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Council of Social Service Inc

*Ways to make  
a difference*

# 2014 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

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.

According to recent figures, Western Australia has the second highest rate of income inequality of any state in Australia — as measured by the Gini coefficient, and reported by the Australian Bureau of Statistics<sup>1</sup>. In early 2014 the Bankwest Curtin Economics Centre reported:

*Over the last six years, [Western Australia] incomes have outpaced national averages, even when accounting for taxes and household size...However, income growth across the boom period has seen income inequality increase significantly, as the richer households sprint away from the rest of the distribution. The boom may be benefiting many households, with rising employment participation, decreasing unemployment and generally higher incomes, but the poorest households in WA are being left behind. This does not mean that the boom is not being shared, but rather it is being shared too unequally.*

*Low-income households are falling behind all others at a faster rate in WA than Australia, which raises concerns about those living in these households and the decreasing standard of living that they are likely to be experiencing relative to the rest of WA's population.<sup>2</sup>*

It is households like those modelled in this report, who are falling behind relative to the rest of WA's population. Despite popular perceptions that rising living costs are impacting on everyone, WA households with on average or better incomes have seen their circumstances continue to improve, with average wages rising ahead of living costs. Previous WACOSS Cost of Living reports<sup>3</sup> have demonstrated how those on low and fixed incomes were increasingly left behind during the sustained period of WA's economic boom. This report documents the extent to which these households have failed as yet to catch up in any meaningful way as economic conditions have cooled, leaving their circumstances largely unchanged.

Not only does this growing inequality have dire consequences for those left further behind, it is also likely to act as a drag on growth and affect the well-being of the whole of the Western Australian community in the longer term. There is a significant body of evidence which demonstrates that lower levels of inequality within a society deliver stronger economic growth and improved social outcomes.<sup>4</sup> As the International Monetary Fund's (IMF) Research Department wrote in a research paper launched February 2014:

*It would still be a mistake to focus on [economic] growth and let inequality take care of itself, not only because inequality may be ethically undesirable but also because the resulting growth may be low and unsustainable.<sup>5</sup>*

The Council aspires to seeing 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 social,



economic and professional 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 2014 Cost of Living Report

Despite a significant slowing down in the WA economy as we move out of the construction phase of a sustained resources boom - there has been little change in the financial circumstances of low income households. Marginal improvements in income for our three model households have kept pace with rising living costs, but have done little to make up for the significant increases in living costs for these households in recent years.

- ✦ **The weekly incomes of our model single parent family and unemployed single remain inadequate to meet basic living costs.**

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

	Income	Expenditure	Net Position
Single Parent Family	\$931.38	\$966.64	-\$35.26
Working Family	\$1,352.25	\$1,342.62	\$9.63
Unemployed Single	\$297.36	\$358.00	-\$60.64

- ✦ **The income of our working family surpasses their estimated basic living costs by \$9.63 per week**, but in reality this small surplus is liable to be quickly eaten up by costs not incorporated into the expenditure modelling — any unplanned or unexpected costs from emergencies and repairs through to birthday presents or school excursions.
- ✦ **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.** \$36 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 5 per cent over the past 12 months, this follows an increase of 28 per cent since the December 2010 quarter. Housing costs remain the biggest single driver of financial hardship for low income households.
- ✦ **The consistently high rises in education and health costs, and the potential for further increases as a result of Federal and State Budget decisions** have (and are likely to have) the greatest negative long-term impact on low income households. Reducing access to educational advancement and primary healthcare reduces productivity and results in poorer health and well-being outcomes.



- ✦ **Concessions are a key to helping the most vulnerable members of our community “keep their head above water”.** The promised review of the appropriateness, accessibility and adequacy of state concessions creates an opportunity for us to mitigate the impact of these cost of living pressures on low income households and address the effects of rising inequality within our community.



## 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 *2014 Cost of Living Report* uses the same methodology as our 2012 and 2013 reports.<sup>6</sup> It models the income and expenditure of three household types during the 2013/14 financial year in comparison to the two preceding financial years (2011/12 and 2012/13). 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;<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 2013 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 2013/14 financial year. However, 2013/14 represents the first *full* year the *Clean Energy Supplement* has been available.<sup>12</sup>

## 2.3 Determining household expenditure

Household expenditure in the *2014 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). It is assumed that our households have been able acquire rental accommodation at 85% of the median market rate.
- ✦ **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.<sup>13</sup>
- ✦ **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>14</sup>

Single parent family (Parenting Payment Single) - WEEKLY INCOME				
	2011/12	2012/13	2013/14	% increase 2012/13 to 2013/14
Wage (gross)	\$359.64	\$371.63	\$382.50	2.9%
Parenting payment	\$216.57	\$229.27	\$239.72	4.6%
Other regular Government Benefits	\$283.50	\$293.66	\$301.63	3.3%
Government supplements (one off payments, converted to weekly amount)	\$61.75	\$53.48	\$53.48	0.0%
Tax paid	-\$49.08	-\$48.33	-\$51.90	7.4%
<b>Total household income/week</b>	<b>\$872.38</b>	<b>\$899.70</b>	<b>\$931.38</b>	<b>3.5%</b>
Increase on previous year	\$27.52	\$27.32	\$31.68	
% increase on previous year	3.26%	3.1%	3.5%	

The income of the single parent household has **increased 3.5 per cent** (\$31.68) over the last 12 months. The parent's wage, parenting payment and other government benefits have *each* experienced real increases of approximately \$10 per week.

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 as the especially when they or their children may be unwell (requiring time off work), or during times when business may be slow. Unpredictable pay can also result in inaccuracies in reporting income to Centrelink.







Single parent family (Parenting Payment Single) - WEEKLY DIFFERENCE			
	2011/12	2012/13	2013/14
Total weekly income	\$872.38	\$899.70	\$931.38
Total expenditure	\$896.63	\$935.16	\$966.64
<b>Difference</b>	<b>-\$24.24</b>	<b>-\$35.46</b>	<b>-\$35.26</b>

With a 3.5 per cent increase in household expenditure, and a 3.4 per cent increase in household income over the past 12 months, **our single parent family's budget shortfall has not changed in any noticeable way**. That's \$35.26 per week in savings the family will have to find, perhaps by seeking cheaper accommodation, reducing electricity usage, not allowing children to go on school excursions (for which the parent often incurs an additional cost) and/or seeking greater hours of work (balanced against child care costs).

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. This family is already short of money every week, and are just one unexpected event or crisis away from financial crisis.

### 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				
	2011/12	2012/13	2013/14	% increase 2012/13 to 2013/14
Combined wages (gross)	\$1,114.51	\$1,152.04	\$1,185.58	2.9%
Regular government benefits	\$220.51	\$226.93	\$232.12	2.3%
Government supplements (one off payments, converted to weekly figures)	\$62.97	\$58.26	\$58.26	0.0%
Tax paid	-\$111.21	-\$115.10	-\$123.71	7.5%
<b>Total household income/week</b>	<b>\$1,286.77</b>	<b>\$1,322.13</b>	<b>\$1,352.25</b>	2.3%
Increase on previous year	\$37.52	\$35.55	\$30.12	
% increase on previous year	3.0%	2.8%	2.3%	

The largest real increase to the working family's income came as a result of the 2012 State Wage Case decision. As a result of this decision, our working family's weekly (before tax) wages **increased by 2.9 per cent** or \$33.54 per week between 2012/13 and 2013/2014.



Working family - WEEKLY EXPENDITURE				
	2011/12	2012/13	2013/14	% increase 2012/13 to 2013/14
Rent	\$358.06	\$388.88	\$397.38	2.3%
Food and beverages	\$302.88	\$305.14	\$312.82	2.5%
Utilities	\$46.17	\$52.25	\$53.33	2.1%
Transport	\$94.68	\$95.17	\$97.79	2.8%
Other household and living costs	\$456.91	\$467.80	\$481.30	2.9%
<b>Total household expenditure/week</b>	<b>\$1,258.69</b>	<b>\$1,309.23</b>	<b>\$1,342.62</b>	<b>2.6%</b>
Increase on previous year	\$31.44	\$50.54	\$33.39	
% increase on previous year	2.6%	4.0%	2.6%	

Our working family's weekly expenditure on basic living costs has **increased by 2.6 per cent** or \$33.39 per week over the last 12 months.

Working family - WEEKLY DIFFERENCE			
	2011/12	2012/13	2013/14
Total weekly income	\$1,286.58	\$1,322.13	\$1,352.25
Total expenditure	\$1,258.69	\$1,309.23	\$1,342.62
<b>Difference</b>	<b>\$27.88</b>	<b>\$12.90</b>	<b>\$9.63</b>

In 2013/14, the family's weekly income surpassed their basic living costs by \$9.63 per week (down from \$27.88 in 2011/12). However, the fact that our calculations make *no* allowance for the family to save, or for unexpected or non-essential expenditure, means the financial security of this family is low. Like our single parent family, this two-parent working family also may be just one accident, a couple of missed pay-checks or an unexpected cost (e.g. if the family's fridge or car breaks down, or an unexpected medical expense is incurred) away from a financial crisis.



### 3.3 Unemployed Single

Our unemployed single person's only income comes from government allowances and benefits. She 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				
	2011/12	2012/13	2013/14	% increase 2012/13 to 2013/14
Newstart Allowance (with clean energy supplement included)	\$243.12	\$246.60	\$251.39	1.9%
Rent assistance	\$39.65	\$40.46	\$41.62	2.9%
Clean energy advance (2011/12) + Clean energy supplement (2012)	\$3.07	\$1.18	\$4.35	268%
Tax paid	\$0.00	\$0.00	\$0	0%
<b>Total household income/week</b>	<b>\$285.84</b>	<b>\$288.25</b>	<b>\$297.36</b>	<b>3.2%</b>
Increase on previous year	\$12.29	\$2.40	\$9.11	
% increase on previous year	4.5%	0.8%	3.2%	

This year, the weekly income of our unemployed person **increased by 3.2 per cent**. However, in real terms, this means they only have an additional \$1.30 per day to try and make ends meet.

In 2013/14, our unemployed person was receiving government benefits totalling less than 50 per cent of the WA State Minimum Wage while searching for work. As the calculations below show, unemployment benefits do not meet a basic standard of living and present significant barriers to a job-seeker's ability to find work.

Unemployed single - WEEKLY EXPENDITURE				
	2011/12	2012/13	2013/14	% increase 2012/13 to 2013/14
Rent	\$119.35	\$129.63	\$132.46	2.2%
Food and beverage	\$91.68	\$92.39	\$94.72	2.5%
Utilities	\$14.45	\$16.14	\$16.45	1.9%
Transport	\$11.08	\$11.92	\$12.46	4.5%
Other - household and living costs	\$98.40	\$99.72	\$101.91	2.2%
<b>Total household expenditure/week</b>	<b>\$334.97</b>	<b>\$349.79</b>	<b>\$358.00</b>	<b>2.3%</b>
Increase on previous year	\$9.38	\$14.82	\$8.21	2.3%
% increase on previous year	2.9%	4.4%	2.3%	

The unemployed person's weekly expenditure on basic living costs has **increased by 2.3 per cent** (or \$8.21 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. In the last 2 years alone their rental costs have increased 11 per cent (or \$13.11 per week) while Commonwealth Rent Assistance has increased less than \$2 per week.

Unemployed single - WEEKLY DIFFERENCE			
	2011/12	2012/13	2013/14
Total weekly income	\$285.84	\$288.25	<b>\$297.36</b>
Total expenditure	\$334.97	\$349.79	<b>\$358.00</b>
<b>Difference</b>	<b>-\$49.13</b>	<b>-\$61.54</b>	<b>-\$60.64</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, as with those for all our other households, 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.

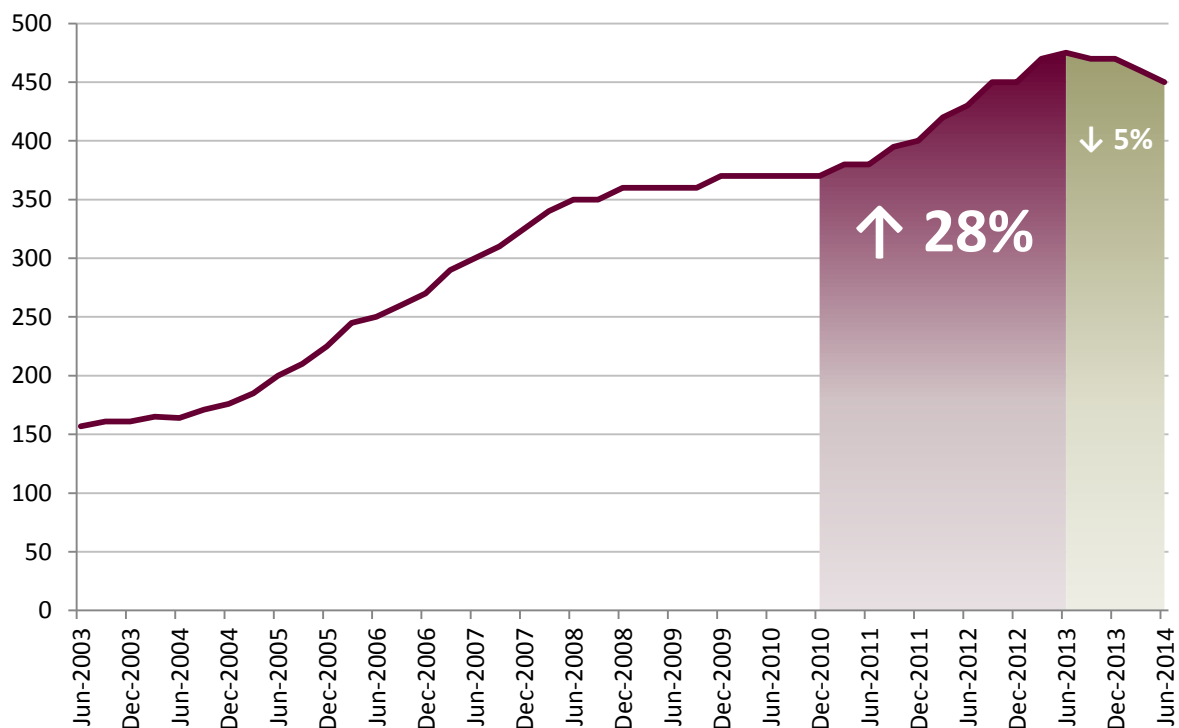


## 4.0 Key Observations & Implications

It is no surprise that housing remains the major weekly expense facing our model households. The unaffordability of Perth's housing market for households on low and fixed incomes remains a significant concern for the Council and its members, particularly those delivering financial counselling, emergency relief and community legal services. The cost of housing remains the biggest single driver for households facing financial crisis.

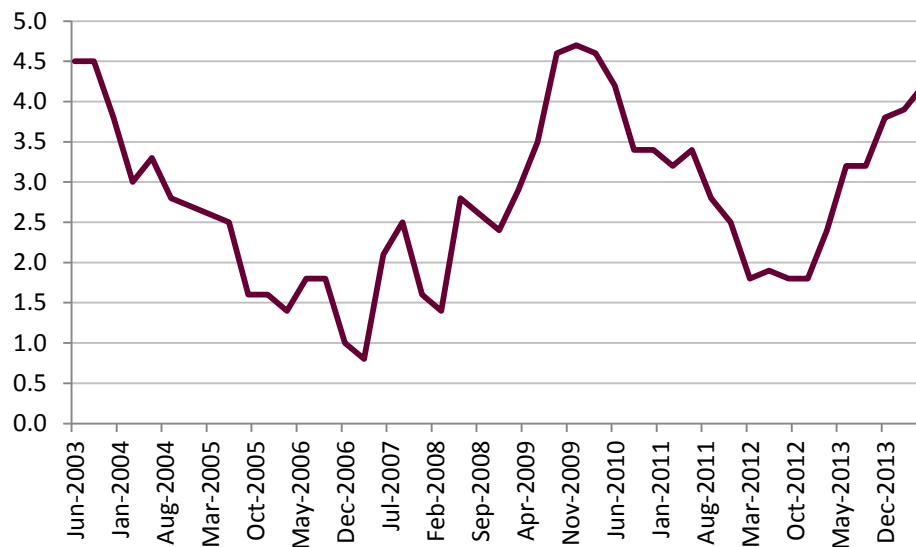
Between the June 2013 and June 2014 quarters, the median Perth rental price decreased for the first time in over a decade. However this decrease provided little relief for renters at the low-end of the income spectrum, as the 5 per cent decrease in median rental came on the back of a 28 per cent increase over the 2.5 years leading up to June 2013.

**Figure 3: Median Rental Price (Overall), Perth**



Since December 2012, the rental vacancy rate has also been increasing, reaching 4.2 per cent in the June 2014 quarter, as shown in Figure 4.

**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 2014 Snapshot collected data on a total of 6,975 private rental listings across the state of Western Australia, up 63% from the 4,272 properties listed at the time of data collection in 2013.<sup>17</sup>

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

Location	2012	2013	2014
Median Price	\$450	\$520	\$480
Average Price	\$563	\$609	\$535
Properties Advertised	3,210	3,646	5,979

As Figure 5 shows, rental prices in April 2013 were exceptionally high. While the 2014 survey showed that the average and median prices had both fallen, Anglicare WA concluded that the median rental price was "still completely unaffordable to anyone on a low income".<sup>18</sup>

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 2014 rental snapshot data, the number of listed properties which are both appropriate and affordable:



**Figure 6:** Affordable and appropriate Perth rental properties available to model households at April 2014

Household	Size of residence required (APPROPRIATENESS)	Funds available to pay rent (represents 30% of income) (AFFORDABILITY)	No. of properties affordable & appropriate in Perth - 2014
Single Parent Family	2+ bedrooms	\$279.41 (30% of \$931.38)	24 (0.4%)
Working Family	2+ bedrooms	\$405.68 (30% of \$1,352.25)	1220 (20.4%)
Unemployed Single	3+ bedrooms (assumes rent is equally shared between 3 parties)	\$267.72 (30% of 297.36, with equal payments made by 3 people)	2 (0.03%)
		<i>Total number of properties advertised</i>	5,979

Our modelling assumes that the unemployed single person lives in a household with two other Newstart recipients. However, it is the unemployed single person's household circumstances which 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 only one in every five properties available at the time of Anglicare WA's snapshot were both considered appropriate and affordable for the family.

Our single parent family are perhaps the most vulnerable household in our modelling, with only 24 properties (0.4 per cent of all listings) meeting basic measures of affordability and appropriateness for this family. In addition, further analysis has shown that, of those 24 properties listed, 62 per cent (15) were located within the Rockingham and Mandurah local government areas, and 29 per cent (7) were within the City of Kwinana. The most northerly of these three local government areas, the City of Kwinana lies approximately 38 kilometres south of the Perth CBD. A daily (return) commute by train from the Kwinana Station to the Perth Station would cost an individual between \$3.76 - \$5.00 per day (concession fare) or \$9.46 - \$12.60 per day (non-concession fare).

One of the challenges for low income families who move to outer-suburban areas in order to access affordable housing is that the savings which may be achieved through reduced housing costs can often be "eaten up" by increased transportation costs. This conclusion was reflected in the Committee for Perth's 2013 research series examining the *Rising Cost of Living in Perth*:

*Given that recent State Government funded research has demonstrated that the majority of people living in fringe locations are doing so for reasons of affordability the need to travel by car to work, shops, school, study or essential services in these areas is likely to significantly reduce the perceived economic benefits of fringe living.<sup>19</sup>*

The same report also reported that Perth is "the most expensive city in Australia to own and commute to work by car". This is a particular burden for lower- income households who (a) may own an inefficient or less-reliable vehicle, and (b) are more likely to live in areas where public transportation is less accessible.

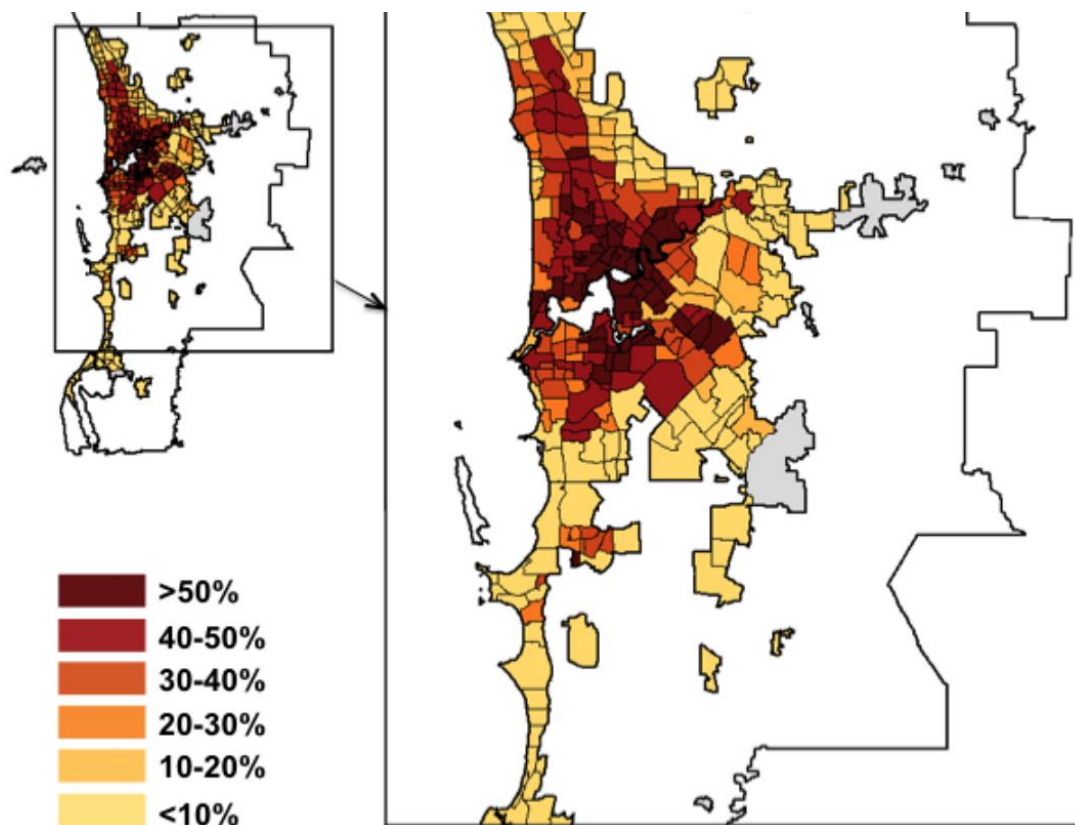




*[A]ccessibility to work by public transport is significantly lower in fringe areas than in most inner and middle suburban areas – meaning that people in fringe areas are much more likely to drive to work out of necessity – and pay high commuting costs as a result.<sup>20</sup>*

A further challenge for low income families moving to outer-suburban areas is the likelihood of reduced access to employment opportunities. The Grattan Institute's *Who lives where: Perth* report, published in 2013, highlights the challenges of accessing employment opportunities when living in outer-suburban areas. As shown in Figure 7, as few as 1 in 10 jobs can be reached with a 60-minute public transport trip from areas within Rockingham, Mandurah and Kwinana.

**Figure 7:** Proportion of jobs that can be reached with a 60-minute public transport trip, Perth, 2011<sup>21</sup>



In addition, the unemployment rate in Rockingham, Mandurah and Kwinana are all higher than the state average. In December quarter of 2013, the unemployment rate in the City of Kwinana was 11.9 per cent (7.1 per cent in Rockingham and 7.3 per cent in Mandurah).<sup>22</sup> The unemployment rate across the same quarter in WA was 4.6 per cent.<sup>23</sup> As a result, the higher unemployment rate may make it more difficult for our single parent to achieve and retain employment (flexible enough to allow him or her to balance work with caring responsibilities) in those areas where affordable housing is available.

Our 2013/14 analysis shows that there has been little change in the financial wellbeing of our three model households since our 2012/13 analysis was undertaken:



**Figure 8:** Difference between weekly household income and expenditure

	2011/12	2012/13	2013/14
Single Parent Family	-\$ 24.24	-\$ 35.46	-\$ 35.26
Working Family	\$ 28.07	\$ 12.90	\$ 9.63
Unemployed Single	-\$ 49.02	-\$ 61.54	-\$ 60.64

However as Figure 8 shows, while there has been little change in financial wellbeing over the past 12 months, our households remain significantly worse off when considering the past 24 months. As such, our low-income households remain highly vulnerable — they're most likely already needing to cut corners to find ways to make ends meet. The costs of health and education are two emerging areas of concern for the Council, as they have both increased at rates above CPI.

**Figure 9:** CPI % increases in Perth for health and education<sup>24</sup>

	2011/12	2012/13	2013/14
Health	3.5%	6.3%	4.5%
Education	6.8%	5.3%	7.1%

In light of increasing health costs, the Council also remains especially concerned about the proposal by the Federal Government to introduce a \$7 co-payment fee for GP visits, pathology services and diagnostic imaging services. The Council urges great caution with regards to any proposal which would result in reduced access to primary care, general practitioners and other preventative health services, particularly for low income and vulnerable people. The creation of a system which limits the ability of low-income families to afford and access primary and preventative health will ultimately deliver higher health costs and unequal health outcomes in the longer term. The fastest growing parts of the health budget are hospital and crisis care along with the cost of the pharmaceutical benefits scheme and the best way to reduce these costs are to encourage more primary and preventative health care – making such care more expensive and less accessible will lead to increased rates of chronic disease putting greater pressure on our health system in the longer term.

Similarly, Figure 9 also shows that the cost of education has increased significantly in recent years. At the Council we have been hearing reports from our members regarding the challenges low-income households face in meeting the cost of education for their children. An increasingly common story we have heard is of parents who, when finding themselves unable to pay the additional costs requested for school activities such as excursions, feel compelled to keep their child at home on the day of the excursion under the guise of a “sick day”, in order to avoid embarrassment. Young adults from disadvantaged backgrounds are much less likely to take on the financial risk of entering into debt to finance further education which may ultimately lead to improved employment and career prospects. A free education system together with a greater investment in early learning and development are the most effective way to tackle intergenerational disadvantage, whereas increasing the cost of education is much more likely to entrench it.



In light of the State Government's announcement of a review of concessions in WA (and reform of the state's school funding model) the Council asserts that it is timely for research to be undertaken to better understand the extent to which the educational opportunities and experiences of children from low income households may be being negatively affected as a result of rising school costs.

## 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 Western Australian Government review State concessions as promised to improve their targeting and ensure their adequacy to mitigate against rising costs of essential goods and services.
3. Increase the supply of social housing and affordable rental properties, particularly in areas with access to employment and public transport.
5. Preserve the principle of free education and healthcare in Australia and oppose increasing the cost of primary health care through a Medicare co-payment.
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 for concession holders.



## 6.0 Conclusion

While the discrepancy between the income and expenditure of our model households eased its growth this year, compared to last, our three model households remain in a highly vulnerable position. The financial resilience of our family households — in particular, their ability to cope with unexpected costs (for example an appliance or car breaking down), the costs involved in needing to move house, and the likelihood of them being in insecure or casual employment — makes their financial survival and/or risk of financial crisis uncertain.

The affordability, security and appropriateness of housing remains the number one concern for the Council and our members. The (un)affordability of most private rentals, and the long waiting lists to access social housing are an enduring problem for many of the people who are part of households similar to the three modelled in this report. At the same time that the affordability and location of housing presents a significant barrier to the workforce participation of low income households, investment in social housing acts as a significant economic multiplier, with recent reports suggesting a conservative return of \$1.30 to \$1.40 for every dollar invested.<sup>25</sup>

Since the 2014/15 WA State Budget was released, the Council has also cautiously welcomed the State Government's announcement that they intend to undertake a review of concessions provided in Western Australia.

*The Government will... investigate the current structure of electricity tariffs, including options around rebalancing fixed and variable charges to ensure tariffs are fair and reflect emerging trends in consumer use. We will also review concessions to make them simpler and more equitable. This work will be completed in time for consideration by the Government in next year's Budget process.<sup>26</sup>*

The Council sees concessions as being a key to helping the most vulnerable members of our community “keep their head above water”. However we have consistently argued that the current system is overly complex and inequitable, and has resulted in the Government not having the capacity to direct funding to where it is *most* needed. A review of the appropriateness, accessibility and adequacy of state concessions is well overdue, but the Council is clear in its resolve that it **will not support any reduction in the overall level of concessions in Western Australia**. We will not accept any suggestion that the premise of the impending review is an opportunity for Treasury to identify budget savings.

As our 2014 Cost of Living Report has clearly shown, for households like those modelled, concessions are an important way low income households can pull themselves back from the edge of a financial precipice (at least temporarily). At the heart of the activities of the Council and our members, lies the belief that the mark of a civilised community is the support and help it gives to those most in need. A lower level of inequality will deliver the greatest benefit to our community, and as such, needs to be our collective goal.



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

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- <sup>1</sup> ABS (2013) *6523.0 - Household Income and Income Distribution, Australia, 2011-12, Data Cubes*.
- <sup>2</sup> Bankwest Curtin Economics Centre, *Sharing the Boom: the distribution of income and wealth in WA*, 2014.
- <sup>3</sup> WACOSS Cost of Living reports - [http://www.wacoss.org.au/policy\\_and\\_advocacy/CostofLiving.aspx](http://www.wacoss.org.au/policy_and_advocacy/CostofLiving.aspx)
- <sup>4</sup> This includes the February 2014 report out of the International Monetary Fund's (IMF) Research Department, which found that "lower net inequality is robustly correlated with faster and more durable growth...". [Ostry, J.D., Berg, A., & Tsangarides, C.G. (February 2014) *Redistribution, Inequality, and Growth*, International Monetary Fund Staff Discussion Note, page 4.] Similarly, 2011 publication *The Spirit Level: Why Greater Equality Makes Societies Stronger*, found that almost all modern social problems — such as poor health, violence, lack of community life and mental illness — are more likely to occur in societies where the rate of inequality is higher. [Wilkinson, R. and Pickett, K. (2011) *The Spirit Level: Why Greater Equality Makes Societies Stronger*, Bloomsbury Press.]
- <sup>5</sup> Ostry, J.D., Berg, A., & Tsangarides, C.G. (February 2014) *Redistribution, Inequality, and Growth*, International Monetary Fund Staff Discussion Note, page 25.
- <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 (2014) *Online Payment Estimator*.
- <sup>8</sup> Department of Social Services (2014) *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 (2013) *State Wage Order Pursuant To Section 50a of the Act*.
- <sup>11</sup> Australian Tax Office (2014) *Online Tax Calculator*, using *Comprehensive tax calculator 2014*.
- <sup>12</sup> Pensioners and current allowees commenced receiving the Clean Energy Supplement with their regular payment from 20 March 2013. Department of Social Services (2013) *Household Assistance Package*.
- <sup>13</sup> Our 2012 Cost of Living Report assumed that the households own a late model Suzuki Alto — the car which RAC WA calculated had the lowest running costs for the 2010/11 year. To remain consistent, we have once again based the car running costs on a late model Suzuki Alto. Note this is likely to result in an underestimate, as it is likely that our households would own an older, less fuel efficient car with higher running costs.
- <sup>14</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>15</sup> Community Housing Coalition WA (6 June 2014) *Public housing wait list statistics April 2014*.
- <sup>16</sup> Housing Authority WA (2013) *Annual Report 2012-13*, page 190.
- <sup>17</sup> Anglicare WA (2014) *Rental Affordability Snapshot: Anglicare WA – Western Australia*, page 67.
- <sup>18</sup> Anglicare WA (30 April 2014) *Media Release: Rental Market Easing Provides No Relief for Low Income Earners*.
- <sup>19</sup> Committee for Perth (November 2013) *The Rising Cost of Living in Perth: Have Transport Costs Fuelled Congestion in Perth?*, page 5.
- <sup>20</sup> Committee for Perth (April 2014) *The Rising Cost of Living in Perth: What is your commute costing you?*.
- <sup>21</sup> Grattan Institute (May 2013) *Who lives where: Perth Productive Cities: Supplementary Maps*, page 28.
- <sup>22</sup> DEEWR (2013) *Data tables - Small Area Labour Markets - December Quarter 2013*.
- <sup>23</sup> ABS (2014) *6202.0 - Labour Force, Australia, Jun 2014*, Table 08. 4.6 per cent represents the average unemployment rate over the months of October, November and December 2013.
- <sup>24</sup> ABS (2014) *6401.0 - Consumer Price Index, Australia, Jun 2014*, Table 11.
- <sup>25</sup> KPMG (2012) *Review of Social Housing Initiative*, p 17; AHURI, PwC Review of Shared Start, p54.
- <sup>26</sup> WA Government (2014) *2014-15 Budget Paper 1*, p. 5.

