



**QCOSS**

Queensland Council  
of Social Service

# Cost of Living Report

Can low-income households afford a basic standard of living?

**Regional Report Issue 1, 2014**

From data available for the **September** quarter 2014



# Contents

Executive summary .....	3
A Basic Standard of Living .....	4
Methodology .....	6
How are our example households faring?.....	8
Housing.....	13
Transport .....	16
Income .....	17
Recommendations to the Queensland Government .....	19
Recommendations to the Australian Government .....	20

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# Executive summary

This report highlights differences in the cost of living in six regional centres across Queensland – Brisbane, Gold Coast, Cairns, Mount Isa, Rockhampton and Kingaroy. The report highlights how difficult it can be for some low-income households to meet a basic standard of living, simply because of where they live.

With three quarters of Queensland's population living outside of Brisbane and almost one quarter of Queensland's population living in regional and remote areas outside of South-East Queensland it is important to understand the cost of living pressures faced in these areas. Some regional areas face unique cost of living challenges, with some experiencing higher housing and transport costs and other areas experiencing difficulties as a result of higher levels of unemployment.

This report highlights a number of key findings with regards to the capacity of low-income households to meet a basic standard of living:

- Housing costs are the single biggest contributor to changes in the cost of living across the six regional centres.
- A single unemployed person does not have enough income to meet a basic standard of living in each of the six regional centres, despite facing lower living costs in areas such as Kingaroy, Cairns and Rockhampton.
- Of the six regional centres, Mount Isa was the most expensive place to live with extremely high housing costs compounded by extra costs imposed by a lack of public transport infrastructure.
- While regional centres such as Kingaroy, Cairns and Rockhampton were found to be the cheapest of the six regional centres to live, higher unemployment in these areas means that households in these areas would

be more likely to rely on government allowances and payments.

- Single-parent households who are unemployed or forced onto Newstart Allowance due to eligibility changes would not have enough income to meet a basic standard of living in any of the six regional centres – putting at risk the future prospects of children in these households.

This report recommends that state and federal governments support the construction of affordable housing for low-income households, particularly in areas where housing costs are high. It recommends that the federal government increases the base rate of the Newstart Allowance and that eligibility for the Parenting Payment be reinstated to ensure that people in this situation can meet a basic standard of living. The report calls on the federal government to increase the maximum rate of payment for Commonwealth Rent Assistance to ensure that it reflects differences in the cost of housing in different locations. The report also calls on the state government to review concessions available to low-income households to ensure they are targeted at those in need.

The community sector plays an important role supporting those impacted by poverty and disadvantage in regional areas. The provision of prevention and early intervention and crisis services by community sector organisations, assist low-income households struggling with poverty and disadvantage. Ensuring that the community sector has the resources needed to assist people in regional areas is essential to a fair and prosperous Queensland.



# A Basic Standard of Living

A basic standard of living is one that goes beyond survival (including food, shelter and clothing) – it provides an opportunity for quality of life (such as health, safety, access to facilities and services, connecting with people, or a holiday) and access to a modest number of things that contribute to social inclusion and wellbeing (including recreation, entertainment, and social outings).

Low-income households are more likely to struggle with increasing costs of living because:

- they spend a greater share of income on essentials such as food, housing, and electricity – see Figure 1,
- the cost of essential items, such as healthcare, housing and electricity, are rising much faster than the Consumer Price Index (CPI) – see Figure 2,
- they tend to face slower income growth making them less able to keep up with increases in the price of essential goods and services – see Figure 3.

**Low-income households** are those with household income in the second and third decile. According to the Australian Bureau of Statistics (ABS), “[i]ncome deciles are groupings that result from ranking either all households or all persons in the population in ascending order according to income, and then dividing the population into ten equal groups, each comprising approximately 10% of the estimated population. The first decile contains the bottom 10%, the second decile contains the next 10%, and the tenth decile contains the top 10%.”<sup>i</sup>

Figure 1: Proportion of average weekly equivalised disposable household income spent on selected goods and services, low-income households versus all households<sup>ii</sup>

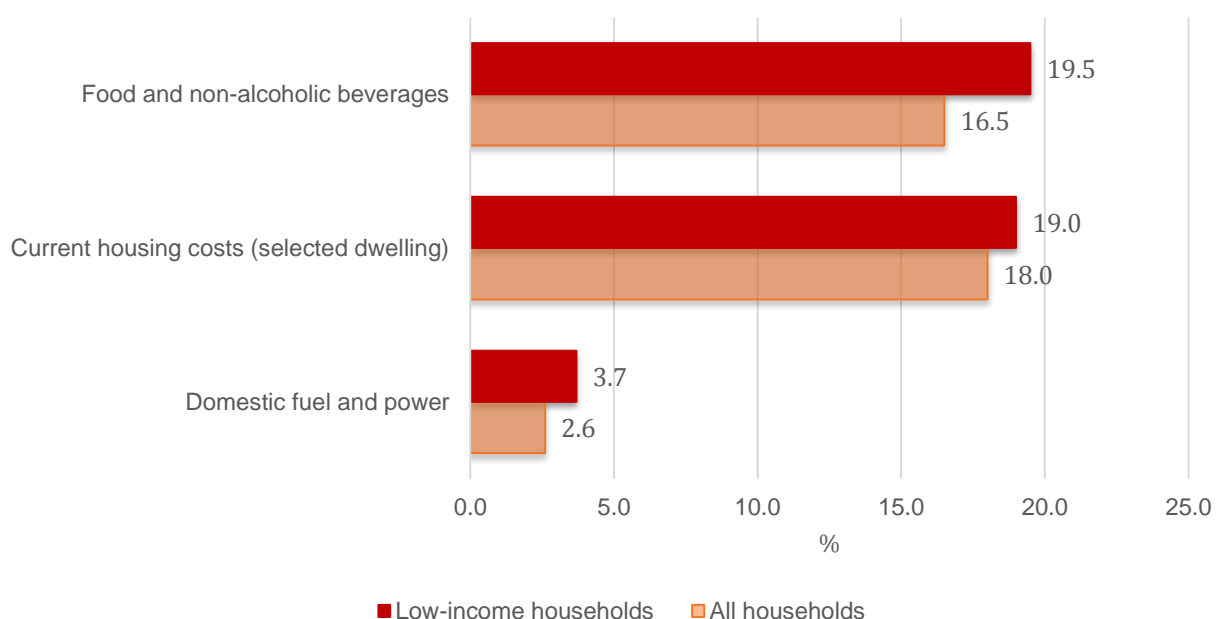




Figure 2: All things are not equal in the CPI Basket – Comparison of the change in the cost of essential versus discretionary goods for Brisbane for the last five years, September 2009 to September 2014

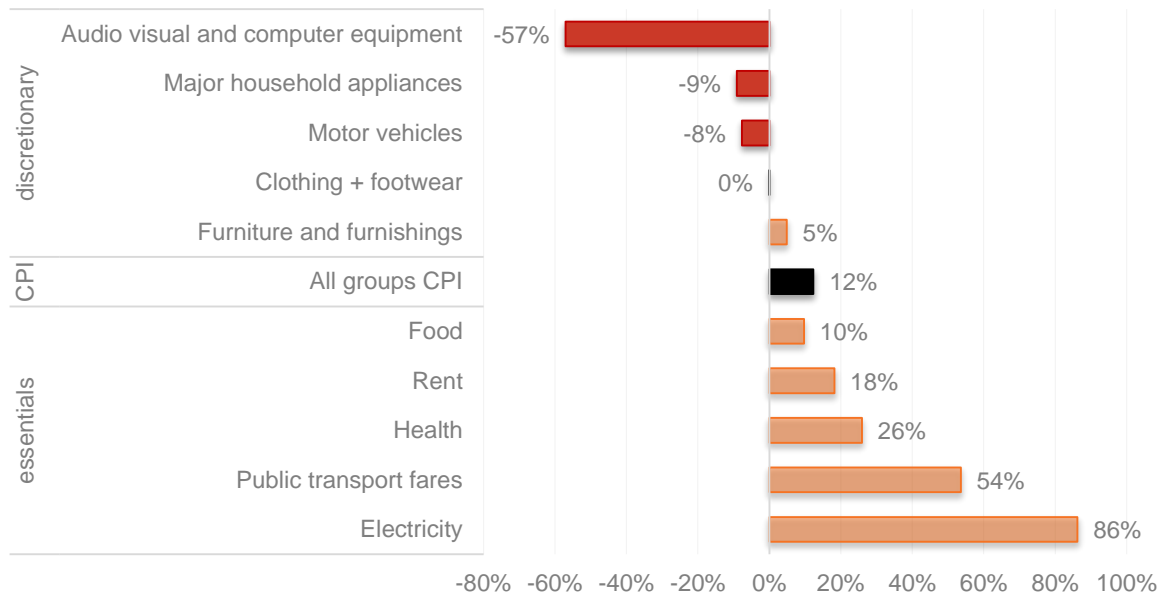
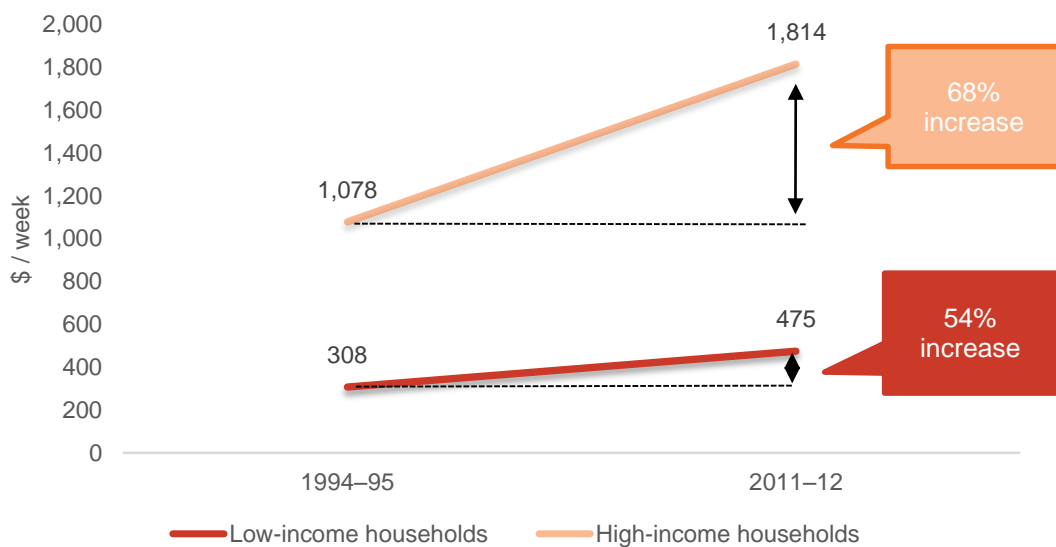


Figure 3: Average equivalised disposable household income, low-income households versus high-income households from 1994-95 to 2011-12<sup>iii</sup>



# Methodology

QCOSS has developed a method to examine whether low-income households in six regional centres in Queensland are able to meet a basic standard of living.

This report uses QCOSS' existing Cost of Living method to estimate if low-income households can meet a basic standard of living and applies this to six regional centres across Queensland.

- Brisbane
- Gold Coast
- Cairns
- Mount Isa
- Rockhampton
- Kingaroy

These sites were chosen to reflect a diversity of location types across Queensland.

Using the Cost of Living method, publicly available data is used to estimate the income and expenditure of three example households:

- a single-parent with two dependent children (Maria with John and Sarah)
- a single unemployed male (Trevor) and
- a two-parent family with two teenage children (Lee and Heather with Kyla and Tyson).

The method compares the income available to each household with the amount of money required to meet a basic standard of living.

To do this each example household type is given a consistent set of characteristics, including number of hours worked and pay rate, type of accommodation, transport options used, level of insurance and age of each family member (see Table 1 for more detail).<sup>iv</sup>

In some instances these assumptions have had to be adjusted if an essential good or

service is not available in particular location. In these instances a comparable good or service has been substituted to reflect the choice/s open to our example households (e.g. with a lack of public transport in Mount Isa and Kingaroy, alternatives have been used to ensure consistency across the sites).

To estimate expenditure, a list of items required for a basic standard of living has been established. This list is based on research undertaken to determine what the community believes to be the items that no-one in Australia should go without. In doing so, very conservative assumptions have been used for spending, acknowledging that households have at least some control over how much they spend on many items.

Many of the cost estimates are derived from the Australian Bureau of Statistics (ABS) Household Expenditure Survey (HES), which illustrates what households of different income levels actually spend. Costs are taken from the second income quintile of the HES and adjusted using the latest CPI data to reflect real changes in the cost of goods and services. Data is adjusted for household size. Where available, real expenditure data is used to calculate costs (e.g. for the cost of housing, electricity and public transport).<sup>v</sup>

Expenditure estimates are then adjusted for each of the six regional centres using data from a survey of retail prices conducted by the Queensland Government Statistician's Office (QGSO) in 2013<sup>vi</sup>.

Income estimates have been kept constant across each of the regional centres to better show the differences in costs, except where income is impacted (e.g. the rate of Commonwealth Rent Assistance is adjusted because it is directly related to the cost of housing).



Table 1: Assumptions for each example household type

Single-parent (Maria, John & Sarah)	Unemployed single person (Trevor)	Two-parent family (Lee, Heather, Kyla & Tyson)
<ul style="list-style-type: none"> <li>- 35 year old female with two children aged 7 and 8</li> <li>- Both children at school</li> <li>- Employed casually 25 hours a week for 39 weeks a year (minimum wage + 25% loading)</li> <li>- Income supplemented by government allowances and payments, including Parenting Payment (single), Commonwealth Rent Assistance, Family Tax Benefit, School Kids Bonus and Income Support Bonus</li> <li>- Eligible for Pensioner Concession Card</li> <li>- Rents a 2 bedroom apartment or 3 bedroom house (if cheaper)</li> <li>- Owns a car</li> <li>- Does not use public transport</li> </ul>	<ul style="list-style-type: none"> <li>- 45 year old male</li> <li>- Rents in a three bedroom share house with two other adults</li> <li>- Newstart Allowance as the primary source of income</li> <li>- Eligible for government allowances and payments, including Commonwealth Rent Assistance and Income Support Bonus</li> <li>- No car</li> <li>- Uses public transport three round trips per week (or alternative where not available)</li> </ul>	<ul style="list-style-type: none"> <li>- 42 and 40 years old with two children aged 12 and 14</li> <li>- Both children in school</li> <li>- One person is employed full time (at minimum wage +33%) and one person is employed part-time 16 hours per week (minimum wage +25%)</li> <li>- Eligible for government allowances and payments, including Commonwealth Rent Assistance and Family Tax Benefit</li> <li>- Rent a 3 bedroom house</li> <li>- Own a car</li> <li>- Use public transport five round trips per week (or alternative where not available)</li> </ul>



# How are our example households faring?

In comparing the income and expenditure of each of the three example households, we must stress that our concept of a basic standard of living is based on meagre estimates. The estimates cover only the lowest level of spending required to sustain a basic standard of living with limited opportunity for each household to improve their situation.

Table's 2, 3 and 4 show the estimated expenditure and income of each of the three example low-income households in the six regional centres. An estimate of the weekly surplus or shortfall for each example household for each regional centre is also provided and is presented in Figure's 4, 5 and 6.

## Single parent with two children

The ability of a single parent with two children to cover a basic standard of living fluctuates dramatically between the six locations.

It is estimated that in Mount Isa a single parent with two children would earn \$3 per week less than is required to meet a basic standard of living. The same single-parent household in the Gold Coast would earn \$1 less per week than is required.

## Unemployed single

The situation for an unemployed single person is difficult no matter where they live. None of the households earn enough to afford a basic standard of living. The situation is worst in Mount Isa and Kingaroy where the lack of affordable public transport increases

the cost of accessing basic goods and services.

In Mount Isa a unemployed single person would earn \$165 per week less than is required to meet a basic standard of living if they had a car. In Kingaroy they would be \$111 per week below a basic standard of living.

## Two-parent family with two children

While the situation is largely positive for the two-parent family with two children family in five of the six regional centres, the high cost of housing and the lack of public transport in Mount Isa make it difficult for this family.

The lack of public transport in Mount Isa means that the family would need to find an alternative. If, for example, the family was able to survive without purchasing an extra vehicle or using taxis to get around they could earn \$38 more than is required to meet a basic standard of living. If not, the cost of owning and operating a cheap second vehicle or using taxis would still leave them below what is required to meet a basic standard of living by \$33 and \$74 respectively.





Table 2: Income versus expenditure for low-income single-parent family in six regional centres, September 2014

	Brisbane	Gold Coast	Cairns	Mount Isa	Rockhampton	Kingaroy
<b>Expenses</b>						
Food and Drink	\$175	\$187	\$192	\$182	\$169	\$171
Clothing and footwear	\$27	\$28	\$28	\$26	\$27	\$25
Rent (including water)	\$310	\$295	\$245	\$385	\$240	\$190
Electricity	\$32	\$36	\$36	\$42	\$35	\$29
Household contents and other services	\$67	\$66	\$75	\$60	\$73	\$55
Health	\$32	\$32	\$32	\$32	\$32	\$32
Private motor vehicle	\$83	\$83	\$79	\$80	\$79	\$83
Automotive fuel	\$49	\$50	\$47	\$48	\$47	\$49
Public Transport	\$0	\$0	\$0	\$0	\$0	\$0
Phone/Internet	\$31	\$31	\$31	\$31	\$31	\$31
Recreation/Entertainment	\$61	\$66	\$58	\$66	\$64	\$60
Annual Holiday and Travel	\$19	\$21	\$18	\$21	\$20	\$19
Education and Training	\$31	\$31	\$31	\$31	\$31	\$31
Fees, Charges and Contents Insurance	\$9	\$9	\$9	\$8	\$8	\$7
Emergency savings	\$10	\$10	\$10	\$10	\$10	\$10
<b>Total Expenditure</b>	<b>\$936</b>	<b>\$945</b>	<b>\$891</b>	<b>\$1,022</b>	<b>\$866</b>	<b>\$792</b>
<b>Income</b>						
Casual work (9% super taken out)	\$384	\$384	\$384	\$384	\$384	\$384
Parenting Payment	\$244	\$244	\$244	\$244	\$244	\$244
Family Tax A (including supplements)	\$208	\$208	\$208	\$208	\$208	\$208
Family Tax B (including supplements)	\$60	\$60	\$60	\$60	\$60	\$60
Rent Assistance	\$75	\$75	\$75	\$75	\$75	\$75
Other income (School Kids Bonus, Clean Energy Supplement, Income Support Bonus)	\$26	\$26	\$26	\$26	\$26	\$26
Tax	(\$53)	(\$53)	(\$53)	(\$53)	(\$53)	(\$53)
<b>Total Income</b>	<b>\$944</b>	<b>\$944</b>	<b>\$944</b>	<b>\$944</b>	<b>\$944</b>	<b>\$944</b>
<b>Weekly Surplus / Shortfall</b>	<b>+\$8</b>	<b>-\$1</b>	<b>+\$53</b>	<b>-\$78</b>	<b>+\$78</b>	<b>+\$152</b>



Table 3: Income versus expenditure for unemployed single person in six regional centres, September 2014

	Brisbane	Gold Coast	Cairns	Mount Isa			Rock-hampton	Kingaroy		
Expenditure										
				No car	Car	Taxi		no car	Car	Taxi
Food and Drink	\$79	\$83	\$86	\$89	\$89	\$89	\$82	\$77	\$77	\$77
Clothing and footwear	\$11	\$11	\$11	\$10	\$10	\$10	\$11	\$10	\$10	\$10
Rent (including water)	\$110	\$105	\$90	\$140	\$140	\$140	\$85	\$70	\$70	\$70
Electricity	\$11	\$12	\$12	\$14	\$14	\$14	\$12	\$10	\$10	\$10
Household contents and other services	\$18	\$18	\$21	\$16	\$16	\$16	\$20	\$15	\$15	\$15
Health	\$13	\$13	\$13	\$13	\$13	\$13	\$13	\$13	\$13	\$13
Private motor vehicle	\$0	\$0	\$0	\$0	\$83	\$0	\$0	\$0	\$85	\$0
Automotive fuel	\$0	\$0	\$0	\$0	\$58	\$0	\$0	\$0	\$59	\$0
Public Transport	\$22	\$22	\$18	\$0	\$0	\$58	\$15	\$0	\$0	\$58
Phone/Internet	\$14	\$14	\$14	\$14	\$14	\$14	\$14	\$14	\$14	\$14
Recreation/ Entertainment	\$21	\$23	\$20	\$23	\$23	\$23	\$23	\$21	\$21	\$21
Annual Holiday and Travel	\$5	\$5	\$4	\$5	\$5	\$5	\$5	\$4	\$4	\$4
Education and Training	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Fees, Charges and Contents Insurance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Emergency savings	\$10	\$10	\$10	\$10	\$10	\$10	\$10	\$10	\$10	\$10
<b>Total Expenditure</b>	<b>\$314</b>	<b>\$316</b>	<b>\$299</b>	<b>\$334</b>	<b>\$475</b>	<b>\$392</b>	<b>\$290</b>	<b>\$244</b>	<b>\$388</b>	<b>\$302</b>
Income										
Newstart Allowance	\$258	\$258	\$258	\$258	\$258	\$258	\$258	\$258	\$258	\$258
Rent Assistance	\$40	\$36	\$26	\$43	\$43	\$43	\$21	\$10	\$10	\$10
Other Income	\$9	\$9	\$9	\$9	\$9	\$9	\$9	\$9	\$9	\$9
Tax	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total Income</b>	<b>\$307</b>	<b>\$303</b>	<b>\$293</b>	<b>\$310</b>	<b>\$310</b>	<b>\$310</b>	<b>\$288</b>	<b>\$277</b>	<b>\$277</b>	<b>\$277</b>
<b>Weekly Surplus / Shortfall</b>	<b>-\$7</b>	<b>-\$13</b>	<b>-\$6</b>	<b>-\$24</b>	<b>-\$165</b>	<b>-\$82</b>	<b>-\$2</b>	<b>+\$33</b>	<b>-\$111</b>	<b>-\$25</b>



Table 4: Income versus expenditure for low-income two-parent family in six regional centres, September 2014

	Brisbane	Gold Coast	Cairns	Mount Isa			Rockhampton	Kingaroy		
Expenditure										
				1 car	1 car + Taxi	2 cars		1 car	1 car + taxi	2 cars
Food and Drink	\$285	\$305	\$313	\$324	\$324	\$324	\$279	\$279	\$279	\$279
Clothing/ footwear	\$44	\$45	\$45	\$42	\$42	\$42	\$43	\$40	\$40	\$40
Rent (including water)	\$335	\$320	\$265	\$415	\$415	\$415	\$260	\$205	\$205	\$205
Electricity	\$39	\$43	\$43	\$50	\$50	\$50	\$41	\$34	\$34	\$34
Household contents and other services	\$73	\$71	\$81	\$65	\$65	\$65	\$79	\$59	\$59	\$59
Health	\$64	\$64	\$64	\$64	\$64	\$64	\$64	\$64	\$64	\$64
Private motor vehicle	\$85	\$86	\$81	\$83	\$83	\$125	\$81	\$85	\$85	\$128
Automotive fuel	\$59	\$60	\$56	\$58	\$58	\$87	\$56	\$59	\$59	\$89
Public Transport	\$44	\$44	\$23	\$0	\$112	\$0	\$23	\$0	\$112	\$0
Phone/Internet	\$41	\$41	\$41	\$41	\$41	\$41	\$41	\$41	\$41	\$41
Recreation/ Entertainment	\$80	\$86	\$76	\$86	\$86	\$86	\$84	\$78	\$78	\$78
Annual Holiday	\$25	\$27	\$24	\$27	\$27	\$27	\$27	\$25	\$25	\$25
Education/ Training	\$33	\$33	\$33	\$33	\$33	\$33	\$33	\$33	\$33	\$33
Fees, Charges and Contents Insurance	\$22	\$22	\$22	\$20	\$20	\$20	\$20	\$19	\$19	\$19
Emergency savings	\$10	\$10	\$10	\$10	\$10	\$10	\$10	\$10	\$10	\$10
<b>Total Expenditure</b>	<b>\$1,239</b>	<b>\$1,257</b>	<b>\$1,177</b>	<b>\$1,318</b>	<b>\$1,430</b>	<b>\$1,389</b>	<b>\$1,141</b>	<b>\$1,031</b>	<b>\$1,143</b>	<b>\$1,104</b>
Income										
Full time work - gross	\$827	\$827	\$827	\$827	\$827	\$827	\$827	\$827	\$827	\$827
Part time - gross	\$327	\$327	\$327	\$327	\$327	\$327	\$327	\$327	\$327	\$327
Family Tax A (including supplements)	\$210	\$210	\$210	\$210	\$210	\$210	\$210	\$210	\$210	\$210
Family Tax B (including supplements)	\$15	\$15	\$15	\$15	\$15	\$15	\$15	\$15	\$15	\$15
Rent Assistance	\$62	\$62	\$62	\$62	\$62	\$62	\$62	\$59	\$59	\$59
Other Income (School Kids Bonus)	\$33	\$33	\$33	\$33	\$33	\$33	\$33	\$33	\$33	\$33
Tax	(\$118)	(\$118)	(\$118)	(\$118)	(\$118)	(\$118)	(\$118)	(\$118)	(\$118)	(\$118)
<b>Total Income</b>	<b>\$1,356</b>	<b>\$1,356</b>	<b>\$1,356</b>	<b>\$1,356</b>	<b>\$1,356</b>	<b>\$1,356</b>	<b>\$1,356</b>	<b>\$1,353</b>	<b>\$1,353</b>	<b>\$1,353</b>
<b>Weekly Surplus / Shortfall</b>	<b>+\$117</b>	<b>+\$99</b>	<b>+\$179</b>	<b>+\$38</b>	<b>-\$74</b>	<b>-\$33</b>	<b>+\$215</b>	<b>+\$322</b>	<b>+\$210</b>	<b>+\$249</b>

Figure 4: Amount above or below a basic standard of living for a single-parent household in six regional centres, September 2014

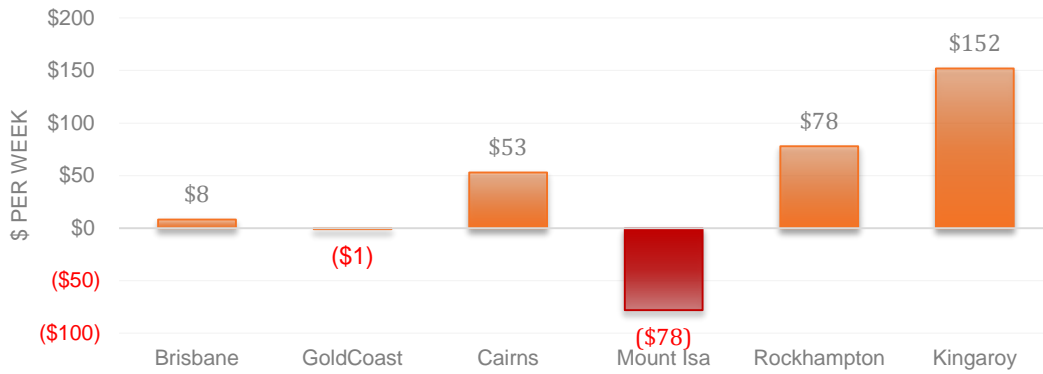


Figure 5: Amount above or below a basic standard of living for an unemployed single person in six regional centres, September 2014

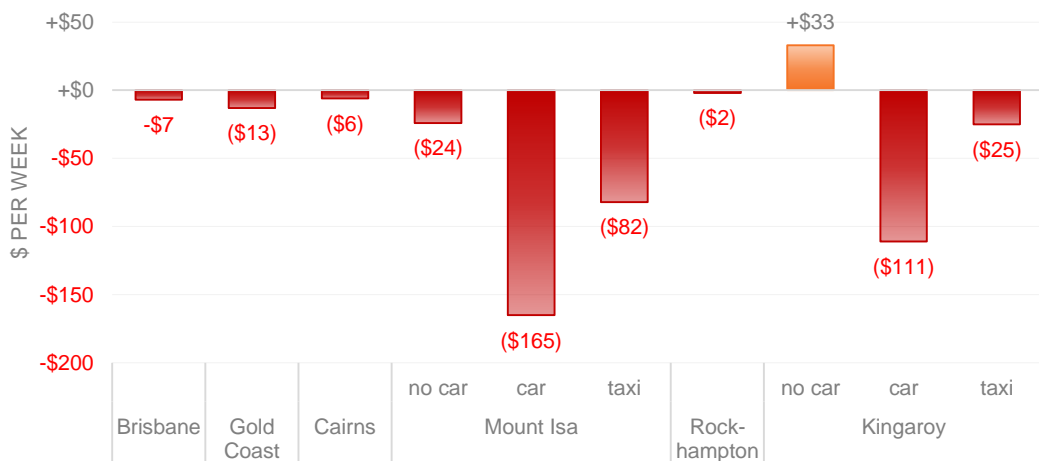
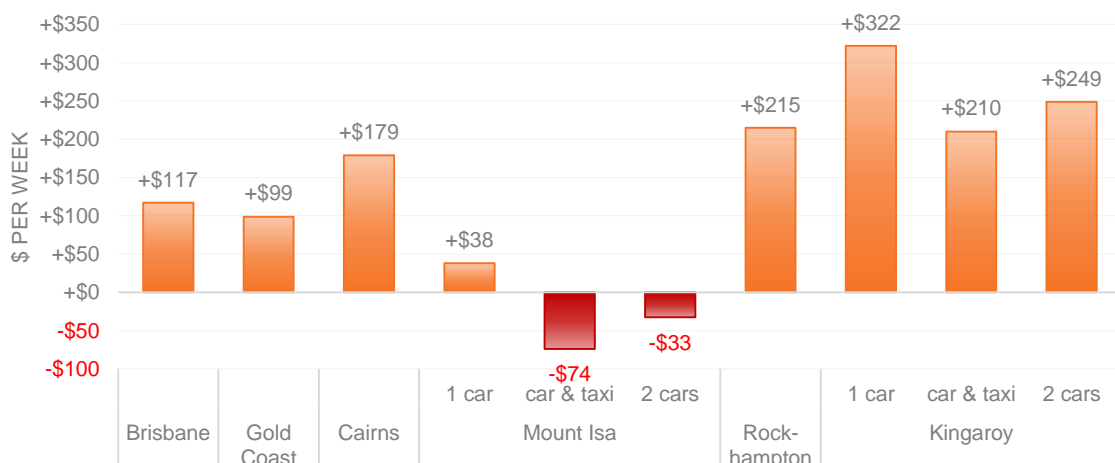


Figure 6: Amount above or below a basic standard of living for a two-parent household in six regional centres, September 2014



# Housing

One of the primary differences in expenditure across the six regional centres is the cost of housing. Differences in the availability of affordable housing impacts on the budget bottom line of the example households.

Households unable to afford to purchase their own home or access subsidised social housing rely on the private rental market to meet their needs for shelter and security. The private rental market can vary dramatically from place to place as a result of differences in the supply and demand for housing. The cost of housing has important implications for household spending. As a report from the Australian Housing and Urban Research Institute (AHURI) has noted, choices about household spending are often largely determined by three factors, two of which are housing related factors beyond a households control: the level of rents in an area, the level of income available to the household and the amount of assistance provided by housing assistance programmes<sup>vii</sup>. These three factors combined make a huge impact on the capacity of low-income households to meet a basic standard of living.

The cost of renting in the private rental market differs in each of the six regional centres. Figure 7 provides a summary of the estimated cost of housing across the six regional centres for each of the three example households. It highlights how the cost of housing is highest in Mount Isa and lowest in Kingaroy. The cost of renting is highest in areas such as Mount Isa, where competition for housing is high. According to the ABS Census the proportion of households that rent in Mount Isa in 2011 was 43.4 per cent compared to only 33.2 per cent across Queensland. There is also likely to be pressure on house prices due to a higher proportion of high income households living in Mount Isa.

A key indicator of affordability is the proportion of income spent on housing costs,

which differs across each of the six regional centres. Figure 8 shows the proportion of income spent on housing without Commonwealth Rent Assistance (CRA). As the graph demonstrates, the unemployed single person would pay as much as 52.4 per cent of income on housing costs in Mount Isa without CRA. It shows that the single-parent households in Mount Isa, Brisbane and the Gold Coast; the unemployed singles in Mount Isa, Brisbane, Gold Coast, Cairns and Rockhampton; and the two-parent household in Mount Isa would all be in housing stress if they did not receive CRA (because they spend more than 30 per cent of their income on housing).

Each of the example households have access to CRA to help meet the cost of renting in the private market. However, as Figure 9 shows, the number of the households which spend more than 30 per cent of their income on housing after receiving CRA is only marginally lower. Several of the single-parent households and more than half of the unemployed single people would be in housing stress across the six regional centres.

While CRA provides some assistance to low-income households, it is clear that the level of assistance provided by CRA does not reflect the differing cost of housing across the six regional centres. As it is shown in Figure 10, the level of assistance available to each household is not consistent as a proportion of the amount of rent paid. While households in some regions receive assistance at rates approaching 40 per cent of the cost of rent, others receive assistance that covers only 14 per cent of the cost of rent.



Figure 7: Estimated rent paid per week for three example low-income households in six regional centres, September 2014

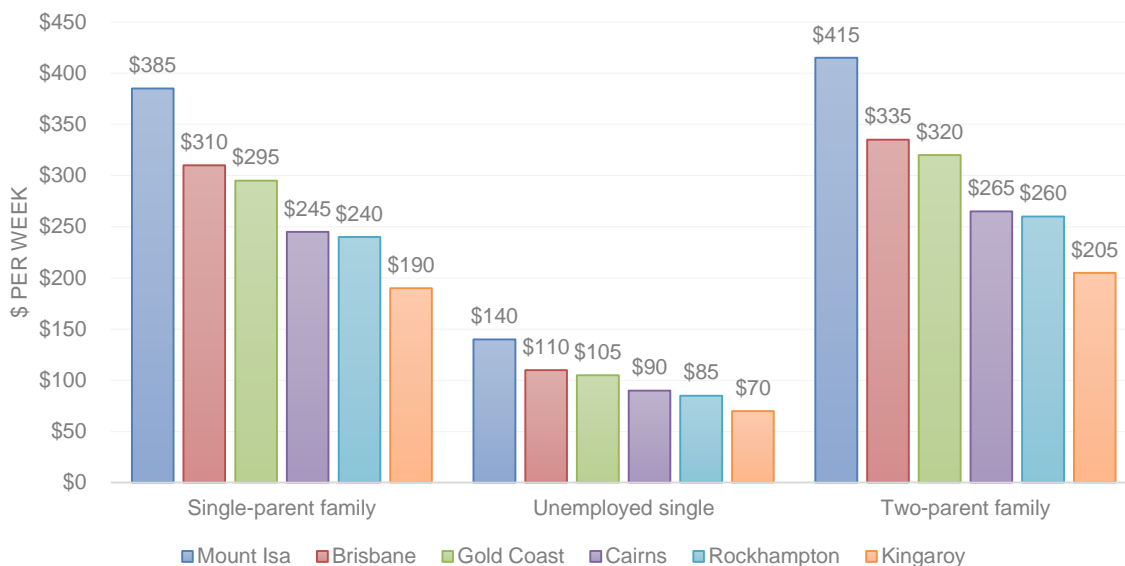


Figure 8: Rent as a proportion of total available income for three example low-income households in six regional centres (before Commonwealth Rent Assistance), September 2014

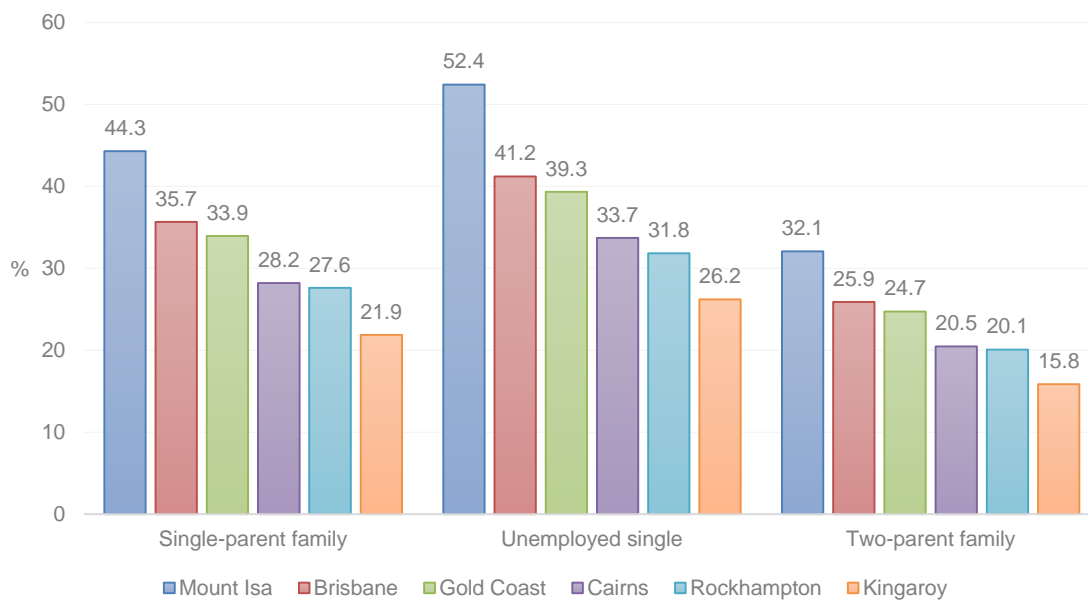




Figure 9: Rent as a proportion of total available income for three example low-income households in six regional centres (with Commonwealth Rent Assistance), September 2014

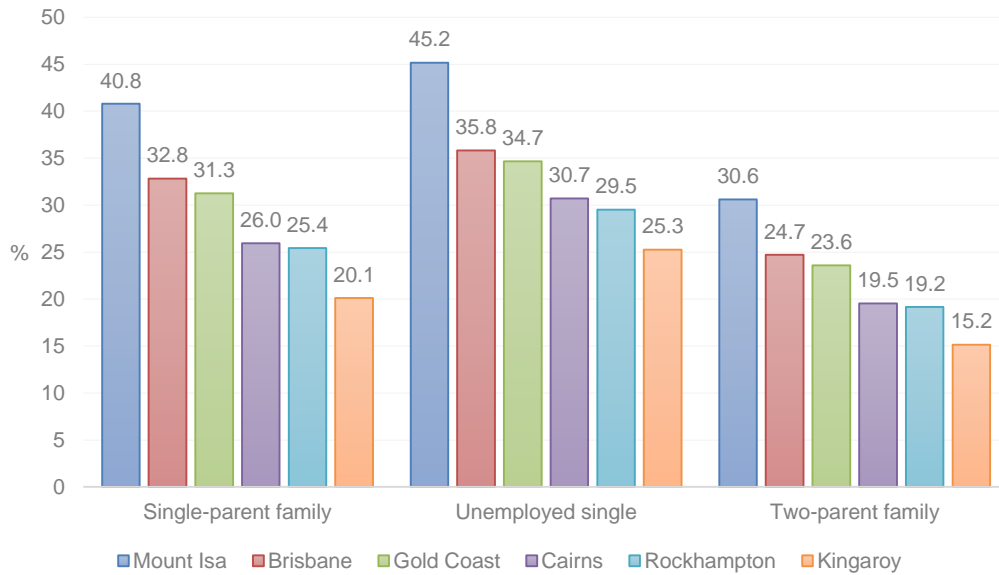
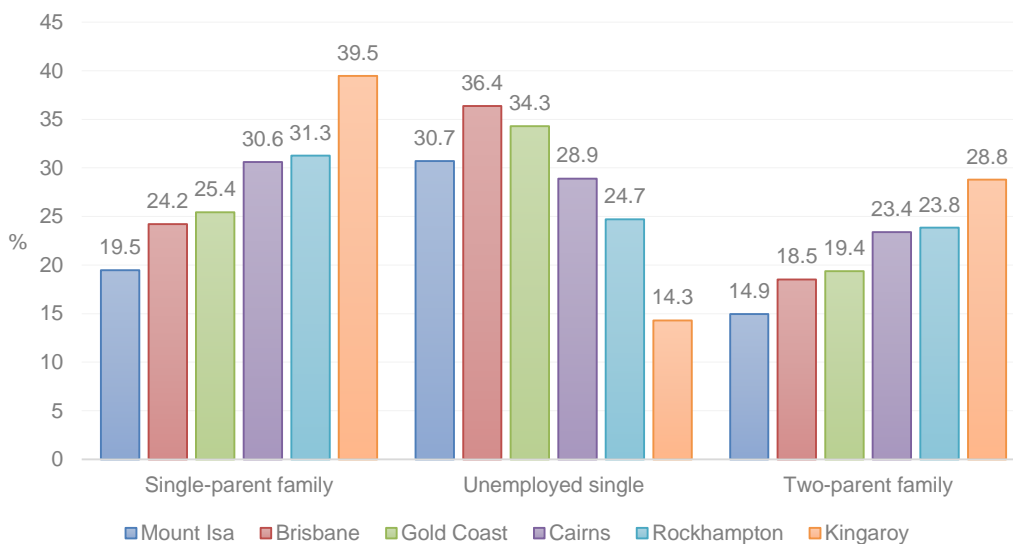


Figure 10: Commonwealth Rent Assistance as a proportion of rent for three example low-income households in six regional centres, September 2014





# Transport

A second key difference between the regional centres is the availability of public transport. Differences in the availability of transport impacts on the expenditure and budget bottom line of the example households in some of the regional centres.

As it is noted in this report, two of the six regional centres, Mount Isa and Kingaroy, do not have public transport facilities available. Given that both the single unemployed and the two-parent family rely on public transport to access work, attend interviews, access goods and services and access social activities, it is important to account for alternatives in estimating household expenditure to enable comparison across the six regions.

For the single unemployed in Mount Isa and Kingaroy there are several alternative transport options. These include owning a private motor vehicle, using a local taxi service or relying on friends, family, walking or cycling to access the goods and services required to support everyday wellbeing.

As it is shown in Table 3, the cost of owning and operating a private vehicle is largely unachievable for a single unemployed in both locations. While we acknowledge that a single unemployed may be able to use a cheaper option, such as a motorcycle, for the purpose of comparison we have used the same private vehicle assumptions as used for the single-parent and two-parent households in calculating the cost of owning and operating a private vehicle.

Similarly it is estimated that the use of local taxi services by a single unemployed in these two areas would also be prohibitive. This is based on similar estimates of the number of trips used for each of the single unemployed persons living in the four other regional centres where public transport is available.

Given the high cost of using a private vehicle and local taxi services, it is likely that our single unemployed would rely on family, friends and active transport modes such as walking and cycling to get around in Mount

Isa. Unfortunately, our single unemployed would still fail to meet a basic standard of living if they did so. The single unemployed in Kingaroy would also likely rely on family, friends and active transport modes, but could use a small number of taxi trips given that there are lower overall costs in Kingaroy.

While it is possible to do this, it is far from ideal, because it could pose significant barriers to gaining and maintaining employment. It may undermine the capacity of an individual to access interviews or to travel to work should they be able to secure employment, especially if that employment was located away from the town centre. People without a vehicle can be overlooked for employment simply because they are viewed as being less reliable by employers. The capacity of an individual to gain access to the capital required to purchase a vehicle would also depend on the quality of employment as it is more difficult to secure affordable forms of credit when employed part-time, especially with a poor credit or employment history.

It is important to also recognise that the estimates provided in this report are for households living within the largely urban surrounds of each of the six locations. No adjustment has been made to account for households who may live far away from regional centres. It is likely that this would increase the costs of transport for those relying on a private vehicle and result in serious mobility issues for those unable to afford a private vehicle. Unfortunately, it is beyond the scope of this report to estimate if people in this situation are able to meet a basic standard of living.



# Income

While this report uses set assumptions about income across each of the six regional centres to enable a comparison of costs, it is important to acknowledge that there are differing employment opportunities across the six regional centres.

While we assume that our single-parent household has access to a certain number of hours of work, which is held constant over each of the six regional centres for this report, this may not reflect the situation for many single parent households. It has been estimated, for example, that half of the children living in single parent households live in jobless households compared to only 4 per cent of children in two-parent households<sup>viii</sup>. These single parents may struggle to gain employment because they have to juggle the commitments of solo parenting with employment or because they lack the knowledge, skills and experience required to gain employment.

Given the difficulties facing single-parents in securing and maintaining employment this report calculates the impact on the budget bottom line of each of the single-parent household if they could not secure any part-time work and had to rely only on government allowances and payments.

As it is shown in Figure 11, each of the six single parent households would fail to meet a basic standard of living if they relied solely on the Parenting Payment. The single parent in Mount Isa faces the worst situation, earning some **\$324 per week less** than is required to meet a basic standard of living. While a single-parent household in Kingaroy would be better off due to the lower cost of living in this regional centre they would still earn **\$94 per week less** than is required to meet a basic standard of living.

The situation would be much worse if our single-parent household was impacted by changes to the eligibility rules for the Parenting Payment introduced in January 2013, which made single parents eligible only

for the Newstart Allowance payment when their children turn eight.

As Figure 12 shows, the budget position of our single-parent household under this scenario would be even worse. A single parent with two-children on Newstart Allowance in Mount Isa would have **\$379 per week less** than is required to meet a basic standard of living. Even in Kingaroy, where costs are considerably lower, a single-parent on Newstart would earn **\$149 per week less** than is required to meet a basic standard of living<sup>ix</sup>.

It should be acknowledged, though, that employment opportunities differ across each of the regional centres and that this can have an impact on whether a household can earn an income that meets a basic standard of living.

As Figure 13 shows, employment opportunities are not the same across the six locations. Unemployment rates are as low as 2.6 per cent in the Mount Isa Local Government Area (LGA), but as high as 8.5 per cent in the South Burnett LGA (where Kingaroy is situated).

While this report has shown that regional centres such as Kingaroy, Cairns and Rockhampton are relatively cheaper places to live compared to Mount Isa, the Gold Coast or Brisbane, employment options are greatly diminished in these regional centres. As such, it is more likely that a single-parent would face greater difficulty gaining and maintaining employment in these areas, impacting on their ability to meet basic living costs.



Figure 11: Amount above or below a basic standard of living for a single-parent household on Parenting Payment (Single) in six regional centres, September 2014

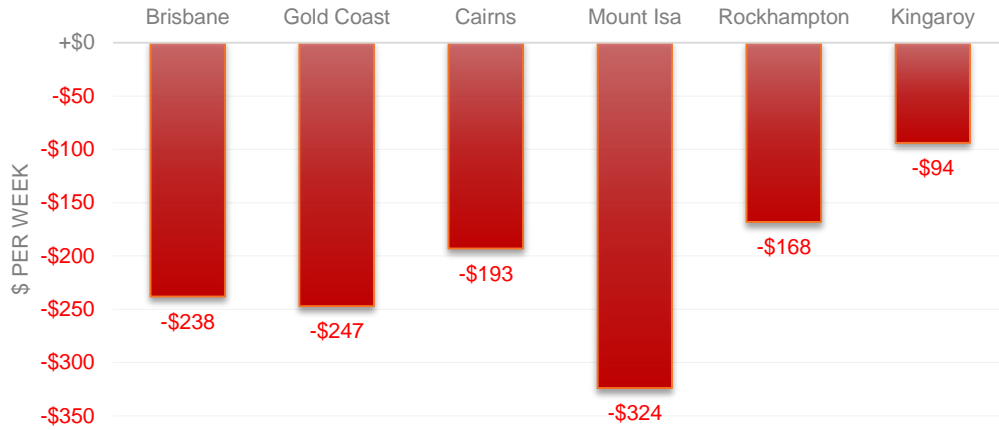


Figure 12: Amount above or below a basic standard of living for a single-parent household on Newstart Allowance in six regional centres, September 2014

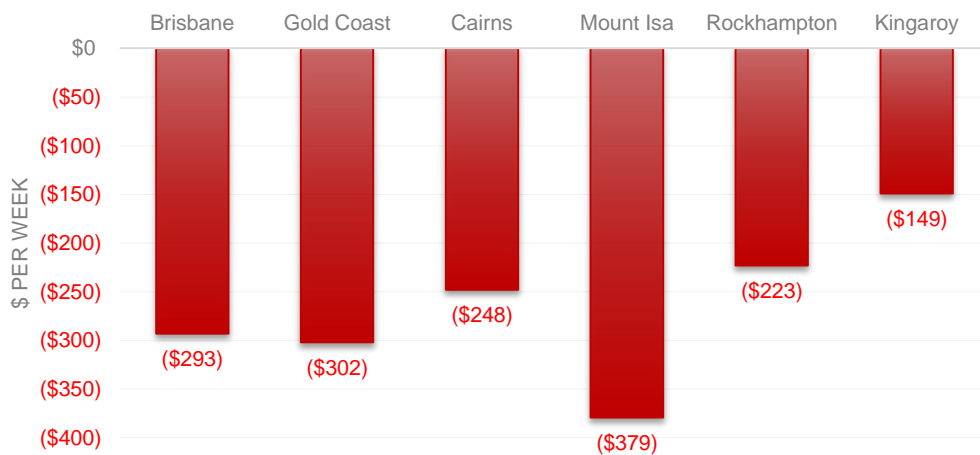
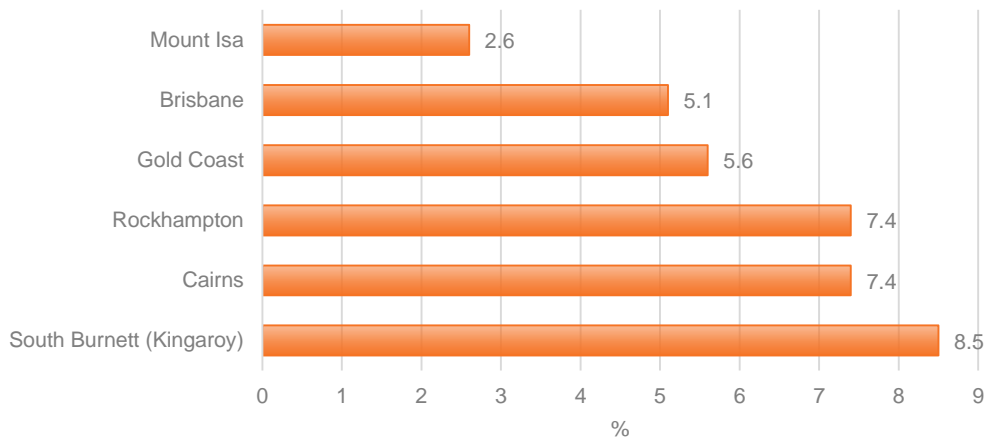


Figure 13: Unemployment rate by selected Local Government Area, June quarter 2014



# Recommendations to the Queensland Government

The current Queensland Government was elected on a platform which included as a priority addressing cost-of-living pressures. To this end, QCOSS recommends that work be undertaken to improve the safety net for low-income households.

We encourage the state government to:

**Work with the federal government to improve the supply of public, community and private housing, particularly in areas where housing costs are high.**

As housing is a major contributor to cost of living pressures across the regions it is important to find ways to reduce the cost of housing for people on low-incomes. This can be done by stimulating the construction of public and community housing for the most disadvantaged in the community. Aside from directly funding the construction of public housing, government can also stimulate private investment in the construction of affordable housing. One such mechanism is the National Rental Affordability Scheme (NRAS) which was highly successful in stimulating private investment in affordable housing, particularly in the community housing sector. This scheme should be reintroduced with incentives to encourage investment in affordable housing in regional areas outside of South East Queensland affected by supply and demand imbalances.

**Take the opportunity to re-set the concessions framework in Queensland by constituting a suitable independent body to comprehensively review the existing concessions system and publicly report the findings**

While we applaud the state government's recent decision to review electricity concessions, low-income households would benefit from a comprehensive public review of all concessions. Queensland has never had a comprehensive public review of concessions. Such a review is long overdue.

QCOSS believes an independent or bipartisan body should conduct the review. An independent body could critically assess the current situation and suggest solutions. The questions that the review might consider making recommendations on include:

- Is the current framework effective at reducing cost of living pressure?
- Are concessions targeted to those most in need?
- Would some concessions be more effective with a different design?
- Is there a better way to deliver concessions and can it be done more effectively and efficiently?



# Recommendations to the Australian Government

It is important that the new federal government take the opportunity to target policies to support households and families on low-incomes in line with the election commitment to ease cost-of-living pressures.

We recommend that the Australian Government:

## **Raise the Newstart Allowance by \$50 per week and index future payments to wages rather than CPI**

As this report shows unemployed individuals, families and children relying on the Newstart Allowance do not receive an adequate level of income to meet even a most basic standard of living. This not only deprives people who are least likely to gain employment with the means for survival, but risks entrenching long term intergenerational poverty.<sup>x</sup> Raising the Newstart Allowance to an adequate level and indexing any future increases to wages rather than CPI would lift a significant number of people out of poverty, many of them children.

## **Reinstate eligibility for single parents to the Parenting Payment to ensure that children and families are not moved into poverty**

As this report has shown single parents whose youngest child turn eight are at risk of failing to meet the costs of basic standard of living if they are forced onto the Newstart Allowance. This situation is particularly grim with no supplementary income from paid employment. Single parents with low levels of education, skills or experience are at particular risk in regional areas where high unemployment makes it difficult to secure and maintain adequate employment.

## **Improve the targeting of housing assistance through the Commonwealth Rent Assistance (CRA) program**

This analysis confirms the importance of Commonwealth Rent Assistance as a housing assistance program but also affirms the problematic nature of the scheme. As noted by AHURI, Commonwealth Rent Assistance is not responsive to variations in the amounts of rent being paid in different regions<sup>xi</sup>. According to AHURI, the current scheme does not recognise the extra housing costs of income support recipients in regional areas and requires adjustment to account for these differences. As it has been recommended by AHURI and also by the Henry Tax review, one means of improving the effectiveness of Commonwealth Rent Assistance is to increase the maximum rate available to ensure that those living in areas with higher rents will have adequate assistance to meet housing costs.

## **Work with the Queensland and other state governments to improve the supply of public, community and private housing, particularly in areas where housing costs are high.**

The federal government should work with state government to ensure the coordinated supply of affordable housing for low-income households. As noted earlier, this can be done through direct investment in the construction of public housing for the most disadvantaged in the community and by reinstating the National Rental Affordability Scheme to ensure ongoing private investment in the construction of affordable housing.

## Endnotes

- <sup>i</sup> Australian Bureau of Statistics 2013. *Australian Health Survey: Users' Guide 2011-13* cat no. 4363.0.55.001 <http://www.abs.gov.au/ausstats/abs@.nsf/Lookup/4363.0.55.001Appendix502011-13>
- <sup>ii</sup> Australian Bureau of Statistics 2011. *Household Expenditure Survey, Australia: Summary of Results, 2009-10* cat. no. 6530.0 Australia Data Tables 2009-10 (Table 5) <http://www.abs.gov.au/ausstats/abs@.nsf/mf/6530.0/>
- <sup>iii</sup> Australian Bureau of Statistics 2013. *Household Income and Income Distribution, Australia, 2011-12* cat. no. 6523.0 Household Income and Income Distribution, Australia, 2011-12 (Table 1) <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6523.02011-12?OpenDocument>
- <sup>iv</sup> The Centrelink Online Estimator was used to estimate government support payments as at October 2013 (after payment rates changed in September 2013). The main inputs for the Estimator were rent (see cost estimates) and additional income. **Unemployed person.** Assumed to have no additional income or savings, with rent calculated by method outlined above. **Single-parent family.** Assumed to work casually at minimum wage (minimum wage + casual loading of 25%), for 25 hours a week for 39 weeks (not working over school holidays). Average weekly hours =  $(25 \times 39) / 52 = 18.75$ . Tax calculated from ATO Weekly Tax Tables. Age of two children is set seven and eight years old. Children assumed as living full time with single parent. No child support. 0 working credits. \$0 in savings. **Two-parent family.** The full time parent was assumed to work 38 hours per week at a rate 33% above the minimum wage (minimum wage \* 1.33). The part time parent was assumed to work on a permanent part time basis an average 16 hours per week at minimum wage + 25%. This allows for additional time off during school holidays, and both parents also accrue holiday leave. Tax calculated from ATO Weekly Tax Tables. It was assumed that some income could be saved over time (\$1,000 in cash), with interest at \$52 per year or \$1 per week. Ages for two children set at 11 and 13 years old.
- <sup>v</sup> All cost estimates rounded to nearest dollar. A year based on 26 fortnights, 52 weeks, or 365 days. **Emergency savings.** Assumed to be \$500 per year/\$9.62 per week for a household. Rounded to \$10 per week. **Rent.** Assumption about suitable dwelling type - 3BR house for working family and the unemployed person (paying 1/3 share of costs) and cheapest 2 BR apartment or 3BR house for single parent. Cost estimate uses weighted average of the lowest 300 median rents for that dwelling type from the list of postcodes in the Brisbane City area in the Residential Tenancies Authority database. Adjusted for each regional centre using the "Prices across Queensland" index. **Electricity.** Regulated prices from QCA. Single-parent household receives annual electricity rebate of \$282.54/year. Average household use for each region centre calculated from <https://www.energymadeeasy.gov.au/bill-benchmark>. adjusted to 85% to account for low-income. **Transport.** Unemployed single - Assume unemployed person takes three off-peak round trips per week on public transport (adult off peak one round trip is four zone and two trips are two zone). Single parent household - assume uses a car (vehicle and fuel costs based on HES) and eligible for 50% rebate on registration costs. Two-parent household - assume uses a car (vehicle and fuel costs based on HES) and public transport (adult peak five round trips per week). Vehicle and fuel costs are assumed to be the same across the six locations but adjusted by the "Prices across Queensland" index. Comparable travel distances are used in regional centres to estimate public transport costs. **Other estimates.** Based on spending by the second income quintile in the 2009/10 HES survey. Queensland data is used where possible (QLD), but Australia-wide data is used for disaggregated items (AUS). The \$ amount from the HES is adjusted by the relevant CPI component inflator for Brisbane. Adjustments are made to account for differences in household size.
- <sup>vi</sup> Queensland Government Statistician's Office 2013. Prices across Queensland: how they compare: Index of retail prices in Queensland regional centres 2013. Queensland Treasury and Trade <http://www.qgso.qld.gov.au/products/reports/index-retail-prices-qld-reg-centres/index-retail-prices-qld-reg-centres-2013.pdf>
- <sup>vii</sup> Melhuish, T., King, A. & Taylor, E. 2004. *The regional impact of Commonwealth Rent Assistance* AHURI Final Report No. 71
- <sup>viii</sup> Baxter, J., Gray, M., Hand, K. & Hayes, A. 2012. *Parental joblessness, financial disadvantage and the wellbeing of parents and children.* Australian Institute of Family Studies, Occasional Paper no. 48. [https://www.dss.gov.au/sites/default/files/documents/03\\_2013/occasional\\_paper\\_48\\_-\\_final\\_lower\\_res\\_for\\_web.pdf](https://www.dss.gov.au/sites/default/files/documents/03_2013/occasional_paper_48_-_final_lower_res_for_web.pdf)
- <sup>ix</sup> Changing eligibility for the Parenting Payment would not only reduce the amount of direct income from government allowances but also remove eligibility to the Pensioner Concession Card. This would mean our single-parent would no longer be able to claim the Electricity Rebate or the annual concession for car registration offered by the state government.
- <sup>x</sup> Business Council of Australia 2012. *Submission to the Senate Inquiry into the Adequacy of the Allowance Payment System for Jobseekers and Others.* <http://www.bca.com.au/Content/102011.aspx>
- <sup>xi</sup> Melhuish, T., King, A. & Taylor, E. 2004. *The regional impact of Commonwealth Rent Assistance* AHURI Final Report No. 71