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Introduction

This report tracks 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, 2017a) and Consumer Price Index (ABS, 2017c) 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 use a different methodology to CPI (see Appendix: Explanatory Note 1) and they disaggregate expenditure into a number of different household types (ABS, 2017b), although this *Cost of Living Update* focuses on the "Aged 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.

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* utilises the recently released ABS 2016 Census data to look at housing costs and housing stress, with the data broken down by state electorate.

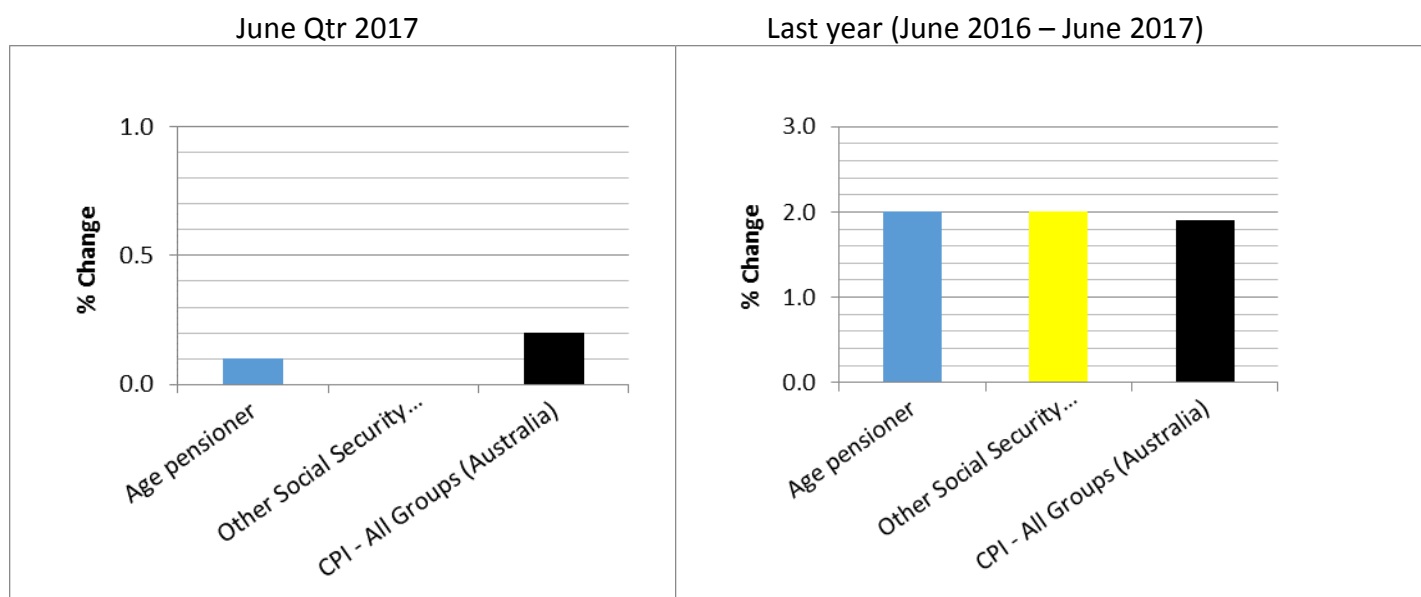
SECTION 1: June Quarter 2017 Cost of Living Changes Prices

In the June 2017 quarter, the cost of living (as measured by the ABS Selected Living Cost Indexes) for age pensioners rose by 0.1%, while for other social security recipients the cost of living stayed the same (ie. 0% rise). CPI in the same period rose by 0.2% nationally and 0.1% in Adelaide (ABS, 2017a; ABS, 2017c).

There were few major changes in cost of living this quarter. For pensioners, health costs increased due to rises in health insurance, but this was partially offset by decreases in food prices (which account for a higher proportion of the budget of aged pensioners than other groups). For other social security recipients, tobacco prices increased due to flow on effects of the increase in excise duty on 1 March, but this was balanced by cheaper transport prices – largely driven by petrol price drops.

Over the last year (June Qtr 2016 – June Qtr 2017), the living cost indexes for age pensioners and other social security recipients rose by 2.0%, by comparison to the generic CPI rise of 1.6% in Adelaide and 1.9% nationally (ABS, 2017a, 2017c).

Figure 1: Increases in Living Costs June Qtr 2017



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 over the page, but while the health and tobacco changes noted above had an impact on household budgets, the other results for the quarter were fairly stable.

Table 1: Cost of Living Changes June Qtr 2017 by Expenditure Type

Cost of Living Area	Adelaide CPI June Qtr change %	National CPI June Qtr change %	Adelaide CPI June 2016- June 2017 %	National CPI June 2016- June 2017 %
Food	-0.3	-0.2	1.9	1.9
Fruit and Vegetables	-3.0	-1.7	9.6	9.0
Housing	-0.4	0.3	1.4	2.4
Rent	0.1	0.2	0.6	0.6
Utilities	-1.8	0.0	3.3	4.5
• Electricity	-3.3	-0.2	14.3	7.8
• Water	0.0	0.0	-6.3	-1.8
• Gas	0.1	0.4	-9.9	2.8
Health	3.9	2.7	4.4	3.8
Transport	-1.1	-0.6	2.0	2.1
CPI All Groups	0.1	0.2	1.6	1.9

(Source: ABS, 2017c)

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 June Qtr 2016 – June Qtr 2017

	Base Allowance + Supplements (30 June 16)	Selected Living Cost Index Change	Living Cost Change per week	Base Allowance + Supplements (30 June 17)	Change in Rates of Same Benefits	Net Result \$pw
Age Pensioner (Single)	\$436.95	2.0%	\$8.74	\$444.15	\$7.20	-\$1.54
Newstart with two FTB children	\$553.51	2.0%	\$11.07	\$562.17	\$8.66	-\$2.41

(Source: Calculated from data in Centrelink, 2016, 2017; ABS, 2017a.

For details of calculation, 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 \$8.74 per week, while their income only rose by \$7.20 – so they are \$1.54 a week worse off than a year ago. For a single person on the base rate of Newstart with two children the situation is worse. Their cost of living last year went up by \$11.07 per week while their income increased by only \$8.66, leaving them \$2.41 a week worse off.

SECTION 2: Housing Stress

Introduction

Shelter is a basic necessity for people, and housing costs are one of the largest household expenditures for most South Australian household budgets. Previous SACOSS *Cost of Living Updates* have analysed different aspects of housing costs with Update from the June Quarter 2012 using data from the ABS 2009-10 *Household Expenditure Survey* (SACOSS, 2012) and the September Quarter 2013 *Update* utilising data from the ABS *Survey on Income and Housing* (SACOSS, 2013). Both these ABS data sets allow for analysis of a range of housing costs for different household types, but the recently released ABS Census data provides more up to date figures on household income and on average rent and mortgage payments (ABS, 2017d).

The crucial indicator used in this report is housing stress – defined as where households spend more than 30% of their income on housing costs. When households, particularly low income households, spend more than 30% of their income on housing costs then it is likely to create financial hardship as there will be little left for other necessities and expenditures. In the worst cases, it can lead to defaults on payments, loss of properties and homelessness.

Housing stress can apply to both renters and mortgagees, although there is a difference. For mortgagees, part of housing expenditure is the repayment of capital is really a form of savings (it increases the wealth of the household) rather than an “expenditure”. The *HES* therefore distinguishes current housing costs (interest) from repayment of capital, but the Census data on housing costs does not make the distinction. Using only mortgage interest makes for a fairer comparison between rental and mortgage costs, but in terms of day-to-day household budgeting it is the total amount of repayment that (in the short term) determines the mortgagee households’ ability to get by and pay for other goods and services. It is this total mortgage figure which is used in this report.

South Australian and National Comparison

Table 3 below compares median household income and housing costs between South Australia and Australia generally. Both rents and mortgage repayments in South Australia are below the national average, but so too is the median income with the result that as a proportion of household income rent payments are only slightly less than the national average while mortgage repayments make about the same proportion of household income.

Table 3: Income and Housing Costs – Australia and South Australia

	Australia	South Australia
Median Weekly Income per Household Income	\$1,438	\$1,206
Median Rent per week	\$335	\$260
Rent as % of Income	23.3%	21.6%
Median Weekly Mortgage Repayments*	\$405	\$344
Mortgages as % of Income	28.2%	28.5%

* Monthly mortgage figures in the Census have been converted to weekly figures.

Source: Data and SACOSS calculations from ABS (2017d)

It should be noted that the rent and mortgage repayment figures as a percent of income figures may be slightly misleading in terms of the impact of housing costs on low income households. ABS *Household Income and Wealth* data shows that the average income for renter households is only about two-thirds that of households paying off a mortgagee (ABS, 2015). Many people on low incomes are renting simply because they can't afford to buy a home. Accordingly, the straight "rent as percentage of income" calculation in Table 3 is using a higher income figure than would be applicable to average renters. This likely underestimates the proportion of income going to rent for many low income households. In this context, the housing stress data is more telling.

The housing stress data in Table 4 below shows that South Australia has proportionately fewer households experiencing housing stress than the national average, but still about one in six South Australian households (16.8%) are suffering housing stress. That equates to 107,317 households struggling with more than 30% of their income going on the basic cost of shelter (and not counting maintenance, rates, and insurances).

Table 4: Housing Stress, Australia and South Australia

	Australia	South Australia
	% in housing stress	% in housing stress
Households paying Rent	37.2	35.8
Households paying Mortgages	20.9	18.7
Total of all households	18.7	16.8

Source: Data and SACOSS calculations from ABS (2017d)

Table 4 also shows much higher relative rates of housing stress among renters than among mortgagees. Approximately 60% of households experiencing housing stress in SA were renters – which is a significant difference given that there are 23% more mortgagee households than rentals, and the figure of more than one-in-three (35.8%) rental households being in housing stress is alarming (even if it is less than the national average).

This greater likelihood of housing stress among renters is despite the data in Table 3 showing that the median mortgage repayment was \$84 a week higher than median rent in South Australia (and \$70 per week nationally). Again this is explained by the skew of renters being more likely to be low income earners, so that even though rents are cheaper than mortgages, rent still accounts for a greater proportion of income for those lower income households. This, plus the fact noted above that part of mortgagee housing stress is savings (albeit forced savings) suggests that policies directed at relieving housing stress should be directed firstly toward renters.

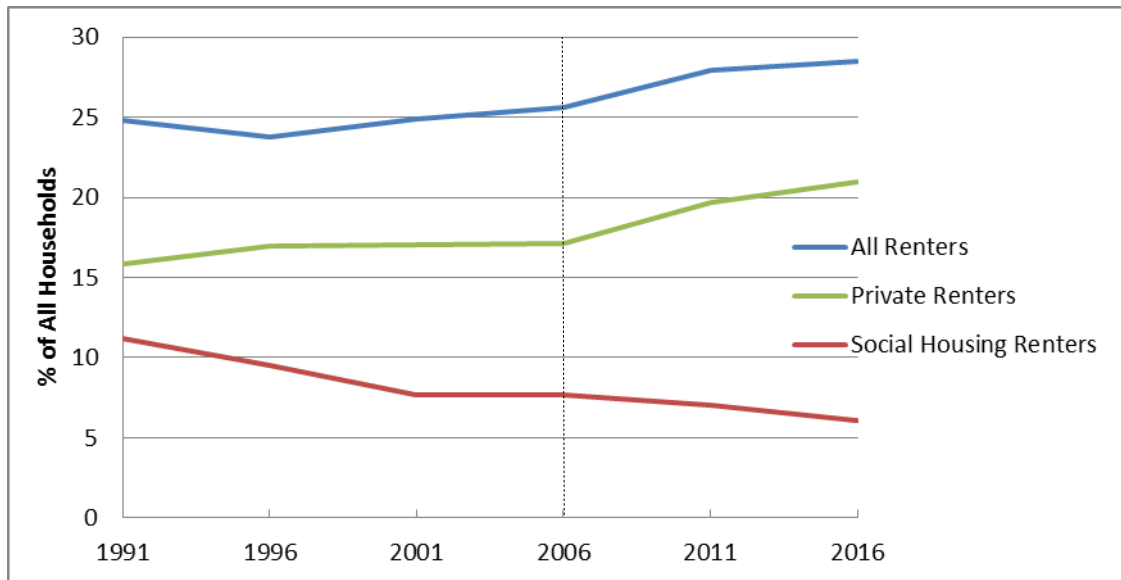
Housing Stress Changes Over Time

In the context of renters being demonstrably more likely to be facing housing stress, it is important to note that the numbers of rental households (both absolutely and as a proportion of the market) has been steadily increasing over a long period of time. The top line in Figure 2 below shows this increase from a low of rentals as 23.8% of all households in 1996 to the current level of 28.5%.

Figure 2 also shows an important change in the composition of this rental market with a significant long term decline in social housing (ie. government and community housing) and a commensurate increase in private market rentals. Some caution needs to be exercised as the census data

categories changed in 2006,¹ but the trends appear clear and the decline of social housing in the last ten years is measured by a continuous dataset. This represents a significant decline in a major part of the housing safety net, and in some senses a transfer in responsibility for that safety net from the state to the federal government (as the federal government pays Commonwealth Rent Relief for low income households in the private rental market).

Figure 2: Rentals as a Proportion of All SA Households



Source: SACOSS calculations from ABS Census data, 2001, 2016.

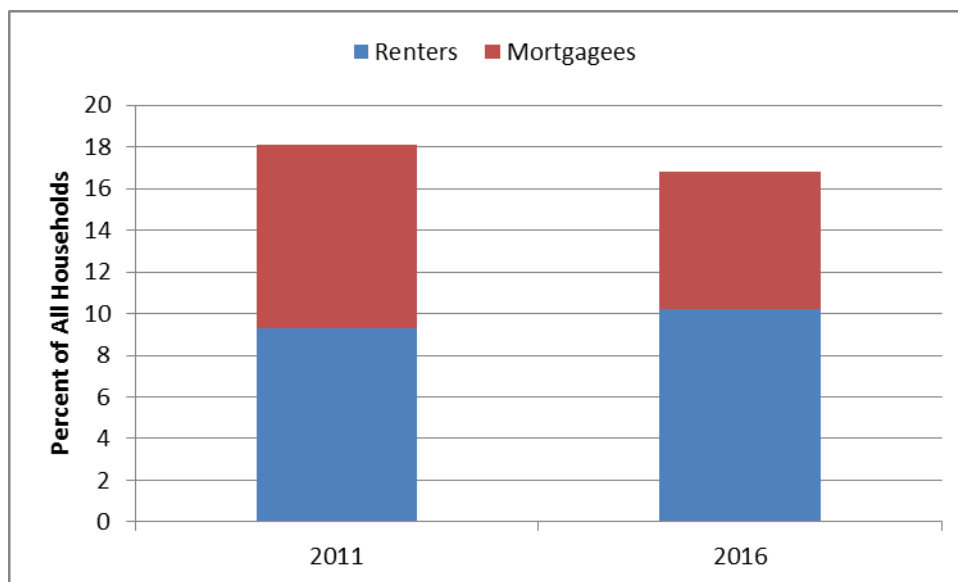
The other long term trend in the rental market in South Australia has been the increase in the level of rent as a proportion of income – although the census data only records this data from 2006. In that year the median rent of \$150 per week was 16.9% of median income, while (as Table 3 above shows) in 2016 the proportion was 21.6%. This increase is not surprising given that in that ten year period rent prices went up 1.5 times faster than inflation, and median rent went up at double the rate of median household income (SACOSS calculation from ABS, 2017c and 2017d).

Given this, it is not surprising that the rate of housing stress among renters has increased. While the census did not publish housing stress figures prior to 2011, the rate of housing stress for rental households increased from 9.3% of all households in 2011 to 10.2% of all households in 2016 (ABS, 2017d). (Note that this is a different calculation to the data in Table 4 which was quoted as a proportion of all renters). By contrast, the proportion of mortgagee households experiencing housing stress dropped from 2011 to 2016. With a steady housing market and interest rate cuts, median mortgage repayments in that period fell from 33.2% of median income to 28.5%, and housing stress rates for mortgagees fell from 8.8% of all households in 2011 to 6.6% last year.

¹ From 2006, the Census added a new landlord category: Co-operative, Community, Church Group. Before 2006 the social housing data in Figure 2 is just the State Housing Authority category. From 2006 it includes Housing Co-ops, Community and Church Housing. Private rentals in 1991-2001 are captured in a generic “Other landlord category” [other meaning other than government], but from 2006 the category was disaggregated and Figure 2 uses the sum of the landlord categories “Real estate agent”, Person not in same household, and “Other landlord”.

The net result of these changes was that the total number of South Australian households in housing stress actually decreased from 112,047 in 2011 to 107,317 households last year. However, among renters there were 7,586 more households experiencing housing stress last year than 5 years before – again suggesting a need to target housing affordability measures at renters. These changes are summarised in Figure 3.

Figure 3: Housing Stress, 2011 and 2016



Source: (ABS, 2017d).

Housing Stress By State Electorate

The 2013 SACOSS *Cost of Living Update* catalogued housing stress levels in selected local government areas (SACOSS, 2013), but this report utilises the latest Census data break-down by housing costs by state electorate. While housing stress drivers like interest rates and income support levels may not be amenable to state government policies, state governments still have an important role to play in housing affordability. State governments provide important support services for those struggling with housing costs, provide the legislative framework for new housing development and, as noted above, provide low income housing directly through Housing SA or through community housing organisations. In this context, and in the lead up to the 2018 South Australian state election, the breakdown of housing stress by state electorate is useful in showing the areas where housing costs are causing the most hardship and where particular policy attention (both state and federal) should be focused.

The data is presented in two tables at the end of this section, the first arranged in alphabetical order of electorate, and the second arranged in order of electorates with the rates of housing stress. The electorates of Adelaide, Napier, Ramsay, Reynell and Little Para have the highest rates of housing stress, while MacKillop, Stuart, Chaffey, Davenport and Flinders have the lowest rates. Only one electorate (MacKillop) has housing stress rates below 10%.

It is clear from the data that housing stress is not *simply* about income level. The Adelaide electorate has the highest rate of housing stress of any state electorate (24.4% of households), but levels of income there are also high (Adelaide electorate had the tenth highest median household income). Moreover, of the 10 electorates with the highest rates of housing stress, only three

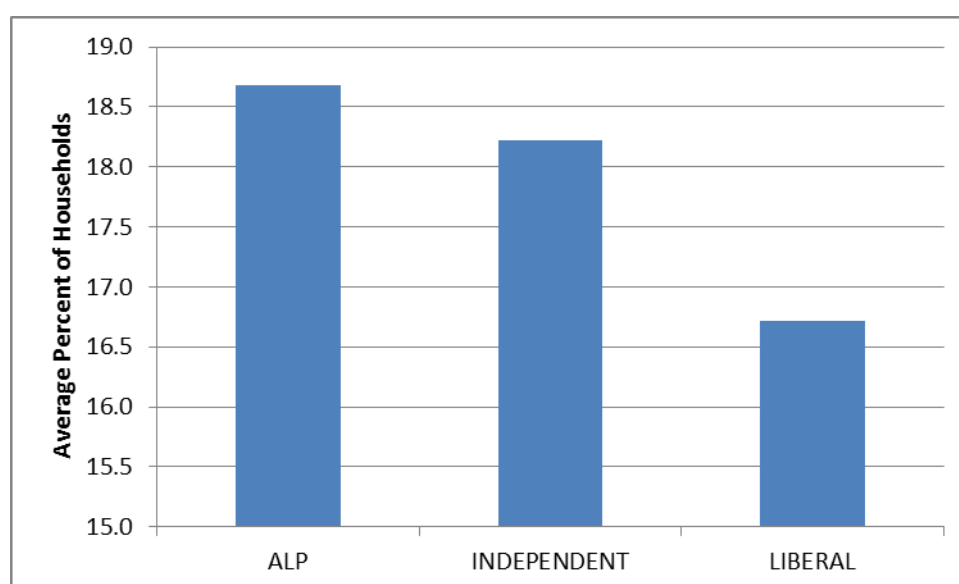
(Ramsay, Reynell and Little Para) are also in the lowest 10 electorates by income. That said, income is an important factor: of the top 10 electorates by income, only one (Adelaide) had housing stress rates above the state average.

The data also shows that geography is a crucial determinant of housing stress. Obviously the Adelaide electorate, dominated by the CBD and North Adelaide, has both high incomes and high housing costs as people are paying for the amenity of living in the city centre (and possibly also saving on households transport costs). But geography is also a big factor outside the city centre. Eight of the ten electorates with the highest rates of housing stress are metropolitan seats (the other two being outer-metro seats). The “country” seat with the highest rate of housing stress is Mawson – which was 15th highest, but Mawson is close to Adelaide and includes areas which would be classed as Outer Metro. The next highest country electorate, and the only other one with housing stress rates above the state average, is Finniss, which was 22nd highest in terms of housing stress. The average rate of housing stress among all country electorates was 13.6%, well below the state average of 16.8% of households – and again, this is despite country electorates on average having significantly lower median household incomes.

Rates of housing stress are clearly an outcome of an interplay between geography and income. While some aspects of that interplay show up in an analysis based on state electorates, the same trends would be evident in most geographic disaggregation of housing stress and income data. However, disaggregating by electorate does allow for a focus on the politics of housing policy.

At one level, housing stress can be seen as a problem mainly for Labor. They hold 17 of the 20 seats with the highest rates of housing stress, and one of the three Liberal-held electorates in this twenty is Adelaide which is arguably a special case. Figure 4 shows a similar trend by averaging the housing stress rates of electorates held by each party. Clearly ALP electorates on average have higher rates of housing stress, but with housing stress rates averaging 16.7% in their electorates Liberal MPs still also represent considerable numbers of households experiencing housing stress.

Figure 4: Average Rate of Housing Stress in Electorates Held by Political Party



Source: SACOSS calculation from (ABS, 2017d)

Beyond issues of representation, there are several reasons why housing stress should be an issue for all parties in the 2018 election. Most obviously, housing stress is a challenge for many vulnerable and disadvantaged people in our community and any government or aspiring government would and should try to support those who are struggling. But even viewed in a cynical election calculus, three of the five most marginal seats currently held by the government (Mitchell, Elder and Ashford) and six of the ten most marginal seats overall have housing stress rates above the state average. Accordingly, housing stress is a greater issue in some of the key seats the Liberal Party will need to win or Labor will need to retain to form government. Finally, there is the sheer scale of the housing stress problem: the number of votes in households living with housing stress is greater than the margin of most MPs.

There are clearly electoral as well as good policy reasons why housing stress should be a priority for all political parties and SACOSS hopes that every party going to the 2018 state election will have a suite of policies to address housing affordability and housing stress in particular.

State Electorate Data

Table 5: State Electorate Data, Alphabetical Order

Electorate	Region	Median H/hold Income \$pw	Median Rent \$pw	% Renter Housing Stress	Median Mortgage \$/month	% Mortgagee Housing Stress	Total Housing Stress %
Adelaide	Metro	1,416	350	20	1,900	4.4	24.4
Ashford	Metro	1,318	280	11.7	1,733	5.5	17.2
Bragg	Metro	1,917	325	6.7	2,077	5.8	12.5
Bright	Metro	1,464	325	7.5	1,733	5.9	13.4
Chaffey	Country	997	170	6.8	1,040	4.6	11.4
Cheltenham	Metro	1,125	270	12.9	1,600	7.8	20.7
Colton	Metro	1,335	300	8.2	1,800	5.3	13.5
Croydon	Metro	1,172	280	13.9	1,603	5.9	19.8
Davenport	Metro	1,703	330	4.6	1,733	6.9	11.5
Dunstan	Metro	1,361	300	13	1,820	4.8	17.8
Elder	Metro	1,091	270	14.7	1,625	5.9	20.6
Enfield	Metro	1,123	265	14.8	1,600	7.1	21.9
Finniss	Country	923	250	10	1,300	7.1	17.1
Fisher	Metro	1,416	320	5.2	1,517	7.2	12.4
Flinders	Country	1,112	190	7.5	1,300	4.6	12.1
Florey	Metro	1,188	298	8.3	1,465	7.2	15.5
Frome	Country	970	180	7.8	1,050	4.9	12.7
Giles	Country	1,116	162	9.5	1,213	3.8	13.3
Goyder	Country	930	200	7.4	1,115	5.9	13.3
Hammond	Country	904	220	10.8	1,127	6	16.8
Hartley	Metro	1,164	290	11.9	1,733	5.5	17.4
Heyson	Outer Metro	1,547	300	4.6	1,733	8.2	12.8
Kaurna	Metro	1,165	300	13.1	1,517	8.3	21.4
Kavel	Outer Metro	1,390	300	8.5	1,558	8.4	16.9
Lee	Metro	1,245	286	10.2	1,625	6	16.2
Light	Outer Metro	1,271	275	10.2	1,500	7.8	18
Little Para	Metro	946	220	14.8	1,300	7.3	22.1
Mackillop	Country	1,091	160	5.4	1,000	4.5	9.9
Mawson	Country	1,170	270	9.3	1,400	9	18.3
Mitchell	Metro	1,300	320	9.9	1,517	7.8	17.7
Morialta	Outer Metro	1,495	320	6.1	1,699	6.6	12.7
Morphett	Metro	1,366	300	11.6	1,779	5	16.6
Mt Gambier	Country	1,119	190	8.9	1,200	4.8	13.7

Electorate	Region	Median H/hold Income \$pw	Median Rent \$pw	% Renter Housing Stress	Median Mortgage \$/month	% Mortgagee Housing Stress	Total Housing Stress %
Napier	Outer Metro	1,040	250	15.2	1,286	8.3	23.5
Newland	Outer Metro	1,417	300	5.6	1,517	7.3	12.9
Playford	Metro	1,121	280	8.8	1,387	9.3	18.1
Pt Adelaide	Metro	1,258	300	11.9	1,600	8.7	20.6
Ramsay	Metro	968	245	14.8	1,300	8.7	23.5
Reynell	Metro	954	270	14.5	1,300	8.3	22.8
Schubert	Country	1,225	240	6	1,400	6.9	12.9
Stuart	Country	998	165	6.8	1,069	4.4	11.2
Taylor	Outer Metro	1,232	280	10.3	1,387	10.9	21.2
Torrens	Metro	1,268	295	12	1,650	8	20
Unley	Metro	1,638	329	9.7	2,000	5	14.7
Waite	Metro	1,612	300	7.4	1,950	6.1	13.5
WestTorrens	Metro	1,197	280	14.3	1,668	5.8	20.1
Wright	Metro	1,374	285	8.3	1,500	7.5	15.8
SA State		1,206	260	10.2	1,491	6.6	16.8

Table 6: State Electorate Data, by Housing Stress Rates

Electorate	Region	Median H/hold Income \$pw	Median Rent \$pw	% Renter Housing Stress	Median Mortgage \$/month	% Mortgagee Housing Stress	Total Housing Stress %
Adelaide	Metro	1,416	350	20	1,900	4.4	24.4
Napier	Outer Metro	1,040	250	15.2	1,286	8.3	23.5
Ramsay	Metro	968	245	14.8	1,300	8.7	23.5
Reynell	Metro	954	270	14.5	1,300	8.3	22.8
Little Para	Metro	946	220	14.8	1,300	7.3	22.1
Enfield	Metro	1,123	265	14.8	1,600	7.1	21.9
Kaurna	Metro	1,165	300	13.1	1,517	8.3	21.4
Taylor	Outer Metro	1,232	280	10.3	1,387	10.9	21.2
Cheltenham	Metro	1,125	270	12.9	1,600	7.8	20.7
Elder	Metro	1,091	270	14.7	1,625	5.9	20.6
Pt Adelaide	Metro	1,258	300	11.9	1,600	8.7	20.6
WestTorrens	Metro	1,197	280	14.3	1,668	5.8	20.1
Torrens	Metro	1,268	295	12	1,650	8	20
Croydon	Metro	1,172	280	13.9	1,603	5.9	19.8
Mawson	Country	1,170	270	9.3	1,400	9	18.3
Playford	Metro	1,121	280	8.8	1,387	9.3	18.1
Light	Outer Metro	1,271	275	10.2	1,500	7.8	18
Dunstan	Metro	1,361	300	13	1,820	4.8	17.8
Mitchell	Metro	1,300	320	9.9	1,517	7.8	17.7
Hartley	Metro	1,164	290	11.9	1,733	5.5	17.4
Ashford	Metro	1,318	280	11.7	1,733	5.5	17.2
Finniss	Country	923	250	10	1,300	7.1	17.1
Kavel	Outer Metro	1,390	300	8.5	1,558	8.4	16.9
Hammond	Country	904	220	10.8	1,127	6	16.8
Morphett	Metro	1,366	300	11.6	1,779	5	16.6
Lee	Metro	1,245	286	10.2	1,625	6	16.2
Wright	Metro	1,374	285	8.3	1,500	7.5	15.8
Florey	Metro	1,188	298	8.3	1,465	7.2	15.5
Unley	Metro	1,638	329	9.7	2,000	5	14.7
Mt Gambier	Country	1,119	190	8.9	1,200	4.8	13.7
Colton	Metro	1,335	300	8.2	1,800	5.3	13.5
Waite	Metro	1,612	300	7.4	1,950	6.1	13.5
Bright	Metro	1,464	325	7.5	1,733	5.9	13.4
Giles	Country	1,116	162	9.5	1,213	3.8	13.3
Goyder	Country	930	200	7.4	1,115	5.9	13.3

Electorate	Region	Median H/hold Income \$pw	Median Rent \$pw	% Renter Housing Stress	Median Mortgage \$/month	% Mortgagee Housing Stress	Total Housing Stress %
Newland	Outer Metro	1,417	300	5.6	1,517	7.3	12.9
Schubert	Country	1,225	240	6	1,400	6.9	12.9
Heyson	Outer Metro	1,547	300	4.6	1,733	8.2	12.8
Frome	Country	970	180	7.8	1,050	4.9	12.7
Morialta	Outer Metro	1,495	320	6.1	1,699	6.6	12.7
Bragg	Metro	1,917	325	6.7	2,077	5.8	12.5
Fisher	Metro	1,416	320	5.2	1,517	7.2	12.4
Flinders	Country	1,112	190	7.5	1,300	4.6	12.1
Davenport	Metro	1,703	330	4.6	1,733	6.9	11.5
Chaffey	Country	997	170	6.8	1,040	4.6	11.4
Stuart	Country	998	165	6.8	1,069	4.4	11.2
Mackillop	Country	1,091	160	5.4	1,000	4.5	9.9
SA State		1,206	260	10.2	1,491	6.6	16.8

Conclusions and Recommendations

Even though rates of housing stress are lower in South Australia than the national average, housing stress is still too prevalent here with over 100,000 South Australian households spending more than 30% of their income on basic housing costs. This does not even account for other housing costs such as water, rates and energy, and for low income earners in particular high housing costs leave little room in the budget for all other necessary expenditures.

The data was also clear that rates of housing stress were highest among renters with more than one in three rental households experiencing housing stress – an additional concern given the long term rise in the proportion of households renting in South Australia and decline in social housing provision.

Housing stress is clearly an issue that governments – both state and federal – need to address. The state electorate data in this report also shows that housing stress should be an issue in the upcoming South Australian state election, and accordingly SACOSS is calling on all parties to develop a suite of policies to address housing affordability, and housing stress for low income households in particular. While many of the macro-policies initiatives required are controlled by the federal government, SACOSS has previously put forward a number of policy recommendations for the state government, including:

- A vacant property tax (similar to the one recently introduced in Victoria) to provide a financial disincentive for leaving habitable buildings vacant;
- Opening up concessional finances for community housing providers by establishing a loan scheme through a rolling fund of the South Australian Government Financing Authority;
- Tightening and enforcing the requirements for a portion of new large housing developments to be affordable housing; and
- Transferring the title (not just the management) of a proportion of public housing properties to the community housing sector to enable those NGOs to leverage further development.

These policies are all aimed to bring more housing stock into the market, particularly for low income renters. In addition, the data in the report shows that over the past twenty five years there has been a marked decline in the provision of social housing (public and community housing). This needs to be addressed as part of addressing the problem of housing stress among low income households.

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, 2017b).

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 2009-10 *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 2009-10 *Household Expenditure Survey*) and can't be changed until the next survey. In the

meantime, the price of some necessities may increase rapidly, forcing people to change expenditure patterns to cover the increased cost. 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: 1.52 people for the aged pensioners, and 2.57 for the other social security recipients (ABS, 2017b). This makes comparison with allowances difficult. This *Update* focuses on single person households or a single person with two children (to align to the other social security recipient household average of 2.57 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 – June 2017

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 (eg. 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 30 June 2016

	Base Rate	Pension Supplement	Household Assistance Package	FTB A Child u13	FTB A Child 13-15	FTB B	Pharmac Benefit	TOTAL PAYMENT
Aged Pension	\$397.40	32.50	7.05					\$436.95
Newstart - 2 children	\$285.40		4.75	89.88	116.97	53.41	3.1	\$553.51

Rates at 30 June 2017

	Base Rate	Pension Supplement	Household Assistance Package	FTB A Child u13	FTB A Child 13-15	FTB B	Pharmac Benefit	TOTAL PAYMENT
Aged Pension	\$404.15	32.95	7.05					\$444.15
Newstart - 2 children	\$289.65		4.75	91.42	118.93	54.32	3.1	\$562.17

Sources

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