

## Provide a cost-of-living dividend of up to \$500 to reflect additional revenue raised during periods of high inflation.

### Overview

- Since 2021, Australia has experienced significant inflation beyond the RBA target range of 2% to 3% after almost three decades of relative stability.<sup>7</sup>
- High inflation has had negative impacts on household budgets. A recent National Seniors report found that 66% of older people were concerned about keeping up with the rising cost of living in the long term, with 26% extremely concerned.<sup>8</sup>
- At the same time, inflation has contributed positively to the federal budget. Commodity prices have increased because of international events, such as conflicts in Ukraine and in the Middle East. These have been key drivers of inflation and have boosted government revenue.<sup>9</sup>
- Not everyone is feeling cost-of-living impacts equally. National Seniors research found that cost-of-living pressures were being felt disproportionately by:
  - older people on low-incomes;
  - older renters;
  - older people living in rural and remote areas;
  - older people who were single; and
  - younger seniors (<60).<sup>10</sup>

### WHAT ARE WE CALLING FOR?

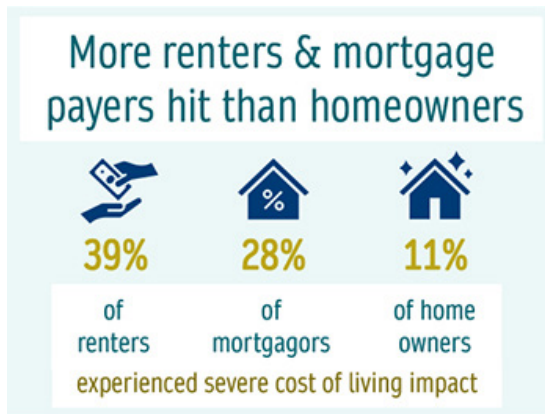
- The federal government could use its surplus revenue to deliver a Cost-of-Living rebate to Australian households.
- The rebate could be delivered to households via electricity bills, as was provided to households in 2023 to deliver electricity bill relief.
- Government could provide a base rebate to all households with a higher rebate to households most in need e.g., pensioners and low-income earners/families.

### Why is the policy needed?

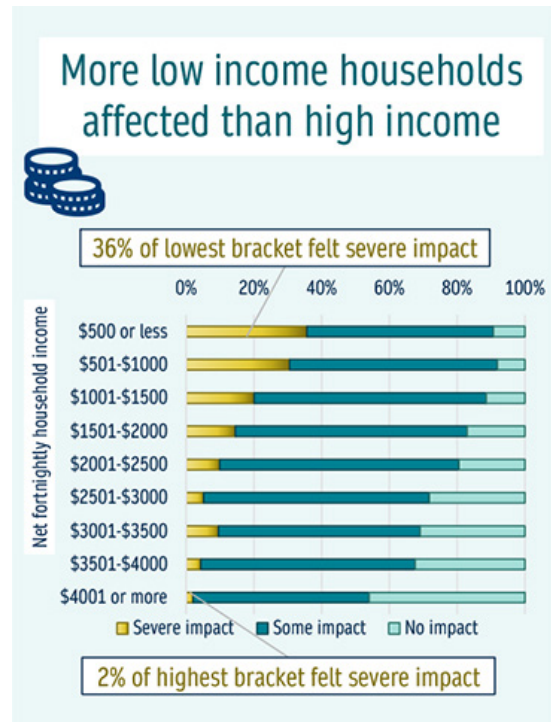
- Cost of living is the number one issue facing Australians, particularly those on low incomes. A recent NSA survey of older Australians found that cost-of-living was the number one policy issue. Rising grocery and insurance costs were two of the most important cost of living issues among older people.<sup>11</sup>
- The rising cost of products and services, if not matched by rising income, means consumers must spend more to receive the same value of goods and services. This not only impacts household living standards but also hurts the economy as economic growth slows, putting jobs at risk.
- Older Australians on low fixed incomes can be especially susceptible to rising costs.
- While rising interest rates have buffered older people by increasing the returns available on investments, fear of rising living costs will likely reduce consumer confidence and have negative impacts on the economy.

### Budget impact

- The Cost-of-Living Rebate delivered in the 2023 Budget was available to pensioners, Commonwealth Seniors Health Card holders, families receiving income support, including the Family Tax Benefit A and B and to small businesses.
- The cost to the budget of a similar electricity rebate would be \$1.5b based on the cost estimate from the 2023-24 Energy Price Relief Plan. However, this includes the cost of electricity rebates to small businesses.
- If government implemented our recommendation for a Pensioner Concession Card+ (PCC+ - see Recommendation 3), it could target additional support to pensioners most in need. For example, government could provide an additional payment of \$250 at a cost of only \$125m to 500,000 pensioners using a targeted PCC+ card.



**Figure 2: Percentage of households experiencing severe cost-of-living impacts by housing type<sup>12</sup>**



**Figure 3: Impact of cost-of-living pressures on households by household income<sup>13</sup>**