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Budget Standards for Low-Paid Families

Prepared for: the Fair Work Commission
March 2023

Acknowledgements

Firstly, thank you to the individuals that participated in the focus groups and shared their experiences with us. Thank you also to Dr Melissa Wong who assisted with the ABS expenditure data analysis and James Treloar who assisted with the pricing of budget items. Finally, thank you to Professor Peter Saunders for providing advice and feedback throughout the project.

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Citation

Bedford, Megan; Bradbury, Bruce and Naidoo, Yuvisthi (2023), *Budget Standards for Low-Paid Families*. Report prepared for the Fair Work Commission, Melbourne, Australia.

ISBN 978-0-6453597-4-9

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The Social Policy Research Centre is based in the Faculty of Arts, Design and Architecture at UNSW Sydney. This report is an output of the *Budget Standards for Low-Paid Families* research project, funded by the *Fair Work Commission*.

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Abbreviations

ABS	Australian Bureau of Statistics
AIHW	Australian Institute of Health and Welfare
APRA	Australian Prudential Regulation Authority
CPI	Consumer Price Index
FBU	Family Budget Unit
FTB	Family Tax Benefit
FWC	Fair Work Commission
HCC	Health Care Card
HES	Household Expenditure Survey
GP	General Practitioner
LIHCC	Low Income Health Care Card
NILF	Not in the labour force
PISCF	Participant Information Statement and Consent Form
SPRC	Social Policy Research Centre
RSL Club	Returned and Services Leagues Clubs
UNSW	University of New South Wales

1 Project Background

Budget standards research has a long and distinguished history in Australia and has played an important role in Australian wage determination. The Fair Work Commission (FWC) *Annual Wage Review 2019–20* decision referred to budget standards as one consideration when assessing the needs of the low paid, particularly the report on budget standards developed for low paid Australians by Peter Saunders and Megan Bedford in 2016 and published in 2017 (Saunders and Bedford, 2017).

In recent annual wage reviews, these budget standards from the 2017 report have been updated based on the Consumer Price Index (CPI). However, in reporting their 2016 results, Saunders and Bedford argued that “beyond the seven-year time horizon, it is preferable to review and revise the entire budgets to ensure that items, quantities and lifetimes as well as prices are reviewed and adjusted to reflect changes in community norms and average living standards”.

This current project, undertaken by a team of researchers from the Social Policy Research Centre (SPRC) at the University of New South Wales (UNSW), has reviewed and revised the budget items in the 2017 report and expanded on the previous report by including feedback from a broader section of the community (both low-paid and middle-income households). An exploratory supplementary budget of discretionary items required to participate in Australian society is also included.

The project comprised of the following elements:

- Updating the basket of goods and services previously used to ensure that they reflect current consumption patterns.
- Pricing the goods and services in 2022 (third quarter).
- Conducting focus groups with employed, working-age people from low and middle-income households to confirm key aspects of the budgets.
- Adding a supplementary budget of discretionary expenditure items.
- Comparing the results with a simple update of the previous budget study, household expenditure patterns and low wage levels.

The research presented here builds on existing research to develop modern budget standards that reflect the needs of low paid Australians which can be used to assess adequacy and guide decision-making. The research is the first of its kind in Australia to be undertaken following a pandemic and during the highest inflationary period since the 1990s. It provides the most comprehensive and thorough estimation of the costs of living in contemporary Australia.

This research includes a careful consideration and updating of previous budgets, along with an active engagement with real families (via focus group consultations) to ensure that the standards conform to prevailing community standards and expectations. The new budgets incorporate the shift in people’s purchasing behaviour in the last decade through the normalisation of online shopping, and

the long-term impact of changes to people's work-life practice as more people work from home and participate in online learning in a post-pandemic environment.

The 2022 budget standards further extend Australia's contribution to the global development of budget standard research – providing a robust evidence base to inform public and private living cost decisions.

1.1 Introduction

The Budget Standards approach addresses one of the most difficult questions in social policy and welfare economics: how much income is 'enough'? Sitting as it does between questions of observed consumption and normative judgements, the answer to this question is never straightforward and requires many judgements. There is no single 'right' way to do this and understanding the implications of these different assumptions is central to understanding the usefulness and limitations of any budget standards exercise.

The methods used in this report are based closely on the previous SPRC research undertaken by Saunders and Bedford (2017). This earlier research was, in turn, a further development of an extensive study of budget standards published by the SPRC in 1998 (Saunders et al, 1998). These budgets draw upon three types of evidence:

- expert or "normative" data – data that reflect prevailing judgements on how much is needed to achieve specific standards;
- behavioural or "survey" data – data that describes the spending patterns of actual households; and
- experiential or "focus group" data – data that captures how real households budget and make ends meet.

This current report focuses on budget standards for 'low-paid' households but considers a wider variety of household demographic characteristics and a larger typology of family types than in the 2017 report.

The core budget concept is the Minimum Income for Healthy Living (MIHL) Standard that was originally developed in the UK public health literature. As summarised in the 2017 report (pages 4-5):

The basic idea is that the budgets should allow each individual to lead a fully healthy life in all of its dimensions, in their roles as family members, workers and consumers. The MIHL standard is thus designed to ensure that each individual is able to achieve levels of consumption (of food, clothing, medications, transportation, personal care, and so on) and participation (in lifestyle, exercise and social activities) that are consistent with healthy living ...

[These] budgets embody a series of judgements about what is needed to reach the MIHL standard, and a huge amount of information about the kinds of things that Australians spend their money on, what activities they undertake, what items they own, how often they use

health, childcare and public transport services, and how often (or whether) they eat out, have friends over for a meal and take a family holiday each year. ...

It is important to emphasise that the guiding principle that underpins [these] budgets was that all items, prices and lifetimes were chosen to ensure that the budgets reflect the minimal monetary amounts required to achieve the MIHL standard. The aim was to produce budgets that reflect how much is required to satisfy basic needs, not to allow people to acquire all that they want. There is no allowance for even the most modest or occasional 'luxuries' and wastage was kept to an absolute minimum. The budgets are thus extremely 'tight' and provide no room for further reductions without compromising the attainment of the MIHL standard.

As well as budgets based on this core concept, we also include a supplementary budget covering some common discretionary expenditures not included in this 'basic needs' budget concept. These discretionary items explicitly move beyond the 'healthy living' concept, and some might be considered detrimental to health (e.g. alcohol and tobacco consumption and 'leisure' type items such as gambling). They also include other selected leisure items such as overseas holidays and dining out.

The budgets in this report have been generated for 16 different family types – all including at least one low-wage worker. The families are all assumed to have specific characteristics. In particular, this study assumes that all members are in good health and living in a particular location (suburban Sydney), although national information is used where possible and appropriate. The costs of people with additional expenditure requirements, such as those in remote locations, or with costly medical or disability-related needs are not included.

The research process has involved several steps:

- Updating the list of commodities included in each budget. This involved, for example, taking account of the widespread and normatively expected use of smartphone and other technologies and variations in packaging sizes available in stores.
- Checking that the revised commodity baskets reflect current typical patterns of consumption – unless explicit normative decisions have been made to deviate from this.
 - This checking included the use of consultative focus groups consisting of people in the target population group (low-paid workers) as well as people with incomes more representative of average living standards.
- Pricing the baskets of goods and services.

It is important to note, that while focus groups were a key component of the budget development, they were essentially consultative rather than determinative. Focus groups were used to ensure that the items in the budgets, and their associated purchasing patterns were broadly consistent with those with typical consumption behaviour. However, focus group members were not asked to directly validate the final budgets. Such a validation was both considered not feasible within the focus group context, but also and more importantly, the budgets have explicitly been normatively generated, with judgements made by the research team on what constitutes an acceptable healthy living standard,

based on available utilisation and itemisation data – rather than simply reflecting the consumption patterns of low-income households.

2 Method and Approach

2.1 Introduction

This section describes the methods and approaches used to construct the household budgets. Section 2.2 outlines the various family types included in the study. Section 2.3 sets out the range of assumptions used to determine potential earning levels for individuals that are aggregated to family household incomes and also describes entitlements to government benefits. Section 2.4 describes the general methodology used to price the items, including important caveats to differences between the 2022 and 2016 budget items.

2.2 Family types

The budgets are calculated for 16 different family types that vary by size and labour force participation and are similar to those for whom incomes are modelled in the FWC statistical reports (e.g. Table 8.4 in Fair Work Commission 2022a).

To develop these household budgets, it is necessary to define quite specific household characteristics, such as the age, gender and employment status (working full or part-time, or not working) of household members. It is important to note that, given the level of work involved in the detailed itemisation of budget items for each family type, it was not possible to develop specific budgets that reflect all the many different family type configurations in Australia. However, for the purposes of this report, the following classifying assumptions have been made:

- The adults in the households are aged between 35-40 years.
- The children in the households are primary school aged, with Child 1, 8 years of age and Child 2, 11 years of age.
- All households are assumed to have at least one adult in employment.
- Part-time work is assumed to be 19 hours or 2.5 days per week.
- Full-time work is assumed to be 38 hours or 5 days per week.
- Couple households are assumed to have one adult in full-time work.
- Single parents are assumed to have full parental responsibility for all their children.
- For couples with children, the partner working part-time or not in the labour force is assumed to be the primary carer.¹

¹ As noted, to draw up a household budget it is necessary to be specific about the characteristics of the household members, such as age and gender. As such, the family types and assumptions do not reflect all the many different family type configurations in Australia and should not be considered as representative of family types other than shown.

Appendix A (Table 15) provides further details on the specifics of the family types.

We do not explicitly model the costs of households where people are looking for work. However, these costs can be approximated by assuming they are the same as costs of part-time workers. If this assumption is adopted then the costs for the dual-earner households can be used to approximate the costs of couples with one full-time worker and one person unemployed, and the costs of single parents working part-time can be used to approximate the costs of unemployed single parents.

2.3 Earnings and entitlements to government benefits and concessions

Assumptions are also made about person and household income levels. These income assumptions do not directly influence most budget items, but they are used to determine the prices of some goods which might be subject to income-based benefits or concessions such as childcare and utility costs.

The family types contain either one or two adults, who are either working full-time, part-time or not working (and partnered with a person who is working). We assume that household income comprises the wage earnings of the employed members, plus any relevant Family Tax Benefit (FTB) and JobSeeker allowance, but with no other income. All workers are assumed to be 'low paid', with part-time workers receiving half of full-time earnings, and regardless of gender, workers are assumed to receive the same earning levels.

For this purpose, the project adopts the FWC's definition of 'low paid' as set out in paragraph 70 of the Annual Wage Review 2021-22 (Fair Work Commission, 2022b), "The Panel has consistently adopted a threshold of two-thirds of median adult full-time ordinary earnings as the benchmark we use to identify who is 'low paid'". The earnings are assumed to be stable (in real terms) over time and include holiday and sick pay. The reference period to estimate earnings level is Quarter 3, 2022 (July to September), as the majority of pricing the items in each budget area (refer to Section 4) took place during or around this quarter.

Table 8.2 of the FWC Statistical Report 2021-22, 8 June 2022 (2022a), specifies a 2021 low earnings threshold of \$1000 per week based on earnings in the main job for full-time employees (as at May 2021 from the Australian Bureau of Statistics (ABS) Characteristics of Employment Survey); or \$1062 per week based on the total cash earnings for full-time non-managerial employees paid at the adult rate as at May 2021 from the ABS Survey of Employee Earnings and Hours.

Using the latter data source, the median income of those workers who are at or below \$1062 per week threshold is estimated as \$962 per week in May 2021 (via ABS Tablebuilder). This earning level was then adjusted to Quarter 3, 2022 levels. The ABS Wage Price Index recorded a growth of 1.9 per cent between the 2021 June quarter and the 2022 March quarter (Table 1-Total hourly rates of pay, excluding bonuses, seasonally adjusted). Extrapolating these 3 quarters of growth to 5 quarters, the 'typical' low paid earnings for full-time workers in Quarter 3 2022 was estimated as \$992 per week (at the time of the budget compilation).²

² $\$962 \times (1 + 0.019 \times 5/3) = \992 .

Our low-wage benchmark is thus \$992 per week (i.e. \$1,984 per fortnight or \$51,484 per annum) for full-time work, and \$496 per week (\$992 per fortnight or \$25,792 per annum) for part time work. This full-time earning level is 22 per cent above the National Minimum Wage of \$812.60 per week.

For these income levels and family demographics, the following benefits and concessions apply to specific family types:

- All single parents receive the maximum rate of FTB (A) as the family's adjustable taxable income is less than \$58,108 per year (\$1117.46 per week).³
- All single parents are entitled to a Health Care Card, based on their eligibility for the maximum rate of FTB (A).
- All single parents are entitled to an 85% subsidy on childcare payments as the family's adjustable taxable income is less than \$72,466 per year.
- Dual-earner couples with children receive the maximum rate of FTB (A) as the family's adjustable taxable income is less than \$58,108 (\$1117.46 per week). Because they receive the maximum rate of FTB (A) they are also entitled to a Health Care Card or a Low-Income Health Care Card.
- Dual-earner couples with children may be entitled to concessions on energy use (state-based) so long as they receive FTB.
- Dual-earner couples with children are entitled to an 83% subsidy on childcare payments as the family's adjustable taxable income of less than \$77,246 per year drops the subsidy level by 1% for every \$3,000 of family income earned per year.
- Dual-earner couples are eligible for a Low-Income Health Care Card as the family's adjustable taxable income is less than \$2,254 per fortnight.

The Health Care Card⁴ and Low Income Health Care Card⁵ provide possible concessions on energy and electrical use, healthcare costs, public transport, rates, motor vehicle registration. This study applies the NSW concessions when calculating the budgets, however other states also offer concessions, though eligibility and payment mechanisms vary slightly.

2.4 General pricing methodology

The information required to price the budget items was mainly derived online during Quarter 3 of 2022, August until September, but with some items directly priced in November.

³ Single parents who work part-time receive a Jobseeker payment as their income is below the \$1,916.75 per fortnight threshold. However, the Jobseeker payment is not considered as part of the FWC modelling of household disposable income later in the report.

⁴ <https://www.servicessaustralia.gov.au/who-can-get-health-care-card?context=21981>

⁵ <https://www.servicessaustralia.gov.au/low-income-health-care-card>

During 2022 inflation was historically high and also variable across different commodity groups, in part because of weather conditions influencing commodity prices. For many items it is unlikely that prices will decline, and therefore have little impact on the calculated budgets.

Extremely high levels of inflation can pose greater problems for budget pricing if prices vary significantly across the dates when price data is collected. However, using only a two-month window for most pricing means that this will have minimal impact. Short term relative variations in the prices of specific goods, however, did pose some challenges for the pricing of the goods. We addressed this by pricing most goods during August-September, and pricing other goods which were unusually expensive during November. These goods included Christmas items, seasonal fruit such as grapefruit, grapes, nectarines, peaches, and some meat and vegetable items (corned silverside, steak, fresh fish and cucumbers).

Most of the items were identified and costed in leading national stores like Woolworths, Kmart, Chemist Warehouse and Fantastic Furniture. The main benefit of pricing items online was that it allowed the research team to price items nationally and provided a standardisation of pricing that was not locationally dependent. Nonetheless, it should be noted that even within a national network of outlets, certain items in stores may be subject to localised pricing variations. Where online pricing was not available, store visits were undertaken. This pricing of items online is different to that in Saunders and Bedford (2017), where most of the pricing was done in store and at a specific location.

It should also be acknowledged that participants in some of the focus groups indicated that certain items in the chosen stores were seen as relatively expensive for those on a small budget who 'shop around' to find cheaper prices at other stores (e.g. Aldi, Costco, local fruit and vegetable shops) or predominantly use these stores to purchase items that are on special or buy items from online shopping networks that frequently offer discounts.

The process of pricing involved a series of iterative steps. The team reviewed the assumptions and approaches to pricing by reviewing the list of items, pricing choices, lifetimes and quantities of goods to ensure that they reflected contemporary circumstances, and where applicable, incorporated the focus group findings. The budget generation process started with the budgets constructed in Saunders and Bedford (2017), which were then modified in several dimensions.

1. Replacing of items to reflect contemporary changes – within the food and personal care budgets, there were a few instances where package sizing differed (mainly increased) and in these cases the same daily unit consumption was priced. Examples included deodorant, tampons, and perfume. Items that differed from the original list were replaced with similar contemporary alternatives.
2. New items added to the budgets – there were several new items that were added to individual budgets. For example, in the recreation budget, streaming services was added given the rise in these services in the last decade (ACMA, 2022). Many focus group participants discussed streaming services as a substitute for going to the movies because they cost less and have access to a wide range of entertainment options.
3. Harmonizing quantities – as with the 2017 report, replication of methodologies inevitably involved some refinement as minor errors were corrected. For example, in the household

goods and services budget, the quantity of some household cleaning products was amended to reflect children in the household but not necessarily doubled for each child.

4. Adjusting lifetimes – there were also instances where the lifetimes of specific items were amended because the price and quality in 2022 did not reflect the historical 2016 lifetimes. For example, in education, the much higher cost of school-branded school bags versus a generic school bag was assumed to have a longer lifetime.
5. CPI adjustments – for some items, it was only possible to obtain price estimates for years prior to 2022. For these, the CPI was used to inflate to September quarter 2022 values. This included prices derived from the Frontier Report for school-related costs and the Australian Institute of Health and Welfare (AIHW) report on dental costs.

The initial budget estimates were then subject to a series of consistency checks that involved comparing the budgets across the different family types against the previous 2016 estimates and against the household expenditures recorded in the ABS 2015-16 Household Expenditure Survey (HES) (Section 5). As anomalies arose, the budgets were subject to further rounds of disaggregation to identify which specific items were driving the results, before commencing the assessment, review, refinement process again.

3 Focus Groups

3.1 Introduction

Consistent with the approaches of the previous SPRC budget standard projects and the precedence established by the UK Family Budget Unit, focus groups have played an instrumental and deliberative role in the budget development process. The focus group task was not only to provide guidance on *what the budgets should contain*, but also to help establish *what they actually do contain*. Gauging the views and understanding the actions and choices involved in the decision-making process of low-income households was critical to ascertaining the degree to which the items (and shopping patterns) included in the budget areas conform with lived experience.

The main objective of these focus groups was to obtain broad community views on consumption patterns relevant to low paid families. The findings would ensure that the estimated budgets were as closely linked to patterns of consumption behaviour exhibited by low paid Australian households. While it was not feasible for focus groups to review the individual items in the budgets, the focus groups provided qualitative validation of the scope and content of each budget area and where pertinent, insights were subsequently fed back into the item-by-item budget construction, thus lending greater legitimacy to the overall development of the budgets themselves.

In addition to a set of focus groups with low-income participants, an additional round of focus groups was held with middle-income households to ensure that the budgets represented a reasonable standard of adequacy in contemporary Australia. The intention was that insights from middle-income households would provide a comparative perspective on the extent to which these were aligned to or distinct from low-income Australian households.

3.2 Methodology

The original plan was to conduct face to face focus groups that allowed for detailed discussions on the adequacy of the estimated budgets. However, to minimise the risk of spreading COVID-19 during the pandemic and the uncertainty of when or if future geographic lockdowns would occur, the decision was made to hold the focus groups online. An online platform provided a healthy environment for participants and researchers; allowed for greater participation across a wider geographic area and provided more flexibility in the times for conducting the focus groups.

The latter two reasons were important considerations given the difficulties experienced with the recruitment of participants for the focus groups in the previous project, especially amongst low-income households. In that project, low paid workers were challenging to recruit due to many working irregular and casual hours, making it problematic for them to commit to participating in an in-person focus group.

The choice of a geographic region for a budget standards study is always a trade-off between focus and generality. While a national approach would improve the representativeness of the study, decisions about the costing of particular goods and services require the specification of a particular location. Even though nationally relevant prices were chosen where possible, some costs were unavoidably specific to particular states or cities. To maintain consistency with this costing approach,

following Saunders and Bedford (2017), the focus groups were also drawn from a single region (greater Sydney) that included Wollongong, Gosford, and the Blue Mountains.

Recruitment and sample design

The research team engaged the services of a market research company to recruit participants for the focus groups. The market research company recruitment process allowed for a reiterative series of checks and balances to ensure the veracity of participant’s eligibility according to the selection criteria outlined below. The process involved sending out an introductory email invitation about the focus groups to their members database. The database included individuals that had opted into their database because of their interest in participating in research, but always provided individuals with the option to “opt out” of their research database at any time. The invitation provided a basic overview of the project, the screener survey and an abridged version of the *Participant Information Statement and Consent Form*. Completing the survey meant that individuals were initially interested in participating in a focus group. These interested potential participants were then followed up with a screening and confirmation phone call, which provided more information on the project, a reminder that participation is voluntary and double-checked eligibility. The final step involved a confirmation email that included a link to the consent form that was required to be signed and returned before participating, provided details on the date and time of the focus group, and instructions on how to join the online forum.

The initial proposal was to hold a series of 12 focus groups with a maximum of 8 participants per group (total 96 participants). Participants needed to be between the ages of 30-50 years; be currently employed in some capacity (full-time, part-time or casually); live in the greater Sydney area including Wollongong, Gosford, and the Blue Mountains; belong to either a single or couple household with no children or a couple household with 1 or 2 primary school aged children or a single parent with 1 or 2 primary school aged children; and meet either of the low-income or middle-income thresholds set out in Table 1.

Table 1 Income Thresholds (\$ per annum)

	Low Income households	Middle Income households
Single households, no children	\$50,000 or less	\$50,000-\$100,000
Couple households, no children	\$80,000 or less	\$80,000-\$150,000
Couple households, with children	\$100,00 or less	\$100,000-\$200,000
Single households, with children	\$80,000 or less	\$80,000-\$150,000

Participants were classified according to shared family-income characteristics to enable the conduct of three focus groups each for the above four family types (single households without children; couple households without children; couple households with 1 or 2 primary school age children; and single households with 1 or 2 primary school age children), with two groups classified as low-income and one group classified as middle-income.

During the recruitment process, two revisions were made to the eligibility criteria to allow for the recruitment of more single and single parent households that were proving difficult to find. For low-income single households without children, this entailed lowering the age restriction of 30 to 50 years

of age and allowing them to live by themselves in a shared household (given the difficulty of renting one-bedroom units on a low income). For single parents, this entailed accepting predominantly all female participants (reflecting the gender-bias population representation of single mothers).

Focus group conduct

The focus groups were conducted over two weeks in July 2022. Most focus group sessions were facilitated by two research team members. Each of the focus groups ran for approximately 90 minutes online and was video and audio recorded with the permission of the participants. All the focus group recordings were transcribed to ensure that the discussion was represented accurately. Because of the way in which the focus groups were recorded, the research team were not able to withdraw or destroy individual participant responses once the focus group was completed. However, participants were advised of this prior to participation and as participation was voluntary, participants were able to stop their participation at any time and choose not to answer any questions that they did not want to answer.

The move from face to face to online groups meant that the research team had to alter some of the interviewing and facilitation techniques used in Saunders and Bedford (2017) to be appropriate for an on-line focus group. This included restricting the number of participants in each group to a maximum of 8 (a total of 96 potential participants). Facilitators also spent a considerable time at the beginning of each session building rapport and maintaining a conversational flow to ensure participants were heard and acknowledged. A lesson learnt from the previous study and adapted in this project was to deliberately group participants with similar eligibility characteristics into the same groups to ensure a synergy and cohesiveness amongst shared experiences. A limitation of the previous project was where employment, family type and age characteristics diverged causing discussions to become more disjointed, especially around budget priorities. Utilisation of a market research company to identify and group the right participants minimised this risk in this project.

During the focus groups, discussion focused on whether the content and scope of the budgets accurately reflected the experiences of low paid households and embodied their normative views about what low paid households actually need – and to see if this was different to the experiences of middle-income households. Additionally, facilitators verified if the consumption patterns and spending priorities of households were more general lifestyle/budgeting choices and not specific to the COVID-19 context to ensure the post-pandemic relevance of the budgets. The groups focused on:

- Ensuring that commonly consumed items were considered for inclusion and that infrequently consumed items were considered for exclusion;
- That assumed lifetimes for consumer durables were within typical ranges;
- That expenditures in more discretionary areas (such as leisure and children's activities) were in line with typical behaviour; and
- That shopping patterns were typical.

See Appendix B and C for more detail about the focus group instruments.

Sample characteristics

All 12 focus groups were held as per the original project proposal with a total of 86 participants, with adequate representation of low paid participants. As below, 8 of the focus groups were conducted with low paid households and 4 were with middle income households.

Table 2 Number of focus groups

No. of Focus Groups	Low Paid	Middle Income	Total No.
Single households, no children	2	1	3
Couple households, no children	2	1	3
Couple households, with children	2	1	3
Single parent households, with children	2	1	3
Total	8	4	12

Table 3 Number of focus group participants

No. of Participants	Low Paid	Middle Income	Total No.
Single households, no children	15	7	22
Couple households, no children	13	7	20
Couple households, with children	15	8	23
Single parent households, with children	14	7	21
Total	57	29	86

Of the 86 participants, all were living in the Sydney metropolitan or Great Sydney area, which included Wollongong, Gosford, and the Blue Mountains. Overall, the proportion of female participants (65 per cent) was higher than male participants (35 per cent), reflecting the gender bias of single parent households. In terms of employment, 49 per cent were employed casually or part-time, 44 per cent were employed full-time and 7 per cent were free lancers or sole traders. Just over 80 per cent of the participants were part of a household that earned less than \$100,000 per year in total.

As discussed above, although the initial design was to recruit participants between 30 and 50 years of age; recruitment difficulties meant that it was necessary to relax the age criteria for low-income households without children. Although 11 participants were aged under 30 years, the relaxation of this age criteria made no discernible difference to the findings as the focus group format facilitated discussion across participants with shared characteristics - the majority of them lived in single households and were employed part-time or casually. Low-income groups and single parents were more likely to be working part-time or casually.

3.3 Focus group findings

In general, the focus group findings confirm that both low and middle-income households are very aware of the costs of living in contemporary Australia and actively adapt their choices and behaviour to live within their financial means. For many participants, this included operating a budget to ensure that they do not spend beyond their means. As well as implementing a variety of cost saving strategies in their daily lives, such as shopping around for best value, buying in bulk, choosing generic brands and utilising loyalty reward schemes, to ensure that they received the best value for money and could maintain their household budget.

Although described in more detail in the specific budget areas, there was general consensus amongst participants in all the focus groups about the current difficulty in meeting the costs relating to energy consumption, petrol usage and access to fresh and healthy produce, especially during the recent inflationary period with participants discussing price increases across these major cost categories. Participants stipulated that meeting their housing costs and household utility bills was their main budgetary priority and they would often go without or compromise in relation to food choices and recreational activities to ensure that basic needs were met. A few participants also discussed the impact of this on their ability to save, retain funds for emergencies, and for parents, the burden of reducing their children's participation in activities.

Included within the general introduction to the focus groups, participants were asked their views on what constitutes a healthy lifestyle and how plausible this is for them. For many participants a healthy lifestyle was about the capacity to engage in activities important to their emotional and physical health, such as engagement in paid (for example, gym membership and swimming) and non-paid (for example, community sports and access to a local park) recreational activities, as well as the opportunity for socialising. While some of these activities were possible without access to funds, living on restricted budgets was perceived as obstacles to real participation (for example, affording a bike, community membership fees or being able to meet with friends for a meal or drink). Participants also identified the importance of ensuring an adequate nutritional intake, but many expressed an inability to afford regular fresh produce (fruit, vegetables, meat and seafood). A few participants also raised in this general discussion, the importance of free access to a general practitioner and dentist and the limitations posed about not attending to their medical and dental care needs due to a lack of affordability.

Although, the focus groups intentionally sought to hear from middle-income households to provide a comparative perspective to the budgets of low-income households, an interesting finding is the lack of substantive differences in the budgetary choices, constraints and decisions between those on middle-incomes versus low-incomes. In contrast, it was the presence of children in the household that substantially affected budget choices as opposed to income levels.

Participants who are parents often spoke about prioritising their child's needs before their own needs, often going without items such as haircuts, new clothing and recreational activities. For many parents, especially those who are the primary carer, the cost of childcare (including other work-related costs such as transport) had a significant impact on whether it was financially viable for them to work. Consequently, the two groups facing the most and least budgetary constraints are single parent households on low incomes and middle-income couple and single households with no children, the latter family types with more capacity in their budgets for spending on items such as recreational activities and brand choices.

The following sections outline the specific findings that emerged from the discussions about the various budget areas.

3.3.1 Food

Most of the participants agreed that access to affordable fresh fruit, vegetables and meat was important for maintaining a healthy lifestyle, however, for many of the households, this was often beyond their reach due to cost. Due to the affordability of fresh produce at the time the focus groups were conducted (both a consequence of irregular weather conditions and generally high levels of inflation), many participants said that their household had shifted their household diet and spending patterns towards more affordable options.

This included a shift away from meals cooked and prepared at home towards take away meals. Despite acknowledging that take away meals are not healthy, many participants, especially those on low incomes, said they chose this food option because it was more affordable. One participant summed this up by saying:

I think that a lot of people on a lower income would really struggle to sort of see the benefit of... I can feed my family four pizzas for \$20, or I could spend 60 or \$80 buying fresh fruit and vegetables to make our own pizza at home.

Another said:

Processed foods that end up being cheaper, you know, you can feed the kids dinner for two bucks. Whereas if you need to get all the healthier stuff, then it's end up being five times more sometimes.

Other households had employed specific strategies to ensure that while they might not have been able to afford fresh produce due to cost, they still had "some" fresh produce or alternatives in their diet. For example, some participants said that they based their diet on the seasonal availability of fresh produce because this was often cheaper and more readily available. Many felt that out of season produce was "overpriced" and "of poor quality", such as lettuce.

Another common strategy was substituting fresh produce for canned and frozen alternatives because these items were perceived as cheaper than fresh produce while still offering some nutritional value, and "it was better than no fruit and vegetables". As this participant states:

With the blueberries, I definitely buy them frozen because they're way too expensive just to buy them in the little punnets.

One participant said that their household still bought fresh produce, however, smaller quantities than previously due to current affordability. This strategy ensured that they still got the nutritional value of fresh produce, whilst maintaining their household budget. This participant said:

I wouldn't go without, but I'll probably buy less, like, say for example, I buy a kilo and a half of tomatoes, two kilos of tomatoes [now] I'll probably buy like half a kilo instead or something like that because I [have] noticed like things again [are] more expensive.

Regardless of their household income, all the participants said that they shopped around for specials and savings wherever possible. In general, participants described the following main cost saving strategies:

1. Reviewing shopping pamphlets for weekly specials and savings. On occasion, this directed their decision to buy specific items or choice of item, for example, buying meat or seafood if on sale:

I check online every Tuesday because I think Wednesdays is the day the sale starts. So, every Tuesday I'm laying down, like in bed Tuesday night, for example, just have a quick squiz and I go, I go, IGA, I'll go Woolies [Woolworths]. I go Coles.

2. Purchasing items in bulk when they were on special. For example, purchasing two items for the price of one when items were on special:

Whenever you find things cheaper, either in Woolies [Woolworths] or in your local grocer, you buy them and bulk, you chop them, and you freeze them and are ready to use even when the prices go up.

3. Shopping at local stores for specific items rather than the big national stores, however, it is important to note that this was dependent on the geographic location of the participant:

I choose the fruit shop to go for veggies, for fruits and veggies. It's so much cheaper, even like ginger garlic, things like that. Woolies [Woolworths] and Coles prices are ridiculous, with that kind of stuff.

4. Joining loyalty reward programs that provide specials, savings, and promotions such as Fly Buys⁶. This was most commonly mentioned by households without children:

I take advantage of their Fly Buy points. Every 2000 points you get \$10 off. So, I'm really quick on that. And they also, usually in their catalogues, they'll also say if you spend over \$170 in one shop, whether it's online or in store, you'll get 6,000 bonus points. So sometimes they'll give you like bonus points like that and you can quickly rack up \$20, \$30, \$40 that you can use off the next shop. So, I very much do that all the time. Like I'll try and save up as many points as I can and then deduct that from my next shop because sometimes it makes a big difference.

5. Purchasing "generic" brand items because these were seen as generally cheaper and often tasted the same as other "brand" varieties:

I'll always choose the home brand option for things that are like, you know, pasta, it's all the same in the same packet. Like, you know, you're not going to get much difference, but you're paying \$1 instead of \$5 for a pack.

However, participants also articulated that for certain food categories, brand items were still important and they would endeavour to buy these on special or go without, such as yoghurt and pre-made sauces.

6. Purchasing items close to their expiry because these items were generally cheaper. This was commonly mentioned in relation to meat where participants could freeze the meat and use at another time:

They usually, they will have some discount food go cheap, like near expires. I use them all and then to cut all my grocery budget, I think it's good help.

Although, as discussed above, participants did frequently access smaller local stores for specific items, the bulk of shopping continued to be conducted at national stores such as Woolworths⁷,

⁶ <https://www.flybuys.com.au/collect#/>

⁷ <https://www.woolworths.com.au/>

Coles⁸ and Aldi⁹. There was also no consensus on whether it was cheaper to purchase online or in person. A few participants felt that it was cheaper to go in store because there were always “more options” so you could find the most affordable purchases. While other participants felt that going in store offered “too many options” which often led them to purchasing things that were not essential.

When probed about “eating out”, interestingly most participants associated this with how often households ate take away and not eating out at a restaurant. As mentioned previously, many of the households ate take away regularly because it was seen as more affordable for households. In terms of eating out, although participants talked about this as important for their social participation and engagement, restaurants were generally seen as out of reach for low-income participants and especially for households with children, with participants treating them as celebratory occasions, such as for birthdays and anniversaries. Participants from single and couple middle-income households were more inclined to eat at a restaurant for a non-special event. Very few of the participants spoke about buying lunch at work.

3.3.2 Personal care

Most of the personal care budget discussion was centred around the cost of haircuts for children and adults. This was not surprising given that haircuts were identified as the biggest expense for households in terms of personal care costs.

For most of the adult females that participated in the focus groups, haircuts were very important to them for their work and their sense of wellbeing, however, most were not getting their hair cut and/or coloured as regularly as they would have liked due to affordability. In contrast, this was not treated as an important consideration for the majority of male participants, especially following the pandemic lockdown restrictions that saw households resorting to cutting and dying their own hair. These participants discussed how they had continued with this behaviour as a way of saving costs, even after salons/barbershops opened again.

Many female participants, on the other hand, had changed their spending patterns to “just getting a haircut” and not coloured because the combined cost was too expensive. Others looked for alternative cost saving options such as limiting the cost to a haircut and instead buying a box of supermarket hair dye. There were also a couple of examples where female participants cut their own hair.

Some of the female participants also gave examples of ways in which they got around the expense of getting their hair cut and coloured. For example, a couple mentioned attending the local Technical and Further Education Institutions (TAFE¹⁰) because they offered discounts because their students were not yet fully qualified but needed models to practice on. While others searched (and often waited) for discounts online such as through marketplace websites like Groupon¹¹ that regularly offered discounts at various salons.

⁸ <https://shop.coles.com.au/a/national/home>

⁹ <https://www.aldi.com.au/en/>

¹⁰ <https://www.tafensw.edu.au/>

¹¹ <https://www.groupon.com.au/>

Adults in households with children were generally more likely to be putting their child's haircut needs ahead of their own. This was even more common in female single parent households. For example, one participant said:

I put my girls first. Like I don't go to the hairdresser anymore. I do it myself. I colour my grey myself, which saves me a lot of money, but I tend, try not to cut back on their needs. But I cut back on myself too.

The personal care budget also included other items such as soap, toothpaste, toothbrushes and shampoo and conditioner. These items were generally purchased from similar stores to the food budget. Participants generally bought the same items for all their household members except for a couple of households where household members had specific health needs.

There did not seem to be any major differences between the low income and the middle-income focus group participants in terms of cost saving strategies employed, with the exception of generic brands. Compared with the food budget, participants said that they were less likely to purchase generic personal care items.

3.3.3 Clothing and footwear

Most of the discussion about clothing and footwear focused on the types of brands that participants purchased, particularly in terms of shoes. Generally, participants, irrespective of income level, did not purchase branded clothing for themselves and other family members, including children, as branded items were perceived as less affordable by most participants.

There was also general agreement amongst most participants that their preferred retail outlets were Kmart, Target, and Big W, as they provided a range of affordable choices with a decent enough assurance of quality. Some of these participants spoke about the importance of balancing "quality" with "value" when purchasing clothing. For example, one participant spoke about looking for "quality" in winter because it was colder, so the participant looked for certain clothing materials that could keep them warmer. This participant also spoke about purchasing these items during end of season sales because they were able to get what they wanted for a lesser cost.

For many of the households with children, "hand me downs" were important. Where possible, households with siblings of the same gender handed down their clothing to younger siblings to get as much use and value as possible. This was particularly important for school uniforms as parents considered these as big expense items. Surprisingly, there was not much discussion in the way of buying items from "Op shops". Generally, participants felt stores, particularly Kmart, were affordable enough to enable them to buy new items rather than pre-owned. It was only single parent households on low incomes who were more likely to be looking in "Op shops" like St Vincent de Paul or the Salvation Army.

However, spending on shoes was a different story. Many of the participants felt that it was important for shoes to be "comfortable" and of "good quality" and to achieve this, they needed to spend more and purchase branded shoes. This was a shared point of view, regardless of the age of the participants, whether there were children in the household and irrespective of income level.

Other participants mentioned the importance of having “comfortable” shoes for their work. Many of the participants had jobs that required them to be on their feet all day and needed shoes that supported this level of activity. For example, one participant said:

I have to buy good shoes for work. ...I work in healthcare, so they've got to be, you know, good quality shoes and things like shoes have such an impact.

Another said:

I tend to walk around a lot and I'm based in the [city], so I really just want to be comfortable and need good quality shoes. But like I can wear sneakers to work. So that's why I'm saying like leather shoes. So, I'll just get like a pair of sneakers, a good quality pair and wear them for a really long time.

Single parent households with children were the least likely to be purchasing “branded” shoes for themselves, however, they were still likely to be purchasing “branded” shoes for their children. As this single parent said:

I will always go without and let my kids have like a better pair of shoes than what I would have or if worse comes to worse, I will start searching. I will start searching marketplace and see if there's shoes on there that are near new and I'm happy to purchase that.

However, while most of the participants associated the quality and comfort of shoes with a brand and the amount of money spent, participants also said that they sought savings wherever possible and rarely bought brand shoes at full price. For example, several participants talked about finding the type of sneaker that they wanted in store and then searching online to find the cheapest option or waiting until it went on sale instore or online. One participant said:

Even if I find something in the store, I'll always check online because generally you do have sales and the products a little bit cheaper for those items.

Others searched online for deals and sales, for example outlet stores for a particular brand, eBay¹², Catch of the Day¹³ or Shop Back¹⁴, as described by this participant:

I find some really good deals on eBay or Catch of the Day. It's almost like sometimes 60 to 70% off retail price. So, I will save up and scour the internet first in terms of footwear.

3.3.4 Recreation

It was common across all participants to look for free activities like hiking, going to the beach and going to the local park to participate in, due to the costs associated with paid recreation activities like going to the movies or other attractions. As this participants states:

I probably mainly just do free activities, like a hike or go to the beach ...There's lots of stuff you can do without spending money.

Another said:

We spend as much time out in nature as we possibly can. We're lucky to have a park next door. So, I use a lot of family time just being down at the park going for a little walk in the

¹² <https://www.ebay.com.au/>

¹³ <https://www.catch.com.au/>

¹⁴ <https://www.shopback.com.au/>

local little area for me, it's just anything that doesn't cost money. So, it's picnic and the park kicking the ball on the park. We do. We're lucky we live close to the beach. So, I did take them to the beach, but yeah, nature and free.

Like many of the other budgets, some households had made substitutions due to cost. For example, many of the households said that they had substituted going to the movies with using streaming services because this was more affordable than going to the movies. Nearly every household had at least one streaming service. One participant described this change of behaviour as:

Before I used to go to the movies like weekly but that's moved to now just Netflix and just sort of downloading movies as opposed to going out to pay ... Popcorn and drinks and it all adds up and over like a hundred dollars for two people it was getting way too expensive.

A couple of the households also spoke about sharing streaming service costs with others in their family to allow them to access the many streaming services at an affordable cost.

In terms of children's regular participation in activities, children participated in a variety of activities including swimming, soccer, dancing and karate.¹⁵ A few single parent households mentioned that their children's participation in regular activities was often at the expense of their own participation in recreational activities because they recognised their special importance for children. For example, one participant said:

I pay for swimming lessons every week they go to soccer because it's a team building thing and they've started doing karate as well. Which is very expensive, but I've sort of weighed up the, you know, the benefits of them doing those kind of things and the reasons why I have them doing that... And so there's a lot of things that I do for him [son] that are you know, to help him with his social skills and building. He needs to be around people to learn people skills and all of that.

Some households with children said that they had started asking family members and others for tickets to activities for their children when asked about what they should get them for their birthday or Christmas. This enabled these households and their children to participate and have experiences which they would not have normally been able to afford. One participant said:

The thing I do encourage though is my family to purchase tickets for my kids for those sorts of activities for birthdays or Christmas because ... I don't like putting money out to movies or different experiences. It's just too expensive. But when my family or friends, you know, are like, well, what do they want for their birthday? I'm like, well what about an experience or a movie ticket or whatever. So that's the way that we have them have those experiences without me forking out the money for it.

In terms of travel and holidays, COVID-19 has limited travel for everyone during the past two to three years. However, participants were asked to discuss their travel patterns, frequency, and spending prior to this and what the future may look like. Generally, all the participants agreed that a holiday was essential for all households, however, the type of holiday varied by family type in terms of length, location, and cost. One participant said:

¹⁵ Households with children commonly mentioned the difference that recent NSW government initiatives like the Active Kids and Creative Kids vouchers provided by the State Government had made to their household's participation. These vouchers allowed many households to participate in ways that they had not been able to previously due to affordability.

I think time off is essential, but whether it's like a holiday that you have to pay for flights and accommodation I think that's where it kind of goes into like luxury ... you can have a great holiday and do it quite like cheaply or like very affordable if you don't go too far or if you go to certain places that aren't going to cost a lot of money. But I think time off is essential.

International travel was very much linked to family and culture. Participants with families living overseas were more likely to be travelling internationally so that they could visit family and remain connected.

A few participants were in a position to travel with extended family members who subsidised the costs of their holiday. Two examples' participants described include:

All holidays that I have planned are with family or my partner's family, so I only have to pay for like getting there. I don't have to pay for accommodation.

I share the cost with my parents. So, we tag along to their holiday. You know, and sometimes we share a room, but it's only local. ... we don't do overseas trips, but that's how I get to take my girls away for a bit.

Many had changed what their holiday looked like to allow them to have a holiday but still maintain their budget. For example, swapping motels and hotels for camping. One participant said:

... we never liked camping, but recently this year or the end of last year, my husband bought some camping and tenting and we've been, we did a few times. It saves ... I think probably save more money camping than stay in the hotel, but I don't know how much saving more.

Overall, participation in recreation was very much linked to affordability regardless of how important households felt that participation was for their social and community connections and networks. Unfortunately, many of the participants in these focus groups were not participating as much as they would like to or see as necessary due to affordability. This was the same for families regardless of whether they were low or middle-income households.

3.3.5 Household goods and services

Much of the discussion on household goods and services focussed on the cost of services, with participants identifying energy costs as a significant cost concern in addition to housing costs. This was regardless of the household size or employment status of adults in the household, with participants discussing concern over increasing energy prices, and for those that continued to work from home following the pandemic, the increased generation of heating and cooling needs.

Many participants, irrespective of income level, discussed the different ways their households had altered behaviour to try and reduce household energy costs as much as possible. Two examples' participants described include:

Don't keep the lights on unnecessarily. If you're not in the bedroom, don't keep the light on don't let the heater run and sit there for, you know, with the heater on when you don't really need to.

I turn off the power points. If there's something plugged in. Because a lot of people don't know, it actually still pulls electricity. So, if you've got a charger plugged in, even though the phones not plugged in, it's still draining electricity.

In terms of services more generally including energy but also internet and mobile phone costs, the focus group participants all shopped around for the best deals and were regularly changing providers to receive current deals and promotions that offered the same or better than their previous provider. One participant summed this up by saying:

I have a choice and I always look and compare and especially nowadays they don't have lock-in contracts, which is really good. So, I swap and change to whatever's the cheapest.

Participants were also asked about a couple of specific items and whether they thought that these were essential for them. These included:

- A smart phone (and associated costs) – it was unanimously confirmed by participants that this was a necessary item for all adults. However, it was not necessary for children until they were of high school age. There was much discussion about the most cost-effective way to pay for the associated costs, for example, purchasing the phone outright and then purchasing the cheapest plan available, or only purchasing pre-paid credit as needed.
- Internet – it was also unanimously agreed by participants that high-speed internet with a generous data allowance was necessary for households, in particular for those households with adults working from home or households with school age children.
- Computer – most participants said that their preference was to have a laptop in their household rather than a desk top computer. The flexibility of a laptop was particularly important for adults working at home, especially if their workplace did not provide a home-office computer. Households with children felt that it was important for each child to have access to a computer particularly those with children in later primary school and high school. Many schools also had a Bring Your Own Device (BYOD) policy where students needed to provide their own computer to engage in learning.
- Private health insurance – this was only considered necessary by those participants with an underlying health condition. Participants who identified as healthy did not consider private health insurance as necessary. However, it was difficult to ascertain from the discussions if this decision was linked to cost, for example, if households could afford it they would obtain private health insurance regardless of whether they had any health issues or not.
- Home contents insurance – although many participants considered it necessary, it was nevertheless a low priority in terms of their budget and many said that they did not have it. However, some participants stated that they would pay for home contents insurance if affordability was not an issue.

3.3.6 Health

Unanimous across all groups was the importance of access to a bulk billing General Practitioner (GP) for health care. Across low and middle-income households, participants were in agreement that gap payments were financially onerous, with impacts on their health care. While the most recent statistics from the Australian Government Department of Health and Aged Care show that in the June quarter 2021-22, 88.3 per cent of those that visited a GP without a referral were bulk billed (Australian Government Department of Health and Aged Care, 2022), this was not always the lived experience for focus group participants.

While many participants talked about the importance of visiting a GP that bulk billed, there were several examples of participants and their households not being able to access general health care because they could not cover the gap payment if the GP did not bulk bill. For example, one participant spoke about not visiting their regular GP unless they “desperately needed to” because they did not bulk bill, and on the occasion that they had visited a non-local GP to avoid the gap payment, they had not been able to receive the prescription that they needed because this GP questioned why they were not at their regular GP.

Others spoke about not having annual check-ups because of the financial burden of the gap payment. It is important to note that as focus group participants were all aged under 50 and some were under 30, these types of health check-ups were also not seen as a “need”, as they did not always relate to a current health issue so the gap payment could not be justified. However, a few participants did visit a non-bulk billing GP because they had an underlying health condition and a long-standing relationship with the GP treating their condition. As this participant states:

I pay for my GP, but only because I've had her for like 10 years. So, I feel like she knows me really well, all my information is there... but yeah, otherwise I will always if I, if it's something that is important, I will see my GP. I will pay the \$70.

An interesting finding that emerged from the focus groups was that in addition to concerns over gap payments, many participants discussed the added pressure of a lack of timely and geographic access to a GP. Participants stated that as demand for bulk-billing GPs increased, it was more difficult to get an appointment, and this was particularly problematic for households with school age children who are more likely to be unwell, and for those with underlying medical conditions that require regular treatment. For example, one participant said:

My GP at the moment bulk bills me, having said that it's very difficult to get into actually see them. And so maybe once every few months I do have health issues that need monitoring, but you just, sometimes you just can't get in. And then with the COVID situation, the minute you've got any kind of symptoms at all, the receptionist are basically, you can't come. So yeah, even that's difficult.

Another said:

To get in and see a doctor it's like a three to four day wait. And that's, if you're lucky that's if you get a cancellation and can get in otherwise yeah, it could be up to a week before we can get to see a doctor.

Many of the participants did not have private health insurance to assist with additional health costs such as for medical specialists or dental care. As mentioned in Section 3.3.5, participants did not feel that private health insurance was a necessary item, however, from the discussion it was difficult to distinguish if this was because they did not think it was necessary or it was not necessary because they could not afford it.

In terms of dental care, children were generally able to access dental care with minimal costs for parents because of the Australian government's Child Dental Benefits Scheme that provides an allowance for children's dental care.¹⁶ However, similar to decision-making priorities in the other

¹⁶ To be eligible, children must be 0 to 17 years of age, entitled to Medicare and be receiving a payment or have a parent receiving a payment at least once per year. The program provides specific households with \$1026 in benefits over two consecutive years. <https://www.servicessaustralia.gov.au/child-dental-benefits-schedule>

budget areas, many participants with children spoke about prioritising their children's dental care, often at the expense of themselves. As these participant state:

So, my kids sort of I'll take care of them. I don't go to the dentist at all. I want to, but it's just, the prices are so insane.

Probably kids. Yes. We get the thousand dollars. So that covers it. But other than that, I never go to the dentist, not for myself.

However, many participants in households without children also spoke about not accessing dental care, unless it is for an emergency, because of cost and affordability and the general difficulty of funding other health expenditures not covered by Medicare. For the few participants who had purchased private health insurance, an important consideration was the inclusion of dental care in their plan, that limited their out-of-pocket expenses unless serious work was required.

3.3.7 Transport

Almost all of the households had at least one car that was used for general trips such as food shopping and attending GP appointments, with some households using it to travel to work and other households with children using it to take children to and from school and for travel to extracurricular activities.

The cost of petrol was consistently raised as a significant cost issue across both low income and middle-income participants, particularly for those with jobs that required significant driving. This is not surprising given that petrol prices were particularly high in the first half of 2022. A couple of participants said:

I say petrol is sort of the thing that's, you know, really jumping out at me in terms of the significant changes, like you know, I can have a difference of \$50 in filling up between like, if it's a cheap week or an expensive week or whatever, and that's a huge amount.

Petrol's pretty big for me. I travel an hour each, each way to get to work. So that's a two-hour trip on the roads every day with traffic and petrol.

Many of the households had made changes to their car use patterns to try and reduce their petrol costs. For example, one of the households with two cars had started car-pooling to limit the use of both cars and required only one tank to be filled up. Others thought more carefully about the trips they needed to make in their car – if it was essential or there were more affordable alternatives. As this participant states:

I definitely don't use my car as often. Now I'll take the train instead or I'll walk, or I do a lot more carpooling now with friends to like training and stuff like that to split the cost of petrol.

Others had shifted towards using more public transport instead of using their car as they felt that public transport costs were cheaper than buying petrol. For example, these participants said:

The only other extra one that I can think of is probably driving less. So, taking public transport more, which would just add commute time but mean that I don't have to pay for petrol or tolls.

I take the bus into the city before I used to drive and park. And that's just ridiculously expensive. So gotten back to being on the bus and catching public transport again.

However, those that had made this change acknowledged that this had added time to their commute and consequently exacerbated pressures in other ways. Generally, households with children relied on their car as their main source of transport because public transport was not convenient for getting children to and from school and to their various activities in a timely manner.

A couple of the participants had jobs which enabled them to continue working from home after the end of the stay-at-home orders of 2020 and 2021. For these households, the increase in petrol costs did not impact their household and their costs were actually less than prior to COVID-19. This participant describes this as:

I've noticed a difference working from home. So, I've been working from home since the start of COVID, but before that, I would go through a tank of petrol in a week. So, I'd have to fill up every week. I don't know if I could afford to work from an office full-time now. Like I couldn't afford to fill out my car every week. Like the price is just crazy, even when I'm filling up now, I probably don't ever put a full tank of petrol in just because it's so expensive at the moment.

Most households agreed that comprehensive car insurance was a necessary cost.

When asked specifically about public transport use, although most participants still used their car as their primary source of transport, those participants who relied on public transport, spoke about the increased costs. As this participants states:

Even the price of the Opal card has increased, and it has been increasing for quite a while now...So it used to be like roughly \$14-15. I'm talking about last year, August, then we started working from home. And now if I think about going back to the same track again, I know it would be a dollar or two more than what I used to budget for in my transport cost.

It is also important to note that public transport was also not accessible for all participants and access was dependent on geographic location.

3.3.8 Education

Most of the discussion regarding education was around the cost of childcare and the impact of this on a household's ability to work. Childcare costs for before and after school care (OHSC – Out of School Hours Care) and school holiday vacation care that enables parents to continue work during the school holidays was seen as very expensive for all households with children.

Many of the households had to weigh up childcare costs, with their weekly wage and decide whether it was financially viable for them to work. Participants spoke about if they were better off working with their children in care or they were better off not working and providing the care for their children outside of school hours. For example, one participant spoke about a colleague with three children and employed working three days a week, whose entire wage paid for childcare with no "balance" remaining.

For households with children that continued to work at home following lockdowns in 2020 and 2021, the cost of childcare was much more manageable because working at home enabled them to have their children at home when they were not at school. Participants also expressed their concern of the potential cost impact this may have in the future if things changed again, and they were required to return to their workplace. It was only a few participants who had regular and consistent family

support in place to help them with the care of their children so that they could continue working and not incur out-of-pocket costs for childcare.

For those working casually or irregular hours, access to before and after school care and vacation care was critical for allowing them to continue to engage in work. However, being able to access childcare quickly was difficult for some participants because their children's school had limited places. So, while cost was an issue, access in a timely manner was also an issue. As this participant states:

There's no choice. I don't have anyone else to watch them. So, I have to do that. And then you have to kind of think that if you want to pick up extra work, then I kind of have to go, okay, am I just going to put them in for an extra day and hope something comes up in that time or how am I going to do it? Because you can't do last minute.

The other largest education cost item was school uniforms, with many parent participants expressing the importance of their children having the same 'official' school uniform as the other children to ensure acceptance and inclusion. While parents with children of the same gender spoke about occasionally relying on school uniform "hand me downs", affordability was nevertheless an issue for many parents, especially single parent participants on low incomes. This parent sums this up as:

But I think also you know, like for the children are well aware of their difference because their friends come to school in the full uniform and they come in, you know, some randomly fitting thing, you know, we're lucky to get the jacket or the shirt maybe. And I feel like the kids are very aware of that kind of stuff. Or, you know, like all the other kids have the school backpack, whereas we have, you know, a cheap one from Big W. And like I think that the intention of having everyone in the same outfit is a great idea, but I think it's actually working the opposite. So then I'm sort of wondering if it's worth doing it anymore because the schools can't even enforce the full uniform because they know that it's expensive.

3.3.9 Conclusions

The focus groups provided qualitative validation of the broad scope and content of each budget area. It is worth stipulating however, that an important consideration in deciding the extent to which the findings are used to validate, confirm or alter the items in each budget is also about the extent to which the budgets should reflect the exact spending patterns of low-income households or include normative judgements of items that should be included in the budgets if they are to be used as income adequacy benchmarks.

Two pertinent examples of this are home contents insurance and "hand me down" clothing. While home contents insurance was not purchased by many of the focus group participants because of prioritisation and affordability, in keeping with the 2016 budget construction, this was included in the new budgets as a necessary insurance protection. Similarly, the new budgets do not allow for clothes to be handed down on the premise that people should be able to buy appropriate new items when they are needed.

These normative judgements are also applied in other areas. For example, while much discussion centred on 'shopping around' to find the lowest prices (especially regarding food items), the general approach was to base prices from large stores that are located throughout the country, as they provide a national relevance to the estimates and a transparent process for construction and replication of the new budgets. However, a 5 per cent deduction was allocated to account for

variations in purchasing behaviour. In the development of the new budgets discussed in Section 4, the extent to which the focus group insights were subsequently fed back into the item-by-item budget construction is outlined in greater detail.

There are several consistent findings that came from the focus group participants, and these are summarised below:

- Many participants utilised a budget and implemented various cost saving strategies (such as shopping around for services, bulk buying and choosing generic brands) to live within their financial means.
- There was a consensus amongst participants of the current difficulty in meeting costs related to energy consumption, petrol usage and access to fresh and healthy produce.
- Participants wanted to engage in a healthy lifestyle across all aspects of their lives as important for their emotional and physical health, but for many households this was often beyond their reach due to cost.
- In general, there was little difference in budgetary choices, constraints and decisions between low and middle-income participants and instead the presence of children substantially affected budget results as opposed to income levels.
- Access to bulk billing was essential for participants to be able to access health care however, for many the gap payment was a limiting factor preventing access.
- Many participants did not access dental care because of cost and affordability.
- A holiday was seen as necessary for all households.
- Adults in households with children generally put their child's needs before their own needs, often going without.
- For many households with children, the cost of childcare has a significant impact on whether it was financially viable for parents to work.
- It was important for children to be able to access appropriate branded school uniforms and not generic varieties.
- Children were generally able to access dental care with minimal household costs because of the government's Child Dental Benefits Scheme allowance for children's dental care.

4 New Budgets

4.1 Introduction

This section presents and analyses the new budget standards for low paid families, derived using the methods described in the previous section. Sections 4.2 to 4.9 outline the key assumptions made for each budget area.¹⁷ The new budget estimates are presented in Section 4.10 for the different family types and by budget areas. The remaining two sections present two ways that the budget can be expanded through the inclusion of discretionary expenditures and housing costs. Section 4.11 will discuss supplementary discretionary expenditures that were not included in the healthy living budgets but identify items that facilitate participation in Australian society. Section 4.12 includes housing costs with the recognition that this constitutes an important and large component of most family budgets. The impacts of these additional budget items are discussed in Section 4.13.

4.2 Food budget

As discussed above, the overall approach was to use national stores to price items. Consequently, most items in the food budget were priced online at Woolworths from their website. Certain items not available on the website were priced in store and some items not available at Woolworths were priced from Harris Farm¹⁸ or Coles.

There are four features of the budget construction used in the previous study and also substantiated from the focus group findings. The first is that where possible items were priced based on “generic” (home-brand) products to save on household costs. The second is that an allowance of 5 per cent was added to account for wastage in food use, but this was cancelled out by a deduction of 5 per cent to account for purchasing behaviour conditioned on ‘shopping around’ for lower prices. Third, following the 2016 and 1998 budgets, the new food budget was designed to ensure that the dietary profiles of all individuals were consistent with the prevailing dietary recommendations for energy and nutrients to maintain a ‘healthy living’.¹⁹

It was also assumed that these food budgets remained the same regardless of an individual’s employment status. Finally, the food budget for adults includes a small allowance for alcohol and no allocation for cigarettes or vaping, consistent with the healthy living concept.

There are two other considerations that affected the pricing of food items in this budget compared to the previous project. A consequence of pricing over the course of August and September inevitably meant that there was some variation due to the seasonal nature of some fruits and vegetables. For example, grapes, nectarines, and peaches were significantly more expensive during this pricing period as this was outside the summer months when the abundant supply of these fruits allows for more reasonable prices. Furthermore, in many parts of Australia, 2022 has been marked by extreme weather conditions that have impacted the availability and cost (increased) of some fruit and

¹⁷ Appendix G provides more information on the items included in each budget area and shows the quantity and dollar amount budgeted for a single person (working full-time).

¹⁸ <https://www.harrisfarm.com.au/>

¹⁹ Individual food budgets were constructed based on the dietary and nutritional numbers for a female aged 35 years, a male aged 40 years, a girl aged 8 years and a boy aged 11 years.

vegetables (for example iceberg lettuce, capsicum, and cucumber)²⁰ and a few livestock based commodities (meat and eggs). To address these issues, a small number of items were re-priced in November 2022 when prices were lower. These included some seasonal fruit and vegetables which had unusually high prices in August-September and a small number of protein items (silverside and blade steak). This pricing approach is a simple way to reflect the fact that people would normally tend to purchase foods that have seasonally low prices.

Like the previous budgets, there was also very little allowance for socialising through “eating out”. While this was not included in the food budget, there was a small inclusion in the Recreation Budget as part of the “Holiday Food Loading” for the week’s holiday that was allocated to each household. However, this allocation was minimal and restricted only to low-cost outlets, in this case the local Returned and Services Leagues (RSL) Club in Forster.²¹ Small additional allowances for eating out have been included in a ‘discretionary items’ budget (see Section 4.11).

4.3 Personal care budget

The personal care budget is the smallest of the eight budgets in terms of the number of items included. Like the food budget, most of the personal care items were priced using the Woolworths online store and where not available priced from Chemist Warehouse²² or Kmart²³ and Just Cuts²⁴ for the haircuts for the adults and children.

The budget covers things such as personal hygiene items, haircuts, makeup, shaving items, sunscreen, dental care items, sunglasses, and other toiletry items. As in the previous study, the budget is broken down into 3 categories: items that are specific to each individual in the household; items that are allocated to each household but dependant on the number of people in the household (for example, shampoo, soap, tissues, toilet paper); and items that are allocated to each household regardless of how many household members there are (for example, a hair dryer, manicure nail kit and insect repellent).

While it has been assumed that all female adults are assigned the same items and lifetimes, following the focus group findings a lower frequency of haircuts were assigned for females who are not in the labour force and lower quantities of make-up. As discussed in Section 3, haircuts are the most significant cost in the personal care budget for households (a little less than half of the total budget) with the focus group findings indicating a range of strategies to reduce these costs. These included prioritising haircuts for children to attend school, colouring their hair at home, intermittently cutting hair at home and looking for discounts. The focus groups confirmed the assignment of one haircut per term for each child (four per year), and one haircut per eight weeks for all working adults (which was also used in the 2016 budgets).

²⁰ <https://www.agriculture.gov.au/abares/research-topics/agricultural-outlook/horticulture#opportunities-and-challenges>

²¹ These types of clubs are found across Australia - <https://www.rslaustralia.org/about-us>

²² <https://www.chemistwarehouse.com.au/>

²³ <https://www.kmart.com.au/>

²⁴ <https://www.justcuts.com.au/>

4.4 Clothing and footwear budget

The clothing and footwear budgets contain a very long list of items since the wardrobes must meet the clothing needs of all individuals in a variety of work-related and social settings. The clothing items were identified separately for each individual in the family and then aggregated to obtain the family budget. Most of the items were priced at the retail store Kmart, a store that provides families with “everyday products at the lowest prices”. A few clothing items were priced at retail stores Target²⁵ and Big W²⁶ if they were not available at Kmart; both stores also positioned as offering clothing at affordable prices.

Like the food budget, unless otherwise specified, clothing was of “generic (Kmart) brand”. Consistent with the previous budget and confirmed in the focus groups, it was assumed that children would be allocated two pairs of branded shoes – one pair of sneakers and one pair of school shoes. Focus group participants that were parents, felt that having “brand” shoes was important for their children to fit in with their peers and for comfort and durability. However, there was also a strong consensus from participants that all household members be allocated at least one pair “brand” shoes rather than a “generic brand”, unlike the previous budgets. Focus group participants felt they needed a good quality shoe that offered more in terms of comfort and durability and were prepared to pay more for it.

The only difference between the lifetime of shoes for adults and children was that it was assumed that children’s shoes remained at 1 year to account for growth and greater wear and tear. Adults did not experience the same and so shoe lifetimes were longer. Shoes were purchased from Rebel²⁷ and Target. The other assumption worth noting, is that the item list, quantity and cost of children’s clothing and footwear items are the same regardless of the employment status of the household. For adults, the price and item lists remain the same for each adult regardless of their employment status. However, lifetimes and quantities have been increased or reduced for specific clothing and footwear items for those not in the labour force to reflect their non-working clothing and footwear requirements.

4.5 Recreation budget

The recreation budget included items and activities to ensure that household members had a minimal level of leisure activity and social participation. Within the focus groups, participants generally agreed that a holiday away each year was a necessary household item, although the form and duration of this differed amongst different focus group participants and if there were children. Following the approach in the previous budgets, holidays were kept to a minimum in terms of duration and locations have been chosen to minimise accommodation and travel costs. It was assumed that the holiday consisted of a week away in a caravan park with travel by household car. A small ‘holiday food loading’ allowance was made for extra spending on food while on holiday, although the normal food budget was assumed to also apply over that week. It was also assumed that households with children would travel during the school holidays (January) while households without children would choose the option to save on costs and travel outside of school holidays. As well as the holiday, all

²⁵ <https://www.target.com.au/>

²⁶ <https://www.bigw.com.au/>

²⁷ <https://www.rebelsport.com.au/>

households with children were allocated a small number of family outing day trips that included the cost of eating out for each household member.

In keeping with the healthy lifestyle focus of these and the 2016 budgets, all household members were allocated some level of regular physical activity. All adults have been allocated the cost of weekly swimming pool entry, while the children were each allocated a combination of weekly swimming lessons and pool entry, and a yearly soccer club membership. In addition, it was also assumed that individuals regularly participate in free physical activities such as walking, running, and swimming at the beach to ensure that all household members receive the benefits from participating in regularly physical activities. Participation in these activities as well as free local and community activities were counted as leisure activities enjoyed during the holiday period as well.

There were a small number of changes to the list of items in the current budgets especially regarding online entertainment and technological changes. Of particular interest is the deletion of items such as DVDs and CD players and the inclusion of a streaming service, changes that were substantiated in the focus groups. Most of the focus group participants had access to at least one streaming service and often used this as a substitute for watching a film at a movie theatre because the per person ticket and ancillary costs were too expensive. Accordingly, household members were allocated four visits to the cinema in line with current attendance patterns (Screen Australia, 2021).

Additional specific assumptions from the previous projects that have been included in this project include:

- All recreation activities and entertainment had a lifetime of 1 year regardless of the employment status of the household.
- Some leisure costs were excluded from this budget to prevent double counting. For example, petrol costs associated with the holiday are accounted for in the transport budget.
- Gifts were not accounted for in the budgets because it was assumed that they cancel each other out i.e. gifts in = gifts out. This is discussed further in Section 4.11 on discretionary budget items.
- Reciprocal arrangements with family, friends and neighbours are assumed to occur in regard to baby sitting and child minding for leisure activities outside of the home for families with children.

4.6 Household goods and services budget

This is one of the most complex budget areas as it covers a wide range of items from furniture, white goods, dinnerware to general household items.

The same issues accounted in the previous budget areas about the trade-off between the quality and lifetime of an item is compounded by if there are children in the household and large variations in prices if goods are branded or not. The budget is further complicated by the addition of household utilities cost and the concessions that may apply to them. For this project, pricing for items was

dependent on the nature of the item, hence furniture was priced at Fantastic Furniture²⁸, white goods from Bing Lee²⁹, dinnerware and bedding from Kmart, general household items from Woolworths, and national service providers specific to mobile phone services, household contents insurance, internet and electricity services.

The usage and costs of all household goods was dependent on the number of people in each family irrespective of employment status but also if there were children in the household. Accordingly, following the approach in the previous budgets, many items that generally experience children related wear and tear have reduced lifetimes if there is a child in the household, for example lounge and dining furniture, tableware and utensils, cookware and kitchenware. While the quantity of other items such as cleaning and laundry products, towels, pillows are allocated depending on the number of household members and the nature of the relationship, for example quilt cover sets for couples are the same as for a single adult. In addition to items in a child's bedroom, the budget includes ancillary children-related items for families with children such as party goods.

Given the nature of household services that are usually paid per year or month, all items have a set lifetime and quantity of one per year and there is no specific provision for children. Given the range of choices involved in pricing these services a range of assumptions were required per item. Mobile phones were costed for each adult based on a post-paid SIM card providing between 40-80GB and costs compared across a range of service providers. Similarly, internet costs were priced per family based on 60Mbps or more of unlimited data provided through cable or ADSL and costs compared across a range of service providers. Consistent with the previous budget, all families include an allowance for home content insurance, the necessity of which was substantiated from the focus groups. The cost of home content insurance was obtained from AAMI, a mid-range general insurance provider, using their online quotation system and based on the following assumptions: renting, 1970s built brick-tile based townhouse, with contents valued at \$15,000 and an excess of \$1,000 priced for Campbelltown.

For energy use it was assumed that households only rely on electricity with no gas connection,³⁰ and that usage depends on the number of household members rather than the mix of adults and children. As energy costs vary substantially depending on the size of the household and the geographic area of residence, energy consumption benchmarks are taken from the Australian Energy Regulator Report (Frontier Economics, 2020) and based on energy consumption in Climate Zone 5 for NSW for different household sizes aggregated across the four seasons. Climate Zone 5 was chosen as this represents a large proportion of the sample and the weighted population. These energy consumption benchmarks were priced from Energy Australia for a one-year period with no lock in contracts. As discussed in Section 3.2, specific family types are eligible for concession on energy bills if they are the holder of a Health Care Card, Low Income Health Care Card or if they receive a FTB. Accordingly, all single parents, couple with children and low-income couples without children have been allocated either a low-income household rebate and/or a family energy rebate.³¹

²⁸ <https://www.fantasticfurniture.com.au/>

²⁹ <https://www.binglee.com.au/>

³⁰ Although it varies by state/territory, gas is not included as NSW connection rates are 44 per cent (Table 8) www.aer.gov.au/system/files/Residential%20energy%20consumption%20benchmarks%20-%209%20December%202020_0.pdf

³¹ <https://www.energyaustralia.com.au/home/bills-and-accounts/concessions/new-south-wales>

4.7 Health budget

Following the previous project, this health budget assumes that all household members are healthy and do not have any underlying or chronic health conditions and no need for glasses. Consequently, there is limited use of health services and facilities, even for children, and therefore low household costs related to health.

While it is acknowledged that a social gradient of health does exist with those at the bottom of the income distribution more likely to have worse health outcomes than those closer to the average and requiring greater use of health services and associated medications (de Leeuw et al., 2021), this project is premised on the notion of 'healthy living' and assumes reasonable access to the public health system. On a practical level, there was also a lack of data to inform the potentially large variation in health adjustments required for different family types.

Nevertheless, the assumption that all household members are 'healthy', does not mean zero health costs as individuals get sick, visit the doctor, purchase non-prescription and prescription medications, and require routine preventative health checks and dental treatment. The budget therefore allows for these contingencies and associated out of pocket costs relating to general pain, anti-inflammation, and antibiotic medicines, as well as, general household medical items, such as band aids, cough lollies, a thermometer and first aid kit. Costs were obtained from Chemist Warehouse and Woolworths. These items are included in the health budget on the assumption that all adults have the same items, lifetimes, quantities, and costs regardless of employment status. This applies to children as well with the caveat that medicines such as paracetamol for pain relief and ibuprofen for anti-inflammation are child appropriate.

There are three main differences to the budgets developed in Saunders and Bedford (2017). Although household members are allocated 6.1 visits per year to their general practitioner following the latest OECD Health Report (OECD, 2021), these are bulk billed, so there are no household out-of-pocket costs. This was supported by the focus group findings. A couple of focus group participants did travel outside of their local area to attend a bulk billing GP however, this is not reflected in the travel budget given that the research team used the same average travel distances from the 2017 budgets.

Adult female household members are also allocated an additional two female-specific health items: a prescription for the pill and a 5 yearly "pap smear" or "cervical screening"³². However, unlike the 2016 health budget, the cost for this screening commencing in 2022 is free if the procedure is done by a bulk billing doctor³³, hence this line item has no out-of-pocket cost. Finally, in this budget, average dental costs per year are applied that cover the cost of the consultation, dental extractions, dental fillings, scaling and cleaning of teeth (AIHW, 2022).³⁴ These items were separately costed in

³² The National Cervical Screening Program recommends getting this test every 5 years:

<https://www.health.gov.au/initiatives-and-programs/national-cervical-screening-program#:~:text=The%20National%20Cervical%20Screening%20Program,years%20through%20their%20healthcare%20provider>

³³ <https://www.cancer.org.au/cervicalscreening/about-the-test/what-does-the-test-cost>

³⁴ The AIHW report has costs from the ABS HES 2015-16. with CPI movements for the 2022 September quarter from the ABS Consumer Price Index <https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/consumer-price-index-australia/latest-release>.

the 2016 health budget. Across all family types, dental care is the largest expenditure and forms over 80 per cent of the health budget.

Following the previous project, private health insurance was not included in the health budget. This is based on recent APRA (2022) figures that showed that just over half of Australians have some form of general treatment cover and less than 50 per cent are covered by hospital treatment.³⁵ Similarly, specialist services are not included because the latest ABS Patient 2021 report indicate that the proportion of people who saw a medical specialist was 36.2 per cent for females and 25 per cent for males aged 35-44 years – neither of which reach the 50 per cent utilisation rule for inclusion (ABS, 2020-21, Table 2.3). The existence of a Low Income Health Care Card or Health Care Card are not factored into the itemised costing as the health budget does not include any prescription or non-prescription medicines which provide concessions lower than the usual discounts offered at large chemist or supermarket chains.

4.8 Transport budget

The transport budget covers a wide range of items relating to the cost of a car; car accessories and services; petrol and tolls; public transport costs and limited taxi fares. Every family type has been allocated a car and consequently, in addition to incurring the cost of the vehicle, also incur the associated costs of petrol, registration and insurance, tyres and servicing. These are the biggest expenditure transport items and comprise over four-fifths of the budget.

Every family, irrespective of employment status, has been allocated the same 10-year-old car: a used 5-year-old Toyota Corolla Ascent (sedan) purchased and owned and which is assumed to be sold after 5 years. Similarly, every family has been allocated one car maintenance service per year and one set of new tyres every 5 years. They incur no car cleaning costs but have been assigned cleaning products in the budget. In addition to registration costs and compulsory third-party car insurance, it is assumed that all families obtain adequate but budget-based comprehensive car insurance (with an excess of \$900) and roadside assistance. This decision was validated in the focus groups with participants discussing 'shopping around' for the best insurance prices. All of the car accessories were priced online from Kmart.

Consistent with the 2016 budget, national average distances travelled by representative household types (Bureau of Transport Statistics, 2014)³⁶ are used in conjunction with national average petrol costs to calculate the petrol cost component of the travel budget. A small number of toll charges have been included to cover the cost of tolls when driving to the annual week's holiday, but otherwise it is assumed that all travel will avoid tolls to save on costs. Based on the focus group findings in which participants discussed avoiding parking costs unless necessary (such as trips to medical clinics), parking costs are limited to families with children for the day trip to the aquarium.

³⁵ ABS *Patient Experiences* survey for 2021-22 reports that 49.6 per cent of adults in the second-bottom IRSED quintile had private health insurance in the last 12 months. <https://www.abs.gov.au/statistics/health/health-services/patient-experiences/latest-release#data-download>

³⁶ State travel data is available (such as <https://www.transport.nsw.gov.au/data-and-research/data-and-insights/surveys/household-travel-survey-hts>), however, it was decided that the previous data be used in keeping with using national averages where possible.

In terms of public transport costs, the quantity varied by family type. For couple households, the full-time working partner was allocated five full fare return bus trips per week³⁷ to enable travel to and from work. It was assumed that the other partner in the household would use the car, especially if the family had children to enable driving to school and extracurricular activities. All members in each family were also allocated one return bus trip per month (including children³⁸) to cover the costs of participating in social and recreation activities such as going to the movies. No public transport costs have been allocated for the children to travel to school as it has been assumed that the children either walk to and from school or carpool with their parents.³⁹

Transport concession entitlement cards are only available to working-age adults who are receiving the maximum rate of selected Centrelink payments.⁴⁰ All our family types have at least part-time earnings, receive less than maximum payments because of the payment income tests, and hence are not eligible for transport concessions. It is important to note that this research only focused on the NSW Opal card system. Other states and territories had their own version. For example, in Queensland under the Translink system, the only adults that received concession travel are job seekers, adult students and asylum seekers.⁴¹ Although in the focus groups, most participants excluded taxis as a transport mode, especially given the commute distances, it was assumed that there may be circumstances in which this was necessary. Accordingly, following Saunders and Bedford (2017), all households have been allocated 4 taxi trips per year, with an additional two taxi rides per year provided to female single person and single parent households. All are assumed to a maximum distance of 10km per taxi trip. It is worth noting that estimation was based on taxi prices, on the assumption that these are not dissimilar to more contemporary options such as Uber.

4.9 Education budget

Following the 2017 budget standards approach, in this project a separate budget has been developed to take account of the specific costs of education, that go beyond uniform and stationery items, to ensure that children are able to participate in all aspects of schooling. These education costs are estimated based on children attending a public primary school without any developmental needs, and no allowance is made for adult education. Given that the requirements to ensure full educational participation is based on the child's age, the quantity and lifetime of these education categories – stationery, books and folders, fees, lunch accessories, school and school-sport clothing and shoes – are the same irrespective of the employment status or family type of the household.

Apart from shoes, uniform costs, school fees and school photography, all items were priced either in Kmart or Woolworths. In keeping with the approach for children's shoes in the clothing and footwear budget, children have been allocated 'brand' school shoes priced from the retail outlet Shoes and Sox. Similarly, school uniforms, including the school bag and school hat, were priced slightly higher than the generic budget items as these were of school-brand quality and imprinted

³⁷ In terms of the Opal card for Sydney, there is a weekly cap in travel – participants can travel on public transport as much as they want and pay no more than \$50 per week: <https://transportnsw.info/tickets-opal/opal/fares-payments/adult-fares>.

³⁸ Children were eligible for a concession fare because they were both of primary school age.

³⁹ In NSW children in Years 3 to 6 are eligible for a free bus pass if the straight line distance from their home to school is more than 1.6km or the walking distance is 2.3km or more: <https://transportnsw.info/school-travel-apply>.

⁴⁰ See <https://www.service.nsw.gov.au/guide/public-transport-concessions-and-subsidies>.

⁴¹ <https://translink.com.au/tickets-and-fares/concessions>.

with an official school logo. This decision was validated in the focus groups with parents who felt it important for their children to fit in with their peers.

However, as a consequence of moving to purchasing school uniforms from preferred school providers with school logos (and away from cheaper generic uniform varieties), the school uniforms are more expensive but higher in quality and therefore, the lifetimes of school uniforms (including the school bag) was increased from 1 to 2 years. This is with the exception of school shoes where the lifetime and quantity were reduced to 1 year for each child to account for growing and wear and tear. The dollar effect of these assumptions was that the cost per week for these items in comparison to the 2016 budget was lower. The 2016 budget had used the Smith Family's published Back to School Cost Estimate January 2014 (The Smith Family, 2014) to compare item lists and costs. The Smith Family provided an updated but unpublished limited uniform, stationery, and technology list for 2020 on request that was used to validate the costs obtained from a local primary school in Maroubra.

The remaining school costs (excursions, compulsory school fees and voluntary contributions and school photos) were priced from the Futurity Parents Report Card 2020 (Futurity Investment Group, 2020) and updated to reflect Quarter 3 2022 prices.⁴² In the current budget, compulsory school costs have been combined with voluntary contributions to provide an estimate of 'official' school fees based on a purposive sample of Australian public primary schools in major cities from the MySchool website.⁴³ Similarly, the costs for school camps and school excursions are based on the national average of median costs for primary schools in a major city. The older child is assigned one school camp a year. The budget also assigns the older child a laptop and the younger child a tablet for educational purposes. Both these items are relatively modestly priced with a lifetime of 3 years. This is in line with the list of items by the Smith Family for their 2020 School Cost, but it is also reflective of the common practice amongst many primary schools to have a 'bring your own device' policy that is at the discretion of the principal in consultation with the school community,⁴⁴ and a recognition of the new online learning environment post COVID-19 lockdowns.

Incidental costs were excluded as it was not possible to get an accurate measure of what these might include. However, it should be noted that these 'incidental' costs form a large part of expenditure as outlined in the Futurity Parents Report Card 2020 (Table 2) that includes items such as textbooks, sports equipment and electives that are highly contingent on the type of school and the location. This budget also does not contain transport costs (which are discussed in section 4.8).

To estimate the costs of childcare a series of assumptions were required that are significantly different to the 2016 budget. The main one being that the childcare costs for the previous 2017 education budget were calculated using the previous system of "Child Care Benefit (CCB)" and "Child Care Rebate", however, the current childcare costs were calculated using the new "Child Care Subsidy (CCS)" which was implemented in July 2018. The CCS was implemented following an inquiry into early childhood education and care (ECEC) by the Productivity Commission (PwC, 2016)

⁴² The Frontier Report has costs from 2020. These were updated in line with CPI movements for the 2022 September quarter from the ABS Consumer Price Index <https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/consumer-price-index-australia/latest-release>.

⁴³ <https://www.myschool.edu.au/>

⁴⁴ <https://education.nsw.gov.au/content/dam/main-education/policy-library/related-documents/key-terms.pdf>.
<https://fuse.education.vic.gov.au/pages/planning1to1>.

that sought to simplify the application and reimbursement process and to provide greater cost savings to facilitate greater participation in the workforce (especially female participation).

The previous budget only made allowances for single parent families on the premise that the primary carer was able to arrange their part-time working hours to fit around care responsibilities, or if unemployed, was provided with one day of formal after-school care to allow participation in job search activities. In this budget, it is assumed that single parent families require formal approved childcare to enable workforce participation, and for couples with children, the amount of childcare is dependent on the primary carer's job status. No assumption is made about the parent's capacity for flexible workplace arrangements. Accordingly, this budget assumes that:

- Childcare is offered for 40 weeks a year (before and after school) following general educational guidelines for public schools.
- In a single parent household, if the parent is working full-time, the child/children receive before and after school childcare 5 days a week. Similarly, if the parent is working part-time, the child/children receive before school childcare 2 days a week and after school childcare 3 days a week. This follows the logic of full-time work over 5 days a week and part-time work as 2.5 days a week.
- In a couple parent household, childcare is dependent on the employment status of the primary carer. Hence, if the primary carer works part-time, the child/children receive before school childcare 2 days a week and after school childcare 3 days a week. If the primary carer is not in the labour force, the child/children are not in before or after school childcare.
- Childcare during the school vacation period (assumed to be 12 weeks a year following public school guidelines) is covered by the primary carer taking all four weeks of annual leave to provide care, paying another six weeks for approved vacation care, and assuming that family members and/or friends provide an additional two weeks of informal care. All families with children are assumed to be entitled to receive a childcare subsidy that reduces their out-of-pocket costs; with the level of subsidy ranging between 83-85 per cent depending on their family income.

4.10 The new budget standard estimates

Table 4 presents the budget standard estimates for single and couple household types by budget area. In Table 5 this is presented for single parent household budgets for the same budget areas.

Note that for the single person budget, as well as the single parent budget, the numbers shown in these tables are the simple averages for the budgets which have been calculated separately by gender and are presented in detail in Appendix F. Though there are significant differences in the individual items in the commodity lists for men and women (particularly in areas such as personal care and housing), the budget totals are very similar – with women generally having slightly higher budgets than men.

Table 4 Single and couple household budgets by budget area (\$pw, excluding housing costs)

	Single person, FT	Single-earner couple	Single-earner couple, 1 child	Single-earner couple, 2 children	Dual-earner couple	Dual-earner couple, 1 child	Dual-earner couple, 2 children
Food	82	165	202	256	165	202	256
Personal Care	19	36	36	33	37	37	50
Clothing & Footwear	13	19	29	39	25	35	44
Recreation	37	48	78	95	48	78	95
Household goods & Services	104	120	144	152	126	146	154
Health	11	22	33	44	22	33	44
Transport	111	186	217	218	186	217	218
Education	0	0	23	52	0	65	137
Total	377	596	762	888	608	814	998

Table 5 Single parent household budgets by budget area (\$pw, excludes housing costs)

	Single parent, FT, 1 child	Single parent, PT, 1 child	Single parent, FT, 2 children	Single parent, PT, 2 children
Food	120	120	173	173
Personal Care	26	25	32	32
Clothing & Footwear	22	22	32	32
Recreation	67	67	83	83
Household goods & Services	123	123	133	133
Health	22	22	33	33
Transport	140	138	141	141
Education	61	43	128	92
Total	579	559	756	719

As shown in Table 4, the 2022 budgets vary between \$377 for a single adult working full-time and \$998 for a dual-earner couple with 2 children; a ratio of 2.6 to one. Table 5 shows that the range of budget estimates for single parent households is much narrower, ranging from \$559 for a single parent working part-time with 1 child to \$756 for a single parent working full-time with 2 children; an overall ratio of 1.3 to one.

There are large differences across family types with children. For couple households, the additional cost of having 1 child ranges between 28 to 34 per cent of the budget with no children, and for 2 children between 49 and 64 per cent. This suggests that large economies of scale are not possible while ensuring the needs of children are met to a healthy living standard.

The budget for a single parent working full-time with one child is 54 per cent more than that of a single person, compared to an additional 48 per cent more when the single parent is working part-time. The relativities for full-time workers increase to around two to one with 2 children. The budget costs for a single parent working part-time are only slightly less than those working full-time, mostly on account of lower costs associated with childcare usage – despite having a significantly lower income.

The three budget areas that account for the largest shares of the budget are food, household goods and services and transport. Collectively, these three areas account for between 58 per cent and 79 per cent of the household budgets. In general, the proportionate spend on these budget areas are slightly lower for families with children who have a spend allocation for education (which, by definition, is zero for those families without children).

In terms of education, the proportionate spend is highly contingent on the work status of the single parent and the partner in couple households. We assume that children are enrolled in public schools and so the main education costs are before and after-school care. For a single earner couple with 1 child, education only accounts for 3 per cent, while for a dual earner couple it is 8 per cent, because the second adult in couple families is assumed to provide the majority of childcare if not in the labour force or to align working hours to only use childcare when at work. This compares to 17 per cent for a single parent working full-time with 2 children, which when added to the 19 per cent allocated to transport (to and from work, school drop off and pick up) implies that a third of the family budget is related to work expenses.

In Appendix D we compare some of these results with those in the previous budget standards study of Saunders and Bedford (2017). A simple uprating by commodity-specific price changes is used to adjust the 2016 budgets in that study. In most budget areas and for most family types, the new budgets are higher than the inflated 2016 budgets.

4.11 Supplementary discretionary expenditure budgets

The core budgets in this study have been developed around the concepts of a minimal healthy lifestyle that would allow individuals to participate in society. This means, inter alia, that many items that people typically consume are not included. These include alcohol consumption (above a very minimal level included in the food budget), tobacco and gambling. In addition, budgets for eating outside the household are negligible and less than many households would consume in practice, and we do not include a budget for international travel. This is despite the focus groups reporting that many low wage households would consider international travel to visit family, in particular, as a common expenditure.

In Table 6 and Table 7 we present some discretionary budget options. These are deliberately austere. These are not the only discretionary items that might be included if we were to address all the typical goods that Australian families purchase to participate in society, however, the broader these items are extended, the more arbitrary are the decisions required.

These supplementary budgets shown here include allowances for alcohol and tobacco consumption based on patterns of typical consumption, average gambling losses, a small allowance for workers eating lunch out and a weekend meal outside the house, and a minimal budget for international travel.

For alcohol, two options are provided. The first is based on a recommended maximum consumption of 10 standard drinks per week for each adult.⁴⁵ The second is based on the Australian average consumption of 19 standard drinks per week.⁴⁶ Note that commonly provided servings of alcohol

⁴⁵ <https://www.health.gov.au/topics/alcohol/about-alcohol/how-much-alcohol-is-safe-to-drink>

⁴⁶ <https://www.aihw.gov.au/reports/alcohol/alcohol-tobacco-other-drugs-australia/contents/drug-types/alcohol>

often contain more than one standard drink. We allocated this alcohol consumption to beer, wine, cider and spirits according to average usage patterns (7.43 standard drinks beer, 7.35 wine, 3.79 spirits, 0.48 cider)⁴⁷, choosing items at the lower end of the price range for each.

For tobacco, we draw on data on the proportion of people who smoke daily (11.2%) and the average number of cigarettes per smoker per day (12.9).⁴⁸ A low-end popular brand of cigarettes was priced. Results are presented both for smokers and for the average consumer (i.e. 11.2% of the smoker cost). For both alcohol and smoking, we include the same costs regardless of gender.

For gambling we show the average gambling loss per adult person in Australia - \$24.54 per week.⁴⁹

For lunches out we include an allowance for a café lunch once per week for full-time workers and once per fortnight for part-time workers. For eating out on the weekend, we include a meal once every 4 weeks for households with no children and once every 13 weeks for those with children.

For international travel, we include an advance purchase economy airfare to London and small allowance for incidental travel (once every 2 years). Based on the focus group findings, many of the participants that travelled overseas said that they did so to visit and stay with family members. Given this, no accommodation has been included because it has been assumed that households will stay with the family members that they visit.

The table also includes the total of these discretionary expenditures assuming alcohol consumption at the healthy maximum guideline threshold, and assuming smoking costs averaged across the whole population. (We deduct the small amount of alcohol already included in the food budget). This totals around \$80-110/week for the one adult households, and \$160-\$180/week for the two adult households.

These amounts correspond to between 13 and 27 per cent of the overall non-housing budget. Since they are mainly per-adult expenditures the percentage of the total is highest in the families without children.

As noted above, these discretionary budgets are deliberately austere. In future research it may be possible to include additional items such as private health insurance, gym memberships, and higher cost domestic holidays. The current budget also assumes that gifts to people outside the household are balanced by gifts received (and hence there is no explicit budget for gifts). Given the explicitly social role of gifts, this might not be considered appropriate. However, the discretionary nature of all these items makes drawing the boundaries of consumption particularly difficult. For example, in Tables 13 and 14, the cost for alcohol based on healthy guidelines is significantly different to actual expenditure based on average consumption patterns.

⁴⁷ <https://www.aihw.gov.au/reports/alcohol/alcohol-tobacco-other-drugs-australia/contents/drug-types/alcohol>

⁴⁸ <https://www.aihw.gov.au/reports/alcohol/alcohol-tobacco-other-drugs-australia/contents/drug-types/alcohol>

⁴⁹ In 2018-19, \$1276.78 per adult capita. <https://www.qgso.qld.gov.au/statistics/theme/society/gambling/australian-gambling-statistics>.

Table 6 Discretionary expenditure items for single and couple households

	Single person, FT	Single-earner couple	Single-earner couple, 1 child	Single-earner couple, 2 children	Dual-earner couple	Dual-earner couple, 1 child	Dual-earner couple, 2 children
Alcohol included in Food Budget	-3	-6	-6	-6	-6	-6	-6
Alcohol (option 1 - healthy guidelines)	19	39	39	39	39	39	39
Alcohol (option 2 - average consumption)	37	73	73	73	73	73	73
Tobacco/Inhalants (smokers)	19	39	39	39	39	39	39
Tobacco/Inhalants (average)	2	4	4	4	4	4	4
Gambling	25	49	49	49	49	49	49
Eating out lunch at work	18	18	18	18	27	27	27
Eating out weekend meal	8	15	6	5	15	6	5
Overseas travel	20	38	49	61	38	49	61
Total (alcohol:healthy, tobacco: average, gambling, eating out, travel)	89	156	158	169	165	167	178
<i>Percentage of total non-housing budget</i>	<i>23.5</i>	<i>26.2</i>	<i>20.8</i>	<i>19.0</i>	<i>27.2</i>	<i>20.5</i>	<i>17.8</i>

Table 7 Discretionary expenditure items for single parent households

	Single parent, FT, 1 child	Single parent, PT, 1 child	Single parent, FT, 2 children	Single parent, PT, 2 children
Alcohol included in Food Budget	-3	-3	-3	-3
Alcohol (option 1 - healthy guidelines)	19	19	19	19
Alcohol (option 2 - average consumption)	37	37	37	37
Tobacco/Inhalants (smokers)	19	19	19	19
Tobacco/Inhalants (average)	2	2	2	2
Gambling	25	25	25	25
Eating out lunch at work	18	9	18	9
Eating out weekend meal	3	3	5	5
Overseas travel	32	32	43	43
Total (alcohol:healthy, tobacco: average, gambling, eating out, travel)	96	87	109	100
<i>Percentage of total non-housing budget</i>	<i>16.6</i>	<i>15.6</i>	<i>14.4</i>	<i>13.9</i>

4.12 Incorporating housing costs

While housing is a substantial and largely unavoidable budget item for most families, it has particular features which make it difficult to directly include in budget standards studies. Most importantly, it varies widely across the regions of Australia and also with the pre-existing wealth of the household – i.e. whether they own their own house.

In poverty studies, housing costs are thus often analysed as a largely unavoidable cost. To estimate the proportion of the population who are poor, the actual housing costs of households are deducted from income and the residual compared with a poverty line for non-housing expenditures.⁵⁰ We follow this same principle here by considering housing costs as separate costs which are not considered in the normative budgets. In this report we use an adaption of the rental threshold approach used in Saunders and Bedford (2017), though with modifications to take advantage of newly available data.

The following assumptions are used to derive a number of potential ‘housing budgets’ that can be added to the other budgets described above.

- Households are assumed to be living in dwellings rented on the standard private rental market (rented from a real estate agent).
- The number of bedrooms in their dwelling is (with one exception) set following the Canadian National Occupancy Standard.⁵¹ This is a minimal housing standard based on parental relationships and age and gender of children. However, as in Saunders and Bedford (2017), we do not follow this standard for couple-only households. For these households, the Canadian minimum standard ascribes only one bedroom, but we assign two bedrooms based on the wide prevalence of this housing pattern in Australia.⁵² With this adaption, we thus assume the following number of bedrooms for each household composition: single people (1), couples (2), couples and single parents with one child (2), couples and single parents with two children (3). Note if both children were of the same gender the Canadian standard would imply that they could share a bedroom and thus live in a two-bedroom dwelling (instead of the 3-bedroom dwelling assumed here).
- Rents are estimated for several points on the rental income distribution (30th, 40th and 50th percentiles) and for the capital cities and non-capital cities in each state. These are calculated using the 2021 Census, updated to August 2022 values using the growth in the rent component for the CPI.⁵³ All dwelling types are included in the estimation. Note that these

⁵⁰ This was the approach adopted by the Henderson Poverty Inquiry (Commission of Inquiry into Poverty, 1975) and this general approach has been followed in the recent series of Poverty reports produced by the SPRC and ACOSS (e.g. Davidson, Bradbury and Wong, 2022).

⁵¹ See ABS <https://www.abs.gov.au/census/guide-census-data/census-dictionary/2021/variables-topic/housing/housing-suitability-hosd>.

⁵² In the 2021 Census couple-only households renting from a real estate agent had 43% living in a two-bedroom dwelling and only 13% living in a one (or zero) bedroom dwelling (44% in larger dwellings). Across regions, the highest percentage in one-bedroom dwellings was in the ACT and Sydney at 27% and 21% respectively (ABS Tablebuilder).

⁵³ Census rent percentiles are calculated by linear interpolation within rent ranges, accessed via ABS Tablebuilder. The rent component of the CPI for the capital city of the State/Territory is used (CPI is not available for non-capital regions). The ratio of September quarter 2021 and 2022 values are used to inflate the rent levels.

represent actual rents paid across the population, rather than rents for newly rented properties (which have been rising more steeply in recent years).

Note that other housing-related costs such as consumption-based water rates and household insurance are included in the household goods and services budget.

These rent thresholds are shown in Table 8 for households with different numbers of bedrooms, and in Table 9 for the 16 family types in Sydney. There is substantial variation in rents evident, across percentiles, dwelling size, and region. For example, the median rent for three-bedroom dwellings varies from \$565 per week in the ACT to \$279 per week outside Adelaide in South Australia.

Table 8 Indicative housing costs

Region	Bedrooms	Rent percentile		
		30	40	50
Greater Sydney	1	405	426	458
	2	420	461	500
	3	463	495	529
Rest of NSW	1	216	237	260
	2	279	307	326
	3	357	377	404
Greater Melbourne	1	309	323	342
	2	365	385	409
	3	377	398	420
Rest of Vic.	1	178	193	207
	2	243	260	273
	3	302	319	337
Greater Brisbane	1	300	330	367
	2	348	376	402
	3	375	391	415
Rest of Qld	1	265	292	325
	2	286	318	349
	3	343	376	406
Greater Adelaide	1	262	277	295
	2	303	319	334
	3	350	372	390
Rest of SA	1	163	172	182
	2	201	216	229
	3	246	265	279
Greater Perth	1	279	301	329
	2	327	347	376
	3	365	388	405
Rest of WA	1	234	264	294
	2	257	282	304
	3	330	347	374
Greater Hobart	1	278	298	319
	2	360	379	395
	3	413	435	458
Rest of Tasmania	1	193	205	216
	2	255	272	286
	3	297	318	334
Greater Darwin	1	285	298	322
	2	354	386	406
	3	464	500	521
Rest of NT	1	304	324	335
	2	392	410	429
	3	487	514	541
Australian Capital Territory	1	410	428	441
	2	473	492	515
	3	518	541	565

Notes: The table shows the estimated private rent percentile for households with 1, 2 and 3 bedrooms, as at third quarter of 2022. Source: ABS 2021 Census and CPI. See text for details.

Table 9 Indicative housing costs for each family type in Sydney

Family type	Bedrooms	Greater Sydney Rent percentile		
		30	40	50
Single adult, working full-time	1	405	426	458
Single parent, working full-time, 1 child	2	420	461	500
Single parent, working part-time, 1 child	2	420	461	500
Single parent, working full-time, 2 children	3	463	495	529
Single parent, working part-time, 2 children	3	463	495	529
Single-earner couple, one full-time, one NILF	2	420	461	500
Single-earner couple, one full-time, one NILF, 1 child	2	420	461	500
Single-earner couple, one full-time, one NILF, 2 children	3	463	495	529
Dual-earner couple, one full-time, one part-time	2	420	461	500
Dual-earner couple, one full-time, one part-time, 1 child	2	420	461	500
Dual-earner couple, one full-time, one part-time, 2 children	3	463	495	529

Notes: Derived from Table 8 .

4.13 The budgets including discretionary expenditures and housing costs

Table 10 and Table 11 summarise all the above budgets. These tables include the primary budgets for each family type, together with allowances for housing and the discretionary expenditures described in Section 4.11. The housing allowance is (arbitrarily) fixed at the 40th percentile of Sydney rents, and the discretionary expenditures allow for alcohol consumption at the 'healthy' threshold, average per adult expenditures on tobacco, average per-adult gambling losses and small additional allowances for eating out lunch at work (up to one day/week) and eating out occasionally on the weekend.

Table 10 Single and couple household budgets by budget area (with an allowance for housing and discretionary expenditures)

	Single person, FT	Single-earner couple	Single-earner couple, 1 child	Single-earner couple, 2 children	Dual-earner couple	Dual-earner couple, 1 child	Dual-earner couple, 2 children
Food	82	165	202	256	165	202	256
Personal Care	19	36	36	33	37	37	50
Clothing & Footwear	13	19	29	39	25	35	44
Recreation	37	48	78	95	48	78	95
Household goods & Services	104	120	144	152	126	146	154
Health	11	22	33	44	22	33	44
Transport	111	186	217	218	186	217	218
Education	0	0	23	52	0	65	137
Total (excl housing & discretionary)	377	596	762	888	608	814	998
Housing	426	461	461	461	461	495	495
Discretionary	89	99	93	90	84	111	106
Total (incl housing & discretionary)	891	1,155	1,317	1,439	1,154	1,420	1,599

Notes: Housing costs based on 40th percentile Sydney rents. Discretionary expenditures allow for alcohol consumption at healthy threshold, average tobacco expenditures, average gambling expenditures, a small allowance for eating out and a travel allowance.

Table 11 Single parent household budgets by budget area (with an allowance for housing and discretionary expenditures)

	Single parent, FT, 1 child	Single parent, PT, 1 child	Single parent, FT, 2 children	Single parent, PT, 2 children
Food	120	120	173	173
Personal Care	26	25	32	32
Clothing & Footwear	22	22	32	32
Recreation	67	67	83	83
Household goods & Services	123	123	133	133
Health	22	22	33	33
Transport	140	138	141	141
Education	61	43	128	92
Total (excl housing & discretionary)	579	559	756	719
Housing	461	461	495	495
Discretionary	96	87	109	100
Total (incl housing & discretionary)	1,136	1,107	1,359	1,313

Notes: Housing costs based on 40th percentile Sydney rents. Discretionary expenditures allow for alcohol consumption at healthy threshold, average tobacco expenditures, average gambling expenditures, a small allowance for eating out and a travel allowance.

5 Comparison of Budgets with Other Indicators

5.1 Comparing with expenditures

While all these budgets are explicitly normative in nature, it is informative to compare them with the actual expenditures of households with similar characteristics to the hypothetical family types analysed. This comparison provides information on the impact of our assumptions and of the trade-offs that people need to make when their incomes are not sufficient to meet a minimum standard of healthy living.

Data on the actual expenditure patterns of Australian households is, however, limited. The most comprehensive source of data is the HES conducted irregularly by the ABS. The most recent survey was conducted in 2015-16 and included around 10,000 households who were asked to supply very detailed information about their recent expenditures, including the completion of a two-week diary of expenditures.

Because of the limited sample size and the time since the survey was undertaken a multi-step estimation process was used to obtain estimates of typical expenditure patterns for each of our low-wage household types in 2022. The results shown here should only be considered indicative of actual expenditure patterns as they are subject to a range of potential biases, including modelling limitations, limited sample size and hence sampling variation, limitations in the price uprating process and the changes in consumption patterns since 2015-16.

The following procedure was followed. First, a series of OLS regression models were estimated, describing average expenditure levels as a function of demographic and earning characteristics. From this model, predicted values for households corresponding to our family types were estimated. These predicted values were then updated to 2022 values using changes in the components of the CPI. This simple updating process implies that consumption patterns have not been influenced by real income increases, changes in relative prices or changes in consumption preferences over this period – all very strong assumptions. More details of the estimation assumptions and methods are shown in Appendix E.

The predicted expenditures for our family types are shown in Table 12. Note that the predicted expenditures for some of the commodity groups are negative – reflecting the fact that our family characteristics are well away from the mean of the sample. The inherent limitations of the approach means that all these estimates should be regarded as very approximate estimates of the average expenditures of families in our hypothetical family types analysed.

The relative standard errors for these estimates are shown in Table 22 (Appendix E). Note that the standard errors for single person households is very large, indicating very poor precision in these estimates because of limited sample size.

The ratio between the budget standards (not including discretionary items) and these predicted expenditures are shown in Table 13. Note that the commodity categorisation is not identical between the HES and the budget standards – particularly for household goods and services. Nonetheless, the total expenditure concept (excluding housing) is very similar in the two data sources.

Generally, the total budgets are lower than the average (predicted) expenditures – pointing to the frugal nature of these budgets. That is, ratios are less than one in the last line of Table 13. The exception is single person households, but these expenditure estimates are very imprecisely estimated because of small sample sizes in the HES.

Ignoring these, the budgets are highest relative to actual expenditure for the single parent families with two children, and lowest for dual earner couples with no or one child. This reinforces the feedback obtained from the focus group interviews, that single parents were the most constrained in their expenditure options and dual-earner couples the least constrained.

Within the individual budget areas, our estimates are generally lower than actual expenditure for food, clothing and education, higher for personal care, and mixed for the other categories.

Table 12 Predicted expenditures

	Single person, FT	Single parent, FT, 1 child	Single parent, PT, 1 child	Single parent, FT, 2 children	Single parent, PT, 2 children	Single-earner couple	Single-earner couple, 1 child	Single-earner couple, 2 children	Dual-earner couple	Dual-earner couple, 1 child	Dual-earner couple, 2 children
Current Housing	110	353	290	413	350	291	298	358	420	427	487
Domestic Fuel & Power	29	40	40	46	46	43	49	55	43	49	54
Food & Beverages	85	149	151	201	204	223	252	305	264	294	346
Alcohol	7	17	15	20	18	27	12	15	39	24	27
Tobacco	46	10	23	1	14	35	42	33	28	35	26
Clothing & Footwear	8	26	23	38	35	38	40	52	41	44	56
Furnishings & Equipment	16	76	62	61	46	54	69	54	62	77	62
Household Services	-76	118	101	115	98	-56	13	9	1	70	67
Medical Care	1	27	22	31	25	62	61	64	82	80	83
Transport	-13	142	114	112	84	221	209	179	306	294	264
Communication	23	29	30	32	33	37	41	45	42	45	49
Recreation	30	71	72	109	110	140	129	166	177	166	203
Education	24	-4	34	7	45	16	112	123	23	118	129
Personal Care	4	14	20	17	22	20	21	23	30	31	33
Miscellaneous	-5	61	52	56	46	77	63	58	118	104	99
Mortgage Principal	0	0	0	0	0	0	0	0	0	0	0
Total (excl mortgage principal)	289	1129	1050	1256	1176	1229	1410	1537	1678	1858	1985
Total (excl housing)	180	777	759	843	826	938	1112	1179	1257	1432	1499

Notes: Predicted average expenditures for families of each type. Estimated on 2015-16 ABS Household Expenditure Survey, inflated to 2022 values using the CPI. Note that ABS expenditure categories are used. See Appendix E for details.

Table 13 Ratio of (selected) budgets to predicted expenditures

	Single person, FT	Single parent, FT, 1 child	Single parent, PT, 1 child	Single parent, FT, 2 children	Single parent, PT, 2 children	Single-earner couple	Single-earner couple, 1 child	Single-earner couple, 2 children	Dual-earner couple	Dual-earner couple, 1 child	Dual-earner couple, 2 children
Food	0.97	0.80	0.79	0.86	0.85	0.74	0.80	0.84	0.62	0.69	0.74
Personal Care	4.60	1.79	1.29	1.94	1.46	1.77	1.75	1.43	1.20	1.21	1.50
Clothing & Footwear	1.49	0.85	0.95	0.85	0.91	0.51	0.72	0.75	0.61	0.79	0.80
Recreation	1.24	0.93	0.92	0.77	0.76	0.34	0.61	0.57	0.27	0.47	0.47
Household Goods & Services	11.70	0.53	0.57	0.64	0.70	1.71	0.87	1.08	0.94	0.64	0.76
Health	15.9	0.80	0.99	1.07	1.29	0.35	0.54	0.68	0.27	0.41	0.53
Transport	.	0.98	1.22	1.26	1.68	0.84	1.04	1.22	0.61	0.74	0.83
Education	.	0.43	0.37	1.15	1.10	0.00	0.11	0.29	0.00	0.22	0.52
Total (excl housing & discretionary)	2.10	0.75	0.74	0.90	0.87	0.64	0.69	0.75	0.48	0.57	0.67

Note: Negative estimates not shown. Household Goods and Services is compared with the sum of Domestic Fuel and Power, Furnishings and Equipment, Household Services and Communication in the expenditure estimates.

5.2 Comparison with minimum wage disposable incomes

Table 14 compares the budgets with the disposable incomes of minimum wage earners in different family circumstances. These calculations take into account taxes and income transfers received, based on the assumptions listed at the note to the table.

The last column of the table shows these disposable incomes relative to the budgets including allowances for housing costs and the (limited) discretionary expenditures included above. In all cases, the minimum wage disposable income is lower than the budgets shown here.

Part-time working lone parents and couples where the second earner is not working and not looking for work have the lowest disposable incomes relative to their budgets – 60 to 72 per cent. Among the remaining family types, the percentage ranges from 75 to 91 per cent. Dual earner couples with no children or one child, come closest to meeting the budgets provided here – with net incomes of 91 per cent of the budget.

Table 14 Disposable income when receiving minimum wage, relative to budget

	Disposable income when receiving minimum wage (July 2022)	Excluding housing & discretionary	Budget		Min wage disposable income as % of budget	
			Housing	Discretionary	Including housing	Including housing & discretionary
Single adult	\$717	\$377	\$426	\$89	89	80
Single parent, FT, 1 child	\$1,000	\$579	\$461	\$96	96	88
Single parent, PT, 1 child	\$673	\$559	\$461	\$87	66	61
Single parent, FT, 2 children	\$1,115	\$756	\$495	\$109	89	82
Single parent, PT, 2 children	\$788	\$719	\$495	\$100	65	60
Single-earner couple (JSP for second adult)	\$942	\$608	\$461	\$165	88	76
Single-earner couple	\$728	\$596	\$461	\$156	69	60
Single-earner couple, 1 child (JSP for second adult)	\$1,139	\$814	\$461	\$167	89	79
Single-earner couple, 1 child	\$1,000	\$762	\$461	\$158	82	72
Single-earner couple, 2 children (JSP for second adult)	\$1,260	\$998	\$495	\$178	84	75
Single-earner couple, 2 children	\$1,115	\$888	\$495	\$169	81	72
Dual-earner couple	\$1,124	\$608	\$461	\$165	105	91
Dual-earner couple, 1 child	\$1,312	\$814	\$461	\$167	103	91
Dual-earner couple, 2 children	\$1,427	\$998	\$495	\$178	96	85

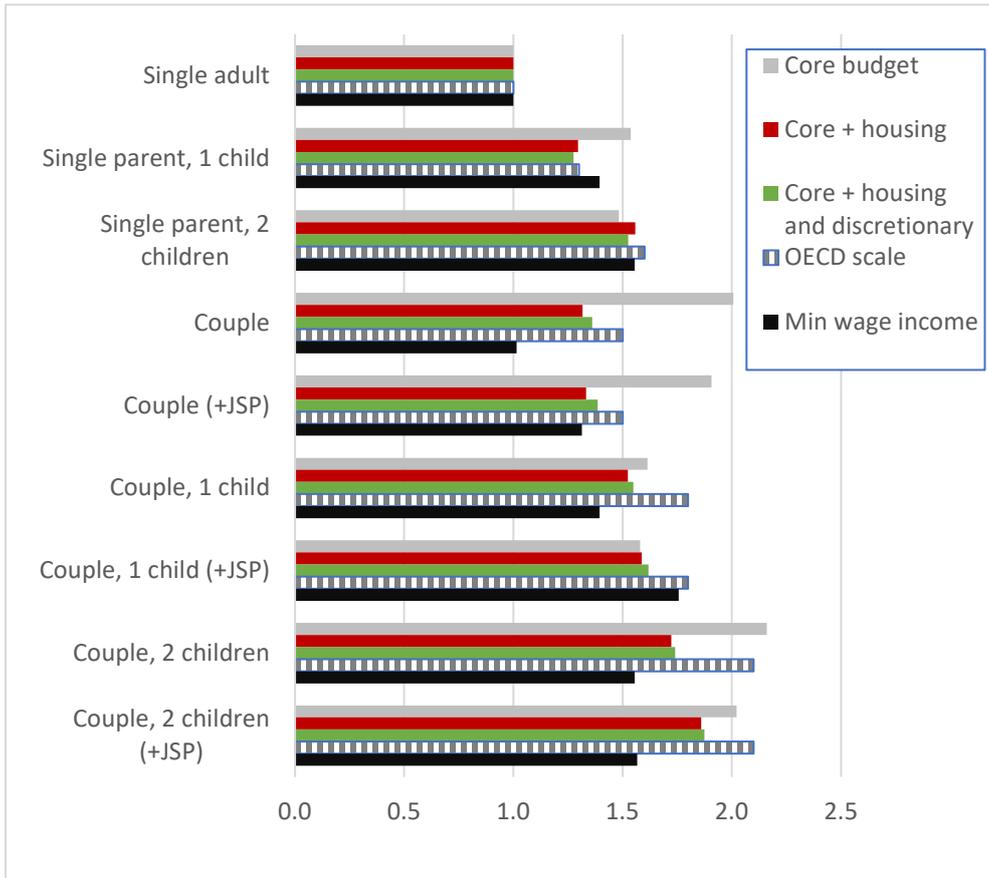
Notes: Minimum wage disposable income calculation following the assumptions of Fair Work Commission (2022a), updated to 1 July 2022. Wage for FT workers is \$812.60 per week, (PT 50% of this). Dual earner couples are FT+PT. Taxes and benefits as at 1 July 2022. Single parents assumed not looking for work and hence not eligible for JobSeeker. Second earners are looking for work and hence eligible for JobSeeker where indicated. Full rate Rent Assistance assumed for those eligible.

Budgets for single earner couples where the second person is eligible for JobSeeker (i.e. looking for work) are set at the level of dual-earner couples.

5.3 Relativities across family types

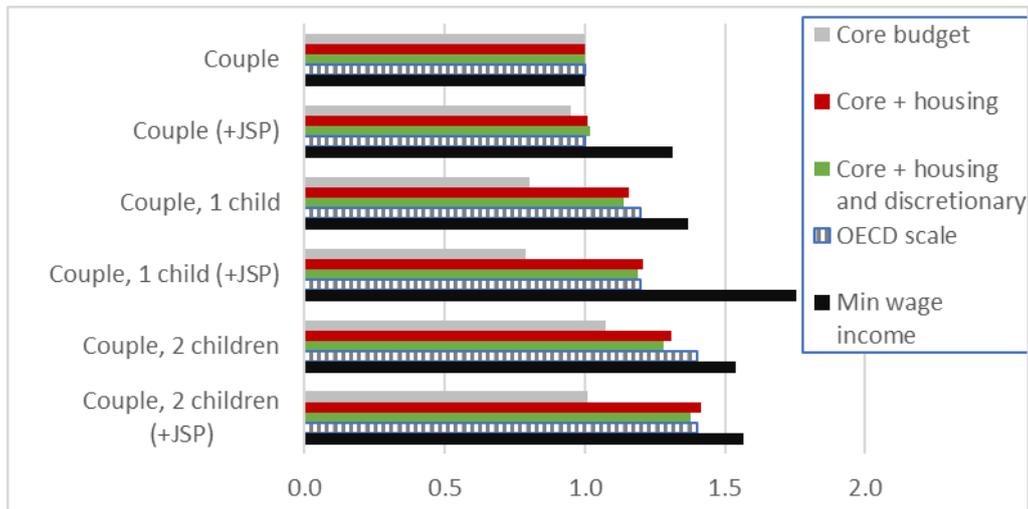
Figure 1 and Figure 2 show the relative values of these different family types compared to the budget for a single adult, and the relative values to a single-earner couple (with the second adult not in the labour force), respectively. For each family type the figures show the relative values of the core budget (budget excluding housing and discretionary items), the core budget plus housing, and the core budget plus housing and discretionary items.

Figure 1 Budgets and minimum wage incomes relative to single adult



Source: Calculated from Table 14. Single earner couples shown.

Figure 2 Budgets and minimum wage incomes relative to single earner couple



Source: Calculated from Table 14. Single earner couples shown.

The relative values of incomes when receiving minimum wages are also shown, along with the relativities from the OECD modified equivalence scale. Though this scale is often used in poverty research (e.g. Davidson et al 2020), and is similar to that found in many social assistance programs,

it should be considered as an indicative rather than authoritative indicator of the relative needs of families of different sizes.⁵⁴

The relative levels of the core budget are often very different to the other scales shown in these figures. This is expected because the other scales all refer to some concept of total expenditures or income, while the core budget is more limited – with the exclusion of housing having a particularly large impact on relativities.

Examining the single parent relativities in Figure 1 the budgets which include housing imply additional costs of children similar to those in the OECD scale (though slightly less with two children). The incomes associated with minimum wages imply that in-work benefits (e.g. FTB and Rent Assistance) provide a greater compensation for the cost of the first child than implied by the budgets and the OECD scale – but not for the second child. Note, however, that these benefits vary greatly with income levels, and this relativity would not necessarily apply for those with higher or lower wages (and those also receiving JSP).

Comparing couples with singles, the net income associated with minimum wages is identical if there is a single earner with a spouse not in the labour force, but about a third higher if the second partner is searching for work and receiving part JobSeeker allowance. The latter is similar to the budgets including housing, but less than the relativity in the OECD scale (1.5). Note that the budgets for the couple (+JSP) are those calculated for a couple with a full-time plus a part-time earner – with the additional costs associated with job search assumed to be the same as the work costs for a part-time worker.

Figure 2 shows the additional costs of children in couple families, with the scales shown relative to the couple with a single earner. With one child, the budget relativities are slightly less than the OECD scale, though very close if the second spouse is looking for work. In the latter situation, the minimum wage relativity is substantially higher. A similar pattern applies for two children, though the minimum wage income relativity is closer to the other scales.

⁵⁴ It is defined as 1 plus 0.5 for each adult after the first, and plus 0.3 for each child.

6 Conclusions

This report has presented new budget standard calculations for low paid families living in Australia in 2022. The budget standards concept employed is based on that in previous Australian studies (Saunders et al 1998, Saunders and Bedford 2017) and the Minimum Income for Healthy Living standards developed in the UK.

In seeking to answer the question of ‘how much is enough?’, it is inevitable that many judgements must be made. In this research, these judgements have been reinforced with focus group discussions with low and middle-income Australian households. However, normative judgements made by the researchers are inevitably an important feature of the budget construction process.

Because the budgets have been normatively defined and intended to represent a defensible minimum standard, they do not necessarily reflect actual expenditure patterns. Instead, they should be seen as representing a minimal level of expenditure that can support a healthy lifestyle, including an acceptable level of social participation.

We also include some discretionary item budgets which include limited additional expenditures which are not included in the core budgets (alcohol, tobacco, gambling and travel). However, these should not be considered as incorporating all such discretionary items that might be typically consumed by low-income households.

In drawing up household budgets it is necessary to be very specific about the characteristics of the household members. This means that the budgets cannot be seen as representing ‘average’ Australian households. In addition to the household composition and employment characteristics used to define the household types, it is particularly important to note that the household members are assumed to be in good health and living in suburban Sydney. However, where possible, the pricing of the budgets has been undertaken using nationally available pricing sources, thereby broadening their applicability and national relevance.

One important consumption good that is not included in the core budgets, however, is housing. In line with previous Australian budget standards studies, we consider there to be too much variation in housing circumstances to permit a defensible budget construction. We do, however, construct some budgets that include indicative housing costs based on rents at the 40th percentile of Sydney dwellings with different numbers of bedrooms (along with other options).

When we compare the budgets presented here with some estimates of the actual expenditure patterns of low-income households we find them to be generally substantially lower – around 50-90% of the predicted total non-housing expenditure. (Single adults are an exception, but these estimates are very imprecise). This points to the frugal nature of these budgets.

On the other hand, the budgets are generally higher than the disposable income of households reliant upon minimum wages (taking into account taxes and transfers). This is in part because the expenditure analysis necessarily includes a broader range of incomes in the ‘low-wage’ category. Nonetheless, it implies that minimum wage recipient households will be unable to reach the budget standards defined here, without the provision of additional resources.

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Appendix A: Budget Assumptions

The tables below outline the general project assumptions as well as the assumptions specific to each budget area. As discussed in the report, to draw up a household budget it is necessary to be specific about the characteristics of the household members, such as age and gender. As such, the family types and assumptions do not reflect all the many different family type configurations in Australia and should not be considered as representative of family types other than shown.

Table 15 Family types

No.	Description	Short description
FT1	Single female, working full-time	Single female, FT
FT2	Single male, working full-time	Single male, FT
FT3	Single mother, working full-time, 1 child	Single mother, FT, 1 child
FT4	Single father, working full-time, 1 child	Single father, FT, 1 child
FT5	Single mother, working part-time, 1 child	Single mother, PT, 1 child
FT6	Single father, working part-time, 1 child	Single father, PT, 1 child
FT7	Single mother, working full-time, 2 children	Single mother, FT, 2 children
FT8	Single father, working full-time, 2 children	Single father, FT, 2 children
FT9	Single mother, working part-time, 2 children	Single mother, PT, 2 children
F10	Single father, working part-time, 2 children	Single father, PT, 2 children
F11	Single-earner couple, male working full-time, female NILF	Single-earner couple
FT12	Single-earner couple, male working full-time, female NILF, 1 child	Single-earner couple, 1 child
FT13	Single-earner couple, male working full-time, female NILF, 2 children	Single-earner couple, 2 children
FT14	Dual-earner couple, male working full-time, female working part-time	Dual-earner couple
FT15	Dual-earner couple, male working full-time, female working part-time, 1 child	Dual-earner couple, 1 child
FT16	Dual-earner couple, male working full-time, female working part-time, 2 children	Dual-earner couple, 2 children

Table 16 Summary of general project assumptions

General Areas	Main Assumptions
Age of household members	<p>All adults – 35 to 40 years of age</p> <p>Girls – 8 years of age (always first child in the household)</p> <p>Boy – 11 years of age (always the second child in the household)</p>
Health of individuals	<p>All of the household members were considered to be healthy and have no underlying health condition/s.</p>
Hours of work	<p>Full-time – 38 hours per week, 5 days per week</p> <p>Part time – 19 hours per week, 2.5 days per week</p>
Household earning	<p>Full-time workers - \$992 per week, \$1,984 per fortnight, \$51,484 per year</p> <p>Part time workers - \$496 per week, \$992 per fortnight, \$25,792 per year</p> <p>Earnings were assumed to be stable (in real terms) over time and include holiday and sick pay.</p>
Entitlements to government benefits and concession cards	<p>Earnings and government benefits were households only sources of income.</p> <p>For couples with children, the female in the household was assumed to be the primary carer and the male the main earner.</p> <p>Females that were not in the labour force (NILF) were assumed to be not working and therefore not eligible for the Job Seeker payment.</p> <p>Assumed that single-parent households received the Health Care Card.</p>
Childcare	<p>See assumptions in the table below.</p>
Pricing	<p>Where possible, all the budget items were priced in Kmart or Woolworths because they trade in every Australian State and Territory.</p>

Table 17 Summary of budget area assumptions

Budget Area	Main Assumptions
Food	<p>Where possible, all items priced were of “generic” brand variety.</p> <p>All dietary and nutritional numbers were the same regardless of employment status. Only age and gender influenced the dietary and nutritional numbers.</p> <p>A 5 per cent “opportunistic” deduction was added to the food budget to account for shopping around for specials.</p>
Personal Care	<p>All individuals were assigned the same items, quantities, and lifetimes regardless of their employment status with the exception of haircut for female household members.</p> <p>All children were allocated 4 haircuts per year (1 per term)</p> <p>All working adults were allocated 1 haircut every 8 weeks.</p> <p>Females NILF were allocated 1 haircut every 16 weeks</p>
Clothing and Footwear	<p>Where possible, all clothing was of ‘non-brand’ variety unless otherwise specified.</p> <p>Footwear for all household members was of “brand” variety.</p> <p>The item list, quantity and cost of children’s clothing and footwear items was the same regardless of the employment status of the household.</p> <p>The item list, quantity and cost of working adults clothing and footwear items was the same regardless of the employment status of the household except for the female NILF (see below).</p> <p>The list of items and cost of clothing and footwear items was the same for females NILF and working females, however, the lifetimes are longer for females NILF given that they are not in employment.</p>
Recreation	<p><i>General</i></p> <p>All recreation activities and entertainment had a lifetime of 1 year regardless of the employment status of the household.</p>

	<p>Assume household members were regular participating in free physical activities such as walking, running, and swimming at the beach to ensure all household members were participating in regularly physical activities.</p> <p>Each household member allocated some cost associated with physical activity/s.</p> <p>Household members were allocated 4 visits to the cinema. This includes adults and children.</p> <p>Gifts were not accounted for in the budgets because it was assumed that they cancel each other out i.e. gifts in = gifts out.</p> <p>Assumed reciprocal arrangements with family, friends and neighbours in regard to baby sitting and child minding for leisure activities outside of the home.</p> <p>Some leisure costs were excluded from this budget so that they were not double counted for. For example, petrol costs associated with the holiday are accounted for in the transport budget.</p> <p><i>Day trip assumptions</i></p> <p>Two single day trips were allocated to all households with children. Day trips include a meal for each household member.</p> <p><i>Holiday assumptions</i></p> <p>All households were allocated a holiday to a caravan park in Forster (6 nights and 7 days).</p> <p>All household members were allocated 3 meals per day during the holiday.</p> <p>Household with children would travel during the school holidays (January) while households without children would travel outside of school holidays.</p> <p>Travel to the holiday location would be by car.</p> <p>No additional recreation costs were included during the holiday period given the proximity to the beach. Household members were assumed to swim at the beach or use free local activities.</p>
<p>Household Goods and Services</p>	<p>Households with 1 or more children had some item lifetimes reduced by 1 year to account for wear and tear by children.</p>

	<p>Some item quantities were changed depending on the number of adult and children in the household. For example, the number of bath towels was dependent on the number of people in the household.</p>
<p>Health</p>	<p>All adults and children were healthy and had no underlying or chronic health conditions.</p> <p>All adults and children have been allocated the same items, lifetimes, quantities, and costs regardless of employment status.</p> <p>Female budgets included a prescription for the pill and regular cervical screening.</p> <p>Individuals only attend a GP that bulked bills. Households had no out of pocket expenses for these visits.</p> <p>No discounts were included for a Health Care card because many of the larger chemists already offered discounted prices.</p> <p>No private health insurance was included given the low percentage of Australians that have this.</p>
<p>Transport</p>	<p>Care Costs and Services</p> <p>Each household was allocated one car, a 10-year-old Toyota Corolla Sedan.</p> <p>No car cleaning costs were included; however, cleaning products were included.</p> <p>Households were allocated one car service per year.</p> <p>Comprehensive car insurance and Green Slip costs were included, and it was assumed that households shopped around for the best value for money.</p> <p>Minimal tolls were included for the one-week holiday. Assumed that households avoided tolls to save on costs.</p> <p>A small number of parking costs were allocated to families with children for the aquarium day trip.</p> <p>Assumed children either walk to school or were allocated a bus pass because they live more 1.6km from their school.</p> <p>All families were allocated 4 taxi trips (maximum distance 10km) per year.</p>

	<p>The households with a female in them were allocated two additional taxi rides (maximum distance 10km) per year.</p> <p>Public Transport</p> <p>Assume that households receive no travel concessions as they do not meet the criteria.</p> <p>Assume that household members travel via bus.</p> <p>The adult male working full-time in all couple households was allocated 5 return bus trips per week to get to and from work.</p> <p>Every household member was allocated 1 return bus far per month for travel.</p>
<p>Education</p>	<p>Assumed that children attend the local government primary school and have no additional learning or developmental needs.</p> <p>Education costs were only applied to households with the 8-year-old girl and the 11-year-old boy.</p> <p>Most uniform items were priced from the local school uniform provider unless otherwise specified. This is different from the 2016 budget where school uniform items were “generic” brands.</p> <p>The item list, cost, quantity, and lifetimes were the same for all children’s clothing and footwear items regardless of the family type or employment status of the household.</p> <p>Stationery, books and folders, fees and lunch accessories all had the same lifetime regardless of the employment status of the household.</p> <p>All children’s costs (except for childcare) have the same quantity and lifetime regardless of the family type. For example, full-time versus part time work and single parents versus couple households.</p> <p>Childcare:</p> <p>Assumed that before and after school care was offered for 40 weeks a year (as per Centrelink Guidelines).</p> <p>Full-time was working 5 days a week for 7.6 hours a day (38 hours per week)</p> <p>Part-time was working 2.5 days a week for 2.6 hours a day (19 hours per week)</p>

Assumed that the Child Care Subsidy (CCS) was dependent on household income, hours of childcare, hourly rate cap and the number of children.

Assumption that Parenting Payment (if single parent or in a couple relationship) was dependent on income thresholds.

Single parent specific

Single parents are assumed to have full parental responsibility for all children.

Assumed that single parents working full-time received before and after school childcare 5 days a week.

Couple households with children specific

Assumed that in a couple parent household, childcare is dependent on the mother's job status. If the mother worked part-time, the child/children received before school childcare 2 days a week and after school childcare 3 day a week. If the mother was NILF, the child/children were not in before or after school childcare or vacation care.

School Holidays

Assumed that children received 12 weeks a year in school holidays. These weeks were allocated as below:

4 weeks x parent's annual leave (included the 1 week's holiday)

6 weeks x paid vacation care

2 weeks x in the care of family and friends

Exception - Households with a female NILF were not allocated any before or after care and vacation care.

Appendix B: Focus Group Screener

Screening Questions

1) Do you or anyone in your immediate family work in any of the following industries?*

Please select all that apply:

- Marketing
- Advertising
- Public Relations
- Market Research
- None of these

2) Are you...?*

- Male
- Female
- Other (please specify): _____ *
- Prefer not to say

3) What is your current age?*

- under 30
- 30-50
- over 50

4) Which best describes the composition of your household?

- I live alone
- I live with my (married or de-facto) partner (and no-one else)
- I live with one or more of my children that are in primary school (and no-one else)
- I live with my partner and our children that are in primary school (and no-one else)
- I live in another household type. For example:
 - A shared household with multiple adults
 - A household including one or more of my older (high school or 18+ children
 - Other combinations not listed above

5) Please type the ages of your children below (e.g. 5m, 6y, 9y)

_____ (type in).

6) Where do you currently live?*

- Metro Sydney
- Greater Sydney (including as far as Wollongong / Blue Mountains / Gosford)

Elsewhere in NSW or another state TERMINATE

What post code do you live in?

7) Which of the following best describes your current situation?

- Working full-time
- Working part time / casual
- Freelancer or sole trader
- Home duties
- Not employed
- Other - please specify: _____

8) Which of the following best describes your partners current situation?

- Working full-time
- Working part time / casual
- Freelancer or sole trader
- Home duties
- Not employed
- Other - please specify: _____

9) Which best describes your current total household income? (total income of all household members, before any taxes are deducted)

- Under \$50,000
- \$50,000 - \$79,999
- \$80,000 - \$99,999
- \$100,000 - \$149,999
- \$150,000 - \$199,999
- \$200,000 or more

10) Which of the following do you have access to?

Please select all that apply

- Smartphone
- Laptop Computer
- Desktop Computer
- Tablet
- None of the above

Appendix C: Focus Group Schedule

The focus group schedule was adapted from Saunders and Bedford (2017). Additional follow-up questions were added as required.

General Discussion

- 1) How do you manage your weekly household costs?**
 - Do you have a budget? If yes, what does it look like?

- 2) Tell me, if your weekly income was reduced permanently around \$100 per week, what items would, or could you go without?**
 - What about if it was more substantial such as \$300-\$500 per week?

- 3) What are the household bills or costs that present the most difficulty for your household?**
 - Are there any strategies that you use to save on household shopping and bills? (i.e. shop around, shop in outlets, buy in bulk, buy discounted items, or buy generic brands).

- 4) What kinds of items are needed to live a healthy lifestyle?**
 - Are there any items needed for healthy lifestyle that you have had to go without because you cannot afford them?

- 5) What do you think are the differences in living standards between low paid and middle-income households?**

Budget Area Questions

Employment

- 6) What are the costs of work?**
 - How much would you spend a week / year on work related expenses such as clothing, transport, and training?

- 7) If you lost your job what would happen?**
 - How much would your income be reduced by?
 - Would you have to cut back on anything in your household?
 - How stable is your job?

Food

- 8) Where do you buy most of your weekly groceries?**

- Do you buy any generic food brands?

9) Is price a barrier to purchasing fresh fruit and vegetables?

- Has this changed given the recent increase in this cost?

10) How often would you buy your lunch?

- For example, at work?

11) How often do you eat out as a family?

- What do this look like? For example, is it take away?

Personal Care

12) Do you think there are any differences in how often (and how much is spent by) members of households, at different income levels, have their hair cut?

- Are there any age and sex differences?

13) What types of make-up and skin care products do you consider essential?

- Where do you buy these products? (Chemists, supermarkets, department stores?)
- How important is the 'brand' when purchasing these items?

Clothing and Footwear

14) Are there any strategies that you use to save on the cost of clothing and footwear (i.e. shop around, shop in outlets, buy in bulk, buy discounted items or buy generic brands)?

- Where do you go?
- Are there certain items which you prefer to be a 'brand' versus a generic brand? For example, shoes.

15) How essential is clothes swapping, trading and 'hand me downs' in your household?

- Thinking about school uniforms in particular

16) Are any of these items necessary for you?

- A sports watch for adults – such as a “Fit bit” or “Garmin” or “Apple” watch?
- A sports watch for children – such as a “Fit bit” or “Garmin” or “Apple” watch?

Recreation

17) You often hear that some kids miss out on leisure activities (like playing organised sports or having bicycles or skateboards) because of their household income. What do you think about this?

- What kinds of leisure activities should kids be able to access?
- What kinds of leisure activities do your children participate in?

18) If you have children, do you give your child/ren pocket money?

- How much? How often?

19) From time-to-time families and individuals like to go out—for example, to the beach, the movies, theatre, or the zoo

- What kind of outings would your household participate in?
- How much money do you allow for these outings and how frequent are they?

20) Do you have a holiday away each year?

- How long would it be? Where would you go? How much would you spend? How much would you spend on extras such as food, drink, meals and activities?
- Do you think that a holiday is essential for everyone?
- If yes, what do you think that this should look like?

21) Are any of these items necessary for you?

- Streaming services (e.g. Netflix, Foxtel)?
- Gym membership? Other?

Household Goods and Services

22) Are any of these items necessary for you?

- A mobile phone
 - Pre-paid or plan? How much?
- At what age should kids get a mobile phone?
- Desktop or lap top computer
- Internet?
 - Pre-paid or plan?
- Contents insurance
- Private health insurance
- New and not second-hand clothes

23) How do you find the cost of electricity / gas?

- Are there any strategies that you use to save on gas and electricity?

Health

24) How often would you visit the GP?

- How do you pay for these visits?
- Would these visits be covered by Medicare?
- Do you travel for bulk billing?
- Can you do this locally?

25) How often would you visit the dentist?

- How do you pay for it?

Transport

26) Do you have a car/s?

- How old is it?
- How do you use it?
- Do you have comprehensive insurance?
- How do you find petrol costs / toll costs?

27) What forms of transport do you use in the following circumstances?

- Regular (grocery, fruit and vegetables) shopping
- Taking kids to and from school
- Taking kids to and from activities, such as sport, music or craft classes
- Getting to and from work

28) Do you use public transport?

- If yes, how and when?

Education (only or households with children)

29) Does your household have any problems in meeting the costs of school?

- How do you find the cost of school uniforms?
- Where do you purchase them these items from?

30) Does your household use any before or after school care or vacation?

- How affordable is this and how often would you use?

31) How do you manage childcare during the school holidays?

Discretionary spending:

32) Our discussion so far has focused on what people need to live a healthy lifestyle, but what else do households need to participate in society?

Appendix D: Comparison with Previous Budget Standards Results

In Table 18 we compare the budgets calculated here with the 2016 budgets estimated in Saunders and Bedford (2017). The inflators for CPI components shown in Table 21 (Appendix E) are used to update the 2016 values to 2022 equivalents. This simple inflation thus ignores any changes in consumption patterns due to income or price effects or changes in consumption preferences.

The comparison is shown for the six family types that are closely equivalent in the two studies. For the housing budget in 2022 we assume the 40th percentile of rents in Sydney for dwellings as indicated in Table 9.⁵⁵

In Table 19 we show the ratios between the 2022 and inflated 2016 values. The total budget is higher for all family types, though only 5 per cent higher for the single-earner couple with no children. This applies to most budget areas, with the exception of personal care where our budgets are lower for two family types, and household goods and services where the budget is lower for one family type.

Table 18 Comparison between 2016 and 2022 budget standards

	Single female, FT		Single male, FT		Single-earner couple		Single-earner couple, 1 child		Single-earner couple, 2 children		Single mother, PT, 1 child	
	2016	2022	2016	2022	2016	2022	2016	2022	2016	2022	2016	2022
Food	68	75	80	90	148	165	187	202	241	256	107	112
Personal Care	18	26	13	13	26	36	30	36	35	33	21	31
Clothing & Footwear	11	14	11	11	16	19	23	29	33	39	19	23
Recreation	32	37	32	37	43	48	68	78	85	95	56	67
Household goods & Services	94	104	94	104	119	120	134	144	166	152	108	123
Health	11	12	8	10	18	22	24	33	30	44	17	23
Transport	98	111	96	110	151	186	181	217	181	218	125	140
Education	0	0	0	0	0	0	33	23	73	52	60	43
Total (excl housing)	331	378	334	375	521	596	681	762	843	888	513	561
Housing	379	426	379	426	471	461	471	461	549	495	471	461
Total (incl housing)	710	804	713	801	992	1057	1152	1223	1392	1383	984	1022

Notes: 2016 budgets updated to 2022 prices using the relevant component of the CPI. Housing budget in 2022 is the 40th percentile of Sydney rents, for dwellings with the number of bedrooms as indicated by the Canadian minimum housing standard.

⁵⁵ Discretionary expenditures were not included in the previous study and so are not included here.

Table 19 Ratio of 2022 to 2016 budgets

	Single female, FT	Single male, FT	Single-earner couple	Single-earner couple, 1 child	Single-earner couple, 2 children	Single mother, PT, 1 child
Food	1.10	1.12	1.11	1.08	1.06	1.05
Personal Care	1.46	0.97	1.34	1.20	0.94	1.48
Clothing & Footwear	1.29	1.06	1.21	1.22	1.17	1.24
Recreation	1.16	1.16	1.09	1.15	1.12	1.19
Household goods & Services	1.10	1.10	1.02	1.07	0.92	1.14
Health	1.12	1.39	1.08	1.37	1.46	1.36
Transport	1.14	1.14	1.23	1.20	1.21	1.12
Education				0.70	0.71	0.71
Total (excl housing)	1.14	1.12	1.14	1.12	1.05	1.10
Housing	1.12	1.12	1.02	0.98	0.90	0.98
Total (incl housing)	1.13	1.12	1.07	1.06	0.99	1.04

In Table 20, the difference in the budget in each commodity area is expressed relative to the overall 2016 non-housing budget.

Table 20 Difference between 2022 and 2016 budgets as a percentage of 2016 total non-housing budget

	Single female, FT	Single male, FT	Single-earner couple	Single-earner couple, 1 child	Single-earner couple, 2 children	Single mother, PT, 1 child
Food	2	3	3	2	2	1
Personal Care	2	0	2	1	0	2
Clothing & Footwear	1	0	1	1	1	1
Recreation	2	2	1	1	1	2
Household goods & Services	3	3	0	1	-2	3
Health	0	1	1	1	2	1
Transport	4	4	7	5	4	3
Education	0	0	0	-1	-2	-3
Total (excl housing)	14	12	14	12	5	10
Housing	14	14	-2	-1	-6	-2
Total (incl housing)	29	26	12	10	-1	8

To a large extent, these differences are driven by price changes in the goods we include in the budgets. Most goods have been directly repriced, and our budgets, as well as being normatively based, have also been directed at low-income households, rather than the average households which are the target of the CPI.

There have also been some changes in methods between the two studies. In developing the new budgets, we have also made changes to the items in the budgets and the pricing approaches. These are discussed in more detail in the specific budget sections above. In summary:

- **Food** – As mentioned in Section 4.2, there were two reasons that explain the higher cost of the food budget, seasonal variations due to the timing of the pricing, and the extreme weather

conditions experienced during the pricing period that impacted on availability and cost (increased) of some fruit and vegetables (for example iceberg lettuce, capsicum and cucumber).

- Personal care – A few additional items were added including nail polish, nail polish remover and cotton wool for the females; a watch for the 8-year-old girl and nit wash and comb for the 11 year old boy. The lifetimes of the watch and sunglasses for all household members was also reduced to 1 per year given the low cost of this item.
- Clothing and footwear – The main change was the inclusion of “brand” shoes for all household members. Previously, only the children had brand sneakers and school shoes.
- Recreation – The cost of the holiday was significantly higher than the previous budgets (assumptions for the holiday remained the same). Two additional items were also added per household – a bluetooth speaker and a subscription to the streaming services Netflix.
- Housing goods and services – Some small lifetime changes made. The major change being the increased cost of services, in particularly energy costs.
- Health – No significant changes from last time.
- Transport – The commonly available car chosen was 33 per cent more expensive in 2022 (c.f. 25% in transport price index). Insurance charges were also correspondingly higher.
- Education – Uniform items that have been purchased from an official uniform provider, rather than generic items from other stores as per the previous budget.

Appendix E: Expenditure Survey Modelling

This was estimated for the population of households meeting all these conditions:

- In one of these four household types: Single person aged 18+, single parent with children aged under 18 *and no other people in the household), couple, couple plus children aged under 18 (and not other people in the household).
- With 0, 1, or 2 children aged under 18
- With 1 or 2 workers (who are aged 18+)
- With 0 or 1 part-time workers
- With no self-employed people in the household.
- With no people in the household aged 55+

The dependent variables are the ABS two-digit expenditure groups, showing weekly household expenditures in 15 groups of goods and services.

The predictor variables for the regression were:

- Household type flags for the four household types (single, single parent, couple, couple plus children).
- Number of children: 0, 1, 2 (categories)
- Age of oldest child (and squared) (zero if no child)
- Age of youngest child (and squared) (zero if no child)
- Number of full-time employed adults (flags for 0, 1 or 2)
- Number of part-time employed adults (0 or 1)
- Average wage rate of employed people in the household. Calculated as weekly earnings divided by weekly hours usually worked, with the result 'Winsorized'⁵⁶ to remove extreme values.

From this regression, we estimate predicted values for the household types corresponding most closely to our family types.

We predict expenditure levels for households where the average wage rate is \$23.75/hour. This is the 2016 minimum wage (\$673), times 1.22 (to take account of the broader range of low wage work;

⁵⁶ The highest 3% of values had their value replaced with that of the 97th %ile value, and the lowest 3% of values had their values replaced with the 3rd %ile value. Overtime, salary sacrifice, bonuses and STRP included in wages.

see section 2.3), times 1.1 (to allow for some workers in the HES reporting higher casual earning rates), divided by 38 hours per week.

These predicted expenditures for 2015-16 were then inflated to September quarter 2022 values using the price data collected by the ABS as part of the Consumer Price Index (CPI). The CPI category used for each component, and the change in that component since 2015-16 is shown in Table 21. Note that these categories follow those used in the ABS Expenditure Survey and are not identical to the groupings used in our summary budgets shown above – particularly for the Household Goods and Services category. These are aggregated further for comparison with our budgets below.

Over this period the overall CPI has increased by 19% (see last row, used to inflate miscellaneous goods and services). But this comprises a wide range of price changes. At one extreme, tobacco products have more than doubled in price (due to increases in taxes), while some goods such as clothing, communication goods and personal care goods actually decreased in price.

Table 21 Price adjustment used to adjust predicted 2015-16 expenditures to 2022 values

Household Expenditure Survey category	CPI category	CPI increase 2015-16 to September qtr 2022 (ratio)
Current Housing Costs (Selected Dwelling)	Housing	1.20
Domestic Fuel And Power	Utilities	1.14
Food And Non-Alcoholic Beverages	Food and non-alcoholic beverages	1.20
Alcoholic Beverages	Alcoholic beverages	1.13
Tobacco Products	Tobacco	2.16
Clothing And Footwear	Clothing and footwear	0.99
Household Furnishings And Equipment	Furnishings, household equipment and services	1.15
Household Services And Operation	Domestic and household services	1.20
Medical Care And Health Expenses	Health	1.23
Transport	Transport	1.25
Communication	Communication	0.83
Recreation	Recreation and culture	1.10
Education	Education	1.19
Personal Care	Personal care products	0.98
Miscellaneous Goods And Services	All groups CPI	1.19

Source: ABS Consumer Price Index, Cat. No. 6401.0, Table 7, September Quarter 2022

Table 22 Relative standard errors (standard error / estimate)

	Single person, FT	Single parent, FT, 1 child	Single parent, PT, 1 child	Single parent, FT, 2 children	Single parent, PT, 2 children	Single-earner couple	Single-earner couple, 1 child	Single-earner couple, 2 children	Dual-earner couple	Dual-earner couple, 1 child	Dual-earner couple, 2 children
Current housing	0.76	0.08	0.11	0.12	0.13	0.12	0.18	0.09	0.14	0.10	0.21
Domestic fuel and power	0.10	0.07	0.08	0.06	0.08	0.06	0.05	0.04	0.05	0.04	0.03
Food and beverages	0.21	0.09	0.09	0.07	0.07	0.07	0.06	0.06	0.04	0.04	0.04
Alcohol	1.14	0.41	0.36	0.32	0.29	0.19	0.44	0.48	0.12	0.19	0.21
Tobacco	0.22	0.62	0.28	7.89	0.45	0.17	0.21	0.27	0.18	0.19	0.27
Clothing and footwear	1.07	0.19	0.25	0.19	0.19	0.22	0.19	0.16	0.15	0.14	0.11
Furnishings and equipment	1.26	0.36	0.33	0.38	0.36	0.29	0.37	0.29	0.16	0.19	0.21
Household services	-0.31	0.56	0.49	0.42	0.32	-0.26	1.16	3.09	7.91	0.20	0.41
Medical care	15.64	0.29	0.38	0.35	0.34	0.19	0.16	0.20	0.10	0.14	0.09
Transport	-2.86	0.28	0.33	0.34	0.36	0.15	0.17	0.22	0.09	0.09	0.10
Communication	0.21	0.13	0.13	0.11	0.10	0.07	0.06	0.07	0.07	0.05	0.05
Recreation	1.02	0.31	0.32	0.18	0.20	0.17	0.17	0.14	0.10	0.11	0.10
Education	1.62	-4.11	0.68	2.68	0.52	1.51	0.25	0.19	0.78	0.28	0.16
Personal care	1.94	0.26	0.27	0.34	0.30	0.28	0.32	0.21	0.14	0.18	0.12
Miscellaneous	-4.62	0.26	0.32	0.44	0.43	0.24	0.34	0.36	0.16	0.23	0.16
Mortgage principal	-0.60	0.68	0.86	0.33	0.37	2.04	1.53	0.31	0.32	0.30	0.13
Total excl mortgage principal	0.52	0.14	0.12	0.11	0.09	0.08	0.07	0.07	0.06	0.04	0.07

Note: Calculated using ABS-provided replicate weights.

Appendix F: Budgets by Detailed Household Type

Table 23 Single and couple household budgets by budget area (\$pw)

	Single female, FT	Single male, FT	Single-earner couple	Single-earner couple, 1 child	Single-earner couple, 2 children	Dual-earner couple	Dual-earner couple, 1 child	Dual-earner couple, 2 children
Food	75.05	89.90	164.95	202.23	255.69	164.95	202.23	255.69
Personal Care	25.61	12.60	35.61	36.40	32.67	36.53	37.38	49.71
Clothing & Footwear	13.87	11.38	19.34	28.61	38.56	25.25	34.52	44.47
Recreation	37.00	37.00	47.52	78.33	95.19	47.59	78.40	95.27
Household goods & Services	103.94	103.94	120.40	143.51	151.77	126.25	145.91	154.17
Health	11.79	10.44	22.13	32.93	43.79	22.13	32.93	43.79
Transport	111.21	109.96	185.73	217.40	218.30	185.73	217.40	218.30
Education	0.00	0.00	0.00	22.71	51.96	0.00	65.05	136.66
Total (excl housing & discretionary)	378.47	375.22	595.68	762.11	887.94	608.42	813.82	998.05
Housing	426.00	426.00	461.05	461.05	461.05	461.05	494.67	494.67
Discretionary	91.25	85.98	98.75	93.48	89.75	84.48	111.44	106.17
Total (incl housing & discretionary)	895.72	887.20	1,155.47	1,316.63	1,438.73	1,153.94	1,419.92	1,598.89

Table 24 Single parent household budgets by budget area (\$pw)

	Single mother, FT, 1 child	Single father, FT, 1 child	Single mother, PT, 1 child	Single father, PT, 1 child	Single mother, FT, 2 children	Single father, FT, 2 children	Single mother, PT, 2 children	Single father, PT, 2 children
Food	112.33	127.18	112.33	127.18	165.79	180.64	165.79	180.64
Personal Care	32.35	19.35	31.13	19.35	38.80	25.79	37.57	25.79
Clothing & Footwear	23.13	20.65	23.13	20.65	33.09	30.60	33.09	30.60
Recreation	66.51	66.51	66.51	66.51	83.38	83.38	83.38	83.38
Household goods & Services	122.73	122.73	122.73	122.73	133.46	133.46	133.46	133.46
Health	22.69	21.24	22.69	21.24	33.55	32.10	33.55	32.10
Transport	140.24	139.00	140.24	136.29	141.14	139.90	141.14	139.90
Education	60.97	60.97	42.56	42.56	128.49	128.49	91.66	91.66
Total (excl housing & discretionary)	580.96	577.62	561.32	556.50	757.68	754.35	719.64	717.52
Housing	461.05	461.05	461.05	461.05	494.67	494.67	494.67	494.67
Discretionary	98.75	93.48	89.75	84.48	111.44	106.17	102.44	97.17
Total (incl housing & discretionary)	1,140.75	1,132.15	1,112.12	1,102.02	1,363.79	1,355.18	1,316.74	1,309.36

Appendix G: Detailed Item Tables for Single Person Households

Table 25 Food Budget

Areas	Examples	No. items	\$ Spend (single person, FT)
Cereals	Cereal, bread, rice & pasta	11	\$9.28
Fruit	Canned, frozen, & fresh fruit	17	\$13.10
Vegetables	Canned, frozen, & fresh vegetables	24	\$18.57
Meat & alternatives	Fish, beef, chicken & baked beans	17	\$15.00
Dairy	Milk, cheese & yoghurt	4	\$5.77
Other	Drinks, sauces, spreads & snacks	66	\$20.75
Total		139	\$82.47

Table 26 Personal Care Budget

Areas	Examples	No. items	\$ Spend (single person, FT)
Hair	Haircuts, hair brush & hair elastics	3	\$8.72
Body	Deodorant & sanitary products	5	\$2.75
Face	Mascara, lip stick & after shave	5	\$4.40
Teeth	Toothbrush	1	\$0.13
Nails	Nail polish & nail polish remover	2	\$0.22
Other	Sunglasses & toiletry bag	4	\$0.46
Household items	Soap, toothpaste & toilet paper	10	\$1.96
Unallocated household items	Hair dryer & nail kit	4	\$0.47
Total		33	\$19.11

Table 27 Clothing and Footwear Budget

Areas	Examples	No. items	\$ Spend (single person, FT)
Tops	Tshirts & singlets	7	\$2.36
Shorts & skirts	Shorts & skirts	3	\$0.61
Dresses	Dresses casual & smart	2	\$0.33
Pants	Jeans, pants & tracksuit pants	4	\$1.14
Knitwear, jumpers & jackets	Hoodies, jumpers & raincoat	8	\$1.38
Activewear	Leggings, exercise tops	2	\$0.40
Sleepwear	Pyjamas	3	\$0.62
Underwear	Socks & underpants	6	\$2.38
Swimwear	Swimsuit, rash vest & hat	4	\$0.36
Shoes	Sneakers, thongs & slippers	6	\$2.16
Accessories & other	Umbrella & wallet	8	\$0.87
Total		49	\$12.63

Table 28 Recreation Budget

Areas	Examples	No. items	\$ Spend (single person, FT)
Activities & entertainment	Cinema tickets & day trips	4	\$10.59
Household items	Holiday, streaming & books	9	\$26.41
	Total	13	\$37.00

Table 29 Household Goods and Services Budget

Areas	Examples	No. items	\$ Spend (single person, FT)
Lounge & dining furniture	Lounge, dining table & cushions	7	\$9.86
Bedroom	Mattress, quilt & pillows	9	\$3.78
Bathroom	Towels, shower caddy & waste bin	10	\$0.43
General household items	Doormat, picture frames & toolkit	7	\$0.44
Kitchen - tablewear & utensils	Dinner set, glasses & knives	32	\$1.50
Kitchen - cookware	Frypan, pots & loaf pan	21	\$0.84
Cleaning utensils	Broom, mop & washing up brush	11	\$10.86
Household - durables	Ironing board, light bulbs & kitchen bin	23	\$2.20
Household - non durables	Batteries, paper towel & oven cleaner	45	\$7.64
Appliances	Fridge, computer & vacuum cleaner	20	\$14.11
Outdoor	Table & chairs	5	\$0.78
Services	Electricity & internet	4	\$51.50
	Total	194	\$103.95

Table 30 Health Budget

Areas	Examples	No. items	\$ Spend (single person, FT)
Medical	GP visits & pathology	2	\$0.00
Dental	Teeth scale, clean & filling	1	\$9.42
Pharmaceutical - Prescription	Anti-biotics & contraception pill	2	\$0.81
Pharmaceutical - Non-prescription	Panodol, Nurofen & antiseptic cream	5	\$0.79
Household Items	First aid kit & thermometer	2	\$0.10
	Total	11	\$11.11

Table 31 Transport Budget

Areas	Examples	No. items	\$ Spend (single person, FT)
Car & accessories	Car, car seat covers & car cleaning products	5	\$35.21
Associated car costs	Car registration & service, licence cost & car insurance	9	\$54.22
Petrol	Petrol costs	1	\$19.34
Public transport	Bus fares	1	\$1.81
	Total	16	\$110.58