

# A squeeze on spending?

## An update on household living costs for senior Australians

### Background and purpose

A 2011 National Seniors Productive Ageing Centre (NSPAC) research report<sup>1</sup> into the costs of living found that water, electricity, gas, medical services and rent all rose at more than double the inflation rate between June 2006 and June 2011.

This report updates increases in the prices of everyday household necessities and examines their impact on the spending patterns of Australia's 2.9 million senior households (aged 50 years and over).<sup>2</sup>

### Research methods

This report uses statistical information about Australian prices and household spending patterns from the national Consumer Price Index (CPI),<sup>3,4</sup> and the Household, Income and Labour Dynamics in Australia (HILDA) survey.<sup>5</sup> This report used the responses to questions about income and expenditure in the 2006 and 2011 HILDA surveys.<sup>6</sup>

The report compared the findings for senior households:

- In different age groups – households aged 75 years and over (75+ households), households aged 65 – 74 years, and households aged 50 – 64 years
- With different sources of income – employed, self-funded or pensioner households;
- And in different income brackets – five quintiles from the lowest-income 20% to the highest-income 20% of households.

### Key findings

#### Price trends

Over the five years to March 2013, the price of several essential household goods or services increased by more than double the inflation rate. These included electricity, water and sewerage, gas and other household fuels, insurance, medical and hospital services, and property rates and charges. The biggest price increase was for electricity, which rose by 83% – more than six times the overall rate of inflation.

Between 2006 and 2011, Australian households of all age groups spent a larger proportion of their income on utilities (electricity, water and sewerage, gas and other household fuels), mainly because of the increase in energy prices.

#### Income in senior households

In 2011, average income after tax was \$36,200 for 75+ households, \$58,300 for households aged 64 – 74 years, and \$93,400 for households aged 50 – 64 years. Between 2006 and 2011, income grew by 30% for households aged 50 – 64 years, and by only 19% for households aged 75+ years. The number of households reliant on the pension grew by 55,000 (6.5%) while those in employment grew by only 35,000 (2.8%).

In 2011, almost half of all senior households in the lowest income quintile (bottom 20%) were aged 75+.

#### Spending on essentials

Seniors households spent more on groceries than on any other category of household expenses during 2006 – 2011. In 2011, 75+ households spent 19% of their after-tax (disposable) income on groceries, compared with 11% for households aged 50 – 64 years. Grocery bills cost an average of \$4,000 per person per year across age groups.

Seniors households in the bottom 20% for income spent an average of four-fifths (80%) of their income on essentials. This group paid for utilities by reducing their spending on clothing, car maintenance, and groceries.

Pensioner households spent over half (55%) of their income on essentials, compared with one-quarter for employed households.

The proportion of disposable income spent on essentials (groceries, public transport, petrol, communication, health insurance, other insurance, medical, pharmaceutical, utilities and rent) increased with age. In 2011, on average:

- Households aged 75+ spent almost half (44%) of their disposable income on essentials (higher than in 2006)
- Households aged 65 – 74 years spent one-third (33%) of their disposable income on essentials (lower than in 2006)
- Households aged 50 – 64 years spent one-quarter (26%) of their disposable income on essentials (lower than in 2006).

### Changing spending patterns and financial stress

Seniors have changed their spending patterns to cope with the higher prices for essentials. In 2011, many senior households said they were no longer spending any money on public transport (11% of households), eating out (9%), clothing (7%), medical fees (9%), car maintenance (7%) home maintenance (12%), or cigarettes and alcohol (11%).

A large proportion of pensioner households reduced their spending on petrol, clothing and footwear, medical, and car maintenance by more than one-quarter, compared with their spending in 2006.

In 2011, 8.5% of senior households said they had been unable to pay their utility (electricity, gas or telephone) bills on time. Almost 14% of senior households in the lowest income bracket were unable to pay their utilities bills on time. The proportion of 75+ households unable to pay their utility bills grew by 40% between 2006 and 2011 (from 4.6% to 6.5%).

## Conclusions

The higher prices for essential household items caused considerable financial stress to many senior households over 2006 – 2011. Cost-of-living pressure resulted in many seniors reducing their spending in some areas, and even going without some things. A significant proportion of seniors were unable to pay electricity, gas or telephone bills on time.

- <sup>1</sup> Kelly S. *Are older Australians being short changed? An analysis of household living costs*. Melbourne; National Seniors Productive Ageing Centre: 2011.
- <sup>2</sup> In households that included a couple, the age of the household was defined as the age of the oldest male. For households with no couple, the age of the household was defined as the age of the oldest adult.
- <sup>3</sup> The CPI monitors changes in the cost of living by measuring the price of a 'basket' of goods and services. The items in the basket and their weightings are updated every six years to reflect current household spending and was last updated in 2011 [Australian Bureau of Statistics. *Consumer Price Index: concepts, sources and methods 2011*. Cat no. 6461.0. Canberra: ABS, 2011. Available at: <http://www.abs.gov.au/ausstats/abs@.nsf/mf/6461.0>]
- <sup>4</sup> Australian Bureau of Statistics. *Consumer Price Index, Australia, March 2013*. Cat no. 6401.0 [released 24 April 2013]. Canberra: ABS; 2013.
- <sup>5</sup> The HILDA survey interviews adults in more than 2000 Australian households, and has been tracking the same households every year since 2001 [[www.melbourneinstitute.com/hilda](http://www.melbourneinstitute.com/hilda)].
- <sup>6</sup> This report only included data from households that participated in both the 2006 and 2011 surveys, contained only one family, and had an income above zero.

### Further information

This short report summarises a NSPAC research report: Kelly S. *A squeeze on spending? An update on household living costs for senior Australians*. Melbourne; National Seniors Productive Ageing Centre: 2013 (full report available at [www.productiveageing.com.au](http://www.productiveageing.com.au), or by contacting NSPAC at [info@productiveageing.com.au](mailto:info@productiveageing.com.au) or on 03 9650 6144).

### About National Seniors Productive Ageing Centre

National Seniors Australia (NSA) is a non-profit organisation that gives voice to issues that affect Australians aged 50 years and over. It is the largest membership organisation for over-50s in Australia (200,000 members) and the fourth largest in the world.

National Seniors Productive Ageing Centre is an initiative of National Seniors Australia and the Australian Government. The Centre's aim is to improve quality of life for people aged 50 and over by advancing knowledge and understanding of all aspects of productive ageing.

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