SACOSS

WORKING TO MAKE ENDS MEET:

LOW-INCOME WORKERS AND ENERGY BILL STRESS

SOUTH AUSTRALIAN COUNCIL OF SOCIAL SERVICE REPORT

About SACOSS

The South Australian Council of Social Service is the peak non-government representative body for health and community services in South Australia, and has a vision of justice, opportunity and shared wealth for all South Australians.

Our mission is to be a powerful and representative voice that leads and supports our community to take actions that achieve our vision, and to hold to account governments, businesses, and communities for actions that disadvantage vulnerable South Australians.

SACOSS aims to influence public policy in a way that promotes fair and just access to the goods and services required to live a decent life. We undertake policy and advocacy work in areas that specifically affect disadvantaged and low-income consumers in South Australia.

SACOSS has a long-standing interest in the delivery of essential services. Our research shows that the cost of basic necessities like electricity impacts greatly, and disproportionately, on vulnerable and disadvantaged people.

SACOSS has a membership base of around 300 people and organisations from a broad cross-section of the social services arena. Members of our organisation span both small and large agencies, peak bodies, service providers, individuals, and some government departments. SACOSS is part of a national network, consisting of Australian Council of Social Service and other State and Territory Councils of Social Service.

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The views expressed in this document do not necessarily reflect the views of Energy Consumers Australia.

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Glossary

ABS	Australian Bureau of Statistics
ACOSS	Australian Council of Social Service
AIFS	Australian Institute of Family Studies
BSL	Brotherhood of St Laurence
CURF	Confidentialised Unit Record File
Disposable household income	Household income after personal tax and Medical levy is deducted from gross income
Energy bill stress	Financial and related stress due to high energy bills and/or difficulty paying energy bills
Energy poverty	A term which is used to refer to households who struggle to keep up with the costs of energy, usually due to lower incomes, unaffordable energy costs and poor energy efficiency of the household.
Equivalised disposable household income	Income adjusted to the equivalent of a one-person household to allow the comparison of different household sizes and types (e.g. single person households, couple households, and family households). See also *disposable household income*
Fuel poverty	The preferred term used in the UK for energy poverty. See also *energy poverty*
HES	Household Expenditure Survey
hh	Households
HILDA	Household, Income and Labour Dynamics in Australia
Income support	Broadly used to refer to Government social security payments including – Newstart, Age Pensions, Disability and Carer Payments, Family Support Payments, Austudy/Abstudy, and Youth Allowance *Also referred to as 'government pensions and benefits' in this report*
Low-income concession cards	A card typically issued by government for people in certain circumstances which entitles the holder(s) to specific concessions and assistance
NECF	National Energy Customer Framework
n	Number
OECD	Organisation for Economic Co-operation and Development
PIAC	Public Interest Advocacy Centre
Quintile	A group of 1/5 of households when a variable such as household income is put in order from highest to lowest and divided into 5 equal groups
Relative energy poverty	A household is said to be in **relative** energy poverty when it is unable to access or afford the energy needs for basic daily living and participation in society (e.g. cooking, heating, cooling, lighting). See also *energy poverty*
SACOSS	South Australian Council of Social Service
SIH	Survey of Income and Housing (ABS)
UNSW	University of New South Wales
Wages and Salaries	Total income received from paid employment, including amounts salary sacrificed, tips, commissions, piecework payments, bonuses and loadings (but excluding compulsory superannuation), and workers' compensation

A Note on Terminology – Working/Waged Poor

The few pieces of previous research on the subject matter in this report use the term "working poor" to refer to the people and households who are reliant on wages, but still living in poverty. However, this definition conflates "work" and paid employment and therefore implies that the often hard and necessary labour that takes place outside of paid employment is somehow not "work" – and not valued as such. For reasons discussed in the body of this report, this is problematic empirically and politically. Accordingly, this report adopts the more precise terminology of "waged poor" to signify the focus on the source of income as paid employment.

That said, while the term "waged poor" is used in reference to all the SACOSS data, findings and recommendations, when referring to and summarising the previous research we have generally maintained those authors' original terminology of working poor – noting that (technical differences aside) both terms generally refer to the same group of people.

The same "work/wage" considerations apply to the households referred to in this report as "low income waged households", hence we have avoided the (somewhat more familiar) "working household" label. We also stress that there are two components in our definition: "low-income" (bottom two income quintiles) and "waged" – referring to their main source of income. Both components are necessary and should not be conflated to "low wage households". Many low-income waged households are likely to be reliant on wages which are "low". However, for others the wage level might not be especially low, but they fall into the low income category because there is a sole wage supporting a large household, or because there are not enough hours of employment. Conversely, there would be individuals on very low wages, but if they are part of a larger household with other higher wage incomes they do not fit into this category – despite being low waged.

Executive Summary

Against a backdrop of increasing electricity prices, energy affordability has been an ongoing concern for many Australians. Historically, earning a living wage (particularly in a full-time permanent capacity) may have protected households from energy-related bill stress. However, this report shows this is no longer the case for many households – a fact which could challenge prevailing orthodoxy about who is in poverty.

Compounding the problem, most assistance measures for those struggling to pay their energy bills are primarily targeted at people living on income support or rely on restrictive eligibility criteria such as holding a low-income concession card. This means that a cohort of people, sometimes referred to as the "working poor" but in this report more accurately called the "waged poor", can sometimes fall through the gaps of existing support systems.

While there has been much discussion, research and debate on how to best support those most vulnerable to the effects of high energy bills, the experience of waged poor households in Australia is often overlooked. In general, there is currently limited knowledge about waged poverty in Australia – who the "waged poor" are, how many households are experiencing waged poverty, and the characteristics of those households and people – much less their experience of energy-related bill stress.

This report aims to fill this gap by exploring the concept of the "waged poor" in relation to energy-related bill stress to better understand the needs and experiences of households whose main source of income is wages and salaries, but who are nonetheless still living below the poverty line. These are the "waged poor", but there is also a cohort of waged people and households who, despite being above the poverty line, are on low-incomes and struggling. These "low-income waged households" are a secondary focus of this report and are defined as households whose income is above the poverty line but still in the bottom two income quintiles and derive their main source of income from wages and salaries.

Drawing on after-housing cost data from the ABS *Household Expenditure Survey* (HES), our research has found that in Australia (in 2015-16):

- There were 249,818 waged poor households, representing 3.2% of all households and a further 801,985 low-income waged households representing 10.4% of all households;
- Waged poor and low-income waged households were much more likely than other households in poverty to be couples and couples with children (while single person and single parent households dominate the cohort of those in poverty reliant on income support). Similarly, couples with children were significantly over-represented among low-income waged households.
- Waged poor and low-income waged households were twice as likely to have just one household member in employment compared to both the general population and much more likely than households in poverty relying on income-support;

- The majority of both waged poor and low-income waged households were renters (as was the case for other households in poverty), with waged poor households twice as likely to be renters as the general population;
- The median household disposable income (before housing, equivalised to a one-person household) of waged poor households in Australia was $438, compared to $383 for income-support households in poverty. The equivalised median income for low-income waged households was $655, compared to $832 for households in the general population;
- On average, waged poor households spend 5.5% of their disposable income on energy, less than the 6.7% spent by the households in poverty relying on income support, but more than double the proportion spent by all households. However, the actual average expenditure per household across all groups was relatively similar (especially when household size is taken into account), suggesting a limited ability to reduce energy expenditure with declining income (i.e. a high income inelasticity of demand); and
- Over 45,000 waged poor households were unable pay their bills due to financial hardship and nearly 4,500 were unable to heat their homes; a further 145,159 low-income waged households were unable to pay their utility bills and 20,852 were unable to heat their homes.

Based on the quantitative data, this research conducted a series of qualitative interviews with people from waged poor and low-income waged households. Unsurprisingly, the waged poor households faced many of the same issues and struggles commonly faced by all households in poverty, including:

- Barely making ends meet, with little to no buffer, and minimal chances to get ahead;
- Incomes only covering bare essentials with very little discretionary spending or luxuries;
- Having to go without or delay important expenditures (e.g. medical care, car insurance, household repairs) and minimise or go without food to make ends meet; and
- Physical and mental health issues limiting the ability to work and earn income from paid work.

In relation to energy bills, waged poor households and low-income households again shared similar issues with others in poverty and very low-incomes, such as:

- Living without a safety net, with energy “bill shock” contributing to periods of financial hardship;
- Pay-on-time discounts being problematic and detracting from the ability to get meaningful help from retailers;

- Poor housing stock, particularly within rental properties, limiting the ability of households to reduce energy usage;
- Price being the main barrier to undertaking energy efficiency improvements and landlord-tenant relationships being a secondary barrier for renters; and
- Reluctance to switch providers or shop around for a better deal due to several different factors (retailer loyalty, not wanting to lose payment plan arrangements or feeling "bound" by large debts).

However, beyond the shared generic experiences of poverty and lack of money, the quantitative data analysis and the interviews revealed additional energy affordability issues that were specific to waged poor and low-waged households – some of which arose precisely because of being mainly reliant on wages rather than other (Centrelink) income. These were:

- **The key demographic difference in the overrepresentation of "family formation" households** (i.e. couples with children, and to a lesser extent single parents with children – meaning bigger families) among waged poor and low-wage households – with the family limiting working hours/possibilities;
- **Lack of connection to and reluctance to seek help from support services** so that, for instance, waged poor households were more than ten times less likely to seek assistance from community organisations compared to other households in poverty. In total, less than 1% of waged poor households sought assistance from community organisations;
- **Significant variation and unreliability of work hours and therefore household income** (driven by insecure, irregular/casualised and/or seasonal employment and lack of job security). This leads to extra difficulties in budgeting week to week (beyond just the overall low-income); and
- **Employment requirements changing household budget priorities** (e.g. needing a car/petrol for work) and leaving less for energy and other essential expenditures.

Against this background, this study convened a workshop with stakeholders (largely NGO low-income support services) to consider ways to address the specific energy issues for waged poor and low-wage households.

Recommendations

While not making specific recommendations on issues outside of direct energy policy, the report notes the importance to energy affordability of an adequate income, and therefore of addressing issues in relation to:

- Wage stagnation and underemployment;
- Inadequate income support payments; and
- The interaction between income support payments and paid work.

Given that the waged poor face many of the same energy affordability issues as other households in poverty, most of the policies and practices aimed at addressing energy hardship for those in poverty will also apply to the waged poor. However, given some of the specific characteristics of the waged poor, there are some policies which will particularly assist in alleviating energy bill stress for waged poor households. These policies and practices are the focus of the recommendations of this report and are as follows:

- Shifting to an energy concession payment in South Australia that it is calculated as a percentage of the bill – which will benefit large households with higher energy use;
- Broadening the criteria for SA energy concessions to include households in receipt of a Health Care Card (Family Tax Benefit) – as the low-income Health Care Card and other Centrelink benefits have lower cut-off points;
- Implementing the range of measures to promote energy efficiency in rental accommodation, as outlined in the joint community groups statement *All Australians Deserve a Healthy, Safe, Affordable Home*[1], including:
    - Mandating minimum energy efficiency standards; and
    - Introducing land tax concessions or rebates for landlords investing in energy efficiency measures;
- Service organisations should review service models to ensure that services are accessible and relevant to the particular characteristics and needs of waged poor and low-income waged households;
- All service organisations and energy retailers either utilise or adapt key indicators for identifying the waged poor (see Figure 1 below) in their client screenings and support services to help identify waged poor customers who may be in need of assistance;
- Retailers in National Energy Customer Framework (NECF) jurisdictions use a debt trigger as a means of identifying customers in payment difficulty; and
- In providing payment supports, energy retailers must take into account customers' employment arrangements and develop payment plans tailored for customers with irregular incomes.

[1] Community Joint Statement, *All Australians Deserve a Healthy, Safe, Affordable home*, July 2019, https://renew.org.au/wp-content/uploads/2019/07/Community-Joint-Statement-for-Healthy-Affordable-Homes.pdf

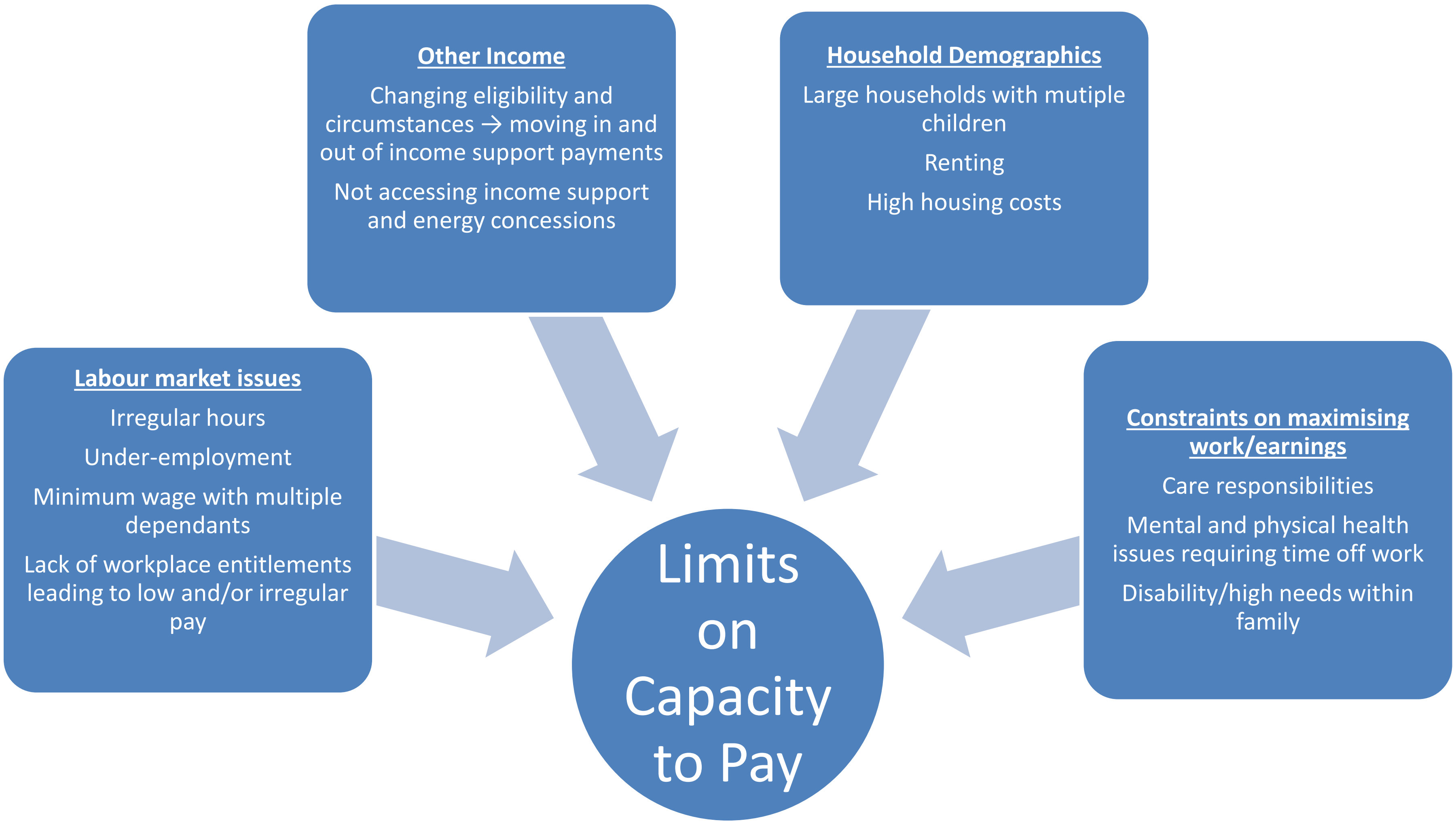

Figure 1: Indicators for identifying waged poor customers in energy bill stress

1. Introduction

Energy bills are a significant cost of living burden for many households, particularly for those on the lowest incomes who spend a greater proportion of their disposable income on electricity compared to higher income earners. Such cost of living pressures are compounded by inadequate income support payments and low wage growth in Australia, when over the last decade the electricity prices have risen at double the general inflation rate.[2]

Low-income households are most vulnerable to rising energy prices, with little flexibility within their household budgets to respond to "bill shock". This may lead to negative outcomes such as households falling into debt, disconnection due to non-payment of bills, and/or forgoing of other essentials (e.g. food, medical care, heating/cooling the home) at the expense of health and well-being.[3]

Such outcomes have generally been assumed to be associated with poverty. Indeed, there is a wealth of research and knowledge both about poverty in general, and about the energy experiences of people on low-incomes. However, this poverty is often assumed to be a result of being out of the paid workforce and reliant on income support. While this is often the case, there is a growing recognition that *this is not always the case*.

With increased casualisation of the workforce, underemployment, demographic changes around the distribution of work, and unequal distribution of wages, the relationship between employment and poverty is not straight-forward. As noted in the ACOSS and UNSW Poverty in Australia 2018 report:

> While the full-time minimum wage sits above the poverty line for a single adult without children, this does not prevent wage-earning families with children, those with only part-time earnings, and those with high housing costs, from falling into poverty. Among people in households whose main income is wages, 7% are in poverty. Since most people live in wage-earning households, this group forms a substantial proportion (38%) of all people in poverty.[4]

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2 Electricity prices have increased by 98% nationally, by comparison with the general inflation rate of 48%. ABS, 6401.0 Consumer price index, Australia, June 2019, https://www.abs.gov.au/ausstats/abs@.nsf/lookup/6401.0Media%20Release1Jun%202019

3 For example: L Nicholls, H McCann, Y Strengers, and K Bosomworth, 'Heatwaves, homes & health: Why household vulnerability to extreme heat is an electricity policy issue', November 2017, http://cur.org.au/cms/wp-content/uploads/2017/11/heatwaves-homes-and-health-rmit_full-report.pdf; D Bowman and M Banks, *Hard times: Australian households and financial insecurity*, October 2018, http://library.bsl.org.au/jspui/bitstream/1/10864/1/BowmanBanks_Hard_times_2018.pdf

4 P Davidson, P Saunders, B Bradbury, and M Wong, *Poverty in Australia*, July 2018, https://www.acoss.org.au/wp-content/uploads/2018/10/ACOSS_Poverty-in-Australia-Report_Web-Final.pdf, p. 13

There have also been some studies that have identified the “working [waged] poor” as a cohort who may be vulnerable to rising energy prices. By looking at ABS financial stress indicators from the 2009-10 *Household Expenditure Survey*, the Brotherhood of St Laurence (BSL) identified that over 46% of households that reported an inability to pay utilities bills on time were headed by a person in full-time employment.[5] Public Interest Advocacy Centre’s (PIAC) survey of households disconnected from utilities found that 44% of those households included a member in paid employment, leading to a conclusion that the “‘working poor’ arguably comprise a sizeable proportion of households disconnected from utilities.”[6]

Similarly, using a definition of “fuel poverty” drawn from work in the UK, Andrew Nance found that at least one-quarter of Australian households in relative energy poverty received wages or salaries as their main source of household income, and at least half of households in energy poverty did not receive any social assistance benefits. This suggested that these households were falling outside of the traditional safety nets of the welfare system, and Nance noted that these households are “unlikely to be eligible for an energy concession in any jurisdiction”.[7]

However, in many cases these studies incidentally uncovered the “working/waged poor” when looking to identify the demographic and socioeconomic characteristics related to energy-related bill stress, and there has been very little in-depth research in Australia specifically looking at the waged poor as a cohort – in relation to energy affordability, or in general.

By contrast, the lead study which has analysed the demographic characteristics of the working/waged poor did not focus on energy issues. That study, by the Australian Institute of Family Studies (AIFS),[8] defined the working poor as households below the poverty line where a household member was employed and, while it is now dated, it remains one of the few on waged poverty and will be considered in more detail in various places in this report.

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5 F Azpitarte, V Johnson and D Sullivan, *Fuel poverty, household income and energy spending: an empirical analysis for Australia using HILDA data*, December 2015, http://library.bsl.org.au/jspui/bitstream/1/7906/1/AzpitarteJohnsonSullivan_Fuel_poverty_household_income_energy_spending_2015.pdf

6 PIAC, *Cut off III: The social impact of utility disconnection*, April 2013, https://www.piac.asn.au/2013/04/11/cut-off-iii-7993/, p. 10

7 A Nance, *Relative energy poverty in Australia*, November 2013, https://www.sacoss.org.au/sites/default/files/public/documents/Reports/131120_Relative_Energy_Poverty_in_Australia%20Report.pdf

8 A Payne, *Working poor in Australia: An analysis among households in which a member is employed*, March 2009, https://aifs.gov.au/publications/family-matters/issue-81/working-poor-australia

In short, while there is some sense in the literature that there is a cohort of waged poor households, and that energy bill stress may be an issue for them, few studies have sought to bring the concepts of poverty, waged work and energy bill stress together to interrogate:

- Who the "waged poor" are (in terms of their key characteristics);
- If there are features of waged poor households that add to energy bill stress; and
- Whether existing support mechanisms for low-income households are useful or appropriate, and/or what supports would be useful and appropriate for waged poor households.

This project seeks to interrogate those issues and, to our knowledge, is the first with such an in-depth focus on the nature and experience of energy bill stress for waged poor households in Australia.

However, as Chester and Morris point out, energy-related bill stress is not simply or necessarily confined to those in poverty. As escalating costs of electricity have not been met by increases in wages and salaries, those on low-incomes and even middle incomes are increasingly feeling the burden of cost of living pressures. They found that:

> Australian energy poverty is not confined to the poorest households who are highly dependent on income support but is spreading into the second lowest income quintile. Less than 30 per cent of households in the second lowest quintile depend on income support; instead they are much more reliant on wages and other income sources.[9]

Accordingly, while the primary focus of this study is the waged poor – that is, those whose income is below the poverty line, a secondary focus is on low-income waged households, defined as households above the poverty line but in the bottom two income quintiles whose main source of income is wages and salaries.

The research for this project was conducted throughout the 2018-19 financial year in the following stages:

1. **Literature review** to evaluate available research on waged poor and low wage households and energy-related bill stress, identify gaps in the research base and define the key concepts;
2. **Retailer workshop** to test the preliminary findings of the literature review, the definition of the waged poor and identify the value of the project;
3. **Quantitative analysis** of the ABS *Household Expenditure Survey 2015-16* data to determine the prevalence of key demographic and socioeconomic characteristics of waged poor and low-income waged households;

[9] L Chester and A Morris, *A new form of energy poverty is the hallmark of liberalised electricity sectors*, 2011, https://doi-org.access.library.unisa.edu.au/10.1002/j.1839-4655.2011.tb00228.x, p. 436

4. **In-depth interviews** with waged poor and low-income waged households to refine our understanding of waged poverty, develop profiles and document potential strategies to address energy bill stress; and
5. **Stakeholder workshop** with the community services sector to consider and develop recommendations arising out the research to assist waged poor and low wage energy consumers.

Further details of the methodology for the quantitative analysis can be found in Chapter 3 and Appendix 2, while the interview approach and methodology is set out in Chapter 4 and Appendix 4 and 5. However, rather than detailing each stage of the research separately, this report seeks to present the literature review, and the findings from the quantitative and qualitative research as a more unified whole. Thus, in addition to the brief summary above, elements of the literature review are integrated into the various subsections of the report, which is structured as follows:

- Chapter 2 sets out the definitional and methodological issues in defining poverty, work and the waged poor;
- Chapter 3 provides a summary of the quantitative data on the prevalence of waged poor households, their characteristics, energy expenditures and financial stress;
- Chapter 4 presents the key energy stress issues for waged poor and low-income waged households which were identified in both the quantitative data and the in-depth interviews; and
- Chapter 5 considers and recommends policy and practice changes that may assist to support those households with energy stress.

2. Defining Poverty, Work and the Waged Poor

There are a variety of definitions for the working/waged poor and working poor households, depending on how "working" is defined and how poverty is measured, but broadly speaking, the term is used to refer to those who are engaged in a "specific amount of labour-force activity but nevertheless live in poverty".[10]

The European Commission's official definition of working poverty includes a strict definition of "working" where only those who are employed for over half the year and whose annual equivalised disposable household income falls below 60% of the national median are considered among the "working poor".[11] Under this definition, it is estimated that approximately 10% of all European workers are part of the working poor.[12]

Similarly the United States (US) Bureau of Labor Statistics has consistently collected data on the working poor since 1987, with the working poor defined as "people who spent at least 27 weeks in the labor force (that is, working or looking for work) but whose incomes still fell below the official poverty level."[13] Based on this measure, it is estimated that 4.9% of all individuals in the labour force were among the working poor.[14]

Australia does not have an agreed upon definition for the working or waged poor, and the private studies that have been done use a number of different definitions –unsurprisingly given the rich literature debating both "work" and "poverty".

Defining Poverty

Australian Approaches

Broadly speaking, the Australian approaches to defining and measuring poverty fall into two categories:

- Basket of goods and services measures; and
- Percent of income measures.

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10 D Robson and JR Rodgers, *Travail to no avail? Working poverty in Australia*, May 2008, https://ro.uow.edu.au/cgi/viewcontent.cgi?article=1194&context=commwkpapers, p. 2

11 Eurofound, *Working poor*, June 2018, https://www.eurofound.europa.eu/topic/working-poor

12 Eurofound, *In-work poverty in the EU*, September 2017, https://www.eurofound.europa.eu/sites/default/files/ef_publication/field_ef_document/ef1725en.pdf

13 United States Bureau of Labor Statistics, *A profile of the working poor*, 2016. Report 1074, July 2018, https://www.bls.gov/opub/reports/working-poor/2016/home.htm

14 ibid.

The first approach essentially decides on a basket and goods and services required for a basic standard of living and tracks the cost of that basket, which then becomes the poverty line. The most prominent Australian examples of this approach are:

- The Henderson Poverty Line, which dates back to 1973 and is updated by the Melbourne Institute for Applied Social and Economic Research;[15]
- Deprivation indicators (which are not costed, but can be still be used to define a level of poverty/deprivation);[16] and
- Budget Standards developed by the Social Policy Research Centre at UNSW.[17]

The second approach simply takes a point on the income spectrum and defines that as the poverty line. The standard utilised by the OECD and most researchers is 50% of household disposable income. The Household Income and Labour Dynamics in Australia Survey (HILDA) uses this approach.[18] Payne's definitive study of the working poor also adopts this approach.[19]

The differences, advantages and disadvantages of these measures is canvassed in SACOSS' Submission to the SA Legislative Council Inquiry into Poverty,[20] but ultimately the differences don't matter that much. There will be inevitably be some level of arbitrariness in any project which seeks to draw lines and boundaries, and households sitting either side of any poverty line are likely to still be struggling financially and have more in common with

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15 MIAESR, *Poverty lines: Australia*, September quarter 2017, September 2017, https://melbourneinstitute.unimelb.edu.au/__data/assets/pdf_file/0006/2688099/Poverty-Lines-Australia-September-2017.pdf

16 P Saunders and M Wong, *Promoting inclusion and combating deprivation: Recent changes in social disadvantage in Australia*, December 2012, https://www.sprc.unsw.edu.au/media/SPRCFile/2012_12_FINAL_REPORT.pdf

17 P Saunders and M Bedford, *New minimum income for healthy living budget standards for low paid and unemployed Australians*, August 2017, http://unsworks.unsw.edu.au/fapi/datastream/unsworks:46140/binc76de784-a739-416b-9361-6ebb285882ea?view=true

18 R Wilkins and I Lass, *The Household, Income and Labour Dynamics in Australia Survey: Selected findings from Waves 1 to 16*, 2018, https://melbourneinstitute.unimelb.edu.au/__data/assets/pdf_file/0005/2839919/2018-HILDA-SR-for-web.pdf

19 A Payne, *Working poor in Australia: An analysis among households in which a member is employed*, March 2009, https://aifs.gov.au/publications/family-matters/issue-81/working-poor-australia

20 SACOSS, *SACOSS submission to the Legislative Council of South Australia Select Committee on Poverty in South Australia*, August 2018, https://www.sacoss.org.au/sites/default/files/public/documents/Submissions/180809%20SACOSS%20Submission%20to%20Select%20Committee%20on%20Poverty.pdf

each other than with the “average” household. This is one reason why this study includes a consideration of low-income waged households.

Energy Poverty

While not mainstream in poverty research, there is another approach to poverty which deals specifically with “fuel poverty” or energy poverty.[21] In Britain, households were deemed to be “fuel poor” if they spent more than 10 per cent of their disposable income on heating and energy costs to maintain a standard of living.[22] This particular definition was enshrined in legislation since 2000 with policy aimed at eradicating the prevalence of fuel poverty.[23] However, in this format it is closer to a notion of financial stress rather than poverty. For instance, “housing stress” is commonly defined as households in the lowest 40% of income, spending more than 30% of their income on housing. The Australian Digital Inclusion Alliance is developing a similar type of measure of telecommunications affordability stress (at 6% of household expenditure),[24] and some Australian usage of the term “energy poverty” is simply indicating this measure of stress and not really tied to poverty in a formal sense.

But there is a more nuanced version of fuel poverty following the Hills Fuel Poverty Review in England in 2012. This is based on a Low-income / High Costs (LIHC) measure, where a household is in fuel poverty if the **required energy expenditure** is above the national (median) level, **and** after spending that amount on energy, their household income falls below the poverty line (in this case, defined as 60% of after-housing cost median income, plus median energy costs). [25] Rather than just having a stress indicator for those on low-income/in poverty, this measure changes the poverty line by including energy costs and hence calculates a new *energy poverty line*.

An Australian study utilising this approach was conducted by Andrew Nance, although he was cautious to note differences between UK and Australian contexts and the limitations of Australian data for such an analysis. However, most relevantly for this report, Nance’s analysis identified that significant proportions of those in relative energy poverty relied on

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21 While the term “fuel poverty” is widely used in the UK due to the prevalence of fuel for heating, most studies in Australia have shown a preference for the term “energy poverty” as it better reflects the nature of energy use in Australia. The term “energy poverty” is therefore used in this report.

22 Based on space heating, water hearing, lights, appliances and cooking requirements

23 Warm Homes and Energy Conservation Act 2000

24 Australian Digital Inclusion Alliance, ADIA strategy document, May 2019, https://www.digitalinclusion.org.au/wp-content/uploads/2019/05/190506-ADIA-Strategy-Read-Only.pptx

25 J Hills, Getting the measure of fuel poverty: Final report of the fuel poverty review, March 2012, http://sticerd.lse.ac.uk/dps/case/cr/CASEreport72.pdf

wages and salary for income.[26] Using the Low-income/High Costs measure (households below the poverty line and spending above the median energy expenditure)[27], Nance found that 27% of those in energy poverty reported wages and salary as the main source of income. This finding was one of the key drivers of SACOSS' interest in "the waged poor".

On face value, a poverty measure that is specific to energy would appear a useful starting point for understanding energy issues for waged poor households. However, it requires extra layers and complexity in statistical analysis and there are a variety of technical and philosophical issues with the "energy poverty" approach. These issues are outlined in Appendix 1, but at a minimum, it is fair to say that the "energy poverty" methodology is not widely utilised among poverty researchers in Australia. For all these reasons, this report does not utilise the "energy poverty" concept.

This Study

This study follows Payne's approach in using a measure of *relative* income poverty derived by setting an income poverty line based on the distribution of household disposable income across the whole population. Households with incomes lower than the relative poverty line are classified as poor, or "living in poverty/below the poverty line". In this way, all individual household members are assumed to benefit from someone working full-time or part-time (although this is not always the case). While SACOSS recognises that this is problematic at several levels[28], we are confined to household analysis by the available data and because energy is usually billed by household unit.

Our income measure of interest is *disposable household income* which represents the income that is available to the household after personal tax and Medical levy is deducted from gross income. Broadly, this represents the flow of income available to meet the needs of households. Further, to allow for better comparison between different household sizes and composition, disposable household income is adjusted using the modified OECD scale to create an *equivalised household disposable income* variable.[29]

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26 A Nance, Relative energy poverty in Australia, November 2013, https://www.sacoss.org.au/sites/default/files/public/documents/Reports/131120_Relative_Energy_Poverty_in_Australia%20Report.pdf

27 Poverty line calculated as 60% of median disposable income after-housing and after energy costs. Both income and energy expenditure is equivalised to better compare households of different size

28 See: SACOSS, SACOSS submission to the Legislative Council of South Australia Select Committee on Poverty in South Australia, August 2018, https://www.sacoss.org.au/sites/default/files/public/documents/Submissions/180809%20SACOSS%20Submission%20to%20Select%20Committee%20on%20Poverty.pdf

29 Refer to Appendix 2 for further detail on the equivalisation method used

However, while we have followed Payne in this approach and in adopting the commonly used poverty line of 50% of the median equivalised disposable income for all households, our approach differs to the AIFS by using an *after-housing* poverty line rather than a *before housing* poverty line.

Before housing poverty compares income remaining after-tax (i.e. disposable household income) whereas after-housing poverty considers disposable income once housing costs are removed. We have chosen this approach as housing costs, such as rent or mortgage repayments, represent the largest fixed costs for most households. For those on low-incomes, housing costs can have a substantial impact on standard of living and can vary significantly between homeowners, tenants, and mortgagees. For example, homeowners who have paid off their mortgage are likely to have much lower housing costs (and therefore have more resources available for other all other essentials) compared to renters and those purchasing their home. In comparison, low-income renters and mortgagees are likely to have a lower standard of living (and be more likely to be in genuine income poverty) by virtue of having less money left-over for all other essentials and expenses once housing costs have been accounted for.

Therefore, **in this report, "poverty" is taken to mean households below a poverty line defined as 50% of the equivalised median household disposable income, after-housing**.

Defining Work

For the purposes of this study, work is taken to mean "paid employment", with income derived from work being largely wages and salaries. There is a long line of criticism of such narrow definitions of work, particularly in feminist economics and sociology[30] because of the implication that the often hard and necessary labour that takes place outside of paid employment is somehow not "work" – and not valued as such. For instance, government statistics show that around 15% of those on Newstart are the primary carer for someone,[31] suggesting that these 104,200 people (in June 2019) are both working and poor – regardless of their status in paid employment.

These critiques of a market-based definition of work are valid, but adopting a broader definition would likely mean all households would be "working" to some extent. In the context of this report, a wider-definition would take us back to talking about poverty generally and risk rendering invisible the particularities of those households in poverty who are reliant on wages and salaries. Accordingly, this report adopts the term "waged poor" to

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[30] The classic text here is Marylin Waring, *If Women Counted*, (Harper and Row) 1988.

[31] Department of Social Services, *DSS Payment Demographic Data – June 2019* (Australian Government). https://data.gov.au/dataset/ds-dga-cff2ae8a-55e4-47db-a66d-e177fe0ac6a0/details

highlight the specific focus on that cohort of people who are reliant on wages, without implying that others are not also working.

Having focused our definition on *paid* employment, there remains a question as to how much employment is required for a household to be considered a “waged household” given that many households rely on a mix of incomes (wages, income support, and superannuation).

As noted above, Payne’s definitive study defined the working poor as households that are below the poverty line where at least one person is employed either part-time or full-time.[32] This definition would therefore capture households who have unpredictable/insecure paid work or minimal work hours. Naturally, the definition has an impact on who would be captured in the waged or working poor cohort. As noted by Robson and Rodgers,

> At one extreme a “working” person might be someone who is in the labour force for at least a day during a given year. At the other end of the spectrum is the requirement that the person be in full-time employment for the entire year. The more stringent the definition …, the fewer people will be classified as “working [waged] poor”.[33]

Using data from the first five waves of the Household, Income and Labour Dynamics in Australia (HILDA) survey, Robson and Rodgers tested different levels of work based on minimum percentage of time in the labour force over the course of a year (greater than 0, and at least 25, 50, 75 and 100% of the financial year).[34] They found that the definition of “working” (in terms of the percentage of time spent in the labour force across the financial year) only had a minimal effect on the working poverty rate.[35] Taking the most stringent definition where labour force participation was required throughout the entire year, the working poverty rate was 3.7% in 2004-05, compared to 5.5% at the other extreme where “working” simply meant any kind of labour force participation through the year (i.e. greater than 0%).

Our approach differs to the AIFS study as **we have chosen to define “waged households” as households who derive their *main source of income* from wages and salaries**, rather than households where at least one person is employed in some capacity. This is likely to result in more conservative estimates of the waged poor than Payne’s study (for instance), because it

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32 A Payne, *Working poor in Australia: An analysis among households in which a member is employed*, March 2009, https://aifs.gov.au/publications/family-matters/issue-81/working-poor-australia

33 D Robson and JR Rodgers, *Travail to no avail? Working poverty in Australia*, May 2008, https://ro.uow.edu.au/cgi/viewcontent.cgi?article=1194&context=commwkpapers, p. 3

34 “Time in the labour force” here includes participation in the labour force as those either in a job or looking for employment. Ibid.

35 Based on a relative poverty line of 50% of median household income, adjusted by the modified OECD equivalence scale

will exclude many households who have some (even regular) income from employment, but whose primary income is social security or other incomes. However, given that one of the aims of the current study is to test whether there are any substantial differences between the characteristics of the waged poor and other poverty subgroups, we have taken the view that wages need to constitute the major contributor to household income.

Our approach is also in keeping with the "main source of income approach" utilised in the ABS categorisation of households in their Selected Living Cost Indexes.[36]

Definition of Waged Poor

Combining the definitions of poverty, work and income-source above leaves us with the following definition:

Waged poor households are those living below the poverty line (50% of the median equivalised household disposable income, after-housing), with the main source of household income as wages and salaries.

Applying this approach to the 2015-16 HES data, the before housing poverty line was calculated at $416 per week for a single person household. The after-housing poverty line of $349 per week for a single person household was calculated by subtracting the median housing costs.[37]

The related income cut-offs for different household types are presented below for both the before and after-housing costs poverty line and adjusted by inflation to reflect 2019 numbers.[38]

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36 ABS, 6467.0 - *Selected Living Cost Indexes*, Australia, June 2019, https://www.abs.gov.au/Ausstats/abs@.nsf/0/5BAE2590BF1D06A9CA257834000DFB05?OpenDocument

37 The poverty line estimate excludes households with zero or negative incomes and self-employed income. Refer to Appendix 2 for a full run-down on the methodology.

38 Calculated using the ABS CPI Inflation Calculator, adjusting from June 2016 to June 2019, https://www.abs.gov.au/websitedbs/d3310114.nsf/home/consumer+price+index+inflation+calculator

Table 1: Poverty Lines, by Household Type

	Before Housing Costs		After-Housing Costs	
Household Type	2015-16 $pw	2019 $pw	2015-16 $pw	2019 $pw
Single Person, no children	$416.19	$439.95	$349.99	$369.97
Single Person, two children	$665.90	$703.91	$559.98	$591.94
Couple, no children	$624.28	$659.92	$524.99	$554.96
Couple, two children	$874.00	$923.89	$734.98	$776.94

Comparing Income Groups

As noted above, beyond these households *below* the poverty line, we are also interested in a group of households we refer to as "low-income waged households" who derive their main source of income from wages and salaries, are *above* the poverty line, but are still in the bottom 40% of household incomes.

The before housing income cut-off for low-income waged households was calculated at $710 per week for a single person household ($750 in 2019 numbers). Subtracting housing costs, the after-housing income cut-off was $584 per week for a single person low-income waged household ($617 in 2019 numbers). All households earning below the corresponding cut-off for their household type **and** having wages and salaries as their main source of income are included in the low-income waged household cohort.[39]

Again, all these lines and cut-offs are somewhat arbitrary, and a household whose income falls one side of the line could be struggling with cost of living at the same level or perhaps to a greater extent than a household on the other side. Nonetheless, this taxonomy adopted here does allow for comparisons and analysis of differences between four groups:

- Waged poor households;
- Income support poverty households (i.e. those mainly reliant on government payments);[40]
- Low-income waged households; and
- Average households (being the average of all Australian households)

[39] Refer to Appendix 2 for an outline of the full methodology.

[40] Our methodology differs from Payne's AIFS study cited above in that that study compared working poor with the average of all households in poverty (including working poor households). While both methods are valid, our approach better highlights differences between cohorts and is more amenable to developing specific energy policy directed at the working poor.

Chapter 3 compares the demographic characteristics and energy expenditure patterns of these different household types, but the graph below shows a comparison of incomes for these groups as well as providing a broader context of designated incomes.[41]

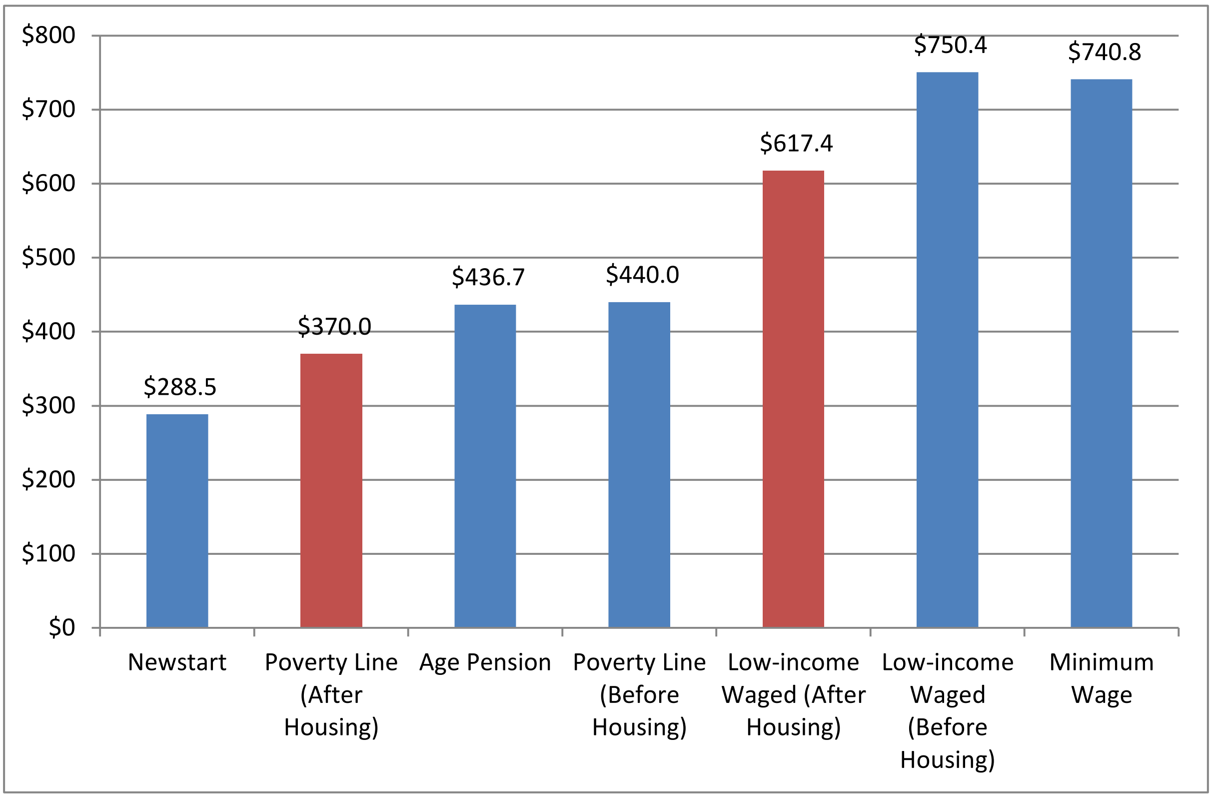

Figure 2: Comparison of weekly income levels, equivalised household incomes, single person, 2019

Note: Minimum wage represents the federal minimum wage for a 38-hour work week, before tax. Newstart and age pension benefits represent base-rates with no supplements and allowances. 2019 numbers calculated using the ABS CPI Inflation Calculator, adjusting from June 2016 to June 2019.

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41 Figures have been adjusted to 2019 dollars and therefore are slightly different to the income cut-offs used in the analysis.

3. The Waged Poor in Numbers

Prevalence of the Waged Poor and Low-Income Waged Households

As noted above, Payne defined the "working poor" as households that are below the poverty line (set at 50% of the median equivalised disposable income), where at least one person is employed either part-time or full-time.[42] Using this definition, that study found 390,000 working poor Australians in 2005-06. This figure represented 2.7% of all Australians, 18% of all Australians in poverty, and 135,000 working poor households.[43]

Of these 135,000 households, 48% had one part-time employee, 28% had two employees (with at least one part-time), and 24% had one full-time employee. The authors suggested that the "one part-time employee" group is likely to consist of:

> … people who are in situations that might make it difficult for them to work longer hours, such as sole parents, full-time students, people who are having difficulty finding more substantial work opportunities or those who are prevented from working longer hours due to disability or illnesses. In many of these circumstances, the household's earned income would be supplemented by government benefits; however the combination is not necessarily enough to exceed the poverty line.[44]

The AIFS study also presented data for an alternative definition based on the main source of income and found a working poor population of 264,000 or 2% of all persons. The figures are more directly comparable to the methodology used in this report, but significantly below the figures in our analysis – although of course Payne's figures relate to 2005-06.

By contrast, the ACOSS/UNSW 2018 Poverty Report utilises 2015-16 data, but contains a higher estimate of waged poverty, suggesting that 37.8% of all households below the poverty line have wages as their main source of income – equating to 967,900 people.[45] The methodology in our analysis closely mirrors that in the ACOSS/UNSW report, but the dataset was different (ACOSS used the Survey of Income and Housing (SIH), we used HES).[46]

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42 A Payne, *Working poor in Australia: An analysis among households in which a member is employed*, March 2009, https://aifs.gov.au/publications/family-matters/issue-81/working-poor-australia

43 Using SACOSS' alternative definition, where the working poor derive their main source of income from wages and salaries, the study calculated a rate of poverty of 2% of all persons (or 264,000 Australians). In this report, data is not presented for households under the alternate definition.

44 Ibid, p. 19

45 ACOSS and UNSW, *Poverty in Australia* 2018, October 2018, https://www.acoss.org.au/wp-content/uploads/2018/10/ACOSS_Poverty-in-Australia-Report_Web-Final.pdf, p. 27.

46 The SIH dataset is bigger, but we used the HES dataset for this analysis due to the availability of detailed household expenditure and financial stress data which were not in the SIH.

In the broadest terms – and leaving aside differences in methodology and dates, the SACOSS estimates below are higher than those in the AIFS study but lower than in the ACOSS/UNSW study.

SACOSS Data

SACOSS' data analysis shows that in 2015-16, there were 249,818 households in Australia (3.2% of all households[47]) who were living below the poverty line with wages and salaries as the main source of household income. The waged poor households represented an estimated 685,744 individuals or 3.5% of the population.

Approximately one quarter of residents of waged poor households were children (177,481 children), and there was slightly more men than women in waged poor households (344,292 men; 341,451 women). This is an interesting finding as typically, women are more likely to live in households below the poverty line compared to men.[48] The difference is probably in part due to the much higher representation of single parent households (predominantly women) in the income-support poverty cohort, while the waged poor households are much more likely to be couples (see discussion in the next section below).

In addition to the waged poor households, there were another 801,985 low-income waged households who were above the poverty line but still in the bottom two income quintiles (10.4% of all households). These low-income waged households accounted for 2,468,853 individuals (1,257,231 women; 1,211,622 men), with over a quarter of those people being children (706,046).

In total, the waged poor and low-income waged households constituted 1,051,804 households (or 3,154,596 individuals). This accounted for 13.6% of all households, and just over a third of households in the bottom two income quintiles.

The various income cohorts, and where the waged poor and low-income waged households fit, are depicted in the conceptual diagram in Figure 3 below. The percentages shown in the brackets depict the share of all households in the sample.

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47 The 3.2% of all households here (and all the percentages shown here) are in fact the percentage of the households weighted and sampled in the analysis i.e. after removing households with zero and negative incomes and self-employment as the main source of income. The analytical sample was 86% of all households in Australia, so technically the 249,818 households represent 2.8% (not 3.2%) of all households, but for reasons of consistency (both with other studies and within the methodology) we present the data in relation to the weighted sample from which it was derived.

48 For example, ACOSS and UNSW, *Poverty in Australia 2018*, October 2018, https://www.acoss.org.au/wp-content/uploads/2018/10/ACOSS_Poverty-in-Australia-Report_Web-Final.pdf, p. 42

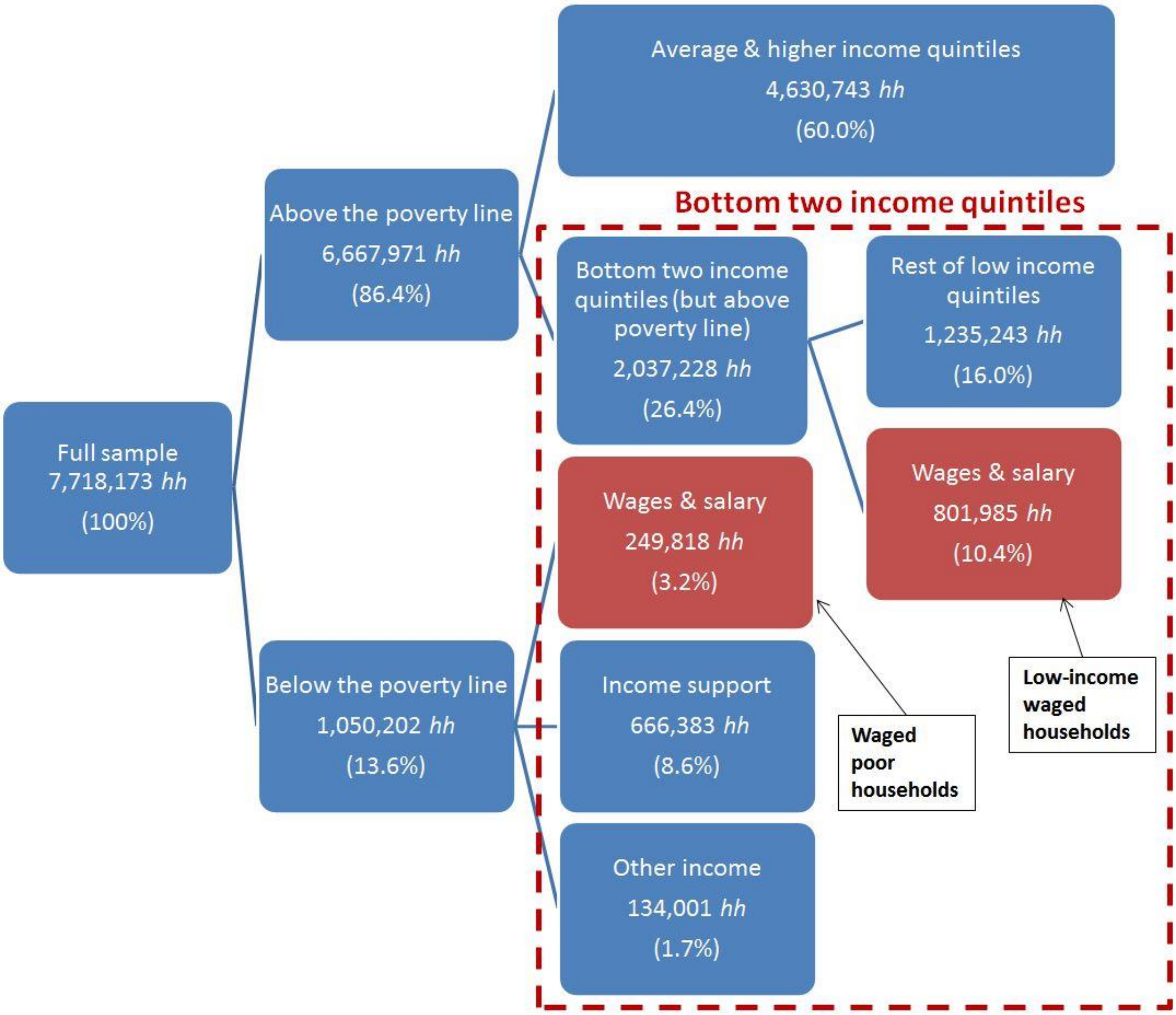

Figure 3: Conceptual diagram of income groups by main source of income

Household Composition

Again, Payne's study provides a good analysis of the composition of waged poor households, and compared those household characteristics with the broader poverty cohort finding significant differences between the two. As evident in Figure 4[49] from Payne's study, couples comprise about half of the general poverty cohort, but 80% of working poor households, and inversely, single adult households are a much greater proportion of the general poverty cohort than of the working poor cohort.

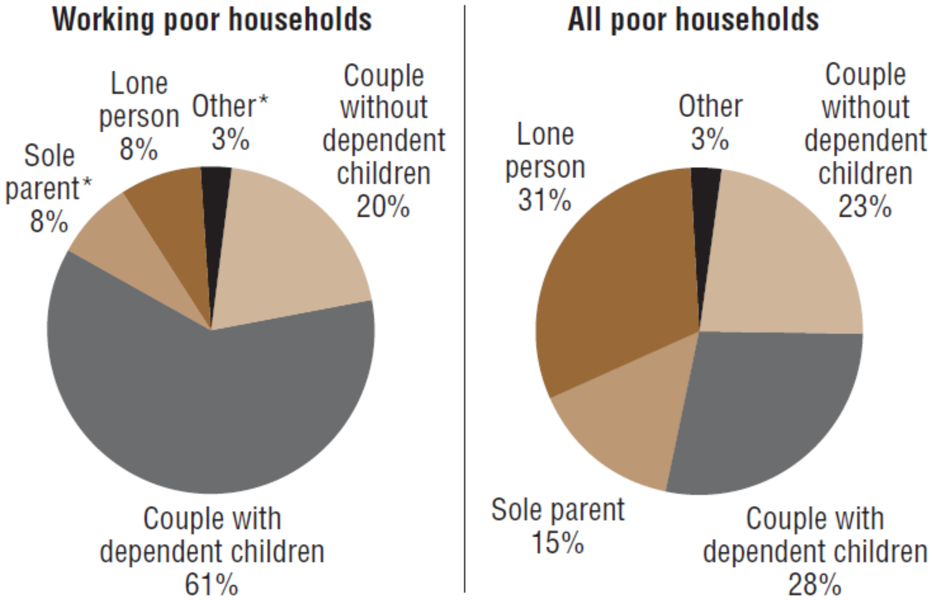

Figure 4: Household type of persons in working poor households and all households, 2005-2006

SACOSS Data

The SACOSS analysis of the 2015-16 ABS HES data revealed similar patterns of household composition, but with a significant difference in the waged poor. By comparison with the Payne study, the SACOSS data shows a far lower proportion of waged poor households (35%) being couples with dependent children, while the proportion of single person households was much higher (25%). The differences may be due to changes over time, but more likely arise from the different definition of working/waged poor used in the studies – but in both cases there is an over-representation of couples with dependent children among the waged poor.

[49] The asterisk in Figure 4 and 6 denotes fewer than 30 households in the unweighted sample, suggesting that these results should be treated with caution due to small sample size

The SACOSS data is shown in Figure 5, with the towers on the left showing the over-representation of couples with children among the waged poor, but an even greater over-representation among low-income waged households by comparison with the population generally, and particularly by comparison with other poor households (which are significantly more likely to be single person households).

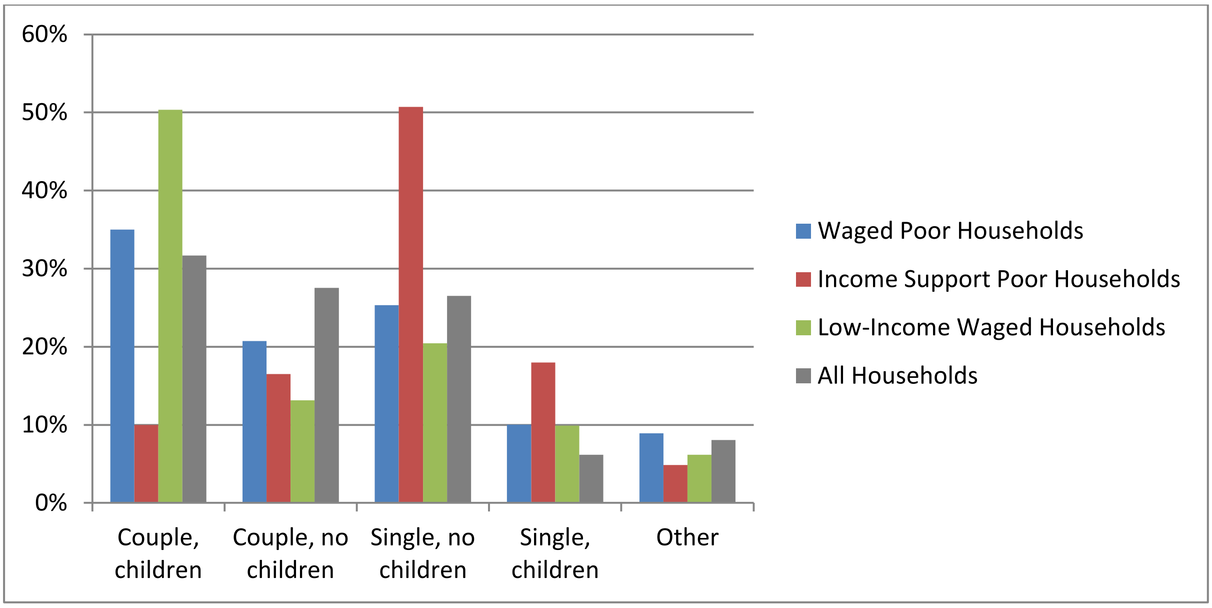

Figure 5: Household composition of different household groups, 2015-16

The proportion and over-representation of couples with children among waged poor and low-income waged households is perhaps the most striking feature of the household composition data. It is also consistent with other, non-ABS data from AGL which identified the 'family formation group' as a cohort experiencing high levels of energy-related stress. These households were characterised by the head of the household aged 30 – 49, with young children on average to low-incomes, high mortgage/housing costs, and high energy usage. [50]

However, the ABS data also shows that, although a smaller number of households overall, single parent households were also significantly over-represented in the waged poor cohort, the low-income waged cohort and most particularly, among poor households reliant on government income support. ACOSS has long highlighted the prevalence of single parents in poverty,[51] and the 18% of single parent households in the income support poverty cohort

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50 P Simshauser and T Nelson , 'The energy market death spiral – rethinking customer hardship', *AGL Energy Ltd*, June 2012, http://aglblog.com.au/wp-content/uploads/2012/07/ No-31-Death-Spiral1.pdf

51 P Davidson, P Saunders, B Bradbury, and M Wong, *Poverty in Australia*, July 2018, https://www.acoss.org.au/wp-content/uploads/2018/10/ACOSS_Poverty-in-Australia-Report_Web-Final.pdf

and 10% among waged poor households speaks to the difficulties of obtaining a well-paid job as a single parent. Indeed, the *rate* of over-representation of single parent households among waged poor and low-income waged households is greater than the over-representation of couples with children (1.6 times the population share for single parents; 1.1 times population share for couples with children).

With all that said, if we combine the categories to look at all households with children, 45% of waged poor households and 60% of low-wage households have children (both above the 38% population share). This again underlines the importance of the family formation cohort in discussion of waged poor and low-income waged households.

Employment and Benefits

Unsurprisingly, the main source of income for working poor households in Payne's study was wages and salaries (68% of all working poor households) compared to government benefits being the main source of income for all poor households. This was obviously very different to the general poverty cohort, which was dominated by households mainly reliant on government benefits. However, it is interesting that, with Payne's definition of working poor households simply having at least one person in paid work, the main source of income for 29% of working poor households was still government benefits – despite having a person in work (see Figure 6 from Payne's study).

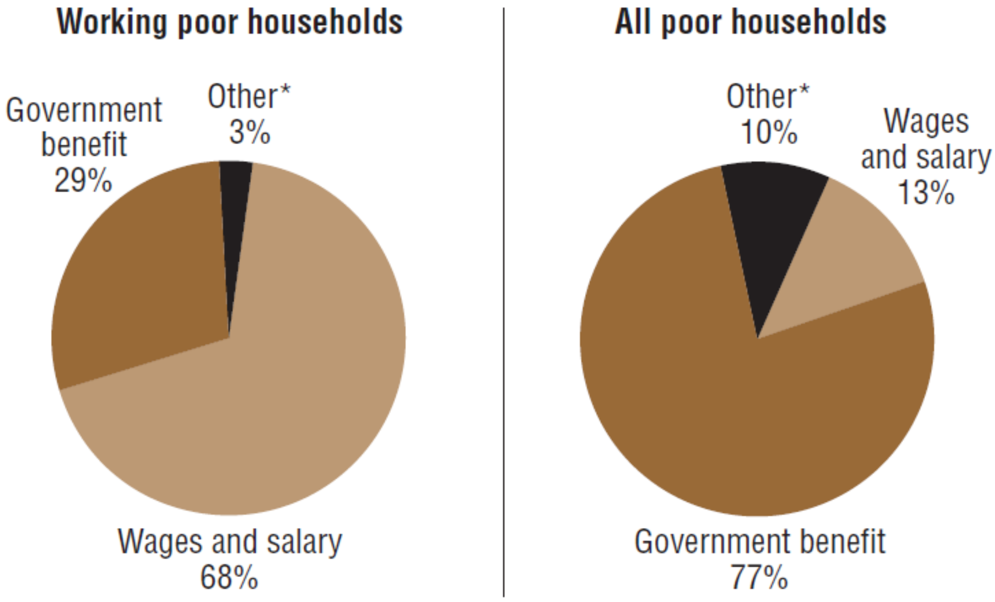

Figure 6: Main source of income for working poor households and all households, 2005-2006

SACOSS Data

Because of the different definition used, the SACOSS data is not comparable to Payne's – in the SACOSS data the major source of income for *all* waged poor households is wages and salaries (as opposed to Payne's 68% of households).

In terms of the number of employed individuals within each household, waged poor and low-income waged households were twice as likely to have just one employed household member, compared to households in poverty and the general population (second set of columns in Figure 7 below). In part, this is a function of how these groups were defined (main source of income being wages and salary), with the majority of the income support poverty group (92.6%) having no employed persons in the household, as to be expected.

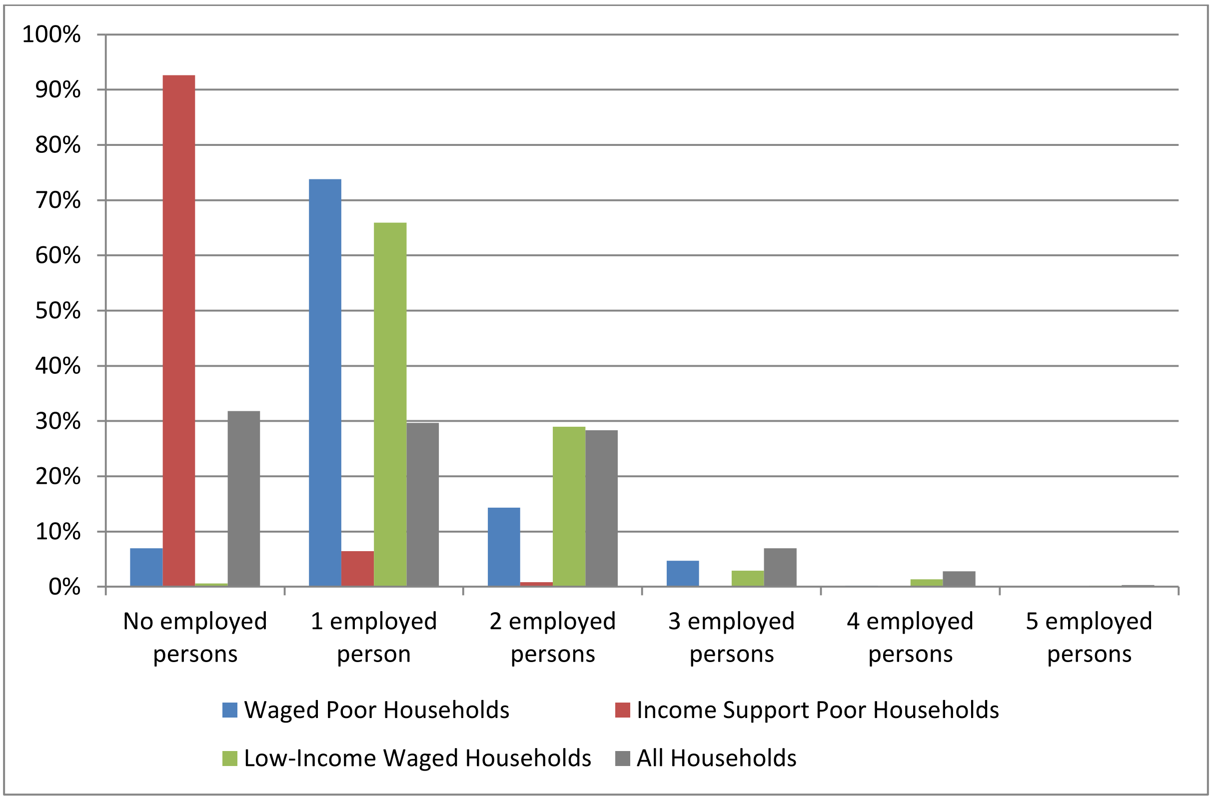

Figure 7: Number of employed persons per household, 2015-16

Note: The small proportion of waged poor with no employed persons is a statistical anomaly which may come from misreporting, or timing issues where they received a wage during survey period but were not employed in that period.

Unfortunately, the HES dataset does not disaggregate by type of employment (e.g. full-time, part-time, casual), but using the Survey of Income and Housing, the ACOSS/UNSW report suggests that 25.9% of those in poverty were employed full-time, and 13.4% part-time.[52] The significant numbers of people working full-time but still being below the poverty line again probably reflects the family formation profile of low-income and a large(r) family composition.

For many waged poor and low-income waged households there is also an important interaction of wages and income support payments. Figure 8 below shows that 44% of waged poor households had at least one pension or benefit recipient[53] in the household, but

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52 ACOSS and UNSW, *Poverty in Australia 2018*, October 2018, https://www.acoss.org.au/wp-content/uploads/2018/10/ACOSS_Poverty-in-Australia-Report_Web-Final.pdf, p. 27.

53 The ABS 'pension or benefit recipient' category comprises all income support payments from government under social security and related programs and includes: age pensions, disability and carer payments, unemployment and study payments, family support payments, and veterans payments

almost a half (48.5%) did not have any income support recipients in the household at all. However, most households in the waged poor sample and low-income waged cohorts should have been eligible for either Newstart or Family Tax Benefit payments based on government income limits for those payments. This suggests that many waged poor households were not supplementing their wages and salary with government pension and benefits and are falling through the gaps of the welfare safety net.

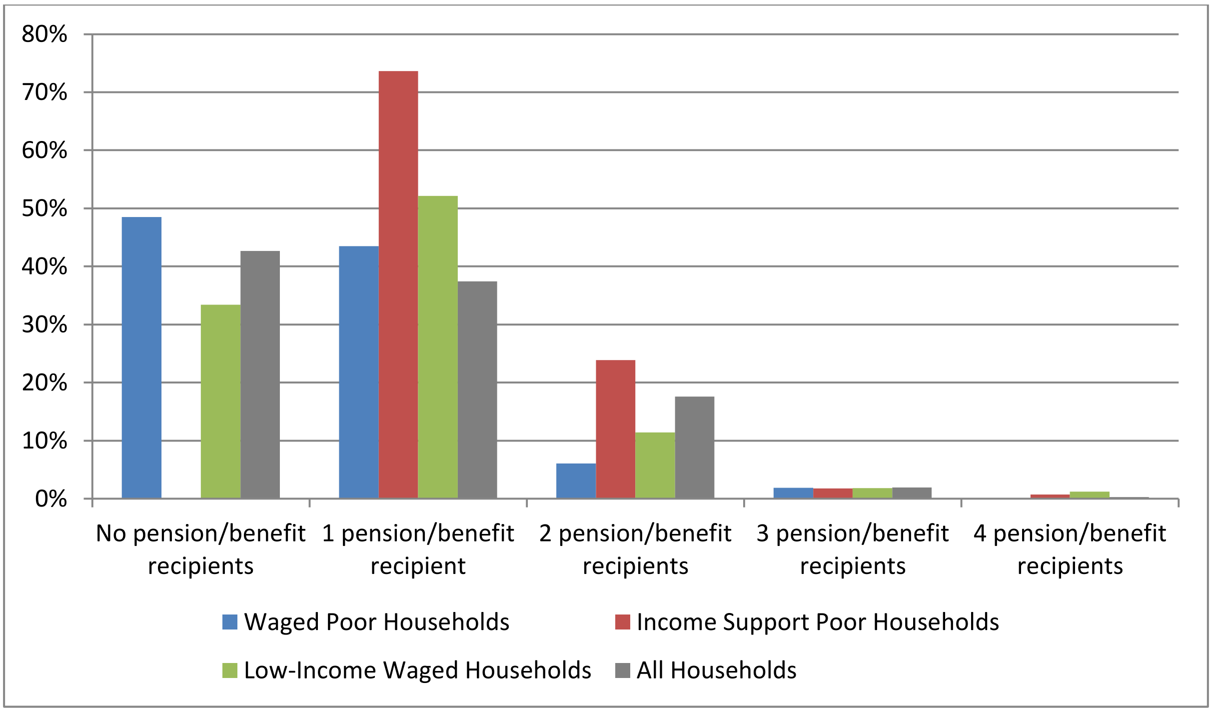

Figure 8: Number of pension/benefit recipients by household, 2015-16

Further, our findings have implications for the energy concession eligibility in South Australia, which requires the receipt of an eligible concession card or an eligible Centrelink payment.[54] Newstart is an eligible payment, but the income cap for someone on Newstart with children to still be in receipt of Newstart in July 2019 was $29,813 p.a, well below the poverty line of around $36,000 (for a single parent with 2 children). Such a family with a wage income of $30,000 p.a. would not be on Newstart, but would be entitled to Family Tax Benefit (FTB). However, FTB is not one of the Centrelink allowances triggering eligibility for an SA energy concession. This gap of family formation households in receipt of FTB not

[54] Government of South Australia, *Are you eligible for a concession?*, July 2019, https://www.sa.gov.au/__data/assets/pdf_file/0007/15847/DHS-1241-CONC_Are-You-Eligible_Brochure.pdf

being eligible for energy concessions has been previously identified by Simshauser and Nelson[55], as well as Deloitte.[56]

But the situation is a bit more complicated. FTB recipients with incomes up to just over $50,000 (depending on number of children) are in fact entitled to receive a Health Care Card (Low-income) which would qualify them for an energy concession from the South Australian Government. However, this is a separate application process and is confused by the automatic issuing of a Health Care Card – FTB, which does not qualify them for an energy concession with the SA Government. Further, anecdotal evidence from our Community Sector Workshop conducted for this study suggested that Centrelink tends to advise people that they don't need this low-income card because they already have a Health Care Card.

A full mapping of how the income support payment limits relate to incomes of waged poor households is beyond the scope of this report, but SACOSS' analysis of the ABS data shows that only 30% of the waged poor have a Health Care Card, so again there is a strong suggestion that many in this cohort are missing out on energy concessions. This finding fits in with previous research that suggests customers may be missing out on support where initiatives rely on simple eligibility criteria such as holding low-income concession cards. As KPMG note in their recent analysis into the costs of customers experiencing payment difficulties,

> All jurisdictions and the Commonwealth Government have concession schemes in place to help customers pay their electricity bills… Eligibility for these schemes is not directly based on the customer's ability to pay their energy bills. Rather, to be eligible for many of these schemes, customers must hold a valid concession card. The type of card required differs between jurisdictions. Consequently, the availability and level of assistance that a customer may access from the relevant government will depend on the jurisdiction in which they live.[57]

Given that a significant number of our waged poor cohort are family households with children, we will look to address these gaps further in our recommendations section.

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55 P Simshauser and T Nelson , 'The energy market death spiral – rethinking customer hardship', *AGL Energy Ltd*, June 2012, http://aglblog.com.au/wp-content/uploads/2012/07/ No-31-Death-Spiral1.pdf

56 Deloitte, *Improving energy concessions and hardship payments policies: Report for Energy Supply Association of Australia*, February 2013, http://www.energymining.sa.gov.au/__data/assets/pdf_file/0020/315470/REES-directions-paper-esaa.pdf

57 KPMG, *Quantifying the costs of customers experiencing difficulties in paying energy bills*, November 2016, http://energyconsumersaustralia.com.au/wp-content/uploads/KPMG-ECA_Estimating_costs_associated_with_payment_difficulties_and_disconnections_October_2016.pdf.pdf, p. 5

Housing Tenure

The majority of both waged poor and low-income waged households were renters. This was most pronounced in relation to the waged poor households where nearly two-thirds were renters, approximately twice the share of renters in the general population but at a similar level to other households in poverty.

Only 8% of waged poor and 10% of low-wage households owned their own home outright, which means that around 90% of those households were either renting or paying a mortgage, again reflecting the "family formation" cohort of lower income families with children, with the adults early in their working lives.

These tenure statistics showing the over-representation of renters in both waged poor and low-income waged cohorts is significant because renters tend to have far fewer options to control energy costs – a theme that will be discussed later.

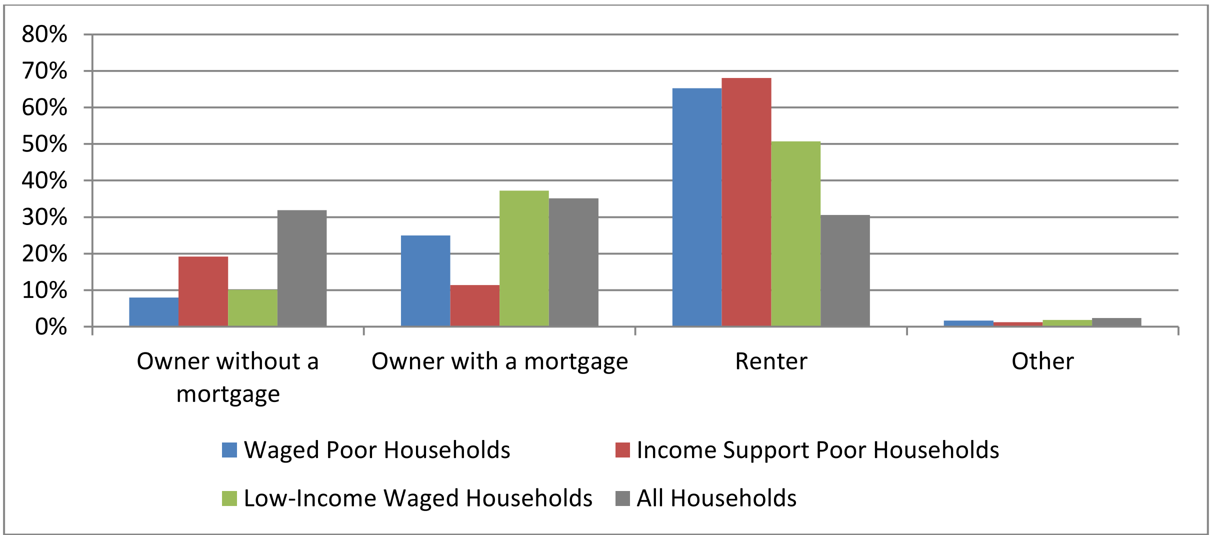

Figure 9: Housing tenure by different household groups, 2015-16

There is however a caveat on the data in this analysis.

The very low rates among waged poor people of home ownership *without* a mortgage, both as a proportion of all waged poor households and by comparison to home ownership rates in the general population, is in part due to the use of the after-housing income measure. There may be home owners with very low (waged) incomes, but without rent or mortgage costs, their after-housing income may be too high for the cut-offs for this study – even though their actual incomes may be below some households in the study with higher rent/mortgage costs. Their absence from the sample may therefore bring the proportion of waged poor home owners down in our sample.

However, while important to note, the impacts on the data will be at the margins and would not disturb the overall dominance of renters (and to a lesser extent, mortgagees) among waged poor and low-income waged households.

Geography

The geographic location and spread of waged poor households is easy to identify from ABS data, but the actual data is not particularly revealing. One-third of waged poor households were in New South Wales, one-quarter were in Victoria, and 8.2% were from South Australia, but these distributions were broadly in line with the population share (the fourth column in Figure 10 below).

The major discrepancies were in Western Australia and to a lesser extent the ACT where there was an overrepresentation of waged poor. This may be due to relatively high housing costs bringing more households under the after housing poverty line, but this is speculative and would not explain the results in other high-housing cost jurisdictions like NSW and Victoria.

At the other end, in Queensland and Tasmania, low-income waged households were under-represented by comparison with the general population share. In the case of Queensland, this is balanced by the over-representation of low-income waged households, so it could be an anomaly of a greater proportion of households just above the poverty line. In Tasmania's case, the under-representation of waged poor may be a product of genuine demographic differences or simply greater statistical uncertainty due to small numbers. Again, further analysis would be needed to be more certain.

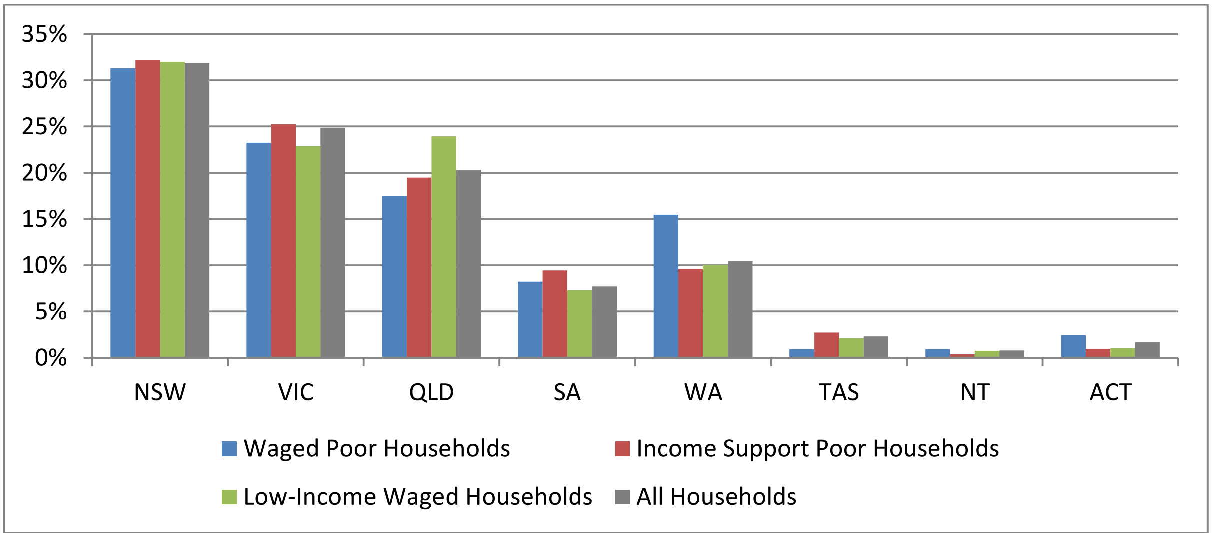

Figure 10: State/Territory of residence by different household groups, 2015-16

In terms of area of usual residence, 68% of waged poor households were in greater capital city area, compared to 32% located within the rest of state (Figure 11). These distributions are broadly in line with what is observed for low-income waged households and across the general population. The proportion of waged poor households is slightly higher in the capital cities and lower in the rest of the state. Again, this is possibly a statistical artefact, reflecting

the higher capital city housing costs in the after-housing poverty lines (meaning more capital city households will be dragged below the poverty line by higher housing costs).

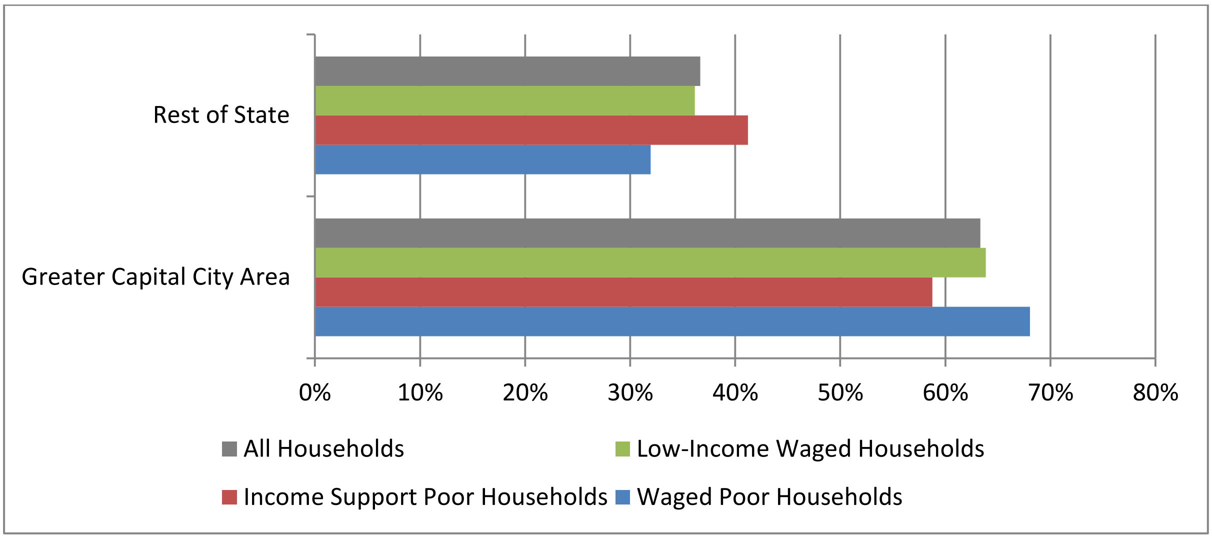

Figure 11: Usual area of residence by different household groups, 2015-16

There is a further caveat in that, as SACOSS' submission to the SA Parliamentary Committee on Poverty noted, using national poverty lines to derive poverty estimates at a state level has problems given income differences between states.[58] National poverty lines tend to exaggerate the numbers of households below 50% median income in states with lower average incomes, while underestimating the poverty rates in higher income states. The same issue occurs in the capital-city/rest-of-state split as incomes outside of metropolitan areas are considerably lower than the capital (and the overall average). In both cases, if we take poverty to be 50% of median income, the question is "median income where"? There are, however, significant problems with sub-national poverty lines and for the sake of simplicity and consistency with other studies we have chosen not to calculate separate state-based poverty lines.

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[58] SACOSS, *Submission to the Legislative Council of South Australia Select Committee on Poverty in South Australia*, August 2018, https://www.sacoss.org.au/sites/default/files/public/documents/Submissions/180809%20SACOSS%20Submission%20to%20Select%20Committee%20on%20Poverty.pdf, p. 11-12

Household Income

Table 2 shows the median household disposable incomes for all the relevant cohorts in this study, both before and after housing costs. The depth of poverty experienced by waged poor households is evident in the bottom line: at $216.94, the equivalised after housing median income for the waged poor was $133 a week below the after housing poverty line for a single person household (in 2015-16 $) (see Table 2).

Table 2: Median Household Disposable Income, 2015-16

	Waged Poor Cohort **$pw**	**Income Support Poverty Cohort** **$pw**	**Low-income Waged Households** **$pw**	**All Households** **$pw**
Before Housing Costs	$754.14	$519.67	$1,192.06	$1,384.69
Equivalised Before Housing Costs	$438.48	$383.04	$654.75	$832.38
After Housing Costs	$390.27	$329.23	$891.25	$1,151.23
Equivalised After Housing Costs	$216.94	$239.39	$479.60	$699.99

Again, in the above figures the impact of housing costs is clear to see (and in this case housing costs does include total mortgage repayments). Before housing costs, the median income of waged poor households is in fact greater than half of the average of all households (i.e. above the poverty line), but when housing costs are taken into account waged poor income falls to around one-third that of all households (or about two-thirds of the poverty line).

Further, while there is a considerable difference in the before housing median income between the waged poor and those in poverty relying on income support, much of this disappears when housing costs are taken into account (the $234 difference before housing, come down to $61 after housing). Indeed, because of the bigger average household size among waged poor households, when equivalised, *waged poor households actually have lower after housing incomes than those on income support*. This finding underlines the importance of considering the waged poor as a separate category when examining other affordability issues, such as energy.

Household Expenditure

In the broadest terms, household expenditure for waged poor and low-income waged households reflect many of the expenditure patterns of the rest of population with housing, food and transport being the three biggest areas of expenditure. However, there are also significant differences in the expenditure patterns of the various groups.

As evident in Figure 12 below, housing costs accounted for nearly a third of household expenditure for waged poor households (30.4%) and the income support poverty group (31.7%). The figure for low-income waged households was slightly lower (27.2%), but for all three cohorts it was a much greater proportion than the general population (19.4%) – probably reflecting both income differences and the greater prevalence of non-mortgagee homeowners in the general population. There is also a further statistical caveat in that these are current housing costs and do not include the repayment of capital costs in mortgages (which is a form of forced saving/investment, rather than a current cost). This means that the day to day housing costs are higher than recorded for mortgagees, and therefore under-represented in cohorts with greater number of mortgagees.

Another key difference in household expenditure between the various cohorts is that waged poor households spend a greater proportion of their household budget on education and medical and health expenses than any other cohort. Again, this may reflect the prevalence of the "family formation cohort" within the waged poor households and the privileging of the needs of the children, but the medical expenses picture may also reflect different access to medical concessions (again noting that only 30% of waged poor households had a Health Care Card).

By comparison to the general population, transport, recreation and miscellaneous goods and services accounted for less of the budget for both waged poor and low-wage households, which probably reflects those on low-incomes "going without" discretionary expenditures such as activities (e.g. holidays, sporting, health, fitness, cultural events and subscriptions) as well as recreational equipment (e.g. electronic 'gadgets', televisions, computers). The differences in transport expenditure may in part be due to not "going-out" as much because of costs, but also to the cost of motor vehicle purchase and relatedly vehicle insurance (more expensive motor vehicles means more expensive insurance costs, and additionally some on lower incomes may forgo insurance costs altogether).

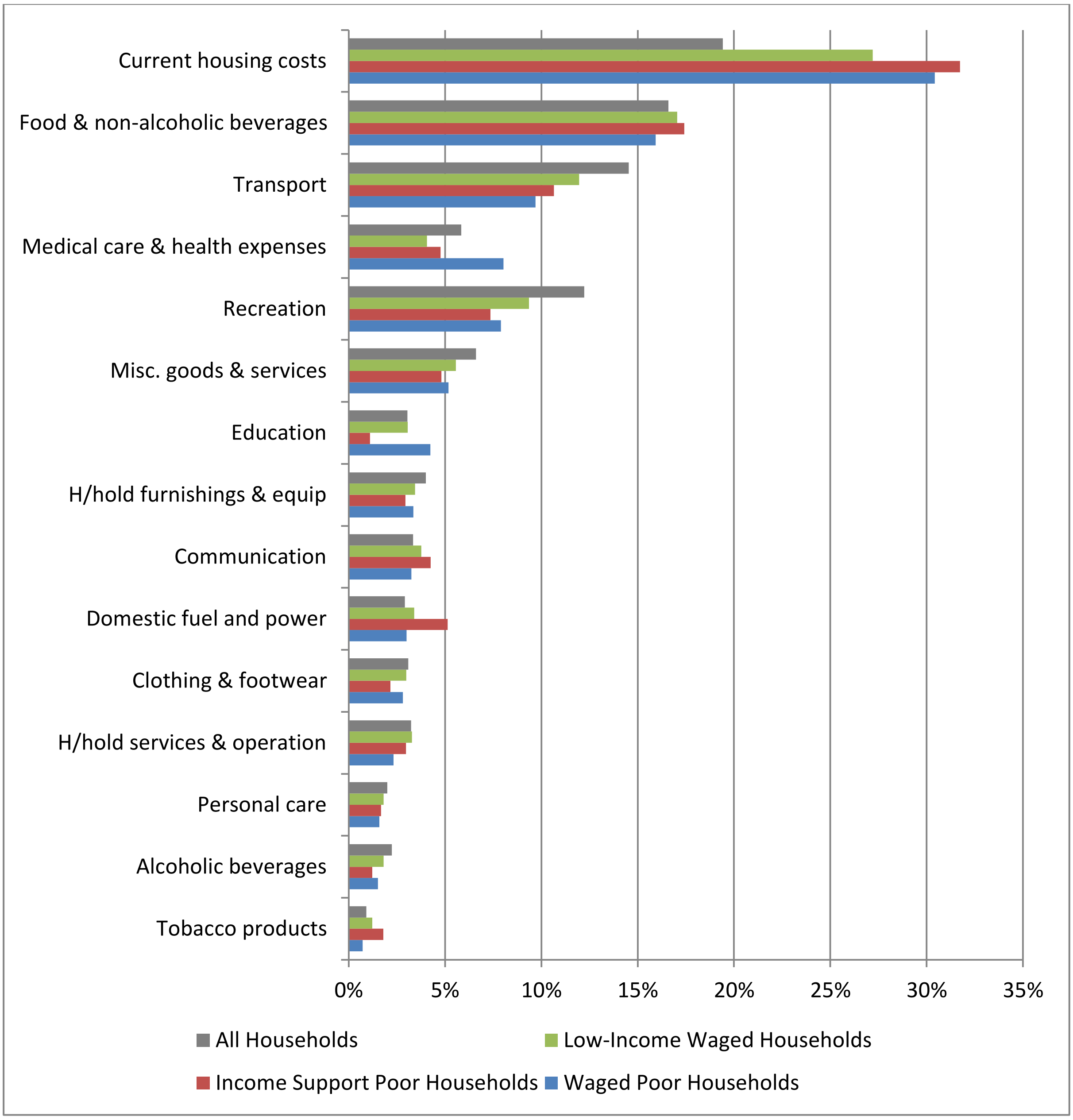

Figure 12: Proportion of weekly household expenditure on goods and services, 2015-16

The intricacies of how all of these expenditure categories interact for waged poor and low-income waged households, and how they relate to energy costs, will be explored in more depth in the analysis of the qualitative interviews. However, there are also key differences in expenditure on energy which are explored below.

Energy Expenditure - literature

Almost every study of income and energy costs show that energy expenditure is highly regressive, that is; those on the lowest incomes spend proportionately more of their household income on energy than those on higher incomes. The extent of this regressive pattern is evident in Figure 13, which is derived from the 2015-16 HES.

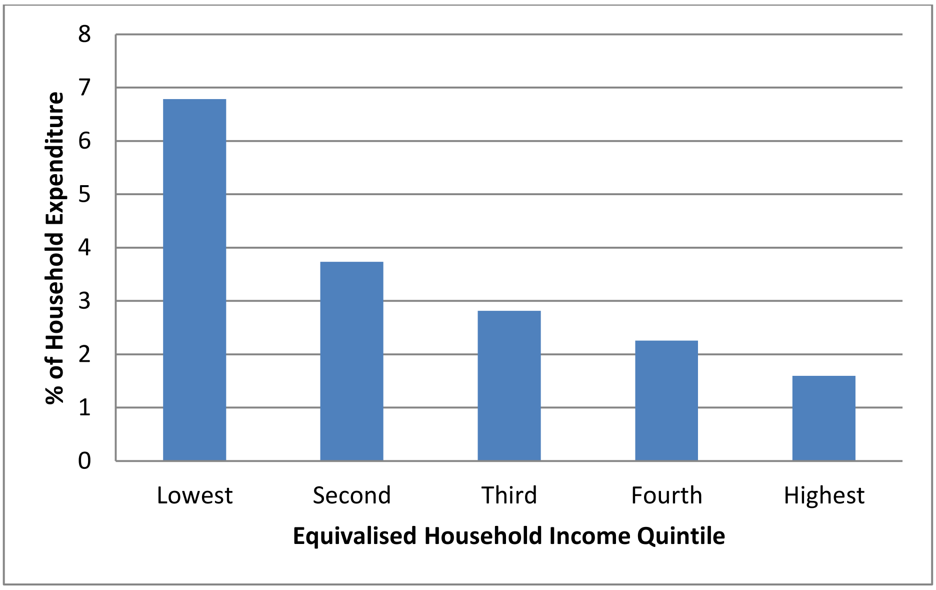

Figure 13: Average Energy Expenditure as percent of Median Disposable Income

However, the relationship between energy expenditure and income may not be that straight-forward. As noted in research by AGL, the use of averages in relation to energy consumption can be misleading given the diverse nature of energy usage and income.[59] For example, energy expenditure differs between solar and non-solar households, and dual-fuel and electricity-only households. This evidence is supported by a recent study commissioned by ACOSS and the Brotherhood of St Laurence (BSL) which reported a high degree of variability in energy expenditure across income quintiles. [60]

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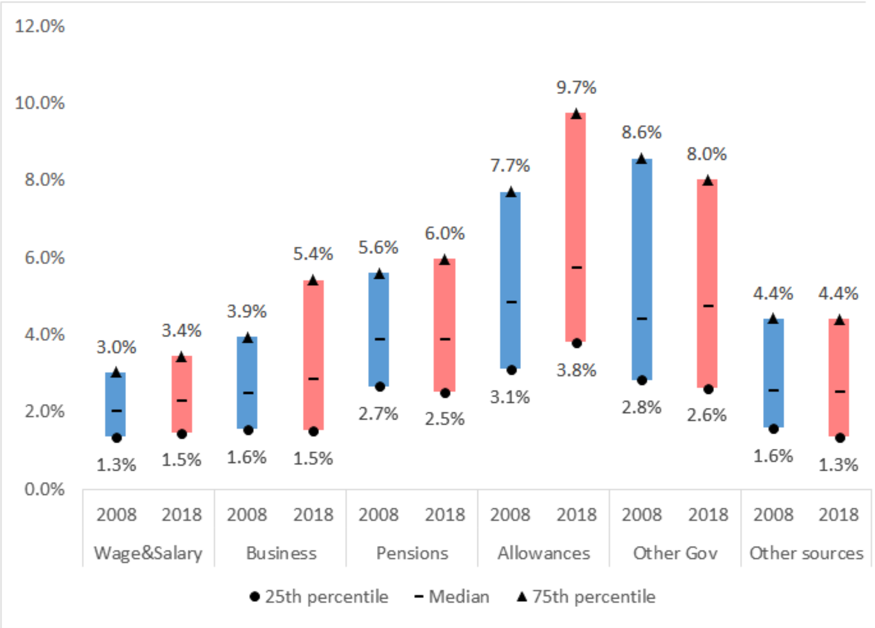
[59] T Nelson, E McCracken-Hewson, G Sundstrom and M Hawthorne, *The drivers of energy-related financial hardship in Australia – understanding the role of income, consumption and housing*, October 2018, https://www.sciencedirect.com/science/article/pii/S0301421518306621?dgcid=author

[60] ACOSS and BSL, *Who is experiencing energy stress?*, October 2018, http://library.bsl.org.au/jspui/bitstream/1/10896/1/ACOSS_BSL_Energy_stressed_in_Australia_Oct2018.pdf



The graph shows the percentage of energy expenditure for the middle range of different income groups. Within each group, the top of the column is the 75th percentile, the dash is the middle, and the bottom of the graph is the 25th percentile. This graph shows over 25% of those on allowances spend over 9.7% of their income on energy.

Source: Philips 2018

Figure 14: Percentile distribution for energy expenditure as a percentage share of income

These are important critiques of and caveats on any analysis of household energy expenditure within or between cohorts – a point which will be taken up again in the qualitative interviews in this project.

The ACOSS/BSL report also examined energy expenditure by main source of income and found that one in four Australian households whose main source of income is wages and salary were spending more than 3.4% on energy (gas or electricity) in 2018, compared to one in four households receiving government allowances as their main source of income spending more than 9.7% on energy.[61] However, these were for those cohorts as a whole and the ACOSS/BSL study did not map the source of income with income levels – which is the gap that this report attempts to fill.

This Study

SACOSS found that on average, waged poor households spent $39.00 on domestic fuel and power per week in 2015-16, the equivalent of $41.22 in 2019 dollars. This represents 5.5% of household disposable income, significantly above the average for all households – a fact which is unsurprising given the regressive nature of energy expenditure noted above. However, as can be seen in Figure 15, the waged poor expenditure is different from those in poverty on income support. This difference is due to the waged poor spending slightly more on average on energy, though it accounted for less of their weekly budget.

61 Ibid.

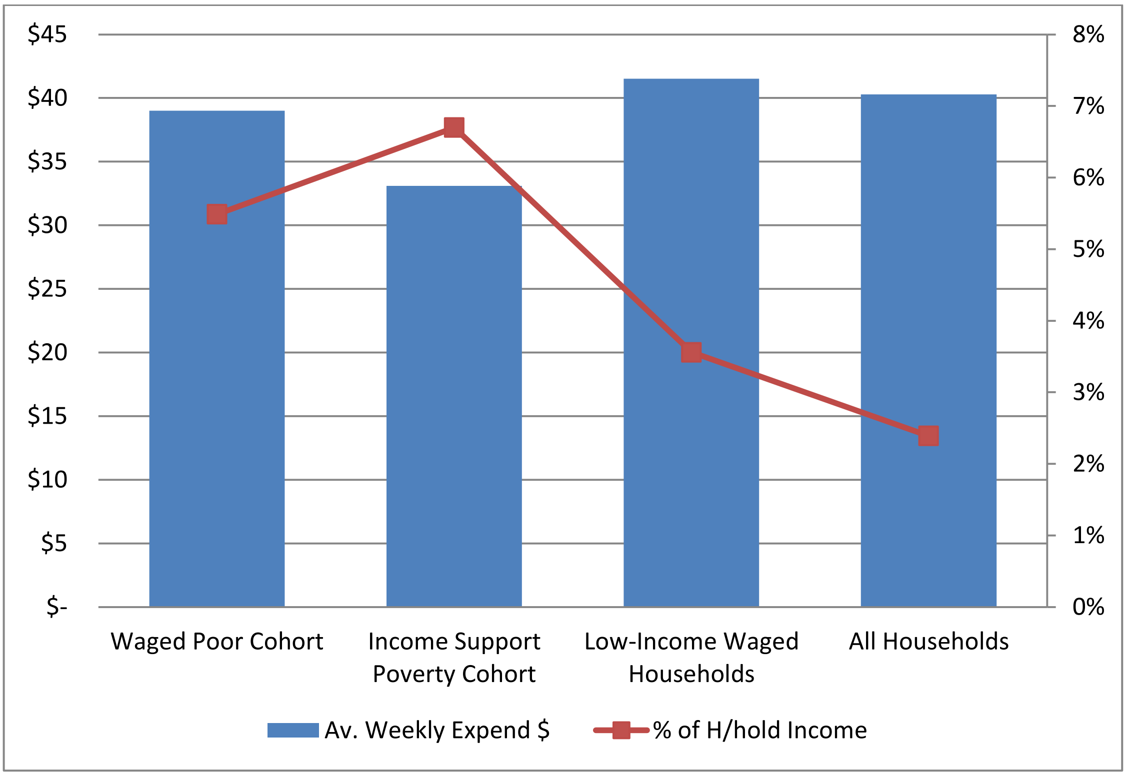


Figure 15: Energy expenditure by household group, Australia, 2015-16

Beyond the anticipated regressive expenditure pattern of energy as a proportion of household expenditure, what is striking in Figure 15 is that the actual expenditure is not very different across all cohorts (with the partial exception of those reliant on income support).[62] Energy expenditure for the waged poor, low-income waged households and the average household are within $3 of each other – despite the big difference in average income. This speaks to a high level of income inelasticity of demand, that is, energy demand does not respond greatly to changes in income. This is perhaps partly due to the fixed supply charge component of energy, but also potentially because most of the usage, while essential, is not an end in itself. It is not something that one would buy more of with more money.

There is however another factor besides income inelasticity which underpins the above data: household size. Poor households reliant on income support tended to be smaller in

[62] There is, however, one caveat here in that the data does not take account of different household fuel sources (e.g. electricity only, electricity-gas dual fuel, solar/non-solar) and the interplay between this and the household energy expenditures in the different groups. This could mean the situation for individual households within these cohorts is very different than the average, although it would only change the overall outcomes where there were substantial differences in fuel sources between the different groups.

size (average 1.9 people per household), while waged poor (2.7 persons) and low-income waged households (3.1 persons) tended to be larger than the average household (2.5 persons). Obviously, more people per household increases energy consumption, so while richer households may have more energy-using appliances, waged poor and low-income waged households have more people using electricity – again evening out expenditure. The difference in household size also goes a long way to explaining the lower expenditure of income-support poor households, as evident in Table 3 below which adjusts expenditure for household size.

Table 3: Equivalised Energy Expenditures, 2015-16

	Av. Weekly Expend $
Waged Poor Cohort	$23.21
Income Support Poverty Cohort	$24.33
Low-income Waged Households	$22.93
All Households	$24.71

The energy-use dynamics of larger "family formation" households will be discussed further in Chapter 4, but the data here suggests that the interplay between income elasticity of demand and different household size underpins the relatively even energy expenditure across all cohorts. Against this flat expenditure, the income differences account for the regressive nature of that energy expenditure.

Financial Stress Indicators

Income and expenditure measures of energy poverty present just one aspect of financial hardship and do not consider the other ways in which households can struggle. As noted by McLachlan, Gilfillan and Gordon, such income and expenditure figures are partial measures taken at a point in time and may reflect temporary circumstances. The data does not take into account the resources that individuals and families are able to draw upon in times of financial hardship. The extent to which a household has access to savings, assets and/or support from friends and family all guard against the impacts of low-income. [63]

In the context of energy-related stress, simply looking at energy expenditure masks the different ways in which people can avoid or ration their energy usage in order to save money.[64] This includes behaviours such as going to bed early to avoid having to turn on the heater and limiting the use of heating and cooling to very hot or very cold days only.

Financial stress indicators represent an alternative or additional approach to understanding the *experience* of poverty and hardship. In Australia, these approaches tend to draw on ABS financial stress indicators, which relate to cash flow and financial resources needed to afford certain activities and essentials.[65] Both the Brotherhood of St Laurence and Nance have used such financial stress to supplement understandings of energy poverty and hardship, but as noted in the Introduction, they did not look specifically at waged poor and low-income working households.[66]

A different approach was used by Bourova, Ramsay and Ali in their recent work on financial hardship – defined as where a person takes on debt obligations under a contract, but then becomes unable to meet them when they fall due.[67] Using people in this situation as their sample, Bourova et al also studied drivers of financial hardship, the impact on households and the coping strategies adopted. They also segmented their sample by Centrelink

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63 R McLachlan, G Gilfillan, J Gordon, *Deep and persistent disadvantage in Australia: Productivity Commission staff working paper*, July 2013, http://library.bsl.org.au/jspui/bitstream/1/3521/1/Deep%20and%20Persistent%20Disadvantage%20in%20Australia_PC%20July2013.pdf, p. 36

64 VCOSS, *Battling on: Persistent energy hardship*, November 2018, https://vcoss.org.au/wp-content/uploads/2018/11/Persistent-Energy-Hardship-FINAL-Web-Single-Page.pdf

65 ABS, 6503.0 - *Household Expenditure Survey and Survey of Income and Housing, user guide*, Australia, 2015-16: Deprivation and financial stress indicators, November 2017, http://www.abs.gov.au/ausstats/abs@.nsf/Lookup/by%20Subject/6503.0~2015-16~Main%20Features~Deprivation%20and%20financial%20stress%20indicators~12

66 For example, A Nance, *Relative energy poverty in Australia*, November 2013, https://www.sacoss.org.au/sites/default/files/public/documents/Reports/131120_Relative_Energy_Poverty_in_Australia%20Report.pdf

67 E Bourova, I Ramsay and P Ali, "The Experience of Financial Hardship in Australia: Causes, Impacts and Coping Strategies", in *Journal of Consumer Policy*, Vol 42, No.2, 2019, pp 189-221.

recipients and those mainly reliant on wages, and they found that almost half of their waged sample who were in hardship had had trouble paying energy bills. However, their waged category was not restricted to low-income households and the median income was significantly higher than Centrelink households.

This Study

This study uses the ABS HES data which in 2015-16 had nine specific financial stress indicators, relating to whether over the past 12 months the household:

1. Spent more money than it gets;
2. Was unable to raise $2,000 in a week for something important;
3. Could not pay electricity, gas or telephone bills on time;
4. Could not pay car registration or insurance on time;
5. Pawned or sold something;
6. Went without meals;
7. Could not afford to heat their home;
8. Sought assistance from welfare/community organisations; and
9. Sought financial help from friends or family.

Indicators number 3 and 7 directly relate to energy expenditure, but since we know that people in financial stress are often forced to make trade-offs to manage money shortages (e.g. going without food in order to pay electricity bills on time) it is important to note that there is a degree of interrelation between all the financial stress indicators.

The financial stress indicators from the 2015-16 HES that are most relevant to energy and waged poor are shown in Figure 16.

Those in poverty and on income support were clearly most likely to struggle with paying utilities bills and heating their homes, and were most likely to seek help, but a significant proportion of waged poor and low-income waged households also struggled to pay bills (although they were more likely to be able to heat their homes).

When translated into actual numbers of households, the figures for both groups reveal the alarming extent of energy stress among Australian waged households:

- Over 45,000 waged poor households were unable to pay their bills due to financial hardship and over 4,500 unable to heat their homes; and
- A further 145,159 low-income waged households were unable to pay their utility bills and 20,852 unable to heat their homes.

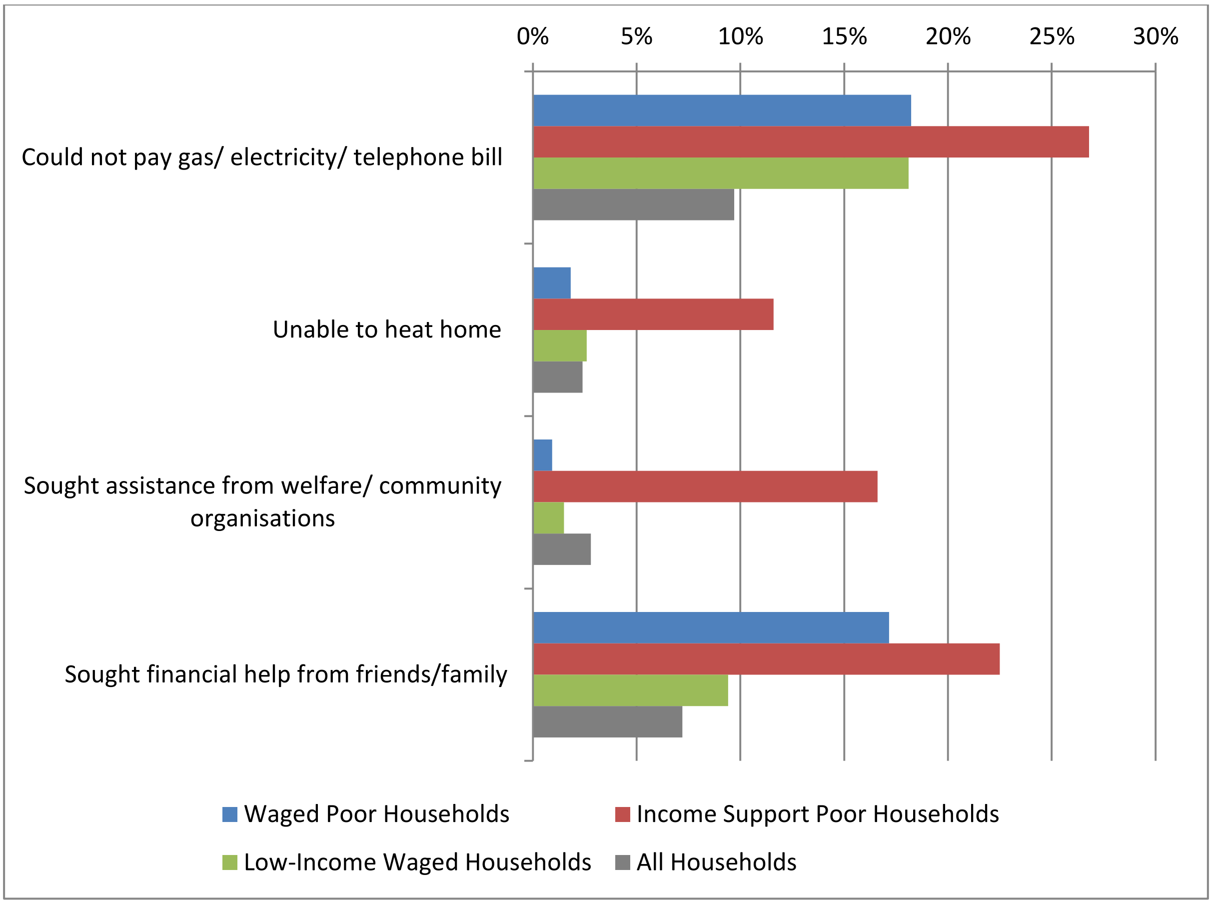

Figure 16: Financial stress indicators, 2015-16

Crucially, as Figure 16 shows, waged poor households were less likely than any group to seek assistance from welfare/community organisations, and were in fact more than ten times *less likely* to seek help there compared to other households in poverty. In total, less than 1% of waged poor households and only 1.5% of low-income waged households reported to seeking assistance from welfare/community organisations. A similar pattern was evident in Bourova et al.'s research, although not as acute in that those on wages were a third as likely as those on Centrelink to have sought support from a charity.[68]

Conversely, both the waged poor and low-income waged households were twice as likely than the general population to seek financial help from friends and family.

This lack of seeking help from community organisations is one of the most striking differences between waged poor/low-income waged households and other households in poverty. While this may be due to waged households not being aware of available supports, being reluctant to seek help when needed, or simply not being eligible for a range of concessions and rebates, it also raises issues about how community support services are

[68] E Bourova, I Ramsay and P Ali, "The Experience of Financial Hardship in Australia: Causes, Impacts and Coping Strategies", in *Journal of Consumer Policy*, Vol 42, No.2, 2019. Table 9.

positioned to assist those groups. These issues were taken up in both the qualitative interviews and the community services stakeholder workshop in this project and will be discussed in the next section.

4. Energy Issues for Waged Poor Households

As noted in the Introduction of this report, a significant part of the research was in-depth interviews with people living in waged poor and low-income households to test the findings observed in the quantitative analysis. Twenty people recruited through social media advertising and word of mouth were interviewed (although two were later excluded from the study as the interviews revealed additional income not disclosed at the time of screening which took them beyond the income caps). Of the remaining 18 participants, 6 were categorised as waged poor and 12 as from low-income waged cohort. The full demographics of the group and the methodology of the interviews are outlined in Appendix 4 and 5 but, broadly speaking, they were interviewed about their experiences in relation to energy bill stress and cost of living issues. To protect the confidentiality of interview participants, names have been changed and replaced with pseudonyms. All quotes attributed to interview participants in the study are verbatim, with additional context added in square brackets where necessary.

The combination of the in-depth qualitative interviews with the quantitative data gives us a more nuanced picture of energy bill stress for waged poor and low-income waged households than is unavailable just from either approach taken in isolation. Unsurprisingly, what emerged most strongly from the interviews was that waged poor households face many of the same issues and struggles that are faced by all households in poverty. However, there were also a number of energy affordability issues that emerged (particularly in the qualitative interviews) which are specific to waged poor and low-wage households. Crucially, some of these issues arose precisely because of those households being reliant on wages rather than other (e.g. Centrelink) income. This chapter explores all these issues, starting with the experience of general poverty.

Poverty and Energy Bill Stress

Living preciously

Interviewees who were part of this project had a range of different experiences triggering or exacerbating the financial situations they were in. For some individuals, this involved a major event such as illness or lost employment. For others, this involved having (young) children at home with household income not stretching far enough. Some articulated that the increase in living costs had not been matched by their income leading to a difficulty in meeting financial commitments. These experiences are largely similar to those observed in previous studies on poverty, which tend to focus on those receiving income support payments.

In terms of week-to-week living, several interviewees described themselves as “just keeping their heads above water” or “just getting by”.

> "I have no life. I can't do anything but just work and support my kids and myself. Just keep the roof over our heads." (Betty, 50s, single, 2 adult children, mortgage, 1 x part-time income)

> "We've got the internet, we don't have paid TV, we don't drink, we don't smoke, we don't gamble. You know, by the time we actually pay our bills as they come in, there's not a lot of money left over to actually want to go without stuff" (Lauren, 40, couple with 3 children, mortgage, 1 x full-time; 1 x part-time income)

These findings are also reflected in our quantitative analysis, where both waged poor and low-income waged households had similar profiles of discretionary spending as other households in poverty. Predominantly the people who we spoke to were "living without a safety net", having just enough income to cover the major expenses and only being able to put away small amounts of money.

In terms of expenditures which caused the most trouble for participants, housing and related insurances were identified as the most important, followed by utility bills and car expenses. Most of the participants we spoke with demonstrated conscientious budgeting techniques but articulated that they were always on the edge because the essential expenses more or less matched their income.

> "I have a hierarchy of what gets paid first. So rent gets paid first. Electricity, gas, and like telephone. That all gets transferred out of my account before I even get out of bed. And then after that it goes, um, fuel, groceries and whatever else we need like clothes." (Michelle, 40, single with 1 child, renting, 1 x casual income)

In many cases, the lack of income in the household budget led to intricate and complex ways of moving money around to just 'scrape in' on required bills or payments. Participants described a range of strategies to manage their finances including spreading payments out across the month or quarter, but once-off and unexpected payments were exceedingly difficult because there was no 'financial buffer' to draw on to manage these costs.

Going without

Consistent with existing poverty research,[69] many participants reported going without certain things as they didn't have the money to cover costs of living. This included essential health and medical care, heating/cooling, and compromising the quality and quantity of meals.

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[69] For example, NCOSS, *Turning off the lights: The cost of living in NSW*, June 2017, https://www.ncoss.org.au/sites/default/files/Cost-of-Living-Report-16-06-2017-FINAL.pdf; Good Shepherd Microfinance, *Survey shows Aussies ashamed to share their money troubles*, April 2019, https://goodshepherdmicrofinance.org.au/assets/files/2019/04/MEDIA-RELEASE-Survey-shows-Aussies-ashamed-to-share-their-money-troubles.pdf

> "I can't see a dentist. I can't afford to. I probably need to. In fact, I do need to, but I just can't afford to." (Michelle, 40, single with 1 child, renting, 1 x casual income)

> "Sometimes we don't eat well because there might only be noodles or a bit of rice and few little veggies... And like today's payday. Yesterday the boys had popcorn for lunch and that's what we do." (Betty, 50s, single, 2 adult children, mortgage, 1 x part-time income)

In households with children, parents articulated the lengths they would go to in making sure the needs of their kids were met amidst other financial priorities. One father shared his determination to afford running shoes for his son who had recently shown talent in athletics.

> "His running shoes... I'll tell you how I pay for them, that's walking the streets at two/three o'clock in the morning, so no one sees me, collecting cans." (Paul, 52, couple with one child, renting, 1 x full-time, 1 x part-time income)

Other households' financial situation meant that their children simply had to go without certain activities and experiences.

> "I had to pay 30 bucks for [my daughter's] swimming a couple of weeks ago, and at that point we were again in a very precarious position. And she said, 'But mum, it's only 30 bucks.' I said, 'Honey, it might as well be a million because I don't have it.'" (Marielle, late 40s, couple with 2 children, mortgage, 1 x full-time income)

Financial Stresses

Interview participants highlighted a range of financial stresses they had experienced in the last year, with the most commonly reported being unable to afford medical care and selling or pawning an item to raise extra money (see Table 4 below). This was not a quantitative exercise comparable to the ABS financial stress data noted previously, but it does highlight the sorts of stresses commonly experienced by waged poor and low-wage households.

Table 4: Experience of financial stress in the last 12 months

Financial Stress Indicator	Number of Participants
Can't afford medical care	14
Pawned/Sold Something	14
Sought out help from family/friends	13
Can't pay car service/repairs	13
Could not pay a utility bill on time	12
Unable to heat/cool at least one room	10
Can't afford essential repairs	10
Can't afford car registration/ insurance	9
Missed Meals	5
Disconnected landline / mobile	4

While energy issues will be considered in more detail later, it is notable that two-thirds of the interviewees had an experience of not being able to pay bills on time and over half were unable to heat or cool at least one room in the house for financial reasons. However, none of the interview participants reported to being disconnected from electricity or gas in the previous 12 months. Residential disconnection rates are small enough across South Australia[70] for disconnection not to be picked up in such a small sample group but the overall picture remains one of financial stress, including in relation to energy bills.

Impact on Physical and Mental Health

These financial stresses have an impact on waged poor and low-wage households beyond just monetary issues. Interviewees reported considerable stress, with significant health and well-being impacts.

> "Well I've been real stressed since, since finding out that we were going to have so much time off [work], I've just been like, thinking I was going to lose... like lose the roof over our heads basically because, and feeling like I'm a really terrible mother." (Kerry, single with 2 adult children, renting, early 50s, 1 x casual work)

> "It's depressing. I wake up every morning worried about money and I wasn't sleeping. So my doctor's got me on a mild antidepressant sort of sleeping tablet because I knew it was all coming to a head and it did." (Betty, 50s, single with 2 adult children, mortgage, 1 x part-time)

A common theme across our interviews was the extent to which these mental health, physical ill-health and disability issues impacted many households' ability to work. Eight people in our sample had someone living in the household with a health or disability issue and this sometimes resulted in having to take large amounts of time off work without pay. One person described falling into arrears on number of bills due to an extended period off work due to surgery.

> "I was off with medical problems. I had surgery and then I couldn't find work. […] I had finished a contract, a government contract, and then I had surgery with the idea of being off for three months and finding work, but it takes longer to find work as you get older. And so it took me probably about nine months and I did, you know, I did get behind the utilities, rates and stuff." (Tricia, 50, couple, no children, mortgage, 1 x full-time, 1 x casual)

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[70] In 2017-18, there were 10,556 South Australian households disconnected from electricity (or 1.0% of all customers), and 1,749 households disconnected from gas (or 1.4% of all customers). AER, *Annual report on compliance and performance of the retail energy market 2017-18*, December 2018, https://www.aer.gov.au/retail-markets/performance-reporting/annual-report-on-compliance-and-performance-of-the-retail-energy-market-2017-18

PIAC's latest report from the Cut-Off research series characterises the interplay between "longer term factors" such as medical problems when dealing with disconnections – often seen as the worst outcome for those struggling with payment difficulties in the utilities space, and makes a case for linking people presenting with billing issues with broader support to help with the underlying issues.[71] This approach has been piloted by the Thriving Communities Partnership and the 'One Stop One Story Hub' project which recognises the emotional burden of people in vulnerable situations having to continuously repeat their story to each organisation when seeking help. This often exacerbates distress and discourages people from seeking support. This concept will be explored further in the Recommendations section of this report.

Energy Bills

The financial stresses and issues identified above apply to many households in poverty and on low-incomes (employed or not), but energy costs are particularly significant for these households.

Energy bills were described to contribute significantly to expenditures, particularly when bills were higher than expected, further pushing people into financial precarity. The energy price increases of recent times were especially front of mind for some participants.

> "It really was that jump - that 25% - that big jump, you know, they might've been little increments. You know, 5% a year or something like that and you sort of go ah buggers, you know, getting another few dollars out of you. But it was that big jump all at once." (Cheryl, 40, single, renting, 1 x casual)

While the ABS data suggests that energy bills represent a relatively small proportion of weekly household expenditure (refer to Figure 12), it is clear from the qualitative interviews that it was both the timing of the bills as much as the size that caused difficulty. This finding is consistent with previous research which suggests that energy bills are typically the "final straw" that push people into hardship.[72] This effect is greater for those in poverty and waged poverty, who pay a greater proportion of their household disposable income on energy compared to the general population.

Interviewees described living "paycheque-to-paycheque" and being vulnerable to energy bills arriving at times when they did not have financial resources to deal with them. One participant described doing okay financially prior to an unexpected $1000 energy bill arriving and having to pull the extra money "out of the hat" to keep on top of other expenditures.

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[71] PIAC, Close to the edge: A qualitative & quantitative study, November 2018, https://www.piac.asn.au/wp-content/uploads/2018/11/PIAC-CTTE-Consolidated-Report-FINAL.pdf

[72] Ibid.

The situation was worse for those who fell into arrears. While most interviewees did not have massive debts, one person we spoke to had regular $2,500 quarterly energy bills and an existing $5,500 debt from a previous home. Another participant had regular $1,800 bills per quarter.

> "There's nothing that comes even close to the energy bill [after the mortgage]. As I said, what about $300-$400 a fortnight is what we'd have to pay to actually keep on top of it, never mind as I said that thousands and thousands of dollars that's sitting there in arrears. It's massive. It's really huge." (Marielle, late 40s, couple with 2 children, mortgage, 1 x full-time)

Prioritising Energy bills and Pay-on-time Discounts

Despite the financial stresses, most households were keen to pay-on-time and prioritised energy bills over other expenses. Generally, participants preferred to pay upfront when they had the money - even if it meant they experienced more pressing financial hardship as a result.

> "I know there is an option for a payment plan, but my family, I don't know, this is sort of a tradition. I came from an Asian family, so we don't want to be in any debt. … So, example, we receive $1000 for our payment, then we had to pay the bill for $600. I know, yes, we can make a payment plan for what the whole six months but then my mum (would) pay upfront. So $600 gone and only $400 left. For some time, we have to survive for the next week for only $400 left. … I believe that yes, I have told my mum about payment plan. But Mum just say no, we need to pay off the amount is due, we have to pay that. And then the money left over, we have to stay with it." (Adam, early 20s, family with 3 children, renting, 1 x full-time worker; 3 x part-time)

Sometimes participants were also wary about seeking extensions for large electricity bills fearing they might accrue late fees or lose their pay-on-time discount.

> "I'd probably contact the Retailer and find out if I could extend the bill. My main concern would then be, and I know from working at [a telecommunications company], a lot of the time, people in hardship that can't afford their bills are then are flogged with late fees, and sometimes those payment plans make it financially worse off." (Lucy, 37, single with 1 child, mortgage, 1 x part-time)

Some households also prioritised their energy bills because of the pay-on-time discounts offered by their retailer, to the extent where they would default on other payments or bills to be able to avail the discount on the energy bill (this was particularly true for people that had high energy bills).

> "I religiously pay them on time because we have that pay on time discount, and you know, if I don't, that's a huge difference to me added up over a year ... I will miss out other bills to make sure that one is paid… I reckon maybe in the last 12 months, I might have rung up to say, "Can I do an extension?" And they've gone, "Yep, you won't get your pay on time." Then

I've gone, "Right, that's it, I'm paying it." (Lauren, 40, couple with three children, mortgage, 1 x full-time; 1 x part-time income)

Other participants expressed frustration with this system, articulating that it seems to be more like penalising people who can't pay on time, rather than rewarding those who can.

> "I try to pay it on time because they give you a huge discount and it sucks because the people that can't afford to pay it on time anyway. I think I've probably missed one or I had to ring up and go into a payment agreement with them. And that was the winter one that sort of shocked me a bit because it was over $600." (Betty, 50s, single, 2 adult children, mortgage, 1 x part-time)

The pay-on-time discount was portrayed to be so valuable by participants that it diverted them from getting support from the provider to be able to manage bills they were struggling with.

> "It's one of those deals where if you pay on time and it's like 15 percent or less than if you pay later… So, I wanted to [consider seeking an extension with the retailer], but I wasn't sure if I contacted them if we'd still get that discount. So, we just kind of put some things on the credit card that I normally would have paid for out of my savings to get the discount and then slowly paid off the credit card." (Jason, 29, couple, no children, renting, 1 x casual, 1 x part-time income)

It is worth noting that experiences reported in the interviews are retrospective and that across the retail energy market, there is now a shift away from pay on time conditional discounts and towards more competitive fixed priced retail offers.[73] The introduction of the Default Market Offer (DMO) on 1 July 2019 has partly addressed the issue by restricting retailers' ability to set a headline discount off of an artificially inflated base price. Instead, discounts must be advertised against a set reference price.

Paying Energy Bills

Despite many interviewees prioritising energy bills, two-thirds of interview participants had had difficulty paying utility bills in the last year and reported utilising several strategies to manage their expenses:

- Putting away smaller amounts into a separate account every week/fortnight;
- Going on a payment plan with a retailer;
- Paying the bills on time to get the discount (on the credit card), then paying the credit card off before interest is charged;
- Borrowing or gifted money from family and friends;

[73] AEMC, 2019 Retail energy competition review, June 2019, https://2019.aemc.gov.au/11640/1561524254-19-11827-2019-aemc-retail-energy-competition-review-final-report.pdf

- Community banking system – informal finance pooling;
- Selling items around the house on Gumtree or Facebook Marketplace (only one participant reported pawning items); and
- Instant cash or payday loans.

However, some of these strategies were problematic or had problematic side-issues. Selling possessions to pay energy bills is utilising household capital to pay recurrent expenses (and therefore decreases household wealth), while resorting to payday loans comes at, often exorbitant, extra costs.

While bill-smoothing (either formally or informally) or payment plans were utilised by several of the participants interviewed, some participants expressed wariness because they felt that formal schemes with retailers meant they were not as in touch with their finances as they wanted to be – especially given rapidly rising prices.

> “I'll admit the electricity bills, they come in, I look at the bottom line, because it increases $700 a quarter. I laugh, and then I put it in the bin because we're on bill smoothing payments, and so I haven't actually been paying a lot of attention to it. I probably should have been.” (Marielle, late 40s, couple with 2 children, mortgage, 1 x full-time)

Reducing Energy bills

Being conscious about and reducing usage was a significant theme raised by the participants we spoke to. Several people expressed disbelief that their energy bills were still high even when they were being extremely cautious about their usage.

> “It still amazes me that it's $600 or $700. I'm like, but we've been at work and we've been at school and I've flipped all the power points off. You know, the only thing that's going is the fridge, but why is our electricity still $600 and $700? It still amazes me that it still amounts to that much even when we're not home as well.” (Heather, 50, single, 1 child, mortgage, 1 x part-time income)

Strategies employed by households to reduce energy usage in our study included: being mindful of heating and cooling around the house (turning off appliances at the power point when not in use, only turning on the air-con when over a certain temperature, use of heated throw rugs, hot water bottles in winter instead of heating), reviewing energy efficiency around the house (replacing light bulbs with LED lights), and installing solar panels. Yet part of the problem is evident in considering Figure 17 below, which summarises the main avenues for households to reduce their energy bills.

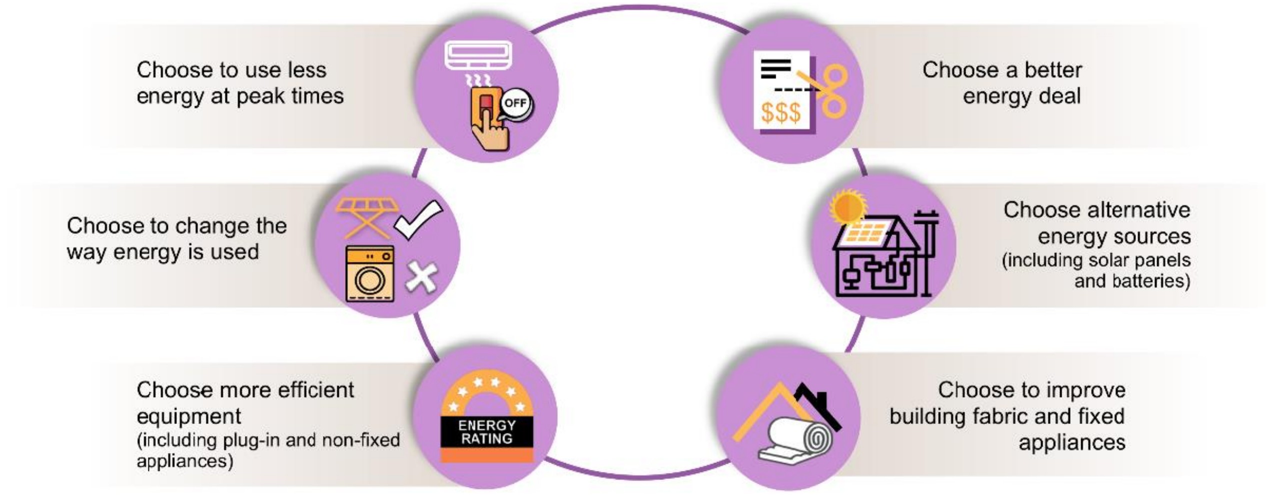

Figure 17: Ways households can manage their energy bills[74]

While some of the options above may be technically useful solutions, the majority of people we spoke to simply didn't have the capital to invest in the more expensive initiatives such as choosing alternative energy sources and more efficient appliances and equipment.

> "I'd really love one of those batteries. And then I'd have no power bills. But I just can't come up with $6,000. I've got my name down somewhere with the government to say that I was interested, but the cheapest you can get it is $6,000." (Betty, 50s, single, 2 adult children, mortgage, 1 x part-time)

A few home owners had already invested in solar and were paying it off over time but had found that there were faults with the system that cost additional money to fix. Other participants identified a similar challenge with home appliances or whitegoods:

> "I guess it comes down to being able to actually afford energy efficient appliances because they are so much more expensive. The star rating on the fridge and the washing machine is like one or something or two, one half. I don't know. That's a huge barrier to be able to be energy efficient." (Deborah, 37, single, renting, irregular casual)

Even if people had the capital to buy appliances that were more energy efficient, they reported having to think carefully about how long it might be before they benefit financially from that saving.

The long-term economics of energy efficiency investment were also different for renters with limited or precarious tenure (and potentially moving often), as well other barriers to greater energy efficiency which will be explored in the section discussing housing tenures.

[74] Source: ACIL Allen

Waged-Poor Specific Energy Issues

Beyond the energy affordability issues that confront all households in poverty (and the energy policies which may address those issues), and beyond the general need to address inadequate income – both employment and government income-support payments, the quantitative data and the in-depth interviews identified four energy affordability issues that were specific to waged poor and low-wage households. There were issues arising from the demographics of the waged poor cohort (specifically, from household size and housing tenure), and from a lack of connection or reluctance to seek help from support services. There were also two key differences which arose from the fact that they were reliant on wages (rather than Centrelink or other income). These issues will be examined below.

Demographic Differences

Household Size – The "Family Formation Cohort"

One of the key demographic traits identified in Chapter 3 was that waged poor households were on average larger than other households in the poverty cohort and larger than average households in the general population. Low-income waged households were even larger again. This reflected an over-representation of couples with children among the waged poor and particularly in low-income waged households, and to a lesser extent, an over-representation of single parents with children – at least by comparison to the average household (if not the rest of the poverty cohort).

For many of the waged poor and low-income waged households we spoke to, having children impacted very directly on family income. Some participants had specifically asked for fewer hours to have flexibility to meet other demands in their lives, such as parenting or caring, thus limiting their income. Care responsibilities for children had an additional effect on households.

> "If there is anything wrong with any of our children, I will take the time off rather than my husband because he gets paid more. Sometimes, with Noah, my eldest one, there can just be things that will snowball with him and all of a sudden, it'll be like, "Right, I've had three or four days off this fortnight, and we've got several bills. Which ones are we gonna pay, which one am I gonna put on hold and catch up?" (Lauren, 40, couple with three children, mortgage, 1 x full-time; 1 x part-time income)

There were four people we spoke to who worked full-time on minimum wage, so even though they had enough hours, the income they were generating still was not enough to cover their expenses. One person reported trying to take on weekend shifts within their current Full Time Equivalent (FTE) allocation of hours in order to get penalty rates to make up for money lost from her youngest son finishing high school and losing her Family Tax Benefit (FTB) payments.

> "I'm just starting to negotiate with work at the moment, because at the moment, I only work Monday to Friday, so I'm trying to negotiate because a few people have left to see if I can maybe take one of those weekends every fortnight just to get some extra money. I mean it's still the same hours, but get the penalty rates on the weekends." (Julia, late 40s, single, 2 young adult children, renting, 1 x full-time, 2 x part-time)

Three people we spoke to had young adult children living at home, reflecting the trend of young adults staying at the parental home for longer, as reported in the recent HILDA survey.[75] The HILDA report also highlights that young adults living at the family home aged 18-21 are less likely to be engaged in full-time education, with clear implications for waged poor and low-income households in terms of ability to access FTB. Currently, FTB Part A payments for dependent children aged 16-19 years of age require the child to meet study requirements. FTB Part B payments have similar study requirements but are only available for dependent children up to 18 years old.

Given there were only three participants with young adult children living at home, we are cautious to generalise the impact of transitioning out of FTB benefits for all families, but it does point to a broader issue about the interaction of income support and income from salaries and wages.

The larger household size – and particularly the "family formation cohort" – is also directly important in relation to energy costs faced by waged poor and low-wage households. In an update of analysis conducted by Simshauser and Nelson, recent research from Nelson et al. analysing data of 31,000 AGL customers suggested that energy-related hardship is a combination of 'family formation demographics, low-income, and bigger household size and average consumption. In the study, they found that the proportion of income spent on energy increases with the number of people in the home (using number of bedrooms as a proxy measure).[76] Similarly, analysis of the ABS HES 2015-16 dataset by demographer Bernard Salt found that on a per capita basis, it was large low-income households who were most exposed to energy costs.[77] Salt suggests that these families were likely a couple with three or more children or a single parent with four or more children.

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75 Melbourne Institute: Applied Economic and Social Research, *The Household, Income and Labour Dynamics in Australia Survey: Selected Findings from Waves 1 to 17*, July 2019, https://melbourneinstitute.unimelb.edu.au/__data/assets/pdf_file/0011/3127664/HILDA-Statistical-Report-2019.pdf

76 T Nelson, E McCracken-Hewson, G Sundstrom and M Hawthorne, *The drivers of energy-related financial hardship in Australia – understanding the role of income, consumption and housing*, October 2018, https://www.sciencedirect.com/science/article/pii/S0301421518306621?dgcid=author

77 KPMG, *The rise of energy poverty in Australia*, December 2017, https://assets.kpmg/content/dam/kpmg/au/pdf/2017/census-insights-energy-poverty-australia.pdf

This finding is also supported by research from Dr Larissa Nicholls and Dr Yolande Strengers which suggests that the ability of larger family households to reduce their energy use is constrained by the necessary demands of raising children.[78] The research found that families with children were likely to prioritise their children's health and comfort over cutting back on heating or cooling costs. Other factors such as having reduced family income, higher and less predictable energy use, and a greater focus on the needs and expectations of their children around thermal comfort, cleanliness and care, food provision, entertainment, work and study were barriers to reducing energy costs.[79] For example, these families had limited opportunities to reduce costs due to high energy usage during the late afternoon/early evening 'family peak' period where several activities cluster around the same time (e.g. homework, cleaning, washing, and cooking).

A few of our interviewees spoke about prioritising the needs of their children when it came to energy use. One, in particular recalled going on a payment plan when the kids were younger in order to put gas heating through the house to keep them warm. Now that they are older, they try to be more conscious about their energy usage, particularly with heating and cooling. But if the kids are unwell she just says to herself,

> "You know what? Tough luck, it [the heater] goes on." (Lauren, 40, couple with three children, mortgage, 1 x full-time; 1 x part-time income)

Another participant in our study spoke about being thankful that her part-time work and her son's schooling kept them both out of the home and from using electricity.

> "I've come home and sometimes he's had a blanket around him at the computer desk, and I'm like, we can pop the heater on now, son. It's not been going on for hours today because we've both been at work and school and you know, I'll get home at 6 o'clock or something and I'll pop the heater on and yeah."(Heather, 50, single, 1 child, mortgage, 1 x part-time income)

Housing Tenure

The other demographic trait of waged poor households that is significant in relation to energy bill stress is the over-representation of renters among the waged poor: 60% of waged poor households are renters – about twice the incidence in the general population (see Figure 9). Moreover, as noted above in the section on barriers to reducing energy bills, being in a rental property changed the economics of energy efficiency measures because either they could not afford them in the first place, or they did not get the long-term benefit

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78 L Nicholls and Y Strengers, *Changing demand: Flexibility of energy practices in households with children*, Final report, January 2015, https://energyconsumersaustralia.worldsecuresystems.com/grants/623/Centre-for-Urban-Research-Final-Report-7584f68a-3965-45d6-997e-c3d13b57cdef-0.pdf

79 Ibid.

of efficiency expenditure. But as one interviewee noted, even if they wanted to invest in things around the house that would save power over the long term, they faced other barriers:

> "I've got to the point now where I've actually said [to my landlord], look, if I supply, um, say the ceiling fan, would you pay to put it in? [...] They're $80. $80 for a ceiling fan with a light in it. And I'm thinking, I'm just going to get a friend who may not be currently an electrician but was an electrician and he's now retired. I'm just going to get him to put it in and see if they even notice because it's 80 bucks and it might cost me a carton of beer for him and, but that would make my life so much more liveable." (Cheryl, 40, single, renting, 1 x casual)

These challenges echo those reported in QCOSS' Choice and Control study looking at the ability of renters to make informed choices about their energy supply and use, and controlling their energy costs.[80] Other key challenges and barriers for renters seeking to reduce energy usage were reflected in our study including:

- Being more likely to live in properties with major structural issues:

"I've had some horrible experiences [renting]. My last house, it rained in my house for the three years I was there. And I had no working oven, no heating or cooling, and nothing was fixed, the whole time. [The retailers] sent someone out to investigate why it was such a high bill and stuff. And it just turned out it was old dodgy wiring in the house and they didn't have to change it because it technically wasn't faulty so they didn't. The owners didn't have to have to do anything to change it. So I just lived like that for nearly three years." (Julia, late 40s, single, 2 young adult children, renting, 1 x full-time, 2 x part-time)

- The split incentive between landlords and tenants (investments made by the landlord, and benefits derived by the tenant as the bill payer):

"I've asked the landlord about the stove because that's an old one and yes I don't think its energy efficient at all, but they said that at this moment… the owner it's not something that he's willing to do." (Ricky, 40, share house, 2 x casual, 1 x part-time)

- Insecure tenures limiting the payoff for renters to invest in energy efficiency improvements:

> "Through life circumstances, I moved something like 14 times in nine years. And so I had to take things with me that were adaptable for different situations. So that's why there's shade cloths and umbrellas and bamboo blinds and stuff like that because um, renting, it's very hard to do permanent things anyway. But I had to be able to take it from one place to the other." (Cheryl, 40, single, renting, 1 x casual)

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80 QCOSS, Choice and control: The experiences of renters in the energy market, June 2017, https://www.qcoss.org.au/wp-content/uploads/2019/05/QCOSS-Choice-and-Control-the-experience-of-renters-in-the-energy-market.pdf

Again, these types of issues are not particular to work and could apply to all renters, but they are particularly relevant for waged poor households given the over-representation of renters in that cohort (coupled with the lack of income).

Lack of Connection to Support Services

As noted in Chapter 3, less than 1% of waged poor households sought assistance from community organisations, while the qualitative data suggests a similar (though not as dramatic) lack of engagement with possible support services. This is probably due to either lack of awareness of the supports available, or unwillingness to engage with those services – or a combination of both.

While two-thirds of the interviewees for this research had difficulty paying energy bills in the last year, and just under a half were on a payment plan and/or had asked for an extension, they were specifically asked about their knowledge of a range of other support services available to people to help them manage high bills or competing expenses. The results were mixed:

- Nearly all the interviewees knew about financial counselling, retailer hardship and payment plans, emergency assistance and state energy concessions;
- Most knew about concessions and the No Interest Loan Scheme (NILS), but less than half knew about the Emergency Electricity Payment Scheme (EEPS) and the Retailer Energy Efficiency Scheme (REES); and
- Almost no one knew of the community energy literacy programs (e.g. ConnectEd) or the Federal Government's Energy Made Easy.

Three participants reported that financial counselling had been helpful in the past; one in respect to develop budgeting skills that made a difference to her financial situation; another in tweaking their mortgage and organisation of their assets; and a third in organising a hardship payment to be covered by the retailer. However, most participants outlined that their financial literacy or ability to make their money stretch was not the problem – it was lack of income.

> "It [financial counselling] was nothing I didn't know. It's just about budgeting and it's really hard to budget when you've got so little money and something unexpected happens. Like your dog gets a grass seed up its nose, and there's $600 that you didn't expect to pay." (Betty, 50s, single, 2 adult children, mortgage, 1 x part-time)

Furthermore, the fact that people were aware of services did not necessarily mean that they reached out or engaged with them. Among those interviewed, pride and embarrassment prevented people from seeking help from community services.

> "It's mostly not knowing about them. I'll admit there is a degree of pride. I couldn't possibly need that because my children have got shoes on." (Marielle, late 40s, couple with two children, mortgage, 1 x Full-time)

Tied up in this reluctance to seek out support was the feeling that there were others who were "more needy" than they were. This perception appears to foster hesitance around seeking services, and pushed people towards being more self-sufficient or seeking out informal supports.

> "I feel a bit embarrassed. I mean, where I work, they've got a food bank that I could very well go to, but I feel too embarrassed because all my work colleagues would see me there. Too proud or something. I don't know. I turned to my sister." (Betty, 50s, single with 2 adult children, mortgage, 1 x part-time)

> "[On whether they'd consider seeking out help via community services] Probably not, to be honest. Probably not, because we do have a roof over our head. There's people that don't have what we have. So I wouldn't want to take from them. Yeah, we can just tighten things up a little bit more and then yeah. Whereas other people don't have that option. They've got literally nothing." (Nancy, 36, couple with 3 children, mortgage, 1 x full-time, 1 x part-time)

On person we spoke to, who was from a CALD background spoke to the additional layers of stigma related to seeking help within his community.

> "But there is a really big stigma around that, you know, why would she go and seek help with it? And there's people spreading rumours around that, you know, oh this person is in difficulty, the labels and everything and in [our community's] perspective, we don't want people to look down on us. So most of the time, you keep the issue within yourself." (Adam, early 20s, family with 3 children, renting, 1 x full-time worker; 3 x part-time)

Nearly everyone we spoke to all described using family and friends as a network to get by in place of using formal services. This was usually either to borrow small amounts of money or to help with food.

> "We're very lucky in that we always have ... there's always food. The one thing that is helpful is my mother-in-law, if we are struggling, she'll help out with making sure you have a full fridge. But that's always quite good." (Lyn, 40, couple with two children, mortgage, 1 x full-time)

> "My partner's car broke down and that was quite hard. She ended up having to borrow some money off her parents to get that fixed because that was a few hundred dollars. … it means that she's constantly paying back $20, $30 a week to her parents … which is better than paying interest on a credit card or something." (Jason, 29, couple, no children, renting, 1 x casual, 1 x part-time)

Another potential explanation for people not seeking out formal supports is perceived eligibility due to income earnt from paid employment. Some participants had actually sought out help and were turned away due to eligibility criteria, while others simply assumed that they were ineligible by virtue of employment or not receiving any payments from Centrelink.

> "I was never eligible for any concessions. So I never really follow them up because I always assume I'm not eligible for anything not being on Centrelink." (Tricia, 50, couple, no children, mortgage, 1 x full-time, 1 x casual)

The perceived "hassle factor" was also a barrier to seeking formal support for some people we spoke to. One participant related his experiences employment in the community services and applying for emergency relief schemes on behalf of his clients, as a reason why he was reluctant to seek out help for himself and his family.

> "When we apply for payment from Centrelink, I think they have the emergency relief schemes... from my experience working with client[s], it's not easy to access the scheme. Sometimes you have your house burned down but then you have to go through the policy and you have to go through this form and then … wait for like at least two or three months for payment to be advised." (Adam, early 20s, family with 3 children, renting, 1 x full-time worker; 3 x part-time)

The frustration or perceived difficulty of engaging with services to help with financial hardship was possibly exacerbated in people's minds, due to other stresses, or the precarious situation they were already managing.

> "The amount of paper, I mean, any loan is paperwork. But when you're already stressed, it's just becomes, you know, beyond. So you need to find people that are happy and willing to do it and work with you and not bitch and whinge. The 'why can't you just pay it?'" (Cheryl, 40, single, renting, 1 x casual)

Previous experiences with services also impacted on the likelihood of people turning to supports in times of need. While some people reported that past experiences had given them the tools to navigate finances and budgeting, others had negative experiences which put them off accessing supports altogether.

> "No way would I ever see a financial counsellor ever again. I mean there I was really vulnerable. I was sitting in the lounge room not opening letters. You know, the grandparents have the kids and I was just like, I just gave up and um, and they let me down really badly. I will never trust my financial life with anybody ever again because look where it got me last time when I asked for help." (Kerry, early 50s, single, 2 adult children, renting, 1 x casual)

Unreliability of Work and Variation of Income

There is little doubt that a significant part of the Australian workforce suffers from precarious employment with lack of job security, short term contracts, and/or variable and on-call hours. This lack of full-time work is one of the key drivers of income for waged poor households (given that minimum wage is significantly above the poverty line for a single person, and is just below the cut-off for our category of low-income worker – equivalised to single person household). Recent years have also seen an unprecedented rate of underemployment in Australia – that is, people in employment but seeking more hours. ABS

figures show that casual and part-time workers constitute 31% of all employees, with under-employment at 8.4% of the workforce.[81]

These trends were reflected among the people interviewed for this research. They had a range of different engagements with the labour market and different living situations, but very few were happy with the amount of work they were doing and several people were actively looking for extra hours from their current employer or trying to find a second job to meet cost of living pressures.

> "[An extra] day a week temp, that will mean all the bills can get paid. If it ends up being an extra day on call or whatever, then that will be extra that we can pay off of things, you know. So, that will just... we won't be sitting pretty. Like I said, we will just be able to put the extra money, you know, full tank of petrol as opposed to half and pay some extra off of other bills, things like that." (Tricia, couple no children, 50, mortgage, 1 x full-time, 1 x casual)

Job security was also an issue for some people we spoke to, with one participant having to trade down their hours in order to increase the length of their contract due to funding constraints. Others reported having to enter undesirable or exploitative work conditions due to the precarious nature of their employment.

All these factors contribute to low household incomes, and the general drivers of poverty and difficulties paying bills noted above. However, in terms of paying energy bills, one of the key specific issues relating to be "waged poor" that was evident in the research was the difficulties caused by irregular hours. This irregular work makes household budgeting much more difficult and can exacerbate issues with bills if they hit at a time of lowest income.

Some of the interviewees in our study reported difficulties caused by week-to-week variations. One participant in our study described highly variable hours – employed up to 40 hours some weeks and having no hours another week, while another described the stress caused when his partner's casual hours are cut suddenly and without warning.

> "Her hours are a bit... like she can just have less hours suddenly one week. So that causes panic and stuff. Especially if we don't have any savings to draw on and something else happens." (Jason, 29, couple, no children, renting, 1 x casual, 1 x part-time income)

Irregular hours can also be caused by seasonal variations, or unexpected events such as sickness where casual rates mean there is no entitlement to sick pay.

> "So I'm working reasonably steady casual hours, about 15 hours a week. But that does change. It dropped over the Christmas period. And then there were a couple of weeks where

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[81] ABS, 6202.0 - *Labour Force, Australia*, July 2019, Australian Bureau of Statistics. https://www.abs.gov.au/ausstats/abs@.nsf/0/6050C537617B613BCA25836800102753?Opendocument

> my workplace virtually shut down, so I didn't really have a choice. And because you're casual, you don't have holiday pay, you don't have backup. I've got to have surgery later this year and worst-case scenario, I might have to take three months off work. So that's again, I'll save and put away every dollar because I don't know how long that might be." (Cheryl, 40, single, renting, 1 x casual work)

These findings replicate those of the Brotherhood of St. Laurence's *Spinning the Plate* study, which describes the "interlinking financial uncertainties" of variable work hours, wages and income support.[82]

The irregularity of income can also create difficulties with income support payments, and ability to plan from one week to the next.

> "Centrelink is really sporadic. Generally, if there's six weeks or more where I'm earning $500 from my employment then Centrelink cuts you off. You get nothing from them then you have to reapply so generally I haven't needed to reapply unless there's been a couple, another five weeks or something without employment." (Deborah, single, 37, renting, irregular casual)

The data shows that 53.3% of waged poor households are also in receipt of government income support payments, but the automation of Centrelink procedures and so-called "robodebts" arising from averaging payments adds to the burden for those with irregular incomes.[83]

However, it is not just government programs that fail to address this irregularity of income. The benefits of financial counselling advice about budget planning and money management are diminished if the income is variable, while the logic and structure of energy payment plans and bill smoothing arrangements is based around the notion of a steady (albeit low) income. It is not clear that a small weekly payment is more manageable than large lump sum payments when income fluctuates greatly – how do you pay the bill-smoothed energy costs in seasonal period when there are few hours? Of course, if a "lumpy" bill coincides with a period of low-income, then the affordability challenges are magnified, and pay-on-time discounts are further out of reach.

If it is the case that many waged poor households are subject not just to low wages, but irregular hours and variable wages, then the challenge in providing support with energy bill stress for those households is to find what bill-paying arrangements may be best suited to those not just with very low-incomes, but variable and low-incomes.

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82 D Bowman and M Banks, Hard times: Australian households and financial insecurity, October 2018, http://library.bsl.org.au/jspui/bitstream/1/10864/1/BowmanBanks_Hard_times_2018.pdf

83 #NotMyDebt, https://www.notmydebt.com.au/the-issue

Employment Requirements Changing Budget Priorities

The final energy bill stress issue for waged poor households identified in our study arises directly from the fact that sometimes the requirements of being in work change the household budget priorities. For example, one participant's husband worked as a courier, and required a well-functioning vehicle and a mobile phone for their work, so these bills were prioritised.

> "My husband required [a car] for his work as courier. So we prioritize that. We did downgrade the car and go to a diesel. The vehicle that he was using for work… because it was a big van, he was chewing up $150 worth of petrol a week as a courier. But you know, he was just working to pay the petrol bill, so we solved that, downgraded the car to a diesel and diesel is cheaper. We made that a priority so that he could work." (Tricia, 50, couple, no children, mortgage, 1 x full-time, 1 x casual)

Another participant talked about her job as a community care worker where she goes to visit the elderly to help with their shopping and provide some social support. Travel is essential to her work. She can be working 8-9 hours and only be paid for 5.5 of 'real time' because the rest of her time is 'lost' in travel. This interviewee prioritised her car insurance, car servicing, and petrol costs. Further, the nature of her employment with the elderly meant that she was exposed to variable income, where "they can get sick at the drop of a hat or end up in hospital or just don't feel like a visitor that day, so they cancelled regularly." In this case, prioritising expenditures related to travel and variable income had a major impact on the ability to meet energy costs.

Apart from work requirements changing household priorities, there was also an example of work requirements directly impacting on household energy usage with one of the participants above noting the requirements to launder her husband's chef uniform:

> "We try not to use the dryer, which was a bit difficult when my husband was cooking because you only have two uniforms and working full-time cooking. So the electricity bill over winter was quite high because he constantly had to have the dryer on" (Tricia, 50, couple, no children, mortgage, 1 x full-time, 1 x casual)

SACOSS is currently engaged in research (following from to the present study) into telecommunications affordability for waged poor households. We anticipate that requirements for casualised workers to be contactable by phone, able to check shift times and log availability (including in app-based "gig" work) means that telecommunications becomes an essential household expenditure *in order to engage in work* – as with the laundry example above. However, the telecommunications requirements are likely to apply to more households – and which again highlights that if other expenditures are required for work they are may take priority over energy bills – making energy bills harder to pay on low and irregular incomes.

5. Conclusions and Recommendations

Generic Recommendations

If it is the case that many of the energy stress issues faced by the waged poor are simply the result of poverty and that experience is shared with the rest of the poverty cohort, then most of the policies and practices and which are aimed at addressing energy hardship for houses in poverty will also apply and be useful for waged poor and low-income waged households.

Income

A recognition that many of the energy stress issues arise simply from being in poverty (i.e. from lacking income) means that one way of addressing energy bill stress would be to ensure that households have sufficient income to cover costs. When wages stagnate, awards are by-passed or ignored, underemployment rises, or penalty rates cuts lead to lower household incomes, it is unsurprising that waged poor households have more difficulty affording basics like energy. While this report focuses its recommendations on energy-specific policies and recommendations, *addressing these employment-income issues is equally part of the solution to energy affordability struggles for waged poor and low-income waged households*.

It is also clear that, even though by definition the waged poor in this study derive the majority of the income from wages, the social security system nonetheless provides an important support for their households. The data in Chapter 3 shows that around half of waged poor households received some form of government income support payments, while several interview participants highlighted specific issues with these payments (e.g. difficulties going on and off Centrelink payments, or changing eligibility for Family Tax Benefits as children got older). Thus, ensuring adequate income support payments and smooth relation between income support payments and wages is also crucial to energy affordability for waged poor and low-income waged households.

For instance, the call for the Newstart payment to be increased by $75 a week[84] would benefit not just those who were “unemployed” in the ABS meaning of the word (i.e. having zero employment hours in a given period), but also many of the waged poor whose inadequate or irregular hours mean that they also fall back on Newstart. Indeed, the poverty thresholds and the top-end cut-off points for Newstart payments suggest that almost all waged poor households should qualify for such assistance (on income at least, and subject to asset tests). However, just under half were not receiving any government support which raises a further question as to why they were not. This could be because of

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[84] https://raisetherate.org.au/

asset ineligibility, or a combination of being disenchanted with or alienated by the procedures of the income-support system which make it “not worth the trouble”, or they could have been cut-off from payments for a compliance failure (actual or automated), or because of a broader sense of independence and reluctance to seek or receive support which will be examined below.

Again, these issues are beyond the scope of this paper, but it does suggest that *addressing energy affordability issues for the waged poor would also require addressing both the inadequacy of our income support system and the interaction of that system with the lives of people who also have paid work*.

Waged Poor Specific Recommendations

This report has identified a range of issues relating specifically to waged poor households that increase energy bill stress for those households, namely:

- **The key demographic difference in the overrepresentation of “family formation” households** (i.e. couples with children, and to a lesser extent single parents with children) among waged poor and low-wage households, and the higher prevalence of renters among waged poor households;
- **Lack of connection to, and reluctance to seek help from support services**;
- **Significant variation and unreliability of work hours and therefore household income** leading to extra difficulties in household budgeting and bill payment; and
- **Work requirements changing household budget priorities**.

Recommendations for policies and initiatives to address these issues are considered under the same headings below.

Demographic Differences

Given that the two key demographic traits of waged poor households which gave rise to energy affordability issues were the family formation cohort (and subsequent larger than average household size), and the over-representation of renters among the group, then policies addressing those issues will be particularly valuable for waged poor households. In this context, we note the importance of energy concessions and the studies which point to the value of percentage-based energy concessions in delivering more equitable outcomes for larger households.[85]

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[85] Other studies which have arrived to this conclusion include: St Vincent De Paul Society & Alviss Consulting, *Relative Value of Energy Concessions 2009 - 2012*, March 2013, https://www.vinnies.org.au/icms_docs/169080_The_Relative_Value_of_Energy_Concessions_2009-2012_Part_2.pdf; Deloitte, 2013, *Improving energy concessions and hardship payments policies:*

Percentage Based Energy Concession

The current concessions framework in South Australia delivers a capped maximum rate of $226.67 per annum (indexed annually by CPI), and does not recognise the different energy cost factors such as household size, energy usage patterns, and housing circumstance (tenure, energy efficiency of the household, household thermal quality). Accordingly, a family with two children may in practice receive the same concession relief as a single person household, despite having larger consumption needs and consequently higher energy bills. Similarly, an eligible household with efficient appliances and solar power may receive the same concession relief as a poor household with old/inefficient appliances and no/ineffective insulation. By definition, a percentage-based concession will offer the most help to those with the biggest energy bills.

Given South Australia currently has the lowest energy concession rate in Australia,[86] ***we recommend shifting towards an energy concession that is calculated as a percentage of the bill.*** SACOSS has called for a percentage-based concession in the past and a more detailed rationale is set out there.[87] The focus on waged poor and low-wage households struggling with energy costs and the evidence in this report adds new weight to those calls.

We note that the recent ACCC Retail Electricity Pricing Inquiry suggested that "changes must be made to concession schemes as a matter of urgency" and recommends that the COAG Energy Council improve concession schemes so that "to the extent possible, there is a uniform, national approach to electricity concessions."[88] The concept of aligning concession schemes across jurisdictions has previously been flagged on multiple occasions.[89] Retailers are broadly supportive of harmonisation of energy concessions, noting that administering

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Report for Energy Supply Association of Australia, February 2013, http://www.energymining.sa.gov.au/__data/assets/pdf_file/0020/315470/REES-directions-paper-esaa.pdf; P Simshauser and T Nelson , *The energy market death spiral – rethinking customer hardship*, AGL Energy Ltd, June 2012, http://aglblog.com.au/wp-content/uploads/2012/07/ No-31-Death-Spiral1.pdf

86 AER, *Annual report on compliance and performance of the retail energy market 2017-18*, December 2018, https://www.aer.gov.au/retail-markets/performance-reporting/annual-report-on-compliance-and-performance-of-the-retail-energy-market-2017-18

87 For instance, see *SACOSS State Election 2018 Cost of Living Policy*, South Australian Council of Social Service. https://www.sacoss.org.au/state-election-2018#CoL

88 ACCC, *Restoring electricity affordability and Australia's competitive advantage: Retail Electricity Pricing Inquiry—Final Report*, June 2018, https://www.accc.gov.au/system/files/Retail%20Electricity%20Pricing%20Inquiry%E2%80%94Final%20Report%20June%202018_0.pdf, p. 297, 299

89 For example: AEMC *Retail Competition Review 2016*; AEMC *Retail Competition Review 2017*; Energy Networks Australia, *Supporting Vulnerable Energy Customers*, March 2015, https://www.energynetworks.com.au/sites/default/files/supporting_vulnerable_customers_-_houstonkemp_options_paper_final.pdf

different concession schemes across jurisdictions adds to operational costs and limits the ability to offer targeted support to customers.[90] However, the fact that concessions are funded by state governments has historically been a barrier to developing a nationally consistent framework for energy concessions.

SACOSS remains open to conversations about national consistency in concessions, but notes that implementing a percentage-based concession scheme should be the key priority to ensure that those most in need are able to access the appropriate level of support.

Review concessions eligibility

Beyond issues associated with the effective value of concessions, there are also gaps in relation to the eligibility criteria of concession schemes. There are significant numbers of energy customers who are experiencing payment difficulties and are not in receipt of energy concessions. In a study conducted on behalf of the ACCC Retail Electricity Pricing Inquiry, Colmar Brunton estimated that approximately 14% of billing respondents across the across the National Electricity Market were entitled to an energy concession but were not receiving the concession from their retailer.[91]

The Colmar Brunton study did not look at waged poor or low-wage households as distinct cohorts, but there was some evidence in this study to suggest that this was also the case for waged poor households. Participants in the stakeholder workshop noted the difficulties of applying for and remaining eligible for concessions with the irregular incomes reported by many waged poor households (see below), while a number of interviewees thought they would not qualify simply because they were in employment.

As discussed previously, there is also a problem in that waged poor families who receive FTB Part A and do not hold an eligible *low-income* Health Care Card are excluded from concessions with the SA Government. SACOSS is *not* suggesting that all FTB recipients should have access to energy concessions, because the cut-off point for part payment of FTB is quite high (over $100,000).[92] However, the current eligibility criteria requiring a Health

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[90] ACCC, *Restoring electricity affordability and Australia's competitive advantage: Retail Electricity Pricing Inquiry—Final Report*, June 2018, https://www.accc.gov.au/system/files/Retail%20Electricity%20Pricing%20Inquiry%E2%80%94Final%20Report%20June%202018_0.pdf, p. 228

[91] Based on a sample of 2,437 billing data provided by electricity retailers; Colmar Brunton, *Australian Competition and Consumer Commission: Consumer outcomes in the national retail electricity market*, June 2018, https://www.accc.gov.au/system/files/Appendix%2012%20-%20Colmar%20Brunton%20-%20Consumer%20Outcomes%20in%20the%20National%20Retail%20....pdf

[92] Centrelink, *Guide to Australian Government Payments*, July 2019, https://www.humanservices.gov.au/sites/default/files/co029-1907-rates.pdf

Care Card is confusing and unnecessarily onerous. Essentially, if a family's employment income is less than $29,813 they would be entitled to Newstart (as well as FTB) and would qualify for an SA energy concession by virtue of being on Newstart. But above that threshold they would not be on Newstart, but (up to an income threshold of $54,677) they would automatically receive a Health Care Card (FTB). However, this card does not qualify them for the SA energy concession. They would have to apply separately (and know to apply) for a Low-income Health Care Card. And at incomes between $50,000 and $54,677 they may not be entitled to the low-income Health Care Card (depending on the number of children), despite being entitled to an FTB Health Care Card.

To alleviate this complexity and confusion, we recommend that ***the South Australian government broaden the criteria for energy concessions to include households in receipt of the Health Care Card (Family Tax Benefit).*** In practice, this would mean both the income cap for families to receive an energy concession would increase slightly from $50,388 for one child ($53,924 for three children) to $54,677 – which is the income threshold for the Health Care Card (FTB). Importantly, it would mean that those under that threshold who are automatically issued the FTB Health Care Card would not then have to apply separately for a low-income Health Care Card in order to qualify for the SA energy concession.

Incentives to Improve the Energy Efficiency of Rentals

Findings from our study support previous research suggesting that low-income renters have limited options in terms of reducing their energy use and investing in energy efficiency improvements. A range of measures will be required to support low-income renters (including the waged poor) and in July this year SACOSS joined with a range of other community groups in a call for a national strategy for low energy homes[93] which included 10 policy initiatives around rental homes. The statement called for Commonwealth, state and territory governments to commit to:

- Mandate minimum energy efficiency performance standards for rental homes in the context of broader standards for health, safety and habitability;
- Implement safeguards to avoid adverse effects on housing affordability, including measures to protect against unintended adverse consequences including rent increases and evictions or unnecessary removal of properties from the low-cost rental market following upgrades;
- Where necessary, provide incentives (such as tax incentives) to landlords to enable compliance with standards, with priority given to upgrading low-cost rental properties;

93 Community Joint Statement, *All Australians Deserve a Healthy, Safe, Affordable home*, July 2019, https://renew.org.au/wp-content/uploads/2019/07/Community-Joint-Statement-for-Healthy-Affordable-Homes.pdf

- Review mechanisms that facilitate landlord support for tenants to initiate upgrades to their homes or fixed appliances;
- Develop and implement programs to improve the energy efficiency of all social housing, including community housing;
- Provide information and equitable incentives for owner-occupiers to upgrade their homes, with targeted support for upgrades to people on low-incomes;
- Progress related measures including obligations on energy companies to achieve annual energy efficiency reductions, disclosure and information obligations on real estate companies and lending institutions;
- Commit to raising standards for major energy-using appliances (fixed and plug-in) consistent with best practice and the standards of our major trading partners;
- Provide financial assistance to enable low-income households to access efficient appliances;
- Strengthen the requirements of the National Construction Code to apply to a greater number of major renovations; and
- Introduce mandatory disclosure of energy performance for all buildings when they are sold and leased.

In relation to the call to ***mandate minimum energy efficiency performance standards for rental properties***, SACOSS has previously called on the South Australian government to introduce a residential energy efficiency disclosure scheme at point of sale or lease to provide greater transparency for buyers and tenants.[94] A phase-in of such a scheme was mandated by COAG in 2019 but, at the time of SACOSS' analysis, only the ACT had successfully implemented it. The Australian Council of Social Service (ACOSS) has also backed the phased introduction of mandatory energy efficiency standards, both noting that voluntary schemes are unlikely to work and proposing safeguards to avoid adverse effects on housing affordability.[95] We note that this policy is also currently being considered as part of COAG Energy Council's 'Trajectory for Low Energy Existing Homes' consultation process.[96] Low-income and waged poor households will still face barriers to lowering energy costs even if energy inefficiencies are recognised and rated, but a mandatory rating system is an important start for the suite of measures proposed in the community joint statement.

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94 SACOSS, *State Election 2018 – Cost of Living Policies*, South Australian Council of Social Service, December 2017.

95 ACOSS, submission to NEPP secretariat on the *Trajectory for Low Energy Existing Homes Discussion paper*, March 2019, https://www.acoss.org.au/wp-content/uploads/2019/05/17042019-Final-ACOSS-submission-to-NEPP-Energy-Efficiency-Existing-Houses.pdf

96 COAG, *Trajectory for Low Energy Existing Home*, December 2018, Council of Australian Governments Energy Council. http://www.coagenergycouncil.gov.au/sites/prod.energycouncil/files/publications/documents/Trajectory%20for%20Low%20Energy%20Buildings.pdf

SACOSS has also previously called for a ***land tax concession for landlords investing in energy efficiencies in rental properties.***[97] This is directly relevant to this report because it was evident among the households we interviewed, that many were 'locked' out from investing in significant energy efficiency upgrades. Usually, this was due to a misalignment of incentives between landlords and tenants to improve the energy efficiency of rental properties. This is particularly the case if landlords pay the costs of upgrades, but benefits are accrued by the renter as the energy customer and bill payer. For the landlord, there is little incentive to invest. Alternatively, if the landlord increases the rent to compensate for the extra expenditure and increased property value, the renters' housing costs increase and the benefit of energy savings is lost.

A land tax concession or rebate would provide relevant landlords with an incentive to invest in energy savings. Presumably such a system could be targeted to properties likely to be rented by poorer tenants, perhaps by limiting such incentives to properties below median house value.

In proposing such a tax concession, SACOSS also notes that the framework for assessing and approving the eligibility of energy efficiency investments already exists in the list of Retailer Energy Efficiency Scheme (REES) Energy Efficiency Activities.[98] Under the proposal, residential landlords would need to undertake approved REES energy efficiency activities at their rental property above a certain level of energy savings in order to qualify for the energy efficiency land tax concession. While the REES could provide a benchmark for eligible activities to attract the proposed concession/rebate, SACOSS notes the skew of current REES activity towards low cost initiatives with the recent Common Capital review of REES noting that:

> The majority of REES activity from 2015 to 2017 has focussed on low-cost, low-energy savings upgrades. Across all household groups, this includes installing over 715,000 energy saving lights, over 48,000 energy and water saving showerheads, and over 98,000 standby power controllers.[99]

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[97] SACOSS, *State Election 2018 – Cost of Living Policies*, South Australian Council of Social Service. https://www.sacoss.org.au/sites/default/files/public/documents/Cost%20of%20Living%20Policies_FINAL.pdf

[98] Ibid.

[99] Common Capital, Independent evaluation: Past performance and future policy options for the Retailer Energy Efficiency Scheme (REES) – Report for the Department for Energy and Mining of South Australia, July 2019, http://www.energymining.sa.gov.au/__data/assets/pdf_file/0004/345496/REES_Independent_Evaluation_Final_Report.pdf

Fewer higher-cost upgrades occurred through the REES over this three-year period, with only 50 insulation upgrades, and around 2,500 hot water heater upgrades taking place. [100]

There seems little doubt that to fully realise the benefits of energy efficiency, a shift away from low cost activities such as the replacement of lightbulbs towards higher cost, higher savings upgrades, such as the installation of insulation, double glazing, and purchase of whitegoods is needed. The payback from such investment is likely to be significant. Research by ACOSS and the Brotherhood of St Laurence suggests that a one-off capital investment of $5,000 in energy efficiency could provide annual savings of up to $1,139 for houses, and reduce energy expenditure as a percentage share of income for lowest-income households from the current 6.4% to 4.1%.[101]

Again, these high cost types of investments are generally not possible for waged poor households – hence the proposal for a land tax concession for landlords. However, as not all landlords pay land tax (depending on the value and ownership structures of the properties they own), this is not a universal fix but is seen as part of the suite of measures noted above that would benefit poor renters – including the waged poor.

Service Provision

The quantitative data was clear that waged poor are very unlikely to engage with community support services, and the interviews conducted for this research highlighted several factors contributing to that, including variously:

- Lack of awareness of services available;
- Pride, a belief that others are worse off/more deserving;
- Fear of stigma attached to receiving services;
- Perceptions of ineligibility due to their work income;
- Hassle of applying for services (particularly government relief); and
- Previous negative experiences with services.

Participants from our community sector stakeholder workshop suggested that the above findings "rang true" in relation to those accessing their services. Data from Salvation Army's Affordable SA website[102] suggested that most people were seeking information in the evening online, but few of the "waged poor" were accessing face-to-face services even though Salvation Army are open until 8pm to allow for after work appointments.

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100 Ibid.

101 ACOSS and BSL, Affordable, clean energy for people on low-incomes, January 2019, https://www.acoss.org.au/wp-content/uploads/2019/02/FINAL-Report-Affordable-clean-energy-for-people-on-low-incomes_web.pdf

102 https://affordablesa.com.au/

Several options were canvassed at the workshop to overcome barriers for the waged poor to access community services. The ConnectED program had trialled drop-in points at after work hours in neutral venues, such as libraries, to reach cohorts who traditionally do not access support via community service organisations. These tended to attract few people, and workshop participants noted that a more successful approach was to capitalise on existing groups that already met on a regular basis (e.g. migrant/new arrival groups, RSLs etc.).

Even with such adjustments, there remains a significant challenge for non-government service providers. Often their energy support service model is built on referrals from other emergency or counselling services, which the waged poor are unlikely to access. Further, there is little money in the funding agreements for those services to advertise in an attempt to reach beyond established networks. This may not be appropriate anyway if the service model (e.g. group workshops) is inappropriate for time-poor waged households. Some participants at the stakeholder workshop suggested they had had some success with webinars rather than face-to-face meetings as these had greater flexibility, but this is just one example of the ongoing ***need for NGOs to consider the particular needs of waged poor households and to ensure that services are accessible and appropriate to those waged poor and low-income waged households***.

While waged poor households are unlikely to engage with community organisations, and those NGOs have limited resources to reach out to waged poor households, a more direct path to engagement may be through energy retailers and the billing process. Consumer Action Law Centre's (CALC) recent Energy Assistance Project suggests that in practice, energy consumers learn about rebate schemes through a "mix of communication channels" including via the retailer, Department websites, Centrelink, financial counsellors, community service providers, and Energy and Water Ombudsman services. [103] However, an NCOSS online survey of 440 people living below the poverty line found that people are more likely to be aware of various retailer supports than they are of government supports.[104] Either way, participants in the stakeholder workshop noted that, while retailers did have hardship and payment plan information on their bills, it was often not obvious or comprehensive enough to alert consumers to their rights and eligibility for support.

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[103] Consumer Action Law Centre, *Energy assistance report: Tracking how Victoria's changing energy policies are impacting households in the state*, July 2019, https://consumeraction.org.au/energy-assistance-report

[104] NCOSS, *Turning off the lights: The cost of living in NSW*, June 2017, https://www.ncoss.org.au/sites/default/files/Cost-of-Living-Report-16-06-2017-FINAL.pdf

There may also be value in models such as the "One Stop/One Story" and "Cross-referral" projects being piloted by the Thriving Communities Partnership.[105] These programs look to create multiple points of entry into hardship and support programs with two Thriving Communities organisations. These organisations, Yarra Valley Water and EnergyAustralia, are currently investigating how to give people access to support programs of both companies from a single contact opportunity. This singular engagement will mean that a customer only has to tell their story once.[106] Such initiatives may be particularly important for groups who are already reluctant to engage with services.

Indicators for identifying waged poor customers in energy bill stress

Given all of the above it is important that retailers, government and non-government organisations themselves are aware of the issues confronting waged poor households and do not simply assume that because households are not solely or predominantly reliant on income-support payments that they are not in poverty or in need of assistance.

Accordingly, based on the data in this report, SACOSS has developed a set of indicators which should flag concern that waged poor households are either at risk or currently experiencing energy-bill stress and having trouble with payments. Those indicators are shown in the graphic below (Figure 18) and we recommend that ***all service organisations and retailers either utilise or adapt this list in their client screenings and support services to help identify waged poor customers who may be in need of assistance*****.**

[105] The Thriving Communities Partnership is a collaboration platform across businesses in the utilities, financial services, telecommunications and transport sectors, and community service organisations.

[106] Thriving Communities Partnership, *One stop one story hub*, https://www.thriving.org.au/what-we-do/projects/the-one-stop-one-story-hub

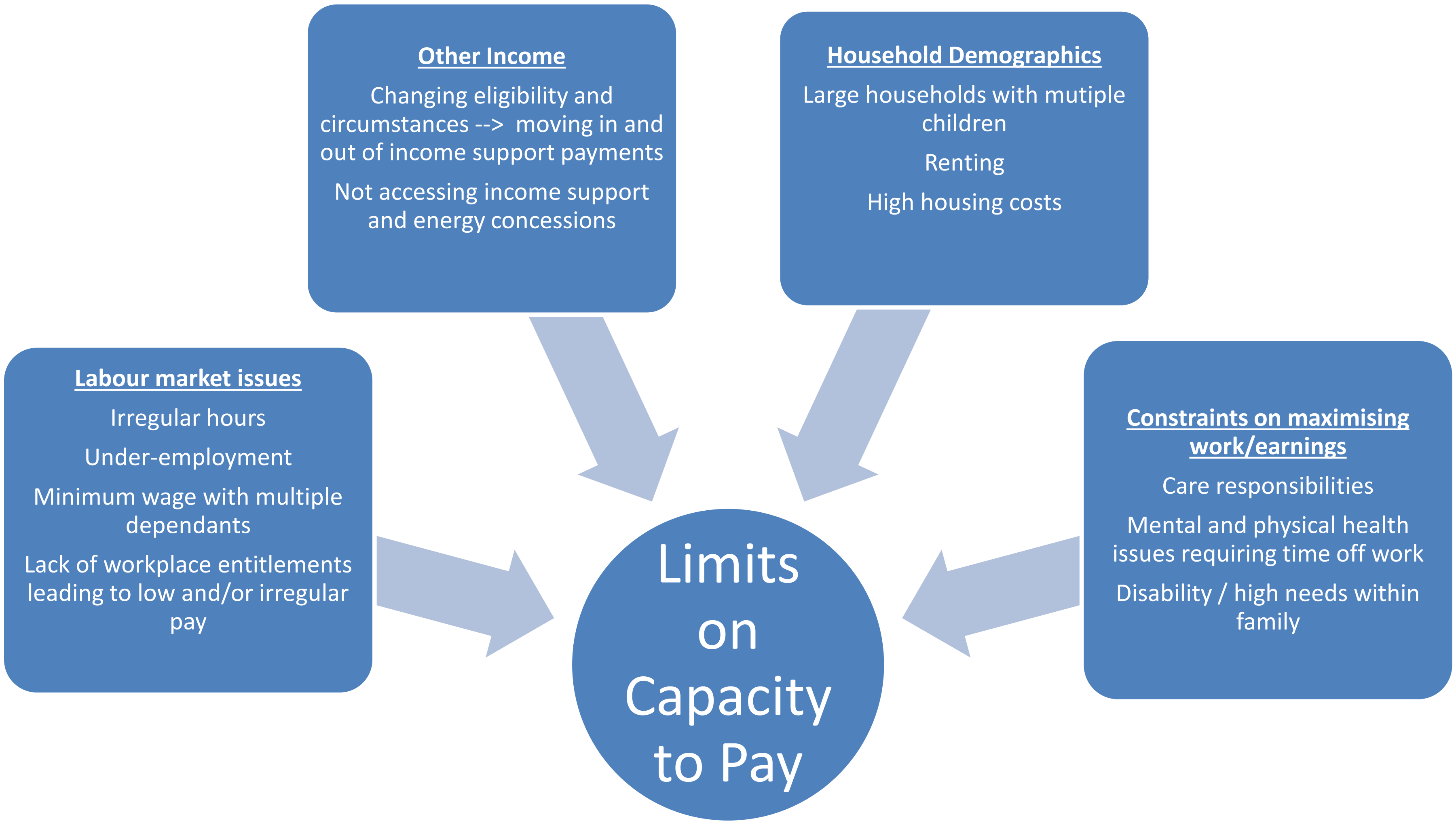

Figure 18: Indicators for identifying waged poor customers in energy bill stress

SACOSS believes that such an approach is in keeping with a key principle of the Energy Charter, which is an important industry-led collaboration with sign-on from energy businesses across the supply chain, including AGL, EnergyAustralia, and Origin Energy. One of the agreed principles of the Charter is to "provide flexible solutions that are easy to access and are provided by specially trained frontline staff with expertise in supporting those customers who face additional barriers to engaging with the energy market."[107] The identification of the waged poor customers, and an awareness of the particular energy stresses which they may face, would be an important contribution to staff training for energy businesses. The provision of solutions from within those companies to address the additional barriers that come with the cumulative impact of poverty and low-income or insecure work could have a significant impact on waged poor households.

Perhaps more significantly, the identification of waged poor customers and their energy stresses is important because under the National Energy Customer Framework (NECF)[108] energy retailers are legally obliged to offer and apply payment plans for both "hardship customers and other residential customers experiencing payment difficulties *if the customer informs the retailer* in writing or by telephone that the customer is experiencing payment difficulties *or the retailer otherwise believes* the customer is experiencing repeated difficulties in paying the customer's bill or requires payment assistance." [emphasis added][109]

While the recent AER Customer Hardship Policy Guideline provided clarity around the rights of 'hardship customers' as well as retailers' hardship responsibilities under the NECF,[110] it did not address retailers' obligations to the broader cohort of customers who are experiencing payment difficulties, but are not identified by the retailer as being in hardship. Access to a hardship program in NECF jurisdictions remains at the discretion of the retailer. Beyond this, the obligation (quoted above) to offer payment plans to other customers experiencing payment difficulties is only triggered either by the customer informing the retailer that they are having trouble paying their bill, or where the retailer 'otherwise

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107 The Energy Charter, *The energy charter: First edition*, January 2019, https://www.theenergycharter.com.au/wp-content/uploads/2019/04/TheCharter_20190328.pdf, p. 19

108 The National Energy Customer Framework (NECF) is a suite of legal instruments that regulate the sale and supply of electricity and gas to retail customers in certain jurisdictions in the NEM. The main NECF documents are the National Energy Retail Law, National Energy Retail Rules and National Energy Retail Regulations. Parts of the NECF are also contained in the National Electricity Rules and the National Gas Rules. Apart from Chapter 5A of the National Electricity Rules, the NECF does not apply in Victoria.

109 See section 50(1), of the National Energy Retail Law (it is worth noting that this is a civil penalty provision for the purposes of the Law).

110 Clause 2 of *AER Customer Hardship Policy Guideline Version 1*, March 2019, https://www.aer.gov.au/system/files/AER-Customer-Hardship-Policy-Guideline-March-2019.pdf

believes' that the customer requires payment assistance. At the point a belief is triggered in the retailer, the retailer is required to contact the customer and offer a payment plan to the customer. If the customer tells the retailer they are having trouble paying their bill, the retailer must establish the payment plan having regard to the customer's capacity to pay.[111]

The reliance on customers self-identifying is particularly problematic given our finding that the waged poor generally do not view themselves as being in need of support, creating a clear barrier to self-identification. If waged poor customers are unlikely to notify the retailer of payment difficulties, there is a danger that key protections under the NECF will be rendered meaningless for many waged poor households.

This is a significant problem, but could be addressed by one or more "triggers" that by definition will give rise to a retailer's belief that a customer is possibly in need of support, thereby triggering the NECF requirements. Retailers are required to have processes to identify hardship customers,[112] and during the development of the AER's Customer Hardship Policy Guideline, a number of stakeholders[113] called for the AER to adopt the $55 debt trigger contained in the Victorian Essential Services Commission's new Payment Difficulty Framework (PDF) [114] as the first step in retailers' hardship identification process. The PDF establishes entitlements to supports for all customers anticipating or experiencing payment difficulties in Victoria, including minimum entitlements to tailored assistance measures for customers who are in arrears.[115] Under the PDF, retailers must proactively contact a customer, in arrears of more than $55, who has not paid a bill by its pay-by date, within 21 days after that pay-by date to provide information that customer about their entitlements to assistance.[116]

This contact requirement is aimed to ensure retailer action early in the debt cycle to enable communication to the customer about their rights, options to manage costs and

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111 See Rule 33(4) and Rule 72 of the National Energy Retail Rules (both these Rules are civil penalty provisions for the purposes of the Law).

112 See section 44(a) of the National Energy Retail Law.

113 For example, PIAC, *Submission to the AER's Draft Hardship Guideline*, March 2019, https://www.piac.asn.au/wp-content/uploads/2019/03/19.03.01-PIAC-response-to-AER-draft-hardship-guidlines-final-1.pdf

114 See Part 3 of the Essential Services Commission of Victoria's Energy Retail Code Version 13, https://www.esc.vic.gov.au/sites/default/files/documents/energy-retail-code-v13-20190701.pdf

115 See clause 79 of the Energy Retail Code (Vic) which establishes minimum assistance measures for customers in arrears, with customers in arrears who cannot pay for their ongoing energy use entitled to additional measures including an initial six month period where the repayment of their arrears is put on hold (see clause 79(3) and 79(1)(f)).

116 See clause 80(2) of the Energy Retail Code (Vic).

connections to both government and non-government supports.[117] Again, we believe these measures are particularly crucial for the waged poor cohort, considering their lack of connection to support services and their reluctance to identify themselves as being in need of support. We therefore recommend that ***retailers in NECF jurisdictions use a debt trigger as a means of identifying customers in payment difficulty.***

Irregular Hours and Income

As noted in Chapter 4, many waged poor households are subject not just to low wages, but also to irregular hours and variable wages. Due to this, one of the challenges in providing support with energy bill stress for these households is to find what bill-paying arrangements may be best suited to those not just with very low-incomes, but also those with highly variable and low-incomes. This is perhaps primarily a challenge for energy retailers and regulators through provisions in consumer protection instruments.

Two key options currently available to assist those on low-incomes are bill-smoothing or payment plans where energy bills are paid off in smaller weekly amounts. The logic of such approaches is built around a person receiving a regular (if low) income. Those on intermittent or irregular income may struggle to meet agreed payment plans or bill-smoothing arrangements because even the small amount due some weeks may be too much, while it could be easily covered in other weeks. In these circumstances, it is essential when establishing a payment plan that retailers have regard to a customer's employment arrangements when discussing their capacity to pay. While the NECF currently requires retailers to discuss and consider the capacity to pay,[118] considering a customer's employment arrangement nuances discussions to be more relevant to the needs of the waged poor. Such an approach would also be in line with the better practice principles of "empathy, respect and flexibility" contained in the AER's Sustainable Payment Plans Framework (SPPF).[119]

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117 The effectiveness of the PDF (which began 1 January 2019) will not be reviewed until it has been in operation for at least two years. Essential Services Commission 2019, *Victorian Energy Market Update: June 2019*, 28 June https://www.esc.vic.gov.au/sites/default/files/documents/RPT%20-%20FINAL%20-%20Victorian%20Energy%20Market%20Update%20-%20June%202019%20-%2020190507.pdf

118 For hardship customers under Rule 72 of the National Energy Retail Rules, and for customers who tell their retailer they are having difficulty paying their bill in accordance with Rules 33(4) and 72, both of which are civil penalty provisions for the purposes of the Law.

119 The Sustainable Payment Plans Framework (SPPF) is a voluntary framework that contains a set of principles to guide how retailers should have conservations with customers about their capacity to pay, as well as good practice actions and considerations retailers should follow at different stages of a payment plan. As at September 2019, 18 retailers across the NEM had adopted the SPPF including AGL, Origin and Energy Australia. Compliance with the SPPF is not monitored or

SACOSS has previously raised concern about retailers cancelling payment plans after one missed payment, without engaging with the customer and allowing for customers to renegotiate affordable amounts.[120] Our concerns about this are heightened when considering those with irregular incomes for whom the issue is not just about missing a payment, but a total mismatch between their payment plans and income pattern. It is worth noting that within the Good Practice Guide Chart in the SPPF, there is a discussion of how a missed payment should trigger a conversation with the customer about what they can afford to pay. As outlined in the Energy Retail Code, Victoria's Payment Difficultly Framework requires retailers to use their best endeavours to contact the customer in a timely manner and discuss a revised payment plan if the customer misses a payment.[121] We support both of these practices, and do not believe it is appropriate for payment plans to be cancelled on the basis of one missed payment.

In view of the above SACOSS recommends that, in providing payment supports, ***energy retailers must take into account customers' employment arrangements and develop payment plans tailored for customers with irregular incomes.***

We acknowledge that this recommendation represents a significant departure from retailers' current practice. However, when confronted with the issues, the community services stakeholder workshop saw merit in this approach and suggested some key starting points for any such "irregular payment" scheme:

- Payment plans that are milestone based rather than frequency based (e.g. paying X amount by a certain date, rather than an agreed payment amount every two weeks);
- Stipulating longer payment periods to match up with cycles of irregular income (e.g. payments required over the next 6 weeks);
- Introducing incentives if payments exceed a minimum threshold, rather than having a default notice as soon as one week goes below payment plan.

Again, these are starting points for discussion and retailers will be able to develop more nuanced models once they accept the premise that the traditional regular payment plans, while an excellent tool for many customers, may be inappropriate for waged poor and low-income households on highly variable incomes.

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enforced by the AER.
https://www.aer.gov.au/system/files/AER%20Sustainable%20payment%20plans%20framework%20-%20Version%201%20-%20July%202016.pdf

120 SACOSS, *Submission to the AER on the Hardship Guideline Issues Paper*, January 2019, https://www.sacoss.org.au/sites/default/files/public/documents/Submissions/Utilities%20Submissions/190114_SACOSS_Submission_AER_Hardship_Guideline.pdf

121 See clauses 89(c), 89(b), 81(6) and 82(2) of the Energy Retail Code (Vic).

Employment Requirements Changing Budget Priorities

The issues identified in this report in relation to employment-related expenses are real and important for waged poor households and for energy affordability in those households. However, given those issues were largely about other expenditures (such as vehicles and telecommunications) rather than energy itself, the solutions are also likely to reside elsewhere. Neither SACOSS nor the stakeholder group assembled for this project have any energy-specific policy recommendations under this heading.

Appendices

Appendix 1: Energy Poverty

Appendix 2: Notes on Quantitative Methodology

Appendix 3: Full Data Tables

Appendix 4: Interview Approach and Methodology

Appendix 5: Interview Demographics

Appendix 6: Case Studies

Appendix 1: Energy Poverty

The energy poverty approach is arguably more sensitive to changes in both income and energy expenditures in the wider population. While most poverty measures are relative to median income and therefore reflect changing community incomes, the energy poverty marker is also based on energy expenditure above the median average. In England this expenditure is based on an estimate of required energy costs, rather than actual expenditure (although data for the former is not available in Australia, and Nance used actual expenditure).[122] Accordingly, if necessary energy consumption decreases (for example, due to increased energy efficiency of appliances, or uptake of household solar) then the energy part of the poverty line effectively adjusts down – highlighting the extra expenditure of those who can't/haven't reduced consumption (i.e. are further in energy poverty). In essence, the approach ensures a particular energy component to the poverty measure and is less arbitrary than a straight percent of disposable income measure (such as the English 10% of disposable income). However, there are a range of problems with the energy poverty approach beyond just the lack of data availability that Nance identified.

The methodology singles out and privileges energy expenditure in setting poverty thresholds in a way that does not necessarily reflect the interconnectedness of expenditures in household budgets. Philosophically, it is also unclear why energy expenditure should change the effective poverty line. If it is simply because energy is the subject of inquiry, there is a risk of energy poverty simply being a result of its own methodology. In that sense, Hills' conclusion that energy poverty was a distinct problem, not just a manifestation of poverty more generally, may be challengeable.

However, if the argument for energy expenditure effectively changing the poverty line is because energy is essential, then why not also adjust for other essential expenditures? If this is the case, we would be left with a measure of essential versus discretionary expenditure, rather than poverty as such. And in this context, there is always a level of subjectivity as to what is essential.

Finally, the methodology also leads to some potentially perverse outcomes (although the same could probably be said for most methodologies, and Hills' formulation was designed to avoid perverse outcomes in the previous definition).

The above issues can be seen in the following hypothetical examples:

Assume: Median Household Disposable Income (HDI) = $1,500, after housing HDI = $1,000, then the 60% of HDI poverty line would be = $600. Energy Expenditure 5% Median AHDI = $50.

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122 A Nance, *Relative energy poverty in Australia*, November 2013, https://www.sacoss.org.au/sites/default/files/public/documents/Reports/131120_Relative_Energy_Poverty_in_Australia%20Report.pdf

In this case, energy poverty would be anyone with income below $600 and spending more than $50 on fuel.

However, if someone had income of $590, and fuel expenditure of $40, they would not be in energy poverty (because their energy expenditure is below the national median energy expenditure). They would be in poverty, but not energy poverty.

By contrast though, if someone had an income of $645, and an energy expenditure of $100, they would be in energy poverty because they spend more than the national median, and at $545 their revised income would be below the energy poverty line – despite having an income well above the poverty line.

Apart from definitional issues (the second household being in energy poverty but not in poverty under a mainstream definition), the first household (which is not in energy poverty) may well struggle as much with its $40 energy bill as the second household with its (energy poverty) $100 energy bill – because they have about the same household income after housing and energy costs.

These examples suggest to us that is safer to keep energy costs separate from the poverty line and use poverty to refer to overall lack of income, and energy *stress* (rather than poverty) for particular energy cost issues.

While acknowledging our debt to Nance's report and the energy poverty concept in putting the waged poor on the energy agenda, given the above issues and the fact that the "energy poverty" methodology is not widely accepted among poverty researchers in Australia, this report does not adopt the "energy poverty" approach.

Appendix 2: Notes on Quantitative Methodology

The quantitative data analysis was conducted on the ABS *Household Expenditure Survey (HES) 2015-16* Confidentialised Unit Record File (CURF). The HES is a representative sample of 10,046 Australian households with information on income, expenditure and socio-economic characteristics, and is collected every six years. The HES data is collected at the same time as the Survey of Income and Housing. We have chosen the HES dataset for this analysis over other ABS publications, such as the Survey of Income and Housing or the Survey of Income and Wealth, due to the availability of detailed household expenditure and financial stress data items in the HES.

Following the practice used by the ACOSS/UNSW Poverty in Australia series of reports,[123] zero and negative incomes were removed from the analysis, as well as all self-employed households. While there are, no doubt, self-employed households living in poverty, the mix of business and personal income and the tax deductions available mean that reported disposable income data is an unreliable indicator of living standards.[124] Applying these two adjustments left us with an unweighted sample of 8,850, representing 7,718,173 households. Estimates for poverty line and low-income waged households were made based on this sample. As per the approach taken by Nance,[125] statistical analysis was performed with weights [CURF variable, HESHHWT] to reflect how representative each survey record is of the broader population.

The income measure commonly used in poverty studies is disposable household income, which represents household income after tax. The corresponding variable in the ABS HES CURF data is “Current weekly household (HH) disposable income” [referred to as DISPSCH8]. To calculate an after housing cost poverty line, the housing costs variable [referred to as HCOSTSH2] was deducted from income. As is the standard for international poverty line studies, the income measure was equivalised to account for the different resource needs of households of varying size and composition. The ABS CURF data attaches an household equivalising factor value to each survey record under the variable EQUIVH.[126] The income

123 ACOSS and UNSW, *Poverty in Australia 2018: Research methodology*, October 2018, https://www.acoss.org.au/wp-content/uploads/2018/10/Methodology-Paper_Poverty-in-Australia-2018.pdf

124 The Payne, “Working Poverty in Australia” study similarly excludes self-employed households from their definition of the working poor for this reason.

125 A Nance, *Relative energy poverty in Australia*, November 2013, https://www.sacoss.org.au/sites/default/files/public/documents/Reports/131120_Relative_Energy_Poverty_in_Australia%20Report.pdf

126 This represents the modified OECD method of equivalisation, where the first adult in the household is assigned 1 point, each subsequent adult 0.5 points, and each dependent child under the age of 15 is given 0.3 points. Therefore, a couple with two dependent children would have an

variable [DISPSCH8] was divided by the household equivalising factor [EQUIVH] to calculate the equivalised household disposable income variable.

The poverty line set at 50% of the median equivalised after housing household disposable income variable ($699.99).

Table 5: Equivalised Household Disposable Income, Study Sample, 2015-16

Equivalised Household Disposable Income

	Before Housing Costs	**After Housing Costs**
Valid	7,718,173	7,718,173
Missing	0.00	0.00
Mean	988.51	853.29
Median	832.38	699.99
Minimum	1.33	-620.25
Maximum	14921.63	14448.90
Percentiles		
10	436.70	313.27
20	492.87	404.09
30	590.53	478.52
40	709.85	584.10
50	832.38	699.99
60	965.61	834.16
70	1145.07	990.83
80	1360.37	1200.43
90	1710.25	1548.11

This results in a poverty income threshold of $349.99. This figure is broadly in line with the 50% of the median income poverty line (after housing costs) calculated by ACOSS and UNSW in their Poverty in Australia 2018 report ($353.29),[127] with minor variations likely due to the choice of housing cost variable.[128]

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equivalisation factor of 2.1, recognising economies of scale where the household would face costs 2.1 times that of a single adult living alone.

127 ACOSS and UNSW, *Poverty in Australia 2018*, October 2018, https://www.acoss.org.au/wp-content/uploads/2018/10/ACOSS_Poverty-in-Australia-Report_Web-Final.pdf

128 The ACOSS/UNSW study uses the HCOSTSH variable which includes weekly costs for rent, general rates, general and water rates, combined rates, mortgage repayments to purchase/build, mortgage repayments for alterations/additions, and payments for unsecured loans for housing purposes. We have chosen the newer HCOSTSH2 variable, which includes additional costs for body

To identify the low-income waged household cohort, we used the equivalised household disposable income (after housing) at the top of the 40th percentile ($584.10). Households whose equivalised after housing income was below this threshold **but above** the after housing poverty line of $349.99 were included (i.e. between $349.99 and $584.10).

The resulting selections for both below the poverty line and low-income cohorts were filtered for households whose main source of income is wages and salaries, with all remaining households included in the study.

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corporate payments and other adjustments. See http://www.abs.gov.au/ausstats/abs@.nsf/Lookup/6541.0.30.001main+features402011-12 for further detail.

Appendix 3: Full Data Tables

In reading the tables in this section, comparisons should be made with the "All Households" column (shaded in grey), which represents the results for all households in the survey sample (i.e. representative of the population, excluding self-employed households).

Table 6: Household characteristics, by household group, Australia, 2015-16

	Waged Poor Households		Income Support Poverty Cohort		Low-Income Waged Households		All Households	
Household Composition	***hh***	**%**	***hh***	**%**	***hh***	**%**	***hh***	**%**
Couple, children	87,462	35.0%	66,614	10.0%	403,755	50.3%	2,446,235	31.7%
Single, children	25,008	10.0%	119,726	18.0%	79,476	9.9%	477,243	6.2%
Couple, no children	51,815	20.7%	109,986	16.5%	105,460	13.1%	2,126,161	27.5%
Single, no children	63,236	25.3%	337,810	50.7%	163,821	20.4%	2,045,847	26.5%
Other	22,297	8.9%	32,247	4.8%	49,473	6.2%	622,687	8.1%
Total	*249,818*	*100.0%*	*666,383*	*100.0%*	*801,985*	*100.0%*	*7,718,173*	*100.0%*
Number of Employed Persons in the Household								
No employed persons	17,410	7.0%	617,154	92.6%	4,892	0.6%	2,455,063	31.8%
1 employed person	184,325	73.8%	42,818	6.4%	528,818	65.9%	2,291,354	29.7%
2 employed persons	35,735	14.3%	5,738	0.9%	232,446	29.0%	2,187,101	28.3%
3 employed persons	11,793	4.7%	673	0.1%	23,552	2.9%	538,289	7.0%
4 employed persons	555	0.2%	-	0.0%	10,782	1.3%	215,372	2.8%
5 employed persons	-	0.0%	-	0.0%	1,495	0.2%	24,672	0.3%
6 employed persons	-	0.0%	-	0.0%			6,322	0.1%
Total	*249,818*	*100.0%*	*666,383*	*100.0%*	*801,985*	*100.0%*	*7,718,173*	*100.0%*
Number of Pension / Benefit Recipients in the Household								
No pension/benefit recipients	121,258	48.5%	-	0.0%	268,021	33.4%	3,292,970	42.7%
1 pension/benefit recipient	108,554	43.5%	490,629	73.6%	418,172	52.1%	2,889,387	37.4%
2 pension/benefit recipients	15,261	6.1%	159,056	23.9%	91,429	11.4%	1,359,866	17.6%
3 pension/benefit recipients	4,745	1.9%	11,769	1.8%	14,682	1.8%	149,185	1.9%
4 pension/benefit recipients	-	0.0%	4,929	0.7%	9,682	1.2%	24,663	0.3%
5 pension/benefit recipients	-	0.0%	-	0.0%		0.0%	2,102	0.0%
Total	*249,818*	*100.0%*	*666,383*	*100.0%*	*801,986*	*100.0%*	*7,718,173*	*100.0%*

	Waged Poor Households		Income Support Poverty Cohort		Low-Income Waged Households		All Households	
At Least One Person in the Household with:	***hh***	***%***	***hh***	***%***	***hh***	***%***	***hh***	***%***
A Health Care Card	75,757	30.3%	636,448	95.5%	256,343	32.0%	3,374,133	43.7%
Centrelink C'wealth seniors health		0.0%	13,354	2.0%	1,359	0.2%	145,294	1.9%
Centrelink pension concession card	14,891	6.0%	500,786	75.1%	111,395	13.9%	2,385,993	30.9%
Department of Health and Ageing (DoHA) health care card	67,552	27.0%	172,709	25.9%	165,982	20.7%	967,564	12.5%
HIC safety net concession card	-	0.0%	3,685	0.6%	-	0.0%	11,746	0.2%
HIC safety net entitlement card	-	0.0%	715	0.1%	-	0.0%	5,060	0.1%
Tenure								
Owner without a mortgage	20,076	8.0%	128,274	19.2%	81,397	10.1%	2,459,906	31.9%
Owner with a mortgage	62,508	25.0%	76,181	11.4%	298,880	37.3%	2,711,272	35.1%
Renter	162,939	65.2%	453,636	68.1%	406,831	50.7%	2,359,715	30.6%
Other	4,295	1.7%	8,292	1.2%	14,878	1.9%	187,279	2.4%
Total	*249,818*	*100.0%*	*666,383*	*100.0%*	*801,985*	*100.0%*	*7,718,173*	*100.0%*
State/Territory								
New South Wales	78,213	31.3%	214,563	32.2%	256,592	32.0%	2,459,528	31.9%
Victoria	58,036	23.2%	168,284	25.3%	183,529	22.9%	1,918,993	24.9%
Queensland	43,734	17.5%	129,680	19.5%	192,001	23.9%	1,567,741	20.3%
South Australia	20,528	8.2%	62,886	9.4%	58,537	7.3%	594,525	7.7%
Western Australia	38,627	15.5%	64,002	9.6%	80,266	10.0%	809,641	10.5%
Tasmania	2,274	0.9%	18,246	2.7%	16,740	2.1%	177,198	2.3%
Northern Territory	2,275	0.9%	2,377	0.4%	5,902	0.7%	59,441	0.8%
ACT	6,132	2.5%	6,345	1.0%	8,419	1.0%	131,106	1.7%
Total	*249,818*	*100.0%*	*666,383*	*100.0%*	*801,985*	*100.0%*	*7,718,173*	*100.0%*
Location								
Greater Capital City Area	169,986	68.0%	391,668	58.8%	511,996	63.8%	4,887,785	63.3%
Rest of State	79,832	32.0%	274,715	41.2%	289,989	36.2%	2,830,387	36.7%
Total	*249,818*	*100.0%*	*666,383*	*100.0%*	*801,985*	*100.0%*	*7,718,173*	*100.0%*

Table 7: Gross household expenditure, by household group, Australia, 2015-16

	Waged Poor		Income Support Poverty Cohort		Low-income Waged Households		All Households	
Expenditure Category	***$/week***	***%***	***$/week***	***%***	***$/week***	***%***	***$/week***	***%***
Current housing costs	396.09	30.4%	204.32	31.7%	332.17	27.2%	268.40	19.4%
Domestic fuel and power	39.00	3.0%	33.09	5.1%	41.51	3.4%	40.28	2.9%
Food & non-alcoholic beverages	207.46	15.9%	112.16	17.4%	208.22	17.1%	229.33	16.6%
Alcoholic beverages	19.66	1.5%	7.89	1.2%	22.11	1.8%	30.93	2.2%
Tobacco products	9.48	0.7%	11.54	1.8%	14.92	1.2%	12.69	0.9%
Clothing & footwear	36.55	2.8%	13.92	2.2%	36.55	3.0%	42.62	3.1%
H/hold furnish & equip	43.76	3.4%	18.94	2.9%	42.12	3.4%	55.23	4.0%
H/hold services & operation	30.30	2.3%	19.19	3.0%	40.13	3.3%	44.73	3.2%
Medical care & health expenses	104.58	8.0%	30.67	4.8%	49.67	4.1%	80.72	5.8%
Transport	126.28	9.7%	68.61	10.7%	146.09	12.0%	200.73	14.5%
Communication	42.32	3.3%	27.39	4.3%	46.09	3.8%	46.16	3.3%
Recreation	102.86	7.9%	47.37	7.4%	114.21	9.4%	168.85	12.2%
Education	55.20	4.2%	7.09	1.1%	37.37	3.1%	42.12	3.0%
Personal care	20.65	1.6%	10.84	1.7%	22.09	1.8%	27.60	2.0%
Misc. goods & services	67.43	5.2%	31.03	4.8%	67.91	5.6%	91.24	6.6%
Total	***1301.62***	***100%***	***644.04***	***100.0%***	***1221.15***	***100%***	***1381.63***	***100%***
Mean Income	710.72		493.95		1166.51		1685.37	

This table is complex. There are a few qualifications and apparent anomalies that require the following elaboration.

Housing Costs

As per the HES data, the housing expenditure figures are *current* housing costs, which means that it understates the actual weekly payments made by mortgagees. In theory the mortgage is usually in two parts: interest (which is the current housing cost) and the repayment of capital (which is a type of forced saving – it is about ownership, not the cost of

current services provided by the housing). This creates a fairer comparison of rent and mortgage costs, but does not reflect the amount of money that mortgagees have to pay for other things (and in a sense over-estimates the proportion of their weekly budget going to those non-housing expenditures). Arguably a better measure is a percent of household income, rather than expenditure – which is provided for energy in Table 7 below.

Income and Expenditure

It is notable that the household expenditure exceeds income for both categories of households living in poverty. The same is true of the ABS published data for the bottom income quintiles (and the bottom two equivalised income quintiles).[129] The discrepancy is likely due to deriving the various income cohorts based on after housing cost, the impact of under-reporting of income (including illegal incomes) and households living off savings or going into debt (e.g. credit card debt). The difference between income and expenditure is very substantial in relation to the waged poor (and much greater than the ABS lowest income quintile), which probably suggests a considerable reliance on household savings to prop up the weekly budget, and/or high levels of debt.

The ABS' own analysis suggests that being in debt is "a reality for most Australian households" with over three-quarters of Australian households in debt and credit card debt being held by over 55% of all households.[130] While the ABS notes that higher income households are more likely to be in debt, a worthwhile area of further study would be to examine the level of over-indebtedness (when debt is three or more times annual disposable income) of waged poor households. This would be especially insightful given the current study has focussed on issues of income rather than wealth.

Similarly, it is notable that the waged poor household expenditure is greater than that of the low-income waged households who have both higher incomes and larger average size. In addition to the standard ABS reasons for such anomalies, in the waged poor cohort the average income is probably dragged down by negative and very low-incomes in the after housing cost figures. However, the median income figure for waged poor households is only $44 a week more than the mean, so there is still a significant reliance on savings.

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[129] ABS, 6530.0 - Household Expenditure Survey, Australia: Summary of Results, 2015-16, Australian Bureau of Statistics, Canberra. Tables 3 and 4.

[130] ABS, *6523.0 - Household Income and Wealth, Australia, 2015-16 feature article: Household debt and over-indebtedness in Australia*, July 2018, https://www.abs.gov.au/ausstats/abs@.nsf/Lookup/by%20Subject/6523.0~2015-16~Feature%20Article~Household%20Debt%20and%20Over-indebtedness%20(Feature%20Article)~101

Expenditures

In a number of budget lines the expenditure of waged poor households is much more similar to low-income waged households, than to those in the poverty cohort. This is surprising given the similarity of after housing income for waged poor and income support households but, again, this is the result of similar overall expenditures and the reliance on household savings. That said, as noted in the body of this report, there are also significant differences between waged poor and low-income waged households in education and particularly in relation to health spending. While the priority of these expense areas may relate to family formation, the differences are stark and would require further analysis which is beyond the scope of this project.

Table 8: Energy expenditure as a percentage of household disposable income, Australia, 2015-16

	Av. Weekly Expend $	% of Mean AH/hold Income
Waged Poor Cohort	$39.00	5.5%
Income Support Poor	$33.09	6.7%
Low-income Waged Households	$41.51	3.6%
All Households	$40.28	2.4%

Table 9: Financial stress indicators by household group, Australia, 2015-16

	Waged Poor Cohort		Income Support Poor		Low-income Waged households		All Households	
Financial Stress Indicator	***hh***	**%**	***hh***	**%**	***hh***	**%**	***hh***	**%**
Could not pay gas/electricity/telco bill	45,542	18.2%	178,591	26.8%	145,159	18.1%	748,663	9.7%
Unable to heat home	4,544	1.8%	77,300	11.6%	20,852	2.6%	185,236	2.4%
Sought assistance from NGOs	2,309	0.9%	110,620	16.6%	12,030	1.5%	216,109	2.8%
Sought financial help from friends/family	42,867	17.2%	149,936	22.5%	75,387	9.4%	555,708	7.2%

Appendix 4: Interview Approach and Methodology

The in-depth interviews took place between December 2019 and April 2019, which was largely after the quantitative data analysis had been completed (at least in broad terms) and so the approach was informed by both the literature review and the findings from the quantitative analysis.

Given our analysis of the ABS data suggested that waged poor households were very unlikely to engage with non-government welfare organisations (i.e. SACOSS' traditional member groups), recruitment of interviewees was done via social media (Facebook, Twitter – including paid advertising) as well as by word of mouth.

The initial recruitment specifications were:

- South Australian household
- Interview reference person is aged 18+
- Main source of household income is salary and wages
- Household not in receipt of Centrelink income support payment or Low-Income Health Care Card
- Household struggles to pay bills or is just able to make ends meet with some money left over

Interested participants were screened with the income categories and cut-offs based on the poverty-lines and 40th percentile marker (i.e. top of the second lowest income quintile) utilised in the quantitative analysis. Written consent was obtained for the questioning and use of answers, and participants were given an honorarium in appreciation of their contribution.

Of the 20 interviews conducted, 12 were conducted face-to-face (mostly Adelaide metro based participants) and 8 were conducted by telephone (covering regional South Australia and some metro areas). Two people were excluded from the study after interview as the interviews revealed additional income not disclosed at the time of screening which took them beyond the income caps.

The interviews were semi-structured as per the guide below, and all interviews were recorded and transcribed. The transcripts were subsequently analysed for key and repeating themes, and full interview case studies were written up – some of which appear in this report.

Interview Guide

Introduction

The South Australian Council of Social Service (SACOSS) is conducting a research project to better understand the experience of working households who are struggling to pay their electricity bills.

We would like to increase our understanding of these energy customers in order to target more effective support to help reduce energy bill stress.

The interview is expected to take between 45 – 60 minutes.

Participation in this study is voluntary and you may withdraw from the study at any time. We will ensure that your confidentiality will be protected. While we may summarise your feedback in a report, we will not use your name or any other information that could identify you.

Before we start, do you have any questions?

To help with our analysis, we would like to record the interview. Can I please confirm that we have your permission to record the interview?

Screener Questions

Interviewer to ask all questions; decision made on eligibility for interview post-screener

S1. Which of the following best describes your household situation:

1. Family household
2. Couple, no children
3. Single, children
4. Single, no children
5. Other

S2. How many people in your household are aged:

a) Under 15

b) 15 and over

S3. Which of the following statements best describes your financial situation?

a) You don't have enough money for basic essentials, like housing, food and electricity
b) You have enough money for basic essentials, but you cannot save any money
c) You have enough money for basic essentials, and you can save a little money

S4. What is the main source of household income?

a) Government support payments
b) Full-time work
c) Part-time work
d) Regular casual or contract work
e) Irregular casual or contract work
f) Other

S5. Are you (or anyone in your household) in receipt of a Centrelink income support payment or Health Care Card[131]?

a) Yes
b) No

S6. What do you estimate is your household's typical weekly income[132] after tax?

____

S7. Which of the following describes you best?

a) I am primarily responsible for paying the bills in my household
b) I am jointly responsible for paying the bills in my household
c) I am not responsible for paying the bills in my household

Recruitment Specifications

- Ages 18+
- Household not in receipt of Centrelink income support payment or Low-Income Health Care Card
- Main source of income is paid work
- Household struggles to pay bills or is just able to make ends meet with some money left over
- (Secondary consideration) Ensure[133] a mix of:
    - Gender

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[131] Includes: Pensioner Concession Card (issued by Department of Human Services or Dept. Veterans' Affairs); Health Care Card (issued by Dept. of Human Services); Commonwealth Health Care Card (issued by Federal Dept. of Human Services); Commonwealth Seniors Health Care Card (issued by Dept. Veterans' Affairs); Veteran's Affairs Gold/White/Orange Card

[132] Includes: total of all wages and salaries, government benefits, pensions, allowances and any other income **after deductions for tax**, superannuation contributions, health insurance, amounts salary sacrificed, or any other automatic deductions

[133] To monitor as recruitment progresses

- Age
- Family types (e.g. sole parents, singles, pensioners)
- Housing (e.g. renting, paying mortgage)
- Metro/regional

Demographics

We will start off with some demographic questions:

1. You mentioned that you are living in a (XXXXX[134]) household. What are the ages of everyone living within the household?
2. Which of the following best describes your housing situation?
    a. Renting – public housing
    b. Renting – real estate agent/landlord
    c. Homeowner (paying off a mortgage)
    d. Homeowner (fully paid off home)

[Follow-up] How much per week do you spend on housing? _____________

3. Does anyone in your household speak a language other than English at home?
    a. Yes
    b. No
4. What is your primary area of residence?
    a. Adelaide metro
        i. North
        ii. South
        iii. East
        iv. West
    b. South Australia – regional
5. What is the type of energy used in your household?
    a. Electricity only
    b. Electricity and gas
    c. Electricity and other (e.g. solar)
    d. Electricity, gas and other

[134] Insert answer from Screener Question 1

Employment and income

6. How many members of your household are currently employed and what is the nature of the employment? (Explore: Full-time, part-time, casual; the type of work etc.)
7. How many hours per week do you typically work? (If multiple household members work, ask how many hours they typically work per week)
8. How satisfied are you with the number of hours you/other household members are working? (Probe: do you get enough hours, or are you working too many hours? Do you feel secure in your job?)
9. Does your household have other sources of income (e.g. government support, investments, self-employment)? **If yes,** roughly what percentage of your household's income does [source of income] account for?
10. Do you think your level of household income is low, medium or high? Why would you say that?

Energy Stress

We are going to move the next section which focuses on energy bills, and your experiences with them.

11. Have you ever experienced difficulty in paying your **electricity bills** on time **in the last 12 months?**
    a. **[If yes]** What was the situation?
    b. **[If yes]** Did you contact your retailer to seek assistance for paying your bills?
12. Have you **ever** sought assistance for any of the following?
    a. A payment plan
    b. A special program to help you pay (e.g. a customer assistance program)
    c. An extension for your bill
    d. Emergency relief scheme
    e. Contacting a financial counsellor
    f. If you receive a Centrelink payment, having regular amounts deducted from your Centrelink payment
    g. Contacting a charity or community group
    h. None of the above

    [If yes to any of the above] Can you tell me a little more about the type of assistance you were able to get? How did you find out about the support? Did you find it helpful in managing your bills?

[If no to any of the above] Were there any factors which prevented you from seeking assistance? (Probe: not aware of available supports, unsure where to go for support, embarrassed to seek help, not eligible for programs)

Financial Stress

The next section looks at your experiences with finances more broadly.

13. I am going to read out a list of different situations. Thinking **over the last 12 months**, please indicate whether your household has experienced any of these situations:
    a. Could not pay electricity, gas, telephone or internet bill
    b. Were disconnected from receiving electricity and/or gas
    c. Disconnected from landline due to payment difficulty and/or run out of credit for your mobile phone without money to recharge
    d. Could not pay car registration or car insurance
    e. Could not pay home/contents insurance
    f. Pawned or sold something
    g. Went without meals
    h. Was unable to heat at least one room in the home
    i. Sought financial help from friends and family
    j. Could not pay for medical care e.g. visit to the hospital or dentist
    k. Could not pay for repairs/replacement to essential household items e.g. washing machine, fridge
    l. Could not pay for car service/repairs
    m. Could not pay for children to participate in school activities and outings

    [If yes to any of the above], explore further (e.g. you mentioned that you sometimes went without meals in the last 12 months, can you tell me a little bit more about that situation? How did that impact you?)

14. Thinking about how you spend your money, what are the main "essentials" that you spend money on each month? Are there any particular things you and your family prioritise in terms of expenses and what would you go without? (Probe: rent/mortgage, utilities, food, clothes, education, medicine, petrol)

15. After rent or mortgage repayments and utilities (power, gas, water and telecommunication bills), how much money do you typically have leftover each month for other expenses?
    a. A lot
    b. Some
    c. Very little
    d. None

    [Follow-up] Do you have a rough estimate?

Awareness of supports

16. I am going to run by you some existing and potential services that may help to support customers experiencing financial hardship – let me know: If you've heard of them, what you think of each of them i.e. would you consider it, and why/why not:
    a. Financial Counselling
    b. Community Energy Literacy Programs (e.g. ConnectEd)
    c. Energy Made Easy
    d. State Government Energy Concessions
    e. Energy Retailer Hardship Programs or Payment Plans
    f. Community finance loans (e.g. a Low or No Interest Loan Scheme)
    g. Emergency financial assistance (e.g. food vouchers, help with rent or accommodation costs)
    h. Emergency Electricity Payment Scheme (EEPS)
    i. Retailer Energy Efficiency Scheme (REES)
17. Are there any other supports you are aware of, or have sought out in the past, that we haven't mentioned above?

Energy Efficiency

The final section looks at energy efficiency within your household.

18. **[If owner household]** In the last two years, have you made any energy efficiency modifications to your household including installing solar, installing insulation, window treatments, ceiling fans, replacing an electric hot water system for a gas hot water system, or replacing heaters, coolers or major appliances[135] with more energy efficient models?
    [If renter] In the last two years, have you made any energy efficiency modifications to your household such as replacing heaters, coolers or major appliances[136] with more energy efficient models?
19. **[If no to Q18]** What were the main reasons for not undertaking any energy efficiency improvements? (**Probe:** Tenure – e.g. renting, upfront costs, lack of knowledge, lack of need, inconvenience)

135 For example: refrigerators, freezers, dishwashers, washing machines and clothes dryers

136 Ibid

20. Would you be more likely to undertake energy efficiency improvements if you received:
    a. Financial support to help with the up-front costs of energy efficiency upgrades
    b. Face to face assistance for targeted advice and services (e.g. home energy visits)

    Why is that the case?

Thank and close.

Appendix 5: Interview Demographics

Household Type	*n*
Couple, children	7
Single, children	6
Couple, no children	2
Single, no children	2
Other (Share house)	1
Grand Total	18

Gender of Participants	*n*
F	13
M	5
Grand Total	18

Area of Residence	*n*
Adelaide Metro - North	7
Regional	5
Adelaide Metro - South	2
Adelaide Hills	1
Adelaide Metro - East	1
Adelaide City	1
Adelaide Metro - West	1
Grand Total	18

Housing Tenure	*n*
Home-owner - mortgage	8
Renting - landlord	7
Renting - public housing	3
Grand Total	18

Age Group of Participants	*n*
18 - 35	4
36 - 49	10
50 - 70	4
Grand Total	18

First Language other than English	*N*
N	15
Y	3
Grand Total	18

Main Source of Hh Income	*n*
Full-time	9
Irregular Casual	4
Part-time	3
Regular Casual	2
Grand Total	18

Main Employment Classification	*n*
Retail/Sales	5
Community and Personal Service Workers	5
Information, Computing and Technology	2
Administration	1
Occupational and Environmental Health Professionals	1
Factory Process Worker	1
Trades	1
Health Professional	1
Hospitality	1
Grand Total	18

Household recipient of income support/health care card?	*n*
N	9
Y	9
Grand Total	18

Household Energy Source	*n*
Electricity and gas	9
Electricity only	4
Electricity, gas, solar	3
Electricity, gas (bottled), solar	1
Electricity and solar	1
Grand Total	18

Appendix 6: Case Studies

Nancy, 36, couple with 3 children, mortgage, 1 x full-time income

Nancy and her husband Brendan have three kids; 12 and 16 years old as well as an 18 month old. Brendan works as an IT analyst, earning about $1000 per week after tax. They are paying back a mortgage on a house in semi-rural South Australia. They had solar and the batteries installed recently to help make headway with electricity bills, but the repayments on this, in addition to their bills, means they haven't really received any benefit yet. Their electricity bills are around $1500 to $1600 per quarter. They don't really know what is contributing to such high bills, although they think it could be the heating and cooling because it's quite a large house. Nancy became quite upset at one of the bills, so decided to ring the electricity company to see what they could do about it, and the company offered to put them on a payment plan.

Nancy describes that electricity is the third most important expense after housing and housing insurance. Because they live so close to a bushfire area, they feel they can't budge on prioritising insurance. They were recently late to pay their car registration, but have now organised to pay it monthly so that it's a bit easier. Nancy reports that they've put pretty much every bill on a payment plan, which is good for extending everything out, but still means they have to make ends meet at some point. Nancy makes sure that the kids are always fed but sometimes she goes without food. At the moment, they can't afford for the kids to do any extra-curricular activities, and Nancy's prepaid phone often goes without being recharged.

Nancy was employed part-time before going on maternity leave, but since then has developed a medical condition which prevents her from being able to go back to work. She talks about their deficit being $500 a week after the key expenses. She wants to claim some of her super but can't because she's not on, and not eligible for, a Centrelink payment. They're not really eligible for any supports because of Brendan's wage. Recently, their fridge broke down, but they didn't have any cash to replace it so they went on a Radio Rentals plan for it.

Deborah, 37, single with no children, transitional housing, irregular casual

After coming out of an unhealthy relationship, Deborah is living in transitional housing while on the Housing Trust waiting list. The transitional house only has electricity, no solar or gas. She recently had to leave her full time job during the relationship breakdown because she couldn't manage the full time hours. Now she's in a casual position in administration where she's employed with highly irregular hours. Some weeks she gets no hours and other times she can work up to 40 hours. Sometimes the flexibility is good, as it's allowed her to fit in a

lot of medical and other appointments, but she doesn't feel that it's sustainable long term at all.

The variation makes it incredibly difficult to budget, and being unable to plan from one week to the next causes a fair bit of stress. Deborah gets some top up from Centrelink but describes this as quite sporadic and that she is only just getting by. Community housing charges 25% of her income for housing and usually there's not much left for other expenses outside of that.

Her electricity bills cost more than she can afford, so she's worked out a payment plan with her retailer, who she says have been really supportive throughout the process. A few years ago when leaving a previous relationship that involved domestic violence, she had quite a large bill with her retailer that the financial counsellor she was seeing got cleared completely for her. Because of this experience Deborah really wants to be able to stay with them.

She has accessed emergency relief schemes to help with her food and pay her driver's licence, but not for electricity. She finds Centrepay really useful for budgeting. Overall she identifies having been late with quite a lot of bills in the past 12 months including rent, and most times, she's not able to recharge her prepaid mobile when she runs out of credit. At the moment she can't afford to register her car, nor do the repairs that it needs. She can walk to work without public transport which is useful because she's also run out of money on her bus card. Deborah has pawned some items, but hasn't sold anything. She's used Wallet Wizard (instant cash loans) before.

Deborah describes the difficulty of putting in cognitive and emotional effort to try to get ahead with bills and budgeting when she has more immediate personal challenges in life. She's approached her parents for help with money before. A while ago she needed a dermatology appointment but couldn't afford the $150 gap, so asked if they could see her without a gap, which they agreed to, but she was then too embarrassed to go in and use the appointment. Deborah says she normally doesn't have much left over after bills, but when she has money left, she is more likely to spend it rather than save– recently she shouted her mum dinner for helping her with finances the week before.

Although she applied for an energy concession 18 months ago, she couldn't get it at the time because her address was hidden after coming out of the domestic violence situation, and so the retailer couldn't match her address to verify the concession. Her financial counsellor is trying to help her work through it. She's really conscious about turning off appliances at the power point – everything except the fridge. She was using an oil heater to keep warm but found that expensive, so she tried turning on the electric oven and keeping the door open to heat the kitchen and lounge area, but wasn't sure if this helped or not. Deborah says she'd like to have more energy efficient appliances, but it's expensive to upgrade items.

Julia, late 40s, single with 2 adult children, renting, 1 x full-time, 2 x part-time

Julia is renting with two young adult sons (19 and 20) who both work part-time, between 15-20 hours a week each. She works full-time as a pharmacy assistant, but describes herself as struggling to get by financially. One son has just finished year 12 and her Family Tax Benefit and rent assistance payments recently stopped. Her income is now $500 less every fortnight. This is causing a lot of stress. She's also concerned that she will lose her healthcare card and doesn't know how she'll cope with healthcare costs and her bus fare, which will increase to full price, if that happens.

Her sons take extra shifts and contribute if/when these are offered, but that doesn't happen too often. She reports that if she had time to get an extra job, she would, because they are consistently struggling to make ends meet. Her quarterly energy bills at her old rental property were $2500 for the last three years because of bad wiring – but because it wasn't technically faulty, her landlord wasn't obliged to fix it. They did change a whole bunch of globes but that didn't make any difference. Julia and her sons moved rental properties a few months ago to bring the costs down. Even though rent is an extra $100 per fortnight, she's still saving money, because her power bills are only $500 per quarter.

Julia is now using bill smoothing, although she is conscious that, if the bill costs exceed what the regular payment amount is, she won't be able to pay them. In the previous rental property, she was offered hardship co-payments from the retailer for a while, and a financial counsellor also helped her to clear a big lump sum payment. Julia hasn't contacted any other support services or emergency relief because she's employed, so feels that people who are on Centrelink need those services more than she does. She said she'd "feel guilty" taking money when she's employed.

However, Julia says they don't have any buffer in case any once-off payments arise. At the moment, she is putting off getting her car serviced because it costs $500 and she doesn't have any funds saved up for emergencies. There are quite a few other bills coming in that she's late on, like her phone and internet. At the moment, they don't really use heating or cooling – it was lucky during the heatwave that they were all at work for the daytime hours. There's nobody in her family that she can borrow from because they're all in a worse off situation. Her mum, however, tends to hoard appliances and that has helped them out because they were able to borrow a washing machine when theirs broke last year. Julia is still using this because she hasn't been able to buy a new one.

Julia talks about how she often goes without food to save a bit of money. After all the necessary expenses are made, Julia reports having around $20-$30 left after bills, and doesn't have sick leave because she's new to working in a pharmacy which sees everyone bringing in bugs which she catches. Her job at the pharmacy is minimum wage, and if she misses one day of pay it stuffs her up even worse. She's trying to rearrange her hours so

that she works weekends so she can get penalty rates. Her stress about the healthcare card has her “freaking out” because she’s not sure how she’ll survive if that disappears as well.

Michael, 35, couple with young child, renting, 1 x full-time income

Michael is in his mid-30s, renting a home with his wife and son who is three months old. They have electricity and gas in the house, as well as solar. Michael works at a footwear factory as a process worker on what he calls “night shift”, 3:30pm-12:30am, earning around $750 per week after tax. There are some opportunities for overtime but generally it stays around 40 hours per week. He feels that what he earns only just matches what they need for basic expenses, and that they’re not really able to have any extra for traveling, entertainment or saving. This is one of the reasons he’s looking for an extra job.

Sometimes to keep up with the bills he borrows money from friends, like $200 or $300 – mostly when things come all at once, and then he’ll pay his friends back over time. He prefers to pay bills in full rather than go on bill smoothing, because it means he’s not always thinking about how much money he’s spending on bills – at least after he’s paid it he can forget about it for a bit. Michael hadn’t ever heard of hardship payment programs, and he’s never been interested in extending a bill because it just means you have to pay it later. He has heard of the energy concession for people on low-income, but doesn’t think he’d be eligible.

Michael says they’ve not been able to afford bills over the past 12 months, and while he can manage car registration he hasn’t been able to pay for insurance, so just “drives carefully”. When his wife’s parents were sick recently, he borrowed money from a friend to pay for his wife’s ticket overseas. They don’t have any savings they can draw on, and Michael says they really only have $50 or $100 spare each month after spending on essentials, which normally gets eaten up anyway. He’s heard of financial counselling but doesn’t feel it would be useful because he’s still earning the same amount of money. He prefers to borrow money from friends rather than formal loaning organisations, because “you struggle more” with those loans.

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