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Introduction

This report is the latest in a series tracking changes in the cost of living, particularly for vulnerable and disadvantaged South Australians.

The first part uses the Australian Bureau of Statistics' Selected Living Cost Indexes (ABS, 2022a) and Consumer Price Index (ABS, 2022b) to show key changes in the cost of living in the last quarter and over the last 12 months.

As a summary measure, the Selected Living Cost Indexes are preferred over the better-known Consumer Price Index (CPI) because the CPI is technically not a cost of living measure. The CPI tracks changes in the price of a specific basket of goods, but this basket includes goods and services that are not part of the expenditure of all households, and low-income households in particular. This is important when considering the cost of living because if expenditure on bare essentials makes up the vast bulk (or entirety) of expenditure for low-income households, then price increases in those areas are crucial whilst price increases or decreases on other discretionary goods are less relevant. However, increases in the prices of bare essentials may be masked in the generic CPI by rises or falls in other goods and services in the CPI basket.

The Selected Living Cost Indexes also use a different methodology to CPI (see Appendix: Explanatory Note 1) and they disaggregate expenditure into a number of different household types, although this *Cost of Living Update* focuses only on the figure for "Age Pension" and "Other government transfer recipients" (hereafter "other social security recipients") as these are likely to represent the more disadvantaged households. While the Selected Living Cost Indexes also have limitations in tracking cost of living changes for these groups (see Appendix: Explanatory Note 2), they do provide a robust statistical base, a long time series, and quarterly tracking of changes – all of which is useful data for analysis. This report also adds to the Selected Living Cost Indexes by putting a dollar value on the changes, and by using disaggregated CPI data to summarise changes in prices of key items.

This issue also contains a Section 2 with a feature focus on rental affordability for those on low incomes in South Australia.

SECTION 1: December Quarter 2021 Cost of Living Changes

Prices

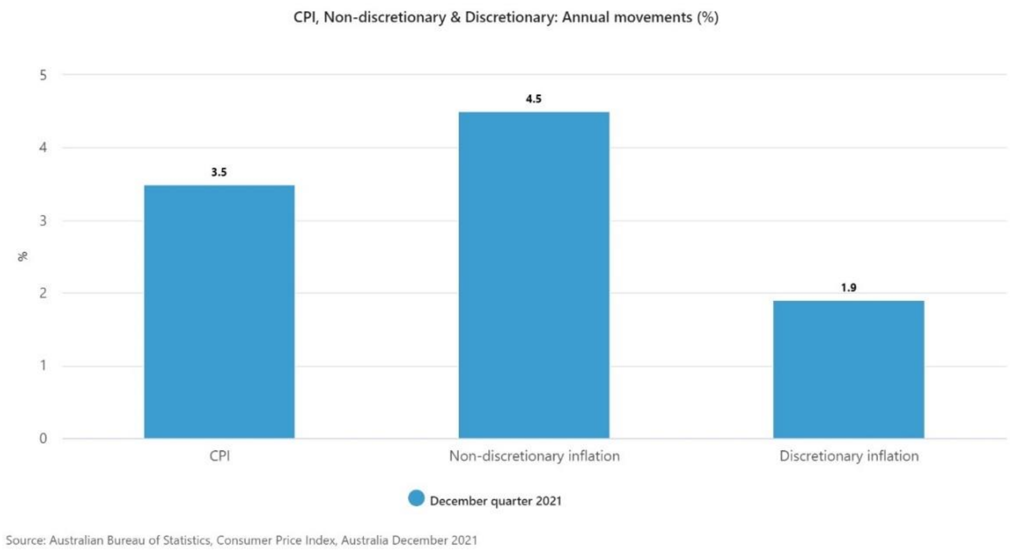
In the December 2021 quarter, the cost of living (as measured by the ABS Selected Living Cost Indexes) for age pensioners rose by 0.8%, while for other social security recipients the cost of living rose by 0.9% (ABS, 2022a). CPI in the same period rose by 1.5% in Adelaide and nationally by 1.3% (ABS, 2022b).

The significant difference in outcomes between the two datasets is primarily a result of the different treatment of housing costs. The CPI includes the cost of new dwellings (which are not included in the living cost indexes) and which went up significantly in the December Quarter. By contrast, the living cost indexes include mortgage repayments which went down during the quarter, but they are not included in the CPI.

Over the last year (Dec Qtr 2020 – Dec Qtr 2021), the living cost index for age pensioners rose by 3.4% and for other social security recipients by 2.7% (ABS,2022a), by comparison to the generic CPI rise of 3.5% nationally and 3.3% in Adelaide (ABS, 2022b).

Such composite indexes are blunt instruments, but this quarter the ABS CPI data included the following graph showing that the prices of basic non-discretionary household items rose much faster than for discretionary or luxury goods. This does not bode well for low-income households whose spending is all non-discretionary, although again, some of this increase was driven by housing costs and is not reflected in the living cost index data.

Figure 1: Inflation Rates for Essential and Discretionary Expenditure



These overall figures can be further disaggregated to track changes in the price of specific goods and services in the last quarter, with housing and petrol prices being the headline-grabbing changes.

Housing
According to the CPI, “housing costs” went up by 2.6% in Adelaide in the December Quarter, and 1.8% for the year – well below the national increase of 4.0% for the year, but still a significant increase. However, there were marked differences within this basket.

As Table 1 below shows, the price of utilities (i.e. water and energy) fell slightly in the December quarter, and significantly (3%) for the year in Adelaide, while going up 2.3% nationally. Rents increased both nationally and in Adelaide, but at rates significantly below the general inflation rate. By contrast, the cost of mortgage repayments fell by 1.6% nationally through the quarter.

The big driver of the increase in “housing costs” was a large price rise for “new dwelling purchase by owner-occupiers”. This increased by 6.8% in December Quarter in Adelaide, and 10.8% for the year – which was even higher than the 7.5% annual rise nationally. However, this measures only new builds, not the price of all houses bought and sold. Hence, as the ABS notes, the price rise in new dwellings arose from “high levels of building construction activity combined with shortages of materials and labour”. While this is undoubtedly true, it does not necessarily reflect housing sale prices more broadly.

The second half of this report carries a more detailed discussion of the changes in housing costs for low-income South Australians.

Petrol
The price of “automotive fuels” in Adelaide increased in the December Quarter, contributing to a massive increase of 37.6% for the year (just above the national figure of 33.2%). Fuel prices are important as they make up a larger part of the living cost index than they do in the average CPI basket. They also impact differentially on those in the regions with greater distances to travel and fewer other travel options available.

While for some in Adelaide there are public transport alternatives, last year some major metro trainlines were out-of-service (replaced by vastly inferior bus services) and as a recent SACOSS report noted, for low-income South Australians public transport concessions are a mess with many people missing out (Marks and Ogle, 2021).

Basics
These changes, and those of other basic commodities which are regularly tracked by SACOSS, are shown in Table 1 below. However, one item not in the table above, but of particular interest in the December quarter data, was a 5.2% increase for the quarter in the price of insurance in Adelaide – adding up to 8.5% for the year. This was more than double the national increase of 3.4%.

While many low-income households don’t have insurance or are under-insured, price increases put insurance further out of reach. This leaves them more vulnerable to disaster and misadventure. For this reason, SACOSS is calling for the introduction of a percentage-based concession on insurance policies (SACOSS, 2021).

Table 1: Cost of Living Changes December Qtr 2021 by Expenditure Type

	December Quarter CPI Increase		Annual CPI Increase (Dec 2020 – Dec 2021)	
	Adelaide %	**Australia %**	**Adelaide %**	**Australia %**
Food	0.7	0.7	2.2	1.9
Fruit and Vegetables	-1.2	-0.7	-0.1	0.2
Housing	2.6	1.8	3.7	4.0
Rent	0.7	0.1	2.5	0.4
Utilities	-0.1	0.3	-3.0	2.3
• Electricity	0.0	0.4	-4.5	3.0
• Water	0.0	0.0	1.2	0.3
• Gas	-0.5	0.1	-0.5	2.6
Health	-0.3	-0.3	3.0	3.3
Transport	3.4	2.8	13.8	12.5
• Petrol	8.3	6.6	37.6	32.3
CPI All Groups	**1.5**	**1.3**	**3.3**	**3.5**

Source: (ABS, 2022b)

Incomes

To complete the cost of living picture, it is also necessary to take account of income. Whether an item is affordable depends not just on price, but also on income, and so concerns about price increases are relative to increases in income. Table 2 shows SACOSS' calculation of the dollar value of the income and prices changes for someone on the base level of social security benefits (with no rent assistance), assuming that they spend all of their income.

Table 2: Cost of Living Changes Dec Qtr 2020 – Dec Qtr 2021

	Base Allowance + Supplements (30 Dec 20)	Selected Living Cost Index Change	Living Cost Change per week	Base Allowance + Supplements (30 Dec 21)	Change in Rates of Same Benefits	Net Result $pw
Age Pensioner (Single)	$472.15	3.4%	$16.05	$483.75	$11.60	- $4.45
JobSeeker with two FTB children	$588.18	2.7%	$15.88	$623.03	$34.85	$18.97

(Source: Calculated from (ABS, 2022a), (Centrelink, 2020, 2021). See Explanatory Note 3 in the Appendix here)

The cost of living for age pensioners increased by more than the pension, leaving a single pensioner $4.45 a week worse off than a year ago. For a single parent on JobSeeker with two children, the cost of living went up by $15.88 per week over the last year, while their base income increased by $34.85 so they would have been $18.97 a week better off than a year ago. However, this is only in terms of the base rate. In practice though, in December 2020 there was still a $125 per week Coronavirus Supplement for JobSeekers. That supplement has since been abolished and replaced with a $25 a week base increase – hence the base rate has increased, but JobSeekers are in fact substantially (around $90 a week) worse off now by comparison to December 2020.

SECTION 2: Rental Affordability

Housing is a fundamental human need. It also the largest expenditure of most Australian households, accounting for an average 18.4% of weekly expenditure across South Australia (ABS, 2017, Table 17.1). However, this average hides a much greater expenditure for those who are paying rent or a mortgage.

For those on lower incomes who do not own their home outright, rent or mortgage payments constitute not just the largest single household expenditure – but one which impacts on their quality of life and the ability to pay for all other goods and services. The cost of not paying for house costs (i.e. homelessness) is simply too great not to sacrifice most other expenditures.

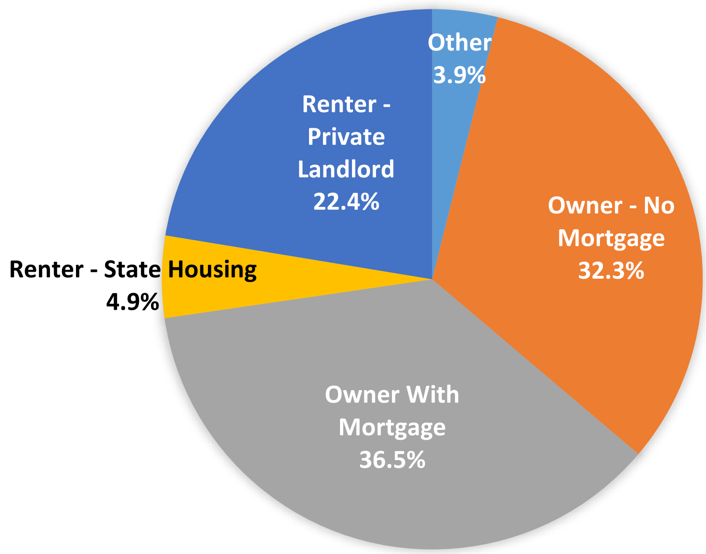
The Housing Market

The figure below shows the make-up of the housing market in South Australia, with renters accounting for 29.5% of houses, and home-owners 68.6% of the market (ABS, 2019). Obviously, owners without a mortgage have fairly minimal housing costs, but unfortunately much of the public debate around "housing affordability" is centred on home-owners – either the price of buying a house, or on interest rates for mortgagees. However, there are good reasons to think that housing affordability is a greater struggle for renters than for most home-owners.

The data shows that, on average, renter households had lower incomes than home-owner households and spent proportionately more of their income on housing. As the table below shows, in absolute terms, mortgagees spent more than renters on housing costs, but it was proportionately less due to the higher average incomes of mortgagees. [1]

Of the 204,000 renter households in South Australia, nearly 60% were in the bottom two income quintiles. Of those low-income renters, 32.4% or 39,556 households were in housing stress, that is, spending more than 30% of their income on housing costs. Almost all of these were in private rentals.

Figure 2: The South Australian Housing Market, 2017/18



(Source: ABS, 2019)

1 Mortgagee's costs also include the "compulsory savings" of capital repayment, so the data is not a direct comparison of current housing costs.

Table 3: SA Household Income and Housing Costs, 2017-18

Tenure	Average Weekly Income	Housing Costs: % of Gross H/hold Income
Owner – no mortgage	$1,742	3.1%
Owner with a mortgage	$2,519	15.4%
Renter – State Housing	$665	22.7%
Renter – Private Landlord	$1.670	17.9%
Total Renters	$1,449	18.5%

Note: housing costs here include rent, water and council rates, and housing loan payments.
(Source: ABS, 2019)

However, these official figures under-estimate the incomes of home-owners as they do not account for the imputed rent (housing services provided for free to owner-occupiers) or capital gains on those housing assets enjoyed by home-owners. Including these non-cash incomes adds nearly $1,000 a week to home-owner income and takes the average income of home-owners from 1.3 times that of renters to about double the average renters' income. (Ogle, 2022).

Obviously there are cash flow problems and costs/barriers to realising (spending) these non-cash incomes, but the fact remains that if renters and home owner-occupiers had the same cash income and spent the exactly the same on non-housing items each week, the home-owners would be saving more and accumulating wealth which the renters would not. Their effective incomes are quite different.

Further, increases in house prices (the focus on media attention) impacts mostly and badly on renters not on home-owners! House price rises represent income and wealth for home-owners (capital gains), but they impact on renters because they add to the barriers of getting into home-ownership. SACOSS' analysis of the survey of 15,000 renters nationally for the Australian Rental Housing Conditions Dataset (Baker et al, 2020), showed that when asked the main reasons they were renting, 46% of respondents said they did not have enough money for a deposit, and 40% could not afford to buy anything appropriate. So, the increase in house prices is a negative for them, and a positive for those already with homes.

This is not to devalue the affordability concerns of home-owners. Some mortgagees are struggling financially and have had to take on huge debts in order to be able to buy a house. Indeed, one of the big fears arising from the general inflation data in the December Quarter is that it will force up interest rates. A small increase in interest rates could lead to significant problems for already financially stressed mortgagees. This issue is real, but higher interest rates might also impact on renters as landlords increase rents to cover their increased borrowing costs.

Overall, the evidence is clear that renters have lower incomes, higher proportionate housing costs and are more likely than home-owners to struggle with housing affordability – particularly over the longer term where renters see no gain in their financial position as a result of paying rent (while mortgagees generally see an increase in their wealth via the untaxed capital gain). For this reason, SACOSS has focused its housing advocacy on rental affordability.

Rental Costs

The ABS housing cost data above is now somewhat dated (due to delays in surveys and data release caused by the COVID pandemic), but a more up-to-date picture is available using South Australian government data derived from the lodgement of rental bonds (Govt of SA, 2022). This data is limited in that it captures only the price of new rentals, not the amount paid on all existing rentals, and it is limited to private rentals. However, private rentals account for around three-quarters of all rentals in South Australia (ABS, 2019), and while the price of new rentals is likely to be higher than would be paid by existing tenants, the data is a fair representation of the market for those looking to rent now.

Using this data SACOSS calculates that the median rental for a 2-bedroom unit in the cheapest Adelaide suburbs in the December Quarter 2021 was $300 per week. It was $400 for a 3-bedroom house. [2] As the table below shows, based on the "30% of income" housing stress benchmark, ***these rental prices are unaffordable for people on low incomes looking to rent.***

Table 4: Rental Affordability for Low Income Earners

	Total Income*	% of Income 2-bed unit	% of income 3 bed house
Single JobSeeker	$393.65	76%	
Single Age Pensioner	$555.15	54%	
Single Minimum Wage	$772.60	39%	
Single Parent JobSeeker – 2 children	$694.43	43%	57%
Single Parent Minimum Wage – 2 children	$1,124.77	27%	36%

* includes where appropriate Centrelink Supplements, Commonwealth Rent Assistance and Family Tax Benefits based on children aged 10 and 14. Sources (Centrelink, 2021; Govt of SA, 2022).

Changes Over Time

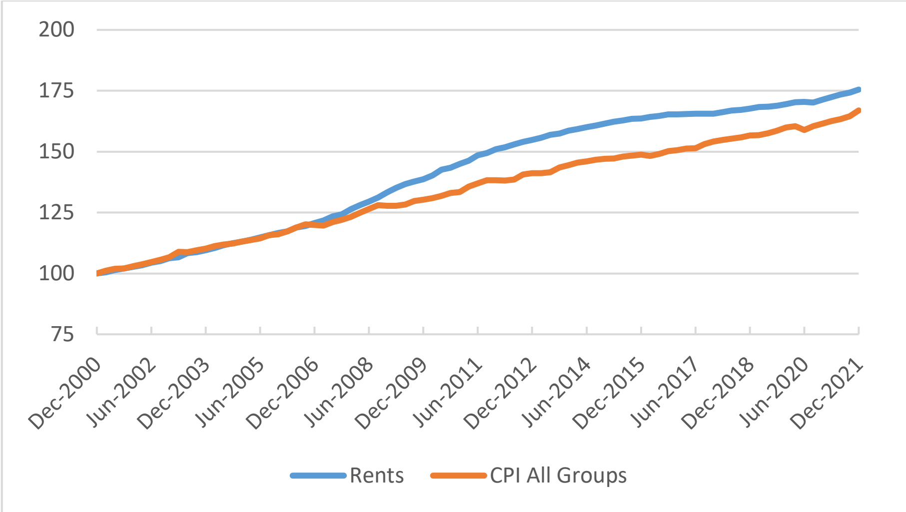
Rental Prices

The graph below traces the changes in Adelaide housing rents this century as measured in the Consumer Price Index, and compares these to the general inflation rate (CPI All Groups). As can be seen, in the early years, rents increased in line with inflation, but from late 2006 until around 2013 rents went up faster than inflation. After that, rents again increased at the general inflation rate (the distance between the lines remained the same) until 2017 when rent increases slowed to below the inflation rate – that is, rent became cheaper in real terms. Since 2017, rent has risen at less than or equal to the inflation rate for 12 of the last 16 quarters.

That said, as evident in the graph, while the last few years have not seen *above-inflation* increases, rents have nonetheless being increasing. Adelaide rents increased by 2.5% in the last year, and overall the rent line is still above the inflation line from the beginning of this century.

[2] These figures are the median rent in the suburb which was the mid-point (mode) among the bottom half of Adelaide suburbs where rental bonds were lodged.

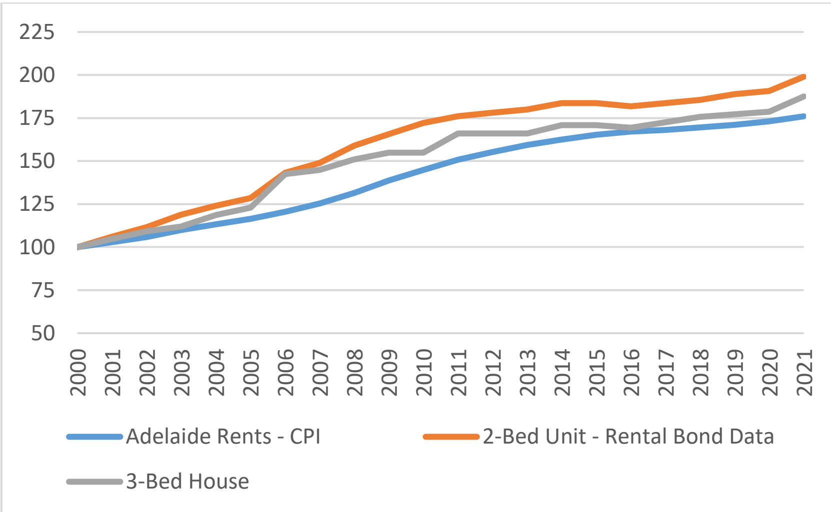
Figure 3: Index of Adelaide CPI Rent Prices, 2000-2021



Source: ABS (2022b)

However, the above CPI data may underestimate the extent of rent increases. Figure 4 below plots rent increases recorded in the June quarter CPI against the SA government rental bond data tracking changes in the prices of new rentals of 2-bedroom units and 3-bedroom houses. All are indexed to the year 2000, and while the overall trend is the same across all three indexes, the prices of new rentals clearly went up more significantly than the CPI rental data over the whole period, and has continued with higher increases over the last couple of years.

Figure 4: Index of SA Rent Increases, CPI v Rental Bond Data



Source: Govt of SA (2022).

In the last 12 months (Dec 2020 – Dec 2021), the rental bond data shows an increase of 7.2% in average rent prices for new rentals in South Australia, including an 11.1% increase for 3-bedroom houses in Adelaide. This 7.2% increase is almost triple the increase recorded in the CPI, and more than double the general inflation rate.

Neither data set is definitive or better – they simply measure different things. The CPI data is survey data so more closely tracks rent paid by *all* renters (not just the new rentals tracked in the SA government's rental bond data), but the CPI also includes social housing which reflects income (as it is capped as a proportion of weekly income) rather than housing market changes. In practice, this means that when rents are increasing faster than inflation[3] the CPI will underestimate the extent of increases faced by most renters, while the government rental bond data will over-estimate the whole-of-market changes because there is inevitably a lag between the market price of new rentals and landlords actually increasing existing rents.

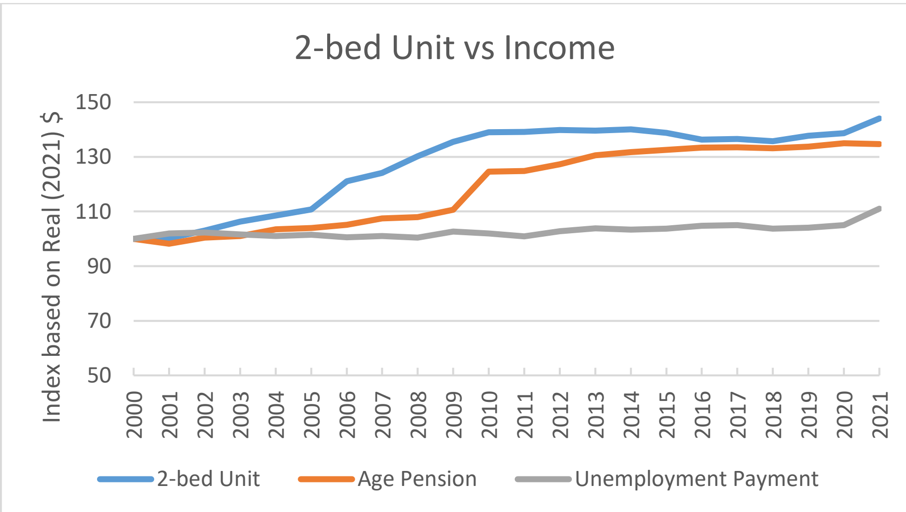
Either way though, it is clear that rents have gone up faster than inflation over the last twenty years.

Rental Affordability and Income

The other part of the rental affordability equation is income, and the following graphs plot the change in the price of new rentals against key income streams for low-income households. The prices are adjusted for inflation, and then turned into indexes for the comparison.

Figure 5 shows changes in the June quarter rents on new 2-bedroom units compared to changes in the base rate of the age pension (without the pension supplement), and changes in the JobSeeker Allowance (plus energy supplement) for an adult with dependent children. Other supplements have not been factored in as eligibility and amounts change over time, but the base rates are sufficient to track the changes over time. Clearly the rate of rent increases has outstripped income in both instances (despite the decrease in real rent prices from 2013-2016). In dollar terms, adjusted for inflation, rent for a 2-bedroom unit went up by $113 over the 21 years since June 2000, while the value of the Newstart/JobSeeker payment increased just $34.50 a week in real terms – making rent much harder to afford. The age pension increased in real terms by $125.80 in the same period, slightly more than rent, with the modest improvement in affordability mostly based on the significant real increase in the age pension in 2010.

Figure 5: Changes in Rental Affordability – Single Income Support Recipient

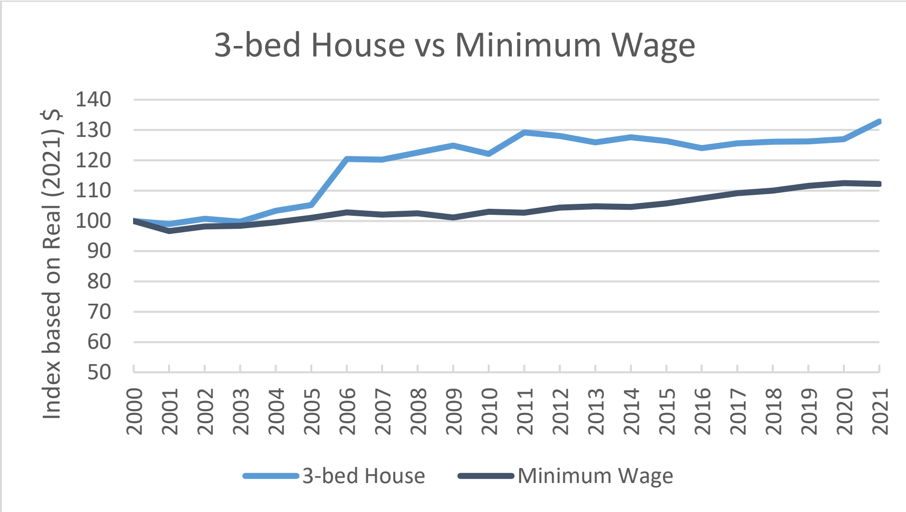


Source: SACOSS calculation from Australian Government (2022) data, and Govt of SA (2022)

3 Actually, the equation should be when rents are moving faster than incomes because that is what sets social housing rent, but most public housing tenants are on Centrelink benefits which are tied to the inflation rate, so in practice it is basically the same.

Figure 6 shows a similar comparison but for a family reliant on minimum wages renting a three-bedroom home. Again, rent increases have outstripped income. In dollar terms, adjusted for inflation, house rents increased by $99 per week, while the value of minimum wage did not keep pace – increasing by only $87 in real terms.

Figure 6: Changes in Rental Affordability – Minimum Wage Family



Source: SACOSS calculation from FWC (2022) data, and Govt of SA (2022)

Again, the conclusion is clear that for many renting in the private market, rent is becoming less affordable.

Social Housing

The above data is based on private rentals, but as noted above, rental affordability is different for those in social housing. According to Productivity Commission (2022) data, the social housing estate in June 2021 in South Australia comprised:

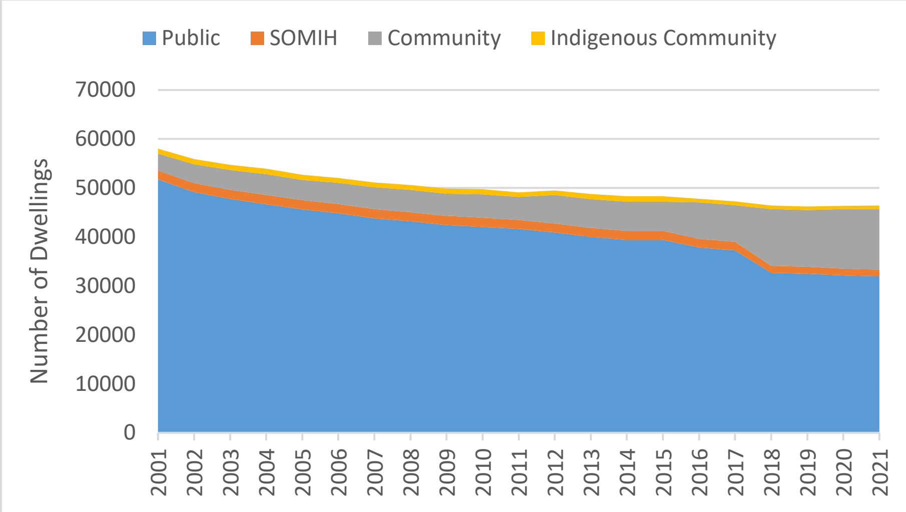
- 31,938 public housing dwellings
- 1,365 state-owned and managed Indigenous houses (SOMIH)
- 12,387 community housing tenancies
- approximately 689 Indigenous community houses.[4]

As evident in Figure 2 above, this is only a small proportion of the housing market: public housing tenancies account for only 4.9% of all households, and around 1 in 5 of all rental properties. However, social housing is particularly important because rent in social housing, and public housing in particular, is generally based on income rather than on market rental prices. Last year, this resulted in 85% of public housing tenants paying below market rent. These houses are vital for people who would otherwise struggle to find any housing in the private market, and unsurprisingly 98% of public housing tenants in South Australia are in the lowest two income quintiles (Productivity Commission, 2022).

Despite the importance of public and social housing, as Figure 7 below shows, the number of social housing dwellings has shrunk considerably over the last few decades.

[4] This is the 2020 figure, as the 2021 figure is not available.

Figure 7: Numbers of Social Housing Dwellings, 2001-2021



Source: Productivity Commission (2022)

This decline in the number of social houses has also meant that the proportion of the housing market it occupies has also shrunk. In 2000, social housing accounted for 9.9% of the SA housing market (having already declined from higher levels in the 1990s), but by 2018 it was down to 6.7% of the market (SACOSS calculations from Productivity Commission (2022) and ABS (2019)). The decline in state housing (public housing and SOMIH) was even more stark – from 9.1% of the market in 2001 to 4.9% in 2018. This was partly due to the transfer of over 1,000 public houses to community housing providers in 2017-18, but also a long-term selling off of public houses.

The result of this long-term decline is significant unmet need and a long waiting list for these houses. The public housing waiting list was 15,988 in June 2021 (Productivity Commission, 2022), and this was after eligibility criteria was tightened six months earlier. However, the impact of public housing is not limited to just those who are in public housing or on the waiting list.

Public housing was not originally envisaged as simply a welfare measure for those who were most marginalised in the housing market. It was an intervention in that market and in the economy as a whole. The construction (and maintenance) of public housing provides jobs and economic stimulus, but from a rental affordability perspective, it also adds supply to the market and puts downward pressure on rental prices across the whole market.

The following graph highlights this potential impact on the rental market. The top line is an index of the average rent (in real terms) for all new rentals in South Australia, while the bottom line tracks the decline in the number of social houses. This is not a casual relationship in that there are many different factors which have contributed to the increase in real renting costs – not least the added demand as the proportion of renters in the market increased from 27.8% of the total housing market in 2000, to 29.5% in 2018 (ABS, 2019). However, in any market supply is a key factor in price, and if supply is taken out of the market prices are likely to rise.[5]

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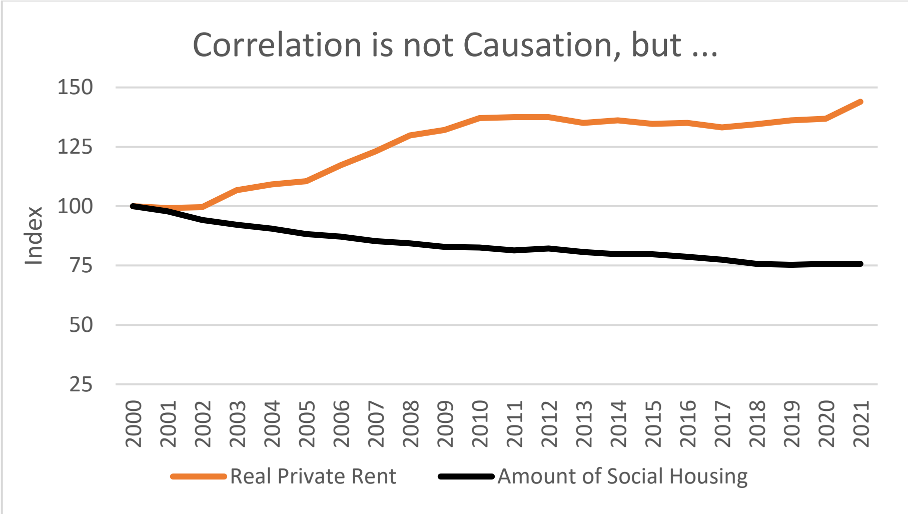
[5] Some economists might argue that removing public housing from the market would free up the market for increased investment from the private sector. This is a particular ideological view, but if it was true and sufficient then, all other things being equal, prices would not rise. Since prices have risen it raises the question as to why the government has chosen to withdraw the supply it has.

Figure 8: Rent Prices and the Number of Social Housing Dwellings



Conclusion

The evidence in this report clearly shows that there is a problem with rental affordability in South Australia. The data shows that:

- renters have lower incomes and proportionately higher housing costs, and so are particularly impacted by housing affordability issues;
- even rents at the less expensive end of the market in Adelaide are unaffordable for people on very low incomes;
- rents have gone up significantly in the last 20 years – faster than both inflation and key income sources such as the age pension, the JobSeeker allowance, and the minimum wage; and
- this situation has not been helped by the decline in the number of social housing tenements from 9.9% of the housing market in 2000 to 6.7% in 2021.

These problems need to be addressed by government in order to assist people on low incomes to get safe, stable and affordable housing. In this context, and particularly with reference to the role of the decline of public housing, SACOSS is calling on all parties in the upcoming state election to commit to a significant investment to increase the net stock of public housing in South Australia. This needs to be at least around the same order-of-magnitude (pro rata) as the Victorian package announced as part of its COVID response. SACOSS calculates that this would mean an investment of $1.4bn over four years in South Australia that would build around 3,270 homes.

Of course, there are also issues that need to be addressed in the quality of the current public housing stock and the need for maintenance, upgrades and replacements. And SACOSS is calling for all new social housing to comply with universal (access) design and adhere to the National Construction Code 6-star energy efficiency standard, including the installation of reverse cycle heating and cooling to maximise liveability, ensure thermal comfort and minimise costs to tenants.

Just in terms of social housing numbers, the proposed investment would bring the total public housing stock in South Australia (all other things being equal) to around 35,000 houses. This number is still lower than the levels were 10 years ago, and well below the historic highs of around 60,000 houses when the public housing estate was seen as a community service and lever in housing market regulation (rather than just a last resort welfare measure). However, it would be an important step in addressing the decline in public housing and would begin the much-needed impact on the supply side and prices in the market overall.

APPENDIX: Explanatory Notes

1. CPI and Living Cost Indexes
The ABS Selected Living Cost Indexes uses a different methodology to the CPI in that the CPI is based on acquisition (i.e. the price at the time of acquisition of a product), while the living cost index is based on actual expenditure. This is particularly relevant in relation to housing costs where CPI traces changes in house prices, while the Selected Living Cost Indexes traces changes in the amount expended each week on housing (e.g. mortgage repayments). Further information is available in the Explanatory Notes to the Selected Living Cost Indexes (ABS, 2022a).

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

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

At the more technical level, the Selected Living Cost Indexes are for households whose *predominant income* is from the described source (e.g. aged pension or government transfers). However, the expenditures that formed the base data and weighting (from the 2015-16 *Household Expenditure Survey*) add up to well over the actual social security payments available (even including other government payments like rent assistance, utilities allowance and family tax benefits). Clearly many households in these categories have other sources of income, or more than one social security recipient in the same household. Like the CPI, the Selected Living Cost Index figures reflect broad averages (even if more nuanced), but do not reflect the experience of the poorest in those categories.

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

The weightings in the Selected Living Cost Indexes are also based on a set point in time (from the *Household Expenditure Survey*), but over time the price of some necessities may increase rapidly, forcing people to change expenditure patterns to cover the increased cost. There is some adjustment of weightings for this, but these can't be checked without a new survey. Alternatively, or additionally, expenditure patterns may change for a variety of other reasons. However, the weighting in the indexes does not change and so does not track the expenditure substitutions and the impact that has on cost of living and lifestyle.

Finally, the Selected Living Cost Indexes' household income figures are based on households that are the average size for that household type: 1.51 people for aged pensioners, and 2.46 for other social security recipients (ABS, 2021b). This makes comparison with allowances difficult. This *Update* focuses on single person households for age pensioners, and a single person with two children (to align to the other social security recipient household average of 2.46 persons). However, this is a proxy rather than statistical correlation.

It is inevitable that any summary measure will have limitations, and as noted in the main text, the Selected Living Cost Indexes provide a robust statistical base, a long time series, and quarterly tracking of changes in the cost of living which is somewhat sensitive to low income earners.

3. Income Support Payment Calculations – December 2021

Even using the base rate of benefits, the calculation of the relevant weekly incomes is difficult because of the complexity of the income support system which means that payment eligibility and rates change depending on the exact circumstances of the household (e.g. age of children, assets). The calculation is also complex because of changes over time in eligibility and available benefits. However, based on an assumption of a single Aged Pensioner and a single Newstart recipient with two children (aged 10 and 14) – with neither receiving Commonwealth Rent Assistance, the basic income supports payments are as follows:

Rates at 31 December 2020

	Base Rate	Pension Supple-ment	Energy Supple-ment	FTB A Child u13	FTB A Child 13-15	FTB B	Pharmac Benefit	TOTAL PAYMENT
Age Pension	$430.30	34.80	7.05					$472.15
Newstart - 2 children	$306.00		4.75	94.78	123.27	56.28	3.1	$588.18

Rates at 31 December 2021

	Base Rate	Pension Supple-ment	Energy Supple-ment	FTB A Child u13	FTB A Child 13-15	FTB B	Pharmac Benefit	TOTAL PAYMENT
Age Pension	$441.1p	$35.60	$7.05					$483.75
Newstart - 2 children	$338.40		4.75	95.62	124.39	56.77	3.1	$623.03

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