



Brotherhood
of St Laurence

Working for an Australia free of poverty

Submission to the Select Committee on the Cost of Living

Brotherhood of St. Laurence

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Summary

Rising living costs are having the greatest impact on those already experiencing disadvantage. This calls for targeted responses from government to support those in greatest need. Research clearly shows that many people are struggling to manage steep increases in the cost of food, petrol, housing and home utilities. Increases in the cost of essentials are resulting in families eroding their savings, taking on debt and even going without the basics. This is likely to diminish longer-term financial security and compromise wellbeing.

BSL recommends that the Australian Government:

- substantially increase the base rate of working-age social security payments
- review and increase Commonwealth Rent Assistance and index it to rents to maintain its value
- maintain adequate funding for contracted community services by providing funding at levels consistent with the 2012 Equal Remuneration Order and indexing funding to CPI
- deliver an immediate substantial and sustained increase in investment in public, community and affordable housing
- institute an agreed national measure of energy stress and undertake regular monitoring and measurement of energy stress
- develop a comprehensive approach to improve the energy efficiency of existing housing, including energy efficiency standards for rentals and a large-scale upgrade program providing tiered support according to people's need and ability to pay
- support a deeper review of the structure, rates and associated conditions of social security payments, building on the work of the new Economic Inclusion Advisory Committee.

About the Brotherhood of St. Laurence

The Brotherhood of St. Laurence (BSL) is a social justice organisation working alongside people experiencing disadvantage to prevent and alleviate poverty across Australia. Our mission is to pursue lasting change, to create a more compassionate and just society where everyone can thrive. Our approach is informed directly by people experiencing disadvantage and uses evidence drawn from our research, together with insights from our programs and services, to develop practical solutions that work.

While the cost of living is rising for everyone, we are most concerned for those already experiencing disadvantage and poverty, or at risk of entering poverty. Low-income households spend a greater proportion of their income on essentials; and for this reason, the immediate and longer-term consequences of rising living costs are the most severe (Botha 2022). Those experiencing the cost of living crisis most acutely must be prioritised in government responses.

Responses to the Terms of Reference

a. The cost of living pressures facing Australians

The latest [ANZ Roy Morgan Financial Wellbeing Indicator](#), published in December 2022, found that the financial wellbeing of Australians has reduced in the 12 months to September 2022 and 16.1% of the population are now classified as struggling. Following five years of stability in the percentage of Australians who were struggling financially, this new figure continues an upward trend that commenced in January 2019 (when it was 10.5%). This trend is attributed to rising unemployment in 2019, followed by the pandemic, and more recently, rising inflation and high interest rates (ANZ 2022).

Recent cost of living increases have disproportionately impacted low-income households, who spend a higher proportion of their income on essentials (Beech et al. 2014). The costs of essentials have risen even faster than the 7.8% overall increase to the Consumer Price Index (CPI) in the 12 months to December 2022, with the price of housing and utilities up by 10.7%, food by 9.2% and transport by 8% (ABS 2023a).

Among low-income renters, 42% were experiencing housing stress¹ in 2019–20, an increase of 7 percentage points since 2008. An even higher proportion of low-income renters in the private rental market are in housing stress, at 58% (SGS Economics and Planning 2022). On average across Australia, nominal household energy prices have increased by 64% for electricity and 81% for gas since 2009 (St Vincent de Paul Society & Alvis Consulting 2022).

In contrast, the oerose just 3.4% in the 12 months to December 2022, with the 5.2% increase in the minimum wage in July 2022 failing to keep pace with prices (ABS 2023b). Working-age social security payments are indexed to CPI, which [resulted in a \\$25.70 per fortnight increase](#) to the single rate of JobSeeker Payment in September 2022 and will result in a [\\$24.70 increase](#) in March

¹ A low-income household is said to be experiencing housing stress when they are paying more than 30% of their income on housing costs.

2023. However, given that working-age payment rates are below the poverty line, these modest increases are unlikely to protect people receiving social security payments from rising prices.

[Research](#) conducted in 2022 by the Melbourne Institute and Roy Morgan used survey data to determine the prevalence of various strategies used by Australians to manage rising living costs. It found that single parents with children are the household type reporting the greatest impacts from rising living costs, with 49 per cent needing to use their savings to get by, compared to 38 per cent across all respondents. The research also found that the level of difficulty facing single parent households meant they were more likely to employ drastic strategies to get by, such as selling items or cancelling medical appointments (Botha 2022).

Evidence from BSL programs and research

Cost of living pressures are increasingly apparent for the people we support in our Community Programs and have emerged strongly in our recent research.

Making ends meet in tough times

Research currently in progress at BSL, *Making ends meet in tough times*, is examining how people on lower incomes in regional, peri-urban and urban locations experience and respond to financial challenges. Our study participants spoke extensively about the rising cost of living, with many mentioning increases to food, petrol, housing and home utility prices and the erosion of their ability to save. Box 1 below contains quotes that illustrate the pressures experienced by low-income families.

Box 1 Participants in BSLs *Making ends meet in tough times* study describe the cost of living pressures they face

- Five years ago, the cost of living wasn't anywhere like this. We are absolutely drowning compared to five years ago ... I use BNPL [buy now, pay later] through the week to get the kids' school lunches or top-up school snacks and things like that.
- I'm struggling at the moment. My gas bill is seven hundred and something dollars for two months. I'm not going to come up with that money ... I don't know, before I seemed to be managing fine and now, all of a sudden, I'm not.
- It's worse now than what it used to be ... The rising prices, because petrol is nearly double so you can't fill your tank on what you used to be able to fill your tank or even put half a tank. And the rising cost of food and everything, like milk used to be – a three-litre milk used to be \$3.00, now it's \$4.50.
- So definitely over the years yes, I can put a little bit away. But I feel like it's just this year I have just realised the cost of living has gone up and there's just no longer spare money.
- With food prices increasing at an exorbitant rate, I am finding food shopping to be a stressful experience. I have been trying to reduce grocery costs by keeping to a shopping list and buying more generic brands. I am also purchasing less fresh fruit and vegetables.
- Food is increasing every time I go to the shop. One issue is that our usual brands are often not in stock, so I am forced to drive around to find them ... I am spending [every bit of income] that comes into our house. This is not my usual budgeting pattern, but necessary due to the issues in our society (inflation, food supply shortages).

- I shouldn't have to Afterpay my food shop but due to the rising costs of absolutely everything I've had no other choice.
- I am a single parent in a one-income family. My children have health needs and eat like elephants. I would love to have more money in the bank. The reality is that with interest rates continuing to rise and cost of living going up at a ridiculous rate, the fact that I can keep a mortgage at all should be seen as an achievement.
- I think raising the rates of income support for everyone [needs] to be done to help people survive through the rising cost of living. It needs to happen soon, otherwise people won't be able to survive for much longer.

These insights are consistent with the findings of other research specifically looking at cost of living impacts (see, for example, the Uniting VicTas report '[Can't afford to live](#)').

Saver Plus

[Saver Plus](#) is a matched savings and financial education program that supports people on low incomes to build financial skills and develop life-long saving habits.² To be eligible for the program, a person must: have a Health Care Card or Pensioner Concession Card and an eligible Centrelink payment; be in school or have a child in school or starting school the following year; have regular income from work (self or partner); and be 18+ years old.

A survey of participants between 24 June and 22 December 2022 found that 85% agreed that the program has better prepared them to manage environmental challenges (e.g. cost of living pressures). While completion of the program clearly contributes to the financial resilience of participants, program data also shows that 'insufficient capacity to save' due to cost of living pressures is a growing reason why potential participants who enquire are unable to take part in the program. Among people who commenced the program, some have cited cost of living as their reason for early withdrawal, and staff are concerned that the cost of living may increasingly lead to early exits from the program.

These insights have led the National Office team to develop a Cost of Living Toolkit to aid Saver Plus Coordinators in their support of participants who may struggle to engage or remain engaged in the program when faced with increasing costs. If people simply do not have enough money to save, however, the program will be unable to support them as intended.

Power pain: an investigation of energy stress in Australia

Our 2022 research report [Power pain: an investigation of energy stress in Australia](#) found that 20% of households had experienced energy stress in 2020 and that people on low incomes were most at risk. Low-income households experienced an increase in the rate of energy stress between 2008 and 2017, from 40% to 48%.

² Established by BSL in partnership with ANZ in 2003, Saver Plus is co-funded by the Australian Government and ANZ and delivered across Australia by BSL, The Smith Family and Berry Street.

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

The March 2022 Federal Budget provided modest and temporary relief to address sharp rises in the cost of living. Measures included the pause in the fuel excise designed to reduce fuel prices, a one-off increase of \$420 to the low and middle income tax offset and an economic support payment of \$250 for people receiving social security payments (Zhou 2022). However, the Budget did not sufficiently address the immediate and ongoing needs of those already doing it tough and left worse off as a result of the pandemic which could have been achieved by permanently increasing social security payment rates.

The October 2022 Budget also delivered measures aimed at reducing the cost of living, mostly in the longer term, such as cheaper child care from July 2023, an extension of Paid Parental Leave which will come into full effect in 2026 and a new Housing Accord to begin delivering new homes from mid-2024. Indeed, the only swift change was a modest reduction in the cost of PBS medicines from January 2023 (Commonwealth of Australia 2022). These measures, while welcome and necessary, were primarily targeted towards working families, and again did not provide the immediate and sustained relief needed by those experiencing poverty and disadvantage right now.

The measures BSL is advocating for are outlined below.

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

Social security reform is urgently needed to ease cost of living pressures for people on the lowest incomes. Current working-age payments are grossly inadequate and must be substantially increased. The positive difference an increase to income can make for those receiving social security payments was shown during the pandemic: our *Power pain* report found that energy stress fell by 15% in 2020 when the Coronavirus Supplement was introduced (Bryant et al. 2022). **BSL recommends that government substantially increase the base rate of working-age social security payments.**

There are many aspects of the social security system, such as the Liquid Assets Waiting Period, that make it more complex for families to access the support they need, manage cost of living and achieve economic security. To remove barriers to economic security, **BSL recommends that government support a deeper review of the structure, rates and associated conditions of social security payments, building on the work of the new Economic Inclusion Advisory Committee.**

In 2022, the Productivity Commission recommended an urgent review of Commonwealth Rent Assistance to address its inadequacy due to a decline in value over time and the fact that many people receiving it have little income left over for essentials after paying rent (Productivity Commission 2022). To ease rental stress in the short-term, **BSL recommends that Commonwealth Rent Assistance be reviewed, increased and indexed to rents to maintain its value.**

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

The growth in costs for delivering critical community services is constraining our ability and the ability of other organisations to support those in need, at a time when the demand for support is increasing. For BSL services delivered through government contracts, indexation currently ranges from a low of zero per cent through to a high of 2% p.a., while costs are increasing at more than 7% p.a.

Funding and indexation arrangements for community sector organisations delivering essential care services need to reflect the true costs of service delivery and enable these organisations to fund long-overdue wage increases. Without maintaining funding at levels consistent with the 2012 Equal Remuneration Order (ERO) and adequate indexation of funding in contracts across programs, many people in need will miss out on services and support. **BSL recommends that government maintain adequate funding for contracted community services by providing funding at levels consistent with the 2012 Equal Remuneration Order and indexing funding to CPI.**

To achieve needed relief in housing prices over the longer-term, **BSL recommends that government deliver an immediate substantial and sustained increase in investment in public, community and affordable housing.**

Greater insight into the extent and nature of energy stress in the Australian community is needed to inform future policy decisions, and therefore **BSL recommends that government institute an agreed national measure of energy stress and undertake regular monitoring and measurement of energy stress.** To address energy stress, **BSL recommends that government develop a comprehensive approach to improve the energy efficiency of existing housing, including energy efficiency standards for rentals, and a large-scale upgrade program providing tiered support according to people's need and ability to pay.**

Such a program would include measures to upgrade over 1 million major household appliances/fixtures in low-income homes, and save participants over \$500 million per year, or \$6 billion over the life of the appliances. In addition, broader systemic reforms are needed such as supporting renewable energy and changes to retail energy markets (Bryant et al. 2022).

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