

6

Income and Expenditure

Introduction

This chapter includes information about household income and expenditure. The economic wellbeing or standard of living of individuals and families is largely dependent on the economic and social resources available to provide for the consumption of goods and services, and for participation in the life of society.

Income can be measured in a variety of ways, the methods covered in this chapter include household income from the Household Expenditure Survey (HES), average weekly earnings of employees, weekly total employee earnings, and wage costs from various employer surveys. Expenditure data is sourced from the HES, and prices data from the Consumer Price Index (CPI), which measures changes in prices over time. All data in this chapter is sourced from surveys conducted by the ABS.

Income

Regular income is the means by which most individuals and families finance current consumption and make provision for the future through saving and investment. The level of cash income can be used as an indicator of the standard of living for most of the population.

Household income

The HES collects detailed information about income, expenditure and household characteristics of households resident in private dwellings throughout Australia.

In 1998–99, the average weekly household income for Victorian households was \$925.68 (table 6.1). Households whose principle source of income was employee income had an average weekly income of \$1,254.77, compared to \$317.96 for those whose principle source of income was government pensions and allowances.

Of households whose principle source of income was their own business, 43.3% were couple families with dependent children. In contrast, couple families with dependent children made up only 8.3% of households whose principle source of income was government pensions and allowances. Lone person households comprised 37.7% of households reliant on government pensions and allowances.

6.1 HOUSEHOLD CHARACTERISTICS BY PRINCIPLE SOURCE OF INCOME — 1998–99

Household characteristics	Unit	Employee income	Own business	Government pensions and allowances	Other(a)	Total(b)
Average weekly household income	\$	1 254.77	989.80	317.96	567.40	925.68
Average age of reference person	years	42	45	59	65	48
Household composition (% of households)						
Couple, one family						
Couple only	%	21.7	30.7	29.5	46.9	26.7
Couple with dependent children only	%	32.1	43.3	8.3	5.3	23.8
Other couple, one family households	%	18.8	3.2	5.6	5.0	13.4
One parent, one family with dependent children	%	4.4	1.6	13.2	5.4	6.6
Lone person	%	13.6	18.0	37.7	35.6	22.2
Other(c)	%	9.4	3.2	5.7	2.0	7.4
Total	%	100.0	100.0	100.0	100.0	100.0

(a) Includes households where the principle source of income was in the form of superannuation or annuity; interest on financial institution accounts; investments or property rent; scholarships; workers compensation; accident compensation; maintenance or alimony, or regular income not elsewhere classified. (b) Includes households where principle source of income was undefined because total income was zero or negative. (c) Includes group households.

Source: ABS data available on request, Household Expenditure Survey.

Average weekly earnings

The Average Weekly Earnings (AWE) survey estimates the level of quarterly change in average weekly earnings. Weekly ordinary time earnings relate only to that part of total earnings attributable to award, standard or agreed hours of work.

From the August quarter 2000 to the August quarter 2001, Average Weekly Ordinary-Time Earnings (AWOTE) of full-time adults in Victoria increased by 5.1% (table 6.2). Between the May and August quarters 2001, the trend increase was 1.7%.

Earnings are affected by many factors including the composition of the labour force, such as the number of part-time employees. For the two years to August 2001, AWOTE for females has increased at nearly the same rate as for males. AWOTE for males increased by 9.8%, while for females it increased by 9.6%. However, August 2001 AWOTE for males (\$854.10) remains higher than for females (\$747.70). This difference is more pronounced in total earnings, which include part-time and casual workers.

6.2 AVERAGE WEEKLY EARNINGS OF ADULT EMPLOYEES, Trend

Reference period	Full-time males		All males	Full-time females		All females	Full-time persons		All persons
	Ordinary time earnings	Total earnings	Total earnings	Ordinary time earnings	Total earnings	Total earnings	Ordinary time earnings	Total earnings	Total earnings
	VALUE (\$)								
2000									
May	802.10	852.70	740.30	708.20	724.20	502.30	768.70	806.90	625.10
August	809.00	856.50	741.30	716.50	732.60	511.50	775.90	812.30	630.70
November	814.40	859.90	740.40	723.90	739.20	518.50	782.20	816.90	633.80
2001									
February	823.70	868.40	746.90	730.80	745.30	522.00	791.00	824.70	638.60
May	837.20	883.00	760.80	738.50	752.90	524.80	802.20	836.60	646.90
August	854.10	901.10	777.80	747.70	762.30	527.00	815.60	851.10	656.30
	PROPORTION (%)								
Quarterly change to									
2001									
February	1.1	1.0	0.9	0.9	0.8	0.7	1.1	1.0	0.8
May	1.6	1.7	1.9	1.1	1.0	0.5	1.4	1.4	1.3
August	2.0	2.0	2.2	1.2	1.2	0.4	1.7	1.7	1.5
Annual change to August									
1999	0.5	-0.2	1.0	4.8	4.9	2.8	1.8	1.3	0.9
2000	4.0	3.3	3.5	5.1	5.1	4.9	4.4	4.0	4.0
2001	5.6	5.2	4.9	4.4	4.1	3.0	5.1	4.8	4.1

Source: Average Weekly Earnings, States and Australia (Cat. no. 6302.0).

Employee earnings

Employee earnings statistics relate to the distribution and composition of average weekly earnings. These average earnings are not comparable with those produced from the AWE Survey. The Survey of Employee Earnings (SEE) collects the sum of employee earnings paid in all pay periods ending in a calendar quarter, including payments to employees which are excluded from the scope of the AWE survey such as retrospective pay, pay in advance, leave loadings and severance, termination and redundancy payments. While the quarterly earnings produced by the SEE are affected by the varying number of pay periods from quarter to quarter, the AWE results are unaffected because of the selection of a specified pay period in the middle of a quarter.

In Victoria, average weekly total earnings were \$646.70 (table 6.3). The highest average weekly total earnings were recorded for managers and administrators, while the lowest earnings were recorded by elementary clerical, sales and service workers who, in comparison, earned just over a quarter of the amount earned by managers and administrators. Part of this variation can be explained by the lower proportions of part-time and junior employees in the latter group. The top 10% of managers and administrators earned an average of \$2,137.00 per week; while the top 10% of elementary clerical, sales and service workers earned an average \$641.00 per week.

6.3 WEEKLY TOTAL EARNINGS, Selected Percentiles — May 2000

Occupation	10th percentile	25th percentile	50th percentile	75th percentile	90th percentile	Mean earnings
	\$	\$	\$	\$	\$	\$
Managers and administrators	577.00	780.00	1 057.00	1 475.00	2 137.00	1 249.10
Professionals	303.00	573.00	840.00	1 017.00	1 359.00	852.80
Associate professionals	298.00	546.00	730.00	969.00	1 236.00	772.30
Tradespersons and related workers	262.00	468.00	624.00	860.00	1 052.00	677.70
Advanced clerical and service workers	227.00	452.00	570.00	721.00	880.00	580.70
Intermediate clerical, sales and service workers	145.00	312.00	516.00	663.00	826.00	509.80
Intermediate production and transport workers	251.00	465.00	583.00	770.00	1 035.00	626.70
Elementary clerical, sales and service workers	63.00	115.00	264.00	493.00	641.00	320.70
Labourers and related workers	85.00	212.00	456.00	651.00	882.00	466.50
All occupations	145.00	363.00	588.00	846.00	1 114.00	646.70

Source: ABS data available on request, Survey of Employee Earnings and Hours.

Wage Cost Index

The Wage Cost Index (WCI) is an integrated set of indexes which measure quarterly changes in wage and salary costs for employee jobs. The WCI measures change over time in wage and salary costs for employee jobs, unaffected by changes in the quality or quantity of work performed.

In Victoria, the index of total hourly rates of pay (excluding bonuses) for all employee jobs increased by 3.4% from financial year 1999–2000 to 2000–01 (table 6.4). Change for the 2000–01 year was comparable for both the public (3.5%) and private (3.4%) sectors.

6.4 TOTAL HOURLY RATES OF PAY EXCLUDING BONUSES(a)

Sector	Private sector	Public sector	All sectors
1997–98	101.1	101.1	101.1
1998–99	104.1	104.3	104.2
1999–2000	107.2	107.1	107.2
2000–01	110.8	110.9	110.8

(a) Base of each index: September quarter 1997 = 100.0.

Source: Wage Cost Index, Australia (Cat. no. 6345.0).

Victorian industries with the largest annual WCI increase in 2000–01 were construction (4.4%) and education (4.3%); while wages in accommodation, cafes and restaurants (1.8%) increased least (table 6.5).

6.5 TOTAL HOURLY RATES OF PAY EXCLUDING BONUSES(a), By Industry

Industry	1997–98	1998–99	1999–2000	2000–01
Mining	101.6	n.p.	n.p.	n.p.
Manufacturing	101.5	105.3	108.6	112.5
Electricity, gas and water supply	100.8	103.4	106.2	110.0
Construction	101.1	104.5	108.3	113.1
Wholesale trade	100.8	103.7	105.1	108.5
Retail trade	100.9	103.0	105.3	108.5
Accommodation, cafes and restaurants	100.4	101.9	104.0	105.9
Transport and storage	101.6	105.5	107.4	110.2
Communication services	101.6	104.6	108.0	111.3
Finance and insurance	n.p.	n.p.	n.p.	n.p.
Property and business services	101.0	103.7	108.6	112.4
Government administration and defence	100.5	102.9	106.0	109.4
Education	101.0	103.7	106.6	111.1
Health and community services	101.3	105.2	107.4	110.7
Cultural and recreational services	100.7	103.0	105.3	108.3
Personal and other services	100.3	102.8	105.2	108.2
All industries	101.1	104.2	107.2	110.8

(a) Base of each index: September quarter 1997 = 100.0.

Source: ABS data available on request, Wage Cost Index Survey.

Annual 2000–01 WCI increases by occupation ranged from 2.9% for intermediate clerical, sales and service workers to 3.9% for associate professionals (table 6.6).

6.6 TOTAL HOURLY RATES OF PAY EXCLUDING BONUSES(a), By Occupation

Occupation	Index numbers(a)				Percent annual change (b)		
	1997–98	1998–99	1999–2000	2000–01	1998–99	1999–2000	2000–01
Managers and administrators	101.5	105.5	108.4	112.1	3.9	2.7	3.4
Professionals	101.5	104.7	107.6	111.3	3.2	2.8	3.4
Associate professionals	101.0	103.4	106.2	110.3	2.4	2.7	3.9
Tradespersons and related workers	101.1	104.4	107.4	110.7	3.3	2.9	3.1
Advanced clerical and service workers	100.6	103.9	106.3	109.7	3.3	2.3	3.2
Intermediate clerical, sales and service workers	100.9	103.2	106.3	109.4	2.3	3.0	2.9
Intermediate production and transport workers	101.2	104.7	107.6	111.1	3.5	2.8	3.3
Elementary clerical, sales and service workers	100.7	103.1	105.8	109.4	2.4	2.6	3.4
Labourers and related workers	101.3	104.7	107.7	111.3	3.4	2.9	3.3
All occupations	101.1	104.2	107.2	110.8	3.1	2.9	3.4

(a) Base of each index: September quarter 1997 = 100.0. (b) Per cent change from previous financial year.

Source: ABS data available on request, Wage Cost Index Survey.

Expenditure

Information about income provides one indicator of the standard of living. However, it does not always accurately reflect command over goods and services, particularly where income is variable or expenditure is financed through running down assets or acquisition of debts. In such cases, the levels and patterns of household expenditure may provide an alternative measure of living standards.

Household expenditure

Household expenditure is used to measure living standards and the effects of government policy, and is an important factor in determining the weightings given to items used in calculating the CPI. The household is used as a basic unit of analysis for expenditure, because much expenditure covers household items. If smaller units were adopted, for example each person, then it is difficult to attribute to individual household members the use of shared items such as accommodation and household goods.

In 1998–99, the largest proportion of spending by Victorian households was in the food and non-alcoholic beverages group (18.7% of household expenditure) and transport (18.2%) (table 6.7). The largest change between 1993–94 and 1998–99 was a 40.6% increase in household transport expenditure, while clothing and footwear actually dropped 5.5%; with no allowance made for inflation. Compared with 1993–94, the proportion of 1998–99 expenditure spent on food stayed about the same (18.6% vs 18.7%); while transport rose (from 15.6% to 18.2%) and clothing and footwear fell (6.4% vs 4.9%).

6.7 AVERAGE WEEKLY HOUSEHOLD EXPENDITURE

Broad expenditure group	1993–94		1998–99	
	\$	%	\$	%
Current housing costs (selected dwelling)	80.85	13.6	89.88	12.5
Domestic fuel and power	21.25	3.6	21.59	3.0
Food and non-alcoholic beverages	111.10	18.6	134.22	18.7
Alcoholic beverages	16.52	2.8	20.32	2.8
Tobacco products	8.67	1.4	10.53	1.5
Clothing and footwear	37.61	6.4	35.54	4.9
Household furnishings and equipment	34.55	5.8	39.98	5.5
Household services and operation	30.49	5.1	40.06	5.6
Medical care and health expenses	26.41	4.4	33.90	4.7
Transport	92.84	15.6	130.50	18.2
Recreation	80.65	13.5	90.95	12.7
Personal care	11.27	1.9	14.25	2.0
Miscellaneous goods and services	44.27	7.4	56.47	7.9
Total	596.48	100.0	718.19	100.0

Source: Household Expenditure Survey, Australia: Summary of Results (Cat. no. 6530.0).

Consumer Price Index

The CPI description commonly adopted by users is in terms of its perceived uses; hence the frequent references to the CPI as a measure of inflation, a measure of change in purchasing power, or a measure of change in cost of living. In practice, the CPI is a measure of change, over time, in the price of a constant basket of goods and services acquired by metropolitan households in Australia. As such, the CPI has been designed as a general measure of price inflation for the household sector in Australia. The composition of the CPI basket is based on the pattern of household expenditure derived primarily from the HES.

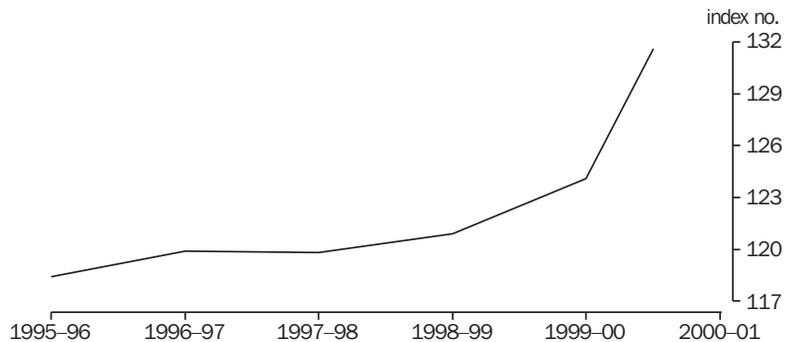
In measuring price changes, the CPI aims to measure only pure price changes (i.e., it is concerned with isolating and measuring only that element of price change which is not brought about by any change to either the quantity or quality of the goods concerned). It aims to measure, each quarter, the change in cost of acquiring an identical basket of goods and services.

Over time, household spending habits change, as does the range of available goods and services. The CPI needs to be updated to ensure that it continues to be relevant to current conditions. Reviews of the CPI are usually carried out at about five-yearly intervals and also provide the opportunity to reassess the scope and coverage of the index and other methodological issues.

The 14th series CPI was introduced in the September 2000 quarter and reflects expenditure patterns derived primarily from the 1998–99 HES. In addition to revising weights to reflect new expenditure patterns, the 14th series CPI introduced a new utility-based commodity classification to better address consumer substitution between commodities in response to relative price changes arising from The New Tax System. The most notable change to the 14th series CPI structure is an increase from 8 to 11 groups (see table 6.9). The item coverage of the 14th series CPI is unchanged from the 13th series CPI.

The June 2001 All Groups CPI for Melbourne (131.6 index points) was an increase of 6.9% over June 2000. This sharp living cost increase is partly attributable to the GST's introduction at 1 July 2000. By comparison, the CPI rose just 4.8% over the preceding 4 years from June 1996 to June 2000.

6.8 CONSUMER PRICE INDEX, MELBOURNE, ALL GROUPS(a)



(a) Base year: 1989–90=100.0.

Source: *Consumer Price Index Australia* (Cat. no. 6401.0).

From June 1996 to June 2001, the indexes for alcohol and tobacco, education and miscellaneous increased by between 24.8% and 34.3%; while housing and communication declined by 2.9% and 2.4%, respectively (table 6.9).

6.9 CONSUMER PRICE INDEX, Melbourne(a)

Group	1995-96	1996-97	1997-98	1998-99	1999-2000	2000-01	Percentage change	
							1995-96 to 2000-01	1999-2000 to 2000-01
Food	114.1	118.6	120.5	125.1	128.7	135.0	18.3	4.9
Alcohol and tobacco	154.2	158.5	161.4	166.9	174.2	192.4	24.8	10.4
Clothing and footwear	108.0	108.4	108.9	108.1	107.1	114.3	5.8	6.7
Housing	101.4	95.0	86.5	86.7	90.7	98.5	-2.9	8.6
Household furnishings, supplies and services	113.0	114.7	115.1	115.1	114.7	118.1	4.5	3.0
Health	159.9	171.4	178.1	174.2	168.3	175.1	9.5	4.0
Transportation	122.6	124.0	123.3	120.8	127.9	136.2	11.1	6.5
Communication	107.0	106.1	106.3	102.8	97.6	104.5	-2.4	7.1
Recreation	116.0	117.6	120.9	121.7	122.5	126.6	9.1	3.3
Education	143.8	151.8	160.1	167.9	175.5	183.7	27.7	4.7
Miscellaneous	118.9	125.8	131.7	135.6	146.1	159.7	34.3	9.3
All groups	118.4	119.9	119.8	120.9	124.1	131.6	11.1	6.0

(a) Base year: 1989-90=100.0.

Source: Consumer Price Index, Australia (Cat. no. 6401.0).

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