



Australian Council
of Social Service



Poverty
in
Australia
2012
Third edition

The Third Edition of **Poverty in Australia 2012**, part of the 'Poverty and Inequality in Australia' series from the Australian Council of Social Service

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Research was conducted by Peter Saunders, Bruce Bradbury and Melissa Wong from the Social Policy Research Centre at the University of NSW.

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Who we are

ACOSS is the peak body of the community and social service sector and the national voice for the needs of people affected by poverty and inequality.

Our vision is for a fair, inclusive and sustainable Australia where all individuals and communities can participate in and benefit from social and economic life.

What we do

ACOSS leads and supports initiatives within the community and social service sector and acts as an independent non-party political voice.

By drawing on the direct experiences of people affected by poverty and inequality and the expertise of its diverse member base, ACOSS develops and promotes socially and economically responsible public policy and action by government, community and business.

Preface

Dr Cassandra Goldie, CEO, ACOSS

By the end of this year, Australia will have taken over its Presidency of the G20, and Australian civil society will have a significant responsibility. At the heart of the challenge of G20 is how we build a strong economy in order to make sure everyone has an adequate standard of living. For Australian civil society, as elsewhere, the G20 agenda is increasingly important. For, despite over 20 years of strong economic growth, poverty and inequality in Australia are on the rise.



Australia is regularly updated on our GDP growth, and other key economic indicators, but we do not have wide spread public understanding of the nature and extent of poverty in Australia.

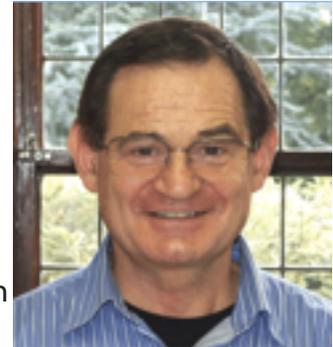
The ACOSS Poverty and Inequality Series is published as a contribution to building public understanding, and to support our members in helping to tell the story of growing injustice in our very lucky country. ACOSS is particularly grateful to the generous sponsorship provided by Anglicare Australia, St Vincent de Paul Society, the Salvation Army, Jobs Australia and the Social Justice Fund.

This report is the Third Edition of 'Poverty in Australia 2012'. First published for Anti-Poverty Week 2012, this Edition now includes analysis of the nature and extent of poverty amongst Aboriginal and Torres Strait Islander people. It also includes a summary of research and reports released across the community and social service sector during Anti-Poverty Week 2013.

Dr David Morawetz, Director Social Justice Fund

Poverty is defined as the pronounced deprivation of well-being, or the inability to satisfy one's basic needs. In such a wealthy nation as ours, its existence is shameful and it reduces us all.

I would like to acknowledge the enormous contribution made by Australian charities and community welfare groups, who strive valiantly to rid us of the scourge of poverty, and who work so hard on a daily basis to make a difference in the lives of those less fortunate.



Your ongoing support and care for those less well-off reminds us all of our own humanity, and makes us all richer.

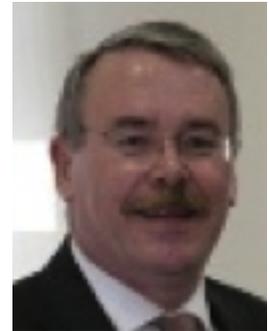
I particularly want to acknowledge the many years of courageous work by the Australian Council of Social Service as the peak body for this vital sector. For nearly 60 years ACOSS has led the charge, producing volumes of evidence-based research, lobbying governments of all political persuasion, and speaking out in public and in the media as the national voice of all people affected by poverty and inequality.

In Australia, we might not have the level of abject poverty that one sees in developing countries, and we have only a fraction of the world's 1.3 billion poor. But in a country as wealthy and as lucky as ours, it is a travesty that there are still so many people living in poverty. We can do better.

Addressing this issue is not just a matter for governments. Poverty is bad for our social relationships, and for our sense of community. It is bad for business. Most of all, it is bad for those who are experiencing it: for their sense of self-worth, for their physical well-being, and perhaps most importantly for their children, for our future generations. We all need to do something about it. This is the reason why I strongly support this timely report. It's a call to arms for all of us. It's time to act.

David Thompson, Jobs Australia

Jobs Australia, a long standing principal sponsor of Anti-Poverty Week, first published these poems (and many others just like them) in 2010 to bring home the meaning of poverty experienced by many Australians. A lack of money – as we can see from the poems – inspires not just shame, anxiety, and occasionally stoic resignation, but also a powerful sense that things could be different. The basic decencies of respectful encounters with institutions, which can cost nothing, matter a lot. And it is plain to see that people living in poverty have immense reserves of energy and drive to make a decent living for themselves, and a future for their children, if only they are given the right chances.



It is not them or us, they are us.

Missing

I haven't seen a film for 8-9 years.
It's \$12 –
I just can't.
I have no social life
unless it's free.
I can't afford to go to a café
and drink coffee –
I just can't.
I tried putting \$3 a day into my budget. I
felt a little more human,
existing within society...
I had to stop doing it,
I couldn't live anymore.
Like being invited out to dinner
or a friend saying,
do you want to catch up for a meal?' I just
can't, no.
I miss it.

Tracey

Dole Bludger

I'm desperate for money.
If there were any jobs...
...I'd be started at 9 o'clock this morning.
I have to tell everyone I'm a dole bludger
and
I don't have any money.
Nobody wants to know a
dole bludger.
My family thinks I'm still working.
I got sacked four years ago.
I didn't tell them I'm a dole bludger.
Mum would get upset,
she wants my future to be secure.
To be able to tell my family that I've got a
job....
a proper job....
Nobody wants to know a
dole bludger.

Bettina

Dr John Falzon, CEO, St Vincent de Paul Society National Council

The truth told by those on the margins is louder than the lies told about them.

Our problem in Australia is not the “idleness of the poor.” Our problem is inequality. This is a social question, not a question of behaviour. We do irreparable harm when we turn it into a question of individual behaviour, blaming people for their own poverty. It is a matter of deep shame for a wealthy nation like ours that our unemployment benefits, for example, have been kept deliberately low as a means of humiliating the very people they were originally designed to assist.



Charities like the St Vincent de Paul Society will always be there for the people who are waging a daily battle from below the poverty line, but the message we are hearing is that people do not want charity. They want justice. And we support them in this struggle for their rights.

We support helping people into the paid workforce. The time has come, however, to abandon the foolish notion that forcing them into deeper poverty improves their chances of employment. You don't build people up by putting them down. You don't help them get work by forcing them into poverty.

We stand with all who are trying to create a good society; a society that does not accept the scourge of rising inequality and exclusion from the essentials of life; a society that does not humiliate people. New passions are springing up. They point to glaring contradictions. They also offer the promise that another kind of society is possible, and can be created collectively under the guiding stars of struggle and hope.

Kasy Chambers, Executive Director Anglicare Australia

Anglicare Australia seeks to engage with all Australians to build communities of resilience, hope and justice. Underpinning that mission is our belief there is a place for everyone; and that everyone can participate and have a stake in our society.



But our experience across the Anglicare network, working with over half a million Australians, is that there is not such a place for everyone. Poverty in modern Australia is a profoundly isolating experience. It traps people out of work, and limits their connection to others. It robs people of their stake in the wider world and the rest of us of their contribution.

We don't really know – nationally – who poverty affects. Anglicare Australia's annual rental housing snapshot this year once again found virtually no affordable private housing for people living on the lowest government payments right across Australia, with the situation for a family trying to live on a minimum wage little better.

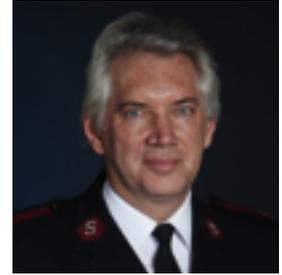
The impact of growing inequity in the paid work force – and the insecurity and poverty that comes with many short term jobs – is showing up at Anglicare services which deliver financial counselling, emergency relief and family support. We need to pay more attention to the shape of poverty in Australia, and its enduring nature.

This Poverty Report is important because it gives us robust, up to date and reliable information on the extent and depth of poverty in Australia. It is starting to fill in the gaps between our undeniable affluence and the economic and social adjustments and inequity that are reflected in the everyday work of Anglicare agencies in communities across Australia.

That is why Anglicare Australia – drawing on support from Anglicare Southern Queensland, Anglicare Victoria and Anglicare Diocese of Sydney – was so pleased to contribute this project. Australia needs the information and the insights that come with this and subsequent reports to steer the policies that allow all Australians, particularly the most vulnerable and disadvantaged, to play their part in our society.

Major Brad Halse, The Salvation Army

The Salvation Army in Australia provides hundreds of social programs through a huge network of support services, community centres and churches across the nation. The Salvation Army annually provides more than a million occasions of service. This includes more than 230,000 people provided with emergency relief, and more than 160,000 meals in any given year.



These numbers verify that, for a large number of people in the community, poverty is a reality. They struggle to meet everyday expenses and financial commitments. Of significant concern is that these individuals also experience severe levels of deprivation (access to services and activities), which further compromises living standards and inclusion in the Australian community. Another concern is the disengagement of children due to costs associated with activities. More than half of adult respondents in a recent Salvation Army study reported being unable to afford to pay for out-of-school activities, and nearly 40% could not afford for their children to participate in school activities.

People are regularly going without items, services and activities that are essential for living and participating in community life.

Income poverty is just one aspect of broader disadvantage that organisations and charities, such as The Salvation Army, work with daily. People living in poverty are forced to make critical choices about their daily living circumstances, and miss out on opportunities and activities that most of the community would take for granted.

The Salvation Army urges the Federal Government to implement change now to help reduce poverty in this country. It is not enough to maintain the status quo.

Introduction

Despite 20 years of economic growth, many people in Australia do not have at least a decent basic standard of living.

The Poverty in Australia Reports are now part of the ACOSS Poverty and Inequality Series. The first Poverty in Australia report was released in 2006. In 2012 ACOSS released its second 'Poverty in Australia' report with new data, and updated the report in the same year with additional data on people with a disability. This report is the third edition of 'Poverty in Australia 2012', which now includes new content on poverty experienced by Aboriginal and Torres Strait Islanders.

One essential difference between the 2012 report and the earlier 2007 report is the treatment of housing. From 2012, ACOSS has measured poverty based on "after housing" income. This recognises that a household with low housing costs can maintain a higher standard of living on the same income than a household that spends a large part of its income on housing. Nationally, 41.7% of households were living in rental stress in 2009-10 – paying rents that mean that do not have enough income after rent to meet their needs.

The 2012 report highlights the number of people living below the poverty line, which groups are affected by poverty, and where they live.

It has been one year since the report was first launched in 2012. This new edition includes some new content – including a page on poverty experienced by Aboriginal and Torres Strait Islander people; and an account of important research released by other community and social services sector organisations during Anti-Poverty Week 2013.



Executive Summary

One simple way to measure the number of people in poverty, widely used by Governments and expert bodies such as the OECD, is the number of people living below a poverty line. This report uses two poverty lines, 50% of median household income (half of the 'middle' income for all households) and 60% of median income.

The lower of these poverty lines, which is used by the OECD, equates to a very austere living standard: a disposable income of less than \$358 per week for a single adult (higher for larger households to take account of their greater costs). This research also takes account of people's housing costs in measuring poverty.

Figures released in this report from 2010 data show that one in eight people, including one in six children, were living at or below this poverty line

Poverty snapshot

In 2010:

- The poverty line (50% of median income) for a single adult was \$358 per week. For a couple with 2 children it was \$752.
- 2,265,000 people (12.8% of all people) were living below the poverty line, after taking account of their housing costs.
- 575,000 children (17.3% of all children) were living below the poverty line.
- 37% of people on social security payments lived below the poverty line including 52% of those on Newstart Allowance, 45% of those on Parenting Payment, 42% of those on Disability Support Pension, 24% of those on Carer Payment, and 14% of those on Age Pension
- 62% of people below the poverty line had social security as their main income and 29% had wages as their main income
- 27.4% of people with a disability, approximately 620,600, lived below the poverty line
- The level of poverty was 12.6% in capital cities compared to 13.1% outside capital cities

The proportion of people in poverty rose by approximately one third of a percent from 2003 to 2010.

In 2010, after taking account of housing costs, an estimated 2,265,000 people or 12.8% of all people, including 575,000 children (17.3% of all children), lived in households below the most austere poverty line widely used in international research. This is set at 50% of the median (middle) disposable income for all Australian households. In the case of a single adult, in 2010, this poverty line was \$358 per week. In the case of a couple with two children it was \$752 (Table 1). This is the main poverty line used in this report.

A less austere, but still low poverty line, that is used to define poverty in Britain, Ireland and the European Union, is 60% of median income. In the case of a single adult, this poverty line in Australia was \$430 per week in 2010.

When this higher poverty line is used, 3,705,000 people, including 869,000 children, were found to be living in poverty. This represented 20.9% of all people and 26.1% of children. A major reason for the large increase in the number of people living below this income (compared with the lower poverty line) is that many households on social security payments have incomes (typically pension payments plus small amounts of private income) that lie in between the two poverty lines.

Table 1 shows the after-tax incomes which constitute poverty lines for different types of family.

Table 1: Comparison of 50% and 60% of Median Income Poverty Lines in 2009-10 (dollars per week, after tax and including social security payments)

Family Type	50% of median income	60% of median income
Lone person	\$358	\$430
Couple only	\$537	\$645
Lone parent with two children	\$573	\$688
Couple with two children	\$752	\$903

Note: For this research, housing costs were deducted from these poverty lines.

Table 2 shows the key findings: the number and proportion of individuals living in households with incomes below these poverty lines in 2009-10, after an adjustment was made for their housing costs.

Table 2: Numbers and percentages of people living below the 50% and 60% of Median Income Poverty Lines in 2009-10

	50% of median income	60% of median income
Number of people below poverty line	2,265,000	3,705,000
Number of children below poverty line	575,000	869,000
Percentage of people below poverty line	12.8%	20.9%
Percentage of children below poverty line	17.3%	26.1%

Note: Individuals in households living below these poverty lines after deducting housing costs.

Table 3 shows the distinctly higher proportion of people living in poverty within the following at-risk groups compared with the national averages of 12.8% (50% poverty line) and 20.9% (60% poverty line): unemployed people, single people over 65 years, people in households mainly reliant on social security, lone parent families, and single people of working age without children. For example, 63.3% of people in unemployed households were living below the 50% poverty line and 73.2% lived below the 60% poverty line.

Table 3: Groups at high risk of poverty: proportions living below poverty lines in 2009-10 (%)

	50% of median income	60% of median income
Unemployed households	63.3	73.2
Single adults over 65 years	23.6	55.8
Households whose main income is social security	36.5	61.3
People with a disability	27.4	44.5
Lone parent families	25.0	36.4
Singe adults (without children) of workforce age	26.4	32.6
All people	12.8	20.9

How poverty is measured in this report

A key internationally accepted tool to measure disadvantage in wealthy countries is to work out the proportion of the population living below a poverty line. Poverty lines are usually based on the disposable (after tax) income of households.

In Australian and international poverty research, the poverty line for a single adult is usually calculated as a proportion of the disposable income - in this case 50% and 60% - of a 'middle income' (median) household. There are different poverty lines to take account of the number of adults and children in a household. The research used in this report takes into account people's housing costs as well as their incomes. This makes a difference because people who have low housing costs (such as those who own their homes outright) are able to achieve a higher standard of living on the same income than those with higher housing costs (for example, tenants and mortgagors). This research deducts housing costs (rent, mortgage payments and rates) from income before calculating the median income on which the poverty lines are based (which reduces the poverty lines) and deducting each household's housing costs from their income (which reduces household incomes). In this way, it compares different households' ability to meet their basic living costs apart from housing¹.

This research was conducted for us by the Social Policy Research Centre at the University of New South Wales². The data source is the Australian Bureau of Statistics (ABS) Income and Expenditure surveys for 2009-10 and previous years³.

Poverty lines provide one indicator of low income and disadvantage. Other commonly used indicators of hardship include whether people can afford essentials such as access to dental care when needed and financial stress⁴.

Ultimately, the experience of living on a low income is a personal one that can best be expressed through people's lived experience. Personal stories show that people in poverty are not all the same. Some come from disadvantaged backgrounds, some have long term illnesses or disabilities, others were once well off but a family crisis or illness changed their lives for the worse. One thing that unites people who do not have access to a decent standard of living is that they aspire to a 'normal' life where income is secure, they are respected, and they have a place in society.

1 Households reporting zero or negative incomes and those with self-employed residents were excluded from the sample due to uncertainty about the accuracy of their incomes as measured in the survey. Note that this reduces the overall population by approximately 3.7 million people. Estimates of the risk of poverty in this report are expressed as proportions of this lower overall population.

2 A detailed report of the methodology prepared by SPRC is available at www.acoss.org.au

3 Regrettably, these surveys do not include information that would allow an opportunity to identify poverty among Aboriginal and Torres Strait Islander peoples.

4 For more information on 'deprivation based' measures of financial hardship, see part 14 of this Report and ACOSS (2011), 'Missing out' at www.acoss.org.au/publications

Anti-poverty week 2013: Reports from the Sector

Reports released by other community and social services sector organisations during Anti-Poverty week 2013, subsequent to the ACOSS 'Poverty in Australia 2012', draw attention to recent trends in poverty, and highlight aspects of the lived experience of poverty.

- Uniting Care and NATSEM research found that in 2012, 2.6 million, or 11.8% of Australians were below the poverty line, and almost a quarter of those were children. Poverty increased to 2012, up from 9.3% of people in 2010. Child poverty also increased - from 10.6% of children in 2010 to 11.8% in 2012¹. The findings differ from ACOSS analysis, which finds that 17.3% of children were in poverty in 2010, compared to the 10.6% of children reported by Uniting Care and NATSEM. The difference is explained by the fact that the ACOSS figures are based on after housing income, and thus tends to capture less households where housing costs are low (e.g. many retirees), and instead captures more low income households with high housing costs (e.g. younger households), including more households with children under the age of 15.
- Uniting Care/NATSEM also find that children living outside capital cities are more likely to be socially excluded than those living within a capital city (1 in 3 children within a capital city were likely to be in the 'least excluded' category of the Child Social Exclusion Index, compared to only 1 in 57 children outside of a capital city).
- According to a 2013 survey of welfare agencies by not-for-profit organisation Foodbank, more than 65,000 people seeking food relief were turned away from charities each month because of insufficient food, 80% of welfare agencies did not have enough food to meet total demand, and 65% of people who relied on food relief did not receive all they required. 1 in 3 people seeking food welfare were children².
- The Brotherhood of St Lawrence's Social Exclusion Monitor found that social exclusion (measured through a combination of employment, health, education and other indicators) is highly prevalent amongst certain groups – it is experienced by around half of people who are over 65, have a disability, have long term health problems or are Aboriginal or Torres Strait Islander. It is particularly high for social housing tenants – with 60 to 75 per cent of such tenants experiencing social exclusion from 2002 to 2011³.

1 The Uniting Care and NATSEM report uses a different methodology for calculating poverty to ACOSS analysis, and so numbers and types of people in poverty differ from those reported in this report. Phillips, Ben et al (2013) *Poverty, Social Exclusion and Disadvantage in Australia*, Report Prepared for Uniting Care, Children Young People and Families. Report published by NATSEM, University of Canberra.

2 Foodbank (2013) *End Hunger in Australia*, End Hunger Report 2013, Food Bank Australia.

3 Azpitarte, Francisco (2013) *Social exclusion monitor bulletin*, October 2013, Research Bulletin, Brotherhood of St Lawrence and Melbourne Institute.

The risk and profile of poverty

This report looks beyond the overall numbers to identify the groups affected by poverty, and where they live. We do this in two ways.

First, we show the *risk* of poverty faced by different groups (such as different types of family): for example, the proportion of individuals in lone parent families who live below the poverty line.

Second, we *profile* the population of people living below poverty lines: for example, the proportion of people living below poverty lines who are in lone parent families.

Looking at poverty from these two perspectives yields different results. For example, the risk of poverty within lone parent families is higher than among couples with children. But because there are more couples with children than lone parent families, a higher proportion of people below poverty lines come from partnered families.

Table 4 sheds light on the factors which contribute to a person's risk of living in poverty. For example, 25% of individuals living in lone parent families were living below the 50% of median income poverty line and 36.4% were living below the higher 60% of median income poverty line.

Table 4: Risk of poverty - proportion of people from different groups living below poverty lines in 2009-10 (%)

By gender	50% of median income	60% of median income
Female	13.5	22.2
Male	12.1	19.5
By age	50% of median income	60% of median income
Under 15	17.3	26.1
15 - 25	12.0	16.6
25 - 64	11.3	16.4
Over 64	13.2	34.9
By family type	50% of median income	60% of median income
Single, no children	25.3	41.5
Lone parent	25.0	36.4
Couple, no children	8.4	29
Couple, children	9.0	14.0

By country of birth	50% of median income	60% of median income
Australia	10.6	18.2
Main English speaking country ⁸	11.7	19.6
Other country	15.8	25.0
All (aged 15 and above only) ⁹	11.7	19.7
By disability status	50% of median income	60% of median income
With a disability	27.4	44.5
All (aged 15 and above only) ¹⁰	11.7	19.7
By labour force status ¹¹	50% of median income	60% of median income
Employed (full time)	3.7	7.1
Employed (part time)	17.2	24.6
Unemployed	63.3	73.2
Not in the labour force (over 64)	14.0	36.1
Not in the labour force (other)	43.7	59.2
By main income source ¹²	50% of median income	60% of median income
Social security payment	36.5	61.3
Wages	5.2	8.8
Other ¹³	16.2	18.8
All people	12.8	20.9

8 'Main English speaking country' refers to New Zealand, United Kingdom, Ireland, Canada, the United States, and South Africa.

9 Data on country of birth is only available for adults, so these poverty risks are comparable with that for all adults, not the overall poverty rate (including children). If children were included, average poverty rates would be higher.

10 Data on disability (in this case people with a 'core activity restriction') is only available for adults, so these poverty risks are comparable with that for all adults, not the overall poverty rate (including children). If children were included, average poverty rates would be higher.

11 Refers to household reference person.

12 Refers to all household members.

13 For example, investment income.

Table 5 describes the profile of people living below the two poverty lines, for example the number and proportion of all people in poverty who come from lone parent and married couple families with children. In 2010, for example, 25.3% of all individuals below the 50% poverty line and 22.5% of all individuals below the 60% poverty line, were in lone parent households.

Table 5: Profile of people living below poverty lines in 2009-10 (%)

By gender	50% of median income (no)	50% of median income (%)	60% of median income (no)	60% of median income (%)
Female	1,217,600	53.8	2,007,100	54.2
Male	1,047,000	46.2	1,697,600	45.8
All people	2,265,000	100	3,705,000	100
By age	50% of median income (no)	50% of median income (%)	60% of median income (no)	60% of median income (%)
Under 15	575,000	25.4	870,000	23.5
15 - 25	286,000	13.1	410,000	11.1
25 - 64	1,060,000	46.8	1,541,000	41.6
Over 64	334,000	14.7	884,000	23.9
All people	2,265,000	100	3,705,000	100
By family type¹⁴	50% of median income (no)	50% of median income (%)	60% of median income (no)	60% of median income (%)
Single, no children	476,000	21.0	780,000	21.1
Lone parent	572,500	25.3	835,300	22.5
Couple, no children	346,600	15.3	760,600	20.5
Couple, children	749,300	33.1	1,168,000	31.5
All people	2,265,000	100	3,705,000	100

14 Numbers do not add up to 100% as some families do not fall into these categories.

By country of birth	50% of median income (no)	50% of median income (%)	60% of median income (no)	60% of median income (%)
Australia	1,070,000	63.3	1,834,000	64.7
Main English speaking country	177,000	10.5	297,000	10.5
Other country	443,000	26.2	703,000	24.8
All people 15 years and above ¹⁵	1,690,000	100	2,836,000	100
By labour force status¹⁶	50% of median income (no)	50% of median income (%)	60% of median income (no)	60% of median income (%)
Employed full time	401,000	17.7	760,000	20.5
Employed part time	349,000	15.4	500,000	13.5
Unemployed	189,000	8.4	219,000	5.9
Not in labour force (retired)	354,000	15.6	910,000	24.6
Not in labour force (other)	971,000	42.9	1,315,000	35.5
All people	2,265,000	100	3,705,000	100
By main income source¹⁷	50% of median income (no)	50% of median income (%)	60% of median income (no)	60% of median income (%)
Social security payment	1,410,000	62.2	2,367,000	63.9
Wages	665,000	29.4	1,117,000	30.2
Other	190,000	8.4	221,000	6.0
All people	2,265,000	100	3,705,000	100

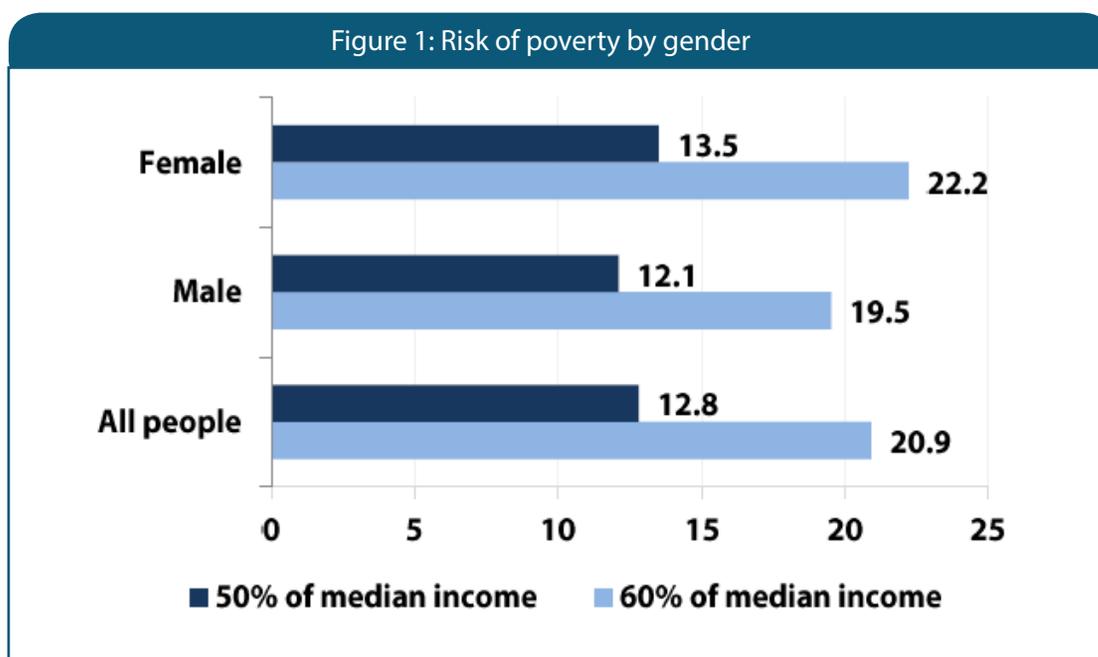
The following sections of the report break down the same information according to people's main income source, age, family type, labour force status, disability status, and location. Aside from the information on poverty by location and among people on social security payments, the figures used are from tables 4 and 5 above.

15 Data on country of birth is only available for adults.

16 Refers to household reference person.

17 Of the household in which people live.

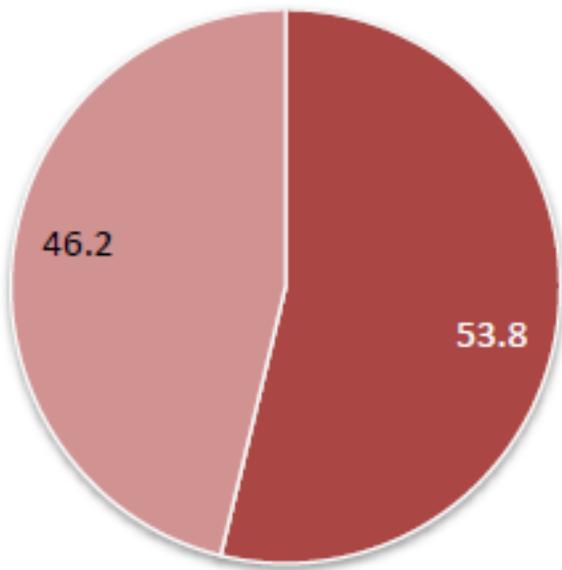
Gender



The 'risk of poverty' graph shows that women (including female children) face a significantly higher risk of poverty than men (13.5% compared to 12.1% using the 50% poverty line). This reflects women's lower employment opportunities and wages, the greater likelihood that they are engaged in unpaid caring roles, and their lower investment incomes in retirement¹⁸.

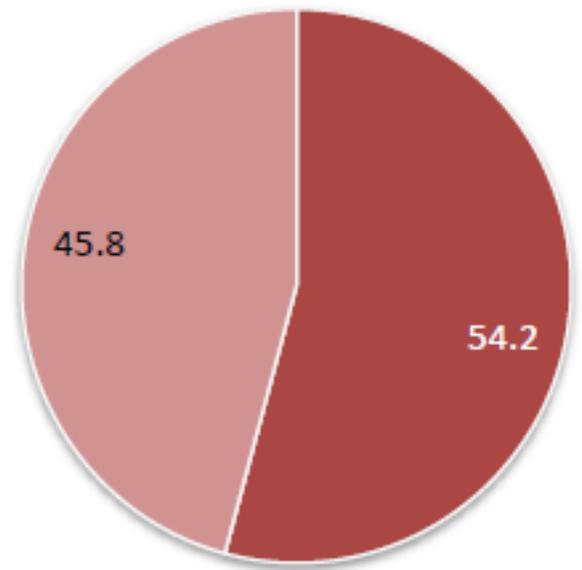
18 Rebecca Cassells, Riyana Miranti, Binod Nepal, Robert Tanton (2009): She works hard for the money: Australian women and the gender divide. National Centre for Social and Economic Modelling (NATSEM), Canberra. Available: <http://apo.org.au/node/3880>

Profile of poverty by gender (%)
50% of median income poverty line



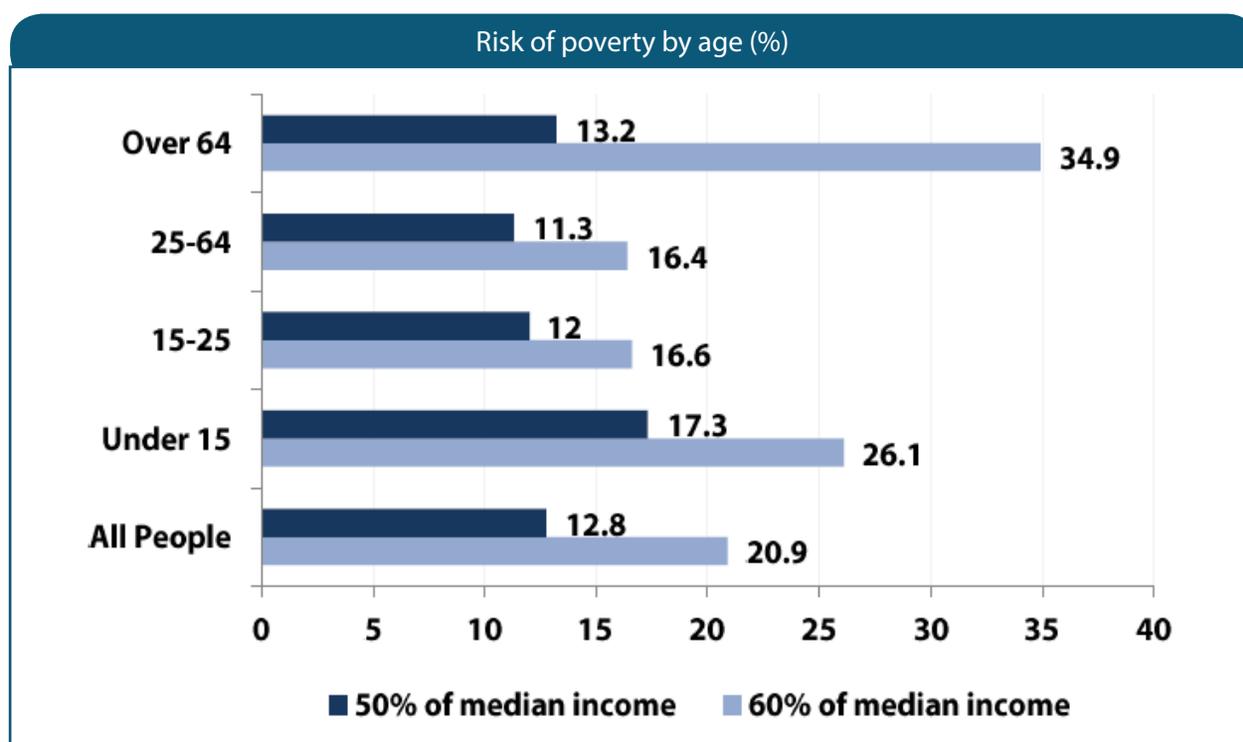
■ Female ■ Male

Profile of poverty by gender (%)
60% of median income poverty line



■ Female ■ Male

Age

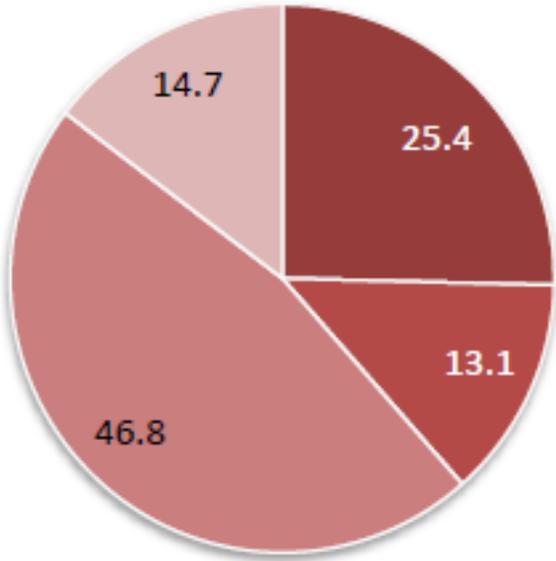


The 'risk of poverty' graph demonstrates the role that age plays in vulnerability to poverty. Children and older people face the highest risk (17.3% and 13.2% respectively below the 50% poverty line). The high poverty risk among children reflects the higher costs facing families with children, which parents who are not in paid work or on a low wage often struggle to meet.

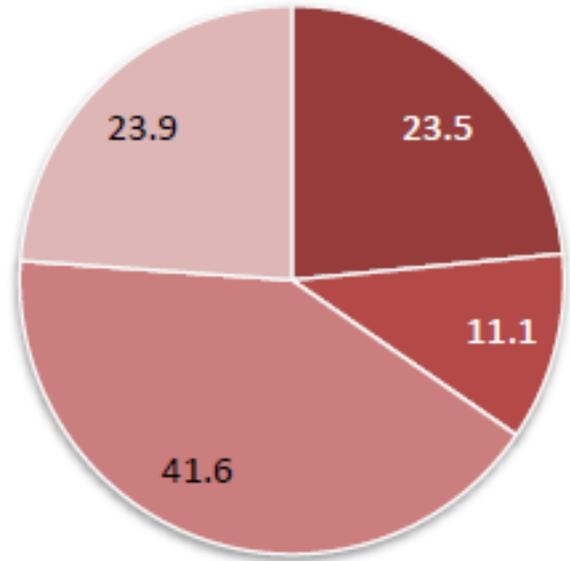
For older people, the risk of living below the 50% poverty line has decreased since the age pension increase in 2009 (see section below on poverty among social security payment recipients). However, we can see that over a third of people over 64 still live below the 60% poverty line. Home ownership provides significant protection against poverty for many older people (and the lower housing costs that result are taken into account in this research) but the minority who rent face a higher poverty risk¹⁹.

19 Seelig et al: (2008): *Housing consumption patterns & earnings behaviour of people receiving income support recipients over time*, AHURI Final Report No 119. Australian Housing and Urban Research Institute, Queensland. Available: http://www.ahuri.edu.au/publications/download/20257_fr

Profile of poverty by age (%)
50% of median income poverty line



Profile of poverty by age(%)
60% of median income poverty line



■ Under 15 ■ 15-25 ■ 25-64 ■ Over 64 ■ Under 15 ■ 15-25 ■ 25-64 ■ Over 64

The largest group of people living below poverty lines are people 25 to 64 years despite their lower risk of poverty. This reflects the fact that there are more people overall in this group than there are in the younger or older age groups.

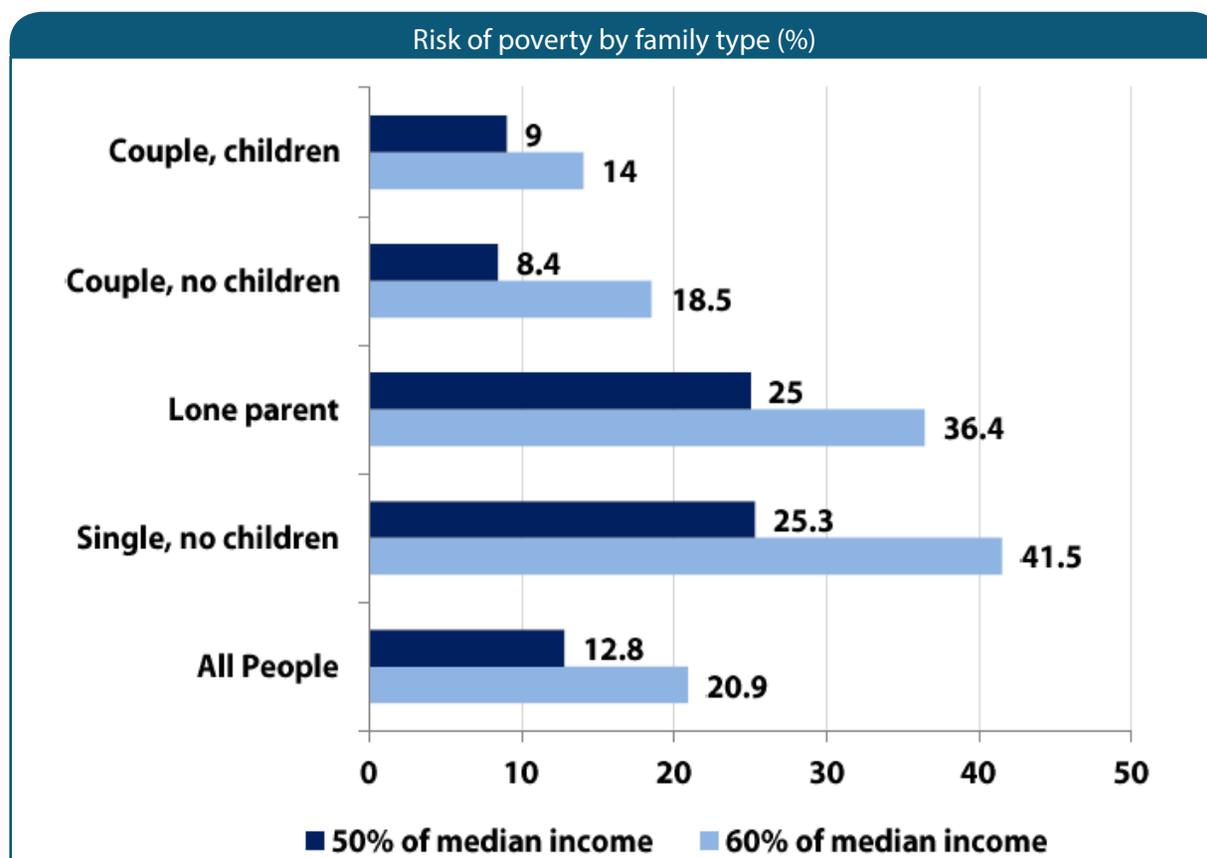
The high number of children living below the 50% poverty line (575,000 children, from Table 5, or more than a quarter of all people living below that poverty line) is of great concern.

Mary – Age Pension

Mary is a 78 year old pensioner who lives in Perth. Due to the cost of high rent and utility prices life has become a battle for survival. During winter Mary would turn her heating on for only one hour a day. She would spend much of the day in bed to keep warm. Her food budget each week is \$40. This means a diet of baked beans, bread, and a small amount of fruit, and vegetables. Once a month she buys a small piece of chicken. Once a week she eats a hot meal provided at a local church.

Mary considers herself lucky as at least she has a roof over her head.

Family type



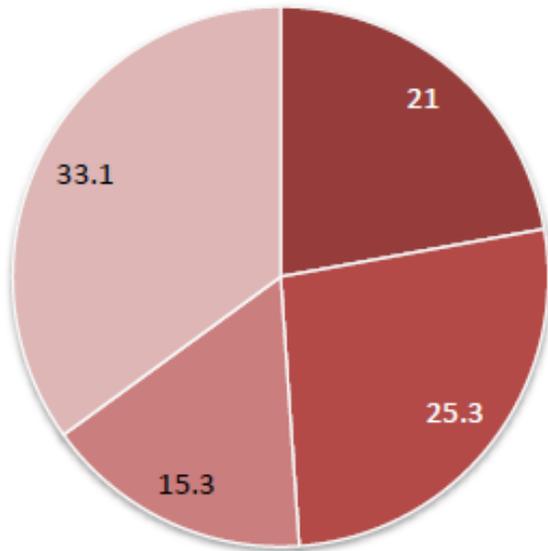
The 'risk of poverty' graph shows the elevated risk of poverty faced by lone parents and their children (25% of whom live below the 50% poverty line). This is due partly to lower levels of employment among lone parents, especially those caring for young children on their own, and partly to the levels of social security payments for these families²⁰.

Single people with and without children generally face a higher risk of poverty than couples (25.3% and 25% compared with 8.4% and 9%), reflecting in part the economies of scale (for example, sharing housing costs and other bills) available to people living with partners.

The rate of poverty among single parent families is likely to have increased since 2010 as a result of the changes to income support for this group introduced on 1 January 2013.

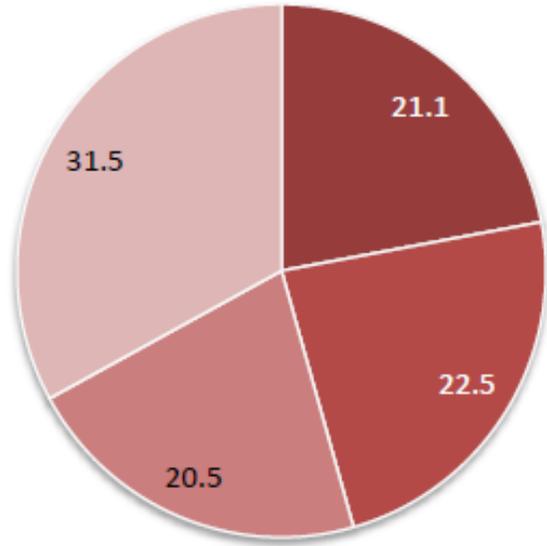
20 Peter Whiteford and Willem Adema (2007): *What Works Best in Reducing Child Poverty: A Benefit or Work Strategy?* OECD, France. Available: <http://www.oecd.org/dataoecd/30/44/38227981.pdf>

Profile of poverty by family type (%)
50% of median income poverty line



- Single, no children
- Lone parent
- Couple, no children
- Couple, children

Profile of poverty by family type (%)
60% of median income poverty line



- Single, no children
- Lone parent
- Couple, no children
- Couple, children

The pie charts showing the profile of poverty by family type indicate that the overall population of people living below poverty lines is almost equally divided between singles and couples (46.3% of the total compared with 48.4% for the 50% poverty line). Although the risk of poverty is much higher for singles, there is a higher number of people overall living in partnered families in Australia.

Nevertheless, half of all children living in poverty - 286,000 children out of 575,000 - are in lone parent families.

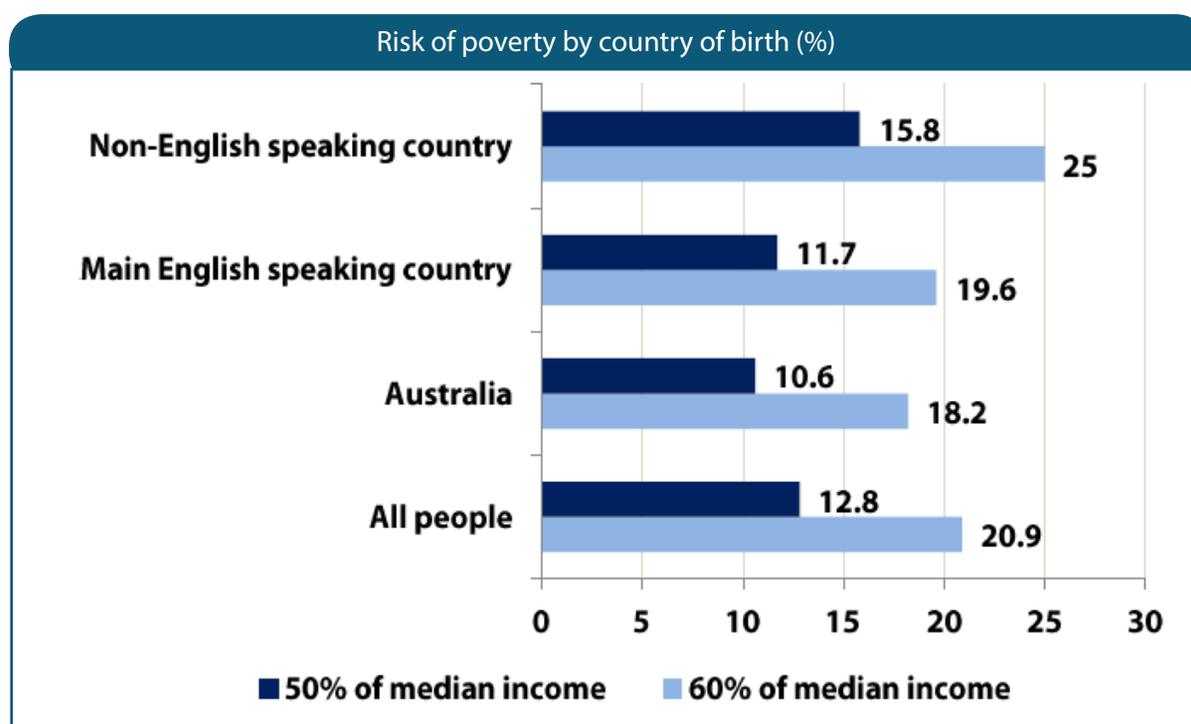
Cherie – single parent

I am a single mum who has been raising an eight year old son singlehanded for the past five years. In short it hasn't been easy. Trying to provide the basics for my child, whilst playing the role of two parents, juggling part time wage, and being the main care giver has got to be the toughest job in the world.

I'm doing my best to fight back against the persistent thoughts that it's not good enough. The weekly battle to pay rent, ongoing bills, and basic living expenses is enough stress for anyone receiving low income, let alone when you've got a child who's totally dependent on you for their wellbeing.

I have had to swallow my pride at times and turn to family and charities for that extra bit of help when a big bill comes in or an emergency comes up, to prevent from being chucked out in the streets. Still I feel so lucky that I am alive and have a healthy, beautiful son that I will watch grow into an adult, who despite the struggles, will one day give back to our community for the support he is now being afforded.

Country of birth



Note: 'Main English speaking country' refers to New Zealand, United Kingdom, Ireland, Canada, the United States, and South Africa.

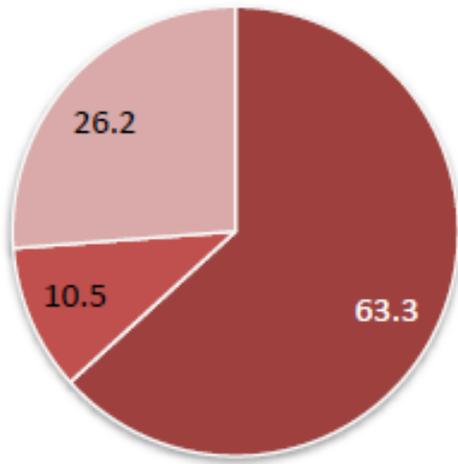
The 'risk of poverty' graph shows that adults born in countries where English is not the main language faced a much higher risk of poverty (15.8% using the 50% poverty line) than those born in Australia (10.6%), or in an English speaking country (11.7%)²¹. This is likely to reflect the difficulties that migrants from non-English speaking countries face in securing well paid employment in Australia, which include (in many, though not all cases) language barriers, limited Australian-recognised skills, and discrimination²².

The 'profile of poverty' graph shows that 26.2% of adults living in households below the 50% poverty line are from a non English-speaking country.

21 Data on country of birth is only available for adults. Note that overall poverty risks for adults are lower than those for children, so if children were included in these data the poverty risks shown here would be higher.

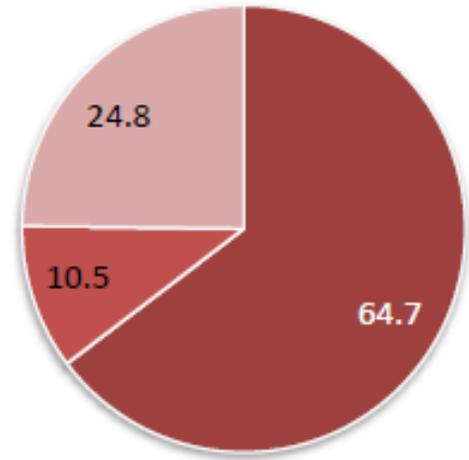
22 Department of Immigration and Citizenship (2010): How new migrants fare: Analysis of the Continuous Survey of Australia's Migrants. Australian Government, Canberra. Available: http://www.immi.gov.au/media/publications/research/_pdf/csam-results-2010.pdf

Profile of poverty by country of birth (%)
50% of median income poverty line



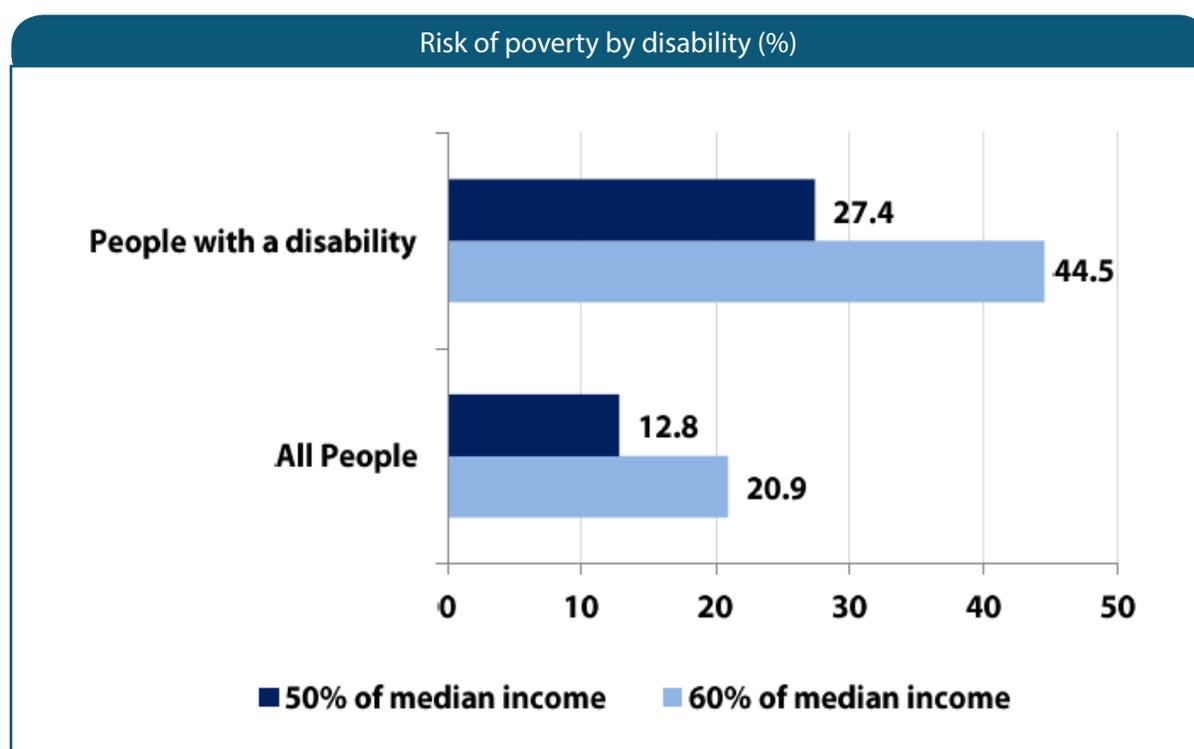
- Australia
- Main English speaking country
- Non English speaking countries

Profile of poverty by country of birth (%)
60% of median income poverty line



- Australia
- Main English speaking country
- Non English speaking countries

Disability



The graph compares the proportion of people with a disability (those with a 'core activity restriction' as defined in the Australian Bureau of Statistics income survey) with the proportion of all adults below the poverty line (not all people in households below the poverty line as in previous graphs).

People with a disability face a significantly higher risk of poverty than average, with 27.4% (620,600 people) with a disability living in households below the 50% poverty line. A large proportion have household incomes in between the 50% and 60% poverty lines, so that the risk of poverty rises to 44.5% for the 60% line.

The higher than average risk of poverty for people with a disability is likely to be due in large part to their weaker employment prospects. In 2009 only 54% people with disabilities were employed, compared with 83% of people of working age²³.

23 Australian Social Trends, March Quarter 2012
<http://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/4102.0Main+Features40March+Quarter+2012#lfp>

Many people with disabilities thus rely on social security payments, especially Disability Support Pension and Newstart Allowance, as their main income source²⁴. Since the introduction of Welfare to Work policies in 2006, an increasing number of people assessed as having a 'partial work capacity' (ability to work part time) have been placed on the lower Newstart Allowance rather than the Disability Support Pension. Currently, over 700,000 people with disabilities receive Disability Support Pension and more than 100,000 receive Newstart Allowance²⁵.

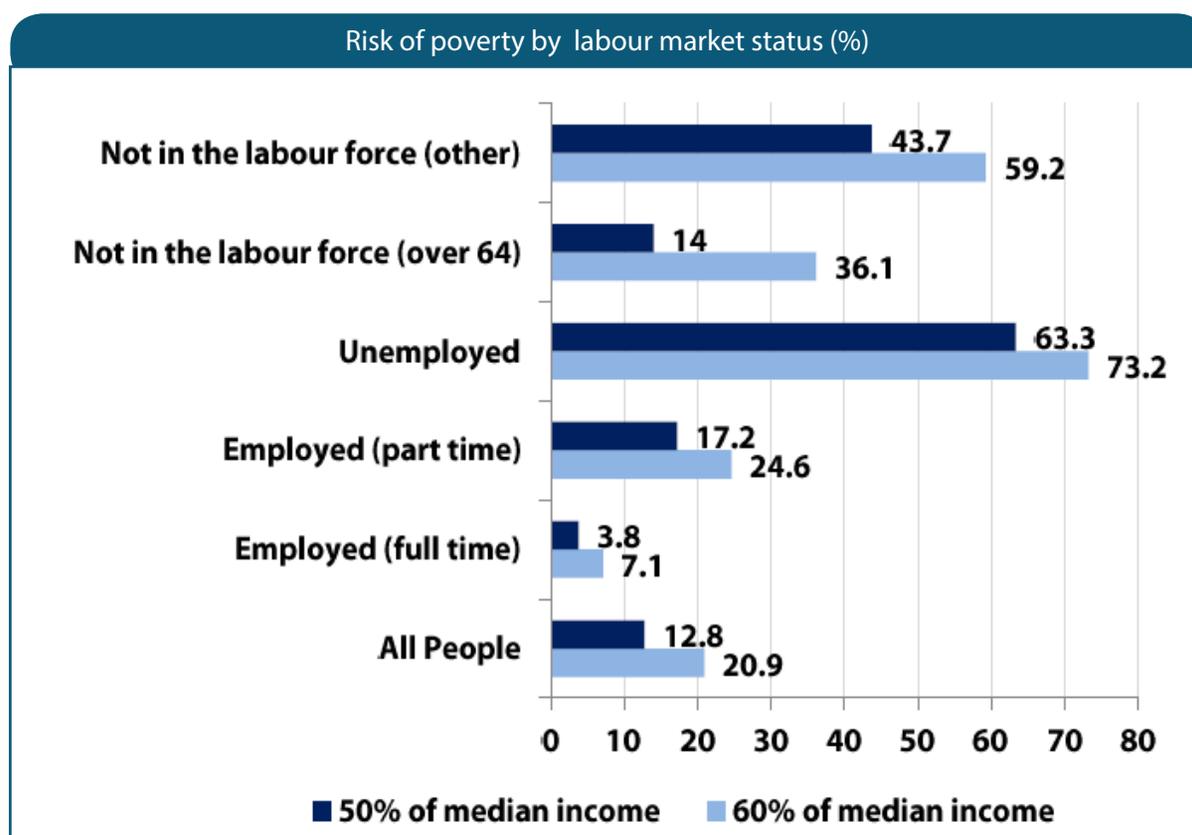
It is worth noting that this research does not take account of the extra costs of a disability when assessing whether people are living below the poverty line. Those costs may include adjustments to the home or workplace, purchase of care, additional transport costs such as taxis, pharmaceuticals and medical treatment. A previous study that took those costs into account found that taking these costs into account substantially increases the level of poverty among people with disability²⁶.

24 The poverty risk among DSP recipients was much higher at 41.5%. This is due to the fact that DSP is income and assets-tested so that many of the 'poorest' people with disabilities receive that payment.

25 FAHCSIA (2010), *Compendium of social security statistics*; ACOSS (2012) *Submission to Senate Employment Committee on the adequacy of 'allowance' payments* ACOSS Paper No 192.

26 Saunders, P 2005, *Disability, Poverty and Living Standards: Reviewing Australian Evidence and Policies* Social Policy Research Centre Discussion Paper No 145.

Labour Force Status



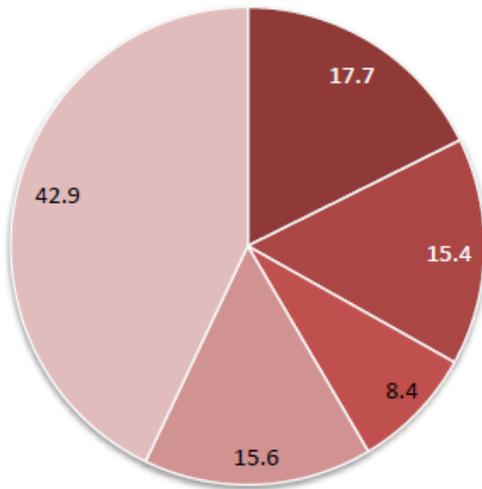
The graph on risk of poverty shows that unemployed people face a far higher risk of poverty (63.3% below the 50% poverty line) than those who are employed or out of the labour force. This partly reflects the level of the Newstart Allowance for unemployed people (discussed later) which is less than half the disposable income of a person on a fulltime minimum wage.

The risk of poverty among people of working age outside the paid labour force (43.7%) is also relatively high. Many of these people have disabilities or caring roles and are reliant on social security payments such as Disability Support Pension, Parenting Payment and Carer Payment.

The risk of poverty (14%) among older people not in the labour force, who are mostly retired, sits in between that of people with paid work and unemployed people. This reflects the higher rate of Age Pension compared to Newstart Allowance, the increasing number of people retiring with at least some superannuation, and the lower housing costs of those who own their homes outright.

Profile of poverty by country of labour market status (%)

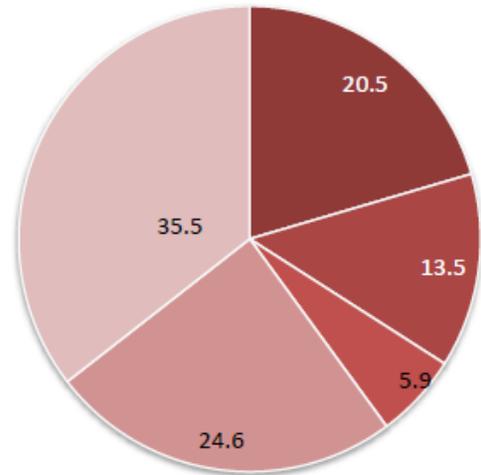
50% of median income poverty line



- Employed (Full Time)
- Employed (Part Time)
- Unemployed
- Not in labour force (retired)
- Not in labour force (other)

Profile of poverty by country of labour market status (%)

60% of median income poverty line



- Employed (full time)
- Employed (part time)
- Unemployed
- Not in labour force (retired)
- Not in labour force (other)

The 'profile' of poverty charts show a different picture. Although workers in paid employment face a lower risk of poverty, they form one third (33.1%) of all people below the 50% poverty line. The reason for this is that there are more employees than unemployed people overall. Almost half of employed people living below the 50% poverty line (15.4% out of 33.1%) have part time jobs only.

Since the minimum fulltime wage is above the 50% poverty line for a single adult, it is likely that most employed workers living below that poverty line are either employed part time or are supporting dependent children on a low wage.

Case Study – Jacqui, Contract Cleaner

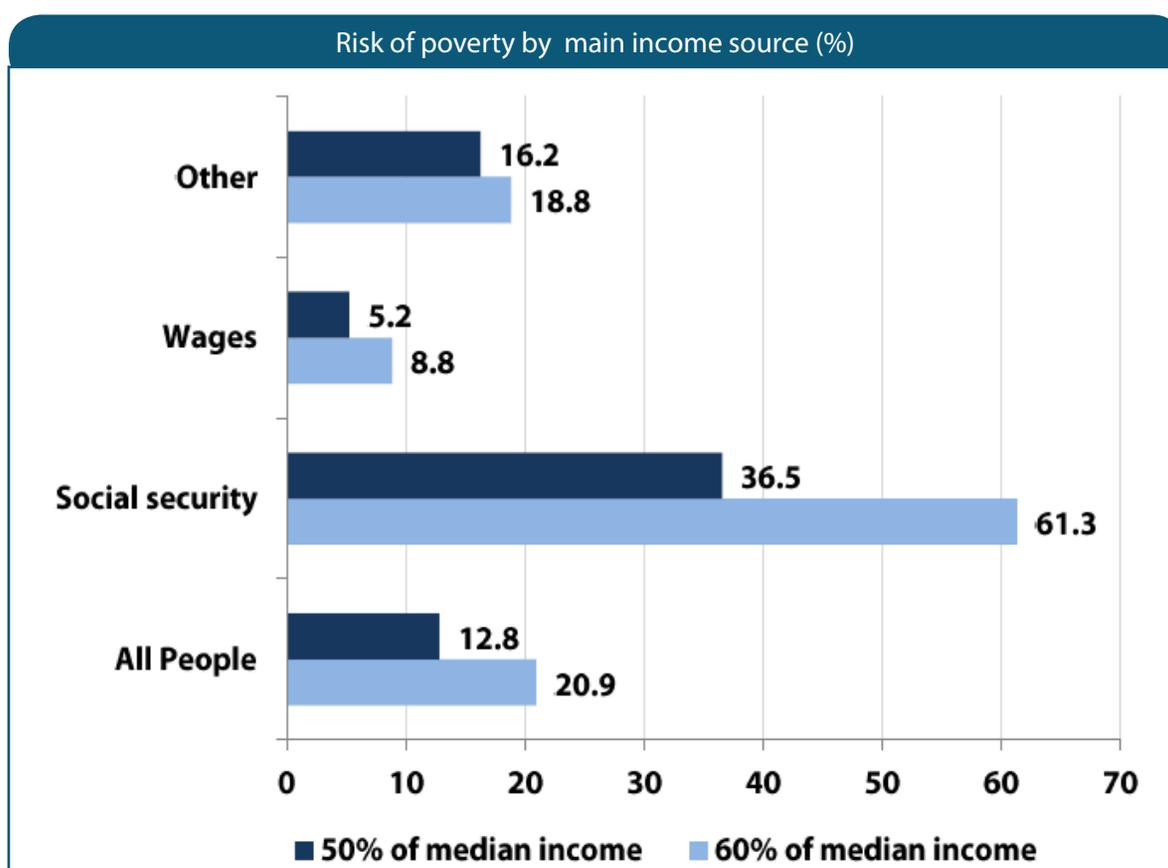
Jacqui is a contract cleaner from QLD who earns around \$500 per week for 26 hours work. She has two teenage children. They live in a rented house along with Jacqui's niece who helps pay the \$420 per week rent.

Jacqui says: 'the money I get doesn't half way cut it. I can only work the hours I do because I have to be there for my son' (who has disabilities).

'I buy the cheapest brands,' she said. 'We sometimes have mince and chicken but not steak it's too expensive. So is petrol. I need a car though because of work. It would take me three hours to get to my job on two buses.'

Jacqui doesn't have a home phone or internet at home because of the line rental charge and has a \$30 a month cap on her mobile phone. 'I sometimes can't even pay the \$35 for each module of my son's TAFE course,' said Jacqui.

Main Income Source

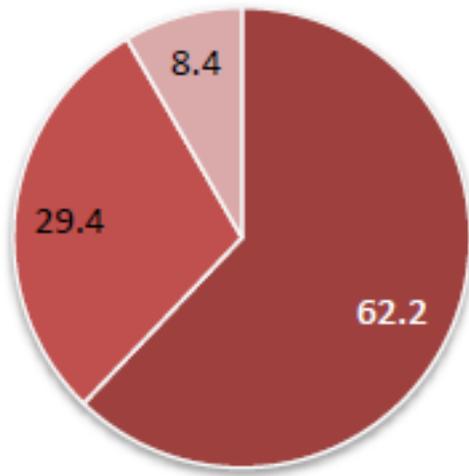


The striking feature of the 'risk of poverty' graph is that the risk of poverty is much greater among those whose main household income source is social security payments (36.5% compared with 12.8% overall). This reflects the fact that many of these payments sit below the poverty lines (especially the higher 60% poverty line, see Table 8). This means that households mainly reliant on those payments are likely to be living below the poverty line unless they have other sources of income such as part time earnings or superannuation.

The pie charts indicate that the majority of people living in poverty (62.2% based on the 50% poverty line) rely on a social security payment, but a sizeable minority have wages as their main income source (29.4%). As discussed previously, this is due to the higher number of wage-earning households overall. It is likely that most of these people live in households where people receive part time earnings only, or are raising children on a low wage.

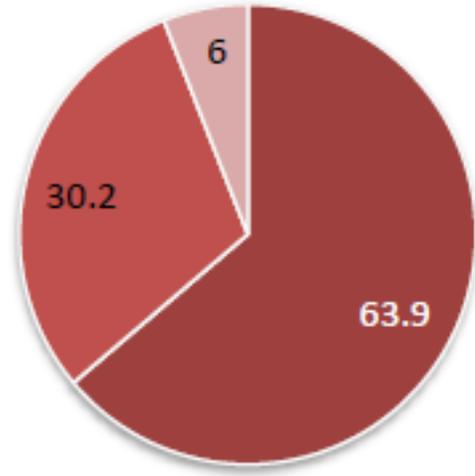
Profile of poverty by main income source (%)

50% of median income poverty line



Profile of poverty by main income source (%)

60% of median income poverty line



■ Social security payment ■ Wages ■ Other ■ Social security payment ■ Wages ■ Other

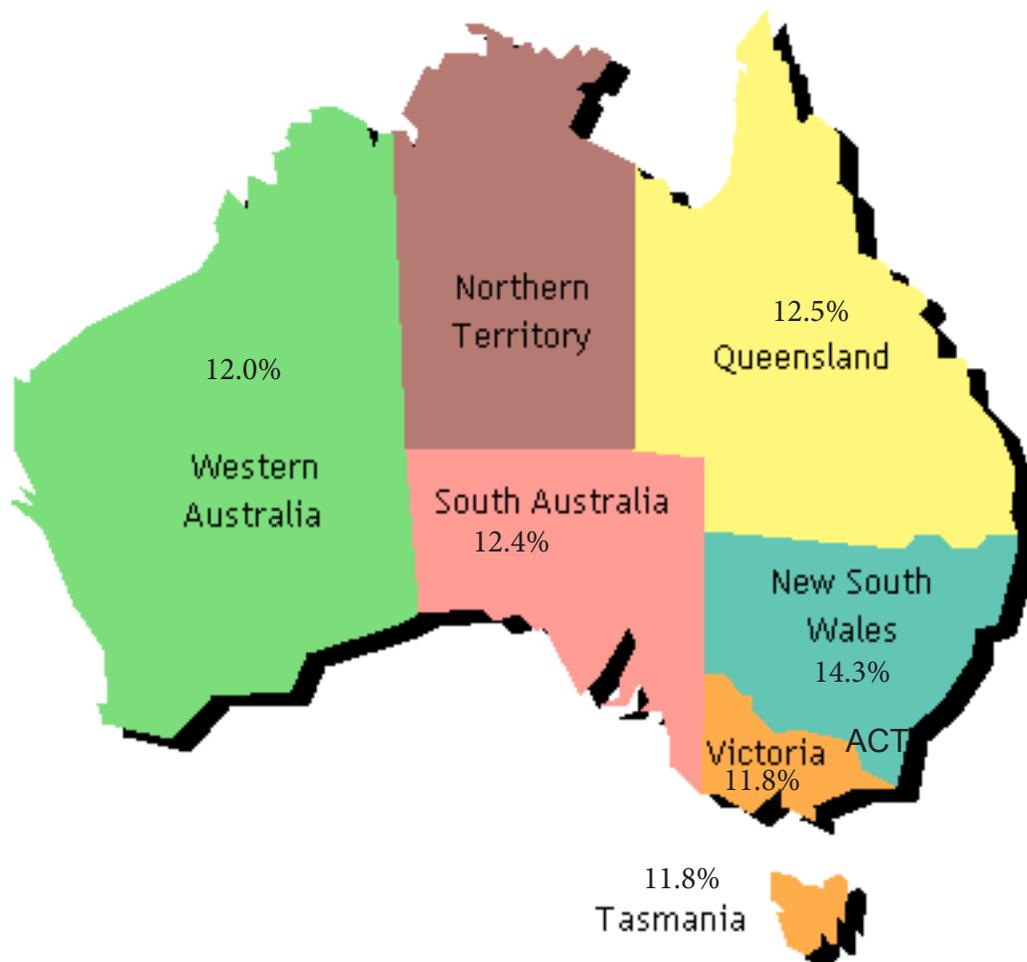
Ahmed, Newstart Recipient

28 year old Ahmed has been on different income support payments since 2005, including four years on Youth Allowance while undertaking a science degree which he completed in late 2011. Ahmed was able to top up his Youth Allowance with 20 hours a week paid work as a security guard.

Since completing his degree in a specialist research area, he has struggled to find a job and does unpaid voluntary work at two different research institutions in the hope that some paid work will come his way.

In the meantime he is left to survive on Newstart Allowance, which is barely covering his rent and basic living expenses. Recently he moved in with his partner who only last week gave birth to their first child. He is hopeful that life will get better.

Location



Note: Data is not available separately for the ACT or NT due to small sample sizes in the ABS survey

Table 6 shows how the risk of poverty varies between States, and between people living in capital cities within each State and the rest of the State. It also shows the extent to which the risk of poverty is greater outside capital cities.

Table 6: Risk of poverty - proportions of people below poverty lines by State in 2009-10 using the 50% and 60% of median income poverty lines (%)

50% of median	Capital city	Balance of state	Difference (non metro - metro)	All
New South Wales	15.2	12.7	-2.5	14.3
Victoria	11.4	12.9	1.5	11.8
Queensland	9.5	15.0	5.4	12.5
South Australia	11.5	14.1	2.3	12.4
Western Australia	12.4	10.6	-1.8	12.0
Tasmania	13.1	14.2	1.1	13.7
Total	12.6	13.1	0.5	12.8

60% of median	Capital city	Balance of state	Difference (non metro - metro)	All
New South Wales	21.6	22.2	0.6	21.8
Victoria	19.6	23.8	4.2	20.7
Queensland	16.4	25.4	9.0	21.3
South Australia	20.3	27.6	7.3	22.2
Western Australia	18.2	17.8	-0.4	18.1
Tasmania	21.7	25.8	4.1	24.0
Total	19.7	22.8	3.1	20.9

Note: Data not available separately for the ACT or NT due to small sample sizes in the ABS survey.

The overall risk of poverty is higher (based on the 50% poverty line) in New South Wales and Tasmania than in the other States. This may reflect a combination of weaker employment opportunities, high housing costs, and/or the different age profiles of different States. For example, although average rents are lower in Tasmania than in most other States, it has relatively high unemployment and a high proportion of older people.

The risk of poverty is greater outside capital cities (especially in Queensland), in part due to higher unemployment in regional Australia. The exceptions are New South Wales and Western Australia, where very high housing costs in the capital cities have increased the risk of poverty (when those costs are taken into account, as they are in this research).

Table 7: Profile of the population below poverty lines in 2009-10 by State/Territory

State/Territory	50% of median income		60% of median income	
	Number	%	Number	%
New South Wales	835,000	36.9	1,276,700	34.5
Victoria	526,700	23.3	925,600	25.0
Queensland	430,900	19.0	735,500	19.9
South Australia	165,200	7.3	295,900	8.0
Western Australia	211,300	9.3	319,500	8.6
Tasmania	56,000	2.5	97,900	2.6
ACT/NT	38,800	1.7	53,500	1.4
All people	2,264,600	100	3,704,700	100

Poverty among people on social security payments

Table 8 compares the maximum rates of major social security payments with the poverty lines. It indicates how far above or below poverty lines people relying fully on these payments (those with no other source of income) lie²⁷.

It shows that Newstart Allowance for single adults was \$74 per week (21%) below the 50% of median income poverty line. Youth Allowance for independent young people was \$172 per week (48%) below the poverty line. The difference between these payments and the poverty line is \$56 per week greater in cases where households are not eligible for Rent Assistance.

Following a \$32 per week pension increase (above inflation) in September 2009, the single pension rate was closer to, but still \$22 per week (6%) below, the 50% poverty line. A study by NATSEM estimated at the time that an increase of that size would reduce the risk of poverty among single age pensioners by around 10 percentage points²⁸. For those receiving Rent Assistance, it was \$34 per week above the 50% line but \$38 below the 60% line.

Payments for a lone parent family with two primary school age children on the Parenting Payment Single payment (including Family Tax Benefits) were \$17 per week (3%) below the 50% poverty line (\$83 for those not receiving Rent Assistance). The income of those lone parent families on the lower Newstart Allowance was \$57 per week or 10% below that poverty line (\$123 for those not receiving Rent Assistance).

Similarly, social security payments for couples were generally below the 50% line, though closer to it in proportional terms. Newstart Allowance for a couple without children was \$73 per week (14%) below the 50% poverty line, and (together with Family Tax Benefits) it was \$95 below (13%) below that poverty line for those with 2 children. The pension rate for a couple without children was \$30 (6%) below the 50% poverty line (\$22 above it for those receiving Rent Assistance).

27 Note that the maximum social security payment rates include Family Tax Benefits (for families with children) and Rent Assistance (RA) in some cases (see Table 8).

28 Robert Tanton, Yogi Vidyattama, Justine McNamara, Quoc Ngu Vu and Ann Harding (2009): *Old, single and poor: using microsimulation and microdata to analyse poverty and the impact of policy change among older Australians*. Economic Papers: A journal of applied economics and policy, vol. 28 no. 2, pages 102 - 120.

Table 8: Comparison of selected social security payments and poverty lines in 2009-10 (\$ per week)

	Maximum rates of payment	50% of median income	60% of median income
Newstart allowance			
Single, no children	\$284	\$358	\$430
Single, 2 children	\$516	\$573	\$688
Couple, no children	\$464	\$537	\$645
Couple, 2 children	\$657	\$752	\$903
Youth allowance			
Single, no children	\$186	\$358	\$430
Parenting payment single			
Single, 2 children	\$556	\$573	\$688
Pension payments			
Single, no children	\$336	\$358	\$430
Couple, no children	\$507	\$537	\$645

Note: Payment rates at December quarter 2009, including maximum rate of Rent Assistance (RA) and Family Tax Benefits (FTB) where appropriate. RA is included for Allowance and Parenting Payment recipients, but not for pensioners as the vast majority are home owners. The maximum rates of RA were \$56 for singles, \$52 for couples and \$66 for the families with children. Many households on Allowance payments do not receive RA, and their payments were lower than indicated here. Conversely, a minority of pensioners receive RA, in which case their payments were higher than indicated. The Youth Allowance rate is for a young person 18 to 24 years living away from home. All children are aged 6-11 years. Some lone parents receive the higher Parenting Payment Single payment while others receive the lower Newstart Allowance payment. Pension payments include Age, Disability, and Carer pensions.

Table 9 compares the risk of poverty among recipients of different income support payments. Just over half (52.2%) of people in households where the 'reference person' receives Newstart Allowance (for unemployed people) are in households with incomes below the 50% poverty line. A higher proportion of those in households reliant on Youth Allowance (68.3%) were below the poverty line. This reflects the low level of these payments (as shown in Table 8) and the fact that (in the case of Newstart Allowance) only about one in five recipients has earnings from employment. Also, an above-average proportion of Newstart recipients rent their accommodation and therefore face high housing costs²⁹.

23 FaHCSIA (2012): *Income support customers: a statistical overview 2011*. Statistical Paper no. 10. Department of Families and Housing, Community Services and Indigenous Affairs, Canberra. Available: http://www.fahcsia.gov.au/sites/default/files/documents/07_2012/stps10.pdf

Almost half (44.7%) of people in households with Parenting Payment (most of whom are lone parents) are below the poverty line. This group is also more likely than the average household to rent their housing, and around one in three has earnings from employment. Along with Newstart recipients, people on Parenting Payment did not receive the September 2009 pension increase, so their maximum rate of payment is significantly lower than other pensions.

A slightly lower proportion (41.2%) of people in households with Disability Support Pension were below the poverty line. While this group benefited from the 2009 pension increase, only about in ten has part-time earnings.

Age pensioners had a lower risk of poverty (13.8%) than recipients of the other payments listed in table 9, which reflects lower housing costs (for the majority who own their homes outright), the pension increase in 2009, and income from superannuation and other investments.

The risk of poverty among people in households with Carer Payment (24.1%) sits between that for Age Pensioners and the other payments. Carer Payment recipients are unlikely to have paid employment because they are caring fulltime for a relative with a disability, though they have a higher level of home ownership than recipients of the other working-age payments.

In all cases, over one third of people in households with these social security payments had incomes below the higher 60% poverty line. This reflects the fact that the maximum rate of their social security payments sat below that poverty line, as shown in Table 8.

Table 9: Risk of poverty - proportions of people in households receiving social security payments living below the 50% and 60% of Median Income Poverty Lines in 2010 (%)

	Below 50% of median income	Below 60% of median income
Newstart Allowance	52.2	64.8
Youth Allowance	68.3	69.5
Parenting Payment	44.7	63.8
Carer Payment	24.1	34.1
Disability Support Pension	41.5	65.9
Age Pension	13.8	38.1

Note: People living in households where the reference person receives one of these payments and the household's income is below the poverty line. Individuals in households whose 'reference person' received a particular payment.

The information in Table 9 on the risk of poverty among people on major social security payments is illustrated in the graph below.

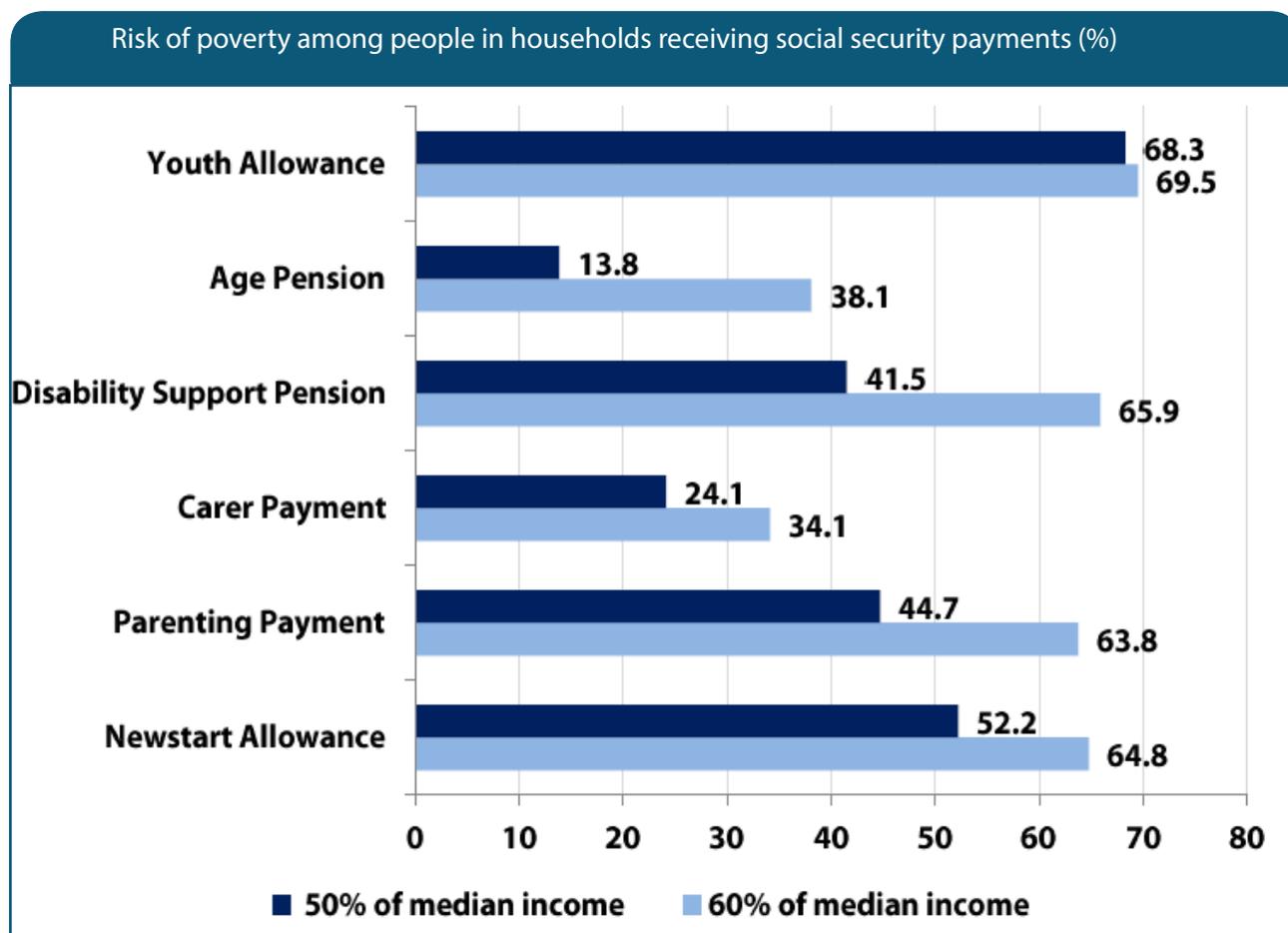


Table 10 compares the 'poverty gaps' for recipients of major payments. The poverty gap is a measure of how far below the poverty line the incomes of those people living in poverty are. It is the average gap between the income of households that live below the poverty line and the poverty line. A large poverty gap indicates that most of those who are in poverty are likely to be living a long way below the poverty line.

Table 10: Average 'poverty gap' between the income of those below poverty lines and the relevant poverty line in 2005-06 and 2009-10 (dollars per week)

	Below 50% of median income (\$ per week)	Below 60% of median income (\$ per week)
Newstart Allowance	\$182	\$222
Parenting Payment	\$170	\$251
Carer Payment	\$196	\$375
Disability Support Pension	\$129	\$168
Age Pension	\$86	\$81 ³⁰

Note: Average gap between income of households and poverty line, for those households living below the poverty line whose reference person receives one of these payments.

Table 10 should be read in conjunction with Table 9, the risk of poverty among people in households receiving social security payments, as they measure different aspects of poverty. In some cases a large proportion of people in households receiving a certain payment may be living below the poverty line, but only a small distance below it; while in others a small proportion may be living below the poverty line but much further below it.

Since it is likely that most people in these households below the poverty line have little or no income apart from social security, these 'poverty gaps' largely reflect the differences between the payments and the poverty line (see Table 8). Other factors include the incomes (if any) of other household members and housing costs.

Table 10 shows that when the 50% poverty line is used, in 2010 the highest 'poverty gap' (\$196 per week) is found among households with recipients of Carer Payment³¹. The second-highest poverty gap (\$182) is for households where the highest income-earner received Newstart Allowance. The 'poverty gap' for people in households receiving Parenting Payment (\$170) is slightly lower but still substantial. While lone parent families receive higher social security payments, their costs are also greater (due to the cost of raising children alone and the high housing costs of this group).

The poverty gaps are also substantial among Disability Support Pensioners at (\$129 per week) and Age Pensioners (\$86), though lower than for the other payment recipients. This reflects the smaller gaps between the maximum rates of those payments and the 50% poverty line (see Table 8).

³⁰ It is possible for the average poverty gap to be lower for households living below than the 60% line than for those below the 50% line. This can occur where a large group of households on a social security payment has incomes in between the two poverty lines. This is likely to be the case here because the maximum rate of Age Pension is close to the 50% poverty line. However, the risk of poverty will always be greater for people in households living below the higher poverty line (see table 9).

³¹ The sample size for this group is the smallest among the social security-recipient households, so this estimate should be treated with caution.

Marjorie's story

Earlier this year, Marjorie was informed by Centrelink that they were taking away her wife's pension (bereavement payment) 14 weeks after her husband's passing, after she had been his principle carer for 13 years of his illness. Because she is 63 years old she is not entitled to the Age Pension and has been forced to live on the Widow's Allowance payment of \$486 per fortnight, which is much less than the Age Pension.

Marjorie said: 'This news was devastating, especially soon after such a big loss in my life. If it wasn't for the loving support and help of my children I simply don't know how I could survive on so little money.'

Below the minimum wage*

Centrelink is less than the minimum wage.

I'm raising a child,

supporting two people –

how can that possibly be enough?

Permanently below the poverty level.

What sort of logic...?

I'm expected to do this for

16 years.

I live on very little.

My food budget has disappeared,

my son's health is affected.

Cheap food,

carbohydrates,

you get fat.

No vegetables in nearly

3 weeks.

No haircut in

6 months.

A haircut means

no money for food.

Next month...

I might have enough

to buy decent amounts of food.

I don't know...

I live on very little.

Louise

* Kate Connelly (2010): *What body part do I need to sell?* Jobs Australia

Aboriginal and Torres Strait Islander People Poverty and Disadvantage

The ABS Survey of Income and Housing (SIH) does not include information that enables an accurate measurement of Aboriginal and Torres Strait Islander poverty. However, some information on poverty amongst Aboriginal and Torres Strait Islander people can be gleaned from other data sources, including the ABS Household Income and Labour Dynamics Australia (HILDA) survey and others.

The information below draws on these alternative data sources. Better access to data would assist with understanding poverty amongst Aboriginal and Torres Strait Islanders.

Analysis reveals that:

- Based on HILDA data, Aboriginal and Torres Strait Islander people were more likely to experience poverty than other Australians, with 19.3% of Aboriginal and Torres Strait Islander people living below the poverty line, compared with 12.4% of other Australians^{32,33}.
- Characteristics of disadvantage can reinforce each other, with some groups more likely to experience multiple kinds of disadvantage, or social exclusion than others. Measures developed by the Brotherhood of St Laurence combine seven areas of social exclusion indicators: health; education; employment; material resources; social connection; community; and personal safety to identify an overall rate of social exclusion³⁴.
- Their analysis shows that in 2001, 48% of Aboriginal and Torres Strait Islander people experienced social exclusion. This compares to 53% of people with a disability or long-term health condition; 40% of lone parents; while 27% of public housing tenants experience deep exclusion³⁵.
- The proportion of Aboriginal and Torres Strait Islander people who experienced deep social exclusion increased from 9.5% in 2010 to 14% in 2011. Individuals move in and out of social exclusion – the Brotherhood of St Laurence find that about 54% of the Australian population were excluded in at least one year over the period 2002-11³⁶.
- While some groups in the population are more likely to experience disadvantage, this does not mean that their disadvantage will be ongoing. However, analysis by the Productivity Commission looked at the likelihood of deep and persistent disadvantage. It found that Aboriginal and Torres Strait Islander people are amongst those most likely to experience deep and persistent disadvantage, as are lone parents, those with a long term health condition or disability and people with low educational attainment³⁷.
- Ideally, future editions of the ABS Surveys of Income and Housing would include data that would allow better analysis of poverty amongst Aboriginal and Torres Strait Islander people, to inform efforts to reduce it.

32 Unpublished estimates provided by Azpitarte from the Brotherhood of St Laurence, in McLachlan et.al (2013) *Deep and Persistent Disadvantage in Australia*. Productivity Commission Staff Working Paper.

33 It is not clear whether a poverty line of 50% of median income or a difference measure of poverty was used.

34 Francisco Azpitarte (2013) Social Exclusion Monitor Bulletin, Research Bulletin of the Brotherhood of St Laurence and the Melbourne Institute.

35 Francisco Azpitarte (2013).

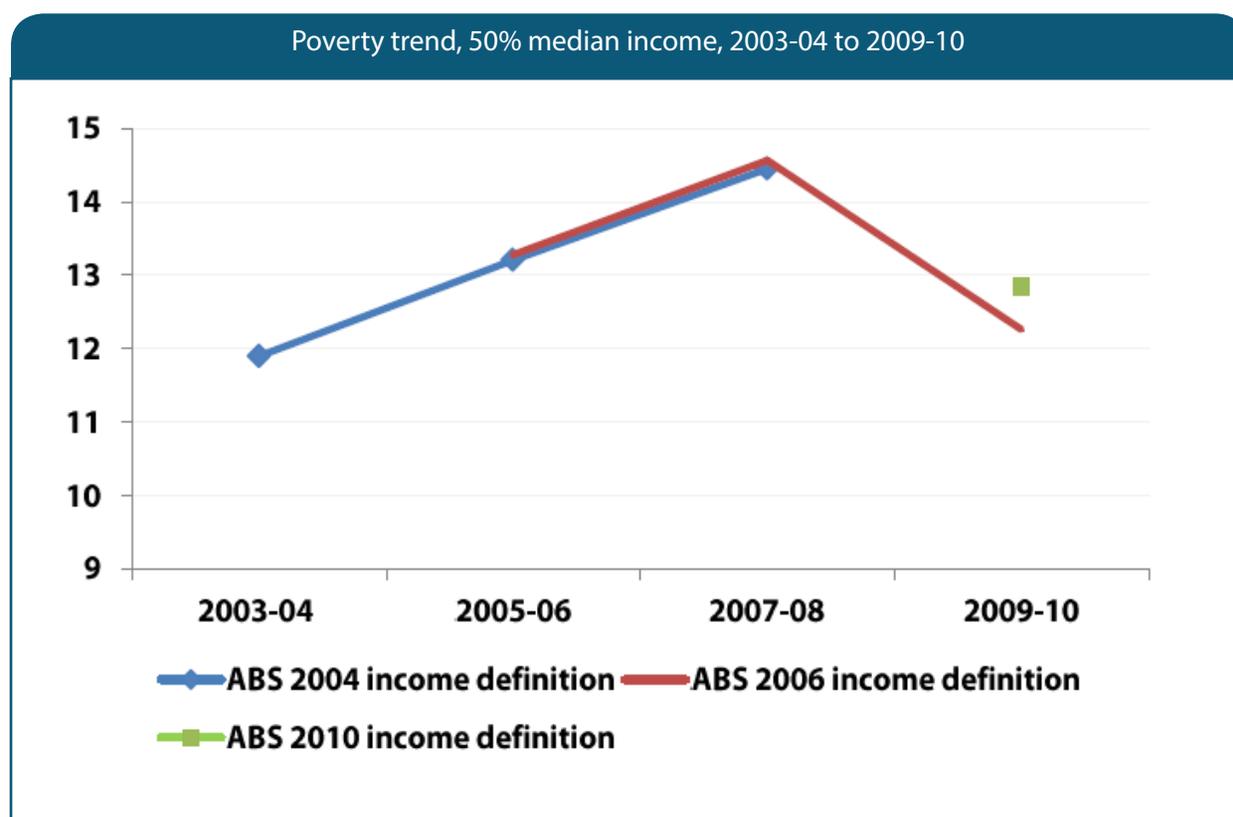
36 Francisco Azpitarte (2013).

37 McLachlan et.al (2013) *Deep and Persistent Disadvantage in Australia*. Productivity Commission Staff Working Paper.

Trends in the risk of poverty from 2003 to 2010 (50% of median income poverty line)

A comparison of data from a series of ABS Surveys of Income and Housing (SIH) shows that the risk of poverty in Australia rose between 2003 and 2010.

Unfortunately, due to changes in the way the ABS defined 'income' from one survey to the next, these data are not strictly comparable from 2003 all the way through to 2010, hence the break in the graph around 2005. For the same reason, the 'risk of poverty' rate for 2010 in this historical comparison is slightly different (12.2%) to the poverty rate used elsewhere in this Report (12.8%)³⁸.



³⁸ This is because the poverty estimate for 2010 in the graph below is based on the definition of income the ABS used in 2005, rather than the most up to date one (which is more comprehensive and includes such factors as irregular overtime and bonuses). For the data provided in the rest of this report the researchers used the most recent (and comprehensive) ABS income definition. The SPRC have prepared a technical report to accompany this Report entitled 'Examining Recent Changes in Poverty' which explains these problems and how the researchers dealt with them.

Nevertheless, the available ABS data on the proportion of individuals living below the 50% of median income poverty line suggest that:

- Poverty increased overall by approximately one third of a percentage point from 2003 to 2010.
- It rose substantially from 2003 to 2007 (from 11.9% to 14.5%)
- It declined substantially (from 14.6% to 12.3%) from 2007 to 2010.

The main reason for the increase in poverty from 2003 to 2007 is likely to be that community incomes (represented by the 'median income' measure on which the poverty lines are based) rose strongly over this period but a growing minority of people (those below the poverty line) fell behind. For example, the real incomes of people on some social security payments fell behind because their payments were only indexed to the CPI and not to wages. Over this period, the impact of the rise in overall community incomes on poverty levels was greater than the poverty-reducing impact of the fall in unemployment.

The reasons for the dip in poverty between 2007 and 2010 are likely to include the economic downturn in 2008-09 (which depressed median incomes without substantially increasing unemployment) and the increases in pension payments for single people in September 2009 which lifted many people with small amounts of non-pension income (such as interest from investments) above the 50% of median income poverty line.

Comparisons with other measures of hardship

Poverty is one measure of financial hardship. Other measures include:

- **Financial stress**

This measures people's perceptions of their financial health. The Australia Bureau of Statistics Household Expenditure Survey attempts to measure these perceptions by asking such questions as: 'Last year, were you unable to pay gas/electricity/telephone bill on time?'

- **Deprivation**

This measures people's actual living standards, typically by asking people whether they have items which a majority of people regard as 'essential', such as 'a decent and secure home', and if not, whether this was because they could not afford it.

In this section of the report, we compare estimates of the risk of poverty with estimates of rates of financial stress and deprivation in the community, to check whether people living below poverty lines are also more likely to experience financial stress or deprivation. This provides a reality check for poverty research.

Poverty and financial stress

The Australian Bureau of Statistics 'Household Income and Expenditure Survey' used to produce the estimates of poverty in this report also asked questions about financial stress. People were asked whether they took certain actions because of a shortage of money, and whether they couldn't afford certain activities.

Actions taken over the last year due to a shortage of money:

- Assistance sought from welfare/community organisations
- Pawned or sold something
- Sought financial help from friends/family
- Unable to heat home
- Went without meals
- Could not pay gas/electricity/telephone bill on time
- Could not pay registration/insurance on time

Cannot afford to participate in certain activities:

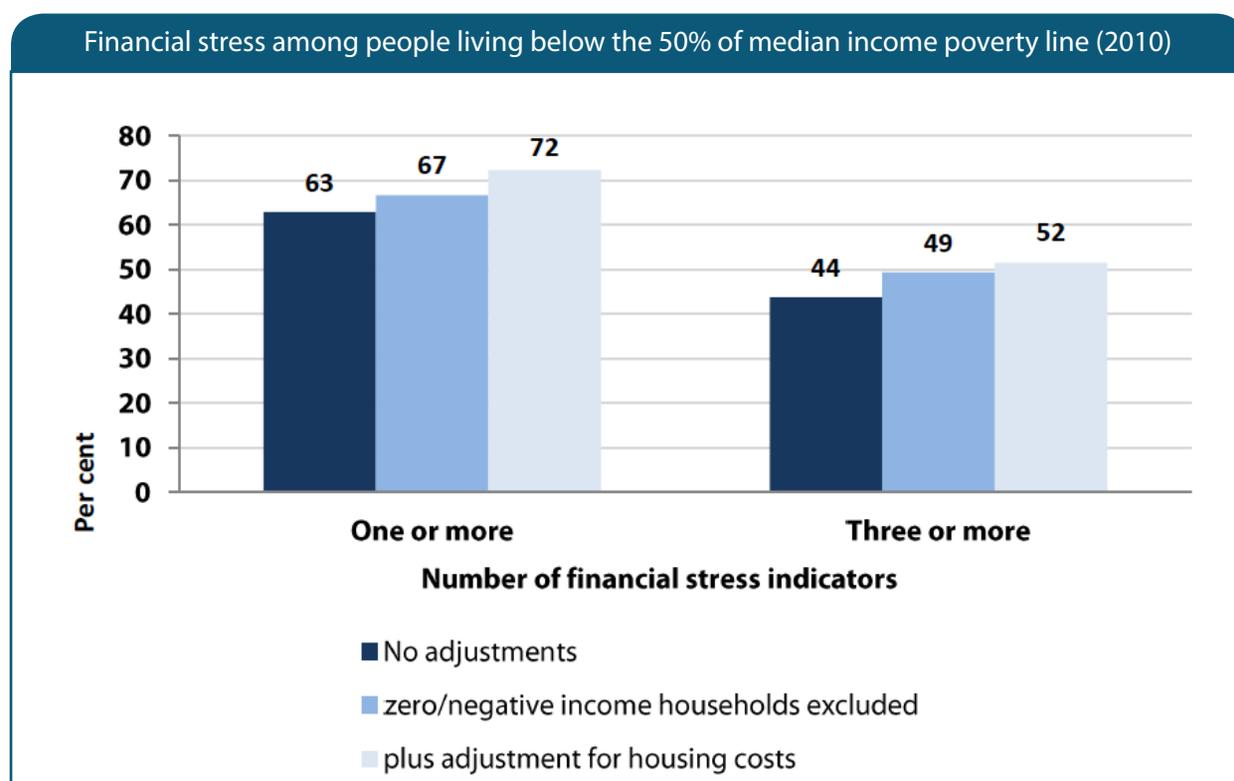
- A night out once a fortnight
- A special meal once a week
- Have friends or family over for a meal once a month
- A holiday away from home for at least one week a year
- Household members buy second hand clothes most of the time (cannot afford brand new clothes)
- Household members do not spend time on leisure or hobby activities

By adding together the number of these 13 'financial stress indicators' experienced by each household, the researchers for this report developed an index of financial stress: the proportions of households with one or more, and three or more, of the above indicators. They then worked out the percentage of households both above and below the poverty lines that reported these two levels of financial stress.

In 2010, 42% of all households reported one or more financial stress indicator, and 20% reported three or more.

If poverty is associated with higher levels of financial stress, we would expect a much greater proportion of people living below poverty lines to report financial stress than among people living above the poverty lines. The graphs below show that the proportion of people below the 50% of median income poverty line with at least one stress indicator was about twice that of people living above the poverty line.

The graphs also compare financial stress levels among people below and above poverty lines when poverty is measured in different ways. This is to check whether not including households with zero or negative incomes, and adjusting the poverty lines for housing costs improves the accuracy of the poverty measure (that is, whether there is a closer relationship between poverty and financial stress)

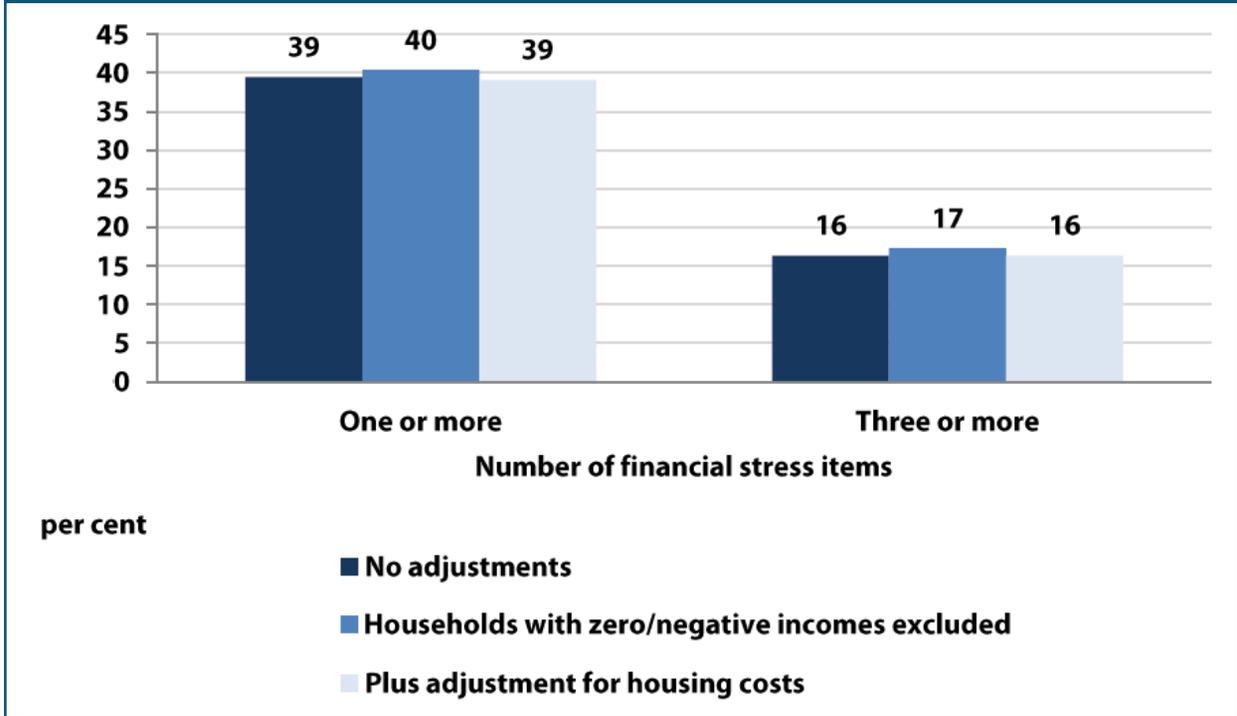


Note: the 'adjustments' refer to different ways to measure poverty. This report uses the third option 'plus adjustment for housing costs'.

The graph above shows that, when the costs of housing are taken into account as they are in this research, 72% of those households below the 50% poverty line reported at least one financial stress indicator, while 52% reported three or more. This suggests that while poverty and financial stress are not identical, almost three quarters of those households in poverty reported some difficulty managing financially and about half reported considerable difficulty. It is likely that many of the remaining one quarter of people living below the poverty line avoided financial stress by relying on financial supports beyond immediate family incomes (for example, income support from their extended families).

The graph also suggests that the method adopted by the researchers to measure poverty improved the 'fit' between poverty and financial stress indicators. By excluding households reporting zero or negative incomes and those with self-employed members (where there are some doubts about the accuracy of incomes reported in the ABS survey), and adjusting poverty lines to take account of the cost of housing, the 'fit' between poverty and financial stress is improved. As a result, we can be more confident that people living below the poverty line also face financial hardship. For example, before these adjustments were made, 63% of households below the poverty line reported at least one financial stress indicator but this rose to 72% after the adjustments were made.

Financial stress among people living above the 50% of median income poverty line



Poverty and deprivation

Another measure of financial hardship is 'deprivation'. In 2010, the Social Policy Research Centre conducted a survey of deprivation across the community, the 'Poverty and Exclusion in Modern Australia' (PEMA) survey. It measured the proportion of households lacking items which a majority considered essential, who also reported that they could not afford those things. This was a more comprehensive survey of hardship than the financial stress indicators used in the ABS survey listed above.

A list of these 'essentials', and the proportion of respondents who considered that each was 'essential' is provided below.

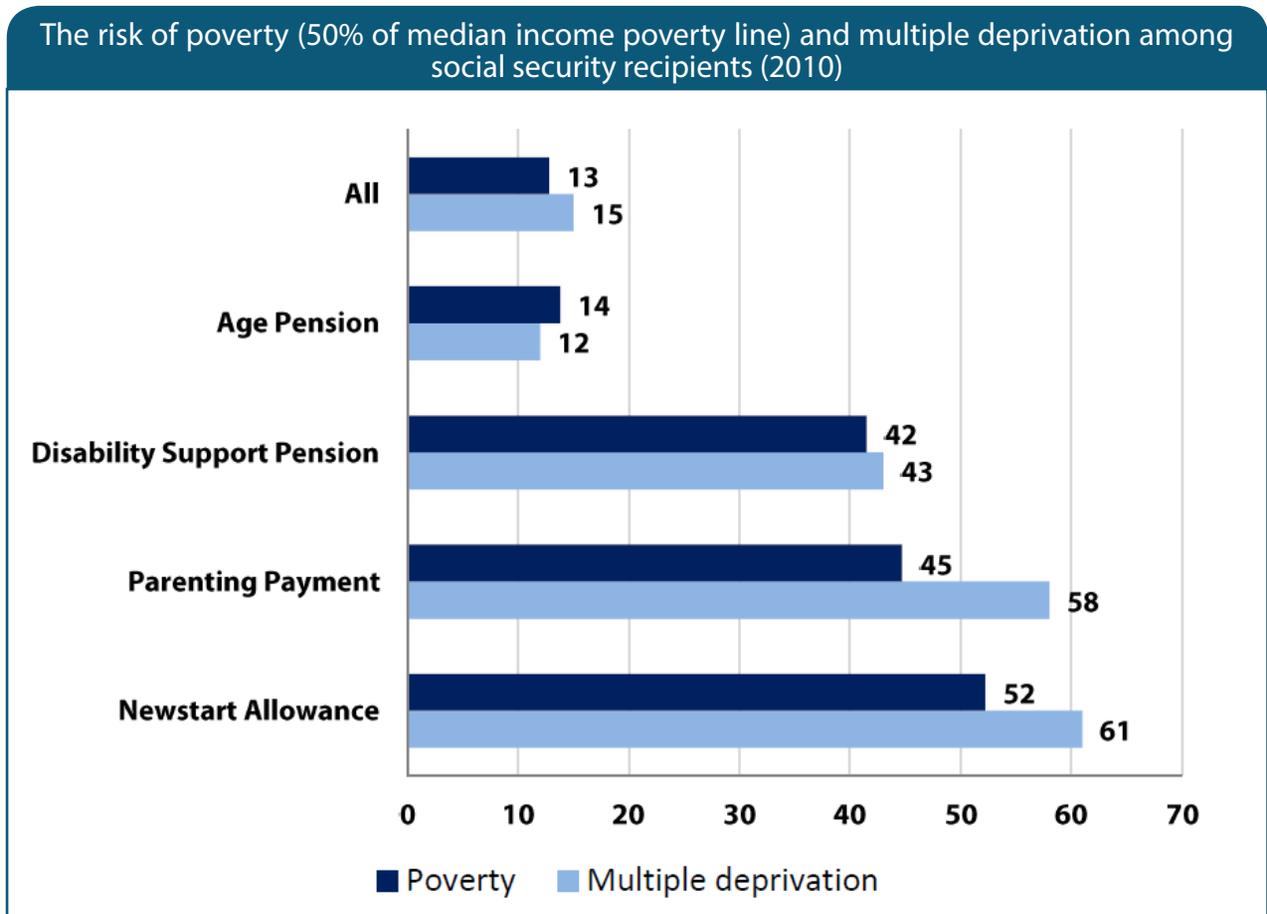
24 essential items from the PEMA survey

Item	Per cent of respondents considering it 'essential'
Warm clothes and bedding, if it's cold	99.9
Medical treatment if needed	99.9
Able to buy medicines prescribed by a doctor	99.5
A substantial meal at least once a day	99.4
Dental treatment if needed	98.4
A decent and secure home	97.1
Children can participate in school activities & outings	95.8
A yearly dental check-up for children	94.9
A hobby or leisure activity for children	92.7
Up to date schoolbooks and new school clothes	92.8
A roof and gutters that do not leak	91.3
Secure locks on doors and windows	92.4
Regular social contact with other people	91.6
Furniture in reasonable condition	89.0
Heating in at least one room of the house	87.0
Up to \$500 in savings for an emergency	81.4
A separate bed for each child	81.3
A washing machine	77.7
Home contents insurance	72.4
Presents for family or friends at least once a year	71.4
Computer skills	72.6
Comprehensive motor vehicle insurance	59.9
A telephone	59.7
A week's holiday away from home each year	53.9

Source: Saunders P & Wong M 2012, 'Promoting inclusion and combating deprivation, recent changes in social disadvantage in Australia'. Social Policy Research Centre, University of New South Wales.

In a report prepared for ACOSS, the researchers of the PEMA study developed a measure of deprivation: the proportion of households reporting deprivation of three or more of these 24 items. This was referred to as 'multiple deprivation'. Overall, 15% of households reported multiple deprivation in 2010.

The graph below compares poverty and multiple deprivation levels among different groups of social security recipients, a segment of the population that could be expected to experience above average levels of both poverty and deprivation. If the same groups have relatively high (or low) levels of both poverty and deprivation, we can be more confident that our poverty measure is identifying groups facing greater (or lesser) financial hardship.



Source: ACOSS 2012, 'Who is missing out? Material deprivation and income support payments,' ACOSS Paper 187.

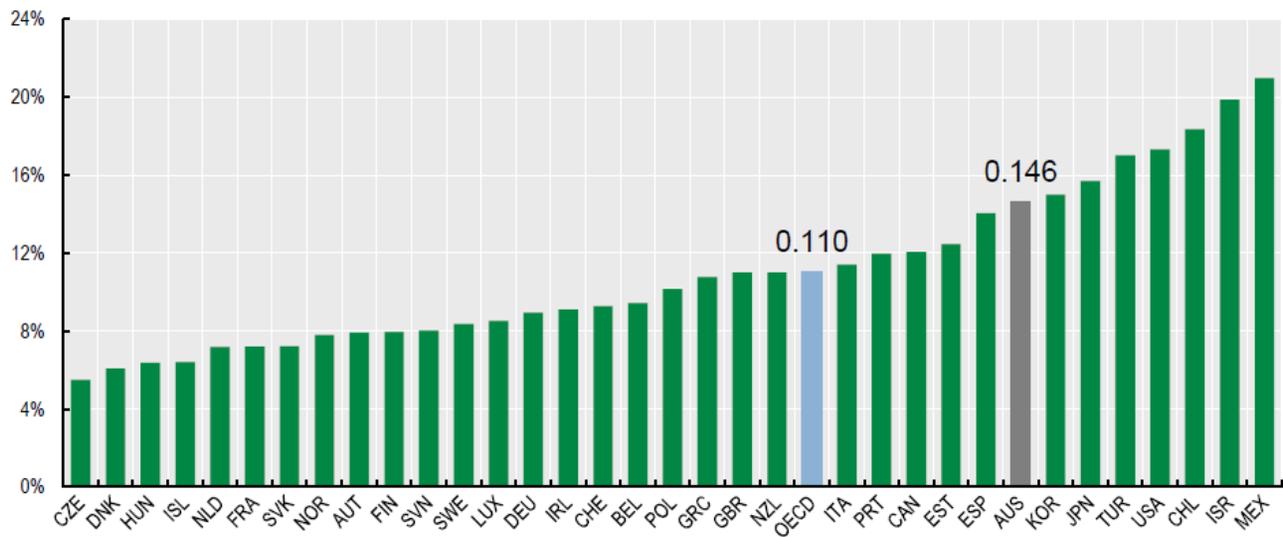
The graph suggests that there is a close correspondence between patterns of poverty and multiple deprivation among recipients of different social security recipients (we were not able to test whether this also holds for other groups in the community). The risk of both poverty and multiple deprivation was particularly high among recipients of the main 'working age' payments - Newstart Allowance, Parenting Payment (most of whom are sole parents), and Disability Support Pension.

The poverty measure used in this graph is the one adopted throughout this report, which takes account of the costs of housing. The effect of taking this factor into account is shown if we compare the risk of poverty measured in this way with a poverty measure that ignores housing costs. If housing costs are ignored, 29% of age pensioner households were living below the 50% of median income poverty line, compared with 14% when housing costs were taken into account. The close correspondence between poverty and multiple deprivation among age pensioner households shown in the graph then breaks down. The likely reason for this is that high levels of home ownership among age pensioners shield many from 'multiple deprivation' by reducing their housing costs.

International Comparisons

The graph below compares the risk of poverty among people living in Australia with other countries belonging to the Organisation for Economic and Social Development (OECD). These poverty rates were calculated by the OECD and they apply to the 'late 2000s'. Although the same 50% of median income poverty line was used, differences in the timing of the research and its methodology (for example, housing costs were not taken into account) mean that the results are not exactly the same as in the poverty research reported here. The OECD's estimate for the overall risk of poverty in the late 2000s was 14.6% (compared with our estimate for 2010 of 12.8%).

Poverty rate, late 2000s (OECD)



Source: OECD poverty data base (see www.oecd.org)

The OECD figures suggest that poverty was about one third higher in Australia than the OECD average level (11%). It is possible that Australia's poverty 'ranking' has changed since the international recession of the late 2000s, since unemployment is now much lower in Australia than in the majority of OECD countries.



