



ACT Cost of Living Report



Tracking changes in the cost of living, particularly for low income households in the Australian Capital Territory

May 2018

About ACTCOSS

ACTCOSS acknowledges Canberra has been built on the land of the Ngunnawal people. We pay respects to their Elders and recognise the strength and resilience of Aboriginal and Torres Strait Islander peoples. We celebrate Aboriginal and Torres Strait Islander cultures and ongoing contributions to the ACT community.

The ACT Council of Social Service Inc. (ACTCOSS) is the peak representative body for not-for-profit community organisations, people living with disadvantage and low-income citizens of the Territory.

ACTCOSS is a member of the nationwide COSS network, made up of each of the state and territory Councils and the national body, the Australian Council of Social Service (ACOSS).

ACTCOSS' vision is to live in a fair and equitable community that respects and values diversity, human rights and sustainability and promotes justice, equity, reconciliation and social inclusion.

The membership of the Council includes the majority of community based service providers in the social welfare area, a range of community associations and networks, self-help and consumer groups and interested individuals.

ACTCOSS advises that this document may be publicly distributed, including by placing a copy on our website.

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Acronyms

ABS	Australian Bureau of Statistics
ACOSS	Australian Council of Social Service Inc.
ACTCOSS	ACT Council of Social Service Inc.
ALCI	Analytical Living Cost Indexes
CPI	Consumer Price Index
PBLCI	Pensioner and Beneficiary Living Cost Index
SACOSS	South Australian Council of Social Service
SDG	Sustainable Development Goal
SEIFA	Socio-Economic Indexes for Areas
SEIFI	Socio-Economic Indexes for Individuals
SLCI	Selected Living Cost Indexes

Introduction

This report tracks changes in the cost of living, particularly for low income households in the Australian Capital Territory (ACT). It builds on previous ACT Council of Social Service (ACTCOSS) work on costs of living in the ACT, including:

- *ACT Cost of Living Report* (October 2012)
- *ACT Cost of Living Report: Tracking changes in the cost of living, particularly for vulnerable and disadvantaged households in the Australian Capital Territory* (April 2015)
- *Analysis of Changes in the Cost of Housing in the ACT* (April 2015)
- *ACT Cost of Living Report: Transport* (April 2016)
- *ACT Cost of Living Report: Tracking changes in the cost of living, particularly for low income households in the Australian Capital Territory* (June 2017)
- *ACT Cost of Living Report: Telecommunications* (December 2017).

This report adopts the methodology used by Councils of Social Service in other jurisdictions, which have tracked the cost of living in South Australia and the Northern Territory.

The report draws on figures from the Australian Bureau of Statistics (ABS) Selected Living Cost Indexes (SLCI)¹ and Consumer Price Index (CPI)² to show changes in the cost of living in the last 12 months. CPI figures only relate to capital cities and Australia as a whole, not states or territories. Given that the population of Canberra is essentially the population of the ACT, figures for Canberra are seen to reflect the ACT as a whole.

The purpose of our cost of living reports is to track changes in living costs for those individuals and households in the ACT who are living on low incomes and experiencing disadvantage but who tend to be hidden by the ACT area averages. The analysis below examines changes in the CPI and SLCI over the past 12 months and their impact on low income households, particularly those in receipt of income support.

This report focuses on low income and disadvantaged households in the ACT because these households have the least financial capacity to cope with rises in

1 ABS, *Selected Living Cost Indexes, Australia, Dec 2017*, cat. no. 6467.0, ABS, Canberra, February 2018, accessed 13 April 2018, <<http://www.abs.gov.au/ausstats/abs@.nsf/mf/6467.0>>.

2 ABS, *Consumer Price Index, Australia, December 2017*, cat. no. 6401.0, ABS, Canberra, 2016, Table 10, CPI: Group, Sub-group and Expenditure Class, Percentage change from corresponding quarter of previous year by Capital City, Data 5, 6 & Table 11, CPI: Group, Sub-group and Expenditure Class, Percentage change from previous quarter by Capital City, Data 4, 5 & 6, ABS, Canberra, January 2018, accessed 13 April 2018, <<http://www.abs.gov.au/ausstats/abs@.nsf/mf/6401.0>>.

the cost of essential goods and services. It focuses primarily on Age Pensioner households and other government transfer recipient households as these are likely to represent the more disadvantaged households. The report also includes some figures on employee households to serve as a point of comparison.

Key findings

Rising cost of living continues to hit Canberra's low income households hardest

For the fourth consecutive year, ACTCOSS cost of living analysis shows that living costs in the ACT have increased disproportionately for those households that can least afford it – particularly those receiving a government transfer payment such as Newstart or Youth Allowance.

Canberra's CPI continues to increase above the national rate

Over the past year the **CPI in Canberra rose 2.2 percent** – the second highest rate of rise in the country, along with Sydney and Melbourne, behind only Adelaide (2.3%). This was above the national rise of 1.9 percent.

Utilities prices in Canberra rose the most and well above the national rate

There were significant rises in utilities prices over the year. The most significant rise in utilities costs was **gas and other household fuels which rose by 17.8 percent** in the past year (with the whole of the rise occurring in the September quarter), which was markedly above the national rise (+7.8%). This was the largest single increase in one quarter since CPI records started being kept for this item in December 1989. **Water and sewerage prices increased by 8.3 percent** – this was well above the national rise of 3.2 percent. **Electricity prices increased by 10.6 percent**, which was below the rise seen across the country (+12.4%).

Other essential service prices in the ACT rose above the national rate

The **CPI for transport rose by 4.2 percent**, above the national rise of 3.3 percent. **Automotive fuel prices increased by 10.5 percent** over the past

year, just below the rate of increase at the national level (+11.1%). **Public transport prices rose by 1.5 percent**, above the national level (+0.6%). **Health prices rose by 5.4 percent**, above the national rise (+4.0%), with the price rise largely driven by **the rise in medical and hospital services (+7.3%** vs national rise of 5.4%). In addition, **education costs rose (+3.1%)** which was similar to the national rise (+3.2%), while **housing (which includes utilities) rose by 5.3 percent**, above the national rise (+3.4%). **Rents rose by 2.3 percent**, which was above the national rise (+0.7%).

Income support is inadequate to meet essential living costs in Canberra

These significant increases in essential living costs impact disproportionately on low income households who spend a higher proportion of their income on these expenses than other households. **All households whose income is derived from income support payments or from minimum wage work struggle to cope with the cost of living in Canberra.** Figure 3 in this report clearly illustrates why working-age income support payment recipients are more financially at risk than people receiving other payment types.

Households whose income is derived from a minimum wage do not have access to most of the concessions offered by ACT Government and other sources, so their relatively higher income can fail to translate into a better capacity to cope with the cost of living in Canberra.

Recommended action by government

ACTCOSS calls on the **Australian Government** to reduce poverty and hardship by supporting changes to income support payments:

1. Raise the rate of the Newstart Allowance, Widow Allowance, Sickness Allowance, Austudy, Abstudy, and Youth Allowance (who are either over 24 years of age or 18-24 years and living away from the parental home), Special Benefit, and Crisis Payment by \$75/week from January 2019, and index them to wage and price movements
2. Establish an independent statutory Social Security Commission to advise on the financial needs of people requiring social security payments to simply afford basic essentials
3. Improve employment services so that people locked out of the labour market receive the help they need to get paid work.

ACTCOSS invites the **ACT community** to support the increase and proper indexation of single unemployment and student allowances so that Canberrans

living on low incomes – many living below the poverty line – can afford the basics required for health and wellbeing.

ACTCOSS calls on the **ACT Government** to prioritise investments and policy settings that will lift the financial wellbeing of households in the bottom 40 percent income groups at a rate higher than the average.

ACTCOSS' priorities include:³

Housing

- \$100 million from the current ACT Government bonds to create an investment fund for community housing providers for the purpose of building new accessible, affordable rental housing
- Growing the supply of public housing at the same rate as population growth

Transport

- Funding community transport at sustainable levels and in a manner that will ensure that community transport continues to be available to all in our community who are in need of it
- Improving the fairness and adequacy of transport related concessions. This should include: concessions for learner, probationary and restricted driver's licenses and aligning the discount on license fees for Health Care Card holders (currently 50% of costs) with Pension Card Holders (100%)
- Undertaking a study of transport costs to examine how individuals on low and fixed incomes meet costs of vehicle operation and maintenance and if and to what extent this involves reliance on sub-prime loans. Measures should then be developed to address findings on the broader relationship between transport costs, indebtedness and infringements (e.g. driving unregistered) for people on low and moderate incomes

Concessions

- Improving the concessions scheme operated by the ACT Government, and other fee and charging regimes, to expand access according to need, not age or source of income, in view of persistent and widening cost of living pressures for low income households in the ACT

³ ACTCOSS, *ACT Budget Priorities 2018-19*, ACTCOSS, Canberra, 2018, accessed 13 April 2018, <<http://www.actcoss.org.au/publications/advocacy-publications/submission-actcoss-budget-priorities-2018-19>>.

Digital inclusion

- An ACT Smart City Strategy that supports people who experience digital exclusion to get connected and to maximise their voice in the digital transformation agenda
- Expanding ACT Government's free public wi-fi, especially to outer suburban areas
- Ensuring students in low income households can purchase data as well as devices
- Funding ACT-specific research on digital inclusion
- Expanding digital capability initiatives to increase digital literacy and confidence
- Exploring options for unmetered access to government websites

Clean energy

- Ongoing support for low income, small business and community organisation customers to participate in energy policy and regulatory decisions, and to contribute to development and implementation of the ACT Climate Change Mitigation Strategy and Action Plans
- Legislating minimum 5 star energy ratings as a requirement for all private rental housing, and balancing this with creation of a Zero Emissions housing support fund that supports private rental housing owners to install energy supply and efficiency infrastructure. The legislation should also include a requirement that rents charged can't be increased above CPI for five years after those houses have been upgraded using the fund to support private rental housing owners to install energy supply and efficiency infrastructure

Secure work

- A holistic, whole-of-community response to insecure employment that involves government, community sector, employers, and education and training providers to address socioeconomic disadvantage and barriers to secure employment

Justice

- Continuation of the Socio-Legal Practice Clinic that provides combined legal and social worker services to people who face a high degree of vulnerability and have significant barriers to achieving a successful resolution of their legal matter.

The Australian Government is a signatory to the United Nations Sustainable Development Goals (SDGs). The ACT Government will need to contribute to national progress reports against the SDGs during 2016-30. Action as outlined above will enable progress against two of the targets under the SDGs:

- Implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable (SDG 1: Poverty)
- By 2030, progressively achieve and sustain income growth of the bottom 40 percent of the population at a rate higher than the national average (SDG 10: Reducing Inequalities).⁴

Poverty and disadvantage in the ACT: The broader context

As a city and territory, our average household income is relatively high, but so too is our cost of living.⁵ This has a significant impact on affordability for those households in the ACT whose income is below the average – especially those in the bottom 40 percent.

Disadvantage in the ACT tends to be hidden behind high averages across indicators such as income, education, and employment. Closer analysis reveals that a sizeable number of people in the ACT do experience poverty and disadvantage, with many experiencing multiple disadvantage.⁶ The most recent estimate found that there were 34,543 people living in poverty in the ACT in 2015-16 (representing 9.2% of the total ACT population).⁷ Of these, 8,897 were children (representing 12.7% of the 0-14 age group).⁸

4 United Nations, *Sustainable Development Goals: 17 goals to transform our world*, 2015, accessed 13 April 2018, <<https://www.un.org/sustainabledevelopment/sustainable-development-goals/>>.

5 R Tanton, Y Vidyattama & I Mohanty, *Disadvantage in the ACT: report for ACT Anti-Poverty Week*, NATSEM, Canberra, 2013, accessed 13 April 2018, <<http://www.actcoss.org.au/publications/advocacy-publications/disadvantage-act-report-act-anti-poverty-week>>.

6 R Tanton, R Miranti & Y Vidyattama, *Hidden disadvantage in the ACT: report for ACT Anti-Poverty Week*, NATSEM, Institute for Governance and Policy Analysis (IGPA), University of Canberra, Canberra, October 2017, accessed 13 April 2018, <<http://www.actcoss.org.au/publications/advocacy-publications/hidden-disadvantage-act-report-anti-poverty-week-2017>>.

7 Calculated by The National Centre for Social and Economic Modelling (NATSEM), The Institute for Governance and Policy Analysis, University of Canberra, using ABS Household Expenditure Survey 2015-16 data. Note: After housing cost poverty rates calculated as the proportion of people living in households in the ACT with an equivalised disposable household income after housing costs of less than half the national median equivalised disposable household income after housing costs.

8 *ibid.*

It is important that when we talk about ‘Canberrans’ based on statistical averages⁹ we do not exclude or forget about the significant number of people in the ACT who are living on low incomes in a high cost of living environment. While acknowledging our community’s significant strengths, it remains critical that the ACT Government takes what action it can to ensure that Canberra is a liveable place for all.

Accessible, affordable, safe and secure housing provides the necessary foundation from which people can actively meet their social, physical and emotional needs. There were almost 1,600 people experiencing homelessness in Canberra on census night in 2016.¹⁰ Housing crisis and stress are major drivers of homelessness in the ACT.¹¹ Data shows that almost a third of low income rental households in the ACT were experiencing rental stress (33.8%, 8,672).¹² The rate was much higher for private rental households (47.8%), while just under half of Canberra households receiving Commonwealth Rent Assistance were still experiencing rental stress (48.0%). The 2017 Rental Affordability Index found that low income households in the ACT face particularly unaffordable rents – Canberra was consistently the second least affordable area for low to moderate income households behind Greater Sydney.¹³ Anglicare Australia’s 2018 *Rental Affordability Snapshot* found that out of 1,176 rental properties advertised in the ACT and Queanbeyan region, only 41 were affordable for households living on income support payments and only 84 were affordable for households living on the minimum wage.¹⁴ There were no rental properties that were affordable and appropriate for people living on Newstart or Youth Allowance, or for a lone parent living on the minimum wage in the ACT

9 For example, see A Barr, *State of the Territory 2018*, address to the Canberra Business Chamber, 5 April 2018, accessed 13 April 2018, <<https://www.andrewbarr.com.au/news/latest-news/state-of-the-territory-2018/>>.

10 ABS, *Census of Population and Housing: Estimating homelessness, 2016*, cat. no. 2049.0, ABS, Canberra, 2018, accessed 13 April 2018, <<http://www.abs.gov.au/ausstats/abs@.nsf/mf/2049.0>>.

11 ACTCOSS, *Snapshot: Housing affordability and homelessness in the ACT*, ACTCOSS, Canberra, April 2018, accessed 18 April 2018, <<https://www.actcoss.org.au/publications/advocacy-publications/snapshot-housing-affordability-and-homelessness-act>>.

12 Productivity Commission, *Report on Government Services 2018*, Part G: Housing and homelessness, Productivity Commission, Canberra, 2018, Table GA.2, Housing and Homelessness Attachment Tables, viewed at, <<http://www.pc.gov.au/research/ongoing/report-on-government-services/2018/housing-and-homelessness>>.

13 SGS Economics & Planning, *Rental Affordability Index: key findings*, November 2017 release, SGS Economics & Planning, Canberra, 2017, accessed 13 April 2018, <https://www.sgsep.com.au/application/files/6215/1184/4292/RAI_2017_NOV_-_final_compressed.pdf>.

14 Anglicare Australia, *2018 Rental Affordability Snapshot: Anglicare ACT – ACT and Queanbeyan Anglicare Australia*, Canberra, 2018, accessed 30 April 2018, <<https://anglicareras.files.wordpress.com/2018/04/act.pdf>>. NOTE: This was out of 1,176 private rental properties advertised in the ACT and Queanbeyan region on 24 March 2018.

Ahead of the 2018-19 ACT Budget, ACTCOSS is repeating our call for the ACT Government to commit to a significant investment to build housing that is affordable, accessible and offers secure tenancies to low income households. This would be a sizeable, practical centrepiece of the ACT Housing Strategy that would make a measurable impact in the chronic undersupply of affordable housing for people on low incomes in the ACT. We propose diverting \$100 million from the current ACT Government bonds to create an investment fund for community housing providers for the purpose of building new accessible, affordable rental housing.

While poverty rates and indicators of disadvantage in the ACT are generally lower than the national average, small area level data analysis reveals pockets of disadvantage where outcomes for households across key indicators (income, education and rental affordability) are below the Australian capital city average.¹⁵ While revealing hidden disadvantage, such analysis also reveals one of the ACT community's strengths by showing the diversity that exists within our neighbourhoods – in part reflecting the spread of smaller-scale social housing across Canberra.¹⁶ Research published by the ACT Government has highlighted that:

the ACT has one of the highest proportions of 'diverse' suburbs/collection districts (CDs), where diverse suburbs/CDs have high numbers of both the most and the least advantaged individuals living side by side. This is highly unique to the ACT and, as a result, the averaging effects of [area-level statistics] chronically under-reports disadvantage.¹⁷

Based on the 2006 Census, a Socio-Economic Index for Individuals (SEIFI) was produced for the ACT and provided a powerful tool with which to reveal and examine hidden disadvantage. The SEIFI measured disadvantage at the level of the individual and not geographic area, revealing disadvantage masked by the Socio-Economic Indexes for Areas (SEIFA). For example, the SEIFI showed that in 2006 there were 28,639 ACT residents in the most disadvantaged 20 percent of Australians, which was 12.6 percent of all ACT residents.¹⁸ Many of these people were living in areas that were not classified as disadvantaged within SEIFA figures.

The high average indicators of advantage in the ACT effectively conceals individual disadvantage when measured at the area level – according to the

15 R Tanton, R Miranti & Y Vidyattama, op. cit.

16 *ibid.*

17 ACT Government, *Detecting disadvantage in the ACT: report on the comparative analysis of the SEIFI and SEIFA Indexes of relative socio-economic disadvantage in the Australian Capital Territory*, Data and Research Unit, Community Services Directorate, Canberra, p.3, accessed 13 April 2018, <http://www.cmd.act.gov.au/__data/assets/pdf_file/0006/464775/detectdisadvantage.pdf>.

18 R Tanton, Y Vidyattama & I Mohanty, loc.cit.

SEIFI, the most disadvantaged people didn't live in disadvantaged areas.¹⁹ ACTCOSS has welcomed the ACT Government's commitment to work with the ABS on the production of a SEIFI (or similar index) based on the 2016 Census.

Cost of living changes in the ACT

Tracking changes in the price of key goods and services: CPI figures

Price movement in goods and services: impact on low income households

The generic CPI figure covers a large number of goods and services – 11 major categories, with over 100 individual goods and services making up the CPI basket (see Table 1). There can be wide variations in the CPI for specific goods and services, which may impact particular population groups differently. Over the past year the CPI in Canberra rose 2.2 percent – the second highest rate of rise in the country, along with Sydney and Melbourne, behind only Adelaide (2.3%).²⁰ This was above the national rise of 1.9 percent.

The overall CPI figures can be separated into their component parts, allowing us to track changes in the price of key basic goods and services in the ACT and nationally. Table 1 shows the upward and downward trends across various key areas of expenditure over the past year (Dec 2016-Dec 2017), in Canberra and nationally.

There were significant rises in utilities prices over the year. The most significant rise was gas and other household fuels which rose by 17.8 percent in the past year (with the whole of the rise occurring in the September quarter), which was markedly above the national rise (+7.8%). This increase in the September 2017 quarter was the largest single increase in one quarter since CPI records started being kept for this item in December 1989. Water and sewerage prices increased by 8.3 percent – this was well above the national rise of 3.2 percent. Electricity prices in Canberra increased by 10.6 percent, which was below the rise seen across the country (+12.4%).

¹⁹ *ibid*, p.14.

²⁰ ABS, *Consumer Price Index, Australia, December 2017*, cat. no. 6401.0, Table 10, CPI: Group, Sub-group and Expenditure Class, Percentage change from corresponding quarter of previous year by Capital City, Data 1-6, ABS, Canberra, 2018.

Table 1 CPI changes for key household expenditure areas – Canberra and Australia, Dec 2016 – Dec 2017

Cost of Living area	Canberra CPI Dec 2016 – Dec 2017 % change	National CPI Dec 2016 – Dec 2017 % change
Food & Non-Alcoholic Beverages	-0.1%	-0.2%
• Meat and seafoods	1.2%	0.5%
• Dairy & related products	-0.7%	-0.3%
• Fruit	-1.4%	-1.7%
• Vegetables	-9.4%	-7.2%
Alcohol & Tobacco	6.6%	7.3%
• Alcohol	2.6%	2.4%
• Tobacco	15.1%	15.2%
Clothing & Footwear	-3.4%	-3.0%
Housing (includes utilities)	5.3%	3.4 %
• Rents	2.3%	0.7%
• New dwelling purchase	3.3%	3.2%
• Utilities	12.3%	9.2%
○ <i>Water & sewerage</i>	8.3%	3.2%
○ <i>Electricity</i>	10.6%	12.4%
○ <i>Gas and other household fuels</i>	17.8%	7.8%
Furnishings, household equipment/ services	-0.5%	-0.8%
Health	5.4%	4.0%
Transport	4.2%	3.3%
• Automotive Fuel	10.5%	11.1%
• Public Transport	1.5%	0.6%
Communication	-3.6%	-3.4%
• Telecommunication Equipment & Services	-4.0%	-3.8%
Recreation & culture	0.0%	0.6%
• Audio, visual and computing equipment	-6.6%	-7.5%
• Audio, visual and computing media & services	3.5%	3.8%
Education	3.1%	3.2%
Insurance & financial services	0.5%	1.3%
• Insurance	0.9%	3.5%
CPI All Groups	2.2%	1.9%

Source: ABS, *Consumer Price Index, Australia, December 2017*, cat. no. 6401.0, Table 10, CPI: Group, Sub-group and Expenditure Class, Percentage change from corresponding quarter of previous year by Capital City, Data 5, 6, ABS, Canberra, 2018.

The CPI for transport rose by 4.2 percent, above the national rise of 3.3 percent. Automotive fuel prices increased by 10.5 percent in Canberra over the past year, just below the rate of increase at the national level (+11.1%). Public transport prices rose by 1.5 percent, above the national level (+0.6%). Health

prices in Canberra rose by 5.4 percent, above the national rise (+4.0%), with the price rise largely driven by the rise in medical and hospital services (+7.3% vs national rise of 5.4%). In addition, education costs rose at a similar rate in Canberra (+3.1%) and nationally (+3.2%), while housing (which includes utilities) rose by 5.3 percent, above the national rise (+3.4%). Rents rose by 2.3 percent, above the national rise (+0.7%).

Two of the highest Canberra CPI increases occurred in housing and transport which account for almost a third of Canberra households' total expenditure (see Tables 2 & 3).

Table 2 Weekly expenditure as a proportion of total household expenditure for the three highest expenditure areas – capital cities and Australia, 2015-16

	Syd	Melb	Bris	Adel	Perth	Hob	Darw	Canb	Aust
Housing	21.3%	18.6%	18.8%	18.8%	21.0%	17.2%	22.9%	17.7%	19.9%
Food	16.1%	17.0%	16.3%	17.3%	16.5%	17.4%	15.5%	16.2%	16.6%
Transport	11.7%	11.9%	12.2%	11.5%	11.9%	12.4%	15.3%	14.4%	12.1%

Source: ABS, *Household Expenditure Survey, Australia: Detailed Expenditure Items, 2015-16*, cat. no. 6535.0, ABS, Canberra, 2017, Tables 13.2 & 13.3A.

Table 3 Weekly expenditure as a proportion of weekly mean disposable income for the three highest expenditure areas – capital cities and Australia, 2015-16

	Syd	Melb	Bris	Adel	Perth	Hob	Darw	Canb	Aust
Housing	18.0%	15.9%	15.4%	15.5%	16.6%	14.7%	18.6%	15.2%	16.6%
Food	13.6%	14.5%	13.3%	14.3%	13.1%	14.8%	12.6%	13.9%	13.8%
Transport	9.9%	10.2%	10.0%	9.5%	9.5%	10.6%	12.4%	12.4%	10.1%

Source: ABS, *Household Expenditure Survey, Australia: Detailed Expenditure Items, 2015-16*, cat. no. 6535.0, ABS, Canberra, 2017, Tables 13.2 & 13.3A.

Several CPI categories saw price decreases over the past year. The most marked decrease in major categories of the Canberra CPI over the past year were in communications which saw a 3.6 percent decrease, compared with the national decrease of 3.4 percent. Within this category, telecommunication equipment and services decreased by 4.0 percent, with the national decrease 3.8 percent. ACTCOSS' recent cost of living analysis of telecommunications in the ACT found that declines in prices have occurred alongside a decline in affordability, particularly for low income households.²¹

While the CPI for recreation and culture did not change overall during the past year, within this category the CPI for audio, visual and computing equipment decreased by 6.6 percent, at a rate below the national decrease (-7.5%), while the CPI for audio, visual and computing media and services rose by 3.5 percent, below the national rise (3.8%).

²¹ ACTCOSS, *ACT Cost of Living Report: Telecommunications*, ACTCOSS, Canberra, December 2017, accessed 13 April 2018, <<https://www.actcoss.org.au/publications/advocacy-publications/act-cost-living-report-telecommunications-2017>>.

The price of food and non-alcoholic beverages in Canberra decreased marginally by 0.1 percent, similar to the national decrease (-0.2%) over the past year. Within the subcategories of food, the price of vegetables saw the most marked movement, decreasing by 9.4 percent, at a greater rate than the national decrease (-7.2%). Food security and the affordability of healthy food in the ACT will be the focus of further ACTCOSS cost of living analysis in 2018.

It is important to note that the 'CPI All Groups' is an average figure amongst the 11 major CPI categories. Where price rises occur for essential items such as electricity, automotive fuel and health – as has been the case over the past 12 months – these are likely to have a greater impact on low income and disadvantaged households in the ACT, as these items require a greater proportion of weekly income for these households. The ABS Selected Living Cost Index (SLCI) helps us to better understand the changes in cost of living amongst different household types – particularly for low income households.

An examination of the Selected Living Cost Index

An examination of price movements for goods and services purchased by low income households is important for determining how well Australia's income support system is doing in terms of helping people to keep up with rising living costs. The SLCI measures the cost of various baskets of goods which are specific to a number of different household types – including 'age pension' and 'other government transfer recipient' (e.g. Newstart or Youth Allowance recipients), 'employee', and 'self-funded retiree' households.²²

ACTCOSS' analysis focuses on Age Pension and other government transfer recipient households, as these are more likely to represent low income and disadvantaged households. Comparisons are also made with expenditure for both employee and self-funded retiree households (see Figure 1).

As noted above, over the 12 months to December 2017 the Canberra CPI (2.2%) rose at a higher rate than the national CPI (1.9%). Over the same period, the SLCI for other government transfer recipients (2.4%) and Age Pensioner (2.1%) households rose at a higher rate than the national CPI (see Figure 1). The SLCI rose at a lower rate for self-funded retiree (1.6%) and employee (2.0%) households, though the employee household figure was also above the national CPI figure.²³

These figures indicate that cost of living pressures for people on low incomes in the ACT increased significantly over the year.²⁴ The general cost of living in the

22 ABS, *Selected Living Cost Indexes, Australia, December 2017*, cat. no. 6467.0, Explanatory Notes, Australian Bureau of Statistics, Canberra, 2018.

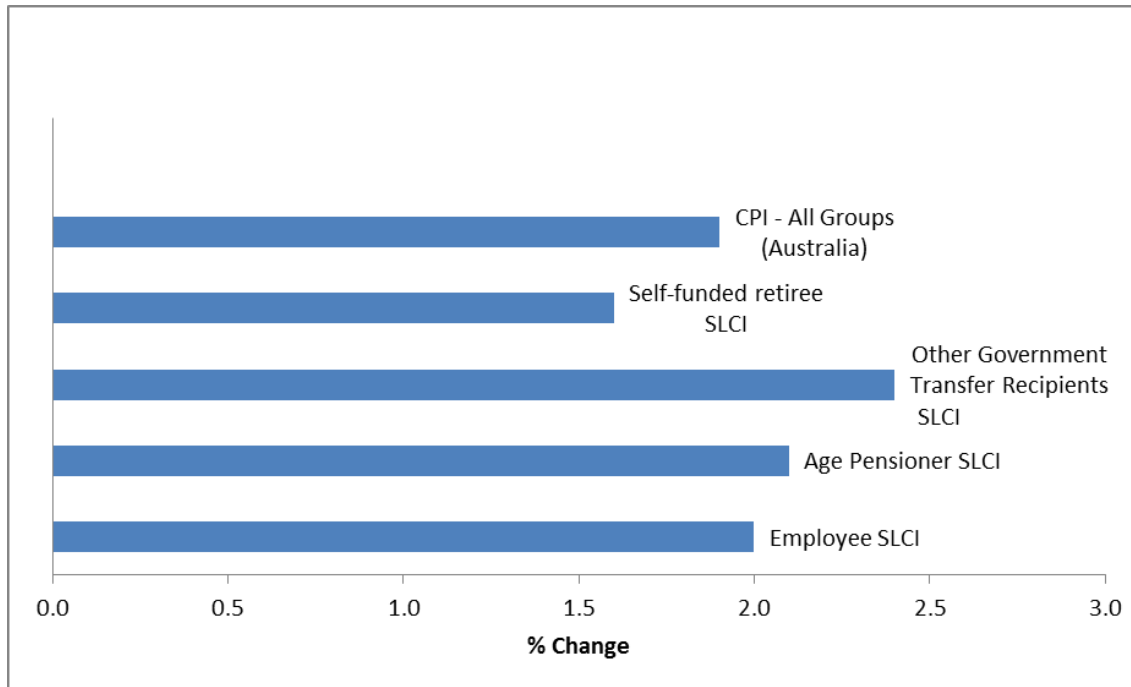
23 ABS, *Selected Living Cost Indexes, Australia, Dec 2017*, cat. no. 6467.0, December key figures, ABS, Canberra, 2018.

24 See Appendix: Explanatory notes 1 & 2 for discussion of comparability of the CPI and SLCI, and the limitations of the SLCI.

ACT increased above the national rate while the cost of living for low income households rose at a higher rate than for other households. This continues a trend of disproportionate increases in the cost of living for low income households that has been observed since ACTCOSS commenced publishing annual ACT cost of living reports in 2015.

For four consecutive years – 2015-18 – ACTCOSS analysis has shown that the cost of living in the ACT has increased disproportionately for those households that can least afford it – particularly those receiving a government transfer payment such as Newstart or Youth Allowance.

Figure 1 Percentage change in CPI and SLCI figures for the past year, Dec 2016– Dec 2017, Australia

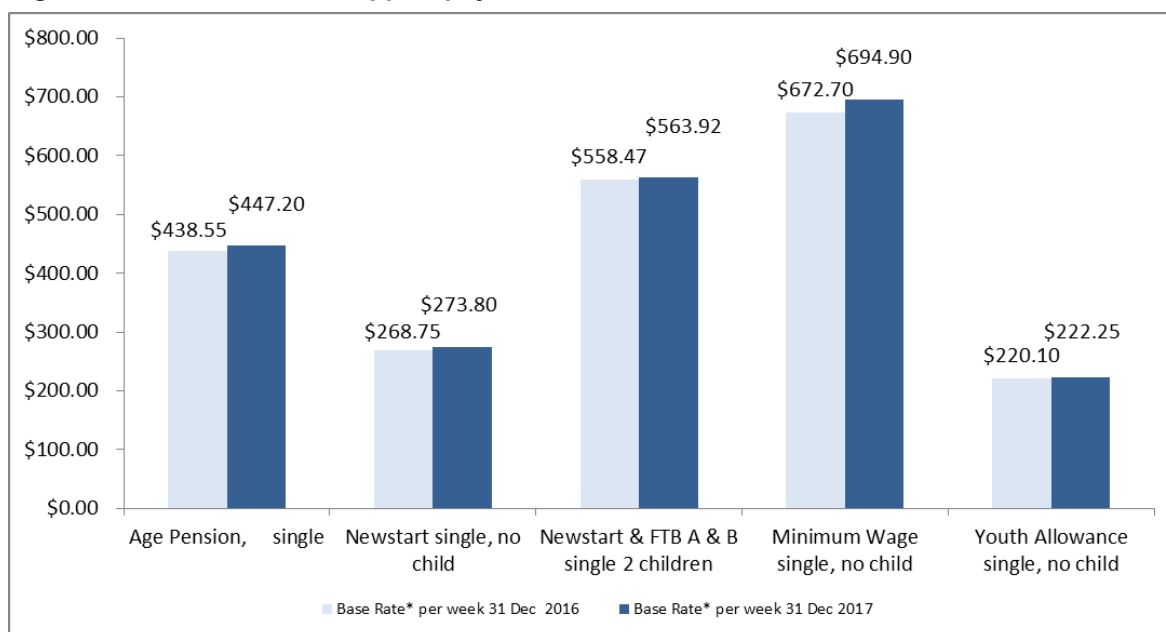


Source: ABS, *Selected Living Cost Indexes, Australia, Dec 2017*, cat. no. 6467.0, December key figures, ABS, Canberra, 2018.

The inadequacy of income support payments to meet the cost of living

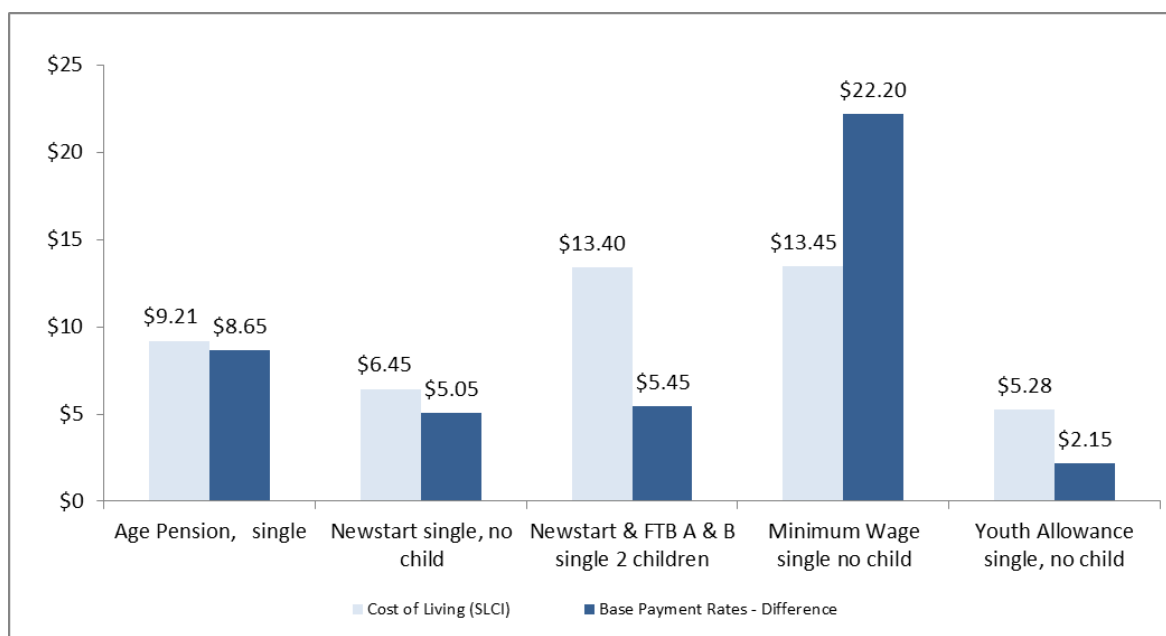
Over the past year there have been small increases in the base rates for key income support payments (see Figure 2). These small increases have failed to keep up with rising living costs over the same period – with the lag being greatest for Newstart recipients – further entrenching disadvantage (see Figure 3). For Newstart and Youth Allowance recipients, the lag is of particular concern given the inadequacy of the existing base rate of payment (if it is the sole payment received).

Figure 2 Selected income support payment rates as at Dec 2016 and Dec 2017



Sources: Centrelink, *A Guide to Australian Government Payments*, released quarterly, 20 September – 31 December 2016 and 20 September – 31 December 2017, Centrelink, Canberra; Centrelink 2016, p.2, 5, 12, 23, 26, 32, 37, 38; Centrelink 2017, p.2, 5, 13, 25, 27, 32, 33, 38, 39. See Appendix: Explanatory notes for information on the calculations for each payment type. NOTE: For simplicity, some supplements & Rent Assistance are not included as they can vary from person to person. NOTE: The Minimum Wage figure referred to of \$694.90 is for a 38 hour week (before tax) and is the minimum wage for the period 1 July 2017 – 30 June 2018. The Disability Support Pension rate is exactly the same as the Age Pension rate, but for simplicity reference is only made to the Age Pension throughout this report.

Figure 3 Change in selected income support payments vs cost of living (SLCI), Dec 2016 – Dec 2017



Sources: Centrelink, *A Guide to Australian Government Payments*, released quarterly, 20 September – 31 December 2016 and 20 September – 31 December 2017, Centrelink, Canberra, Centrelink 2016, p.2, 5, 12, 23, 26, 32, 37, 38; Centrelink 2017, p.2, 5, 13, 25, 27, 32, 33, 38, 39. NOTE: The rate of growth of the SLCI is calculated by multiplying the December 2016 base payment rate by the percentage increase in the SLCI over the past year for the relevant payment type.

Newstart has not increased in real terms in 24 years – the last time Newstart rose above the CPI was in 1994.²⁵ The single rate of Newstart is currently \$175 per week below the pension – while the Age Pension is the largest area of social security expenditure (40%), Newstart and related payments make up just seven percent.²⁶ More than half (55%) of the people on Newstart are living below the poverty line.²⁷ Recent research into budget standards for healthy living in Australia found that buying the basics – like housing, food and transport – costs a single person a minimum of \$433 per week.²⁸ The single rate of Newstart currently leaves recipients \$155 short of this weekly minimum budget standard for healthy living.

Income support payments have not kept up with the increases in the cost of living for those who receive them. Payment rates continue to fall well below the 50 percent poverty line, with many recipients experiencing deep poverty as a result. It is critical that the Australian Government addresses the significant and longstanding gap between these base payments and the increased cost of living for recipients.

ACOSS is calling upon the Australian Government to raise the rate of the single unemployment and student allowances, and index them to wage and price movements. In its *Budget Priorities Statement: Federal Budget 2018-19* ACOSS has recommended that allowance payments for single people – including Newstart Allowance, Widow Allowance, Sickness Allowance, Special Benefit and Crisis Payment – be increased by \$75 per week from January 2019.²⁹ It also recommended a \$75 per week increase in allowance payments for single people on youth and student payments – Austudy, Abstudy, and Youth Allowance – who are either over 24 years of age or 18-24 years and living away from the parental home.³⁰ Further, ACOSS has recommended that allowance payments be indexed to movements in wages as well as to movements in prices.³¹

25 ACOSS, *Raise the rate fact sheet*, ACOSS, Sydney, 2018, accessed 12 April 2018, <https://www.acoss.org.au/wp-content/uploads/2018/04/Raise-the-rate_fact-sheet_4-Apr-2018.pdf>.

26 *ibid.*

27 ACOSS & SPRC, *Poverty in Australia 2016*, ACOSS, Sydney, 2016, accessed 12 April 2018, <<https://www.acoss.org.au/wp-content/uploads/2016/10/Poverty-in-Australia-2016.pdf>>.

28 P Saunders & M Bedford, *New minimum income for healthy living budget standards for low-paid and unemployed Australians*, SPRC Report 11/17, Social Policy Research Centre, UNSW, Sydney, 2017, accessed 13 April 2018, <<https://www.sprc.unsw.edu.au/research/projects/a-new-healthy-living-minimum-income-standard-for-low-paid-and-unemployed-australians/>>.

29 ACOSS, *Budget Priorities Statement: Federal Budget 2018-19*, ACOSS, Sydney, January 2018, p. 19, accessed 12 April 2018, <https://www.acoss.org.au/wp-content/uploads/2018/02/ACOSS-Budget-Priorities-Statement-2018-19_FINAL.pdf>.

30 *ibid.*

31 *ibid.*

The current indexing system for Newstart and other base-level benefit allowances means that increases in allowances are not keeping up with costs of living. This indexing system is inadequate and needs to be addressed to ensure recipients are able to not only meet day-to-day costs of living, but to be able to save money to cover any unexpected yet essential expenses.

ACTCOSS strongly supports ACOSS' call to raise the rate and index allowance payments to increases in wages and prices. ACTCOSS is calling on the ACT Government to publicly support these changes in order to address the persistent and widening gap between people's income and the cost of living for low income households in the ACT. As ACOSS note, raising the rate is essential to ensuring that people have a roof over their head and a meal on their table, and also has much wider benefits, including:

- Improving people's prospects of finding decent paid work
- Reducing the huge gap between allowance payments and pensions
- Lifting thousands of people on the lowest income support payments out of poverty
- Improving social and economic participation
- Strengthening local communities.³²

ACTCOSS is calling on the ACT Government to publicly support raising the rate of allowance payments and indexing them to wages and prices to ensure all Canberrans have an adequate income to meet the costs of healthy living.

ACTCOSS' ACT Budget Priorities for 2018-19 outline a range of investment and policy measures that seek to address cost of living pressures for low income households in the ACT.³³

³² ACOSS, *Raise the rate fact sheet*, op. cit.

³³ ACTCOSS, *ACT Budget Priorities 2018-19*, ACTCOSS, Canberra, 2018, accessed 13 April 2018, <<http://www.actcoss.org.au/publications/advocacy-publications/submission-actcoss-budget-priorities-2018-19>>.

ACTCOSS is continuing to call for improvements to the concessions scheme offered by the ACT Government, including concessions for licences and registration for low income households, expanded access according to need, not age or source of income, and better promotion of eligibility. Further measures needed to hold back growth of inequality, improve standards of living, reduce costs of living, increase supply of vital community services, and improve amenity for people living on low incomes in the ACT are outlined in the ACTCOSS' [ACT Budget Priorities 2018-19](#).

Appendix: Explanatory notes

1. Consumer Price Index and Selected Living Cost Indexes

The ABS Selected Living Cost Indexes (SLCI) use a different methodology to the Consumer Price Index (CPI). The CPI is based on acquisition (i.e. the price at the time of acquisition of a product) while the SLCI is based on actual expenditure. This is particularly relevant in relation to housing costs where CPI traces changes in house prices, while the SLCI traces changes in the amount expended each week on housing (e.g. mortgage repayments). Further information is available in the ABS' Explanatory Notes to the Selected Living Cost Indexes.³⁴

In that sense, the SLCI are not a simple disaggregation of CPI and the two are not strictly comparable. However, both indexes are used to measure changes in the cost of living over time (although that is not what CPI was designed for), and given the general usage of the CPI measure and its powerful political and economic status, it is useful to compare the two and highlight the differences for different household types.³⁵

As per the ABS:

The Selected Living Cost Indexes (SLCIs), Australia incorporates the Pensioner and Beneficiary Living Cost Index (PBLCI) and the Analytical Living Cost Indexes (ALCIs). The ALCIs have been compiled and published by the ABS since June 2000 and were developed in recognition of the widespread interest in the extent to which the impact of price change varies across different groups of households in the Australian population.³⁶

ALCIs are prepared for four types of Australian households:

- Employee households (i.e. those households whose principal source of income is from wages and salaries)
- Age Pensioner households (i.e. those households whose principal source of income is the Age Pension or veterans affairs pension)

34 ABS, *Selected Living Cost Indexes, Australia, December 2017*, cat. no. 6467.0, Explanatory Notes, Australian Bureau of Statistics, Canberra, 2018.

35 Adapted from South Australian Council of Social Service (SACOSS), *SACOSS Cost of Living Update*, No. 17, December Quarter 2013, Unley, SA, 2014, accessed 13 April 2018, <https://www.sacoss.org.au/sites/default/files/public/documents/Reports/Cost%20of%20Living%20Reports/140128%20Cost%20of%20Living%20Update%2017_Concessions.pdf>.

36 ABS, *Selected Living Cost Indexes, Australia, December 2017*, cat. no. 6467.0, Explanatory Notes, Australian Bureau of Statistics, Canberra, 2018.

- Other government transfer recipient households (i.e. those households whose principal source of income is a government pension or benefit other than the Age Pension or veterans affairs pension)
- Self-funded retiree households (i.e. those households whose principal source of income is superannuation or property income and where the Household Expenditure Survey (HES) defined reference person is 'retired' (not in the labour force and over 55 years of age).³⁷

2. Limitations of the Selected Living Cost Indexes³⁸

The Selected Living Cost Indexes are more nuanced than the generic CPI in that they measure changes for different household types, but there are still a number of problems with using those indexes to show cost of living changes faced by the most vulnerable and disadvantaged in the ACT. While it is safe to assume that welfare recipients are among the most vulnerable and disadvantaged, any household-based data for multi-person households indicates nothing about distribution of power, money and expenditure within a household. This may therefore hide particular (and often gendered) structures of vulnerability and disadvantage. Further, the living cost indexes are not state-based, so particular ACT trends or circumstances may not show up.

At the more technical level, the SLCI are for households whose predominant income is from the described source (e.g. Age Pension or government transfers), though many households in these categories have other sources of income, or more than one welfare recipient in the same household. Like the CPI, the SLCI figures reflect broad averages (even if more nuanced), but do not reflect the experience of the poorest in those categories.

Another example of this 'averaging problem' is that expenditures on some items, like housing, are too low to reflect the real expenditures and changes for the most vulnerable in the housing market – again, because the worst-case scenarios are 'averaged out' by those in the category with other resources. For instance, if one pensioner owned their own home outright they would generally be in a better financial position than a pensioner who has to pay market rents. As an example, if the market rent was \$300 per week, the average expenditure on rent between the two would be \$150 per week, much less than what the renting pensioner was actually paying.

The weightings in the SLCI are also based on a set point in time (from the ABS Household Expenditure Survey) and can't be changed until the next survey. In the meantime, the price of some necessities may increase rapidly, forcing people to change expenditure patterns to cover the increased cost.

³⁷ *ibid.*

³⁸ Adapted from South Australian Council of Social Service (SACOSS), *SACOSS Cost of Living Update*, No. 17, December Quarter 2013, Unley, SA, 2014.

Alternatively, or additionally, expenditure patterns may change for a variety of other reasons. However, the weighting in the indexes does not change and therefore does not track the expenditure substitutions and the impact that has on cost of living and lifestyle.

The SLCI household income figures are based on households that are the average size for that household type: which for 'Aged Pensioners' is 1.51 and 'Other Government Transfer recipients' is 2.46.³⁹ This makes comparison with allowances difficult. This report primarily focuses on single person households or a single person with two children (to align to the other welfare recipient household average of 2.57 persons). However, this is a proxy rather than statistical correlation. While the SLCI do have some limitations in terms of tracking cost of living changes overall, they provide a 'robust statistical base, quarterly tracking of changes and a long time series, which all provide valuable data for analysis'.⁴⁰

3. Pension and Newstart (and Family Tax Benefit) calculations for Figures 2 and 3⁴¹

These figures reflect payment levels for a single Aged Pensioner; a single Newstart recipient with no children as well as with two children; and a single Youth Allowance recipient. There are clearly going to be variations in payment rates for different recipients, which will be affected by family structure, the number and age of children and receipt of supplements like Rent Assistance (but for simplicity these are not all factored in here). Payment rates for single people are used – as partner's income for partnered recipients adds further complexity.

4. How Pension rates are adjusted

The following explanation of pension indexation has been extracted from a guide produced by the Parliamentary Library:

Currently, pensions (including the Age Pension, Service Pension, Disability Support Pension and Carer Payment) are [indexed twice each year](#) by the greater of the movement in the [Consumer Price Index](#) (CPI) or the [Pensioner and Beneficiary Living Cost Index](#) (PBLCI). They are then 'benchmarked' against a percentage of [Male Total Average Weekly Earnings](#) (MTAWE). The combined couple rate is benchmarked to 41.76% of MTAWE; the single rate of pension is set at 66.33% of the combined

39 ABS, *Selected Living Cost Indexes, Australia, December 2017*, cat. no. 6467.0, Explanatory Notes, Australian Bureau of Statistics, Canberra, 2018.

40 South Australian Council of Social Service (SACOSS), *SACOSS Cost of Living Update*, No. 17, December Quarter 2013, Unley, SA, 2014, p. 10.

41 Adapted from South Australian Council of Social Service (SACOSS), *SACOSS Cost of Living Update*, No. 17, December Quarter 2013, Unley, SA, 2014.

couple rate (which is equal to around 27.7% of MTAWÉ). 'Benchmarked' means that after it has been indexed, the combined couple rate is checked to see whether it is equal to or higher than 41.76% of MTAWÉ. If the rate is lower than this percentage, the rates are increased to the appropriate benchmark level.

The CPI is a measure of changes in the prices paid by households for a fixed basket of goods and services. Indexing pension rates to CPI maintains the real value of pensions over time. The PBLCI measures the effect of changes in prices of the out-of-pocket living expenses experienced by age pensioner and other households whose main source of income is a government payment. The PBLCI is designed to check whether their disposable incomes have kept pace with price changes. The MTAWÉ benchmark is not intended to maintain the value of the pension relative to costs; it is seen as ensuring pensioners maintain a certain standard of living, relative to the rest of the population.⁴²

42 M Klapdor, *Pension indexation: a brief history*, Flagpost blog, Parliamentary Library, Canberra, posted 16 April 2014, accessed 13 April 2018, <https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/FlagPost/2014/April/Pension-indexation>. NOTE: Allowance payments, such as Newstart and Youth Allowance are indexed to the CPI only, and are adjusted 6 monthly - every March and September.