

Cost of Living

Being able to afford the life's essentials - housing, transport, energy, food and water - is fundamental to social inclusion, liveability and sustainability. Yet, a growing number of Victorians are finding themselves in financial hardship and unable to meet essential living expenses.

It is also becoming apparent that many middle income singles and families are struggling, placing increased pressure on community service organisations traditionally geared to helping those on lower incomes.

The impact of increases in the cost of essentials has pushed many low and middle income households into financial stress. While average incomes have increased over this period, income growth has been unevenly distributed and has failed to account for sharp increases in cost of living, particularly housing costs.

Recent research by the National Centre for Social and Economic Modelling (NATSEM) and AMP shows that:

- while the gross average Australian household income grew by 31 per cent between 2001 – 2006, incomes in the wealthiest areas grew by 36.5 per cent but by only 29 per cent on average in poorer suburbs;
- while the average income of Sydney households increased by 22 per cent after housing costs, after factoring in the cost of food, petrol, education and childcare, the annual increase was only around 1.5 per cent. The situation was found to be similar in Melbourne; and
- housing costs in middle income areas increased by almost 65 per cent between 2001 and 2006, compared to 54 per cent in affluent areas and 48 per cent in poorer areas⁵⁸.

Essential living expenses are set to continue to rise due to a range of interrelated factors including drought, the development of a carbon emissions trading scheme and increasing demand on world oil supplies. While none of these are state responsibilities they have the potential to negatively impact the state's competitiveness and social cohesion and will, therefore, require early and sustained government action.

As well as affecting peoples' ability to meet their basic needs, increases in the cost of essentials like housing, energy, water and transport put pressure on individuals and families to meet other costs, such as those related to their children's participation in school. As one mother of four said:

"I find it very hard to meet the cost of sending four children to school. I budget every week so they will not miss out on anything school-related."⁵⁹

Families in financial hardship frequently talk of needing to 'juggle' essential expenses, and

58 National Centre for Social and Economic Modelling, *Advance Australia fair? Trends in small area socio-economic inequality, 2001 to 2006*, AMP, 2007, p1

59 Bond S and Horn M, *Counting the cost – Parental experiences of education expenses*, Brotherhood of St Laurence, 2008, p 5

many find themselves having to make the difficult choice of either paying the rent, feeding their children, or feeding themselves. According to one participant in a recent research project on indicators of disadvantage:

“Usually it’s food we forgo – it’s the easiest thing to do because we must all pay the rent, that is our first priority, then of course we have to pay the bills like electricity, gas or phone and if we have water, that sort of thing, we must pay that and usually us, ourselves is the last important thing we have to pay for.”⁶⁰

In part due to rising cost of living, the incidence of food insecurity in Victoria is increasing. In 2007, Community Indicators Victoria found that six per cent of Victorian households on average experienced food insecurity, defined as having run out of food in the past twelve months and being unable to afford to buy more. In some local government areas, this figure was up to - and above – ten per cent of the population⁶¹.

People who ran out of food in the past 12 months and could not afford to buy more, 2007 (per cent of adult population)

Victoria (average)	Bass Coast	Central Goldfields	Frankston	Greater Dandenong	Murrindindi	Yarra
6	9.4	10.4	11.6	10.6	11.5	10

While food insecurity immediately increases demand on emergency relief agencies for emergency food assistance, the longer-term flow-on effects on nutrition, health and wellbeing will have an impact the Victorian health system.

In addition to geographic location, personal and external factors can exacerbate the cost of living pressures on Victorians.

Severe and ongoing drought in many parts of the state has had far-reaching consequences for many households, including further limiting access to education and training opportunities for young people who are already geographically isolated.

One community agency in Western Victoria noted that the majority of young people in their area travel considerable distances in order to access education and training programs such as VET and VCAL. Many do so via the school bus network, however school bus contracts only cover the journey to and from school, with local families being required to pay \$350 for the additional bus journey to one of the three sites providing VET and VCAL. In this severely drought-affected community, many families have been unable to afford this fee, resulting in their young people being unable to attend classes⁶².

60 Saunders, P. et al, *Experiencing Poverty: The Voices of Low-income Australians, Towards New Indicators of Disadvantage Project, Stage 1: Focus Group Outcomes*, Social Policy Research Centre, 2006, p 7

61 Community Indicators Victoria, ‘InstantAtlas’ report generated via website www.communityindicators.net.au, 29 August 2008

62 VCOSS discussion with Wimmera UnitingCare, October 2007

In addition, many people on fixed incomes such as aged and disability pensioners, already dealing with high cost of equipment or medication, find it particularly hard to cope with general cost of living increases.

A lack of affordable transport options, for example, for someone with a disability or an older person can result in their being isolated from family, friends and communities, contributing to social exclusion.

Through the provision of concessions for energy, water, rates and transport, the Government plays a critical role in assisting households to afford items that are essential for wellbeing and social inclusion.

Other government programs are vital to assist people in financial hardship to stay connected to their communities and participate in social, educational and employment opportunities.

The Multipurpose Taxi Program (MPTP) helps older Victorians and people with a disability leave their homes, while the Education Maintenance Allowance (EMA) enables students from low income backgrounds to participate in key learning activities.

In the 2009-10 Budget VCOSS recommends that the Government increase investment to this suite of measures to ameliorate the impacts of increasing costs of living on Victorians.

Government-funded financial counsellors also provide critical support to Victorians facing hardship, assisting them to manage their finances, deal with debt, and to adapt financially to major life transitions. With long waiting lists and a shortage of counsellors, Victoria's financial counselling sector is stretched almost to breaking point trying to service crisis-counselling needs, let alone focusing on preventative approaches to consumer debt.

This problem is exacerbated by the need for the financial counselling sector to address long-standing workforce development issues particularly in relation to training, qualification levels and remuneration. Additional resources are required to assist the financial counselling sector to develop and to strengthen the sector's capacity to respond to Victorians in financial hardship.

Recommendations

1. In recognition of the cost of living pressures VCOSS recommends that the Victorian Government commit to a package of measures targeted at reducing the impact of cost of living pressures on lower income Victorians. Such a package should include:

- an increase in funding for energy and water concessions to retain the real value of concessions in the face of price increases and the introduction of an emissions trading scheme;
- the development and funding of programs that provide subsidised access to transport for people in financial difficulty including funding for transport emergency

relief; and development of programs to prevent vulnerable groups receiving inappropriate public transport fines;

- a range of measures to make the Multi-Purpose Taxi Program accessible and equitable (see Transport Section for detailed recommendations);
- reducing the cost of living pressures on private renters by reforming the *Residential Tenancies Act 1999*. Measures should include: reducing the level of excessive and above market rent increases by banning rental bidding; reducing risk of moving costs through scrapping no reason notices to vacate; and reducing the cost of utilities through introduction of legal minimum standards;
- the provision of free access to ten hours per week of early childhood education and care for all three year old children whose parents have a Health Care Card;
- ensure that the full value of the Education Maintenance Allowance is paid directly to families at the start of the school year
- an increase in the conveyance allowance, indexed to the cost of petrol – DECD; and
- a commitment of \$1.5 million for a whole-of-sector review of the Victorian financial counselling sector to facilitate a restructure that will deliver robust preventative programs.