

17

Spending



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Spending

The spending patterns of a family clearly depend on income levels. But other factors contribute to spending patterns. These factors include the particular type of household, the stage in the family life cycle and the particular values and preferences of households. This chapter describes some of the ways in which families spend their money and details some of the difficulties some families confront in meeting their spending goals.

What do families spend their money on?

For all families, expenditure decisions are a matter of allocating limited resources among competing priorities. The resources and priorities vary across different points in the lifecycle and in different family structures. Thus it is likely that younger people will have different spending patterns than older people, couples will probably have different spending patterns to lone people and couples with children will have different patterns of expenditure to lone parents and to those without children.

How much is spent on "necessary" items?

The spending patterns of most households are dominated by five main types of spending (Table 17.1).

Taxation

Of these, income tax in 1998-9 took the largest share of incomes with 18.5 per cent of all household expenditure going on income tax¹ Older people paid the smallest part of their weekly expenditure on income tax (around 7 per cent) closely followed by lone parents with dependent children

(about 7.5 per cent). In these cases the low rates of income tax reflect the low rates of tax on those with low incomes.

On the other hand younger people paid among the highest proportion of their weekly expenditure on income tax. Lone people aged under 35 and couple only households where the reference person was under 35 paid almost 22 per cent of their weekly expenditure on income tax. Similarly, middle aged couples without children in the household and those whose children were all aged over 15 spent over 20 per cent of their weekly budget on income tax. This higher rate of expenditure on tax reflects both the higher incomes of these households and the lower access to taxation deductions and allowances compared to other groups.

Food

The next biggest cost for families was food.² Across all households 13 per cent of spending in 1998-99 went on food. Spending on food made up a disproportionately large share of the spending in older households (that is, all those in which the reference person was aged 65 years or over) – over 18 per cent. This is not so much because food consumption is higher in these households but because overall expenditure in these households is relatively low and food, being a fairly fixed cost, constitutes a larger share of this limited overall expenditure. Food took up a relatively small share of the weekly costs of younger households and middle aged households without children – in

Table 17.1 Proportion of weekly household expenditure on *selected* items (all households), 1998-99

	Household type												All households
	Lone person		Couple only			Couple with children				Lone parent			
	Aged <35 %	Aged 65+ %	Ref person <35 %	Ref person 55-65 %	Ref person 65+ %	All children <15 %	Children <15 and 15+ %	All children 15+ %	All children <15 %	Children <15 and 15+ %	All children 15+ %		
Housing	19.5	10.0	16.2	13.3	4.8	13.7	8.5	6.5	20.4	15.7	10.7	11.4	
Power	1.9	4.1	1.3	1.4	2.9	1.8	1.8	1.7	3.1	3.0	2.0	1.9	
Clothing	2.0	3.5	2.3	2.3	3.4	3.1	4.1	3.8	3.9	2.7	3.7	3.2	
Food	9.9	17.6	10.2	10.3	18.9	12.5	14.2	13.4	17.2	17.4	14.6	13.0	
Health	2.0	6.9	2.1	2.8	6.7	2.9	2.9	3.7	2.7	2.4	3.3	3.4	
Transport	10.8	13.8	11.8	10.4	15.7	11.2	12.1	13.9	11.7	11.0	15.2	12.4	
Recreation	9.8	12.2	8.6	9.2	12.8	8.4	9.7	9.8	9.1	10.3	9.9	9.5	
Personal care	1.1	2.2	1.3	1.1	2.0	1.1	1.5	1.6	1.7	1.8	1.7	1.4	
Income tax	21.4	7.4	22.2	21.8	6.2	19.6	18.6	21.3	7.8	7.3	15.6	18.7	

Source: 1998-99 Household Expenditure Survey (Australian Bureau of Statistics 1999c).

Note: See discussion following for types of expenditure items in each category. See Australian Bureau of Statistics Household Expenditure Survey 1998-99 Users Guide

Since this table does not include all items of expenditure the columns do not sum to 100 per cent

these households weekly food expenditure made up about 10 per cent of all expenditure.

Transport

Closely following food costs was spending on transport. Across all households, transport costs took up 12.4 per cent of all household spending in 1998-9. The proportion of household spending devoted to transport costs varied somewhat between different types of households. Compared to other types of households, older households incurred the highest proportion of their spending to transport. Older people living alone and older couple only households devoted 13.8 per cent and 15.7 per cent of their weekly expenditure to transport costs. Households where all the children were aged over 15 were also demanding in terms of transport costs. Lone parent households with these older children spent 15.2 per cent of the weekly budget on transport and couple households with just older children devoted 13.9 per cent of their budget to transport. In part, these higher costs will be due to older children acquiring cars and needing transport for work and recreational needs.

Housing

Overall, housing costs were less than transport costs but took the next biggest slice of the weekly household budget. Housing costs here include the cost of purchasing the family home (principal and interest), home alterations, housing rates and rent for the family home. While 11.4 per cent of the weekly budget across all households was devoted to these housing costs, the proportion of the weekly budget taken by housing varied considerably between family types. Compared to other households, older couples without children in the household devoted the smallest share of their budget to housing – just 4.8 per cent of their budget on housing. These older couples spent proportionally much less on housing than older lone people who spent 10 per cent on housing. This largely reflects the fact that housing costs are relatively fixed regardless of whether one person or two people live in the home (\$30 per week for lone older people compared to \$26 per older couple). Thus, for a lone person, housing will take up a larger share of the single income in the household while for the older couple housing will constitute a smaller proportion of the couple's income.

Housing costs constituted a relatively large share of the expenditure of younger households with just one income earner. Of younger lone person households, 19.5 per cent of the weekly budget went to housing costs. In lone parent households where all the children were under 15, housing costs made up 20.4 per cent of the weekly budget. Young couples without children were the next most burdened by their housing costs with 16.5 per cent of the budget used to pay for housing. Couples in which all the

children were aged under 15 had the next highest commitments to housing costs with 13.7 per cent of their weekly bills consisting of housing expenses. These high proportions of the budget devoted to housing reflect both the fact that some of these households will be single income (or one full income and one part income) households which means that fixed housing costs will constitute a greater proportion of budgets.

The higher proportion of household income devoted to housing costs among younger families is partly due to the more recent entry into the housing market by younger families. The extent of these differences can be seen from a few selected figures. A lone person aged under 35 spent \$131 per week in 1998-99 on these housing costs compared with just \$30 per week for the lone person aged 65 or over. Similarly, the couple only household in which the reference person was aged under 35 spent \$211 per week, compared with just \$26 per week for the couple only family where the reference person was aged over 65. The couple family in which all the children were aged under 15 spent \$178 per week on housing in 1998-99 compared with \$100 per week in the couple family where all the children were aged over 15. Only among lone parent families were housing costs similar in those with younger and older children. In lone parent households where all the children were aged under 15, housing costs were \$112 per week compared to \$93 per week in lone parent households where all the children are aged over 15. This pattern for lone parent households partly reflects the higher level of renting among these households.

Recreation and health

Recreation expenditure made up the next largest item of household spending with 9.5 per cent of weekly budgets being devoted to recreational expenditure. The proportion of household budgets spent on recreation was relatively similar across all household types described in Table 17.1.

Expenditure on health comprised just 3.3 per cent of household expenditure but the proportion of household expenditure varied somewhat by household type. Older households spent the greatest part of their budget on health. Lone person and couple households of those aged 64 or over spent towards 7 per cent of their budget on health. Younger, and presumably more healthy households without children, spent just 2 per cent of their budget on health. Households with children spent between 2.5 and 3.5 per cent of their budget on health.

How much is spent on "discretionary" items?

Some items in the household budget are more discretionary than others. While all households have to spend money on housing, electricity, food and clothing there are other items that depend on the

particular lifestyle choices of families. Among these more discretionary expenditures are alcohol, gambling, tobacco and pets.

Table 17.2 indicates that in the two week period over which respondents recorded their expenditures, a third of all households spent money on tobacco products, 61.5 per cent on alcohol, just under half (48.2 per cent) spent money regularly on some form of gambling and just under a half (48 per cent) spent money on pets.

Alcohol, gambling and tobacco

Expenditure on alcohol also varied across different types of households. Lone people aged over 65 were the least likely of all groups to spend money on alcohol with just 28.3 per cent doing so – a pattern that is probably attributable to the over-representation of women in these households. Almost 60 per cent of older couple households spent money regularly on alcohol. Couple based households were the most likely to spend money on alcohol with between 60 and 70 per cent of these households regularly spending on alcohol. Lone parent households were among the least likely to spend on alcohol – especially when there were dependent children in the household. Of lone parents with only dependent children in the household just 36 per cent had purchased alcohol within the previous two weeks (Table 17.2).

Of those who spent money on alcohol, young lone people spent the largest proportion of their budget on alcohol (4.2 per cent) followed by lone older people and older couple households (3.9 per cent). Couples with children, and lone parents spent about the same share of their budget on alcohol (Table 17.3).

Spending on gambling was more common among older than younger households. Based on expenditure patterns over a two week period, gambling expenditure was most common among couples where the reference person was aged over 65 (60.2

per cent) and couples where all the children were aged over 15 (65.3 per cent). Gambling was less common among younger lone people (20.5 per cent) and lone parents with younger children (26.1 per cent).

For most gambling households only a small proportion of the household budget was consumed by gambling – just 1.6 per cent of the expenditure of all households that gambled. The proportion of the household budget devoted to gambling was highest in older households. Couple households where the reference person was aged 65 or over, spent 3.1 per cent of their budget on gambling. Lone people aged 65 or over, spent 3.2 per cent of their budget on gambling. Younger lone people and younger people with younger children spent the smallest proportion of their budget on gambling. Both lone and couple households that contained children had the lowest levels that gambled in the two week period of the survey (Table 17.3).

Tobacco spending had quite a different pattern to gambling. Older people were fairly unlikely to spend money on tobacco with just 10.2 per cent of lone older people and 16.5 per cent of older couples purchasing tobacco in the previous two weeks. Lone parents and middle aged couple only households had an above average chance of spending on tobacco products with well over 40 per cent having spent money in this way in the previous two weeks.

Expenditure on particular products does not indicate the relative importance of items in the household budget. While 61.5 per cent of households spent money on alcohol in the previous two weeks this expenditure represented just 2.9 per cent of their total household expenditure. Similarly, while 48.2 per cent gambled, gambling expenditure represented just 1.4 per cent of the expenditure of those who gambled. While 33.2 per cent of households spent money on tobacco this expenditure made up just 3.2 per cent of their household budget.

Table 17.2 Per cent of households incurring expenditure over a two week period on “discretionary” expenditure items

Expenditure	Household type											All households
	Lone person		Couple only			Couple with children			Lone parent			
	Aged <35 %	Aged 65+ %	Ref person <35 %	Ref person 55-65 %	Ref person 65+ %	All children <15 %	Children <15 and 15+ %	All children 15+ %	All children <15 %	Children <15 and 15+ %	All children 15+ %	
Pet care	26.8	25.0	46.5	46.2	36.8	52.1	63.7	65.7	52.2	66.2	52.5	48.0
Alcohol	62.1	28.3	73.2	72.2	58.6	63.8	68.6	79.2	36.0	45.5	59.7	61.5
Gambling	20.5	41.3	41.7	47.2	60.2	46.0	54.6	65.3	26.1	33.8	51.3	48.2
Tobacco	36.9	10.2	39.4	42.1	16.5	33.6	37.4	36.2	47.2	45.5	45.0	33.2

Source: 1998-99 Household Expenditure Survey (Australian Bureau of Statistics 1999c).

Note: The basis for calculating weekly costs varies for all items in this table was expenditure over a two week period. For more information on particular items see HES users guide

Pets

About half of all households spent money on their pets. Expenditure on pets was most common among families with children and was least common in lone person households. Among families with children between half and two thirds spent money on pets in the previous two weeks while just a quarter of lone person households spent part of their weekly budget on pets (Table 17.2). Expenditure on pets consumed only a relatively small share of the budget of pet owners – overall just 1.2 per cent of the weekly budget of pet owners went on pet care (Table 17.3).

How much is spent on “financial” expenditures: superannuation, insurance and interest payments?

Of all households, 28.8 per cent spent money on superannuation or life insurance and 59 per cent spent some of their weekly income on interest payments.

Superannuation

Expenditure on superannuation in Australia consists of two components. One component is a levy paid by employers on behalf of employees. In 2002, all employers were required to pay a superannuation payment on behalf of employees that is at least 9 per cent of the employee’s weekly wage or

salary. Some employers contribute a greater proportion as part of standard or negotiated conditions of employment. In addition, individuals can contribute directly to a superannuation fund. These contributions may be a requirement of conditions of employment over which the person has no discretion. In other cases this expenditure is entirely discretionary. The superannuation expenditure figures described in this section refer only to employee contributions and include those contributions that employees are required to make as well as those that employees choose to make. Employer contributions are not included.

Expenditure on superannuation and life insurance varied between household types (Table 17.4). Not surprisingly, very few of those aged over 65 spent money on superannuation or life insurance. Couple households were by far the most likely to spend on superannuation and life insurance. Of couples younger than 65, over 40 per cent spent money in this way and couples with young children were the most likely of all households to invest their money in this way with 54 per cent spending regularly on superannuation and life insurance. Only about a quarter of younger lone people spent on superannuation – roughly similar to the proportion of lone parents who spent in this way (Table 17.4).

Table 17.3 Proportion of weekly household expenditure in a two week period on selected “discretionary” items (based on only those spending some money on these items)

	Household type											All households
	Lone person		Couple only			Couple with children			Lone parent			
	Aged < 35 %	Aged 65+ %	Ref person <35 %	Ref person 55-65 %	Ref person 65+ %	All children <15 %	Children <15 and 15+ %	All children 15+ %	All children <15 %	Children <15 and 15+ %	All children 15+ %	
Pet care	1.2	2.4	1.4	1.2	1.7	0.9	1.4	1.0	1.6	1.2	1.7	1.2
Alcohol	4.2	3.9	2.8	2.9	3.9	2.0	2.9	2.3	2.6	2.9	2.9	2.9
Gambling	1.6	3.2	1.3	1.3	3.1	1.0	1.1	0.9	1.2	1.2	2.0	1.4
Tobacco	4.2	8.1	2.5	3.6	6.7	2.8	4.6	2.3	3.6	2.6	4.1	3.2

Source: 1998-99 Household Expenditure Survey (Australian Bureau of Statistics 1999c).

Notes: The basis for calculating weekly costs varies for all items in this table was expenditure over a two week period. For more information on particular items see HES users guide

Table 17.4 Per cent of households incurring expenditure on superannuation and interest payments

Expenditure	Household type											All households
	Lone person		Couple only			Couple with children			Lone parent			
	Aged < 35 %	Aged 65+ %	Ref person <35 %	Ref person 55-65 %	Ref person 65+ %	All children <15 %	Children <15 and 15+ %	All children 15+ %	All children <15 %	Children <15 and 15+ %	All children 15+ %	
Superannuation & life insurance	24.2	1.5	46.2	42.6	3.9	54.4	41.1	29.8	19.6	26.0	25.3	28.8
Interest	61.7	11.2	82.5	70.6	20.3	81.0	74.6	68.5	50.9	61.0	60.1	59.0

Source: 1998-99 Household Expenditure Survey (Australian Bureau of Statistics 1999c).

Notes: Interest includes interest on home mortgage, car loans, credit cards, personal loans

Superannuation includes superannuation and life insurance

The basis for calculating weekly costs for these items is based on the amount spent in the last payment for each expenditure item (that is, last payment of each type of interest, superannuation and life insurance expenditure). For more information on particular items see HES users guide

The amount of money a family can devote to superannuation will vary at different points in the life course and for different family types³. A lone parent family in which income is low and in which there are quite high levels of joblessness at certain points of the family life course will devote a smaller proportion of the family expenditure to superannuation than the two income couple family after children have left home. Table 17.5 indicates the share of the household income devoted to superannuation across different family types in households where some money is expended on superannuation or life insurance. Overall, of families that have any superannuation, 7.4 per cent of their expenditure went to superannuation. Young people, especially those without children spent an above average share on superannuation as did couples in their pre-retirement years when they had no children in the home. These households spent between 8.6 per cent to 9.9 per cent of their expenditure on superannuation and life insurance. Lone parents and couples with children spent well below the average share on superannuation and life insurance – between 6.7 per cent and 7.2 per cent. The lower expenditure that parents can devote to superannuation has implications for the ability of families with children to provide fully for themselves in later life.

Interest

Interest payments can add a significant burden to the household expenditure of some families. Older people were also less likely than others to have spent money on interest payments. This partly reflects the fact that relatively few older people were still paying interest on a housing loan but it also reflects a lower likelihood of older people having loans of any sort (see Table 17.7). Even when older people had debt, only a very small share of their income went to interest payments – just 1.4 per cent of the expenditure of older couples with debt went to interest payments.

Paying interest is linked to lifecycle and family stage. Those with younger children were the most likely to be paying a proportion of their income in interest – often reflecting their commitments to housing and car loans. Younger people and couples without children and those with dependent children were the most likely of all groups to pay interest with over 80 per cent spending part of their weekly income on interest payments (Table 17.4). Approximately 7 per cent of the weekly expenditure of these households went on interest payments (Table 17.5). Lone parent households were among the least likely to spend money on interest payments with around 60 per cent paying out money on interest (Table 17.4). However, lone parent households that did pay interest paid only a slightly lower proportion of their expenditure on interest than did couple households.

“Financial” expenditure (for example, superannuation, life insurance and interest) made up a larger proportion of household budgets (Table 17.3 and 17.5) than “fun” expenditure (for example alcohol, tobacco, pet care and gambling). Those who spent on superannuation and life insurance devoted 7.4 per cent of their budget to “financial” expenditure and those who had loans spent 5.5 per cent of their weekly expenditure on interest repayments.

Interest payments constituted a considerably larger part of the expenditure of younger people than older people. For example, 6.7 per cent of the weekly expenditure of lone people aged under 35 with loans, went on interest payments – more than double the proportion spent by lone people aged over 65. Similarly, among young couples and parents with dependent children an above average share of their weekly expenditure went to interest payments.

How do expenditure patterns of low income families differ from high income families?

While high income households spend a larger dollar amount on many items, this high dollar expenditure may still represent a smaller proportion of their total income.

The extent of spending differences between high and low income families is substantial. Table 17.6 represents the differences in expenditure of low income and high income families as ratios. A ratio of two means that a high income family spends twice as much in dollar terms as a low income family on a particular item.

Are women the big spenders?

While data are not readily available about who makes decisions about spending, time-use data indicates who does the purchasing in families. According to the 1997 Time Use survey, adults spend three quarters of an hour a day purchasing goods and services. Women spent more time than men each day on these activities – women typically were engaged in purchasing activities for 57 minutes a day compared to men who spent just 35 minutes a day shopping or purchasing. Part of this difference between men and women stems, no doubt, from the greater domestic responsibilities taken on by women.

The amount of time devoted to purchasing goods and services varies over the life course – especially among men (Figure 17.1). Purchasing occupies the most time for women when they are aged between 35 and 59 and declines sharply when they reach their seventies. Among men, the time they spend purchasing things gradually increases across the life course until their late sixties, after which the time spent shopping declines a little.

The decline in time spent shopping in later life probably reflects a declining capacity to go shopping and

Table 17.5 Proportion of weekly household expenditure on superannuation and interest payments (based on only those spending some money on these items)

	Household type											
	Lone person		Couple only			Couple with children			Lone parent			All households
	Aged < 35 %	Aged 65+ %	Ref person <35 %	Ref person 55-65 %	Ref person 65+ %	All children <15 %	Children <15 and 15+ %	All children 15+ %	All children <15 %	Children <15 and 15+ %	All children 15+ %	
Superannuation & life insurance	8.9	5.2	9.9	8.6	8.0	7.2	6.8	5.5	7.2	6.7	6.9	7.4
Interest	6.7	3.0	7.1	6.4	1.4	6.9	6.3	4.6	5.9	3.9	5.0	5.5

Source: 1998-99 Household Expenditure Survey (Australian Bureau of Statistics 1999c).

Notes: Interest includes interest on home mortgage, car loans, credit cards, personal loans

Superannuation includes superannuation and life insurance

The basis for calculating weekly costs for these items is based on the amount spent in the last payment for each expenditure item (that is, last payment of each type of interest, superannuation and life insurance expenditure). For more information on particular items see HES users guide

a declining need to shop. Once men and women reach their mid fifties the gender differences in the time devoted to purchasing narrows and by the time they are in their seventies men spend a little more time than women spending (Figure 17.1). This may reflect changing patterns once men retire – as they retire they take on more of the spending activities of the family, or shopping becomes a joint activity in later life.

Do women do the spending in all types of households?

While the amount of time spent purchasing goods and services varies across family types there is some consistency in the gender patterns across the different family types. Regardless of whether people live with a partner or whether they have children, women spend more time purchasing than do men. For example, lone women spent 56 minutes a day purchasing compared to lone men who spent 41 minutes a day. Lone mothers spent more time than lone fathers purchasing goods and services. This suggests that the lower time spent by men purchasing goods and services is not simply because their female partner is doing this for them.

Nevertheless, the gender gap in the time spent purchasing was greatest among couples – especially those with children when the gendered domestic division of labour is most evident. Among couples with dependent children, women spent almost double the time purchasing goods and services than did comparable men (Figure 17.2).

Who uses loans?

Spending on goods and services is, of course, dependent on having the money to spend. To what extent is spending dependent on borrowing money?

Patterns of borrowing vary widely depending on family type and stage in the life course. According to the 1998-99 Household Expenditure Survey, most older person households had no loans (Table

17.7). Of lone persons aged over 65, 95 per cent had no loans. Similarly, of couples in which the reference person was aged over 65, 91 per cent had no loans. One reason for the low rate of loans among older people is that most older people have paid off their home loan. Another factor will be that the lower incomes of older people will make it more difficult to obtain and service a loan.

Table 17.6 Average weekly expenditure of low and high income households on basic goods and services, 1998-99

	Expenditure ratio
Current housing costs	2.1
Rent payments	1.4
Mortgage interest	4.5
Repairs and maintenance payments to contractors	3.2
Domestic fuel and power	1.2
Food and non-alcoholic beverages	1.7
Meals out and fast foods	3.6
Medical care and health expenses	2.5
Accident and health insurance	3.1
Health practitioner's fees (includes specialists)	2.9
Medicines, pharmaceutical products and therapeutic appliances	1.4
Transport	2.7
Alcoholic beverages	3.8
Wine	6.2
Tobacco products	1.1
Clothing and footwear	2.8
Household furnishings and equipment	2.5
Household services and operation	1.5
Child care services	2.3
Recreation	3.0
Home computer equipment	4.3
Sports fees and charges	4.0
Cultural fees and charges	4.0
Holidays	4.1
Education fees for primary and secondary schools	2.1
Post-secondary school education fees	3.7

Source: 1998-99 Household Expenditure Survey (Australian Bureau of Statistics 2001f).

Ratio of the expenditure of the highest quintile to that of the lowest quintile

Loans were most common among couples with children. Of couples with children aged under 15, only a quarter had no loans while a quarter had two or more loans (Table 17.7). Young couples without children also had a high dependence on loans with 31 per cent of these young, childless couples having two or more loans. The high reliance on loans of these younger couples reflects the relatively high rate of home purchasing among such couples as well as loans for other purposes such as cars. Credit card use was also high among these family types. The other reason for the high usage of loans to finance spending is the greater ability of these age groups to service loans. Many of these families will have two incomes which means that they can qualify for loans.

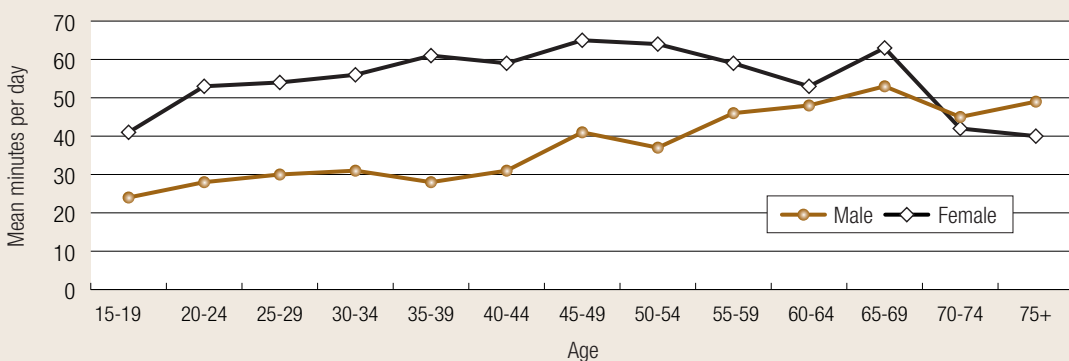
Lone parents had a lower level of loans than did couples. More than half of the lone parents had no loans and less than 15 per cent had two or more loans. This lower rate of reliance on loans to finance spending partly reflects lower rates of home purchasing among lone parents. Higher levels of poverty among lone parents (p. 52-4) also means that such families have a poorer capacity to

qualify for or service loans. Despite the lower reliance of lone parents on loans they nevertheless spend a similar proportion of their weekly budget as do couple families repaying loan interest.

Credit card use and interest is frequently cited as an ever growing source of debt in Australia. How widespread is the use of credit cards and do most users pay interest on their credit cards? Statistics from the 1998-99 Household Expenditure Survey reported in 2002 (ABS 2002k) indicate that in 1998-99:

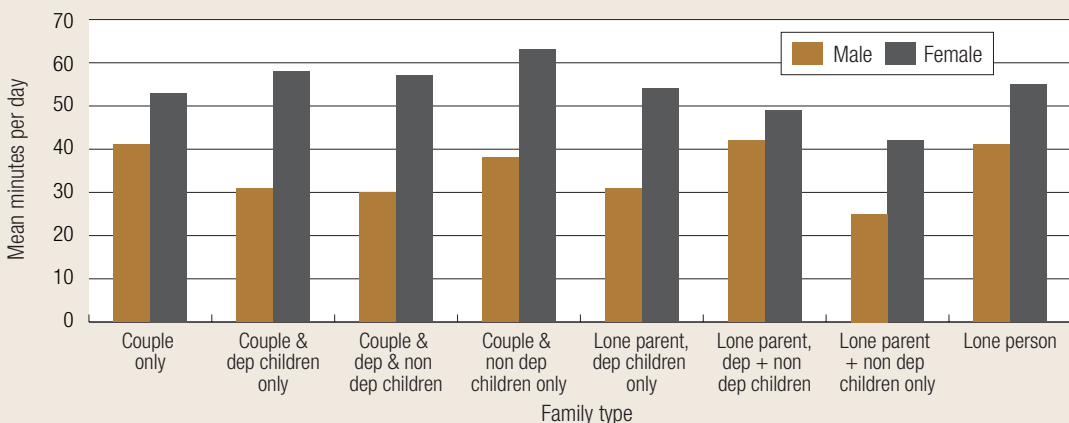
- two thirds of households used a credit card.
- only a third of households paid interest on their credit card.
- of those who paid credit card interest, the weekly amount paid was \$7.30.
- credit card use was lowest (about 45 per cent) in lone parent households and in older households.
- couple households had the highest level of credit card use with about three quarters of couple households using credit cards.

Figure 17.1 Daily time (total minutes) spent on purchasing by gender and age, 1997



Source: 1997 Time Use Survey (Australian Bureau of Statistics 1997e).

Figure 17.2 Daily time (total minutes) spent on purchasing by family type by gender, 1997



Source: 1997 Time Use Survey (Australian Bureau of Statistics 1997e).

- couple households were also more likely than other households to pay interest on their credit card – just under half of couple households paid credit card interest compared to less than a third of other household types.

Do we spend more than we earn?

To a fair extent, lifetime spending is constrained by lifetime income. However, at certain stages of life families go into debt, rely on savings, realise assets or are assisted by other family members and friends. Financial stress can be an important source of family conflict and affect family wellbeing more generally. The capacity to save for a rainy day can provide an important buffer and assist families to cope with the anxieties of everyday life. The capacity to save and the ability to meet weekly expenses vary sharply between family types.

Younger couples without children have the greatest capacity to save. Over half (54 per cent) managed to save money most weeks while only 8 per cent overspent their weekly budget (Table 17.8). For many such couples these savings will provide a buffer later in the life course when their expenses rise because of children or their income drops due to family commitments. When couples have children their rate of saving declines. Of couples with children under 15, just a quarter managed to save each week while about 16 per cent overspent most weeks.

As children grow up the financial position of families improves. Of those couples where all the children are aged over 15, 40 per cent managed to save most weeks (Table 17.8). While this may reflect some reduction in some expenses (for example, lower housing repayment costs and possibly school fees) for such families, the increased saving capacity of these families is due more to the increased labour force participation of mothers as their children grow up.

Compared to other families, older couples and older lone people managed reasonably. Of lone older people just 11 per cent overspent their weekly income and just 13.7 per cent of older couples overspent most weeks. In contrast, about a third of

these older households managed to put some money away most weeks (Table 17.8).

Lone parent households, especially those with children aged under 15 struggled the most. Over a quarter of lone parents with younger children spent more each week than they received while only about 12 per cent managed to save something most weeks. Once their children were older (aged over 15) the position of lone mothers improved considerably. The percentage of weekly overspenders dropped to 15 per cent while the percentage of savers almost doubled to 21 per cent (Table 17.8).

The shortage of money means that there are certain things that families have to go without. Often this means that basic spending has to be either deferred or done without.

Table 17.9 indicates that young people living on their own and lone parents with children aged under 15, struggled the most paying basic bills. Almost half the lone parents with younger children and over a quarter of lone people under the age of 35 had been unable to pay a utilities bill. Couples with younger children also often had difficulties paying utilities bills with more than 1 in 5 struggling to pay such bills. The same family types also struggled paying car registration and insurance.

The more difficult position of lone parents and lone younger people is shown in the percentages who have pawned or sold goods to raise money, gone without meals or were unable to heat their home. In all these areas couples, older people and lone parents with older children did better. If the full range of measures of financial stress are considered, lone parents with dependent children typically had difficulties in a whole range of spending areas. McColl, Pietsch and Gatenby (2001) have shown that 41 per cent of lone parents with dependent children face high levels of financial stress compared to 13.7 per cent of couples with dependent children. They also found that older people were the least likely to face high levels of spending stress with just 7.3 per cent of lone older people and 4.2 per cent of older couples being highly stressed in this regard.

Table 17.7 Use of loans to finance spending by family type

No. of loans	Household type											Total %
	Lone person		Couple only			Couple with children			Lone parent			
	Aged < 35 %	Aged 65+ %	Ref person <35 %	Ref person 55-65 %	Ref person 65+ %	All children <15 %	Children <15 and 15+ %	All children 15+ %	All children <15 %	Children <15 and 15+ %	All children 15+ %	
None	49.7	95.0	25.6	38.5	91.0	26.4	32.8	43.7	55.6	49.4	55.0	48.6
One	37.2	4.8	42.8	42.8	8.6	47.7	43.2	33.9	33.9	33.8	29.4	33.8
Two or more	13.0	0.2	31.5	18.8	0.4	25.9	24.0	24.4	10.6	16.9	15.6	17.6
<i>Total</i>	<i>298</i>	<i>520</i>	<i>355</i>	<i>299</i>	<i>532</i>	<i>1385</i>	<i>366</i>	<i>654</i>	<i>322</i>	<i>77</i>	<i>238</i>	<i>5046</i>

Source: 1998-99 Household Expenditure Survey (Australian Bureau of Statistics 1999c).

One factor that makes the spending position of lone parents with younger children more difficult is that even though more than 60 per cent experienced cash flow problems they had the greatest difficulty of all households in raising money in an emergency (Table 17.9). Almost half of these lone parents said that they could not raise money in an emergency – a much higher level of difficulty than any other family type. Less than 20 per cent of couples said they could not raise emergency money – probably a reflection of their generally better financial situation and more extensive family networks that could come to their financial assistance in an emergency.

While lone parents with at least some children under the age of 15 struggle the most to pay their bills, the position of lone parents with older children appears to improve substantially. On many measures of financial stress these lone parents with older children had only about half the incidence of financial difficulties as their counterparts with younger children. An important reason for this is the increased labour force participation of lone parents with older children. The labour force participation rates of lone mothers whose youngest child is aged 16 or over are very similar to those of couple mothers (see Gray, Qu, de Vaus and Millward, 2002).

Are we “outsourcing” domestic services?

One of the stresses reported in many families is the lack of time to fit all the necessary tasks of everyday living into the 24 hours of each day (p. 314-15). The time stress is due to many factors. These factors include the high rate of labour force participation of many couple mothers, long work hours, the increasing rate of lone parenthood and the time that is often required to raise children.

One response to these time pressures is to pay other people to undertake the necessary tasks of daily living. There has been a growth of services and products designed to assist with this time stress. There has been a rapid growth in food products that make it easier to prepare meals. In addition, take-away meals

and eating out can also reduce the time burden of meal preparation. But other domestic services are also becoming available. Laundry services, gardening, child care and cleaning can all be purchased.

To what extent are families “outsourcing” these domestic tasks? Is outsourcing taking over from the “normal” method of performing domestic tasks which relies on unpaid labour from within the family? Is purchasing domestic tasks one way in which women are managing both their domestic work and their paid work?

Bittman, Meagher and Matheson (1998) have observed that women are now spending less time on domestic tasks and ask whether this is being achieved by paying other people to do the tasks they once did. They also challenge the common view that the outsourcing of domestic tasks is growing rapidly and is widespread.

What do the most recent statistics indicate? The 1998-99 Household Expenditure Survey shows that the number of households outsourcing domestic tasks and the amount spent on these tasks is relatively small and does not appear to have changed much over the last decade.

Cooking

There is no doubt that cooking is the most frequently outsourced domestic task. Table 17.10 reports the extent to which households pay for take-away meals, restaurant meals and school lunches but does not include the extent to which families purchased largely prepared meals to consume in the home. The Table shows that in the two weeks prior to the survey, 89 per cent of households had purchased meals prepared entirely outside the home. On average, families spent \$38 each week in 1998-99 on these “outsourced” meals. With the exception of older person households, the rate of outsourcing meals was fairly even across household types. However, lone older people and older couples had lower rates of outsourcing meals (65 per cent and 81 per cent respectively).

Table 17.8 Spending stress by family type, 1998-99

	Household type											Total %
	Lone person		Couple only			Couple with children			Lone parent			
	Aged < 35 %	Aged 65+ %	Ref person <35 %	Ref person 55-65 %	Ref person 65+ %	All children <15 %	Children <15 and 15+ %	All children 15+ %	All children <15 %	Children <15 and 15+ %	All children 15+ %	
Spend more money than we get	18.5	10.8	7.9	12.4	13.7	16.0	17.2	11.8	25.2	29.9	15.5	14.9
Just break even most weeks	48.7	53.5	37.7	41.5	56.4	53.5	58.2	48.2	62.1	61.0	63.0	52.5
Able to save money most weeks	32.9	35.8	54.4	46.2	29.9	30.5	24.6	40.1	12.7	9.1	21.4	32.6
<i>Total</i>	<i>298</i>	<i>520</i>	<i>355</i>	<i>299</i>	<i>532</i>	<i>1385</i>	<i>366</i>	<i>654</i>	<i>322</i>	<i>77</i>	<i>238</i>	<i>5046</i>

Source: 1998-99 Household Expenditure Survey (Australian Bureau of Statistics 1999c).

Paying for child care

Child care was the second most common area in which families pay for other people to assist with tasks that were once wholly or mainly performed without payment by family members. Naturally, this form of outsourcing was mainly confined to those families with young children. Of couples whose children were all under the age of 15, 43 per cent purchased child care at an average cost of \$43 per week. Of lone parents with similarly young children 40 per cent purchased child care at an average weekly cost of \$30 per week.

Gardening

Gardening is the next most common type of domestic work that was outsourced with 10.4 per cent of all households paying for some help with gardening-related work in the previous two weeks. Gardening help was most often purchased by lone, older person households where 16.7 per cent used such services in the previous two weeks at an average weekly cost of \$15. With the exception of young, lone people and younger couples without children, about 10 per cent of other households purchased gardening services.

Laundry

Outsourcing laundry, which mainly consists of dry cleaning and clothing alterations was undertaken by 8 per cent of households in the previous two weeks at an average weekly cost of \$9. Laundry outsourcing was most common in couple households – especially those where all children were aged over 15. Lone parents and lone person households were low purchasers of laundry services.

Cleaning

Despite the theorising in some of the sociological literature (see Bittman et al 1998 for a review of this)

purchasing cleaning services (including ironing) is the least common of all the domestic services that were outsourced. According to the Household Expenditure Survey just over 4 per cent of households had purchased cleaning help in the previous two weeks. Older lone person households were by far the highest purchasers of cleaning services with 11.7 per cent having done so in the previous two weeks at an average weekly cost of \$16. The next highest purchasers of domestic cleaning help were lone parents with children aged under 15 and over 15 followed by couples with at least some children aged under 15. Couples with young children who purchased cleaning services paid more than any other family type – paying an average of \$29 each week.

How much does a child cost?

Rearing children can take a large share of household resources but views differ as to how these costs are best calculated. Disagreements about the cost of raising children lead to considerable conflict in arriving at consensus about setting levels of child support payments following family breakdown. Different estimates also affect views about the adequacy of government support for families raising children and can lead to very different estimates regarding the number of children who live in poverty.

Estimates of the cost of raising children will vary depending on what costs are included (for example, cost of getting bigger car, cost of bigger house), which child is included (1st children are more expensive than subsequent children), the age of the child, the sex of the child, whether the forgone income of mothers when children are younger is included and on many other factors. Estimates also vary according to whether *actual* expenditures are

Table 17.9 Indicators of spending stress by family type

Because of shortage of money	Household type										
	Lone person		Couple only			Couple with children			Lone parent		
	Aged <35 %	Aged 65+ %	Ref person <35 %	Ref person 55-65 %	Ref person 65+ %	All children <15 %	Children <15 and 15+ %	All children 15+ %	All children <15 %	Children <15 and 15+ %	Lone parent: children all 15+ %
Could not pay utilities bill	27.9	4.8	13.2	16.1	3.0	20.8	23.2	7.5	47.2	48.1	22.7
Could not pay registration/ insurance	11.7	0.6	7.9	5.0	0.8	9.5	9.6	3.7	14.3	22.1	10.9
Pawned or sold something	10.4	1.0	4.8	4.0	1.1	4.5	4.1	0.9	15.2	13.0	6.3
Went without meals	11.4	1.2	1.7	3.3	0.4	1.2	1.9	0.5	8.4	13.0	3.8
Unable to heat home	6.0	1.2	1.1	2.3	0.6	1.2	0.8	1.2	9.3	11.7	4.6
Sought help from welfare organisation	6.0	1.9	1.7	2.0	0.4	2.9	2.2	1.1	20.5	14.3	2.1
Sought financial help from friends/ family	24.5	2.5	13.0	8.7	1.1	12.3	8.2	3.5	34.2	28.6	12.6
Cash flow problems in past year	42.3	8.1	23.4	19.4	4.7	27.2	27.3	10.2	62.4	61.0	30.3
Couldn't raise emergency money	28.2	15.8	14.4	17.4	7.1	16.9	19.9	9.6	48.1	46.8	26.5

Source: 1998-99 Household Expenditure Survey (Australian Bureau of Statistics 1999c).

examined or estimates are based on what is deemed necessary for raising a child (budget standards approach). If this later approach is used then the cost of raising children will differ depending on the standard of living that is seen to be necessary.

What do families spend on children?

The National Centre for Economic Modelling (NATSEM) has used the 1998-99 Household Expenditure Survey to estimate the actual amount that parents spent raising children (Percival and Harding 2003). They estimated that the average Australian family will spend \$448,000 dollars (2002 dollars) to raise two children up to the age of 20. This means that, on average, these two children cost \$310 per week (23 per cent of the average gross weekly income) to raise.

However, these weekly costs will vary depending on the age of the child. Percival and Harding show that the amount that parents spend on a single child increases steadily as the child grows older. Table 17.11 shows that, on average, parents spent \$102 per week on a single pre-schooler; \$164 on a single child aged 5-9 and \$209 per week on a child aged 10-14. Once a single child reaches the age of 15 the spending on that child increases sharply. Parents, on average spend \$318 per week on a child aged 15 to 17 and \$322 on a dependent child aged 18-24.

These amounts are only averages and vary depending on whether the family is a low or high income

family (Table 17.11). However, regardless of the family income, the cost of raising children increases sharply as children grow older. Given this, it is hardly surprising that so many mothers return to work once their child is at school – the financial costs alone of raising children are enough to cause many mothers to need to earn money.

How much does it cost to raise a child?

The actual cost of raising children until they are adults depends on many factors as indicated above. Percival and Harding (2003) have constructed a hypothetical family, in which the woman marries when she is 28 and her husband is 29. They have one child a year after marrying and another two years later. After her first child the mother leaves the labour force but returns part time when her second child turns two, and recommences full time work when that child begins school at the age of five. Both parents remain married and work full time until each child finishes university and leaves home just before turning 21. Under this scenario they estimate that the parents would spend \$448,000 (in 2002 dollars). Table 17.12 shows that transport, food and recreation are the three largest spending items for children – making up half of all the expenditure on children.

These estimates of the cost of children do not include costs as children move through their adult years but it should be noted that in many families

Table 17.10 Outsourcing of domestic services in previous two weeks

	Household type											Total %
	Lone person		Couple only			Couple with children			Lone parent			
	Aged <35 %	Aged 65+ %	Ref person <35 %	Ref person 55-65 %	Ref person 65+ %	All children <15 %	Children <15 and 15+ %	All children 15+ %	All children <15 %	Children <15 and 15+ %	All children 15+ %	
Cooking												
\$/week ^a	\$27	\$12	\$51	\$45	\$22	\$39	\$52	\$60	\$18	\$25	\$39	\$38
% outsourcing	85.9	65.0	97.2	92.6	81.0	94.4	95.9	96.5	84.5	93.5	92.4	89.2
Child care												
\$/week ^a	b	b	b	b	b	\$42	b	b	\$30	b	b	\$39
% outsourcing	b	b	b	b	b	42.7	5.2	b	40.1	9.1	b	15.2
Gardening												
\$/week ^a	b	\$15	\$8	\$6	\$35	\$11	\$14	\$14	\$11	b	\$9	\$14
% outsourcing	4.0	16.7	6.8	7.0	10.0	10.8	9.0	11.6	10.2	9.1	11.8	10.4
Laundry												
\$/week ^a	\$7	\$7	\$9	\$11	\$6	\$9	\$7	\$11	b	b	b	\$9
% outsourcing	6.7	5.2	11.8	11.7	7.1	7.5	8.5	13.9	3.1	3.9	5.9	8.2
Cleaning												
\$/week ^a	b	\$16	b	b	b	\$29	b	b	b	b	b	\$26
% outsourcing	1.7	11.7	2.8	3.3	3.0	4.0	4.9	4.3	1.2	5.2	1.7	4.3
<i>N</i>	298	520	355	299	532	1385	366	654	322	77	238	5046

Source: 1998-99 Household Expenditure Survey (Australian Bureau of Statistics 1999c).

The basis for calculating weekly costs varies for different types of expenditure items. Some are based on the last 2 weeks some on the last payment, or expenditure over the last three or 12 months. For more information on particular items see HES users guide

^a Based on those who have some outsourced expenditure in this category

^b N are too low for reliable estimates or expenditure category not relevant

Table 17.11 Estimated average costs of a single child, by age of child and family income, March 2002

Level of income	Average income \$pw	Age of child				
		0-4 \$pw	5-9 \$pw	10-14 \$pw	15-17 \$pw	18-24 \$pw
Low income	567	55	98	130	213	215
Middle income	1,195	95	156	199	305	309
High income	2,426	167	255	315	458	466
<i>Average</i>	<i>1,324</i>	<i>102</i>	<i>164</i>	<i>209</i>	<i>318</i>	<i>322</i>

Source: 1998-99 Household Expenditure Survey uprated to 2002 values (Percival and Harding 2003).

financial transfers continue to flow from parents to adult children for many years after they turn 20.

Cheaper by the dozen?

The amount that parents spend on a child depends on whether the child is a first or a subsequent child. The first child has the biggest impact on a family. Valenzuela (1999) has shown the effect of each child on the expenditure of a family (Figure 17.3). She expresses the amount spent by a couple without children as an index figure of one. A first child increased the expenditure of the couple by 25 per cent to an index of 1.25⁴. A second child increased family expenditure by just another 6 per cent (less than a quarter than the first child) while a third child increased family expenditure by 10 per cent. Taken overall, three children added 41 per cent to the family's budget.

Similar changes occur with a lone parent in that each child added less to the weekly budget than the previous child. However, the impact of each child on the budget of a lone parent was much greater than on the budget of a couple. A lone parent with one child spent 51 per cent more than a comparable person with no child (Figure 17.3). A lone parent with two children spent 12 per cent more than the lone parent with one child. The lone parent with three children spends 73 per cent more than a comparable lone parent with no children.

There are two main types of reasons why second and subsequent children have less impact than the first child. First children will cost more because of the expenditure on capital items (for example, pusher, toys, books, clothes) which can be used for subsequent children. The second reason is that the presence of a second or subsequent child means that there is less money available per child. Expenditure required for a second child thus reduces the amount of money available for the first child. That is, second and subsequent children lead to a reduction of per child expenditures, not necessarily because second children are cheaper but because the limited amount of money available for children has to be spread more thinly.

How much do children need spent on them?

An alternative method of estimating the cost of children is to use the budget standards approach. This approach identifies what goods and services

are needed by particular household types living at a particular time and location to achieve a specified standard of living (for example, basic standard, modest standard). The cost of each such item is then calculated and summed to arrive at a budget required to achieve a particular standard of living in a particular situation.

This approach results in many different estimates of the cost of raising a child so it is not possible to present a single figure. However, the Social Policy Research Centre at the University of NSW calculated the budget standards required for a wide range of families. Some of these estimates are available in Saunders (1998) and McHugh (1999).

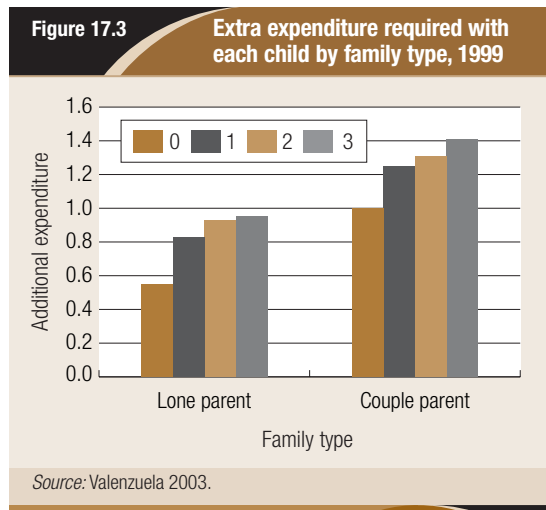
How much income do parents give up when they have children?

Not all the costs of children can be measured in terms of the actual financial *outlays* that parents make for their children. Another form of "spending" is forgone income that is due to having children. While the income opportunities of both men and women can be affected by family responsibilities, the income of mothers is most obviously affected by

Table 17.12 The lifetime shopping bill for children (for two children from birth till the end of their 20th year, in March 2002 dollars)

	1st child \$	2nd child \$	Both \$
Housing	20,900	15,900	36,800
Transport	50,100	25,300	75,400
Recreation	40,400	28,300	68,700
Education & child care	30,000	19,600	49,600
Fuel & power	5,900	4,100	10,000
Food	48,700	34,600	83,300
Clothing	15,400	14,700	30,100
Furnishings & equipment	12,400	8,000	20,400
Services & operations	10,100	7,500	17,600
Health	10,100	8,000	18,100
Other	20,000	17,800	37,800
<i>All</i>	<i>264,000</i>	<i>184,000</i>	<i>448,000</i>

Source: 1998-99 Household Expenditure Survey uprated to 2002 values (Percival and Harding 2003). See paper for more details of the methodology and a description of the type of family



child rearing. These effects are due to time out of the workforce altogether, extended periods of part time work and promotion opportunities that are affected by child rearing responsibilities.

Estimates of the effect of children on the lifetime earnings of women have been made using 1997 data from the Australian National University Negotiating the Life Course Survey (Breusch and Gray 2003). These studies compare the earnings of mothers with that of comparable women without children.

Table 17.13 Lifetime after tax earnings by number of children, women completing secondary school (based on 1997 earning levels)

Number of children	Per cent of childless earnings
Childless	–
1 Child	72
2 Children	56
3 Children	45

Source: Negotiating the Life Course Survey, 1997 (Breusch and Gray 2003).

Table 17.14 Comparison of estimated impact of children on after tax earnings, 1986–1997

Earnings loss	Educational attainment					
	Degree		Completed secondary		Incomplete secondary	
	1986	1997	1986	1997	1986	1997
1 child	60	73	52	72	47	68
2 children	49	59	44	56	41	50
3 children	42	48	39	45	37	38

Source: The estimates for 1986 are based on Breusch and Gray's (2003) recalculation of Beggs and Chapman (1988). Estimates for 1997 are based on the Negotiating the Life Course Survey, 1997. Table from Breusch and Gray (2003)

Breusch and Gray (2003) estimate that mothers with one child on average are estimated, over a lifetime, to earn just 72 per cent of the income of a childless woman (Table 17.13). Subsequent children further increase the proportion of income foregone. Having a second child reduced lifetime earnings to 56 per cent of the income of a childless woman and a third child to 45 per cent.

While the impact of children on the lifetime income of women is very significant, the impact has nevertheless declined substantially in recent times (Table 17.14). This change has been especially noticeable among women with less than degree education. For example, in 1986 a woman who had completed secondary education and had one child was estimated to earn 52 per cent of the income of a comparable woman who had no children. By 1997, the similar woman was estimated to earn 72 per cent of the income of a similar childless woman.

Among women with incomplete secondary education, the negative impact of one child has changed even more sharply. In 1986, the mother of one child would earn 47 per cent of the income of a childless woman. By 1997 such a woman would earn 68 per cent of the income of a childless woman over a lifetime.

The negative impact of multiple children has also declined over the 1986-97 decade. For example, in 1986 a woman with a degree and three children was estimated to earn 42 per cent of the income of a childless woman with a degree. A similar woman in 1997 was estimated to earn almost 48 per cent of the lifetime income of a childless woman.

The main reason for the declining negative impact of children on a woman's life time earnings is because of the increased labour force participation of women with young children. An illustration of this change in labour force participation of women with young children is that in 1986 a woman with a partner and one pre-school child (and typical characteristics of such women) had a probability of employment of 43.7 per cent. By 1996 a similar woman had a 58.1 per cent probability of employment (Gray, Qu, Renda and de Vaus, 2003).

How much do families spend on housing?

Next to having children, spending on housing is one of the largest spending items of Australian households. Almost 12 per cent of household expenditure is being committed to basic housing costs such as mortgage payments, housing interest, rates, rent and insurance.

Is housing really more expensive now?

Housing costs are now taking a much larger share of the weekly household budget than they were in the mid 1970s. Percival (1998) has used household

expenditure surveys to track the percentage change in the spending on particular housing costs between 1975-76 and 1997. More recent changes in housing costs with the property boom since 1997 and the lowering of interest rates may well mean that the figures reported by Percival do not represent the extent of changes by 2003.

Table 17.15 shows that when costs are expressed in constant 1997 dollars, these housing costs have risen by 77 per cent over the 21 year period. The increase in costs have been particularly pronounced in the cost of insurance, the cost of which has risen by 197 per cent in real terms over the period, and the cost of interest which has risen by 108 per cent over the period (although this has probably declined since 1997). Of particular note is the relatively modest increase, in real terms of the cost of repairs and home maintenance (6 per cent real increase) and water and council rates (30 per cent increase).

The increased cost of housing in real terms has been most pronounced among home purchasers and to a lesser extent among private renters. Table 17.16 shows that for home purchasers the weekly cost of housing has increased from \$131 per week to \$245 per week (an 88 per cent real increase). By 1997, private renters were paying 24 per cent more in real terms on housing than in 1975-76 and owners were paying 12 per cent more. Households in government rental experienced no increase in housing costs in real terms over the same period.

These changes indicate that over the period 1975-76 to 1997 that the housing costs of home purchases increased at a much faster rate than costs for households in different tenure types (Table 17.16). However, it is important not to overstate the deterioration in the position of home purchasers in financial terms as there has also been a substantial increase in the capital value of the homes they are purchasing. While home purchasers are outlaying a greater proportion of their incomes on housing they are also ending up with an increasingly valuable asset. While the housing

	1975-76 \$pw	1997 \$pw	Difference between 1975-76 and 1997 %
Mortgage interest payments	51	106	108
Mortgage principal payments	47	87	87
Rates	17	21	30
Insurance	3	10	197
Repairs and maintenance	13	14	6
Other non-capital payments ^b	na	7	69 ^c
Total	131	245	88

Source: Percival (1998).
^a In 1997 dollars
^b Includes body corporate payments and interest payments on alterations and additions
^c Change from 1983-84

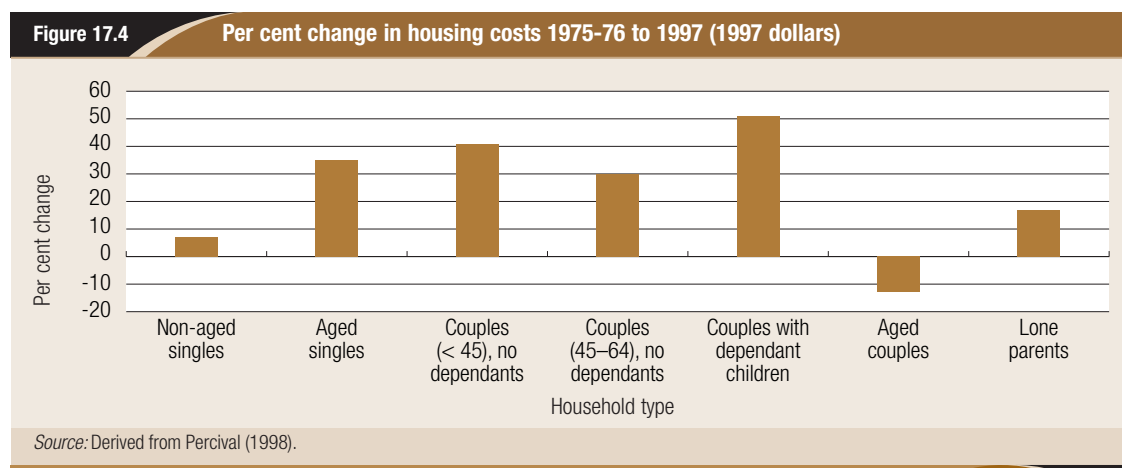
Tenure type	1975-76 \$	1997 \$	Increase %
Purchase	131	245	88
Private rental	122	151	24
Government rental	70	70	0
Owner	40	45	12

Source: Derived from Percival (1998).

costs of renters have been relatively stable in real terms these households are not reaping the benefits of the rising capital value of housing.

Which families spend most on housing?

The increase in housing costs has been much more pronounced among some household types than others – largely because some household types are much more likely than others to be home purchasers. Figure 17.4 is based on figures calculated by Percival (1998) from the household expenditure



surveys. It shows that the increase in real housing costs has been especially sharp for couples with dependent children followed by younger couples without dependents. Older single people have also experienced significant rises in household costs. Aged couples, however, have experienced a decline in real housing costs over the period and younger

single people have experienced only a very modest increase in real housing costs. The decline in housing costs of older couples most probably reflects the high rate of home ownership among older couples. Among younger singles, the lower rate of increase probably reflects the lower rate of increases in the cost of rental housing.

Endnotes

- 1 These data were collected before the introduction of the Goods and Services tax in 2000. This reform altered the rates of income tax paid across different households. These tax expenditure figures do not include indirect taxes.
- 2 Since these data were collected before the introduction of the Goods and Services Tax in 2000 the amount spent on food will underestimate the proportion of expenditure on food as the average rate of taxation on food items increased with the introduction of this tax. This may affect some of the relativities between the proportions spent by different family types.
- 3 Superannuation, life insurance and interest expenditure is based on the amount paid in the most recent payment.
- 4 The child may incur more than 25 per cent additional expenditure but a couple with children will normally cut back on other costs so that the additional expenditure with a child increases by about 25 per cent.

Highlights

- Across all households, income tax is the single biggest item of expenditure followed by food, transport and then housing costs.
- Housing costs constitute a much larger share of the expenditure of younger people than older people.
- Only a third of households spent money on life insurance or superannuation.
- 60 per cent of households were spending money on interest payments.
- Almost half of all households spend money weekly on a pet.
- Almost half of all households spend money most weeks on gambling.
- A third of households spend money on tobacco while 60 per cent spend money regularly on alcohol.
- Regardless of living arrangements women spend more time than men purchasing goods and services.
- Loans are used by over half of all households to assist with expenditure but very few older households have loans of any sort. Younger families are far more likely to use loans.
- Two thirds of households use a credit card but only a third of households regularly pay interest on their credit card.
- Approximately 15 per cent of households regularly spend more money each week than they earn while a third are able to save money most weeks. Saving is least common among lone parents and older people.
- Although households can spend money buying in domestic services such as cooking, gardening, cleaning etc, with the exception of purchasing cooking services relatively little use is being made of these services. For example, only 4.3 per cent of households pay for domestic cleaning and 10.4 per cent pay for gardening services.
- For families that have children, rearing children is a very considerable cost. Although estimates of the cost of children vary according to the method of estimation, one reputable estimate is that in 2002 dollars it costs \$264,000 to raise a first child, \$184,000 to raise the second.
- The amount spent per child declines as the number of children in a family increases.
- Depending on the number of children a woman has and her level of education, mothers forego a great deal of income as a result of having children. Over a lifetime, a woman with one child can expect to earn just 72 per cent of the income of a childless woman.
- Despite the high levels of foregone income that mothers experience, the impact of having children on a mother's lifetime earnings has declined substantially since 1986.
- Housing costs for home purchases have increased by close to 80 per cent (in real terms) since the mid 1970s. Private renters have also experienced considerable increases in real housing costs while government renters have experienced no increase in housing costs in real terms.