



**Submission to the
Senate Select Committee on the Cost of Living**

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List of Recommendations

SACOSS recommends that the Committee:

- Find that the *Household Expenditure Survey* provides crucial cost of living data and recommend that the government move to fast-track the delivery on the next iteration of the HES.
- Recognise the problems and gaps in the data currently used to consider cost of living pressures on households, and recommend that the government consider changing or adding to cost of living data, including the collection of regional data and the publication of data disaggregated by household tenure.
- Utilise *Selected Living Cost Indexes* and other disaggregated data in its deliberations and, recognising that not all households are equally impacted by cost of living pressures, ensure that any recommendations are particularly targeted to renter and low-income households who are under most stress.
- Call on the government to increase the rate of JobSeeker, Youth Allowance, Parenting Payment, Austudy, Abstudy, and Special Benefit to at least \$78 a day.
- As well as recognising the importance of adequate income support payments, note the data on the importance of social transfers in kind to relieving cost of living pressures, particularly for low income households.

Introduction

The South Australian Council of Social Service is the peak body for the non-government health and community services sector in our state, and has a vision of justice, opportunity and shared wealth for all South Australians. We undertake policy and advocacy work in areas that specifically affect vulnerable and disadvantaged people, and cost of living issues are a particular focus. While cost pressures impact on many households, they impact disproportionately on low-income households who have less room to move in their household budgets and fewer options to reduce expenditure.

Over the last 15 years, SACOSS has published over 50 quarterly [Cost of Living Updates](#) in different formats based on ABS and other data. We have also conducted a range of research projects on energy, water and telecommunications affordability, and made [submissions](#) to a range of Commonwealth and South Australian inquiries on housing affordability and cost of living issues more generally. These updates and submissions have included a range of recommendations that point to concrete ways in which the cost of living pressures facing Australians could be addressed and eased.

In this submission, our primary purpose is to suggest that the data on the cost of living crisis facing many households is fundamentally flawed, or mis-used, and this impacts on our understanding of the problems and the policies to address it. The data issues largely relate to the Committee's first Term of Reference on the cost of living pressures facing Australians, while the policy issues are discussed in relation to Terms of Reference (c) and (d) on ways to ease cost of living pressures.

Data

Household Expenditure Data

The biggest flaw in the data is the lack of the baseline which has previously been provided by the ABS Household Expenditure Survey (HES). The HES is the most robust and detailed publicly available cost of living dataset in Australia. It is one of the only datasets to have state-based data, capital city and regional data, and expenditure disaggregated by different household types, incomes and tenures.

The HES also includes financial stress indicators (again, disaggregated) and from the last HES data SACOSS produced a [pilot study on telecommunications, energy and water stress indicators](#). Perhaps surprisingly, a significant number (often around half) of households in stress in one area were not in stress across other areas – suggesting the issue was not simply about income. This sort of study is not possible using the various surveys that just focus on just one or two commodities, such as energy or housing costs.

Further, the expenditure data in the HES is crucial to fully understanding cost of living pressures because it shows actual household budget impact, not just price changes. The importance of having expenditure data (and not simply relying on price increases to identify cost of living pressures) is seen in telecommunications. Unit prices for “telecommunications services and equipment” in the CPI ([Table 9](#)) have decreased by 24% over the past 10 years, and so it is often not considered as a cost of living pressure. However, as more services and more of the world goes online, the need for updated technology and data has increased almost exponentially. SACOSS' research (see *Connectivity Costs* reports [I](#) and [II](#)) shows that

telecommunications affordability is a key issue for low income households, but the net impact of telecommunications price and usage changes on different households is not known because we don't have the expenditure data.

The last HES was published in 2017 based on 2015-16 data. The data is hopelessly out of date. The ABS is substantially redesigning the HES and we understand the next survey is not scheduled until 2025-26 (which would mean release in 2027). We note that this current schedule is considerably delayed from the original timetable, but even if it proceeds on schedule from here it is a ten-year gap in data. This leaves an enormous hole in the data and our knowledge of cost of living pressures on households.

Recommendation: *That the Committee find that the Household Expenditure Survey provides crucial cost of living data and recommends that the government move to fast-track the delivery on the next iteration of the HES.*

Misuse of the CPI

In the absence of expenditure (and therefore affordability) data, much of the cost of living commentary utilises the Consumer Price Index (CPI) to show rising prices and extrapolates that to household impact. The Committee's Interim Report also begins with CPI data.

However, the CPI is a price measure, not a cost of living measure – as recognised by the ABS who produce separate [Selected Living Cost Indexes](#)¹. There are a range of differences between the two indexes, with the most important for cost of living policy being that the living cost indexes include mortgage costs, which are not included in the CPI. While the overall trend differences are not great over time, they are important given current high interest rates. The CPI suggests that the rate of inflation is slowing down from 7.8% for the year to the December Quarter 2022 to 4.1% in the year to December 2023. The living cost indexes show cost of living increases at much higher levels: a 6.9% increase for employees in the year to December 2023, and 4.8% increase for pensioners and other social security recipients. That is, current cost of living increases are actually much higher than the current inflation rate.

We need a greater focus on the ABS living cost index data to understand pressures on household budgets, both because it includes mortgage payments, but also because it is disaggregated by different household types and shows that cost of living pressures impact differently across households (a theme we will return to below).

Regional Data

There is another data problem which severely limits our ability to understand cost of living pressures on households across the country. The CPI data is only collected in capital cities, and the Selected Living Cost Indexes are only national figures with no geographic disaggregation. There is no basis to assume that living costs are the same or follow exactly

¹ The ABS Living Cost Indexes are referenced in Figure 3.1 of the Committee's Interim Report, but there is little discussion of the data and it is clear from the report that CPI is the primary indicator.

the same patterns in regional areas as in capital cities, and so (in the absence of HES data) we are completely data-blind as to cost of living pressures in regional and remote communities.

Housing and Differential Impacts on Households

As the Committee's Interim Report notes, with increasing interest rates and a knock-on impact in higher rental costs, housing costs are a major contributing factor to the cost of living crisis (Finding 8). This is undoubtedly true for many people, but not for everyone. The last census showed that 31% of households nationally owned their home mortgage-free, so rising interest rates and sky-rocketing housing costs would not be an issue for them. This is evident in [the most recent ABS living cost indexes](#) which show that the cost of living for self-funded retirees went up by less than CPI and less than other households.

Further, for those mortgage-free households who have savings, interest rate rises translate into extra income (which can cushion non-housing price rises). This has direct policy implications because it weakens the ability of interest rate increases to dampen demand in the economy. It also creates a distributional unfairness in such monetary policy by benefiting higher-wealth households with cash assets. Given this, ***SACOSS prefers direct government price controls or fiscal policy solutions to monetary policy as the primary tool in fighting inflation, as the first two can be better and more fairly targeted than monetary policy.***

Rising interest rates also impact beyond mortgagees as many landlords increase rents either to cover their own increased mortgage costs or to get greater returns from higher market prices even if they don't have mortgages. In fact, despite increases in mortgage payments, renters are likely to be most impacted by cost of living pressures. The [2019-20 ABS data](#) shows that on average renters have lower incomes than homeowners, and spend proportionately more of their income on housing costs.

However, even these figures hide the extent of the difference because the ABS data [does not account for imputed incomes and capital gains for home-owners](#). Indeed, accounting for differing housing costs is commonplace in poverty research which often uses after-housing data (see for instance, [ACOSS-University of NSW reports](#)), and a recent calculation by the author of this submission shows that a renter in an otherwise identical position to a homeowner earning \$100,000 per year could be [up to \\$30,000 a year worse off](#). This difference needs to be taken into account when understanding cost of living pressures on renting households.

Finally, outside of housing tenure (though related to it) a homeowner with solar power would be even better off than other households as they would be avoiding another driver of cost of living pressures, namely energy affordability. When we speak of energy prices as "a major contributing factor to the cost of living crisis" (Interim Report, Finding 6) we are ignoring the experience of the [more than 30% of households with solar power](#) for whom the impact is much more minimal and probably not a "crisis". This too has policy implications as we have seen the government's Energy Bill Relief Plan – which was a vital support for many households struggling with energy costs – also being paid to homeowners who had no energy affordability issues (but who qualified by virtue of their income type).

Unfortunately, the ABS does not publish living cost indexes by housing tenure (or energy technologies). If it did, SACOSS believes that it would reveal marked differences in cost of living impacts. Arguably, at the most basic level from the data above, we could say that around one-third of households in Australia probably don't have a cost of living crisis, or have minimal or different cost of living pressures. In this context, it is clear that we need better cost of living data and a reframing of the cost of living debate.

Recommendation: *That the Committee:*

- ***Recognises the problems and gaps in the data currently used to consider cost of living pressures on households;***
- ***Recommends that the government considers changing or adding to cost of living data, including the collection of regional data and the publication of data disaggregated by household tenure;***
- ***Utilises Selected Living Cost Indexes and other disaggregated data in its deliberations and, recognising that not all households are equally impacted by cost of living pressures, ensures that any recommendations are particularly targeted to renter and low-income households who are under most stress.***

Policies

The above discussion has shown (even with limited data) the problems arising from an assumption that all households are in a cost of living crisis, or that all households experience cost of living pressures in the same way. The discussion below, in reference to Terms of Reference (c) and (d) provides a little more information as to how specific households could be supported with the cost of living pressures they face.

TOR (c) Tax and transfers

SACOSS' main policy focus is on South Australian state policy issues, and in the course of our research and advocacy we have put forward a range of policy proposals for the state government, including a revamp of state concessions (which are a major form of state government transfers). Our policy research at the national level is much more limited, although we do support the importance of the increase to Commonwealth Rent Assistance in the last Federal Budget and the re-design of the Stage 3 tax cuts to provide a tax reduction for low and middle-income earners.

However, more needs to be done and we support the advocacy of the Australian Council of Social Service as the national body of the COSS network. In particular, in relation to proposals around federal government tax and transfer issues, we support [ACOSS' call](#) to raise the rate of JobSeeker and other Centrelink payments to at least \$78 a day (in line with the age pension). SACOSS believes that such an increase would be the single most important cost of living support for households whose major source of income is those Centrelink payments.

Recommendation: *That the Committee calls on the government to increase the rate of JobSeeker, Youth Allowance, Parenting Payment, Austudy, Abstudy, and Special Benefit to at least \$78 a day.*

TOR (d) Provision of government services

While the provision of adequate income support payments is crucial to alleviating cost of living pressures for those on the lowest incomes, the provision of government services also plays an important role in supporting low-income households with cost of living pressures. Provision of services to people and households in crisis, including financial counselling and emergency relief services, homelessness and housing supports, and mental health and family support services, are vital in assisting them to deal with cost of living and related crises.

In this context we note and support the [ACOSS call](#) for a \$1.6bn funding boost to crisis services.

Beyond this direct service provision, it is important to recognise the importance of broader public service provision in assisting households with cost of living pressures. Public health, education, child care and many other services provided or subsidised by the government allow people and households to get free (or discounted) access to essential goods and services which they would otherwise need to pay for. As the table below shows, in 2015-16, these “social transfers in kind” were worth the equivalent of 24% of average household disposable income – a significant contribution to households’ ability to access goods and services.

Table 1: Social Transfers In Kind – Proportion of Income, 2015-16

Income Components	\$pw
Gross income	2,243
Taxes on income	382
Disposable income	1,863
Social transfers in kind	444
Disposable income plus social transfers in kind	2,307
Taxes on production(c)	200
Final income	2,107

Source: ABS [Government Benefits, Taxes and Household Income, Australia](#),

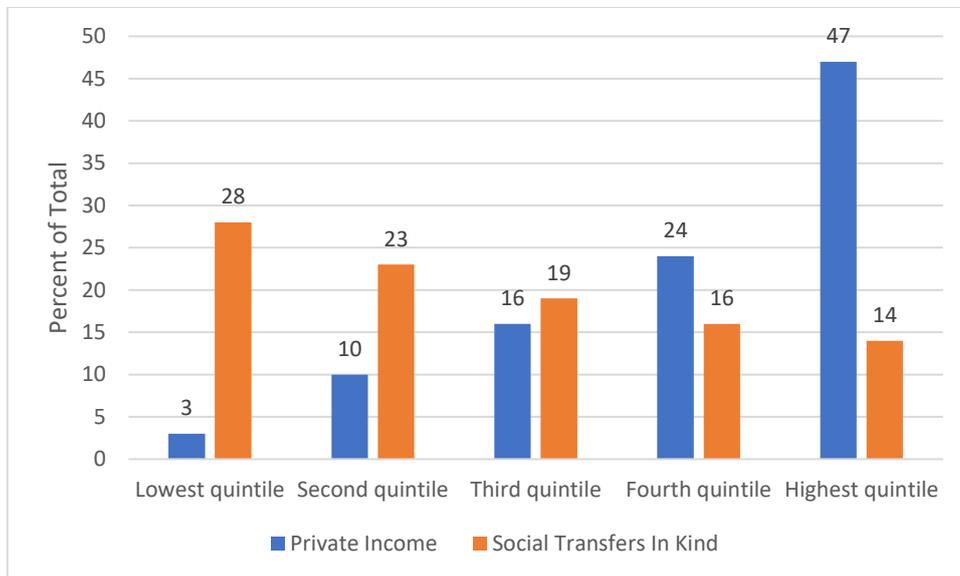
Table 1: Components of Final Income

SACOSS’ [recent work on digital inclusion](#) in regional areas provides an unusual example of the importance of public services to cost of living alleviation. The report highlighted the role of public libraries and community centres in enabling people to participate in the digital world. This is done through the provision of access to devices and to services to build skills and capacity to get online. Without these universally available public services, people using those services (already marginal in the digital world and many on low incomes) would have to pay for devices and data to maintain access to vital online services and information. A digital inclusion service is also a cost of living support.

More broadly, ABS and other data shows that social transfers in kind are utilised disproportionately by those on lower incomes. As evident in the graph below, just over half the value of all social transfers in kind in 2015-16 went to the bottom two income quintiles (while those quintiles received just 13% of private income). [Older ABS data](#) showed that factoring in social transfers in kind reduced poverty levels by about two-thirds (from 12.9%

to 3.9% in 2011-12). This finding is broadly replicated in a more recent study of HILDA data by University of NSW academic, Yuvisthi Naidoo ([Table 5.10](#)).

Figure 1: Share of Total Social Transfers In Kind, by Income Quintile, 2015-16



Source: ABS [Government Benefits, Taxes and Household Income, Australia](#),

Table 1: Distribution of household income, benefits and taxes, by equivalised private income quintile

Clearly, along with direct income support payments, social transfers in kind are important in supporting those on low incomes who are the most likely to be struggling with cost of living pressures. Again, ACOSS and other social service organisations working at the national policy level have a range of specific policy proposals around service delivery which could address cost of living pressures. The purpose here is simply to support those kinds of proposals by drawing attention to the importance of government services and social transfers in kind in assisting households in financial stress.

Recommendation: *That the Committee, as well as recognising the importance of adequate income support payments, note the data on the importance of social transfers in kind to relieving cost of living pressures, particularly for low income households.*