



SACOSS

WORKING TO MAKE ENDS MEET: LOW-INCOME WORKERS AND ENERGY BILL STRESS

SACOSS SUMMARY REPORT





Summary Report

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 working households from energy-related bill stress. However, this report shows that paid work is no longer automatically a protection from affordability challenges 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 limited knowledge about working 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.

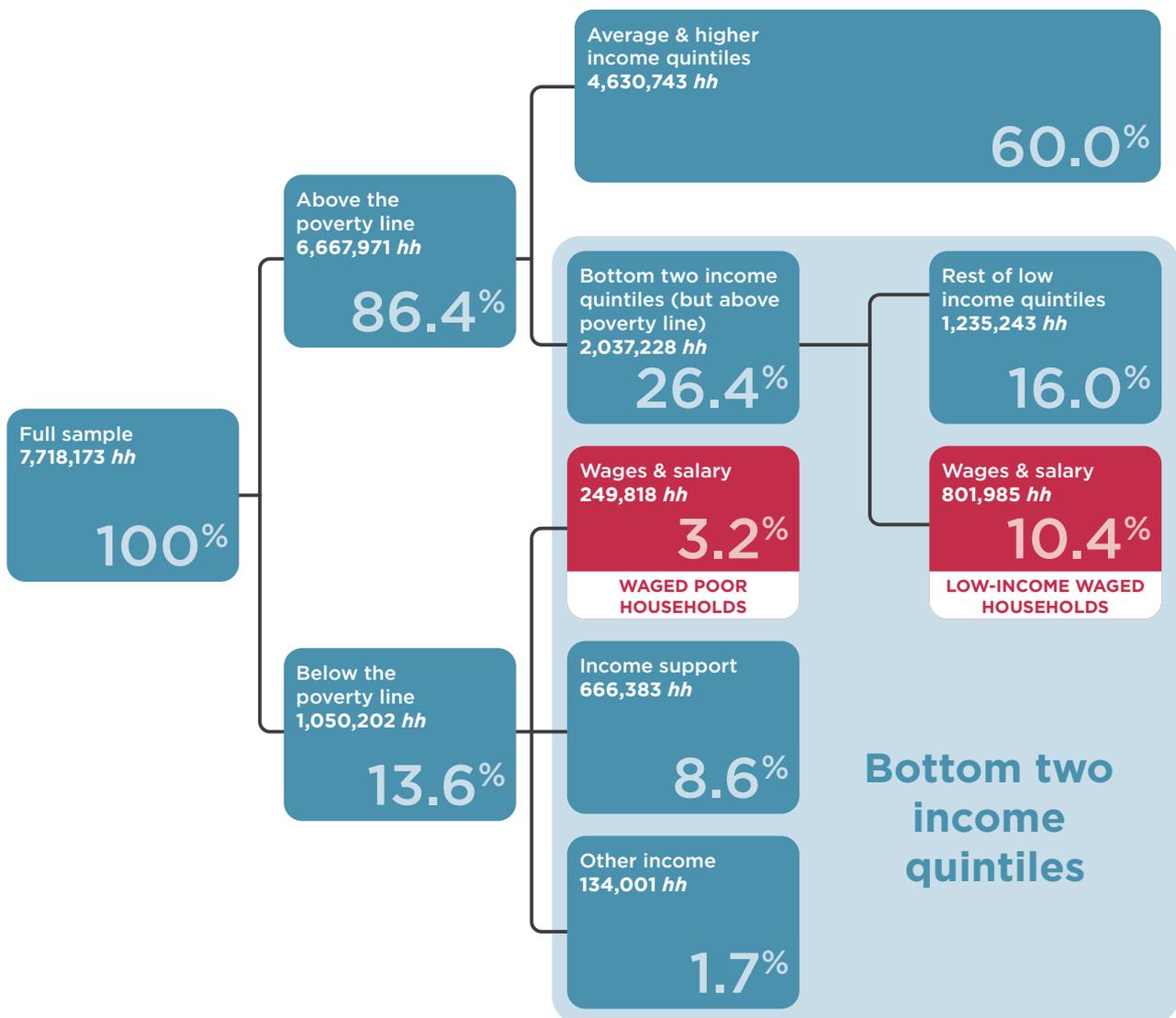


Figure 1 Conceptual diagram of income groups by main source of income (*hh* = households)

Drawing on 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 (see **Figure 2**).

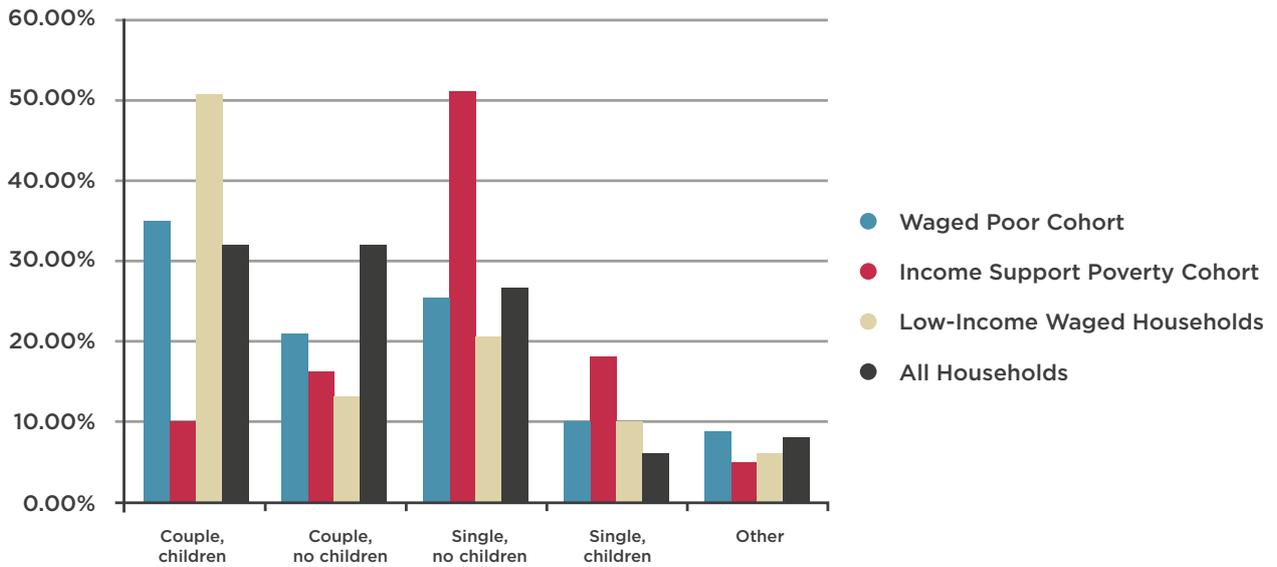


Figure 2 Household composition of different household groups, 2015-16

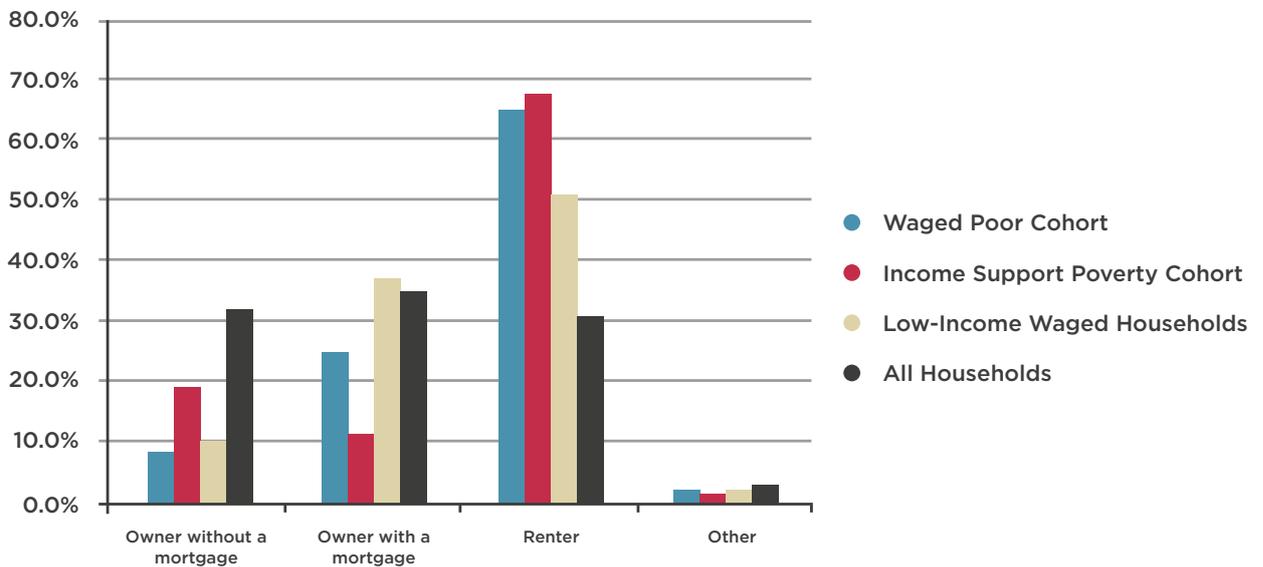


Figure 3 Housing tenure by different household groups, 2015-16

- 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 households in poverty relying on income-support;
- The majority of both waged poor and low-income waged households were renters, with waged poor households twice as likely to be renters compared to the general population (see **Figure 3**);
- 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 to 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) 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 the waged poor cohort 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.

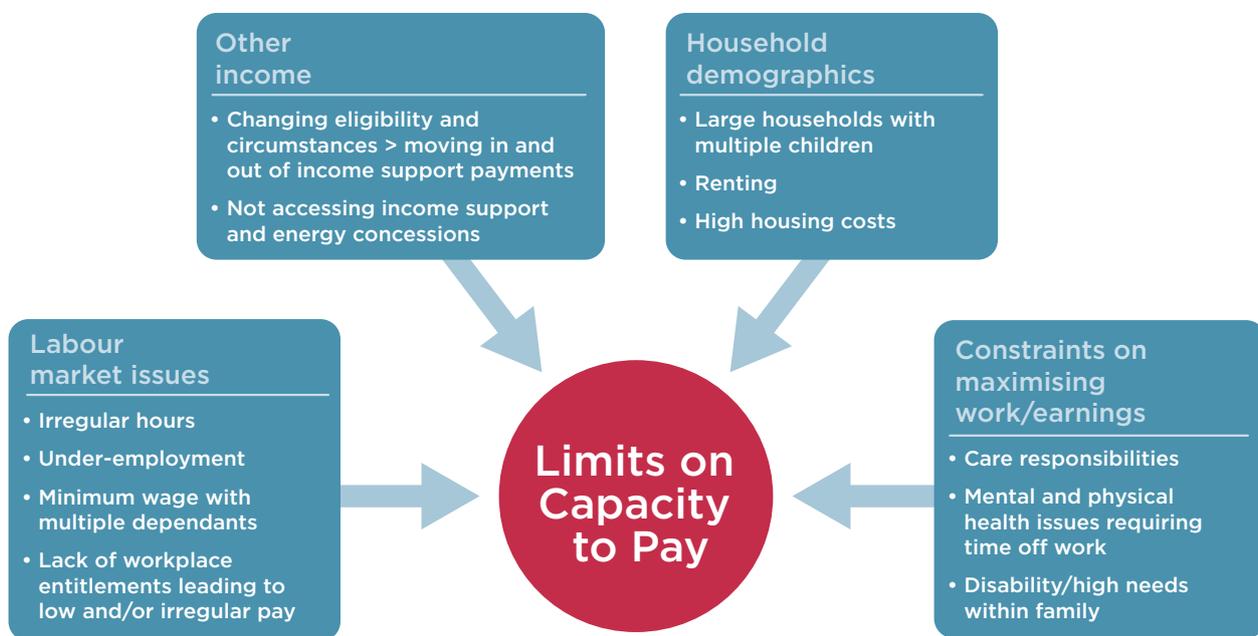


Figure 4 Indicators for identifying waged poor customers in energy bill stress



Recommendations

While not making specific recommendations on issues outside of direct energy policy, this 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 (**Figure 4**) in their client screenings and support services to help identify waged poor customers who may be in need of assistance;
- Retailers operating under the National Energy Customer Framework (NECF) 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.

The full report is available at
www.sacoss.org.au/reports/energy-water-climate-change

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>



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