

## Briefing note: Benchmarking adequacy for income support payments

22 January 2023

### Purpose

This briefing note is prepared to inform the Economic Inclusion Advisory Committee's assessment of the adequacy of maximum rates of income support payments, especially payments for people of working age and for children who are at greatest risk of poverty and financial hardship.

It does not address other issues in payment design such as income testing, employment incentives, or the budgetary costs of changes to income support, nor the range of other strategies and services to reduce poverty such as reform of employment services. Those issues should be carefully explored after a preliminary assessment has been made of the adequacy of maximum payment rates.

### Research findings outlined in this briefing

The statistical analysis in this briefing is in four parts:

1. Maximum rates of income support payments and internal payment relativities.
2. Benchmarking maximum rates of income support payments – poverty lines and budget standards.
3. Trends in maximum rates of income support payments and the relativities between them, compared with external benchmarks such as poverty lines and wages.
4. Poverty, deprivation of essentials and financial hardship among people relying on income support.

### Key conclusions

1. The *maximum single rates of lowest working-age 'allowance' payments* (Youth Allowance and Jobseeker Payment) sit substantially below widely used adequacy benchmarks including the pension rate, poverty line, and budget standards for single people without children.<sup>1</sup>

Single people on those payments live well below the poverty line if they lack other financial resources, and their incidence and depth of poverty, deprivation of essentials, and financial hardship are consistently among the highest for people relying on income support.

2. *Single parent families* receiving the lowest 'allowance' payments are also impacted by very low rates of payment, despite the slightly higher rates paid to people raising a child alone. Jobseeker and Youth Allowance payments for single parents (combined with Family Tax Benefits and Rent Assistance) sit well below poverty lines and budget standards benchmarks.

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<sup>1</sup> In this briefing, comparisons between payments and poverty lines are made in 2020 (adding in the more recent \$25pw payment increase), comparisons with budget standards are made in 2016. Rent Assistance and other widely available supplements are included.

Parenting Payment (together with Family Tax Benefit and Rent Assistance) nudges single parents with one or two children just above the poverty line, but not above the relevant budget standards (which take greater account of the extra cost of raising a child alone).

Along with other single people on the lowest Allowance payments, single parents have relatively high rates of poverty, deprivation of essentials, and financial hardship. They consistently rank among the most disadvantaged in deprivation and financial hardship research, possibly due to factors not captured in poverty and budget standards benchmarks, such as the way in which parents shield their children from 'missing out' by borrowing and reducing spending on their own needs.

3. *Allowance payments for couples without children* (Youth Allowance, Jobseeker Payment, and Parenting Payment) are substantially below poverty lines and budget standards, though much less so compared to single payment rates (partnered rates of allowance payments were tied to pensions until the late 1990s).

Rates of poverty, deprivation and financial hardship for couples on allowance payments are somewhat below those for singles (with or without children).

4. *Pension payments for people of working age* (both single and partnered) are very close to poverty lines and budget standards, so small variations in those payments can lead to large increases or reductions in poverty – however, the depth of poverty is less than for people on Allowance payments.

Deprivation and financial hardship rates among people on *Disability Support Pension* are closer to those for people on the lower payments, reflecting the extra costs of disability (not accounted for in poverty and budget standards measures) and very low employment earnings among this group.

5. Since the Harmer reforms in 2009, poverty among people on *Age Pensions* has been much lower than for other income support payments.

This is partly due to the other resources available to most people on Age Pensions, especially home ownership (and increasingly superannuation and other financial investments).

Poverty among tenants on Age Pensions is much higher than for homeowners.

6. *Family Tax Benefits* for low-income families have declined relative to community living standards since indexation to wage movements ended in 2009. They generally sit close to poverty benchmarks for the extra costs of children (which take no account of the age of each child) but significantly below the relevant budget standards, especially for older children.

Along with low 'base rates' of income support for singles, low FTB payments (including inadequate compensation for the costs of raising a child alone) contribute to the high poverty, deprivation and hardship among single parent families reliant on income support.

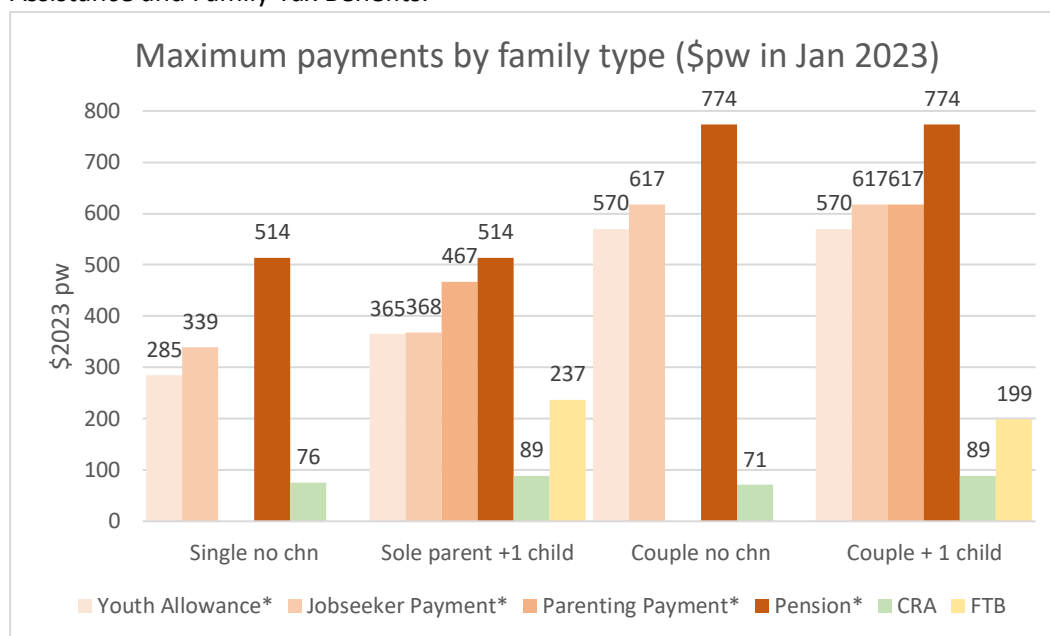
7. The *relativities between rates of payment* for different family types within each payment, and between payments for each family type, are generally arbitrary as few efforts have been made post-Harmer Review to adjust payment rates to relative needs in a coherent way (and that review only considered pensions).

- Together with inconsistencies in the indexation of payments, this generally works to the disadvantage of less 'popular' groups such as young single people on the lowest payments.

## 1. Maximum rates of income support payments and internal relativities

### 1.1 Current maximum rates of social security payments

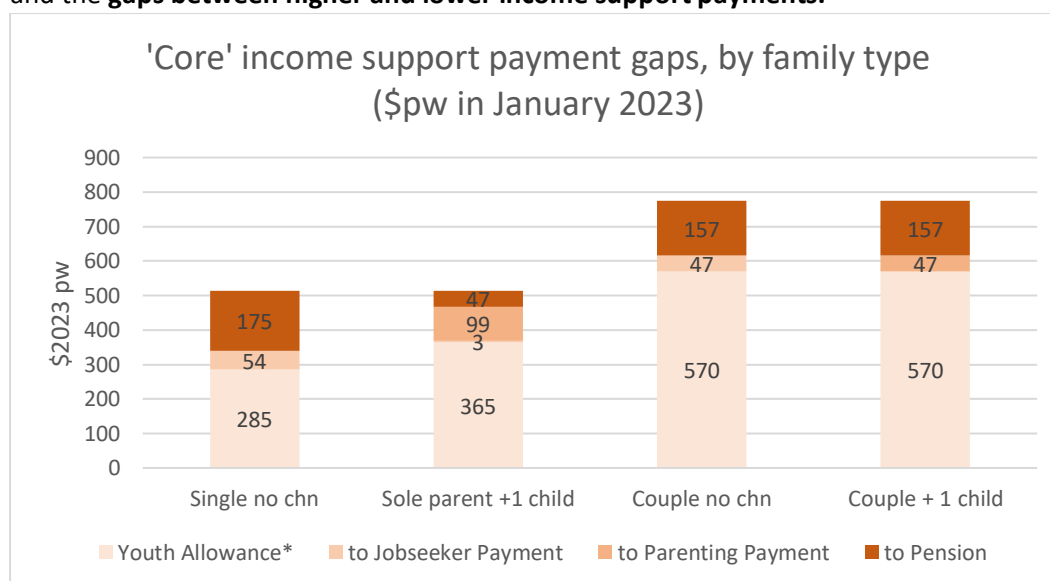
**Figure 1** shows the **current maximum payment rates for income support payments** for adults, Rent Assistance and Family Tax Benefits.



Note: Includes Pension Supplement and minor supplementary payments (e.g. Energy Supplement). YA is the 'away from home' rate. FTB rate is for an 8-12 year-old child including Parts A and B. 'Pension rate' for single parents is shown for illustrative purposes only, as Parenting Payment Single is no longer paid at pension rates.

### 1.2 Gaps between income support payments for adults

**Figure 2** shows maximum rates of Youth Allowance for different family types (the lowest payment) and the **gaps between higher and lower income support payments**.

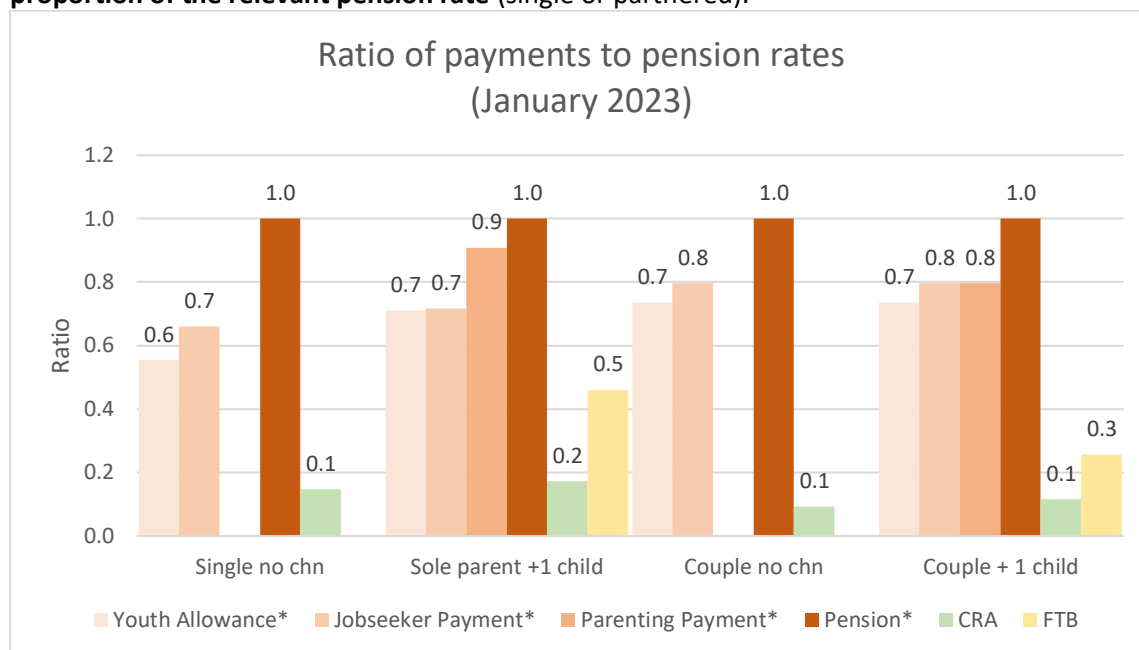


Note: YA rates are the actual rates. Other amounts are the *gaps between payments* (e.g. for singles without children, JSP is \$54pw higher than YA and the pension is \$175pw higher than JSP).

'Pension rate' for single parents is shown for illustrative purposes only. Includes Pension Supplement and minor supplementary payments (e.g. Energy Supplement). YA is the 'away from home' rate.

### 1.3 Relativities between income support payments for adults

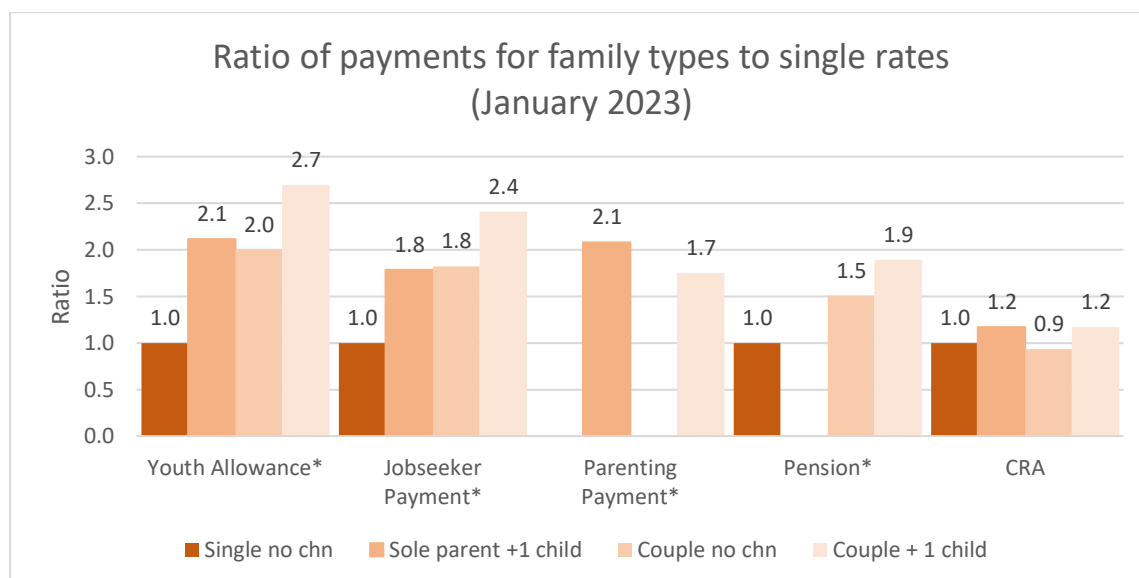
**Figure 3** shows the **maximum rates of social security payments for different family types as a proportion of the relevant pension rate** (single or partnered).



Note: Pension rate (single or couple combined rate) is set at 1. Includes Pension Supplement and minor supplementary payments (e.g. Energy Supplement). YA is 'away from home' rate. FTB rate is for 8-12 year old.

### 1.4 Relativities between rates for family types *within* core income support payments

**Figure 4** shows the **relativities within each payment between different family types**.



Note: Single rate without children is set at 1. Includes Pension Supplement and minor supplementary payments (e.g. Pension Supplement, Energy Supplement). YA is the 'away from home' rate. FTB rate is for an 8-12 year old. CRA = Commonwealth Rent Assistance.

## Observations

- There are major differences in rates of payment between young people living independently, others on 'allowance' payments (JSP and PP), and pensions. For example, the single rate of YA is 0.6 of the pension rate (\$229pw less), JSP is 0.7 of the pension rate (\$175pw less), and PPS is 0.9 of the pension rate (\$47pw less).
- These 'gaps' between allowance and pension payments are greatest for single people.
- The relativities within payment types between maximum rates for different family types are inconsistent. For example, the combined couple rate of pension is 1.5 the single rate (as recommended by the Harmer review) while the couple rate for JSP is 1.8 times the single rate and the couple rate of YA is twice the single rate.
- A couple on maximum rate CRA receives 0.9 of the rate paid to single person, although their housing costs for a couple are likely to be the same or greater.

## Issues and questions

- Can the payment gaps for core income support payments (relativities between allowances and pensions) be justified on adequacy grounds?
- Can the different relativities between family types among different payments be justified on adequacy grounds?

## 2. Benchmarking maximum rates of income support payments

### 2.1 Comparison of maximum rates of payment with the 50% of median income poverty line <sup>2</sup>

Table 1 compares the 50% of median income poverty line with payment rates in 2019-20.

Family type	Poverty line (\$2019 pw)	Youth Allowance (\$2019 pw)	Jobseeker Payment (\$2019 pw)	Parenting Payment (\$2019 pw)	Pension (\$2019 pw)
Lone person	489	332	380		470
Couple only	734	590	632		709
Single parent 1 child	636	594	594	680	725*
Couple 1 child	881	753	795	745	900
Single parent 2 children	783	702	702	788	833*
Couple 2 children	1027	861	903	853	1008

Source: Davidson, Bradbury & Wong (2022), *A snapshot of Poverty in Australia in 2019-20* and author's calculations.

Note: Poverty lines are estimated for 2019-20, the year of the last ABS *Survey of Income and Housing*. Payment

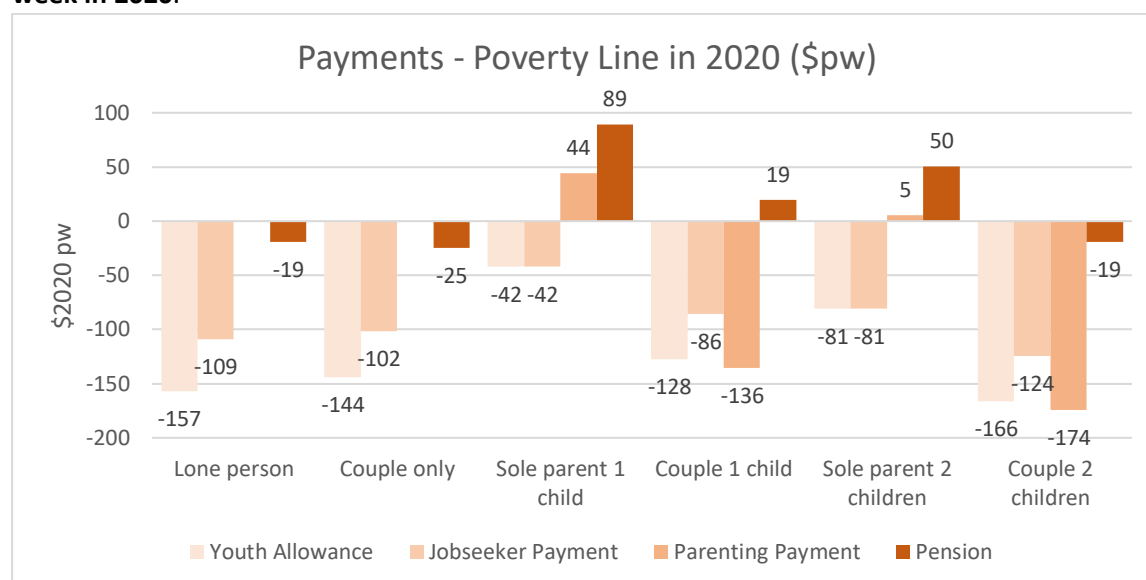
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<sup>2</sup> Note that there are alternative poverty benchmarks, including the 60% of median income poverty line and Henderson Poverty Line (both of which are higher than the poverty lines shown here).

rates are for January-March 2020, *before* Coronavirus Supplement was introduced, but the \$25pw increase in 'allowance' payments commencing in April 2021 is included for completeness.

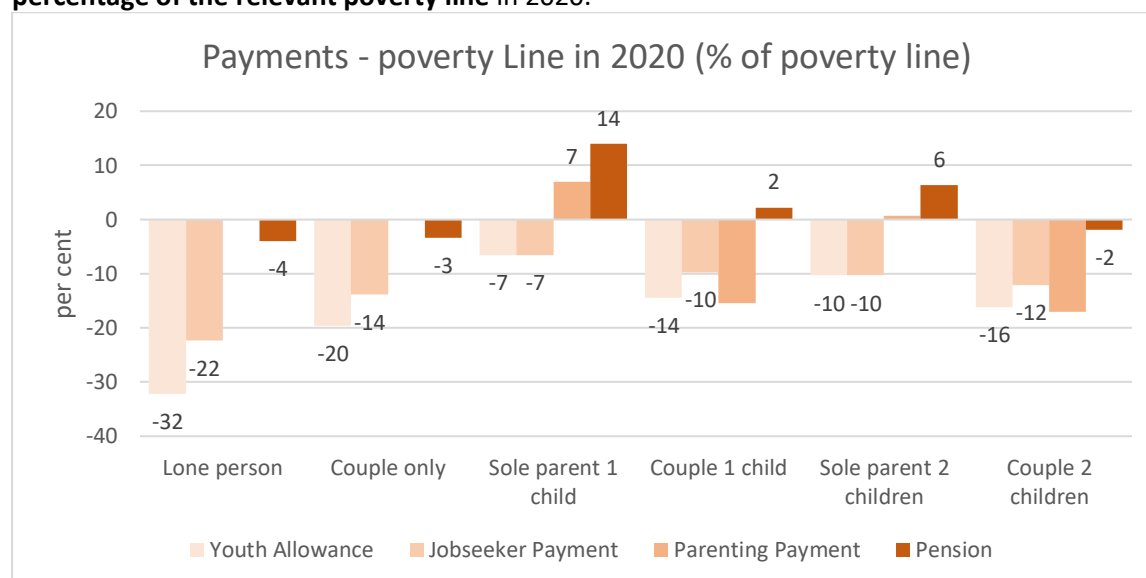
Poverty lines include housing costs. Payments include Rent Assistance (except for single people and couples on pensions). Pension Supplement and minor supplements such as Energy Supplement included. 'Pension' rates for single parents are illustrative only, as Parenting Payment Single is no longer paid at the pension rate.

**Figure 5** shows the **difference between income support payments and poverty lines in dollars per week in 2020**.



Note: see Table 1 above. Payments above the zero line are higher than poverty lines, those below it are lower.

**Figure 6** shows the **difference between income support payments and poverty lines, as a percentage of the relevant poverty line in 2020**.



Note: See Table 1 above. Payments are pre-Coronavirus Supplement with \$25pw increase added. Difference between payment levels and poverty lines as a proportion of the relevant poverty line. Payments above the zero line are higher than poverty lines, those below it are lower.

### Observations

- All payments were below the poverty line except Parenting Payment for single parents and pensions for a couple with one child.
  - The value of those payments relative to the poverty line declined when a second child was added, which suggests that family payments were too low to prevent child poverty (e.g. if a third child is added those payments would probably fall below the poverty line).
- Parenting Payments and pensions were very close to the poverty line.
- Youth Allowance and Jobseeker Payment were well below the poverty line.

### Issues and questions

- On these figures, increases in Youth Allowance and Jobseeker Payment, especially for singles and single parents, are likely to be cost-effective in reducing the deepest poverty.
- Poverty is not the only measure of income adequacy:
  - Are incomes below the poverty line insufficient to meet typical essential living costs for families with low incomes? Are incomes just above it adequate?
  - To what extent are people below the 50% of median income poverty line experiencing financial hardship?
  - Do the equivalences (relativities) between different family types underpinning these poverty lines reflect essential living costs for families with low incomes?

## 2.2 Comparison of maximum rates of payment with Budget Standards <sup>3</sup>

**Table 2** compares **Budget Standards for unemployed families** with poverty lines and income support payment rates in **2016 dollars per week**.

	Budget (2016 \$pw)	Poverty line (2016 \$pw)	Budget:poverty line (2016 \$pw)	Income support (2016 \$pw)	Income support minus Budget (as a % of Budget)
Lone person	434	441	0.98	338	-22%
Couple only	660	662	1.00	553	-16%
Single parent 1 child	675	563	1.20	628	-7%
Couple 1 child	767	794	0.97	708	-8%
Couple 2 children	940	926	1.02	814	-13%
Older single homeowner*	317	441	0.72		
Older couple homeowners*	512	662	0.77		

Source: Saunders & Bedford (2017) op cit, Saunders et al (1998) op cit.

Budgets for older homeowners are calculated by multiplying those for singles and couples (respectively) from Saunders & Bedford (2016) by the ratio of budgets for older singles : prime age singles and older couples : prime age couples (respectively) derived from Saunders et al (1998).

Brown shading = Budget is below poverty line OR Payment is below Budget; Green shading = Budget is above poverty line.

<sup>3</sup> Budget Standards are hypothetical budgets developed by experts to meet typical essential living costs for families on the lowest incomes. We use estimates from two studies by the Social Policy Research Centre (Saunders & Bedford (2017), *New Budget Standards for Low-Paid and Unemployed Australians - Summary Report*. UNSW Sydney and Saunders et al (1998), *Development of indicative Budget Standards for Australia*). Living standards and expectations have since risen, so these budgets are likely to be on conservative side.

**Table 3** compares the **relativities between the minimum incomes needed by different family types** (equivalence scale) in the above poverty lines and those derived from budget standards research.<sup>4</sup>

	Poverty lines (including housing)		Budget standards	
	Ratio to single adult	Marginal increase *	Ratio to single adult	Marginal increase *
Lone person	1		1	
Couple only	1.5	0.5	1.52	0.52
Older single homeowner	1	0	0.73	-0.27
Older couple homeowners	1.5	0.5	1.18	0.18
Lone parent with 1 child	1.3	0.3	1.56	0.56
Couple with 1 child	1.8	0.8	1.77	0.77
Lone parent with 2 children	1.6	0.6		
Couple with 2 children	2.1	1.1	2.17	1.17

Source: Saunders & Bedford (2017), Saunders et al (1998), and Davidson Bradbury & Wong (2022), op cit.

\* compared to a single adult without children. Brown shading = Budget relativity is below that for poverty line;  
Green shading = Budget relativity is above that for poverty line

Australian researchers have also compared the costs of children of different ages relative to adults, to inform policy on family payments and child support. In the 1988 ‘child poverty package’ family payments (equivalent to FTB Part A) were tied to married pension rates.

**Table 4** compares **costs of children by age with the single pension rate**, from this body of research.

	Child costs : single pension			
	0-4yrs	5-12yrs	13-15yrs	16-17yrs
Saunders et al (2016)	0.34	0.51		
Saunders et al (1997)	0.40	0.55	0.64	
Henman et al (2005)	0.19	0.51	0.77	1.11
Poverty lines	0.3	0.3	0.3	1
Child poverty benchmarks (2008)	0.28	0.28	0.36	
Family payments (2023)	0.25	0.25	0.32	0.36

Sources: Saunders et al (1998 and 2017); Henman et al (2006), *Costs of children*. FAHCSIA.

Note: Until 2009, Family Tax Benefits for low-income families were benchmarked to 16.6% of the combined couple pension rate for each child under 13 years and 21.6% for each child aged 13-15 years.

Family payments include FTB(A) and YA (at home rate). For the comparisons between family payments and pensions in 2023 payment rates, Family Tax Benefit (Part A) is compared with the single pension rate *minus the Pension Supplement and other supplementary payments*. This is consistent with pre-Pension Supplement *child poverty benchmarks*, but note that these ratios would be lower if Pension Supplement is included.

### Observations

- For the most part, these Budget Standards for low-income families closely match the 50% of median income poverty lines discussed previously.

<sup>4</sup> The equivalence scale used in research by the Poverty and Inequality Partnership of ACOSS and UNSW Sydney is the ‘modified OECD equivalence scale’ developed by the OECD. It sets a value of 1 for a single adult living alone, 1.5 for a couple with children, and 0.3 for each child.



- The main differences are that:
  - In the Budget Standards the extra cost of raising a child alone is significantly greater than assumed in the poverty lines (an extra 0.56 of the cost of an adult compared with 0.3).
  - In contrast, the extra cost of a child in a couple family in the Budget Standards is just 0.25 of the costs of an adult, compared with 0.3 assumed in the poverty lines)
  - While the poverty lines do not distinguish among adults of different ages, the cost of essentials for older homeowners in the Budget Standards is much less than for single adults or couples without children generally. The main reason for this is lower housing costs (nine in ten older people own or are purchasing their homes).<sup>5</sup>
  - The OECD equivalence scale used in poverty research does not distinguish between the costs of children of different ages. Budget Standards and related research indicates that they rises strongly with age.
- The costs of children (relative to a single adult) in this Budget standards research are generally higher than assumed in the poverty measure, and in family and youth payments. In particular, the higher (relative) cost of older children is not fully captured in poverty research or payment settings.

### **Issues and questions**

- The Budget Standards research supports the view that increases in single rates of the lowest income support payments are likely to be cost-effective to reduce the deepest poverty.
- The cost of essentials is much higher on average for singles and couples of working age on low incomes than their older equivalents. This may not be fully captured in poverty research (even where housing costs are accounted for).
  - Lower income support payment rates for people of working age (than for older people) cannot be justified on (current) income adequacy grounds.
- Poverty in single parent families is likely to be deeper than measured in the poverty research as the equivalence scale used does not capture the extra costs of single parenthood.
- The cost of children generally, and of older children in particular, (relative to the cost of a single adult) appear to be greater than the (abandoned) child poverty benchmarks assumed.
  - This is a key consideration when assessing the adequacy of Family Tax Benefit and Youth Allowance at-home rates.

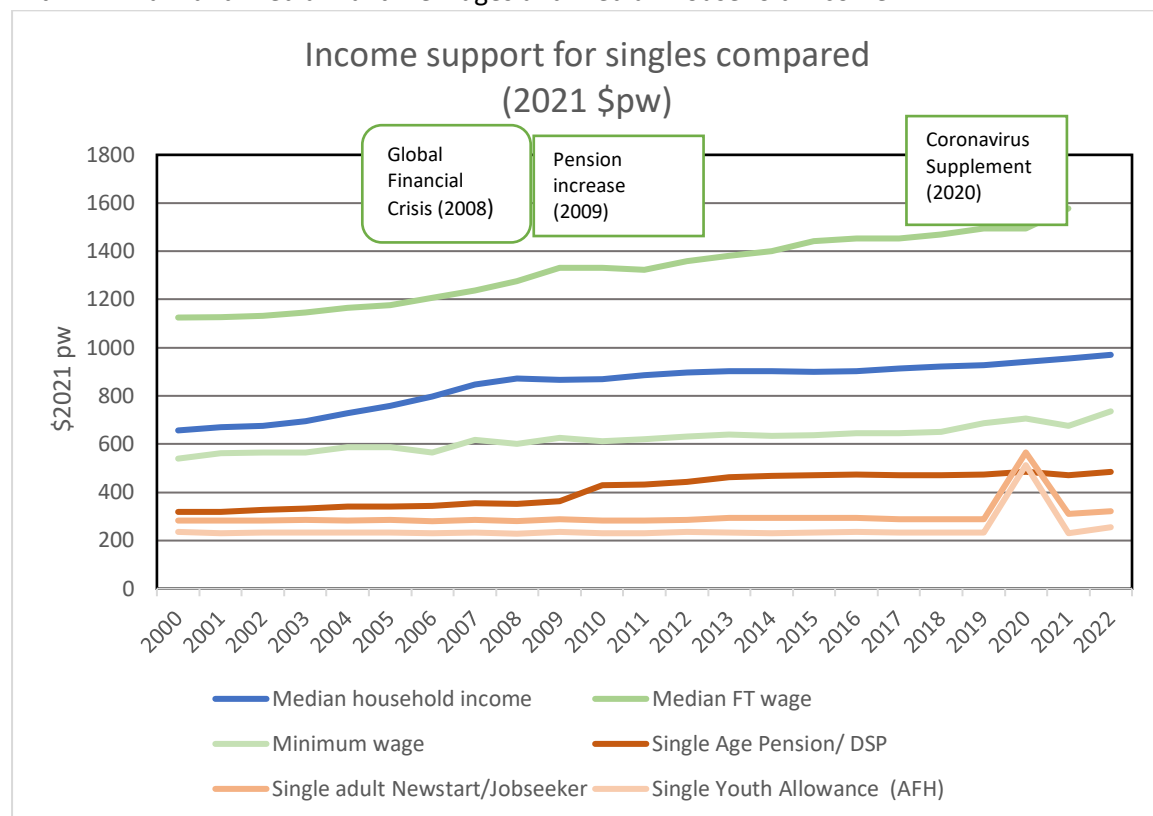
## **3. Trends in maximum rates of income support payments and external benchmarks such as poverty lines and wages.**

### **3.1 Trends in payments for singles without children**

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<sup>5</sup> This is taken into account in poverty research that measures poverty after deducting housing costs. However, measuring housing costs is especially challenging in Budget Standards research due to their wide variation between people who own their homes and those who rent, in different parts of the country. The Budget Standards cited here use average values across major capital cities.

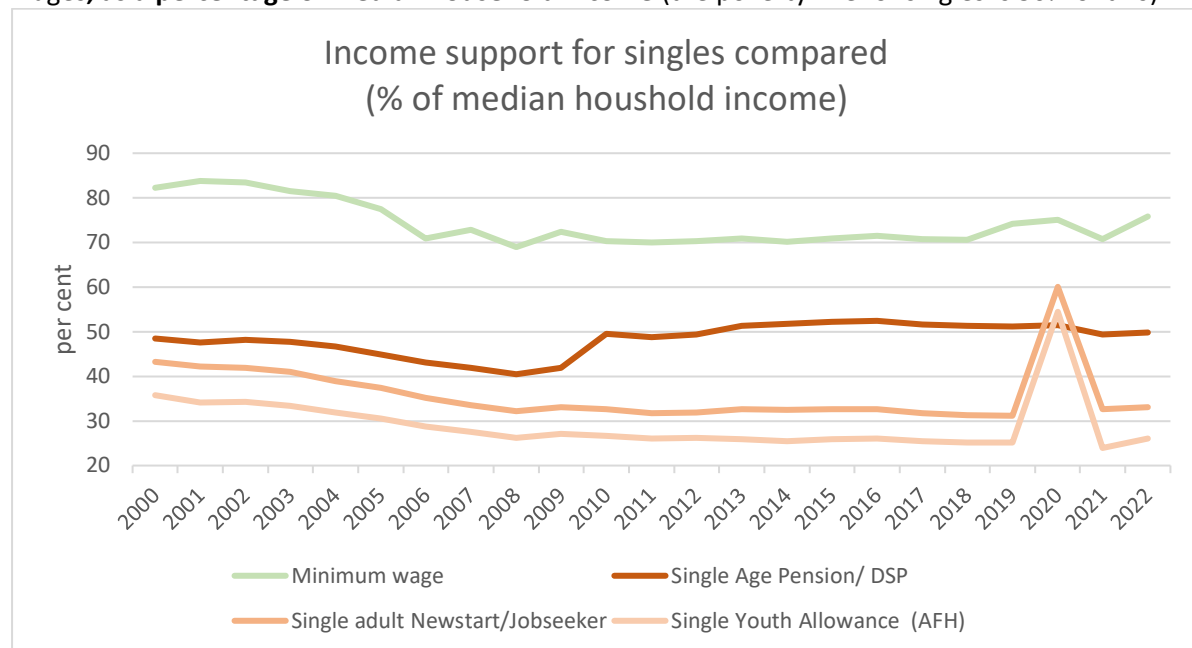
**Figure 7 shows trends in single adult rates of income support in 2021 dollars per week, compared with minimum and median fulltime wages and median household income.**



Source for trends data: Bradbury & Hill (2021), *Australian income support since 2000*. ACOSS & UNSW.

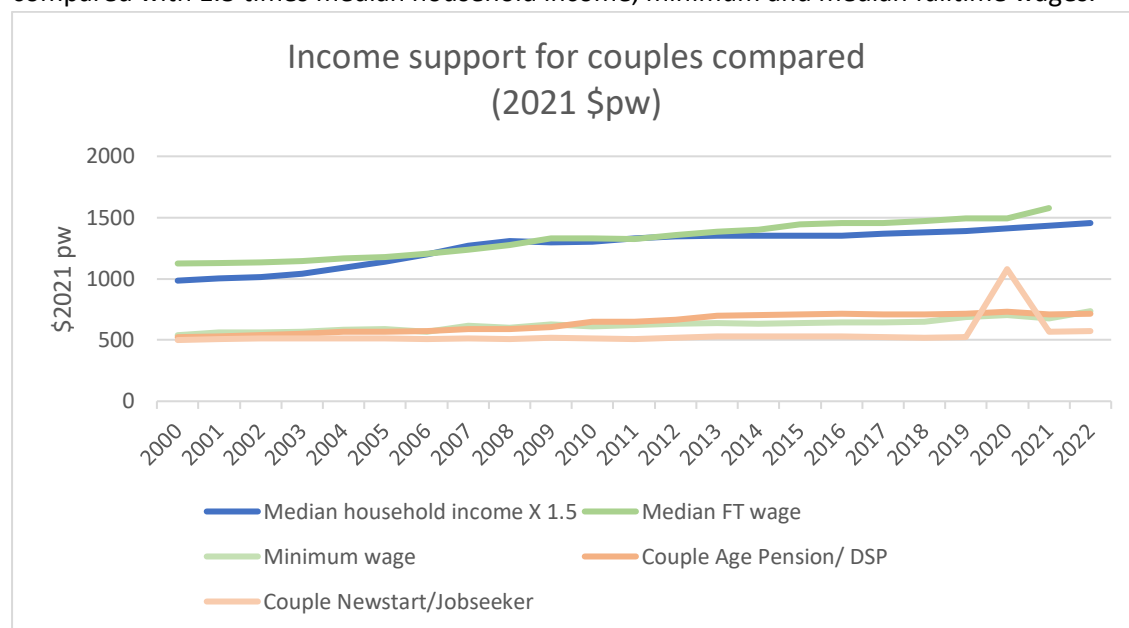
Note: Amounts are \$pw in 2021 values. AFH = Away From Home. Data are for June of each year. Jobseeker and Youth Allowance rates include Coronavirus Supplement (but not COVID Disaster payments) in 2020 and 2021. Minimum and median wage rates are after-tax. Median household income includes all regular after-tax cash income, adjusted for household size using the modified OECD equivalence scale.

**Figure 8** shows trends in **single adult rates of income support** and minimum and median fulltime wages, as a **percentage of median household income** (the poverty line for singles is 50% of this).



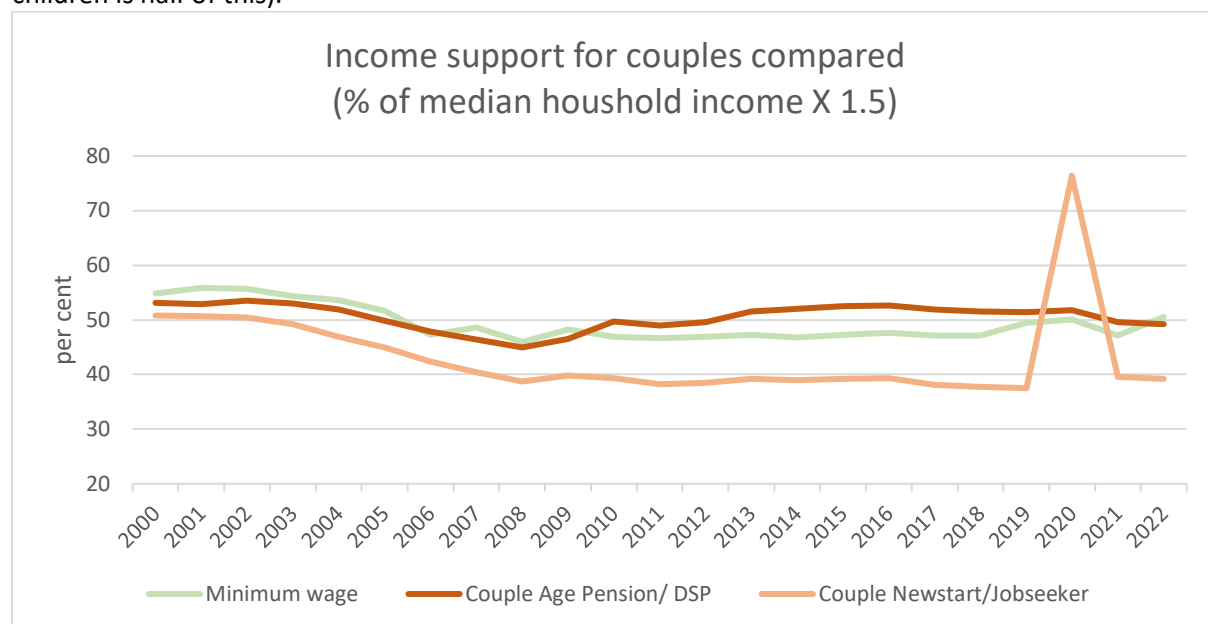
Note: See notes for Figure 7. Amounts are expressed here as a % of median household income. The 'before housing costs' poverty line for a single adult sits at 50% of this.

**Figure 9** shows trends in **combined couple rates of income support in 2021 dollars per week**, compared with 1.5 times median household income, minimum and median fulltime wages.



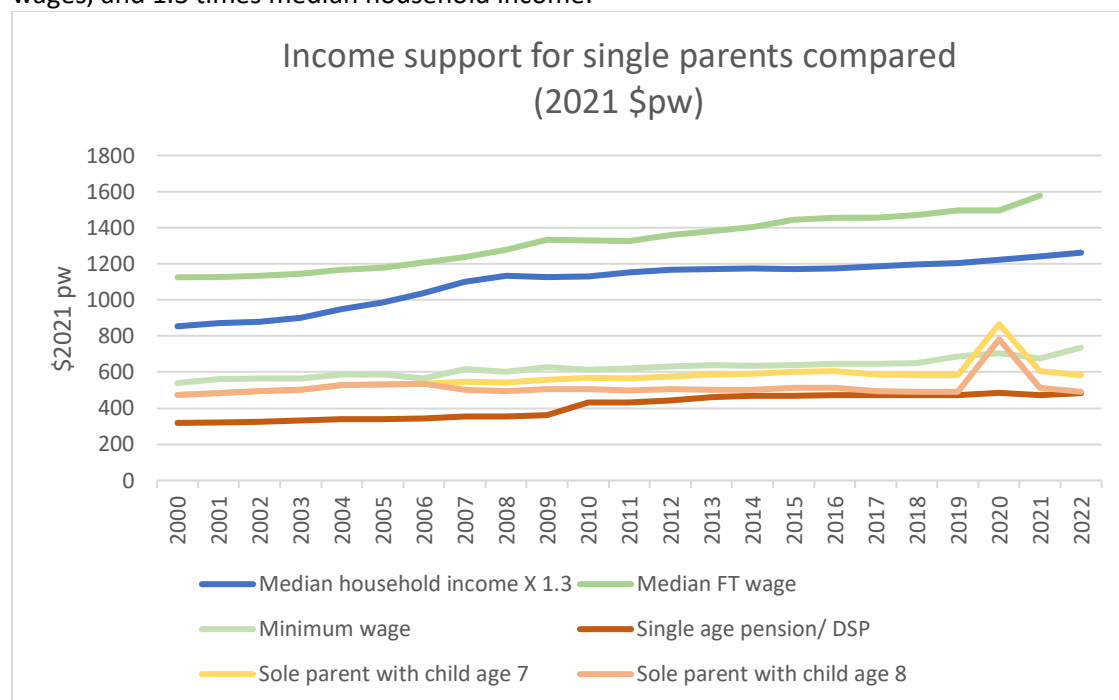
Note: See notes for Figure 7. Income support payments are combined couple rates, expressed here in \$2021pw. Minimum and median wage rates are after-tax wages for a single wage-earner, exclusive of any social security entitlements. The household income comparator used here is 1.5 times median household income, to take account of the additional costs of a couple.

**Figure 10** shows trends in **combined couple rates of income support** and minimum fulltime wages, **as a percentage of 1.5 times median household income** (the poverty line for couples without children is half of this).



Note: See notes for Figure 7. Income support payments are combined couple rates, expressed here *as a % of 1.5 times median household income* (to take account of the extra costs of a couple – the poverty line for couples is 50% of this amount). Minimum wage rates are after-tax wages *for a single wage-earner*, exclusive of any social security entitlements.

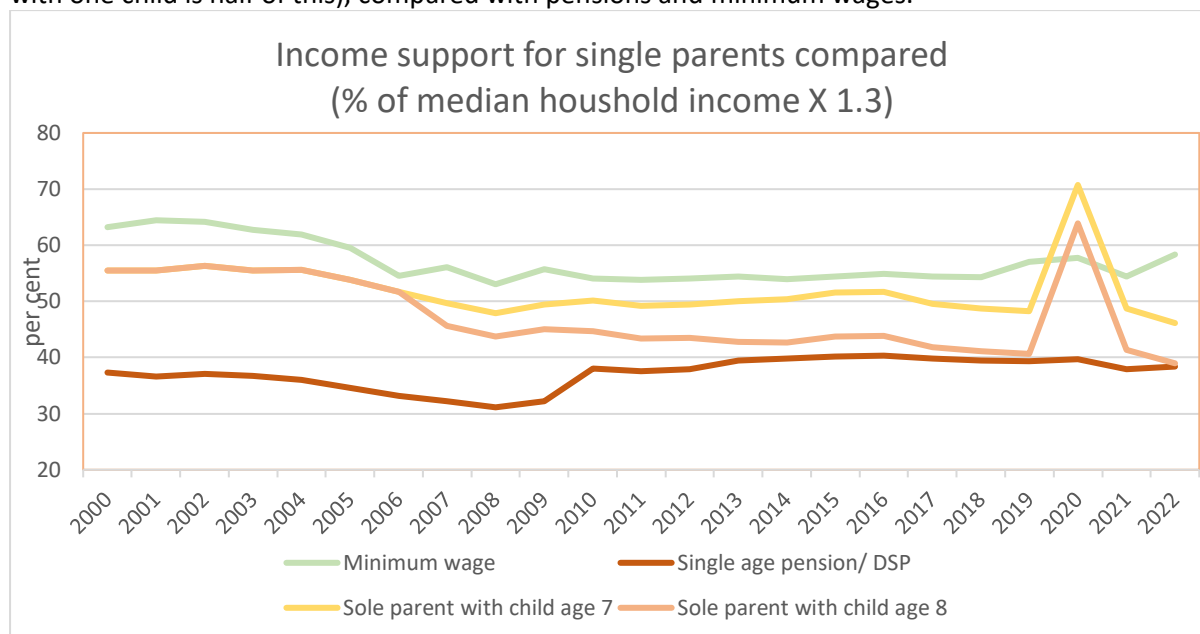
**Figure 11** shows trends in **payments for single parents** whose youngest child is 7 and 8 years (respectively) in **2021 dollars per week** compared with pensions, minimum and median fulltime wages, and 1.3 times median household income.



Note: See notes for Figure 7. Payment rates are for a single parent with one child aged 6 or 7 years, including family payments, expressed in \$2021pw. Minimum and median wage rates are after-tax wages for a single

wage-earner, exclusive of any social security entitlements. The household income comparator used here is *1.3 times median household income*, to take account of the additional cost of a child in a sole parent family.

**Figure 12** shows trends in **payments for single parents** whose youngest child is 7 and 8 years (respectively) **as a % of 1.3 times median household income** (the poverty line for a single parent with one child is half of this), compared with pensions and minimum wages.



Note: See notes for Figure 7. Rates for a single parent with one child aged 6 or 7 years, *as a % of 1.3 times median household income* (to take account of the additional cost of a child in a sole parent family – the poverty line for a single parent with one child is 50% of this). Minimum wage rates are after-tax wages for a single wage-earner, exclusive of any social security entitlements.

## Observations

- Since 2009, pensions have increased broadly in line with community living standards (median household incomes and wages), but the lower allowance payments have consistently fell behind as they were not indexed to wage movements.
  - The exception was the doubling of the lowest allowance payments via the Coronavirus Supplement in 2020, but that was abolished in April 2021 and the permanent \$25pw increase in allowance payments at that time did not restore previous relativities to pension rates or wider community living standards.
- *Pensions for single people and couples* have closely tracked the 50% of median income poverty line since the \$33pw increase in single pension rates after the Harmer Review in 2009.
- People on the *single rate of Youth Allowance and Newstart Allowance* have fared poorly compared with people receiving pensions and wider community living standards.
  - The \$25pw increase in 2021 restored Jobseeker Payment to its value relative to median household income in 2016 (33%) and to its value relative to the pension in 2010 (66%). However, its value relative to those benchmarks had been falling for decades before that.

- *Combined couple rates of Youth Allowance and Newstart Allowance* also declined relative to pensions and community living standards, but they started from a higher base. In 2000, the combined couple rate of Jobseeker payment was 96% of the equivalent pension, compared with 89% in the case of single Jobseeker rate.<sup>6</sup>
- *Payments for single parent families with one preschool-age child* (including Parenting Payment Single, FTB and CRA) declined relative to community living standards in the early 2000s, when wages were growing strongly. They broadly tracked community living standards since 2006 after overall wage growth abated.<sup>7</sup> Since 2006 they have sat close to the (50% of median income) poverty line. However single parent families on Parenting Payment *with more than one child* faced a greater risk of poverty.
- *Single parents diverted to the lower Jobseeker Payment* under post 2006 'welfare to work' policies suffered declines in their relative living standards, and payments for those families (including FTB and CRA) were consistently below the poverty line.

### Issues and questions

- To keep up with improvements in community living standards and expectations, income support payments must be indexed to wage movements as well as price movements.
- Indexation to wage movements only applies to pensions and not allowances or family payments. This practically guarantees that poverty will increase over time among those affected unless one-off real increases are awarded or overall community living standards stagnate.
- Broader community living standards (mainly real wages) grew only weakly since the GFC in 2008 and declined since 2021 as inflation surged. This has masked to some extent the longer-term decline in the relative living standards of those on the lowest income support payments, but stagnation of broader community living standards (levelling incomes down) is obviously not the solution to entrenched social inequalities.

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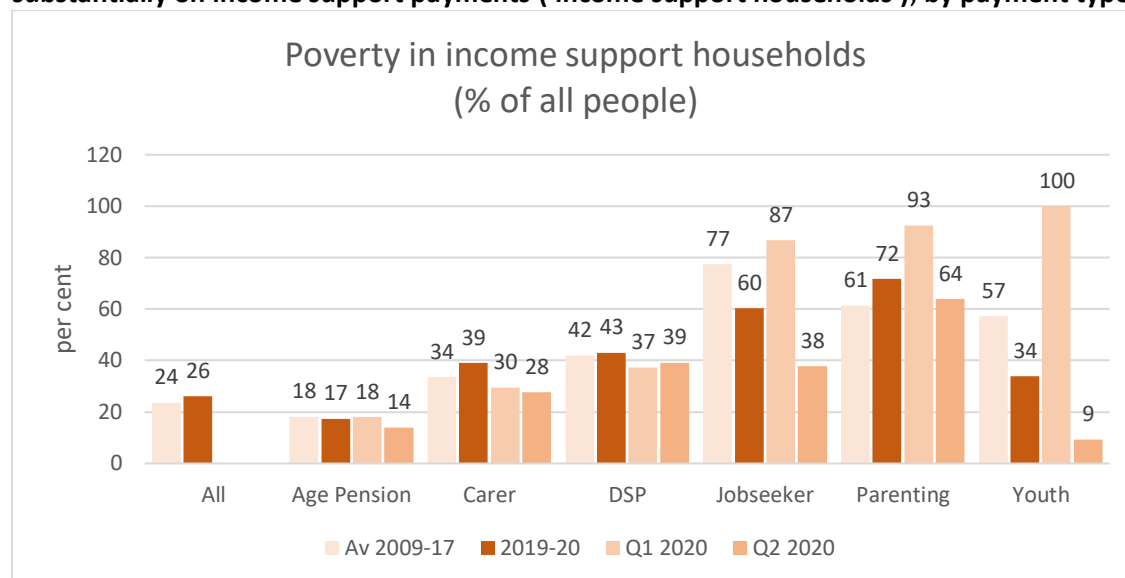
<sup>6</sup> Combined couple rates for allowances were the same as for pensions until around 1998.

<sup>7</sup> While indexation to wage movements was removed from Family Tax Benefit (Part A), Parenting Payment Single (but not Parenting Payment Partnered) continues to be indexed in line with wages. That payment was not, however, increased along with other pensions in 2009.

## 4. Poverty, deprivation and financial hardship among people relying on income support

### 4.1 Poverty in families relying mainly on income support payments in 2019-20

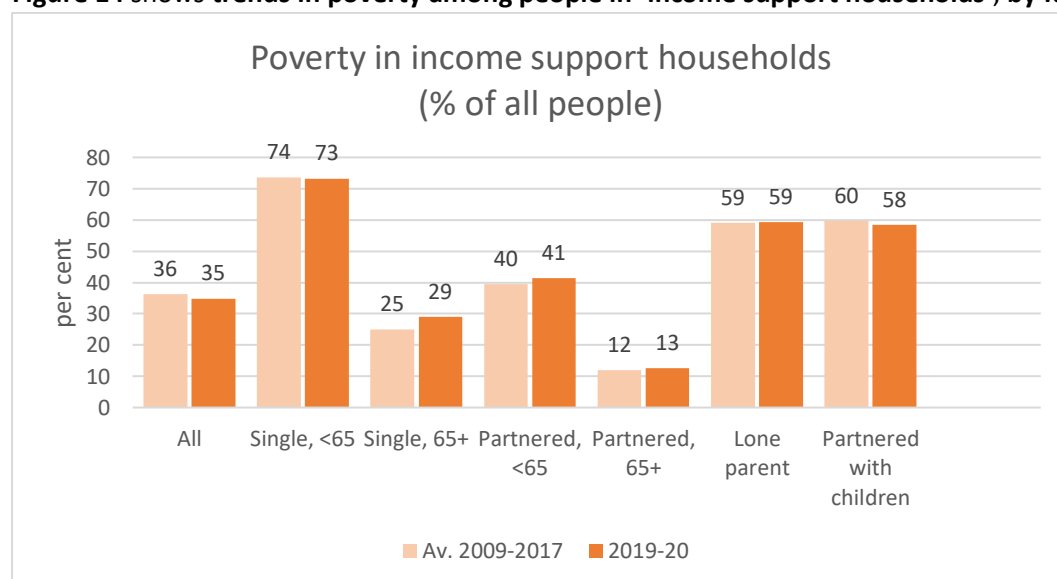
Figure 13 shows *new research* on trends in poverty among people in households that rely substantially on income support payments ('income support households'), by payment type.



Source: Davidson, Bradbury & Wong (2023), *Poverty in Australia – who is affected?* (forthcoming).

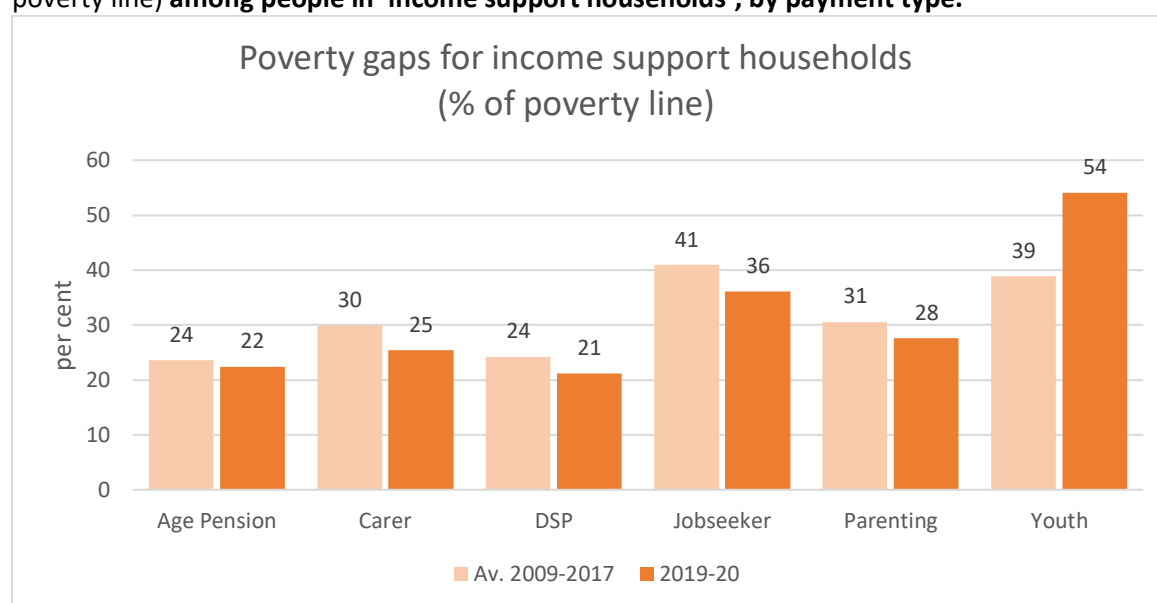
Note: Households in which over 50% of gross income is government cash benefits and those benefits are at least \$180pw ('income support households'), by main payment received. Poverty line is 50% of median income poverty line, excluding housing costs. Average rates of poverty from 2009 to 2017 are compared with the average rate in 2019-20, and the first two quarters of 2020 (Coronavirus Supplement was introduced in Q2 2020 but later abolished).

Figure 14 shows trends in poverty among people in 'income support households', by family type.



Note: See notes for Figure 13.

**Figure 15** shows **trends in poverty gaps** (average gap between incomes of those in poverty and the poverty line) **among people in ‘income support households’, by payment type.**



Note: See notes for Figure 13. Poverty gap is the average gap between the incomes of households in poverty and the poverty line, expressed as a % of the poverty line.

## 4.2 Deprivation of essentials and financial hardship among different groups in the population

Poverty research measures deprivation and financial hardship indirectly by estimating the number of people who fall below a threshold of income adequacy (poverty line).

Other research aims to measure deprivation (a lack of socially perceived essentials due to insufficient income) and self-reported financial hardship directly. These measures do not yield robust estimates of a ‘minimum adequate income’ but they complement poverty research by comparing the risk of deprivation and hardship among different groups in the community.

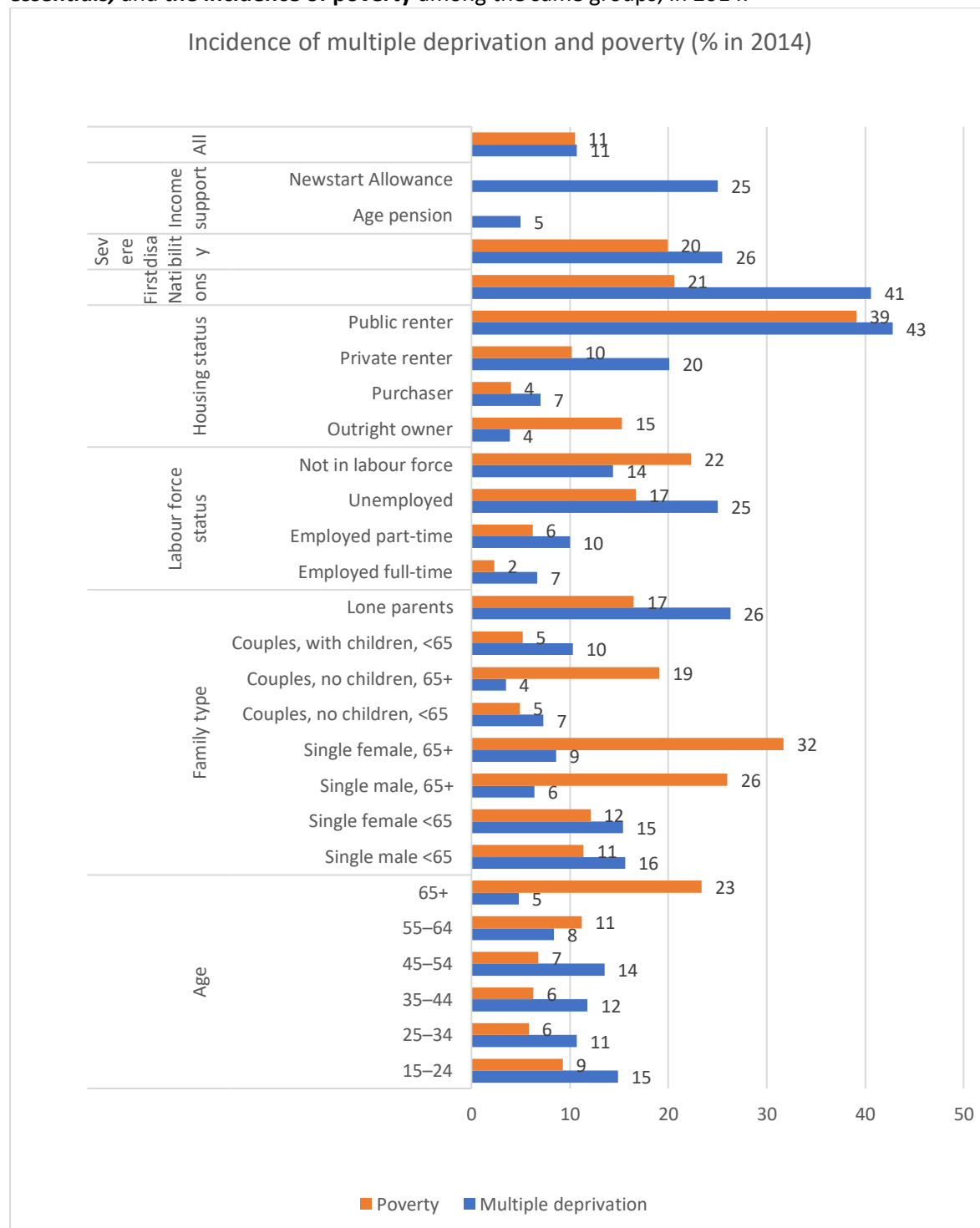
In the *deprivation* studies below, people were asked whether they regarded an item as essential, and whether they lacked it due to insufficient funds. Items regarded as essential by over half of respondents included ‘a decent and secure home’, ‘at least \$500 in savings for an emergency’, and ‘dental treatment when needed’. People lacking two or more of 22 essentials were described as experiencing ‘multiple deprivation’.

In the *financial stress* studies, people were asked whether they recently experienced certain indicators of stress, such as seeking financial support from a community organisation and being unable to heat their homes or having to skip meals due to a lack of money.

We also report on a survey of people who sought *emergency relief* from the Salvation Army.



**Figure 16** shows the **percentage of people with different characteristics that *lacked two or more essentials***, and the **incidence of poverty** among the same groups, in 2014.



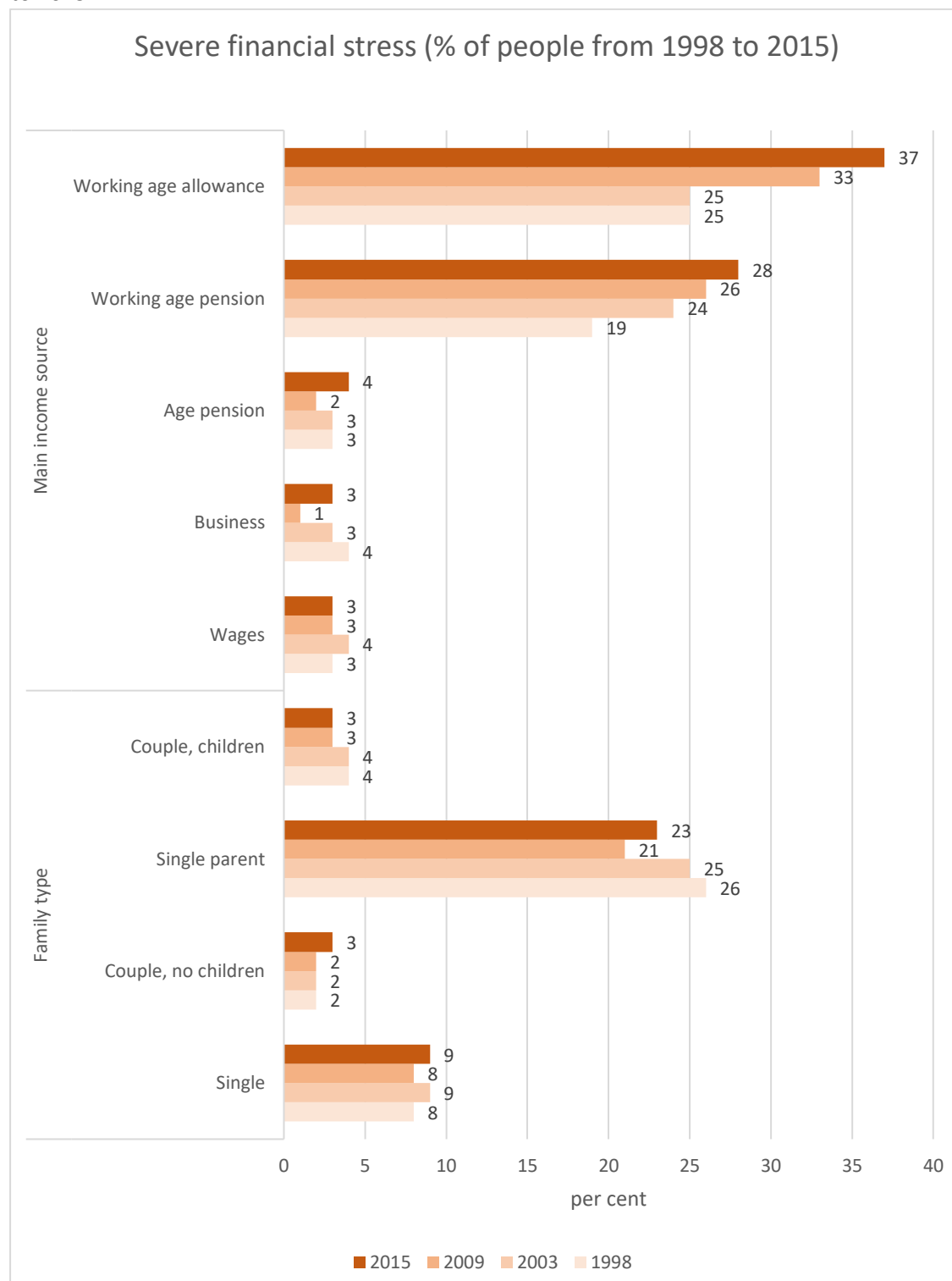
Sources: Saunders & Naidoo (2018), *Mapping the Australian Poverty Profile: A Multidimensional Deprivation Approach using 2015 HILDA survey*. Australian Economic Review, vol. 51, no. 3, pp. 336–50.

Saunders P & Naidoo Y (2017), *Poverty and Deprivation in Australia*. Australian Social Policy Conference, UNSW Sydney 25-27 September 2017 (for income support statistics); Saunders P & Wilkins R (2016), *Material deprivation*, HILDA Statistical report. University of Melbourne (for severe disability data).

Note: Poverty line = 50% of median income, *including* housing costs; Multiple deprivation = lacking at least 2 of 22 essentials.

### 4.3 Severe financial stress among different groups in the population

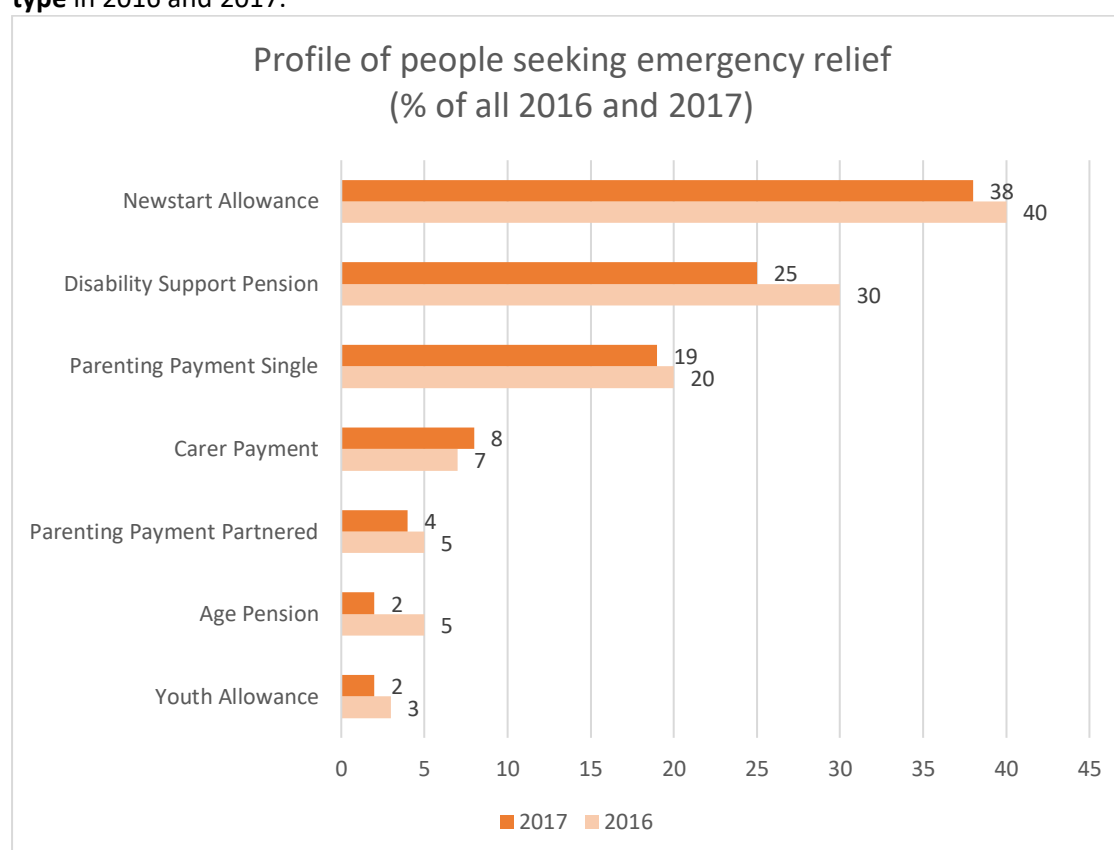
Figure 17 shows trends in severe financial stress by main income source and family type from 1998 to 2015.<sup>8</sup>



Source: Philips & Narayanan (2021), *Financial Stress and Social Security Settings in Australia*. ANU Centre for Social Research and Methods.

<sup>8</sup> People reporting at least one of the following financial stress measures: sought assistance from a community organisation; unable to heat home; or went without meals.

**Figure 18** shows the **profile of recipients of emergency relief from the Salvation Army by payment type** in 2016 and 2017.



Source: Salvation Army (2017), *The hard road – national social and economic impact survey 2017*.

Note: % of people seeking emergency relief, by income support payment received.

Most (but not all) people seeking emergency relief received one of these payments.

## Observations

- *Poverty rates* among people in households that rely substantially on income support payments are consistently higher among those relying on Jobseeker and Parent Payment than other payment types. They are also elevated among people receiving Disability Support Pensions and Youth Allowance.
- Poverty among these groups (aside from people receiving DSP) fell sharply when Coronavirus Supplement was introduced in 2020.<sup>9</sup>
- The *depth* of poverty is greatest for people in poverty receiving Youth Allowance, followed by Jobseeker and Parenting Payment.
- When *deprivation of essentials* is measured directly by asking whether people lack socially perceived necessities, the profile of people experiencing deprivation is different to that of

<sup>9</sup> The reduction in poverty among people in households receiving income support was greatest among 'income support households' (those relying substantially on those payments). The main reason poverty did not fall to zero among those households when the Coronavirus Supplement was introduced was that the research adjusted for housing costs (which may have risen, offsetting the impact of higher incomes).

people in poverty, except that people relying substantially on the same income support payments listed above – Jobseeker, Parenting Payment, Disability Support Pension and Youth Allowance – are likely to experience both ‘poverty’ and ‘deprivation’.<sup>10</sup>

- Single people of working age and single parents are also consistently more likely to experience both poverty and deprivation.

- Compared with their risk of poverty, people receiving the Age Pension have relatively low rates of deprivation and financial hardship.<sup>11</sup>

- Surveys of *financial stress and people seeking emergency relief* show a similar pattern – the above groups are strongly over-represented.
  - Philips & Narayanan found financial stress among people on allowance payments (the lowest working-age payments such as Newstart Allowance) rose strongly from the late 2000s.
  - They also found that single parent families are more likely to experience severe financial stress even when their (equivalent) incomes are similar to those of other family types.<sup>12</sup>
- The profile of people on income support most at risk of poverty, deprivation and financial stress has been consistent over the last 20 years, as evidenced by similar findings from research conducted in the mid-2000s, including for the Harmer Review.<sup>13</sup>

## Issues and questions

- Rather than rely on a single measure of financial hardship, it is best to triangulate the results from poverty, deprivation, financial stress and emergency relief and research as well as listening to the experiences of people directly affected.
- Whichever measure is used, the same groups of people reliant on income support emerge repeatedly as most at risk:
  - people on the lowest allowance payments, especially Jobseeker and Youth Allowance payments;
  - single people and single parents of working age;
  - people with disability who are fully reliant on income support;
  - people who rent their homes, especially those who are homeless or in insecure housing;
  - people with Aboriginal and Torres Strait Island backgrounds.

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<sup>10</sup> Saunders & Naidoo (2018) found that: ‘while the income and deprivation approaches can produce similar overall results, the circumstances of some subgroups vary greatly according to which measure is used.’ Overall, they estimated that 42% of those below the 50% of median income poverty line were deprived of at least one item and 26% were deprived of at least two items.

<sup>11</sup> Note however that Figure 16 uses a poverty measure that does not account for variations in housing costs, which therefore reports a higher incidence of poverty among older people.

<sup>12</sup> Philips & Narayanan concluded that: ‘there are factors other than income specific to single parents that dramatically increase their risk of severe financial stress. Such factors could include low wealth, being time-poor, limited financial or other support from friends and family.’

<sup>13</sup> Saunders & Wong (2008), *Deprivation and Other Indicators of the Living Standards of Older Australians*. SPRC, UNSW Sydney; Bray (2008), *Pension Review - Who does poorly?*; ACOSS 2009, *Who is missing out?*