



**Regional Incomes and the Cost of Living  
For Low Income Households:  
How Does Tasmania Compare?**

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**Regional Incomes and the Cost of Living for Low Income Households:**

**How Does Tasmania Compare**

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## Introduction

Income and the cost of essentials are key factors which interact to determine the standard of living for a household. The impact of income level on the standard of living is quite evident but for those on low incomes the cost of essentials has an important mediating effect. For example, a couple receiving Newstart Allowance, living in an area where the cost of housing, electricity, groceries and transport is low will have a significantly better financial standard of living than a couple on the same allowance in an area with high costs. Anglicare's qualitative and quantitative research have found that low income earners in Tasmania consistently identify the cost of essential items, particularly electricity and food as key causes of household financial crisis (Flanagan, 1999; Wolstenholme, 1998). The proportion of Tasmanians relying on government pensions and benefits as their main source of income is much higher than the national average, making the cost of essentials particularly important in determining the standard of living for a broad section of the community.

The variation in average income levels between Australia's major regions is well measured and recognized. However, consideration of variations in the cost of living have tended to focus on differences in the cost of housing, particularly the high cost of housing in the major cities. This paper seeks to extend this analysis beyond housing to also include a simple regional comparison of the costs of several other major essentials.

The paper is written in three sections. The first section updates work by Neil Ferry (1991) on regional income disparities over the past half a century and indicates that South Australia and Tasmania have suffered significant relative decline in household income levels in recent years. Tasmanian Household per capita Incomes have fallen to more than 20 per cent below the national average, a situation which last occurred in the late 1940s and early 1950s. The second section of the paper examines the reasons behind this relative decline and finds that compared to the national average, Tasmania has lower participation rates in the labour force, a higher proportion of part-time employees, lower wage levels for full-time workers, higher unemployment rates and very high levels of reliance on federal government income support payments.

The paper's final section considers the regional variations in the cost of electricity, groceries and petrol for households in Australia's lowest two income quintiles. It

also considers regional cost variations for housing across tenure types. This shows that the cost of housing is highest in New South Wales and Victoria for low income earners who are purchasing their own homes or renting privately but is quite consistent around the nation for low income earners in public housing and those who have paid off their homes. The cost of electricity, groceries and petrol is highest in Tasmania, Western Australia and the Northern Territory.

## Regional Income Levels

While the term 'regional' is perhaps more commonly used to refer to smaller geographical areas, Ferry's original paper, *Regional Income Levels and Living Standards in Australia*, used the OECD convention of defining Australia's regions as the eight states and territories. He argues that although there is regional variation within states (and to an even greater extent between suburbs within cities), that this variation is less than in most other countries. He adds that practicality reinforces the use of the state as the unit of analysis and this is the level which has been used in updating the earlier work.

Table 1 shows the most recent figures on regional income variations in terms of household income per capita and disposable income per capita.

**Table 1. Regional Differences in Household Per Capita Incomes: 2000-01**

State/Territory	Income per capita	Difference from National Average	Disposable Income per capita	Difference from National Average
NSW	\$32,658	6.9	\$25,147	6.1
Vic	\$31,347	2.7	\$24,520	3.5
Qld	\$27,243	-10.8	\$21,186	-10.6
SA	\$26,859	-12.1	\$20,879	-11.9
WA	\$30,335	-0.7	\$23,205	-2.1
Tas	\$24,278	-20.5	\$18,947	-20
NT	\$30,509	-0.1	\$24,642	4
ACT	\$40,316	32	\$31,405	32.5

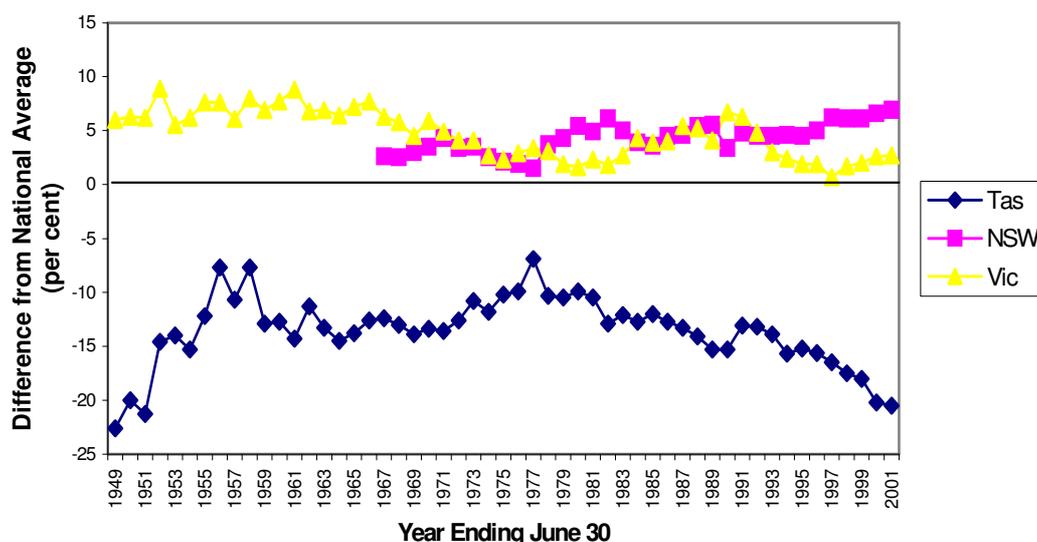
Source: ABS Australian National Accounts State Accounts 5220.0.

Ferry (1991) suggested that the ACT should be excluded from consideration due to the unusually high female participation rate and the concentration of employment opportunities in certain areas. However, since his study disposable income per head in the ACT has gone from being 25 per cent above the national average to more than 32 per cent above the national average (at \$31,405) while Tasmania, the state with the lowest disposable income per capita has dropped from 16 per cent to 20 per cent below the national average. Excluding the ACT, New South Wales has the highest

household income per head at \$32,658, 6.9 percent above the national average while Tasmania has the lowest household income per head, \$24,278 which is 20.5 per cent below the national average.

Figures 1 – 3 show the variation from the national average for household per capita income for Tasmania, Victoria, Western Australia and Queensland from 1948-49 to 2000-01 and for the remaining states and territories from 1966-67 to 2000-01<sup>1</sup>. Ferry (1991) considered regional variations in both household income per head and disposable income per head. Little difference was found between the two measures and figures over the past ten years continue to be very similar. Only household income per head has been plotted for the historical graphs in this paper. The Tasmanian figures are included on each of the graphs as Tasmania’s situation is given particular focus in section two of this paper.

**Figure 1. Household Per Capita Income – Tasmania, New South Wales & Victoria**



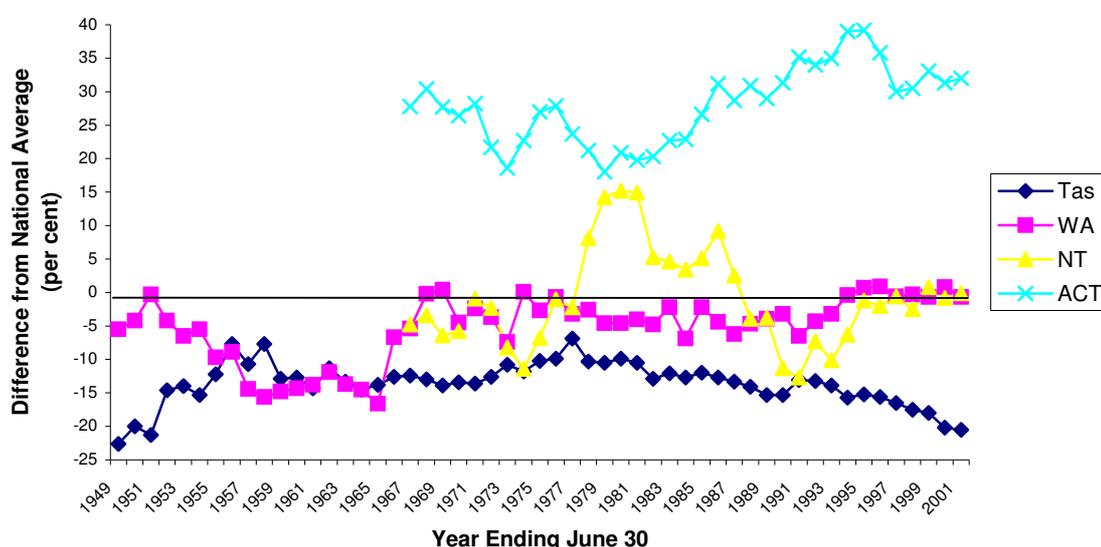
Source: ABS Australian National Accounts State Accounts 5220.0

As shown in Figure 1, income levels in New South Wales have consistently been above national levels and have moved to an all time high in the past three years after previously peaking in the early 1980s. There has been a general trend of an increase in relative incomes in New South Wales over time.

<sup>1</sup> Up to 1966-67 the ACT was included with NSW and the NT was included with SA in the ABS publication. The national averages used for the years from 1948-49 to 1966-67 include the ACT, NSW, NT and SA incomes but no individual graphs for the states are included.

The other Australian state with income levels consistently above the national average is Victoria. The period up to 1970 was characterised by incomes well above the national average before a decline in relative incomes through the 1970s. The following decade saw incomes rise again in relative terms up to a point where they were above NSW levels for three years from 1990. There was a steep decline in relative income from 1990 to 1997 when relative household per capita income hit its lowest point since 1949. Since 1997 there has been a gradual recovery with income almost three per cent above the national average.

**Figure 2. Household Per Capita Income – Tasmania, Western Australia, Northern Territory & Australian Capital Territory**



Source: ABS Australian National Accounts State Accounts 5220.0

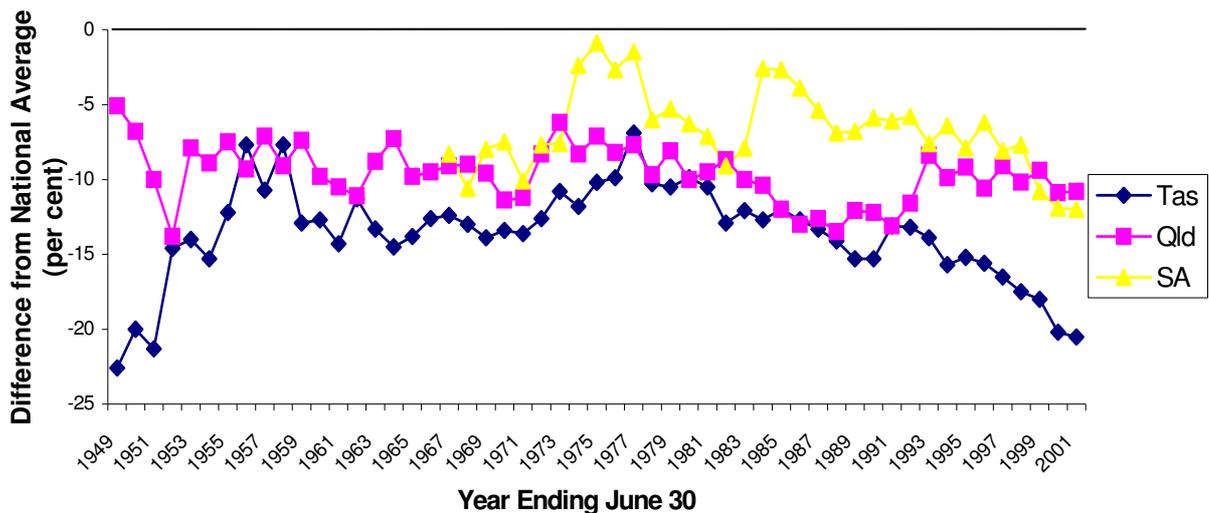
Figure 2 illustrates that household per capita income levels for the ACT have been far above the national average since separate statistics have been kept for the territories. After some volatility up to 1979 when income levels in the ACT reached their lowest level in relative terms (18 per cent above the national average) there was steady relative increase up to 1995 when incomes were almost 40 per cent above the national average. In recent years ACT incomes have settled back to around 30 per cent above national average.

The Northern Territory has shown the greatest volatility in household per capita income levels with major swings from more than 11 per cent below the national

average in 1974 to around 15 per cent above national average in 1981. There was another major dip in the late 1980s and early 1990s followed by improvements to a point where NT household per capita income levels were almost in line with the national average in 2001<sup>2</sup>.

Western Australia has also experienced some volatility in its income levels compared to the national average. From being close to the national average income level in 1952 household per capita income declined in relative terms in Western Australia to almost 18 percent below the national average in 1957 remaining as the lowest income region for four years. Western Australia experienced a significant increase in relative income levels in the late 1960s with household per capita income levels reaching the national average in 1967. The period since 1967 has been much more consistent for Western Australia with income levels gradually declining to around 95% of the national average and gradual improvement between 1991 and 1994. Since 1994 Western Australian household per capita income has been within one percent of the national average.

**Figure 3. Household Per Capita Income – Tasmania, Queensland & South Australia**



Source: ABS Australian National Accounts State Accounts 5220.0

<sup>2</sup> Ferry (1991) notes that data limitation and other problems facing the ABS mean that Northern Territory trends should be treated with caution.

Figure 3 shows the three states which have consistently been below the national average, South Australia, Queensland and Tasmania.

Household per capita income in South Australia has tended to vary quite widely over time. Initially about 10 per cent below the national average, household per capita income levels rose in relative terms to about 99 per cent of national average in 1975. This improvement in the mid 1970s was followed by a relative decline to 10 per cent below the national average in 1982 before another brief peak in 1985 and then a declining trend which was particularly steep at the end of the 1990s. Relative household income per capita is presently at an all time low in South Australia, 12 per cent below the national average.

The trend in Queensland has been relatively stable with household per capita income generally around 90% of the national average. Relative income levels have dropped below this level several times but the only sustained period below 90 per cent of national average was between 1984 and 1992. Queensland briefly had the lowest and equal lowest household per capita income level in the nation in 1986 and 1991. In recent years household per capita income in Queensland appears to have stabilized again around 10 per cent below the national average.

Household per capita income in Tasmania has been the lowest in the nation for 42 of the past 53 years (including three years as equal lowest). The period from 1949 to 1959 saw major increases in relative income levels of Tasmanians followed by a decline to around 15 per cent below the national average in 1961. This period was followed by a gradual rise in relative per capita household income to 1977 before a trend of relative decline which has become more pronounced since 1995 and is presently 20.5 per cent below the national average, the lowest it has been since 1951.

## The Tasmanian Decline

The comparatively low income levels in Tasmania compared to the Australian average have been a fairly constant feature in the national economy but the relative decline of per capita household income levels is of particular concern.

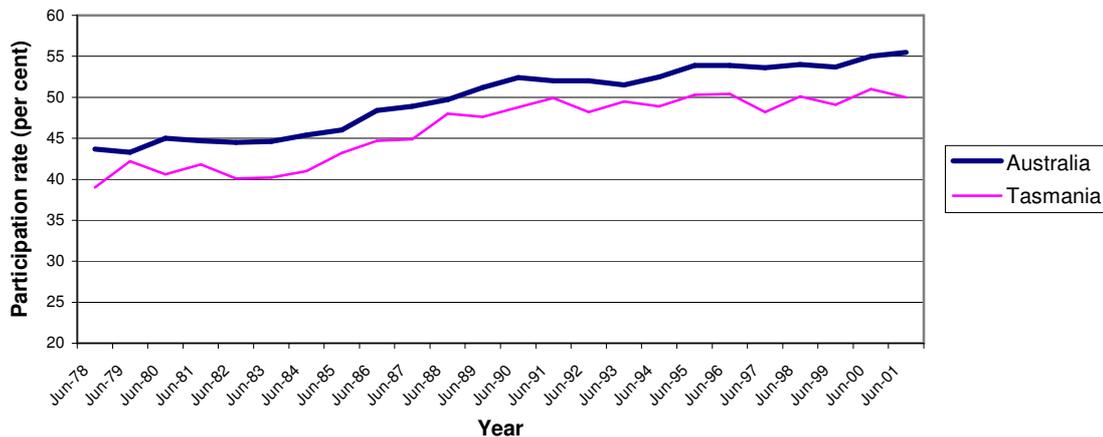
Ferry (1991) suggests several key reasons for the consistently low level of Tasmanian incomes in comparison to the national average including the low level of female participation in the workforce (particularly in full time employment), the high level of unemployment and lower average weekly earnings for full time employees.

These factors are also the key to analyzing the relative decline in Tasmanian incomes over the past 20 years.

### Participation Rate

The Tasmanian labour force has been characterised by a lower than average participation by women although the rate has steadily increased in a very similar pattern to the national trend. The gap between the Tasmanian female participation rate and the national rate has consistently been around 3 to 4 per cent.

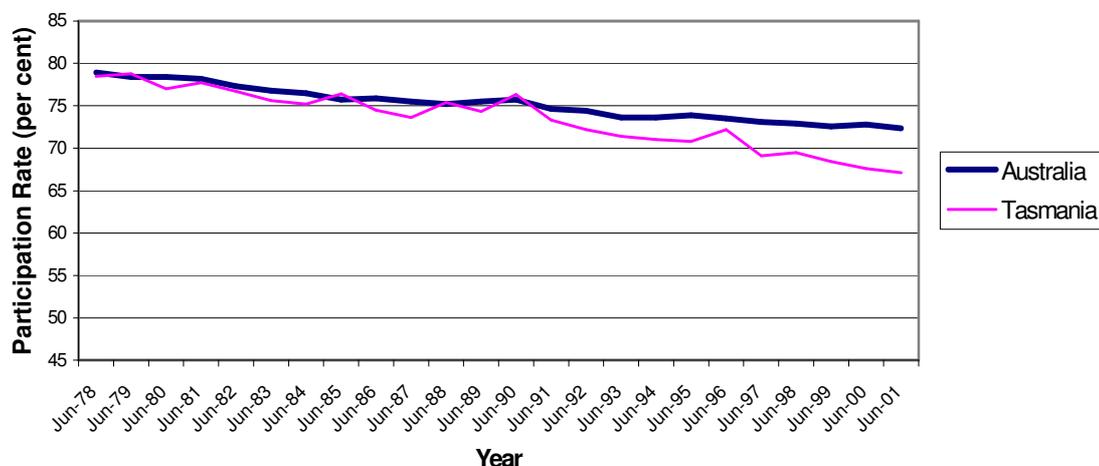
**Figure 4. Female Participation Rate Australia and Tasmania**



Source: ABS Labour Force Australia 6203.0

The male participation rate for Tasmania has also followed the downward national trend although this has been much more pronounced in Tasmania since 1991. This divergence away from the national average follows an earlier period where the Tasmanian figure was very close to, and at times even above, the national average.

**Figure 5. Male Participation Rate – Tasmania and Australia**



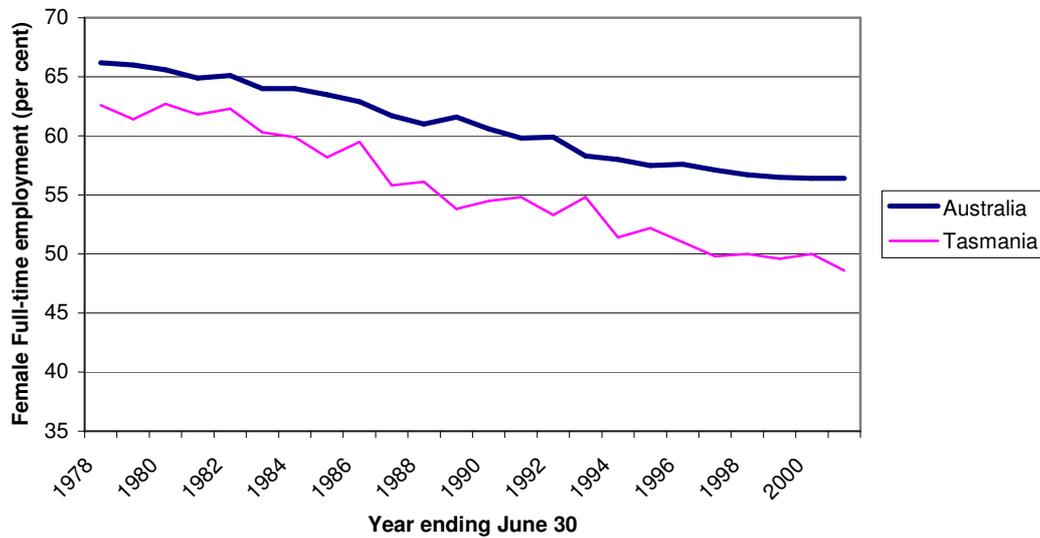
Source: ABS Labour Force Australia 6203.0

In recent years more detailed participation data has also been available. Participation rates for young people in Tasmania are below the national average. In 1998-99 the participation rate for Tasmanians under 25 was about 2 per cent below the national average level and in 1999-00 about 4 per cent below the national average level (ABS Social Trends, 1999; 2000). The ABS also produces a standardized participation rate which removes the effect of age and sex composition of the population. These data show that even after this adjustment the Tasmanian participation rate was 58.8 per cent in 1998-99 (compared to the national average of 63.8 per cent) and 61.3 percent in 1999-00 (with the national average at 64.1 per cent) (ABS Social Trends, 1999; 2000).

### **Full-time Employment**

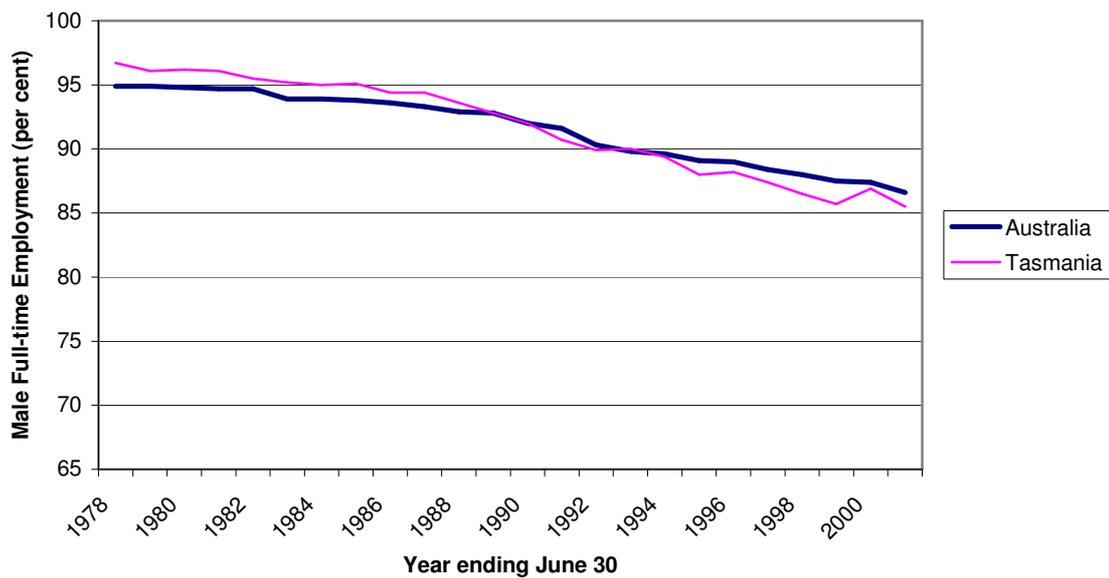
Nationally there has been a decline in the proportion males and females working full-time over the past 20 years. The decline in Tasmania has been sharper than the national average with less than 50% of female workers in Tasmania working full-time in 2000-01. The decline in the proportion of men in full-time employment has also been significant; prior to 1990 the proportion of males in full-time work in Tasmania was higher than the national average.

**Figure 6. Female Full-time Employment (of total females employed) Australia and Tasmania**



Source: ABS Labour Force Australia 6203.0

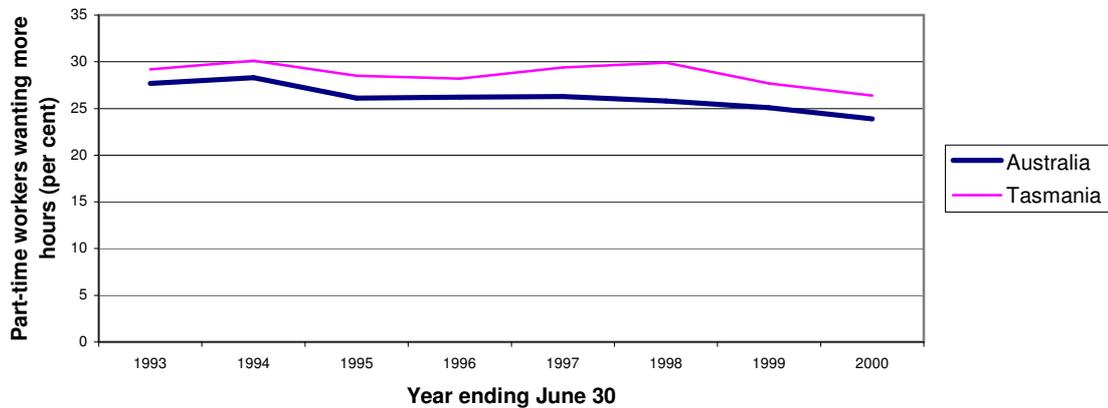
**Figure 7. Male Full-time Employment (of total males employed) Australia and Tasmania**



Source: ABS Labour Force Australia 6203.0

The number of hours worked by part time employees in Tasmania has been slightly less than the national average in the period from 1997-98 to 1999-00 (ABS Australian Social Trends, 1999; 2000; 2001). The proportion of part-time Tasmanian workers who would prefer more hours has consistently been higher than the national average.

**Figure 8. Part-time workers who want more hours (of part-time employed) – Australia and Tasmania**

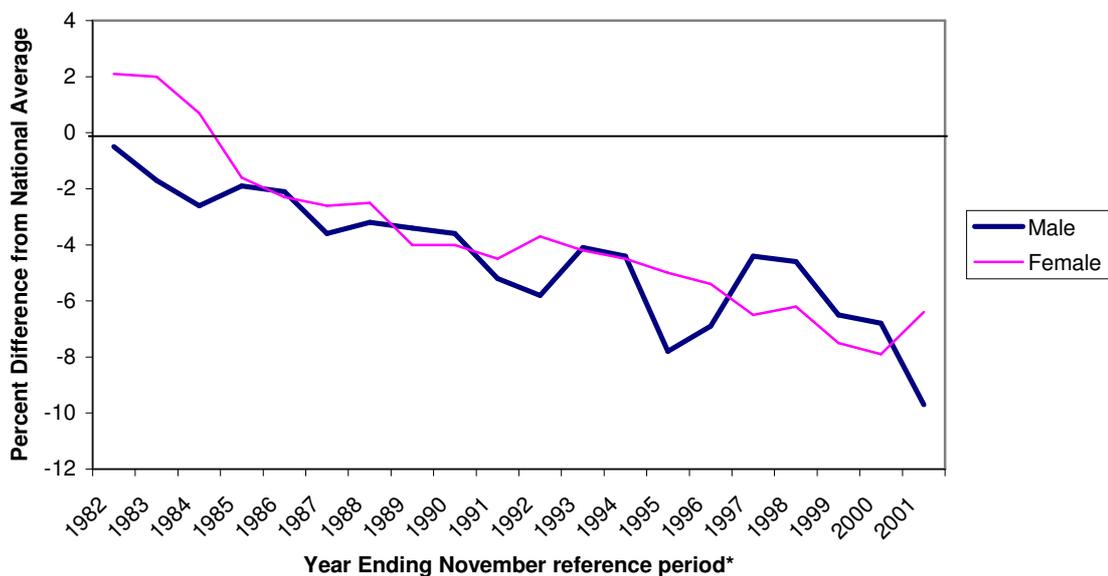


Source: ABS Australian Social Trends 4102.0 from 6203.0

### Full-time Wages

Figure 9 shows Tasmania's variation from the national average weekly wages for men and women in full time work (excluding overtime payments).

**Figure 9. Average Weekly Adult Full-Time Ordinary Time Earnings - Tasmania**



Source: ABS Average Weekly Earnings 6302.0

\*Except 2001 where figures are not yet available for November reference period – average of three quarters to August reference period have been used.

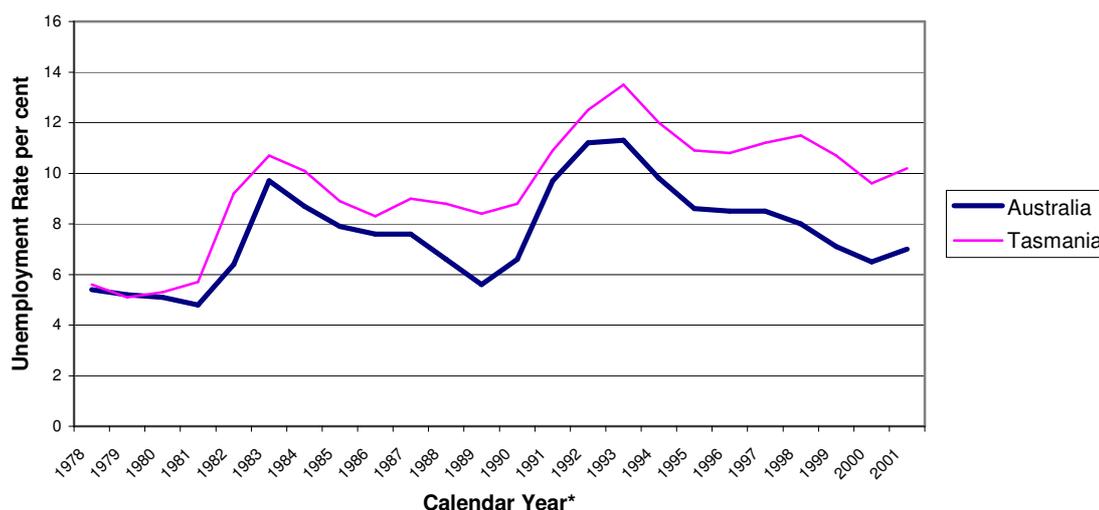
While averages from year to year have varied quite a lot there has been a clear trend of decline in relative adult full-time earnings for both males and females in Tasmania.

The difference in average weekly earnings from the national average is much less than the difference in household per capita income. Historically Tasmanian average weekly earnings have often been above the levels recorded in Queensland and South Australia. However, Tasmanian average weekly earnings have fallen to the lowest in the country for the past two years for males and the past four years for females. This is the state's first such extended period at the bottom of the rankings since 1982 when the more detailed statistics became available.

## Unemployment

The unemployment rate in Tasmania was slightly lower than the national rate for males in 1979 and the same as the national rate for females in 1978, 1979 and in 1982. However, since this time the Tasmanian rate of unemployment has tended to move with national trends but at a higher level (except in 1992 when female unemployment fell to slightly below the national average). The unemployment rate in Tasmania did not experience the significant fall that occurred on a national level in the late 1980s and the recession in the early 1990s had a particularly severe impact on the unemployment rate for Tasmanian males, with a sharp increase to 13.5 per cent. Figure 10 shows that the Tasmanian unemployment rate for men and women followed the national decline up to 2000. However, the gap between Tasmania and the national average has become quite pronounced for males.

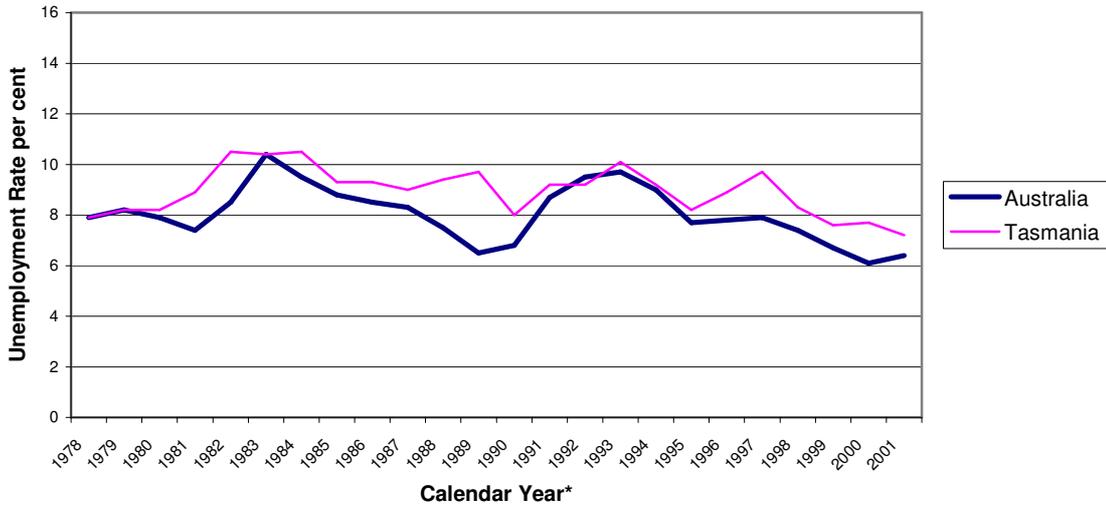
**Figure 10. Male Unemployment Rate – Australia and Tasmania**



Source: ABS Labour Force Australia 6203.0.

\*Except 2001 where December data is not yet available.

**Figure 11. Female Unemployment Rate – Australia and Tasmania**



Source: ABS Labour Force Australia 6203.0

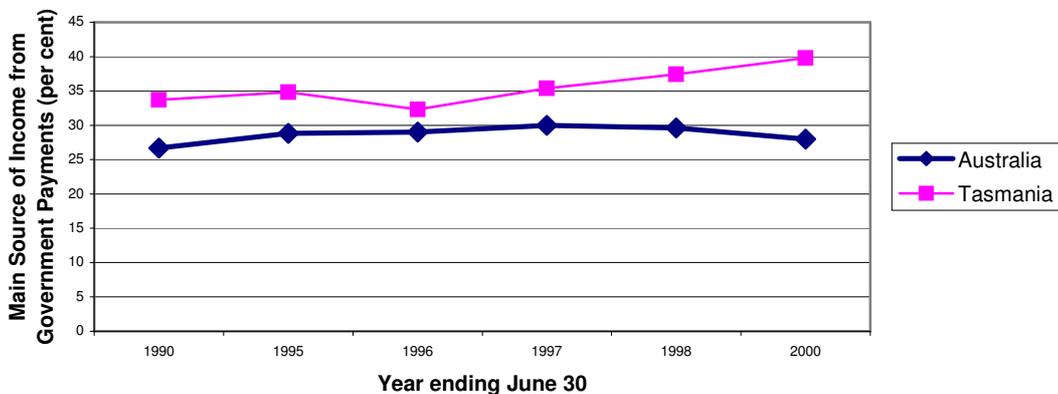
\*Except 2001 where December data is not yet available.

### Government Payments as Main Source of Income

The low income levels of Tasmanians are strongly affected by the high proportion of the population which relies on government payments as their main source of income.

Since 1996 there has been a considerable increase in the proportion of Tasmanian income units relying on pensions and benefits as their main source of income while the national trend has shown a slight decline on this measure. These figures are of particular concern as they indicate that almost 40 per cent of Tasmanian income units are living on very low incomes.

**Figure 12. Main Source of Income from Government Payments (of all income units) – Australia and Tasmania**



Source: ABS Australian Social Trends 4102.0

## **Demographic Trends**

Demographic differences between the Tasmania and Australian population do not fully explain the lower than average labour force participation rate (as indicated by the standardized participation rate) or differences in other measures. However, work by Jackson and Felmingham (unpublished) indicates that population aging will exacerbate several trends while reducing the severity of others. For example between 2001 and 2050 “structural aging per se should reduce unemployment rates by around one fifth nationally, and one third in the oldest regions (including Tasmania)” (Jackson and Felmingham, unpublished, p 12). Tasmania’s demographic trends would also be expected to reduce the participation rate as a greater proportion of the population aged over 15 move out of the labour force and into retirement.

## **The Cost of Living**

It is sometimes assumed that the low income levels recorded in Tasmania are compensated for by the lower cost of home purchase in the state. Housing costs are often used as a key indicator of income adequacy and the regional variation in this indicator, particularly the high costs of private rent and home purchase in Sydney and Melbourne are widely recognised. Several authors including Ferry (1991) and King (1995) have raised the need to consider other major costs of living in evaluating income adequacy and the standard of living available to Australians in different parts of the country.

Unlike the Industry Commission (1993) and Ferry (1991) who considered the costs of living for all households in different states, this paper looks specifically at the costs of living for income units in Australia's lowest two income quintiles. The standard of living for low income earners is likely to be particularly affected by any variations in the cost of essentials as these items make up a very large proportion of household spending.

Henman (2001) has compiled an extensive list comparing the costs of living for a range of low income family types in the capital cities in his updating of the budget standards originally developed by Saunders *et al.*, (1998). This comparison varies the items included in the calculations according perceived need. For example, where climate varies it is assumed that the amount of electricity required will also vary (Henman, 2001). This budget standards method also makes normative assumptions about what items are required to attain a certain standard of living across the whole range of expenditure areas and accepts that the judgements made on a range of items are open to argument (Saunders *et al.* 1998). Great effort has been made to ensure that the assumptions underlying the items included in the budget standards research are transparent but the sheer size and complexity of the research (the original research report runs to more than 600 pages and there have been several lengthy extensions and updates of the work) reduces its utility for broader community consideration of variations in the cost of living.

### **Cost of Living Comparison**

This paper provides a significantly simplified comparison of the costs of living in different states in the hope that the variable costs of electricity, groceries and petrol might be considered along with housing costs in broader discussions of income adequacy. It compares a standard "basket" of essentials including electricity,

groceries, and petrol as well as housing costs for different tenancy types. For the non housing costs it simply compares the cost of a set amount of each item for households in the lowest two income quintiles.

The ABS Household Expenditure Survey (HES) has been used to determine the amount and proportions of each category included in the “basket” of essentials. The Australian average expenditure amounts for each category for households in the two lowest income quintiles have been used as the basis for the calculations. For example the HES (1998-99) data shows that the average Australian household expenditure on petrol for households in the lowest two income quintiles was \$13.90. The ABS regularly collects Average Retail Prices of Selected Items (ARPSI) for the capital cities in each state, which includes a comparison of petrol prices. Based on an all cities (leaded and unleaded) average it has been calculated how much petrol can be purchased for \$13.90 in the June quarter of 1999. The cost of the same amount of petrol in each capital city has then been calculated: for example, to buy the same amount of petrol in Hobart would cost \$14.94, while in Brisbane it would be \$12.07. On this indicator, statewide data was not available so the capital city price is taken as the state price.

Using the Household Expenditure Survey data as a basis for setting the average amounts allocated to electricity, groceries and petrol is not a perfect method as people, particularly those on low incomes, may limit their expenditure in some categories because of the restrictions on their income. Despite this drawback, the HES presently provides the best available guide for making reasonable estimations. Little detailed data is collected on a regular basis for comparing the costs of living. The ABS Consumer Price Index, for example, is a measure of price movements, not price levels and so cannot be used to compare the cost of items between cities. The ABS Average Retail Prices of Selected Items is collected quarterly and includes comparative prices for a basket of items including groceries, petrol and alcoholic drinks for the capital cities. The 1999 June Quarter edition of ARPSI has been used in this paper to compare petrol prices. Items from the publication have also been added to the Australian Consumers Association Choice Magazine supermarket survey for calculating grocery prices. Choice Magazine conduct regular grocery price checks in cities around Australia. The grocery items included in the January/February 2000 edition of the publication form the basis for the grocery costs used in this paper. These prices were collected in September 1999, slightly later than the data collections for other categories examined in this paper. The groceries

category used in this paper combines elements of several categories from the HES, including some household cleaning products and personal care items. The category also includes food and non alcoholic beverages (but excludes meals out and fast-food).

The Electricity Supply Association of Australia regularly collects data on the cost of electricity from each of the major suppliers. Data from the publication Electricity Prices in Australia 1998/99 has been used for this paper as this allows comparison of the cost of electricity consumed at the standard domestic tariff in each of the states. The electricity category in this paper directly translates to the electricity component of the HES Household Fuel and Power category.

The variation in the cost of electricity, groceries and petrol included in the study are quite significant and are listed in Table 2.

**Table 2. Average Costs of Electricity, Groceries and Petrol for Australia's Lowest Two Income Quintiles**

Item	NSW	Vic	Qld	SA	WA	Tas	NT	ACT	Average
Electricity (\$)	9.16	11.72	8.93	11.06	11.34	12.03	11.61	7.87	10.46
Groceries (\$)	74.33	75.78	75.21	73.74	80.64	86.63	78.59	75.51	77.55
Petrol (\$)	13.86	13.41	12.07	13.60	13.96	14.94	15.10	14.27	13.90
Total (\$)	97.35	100.91	96.21	98.40	105.94	113.60	105.30	97.65	101.91

Sources: ABS HES Detailed Expenditure Items (1998-99) 6535.0, ESSA Electricity Prices in Australia (1998-99), Choice Magazine (Jan/Feb 2000), ABS Average Retail Prices of Selected Items (June Quarter 1999) 6403.0.

The cost of electricity and groceries was highest in Tasmania while the Northern Territory had the highest priced petrol in the nation. Electricity was cheapest in the ACT, South Australia had the cheapest groceries and petrol was cheapest in Queensland. Overall the total cost was highest in Tasmania and lowest in Queensland.

Combining the cost of these essentials with housing costs presents several difficulties. While the essentials above can be compared directly with the same quality and quantity of items included in each state, there is no simple comparison for housing costs. Mudd (in Henman, 2001) has developed a model of "quality adjusted" private rental costs for several dwelling types in the capital cities although it is based on 1994 figures. It is a complex model but essentially provides a table of private

rental costs for one, two and three bedroom units which are of the same quality in each city and provide a similar level of amenity and proximity to services. A comparison based on this model has been provided along with the other private rental data. The major data available on housing costs for low income earners is found in the *ABS Survey of Income and Housing Costs 1999/2000*. This provides data on the average cost of housing for private renters, public renters, owners with a mortgage and owners without a mortgage for households in Australia's lowest two income quintiles, broken down by state. These data do not include any quality comparison between dwellings and simply indicate the price paid by households. Another ABS survey, *The Australian Housing Survey 1999* provides state by state data on the percentage of people in the lowest two income quintiles who reside in each tenure type.

Figures 13 – 17 show a state by state comparison of the mean weekly costs of different housing options and other costs for low income earners<sup>3</sup>. Table 3 shows a state breakdown of the percentage of households in the lowest two income quintiles who are in each tenure type.

**Table 3. Table showing lowest two income quintiles proportions in each tenure types by state.**

	Public Rental	Private Rental	Owner with mortgage	Owner without mortgage
NSW (%)	11.3	20.4	9.7	54.5
Vic (%)	8.8	19.4	14.6	52.6
SA (%)	19.8	14.8	13.5	45.1
WA (%)	10.0	24.2	14.0	44.7
QLD (%)	6.7	24.1	13.4	49.1
Tas (%)	10.2	18.4	16.0	48.7
ACT (%)	26.4	16.9	12.8	42.7

Source: ABS Australian Housing Survey (1999) 4182.2-8.

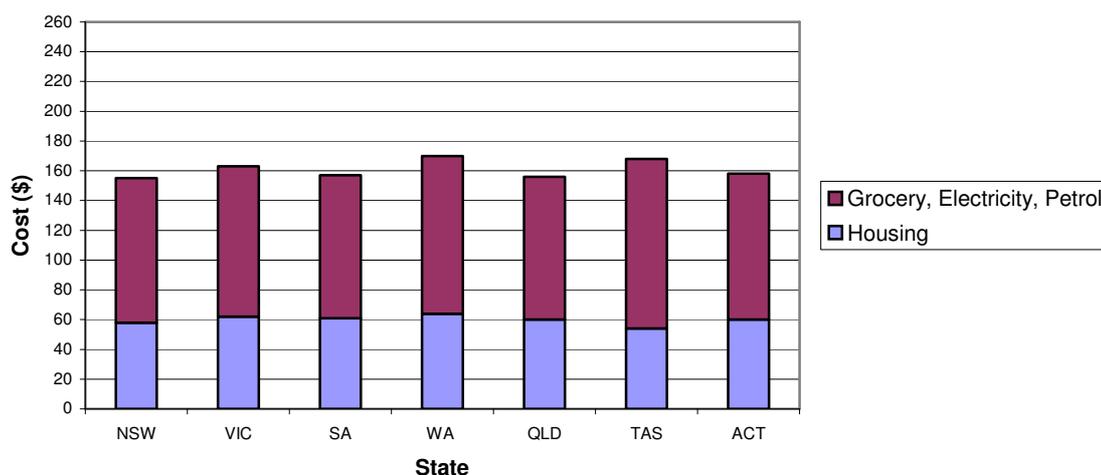
### **Public Rental**

The cost of public rental is significantly lower than the cost of private rental and varies little between the states making, the other items more important in explaining cost of living variations between the states. Tasmania and Western Australia are the

<sup>3</sup> Due to the high standard error for data from the Northern Territory it has not been included in the analysis for this section.

most expensive states for public renters with New South Wales, Queensland, South Australia and the ACT the lower cost states for people in this tenure type. The percentage of low income earners in public rental accommodation in Queensland is very low compared to the other states. Many low income South Australian and particularly ACT residents are in this tenure type, spreading the benefit of this low cost option quite widely in these states.

**Figure 13. Cost Comparison - Public Renters**



Source: ABS Survey of Income and Housing Costs 1999-2000 and Table 4.

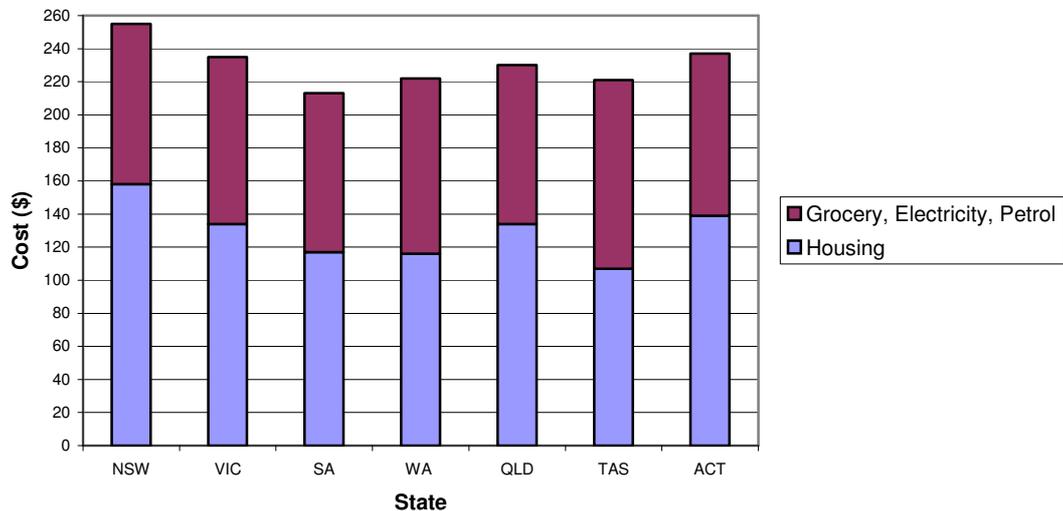
### Private Renters

Both methods of estimating private rental costs indicate that New South Wales is by far the most expensive state for low income earners in this tenure type. The non quality adjusted data suggests low income private renters in Victoria and the ACT are subject to the next most expensive costs for the essentials included in this study. South Australia, Tasmania and Western Australia are the lower costs states for private renters under the non quality adjusted measure. The quality adjusted data spreads the other states less widely with Tasmania joining Victoria as one of the more expensive states. South Australia, Western Australia and the ACT are the lower cost states under this measure. This finding may indicate that the quality of the dwellings is higher in Canberra and lower in Hobart, partially explaining the greater cost of housing in the ACT (and lower cost in Tasmania) under the non quality adjusted measure. The other states follow a relatively similar pattern under both models.

Queensland and Western Australia have particularly high rates of low income earners in private rental accommodation with almost 25 per cent of those in the

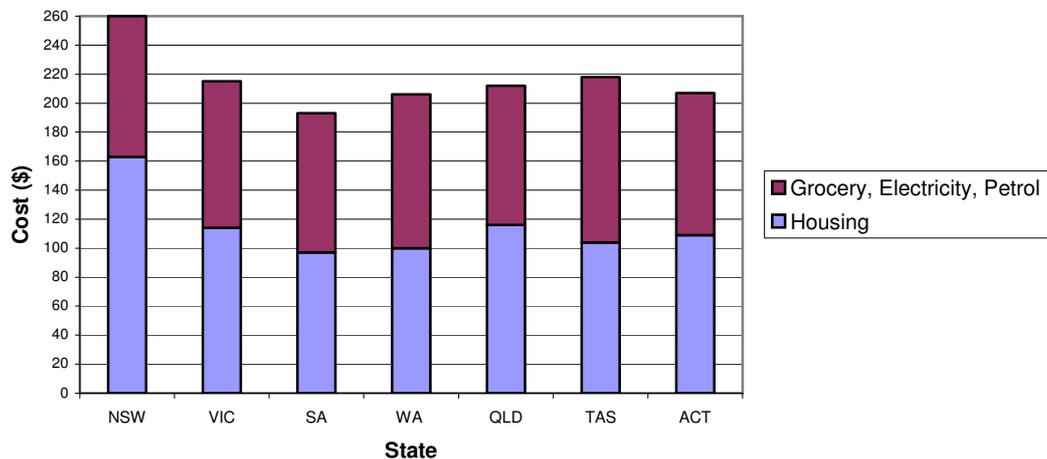
lowest two income quintiles living in this tenure type in both states. South Australia has the lowest proportion of low income private renters among the states.

**Figure 14. Cost comparison - Private Renters (not quality adjusted)**



Source: ABS Survey of Income and Housing Costs 1999-2000 and Table 4.

**Figure 15. Cost Comparison – Private Rental (quality adjusted for two bedroom unit in state capitals)**



Source: Mudd in Henman (2001) and Table 4.

### Home Owners

Ferry discusses several issues which need to be considered when including home owners and purchasers in comparisons of cost of living:

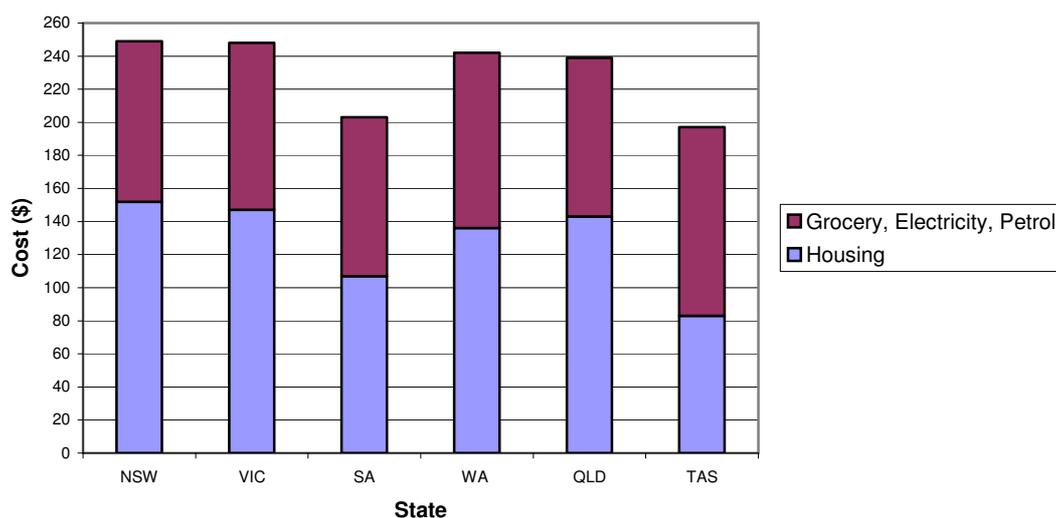
*“The extent to which the differential regional costs of investment in owner-occupation should be considered as differences in the cost of living rather than a cost of*

*acquiring an asset is questionable. After all, while it may cost more to buy a house in Sydney, after the mortgage is paid off an owner has a more valuable asset than one who buys a similar but cheaper house elsewhere. In the long run the costs of buying a house in one location compared to that in another depends on how the value of the asset performs – in this sense it is the relative rate of increase in prices which is important rather than the relative level per se... (However) while there is an opportunity cost of housing for those who own their homes outright, someone who owns a house in Sydney is (unless they sell the house) in a roughly similar position to somebody who owns a comparable home in another city.” (Ferry 1991, p 85-86)*

As Ferry (1991) concludes it is still useful to compare the costs of living for those in this tenure type as so many Australians are homeowners at some point in their life.

The costs associated with home purchase, even for the people in the lowest two income quintiles are significantly higher in New South Wales and Victoria than for the other states, although costs are also high in Queensland and Western Australia. The cost of home purchase for low income Tasmanians is particularly low and this is reflected in the popularity of this tenure type for the state’s low income earners. New South Wales has a particularly low proportion low income earners purchasing homes.

**Figure 16. Cost Comparison – Owners With a Mortgage\***



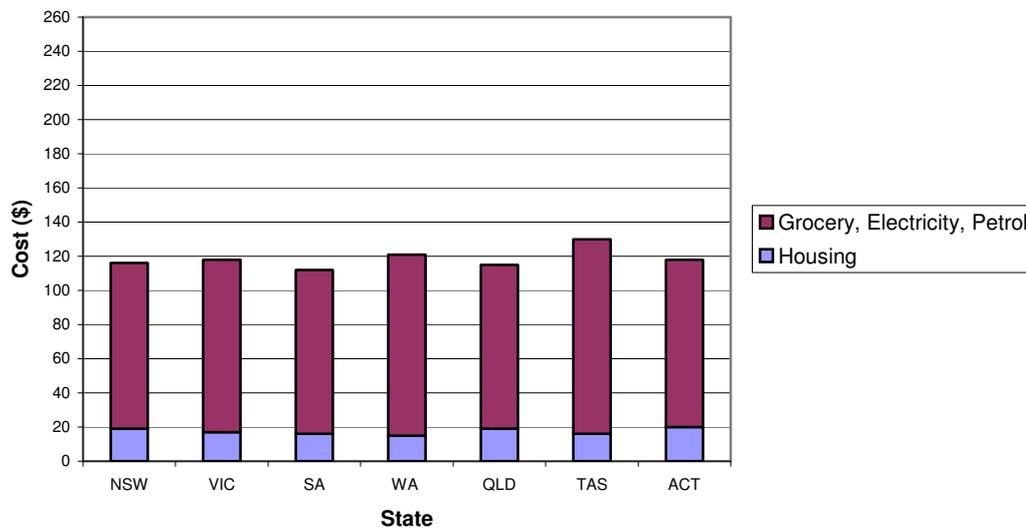
Source: ABS Survey of Income and Housing Costs 1999-2000 and Table 4.

\* ACT has been excluded for this table only due to high standard error in ABS figures.

Housing costs for those who already own their homes are very low and vary little between the states. As a result, the cost of the other items considered in this study

has a significant effect on the overall costs for this tenure type. Tasmania is the most expensive state for low income earners who own their own home and South Australia is the cheapest state for this tenure type. The overall costs of living for this type of tenure is very low in comparison to all other tenure types. The ACT has the lowest proportion of low income residents who own their own homes (related to the low number of aged pensioners living in the territory) while New South Wales has the highest proportion of low income home owners.

**Figure 17. Cost Comparison – Owners without mortgages**



Source: ABS Survey of Income and Housing Costs 1999-2000 and Table 4.

## Conclusion

This paper has demonstrated that Tasmania has suffered a serious relative decline in household per capita income over the past two decades, slipping further and further behind the national average. A range of indicators including high unemployment rates, low average wages, low participation rates and high levels of reliance on welfare suggest Tasmania suffers significant regional disadvantage.

Tasmania had the highest costs in the nation for electricity and groceries and the second highest cost for petrol; these are all key expenditure areas for low income households.

The housing costs of public rental and for owners without mortgages are similar around the nation while Tasmanians are spared the very high costs associated with

purchasing a home in New South Wales and Victoria. The cost of private rental, particularly for comparable quality dwellings requires further research.

The policy implications of regional variations in the cost of living have been examined by King in a paper titled *A Case for A Regional Dimension in Income Support* (1995). He notes that the Remote Allowance is the only Commonwealth Government payment which directly relates to geographical location, providing extra assistance to those in very remote areas. He also examines Rent Assistance which is paid to low income earners in private rental accommodation on a sliding scale according to the cost of the housing and the public rental system which is based on a proportion of household income. The public rental system ensures that “people with the same income will pay about the same level of rent irrespective of the rental value of their accommodation” (King, 1995, p 57). King (1995) considered the feasibility of introducing a regional component to Commonwealth income support payments to try to even out the costs of living in different geographical areas. He concluded that further research was needed and that any Federal action would be a huge administrative task.

While direct action through the social security system throws up major administrative challenges, the division of GST revenue and Commonwealth Specific Purpose Payments to the States is designed to consider revenue raising capacity and expenditure requirements of the States, including reliance on welfare payments, wages and the cost of rent and electricity (Background Paper, 2001). Regional disadvantage experienced in Tasmania has not been adequately addressed and a review presently being conducted of Commonwealth-State Funding may provide an opportunity to consider the longer term patterns of social and economic outcomes in Australia’s regions. The review, to be conducted by ANU economist Ross Garnaut and Allen Consulting Chair Vince FitzGerald, has been commissioned by the disgruntled “big states”, New South Wales, Victoria and Western Australia who receive less than the Australian average per capita share of GST revenue under the present arrangement. However, it is an independent review and the terms of reference include reporting on “whether the current system is effective in relation to ... (ii) achievement of equitable outcomes for all Australians”. The Federal Treasurer has said that all states would have to agree before the Commonwealth would consider any changes to the funding arrangements so the review provides an opportunity to participate and argue for further consideration of Tasmania’s regional

social and economic disadvantage. This paper will form the basis for Anglicare Tasmania's submission to the review which is due to be completed on May 31.

The State Government too has an important role to play in providing relief for Tasmanians most severely effected by regional disadvantage. The state concession systems offer assistance to some low income earners for essentials such as electricity, motor vehicle registration and council rates and provide an avenue for states to assist low income earners who are facing particularly high costs of living. Analysis of the costs of living for those in different tenure types also provides useful information on where funds are best targeted. For example, private renters and people purchasing homes experience the highest costs of living in all states, yet the state concession systems tend to be geared towards Pension Concession Card holders, particularly those who are home owners or purchasers. Others on similar or even lower incomes are precluded from a range of concessions regardless of the cost of living. Extension and strengthening of concession schemes would allow the State Government to provide greater relief for those exposed to high costs of living because of their geographical location.

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