



Australian Government

Department of Social Services

Commonwealth Submission to the Senate Community Affairs References Committee's Inquiry into the Extent and Nature of Poverty in Australia

Department of Social Services with input from Australian Government Agencies including Departments of Education, Employment and Workplace Relations, Prime Minister and Cabinet, Treasury, the National Indigenous Australians Agency and Services Australia.

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2 Executive Summary

This Commonwealth submission (the submission), prepared by the Department of Social Services, in collaboration a number of Australian Government agencies, examines some of the key issues related to community wellbeing, poverty and disadvantage. It describes some of the programs and policies already in place to identify and support people facing poverty and disadvantage, and address circumstances that lead to poor outcomes.

The submission outlines recent developments in the Australian economy and labour market; commonly used measures of poverty and disadvantage; the impact of poverty on different demographic cohorts; activities and the role of government in monitoring poverty; key policies and programs and other responses to address, prevent and ultimately break the cycle of poverty and disadvantage.

3 Economic Conditions

3.1 Link between poverty and broader economic conditions

Economic participation is the best way to alleviate poverty and disadvantage. This is widely supported in the academic literature. Economic growth leads to the expansion of opportunity and reduces occurrences of poverty. A range of government payments and programs are available for people who are not employed or are otherwise not able or expected to participate in the labour market (see section 4).

The economic impact of the COVID-19 pandemic resulted in a significant number of Australians losing their jobs or having their working hours reduced. The economy has rebounded strongly, with employment now surpassing pre-pandemic levels (from 13.0 million people employed in February 2020 to 13.7 million employed in December 2022¹) and business activity has recovered.

There was strong growth in the labour market in 2022. The tight labour market has seen key indicators, such as total employment and participation rates, surpass the levels observed in the months preceding the pandemic. However, the 2022-23 October Budget forecasts employment growth to slow and forward-looking indicators such as the Australian Bureau of Statistics (ABS) Job Vacancies Survey have softened from high levels over the last six months.

3.2 State of the Australian labour market

3.2.1 Labour market recovery

Joblessness is a key driver of poverty, particularly for single people and people living in large families. The pandemic led to large disruptions in the Australian labour market, with high rates of unemployment, lowered participation and a large increase of unemployment benefit recipients.

¹ Australian Bureau of Statistics (ABS), Labour Force Survey (6202.0) December 2022, Table 1, seasonally adjusted data.

Women, in particular, were disproportionately affected by employment losses early in the pandemic. Women also continued to undertake the majority of unpaid family and caring responsibilities, limiting their capacity to participate in paid work and the type of employment available to them.²

3.2.2 Overview of recent labour market trends

Despite the volatile labour market observed throughout the first 18 months of the pandemic, there has been a rapid and strong recovery. As of December 2022, many labour market indicators are either at or near record levels, reflecting the tight Australian labour market of 2022. In addition, there have been large improvements in key labour market indicators since the beginning of the pandemic.

Table 1: Summary of key labour market indicators³

Indicator	November 2022	December 2022	Monthly Change	Monthly Change (%)
Employed people	13,761,700	13,747,100	-14,600	-0.1
Females	6,535,400	6,533,100	-2,300	-0.0
Males	7,226,300	7,214,000	-12,300	-0.2
Unemployed people	494,000	499,800	5,800	1.2
Females	238,300	238,800	500	0.2
Males	255,700	261,000	5,300	2.1
Labour force	14,255,700	14,246,900	-8,800	-0.1
Females	6,773,700	6,771,800	-1,900	0.0
Males	7,482,000	7,475,000	-7,000	-0.1
Unemployment rate	3.5 %	3.5 %	0.0 pts	NA
Females	3.5 %	3.5 %	0.0 pts	NA
Males	3.4 %	3.5 %	0.1 pts	NA
Participation rate	66.8 %	66.6 %	-0.2 pts	NA
Females	62.4%	62.3 %	-0.1 pts	NA
Males	71.3 %	71.1 %	-0.2 pts	NA
Underemployment	5.8 %	6.1 %	0.2 pts	NA
Females	7.2 %	7.3%	0.1 pts	NA
Males	4.6 %	4.9 %	0.3 pts	NA

Note: totals may not add up due to rounding

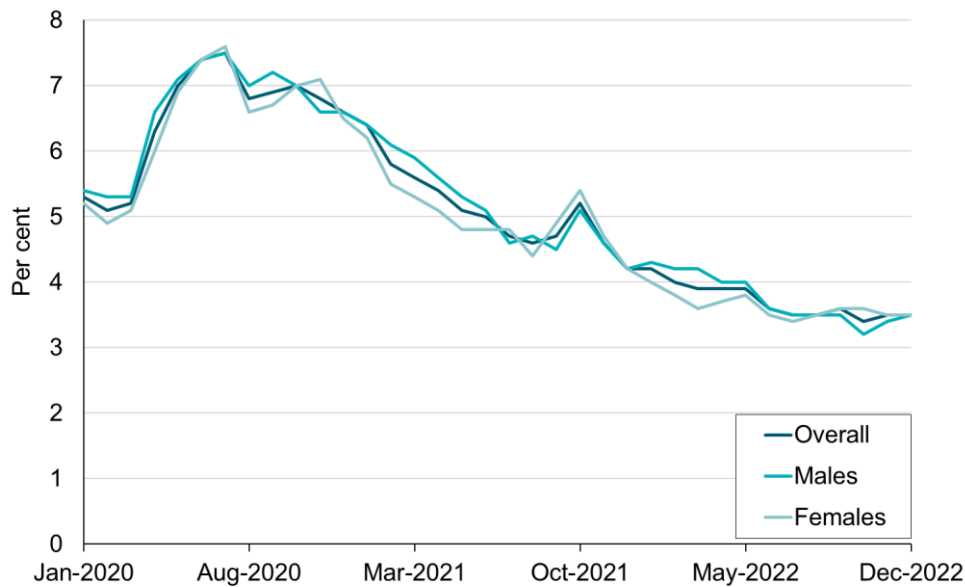
Since February 2020, the labour force has grown from 13.7 million people to 14.2 million people in December 2022, a rise of 3.7 per cent. This rise has coincided

² L Risse and A Jackson, 'A gender lens on the workforce impacts of the COVID-19 pandemic in Australia', Australian Journal of Labour Economics, 2021, 24(2): p 137.

³ ABS, Labour Force Survey (6202.0) December 2022, various tables, seasonally adjusted data.

with historically high levels of participation, which in December 2022 was 66.6 per cent. Importantly, in recent months, the unemployment rate has reached its lowest level in nearly 50 years, indicating not only more people participating in the labour force, but a large number are finding work (Figure 1).

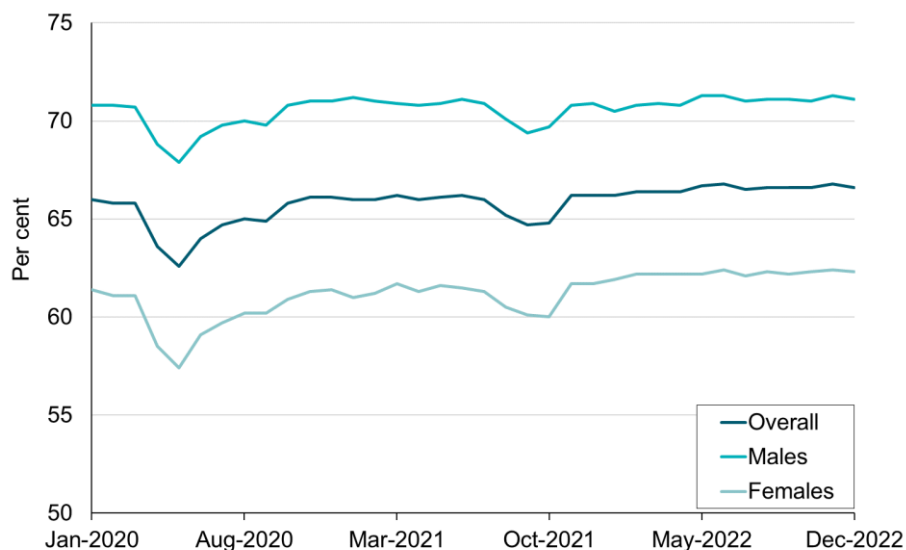
Figure 1: Unemployment rate by gender from December 2019 to December 2022



Source: ABS Labour Force Survey, December 2022

While current unemployment rates for men and women are 3.5 per cent, divergences are not uncommon. There is a much larger difference in participation rates by gender. In December 2022, the overall female participation rate was 62.3 per cent, 8.8 percentage points lower than the male rate of 71.1 per cent (Figure 2). This gap is due, in large part, to women continuing to shoulder the majority of unpaid work and care in households. Historically, there has been a much larger gap in participation by gender. In February 1978, the female participation rate was roughly 36 percentage points lower than the male participation rate. By January 2000, this gap had narrowed to 18.1 percentage points.

Figure 2: Participation rate by gender from December 2019 to December 2022



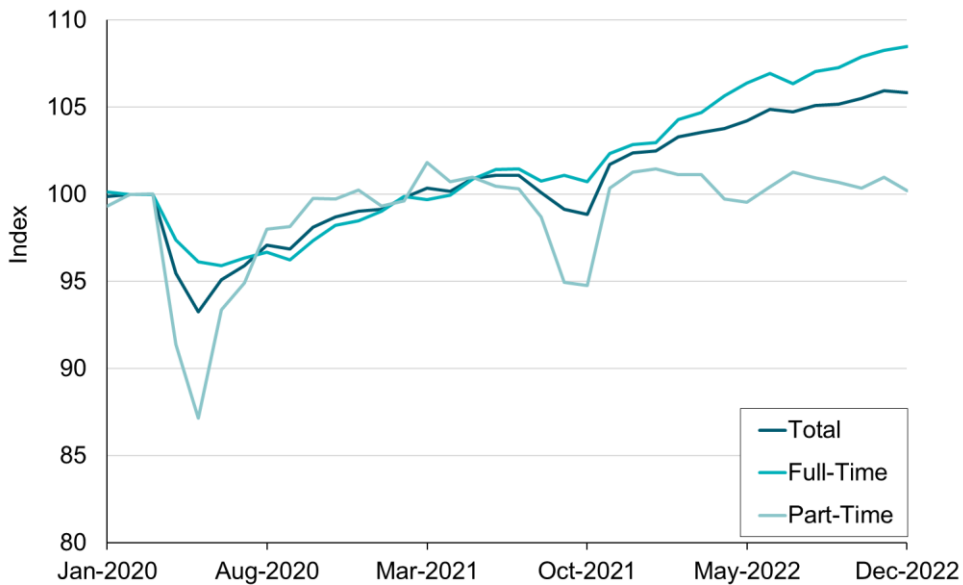
Source: ABS Labour Force Survey, December 2022

3.2.3 Employment trends

In the initial months of the pandemic, there was a large decline in employment. The fall was particularly acute for those in part-time employment. By mid-2020, employment was trending upwards once again. However, the lockdowns in the second half of 2021 saw another decline in employment, with those in part-time employment continuing to experience the largest decline.

In 2022, growth in full-time employment outstripped growth in part-time employment, though both are above their respective pre-pandemic levels. Since February 2020, overall employment has grown by 5.9 per cent to December 2022, rising from 13.0 million people to 13.7 million people. The growth over this period has been primarily been driven by a strong rise in full-time employment which has risen 8.5 per cent, from 8.9 million in February 2020 to 9.6 million in December 2022. Over the same period, part-time employment also increased by 8,000 people (0.2 per cent).

Figure 3: Index for total employment (base month is February 2022)

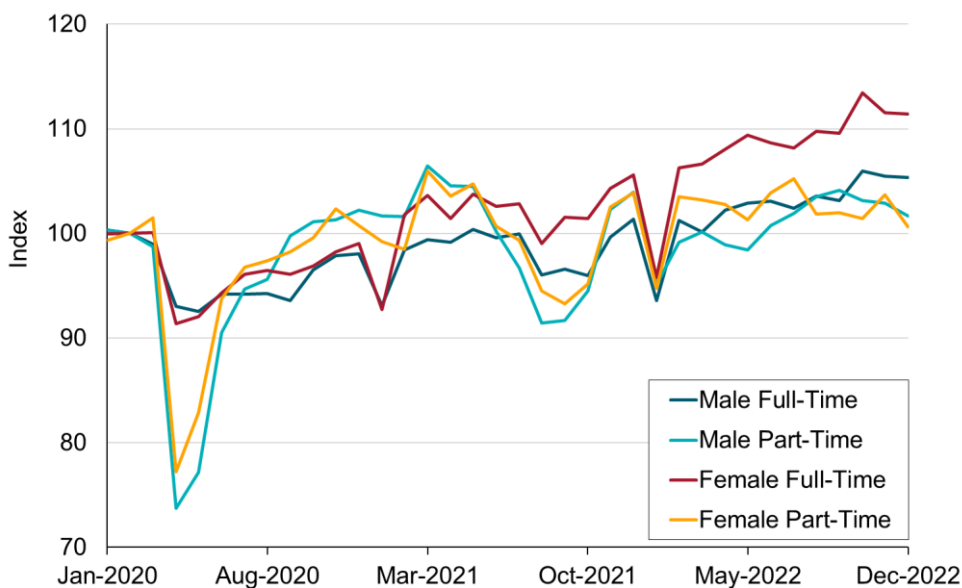


Source: ABS Labour Force Survey, December 2022

3.2.4 Trends in hours worked

Throughout the pandemic, there were numerous, large fluctuations in hours worked. These fluctuations differed between states and full-time/part-time work status. As of December 2022, total hours worked nationally were 6.5 per cent higher than in February 2020 and 18.7 per cent higher than in April 2020 when the lowest total hours worked were observed during the pandemic. New South Wales, Victoria and the Australian Capital Territory experienced the largest declines during their respective lockdowns, which were longer and more frequent, relative to other states and territories. Part-time workers experienced larger fluctuations in hours worked throughout the pandemic compared to full-time workers (Figure 4).

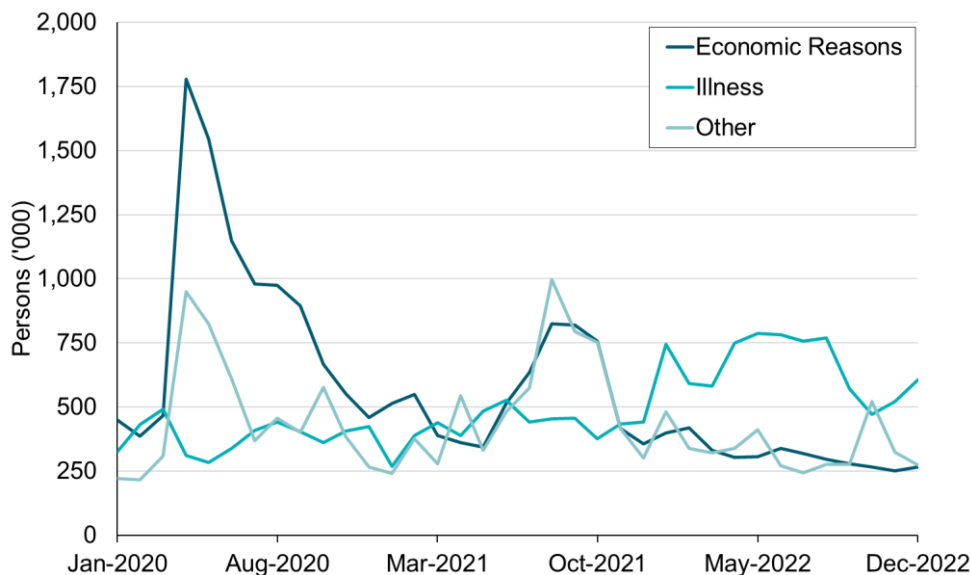
Figure 4: Index for hours worked (base month is February 2020)



Source: ABS Labour Force Survey, December 2022

Despite the overall strong state of labour supply, the pandemic is still negatively affecting hours worked. The number of people working fewer hours due to sickness remained elevated at 606,500 people as of December 2022. The ABS noted this was over 50 per cent higher than usually seen in December (Figure 5).

Figure 5: Worked reduced hours due to illness, economic reasons or other reasons, January 2020 to December 2022



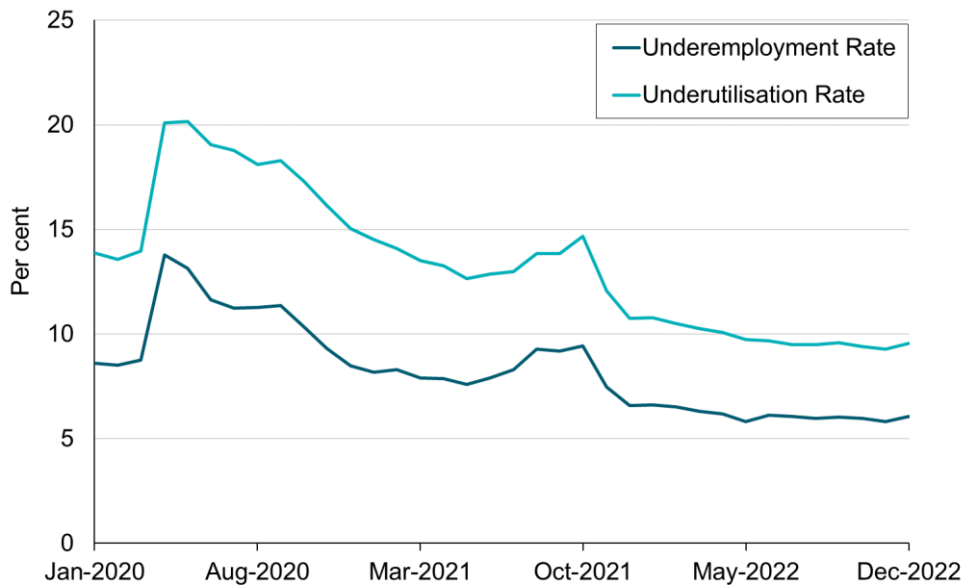
Source: ABS Labour Force Survey, December 2022

3.2.5 Underemployment

Since the first few months of the pandemic, there has been a steady downward trend in underemployment, falling from a peak of 13.8 per cent in April 2020 to 6.1 per cent in December 2022. Since mid-2022 underemployment has stabilised around 6.0 per cent, some 2.5 percentage points lower than the pre-pandemic figure observed in February 2020. Underutilisation, the sum of the unemployment and underemployment rates, has also stabilised in 2022, following a sustained decrease since October 2021 (Figure 6).

Women’s underemployment ratio has remained consistently higher than men’s over the past two decades. In December 2022, 7.6 per cent of employed women wanted, and were available, to work more hours, compared to 5.1 per cent of men.

Figure 6: Underemployment and underutilisation rates

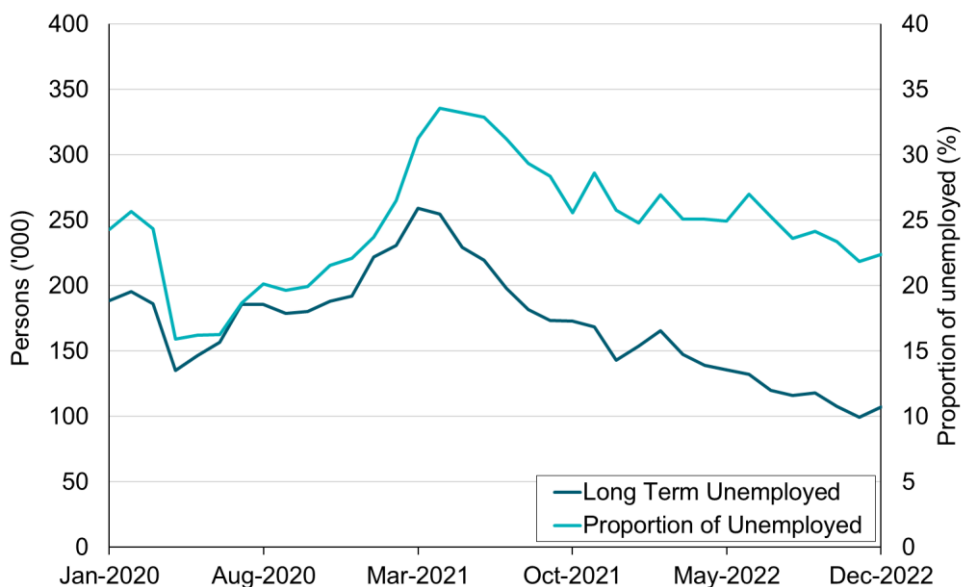


Source: ABS Labour Force Survey, December 2022

3.2.6 Long-term unemployed

The number of unemployed people with job search durations over 52 weeks (long-term unemployed) has declined from 195,000 in February 2020 to 107,000 in December 2022. The proportion of unemployed people with long-term job search durations has fallen from 24.3 per cent in February 2020 to 22.4 per cent in December 2022 (Figure 7).

Figure 7: Long-term unemployed, number and as a proportion of unemployed

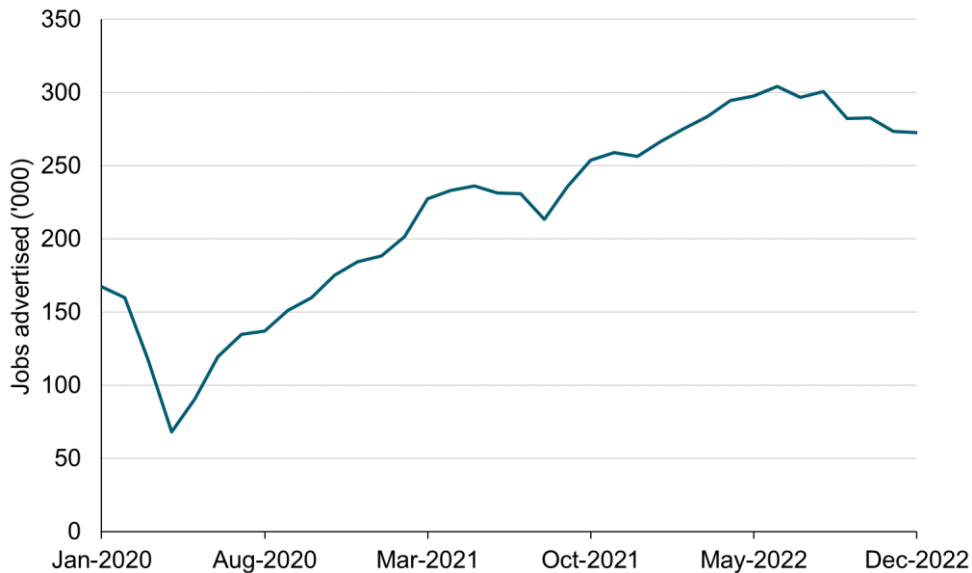


Source: ABS Labour Force Survey Detailed, December 2022 (Original Data)

3.2.7 Internet vacancies

The Internet Vacancy Index, released by Jobs and Skills Australia, is a monthly count of online job advertisements. In December 2022, around 273,000 jobs were advertised, an increase of 70 per cent since February 2020. Job advertisements peaked in June 2022 at 304,100 (a level not observed since April 2008). Since then there has been a gradual decline in jobs advertised (Figure 8).

Figure 8: Internet Vacancy Index, jobs advertised



Source: Jobs and Skills Australia, Internet Vacancy Index, December 2022

3.2.8 Recruitment

In December 2022, Jobs and Skills Australia reported that around 65 per cent of all recruiting employers reported experiencing recruitment difficulties. This is 10 percentage points below the peak of 75 per cent recorded in July 2022. The general trend of employers reporting greater difficulties recruiting has persisted since early 2021. In Greater Capital Cities, this proportion was 63 per cent and in Rest of State areas it was 68 per cent (Figure 9).

Figure 9: Recruiting employers experiencing recruitment difficulties (per cent)



Source: Jobs and Skills Australia, Recruitment Experiences and Outlook Survey, December 2022
Note: No results were published for 'Greater Capital Cities' and 'Rest of State Areas' in January 2022 due to insufficient data

As of December 2022, 25 per cent of employers expected to increase their staffing levels over the next three months. Since February 2022, the percentage of employers expecting to increase their staffing levels over the next three months has been relatively stable, fluctuating between 25 per cent and 36 per cent. Prior to this, there had been a general upward trend in employers expecting to increase their staffing levels (Figure 10).

Figure 10: Recruitment rate and employers expecting to increase staffing levels (per cent)



Source: Jobs and Skills Australia, Recruitment Experiences and Outlook Survey, December 2022

3.2.9 Household incomes

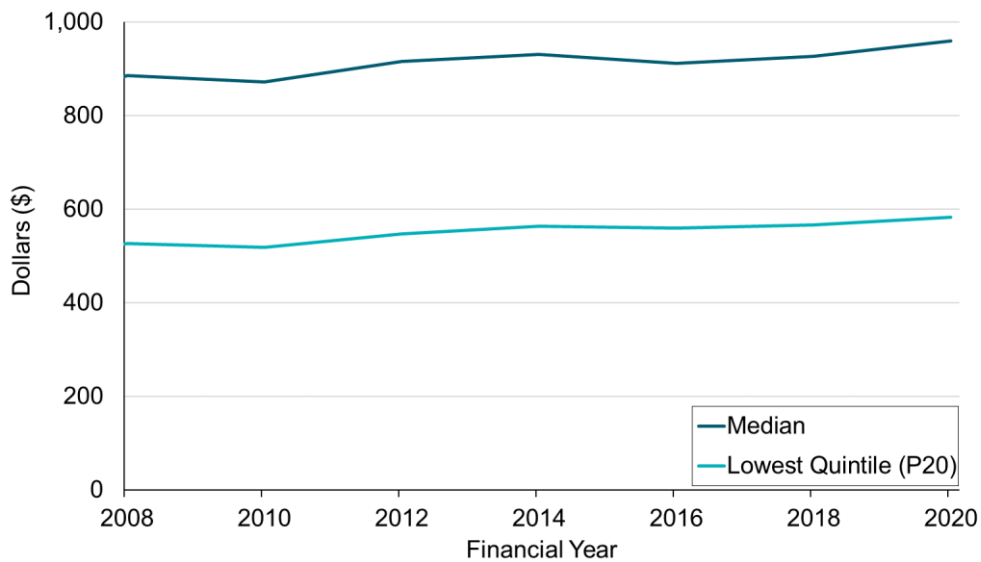
Equivalised household disposable income (EHDI) is household income adjusted by the application of an equivalence scale to facilitate comparison of income levels between households of differing size and composition. This measure reflects that a larger household would normally need more income than a smaller household to achieve the same standard of living.

EHDI income can be viewed as an indicator of the economic resources available to a standardised household. For a lone-person household, it is equal to household income. For a household comprising more than one person, it is an indicator of the household income that would be needed by a lone person household to enjoy the same level of economic wellbeing.

EDHI is an important indicator of household living standards and is typically used in the calculation of relative income poverty rates (see section 6.1.2).

From 2007–08 through to 2019–20 the median weekly EHDI grew 8.2 per cent, from \$886 (in 2019 dollars) to \$959 (Figure 11). Over the same period, the weekly EDHI of the lowest income quintile grew 10.8 per cent, from \$526 (in 2019 dollars) to \$583. Growth in both the median and lowest income quintile was largely front loaded, with a majority of the overall increase occurring by 2013–14. However, despite a decline at the median and negligible growth in the lowest income quintile from 2013–14 to 2017-18, the latest report showed both measures were once again growing. Between 2017–18 and 2019–20, the median weekly EHDI grew 3.1 per cent (\$29) and the weekly EDHI at the lowest quintile grew 3.6 per cent (\$20).

Figure 11: Weekly equivalised disposable household income, at top of selected percentiles



Source: ABS Household Income and Wealth, 2019-2020

3.3 Overview of Individual Cohorts

The Productivity Commission's report *Rising Inequality? A Stocktake of the Evidence* (the report) identified people living in single-parent families, unemployed people, people with disabilities and First Nations Australians as being particularly likely to experience income poverty, deprivation and social exclusion. For people in these circumstances, there is an elevated risk of economic disadvantage becoming entrenched, limiting their potential to seize economic opportunities or develop the skills to overcome these conditions. These risks were particularly elevated for children living in jobless households.

The report noted that poverty rates vary significantly between household types. Both income and private consumption poverty are highest for working-age households in which no person has paid work. The report also observed that jobless families experience the highest poverty rates, followed by jobless child-free households. Retirees also had higher rates of poverty than working households, but less than jobless households, which may reflect a combination of superannuation income and the higher rates of the Age Pension compared to Newstart Allowance (which became JobSeeker Payment in March 2020) (see Section 4.1 for more information on income support payments).

Children under 15 years and people over 65 years have generally had the highest rates of income and consumption poverty, however the report notes that rates had declined for people over 65 years old in years to 2015-16. Estimates from the ABS Household Expenditure Survey indicate that children under the age of 15 exhibited the highest levels of both income poverty and consumption poverty in 2015-16.

The report also noted that from previous work, some of the groups displaying the highest rates of persistent disadvantage include lone parents, First Nations Australians, people with low educational attainment, and people with disabilities or other long-term health conditions.

The report also observed the proportions of people experiencing multiple material deprivation include children under the age of 15, lone parents, jobless households, households in the lowest income quintile, First Nations Australians, people with a severe work-restricting disability, and people whose main source of income came from public transfers.

The report furthermore cites that the demographic groups most likely to experience social exclusion include people aged 65 years and over, First Nations Australians, people with long-term health conditions and/or disabilities, people who have attained less than a Year 12 education, people living in public housing, and lone parents.

3.3.1 People with disability

There are 4.4 million people with disability in Australia, around 18 per cent of the total population. There are just over 16 million Australians of working age, almost 2.1 million of whom are people with disability. People with disability of working age generally experience poorer employment outcomes than people without disability. For example, based on data from the 2018 Survey of Disability, Ageing and Carers:

- The labour force participation rate for people with disability is two-thirds that of people without disability
- People with disability are more than twice as likely to be unemployed, with an unemployment rate of 10.5 per cent compared to 4.6 per cent for people without disability
- Under-employment is 10.1 per cent for working age people with disability and 6.9 per cent for those without disability. People with disability working part-time are also more likely to be under-employed, with 32 per cent wanting more hours compared to 26 per cent of part-time workers without disability
- Wage income for people with disability in employment is around 10 per cent lower than for those without disability.

Among those aged 15-24 years, people with disability are around half as likely to be attending university, and are almost three times as likely to have left school before age 16. People with disability are also less likely to successfully transition from school to work or further study compared to people without disability. Eighteen per cent of school leavers with disability do not enter the labour force for up to seven years after leaving school (compared to 5 per cent for those without disability).

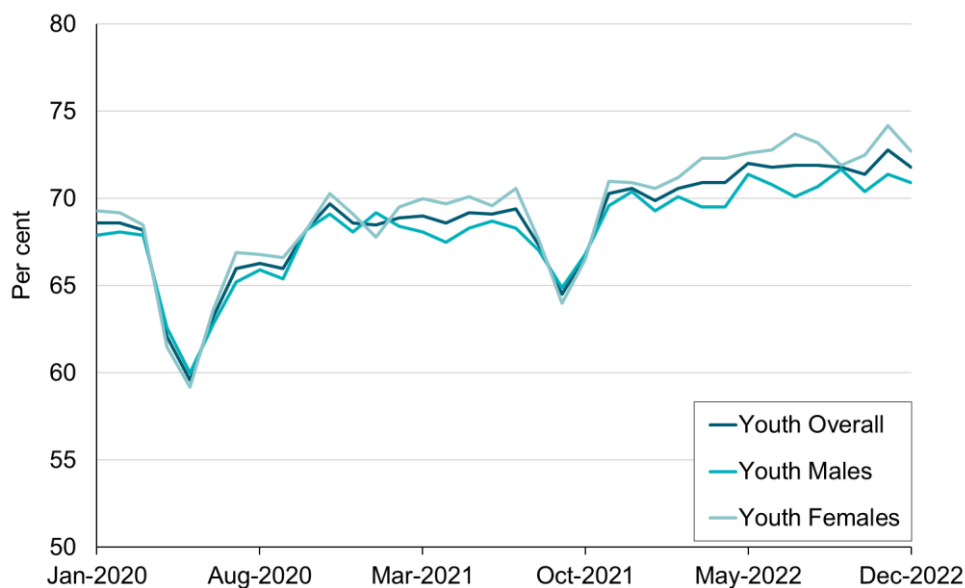
3.3.2 Youth

In December 2022, people aged 15 to 24 (youth) made up 16.0 per cent of the labour force (2.3 million people). This cohort tends to bear the brunt of economic downturns and experience higher levels of unemployment, as they are generally less experienced than older workers and are often marginally attached to the labour force. Nevertheless, as of December 2022, the youth labour force was around 85,000 people higher than in February 2020.

In February 2020, the youth participation rate was 68.6 per cent, which declined to a low of 59.6 per cent in May 2020 following the onset of the pandemic. The youth participation rate recovered in the latter half of 2020 and early-2021, and despite another decline in mid-2021, has risen to 71.8 per cent as of December 2022. This represents an increase of 3.2 percentage points since February 2020 (Figure 12). In February 2020, the youth unemployment rate was 12.2 per cent. During the pandemic, it rose to a peak of 16.6 per cent in July 2020, however has since trended downwards to 7.7 per cent as of December 2022 (Figure 13).

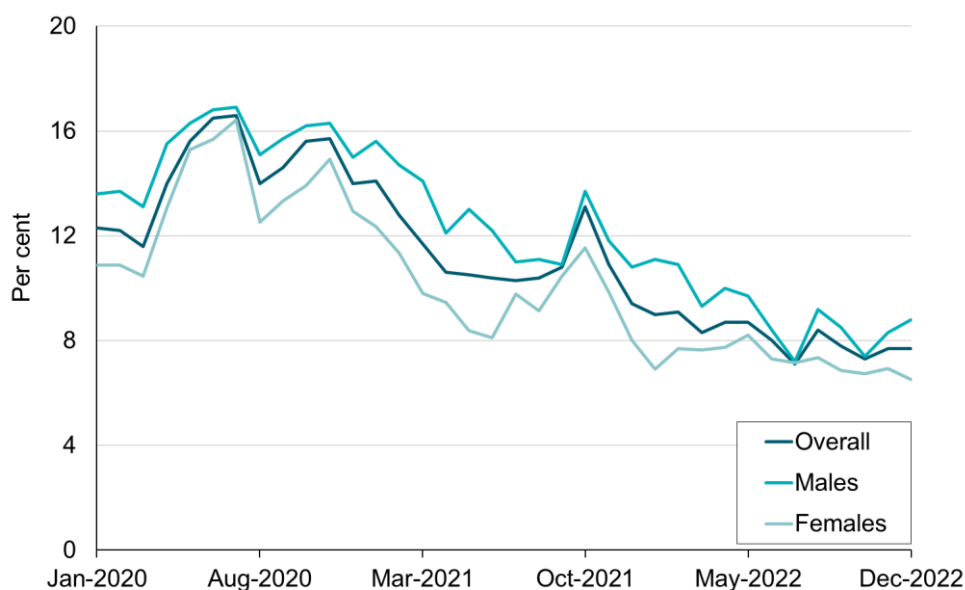
The labour market following the COVID-19 pandemic has benefited younger people more relative to older cohorts. There has been much stronger growth in the proportion of young people moving from unemployment to employment. Between May 2019 and 2022, 6.9 per cent of people aged 15 to 24 moved from unemployment to employment, compared to 2.4 per cent of persons aged 25 to 64, and 0.7 per cent of persons aged 65 and over.

Figure 12: Youth participation rate, by gender, from December 2019 to December 2022



Source: ABS Labour Force Survey, December 2022

Figure 13: Youth unemployment rate by gender from January 2020 to November 2022



Source: ABS Labour Force Survey, December 2022

3.3.3 First Nations People

The 2018-19 ABS National Aboriginal and Torres Strait Islander Health Survey reported that between 2007-08 and 2018-19, the overall employment rate for First Nations Australians dropped from 54 per cent to 49 per cent, while the rate for non-First Nations Australians remained stable at roughly 76 per cent. In the 2017-18 to 2018-19 period, the overall gap in employment rates between First Nations Australians and non-First Nations Australians was 27 percentage points.

The geographical distribution of the First Nations population, including those living in remote communities, means that there is greater risk of poverty due to additional factors such as poor service delivery, a lack of infrastructure and limited employment opportunities. However, First Nations people living in regional and urban communities have also been shown to experience high poverty rates (despite access to a full range of services), indicating that the supply side (i.e. supporting public and private institutional framework) remains a key constraint to improve outcomes for First Nations Australians.

On all measures of poverty and disadvantage, First Nations people emerge as the most socially and economically deprived. Poverty remains deeply entrenched due to historical and prevalent rates of discrimination and intergenerational trauma in combination with other complex factors that characterises poverty among other Australians. First Nations people also face absolute poverty, which is reflected in high infant mortality rates, severe malnutrition, poor health, high incarceration rates, welfare dependency and inadequate housing.

The 2002-04 parliamentary inquiry into poverty among First Nations people noted that a distinguishing feature of Indigenous poverty is the depth of poverty experienced across a range of indicators. One study found that relatively high income First Nations households also experienced factors such as long-term health problems and high incarceration rates, suggesting that the nature of poverty and deprivation and the correlation between socioeconomic status, income and health outcomes may be quite different for First Nations and non-First Nations Australians

While the rate of homelessness has fallen over time, First Nations people continue to be overrepresented. The main type of homelessness experienced by First Nations people is living in 'severely overcrowded dwellings' – dwellings needing four or more additional bedrooms. According to the ABS, First Nations people have the highest rate of overcrowding in Australia, with 17.9 per cent living in overcrowded housing, compared to the 4.9 per cent of non-First Nations people⁴.

In particular, overcrowding is greatest for First Nations people in remote regions where approximately 42 per cent reside in overcrowded or severely overcrowded dwellings. Key underlying causes include the severe housing shortage in remote Indigenous communities, reliance on public or social housing, the impact of the harsh environment, and lack of adequate infrastructure. Consequentially, poor housing conditions may negatively impact First Nations peoples' socioeconomic outcomes.

The 2022 Closing the Gap report and other related research highlight some of the key dimensions of absolute and relative poverty among First Nations Australians, namely⁵:

- Life expectancy – First Nations people suffer ill-health and disability at greater rates than non-Indigenous people, leading to lower life expectancy (around 9 years less for males and 8 years less for female)
- Infant mortality rate - In 2018, the Indigenous child mortality rate was 141 per 100,000—twice the rate for non-Indigenous children (67 per 100,000)

⁴ Australian Institute of Health and Welfare (AIHW), Indigenous Housing, AIHW website, 16 September 2021, accessed 30 January 2022.

⁵ National Indigenous Australians Agency (NIAA), *Commonwealth Closing the Gap Report*, NIAA, 2022.

- Income support – overall, First Nations people made up 11 per cent of all working age payment recipients in September 2022, yet they represent 3.2 per cent of the national population aged 16 and over⁶. First Nations Australians represent 28 per cent of all recipients on Youth Allowance (other), 18 per cent of the Parenting Payment (single) and 12 per cent of the JobSeeker Payment in September 2022
- Incarceration rate - in the September quarter of 2022, the First Nations people's imprisonment rate was 2,354 persons per 100,000 First Nations adults, compared with 202 person per 100,000 of the adult national population. While this is not a like-for-like comparison, the rate is much higher than for non-First Nations people. (ABS publication – Corrective Services Australia – Sep Quarter 2022).

3.3.4 Women

The division of unpaid care in Australia is highly gendered, with major implications for women's participation in the labour force, earnings and future economic security. Studies show a persistent earnings penalty attached to having a child for women, but not for men. The arrival of children results in an average gender gap in earnings of 55 per cent in the first five years following childbirth.⁷ This reduction in women's earnings, or the motherhood penalty, persists for at least a decade into parenthood and never fully recovers in later years. As women age, they are also more likely to provide aged or disability care to family members.

Women are underrepresented in leadership roles and overrepresented in casual, part-time and fixed-term roles. These roles can provide flexibility to manage caring responsibilities but are frequently lower-paid and insecure. Research shows that difficulties reconciling work and unpaid care can lead to 'occupational downgrading', where women choose roles below their skill levels and accept poorer conditions.⁸

Australia's national gender pay gap sits at 14.1 per cent. Workplace Gender Equality Agency (WGEA) data shows that the gender pay gap is 2.5 per cent or \$1,413 per year for women under 25 years old. This widens to its largest gap of 31.9 per cent, or more than \$40,000 per year, between the ages of 55–64 years-old.⁹ The cumulative impact of the gender pay gap means that by the time women approach retirement, their median superannuation balance is \$139,056 or 23.1 per cent less than men.¹⁰ Poverty is more pronounced for women than men, with larger gender differences in rates of poverty for young women and women aged 55 and over.

While many parents face structural barriers to balancing their caring roles with work, single mothers can face particularly acute challenges. In June 2022, there were over

⁶ ABS, *Census of Population and Housing - Counts of Aboriginal and Torres Strait Islander Australians*, 2021.

⁷ E Bahar, N Bradshaw, N Deutscher and M Montaigne, 'Children and the gender earnings gap', Treasury Round Up, Treasury, Australian Government, 2022.

⁸ A Hegewisch and JC Gornick, 'The impact of work-family policies on women's employment: a review of research from OECD countries', *Community, Work and Family*, 2011, 14(2):119–138, doi.org/10.1080/13668803.2011.571395.

⁹ Workplace Gender Equality Agency (WGEA), Age and the gender pay gap, WGEA website, accessed 21 September 2022.

¹⁰ Australian Tax Office (ATO), Taxation Statistics 2019-20: Individual Statistics, ATO website, 2019-20, accessed 25 August 2022.

650,000 single parents with dependent children in Australia, representing almost 20 per cent of all families with dependent children. Women accounted for over 80 per cent of single parents. Single mothers experience higher rates of financial stress, high effective marginal tax rates that can act as a disincentive to work, difficulty accessing appropriate paid care, and a lack of employment options that are secure, fairly paid and flexible enough to accommodate caring responsibilities.

Women from migrant and refugee backgrounds and First Nations women may also experience multiple, diverse, and intersecting barriers to workforce participation. This includes workforce discrimination, such as racism. Migrant and refugee women face a number of barriers to entering and remaining in meaningful employment including: a lack of recognition of overseas qualifications and experience; lower levels of English language proficiency; family responsibilities and cultural caring practices; a lack of access to and affordability of formal early childhood education and care; and the amount of time they have spent in Australia. The ABS' Characteristics of Recent Migrants reported that 90 per cent of employed recent migrant men were employed full-time compared with 63 per cent of migrant women, and recent migrant and temporary resident women had a higher unemployment rate than men (8.3 per cent compared to 3.9 per cent).¹¹

3.4 Inflation, wages, and consumption

3.4.1 Inflation and wages

The consumer price index (CPI) fell 0.3 per cent over the twelve months to the June 2020 quarter. In the following 12 months, the CPI rose 3.8 per cent to the June 2021 quarter and further increased by 6.1 per cent in the 12 months to the June 2022 quarter. In the most recent quarter, December 2022, the CPI rose 1.9 per cent.¹²

The rise in the CPI has outpaced growth in the wage price index (WPI). The growth in the two rates was relatively even from December 2019 to March 2021, until recent large increases in CPI have seen a divergence between the two indices. This divergence has seen real wages falling in through-the-year terms since June 2021.¹³

At the 2021-22 Annual Wage Review, the Fair Work Commission's Expert Panel (the Expert Panel) increased the National Minimum Wage (NMW) by 5.2 per cent, effective from 1 July 2022; which equates to a \$40 per week increase for someone working full time. The Expert Panel noted the sharp rise in inflation faced by Australian workers at this time, and that this increase is intended to protect the real wages of the lowest-paid workers, noting that only a very small proportion of workers are on the NWM. The Australian Government submission noted that low-paid workers are more likely to be women, young and in part-time and casual roles.

Recent increases in income support payments, as a result of indexation, is discussed at section 4.1.2.

¹¹ ABS, Characteristics of recent migrants, ABS website, November 2019, accessed 2 December 2022.

¹² ABS, Consumer Price Index, Australia (6401.0) December 2022, Table 1 and 2, original data.

¹³ ABS, Wage Price Index, Australia (6345.0) September 2022, Table 1, original data.

3.4.2 Household consumption and income

The ABS reported that the onset of the pandemic caused swift changes in household demand and consumption behaviour, as spending on travel, hospitality and recreation fell dramatically due to nationwide lockdowns. Household spending shifted to goods such as food, alcohol and furnishings. The provision of government support and the subsequent reopening of the economy and international borders saw household consumption rapidly recover.

According to the ABS, higher gross disposable income and lower household expenditure enabled households to accumulate large aggregate savings, well above the pre-pandemic trend. However, as consumption returns to pre-pandemic levels and cost of living rises, these savings will increasingly be drawn upon to support consumption.¹⁴

4 Government initiatives to address poverty and disadvantage

The wellbeing of Australians results from the interaction of many economic, social and other factors, as well as the actions of individuals, families, communities and governments.

Poverty is a complex and multifaceted issue, with dimensions such as material deprivation, intergenerational disadvantage, social isolation and poor family relationships needing to be considered alongside a person's or household's income. There is also a temporal dimension, as outcomes and circumstances change over a person's lifetime. Further, social outcomes are not purely a function of the level of government support, but also reflect decisions and capabilities at the individual, family and community level and the underlying strength and sustainability of the economic, social and physical environment.

4.1 Australia's social security system

Australia has an extensive and targeted social security system. Australia's social security system is non-contributory, and provides a strong safety net for Australians who are unable to fully support themselves due to age, disability, caring responsibilities or unemployment. It plays a key role in reducing and alleviating poverty in Australia. The social security system includes income support payments that aim to provide: a minimum adequate standard of living for the working age population; and acceptable standards of living, accounting for prevailing community living standards, for pensioners and families. It also includes supplementary payments that provide additional assistance, generally to address specific costs (for example, those associated with raising children, or the costs of renting privately). More broadly, the welfare of Australians is supported by a progressive personal income tax system, as well as the provision and/or subsidisation of some goods and services.

It is a system that reflects the development of social policy by many governments over time. As with any system, balances and choices are required: between degrees of support and fiscal sustainability; between individual needs and responsibilities; in

¹⁴ ABS, Economic gains and losses over the COVID-19 pandemic, ABS, 2022.

treating many different people with different needs and circumstances in an equitable fashion; ensuring the system incentives are in place so that supports are available where needed while ensuring that people actively seek to support themselves where possible.

4.1.1 Income Support Payments

The income support system has categorical eligibility criteria with specific payments targeting the needs of the aged, people with disability, carers of people with disability and the frail aged, principal carers of young children, full-time students and the unemployed. Income support payments are paid primarily to support individuals with limited or no private resources. Families with children can also receive support through family payments, including Family Tax Benefit Part A and Part B (see section 4.6.1 for more information on support for families).

Income support payments include, but are not limited to:

- **JobSeeker Payment** - an income support payment that provides financial assistance to people aged 22 years to age pension age, who have capacity to work now or in the near future
- **Youth Allowance (other)** - a means-tested payment which provides assistance to job seekers aged under 22 years
- **Age Pension** – a pension paid to people 66.5 years or over, who satisfy the residence requirements and meet the means test requirements
- **Carer Payment** - paid to individuals who, because of the demands of their caring role, are unable to participate in substantial paid employment. Other financial supports that may assist towards the cost of caring include Carer Allowance, an income supplement of \$144.80 per fortnight, and the \$600 Carer Supplement automatically paid to eligible Carer Payment and Carer Allowance carers each July
- **Disability Support Pension** - an income support payment for people who are unable to work for at least 15 hours per week at or above the relevant minimum wage, for at least the next two years, due to a permanent physical, intellectual or psychiatric impairment
- **Student Payments** - a range of student payments to support people undertaking further education and training. Additional supports, including Relocation Scholarships, Student Start-up Loans, the Education Entry Payment and the Tertiary Access Payment, are also available for eligible students.

Pensioners and working age recipients can also receive a range of supplementary payments and concessions. In particular, Commonwealth Rent Assistance is available to help income support recipients in private rental accommodation and community housing with the cost of their rent. Other supplementary payments are available depending on circumstances include Pharmaceutical Allowance, Carer Allowance, Remote Area Allowance, Telephone Allowance, Mobility Allowance, as well as a concession card.

Other potential concessions available to income support recipients include subsidised prescription medicines under the Pharmaceutical Benefits Scheme, and subsidised health care and related products. State and territory governments and some private

providers also offer Pensioner Concession Card holders discounts on other goods and services, such as utility bills.

Other payments are also available for individuals experiencing disadvantage, such as the Crisis Payment which is designed to provide immediate financial assistance for those experiencing an extreme circumstance and who are in severe financial hardship. For example, a person who is forced to leave their home due to family and domestic violence or recently released from prison or psychiatric confinement.

See the Appendix for trends in income support recipients.

4.1.2 Indexation

Indexation of income support payments is designed to ensure that payments maintain their purchasing power when the cost of living increases. Adult allowance rates (such as JobSeeker Payment and Parenting Payment Partnered) and Rent Assistance rates and thresholds are indexed in March and September to increases in the CPI. Adult pension rates (e.g. Age Pension and Disability Support Pension) are indexed in March and September to the higher of the six month growth in CPI and the six month growth in the Pensioner and Beneficiary Living Cost Index (PBLCI), then benchmarked to Male Total Average Weekly Earnings (MTAWE).

On 20 September 2022, over 4.7 million pension and allowance recipients received an increase in their payments. Due to the large rise in the CPI in the six months to June 2022, the JobSeeker Payment base maximum rate for single recipients without children increased by \$25.70 to \$677.20 a fortnight (including Energy Supplement). Similarly, for a single person receiving the Age Pension, Disability Support Pension, or Carer Payment, their rate increased by \$38.90 to \$1,026.50 a fortnight (Including Pension Supplement and Energy Supplement).

On 1 January, over one million students, youth and carers also received an indexation increase to their payment based on an increase in CPI growth of 6.1 per cent over the 12 month period between June 2021 and June 2022. Depending on age and living arrangements, Youth Allowance and Austudy recipients saw an increase of between \$19.10 to \$41.40 per fortnight. Depending on age and living arrangements, Youth Disability Support Pension recipients saw increases between \$27.40 and \$40.70 per fortnight (including Youth Disability Supplement, Energy Supplement, and Pharmaceutical Allowance). Carer Allowance recipients saw an increase of \$8.30 a fortnight from \$136.50 to \$144.80 per fortnight.

4.1.3 Other support offered by Services Australia

In addition to administering income support payments, Services Australia delivers a range of services and supports to those experiencing financial hardship or require assistance in addition to social security payments. These include:

- Providing access to specialist referrals, such as the Financial Information Service.
- Facilitating access to money management services to assist customers to manage their payments. For example, through Centrepay, the Rent Deduction Scheme or payments to third parties, such as nominees
- Providing flexibility for debt repayments or suspension of debt recovery for a short period of time

- Considering vulnerable circumstances when completing job seeker compliance activities. For example, the agency assesses the capability of a job seeker experiencing vulnerability to meet their mutual obligation requirements prior to entering the penalty zone of the Targeted Compliance Framework, or when considering a financial penalty
- Facilitating the urgent payment of part of a customer's entitlement where the customer is experiencing severe financial hardship due to exceptional and unforeseen circumstances
- Providing an advanced payment where a customer can apply to get part of their income support payment or Family Tax Benefit (Part A) early
- Providing a hardship advance to assist people who are in severe financial hardship at new claim or restoration of payment, including those released from prison or psychiatric confinement
- Providing weekly payment to help financially vulnerable customers such as those who are homeless or at risk, experience gambling or substance misuse, have limited literacy and numeracy skills, or are experiencing a traumatic relationship breakdown
- Administering the Medication Program for Homeless People to support access to scripts for homeless customers.

4.2 Programs to address housing & homelessness

Homelessness is an important issue that affects many Australians. The availability of safe, accessible and affordable housing and trauma-informed wrap-around services is critical for addressing homelessness, as well as gender equality. Various economic and social factors such as the gender pay gap and family and domestic violence mean that women in Australia are at increased risk of housing insecurity.

The Government will support the delivery of 40,000 new social and affordable homes and has committed to implementing a number of initiatives to help Australian households more easily access safe and affordable housing. These initiatives include:

- The **Regional First Home Buyer Guarantee** brought forward by three months to commence on 1 October 2022 provides support for eligible first home buyers in regional areas to buy a home with a deposit of as little as 5 per cent without paying Lenders Mortgage Insurance
- The expansion of the remit of the **National Housing Infrastructure Facility** to more flexibly deploy up to \$575 million to accelerate the supply of social and affordable housing
- A **Housing Accord** (the Accord), announced in the 2022-23 Budget, bringing states and territories, the Australian Local Government Association, and representatives from the superannuation and construction sectors together to unlock quality, affordable housing supply over the medium term. Under the Accord, the Australian Government will provide \$350 million over 5 years, with ongoing availability payments over the longer term, to deliver an additional 10,000 affordable dwellings. States and territories will also support up to an additional 10,000 affordable homes, increasing the dwellings that can be delivered under the Accord up to 20,000
- The **Housing Australia Future Fund**, which will help support 30,000 new social and affordable housing properties in its first five years, and create thousands of jobs

- The **Help to Buy** shared equity scheme, which will provide eligible Australians support to buy a home with a smaller deposit and smaller mortgage
- A **National Housing Supply and Affordability Council** to independently advise the Government on housing policy. It will be responsible for delivering advice on options to improve housing supply and affordability, reporting on key issues in housing policy, and promoting the regular collection and publication of data on housing supply, demand and affordability
- A **National Housing and Homelessness Plan** to establish a clear national strategy to address the significant challenges facing the housing and homelessness sector.

4.2.1 Housing Policy Partnership

The Government is supporting specific actions under the National Agreement on Closing the Gap aimed at improving housing in Aboriginal and Torres Strait Islander communities. These actions include establishing a Housing Policy Partnership, which was endorsed by the Joint Council on Closing the Gap in late 2022. The Housing Policy Partnership will create a forum for shared decision-making between Aboriginal and Torres Strait Islander people and governments.

4.2.2 National Housing and Homelessness Agreement

In 2022-23, the Government expects to spend around \$1.6 billion through the *National Housing and Homelessness Agreement* (NHHA) to support state and territory governments (states) to deliver housing and homelessness services and programs.

This includes around \$135.2 million for homelessness services, with State and Territory government required to at least match this funding. Under the NHHA, states are responsible for determining priorities and the type and locations of homelessness services funded.

4.2.3 Housing support for First Nations peoples

The Government is investing \$100 million for urgent work on housing and essential infrastructure on Northern Territory homelands, and \$200 million of the allocated Housing Australia Future Fund disbursements for the repair, maintenance and improvements of housing in remote Indigenous communities. The Housing Policy Partnership will be established in early 2023, between all Australian Governments and Aboriginal and Torres Strait Islander representatives selected by the Coalition of Peaks, to identify opportunities to work more effectively across governments, reduce gaps and duplication, and improve outcomes under Closing the Gap for First Nations peoples.

4.2.4 Providing Safe Places to vulnerable people

Family and domestic violence is the most common reason women and children leave their home. In 2021-22, 39 per cent of all clients who presented to a specialist homelessness service had experienced family and domestic violence.

The Government is investing \$172.6 million in emergency accommodation through the *Safe Places Emergency Accommodation (Safe Places) Program*, which provides capital works grants to support the renovation, building or purchase of new crisis or

emergency accommodation places for women and children leaving family and domestic violence.

Through the 2022-23 October Budget, the Government confirmed \$100 million in funding to continue the Safe Places Program for women and children leaving family and domestic violence.

4.2.5 Reconnect program

The Government is providing up to \$124 million over five years (to 30 June 2023) to deliver the *Reconnect program*. Reconnect is a community based early intervention and prevention program for young people aged 12 to 18 years (or 12 to 21 years in the case of newly arrived youth) who are homeless, or at risk of homelessness, and their families. The program aims to prevent homelessness by intervening early with families and young people to stabilise and improve their level of engagement with family, education, training, employment and their community.

4.3 Education and skills

Education is a key tool available to address poverty and disadvantage. It provides broad benefits to society as a driver of economic prosperity and labour market outcomes. Education drives long-run productivity growth and directly supports parents' workforce participation. Education is also a mitigating factor against poverty in the face of unemployment during economic downturns where those most vulnerable are most at risk.

Early childhood education and care (ECEC), schooling and further education establish the foundational skills and knowledge to support pathways into work and further study. Collectively, the education system serves as the pipeline into the future workforce, and there are significant benefits for future generations as parental education is strongly correlated with the educational performance of their children.

A strong early childhood education system built around early learning gives children the best start in life—supporting them to build social and behavioural skills to help prepare them to transition to school. The economic cost-benefit return of investing in early learning and care is strong. High-quality early childhood programs promote healthy development that generates savings by obviating the need for more expensive interventions later in a child's life.

4.3.1 Cheaper Child Care

The Government supports families to access ECEC through the Child Care Subsidy (CCS). The CCS is targeted to ensure more financial support is available to the families who need it most to access care. The expenditure on CCS for the 2021-22 financial year was around \$9.8 billion.

From July 2023, the Government will lift the maximum CCS percentage to 90 per cent for families earning under \$80,000 for their first child in care and increase CCS percentages for every family earning less than \$530,000. The Government will also retain the increased rates of subsidy for families with two or more children in ECEC.

This will make ECEC more affordable for around 96 per cent of Australian families using ECEC – around 1.26 million families. The Government legislated these changes on 29 November 2022 which also included changes to the CCS activity test to increase subsidised ECEC to a minimum of 36 subsidised hours of ECEC per fortnight for families with First Nations children.

Children from disadvantaged backgrounds benefit most from quality early learning and ECEC, and access to affordable ECEC is an important mechanism to increase families' engagement with the workforce. The Child Care Safety Net supports low-income families (\$80,000 or less from July 2023) who do not meet the activity test, by providing 24 hours per fortnight of subsidised care, at the highest CCS rate (90 per cent from July 2023). Income support payment recipients with a mutual obligation requirement also have an automatic entitlement to 36 hours of subsidised care per fortnight.

Disadvantaged and vulnerable families may also qualify for Additional Child Care Subsidy (ACCS). ACCS provides additional fee assistance for families and children facing barriers in accessing affordable ECEC:

- ACCS (child wellbeing) aids families who require practical help to support their children's safety and wellbeing, including where formal foster care arrangements are in place
- Individuals who are grandparents and are principal carers of their grandchildren, may be eligible for ACCS (grandparent)
- ACCS (temporary financial hardship) provides short-term additional ECEC fee assistance to families who are experiencing significant financial stress to ensure continuity of care
- Time-limited support is also provided to families who are transitioning to work from income support by engaging in work, study or training activities for at least eight hours a fortnight under the ACCS (transition to work) payment.

See Section 4.6.1 for additional supports for families.

4.3.2 Early Years Strategy

The Government is developing an Early Years Strategy to create an integrated, holistic, whole-of-Government approach to the early years for all children. The Early Years Strategy will improve coordination between Government programs, funding and frameworks impacting early childhood development. It will aim to maximise the outcomes of the Government's investment in the critical early years, which can have long-term impacts on reducing disadvantages in later life.

The development of the Early Years Strategy will include broad consultation with stakeholders throughout this process, to make sure the needs of children and families—including those who experience poverty and disadvantage—are at the centre of the Government's early childhood policy.

The consultation process to help shape the Early Years Strategy commenced in January 2023, and the Government will host a National Early Years Summit in February 2023. The Summit will bring together a range of stakeholders across the early years sector, including industry experts, sector leaders, and the voices of families, to start a national conversation on key early years issues and identify

opportunities to strengthen how the Government supports young children and their families.

4.3.3 New Youth Engagement Model

The Australian Government has committed \$10.5 million over four years to establish a new Youth Engagement Model to provide Australia's young people with strong and formalised engagement in government and policy making.

The new Youth Engagement Model will provide the Government with a framework to directly engage with young people and enable them to contribute to policy development on important issues such as barriers to education and training, underemployment and rent and housing affordability, and strategies to provide young people with a channel for direct communication with government. The model includes:

- An Office for Youth
- Five youth advisory groups to work directly with Government agencies on policy and program development
- The development of a Youth Engagement Strategy to be delivered in 2024
- On-going funding for the Australian Youth Affairs Coalition to support its critical role in youth advocacy, engagement and research.

Under the direction of the Minister for Youth and Office for Youth, the model will facilitate a holistic response across portfolios on issues affecting young people in Australia. The model will be driven by the Youth Steering Committee, established in November 2022.

The steering committee will ensure that the valuable experiences and contributions of young people feed into the improvement and harmonisation of youth policy across the Government. The steering committee will be complemented by five youth advisory groups. Each advisory group will be linked with a participating agency to support the development or implementation of a policy or program that affects young people. These groups will embed genuine and consistent engagement in the development or implementation of policies and programs targeted at young people to heighten the success of Australian Government policy.

4.3.4 Fee-Free TAFE

The \$1 billion 12-month Skills Agreement, known as Fee-Free TAFE, will deliver 180,000 Fee-Free TAFE places from January 2023. In October 2022, a joint commitment was reached with all Skills Ministers to finalise the Agreement, jointly funded with States and Territories, to support priority groups with training opportunities, increasing workforce participation and addressing skills gaps in the economy. Priority groups include First Nations Australians, young people (17-24), people out of work or receiving income support, unpaid carers, women facing economic insecurity, women undertaking study in non-traditional fields, people with a disability and certain categories of visa holders. The Government is committed to a further 300,000 fee-free TAFE and vocational education places to be delivered from 2024.

4.3.5 The Universities Accord

Supporting greater access to higher education for students from underrepresented backgrounds is a key priority of the Australian Universities Accord. The Accord is a review of Australia's higher education system, led by a panel who will deliver recommendations to the Australian Government by December 2023. This will include recommendations for new targets and reforms to improve higher education outcomes for students from underrepresented backgrounds across the student lifecycle, including participation, success and attainment.

4.3.6 Other initiatives for underrepresented cohorts

Programs and other initiatives to support students from underrepresented backgrounds to access and succeed in higher education include:

- The National Centre for Student Equity in Higher Education, which has been established as part of the Government's efforts to improve higher education outcomes including access, participation, retention, success, and attainment rates, as well as rates of transition to meaningful employment or further study for people from marginalised and disadvantaged backgrounds
- Targeted funding through the Higher Education Participation and Partnerships Program (HEPPP) and the Disability Support Program (DSP)
 - The HEPPP funds universities to deliver strategies and initiatives to support students from low SES backgrounds, regional and remote areas, and First Nations students to aspire to, access and succeed at university
 - The DSP provides funding to universities to support students with disability to access and succeed at university, including providing partial reimbursement for equipment and education support costs.
- Funding to support students with the costs of accessing higher education, including the Tertiary Access Payment. The Tertiary Access Payment is a non-indexed, means-tested payment of up to \$5,000 to eligible school-leavers who relocate from a regional or remote area to access higher level tertiary education (Certificate IV and above).

4.4 Employment

People who are not employed are more likely to be defined as living in poverty. Moreover, people who are unemployed for a longer period are less likely to return to work in any given month, find it harder to stay in work, and have lower earnings in the future, increasing the chance of living in poverty.¹⁵ Non-vocational barriers, such as domestic and family violence, inability to access housing or becoming homeless, can also lead to poverty by impacting an individual's ability to gain and remain in secure employment.

Poverty can also make it difficult to obtain secure and long-term employment. In particular, an inability to afford ECEC, travel, health and dental services, and appropriate clothing can negatively impact an individual's capacity to gain and sustain employment.¹⁶ The Productivity Commission's 2018 analysis of inequality in Australia

¹⁵ Productivity Commission (PC), *Rising inequality? A stocktake of the evidence*, Commission Research Paper, Canberra, 2018, p 5.

¹⁶ PC, *Rising inequality?*, p 128.

found that 56 per cent of respondents who moved out of income poverty between 2001 and 2016 later fell back into poverty due to a lack of education/skills, irregular work history and disrupted professional networks.¹⁷ Poverty thus negatively impacts individuals' ability to achieve sustainable employment outcomes.

4.4.1 Industrial relations reform

The Australian Government has passed the Fair Work Legislation Amendment (Secure Jobs, Better Pay) Act 2022. This legislation amends the Fair Work Act to embed the principles of job security and gender equality in the Fair Work Commission's decision-making processes, including when setting award terms and conditions. The Commission must also consider gender equality when setting minimum wages. These amendments ensure gender equality and job security are given appropriate weight alongside other objectives, such as productivity and economic growth, throughout the workplace relations framework, and will contribute to closing the gender pay gap. The Government has also strengthened the Fair Work Commission's ability to order pay increases for workers in low-paid, female-dominated industries.

4.4.2 Workforce Australia

Employment services support is targeted towards those who face greater labour market disadvantage. Workforce Australia operates in urban and regional parts of Australia and the Community Development Program operates in remote regions.

The Job Seeker Classification Instrument (JSCI) is a statistical tool used in Workforce Australia to identify a participant's risk of becoming or remaining on income support long-term. It does this by providing an objective measure of the participant's relative labour market disadvantage based on their individual circumstances. The JSCI is used to determine a participant's eligibility for Workforce Australia Online or Workforce Australia Services, and if they may require further assistance or assessment via an Employment Services Assessment (ESAt), if they disclose multiple or complex barriers to employment. Note that an ESAt is a comprehensive assessment undertaken by Health or Allied Health Professionals, in Services Australia, to determine an individual's ability to work and their work capacity.

Within Workforce Australia Provider Services, providers are offered greater incentives for supporting participants who have high JSCI scores (high level of labour market disadvantage), and participants who are long-term income support recipients. For example, providers are offered higher payments for achieving job placements for these individuals. There are also a range of supports available in Workforce Australia Provider Services, such as wage subsidies, recognising that some participants require additional assistance to remove barriers to employment.

4.4.3 Community Development Program

The Commonwealth is committed to a new pathway for employment in remote communities and will replace the Community Development Program (CDP) with a new program with real jobs, proper wages and decent conditions – developed in partnership with First Nations people.

¹⁷ PC, *Rising inequality?*, p 123.

The Commonwealth is moving deliberately and in a staged way towards a new program. To support the real jobs agenda, a New Jobs Program Trial was announced as part of the 2022-23 October Budget. The New Jobs Program Trial will provide grant funding at the minimum wage rate, plus superannuation and other conditions, to subsidise wages for up to 200 CDP participants to work in community jobs. The New Jobs Program Trial will allow a broader range of organisations to test approaches to inform the new program that will replace CDP.

A next step towards the Government's real jobs agenda is to vary and extend most current CDP provider agreements to October 2024, based on providers' ability and willingness to trial innovative approaches, capture learnings and further strengthen community led approaches. Providers will be given flexibility and expected to engage directly with remote communities to develop and trial new approaches to supporting participants into real jobs that are driven by local community priorities.

4.4.4 Employment Fund

The Employment Fund is a flexible pool of funds available in Workforce Australia to help participants with costs and services associated with finding employment. Under Workforce Australia Services, the Employment Fund can be used to fund items including wage subsidies, training courses, driving lessons, professional services and/or access to accredited interpreters as well as to purchase work-related items for participants. It can also be used to assist participants to remove the non-vocational challenges in finding and keeping a job, such as out-of-pocket medical and health related expenses, crisis accommodation and reimbursement of food purchases. Workforce Australia Online participants have access to a streamlined Workforce Australia Online Employment Fund, which helps participants with some costs associated with finding employment.

4.5 Place-based approaches for combating disadvantage

4.5.1 Families and Children (FaC) Activity

The Department of Social Services delivers a range of services and infrastructure under the Families and Children (FaC) Activity to support families to improve the wellbeing of children and young people, enhance family and community functioning, and increase the participation of people who experience poverty in community life.

At the core of a number of FaC Activity programs is a focus on improving wellbeing and addressing the impacts of disadvantage and multiple vulnerabilities through early intervention and prevention. These programs include: Children and Parenting Support, Communities for Children Facilitating Partner, Family Mental Health Support Services, Family and Relationship Services and Reconnect are early intervention programs.

FaC Activity programs are often located in areas of socioeconomic disadvantage and aim to address multiple vulnerabilities experienced by families in these communities. These programs aim to support families early in the cycle of issues arising to prevent them from escalating or entrenching, so families are able to embrace and get the most out of opportunities in life. In 2022-23, the Australian Government will invest more than \$420 million, including \$340 million in parenting and early childhood intervention and prevention programs.

4.5.2 Stronger Places, Stronger People

Available evidence suggests that multi-faceted interventions, such as place-based approaches, are required to address the multiple and intersecting causes of poverty and disadvantage. Addressing these issues collaboratively and with targeted investments through initiatives such as Stronger Places, Stronger People (SPSP) has the potential to contribute to meaningful positive change in these communities.

The SPSP initiative seeks to respond to the complex and interconnected problems facing people living in communities where disadvantage is concentrated, to help build enduring positive impacts for children and their families. It does this through a place-based, community-led, collective impact model that combines locally-led social change with government-led policy reform.

A *Place-based approach* is a collaborative, flexible response to local disadvantage in which the community is the primary driver of change, and where data and evidence are used to guide practice and innovation.

The goal is long term, large scale change and the development of the approach is shared between the community, governments and other stakeholders, and recognises the value of local knowledge and the primacy of social relationships.

In summary, the approach recognises:

- Place is important in shaping people's lives
- Disadvantage in Australia is clustered in certain geographic regions
- Disadvantage can take many different forms
- Place based approaches are most appropriate when addressing complicated or complex social disadvantage
- Place based approaches involve the community as active participants
- Community readiness to tackle their own issues is critical.

An effective place based response to address disadvantage should:

- Enable the system to come together around place
- Involve flexible methodology for identifying locational disadvantage
- Prepare an evaluation methodology and method of attribution to better measure effectiveness of place-based approaches
- Create greater synergy and leverage between DSS payments and programs in places
- Include an appropriate departmental authorizing environment
- Note that sudden critical events (such as closure of key industries and bushfires) may form the catalyst for a community change process.

SPSP is delivered through collaboration, co-investment and shared accountability and decision-making with State and Territory Governments, philanthropy, corporates, academics, social service sectors and, most importantly, with local communities. SPSP supports ten communities that have markers of disadvantage combined with a degree of community readiness to lead long-term social change.

The Government is investing up to \$35 million over five years from 2019-20, with significant investment from state and territory governments and in some cases philanthropic organisations. An Early Evidence of Impact report, published in November 2022, documents results shifting poverty from community-led place-based approaches supported by SPSP. An evaluation of SPSP is currently underway, with the final report expected at the end of 2023.

4.5.3 National Centre for Place-Based Collaboration

The Government is undertaking foundational work to inform the establishment of a National Centre for Place-Based Collaboration. The National Centre will explore and enhance community-led solutions to address social complex problems and entrenched disadvantage. Some potential functions identified for a National Centre include:

- Facilitate more holistic approaches to complex problem solving at the community level
- Building long-term expertise and sharing approaches at the local leadership and community level
- Undertaking cross-cutting reforms in data, evaluation and research
- Attract and coordinate philanthropic investment to support emerging community leaders through sponsorship, scholarship, job placements and other development activities.

The National Centre is expected to be operational by early 2025 with the foundational work commencing in January 2023.

4.5.4 Connected Beginnings

Connected Beginnings is a \$27 million per year collective impact initiative funded by the Department of Education currently supporting 11,400 First Nations children aged 0-5 in 34 communities across Australia to increase children and families' engagement with health and early childhood education and care to ensure children are ready to thrive at school.

The program is supporting the best possible outcomes for children in the early years, and ensuring all children, especially children experiencing vulnerability or disadvantage, start school developmentally on track. The program is funded jointly by the Department of Health and Aged Care in most sites.

4.5.5 Supporting financial wellbeing and capability

Support is available through the Financial Wellbeing and Capability (FWC) program for eligible individuals and families to navigate financial crisis, build financial wellbeing, capability, and resilience for people experiencing or at risk of financial and social exclusion and disadvantage.

FWC activities include crisis support, financial capability building services, financial counselling and access to microfinance and microenterprise products. These supports are focused on assisting individuals to get back on track and build their financial resilience for the future. Since April 2020, an additional \$202.2 million has been allocated to boost FWC services, including Emergency Relief, Financial Relief,

Financial Counselling, and Financial Resilience services, in response to major economic challenges.

The Government has extended the funding for FWC activity for a further 2 years until 30 June 2025. The 2-year extension will provide funding certainty and stability to around 250 individual community organisation managing a combined total of 311 grants delivering these critical supports to vulnerable people across Australia.

Emergency and food relief

The Government is providing approximately \$50 million a year in base funding for Emergency Relief (ER) nationally. ER services are delivered by community organisations and help people, including people experiencing homelessness, to address immediate basic needs in times of crisis. The type of assistance offered by ER providers may include food, clothing, vouchers, and part-payment of utility bills, budgeting assistance, and referral to other services. Access to ER is free and there are no citizenship or residency requirements to access ER.

The circumstances in which people may seek ER support are varied and may include escaping family and domestic violence, loss of employment, a reduction in work hours, an unexpected urgent bill (for example, car repairs), and the immediate economic impacts of a natural disasters, among other factors. Emergency and Food Relief services support around 450,000 people each year.

Government is investing approximately \$1.4 million a year in base funding for Food Relief (FR) nationally. The three FR providers, Foodbank Australia, SecondBite and OzHarvest, are funded by Commonwealth to increase ER providers' access to a cost effective supply of food items.

Financial support

Additionally, over \$44 million is committed annually for financial counselling services through the Commonwealth Financial Counselling activity, the National Debt Helpline and Money Support Hubs. Specialist financial counselling services are also funded for problem of gambling. Access is free and confidential. In 2021-22, Commonwealth funded financial counselling services supported over 50,000 Individuals.

Support is also available for individuals to increase their financial literacy and access no interest loans, including for women affected by family and domestic violence, as an alternative to buy now pay later products, with around \$20 million committed annually in base funding for financial resilience activities.

4.5.6 Supporting digital inclusion

Digital inclusion is about ensuring all Australians can access information and communication technology and benefit from the economic and social opportunities it provides. People with low levels of income, education and employment, along with older Australians, people with a disability, remote, Indigenous communities and people in regional areas are more likely to be digitally excluded. The consequences of digital exclusion for these Australians includes lost opportunities and restricted options for social connection, education, participation and employment, particularly as government, health and education services shift entirely or partially to automated, online delivery methods.

To increase digital inclusion and close the digital divide, removing obstacles to accessibility and affordability remains essential. The Australian Digital Inclusion Index (2021) indicates that for families in the lowest income quantile (<\$33,800) 67 per cent would have to pay more than 10 per cent of their income to gain quality reliable connectivity.

Closing the Gap on digital inclusion is critical to First Nations people enjoying the economic and social opportunities of being online and using digital technologies. Working with First Nations communities, industry and state and territory governments, the Australian Government delivers programs towards achieving digital inclusion of First Nations communities and progressing the Access to Information target (Target 17) in the National Agreement on Closing the Gap.

The Australian Government has committed a total of \$84.8 million to the *Be Connected program* from 2016-17 to 2023-24 to support Australians aged 50 years and over to increase their confidence, skills and safety in using digital technology. Older Australians are able to access digital devices through the program and learn the basics of technology and getting online.

The Government has also committed to investing \$19.7 million over three years to June 2025 to support maintenance of telecommunications infrastructure in around 450 remote First Nations communities in Western Australia, South Australia, Queensland and the Northern Territory. This includes investment of \$7.4 million in upgrades to the Remote Indigenous Communities Telecommunications Program.

4.6 Government support for specific cohorts

4.6.1 Programs for families

Family Tax Benefit

Family Tax Benefit (FTB) is designed to help Australian families with the costs of raising dependent children. FTB consists of two parts — Part A and Part B. Both FTB Part A and Part B are subject to eligibility requirements and are targeted through income testing to ensure that payments help provide an adequate level of support, particularly for children in low income families.

FTB Part A is paid for each dependent child. The amount of FTB Part A payable is based on a family's income for a year and the number and ages of the children. FTB Part B is a per family payment that provides extra assistance to single parent families, non-parent carers and some couple families with one main income earner. The amount of FTB Part B payable is based on a family's adjusted taxable income for a year and the age of the youngest eligible child. Single carers automatically receive the maximum rate of FTB Part B provided they meet income testing requirements.

The expenditure on FTB for the 2021-22 financial year was around \$12.3 billion for FTB Part A and \$3.4 billion for FTB Part B.

Child Support

Australia's Child Support scheme was introduced in 1988-89 to address concerns that many children of separated parents were living in poverty. There were concerns that the existing judicial-based system was not providing adequate support for children due

to maintenance orders that were not reflective of the financial capacity of parents. There were also limited enforcement options available if a parent did not pay their liability.

In response to these concerns, the Child Support (Registration and Collection) Act 1988 and the Child Support (Assessment) Act 1989 were introduced to provide for the administrative assessment, registration, collection and disbursement of child support. The principles underpinning the current scheme include that parents have the primary duty to support their children in accordance with their financial capacities, and that periodic child support liabilities should be paid in a regular and timely manner.

Following the report of the 2004 Ministerial Taskforce on Child Support, a new administrative child support formula was introduced in 2008. The formula includes the Costs of the Children Table, which calculates the costs of children using the income of both parents, and the age and number of children in the case. The formula apportions these costs between the parents based on each parent's share of the income available, and the costs each parent incurs through care of the children.

In the 2021-22 financial year (as at June 2022), the Child Support scheme supported 1.34 million parents/carers with 1.1 million children. The Child Support scheme assessed and transferred \$3.71 billion in child support. Around 50 per cent of child support cases are agency collect (Services Australia collect child support from the paying parent and pay it to the receiving parent), and 50 per cent of cases were privately managed. Since the Child Support scheme was introduced in 1988, around 95 per cent of all child support assessed in agency collect cases had been paid, and \$1.69 billion in unpaid child support has accrued.

4.6.2 Programs for people with disability

Australia's Disability Strategy 2021-2031

As set out in Australia's Disability Strategy (the Strategy), governments recognises that adequate income provides increased financial security, economic independence and an appropriate standard of living; giving people more choice and control over their lives, and enabling their participation in community life. The Strategy notes that in 2018 the median gross personal income for people with disability was \$505 per week, less than half that of people without disability (\$1,016 per week). The Australian Institute of Health and Welfare reported differences in the income earned by people with disability¹⁸. For example, of those aged 15 and over who have a source of income:

- 41 per cent of people with disability (aged 15-64 years) have income from wages or salary, compared to 73 per cent of those without disability
- 44 per cent of people with disability receive a government payment, compared to 12 per cent without disability; and almost half of single-parent families, where the parent has disability, have a low income
- Women with disability are less likely than men with disability to receive wages or salary as their main source of income

¹⁸ AIHW, People with disability in Australia, AIHW website, 5 July 2022.

- Women with severe or profound disability are more likely than men with severe or profound disability to receive a government pension or allowance as their main source of income

The desired outcome under the Employment and Financial Security Outcome in the Strategy is for people with disability to have economic security, enabling them to plan for the future and exercise choice and control over their lives. Within this Outcome Area are three Policy Priorities:

- Increase employment of people with disability
- Improve the transition of young people with disability from education to employment
- Strengthen financial independence of people with disability.

Implementation of initiatives to support this Outcome Area are occurring through the Disability Employment Targeted Action Plan (TAP) (2021–2024). The Employment TAP sets out key actions by the Australian and state and territory governments to improve paid employment outcomes for people with disability.

The Government has also developed Employ My Ability – the Disability Employment Strategy, to provide a guiding framework for governments, employers and the broader community to increase employment outcomes for people with disability.

Australia’s Disability Strategy also sets out priorities to improve housing affordability and accessibility for people with disability, to improve health and wellbeing outcomes for people with disability and educational outcomes. The Strategy also recognises that building positive community attitudes towards people with disability is needed to improve employment, health, education and other outcomes for people with disability. These issues are addressed as adjacent Outcome Areas within the Strategy.

Disability Employment Services

Disability Employment Services (DES) help people with disability find work and keep a job. Through DES, people with disability, injury or health condition may be able to receive assistance to prepare for, find and keep a job.

Eligibility for DES is determined through an Employment Services Assessment (ESAt) conducted by Services Australia, which confirms the person’s employment barriers and need for specialist disability employment services. Many people receive employment services through mainstream programs, primarily Workforce Australia.

The DES program gives participants flexibility and choice in the services they receive and how they receive them, with participants able to change providers any time they choose. DES assistance can include career advice, employment preparation, help with job searching and ongoing support at work (if required). Financial assistance can also include workplace modifications and wage subsidies to employers.

The DES program has two parts:

- Disability Management Service – for individuals with disability, injury or health condition who need help with finding a job and occasional support in the workplace to keep a job
- Employment Support Service – for individuals with permanent disability who need help to find a job and who need regular, ongoing support in the workplace to keep a job.

DES Providers are a mix of large, medium and small for-profit and not-for-profit organisations experienced in supporting people with disability, as well as providing assistance to employers to support employees with disability in the workplace.

First Nations people with Disability

The Closing the Gap Disability Sector Strengthening Plan (Disability SSP) is a three-year plan the Department of Social Services co-designed in partnership with First Peoples Disability Network, the national peak for First Nations people with disability.

The Disability SPP is a key commitment under Priority Reform 2 of the National Agreement on Closing the Gap and aligns closely with Australia's Disability Strategy 2021-2031. The Disability SSP was agreed in-principle by the Commonwealth and all jurisdictions and publicly announced on 26 August 2022.

The Disability SSP identifies poverty and the need to prioritise basic needs as one of the most significant challenges faced by First Nations people with disability and the community-controlled service system. It further acknowledges that prioritising basic needs, such as housing, food security and water security, can lead to deprioritising disability as a focus area. This is particularly true for those living in remote and very remote areas, though it can also apply in other settings.

4.6.3 Programs for Individuals

National Plan to End Violence against Women and Children 2022-32

The National Plan to End Violence against Women and Children 2022-32 (National Plan) is the Government's overarching national policy framework that will guide actions towards ending violence against women and children over the next 10 years. It highlights how all parts of society, including governments, businesses and workplaces, media, schools and educational institutions, the family, domestic and sexual violence sector, communities and all individuals, must work together to achieve the shared vision of ending gender-based violence in one generation. Importantly, the National Plan commits to ongoing engagement with victim-survivors in the development of policies and solutions.

The National Plan recognises the interplay between family, domestic and sexual violence, and poverty. According to Our Watch's Change the story, poverty can often be a reinforcing factor of violence against women. The National Plan acknowledges that class discrimination and poverty compromise the health and safety of women and children. These affect the prevalence, dynamics and severity of violence against women. Not only do these systemic and structural intersections affect women's experiences of violence, both as individuals and as groups, but they also have an impact on how gender and gender inequality are constructed and experienced. They

can also limit or undermine the consequences perpetrators face for choosing to use violence.¹⁹

Poverty can also be an outcome of violence against women. In addition to the safety implications, women face multiple and systemic barriers when leaving a violent relationship, which can lead to homelessness and loss of employment, income and assets, among other impacts.²⁰ The National Plan also acknowledges that for some women, including women on temporary visas, barriers to accessing support services can increase their exposure to violence and poverty.²¹ The National Plan emphasises the need for strategies to address these barriers that support women and children to continue to access opportunities, employment and housing when experiencing and leaving violence. Actions to implement the National Plan, including actions to strengthen women's economic security, will be outlined in two supporting five-year Action Plans and a dedicated Aboriginal and Torres Strait Islander Action Plan.

For some women and children in Australia on temporary visas, the inability to access services can increase their exposure to violence and poverty, minority status, and disrupt their family and community support systems. They often face specific and compounding barriers to seeking support these include; risk, fear and threats of deportation, limited social networks and lack of understanding of their rights.

The Escaping Violence Payment

The Escaping Violence Payment (the EVP) is a two-year trial, delivered nationally by the UnitingCare Network, which supports eligible individuals experiencing intimate partner violence to establish a home free from violence.

The EVP provides victim-survivors with individualised financial assistance packages of up to \$5,000, including up to \$1,500 in cash or cash equivalents and the remaining funds provided in goods, services and supports such as counselling, paying school fees, whitegoods or furniture.

To be eligible for the EVP, individuals must be an Australian Citizen or permanent resident, aged 18 years or older, experiencing financial stress and be the victim of intimate partner violence that has resulted in a changed living arrangement.

While women are disproportionately affected by family and domestic violence, the EVP is available to all victim-survivors regardless of gender or identity.

Keeping Women Safe in their Homes

Through the Keeping Women Safe in their Homes (KWSITH) initiative, the Government funds state and territory governments and select non-government providers to deliver services to improve the safety of women and their children who have experienced family and domestic violence.

¹⁹ Our Watch, *Change the story: a shared framework for the primary prevention of violence against women in Australia*, 2nd edn, Our Watch, Melbourne, 2021, p 51.

²⁰ AIHW, 'Family, domestic and sexual violence in Australia: continuing the national story', 2019, AIHW, doi:10.25816/5ebcc837fa7ea, p 102.

²¹ H Tappis, J Freeman, N Glass and S Doocy, 'Effectiveness of interventions, programs and strategies for gender-based violence prevention in refugee populations: an integrative review', *PLOS Currents Disasters*, 2016, doi:10.1371/currents.dis.3a465b66f9327676d61eb8120eaa5499.

The KWSITH initiative supports women and their children to stay in their own home, or a home of their choice, where it is safe and appropriate to do so through a range of safety responses such as risk assessments, safety planning, home security audits and upgrades, technology upgrades and case management.

The Australian Government has provided \$34.8 million to KWSITH over 2015-16 to 2021-22. Since the program's inception, through to 31 December 2021, it has delivered services to approximately 16,000 women and their children.

Culturally and Linguistically Diverse (CALD) Prevention Programs

The Government has funded 13 Community-led Prevention activities to support innovative and community-led primary prevention activities for particular cohorts, groups or communities that challenge the underlying social, economic and political conditions, as well as historical and cultural factors that allow violence-supportive attitudes and behaviours to thrive. Additionally, there are select activities funded under Culturally and Linguistically Diverse Prevention Programs aimed at improving financial literacy, addressing the financial dependence created by gendered roles in a cross-cultural context and providing food and care packages to women and children.

4.7 Recent policy development processes

4.7.1 Jobs and Skills Summit

In September 2022, the Government convened the national Jobs and Skills Summit (the Summit). The Summit brought Australians together to work constructively on the challenges and opportunities facing the Australian labour market and economy. Attendees included representatives from government, business, academia, social services organisations and unions, with the objective of working constructively on the challenges and opportunities facing the Australian labour market and economy.

As a result of the consensus reached at the Summit, immediate actions are being taken to build a bigger, better trained, and more productive workforce – to help deliver secure jobs with growing wages, boost incomes and living standards and create more opportunities for more Australians. The Summit has also laid out priorities for further work and future action.

Seeking to address disadvantage and promote inclusion, at this Summit the government announced new policies, making it easier for pensioners to work more hours without losing their pension, improvements to employment services that better support people with disability to find employment and providing stronger access to flexible working arrangements and unpaid parental leave so families can share work and caring responsibilities.

4.7.2 Employment White Paper

Following the Summit, the Government is preparing an Employment White Paper (the White Paper) to provide a roadmap for Australia to build a bigger, better-trained and more productive workforce – to boost incomes and living standards and create more opportunities for more Australians. The White Paper will have an overarching focus on full employment and productivity growth for the benefit of all Australians, along with women's economic participation and equality. It will explore issues, frameworks and

policy approaches relevant to the future of Australia's labour market over the medium and long term and will consider a diverse range of perspectives from across Australia.

A final report is expected to be delivered in September 2023.

4.7.3 Women's Economic Equality Taskforce

In September 2022 the Government established the independent Women's Economic Equality Taskforce (the Taskforce) to advise the Government to support the advancement of women's economic equality and ensure women are at the centre of policy and decision making. In line with the Government's vision for equality of opportunity for all women, the Taskforce will provide advice on a range of issues related to women's economic equality, including workforce participation, gender segregation, the gender pay gap, and gender equality.

As part of its priority focus on driving women's economic equality as an economic imperative, the Taskforce will provide strategic advice on key issues arising from the Jobs and Skills Summit, including via the Employment White Paper and will have a leading contribution to the development of the National Strategy to Achieve Gender Equality. The Taskforce will give a particular focus to women with intersecting needs, women experiencing disadvantage and women from traditionally marginalised and diverse backgrounds.

4.7.4 Measuring What Matters

The Government is committed to measuring what matters to improve the lives of all Australians. Traditional macroeconomic indicators provide important insights, but not a complete or holistic view of the community's wellbeing. A range of social and environmental factors need to be considered alongside economic measures to broaden the conversation about quality of life.

Statement 4 in the 2022-23 October Budget started the conversation on how to measure what matters to Australians. It considered international progress with measuring progress, wellbeing framework and indicators. It also assessed Australia's performance against the OECD's Progress and Wellbeing framework headline indicators.

In 2023, the Government will release a new stand-alone Measuring What Matters Statement, which will draw on the work of the OECD and input from stakeholders and be tailored to the Australian context. This will be an important next step in facilitating a more informed and inclusive policy dialogue on how to improve the quality of life of all Australians.

4.7.5 Economic Inclusion Advisory Committee

On 27 November 2022, the Government committed to establishing an Economic Inclusion Advisory Committee (the Committee) to provide non-binding advice to the Government on economic inclusion, including policy settings, systems and structures, and the adequacy, effectiveness and sustainability of income support payments ahead of every Budget.

The Committee will look at options to reduce barriers and disincentives to work, including in relation to social security and employment services. Further, it will explore options for tailored responses to address barriers to economic inclusion for long-term unemployed and disadvantaged groups, including place-based approaches at the local level.

The Government appointed an interim Committee in December 2022, comprising leading economists, academics, philanthropists, community advocates, union and business representatives. Regular meetings will be held at least every quarter with the high-level findings of the Committee to be publicly released at least two weeks prior to the Budget being handed down. Legislation will be brought forward in 2023 to permanently establish the Committee.

4.7.6 National Strategy to Achieve Gender Equality

The Government is developing a National Strategy to Achieve Gender Equality (the Strategy) to guide future actions to achieve the Government's goal of Australia being one of the most gender-equal countries in the world. The Strategy will focus on:

- Women's economic security and independence
- Leadership, representation and rights
- Balancing family and care responsibilities
- Health and wellbeing

The Strategy will be delivered by mid-2023. The Strategy will draw from a comprehensive evidence base, and reflect public commentary, recent consultations and submissions to government. It will draw from contemporary research and reports, including those prepared for the Jobs and Skills Summit and resulting Employment White Paper.

5 Activities and Role of Government in Monitoring Poverty

5.1 Government data sources measuring wellbeing

5.1.1 Longitudinal studies

The Government, through the Department of Social Services, funds four longitudinal studies which collect a broad range of social and economic data and can be used to research and inform the issues identified in the inquiry's Terms of Reference.

These studies are:

- Household Income and Labour Dynamics Australia (HILDA), a nationally representative household-based panel study
- Growing Up in Australia: The Longitudinal Study of Australian Children (LSAC) tracking children's development and life course trajectories

- Footprints in Time – The Longitudinal Study of Indigenous Children (LSIC) which follows the development of Indigenous children and their families across urban, regional and remote Australia
- Building a New Life in Australia (BNLA): the Longitudinal Study of Humanitarian Migrants researching how humanitarian migrants settle into life in Australia.

All four studies contain a significant proportion of study participants coming from households with low economic resources. While measuring poverty can be well covered by cross sectional studies, by following participants through the life course, longitudinal studies are able to measure rates of entry and exit to poverty and measure persistence of poverty over time.

It is difficult to research the cause and effect of poverty effectively by taking a narrow focus in a single topic area. For example, housing accessibility and affordability and labour force engagement are closely linked. People whose labour force participation is poor often lack the financial resources to find accommodation of a suitable standard in a suitable location, which in turn further impacts on their capacity to participate in the labour market. Other factors such as poor health and wellbeing, disability and significant life events like family separation also correlate with low labour force engagement and low economic resources. The wide range of longitudinal study content which covers all these themes is ideal for researching the complex circumstances of those in poverty and explore the factors and significant life events that correlate with persons and families entering and exiting poverty.

An increasing body of evidence points to the influence that upbringing and early life experiences have on economic (as well as social) life outcomes. The studies Growing up in Australia and Footprints in Time have now collected many years of data from the same children and youths as they develop from early childhood through to adulthood. With further data collected from study cohorts in the next few years about higher education, employment and income, the impacts of child development on adult poverty will be able to be explored. This can help lead to a future where the right early life policy interventions can make inroads in reducing poverty in future generations.

The Government recently announced \$20.5 million over four years to expand the work of the National Centre for Student Equity in Higher Education at Curtin University. The Centre will support the building and translation to practice of a robust high quality evidence base; strengthen Australia's student equity in higher education translational research quality, capability and capacity; drive institutional best practice and improve on the ground delivery of equity measures; and influence evidence based public policy and program design and implementation.

The Centre will work with the higher education sector to understand and implement the best practice approaches to supporting students from underrepresented groups and facilitate the adoption of these approaches in the sector.

5.1.2 Data Exchange and integrated datasets

The DSS Data Exchange (DEX), and other integrated datasets, can also inform investigations of poverty, wellbeing and disadvantage. The Data Exchange commenced on 1 July 2014 as the Department of Social Services' new approach to program performance reporting. DSS grant funded organisations use DEX to report

on the services provided to their clients and can also be used to capture client outcomes. Over the past few years, DEX has been extended to a number of other Federal and state government agencies and is growing strongly.

The Data Exchange reflects the two-way partnership of information sharing between funding agencies and service providers, which enables both to find smarter and more efficient ways of improving service delivery and understanding the overall outcomes being achieved for individuals, families and their communities.

There is also now a variety of integrated data assets that provide the opportunity to analyse and better understand issues that cross multiple portfolios and data assets. For example, the Multi Agency Data Integration Project (MADIP), is a secure data asset combining information on health, education, government payments, income and taxation, employment, and population demographics (including the Census) over time. The asset provides whole-of-life insights about various population groups in Australia, such as the interactions between their characteristics, use of services like healthcare and education, and outcomes like improved health and employment.

5.1.3 Priority Investment Approach

The Australian Priority Investment Approach (PIA) to Welfare focuses on improving the wellbeing and life outcomes of people at most risk of long-term welfare dependency. PIA is underpinned by a custom-built longitudinal social security dataset and uses actuarial analysis to estimate the future welfare trajectories of the Australian population. It highlights pathways in and out of disadvantage for at-risk groups and enables identification of critical intervention points across the life course.

An important objective of PIA is to address the intergenerational risks of welfare dependency. Insights from PIA are used within the Department of Social Services and across other Commonwealth agencies to identify opportunities for targeted support.

5.1.4 Try, Test and Learn Fund

The Try, Test and Learn (TTL) Fund was announced in the 2016-17 Budget as an initial response to the Australian Priority Investment Approach to Welfare. It seeks to generate new insights and empirical evidence into approaches that are effective at reducing long-term welfare dependence among at-risk groups, with all projects ceasing on or before 30 June 2021. Of the 52 projects funded under TTL Fund, six are currently being funded under the Transition Funding for Successful Try, Test and Learn Projects program, which will run from 2021-22 to 2022-23.

All transition projects were established as one-off time-limited grants to trial an outcomes-based funding model, with the program seeking to support TTL Fund projects that demonstrated promise in delivering employment outcomes for vulnerable cohorts most at risk of long-term unemployment and long-term welfare dependence. The University of Queensland, partnering with the University of Melbourne, published an evaluation of the effectiveness, efficiency and appropriateness of the TTL Fund on 7 April 2022, which can be found at: [Try, Test and Learn Evaluation \(dss.gov.au\)](https://www.dss.gov.au/try-test-and-learn).

5.2 Gender disaggregated data

Research shows that poverty is more pronounced for women than men, with larger gender differences in rates of poverty for young women and women aged 55 and over.²²

The systematic collection and use of gender disaggregated data across income support payments, programs, and surveys are essential to the Government's ability to monitor poverty. Gender data pays specific attention to women and men's different realities and how those interact with other forms of individual characteristics, and experiences of poverty and disadvantage.

The Gender Data Steering Group (GDSG) has been convened to maximise the impact of the government's major data holdings as an evidence-base for gender equality policy and the development of a National Strategy to Achieve Gender Equality. The GDSG drives collaboration across relevant government agencies on the collection, sharing, and use of gender disaggregated and intersectional data.

6 Poverty and Disadvantage

6.1 Measures of poverty and disadvantage

Poverty is a multifaceted issue, and there is no single measure that can summarise every dimension of poverty and disadvantage. The Productivity Commission report 'Rising Inequality? A stocktake of the evidence', released in August 2018, has noted that a range of indicators can be used to assess poverty and disadvantage. The various approaches to poverty measurements, as well as the data used, tend to give different answers about the extent of poverty, and even who suffers from poverty in Australia. This information is valuable as it facilitates seeing a more holistic picture of the incidence and the extent of poverty from a range of perspectives that cannot be encapsulated in a single statistic. Acknowledging the complexity of poverty and disadvantage, the Government uses a range of metrics and indicators and does not consider any single indicator in isolation.

6.1.1 Use of household income for poverty measurement

The most common method of measuring poverty is household disposable income, which is equal to private income plus cash transfer minus taxes. This concept of income is commonly used as a measure of the adequacy of a household's income compared to some defined threshold of 'need'. It is also reasonably straightforward to measure, with income data regularly collected. The Survey of Income and Housing (SIH)²³ and the Household, Income and Labour Dynamics in Australia (HILDA) Survey both offer rich and up-to-date data on different components of income, and the distribution of income by various household types in Australia. Additionally, given that income affects people's future economic resources and those of their dependent children, it is likely to be a determinant of intergenerational economic mobility.

²² A Duncan, *Behind the line: poverty and disadvantage in Australia 2022*, Bankwest Curtin Economics Centre (BCEC), Perth, 2022, p 12.

²³ From 2023-24, ABS will replace Survey of Income and Housing and Household Expenditure Survey with Living Cost in Australia Survey.

Household disposable income is often adjusted using equivalence scales to adjust for the number of individuals in the household. This produces the commonly used measure of equivalised household disposable income (EHDI) (see section 3.2.9).

While income is commonly used as a measure of economic wellbeing, it is only one type of economic resource and using it alone for analysing economic wellbeing has its limitations. Income does not directly measure the value of goods and services that households actually consume, nor does it account for the stock of other economic resources, i.e. wealth that might support wellbeing, which may consist of borrowings, assets and accumulated savings.

6.1.2 Relative income poverty measures

Using EHDI as a basis, poverty can be broadly defined in absolute or relative terms. Relative income poverty approaches are most commonly used to define poverty in the analysis of income poverty in OECD economies. This approach defines households with low incomes relative to others in the community as being in poverty by setting an income poverty line at some fraction of a statistical reference point from the distribution of incomes in the economy. In practice, the most frequently used relative income poverty lines include 50 per or 60 per cent of median EHDI. The former is more commonly used in Australia and in international studies, such as those undertaken by the OECD while the latter is less common but is used by Eurostat - the European statistical agency.

A relative income poverty line, by definition, reflects movements in the median standards of living. This measure is simple to calculate, and self-adjusts to movements in incomes and to differences in cultural and temporal preferences, unlike an absolute threshold. It also takes into account the possibility that a low relative level of economic resources can bear on people's wellbeing.

However, relative income poverty approaches suffer from a number of conceptual and policy disadvantages. The choice of the percentage thresholds used to define poverty lines is essentially arbitrary. Furthermore, relative poverty measures are also highly sensitive to changes in median income and transfer payments. As a headcount measure, relatively small changes to income can result in large changes to relative income poverty levels. Relative poverty lines also give no indication of how far above or below the line people are, i.e. the severity of poverty.

Rates of relative income poverty can also fluctuate with incomes, reflecting broader economic conditions, which may or may not reflect actual changes in the circumstances of low income or disadvantaged people. As most household incomes increase, relative income poverty also tends to increase. Relative income poverty can increase even during times when the incomes of the least well off were also substantially increasing in real terms as the point of comparison is with other income groups rather than with past living standards

Another limitation of relative poverty line is that it is income-only based measure. It does not take into account other resources households may have available to them. These may include wealth and/or accumulated savings that can potentially be drawn upon, as well as non-income supports provided by governments, which may include health, education, housing and concessions.

6.1.3 Indicators of material deprivation, hardship and social exclusion

While the income approach is the most widely used basis for defining and measuring inadequacy in material living standards, non-income based measures can provide useful information on individual's economic wellbeing. Measures of deprivation and hardship, including financial stress, typically assess the extent to which individuals or households lack access to goods, facilities or services, or are unable to engage in activities that are considered basic necessities due to a lack of financial resources

Measures of financial stress can refer to an inability to meet basic financial commitments because of a shortage of money and therefore provide direct evidence on the adequacy of economic resources of individuals and households. Both the HILDA Survey and the ABS Survey of Income and Housing provide data on the experience and persistence of financial stress among various types of households. Care needs to be taken when using hardship measures, however, as there is no generally agreed definition of financial stress or hardship, no consensus about how to measure it, or the domains that should be included.

Inability to afford the basic essentials of life, i.e. material deprivation, is not the only dimension of disadvantage. Social exclusion, defined as the inability to participate economically and socially, is another important concept. Social exclusion occurs when someone experiences multiple, overlapping problems, such as unemployment, poor health and low educational attainment, which stop them from fully participating in society. The metrics of social exclusion help to examine the relationship between poverty and barriers to equal economic and social participation.

6.1.4 Anchored poverty lines

Another approach to pure relative income poverty measures is an anchored poverty line. An anchored poverty line is based on an initial relative income poverty line, but the real value and therefore purchasing power, is subsequently held constant over time. The starting value is the relative poverty threshold from a particular year, which is then adjusted only for inflation, rather than keeping pace with median incomes.

Arguably, while anchored poverty lines may be appropriate for examining poverty over the short-term, they are less meaningful for examining poverty over the medium-to long-term. In gauging how society is faring from one year to the next, the anchored poverty line will provide a clear signal by not being affected by movements in median income. However, because anchored poverty lines are set at a particular point in time, they do not capture changes in community living standards. The basket of goods and/or living standard that would comprise that fixed standard of living, would change markedly over long period of time, with this line becoming less meaningful as it doesn't capture the evolution of broader living standards. Nor does this measure appropriately capture social inclusion over long-term which, according to economic literature, has a time varying component as well.

6.1.5 Absolute poverty measures and budget standards

Under an absolute income poverty approach, people are considered to be in poverty if their income is not sufficient to cover the costs of a basket of 'necessary' goods and

services, which is updated as community norms evolve²⁴. This approach focuses on the minimum resources required to live at an acceptable standard, rather than pegging those needs to the rest of the population. However, as incomes grow, so do community expectations as to what constitutes an acceptable standard of living. Furthermore, absolute poverty thresholds can be complex, as they depend on the changing prices of hundreds of goods and services and the selection of the basket is affected by cultural trends and norms. Commentators have generally argued that the meaning of poverty in a relatively advanced country like Australia is quite different from the absolute deprivation or subsistence which exists in many developing countries.

An alternative approach to defining poverty to those raised above is to use 'household budget standards', which is conceptually similar to absolute income poverty lines. The household budget standards and other budget-based approaches take the form of an estimate of the amount of income households require to have an 'adequate' lifestyle, with those with incomes below this level considered to be in poverty. This estimate can be based upon the costing the detailed household budget needed to achieve this adequate standard, or can be based upon a judgement that a certain level of income is necessary. In this latter case, this may simply be a single 'expert' view, or result from surveys of household incomes and households' perceptions of the adequacy of these, or simply surveys of the perceptions of people as to what an adequate income is.

Although budget-based approaches have significant intuitive appeal, in practice they present a number of significant conceptual problems. The first is seeking to specify what needs to be consumed by a household to achieve an adequate standard of living. This exercise is particularly problematic taking into account a wide set of different preferences and behaviours across the community and the very different trade-offs different households make. Secondly, budget standards are sensitive to estimates of the cost and lifecycle of the components. The third, are the problems of updating such budgets.

6.1.6 Henderson poverty lines

Henderson poverty lines have been produced by the Melbourne Institute for several decades. The Henderson poverty line was originally set at a benchmark income of \$62.70 per week for the September quarter of 1973, and was roughly equivalent to the value of the basic wage plus child endowment for a reference family of two adults and two children, with adjustments made for other types of household using equivalence scales. The Melbourne Institute continues to provide regular updates to these poverty lines using an index of per capita household disposable income.

The Melbourne Institute has noted that the move away from the male breadwinner model, the end of full employment and problems updating the poverty line have led to the increased use of alternative income poverty lines. Other issues associated with Henderson Poverty Lines include the arguably arbitrary nature of the original choice for the poverty line to be largely based on the basic wage for a family of two adults and two children and the use of equivalence scales which were based on a study undertaken in New York in 1954 with questionable relevance to Australia in later decades.

²⁴ PC, *Rising inequality?*, p 111.

6.2 Persistence of poverty

The time people spend in poverty is another important consideration. Poverty rates taken as a snapshot in time will predominantly consider people facing short-term financial hardship rather than the smaller proportion of people facing long-term disadvantage. While poverty experienced for a short period of time is undesirable, there is a great deal more public policy concern attached to long-term or entrenched poverty. Analysis of longitudinal data sources, such as the HILDA Survey, provide important insights as to the persistence of poverty.

6.3 International comparisons

In principle, international comparisons of living standards can tell us something about our performance relative to other countries. However, differences in design of social welfare arrangements, housing, social norms and private provisions make comparisons problematic.

When making international comparisons, care needs to be taken to consider some of the distinct features of Australia's social welfare system. In Australia, government benefits are flat-rate and paid from general government revenue - there are no contributory or earnings-related features. Coverage of the system is universal and benefits are effectively available on an indefinite basis, subject to certain tests.

Measures of living standards that just consider income and do not consider other supports available such as owning assets are also problematic. As one example, the high rate of home ownership among Australians - particularly older Australians - allows for lower living costs, and is a further source of wealth that can potentially be tapped to supplement income. Conversely, some countries provide more support in the form of non-cash services than Australia.

6.4 Welfare dependence

Receipt of income support does not necessarily imply that an individual or family is reliant or dependent on income support over the long-term. Some income support payments, such as those payments of income to support to students and apprentices, are likely to be relatively short-term. For some people, income support receipt may be supplementing their income such as part-time earnings, meaning they qualify for part rate of income support. This can be influenced by factors such individual's capacity to work, caring responsibilities, as well as the broader economic conditions.

Similarly to measuring poverty, there is no one set way to define or measure welfare dependence. The Priority Investment Approach (PIA) to Welfare is a major initiative designed to improve people's capacity to live independently of welfare, address the risk of intergenerational welfare dependence and reduce long-term social security costs. PIA uses a time-based measure of welfare dependency defined as the proportion of a recipient's childhood spent in the care of parent receiving income support.

The ABS uses a different approach. As part of its SIH release, it publishes measures of the contribution of welfare to gross household income, including the number of households whose largest income source is government pensions and allowances,

and the number of households that receive 90 per cent or more of their income from welfare.

Another approach sometimes used is the proportion of working age (persons aged 15 to 64) Australians receiving income support on a 'headcount' measure. However, as a headcount measure, this would include a very large number of people who would not usually be considered as being welfare dependent, capturing part-rate or short-term income support recipients, such as students or apprentices.

7 Summary

There are a wide range of Australian Government programs and supports with the primary objective of improving the wellbeing of individuals and families. The Government continues to work to improve the protection of individuals at risk of poverty including, but not limited to, older women, women and children escaping family domestic violence, people with disability, and Aboriginal and Torres Strait Islander peoples and communities.

Despite the volatile Australian economy and labour market observed throughout the first 18 months of the pandemic, there has been a rapid and strong recovery in the labour market. As of December 2022, many labour market indicators are either at or near record levels, reflecting the tight Australian labour market of 2022. There have been large improvements in key labour market indicators since the beginning of the pandemic, however, these improvements have slowed in recent months.

Improved economic outcomes and job opportunities are only one dimension to addressing disadvantage. The Australian Government has a large number of payments and programs in place to support individuals and families to find pathways out of poverty and broader disadvantage as well as preventing people falling into poverty. These payments and programs are designed to break the cycles of disadvantage, to collect the evidence on what works, and to support families and communities to build the opportunity, human capital (education and health), and capability (the skills and access to resources) to change children's and families' outcome trajectories and increase their capacity for self-reliance.

The Government is currently preparing an Employment White Paper to provide a roadmap for Australia to build a bigger, better-trained and more productive workforce – to boost incomes and living standards and create more opportunities for more Australians.

The Government is also committed to measuring what matters to improve the lives of all Australians. Traditional macroeconomic indicators provide important insights, but not a complete or holistic view of the community's wellbeing. A broader range of social and environmental factors need to be considered alongside economic measures to broaden the conversation about quality of life.

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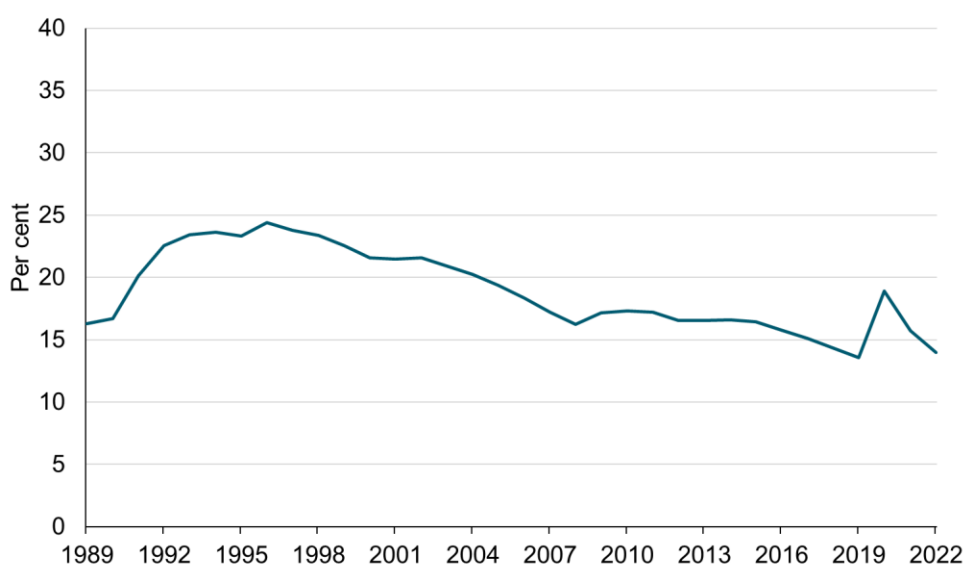
9 Appendix: Trends in income support recipients

Since peaking at 24.4 per cent in June 1996, the proportion of the estimated residential population, aged 16 to 64, receiving an income support payment has been steadily declining. There was a slight uptick in this proportion following the Global Financial Crisis (GFC), observed between 2008 and 2009, coinciding with a year on year rise in unemployment benefit recipients of 29.9 per cent (139,000 recipients). From 2009 to 2015, the proportion slowly declined from 17.2 per cent to 16.5 per cent. While between 2015 and 2019 the proportion declined more rapidly, falling 2.9 percentage points to a series low of 13.5 per cent in 2019.

With the onset of the pandemic the proportion of the estimated residential population, aged 16 to 64, receiving an income support payment rose 5.3 percentage points to 18.9 per cent as of June 2020. As with the GFC, this was driven by a rapid rise in unemployment benefit recipients resulting from the national lockdowns and the subsequent high levels of unemployment. From June 2019 to June 2020 unemployment benefit recipients increased by 109.8 per cent (845,000 recipients), peaking at 1.6 million people in May 2020. However, in 2021 and 2022, reflecting the improved labour market conditions, the proportion has been falling and appears to be reverting to the trend observed prior to the pandemic. However, in 2021 and 2022, reflecting the improved labour market conditions, the proportion of people receiving an income support payment has been falling and appears to be reverting to the trend observed prior to the pandemic.

In June 2022, 2.3 million people, aged 16 to 64, were receiving an income support payment, an estimated 14 per cent of the residential working age population, 10.4 percentage points lower than the peak of the series observed in 1996 (Figure 14).

Figure 14: Proportion of estimated residential population, aged 16 to 64, receiving an income support payment



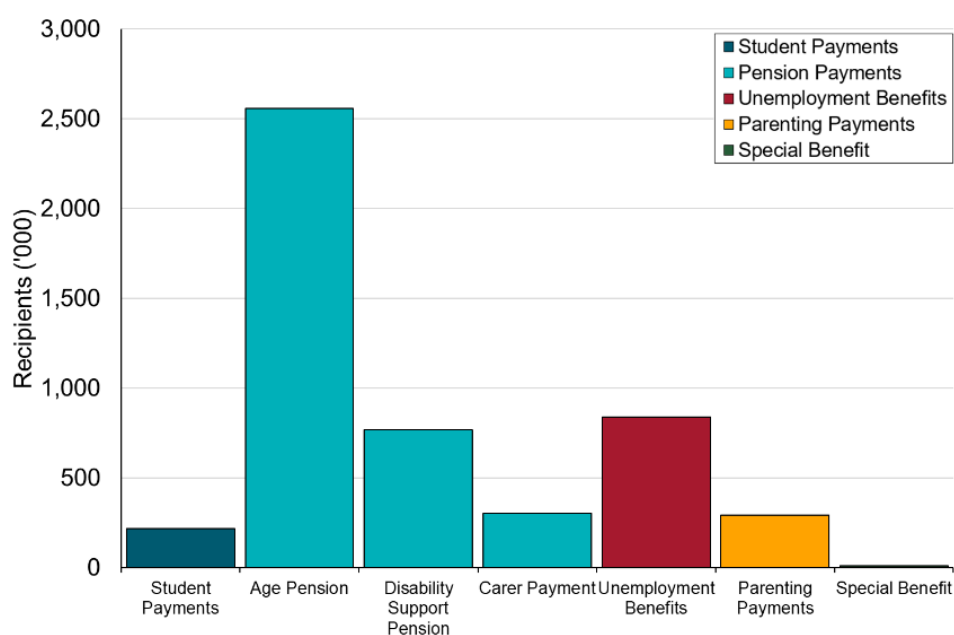
Source: Services Australia Administrative Data
Note: June 2022 proportions are based on June 2022 payment recipient population data and the June 2021 estimated residential population, figure should be used with caution.

9.1.1 Number of income support recipients

As of September 2022, there were around 5 million people on income support payments. By payment type (Figure 15), there were around:

- 217,000 people receiving Student Payments
- 2.6 million people receiving the Age Pension
- 766,000 people receiving Disability Support Pension
- 302,000 people receiving Carer Payment
- 839,000 people receiving Unemployment Benefits
- 294,000 people receiving Parenting Payments
- 10,000 people receiving Special Benefit

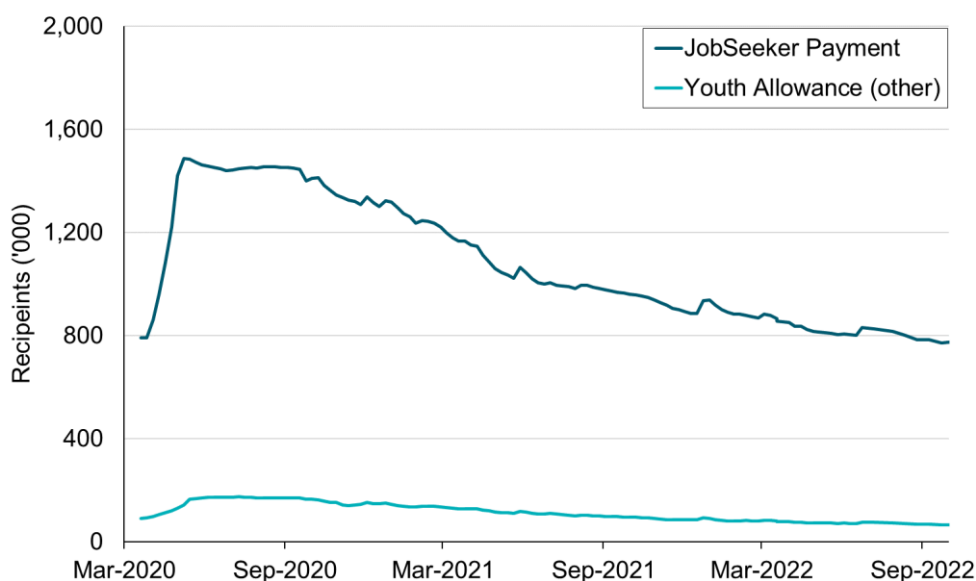
Figure 15: Income support payment recipients, by payment group



9.1.2 Unemployment benefits

After peaking around 1.6 million recipients in May 2020, the number of unemployment benefit recipients – that is JobSeeker Payment (formerly Newstart Allowance) and Youth Allowance (other) recipients – has steadily declined to around 827,000 recipients as of 25 November 2022. Recipient numbers are below the figures of 20 March 2020, when there were around 882,000 recipients (Figure 16).

Figure 16: JobSeeker and Youth Allowance (other) recipient numbers



Source: Services Australia Administrative Data

Demographics

Of the almost 827,000 unemployment benefit recipients in November 2022, around 760,000 received JobSeeker Payment and around 66,000 received Youth Allowance (other). Of these recipients 183,000 (22.1 per cent) reported earnings in the latest fortnight, with average earnings of \$795.37 per fortnight. The average income support duration was 299 weeks (5.7 years) and 647,000 (78.2 per cent) had long-term income support durations (1 year or more on income support).

In November 2022, of the 827,000 unemployment benefit recipients, around:

- 415,000 (50.2 per cent) were female
- 411,000 (49.8 per cent) were male
- 676,000 (81.8 per cent) were single
- 114,000 (13.7 per cent) identified as First Nations Australians
- 99,000 (12.0 per cent) were principal carers of children, of these recipients 79,000 were single
- 225,000 (27.2 per cent) were mature age
- 350,000 (42.3 per cent) had a partial capacity to work.

A majority, 511,000 (61.8 per cent) unemployment benefit recipients lived in major cities; 274,000 (33.1 per cent) lived in regional Australia; 42,000 (5.1 per cent) lived in remote Australia.

There are gendered patterns of payment utilisation, in particular the vast majority (90.5 per cent for Parenting Payment Partnered, and 95.6 per cent for Parenting Payment Single) of Parenting Payment recipients are women, and a considerable majority (around 70.9 per cent) of Carer Payment recipients are women.

Long-term income support

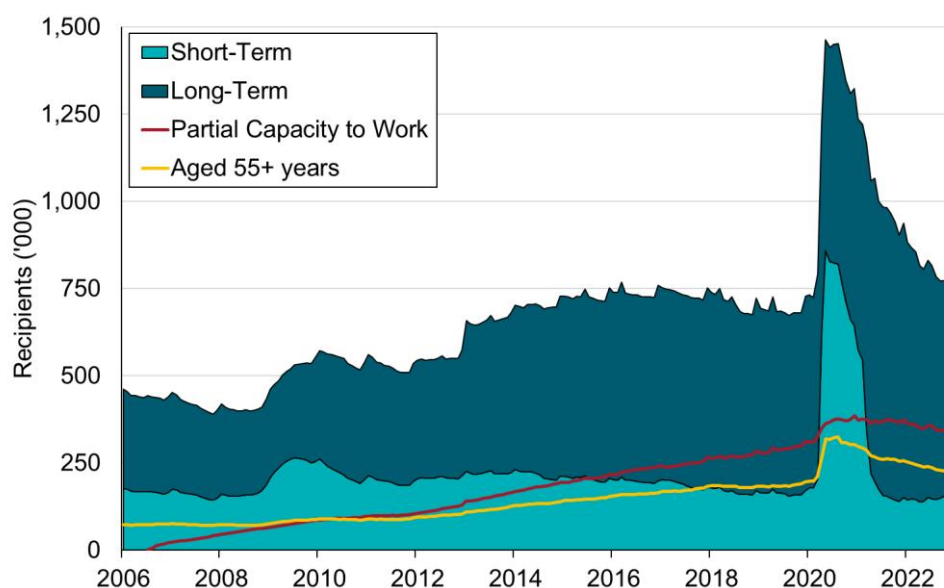
While the majority (67.7 per cent) of JobSeeker Payment recipients transition off unemployment payments in less than 12 months, the number and proportion of long-term JobSeeker Payment recipients has increased over time from 285,000 (61.7 per cent) in January 2006 to 607,000 (79.8 per cent) in November 2022.

The increase in long-term JobSeeker Payment recipients has been gradual and sustained, and has coincided with growth in both mature aged and Partial Capacity to Work (PCW) cohorts. For instance, the proportion of JobSeeker Payment recipients with a PCW increased from 23.1 per cent to 44.6 per cent between November 2012 and November 2022. Growth in this population has been more extensive in older age groups, particularly those aged 60 years and over. Female recipients aged 55 and over with a PCW have grown at a faster rate than males in the same category.

This growth, shown below (Figure 17), is likely due to a range of factors, such as economic shocks, the evolution of the labour market, and an ageing population. Policy changes that moved recipients from other payments onto JobSeeker Payment are also likely to have contributed to this trend, including:

- Changes to the DSP.
 - From 1 July 2006, eligibility criteria for DSP changed so that a person capable of working 15 hours or more per week no longer qualified for DSP.
 - From 1 January 2012, revised Impairment Tables have been used to assess new DSP claims and reviews, which coincided with an increasing number of people receiving JobSeeker Payment or Youth Allowance (other) with an identified PCW.
- Restriction to the age definition for a Parenting Payment child.
 - From 1 July 2006, the definition of Parenting Payment child changed so that people claiming Parenting Payment on or after that date would receive Parenting Payment until their youngest child turned 8 (for single recipients) or 6 (for partnered recipients). Before 1 July 2006, the definition was until the child turned 16.
 - Recipients who claimed Parenting Payment on or before 1 July 2006 were 'grandfathered', meaning they could continue to receive the payment until their child reached 16 years of age. These grandfathering arrangements ceased on 1 January 2013.
- The increase in the age of qualification for the Age Pension.
 - Consistent with legislation passed in 2009, the Age Pension qualification age has been increasing by six months every two years until it reaches 67 years on 1 July 2023. It is currently 66.5 years.
- The increase to the basic rate and income free area of working age payments.
 - From April 2021, the basic rate was increased by \$50 and the income-free area was increased to \$150. These changes increased the income limits and enabled some recipients to earn more and still remain on income support.

Figure 17: JobSeeker Payment (Newstart Allowance) recipient time series



Source: Services Australia Administrative Data

Partial Capacity to Work

As previously mentioned, both JobSeeker Payment and Youth Allowance (other) recipients with a partial capacity to work are a growing cohort, both in numbers and proportion. In November 2022, there were 350,000 PCW recipients, these recipients had an average duration on income support of 387 weeks (7.4 years), compared to 234 weeks (4.5 years) for non-PCW recipients. There were 131,000 mature aged recipients with a PCW, making up 37.6 per cent of the PCW cohort, a disproportionate amount relative to their representation in the overall unemployment benefit population (27.2 per cent of all recipients).

The most common primary medical conditions reported by PCW recipients were psychological/psychiatric conditions (42 per cent of PCW recipients) and musculoskeletal and connective tissue disorders (30 per cent of PCW recipients).

Of the 350,000 unemployment benefit recipients with a PCW:

- 76.7 per cent have an assessed work capacity of 15-22 hours
- 20.9 per cent have an assessed work capacity of 23-29 hours
- 1.7 per cent have an assessed work capacity of 8-14 hours
- 0.7 per cent have an assessed work capacity of 0-7 hours

18.5 per cent of PCW recipients have reported earnings in the last fortnight, compared to 24.8 per cent of non-PCW recipients. The average earnings reported by PCW recipients are 7.2 per cent less than earnings reported by non-PCW recipients.