

6. Household Expenditure

The LSIA asked several questions about the level of expenditure of Primary Applicants. Primary Applicants were asked about a) car ownership, b) whether they had enough money to meet their basic needs, and c) how much they spent on specific items such as food and electricity.

We could simply report the answers to these questions, disaggregated by visa category and so on. However, information about levels of expenditure on particular items is of itself quite uninteresting. We learn nothing of importance from being told, for example, that Primary Applicants and their migrating families spent on average \$4.50 on child care per week. Even a comparison of such levels of expenditure between cohorts is not very informative. The most immediately intelligible information contained in the expenditure questions is the views about the adequacy of income. We consider this topic first, and then go on to discuss ways in which to obtain some useful insights from the remaining questions about specific levels of expenditure.

6.1 Levels of Income Adequacy

Primary Applicants were asked, “Thinking about your household income and expenses, how would you describe the amount of money you (and your spouse/partner/family who migrated with you) have available each week?” (This question was only asked of Cohort 2). The options given were:

- (1) More than enough to meet all basic needs
- (2) Enough to meet all basic needs
- (3) Not enough to meet basic needs.

In evaluating the responses to this question, we remind the reader that 20 per cent of Cohort 2 Primary Applicants were coming to Australia to join a spouse who was already here. Many others live with other family members who were already resident in Australia. It is not clear how they would have interpreted this question. Strictly speaking, they should refer only to the adequacy of their own personal income and that of any children who migrated with them, and take no account of the income of their spouse or other family members. We cannot know whether or not this is the approach they actually did take. The approach taken would make a big difference to the answers given. For this reason, we urge some caution in the

interpretation of the answers to this question (and the answers to the other expenditure questions).

The question of whether or not income is adequate to meet basic needs will of course be influenced by migrants' incomes. But it will also be influenced by their interpretation of what are basic needs. In a relatively homogeneous society, with established norms of living standards, there is quite a wide (though by no means precise) consensus on what constitutes basic needs (see Travers and Richardson, 1993:180-3, for a discussion of how to identify basic needs). For a diverse group of recent migrants it is highly likely that there will be a wide range of views as to what constitutes basic necessities. At this point we simply take at face value the assessment by each Primary Applicant of the adequacy of her or his income. At another time it would be interesting to examine whether different migrant groups have varying expectations, soon after arrival, of living standards.

Eighteen per cent of recent migrants in Cohort 2 felt that they did not have sufficient weekly income to meet the basic needs of their family. Almost twice as many felt that they had more than enough money to meet their basic needs. The majority felt they had just enough. The "economic" migrants (Independent and Business skills/ENS) were the most financially comfortable: Humanitarian migrants the least (see Table 6.1). None of this surprises. Overall, 82 per cent of recent migrants in Cohort 2 felt that they had sufficient income to meet their basic needs. The group having the biggest struggle was the Humanitarian migrants. Most had social welfare payments as their principle source of income, and had to rent their houses on the private market. It is therefore not surprising that they felt financially squeezed.

On average, the assessment that Primary Applicants made about the adequacy of their income is reflected in their level of expenditure on selected items. Those who said they had enough income reported higher weekly expenditure on the sum of food, transport, childcare, healthcare and clothing (\$181) than did those who thought they had just enough (\$148) and those who thought they did not have enough (\$137). Note, however, that only \$11 per week separates the average expenditure of those who thought they had just enough and those who felt they could not meet their basic needs. It is likely that the latter group includes a disproportionate share of larger families.

Table 6.2 shows how feelings of financial adequacy vary by age group. The main message is that they do not vary very much. The age group that feels most comfortable is also the largest one—those aged 25-34. Only 15 per cent of this group felt that they did not have enough

money to meet their basic needs and more than twice as many, 34 per cent, felt that they had more than enough.

Table 6.3 gives a different story. There, people are grouped by region of birth. There are large differences in degrees of financial comfort depending on where people have migrated from. Specifically, people from the high income English speaking countries overwhelmingly felt their incomes were adequate to meet their basic needs: only four per cent did not, and 60 per cent felt that they had more than enough income to meet basic requirements. In contrast, people from “other” regions, some of whom will be Humanitarian migrants, were having quite a struggle. Thirty-one per cent said they did not have enough income to meet their basic needs, and only 20 per cent felt that they had more than enough. These people came from Oceania, the Middle East, Africa and Central and South America. People from Asia and Continental Europe look very similar to each other on this variable.

It is not surprising that people from the main English speaking countries report that mostly they are financially quite comfortable. These people have real options in their countries of origin, which have average incomes that are similar to that of Australia. They are not migrating out of serious need. They will thus choose to come to Australia only if they anticipate that their prospects here are better than the already quite favourable options at home. Such people also, of course, have the advantage of being native speakers of English. We already know, from earlier analysis of LSIA data, that this confers a large advantage in the labour market.

The true difference in standard of living between the two groups is likely to be even larger than appears from Table 6.3. It is probable that people from English speaking countries, for the reasons given above, come to Australia with higher expectations about what is required for a minimally satisfactory standard of living. We discuss some evidence on this point below.

Table 6.4 confirms the importance of English language capacity in enabling migrants to have sufficient income to meet their basic needs. Those who do not speak English well have a high proportion—30 per cent—who say they do not have enough money to meet their basic needs: only 13 per cent say they have more than enough. These proportions are more than

Table 6.1 Whether Primary Applicants feel they have enough weekly income to meet family expenses, by Visa Category, Cohort 2 (per cent)

Adequacy of weekly income	Concessional family/skilled Australian-linked	Independent	Preferential family/family stream	Business skills/employer nomination scheme	Humanitarian	Total
More than enough	37	37	27	56	1	30
Just enough	46	53	54	41	54	52
Not enough	17	10	19	3	45	18
Total number	326	788	1667	186	238	100

Table 6.2 Whether Primary Applicants feel they have enough weekly income to meet family expenses, by Age Group, Cohort 2 (per cent)

Adequacy of weekly income	Age 15-24	Age 25-34	Age 35-44	Age 45-54	Age 55+
More than enough	26	34	26	29	26
Just enough	55	51	53	53	53
Not enough	19	15	21	18	21
Total number	421	1596	743	286	159

Table 6.3 Whether Primary Applicants feel they have enough weekly income to meet family expenses, by Region of Birth, Cohort 2 (per cent)

Adequacy of weekly income	UK, Ireland, North America	Other Europe	Asia	Other
More than enough	60	24	25	20
Just enough	36	57	59	50
Not enough	4	19	16	30
Total number	580	415	1467	744

Table 6.4 Whether Primary Applicants feel they have enough weekly income to meet family expenses, by English language proficiency, Cohort 2, (per cent)

Adequacy of weekly income	English only or best language	Other language is best, speaks English well	Does not speak English well
More than enough	49	26	13
Just enough	42	59	57
Not enough	9	15	30
Total number	1170	1079	957

reversed for those who speak English as their best language. For the latter group, half have more than enough money to meet their basic needs and only nine per cent say they do not have enough.

6.2 Levels of Expenditure

An important indicator of a family's material standard of living is how many goods and services they actually purchase. For a variety of reasons, expenditure can differ from income, and in the end it is the things that are actually bought and consumed that determine the current material standard of living. For recent migrants, one source of difference between income and expenditure is income remitted to or from overseas or brought with the migrant on arrival. A second source is the level of current savings: people who are saving have less of their income available for meeting current needs.

The LSIA has some, though incomplete, data on expenditure. The data cover three main areas of expenditure. The first is personal expenditure on food, telephone, clothing, transport, childcare and health care. The second is expenditure on utilities—electricity, gas, water and council rates. The third is the cost of cars owned.

To be a robust indicator of standard of living, expenditure needs to be quite comprehensively measured. It would not do to measure expenditure only on restaurant meals or on school clothes, since differences in such expenditure are likely to reflect people's preferences and family circumstances as much as their capacity to buy these things. In practice it is difficult to obtain comprehensive measures of expenditure, and the LSIA does not attempt to do so. One response is to use a proxy, such as the share of total income/expenditure spent on some essential (housing, food etc). The idea is that expenditure goes first to things that are essential, such as food and shelter and clothes. Once essential needs are met then additional

expenditure can go to more discretionary items, such as household goods and recreation. From this it may be inferred that the higher the proportion of total expenditure/income that is allocated to essentials, then the lower the standard of living. Even this simple proposition is not, however, without difficulty. People may spend more on food or housing because they give a high priority to having good quality food/housing, rather than because they are poor. Nonetheless, in the literature on economic welfare, a rule of thumb is often used that a family that spends more than 25 per cent of its gross income on housing, or on food and groceries, is suffering economic stress.

In the case of recent migrants, the inferences that can be drawn about standard of living from their expenditure on food, clothes, utilities etc., is more than usually problematic. Many of the lowest income migrants (59 per cent of those who reported zero family income and 26 per cent of those who reported an income of less than \$309 per week) lived rent-free with family at the time of interview (see Table 6.5). Indeed, 19 per cent of all Primary Applicants in Cohort 2 lived rent-free with family. The response of this group to the question “how much you (and your spouse/partner/family who migrated with you) spend in an average week on—” is not likely to tell us much at all about their level of *consumption* of food, clothing, health care, utilities etc. We note at this point that the questions about expenditure had a level of non-response that was higher than most other questions. This non-response may be in part a reaction to the difficulty that migrants who lived with non-migrating family or friends had in sorting out how to answer the question.

Table 6.5: Housing Status by Income, Cohort 2 (per cent)

Housing Status	Estimated Gross Weekly Family Income				
	Zero	< \$309	\$309-\$577	\$578-\$961	> \$961
Own or paying off	4	10	14	13	26
Renting privately	28	41	57	61	59
Rent from Government	+	8	3	1	+
Rent free family/other	59	26	16	16	10
Other	9	15	9	9	5
(n)	(212)	(560)	(653)	(791)	(908)

In order to make sense of reported information on expenditure on specific items, we need some sort of benchmark. Is what we observe a little or a lot? One such benchmark is derived from the poverty literature as mentioned above, which identifies the fraction of income that is spent on necessities. Our preferred benchmark draws on data from the Australian Household Expenditure Survey (ABS, 1996). There is no survey yet available that provides data for 2000. Instead, we use the data from the 1993-4 survey, which is comparable to the date of interview of Cohort 1. We increase the reported expenditures from the 1993-4 survey and from Cohort 1 by 15 per cent, to reflect inflation, when making the comparison with Cohort 2. Fifteen per cent is the overall increase in the Consumer Price Index across the 8 capital cities. The increase for some specific items (especially clothing) was less than this and for others (eg, health and food) was more. The Household Expenditure Survey of the Australian population provides a benchmark against which to assess spending on food, transport, healthcare and clothing by recent migrants. Since the context and the precise questions differ somewhat between the two surveys (the Household Expenditure Survey and the LSIA), we must be cautious in making direct comparisons.

The comparison between the cohorts is itself not straightforward. Cohort 1 migrants were asked about the level of expenditure for the whole household. As discussed above, Cohort 2 migrants were asked about the level of expenditure of the migrating unit. In order to compare the expenditure of the two cohorts, we have selected only those migrants in each cohort where everyone in the household at the time of interview was a member of the migrating unit. That is, we have deleted from the sample those migrants who were living with family or friends who were already resident in Australia.

Levels of expenditure vary systematically with the size of the family, particularly on food and clothing. In 1993-4, Australian couples without dependent children spent on average \$100 per week on food. Couples with three dependent children spent \$166 (ABS, 1996:19). The Household Expenditure data report spending on specific items for different family types. Only 4 per cent of respondents to the expenditure question in Cohort 2 lived alone at the time of interview. They spent an average of \$142 per week on food, clothing, transport, health care and child care, compared with \$157 for multiple person migrating units. The numbers of respondents who lived alone are sufficiently small that they will have little impact on the overall picture. We thus compare respondent outcomes with those of Australian multiple person families. In Table 6.6 we present the average weekly expenditure on the selected items by Australian families. We also report the average expenditure of Australian families

who are in the bottom 20 per cent (quintile) of the distribution of gross weekly earnings. This gives us a feel for how recent migrants compare with low income Australian couple families.

Table 6.6 Weekly expenditure of migrating families of two or more people on selected items, and of Australian couples with and without dependent children, on average and in the bottom quintile of the distribution of gross weekly income: Year 2000 dollars , Cohorts 1 and 2

Expenditure item	Cohort 1	Cohort 2	Australia, bottom quintile	Australia, average
Food	125	117	108	152
Clothes	24	25	22	47
Medical care	9	16	27	39
Transport	41	52	74	128
Total	199	210	231	366

Source: LSIA for Cohorts 1 and 2; ABS, 1996:21 for Australia, expressed as Year 2000 dollars

There are two surprising features of Table 6.6. The first is that average expenditure (in Year 2000 dollars) of Cohort 2 migrants on food is less than that of Cohort 1 migrants and their expenditure on clothes is virtually the same. Recall that Cohort 2 has substantially higher incomes on average than does Cohort 1. This higher income does seem to result in higher expenditure on medical care and on transport. Expenditure on the four items combined is 5 per cent higher for Cohort 2 than for Cohort 1, whereas the median income of Primary Applicants and migrating unit spouses was 37 per cent higher. It is beyond the scope of this report to tease out why the pattern of spending for Cohort 2 differs from Cohort 1 and includes a fall in spending on food, but such an enquiry would clearly be of great interest. The expenditure comparison suggests that Cohort 2 are not obviously better off than Cohort 1, whereas a comparison based on income concludes that they clearly are. It is possible that we are here just seeing the results of the limitations of the data.

The second surprise is that for both cohorts, spending on the selected items is less than the expenditure of *low income* Australian families, and much less than the Australian average. Cohort 2 spends only 90 per cent of the amount spent by the bottom quintile of Australian families on the four items, and 57 per cent of the amount spent by the average Australian family.

These comparisons between migrants and Australians, and indeed between the two migrant cohorts, are not exact. A more complete analysis would take more account of possible differences in family size. The LSIA includes a set of questions on the number and

relationship of people who live in the same household as the Primary Applicant. We have used the information on the composition of the household of residence (where everyone in the household was a member of the migrating unit) to compute expenditure on food, clothes, transport and healthcare per person in the household, for each of the cohorts. The results are very similar to those in Table 6.6. On a per capita basis, Cohort 2 spent slightly less (in real terms) on food, the same on clothes and a bit more on medical care and transport than did Cohort 1.

The average level of combined expenditure on the five items of food, clothing, childcare, health and transport, varies in an interesting way by age. Because we are here looking only at Cohort 2, we include all respondents in the analysis that follows. For each age group, those who say they have more than enough income to meet their basic needs spend more than those who say they have just enough, who in turn spend more than those who say they do not have enough. This is to be expected, and replicates the pattern found when we examine average spending for the respondents as a whole. However, within each of the sufficiency-of-income categories, there is a pattern of levels of expenditure by age. This pattern is an inverted U shape. That is, the Primary Applicants in the age groups with the lowest actual expenditure on the selected items are those aged 15-24 and 65+ (there are only small numbers in the latter group). Average levels of expenditure rise with age to reach a peak at age 45-54, and then start to fall. The exception is for the group who feel that they do not have enough money to meet their basic needs: their highest level of expenditure is for the age group 35-44. To illustrate, those aged 25-34 who feel that they have more than enough income to meet their basic needs spend on average \$160 per week on the selected items: those aged 45-54 spend \$244. The difference according to age is most marked for the group who feel that they have more than enough income. Those who feel that they do not have enough spend \$138 if they are aged 25-34 and \$169 if they are aged 35-44 (the highest spending age group for this group).

The relationship between age and actual expenditure on the selected items, for each of the sufficiency-of-income categories, is shown in Figure 6.1 below.

Figure 6.1: Average Levels of Weekly Expenditure, by Age Group, of Migrants who Report Different Levels of Income Adequacy, Cohort 2 Primary Applicants

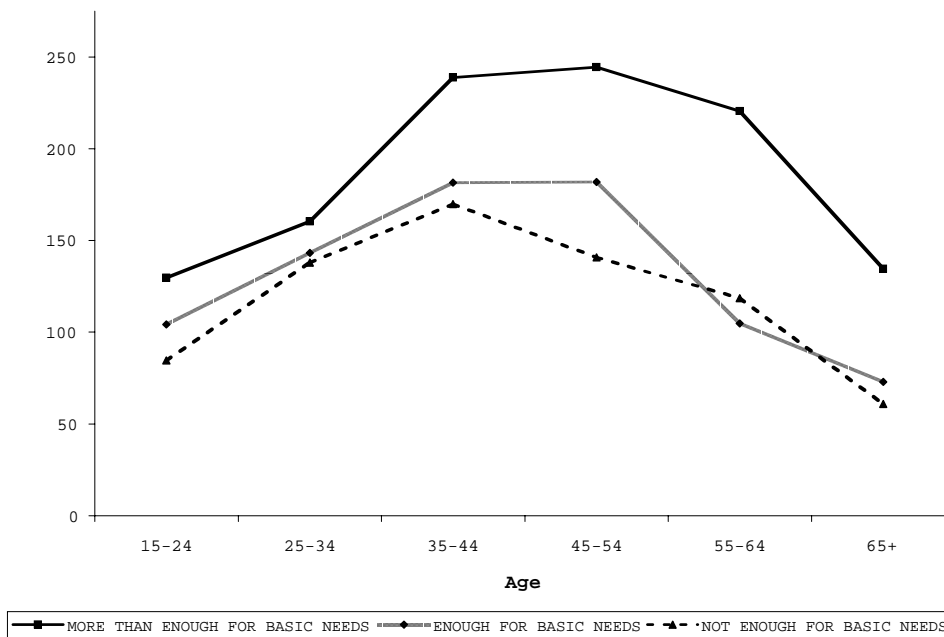
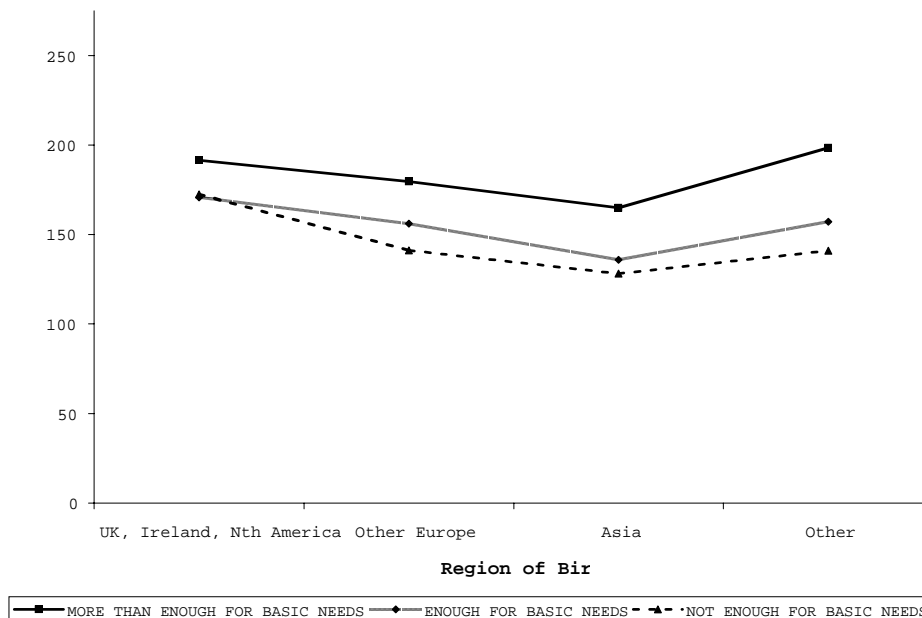


Figure 6.2: Average Levels of Weekly Expenditure, by Region of Birth, of Migrants who Report Different Levels of Income Adequacy, Cohort 2 Primary Applicants



We saw earlier that people migrating from different regions had different propensities to feel that they had enough income to meet their basic needs. In Figure 6.2 we show that there is a systematic difference between the average levels of expenditure on the five items, within each sufficiency-of-income group, according to region of birth. Those from the high income English speaking region spend more than those from the other regions, even if they feel that they do not have enough income to meet their basic needs. Migrants from Other Europe in turn spend more than do migrants from Asia. The surprise is migrants from the “Other” regions. They have a high proportion of people who feel that they do not have enough income to meet their basic needs, but spend on average more than migrants from other regions except the high income English speaking countries. It is possible that this reflects systematic differences in family size, or in living arrangements in Australia. As we have discussed above, it is difficult to draw firm conclusions about standard of living from the selected expenditure data in the LSIA.

Our measures of expenditure have concentrated on a subset of the questions asked in the LSIA. Specifically, we have not used the information about spending on gas, electricity, water and council rates. One reason for this is that non-response to these questions is particularly high—67 per cent for council rates. The second reason is that the confusion between the expenses of the migrating unit and those of the household in which they live are likely to be especially high for these collectively consumed items. We lose little information by ignoring expenditure on utilities, because reported average levels of spending on utilities are low (around \$5 per week) and for each item a majority of respondents says that they spend nothing.

Expenditure on the telephone, in our judgement, lies somewhere between being a collective and a personal expense. Non-response to this question was relatively high, at 12.5 per cent. For these reasons, we report telephone expenditure separately, rather than include it in the aggregate expenditure. Average expenditure on the phone was high, with an average weekly value of \$27 for Cohort 1 and \$20 for Cohort 2 (Year 2000 dollars). Note that again the expenditure by Cohort 1 is higher than that for Cohort 2.

6.3 Cars

In both Cohort 1 and Cohort 2, Primary Applicants were asked two questions about their ownership of cars. One was the number owned, if any. Specifically, the question for Cohort 2 was “How many motor vehicles are owned or used by you (and your spouse, partner/family who migrated with you)?” Unfortunately, the question asked of Cohort 1 was sufficiently different to mean that the responses cannot sensibly be compared. For Cohort 1 the question was “How many motor vehicles are owned or used by members of your household in Australia”. We know that these two forms of the question will give different answers, because “spouse, partner/family who migrated with you” and “members of your household in Australia” are different groups. There is also the issue again of how Cohort 2 respondents who live with family members who were already resident in Australia would answer these questions. For this reason, we do not report whether the responses differ by cohort. Comparisons can only sensibly be made between different groups within each cohort.

The other question was the value of all cars owned. It is not comparable between cohorts for the same reason as above. Since any cars owned would have been purchased within the six months prior to interview, it is likely that respondents could recall the cost of their cars with some accuracy.

As Table 6.7 shows, the rate of car ownership varies substantially among the different visa groups. Humanitarian migrants are outliers, in that a clear majority neither own nor have the use of a car, in both cohorts. In the pattern that we have seen frequently before, Business skills/ENS migrants are at the other extreme, where fewer than one in five do *not* own or have the use of a car.

The difference in the wording of the question between the two surveys seems to have had most effect on the numbers who reported access to two or more cars. This response, which comprised about 30 per cent of each of the visa groups in Cohort 1 except Humanitarian, was much higher than for Cohort 2.

There is no systematic pattern between the cohorts and visa groups, excepting the outliers of Humanitarian and Business skills/ENS, in the proportions who did not have use of a car.

Table 6.7 Ownership or use of cars, by Visa Category, Cohorts 1 and 2 (per cent)

Number of cars owned	Cohort	Concessional family/skilled Australian-linked	Independent	Preferential family/family stream	Business skills/ employer nomination scheme	Humanitarian	Total
No cars	1	22	33	15	14	63	25
	2	34	30	51	20	77	44
One car	1	48	42	56	56	26	49
	2	53	56	43	55	22	46
Two or more cars	1	30	25	29	30	11	26
	2	13	14	6	25	1	10

Note: The responses for Cohort 1 are not comparable with the responses for Cohort 2, since the questions were worded differently

Between 66 and 85 per cent of each group did have access to a car, with the exception of the Preferential family/family stream in Cohort 2. For this last group, only 49 per cent (of the migrating unit) owned or had use of a car.

For those members of Cohort 2 who did have a car, the average value of the car was modest. Thirty-one per cent of cars owned or used by the migrating unit were valued at \$5,000 or less and half were valued at under \$10,000: seven per cent were valued at over \$50,000.

6.4 Conclusion

In principle, information on expenditure gives a preferred measure of material standard of living. Perhaps with this in mind, the LSIA includes a number of questions on levels of expenditure. For two reasons, these questions do not enable robust estimates of relative living standards to be derived. The first reason is that the expenditure information is only partial. The second reason is that Primary Applicants were asked to answer the question with respect to expenditure by the migrating unit. In many cases the migrating unit is living with family who were already resident in Australia, and it is hard to know how the respondent took account of any expenditure by this family from which the migrating unit benefited. It is important, therefore, to be cautious in the conclusions that we draw from the expenditure data.

Overall, about 80 per cent of Cohort 2 migrants believe that they have sufficient income to meet their basic needs. About one-third believes that they have more than enough to meet their basic needs. In a surprise result, we find that on selected items of expenditure, Cohort 2 spends very little more than Cohort 1. This is true when expenditure (adjusted for inflation) is calculated for each Primary Applicant, and when it is calculated for each member of the migrating unit. This result contrasts with the systematically and substantially higher *incomes* reported by Cohort 2. The higher incomes have translated into only slightly higher combined expenditure on food, clothing, child and health care and transport, and lower recorded expenditure on food. This difference between income and expenditure outcomes for the two cohorts may be reflecting the difficulty of capturing accurate data on expenditure and income.

The second surprise is that for both cohorts, spending on the selected items is less than the expenditure of *low income* Australian families, and much less than the Australian average.

Cohort 2 spends only 90 per cent of the amount spent by the bottom quintile of Australian families on the four items, and 57 per cent of the amount spent by the average Australian family. The significance of this apparent low level of spending on essentials warrants closer investigation.

As expected, there is a distinct pattern of difference in expenditure by age and by region of birth. The prime age respondents report higher expenditure levels than the rest, even when they say they do not have enough to meet basic needs. However, people do not differ systematically by age in terms of their ability to meet their basic needs. This clearly suggests that the lower spending by younger and older Primary Applicants reflects the smaller number of people who are dependent on them. People from the main English speaking countries spend substantially more on average than do migrants from other regions. People who do not speak English well, and Humanitarian migrants, report quite high levels of inability to meet their basic needs.