



2015 Cost of Living Report



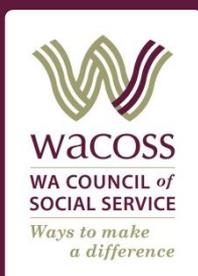
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The **Western Australian Council of Social Service** is the leading peak organisation for the community services sector in Western Australia. We represent 300 members and over 800 organisations involved in the provision of services to hundreds of thousands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

Economic booms have, unsurprisingly, a profound effect on living costs both during their height and after they have ended.

Western Australia's recent resources boom generated significant growth in the state's average living standards, increasing at a rate around double many others.¹ In comparison to other states, Western Australians are now more likely to be in the top 20 per cent income group, which has around five times as much income as someone in the bottom 20 per cent.²

This growth, however, was not shared equally through the community, with rising income inequality leaving many of those on low and fixed incomes behind. Prices increased with the median wage, but for those on lower incomes this simply meant that their cost of living expenses skyrocketed.

The end of the resources boom has created its own share of difficulties. It has placed increasing pressure on the State's expenditure, reduced business confidence and seen a significant rise in the rate of unemployment, underemployment and the casualisation of the workforce. Household fees and charges have continued to increase and affordable accommodation for those on lower incomes remains out of reach for many. While prices in the rental market have dropped as population growth and housing supply pressures have eased, they have not and may never drop far enough that the market will be affordable for many low income families, particularly those who rely on government support or the pension.

A recent Bankwest Curtin Economics Centre report found that while Perth ranked second last among state capitals in the number of those in 'standard' poverty (those who earn less than 50 per cent of the median household disposable income), Perth has the second highest rate of severe poverty in Australia (with less than 30 per cent of the median income).³

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 one week at a time to ensure their basic costs of living do not exceed their meagre income.

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 constraints many in our community continue to face in achieving this outcome.



1.1 Key findings of the 2015 Cost of Living Report

The downturn in Western Australia's economic circumstances has resulted in some easing of living costs during the past financial year. This is accompanied, however, by increasing rates of unemployment and underemployment which threaten to place households in financial hardship.

Our three model households demonstrate that those who are able to secure two income streams through employment have seen a reasonable improvement in their cost of living, with only a marginal improvement for the single parent family. For those without employment, however, their cost of living remains well beyond their income.

- ✦ **The weekly income of our model unemployed single remains inadequate to meet basic living costs**, with close to a \$50 gap between income support provided and a basic standard of living in line with community expectations.

Figure 1: Income and expenditure of our three model households

	Income	Expenditure	Net Position
Single Parent Family	\$944.12	\$938.17	\$5.95
Working Family	\$1,397.49	\$1,321.44	\$76.05
Unemployed Single	\$304.65	\$353.49	-\$48.83

- ✦ **The income of our working family surpasses their estimated basic living costs by \$76.05 per week**, but rising unemployment rates in Western Australia places job security in risk. The loss of even one source of income would put this family in a financially precarious situation.
- ✦ **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 the likelihood that such workers are employed in casual or less secure employment arrangements, keeps them in a precarious financial position.
- ✦ **A significant increase to the Newstart Allowance rate is still desperately needed.** \$37 a day is simply not enough for even a basic standard of living.
- ✦ **The cost of renting in Perth remains the major weekly expense for low-income households.** While median rents have decreased by almost 6 per cent over the past 12 months, there remain limited affordable and appropriate rental options for those relying on government benefits or the minimum wage. Housing costs remain the biggest single driver of financial hardship for low income households and it is not clear how many real low income families will actually have seen any genuine decrease in their rental costs.
- ✦ **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 *2015 Cost of Living Report* uses the same methodology as our 2013 and subsequent reports.⁴ It models the income and expenditure of three household types during the 2014/15 financial year in comparison to the two preceding financial years (2012/13 and 2013/14). 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:

Table 1: WACOSS Household Models

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



2.2 Determining household income

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

- Centrelink's online payment estimator;⁵
- The Department of Social Services' *Guide to Social Security Law*;⁶
- The Centrelink website;⁷
- The WA Industrial Relations Commission's 2014 State Wage Case decision;⁸ and
- The Australian Taxation Office's online tax calculator.⁹

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 2014/15 financial year.

2.3 Determining household expenditure

Household expenditure in the *2015 Cost of Living Report* has been calculated using up to date and publicly available sources that reflect the average price and usage of products and services by Perth residents wherever possible. Where such figures are not readily available, we have modelled costs based on the Australian Bureau of Statistics' (ABS) *2009-10 Household Expenditure Survey* (with relevant CPI applied). All estimates of cost and consumption are intentionally conservative. Further detail on each of the essential costs in the household expenditure model is provided below:

- ✦ **Housing** — Expenditure is based on quarterly statistics of average house and unit rental prices advertised in the Perth metropolitan region published by the Real Estate Institute of Western Australia (REIWA). 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.¹⁰ (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.¹¹

Single parent family (Parenting Payment Single) - WEEKLY INCOME					
	2012/13	2013/14	2014/15	% increase 2013/14 to 2014/15	\$ increase 2013/14 to 2014/15
Wage (gross)	\$371.63	\$382.50	\$394.31	3.0%	\$11.81
Parenting payment	\$229.27	\$239.72	\$241.82	0.87%	\$2.10
Other regular Government Benefits	\$293.66	\$301.63	\$309.05	2.4%	\$7.42
Government supplements (one off payments, converted to weekly amount)	\$53.48	\$53.48	\$51.66	-3.52%	-\$1.82
Tax paid	-\$48.33	-\$51.90	-\$58.73	-11.63%	-\$6.83
Total household income/week	\$899.70	\$931.38	\$944.12	1.35%	\$12.74
Increase on previous year	\$27.32	\$31.68	\$12.74		
% increase on previous year	3.1%	3.5%	1.35%		

The income of the single parent household has **increased 1.35 per cent** (\$12.74) over the last 12 months. The parent's wage has increased by \$11.81, the parenting payment by \$2.10 and other government benefits (including both regular and one-off payments) by \$5.60.

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.



Single parent family - WEEKLY EXPENDITURE					
	2012/13	2013/14	2014/15	% increase 2013/14 to 2014/15	\$ increase 2013/14 to 2014/15
Rent	\$362.31	\$379.31	\$357.00	-5.88%	-\$22.31
Food and beverage	\$212.75	\$218.10	\$220.65	1.17%	\$2.40
Utilities	\$35.26	\$35.81	\$35.86	0.14%	\$0.05
Transport	\$65.57	\$66.85	\$55.16	-17.49%	-\$11.69
Other - household and living costs	\$259.27	\$266.57	\$269.50	1.10%	\$2.93
Total household expenditure/week	\$935.16	\$966.64	\$938.17	-2.95%	\$28.47
Increase on previous year	\$38.53	\$31.47	-\$28.47		
% increase on previous year	4.3%	3.4%	-2.95%		

The single parent household's weekly expenditure on basic living costs has **decreased by 2.95 per cent** over the last 12 months. The largest dollar and percentage decreases relate to housing and transport costs respectively — rent has decreased by \$22.31 per week (or 5.88 per cent), while transport costs are down \$11.69 per week (or 17.49 per cent).

Figure 2: Median unit rental price, Perth

Financial Year	Quarter	Median Unit Rental Price	Average median rental price over 4 quarters	85% of average price
2013/14	September 2013	\$450	\$446	\$379.31
	December 2013	\$450		
	March 2014	\$440		
	June 2014	\$445		
2014/15	September 2014	\$430	\$420	\$357.00
	December 2014	\$430		
	March 2015	\$420		
	June 2015	\$400		

As in previous years, we have used the car with the lowest running costs for our transport modelling. This has, however, resulted in a significant reduction in the transport costs for the two household types that use a car due to the substantially lower running costs of the 2013/14 car, compared to those of previous models. The likelihood is that our model families would not be able to afford to purchase a new car each year, which may have resulted in an underestimate of their expenditure.



A more comprehensive examination of this issue can be found in section 4.0 – Key Observations and Implications.

Single parent family (Parenting Payment Single) - WEEKLY DIFFERENCE			
	2012/13	2013/14	2014/15
Total weekly income	\$899.70	\$931.38	\$944.12
Total expenditure	\$935.16	\$966.64	\$938.17
Difference	-\$35.46	-\$35.26	\$5.95

In 2014/15, the family's weekly income surpassed their basic living costs by \$5.95 per week (down from \$27.88 in 2011/12).

It is also 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					
	2012/13	2013/14	2014/15	% increase 2013/14 to 2014/15	\$ increase 2013/14 to 2014/15
Combined wages (gross)	\$1,152.04	\$1,185.58	\$1,221.94	3.07%	\$36.36
Regular government benefits	\$226.93	\$232.12	\$254.10	9.47%	\$21.98
Government supplements (one off payments, converted to weekly figures)	\$58.26	\$58.26	\$58.91	1.12%	\$0.65
Tax paid	-\$115.10	-\$123.71	-\$137.47	-11.12%	-13.76
Total household income/week	\$1,322.13	\$1,352.25	\$1,397.49	3.35%	\$45.24
Increase on previous year	\$35.55	\$30.12	\$45.24		
% increase on previous year	2.8%	2.3%	3.35%		

The largest real increase to the working family's income came as a result of the 2014 State Wage Case decision. As a result of this decision, our working family's weekly (before tax) wages **increased by 3.07 per cent** or \$36.36 per week between 2013/14 and 2014/2015.



Working family - WEEKLY EXPENDITURE					
	2012/13	2013/14	2014/15	% increase 2013/14 to 2014/15	\$ increase 2013/14 to 2014/15
Rent	\$388.88	\$397.38	\$376.13	-5.35%	-\$21.25
Food and beverages	\$305.14	\$312.82	\$316.59	1.21%	\$3.77
Utilities	\$52.25	\$53.33	\$53.88	1.03%	\$0.55
Transport	\$95.17	\$97.79	\$87.46	-10.56%	-\$10.33
Other household and living costs	\$467.80	\$481.30	\$487.39	1.27%	\$6.09
Total household expenditure/week	\$1,309.23	\$1,342.62	\$1,321.44	-1.58%	-\$21.18
Increase on previous year	\$50.54	\$33.39	-\$21.18		
% increase on previous year	4.0%	2.6%	-1.58%		

Our working family's weekly expenditure on basic living costs has **decreased by 1.58 per cent** or \$21.18 per week over the last 12 months. As with our single parent, the largest decreases in expenditure are in housing and transport, which outweigh the increased cost of food and beverages, utilities, and other household and living costs.

Working family - WEEKLY DIFFERENCE			
	2012/13	2013/14	2014/15
Total weekly income	\$1,322.13	\$1,352.25	\$1,397.49
Total expenditure	\$1,309.23	\$1,342.62	\$1,321.44
Difference	\$12.90	\$9.63	\$76.05

In 2014/15, the family's weekly income surpassed their basic living costs by \$76.05 per week (up from \$9.63 in 2013/14). 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 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					
	2012/13	2013/14	2014/15	% increase 2013/14 to 2014/15	\$ increase 2013/14 to 2014/15
Newstart Allowance (with clean energy supplement included)	\$246.60	\$251.39	\$257.74	2.53%	\$6.35
Rent assistance	\$40.46	\$41.62	\$42.52	2.16%	\$0.90
Clean energy supplement	\$1.18	\$4.35	\$4.39	0.92%	\$0.04
Tax paid	\$0.00	\$0	\$0	0%	\$00
Total household income/week	\$288.25	\$297.36	\$304.65	2.45%	\$7.29
Increase on previous year	\$2.40	\$9.11	\$7.29		
% increase on previous year	0.8%	3.2%	2.45%		

This year, the weekly income of our unemployed person **increased by 2.45 per cent**. However, in real terms, this means they only have an additional \$1.04 per day to try to make ends meet.

Unemployed single - WEEKLY EXPENDITURE					
	2012/13	2013/14	2014/15	% increase 2013/14 to 2014/15	\$ increase 2013/14 to 2014/15
Rent	\$129.63	\$132.46	\$125.38	-5.35%	-\$7.08
Food and beverage	\$92.39	\$94.72	\$95.94	1.29%	\$1.22
Utilities	\$16.14	\$16.45	\$16.57	0.73%	\$0.12
Transport	\$11.92	\$12.46	\$12.96	4.01%	\$0.46
Other - household and living costs	\$99.72	\$101.91	\$102.64	0.72%	\$0.73
Total household expenditure/week	\$349.79	\$358.00	\$353.49	-1.26%	-\$4.51
Increase on previous year	\$14.82	\$8.21	-\$4.51		
% increase on previous year	4.4%	2.3%	-1.26%		

In 2014/15, our unemployed person was receiving government benefits totalling less than 50 per cent of the WA State Minimum Wage while searching for work.¹ As the calculations below show,

¹ In 2014/15 the WA State Minimum Wage full time weekly rate for adults was \$665.90.



despite the small 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 1.26 per cent** (or \$4.51 per week) over the last 12 months.

The housing calculations above 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. Though there has been an easing off in the rental market over the last 12 months, with a decrease in rents of 5.35 per cent, Commonwealth Rent Assistance has increased less than \$1 per week. This continues a long trend of Commonwealth Rent Assistance failing to keep pace with rental costs.

Unemployed single - WEEKLY DIFFERENCE			
	2012/13	2013/14	2014/15
Total weekly income	\$288.25	\$297.36	\$304.65
Total expenditure	\$349.79	\$358.00	\$353.49
Difference	-\$61.54	-\$60.64	-\$48.83

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.



4.0 Key Observations & Implications

The state of Western Australia’s rental market has become an area of great focus for the community at large, as the slowing demand on the back of a slackening in the growth of WA’s permanent and itinerant population has led to an increase in the rental vacancy rate and a drop in the overall median rent.

With these factors in mind and the tenor of recent media coverage, people could easily be mistaken in thinking therefore that the rental market had become affordable for those on low incomes and that housing costs would no longer be such a burden.

The reality, however, is very different. Many families and individuals remain under significant strain and may be forced to rent in places that are not appropriate to their needs or cost too much for them to live free of rental stress.

As can be seen in Figure 3, the Perth median rental price decreased in 2015, taking it down to \$420 as of the June quarter. Since December 2012, the rental vacancy rate has also been increasing, reaching 4.7 per cent in the June 2015 quarter, as shown in Figure 4.

Figure 3: Median Rental Price (Overall), Perth

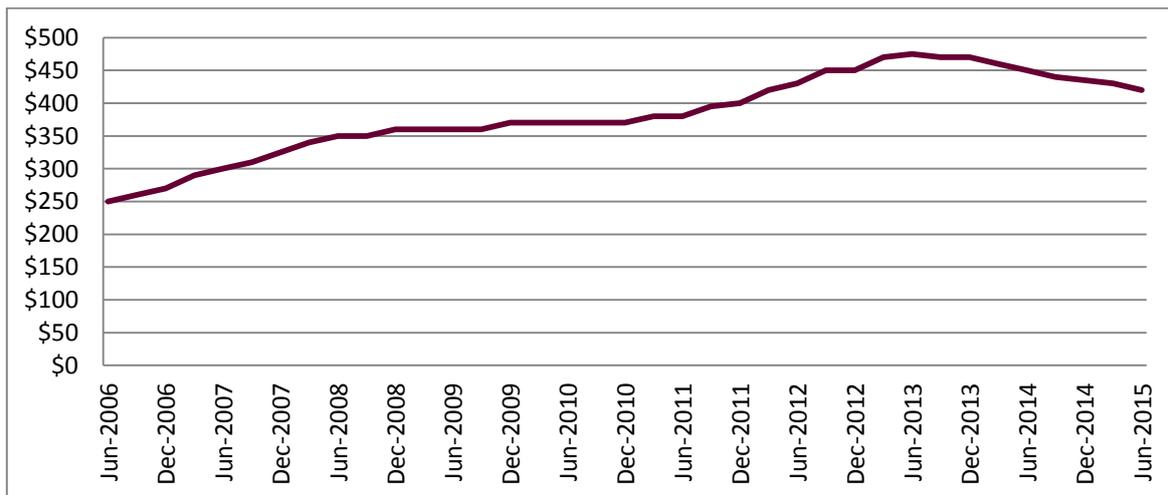
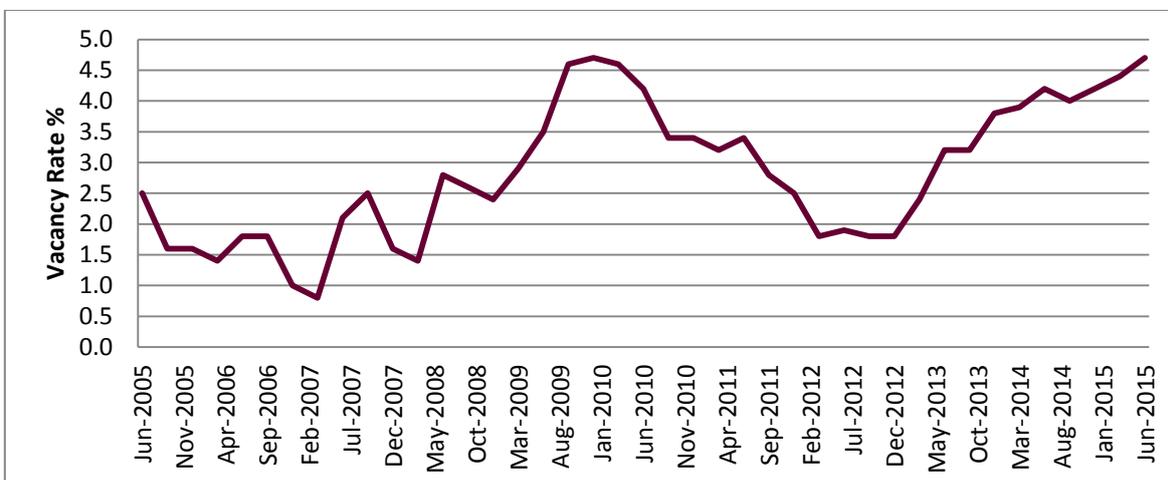


Figure 4: Perth rental vacancy rate, %



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 2015 Snapshot collected data on a total of 9,803 private rental listings across the state of Western Australia.¹²

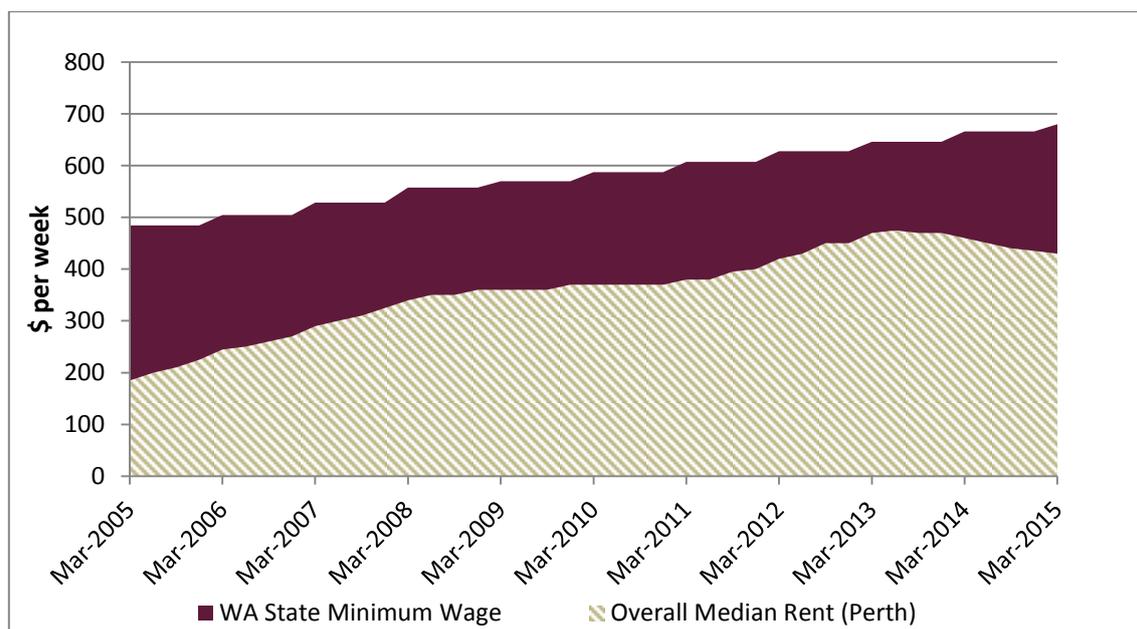
As Figure 5 shows, rental prices in April 2015 had decreased considerably. While the 2015 survey showed that the average and median prices had both fallen, Anglicare WA concluded that the median rental price was "clearly beyond the affordable price range of people on benefits, pensions or a minimum wage".¹³

Figure 5: Anglicare WA Rental Affordability Snapshot Results (Perth only)

Location	2013	2014	2015
Median Price	\$520	\$480	\$430
Average Price	\$609	\$535	\$479
Properties Advertised	3,646	5,979	7,976

As can be seen in Figure 5, while the overall median rent does not consume as much of the State minimum wage as it did during 2013, it still accounts for over 63 per cent.

Figure 6: State minimum wage vs overall median rent



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 2015 rental snapshot data, the number of listed properties which are both appropriate and affordable:



Figure 7: Affordable and appropriate Perth rental properties available to model households at April 2015

Household	Size of residence required (APPROPRIATENESS)	Funds available to pay rent (represents 30% of income) (AFFORDABILITY)	No. of properties affordable & appropriate in Perth - 2015
Single Parent Family	2+ bedrooms	\$283.24 (30% of \$944.12)	19 (0.24%)
Working Family	2+ bedrooms	\$419.25 (30% of \$1,397.49)	1855 (23.26%)
Unemployed Single	3+ bedrooms (assumes rent is equally shared between 3 parties)	\$274.20 (30% of 304.65, with equal payments made by 3 people)	0 (0%)
		<i>Total number of properties advertised</i>	7,976

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. Our working family are in a stronger financial position thanks to their multiple incomes and eligibility for additional welfare support, however fewer than one in every four properties available at the time of Anglicare WA's snapshot were both considered appropriate and affordable for the family.

It is important to note that the median rental price is a measure of the amount paid for new rental contracts rather than ongoing ones. That is, while someone moving into a new rental property might expect to be paying on average \$50 per week less in rent than if they had been moving into a new place last year, those who remain in the same property are unlikely to have seen any change in their rental costs. So, while our model shows a decrease of \$x in the rental paid by our model single parent family or \$x for our working families, real life families are unlikely to have seen any change in their living costs unless they've moved house or been in a position to negotiate their rental costs down.

It should also be noted that 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 reducing any leverage they may have over the landlord, as to move from their current rental situation to another would itself be an expensive process. Community services such as emergency relief or financial counselling could plausibly be used to advocate on behalf of tenants, but the fact is that following the recent financial counselling cuts the capacity to provide such a service has been completely eroded.

Our single parent family is faced with only 19 properties (0.24 per cent of all listings) meeting basic measures of affordability and appropriateness for this family.

The rental assistance provided by the Commonwealth has seen little growth, despite the fact that the rental stress has been a consistent and persistent problem facing those on lower incomes for a significant period of time.



Figure 8: Commonwealth Rent Assistance

Household		2013/14	2014/15	% change
Single Parent Family	Rent Assistance received	\$73.99	\$75.25	1.7%
	Rent paid (85% median unit price)	\$379.31	\$357	-5.9%
Working Family	Rent Assistance received	\$73.72	\$74.62	1.2%
	Rent paid (85% median house price)	\$397.38	\$376.13	-5.3%
Unemployed Single	Rent Assistance received	\$41.62	\$42.52	2.2%
	Rent paid (85% median house price, one-third share)	\$132.46	\$125.38	-5.3%

To secure rental housing at 85 per cent of the median price, all of our model families will have to pay more than 30 per cent of their income, placing them all in rental stress.

Looking outside of Perth at the Northwest Region of Western Australia, our single parent family will find only four properties from those listed that meets those measures of affordability and appropriateness.

Figure 9: Affordable and appropriate Northwest Region rental properties available to model households at April 2015

Household	Size of residence required (APPROPRIATENESS)	Funds available to pay rent (represents 30% of income) (AFFORDABILITY)	No. of properties affordable & appropriate in Perth - 2015
Single Parent Family	2+ bedrooms	\$283.24 (30% of \$944.12)	4 (0.36%)
Working Family	2+ bedrooms	\$419.25 (30% of \$1,397.49)	77 (6.84%)
Unemployed Single	3+ bedrooms (assumes rent is equally shared between 3 parties)	\$274.20 (30% of 304.65, with equal payments made by 3 people)	0 (0%)
		<i>Total number of properties advertised</i>	1125

Affordability in the Northwest is a significant concern. Average weekly rents in Karratha, Newman, Port Hedland and Onslow increased by over 300 per cent between 2005 and 2012, in contrast to Perth where the increase was only 99 per cent.¹⁴

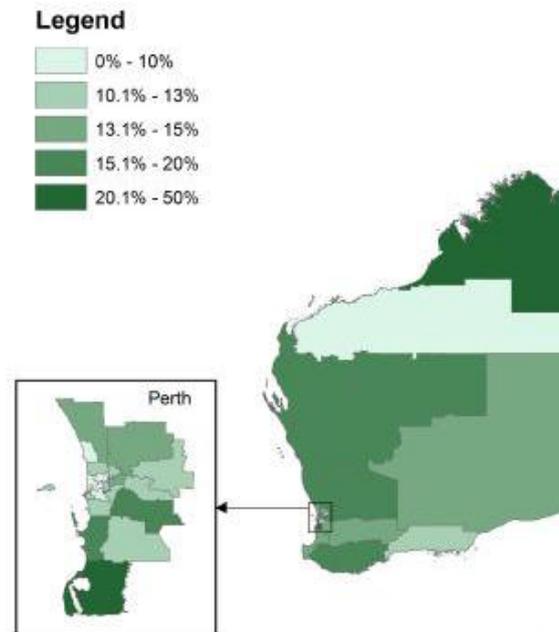
If we place our model Working Family on Newstart Allowances instead, we find that there was a grand total of one property advertised in the Northwest Region that was both affordable and appropriate. It is not difficult to deduce, therefore, that there must be many jobless families in the Northwest Region who have no option but to live in accommodation that is not appropriate for their needs.

A couple with two children on Newstart in the Perth Metropolitan region is in the same position, with only one property advertised in that area both affordable and appropriate.



The *Falling Through the Cracks* report found that the Peel region in the south and the Kimberley in the state's north have the highest proportions of jobless families in the state.

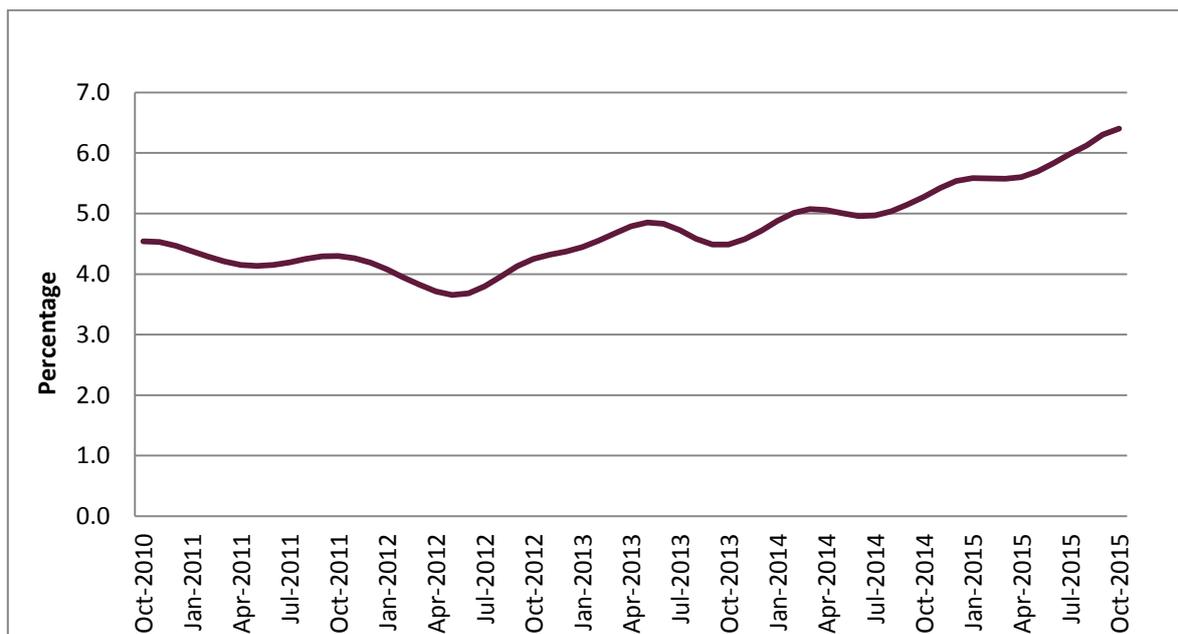
Figure 10: Jobless Families in Western Australia



Source: Bankwest Curtin Economics Centre, *Falling Through the Cracks* (2014)

With the unemployment rate in Western Australia rising and stresses being placed on job security, more families will be put in the position where they will be unable to rely on the minimum wage, meaning more households like our single parent and working family will find themselves unemployed and forced into financial hardship.

Figure 11: WA unemployment rate, %



Despite or perhaps due to this, the Newstart Allowance has comprehensively failed to keep up with both the Minimum Wage and Average Weekly Earnings growth for Western Australians.

Figure 12: Newstart Allowance 2015

Income	May 2005	May 2015	\$/week increase	% change
Newstart Allowance	\$199.65	\$259.60	\$59.95	30%
WA Minimum Wage	\$484.40	\$679.90	\$195.50	40.4%
Average Weekly Ordinary Time Earnings (WA)	\$994.30	\$1,691.20	\$696.90	70%

The results of this failure can be seen with our model Unemployed Single, whose general expenditure is nearly fifty dollars greater than their income, clearly placing them in financial hardship. Their income is unambiguously insufficient to meet their cost of living.

The Council is concerned about the proposal by the Federal Government to cut-off Family Tax Benefit B when the youngest child in couple families reaches 13, and a \$1737.50 cut to the payments received by single parents with children over 13 (a 63 per cent reduction). Other forms of support, such as Newstart, are clearly inadequate to provide the support they will need when those payments are cut.

The *Falling Through the Cracks* report found that the rate of poverty for single people in rental accommodation increases significantly as they age. Nearly 40 per cent of single renters aged 35 to 54 are in poverty, which increases to nearly 50 per cent for those approaching retirement.¹⁵ With rates of home ownership declining, particularly in younger generations, this is a significant cause of concern for the future.

Figure 13: Transport – Alto vs Celerio costs comparison

Financial Year	Categories	\$/week	Weekly running cost
2013/14	Fuel	\$20.61	\$66.85
	Tyres	\$3.18	
	Servicing	\$16.71	
	On Roads, Stamp, Reg, Insurance, Club Mem.	\$26.07	
2014/15	Fuel	\$18.79	\$55.16
	Tyres	\$2.19	
	Servicing	\$15.47	
	On Roads, Stamp, Reg, Insurance, Club Mem.	\$18.72	



As explained earlier when outlining this report's methodology, previous versions of the *Cost of Living Report* have used the car with the lowest running costs for that year as calculated by RAC WA. For 2014/15, that car was the Suzuki Celerio. It should be noted, however, that the costs for the Suzuki Celerio are significantly lower than those of the Suzuki Alto in 2013/14. The fact is that many families that would fit into our two car-driving models of the working family and single parent family would not be able to purchase a new car each year. This not only causes a potential underestimate of the transport expenditure for these families, but also means that any improvement to the model cost of living scenarios for the working family and single parent family that has occurred as a result of the reduced transport costs may be overstated.

If we take a car with slightly more expensive running costs that appears in both the 2014 and 2015, results, the numbers tell a very different story. Looking at the Holden Barina, we see car transport costs have increased slightly during that period, from \$65.10 to \$65.98.

This, of course, has a significant impact on the expenditure of our car driving households. The difference between the single parent family's income and expenditure is now -\$4.87, up from -\$33.51 the previous year, but still placing them into clear financial hardship. The difference for the working family is \$65.23, an improvement from the \$11.38 of 2013/14.

Public transport fees have continued to increase, creating a disincentive for its use. It is important that the State Government ensures that the price balance between public and private transport does not too heavily weigh towards car ownership and so discourage the use of public transport.

It should also be noted that after July 1, 2016, motorists will now pay no-fault insurance with their vehicle registration. The insurance will add an additional \$99 per year to the cost of car/motorcycle registration. While the Council has in principle welcomed its introduction, as it will ensure compensation is available to any person who suffers a catastrophic injury in a motor vehicle accident, regardless of who is at fault, it is concerning that no allowance has been given to capacity to pay. Adequate concessions are required to prevent car ownership from becoming completely untenable for lower income households. As can be seen from the models in this report, \$99 will be a significant impost on low and fixed income households, and without any other significant change, we can expect the *2016 Cost of Living Report* will demonstrate that many of the gains made will have been lost.



5.0 Conclusion

As our *2015 Cost of Living Report* has clearly shown, cost of living has improved for those who have access to work, and in particular for those with dual sources of income. For a person on benefits, however, their income continues to be utterly insufficient to meet their cost of living. Most households like our models will have seen costs of living marginally improve, however a small but growing number now face unemployment and significant financial hardships.

Safe, secure and affordable housing is a precursor for economic participation and an underpinning foundation for better life outcomes. Western Australia is struggling with an undersupply of social housing, with many forced into accommodation that is not affordable or appropriate for their situation. It is commendable that the State Government is endeavouring to address this issue through its Social Housing Investment Program, but it is insufficient these to address this crisis. It will only be through increased investment and innovative partnerships to develop housing infrastructure that are formed across government and with the community sector that we can hope to address it.

Recent cuts to financial counselling services had a significant impact on the support that those on lower incomes can be provided. Increased resources, better data on community needs and service outcomes, and more time are required to develop a truly needs-based integrated financial counselling system.¹⁶

In Western Australia, we continue to have a wide range of concessions that are poorly targeted and lack clearly defined outcomes. At the same time, it is clear that concessions are increasingly inadequate as living costs increase. We need an independent public inquiry into state concessions that considers the extent to which our concessions system provides adequate and equitable support across our community. With a smaller number of simpler, clearer and better targeted concessions, administrative costs to government would be reduced, while those savings could be used to improve their adequacy for those at risk of financial hardship.¹⁷

With the increases in utility costs for 2015/16 and the reforms to move the WA electricity market to 'full retail contestability' by July 2018, there will be increasing pressures on the cost of living for those on lower incomes. Experience from other jurisdictions indicates that there is a significant risk that vulnerable customers could be worse off in a more competitive market.

Those currently struggling with financial hardship are less profitable and desirable as customers, while those from disadvantaged backgrounds may struggle to understand complex service models and product choices. It is possible that increased competition in the future will drive down prices at that time, but it is absolutely vital that people will not be forced into financial hardship as a result of this process in the meantime.

Though economic times are difficult, austerity cannot be an excuse to allow rising inequality and reduced support for those most in need. During such times it is necessary to determine how our limited resources can best be used to assist those most at risk of financial hardship.



6.0 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. 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. Co-design a social housing growth strategy with community housing and service providers to provide a greater strategic direction and enable investment, specialisation and innovation¹⁸
4. Maintain the proportion of social housing delivered as part of the State Affordable Housing Strategy's 2020 target of an additional 10,000 affordable homes¹⁹
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 expenditure²⁰
6. Improve access to affordable public transport by investing in infrastructure that meets the needs of disadvantaged communities and ensuring public transport price setting delivers affordable fares that encourages its use as a primary means of transport.



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: [Community emergency relief service providers throughout Western Australia](#)

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

- ¹ Anglicare (2015) *Living Standard Trends*, NATSEM, page 25.
- ² ACOSS (2015) *Inequality in Australia: A Nation Divided*, page 10.
- ³ Bankwest Curtin Economics Centre (2014) *Falling Through the Cracks*, page 60.
- ⁴ The 2012 Cost of Living Report provides a more detailed account of the methodology: <http://goo.gl/TbCM6q>.
- ⁵ Centrelink (2015) *Online Payment Estimators*.
- ⁶ Department of Social Services (2015) *Guide to Social Security Law*.
- ⁷ 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*.
- ⁸ WA Industrial Relations Commission (2015) *State Wage Order Pursuant To Section 50a of the Act*.
- ⁹ Australian Tax Office (2015) *Online Tax Calculator*, using *Comprehensive tax calculator 2014*.
- ¹⁰ RAC WA (2015) *Vehicle Running Costs Guide* <http://rac.com.au/motoring/motoring-advice/buying-a-car/running-costs>
- ¹¹ 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*.
- ¹² Anglicare WA (2015) *Rental Affordability Snapshot 2015* page 99.
- ¹³ *Ibid.* page 105.
- ¹⁴ Regional Development Australia (August 2015) *The Cost of Doing Business in the Pilbara*, page 21.
- ¹⁵ Bankwest Curtin Economics Centre (2014) *Falling Through the Cracks*, page 77
- ¹⁶ WACOSS (2015) *Leaving No-One Behind: A Brighter Future For Our Children Families & Community*, Pre-Budget Submission for the WA State Budget 2016-17.
- ¹⁷ *Ibid.*
- ¹⁸ *Ibid.*
- ¹⁹ *Ibid.*
- ²⁰ *Ibid.*