

6

Income and Expenditure

Introduction

This chapter includes information about household income and expenditure. The economic well-being 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 those 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: Unpublished data, Household Expenditure Survey.

Average weekly earnings

The Average Weekly Earnings (AWE) survey estimates the level of quarterly change in average weekly earnings. The survey is conducted by mail from a sample of approximately 5,000 employers across Australia, and is designed to ensure adequate State and industry representation. Weekly ordinary time earnings relate only to that part of total earnings attributable to award, standard or agreed hours of work.

From the May quarter 1999 to the May quarter 2000, Average Weekly Ordinary-Time Earnings (AWOTE), of full-time adults in Victoria increased by 3.9% (table 6.2). Between the February and May quarters, 2000, the trend increase was 1.0%. The ABS considers that trend estimates provide a more reliable guide to the underlying direction of the data, and are more suitable than either the seasonally adjusted or original estimates for most business decisions and policy advice.

Earnings are affected by many factors including the composition of the labour force, such as the number of part-time employees. In the past two years, average weekly ordinary time earnings for females has increased at a faster rate than for males. For the two years to May 2000, AWOTE for females increased by 9.3%, while for males it increased by 4.0%. However, AWOTE for males (\$799.30) remains higher than for females (\$704.40). This difference is more pronounced in total earnings, which include part time and casual workers.

6.2 AVERAGE WEEKLY EARNINGS OF EMPLOYEES, Trend

Reference period	Males			Females			Persons		
	Full-time adults		All males	Full-time adults		All females	Full-time adults		All employees
	Ordinary time earnings	Total earnings	Total earnings	Ordinary time earnings	Total earnings	Total earnings	Ordinary time earnings	Total earnings	Total earnings
	VALUE								
	\$	\$	\$	\$	\$	\$	\$	\$	\$
1999									
February	776.00	831.10	711.70	659.80	674.60	476.50	733.80	774.20	601.10
May	775.30	829.30	714.50	669.80	684.90	483.10	737.20	776.90	604.40
August	778.10	829.80	716.70	682.40	697.60	488.70	743.40	781.80	607.30
November	784.10	834.30	720.80	692.50	707.70	491.00	750.80	788.80	609.70
2000									
February	791.10	841.80	729.10	699.30	714.70	493.40	758.20	796.40	614.70
May	799.30	851.20	741.40	704.40	719.60	498.60	765.80	804.80	623.20
	PROPORTION								
	%	%	%	%	%	%	%	%	%
Quarterly change to 1999									
November 2000	0.8	0.5	0.6	1.5	1.4	0.5	1.0	0.9	0.4
February	0.9	0.9	1.2	1.0	1.0	0.5	1.0	1.0	0.8
May	1.0	1.1	1.7	0.7	0.7	1.1	1.0	1.1	1.4
Annual change to May									
1998	4.5	3.8	3.5	4.0	3.4	3.5	3.9	3.7	3.4
1999	0.9	0.3	0.4	3.9	4.0	1.9	1.8	1.3	0.2
2000	3.1	2.6	3.8	5.2	5.1	3.2	3.9	3.6	3.1

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, and are obtained from a survey of employers conducted biennially in May. 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 \$599.50 (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. 10 per cent of managers and administrators earned \$1921.50 per week or more, while 10% of elementary clerical, sales and service workers earned less than \$72.40 per week.

6.3 WEEKLY TOTAL EARNINGS, Selected Percentiles — May 1998

Occupation	10th percentile	25th percentile	50th percentile	75th percentile	90th percentile	Mean earnings
	\$	\$	\$	\$	\$	\$
Managers and administrators	401.70	729.30	1 063.80	1 440.70	1 921.50	1 167.00
Professionals	256.90	507.40	773.90	943.90	1 167.20	753.30
Associate professionals	300.40	479.40	689.50	925.50	1 163.30	725.40
Tradespersons and related workers	282.90	451.30	612.80	796.80	1 067.40	643.60
Advanced clerical and service workers	238.30	387.80	585.40	696.50	836.80	563.30
Intermediate clerical, sales and service workers	138.70	302.30	482.50	627.20	753.20	475.00
Intermediate production and transport workers	196.50	428.70	556.20	764.10	1 016.50	605.80
Elementary clerical, sales and service workers	72.40	150.60	307.00	470.40	602.00	326.00
Labourers and related workers	74.30	171.90	404.20	577.50	747.90	414.40
All occupations	150.30	345.40	549.90	787.60	1 042.70	599.50

Source: Unpublished data, 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 index numbers are compiled from hourly wage and salary rates of pay for a representative sample of employee jobs within a sample of employing organisations. The WCI measures changes 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 0.7% from March 2000 to June 2000, and by 3.0% from June 1999 to June 2000 (table 6.4). The percentage change for the year ending June 2000 was slightly higher in the private than in the public sector.

6.4 TOTAL HOURLY RATES OF PAY EXCLUDING BONUSES

Sector	Index numbers(a)			Percentage change	
	Dec qtr 1999	Mar qtr 2000	Jun qtr 2000	Mar qtr 2000 to Jun qtr 2000	Jun qtr 1999 to Jun qtr 2000
Private	106.8	107.6	108.3	0.7	3.0
Public	106.9	107.6	108.0	0.4	2.8
All sectors	106.8	107.6	108.3	0.7	3.0

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

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

The largest WCI quarterly increase in Victoria was recorded for wage costs in the construction industry which increased by 1.8% between the March and June quarters 2000 (table 6.5). The largest increases between the June 1999 and June 2000 quarters were recorded for wage costs in the construction (5.0%) and property and business services (4.7%) industries.

6.5 TOTAL HOURLY RATES OF PAY EXCLUDING BONUSES, By Industry

Industry	Index numbers(a)			Percentage change	
	Dec qtr 1999	Mar qtr 2000	Jun qtr 2000	Mar qtr 2000 to Jun qtr 2000	Jun qtr 1999 to Jun qtr 2000
Mining	n.a.	n.a.	n.a.	n.a.	n.a.
Manufacturing	108.1	108.9	109.7	0.7	2.9
Electricity, gas and water supply	105.7	106.5	107.3	0.8	3.0
Construction	107.4	108.6	110.6	1.8	5.0
Wholesale trade	105.1	105.2	105.5	0.3	1.2
Retail trade	104.9	106.1	106.2	0.1	2.7
Accommodation, cafes and restaurants	104.0	104.4	104.7	0.3	2.5
Transport and storage	107.1	107.8	108.0	0.2	1.5
Communication services	n.a.	n.a.	n.a.	n.a.	n.a.
Finance and insurance	107.3	108.3	109.6	1.2	3.3
Property and business services	108.3	109.1	109.4	0.3	4.7
Government administration and defence	106.1	106.2	106.8	0.6	3.0
Education	106.2	107.0	108.0	0.9	3.3
Health and community services	107.3	107.3	108.1	0.7	2.2
Cultural and recreational services	104.2	105.8	107.1	1.2	3.2
Personal and other services	104.8	105.8	106.2	0.4	2.3
All industries	106.8	107.6	108.3	0.7	3.0

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

Source: Unpublished data, Wage Cost Index Survey.

The WCI percentage change for occupation groups from March 2000 to June 2000 ranged from 0.3% for advanced clerical and service workers to 0.8% for associate professionals and tradespersons and related workers (table 6.6). The largest increase from June 1999 to June 2000 of 3.6%, was for the index for associate professionals.

6.6 TOTAL HOURLY RATES OF PAY EXCLUDING BONUSES, By Occupation

Occupation	Index numbers(a)			Percentage change	
	Dec qtr 1999	Mar qtr 2000	Jun qtr 2000	Mar qtr 2000 to Jun qtr 2000	Jun qtr 1999 to Jun qtr 2000
Managers and administrators	108.2	108.6	109.3	0.6	2.4
Professionals	107.4	107.7	108.5	0.7	2.6
Associate professionals	105.2	106.9	107.8	0.8	3.6
Tradespersons and related workers	107.0	107.6	108.5	0.8	3.1
Advanced clerical and service workers	106.2	106.6	106.9	0.3	2.1
Intermediate clerical, sales and service workers	106.0	106.8	107.2	0.4	3.0
Intermediate production and transport workers	107.0	108.2	108.8	0.6	2.6
Elementary clerical, sales and service workers	105.6	106.2	106.6	0.4	2.8
Labourers and related workers	107.1	108.2	108.9	0.6	3.1
All occupations	106.8	107.6	108.3	0.7	3.0

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

Source: Unpublished data, 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 where 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 expenditure groups with the largest proportion of spending by Victorian households were food and non-alcoholic beverages, which comprised 18.7% of household expenditure, and transport (18.2%) (table 6.7). Proportionally, the largest change in expenditure patterns between 1993–94 and 1998–99 were the 16% increase in transport expenditure and the 21% decrease in the proportion spent on clothing and footwear.

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: Summary of Results (Cat. no. 6530.0).

Consumer Price Index

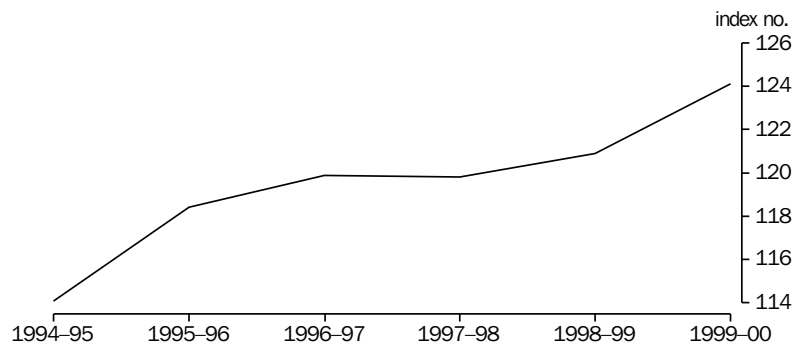
The CPI is sometimes referred to as a measure of inflation, a measure of change in purchasing power, or a measure of change in the cost of living. It is, in fact, “a measure of change, over time, in the retail prices of a constant basket of goods and services”. Prices of all goods and services are sought to be measured at constant quality, thus identifying ‘pure’ price movement. To do this, identical or equivalent items are priced in successive time periods as far as possible. Changes in quality are taken into account, to ensure that the indexes reflect only pure price change.

To ensure the CPI continues to meet community needs, the ABS conducts reviews at approximately five year intervals. These reviews update item weights and provide an opportunity to reassess the scope and coverage of the index and other methodological issues. The information for these updates is collected via the HES.

The 14th series CPI was introduced in the September quarter 2000. It incorporates an updated commodity classification and weights in order to ensure that the CPI continues to be a reliable measure of price inflation for the household sector. The most notable change to the 14th series CPI structure is an increase in the number of groups, from 8 to 11 (see table 6.9). The item coverage of the 14th series CPI is unchanged from the 13th series CPI.

In 1999–2000, the All groups CPI for Melbourne was 124.1 (graph 6.8), an increase of 8.8% on 1994–95. However, between 1996–97 and 1997–98 it remained constant.

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).

Between 1994–95 and 1999–2000, the index for education, alcohol and tobacco, and miscellaneous, increased by more than 25% (table 6.9). The All groups Melbourne CPI increased by 2.6% from 1998–99 to 1999–2000. The index for the Communication and Health groups declined by 5.1% and 3.4% respectively over the same period.

6.9 CONSUMER PRICE INDEX, Melbourne(a)

Group	1994-95	1995-96	1996-97	1997-98	1998-99	1999-2000	Percentage change	
							1994-95 to 1999-2000	1998-99 to 1999-2000
Food	110.1	114.1	118.6	120.5	125.1	128.7	16.9	2.9
Alcohol and tobacco	137.3	154.2	158.5	161.4	166.9	174.2	26.9	4.4
Clothing and footwear	107.4	108.0	108.4	108.9	108.1	107.1	-0.3	-0.9
Housing	97.5	101.4	95.0	86.5	86.7	90.7	-7.0	4.6
Household furnishings, supplies and services	111.1	113.0	114.7	115.1	115.1	114.7	3.2	-0.3
Health	152.2	159.9	171.4	178.1	174.2	168.3	10.6	-3.4
Transportation	118.8	122.6	124.0	123.3	120.8	127.9	7.7	5.9
Communication	107.4	107.0	106.1	106.3	102.8	97.6	-9.1	-5.1
Recreation	113.3	116.0	117.6	120.9	121.7	122.5	8.1	0.7
Education	137.3	143.8	151.8	160.1	167.9	175.5	27.8	4.5
Miscellaneous	115.3	118.9	125.8	131.7	135.6	146.1	26.7	7.7
All groups	114.1	118.4	119.9	119.8	120.9	124.1	8.8	2.6

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

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

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