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Cost of Living Update

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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, 2020a a) and Consumer Price Index (ABS, 2020b) 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. It 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 poor households in particular. When considering the cost of living, this is important 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 "Age Pension" and "Other government transfer recipients" (hereafter "other social security recipients") figures, 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 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.

These *Cost of Living Updates* sometimes contain a second section focussing on an issue of particular relevance to vulnerable and disadvantaged households in South Australia.

This issue focuses on how the COVID-19 crisis has impacted on different households, but it is somewhat preliminary and speculative. This is both because the crisis has yet to run its course, but also because the usual statistics do not reflect what is happening. Indeed, the ABS data for the March quarter is likely to reflect the impacts of the summer's tragic fires more than the impacts of coronavirus and the necessary responses to it.

In that sense, the two parts of this report reflect the accounting for two sets of cataclysmic events – the first part largely dealing with the unprecedented fires and weather events over summer, and the second the impacts of the response the COVID-19 crisis.

SECTION 1: March Quarter 2020 Cost of Living Changes

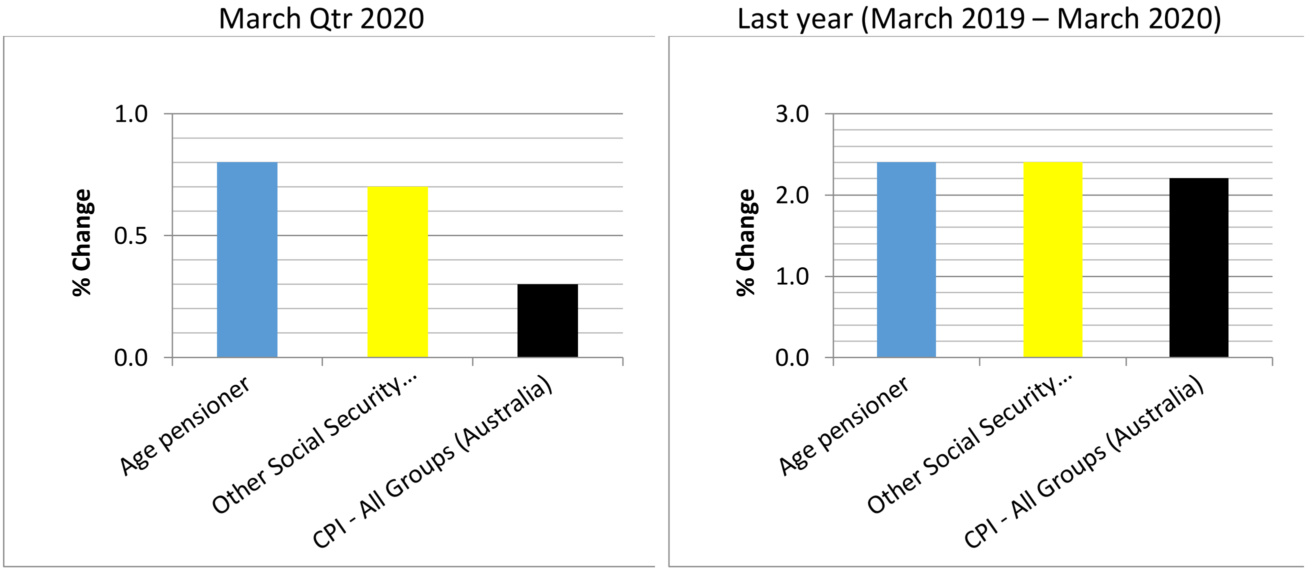
Prices

In the March 2020 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 0.7% (ABS, 2020b). CPI in the same period rose by 0.3%, both nationally and in Adelaide (ABS, 2020a).

As noted above, the first two months of the Quarter were dominated by unprecedented fires, while March itself was dominated by the massive economic changes made in response to the outbreak of COVID-19 virus. One of the most significant changes cost of living changes was the increase in food costs – driven initially by drought (higher production costs) and bushfires (increased transport costs and falling supply), but also at the end of the quarter because the increased COVID-19 shopping saw higher demand and less discounting. Health cost increases also impacted on cost of living pressures, particularly for age pensioners – although this was mostly a cyclical change as the PBS threshold resets in January, meaning that a greater proportion of expenditure this quarter is not subsidised. Transport price falls were the biggest offset largely driven by falling petrol prices, but usage will also change for many households (see Section 2).

Over the last year (March Qtr 2019 – March Qtr 2020), the living cost indexes for both age pensioners and for other social security recipients by 2.4% (ABS, 2020a), by comparison to the generic CPI rise of 2.2% nationally and 2.4% in Adelaide (ABS, 2020b).

Figure 1: Increases in Living Costs March Qtr 2020



These overall figures can be disaggregated to track changes in the price of key basic goods and services in the last quarter both in Adelaide and nationally. These are shown in Table 1.

Table 1: Cost of Living Changes March Qtr 2020 by Expenditure Type

	March Quarter CPI Increase		**Annual CPI Increase** (Mar 2019 – Mar 2020)	
	Adelaide %	**Australia %**	**Adelaide %**	**Australia %**
Food	2.4	1.9	3.8	3.2
Fruit and Vegetables	5.6	6.0	2.6	3.6
Housing	0.4	0.3	0.8	0.6
Rent	0.5	0.1	1.2	0.2
Utilities	0.1	0.7	-1.0	-0.1
• Electricity	0.0	1.3	-2.8	-1.7
• Water	0.0	0.0	1.3	2.9
• Gas	0.3	0.3	3.7	0.9
Health	1.0	1.7	3.3	2.9
Transport	-3.2	-1.9	2.4	2.6
CPI All Groups	**0.3**	**0.3**	**2.4**	**2.2**

Source: (ABS, 2020b)

Incomes

Given that social security recipients have very low incomes, it is unlikely that any or any significant amount of the weekly benefit can be saved – at least for those not able to supplement their government payments with other incomes. For someone on the base level of benefits (with no rent assistance), and assuming that they spend all their income, SACOSS calculates that the dollar value changes in cost of living is as shown in Table 2. These figures pre-date the significant increases in JobSeeker payment, which only came into effect in April and most of the state government concession changes. Similarly, the figures do not include the $750 Economic Support Payment because it is a one-off and many recipients would not receive it until after the quarter. In that sense, the figures show a snapshot of the pre-coronavirus payment system – and just how inadequate it was (and why it needed to increase).

Table 2: Cost of Living Changes March Qtr 2019 – March Qtr 2020

	Base Allowance + Supplements (31 Mar 19)	Selected Living Cost Index Change	Living Cost Change per week	Base Allowance + Supplements (31 Mar 20)	Change in Rates of Same Benefits	Net Result $pw
Age Pensioner (Single)	$463.10	2.4%	$11.11	$472.15	$9.05	-$2.06
Newstart with two FTB children	$573.07	2.4%	$13.75	$583.35	$10.28	-$3.47

(Source: Calculated from (Centrelink, 2019, 2020), (ABS, 2020a). See Explanatory Note 3 in the Appendix here)

That is to say, for those whose only source of income is a base-rate Age Pension (with the Energy Supplement) and who spend all their income, the cost of living over the last year increased by $11.11 per week, which was below the $9.05 rise in the pension. The cost of living for a single person on Newstart with two children went up by $13.75 per week, but their income increased by only $10.28, leaving them $3.47 a week worse off than a year ago.

SECTION 2: COVID 19 Response Impacts

SACOSS' *Cost of Living Updates* are premised on the fact that cost of living pressures impact differently on different households (and that headline statistics based on averages hide these different impacts). The ABS *Selected Living Cost Indexes* are based on the same premise, but the coronavirus crisis has been so immense that it has overwhelmed the traditional statistics. It has thrown up such different outcomes that it is necessary to go beyond the ABS categories to see the impacts for different groups. This requires some element of speculation, and it should be emphasised that there will be marked differences even within the more nuanced categories we present here.

However, the generic mapping of COVID-19 impacts is important both in terms of understanding the differing impacts of the measures taken to contain the virus and in thinking about the supports needed to assist those who are most adversely impacted. There are two elements to this. The first is to track what is happening (or likely to be happening) in different areas of household expenditure, the second is to see what is happening for households with different income sources and different labour market positions.

Prices and Expenditures

The ABS CPI data tracks changes in prices for a set basket of goods and services. The results in relation to core household purchases can be seen in Table 1 in the previous section. However, this price data is only part of the story. The impact on the household budgets is determined by both price changes and any changes in the quantities of those items consumed. This is particularly important where the response to the COVID-19 crisis has seen the deliberate and necessary shutting down of some economic activities and a radical altering of economic production and consumption patterns.

To track the impact of these changes would require an analysis of expenditure changes of the type conducted in the 6-yearly ABS *Household Expenditure Survey*. This is a major undertaking and one that is not available, but some of relevant data has been put in the public domain based on credit card spending data (Wade, 2020; CBA, 2020). While useful, this data does needs to be treated with caution because it is not clear how much of particular expenditure growth is driven just by changes from cash to card payment, and how much is actually increased expenditure – quite apart from broader questions about the substitution of market production with non-market production.

In this context, it is not possible with any degree of certainty to quantify changes in cost of living – particularly at a state level. The best we believe is possible is to track broad directions of prices and usage, without any attempt to present final expenditure data. Table 3 presents this broad mapping for the average household – largely based on the SACOSS Cost of Living essentials presented in Table 2, plus other key ABS expenditure categories. The diagonal arrows represent where some households may experience an increase/decrease in usage depending on their circumstances.

Table 3: Direction of Price and Usage Changes in the COVID-19 Economy

	% of H/hold Expend	Price Change	Usage Change	Rationale
Food	**17.6%**	↘	→	The usage (i.e. number of meals eaten) will likely not change much, but location and means of production may change (probably cheaper with more household production).
Fruit and Vegetables	2.2%		→	
Eating Out	5.4%		↓	
Housing	**18.4%**	↘	→	Same usage (number of houses), but mortgages cheaper with interest rate cuts, and some potential decline in rental prices.
Rent	21.2%*	↘	→	
Utilities	**5%**		↗	Usage of utilities will increase with more people at home self-isolating, though a drop in wholesale electricity prices (Morton, 2020) and domestic gas costs(Parkinson, 2020) should see prices come down, while water price won't change until 1 July.
• Electricity		↓	↗	
• Water	1.4%	→	↗	
• Gas		↓	↗	
Alcohol and Tobacco	**2.3%**	↑	↗	Evidence of increased alcohol consumption (Wade, 2020), but unclear if this will be sustained. Prices likely to continue to increase.
Clothing and Footwear	**3.1%**	→	↓	Early CBA (2020) data showing significant decline in purchases.
Health	**6.1%**	→	↗	Early CBA data shows increase in spending, but prices cyclical due PBS kicks in progressively.
Transport	**13.5%**	↓	↘	Cheap petrol and decrease usage from staying at home probably mean significant savings.
Communication	**3.4%**	↓	↗	Increased usage from home work, schooling and play, offset by significant free data offerings.
Recreation	**11.1%**		↓	Significant fall in expenditure due to lack of out-of-home activities.
Education	**3.1%**		?	Unclear. Will depend on school openings, choices, etc, but some parents may have bought extra supplies for home schooling

Source: Household expenditure data from ABS (2017), unless otherwise stated price data from CPI (ABS, 2020b), usage data based on SACOSS analysis of changes.

The rent figure as percent of total expenditure has been recalculated from the ABS average across all households (including non-renters) to be an average across renter households only (i.e. it is an average rent paid by rental households).

As noted above, these conclusions are inevitably speculative. Early expenditure data may be impacted by panic-buying of some items (e.g. food) where the actual consumption may not increase and expenditure will level-out through (or after) the crisis. Further, much of the price data comes from the March Quarter which was impacted more by the summer of fires than the coronavirus, although where possible we have made some extrapolations based on other evidence.

Notwithstanding the caveats, there are significant conclusions that can be drawn from the data. While there are a number of red arrows suggesting increases in price or usage, many of these are for smaller expenditures. By contrast, when the largest household expenditures are considered there is either little change or potential household savings. Indeed, if we accept that providing a greater proportion of food at home (as opposed to take-away or eating-out) will result in cost savings (not counting unpaid household labour), then all four of the largest household expenditures are likely to decrease as a result of the coronavirus impacts. Between them, these categories account for 60% of average household expenditure, which suggests that **the economic changes resulting from COVID-19 will likely lead to an overall decrease in expenditures for average households – a cost of living saving from lock-downs and limited activity** (despite some increases in usage of some household commodities).

However, this is only taking account of the expenditure-side of the household budget. The bigger story is on the income side.

Different Household Types

The price and expenditure changes above are based on broad assumptions about the average household. However, the economic impacts of the responses to the coronavirus are not spread evenly and will crucially depend on what is happening to household income. Below is an attempt to track the broad direction of impacts for different household types, as well as noting the impacts of government responses that impact on those households. The summary is presented in Table 4, followed by a brief explanation for the directions indicated.

Table 4: Impact on Different Household Types

	Income	Expenditure	Govt Support
Workers Retaining Jobs & Hours			
Normal Conditions	↗	→	
Working from Home	→	↘	
Workers Losing Hours	↓	↓	May be eligible for JobKeeper payments, but this still represents a loss of income.
Workers Stood Down	↓	↓	May be eligible for government JobKeeper payment, otherwise eligible for the enhanced JobSeeker payment (see below).
Previously Unemployed	↑	→	Payments increased by a $275 p.w. COVID-19 supplement, plus $750 federal stimulus payment in March, and a one-off $500 SA government concession
Students	?	→	Students on Centrelink Allowances will receive the COVID-19 supplement, plus $750 federal stimulus payment in March.
Non-resident workers/students	↘	→	SA government package of support measures for international students.
Age Pensioners	↑	→	Two stand-alone government stimulus payment of $750 paid in March and July, otherwise income unchanged.
Self-funded Retirees	↓	→	No specific income support measures, but the age pension remains in place as a safety net.

Unlike the expenditure table, there are far more red arrows in this table showing people worse off (despite potentially decreases in cost of living expenses). However, there are some “winners” (at least in terms of household budgets) – which again is important in targeting income supports, although it is not a straight correlation. For instance, the boosting of unemployment benefits for those previously unemployed who had little change in circumstances was warranted because the previous level of Newstart/JobSeeker was completely inadequate – and the coronavirus supplement is a clear admission of this. Further, the lack of direct support for self-funded retirees does not take account of potential tax changes which may apply (for instance, delays in land tax in SA), and arguably additional support is not warranted because the government already provides a safety net if self-funded retirees income and assets fall below a certain level. It is called the Age Pension.

Most alarmingly from the table is the non-resident workers/students categories – people living here with a right to work and/or study who are largely excluded from government assistance despite potentially suffering significant losses of income. SACOSS supports ACOSS calls for the supports to be extended to this particularly vulnerable group (ACOSS, 2020).

Explanation of Impacts on Different Households

Workers Retaining Jobs and Hours
While the coronavirus response has caused widespread economic impact, the majority of workers remain employed and with hours unchanged. For those continuing to go to work in their workplace, there would be little change in income or expenditure patterns.

For those working from home, their income is probably unchanged but they would have some extra expenses from working from home (e.g. extra electricity, water, telecommunications). These expenses may be offset (to varying degrees) by travel savings, less recreation spending or falling prices so there is probably still a net household saving. However, some households have had to purchase new furniture, computer hardware or other tools to enable working from home, and this may add substantially to expenditure for those households.

The initial ABS data also shows that during March, some 13% of workers nationally worked increased hours (ABS, 2020c),so there were significant numbers of people who were working harder and increasing their incomes.

Overall, for those who have retained their jobs and ordinary hours, there are probably few significant cost-of-living impacts (and even some financial gains) from the coronavirus crisis (although there may be a range of other stresses).

Workers Losing Hours
Initial ABS data showed one in four people (26%) who had a job in the first week of April worked less hours than usual in the previous week (ABS, 2020c). South Australia already had a significant underemployment problem with 10.4% of the labour force wanting more work (ABS, 2020d), so this loss of hours adds to this problem.

Some workers losing hours will be eligible to be supported by the JobKeeper payment, but with average the average full-time wage in March being $1659, a full-time worker would need to lose just over half their hours before hitting the $750 a week floor provided by the JobKeeper payment (although the JobKeeper payment may allow a business to keep the employees with more hours). If the employees only lost a quarter of their hours, they would lose a quarter of their income. If the employer or employee was not eligible for JobKeeper, the employee may fall back to the JobSeeker payment to supplement their wages.

In all these cases there is a significant loss of income, and only relatively minor living costs savings on commuting or other costs.

Workers Stood Down
Initial ABS data showed that there 5.3% fewer people in jobs in South Australia on 14 April than there were on 28 March (added to a 6.2% unemployment rate at the beginning of March)(ABS, 2020e). Most economic modelling – including that of the Commonwealth Treasury – is predicting a

sustained unemployment rate in excess of 10%. There is little doubt that, despite the income support initiatives implemented by the government, these people and households will be massively worse-off as a result of the crisis.

Even those eligible for the JobKeeper payment who will retain a connection to a workplace will be significantly worse-off because, as noted above the JobKeeper payment is significantly below the average wage. The exceptions here might be where someone was working very few hours a week, but was still an eligible JobKeeper employee and for whom the flat $750 per week may be more than they received regularly.

Unfortunately, there are also many people whose work has disappeared who will not be eligible for the JobKeeper payment – for instance, if they are casual and have worked for less than 12 months with an employer, or did not work for a business which qualified. These people will be only be entitled to the lesser JobSeeker payment at $283 per week, plus the $275 Coronavirus Supplement.

Previously Unemployed Workers

Some 6.2% of the South Australian workforce that was unemployed before the economic impact of COVID-19 was felt (ABS, 2020d), and there were also people out of work on sickness allowance or special benefit. For those people, the payment of the COVID-19 supplement effectively doubled the inadequate rate of the previously inadequate Newstart/JobSeeker payment (from 27 April), meaning that they are now financially better-off during the crisis. In addition, the fraught mutual obligation system which saw many people pressured into inappropriate and pointless activities and/or suspended them from payment has also been temporarily stopped, reflecting both the state of the job market and a social de-stigmatising on unemployment. Finally, those who were on the Centrelink JobSeeker payment will also get the benefit of the one-off $500 state government cost of living concession.

While these are good outcomes for people who were suffering unemployment, the measures are (at this stage) temporary and with so many more people losing work there will be greater competition for very few jobs. Those who were previously unemployed may find themselves further away than ever from employment.

Australian Students

There is probably no large change in living costs for most students. Much tertiary study was already online, and in isolation any increases in data usage and home costs may be outweighed by transport and other savings from not being on-campus or outside. Income is a different matter though with various changes in income support payments and hours worked (especially given that many of the jobs that students do are in hospitality and retail sectors which have been hardest hit by shutdowns). The end result will depend on the student's circumstances, but broadly:

- No change for students relying on part-time work where that work has not changed
- Substantial loss of income for students relying on part-time work where that work has stopped or reduced in hours
- Increase in income for students receiving Centrelink income support payments (e.g. Youth Allowance, Abstudy Living Allowance or JobSeeker payment) as they will receive the Coronavirus supplement, plus the $750 Economic Support Payment paid in March. Those

on JobSeeker payments will also receive the one-off $500 state government concession payment.

Non-resident workers/students
For those non-residents (i.e. overseas students and temporary visa workers) living in Australia, there are formal change in circumstances or entitlements. In that sense, those who have and retain work will be unaffected. However, may non-residents work in precarious employment in hospitality and retail which have suffered the brunt of job losses, or in agricultural labour where travel to regions has been curtailed. These non-residents will have lost employment, but they are not entitled to Centrelink support or the coronavirus supplement, so are arguably the among the worst impacted by the COVID-19 responses. For full details of how these groups miss out on support, see ACOSS' briefing paper *Who Misses Out on Access to Australia's Safety Net Under COVID-19* (ACOSS, 2020).

The South Australian government has announced a package of measures to support international students. The package includes a $10m fund for students in the Vocational Education and Training and the 3 public universities in South Australia, to be distributed through the universities, plus a $500 emergency grant to other tertiary students and a one-off $200 payment to assist SA families providing homestays for international students (StudyAdelaide, 2020).

Age Pensioners
While the free movement and lifestyle of many age pensioners may have been curtailed by the COVID-19 restrictions, the impact on their households expenditures is likely to be marginal (or a cost saving from lower travel and recreation expenses – and the difference in extra "stay at home" expenses is less pronounced for them than for suddenly house-bound workers and families). Against these potential savings, age pensioners retain the same base income as before but also received two government economic stimulus payments of $750 in March and July, so in fact their income has gone up at least in the very short term with no clear increase in household expenditure. That said, for those pensioners who also have investment income, some of the issues below would apply and represent a loss on income.

Self-funded Retirees
As with age pensioners, the impact of COVID-19 on household expenditure of self-funded retirees would be minimal or a cost saving as travel and recreation is not possible. But unlike pensioners, the incomes of self-funded retirees may have decreased because of falls in the stock market and housing prices, reductions in interest rates, reductions in share dividends from companies facing economic difficulties, or from renters unable to pay normal rent due to their own loss of income. However, the impacts would be different depending on the source of wealth underpinning their retirement incomes and the age pension remains as an ultimate safety net – although again the changes in economic returns on investment may make deeming rates problematic for qualification for the pension.

Conclusion and Recommendations

The data in this report demonstrates (at least tentatively) the differing impacts of the COVID-19 crisis on household cost of living. The economic shutdowns and downturn impact very harshly on some households, most notably those who have lost their job.

However, for anyone whose work and income hasn't changed (or who are even getting extra hours of work), then price decreases for some key household expenditures and restrictions on travel and recreation mean they are probably spending far less than normal. They will actually be financially better off, although they will still be dealing with all the non-financial stresses and restrictions of the crisis. But with South Australian charities, who are providing vital support to people hardest struggling the most, themselves struggling to make ends meet because their usual methods of fundraising may not be possible during the crisis, ***it is vital that those people who are faring financially better in the crisis, step up now and help out our charities***.

For their parts, both Federal and State governments have responded to the crisis and the support measures (both new payments and supplements to existing Centrelink payments) have cushioned the blow for may households.

For those who were unemployed before the crisis, their JobSeeker payments have nearly doubled – which is very welcome given that they were absurdly low in the first instance. The payment boost is (at this stage) only for six months, but having effectively admitted the previous level of JobSeeker payment was inadequate, ***the Federal government must not revert to the previous below-poverty-level allowances once the immediate crisis is over***.

The other action the Federal government must take is to ***open the JobKeeper and JobSeeker payments to those who are currently missing out*** – casual workers not eligible for JobKeeper support, and temporary visa holders who have lost their jobs but are not eligible for either payment.

Finally, having scrambled to enact supports for thousands of people who suddenly found themselves unemployed "through no fault of their own" (as we are continually told), ***both state and federal governments need to continue this no-fault approach into the longer term*** because the vast majority of people who find themselves unemployed are there through no fault of their own – because their employer closed or downsized; because disability, illness or caring responsibilities make it very difficult to be employed; or just because there are not enough jobs. What we have seen in this crisis is a de-stigmatising of unemployment and hopefully the beginnings of a change from a punitive social security system (evident in mutual obligation, income management and robodebt) to one based on support for people who are struggling.

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 SLCI 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, 2020a).

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 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, 2019b). 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 – March 2020

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 March 2019

	Base Rate	Pension Supple-ment	Energy Supple-ment	FTB A Child u13	FTB A Child 13-15	FTB B	Pharmac Benefit	TOTAL PAYMENT
Aged Pension	$421.80	34.25	7.05					$463.10
Newstart - 2 children	$300.55		4.75	91.42	118.93	54.32	3.1	$573.07

Rates at 31 March 2020

	Base Rate	Pension Supple-ment	Energy Supple-ment	FTB A Child u13	FTB A Child 13-15	FTB B	Pharmac Benefit	TOTAL PAYMENT
Aged Pension	$430.30	34.80	7.05					$472.15
Newstart - 2 children	$306.00		4.75	93.10	121.10	55.30	3.1	$583.35

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