

Poverty and its Causes

What is poverty?

Poverty is a relative concept used to describe the people in a society that cannot afford the essentials that most people take for granted. While many Australians juggle payments of bills, people living in poverty have to make difficult choices – such as skipping a meal to pay for a child's textbooks.

In Australia, the term 'poverty' refers to people living in relative poverty: those whose living standards fall below an overall community standard. People living in poverty not only have low levels of income; they also miss out on opportunities and resources that most take for granted, such as adequate health and dental care, housing, education, employment opportunities, food and recreation.

How is poverty measured?

Poverty is often measured using 'poverty lines'. The Henderson poverty line, established by Professor Henderson in an inquiry into poverty in the 1970s, is still often quoted as the poverty line in Australia. However, more recently the Organisation for Economic Co-operation and Development (OECD) poverty line (50% of the median disposable income for all Australian households) and the poverty line used by the European Union and the UK (less than 60% of median income) have been used. Poverty lines measure 'income poverty'; the number of people living beneath an unacceptably low income level.

Another method of measuring poverty is to look at what essential items people are missing out on, through a lack of sufficient income or through having to spend the majority of their income on costs such as health care or housing. This is known as 'deprivation'.

Who lives in poverty?

Research commissioned by ACOSS and conducted by the Social Policy Research Centre at the University of NSW estimates that the number of Australians living in poverty is increasing. Approximately 2.2 million people, or 11.1 per cent of Australians lived in poverty in 2006 – the latest date for which statistics are available - compared with 9.9 per cent in 2004 and 7.6 per cent in 1994. These figures were determined using the 50% of median income poverty line, a stringent one by international standards. Using the measure of poverty that is currently used by the European Union and the UK (less than 60% of median income), the number of Australians living in poverty would nearly double to 3.8 million, or 19.4 per cent of the 2006 population. These poverty lines are shown in Table 3. By way of illustration, the 50% of median income poverty line for a single adult in 2006 was \$281 and the 60% of median income poverty line was \$337.

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Child poverty is of particular concern. According to the Social Policy Research Centre, 12 per cent of Australian children - over 500,000 – in 2005 lived in households with equivalent income less than 50 per cent of the median¹.

Particular groups of people in Australian society are at high risk of income poverty. As can be seen in Table 1, the groups most experiencing income poverty are single people over the age of 65, 47% of whom were living under the poverty line in 2006; and unemployed people, 45% of whom were living under the poverty line in 2006 (using the 50% of median income poverty line). It is likely that poverty among age pensioners has declined since 2009, when the single rate of pension was increased by \$32 a week. However, payments for unemployed and sole parents were not increased at this time (see below).

Table 1: Estimated percentage of each group living below poverty lines (2006)

Family type	50% of median income poverty line	60% of median income poverty line
Single person adult	25%	30%
Couple, no children	7%	11%
Single person, 64+	47%	66%
Couple, 64+	18%	44%
Couple with children	7%	12%
Lone parent families	16%	33%
Unemployed people	45%	65%
All	11%	19%

SOURCE: ACOSS 2008, Poverty in Australia, update on those affected at www.acoss.org.au. For more detailed information see Saunders, Peter; Hill, Trish; and Bradbury, Bruce (2008): Poverty in Australia, Sensitivity Analysis and Recent Trends. SPRC Report 4/08, Social Policy Research Centre.

Most households living below poverty lines are jobless, for example in 2006:

- 74% of those below the 50% of median income poverty line were from jobless households and 40% of people in jobless households lived below this poverty line;
- 69% of those below the 60% of median income poverty line were from jobless households and 66% of people in jobless households lived below this poverty line.

Significantly, Australia spends much less (3.2% in 2005) than the OECD average (6.5% in 2005) on income support as a proportion of GDP, but has an above average proportion of people of workforce age living in jobless households².

Indigenous Australians are especially vulnerable to poverty. ACOSS comparisons show that:

¹ ACOSS 2008: Poverty in Australia, update on those affected at www.acoss.org.au

² OECD Factbook 2010: Economic, Environmental and Social OECD 2010

- Australia has the widest gap in life expectancy – 11.5 years for males and 9.7 years for females - between indigenous and non-indigenous population compared with New Zealand or Canada.
- The median income of indigenous households in 2006 was 65% of non-indigenous households³.

Working Poor

An increasing number of Australian households live in income poverty while at least one member of that household is in paid employment. Known as 'working poor', there were approximately 389 600 Australians living in these conditions in 2005-06, an increase of 9.4% since 2003. While some of these households had a member working full-time, most have only part-time employment. ABS figures show that the proportion of part time employees increased from 19 per cent of the labour force to 29 per cent between 1987 and 2010. Between 1990 and 2007, the proportion of casual employees rose from 19 per cent to 25 per cent.⁴ 59% of working poor households are couples with children.

The minimum wage along with Family Tax Benefits, plays a vital role in protecting low paid workers from poverty. In October 2010, this was just \$569.90 a week for a full time worker.⁵

Deprivation

Poverty means more than simply a lack of sufficient income. Other measures reveal different groups of people living in poverty. One of these measures is deprivation, where people are asked whether they can't afford items which most people regard as essentials of life. The Social Policy Research Centre, in 2006, surveyed people on what they regarded as essential items, asked them whether they had these items, and, if not, whether it was because they could not afford them. Twenty items were regarded by over 50% of survey respondents as essential, including:

- a decent and secure home;
- a substantial meal at least once a day;
- up to \$500 in emergency savings;
- dental treatment;
- heating in at least one room of the house; and
- a separate bed for each child.

The SPRC described as 'multiple deprivation' the lack of at least three out of the 20 essential items. Using this measure, 19% of the survey group were considered to be experiencing multiple deprivation.

³ ABS (2008): Deaths, Australia, 2008. Cat no 3302.0. Available: <http://www.abs.gov.au/ausstats/abs@.nsf/Products/EE25F26DFB274FCCCA2576780025B39B?opendocument>

⁴ ACOSS (2010): Emergency Relief Handbook, 4th Edition (forthcoming)

⁵ Fair Work Australia website: <http://www.fwa.gov.au>

Table 2: Estimated percentage of each group living with multiple deprivation (2006)

Family Type	% Deprived
Single person adult	29%
Couple, no children	11%
Single person, 64+	19%
Couple, 64+	8%
Couple with children	18%
Lone parent families	49%
Unemployed people	54%
All	19%

SOURCE: Davidson, Peter (2008): Who is missing out? Hardship among low income Australians. ACOSS Info paper. Data drawn from Peter Saunders, Yuvisthi Naidoo and Megan Griffiths (2007) Towards New Indicators of Disadvantage: Deprivation and Social Exclusion in Australia.

Multiple disadvantage and income poverty affect different population groups in markedly different ways. For instance, while the rate of income poverty among single people over 64 is approximately 47%, multiple deprivation among single people over 64 is only 19%. One of the main reasons for this difference between income poverty and multiple deprivation is housing costs. For example, 86% of couples over the age of 64 own their house outright, as do 69% of single people over 64, so they do not have to spend a large portion of their income on housing costs. The rate of multiple deprivation for those over the age of 64 was 19% for singles and 8% for couples. This increased to 39% for those who rented their housing. Other reasons for different rates of income poverty and multiple deprivation include asset holdings, such as superannuation, and support from other family members.

The biggest difference between the rates of income poverty and of multiple deprivation are for lone parent families. Under the 50% median income poverty line, 16.4% of lone parent families in 2006 were living in income poverty. However, in the same period, 49% of lone parent families experienced multiple deprivation. This, once again, is partly due to the high costs of housing, as the majority of sole parent families rent their accommodation. Unemployed households have high rates of both poverty and deprivation.

Effects of the Global Financial Crisis (GFC)

The full impact of the worldwide economic downturn on poverty is not yet evident. However, recent figures show that, between February 2008 and February 2010, the number of Australians working full-time decreased from 7.693 million to 7.660 million. During this same period, the number of part-time jobs increased from 3.035 million to 3.311 million, as employers cut working hours or replaced full-time employees with part-time employees.

The official unemployment rate rose from 4.3% in September 2008 to 5.8% in September 2009, and then decreased 5.1% a year later, in September 2010. The main reason for this was the modest impact of the GFC in Australia, which owed much to the Government's well timed stimulus measures. However another reason for the modest rise in the unemployment rate was that, for the purpose of data collection, people are considered employed if they work just one hour per week. The official unemployment rate does not count two groups: the hidden unemployed and the underemployed. The hidden unemployed are people who would be in the labour force if there was full employment. These people have become discouraged in their search for work and have dropped out of the labour market, or would be looking for work if they considered their chances of gaining employment were realistic. The underemployed are people who are counted as employed, but would prefer to work more hours. In September 2009, there were 893,100 people who wanted to work but were not employed; and at the same time, there were 859,106 workers – 7.8% of the workforce – who were underemployed.

Five causes of poverty

Poverty is not just caused by individual circumstances but by major inequalities built into the structure of Australian society. Some of the main causes of this inequality and poverty are access to work and income, education, housing, health and services.

1. Work & income

Despite falling official unemployment rates, there are large numbers of people who are out of work or only have a few hours of work per week. They must rely mainly on social security payments for their income.

Statistics from the Department of Education, Employment and Workplace Relations show that, in August 2010:

- 572 201 people were receiving the Newstart Allowance;
- 82 142 people were receiving the Youth Allowance; and
- of these, 385 577 people had been receiving income support payments for 12 months or more⁶.

Further statistics from the Department of Education, Employment and Workplace Relations reveal that, in 2009:

- There were 344 096 sole parents receiving Parenting Payment (single); and
- There were 129 365 people receiving Parenting Payment (partnered)⁷.

According to the Department of Families, Housing and Indigenous Affairs, in the 2008-09 financial year:

- 757 118 people received the Disability Support Pension; and

⁶ Department of Education, Employment and Workplace Relations (2010): Labour Market and Related Payments: A monthly profile. August 2010. Available: <http://www.workplace.gov.au/NR/rdonlyres/F4D72100-2590-487C-B44D-20183304668C/0/LMRPAugust2010.pdf>

⁷ Department of Families, Housing, Community Services and Indigenous Affairs (2009): Annual Report 2008-09. Available: http://www.fahcsia.gov.au/about/publicationsarticles/corp/Documents/2009_Annual_Report/08_1.htm

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- 602 000 families (including single parent families) received the maximum rate of Family Tax Benefit Part A⁸.

Statistics show that unemployment is more concentrated in some suburbs and regions of Australia. While, in 1976, employment levels were similar across suburbs and regions, levels of employment are now vastly different around the country. In 2009, for instance, while ABS figures showed that the lowest unemployment rate, at 2.6%, was in Sydney's lower north shore, far north Queensland had an unemployment rate of 12.3%.

Low levels of income from social security payments are a major factor in increasing poverty. Currently, an unemployed single person on the Newstart Allowance may receive little as \$234.60 a week in payments, while young people on the Youth Allowance may receive even less – a minimum of \$188.50 a week for those living away from home. The table below compares the 50% and 60% of median income poverty lines with the then maximum rates of social security payments in 2006, when the latest poverty data were available.

Table 3: Income support payments compared with poverty lines, 2006 (\$ per week)

Family type, payment type	Income support payment	50% of median poverty line	Difference	60% of median poverty line	Difference
Single, Newstart allowance	\$202	\$281	-\$79	\$337	-\$135
Single, pension	\$244	\$281	-\$37	\$337	-\$93
Couple, Newstart allowance	\$365	\$421	-\$56	\$506	-\$141
Couple, pension	\$408	\$421	-\$13	\$506	-\$98
Sole parent with 2 children (on Parenting Payment)	\$423	\$449	-\$26	\$539	-\$116
Couple, 2 children (job seeker, on Allowances)	\$528	\$590	-\$62	\$708	-\$180

SOURCE: Saunders, Peter; Hill, Trish; and Bradbury, Bruce (2008): Poverty in Australia, Sensitivity Analysis and Recent Trends. SPRC Report 4/08.

In September 2009, the single age pension was increased to 66% of the couple age pension, a real increase of around \$32 a week. But there was no corresponding rise in income support payments such as Parenting Payment, Newstart Allowance or Youth Allowance – the groups with the highest rates of deprivation. In 2008, NATSEM released a paper modelling the effects of an increase in the single age pension along these lines on the rates of income poverty of single people over the age of 64. Based on the 50% median income poverty line, an increase in the single age pension to 66% of the couple age pension would decrease the percentage of this group living in income poverty by 10%. This is a substantial

⁸ Department of Employment, Education and Workplace Relations (2009): Annual Report 2008-2009. Available: http://annualreport.deewr.gov.au/2009/part_2/outcome_7_06.htm

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reduction in poverty, demonstrating the impact that social security policies can have – although NATSEM estimates that 39% of single age pensioners would still be in income poverty⁹.

The table below shows the differences in payment rates between those on the age pension and those on working age payments, as at March 2010:

Table 4: Anomalies in levels of income support payments (March 2010)

Payments	Target groups	Singles		Couples (combined rates)	
		Maximum rates including pension supplement (\$pw)	Gap between payment and pension rate (\$pw)	Maximum rates including supplements (\$pw)	Gap between payment and pension rate (\$pw)
Pensions (other than for sole parents)	Retirees, people with disabilities, carers, some widows and partners of pensioners	\$351	0	\$529	0
Parenting Payment Single	Sole parents of children under 8 years	\$301	\$50	n.a.	n.a.
Newstart Allowance	Unemployed people, including many people with disabilities, carers and sole parents	\$231 (\$250 for sole parents)	\$120 (\$101 for sole parents)	\$418	\$111
Austudy Payment/ Youth Allowance	Students 18-65 yrs living independently, unemployed young people	\$189	\$162	\$377	\$152

SOURCE: Davidson, Peter (2010): Out of the Maze: A better social security system for people of working age. ACOSS Paper 163. Australian Council of Social Service.

Note: Income support payments for adults only, does not include family Tax Benefits or Rent Assistance.

⁹ Tanton, Robert; Vidyattama, Yogi; McNamara, Justine, Ngu Vu, Quoc and Harding, Anne (2008): Old, Single and Poor: Using Microsimulation and Microdata to Analyse Poverty and the Impact of Policy Change Among Older Australians. NATSEM, National Centre for Social and Economic Modelling, University of Canberra.

2. Education

Low education levels are linked to unemployment and, subsequently, the risk of living in poverty. Families with low levels of education often cannot afford to better educate their children and so give them increased chances of employment:

- ABS figures show that, in 2009, people who had not completed high school had a workforce participation rate of 65.9%, compared with the rate of 83.9% for those who had completed year 12, and 87.5% of people with a bachelor degree; and
- in 2009, people with a Year 10 qualification received a median weekly wage of \$907, compared with over \$1350 for those with a bachelor degree.¹⁰

3. Housing

Only a minority of people on low incomes own their homes outright and rent is often unaffordable in Australia's major cities. Housing impacts on a person's ability to find work, education and training – regions and cities with jobs often have high housing prices and rental rates. Poor housing can also negatively affect a person's health and wellbeing.

Over the past two decades, house prices have risen by 400 per cent, while incomes have risen by only 120 per cent. The problem is exacerbated for low income Australians by the undersupply of affordable and appropriate housing, and an increased demand for housing assistance. Between 1996 and 2006, there was a reduction of 8 per cent in the number of public housing dwellings in Australia. In the same period, Australia's population increased by 13 per cent¹¹.

Many low income households are experiencing "housing stress", which occurs when over 30% of income is spent on either rent or mortgage payments. In 2002-03, the following households in the bottom 40% of the income distribution experienced housing stress:

- 862,000 households overall, or 28% of the bottom 40%;
- 460,000 (or 65% of) private renters; and
- 265,000 (or 49% of) mortgagees.¹²

Almost one third of sole parent families suffered from housing stress¹³.

A lack of affordable housing options has contributed to a rise in homelessness with 105,000 people homeless in 2006, according to the 2006 Census.

¹⁰ Australian Bureau of Statistics (2009): Education and Training Experience. Cat no 6278.0. Available: [http://www.ausstats.abs.gov.au/ausstats/subscriber.nsf/0/4EF49EB952322F4CA2576F500120083/\\$File/62780_2009.pdf](http://www.ausstats.abs.gov.au/ausstats/subscriber.nsf/0/4EF49EB952322F4CA2576F500120083/$File/62780_2009.pdf)

¹¹ ACOSS (2010) *Op Cit*

¹² Yates, Judith; Gabriel, Michael (2006): Housing Affordability in Australia: National Research Venture 3: Housing Affordability for Lower Income Australians, Research Paper 3, AHURI.

¹³ Yates, Judith; Kendig, Hal; Phillips, Ben (2008): Sustaining fair shares: the Australian housing system and intergenerational sustainability. National Research Venture 3: Housing affordability for lower-income Australians. Research Paper No. 11. Australian Housing and Urban Research Institute

4. Health

People living in poverty commonly suffer greater levels of physical and mental illness. The high stress associated with living in poverty can also contribute to behaviour which leads to health risks such as smoking and poor diet. Increasing costs for patients in the health care system makes it harder for people to afford health care. In addition, people with disabilities often have higher costs of medication, equipment or aids, appropriate housing, transport and personal care and other services.

There is evidence that health inequalities have increased. For example, according to NATSEM figures:

- Australians who are most disadvantaged socio-economically are twice as likely as those who are least disadvantaged to have a long term health condition.
- Approximately 50% of the people who live in the poorest 20% of households, or who are members of jobless households, or who live in public rental accommodation, report their health as being poor.
- 45% to 67% of persons living in public rental accommodation have long-term health problems, compared with only 15% to 35% of home-owners¹⁴.

5. Services

Access to affordable community services is an important poverty prevention strategy by helping disadvantaged people to fully participate in social and economic life. These same services are often under strain. The *Australian Community Sector Survey 2010* conducted by ACOSS found that:

- Responding agencies turned away people who were eligible for their services on 263 992 occasions, equivalent to 1 in every 16 people who need a service being turned away.

How can poverty be reduced?

To reduce poverty and address its causes, ACOSS recommends:

- a National Anti-Poverty Plan to take coordinated action across all levels of government to meet targets which reduce poverty and alleviate the causes of poverty;
- an increase in the rates of the lowest social security payments (mainly those for unemployed people, students and lone parents) with new supplements for costs of disability and caring for children alone;
- additional employment assistance for long-term unemployed people to help them become ready for work;
- an adequate minimum wage to reduce poverty among working households;
- increased access to affordable housing including by an expansion of investment in social housing, improvements in private Rent Assistance, and expansion of the National Rental Affordability Scheme (NRAS);
- improved affordability of essential health and community services such as dental care, child care, and respite care.

¹⁴ Brown, Laurie; Nepal, Binod (2010): Health lies in wealth: Health inequalities in Australians of Working Age. Report no 1/2010. Natsem and Catholic Health Australia

Useful Sources

Australian Bureau of Statistics (ABS).

www.abs.gov.au

This site provides a range of data on poverty in Australia.

Australian Council of Social Service (ACOSS).

www.acoss.org.au

ACOSS is the peak council of the community services and welfare sector. This website provides access to a range of materials (papers, reports, submissions, fact sheets) dealing with the issue of poverty in Australia, including, for example:

- Australian Bureau of Statistics (ABS), Department of Employment and Workforce Relations, Australian Council of Social Service (ACOSS) (2003) *The Bare Necessities – Poverty and Deprivation in Australia Today*
- Peter Davidson (2008) *Who is Missing Out? Hardship Among Low Income Australians* ACOSS
- Peter Davidson (2010): *Out of the Maze: A better social security system for people of working age*. ACOSS Paper 163. ACOSS
- Peter Saunders, Trish Hill and Bruce Bradbury (2008) *Poverty in Australia: Sensitivity Analysis and Recent Trends*, Social Policy Research Centre, University of New South Wales
- Peter Saunders and Yuvisthi Naidoo (2008) *Poverty, Deprivation and Consistent Poverty*, Social Policy Research Centre, University of New South Wales
- Peter Saunders, Yuvisthi Naidoo and Megan Griffiths (2007) *Towards New Indicators of Disadvantage: Deprivation and Social Exclusion in Australia*
- Robert Tanton, Yogi Vidyattama, Justine McNamara, Quoc Ngu Vu and Anne Harding (2008): *Old, Single and Poor: Using Microsimulation and Microdata to Analyse Poverty and the Impact of Policy Change Among Older Australians*. NATSEM, National Centre for Social and Economic Modelling, University of Canberra.

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<http://www.canberra.edu.au/centres/natsem/home>

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