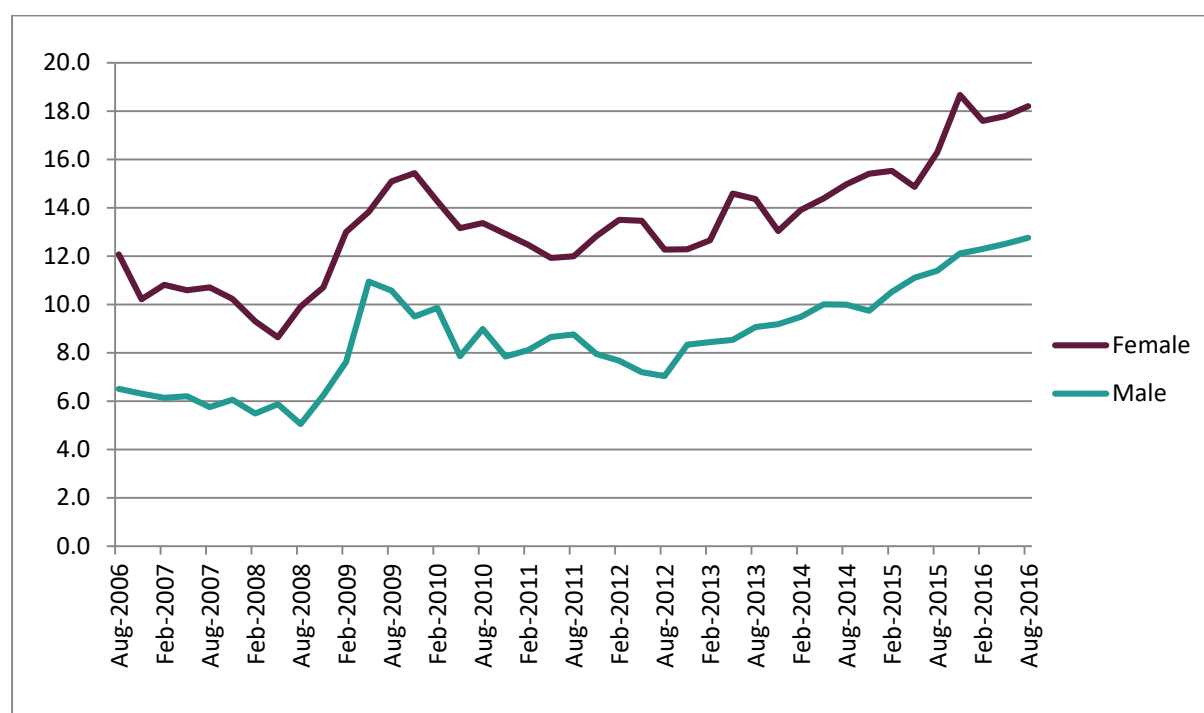


get by. Financial counselling services are seeing high numbers of people in these situations that need intensive support, but lack the resourcing to see everyone presenting with such issues.

Studies have shown that underemployment, like unemployment, can lead to poor mental health outcomes as a result of a financial hardship and a lack of a sense of mastery and social support. The lack of adequate employment can lead to high levels of distress, which may in turn hinder employment and educational opportunities.<sup>21</sup>

Women, in particular, are disproportionately represented in the 'underemployed' workforce.

**Figure 7: WA Female vs Male Underemployment Rate % (Seasonally Adjusted)**



Source: ABS, 6202.0 – Labour Force, Australia, Jul 2016, Table 23. Underutilised persons by State, Territory and Sex

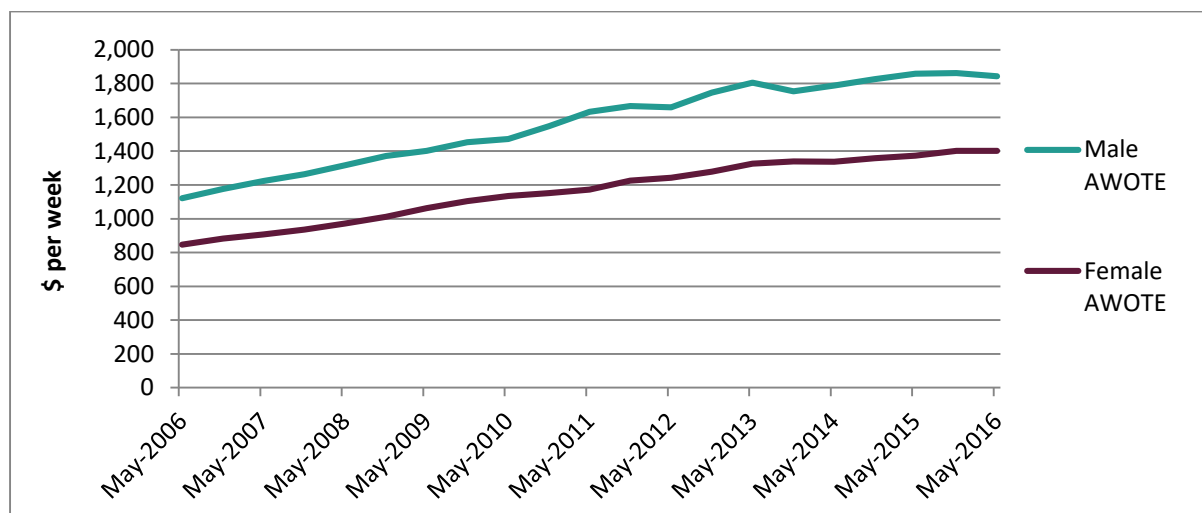
We know from the findings of the 2012 *Independent Inquiry into Insecure Work in Australia* that single parents, of whom the majority are women, tend to be highly dependent on casual and part-time work, and face significant challenges with insecure working hours and childcare arrangements, as well as unpredictable wages and social security reporting requirements.<sup>22</sup>

As of May 2016, the average ordinary time earnings of male in WA were \$1,843.50 per week, whereas a female was earning \$1,401.20 per week. Male ordinary time earnings are therefore, 31.6 per cent higher than those of females in WA, compared with a 19.3 per cent difference nationally.<sup>23</sup>





Figure 8: WA Female vs Male AWOTE



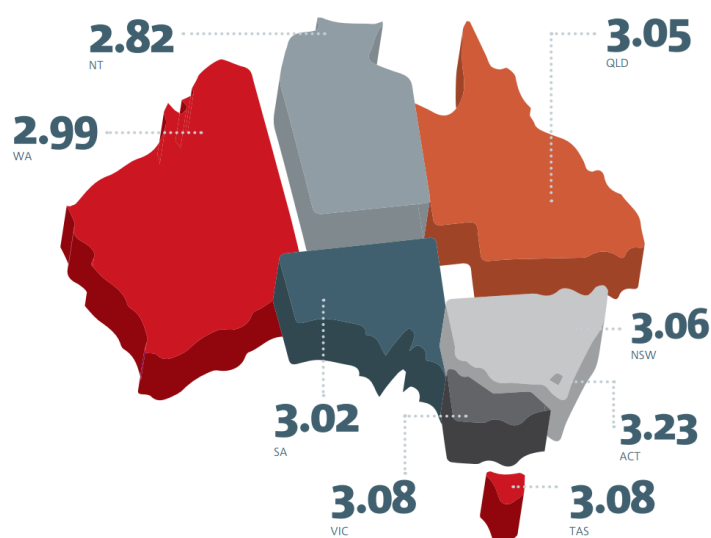
Source: ABS, 6302.0 – Average Weekly Earnings, Australia, May 2016, Table 13E (WA)

These factors have a significant impact on the financial resilience of our model households. As defined in a recent report by the Centre for Social Impact,

*Financial resilience is the ability to access and draw on internal capabilities and appropriate, acceptable and accessible external resources and supports in times of financial adversity.*<sup>24</sup>

On a scale of 1 to 4, with 1 being severe financial stress and 4 being financial security, Australia has an overall financial resilience mean of 3.06. WA, however, not only has a lower level of financial resilience than the overall mean, but in fact has the second lowest level out of every state and territory.<sup>25</sup>

### Financial resilience – states and territories

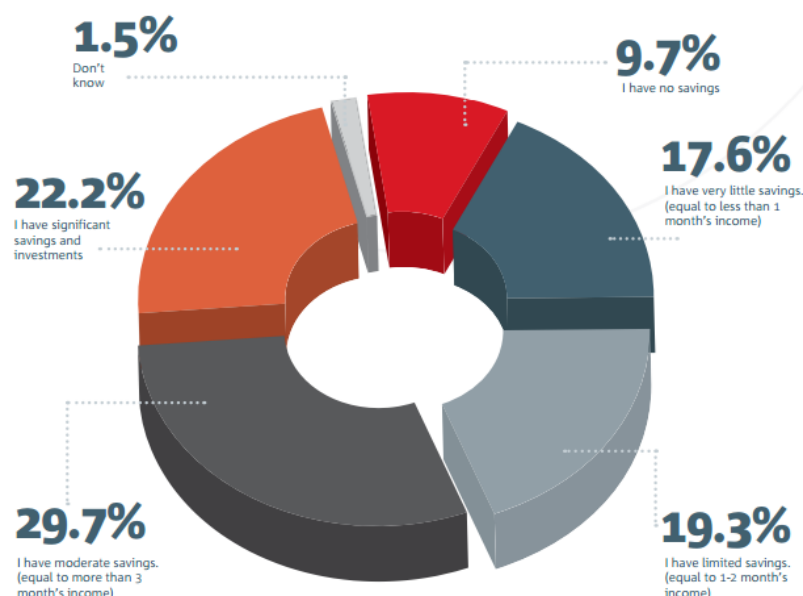


Source: Centre for Social Impact, *Financial Resilience in Australia*, August 2016



All three of our model households are likely to be in a position of financial stress or vulnerability. While the working family and single parent households are able to meet their living expenses, their ability to raise funds in an emergency and their potential level of savings leaves their situation precarious. According to the research undertaken by the Centre for Social Impact, 46.6% of the Australian population has limited, very little or no savings at all.

### Current level of savings



Source: Centre for Social Impact, *Financial Resilience in Australia*, August 2016

To have limited savings – equal to one or two month's income would take our working family nearly ten months to accumulate, and our single parent family over a year. The unemployed single, obviously, has no capacity at all to accumulate any savings.

Without savings, the ability of these households to raise funds in an emergency is low – requiring either support from family, friends or the accumulation of some form of debt. Should either the working family or single parent family households suffer some kind of financial shock, they will quickly find themselves under significant strain and struggle to continue covering their living costs.

Further, financial resilience provides an indication of a household's workforce responsiveness. Those who are unable to draw upon resources and supports in a time of financial adversity, have a lower capacity to weather periods of unemployment or underemployment, or to have enough financial independence to be able to effectively seek a new job.

Housing remains the single biggest living cost facing our model households. Improvements in living costs for our model households are almost entirely as a result of the continual fall in the median rental price in Perth. Should this trend reverse, our model households will be presented with a profoundly different fiscal environment which they must navigate.

Though there has been an easing off in the rental market over the last 12 months, with a decrease in rents of 6.33 per cent, Commonwealth Rent Assistance has increased by less than 30 cents per week. This continues a long trend of Commonwealth Rent Assistance failing to keep pace with rental costs.



As noted in the 2015 Cost of Living Report, it is also 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 may not be in a position to negotiate their rents down due to either a lack of experience or as a result of their precarious financial situation, or may be unable to find available and affordable rental options within their community, making the prospect of moving unfeasible.

The increased availability of rental properties was reflected in Anglicare WA's *Rental Affordability Snapshot*, a survey of rental properties conducted annually (in the month of April). The 2016 Snapshot collected data on a total of 11,168 private rental listings across the state of Western Australia.<sup>26</sup> As can be seen in Figure 9, rents in Perth have continued to demonstrate the same downwards trajectory as in the past two years.

**Figure 9:** Anglicare WA Rental Affordability Snapshot Results (Perth only)

Location	2014	2015	2016
Median Price	\$480	\$430	\$390
Average Price	\$535	\$479	\$425
Properties Advertised	5,979	7,976	11,168

Based on the income of our model households, and the understanding that a household paying more than 30 per cent of their income is considered to be in "housing stress"; the following table indicates:

- the rental price each of our models household could afford to pay (and not be in housing stress); and
- based on Anglicare WA's 2016 rental snapshot data, the number of listed properties which are both appropriate and affordable:

**Figure 10:** Affordable and appropriate Perth rental properties available to model households at April 2016

Household	Size of residence required (APPROPRIATENESS)	Funds available to pay rent (represents 30% of income) (AFFORDABILITY)	No. of properties affordable & appropriate in Perth - 2016
Single Parent Family	2+ bedrooms	\$293.40 (30% of \$978.00)	200 (2%)
Working Family	2+ bedrooms	\$427.68 (30% of \$1,425.59)	4,700 (42%)
Unemployed Single	3+ bedrooms (assumes rent is equally shared between 3 parties)	\$67.01 (30% of 310.46, with equal payments made by 3 people)	0 (0%)
		Total number of properties advertised	11,168



Our modelling assumes that the unemployed single person lives in a household with two other Newstart recipients. However, the unemployed single person's household circumstances are most likely to vary, depending on the individual's age, gender and family situation. Though the single parent family finds themselves in a stronger financial position, only 2% of the properties advertised meet the basic measures of affordability and appropriateness for this family. The working family is in a better position, with around 42% of properties both affordable and appropriate, but any drop in their dual incomes sources or the income support they receive would have a dramatic impact on their access to appropriate shelter.

Those in rentals are significantly more at risk of poverty, comprising 59.7 per cent of people below the poverty line. In comparison, only 15.5 per cent of those below the poverty line are home owners. People living in public housing are also at particular risk, with 48.8 per cent of those in public housing below the poverty line.<sup>27</sup>

Recent federal legislation places increased pressure on low-income households over the next year. The Commonwealth Government's *Budget Savings (Omnibus) Act 2016* will have a profoundly negative impact on low-income families, young people and carers. As a result of this Act, the Energy Supplement will be removed from new recipients of Family Tax Benefits Part A and B, and the Commonwealth Seniors Health Card. For a single parent family with two teenage children this will mean a loss of \$284 a year or \$5.50 a week. Family Tax Benefit Part A will also be cut back for those whose family's taxable income is \$80,000 or more. From January 2017, new claims for Carers Allowances will not be backdated up to 12 weeks. The Job Commitment Bonus for long-term unemployed youth will be scrapped as of 31 December, 2016, and the HECS repayment threshold lowered.<sup>28</sup> Further cuts and measures before parliament continue to have these groups in their target – once again coming after those who need the most support.

Further, our modelling in 2017 will see the impact of the no-fault catastrophic injury insurance introduced on July 1, 2016 to be paid with all vehicle registrations. Though ensuring compensation is available to any person who suffers a catastrophic injury in a motor vehicle accident is vital, there is no avoiding the fact that this will have a profound impact on the living expenses of low-income earners.





## 5.0 Recommendations

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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. Key strategies should include:

1. That the Commonwealth increase the adequacy of income support and rent assistance to close the gap between incomes and basic living costs
2. That the Commonwealth consider tax settings to
  - a. Encourage greater institutional investment in affordable rental; or
  - b. Limit negative gearing to affordable and social housing only
3. That the State Government advocates to the WA Industrial Relations Commission for a sufficient increase in the State Minimum Wage to address growing income inequality
4. That the State Government restores the funding cut from metropolitan financial counselling services in 2015/16
5. That an independent cross-government inquiry into social concessions by the Economic Regulatory Authority be conducted to improve the targeting, adequacy and impact of existing expenditure<sup>29</sup>
6. Introduce a no-fault catastrophic injury insurance concession to ensure car ownership remains affordable for low-income households
7. That the State and Commonwealth governments commit to reverse the funding cuts under the National Partnership Agreement on Legal Assistance, and provide adequate and sustainable long-term funding for community legal centres.



## 6.0 Conclusion

Western Australia is a state in transition, finding a way forward following end of an unprecedented resources boom. Slowing economic growth, high rates of unemployment and underemployment, and the increasing casualisation of the workforce is placing increasing pressure on low-income households. Without adequate support for those households from government, that transition will simply serve to increase inequality and divide our community.

Funding cuts by both the WA and Commonwealth Governments to essential services like financial counselling and community legal centres only serve to increase levels of financial hardship on low-income earners and those on income support, making the daily effort to cover their living costs a continually more difficult task.

Australia's economy is not currently in as robust a position as it was. But genuine economic recovery will occur faster and more sustainably if the government does not resort to austerity policies and slash funding for the services that the community so desperately needs. It is a fact that genuine, long-term cost savings for government will only ever be delivered by reducing the demand for expensive tertiary services through early intervention programs.

Economic recovery efforts around the world since the Global Financial Crisis have demonstrated the failure of austerity policies and the detrimental impact they have both societally and economically. At a time of historically low interest rates, it is absolutely appropriate for the Government to be accumulating debt. In the words of John Maynard Keynes, "The boom, not the slump, is the right time for austerity at Treasury."<sup>30</sup>

Growing levels of income and wealth inequality, on the back of an insufficient rise in the minimum wage and the lack of any meaningful increase to Newstart holds us back as a community and economically.

It is crucial that our governments take significant action to address our housing affordability and homelessness crisis, because without housing we cannot hope to enable the economic participation and better life outcomes for those most marginalised.

Enabling social and economic participation also requires a system of concessions that ensures those on low and fixed incomes or facing specific disadvantages are adequately compensated for the impacts of rising costs on essential goods and services, as well as new charges, such as the no-fault insurance scheme.

There is no excuse for governments to not invest in the community services that improve the well-being of Western Australians and create a more inclusive and equitable society. By building the resilience of those experiencing hardship and disadvantage, we can build the resilience of our whole community.



The Council wishes to acknowledge the important work done within the community sector to provide support, information and advocacy to low income households across WA.

Such organisations/people include:

**Financial counsellors** who provide free, independent and confidential information, support and advocacy to people in financial difficulty.

**WA:** [Financial Counsellors Association of Western Australia](#)

**National:** [Financial Counselling Australia](#)

**Emergency relief providers** who, through support from Lotterywest and the Department for Social Services, are able to help people deal with situations of immediate financial crisis through the

**WA:** [ER Connect: Emergency and Financial Support Services Directory](#)

**Community legal services** who provide legal services to individuals that are disadvantaged and have special needs, as well as providing community legal education, capacity building, and law and policy reform projects.

**WA:** [Community Legal Centres Association \(WA\)](#)

**National:** [National Association of Community Legal Centres](#)



## 7.0 References

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- <sup>1</sup> ACOSS (2016) *Poverty In Australia*
- <sup>2</sup> Ibid.
- <sup>3</sup> Unpublished figures produced for WACOSS by the Social Policy Research Centre at UNSW and ACOSS
- <sup>4</sup> Workplace Gender Equality Agency (2016) *Gender pay gap statistics*, [https://www.wgea.gov.au/sites/default/files/Gender\\_Pay\\_Gap\\_Factsheet.pdf](https://www.wgea.gov.au/sites/default/files/Gender_Pay_Gap_Factsheet.pdf)
- <sup>5</sup> L Crowe, P Butterworth, L Leach (2016) 'Financial hardship, mastery and social support: Explaining poor mental health amongst the inadequately employed using data from the HILDA survey' *SSM – Population Health* vol. 2, p. 408
- <sup>6</sup> The 2012 Cost of Living Report provides a more detailed account of the methodology: <http://goo.gl/TbCM6q>.
- <sup>7</sup> Centrelink (2016) *Online Payment Estimators*.
- <sup>8</sup> Department of Social Services (2016) *Guide to Social Security Law*.
- <sup>9</sup> 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*.
- <sup>10</sup> WA Industrial Relations Commission (2016) *State Wage Order Pursuant To Section 50a of the Act*.
- <sup>11</sup> Australian Tax Office (2016) *Online Tax Calculator*, using *Comprehensive tax calculator 2014*.
- <sup>12</sup> RAC WA (2016) *Vehicle Running Costs Guide* <http://rac.com.au/motoring/motoring-advice/buying-a-car/running-costs>
- <sup>13</sup> 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*.
- <sup>14</sup> ABS (2015) *6523.0 – Household Income and Wealth, Australia, 2013-14*
- <sup>15</sup> See note 3
- <sup>16</sup> Ibid.
- <sup>17</sup> WACOSS (2016) *2016 State Wage Case* Submission to the Western Australian Industrial Relations Commission
- <sup>18</sup> UnionsWA (2016) *Submission of UnionsWA on the 2016 state wage order*
- <sup>19</sup> *State Wage Order* (2016) *2016 WAIRC 00362*
- <sup>20</sup> See note 1
- <sup>21</sup> See note 5.
- <sup>22</sup> ACTU (2012) *Lives on Hold: Unlocking the Potential of the Australian Workforce*, Independent Inquiry into Insecure Work in Australia
- <sup>23</sup> ABS (2016) *6302.0 – Average Weekly Earnings, Australia*, May 2016, Table 3 (Australia)
- <sup>24</sup> Centre for Social Impact, *Financial Resilience in Australia*, August 2016
- <sup>25</sup> Ibid.
- <sup>26</sup> Anglicare WA (2016) *Rental Affordability Snapshot 2016* page 93.
- <sup>27</sup> See note 1
- <sup>28</sup> *Budget Savings (Omnibus) Act 2016 (Cth)*
- <sup>29</sup> Ibid.
- <sup>30</sup> John Maynard Keynes, 'How to Avoid a Slump,' *The Collected Writings of John Maynard Keynes* (1971-89) Macmillan, p. 388