



The Bare Necessities: Poverty and Deprivation in Australia Today

Submission to the Senate Inquiry into
Poverty and Financial Hardship

Australian Council of Social Service

March 2003

Australian Council of Social Service
Locked Bag 4777
Strawberry Hills 2012
Ph (02) 9310 4844 Fax (02) 9310 4822
email: acoss@acoss.org.au
www.acoss.org.au

Contents

Executive summary	5
Recommendations.....	18
1. A commitment to reduce poverty	26
1.1 Anti-poverty strategies: the European experience	26
1.2 A strategy to reduce poverty.....	30
1.3 Structures to support anti-poverty strategies	31
2. What is poverty?.....	33
2.1 Understanding poverty in Australia	33
2.2 Poor people lack key necessities.....	38
2.3 The lack of necessities is socially defined.....	41
2.4 The lack of necessities is caused by a limited command over resources	42
2.5 Poverty and low income.....	43
2.6 The persistence of poverty.....	44
2.7 Inequality and poverty.....	44
2.8 Poverty at the international level	44
2.9 Four poverty concepts	47
3. How can we measure poverty?.....	49
3.1 Income-based poverty lines.....	50
3.2 Budget standards.....	55
3.3 Living standards studies.....	56
3.4 A possible approach to measuring and understanding poverty	61
4. The extent of poverty in Australia today	65
4.1 The extent of income poverty in Australia	65
4.2 Trends in overall income poverty levels over time.....	67
4.3 International comparisons	71
4.4 Groups most at risk of poverty.....	73
5. Causes and dimensions of poverty.....	89
5.1 The dynamics of poverty	90
5.2 A "culture of poverty"?.....	98
5.3 Structural causes of poverty in Australia.....	101
5.4 Joblessness and insecure employment.....	104
5.5 Low wages	115
5.6 Education and skills.....	118
5.7 Level of income support.....	124
5.8 Family pressures and family formation	135
5.9 Ill health and disability.....	138
5.10 Unaffordable and unstable housing.....	143
5.11 Indigenous disadvantage.....	148
5.12 Place, capacity and access to services.....	150
References	157

Table of figures

Fig. 1. Four poverty benchmarks (2002) \$ per week (disposable income).....	8
Fig. 2. Extent of poverty in Australia in 2000 NATSEM/Smith Family estimates.....	10
Fig. 3. Henderson and alternative poverty benchmarks (dollars per week in 2002)	53
Fig. 4. Poverty lines compared with alternative indicators for a (2002)	54
Fig. 5. Low income Budget Standards (dollars per week in 2002).....	55
Fig. 6. Extent of poverty in Australia in 2000, NATSEM/Smith Family estimates.....	66
Fig. 7. Poverty gaps in 2000 (below 50% average household income).....	66
Fig. 8. Risk of poverty by location in 2000.....	67
Fig. 9. Indexing poverty lines: underlying principles and implications.....	68
Fig. 10. Trends in income poverty	69
Fig. 11. Poverty in 1973 and 1996.....	70
Fig. 12. Poverty in OECD countries (mid 1990s)	71
Fig. 13. Child poverty in OECD countries — (mid 1990s)	72
Fig. 14. Risk of poverty for Indigenous households compared with all households (1994).....	76
Fig. 15. Deprivation among Indigenous households (1994)	76
Fig. 16. Risk and composition of income poverty by family type NATSEM study (2000)	77
Fig. 17. Risk and composition of hardship by family type, ABS Financial stress survey (1999)..	78
Fig. 18. Composition of emergency relief applicants by family type ACOSS survey (1999).....	78
Fig. 19. Risk of income poverty by age NATSEM-Smith Family study (2000)	80
Fig. 20. Risk and composition of hardship by age, ABS Financial stress study (1999).....	80
Fig. 21. Composition of emergency relief applicants ACOSS survey (1999).....	81
Fig. 22. Risk and composition of poverty by main source of income (2000)	82
Fig. 23. Risk and composition of poverty by main source of income (2000).....	82
Fig. 24. Risk and composition of income poverty by employment status: NATSEM (1999).....	83
Fig. 25. Risk and composition of hardship by employment status: ABS (1999)	84
Fig. 26. Risk and composition of hardship by social security payment: ABS (1999)	85
Fig. 27. Deprivation score by DSS payment category.....	86
Fig. 28. Composition of emergency relief applicants by social security: ACOSS (1999)	86
Fig. 29. Risk and composition of income poverty by housing tenure: (1999)	87
Fig. 30. Risk and composition of hardship by housing tenure: ABS (1999)	88
Fig. 31. The persistence of income poverty in the OECD (mid 1990s)	91
Fig. 32. Patterns of receipt of social security payments — 1996 to 1999	94
Fig. 33. Persistent receipt of social security payments among young people.....	97
Fig. 34. Unemployment benefit replacement rates (July 2000).....	100
Fig. 35. Unemployment and long-term unemployment	105
Fig. 36. Unemployment benefit recipients.....	106
Fig. 37. Child poverty and jobless families (mid 1990s).....	108
Fig. 38. Joblessness in population groups (1999).....	109
Fig. 39. Growth in full-time employment and in the labour force (1980-2000).....	110
Fig. 40. Change in employment by skill level and job status (1990-2000)	111
Fig. 41. Changes in the labour market status of high-paid, low-paid, ex- jobless.....	113
Fig. 42. Child poverty and low pay (mid 1990s)	116
Fig. 43. Real average and minimum wages (1983-1999).....	117
Fig. 44. Child poverty and social security expenditure (mid 1990s)	125
Fig. 45. Comparison of Social Security Payments to the Henderson Poverty Line (2002)	126
Fig. 46. The costs of a child in a low income family vs child & youth payments.....	129
Fig. 47. Child poverty and the % of sole parent families (mid 1990s).....	136
Fig. 48. Lone mothers — part-time and full-time employment rates (1985-2000).....	137
Fig. 49. Average number of short-term serious illness of 0-69 year olds (1995)	139

Executive summary

Many Australians have only a fuzzy idea of what it means to live in poverty in a rich country like ours. Their images of poverty are drawn from developing countries overseas or for some, memories of the depression. They have little understanding of the hardship and deprivations that mark the daily lives of the more than two million Australians currently in income poverty. However, once we look beyond traditional ideas of poverty, we find many Australians who are forced not to feed themselves properly so that their children can eat well. There are those who cannot pay electricity, gas or water bills and need to turn to charities to help them out. There are those who cannot afford the medical and dental treatment they need. To live in poverty in Australia today is to struggle daily to meet the bare necessities of contemporary life.

Thirty years after the National Poverty Inquiry and the establishment of the Henderson Poverty Line, there is evidence to suggest that poverty is now more widespread, against a backdrop of deeply entrenched social divisions:

- more than 6% of the labour force is “officially” unemployed compared with less than 2% in the early 1970s. When we take into account hidden unemployment the current figure doubles. The number of long term unemployment recipients has also grown substantially from negligible levels to around 380,000 in 2003;
- 15% of children (860,000) lived in jobless households in 1999, a statistic which would have been inconceivable in the 1970s;
- 23% of people of working age were reliant on social security payments in 2000 compared with 16% in 1981;
- the number of homeless people at the 1996 census was estimated at 105,000;
- housing costs are consuming increasing proportions of household incomes and affordable housing is much more difficult to find.

Inequality has also increased:

- in 1968 the bottom 10% of families had incomes below 40% of the median family income, but by 1999 this had fallen to 33% of median family income.

Over the past thirty years Australian governments have worked to reduce poverty in various ways by:

- increasing income support for low income households in the 70s and 80s through benchmarking pensions to 25% of total male average earnings has meant that older people have a much lower risk of poverty now than in the early 70s (down from 7.5% to 4.6%);
- improvements in family assistance to low income families in the eighties and nineties, including the child poverty package in 1988, estimated to reduce child poverty by one third;
- expanding the range of human services (including Medicare, home care, aged care and child care services) thereby reducing the cost of living for many people on low

incomes. These 'social wage' outlays were estimated to have increased from 18.7% of average disposable income in 1984 to 21.3% in 1998.

Governments have an important role in drawing attention to poverty and disadvantage, in taking action to reduce it and to monitoring progress in addressing it. Sound economic policy alone will not do the job. Progress is much more likely to be made when governments make commitments that are tied to performance targets.

In 1999 the British Government made a commitment to eliminate child poverty within a generation, and to make substantial progress to that end within five years, within the framework of a long term plan to reduce poverty. Benchmarks for measuring progress are being developed and policies in a wide range of fields updated and coordinated in order to achieve this aim. Subsequently there is much greater public interest and debate about contemporary poverty in the UK. Similarly, the Irish government has made commitments to reduce poverty to below 5% by 2004, to reduce unemployment to less than 5% and long term unemployment to less than 25% of unemployment. In both these examples centralised mechanisms within or attached to government have been established to drive the achievement of these commitments, in addition to related programs of data collection and research, and broad based community consultation.

A similar commitment is required in the Australian context if we are serious about addressing poverty and disadvantage in this country and offering brighter futures for our children.

The experience of long-term unemployment and poverty

“It’s a struggle from one fortnight to another, from one year to another, there’s no light at the end of the tunnel”

“Little things become big — I can’t afford a newspaper”

“It’s a bit like a prison. There are no jobs. You can’t sell your house. There are 7 houses in my street for sale. There is no money to relocate, plus your family and friends are here.”

“If I’m short on bills, I take money out of grocery money. I need to get food vouchers. When you’re getting food vouchers, some people can make you feel real low.”

Source: Unemployed job seekers in Tasmania quoted in McCormack V, 2001 *Dead Man’s Shoes: Unemployment in Tasmania and the stories of job seekers looking for work*, Tasmanian Council of Social Service Inc.

Defining poverty

Poverty can be defined simply as “a lack of socially perceived necessities”.¹ Other definitions approach poverty as a form of multiple deprivation against a relative living standard² or as relating not only to a lack of necessities but also people’s capacities to achieve adequate functioning³.

Two kinds of needs are implied in these definitions that we suggest we need to be primarily concerned with:

1. *Subsistence poverty* (relating to the capacity for physical survival and basic comfort); and
2. *Participation poverty* (relating to the capacity to participate in social and economic life).

It should be remembered that even subsistence poverty is socially defined. What is considered to be basic adequate accommodation in one country may not be in another. Subsistence poverty is therefore always defined in accordance with the standards of a particular society at a point in time, unless physical survival is directly threatened.

Participation poverty on the other hand has much in common with social exclusion. However, it is a narrower concept directly associated with a lack of resources. Resources is used here as a broader term than income alone to include things such as assets, or access to affordable community services.

Poverty is not the same as inequality. For poverty to exist it is not sufficient that the resources available to one group are much lower than the rest. People in poverty must live under conditions that would be widely regarded by the community as hardship, experience a lack of socially defined necessities, or have substantially less command over resources than the community finds acceptable. Nor is poverty the same as simply having a low income, although one is often associated with the other.

Poverty does not have to be persistent to be real. While persistent poverty is of greater policy concern than poverty that lasts for a year or less, poverty of a shorter duration also has profound impacts. Moreover, by the time are people are living in poverty they have usually been existing on low incomes for some time.

At the United Nations World Summit on Social Development in Copenhagen in 1995, it was agreed that countries should develop national plans to define, measure and eradicate ‘absolute’ poverty and reduce ‘overall’ poverty within fixed timeframes. The idea of absolute poverty (developed to ensure rich and developing countries could share a poverty benchmark) in this context, however, does not imply a standard that does not vary over time or between countries but a base of core or severe poverty. A further development to assist international comparisons of core or severe poverty is the United Nations Human Poverty Index - a measure of poverty based on deprivation indicators in areas like literacy, mortality and morbidity, access to safe water and basic health services. In this Australian context, such measures are of relevance to many Indigenous communities.

¹ Mack and Lansley (1985)

² Townsend (1979)

³ Sen (1993)

Measuring poverty

No official inquiry into poverty in Australia has been undertaken since the National Poverty Inquiry of the 1970s. Although its main legacy was an income based poverty line (the Henderson Poverty Line), it also took submissions, conducted hearings across Australia, and commissioned studies into dimensions of poverty such as housing and health, and developed a broad strategy to reduce poverty.

Since that time Australian research has focused on the use of income based poverty lines; the development of budget standards that map standardised household budgets for low and middle-income people; and limited attempts to directly measure deprivation.

Of all measures of a person’s resources, income comes closest to measuring deprivation in a market-based economy. This is because it is a strong indicator of people’s capacity to spend on essential goods and services. In this way we are able to speak of *income poverty* as a level of income below which the *risk* of poverty is unacceptably high. Income poverty has important implications for social security policy in particular.

There are a number of methodological issues with income based poverty lines. Their relation to actual deprivation can only be resolved by measuring deprivation directly and examining the strength of its correlation to low income. In Australia, only the Henderson Poverty Lines were originally grounded in a direct study of deprivation. An alternative approach is to use a widely accepted but arbitrary benchmark such as 50% of average income, or 50% of median (middle) income. Income based lines would ideally be adjusted overtime to reflect changes in living standards through regular deprivation studies. Another issue is to what extent income should be adjusted to take account of variation in costs. To address this, equivalence scales are commonly used in Australia to account for family size, while Henderson used before and after housing cost measures to account for variations in housing costs.

**Fig. 1. Four poverty benchmarks (2002)
\$ per week (disposable income)**

	Single adult	Couple	Sole parent, 2 kids	Couple, 2 kids
Henderson Poverty Line	\$294	\$393	\$456	\$551
50% average household income	\$244	\$330	\$371	\$452
50% median household income	\$210	\$283	\$318	\$388
Low Income Budget Standards	\$341	\$443	\$564	\$698

The greatest limitation of income based poverty lines they does not measure poverty directly. Recent studies of living standards (such as the Australian Standards of Living Study in the 1980s (Richardson and Travers), the Australian Living Standard Study (Institute of Family Studies), and the Financial Stress Study in the 1990s (Australian Bureau of Statistics)) have offered valuable direct insights into deprivation in Australia. They provide much richer output than that of income-based studies. The potential of such

studies would be greatly enhanced if the findings could be readily condensed into widely understood indexes of deprivation. It may also be possible to use such a study to develop a new income poverty line and this is an area requiring further research.

None of these studies were designed to measure the extent of poverty, being either too narrow in their coverage of the population or deprivation dimensions. Further, these studies were also limited because they were not grounded in an underlying theory of poverty and they did not take into account the views of the wider public in relation to what constitutes essentials.

It is clear that Australia needs a new understanding of poverty that takes account of the complexity of people's actual living standards, but also grounded in the basic idea of poverty as a lack of resources to secure the necessities of life.

Defining and measuring poverty is a process of consensus-building as much as research. The most enduring poverty measures are those linked to public inquiries where the researchers and policy makers have the opportunity to engage the public and assess their opinions about poverty, and where there is clear government support for and interest in the process and its outcomes.

Extent of poverty in Australia

In the absence of a comprehensive study of deprivation in Australia, the following data is drawn from studies of income poverty⁴.

Headcount figures of Australians living in poverty against various income lines and taking into account housing costs show that between 3.5 million (19%) and 2.5 million people (13.5%), and 1.3 million (26%) and .8 million children (17%) were living in poverty in the year 2000 (NATSEM/Smith Family, 2001). The same study provided estimates of the depth of poverty, by showing that for those living below a 50% average household income line, the poverty gap⁵ was:

- Over \$150 for 30% of families;
- Between \$100 and \$149 for 12.5% of families;
- Up to \$100 for 57% of families.

⁴ Studies that directly measure living standards generally identify the same groups as having a high risk of poverty as income studies do.

⁵ Shortfall of income compared with this poverty line.

**Fig. 2. Extent of poverty in Australia in 2000
NATSEM/Smith Family estimates**

Poverty Line:	Henderson Poverty Line	50% of average household income	50% of median household income
Extent of poverty (not accounting for housing costs)			
People in poverty	4,378,000	2,432,000	1,628,000
Children in poverty	1,037,000	743,000	479,000
% of people	23.4%	13.0%	8.7%
% of children	20.8%	14.9%	9.6%
Extent of poverty, (accounting for housing costs)			
People in poverty	3,554,000	3,274,000	2,526,000
Children in poverty	1,316,000	1,142,000	848,000
% of people	19.0%	17.5%	13.5%
% of children	26.4%	22.9%	17.0%

Source: Harding, Lloyd & Greenwell, 2001, op cit.

Trends in poverty over time

Using a variety of poverty lines research shows that income poverty gradually rose over the last decade. This is most likely to be the result of the failure of declining unemployment to reduce poverty, and the fact that strong growth in average and median household income outstripped the growth in income of social security recipients.

Research into trends in the incidence of income poverty levels and the risk of poverty from 1973 and 1996⁶ found:

- the percentage of aged households in income poverty dropped from 21% to 8%,;
- at the same time, the risk of poverty for unemployed people rose from 17% to 74% and for children from 8% to 16%.

The growth in the numbers of Indigenous Australians is likely to have contributed to rising poverty over the period. For sole parents the risk of income poverty dropped from 37 % to 24%, but with a corresponding increase in the proportion of poor people from sole parent families. Overall income poverty rose from 10% to 17% over the period.

International comparisons

Australia has a relatively high poverty rate (19%) when compared with other OECD countries, although significantly less than the USA at 24%⁷. Sweden has the least poverty at 10%. The key factors influencing our high poverty rate are high levels of unemployment and joblessness, low social security payments, and a high number of sole parent families. At the same time our relatively high minimum wage has kept poverty among working families relatively low (in contrast to the USA and the UK that have very high levels of

⁶ King (1998)

⁷ Against the measure used in international comparisons by the OECD- 50% of median equivalent disposable income.

income poverty among wage earning households). However, poverty among working families is on the rise in Australia also.

A similar pattern can be seen in relation to child poverty with Australia performing slightly better at 16%.

Groups most at risk of poverty

Although income based poverty lines do not directly measure poverty, the profile of groups most at risk of income poverty is very similar to that of groups found to be suffering hardship in studies that involve more direct measurement.

Data from studies of income poverty by NATSEM, the 1999 ABS financial stress study, the Travers/Robertson deprivation study (1995), the ACOSS Emergency Relief study (1998) and the Centre for Aboriginal Economic Research (1994) consistently show particular groups at high risk of poverty.

Groups at high risk of poverty

- Indigenous households
- Unemployed households
- Sole parent families
- Young people in low income households
- Households of workforce age whose main source of income is Government income (for instance people with disabilities and carers)

In contemporary Australia these groups are deprived of the kinds of things most of us take for granted, like adequate home heating, new clothes, or essential health treatments. In addition they are the most likely not to be able to afford to pay utility bills, go without a meal due to lack of money, or to go out at all.

Indigenous Australians face a far higher risk of poverty than other Australians. This reflects high levels of joblessness, low levels of formal education, poor health, inadequate housing, the experience of dispossession and racism, and the tenuous nature of the social security safety net. Compared with other Australians, Indigenous people face:

- nearly twenty years less life expectancy at birth;
- 16 times higher rates of imprisonment;
- 3.8 times the unemployment rate;
- 44% the rate of school retention;
- 24 times the rate of hospital admissions of women due to violence;
- 47 times the proportion living in dwellings with ten or more people;
- 68% the level of median family income.

Of all *family types* sole parent families face the highest risk of poverty with 22% of these families living in income poverty. The risk of income poverty for sole parent families has fallen since the late 80s, reflecting a number of policy initiatives taken over that time. However, there is evidence to suggest that income poverty measures may underestimate the extent of poverty among sole parent families.

The overall *number* of couples with children in poverty is higher although they face much lower rates of poverty. This is because there are more couple families overall.

Young people face a much higher risk of poverty than middle aged or older people, reflecting high rates of youth unemployment, relatively low rates of social security payments for young jobless people, and the fact that many older people have benefited from asset acquisition. However, the minority of older people who rent and rely fully on the pension face a much high risk of poverty than other retired people.

People whose main source of income is Government benefits are consistently found to be at greater risk of poverty than other groups. This is particularly so for people who remain in this situation for many years, such as long term unemployment beneficiaries, many sole parents, people with disabilities and carers.

Households where no-one is employed make up 56% of people below income poverty thresholds compared with 11% of households with one full time earner and 5% of households with 2 full time earners. Part time earners also face a higher risk of poverty than fulltime earners.

A number of studies also suggest that renters face a much higher risk of poverty than home owners, and that social housing tenants are worse off than private tenants. The key reason for this is that public housing tenants generally come from among the most severely disadvantaged groups in the community, for example people with chronic mental health issues or other disabilities. Moreover, social housing is frequently located in disadvantaged localities with limited employment opportunities.

Causes and dimensions of poverty

Labour market and social institutions can largely explain the extent of poverty in Australia. There does not appear a large underclass in this country in which poverty becomes self-reinforcing as people adapt to a life of poverty. Nevertheless, a substantial and growing number of people of workforce age rely on social security for long periods of time. The failure of the labour market to grow enough secure full-time jobs, together with a higher incidence of limited education, work experience and disabilities in the working age population provides part of the explanation. Many people have been left behind by structural changes in the economy, and thus excluded from secure employment for long periods.

There is little information available to assess people's experience of poverty over time in the Australian context. However, analysis of patterns of receipt of various social security payments for people of working age from 1996 to 1999 suggest that there are two groups of recipients of roughly equal size – those who frequently move off payments and those who remain continuously on payments for two or more years.

Many recipients of unemployment payments move off payments quickly – a common length of spell for unemployment payments is less than three months. However, many

subsequently return to social security payments indicating that their prospects of obtaining secure employment are not strong. Their chances of gaining employment also decline sharply as they remain unemployed longer so that a person on Newstart Allowance continuously for 12 months has on average only a 25% chance of being in employment 12 months later.

Parenting payment recipients commonly cycle in and out of payments over a number of years, although this group has one of the best prospects of obtaining part time employment while on benefits.

Mature age unemployed people have very limited employment prospects and generally rely on payments until retirement. More than 95% of disability pensioners are on payments after 2 years, with the most common duration well over three years. Broadly speaking the extent of persistent reliance increases with age.

On the whole the causes of poverty are structural rather than related to the behaviour or motives of poor people. This is not to argue that behavioural change is not part of the solution. Behaviour and motivation generally follow from the circumstances in which poor people find themselves, rather than as a driver of them.

Joblessness, low pay and insecure employment

Joblessness is a major underlying cause of poverty in Australia. Factors such as sustained high levels of long-term unemployment, the increased regional concentration of unemployment, increases in jobless families, and high levels of hidden unemployment have strengthened this link over time. Unemployment rose substantially with recessions in each of the last three decades and job growth was too weak to reduce it to previous levels in the ensuing recoveries. This and other factors led to a sharp increase in long term unemployment.

The length of time people are unemployed directly correlates with their likelihood of living in poverty. At December 2002 there were 393,100 people registered for unemployment benefits for twelve months or longer (61% of all unemployed people). This contrasts with 23% of all unemployed people registered in 1991. Of those out of work for at least a year, the majority had been employed for over two and a half years.

Reducing long term joblessness requires a combination of strong jobs growth and labour market assistance and training policies to help these disadvantaged jobseekers secure a reasonable share of the jobs created. Yet, there is relatively little substantial help available for jobless Australians to overcome barriers to work.

Further there is an emerging dichotomy between households and communities that are job rich and those that are job poor. Studies have shown that unemployment is becoming more concentrated in particular locations. While in 1976 employment levels were similar across suburbs, by 1991 employment levels in high socio economic status suburbs had remained virtually unchanged while low socioeconomic suburbs had experienced a major decline of 38% less employment⁸.

The fundamental cause of higher unemployment and joblessness over the past decade is the failure of the labour market to deliver sufficient full-time jobs. The reasons for Australia's failure to convert solid economic growth in to strong jobs growth in the 90s

⁸ Gregory and Hunter (1992?)

include: the down sizing of large private and public enterprises; sluggish growth in intensive employment services; and more rapid growth in wages.

A worrying trend in the Australian labour market is the poor growth in full time secure jobs. Over the past ten years all of the net increase in jobs was in part time or less secure employment⁹. Over the same period the proportion in casual jobs rose from 19% to 27%, especially in manual occupations. A key outcome is the rationing of full-time secure jobs to those who have higher skills and strong employment records, further limiting the prospects of young people attempting to enter the labour market for the first time, parents seeking employment after periods of caring, and low skilled blue collar men. A related problem is the churning in and out of low paid casual work over prolonged periods.

An increase in the number of people in work who are also living in poverty is also of deep concern. Recent data shows that there are now 365,000 Australians living in working poor households.

International evidence shows that countries with the highest incidence of low pay usually also had high levels of child poverty. Australia has relatively high minimum wage rates by OECD standards and this has no doubt prevented higher levels of child poverty, such as that experienced in the US. However, the minimum wage level has now fallen to just 50 % of average earnings, a drop of 15% since 1983. In this context it is critical to maintain sufficient minimum wages levels that, combined with family payments, help to avoid income poverty.

Education and skills development

Educational attainment is a key predictor of unemployment and, subsequently of the risk of living in poverty. People who have not completed secondary school have an unemployment rate of 11.3% compared with 3% of people with a bachelor degree. On average completing year 12 or equivalent raises people's earnings by around 10%, and tertiary qualifications boost earnings by 40%.

The factors that lead to higher educational levels are the same factors that mean it is more likely that a person becomes unemployed or live in poverty – the socio-economic background of the other students at a school, and the financial and educational level of the student's parents. Compared with other children, those from low socio-economic status families have lower levels of literacy, numeracy and comprehension, lower levels of school retention, more likely to have difficulties with their studies and less successful school to work transitions. In today's changing labour market people with limited formal education and vocational training are disadvantaged. This is especially so for low skilled manual workers.

Social security entitlements

Australia's social security system is a last line of defence against poverty. It provides a regular source of income for those who have none of their own. It is simply not realistic to expect that poverty will be eliminated by getting poor people into jobs. Job creation would need to be much stronger than that of the past thirty years. Moreover, for many people with disabilities and those involved in caring responsibilities or experience episodes of chronic ill health, full time employment is not appropriate. This underscores the

⁹ Borland et al (2001)

importance of an adequate safety net to protect jobless people and those with low or insecure earnings.

In Australia substantial progress has been made in reducing poverty through improvements to social security payments, in particular:

- the benchmarking of pensions to 25% of male average total earnings;
- the benchmarking of family payments for low income families with children to a proportion of the pension rate; and
- the boosting the real value of child payments for sole parents and other single income families in the late 1990s.

However, social security payments for many households are significantly lower than Australian income poverty benchmarks. The worst affected by these payment anomalies are single unemployed people, young unemployed people and students. In this sense, the Australian social security system is poorly targeted in terms of reducing poverty, as those facing the highest risks of poverty are the very groups who receive the lowest payments.

Other major concerns are that:

- some payments are too low to cover basic costs of living;
- gaps in entitlement have been constructed to exclude some groups from support;
- people who take unpaid work often receive little reward;
- compliance requirements, penalties and debts remain very harsh and directly contribute to the incidence of poverty.

Unfairness in social security system

It is easy to see the unfairness and inbuilt disincentives, for instance, in moving off a pension to Newstart and then on to education when:

- A single disability pensioner receives \$220.15 pw, plus Rent Assistance, additional health and other concessions, no activity/compliance tests, more liberal income and assets tests, and a payment indexed to male total average weekly earnings.
- A single adult unemployed person receives \$190.05 pw, plus Rent Assistance, with compulsory activity tests, harsher income and assets tests, and less concessions, and a payment indexed to CPI.
- A adult student (over 25) on AUSTUDY receives \$155.05 pw, but receives no Rent Assistance, and few concessions. A 16-24 year old Youth Allowance recipient living away from home receives the same amount plus Rent Assistance.

In addition to the disparity between these payment levels, there is also inadequate recognition of the extra costs facing some groups (for example people with disabilities) or associated with particular activities (transport, educational materials). This is particularly severe in cases of:

The Bare Necessities

- family and youth payments that fail to match the minimum costs of raising teenagers;
- family payments that fail to match the extra costs of child care;
- rent assistance that fails to deliver affordable housing outcomes.

The system of non-payment periods and penalties further adds to the risk of poverty. Newly arrived migrants, for example, are subject to a two year waiting period for most social security payments, including special benefit payment.

The application of breach penalties for non compliance with a range of activity and administrative requirements, pushes many Australians deeper into poverty, by docking recipients on average between \$890 and \$1185 dollars for 26 weeks.¹⁰ Sustained work to highlight to the unfairness of this has resulted in a number of changes to bring down the rate of breaching and a recent concession to reduce the duration of first breach penalties from 26 to eight weeks upon compliance. Despite this the number of people affected and the extent of the penalties remains far beyond what is in the interest of either the public or jobseekers, further limiting their economic and social participation.

Finally current income tests in some cases generate significant 'poverty traps', creating real disincentives for entering, re-entering or increasing attachment to the labour market. In particular:

- The Allowance income test is withdrawn at 50c in the dollar of fortnightly earnings between \$62 and \$142, and 70 cents in the dollar for earnings above this. Combined with a 20% tax rate this results in extremely high marginal tax rates.
- Where families with more than one child attract Family Tax Benefit, Youth Allowance and/or Child Care benefit, the income tests 'stack' up (together with tax) subtracting to 60-100 cents from every additional dollar earned.

Family form

Many public institutions in Australia developed at a point in history when the single income, two parent family was by far the dominant form. This has influenced key features of the industrial relations system, the social security system, housing and community services. Not all of these institutions have sufficiently adapted to changing needs, work and life patterns over time, especially the higher rates of separation and divorce and the increased workforce participation of women.

As has been noted the risk of poverty is generally higher for single people than for married couples. Australia also has a relatively high proportion of sole parent families at risk of poverty due to social security relativities that, in contrast with overseas systems, strongly favour couples with children relative to sole parents, and the relatively high rate of joblessness among sole parents. Further education and training are key factors in overcoming the employment barriers for this group, borne out by the fact that that sole parents show greater interest in and benefit more from such assistance than other groups of jobless people. It is not the fact of sole parenthood per se that leads to poverty – it is joblessness, low social security payments and low pay that are the key determinants.

¹⁰ For first and second activity test breaches

Ill health and disability

While the relationship between socio-economic status and health in modern societies is complex epidemiological evidence suggests that the direction of causation from unemployment to illness is greater than the reverse. The relationship between socio-economic status and health status is most saliently demonstrated by the gap in health outcomes between Aboriginal and Torres Strait Islander people and the general population. People in poverty commonly suffer increased levels of physical and mental illness. The high stress associated with living in poverty can also contribute to dangerous and costly lifestyle trends such as smoking, substance abuse, or poor diet. Higher levels of serious ill health are likely to be found in working aged unemployed people (42%) and working poor people (24%) than the non working poor.

Poverty is particularly high among people with a disability, who have both a lower participation rate in the workforce and a higher unemployment rate when they are in the workforce. In large part this reflects an unwillingness of society to recognise that different capacity does not necessarily mean reduced capacity. In addition to being excluded from the earning of adequate income, people with disabilities often have higher costs of medication, equipment or aids, appropriate housing, transport and personal care and other services. Consequently working age people with disabilities have markedly lower incomes than those without a disability. Some 70% of those with profound restrictions and 56% of those with severe restrictions have incomes in the lowest two income quintiles.

Inadequate housing

Access to adequate housing plays a critical role in determining whether or not people live in poverty. Housing impacts on people's ability to participate in employment, education and training and the maintenance of health and well being. Although Australia is well housed in general a growing housing affordability problem has emerged especially for people on low incomes. At the same time, between 1984 and 1995 per capita levels of spending on social housing via the Commonwealth State Housing Agreement decreased by 25%. Further, house price inflation has decreased access to home ownership and affordable rental options, the latter of which declined by 28% for low income people. An additional problem is that Commonwealth Rent Assistance is relatively ineffective in providing housing affordability for people in the major housing and employment markets.

There has also been a rapid rise in homelessness over the last decade with up to 105,000 homeless people on any given night in 2000, which is in part related to the lack of affordable housing options.

Poor access to services or living in a severely disadvantaged community

Access to affordable community services is an important poverty prevention strategy. The ability of a sole parent to access child care, for example, can make the difference between getting and keeping a job. Similarly access to personal care and transport for a person with a disability can make all the difference to their employment prospects. In these kind of circumstances the service becomes an additional resource without which capacity would be significantly diminished.

In this way community services moderate existing inequalities which would otherwise prevent people from participating in economic and social life. The level of unmet need for such services is constantly demonstrated, despite a lack of systematic and comprehensive analysis across a range of needs. The annual ACOSS survey – Australians Living on the

Edge, showed in 2002 a 12% increase in the number of people assisted by community agencies, and a 19% increase in the numbers of people seeking but not receiving a service. More specific needs data is available in areas like disability, child care, and aged care where large gaps in supply exist.

The experience of poverty is also closely connected to where people live and the resources which are collectively available to the people who live there. Moreover the relationship between poverty and place is primarily a function of the distribution of jobs within regions, the relationship this has to government intervention in welfare and other distributional policies, the demographic profile of populations and households, and the impact of the housing market.

In this way any strategy to address poverty and disadvantage and to developing the capacities of communities must first and foremost focus on the structural barriers and policies that interact to cause and entrench poverty.

Recommendations

R1. A national commitment to reduce poverty

Governments should commit to reduce poverty over a fixed timeframe. At the least the overall level of poverty should be reduced by a quarter, and the level of child poverty halved, over a 10 year period. This commitment should be made by all major political parties represented in the Parliament.

This requires the adoption of:

- *a widely understood and accepted definition of poverty*
- *a method to measure progress in the achievement of this commitment, in consultation with experts and the community (see Chapter 3 for a suggested measurement framework);*
- *benchmarks and targets (national, local, group specific) for the achievement of substantial improvements in a range of social indicators that describe the causes and dimensions of poverty, including in relation to: overall levels of unemployment and involuntary joblessness, long term unemployment; income adequacy; educational attainment; health outcomes (especially Indigenous health); housing affordability; Indigenous wellbeing; and access to essential community services.*

R2. Development of a national anti-poverty strategy

A comprehensive anti-poverty strategy should be established at national Government level in collaboration with the State Governments through the Councils of Australian Governments, to drive the above commitment to reduce poverty. The strategy should be developed over a 12 month period of consultation, including a national anti-poverty summit. The development of the strategy should be supported by a comprehensive program of independent research, and involve a commitment to regular collection and analysis of relevant data, and resources to support the relevant infrastructure needs to enable this.

R.3 Implementation structures to reduce poverty

An Anti-poverty Commission should be established to oversee the development and monitoring of the national anti poverty strategy. An advisory Council should support the work of the Commission

with membership drawn from peak business and trade union councils, community service agencies, federal, state and local government, and key experts. The Commission should regularly report to Parliament on progress against the strategy. Policy units with central government and line departments (State and Federal) should be established to coordinate government activity to address poverty, and assess the impact of programs and policies on poverty reduction.

R.4 Converting economic growth into more jobs

Jobs growth should be achieved by: addressing shortfalls in publicly funded community services (mainly health, education and social welfare services); developing an investment strategy to repair the natural environment; restraining growth in incomes in an equitable way; and reducing excessive working time in return for higher productivity.

R.5 Avoiding and easing the effects of recessions

Improving national public infrastructure planning and developing a "ready shelf" of projects to activate in recessions; introducing paid employment experience programs for long-term unemployed people and expanding them during recessions; boosting the incomes of the poorest Australians during recessions; tightening the Federal Budget during economic booms; avoiding high interest rates; and fostering innovation and industry development to raise the speed limits to growth.

R.6 Reducing unemployment in jobs-poor regions

National minimum standards for access to essential community services should be set; national public infrastructure development programs targeted to disadvantaged regions; local employment and social development initiatives supported; expansion of labour-intensive private sector services in regional centres encouraged; and improvements made to housing, transport and mobility assistance in disadvantaged regions.

R.7 Guaranteed support for long-term unemployed people

An Employment Assistance Guarantee should be introduced targeted towards long-term unemployed (or at risk) job seekers who have not got an outcome within three months of undertaking Customised Assistance. A Guarantee would provide incentives for Job Network providers to spend more on appropriate training and on wage subsidies, and provide job seekers with the real help that they need. The costs would be met in equal part by the provider and the Government.

R.8 Transitional jobs scheme for the very long-term unemployed

People who have been unemployed for over two years would be provided with six months employment at a training wage, and with significant wage subsidies, in the not for profit and public sectors. Wage subsidies would be mostly funded through the savings made through non-payment of income support.

R.9 Defining and setting an adequate basic wage

The Australian Industrial Relations Commission should establish a new minimum wage benchmark based on a wage level that enables a single fulltime worker to live in 'modest comfort' and to participate in contemporary society. This should be set well above the poverty income level for a single adult.

R.10 Early childhood education

Commonwealth and State governments should work together to commit to the provision of a minimum level of early childhood education to be available to all children at least one year prior to starting school. This service must be integrated with the provision of childcare and contain links with primary schools. Expanded services to include three-year-olds should be available in disadvantaged regions.

R.11 Improving school completion rates

The Commonwealth and State Governments should work together to meet targets for higher year 12 or its equivalent completion rates.¹¹

R.12 Transitional School to Work Support Scheme

A comprehensive transitional support scheme for young people in secondary schools should be introduced. This might take various forms including case management and personal support, mentoring, peer support and post-school follow up. It could be complemented by widespread implementation of the Jobs Pathway Program.

R.13 Improving access to higher education

Greater participation in further education should be fostered through ensuring that TAFE and university are equally accessible for young people from disadvantaged backgrounds. This will require addressing economic, social, academic, regional and motivational barriers.

R.14 Education for Indigenous Australians

Indigenous young people face the greatest barriers to education participation and achievement. Targets should be set to improve outcomes in Indigenous education. Whole of government and whole of community strategies need to be developed that draw on previous examples of successful outcomes in Indigenous education. Further, ABSTUDY should receive additional funding to ensure that eligible people are provided with the full range of supports to which they are entitled. It should be the subject of a review involving participation by Indigenous communities and organisations.

R.15 Transitional skills based education and training

A system should be developed to provide skills based education and training opportunities specifically for people facing key transitions in their labour market participation. Such a system would enable people facing a labour force transition (such as, retrenchment, carers re-entering the labour market, potential retirees and others who are wanting to return to work) to gain skills in a field that will lead to employment rather than face long-term joblessness.

R.16 Remove anomalies in core income support payments for adults

Progressively increase allowances up to the level of the pension and indexed to 25% of MTAW.

R.17 Reduce child poverty by improving child and youth payments

Child and youth payments should be adequate to meet the minimum direct costs of raising a child in order to prevent child poverty.

¹¹ National Goals for Schooling strategies.

As a first step:

- *payments should be increased to properly reflect the rise in the cost of children as they grow older;*
- *a supplement should be introduced to recognise the extra cost of raising a child alone or in two households.*

R.18 Meeting participation costs

The Government should introduce and improve supplementary payments, to properly recognise the extra costs associated with housing, job search, disability, education and employment.

R.19 Repairing holes in the safety net

The breach penalty system should be further reformed by:

- *implementing recommendations from the Pearce Report in full. In particular, penalties should be fully recoverable if a jobseeker takes 'reasonable steps' to comply with reasonable requirements not later than four weeks after imposition of a breach; the duration of penalties should not exceed eight weeks; and the rate of reduction in allowance not exceed 25% of income.*

The safety net should be extended to vulnerable groups by:

- *abolishing the two year migrant waiting period for Special Benefit and Youth Allowance recipients and reducing it to six months for all other income support recipients; allowing payment of special benefit to people engaged in full-time English language or vocational study; and extending access to the Crisis Payment to people on refugee/humanitarian visas.*

R.20 Easing poverty traps

Poverty traps in the social security system should be reduced by:

- *easing social security income tests that result in high effective tax rates for unemployed people with casual or part time work;*
- *reducing the very high effective marginal tax rates for families caused by the combined affect of income tests for Family Tax Benefit A, Child Care Benefit and Youth Allowance, in cases where a family has children attracting more than one payment, by aligning the taper rates for these three payments.*

R.21 Review of Primary Health Care

Commission a public and independent review on options for the future planning, development, funding and delivery of primary health care services with a broad focus on equity, quality and effectiveness. This work should be undertaken in conjunction with the development of better and more comprehensive indicators of health care access and accessibility at the national level¹² and ongoing public investment in areas where health care need is manifest.

¹² The evidence that geographical criteria are suitable for resource allocation for medical needs is quite weak.

R.22 Community Controlled Health Services

Governments should continue to boost resources to Aboriginal and Torres Strait Islander community-controlled health services, and determine the allocation of these resources through a process of consultation, consistent with Aboriginal Health Regional Plans.

R.23 Dental Health

There is an immediate need for targeted funding for those groups who are most disadvantaged by the current system and whose dental health needs are clearly demonstrated by worse dental health outcomes than the broader community. Particular groups include: nursing home residents, Indigenous people, Australians living in rural and remote areas, people with a disability, people who are homeless, people with a mental illness and people on social security benefits.

R.24 Boosting resources for mental health

Build on the momentum and frameworks established through the second National Mental Health Plan by improving both the level of resources on the ground and the coordination of community based resources available for primary care, prevention and support. Commonwealth leadership in this area (including through targeted action set in the Australian Health Care Agreements) can provide an important focal point for leveraging greater resources for mental health, and this should not only be through specialised mental health services, but also through primary care and non-government organisations.

R.25 National Housing Strategy

An overarching national housing strategy supported by increases in grant funding, rental assistance and income support payments should be developed with the aim of ensuring all households have access to appropriate and affordable housing, particularly low income and disadvantaged households. This includes:

- *specific strategies to achieve growth in the supply of affordable housing through both public and private investment, rental and owned. One proposal is for a housing bond to be issued with the funds to be distributed to State Housing Authorities or other eligible housing providers to develop and manage housing¹³;*
- *a substantial increase public housing supply;*
- *development of housing affordability measures, including the setting of affordability benchmarks and reviewing the efficacy of Commonwealth Rent Assistance;*
- *addressing discrimination issues for disadvantaged Australians, including the development of core principles for good private rental market management and monitoring of 'bad tenant' databases.*

R.26 Progressing the National Homelessness Strategy

As part of a three year action plan under the NHS (and as recommended by the Commonwealth Advisory Committee on Homelessness) ensure that the CSHA can be used more flexibly to address prevention and early intervention of homelessness for those most at risk. It is imperative that the

¹³ACOSS is part of the Consortium with peak bodies such as the Housing Industry Association, the ACTU and the National Community Housing Forum. September 2001, *Stage 1 Report, Outlining the need for action.*

Commonwealth draw on the wealth of information developed at State/Territory level through their own homelessness strategies.

R.27 Impact statements on Indigenous outcomes

National guidelines for ensuring that programs should be implemented in a culturally appropriate manner to enhance access and outcomes for Indigenous Australians and communities should be developed. This should include the development of Impact Statements across portfolios that identify specific outcome goals to be achieved within defined timeframes. These goals should be benchmarked and regularly evaluated to ensure effectiveness.

R.28 Indigenous access to Commonwealth programs

Commonwealth funded programs, delivered by the community services sector should be resourced to develop and implement, in full consultation with Indigenous communities, appropriate changes to eliminate barriers for Indigenous Australians. In addition all policies and procedures should be reviewed to ensure they are appropriate to all people in need of services.

R.29 Dialogue for reconciliation

Indigenous organisations and communities should be invited to prepare responses to the recommendation of the Council for Aboriginal Reconciliation that formal dialogue around a treaty or agreement should commence. Funds should be made available to Indigenous organisations and communities for the preparation of their responses.

R.30 Identifying causes of Indigenous disadvantage

The federal Government should invite Indigenous people to make proposals for addressing the underlying causes of Indigenous disadvantage, including proposals for the recognition and protection of land rights, economic empowerment and cultural/heritage protection. Funds should be made available to Indigenous communities and organisations for this work, with specific targets and timeframes mutually agreed for the delivery of outcomes.

R.31 Strong Indigenous organisations

Increased support to ATSIC to improve its capacity to support the development of regional autonomy models. This should allow for investment in a capacity building program to ensure access to skill development and training in areas such as organisational management and development, governance, financial management and planning. Additional resources should be allocated to Native Title Representative Bodies to enable them to more effectively fulfil their core functions. A consultative process should be established to negotiate with the 'stolen generations' about the structure and funding for an effective Reparations Tribunal.

R.32 Indigenous culture and heritage

Language retrieval and maintenance programs should be boosted and "keeping places" for Indigenous Australians and communities to display for themselves, or others, items of "keeping culture" should be established.

R.33 Indigenous family and children's services

To better support primary prevention and holistic family support activities, increased resources should be directed towards, culturally appropriate community-controlled child care services, family violence prevention and legal services for Indigenous women and youth

R.34 Understanding community need

Australian research should be conducted that measures levels of need across the community, establishes the evidence for effective models of service delivery to meet these needs, sets benchmarks and targets, and evaluates performance. Funding for research and evaluation into the quality and effectiveness of community services in Australia should be boosted, with a stronger emphasis on the integrated effects of national, state and local programs and policies on low income people and disadvantaged areas. A cross-sectoral, cross-jurisdictional reference committee should oversee this work.

R.35 Disability services

This next Commonwealth State Disability Agreement should:

- *ensure adequate funding to meet the new backlog of unmet need;*
- *include a growth factor in line with anticipated growth in the numbers of people with a disability;¹⁴*
- *include mechanisms for greater transparency in relation to expenditure, service users and outcomes; and*
- *contain strategies to address service and linkage gaps such as — pathways between education, employment and community access services; movement from work to retirement and access to aged care; and supports for people with multiple disabilities and barriers that cross traditional program and jurisdictional boundaries.*

R.36 Community care services

*To meet the needs of an ageing and increasingly disabled population, it is important that HACC funding is set at a level that enables an appropriate level of care. This should be accompanied by adoption and implementation of the recommendations for improved resource allocation in the report: *Targeting in the Home and Community Care Program*¹⁵.*

R.37 Integrated children's services

A Commonwealth/State Agreement on services for children under school entry age should be developed with the Commonwealth's contribution used to drive systemic change towards an integrated and consistent system of high quality, affordable and accessible early childhood services, including child care.

¹⁴ Estimated at 1.5% per annum for 0-64 year olds, see *Australia's Welfare 2001*, AIHW.

¹⁵ *Targeting in the Home and Community Care Program* (National Ageing Research Institute and Bundoora Extended Care Centre (1999) *Targeting in the Home and Community Care Program*, Aged and Community Care Service Development and Evaluation Reports, July 1999-No. 37.

R.38 Affordable child care

Research is required so that reliable benchmarks can be developed for the different types of care, and evaluated on an ongoing basis. Research also needs to be undertaken on demand, supply, and affordability of care at a regional level to enable effective modelling of the impact of funding and policy changes. As a first step the Government should rate the rate of CCB to reduce the highest gap fee.

1. A commitment to reduce poverty

At present Australia has no clear national objective to reduce poverty, nor a suite of strategies to combat poverty and social exclusion.

Such a framework, underpinned by public debate and acceptance, would provide a concrete set of broadly supported goals and policy priorities in relation to poverty reduction. Clearly, relationships with State and Local governments will play a critical role in the achievement of that vision.

Such frameworks now a common feature of many countries around the world.

1.1 Anti-poverty strategies: the European experience

In 1999 the British Government has made a commitment to:

*eliminate child poverty within a generation.*¹⁶

The Government is developing benchmarks and indicators to monitor progress in the achievement of its anti-poverty objective and has established Government bodies and consultative mechanisms that are tasked with developing policy to that end.¹⁷ Specific strategies for different groups have been identified, including:

- Investing in the crucial early years and education to break the cycle of deprivation;
- Building a proactive welfare system which helps people into work;
- Tackling the problems of low income and social exclusion among pensioners; and
- Ensuring core public services address the special needs of deprived areas.

The strategies are supported by 'policy milestones', e.g. to reduce child poverty by a half in ten years and by a quarter over five years, and establish 500 Sure Start programmes to support young children by 2004. These are coordinated within central government, and also linked to local government policies and priorities.

¹⁶ DSS, 1999, *Opportunity for All*.

¹⁷ For example, the Social Exclusion Unit within the Cabinet Office.

UK Anti-Poverty Policy – examples of key programmes and targets

Sure Start: Integrated services for families with young children (home visiting, expanded day care, health education, other services).

Education Action Zones: Additional resources for schools in deprived areas, to encourage local partnerships.

ONE: A single gateway providing advice on work, benefits and childcare to people of working age.

New Deal for 18–24 year olds: Benefits conditional on taking up training, working in the voluntary sector or with an Environmental Task Force.

Working Families' Tax Credit: Guarantees a minimum income for families in work.

Pensioners' Minimum Income Guarantee: A means-tested benefit to underpin the income of elderly people.

National targets include the commitment to eliminate child poverty within twenty years, and a series of target-group or sector-specific targets, for example:

- to improve educational attainment (85% of 14-year olds to reach the required standard in English, maths and IT by 2007)
- reduce crime (burglary down by 25%)
- improve housing (sub-standard houses reduced by 30%).

For individual ministries, targets are embodied in Public Service Agreements. These provide the basis for budget settlements through a Comprehensive Spending Review process, which sets spending in a three-year framework.

In the European Union the adoption of the concept of social exclusion has led to progress in the development of Europe wide and country specific action plans. In this context, poverty and social exclusion are seen to take multidimensional forms which require the application of a wide range of policies under a general strategy.

Specific objectives relating to fighting against poverty and social exclusion, supported by an open method of coordination, were agreed at the European Council in December 2000. Each member country is encouraged to develop National Action Plans in the areas of social exclusion and employment.

Within the European Union, social indicators are seen as important tools for progressing anti poverty objectives and for evaluating the social and economic development (or lack of it), and are the basic building blocks of anti poverty action plans. Increasingly nation states have sought to also look for measures of regional wellbeing and which take into account decentralised governance models (such as state and local government).

Broadly the EU indicator framework seeks to deliver information on:

- Levels of poverty;
- Labour market disadvantage;
- Poor health;
- Deprivation;
- Educational qualification levels;
- Poor housing, homelessness;
- Illiteracy;
- Numeracy;
- Precariousness;
- Incapacity to participate.

At the Stockholm Summit in March 2001, the Commission's *Synthesis Report* presented initial data on indicators building on 200 structural indicators. Seven key indicators were proposed for adoption across the EU:

- distribution of income (ratio of share of top 20% to share of bottom 20%);
- share of population below poverty line before and after social transfers (defined as 60% of national median equivalised income);
- persistence of poverty (share of population below poverty line for three consecutive years);
- proportion of jobless households;
- regional disparities (coefficient of variation of regional unemployment rates);
- low education (proportion 18-24 not in education or training and have only lower secondary education);
- long term unemployment rate.

Further indicators are also being considered in the areas of housing, health, information and communications, mobility, security and justice, leisure and culture.

National action plans for various member states have also suggested additional or refined indicators (see Ireland's plan in the Box below).

Ireland's anti-poverty strategy

National Anti Poverty Strategy (overseen by the Combat Poverty Agency) on:

- Understanding the causes of poverty and social exclusion
- An explicit definition of poverty
- A global poverty reduction target and five sub targets in the areas of educational disadvantage, unemployment, adequacy of social transfers, disadvantaged urban areas and rural poverty.

The global target relates both to the numbers below relative income poverty lines and experience of basic deprivation (access to necessities measured by a set on non-monetary deprivation indicators) including:

- Going without a substantial meal all day
- Not being able to afford adequate heating
- Having to buy second hand clothes
- Not being able to afford an overcoat.

This emphasises the need to address consistent poverty and that a person's access to resources and experiences impact on their access to the labour market.

Since 1994 while Ireland experienced dramatic economic and employment growth, relative levels of poverty did not decline. However, using the combination of relative poverty and deprivation measures shows a decline in poverty.

In addition to the standard indicators set by the Commission other indicators employed include:

- Financial: measure of consistent poverty; decile share ratio
- Education: number without basic qualifications; early school leaving; training qualifications
- Employment: youth unemployment, youth inactivity; percent of employees below poverty line, children in jobless households without basic qualifications, access to training, tenure of employment
- Health: concentration of premature deaths, cancer deaths, health access for different groups, low birth weight, variations in life expectancy across groups, infant mortality levels across groups, variations in cardiovascular disease, mental health levels
- Housing: homelessness, availability of affordable housing, housing standards.
- Social Participation: literacy and numeracy levels, access to services, public transport, participation in community groups, integration of public services; crime levels

Many European Union countries have targeted policy geographically, based on a set of assumptions about the location of exclusion. Poverty rates differ across regions. Lower educational qualifications are a feature of some localities. In addition, a locality itself might have particular characteristics (rather than the people in them) that tell us something about the well being of the people living there – like crime rates, environmental degradation, or poor transport. In this way deprivation units can be constructed at a local unit level. Local area data (such as in relation to crime, unemployment or drug taking) as well as general household data is required to do this effectively.

1.2 A strategy to reduce poverty

Governments have an important role to play in drawing attention to poverty and disadvantage, taking action to reduce it and monitoring progress to address it. Progress is much more likely to be made when governments make commitments that are tied to benchmarks. If Australia is serious about tackling poverty and making sustainable improvements in living standards and opportunities for all, a comprehensive national strategy is needed.

At present there is minimal government commitment to understanding, profiling and monitoring poverty and disadvantage in any strategic or comprehensive way. As a result investment in data collection and analysis is haphazard, irregular and underdeveloped and has limited connection to policy development and goal setting for the nation.

Recommendation:

R1. A national commitment to reduce poverty

Governments should commit to reduce poverty over a fixed timeframe. At the least the overall level of poverty should be reduced by a quarter, and the level of child poverty halved, over a 10 year period. This commitment should be made by all major political parties represented in the Parliament.

This requires the adoption of:

- *a widely understood and accepted definition of poverty*
- *a method to measure progress in the achievement of this commitment, in consultation with experts and the community (see Chapter 3 for a suggested measurement framework);*
- *benchmarks and targets (national, local, group specific) for the achievement of substantial improvements in a range of social indicators that describe the causes and dimensions of poverty, including in relation to: overall levels of unemployment and involuntary joblessness, long term unemployment; income adequacy; educational attainment; health outcomes (especially Indigenous health); housing affordability; Indigenous wellbeing; and access to essential community services.*

R2. Development of a national anti-poverty strategy

A comprehensive anti-poverty strategy should be established at national Government level in collaboration with the State Governments through the Councils of Australian Governments, to drive the above commitment to reduce poverty. The strategy should be developed over a 12 month period of consultation, including a national anti-poverty summit. The development of the strategy should be

supported by a comprehensive program of independent research, and involve a commitment to regular collection and analysis of relevant data, and resources to support the relevant infrastructure needs to enable this.

1.3 Structures to support anti-poverty strategies

Many countries have related internal structures, research programs and consultative mechanisms specifically concerned with poverty and social exclusion. Ireland, for example, has an anti poverty strategy, responsibility for which sits with the Combat Poverty Agency. The UK has a Social Exclusion Unit within the Cabinet office, supported by research and analysis conducted through the Centre for Economic and Social Exclusion. National councils on social and economic policy issues that provide advice and reports to government, such as the SER in the Netherlands and the National Economic and Social Council in Ireland are examples of mechanisms established to aid effective implementation and build community support.

The Australian Collaboration, in its 2001 report – *Where are we going* — pointed to the deficit in social indicators in particular and recommended regular, comprehensive and independent national reporting of trends in human wellbeing, environment and economy, a set of composite indicators to provide continuous measurement of Australia’s progress, and the introduction of comparable reporting at State and Territory levels. The Collaboration suggests a national office for the state of human wellbeing as part of that process.

Setting the right parameters, standards, indicators and measurement structures in the Australian context requires an ongoing engagement with all the relevant communities of interest — including politicians, academics, social commentators, the non-government sector, and the general public. Taking this approach will also ensure community support is brought in behind the development and implementation of a social progress framework.

Recommendation:

R.3 Implementation structures to reduce poverty

An Anti-poverty Commission should be established to oversee the development and monitoring of the national anti poverty strategy. An advisory Council should support the work of the Commission with membership drawn from peak business and trade union councils, community service agencies, federal, state and local government, and key experts. The Commission should regularly report to Parliament on progress against the strategy. Policy units with central government and line departments (State and Federal) should be established to coordinate government activity to address poverty, and assess the impact of programs and policies on poverty reduction.

2. What is poverty?

The "image" of poverty in Australia is out of date with many Australians having only a fuzzy understanding of what poverty means in this country — in contrast to television images of poverty overseas.

There has been more recent public discussion about the "burden" of tax on high income-earners than the problem of poverty. Indeed, the main debate over poverty at present is about how it is defined and measured, not about what should be done to reduce it.

In this chapter, we present data which shows, by a number of different measures, that there remains a high level of poverty in Australia and that there is also worsening inequality. We discuss possible reasons why public concern about poverty appears to have diminished and argue for a new understanding of poverty that takes account of the complexity of people's actual living standards, without losing the core idea of poverty as a lack of resources to secure the necessities of life.

It is only by redefining and updating our understanding of poverty in contemporary Australia that we can properly prevent the hardship faced on a daily basis by millions of Australians from fading into the background.

2.1 Understanding poverty in Australia

In many ways, we are in a similar position to the late 1960s in terms of the community's understanding of poverty. Then, on the heels of two decades of strong economic growth, with unemployment at less than 2%, and an explosion of spending on new houses and consumer goods, many Australians thought that poverty had been vanquished.

This mood of complacency was shaken in 1970 when Professor Henderson and colleagues of the Melbourne Institute completed a study of the living conditions of low-income people in Melbourne.¹⁸ This study did not reveal that low income Australians were significantly deprived of food and shelter, but it did show that their physical living standards — of diet, shelter and health — were precariously balanced and well behind the rest of the community. Low income Australians did go without food from time to time, they often lived in sub-standard accommodation, and their energies were dissipated in a struggle to get by from one bill to the next.

Had it been confined to a series of case studies and anecdotes about personal hardship the study would have had little ongoing impact. However, Henderson and his colleagues went a step further. Theirs was the first attempt to measure poverty in Australia, and to pinpoint the groups in the population most at risk. To do so, they developed a poverty line using the Basic Wage, an income benchmark set by the Industrial Relations Commission in 1906, as the minimum required to support a couple and two children based on the "normal needs of a human being living in a civilised community". Data on family incomes could then be used to estimate the proportion of Australians at risk of poverty and which groups

¹⁸ Henderson et al (1970), *People in poverty, a Melbourne survey*, Cheshire.

were most affected. By the time of Henderson, the Basic Wage benchmark was considered to be an extremely austere measure, as this was no longer used in practice, and in no way constituted an equivalent basic wage for a family living in the 1960s. Using this measure Henderson estimated that between 4% and 7% of Melbourne households lived in poverty - mainly older people, sole parent families, large families, new migrants, and people with a chronic illness or disability. A subsequent national study using the same method found that 12.5% of households lived in poverty.

This approach to measuring poverty sharpened both the political will to fight poverty, and the policy tools required for the task. For the first time, the effectiveness of public policies aimed at reducing poverty could be measured over time, and the groups in the population most at risk could be targeted for assistance. In the wake of growing public concern about the "rediscovery of poverty", the Federal Government commissioned Professor Henderson to conduct a National Inquiry into Poverty, which reported in 1976.

Thirty years after the National Poverty Inquiry, concern about poverty has again been overtaken by complacency and confusion, despite evidence to suggest that poverty is now more widespread, against a backdrop of deeply entrenched social divisions.

To illustrate, the proportion of Australian living in income poverty (living below an income-based poverty line) rose from 12.5% in 1973 to 16.7% in 1996, according to a study by King that used the same methodology adopted by Henderson.¹⁹ Income based poverty studies are not the only evidence that poverty has increased:

- More than 6% of the labour force is unemployed, compared with less than 2% in the early 1970s. When "hidden unemployed" people and those only able to secure a job for less than two days a week are added, the unemployment rate doubles. Both hidden unemployment and underemployment appear to have grown significantly since the 1970s. The number of long-term recipients of unemployment payments has risen from negligible levels in the early 1970s to around 380,000 people in 2003.²⁰
- 47.5% of income units comprise single adults and 5.6% are sole parent families, both groups known to have a relatively high risk of poverty. These proportions have significantly increased over the past 30 years from 32.2% and 3.6% respectively.²¹
- 15% of children lived in jobless households in 1999 (860,000 children)²², a statistic that would have been inconceivable in the 1970s. The proportion of families with no parent employed rose from 11.2% in 1979 to 16.8% in 1995.²³
- These and other factors have contributed to a greater concentration of people with very low incomes within the same households and a greater reliance on social security payments among people of workforce age. In 2000, 23% of people of

¹⁹ King (1998), *Income poverty since the early 1970s*. In Fincher & Nieuwenhuysen (1998), *Australian poverty then and now*, Melbourne University Press.

²⁰ ABS, *Labour Force, Employment and Underemployment, Underemployed workers, Persons not in the labour force*, various years. Whiteford, op cit, FACS *Labour market payments*.

²¹ ABS (2000) *Income Distribution*, King (1998), *Income poverty since the early 1970s*, Henderson R (1975) *Poverty in Australia*.

²² Dawkins et al (2002), *Employment Polarisation in Australia*.

²³ Dawkins et al (2001), *The growth of jobless households in Australia*, Melbourne Institute Working Paper No 3/01. Gregory & Sheehan (1998), *The collapse of full employment*, in Nieuwenhuysen (1998), *Australian poverty then and now*, Melbourne University Press.

workforce age relied on social security payments for more than 90% of their income, compared with 16% in 1981.²⁴ The amounts these recipients must live on are parsimonious by any standard. For example, the maximum single adult rate of Newstart Allowance is approximately \$190 per week plus \$45 in Rent Assistance.

- Community agencies report that homelessness has become progressively more widespread. At the time of the 1996 census, it was estimated that up to 105,000 people were homeless in this country.²⁵
- For most households, weekly housing costs consume a significant proportion of gross weekly income. In 2000 housing costs represented 18% of gross weekly income for tenants of State Housing Authorities; 20% of gross weekly income for tenants renting privately; and 17% of gross weekly income for owners with a mortgage.²⁶

Over the past 30 years, income inequality also increased, especially at the top and bottom ends of the income range:

- In 1968, the bottom 10% of all families had gross incomes below 40% of the median (middle) family income. By 1999, this had fallen to 33%. By contrast, in 1996 the top 10% all had gross incomes at least 91% higher than median family income, rising to 114% in 1999.²⁷

Under these circumstances, we would expect to find that poverty has increased as the data suggests.

On the other hand, over the past 30 years Governments have strengthened their efforts to prevent and reduce poverty, in at least three ways:

- First, income support for low income households was improved in the 1970s for adults and since the late 1980s for children:

As a result of the benchmarking of pensions to 25% of male total average earnings in the early 1970s (and on and off since then), between 1973 and 1996 pension rates for single people rose from 80% to 93% of the Henderson Poverty Line and from 98% to 109% for couples.²⁸ This is a major reason that older people have a much lower risk of income poverty now than in the early 1970s (from 7.5% down to 4.6%).

The 1988 "child poverty package", the centrepiece of which was increases in family payments for low-income families, was estimated to reduce child poverty by one third.²⁹ However, the majority of payments were heavily eroded by inflation in the late 1970s and there have since been real declines in social security payments for young people in particular since the early 1980s.

²⁴ FaCS (2001), Statistical Appendix to report of Reference Group for Welfare Reform. Whiteford P (1999) Issues in measuring 'welfare dependence' (unpub).

²⁵ Chamberlain, C (1999) *Counting the Homeless: Implications for Policy Development*, ABS Catalogue 2041.0, Canberra.

²⁶ ABS, Survey of Income and Housing Costs, 1999-2000, in *Year Book Australia 2003, Housing costs and Income*.

²⁷ Saunders (2001), Household income and its distribution. in ABS *Australian economic Indicators*, June 2001.

²⁸ King, op cit.

²⁹ Brownlee & King, op cit.

- Second, the range of publicly subsidised human services has expanded substantially, reducing the cost of living for many people on low incomes.

These services include Medicare, subsidised child care services, aged care facilities, public transport in urban areas, and social housing assistance. Those "social wage" outlays measured by the ABS increased from 18.7% of average disposable income in 1984 to 21.3% in 1998.³⁰

- Third, services designed to prevent poverty by improving the formal education and training of young people and the job prospects of unemployed people have been expanded.

Developments in the labour market and trends in family formation and breakdown have generated a higher risk of poverty. The long-term outcome was an increase in income poverty, with much of the damage having been done in the late 1970s and early 1980s as unemployment ratcheted upwards.

Despite these developments public concern about poverty appears to have diminished. There are at least three possible reasons.

First, the overall living standards of the community has risen substantially. Presumably, poorer Australians shared in at least some of these improvements, even as prosperity left more people behind in its wake.

Household disposable income per person increased by more than one third between 1973 and 2001.³¹ This conjunction of rising absolute living standards and declining relative living standards for those at the bottom has sharpened the old debate over whether poverty is an absolute or relative condition and which of these we should be concerned about.

Regardless of the answer to this question, the broader community takes some time to adjust its understanding of poverty as living standards rise. Yesterday's luxuries — such as an inside toilet and a telephone — may become today's necessities, but it is often not publicly accepted until the vast majority of people share such expectations. Further, Australians' image of poverty is also influenced by media stories about poverty in developing countries, where general living standards are much lower. This reinforces the perception that instances of poverty in a country such as Australia are "mild", and confined to a small proportion of the population.

Second, it is likely that Australians of high and low income backgrounds come into less direct contact with each other than in the past.

This means that poverty is often out of sight and out of mind for an increasing number of "comfortably off" Australians, including many policy and opinion-makers. Even when they do come into contact it is not at the level of shared experience – for example, encountering the representations of homeless people living on the streets may be dismissed as a small outlying segment of the community.

The available evidence suggests (see box below) that low, middle and high-income households are increasingly concentrated in their own separate localities. The prohibitive cost of home purchase in major cities (and private rent in inner city areas) for low-income

³⁰ ABS (2001), Government benefits, taxes and household income.

³¹ Melbourne Institute (2003), *Poverty Lines*.

households, has contributed to the spatial concentration of job opportunities, and the concentration of the lowest income households in large social housing estates.

Rich and poor: never the twain shall meet

Gregory and Hunter's 1995 research pointed to a growing gap between high and low income localities.³²

In 1976, the bottom 5 of localities ranked by income earned 60.4% of the income of the top 5%. By 1991 this had fallen dramatically to 37.9%. One reason for this was the general increase in income inequality across Australia. Another major reason identified was the concentration of low incomes and joblessness in low-income localities.

In 1976, the proportion of all men who were employed in urban areas was a uniform 75% across low, middle and high-income areas. Similarly, the proportion of women was consistently about 40%. By 1996, the proportion of men employed in the bottom 5% of localities had fallen to less than 45%, compared with 60% for the highest income areas. For women, the proportion had fallen to less than 30% for the lowest income areas compared to an *increase* to almost 50% in the highest income areas. It is likely that these social divisions would be even more pronounced if non-metropolitan areas were included.

Reinforcing this trend is the steady movement of children and young people from middle income families out of the universal public high school system and into the private system. This further reduces social contact between the prosperous, those who live in modest comfort, and those who live in poverty.

If it is true that poor people are now more physically and socially isolated from the rest of the community, this has important implications. The "general community's" understanding of the living conditions of those at the bottom end is based less on direct experience and more on media images (mainly dealing with poverty in developing economies) and public policy debate.

Third, the focus of social policy has shifted from the social costs of financial disadvantage towards concern about its costs to the taxpayer.

Instead of debating what should be done to reduce poverty and hardship in Australia, policy makers and opinion leaders have been caught up in a debate over what should be done to reduce "welfare dependency". Of course, to a large extent the answers to these questions are the same. Well designed "welfare to work" policies have an important role to play in reducing poverty. For this reason, ACOSS welcomed the policy directions outlined in the report of the Reference Group on Welfare Reform.³³ Nevertheless, the very language used in the "dependency" debate deflects public concern from the wider social costs of poverty and joblessness towards the cost to themselves in higher taxes.

³² Gregory & Hunter (1995), *The macro economy and the growth of ghettos and urban poverty in Australia*.

³³ McClure, P (chair) 2000, *Participation support for a more equitable society: final report of the Reference Group on Welfare Reform*, Department of Family and Community Services, Canberra.

The present Senate inquiry is a welcome opportunity to direct the spotlight towards poverty and its effects on people, and in the process to renew our understanding of the meaning and extent of contemporary Australian poverty and how best to reduce it.

A clearer understanding, or sharper of poverty and those affected by it is a vital first step. What does poverty mean in an affluent society with steadily rising living standards? The next section explores the nature of poverty and our understanding of it.

The case for a fresh approach to defining and measuring poverty based on direct evidence of deprivation and exclusion rather than an uncritical reliance on low income alone as a "proxy" for hardship is made below. As the major means of securing a standard of living in market based economies, income will always occupy a central place in poverty research. However, income and other poverty measures must be grounded in the actual living conditions of poor people. In the absence of comprehensive research into the dimensions of deprivation in Australia and the connections between them, poverty research using income based "poverty lines" however can shed light on "income poverty" or the risk of deprivation.

2.2 Poor people lack key necessities

The social and economic deprivation that we understand as poverty has many dimensions other than low income alone — for example an inadequate diet, an inability to meet necessary health and education costs, very limited housing options, a severely restricted social life, and a struggle to cope financially from one fortnight to the next. Income-based poverty measures should be anchored in a thorough assessment of these and other dimensions of deprivation.

One of the simplest, yet clearest, definitions of poverty is that offered by Mack and Lansley:

*Poverty is an enforced lack of socially perceived necessities.*³⁴

This definition, and most others used in poverty research, has three core elements:

- a lack of necessities;
- that necessities are socially defined;
- that the lack of necessities is caused by limited material resources.

Necessities are resources (goods and services) that people cannot reasonably "do without". A lack of *necessities* is not the same thing as a lack of *resources*. Two people may have identical resources but different needs. For example, a person with paraplegia may need an additional resource, a wheelchair, to achieve mobility. The adequacy of resources and whether or not they are *necessary* — must therefore be gauged according to people's needs.

Poverty is usually defined with reference to a set of basic human *needs*. Two kinds of needs are often identified: physical survival and comfort (for which the corresponding necessities are resources such as such as food and housing), and the need to participate in the economic and social life of the community (for which the corresponding necessities include such items as transport)³⁵. This suggests that poverty has two forms. In this submission

³⁴ Mack & Lansley (1985) *Poor Britain*, George Allen & Unwin.

³⁵ In Sen's terminology, they lack the commodities they require to achieve certain capabilities.

these are referred to as *subsistence poverty* (an inability to meet basic physical needs), and *participation poverty* (an inability to meet basic social needs). These forms of poverty are closely related, and while often treated as one condition, they are distinct. People may have all of the resources they need to subsist but lack the resources required for social participation.

Participation poverty has much in common with the idea of *social exclusion*, a term that usually refers to the exclusion of people from mainstream social and economic life, where this has a detrimental effect on the lives of those affected. However, as explained below, social exclusion is a broader concept than participation poverty and not always associated with a lack of resources.

Concepts such as necessities and needs are notoriously difficult to precisely define and measure. Two approaches that have each attracted strong support — based on the ideas of Townsend and Sen — are described in the box below.

Defining poverty — the ideas of Peter Townsend and Amartya Sen

Townsend³⁶ (1979) used a two-step procedure to define and measure poverty as a form of multiple *deprivation*. First, a set of basic human "needs" was defined, broadly corresponding to either "subsistence" and "social participation". Second, a set of resources necessary to meet these needs — or *necessities* — were identified. For example, people suffered deprivation if they lacked sufficient food to nourish themselves in accordance with prevailing social standards in the UK, as reflected, say, in the number of meat dinners people had each week.

This illustrates an idea that was central to Townsend's approach: *Poverty as a living standard is always relative*. So, even though basic human needs such as nourishment and social participation might be universal, the resources required to meet them are socially defined and vary from one place and time to another. Beyond the level of basic physical survival, this principle even applies to standards of subsistence, such as food and shelter.

A more elaborate framework was developed by Sen³⁷ (1993), who defined poverty as *capacity deprivation*. He described human needs as a set of *functionings* or outcomes (such as being adequately nourished). In this framework, poverty is not simply a lack of the resources (necessities) required to achieve adequate functioning (to meet needs). Sen added a third step to the chain of logic between resources and functioning: people's *capabilities* to achieve a level of functioning.

The key idea behind this concept of capability is that people are poor if they lack the *choice or freedom* to achieve the desired level of functioning. For example, a poor person and another person who deliberately fasts may both fail to nourish themselves. However, only in the case of the poor person is this due to a restriction on their choice to feed themselves adequately. So, poverty is defined at the level of capabilities, even though it may only be possible to measure it in terms of more "visible" factors such as resources or functionings. In Sen's framework, poverty is absolute at the level of capacities (for example, the "inability to shelter oneself" is an absolute incapacity). However, it is relative at the level of resources required to exercise a set of capabilities (for example, the minimum standards of housing required to achieve the "capability of sheltering oneself" will vary from country to country).

Both Townsend and Sen reject the notion that poverty is represented by an absolute or unchanging "core" of resources, beyond mere physical survival. They argue that the level of resources indicative of poverty is socially defined, so that it varies among individuals and households with different needs and also between poor and rich countries. However, neither defines poverty in subjective terms. Poor people are not simply those who describe themselves as poor, or are described as such by others. Poverty has an objective character that can be measured if we know enough about people's needs, capabilities, and resources.

³⁶ Townsend P (1979), *Poverty in the United Kingdom*, Penguin.

³⁷ Sen A (1993) 'Poor, relatively speaking' in *Oxford Economic Papers No.35* (1983), p153. Sen A (1995), *Inequality re-examined*. Russel Sage Foundation.

2.3 The lack of necessities is socially defined

Necessities are almost always socially defined. For this reason, the idea of "absolute poverty" is not particularly useful, unless by "absolute" we mean that a person's very survival is threatened. The set of basic human needs (such as nourishment) and capabilities (such as the ability to participate in social life) that underpin the idea of poverty do have an absolute character. Indeed, many Australians such as those in Indigenous communities or people who are homeless live in extreme forms of poverty where survival may in fact be at serious risk.

However, as soon as we set out to define the level of resources required to meet those needs, or exercise those capabilities, we find that one society's luxuries are another's necessities.

Aside from the risk of death or severe incapacity, even subsistence poverty — having sufficient resources to live in frugal comfort — is socially defined. In many developing economies, a tin shack with windows and a door may be regarded as adequate "basic" accommodation for a family because a large proportion of the population lives in similar accommodation. Indeed, from the standpoint of physical survival and good health, this kind of accommodation may well be adequate. However, the same type of accommodation for use as a permanent dwelling would generally not be *socially acceptable* in Australia and few local councils would allow the construction of a tin shed for this purpose.

Therefore, even subsistence poverty is *always defined in accordance with the standards of a particular society at a point in time*, unless physical survival is directly threatened. This applies even more strongly to participation poverty, since social participation is structured very differently in different countries.

This does not imply, however, that poverty is the same as social *inequality*. For poverty to exist, it is not sufficient that the resources available to one group are much lower than the rest. They must live in conditions that would be widely regarded by the community as deprived and experience a lack of *socially perceived necessities*. This means that they have a command over resources substantially less than the rest of the community finds acceptable.

Countries with high poverty levels are usually relatively unequal. Nevertheless, it is possible to eliminate poverty in societies with very unequal distributions of incomes and other resources (especially where the inequality is mainly concentrated at the top end of the distribution). This is an important distinction, since many people who find poverty objectionable are not necessarily in favour of equalising incomes.

This point can be illustrated by the oft-quoted example of a nation that "gains" or "loses" a large number of millionaires. This might increase or decrease income inequality quite dramatically. However, it is very unlikely to change the social definition of what constitutes poverty in that country. On the other hand, if most people in that country become progressively richer, the ensuing change in social standards means that the range of items that are regarded as necessities, and the level of resources that constitutes poverty, are both likely to increase over time. Even then, poverty could still be eliminated without eliminating income inequality, by bringing the living standards of poor people up to the new poverty threshold. However, it would not be eliminated simply because a few millionaires leave the country.

The idea that poverty is socially defined does not imply that poverty is "subjective". People are not poor because they "feel" poor, or because others describe them as such. If poverty

were defined in this way, many poor people who have adapted to their circumstances by narrowing their expectations would no longer be considered poor. Poverty would be under-stated in societies with strict social hierarchies where the poverty of those at bottom is socially accepted. Conversely, many people who are actually quite well off but struggling financially because of a major expense (such as home re-payments) would be defined as poor.

Deprivation items identified by Travers & Robertson 1996

- Cannot afford friends or family for meal once a month
- Cannot afford hobby or leisure activity
- Cannot afford holiday away from home for at least one week a year
- Cannot afford new rather than second hand clothes
- Cannot afford night out once a fortnight
- Cannot afford special meal once a week
- Could not keep up with payments for electricity, gas, or water in past year
- Pawned or sold something to get money in past year
- Unable to heat home because of short of money in past year
- Went without meals because short of money in past year
- Went without or delayed dental care because short of money in past year
- Went without or delayed optical treatment because short of money in past year
- Not able to raise \$1000 in a week in an emergency
- Not enough income to get by on
- Dissatisfied with cooling or heating of home
- Dissatisfied with condition of home
- Dissatisfied with security of home
- Dissatisfied with life today
- Difficulty getting to hospital
- Difficulty getting to doctor, dentist, other health facilities
- Standard of living worse than two years ago

2.4 The lack of necessities is caused by a limited command over material resources

Not all people who lack socially perceived necessities are living in poverty. Poverty implies that people's lives are constrained by a *lack of resources*. For example, a person with paraplegia does not "automatically" live in poverty by virtue of their disability alone. On the other hand, without a wheelchair or other means of mobility (and no capacity to secure them) that same person is likely to be "participation poor".

This is the difference between *social exclusion* and participation poverty. Social exclusion — an inability to participate at an acceptable level in the economic and social life of the

community — may be caused by factors other than a lack of resources. Similarly, a person who has been unemployed for a long time may experience social exclusion from "mainstream" economic life. However, they need not live in poverty, provided they have the resources to engage in social life in other ways (for example, an inheritance or compensation). In this way, participation poverty as used in this submission is a narrower concept than social exclusion. It is exclusion *resulting from a lack of resources*.

To many people, poverty is simply *insufficient income to get by*. However, *resources*, as used here is a broader term than income alone. It includes assets (such as ownership of a house), gifts from relatives, and free or subsidised public and community services.

Nor can poverty be easily equated with inadequate *expenditure*. The main problem with measuring poverty in terms of expenditure is that people have different spending preferences. For example, a wealthy retiree who prefers to live in a motor home and spend their income on travelling would not be considered to live in poverty simply because their accommodation may be perceived to be inadequate. Nor is a middle-income family that chooses to live very frugally in order to save for a home deposit, despite the fact this could result in them or their children experiencing deprivation for a period of time. It is their *spending power*, or to put it more broadly their *capabilities*, that matter most, not how much they actually spend.

2.5 Poverty and low income

Of all measures of a person's resources, income comes closest to measuring deprivation in a market-based economy because it is a strong measure of people's *capacity to spend* on essential goods and services (regardless of how they actually spend it). Income is the dominant means of securing the goods and services we need to avoid poverty. This idea is captured in the popular notion of *lacking enough income to get by*. This is also the reason that public debate over the distribution of income (for example, in wage fixation, social security policy, and tax policy) is so vigorous.

In a market-based system, the incomes of different groups in the community, together with their access to other resources such as home ownership and subsidised services, are strongly related to their risk of poverty. As a result, we are able to speak of *income poverty* as *a level of income below which the risk of poverty is unacceptably high*.

The fact that a person or family's income falls below this level does not necessarily mean they are poor. Nor is it necessary that the vast majority of people on low-incomes experience poverty. The basis for the concept of income poverty as used here is that the society considers that the risk of poverty is unacceptably high once incomes fall below certain levels. This has important implications for social security policy, and has always been (explicitly or implicitly) an important consideration in policy debates over public income support.

Income is not a *direct* measure of poverty. However, it is frequently the best readily available *indirect* measure of poverty. The strength of the link between income and poverty will vary from one country to the next, and this is an issue for ongoing research.

2.6 The persistence of poverty

There is an emerging debate over the period over which the experience of poverty should be measured. People may be unable to afford key necessities due to a temporary cash-flow problem, or they may move in and out of employment.

Much of this debate reflects a confusion about poverty. A person is poor as long as they are unable to afford or access a range of necessary goods and services, or, to put it differently, they lack the capacity to achieve a decent level of wellbeing due to inadequate resources. If they *only* have a short-term cash-flow problem they are unlikely to be poor since they will already have most of the basic necessities and can probably borrow or draw down their assets to get by from week to week. If their temporary cash-flow problem is *compounded* by more sustained forms of deprivation such as long-term unemployment or caring responsibilities, or an event such as the death of a partner or acquisition of a disability has dramatically changed their lives (and their capabilities) for the worse, then they are more likely to face poverty.

Therefore, poverty (like hunger and a lack of shelter) exists and can be measured at a point in time. Poverty does not have to be persistent to be "real". However, a temporary lack of a *single resource* (such as cash income) does not constitute poverty. So, if a single resource (such as disposable income) is used to measure poverty, it should be measured over a longer period of time, such as one year. Researchers using income-based poverty lines generally prefer to use annual income data.

Of course, persistent poverty is of greater policy concern than poverty that lasts for a year or less. This does not imply, however, that poverty of a shorter duration is not "real" or impactful.

2.7 Inequality and poverty

While poverty should not be confused with inequality, it is nevertheless an important concept and policy challenge which often walks hand in hand with high levels of poverty.

While poverty research generally focuses on incomes at the bottom of the distribution, the size of the gap between the very top and the bottom is also relevant to a society's well being. The incomes of the richest can distort some markets, such as housing and has a significant influence on the morale of the general population. The very rich can also opt out of public services, to the detriment of the quality of the services the non rich are able to access. There are also between region and between group inequities that are of considerable interest in terms of poverty policy outcomes.

2.8 Poverty at the international level

An important debate relates to whether poverty has an "absolute core" that applies across rich and developing economies. This debate is important since it should be possible to compare poverty across countries as well as measuring its extent within each one.

One approach to international comparisons of poverty would be to apply the same method of measuring poverty to national poverty within each country. That is, socially perceived

necessities would be defined in accordance with local standards within each country. Using this approach, it is possible that higher poverty levels would be found in rich countries than in poor countries, depending on how living standards are defined and distributed within each country.

Alternately, researchers could attempt to establish a set of minimum *international* deprivation standards that apply to the world as a whole. The difference between this and a series of different national standards is not the same as the distinction between subsistence poverty and participation poverty, discussed above. International deprivation standards could embrace both forms of poverty (for example, in relation to inadequate diet, where there could be a base subsistence standard below which deprivation is universally accepted to exist, as well as a locally defined higher standards where appropriate).

This is not the same as a distinction between absolute and relative poverty. As soon as an international deprivation standard extends beyond mere survival, the necessities that comprise it would be socially defined *relative to world standards*. This implies that an international deprivation standard would be fixed at a level of living much lower than that enjoyed by many poor people in rich countries. This is clear as soon as the basic question is posed: what is the minimum acceptable standard of living for citizens of the world, as distinct from citizens of Australia?

It is much harder to set such a standard at the international level, given the diversity of social systems, cultures, and living standards among nations. This problem cannot be resolved by clever use of statistics.³⁸ As with national poverty benchmarks, a set of value judgements must be made about minimum standards of living or capabilities.

At the United Nation's *World Summit on Social Development* in Copenhagen in 1995, a major step was taken towards setting benchmarks for defining and eliminating poverty at the international level (see box below).

The summit agreed that all countries should develop national plans to define, measure and eradicate "**absolute**" poverty and substantially reduce "**overall**" poverty within fixed time frames.

The idea of "absolute" poverty was introduced to bridge the gap between developing and rich nations by establishing a poverty benchmark that could be shared by all nations. However, this definition of absolute poverty does not imply a standard of living that does not vary over time or between countries. A more accurate description in this context would be "core" or "severe" poverty.

The Copenhagen summit got around the problem of diversity of national living standards by giving each nation the task of defining absolute and relative poverty in its own social and economic context. This raises two new problems:

- How can we distinguish between the two "levels" of poverty (absolute/core and overall) in a national context? In rich countries, the distinction may be too fine, even arbitrary.

³⁸ The United States' official poverty measure has often been used in international comparisons because (as with income based poverty lines) international poverty levels can readily be compared using this method. The method used is to calculate the proportion of household budgets that is devoted to food, on the assumption that households that devote a high proportion of their spending to food are more likely to be poor. However, this approach has rightly been criticised for its arbitrariness.

- How can we be confident that international studies using national definitions of poverty are comparing like with like?

A better approach might be to establish a simple set of universal international benchmarks and apply them without variation to every nation. This has the advantages of simplicity and transparency, and it permits a direct comparison of poverty levels across countries. This "core" or "international" poverty benchmark would then sit underneath (or above) those developed within each nation. It would not be designed as a substitute for national benchmarks.

The most promising approach along these lines is the United Nation's *Human Poverty Index* (see box below). This uses a simple set of *universal* indicators of deprivation within key dimensions of life such as health and education, drawn from the United Nation's *Human Development Index*. These universal indicators suffer from a degree of arbitrariness in the choice of indicators. However, once it is accepted that they can only be used to compare international poverty levels in an approximate way, they are likely to attract broader support and understanding than arbitrary international "poverty lines"³⁹.

³⁹ Such as the World Bank's "dollar a day" poverty benchmark.

International definitions of poverty

1995 World Summit on Social Development:

The following resolutions and definitions were adopted at the World Summit on Social Development at Copenhagen in 1995:⁴⁰

Member nations were urged to *formulate or strengthen, and implement national poverty eradication plans to eradicate absolute poverty and substantially reduce overall poverty.*

Absolute and overall poverty were defined as follows:

Absolute poverty means *severe deprivation of basic human needs, including food, safe drinking water, sanitation facilities, health, shelter, education and information. It depends not only on income but also on access to services.*

Overall poverty also includes *lack of income and productive resources to ensure sustainable livelihoods; hunger and malnutrition; ill health; limited or lack of access to education and other basic services; increased mortality and morbidity from illness; homelessness and inadequate housing; unsafe environments and social discrimination and exclusion. It is also characterised by lack of participation in decision-making in civil, social and cultural life.*

United Nations Human Poverty Index:

The United Nation's *Human Poverty Index* is a measure of poverty that uses the same international benchmarks adopted by the UN for its Human Development Index.⁴¹ The indicators used are:

the percentage of people expected to die before age 40, the percentage of adults who are illiterate, the percentage of people without access to health services and safe water, and the percentage of underweight children under five years.

This universal poverty benchmark is designed for use in international comparisons.

2.9 Four poverty concepts

To summarise our discussion on defining poverty, one of the problems with contemporary academic and policy debate is that poverty means many different things to different people. Some of the fog generated by this debate would lift if we were able to clearly define each of the different concepts of poverty and give them a name. We suggest that poverty as discussed in Australia actually comprises three distinct concepts, listed in the box below, in addition to fourth concept relevant to international comparisons.

⁴⁰ United Nations, 1995, *The Copenhagen declaration and programme of action*. New York.

⁴¹ United Nations Development Program, 1997, *Human development report*, Oxford University Press.

Poverty concepts

At a national level, poverty comprises three related but distinct forms of systematic deprivation or incapacity:

1. *Subsistence poverty* is an enforced lack of necessities which a society believes are required to meet people's physical needs, to live in frugal comfort.

Examples include inadequate diet, sub-standard housing, or denial of basic health services.

2. *Participation* or *social poverty* is an enforced lack of necessities which a society believes are required to meet people's need to participate appropriately in the economy and society.

Examples include an inability to meet regularly with family or friends, to travel to jobs or job interviews, to afford school books and excursions for children, or to complete an education.

3. *Income poverty* is a level of income below which a society considers the risk of poverty to be unacceptably high.

Examples include the Henderson Poverty Line. Income-based poverty lines do not measure poverty directly. Rather they use income as a proxy for deprivation (or the risk of it) based on a benchmark chosen by experts or the society more generally. For example, Henderson chose the *basic wage plus child endowment* for his poverty line. This reflected the long Australian tradition of arbitrated wage settlements based on the minimum needs of a working family.

For international comparisons, another definition may be needed.

4. *Core or international poverty* is a level of deprivation considered unacceptable by the international community. In rich countries, this is likely to represent a more severe form of poverty than subsistence or participation poverty. It has both subsistence and participation elements. Examples include a lack of access to safe drinking water, and illiteracy.

3. How can we measure poverty?

It is clear from the above discussion that poverty is not an easy state to define. However, while poverty is socially defined, it can still be objectively measured. In this context, poverty research must meet the following requirements:

- It should be objectively based, yet grounded in people's actual living conditions and the views of the general public about what constitutes deprivation.
- It should capture the different dimensions of deprivation yet provide a summary measure or measures that are readily understood by the community.
- It should produce overall estimates of the extent and depth of poverty, identify the groups most at risk, and provide information on the dynamic aspects of poverty as well as people's circumstances at a point in time.
- It should be possible to regularly update these measures in a reliable and cost-effective way, as the social definition and context changes.
- It should be sourced from reliable sets of data that are comparable over time.
- It should accurately measure poverty in a way that most people can comprehend.

Defining and measuring poverty is a process of consensus-building as much as research. The most enduring poverty measures are those linked to public inquiries where the researchers and policy-makers have the opportunity to test the veracity of their views on poverty through a dialogue with the general public, people living in poverty, and those who work with people living in poverty.

No official inquiry into poverty has been undertaken in Australia since the national Poverty Inquiry of the 1970s. It is worth recalling the very broad scope of that undertaking. Although its main legacy was an income-based poverty line, the Inquiry took submissions and conducted public hearings in many parts of Australia; commissioned studies into dimensions of poverty such as its housing, health, and legal aspects; and developed a policy agenda to reduce poverty that was equally broad in its scope.

Over the past decade, Australian poverty research has followed three tracks:

- the use of *income-based poverty lines* to measure the extent and depth of income poverty;
- the development of a set of prescriptive *budget standards* for the household budgets of low and middle income people; and
- attempts to *directly measure the living standards* of low income people and compare them to those of the broader community.

Related work has also been undertaken to understand the causes of poverty, to explore the relationships between various factors and to report on indicators of risk of poverty, such as in relation to length of time unemployed, disability, Indigenous and cultural background, and educational outcomes. These findings are discussed in greater detail later in this submission.

Detailed official data on the distribution of household income and expenditure are now produced every two years by the Australian Bureau of Statistics. Researchers can use these data to estimate the extent of poverty, trends over time, and to compare the circumstances of different groups. The general public can readily understand information about poverty that is derived from income or household budget-based benchmarks. However, Australian research using these methods has a serious weakness in that it is not adequately grounded in the actual living conditions of poor people. This remains the greatest challenge for poverty research in Australia today.

3.1 Income-based poverty lines

Most Australian poverty research relies on income based poverty lines: either Henderson's or international poverty benchmarks based on a fixed percentage of median or average household income (see table below for the corresponding income levels for these poverty lines). As noted above, income is at best an indirect measure of poverty. One outcome of the over-emphasis on income in Australian poverty measurement is that the reality of poverty is veiled behind the elaborate technical procedures used to develop and update poverty lines. Regrettably, the present "debate" over poverty has been reduced to an arcane discussion of equivalence scales, the quality and comparability of ABS income data, the index used to update poverty lines, and so on.

These arguments are by no means trivial. Indeed, one of the benefits of the "technology" of income based poverty measurement - the adjustments made to income to reflect factors such as the costs of children and housing - is that information on the distribution of income can be used to measure people's actual living standards much more accurately than in the past. Some of the key methodological issues facing researchers using income based poverty lines are discussed below.

Methodological issues with income-based poverty lines

Do income based poverty lines reflect actual deprivation?

This can only be resolved by measuring deprivation directly and examining how strongly it is correlated with income (see below). In Australian poverty research, only the Henderson Poverty Lines were originally grounded in direct study of deprivation.

How should the benchmark poverty line be fixed?

The best approach is to study deprivation directly and establish its relationship to income. An alternative approach is to use a benchmark that is already widely accepted by the society (such as Henderson's use of the basic wage). In the latter case, the benchmark is socially sanctioned as a level of income below which the risk of deprivation is too great. Some poverty lines based on arbitrary percentages of household income (50% of median or average income, and 60% of median income) are internationally sanctioned and regularly used in international comparative work, but their relationship to deprivation in Australia is unclear.

How should it be adjusted over time to reflect changes in community living standards?

Ideally, this would be done using regular, detailed deprivation studies. However, it is probably not practical to conduct such studies every few years. Other options include

adjustment using the CPI, movements in median household incomes, and movements in average (or overall) household incomes.

Each of these options has its problems. Adjustment using the CPI "freezes" the benchmark at the level of community living standards at the time it was first set. Poverty will almost inevitably appear to fall over time. Adjustment using median or average incomes does reflect changes in the living standards of the general population, but not necessarily the increase in what the community considers to be a minimum level of income to avoid poverty. Further, both median income and average income are subject to distortion when income growth is not uniform (the median is very sensitive to changes in the middle of the distribution while the average is very sensitive to changes at the top and bottom ends).

The Henderson Poverty Line has rightly been criticised on the grounds that the index used to adjust it over time (household disposable income per capita) has grown more rapidly than income as captured by the ABS income surveys that are used to measure poverty.⁴² This method of indexation imparts an upward bias to poverty rates measured using these poverty lines, over time. It would be better to index it to movements in disposable income as measured in official income surveys.

To what extent should income be adjusted to take account of variations in costs?

The most important costs that should be considered are the costs of additional adults and children, and the costs of housing. "Equivalence scales" are commonly used in Australia to account for family size. Despite criticism of the fact that they are not based on recent Australian research, the scales most frequently used in Australian poverty research⁴³ reflect a reasonable set of assumptions about the costs of additional family members (considering actual household expenditure patterns).⁴⁴ It would be worthwhile to use the 1998 Budget Standards research to test the veracity of these equivalence scales.

Henderson's method of adjusting for variations in housing costs (the difference between "before" and "after" housing poverty lines) greatly improves the accuracy of poverty measurement (especially in the case of retired home-owners). However, this is achieved by making an arbitrary estimate of the proportion of expenditure that should reasonably be devoted to housing. More work is needed to refine this methodology.

Is equivalent disposable income a reasonable proxy for spending power?

Equivalent disposable income does not take account of assets, debts, gifts and other exchanges between relatives, or publicly subsidised services. However, these factors are difficult to measure on a regular basis, and their implications are often not clear (for example, if a household that makes greater use of free health services this may reflect the poor health of its members rather than its command over resources). Moreover, there are

⁴² This is because it includes factors such as employer super contributions that are not included in the income surveys.

⁴³ Henderson's, and the "modified OECD scale".

⁴⁴ For example, the Henderson equivalence scales imply that the average additional cost of a dependent child, compared with the cost of living for a childless couple, is of the order of 30%. This is consistent with Budget Standards and survey data of actual spending on children in low-income households. There are two main problems. The Henderson equivalence scales appear to under-estimate the needs of a sole parent compared with a childless couple, and any equivalence scale (including the so-called "simplified" Henderson scale) that fails to take account of the rising cost of children as they grow older is seriously deficient.

major obstacles to any attempt to combine these factors with disposable income in a single index.⁴⁵

More detailed research into these factors and their link with equivalent disposable income would help establish the extent to which income and other resources are correlated or not, and for which groups they diverge. Once again, divergences are likely to be greatest among retirees who have relatively low incomes but high asset levels.

Equivalent disposable income is likely to be a more reliable indicator of poverty when measured over a longer period than current (e.g. weekly) income. Annual income is a good compromise between this objective and the constraints of data collection.

Are the official income data reliable?

The ABS has raised concerns about the accuracy of income data for the bottom 10% of households. The main problems appear to be under-estimation of income by self employed people, and a group of households that declare zero or negative incomes. These problems are best addressed by excluding these households from poverty data and examining their circumstances independently. This is the method used in much Australian poverty research.

Grounding in the actual living standards of poor people

Important though they are, the emphasis on these technical issues obscures a far more critical question: whether income-based poverty measures are adequately grounded in the actual living standards of poor people and the expectations of society as a whole.

The principal poverty line used in Australia, the Henderson Poverty Line, was originally grounded in a study of the living conditions of low income households in Melbourne (as well as the investigations of the subsequent National Poverty Inquiry). Henderson was thus able to argue that this poverty measure was so "austere" that it is not open to reasonable challenge.⁴⁶ He also relied on a social standard that was widely accepted at that time: he used the "basic wage" to develop his benchmark poverty line for a couple with two children.⁴⁷ The basic wage was the outcome of decades of research and debate within the Australian industrial relations system over the minimum income necessary for a family to live in "frugal comfort". This fits the definition of income poverty outlined above: a level of income below which the risk of poverty is unacceptably high in the eyes of the community. The Henderson Poverty Line has since been regularly updated by the Melbourne Institute to reflect movements in community living standards, but it has not been "grounded" in subsequent detailed study of deprivation.

Other income benchmarks used in Australian poverty research are derived from international poverty research.⁴⁸ Since living standards and views about income adequacy vary a great deal among countries, these international poverty benchmarks are based on an arbitrary proportion (typically 50% or 60%) of median or average household incomes. These benchmarks were originally developed by researchers who used their expert

⁴⁵ For example, the method of "adding" assets to income by converting them into an income stream assumes that all assets are liquid.

⁴⁶ Henderson described those living below this level as "very poor", and those with incomes between 100% and 120% of this level to be "poor". The present Henderson Poverty Lines are based on the "very poor" lines, albeit indexed upwards over 30 years.

⁴⁷ To this was added the level of child endowment paid to a family of four at that time.

⁴⁸ NATSEM/Smith family, 2000.

knowledge of poverty research in their own countries, but a link between them and actual poverty in Australia has not been demonstrated.

These three poverty lines are summarised in the table below. For a family of four, they range from a disposable income of \$388 to \$551 per week.

Fig. 3. Henderson and alternative poverty benchmarks (dollars per week in 2002)⁴⁹

	Single adult	Couple	Sole parent, 2 children	Couple, 2 children
Henderson Poverty Line (head in workforce), June 2002	\$294	\$393	\$456	\$551
50% of average household income	\$244	\$330	\$371	\$452
50% of median household income	\$210	\$283	\$318	\$388

Source: Greenwell, Lloyd, & Harding, 2000, op cit. Note that these are minimum expenditures, so they correspond to disposable income rather than gross income.

How can we judge whether these poverty lines correspond with poverty as understood by Australian society in 2003?

One simple way to "validate" income-based poverty lines is to ask the general public what level of income a family needs to "just get by". Roy Morgan research has asked the following question:

In your opinion, what's the smallest amount that a family of four — two parents and two children — need each week to keep in health and live decently — the smallest amount for all expenses including rent?⁵⁰

In 1998, the West Australia Task Force on Poverty commissioned research in which the general public in that State were asked:

What do you think constitutes the poverty line, after tax, for a family of four with two adults and two children? That is, the amount they need to just manage?⁵¹

⁴⁹ The poverty lines are based on disposable income, which means they are less than gross income in the case of people without children, and more than gross income in the case of those with children (due to the effect of tax and family payments). The Budget Standards are estimates of the minimum necessary expenditure rather than income. The 50% of average and median poverty lines and Budget Standards have been updated to 2002 using average growth in average and median household incomes, and growth in the CPI, respectively. Dept of Social Security 199\8, *Indicative Budget Standards for Australia*. Greenwell et al, 2001, *An introduction to poverty measurement issues*, NATSEM Discussion paper No 55. Melbourne Institute 2003, *Poverty Lines, Australia*, June quarter 2002.

⁵⁰ Saunders P 1998, *Defining poverty and identifying the poor*, SPRC Discussion paper No 84.

⁵¹ West Australia Task Force on Poverty, 1988, *Community awareness and attitudes towards poverty*, Perth.

This simple approach to fixing a poverty line is not the most reliable one. Responses to these kinds of questions vary substantially from one year to the next, and it is not clear that people have the same idea of poverty in their minds when they respond.

Another approach to validating income-based poverty lines is the Budget Standards method, described in the next section. This involves the preparation of a series of detailed "low cost" budgets for different types of families.

The responses to the above opinion poll questions, and the low income budgets developed by the Social Policy Research Centre are compared with three poverty lines for a family of four in the table below.

Fig. 4. Poverty lines compared with alternative indicators for a family with 2 adults and 2 children (2002)

Poverty Lines Disposable income needed to avoid poverty (\$ per week)	"50% of median" poverty line	"50% of average" poverty line	"Henderson" poverty line
	\$388	\$452	\$551
Alternative indicators of disposable income needed to avoid poverty (\$ per week)	WA Poverty Taskforce poll response on minimum income to "just manage"		Social Policy Research centre "Low-income Budget Standards"
	\$520		\$698

Sources: WA Poverty Taskforce, 1998, op cit; Department of Social Security, 1998, op cit. Note that these are minimum expenditures, so they correspond to disposable income rather than gross income.

This table suggests that the three poverty lines discussed above are not unrealistically high in the context of contemporary community standards. Indeed, the 50% of median income poverty line appears to be unrealistically low.⁵² However, these comparisons do not serve to "validate" any particular poverty line.⁵³

In sum, the income-based poverty lines currently in use in Australia offer useful guidance on the risk of poverty in Australia, although they do not measure poverty directly. The Henderson Poverty Line is a measure of *income poverty* in the sense that it was originally based on an officially endorsed (and widely supported) measure of deprivation — the Basic Wage. It was also grounded in research into the actual living standards of people who were income poor. However, it has not been "validated" by subsequent research, or by any ongoing link between it and current minimum wage standards. Moreover, there are real concerns about the manner in which it is indexed over time (see box above).

Australia needs a fresh approach to poverty measurement, grounded in research into people's actual living standards.

⁵² In international poverty research, a poverty line at this level is generally held to be very austere. Thus, for example, the European Commission has chosen 60% of median income (about equal to 50% of average income) as its benchmark poverty line. See Gordon & Townsend, 2000, *Breadline Europe*. Policy Press.

⁵³ For discussion of the limitation of the Budget standards approach, see below.

3.2 Budget standards

The second research method used recently in Australia is the Budget Standards approach (referred to in the previous section). This is the oldest form of poverty study, harking back to Rowntree's 19th century study of poverty in York. In this approach, the researcher uses a combination of expert judgement and surveys of actual expenditures by low-income people to develop detailed "minimum" household budgets. This method was also used by Justice Higgins in Australia in the early 20th century, to inform the development of the original "Basic Wage".

The former Department of Social Security funded a major Budget Standards study that was completed (at least to the stage of developing a preliminary set of budgets) by the Social Policy Research Centre in 1998. This work was informed by focus groups of low income people and by examination of the actual expenditures of low and middle income households from ABS surveys. However, these *Low Income and Modest but Adequate* budgets were developed on the basis of expert assessment of the minimum consumption requirements (for example on clothes, food, whitegoods) to avoid hardship and live in modest comfort. The low income budgets, in particular, are frugal.

One advantage of this method is its transparency. If researchers or others have good reason to dispute any budget item, it can be adjusted. The general public can compare the broad expenditure items with their own budgets. This feature makes them potentially very useful for assessing the adequacy of social security payments or minimum wages and providing an indicative measure of poverty.

Selected low income and modest but adequate Budget Standards are summarised in the table below. It is noteworthy that the low-income Budget Standards are generally higher than other poverty lines discussed here, especially for single people and families with children. This suggests that income-based poverty lines are set at an austere level, in terms of contemporary Australian living standards. The very fact that around 20 per cent of Australians have incomes below the low income Budget Standards is of great concern, whether or not it means that they all live in poverty.⁵⁴

**Fig. 5. Low income Budget Standards
(dollars per week in 2002)**

	Single adult	Couple	Sole parent, 2 children	Couple, 2 children
Low income Budget Standards	\$341	\$443	\$564	\$698

Source: Dept of Social Security 1998, Indicative Budget Standards for Australia. Budget Standards are indexed to 2002 using the CPI. Note that these are minimum expenditures, so they correspond to disposable income rather than gross income..

⁵⁴ As we note in Section 2 below, over 20% of Australians live on incomes below the Henderson Poverty Line, which is for the most part set at levels below the low income Budget Standards.

3.3 Living standards studies

The weaknesses of income-based and budget standards methods have led many researchers to advocate direct measurement of poverty through surveys of people's access to various necessities of living (for example, decent housing). This is a more contemporary form of poverty measurement, first developed in Europe about 30 years ago.

In the early 1970s, Townsend pioneered a method of surveying access to necessities using a representative sample of the UK population. He used the data derived to develop an index of deprivation, which was then compared with the distribution of household incomes in order to establish a set of income-based poverty lines. He found that there was a systematic relationship between income and deprivation and that the risk of deprivation increased sharply at lower income levels.

At the same time, a number of Nordic countries conducted comprehensive living standards studies, though without attempting to condense this information into a single index of well-being or income based poverty line.⁵⁵

The difference between general living standards research and that conducted by Townsend is that the focus in the former is on establishing common agreed acceptable living standards for society as a whole, and the focus on the latter is on establishing unacceptable levels of deprivation and poverty.

No Australian study has systematically attempted to measure *deprivation* (as distinct from living standards generally) across the community as a whole. Many research studies commissioned by community agencies and Governments have examined aspects of deprivation within particular groups and communities, for example in relation to recipients of social security payments in a particular city. Some have used survey questionnaires, and many were anecdotal in nature. The studies are a rich source of information on the dimensions and causes of poverty among those groups.⁵⁶ However, they cannot be used to estimate the extent of poverty in Australia as a whole.

In Australia, three national studies relating to living standards in general (as distinct from deprivation) have been conducted since Henderson's Melbourne survey. However, none of them was designed in the first instance as a national poverty study.

1. The Australian Standards of Living Study (ASLS)

This study was conducted in the late 1980s by Richardson and Travers. It used a set of indicators similar in scope to the Swedish "Level of Living" studies to evaluate the living standards of a representative sample of all Australian households. The indicators were developed by the researchers applying their own judgement. They ranged across economic resources, housing, employment, education, family and social relations, and recreation. The indicators were clustered into groups of common themes (e.g. social participation) and the population was grouped according to households' scores in regard to each cluster. The

⁵⁵ The Swedish Level of Living studies fall into this category. They examine people's capacity to achieve positive outcomes in 9 fields: health, employment, economic resources, knowledge and education, family and social relations, housing, recreation, security, and political life. See Brownlee (1990).

⁵⁶ Recent examples include Travers & Robertson (1996), *Relative deprivation among DSS clients*. National Institute of Labour Studies. Trethewey (1989), *Aussie battlers*, Collins Dove. Salvation Army, St Vincent de Paul, TASCOS (2002).

scores were then compared across a number of clusters to establish whether some people were consistently better or worse off. An index the researchers called "Misery" was such a measure of multiple deprivation, based on the households that consistently scored in the bottom 20% of scores for each cluster of indicators.

The main advantages of this study were the breadth of indicators used, the ability to check whether the different dimensions of deprivation were related in a consistent way, and to compare them with the resources available to people in terms of income, assets, and family support. The researchers used the concept of "full income" to combine equivalent disposable income (the usual income measure used in poverty studies) with assets and free time. No survey of this scope and depth had been conducted before in Australia.

However, the study had three main drawbacks. The first is common to most general studies of living standards. Although many questions were asked to gauge people's general standard of living, few were developed specifically to measure deprivation. There were practical reasons for this — any general study of living standards is already going to be very taxing for those interviewed, without adding a detailed list of "deprivation" questions.

The second drawback was the essentially arbitrary nature of the choice of indicators of living standards, and the development of indices of deprivation from the data. For example, to what extent does non-participation in sport or non-attendance at the cinema suggest deprivation or merely personal preferences? Is lack of a refrigerator a useful indicator of deprivation in Australia when almost every household has one? Can assets be combined with income and a measure of "spare time" in a single index of "full income" that makes sense? This problem of arbitrariness is difficult to overcome, although there are ways of minimising it.

A third problem was that people were not asked whether they lacked an item through choice or lack of resources, a critical question for deprivation studies. Generally speaking, the lack of an item through choice does not indicate poverty.

Richardson and Travers found that there were consistent relationships between deprivation in different dimensions of life, such as lacking material goods, poor health, and social participation. On the other hand, they concluded that overall living standards were only weakly correlated with equivalent or "full" income. However, they noted that there was a consistent relationship between income and disadvantage that was quite strong at the lowest income levels. People in the bottom 10-20% of "full income" were much more likely to lack things that could be grouped together in a deprivation index.⁵⁷

However, due to the methodological difficulties and value judgements involved in developing and interpreting a single deprivation index, they cautioned against this approach, and also the use of "poverty lines". Therefore, the study did not produce any estimates of the extent of poverty in Australia. The authors' preferred approach was to separately examine the various dimensions of the living standards of those on the lowest incomes to establish whether there were consistent patterns of deprivation. This diverse information could then be interpreted by the public in accordance with their own judgements. The obvious difficulty with this approach, however, is that a complex or "dense" poverty measure of this kind is less likely to be used. Practicality (including the

⁵⁷ These included a car, a phone, inability to raise money in an emergency, poorer health/happiness with life, and reduced social contact and support.

ability to readily update the results over time) would be sacrificed in favour of transparency.⁵⁸

2. The Australian Living Standards Study (ALSS)

This study was conducted by the Institute of Family Studies in the early 1990s. It was also a reasonably comprehensive study of general living standards — using similar "dimensions" of well being to those adopted by Richardson and Travers.

One of the strengths of this study was the emphasis placed on how the respondents perceived the importance of each item, which somewhat reduced the reliance on the judgements of the researchers themselves. The researchers also asked people whether they lacked items through choice or a lack of resources.

In these respects, they followed the pioneering methodology of Mack and Lansley in their 1983 UK poverty study⁵⁹, in which all respondents were asked whether they regarded an item (such as an indoor toilet) as a necessity. Possession of those items so regarded by a majority of people was used as an indicator of well being and the enforced lack of them as deprivation. Importantly, respondents were asked whether they lacked an item by choice or lack of resources. In the Mack and Lansley study, which was designed specifically to measure poverty, those who lacked three or more of these items because they couldn't afford them were considered poor.

The ALSS study shared a major drawback of the ASLS discussed above. It is a general living standards study with few indicators that go directly to deprivation. Moreover, it was also narrower in scope in that it covered only households with children in certain outer urban districts of Australia.

The ALSS study also found a consistent set of relationships between different dimensions of deprivation, and a clear relationship between deprivation and low income. The bottom 20% of households ranked by equivalent disposable income were found to consistently lack "basic" resources and experience financial stress to a much greater extent than the top 80%.⁶⁰ This included such items as lacking money for school excursions, getting behind with bill payments, lacking a car, living in overcrowded housing, and lacking home contents insurance. Such factors as health and life satisfaction were also related to low income, but not as strongly as the lack of material items.

The researchers did not attempt to develop indices of deprivation or estimates of the number of families in poverty in the areas surveyed, since that was not the main purpose of the study.

3. The ABS financial stress study

In the mid 1990s, the former Department of Social Security and the Australian Bureau of Statistics collaborated to develop an official Australia-wide living standards survey. Unfortunately, public funding was not secured to complete this project. However, on the basis of the developmental work already under way, the ABS developed a module of 16

⁵⁸ Richardson & Travers, p154, 193. See also section on deprivation and income.

⁵⁹ Mack & Lansley (1985), *Poor Britain*. George Allen & Unwin.

⁶⁰ These items included inability to afford school excursions, a car, the ability to raise money in an emergency, home contents insurance, getting behind with bills, and dissatisfaction with financial circumstances.

indicators of *financial stress*, which it added to its regular Household Expenditure Survey. The ABS proposes to use this module in its forthcoming General Social Survey.

The questions asked in the financial stress module included possession of certain household "essentials", participation in social activities, the capacity to pay bills, raise money for an emergency, save, and action taken by people when they lacked resources to meet their needs (eg pawning goods).

The main advantage of this survey is that it was incorporated into the ABS suite of major surveys of income and expenditure, providing a rich data source for comparing financial stress with the income and expenditure of different groups. The same survey (the HES) is often used by researchers to estimate the number of people with household incomes below income-based poverty lines.

The main weakness of the financial stress survey from the standpoint of poverty research is its small number of questions and narrow scope. Financial stress is only one indicator of deprivation, and it may mislead if used on its own. For example, a middle income family that is actually comfortably off might be "struggling" financially due to a cash flow problem or high mortgage payments on a home in a desirable suburb of Melbourne. That does not necessarily mean this family is living in poverty.

The survey did include indicators of a lack of basic household goods and restrictions on social life. However, these were so few in number as to heighten the general concern about the arbitrariness of the indicators used in deprivation studies. In such a small survey, the choice of indicators, and the way in which indices of deprivation are derived from them, is even more critical than in the larger living standards studies discussed above.⁶¹

The ABS simply aggregated the number of positive responses people made to different financial stress indicators, and on this basis divided the population into those experiencing no stress, moderate stress (2 to 4 indicators) and higher stress (5 or more). This approach was adopted on the grounds that it was as likely to yield reliable results as any more sophisticated clustering of the indicators. They found that people's level of financial stress was inversely related to income, with much higher levels of stress being experienced among the bottom 20% of households, although only a minority of them suffered moderate or higher stress.

Bray used the financial stress study to measure the extent of deprivation across the community.⁶² He found consistent relationships between people's responses to certain clusters among the 16 indicators of financial stress. One cluster including items such as "going without a meal" suggested a more severe form of deprivation, while another including such items as "not having family and friends over once a month for a meal" suggested a less severe form of deprivation. On this basis, he developed two separate sets of indices of "hardship" and "missing out".⁶³

⁶¹ The ABS notes that the indicators relating to "lack of basic goods" were developed from the Travers and Robertson study of social security recipients cited above, and that analysis of the data from that research suggested that they were a representative of a broader list of indicators used in that study. That study also asked people to indicate whether they regarded each item as a necessity. However, the range of indicators used in the Travers and Robertson study were themselves small, and the study was confined to social security recipients, who could be expected to have lower expectations about what constitutes a necessity than the general population.

⁶² Bray (2001), *Hardship in Australia*. Department of Family and Community Services Occasional Paper No4.

⁶³ A third index related to "cashflow" problems such as an inability to pay bills on time.

These methodological judgements made sense conceptually, but they were fine judgements based on quite thin data. The "hardship" index relied on just four indicators, the lack of one of which constituted "some hardship" while the lack of two or more constituted "multiple hardship".⁶⁴ The results would be highly sensitive to the choice of indicators and the method used to develop the indices.

Comment on living standards studies

Living standards studies of the kind discussed above offer valuable insights into deprivation in Australia. The data produced by these studies is much richer than the output of income based poverty studies. Deprivation studies have considerable potential to measure the scope of poverty accurately in a way that is credible to the general public. This potential would be greatly enhanced if the findings could be reliably condensed into a single index of deprivation (a poverty index or line) that is readily understood. It may also be possible to use such a study to develop an income based poverty line, on the grounds that the risk of poverty increases sharply below that level. Whether this is possible is a question for research.

The major living standards studies referred to above did find a strong relationship between income (adjusted to take account of variations in costs, and in some cases assets as well) and living standards at the bottom of the income range (the bottom 20% or so). This does not mean that all, or even a majority, of people living below income based poverty lines are actually living in poverty. However, they suggest that there well may be a level of income in Australia below which the risk of poverty increases strongly.

None of the Australian studies referred to here attempted to measure the extent of poverty. The studies were either too narrow in their coverage of the population or the various dimensions of deprivation to do this.

The number of indicators used is not necessarily a limitation, provided the indicators chosen are representative of a key dimension of deprivation, or there are consistent statistical relationships between these and a broader range of "background" indicators. A more important limitation of these studies (and many overseas deprivation studies) from the standpoint of measuring poverty is that the indicators were usually developed by the researchers themselves (albeit building on the work of others) without clear reference to:

- an underlying theory of poverty; and
- the views of the wider community as to what constitutes "essentials" (for example, using a methodology similar to that of Mack & Lansley, focus group research, or a public inquiry in which submissions were sought from the public).

This gives the indicators used, and the weighting and analysis of the data, an arbitrary flavour. In each of these studies, data from a series of indicators that were apparently unrelated, was processed into indices of well being or deprivation. This does not necessarily mean that the studies are incapable of identifying poverty. The researchers often found systematic patterns in the responses that suggested the survey was measuring a condition that might be poverty. However, it was hard to be confident of this. For

⁶⁴ "Gone without a meal, gone without heating, sought help from community organisations, and needed to pawn or sell something".

example, it was not clear whether poverty was indicated by the absence of one, two, or three or more necessities, and what relative weight should be given to each of them⁶⁵

This is not surprising, given that none of these studies was originally designed to be a national survey of poverty.

In the absence of a clear conceptual framework, the outcomes of deprivation studies will not be properly understood by researchers and the broader community. This problem is illustrated by a recent study of living standards commissioned by the New Zealand Government.⁶⁶ This survey investigates a number of dimensions of living standards and deprivation, such as housing, health, and financial hardship, and finds that they are linked in consistent ways. However, its output is the division of the population into seven "levels" of living standards with neutral labels like "somewhat restricted" and "comfortable". In the absence of a strong concept such as poverty, and the use of readily understood measures such as income to "map" its scope, it is more likely the public will have difficulty easily comprehending and supporting the strategic use of this information.

3.4 A possible approach to measuring and understanding poverty

An overarching goal for any society should be to improve planning and the information base on which policy is debated and developed. Building statistical capacity, especially in measuring well being and poverty must be a high priority.

What we measure and how we measure it drives the social policy agenda. We can see this with the level of public interest associated with the release of quarterly labour force statistics.

As has been argued here, Australia needs a fresh approach to poverty measurement, grounded in research into people 's actual living standards.

The following is a suggested method for measuring the extent of poverty directly, as distinct from indirectly through an income-based poverty line. Other methods may well be appropriate, and it is important to test the results of any such study against the findings of studies that use a different approach (for example, budget standards research).

1. Clearly define poverty.

Poverty can be objectively measured. At the same time it is essential for researchers to confront and articulate the value judgements needed to underpin a strong theory of poverty. For example, are they measuring people's capacity to subsist, to live in frugal comfort or their capacity to participate in the community? The definition(s) should be

⁶⁵ Many such studies used factor analysis to identify systematic patterns in the relationships between deprivation indicators. These patterns may indicate a common underlying condition that might be described as poverty. However, to yield meaningful results, these methods of data analysis should be based on an underlying theory or hypothesis. Travers and Richardson quoted a tell-tale comment of one sceptical user of factor analysis: A factor analysis for a correlation matrix of my age, the population of Mexico, the price of Swiss cheese, my pet turtle's weight, and the average distance between galaxies would yield a strong first component. Travers & Richardson, op cit, p43.

⁶⁶ Krishnan et al (2002), *Living standards 2000*. Centre for Social Research and Evaluation, Ministry for Social Development.

understood by the general public, so that they can help identify the necessities required to avoid poverty (see below).

2. Develop a set of deprivation indicators.

A set of indicators or markers of deprivation should then be developed. These should be designed to directly measure the lack of key necessities required for subsistence and social and economic participation. Examples include having enough bedrooms to prevent overcrowding, and the ability to meet a child's schooling costs (such as textbooks and excursions). Ideally, these should be clustered into a number of *dimensions* of living standards, or capacities to meet their basic physical and social needs. Examples include shelter and access to education.

The appropriateness of these indicators in Australia today could be "tested" by asking the public whether they represent a "lack of basic necessities" from the standpoint of the poverty concept that is being used (for example, subsistence Vs social participation).

3. A national deprivation survey using the indicators developed.

In this survey, a random sample of the whole population would be asked whether they lack a necessity because they can't afford it or don't want it, and only the first of these responses would be considered to indicate poverty. Poverty among children should be surveyed separately from that among their parents, since many low-income parents sacrifice their own living standards to protect their children from poverty.⁶⁷

4. Develop overall indexes of deprivation or poverty and estimates of the number of people living in poverty.

Deprivation surveys usually reveal consistent patterns of deprivation across a number of different indicators (for example shelter, lack of basic household items, lack of social contact with relatives and friends). It is possible to summarise these patterns using a single index of deprivation, either by simply adding together the number of key necessities that people lack, or dimensions of living standards in which they suffer a serious deficit, or by more complex statistical methods such as factor analysis.

Ideally, this would yield information on people's circumstances in each dimension of living standards, as well as an overall indexes of deprivation. The overall index could be used to estimate the extent of subsistence poverty and participation poverty.

5. Establish a benchmark for income poverty.

The data obtained by the above process on the extent of subsistence and participation poverty could be used to generate a low-income benchmark income below which people are considered to be in income poverty (that is, their risk of poverty is considered unacceptably high). This will only be possible if there is a significant statistical relationship between these forms of poverty (subsistence poverty and participation poverty) and having a low income.

⁶⁷ A good example of a recent survey along these lines, which also adopted step 3 above, is the Poverty and Social Exclusion survey conducted by academic researchers for the Rowntree Foundation in Britain. See Gordon et al, 2000, *Poverty and Social exclusion in Britain*, Joseph Rowntree Foundation.

For example, if the risk of poverty increases sharply above a certain level of low income, then that could be the basis for a benchmark for income poverty.⁶⁸ An alternative approach to setting an income-based poverty line is to choose a socially sanctioned income poverty benchmark (like the basic wage used by Henderson in constructing his poverty lines for Australia). The veracity of this benchmark could then be tested using the above method.

Once a benchmark is chosen for income poverty, this could be adapted into a set of income poverty lines for families of different sizes with different housing costs using equivalence scales. Not everyone below these poverty lines would actually be living in poverty. However, the risk of poverty should be much greater for those below the lines than for those on higher incomes.

Income-based poverty lines are not a substitute for the direct measurement of poverty using deprivation surveys. However, they are useful in developing social policies and in improving public understanding of poverty (since income is readily understood). Moreover, deprivation studies are costly and difficult to update over time. Provided their limitations are understood, and they are periodically grounded in more direct studies of poverty, income-based poverty measures can more readily be used to estimate trends in poverty over time.

6. Development of secondary social indicators.

These would describe some of the main causal relationships and dimensions of poverty (described in the following chapters), and allow monitoring of progress in these areas.

Social indicators refer to quantitative information sets that relate to an individual's, a family's, a community's or a society's wellbeing. Traditional headline indicators include employment or unemployment rates, or household income levels.

The relationships between these indicators and poverty would be examined to establish whether there are groups in the community that are consistently disadvantaged across a number of indicators. This information could be used to target social policies designed to reduce poverty and hardship.

Poverty-related social indicators can play a large part the development of a new understanding of poverty in Australia. Such indicators can be particularly useful in :

- Pointing to social problems, both nationally and locally;
- Enabling the drawing of conclusions about social progress and the impact of policy;
- Enabling us to set benchmarks and targets in relation to social progress.

Constructing a set of indicators to drive Australian social policy would require:

- developing an appropriately weighted indicator set across a range of relevant dimensions. Priority indicators need to cover the main concerns (eg. child poverty, precariousness of the labour market) and be part of an overarching strategic plan which includes targets and benchmarks;
- transparency and accessibility to the public;

⁶⁸ Gordon et al 2000, 'Absolute and overall poverty' in Gordon & Townsend 2000 *Breadline Europe*, Policy press.

- establishing systems and structures to support the development and implementation of plans, the collection of data, and the monitoring of performance.

There are a number of problems associated with data collection in the Australian context that need to be addressed to deliver this information, including: availability of data; the expense of collection; public acceptability of that effort and quality of the information delivered.

We have the beginnings of an effective information base in the Household, Income and Labour Dynamics in Australia (HILDA) survey, the AIFS's Longitudinal Study of Australian Children (LSAC) and the ABS's Measuring Australia's Progress series, but the relationship to policy development, evaluation and target setting is tenuous at best.

A framework for regular poverty measurement: summary

The following is a suggested method for measuring the extent of poverty. This is not a task for Governments alone. Indeed, it may be desirable for Governments to establish their own, separate benchmarks to assess the effectiveness of social policy:

Clearly define poverty in a way which can be readily understood by the general public, so that they can help identify the necessities required to avoid poverty. It is desirable to use more than one definition to describe different kinds of poverty.

Develop a set of deprivation indicators to measure poverty directly. These could be validated by asking the public whether they comprise necessities from the standpoint of the definition of poverty used (for example, subsistence poverty and participation poverty).

Undertake a national deprivation survey using the indicators developed as described above.

Examine relationships between different indicators and "dimensions" of living standards in order to develop overall indexes of deprivation, and estimates of the number of people living in poverty.

Examine the above information to establish whether there is a consistent, significant relationship between poverty and income. If so, the study could be used to set a benchmark for income poverty

Develop a set of secondary "exclusion" indicators, that can be used for setting lower order benchmarks relating to exclusion and, to assist our understanding of the impact of and linkages between various poverty related factors and outcomes, for example in areas like health, social participation, and educational attainment.

4. The extent of poverty in Australia today

In this chapter, we examine the available information on the extent of poverty in Australia, which groups are worst affected, trends over time, and how Australia compares with other rich countries.

We begin with studies of income poverty, then compare their findings with research that examines deprivation more directly.

We use income poverty research to examine the *overall extent* of poverty and child poverty, trends over time, and international comparisons. In these areas, there is no reliable comparative data from deprivation studies.

We then compare the outcomes from income poverty research and deprivation studies with regard to the *profile* of people in poverty — which groups are most at risk.

The information available from deprivation studies in Australia is less robust and comprehensive than for income poverty. We therefore concentrate on what deprivation studies and related research has to say about the groups most at risk of poverty, and about the relationship between deprivation and income.

4.1 The extent of income poverty in Australia

The latest available data on income poverty in Australia is from studies conducted by the National Centre for Social and Economic Modelling in conjunction with the Smith Family.

These studies use three different poverty lines: Henderson Poverty Lines, 50% of average household income, and 50% of median household income. Each set of poverty lines contains different benchmarks for families of different sizes and for poverty before and after housing costs.⁶⁹

⁶⁹ See section 2 above, for a description of these poverty lines. See also Greenwell, Lloyd & Harding, *op cit*.

Fig. 6. Extent of poverty in Australia in 2000, NATSEM/Smith Family estimates

Poverty Line:	Henderson Poverty Line	50% of average household income	50% of median household income
Extent of poverty (not accounting for housing costs)			
People in poverty	4,378,000	2,432,000	1,628,000
Children in poverty	1,037,000	743,000	479,000
% of people	23.4%	13.0%	8.7%
% of children	20.8%	14.9%	9.6%
Extent of poverty, (accounting for housing costs)			
People in poverty	3,554,000	3,274,000	2,526,000
Children in poverty	1,316,000	1,142,000	848,000
% of people	19.0%	17.5%	13.5%
% of children	26.4%	22.9%	17.0%

Source: Harding, Lloyd & Greenwell, 2001, op cit.

When the Henderson Poverty Line is used, we find that 23% of Australians, and 21% of children lived in poverty in 2000. Poverty rates are significantly lower when the more austere poverty lines based on 50% of average or median household income are used. A major reason for the difference is that many age pensioners fall just below the Henderson Poverty Lines, but their incomes are clear of the more austere poverty lines.

When variations in people's housing costs are accounted for (to take account of the relatively low housing costs of people who own their home outright and the relatively high housing costs faced by private renters), the overall "Henderson" poverty rate falls to 19%, but the rate for children rises to 26.4%. This reflects the low housing costs of many age pensioners, and the high housing costs of many low-income families, respectively. Using the other poverty lines, poverty rates rise when housing costs are accounted for.

These are "headcount" figures. It is equally important to understand how deep income poverty is for those who fall below the relevant poverty line. NATSEM's estimates for the depth of poverty are presented in the table below.

Fig. 7. Poverty gaps in 2000 (below 50% average household income)

Size of poverty gap ⁷⁰	\$0-\$49pw	\$50-\$99pw	\$100-\$149pw	\$150-\$199pw	\$200pw and over
% of families below poverty line with poverty gaps of this size	38.8%	18.3%	12.5%	10.9%	19.5%

Source: Harding, Lloyd & Greenwell, 2001, op cit, using 50% of average income poverty line. Total number in poverty was 2,432,000.

⁷⁰ This is the difference between family income and the relevant poverty line, for those households that fall below the *50% of average household income* poverty line.

Poverty by state

The following table shows NATSEM's estimates of the average risk of income poverty by state, and the postcode in each state with the highest poverty rate.

Fig. 8. Risk of poverty by location in 2000

State	Risk of poverty	Postcode areas with highest poverty in that State	Risk of poverty ⁷¹	
			All people	Children
NSW	13.9%	Lightning Ridge	25.9%	39.6%
VIC	12.0%	Carlton South	25.2%	38.5%
QLD	13.4%	Gin Gin	21.6%	25.9%
SA	12.4%	Ferryden Park	29.8%	36.9%
WA	13.5%	Perth City	19.0%	23.3%
TAS	13.0%	St Mary's	20.5%	26.4%
Australia	13.0%	Australia	10.2%	12.9%

Sources: For State data — Harding, Lloyd & Greenwell, 2001, op cit, using the 50% of average income poverty line, before housing; For postcode data — Lloyd et al, 2001, using the same poverty line but different source data.

4.2 Trends in overall income poverty levels over time

Controversy surrounds estimates of changes in levels of poverty over time. One reason is that this information is often used to assess the effectiveness of social policies. Another is that the results depend very much on the way in which poverty lines are indexed to reflect overall improvements in living standards.

There are three broad approaches to indexing poverty lines. Their implications for trends in measured income poverty over time are summarised in the table below.

⁷¹ These estimates are drawn from a separate study by NATSEM (Lloyd et al, 2001, Worlds apart — postcodes with the highest and lowest poverty rates in Australia, National Social Policy Conference paper) It uses different source data and a different method to the State data in the first columns. The outcome is poverty rates about 2 percentage points lower, on average, so the "gap" between the high poverty postcodes and the rest of each state is larger than shown here. The main difference is that people are grouped into households rather than "income units" (i.e. family unit, excluding independent young people). This results in lower poverty estimates because when incomes are aggregated within households many young people and adults living independently within a household appear to have a higher living standard.

Fig. 9. Indexing poverty lines: underlying principles and implications

Method of indexation	Underlying principle	Implications
Movements in the Consumer Price Index	The living standard represented by the poverty line should remain constant	Measured poverty will usually fall over time as community living standards improve
Movements in median (middle) household incomes	The living standard represented by the poverty line should increase in line with that of a "middle income household".	Measured poverty may rise or fall, depending on how the middle income households fare compared with those at the bottom.
Movements in average household incomes	The living standard represented by the poverty line should increase in line with the community as a whole, including high and low income households.	Measured poverty is more sensitive to changes in living standards at the top and bottom. Where the living standards of the top are rising faster than the rest (as is the case in Australia) measured poverty will usually rise over time.

As noted in the previous section, the Henderson Poverty Lines have an "upward bias" due to their indexation to movements in household disposable income per capita, a broader measure of income than average incomes as measured in the income surveys used for the purpose of estimating income poverty.

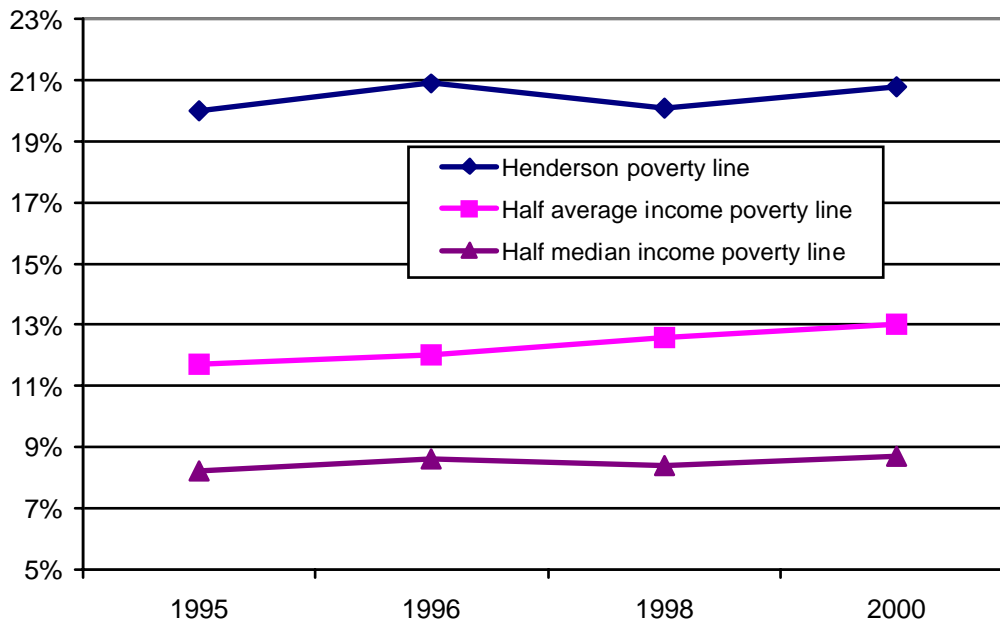
Despite this, income-based poverty lines are an important statistical tool. Moreover, they necessarily include a reflection of value judgements about poverty that underpin the method of indexation chosen:

- those who argue that a poverty standard should remain the same despite changes in community standards will opt for a method that tends to show poverty falling over time. However, as noted this is not a realistic or accurate conception of poverty.
- those who argue it should change in accordance with general living standards will opt for indexation to median or average household incomes. The choice between these two options depends on whether poverty is associated with falling behind a middle-income "standard of living" or falling behind an overall standard of living (one that includes the well off).

Trends in poverty based on research using income-based poverty lines do reflect actual changes in the living standards of low-income households relative to the rest of the community. However, these data should be handled with care, taking account of any upward or downward biases arising from the choice of poverty line.

With this in mind, we examine results from the NATSEM/Smith Family research covering the 1990s, and a longer-term comparison of poverty levels in 1973 and 1996.

Fig. 10. Trends in income poverty



Source: Harding, Lloyd & Greenwell, 2001, op cit

The graph above shows trends in income poverty over the late 1990s, using three different poverty lines. When the two poverty measures indexed to movements in average incomes (Henderson and "half average") are used, poverty increases more rapidly than when a line indexed to median incomes is used. Nevertheless, all three show a gradual but significant increase in income poverty over the late 1990s.⁷²

This is likely to be due to two conflicting factors:

- Unemployment has declined, which tends to *reduce* income poverty.
- Strong growth in average and median household incomes (due to solid economic growth) have outstripped growth in the incomes of most social security recipients and low wage earners, which tends to *increase* income poverty when measured using a "relative" poverty line.

Taking a longer view, King compared overall income poverty levels and the risk of poverty for different groups in 1973 (Henderson's original estimates) and 1996, using the same poverty line and methodology applied by Henderson.

⁷² In all three cases, we cite poverty lines using Henderson equivalence scales. Another poverty line cited in this NATSEM study, the half median line using the "international" equivalence scale, poverty also rose over the late 1990s, but to less than is 1990s level. We have ignored this poverty line because the equivalence scale used is arbitrary (the square root of family size) and does not take account of differences in the costs of adults and children.

Fig. 11. Poverty in 1973 and 1996

Population group	Risk of poverty		Composition of poverty	
	1973	1996	1973	1996
All	10%	17%	100%	100%
All children ⁷³	8%	16%		
Unemployed	17%	74%	3%	35%
Sole mothers	37%	24%	13%	5%
Aged males	37%	38%	5%	2%
Aged females	31%	32%	13%	4%
Aged couples	5%	4%	3%	2%
Combined groups ⁷⁴	31%	53%	12%	25%

Source: King A, 'Income poverty since the early 1970s' in Fincher & Nieuwenhuysen J, 1998 *Australian poverty, then and now*. Melbourne University Press. Henderson Poverty Lines are used, "without taking account of variations in housing costs, the effect of this adjustment would be to reduce poverty among older people and increase it among low income families."

The above table indicates that income poverty (as measured by Henderson Poverty Lines) rose substantially from 10% to 17% over this period. This is partly due to the indexation of this poverty in line with average incomes. However, it also reflects actual social and economic changes including the sharp rise in unemployment, the failure of some social security payments (notably unemployment payments) to keep up with overall income growth over the period, and the strong growth in wage inequality over this period.

Of greater interest are the large changes in the composition of poverty:

- In 1973, 21% of poor households were aged households. By 1996 this had fallen to 8%.
- The largest increase in the number of poor households was found among unemployed households, which comprised 3% of poor households in 1973, but 35% in 1996.
- There was an apparent reduction in the proportion of poor households that were headed by a sole mother, from 13% to 5%. However, many of these households would also be included in the catch-all "combined groups" category since unemployment among sole parents increased substantially over the period.⁷⁵
- Over this 23 year span, the Indigenous population, particularly children and young people has grown and this is likely to have contributed to an overall rise in the number of people living in poverty.

⁷³ The estimates for children are calculated in a different way to the other data in this table. They are estimates of the number of children in poverty, rather than the number of *income units* with children in poverty (the basis for the other data in the table). If the data on child poverty was presented in the latter form, estimated rates of child poverty would appear to be higher. That is, child poverty rates in Australia are usually higher than poverty rates for the population as a whole.

⁷⁴ This is a residual group of income units that has two or more of the characteristics listed above (Henderson had a more extensive list including for example people with disabilities and new migrants), such as being unemployed and a sole mother.

⁷⁵ King refers to this possibility, but is unable to estimate the number of sole mothers within this category. Unfortunately, this factor could also distort some of the other findings.

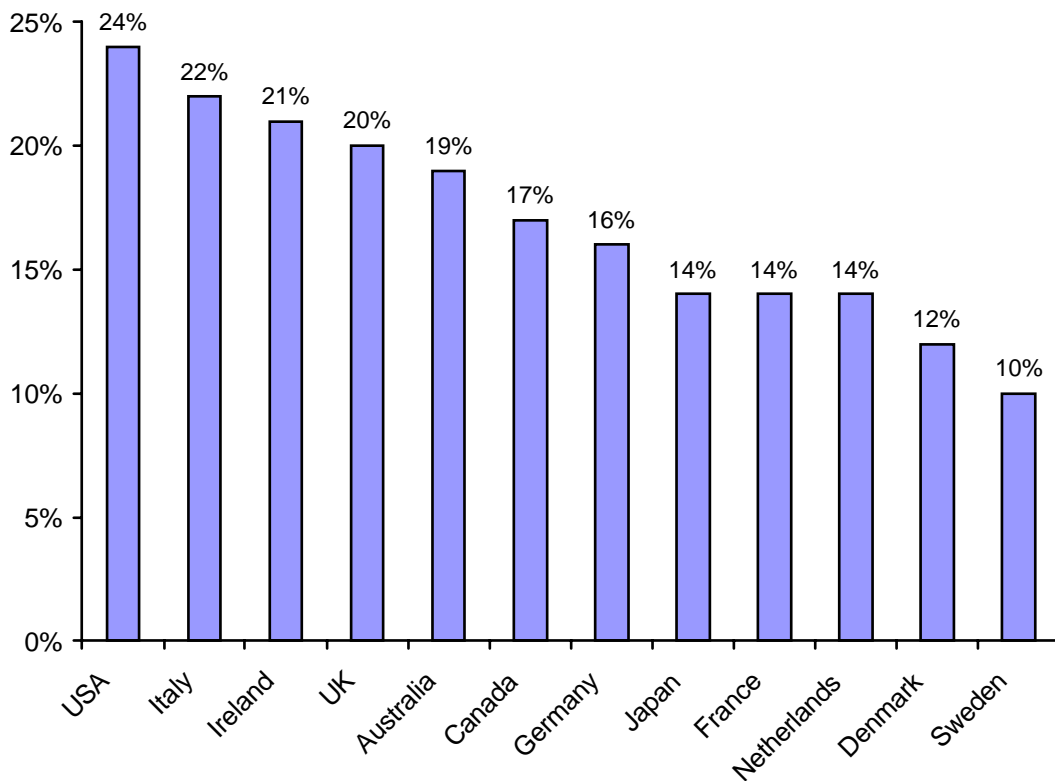
Apart from the rise in unemployment, a major factor underpinning these trends is changes in the real value of various income support payments, since the vast majority of people in income poverty (whichever of the major poverty lines is used) rely mainly on social security payments for their income.

Age pensions rose more quickly over the period than payments for unemployed people. This is widely regarded as a major reason for the decline in poverty among older people. Also, there have been large increases in family assistance payments for low-income families since the mid-1980s. These changes are credited with substantially reducing child poverty.

4.3 International comparisons

The graph below compares estimates of income poverty in Australia and other OECD countries, using a commonly-used international poverty line — 60% of median household equivalent income. This is roughly equivalent to the 50% of average income poverty line used in the NATSEM research cited above.

Fig. 12. Poverty in OECD countries (mid 1990s)



Source Forster M, 2000, *Trends and driving factors in income distribution and poverty in the OECD area*, OECD Labour market and social policy Occasional Paper No 42. Poverty line set at 60% of median equivalent household income. The use of equivalence scales explains part of the difference for Australia only findings.

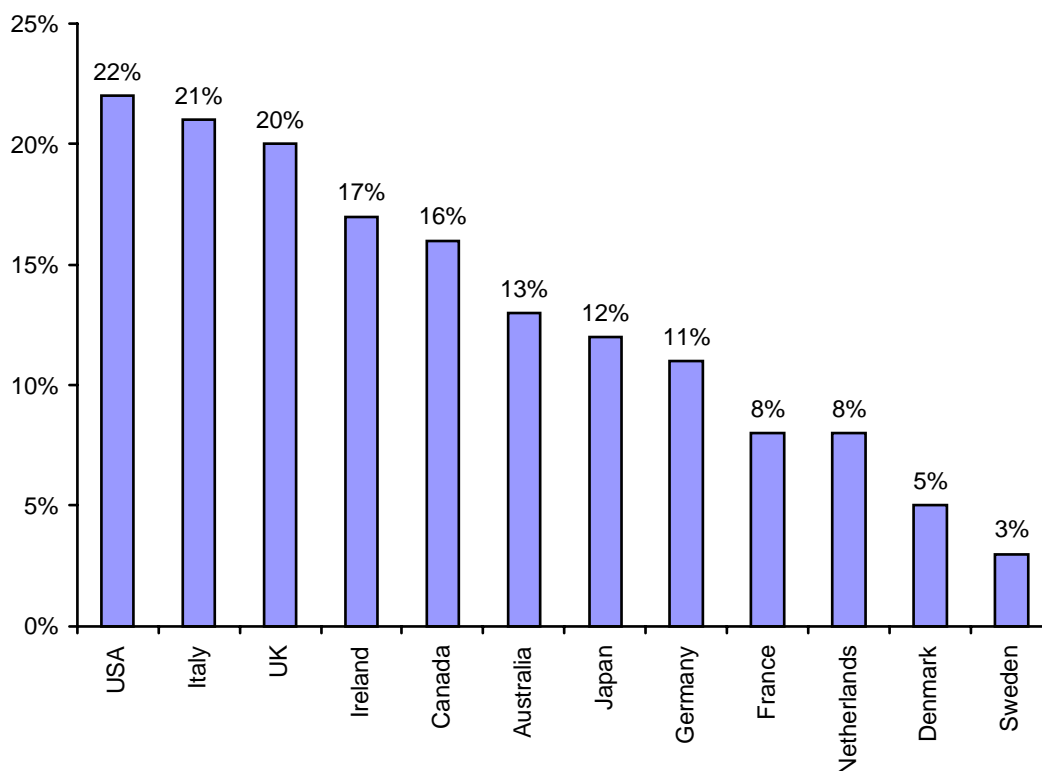
The graph indicates that Australia, along with other English-speaking OECD countries, has higher income poverty rates than the average among rich countries — though significantly lower than in the US and UK. This is a consistent finding of international poverty research.

Key factors behind Australia's relatively high income poverty rate include high rates of unemployment and joblessness (especially among families with children), low social security payments (especially for unemployed people), and a high incidence of sole parent families. On the other hand, our relatively high minimum wages have kept poverty among working households relatively low. This is the major difference between poverty levels in Australia compared with the US and UK, which have very high levels of income poverty among wage earning households.

These factors are reflected in the composition of poverty in Australia. A relatively high proportion of poor Australians come from jobless households of workforce age, and low-income families with children.

The graph below compares the extent of income poverty among children in selected OECD countries.

Fig. 13. Child poverty in OECD countries — (mid 1990s)



Source: Unicef 2000, *Child poverty in rich nations*. Poverty Line is set lower than for previous graph, at 50% of median equivalent household income.

Although a different, lower poverty line is used in this graph, the same pattern emerges as for poverty among the whole population. Once again, Australia, along with other English-speaking countries, has a relatively high level of income poverty — but much less than the US and UK.

The same factors — high rates of joblessness among families, low social security payments, and a high proportion of sole parent families, account for Australia's above-average level of child poverty.

4.4 Groups most at risk of poverty

The graphs below compare the findings of income-based poverty studies (mainly the NATSEM/Smith Family study described above) and a number of deprivation studies with regard to the groups most at risk of income poverty. They also offer information on how the population of people in income poverty is divided among these groups.

The information available from deprivation studies in Australia is less robust and comprehensive than for income poverty. Comparisons between the two are unlikely to tell us much about the *overall extent* of poverty. Nevertheless, it is useful to compare what income poverty studies and deprivation studies have to say about *the groups most at risk of poverty*, and the relationship between deprivation and income

With the exception of the data on income poverty among Indigenous people, the *income poverty* data in this section is based on the NATSEM research cited above, using the *50% of average household income* poverty line.

This information is compared with the outcomes of the following studies of deprivation in Australia:

- The 1999 *ABS financial stress* study, adapted by Bray to measure hardship across the Australian population as a whole. We present data on those households suffering *hardship* as defined by Bray. A total of 584,000 households (8% of all households) responded positively to at least one of the four questions indicating *hardship*.⁷⁶
- The *Travers/Robertson deprivation study*, a study commissioned by the former Social Security Department in 1995 to examine the relative living standards of different groups of social security clients living in Adelaide.⁷⁷ A summary deprivation index was developed and households were ranked according to their score on this index. We refer to the measure derived from this study as *deprivation*.
- the *ACOSS Emergency Relief study*, which provides data on people applying to emergency relief agencies in 1998.⁷⁸ Although there is a bias in these data in favour of groups that are more accustomed to using emergency relief services, they are a useful source of information about hardship in Australia. We refer to the measure derived from this study as *emergency relief applicants*.
- *Centre for Aboriginal Economic Research* data on income poverty and deprivation among Indigenous people and the population at large in 1994. We refer to the measures derived from this study as *income poverty and deprivation*.

⁷⁶ Bray 2001. Hardship refers to households that had recently either gone without a meal, gone without heating, sought help from community organisations, or sold or pawned something.

⁷⁷ Travers & Robertson, 1996, *Relative deprivation among social security clients*, National Institute of Labour Studies, Monograph No2. This study used a wider range of deprivation indicators to assess the relative circumstances of age pensioners, unemployed people and their partners, sickness and disability pensioners, Austudy recipients, and people who were formerly unemployed but now in jobs.

⁷⁸ ACOSS, 1999, *People in financial crisis III*, ACOSS Paper 101.

Five categories of people consistently stand out as facing a much higher than average risk of income poverty, Indigenous households, unemployed households (especially where unemployment is long-term), sole parent families, young people in low income households, and households of workforce age whose main income is government benefits (see box below).

<p style="text-align: center;">People facing the highest risk of poverty</p> <p>Indigenous households</p> <p>Unemployed households (especially where unemployment is long-term)</p> <p>Sole parent families.</p> <p>Young people in low-income households</p> <p>Households of workforce age whose main source of income is Government benefits (eg. people with disabilities, carers).</p>
--

There is a remarkable consistency between the results of the income poverty surveys and deprivation studies, when it comes to identifying the groups most at risk of poverty. This suggests that income poverty research is a useful starting point for identifying those at high risk of poverty. However, the income poverty research only gives us a broad view of the risk of poverty. To fine tune this picture - to identify which groups on similar equivalent incomes are most at risk - deprivation studies are needed. In particular, the income poverty research appears to under-estimate the *relative* risk of poverty for Indigenous people, sole parent families and young people.

This finding with regard to sole parent families is consistent with international research comparing the extent of deprivation among groups of households living below income-based poverty lines. Such a study by Whelan et al (2002) using the Community Household Panel survey, found that:

- the relationship between income poverty and deprivation was stronger when income poverty persisted over a number of years;
- results from income poverty research tend to underestimate the extent of deprivation among sole parent families and over-estimate it among self employed people.⁷⁹

⁷⁹ This underscores the need to exercise due caution when measuring income poverty among self employed households, or better still to exclude them from general income poverty studies and examine their actual circumstances separately. See Bradbury 1996, *Are the low income self employed poor?* SPRC Discussion paper No 73, for an Australian attempt at the latter.

Poverty among Indigenous people

Indigenous people face a far higher risk of income poverty than other Australians. This reflects, among other factors, high levels of joblessness, low levels of formal education, large families, and the tenuous nature of the social security safety net for indigenous people.⁸⁰

Hunter has noted that "overcrowded housing, for example, is an issue for relatively advantaged Indigenous families", while also noting that high levels of arrest and victimisation of Indigenous people is manifest in both relatively high and low income Indigenous households.⁸¹ For Indigenous people, income based measures of poverty are not, alone, adequate for explaining poverty and deprivation. Further, poverty for Indigenous people is related to hostile or misconceived community attitudes toward Indigenous people.⁸²

The magnitude of disadvantage faced by Indigenous Australians is highlighted by many factors, including:

- Life expectancy at birth (76% of other Australians);
- Imprisonment (16 times higher than for other Australians);
- Unemployment rate (3.8 times higher);
- School retention to Year 12 (44% of other Australians);
- Hospital admissions of females due to violence (24 times higher);
- Living in dwellings with ten people or more (47 times higher);
- Median family income (68% of other Australians).⁸³

For rural and remote Indigenous communities the 'jobs poor' nature of localities plays a part in persistent poverty, as does lack of access to sometimes even basic services like water and electricity. However, it is important to note that most Indigenous Australians live in the capital cities of Australia, where levels of persistent poverty are also extremely high⁸⁴

The graphs below are drawn from a study of income poverty and deprivation among Indigenous people. Indigenous income poverty data is compared with the population as a whole. This study was conducted by the Centre for Aboriginal Economic Research. It is relevant to note that the measures of income poverty used are different to that used in the NATSEM-Smith Family study.

However income poverty is measured, we can see that it is at least twice as high among Indigenous people as it is in the community as a whole. Further, their risk of severe income poverty is much greater again. This bleak picture is confirmed by research examining other dimensions of poverty among Indigenous people.

⁸⁰ For example, Sanders (1999) has provided one of the few publicly available analysis of breach penalties and their impact on Indigenous Australia. That study demonstrated that Indigenous people are between one and a half and two times more likely to suffer breach penalties than non-Indigenous people and have to fall back on the extended family for support.

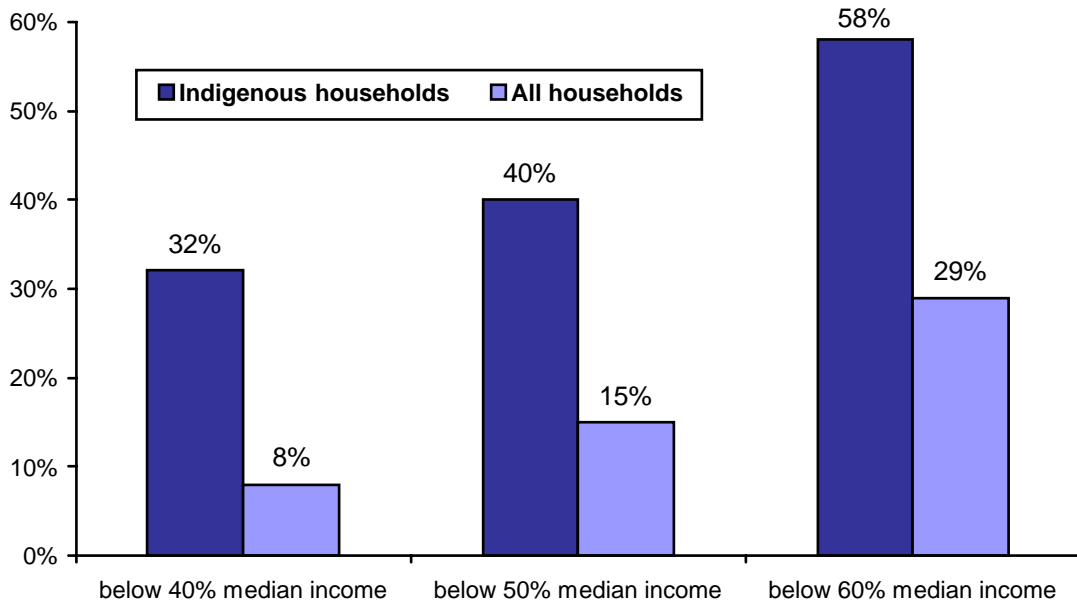
⁸¹ Hunter (1999:VI).

⁸² Council for Aboriginal Reconciliation, 2000

⁸³ Yencken and Porter, 2001:41, see also Perkins *et. al.*, 1995).

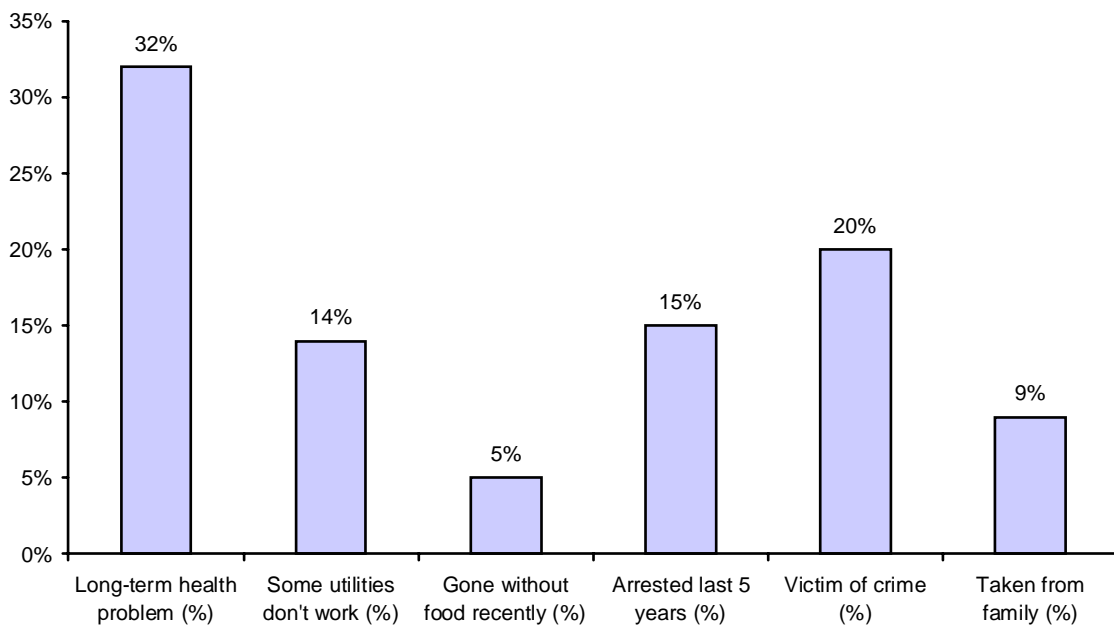
⁸⁴ House of Representatives 'We can do it', 2001.

Fig. 14. Risk of poverty for Indigenous households compared with all households (1994)



Source: Hunter B, 1999. Incomes adjusted for household size. Not comparable with NATSEM data due to different poverty lines used, and data being presented as estimates of the number of households (not individuals) in poverty.⁸⁵

Fig. 15. Deprivation among Indigenous households (1994)



Source: Hunter, 1999. "Utilities" refers to toilets, power, etc.

⁸⁵ Hunter B, 1999, *Three nations, not one: indigenous and other Australian poverty*, Centre for Aboriginal Economic Policy research Working paper No1/1999. By "households", we mean income units or families.

Poverty by family type

The graphs below compare the incidence of income poverty and deprivation according to family type. Income poverty is measured using the NATSEM-Smith Family study, and deprivation using the ABS Financial Stress study and ACOSS Emergency Relief study.

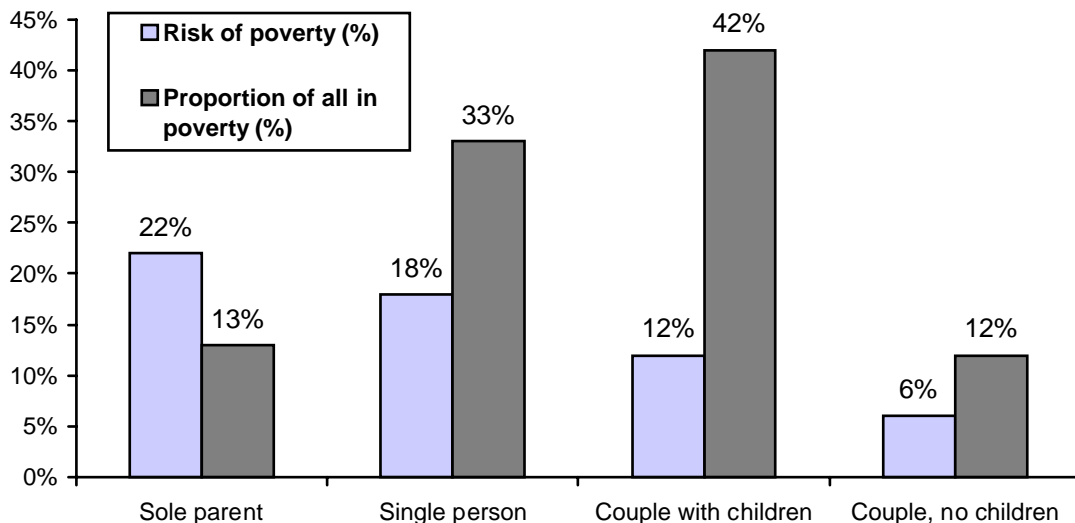
All of these sources indicate clearly that *sole parent families* face the highest risk of poverty (with 22% of these families living in income poverty), followed by single people without children (10%). In part, this reflects the economies of scale that can be achieved by couples (especially with regard to housing costs).⁸⁶ It also reflects the failure of the Australian social security system to adequately compensate single people and sole parents for this relative disadvantage.

The risk of income poverty for sole parent families has been consistently high for many years. It has fallen since the late 1980s, reflecting in large part a number of policy initiatives taken over that period. These are discussed in more detail in the next section.

The largest group of income poor households are couples with children, even though their risk of poverty is lower than for sole parents. The reason for this is that there is a much larger number of couples with children overall. So, even though their risk of poverty is low, the number of income poor people drawn from these families is high.

The results from the deprivation studies are consistent with the income poverty data cited above, except that clearer distinctions emerge in the risk of deprivation between sole parents, single people generally, and couples with or without children, than is evident from the income based poverty data.⁸⁷ Income poverty data appears to particularly underestimate the *relative* incidence of hardship among sole parents and single people without children. On the other hand, the incidence of poverty among couples with children is lower in the deprivation studies than in the income poverty study.

**Fig. 16. Risk and composition of income poverty by family type
NATSEM study (2000)**

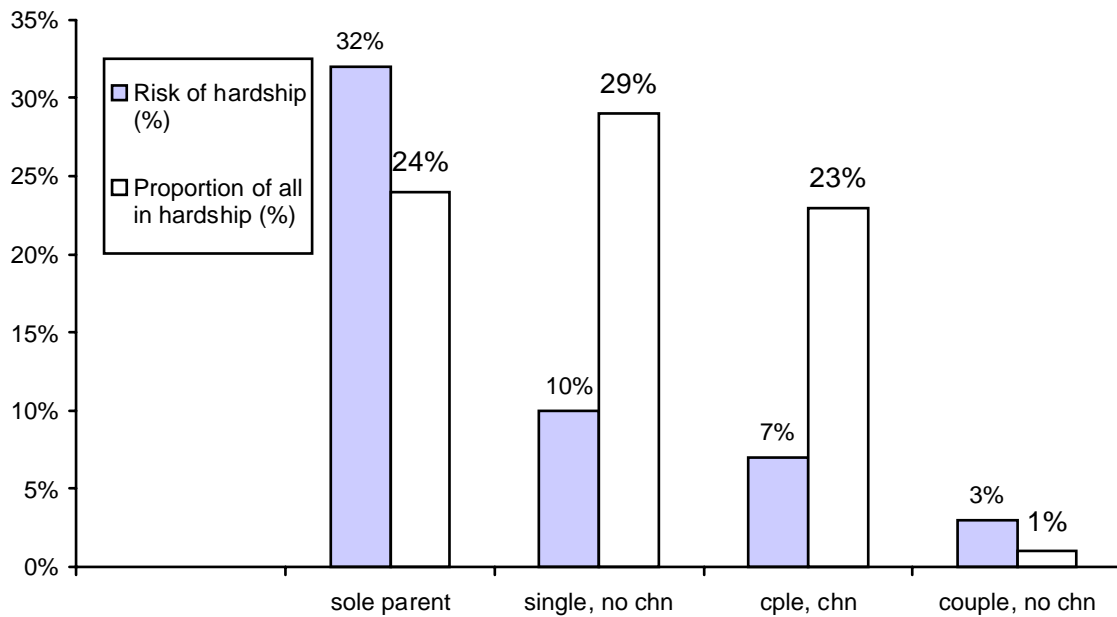


Source: Harding, Lloyd & Greenwell, 2001, op cit, using 50% of average income poverty line. "Risk" refers to the % of each group in income poverty. "Composition" refers to the % of all poor people (of a total estimate of 2,432,000) who were members of a group.

⁸⁶ This is because couples usually share a bedroom.

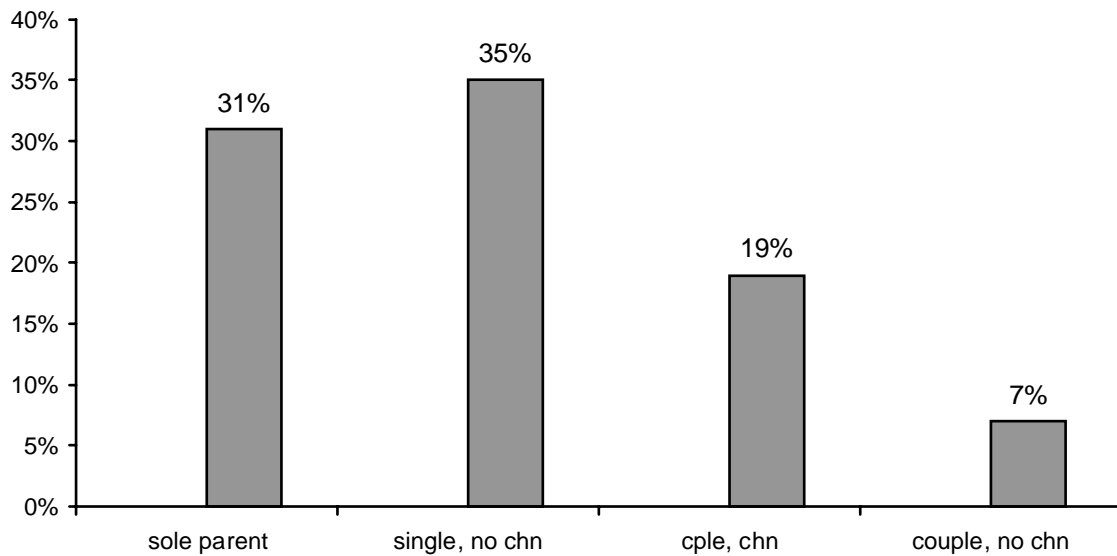
⁸⁷ Note that the emergency relief data only covers the *composition* of emergency relief recipients.

Fig. 17. Risk and composition of hardship by family type, ABS Financial stress survey (1999)



Source, Bray 2001. Risk refers to the % of each group facing hardship. Composition refers to the % of those in hardship (a total of 584,000 households) who belong to each group. "Composition" does not add up to 100% due to omission of "other" family types such as couples with non-dependent children.

Fig. 18. Composition of emergency relief applicants by family type ACOSS survey (1999)



Source: ACOSS, 1999, People in financial crisis. People applying to emergency relief agencies for assistance. Composition refers to the % of all applicants, out of a total of 50,159 applicants.

Poverty by age of household head

We now use these data sources to compare poverty among people of different ages. With regard to income poverty, we have used data provided by NATSEM on poverty after variations in housing costs are taken into account. This is important in comparing income poverty among different age groups, since most retired people in Australia own their homes outright. We were unable to compare the composition of poverty in the emergency relief study with that in the other studies. Nevertheless, the overall pattern appears to be the same across all of these studies.

The most striking finding is that the risk of poverty declines with age. Young people face a much higher risk of poverty than older people. This comes out more strongly in the ABS Financial Stress survey than in the income poverty research, despite the fact that the Financial Stress data presented here under-states hardship among young people.⁸⁸ It is also confirmed by the ACOSS emergency relief survey.

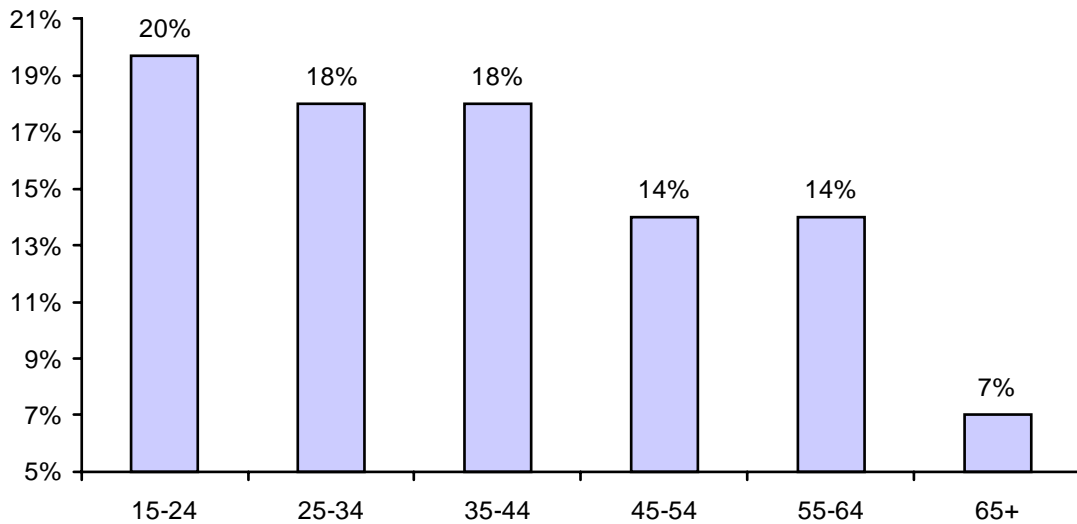
This reflects high rates of youth unemployment, the relatively low rates of social security payments for young jobless people, and on the other hand the assets accumulated by most older people (particularly their high rates of home ownership and increasingly, superannuation). Nevertheless, the minority of older people who rent and rely fully on the pension for their income face a much higher risk of poverty than other retired people. It is also well known that older people tend to have lower expectations with regard to their living standards than younger generations. This may affect their responses to deprivation surveys.

There is evidence to suggest that these variations in the risk of poverty across the life cycle have become more pronounced over the past three decades. That is, young people have done relatively poorly, and retired people relatively well.⁸⁹

⁸⁸ Hardship among young people is under-stated in the ABS Financial Stress study because the people have been grouped into households. Poverty among young people is typically understated in studies based on household data (such as the ABS Financial Stress study) and over-stated in studies using the nuclear family as the income unit (such as the NATSEM-Smith family study).

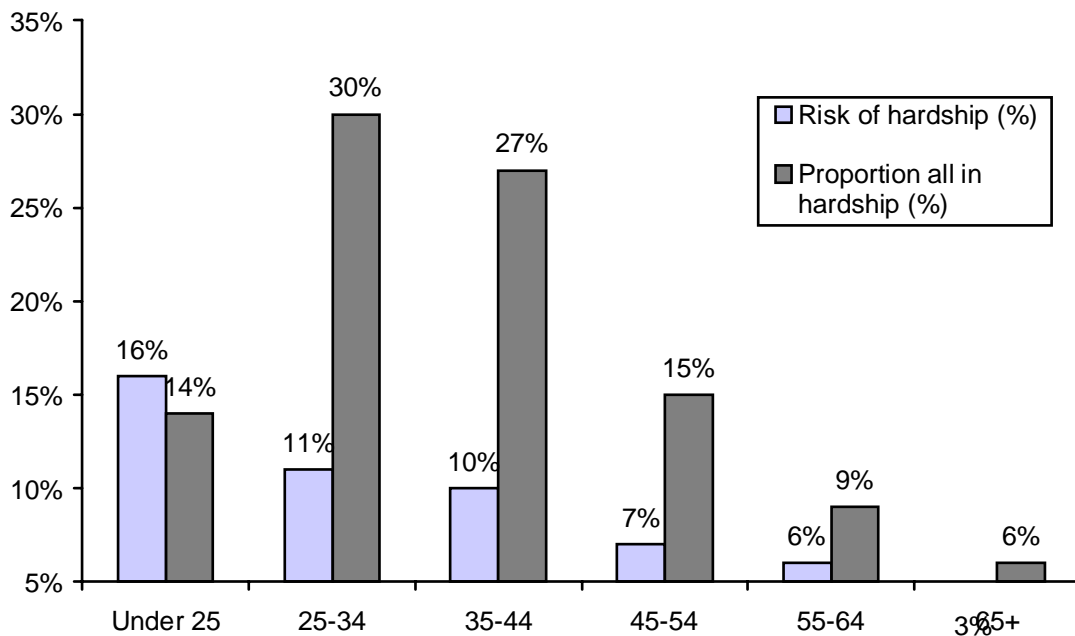
⁸⁹ See Johnson & Dawkins 1996, *Poverty and the life cycle*, in Fincher & Nieuwenhuysen 1996, op cit. For further evidence on the circumstances of low income young people, see King 1992? SPRC Discussion Paper.

**Fig. 19. Risk of income poverty by age
NATSEM-Smith Family study (2000)**



Source: Harding, Lloyd & Greenwell, 2001, op cit.⁹⁰ "After housing" means after taking variations in housing costs into account. This is particularly important when comparing the living standards of retirees with the rest of the community.

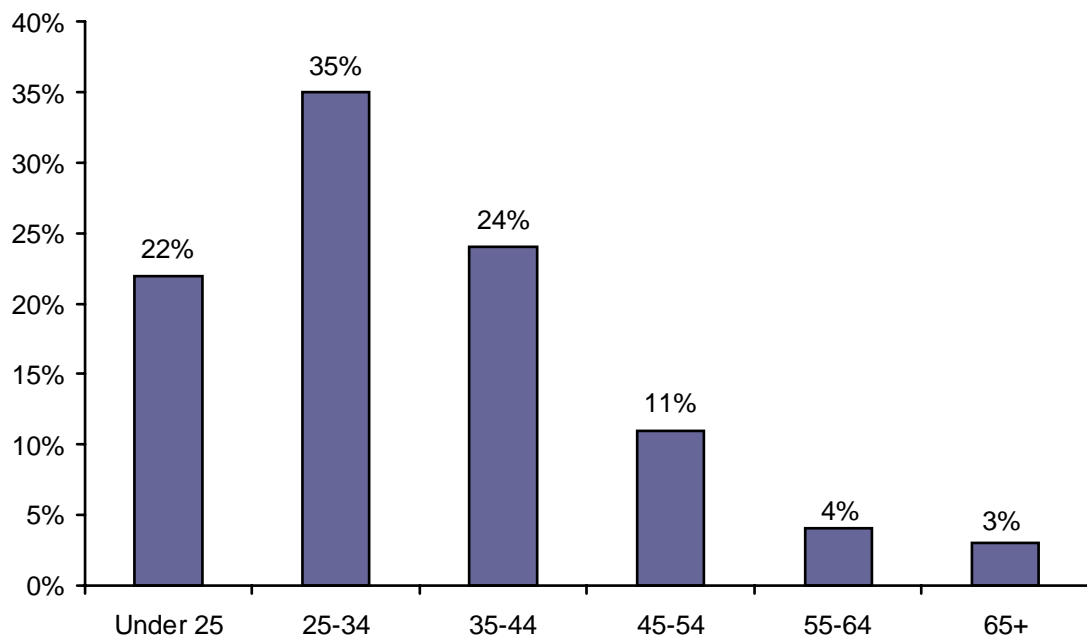
**Fig. 20. Risk and composition of hardship by age,
ABS Financial stress study (1999)**



Source, Bray 2001. "Risk" refers to the % of each group facing hardship. "Composition" refers to the % of those in hardship (a total of 584,000 households) who belong to each group

⁹⁰ We have excluded the 9% of income poor people in households recording zero incomes, due to doubts about the validity of recorded incomes in these cases.

**Fig. 21. Composition of emergency relief applicants
ACOSS survey (1999)**



Source: ACOSS, 1999, *People in financial crisis*. People applying to emergency relief agencies for assistance. Composition refers to the % of all applicants, out of a total of 50,159 applicants.

Poverty by main source of income

The graphs below compare the findings of the NATSEM- Smith Family study of income poverty with those of the ABS Financial stress study.

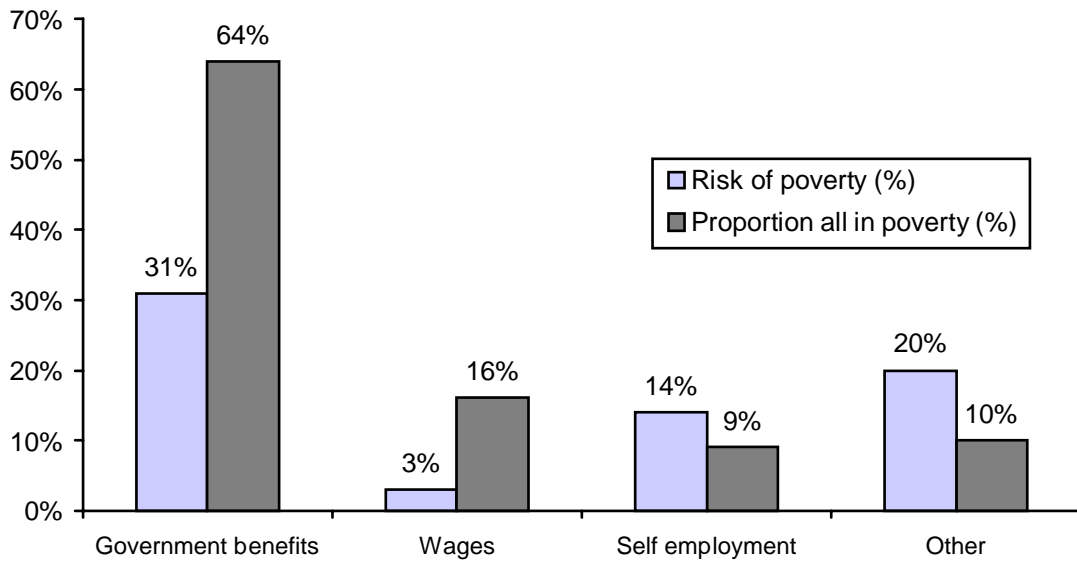
The finding is consistent: people whose main source of income is Government benefits face a much higher risk of poverty than other groups, including households that draw most of their income from employment. The main difference between the two studies is that the "gap" between the risk of poverty among Government benefit recipients and wage-earning households is narrower in the Financial Stress survey.⁹¹

The reasons for this include Australia's relatively low level of benefits and relatively high level of minimum wages. For example, the disposable income of a single adult on Newstart Allowance is half that of a minimum wage-earner. On the other hand, a significant proportion of income poor people (especially families with children) come from wage-earning households, despite their low *risk* of poverty. This is due to the large number of households overall that rely on wages. Further, there is evidence to suggest that the extent of income poverty among working households has increased over the past few decades.⁹²

⁹¹ The ACOSS emergency relief study indicates that over three quarters of applicants received core social security payments, compared to just 5% who indicated they earned wages. However, these results are probably biased towards social security recipients, who are more accustomed to applying for emergency relief.

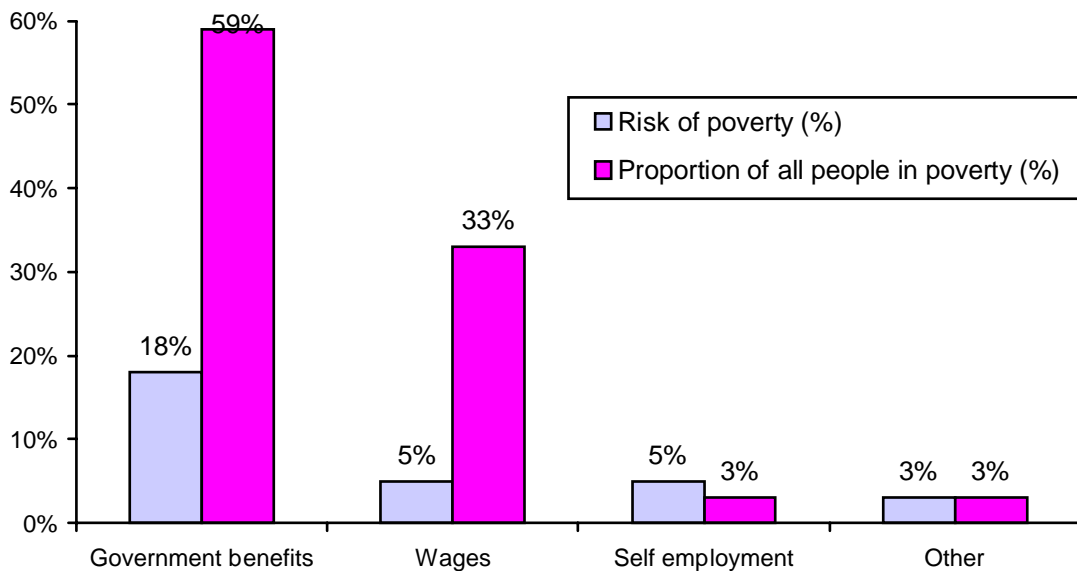
⁹² Eardley T, 1998, *Working but poor?* SPRC Discussion Paper No 91.

Fig. 22. Risk and composition of poverty by main source of income (2000): NATSEM income poverty study



Source: Harding, Lloyd & Greenwell, 2001, op cit.⁹³, using 50% of average income poverty line. "Risk" refers to the % of each group in income poverty. "Composition" refers to the % of all poor people (of a total estimate of 2,432,000) who were members of a group.

Fig. 23. Risk and composition of poverty by main source of income (2000): ABS Financial stress study (1999)



Source: Bray 2001. Risk refers to the % of each group facing hardship. Composition refers to the % of those in hardship (a total of 584,000 households) who belong to each group.

⁹³ We have excluded the 9% of income poor people in households recording zero incomes, due to doubts about the validity of recorded incomes in these cases.

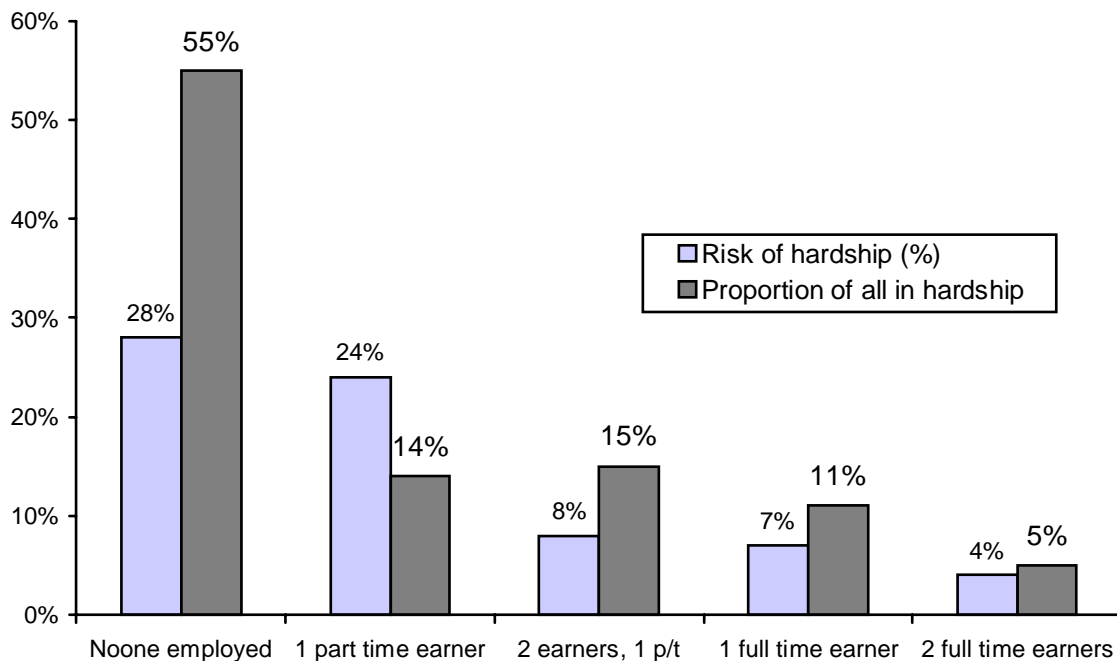
Poverty by labour force status

The graphs below deal with poverty by labour force status. They compare the findings of the NATSEM- Smith Family study of income poverty with those of the ABS Financial stress study.

These data are surprisingly consistent, and they reinforce the above findings with regard to people's main source of income. Jobless families face the highest risk of poverty. However, part-time employment alone is often not sufficient to escape poverty.⁹⁴ Also at risk are those households where the main bread-winner moves between benefits and a succession of insecure jobs (not shown here but discussed in Section 4 below).

By contrast, households with a full-time worker face a much lower risk of poverty.

**Fig. 24. Risk and composition of income poverty by employment status
NATSEM study (1999)**

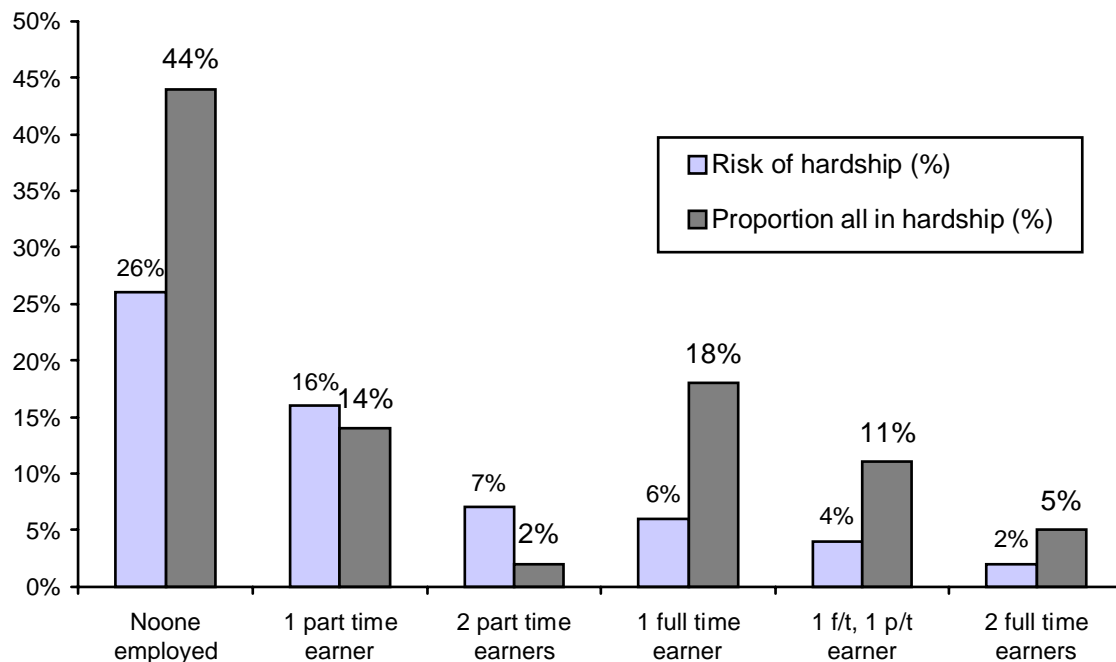


Source: Harding, Lloyd & Greenwell, 2001, op cit.⁹⁵, using 50% of average income poverty line. "Risk" refers to the % of each group in income poverty.

⁹⁴ It is important to note that, these days, many families with part-time earnings still rely mainly on social security payments. These families would be grouped under the "Government benefits" heading in the last two graphs.

⁹⁵ We have excluded the 9% of income poor people in households recording zero incomes, due to doubts about the validity of recorded incomes in these cases.

**Fig. 25. Risk and composition of hardship by employment status
ABS Financial stress survey (1999)**



Source, Bray 2001. Risk refers to the % of each group facing hardship. Composition refers to the % of those in hardship (a total of 584,000 households) who belong to each group.

Poverty by type of social security payment received

The information below is drawn from two deprivation studies, the ABS Financial Stress study, and the ACOSS Emergency Relief study. We estimate the risk and composition of poverty according to the type of social security payment received by those households that rely on social security payments for their income.

In the ABS Financial Stress study, 18% of households relying mainly on social security income, experienced hardship, compared with just 5-6% among households deriving most of their income from employment.

The first graph below is drawn from that survey. It indicates that sole parents and unemployed people face the highest risk of hardship among social security recipients, followed by people on disability pensions and Youth Allowance or Austudy. The other major groups facing an above-average risk of hardship (compared to other income support recipients) are the "parent/other" group (which refers mainly to the partners of unemployed people) and the carer/wife group (mainly carers of people with disabilities and wives of pensioners).

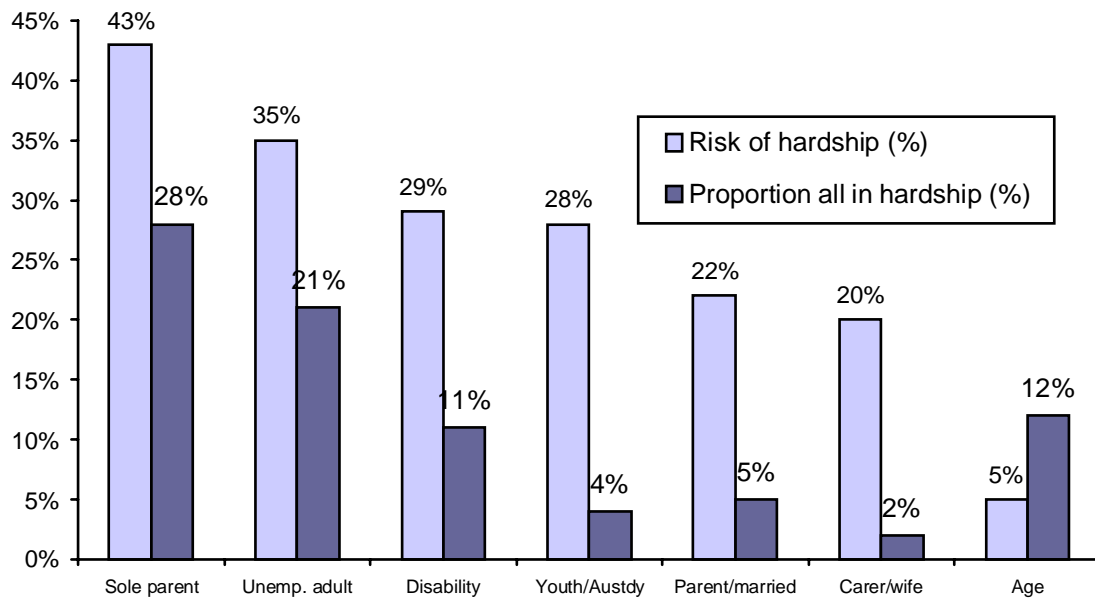
Age and Veteran's pensioners face a much lower risk of hardship (5% and 3% respectively), although this result is clouded by the fact that age pensioners tend to have relatively low expectations of their living standards so that hardship among this group is probably understated. It is also worth noting that non-pensioner retirees face a lower risk of hardship than pensioners (an average risk of 3%).

These results are broadly consistent with the general finding from income poverty studies that sole parents and unemployed people (especially long-term unemployed people⁹⁶) face a relatively high risk of poverty, compared with (for example) retired people. However, these data enable us to distinguish more clearly differences in the risk of hardship among other groups of social security recipients. In this regard, disability pensioners and Youth Allowance/Austudy recipients stand out as large groups with a relatively high risk of hardship. Carers of people with disabilities also face a higher than average risk of hardship (compared with other recipients).

This picture is confirmed by Travers & Robertson's survey of deprivation among recipients of certain social security payments in Adelaide (see second graph below), which used a more comprehensive measure of deprivation. It should be noted, however, that this survey did not include sole parents. A surprising outcome of this study is the high score for the "formerly unemployed" group, despite their being in jobs. This suggests that deprivation may be sustained over time where people move on and off benefits.

The ACOSS emergency relief study confirms the high proportion of people in hardship on unemployment and sole parent and disability payments, and the relatively low proportion on age pensions. It should be noted that there is a bias in this survey towards people who are more accustomed to seeking emergency relief (so, for example, young people are under-represented).

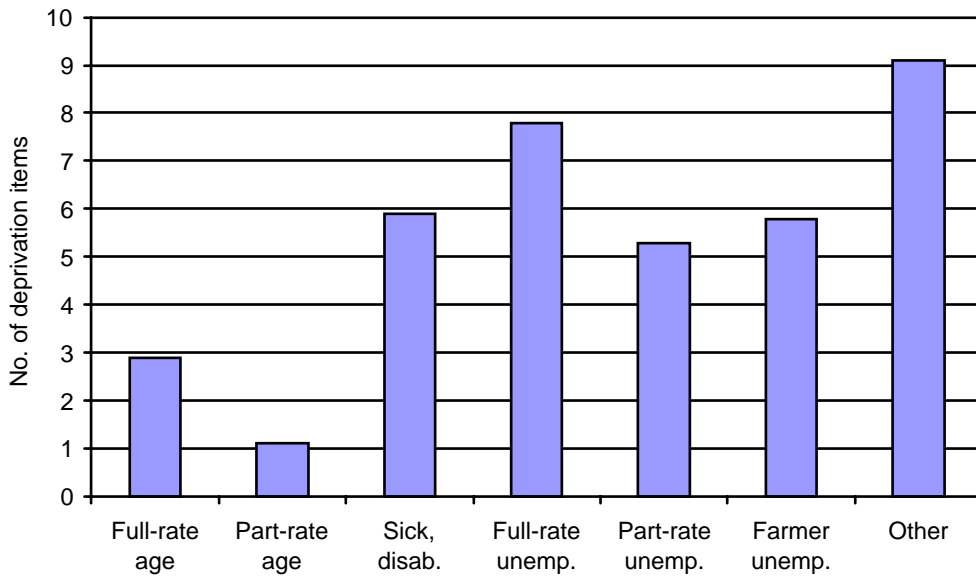
Fig. 26. Risk and composition of hardship by social security payment
ABS Financial stress survey (1999)



Source, Bray 2001. Risk refers to the % of each group facing hardship. Composition refers to the % of those in hardship and relying mainly on social security for income (a total of 351,000 households) who belong to each group

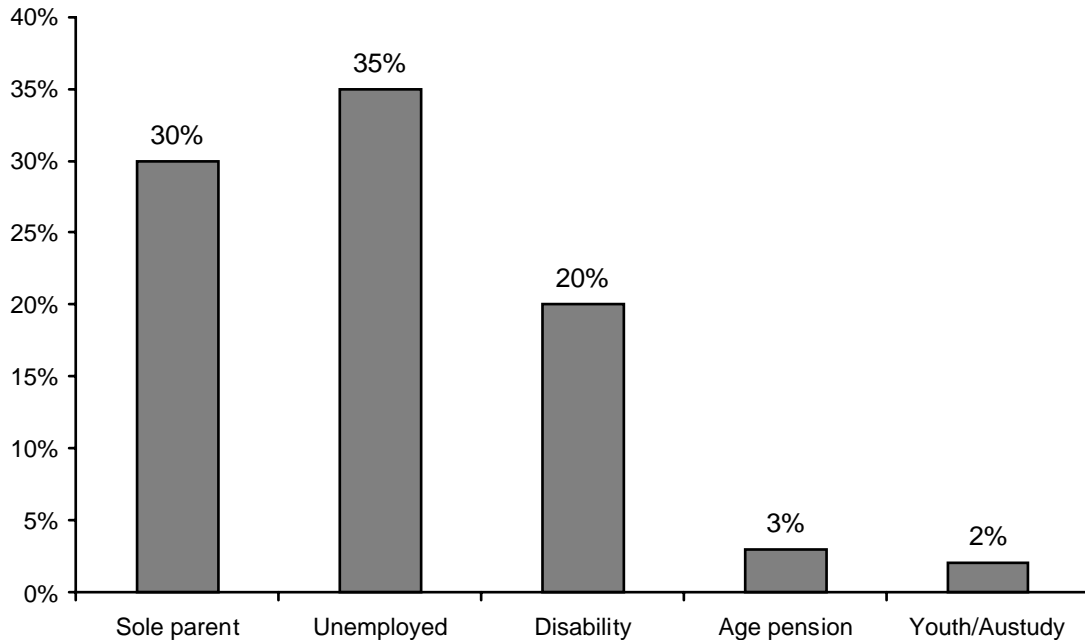
⁹⁶ See Gregory & Sheehan, 1998, *Poverty and the collapse of full employment*. in Fincher & Niewenhuysen 1998, op cit. They estimate that the risk of income poverty among unemployed income units rose from less than 20% where the head for unemployed for under 3 months, to almost 80% where the head was unemployed for a year or more. On a more general note, the ACOSS emergency relief study found that 50% of emergency relief applicants had received social security payments for more than 3 years. Most of these applicants were sole parents or unemployed people.

Fig. 27. Deprivation score by DSS payment category



Source: Travers & Robertson, 1996, *Relative deprivation among DSS clients*, National Institute of Labour studies Monograph No 2. "Other" includes young students receiving Austudy and Partner Allowees (mostly married to unemployed people).

Fig. 28. Composition of emergency relief applicants by social security payment ACOSS survey (1999)



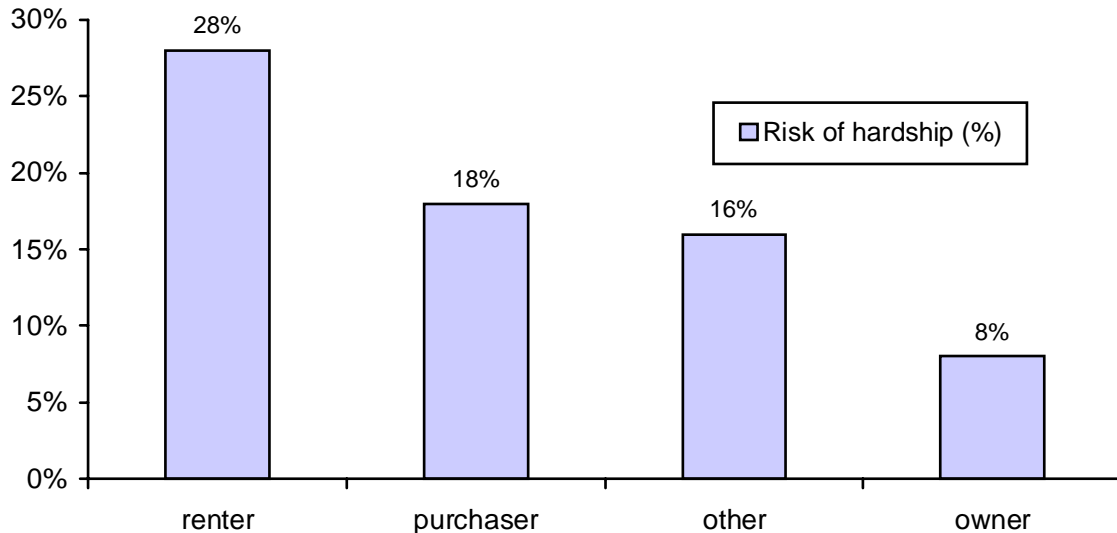
Source: ACOSS, 1999. Refers to people applying to emergency relief agencies for assistance. Composition refers to the % of all applicants, out of a total of 50,159 applicants. Numbers do not add to 100% because other income sources have been omitted (including full-time employment — 2%, part-time employment — 3%). "Disability" includes Sickness Allowance.

Poverty by housing tenure

We now examine poverty by housing tenure, comparing the NATSEM-Smith Family study and the ABS Financial Stress study. In the income poverty data, "after housing" poverty lines are used to account for variations in housing costs.

These studies all suggest that renters face a much higher risk of poverty than home buyers or owners. Further, the ABS Financial Stress survey suggests that social tenants are worse off than private tenants, despite their lower housing costs. The reason for this is that public housing tenants are selected from among the most severely disadvantaged groups in the community, for example people with chronic disabilities, recently separated sole parents, and households that have been jobless for long periods of time.⁹⁷ Not all of these characteristics are picked up in studies of income poverty. Moreover, social housing is often located in highly disadvantaged localities with very limited employment opportunities.

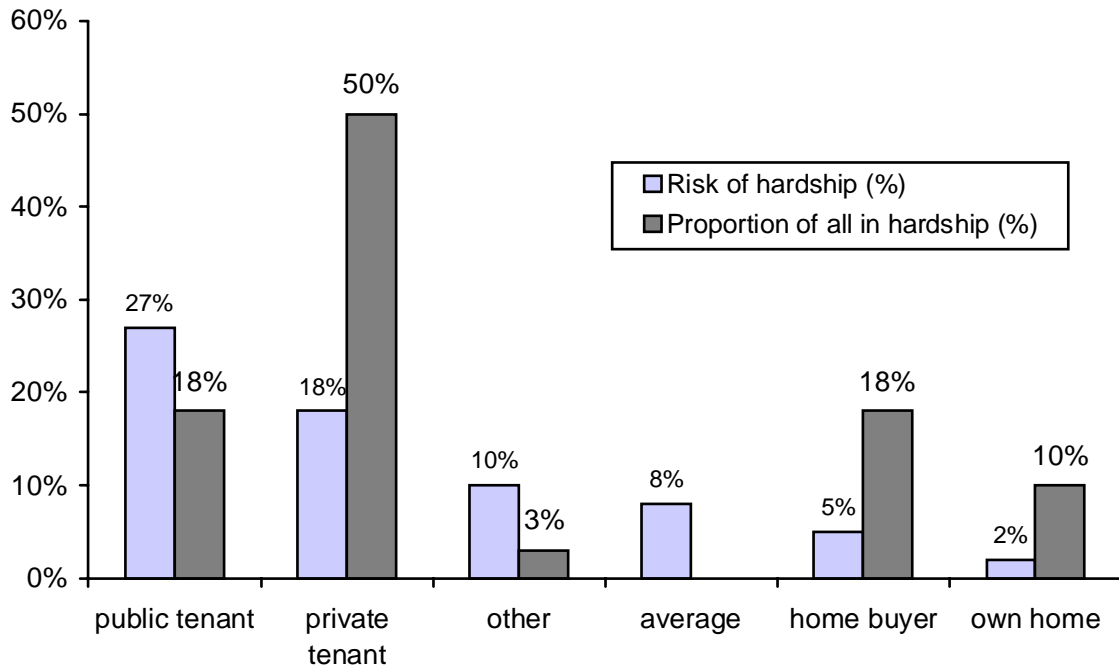
**Fig. 29. Risk and composition of income poverty by housing tenure
NATSEM/Smith Family study (1999)**



Source: Harding, Lloyd & Greenwell, 2001, op cit, using 50% of average income poverty line. "Risk" refers to the % of each group in income poverty. The poverty lines used take variations in housing costs into account.

⁹⁷ Precise data cannot be obtained from the ACOSS Emergency Relief survey. However, approximately 50% of applicants were private tenants and approximately 30% were public tenants. Given the fact that private tenants substantially outnumber public tenants, this implies a much higher risk of hardship among public tenants. It may also mean, however, that public tenants are more accustomed to using emergency relief services.

**Fig. 30. Risk and composition of hardship by housing tenure
ABS Financial stress survey (1999)**



Source, Bray 2001. Risk refers to the % of each group facing hardship. Composition refers to the % of those in hardship (a total of 584,000 households) who belong to each group

5. Causes and dimensions of poverty

In this chapter we discuss the main causes of poverty. To some, "the poor will always be with us" because resources will always be divided unequally, people are born with different sets of skills and capabilities, and some strive harder than others to earn income.

As outlined in Chapter 2, we do not equate poverty with inequality. It is possible to eliminate poverty without making all incomes equal. The notion that poverty will always be with us does not withstand serious scrutiny. Even a casual glance at statistics on levels of income poverty and deprivation in different countries shows wide variations that cannot be explained by people's genetic make-up or will to succeed. Indeed, these data suggest that the level of poverty is directly linked to national institutions such as wage setting and social security systems, and the state of the labour market.

One limitation of this information is that it usually concentrates on poverty at a *point in time*. A more dynamic approach to measuring poverty (looking at how people move in and out of poverty and to what extent it persists over time) may reveal a different set of causes. One such theory that was popular in the US in the 1960s and is currently being revived, is that there is a "culture of poverty" or an "underclass". This theory holds that some people adapt to poverty, thereby reinforcing it. Its main Australian equivalent is the "welfare dependency" argument, that the social security system itself reinforces poverty by removing incentives to undertake employment.

We examine the limited information available to test some of these theories, and find there is no convincing evidence of a large under-class here, in the sense described by these theories. We conclude that the notion of an "under-class" is misleading and divisive in the Australian context.

Nevertheless, a substantial and growing number of people of workforce age rely on social security income for prolonged periods, either continuously or in conjunction with bouts of insecure employment. This suggests that the risk of poverty among low-income people may be more widespread than the "point-in-time" data suggests. This can largely be explained by the failure of the labour market to grow enough secure full-time jobs, together with the limited education, work experience, or disabilities of a large proportion of the working-age population. Point in time data also underestimates the extent of deprivation and poverty among Indigenous people.

Employers now expect much more of those who are fortunate enough to enter the world of secure full-time employment, and many people have been left behind by structural changes in the economy. Once people have to rely on social security payments for their income, their risk of poverty is high because maximum rates of payments are so low. Indeed, the lowest rates of payment apply to some of the most disadvantaged groups in the community. If the worst anomalies in the system were rectified, income poverty would be substantially reduced.

We identify below eight key factors contributing to poverty in Australia

Eight key causes of poverty in Australia

1. Joblessness
2. Low pay and insecure employment
3. Inadequate education, skills, and work experience
4. Inadequate, or no, social security entitlements
5. Being single, especially when supporting dependent children
6. Having a disability or illness or in a long-term caring role
7. Limited assets, especially access to affordable housing or home ownership
8. Living in a severely disadvantaged community, especially an Indigenous community, public housing estate, some migrant communities or a regional centre in which poverty is persistent and concentrated.

5.1 The dynamics of poverty

To identify the main causes of poverty, a static analysis of the number of people from different groups who are in poverty at a point in time is not sufficient. It is relatively easy using point-in-time to identify which groups would be lifted out of income poverty by extending and increasing social security payments. This approach is a vital part of any serious anti-poverty strategy, since its effects are direct and immediate and it can be targeted towards those groups most at risk. Yet it cannot eliminate poverty on its own. If, for example, a growing number of households are falling into long-term joblessness, the social security system will come under increasing financial pressure. If we can better understand why people become or remain jobless and why they need to rely on social security for long periods of time, it may be possible to prevent people from falling into poverty in the first place, and speed their progress out of it.

One of the most important questions to ask is whether poverty is a short-term condition for most poor people, or whether they typically live in poverty for long periods of time. If most poverty is short-term (for example, one year or less), we should still be concerned about its social effects, but we might adopt a different approach to reducing it than in the case where poverty is long-term and entrenched. The policy emphasis might be on using income support and labour market assistance as a bridge between periods of secure employment and decent living standards. If, on the other hand, most poverty is entrenched and long-term, there would still be a need for an adequate safety net but we might devote more resources to preventing people from falling into poverty in the first place, and a more intensive effort to lift them out of poverty permanently.

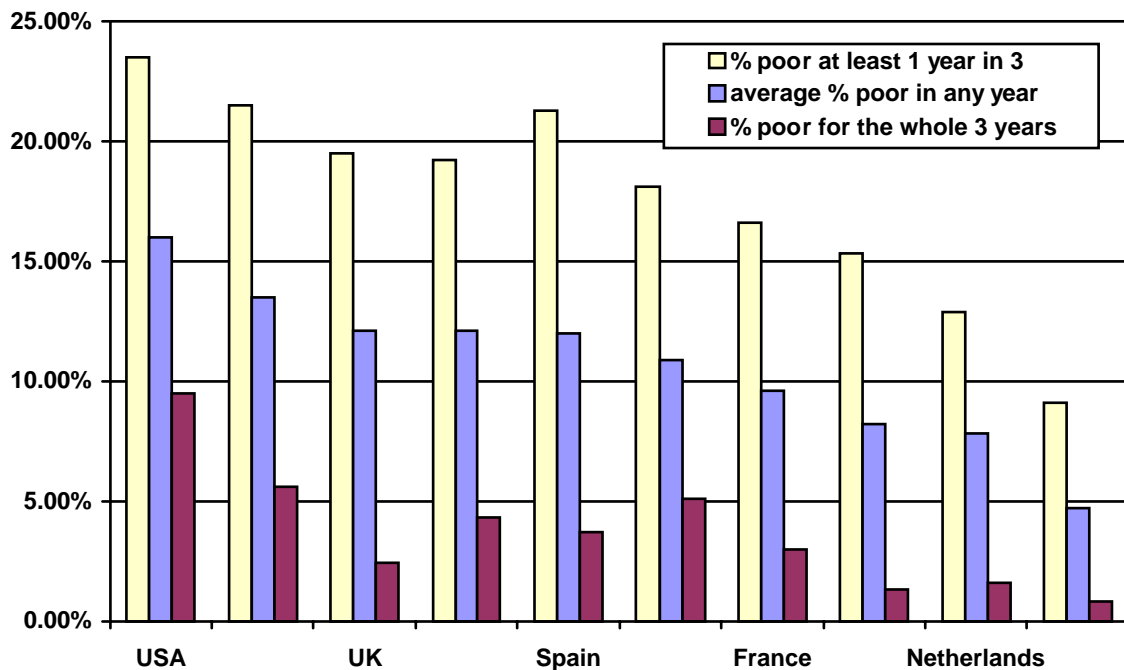
In countries with high levels of entrenched, long-term poverty there is fierce debate over whether this is primarily caused by institutional barriers to advancement (such as class and racial barriers, local unemployment, and education systems that fail to deliver equality of opportunity), or a "culture" or "cycle" of poverty" where poor people adapt to their circumstances. This argument raged in the US in the 1960s and was repeated in the 1990s. Culture of poverty arguments found an echo in Australia in the late 1990s when concerns were raised about "welfare dependency". Welfare dependency theories hold that the social security itself entrenches poverty, either by financially penalising people who find employment or by promoting a culture of dependency.

International comparisons of the persistence of poverty

Australia lacks comprehensive data on the dynamics of income poverty, let alone deprivation. However, this information has been collected systematically in Europe and North America. This research shows that there are large variations across different countries in the way in which people move into and out of poverty, and the proportion of people who remain "stuck" in poverty for prolonged periods.

The following data are from a recent OECD study of the persistence of poverty in Europe and North America.⁹⁸

Fig. 31. The persistence of income poverty in the OECD (mid 1990s)



Source: OECD, 2001, Employment Outlook. Poverty line used is 50% of median equivalent disposable income.

⁹⁸ OECD 2000, in OECD *Employment Outlook*, 2000.

The above graph shows that there was considerable movement in and out of income poverty in the countries surveyed:

- For every three people in income poverty in a given year (the standard point-in-time measure of poverty) another two were also in poverty for at least one of the last three years.

On the other hand, a much smaller minority of income-poor people were persistently poor:

- For every three people in income poverty in a given year, just one was continuously poor for three years.

There were major differences in the persistence of poverty in different countries. In the United States, the number of people who were persistently poor was 60% of the number of poor people in any single year. The European average was half this, or 30%. Italy, Canada, and Germany also had relatively high rates of persistent poverty.

To some extent, this is a function of the size of the overall poverty problem in each country: for the most part, the countries with the highest rates of persistent poverty also had high rates of poverty in any given year. Yet the US result is surprising, given the perception among economists that the US labour market is more dynamic — with more scope for people to improve their incomes — than in continental Europe. This and other research suggests that earnings mobility among low paid workers is lower in the US than in Europe. A substantial proportion of the US workforce is stuck in poorly paid employment.⁹⁹

One of the reasons that theories of a "culture of poverty" and "welfare dependency" developed in the US is that a relatively large proportion of low income people in that country appears to have fallen into persistent poverty.

We should be very cautious in applying these theories to Australian conditions.

The persistence of poverty in Australia

There is very little information available to assess people's experience of poverty over time, the extent of persistent poverty in Australia, or the factors that contribute to the risk that people will suffer poverty in the future.

Early research work on people's mobility within the labour market suggested a high degree of upward mobility in Australia, with a minority being left behind. However, there was little evidence to suggest the existence of a large, permanent "underclass":

- A study by Erikson & Goldthorpe using data from the 1970s suggested that occupational mobility was high in Australia relative to European countries, at least for semi and unskilled workers. This study did not examine joblessness.¹⁰⁰
- Ternowetsky compared the circumstances and attitudes of a sample of long-term social security recipients with those of a sample of middle income households in the 1970s, in search of evidence of a "culture of poverty" among the former. Their progress was also tracked over time. He concluded that this group's poverty and their reaction to it was mainly "situational", a direct response to the objective

⁹⁹ See also Gottschalk P, 1997, 'Inequality, income growth and mobility' in *Journal of Economic Perspectives*, Vol11, No2. and OECD, *Employment Outlook*, 1996.

¹⁰⁰ Richardson & Travers, 1994, op cit.

circumstances in which they found themselves at that time. He found little evidence of a self-reinforcing culture of poverty.¹⁰¹

- Taking a longer view, Travers traced changes in the labour market status of a group of men from Adelaide who were unemployed in the great depression of the 1930, until their retirement in the early 1970s. He found there was little evidence to suggest that their unemployment during the depression disadvantaged them in the labour market in subsequent years. He argued that their labour market status mirrored the fortunes of the industries in which they were employed. Many were employed in manufacturing industries that collapsed in the 1930s and then boomed in the 1950s and 1960s.¹⁰²

It is likely that poverty has become more persistent in Australia since the 1970s, given our much higher rates of unemployment.

However, the lack of data on the persistence of poverty means we need to rely on data that points indirectly to poverty. This includes data on receipt of social security payments since 1996, from the Department of Family and Community Services longitudinal data base and data on movements in and out of employment in the mid 1990s, from the ABS Survey of Employment and Unemployment Patterns.

Patterns of receipt of social security payments

The table below summarises patterns of receipt of various social security payments for people of workforce age. We focus on these payments because the risk of poverty is relatively high among recipients of workforce age payments. This information should be treated with caution because receipt of social security does not necessarily equate with poverty, or even joblessness. For example, many recipients have casual earnings, or assets (such as their home) that serve as a buffer against poverty. However, since about half of all people in income poverty are social security recipients of workforce age (or their children), social security data gives us a good overall indication of movements in and out of poverty.

¹⁰¹ Ternowetsky G, 1980, *Inter-generational poverty, life styles and income maintenance*, Department of Social Security.

¹⁰² Richardson & Travers, op cit.

Fig. 32. Patterns of receipt of social security payments — 1996 to 1999

Payment type	Recipients as a % of persons of workforce age (%) ¹⁰³	% leaving payments within 1 year	% on payments after 3 years ¹⁰⁴	Most common number of spells on payments	Most common length of each spell	% employed while on payments	Comment
Unemployed <21, males	0.4%	40%	30-50% ¹⁰⁵	3	<3 months	10-15%	High level of "churning"
Unemployed <21, females	0.3%	60%	40-60%	3	<3 months	15-25%	High level of "churning"
Unemployed 21-59, males	2.3%	30%	40-60%	2	<3 months	10-20%	High level of "churning"
Unemployed >21, females	0.9%	50%	40-65%	2	<3 months	20-30%	High level of "churning"
Parenting Payment, Partnered	1.9%	10-40%	65-80%	2	<3 months	10%	High level of churning, but more long-term recipients
Parenting Payment, Single	3.2%	10-20%	65-80%	2	12-24 months	25-30%	Longer spells on payment, but more part-time work
Unemployed, over 60 years	0.4%	<10%	90-95%	2	12-24 months	<5%	Mainly long-term recipients with limited earnings
Disability Support Pension	4.9%	<10%	95% (after 2 years)	1	>3 years	9%	Mainly long-term recipients with limited earnings

Sources: Flatau & Docklery, 2001, How do income support recipients engage with the labour market?

FACS 2001, Income support and related statistics, Occasional paper No 1.

For DSP data: FACS Policy Research paper No 12, FACS 2001, Characteristics of Disability Support Pension recipients. Cai 2002, The dynamics of DSP recipients in Australia, Thesis submitted to economics Program, Research School of Social sciences, ANU. Whiteford P 1999, Issues in measuring welfare dependence. Unpublished.

The table above suggests that there are two groups of workforce-age social security recipients of roughly equal size, those who frequently move on and off payments, and those who remain continuously on payments for periods of one to two years or more. Together these groups comprise just under 20% of the population of workforce age at a single point in time. The number of people who rely on social security payments *at any time* during a given year would be much greater. This suggests that opportunities for upward mobility for people on low incomes may have declined since the 1970s. Large numbers of people are either "churning" between reliance on social security and short bouts of employment or "stuck" on income support long-term.

It should be noted that the size and composition of these two groups varies across the business cycle. In the early stages of economic recovery from a recession, the overall level of involuntary joblessness is relatively high, but the proportion of unemployed people who are jobless on a long-term basis is relatively low. In the advanced stages of an economic boom, the overall level of joblessness is lower but a higher proportion of jobless people have been out of work long-term. The main reason for this is that by this stage, the groups

¹⁰³ In 2000.

¹⁰⁴ This indicates their income support status after 3 years. It does not imply that they were in receipt of payments, or the same payment, for the entire period. Many would have left the system and subsequently returned, while others changed payments.

¹⁰⁵ The lower estimate is for those who had part-time earnings at the outset, the higher estimate is for those who did not.

that are hardest to place in jobs comprise a higher proportion of all unemployed people. They have been left behind as other unemployed people secured employment.

The information in the table above can be summarised as follows:

- Most recipients of *unemployment payments* (apart from mature age people) move off payments quickly, with the majority leaving payments in any given year. This is consistent with labour force data indicating that most unemployed people get a job within three months. However, many recipients of unemployment payments subsequently return to social security payments, suggesting that their prospects for obtaining *secure* employment are not strong.
 - We also know that their chances of securing employment declines sharply as they remain unemployed for longer. An unemployed person on Newstart Allowance continuously for 12 months has only about a 25% chance of being in full or part-time employment 12 months later.¹⁰⁶
- *Parenting Payment* recipients (most of whom are mothers) remain on payments for longer, although there is also a substantial degree of "churning" on and off payments among this group, and they have the best prospects of securing part-time employment while on payments. Nevertheless, a high proportion of those who leave the system subsequently return.¹⁰⁷
- *Mature age unemployed people* have very limited employment prospects, and the vast majority remain on payments until they reach age pension age.
- *Disability Support Pension* recipients also have limited employment prospects, although age is also a significant influence. Generally speaking, younger recipients have much better prospects than mature age recipients (most of whom remain on payments until age pension age).
- Broadly speaking, the extent of *persistent* reliance on social security increases with age. Most young and middle aged recipients move on and off payments, and the majority of young people move off payments entirely.
 - The main exceptions are *long-term unemployed people* and *Parenting Payment* recipients, for whom social security is often the main source of income over many years, even if they move off payments from time to time. This reinforces our earlier assessment that these two groups face a particularly high risk of poverty. The persistence of low incomes for sole parents may also explain why income poverty data appears to under-state the extent of financial hardship among this group.
- *Mature age people* are the most likely to be fully reliant on social security for prolonged periods, whether they receive unemployment allowances, mature age allowances, various payments for mature age women, or the Disability Support Pension. This reflects the very poor employment prospects of mature age people with limited skills.
 - This does not necessarily mean that most mature age jobless people live in poverty. Whether jobless mature-age people are able to live decently on social

¹⁰⁶ DEWR 2002, *Job Network Evaluation Stage 3, Effectiveness Report*.

¹⁰⁷ Gregory 2002, *Is this the promised land? Work and welfare for the modern woman*. National Institute Public Lecture, Canberra June 2002.

security payment depends very much on their assets, especially whether they own their home outright and receive superannuation. They generally have more of these assets than young or middle-aged jobless people.

- Nevertheless, the inexorable rise in joblessness among mature age workers means that more people are being forced to draw down their assets earlier than they expected. Enforced joblessness among mature age workers, together with declining rates of home ownership, could increase the extent of poverty in old age in future years, just as the wider spread of superannuation is improving the living standards of the majority of retirees. Those most at risk are single mature age people with limited vocational skills, living in rented accommodation.

Inter-generational poverty in Australia

The data outlined above is not inconsistent with the view that most poverty in Australia is of a short duration. Much depends on whether the earnings and assets of the group that "churns" on and off benefit are sufficient to lift them out of poverty. However, it also points to high levels of persistent poverty among certain groups of social security recipients, including long-term unemployed people, sole parents, and people with disabilities. We also know that Indigenous people have very high levels of persistent poverty not shown by some social security data. To what extent does this problem extend beyond a few years, or even across generations?

To begin to answer this question, FaCS used social security data to assess the extent to which young people whose parents relied on social security as their main source of income also did so themselves.¹⁰⁸

The results must be treated with caution, for a number of reasons:

- The circumstances of children of social security recipients have not been compared with a random sample of the whole population of young people. This makes it difficult to gauge what an "average" level of reliance on social security among young people is, for comparative purposes.
- The study uses social security data to *infer* young people's labour market status and whether they were homeless. This may lead to misleading conclusions. For example, many jobless young people in middle and high-income families do not claim social security, due to the parental income test, stigma, and the fact that they can rely on their parents for support. This means that the study was not accurately measuring differences in *the labour market outcomes* of different groups of young people. There are also serious difficulties with the use social security data to assess whether young people are homeless.
- The study examined the circumstances of a group of young people over the fairly short time-frame of three years. We need to know to what extent these outcomes are sustained over people's lives in order to assess whether reliance on social security is

¹⁰⁸ Pech & McCoull, 2001, 'Trans-generational welfare dependence, myths and realities'. In *Australian Social Policy 2000/01*. The sample comprised 53,000 young people, of whom 32,000 came from families whose only social security income was family payments, 9,000 came from married couple families in which one parent received a payment, and 12,000 came from families in which the main breadwinner received a social security payment.

being "passed down" from one generation to the next, or whether young people in families reliant on social security face temporary (albeit prolonged) set-backs in establishing their careers.

The study found that, three years after young people and their parents were first surveyed (in 1996):

- Approximately 30% of young people from families whose bread-winner(s) received social security payments were themselves on social security payments;
- This is roughly double the average of around 15% for the survey population as a whole.

This does not mean that 15% or 30% of young people relied on social security for the entire three-year period of the study, rather that they were on payments at the end of the period. Given the high degree of "churning" between social security and employment among young people, it is likely that many of the young people who were on payments at the end of the three year period were "off payments" for some or most of the time.

To assess how *persistent* their reliance on social security was, the study also reported on the number of spells each young person had on social security over the three-year survey period. Some of the key findings are reported in the table below.

Fig. 33. Persistent receipt of social security payments among young people

	Entire sample of young people	Children of social security recipients	Public tenants	Indigenous people
% of young people with a large number of spells on payments over 3 years	7%	16%	20%	23%

Source, Pech & McCoull (2000), op cit.

The table indicates that:

- 16% of the children of social security recipients were reliant on social security for much of the three-year survey period.
- This is again roughly double the "average" figure, in this case 7% of the overall sample.
- The outcomes for the children of public tenants and Indigenous people were significantly worse, at 20% and 23% respectively.

The study suggests that the extent of persistent reliance on social security among young people whose parents received social security payments may be roughly twice that of young people generally. This implies that their risk of poverty is much greater (at least over the medium-term), although in overall terms a relatively small minority of young people is affected. It also reinforces other evidence that young people from Indigenous families and public housing estates face a relatively high risk of poverty.

It does not, however, explain the reasons for these outcomes, including the extent to which a higher risk of poverty is "transmitted" from parents to children as a result of the values and actions of the parents or the social environment in the local community. We now examine some possible contributing factors.

5.2 A "culture of poverty"?

Culture of poverty theories emerged as an explanation for entrenched forms of poverty in the United States in the 1960s and 70s, as it became clear that the programs initiated by President Johnson's "War on poverty" were not having much sustained effect. Their origin was the work of an anthropologist, Oscar Lewis. He argued that in severely deprived communities, a "culture of poverty" or "cycle of poverty" developed. That is, people adapted to poverty and indeed entrenched it by rejecting the dominant values of the society. His core research was conducted in slums in Mexico City, but he argued that *in a small minority of severely deprived communities* in the US, the same forces might defeat anti-poverty programs. Others generalised his theories as the *primary* explanation for poverty. The notion that a large underclass existed in America's inner cities and poor towns was popularised at this time. These arguments were overwhelmingly directed towards African-Americans, and they were hotly contested. At this time, the main emphasis of US anti-poverty policies shifted more decisively from institutions to individuals and families.¹⁰⁹

This debate was repeated in the US in the 1990s. Mead argued that poor sole parent families were incapable on their own of making the right decisions to lift their families out of poverty, and that a "New Paternalism" was required. Mead argued emphatically that most welfare dependency had nothing to do with economic conditions. At the same time, Murray argued that the social welfare system itself was the principal cause of poverty because it promoted dependency. His solution was to cut or limit payments.¹¹⁰ Such arguments have driven a policy shift away from (limited) provision of income support to sustain families economically towards requiring people to undertake work for benefits.

These arguments found an echo in Australia in the debate over "welfare dependency" in the late 1990s triggered by Government concerns about growth in the number of social security recipients.¹¹¹ It was argued that the rise in social security recipients of workforce age over the 1990s was due in large part to the actions of the jobless recipients themselves. One strand of this argument held that they were not actively seeking employment because they lacked the economic incentives to do so. Another followed the lead of Oscar Lewis and argued that people were not actively seeking employment because they rejected dominant values.¹¹²

Welfare dependency theories have been imported into Australia with little attempt to take account of the differences between the two countries. Moreover, no serious evidence has been presented in support of these claims, beyond the fact that more people are now reliant on social security. Yet this increase in reliance on social security can largely be explained by a sharp rise of unemployment and involuntary joblessness, the greater concentration of

¹⁰⁹ Lewis O 1968, *The culture of poverty* in Moynihan D, *On understanding poverty*, Basic Books. In fact, the main emphasis of the War on Poverty programs was always on preventative and remedial work with individuals and families. No sustained attempt was made to change institutions such as low minimum wages, an inadequate income safety net, and the steady economic and social decline of many inner city communities.

¹¹⁰ Mead, 1997, *The new paternalism*, Brookings Institution Press. Murray C (1984), *Losing ground: American social policy 1960-1980*, Basic Books. For a critique and different perspective which emphasised structural factors, see Wilson.

¹¹¹ Senator, the Hon J Newman 2000, *The challenge of welfare dependency in the 21st century*. Discussion Paper, Ministry of Family and Community Services

¹¹² See for example, Saunders P (2000), *Reforming the Australian welfare state*, Australian Institute of Family Studies. Sullivan L 2000, *Behavioural poverty*. Centre for Independent Studies, Sydney.

joblessness within jobless families, and changes in social security policy that extended the safety net more widely.¹¹³ As the Department of Family and Community Services, which is charged with the development of policies to reduce welfare dependency, argued in a background paper attached to the Interim report of the Reference Group on Welfare Reform:

*The main influence on trends [in receipt of income support] were changes in economic and demographic factors, and government policy changes. The most important single factor has been labour market change, notably the large increase in unemployment. ...Demographic factors, notably the increase in lone parenthood, the decline in fertility and the ageing of the baby boom birth cohort have also influenced trends.*¹¹⁴

It would be counter-productive to reject culture of poverty theories and work disincentive concerns out of hand. These factors, along with structural factors such as the concentration of high unemployment in some localities and regions and institutionalised racism and discrimination, might together explain the reality of entrenched poverty among some groups in the community. However, in our view the extent of "welfare dependency" (in the strong sense that a self-perpetuating "culture of poverty" or under-class" is the *dominant* factor explaining long-term reliance on social security and poverty) has been vastly overstated in Australia.

The limited evidence available suggests that for the most part, poverty is a transitory condition in Australia.

Studies of attitudes to work among jobless people here have generally found that the vast majority of unemployed people do want to secure employment. For example, a recent FACS survey of its unemployed clients found that:

*Most people would seek work regardless of Centrelink monitoring. [This] indicates that on the whole, unemployed people want to work and are taking steps to find it.*¹¹⁵

The high incidence of "breaching" of unemployed social security recipients for failing to meet social security obligations has been cited by some as evidence to the contrary. However, the level of breaching is for the most part an artifact of the design of the compliance system itself.

The present harsh compliance regime for unemployed people itself "generates" non-cooperation by sending unemployed the message that the system is there to punish, not to help them. Job Network agencies often report this perception among their clients at the time they are referred to them.

There are some severely disadvantaged communities where people's responses to poverty may serve to entrench it. They include the most disadvantaged Indigenous communities, social housing estates, and regional towns. But this is likely to represent a small minority of all people in poverty in Australia today. Further, in these communities the causes of poverty are much more complex than simplistic perspectives might suggest.

Another strand of the "welfare dependency" argument holds that people lack financial incentives to seek employment. This is a major problem in the US where minimum wages

¹¹³ See Henman P (2001), *What is welfare dependency and what are its causes?*; Academy of Social Sciences Seminar on welfare reform, Sydney February 2001, for a critical analysis of trends in receipt of social security payments.

¹¹⁴ Reference Group on Welfare Reform, 2000, *Interim Report, Technical and other appendices*, p21.

¹¹⁵ Department of Family and Community Services 2001, *Activity test evaluation customer survey*.

are very low, but it is not a *major* barrier to movement from benefits to full-time employment in Australia. As we argue below, Australia has among the highest minimum wages, and lowest social security payments, in the OECD. As a result, a single adult would roughly double their disposable income if they found a full-time job paying the minimum wage.

The table below shows that financial incentives are not as strong as this for couples with children. Nevertheless, Australia's family assistance system (Family Tax Benefit) and Parenting Payments, extend income support to many families on low full-time wages. These could be boosted if financial disincentives for full-time employment become a major concern in Australia.

Fig. 34. Unemployment benefit replacement rates (July 2000)

Family type	Benefits as a % of a single minimum wage (after tax)
Single, no children	51%
Single, 2 children	65%
Couple, no children	74%
Couple, 2 children	78%

Source: ACOSS calculations

Of greater concern are some of the disincentives in the social security system against part-time and casual employment (see discussion of weaknesses in the social security system below). However, most recipients remain on social security payments until they have secured full-time employment, so for the purpose of assessing "welfare dependency" arguments, it is the incentives to undertake *full-time* employment that matter most.

In summary, we are much more likely to find the causes of poverty if we turn to structural factors, as distinct from the behaviour and motives of poor people themselves. This is not to argue that behavioural change is not part of the solution. Rather, behaviour and motivation follow from the circumstances in which poor people find themselves, rather than the other way around. It is not possible to change behaviour without holding out real hope that people's circumstances will change. The following quote, drawn from a much earlier debate over the "culture of poverty" theories, still resonates today:

*It is not reasonable to expect people to stop acting like they are poor as long as they are poor. Values, beliefs, and patterns of conduct interfering with moving out of poverty will persist if conditions supporting such thoughts and actions continue; if these conditions are altered, so will thoughts and actions.*¹¹⁶

¹¹⁶ Kriesberg, 1970, cited in Ternowetsky, op cit.

5.3 Structural causes of poverty in Australia

The following factors are among the most likely structural causes of poverty in Australia and other rich countries. Poverty does not have a single major "cause". Rather, these factors reinforce each other to increase the risk of poverty.

(1) Joblessness and insecure employment

Joblessness, especially prolonged joblessness, is one of the primary causes of poverty in Australia. Australia has high levels of unemployment and hidden unemployment, and joblessness is increasingly concentrated within jobless families and communities. The principal cause of our high levels of involuntary joblessness is inadequate growth in full-time job over the past 30 years. An important contributing factor is the mis-match between the education levels and skills increasingly demanded by employers and those of large numbers of low-skilled workers and jobless people, who have been left behind as the economy restructured around them.

(2) Low pay and insecure employment

Given Australia's relatively high minimum wage, the risk of poverty is relatively low among households with at least one full-time job, although it is steadily increasing. Of greater concern is the failure of the labour market to deliver an adequate supply of secure, full-time jobs. Over the decade of the 1990s, despite solid economic growth, there was in fact a net *loss* of these kinds of jobs. This has left many low-income households to rely on a succession of insecure, casual and part-time jobs. This largely explains evidence of large scale "churning" between casual and part-time jobs and social security payments.¹¹⁷

(3) Inadequate education and skills

The people most at risk of joblessness — especially long-term joblessness — throughout their working lives are those with limited education, vocational skills and a limited "history" of secure employment. The skill requirements for secure full-time jobs have risen over the last two decades and employment growth has shifted from manual to service industries. Many low skilled men have been left behind in this process, while many low skilled women and young people have been segregated in low paid and insecure service industry jobs without career prospects.

Improving education and training for people most at risk of joblessness, and those already unemployed long-term, is a critical element of any anti-poverty strategy. This approach will not be effective, however, in the absence of strong growth in employment. Moreover, education, employment and training policies require a much more substantial investment, and a revamp of their design, to overcome deeply entrenched labour market disadvantage.

¹¹⁷ This is not to argue that casual jobs do not lead to more secure jobs: in some cases they do, and jobless people should be encouraged to take them. Rather, it is the paucity of secure full-time jobs that leaves many people stuck on a carousel of insecure employment and public income support.

(4) Inadequate, or no, social security entitlements

The social security system is our last line of defence against poverty. Even if the skill levels, capacities, and job search strategies of poor people were dramatically improved, it would take many years of solid growth in full-time employment to substantially reduce reliance on social security among people of workforce age. Moreover, most long-term recipients of workforce-age payments have disabilities or caring responsibilities that limit their ability to undertake full-time employment.

Improving social security payments is therefore the most direct and immediately effective strategy to reduce poverty - even though it cannot be relied upon on its own to carry the full weight of our efforts to eliminate poverty.

In many ways, the Australian social security system is well designed to reduce poverty: payments are based on current needs rather than past wages, and they are income tested to exclude people who don't need income support.

However, the present payment structure discriminates against the very people who face the highest risk of poverty, including unemployed people, jobless young people, and low income parents. The system fails to adequately address major costs that trigger poverty: high rents in capital cities, the increasing costs of children as they grow older, and the costs of disability and caring. It also excludes from its scope some of the most vulnerable people: new migrants and unemployed people who fall foul of the harsh "breaching" regime.

The social security system discourages part-time employment (as distinct from full-time employment, as noted above) by imposing steep marginal tax rates on part time earnings. This particularly disadvantages people on unemployment allowances and low income families with children receiving combinations of family and youth payments. It is worth noting that the introduction of the working credit scheme will remove some disincentives in this regard

(5) Being single, especially when supporting dependent children

This is not a major cause of poverty in its own right, but it contributes to the risk of poverty when combined with the above factors, for example inadequate social security payments and prolonged joblessness. There are two reasons for this. First, single people lack the economies of scale enjoyed by couples, especially with regard to housing costs. Second, they also lack the financial "buffer" that having a partner usually provides when times are hard (for example, if one partner is jobless, the other may be able to support the family). Conversely, people who are poor for prolonged periods of time are less likely to sustain relationships, given the stress of living in poverty.

Anti-poverty policies should not discriminate against single people or attempt to dictate which kinds of families are "acceptable". But they should offer better support to single people and sole parents to move out of poverty. At the same time, the additional costs of raising a child alone or in shared care arrangements should be recognised by the social security system.

(6) Having a disability or illness

Socio-economic status is the most important indicator of health status among Australians. Unemployed people consistently report more serious illness than those with a job.

There is a strong connection between disability and poverty. This is a result of a combination of the high and continual costs of medication, equipment or aids, housing, transport, and services related to personal care or maintenance of a person's home, along with income deprivation.¹¹⁸

Ill health and disability frequently compounds poverty, by reducing capacity to take up opportunities like employment and training.

(7) Lacking key assets, especially access to housing or home ownership

By the time people are living in poverty, they have usually extinguished their savings. Poor people also have much lower levels of home ownership, and other assets that provide a buffer against poverty when incomes fall. This is particularly important for retired people. High levels of home ownership among mature age people, and adequate superannuation, are critical in protecting future generations of retirees from poverty.

These assets take considerable time to accumulate, with at least one and often two household members in full-time employment. Assisting low-income people to accumulate assets such as housing or shares is no short-cut to reducing poverty.¹¹⁹ Once people have a secure and adequate stream of income, they are in a better position to accumulate assets.

However, as renters are at higher risk of poverty, access to affordable rental housing is a key priority for this group. Access to social housing provides an additional buffer.

We do not explore in detail policies to assist low-income people to accumulate assets in more detail in this submission, although there are good innovative programs in existence for this purpose. Instead, we examine the contribution of housing costs to poverty.

ACOSS has developed elsewhere a set of policies to improve the superannuation system for people on low incomes.¹²⁰ Briefly, these policies have two strands:

- removing the bias in superannuation tax subsidies in favour of high income-earners and against low income-earners;
- increasing compulsory saving levels while at the same time allowing people to withdraw part of their superannuation balance, within strict limits, to meet long-term saving needs such as purchasing a home or a car, raising children, or pursuing further education and training.

Taken together, these policies would greatly enhance the benefits of the superannuation system for low-income earners and help prevent poverty across the life cycle, not just after

¹¹⁸ For a detailed picture of the incidence of multiple hardship for people with a disability see Bray, JR 2001, *Hardship in Australia: An analysis of financial stress indicators in the 1998-99 Australian Bureau of Statistics Household Expenditure Survey*, Department of Family and Community Services Occasional Paper No. 4, p.36

¹¹⁹ A good example of this was the failure of a succession of programs in the 1980s to provide access to home ownership to low income households, such as the former NSW "Homefund" scheme.

¹²⁰ ACOSS 2002, *Making superannuation fairer*, ACOSS Paper No 123.

retirement. It makes little sense for Governments to invest heavily in new policies to help low-income people to save and accumulate key assets, when over \$10 billion in annual tax subsidies for superannuation is to a large extent wasted on the high income-earners who need them least. Better use could be made of these resources.

(8) Living in a severely disadvantaged community

In these communities, the above factors come together in ways that can be self-reinforcing, and destructive of self esteem and social relationships, especially among young people. This is the closest Australia comes to a "culture of poverty", and fortunately only a small minority of Australians live in these environments. To a large extent, the problems of these communities are a legacy of misguided policies in the past, including the paternalistic treatment of Indigenous communities by Governments and missions, and the construction of large public housing estates on urban fringes in which many people living in prolonged poverty were concentrated. The failure of urban and regional development policies to stem the rising tide of unemployment in many rural centres and outer urban localities is another factor.

Poverty levels among some migrant communities, particularly people from middle eastern and South East Asian countries, further reflects the shortcomings of Australian migration, settlement and refugee policies.

Poverty in these communities cannot be addressed without sustained action to improve job opportunities, income support, and skills — the same factors that contribute to poverty in the wider society. However, in these areas, these problems need to be resolved in a coordinated way that is responsive to the needs of each community as well as individuals and families within it. This requires a "bottom-up" rather than a "top-down" approach to the planning and delivery of anti-poverty programs, in which the efforts of different agencies are well coordinated at the local level and the community is involved in the process. Efforts must also be made to address the secondary effects of prolonged and concentrated poverty such as violence, drug dependence, and instability in family relationships.

We now discuss each of these structural causes and dimensions of poverty in turn.

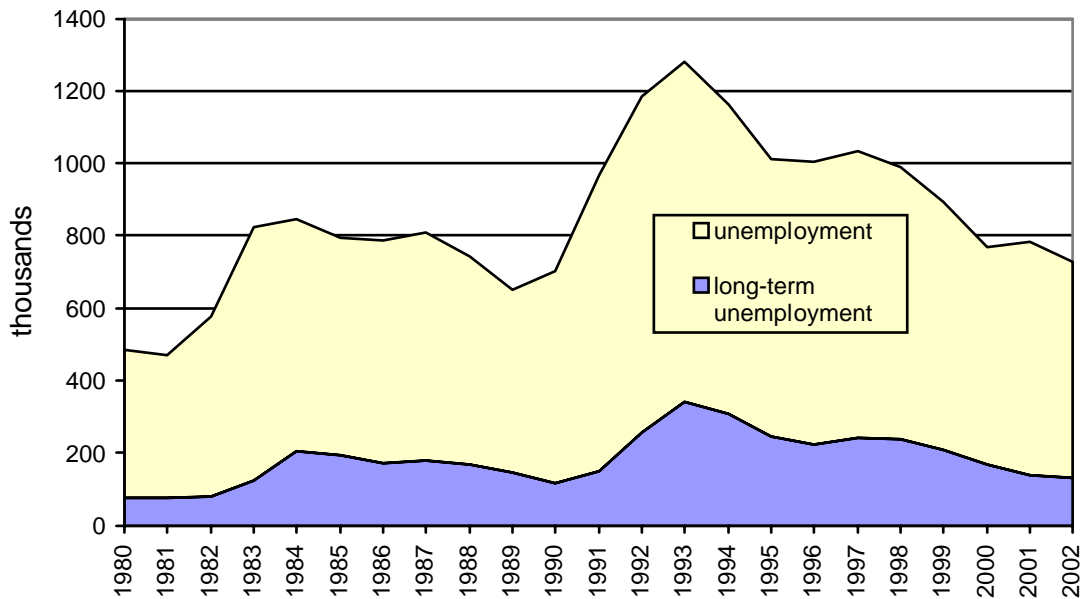
5.4 Joblessness and insecure employment

Joblessness is the single main contributor to poverty in Australia. The link between unemployment and poverty has been steadily rising because of factors such as: sustained high levels of long-term unemployment, the increased regional concentration of unemployment, an increase in jobless households, and high levels of hidden unemployment.

Long-term unemployment

In Australia, unemployment rose substantially with recessions in each of the last three decades. Job growth was too weak to reduce it to previous levels in the ensuing recoveries. This and other factors led to a sharp increase in *long-term* unemployment (see graph below).

Fig. 35. Unemployment and long-term unemployment



Source: ABS Labour Force (Catalogue No 6203)

The length of time people are unemployed directly correlates with their likelihood of living in poverty. Seventy-nine per cent of people who have been unemployed for over a year live in poverty¹²¹.

In February 2003, out of 663,600 people registered for unemployment benefits with Centrelink, 394,500 people, or 59%, had been registered for 12 months or longer¹²². This compares with July 1991 when only 23% of people were registered for over 12 months, indicating a large rise in the proportion of long-term unemployed over the last decade. Further, of those who have been out of work for at least a year, the majority have been unemployed for over 2 years.

Long-term jobless people are much more likely than employed people or short-term unemployed people to have low education and skill levels, a chronic illness or disability, to live in a region of high unemployment, and to have an unstable employment history.¹²³ Reducing long-term joblessness therefore requires a combination of strong jobs growth and labour market assistance and training policies to help these disadvantaged job-seekers to secure a reasonable share of the jobs created.

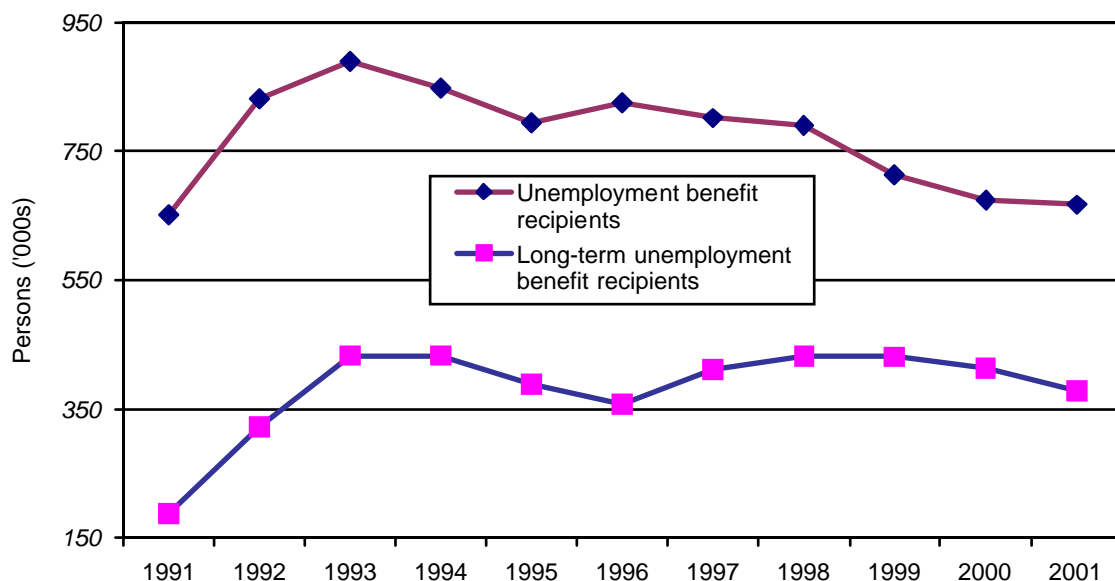
¹²¹ Gregory, RG and Sheehan, P (1998) 'Poverty and the collapse of full employment'. In R Fincher and J Nieuwenhuysen (eds) *Australian Poverty: Then and Now*, Melbourne University Press, Table 5.6.

¹²² Department of Family and Community Services *Labour Market and Related Payments: a monthly profile*, December 2002.

Note: refers to Newstart Allowance and Youth Allowance (other) registrants. This compares with ABS Labour Force figure of 22% of long-term unemployment amongst unemployed. ABS uses a very tight definition of long-term unemployment, with anyone who has had as much as two weeks employment in the last year being discounted as long-term unemployed.

¹²³ Borland & Kennedy, 1998, *Dimensions, structure and history of Australian unemployment*. in RBA 1998, *Unemployment and the Australian labour market 1998*.

Fig. 36. Unemployment benefit recipients



Sources: Centrelink (various years); Warburton, Opoku & Vuong (1999):
 Note: "Unemployment benefits" refers to people on Newstart Allowance, the former Job Search Allowance, and Youth Allowance (other) for over 12 months.

Persistent long-term unemployment has caused a large group of Australians to live under extended economic hardship. The OECD has commented that a high proportion of long-term unemployment among the unemployed indicates that the "burden of unemployment is concentrated on a relatively small number of people, who often are at risk of permanent detachment from the labour market"¹²⁴.

Regional unemployment

High levels of long-term unemployment are concentrated in particular regions within Australia. For example, in Tasmania 70 per cent of job seekers are long-term income support recipients, compared with the overall rate of 59 per cent.

A study by Gregory and Hunter comparing employment levels across neighbourhoods in 1976 with 1991 showed that in 1976 the employment levels were very similar across suburbs of different socio-economic status. However, by 1991 employment levels in higher socio-economic status suburbs had remained virtually unchanged while low socio-economic suburbs had experienced a major decline of 38 per cent less employment.¹²⁵

124 OECD Employment Outlook 2002.

125 Gregory R and Hunter B (1996) 'Increasing regional inequality and the decline in manufacturing'. In P Sheehan et al. (eds) *Dialogues on Australia's Future*, Victoria University Press, Melbourne, p322.

The experience of long-term unemployment

“It’s a struggle from one fortnight to another, from one year to another, there’s no light at the end of the tunnel”

“Little things become big - I can’t afford a newspaper”

“It’s a bit like a prison. There are no jobs. You can’t sell your house. There are 7 houses in my street for sale. There is no money to relocate, plus your family and friends are here.”

“If I’m short on bills, I take money out of grocery money. I need to get food vouchers. When you’re getting food vouchers, some people can make you feel real low.”

Source: Unemployed job seekers in Tasmania quoted in McCormack V, 2001 *Dead Man’s Shoes: Unemployment in Tasmania and the stories of job seekers looking for work*, Tasmanian Council of Social Service Inc.

Pocketing of unemployment in particular regions and in particular areas of major cities may occur because of lack of employment opportunities generally and because particular industries have shut down or been restructured. People on low incomes without jobs also often move to areas where housing is cheaper but where employment prospects are lower. This has the impact of further diminishing the overall resources of communities and increasing demand for and pressure on services. For example, a school within a job poor region will have considerably fewer resources than a school in a wealthy region.

Jobless families

There is an emerging dichotomy between households who have jobs and those who do not. The incidence of poverty as a result of unemployment is most likely when other family members are not in full-time employment. Single unemployed people are more likely to live in poverty than couples due to there being no other potential earner and the group most likely to live in poverty are lone parents who are unemployed.¹²⁶

The incidence of joblessness in couple families with children is also rising. Couples tend to share the same labour market characteristics that make employment inaccessible. Eighteen per cent of children live in a family without a parent in employment. Gregory notes that “it is quite conceivable that half of our children spend five or more years in a family without work”¹²⁷. As would be expected, jobless households with children are mostly poor, with 75% of them in the lowest 20% of income earners. Families where no-one has a full-time job are at the greatest risk of poverty.¹²⁸

A study by UNICEF of income poverty among children in different countries found that there was a clear positive relationship between income poverty and joblessness within

¹²⁶ Saunders P (2002) ‘The impact of unemployment on poverty, inequality and social exclusion’. In P Saunders and R Taylor *The Price of Prosperity: the economic and social costs of unemployment*, UNSW Press, pp179-183.

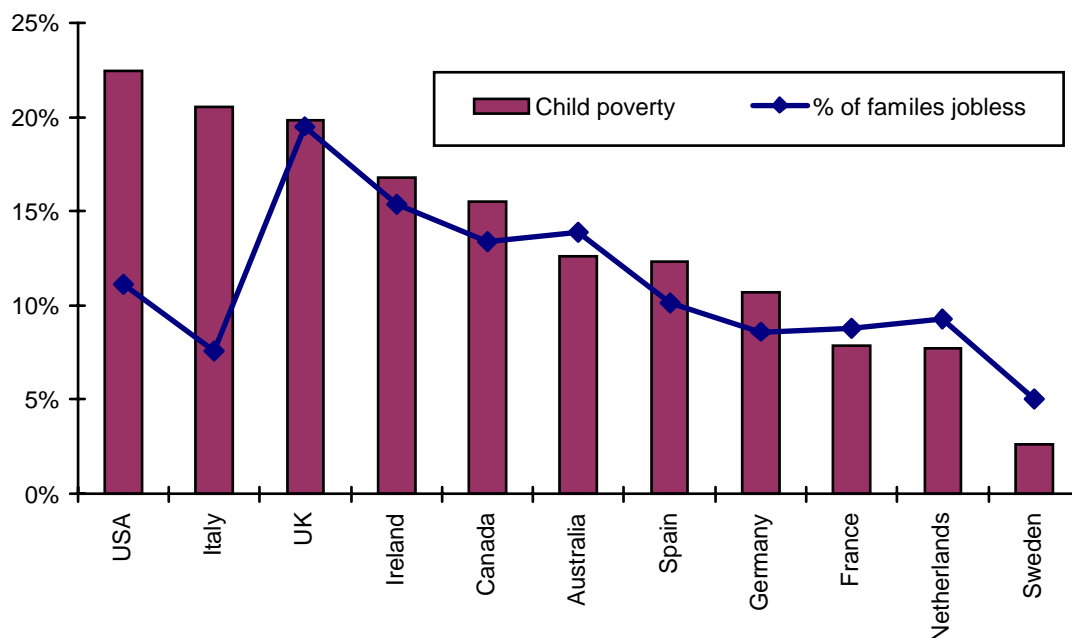
¹²⁷ Gregory, R.G. *Children and the Changing Labour Market: Joblessness in Families with Dependent Children*, ANU Centre for Economic Policy Research, Discussion Paper No.406, August 2002, page 14.

¹²⁸ Saunders P, ‘The Direct and Indirect effects of unemployment on poverty and inequality’, *SPRC Discussion Paper No, 119*, December 2002.

families. The graph below compares the extent of child poverty in different countries with the proportion of families with children that were jobless. Australia had a relatively high proportion of jobless families and this was a significant factor contributing to child poverty.¹²⁹ This is due to a combination of Australia's high unemployment rate, and the high *concentration* of unemployment in jobless households.

The association between child poverty and joblessness in Australia is much stronger than by comparison with the United States. The US had very high levels of child poverty, but low levels of joblessness among families. The main explanation for this was that although joblessness was low in the US, full-time wages were often too low to avoid poverty. A weak social security system also consigned a high proportion of the relatively small proportion of families that *were* jobless to poverty.

Fig. 37. Child poverty and jobless families (mid 1990s)



Source: UNICEF (2000), Child poverty in rich countries. Florence.

Note: "Child poverty" refers to the % of all children living in poor households, with the poverty line based on half median equivalent household disposable income. "Jobless families" refers to families in which no parent was employed.

Hidden unemployment

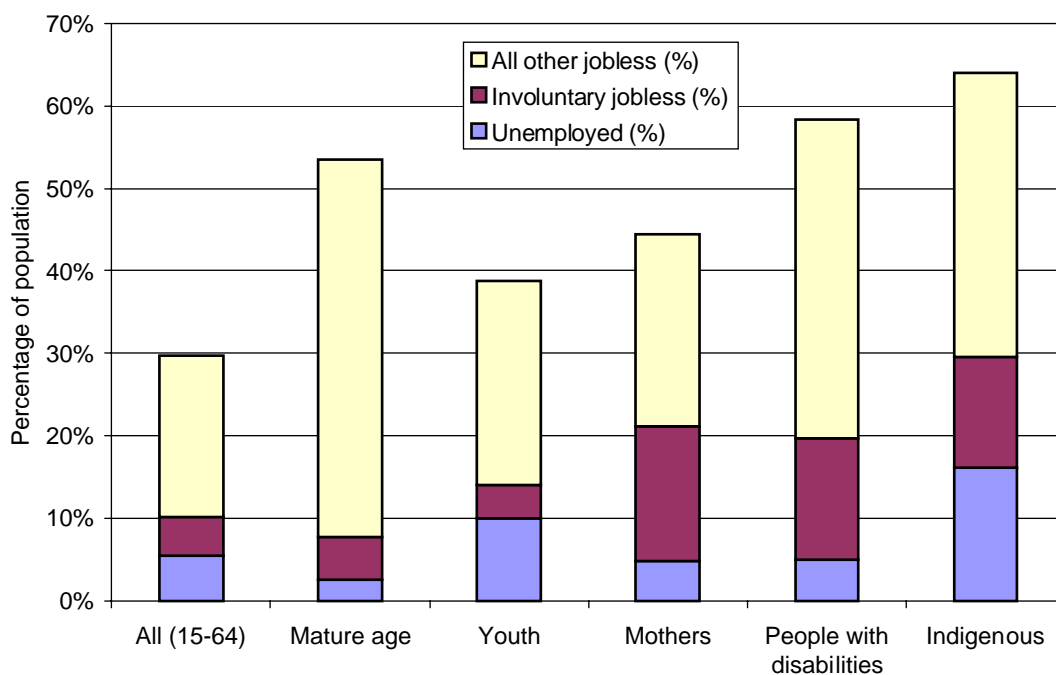
The unemployment rate partially hides real levels of joblessness in Australia. High levels of hidden unemployment have merged as people have become discouraged in their job search and dropped out of the labour market or moved to other forms of income support. High levels of hidden unemployment mean that joblessness as a source of poverty is much greater than is reflected in the official ABS unemployment rate. The ABS uses a very strict definition of unemployment that excludes people who have had as little as one hour of work within the last week and people who are not available to start work immediately.

¹²⁹ See also Dawkins & Scutella, 2001, *The growth of jobless households in Australia*, Melbourne Institute Working Paper No 3/01.

ACOSS has estimated an unemployment rate of about double the official rate (at least 14% in 2001).¹³⁰ This includes people who are in receipt of unemployment benefits for over twelve months, marginally attached to the labour force¹³¹, such as discouraged job seekers, and people who are severely underemployed¹³².

Jobless rates are especially high among particular groups within the community — indicating that the burden of joblessness is *concentrated* rather than shared more broadly across the Australian community. While the estimated level of involuntary joblessness as a proportion of the total group of workforce age is 12.7% on average, it is 45.2% amongst Indigenous Australians, 32.2% for people with disabilities, 21% for mothers and 14% for young people.¹³³

Fig. 38. Joblessness in population groups (1999)



Source: Forthcoming ACOSS publication.. Notes: “Unemployed” refers to those included in official ABS unemployment figures.. “Involuntary jobless” refers to those who are marginally attached to the labour force, that is people who did not actively look for work but were available to start work, and those who were actively looking for work but were not available to start work in the reference week. It excludes people who were studying full-time, choosing to care for children and those on holidays. “All other jobless” refers to everyone else who is not in employment.

Looking at the proportion of the population aged 15 to 64 who are not working we see a similar pattern — with 29.8 % overall not working, but 58.4% of people with disabilities and 64.1% of Indigenous people not in work. Further, in 1998, the estimated participation

¹³⁰ ACOSS unpublished paper.

¹³¹ Includes people who did not actively looked for work within the reference week but were available to start work, and people who were actively looking but not available to start work within the reference week. It does not include people whose preference was not to work, such as those caring for children, people studying full-time or who were on holidays.

¹³² People who are working less than sixteen hours per week and would like to work more hours.

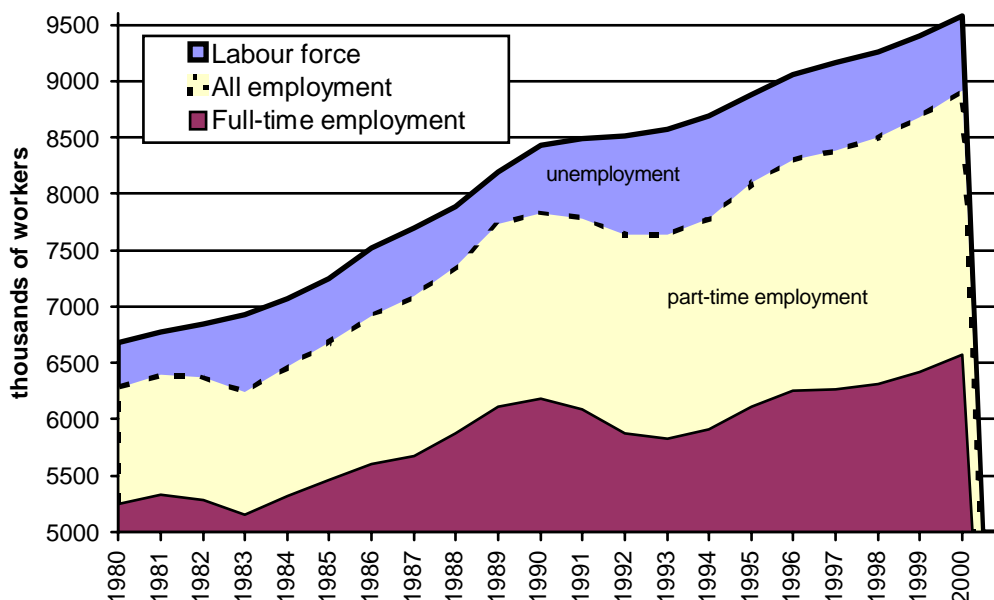
¹³³ ACOSS data (unpublished) Involuntary jobless rate includes unemployed plus marginally attached to the labour force but excludes people who are in full-time education, are moving house, on holiday, engaged in child care by preference, have no need to work.

rate for all working age people with a disability was 53.2% compared with 80.1% for people without a disability.¹³⁴

In these and other ways, our communities are being geographically and socially divided into those who have high levels of employment and those who have virtually or literally none.

The graph below indicates that jobs growth generally, and full-time jobs growth in particular, were much weaker in the 1990s than in the previous decade. This was despite strong economic growth from 1993 to 2000. The gap between the bottom two lines represents part time employment, which has grown strongly throughout the period. The gap between the top two lines represents unemployment, which has also risen substantially over time. Indeed, unemployment would be a few percentage points higher now if workforce participation had risen as rapidly in the 1990s as it did in the economic recovery of the 1980s.

Fig. 39. Growth in full-time employment and in the labour force (1980-2000)



Source: ABS: Labour force data

The reasons for Australia's failure to convert solid economic growth into strong growth in full-time jobs in the 1990s include the "down-sizing" of large private and public enterprises, sluggish growth in employment in services (the sector responsible for most or all jobs growth in the majority of developed economies), and more rapid overall growth in wages than was the case in the 1980s.¹³⁵

¹³⁴ ABS *Disability, Ageing and Carers: Summary of Findings*, 1998, Catalogue No. 4430.0

¹³⁵ ACOSS 2002, *Generating Jobs*, ACOSS Paper 118.

The impact of a changing labour market

Only full-time employment gives poor people the earnings they need to lift themselves out of income poverty. The trend over the past decade of very sluggish growth in secure full-time jobs has left many low-skilled workers relying on combinations of social security payments and a succession of temporary, mostly part-time jobs. This group, much larger in number than social security statistics taken at a point in time might suggest, face a high risk of poverty.

The graph above showed that growth in full-time employment over the 1990s was well below growth in the labour force. In the absence of growth in part-time work, unemployment would have risen much more dramatically.

The table below fills in more of the picture, by breaking employment growth over the 1990s into its components: full and part-time, permanent and otherwise. It shows that there was a net *loss* of full-time permanent jobs between 1990 and 2000. *All* of the net increase in jobs in that decade was in part-time or less secure employment. The picture that emerges from the table below is that of a *hollowing out* of the jobs hierarchy. Secure full-time jobs were created for highly skilled workers, insecure or part-time jobs were created for low-skilled workers, and there was a net loss of "middle level" jobs.

Fig. 40. Change in employment by skill level and job status (1990-2000)

Skill level	Full time permanent	Full-time casual	Part-time permanent	Part-time casual	Total
Managers and professionals	387,000	135,000	115,000	20,000	657,000
Trades, advanced sales and service	-238,000	59,000	25,000	27,000	-127,000
Lower-skilled workers	-200,000	138,000	215,000	446,000	600,000
Total	-51,000	333,000	356,000	493,000	1,130,000

Source: Borland, Gregory & Sheehan, 2001, *Inequality and economic change*, in Borland et al, *Work rich, work poor*, Victoria University.

This "hollowing out" trend is reinforced by recent research indicating that an important reason for the increase in wage inequality over the last 20 years was a redistribution of paid working time in favour of highly skilled workers. There was an overall *increase* in paid hours for skilled workers (due largely to an increase in full-time employment within this group) combined with a *reduction* in paid hours for less skilled workers (due largely to a decrease in full-time employment within these groups).¹³⁶

Over the decade from 1990 to 2000, the proportion of jobs that were casual rose from 19% to 27%, close to the highest rate of casual employment in the OECD.¹³⁷ There has been a particularly strong increase in casual employment in manual occupations over this period. Most casual jobs are part-time, low-skilled and low-paid, some with poor health and safety standards.

¹³⁶ Keating M, 2003, *Earnings and inequality*. Centre for Economic Policy Research Discussion paper No 460.

¹³⁷ Borland et al (2001), op cit.

The effect of these developments on poverty and inequality is easily overstated, since a large proportion of casual jobs are filled by young people or second income earners from middle and high-income families. Part-time and casual employment is well suited for many workers who are studying or caring for young children

For some jobless people, casual and part-time jobs provide a stepping stone from unemployment to more secure, full-time employment.¹³⁸ Nevertheless, many low skilled workers are stuck on a carousel that rotates between social security payments and precarious employment. For these people, casual jobs are the *only* employment option available to them in the foreseeable future, and they don't provide sufficient income to lift them out of poverty. The prospects of full-time employment are only slightly greater for job seekers in part-time employment than they are for people who are unemployed. Of job seekers in part-time work in 1995, 21 per cent had found full-time work a year later. Of job seekers who were unemployed, 17 per cent found full-time work.¹³⁹

The underlying problem is not so much the creation of casual jobs. It is the *rationing of secure full-time employment* to those who have higher education and skill levels, and a "solid" history of employment. Although most Australian workers appear to be more secure in their jobs than they were in the more difficult economic conditions of the early 1990s, those in secure jobs are sticking with them for longer, possibly due to a heightened fear of joblessness.¹⁴⁰ When growth in full-time jobs is slow, this further limits the prospects of people who are attempting to enter secure employment for the first time, and others attempting to re-enter it after caring for children or job loss.

Three groups of low-skilled workers are particularly affected by this scarcity of secure full-time jobs:

- (1) Young people attempting to "break into" secure full-time employment
- (2) Low skilled, blue-collar men
- (3) Women attempting to "break back into" employment after caring for a child

The emerging picture of the Australian labour market is different to both traditional class structures (in which there was a strict hierarchy of jobs, but virtually all adult men had a secure low paid job) and "insider-outsider" theories (which suggest a simple divide between those with jobs and those without). It appears that jobs are being rationed to create a four-tier employment hierarchy:

1. A growing minority of highly skilled workers with secure full-time jobs (who are likely to sustain employment even if they change jobs frequently or are engaged on a temporary basis);
2. A slender, and diminishing, majority of workers with middle-order skills in full-time jobs (for example trades and advanced clerical workers), whose jobs are vulnerable in economic down-turns;
3. A growing minority of low-skilled workers (the majority of whom are women or young people) who are increasingly segregated into more precarious or part-time jobs, and face the prospect of frequent bouts of unemployment;

¹³⁸ Chalmers & Kalb, 2000, *The transition from unemployment to work* SPRC Discussion paper No 109.

¹³⁹ ABS *SEUPDATE*, Edition 1 of 1998, p2.

¹⁴⁰ Borland 2001, 'Job stability and job security' in Borland et al 2001, *Work Rich, Work Poor*, Victoria University.

4. People who rely mainly on social security payments for their income for prolonged periods (who are mainly drawn from the above group of low-skilled workers, and often have limited experience in secure, full-time employment).

The last two groups, who share many characteristics in common, face a high risk of poverty. We are unable to estimate their size, but it would be significantly larger than the proportion of the workforce age population that relies on social security at the present point in time (that is, around 20%, excluding student payments).

An important study recently charted the movement of low paid workers in and out of employment over a two-year period. The labour market status of a randomly selected group of low-paid workers (on less than \$10 per hour), and another specially selected group of low-paid former job-seekers was tracked between 1995 and 1997, and compared with the outcomes for higher paid workers (that is, the majority of workers who earned more than \$10 per hour). The results, drawn from the ABS Survey of Employment and Unemployment Patterns (SEUP) are summarised in the table below.

Fig. 41. Changes in the labour market status of high-paid, low-paid and formerly jobless workers (1995-1997)

Labour market status in 1995	Labour market status in 1997			
	Higher paid job	Low paid job	Jobless	All
Higher paid workers	81%	10%	9%	100%
Low paid workers	50%	33%	16%	100%
Low paid former job-seekers	36%	32%	32%	100%

Source, Dunlop Y, 2001, 'Low paid employment in the Australian labour market'. in Borland et al, 2001, Work rich, work poor. Victoria University.

The table above indicates that 81% of the "higher paid" group (comprising the 80% of workers who were then paid more than \$10 per hour) maintained that status at the end of the two-year period. However, only half the bottom 20% of workers on low pay progressed into better-paid jobs, and 16% of this group fell into joblessness.

The most disadvantaged group, those low paid workers who had recently been unemployed, had much worse outcomes. One third were jobless two years later, and another third remained in low paid employment. This is not surprising, given that two thirds of this group were only in casual employment at the commencement of the survey. Job turnover within this group was high, and among those with part-time work, the majority wanted to work longer hours.¹⁴¹ In other words, they had only a toe-hold on paid employment.

This is the flip side of the data presented above on people's movements on and off social security payments.

The study examined the characteristics that were associated with "churning" of job-seekers into and out of low paid jobs. Those former job-seekers most at risk of being jobless at the end of the two year period were more likely to:

¹⁴¹ ABS surveys indicate that a majority of all part-time workers is satisfied with their working hours.

The Bare Necessities

- have not finished high school;
- live outside the major cities;
- be unmarried;
- have no recent employment history;
- be employed as a casual and/or in a small workplace;
- have poor English;
- have a disability.

This is very similar to the list of factors that increase the risk of *long-term* unemployment and joblessness.¹⁴²

Employment Assistance

Effective employment assistance is critical to enabling people who are unemployed to move into work at the earliest possible stage. However, there is only limited substantial assistance available to overcome barriers to work. A reformed model of employment assistance is being introduced through the Job Network in July. The focus is on:

- keeping unemployed people active and connected in the community with a priority on “mutual obligation”;
- provision of low level assistance to people who are short-term or very long-term unemployed;
- provision of higher level of assistance for people who have been unemployed for one to two years or are identified as at very high risk of long-term unemployment. This includes provision of a job seeker account.

In order to combat the labour market disadvantage facing the majority of long-term unemployed job seekers, substantially more assistance is required. Of particular concern is the lack of assistance for those people who are very long-term unemployed and fail to get an outcome in Customised Assistance. After two attempts at Customised Assistance there is no further substantial assistance. Such people are virtually condemned to a lifetime of unemployment and poverty. A person who is very long-term unemployed is so highly disadvantaged within the labour market that moving into sustained employment is unlikely without substantial intervention. Given the large numbers of people on long-term income support this is of particular concern.

Recommendations

R.4 Converting economic growth into more jobs

Jobs growth should be achieved by: addressing shortfalls in publicly funded community services (mainly health, education and social welfare services); developing an investment strategy to repair the natural environment; restraining growth in incomes in an equitable way; and reducing excessive working time in return for higher productivity.

¹⁴² Borland & Kennedy, 1998, 'Dimensions, structure and history of Australian unemployment', in RBA 1998, *Unemployment and the Australian labour market*.

R.5 Avoiding and easing the effects of recessions

Improving national public infrastructure planning and developing a "ready shelf" of projects to activate in recessions; introducing paid employment experience programs for long-term unemployed people and expanding them during recessions; boosting the incomes of the poorest Australians during recessions; tightening the Federal Budget during economic booms; avoiding high interest rates; and fostering innovation and industry development to raise the speed limits to growth.

R.6 Reducing unemployment in jobs-poor regions

National minimum standards for access to essential community services should be set; national public infrastructure development programs targeted to disadvantaged regions; local employment and social development initiatives supported; expansion of labour-intensive private sector services in regional centres encouraged; and improvements made to housing, transport and mobility assistance in disadvantaged regions.

R.7 Guaranteed support for long-term unemployed people

An Employment Assistance Guarantee should be introduced targeted towards long-term unemployed (or at risk) job seekers who have not got an outcome within three months of undertaking Customised Assistance. A Guarantee would provide incentives for Job Network providers to spend more on appropriate training and on wage subsidies, and provide job seekers with the real help that they need. The costs would be met in equal part by the provider and the Government.

R.8 Transitional jobs scheme for the very long-term unemployed

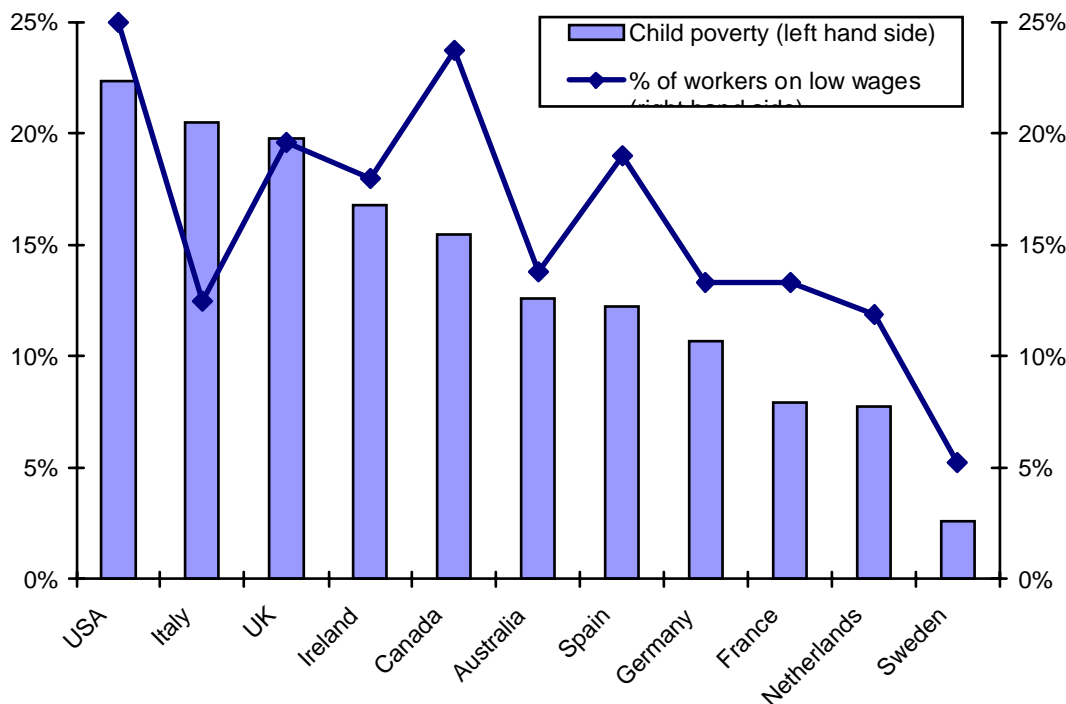
People who have been unemployed for over two years would be provided with six months employment at a training wage, and with significant wage subsidies, in the not for profit and public sectors. Wage subsidies would be mostly funded through the savings made through non-payment of income support.

5.5 Low wages

An increasing issue for Australia is the number of people in work who are also living in poverty. Recent data shows that there are now 365,000 Australians living in "working poor" households. These are families and single people whose main source of income is wages. Worsening wage inequality is a major contributor to the widening social divisions in society. This problem has been exacerbated by the increasing numbers of people unable to secure full time permanent work and forced to take casual and part time jobs. ACOSS 's recent submission to the National Wage Case provided a comprehensive analysis of this issue.

The graph below, from the UNICEF study cited earlier, suggests that countries with a high incidence of low pay usually had a high level of child poverty.

Fig. 42. Child poverty and low pay (mid 1990s)



Source: UNICEF (2000), Child poverty in rich countries. Florence.

Note: "Child poverty" refers to the % of all children living in poor households, with the poverty line based on half median equivalent household disposable income. "Workers on low pay" refers to the % of full-time workers on wages less than 2/3 of the median wage.

The positive relationship between low wages and child poverty runs contrary to research here and overseas suggesting that many low paid workers come from middle income families rather than low income families. That is, many are young people living with their parents, or second earners.¹⁴³ There are two possible reasons for this apparent contradiction.

One explanation is that, notwithstanding the findings of these studies, there are still a large number of families that rely on the low-paid work of family members to avoid poverty. As we found above, although the *risk* of poverty among Australian families with one or two full-time wage-earners was low, they comprised a substantial proportion of all families in poverty. Another explanation is that countries with low full-time wages may share other factors in common that contribute to high levels of child poverty. For example, they are more likely to have more stringent social security systems to ensure that work incentives are maintained. This is clearly the case in the US.

As noted earlier, Australia has relatively high minimum wage rates by OECD standards. This has served to protect many families from poverty. Once again, this contrasts with the experience in the US, where very low minimum wages are associated with high rates of child poverty. One of the reasons for the limited success of "workfare" policies in the US in reducing child poverty, despite the sharp rise in full-time employment among former

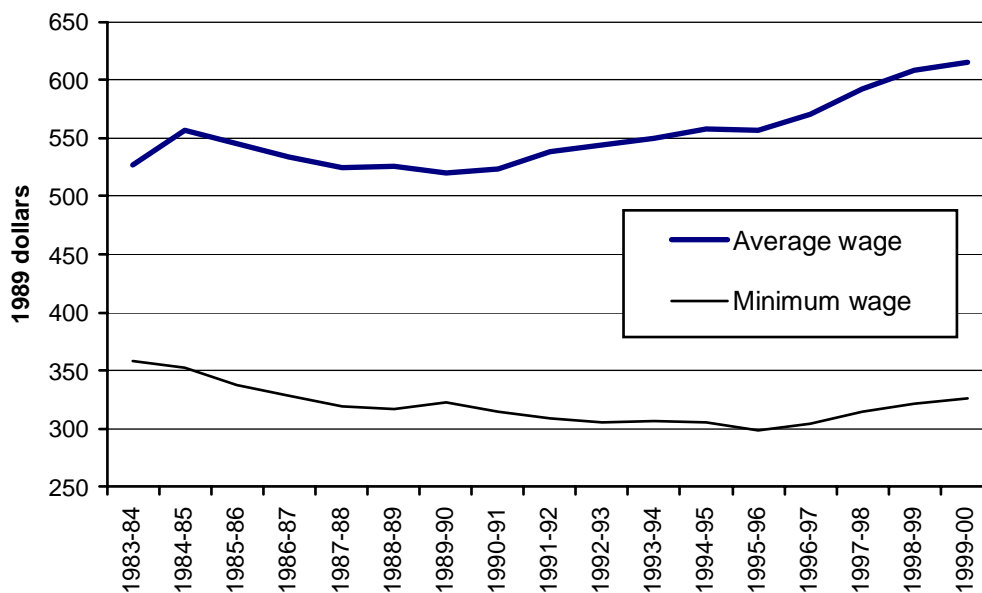
¹⁴³ Richardson S "Who gets minimum wages?" ANU Centre for Economic Policy Research, Discussion Paper No 386(1998). Richardson's finding that low pay and low family income were not strongly related are disputed by others, who point to the fact that most low paid workers do come from families with below-average incomes when the analysis is confined to households of workforce age (and retirees are excluded).

welfare recipients, is that the jobs they obtained often did not pay high enough wages to prevent poverty. Also significant in the US context is that many of these jobs did not offer employer sponsored health insurance, and many were insecure and temporary.¹⁴⁴ This has led to a re-evaluation of the emphasis in "workfare" policies on "work first" as a desirable goal in its own right as distinct from securing a "good job" and leaving poverty behind.¹⁴⁵

For these reasons, it is important to maintain minimum wage levels that are sufficient, when combined with family payments, for a full-time worker and his or her household to avoid income poverty.¹⁴⁶ Policies which trade off less-than-adequate minimum wages for job creation are unlikely to be effective in reducing poverty in the long run.

The adequacy of minimum wages in Australia remains a critical policy issue. Our relatively high minimum wages have not prevented an increase in the risk of poverty in households earning at least one full-time wage over the past two decades (albeit from a low level).¹⁴⁷ Minimum full-time wages have fallen well behind average wages over the last 20 years, especially in the early years of the shift towards enterprise bargaining, before the present round of "Living wage" cases was instituted in 1996 (see graph below).¹⁴⁸

Fig. 43. Real average and minimum wages (1983-1999)



Source: Dawkins P (2000), *The Australian labour market in the 1990s*, in Reserve Bank of Australia, 2000, *The Australian economy in the 1990s*, RBA.¹⁴⁹

¹⁴⁴ Gray & Stanton, 2002, *Lessons of United States welfare reforms*, AIFS Research Paper No 29.

¹⁴⁵ Butler D, 2000, *Assessing the effects of welfare reform on low income families*. Melbourne Institute "Welfare reform" conference.

¹⁴⁶ ACOSS 2003, *Wage case submission*. ACOSS Info Paper No 317.

¹⁴⁷ Eardley T, *Working but poor*. SPRC Discussion paper No 91.

¹⁴⁸ See also Borland J, *Earnings inequality in Australia*, Centre for Economic Policy Research Discussion paper No 390. for a broader account of the increasing inequality of earnings in Australia.

¹⁴⁹ Average wage refers to average weekly ordinary time earnings for full-time adults. Minimum wage refers to the base grade award rate in the Metal Industry Award up to 1997, and the federal minimum wage thereafter. These wages are indexed for inflation using the CPI and expressed in 1989 dollars. They should be increased by about 25% to bring them up to year 2000 values.

The minimum wage has now fallen to just 50 per cent of average earnings, a drop of around 15 per cent since 1983, while large rises at the top end of income earners mean that they are more and more out of touch with the experiences of the majority.

The majority of low paid workers are women. The level of the basic minimum wage is therefore also an important mechanism for reducing the gap between male and female wages. Low wages are a particular disincentive for many women with children who also face high child care costs and the loss of Family Tax Benefit as their income increases.

Recommendation:

R.9 Defining and setting an adequate basic wage

The Australian Industrial Relations Commission should establish a new minimum wage benchmark based on a wage level that enables a single fulltime worker to live in 'modest comfort' and to participate in contemporary society. This should be set well above the poverty income level for a single adult.

5.6 Education and skills

Poverty is a primary cause of lower educational attainment. Educational attainment is in turn a key predictor of unemployment and low paid unstable work and, subsequently, a predictor of the risk of living in poverty. The relationship between education, employment and poverty can thus be seen as inter-generational and needs to be addressed by providing alternative opportunities for people.

Education and training and the labour market

People who have not completed secondary school have an unemployment rate of 11.3% and a labour force participation rate of 73.6%, while people with a bachelor degree have an unemployment rate of 3% and a participation rate of 92.9%. Further, people who have not completed secondary school have a much higher likelihood of becoming long-term unemployed once they are unemployed¹⁵⁰.

In a labour market where secure full-time jobs are increasingly being rationed to those with the highest skills, and the skill requirements of employers are changing rapidly, people with limited formal education and vocational training are disadvantaged. Even if they hold a full-time job, the loss of that job may usher in a life of insecure employment or prolonged joblessness. This is especially so for low-skilled manual workers, given the shift in the occupational structure away from manual work.

Education and training can substantially impact on people's prospects in the labour market¹⁵¹:

¹⁵⁰ DEWRSB 1998, *Job Seeker Classification Instrument Report*, Commonwealth Department of Employment and Workplace Relations, Canberra, p25.

¹⁵¹ Marks & Ainley 1999, *School achievement and labour market outcomes*, ANU Centre for Economic Policy Research Discussion Paper No 408.

- On average, completing 12 years of education or a TAFE qualification raises people's earnings by around 10%, while tertiary qualifications boost earnings by around 40%.
- In the mid 1990s, the unemployment rate for adult men who did not complete high school was 16%, compared with 8% for those with vocational qualifications and just 6% for those with a degree.
- In 1996, 53% of adult women with degrees were employed full-time time, compared with just 26% of those with no post-school qualifications.¹⁵²

If people from low income backgrounds obtain post-school qualifications and jobless people and low skilled workers retrain, in theory they face a much lower risk of being locked out of secure, well paid employment. Extending this argument to the labour market as a whole, fewer people would face prolonged periods of joblessness or insecure employment, even if the overall jobless rate remained the same. Joblessness would be "shared around" and long-term unemployment would be reduced. While not the ideal scenario, it would still represent an improvement because poverty would decline. Better still, would be a broader spread of skills across the labour force that would remove bottlenecks in the labour market and improve overall productivity, raising the level of economic growth and job creation.

There is some international evidence to support this view:

- Sweden maintained one of the lowest unemployment rates in the OECD until 1990 (well under 5%), in part because of its large investment in education, and labour market assistance to re-skill unemployed people and workers in declining industries.¹⁵³
- Ireland's substantial investment in education and training in the 1970s and 1980s skilled its workforce up in preparation for the massive growth in investment in manufacturing for export (especially in information technology industries) in that country over the following decade.¹⁵⁴
- Germany's renowned vocational training system (combining formal education and vocational training) appears to have helped the Germans to avoid the extreme levels of wage inequality between highly skilled and less skilled workers that have plagued the US labour market. Unemployment is higher in Germany than in the US, but growth in joblessness since the 1970s in Germany was more evenly distributed across the labour force.¹⁵⁵

Education and training programs must be designed with the scarcity of secure employment in mind. Well-designed programs to lift the skills and work experience of the most disadvantaged groups in the labour force can have major benefits. A strong emphasis on mainstream work experience and pathways to employment is of paramount importance.

¹⁵² Gregory 2003, op cit.

¹⁵³ There was much more to the story than this, including wage restraint, an open economy, and the active pursuit of export opportunities, but the high skill level of the workforce was an important factor. See Therborn G 1986, *Why some peoples are more unemployed than others*.

¹⁵⁴ Again, there were other factors at work, including substantial investment by the European Commission. See Dorgan S 2001, *The transition to a knowledge economy- the Irish experience*. conference paper from *Catching the knowledge wave* conference, Auckland September 2001

¹⁵⁵ Nickel & Bell 1996, Changes in the distribution of wages of wages and unemployment in OECD countries. American Economics Association Papers and proceedings, 1996 p302.

As the population ages over the next two decades, and the supply of labour declines, an opportunity will open up to improve the employment prospects of many groups that are presently excluded from "mainstream" jobs. Annual growth in the labour force is projected to decline from 170,000 people to 125,000 by the 2020s.¹⁵⁶ A stronger investment in employment, education and training programs is essential to maximise their ability to take full advantage of this opportunity.

Poverty and educational attainment

The two primary factors relating to a person's school achievement are the financial and educational level of the student's parents and the socio-economic background of the other students in the school. The socio-economic status variables that lead to poorer education outcomes include parental income, parental educational level and parental occupation. Each of these variables is relevant in influencing educational outcomes in different ways. Compared with other children, those from low socio-economic status families exhibit:

- Lower levels of literacy, numeracy and comprehension;
- Lower school retention rates;
- Lower participation rates in higher education;
- Higher levels of problematic school behaviour, eg. truancy;
- Less likely to study specialised maths and science subjects;
- More likely to have difficulties with their studies and display negative attitudes to school;
- Less successful school to labour market transitions¹⁵⁷.

An unpublished report by The Smith Family, *Free Education: Still a myth* (1999) found:

'For low-income students...these factors [discrimination, humiliation] may work together to mutually reinforce and exacerbate pressures faced by these students, who may perform poorly at school and consequently suffer diminished self esteem...[it] may alienate affected students, who may then play truant, and, possibly, leave school early.'

Australia has a relatively low rate of school completion compared with many other OECD countries. This diminishes the opportunities that education may bring to young people on a more widespread basis. Australia's year 12 completion rates have stagnated at around 67 per cent for the past decade. The Northern Territory's year 12 completion rate is only 28 per cent. In comparison, the US and Canada have completion rates of 88 per cent and Germany's is 91 per cent.¹⁵⁸

Early childhood experience and education is increasingly being shown as an important factor in determining future educational outcomes. This is reinforced by evidence that stresses the impact of early brain development¹⁵⁹. Participation in quality pre-school programs can allow children to overcome some of the barriers of disadvantage that emerge

¹⁵⁶ Access Economics 2000, *Too valuable to waste*.

¹⁵⁷ Zappala, G and Parker, B 2000, *The Smith Family's Learning for Life program a decade on: poverty and educational disadvantage*, Background Paper No 1, The Smith Family, p4

¹⁵⁸ Warne-Smith, D 'Graduating Bottom of Society's Underclass', *The Australian*, 10 February 2003

¹⁵⁹ Vimpani, G. 2002. *Early Intervention Studies*, Address to ACOSS Congress, Unpublished

prior to entering school. A pre-school environment that is able to engage parents and children and foster capacities for literacy and numeracy will enable children to participate and learn on an equitable basis at school. Currently 70% of four year olds attend pre-school and those least likely to attend are from disadvantaged families and regions.

The persistent scarcity of secure employment opportunities has a profound effect on education and training systems that are largely designed to stream people into jobs. A school in a jobs-poor region that draws most of its students from low-income families will find it very difficult to achieve strong educational outcomes.

Parents with the ability to do so will invest heavily in their children's education to boost their prospects of attending university and thereby improve their long-term employment prospects and future earnings. The public education sector is finding it increasingly difficult to compete with this investment. As well as school leavers from lower socio-economic status families being less likely to aspire to go to university, of those who apply for university entrance, they are far less likely to gain a place compared with school leavers from a higher socio-economic background.¹⁶⁰ This in turn effects future labour market prospects. The prospect or experience of high levels of debt associated with higher education fees provides a further impediment to better educational attainment of people from low-income backgrounds.

The development of new vocational education and training pathways for young people (for example, through partnerships between schools and TAFE colleges) has been moderately successful in improving employment outcomes for school leavers in recent years. However, the areas of strongest employment growth (that is mostly in the services industry) generally lack clear pathways between such training and employment and are areas where new apprenticeships tend to be less successful.

Whether a person successfully enters employment is further dependent on making a successful transition from school to either further education or employment. Making a successful transition is least likely for those young people who are from a low socio-economic background and for those who have left school early. Young people who leave school and are not connected to education or ongoing employment are at serious risk of permanent disengagement from the labour force.¹⁶¹

Educational barriers for Indigenous Australians

The biggest gap in educational attainment in Australia is between Indigenous Australian students and all other students such that they are far less likely than any other group of students to complete year 12, enter higher education or make a successful transition to employment¹⁶².

One of the major labour market disadvantages experienced by Indigenous people is their relatively low levels of education.

¹⁶⁰ Richard Teese in 'Finding a place in the tertiary world', *The Age*, 26 February 2003.

¹⁶¹ Eldridge, D 2001, *Footprints to the Future*. Report from the Prime Minister's Youth Pathways Action Plan Taskforce, Canberra.

¹⁶² Rothman, S 2002, *Achievement in Literacy and Numeracy by Australian 14-year-olds, 1975-1998*, Australian Council for Education Research, Victoria.

Completing year 10 or 11 increases an Indigenous person's chance of employment by 40% while completing year 12 increases employment prospects by a further 13% and having a post-secondary qualification increases employment prospects by between 13% and 23%.¹⁶³

The likelihood of poor educational outcomes starts early in the lives of Indigenous people and there are some worrying trends in relation to this. For instance, the estimated proportion of Indigenous children aged 3-4 years participating in pre-school decreased from 53% in 1991 to 41% in 1996.

The 1996 National School English Literacy Survey showed that approximately 70% of all students in year 3 surveyed met the identified performance standards in reading and writing. Less than 20% of students in the Indigenous sample met the reading standards and less than 30% of students in the Indigenous sample met the writing standards.

Indigenous children are much less likely to continue their education to the end of the compulsory years. Only 83% of Indigenous students remained in schooling to year 10 in 1998, compared to just under 100% for non-Indigenous students. This year 10 retention rate varies considerably across the country and in some parts of the country was just over 50% in 1997. Only 36% of Indigenous students compared with about 73% of non-Indigenous students completed year 12 in 2000.¹⁶⁴

From the 2000 to the 2001 school year the number of school student ABSTUDY recipients fell from 31,734 to 27,2002 — a decline of nearly 15%.¹⁶⁵ Participation patterns in post-secondary education is more complex. VET enrolments have been sustained or improved, but University enrolments are in decline. A limit to ABSTUDY access for bridging courses, resulting from policy changes in 1999, is seemingly a relevant factor. Given that Indigenous Australians are significantly younger on average than non-Indigenous Australians – and the importance of education as a long term poverty prevention measure — this is a significant problem.

Achieving better educational outcomes

Policies directed at improving prospects for people moving out of poverty need to be directed at improving educational outcomes at every stage of a young person's development. In many cases it is only by obtaining greater equity in educational outcomes that inter-generational poverty and unemployment will be overcome.

*'...poverty is currently depressing the literacy levels of Australian students, rather than literacy depressing the poverty levels.'*¹⁶⁶

The National Education and Employment Forum (NEEF) has made a range of recommendations to increase the educational and employment outcomes of disadvantaged groups. These include:

¹⁶³ Taylor J 1998, *The importance of Education in improving Indigenous employment*, Speech to the Aboriginal and Torres Strait Islander Peoples' Training Advisory Council, 28 April, Brisbane.

¹⁶⁴ *Effective Learning Issues for Indigenous Children aged 0 to 8 years*, MCEETYA Taskforce on Indigenous Education, Discussion Paper, June 2000, pp5-6.

¹⁶⁵ DETYA *Annual Report 2000-01* (Appendix 9: pp 3) and DEST *Annual Report 2001-02* (pp 175).

¹⁶⁶ Orr E 1994, *Australia's Literacy Challenge: The importance of education in breaking the poverty cycle for Australia's disadvantaged families*, Research Report No, 1, The Smith Family, p.17.

- Collaborative work towards targets for higher educational outcomes for young people who are disadvantaged and for geographical areas of concentrated disadvantage;
- Increased investment in education to an average level of OECD spending as a percentage of GDP;
- Increased access to supports and option for young people through education;
- Recognition of the importance of early childhood learning;
- Increase access to information and communication technology;
- Increase in the quality of teacher education;
- Develop specific priorities and targets for Indigenous education.¹⁶⁷

The following recommendations support the NEEF priorities and are based around the critical stages for educational participation.

Recommendations:

R.10 Early childhood education

Commonwealth and State governments should work together to commit to the provision of a minimum level of early childhood education to be available to all children at least one year prior to starting school. This service must be integrated with the provision of childcare and contain links with primary schools. Expanded services to include three-year-olds should be available in disadvantaged regions.

R.11 Improving school completion rates

The Commonwealth and State Governments should work together to meet targets for higher year 12 or its equivalent completion rates.¹⁶⁸

R.12 Transitional School to Work Support Scheme

A comprehensive transitional support scheme for young people in secondary schools should be introduced. This might take various forms including case management and personal support, mentoring, peer support and post-school follow up. It could be complemented by widespread implementation of the Jobs Pathway Program.

R.13 Improving access to higher education

Greater participation in further education should be fostered through ensuring that TAFE and university are equally accessible for young people from disadvantaged backgrounds. This will require addressing economic, social, academic, regional and motivational barriers.

¹⁶⁷ A Feeney, D Feeney, M Norton, R Simons, D Wyatt and G Zappala 2002, *Bridging the Gap between the 'Haves' and the 'Have Nots': Report of the National Education and Employment Forum*, The World Education Fellowship Australian Council, Brisbane.

¹⁶⁸ National Goals for Schooling strategies.

R.14 Education for Indigenous Australians

Indigenous young people face the greatest barriers to education participation and achievement. Targets should be set to improve outcomes in Indigenous education. Whole of government and whole of community strategies need to be developed that draw on previous examples of successful outcomes in Indigenous education. Further, ABSTUDY should receive additional funding to ensure that eligible people are provided with the full range of supports to which they are entitled. It should be the subject of a review involving participation by Indigenous communities and organisations.

R.15 Transitional skills based education and training

A system should be developed to provide skills based education and training opportunities specifically for people facing key transitions in their labour market participation. Such a system would enable people facing a labour force transition (such as, retrenchment, carers re-entering the labour market, potential retirees and others who are wanting to return to work) to gain skills in a field that will lead to employment rather than face long-term joblessness.

5.7 Level of income support

Australia's social security system is a major bulwark against poverty. It provides a regular source of income for those who have none of their own and offers some structured opportunities for people to improve their chances of gaining paid employment.

The adequacy of social security payments is the most important *direct* influence on poverty levels. In this way gaps and anomalies in the social security system continue to be a major contributor to poverty and hardship in Australia.

Reducing joblessness will only reduce poverty to a certain extent. Even very strong growth in full-time employment, together with the best education and training programs to improve the job prospects of low skilled workers, would take many years to make significant inroads into joblessness and insecure employment, let alone the number of people living in income poverty.

This underscores the importance of an adequate safety net to protect jobless people and those with low or insecure earnings from income poverty.

There are also limits to the extent that the social security system can shoulder the policy burden of poverty alone. These include the cost to Government and adverse effects on work incentives. However, these problems are much less severe in Australia, given that our social security system is already targeted towards people on the lowest incomes and that maximum rates of payment are well below minimum wages. Despite recent concern about the growing proportion of people of workforce age on social security payments, Australia's level of expenditure on these payments is among the lowest in the OECD.¹⁶⁹

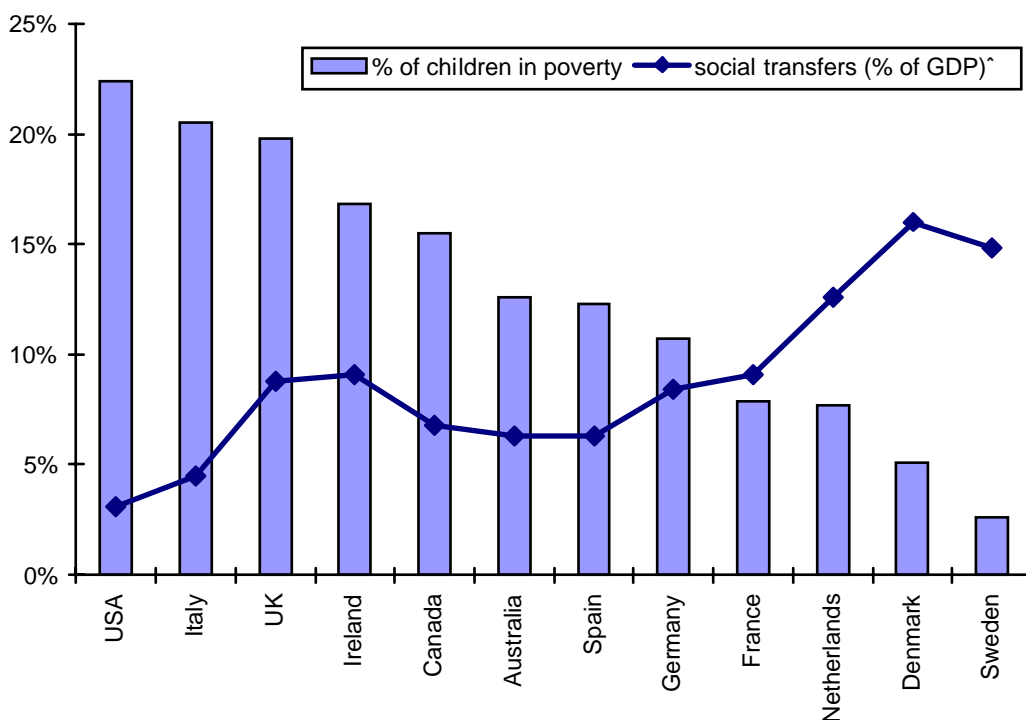
Well targeted social security expenditure makes a substantial difference to a country's level of income poverty. The graph below compares the extent of child poverty in different countries with levels of expenditure on social security payments and social welfare services.

¹⁶⁹ OECD 2001, *Social expenditures in OECD countries*, Labour market & social policy Occasional Paper No 52.

There is a clear negative relationship between child poverty and the overall generosity of social security in different countries. Australia's level of child poverty was above the OECD average, but below that of its fellow English-speaking countries. It also had relatively low expenditure on social security, including child payments.

On the other hand, we had a lower rate of child poverty than three countries that spent more: Britain, Ireland and Canada. A major reason for this is that our social security system is strongly targeted towards people on the lowest incomes. This means we can achieve a greater reduction in income poverty than most other countries, for the same level of expenditure.

Fig. 44. Child poverty and social security expenditure (mid 1990s)



Source: UNICEF (2000), *Child poverty in rich countries*. Florence

Note: "Child poverty" refers to the % of all children living in poor households, with the poverty line based on half median equivalent household disposable income. "Social transfers" refers to the proportion of GDP devoted to social security and welfare services, apart from payments for retired people and not health or education services¹⁷⁰

Substantial progress has been made in reducing income poverty through improvements to social security payments:

- The benchmarking of pensions to 25% of male average total earnings in the early 1970s which was renewed in the 1980s and legislated by the present Government, was the main factor leading to a substantial reduction in income poverty among retired people since the Henderson Poverty Inquiry drew attention to poverty among older people 30 years ago.

¹⁷⁰ Note that Japan is excluded from these graphs due to data limitations.

- The benchmarking of family payments for low-income families with children to a proportion of the pension rate by the previous Government in the late 1980s was estimated to reduce income poverty among children by about one third. Since then, the present Government has further boosted the real value of child payments for sole parents and other single income families. Child poverty would be much higher now in the absence of these initiatives.¹⁷¹

However, social security payments for many households are significantly lower than Australian income poverty benchmarks. A simple comparison between Henderson Poverty Lines and social security payments shows that in many cases, payments fall short of that benchmark¹⁷².

Fig. 45. Comparison of Social Security Payments to the Henderson Poverty Line (including housing costs) — \$ per week, September 2002

Family/Income Unit ¹	Total Payment \$ per week ¹⁷³	Poverty line \$ per week	Rate as % of poverty line
<i>Head in Workforce</i>			
Single adult unemployed	\$230	\$294	78%
Single, independent 18-20 unemployed.	\$196	\$294	67%
Couple unemployed – 0 children	\$376	\$393	96%
Sole Parent unemployed – 1 child	\$365	\$378	97%
Sole Parent unemployed – 3 children	\$492	\$536	92%
Couple unemployed – 1 child	\$450	\$473	95%
Couple unemployed – 3 children	\$576	\$632	91%
<i>Head not in Workforce</i>			
Single adult student	\$151	\$238	63%
Single full-time student, independent 18-25	\$196	\$238	82%
Single Age/Disability Pensioner	\$256	\$238	108%
Age/Disability Pensioner couple – 0 children	\$395	\$338	117%
Sole Parent not in labour force – 1 child	\$365	\$322	113%
Sole Parent not in labour force – 3 children	\$492	\$481	102%

Source, Melbourne Institute, Poverty Lines and Centrelink information

Assumptions: All households have zero private income and assets. All single people live alone. All rent privately and receive maximum rate of Rent Assistance, except adult students who are ineligible. All children are aged 5-12 years, except in the case of independent young people. Pharmaceutical and telephone allowances, and GST compensation payments, are not included.

¹⁷¹ Brownlee & King *The estimated impact of the family package on child poverty*. in Edgar et al 1989, *Childpoverty*, Allen & Unwin. Harding & Szukalska 2000, *Social policy matters - the changing face of child poverty in Australia*. 7th AIFS Conference paper.

¹⁷² We acknowledged in Section 2 above that income poverty is not the same as actual deprivation or hardship. However, in that section we also concluded that the available evidence demonstrated a good fit between the groups most at risk under an income definition and those found to be in the greatest hardship using more direct measures.

¹⁷³

When we closely examine the structure of the Australian social security system, we find that in important ways it is *poorly* targeted to reduce poverty. The very groups that we identified earlier as facing the *highest* risks of poverty either receive the *lowest* payments, or inadequate support to meet the *special costs* they face. In addition, many people who face a high risk of poverty, particularly *new migrants to Australia*, are denied income support entirely.

A further weakness of the social security system from the standpoint of poverty alleviation is the existence of poverty traps — income tests that discourage employment and may thereby lock people into reliance on social security. At the same time, it should also be stressed that any social security system that targets assistance to those most in need will discourage employment to some extent among some groups.

In summary the main ongoing concerns involve deficiencies of the present system, particularly for people on activity tested payments, are:

- Some payments are too low to cover the basic costs of living for some households, and slight changes in circumstances can produce serious difficulties for some people.
- Gaps in entitlement have been consciously constructed to exclude some groups from gaining the support they need.
- People who take up some paid work in compliance with social security requirements often find that they receive little reward for doing so.

ACOSS welcomed the Government's 1998 discussion paper "*Building a simpler system to help jobless families and individuals*" and ensuing consultation process. At that time we noted our concerns that no recipient should be made worse off by any changes to the system, and that the links to labour market assistance and job creation and other supports are imperative.

For people to adequately participate socially and economically in society both the inadequacy of payments and the payment structure must be amended. Poverty and adequacy benchmarks for social security payments should be established, participation costs recognised, the income test for allowances liberalised, and more emphasis placed on encouragement to participate rather than penalties for non-compliance.

Inadequate payments to sustain people

In 1998 over 60% of recipients were in poverty compared to 20% in 1972-3.¹⁷⁴ A study funded by the Department of Social Security in 1998 found that, for many households, social security payments are insufficient to ensure:

*"a standard of living which... would still allow social and economic participation consistent with community standards and enable the individual to fulfil community expectations in the workplace, at home and in the community."*¹⁷⁵

¹⁷⁴ King, A, 1998 'Income Poverty Since the 1970s' in R. Fincher and J. Nieuwenhuysen (eds) *Australian Poverty: Then and Now*, Melbourne: Melbourne University Press.

¹⁷⁵ DSS, Canberra, Social Policy Research Centre, 1998, *Development of Indicative Budget Standards for Australia*.

Income support recipients face many barriers — including how to survive on the low payment levels and dealing with the ensuing hardship. In addition, they are faced with meeting the immediate costs of seeking and preparing for work. Often they can not afford public or private transport to attend interviews or undertake cold canvassing of employers, are unable to purchase newspapers in which to look for jobs, and may be unable to present well at interview due to an inability to purchase appropriate clothing.

The present payment structure is characterised by a large and growing gap between allowance and pension rates, with large numbers of people are living on allowances for lengthy periods. In 2000-01 the average duration on income support ranged from 135 weeks for Newstart recipients to 277 weeks for mature age recipients¹⁷⁶.

ACOSS has consistently called on the Government to close the worst poverty gaps in the social security system by bringing social security allowance rates up to pension levels, and by adequately compensating low-income people for the key specific costs they face. These costs include private rents, the costs of children, and the costs of disabilities.

Example of inequity between payments

A single age or disability pensioner receives \$429.40 per fortnight (plus additional health and other concessions, no activity/compliance tests, and the payment is indexed to Male Total Average Weekly Earning MTAWE).

A single adult unemployed person receives \$374.90 per fortnight (the payment is indexed to Consumer Price Index (CPI), activity tests are compulsory, taper rates are harsher.

A student on Austudy (25 +) receives \$310.10 per fortnight¹⁷⁷.

From this example it is easy to see the inbuilt disincentives to moving off a pension to Newstart, and from Newstart to education. Youth Allowees have an even greater financial struggle as can be seen in the box below.

Youth Allowees

An 18 – 24 year old on Youth Allowance receives \$310.10 per fortnight (if living away from home) while a person living at home receives \$204.20 per fortnight (noting under 25s living with their parents are unable to get rent assistance).

There is no real logic for these differentials, especially considering the basic costs of living (food and shelter) that each are likely to encounter are likely to be the same. Further, the costs of disability or housing are not factored in any meaningful way, and the costs associated with meeting activity and mutual obligation requirements or undertaking education remain largely unacknowledged.

Participation costs and life course needs

Social security benefits and allowances were designed to reflect the real costs of living, or cover extra costs associated with, say, raising a child. However, the lack of recognition of

¹⁷⁶ FaCS, 2002, *Annual Report*.

¹⁷⁷ Centrelink, *A guide to Commonwealth Government payments 1 January – 18 March 2003*.

the costs of seeking and preparing for work, and inadequate adjustments to assist at various life stages, leaves many Australians in poverty.

Many people on income support lack the financial resources to meet expected obligations placed on them by Government, or to match the extra costs involved when for example, job seeking or buying books for study. This is of particular concern given the recent moves to expand activity requirements to new groups (namely parents and mature age unemployed people, but also potentially disability support pensioners) – as requirements to participate increase the cost to the individual or family.

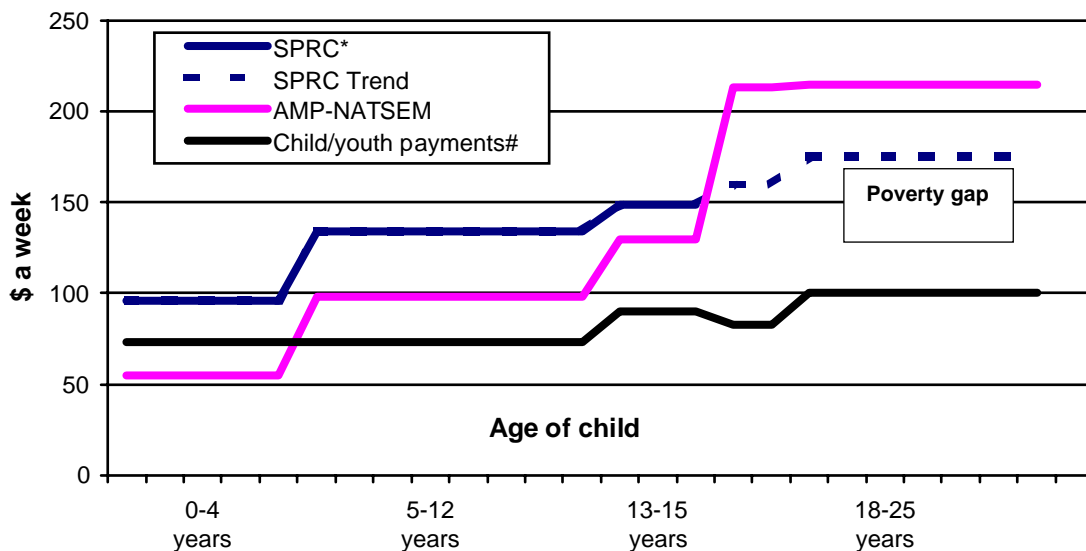
Some transitional stages are already catered for in the social security system, but paid too low a level or not to all who need assistance. For example, there is a case for better assistance to meet the increasingly unaffordable costs of housing, which is currently only provided to some low income private renters through Commonwealth Rent Assistance. Other areas include the extra costs associated with living in remote areas; costs incurred by people living with a disability; and the costs of children and child care.

Recent research by ACOSS shows that¹⁷⁸:

- The costs of children rise more rapidly as they grow older, and the compensating increases in child payments do not balance this rise;
- Once children reach their teenage years, the benefits available through the tax transfer system for families actually *fall*.

The graph below illustrates the first point above. It compares research evidence on the minimum costs of children in a low-income family with the child and youth payments¹⁷⁹ received by a jobless family.

Fig. 46. The costs of a child in a low income family vs child & youth payments



Sources: Department of Social Security (1998) *Indicative Budget Standards for Australia*, updated to 2002 using the CPI. AMP/NATSEM (2002) *Income and wealth report*. AMP, Sydney. Notes: *the SPRC Budget Standards only extend to age 14. A trend line has been added to extend them hypothetically to older children.. # Family Tax Benefit (Part A), plus child share of Rent Assistance; and Youth Allowance.

¹⁷⁸ ACOSS 203, *Poverty, policy and the cost of raising teenagers*. ACOSS Info Paper, forthcoming.

¹⁷⁹ That is, Family Tax Benefit, Part A, Youth Allowance and the child's share of Rent Assistance.

For jobless families financial hardship is likely to be most severe in the teenage years, due to the large gap between child payments and the high direct costs of raising older children. Although teenagers represent a small proportion of children living in poverty, the depth of their poverty is likely to be the greatest, once the direct costs of raising them are properly taken into account.

A major factor contributing to poverty in sole parent families is that the system does not fully recognise the extra costs of raising a child alone, or in two households. There are very few contemporary estimates of these extra costs in Australia, but they appear to be substantial. For example, a married couple usually shares a bedroom. A sole parent also needs a separate bedroom from those of her children, and although she is the only occupant of the room, the cost is the same as for a married couple. For this and other reasons, sole parent families need income support that is higher than the payments normally offered to a single adult, plus the standard child payments. This was formerly recognised in the social security system through the payment of an additional "Guardian Allowance" to sole parent families, which was incorporated in 2000 into Family Tax Benefit (Part B). Where care of a child is shared between two households, the costs are also usually higher than the "standard" costs of raising children because, for example, two separate bedrooms must usually be maintained for the same child. These extra costs are not recognised by the present social security system. Instead, Family Tax Benefits are simply split between the two households.

Waiting periods for income support

In the current social security system a number of vulnerable groups continue to be affected by policies that impose further deprivation – either before payment commences or while struggling to survive on income support.

The complexity of the current system of non payment periods means that potential income support recipients face a confusing system, which for example, demands a waiting period of up to 13 weeks if a single person has liquid assets exceeding \$2,500¹⁸⁰.

One consequence of these waiting periods is that unemployed people are forced to spend almost all of their (often meagre) reserves before becoming eligible for income support. In doing this, they have very little left to meet expenses such as car registration or repairs, replacement of whitegoods, or expenses associated with illness. In many cases they are forced to rely on advance payments and other forms of credit to meet lump sum expenditures, thus reducing their already small weekly incomes. The liquid assets test can also act as a disincentive for people to save during periods of employment.

Since March 1997, newly arrived migrants have been subject to a two year waiting period for most social security payments. This is causing extreme hardship for many migrants attempting to settle here and find work – particularly for those whose funds run out before work is found. Except in extreme and rare circumstances, Special Benefit (a payment designed to respond to people ineligible for any other payment) is included in the range of payments subject to the two year waiting period. This excludes many migrants from receiving it, and increases their risk of poverty, destitution, and exploitation in the labour market.

¹⁸⁰Liquid assets are any readily available funds, including those of a partner, which can be accessed within 28 days of date last worked (Centrelink website 2003).

Compliance requirements, penalties and debts

A major concern over recent years has been the impact of harsh breach penalties on unemployed income support recipients for failure to comply with various requirements linked to the receipt of income support, and the flow on affects to the community sector. A range of inquiries and reviews have identified problems with the current system and its application, in particular; the high level of financial penalties imposed; the duration of breaches; and administration of declaration of earnings¹⁸¹.

Many of these issues were first raised in a publication, *Breaching the Safety Net: the harsh impact of social security penalties*, released in August 2001 by ACOSS and the National Welfare Rights Network (NWRN)¹⁸². This research showed a 189% increase in the rate of breaching in the three years from 1998 culminating in a record estimated 348,00 breaches in 2000/1. From the evidence assembled, it is clear that the application of breach penalties pushes many Australians into poverty and increases the pressure on charities and welfare agencies.

To illustrate, in relation to activity tests, a first breach results in an 18% withdrawal of income for 26 weeks, a second breach results in a 24% rate reduction for 26 weeks, and a third activity test breach results in 100% withdrawal of payment for 8 weeks. ACOSS and others have long argued that the high rates of fines imposed and the length of time for which they are imposed cannot be justified, and prove, in fact to be counterproductive. This is especially the case for vulnerable groups, such as homeless people, people who have a mental illness, and others who may not have the capacity to comply and subsequently incur a penalty that further marginalises them from social and economic participation.

Sustained work on breaches and penalties has contributed to a shift in public debate such that the impact of breaching is now seen as of significant public concern. In response the federal Government has made changes to add protections for vulnerable people and improve administrative processes that have led to a substantial reduction in the number of breach penalties imposed. Despite this, the number of people affected and the extent of the penalties remains far beyond what is in the interests of either the public or jobseekers and for many serves to further limit economic or social participation. Action is needed to further ameliorate the hardship that results for the individual breached, and the family and communities turned to for support.

¹⁸¹Pearce et al, 2002, *Making it Work – Report from the Independent Review of Breaches and Penalties in the Social Security System*; Commonwealth Ombudsman, October 2002, *Social Security breach penalties – issues of administration*; Commonwealth Ombudsman, *Annual Report 2001-2002*.

¹⁸² Also refer to previous papers prepared by ACOSS and the NWRN – Information Paper 204, March 2000 (revised December 2000), *Social security breaches: penalising the most disadvantaged*; Information paper 220, November 2000, *Doling out punishment: the rise and rise of social security penalties*; Information paper 305, August 2001, *Breaching the safety net: the harsh impact of social security penalties*.

Avril and David's story (from IMPACT 2002):

Avril, whose 21 year old son, David, was diagnosed with schizophrenia 18 months ago, described her attempts to obtain income support for her son in the hope of enabling him to maintain secure accommodation. Deemed ineligible for Youth Allowance but unable to live at home due to disturbing and frightening behaviour for younger siblings, David was essentially homeless and effectively without an income. After spending months in a psychiatric ward, doctors warned the family that there was little hope that David would work or study again and that he would not be capable of fulfilling activity test requirements to obtain Youth Allowance. However, after repeated attempts by the family David was placed on Youth Allowance at the independent rate and exempted from activity test requirements, but was told he needed to regularly submit a medical certificate to keep the exemption. As David was incapable of responding to mail he was frequently breached. After turning 21 David was transferred to Newstart Allowance despite the family's efforts to have him assessed for the Disability Support Pension. Avril had to apply several times to get mail redirected to the family but forms sent to an old address led to further breaches. In May, when David told Avril he had no money or food, Centrelink informed her that he had been breached again, this time because no form had been lodged by May 10. In fact Avril had lodged it on May 9 on David's behalf and had recorded this in her diary. She got a duplicate and re lodged it that day – the breach was overturned. "Without our committed and persistent advocacy, David would now be living on the streets, incapable of accessing the help he needs" Avril said. In October, almost a year after her quest for secure income support for her son, Avril received a letter stating that David was to be placed on the Disability Support Pension.

This view was supported by the majority members of the Senate Community Affairs References Committee's Inquiry into participation requirements and penalties in relation to the *Family and Community Services Legislation Amendment (Australians Working Together and other 2001 Budget Measures) Bill 2002* who noted the need for a thorough overhaul of the current breach penalty system before it is extended to sole parents and older unemployed people. The recent passage of the *Australians Working Together Bill* includes a significant softening of the duration of breaches. Under the new system a person being breached for the first time will have 4 weeks to rectify the error, and upon compliance, the breach period is reduced from 26 weeks (or 13 weeks for an administrative breach) to 8 weeks. This will mean that many who are breached for the first time will face a penalty of around \$270 – down from \$890.

Another problem in the current system relates to family payments and debts. Family Tax Benefit or Child Care Benefit income testing arrangements require estimation of annual income in advance to receive fortnightly payments. If the annual income turns out to be lower than estimated a top up payment is made at the end of the financial year. However, if more than expected is earned, an overpayment is raised and the extra payment received throughout the year must be paid back. This is the only social security overpayment that must be paid back — even if it was an administrative or Government error causing the overpayment. And while many families alert Centrelink of changes in circumstances a debt is still incurred.

The Commonwealth Ombudsman recently reported that “debts arising from the scheme are affecting many lower income families... may be unavoidable, even when families fully comply with all requirements”¹⁸³. Recent changes announced by the Government should build extra flexibility in the system (families whose income changes will be able to notify Centrelink and have their payments adjusted in advance, rather than at the end of the year) but this will not actually result in debt avoidance¹⁸⁴.

Failure to reward work effort

Current incomes tests do not ensure paid work is effectively rewarded in the social security system and the poverty traps that remain for many recipients act as a disincentive for entering, re entering, or increasing their attachment to the labour market.

One such poverty trap is caused by the interaction of the social security and taxation systems, which result in some income support recipients paying very high effective marginal tax rates.

Taper rates for people on unemployment benefits are a very real disincentive to paid work. For fortnightly income between \$62 and \$142 the taper rate is 50 cents in the dollar, for income above \$142 per fortnight it is at the higher rate of 70 cents in the dollar. Partner income which exceeds the cut out point reduces the fortnightly allowance by 70 cents in the dollar. The 70% withdrawal rate, when combined with a 20% tax rate, leads to very high effective marginal tax rates for many unemployed people seeking to increase their attachment to the workforce.

By contrast, people in receipt of a pension payment are subject to a withdrawal rate of 40 cents in the dollar for all income over a free area of \$116 a fortnight. Unemployed people, then, have a much higher effective marginal tax rate than aged and disability pensioners, despite the fact they face extra expenses in looking for work and improving their work skills. They also have much higher marginal tax rates than Australians on the highest incomes.

The interaction of income tests for Family Tax Benefit, Youth Allowance and Child Care Benefit also contributes to poverty. This has major implications for work outcomes, since mothers with children in low and middle income families are particularly sensitive to employment disincentives. Where a family has more than one child attracting these payments (for example, one child under 16 and a dependent student over 16), these income tests 'stack' (together with personal income tax) to produce very high effective marginal tax rates on family income, often in excess of 80%. Family Tax Benefit (A) is withdrawn at a rate of 30 cents in the dollar of family income. When combined with personal income tax, this leads to effective marginal tax rates of 60% for many families.

Recommendations:

R.16 Remove anomalies in core income support payments for adults

Progressively increase allowances up to the level of the pension and indexed to 25% of MTAW.

¹⁸³ Commonwealth Ombudsman, February 2003, *Own Motion Investigation into Family assistance administration and impacts on Family Assistance Office customers.*

¹⁸⁴ Senator the Hon Amanda Vanstone, Minister for FaCS, media release 17 September 2002, *FTB fine tuning – more choice and flexibility for families.*

R.17 Reduce child poverty by improving child and youth payments

Child and youth payments should be adequate to meet the minimum direct costs of raising a child in order to prevent child poverty.

As a first step:

- *payments should be increased to properly reflect the rise in the cost of children as they grow older;*
- *a supplement should be introduced to recognise the extra cost of raising a child alone or in two households.*

R.18 Meeting participation costs

The Government should introduce and improve supplementary payments, to properly recognise the extra costs associated with housing, job search, disability, education and employment.

R.19 Repairing holes in the safety net

The breach penalty system should be further reformed by:

- *implementing recommendations from the Pearce Report in full. In particular, penalties should be fully recoverable if a jobseeker takes 'reasonable steps' to comply with reasonable requirements not later than four weeks after imposition of a breach; the duration of penalties should not exceed eight weeks; and the rate of reduction in allowance not exceed 25% of income.*

The safety net should be extended to vulnerable groups by:

- *abolishing the two year migrant waiting period for Special Benefit and Youth Allowance recipients and reducing it to six months for all other income support recipients; allowing payment of special benefit to people engaged in full-time English language or vocational study; and extending access to the Crisis Payment to people on refugee/humanitarian visas.*

R.20 Easing poverty traps

Poverty traps in the social security system should be reduced by:

- *easing social security income tests that result in high effective tax rates for unemployed people with casual or part time work;*
- *reducing the very high effective marginal tax rates for families caused by the combined effect of income tests for Family Tax Benefit A, Child Care Benefit and Youth Allowance, in cases where a family has children attracting more than one payment, by aligning the taper rates for these three payments.*

5.8 Family pressures and family formation

Families, like other social institutions, both reflect and influence broader social and economic trends as well as the individual personalities and circumstances of family members themselves. There have always been diverse family structures as well as historical trends in family forms. However, communities and governments have not readily nor adequately acknowledged the value of different models of families and in so doing have dramatically weakened the ability of families to function positively.

Many public institutions in Australia developed at a point in history when the single income, two parent family was by far the dominant family form. This has influenced key features of the industrial relations and social security system, housing and community services. Not all of these institutions have adapted sufficiently to the changing needs, work and life patterns and increased diversity of families. These include higher rates of separation and divorce, and the increased workforce participation of women.

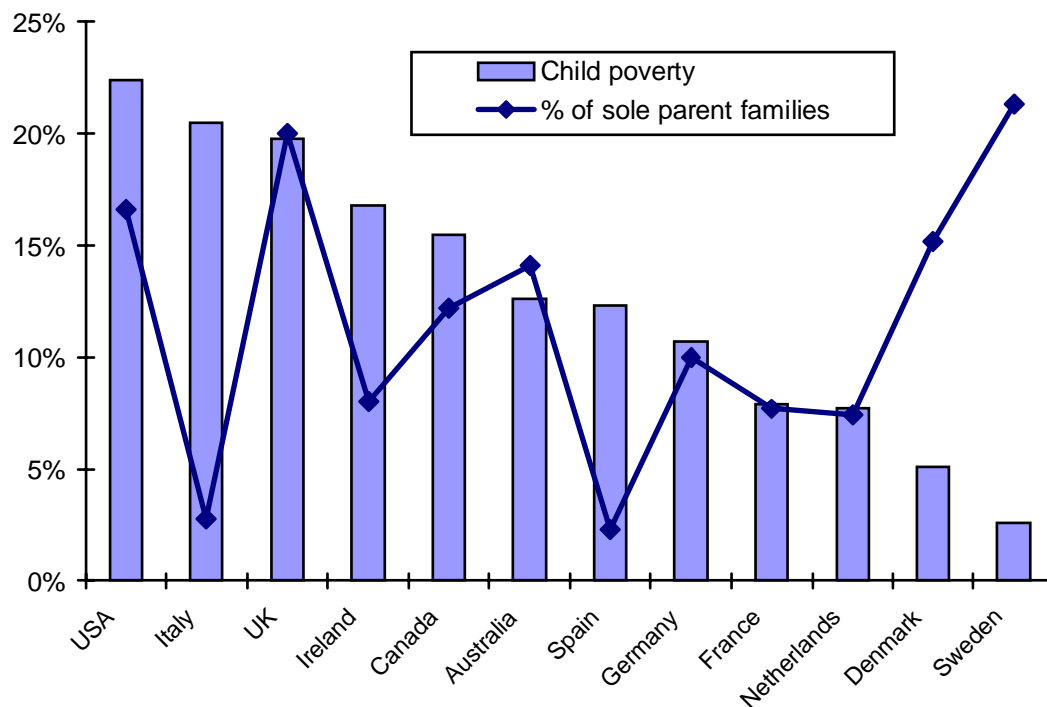
The risk of poverty is generally higher for single people and their families than it is for couples. This is because single people lack the economies of scale, or the buffer of two (at least potential) incomes that are available to couples. In addition, many factors that raise the risk of poverty, such as prolonged joblessness or chronic disabilities, reduce the capacity of people to enter into, and sustain, relationships. Our focus here is on the causes of the high risk of poverty for sole parent families, but some of the arguments raised also apply to single adults living alone.¹⁸⁵

The graph below compares the extent of child poverty in different countries with the proportion of families with a sole parent. It is based on data from the UNICEF child poverty study cited above. It shows a weak positive relationship between the extent of income poverty and the proportion of sole parent families. The positive relationship reflected the relatively high risk of poverty among sole parent families.

The *weakness* of the relationship between the incidence of sole parent families and child poverty reflected the importance of "mediating factors" such as the adequacy of social security payments and social policy and the labour market status of sole parents in determining whether sole parent families actually live in poverty. These factors vary enormously from country to country. For example, joblessness among sole parents was very low in Sweden and Denmark, due to the ready availability of quality child care and the social custom for mothers (in both couple and sole parent families) to re-enter the paid workforce when their children are young.

¹⁸⁵ The substantial growth in the proportion of people of workforce age living alone in recent years suggests that this group may require more attention in anti-poverty strategies in the future.

Fig. 47. Child poverty and the % of sole parent families (mid 1990s)



Source: UNICEF (2000), Child poverty in rich countries. Florence.

Note: "Child poverty" refers to the % of all children living in poor households, with the poverty line based on half median equivalent household disposable income. "Sole parent families" refers to the % of all families with children headed by a sole parent.

Along with the other English-speaking countries, Australia has a relatively high proportion of sole parent families. The vast majority are mothers separated from the father of their children in their twenties or thirties, contrary to the popular stereotype of young single mothers. They face a high risk of poverty is high due to:

- social security payment relativities that (compared with systems overseas) strongly favours couples with children relative to sole parents;¹⁸⁶
- a relatively high rate of joblessness among sole parents, which is due as much to their lower skills base as their sole responsibility for the care of their children.¹⁸⁷

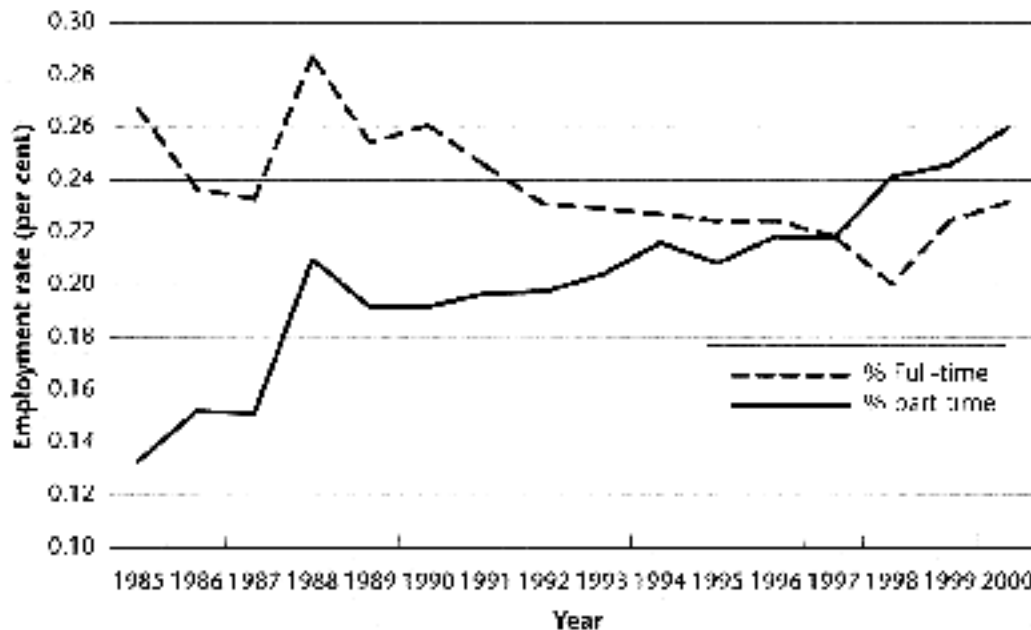
The labour market disadvantages of Australian sole parents appear to be shared by the partners of men on unemployment payments. This is not surprising, since jobless sole parents are relatively likely to partner with unemployed people, and to have done so in the past. This suggests that there may be a relationship between family breakdown and a lack of secure employment among both men and women.

¹⁸⁶ Whiteford 1995, 'Families, benefits and taxes', in *Social Security Journal* June 1995. Child payments have improved since Whiteford's comparisons were made, but they have also improved to the same extent for couples with children.

¹⁸⁷ For example, the unemployment rate among sole parents is almost twice that for the labour force as a whole. In 1998, 52% of sole parents had completed year 10 or less compared with 34% of the labour force as a whole. See Gray M et al 2002, *Determinants of Australian mothers' employment*. AIFS Research paper No 26.

Along with other low-skilled women, the majority of sole parents in Australia face barriers to progression from low paid casual and part-time employment to more secure full-time jobs, where this is what they seek.¹⁸⁸ The graph below indicates that sole parents have less access to full-time jobs now, and greater access to part-time jobs, than was the case 15 years ago.

Fig. 48. Lone mothers — part-time and full-time employment rates (1985-2000)



Source: ABS (various years), *Labour Force Status and other Characteristics of Families, Australia*, Catalogue No. 6274.0, Australian Bureau of Statistics, Canberra.

Note - from Gray & Stanton 2002, *Lessons from US welfare reform for Australian welfare policy*, AIFS Research Paper No 29.

Further education and training are key factors in overcoming these barriers. Hence, sole parents show greater interest in, and benefit more from, labour market assistance of this kind than other groups of jobless people.¹⁸⁹

The foregoing suggests that improvements in social security payments for sole parents and low income families generally, and more help to overcome barriers to employment, would reduce poverty in sole parent families. Better access to essential community services such as affordable housing and child care would also make a major difference. Another critical factor is child support. A substantial minority of Parenting Payment (single) recipients receive child support payments, which make a significant difference to their standards of living. Those who lack child support face a much higher risk of income poverty.

¹⁸⁸ See discussion of "insecure employment and churning", above.

¹⁸⁹ ACOSS 2002, *The obligation is mutual*, ACOSS Paper No 120.

Poverty is not caused by sole parenthood. Rather, the high levels of poverty among sole parent families are caused by a combination of the specific disadvantages of sole parenthood (such as limited economies of scale in household costs), and other disadvantages which they share with low-skilled mothers generally (such as limited access to secure full-time jobs).

Sole parent families are also at a higher risk of poverty than other families and face greater barriers in getting paid employment since they do not have another parent to share child-care and must rely much more on paid child-care. While the introduction of a national child support scheme has delivered increased support for the cost of raising children between custodial and non-custodial parents, the costs for separated families are still higher than those living together.

Social policy should not discriminate against people on the basis of their family type, or seek to change it. Instead, it should assist people on the basis of need, given their family circumstances and their risk of poverty. Policy in regard to social security, labour market assistance, housing and community services should be geared to reducing the high risk of poverty in sole parent families.

Aside from the immediate effects of family poverty, the experience of poverty for children living in poor families may have lasting effects on the life chances of these children. Australian research indicates that family poverty and low socioeconomic status are consistently related to poorer school performance and low school retention rates. Young people from low socioeconomic backgrounds, early school leavers and those with low achievement at school are more likely to be unemployed, out of the labour market, or to be in precarious casual, part-time employment.¹⁹⁰ However, not all children living on low incomes will be badly affected by their parents' circumstances. Rutter, in a comprehensive discussion of the long-term effects of early experience and review of research findings over three decades, notes that outcomes following early adversity are diverse and that long-term effects are heavily dependent on subsequent life experiences.¹⁹¹

5.9 Ill health and disability

Evidence suggests that socio-economic status is the most important indicator of health status among Australians,¹⁹² a fact most saliently demonstrated in Australia by the gap in health outcomes between Aboriginal and Torres Strait Islander people and the general population.

The National Centre for Social and Economic Modelling research demonstrates that there are significant differences in the health of people in the lower income quintiles compared to those in higher income quintiles.

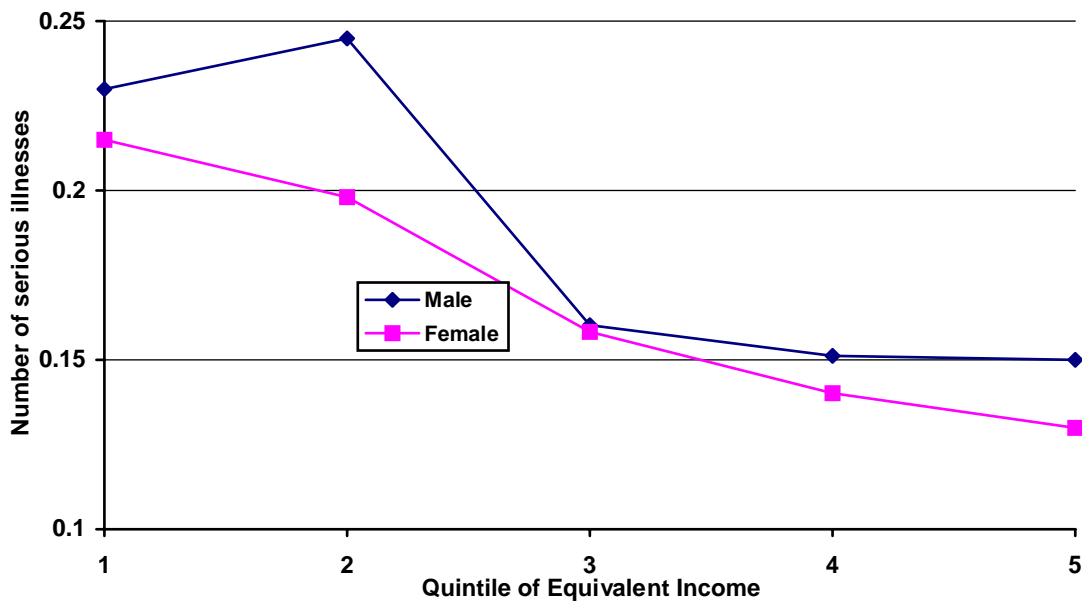
¹⁹⁰ McClelland, A, Macdonald, F & MacDonald, H 1998, 'Young people and labour market disadvantage: the situation of young people not in education or full-time work', in *Australia's youth: reality and risk*, Dusseldorp Skills Forum, Sydney, pp.103-126.

McClelland, A & Macdonald, F 1999 'Young adults and labour market disadvantage: the situation of young adults not in education or full time employment', in *Australia's young adults: the deepening divide*, Dusseldorp Skills Forum, Sydney, pp. 103-126.

¹⁹¹ Quoted in Taylor, J & Macdonald, F 1998, *Life at six: life chances and beginning school*, Brotherhood of St Laurence, Melbourne, p.4.

¹⁹² Lawson, J & Black, B 1993 'Socio-economic status: the prime indicator of premature death in Australia', *Journal of Biological Sciences*, Vol 25, pp. 539 — 552.

Fig. 49. Average number of short-term serious illness of 0-69 year olds by gender and equivalent family income quintile 1995



The same research found that for working age Australians on average in 1995 unemployed people reported 42% more serious illness than employed people.¹⁹³

Ill health can in turn lead to a compounding of poverty, because illness reduces capacity to take up opportunities like employment, or training. The ill health of children within families may also result in a cycle of poverty that is difficult to overcome.

“My four kids are all asthmatics. I couldn’t always afford the medication. The doctors go off at you because you let it go on too long. They ask why you haven’t given the preventative medication, the nebuliser and the nebuliser medication. We couldn’t do it, and then the doctors make you feel bad¹⁹⁴”.

While the relationship between socio-economic status and health in modern societies is a complex one, the epidemiological evidence on the relationship between unemployment and illness suggests that the direction of causation from unemployment to illness is greater than the converse (ie. that illness causes unemployment).¹⁹⁵

The extent to which illness or disability may be said to cause poverty depends largely upon the type and severity of the illness or disability and the preparedness of the community to support the economic participation of people who are ill or disabled and the living costs and standards of people who are unable to work. There is no doubt that the onset of illness or disability can profoundly affect individuals and families and place them at high risk of poverty as the following case study shows.

¹⁹³ National Centre for Social and Economic Modelling *News*, Issue 15, July 2000.

¹⁹⁴ *Hearing the Voices: Life on a Low Income in Tasmania*, Social Action and Research Centre, Anglicare Tasmania and Just Tasmania, 1999, p23.

¹⁹⁵ Jin, R L, Shah, P S & Svoboda, T J 1997, ‘The impact of unemployment on health: A review of the evidence’, *Journal of Public Health Policy*, Vol 18, No. 3, pp. 275 — 301.

Mr X was referred to our group by a social worker from the Oncology Department. He is in his late 40's and is married with four children, one of whom has Down's Syndrome. Mr X had collapsed at work and was subsequently diagnosed with liver cancer. The family has now lost their home as Mr X is no longer able to work. They are paying private rental market rates in a rented house and are unable to gain public housing because on paper, based on last year's income, he is earning a decent wage. In reality, they are living on the wage of his wife who works part time. Mr X now has to travel to Sydney for treatment, adding to the already huge burden on their tight and stretched financial situation.¹⁹⁶

While reducing the gap in health outcomes between different socio-economic groups in Australia largely depends on policy measures external to the health care system, the system itself has an important role in ensuring programs and services reach those whose health is most at risk and that its activities do not contribute to the deepening of poverty.

Medicare

Medicare, as Australia's system of universal health care has many positive features including a redistributive effect in terms of the cost and delivery of health services — from the better off to the less well off, from the younger to the old and from the well to the. However, it has three major flaws. First, it has not delivered equitable access to health services for important parts of the community, most particularly Aboriginal and Torres Strait Islander people and people living in certain parts of the country (such as rural and remote areas and outer urban areas). Second, it does not cover a number of important health care services such as dental care, counselling, physiotherapy and podiatry. Access to these services is severely limited in the public system but widely available to people who can afford to pay privately (either out of their own pocket or through private health insurance). Third, it permits the unregulated levying of patient co-payments for medical services (including specialist, diagnostic and GP services).

The introduction of the private health insurance rebate and penalty on high income earners who do not take out private health insurance is a relatively recent development which further threatens to undermine community commitment to a universally shared system of health care.

Medicare and the tax system provides a basic framework on which to build a fair and efficient means of sharing the costs of health care, but need to be re-examined in order to overcome the problems outlined above. The focus should be on building a framework for health care which will drive investment where it is most needed, in ways which will be effective and efficient and which ensures that cost is never a barrier to people receiving high quality health care.

Oral health

The deep inequalities in access to dental care for adult Australians is well documented. Affluent Australians — about a third of the population — can receive high quality private treatment promptly, supported by a heavy tax payer subsidy. Low income Australians (about another third of the population) on the other hand experience lengthy delays or miss out on treatment altogether under an inadequately funded public system.

¹⁹⁶ ACOSS, 2002, *Australians Living on the Edge 5. Survey of the Community Services Sector*, Sydney, p. 28.

Indigenous health

Despite vast differences in health status (described in the previous chapter), per capita health care expenditure is not much different between Indigenous and non-Indigenous populations. To make significant changes in the health status of Aboriginal people there needs to be a level of resources commensurate with need, and a process that guarantees that those resources are actually used in a way which enhance the health status of Aboriginal communities.

Disability

Poverty is particularly high amongst people who have a disability. People with disabilities both have a lower participation rate in the workforce and a higher unemployment rate when they are in the workforce. In large part this reflects an unwillingness by society to recognise that different capacity does not necessarily mean reduced capacity, an attitude that frequently leads to the exclusion of people from mainstream employment.

In addition to being excluded from the earning of adequate income, people with disabilities often have higher costs of living associated with their disabilities. This can be the high and continual cost of medication, equipment or aids, appropriate housing, transport, and services related to personal care or maintenance of a person's home.

The combination of higher costs of living, along with income deprivation, leads to a strong connection between disability, illness and poverty. This connection also affects carers of people with disabilities, and adds to the substantial stress experienced through lack of resources and absence of essential services including personal and respite care.

The available data also suggests that people with disabilities experience significantly reduced participation in education. In 1998, 42% of people who had never attended school had a disability. Of those who left school when aged 15 or less, 35.7% had a disability. Of those who did not complete year 12, 19.1% had a disability.¹⁹⁷

Working age people with a disability and living in households have markedly lower incomes than those without a disability. Some 70% of those with profound core activity restrictions and 56% of those with severe restrictions had incomes in the lowest two income quintiles, compared to 31% of people with no disability.

Stress and mental illness

It is commonly understood that people in poverty suffer increased levels of physical and mental illness. Poverty is associated with higher stress levels for individuals, which can contribute to dangerous and costly lifestyle trends such as smoking, substance abuse, or an unbalanced diet. The main cause of this stress is likely to be the very fact of being in poverty in the first place. These are issues not just for the individual themselves but also significantly for their carers and families.

One of the largest growing areas of social concern is in the area of mental health. It is estimated that mental health problems and mental illness affects more than 20% of the adult population in their lifetime and up to 15% of young people. It is predicted that depression will be the second leading cause of disability by 2020.

¹⁹⁷ Bradbury B, Norris K, Abello D 2001, *Socio-Economic Disadvantage and the Prevalence of Disability*, Social Policy Research Centre, NSW, p66.

Addressing mental health issues should not only result in a decrease in incidence of mental illness in the community, but also have as an outcome increased participation and success across the spectrum of society – in schools, education, work and community life. Poverty and unemployment in particular impacts on general health and in particular on depression, anxiety and low self esteem.

Evidence suggests that lower levels of social integration relate to higher prevalence in illness and mortality (Kawachi and Berkman 200). Young people reporting poor social connectedness are three times more likely to experience depression than their peers. This is frequently exacerbated by other risk behaviours such as substance abuse.

Drug and alcohol abuse is a key factor in relation to some forms of disability (such as acquired brain injury), and can have a major relationship with mental illnesses. The 1998 National Drug Strategy Household survey showed that 22 % of Australians aged over 14 years of age or older used illicit drugs in the 12 months prior to the survey. It is estimated that in 1998 there were 3.3 million illicit drug users in Australia. The proportion of teenagers using these drugs rose from 32 % in 1995 to 38 % in 1998, and initiation to these seems to be occurring at an earlier stage. The need to acquire illicit drugs is costly on many fronts and can also contribute to crime levels.

Alcohol abuse is another major problem that contributes to poverty outcomes and is a factor that features in many domestic violence incidents. In 1998 Australia was ranked 20th in the world in terms of per capita drinking, with people aged between 30 and 39 the highest regular consumers. It has been estimated that between 6% and 11% of people have hazardous or harmful drinking patterns.¹⁹⁸

Notwithstanding our overall progress in the mental health area, many specific elements of mental health care are at crisis point as demand for support continues to grow. This is shown across a range of indicators such as the fact that there has been a 400 per cent increase in the rate of suicide among schizophrenia sufferers in the past forty years, and that depression is predicted to be the second leading cause of disability by 2020.

Part of the problem of response relates to the fact that models of care are too specialised and separatist. Levels of support for non-government organisations are inadequate and uneven between the States and Territories and between areas in some States. Affordable supports are only likely to be accessed when the problem has become acute or the justice system is involved. A focus on better integration with the non-government and primary care sectors is needed as part of a third National Mental Health Strategy to be agreed in 2003. Without this national effort, the specialist mental health sector will not expand, except at the cost of other sectors. At the time of the evaluation of the first national mental health plan, only 3.2% of all funding allocated to mental health was devoted to non government community services for people with a mental illness of psychiatric disability. There remains a severe shortage of community support services, especially those which are consumer initiated and managed, including housing, home help, recreation, family support, employment and education options for people with a mental illness and their families.

¹⁹⁸ Miller et al: Statistics on drug use in Australia, 2000, AIHW, 2001

Recommendations:**R.21 Review of Primary Health Care**

Commission a public and independent review on options for the future planning, development, funding and delivery of primary health care services with a broad focus on equity, quality and effectiveness. This work should be undertaken in conjunction with the development of better and more comprehensive indicators of health care access and accessibility at the national level¹⁹⁹ and ongoing public investment in areas where health care need is manifest.

R.22 Community Controlled Health Services

Governments should continue to boost resources to Aboriginal and Torres Strait Islander community-controlled health services, and determine the allocation of these resources through a process of consultation, consistent with Aboriginal Health Regional Plans.

R.23 Dental Health

There is an immediate need for targeted funding for those groups who are most disadvantaged by the current system and whose dental health needs are clearly demonstrated by worse dental health outcomes than the broader community. Particular groups include: nursing home residents, Indigenous people, Australians living in rural and remote areas, people with a disability, people who are homeless, people with a mental illness and people on social security benefits.

R.24 Boosting resources for mental health

Build on the momentum and frameworks established through the second National Mental Health Plan by improving both the level of resources on the ground and the coordination of community based resources available for primary care, prevention and support. Commonwealth leadership in this area (including through targeted action set in the Australian Health Care Agreements) can provide an important focal point for leveraging greater resources for mental health, and this should not only be through specialised mental health services, but also through primary care and non-government organisations.

5.10 Unaffordable and unstable housing

Housing is a basic human need. It plays a crucial role in determining whether or not people live in poverty and in a society's ability to realise broader social outcomes. It impacts on people's ability to participate in employment, education and training, as well as the social life of the community, and to maintain good health and well being.

Although Australia is well housed in general, a fundamental and growing affordability problem has emerged – the amount of well located, affordable housing available for people on low incomes, including the working poor, is decreasing sharply. The worst example of this is the poor quality and inappropriateness of much Indigenous housing.

Some of the forces driving a reduction in housing affordability are described below.

¹⁹⁹ The evidence that geographical criteria are suitable for resource allocation for medical needs is quite weak.

Continued decline in spending on social housing

Between 1984-85 and 1994-95, taking inflation and changes in the population into account, per capita levels of spending via the Commonwealth State Housing Agreement (CSHA) decreased by 25%²⁰⁰. Funding responsibility is gradually being shifted to the States and Territories it competes with an ever growing list of services to be funded from GST revenues.

Decreasing levels of home ownership

The wealth creation and retirement savings once provided by home ownership are being restricted to fewer and fewer people. The First Home Owners Grant has fuelled price inflation and added to the affordability problems of many non home owners.

House price inflation has reduced access to home ownership and affordable private rental options – particularly in ‘global cities’ such as Sydney. At March 2002 the median house price in Sydney was \$350,000²⁰¹.

With home purchase levels are falling, renting is increasing. At the same time, there has been a 28% decline in the level of private rental stock available for people at the bottom end of the market. Negative gearing (the main private rental investment incentive) encourages investment in properties with capital gain potential and provides very limited incentive for investment in affordable housing.

Increasing numbers of homeless people

Affordability and accessibility of accommodation are key factors in why people become homeless. There has been a rapid rise in homelessness in Australia over the last decade, with between 60,000 and 105,000 homeless people on any given night²⁰². Changes in health policy (de/non institutionalisation and early discharge) has also increased pressure on homelessness services and accommodation needs.

Changes in the nature of work

Changing work patterns and needs including distribution of jobs across sectors, skills categories and regions, and the shift to higher levels of casual and part time work has also resulted in changes to the distribution of income between under employed and over employed households and has further contributed to an increase in demand for low cost rental accommodation.

The targeting of public housing

Originally housing for working families, over the last 20 years public housing has become increasingly rationed to the most disadvantaged. Being on a low income is no longer the main criteria for being housed in public or community housing. Most new tenants are now on some form of Centrelink payment or benefit. An inevitable result of a heavily rationed single source of investment has reduced State Housing Authority income to unsustainable levels and rendered the present stock profile and management inadequate to its new role. It

²⁰⁰ The CSHA is the primary funding vehicle for public and community housing. It is a jointly funded program with the Commonwealth providing the majority of the funds and the States and Territories providing matching funding at a lower rate.

²⁰¹ FaCS, March 2002, *Australian Housing Market: Statistical Update*.

²⁰² 2000, SAAP Data and Research Advisory Committee.

is certain that the social housing system cannot be sustained if both income related rents and targeting remain.

Public housing is carrying significant unfunded maintenance and redevelopment liabilities, and faces a cash flow crisis which has meant virtually no new stock has been added nationally as capital funding has been used to meet this gap.

Commonwealth Rent Assistance (CRA) does not ensure affordability for those renting in the private market

As at 30 June 2001 almost 1 million individuals and families were in receipt of CRA²⁰³. It is paid to people/families who are renting privately or in community housing and receive some other payment, thus leaving out a growing number of low income households. It is not paid to public housing tenants²⁰⁴. It currently fails to provide affordability in the major housing markets in Australia, because of its low ceiling. Some are also concerned that it has the effect of increasing rents at the bottom end of the private market. Coupled with the continued shrinking of the public housing system, unless extra subsidy streams are found, the result will be many more low income people pushed into the CRA stream.

The Housing/Poverty nexus

Housing costs are the major non discretionary expenditure for most households — particularly for low income earners.

A standard benchmark for housing costs as a percentage of income is 30%. This is the same benchmark that banks and lending institutions apply when assessing capacity to pay a mortgage. Low income earners paying more than 30% of their income in housing costs are said to be in housing stress. Households in receipt of CRA who pay more than 50% of their income in rent are in extreme housing stress – in June 2002 up to 90 000 low income people/families on income support were paying more than half their income in rent every week.

Households in the bottom 20% of income earners are especially vulnerable to housing stress and the low level of income support payments contributes to the experience of housing stress. Approximately a quarter of a million people currently experience housing stress and if trends continue by 2020 the number will be one million²⁰⁵.

Yates and Wulfe estimate that despite the housing boom, affordable housing in Australia continues to decline and we are facing a housing affordability crisis. Nationally there is an estimated shortage of 150,000 units of affordable housing²⁰⁶. The lack of affordable housing is consistently reported as a key problem in *Australians Living on the Edge*, a regular survey of community services conducted by ACOSS and the State and Territory Councils of Social Service. In 2002, 29% of the client population base did not receive the housing service they sought²⁰⁷.

²⁰³ 2002, Department of Family and Community Services unpublished data.

²⁰⁴ Some community housing tenants are eligible to receive Commonwealth Rent Assistance.

²⁰⁵ Berry and Hall, 2002.

²⁰⁶ Yates, J & Wulfe, M, 2000, 'W(h)ither low cost private rental housing?', *Urban Policy and Research* Vol 18.

²⁰⁷ ACOSS, 2003, *Australians Living on the Edge* 5, Paper 125.

Housing is a key indicator of social exclusion in most countries. Housing access and affordability is acutely linked to employment opportunities. Location is a major determinant of economic and social opportunity, however, it is now clear that such opportunities are becoming more geographically polarised. Job rich areas are often associated with tight housing markets and a lack of affordable housing while the converse is true of many job poor areas. Regions where disadvantage is already concentrated tend to be characterised by low investment and low levels of education, which further discriminates against the future well being of community members.

People may also move to regional areas to find lower cost housing options, rather than for employment, loading additional stress on those communities. For social security recipients, a move to lower employment area can result in a 26 week non payment breach penalty period.

Homelessness or the risk of homelessness

Homelessness is one of the most visible indicators of shortcomings of social and economic policy. Homeless people are exposed to the most extreme risks of ill health, violence, and barriers to social participation. The core set of factors which underlie homelessness are: poor access to housing; poverty; and unemployment. Any of these factors alone or together place people at high risk of homelessness. Combined with other factors such as poor health disability or the experience of violence, people are at higher risk of homelessness.

It is well known that the inadequate supply of low cost housing compromises the ability of the Supported Accommodation Assistance Program (SAAP) to respond to homelessness as there is a shortage of exit points from crisis or temporary accommodation.

Addressing housing affordability and homelessness

A key priority for ACOSS is to increase the supply of accessible, affordable, appropriate and secure housing which is effectively integrated with essential services and opportunities. The four main issues confronting housing policy in the coming years are:

1. Housing affordability – particularly the huge under supply of affordable rental.
2. The financial viability of social housing.
3. Attracting substantial new investment in social and affordable housing from private investors.
4. The role of housing assistance in overcoming workforce disincentives and assisting participation.

The Commonwealth has a critical role to play in leading and co ordinating a process to advance national housing outcomes, and particularly in responding to the emerging crisis in the supply of affordable housing. It should do this by: utilising work already in train in the States and Territories and at local government level and expert research and industry bodies; working with the National Affordable Housing Research Consortium and others to develop and implement strategies to increase the level of private finance in affordable housing for low income earners; and facilitating review and reform of housing policy and financing arrangements.

Current Government policies and program interventions are not articulated as part of a national framework of economic and social investment. A whole of government approach

is required to develop this strategy to ensure both linkages to the various services required by individuals and families, and a continuing supply of low cost housing.

ACOSS has further lobbied for many years about the need for work to be done on the causes as well as the consequences of homelessness, and has called for the development of a detailed strategy to tackle its root causes and increase the level of support for those who are homeless. Though the Government has a range of prevention and other strategies in place to address homelessness, current levels indicate that much more needs to be done. Having committed to developing a National Homelessness Strategy (NHS), the Government must now appropriately, and with adequate funds, address the structural causes of homelessness.

Recommendations:

R.25 National Housing Strategy

An overarching national housing strategy supported by increases in grant funding, rental assistance and income support payments should be developed with the aim of ensuring all households have access to appropriate and affordable housing, particularly low income and disadvantaged households. This includes:

- *specific strategies to achieve growth in the supply of affordable housing through both public and private investment, rental and owned. One proposal is for a housing bond to be issued with the funds to be distributed to State Housing Authorities or other eligible housing providers to develop and manage housing²⁰⁸;*
- *a substantial increase public housing supply;*
- *development of housing affordability measures, including the setting of affordability benchmarks and reviewing the efficacy of Commonwealth Rent Assistance;*
- *addressing discrimination issues for disadvantaged Australians, including the development of core principles for good private rental market management and monitoring of 'bad tenant' databases.*

R.26 Progressing the National Homelessness Strategy

As part of a three year action plan under the NHS (and as recommended by the Commonwealth Advisory Committee on Homelessness) ensure that the CSHA can be used more flexibly to address prevention and early intervention of homelessness for those most at risk. It is imperative that the Commonwealth draw on the wealth of information developed at State/Territory level through their own homelessness strategies.

²⁰⁸ACOSS is part of the Consortium with peak bodies such as the Housing Industry Association, the ACTU and the National Community Housing Forum. September 2001, *Stage 1 Report, Outlining the need for action.*

5.11 Indigenous disadvantage

As has been evidenced throughout this submission Indigenous people remain among the most disadvantaged in Australia. This disadvantage is the legacy of prolonged dispossession and dispersal from traditional lands and associated economic, social, cultural and spiritual consequences over more than two centuries. Disadvantage among Indigenous Australians needs to be addressed through specific social justice measures, support for economic independence, including through land rights. Such measures should be undertaken in the context of genuine reconciliation between Indigenous and non-Indigenous Australians.

Indigenous Australians must have the right to make decisions about their own lives and futures. This includes the right to develop their own capacities and institutions at the national, state/territory, regional and local levels, in accordance with their own values, aspirations and priorities.

It is increasingly clear that Government needs to address the massive inequalities faced by Indigenous people and that doing so should be tied to impact or outcome goals, rather than just expenditure targets. ACOSS supports the Aboriginal and Torres Strait Islander Commission (ATSIC) in its call for “Indigenous Impact Statements” to ensure that all government decision making processes include consideration of the effects on Aboriginal and Torres Strait Islander people and the inclusion of the Minister for Aboriginal and Torres Strait Islander Affairs in Cabinet. The Council for Aboriginal Reconciliation (CAR) in its final report ‘Reconciliation: Australia’s Challenge’ also recommended that Commonwealth, State and local governments move toward the achievement of specific targets for social justice, within a defined timeframe, for Indigenous Australians. Particularly in rural and remote Indigenous communities, there is a huge gap in accessing basic services that other Australians take for granted — including housing, water, sewerage, communications and power. To address these pressing issues a clear set of targets should be developed and a timeframe set in place to achieve specific improvements in Indigenous wellbeing.

The capacity of Indigenous Australians to engage in institution-building is, for many, conditional upon achieving social justice – reasonable standards of education, health, employment and justice are needed to allow for the participation that is necessary in the process toward reconciliation. The Commonwealth Grants Commission Report on Indigenous Funding (2001) identified in particular problems with the delivery of Commonwealth funded services which effectively form barriers to Indigenous access. It must be a priority to ensure that the barriers to accessing the mainstream programs identified in the Report²⁰⁹ are seriously tackled.

The disadvantage experienced by Indigenous Australians is only ever likely to be addressed if agencies within and across governments collaborate and where governments collaborate with Indigenous communities as well as with other community and private sector agencies.

The Council of Australian Governments (COAG) has, to some extent, recognised this through collaborations that target a number of rural and remote Indigenous communities.

²⁰⁹ *Report on Indigenous Funding*, Commonwealth Grants Commission, 2001 pp. 59-65.

The Commonwealth Government has responded positively to this through its establishment of the Indigenous Communities Taskforce.

To fairly engage in policy formation, its implementation and public debates that underpin Indigenous policy, Australia needs strong local and national Indigenous organisations. The Aboriginal and Torres Strait Islander Commission (ATSIC) has been working to develop regional autonomy models, however, resource constraints and low levels of discretionary funding have hampered their efforts. The process for the resolution of native title matters has also been the subject of a great many legal and funding pressures. Claims from Indigenous people are often not as well resourced as needed, claims take, in many cases, years to resolve while negative outcomes for Indigenous claimants are dispiriting. Given the continuing high number of claims, additional funding is needed for direct supports, as well as organisational capacity.

Genuine reconciliation with Indigenous Australians must include an ongoing commitment to the healing of the 'stolen generations'. There have been some small but significant steps made in focusing on family reunions, counselling and oral history. However, much more needs to be done. This includes the establishment of a Reparations Tribunal that would provide a forum for people to put their stories on the public record and have the harm of past practices acknowledged.

Greater investment is also required to deliver wholistic early interventions for Indigenous families and appropriate care and protection for Indigenous children.

Jonas (2002) in his Social Justice Report 2001 noted the rising rate of imprisonment of Indigenous women, albeit from a low base compared with Indigenous men. Young Indigenous people are particularly at risk of imprisonment, particularly under State and Territory regimes of mandatory sentencing. There are particular needs for improving access to justice and legal services for Indigenous women, young people and children and in preventing and addressing domestic violence.

Recommendations:

R.28 Indigenous access to Commonwealth programs

Commonwealth funded programs, delivered by the community services sector should be resourced to develop and implement, in full consultation with Indigenous communities, appropriate changes to eliminate barriers for Indigenous Australians. In addition all policies and procedures should be reviewed to ensure they are appropriate to all people in need of services.

R.29 Dialogue for reconciliation

Indigenous organisations and communities should be invited to prepare responses to the recommendation of the Council for Aboriginal Reconciliation that formal dialogue around a treaty or agreement should commence. Funds should be made available to Indigenous organisations and communities for the preparation of their responses.

R.30 Identifying causes of Indigenous disadvantage

The federal Government should invite Indigenous people to make proposals for addressing the underlying causes of Indigenous disadvantage, including proposals for the recognition and protection of land rights, economic empowerment and cultural/heritage protection. Funds should be made available to Indigenous communities and organisations for this work, with specific targets and timeframes mutually agreed for the delivery of outcomes.

R.31 Strong Indigenous organisations

Increased support to ATSIC to improve its capacity to support the development of regional autonomy models. This should allow for investment in a capacity building program to ensure access to skill development and training in areas such as organisational management and development, governance, financial management and planning. Additional resources should be allocated to Native Title Representative Bodies to enable them to more effectively fulfil their core functions. A consultative process should be established to negotiate with the 'stolen generations' about the structure and funding for an effective Reparations Tribunal.

R.32 Indigenous culture and heritage

Language retrieval and maintenance programs should be boosted and "keeping places" for Indigenous Australians and communities to display for themselves, or others, items of "keeping culture" should be established.

R.33 Indigenous family and children's services

To better support primary prevention and holistic family support activities, increased resources should be directed towards, culturally appropriate community-controlled child care services, family violence prevention and legal services for Indigenous women and youth

5.12 Place, capacity and access to services

Access to good quality community services is an important poverty prevention and alleviation strategy. The ability of a sole parent to use flexible child care, for example, can make the difference between the parent finding and keeping a job or not being in the labour force. Access to flexible and high quality housing, personal care and transport for a person with a disability can also mean the difference between employment and unemployment. In these circumstances the service becomes an additional resource for the family or individual without which their capacity would be significantly diminished.

Community services moderate existing, often deeply entrenched, inequalities which would otherwise prevent people from taking up the social and economic opportunities enjoyed by others. In this sense, effective community services, like labour market programs, need to be understood in terms of their contribution to wider social policy strategies which aim to redistribute existing patterns of income and work through tax and welfare policies.

Unmet need

The level of unmet need for community services is consistently demonstrated despite there being no reliable overall estimate of the level and type of this unmet need. Some selected data is outlined below.

The annual Councils of Social Service survey of the community services sector consistently shows high levels of unmet demand for community welfare services. The 2002 survey shows that among the 685 organisations surveyed:

- There has been a 12% increase in the estimated number of instances of assistance by agencies between the 2000-01 and 2001-02 financial years, rising from 2,135,331 to 2,382,799.
- There has been a 19% increase in the estimated numbers of people seeking but not receiving the service(s) they sought from respondent agencies between the 2000-01 and 2001-02 financial years, rising from 151,720 to 180,956 people
- Community sector organisations continue to work under increasing pressure, with only 2% of responses indicating they had experienced no increase in pressure. The main reasons given for the increase in pressure were an increase in operating costs (18%), an increase in the number numbers of clients seeking services (16%), and the increasingly complex needs of clients (15%).
- In response to the increase in pressure, agencies continue to rely heavily on staff to provide additional unfunded work and/or are turning to volunteers (17%). The creation and extension of waiting lists, increased referrals and closer targeting of services were used by 28% of organisations as ways of dealing with the pressures they faced.
- Many organisations (42%) expected not to be able to meet an increase in demand and/or costs over the next 12 months.²¹⁰

While there are relatively few pieces of regular and comprehensive research designed to identify specific need levels, some data is available in areas like child care, and disability services. For example, the Australian Institute of Health and Welfare has conservatively estimated that unmet need for disability accommodation, in-home support, day programs, respite services, and disability employment services in 2001 comprised at least:

- 12,500 people needing accommodation and respite services;
- 8,200 places for community access services; and
- 5,400 people needing employment support.²¹¹

Further, unpublished ABS data on Females marginally attached to the Labour Force show that problems in accessing child care is a significant reason for many women not actively seeking work. The ABS estimates that there were 104,000 women not actively seeking work due to problems with child care in September 1990, and 102,000 women not actively seeking work for the same reason in September 1999.

²¹⁰ ACOSS, 2002 *Australians Living on the Edge 5: Survey of the Community Services Sector*, Sydney, pp. 5-6.

²¹¹ Australian Institute of Health and Welfare 2002, *Unmet need for disability services: Effectiveness of funding and remaining shortfalls*, Canberra.

User pays

Another phenomenon that restricts access to community services is the levying of user charges. With tighter targeting of government-funded services, more people have to pay a component of the cost for services they previously available for a minimal fee or no fee at all. The increasing reliance on user charges to provide the shortfall between government funding and the actual cost of service provision, significantly impacts on the capacity of people on low incomes to obtain the services they need and increases their risk of living in poverty.

Good Shepherd Youth and Family Services (2002) examined user pays fees and charges across five areas in Victoria – Kindergartens, Primary and Secondary Schools, the Victorian Methadone Program, Community Health Centre Services and Pharmaceuticals. They found that the trend towards user pays fees and charges poses a serious risk to people's access to quality education and health services. For many individuals and families, the non-payment of fees and charges meant that they were either unable to access programs and/or services or that the imposition of fees created a barrier to full participation. The research also showed that even minor increases in costs caused severe financial stress for low-income families.

A central issue to emerge from this research was that participants were constantly juggling money but this juggling did not ease the hard choices participants were forced to make between essential goods and services, such as paying kindergarten or education costs; food or power; and rent or vital medication.²¹²

Impact of fees – quote from case study

Because people have to make that payment something else has to give later on. I've just had a number of people who have come to me or spoken on the phone about not using heating any more and using hot water bottles to keep them warm at night. And I think that's the ripple effect from having to pay money on so many other things.

Planning and coordination of services and programs

A key structural weakness in the Australian context is that there is little common understanding of the role played by community services in the broader social policy context. This is despite the fact that a wide range of community services are delivered in Australia by all levels of government, the not-for-profit sector, the private sector, families and 'communities'. Without a broad and agreed framework for community services it is difficult to properly plan and prioritise investment.

Australia has a number of important institutional structures which provide frameworks for investment in discrete parts of the community services, health and housing fields –

²¹² Smallwood, H, Webster, M & Ayres-Wearne, V 2002, *User Pays. Who Pays*, Good Shepherd Youth and Family Services, Melbourne, pp. 88-91.

including the Commonwealth State and Territory Disability Agreement, the Home and Community Care Agreement, the Supported Accommodation and Assistance Program, the Commonwealth State Housing Agreement and the Australian Health Care Agreements. In addition to these agreements there are various Commonwealth/State Ministerial Committees through which high level decisions are made about investment in community services.

The weakness of these structures is that they cover only parts of the field (often exposing large service gaps), are not effectively linked to each other or to broader social policy goals, and exclude many of the stakeholders in the negotiating and planning processes.

In order to alleviate poverty it is imperative that the Commonwealth take a lead role in progressing a national development and planning strategy for health and community services in Australia. There is increasing recognition that community care programs can no longer be considered separately from the other intersecting service sectors, including residential aged care, disability services and primary and acute health services. Apart from the administrative complexity for consumers, providers and carers and the problem of duplication, the real and growing concern is with service gaps within and between programs and sectors.

The Commonwealth's internal review of community care arrangements and the Myer Foundation's project looking at alternatives for the future of aged care (among other developments) illustrate that there is a window of opportunity to help reframe the national debate over community care and to develop a comprehensive framework for the integrated planning and delivery of community care which responds effectively and fairly to consumer needs.

Place, capacity and poverty prevention

The experience of poverty is closely connected to where people live and the resources which are collectively available to the people who live in a particular area. There is now a wealth of Australian literature exploring the geography of disadvantage.²¹³

As has been noted, in general terms the relationship between poverty and place is a function of the distribution of jobs within regions. The relationship this has to government intervention in welfare and other redistributive policies (including service provision), the emerging demographic profile of populations and households, and the impact of the housing market. Another important factor is the level of transport infrastructure and services which affects the spatial distance between home, job, services and amenities and the relative ease with which households can access these.²¹⁴

There has been much recent renewed interest in capacity building as a means of addressing poverty and disadvantage within Australian communities. This has been particularly focused at the level of place. While this is encouraging on many levels, there are many issues that need further exploration, understanding and analysis before we are able to make the best of the application of such approaches with the broader social policy agenda.

First, while the concept of 'sustainability' is articulated in relation to capacity building, it is not always clear what this in fact means. As a way of thinking about the best ways to

²¹³ see for example: Stimpson, 2001; Fincher and Nieuwenhuysen, 1998, Fincher and Wulff, 1998; Badcock, 1998; Baum *et al*, 1999; Gregory and Hunter, 1995; Gibson, *et al*, 1996

²¹⁴ Randolph, B, Unpublished.

maximize any given set of resources – bearing in mind the effects social, economic and environmental effects of particular decisions, it is a useful concept. It is also constructive to think about it in terms of the need for long-term commitment to human development.

However, it is more problematic to use it to imply the possibility of perpetually self-sustaining communities. This is because in reality no community is entirely self-sufficient and no individual is entirely self-reliant. All rely on a mix of social, economic, environmental and political supports, derived from a variety of public and private sources. The individual's capacity is often enhanced by a strong community of support around them, and vice versa.

Second, in thinking about capacities of a community we need to be clear about which capacities we are looking at – individual (eg. motivation, mood, desire, aptitude, education, disability, health) organisational (eg. structure, resources, effectiveness) community (eg. infrastructure, employment opportunities, recreation areas, services, private and public income/assets, rates of crime/perception of rates of crime). Further, it is critical to identify how these in fact interact with each other and with the broader policy environment and the systemic barriers these create. At the same time, the nature of engagement at the local level is critical to the outcomes achieved. The ultimate success of capacity-building initiatives is to what extent needs and strategies are identified and owned by communities themselves and the level of power and resources transferred to the most disadvantaged in communities as a result.

Third, while problems of poverty are multi-factorial, it is essential that priorities are established and responsibility taken for delivering on them. Although, it is most appropriate that this responsibility and risk be shared across the whole community, governments in particular have legitimate and ongoing roles in relation to the provision of resources, coordination and policy setting and program development.

As has been argued the development of effective strategies to address poverty and enhance capacity must be built on a sound measurement and data collection framework designed to reflect and progress community and individual needs and aspirations. The whole-of-government and whole-of-community planning that must accompany capacity building will only succeed when it becomes the dominant culture and focus within communities, organisations, and government. The cooperation of each of these sectors is needed to drive anti-poverty strategies at both national and local levels. This framework should include strategies that both improve access to universal services and provide more targeted supports to particular disadvantaged groups or communities. A commitment to such a strategy is urgently needed to make real and lasting changes to the level and impact of poverty and deprivation in Australia.

Recommendations:

R.34 Understanding community need

Australian research should be conducted that measures levels of need across the community, establishes the evidence for effective models of service delivery to meet these needs, sets benchmarks and targets, and evaluates performance. Funding for research and evaluation into the quality and effectiveness of community services in Australia should be boosted, with a stronger emphasis on the integrated effects of national, state and local programs and policies on low income people and disadvantaged areas. A cross-sectoral, cross-jurisdictional reference committee should oversee this work.

R.35 Disability services

This next Commonwealth State Disability Agreement should:

- *ensure adequate funding to meet the new backlog of unmet need;*
- *include a growth factor in line with anticipated growth in the numbers of people with a disability;²¹⁵*
- *include mechanisms for greater transparency in relation to expenditure, service users and outcomes; and*
- *contain strategies to address service and linkage gaps such as — pathways between education, employment and community access services; movement from work to retirement and access to aged care; and supports for people with multiple disabilities and barriers that cross traditional program and jurisdictional boundaries.*

R.36 Community care services

To meet the needs of an ageing and increasingly disabled population, it is important that HACC funding is set at a level that enables an appropriate level of care. This should be accompanied by adoption and implementation of the recommendations for improved resource allocation in the report: Targeting in the Home and Community Care Program²¹⁶.

R.37 Integrated children's services

A Commonwealth/State Agreement on services for children under school entry age should be developed with the Commonwealth's contribution used to drive systemic change towards an integrated and consistent system of high quality, affordable and accessible early childhood services, including child care.

R.38 Affordable child care

Research is required so that reliable benchmarks can be developed for the different types of care, and evaluated on an ongoing basis. Research also needs to be undertaken on demand, supply, and affordability of care at a regional level to enable effective modelling of the impact of funding and policy changes. As a first step the Government should rate the rate of CCB to reduce the highest gap fee.

²¹⁵ Estimated at 1.5% per annum for 0-64 year olds, see *Australia's Welfare 2001*, AIHW.

²¹⁶ *Targeting in the Home and Community Care Program* (National Ageing Research Institute and Bundoora Extended Care Centre (1999) *Targeting in the Home and Community Care Program*, Aged and Community Care Service Development and Evaluation Reports, July 1999-No. 37.

References

- Atkinson, AB et al 2002, *Social indicators – the EU and social inclusion*, Oxford University Press, Oxford.
- Australian Bureau of Statistics 2002, *Australian economic indicators*, cat. no.1350.0, ABS, Canberra.
- Australian Bureau of Statistics 2002, *Education and work May 2002*, cat. no. 6227.0, ABS, Canberra.
- Australian Bureau of Statistics 2001, *Government benefits, taxes and household income*, cat. no. 6537.0, ABS, Canberra.
- Australian Bureau of Statistics *Labour force Australia*, cat. no. 6203.0, ABS, Canberra.
- Australian Bureau of Statistics 1999, *Living standards project: final report 1997-99*, ABS, Canberra.
- Australian Bureau of Statistics *Persons not in the labour force*, cat. no.6220.0, ABS, Canberra.
- Australian Bureau of Statistics *Survey of income and housing costs*, cat. no. 6553.0, ABS, Canberra.
- Australian Bureau of Statistics 2003, *Yearbook Australia 2003*, ABS, Canberra.
- Australian Community Research 1998, *Community awareness & attitudes towards poverty: prepared for the West Australian Taskforce on Poverty (1996)*, Luscombe and Associates Pty Ltd, Perth.
- Australian Council of Social Service 2003, *Australians living on the edge 5: survey of the community services sector 2002*, ACOSS Paper 125, ACOSS, Strawberry Hills.
- Australian Council of Social Service 1999, *People in financial crisis III: national emergency relief data collection project third annual report*, ACOSS Paper 101, ACOSS, Strawberry Hills.
- Australian Institute of Health and Welfare 2002, *Unmet need for disability services: effectiveness of funding and remaining shortfalls*, AIHW, Canberra.
- Badcock, B 1998, 'Forgotten places, excluded citizens and the rise of one nation,' *Urban Policy and Research*, vol.16 no.3 pp.241-246.
- Baum, S, Stimpson, R, O'Connor, K, Mullins, P & Davis R (1999) *Community opportunity and vulnerability in Australia's cities and towns: characteristics, patterns and implications*, for the Australian Housing and Urban Research Institute, University of Queensland Press, Brisbane.
- Borland, J, Gregory, B and Sheehan, P (eds.) 2001, *Work rich, work poor: inequality and economic change in Australia*, Victoria University, Melbourne.
- Borland, J and Kennedy, S 1998, *Dimensions, structure and history of Australian unemployment*, CEPR Discussion Paper No. 388, Centre for Economic Policy Research, Australian National University, Canberra.
- Bradbury, B 1996, *Are the low income self-employed poor?*, SPRC Discussion Paper No.73, Social Policy Research Centre, University of New South Wales.
- Bradshaw, J, Gordon, D, Levitas, R, Middleton, S, Pantazis, C, Payne, S and Townsend, P 1998, *Perceptions of poverty and social exclusion 1998: report on preparatory research*, Townsend Centre for International Poverty Research, University of Bristol.
- Bray, JR 2003, *Hardship and Australian families*, paper presented to the 8th Australian Institute of Family Studies Conference, 12-14 February, 2003, Melbourne. Spatial and Distributional Analysis Section, Department of Family and Community Services, Canberra.

- Bray, JR 2001, *Hardship in Australia: an analysis of financial stress indicators in the 1998-99 Australian Bureau of Statistics Household Expenditure Survey*, Occasional Paper No.4, Department of Family and Community Services, Canberra.
- Brownlee, H 1990, *Measuring living standards*, AIFS Australian Living Standards Study Paper 1, Australian Institute of Family Studies, Melbourne.
- Brownlee, H and McDonald, P 1993, *In search of poverty and affluence: an investigation of families living in two Melbourne municipalities*, AIFS Working Paper No.10, Australian Institute of Family Studies, Melbourne.
- Burnside 1999, *Burnside's images of children: background paper*, Burnside, North Parramatta.
- Burtless, G 2002, *Welfare reform: the case of lone parents – lessons from the U.S. experience*, Brookings Institution, Washington DC.
- Carter, J (ed.) 1991, *Measuring child poverty*, Brotherhood of St Laurence, Fitzroy.
- Centrelink 2003, *A guide to commonwealth government payments on behalf of the Commonwealth Department of Family and Community Services and the Department of Education, Science and Training, 1 January-18 March 2003*, Centrelink, Canberra.
- Chalmers, J and Kalb, G 2000, *The transition from unemployment to work*, SPRC Discussion Paper No.109, Social Policy Research Centre, University of New South Wales.
- Chamberlain, C 1999, *Counting the homeless: implications for policy development 1996*, cat. no. 2041.0, Australian Bureau of Statistics, Canberra.
- Child Poverty Action Group 2001, *Poverty: the facts*, Child Poverty Action Group, London.
- Combat Poverty Agency 2002, *Poverty in Ireland – the current picture*, Poverty Briefing No.9, Combat Poverty Agency, Dublin, viewed 1 November 2002, <http://www.cpa.ie>.
- Commonwealth Grants Commission (Australia) 2001, *Report on Indigenous funding 2001*, CGC, Canberra.
- Council for Aboriginal Reconciliation, 2000 *Reconciliation: Australia's Challenge: Final Report of the Council for Aboriginal Reconciliation to the Prime Minister and the Commonwealth Parliament* Commonwealth of Australia, Canberra.
- Dawkins, P, Gregg, P and Scutella, R 2002, *Employment polarisation in Australia*, Melbourne Institute Working Paper No. 9/02, Melbourne Institute of Applied Economic and Social Research, University of Melbourne.
- Dawkins, P, Gregg, P and Scutella, R 2001, *The growth of jobless households in Australia*, Melbourne Institute Working Paper No. 3/01, Melbourne Institute of Applied Economic and Social Research, University of Melbourne.
- Department of Education, Science and Training 2002, *Annual report 2001-02*, DEST, Canberra.
- Department of Employment, Education, Training & Youth Affairs and Centrelink 1998, *Job seeker classification instrument (JSCI)*, DEETYA, Canberra.
- Department of Family and Community Services 2002, *Annual report 2001-02: volume 2*, FaCS, Canberra.
- Department of Family and Community Services 2002, *Australian housing market: statistical update*, Spatial and Distributional Analysis Section, Strategic Policy Analysis Branch, FaCS, Canberra.
- Department of Family and Community Services *Labour market and related payments: a monthly profile*, FaCS, Canberra.
- Department of Family and Community Services 2000, *Statistical appendix to the report of the Reference Group for Welfare Reform*, FaCS, Canberra.
- Department of Health and Aged Care 2001, *National action plan on illicit drugs 2001 to 2002-03: background paper*, AusInfo, Canberra.
- Department of Social Security 1995, *Developing a framework for benchmarks of adequacy for social security payments*, Policy Discussion Paper No.6, Australian Government Publishing Service, Canberra.

- Department of Social Security and Social Policy Research Centre 1998, *Development of indicative budget standards for Australia*, AusInfo, Canberra.
- Dusseldorp Skills Forum 1998, *Australia's youth: reality and risk*, DSF, Sydney.
- Dusseldorp Skills Forum 1999, *Australia's young adults: the deepening divide*, DSF, Sydney.
- Eardley, T 1998, *Working but poor?: low pay and poverty in Australia*, SPRC Discussion Paper No.91, Social Policy Research Centre, University of New South Wales.
- Edgar, D, Keane, D and McDonald, P (eds.) 1989, *Child poverty*, Allen & Unwin, Sydney / Australian Institute of Family Studies, Melbourne.
- European Commission 1996, *The European Labour Force Survey: methods and definitions*, Office for the Official Publications of the European Communities, Luxembourg.
- European Commission 1996a, *First report on economic and social cohesion*, Office for the Official Publications of the European Communities, Luxembourg.
- European Commission 1999, *Purchasing power parities and related economic indicators: results for 1995 and 1996*, Office for the Official Publications of the European Communities, Luxembourg.
- European Commission 2000, *Key data on education in Europe*, Office for the Official Publications of the European Communities, Luxembourg.
- European Commission 2000a, *Structural indicators, communication from the Commission*, COM (2000), 594 final, Brussels. <http://europa.eu.int>
- European Commission 2000b, *Structural indicators, annex 2 to the Stockholm Report, communication from the Commission*, COM (2000) 79 final/2, Brussels. <http://europa.eu.int>
- European Commission 2001, *Second report on economic and social cohesion*, Office for the Official Publications of the European Communities, Luxembourg.
- Eurostat 1997, *Statistics in focus: population and social conditions*, No. 6, Office for the Official Publications of the European Communities, Luxembourg.
- Eurostat 1999, *Education across the European Union: statistics and indicators*, Office for the Official Publications of the European Communities, Luxembourg.
- Eurostat 2000, *European social statistics: income, poverty and social exclusion*, Office for the Official Publications of the European Communities, Luxembourg.
- Eurostat 2000a, *Labour Force Survey 1999*, Office for the Official Publications of the European Communities, Luxembourg.
- Fabig, F 1999, 'Income mobility and the welfare state: an international comparison with panel data', *Journal of European Social Policy*, vol. 9, no.4, pp.331-349.
- Feeney, A et al (eds.) 2001, *Bridging the gap – the role of education in overcoming the increasing distance between the 'haves and have nots': research briefing for the staging of the National Education and Employment Forum 2000-2001*, NEEF, Brisbane.
- Fincher, R and Nieuwenhuysen, J (eds.) 1998, *Australian poverty then and now*, Melbourne University Press, Melbourne.
- Fincher, R & Wulff, M 1998, 'The locations of poverty and disadvantage' in Fincher, R and Nieuwenhuysen, J (eds.) 1998, *Australian poverty then and now*, Melbourne University Press, Melbourne.
- Forster, M 1994, *Measurement of low incomes and poverty in a perspective of international comparisons*, Labour Market and Social Policy Occasional Papers No.14, Organisation for Economic Co-operation and Development, Paris.
- Forster, M 2000, *Trends and driving factors in income distribution and poverty in the OECD area*, Labour Market and Social Policy Occasional Papers No.42, Organisation for Economic Co-operation and Development, Paris.
- Gibson, K, Huxley, M, Cameron, J, Costello, L, Fincher, R, Jacobs, J, Jamieson, N, Johnson, L, & Pulvirenti, M (1996) *Restructuring difference: social polarisation and the city*, Working Paper 6, Australian Housing and Urban Research Institute, Melbourne.

- Glennerster, H, Lupton, R, Noden, P and Power, A 1999, *Poverty, social exclusion and neighbourhood: studying the area bases of social exclusion*, CASE Paper 22, London School of Economics.
- Goldsworthy, J 2001, *A line in the sand: faces of poverty in Australia – a report by the Financial and Consumer Rights Council Inc.*, Financial and Consumer Rights Council Inc., Melbourne.
- Gordon, D, Adelman, L, Ashworth, K, Bradshaw, J, Levitas, R, Middleton, S, Pantazis, C, Patsios, D, Payne, S, Townsend, P and Williams, J 2000, *Poverty and social exclusion in Britain*, Joseph Rowntree Foundation, York.
- Gordon, D and Townsend, P (eds.) 2001, *Breadline Europe: the measurement of poverty*, Policy Press, Bristol.
- Greenwell, H, Lloyd, R and Harding, A 2001, *An introduction to poverty measurement issues*, Discussion Paper No. 55, National Centre for Social and Economic Modelling, University of Canberra.
- Gregory RG 2002, *Children and the changing labour market: joblessness in families with dependent children*, CEPR Discussion Paper No.406, Centre for Economic Policy Research, Australian National University, Canberra.
- Gregory, RG and Hunter, B 1995, *The macro economy and the growth of ghettos and urban poverty in Australia*, paper to accompany the Telecom Address at the National Press Club, 26 April. Research School of Social Sciences, Australian National University, Canberra.
- Harding, A, Lloyd, R and Greenwell, H 2001, *Financial disadvantage in Australia: the persistence of poverty in a decade of growth*, National Centre for Social and Economic Modelling, University of Canberra / The Smith Family, Camperdown.
- Harding, A and Szukalska, A 1999, *Trends in child poverty in Australia: 1982 to 1995-96*, Discussion Paper No.42, National Centre for Social and Economic Modelling, University of Canberra.
- Harding, A and Szukalska, A 2000, *Social policy matters: the changing face of child poverty in Australia, 1982 to 1997-98*, paper presented to the 7th Australian Institute of Family Studies Conference, Melbourne, 26 July. National Centre for Social and Economic Modelling, University of Canberra.
- Henderson, RF (chair) 1975, *Poverty in Australia: Australian Government Commission of Inquiry into Poverty – first main report April 1975*, Australian Government Publishing Service, Canberra.
- Henderson, RF, Harcourt, A and Harper, RJA 1970, *People in poverty: a Melbourne survey*, Cheshire for the Institute of Applied Economic and Social Research, University of Melbourne.
- Henry, K 2002, *Globalisation, poverty and inequality: friends, foes or strangers?*, paper presented at the 2002 Economic and Social Outlook Conference – ‘Towards Opportunity and Prosperity’, 4 April 2002, University of Melbourne.
- House of Representatives Standing Committee on Aboriginal and Torres Strait Islander Affairs, 2001 *We can do it: The needs of urban dwelling Aboriginal and Torres Strait Islander peoples* Commonwealth of Australia, Canberra.
- Hunter, B 1999, *Three nations, not one: Indigenous and other Australian poverty*, Centre for Aboriginal Economic Policy Research Working Paper No.1/1999, CAEPR, Australian National University, Canberra.
- Jesuit, D and Smeeding, T 2002, *Poverty and income distribution*, Luxembourg Income Study Working Paper No.293, Maxwell School of Citizenship and Public Affairs, Syracuse University, New York.
- Jin, R, Shah, C and Svoboda, T 1997, ‘The impact of unemployment on health: a review of the evidence’, *Journal of Public Health Policy*, vol.18 no.3. pp.275-301.

- Johnson, J 2002, *Poverty in Australia: developing community dialogue – report of a qualitative research study*, Brotherhood of St Laurence, Fitzroy.
- Just Tasmania Coalition 2000, *Hearing the voices: life on a low income in Tasmania, 1999 - vol.1*, Anglicare Tasmania, Hobart.
- Just Tasmania Coalition 2001, *Hearing the voices: calling for change – vol. 2*, Anglicare Tasmania, Hobart.
- Keating, M 2003, *Earnings and inequality*, CEPR Discussion Paper No. 460, Centre for Economic Policy Research, Australian National University, Canberra.
- Kelleher, J and Jean, C 2000, *A literature review: transgenerational income support dependence – a project conducted by AIFS on behalf of the Department of Family and Community Services*, Family Information Centre, Australian Institute of Family Studies, Melbourne.
- Kennedy, K (chair) 2001, *Final report of the Social Welfare Benchmarking and Indexation Group*, Department of Social, Community and Family Affairs / Economic and Social Research Institute, Dublin.
- Krishnana, V, Jensen, J and Ballantyne, S 2002, *New Zealand living standards 2000*, Centre for Social Research and Evaluation, Ministry of Social Development, Wellington.
- Lawson, J and Black, B 1993, 'Socio-economic status: the prime indicator of premature death in Australia', *Journal of Biological Sciences*, vol.25. pp.539-552.
- Mack, J and Lansley, S 1985, *Poor Britain*, George Allen & Unwin, London.
- McClelland, A 2000, *'No child...': child poverty in Australia*, Brotherhood of St Laurence, Fitzroy.
- McClure, P (chair) 2000, *Participation support for a more equitable society: final report of the Reference Group on Welfare Reform*, Department of Family and Community Services, Canberra.
- McCormack, V (comp.) 2001, *Dead man's shoes: unemployment in Tasmania and the stories of job seekers looking for work and the story of T.O.E.S. – a report prepared by the Tasmanian Council of Social Service Inc.*, TasCOSS, Sandy Bay.
- Melbourne Institute of Applied Economic and Social Research 2002, *Poverty lines: Australia*, MIAESR, University of Melbourne.
- Miceli, D 1998, *Measuring poverty using fuzzy sets*, NATSEM Discussion Paper No.38, National Centre for Social and Economic Modelling, University of Canberra.
- Micklewright, J 2002, *Social exclusion and children: a European view for a US debate*, CASE Paper 51, London School of Economics.
- Organisation for Economic Co-operation and Development 2002, *OECD employment outlook July 2002*, OECD, Paris.
- Ottchalk, PG 1997, 'Inequality, income growth and mobility', *Journal of Economic Perspectives*, vol.11, no.2.
- Pearce, D, Disney, J and Ridout, H 2002, *Making it work: the report of the Independent Review of Breaches and Penalties in the Social Security System*, Fineline, Sydney.
- Percy-Smith, J (ed.) 2000, *Policy responses to social exclusion: towards inclusion?*, Open University Press, Buckingham.
- Perkins, C. et. al. 1995 *Recognition Rights and Reform: a report to Government on Native Title Social Justice Measures* Council for Aboriginal Reconciliation and ATSIC, Canberra.
- Podder, N 1978, *The economic circumstances of the poor*, Commission of Inquiry into Poverty Consumer and Clients Series, Australian Government Publishing Service, Canberra.
- Richardson, S 1998, *Who gets minimum wages?* CEPR Discussion Paper No. 386, Centre for Economic Policy Research, Australian National University, Canberra.
- Richardson, S and Travers, P 1989, *Averages and tails: the tenuous link between poverty status and standard of living*, Working Paper No.89-5, Department of Economics, University of Adelaide.

- Ringen, S 1988, 'Direct and indirect measures of poverty', *Journal of Social Policy*, vol.17. pp.351-365.
- Robinson, C 1999, *The 'hidden faces' of poverty: identifying poverty issues in Australia*, Society of St Vincent de Paul, Lewisham.
- Rothman, S 2002, *Achievement in literacy and numeracy by Australian 14 year olds, 1975-1998*, Australian Council for Educational Research, Hawthorn.
- Sanders, W. 1999, *Unemployment Payments, the Activity Test and Indigenous Australians: Understanding Breach Rates* CAEPR Research Monograph No. 15, Australian National University, Canberra.
- Saunders, P 1997, 'The meaning of poverty', *SPRC Newsletter*, no.65. pp.1, 4-5.
- Saunders, P 1998, *Defining poverty and identifying the poor: reflections on the Australian experience*, SPRC Discussion Paper No.84, Social Policy Research Centre, University of New South Wales.
- Saunders, P 2001, 'Household income and its distribution' in *Australian Economic Indicators June 2001*, cat. no. 1350.0, Australian Bureau of Statistics, Canberra, pp. 33-55.
- Saunders, P 2002, *Direct and indirect effects of unemployment*, SPRC Discussion Paper No.118, Social Policy Research Centre, University of New South Wales.
- Saunders, P and Taylor, R (eds.) 2002, *The price of prosperity*, UNSW Press, Sydney.
- Sen, A 1976, 'Poverty: an ordinal approach to measurement', *Econometrica*, vol.44, no.2. pp.219-231.
- Sen, A 1983, 'Poor, relatively speaking', *Oxford Economic Papers*, vol.35, no.1. pp.153-169.
- Sen, A 1985, 'A Sociological approach to the measurement of poverty: a reply to Professor Peter Townsend', *Oxford Economic Papers*, vol.37, no.4. pp.669-676.
- Sen, A 1995, *Inequality reexamined*, Russell Sage Foundation, New York.
- Sheehan, P (ed.) 1996, *Dialogues on Australia's future: in honour of the late Professor Ronald Henderson*, Centre for Strategic Economic Studies, Victoria University of Technology, Melbourne.
- Sinfield, A 2002, *Response to the DWP consultation document on 'Measuring Child Poverty'*, School of Social and Political Studies, University of Edinburgh.
- Smallwood, H, Webster, M and Ayres-Wearne, V 2002, *User pays. who pays?: a report into the impact of government fees and charges on people living with low incomes*, Good Shepherd Youth and Family Service, Collingwood.
- Smeeding, TM, Rainwater, L and Burtless, G 2000, *United States poverty in a cross-national context*, Luxembourg Income Study Working Paper No.244, Maxwell School of Citizenship and Public Affairs, Syracuse University, New York.
- Social Exclusion Unit 2001, *Preventing social exclusion: report by the Social Exclusion Unit*, The Stationery Office, London.
- Social Protection Committee 2001, *Report on indicators in the field of poverty and social exclusion*, Report No. 13509/01, Brussels.
- Spicker, P 2002, *Poverty and the welfare state: dispelling the myths*, Robert Gordon University, Aberdeen.
- Stewart, K 2002, *Measuring well being and exclusion in Europe's regions*, CASE Paper 53, London School of Economics.
- Stimpson, R J 2001, 'Dividing societies: the socio-political spatial implications of restructuring in Australia,' *Australian Geographical Studies*, vol.39, no.2. pp.198-216.
- Taylor, J and Macdonald, F 1998, *Life at six: life chances and beginning school*, Brotherhood of St Laurence, Fitzroy.
- Taylor, J and Jope, S 2001, *Poverty on the metropolitan fringe*, Brotherhood of St Laurence, Fitzroy.

- Taylor, J and Fraser, A 2003, *Rich and poor: life chances of children in Australia*, paper presented at 8th Australian Institute of Family Studies Conference, Melbourne, 12-14 February. Brotherhood of St Laurence, Fitzroy.
- Ternowetsky, G 1980, *Inter-generational poverty, life styles and incomes maintenance: an analysis of the cultural and situational views of poverty*, Department of Social Security / Australian Government Publishing Service, Canberra.
- The Australian Collaboration 2001, *Where are we going: comprehensive, cultural, environmental and economic reporting*, ACOSS, Redfern.
- Townsend, P 1979, *Poverty in the United Kingdom: a survey of household resources and standards of living*, Penguin Books, Harmondsworth.
- Travers, P and Richardson, S 1993, *Living decently: material well-being in Australia*, Oxford University Press, Melbourne.
- Travers, P and Robertson, F 1996, *Relative deprivation among DSS clients: results of a pilot survey*, National Institute of Labour Studies Monograph Series No.2, Flinders University, Adelaide.
- Trethewey, J 1989, *Aussie battlers: families and children in poverty*, Collins Dove in association with the Brotherhood of St Laurence, Burwood Vic.
- United Kingdom. Department for Work and Pensions 2002, *Measuring child poverty: a consultation document*, Department for Work and Pensions, London.
- United Nations Children's Fund 2000, *A league table of child poverty in rich nations*, Innocenti Report Card Issue No.1, Innocenti Research Centre, UNICEF, Florence.
- United Nations Development Program 1997, *Human development report 1997*, Oxford University Press, Oxford.
- United Nations Development Program 1998, *Human development report 1998*, Oxford University Press, Oxford.
- United Nations Development Program 2000, *Human development report 2000*, Oxford University Press, Oxford.
- Veit-Wilson, J 2002, *Response to the Department for Work and Pensions consultation on child poverty measurement, July 2002*, Department of Sociology and Social Policy, University of Newcastle upon Tyne.
- Whelan, CT, Layte, R and Maitre, B 2002, 'Multiple deprivation and persistent poverty in the European Union', *Journal of European Social Policy*, vol.12, no.2. pp.91-105.
- Whiteford, P 1999, *Issues in measuring "welfare dependence"*, Strategic Policy and Analysis Branch, Department of Family and Community Services, Canberra.
- Woods, G 1999, *The human development report: a statistical profile of wealth and inequality*, Research Note 12 1999-2000, Parliamentary Library, Canberra.
- World Summit for Social Development 1995, *The Copenhagen declaration and programme of action*, United Nations, New York.
- Yates, J and Wulff, M 2000, 'W(h)ither low cost private rental housing', *Proceedings of the National Housing Conference - Reform and Renewal in Social Housing*, 29th-30th November 1999, Sydney.
- Yencken, D. and Porter, L. 2001 *A Just and Sustainable Australia*, The Australian Collaboration, Melbourne.
- Zappala, G and Parker, B 2000, *The Smith Family's Learning for Life program a decade on: poverty and educational disadvantage*, Background Paper No.1, The Smith Family, Camperdown, NSW.