

Embargoed to 12.01am Wednesday 18 May 2022

Analysis: The minimum wage and living costs

About this analysis

This analysis was prepared by Anglicare Australia by comparing data on key living costs against average wages for minimum wage workers. It draws on data from the ABS Household Expenditure Survey from 2015-16, adjusted for inflation.

Average weekly rents are sourced from the most recent SQM Research Weekly Rent Report for 12 May 2022. Weekly rents for a one-bedroom apartment are not published by SQM but are estimated by discounting the two-bedroom rent by 10 percent. This reflects the typical difference between one- and two-bedroom rental prices.

Expenses are then compared to income for a person earning the national minimum wage, and who works a full 38-hour week.

What we found

The national minimum wage is \$772.60 per week, for a 38-hour week, or \$20.33 per hour. That drops to \$678 in after tax income to cover their expenses.

Based on these earnings, we have calculated the impact of basic living costs for three common household types and provided estimates of remaining income.

Based on average earnings and expenses, a minimum wage worker in a single household would have \$29 of income each week after basic living expenses.

A minimum wage worker in a single-parent household would not be able to cover even basic expenses without working extra hours, working late nights or weekends, and relying on additional government benefits.

Two minimum wage workers in a two-parent household would not have any disposable income each week after expenses.

Breakdowns of weekly living costs are provided at Tables 1, 2 and 3 for each household type.

Table 1. Living costs, minimum wage worker under 35 in a single household

| Expense | Total cost per week |
|-------------------------------------|---------------------|
| Rent (one-bedroom unit) | \$401 |
| Transport | \$113 |
| Food and drink | \$135 |
| Total | \$649 |
| Income remaining for other expenses | \$29 |

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Table 2. Living costs, minimum wage worker in a single-parent household with one child

| Expense | Total cost per week |
|-------------------------------------|---------------------|
| Rent (two-bedroom unit) | \$445 |
| Transport | \$158 |
| Food and drink | \$221 |
| Education | \$49 |
| Total | \$873 |
| Income remaining for other expenses | -\$195 |

Table 3. Living costs, two minimum wage workers with two children

| Expense | Total cost per week | Individual contribution |
|-------------------------------------|---------------------|-------------------------|
| Rent (house) | \$581 | \$291 |
| Transport | \$338 | \$169 |
| Food and drink | \$361 | \$181 |
| Education | \$122 | \$61 |
| Total | \$1,402 | \$702 |
| Income remaining for other expenses | | -\$24 |

These assumptions only cover basic weekly living costs. Remaining income after expenses would need to cover monthly and quarterly bills such as telecommunications and utilities, as well as incidental household expenses.

Our calculations suggest that minimum wage workers in single households are likely to be in serious financial stress with little or no savings buffer, while those in coupled households are likely to be similarly stressed, or financially dependent on a partner's income.

Based on the internationally accepted benchmark that rent needs to be no more than 30 percent of a household budget to be affordable, each of the households we modelled is likely to be under stress, most severely in the case of single-parent households. These results reinforce concerns that minimum wage workers are being priced out of housing. Anglicare Australia's most recent Rental Affordability Snapshot found that just 1.6% of advertised rentals are affordable for a person on the full-time minimum wage.

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