

# EXPENDITURE ON LIVING IN AUSTRALIA.

(Inquiry by means of Householders' Budgets.)

NOVEMBER, 1913.

## SECTION I.—INTRODUCTION.

1. **Nature of Inquiry.**—Investigations which have been carried out in Australia as to prices and cost and standards of living are, broadly speaking, of a threefold nature, and consist of the following, viz. :—

(i.) *Quarterly Variations in the Cost of Living in Thirty Towns.*—Periodic monthly returns of prices of food and groceries and house-rents are collected regularly for thirty towns. These returns furnish the data necessary for the computation of quarterly index-numbers published in the Labour Bulletins shewing—(a) the increase or decrease in cost of living in each town from quarter to quarter, and (b) the relative cost of living as between the several towns. These results do not, of course, furnish what may be called "absolute standards," viz., the actual cost of living of all persons of a particular class. They shew merely the *variations* in the cost, and the *relative* cost as between the several towns, on the assumption of a definite and constant usage or consumption of the various commodities and items included in the investigation.\* This definite usage or consumption has been called a "regimen," "or a composite unit," and its constitution has been determined from investigations based mainly on two sources, viz. :—(a) Statistics of production, imports and exports, and (b) householders' budget inquiries, shewing actual expenditure on living. The variations in the cost of the "regimen" or "composite unit" are the measure of the change in the cost of living.

(ii.) *Annual Variations in the Cost of Living in 100 Towns.*—As supplementary to the results indicated in the preceding paragraph, it is intended to carry out each year similar inquiries regarding prices of food and groceries and house-rent for 100 towns in the Commonwealth. These results will be computed for the larger number of towns once a year only, and the index-numbers will shew not only the increase or decrease in cost of living in each town, but also the relative

\* As to the necessity for the adoption of a definite regimen, and as to the confusion which exists as to what is meant by change in the "cost of living," see "Labour Bulletin" No. 3, pp. 178 to 181. The methods and technique adopted in the computation of the cost-of-living index-numbers are fully explained in the Labour Reports and Bulletins.

cost as between the 100 towns. The first of these investigations was carried out in November, 1913, contemporaneously with the householders' budget inquiry on which this report is based, and the results were published in Labour Bulletin No. 5, pages 26 to 33.

It will be observed that these inquiries relate specifically to prices of food and groceries and house-rents only, and cover about 60 per cent. of the total expenditure of a normal family. There are very cogent reasons for this restriction, viz., that for a return to be satisfactory, *changes in the standard of living must not be confused with changes arising from a variation in the purchasing power of money.* For this reason it is practically necessary to restrict the inquiry to commodities which are sensibly identical in each locality, and to exclude commodities which might vary as between one locality and another, or (in regard at least to periods near to one another in point of time) from one period to another.

In the first place the items of expenditure covered by the inquiries comprise substantially all important commodities which are definitely comparable and identifiable in regard to character or quality. The most important group of expenditure which is *not* included in the inquiries is clothing, the cost of which amounts to about 13 per cent. of the total expenditure. Owing to influences of individual taste, fashion, and the immense variety of production, articles included in this group are practically not comparable and are not identifiable. It is evident that to be comparable at any two periods, a commodity must not have changed materially in character and quality, and the inclusion in the computation of the cost-of-living index-numbers of commodities which are not comparable and readily identifiable would inevitably confuse the issue as between change due to variation in price and that due to variation in quality, or in standard of living. The former is not within the control of the individual, but the latter is; and in order to study the changes of standard which are continuously taking place, it is essential that the change in the purchasing power of money should be *unequivocally* ascertained. It is for such reasons as these that clothing and similar things have been omitted from the inquiry. As regards fuel and light, the cost of which amounts on the average to about 4 per cent. of the total expenditure, it may be said that although these items are comparable and identifiable, the usage or relative consumption in the towns included in the inquiries varies to such an extent, that their inclusion on an (erroneously) assumed constant regimen, would tend to produce a fictitious result, more especially in so far as relative cost of living is concerned.

It has been suggested, in considering a special case, that such items as insurance, contributions to benefit societies, etc., should be embraced in estimations of the variation of the purchasing power of money. In this connection it may be pointed out that among the total items of expenditure some are essential, others are unessential; and in the total usage of mankind it is necessary to leave out of consideration many things which have a subordinate relationship to

the exigencies of life. Thus, luxuries, *objets d'art*, and similar commodities and all unessential things are advisedly ignored. It may further be added that while it is true that the rates of premiums and contributions have probably not increased, it must be borne in mind that the purchasing power of the money benefits to be derived has been reduced in accordance with the general depreciation in the purchasing power of money, and in order to obtain benefits of the same net value the premiums and contributions would have to be increased *pro rata*, consequently they should *not* be included, and to include them would be an error of principle.

It will be seen on impartial survey, therefore, that the 46 commodities and house-rent included in these inquiries not only cover a considerable percentage of the total expenditure, but also comprise practically all items of expenditure which are comparable and identifiable, or which can for other technical reasons be included. And it follows that the measure of the depreciation or appreciation in the value of gold computed from the price variations of the commodities and items included is properly regarded as indicating with great precision the variation in the purchasing power of money in relation to all commodities and items of expenditure. Any attempt to enlarge the number of items so as to secure something nearer 100 per cent. of the total expenditure would, by the introduction of uncertainties, prejudice rather than improve the result.

(iii.) *Householders' Budget Inquiries.*—The third branch of inquiry has been carried out by means of householders' budgets. The results obtained from this class of investigation are, of course, of an entirely different nature from those computed from returns of prices and house-rents. The latter, as already pointed out, furnish the data necessary for the computation of index-numbers giving purely relative results, that is to say, they shew the relative cost of a definite regimen at different periods, either in the same locality or as between different localities, while the former shew the actual expenditure on, and standards of, living for families in different localities, of different structure and in different income-groups.

The first budget inquiry in Australia covered the whole period from the 1st July, 1910, to the 30th June, 1911, the number of books available as a basis for the compilation of the results being 212. As it was thought that this small number, amounting to only about 14 per cent. of the total number distributed (1500), was due to the fact that the labour entailed in keeping the desired records for the full period of twelve months was somewhat heavy, it was decided that in the present inquiry the records should be restricted to four weeks' expenditure only. In this way it was hoped to obtain a much greater number of returns, so as to enable the results to be presented for various classes of occupations, for different ranges of income, for different States and localities, and for families of different structure. The number of budgets available for tabulation was, however, only 392.

2. **Distribution of Budget Books.**—The requisite data upon which the results of this inquiry are based were obtained by distributing among householders throughout the Commonwealth, copies of a small account book in which provision was made for entering, for each day of the period covered (the 2nd to the 29th November, 1913, inclusive), particulars of income and expenditure under certain specified headings. Notices were inserted in the daily press throughout the Commonwealth directing attention to the projected inquiry, its purpose and scope; communications were also addressed to trades and labour councils, trades unions, employers' federations and associations and newspaper proprietors in the several States, suggesting that they might co-operate and assist in the distribution of the budget books. In this way it was hoped that at least two or three thousand budgets would be properly kept for the short period of four weeks, and that the persons keeping them would be distributed in all parts of the Commonwealth, and would be representative of all sections of the community. In consequence of the notices and communications which were despatched, requests were received for a large number of books to be forwarded, amounting on the aggregate to several thousand.

The distribution of the books was effected in October, 1913, the total number despatched from the Bureau being upwards of 7000; of that number only 417, or nearly 6 per cent., were returned after the end of November. It was found necessary to reject 25 of these as unsuitable for tabulation purposes owing to incompleteness, obvious inaccuracy, or other causes, so that the contents of 392 books only were available for classification. Nearly all of the latter number appear to have been kept with considerable care, and thanks are due to those who have taken the trouble to assist in the investigation.

It was anticipated, however, that, owing to the period of the investigation being so considerably curtailed, the number of returns would have been much larger, and it is a matter for regret that, in view of the large number of applications for books, so small a percentage was returned to the Bureau. And it may here be observed that had the response to the inquiry been satisfactory, it was intended to make a similar investigation during some other month in the near future, so that by combining and comparing the results of the two inquiries, variations in expenditure due to seasonal influences might be eliminated.

It will be understood that the distribution of the books was not in any way restricted, either in regard to the nature of the occupation of the head of the family or to income received. It was hoped that the number and nature of the returns would be such as would enable the results to be presented both for various classes of occupations and for different ranges of income. As will be seen later, however, owing to the comparatively small number of budgets available, it was considered desirable to present the results without any classification of occupations, and with only a limited classification as to amount of