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Select Committee on Cost of Living
PO Box 6100
Parliament House
Canberra AC 2600

Submitted online:

[Select Committee on Cost of Living – Parliament of Australia \(aph.gov.au\)](https://aph.gov.au/SelectCommittee/CostofLiving)

Dear Committee Members

Cost of Living

Anglicare WA is pleased to make the following submission to the Select Committee Inquiry on Cost of Living.

Anglicare WA is a leading not-for-profit organisation in Western Australia that helps people in times of need. We provide support, counselling and advocacy for people struggling with homelessness, domestic violence, grief, mental health and other forms of crisis and trauma.

We support families and individuals experiencing poverty through services such as housing and financial assistance, financial and other counselling, community education and advocacy. Since 2020, Anglicare WA has been operating the Emergency Relief and Food Access Service, as part of the Financial Counselling Network.

The discussion points and recommendations contained within the submission were collated from across Anglicare WA, incorporating the views and responses of front-line workers, program managers, researchers, and our leadership team.

Kind regards

Mark Glasson
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ANGLICARE WA RESPONSE: COST OF LIVING

Cost of living pressures facing Australians

There would hardly be an Australian who hasn't scrutinised a shopping docket recently, certain that a mistake had been made. While that is a shared experience among many, the increasing cost of basic necessities has hit some Australians harder than others.

At Anglicare WA, we see the toll that these steadily increasing expenses have on families, in particular those who were already struggling before the price hikes. Anglicare WA operates the Emergency Relief and Food Access Service as part of the Financial Counselling Network. In January, the service received 3,752 calls, a **52% increase** from the 2,466 calls received in the previous month. (As a comparison, a year ago, January of 2022, there were 2042 calls to the service). It is clear that people are hurting.

Although cost of living pressures are felt across the country, it's worth noting that they hit people living in remote and rural areas particularly hard. For example, while median rents increased across every region of WA in 2021 and 2022, in the mid west, average rental costs for a working family increased by 43.27% compared to 7.14% in Perth¹. Likewise, increases in fuel costs, supply chain shortages and natural disasters in WA and other states pushed already high food costs in regional areas even higher. Challenges associated with those increases are compounded by the fact that it is often difficult for rural Australians to access supports that could help them through hardship. For example, our staff working in the south west report the following for the period of June to December 2022:

There are no longer buffers in peoples' budgets to mitigate price increases. Clients who once had the ability to manipulate the food component of their budget to allow redirection of funds for other necessities can no longer do this.

Already, most clients are referred to Food Bank, if not by financial counsellors, certainly by other service providers and support agencies. However, it is important to note in the south west, clients without a car are unable to access the service.

The Food Bank is located in the industrial area that is not serviced by public transport in Bunbury. If clients live in Busselton, Collie, Harvey or Margaret River and do not have the capacity to get to the Food Bank in Bunbury, they are then reliant on delivery services or their local churches, charities, and soup kitchens.

-Anglicare WA south west financial counselling staff

However, while increases in the cost of living are a significant concern, it is important that we don't let discussion about 'rising prices of just about everything' distract

attention from an issue that was already in place even before the price hikes: the reality that many Australians struggle to achieve a living wage¹, and to access welfare benefits that permit a socially acceptable quality of life – ie. one that includes access to appropriate and sufficient food, shelter, education and health care.

The latest [wages price index](#) shows that wages in between Sep 2021 to Sep 2022 rose just 3.1%, well below the 7.8% increase in inflation, while a number of reports (such as the 2022 ACOSS [How JobSeeker and other income support payments are falling behind the cost of living](#)ⁱⁱ) indicate that the social payments are not appropriately indexed and in fact push recipients deeper and deeper into poverty.

Last year's [WACOSS 2022 Cost of Living Report](#)ⁱⁱⁱ shows that a single parent family has just \$9.15 left in their budget after meeting their basic living costs, while an unemployed person is **\$13.24 short** of being able to meet even those basic needs. In other words, thousands of Australians not only have to make tough choices between which of their needs they will be able to meet in a given week, but they also have no chance to save, to pay for unexpected medical or household expenses, to pay for training that might increase their employment options, or to access leisure activities that contribute to quality of life and wellbeing.

Lack of cash for discretionary spending means that those living in disadvantage can't implement many of the money saving tips considered by some as 'common sense' strategies. Hardship traps households into financially inefficient, short-term spending cycles. For example:

- Poor cash flow, cramped living (lack of storage space) or lack of transport make it difficult to take advantage of bulk buys, and limit opportunities to move purchases to a time when items are on sale.
- Low income earners are more likely to buy cheap appliances over energy efficient ones, and they may be forced to pay them off – as well as the relatively higher electricity bills – in penalty-incurring instalments rather than as one-off transactions.
- When stuck for money, low income earners may have little choice but to turn to pay day lenders and plunge deeper into debt.

¹ A living wage¹ is the minimum income that a worker needs to achieve a socially acceptable quality of life for themselves and their family, such as food, shelter, education and health care. It is different to a minimum wage, which is set independently from any measure of living standards, is slow to respond to changing economic conditions, and which doesn't take into account the differences in family responsibilities or individual needs.

In short, it is expensive to be poor, and those who are so bear the burden of an ever rising 'poverty tax' – *on top* of trying to find ways to manage rising prices, grossly insufficient income supports, and the many non-material costs of poverty such as poor mental health.

Thus, although we all may notice price hikes, we are hardly on the same playing field when it comes to living with their impact. To those sitting in the higher income brackets, an increase in costs of living represents a mere slowdown in savings or opportunities – but for those already living in or on the edge of poverty, each extra dollar charged at the till has the potential to slide them further into debt and disadvantage.

While most Australians might proudly consider themselves to be part of an egalitarian society that embraces the values of equal rights and opportunities, the rising costs of living are widening the impact between the haves and the have nots. Back in 1960s we were calling ourselves the lucky country; however, in today's economic climate, we need to be asking each other about how we can best support those who do not have the luck of economic privilege, and how we can protect the long treasured feature of our national identity: our commitment to a 'fair go'.

The Government's fiscal policy response to the cost of living

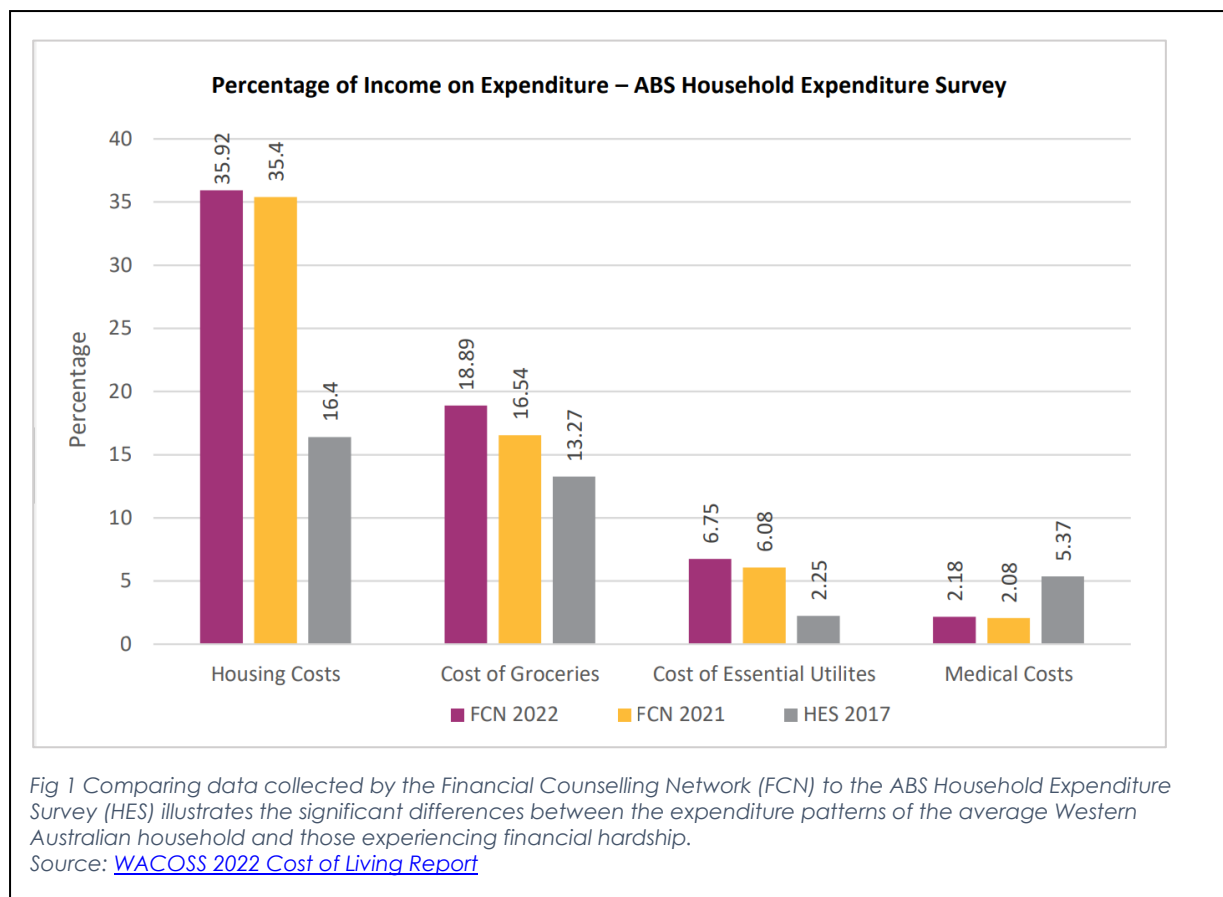
While the causes of cost of living pressures are many, the Federal Government has an opportunity to exacerbate or alleviate those pressures on different cohorts through taxes, transfers and concessions.

While we welcome any cost of living responses – such as fuel excise cuts, or the more recent moves towards more affordable childcare, cutting costs of medicines, and funding towards more affordable housing that were announced in the October budget – these measures do not do enough to address the needs of the most vulnerable people caught in disadvantage.

As an example, the announcement to increase Child Care Subsidy rates to 90% for eligible families earning less than \$80,000 is most certainly a step in the right direction, and one which will support many parents to get back to work. However, for low income families who are already struggling to make ends meet, where the parent might be going to work on a minimum wage, *any* out of pocket expense for childcare remains a barrier^{iv}.

Of most particular concern is the shortage of affordable housing. At present, the biggest pressure on household budgets comes from housing, with prices of homes rising much faster than incomes, and skyrocketing rents literally leaving tenants out in the cold. (See Fig. 1 below). The graph below shows the percentage of income that

Financial Counselling Network clients spent in 2021 (yellow) and 2022 (purple), compared to the general public (grey). When housing expenses take up such a significant percentage of a household's income, there is little leftover for other necessities, let alone savings.



In Western Australia, the statistics are stark. According to the 2022 [Rental Affordability Snapshot](#)^v, the total number of available private rentals has almost halved since 2020. Of those that remain, at the time of the snapshot, only 2% were available to a person on a minimum wage, and *none* were affordable for a single person on JobSeeker or Youth Allowance. Those who cannot afford a private rental find themselves seeking other options – including couch surfing, living in cars, and waiting an average of 113.5 weeks for social housing^{vi}. The distressing Western Australian experience is echoed across the country.

The Federal Government used to invest strongly in social housing to meet need, but over the past three decades housing stock has not kept up with population growth, with demand now far outweighing supply. In WA alone, there is an unmet need for 39,200 social and 19,300 affordable homes^{vii}, while a recent analysis by SGS Economics and Planning^{viii} estimates that Australia will need an additional 500,000 such homes to meet growing population needs by 2026. In this context, the planned delivery of 20,000 affordable homes over five years under the new National Housing

Accord is welcome but insufficient to alleviate the cost of living pressures that come from increasing accommodation costs.

Commonwealth Rent Assistance is designed to help people manage the cost of housing – but it is indexed against general inflation rather being linked to average (and soaring) private rental costs, leaving tenants with increasingly larger gaps to pay. There are also inequities in access to the payment. It is inadequate for people living in share housing, as they are often unable to meet the requirements around lease agreements, and the payment cut-in criteria disadvantages those on lowest incomes, since they have to spend a much larger proportion of their income on rent before they become eligible for the assistance. These issues meant that only one in three people on the JobSeeker payment, and one in ten young people out of work is eligible for the payment, and 46% of people who get rent assistance are still in rental stress^{ix}.

We urge the Government to remedy the existing limitations of the Commonwealth Rent Assistance scheme in the short to medium term, while working on a longer term solution by significantly boosting investment in social and affordable housing.

Ways to ease cost of living pressures through the tax and transfer system

Following the election night victory last year, entering Prime Minister Anthony Albanese stood to the podium and promised a Government built on caring and equity:

“No one left behind because we should always look after the disadvantaged and the vulnerable. But also no one held back, because we should always support aspiration and opportunity. That is what my Government will do.”

We recognise that the Albanese government has already made some significant strides in looking after those experiencing disadvantage, but more needs to be done to provide people with opportunities and hope of climbing out of poverty and achieving a good life.

The Stage Three Tax Cuts, legislated under the previous Government and set to be enacted under the current Government, will see individuals earning six figure salaries thousands of dollars better off, while doing nothing at all for those on incomes below \$45,000. In an environment where rising cost of living pressures are most gravely impacting those on lowest incomes, the time is right to abandon the Stage 3 tax cuts.

The temporary Covid supplements introduced during the early stages of the pandemic clearly demonstrated how increasing welfare payments offers hope and

a pathway out of poverty. Numerous research, such as the [100 Families WA project](#) which followed families living in entrenched disadvantage in Perth, showed that increasing welfare supports allowed people to pay off debt, update their qualifications, get medical treatment and eat three meals a day^x. Such studies show that the single, most significant action the Government can do to help vulnerable Australians through the cost of living crisis is to increase JobSeeker and other social supports above the poverty line.

The rise in house prices in Australia is largely driven by tax concessions for property ownership that increase demand and encourage speculative investment. Policies which drive this include first homeowner grants, capital gains tax exemptions and negative gearing. These policies represent billions of lost tax revenue that could otherwise be directed to building up much needed stocks of social and affordable housing.

Measures to ease the cost of living through the provision of Government services

As the cost of living crisis threatens family budgets, people respond in diverse ways to improve their situation. In the first instance, many look at ways to increase their income by trying to re-enter the workforce, upskill or get a second job. However, financial hardship has a deep – and often generational – impact on individuals' capacity to seek, secure and maintain employment. This has been illustrated in the 100 Families WA study. Participants in the project demonstrated a willingness to work and recognised that employment would result in greater stability and security for their families. However, they drew explicit links between financial stress and practical barriers to employment (such as unreliable transport, no digital access), social barriers (such as lack of confidence and experiencing fear or anxiety) and wellbeing barriers (such as food insecurity and hunger impacting one's ability to concentrate).

The one upside of Australia's current economic situation is that we are seeing historically low unemployment levels, with employers crying out for labour and more open than ever to out-of-the box ideas for filling positions. We do not support the often punitive, 'one size fits all' approach to employment services, and instead encourage government to explore, support and take on board learnings from trials that seek to implement tailored solutions for those with high barriers to employment – that group all too often dismissed as 'unemployable'; also the same group most likely to be impacted by rising costs of living. We have exactly the climate needed to have a go at implementing bespoke solutions for those with generational and multifaceted barriers to employment.

When people's incomes aren't adequate to cope with living costs, and they've cut out what they can from their budget, many turn to charities for help. As already pointed out, emergency relief services such as the Emergency Relief and Food

Access Service in WA are seeing a significant increase in the number of calls for assistance, with many going unanswered when staff are unable to manage the call volume. While longer term policies that reduce poverty, like increasing income support, should always be Government's priority, in the shorter term the cost of living crisis requires an urgent increase in funding for emergency relief.

More community education programs that build financial literacy and awareness about financial counselling services are needed. Financial counselling is well proven to help people through financial stress, for example by helping them make the most of their money, providing mediation supports with creditors, and accessing emergency funding. However, there are significant knowledge gaps in the community about these invaluable services.

Recently, Anglicare WA delivered community wellbeing sessions called Friend in Need. The sessions were presented to diverse groups, including young people, seniors, CaLD groups, neighbourhood networks and workplace audiences. The workshops included information about the range of supports available to people facing mental health, relationship or financial difficulties. We overwhelmingly found that participants had limited knowledge about the role of financial counselling, the benefits of using such services, or how to access a financial counsellor. It was not uncommon to find that *no one* in the audience knew that these services were available for free. This lack of knowledge was evident even among those who admitted to being under significant financial stress.

As cost of living pressures plunge low income households further and further into disadvantage, more and more Australians are experiencing the non-material challenges associated with poverty, such as social isolation and exclusion. A high proportion of people accessing Disability Support Pension and JobSeeker payments live with mental ill-health, and the rise in cost of living is further driving up the rates of depression, anxiety and other mental health conditions.

As already discussed, insufficient rates of income support payments leave recipients below the poverty line, meaning that the cost of mental health treatment is a barrier to those who need it most. Again, while the immediate and most effective solution is to ensure that every Australian has access to sufficient income, in absence of this, it is essential that Government provides adequate and reliable funding for programs that offer health services, counselling, and other services that alleviate the symptoms of living in poverty.

Other related matters

Cost of living pressures are causing more people to turn towards different forms of credit, such as wage advance or buy now pay later (BNPL) products to cover the costs of essentials like groceries, utilities and school equipment. Some people open

multiple BNPL accounts to pay for other essentials while meeting their repayments, or use credit cards or other loans (see the Case Study below). This loan stacking and use of multiple accounts can quickly lead people into a debt spiral^{xi}. However, BNPL products are unregulated, often bypassing basic consumer protections, such as assessing someone's ability to pay, and the current voluntary industry code doesn't provide adequate protection to the community. The Government can better protect vulnerable and low-income people struggling with rising costs of living by regulating BNPL products in the same way as other credit products.

Case Study

*Anglicare WA client, *Charlie*, lives in a private rental with their partner and 3 teenage children. Their household income comprises two carer payments, FTB and one wage. Charlie is diagnosed with ADHD, hypertension and depression, while their partner lives with Autism Spectrum Disorder, type 2 Diabetes and fibromyalgia. One child is diagnosed ADHD and type 1 diabetes, which is complicated to manage. Another child has Autism and the third has been diagnosed with Post Traumatic Stress Disorder.*

In the last 6 months, the family used Afterpay 6-7 times to purchase Woolworths vouchers to the value of \$400. The town water has an aftertaste that is difficult to handle for family members with sensory issues, and they purchase water bottles from Officeworks every fortnight using Afterpay (\$62). They also use Afterpay to purchase supplements and vitamins 2-3 times per month. They have 14 open Afterpay accounts, owing \$798 with a current available balance of \$2200.

- *6 are for Officeworks (water)*
- *3 are for the chemist*
- *2 are for pet food*
- *1 for textbooks*
- *1 for school bags and shoes*
- *1 for Kmart needed to purchase suitcase for a work trip.*

Summary of recommendations

Based on the points raised above, Anglicare WA recommends the following strategies to address cost of living pressures:

- Ensure everyone has access to adequate income:
 - Replacing the national minimum wage with a living wage and linking future increases to the Consumer Price Index.
 - Increasing the income test threshold for JobSeeker, Youth Allowance and other income support recipients to allow people to earn more before losing access to benefits, similar to recent changes to the Age Pension.
 - Permanently increasing the rate of JobSeeker and other working age income support payments to above the poverty line and indexing them to the Wage Price Index.
- Alleviate cost of living associated with housing pressures by:
 - Increasing the Commonwealth Rent Assistance, indexing it to local market prices rather than to the Consumer Price Index, and reforming the eligibility criteria so that people on the lowest incomes can get help.
 - Significantly increasing the existing level of funding for social and affordable housing.
- Abandon Stage 3 tax cuts and redirect existing tax concessions from high to low income earners.
- Explore mechanisms to reduce the 'poverty premium' experienced by people on low incomes, for example through subsidies, fee structures or other means.
- Continue and extend current fiscal responses to cost of living pressures, such as increasing rates of Child Care Benefits, with specific focus on addressing the needs of low income earners.
- Fund and take on board learnings from human centred design trials that implement tailored solutions for those with high barriers to employment.
- Fund community education programs that build financial literacy and awareness about financial counselling services.

- Increase funding to emergency relief providers to enable to them to meet growing demand for help.
- Ensure adequate and reliable funding for programs that offer health services, counselling, and other services that alleviate the symptoms of living in poverty.
- Protect vulnerable people from exploitation by closing the regulatory loopholes that apply to buy now pay later credit providers.

ⁱ REIWA Market Data, quoted in WACOSS Cost of Living Report 2022.

ⁱⁱ Australian Council of Social Services. (2022). *How JobSeeker and other income support payments are falling behind the cost of living*. https://www.acoss.org.au/wp-content/uploads/2022/09/ACOSS-cost-of-living-report_web_v02.pdf

ⁱⁱⁱ Western Australian Council of Social Services. (2022). *Cost of Living 2021*. <https://www.wacoss.org.au/library/2022-cost-of-living-report/>

^{iv} Wood, D., Griffiths, K., and Emslie, O. (2020). *Cheaper childcare: A practical plan to boost female workforce participation*. <https://grattan.edu.au/report/cheaper-childcare/>

^v Anglicare WA. (2022). *2022 Rental Affordability Snapshot*. <https://www.anglicarewa.org.au/docs/default-source/advocacy/anglicare-wa-rental-affordability-snapshot-2022>

^{vi} Shelter WA. (2023). <https://www.shelterwa.org.au/knowledge-hub/information-fact-sheets/>

^{vii} Troy, L., van den Nouwelant, R. & Randolph, B. (2019). *Estimating need and costs of social and affordable housing delivery*. https://cityfutures.adg.unsw.edu.au/documents/522/Modelling_costs_of_housing_provision_FINAL.pdf

^{viii} SGS Economics (2021). *Economic Impacts of Social Housing Construction*. <https://www.sgsep.com.au/assets/main/SGS-Economics-and-Planning-SHARP-Final-ReportSGS.pdf> .

^{ix} Anglicare Australia. (2023). *Reforming Rent Assistance*. <https://www.anglicare.asn.au/wp-content/uploads/2023/01/Reforming-Rent-Assistance.pdf>

^x Phillips S., Seivwright A., Young S., Fisher C., Harries M., Callis Z., Flatau P. (2021). *Insights into hardship and disadvantage in Perth, Western Australia: the 100 Families WA report*. <https://apo.org.au/node/313315>

^{xi} Way Forward (2022) [Balancing Act: Exploring how financially vulnerable people juggle their debt, BNPL and household finances](#).