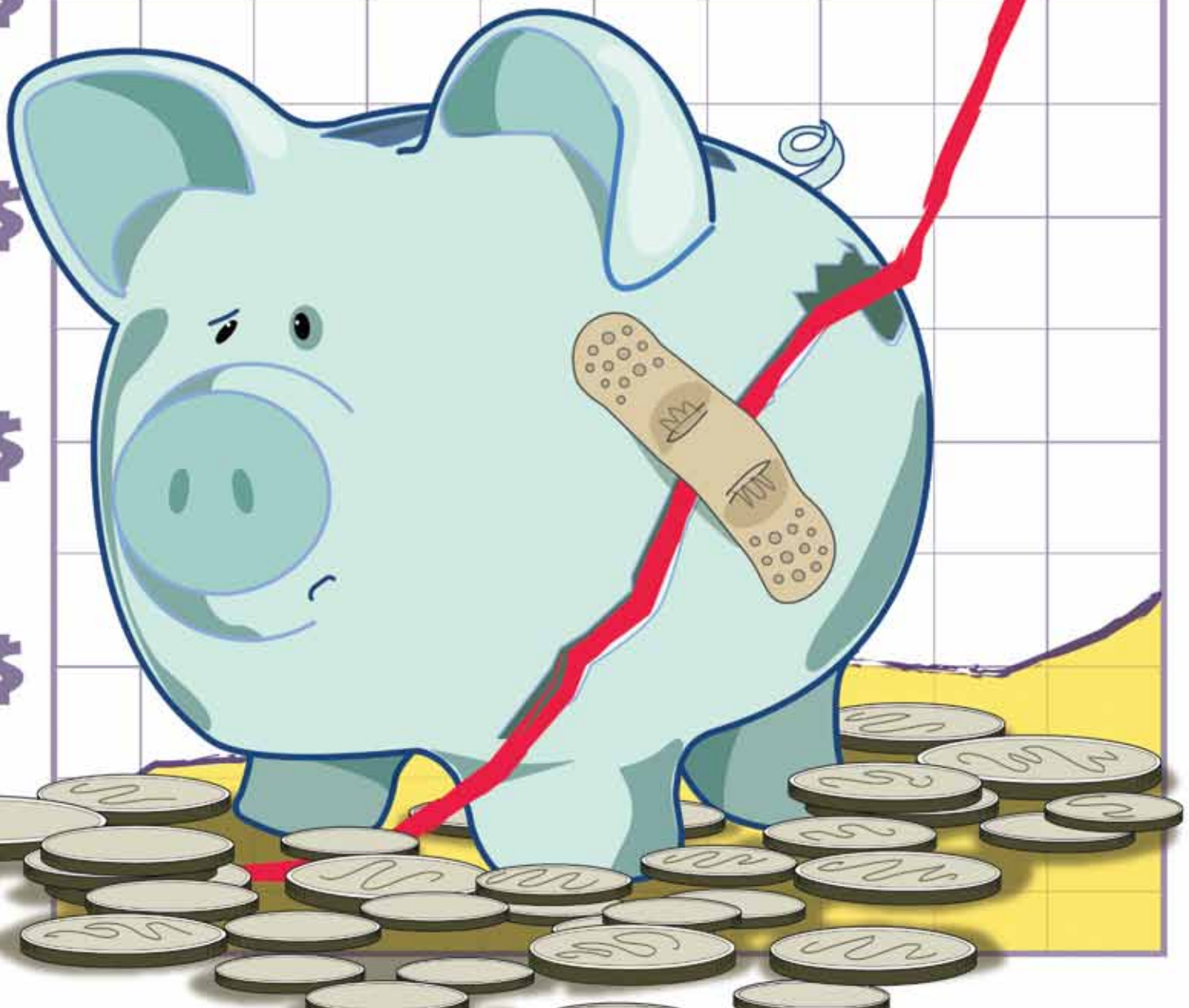


# COST OF LIVING

# WHO'S REALLY HURTING?



The Council of Social Service of New South Wales (NCOSS) is the peak body for the social and community services sector in New South Wales. NCOSS works with its membership on behalf of disadvantaged people and communities towards achieving social justice in New South Wales.

NCOSS was established in 1935 to promote cooperation in the provision of community services and influence social legislation. Today our constituents are:

- our members
- other peak community service agencies in NSW
- service providers
- other agencies working in the social policy and social services field
- individual members interested in social policy and social service issues
- disadvantaged and low income people and communities in NSW.

NCOSS provides an independent voice on welfare policy issues and social and economic reforms and

is the major co-ordinator for non-government social and community services in NSW.

We act as a channel for consultation with government and between parts of the non-government sector with common interests and diverse functions.

NCOSS is a membership organisation. Members range from the smallest community services to the largest major welfare agencies, state and regional level peak councils, churches, hospitals, local government and consumer groups.

**NCOSS can be found at:**

66 Albion Street

Surry Hills NSW 2010

**phone:** (02) 9211 2599

**email:** [info@ncoss.org.au](mailto:info@ncoss.org.au)

**website:** [www.ncoss.org.au](http://www.ncoss.org.au)

**facebook:** [on.fb.me/ncoss](https://on.fb.me/ncoss)

**twitter:** [@\\_ncoss\\_](https://twitter.com/_ncoss_)



Published March 2014

© Council of Social Service of New South Wales (NCOSS)

This publication is copyright. Non-profit groups have permission to reproduce part of this book as long as the original meaning is retained and proper credit is given to the Council of Social Service of New South Wales (NCOSS). All other persons and organisations wanting to reproduce material from this book should obtain permission from the publishers.

ISSN 2203-5117



# ■ CONTENTS

■ Acknowledgements .....	ii
■ Acronyms.....	ii
■ Introduction & Overview .....	1
■ Method.....	5
The Consumer Price Index .....	5
The Household Expenditure Survey.....	6
■ Budget Basics.....	7
■ Housing.....	9
■ Food.....	13
■ Transport .....	17
■ Health .....	21
■ Utilities .....	25
■ Education.....	29
■ Conclusion .....	33
■ Endnotes.....	35

# ACKNOWLEDGEMENTS

NCOSS acknowledges the time, resources and advice provided by the South Australian Council of Social Service (SACOSS) whose Cost of Living Reports have provided the model for this inaugural NCOSS Cost of Living Report.

This report draws on the work and expertise of a range of community sector organisations. Their research has provided an invaluable contribution to the cost of living debate by furthering our understanding of cost pressures for people experiencing poverty and disadvantage. A number of organisations – who are acknowledged in the body of this report – have also supported this work by connecting us with the people whose lived experiences embody the issues raised in this report. We thank those organisations for their time and contribution, and we especially thank the individuals who generously shared their stories.

# ACRONYMS

<b>ABS</b> .....	Australian Bureau of Statistics
<b>AHURI</b> .....	Australian Housing and Urban Research Institute
<b>COAG</b> .....	Council of Australian Governments
<b>CPI</b> .....	Consumer Price Index
<b>CRA</b> .....	Commonwealth Rent Assistance
<b>DSP</b> .....	Disability Support Pension
<b>GP</b> .....	General Practitioner
<b>HES</b> .....	Household Expenditure Survey
<b>IPART</b> .....	Independent Pricing and Regulatory Tribunal
<b>NATSEM</b> .....	National Centre for Social and Economic Modelling
<b>NSA</b> .....	Newstart Allowance
<b>PBS</b> .....	Pharmaceutical Benefits Scheme
<b>PIAC</b> .....	Public Interest Advocacy Centre
<b>WHO</b> .....	World Health Organization

# 1 INTRODUCTION & OVERVIEW

It's not uncommon to hear that the cost of living in Australia – and Sydney in particular – is among the highest in the world. And in exploiting our fear of hip-pocket pain, politicians and the media have fuelled our sense that keeping up with day-to-day expenses is getting harder and harder.

Cost of living is now our number one source of anxiety, according to two separate reports by the National Australia Bank<sup>1</sup> and social researchers McCrindle.<sup>2</sup>

But at the same time, much of the hard data indicates that, in fact, Australia has had a good decade. Household incomes have increased, unemployment has fallen and low-income households have shared the benefits.<sup>3</sup>

The National Centre for Social and Economic Modelling (NATSEM) estimates that between 1984 and 2011, high-income households experienced growth averaging \$429 per week above their living costs, and low-income households came out ahead by an average of \$93 per week.<sup>4</sup>

Yet NSW has 14.3% of its residents living below the poverty line – higher than the national average of 12.8%.<sup>5</sup> The average weekly disposable household income for households in the highest income quintile in NSW is \$1,895, while those in the lowest income quintile in NSW get by on \$348 a week.<sup>6</sup> The level of wealth between Australian households continues to vary greatly – averaging \$2.2m for the wealthiest 20% of households and \$31,000 for the poorest 20%.<sup>7</sup> And unemployment benefits have not increased in real terms over the last ten years, meaning jobless households have been left behind.<sup>8</sup>

For many of us, increases in our incomes have counterbalanced increases in the cost of living. And having to cover the cost of additional 'essentials', or taking care of an unexpected expense can be dealt with by changing our spending patterns: we eat out less, don't buy that new outfit or forgo an expensive holiday. But for households who spend most – or even all – of their household budget on essential items, making such adjustments is not easy. For these households, cost of living pressures can mean difficult choices such as whether food, a school excursion or a visit to the doctor is more important.

Yet despite what the data tells us, the financial woes of middle and higher income earners continue to dominate the public debate. But if policy makers remain focused on appeasing those with the loudest voices, we risk leaving further behind those who really are doing it tough.

Goal number 5 in the NSW Government's *NSW 2021: A Plan to make NSW Number One* is to put downward pressure on the cost of living by providing support to people in need and dealing with the underlying causes of rising household costs.

This report focuses on those most in need. It draws on data collected by the Australian Bureau of Statistics (ABS) to assess how living costs have changed over the last ten years, and how these changes impact people experiencing poverty and disadvantage. In particular, it looks at cost of living changes across six key categories of ‘essential’ expenditure – housing, food, transport, health care, utilities and education – which together account for approximately 60% of average weekly household expenditure. It considers how the purchasing patterns of low income households differ from higher income earners, and how cost pressures can reinforce and feed into other facets of disadvantage.

Our analysis finds that low income households spend a greater proportion of their weekly budget on core commodities, such as housing and utilities, which have seen significant cost increases relative to CPI over the last ten years. Education and health care have also seen rapid price rises. With the private market for these essentials increasingly out of reach, low-income earners are more exposed to gaps and weaknesses in the public systems. While average price increases for food and transport across the ten years have been more in line with CPI – a breakdown of expenditure within each group reveals quite different purchasing patterns for low and high-income households.

**Housing** costs are the largest area of expenditure for NSW households, with the proportion of weekly household spending allocated to housing higher than the national average, and higher still for those who are renting or those whose main source of income is a Government allowance or pension. Prices over the last 10 years (including rents and new dwelling purchases but not mortgage repayments) have risen at twice the rate of inflation. With home purchase out of reach and public housing a dwindling commodity, many low income households in NSW have no alternative but to rent – and nearly half are estimated to be in rental stress.<sup>9</sup>

“When they changed me from parenting payment to Newstart last year I lost **\$190 per fortnight**. I thought I couldn’t care for my children anymore.”

*Talia*

NSW households spend on average 16.8% of their weekly expenditure on **food**, rising to 18.6% for low income households. Prices for food staples (such as milk, bread and vegetables) over the last 10 years have generally risen in line with CPI, and low-income households spend a greater proportion of their food budget on such staples. For high-income households, a much greater proportion – over one third – of the weekly food

budget goes on eating out and fast food. Because food is more ‘discretionary’ than weekly rent or an electricity bill, it is often the item that is skimped on in a low-income budget – meals can be skipped, cheap takeaway purchased or fresh fruit and vegetables replaced by less expensive carbohydrates.

For **transport**, it’s the higher income earners in NSW who spend proportionally more on this essential. More of their transport outlay goes towards the cost of buying or leasing a vehicle – where prices have gone down in real terms. For low income groups the largest transport cost is fuel, the component most susceptible to price fluctuations. We know from the NSW Bureau of Transport Statistics that weekend and non-work trips in Sydney, for the purposes of participating in sport, socialising and holidaying, are increasing. Higher income earners are driving this increase, contributing to their larger proportional outlay in this area.

**Health care costs** in NSW have risen at a rate above inflation. For households where there is disability, chronic illness or where the main source of income is the aged pension, expenditure on this item takes a greater slice of the weekly budget. But while those in the lowest income quintile spend a larger chunk of their weekly budget on health care, in



absolute terms higher income households spend three times as much – an average of \$126 per week compared to \$43 per week. The evidence suggests that, to help manage costs, people on tight budgets may avoid filling prescriptions, put off seeing their GP or dentist, or forgo specialist treatment – leading to poorer health in the long run.

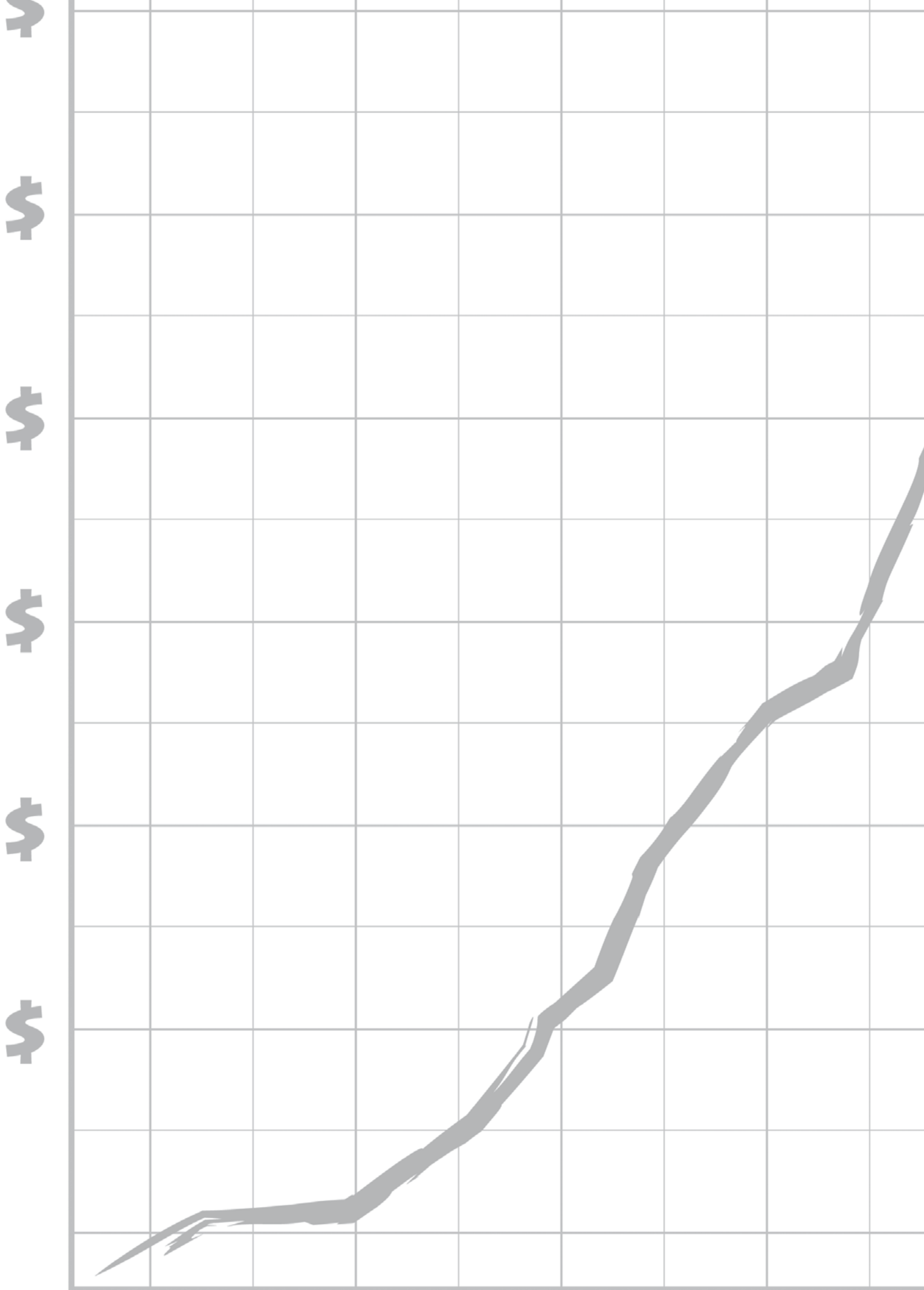
While **education** costs in NSW have risen significantly in the last 10 years, the steepest rise has been in secondary education and much of it relates to private school fees – reported to be higher in Sydney than other capitals. But for low-income households it's not a question of whether they can find \$20,000 to cover a year of private schooling; it's a question of whether they can find the \$2,000 plus which The Smith Family estimates<sup>10</sup> as the annual cost of a 'free' public primary school education for one student. For jobless families, and particularly those with more than one child, this is obviously a strain on an already stretched budget.

While comprising a smaller component of the weekly budget for NSW households, the cost of **utilities** (water and sewerage, electricity and gas) has also risen sharply over the last 10 years – 4.4 times the rate of CPI. This is particularly pertinent to low-income households. Not only do they spend a higher proportion of their budget on domestic fuel and power, but the 'lumpy' nature of these bills can make them difficult to manage. For people living in older, poor quality housing or those with disability or chronic health conditions, there are added challenges. Over one in five households in the lowest income quintile report being unable to pay their bills on time; and the number of households being disconnected has increased by 37% in the last five years.

This report is by no means a definitive analysis of cost of living impacts for low-income households in NSW. No examination of household income and expenditure – no matter how thorough – will provide a full picture of what it means to be disadvantaged in 2014. But it does highlight that cost of living pressures impact differently and more sharply on low-income households. It identifies significant differences between the essentials these households purchase and those purchased by high-income households. It also suggests that cost barriers can compound other factors, limit choice, and contribute to the cycle of disadvantage.

At a time when the Government budget itself is under pressure, our report signals the importance of ensuring that programs intended to relieve cost of living impacts reach those who are really struggling and provide sufficient levels of assistance relevant to the circumstances.

NCOSS will use the analysis and findings in this report to consult – with service providers, government agencies, advocacy groups, relevant industry representatives and others – to better understand the cost pressures that are most hurting disadvantaged households. We will seek feedback and input on: the effectiveness of existing relief measures; where there are gaps, inefficiencies or waste; and what other measures or approaches warrant consideration.







## 2 METHOD

This report draws on data collected by the Australian Bureau of Statistics (ABS) to assess how living costs have changed over the last ten years, and examine how these changes impact people experiencing poverty and disadvantage.

We focus on six important categories of expenditure: Food, Housing, Transport, Health, Utilities and Education.

For each of these commodities we use the ABS's Consumer Price Index (CPI) to show price trends over the ten-year period from December 2003 to December 2013. The disaggregated data is taken from the Capital City Index for Sydney (there is no index for all NSW) to enable consideration of State-specific price trends.

We then draw on the ABS's Household Expenditure Survey (HES) to provide insights into the relationship between income and expenditure on each of these six commodities.

The analysis of these two datasets informs a summary of affordability and related problems for low income and vulnerable people in relation to each category of expenditure, supported by a review of the relevant literature and illustrated by real people's stories.

### **The Consumer Price Index**

The ABS's Consumer Price Index is designed as a general measure of price inflation for the household sector as a whole. Published quarterly, it is calculated using a basket of goods and services based on average expenditure patterns for Australian households.<sup>11</sup>

With its powerful political and economic status, the CPI is commonly used as a proxy indicator for how households are faring in relation to the cost of living. But in applying CPI in this way there are some important caveats.

Firstly, CPI is not in fact designed to measure the impact of changes in prices on the purchasing power of households. It is based on changes in the prices of goods and services actually received, rather than on the money outlaid in order to access these goods and services. This is particularly important in relation to commodities such as housing and insurance, where, for example, CPI does not include changes in the amount of interest paid on mortgages. Similarly, the weight for insurance premiums is based on the net value of the service provided by the insurance, rather than the gross value of insurance premiums paid by households.

Secondly, the basket of goods and services used to calculate CPI is weighted according to average expenditure patterns. Yet different types of households have different spending patterns, with variables such as household composition, age, income, and health status influencing how much is spent on which commodities. As the prices of these commodities change in relation to CPI – as the cost of utilities goes up and the price of clothing goes down, for example – different households will feel the effects differently.

This report therefore draws on the ABS's Household Expenditure Survey – the main basis for weighting the commodity groups that constitute CPI – to inform our understanding of the likely impacts of changing prices on particular population sub-groups in NSW.

### **The Household Expenditure Survey**

The Household Expenditure Survey – carried out every six years by the Australian Bureau of Statistics – collects detailed information about the expenditure, income, assets, liabilities and characteristics of households resident in private dwellings throughout Australia.

This report uses the publically available 2009-10 HES data. Where possible, it looks at expenditure patterns in NSW. A detailed breakdown of expenditure data at the State and Territory level is not available for most variables, however; we therefore also draw on the National statistics to provide greater insight into spending patterns linked to selected demographic traits.

In order to make the data contained in the HES more meaningful for our readers, in a number of instances we have indexed (or updated) the 2009-10 expenditure figures to December 2013, using the CPI for the relevant commodity group. These instances are clearly marked in the body of this report. While this approach mixes pricing with expenditure – and assumes that expenditure patterns remain unchanged – it provides a reasonable estimate of the amount of money households are spending, in today's terms, on the core commodities examined in this report.

# 3 BUDGET BASICS

Every household budget includes spending on essential items – items such as food, electricity, housing. Most household budgets also provide for discretionary items: a night at the movies, a dinner in a fancy restaurant, a weekend away. And in between there is a large grey area, where spending is neither an absolute necessity – in the strictest sense of the word – nor is it a luxury. Is a home internet connection a requirement for a family with high school children? Is employing a nanny or using centre-based childcare to look after pre-school aged children an essential for working families?

When faced with increases in the cost of living or the need to purchase more ‘essentials’, many households can compensate by changing their spending patterns; consuming fewer luxury or discretionary items, for example, to counterbalance increases in the cost of such essentials. But households who spend most – or even all – of their household budget on essential items are not able to do this. For them, cost of living pressures can mean difficult choices about what is more essential: food, a school excursion or a trip to the doctor?

Views about what is considered essential in the context of household spending can vary widely, change over time, and alter according to individual circumstances. While a mobile phone would have been a luxury in the ‘90s, many people would now find day-to-day functioning difficult without one.

Rather than attempt the difficult and contentious task of classifying expenditure into essential and non-essential items, the chapters that follow look at six key commodity groups that are important to everyday living, to wellbeing, and to accessing opportunity: food, housing, transport, health, utilities and education. Together they account for approximately 60% of weekly household expenditure. With the exception of transport, prices for each of these commodities have risen relative to CPI over the last ten years (although only marginally for food). Conversely, commodities such as clothing and footwear, communication, and culture and recreation have gone down in real terms (Table 1).

**Table 1:** Changes in CPI for each commodity group for the ten year period December 2003 - December 2013. ABS (2013)

	CPI points change Dec 03 - Dec 13	Points change relative to All Groups CPI
Food and non-alcoholic beverages	31.7	0.5
Alcohol and Tobacco	55.0	23.8
Clothing and Footwear	-0.9	-32.1
Housing (Utilities)	56.1	24.9
Furnishings, household equipment and services	137.1	105.9
Health	4.3	-26.9
Transport	62.9	31.7
Communication	22.8	-8.4
Recreation and culture	6.9	-24.3
Education	4.3	-26.9
Insurance and financial services	73.2	42.0
All groups CPI - Sydney	23.1	-8.1
	31.2	0

With such changes likely to have a disproportionate impact on the living standards and life chances of people experiencing poverty and disadvantage – as we explore in more detail in the following pages – this reinforces concerns about widening inequality, and the cyclical nature of poverty and disadvantage.



# 4 HOUSING

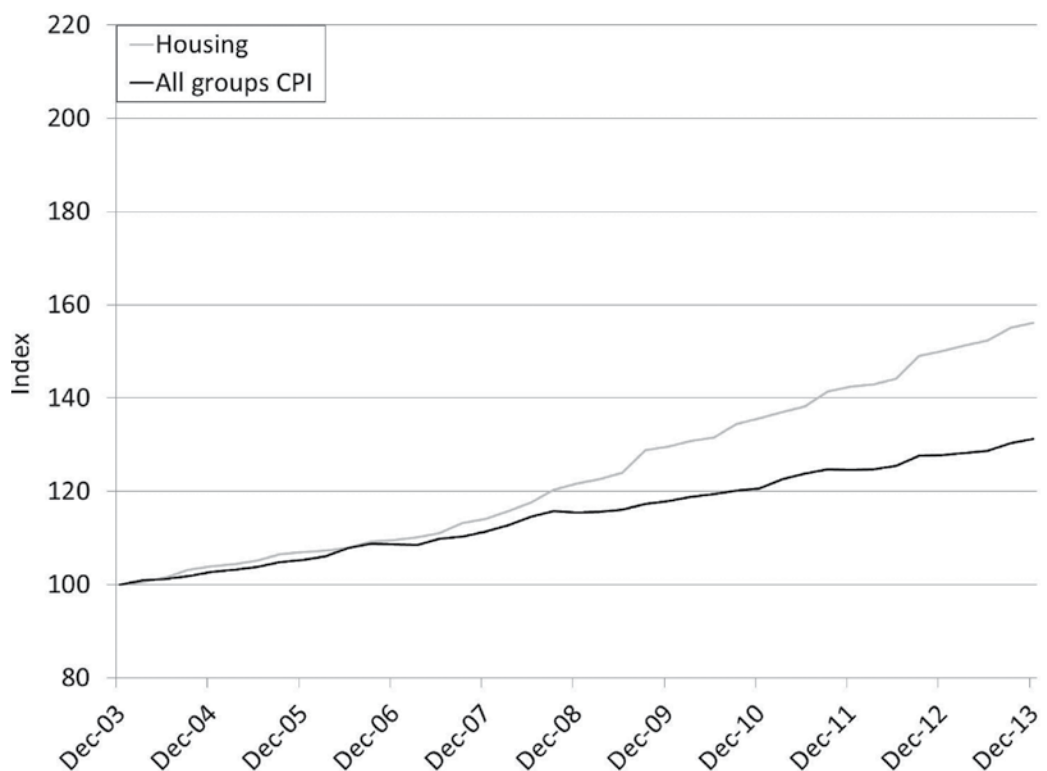
## What's happening to the cost of housing?

### An overview of CPI

In the ten years to December 2013, the cost of housing has risen by a little over twice the rate of inflation (see Figure 1 below). The Housing Group CPI includes rents, new dwelling purchase by owner-occupiers, other housing costs and utilities – which are discussed in more detail in Section 8 of this report. Because CPI is based on price at the time of acquisition, the new dwelling purchase component tracks house prices and does not include mortgage repayments.

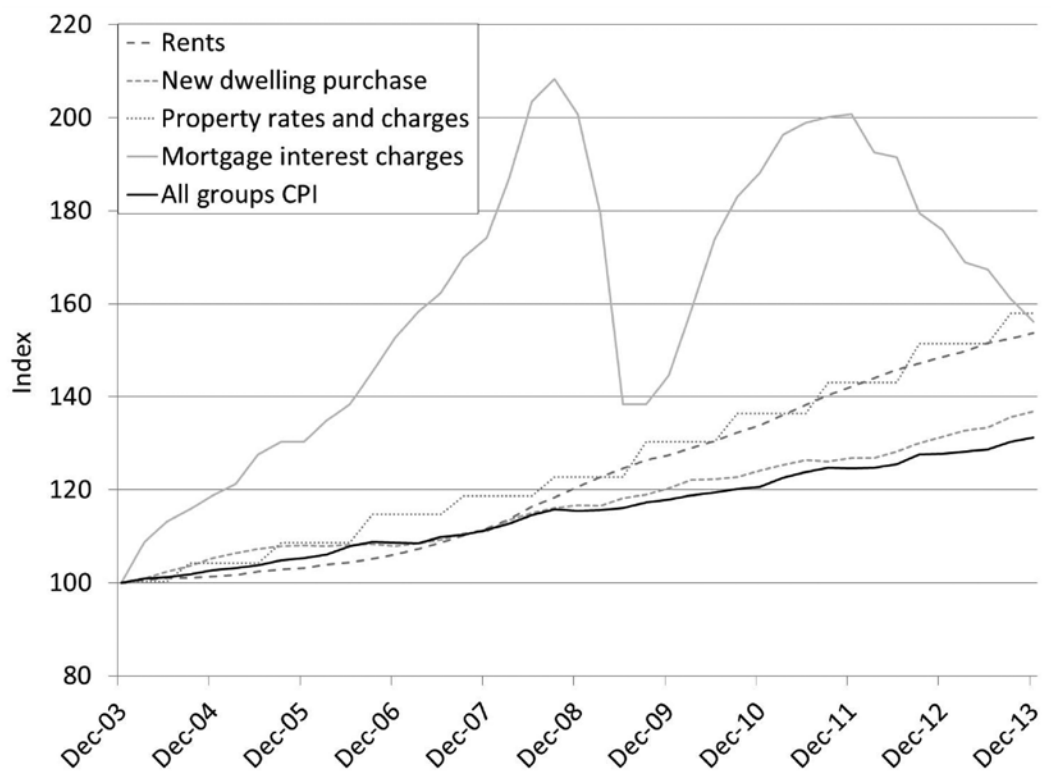
Within the Housing Group, the two components (aside from utilities) that have seen the most significant price rises relative to CPI are property rates and charges, and rents, which have increased at 1.86 times the rate and 1.72 times the rate of CPI respectively (see Figure 2 over page).

For illustrative purposes, we have included mortgage interest charges in Figure 2 as these charges are an important component of living costs for people who are buying their own home, and are clearly highly volatile.<sup>13</sup>



**Figure 1:** Housing and CPI All Groups, Sydney (ABS, 2013)

**Figure 2:** Selected Housing Sub-Groups and CPI All Groups Sydney (ABS, 2013). Mortgage Interest charges from the Employee household Selected Living Cost Index.



## Housing in the household budget

### An overview of the Household Expenditure Survey

Current housing costs are the largest area of expenditure for households in NSW, accounting for 18.8% of weekly spending. This is higher than the average across Australia – which is 18.0% – and is higher still in Sydney, where average expenditure is 20.7%. For households who are renting, current housing costs account for 27.0% of expenditure, while owners with and without a mortgage spend 20.8% and 8.0% respectively.<sup>14</sup> Lower income households spend proportionally more on housing, even though they spend much less in absolute terms (see Figure 3 next page).

As households in the lowest income quintile tend to be smaller, lone person households, this trend is partly a consequence of household size. However, the equivalised household disposable income quintiles – which take household size and composition into account – show housing still accounts for 20.8% of weekly spending for households in the lowest income quintile, compared with 18.8% of spending for households in the highest income quintile.

Within the lowest income quintile home-owners without a mortgage are over-represented due to the number of older people who own their own home but who are on limited incomes. This reduces the average and masks the extent of expenditure others in this cohort allocate to housing costs. For example, housing accounts for 28.0% of weekly expenditure for households receiving unemployment and study payments and 27.4% for households receiving family support payments.

## The cost of housing: Issues for vulnerable people

### Discussion and Literature Review

Housing plays an important role in the health and wellbeing of individuals and families. Housing not only provides physical shelter, but can also be a place of refuge, an environment in which a sense of identity can be nurtured, and a base for financial security. Housing can impact a person's physical and mental health<sup>15,16</sup> and has also been linked to educational and employment outcomes.<sup>17,18</sup>

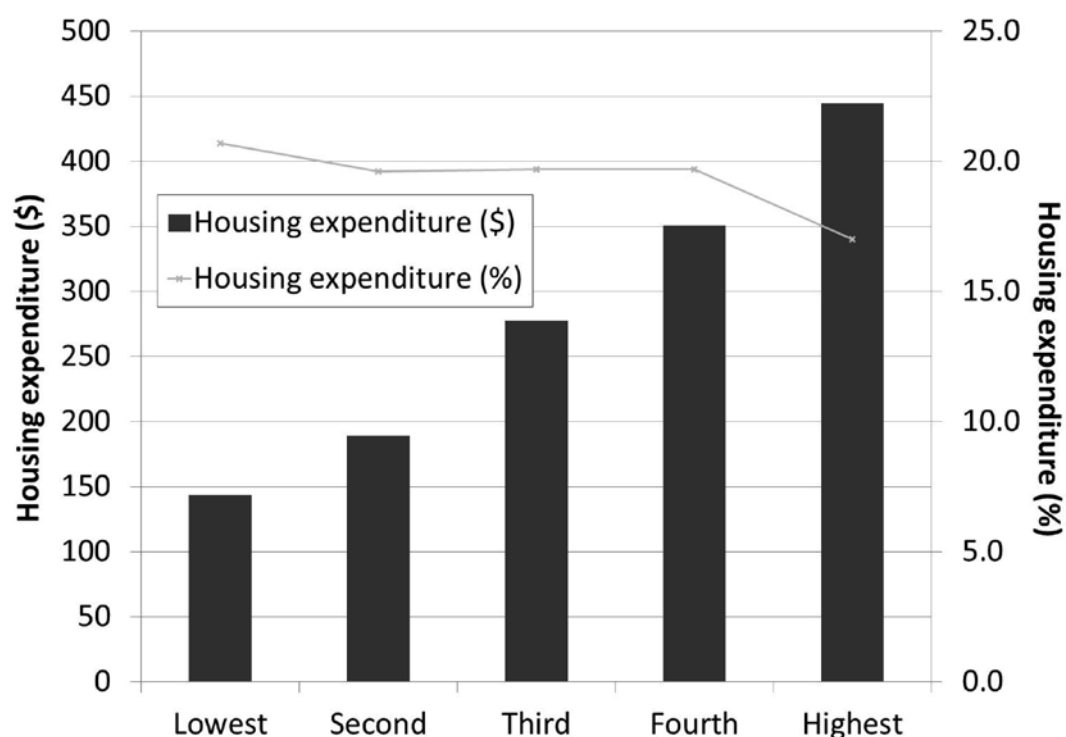
The struggle to afford appropriate housing can cause constant worry and stress, impacting individual wellbeing and family relationships. Individuals and families on limited budgets may be forced to cut back on other necessities, such as food and health care,<sup>19</sup> may resort to living in inappropriate accommodation or in over-crowded conditions, and, in extreme cases, may become homeless.

Over the last ten years, the increase in the cost of housing relative to CPI has made it harder for people on low incomes to secure appropriate, affordable housing – particularly when these incomes are pegged to CPI. In NSW, it is estimated that 19.5% of all households are now in housing stress.<sup>20</sup> This is the highest proportion of households in housing stress of any state or territory.

### ■ Renters

Just over one third of low-income households are renters;<sup>21</sup> for many of these households there is no alternative. In NSW, only 2% of home purchase stock is affordable for very low-income households, and only 8% is affordable for low-income households. At the same time, the decline in public housing stock, long waiting lists, together with the targeting of allocations to those assessed as most in need, has made this an increasingly hard-to-access commodity. Housing NSW now estimates that current social housing supply in NSW meets only 44% of need.<sup>22</sup>

The Housing Group CPI shows that rent is increasing at a much faster rate than CPI. This gives rise to significant affordability issues for those people whose incomes are not keeping pace with the cost of housing, and for those who spend a large proportion of their income on rent. While the Household Expenditure Survey tells us that low-income earners spend proportionally more on housing than higher income earners, as do renters compared with owner-occupiers, the published data does not provide information on the situation for low-income renters. The COAG Reform Council, however, reports that 47.6% of low-income households in NSW are experiencing rental stress (compared with 41.7% nationally).<sup>23</sup> In Sydney, this figure is even higher, at 50.4%.<sup>24</sup>



**Figure 3:** Average weekly expenditure on current housing costs by NSW households by gross household income quintile (ABS, 2011). (Dollar figures updated to December 2013 using Sydney CPI for Housing, with June 2010 as the index reference period.)



The Australian Government's Commonwealth Rent Assistance (CRA) Program is designed to improve housing affordability for income support recipients. The fortnightly supplements are paid at 75 cents for every dollar above a minimum rental threshold until a maximum rate is reached. Since CRA is indexed in line with the All Groups CPI – while rent is increasing at a faster rate – its value in real terms is decreasing. In NSW, approximately 400,000 people receive CRA, but despite the assistance they receive, 41.2% remain in housing stress.<sup>25</sup>

In addition to spending proportionately more on housing, the vast majority of renters do not have secure occupancy,<sup>26</sup> which can affect economic and social participation, and is also linked to health and wellbeing.<sup>27</sup>

### **Home purchase**

For many people, the purchase of a home is beyond reach: as noted above, a very small proportion of housing in NSW is affordable for low-income earners. Rising house prices and fluctuating mortgage rates mean that moderate-income earners are also finding it increasingly difficult to buy a home, increasing demand in the private rental market. A number of states and territories provide home purchase assistance products – such as shared equity (or shared ownership) schemes – designed to assist low to moderate-income households into home purchase, but there are no such products in NSW.

# 5 FOOD

## What's happening to the cost of food?

An overview of CPI

Over the ten year period to December 2013 the cost of food rose roughly in line with CPI (see Figure 4 below). Within the overall food category most food groups have seen steady price rises over the ten-year period comparable with CPI. The exception to this is fruit and vegetables where prices have been much more volatile, with price spikes following extreme weather events (see Figure 5 over).

## Food in the household budget

An overview of the Household Expenditure Survey

In NSW, the average household allocates 16.8% of weekly expenditure to food, making it the second largest area of expenditure following housing. In today's terms, this means that the average household spends \$224 each week on food and non-alcoholic beverages.<sup>28</sup>

Food accounts for a larger proportion of weekly expenditure for households in the lowest income quintile compared with those in the highest (18.6% and 15.5% respectively). But in absolute terms, high-income households spend more than three times as much on food – \$359 a week – than do low-income households, who spend, on average, \$114 a week on food (see Figure 6 over).<sup>29</sup>

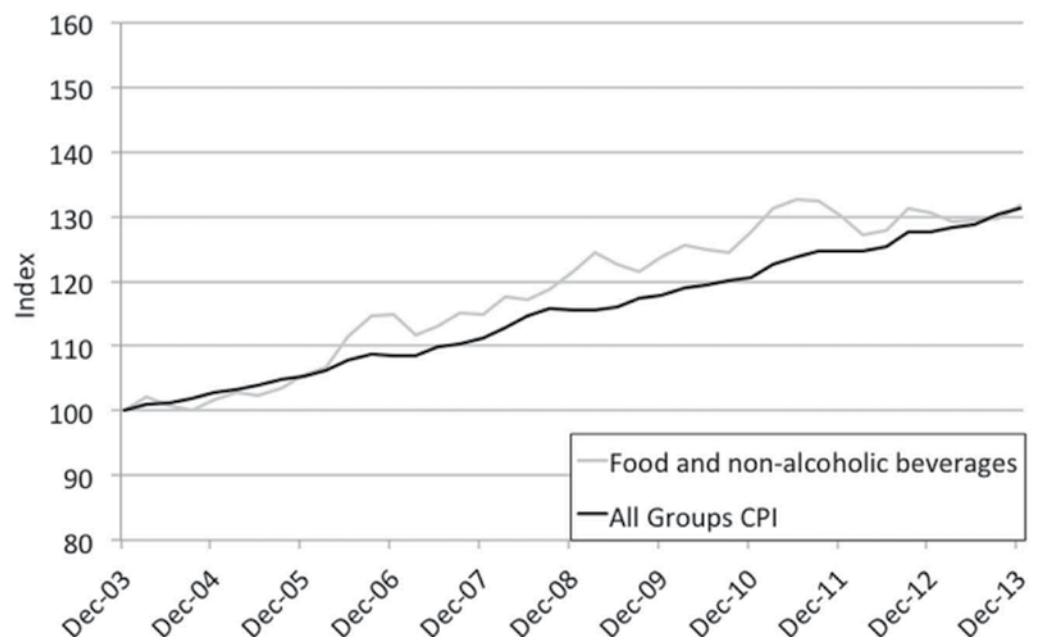
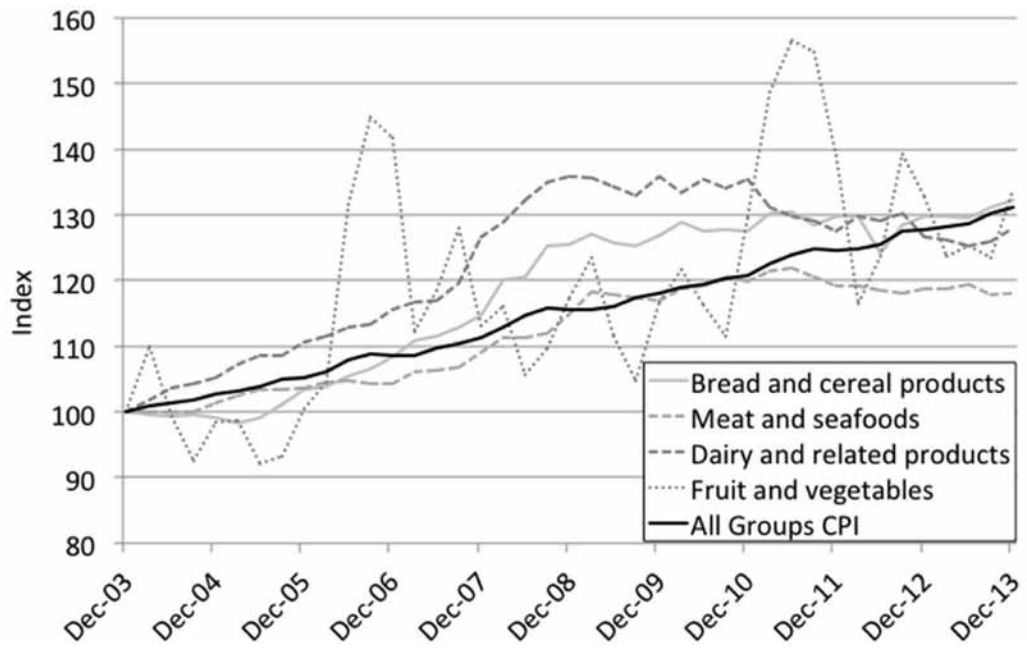


Figure 4: Food and CPI All Groups, Sydney (ABS, 2013)

**Figure 5:** Selected Food Sub-Groups and CPI All Groups, Sydney (ABS, 2013)

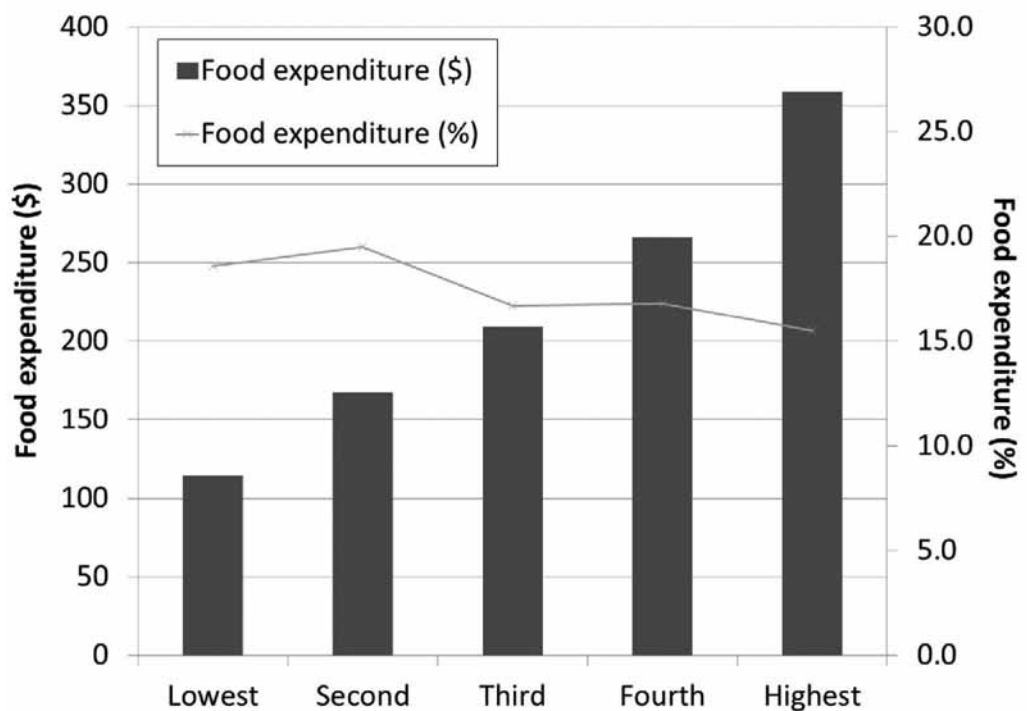


For people whose main source of income is Government allowances and pensions, \$127 a week goes on food – just over one fifth of total weekly expenditure.

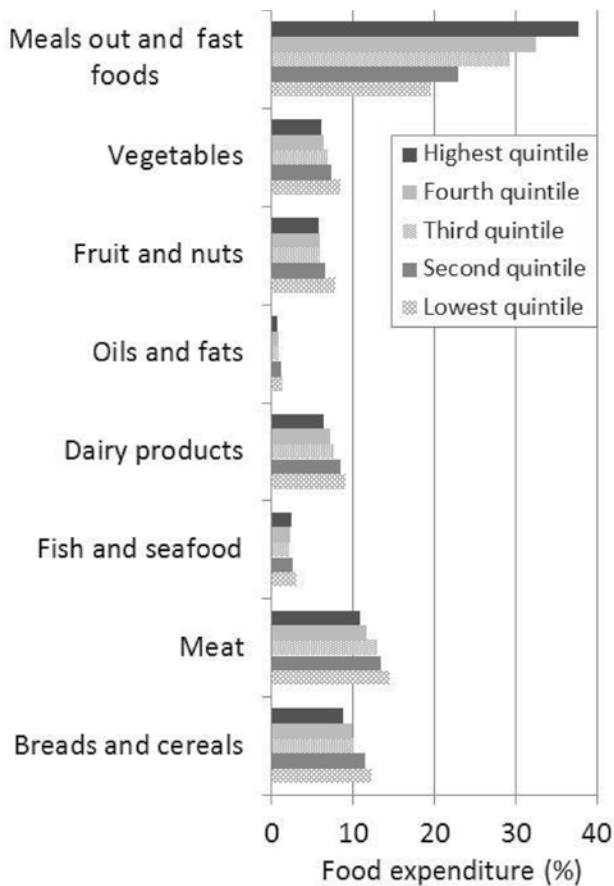
Within the broad food category, national expenditure data shows clear differences in spending patterns across income quintiles. Staples such as bread, meat, fruit and vegetables comprise a larger proportion of the food budget for low-income households, while higher income households spend proportionally more on meals out and fast foods (see Figure 7 opposite).

### The cost of food: Issues for vulnerable households

Food is part of our everyday lives. It is necessary for our survival, and plays an important role in bringing families, friends and communities together. But for people struggling to make ends meet, food can be a constant source of stress.



**Figure 6:** Average weekly expenditure on food by NSW households by gross household income quintile (ABS, 2011). (Dollar figures updated to December 2013 using Sydney CPI for Food and non-alcoholic beverages, with June 2010 as the index reference period.)



**Figure 7:** Proportion of weekly food expenditure allocated to selected food items by gross household income quintile (ABS, 2011).

In the weekly budget of a low-income household, food is frequently the only discretionary item. Rent or housing repayments, electricity bills, and medical and other fees often comprise fixed amounts that must be paid by a fixed deadline. On the other hand, meals can be skipped, or cheaper food items purchased.

Unfortunately, food that is less expensive is also often less healthy.<sup>30</sup> Anglicare’s research on households experiencing financial difficulties found that 43% reported choosing cheap carbohydrates over fresh fruit and vegetables in order to bulk up meals.<sup>31</sup> An analysis carried out by The Cancer Council NSW confirms that a healthy diet is not a realistic choice for some families: they estimate that a family of six in the lowest income quintile would need to spend 56% of their income in order to meet their energy and nutrient requirements by purchasing healthy food.<sup>32</sup>

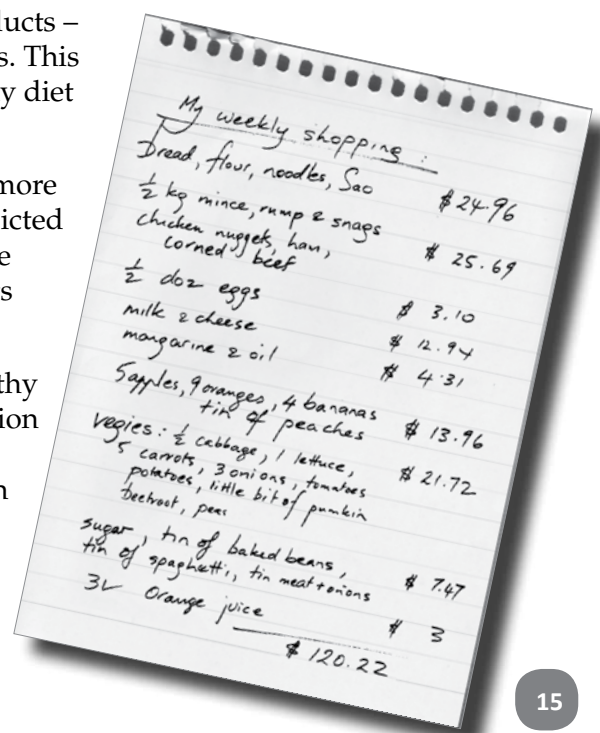
has been linked to reduced immunity, increased risk of non-communicable diseases such as diabetes and cardiovascular disease, and longevity. In Australia, it is estimated that a poor diet contributes to at least 10% of the burden of disease.<sup>34</sup>

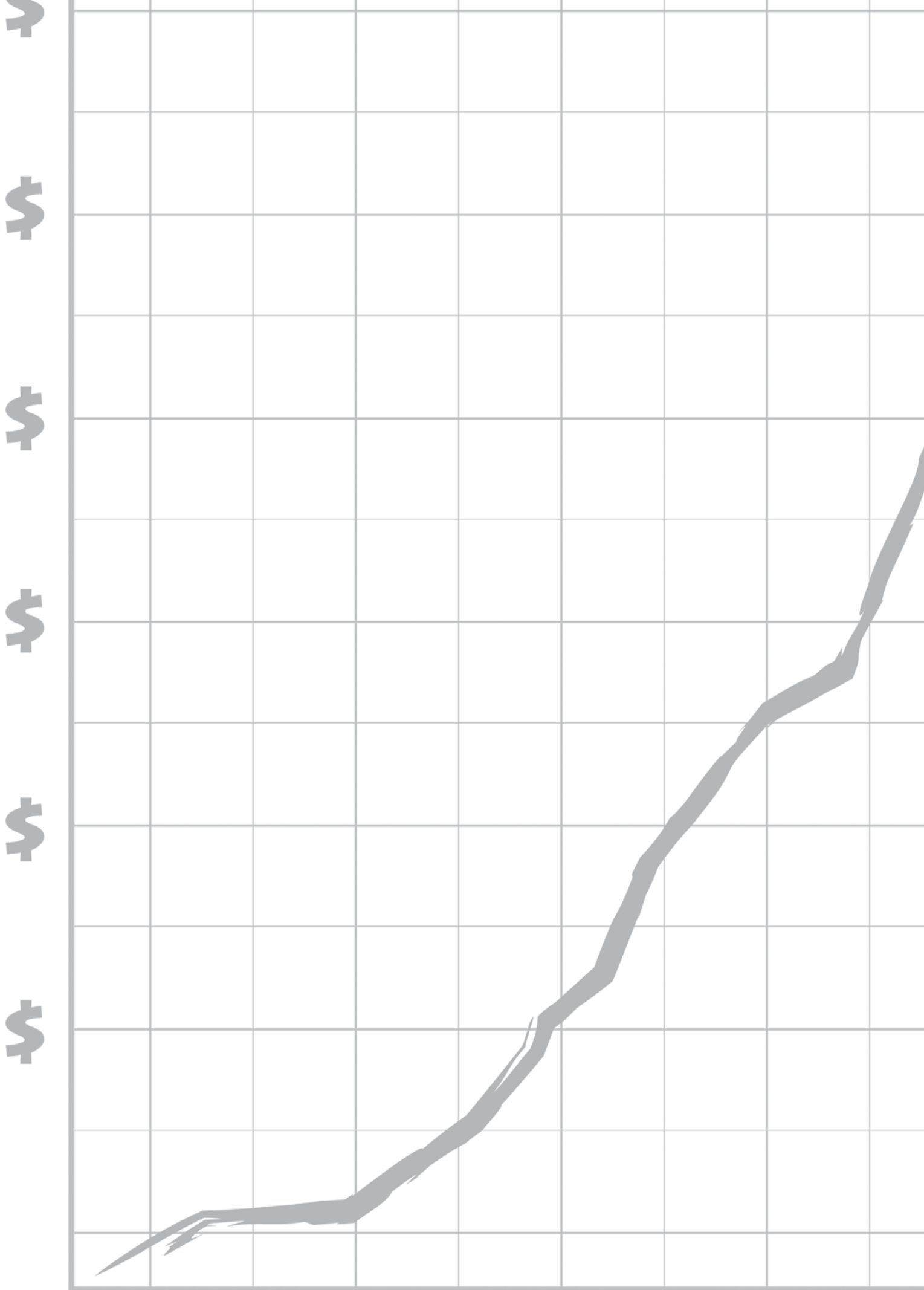
The affordability of healthy food has enormous implications. People from low socio-economic groups are more likely to be overweight or obese.<sup>33</sup> Poor nutrition

While this analysis does not show marked variation in price increases between most staple food groups, more detailed studies – in which the food sub-groups have been further disaggregated – suggest that the costs of core and non-core foods are increasing at different rates. In using CPI to examine trends in the price of healthy and less-healthy foods over almost two decades, for example, Burns et al (2008) found that some core foods – such as bread and milk - have risen at a faster rate than similar products – such as cakes and biscuits, and soft drinks, waters and juices. This means that many low-income households may find a healthy diet increasingly hard to afford.

The volatility of fruit and vegetable prices can also make it more difficult to budget for a healthy diet. Climate change is predicted to result in more frequent weather events,<sup>35</sup> with low-income households likely to be least able to adapt their food budgets during resultant price spikes.

The availability and affordability of food – particularly healthy food – can also vary significantly from one geographic location to another.<sup>36</sup> The cost of healthy food has been shown to be higher in more remote areas,<sup>37</sup> and is of particular concern in some Aboriginal and Torres Strait Islander communities.<sup>38</sup> In these locations food consumes a larger portion of the household budget, and people with limited resources are therefore more vulnerable to increases in the cost of food.





# 6 TRANSPORT

## What's happening to the cost of transport?

An overview of CPI

In the ten years to December 2013, overall transport costs rose at a slightly slower rate than CPI (see Figure 8 below). But within the broad transport category, there were significant differences between the various components. In relation to private motoring, the cost of buying a motor vehicle has decreased relative to CPI, while the cost of automotive fuel has increased (see Figure 9 over).

In the same period, urban public transport fares have increased at approximately the same rate as CPI. However, this follows a period of much larger price increases between 1998 and 2003, and considered over a fifteen-year period, urban public transport fares have risen by 1.39 times the rate of CPI.

## Transport in the household budget

An overview of the Household Expenditure Survey

The average household in NSW spends \$212 per week on transport,<sup>39</sup> (15.6% of total expenditure), making transport the third biggest area of expenditure in the weekly budget. For households in Sydney, slightly less is spent on transport (14.4%), with proportionally lower spending across all components of the transport category with the exception of public transport fares, and fare and freight charges (including taxis).

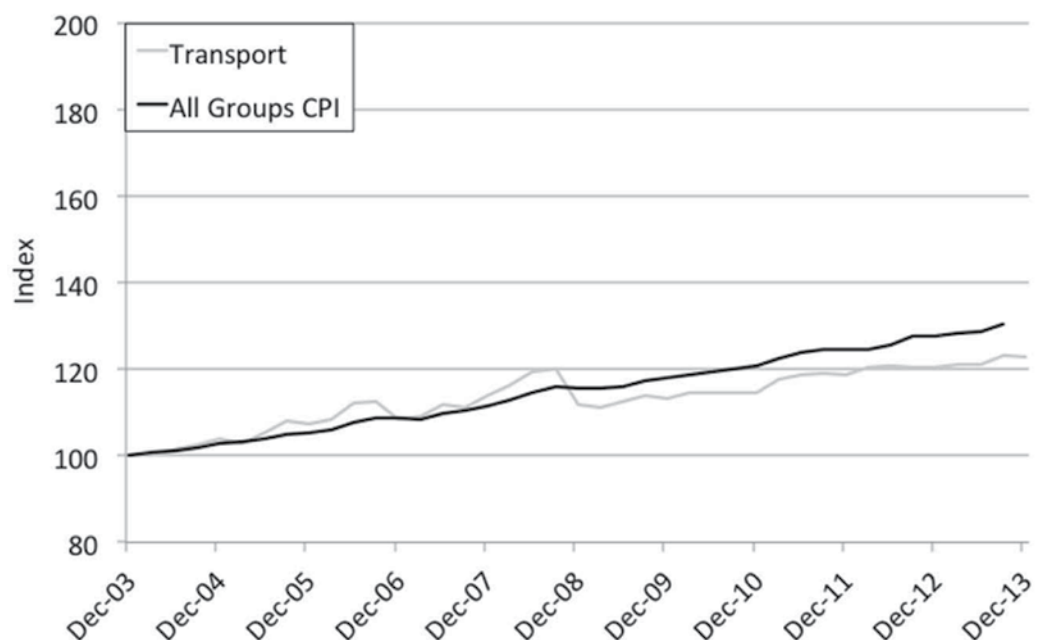
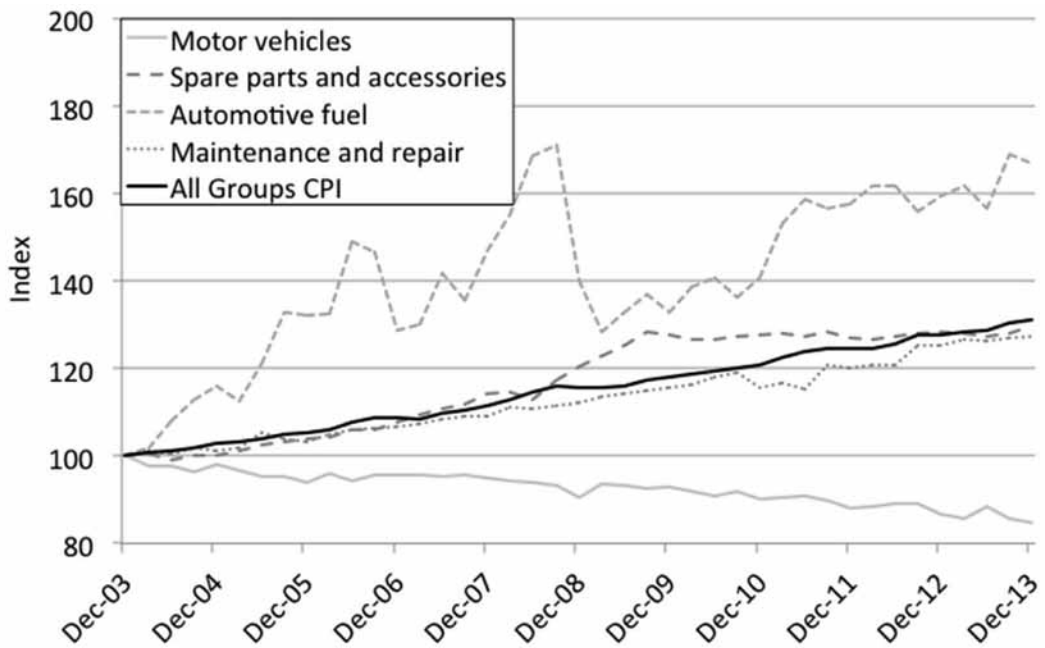


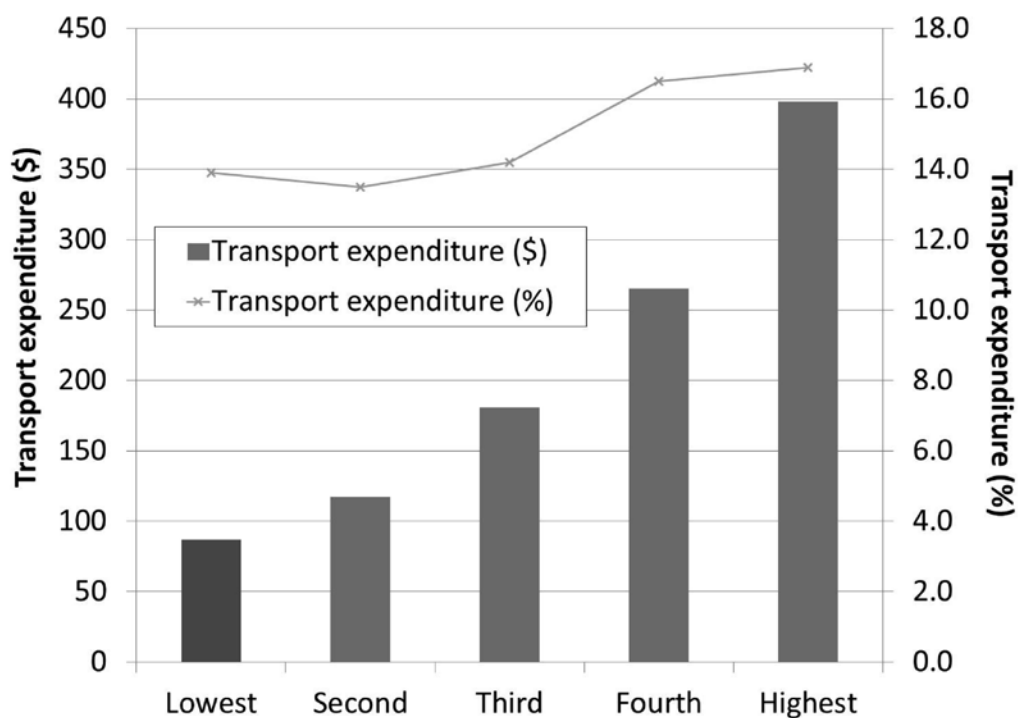
Figure 8: Transport and CPI All Groups, Sydney (ABS, 2013)

**Figure 9:** Selected Transport Sub-Groups and CPI All Groups, Sydney (ABS, 2013)



In NSW, the Household Expenditure Survey data indicates that higher income households spend more on transport – both in absolute terms and as a proportion of total spending – than do lower income households (see Figure 10 below). Once the income quintiles are equivalised this relationship is slightly weaker, suggesting that these differences in expenditure patterns also relate to variables such as household size.

The national expenditure data shows that while higher income households tend to spend more on motor vehicle purchase – spending, on average, \$92 a week – lower income households allocate a larger proportion of their transport budget to fuel and vehicle registration and insurance (see Figure 11 opposite). In absolute terms, households with the lowest 20% of incomes spend \$24 a week on fuel, while weekly expenditure for households in the highest quintile is \$101.<sup>40</sup>



**Figure 10:** Average weekly expenditure on transport by NSW households by gross household income quintile (ABS, 2011). (Dollar figures updated to December 2013 using Sydney CPI for transport, with June 2010 as the index reference period.)



In NSW, people who receive disability or carers payments spend significantly more on transport (18% of weekly expenditure), compared with both their national counterparts (15.3%) and with other households in NSW whose main source of income is government pensions and allowances: for example, transport accounts for 11.5% of expenditure for households receiving either the age pension or unemployment and study payments.

## The cost of transport: Issues for vulnerable households

### Discussion and Literature Review

Transport enables people to participate in society, to access essential services, and to maintain social connections. As our cities have become larger and our social networks more dispersed, transport has played an increasingly important role in supporting participation and wellbeing.

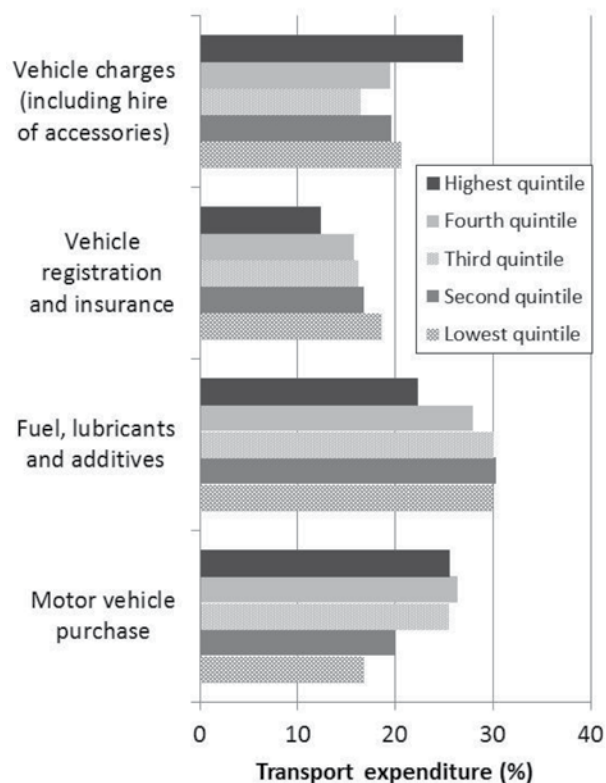
Over the last ten years, the cost of purchasing a motor vehicle has become relatively more affordable. But at the same time, many of the costs associated with running a vehicle – particularly fuel costs – have seen price rises consistently above CPI. Petrol prices are predicted to continue to rise in 2014 and beyond.<sup>41</sup>

High fuel costs are particularly problematic for people who have little choice over how much petrol they consume. Low-income earners are less likely to be able to afford newer, more fuel-efficient vehicles that could potentially mitigate the impact of rising fuel costs. For those who cannot afford to live close to work or public transport – and who therefore face long daily commutes in order to access employment – the effects are compounded.

The relationship between transport and housing affordability is such that NATSEM has suggested transport costs should be taken into account when considering housing stress.<sup>42</sup> While house prices are generally higher in inner locations well-served by public transport, the relative affordability of housing in middle and outer-suburban areas may be partly offset by increased transport costs. The high concentrations of lower income households in locations with poor public transport linkages make these areas particularly vulnerable to rising fuel costs.<sup>43</sup>

Although in low-income households a bigger percentage of the transport budget goes on petrol, in absolute terms, households with the highest 20% of incomes spend more than four times as much on petrol as those with the lowest 20% of incomes.

The Bureau of Transport Statistics (BTS) reports that as household income increases, so does social and recreational travel, in particular travel involving sports participation and holidaying.<sup>44</sup> And according to the BTS, in the decade to 2011-12, weekend trips grew by 14% – almost double the growth rate of weekday trips. In



**Figure 11:** Proportion of weekly transport expenditure allocated to selected transport items by gross household income quintile (ABS, 2011).

Jane works four days a week as a trainee in Lismore while studying part-time at TAFE. She isn't eligible for a concession, so the bus fare from her home town of Coraki costs almost \$10 each way. The local bus operator doesn't offer discounts – such as a travel ten – for frequent travel, so over the course of a week Jane regularly spends more than \$100 on public transport – more than one fifth her weekly income.

the same period, the number of trips for social and recreational purposes grew by 17%, the highest growth alongside the education/childcare category for the 10-year period.

While this suggests that increased petrol prices have had little impact on the amount of discretionary travel by households with higher disposable incomes – there is evidence that the cost of transport is a limiting factor for low-income household participation in social, civic and economic activities.<sup>45</sup> Broadly speaking, 9.9% of Australians in the bottom income quintile find it difficult to get where they need to go compared with 1.3% of those in the top income quintile.<sup>46</sup>

Car insurance, registration and driver licence fees – items that usually require a lump sum payment – also present financial difficulties for some households. In NSW, 7.7% of households in the lowest income quintile reported being unable to pay their registration or insurance on time.<sup>47</sup>

When it comes to public transport, low income households do not spend proportionately more. This is likely because there are fewer public transport options in areas where housing is more affordable, but may also indicate that by and large, concessions are offsetting the cost of public transport for those groups who meet relevant eligibility criteria. But for those low-income groups who cannot access concession tickets, the cost of public transport can pose a significant barrier.<sup>48</sup> A full price weekly MyMulti (Zone 2) for example, costs \$54 – more than 20% the weekly income for someone receiving Newstart,<sup>49</sup> and a big slice out of the pay packet of someone working in a low paid job.

### **The cost of transport for people with disability**

Transport accounts for a much larger proportion of weekly expenditure for households receiving disability or carer payments than for other low-income households. This may relate to both increased transport costs – such as the cost of vehicle modifications – and to reduced transport choices (in part due to the inaccessibility of much of the NSW public transport system). People with disability also spend more on taxis than do other low-income earners,<sup>50</sup> suggesting that the government subsidies available for taxi travel do not fully offset the costs incurred by those who rely on taxis for transport.

“ I spend more than \$100 per day on taxi fares... it would almost be cheaper for me not to work at all. I choose to work because I want to contribute to the community. However, I'm not able to save anything and live on credit constantly. I don't think this will ever change for me.”

*Lisa - Taxi Transport Subsidy Scheme participant*

# 7 HEALTH

## What's happening to the cost of health care?

An overview of CPI

Over the last ten years, the cost of health care<sup>51</sup> in Sydney has risen by just over twice the rate of inflation (see Figure 12 below).

The largest price rises have been for medical and hospital services – which have risen by 87.1 points compared to 31.2 for CPI, followed by dental services (41.0 points). The price of pharmaceutical products has risen roughly in line with CPI, while the price of therapeutic appliances and equipment has risen less slowly than CPI (see Figure 13 over).

## Health care costs and the household budget

An overview of the Household Expenditure Survey

In NSW, medical care and health expenses<sup>52</sup> account for 5.1% of household expenditure. This figure is averaged across all households, however, and for some households, health care costs comprise a much larger proportion of the weekly budget.

In households experiencing chronic illness, the cost of health care is more likely to be a bigger burden. Across Australia, health care accounts for 7.7% of expenditure in households where two or more people have a disability or long-term health condition.

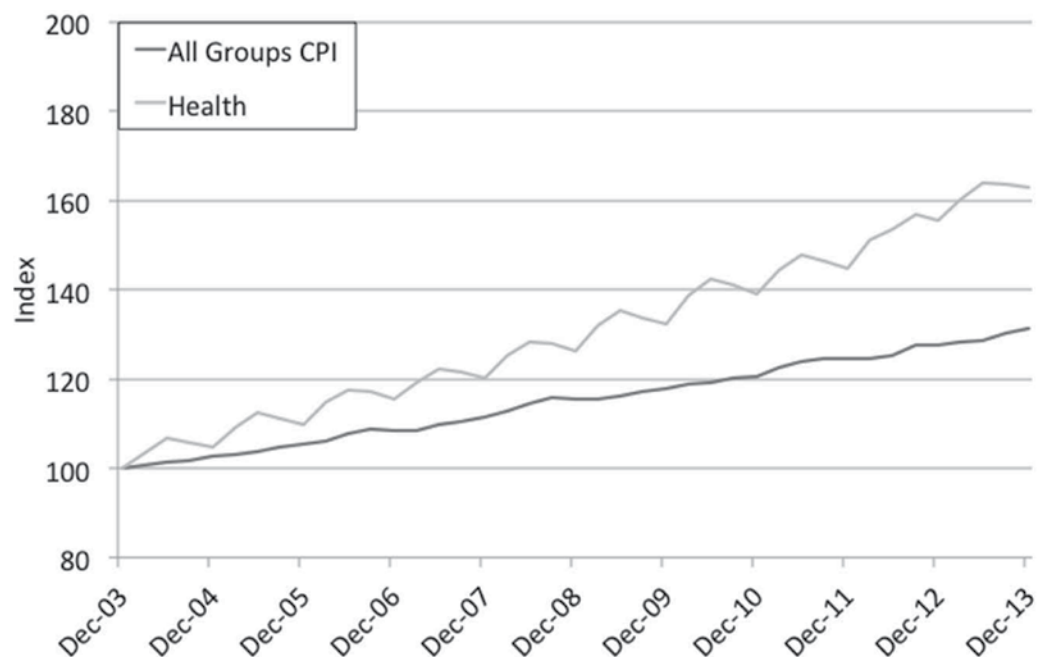
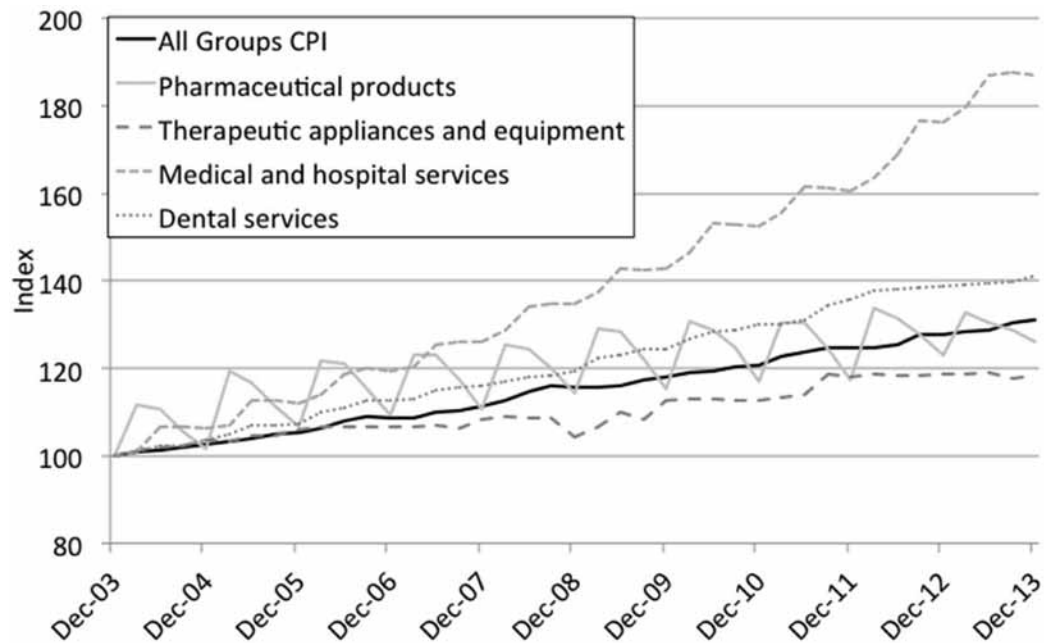


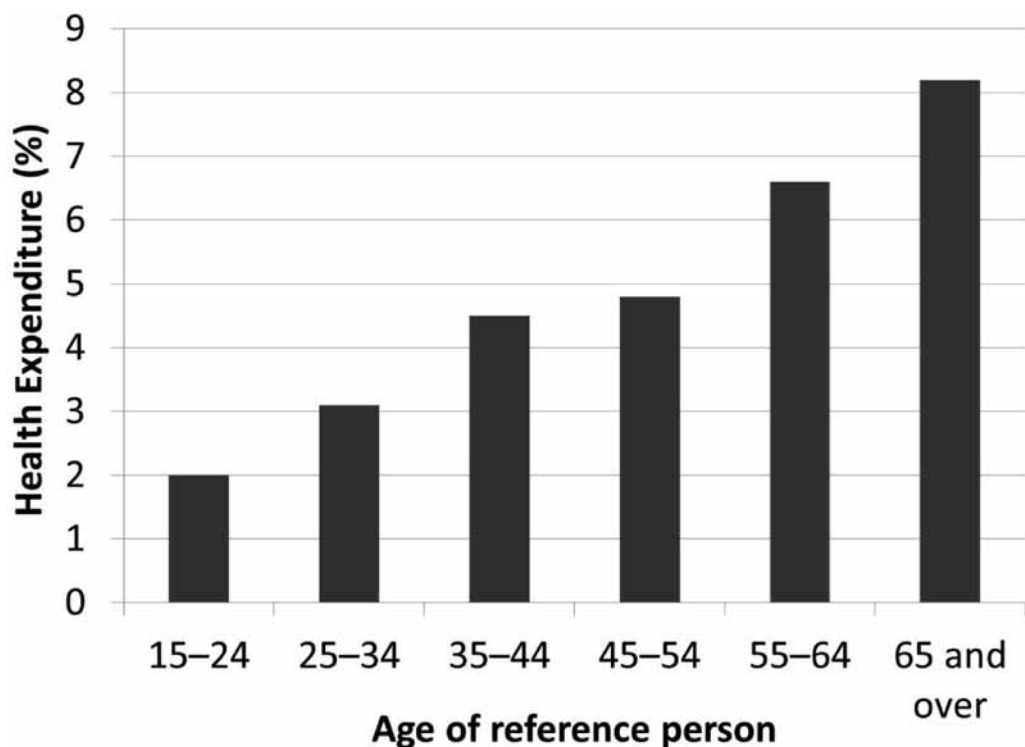
Figure 12: Health and CPI All Groups, Sydney (ABS, 2013)

**Figure 13:** Health Sub-Groups and CPI All Groups, Sydney (ABS, 2013)



Expenditure on health care also increases with age (see Figure 14 below). In NSW households where the reference person is over the age of 65, health care accounts for 8.2% of total expenditure, compared with just 2.0% in households under the age of 24. People whose main source of income is the age pension are particularly vulnerable to rising health care costs, with medical care and health expenses comprising approximately 8.9% of their total weekly expenditure.

When differences in household size and composition are taken into account, households across all income quintiles spend a similar proportion of their weekly budget on health care (between 4.9 and 5.3%). However, households in the lowest income quintile are more likely to be smaller, lone person households, who spend proportionally more on health care (6.4% on average). In absolute terms, households in the highest income quintile are spending an average of \$126 a week on medical care and health expenses – almost three times the amount spent by households in the lowest income quintile (\$43).<sup>53</sup>



**Figure 14:** Average weekly expenditure on health for NSW households by age of reference person (ABS, 2011)

National expenditure data indicates that higher income households tend to spend proportionally more on accident and health insurance, while lower income households spend more on health practitioner fees and medicines.

## The cost of Health: Issues for Vulnerable People

### Discussion and Literature Review

Timely access to quality affordable health care is a fundamental human right<sup>54</sup> and a key principle of the National Healthcare Agreement.<sup>55</sup> It can also help keep people healthy and out of hospital – Goal number 11 in the NSW Government’s *NSW 2021: A Plan to make NSW Number One*. Yet despite Australia’s Medicare system, which aims to make health care accessible and affordable, cost barriers are still preventing people from receiving such care. In 2011-12, around 8.1% of people from the most disadvantaged areas put off seeing a GP due to cost, compared with 5.8% of people from the most advantaged areas.<sup>56</sup> Almost one-third of people from disadvantaged areas (28.8%) delayed or did not see a dentist due to cost, while 13.2% experienced financial barriers in access to medical specialists.<sup>57</sup>

Expenditure on medical care and health expenses is averaged across all households, – both well and unwell – thus the average expenditure figure of 5.1% clearly understates the reality for some households. NATSEM’s analysis of the 2003-04 Household Expenditure Survey found that of those households who incurred health costs, those with the greatest proportional expenditure were low-income earners, concession-card holders, older Australians, and those without private health insurance. Households in socio-economically disadvantaged areas and those living in rural or remote areas also spent proportionally more.<sup>58</sup>

Health costs are of particular concern for households with disability or chronic illness, where health spending accounts for 7.7% of the weekly budget. In addition to higher out-of-pocket health care expenses, these households may also face substantial other costs – such as home modifications and transport – related to their condition.<sup>59</sup>

There is a significant body of research documenting the cost burdens experienced by people with diseases including cancer,<sup>60</sup> kidney disease,<sup>61</sup> chronic obstructive pulmonary disease,<sup>62</sup> stroke;<sup>63</sup> and multiple chronic conditions.<sup>64</sup> For low income households, the high cost of poor health can mean facing difficult choices about the level of care they can afford. Although our health care system is designed to support people with large medical expenses, research suggests that current protections are inadequate. In relation to prescription medicines, for example, Kemp et al’s analysis found that low-income households would have to forego the equivalent of between 5%-26% of their discretionary income for between 7 and 9 months of the year before receiving additional subsidies.<sup>65</sup> In addition, over-the-counter medicines used to treat or manage chronic conditions are not covered by the safety net, but account for a significant and increasing proportion of expenditure.<sup>66</sup>

“Up until 2009 I would have paid \$45 for gap fees on top of what Medicare would have refunded each time I visited my GP. In 2013 I was charge \$80 for gap fees by the same GP! As a pensioner, it got to a point where I simply couldn’t afford the gap fees plus the petrol to drive... to the city so I was forced to find a GP closer to where I currently live. There are shortages of GPs in our area with books being closed to new patients and long waiting lists to receive an appointment. Finding a new GP that you can afford and is available is a hard thing to do when you have five medical conditions!”

*Reproduced with the permission of Consumers Health Forum of Australia and Health Consumers NSW*



The Household Expenditure Survey also shows that spending on health increases with age – up to 9.5% for households in the 65 plus age group. Again, however, the average expenditure figures mask the extent of financial stress experienced by some households in this cohort. Older people are more likely to have chronic conditions, and for these households – particularly those with multiple chronic conditions – health spending can be significantly higher. The National Seniors Productive Ageing Centre, for example, estimates that around 250,000 older Australians are spending more than 20% of their available income on meeting out-of-pocket health care costs.<sup>67</sup>

The affordability of health care is of particular concern in the context of a strong and persistent relationship between health and socio-economic status.<sup>68</sup> Those people least able to afford it are likely to have the greatest need of health care.<sup>69</sup> Yet the measures taken when money is short – delayed or missed appointments, skipped medications, shared prescription drugs – in turn contribute to poorer health outcomes.

### Health Transport

The cost of ill health extends well beyond the narrow medical costs included in the Household Expenditure Survey's health statistics. The cost of travelling to and from health appointments, for example, can be substantial – particularly for those people who must either travel frequently or travel long distances.<sup>70</sup> Although patient travel subsidies are available to people with access to a car or who can organise their own transport, they do not cover all modes, including hire cars, taxis and community transport. People who have no option but to use these modes of transport – usually because they have limited mobility or live in areas with no public transport – can end up paying significantly more in order to access healthcare.<sup>71</sup>



# 8 UTILITIES

## What's been happening to the cost of utilities?

An overview of CPI

In recent years the cost of utilities has escalated well above the basic inflation rate. In the ten years from December 2003 to December 2013, the utilities index rose by 137.1 points compared with 31.2 points for All Groups CPI – thus utility prices have increased at 4.4 times the rate of CPI (see Figure 15 below).

Of the three components that comprise the utilities category, the biggest price rises have been for electricity – which has risen at 4.6 times the rate of CPI, followed by water and sewerage (see Figure 16 over).

While future price rises for electricity are expected to be more in line with CPI, the price of gas is predicted to escalate in the near future.<sup>72</sup>

## The cost of utilities and the household budget

An overview of the Household Expenditure Survey

Utilities consume a much higher proportion of total weekly expenditure for low-income households compared with high-income households. Nationally, 4.9% of weekly expenditure for households in the lowest income quintile goes towards electricity, gas and

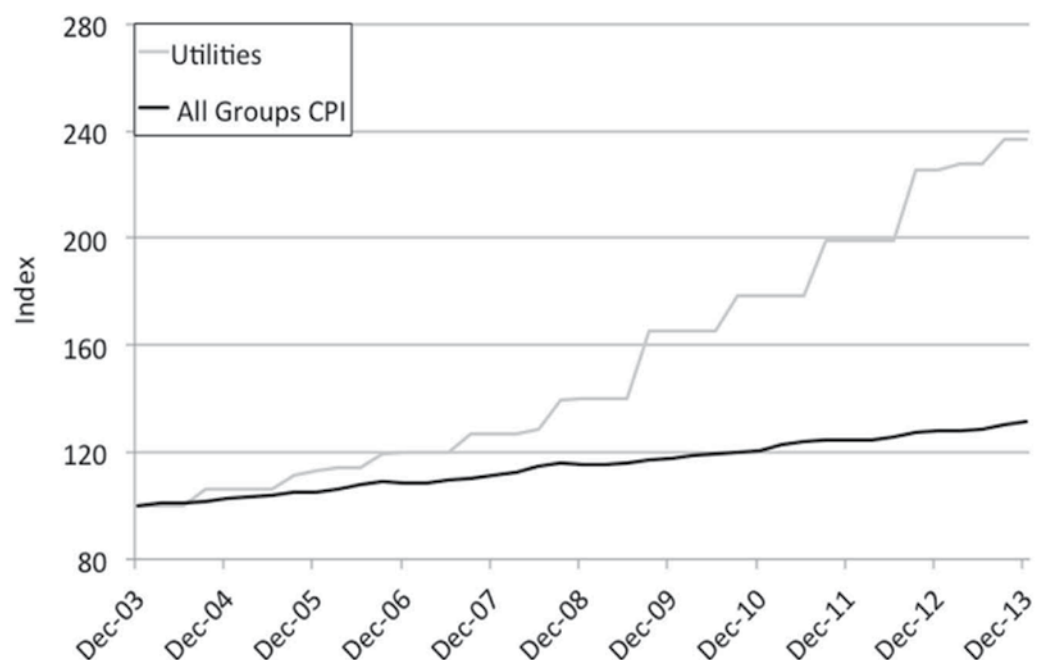
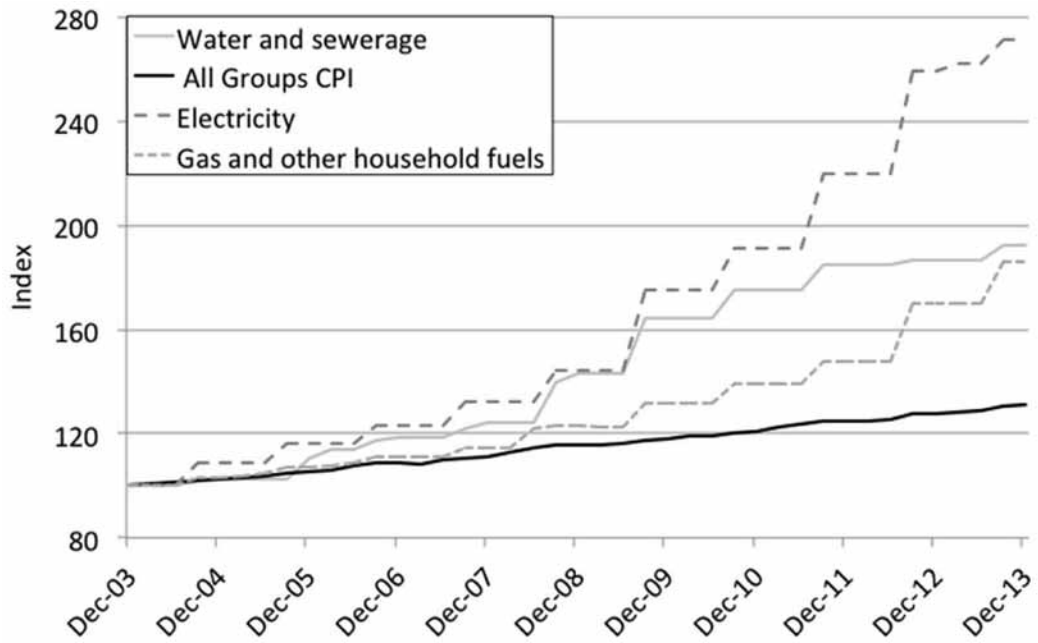


Figure 15: Utilities and CPI All Groups, Sydney (ABS, 2013)



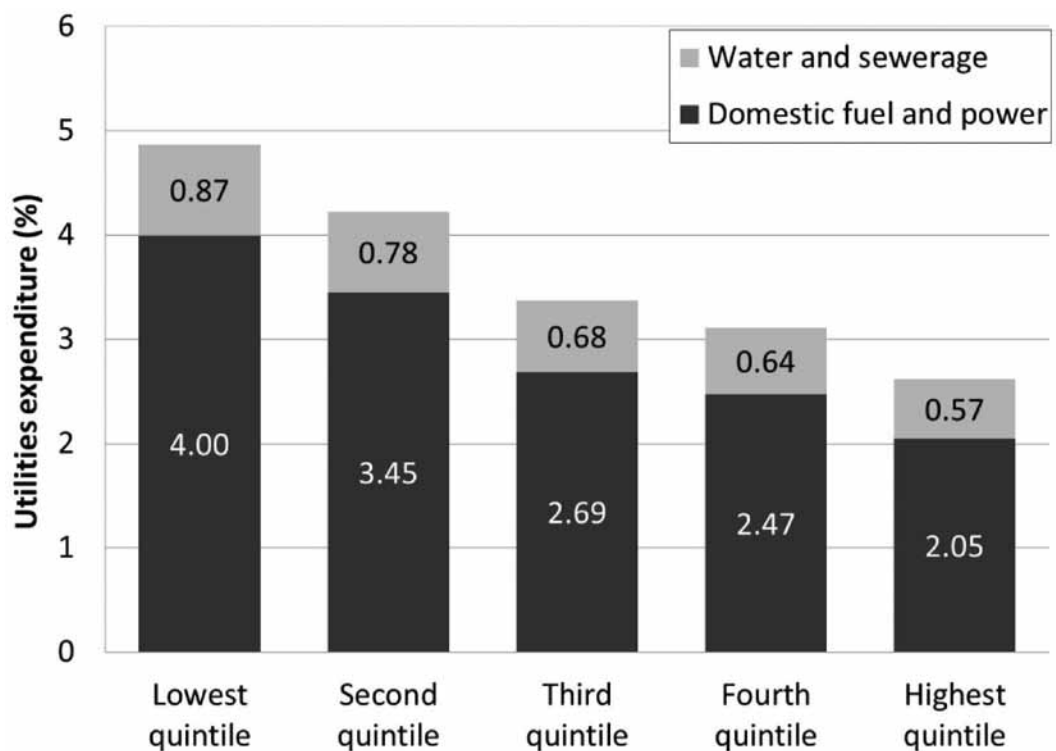
**Figure 16:** Utilities Sub-Groups and CPI All Groups, Sydney (ABS, 2013)



water bills, compared with only 2.6% for households in the highest income quintile (see Figure 17 below).

In NSW, the HES suggests that domestic fuel and power accounts for 3.7% of expenditure for households in the lowest income quintile compared with only 2.1% for households in the highest income quintile (Note that these figures do not include expenditure on water as this data is not available at the state level). Households whose main source of income is a government pension or allowance spend an even larger portion of their weekly budget on domestic fuel and power, particularly age pensioners, for whom fuel and power accounts for 4.3% of expenditure.

People living in their own homes generally expend more on domestic fuel and power than do renters. The exceptions to this are people living in public housing and people renting



**Figure 17:** Average weekly expenditure on utilities for Australian households by gross household income quintile (ABS, 2011)

from another landlord type,<sup>73</sup> where domestic fuel and power accounts for 4.5% and 5.3% of total household expenditure, respectively.

Average expenditure on domestic fuel and power is slightly lower for Sydney residents (2.4%) than for all NSW households (2.5%), suggesting that non-metropolitan households spend more on energy than their metropolitan counterparts.

## The cost of utilities: Issues for vulnerable people

### Discussion and Literature Review

Access to energy and water affects health, safety and wellbeing. In Australia, both energy and water are considered essential services; they are necessary in order to maintain a basic standard of living.

Although utilities comprise a smaller proportion of the household budget than other essentials such as food, housing and transport, they have been the focus of much media attention. Utilities bills can drive economic hardship precisely because they are not a regular weekly expenditure. For most households, they are lumpy expenditures that can come with a “bill shock”.

For low-income households who have very little room to move within their weekly budget, utilities bills can be hard – or impossible – to manage. In NSW, just over one in five households in the lowest income quintile reports being unable to pay electricity, gas or phone bills on time.<sup>74</sup> In the five years from 2007-08 to 2012-13 the number of households being disconnected due to non-payment of electricity bills increased by 37%, with 24,888 customers being disconnected in the last financial year.<sup>75</sup>

Not only are many low-income households less able to put money aside for quarterly bills, they also spend a larger proportion of their income on these bills. The Household Expenditure Survey shows that domestic fuel and power accounts for 3.7% of expenditure for households in the lowest income quintile in NSW, yet more recent analysis by the Independent Pricing and Regulatory Tribunal (IPART) suggests that lower income households spent on average slightly more than 6% of their disposable income on electricity, with some households spending more than 10%.<sup>76</sup>

Households struggling to pay their bills can experience anger, frustration, anxiety and despair. They may ration their energy consumption, or cut back on other expenses such as food, medical expenses, transport and social participation in order to cover costs.<sup>77</sup> In this way, unaffordable utility bills exact a mental and physical cost on low-income households that far exceeds a simple dollar value.

#### ■ Public and private tenants

Energy bills can be particularly problematic for people living in older, poor quality rental housing stock. These homes can be expensive to heat or cool, but tenants have little ability to make improvements that might result in substantive energy savings.

For private renters, the HES data does not show higher average expenditure on fuel and power, with renters allocating 2.1% of expenditure to fuel and power compared with 2.4% and 3.0% for owners with and without a mortgage respectively. As these figures are averages however, they conceal the broad range of experiences.

On the other hand, public housing tenants do spend proportionally more on fuel and power than home owners or private renters (4.5%) – despite being more likely to be eligible for energy concessions.<sup>78</sup> Public housing tenants finding it difficult to cover their energy bills also have the added stress that failure to pay can jeopardise their tenure.

### ■ Households with high energy consumption

A focus on energy efficiency and behaviour change has been one of the dominant policy responses to escalating energy bills. While interventions developed in response to this focus will have positive outcomes for some households, others are simply unable to reasonably reduce their energy consumption.

People with disability or chronic illness may have higher energy needs due to the need for medical equipment, heating and cooling for medical reasons,<sup>79</sup> and to help maintain independence and mobility. State Government rebates – such as the Life Support and Medical Energy rebates – compensate for some of these additional energy costs, but these rebates are not always linked to the real cost of energy, and financial assistance is not available for all the energy-related costs associated with disability and ill health.<sup>80</sup>

Young families may also be limited in their ability to reduce energy consumption without trading off against a child's emotional and physical wellbeing, or diminishing social and educational opportunities.

In NSW concessions are available to concession-card holders and family tax benefit recipients, but these are paid as lump sums regardless of the number of dependents within a household, the level of consumption and the actual price of energy, which is much higher in regional and rural areas.

# 9 EDUCATION

## What's happening to the cost of education?

### An overview of the CPI

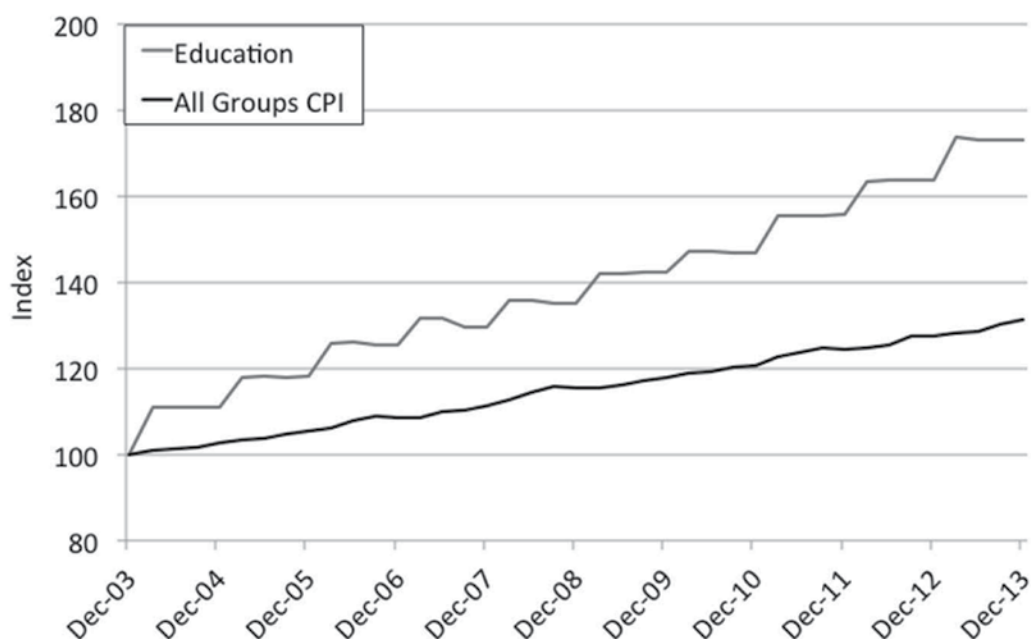
Between December 2003 and December 2013, the Education Group Index for Sydney increased by 73.2 points compared with 31.2 points for the generic Consumer Price Index. Thus educational costs have increased at a rate 2.3 times faster than CPI over the last ten years (see Figure 18 below).

The disaggregated data shows that the steepest price rises have been in the area of secondary education (see Figure 19 over). Tertiary education and preschool and primary education have seen more modest price rises, but still well above CPI.

## Education in the household budget

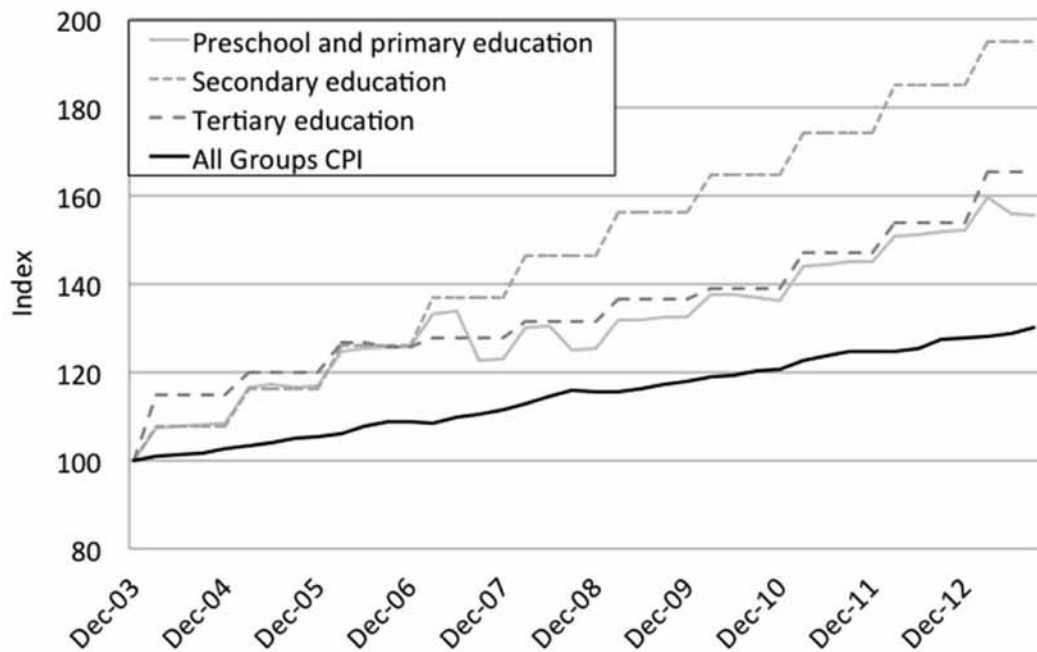
### An overview of the Household Expenditure Survey

Education fees<sup>81</sup> account for 2.17% of weekly expenditure for households in NSW. While this may seem a fairly small portion of weekly spending, it is averaged across all households, yet not all households are engaged in the education system. Weekly spending is therefore likely to be significantly higher in those households where one or more persons are participating in educational activities.



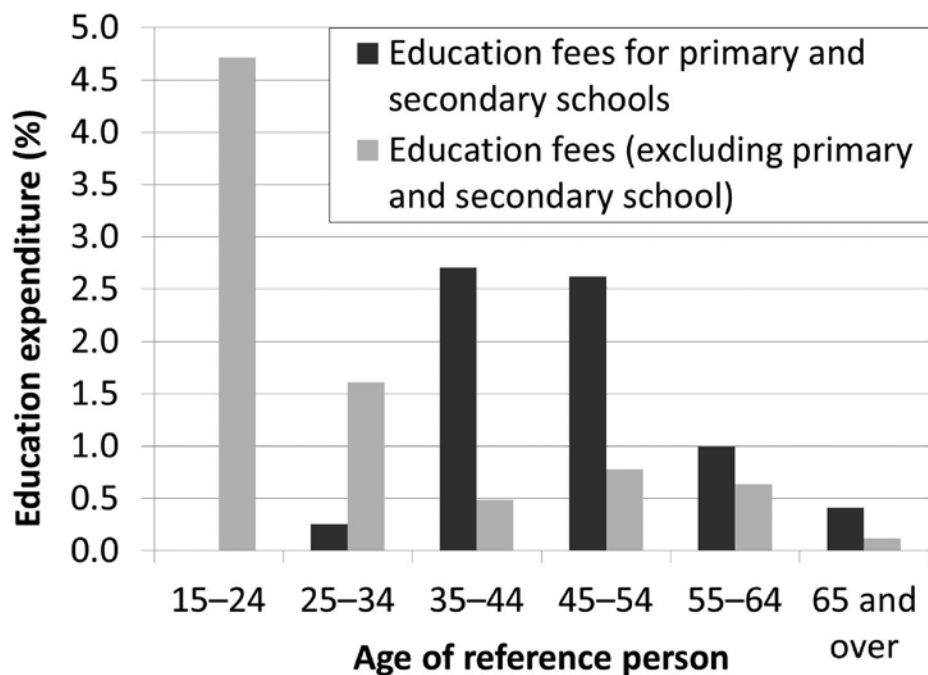
**Figure 18:** Education Group and CPI All Groups, Sydney (ABS, 2013)

**Figure 19:** Education Sub-Groups and CPI All Groups, Sydney (ABS, 2013)



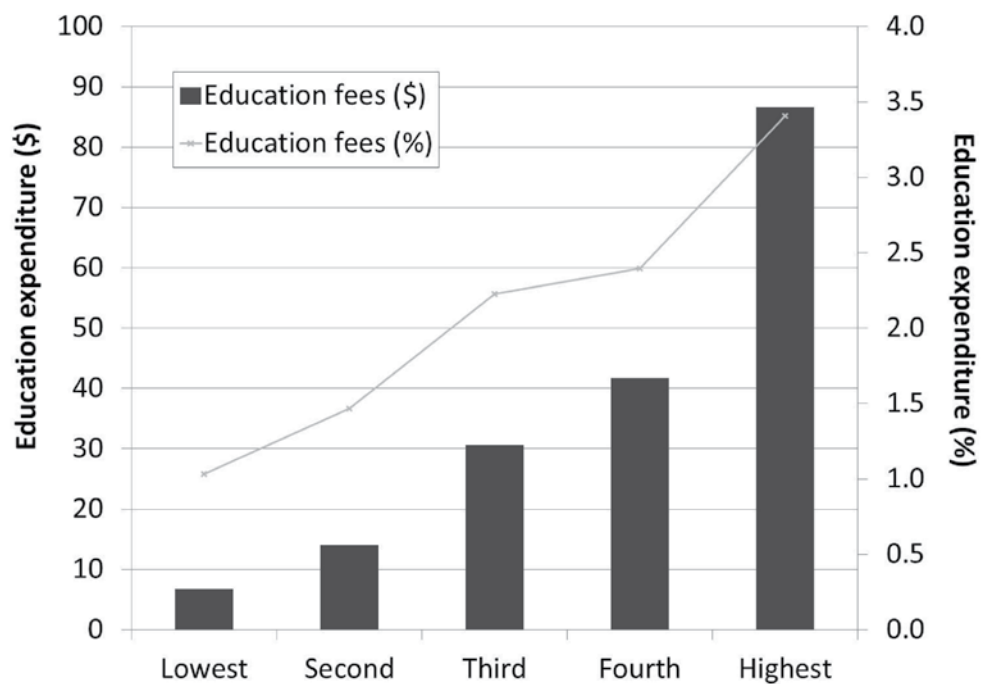
National expenditure data shows that older people spend proportionally less on education. Not surprisingly, the highest rate of spending on primary and secondary education is in households where the reference person is aged between 35 and 55 years – those households most likely to have school-age children – while households under the age of 24 spend more on higher education (see Figure 20 below). Spending on education also increases with income – with higher income households spending more both in absolute terms and as a proportion of the household budget (note that the expenditure data only includes education fees).

Compared with all Australians, people in NSW spend slightly less on primary and secondary school fees (1.26% of expenditure compared with 1.57%), while expenditure on other education fees (including HECs and TAFE fees) approximates the Australian average.



**Figure 20:** Average weekly expenditure on education fees for Australian households by age of reference person (ABS, 2011)

**Figure 21:** Average weekly expenditure on education fees by Australian households by gross household income quintile (ABS, 2011). (Dollar figures updated to December 2013 using Sydney CPI for education, with June 2010 as the index reference period.)



On average, Sydney households spend slightly more on education compared with the average spending for households across NSW (2.40% compared with 2.17%).

NATSEM has identified education expenditure as one of the top ten ‘price movers’, rising by over 100% between 2003-04 and 2009-10 and mostly driven by private school education fees.<sup>82</sup>

### The cost of education: Issues for vulnerable people

#### Discussion and Literature Review

Education is a right enshrined in international law.<sup>83</sup> In Australia, the National Education Agreement aims to ensure all Australian school students acquire the knowledge and skills to participate effectively in society and employment in a globalised economy,<sup>84</sup> while the Melbourne Declaration on Educational Goals for Young Australians commits to promoting equity and excellence in Australian schooling.<sup>85</sup>

Because of its importance in opening up opportunities for the future, education has been hailed as key to breaking cycles of disadvantage: as a passport out of poverty. Indeed, there is strong evidence showing that low education levels are linked to higher unemployment levels and job instability,<sup>86</sup> lower average earnings, and poorer health outcomes.<sup>87</sup>

The ABS Household Expenditure Survey data as it relates to education is of limited use when considering the cost of education for people with low incomes. The data is based on education fees (with expenditure on educational equipment and services grouped with recreation) and hence does not facilitate analysis of the full range of costs confronting people wishing to access educational opportunities. The education fees alone – and the steep increases in these

“ With three kids at school now, we are finding it increasingly difficult to keep up with ongoing and rising costs. There are all of the basics and now we are also faced with school hats, library bags and sports hats, all at a cost to the parents. ”

*Melissa  
St Vincent de Paul client*

fees relative to CPI – mean that many families with low incomes have been priced out of the private education market. This discussion therefore focuses on the costs associated with accessing the public education system.

The families of children who attend government schools face a range of costs linked to attendance and study; including lunches, uniforms, stationary, books, camps, excursions and information technology. Government schools can also request voluntary school contributions, and may charge for the purchase of materials used in particular subjects. While the Commonwealth Government's Schoolkids Bonus provided some financial assistance to families to support them to meet these educational expenses, legislation has been introduced to end this payment.<sup>88</sup> A number of state governments also provide an education allowance targeted at low-income families, but there is no such payment in NSW.<sup>89</sup>

Although the cost of education is an important issue for low-income households, there is no comprehensive study quantifying the costs of public education and assessing the impact of these costs on participation. While a number of cost models have been developed, these differ markedly in the scope of items included, and do not allow for closer examination of how these costs affect families in particular circumstances. The Smith Family, for example, estimates that families would need to spend upwards of \$2,000 per child purchasing essential back-to-school items in 2014,<sup>90</sup> while the Australian Scholarships Group puts the price of attending a government primary school in NSW at \$3,590.<sup>91</sup>

The most comprehensive work on the cost of education relates to the Victorian context. Here, the Brotherhood of St Lawrence's School Education Expenses (SEE) survey used a social inclusion lens to assess the costs associated with full participation in a public school education in Victoria. On applying the findings of their survey to a number of household scenarios, they found that education costs would consume between 18 and 30% of total income for some low-income households.<sup>92</sup>

Efforts to meet the costs associated with education can impact families in a number of ways. Some families report forfeiting other essentials, such as food and electricity, in order to meet educational expenses.<sup>93,94</sup> Children may miss out on equipment or activities, or may be kept at home when a family cannot afford certain costs.<sup>95</sup> They can also be stigmatised or experience exclusion within the school environment, affecting their self-esteem, and influencing their attitude toward school.<sup>96</sup> Ultimately, cost barriers can contribute to a child's disengagement from the education system.

Despite efforts towards greater equity in education, there remains a strong relationship between socioeconomic status and educational outcomes. Students from low socioeconomic backgrounds are less likely to obtain a year 12 qualification,<sup>97</sup> and have a university access rate of 17% compared with 35% for students from high socioeconomic backgrounds.<sup>98</sup> While there are many factors that contribute to this disparity, efforts should be made to ensure that the costs associated with obtaining an education do not remain a barrier to participation.



# 10 CONCLUSION

This report is by no means a definitive analysis of cost of living impacts for low-income households in NSW. No examination of household income and expenditure – no matter how thorough – will provide a full picture of what it means to be disadvantaged in 2014.

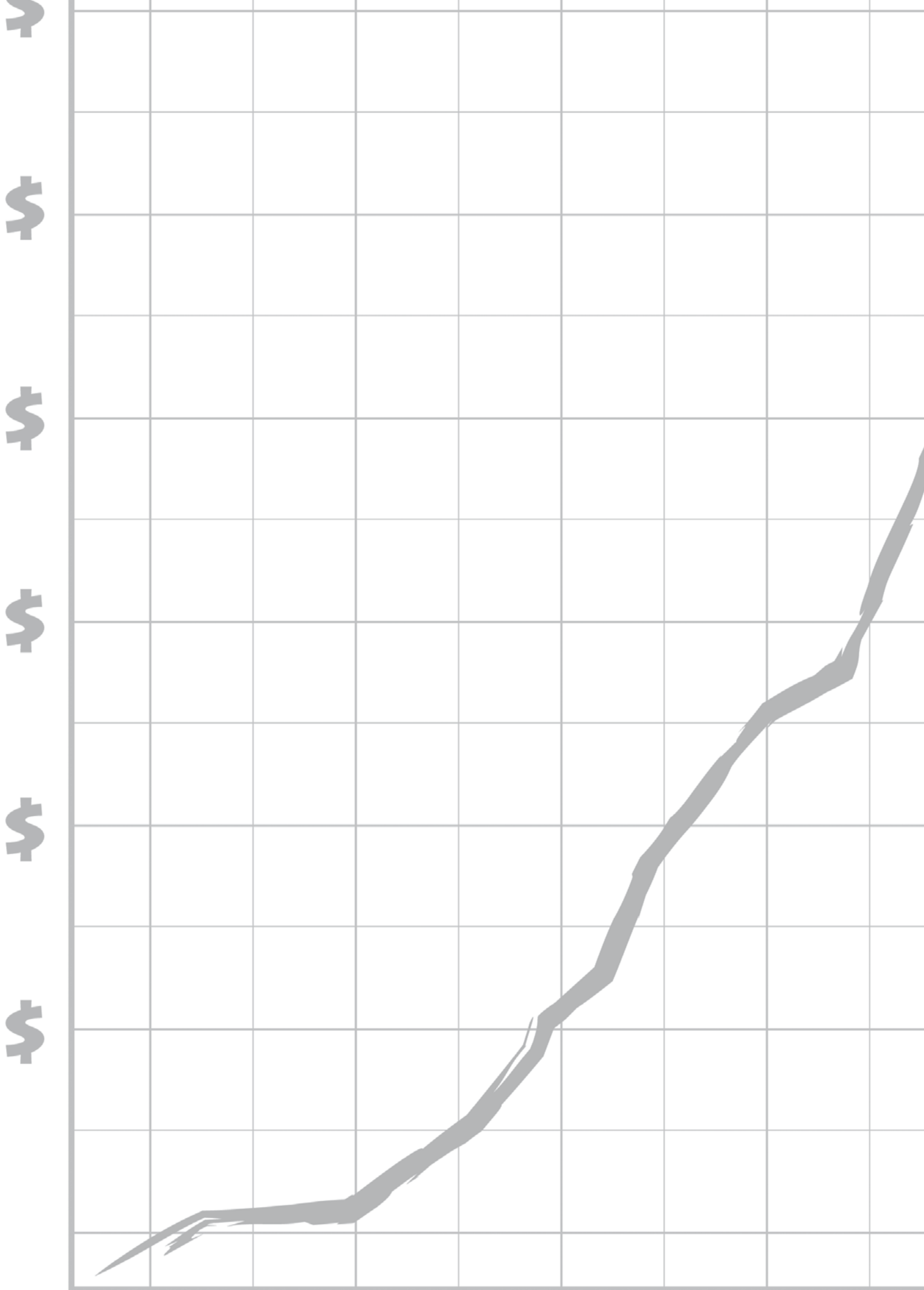
The publically available ABS data we have analysed in this report provides some insights into average price increases for particular commodities, and average expenditure on these by different household types, categorised by income. But as our report shows, there can be a world of difference in the type and quantity of ‘essential commodities’ purchased by high-income households relative to low-income households. And households that fall into the low-income category are not homogenous. Age, illness, disability, location, number of children, whether the house is rented or owned – such characteristics vary across households and can impact differently on the weekly budget and the cost pressures facing those in the low-income quintile.

In not accounting for such differences, averages can create a misleading or incomplete picture. We have attempted to flesh out the picture and better understand cost of living pressures for disadvantaged households by drawing on available research and using people’s stories to demonstrate the ‘real life’ impact.

In doing this our report highlights that cost of living increases for commodities considered basic essentials are felt more sharply by low-income households. It identifies significant variances between the essentials these households purchase and those purchased by high-income households. It also suggests that cost barriers can compound other factors, further limit life choices and contribute to the cycle of disadvantage.

At a time when the Government budget itself is under pressure, our report signals the importance of ensuring that programs intended to relieve cost of living impacts reach those who are really hurting, and provide sufficient levels of assistance relevant to the circumstances. The NSW Government commits considerable funding, across a range of portfolios, to such programs. Many would benefit from review to ensure that they are appropriately targeted, reflective of current-day issues, delivering measurable results and using the most appropriate service delivery models.

NCOSS will use the analysis and findings in this report to consult – with service providers, government agencies, advocacy groups, relevant industry representatives and others – to better understand the cost pressures that are most hurting disadvantaged households. We will seek feedback and input on: the effectiveness of existing relief measures; where there are gaps, inefficiencies or waste; and what other measures or approaches warrant consideration.



# ■ ENDNOTES

<sup>1</sup> NAB (2014) *Quarterly Australian Consumer Anxiety Index: Q4, 2013*. Accessed 28 February 2014.

<business.nab.com.au/wp-content/uploads/2014/01/2013-q4-anxiety-report.pdf>

<sup>2</sup> McCrindle Research (2013) *Cost of Living: Still the Number One Issue*. Accessed 28 February 2014.

<mcCrindle.com.au/resources/2013/Cost-of-Living-Still-the-Number-One-Issue\_McCrindle-Research.pdf>

<sup>3</sup> Grattan Institute (2013) *The NSW Budget Context*. Presentation by CEO John Daley at NCOSS Pre-Budget Submission launch, Oct 2013.

<sup>4</sup> NATSEM (2012) *Prices these days! The cost of living in Australia*. Issue 31, May 2012, p.2

<sup>5</sup> ACOSS (2012) *Poverty in Australia*, ACOSS Paper 194.

<sup>6</sup> ABS (2013) *Household Income and Income Distribution, Australia*. Cat. no. 6523.0.

<sup>7</sup> ABS (2013) *Household Wealth and Wealth Distribution*, Cat. no. 6554.0.

<sup>8</sup> ACOSS (2012) Op cit.

<sup>9</sup> COAG Reform Council (2012), *Affordable Housing 2010-11: Comparing performance across Australia*. COAG Reform Council, Sydney.

<sup>10</sup> The Smith Family (2014), *Back to School Cost Estimate*. January 2014.

<sup>11</sup> ABS (2013) *Consumer Price Index, Australia*. Cat. no. 6401.0

<sup>12</sup> ABS (2011) *Household Expenditure Survey*. Cat. no. 6530.0.

<sup>13</sup> Mortgage Interest Charges are taken from the ABS's Employee Households Living Cost Index. ABS (2013) *Selected Living Cost Indexes, Australia*, Dec 2013. Cat. no. 6467.0.

<sup>14</sup> Note that the Household Expenditure Survey only includes the interest component of mortgage repayments as a current housing cost. The principal or capital component of mortgage repayments is considered a form of saving and is therefore treated separately.

<sup>15</sup> Phibbs, P & Thomson, S, (2011) *The health impacts of housing: toward a policy-relevant research agenda*. AHURI Final Report No. 173.

<sup>16</sup> Bonnefoy, X, (2007) 'Inadequate housing and health: an overview', *Int. J. Environment and Pollution*, Vol. 30, Nos. 3/4, pp.411–429.

<sup>17</sup> Phibbs, P, (2002) *Housing assistance and non-shelter outcomes*, AHURI Positioning Paper No. 37

<sup>18</sup> Phibbs, P (2005) *Housing assistance and non-shelter outcomes*, AHURI Final Report No. 74

<sup>19</sup> Burke, T and Pinnegar, S., (2007) *Experiencing the Housing Affordability Problem: Blocked Aspirations, Trade-offs and Financial Hardship*. Research Paper no. 9, National Research Venture 3, Australian Housing and Urban Research Institute, Melbourne

<sup>20</sup> AIHW (2013) *Housing assistance in Australia 2013*. Cat. no. HOU 271. Canberra: AIHW. AIHW defines housing stress as households spending more than 30% of its gross (before tax) household income on housing costs, such as mortgage repayments or rent.

<sup>21</sup> ABS (2013) *Housing occupancy and costs, 2011–12*. Cat. no. 4130.0.

<sup>22</sup> NSW Auditor-General (2013) *Making the best use of public housing*. Report to Parliament, Audit Office of NSW.

<sup>23</sup> COAG Reform Council (2012) *Affordable Housing 2010–11: Comparing performance across Australia*. COAG Reform Council, Sydney. Households in rental stress are defined as those in the lowest 40% of incomes who spend more than 30% of their income on rent.

<sup>24</sup> Ibid

<sup>25</sup> Shelter NSW (2013) *NSW Housing Factsheet: A quick guide to housing facts and figures*.

<sup>26</sup> Hulse, K, et al. (2011) *Secure occupancy in rental housing: conceptual foundations and comparative perspectives*. AHURI Final Report No.170. Melbourne: Australian Housing and Urban Research Institute.

- <sup>27</sup> Hulse, K & Saugeres, L (2008) *Housing insecurity and precarious living: an Australian exploration*. AHURI Final Report No.124. Melbourne: Australian Housing and Urban Research Institute.
- <sup>28</sup> This figure is based on the 2009-10 HES, updated to December 2013 using the Sydney CPI for food and non-alcoholic beverages.
- <sup>29</sup> As above.
- <sup>30</sup> Rao, M, Afshin, A, Singh, G and Mozaffarian, D (2013) 'Do Healthier Foods and Diet Patterns Cost More Than Less Healthy Options? A Systematic Review and Meta-Analysis,' *British Medical Journal Open*, December 5, 2013.
- <sup>31</sup> Anglicare (2013) *Hard Choices: Going without in a time of plenty – A study of Food Insecurity in NSW and the ACT*. May, 2013.
- <sup>32</sup> The Cancer Council NSW (2002). *NSW Healthy Food Basket Cost, Availability and Quality Survey*. Cancer Council NSW. Accessed 10 February 2014 <[www.cancercouncil.com.au/foodbasket](http://www.cancercouncil.com.au/foodbasket)>
- <sup>33</sup> Najman, M, Tolo, G, Siskind V (2009) 'Socioeconomic disadvantage and changes in health risk behaviours in Australia: 1989–90 to 2001.' *Bulletin of the World Health Organization* 2006(84):976-984.
- <sup>34</sup> Institute for Health Metrics and Evaluation, Human Development Network, The World Bank (2010) *Global Burden of Diseases, Injuries and Risk Factors Study*.
- <sup>35</sup> Intergovernmental Panel on Climate Change (2013). *Climate Change 2013: The Physical Science Basis*. Contribution of Working Group I to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change [Stocker, T.F., D Qin, G.-K Plattner, M Tignor, S K Allen, J Boschung, A Nauels, Y Xia, V Bex and P M Midgley (eds.)]. Cambridge University Press, Cambridge, United Kingdom and New York, NY, USA.
- <sup>36</sup> The Cancer Council NSW (2002) Op. cit.
- <sup>37</sup> Ibid
- <sup>38</sup> COAG (2009) *National Strategy for Food Security in Remote Indigenous Communities*. December 2009.
- <sup>39</sup> This figure is based on the 2009-10 HES, updated to December 2013 using the Sydney CPI for transport.
- <sup>40</sup> These figures are based on the 2009-10 HES, updated to December 2013 using the Sydney CPI for motor vehicles and automotive fuel respectively.
- <sup>41</sup> King, S (2013) 'No petrol price reprieve for motorists this year'. *The Conversation*, 16 January 2014. Accessed 6 February 2013 <[theconversation.com/no-petrol-price-reprieve-for-motorists-this-year-21967](http://theconversation.com/no-petrol-price-reprieve-for-motorists-this-year-21967)>
- <sup>42</sup> NATSEM (2011) *Housing Stress or Transport Stress? Issues in Australian Housing Affordability*. NATSEM Working Paper 11/06. University of Canberra. Note that NATSEM uses the 30/40 rule of housing stress: Households who spend 30 per cent of income on housing and who are in the bottom two quintiles of income are defined as being in housing stress.
- <sup>43</sup> Dodson, J and Sipe, N (2005) *Oil vulnerability in the Australian city*. Research Paper 6, Urban Research Program, Griffith University.
- <sup>44</sup> NSW Department of Infrastructure, Planning and Natural Resources (2007) *Transfigures*. April 2007, Transport and Population Data Centre.
- <sup>45</sup> For an overview of research in the Australian context, see Rosier, K & McDonald, M (2011) *The relationship between transport and disadvantage in Australia*, CAFCA Resource Sheet, Communities and Families Clearinghouse Australia.
- <sup>46</sup> ABS (2006) *General Social Survey: Summary Results*. Cat. No. 4159.0.
- <sup>47</sup> HES, Table 30
- <sup>48</sup> In 2013, NCOSS released a report identifying those groups who are currently missing out on transport concessions in NSW. See NCOSS (2013) *Fare Concessions: Transport Concessions and Subsidies in NSW*.
- <sup>49</sup> Jobseekers are generally not entitled to concessions on multi-trip, discounted ticket products which support frequent travel.
- <sup>50</sup> SACOSS (2012) *Cost-of-Living Update*. No 10, May 2012.
- <sup>51</sup> The CPI Health category includes pharmaceutical products, therapeutic appliances and equipment, and medical, dental and hospital services.
- <sup>52</sup> In the Household Expenditure Survey, items included under the Medical care and health expenses category are accident and health insurance, health practitioner's fees, and medicines, pharmaceutical products and therapeutic appliances.
- <sup>53</sup> These figures are based on the 2009-10 HES, updated to December 2013 using the Sydney CPI for health.
- <sup>54</sup> The WHO Constitution enshrines the highest attainable standard of health as a fundamental right of every human being. The right to health includes access to timely, acceptable, and affordable health care of appropriate quality.
- <sup>55</sup> The National Healthcare Agreement (effective 25 July 2012) commits Australian governments to provide all Australians with timely access to quality health services based on their needs, not ability to pay, regardless of where they live in the country.

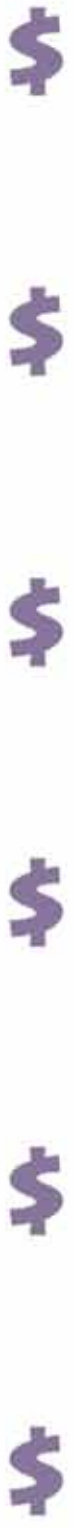
- <sup>56</sup> COAG Reform Council (2013) *Healthcare 2011-12: Comparing outcomes by socio-economic status. Supplement to the report to the Council of Australian Governments*. Accessed 24 February 2014. <[www.coagreformcouncil.gov.au/sites/default/files/files/SES%20supplement%20FINAL%20FOR%20WEB.pdf](http://www.coagreformcouncil.gov.au/sites/default/files/files/SES%20supplement%20FINAL%20FOR%20WEB.pdf)>
- <sup>57</sup> Ibid
- <sup>58</sup> NATSEM (2008) *Distribution of Expenditure on Health Goods and Services by Australian Households*. University of Canberra, October 2008.
- <sup>59</sup> Jan S, Essue B M, Leeder S R. (2012) 'Falling through the cracks: the hidden economic burden of chronic illness and disability on Australian households. *Medical Journal of Australia*. 196: 29-31.
- <sup>60</sup> Gordon, LG, Ferguson, M, Chambers, SK, and Dunn, J. (2009) 'Fuel, beds, meals and meds: out-of pocket expenses for patients with cancer in rural Queensland'. *Cancer Forum* 33(3).
- <sup>61</sup> Essue, B, Wong, G, Chapman, J et al. (2013) 'How are patients managing with the costs of care for chronic kidney disease in Australia? A cross-sectional study', *BMC Nephrology* 14(5).
- <sup>62</sup> Essue B, Kelly P, Roberts M, et al. "We can't afford my chronic illness! The out-of-pocket burden associated with managing chronic obstructive pulmonary disease in western Sydney, Australia." *Journal of Health Services Res Policy* 2011; 16: 226-231.
- <sup>63</sup> Dewey, HM, Thrift, AG, Mihalopoulos, C. et al. (2004) "Out of pocket' costs to stroke patients during the first year after stroke – results from the north East Melbourne Stroke Incidence Study'. *Journal of Clinical Neuroscience* 11:134-137.
- <sup>64</sup> Mcrae, I, Yen, I, Jeon, YH. et al. (2012) 'Multimorbidity is associated with higher out-of pocket spending: a study of older Australians with multiple chronic conditions', *Australian Journal of Primary Health*. Accessed 26 January 2014 <[www.publish.csiro.au/paper/PY12035.htm](http://www.publish.csiro.au/paper/PY12035.htm)>.
- <sup>65</sup> Kemp, A, Preen, DB, Glover, J. et al. (2013) 'Impact of cost of medicines for chronic conditions on low income households in Australia', *Journal of Health Services Research and Policy* 18:21-27.
- <sup>66</sup> AIHW (2012) *Health expenditure Australia 2010-11*. Health and welfare expenditure series no. 47. Cat. no. HWE 56. Canberra: AIHW.
- <sup>67</sup> McRae I, Yen, L, Jeon YH, Herath PM, Essue B (2012) *The Health of Senior Australians and the Out-of-Pocket Healthcare Costs they Face*. National Seniors Productive Ageing Centre, November 2012.
- <sup>68</sup> In Australia, people from the most disadvantaged areas are more likely to have low birth weight babies, report high or very high levels of psychological distress and have a higher proportion of potentially preventable hospitalisations than those from the least disadvantaged areas (COAG Reform Council, 2013).
- <sup>69</sup> Jeon, YJ, Essue, B., Jan, S. et al. (2009) 'Economic hardship associated with managing chronic illness: a qualitative inquiry', *BMC Health Services Research* 9:182.
- <sup>70</sup> Essue, B, Jan, S (2012) 'The household economic burden of chronic illness: and under-recognised problem in Australia'. *Health Voices, Journal of the Consumers Health Forum of Australia*. 12.
- <sup>71</sup> NCOSS (2012) *Provided there's Transport: Transport as a barrier to accessing health care in New South Wales*. Accessed 20 January 2014 <[www.ncoss.org.au/resources/121206health-transport-report.pdf](http://www.ncoss.org.au/resources/121206health-transport-report.pdf)>
- <sup>72</sup> CUAC (2013) *Making the Gas Connection*, Consumer Utilities Advocacy Centre, Melbourne. Accessed 10 February 2014. <[www.cuac.org.au/index.php?Itemid=30&option=com\\_docman](http://www.cuac.org.au/index.php?Itemid=30&option=com_docman)>
- <sup>73</sup> This includes people in residential parks and those renting a dwelling directly from their employer.
- <sup>74</sup> ABS (2011) *Household Expenditure Survey, Australia*. Cat. no. 6530.0.
- <sup>75</sup> IPART (2013) *Customer service performance of electricity retail suppliers, 1 July 2008 – 30 June 2013*.
- <sup>76</sup> IPART (2012). *Submission to Strengthening the Foundation for Australia's Energy Future*, p.19. Accessed 20 January 2014 <[www.ipart.nsw.gov.au/files/dc62cf24-a971-4131-85a1-a09700e842c5/](http://www.ipart.nsw.gov.au/files/dc62cf24-a971-4131-85a1-a09700e842c5/)>
- <sup>77</sup> Chester, L (2013) *The Impacts and Consequences for Low-Income Australian Households of Rising Energy Prices*. University of Sydney.
- <sup>78</sup> Energy concessions provided by the NSW Government include the Low Income Household Rebate (available to eligible concession card holders), the Family Rebate (available to Family Tax Benefit recipients) and the Life Support and Medical Energy Rebates.
- <sup>79</sup> Australian Government, Productivity Commission (2011) *Disability Care and support – Inquiry Report*. Vol 1, 2001, 235. Accessed 18 January 2014 <[www.pc.gov.au/\\_\\_data/assets/pdf\\_file/0012/111270/disability-support-volume1.pdf](http://www.pc.gov.au/__data/assets/pdf_file/0012/111270/disability-support-volume1.pdf)>.



- <sup>80</sup> PIAC (2012) *More Power to You: Electricity and People with Physical Disability*. Accessed 10 February 2014.  
<[www.piac.asn.au/sites/default/files/publications/extras/20120829\\_ewcap\\_morepowertoyou.pdf](http://www.piac.asn.au/sites/default/files/publications/extras/20120829_ewcap_morepowertoyou.pdf)>
- <sup>81</sup> The Household Expenditure Survey has two subcategories relating to education fees: 'Education Fees for primary and secondary schools' include school fees and sports fees for government, independent and Catholic schools. 'Education fees excluding primary and secondary school fees comprises tertiary education fees (including HECS and TAFE course fees), Fees paid to other educational institutions, and private education tuition fees.
- <sup>82</sup> NATSEM (2012). Op cit. p.7
- <sup>83</sup> Article 26 of the Universal Declaration of Human Rights and Articles 13 and 14 of the International Covenant on Economic, Social and Cultural Rights.
- <sup>84</sup> COAG (2009) *National Education Agreement*. Accessed 14 February 2014.  
<[www.coag.gov.au/node/302](http://www.coag.gov.au/node/302)>
- <sup>85</sup> Ministerial Council on Education, Employment, Training and Youth Affairs (2008) *Melbourne Declaration on Educational Goals for Young Australians*. Accessed 14 February 2014.  
<[www.mceecdya.edu.au/verve/\\_resources/National\\_Declaration\\_on\\_the\\_Educational\\_Goals\\_for\\_Young\\_Australians.pdf](http://www.mceecdya.edu.au/verve/_resources/National_Declaration_on_the_Educational_Goals_for_Young_Australians.pdf)>
- <sup>86</sup> Field, S, Kuczera, M & Pont, B (2007), *No more failures: Ten steps to equity in education*. OECD, Paris.
- <sup>87</sup> OECD (2013), *Education at a Glance 2013: OECD Indicators*. OECD Publishing.
- <sup>88</sup> This bonus was available to all parents or carers receiving Family Tax Benefit Part A for a dependent child in primary or secondary education. Australian Government, Department of Human Services Website. Accessed 14 February 2014  
<[www.humanservices.gov.au/customer/services/schoolkids-bonus](http://www.humanservices.gov.au/customer/services/schoolkids-bonus)>
- <sup>89</sup> South Australia, Western Australia and Tasmania all provide financial assistance for education costs targeted at lower income households. In Victoria, the Education Maintenance Allowance is available to low-income earners, although this payment will cease in 2015.
- <sup>90</sup> The Smith Family (2014) *Back to School Cost Estimate January 2014*. Accessed 25 February 2014.  
<[www.thesmithfamily.com.au/~/\\_media/Files/Media/back-to-school-cost-estimate-australia-2014.ashx](http://www.thesmithfamily.com.au/~/_media/Files/Media/back-to-school-cost-estimate-australia-2014.ashx)>
- <sup>91</sup> Amounts based on first year of attendance at a Government School in metropolitan NSW. The ASG costs include fees, levies, charges, extracurricular activities, clothing, necessities, travel and computers. Australian Scholarships Group (2014) *Education Costs Calculators*. Accessed 25 February 2014.  
<[www.asg.com.au/calculator](http://www.asg.com.au/calculator)>
- <sup>92</sup> Bond, S & Horn, M (2009) *The cost of a free education: Cost as a barrier to Australian public education*. Brotherhood of St Lawrence, Fitzroy, Vic.
- <sup>93</sup> Victoria Council of Social Service and ER Victoria (2009) *Under Pressure: costs of living, financial hardship and emergency relief in Victoria*.
- <sup>94</sup> Victoria Council of Social Service and Emergency Relief Victoria Network (2004) *The Rising Cost of Free Education*. Accessed 14 February 2014,  
<[vcoss.org.au/documents/VCOSS%20docs/Education%20and%20Training/VCOSS\\_ERV\\_education\\_costs\\_Jan05.pdf](http://vcoss.org.au/documents/VCOSS%20docs/Education%20and%20Training/VCOSS_ERV_education_costs_Jan05.pdf)>
- <sup>95</sup> Bond, S & Horn, M (2008) *Counting the cost: parental experiences of education costs*. Brotherhood of St Lawrence, Fitzroy, Vic.
- <sup>96</sup> Campbell, L, McGuire, M. and Stockley, C (2012) *I Just Want to Go to School: Voices of Young People Experiencing Educational Disadvantage* (Good Shepherd Youth & Family Service, Jesuit Social Services and MacKillop Family Services).
- <sup>97</sup> Steering Committee for the Review of Government Service Provision (2011) *Report on government services 2011, Productivity Commission, Canberra*. Accessed 14 February 2014.  
<[www.pc.gov.au/\\_\\_data/assets/pdf\\_file/0003/105294/015-chapter4-attachment.pdf](http://www.pc.gov.au/__data/assets/pdf_file/0003/105294/015-chapter4-attachment.pdf)>
- <sup>98</sup> Department of Education, Employment and Workplace Relations (2011). *Student 2010 full year: Selected higher education statistics publication*. DEEWR, Canberra







It's not uncommon to hear that the cost of living in Australia – and Sydney in particular – is among the highest in the world. And in exploiting our fear of hip-pocket pain, politicians and the media have fuelled our sense that keeping up with day-to-day expenses is getting harder and harder.

Yet for many of us, increases in our incomes have counterbalanced increases in the cost of living. And having to cover the cost of additional 'essentials', or taking care of an unexpected expense can be dealt with by changing our spending patterns: we eat out less, don't buy that new outfit or forgo an expensive holiday. But for households who spend most – or even all – of their household budget on essential items, making such adjustments is not easy. For these households, cost of living pressures can mean difficult choices such as whether food, a school excursion or a visit to the doctor is more important.

This report focuses on those most in need. It draws on data collected by the Australian Bureau of Statistics (ABS) to assess how living costs have changed over the last ten years, and how these changes impact people experiencing poverty and disadvantage. In particular, it looks at cost of living changes across six key categories of 'essential' expenditure:

- Housing
- Food
- Transport
- Health
- Utilities
- Education

