

6. Needs of the Low Paid

Nature of the Evidence

“Safety net adjustments are very important in assisting me to maintain my living expenses and financial commitments. My wages are based on the award minimum. I do not receive any extra beyond the relevant award minimum wage. Therefore a larger safety net increase would make a significant difference to my tight budget. I continue to struggle to get by on my current income despite my careful and detailed budgeting.”

[Witness Statement of Ms Brenda Redmond]

6.1 In every Safety Net Review since 1997 the Commission has held that:

- Employees on low wages experience difficulties making ends meet and affording what are generally considered by the broader community to be basic necessities; and
- Whilst safety net adjustments are not perfectly targeted to meeting the needs of the low paid, they assist in meeting those needs.

6.2 In this case the ACTU presents further evidence which reinforces those conclusions. We rely on the direct evidence of low paid workers and we provide the Commission with further analysis regarding financial stress from the data provided by the ABS 1998-1999 Household Expenditure Survey.

6.3 The Witness Statements provide evidence of:

- Intensity of work effort;
- Difficulties paying for necessities; and
- Going without, going into debt and significant financial stress.

6.4 The ABS Financial Stress data shows:

- Approximately 1.2 million working households suffering financial stress.
- The lowest 20% of working households report substantial levels of financial stress and have a greater level of financial stress than any other quintile of working households.

Witness Evidence

The Characteristics of the Witnesses

6.5 Eleven employees paid at federal award rates of pay provide Witness Statements to this Case. The Witness Statements provide a first hand account of the circumstances of the low paid. We refer the Commission to the Witness Statements which have been provided in a separate Exhibit.

6.6 Witnesses reflect varying family/household compositions and housing situations.

- Neil Mason is single, lives alone and rents.
- Kevser Berat is separated, lives with two partly dependent adult children and has a mortgage.
- George Nicolaidis is married, lives with his wife and two children

and rents.

- Brenda Redmond lives with her niece, who is partly dependent on Ms Redmond, and has a mortgage.
- Elizabeth Neville is separated, lives with her daughter and her daughter's partner, and rents.
- Tesfay Tsegay is divorced, lives alone and rents.
- Albert Yakoubian is married, lives with his wife and adult child and has a mortgage.
- Shirley Bennett is divorced, lives with two partly dependent adult children, and rents.
- Les Whatnall is separated, lives with his two dependent children aged 10 years and 11 years, and rents.
- Max Evans is married, lives with his wife and three children and has a mortgage.
- Michael Howells is married, lives with his wife and five children and owns their home.

6.7 As in previous Cases, witness evidence to this Case demonstrates that low pay is not a transitory phase for all employees, including employees paid the award rate of pay:

Table 6.1: Witnesses - length of employment

Witness	Award Classification	Length of current employment
Kevser Berat	Guest Service Attendant Grade 2	Seven and a half years
Brenda Redmond	Service Assistant	Five years
Elizabeth Neville	Service Assistant	Nine years
Neil Mason	Wood / Timber Machinist	Three years
Tesfay Tsegay	Level 1 Cleaner	Four years and 8 months
Albert Yakoubian	Level 1 Cleaner	Two years and 10 months
Shirley Bennett	Level 3 Public Area Attendant	6 years and 10 months
Les Whatnall	Grade 2 Driver	3 years
Michael Howells	Bus Operator Class 6	5 years and 11 months

6.8 This evidence is consistent with the findings of Yvonne Dunlop in her article *Low-paid employment in the Australian labour market, 1995-97*.⁸ At page 104 Dunlop finds:

“... outcomes experienced by low-paid workers in the Australian labour market are many and varied. For a significant number, low paid employment appears to be temporary with many able to move to higher paid work quickly. Further, results indicate that these workers have a

⁸ Low-paid employment in the Australian labour market, 1995-97, Yvonne Dunlop, in Work rich, work poor Inequality and economic change in Australia, edited by Jeff Borland, Bob Gregory and Peter Sheehan, Centre for Strategic Economic Studies, Victoria University, 2001

high chance of staying out of low pay. However, whereas many do leave low pay for better paid jobs, just as many do not, raising the potential that, for a significant number, low-paid employment may be persistent and a position from which it is difficult to leave. The fact that much of the escape out of low pay occurs during the first period may also suggest that the longer a worker experiences low pay, the harder it may be to break out of it.”

Intensity of Work Effort

6.9 Several witnesses stress the intensity of their work effort.

6.10 Kevser Berat cleans 18 – 19 hotel rooms a day, sometimes up to 22, – vacuuming, dusting, cleaning including rubbish removal, bathroom and toilet, changing bed linen and making up beds (up to four beds in one room). Ms Berat states:

“My job is very busy, very nerve racking and it involves a lot of pressure. I have to run around to get the job done.”

6.11 Tesfay Tsegay cleans the gaming floor of Crown Casino – cleaning and mopping floors, vacuuming carpets, dusting, toilet cleaning, cleaning mirrors and ashtrays, tidying and removing rubbish. Mr Tsegay states:

“The job involves working with chemicals. It is a very hard job. It is very busy and involves heavy work.”

6.12 Albert Yakoubian, also a cleaner of the Crown Casino gaming floor, who has similar duties to Mr Tsegay, states:

"I consider the work to be quite hectic especially on the weekends."

6.13 Shirley Bennett states:

"In the last 3 months of work our working environment has been changed. Several of my work colleagues have been made redundant, and as a consequence the workload of the remaining staff has increased. As a result of the changed rosters and workload we are working under tremendous stress."

6.14 Michael Howells, a bus operator, states:

"I would describe my work as demanding and stressful. I am required to be responsible for handling money, controlling a large vehicle and conveying the travelling public safely over in excess of one hundred routes, which I am expected to know like the back of my hand. The behaviour of some of the patrons makes these tasks arduous."

Expenditure is Moderate and Focussed on Necessities

6.15 The expenditure of employees paid at the award rate of pay, and providing evidence to this Commission, is moderate and focussed on necessities. The following budget details are provided in tables in Tag 11 of the Composite Exhibit.

6.16 Kevser Berat earns \$373.60 net per week. She receives \$50 each from 2 adult, partly dependent, children who live at home (Tag 1 of Witness Statements Exhibit). Almost one-third (32% - \$153.50) of

Ms Berat's weekly budget is allocated to Housing (including mortgage/water/rates/house and contents insurance/home maintenance expenses). More than one-third (37% - \$175) is spent on Food for herself and her two adult children. 5% (\$25) is spent on Fuel and Power, 3% (\$14) on Clothing, and Transport accounts for 5% (\$25). This leaves 18% (\$80.20) of the budget to cover all other expenses. For Ms Berat this only extends to Personal Care 4% (\$20), Medical Care and expenses – 2% (\$8), Miscellaneous expenditure - 2% (\$10.20 – miscellaneous items and union fees) and gardening – 1% (\$7). Above this Ms Berat spends 7% (\$35) on entertainment – normally on Fridays she goes to a restaurant or the movies, sometimes she pays for her son to join her at the cinema.

6.17 George Nicolaidis earns a net wage of \$362.60 per week (Tag 2 of Witness Statements Exhibit). (His spouse earns \$150 from a part-time job and they receive Austudy payments for one child.) 13% (\$50) of George Nicolaidis' weekly budget is allocated to Housing, 39% (\$150) to Food. 7% (\$25) pays for Fuel and Power and 5% (\$20) for Clothes. Transport accounts for a further 13% (\$50). This leaves 23% of Mr Nicolaidis budget for all other expenses which comprise Telephone 5% (\$20), Miscellaneous expenditure 5% (\$20.40 - schooling costs and union fees), Insurance 5% (\$20) and credit card payments 7% (\$25) – Mr Nicolaidis states that he only uses his credit card to pay for petrol.

6.18 Elizabeth Neville earns approximately \$380 net per week (Tag 3 of Witness Statements Exhibit). 44% (\$170) of Ms Neville's budget is allocated to Housing (rent), 12% (\$45) to Fuel and Power, 6% (\$25) to Food including lunches. Petrol costs are 5% (\$20) per week. Ms Neville has payment plans to service a personal loan and credit card

debt (acquired in order to establish a home for herself after her relationship ended), these payments amount to 21% (\$80) of Ms Neville's budget. This leaves just 13% (\$50), 5% (\$20) of which is expended on Medications and 8% (\$30) on cigarettes.

6.19 Albert Yakoubian earns \$532.00 net per week (Tag 4 of Witness Statements Exhibit). More than a third (36% - \$260) of his weekly expenditure is allocated to Housing (mortgage payments/rates/water/ house and contents insurance). 20% (\$140) is spent on Food for himself, his wife and an adult child living at home. Fuel and Power expenditure accounts for 4% (\$31), Clothing 1% (\$10) and Transport 17% (\$120). These five 'basics' equal 78% of total expenditure for the Yakoubian family. The remaining 22% (\$154.20) is allocated to Telephone (fixed and mobile) 6% (\$40), Medical expenses 4% (\$30), Recreation including entertainment and Pay TV 4% (\$29) and Miscellaneous expenditure including union fees 2% (\$15.20). The remaining 6% (\$42.50) of Mr Yakoubian's budget is repayment of personal loan. As Mr Yakoubian explains in his statement in the absence of savings the loan was undertaken to pay for the wedding of his son.

6.20 In addition to her take home pay Ms Redmond receives \$50 per week from her 19 year old niece who lives with her. This \$50 is for rent and covers the niece's share of food, gas, water, electricity and phone calls. 34% (\$133.90) of Brenda Redmond's weekly expenditure (Tag 5 of Witness Statements Exhibit) is allocated to Housing costs (mortgage/house and contents insurance/rates/water). 8% (\$29.65) is spent on Fuel and Power, and 18% (\$70) on Food, including lunches. Transport accounts for a further 4% (\$15). This leaves 37% (\$144.17) to cover all other

expenses which for Ms Redmond means Telephone 7% (\$28), Medical (ambulance subscription \$0.77), Recreation 3% (\$10.40 holidays/outings and dog and cat registration), Miscellaneous expenditure 12% (\$47.50 driving lessons/union fees/personal expenditure), Superannuation 8% (\$30) and Myer account and lay-bys 7% (\$27.50). After budgeted expenses Ms Redmond says she has approximately \$50 per week left. Money for outings and driving lessons is sourced from this amount (paragraphs 10 and 14). This leaves approximately \$10 per week, which Ms Redmond tries to save for unexpected situations such as dental bills and veterinary bills.

6.21 Tesfay Tsegay earns \$492.72 net (Tag 6 of Witness Statements Exhibit). He allocates 20% (\$97) of his budget to Housing (rent/water). 2% (\$11) is spent on Fuel and Power and 16% (\$80) on Food. Mr Tsegay spends 10% (\$50) of his budget on Clothing/footwear including laundry. Mr Tsegay's flat is very small and does not have a laundry and so he launders clothing and linen at the local laundrette. A further 22% (\$110) of his budget is allocated to Transport (car/parking). This leaves 30% (\$145.20) per week for all other expenses which for Mr Tsegay means Telephone 5% (\$25), Miscellaneous expenses 7% (\$35.20 including child maintenance/union fees), Family Assistance 2% (\$10), Recreation 5% (\$25) and Tobacco 10% (\$50).

6.22 Neil Mason earns \$421.70 net (Tag 7 of Witness Statements Exhibit). He has no other income. 30% (\$135) of Neil Mason's weekly expenditure is allocated to Housing (rent) and 17% (\$75) to Food. 3% (\$11.55) is allocated to Fuel and Power. Transport costs account for a further 15% (\$68.40) of Mr Mason's budget and

telephone charges another 5% (\$23.25). This leaves 30% of his budget for all other expenses. Rental of a computer for home and provision for his two dogs account for 9% (\$41) – Mr Mason states that these, along with smoking tobacco (12% or \$55), are his “luxuries.” Credit card payments (8% or \$34.90) and union fees (2% or \$7.50) round out his budget.

6.23 Shirley Bennett earns \$422.00 net per week (Tag 8 of Witness Statements Exhibit). She spends approximately \$620 per week providing for herself and her two adult children who live with her. Her children make up the difference between her net wage and expenditure. 52% (\$320) of Ms Bennett’s budget is allocated to Housing (rent). 3% (\$16.60) is spent on Fuel and Power and 22% (\$135) on Food including lunches. These three basic necessities equal 77% of the weekly budget. Transport costs are 5% (\$33). In addition, Clothing accounts for part of the \$80 (13% of budget) Ms Bennett allocates to “Clothing/miscellaneous.” Beyond these amounts Ms Bennett spends just 3% (\$20.25) of the budget on telephone/mobile phone, 2% (\$10) on credit card payments and 1% (\$5) for union fees.

6.24 Les Whatnall (Tag 9 of Witness Statements Exhibit) provides his budget details in fortnightly figures. For Consistency, we have converted these figures into weekly amounts. Les Whatnall earns \$375.50 net per week. In addition he receives \$201 family/rent/pharmaceutical assistance per week giving him a disposable income of \$576.50 per week. 23% (\$130) of Mr Whatnall’s budget is allocated to Housing (rent), 3% (\$17.50) to Fuel and Power and 23% (\$130) to Food. Clothing accounts for 2% (\$12.50) and Transport 10% (\$55). This leaves 39% (\$230) of the

budget. Mr Whatnall allocates 16% (\$90) to repayment of a personal loan, acquired partly to purchase goods needed after the end of his personal relationship, and credit card payments. 14% (\$80) is allocated to Miscellaneous expenses including schooling costs. Mr Whatnall explains that his miscellaneous expenditure is high because he frequently has unforeseen bills, eg at the time, car breakdown expenses. 6% (\$35) for Recreation including TV rental and 4% (\$25) on telephone charges round out Mr Whatnall's budget.

6.25 Michael Howells has an after tax income of \$480 per week (Tag 10 of Witness Statements Exhibit. Combined with \$222 per week in family assistance payments the family disposable income is \$702.00 per week⁹. As the Howells's appear to own the house they live in, only 3% (\$23.30) of the Howells family budget is allocated to Housing (Council rates, home & contents insurance), 28% (\$200) to Food, 5% (\$35) to Fuel and power and 2% (\$15) to Clothing. A further 21% (\$149.80) is spent on Transport. This leaves 41% (\$282.29) of the budget for all other expenses. 24% (\$172.50) is allocated to Miscellaneous expenses including \$138 for schooling fees, \$30 for children's sport activities and \$4.50 union fees. 4% (\$31.63) is devoted to Medical Care (health insurance), 4% (\$30.16) to superannuation, 3% (\$23) to telephone charges and 4% (\$25) is saved in a "Christmas Club" account.

⁹ For consistency with other presentations we have included Mr Howells's expenditure on health insurance, superannuation and union fees in the following calculations. We have also allocated half of Mr Howells's "Insurance \$15.60 (car, van, home, contents)" to Housing and half to Transport.

- 6.26 Combining Max Evans' (Tag 11 of Witness Statement Exhibit) net weekly wage of \$395 and his wife's net weekly wage of \$300 gives the Evans family a disposable income of \$695. 25% (\$176) is allocated to Housing (home loan, rates, house insurance), 5% (\$35) to Fuel and power, 14% (\$100) to Food, and 19% (\$134.30) to Transport (car loan, car rego and insurance, fuel). This leaves 37% (\$261.25) of the budget for all other expenses which for Mr Evans comprises 25% (\$175) for Miscellaneous expenses including Clothing, school fees and children's allowances, 9% (\$66.25) for Medical care (health insurance) and 3% (\$20) for telephone charges.
- 6.27 Defining necessities to be housing, food, fuel and power and clothing (as we did last year), nearly all witnesses spend a majority of their budgets on the necessities of life.

Table 6.2: Witness Expenditure on necessities

	Current Housing Costs	Domestic Fuel and Power	Food and Non-alcoholic Beverages	Clothing and Footwear	% of budget spent on necessities
Kevser Berat	32%	5%	37%	3%	77%
Shirley Bennet	52%	3%	22%	*	77%
George Nicolaidis	13%	7%	39%	5%	64%
Elizabeth Neville	44%	12%	6%		62%
Albert Yakoubian	36%	4%	20%	1%	61%
Brenda Redmond	34%	8%	18%		60%
Les Whatnall	23%	3%	23%	2%	51%
Neil Mason	30%	3%	17%		50%
Tesfay Tsegay	20%	2%	16%	10%	48%
Max Evans	25%	5%	14%	**	44%
Michael Howells	3%	5%	28%	2%	38%

*Part of Shirley Bennett's 13% of budget allocated to 'Clothing/miscellaneous' must be allocated to Clothing

** Part of Max Evan's 14% of budget allocated to 'Miscellaneous, Clothing, school fees etc' must be allocated to Clothing.

6.28 This is consistent with the results from the ABS Household Expenditure Survey 1998-99, which we presented in the last Case. As we submitted last year, the percentage of disposable income expended on necessities by first quintile households whose principal source of income is employee income conforms with the witness evidence in that case, and this Case, that expenditure of low paid, low income households is focussed on necessities.

Table 6.3: Households whose principal source of income is employee income: Expenditure on necessities by quintile

	Lowest 20%	Second Quintile	Third Quintile	Fourth Quintile	Highest 20%
Housing	\$99.59	\$106.05	\$116.92	\$131.68	\$151.96
Fuel/power	\$16.12	\$18.06	\$19.06	\$20.38	\$24.35
Food	\$100.60	\$130.03	\$148.27	\$169.06	\$211.89
Clothing	\$21.68	\$26.47	\$39.17	\$48.17	\$70.34
Necessities	54%	42%	38%	34%	28%

Source: ABS Cat No 6535.0, Household Expenditure Survey 1998-99, unpublished data.

6.29 Reviewing the breakdown of witness expenditure it is clear that expenditure is mainly on building blocks of a basic standard of living – housing, food, fuel and power, clothing and transport. Expenditure beyond these necessities is moderate.

Going Without, Going into Debt and Financial Stress

6.30 All witnesses struggle to make ends meet. Unexpected expenditures are difficult to finance, and there are things that the witnesses go without.

Kevser Berat

6.31 Ms Berat states: *“I do not go on holidays because of the cost. I cannot afford to go given the amount I earn.”* The last holiday Ms Berat went on was four years ago, only afforded because her sister paid for the accommodation. Ms Berat’s parents live in (the former) Yugoslavia and she has not seen them for in 28 years. Her mother had her 100th birthday on 15 January 2002 but Ms Berat couldn’t afford to travel to Yugoslavia to celebrate with her.

- 6.32 Ms Berat states: *“It is a problem if something in the house needs fixing.”* A broken TV was only replaced because money could be borrowed from a sister. Other unexpected expenses are financed this way: *“Whenever there is a sudden or unexpected expense, I always ask one of my sisters to help me out in order to meet that expense. That has enabled me to keep my head above water.”*
- 6.33 Ms Berat states: *“With the bills that I have to pay, I often have to make instalment payments. I do this because I have no savings and therefore I do not have the money to pay the bill in its entirety when it comes in. I have trouble in particular, paying the larger bills up front.”* In some cases, Ms Berat has to wait for the reminder notice before she can gather enough money to pay.
- 6.34 Ms Berat states: *“The GST has been a problem for me.”* She estimates that she is spending on average \$28.30 more per week, which is more than her tax cut.
- 6.35 Ms Berat supports the ACTU claim: *“I would try and save as much of it as I could. But I know a lot of it would have to be used to cover expenses that I have. It might help with paying my bills on time.”*

Brenda Ann Redmond

- 6.36 Ms Redmond’s evidence highlights financial difficulty dealing with unexpected expenses. *“Recently my oven broke down. Ordinarily the replacement cost of this would need to be progressively saved from what money remains from my budgeted expenses. Where this occurs, sacrifices need to be made, for example foregoing social outings in order to save sufficient money for the replacement cost of the item. I am fortunate in this case in that my son is giving me a*

new oven for Christmas. Thankfully this is one item that I do not need to scrimp and save for.”

6.37 A 10 day holiday this year to Tasmania was the first holiday of that length of time Ms Redmond has ever had. She states that it took a considerable time to save for this trip and the cost involved makes such an excursion *“a very rare treat.”*

6.38 Ms Redmond, who has provided five affidavits to Living Wage Cases since 1996, encapsulates her evidence in the following statement:

“Safety net adjustments are very important in assisting me to maintain my living expenses and financial commitments. My wages are based on the award minimum. I do not receive any extra beyond the relevant award minimum wage. Therefore a larger safety net increase would make a significant difference to my tight budget. I continue to struggle to get by on my current income despite my careful and detailed budgeting.”

George Nicolaidis

6.39 Mr Nicolaidis states: *“I think my weekly budget speaks for itself. I find it extremely difficult to make ends meet.”*

6.40 The Nicolaidis family has not been on a holiday away from Melbourne for 15 years.

6.41 Mr Nicolaidis states: *“My wife and I never go out together as we cannot afford the extra expense.”*

Neil Mason

- 6.42 Mr Mason states: *“I am not able to save any money from the wage I earn.”*
- 6.43 Mr Mason’s statement provides an example of the inability to pay bills on time: *“I cannot always pay my bills on time as this is leading me farther behind in payments.”* (sic)
- 6.44 ‘Luxuries’ for Mr Mason are *“owning the dogs, smoking tobacco and using the computer.”*
- 6.45 Mr Mason lists the things he goes without: *“Things I need but cannot afford are a new car, furniture and a television. New cloths and going out are the sort of things that I am doing without.”* (sic)
- 6.46 On his overall financial position Mr Mason states: *“The wage I am earning does not allow me a reasonable standard of living because I am unable to save anything. I regularly find it difficult to make ends meet, and its harder now than 3 years ago because the cost of living has risen sharply.”*

Tesfay Tsegay

- 6.47 Ms Tsegay states: *“I spend all the money I earn every week. I do not save anything.”*
- 6.48 His inability to save affects Mr Tsegay’s standard of housing. *“Not being able to save is a great concern to me because this will prevent me ever buying my own house. I will never be able to get a deposit. Even if I had a house, I don’t think I could pay a mortgage based on my income.”*

- 6.49 Mr Tsegay's housing – a rented flat - is "... *what I can afford*" – very small, basic and very modest – small living room, a bedroom, a small kitchen, and bathroom but with no place to eat and no laundry. Mr Tsegay states: "*It would be nice to have a slightly bigger place.*"
- 6.50 Like other witnesses Mr Tsegay speaks of the difficulty meeting unexpected expenses. "*It is very difficult on my wages to pay for my day to day expenses and bills let alone the extra expenses that arise from time to time. I therefore have to try and squeeze my income to cover my expenses.*"
- 6.51 Like Ms Berat, Mr Tsegay's statement provides an example of the need to borrow money from family or friends when unexpected expenses arise. Money for new brake discs for his car was borrowed in full from his friend. It took Mr Tsegay 5 months to repay the debt.
- 6.52 Mr Tsegay goes without home contents and car insurance because he cannot afford those items: "*I consider them items which I can forgo as they do not have to be paid.*"
- 6.53 Mr Tsegay has not been able to afford a holiday in the ten years he has been in Australia.

Albert Yakoubian

- 6.54 As Mr Yakoubian states: "*I use all of my income and more to pay for my living expenses. I am gradually increasing my debt week by week.*" and "*When my wages run out, I use my credit card to pay for things that the family needs.*"
- 6.55 Mr Yakoubian states: "*I cannot meet irregular expenses on my income. When irregular expenses arise, in the past I have always*

used one of my credit cards to pay.” Past credit card debt, including the cost of car engine repairs and a new washing machine after their machine broke down, has been transferred to Mr Yakoubian’s home loan.

- 6.56 A review of Mr Yakoubian’s budget reveals that there are no luxuries or extravagant purchases. However, mortgage payments of \$225 per week plus personal loan repayments of \$42.50 per week account for 50% of Mr Yakoubian’s net wage of \$532.
- 6.57 The family’s last holidays were 10 years ago. Mr Yakoubian states: *“We have not been away since and I cannot see how my wife and I will be able to go away again.”*

Elizabeth Neville

- 6.58 Ms Neville earns a net wage of \$370 - \$380 per week. Ms Neville’s evidence depicts the difficulty making ends meet on a low award rate of pay when an unexpected event, in Ms Neville’s case the need to establish her own home after a partnership separation, created additional costs and debts.
- 6.59 Ms Neville’s budget allows just \$25 per week for food and lunches. She has to rely on her daughter in this respect: *“My daughter and her boyfriend also help with Food and Groceries by purchasing food for the house when we need it. I’m not sure how long she’ll be staying there.”*
- 6.60 Ms Neville states: *“Given my current wage it is impossible for me to make any headway on accruing any funds to discharge debts that have arisen as a result of my separation. My wages are already accounted for before I receive them.”*

- 6.61 In the last 8 months Ms Neville has had her telephone cut off because she could not afford to pay the account.
- 6.62 Her electricity account is paid using a payment plan available to people experiencing financial difficulty; the gas bill was also being paid this way but inability to maintain payments has resulted in the gas service being cut off.
- 6.63 Ms Neville hasn't been able to afford to maintain the registration of her motor vehicle.
- 6.64 Ms Neville states: *"I have no spare funds for social outings, to pursue any hobbies or to buy replacement clothing, even work clothing."*
- 6.65 On her overall financial position Ms Neville states: *"My current financial position is very difficult. My wage level provides me with no scope to make any headway in the payment of my debts or the chance to gather any savings for emergencies."* and *"My standard of living provides me with no enjoyment."*

Shirley Bennett

- 6.66 Ms Bennett states *"I find it very difficult to make ends meet, particularly if any unexpected expenses arise. ... All my current income is used for living costs and general expenses."*
- 6.67 Like other witnesses Ms Bennett finds saving difficult: *"As I don't have much savings to rely on I do have a credit card. Whenever I need some extra cash to spend, especially during the festive season, I have to use the credit card."*

6.68 Ms Bennett notes that her family is missing out on recreation and social activities: *“I also need to mention here that even if we achieved this year a full \$25 pay increase, still we cannot watch a movie once a month, or play golf or go to the theatre regularly which we loved to do.”*

Les Whatnall

6.69 In common with other witnesses Mr Whatnall is unable to save. *“I am unable to save at all because of our financial circumstances. This means we find it impossible to purchase a home and we are forced to continue renting. It is also difficult to prepare for any unusual or unexpected purchases and I am not in a position to deal with this when they occur.”*

and

“The only way to survive on this income is to juggle bills and delay paying one if something unexpected occurs”

6.70 Mr Whatnall goes without insurance. *“I do not have insurance on either my home contents or comprehensive insurance for my motor vehicle. It is impossible to afford insurance which worries me greatly.”*

6.71 Mr Whatnall states that he is missing out on recreation and entertainment activities with his children. *“The inability to save also means that I have been unable to taken my children for a holiday for the past 2-3 years.”*

and

6.72 *"An additional \$25 per week would provide me with the opportunity of saving enough each week to pay for a family holiday. This would provide an opportunity for me to have greater access to entertainment with my children."*

Michael Howells

6.73 Mr Howells tells of the difficulty replacing household items. *"The stove we have been using for sixteen years has overtime ceased to work. The Oven stopped working three years ago, leaving my wife to prepare meals on two hotplates. Then she was reduced to cooking on one hot plate for six months. We could not afford to replace the stove until we received my tax refund last year. ... We did not have any other savings to use."*

6.74 In common with other witnesses any savings Mr Howells is able to make are quickly used for unexpected expenses. *"We would like to save but every time we have some money put aside another unexpected expense occurs."* Mr Howells states that their house needs maintenance repairs but the expenses are beyond their reach financially.

6.75 Mr Howells and his wife are investing in their children's education but find the costs difficult to meet. *"Each year we have had to approach the schools to organise to make the payments for the fees over twelve months instead of the usual nine months. ... The children have only ever had second hand uniforms. We have never been able to afford new uniforms."*

6.76 Mr Howells details the things the family goes without: *"My family has never been able to afford to travel for a holiday. Every holiday I have*

ever had has simply been at home. It is not possible for the family to go to a restaurant, the cost is far too much for seven people. Apart from their sporting activities I can not give the children money for other entertainment expenses. We have not bought any new clothes for two years. We buy our clothes at second hand stores.”

- 6.77 Mr Howells states: *“The simple task of buying food has to be a planned activity. In order that we save money, my wife will go to the supermarket on Saturday afternoons and wait until the perishable items like meat are reduced in price. Some times she has to wait until money has transferred in to the bank account before she can go to the shop to purchase food.”*

Max Evans

- 6.78 Mr Evans states: *“I do not have any spare finances to take my family on any kind of holidays or have any luxuries such as going to the movies or having a meal out at a restaurant, etc.”*

Conclusion

- 6.79 The witness evidence in this Case is consistent with the evidence provided in previous Cases. It is a reaffirmation of the Commission’s conclusion made in the decision of May 2001 that employees on low wages do experience difficulties making ends meet and in affording what are generally considered by the broader community as basic necessities.

HES Financial Stress Indicators Reflecting the ABS Analysis of Multiple Reporting of Indicators

- 6.80 Last year the ACTU relied on data from ABS *Household Expenditure Survey 1998-1999*. We did so to demonstrate that a significant proportion of households in the first quintile of households whose principal source of income is employee income, households with gross income up to \$682 per week, experienced financial stress, as indicated by their responses to the deprivation and financial stress indicators collected by the ABS.
- 6.81 Since the Case concluded, in the publication *Australian Economic Indicators* for June 2001 the ABS published a feature article entitled “Household Income, Living Standards and Financial Stress”¹⁰ written by ABS staff members Bob McColl, Leon Pietsch and Jan Gatenby.¹¹ (Tag 12 of the Composite Exhibit)
- 6.82 In their introduction to the article (at page 13 of the catalogue) the authors stated:

“An important focus of public policy is to ensure acceptable living standards for all Australians. A key element in assessing people’s living standards is their command over goods and services which they consume to support their standard of living. In Australia’s context such an assessment usually rests not on absolute measures of

¹⁰ Australian Economic Indicators, June 2001, ABS Cat No 1350.0, pages 13-32.

¹¹ Bob McColl is the Assistant Statistician, Social Conditions Statistics Branch. Leon Pietsch is Director, Income Expenditure and Housing Section and Jan Gatenby is the Assistant Director, Income Expenditure and Housing Section of the Australian Bureau of Statistics.

minimum standards, such as might exist in an economy where getting enough food to survive was a critical challenge, but on a relative measure such as societal expectations of a reasonable Australian standard of living.”

6.83 In this article, the authors explain that in selection of the data items available from the HES about deprivation and financial stress the ABS has drawn heavily on previous work that has been done on living standards, including the deprivation standards work by Travers and Richardson (page 14).

The indicators are:

Six Deprivation Indicators:

- Could not afford holiday for at least one week a year
- Could not afford a night out once a fortnight
- Could not afford friends or family over for a meal once a month
- Could not afford a special meal once a week
- Could only afford second hand clothes most of the time
- Could not afford leisure or hobby activities

Nine Financial Stress Indicators:

- In the last 12 months spent more money than received
- Unable to raise \$2000 in a week for something important
- Could not pay electricity, gas or telephone bills on time
- Could not pay car registration or insurance in time

- Pawned or sold something
- Went without meals
- Could not afford to heat home
- Sought assistance from welfare/community organisations
- Sought financial help from friends or family

6.84 The authors explain that for both the deprivation and financial stress indicators care needs to be exercised in interpreting individual responses in isolation from other responses provided (page 15). Noting that it is difficult to rank or weight the indicators to derive a single measure of intensity of reported financial stress, the authors gave each indicator equal weight and analysed results according to the total number of indicators reported (page 17).

6.85 The authors then raise the issue of whether it is useful to label any groups falling into the higher income quintiles as 'financially stressed'. The authors note that high income households may be in a situation where they have trouble meeting financial obligations, but that will normally be resulting from obligations for which they made a discretionary choice to enter (page 19). Consequently, only households reporting multiple incidences of the stress indicators were classified in the article as 'financially stressed'. The authors established a scale of financial stress where the incidence of just one indicator being reported was disregarded. A household was labelled as being in 'moderate financial stress' if it reported 2 to 4 indicators, while the incidence of 5 or more indicators was labelled as 'higher financial stress' (pages 21-22).

- 6.86 The ACTU acknowledges this analysis and has commissioned the ABS to reproduce it for the Household Expenditure Survey population 'Households whose principal source of income is employee income'.
- 6.87 Overall, this data shows that 7.9 per cent or 321,000 employee income households reported higher stress and 20.7% or 843,800 employee income households reported moderate stress.
- 6.88 The data the ACTU presented last year categorised households according to quintile of gross income. This year the ACTU commissioned employee income household data from the ABS for the following measures of income:
- gross income,
 - disposable income,
 - equivalised gross income, and
 - equivalised disposable income.
- 6.89 The ACTU also asked the ABS to provide the quintile upper income boundary and the population estimate of the number of households in each quintile for each measure of income.
- 6.90 The data provided by the ABS is included in the Composite Exhibit at Tag 13. The tables at Tag 13 of the Composite Exhibit present the results for each quintile as the percentage of all households. In the tables we present here we have converted the results into percentages for each quintile.
- 6.91 The data shows that on each measure of income there is a substantial level of stress indicated by first quintile households and

there is a distinct correlation between level of income and the level of financial stress indicated.

6.92 Table 6.4 presents results for employee income households by quintile of gross income. The Commission will note that the upper income boundaries of the quintiles match those of the data presented by the ACTU last year.

Table 6.4: Employee income households, gross income

	Income quintile					Total	
	Lowest	Second	Third	Fourth	Highest		
Upper boundary	682	920	1,225	1,631		%	
Level of stress indicated	% of quintile households						
Higher stress (a)	17.0%	10.5%	7.0%	3.5%	*1.5%	7.9	321,000
Moderate stress (b)	27.5%	29.5%	22.5%	15.5%	8.5%	20.7	843,800
[Financially stressed]	[44.5%]	[40.0%]	[29.5%]	[19.0%]	[10.0%]	[28.6]	[1,164,800]
No stress (c)	55.5%	60.0%	70.5%	81.0%	90.0%	71.5	2,918,000
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0	4,082,800
Estimated no. of households in population	816,200	816,800	815,400	815,900	818,500	4,082,800	

(a) Five or more stress indicators reported

(b) Two to four stress indicators reported

(c) Only one or no stress indicators reported

* Denotes relative standard error between 25% and 50%

Source: ABS Cat No 6530.0 Household Expenditure Survey 1998-1999 Unpublished data

6.93 First quintile households indicating higher stress equal 17.0% of all lowest quintile households, while those indicating moderate stress equal 27.5% of all first quintile households. On the basis of the analysis employed, there is a substantial level of stress, 44.5% of households, indicated by the lowest income quintile. Applying this Percentage to the population estimate of households, (and rounding to the nearest 100) some 363,200 households whose principal

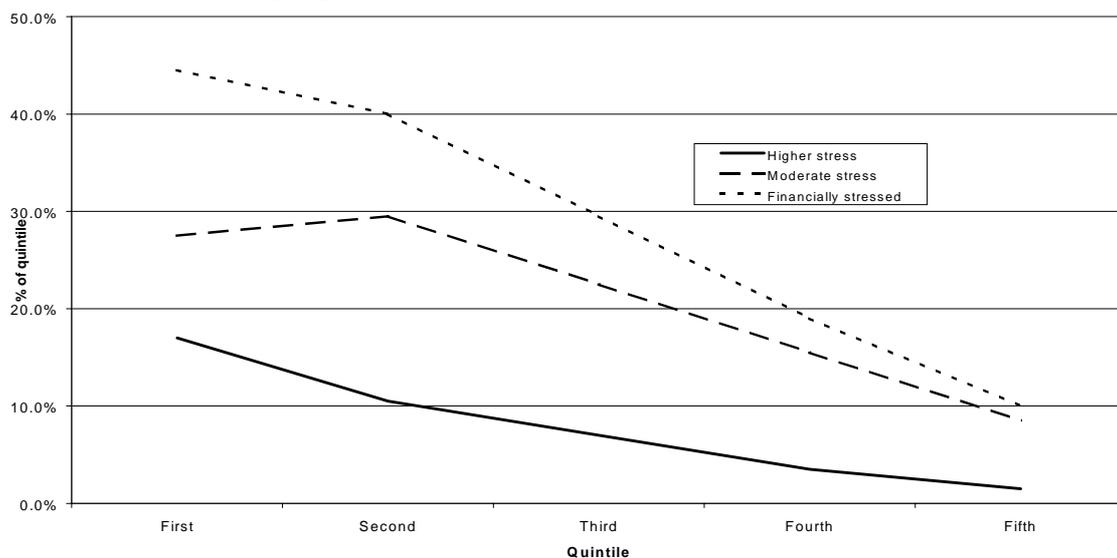
source of income is employee income, earning up to \$682.00 gross per week, indicated financial stress, 138,800 of them indicating higher financial stress.

6.94 We submit that these results are consistent with the conclusion drawn last year based upon the ABS data that there is financial stress attending the budget decisions of households within the first quintile of households whose principal source of income is employee income.

6.95 For the highest quintile only 1.5% reported higher stress and 8.5% moderate stress. On the basis of the analysis employed, 90.0% of highest quintile households did not indicate financial stress.

6.96 It can be concluded that higher quintile households, based on gross income, do not report similar levels of financial stress to first quintile households. This is clearly shown in Figure 6.1.

**Figure 6.1: Level Of Financial Stress By Income Quintile:
Employee Income Households: Gross Income**



Source: ABS Cat No 6530.0 Household Expenditure Survey 1998-99
Unpublished Data

6.97 The data, with income measured as disposable income, shows similar results.

Table 6.5: Employee income households, disposable income

	Income quintile				
	Lowest	Second	Third	Fourth	Highest
Upper boundary	574.59	757.87	976.31	1243.17	
Level of stress indicated	% of quintile households				
Higher stress	15.0%	11.5%	7.0%	3.5%	*2.0%
Moderate stress	27.0%	29.0%	22.5%	15.0%	10.0%
[Financially stressed]	(42.0%)	(40.5%)	(29.5%)	(18.5%)	(12.0%)
No stress (a)	58.0%	59.5%	70.5%	81.5%	88.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Estimated no. of households in population	816,200	816,700	815,900	816,800	817,200

(a) Only one or no stress indicators reported

* Denotes relative standard error between 25% and 50%

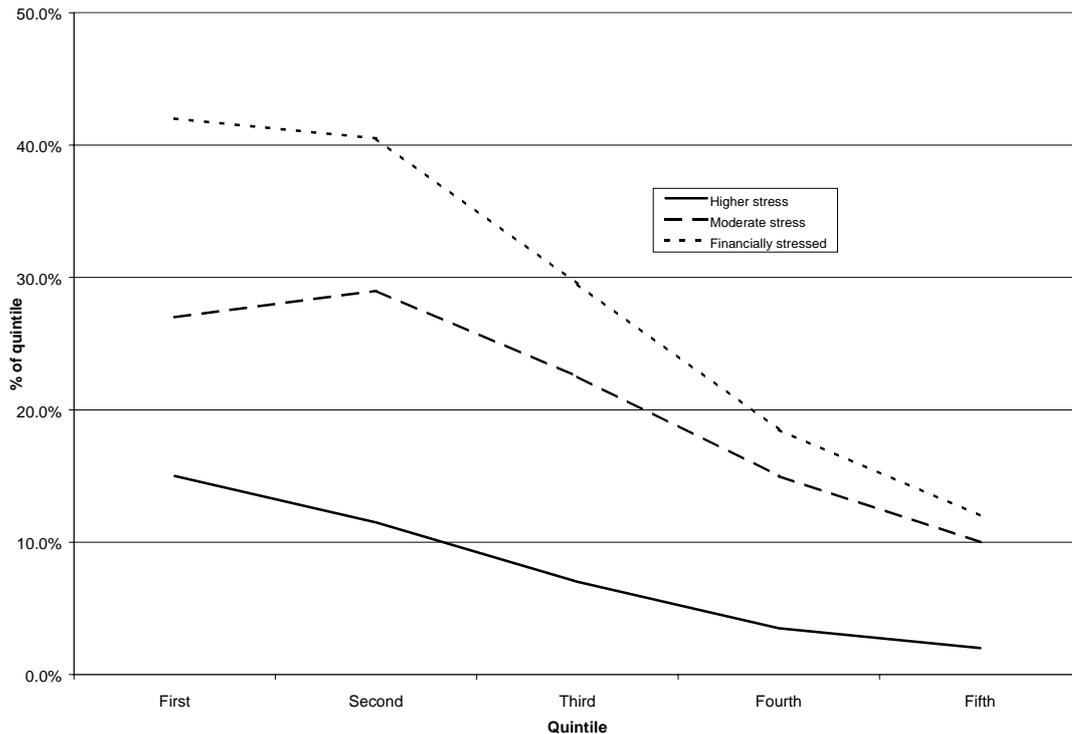
Source: ABS Cat No 6530.0 Household Expenditure Survey 1998-1999 Unpublished data

6.98 First quintile households indicating higher stress equal 15.0% of all lowest quintile households, while those indicating moderate stress equal 27.2% of all first quintile households. There is a substantial level of stress, 42.0% of households, indicated in the lowest income quintile. Applying this Percentage to the population estimate of households, some 342,800 households whose principal source of income is employee income, earning up to \$574.59 net per week, indicated financial stress.

6.99 For the highest quintile only 2.0% reported higher stress and 10.0% moderate stress. As defined, 88.0% of highest quintile households indicated no financial stress.

6.100 While the range of results is slightly narrower than for gross income, higher quintile households based on net income do not indicate similar levels of financial stress to first quintile households. This is clearly shown in Figure 6.2.

**Figure 6.2: Level Of Financial Stress By Income Quintile
Employee Income Households: Disposable Income**



Source: ABS Cat No 6530.0 Household Expenditure Survey 1998-99

6.101 As expected, and as we noted in our (reply) submissions last year¹², measuring income as equivalised income produced higher levels of stress at the lower quintiles. Firstly we look at equivalised gross income, using the OECD revised equivalence scale.

¹² Transcript, Tuesday 27 March 2001, PN2538

Table 6.6: Employee income households, equivalised gross income

	Income quintile				
	Lowest	Second	Third	Fourth	Highest
Upper boundary	812.00	1,126.65	1,453.57	1,922.20	
Level of stress indicated	% of quintile households				
Higher stress	20.5%	9.0%	6.5%	*2.0%	*1.0%
Moderate stress	32.5%	30.5%	20.5%	14.0%	6.0%
[Financially stressed]	(53.0%)	(39.5%)	(27.0%)	(16.0%)	(7.0%)
No stress (a)	47.0%	60.5%	73.0%	84.0%	93.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Estimated no. of households in population	816,500	815,400	817,500	816,500	816,900

Only one or no stress indicators reported

* Denotes relative standard error between 25% and 50%

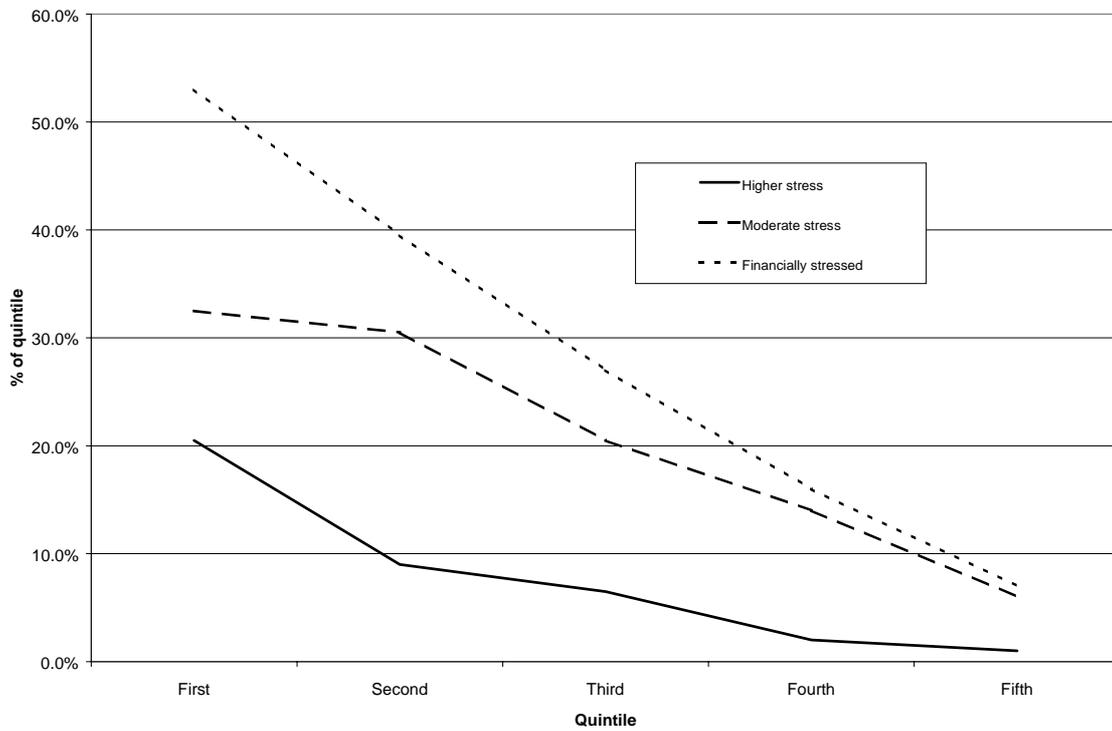
Source: ABS Cat No 6530.0 Household Expenditure Survey 1998-1999 Unpublished data

6.102 First quintile households indicating higher stress equal 20.5% of all lowest quintile households, while those indicating moderate stress equal 32.5% of all first quintile households. Therefore, a majority - 53.0% of the lowest quintile households indicated financial stress. Applying this Percentage to the population estimate of households, some 432,700 households whose principal source of income is employee income, earning up to \$812.00 equivalised gross income per week, indicated financial stress, with 167,400 households indicating higher levels of financial stress.

6.103 For the highest quintile only 1% reported higher stress and 6.0% moderate stress. As defined, 93.0% of highest quintile households indicated no financial stress.

6.104 It can be concluded that first quintile households, based on equivalised gross income, report greater financial stress compared to higher quintile households. This is shown in Figure 6.3.

**Figure 6.3: Graph 3 Level Of Financial Stress By Income Quintile
Employee Income Households: Gross Equivalised Income**



*Source: ABS Cat No 6530.0 Household Expenditure Survey 1998-99
Unpublished Data*

6.105 Similarly, measured as equivalent disposable income, the majority of the lowest quintile households reported higher level or moderate level stress.

Table 6.7: Employee income households, equivalised disposable income

	Income quintile				
	Lowest	Second	Third	Fourth	Highest
Upper boundary	\$690.22	\$913.69	\$1143.62	\$1451.08	
Level of stress indicated	% of quintile households				
Higher stress	19.5%	10.5%	6.5%	*2.0%	*1.0%
Moderate stress	34.0%	29.0%	20.0%	15.0%	5.5%
[Financially stressed]	(53.5%)	(39.5%)	(26.5%)	(17.0%)	(6.5%)
No stress (a)	46.5%	60.5%	73.5%	83.0%	93.5%
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Estimated no. of households in population	816,100	816,200	817,300	815,900	817,200

Only one or no stress indicators reported

* Denotes relative standard error between 25% and 50%

Source: ABS Cat No 6530.0 Household Expenditure Survey 1998-1999 Unpublished data

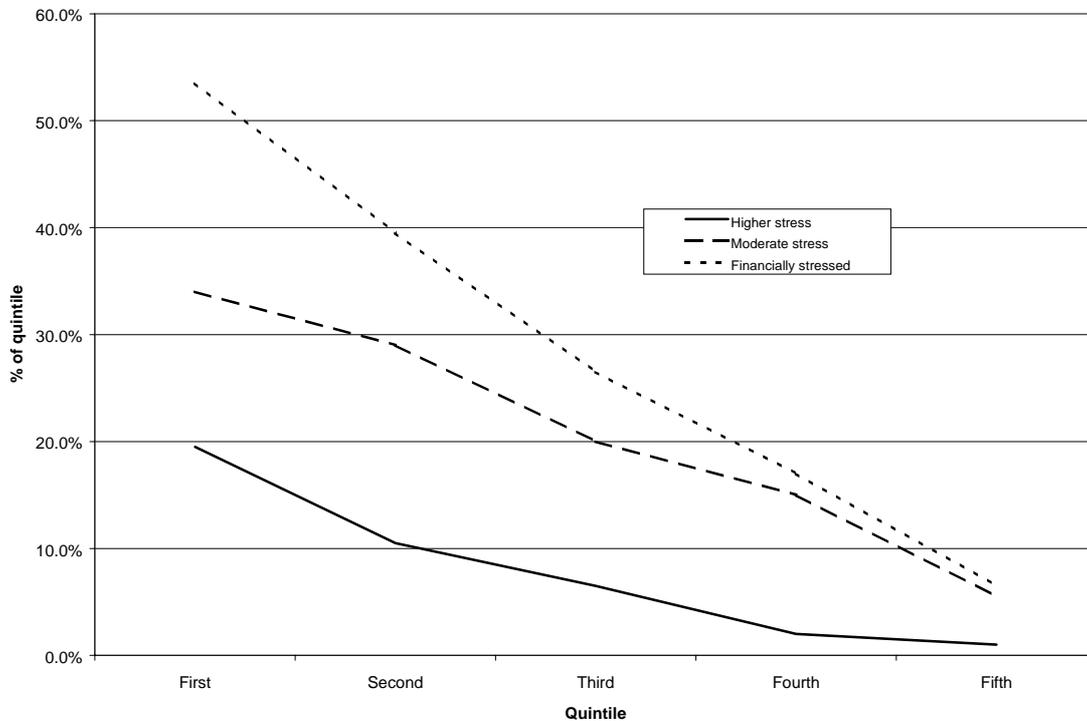
6.106 First quintile households indicating higher stress equal 19.5% of all lowest quintile households, while those indicating moderate stress equal 34% of all first quintile households. Combined, a majority of those households - 53.5% of the lowest quintile households indicated financial stress. Applying this Percentage to the population estimate of households, some 436,600 households whose principal source of income is employee income, earning up to \$690.22 equivalised disposable per week, indicated financial stress.

6.107 For the highest quintile only 1% reported higher stress and 5.5% moderate stress. As defined, 93.5% of highest quintile households indicated no financial stress.

6.108 Measured as equivalised disposable income the difference in reporting between the first and highest quintiles is the largest of the measures. The first income quintile households report greater

financial stress than higher quintile households. This is clearly shown in Figure 6.4

**Figure 6.4: Level Of Financial Stress By Income Quintile
Employee Income Households: Disposable Equivalised Income**



Source: ABS Cat No 6530.0 Household Expenditure Survey 1988-99
Unpublished

6.109 In conclusion, within the population *Households whose principal source of income is employee income* the data demonstrates that substantial levels of stress are indicated by the first quintile of households and that on any income measure the first quintile households report significantly greater levels of financial stress than the higher quintiles. Because award dependant workers predominate at the bottom of the earnings distribution the benefit of the Commission's decision in this case is greater for those who need it most. We turn to make comparisons between households whose principal source of income is employee income and *All Households*.

6.110 Returning to the ABS published article the authors produced the results of their analysis for *All Households*. The following table is reproduced from Table 3 at page 23 of that article.

Table 6.8: Level of Financial Stress, By Income Quintile, 1998-1999 All Households (equivalised disposable income)

Level of stress indicated	Income quintile					All households	
	Lowest	Second	Third	Fourth	Highest	%	
	% of all households					%	
Higher stress	5.3	4.1	1.9	0.9	0.3	12.6	897,000
Moderate stress	5.5	5.6	4.7	3.7	1.6	21.2	1,509,000
No stress (a)	9.2	10.2	13.3	15.4	18.1	66.2	4,717,000
Total	20.0	20.0	20.0	20.0	20.0	100.0	7,123,000

(a) Only one or no stress indicators reported.

Source: ABS Cat No 1350.0 Australian Economic Indicators, June 2001, Table 3, page 23

6.111 The comparison with this *All Households* data can be done on two levels – comparison with the *All Households* average and comparison, on an equivalent income measure basis, across the quintiles.

6.112 As shown in Table 6.9, compared to the *All Households* average, on any measure of income, the first quintile of employee income households experience more financial stress, as measured, than the average of *All Households*.

Table 6.9: Levels of Financial Stress – comparison of first quintile of employee income households with average for “All Households”

Level of Financial Stress	First quintile of employee income households				Average - “All Households”
	Equivalised Disposable Income	Equivalised Gross Income	Gross Income	Disposable Income	
Higher stress	19.5%	20.5%	17.0%	15.0%	12.6%
Moderate stress	34.0%	32.5%	27.5%	27.0%	21.2%
No stress (a)	46.5%	47.0%	55.5%	58.0%	66.2%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

(a) Only one or no stress indicators reported.

Source: ABS Cat No 6530.0 Household Expenditure Survey 1998-1999 Unpublished data; ABS Cat No 1350.0 Australian Economic Indicators, June 2001, Table 3, page 23

6.113 Table 6.10 presents a comparison of the *Employee income households* and *All Households* first quintile data at each financial stress level. The table is based on equivalised disposable income¹³. We have converted the *All Households* data to show the Percentage of quintile households. The comparison reveals that the first quintile of employee income households record less ‘higher level’ stress than the first quintile of *All Households*, but greater ‘moderate level’ stress and, therefore, a comparable level of financial stress.

¹³ The ACTU data utilises the OECD revised equivalence scale. The ABS data utilises the OECD equivalence scale. However as the ABS authors note, at page 18, using the revised OECD scale would make little difference to the results.

Table 6.10: Comparison of First Quintile Financial Stress – Employee Income Households and “All Households”

	Employee Income households first quintile	“All Households” first quintile
Level of stress Indicated	% of quintile households	
Higher stress	19.5%	26.5%
Moderate stress	34.0%	27.5%
[Financially stressed]	(53.5%)	(54.0%)
No stress (a)	46.5%	46.0%
Total	100.0%	100.0%

(a) Only one or no stress indicators reported.

Source: ABS Cat No 6530.0 Household Expenditure Survey 1998-1999 Unpublished data; ABS Cat No 1350.0 Australian Economic Indicators, June 2001

Conclusion

6.114 These data support the ACTU claim by providing the Commission with information pertaining to the needs of the low paid.

6.115 As the ABS authors concluded in their working paper:

“The deprivation and financial stress indicators collected in the 1998-1999 HES can be used to provide an insight into the standard of living of various groups in the Australian community that goes beyond simple comparisons of relative income.” (page 28)

6.116 Our analysis shows significant levels of financial stress for the lowest quintile of working households. It provides a broad statistical picture of struggling to make ends meet, going without and going into debt consistent with the witness evidence in this and previous Cases.