

Cost of Living Summary Report



Summary Figures

June Qtr 2010

While the well-known Consumer Price Index (CPI) shows price increases across the board, the Australian Bureau of Statistics' Analytical Living Cost Index (ALCI) uses a different methodology and shows changes in cost of living for different groups of people. Importantly, the ALCI tracks changes affecting pensioners and other welfare recipients.

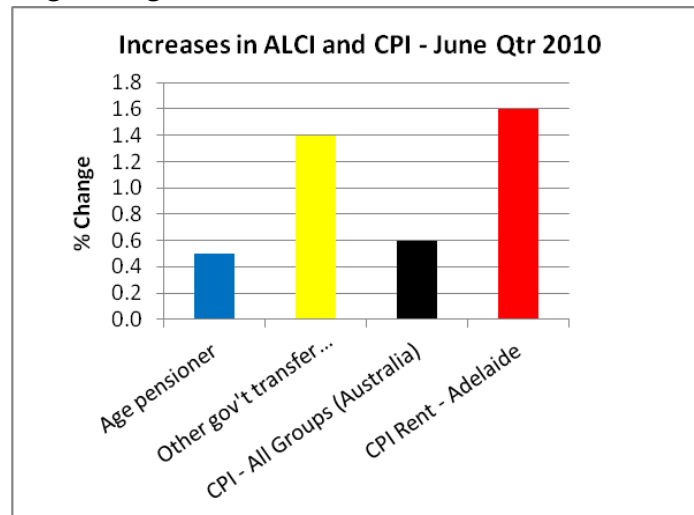
The ALCI can be combined with other figures to identify key changes in the cost of living for those on low incomes.

In the June 2010 quarter:

- The cost of living for Aged Pensioners increased by 0.5%, equating to \$1.60 for a person receiving the base rate pension.¹
- The cost of living for Other Welfare Recipient households increased by 1.4%, equating to \$3.50 for a person with two children on the base Newstart rate.²

By comparison, the generic measure of price increases, the CPI (All Groups – Australia), increased 0.6%. However, prices in some key expenditure areas for those on low incomes grew much faster. The CPI for Rent in Adelaide rose by 1.6%, more than double the CPI.

Figure 1: Cost of Living Changes in June Qtr 2010



¹ The ALCI only gives a % figure. The \$ figure is SACOSS's estimate based on the assumption that welfare recipients will spend all their income (ie. will not save any significant amount).

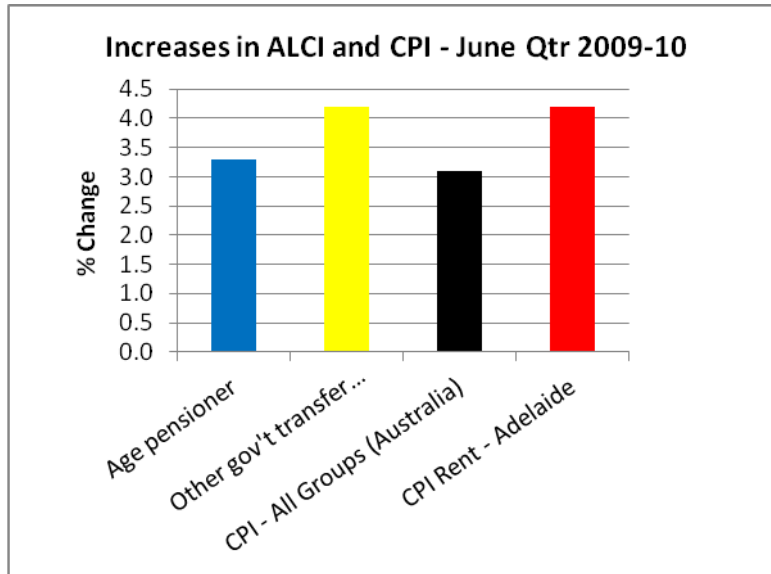
² Base rates do not include other benefits, allowances or supplements which may be applicable (eg. rent assistance, family tax benefit, pension supplement)

Over the last year (June Qtr 2009 – June Qtr 2010):

- The cost of living for Aged Pensioners increased by 3.3%, equating to \$10.70 for a person receiving the base rate pension.
- The cost of living for Other Welfare Recipients, increased by 4.2%, equating to \$10.51 for a person with two children on the base Newstart rate.

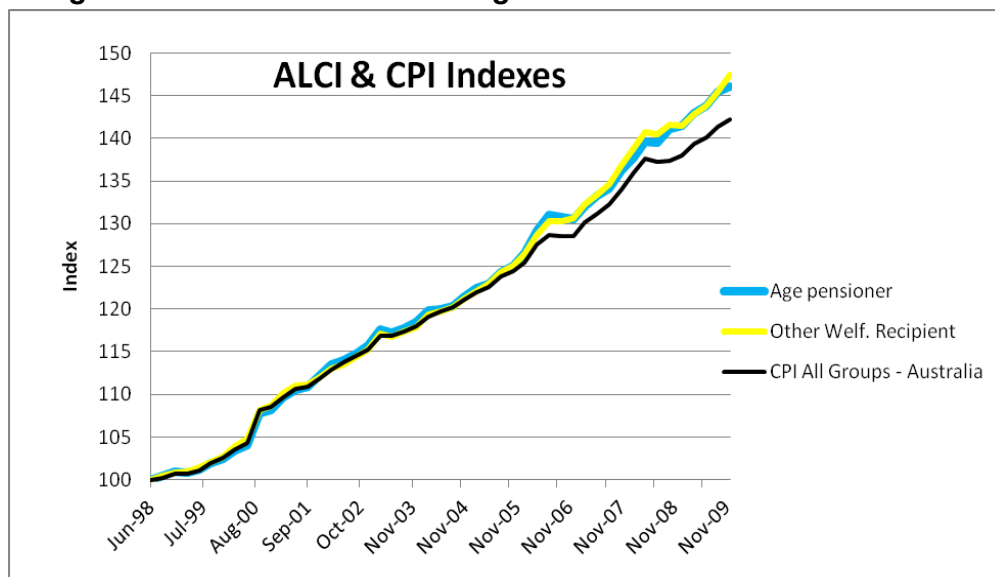
By comparison, the generic CPI (All Groups – Australia) increased by 3.1% (2.8% for Adelaide). Again, prices in some key expenditure areas for those with low incomes grew much faster. The CPI for Rent in Adelaide increased by 4.2% over the last year.

Figure 2: Cost of Living Changes over the Previous Year (June 09 – June 10)



The gap evident between the ALCI and generic CPI adds to a longer term trend that has, since 2006, seen living costs for welfare recipients increase by more than CPI.

Figure 3: Long Term Trends in Cost of Living



The ALCI for aged pensioners is now 3.9 percentage points higher than CPI, while for other welfare recipients the ALCI is 5.3 percentage points higher than CPI.

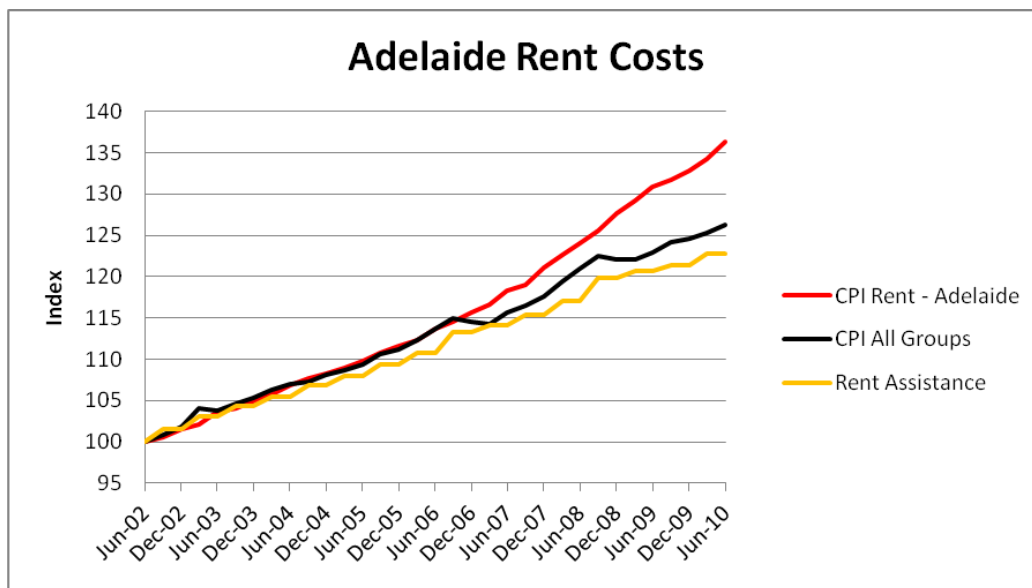
However, while the ALCI is more nuanced than the generic CPI, the ALCI is still an average across all people in the particular categories. It therefore does not represent the experience of the most vulnerable in those categories.

For instance, rental price increases may be of paramount importance to aged pensioners in private rental, but the impact on the ALCI average figures will be minimized by the numbers of pensioners owning their own homes.

As highlighted above, rent in some areas (Adelaide) is increasing at a much greater rate than either the CPI or ALCI. This means that those who are in the private rental market are under increasing financial pressure.

Figure 4 below shows that this trend also dates back to 2006.

Figure 4: Rent v CPI and Commonwealth Rent Assistance



The figures also show that federal government rent assistance (in orange) has failed to keep pace with rent increases.

In dollar terms, since the beginning of 2006, an average new rental price for a 3 bedroom house at the lower end of the market in Adelaide has increased by about \$27, while rent assistance for a single person on Newstart with two children living in that house has only increased by \$8.

This growing discrepancy generates an increasingly large hole in the welfare safety net because for those in the private rental market, housing costs are a large proportion of their weekly expenditure.

The table below compares the indicative low end housing costs of particular housing types with income for different categories of welfare payments (including rent assistance and other relevant allowances).

Table 1: Adelaide Rents and Welfare Housing Stress

	Weekly Payment	House Type	Low-end Rent	% of Income
Aged Pensioner	\$407.30	1 Bedroom Flat	\$159	39%
Newstart (single, no children)	\$288.10	1 Bedroom Flat	\$159	55%
Sole Parent (Parenting Payment – 2 children)	\$515.50	3 Bedroom House	\$270	52%

Housing stress is usually defined as where a person's or family pay more than 30% of their income on housing costs.