

THE COST OF LIVING CRISIS

Catholic Australia (CRA) recently made a submission to the Select Committee on the Cost of Living. This issue of *Just Now* takes a deep dive into the cost of living pressures facing Australians. The current state of inflation has been caused by some temporary global events, but also some more deep-seated injustices plaguing the Australian economy. These require a long-term approach of systemic change, whereby government and corporations take responsibility for actions or inactions that prioritise economic growth over and above the common good.



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In Australia, and around the world, individuals and families are being dragged into poverty by the current cost of living crisis. Supply shortages of goods and services, as seen in the wake of the COVID-19 pandemic, severe weather conditions in Australia and globally, and the war in Ukraine, has greatly inflated the associated price of goods and services both internationally and nationally.

Recent interest hikes by the Reserve Bank of Australia (RBA), are adding to immense financial strain on everyday Australians, hampering their ability to afford basic goods, including housing, food, energy, petrol and essential health services. Hardest hit, according to the [RBA's April 2023 Financial Stability Review](#), are those on lower incomes, including many renters, and relatively recent borrowers who have larger debts (relative to income); smaller businesses; and some building construction firms. Also particularly struggling are young people (Millennials and Gen Z), women (especially single women who are older or with children), and those on government concessions (including people living on JobSeeker, Youth Allowance, the Aged Pension and Parenting Payment), who are reporting malnutrition, inability to afford essential medication and the imminent threat of homelessness.



"Most Australian households and businesses are well placed to manage the impact of higher interest rates and inflation... But this resilience is unevenly distributed. Some households and businesses are already experiencing financial stress, and the squeeze on household budgets is likely to continue for some time."

Reserve Bank of Australia, April 2023 Financial Stability Review.



Profit-price Inflation

Economists globally have stated that inflation has been driven up by major corporations and businesses pursuing enormous profits through price hikes. Research from the Australia Institute's Centre for Future Work has stated that 69% of excess inflation (above the RBA's 2.5% target) since the end of 2019 has arisen from higher unit corporate profit margins. This has been supported by findings from The Organisation for Economic Co-operation and Development (OECD), which has shown that higher unit profits have been the leading component of recent inflation in several countries, including Australia, Canada, and the Euro zone.

In the mining sector, gross corporate operating profits rose by 89% between end-2019 and end-2022 as a result of vast increases in prices charged to purchasers for fossil fuels, pushing up an inflated price for these fuels. Over half of all corporate profits in the Australian economy now belong to the mining sector. Substantial gains in corporate profits have also been made in wholesale trade, manufacturing, transportation, and other strategic sectors, whereby businesses have been able to use supply chain disruptions and resultant consumer demand, coupled with oligopolistic market power, to raise prices above production costs.

Not only is the broader Australian population suffering from the unjust price hikes of goods and services by the mining and other sectors, it is also paying the price for that inflation that they did not cause, as a result of the escalation of interest rates by the RBA.



"The pain experienced by workers through this inflationary episode contrasts sharply with an unprecedented upsurge in business profitability at the same time. Additional profits resulted from businesses increasing prices for the goods and services they sell, above and beyond incremental expenses for their own purchases of inputs and supplies."

Dr Jim Stanford, The Australia Institute



A recent report by the Australia Institute has found that between 2009-2019, 93% of the gains from Australia's economic expansion were received by the top 10% of income recipients, largely represented by oligopolies of Australian businesses and corporations. This means that a mere 7% of the benefits was received by the bottom 90%, highlighting entrenched inequality in the Australian economy.

In his June 2023 address to the members of the Latin American Business Council, Pope Francis urgently appeals: "it is essential to approach our work from the perspective of a culture of encounter. It is the values of such a culture that inspire the business world to defend itself against the shadows of evil, which invade us when profit at all costs distorts our relationships, to the point of degrading or enslaving people. The culture of encounter, on the other hand, expresses the pursuit of the common good, thus helping to dispel these shadows."

Free markets have the potential to serve as an outlet for human creativity and promote the efficient provision of goods and services, but must be moderated by a healthy culture of corporate social responsibility and the ability of governments to place the markets at the service of the common good. Therefore, in its submission, CRA called on profiteering businesses to move beyond narrow 'shareholder' and 'profit-driven' models of operation, and on the government to consider price caps in strategic markets and a reform of the taxation system to better redistribute the accumulated excess wealth of the top 10%.



"Profit at all costs distorts our relationships, to the point of degrading or enslaving people."

Pope Francis, 2023 address to the Latin American Business Council.



The Housing Market

The cost-of-living crisis is also being fuelled by a housing crisis, with inflated costs and falling vacancy rates being felt by renters, and the average owner-occupier experiencing steep mortgage increases. This is occurring against a backdrop of many young people being priced out of the housing market.

A pre-existing system of tax concessions (such as the Capital Gains Tax Discount), negative gearing and weak lending regulations, is favouring wealthy investors over the everyday (especially younger) Australian, creating a gross inequality whereby almost three-quarters of the benefits of the capital gains tax goes to the top 10% of households by income, and more than half of the \$4.3 billion annual benefit from negative-gearing tax cuts goes to the top 20% of households by income. Beneficiaries are predominantly aged in the over 50 age bracket.

This has been coupled with a history of government disinvestment in social housing or other affordable forms of housing. Less than 4% of all homes are government-owned today and over the past three years, the Productivity Commission reports that social housing waiting lists have conversely grown by over 17%.

With the lack of available social housing, the only viable alternative is the rental market, with over 60% of people aged under 30 currently renting. Renters are currently experiencing a surge in pricing, which has grown nationally by 15% over the past year, while simultaneously vacancy rates have fallen to less than 1%. This has left renters vulnerable to undignified conditions, including insecurity of tenure, price gouging, abuse from landlords, rent-bidding, and sadly, homelessness.

"Many young people are locked out of a housing system dominated by rich older people... The beneficiaries of negative gearing are overwhelmingly wealthy."

*ALISON PENNINGTON, ADJUNCT
SENIOR RESEARCH FELLOW,
POLITICS, PHILOSOPHY AND
ECONOMICS, LA TROBE UNIVERSITY*



In its submission, CRA applauded the Albanese government's tabled Housing Australia Future Fund, which is set to pay for 30,000 social and affordable housing units to be built in its first five years. Yet this represents only a fraction of the proposed 216,000 extra dwellings presently needed and further government funding into affordable housing is therefore urgently required.

CRA also supported calls for Australia's planning systems to mandate the routine inclusion of affordable housing within private residential developments, whereby a proportion of floorspace of private developments must be reserved for social or affordable housing, as a cost borne by the landowners.

This must also be accompanied with an end to the subsidisation of private investors through the capital gains tax discount and negative gearing for the wealthiest of investors, who disproportionately benefit from this tax system, and whose purchases inflate housing prices and crowd out many potential first home buyers. Such an approach may need to be phased, as the investor-dominated housing market is also the backbone of Australia's banking system, with 65% of the big four banks' liabilities consisting of private mortgage loans.



"Let me be clear. There is no social or moral justification, no justification whatsoever, for the lack of housing."

Pope Francis, St. Patrick's Church Washington US, September 2015.



Fossil Fuel Dependency

The Australian energy market is experiencing major inflation, due to the war in Ukraine causing a shortage of gas in the global supply chain. Australian households have been subject to huge price spikes for their fossil fuel-powered energy, with the wholesale price of gas having almost tripled in the space of a year. In March, the Australian Energy Regulator (AER), in its [draft Default Market Offer](#), also predicted a further power price rise of up to 20 - 25% for the 2023-24 period.

Approximately 40% of Australian household energy is powered by gas, while 80% of Australian-sourced gas is sent overseas, leaving our energy sector bound to an ever-volatile international market. Ongoing dependency on these energy sources therefore leaves everyday Australians vulnerable to external market forces. Australians could save hundreds to thousands of dollars each year by moving away from gas-powered appliances to more sustainable alternatives, such as solar panels and electric heat pumps. This is in addition to the benefits of emission reduction achieved by moving away from fossil fuel powered energy - electrical appliances have the capacity to become less emissions intensive as our electricity grid moves towards renewable power sources.

However, many households may struggle with the upfront costs associated with the swap to sustainable alternatives. In its submission, CRA therefore proposed government initiatives to subsidise the replacement of appliances, such as low- or zero-interest loans and assistance to disconnect households from gas. Rapidly assisting Australians to move to make the switch is a win-win for both the cost of living crisis, and of course for the future of our planet.



"Australian households are trapped by escalating gas bills, which are fuelling a cost-of-living crisis. We shouldn't have to choose between heating or eating... Switching to electric cooking, heating and hot water will set us free from paying exorbitant gas bills, and create a safer home."

The Climate Council, "Switch and Save: How Gas is Costing Households."



Impact of Climate Change

While the war in Ukraine has had an adverse impact on the global food system, sending many developing countries into acute food insecurity, the [World Food Programme](#) have stated that food supply shortages are additionally being driven by climate-induced weather events. These are causing reverberations at every stage of the food supply chain, from input and production to transportation and storage, resulting in shortages and higher costs for retailers and consumers.

[Australian Bureau of Statistics \(ABS\) data](#) shows that prices for products in the food and non-alcoholic beverage subgroup have risen 9.2% over the last 12 months. [Foodbank's 2022 Hunger Report](#) has subsequently reported that over 2 million Australian households experienced severe food insecurity in that year.

In its submission, CRA called for further investment in resilience and adaptation in the supply chain, such as financing multiple strategies for production and transportation to allow for quick adjustment to changes in raw materials or supply routes. CRA further called for investment in research and programs for monitoring extreme weather events, allowing the Australian agricultural sectors to be able to respond proactively.

This must be coupled with decisive action and investment by the government to make deep overall emission reductions, particularly in food industry which has been singled out in the [IPCC Special Report, Climate Change and Land](#), for being responsible for a third of all human-generated emissions, most of this coming from agriculture and land.



"Climate change is also increasing the price of food, reducing availability of some lines... We need to build resilience into our food supply system but we also need to address the broader issue of climate change.

*Farmers for Climate Action,
Fork in the Road: Impacts of
Climate Change on our Food
Supply.*



What you can do

The cost-of-living crisis currently being faced by Australians is pushing more and more people and families towards the poverty line, whilst entrenching those already beneath it even further. Whilst some causative factors are transient, this edition of *Just Now* has outlined long-term systemic problems, that must be targets for action if conditions are going to improve moving forward.

Many guidelines are encouraging individuals to make changes to their spending and saving, but this puts the onus on everyday Australians, instead of holding government and corporations accountable for actions and inactions that have prioritised profit and economic growth over and above the common good.

So what can you do? Holding businesses to account for their lack of social responsibility is not easy, particularly when there are no enforceable social and environmental global rules governing global corporations. You can write to your local MP, calling for strengthened regulatory measures and legislation requiring all companies to take steps to identify, prevent and address all human rights abuses (due diligence), in accordance with the [UN Guiding Principles on Business and Human Rights](#) and the [OECD Due Diligence Guidelines for Responsible Business Conduct](#), which have not been widely adopted and implemented by Australian businesses.

The government also needs to be held accountable for a Taxation system that disproportionately favours the wealthy. GetUp!, an independent justice movement, have started a [petition](#) calling for the Stage 3 Tax Cuts to be axed, in line with calls from The Greens, crossbench senators, and some Liberal MPs. Learn more about the tax cuts and the petition [here](#).

"Here's \$243 billion that we're going to give back, mostly to wealthy Australians, mostly to men, rather than actually spending it on things that Australians want, actually spending it on addressing the crisis that we face, the cost-of-living crisis... It is shameful for a country like Australia to still be considering these tax cuts when so many people are doing it tough."

*Independent Senator
David Pocock, On Stage
Three Tax Cuts.*

Recognising that one of the biggest hurdles for households to make the switch to a sustainably-powered, all-electric home is the upfront costs of new appliances, the Climate Council, an independent authority on Climate Change, have created an open letter you can sign to push governments to provide zero-interest loans and incentives to households. This will allow everyone – including those on low incomes – to realise the cost benefits of transitioning away from gas-powered electricity. You can find their open letter [here](#), as well as a personal pledge you can take to make gas-free choices, where and when you can.



"It is absurd to permit the continued exploration and expansion of fossil fuel infrastructures."

Pope Francis, Message for the World Day of Prayer for the Care of Creation 2023.

On Another Note . . . A Message from Anne Walker, National Executive Director

CRA continues to be active in the justice space, engaging with government inquiries. In addition to its submission on the Cost of Living Crisis, CRA has also recently made a [submission to a Senate Inquiry into Greenwashing](#). This Inquiry followed on from the findings of the Australian Competition and Consumer Commission's (ACCC), whose survey of 247 Australian brands found that 57% had promoted "concerning claims about their environmental credentials." In the submission, CRA joined its voice with other global calls for regulations and legislation to shift Australian businesses to providing more transparent information about their environmental impact, and to better function within planetary boundaries.



In anticipation of the upcoming Referendum on the Aboriginal and Torres Strait Islander Voice, CRA and its Justice Committee members are busy preparing a Seminar to showcase a number of perspectives. More information on the speakers and the event details can be found [here](#) on the CRA website. We thank our member institutes for their continued support for the work CRA does in advocating for the marginalised in our society and welcome any feedback. Please email secretariat@catholicreligious.org.au

Warm regards, 