COST OF LIVING REPORT

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Tracking changes in the cost of living, particularly for vulnerable and disadvantaged Northern Territorians: CPI & SLCI Update

Northern Territory Council of Social Service

NTCOSS

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About NTCOSS

The Northern Territory Council of Social Service (NTCOSS) is a peak body for the Social and Community Sector in the NT and an advocate for social justice on behalf of people and communities in the NT, who may be affected by poverty and disadvantage.

NTCOSS is a member of the nationwide Councils of Social Service (COSS) network, made up of each of the state and territory Councils and the national body, the Australian Council of Social Service (ACOSS). The membership of NTCOSS includes community based, not for profit service providers in the social welfare area such as consumer groups, indigenous and mainstream organisations and interested individuals.

NTCOSS' vision is for

"A fair, inclusive and sustainable Northern Territory where all individuals and communities can participate in and benefit from all aspects of social, cultural and economic life."

NTCOSS' mission is

"To promote an awareness and understanding of social issues throughout the NT community and to strive towards the development of an equitable and just society."

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INTRODUCTION

This report examines changes in the cost of living over the past quarter and the past year in the Northern Territory, with a particular focus on cost of living pressures for vulnerable and disadvantaged Territorians.

This report focuses on changes in the CPI for Darwin across a range of key expenditure areas over the past year. It is important to note that CPI figures only reflect trends for capital cities and Australia as a whole, and cannot tell us about trends in price movement for states and territories, nor for regional areas.

While it is important to look at the movement in the generic 'All Groups' CPI figures, expenditure on the basic essentials makes up the majority of, or even all of, the expenditure items for low income households. It is the price increases in those areas that will have a greater negative impact on some households, and it is these areas that are the focus for NTCOSS in its Cost of Living Reports.

The report also examines the Selected Living Cost Index (SLCI), which is calculated for particular household types, and is done for the country as a whole. The report examines the SLCI figures in the context of income support payment to determine if they are keeping pace with rising living costs.

The methodology used for the SLCI is different to that used for the CPI (see also Explanatory Note 1). The Living Cost Indexes (LCIs) have been designed to answer the question: 'By how much would after tax money incomes need to change to allow households to purchase the same quantity of consumer goods and services that they purchased in the base period?' (ABS[1] 2017a). The SLCI's are preferred, as a summary measure, over the more well-known CPI, because the CPI is technically not a cost of living measure, as it tracks changes in the price of a specific basket of goods. However, this basket includes goods and services that are not necessarily part of the expenditure of all households - in particular for many low income households (SACOSS 2014, p.4).

[1] Throughout the report the Australian Bureau of Statistics is referred to by its well known abbreviation (ABS).

Price Movement in Goods and Services - Impact on Low income Households

Table 1a: Changes in CPI (All groups) over past year (ending March 2017) Darwin vs National Figures

Darwin	↓ 0.1%	vs Australia	↑ 0.5%	(in last quarter - to March 2017)
Darwin	↑ 0.5%	vs Australia	↑ 2.1%	(over past year - to March 2017)

Source: ABS 2017d Data 5,6 and ABS 2017e Data 5, 6

Table 1b: Movement in CPI categories: Darwin vs National over the past year (to March 2017)

Increases in Darwin over past 12 months			
Automotive Fuel	↑ 14.2%	vs Australia	↑ 16.2%
Vegetables	↑ 12.1%	vs Australia	↑ 13.1%
Fruit	↑ 10.7%	vs Australia	↑ 12.2%
Medical / Hospital Services	↑ 5.9%	vs Australia	↑ 5.4%
Alcohol / Tobacco	↑ 5.7%	vs Australia	↑ 6.1%
Health	↑ 3.7%	vs Australia	↑ 3.8%
Insurance	↑ 1.5%	vs Australia	↑ 6.8%
Education	↑ 2.7%	vs Austalia	↑ 3.3%

Decrease in Darwin over past 12 months			
Rents	↓ 7.4%	vs Australia	↑ 0.6%
Gas/Other Household Fuels	↓ 7.3%	vs Australia	↑ 2.7%
Telecommunication/Equipment Services	↓ 5.1%	vs Australia	↓ 5.2%
Housing	↓ 2.1%	vs Australia	↑ 2.5%
Utilities	↓ 0.1%	vs Australia	↑ 4.3%

Source: ABS 2017e Data 4, 5, 6

Table 1c: Significant changes in CPI categories Darwin vs National over past quarter (to March 2017)

Increases in Darwin over past 3 months			Decreases in Darwin over past 3 months		
Automotive Fuel			Fruit		
↑ 10.2%	vs Australia	↑ 5.7%	↓ 10.2%	vs Australia	↓ 6.7%
Education			Rents		
↑ 2.7%	vs Australia	↑ 3.1%	↓ 1.4%	vs Australia	↑ 0.1%

Source: ABS 2017d Data 4, 5, 6

Note major CPI categories are displayed in bold; with the sub-categories not in bold. See Appendix A for list of all CPI Categories, showing price movement in the NT and Australia for the past quarter and past year

Comment: Petrol prices up again, and other price rises

Darwin has again seen low growth in the overall CPI over the past 12 months (0.5%) and well under the national rate of growth (2.1%) (see Table 1a), however not all Territorian households are enjoying the benefits. It is important to take into consideration that the CPI-All Groups figure represents an average figure, which is affected by changes both up and down amongst the 11 major CPI sub-categories which together contribute to the overall CPI-All Groups figure. In the past year there have been some large price rises within particular sub categories of the 11 CPI categories, which particularly impact on low income Territorians.

As Table 1b and 1c highlight, the price of automotive fuel has risen dramatically over the last quarter (10.2%) and over the past year (14.2%). This is a significant increase in cost of living for motorists, which puts further pressure on low income households both in Darwin and across the NT (where fuel prices are generally higher). These price rises come after a sustained period of much lower fuel prices. Between June Quarter 2014-September Quarter 2016, fuel prices dropped dramatically (the price dropped or stayed the same in eight out of the ten quarters in this period) (ABS 2017d, Data 5). The recent price increases will have come as somewhat as a shock for Territory motorists.

In this context, NTCOSS welcomes the establishment by the NT Government of a "Territory-wide mandatory retail fuel price reporting scheme (MyFuel NT)", which "aims to empower consumers through increased transparency of fuel information and encourage greater competition in the Territory fuel market" (NT Government 2017). Monitoring the price of fuel in remote parts of the Territory will be critical. NTCOSS has highlighted for some time the huge disparity between fuel prices in major centres and remote areas of the NT; in some

communities customers have been paying up to twice the price paid for fuel by motorists in Darwin and Katherine (NTCOSS 2016, P.21).

Other sizeable increases in CPI over the past year occurred in the price of vegetables (12.1%) and fruit (10.7%), with food overall increasing by 2.1%. In addition, the CPI for health increased by 3.7%, largely driven by a 5.9% increase in the cost of medical and hospital service (see Table 1b).

Where price rises occur for key expenditure items such as fuel, health services and food, it is likely a greater impact on the cost of living will be felt for low income and disadvantaged households, as expenditure on these items represents a greater proportion of weekly income.

There has been a decrease in price in some key expenditure areas – rent (down 7.4%), gas and other household fuels (down 7.3%), and telecommunications (down 5.1%) (see Table 1b), but these figures only tell part of the story. NTCOSS has highlighted over many years that the NT has some of the highest rent prices in Australia, compared with other jurisdictions. While they have dipped recently, rental prices are still high, and continue to place great strain on many lower income households.

With regards to telecommunications & equipment services, prices have been steadily dropping in every quarter for the past three years – but at the same time there has been an increase in usage of telecommunication services, with more data being consumed, and data download volumes increasing by 52% over the past year (ACCC 2017, p.1). As an example, while prices for mobile phone services decreased by 1.8% on average over the past year (ACCC 2017, p.96), data inclusions on mobile plans increased by a third (ACCC 2017, p.1). This means while prices have dropped, expenditure may have actually risen, due to an increase in the usage of services.

Selected Living Cost Index (SLCI) for Income Support Recipients

An examination of price movement for goods and services purchased by low income households is important for determining how well Australia's income support system is doing in terms of helping people to keep up with rising living costs.

The ABS Selected Living Cost Index (SLCI) measures the cost of various baskets of goods which are specific to a number of different household types – including "Age Pension", "Other Government Transfer Recipient" households, "Employee" households and "Self-funded retirees" (ABS 2017a). Other government transfer recipient households includes "households whose principal source of income is a government pension or benefit other

than the Age Pension or veterans affairs pension", e.g. Newstart or Youth Allowance (ABS 2017c).

NTCOSS is specifically focused on the cost of baskets which apply to "Age Pension" and "Other Government Transfer Recipient" households, given that it is these households which are more likely to be representative of low income and disadvantaged households. Comparisons are also made with expenditure for both Employee households and Self-Funded Retiree households. This is to get a sense of the change in the rate of changes in costs of living for low income households vs. higher income households.

Movement in the Selected Living Cost Index (SLCI) (March 2016 – March 2017) Darwin vs National figures

Table 2: Changes in SLCI figures over the past year (to March 2017)

National CPI all groups	↑	2.1%	
SLCI for Age Pensioners	↑	2.4%	which is above CPI increase
SLCI for Other Government Transfer Recipients	↑	2.5%	which is above CPI increase
SLCI for Employee Households	↑	1.5%	which is below CPI increase
SLCI for Self-funded Retirees	↑	2.0%	which is below CPI increase

Source: SLCI Figures taken from ABS 2016a and CPI figures taken from ABS 2017d Data 6

Table 2a: Changes in SLCI figures over the past quarter (to March 2017)

National CPI all groups	↑	0.5%	
SLCI for Age Pensioners	↑	0.8%	which is above CPI increase
SLCI for Other Government Transfer Recipients	↑	0.6%	which is above CPI increase
SLCI for Employee Households	↑	0.5%	which is same as CPI increase
SLCI for Self-funded Retirees	↑	0.2%	which is below CPI increase

Source: SLCI Figures taken from ABS 2017a and CPI figures taken from ABS 2017e Data 6

Contributing Factors to the changes in the SLCI Figures in the last quarter (Jan-March 2017)

Other Government Transfer Recipients Households (+0.6% Increase)

Contributors to the rise in SLCI

Health (+7.4%) was the major contributor to this rise, and this was a result of the increase in pharmaceutical products. "The rise in pharmaceutical products is mainly due to the cyclical reduction in the proportion of patients who qualify for subsidies under the Pharmaceuticals Benefit Scheme (PBS) as well as the co-payment indexation for PBS at the start of each calendar year" (ABS 2017b).

Transport (+1.9%) was another contributed to the rise, and this was driven by the increase in the price of automotive fuel, "due to a rise in world oil prices" (ABS 2017b).

Contributors to the offsetting movement

Clothing and footwear (-2.2%) provided the most significant offsetting movement, "driven by garments for men and women', with the falls "due to post Christmas specials" (ABS 2017b).

NB: The SLCI "for other government transfer recipient households recorded a larger rise than the CPI (+0.5%) this quarter. Other government recipient households have a higher expenditure on health, which rose this quarter, when compared to the CPI populations" (ABS 2017b).

Age Pensioner Households (+0.8% increase)

Contributors to the rise in SLCI

Health (+5.8%) contributed most to the rise, as per above.

Housing (+1.0%) contributed to the rise, as a result of increases in the price of electricity, "due to increases in wholesale costs" (ABS 2017b).

Contributors to the offsetting movement

Furnishing and household equipment and services (-1.0%) helped offset the rises, "driven by furniture and household textiles. Falls are due to post Christmas specials" (ABS 2017b).

NB: The SLCI "for age pensioner households recorded a larger rise than the CPI (+0.5%) this quarter. Age pensioner households have a higher expenditure on health, which rose this quarter, when compared to the CPI population. (ABS 2017b).

Employee Households (+0.5% Increase)

Contributors to the rise in SLCI

Transport (+1.6%) contributed to the rise, as per above

Insurance and financial services (+1.4%) also contributed to the rise, "driven by mortgage interest charges, which is not included in the CPI" (ABS 2017b).

Contributors to the offsetting movement

Furnishing and household equipment and services (-0.9%) partially offset the rises as a result of falls in the price of furniture "due to post Christmas specials" (ABS 2017b).

Self-Funded Retiree Households (+0.2% Increase)

Contributors to the rise in SLCI

Health (+2.2%) was the main contributor to the rise, as per above.

Transport (+1.6%) also contributed to the rise, as per above.

Contributors to the offsetting movement

Recreation and culture (-0.8%) contributed the most significant offsetting movement, which was "driven by international holiday travel and accommodation. The fall in international holiday travel and accommodation is due to the winter off-peak seasons in Europe and America" (ABS 2017b).

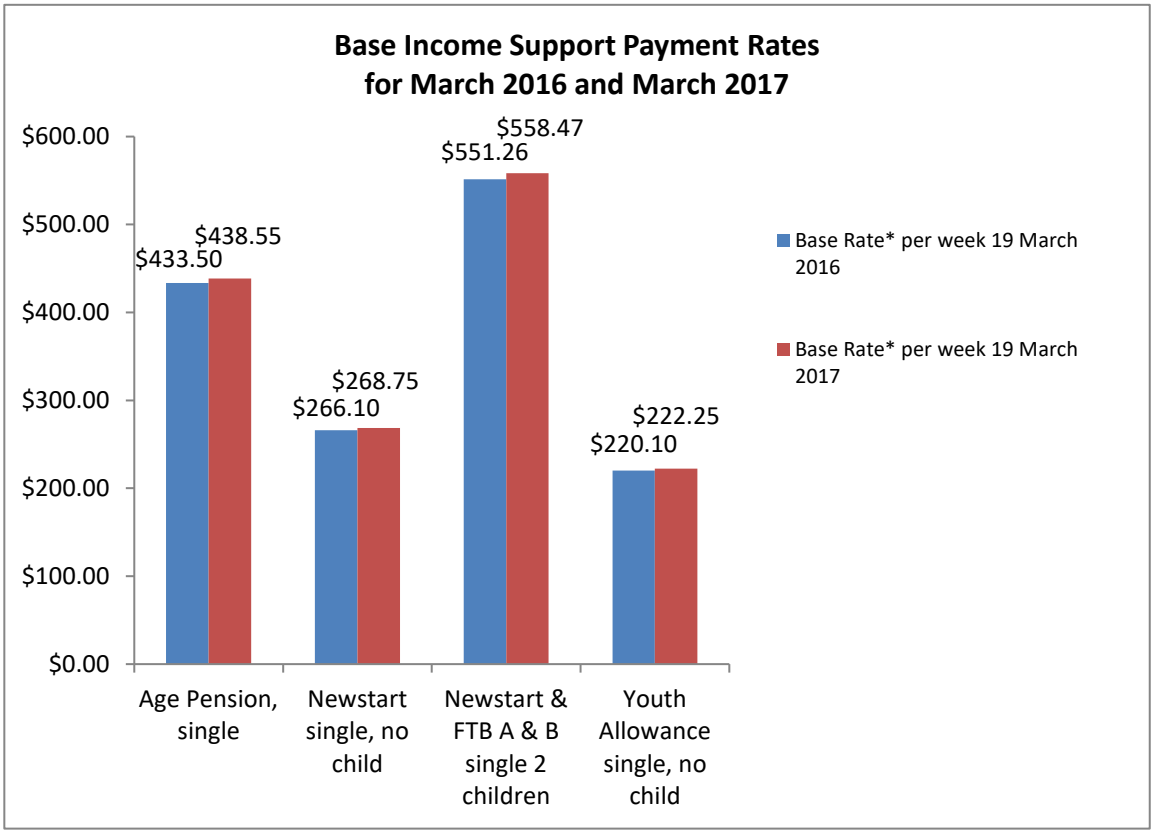
NB: The SLCI "for self–funded retiree households recorded a smaller rise than the CPI (+0.5%) this quarter. Self-funded retiree households have a higher expenditure on recreation and culture, which fell this quarter, when compared to the CPI population" (ABS 2017b).

How well are income support payments keeping up with Cost of Living changes?

Where an income support payment is someone's sole source of income, being able to regularly save a substantial amount of the weekly payment is not an easy task. In Figure 1 below, the dollar value of changes in cost of living over the past year has been calculated for someone who is on the base level of payments, and assuming that they spend all their income.

Figure 2 shows that the **income support payments highlighted have not kept up with rising living costs over the past year** – with the lag being significant for all household types – but especially Newstart recipients with children.

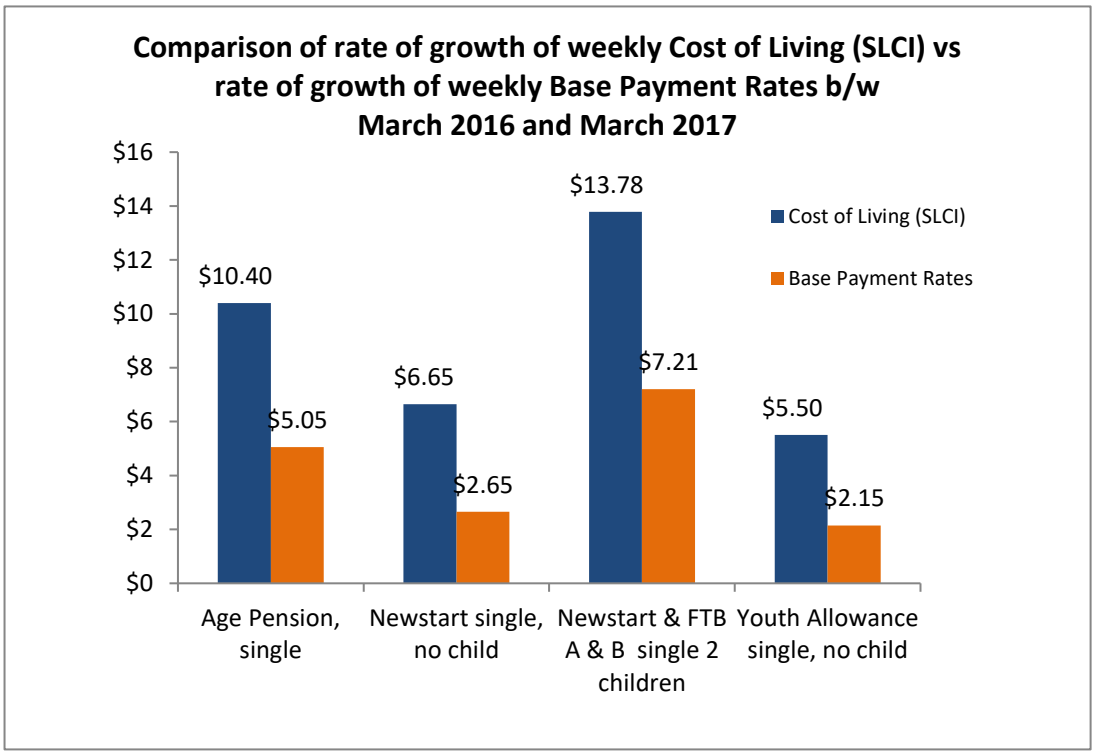
Figure 1: Comparison of selected Income Support Payments rates as at March 2016 and March 2017



Sources: Centrelink 2016 p. 2, 5, 13, 24, 26, 32, 37, 38 & Centrelink 2017, p. 2, 5, 13, 25, 27, 32, 33, 38, 39
See Explanatory Note 4 for information on the calculations for each payment type used in Figures 1 and 2.

NB: For simplicity, Rent Assistance as well as some supplements are not included in Figure 1, as they can vary from person to person

Figure 2: Growth in Selected Income Support Payment rates vs Cost of Living (SLCI) over the past year (ending March 2017)



Sources: Centrelink 2016 p. 2, 5, 13, 24, 26, 32, 37, 38 & Centrelink 2017 p. 2, 5, 13, 25, 27, 32, 33, 38, 39 ; ABS 2017a. Note: The rate of growth of the SLCI is calculated by multiplying the March 2016 base payment rate by the percentage increase in the SLCI over the past year for the relevant payment type

The rise in cost of living for single Pensioners has outstripped the rise in payments by $5.35 per week over the past year. For single Newstart (single) recipients without children, the rise in the cost of living has outstripped the rise in payments by $4.00 per week. For single Newstart recipients with two children, the difference was $6.57 per week. For single Youth Allowance recipients the rise in the cost of living has outstripped the rise in payments by $3.35 per week over the past year.

For recipients of Newstart and Youth Allowance, the lag is of particular concern, given that they have an existing **inadequate base rate of payment** (if it is the sole payment received). *It is therefore critical that the Commonwealth Government addresses the low rate of base payments for these recipients.*

Living on $222.25 per week on Youth Allowance or $268.75 on Newstart means there is very little room for affording discretionary or luxury expenditure items. Housing, food, transport, health and utilities bills all have to be squeezed into a very small payment which, as at March 2017, is around $400-$450 under the minimum wage of $672.70 per week (Fair Work Commission, 2016. Where there are unexpected bills like medical bills or a larger than expected electricity bill, some other essential items might have to be forgone (e.g. paying for car repairs, or spending less money on food) in order to meet urgent payments.

The Pension Indexation System and Inadequacy of Indexation for Allowance Payments

The previous figures shown reinforce the importance of the current method of indexation for adjusting pension rates every six months, where payment increases are linked to Male Total Average Weekly Earnings and prices (CPI). This generally ensures that pensioners do not drop behind society averages (See Explanatory Note 3), though over the past year the pension did lag behind the rise in SLCI. *NB: the rate for the Disability Support Pension is exactly the same as the Age Pension rate, but for simplicity reference is made to the Age Pension throughout this report.*

Newstart, Youth Allowance and other base level benefit allowances are indexed to the CPI only, which doesn't ensure that increases in allowances will always keep up with the cost of living, as described above, and evident in Figure 2.

In a 2016 report, Smith & Hetherington (2016, p.37) highlighted that "there is some inadequacy in our public pension settings in Australia today…. the Age Pension in Australia is not adequate to live a life of dignity without considerable sacrifice, especially for renters". They also point out that the single rate of pension of $437 per week (at the time of the Smith & Hetherington report) is only barely above the poverty line of $422 per week for a single person not in work (calculated by the Melbourne Institute of Applied Economic and Social Research, cited in Smith & Hetherington (2016, p.37)). The pension figure used here includes the pension and energy supplements.

Without diminishing the significance of the issue of the inadequacy of the age pension, **if the Age Pension has been found to be inadequate – how much more inadequate is the Newstart Allowance at almost $170 per week lower than the age pension currently.**

A payment of **$38 a day is simply not enough for an individual to live on.**

The Australian Council of Social Service (ACOSS) and other prominent organisations in recent years, including: the Business Council of Australia, the Organisation for Economic Development, the Australian Council of Trade Unions, and the former Commonwealth Government's Henry Tax Review, have called on the Commonwealth Government to increase the base rate of the Newstart Allowance and other base level payments by $50 per week, as a matter of urgency.

NTCOSS continues to support this call.

Newstart and Youth Allowance recipients in the NT excluded from Concessions

Low base payments and inadequate indexation means that the gap between the Newstart and Youth Allowance, compared with pensions, continues to widen each year. Recipients of these payments who live in the NT face the additional disadvantage of not being eligible for concessions on costs such as electricity and motor vehicle registration.

The Northern Territory Pensioner and Carer Concession Scheme (NTPCCS) concession does not cover all Commonwealth Health Care Card holders (only people who qualify for the Low Income Health Care Card). In Australia all other states and the ACT provide concessions to all Health Care Card holders (with Queensland introducing changes in April 2017, which sees all Commonwealth Health Care Card holders, as well as asylum seekers, eligible for electricity concessions. In addition asylum seekers are eligible for transport concessions).

With a review of the NTPCCS currently underway, the Northern Territory has an opportunity to make some adjustments to the Scheme to bring more benefits to more people who are on low incomes, and to ensure that concessions are directed to those groups who are most in need.

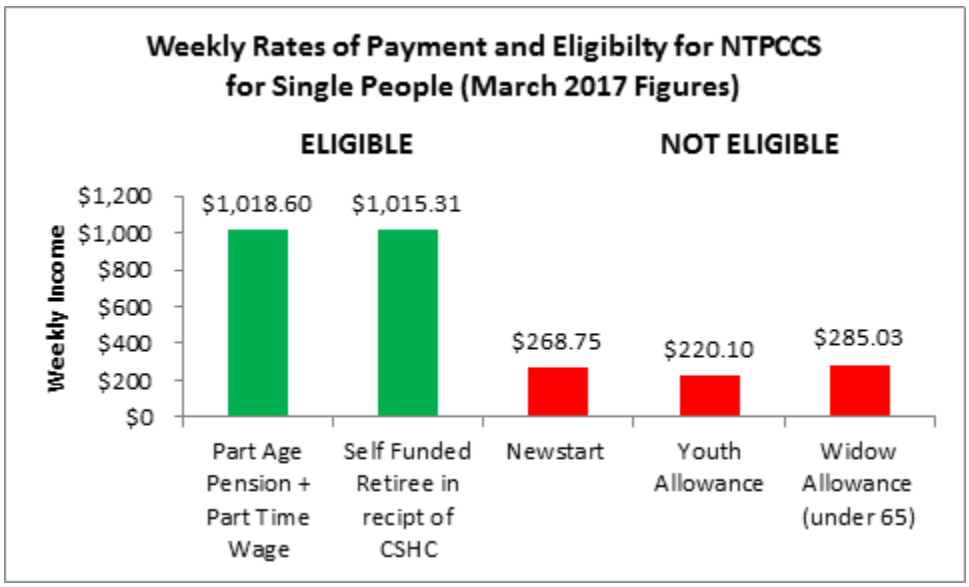
NTCOSS believes that savings could be made in relation to concessions for electricity usage (currently uncapped) if a cap on consumption was implemented, which could also allow room in the NTPCCS for more people (e.g. all Health Care Card holders) to access concessions.

It is telling that someone on an age or disability pension (single rate) can earn up to **$1918.20 per fortnight** (Centrelink 2017, p.35) **on top of a part pension** (which would be around $119 per fortnight, if earning the maximum allowable amount) and still be eligible for the NTPCCS (as they qualify as a pensioner).

In addition, a self-funded retiree can earn up to $2030.61 per fortnight (Australian Government, 2016), which enables eligibility for the Commonwealth Seniors Health Card (CSHC). Currently this can entitle them to eligibility for the NTPCCS. Both pensioners and CSHC holders are eligible for the NTPCCS utilities concession, **yet a single person on Newstart receiving $537.50 per fortnight ($268.75 per week) does not qualify to receive vital support with their cost of living (nor a single person on Youth Allowance receiving $440.20 per fortnight ($220.10 per week))**. See Figure below.

This represents an inequitable approach to concessions and needs to be addressed as a matter of priority.

Figure 3: Eligibility for NT Pensioner and Carer Concession Scheme (NTPCCS) Weekly Rates of Payment for Single People (March 2017)



Source: Figures derived from Centrelink 2017, p. 13, 25, 27, 33. Australian Government 2016

NTCOSS again calls for the NTPCCS to be extended to all Health Care Card holders.

In making this recommendation, NTCOSS acknowledges that this would be a significant change to the aims and objectives of the NTPCCS, which has been primarily designed to "encourage older people to remain in the NT and to achieve a stabilisation of the population while bringing the benefits of extended family networks to Northern Territory families" (NT Government 2016, p.4). There are however, precedents for adding other categories of people over time, e.g. carers, and low income health care card holders (NT Government 2016, p.4, 7). In addition, NTCOSS supports a two tiered concession scheme, where there is a separate scheme for seniors, and a separate one for Pensioners, Carers, Commonwealth Health Care Card holders and other low income households.

The NTPCCS currently has two main objectives:

1. To provide an incentive for senior citizens of the Territory to remain in the Territory during their retirement;
2. To assist all pensioners generally, certain categories of other low-income earners and carers who are in receipt of a Commonwealth Carer Allowance from Centrelink, with the cost of living in the NT (NT Government 2016, p.4).

NTCOSS recommends that the second objective be broadened to include all Health Care Card holders. Such a change, if adopted, may mean there would need to be some consideration in relation to a name change for the scheme – to reflect a broader eligibility base.

NTCOSS Recommendations

The NTCOSS Cost of Living Report No. 12 made a number of recommendations (NTCOSS 2016, p. 6-36), which provide some concrete proposals for the Northern Territory Government to consider. The recommendations would help ease the burden on Territory households and ensure that all Territorians can enjoy a standard of living that enables them to have their essential needs met and be able to participate fully in society and further develop and contribute their skills and experiences. Some of these recommendations are reiterated here.

Specifically, NTCOSS calls on the NT Government to:

1. Review the eligibility criteria for access to the NT Pensioner and Carer Concession Scheme (NTPCCS) to ensure so that those who are most disadvantaged are able to access the Scheme – e.g. *all* Commonwealth Health Care Card holders. This would include all those who are on the Newstart and Youth Allowance payments.
2. Build in regular indexation to relevant concessions and subsidies (based on price reviews) to ensure such concessions keep pace with rising living costs, e.g.:
   - NTPCCS concessions such as the Motor Vehicle Registration Fee Concession
   - PATS concessions such as the commercial accommodation subsidy, private accommodation subsidy and fuel subsidy
3. Provide mechanisms to enable low-income households to improve energy and water efficiency, such as:
   - Incentives for private and public housing landlords to improve energy and water efficiency; and,
   - Low-interest loans and/or more rebates for solar power and solar hot water systems – to make them more accessible to low income households
4. Urge the Commonwealth Government to increase the base rate Allowance payments, such as Newstart and Youth Allowance, by $50 per week.

APPENDICES

Appendix A: CPI Changes, Expenditure Type Darwin vs National - Past Quarter and Past Year

Appendix A shows the trends in the CPI for all of the 11 CPI categories measured by the ABS quarterly – as well as some of the sub categories (e.g. rent, fruit, vegetables and dairy products) showing how specific cost of living areas have impacted on the overall 'All Groups' CPI figure for Darwin since March 2016.

	Darwin CPI		National CPI	
Cost of Living area	Last Quarter Jan 2017- Mar 2016 % Change	Past Year Mar2016 – Mar 2017 % change	Last Quarter Jan 2017- Mar 2016 % Change	Past Year Mar2016 – Mar 2017 % change
Food & Non-Alcoholic Beverages	-0.6%	1.1%	-0.2%	1.8%
Meat and seafood	-1.0%	-1.0%	-0.1%	0.1%
Dairy & related products	-0.9%	-4.1%	-0.4%	-1.4%
Fruit	-10.2%	10.7%	-6.7%	12.2%
Vegetables	1.5%	12.1%	2.0%	13.1%
Alcohol & Tobacco	0.5%	5.7%	1.1%	6.1%
Alcohol	0.8%	1.4%	1.2%	1.0%
Tobacco	0.0%	12.2%	1.0%	13.3%
Clothing & Footwear	-0.6%	0.1%	-1.4%	0.3%
Housing (includes utilities)	-0.3%	-2.1%	0.8%	2.5%
Rents	-1.4%	-7.4%	0.1%	0.6%
New dwelling purchase	0.2%	0.3%	1.0%	2.8%
Utilities	0.1%	-0.1%	2.2%	4.3%
Water & Sewerage	0.0%	0.0%	0.0%	-1.8%
Electricity	0.0%	0.0%	2.5%	7.5%
Gas and other household fuels	0.6 %	-7.3%	3.8%	2.7%
Furnishings, household equipment/ services	-0.1%	0.7%	-1.0%	-0.1%
Health	1.7%	3.7%	2.0%	3.8%
Medical and hospital services	1.2%	5.9%	1.6%	5.4%
Dental services	0.1%	0.6%	0.3%	0.5%
Transport	2.4%	3.7%	1.5%	3.8%

Automotive Fuel	10.2%	14.2%	5.7%	16.2%
Public Transport	0.0%	0.0%	-0.8%	1.2%
Communication	-0.5%	-4.8%	-0.3%	-4.8%
Telecommunication Equipment & Services	-0.5%	-5.1%	-0.5%	-5.2%
Recreation & culture	-3.4%	-1.9%	-0.7%	-0.2%
Audio, visual, computing equipment & services	-2.1%	-3.2%	-1.7%	-3.3%
Audio, visual and computing equipment	-3.0%	-5.5%	-1.6%	-7.2%
Education	2.7%	2.7%	3.1%	3.3%
Insurance & financial services	0.8%	-1.6%	0.6%	2.7%
Insurance	0.0%	1.5%	0.8%	6.8%
CPI All Groups	-0.1%	0.5%	0.5%	2.1%

Source: ABS 2016d and ABS 2016e Data 4, 5, 6

EXPLANATORY NOTES

1. CPI and Living Cost Indexes

The ABS Selected Living Cost Indexes (SLCI) uses a different methodology to the CPI. CPI is based on acquisition (i.e. the price at the time of acquisition of a product) while the living cost index is based on actual expenditure. This is particularly relevant in relation to housing costs where CPI traces changes in house prices, while the SLCI traces changes in the amount expended each week on housing (e.g. mortgage repayments). Further information is available in the Explanatory Notes to the Selected Living Cost Indexes (ABS 2017c).

In that sense, the Selected Living Cost Indexes are not a simple disaggregation of CPI and the two are not strictly comparable. However, both indexes are used to measure changes in the cost of living over time (although that is not what CPI was designed for), and given the general usage of the CPI measure and its powerful political and economic status, it is useful to compare the two and highlight the differences for different household types (Adapted from SACOSS 2014, p.9).

"The Selected Living Cost Indexes (SLCIs), Australia incorporates the Pensioner and Beneficiary Living Cost Index (PBLCI) and the Analytical Living Cost Indexes (ALCIs). The ALCIs have been compiled and published by the ABS since June 2000 and were developed in recognition of the widespread interest in the extent to which the impact of price change varies across different groups of households in the Australian population" (ABS 2017c).

"ALCIs are prepared for four types of Australian households:

- employee households (i.e. those households whose principal source of income is from wages and salaries);
- age pensioner households (i.e. those households whose principal source of income is the age pension or veterans affairs pension);
- other government transfer recipient households (i.e. those households whose principal source of income is a government pension or benefit other than the age pension or veterans affairs pension); and
- self-funded retiree households (i.e. those households whose principal source of income is superannuation or property income and where the Household Expenditure Survey (HES) defined reference person is 'retired' (not in the labour force and over 55 years of age)" (ABS 2017c).

2. Limitations of the Selected Living Cost Indexes

The Selected Living Cost Indexes are more nuanced than the generic CPI in that they measure changes for different household types, but there are still a number of problems with using those indexes to show cost of living changes faced by the most vulnerable and disadvantaged in the Northern Territory. While it is safe to assume that welfare recipients

are among the most vulnerable and disadvantaged, any household-based data for multi-person households indicates nothing about distribution of power, money and expenditure within a household. This may therefore hide particular (and often gendered) structures of vulnerability and disadvantage. Further, the living cost indexes are not state-based, so particular Northern Territory trends or circumstances may not show up (Adapted from SACOSS 2014, p.9).

At the more technical level, the Selected Living Cost Indexes are for households whose predominant income is from the described source (e.g. Aged Pension or government transfers), though many households in these categories have other sources of income, or more than one welfare recipient in the same household. Like the CPI, the Living Cost Index figures reflect broad averages (even if more nuanced), but do not reflect the experience of the poorest in those categories (Adapted from SACOSS 2014, p.9).

Another example of this "averaging problem" is that expenditures on some items, like housing, are too low to reflect the real expenditures and changes for the most vulnerable in the housing market – again, because the worst case scenarios are "averaged out" by those in the category with other resources. For instance, if one pensioner owned their own home outright they would generally be in a better financial position than a pensioner who has to pay market rents. As an example, if the market rent was $300 per week, the average expenditure on rent between the two would be $150 per week, much less than what the renting pensioner was actually paying (Adapted from SACOSS 2014, p. 9).

The weightings in the Selected Living Cost Indexes are also based on a set point in time (from the 2009-10 ABS *Household Expenditure Survey*) and can't be changed until the next survey. In the meantime, the price of some necessities may increase rapidly, forcing people to change expenditure patterns to cover the increased cost. Alternatively or additionally, expenditure patterns may change for a variety of other reasons. However, the weighting in the indexes does not change and therefore does not track the expenditure substitutions and the impact that has on cost of living and lifestyle (Adapted from SACOSS 2014, p.9).

The Selected Living Cost Indexes' household income figures are based on households that are the average size for that household type: which for Aged Pensioners is 1.52 and Other Government Transfer recipients 2.57 (ABS, 2017c). This makes comparison with allowances difficult. This Report primarily focuses on single person households or a single person with two children (to align to the other welfare recipient household average of 2.57 persons). However, this is a proxy rather than statistical correlation (Adapted from SACOSS 2014, p. 9-10). While the Selected Living Cost Indexes do have some limitations in terms of tracking cost of living changes overall however, they provide a "robust statistical base, quarterly tracking of changes and a long time series, which all provide valuable data for analysis" (SACOSS 2014, p.10).

3. How Pension rates are adjusted

"Currently, pensions (including the Age Pension, Service Pension, Disability Support Pension and Carer Payment) are indexed twice each year by the greater of the movement in the Consumer Price Index (CPI) or the Pensioner and Beneficiary Living Cost Index (PBLCI). They are then 'benchmarked' against a percentage of Male Total Average Weekly Earnings (MTAWE). The combined couple rate is benchmarked to 41.76% of MTAWE; the single rate of pension is set at 66.33% of the combined couple rate (which is equal to around 27.7% of MTAWE). 'Benchmarked' means that after it has been indexed, the combined couple rate is checked to see whether it is equal to or higher than 41.76% of MTAWE. If the rate is lower than this percentage, the rates are increased to the appropriate benchmark level" (Parliamentary Library 2014).

"The CPI is a measure of changes in the prices paid by households for a fixed basket of goods and services. Indexing pension rates to CPI maintains the real value of pensions over time. The PBLCI measures the effect of changes in prices of the out-of-pocket living expenses experienced by age pensioner and other households whose main source of income is a government payment. The PBLCI is designed to check whether their disposable incomes have kept pace with price changes. The MTAWE benchmark is not intended to maintain the value of the pension relative to costs; it is seen as ensuring pensioners maintain a certain standard of living, relative to the rest of the population" (Parliamentary Library 2014). *NB: Allowance payments, such as Newstart and Youth Allowance are indexed to the CPI only, and are adjusted 6 monthly - every March and September.*

4. Pension and Newstart (and Family Tax Benefit) Calculations for Figures 1 and 2

These figures reflect payment levels for a single Aged Pensioner; a single Newstart recipient with no children as well as with two children, and a single Youth Allowance recipient. There are clearly going to be variations in payment rates for different recipients, which will be affected by family structure, the number and age of children and receipt of supplements like rent assistance (but for simplicity these are not all factored in here). Payment rates for single people are used – as partner's income for partnered recipients adds further complexity (Adapted from SACOSS 2014, p.10).

Table 7a Weekly Payment Rates at 19 March 2016

	Base Rate	Pension Supp	Energy Supp*	FTB A Child u13	FTB A Child 13-15	FTB B	Pharmac. Benefit	TOTAL PAYMENT
Aged Pension (single)	$394.20	$32.25	$7.05					$433.50
Newstart (single, no children)	$261.70		$4.40					$266.10
Newstart (single, 2 children)	$283.15		$4.75	$89.88	$116.97	$53.41	$3.10	$551.26
Youth Allowance (single, no children)	$216.60		$3.50					$220.10

Table 7b: Weekly Payment Rates at 19 March 2017

	Base Rate	Pension Supp	Energy Supp*	FTB A Child u13	FTB A Child 13-15	FTB B	Pharmac. Benefit	TOTAL PAYMENT
Aged Pension (single)	$398.95	$32.55	$7.05					$438.55
Newstart (single, no children)	$264.35		$4.40					$268.75
Newstart (single, 2 children)	$285.95		$4.75	$91.42	$118.94	$54.32	$3.10	$558.47
Youth Allowance (single, no children)	$218.75		$3.50					$222.25

Sources: Centrelink 2016 p. 2, 5, 13, 24, 26, 32, 37, 38 & Centrelink 2017, p. 2, 5, 13, 25, 27, 32, 33, 38, 39
NOTE: the minimum wage figure referred to on page 10 of $672.70 is for a 38 hour week (before tax) and is the minimum wage for the period 1 July 2016 – 30 June 2017.

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