SACOSS

South Australian Council of Social Service

SACOSS SUBMISSION TO THE LEGISLATIVE COUNCIL OF SOUTH AUSTRALIA SELECT COMMITTEE ON POVERTY IN SOUTH AUSTRALIA

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SACOSS Submission to the Legislative Council of South Australia
Select Committee on Poverty in South Australia

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Foreword

Mahatma Gandhi famously noted that the measure of a country's greatness should be based on how well it cares for its most vulnerable people. It follows from this maxim that the alleviation of poverty should be seen as one of, if not the, primary focus of government.

Accordingly, the South Australian Council of Social Service (SACOSS) thanks the Legislative Council for establishing this Select Committee to inquire into poverty in South Australia. We hope that the Committee's work can help increase public attention to and understanding of poverty, and that the recommendations of the Committee can assist in identifying and promoting policies to assist the poorest people in our state.

SACOSS is the peak body for the non-government health and community services sector in South Australia, and has the constitutional objective of the eradication of poverty and to work for justice, opportunity and shared wealth.

Given the centrality of eradicating poverty to our mission and the importance we attach to the Committee's inquiry, we have made considerable effort to develop a substantial submission which draws together a range of issues where SACOSS has particular policy expertise. SACOSS' submission contains a discussion of the definition and measures of poverty, outlines a unique set of data on poverty in South Australia, details evidence on the experience of living in poverty, and provides policy recommendations in 6 key areas.

SACOSS chose to focus this submission on these issues because we believe them to be overarching and fundamental to almost everyone who is living in poverty. We recognise at the same time though that there are a number of specific groups of people across our population for whom poverty has particular or different dimensions (for example, people who are Aboriginal, who are older, certain groups of children and young people, people who live with disability, certain groups of women, people who have mental health issues, etc.).

Similarly, SACOSS would note and acknowledge that the presence of certain social problems is sometimes strongly correlated to and/or increases the likelihood of people being likely to experience poverty (for example: gambling and other addictions, poor educational opportunities, poor oral or general health, etc).

We concluded that it was outside of our capacity at this time to provide the Committee with a detailed analysis of how these issues of identity and life characteristics were likely to increase the likelihood of poverty being present in people's lives. We have no doubt that the Committee will receive a number of submissions from specialist peak bodies and a number of our member organisations and we remain hopeful that these will help to provide some background that goes to these questions and we strongly commend these to you.

SACOSS would be pleased to present oral evidence to the Committee to discuss the issues raised in this submission and answer any questions on the data, analysis or policy recommendations.

This submission has been prepared primarily by SACOSS Senior Policy and Research Analyst, Dr Greg Ogle, who is the primary contact for this work. He can be contacted on 8305 4229 or on greg@sacoss.org.au.

Again, we thank the Committee for its work in this important inquiry.

Ross Womersley

CEO, SACOSS
9 August 2018

Executive Summary

Extent and Nature of Poverty in South Australia

Using a poverty line set at 50% of median household disposable income, but based on South Australian incomes, the poverty line in South Australia is $408 per week ($2018 dollars) for a one-person household.

This is a conservative estimate, and does not factor in housing costs which could make a significant difference to the lifestyle and deprivation of people with income levels either side of that poverty line.

However, the 50% of median household income line is a widely recognised measure of poverty, and using unpublished data from the ABS Survey of Income and Wealth, SACOSS calculates that in 2015-16 in South Australia:

- 60,660 households were living below the poverty line, constituting 8.9% of all SA households
- 131,945 people or 8% of the population were living in poverty, including 22,350 children
- 41% of those in poverty were single with no children
- Pensions and benefits were the main source of income for 64% of all households in poverty, while 16% had employment as their main source of income
- 45% of households in poverty were renters, and about half of those were in the private rental market
- Households outside of the Greater Adelaide area were twice as likely to be in poverty than those in Adelaide:
    - 7.1% of households below poverty line in Greater Adelaide
    - 14.8% were below the poverty line in the rest of the state

A major cohort of people living below the poverty line in South Australia are un/underemployed and reliant on the Newstart income support payment. The Newstart payment is currently $134.98 below the South Australian poverty line and over the past twenty years the value of Newstart has declined in real terms. It has also declined relative to the general standard of living: from 24% of the average wage in South Australia in 1998, to 19% in 2018. The household budgets of 5 people in South Australia living on Newstart (or Abstudy – an allowance paid at the same rate) which are included in Appendix 2 to this submission testify to the impossibility of maintaining any decent standard of living on such low incomes.

The struggle to make ends meet on Newstart or other poverty level incomes is made even more difficult by what SACOSS has called “poverty premiums”. These are a range of extra costs which accrue to people precisely because they are on a low income. For instance, SACOSS’ previous work on poverty premiums identified: extra expenditures from not being able to afford money-saving technology; fees and charges which are more likely to applied to those in poverty than the rest of the population; higher unit costs for smaller expenditures; and flat fees and charges which impact account for a higher proportion of income for those in poverty than average households.

Impacts of Poverty

However, poverty is about more than simply income levels. Poverty is multi-dimensional in that it impacts on access to health, housing, education, employment and social participation – and in turn, poor outcomes in those areas impact on the ability to earn an income.

Telecommunications affordability provides one example of this interconnectedness, with connectivity in a digital world being increasingly important for employment, access to government services, commerce and social connection. Yet the Australian Digital Inclusion Index shows that inclusion in this digital world improves with income, education and employment, while SACOSS' *Connectivity Costs* report (2016) shows that telecommunications costs are a barrier to digital connection for those on the lowest incomes.

Practical Measures to Address Poverty

This submission canvasses a range of practical measures to address the impacts of poverty. First and foremost, attention needs to be paid to the levels of income support – and to the inadequate levels of Newstart and similar allowances. While this is largely a federal issue, the state government funds anti-poverty services and often ends up picking up the tab for inadequate income support. The state government also has a responsibility to represent the interests of those in poverty in South Australia and arguably increasing Newstart and other similar allowances represents the most important single thing that could be done to alleviate poverty. Accordingly, SACOSS recommends that the Committee:

- Notes the inadequacy of the current levels of Newstart and similar income support payments
- Calls on the Federal government to raise Newstart and similar income support payments
- Recommends that the South Australian government:
    - add its voice to the public calls for the Federal government to increase the rate of Newstart and similar payments, and
    - write to the Prime Minister in these terms.

Beyond income support, SACOSS is recommending that the Committee:

Housing

- Notes the importance of public housing in the relief of poverty;
- Recommends a substantial investment in public housing to stop the current decline in public housing stock;
- Recommends the development of a credible long-term plan to significantly expand the public housing estate with the aims of reducing the waiting list to negligible levels and re-establishing public housing as a market determinant contributing to housing affordability, and
- Recommends that all public and social housing meets universal design standards, provides high levels of accessibility and energy efficiency.

Energy

- Inquires of the government about the progress of transferring administration of the concession scheme to energy retailers and recommends the transfer happen as soon as is practical;
- Recommends that the government move to adopt a percentage-based energy concession.

Water

- Recommends amending Section 73 of the *Residential Tenancies Act 1995* to reverse default responsibility for the water supply charge back from the tenant to the landlord.

Telecommunications

- Inquires of the government as to any progress on the development and implementation of a state digital inclusion plan or the promised audit of public wi-fi availability; and
- Recommends that such work be completed as soon as is practical with a view to increasing the availability of free public wi-fi and having an overall approach to ensuring that those in poverty can be connected in a digital world.

Justice

- Notes the regressive nature of the current flat-rate fine system and the disproportionate hardship this causes to people in poverty
- Recommends the government do a feasibility study of how income-based fines may be introduced in place of the current system.

Extent and Nature of Poverty in South Australia

Introduction

Much academic ink has been spilt and megabytes of data taken up with debates over the definition of poverty and where/how to measure poverty – what is the “line” below which people are “living in poverty”. That line is not always monetary, and indeed it is core to SACOSS’ approach to understand that poverty is multidimensional – it is not just about money or income. While income is important, poverty is also evident in lack of employment, education/training, health, housing and social participation – and in turn all those factors impact on income levels (SACOSS, 2007).

In general terms though, poverty can be thought of as being either “absolute” – in the sense of not having enough of the essentials for life, or “relative” – with the “enough” being relative to the expectations and living conditions of the rest of the community. Absolute poverty is obviously a clear and immediate danger to life, while relative poverty has impacts health, housing, education and employment prospects, and the ability to fully participate in the mainstream life of the community.

Against this background, the discussion below considers mainly income and money measures of poverty – partly because they enable the easiest entry point to understanding poverty, but mostly because in our society, money is a crucial determinant of access to resources and services, and hence income is crucial to living standards and life opportunities, and for getting out of poverty.

Defining and Measuring Poverty

Australian Poverty Lines

There is no official definition of poverty in Australia, and while the ABS publishes relevant data from which poverty can be measured, it is does not itself define or measure poverty. However, there are a number of well-known measures which fall into two categories:

- basket of goods and services measures;
- percent of income measures.

The first approach essentially decides on a basket and goods and services required for a frugal standard of living and tracks the cost of that basket, which then becomes the poverty line. The most prominent Australian examples of this approach are:

- the Henderson Poverty Line, which dates back to 1973 and is updated by the Melbourne Institute for Applied Social and Economic Research (MIASER, 2017);
- deprivation indicators (which are not costed, but can be still be used to define a level of poverty/deprivation (Saunders and Wong, 2012); and
- Budget Standards developed by the Social Policy Research Centre at UNSW (Saunders & Bedford, 2017).

The second approach simply takes a point on the income spectrum and defines that as the poverty line. The standard utilised by the OECD and most researchers is 50% of household disposable income. The Household Income and Labour Dynamics in Australia Survey (HILDA) uses this approach (Wilkins and Lass, 2018).

The details, benefits and drawbacks of each of these approaches is summarised in Appendix 1 to this submission, but Table 1 below compares the Australian poverty lines for each approach. For comparability, SACOSS has converted the published poverty lines into June 2018 dollar values by indexing the values using CPI-All Groups.

Table 1: Poverty Lines for Employed Families, $ per week, Australia

	Single Adult Household		Couple, two children	
	Excluding Housing	Including Housing	Excluding Housing	Including Housing
MIAESR – Henderson Line	351.47	522.26	759.25	980.95
SPRC – Budget Standard	292.91	621.51	744.88	1,220.92
50% of Equivalised Median Disposable Income - ABS		443.77		931.92
50% of Equivalised Median Disposable Income - HILDA		462.91		

The MIAESR figure is the 1973 Henderson poverty line updated by household disposable income – they also present figures indexed to CPI, which gives figures well below the HDI estimates. The ABS figure is a SACOSS calculation from the published Household Income and Wealth data. Sources: MIAESR (2017), Table 1; SPRC (Saunders & Bedford, 2017, Table 5.14); ABS, (2017b), Table 166.11; Wilkins & Lass (2018).

There is obviously some variation in these poverty lines, and the picture is further complicated because the “basket of goods and services” approaches also produce different poverty lines for employee and unemployed households. This recognises that costs and budget standards for unemployed people/households are lower than for employee households. The unemployed poverty line (including housing) is 19% lower than the employed poverty line in MIASER estimates, and 27% lower in the SPRC budget standard.

While debates over the best methodology for defining and measuring poverty will continue, from SACOSS’ perspective the differences don’t matter that much. There will be inevitably be some level of arbitrariness in any project which seeks to draw lines and boundaries, and households sitting either side of any poverty line are likely to still be struggling financially and have more in common with each other than with the “average” household. This does not undermine the useful of the concept of a poverty line, but rather is simply the nature of abstraction and the categories we use to understand the world. Those categories should be understood and interrogated, but not abandoned simply because the boundaries they draw are artificial or permeable.

Of greater concern is the fact that all the approaches are household-based. They treat the household as a black-box and/or assume that all members of the household have full or even access to the resources of that household. This hides dynamics within households, and in particular those based on age and gender. These dynamics may see individuals living in poverty despite higher household incomes – for instance, if the household money is distributed very unevenly, or is spent by a particular member such that others do not have access to its benefits (addiction would be the obvious example, but it could just be greed or ignorance). Similarly, if the household is reliant on one person’s income then the other members of the household are far more vulnerable to poverty than that breadwinner should the household split – an experience with very gendered outcomes.

State Poverty Lines

Beyond these problems which apply to all the measures of poverty (and indeed many household statistics), there are also particular problems in applying the national measures to South Australia. For those measures relying on a basket of goods and services there are inevitable cost differences between states. This is particularly important in relation to housing, which is the major expenditure in most household budgets. The MIAESR modelling indexes by national figures and is not state-based at all, while the SPRC Budget Standards recognise that "location matters", but use both national indexing and price data. Crucially, the rent costs used in their budgets were calculated based on only Sydney, Melbourne and Brisbane, which may mean that there are significant differences between South Australia and these national standards.

Similar but different problems arise in applying the percent-of-income measures to South Australia. Having drawn the poverty line at 50% of the national median household disposable income, the HILDA data finds that 9.4% of Australians were living below that line in 2016, a drop from previous years. The ACOSS (2016) Poverty Report uses the same methodology and calculated that 13.3% of households or 2.9m people were in poverty in Australia in 2013. It is then possible simply to count the South Australian households below that line to get a figure for poverty here. However, while such figures are useful at the national level, they do not account for regional differences and are problematic when talking about poverty in South Australia.

Both the median income and average household expenditure in South Australia are below the national figures, so a poverty line drawn at 50% of the national median income would sit well above the median household income in South Australia. In 2015-16, the median equivalised disposable income for households in Australia was $853 per week, while for South Australian households the figure was $784 per week – which means that at 50% of these figures the poverty line in Australia would be $426.50, while in South Australia it would be $392, that is, $34.50 below the national benchmark. Any analysis based on the national poverty line would therefore include many more South Australian households as being in poverty than would a poverty line based on 50% of South Australian median incomes. In addition, the same problem arises as above in that there may also be crucial expenditure differences – most obviously in relation to housing so that someone on $400 a week in Adelaide may be better off than someone on the same income paying Sydney rent prices.

For these reasons, a state-based poverty line may better capture a summary of poverty in South Australia and we present below a snapshot of poverty based on a state poverty line defined as 50% of the median income *in South Australia*. The data for this snapshot is drawn from the Confidentialised Unit Record Files (CURF) in the 2015-16 ABS Survey of Income and Housing, which underpins the *Household Income and Wealth* data series (ABS, 2017b). This is the first time this data has been available to SACOSS and we are not aware of such South Australian poverty figures published elsewhere. Some caution should be used due to the small sample size in the data sub-categories, but overall we believe that (even subject to all the caveats and issues above) the figures below offer a unique summary of the level of poverty in South Australia.

This measure still has shortcomings and, like any line, a level of arbitrariness. Indeed, if we increased the equivalised poverty line by just $20 a week the numbers in poverty would double – largely because (coincidentally) the SA poverty line is just below the current level of the Aged Pension. This is not the case for a national poverty line, but it does mean that a slight increase in the median income would see a cohort of Aged Pensioners suddenly captured in the poverty measure. Further, as a percent of income measure, this state poverty line does not take account of housing, so that there will be households just above an income-based poverty line struggling with rent or mortgage costs, while a home owner with other assets but an income just below the line may in reality be significantly more comfortable.

However, what this state poverty line measure does give us is a fairly conservative snapshot of poverty in South Australia – a number below estimates based on national figures, and a line where we can clearly say that households – particularly those with high housing costs – are living below this poverty line and with a real measure of deprivation.

Statistical Picture of Poverty in South Australia, 2016

Headline Data

In 2015-16, the South Australian poverty line was $392 per week for a one-person household. (This equates to $408 per week in 2018 dollars).

Other South Australian poverty lines for 2015-16 are as follows:

Table 2: SA Poverty Lines, by Household Type

Household Type	**Poverty Line $ per week**
Single Person, no children	$392
Single Person, two children	$627
Couple, no children	$588
Couple, two children	$823

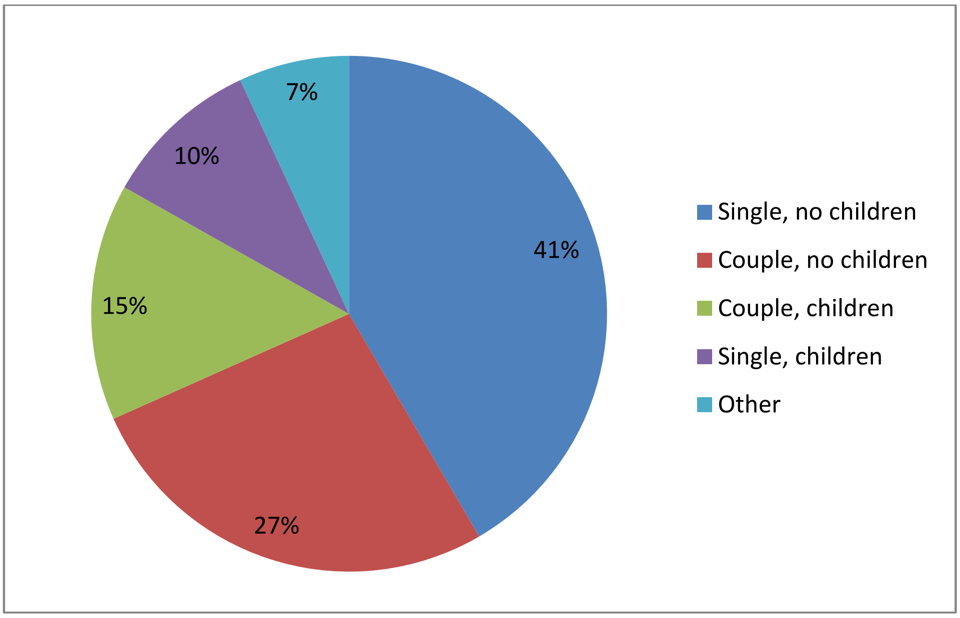
There were 60,660 South Australian households (or 8.9%) below the poverty line.

This equates to 131,945 South Australian residents or 8.0% of the population.

- 52% were male (68,611 men)
- 48% were female (63,333 women)
- 17% were children aged under 15 (22,350 children).

Family Composition
Over half the households in poverty in South Australia were single adult households.

Figure 1: Poverty in SA, by Family Composition



Source: SACOSS Analysis of ABS CURF Data

Income
The average income of South Australian households living below the poverty line in 2015-16 was $269.19 per week.

Table 3: Poverty in SA, by Main Source of Income

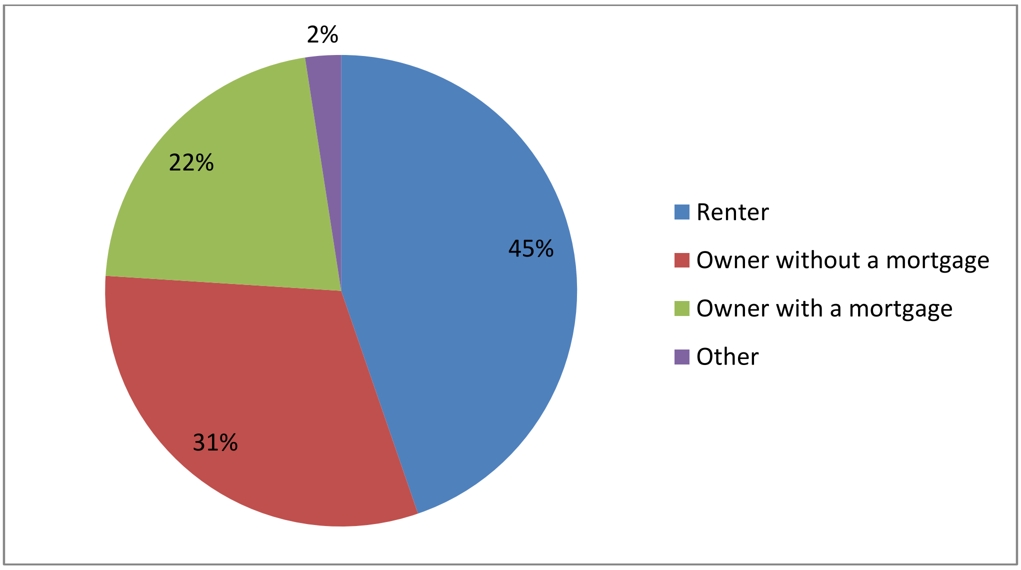
Main Source of Income	% in poverty	Average weekly h/hold income ($pw)	No. of people in poverty
Employee income	16%	$277.53	9,863
Unincorporated business income	6%	$233.15	3,452
Government pensions & allowances	64%	$297.19	38,714
Other income	14%	$148.49	8,630

81% of SA households in poverty had at least one member of the household receiving a pension or government benefit, with pensions and benefits being the main source of income for 64% of all households in poverty.

Housing tenure

Of the27,000 households below the poverty line who were renting, about half were in private rentals.

Figure 2: Poverty in SA, by Housing Tenure



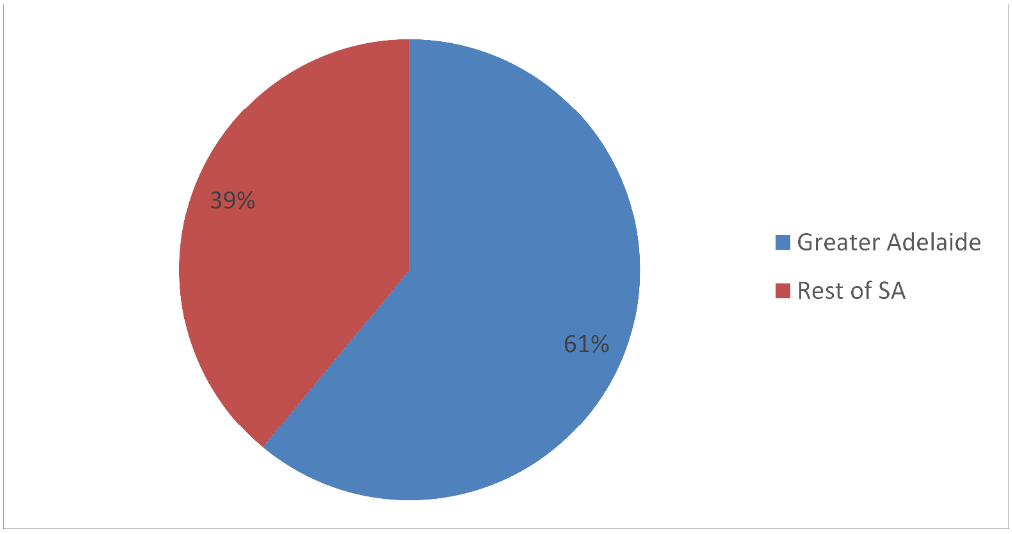
Source: SACOSS Analysis of ABS CURF Data

Geography

While the majority (61%) of households in poverty were in Adelaide, households outside of the Greater Adelaide area were twice as likely to be in poverty than those in Adelaide:

- 7.1% of households in Greater Adelaide were below poverty line
- 14.8% were below the poverty line in the rest of the state.

Figure 3: Poverty in SA, Adelaide v Rest of State



However, the experience of poverty may be different as incomes in rural and regional areas are generally less than in Adelaide, and housing prices are also generally lower – although site-specific activities like mining may change the relativities for particular areas.

Experience of Poverty

The statistics above present a picture of the extent of poverty in South Australia, and part of the nature of poverty in terms of the types of people and households most likely to be affected. However, they do not give a picture of the nature of poverty in terms of what it is like living on poverty level incomes. No doubt the Committee will hear evidence from a number of people about their experience of poverty in South Australia. These are voices not often heard in public policy debates, and we encourage the Committee to give full weight to those submissions.

This section of our submission seeks to provide some background data to support those voices – firstly by looking at the income support available to a major cohort of people living in poverty in South Australia (those who are looking for work), and then by highlighting the poverty premiums which mean that the nature of poverty is such that it is more expensive to live being poor.

Cost of living report re budgets and declining income

As noted above, the main source of income for 64% of households in poverty in South Australia was government pensions and benefits. The Age Pension is just above the SA poverty line (although this may not be the case if the poverty line were adjusted for housing costs) and while this may hide poverty among low wealth pensioners, it means that most of these 64% of households showing up in the SACOSS data would be reliant on the base level of Centrelink payments, primarily the Newstart for those looking for work. The most recent SACOSS *Cost of Living Update* provides a wealth of data documenting the struggle to make ends meet living on Newstart. In brief it finds that:

- 69,923 South Australians receive the Newstart payment, 78% of who receive the single rate
- The purchasing power of Newstart has declined in absolute terms so recipients are worse off now than those unemployed 20 years ago
- The value of the Newstart payment has declined even more relative to the general standard of living, from 24% of the average wage in South Australia in 1998 to 19% now (SACOSS, 2018)

This *Cost of Living Update* also contained examples of household budgets provided to us by people on Newstart (and Abstudy), and these budgets are included here in Appendix 2. What is common in all the budgets is the difficulty of making ends meet, no matter what expenses are forgone. Some budgets have surpluses, but the surpluses are not real – they are simply the paltry amount left over to cover everything else not accounted for in the budget. In one budget the surplus would disappear if they had to pay for energy (they are in community housing for people at risk of homelessness where energy costs are paid), in another the surplus is entirely based on the extra earned by casual work – and both these are underpinned by capped rental payments.

These household budgets also show the vulnerability of those on very low incomes to unforeseen or unmanageable expenses. Such expenses are managed by access to loans, which obviously decrease the money available in future weeks: three of the Newstart recipients had Centrelink loans or debts, with two of them also having other debts.

Two of the people who provided their budgets said that they went without food, and as the report says:

> In none of the budgets will you find consumer durables, presents for family members, holidays, costs of entertaining/nights out, or a trip to the football. They are frugal budgets for bare survival.

The key issue is that no matter how well each of these people manage their budgets, there is simply not enough income to provide even a frugal standard of living. This is the fundamental reality of living in poverty in South Australia.

Poverty premiums

The household budget outlined in SACOSS' Cost of Living Report (and the evidence we anticipate the Committee will hear directly from those living below the poverty line) are particularly important because what many people don't realise is that it costs more to be poor. SACOSS' Anti-Poverty Week Statement last year outlined a range of "poverty premiums" which we defined as:

> an extra cost which accrues to someone on a low income precisely because they are on that low income – they are costs on those that are living in poverty that others with higher income or more resources can buy their way out of, avoid or minimise (SACOSS, 2017a).

Common poverty premiums include:

- extra expenditures resulting from not being able to afford money-saving technology;
- fees and charges which are more likely to be applied to those in poverty than the rest of the population;
- higher unit costs for small expenditures (where a consumer is spending less in the short term by buying smaller quantities of items, but is therefore getting less value for money);
- flat fees or charges or expenditure that impact more on those on low incomes than those on higher incomes.

These poverty premiums may not apply to all households, and because they are poor many households will try to shop wisely by buying in bulk (for instance) to save money. But these premiums are real if you do not know how or don't have the money to avoid or minimise them.

The Anti-Poverty Week Report provided a number of examples of these premiums, and while for some of the examples (particularly in the higher unit costs category), the sums of money may not be huge, the percentage of the premiums are significant and if extrapolated across a range of costs for low income households, the cost to the household budget would be significant. For other examples, the amounts of money expended are the same regardless of income, but the poverty premium is in the different relative impact on the household budget and can be expressed as the number of times greater the impact is for those on low incomes than for those on higher incomes. The examples are in Table 4 below, and the full details of how they were calculated are in the original SACOSS report (2017).

Table 4: Examples of Poverty Premiums

No.	Product	Highest Poverty Premium
When You Can't Afford Money Saving Technology		
1	Telecommunications Technologies	328%
2	Credit Services	46%
3	Rooftop solar panel electricity	52%
When Extra Fees and Charges Are More Likely		
4	Bank Dishonour Fees	5x
5	Energy Pay-on-Time Discounts	28%
When You Can't Afford to Buy in Bulk		
6	Toilet Paper	74%
7	Public Transport	50%
8	Telecommunications Volume	490%
When Flat Rate Expenses Hurt More		
9	Traffic fines	5.8x
10	Food costs	2.5x
	Psychological Premiums	

In summary, the data in the SACOSS Cost of Living and Anti-Poverty Week reports show that those in poverty in South Australia are clearly struggling to make ends meet, suffering hardship and going without necessities, and bizarrely having to pay more or relatively more than other people for key goods and services. And underpinning this, income support payments are not just failing to keeping up with prices, they are seeing people being left behind the rest of the community.

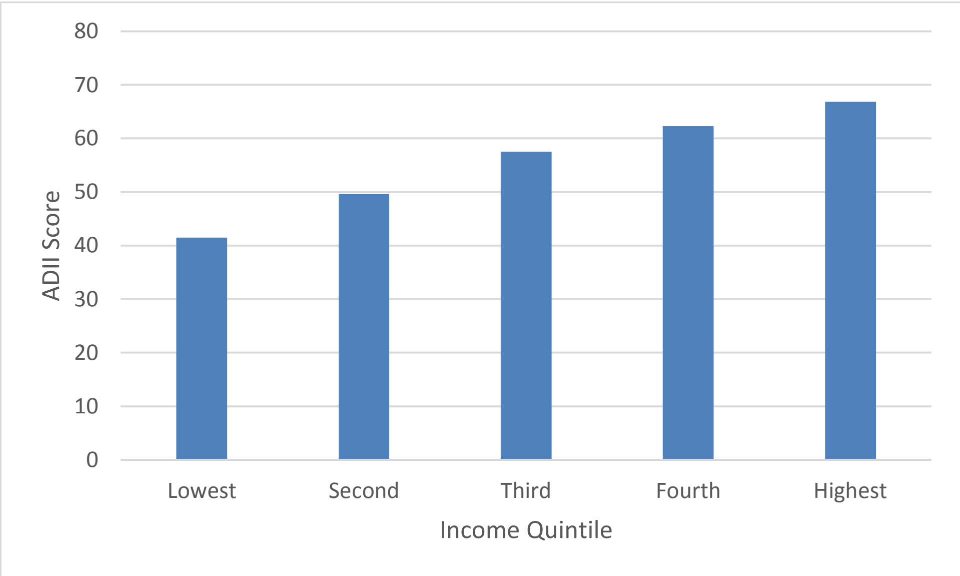
Impact of poverty on access to health, housing, education, employment, services and other opportunities

As noted at the top of this submission, poverty is multi-dimensional in that it impacts on access to health, housing, education, employment and social participation. And in turn, poor outcomes in those areas impact on the ability to earn an income. This is fairly well established in the literature, particularly in relation to health where the social determinants of health see a clear intersection of poverty and poor health (SACOSS, 2007).

In this submission though, we would like to provide evidence from a different area of SACOSS research and policy development, namely telecommunications affordability and digital inclusion. This is important because we increasingly live in a digital world where government services, commerce, social connection and cultural activity are progressively moving online, and there is little doubt that the workplaces and jobs of the future will require increasing levels of digital competency and connection. The "digital divide" presents a danger that digital inclusion will become a new frontier of inequality. Those with digital skills and access will be able to find employment, get government services and participate in society, while those that are on the wrong side of the divide will be left not just in "digital poverty", but actual poverty and isolation as they struggle to find work and social connections.

The Australian Digital Inclusion Index (ADII), which maps the dimensions of the digital divide in Australia across three crucial indicators of access, affordability and ability/literacy, shows that South Australia is significantly below the national average in digital inclusion and is the second worst performing state or territory in Australia (only ahead of Tasmania). Crucially, the ADII shows that digital inclusion increases with income, employment and education, so those in poverty are most likely to be digitally excluded. The extent of the difference is evident in the graph below, where the higher the index number the more digitally included. (Thomas et al, 2017).

Figure 4: Digital Inclusion in SA, 2017, by Income Quintile



Source: Thomas et al, (2017).

The digital inclusion index also shows that digital inclusion is much worse in regional South Australia than Adelaide, and that the gap in affordability is larger than in relation to access or digital ability (Thomas et al, 2017). This is particularly important in relation to poverty issues as the SACOSS analysis of the ABS CURF data shows that the average income for households in poverty in regional areas was 4% lower than for those in Adelaide, which means that households in poverty in regional areas are likely to have less income and be paying more for their telecommunications.

In 2016 SACOSS commissioned a survey of 500 low income Australians and did focus groups to understand their experiences of telecommunications use and costs. As a whole the survey respondents had fewer internet-connected devices in their households than the broader population, but still struggled with costs. Two-thirds of respondents rated telecommunications among the five most important factors in their household budget, while 62% said that they had had difficulty in paying, had to cut back or stop using telecommunications services for financial reasons in the last 12 months. Those with children were most likely to have difficulty paying for telecommunications (Ogle & Musolino, 2016).

While telecommunications affordability is not rated as a major challenge for the broader population (Productivity Commission, 2017), telecommunications expenditure is in fact a larger household expenditure than energy (SACOSS, 2018c) and both the ADII and the SACOSS research show that it is clearly an issue for those whose incomes are near or below the poverty line. Further, the SACOSS data also showed the impact of these affordability struggles on the ability to access other essential services. In the SACOSS survey, 83% of survey respondents said they used the internet to look for employment, 71% to look for housing, 68% for accessing services such as banking and medical advice, and 59% for education activities – so cutting back because of affordability reinforces the economic and social isolation of poverty.

The focus groups in the SACOSS research added depth to this picture with examples of phone credit running out mid-call to Centrelink, late nights in libraries to access free internet and a constant struggle to manage data usage and payment dates to avoid excess charges – including by using pre-paid data, which sometimes left them without credit and access for periods of time (Ogle & Musolino, 2016).

Again, these issues around telecommunications affordability are just one example of dealing with the costs of poverty. We expect the Committee will hear many other examples, but the telecommunications example does illustrate both the impact of poverty on access to other essential services and therefore the inter-linked nature of social disadvantage.

Practical Measures to Address Poverty

Newstart

As noted above, while SACOSS' starting point is a recognition that poverty is multi-dimensional, money is still a crucial determinant of access to resources and services – which is why poverty is most easily defined by lack of money. Therefore, when considering measures that could be implemented to address the impacts of poverty, the Committee must inescapably address income questions.

The most obvious place to start in considering how to address income poverty is with the social security system, and with the Newstart and other base payments in particular. The base rate of Newstart in June 2018 is $272.90 per week, which is $134.98 below the South Australian poverty line. Youth Allowance (Other) – which is the unemployment payment for people under 22 years of age – is $185.10 below the SA poverty line (for those not living with parents). These figures (and the data in the SACOSS Cost of Living Report (2018)), make it clear that the level of Newstart is completely inadequate to live on - and this situation is getting worse (again, see Appendix 2).

SACOSS supports ACOSS' national campaign to "raise the rate" and believes that raising Newstart and similar payments[1] would be one of the most effective practical interventions to directly alleviate poverty, both nationally and in South Australia. It would also benefit the wider community – SACOSS has calculated that a $75 per week increase in Newstart would result in an injection of something in region of $222 million dollars per year into the South Australian economy (SACOSS, 2018).

While Newstart, and most social security payments, are the clear responsibility of the Federal government, the adequacy of these payments is also directly relevant to the state government. The state government provides a range of anti-poverty services ranging from concessions and financial counselling to food and housing services, and in this sense the state government is picking up the tab for the inadequacy of federal government income supports. Further, as representatives of their communities, state governments also have a key role in advocating for the needs of their constituents – and their most vulnerable and disadvantaged constituents in particular.

While there is no simple solution to poverty, increasing Newstart and other similar allowances arguably represents the most important single thing that could be done to alleviate poverty in South Australia (and elsewhere in the country). Given that, SACOSS has called on the state government to join the chorus of business leaders, unionists, economists, community groups, 11 South Australian local councils and the voices of unemployed people in calling for an increase to Newstart (SACOSS, 2018).

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1 The "similar payments" here are Abstudy, Austudy, Sickness Allowance, Special Benefit, Widow Allowance, and Youth Allowance – all of which are paid at or below the level of Newstart, although the numbers of recipients are only a fraction of those on Newstart.

Our submission to this inquiry is therefore that, as a practical measure to address the impacts of poverty, **the Committee should:**

- **Note the inadequacy of the current levels of Newstart and similar income support payments**
- **Call on the Federal government to raise Newstart and similar income support payments**
- **Recommend that the South Australian government:**
    - **add its voice to the public calls for the Federal government to increase the rate of Newstart and similar payments, and**
    - **write to the Prime Minister in these terms.**

Housing

Increase Public Housing

The ABS 2015-16 *Household Expenditure Survey* showed that average households in South Australia spent $219 per week on current housing costs, constituting 18.4% of household expenditure on goods and services (ABS, 2017a).[2]

The ABS CURF data used for this submission shows that about 31% of households below the poverty line owned their own home, but for the rest, housing is likely to be the major weekly expenditure item. The CURF data shows that 45% of those in poverty are renting, with about half of these in private rentals. This is crucial because the poverty-line household budgets presented in the SACOSS Cost of Living Report (Appendix 2) show the difference public and community housing makes by capping expenditure relative to income. The rent for the 3 people in public or community housing was considerably lower than for the 2 in private rental who are paying market rates. Both those in private rental were in extreme housing stress with expenditure on rent accounting for around half their incomes. This is not uncommon. As the national Rental Affordability Index found, the average rent for a one-bedroom dwelling in Greater Adelaide area would account for 70% of a single Newstart recipient's base income, while similar accommodation was scarce outside of Adelaide (SGSEP, 2018).

The result is that people on very low incomes are inevitably forced into housing stress.

The focus on the benefits of public housing matters because while the number and proportion of renter-households in the market has increased over the last 25 years, as Figure 5 shows, the mix of public private housing has changed considerably with a substantial drop in available public housing. This is important, both because public housing is a vital service to many South Australians living below the poverty line, but also because it provides a floor for the housing market.

The SA Housing Trust was once the envy of the country (and beyond) and provided housing not just for those excluded from the housing market, but for those on low incomes and thereby ensured that there was a viable alternative to unaffordable private rental. The decline in public and social housing stock means that its impact on housing supply and

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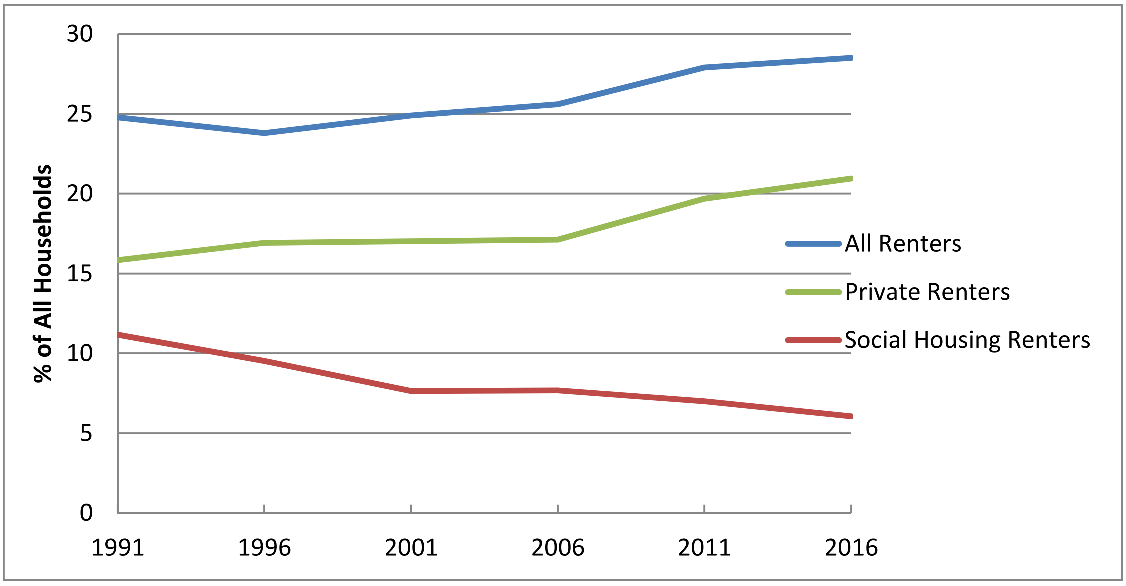
2 These figures include water and sewerage and council rates (as the standard ABS categorisation).

demand has diminished, and fewer social housing options means that it easier to stigmatise occupants and reinforce disadvantage.

Figure 5: Rental Housing, 1991-2016



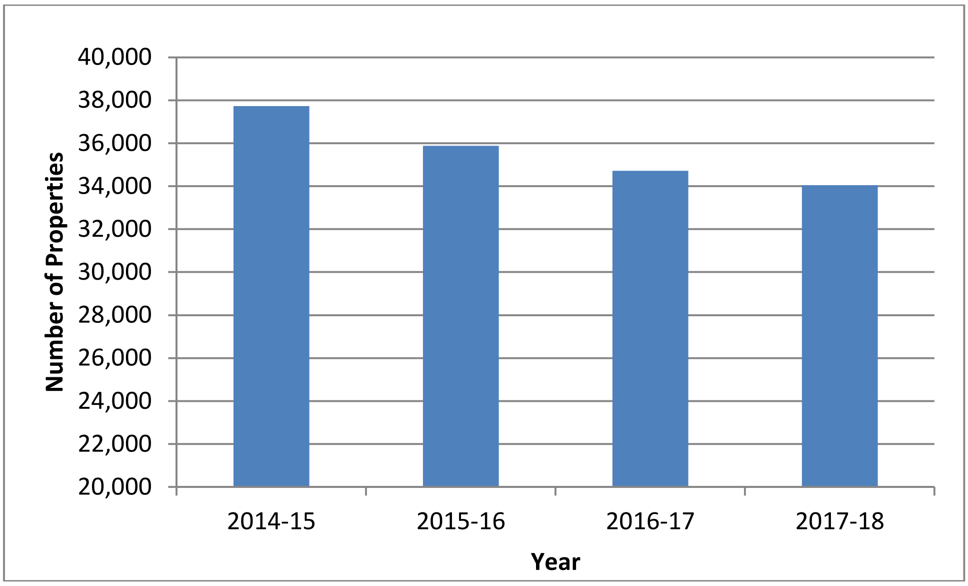
Source: SACOSS (2017b)

In addition to the decline in the numbers of social housing properties, there is also a huge problem of maintenance in what is often aging housing stock in poor repair.

Data provided to the South Australian parliament last year showed that the backlog of maintenance on Housing SA properties worth some $700m (Langenberg, 2017). This impacts most obviously on public housing tenants forced to live in substandard accommodation (or kept on waiting lists until properties can be repaired – with some 1500 properties currently classed as un-tenantable (Smith, 2018)), but it also impacts on the community housing sector as the government is in the process of transferring management of 4,000 properties to the sector. However, this also transfers the maintenance responsibility – estimated at an average of $20,000 per property – a potential cost shift of around $80m which will clearly limit any community housing providers' ability to leverage the property transfers to build more desperately needed low cost housing.

In recent years the state government has made some moves to address public housing shortfalls with the commitment through the *Renewing Our Streets and Suburbs* initiative to renew 4,500 Housing Trust properties within 10km of the Adelaide CBD, and the 1,000 Homes in 1,000 Days program to build new public housing (Mulligan, 2016). SACOSS is unsure of the progress or delivery of those programs, but as the following graph shows, despite this new investment the number of Housing Trust rentals has still declined over the period of the program.

Figure 6: Public Housing Rental Opportunities



Source: The data is from the State Budget Papers (Govt of SA, 2016, p 107; 2017, p 117), but to make the year comparisons consistent, the figures have been adjusted to be nett of the transfer of 4,000 properties to the community sector.

There is some qualification on these figures in that some reduction is due to the Affordable Homes Program which enables tenants to buy their public housing, but logically (unless this is just simple privatisation) the money for this should be put back into public housing so there should be no nett loss to the estate. Similarly, the development of the community housing sector means that public housing is no longer the sole provider of social housing, but it remains the backbone of the system and fulfils a unique and historically important role. Therefore, the decline of the public housing estate, both in the number of properties and their maintenance, represents a serious degrading of one of the state government's most important measures assisting people in or at risk of poverty.

Beyond calling for an increase in the stock and repair of public housing, SACOSS also notes that public housing should be usable and efficient for all people who need it. It should meet universal design standards and provide high levels of accessibility and it should have high energy efficiency. Universal design and accessibility is important so that people with disabilities, who have particular experiences of poverty, can be accommodated, while energy efficiency will help alleviate other key cost of living pressures on tenants.

SACOSS therefore asks the Committee to:

- **Note the importance of public housing in the relief of poverty;**
- **Recommend a substantial investment in public housing to stop the current decline in public housing stock;**
- **Recommend the development of a credible long-term plan to significantly expand the public housing estate with the aims of reducing the waiting list to negligible levels and re-establishing public housing as a market determinant contributing to housing affordability; and**
- **Recommend that all public and social housing meets universal design standards, provides high levels of accessibility and energy efficiency**

Energy

Energy costs are a major cost of living struggle for many households, and particularly for those living below the poverty line. Rapidly rising prices make it hard to budget. For those with no spare cash or flexibility in their budget any "bill shock" can be acute in impact. In addition, many people in poverty face poverty premiums associated with late payment fees (or on-time payment discounts) and the limited ability to access energy-saving technologies.

There are a number of measures the state government could take to assist households with energy costs. The SACOSS *Utilities Cost of Living Platform* for the 2018 State Election (SACOSS, 2017c) contained 5 separate proposals which we believe would assist low income households generally, and would be particularly relevant for households living in poverty. We invite the Committee to consider all of these proposals, but draw particular attention to our call for the state government to review the current energy concessions scheme and implement a percentage-based concession model, administered by energy retailers.

Change the energy concession

In South Australia, the state government provides a single Energy Concession to assist eligible customers with electricity, and if applicable, mains gas or LPG costs. The rebate is currently capped at $223.01 per annum. Eligibility includes recipients of a government concession card (Pensioner Concession Card, Low Income Health Care Card, Gold Card from the Department of Veterans Affairs) as well as recipients of various Centrelink payments, including Austudy, Newstart and Sickness Allowance. The concession is also extended to residents of residential parks who are billed by the park operators.

Given that 81% of South Australian households in poverty had at least one member of the household receiving a pension or government benefit, the majority of our poverty cohort would therefore be eligible to receive the concession. While the amount of the concession has increased significantly over the last ten years, the 79% increase since 2009-10 has not kept pace with price increases, with CPI for electricity rising by over 100% in the same period (ABS, 2017b). The result is a concession system that lags behind price rises, and as Figure 7 shows, also lags behind the rest of the National Electricity Market (NEM).

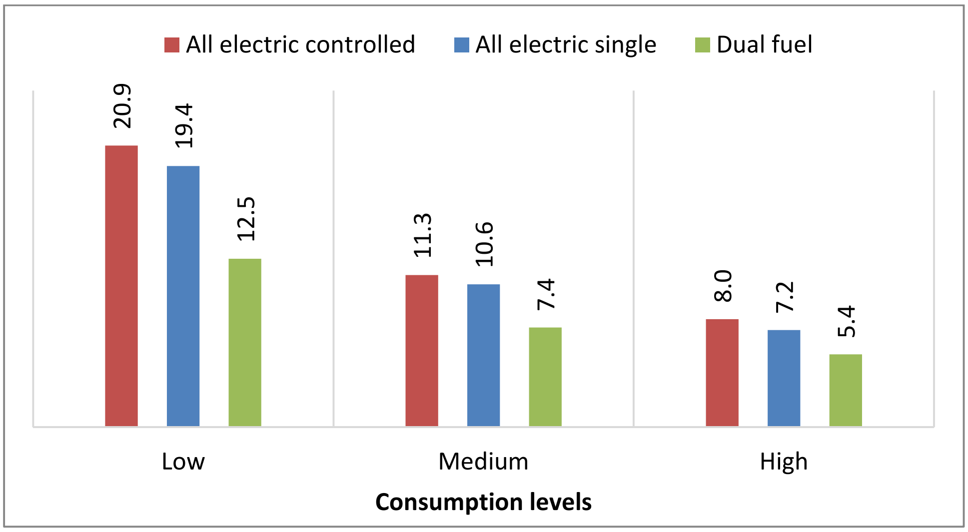
Figure 7: Comparison of annual concession by NEM region

Source: ACCC (2018). Note: Tasmania and ACT excluded due to small sample size in the ACCC survey.

The concession is also poorly targeted as it does not take account of differences in household consumption. Once a household qualifies for the concession (based on their income) the concession is paid at the same rate, regardless of the energy consumption of the household.

As the chart below shows, the operation of the current concession means that all-electric households with controlled load[3] and low overall consumption (3,000 kWh per annum) will receive a 21% reduction to their electricity bills. By comparison, for high consumption households (9,000kWh p.a.) the reduction is 8%. Similarly, for dual fuel customers, low consumption households (3,000 kWh and 11,000Mj), will receive a 12.5% reduction, while high consumption households (9,000kWh and 31,000Mj) will only receive a 5.4% reduction.[4]

Figure 8: Concession as Percent of SA Energy Bills



Source: SACOSS calculations based on average market offer available as of January 2017, inclusive of pay on time discounts and GST

Further, the concession is also payable (for those who are eligible on the income criteria) even if households have solar panels (and battery storage) which greatly reduces net energy consumption and costs. Households with solar and storage systems installed may have the same consumption needs as non-solar household but their electricity import rate is lower due to the electricity generated for own use. The chart below shows the value of the concession as a proportion of the bill for all-electric (single rate) and dual fuel solar households with low, medium and high consumption (including generation). For the purpose of this comparison, we have assumed that the households are located in metropolitan Adelaide and have a 3kW system installed. As low consumption all-electric households with a 3kW system installed will hardly need to import electricity from their retailer, the concession received would mostly go towards covering the fixed supply charge. The concession would thus cover approximately 90% of the electricity bill.

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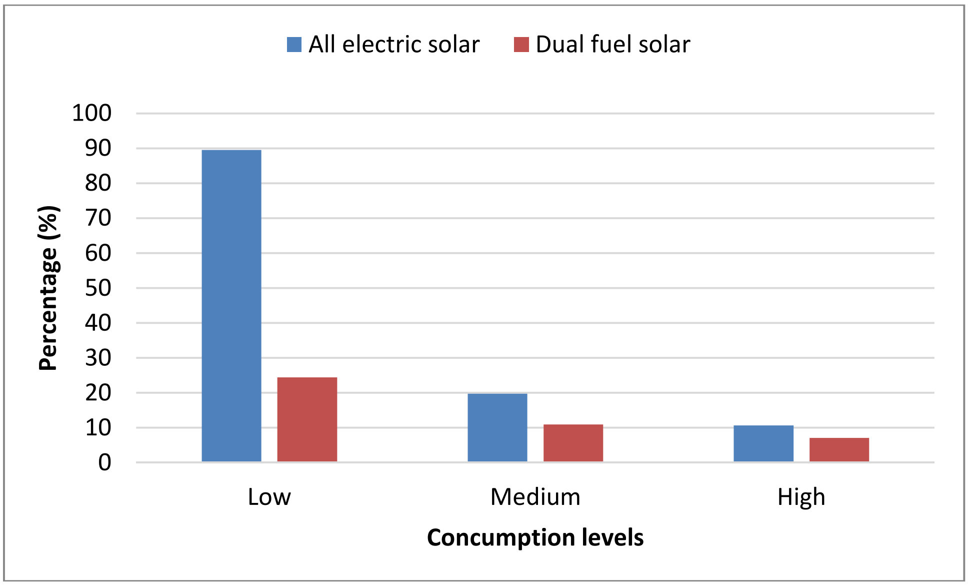
[3] 'Controlled load' is electricity supplied to specific appliances, such as electric hot water systems or slab or underfloor heating, which are often separately metered.

[4] All calculations are *inclusive* of pay on time discounts and GST, and based on offers available in South Australia from in January 2017

Figure 9: Concessions as a Proportion of Energy Bills for All-electric and Solar Households



Source: SACOSS calculations based on average market offer available as of January 2017, inclusive of pay on time discounts and GST

In each case (electricity only, electricity/gas, and grid/solar electricity), low consumption households receive a relatively higher value concession compared to higher consumption households in South Australia.

In short, the current South Australian concession scheme has not kept pace with rising prices, is poorly targeted and needs to be replaced with a scheme that provides better support to low income households struggling with energy bills. For this reason SACOSS has long recommended a move to a percentage-based scheme where the concession is proportionate to the size of the energy bill (SACOSS, 2017c). Victoria has such a scheme and applies a 17.5 per cent discount from the total bill (after retailer discounts and solar credits have been deducted). The concession does not apply to the first $171.60 of the annual bill, and reduces to 7.5% once the annual bill is over $2,820 (Govt of Vic, 2018).

The recent Australian Competition and Consumer Commission's *Retail Electricity Pricing Inquiry Final Report* found that concessions schemes across Australia are not fit-for-purpose and changes must be made "as a matter of urgency". The ACCC also recommended that concession schemes should:

- be means tested to ensure that they are targeted at those most in need
- include a fixed dollar amount to offset daily supply charges and a percentage discount to offset variable usage charges
- only require consumers to reapply for concessions where this is necessary for the administration of the concession scheme (ACCC, 2018).

This hybrid concession model (in the second dot point) which includes elements of both a fixed and percentage concession differs from the straight percentage-based concession of the Victorian model. There are advantages and disadvantages in both schemes, in that the ACCC suggests that the fixed rate for the supply charge would benefit very low consumption households consuming 0-5 kWh/day whose supply charges may account for more than half the bill. However, the fixed rate on the supply charge component of the bill does not take account of variability of supply charges or changes over time. [5]

However, because both the Victorian and ACCC models incorporate a percentage-base for the concession SACOSS strongly believes that either would deliver a more responsive, effective and equitable concession over time than South Australia's current fixed dollar-based amount, and that such a percentage-based concession would greatly benefit people living in poverty.

In addition, to the need to move to a percentage-based energy concession model, SACOSS believes the administration process for South Australian energy concessions should be changed. Currently, customers in South Australia must apply for rebates and concessions schemes through the South Australian Government. This differs from other jurisdictions, where customers generally have to apply to their energy retailer to obtain a concession. In practice this means that when vulnerable customers in South Australia switch retailers, they must receive a bill from their new retailer before they can apply to the government for a concession. The Australian Energy Market Commission has indicated that this practice "may act as a barrier to switching, by discouraging vulnerable customers from changing retailers" (AEMC, 2018). SACOSS agrees with the AEMC and is concerned that such barriers may see those in poverty paying higher energy prices than they need to.

Responding to concerns raised by SACOSS and others in the lead up to the state election this year the Liberal Party promised to transfer the administration of the concession scheme to energy retailers. SACOSS is unaware of what progress has been made toward this goal. The current government has also committed to engage with SACOSS and other stakeholders about the proposal to move to a percentage-based energy concession. We believe a strong recommendation from the Committee could help frame and move these initiatives forward (Lucas, 2018; Richards, 2018).

Accordingly, and in the light of the poor targeting of the current concession system and the barriers it places to energy affordability**, SACOSS asks the Committee to:**

- **inquire of the government about the progress of transferring administration of the concession scheme to energy retailers and recommend the transfer happen as soon as is practical**
- **recommend that the government move to adopt a percentage-based energy concession.**

Water

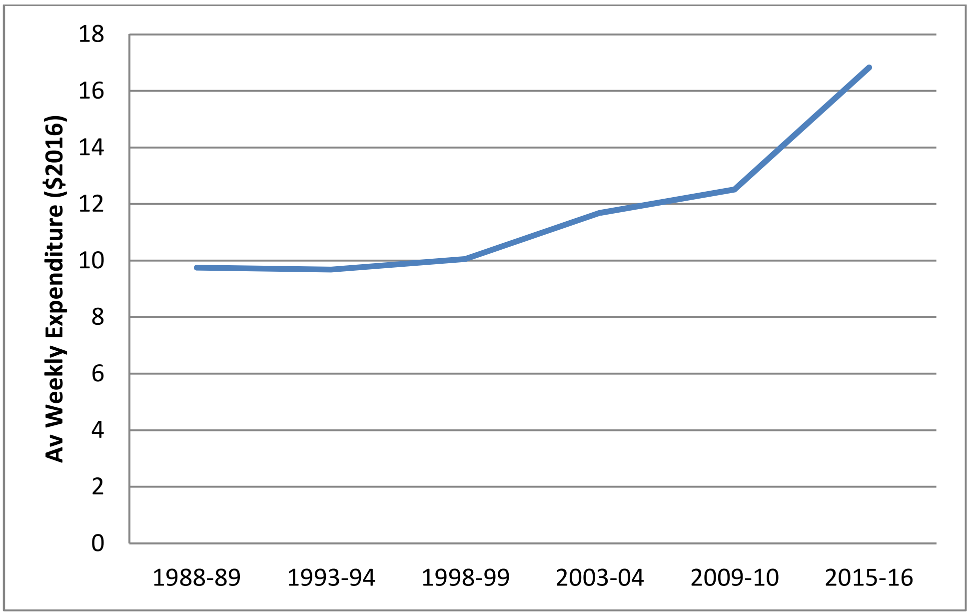
Landlords to pay water supply charge

In the *2015-16 Household Expenditure Survey*, the average South Australian household paid around $16.83 per week for water and sewerage rates and charges (ABS, 2017a). This includes both a supply charge and a cost for the water used. The CURF data is not available for SA households below the poverty line (because water is subsumed into other housing

[5] For example, the SA Tariff Tracker shows that as of July 2018, for a single rate / single and controlled load tariff, supply charges ranged between $303 and $433 per annum. For customers on a demand tariff, the lowest supply charge is approximately $140 per annum.

costs), but as the chart below shows, water expenditure for all SA households has significantly increased over time.

Figure 10: SA Household Water Expenditure



Source: ABS (2017)

Given that renters on average earn less than home owners and mortgagees, and a large proportion of those in poverty in South Australia are renters, one simple mechanism to help address the impacts of poverty would be to revisit water supply charge arrangements between landlords and tenants. Prior to 1 March 2014, rates and charges for water supply were borne by the landlord (in the absence of an agreement with the tenant) up to a limit fixed or determined by the regulations. Unless agreed otherwise, the tenant was only responsible for paying for water use over 136 kl per year.

On 1 March 2014 the *Residential Tenancies (Miscellaneous) Amendment Act 2013* (No 13 of 2013) came into effect. This made broad changes to the *Residential Tenancies Act 1995* (the Act), including making tenants responsible for paying all water supply and usage charges on separately metered properties (in the absence of an agreement with the landlord).
Tight competition in the rental market and insecure tenure places tenants in an unequal bargaining position, and the expectation that tenants will be able to negotiate an agreement with their landlord for payment of rates and charges for water supply on an equal basis, is unrealistic and unfair. SACOSS therefore considers that tenants are now, in effect, responsible for the payment of charges for the supply of water to rental properties, as a result of the 2014 amendments.

South Australia is the only state in Australia where the costs of water **supply** are charged to the tenant.

The 2017-18 fee for the supply of water to South Australian homes by SA Water was $73.10 per quarter or $292.40 in supply charges per year. As with energy, a concession is available for those on very low incomes, but the maximum annual concession in 2017-2018 was

$233.10 for tenants who pay water usage only (not supply charge) and $298.90 for tenants who pay full water and supply charges. Therefore, the actual concession on the supply charge amounted to just $65.80 per year, which clearly doesn't cover the extra cost to tenants of $292.40. Tenants are in fact $223.90 per annum worse off as a result of the March 2014 changes. It is worth noting that there was no corresponding decrease in rents as a result of the decreased water supply costs to landlords. In fact, rents went up in the year following the changes (2014-15) by 1.6%, which was above the general inflation rate of 1.2% (ABS, 2018).

In addition, the South Australian taxpayer is also worse off as the government has had to pay the $65.80 for the higher concession rate that would not have applied if the landlord was responsible for the water supply charge.

In short, the 2014 amendments in relation to payment of water supply charges have added to the cost of living for renters, even those in poverty who receive the water concession. **SACOSS therefore asks the Committee to recommend amending Section 73 of the *Residential Tenancies Act 1995* to reverse default responsibility for the water supply charge back from the tenant to the landlord.**

Telecommunications Affordability and Digital Inclusion/Poverty

The discussion above on telecommunications affordability and digital inclusion highlights the importance of telecommunications and digital access for those in poverty – a theme which SACOSS outlined more fully in our 2017-18 State Budget Submission, and again in our Election Platform this year (SACOSS, 2017d; 2018b).

Develop a digital inclusion plan and increase the provision of free wi-fi

Beyond the general issues of affordability of telecommunications, it is also the case that for one in five Australians, their only internet connection is via a mobile phone. Those on low incomes, not employed or with lower education levels are more likely to be mobile only users, as are Aboriginal Australians (Thomas et al, 2017). This is important because mobile data is the most expensive data on the market and comes with a considerable poverty premium – in one instance, of 328% for a GB of data by comparison with those on home plans (SACOSS, 2017a). Despite the extra costs, many people who are homeless, have insecure housing or just can't afford home-based computing devices may not have other connection options.

For this reason SACOSS has argued for the increased provision of free public wi-fi (particularly in areas of digital disadvantage) to allow those on low incomes to retain some level of internet connection even where they did not have credit on a mobile phone. Free wi-fi would also help others stretch their data allowances across the month and encourage/enable those on low incomes to have a greater digital presence and potentially more easily access services online.

In response to SACOSS' advocacy, during the election campaign the Liberal Party promised to audit existing free wi-fi locations to determine geographic locations most in need and to explore implementing services at new regional and suburban hubs (Lucas, 2018). SACOSS supports this initiative, but we are not aware of the progress of any such audit. Similarly, the

Liberal Party promised that in government they would develop a strategy for South Australia with a focus on digital inclusion (Lucas, 2018). This is a bigger undertaking, and the audit of wi-fi may well sit within this, but again, SACOSS is unaware as to whether work on this plan has begun.

Accordingly, we believe that the Committee should:

- **Inquire of the government as to any progress on the development and implementation of a state digital inclusion plan or the promised audit of public wi-fi availability; and**
- **Recommend that such work be completed as soon as is practical with a view to increasing the availability of free public wi-fi and having an overall approach to ensuring that those in poverty can be connected in a digital world.**

Income-based Fines

A variety of civil and criminal offences attract fines and penalties. Generally, these fines and penalties are flat rate amounts based on the offence and without reference to the offenders' ability to pay. As evident in Tanya's budget (in Appendix 2) fines (expiation notices) can have significant impact on poverty-line budgets and cause or add to hardship.

Flat rate fines mean that they impact more on those in poverty because the fine represents a greater proportion of their income – a poverty premium which as Table 3 above shows, can be a 5.8 times greater impact on someone on Newstart than on those on higher incomes. This was based on the example of failing to give way at a roundabout, which carries a fine equal to 156% of weekly income for someone on a basic Newstart allowance, by comparison with 27% of an average full-time wage (SACOSS, 2017a).

While a fine may be warranted for law breaking, the issue is that for those in poverty, the fine can potentially be catastrophic leading to forgoing food or essential services, or turning to highly expensive pay-day lenders, or with failure to pay the fine – potentially resulting in imprisonment. The punishment ends up being totally out of proportion to the offence and may directly add to impoverishment and hardship.

By contrast, for those on high incomes, fines levied for quite serious offences, such as drink driving for example, may represent a relatively trivial dent on the household budget and may be paid easily – an embarrassment rather than a hardship. In this case there is little effective financial disincentive for breaking the law.

In short, flat rate fines mean that different income groups face different effective punishments for the same crime and potentially very different consequences for the same behaviour. Those in poverty get punished twice, once for the offence and a second time for being poor. In some instances this can further compound if it results in people being criminalised and subsequently denied work and other opportunities in future life.

In contrast to this unfair system, Finland has a system of traffic fines based on income – the fines are expressed in terms of paying the equivalent of day's pay rather than a dollar value. The Australia Institute has modelled a revenue-neutral move to this sort of system for South Australia and found that (based on the mean disposable incomes for each income quintile) the dollar value of fines would reduce by 70% for the lowest income groups, while approximately doubling for the highest income quintile (Lindqvist 2016).

This of course is only one possible model for income-based fines, and considerable thought would need to be given to details and implementation issues, including legislation, data collection and decisions on fine amounts. In particular, when SACOSS proposed this in our 2017-18 State Budget submission we recognised that there would be some difficulty in determining the income on which to base the fine (SACOSS, 2017c). In the Australian federal system the Commonwealth government (through the Australian Tax Office) has income data, while the fines would be issued by the state government. However, these issues should not be insurmountable and in the period since the SACOSS Budget Submission state governments have agreed to a massive data transfer of drivers' licence photos to the Commonwealth. A reciprocal data return where someone has clearly broken the law should not be outside the scope of possibility, but again, requires further investigation and consideration.

Income-based fines would ensure that the financial penalty is based on the relative or equivalent economic impact. This would represent a fairer punishment for offences and would help alleviate disproportionate impacts of people in poverty. Moreover, the Finnish experience is that an income-based fines system can be administratively simple at a low cost (Lindqvist 2016).

However, given the implementation issues which would need to be sorted out, **SACOSS asks the Committee simply to:**

- **Note the regressive nature of the current flat-rate fine system and the disproportionate hardship this causes to people in poverty; and**
- **Recommend the government do a feasibility study of how income-based fines may be introduced in place of the current system.**

Appendix 1: Defining and Measuring Poverty – Methodology and Issues

Baskets of Essential Goods and Services

Henderson Poverty Line

Historically the most famous definition in Australia is the Henderson Poverty Line which dates back to 1973 and attempted to measure the income required to support the basic needs of originally a family of two adults and three dependent children – with the lines drawn for other family types derived from that. This approach essentially decides on a basket and goods and services required for a frugal standard of living, and then tracks the cost of that basket – an approach with a long history and one basically reflecting the logic of the Harvester judgement which established the minimum wage in Australia in 1907. The Melbourne Institute of Applied Economic and Social Research updates this 1973 poverty line for a range of family types using a straight CPI indexation to reflect account for inflation, but also household disposable income to reflect the idea that poverty is relative to the standard of living of the rest of the community (MIAESR, 2017).

Notwithstanding this later adjustment, such poverty lines are inevitably subjective in their assessment of what are essential goods and services and such assessments are also likely to be time-specific. For instance, while telecommunications and having a phone may have been essential in 1973, simple indexation would not capture the changed role and importance of telecommunication connection for living in a digital age.

Deprivation Indicators and Budget Standards

To address these and other issues, UNSW academics Saunders and Wong conducted surveys in 2006 and 2010 to establish “deprivation indicators” (Saunders and Wong, 2012). The surveys established 24 items which were deemed by at least 50% of the survey population to be essentials of life – that is, that no-one in Australia should have to go without. These items were groups into 6 broad categories: basic material needs, health-related needs, accommodation, children’s needs, social functioning needs, and risk protection needs – a categorisation which clearly went beyond the absolute basics of food, clothing and shelter. Indeed, the definition of “essential” was relative and subjective, but the survey itself provided a robust statistical base for the understanding of what was essential.

From there, the authors were able to track deprivation rates in terms of households who could not afford/access those essentials. For instance, the deprivation rate in the case of not having a substantial daily meal was less than one percent of households, while 12% could not afford/access dental treatment. Similarly, the study highlights households with multiple deprivation – in 2010, 24.5% of households were deprived of 2 or more essential items, while 2.1% were deprived of more than ten items. The study also identified types of households most likely to be deprived of a range of essentials, and a mean deprivation score was calculated as a summary measure to compare households. For instance, the South Australian mean deprivation score in 2010 was 1.03 – meaning that South Australian households on average were deprived on just over 1 essential item.

The labels used for this work were around deprivation and social in/exclusion, but clearly those with significant deprivation could be seen to be living in poverty. However, to translate this approach into a measurement of poverty would still require drawing a line somewhere to say that those with more deprivation than a certain point were “in poverty”. This would obviously reintroduce some level of arbitrariness and is hard to explain: saying that a household is in poverty if it lacks 4 or 6 or more essential items immediately raises the question of what the items are, and whether all items are of equal value/importance. By contrast, a dollar-value poverty line is easily understandable and offers scope for different spending priorities. Perhaps more importantly, dollar value poverty lines can be updated by indexing, whereas the non-monetary deprivation indicators would require regular surveys.

While deprivation indicators are a rich but cumbersome data source, it is a short logical step (though one with massive data challenges) to go from deprivation indicators to putting money values on those essential items and thereby defining a poverty line. Indeed, Saunders and the team at the Social Policy Research Centre (SPRC) have developed budget standards to calculate the “Minimum Income for Healthy Living” – a standard that would allow each individual to lead fully healthy lives in all their roles as family members, workers and consumers (Saunders & Bedford, 2017).

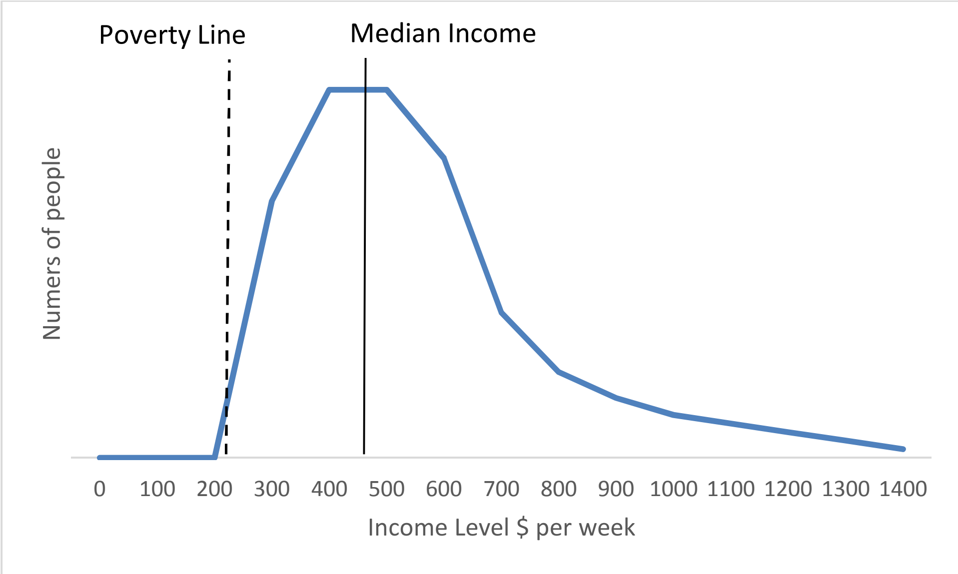
Both the MIAESR poverty lines and the SPRC budget standards have different lines/standards for different household types and for employed and unemployed people – recognising that there are different costs involved when one is working. The SPRC also calculates costs differently between men and women.

Problems with these approaches
For those wanting to take this “basked of goods and services” approach to defining and measuring poverty, these standards are the most up to date and robust measures, but they have several drawbacks. Even apart from the questions about the subjectivity of the measure, the actual data collection is difficult and limiting. Costing of durable items in household budgets requires assumptions of quality and life of product, while the more day-to-day items were priced at leading retail stores like Woolworths and K-mart – an approach which makes it difficult to reflect the experience in small towns and remote areas where there are no such supermarkets and where there may be a premium pricing to cover the costs of transport and the lack of economies of scale. Similarly, this approach may not take into account the poverty premiums (see section below) which mean that those on very low incomes may actually face higher unit prices.

Percent of Income Measures

These problems, as well as a desire to focus on the relative nature of poverty, have meant that many studies have preferred a straight relative income measure to define and measure poverty. The most typical line here is used internationally by the OECD and is set at one-half of the median household disposable income. While this is a relative measure it does not mean that there will always be people deemed to be in poverty. If there was an adequate safety net it would be possible to have nobody (or few) living below the poverty line with a large cohort (half the population) between that figure and the median income. The sort of income distribution envisaged here is evident in Figure 1.

Figure 11: Mock Income Distribution – No Poverty



This approach to measuring poverty is statistically much simpler and lends itself to international (and sub-national) comparisons, and for this reason it is widely used. However, it is not without its own problems. In any relative approach, it may be that the 50% of median income is very high in rich countries or very low in poor countries and may not really say much about the ability to access the basics necessities of life. There is a further problem in that these poverty measures are based on income rather than wealth, yet the experience of people living on very low incomes may be different depending on whether they own their own home or are renting, or if they have access to savings to cope with emergencies. However, wealth data is much more difficult to collect and there is no broadly accepted standard of wealth from which to measure poverty.

Again, while these problems are acknowledged, the 50% of median income approach to defining and measuring poverty is useful because of its wide acceptance and methodological simplicity.

SACOSS' South Australian Estimates

For the reasons noted in the main body of the report, for this submission SACOSS has produced its own estimates of poverty and the characteristics of households in poverty in South Australia. The data was drawn from the CURF data from the ABS 2015-16 Survey of Income and Housing. The poverty line was set simply by taking 50% of the equivalised median household disposable income published in the Household Income and Wealth series (ABS, 2017b). All households with incomes above that line were eliminated from the dataset, as were households with zero or negative income, leaving 246 of the original 2780 South Australian households in the survey. The remaining data is just standard ABS variables applied to that limited data set, with the sample data extrapolated to the whole population by applying the relevant percentages of the sample to the ABS estimates of the numbers of households and people in the population.

Appendix 2: Excerpt from *SACOSS Cost of Living Update No.35, June Quarter 2018 – Newstart*

Household Budgeting on Newstart

Behind all these statistics are real people and the daily and weekly struggle to deal with increasing costs of living like increasing housing, health and transport costs. Below are the household budgets of four people living on Newstart, and one on Abstudy (a living allowance for Aboriginal and Torres Strait Islander people studying, paid at the same rate as Newstart). Each budget is slightly different reflecting different personal circumstances and choices, but the lack of money is common to them all.

In presenting these budgets, which were provided by members of the Anti-Poverty Network SA, we provide little background about the person. We do this mindful that the experience of many people speaking out about living on Newstart is that they are subjected to criticism and abuse by those who believe they know better how that person should live their life. As one Newstart recipient has put it in a powerful media article, "Poverty is basically an invitation to everyone who has a job to cast judgment on your life." (Naujokas, 2018).

In analysing the budgets, we ask readers to recognise that you know only a couple of broad things about this person's life – you don't know their history, family, health, the way they live, the things they do during the week and/or the efforts they make in seeking work or education or other opportunities. What you can see from the figures though is the difficulties of making ends meet on Newstart.

Some of the budgets show some money left over at the end of the week, but none of them are real surpluses. Tracey's budgets her regular Newstart payment, and her income from casual work is used for "expenses such as running vehicle (fuel, tyres rego), clothing over draft repayments (at 15% interest) and anything else not covered in my budget". Jai says he uses the dollars left over in his budget to save for specialist medical help plus any unforeseen costs, while Tanya just says "I cannot afford to feed myself, or the cost associated with study. There is no such thing as entertainment, can't afford to get sick... my children eat while I don't".

In all the budgets, the "surplus" is simply money needed for absolutely everything else, and there is little left to save for contingencies. Tracey is saving for a bed – which at say $250 for a very basic mattress would still take 5 months to save for, and perhaps more than a year for a full bed or better-quality mattress – all provided that no urgent costs arise that need to paid for. The lack of savings also means that they are vulnerable to unexpected costs: only Tracey has insurance, and four of the budgets are haunted by past expenses which were not affordable at the time and lead to debts. Tracey notes the expense of overdraft payments in her expenditure; Marie took out a Centrelink loan to cover expenses – with the result that her weekly income is below the headline rate of $273 per week; and Tanya has both a Centrelink loan and a University Union loan to pay off. Wendy's budget shows that debt repayment can make it impossible to make ends meet – even with a scandalously low expenditure on food.

In none of the budgets will you find consumer durables, presents for family members, holidays, costs of entertaining/nights out, or a trip to the football. They are frugal budgets for bare survival, with pets being the most obvious “luxury” (and noting the positive role that pets play in mental and physical health). However, in this bleak picture it is clear that public/social housing makes a big difference. Marie, Tania and Tracey have rent capped housing, while Wendy and Jai are in the private housing market with rent accounting for around half of their weekly income. This is severe housing stress and one reason why SACOSS has decried the decline of public housing and called for expansion of the public housing estate in South Australia.

Table 5: Household Weekly Budgets of 5 Newstart Recipients

Item	Tracey	Wendy	Jai	Marie	Tanya
	50 yrs old, single Newstart with some casual work, public housing	50s, single Newstart with some casual work, private rental	Early 20s, single Newstart, private rental	60, single Newstart, public housing	50s, single Abstudy, part-care 2 children, community housing in CBD
	$ p.w.	**$ p.w.**	**$ p.w.**	**$ p.w.**	**$ p.w.**
Rent	89.43	190.00	150.00	80.30	115.00
Groceries	50.00	20.00	60.00	50.00	50.00
Power	35.00	17.50	35.00	50.00	***
Phone/Internet	21.25	15.00	27.50	5.00	15.00
Insurance	21.25				
Pets	*37.50			12.50	15.00
Medications	4.00		10.00	6.50	
Metrocard	4.00		10.00		10.00
Vehicle	****	30.00		36.00	
Centrelink deduct		24.25		**	10.00
Debts Repayment	****	85.00			12.50
Fines					15.00
Saving for Bed	12.50				
Total Expenditure	**262 43**	**381.75**	**292.50**	**240.30**	**252.50**
Income	**357.70**	**345.25**	**320.00**	**245.00**	**270**
Difference		***-36.50***	***27.50***	***4.70***	***17.50***

* Includes ongoing vet bill. ** Debt repayment incorporated in reduced Centrelink payment. *** Power provided by social housing provider. **** Tracey’s household expenditures include vehicle expenses and an overdraft repayment, but dollar figures not specified.

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