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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, 2021a) and Consumer Price Index (ABS, 2021b) 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.

SACOSS *Cost of Living Updates* sometimes also contain a second section with a more in-depth analysis of cost of living trends in one key area of concern in relation to cost of living pressures on vulnerable and disadvantaged South Australians. This *Update* examines the cost of living implications for households relying on JobSeeker payments of the ending of the coronavirus supplement and the increase in the base rate of JobSeeker.

SECTION 1: March Quarter 2021 Cost of Living Changes

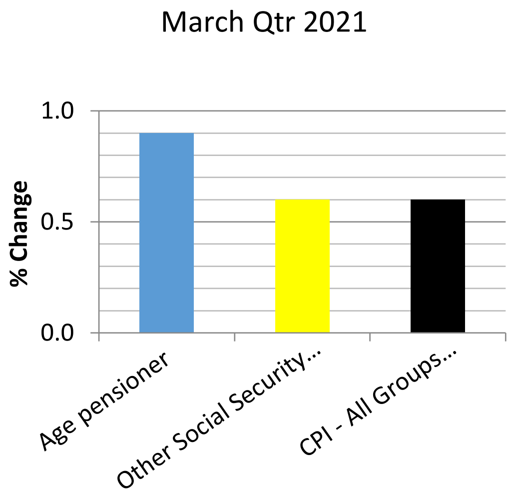
Prices

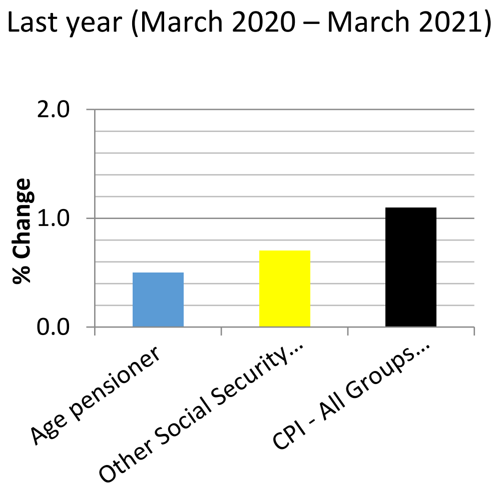
In the March 2020 quarter, the cost of living (as measured by the ABS Selected Living Cost Indexes) for age pensioners rose by 0.9%, while for other social security recipients the cost of living rose by 0.6% (ABS, 2021b). CPI in the same period rose by 0.6% in Adelaide and nationally (ABS, 2021a).

The Living Cost Index increase for age pensioners was larger than CPI because of relatively higher expenditure on petrol and pharmaceutical products – both of which went up significantly in the quarter (the later due in part to the resetting of safety net thresholds for Medicare and Pharmaceutical Benefits Scheme – meaning pensioners more likely to be paying full price). Over the course of the year, these health costs receive greater subsidy and the Living Cost Index for age pensioners ended up below CPI. By comparison, petrol and pharmaceutical costs have similar weights in the household budget of other social security recipients and general households, so the CPI and Living Cost Index were the same for the March Quarter.

Over the last year (March Qtr 2020 – March Qtr 2021), the living cost index for age pensioners rose by 0.5% and for other social security recipients by 0.7% (ABS, 2021a), by comparison to the generic CPI rise of 1.1% nationally and 1.2% in Adelaide (ABS, 2021b).

Figure 1: Increases in Living Costs December 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 2021 by Expenditure Type

	March Quarter CPI Increase		Annual CPI Increase (March 2020 – Mar 2021)	
	Adelaide %	**Australia %**	**Adelaide %**	**Australia %**
Food	0.4	0.4	0.9	0.7
Fruit and Vegetables	-0.5	-0.6	-2.3	-3.1
Housing	0.5	0.1	-1.5	-1.1
Rent	0.6	0.0	1.3	-1.4
Utilities	0.5	-0.2	-6.8	-7.4
• Electricity	0.5	-0.9	-6.1	-11.2
• Water	0.0	0.3	-16.7	-3.0
• Gas	0.6	1.6	1.9	-1.4
Health	1.2	2.0	4.1	3.0
Transport	5.2	3.2	0.7	0.4
CPI All Groups	**0.6**	**0.6**	**1.2**	**1.1**

Source: (ABS, 2021b)

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.

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

	Base Allowance + Supplements (31 Mar 20)	Selected Living Cost Index Change	Living Cost Change per week	Base Allowance + Supplements (31 Mar 21)	Change in Rates of Same Benefits	Net Result $pw
Age Pensioner (Single)	$472.15	0.5%	$2.36	$476.35	$4.20	$1.84
JobSeeker with two FTB children	$583.35	0.7%	$4.08	$590.93	$7.58	$3.50

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

The JobSeeker figures in Table 2 do not include the Coronavirus supplement which was not in place in March 2020 and expired on 31 March 2021. Accordingly, the figures just focus on the underlying base rate payment (and predate the $25 increase discussed in the next section). Without the Coronavirus supplement, the figures show that the cost of living for a single person on Jobseeker with two children went up by $4.08 per week, while their base income increased by $7.58 so they would have been $3.50 a week better off than a year ago – although they were worse off than a various points during the year when the supplement was paid at higher levels. Age pensioners were better off than a year ago by $1.84 per week.

SECTION 2: The Jobseeker Increase

Introduction

The JobSeeker Allowance (formerly Newstart) is the primary payment made to people of working age (age over 22 but under pension age) who are not in employment (or whose employment does not provide sufficient income). There is a base rate of JobSeeker for single people, single people with children and for couples, but it has long been criticised as being hopelessly inadequate and a barrier to people getting into the work (ACOSS, 2020a).

In addition to the base rate, there are also a range of supplements that may be applicable. JobSeeker recipients with children are entitled to Family Tax Benefit (FTB) Payments, Pharmaceutical Allowance ($3.10 p.w.) and if on a work for the dole scheme, a further supplement of ($10.40 p.w.) for travel. All JobSeeker recipients are entitled to the Energy Supplement ($4.40 - $6 p.w.) and if they are renting in private or community housing, to Commonwealth Rent Assistance (CRA) (depending on the amount of rent paid) (Centrelink, 2020). Approximately 44% of Newstart recipients receive CRA (DSS, 2021).

On the other hand, the JobSeeker payment may be reduced if the recipient earns income over a threshold of $75 a week (around one in four recipients receive a part payment (DSS, 2021), or the payment can be cancelled or suspended for breaches (technical, intentional or otherwise) of the so-called mutual obligation requirements.

In South Australia, in December 2021 there were 105,545 Newstart recipients:

- Two-thirds were over 35 years of age
- 53% were men
- 74% were paid at the single rate
- 7.2% identified as Aboriginal or Torres Strait Islander (DSS, 2021).

In addition, there were 11,671 South Australians on Youth Allowance (Other) – which is the unemployment payment for people under 22 years of age. It is paid at below the level of JobSeeker.

To cut through the complexity of payments, supplements and different people's circumstances, the measurement standard for much of the public policy debate is a single person on JobSeeker with no dependents. This focuses attention on the base rate, although it is recognised that any changes to the setting of this rate will flow through to other JobSeeker rates, and also to a range of other base-level Centrelink allowances (for instance, Special Benefit, Widow Allowance, Carer Payment, AbStudy, Austudy and Youth Allowance).

The poverty line for a single person household in Australia is $462 per week (indexed from Davidson et al, 2020).

On 31 March, the base rate of JobSeeker for a single person with no children was $285.40 (Australian Government, 2021).

As at 1 April 2021, the base rate of JobSeeker for a single person with no children was raised to $310.40 (Centrelink, 2021), still $151 a week below the poverty line.

The increase from 1 April was the first increase (beyond indexation) in more than 25 years, but it came at the same time as the last of the Coronavirus Supplement was removed – meaning that those on JobSeeker effectively experienced the increase as a cut of around $50 a week in their income.

The Coronavirus Supplement was introduced as part of the response to COVID-19 and the job losses that were expected and associated with the necessary economic shutdowns. The Supplement was originally $275 a week, reduced to $125 in September 2020, and to $75 a week from 1 January 2021 (Australian Government, 2021). The supplement made an enormous difference to the lives of those relying on JobSeeker payments with a survey of 955 people on JobSeeker in May 2020 reporting that:

- the number of people skipping meals because of lack of funds had dropped by over a half (to 33%);
- people's ability to purchase nutritious food had dramatically increased; and
- the number of people struggling with medical costs had dropped by over 40% (ACOSS, 2020b).

However, the government was always clear that the Coronavirus Supplement was a temporary measure. While there were legitimate debates around the timing of the phase out of COVID measures, after years of campaigning for a significant increase in the base rate ($75-$100 a week) and with the experience of the Supplement and broad support from economists, business leaders, community organisations and from unemployed people themselves, advocates were hopeful that there would be a significant and permanent increase in the base rate.

In the end, the $25 a week increase in the base rate when the Coronavirus Supplement was well below any figure advocates had hope for.

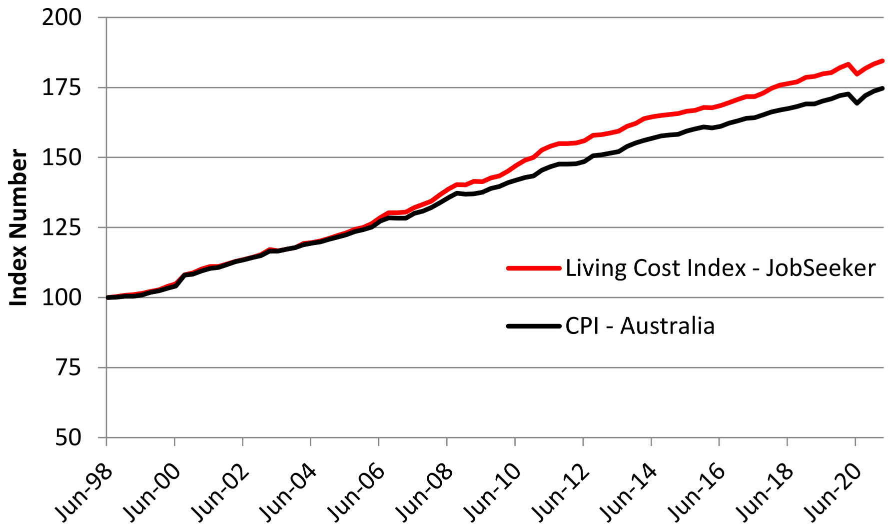
This Cost of Living Update focuses on what that modest increase will mean for those reliant on JobSeeker payments.

The Real Value of the Increase

Apart from the one-off $25 a week increase in the base rate, JobSeeker is currently indexed twice a year and increases by the equivalent of CPI. However, as noted at the top of this report, the basket of goods and services likely to be consumed by those on JobSeeker is different to the average household – which is why the Living Cost Indexes provide a better indication of changes in the cost of living for those on unemployment payments (JobSeeker, or Newstart prior to that).

Figure 2 below shows the difference between CPI and the Selected Living Cost Index for Other Social Security Recipients since the SLCI began in 1998 (with both indexed to 100 in 1998). What it shows is that the ABS Living Cost Index for non-pension social security recipients has grown faster than the CPI, with the gap being 9.8 percentage points at the end of the March quarter 2021. This means that the cost of living has gone up more than CPI and the real purchasing power of the CPI-indexed unemployment payment actually ***decreased*** over the past 23 years to the extent of that gap. Again, this does not take into account the $25 increase in the base rate from 1 April 2021, which will be discussed below.

Figure 2: The Cost of Living for those on JobSeeker



Source: ABS (2021a)

This can be put into dollar terms: in June 1998, the base rate of Newstart (as it was called then) for a single person with no children was $160.75 per week. This was a low figure back then – equating to between 36% and 46% of the Henderson poverty line (depending on how it is measured – see (MIAESR, 2020). However, the same basket of goods and services (based on the SLCI) would cost $296.58 in March 2021. At the end of the March quarter 2021, the JobSeeker payment was $285.40, meaning that the real rate (purchasing power) of Newstart/JobSeeker had declined by $11.18 per week over that time leaving recipients deeper in poverty.

This provides important context for the increase that happened on 1 April, because what it means is that the first $11 of the $25 a week increase, or around 44% of the increase simply went to making up for the loss in purchasing power due to inadequate indexation. The government's $25 a week increase in JobSeeker is only a $14 a week increase in real terms on the rate applying 23 years ago (which itself was grossly inadequate). That equates to a 4.6% increase, while in real terms the minimum wage has increased by 15% in the same period and average full-time (ordinary time) wages in South Australia increased by 30% (SACOSS calculations).

Consequently, even with the latest increase, those who are unemployed are still being left further behind the working population. This is important for equity and fairness, but also because the fact of being left behind is itself a barrier to being able to get work. It makes it harder to manage finances and life, to access up-to-date digital devices (needed for work) and to present well-groomed and on time for work.

The Impact of the Increase on Essential Services Expenditure

It was noted above that even with the $25 a week increase, the JobSeeker payment is still $151 per week below the poverty line for a single person household. This is one clear measure of the inadequacy of both the current payment and the recent increase. However, another way to measure the adequacy of the recent increase is by its impact on the ability to afford essential things.

Last year SACOSS began looking at the development of new affordability indicators for energy, water and telecommunications (SACOSS, 2020). Modelled on the widely-used housing stress indicator, the indicators see affordability as a function of income, price and usage. In this framework, households are regarded as being in affordability stress for a particular utility if they are in the bottom two income quintiles and spend more than the following percentages of their income on that service:

- Energy 6%
- Telecommunications 5%
- Water 3%.

The SACOSS pilot research showed that households in stress for each utility were around twice as likely as other households on low incomes to have been unable to pay an energy, water or telecommunications bill on time, because of financial reasons.

These stress indicators and thresholds can also be used to assess the $25 a week JobSeeker increase, in terms of the extra utility expenditure made possible by the increase in the base rate of payments. For a low-income household already on the affordability thresholds, the increase in the JobSeeker base rate only provides an extra:

- $1.50 per week to spend on energy (i.e. 6% of the $25 a week increase);
- $1.25 per week to spend on telecommunications;
- 75 cents per week to spend on water.

Obviously, a JobSeeker might spend more of the extra $25 on these items, but if they are already in stress and paying above those thresholds they would be even further above the stress threshold if they spent more than that percentage of the $25 increase on those bills. In that sense, the figures above are the extra money a JobSeeker could commit to paying without it taking a bigger proportion of their income. Clearly though, only allocating from the $25 increase an expenditure on utilities which is at or below the stress threshold means that the JobSeeker increase does not go very far in relieving those affordability struggles.

A similar argument can be made in relation to food – although SACOSS has not calculated a stress threshold for this expenditure. However, the ABS (2021a) data shows that, on average, households on JobSeeker spend 19% of their income on food. Applying the same expenditure pattern to the $25 per week increase would give the JobSeeker just $4.75 more per week to spend on food.

Again, the $25 a week increase is insufficient to make a substantive difference to the affordability of basic goods and services.

Conclusion

The data in this report shows the inadequacy of the recent $25 per week rise in the base rate of JobSeeker. Around one-third of the increase simply addressed the problem of inadequate indexation and the payment remains well below the poverty line. That is, despite all the arguments around poverty, mental health and the low rate being a barrier to job-readiness, despite all the submissions to numerous government inquiries from people sharing their experiences of JobSeeker poverty, despite the economic modelling of the stimulus value of increasing the base rate of JobSeeker, and despite the broad support from business leaders, economists, community groups and of course social security recipients themselves, the government has chosen to implement a very minimum and wholly inadequate increase to the rate.

This points to a major policy failure of government, but also to the limits of the sustained campaign mounted to increase JobSeeker - notwithstanding the huge groundswell of support that has been garnered and power of the arguments made.
The need for a substantial real increase in the base rate of JobSeeker remains as relevant and as important as ever – if not more so, in the COVID-19 context.However, if it has not been possible to get a permanent and significant increase after the experience of high rates of COVID-19 unemployment and in a period of universal support for stimulus spending, it is hard to see how such a change might be secured in the near future – at least without a very significant change in the political landscape driven from beyond the campaign (e.g. a change in political culture, government or leadership).

These responses present a quandry for the many non-government organisations who have long advocated for change for a substantial increase in JobSeeker. If (as has often been said) a substantial increase in JobSeeker is one of the most significant things that could be done to alleviate poverty (and recent research from ANU shows that the Coronavirus Supplement did indeed significantly reduce poverty (Phillips, 2020)), then organisations seeking to address the causes and not just the symptoms of poverty, must continue to push for that increase. But this presents a range of challenges, not least because many of those organisations may be constrained from adopting strategies necessary for such a change in political culture by their constitutions, the laws governing charities or by the needs of advocacy and policy proposals in other important areas. That means that they will be left with an impossible choice – to either alter both their strategy and their legal underpinnings (and thus potentially their funding base) or to continue with advocacy strategies that have not worked.

Of course, many of these organisations will not accept this binary analysis of the possibility of change, but given the history of government inaction in the face of powerful and widespread calls for increases to JobSeeker, it is a challenge for traditional advocacy to reveal how this can be achieved by those means.

It is not clear where the advocacy around the inadequacy of JobSeeker will go, but the evidence in this report adds powerfully to the weight of the voices of unemployed people, and again shows the inadequacy of the recent increase in the rate of JobSeeker. With the rate of JobSeeker still so far under the poverty line, the issue is not settled and the campaign for an adequate increase is far from over.

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, 2021a).

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 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 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	93.1	121.1	55.30	3.1	$583.35

Rates at 31 March 2021

	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	$434.15	$35.15	$7.05					$476.35
Newstart - 2 children	$308.75		4.75	94.78	123.27	56.28	3.1	$590.93

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