COST OF LIVING INDEX

Income Support Payments

Anglicare Australia
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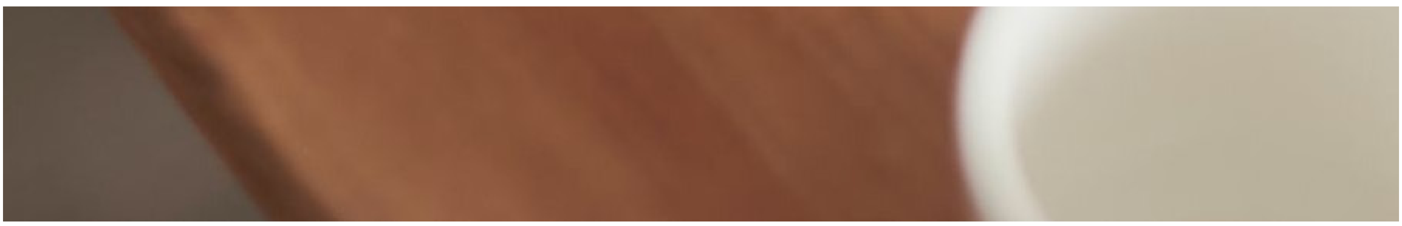

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Anglicare Australia is a network of independent local, state, national and international organisations that are linked to the Anglican Church and are joined by values of service, innovation, leadership and the Christian faith that every individual has intrinsic value. Our services are delivered in partnership with people, the communities in which they live, and other like-minded organisations in those areas.

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Introduction

For years, Australians have been hearing reports of people on JobSeeker and other income support payments struggling to stay afloat. Anglicare Australia has documented people skipping meals, being pushed into credit card and payday loan debt, and navigating precarious and unstable housing in reports such as Asking Those Who Know and Nothing Left to Give. Our agencies see the impacts of these trade-offs on a daily basis as people on the lowest incomes seek support, with many turned away as demand for help soars.

Recent years have seen people on the lowest incomes fall even further behind. Inflation, extreme weather events that have affected food supply and distribution, the destabilisation of the world energy market, and the COVID-19 pandemic have all impacted the cost of basic goods. The price of fresh food has increased dramatically, and the cost of petrol reached record highs last year. To make matters worse, the rental market has never been less affordable as Australians spend more and more of their incomes on housing.

All of this has meant that more people are struggling to afford essentials such as transport, utilities, and rent. This analysis looks at the impact of these core costs on Australians living on income support payments. The picture it paints is bleak, raising questions about how many more increases people can afford to absorb while their incomes remain far below the poverty line.

Fundamentally, this Index highlights that many people living on income support payments are structurally unable to afford the basics of life. Anglicare Australia is calling on the Australian Government to act and pull these Australians out of poverty, and to protect them from the worst impacts of our current cost-of-living crisis.

Cost of Living Index

The Anglicare Australia Cost of Living Index is designed to examine how living costs are impacting households on low incomes. This methodology was first used by Anglicare Australia in 2022, and is now an annual release. The focus of the release alternates between minimum wage workers, who were the subject of the 2023 Index, and those on income support payments. This analysis focuses on income support payments.

Methodology

This analysis was prepared by comparing data on key living costs against rates of income support. The Index considers weekly living costs by analysing three core weekly expenses, rent, transport and food. It is important to note that there are various other living costs which have not been included, such as utilities, telecommunications, insurance, and household goods. These costs tend to be covered on a monthly or quarterly basis, and in some cases can be the subject of payment plans or even delayed if needed. This analysis identifies income remaining after weekly expenses to cover these costs, along with any emergency expenses.

The Index draws on data from the most recent Australian Bureau of Statistics (ABS) Household Expenditure Survey, adjusted for inflation,[1] adjusted for inflation. Weekly rents are averaged based on all listings from RealEstate.com.au, provided to Anglicare Australia as part of the Rental Affordability Snapshot. This allows the Index to include an estimate of the average room in a sharehouse, which is currently not included in most datasets of average weekly rents.[2]

Expenses are then compared to incomes for people on income support payments in different household types. These include a single person on Jobseeker, a single person the Parenting Payment with a child under the age of five, and a couple with two children on JobSeeker. All households may be eligible for Commonwealth Rent Assistance (CRA),[3] and this is factored into calculations.

Findings

Table 1. Net weekly incomes for sampled households

Household type	Weekly income (includes CRA)
Single, under the age of 35, on JobSeeker	$475
Single, one child, on Parenting Payment Single	$802
Couple, two children, on JobSeeker	$1068

Based on average earnings and expenses, we found that a single person in a sharehouse on JobSeeker would fall behind by $69 each week after basic living expenses (Table 2). It would not be possible to live alone on the JobSeeker payment, with basic costs exceeding weekly incomes by $331 (Table 3). This is important to note as the largest cohort of people on the JobSeeker payment are over the age of 45, and may find it difficult to access and live in shared accommodation.

A single-parent household on the Parenting Payment would struggle to cover basic expenses, falling $262 behind after covering basic living costs (Table 4). A household of two people out of work would fall behind by $386 per week (Table 5), meaning they are much more likely to live in unsuitable accommodation and be cutting back on household expenses such as food.

It is important to note that these assumptions only cover average basic weekly living costs for most households. Remaining income after expenses would need to cover monthly and quarterly bills such as telecommunications and utilities, as well as incidental household expenses.

Table 2. Living costs, JobSeeker recipient under 35 in shared accommodation

Expense	Total cost per week
Rent (room in a sharehouse)	$273
Transport	$120
Food and groceries	$151
Total	$544
Income remaining for other expenses	**-$69**

Table 3. Living costs, JobSeeker recipient under 35 in a single household

Expense	Total cost per week
Rent (one-bedroom rental)	$545
Transport	$120
Food and groceries	$151
Total	$806
Income remaining for other expenses	**-$331**

Table 4. Living costs, single-parent household with one child on Parenting Payment Single

Expense	Total cost per week
Rent (two-bedroom rental)	$650
Transport	$166
Food and groceries	$248
Total	$1064
Income remaining for other expenses	**-$262**

Table 5. Living costs, two JobSeeker recipients with two children

Expense	Total cost per week
Rent (three-bedroom rental)	$704
Transport	$356
Food and groceries	$404
Total	$1,454
Income remaining for other expenses	**-$386**

Major trends and recommended actions

Payments are too low

This Index shows how inflationary pressures are much more likely to hurt people on the lowest incomes. Those on the very lowest incomes are people living on income support payments, and the value of these payments has eroded over time. The root of the problem is the way JobSeeker and related payments are indexed, allowing them to fall so far below the poverty line that recent one-off increases have not offered a reprieve.

Rather than being benchmarked against the poverty line or a measure that rises with essential living costs, JobSeeker and other working age payments are adjusted to the Consumer Price Index (CPI).[4] The CPI is explicitly not designed to be a measure of essential living costs, with the ABS stipulating this in each quarterly release. In periods when essential costs rise faster than other prices, payments indexed against the CPI alone will fall even further behind poverty measures and incomes in the broader community. JobSeeker is one of a number of payments that are indexed using the CPI without any benchmark that is linked to living standards.[5] Youth Allowance for jobseekers, and Youth Allowance for students and apprentices are also indexed in this way and this has led to payments that are well below the poverty line.

Aside from one off increases in the base rate of payments in 2021 and 2023, the basic rate of JobSeeker has not increased in real terms since the Keating Government made an above inflation increase for some recipients in 1994. This stands in contrast to pensions, which are adjusted in line with prices and benchmarked against a measure that captures increases in wages.[6] In addition to this, single pensioners received a $30 per week increase in 2009. The rates of payment also stand in stark comparison with the Henderson Poverty Line, which accounts for essential costs and includes a dedicated poverty line after housing.[7]

To address these issues Anglicare Australia calls for an immediate increase to JobSeeker and related payments, using two mechanisms. First, Anglicare Australia recommends raising the rate of all social security payments above the Henderson Poverty Line.

Second, we call for the establishment of an Independent Social Security Commission. The commission should include representatives with lived experience and have the power to set and adjust, all income support payments based on the actual cost of living. Its decisions should be based on the material needs of Australians, drawing on material measures of poverty such as the Henderson Poverty Line or comparable measures.

Recommendation

Anglicare Australia recommends:

» Immediately raising the rate of income support payments to the Henderson Poverty Line

» Establishing an independent income support payment commission to set and maintain payment rates over the medium and longer-term.

Rental stress at record highs

Our findings show that rents are severely unaffordable for minimum wage workers, comprising the single biggest living cost for each of the three households we modelled. In considering these results, it is important to remember that rents continue to rise at prodigious rates. Over the past three years asking rents across the country have gone from $410 per week in January 2020, before the onset of the COVID-19 pandemic, to $624 at the time of the release of this Index, an increase of over 50 percent.[8]

For fifteen years, Anglicare Australia's Rental Affordability Snapshot has shown that renting a home in the private rental market in Australia is completely unaffordable for people on government incomes,[9] and it continues to get worse. The average weekly rent has risen by nearly 20 percent in the past year.[10] The current vacancy rate in the rental market sits under two percent nationally, leaving low-income renters to compete with hundreds of other potential tenants for very few properties.

Based on the internationally accepted benchmark that rent needs to be no more than 30 percent of a household budget to be affordable for people on low incomes, each of the households we modelled is likely to be under stress, most severely in the case of single-parent households. Our 2024 Rental Affordability Snapshot found that less than one percent of advertised rentals were affordable for a person on the Parenting Payment Single, 0 percent were affordable for a person on JobSeeker, and three percent were affordable for couples on JobSeeker. These results have been consistently low throughout the history of the Snapshot.[11]

Federal Treasurer Jim Chalmers and Reserve Bank Governor Michele Bullock have both recently stated that a key factor driving higher rents is the lack of supply.[12] This is a common response to the housing crisis, with supply becoming the most prominent answer to housing affordability. It is the favoured solution of the development industry, property commentators, and drives the logic behind the Federal Government's recently announced National Housing Accord. Yet the reality is that Australia has an oversupply of dwellings compared to its needs and demographics.[13] Between 165,000 and 240,000 new dwellings are already built across the country each year.[14] Increasing supply in the private market has simply failed to make housing more affordable. The undersupply is not in housing, but in social and affordable housing.

Governments have been eroding spending on social housing for decades, assuming that the private rental market would provide enough affordable homes for those who need it. That has been shown to be false. Analysis by the Australian Housing and Urban Research Institute shows that governments' move away from directly supplying housing towards a reliance on 'demand-side assistance,' such as rent assistance, has led to a housing market that has never been less affordable. The shortage of affordable rentals for low-income households grew between 1996 and 2011, contradicting the theory that housing supply in the private market would trickle-down and create lower cost rental accommodation over time.[15]

A major effort will be required to change course and end this shortfall. A recent analysis has estimated the additional social and affordable housing required to meet the present need and the projected population growth to 2026. The analysis focused on people who are waiting for social housing as well as those on low and moderate incomes paying more than 30 percent of their income in rent in the private market. The data shows Australia will need an additional 500,000 social and affordable homes to meet these needs.[16]

Building these social and affordable homes costs money. Just to maintain the current share of social housing as a proportion of Australia's housing stock will require the construction of 15,000 new social housing properties a year.[17] Our current rate of new social housing construction is about 3,000 dwellings a year.[18] Ending this shortfall will be critical to ensuring that renters on the lowest incomes have choices and a safety net. It will also free up rentals at the lower end of the market, and give the Government more leverage to drive affordability.

Finally, more must be done to protect renters at the mercy of the private market. The growing reliance on the private market has not been accompanied with laws that protect renters or promote affordability. Instead, many renters face the risk of eviction or unaffordable rent increases. There have been significant reforms in Victoria and the ACT, banning no cause evictions, limiting the amount and regularity of rental increases, and requiring rental properties to meet minimum standards. Queensland and NSW are undertaking reviews of their residential tenancy legislation. Nationally consistent protections and uniform tenancy legislation are now required now across Australia to protect the rights of all renters, by ending no cause evictions and restricting unjustified or punitive rent increases.

Recommendations

Anglicare Australia recommends:

- » Investing in a long-term program to grow the supply of social and affordable housing by 25,000 dwellings each year
- » Working with states and territories to limit rent increases to reasonable levels.

Growing demand for support

Our findings confirm that households on income support payments are in severe hardship and precarity. This increased financial strain on households on low incomes has flowed through to emergency relief providers, including Anglicare Australia member agencies, who are themselves under strain, unable to provide enough help to enough people. In late 2022, all Anglicare Australia emergency relief providers reported an increase in demand for services, ranging from 10 percent to 50 percent compared to the beginning of the year.[19] As rents continue to rise, more people are seeking emergency relief to keep a roof over their heads. Emergency relief is not designed for large, ongoing costs like rent.

There will always be a need for one-off emergency relief. People experience crises, or are unable to balance their income and outgoings for a variety of reasons. Yet, this relief is currently being used to address the inadequacy of the income support system, rather than responding to people's own choices or inability to manage their own affairs. In the longer-term, policies that reduce poverty, like increasing income support, will also reduce the need for emergency relief. in the meantime, there is an urgent need for increased funding for emergency relief to take pressure off people who are in financial crisis and to support providers to meet demand.

Recommendation

Anglicare Australia recommends:

» an urgent increase in funding to emergency relief providers to enable to them to meet growing demand for help, especially in the area of rents.

Conclusion

There are many factors that are contributing to rising living costs, and the international picture makes it clear that Australians are not alone in feeling the pain caused by higher prices. The basics of rent, energy and food are costing everyone more. For Australians on lower incomes, with little room for movement in their budget, this can mean financial crisis.

Some of these pressures, such as increases to the cost of food and fuel, are relatively new. Other pressures, such as unaffordable housing, however, are not, but they have been rising quickly and are being compounded by newer cost-of-living pressures. Rents have been rising for decades, and will continue to do so until governments take action to build more social and affordable housing, and limit rent increases.

It has become clear over recent years that many Australians are living too precariously to cope with the shocks brought on by rising living costs. It is critical that governments understand this as the underlying problem by taking action to reduce housing costs and tackle rising rates of poverty. It is also critical that governments ensure they are not driving more people into crisis by supporting households on the lowest incomes, those on income support, and raising the rate of their payments to the poverty line.

Australians on low incomes did not create this crisis. They should not be asked to bear the brunt. Our goal should be to ensure those on the lowest incomes can weather this storm and that the economy that emerges is more fair and more equal, not less.

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