

Winners and losers, the
implications of changing cost
pressures on various household
types and income groups.

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Winners and Losers

- This paper seeks to investigate how SVDP daily experiences (increasing demand) can be explained in a manner that is consistent with the broad headline economic data.
- It develops relative price indexes (RPI's) for various household types and income groups.
- This is achieved though using detailed CPI trends and detailed HES data from various years.

Winners and Losers

- What wrong with the CPI ? –
- “The reference population for the Australian CPI is all private households in the eight capital cities...This is referred to as the CPI population group and it represents approximately 64 per cent of the Australian private households...”

Winners and Losers

- “The index becomes much less representative at successively lower levels of aggregation of this population. Ultimately, the composition and weighting patterns of the basket will not coincide with that of any individual household in Australia.”

Winners and Losers

- As a result of different lifecycles and life styles, consumption patterns will vary affecting costs of living .
- The following slide details variations in consumption patterns for single parent with 2 or more children, couple with no children and the CPI.

Item	CPI	Single 2 + kids	% variance	Couple no kids	% variance
Food	18.1	21.6	+19.3	19.0	+5.0
Housing	17.4	19.3	+10.92	12.0	-31.03
Health	5.2	2.9	-44.2	6	+15.38
T/port	14.6	12.4	-15.07	15	+2.74
Com/ion	2.7	4.1	+51.8	3	+11.1
Cld/care	0.5	1.3	+160	0	-100
Educa	3.0	2.7	-10	1	-66.7

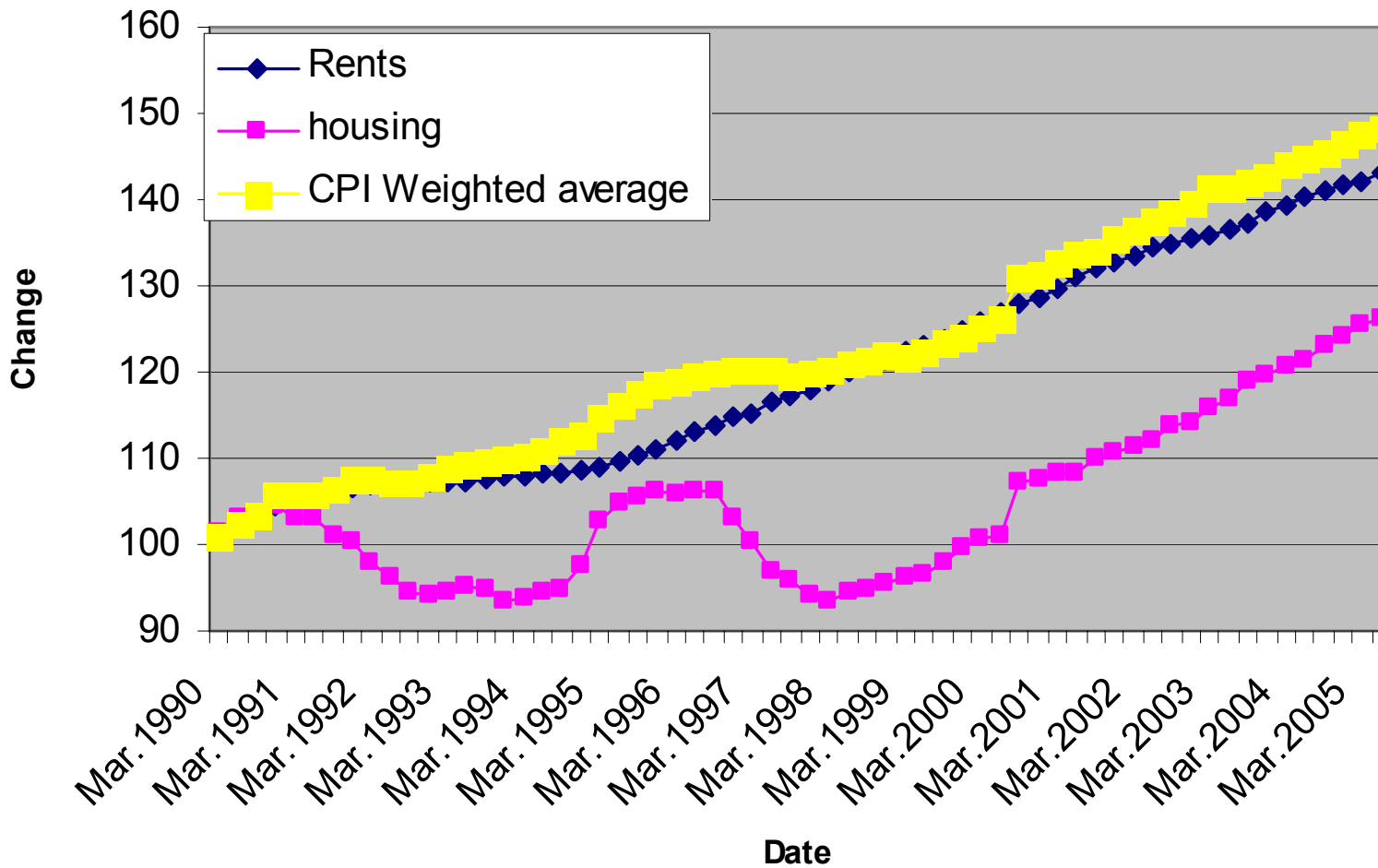
Winners and Losers

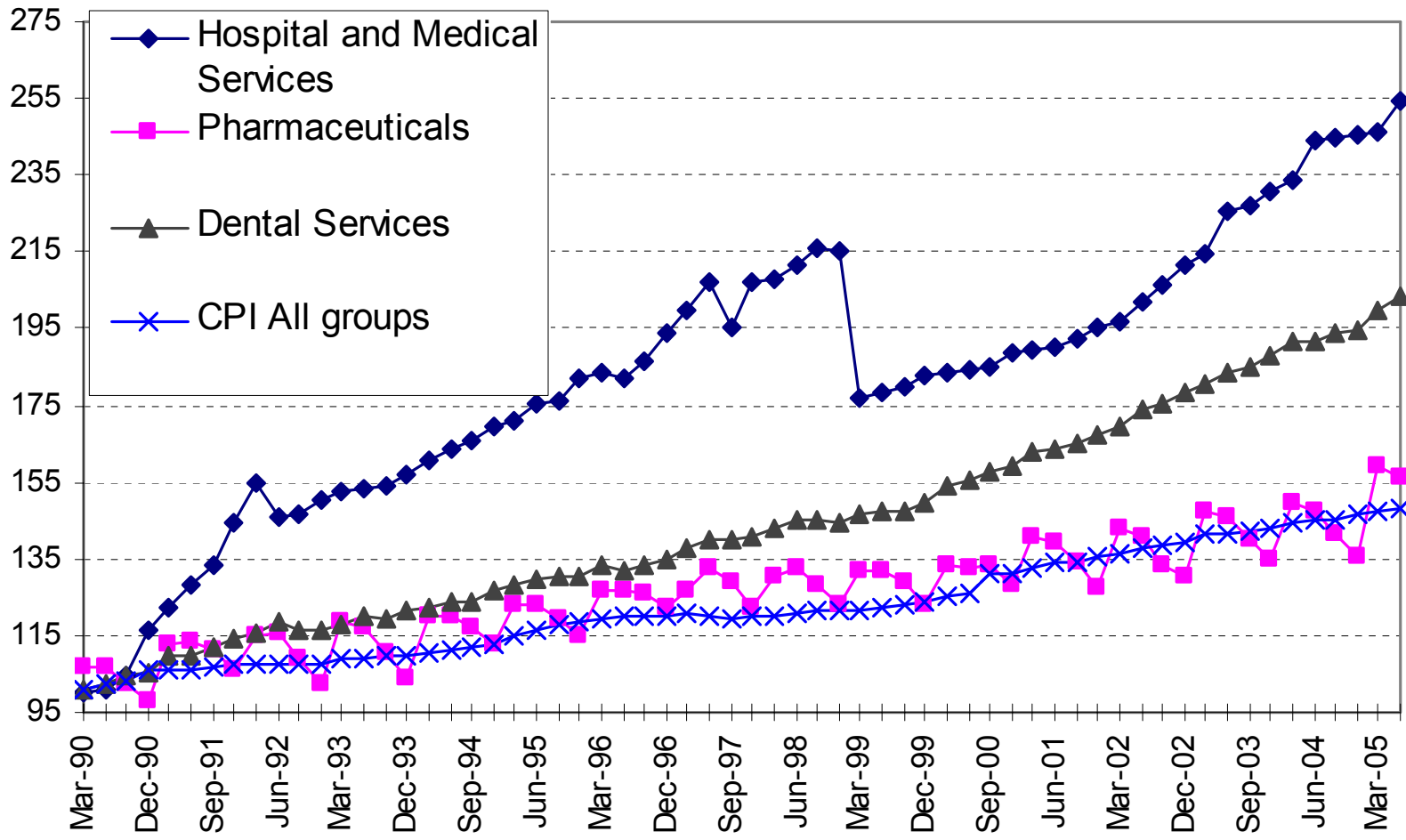
- As can be seen there is significant variation in consumption patterns not only between households but also when comparing households to the hypothesized CPI consumption patterns.

Winners and Losers

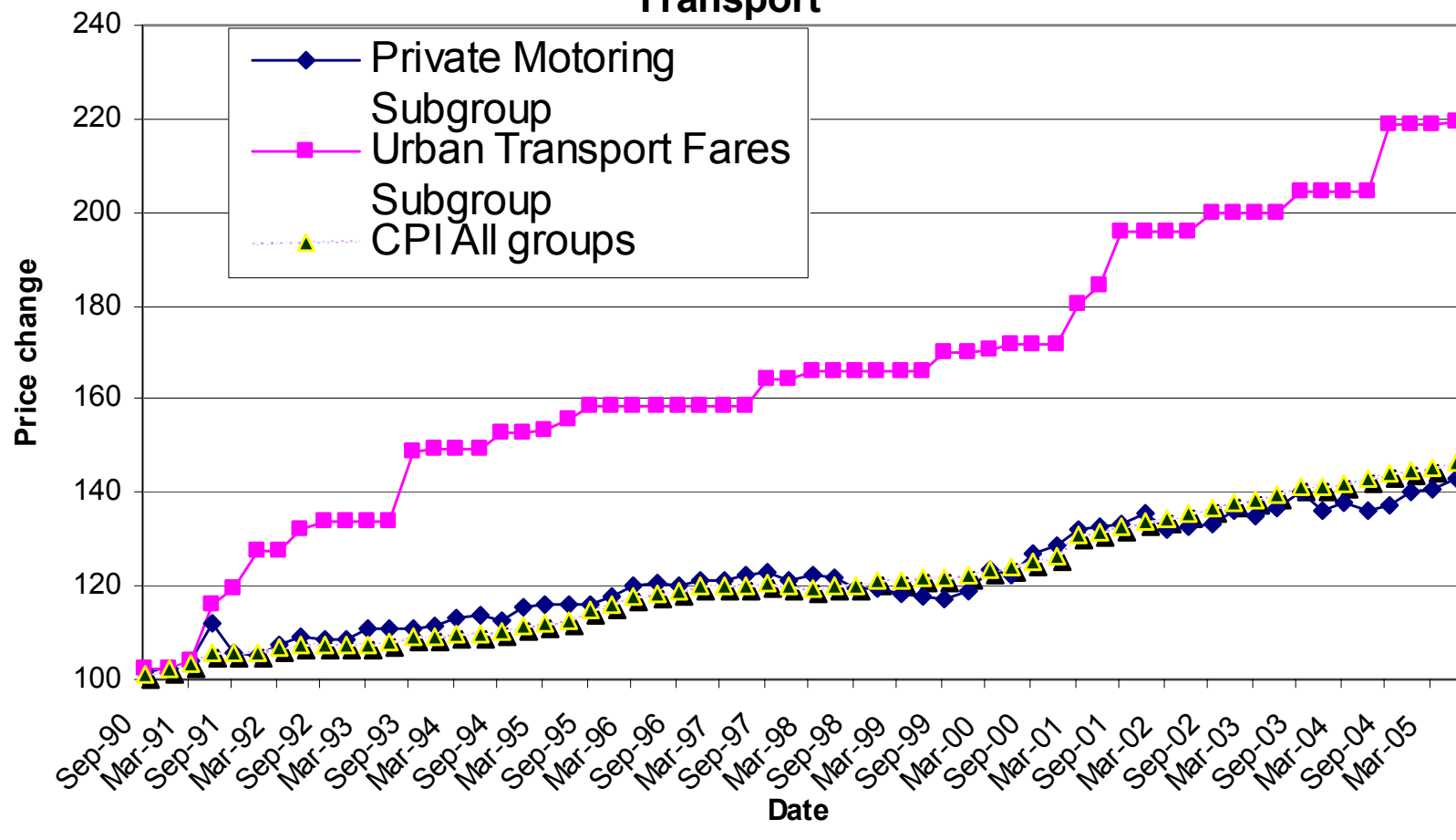
- Variations in consumption is only one side of the equation; when developing RPI's changes in cost must also be considered.
- The following slides detail the long term price trends for various Victorian good and services.

Housing costs 1990-2005





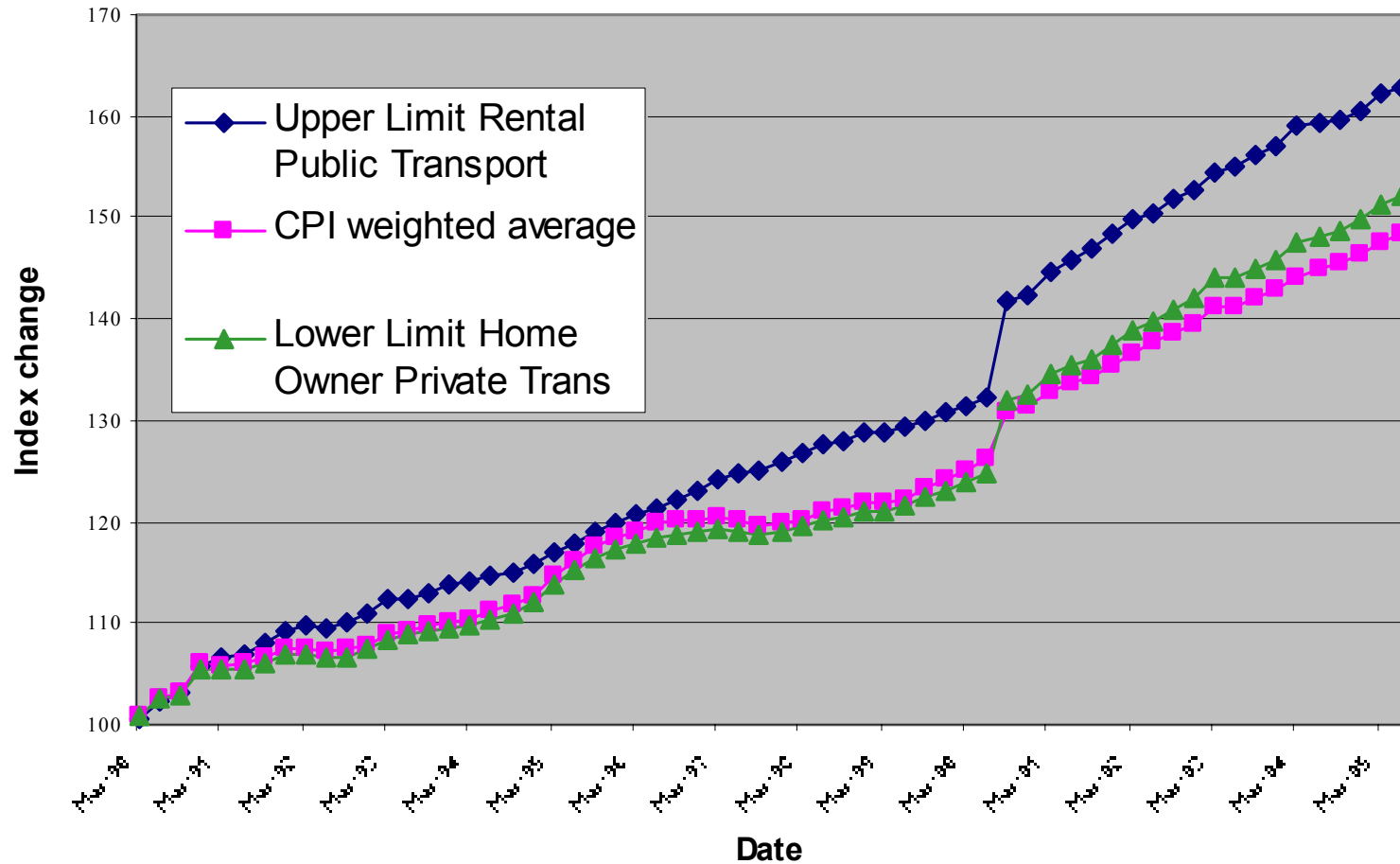
Transport



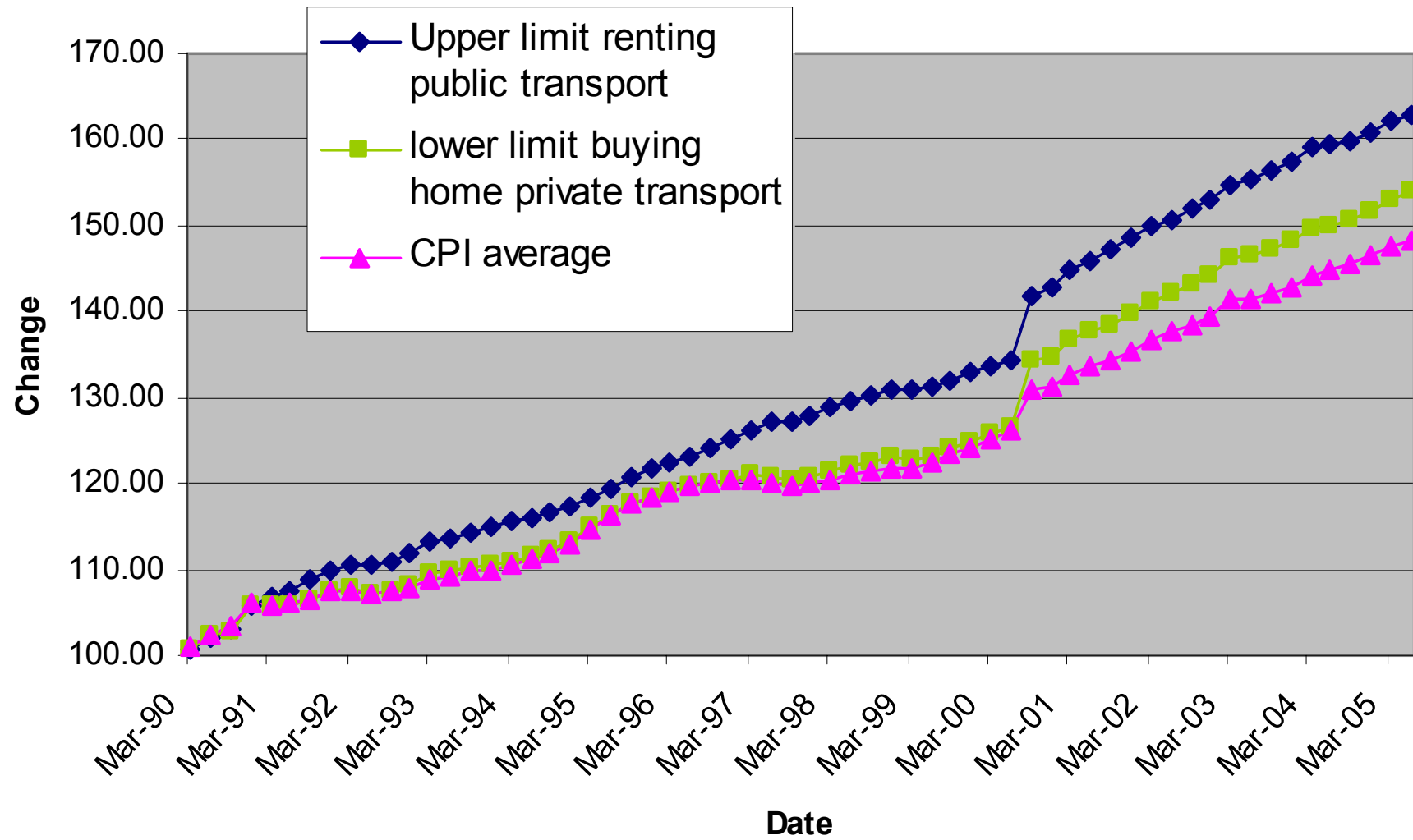
Winners and losers

- Using the detailed expenditure patterns for the various household types and income groups to weight the raw CPI data - relative price indexes have been developed.
- The indexes that are produced represent a 'band' and cater for both variations in consumption and various housing and transport options.
- For example...

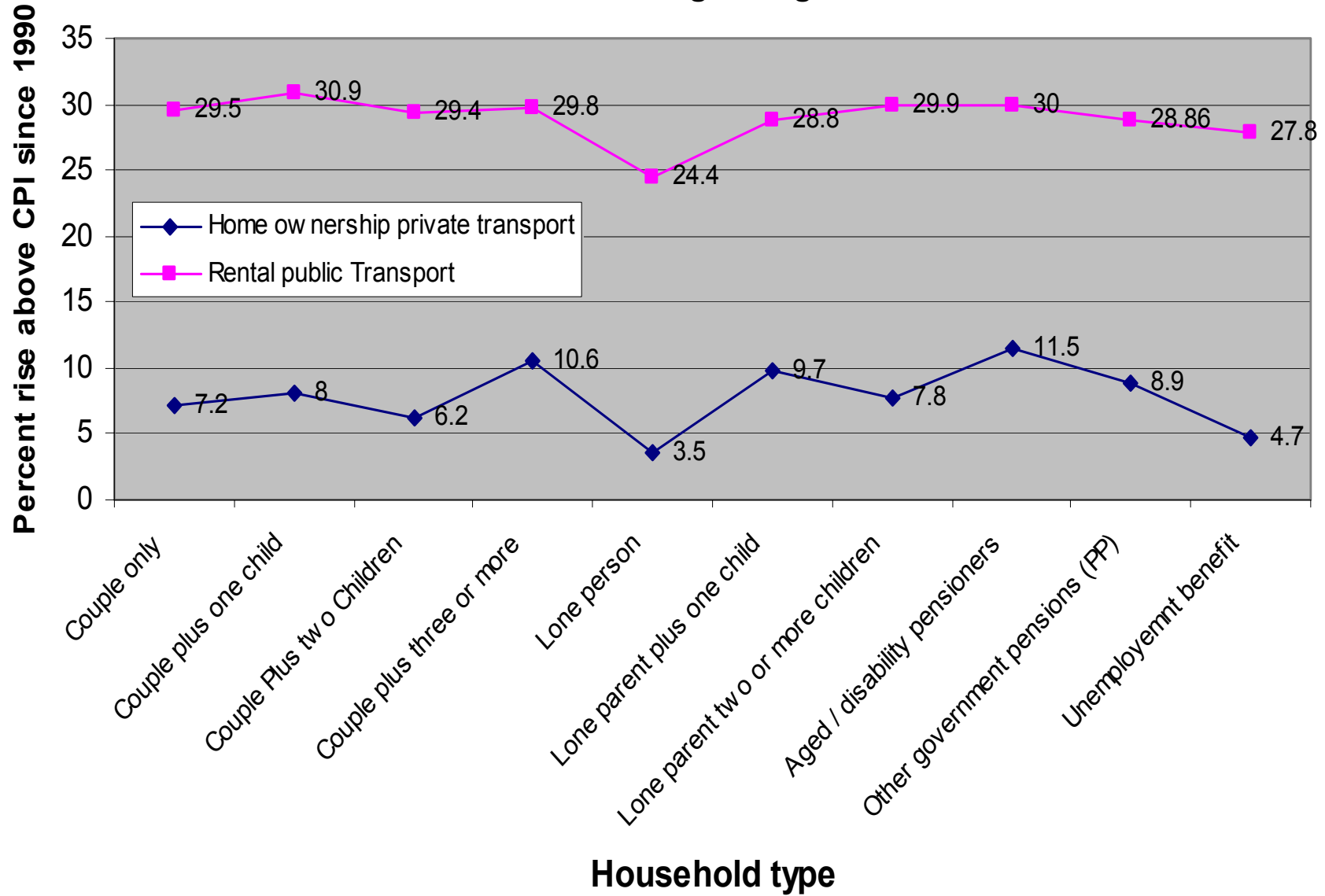
Price index Single parent 2 and more children



Relative price index Aged pensioners



Cost of living changes



Winners and losers - conclusions

- The RPIs indicate that there has been significant increases in cost pressures for various households depending upon consumption patterns and housing and transport options.
- The impact of these cost pressures has resulted in increased cost pressure inequality within the Australian community. This has implications for both the State and Federal Governments.

Winners and losers - conclusions

- For State Governments the RPI provides a tool to assess the targeting and adequacy of the current concessions schemes and the impacts of fees and charges on various households.
- For the Federal Government the RPIs serve to assess the impact of broader economic reforms and the adequacy of cash and non cash transfers.

Winners and losers - conclusions

- For the community and welfare sector the relative price index provides a framework that explains the impact of various costs on particular household budgets, providing an insight into cost pressures that may influence demand.