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National Centre for Social and Economic Modelling

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## **Australians in poverty in the 21<sup>st</sup> century**

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## **About NATSEM**

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## **Abstract**

This paper provides new estimates of poverty in Australia, using data from the 2000-2001 *Survey of Income and Housing Costs*, conducted by the Australian Bureau of Statistics (ABS). This study uses the OECD Half Median Poverty line, and examines both poverty rates and poverty gaps. It suggests that the unemployed and single people face a particularly high poverty risk.

## **Author note**

Rachel Lloyd is a Principal Research Fellow at NATSEM and Ann Harding is Director of NATSEM. Alicia Payne was a visiting researcher at NATSEM when she conducted this research. She is currently undertaking her Honours year at the University of Sydney and is returning to NATSEM in January.

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## **General caveat**

NATSEM research findings are generally based on estimated characteristics of the population. Such estimates are usually derived from the application of microsimulation modelling techniques to microdata based on sample surveys.

These estimates may be different from the actual characteristics of the population because of sampling and nonsampling errors in the microdata and because of the assumptions underlying the modelling techniques.

The microdata do not contain any information that enables identification of the individuals or families to which they refer.

# Contents

<b>Abstract</b>		<b>iii</b>
<b>Author note</b>		<b>iii</b>
<b>Acknowledgments</b>		<b>iii</b>
<b>General caveat</b>		<b>iii</b>
<b>1 Introduction</b>		<b>1</b>
<b>2 Methodology and Data</b>		<b>2</b>
<b>3 How many Australians are in Poverty?</b>		<b>4</b>
<b>4 Characteristics of people in poverty</b>		<b>5</b>
4.1 Gender	5	
4.2 Age	6	
4.3 Country of Birth	9	
4.4 Poverty by state and area of residence	9	
4.5 Income unit type	10	
4.6 Principal source of income	12	
4.7 Work, education and poverty	14	
<b>5 Depth of poverty</b>		<b>17</b>
<b>6 Conclusions</b>		<b>18</b>
<b>References</b>		<b>21</b>

# 1 Introduction

The extent of financial disadvantage experienced by different types of Australians remains a topic of strong public interest. However, the measurement of financial disadvantage has been a hotly debated subject in Australia in recent years, with critics arguing that traditional poverty studies neglect the contribution made by free and subsidised health and education services, provide snapshots of poverty rather than showing how long Australians remain financially disadvantaged, and rest upon flawed data (Saunders, 2002). The ABS has acknowledged these data difficulties and its headline measure of income inequality, used in *Measuring Australia's Progress*, excludes the lowest 10 per cent of households 'because of concerns with the fact that the extremely low incomes (close to nil and sometimes negative) recorded for some households in this group do not accurately reflect their living standards' (2002, p. 40).

While these issues are important and must be acknowledged, poverty estimates can still play an important role in helping us to understand what types of Australians are facing severe financial disadvantage. While this study does consider the headline rate of poverty, our key goal is to shed light on the relative risks of poverty facing Australians who have varying labour force, education, and family characteristics.

Section 2 of this paper addresses methodology and data issues. Section 3 presents overall rates of poverty, focussing on how many Australians were experiencing financial hardship in 2000-01 and how poverty was distributed between men, women and children. Section 4 looks at the characteristics of those in poverty, aiming to illustrate a picture of the sorts of people living in poverty and the factors impacting on financial disadvantage in Australia in 2000-2001. Characteristics including income unit and family type, labour force status, sources of income, educational qualifications and areas of residence are assessed to this aim. Analysis draws in poverty rates amongst different groups, and proportional cross sections of all people in poverty.

Having examined who experiences financial disadvantage, Section 5 analyses the depth of poverty in Australia, aiming to elucidate how severe the problem is. This analysis uses 'poverty gaps' to show how far below the poverty line those in poverty are. Section 6 concludes.

## 2 Methodology and Data

The squeezing of complex social and economic issues into the arbitrary benchmarks required for measurement invariably limits what conclusions can be drawn from results and sparks debate among analysts. The measurement of poverty is no exception. As poverty is an ill-defined concept of deprivation within the community, its analysis requires that various choices be made as to its definition. Perhaps the only generally accepted 'rule' for the measurement of poverty is that people in poverty must have a standard of living that falls below some 'minimum acceptable level' (Greenwell, Lloyd and Harding, 2001:10). This section briefly outlines how poverty is defined for the purposes of this analysis, and some of the advantages and shortfalls associated with the approach taken. For a discussion of alternative methods see NATSEM Discussion Paper No. 55: *An Introduction to Poverty Measurement Issues* by H. Greenwell et al (2001).

This quantitative analysis of poverty in Australia is based on data from the Australian Bureau of Statistics (ABS) *2000 - 2001 Survey of Income and Housing Costs*. The survey was carried out between July 2000 and June 2001, drawing on a sample of approximately 15,500 people over the age of 15. The response rate was around 85 per cent (ABS, 2003:4). Information on income and housing costs as well as demographic and labour force characteristics was collected by personal interview from people living in private dwellings in urban and rural areas of Australia, covering about 98 per cent of the total population. The survey does not include people living in non-private dwellings including hotels, boarding schools and halls of residence, boarding houses and institutions, thus this group of the population remains unrepresented. Similarly the homeless and people living in remote areas of the Northern Territory (approximately 20 per cent of the NT population) are not included in the survey. For more information on data issues see the ABS *Survey of Income and Housing Costs Australia Technical Paper*, August 2003. For simplicity, in the rest of this paper we refer to analysis of the 2000-01 survey as being the year 2001.

This study analyses 'income poverty'. That is, it uses income as the measure of resources and standard of living, as opposed to studies that focus on 'expenditure poverty' (Greenwell et al, 2001:1).

There are various income measures that could be used as the indicator of resources. This study uses *disposable income*, which is gross income (the sum of income from wages and salary, self-employment, interest, rent, dividends, other private income and government cash benefits) minus income tax paid.

In this analysis we have set negative business incomes and rental losses to zero, to maintain consistency with earlier ABS datasets, which were released in this form. Unless otherwise indicated, this study analyses the survey data at the income unit

level. That is, the base unit for the study is the income unit not the individual. The ABS defines the income unit as:

One person, or a group of related persons within a household, whose command over income is assumed to be shared. Income sharing is assumed to take place within married (registered or de facto) couples and between parents and dependent children (ABS, 2003:65).

In poverty work it is unrealistic to focus on the individual as the unit of analysis in a society where income is generally shared within a family grouping (Greenwell, Lloyd and Harding, 2001:15). For that reason we use the income unit as the unit of analysis. A disadvantage of using income unit level data is that, due to its definition, some anomalies may arise – for example, where a young person is living away from the family home but still relying largely on the family income.

When dealing with income units of different size and structure it is important to equalise income, in order to achieve realistic comparisons. For example, a young single person who earns an income of \$30 000 per year is in a very different financial situation to a couple with two children earning the same amount. In order to make more meaningful comparisons between incomes, an equivalence scale (S) assigns the different members of the unit a certain value, based on an estimate of their living costs as part of a unit. The unit's disposable income (I) is then divided by the scale to give the equivalent income (IE):

$$IE=I/S$$

Several equivalence scales have been developed for use in the measurement of poverty, each with certain advantages. This analysis uses the 'OECD scale'. The OECD scale assigns the following values:

First adult = **1**

Other adults = **0.5**

Dependent children<sup>1</sup> = **0.3**

Therefore the equation used to determine the equivalence scale, S, is as follows:

$$(1 + 0.5 * (\text{number of adults} - 1) + 0.3 * \text{number of dependent children}) / \mathbf{2.1},$$

with **2.1** being the number of members in a 'standard' income unit where a standard income unit has 2 adults and 2 dependent children.

---

<sup>1</sup> Dependent children are any children under 15 years of age and 15 to 24 year olds studying full time and living at home.

The OECD scale is useful because of its simplicity of calculation and its wide use internationally, which makes studies based on it readily comparable to the data of other countries. A disadvantage of the scale is that it neglects other factors such as labour force status and ages of children that also impact on family costs and hence 'equivalent' income. Similarly, the OECD scale assumes that there are no economies of scale and that, for example, the third adult or child costs as much as the first adult or child. Accordingly, relative to some other equivalence scales, it will tend to produce higher poverty estimates among larger families.

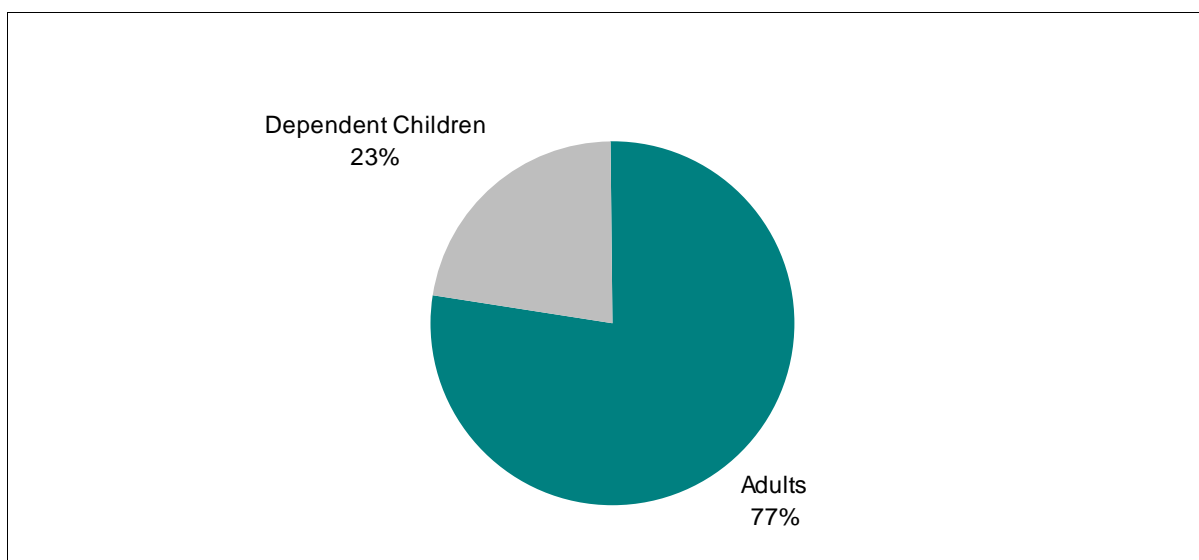
Once income has been equivalised, a poverty line is drawn in order to determine which income units are in 'poverty'. In this case, the poverty line has been set at half the median equivalent income, a widely used measure. This makes this study an analysis of relative poverty, as opposed to absolute poverty, in which the cost of a basket of basic goods and services is used as a benchmark. In Australia, studies of relative poverty are generally more appropriate, due to the diversity of consumer habits amongst Australians (Saunders 1998:7, as cited in Greenwell et al, 2001:18).

The OECD half median poverty line for a couple with two children in 2001 was \$408 per week *after* the payment of income tax – or just over \$21 000 per year. A single person was considered to be in poverty if they received less than \$194 per week.

### **3 How many Australians are in Poverty?**

Using the OECD Half Median Poverty Line, as described in Section 2, the estimated poverty rate among all Australians was found to be 11 per cent. This means that, to the extent that the ABS income survey data are correct, almost one in every nine people are estimated to be living in poverty in the year 2001. The rate of poverty amongst children was 9.5 per cent, indicating that almost half a million of Australia's children lived in poverty. Amongst adults the poverty rate was found to be 11.5 per cent, suggesting that over one and a half million Australian adults were poor in 2001. Using many definitions of poverty, the rate of poverty among children tends to be higher than the rate of poverty among adults. However, the OECD scale gives a relatively higher weighting to adults in the equivalence scale and hence the higher poverty rate among adults. As Figure 1 shows, adults comprise about three-quarters of poor Australians.



Figure 1 **Estimates of Australians in Poverty in 2001**

Note: Using the before housing costs OECD half median poverty line.

Data source: ABS, 2000-01 Survey of Income and Housing Costs Confidentialised Unit Record File

## 4 Characteristics of people in poverty

Having estimated the number and percentage of people in poverty, this section examines the characteristics of the poor. This allows us to assess some of the factors that lead people into poverty and may provide evidence for the sorts of policies that might assist people to move out of poverty.

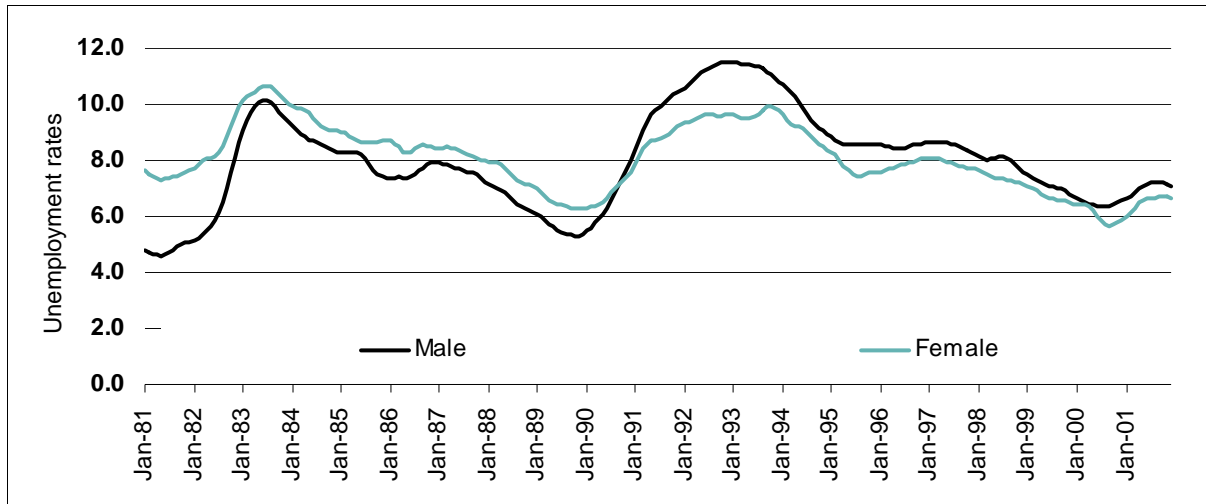
### 4.1 Gender

It is often assumed that women have higher rates of poverty than men. However, in 2001, female and male poverty rates were almost identical, with the male poverty rate (at 11.2%) being slightly higher than the female rate of 11%.

Higher rates of poverty amongst men could perhaps be attributed to their relatively higher levels of unemployment and decreasing participation rates compared to women. Figure 2 shows that while up to the early 1990s, the female unemployment rate was well above the male rate, since that time the rate for women has been consistently lower than for men. This may reflect the decline over the past decade of many traditionally 'male' industries, such as manufacturing, in favour of Australia's developing services sector, which largely employs women (ABS, Australian Social Trends 2002). Simultaneously, the workforce has been increasingly casualised, with

women being more likely to be employed in casual positions (ABS, Australian Social Trends 2002).

Figure 2 **Unemployment rates for men and women, 1981 to 2001**



Data source: ABS Time Series Spreadsheet, no. 6202001.

## 4.2 Age

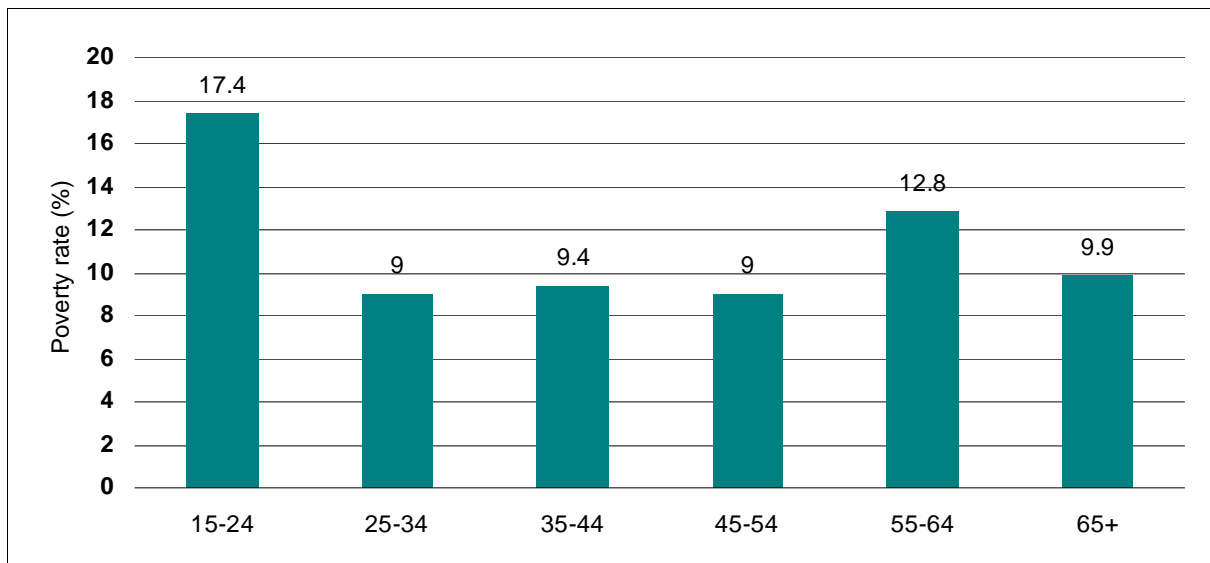
When poverty rates are broken down by age, it can be seen that most defined groups experience poverty rates below the national average (figure 3). However, two age groups experience above average rates of financial disadvantage: 15-24 year olds and those aged 55-64.

The high poverty rate amongst 15-24 year olds needs to be analysed with great caution. While we use the income unit as the basis for people sharing resources in this analysis, households and families have many different arrangements for sharing resources. This is particularly so for young people, who may rely on parental support whether they live at home or away from it. In particular, our ABS definition of the 'income unit' counts non-dependent children still living in the parental home as a separate income unit and thereby implicitly assumes that they receive no assistance from their parents. We know from our previous research that this group have particularly high apparent poverty rates (Harding et al, 2001, p. 17).

That said, there are significant reasons why people in this age group might be expected to experience higher than average rates of poverty. Poverty rates for those aged 25-54 are relatively low and stable, reflecting the typically more secure working lives of people in these age groups. People aged under 25 often find it harder to gain secure work and thus are more likely to experience unemployment and joblessness. The poverty rate for 15-24 year olds may also reflect their increased likelihood of

working in lower paid jobs, or devoting time to education and other unpaid pursuits. As will be discussed in section 4.6, the maximum rate of Youth Allowance, which is paid to people of this age who are studying or unemployed, falls short of the poverty line by \$49.

**Figure 3 Estimated poverty rates for people aged 15 and over, by age group, 2001**



*Note:* Using the before housing costs OECD half median poverty line. Estimated for people aged 15 years and over.

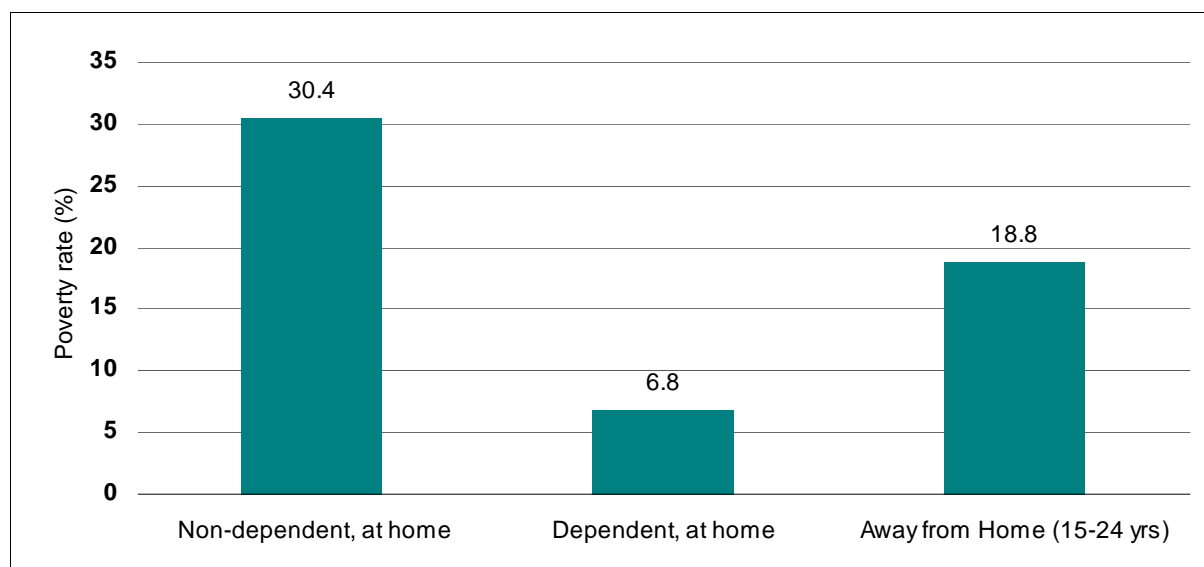
*Source:* ABS, 2000-01 *Survey of Income and Housing Costs*.

The problem of poverty amongst youth is examined further in Figure 4, illustrating the different poverty rates experienced by young people in different situations. The poverty rate for dependent children living at home is relatively low at 6.8 per cent, where as the other groups of young people depicted experience rates of financial disadvantage well above average.

The highest rate was amongst non-dependents living at home at 30.4 per cent. This group refers to young people defined as their own income unit yet remaining in the family home. As stated above, it is probable that income sharing between the parents and non-dependent child does occur and thus the problem is perhaps not as severe as it appears. However, it does illustrate that people aged under 24 have relatively low incomes and find it difficult to become financially independent. Harding et al (2003) found that an increasing number of children are remaining in the family home for longer, perhaps because they cannot afford to move out.

Further, 15-24 year olds living away from home also experience high poverty rates, at 18.8 per cent. Parental income transfers may still occur amongst this group, though probably to a lesser extent than where children live at home.

Figure 4 **Estimated poverty rates for young Australians in various situations in 2001**



Note: Using the before housing costs OECD half median poverty line.

Source: ABS, 2000-01 *Survey of Income and Housing Costs*.

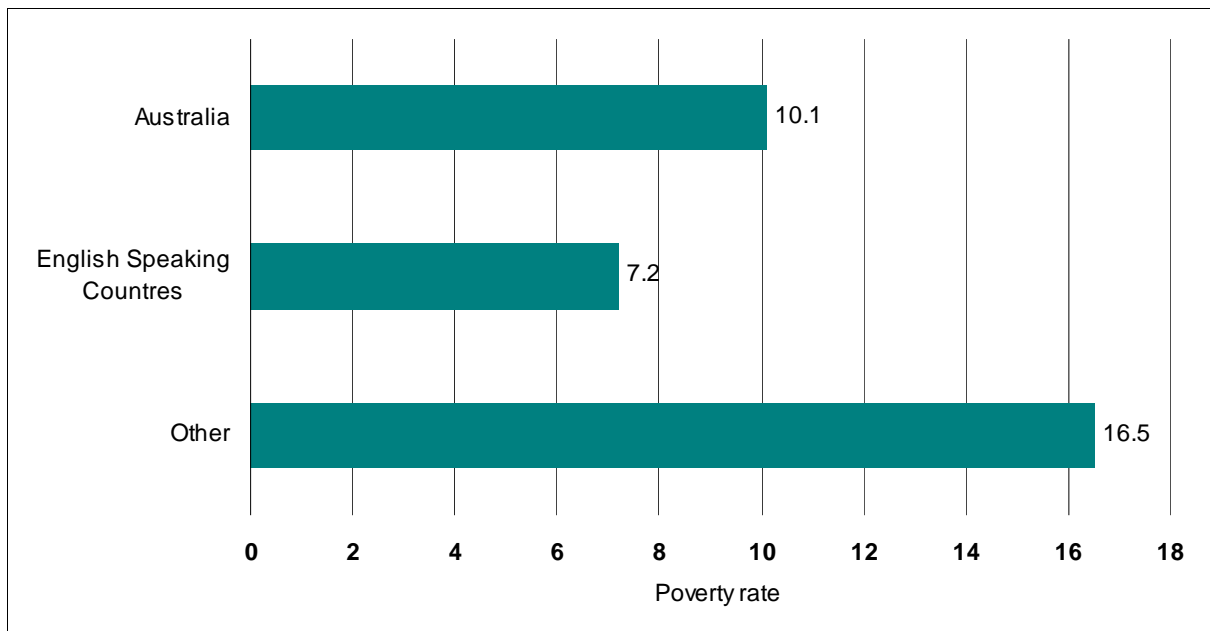
The other group experiencing an above average poverty rate was made up of people nearing the end of their working years, aged 55-64. The higher rate of poverty amongst this group perhaps reflects the fact that as people age they are increasingly likely to be on income from sources other than earnings (for example, Superannuation), but until turning 65<sup>2</sup> are ineligible to receive the Aged Pension. The recent AMP.NATSEM report 'Income, Superannuation and Debt: Pre and Post Retirement' (Kelly et al, 2004) puts to rest many of the misconceptions about the 'good life' enjoyed by this age group. First, the report found that the average age of retirement in Australia is 41 for women and 58 for men, and the number of people employed part time in this group increases with age (2004:1). Second, the report showed that those who retire between ages 50-54 are likely to be living on low incomes - most below \$10 000 a year (2001:4). Thirdly, increasingly in recent years, people in this age group are still supporting children at home and thus do not have the low cost lifestyles assumed of retirees (2001:1).

<sup>2</sup> See Centrelink, 2001, *A Guide to Commonwealth Government Payments*, p7. While all men can receive the pension at age 65, women can receive it between the ages of 60.5 and 65 years depending on their year of birth.

### 4.3 Country of Birth

People in families headed by migrants from non-English speaking countries have higher rates of poverty than those headed by people born in Australia or in other English speaking countries (figure 5). The survey showed that an estimated 16.5 per cent of people born in non-English speaking countries were living in financial hardship in 2001. People born in Australia had a poverty rate close to the Australian average, while the poverty rate of migrants from English speaking countries was the lowest, at 7.1 per cent. People living in families headed by migrants made up over one third of all people in poverty.

Figure 5 **Estimated poverty rates by country of birth of head of family, 2001**



Note: Using the before housing costs OECD half median poverty line.

Source: ABS, 2000-01 *Survey of Income and Housing Costs*.

### 4.4 Poverty by state and area of residence

Both New South Wales and Victoria experienced the equal highest rate of poverty, at 11.5 per cent (figure 6). NSW and Victoria were the only states with poverty rates above the national average of 11 per cent. This presents an interesting contrast with the findings in the latest AMP/NATSEM report that these two states experienced the highest rates of growth in average household income between 1996 and 2001 (Harding et al, p. 6).

The lowest state poverty rate was in the joint grouping of the Australian Capital and Northern Territories, at 7.9 per cent. This grouping is problematic in many ways as the demographics of the ACT and NT are significantly different. If analysed separately, it is likely that the poverty rates of the ACT and NT would be disparate. However, it is not possible to analyse them separately as the ABS combines them in the publicly available unit record file.

Figure 6 **Estimated poverty rates, by state and territory, 2001**



Note: Using the before housing costs OECD half median poverty line.

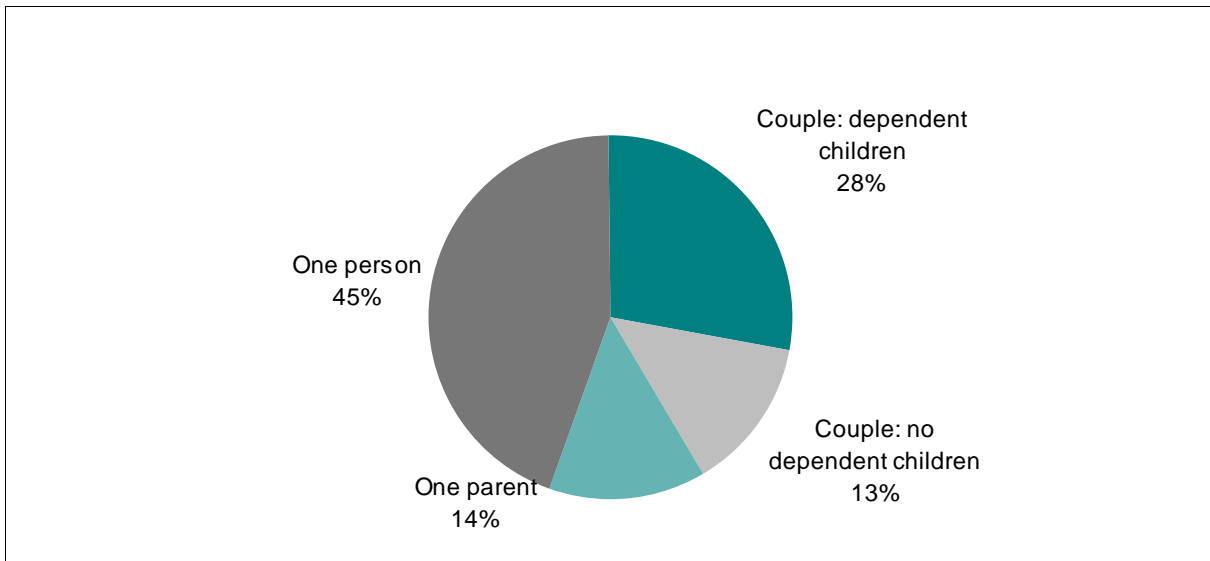
Source: ABS, 2000-01 *Survey of Income and Housing Costs*.

The poverty rate for people living in capital cities was 10.5 per cent in 2001, lower than for those living in other areas of the states and territories (12 per cent). However, due to the concentration of Australia's population living in capital cities, almost six in ten poor Australians live in capital cities. Hence, strategies for targeting poverty need to assist those living in the cities as well as those in non-metropolitan areas.

#### 4.5 Income unit type

What types of families face the highest risk of poverty? The picture of poverty is increasingly one of single adults, either single people or lone parents. Almost six in ten people in poverty belonged to one of these groups (figure 7). The survey showed single people (without children) were the income unit type most likely to be living in poverty, with a poverty rate of 20.8 per cent.

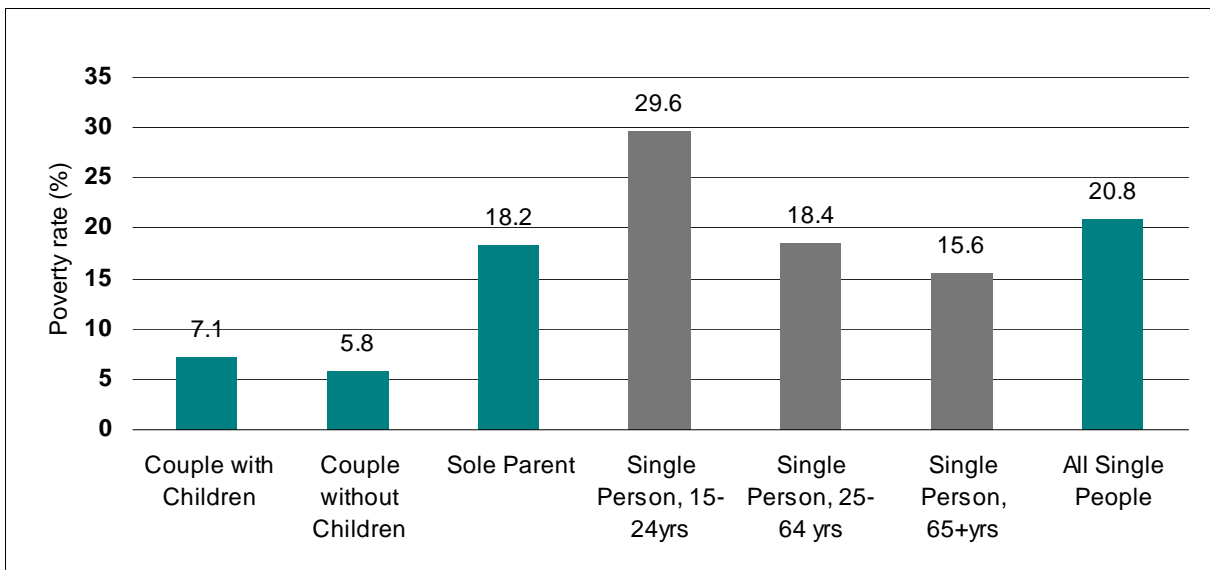
Figure 7 **Australians in poverty by income unit type, 2001**



Note: Using the before housing costs OECD half median poverty line.

Source: ABS, 2000-01 *Survey of Income and Housing Costs*.

Figure 8 **Estimated poverty rates by income unit type and age group, 2001**



Note: Using the before housing costs OECD half median poverty line.

Source: ABS, 2000-01 *Survey of Income and Housing Costs*.

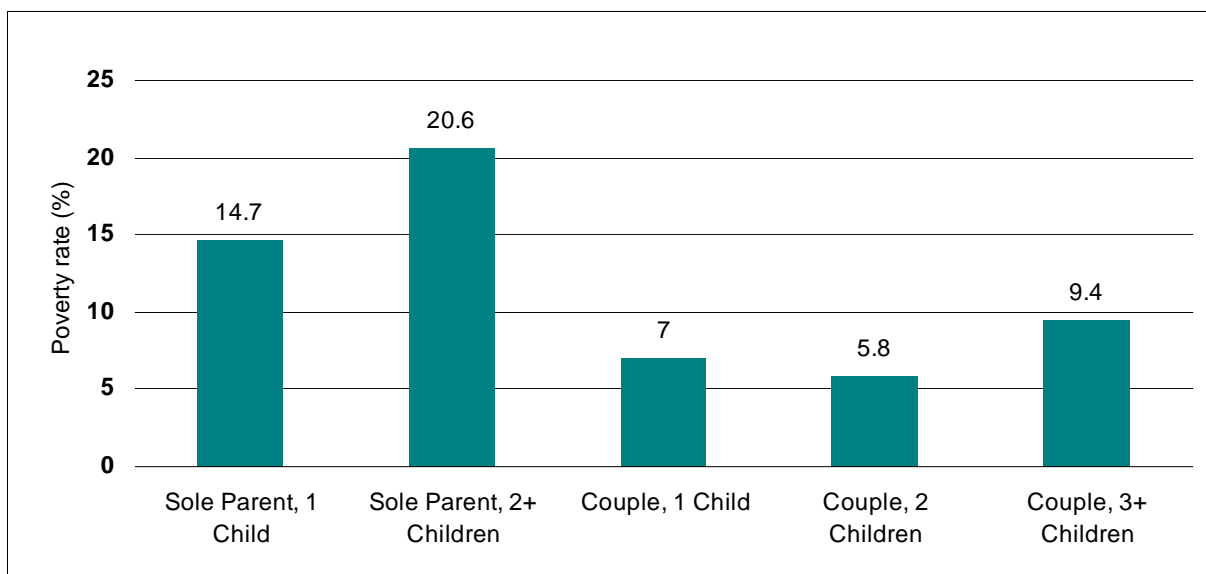
When single people were divided into age groups, it became apparent that poverty rates decreased with age, although poverty amongst single people remained well above average for all age groupings (figure 8). The highest poverty rate amongst singles was for those aged between 15 and 24 years at 29.6 per cent, nearly three times the average for all people.

A high proportion of sole parents experienced financial disadvantage, with almost one in five people in sole parent families living in poverty. Couples were least likely to be in poverty, with or without dependent children. There was a significant disparity in poverty rates between those who were part of a couple versus single people; 6 per cent of married people were estimated to be in poverty compared with 20 per cent of single people.

The poverty rate amongst couples without dependent children was 5.8 per cent, less than half the average poverty rate for all people. Similarly couples with dependent children experienced a poverty rate of 7.1 per cent, well below average.

Figure 9 illustrates poverty rates for people in couple and sole parent families by the number of children in the family. Poverty rates generally increased for families with both partnered and single parents as they had more children.

Figure 9 **Estimated poverty rates by marital status of parents and number of children, 2001**



Note: Using the before housing costs OECD half median poverty line.

Source: ABS, 2000-01 *Survey of Income and Housing Costs*.

#### 4.6 Principal source of income

Not surprisingly, the statistics suggest that having a job is a good route out of poverty. The highest poverty rate, at more than double the average rate, was amongst people whose main source of income was government cash benefits (table 1). This group comprises well over half of people who experience financial disadvantage. This indicates that social security benefits often fall short of the poverty line. Table 2 illustrates the difference between some major benefits and the



poverty line. While the maximum payment to pensioners is just above the poverty line, the maximum payment for Newstart Allowees is \$19 below and for Youth Allowees \$49 below. This is a major reason why poverty rates among people who are either young or unemployed or both are so high.

**Table 1 Estimated poverty rates by principal source of income for income unit, 2001**

Source of Income	2001 Poverty rates
Wages and salary	2.0
Own business	11.2
Government cash benefits	24.3

Note: Using the before housing costs OECD half median poverty line

Source: ABS, *Survey of Income and Housing Costs*, 2000-2001

**Table 2 Government Cash Benefits and the Poverty Line in January 2001**

Benefit	Maximum Benefit	Short of poverty line by:
	\$	\$
Newstart Allowance	175.40	18.6
Age Pension	197.05	+3.05 (over)
Youth Allowance - basic rate for 18-24 years, away from home	145.05	48.95

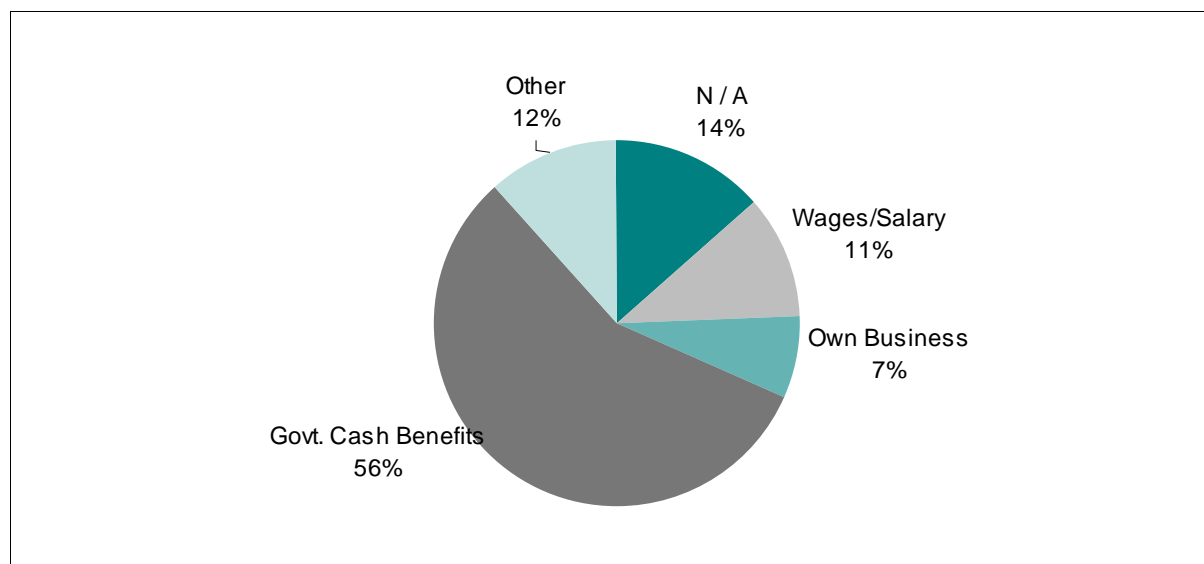
Note: Using the before housing costs OECD half median poverty line for single person. All the above benefits refer to the rate for single people.

Source: Centrelink, 2001, *A guide to Commonwealth Government Payments*.

The low rate of poverty amongst people who receive most or all of their income from wage and salary earnings is unsurprising. However, there is incidence of 'working poverty' in Australia, as can be seen in the noteworthy proportion of those in poverty that is made up of people whose main source of income is wages and salary (10.7 per cent) (figure 10). As found in earlier studies (Harding et al, 2001, p. 11), the risk of being in poverty among wage and salary earners is low but, because wage and salary earners comprise such a large share of Australian families, this small risk still represents a significant number of people. Poverty among wage and salary earners could perhaps be attributed to the increasing casualisation of the workforce, as those in part time work have higher poverty rates than those working full time. This picture of poverty and principal sources of income is characteristic of Australia's welfare system, often referred to as a 'wage earner's welfare state' (Castles, 1985), where wages are seen to be the cornerstone of financial security,

supported by government benefits only when employment failed. These results are closely related to the analysis of labour force status in the next section.

Figure 10 **Australians in poverty by principal source of income, 2001**



Note: Using the before housing costs OECD half median poverty line.

Source: ABS, 2000-01 *Survey of Income and Housing Costs*.

## 4.7 Work, education and poverty

### *Labour force status*

Australia's unemployed have higher rates of poverty than any other group defined by labour force status (figure 11), and in fact any other group defined in this study, demonstrating a strong link between unemployment and poverty. The poverty rate amongst jobseekers of 41.1 per cent stands at almost four times the national average. As shown above, the maximum unemployment allowance is \$19 less than the poverty line. The group second most likely to be in poverty was that of people who were not in the labour force. This means that they do not have a job nor are they seeking one. This grouping includes people relying on incomes from sources other than wages and salary or unemployment benefits, such as those receiving disability or carers' pensions, retirees, and the hidden unemployed. Hidden unemployment refers to those so discouraged that they are no longer seeking work and thus no longer receiving unemployment benefits. Their means to an income is highly insecure. People outside the labour force make up over half of all people in poverty (57.3 per cent) (figure 12).

Although full-time workers have the lowest poverty rate, 4 per cent of full-time workers experience financial disadvantage and comprise a substantial 15.9 per cent of those in poverty. This indicates that working poverty exists even among those with full-time jobs.

Figure 11 **Estimated poverty rates for people aged 15 and over by labour force status, 2001**

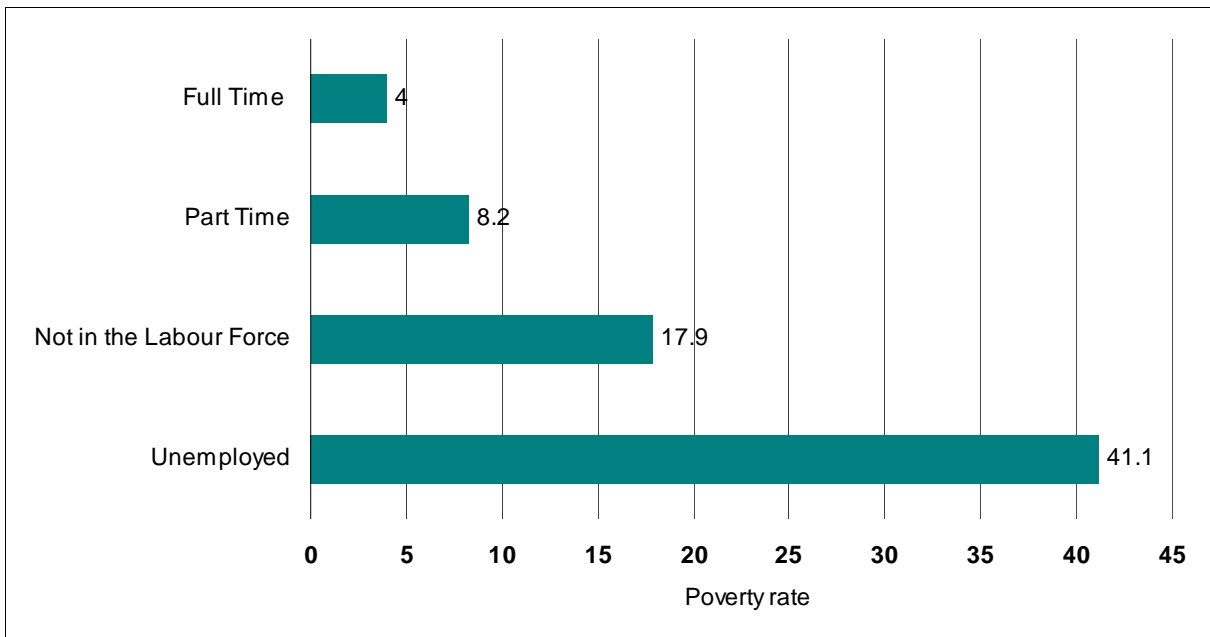
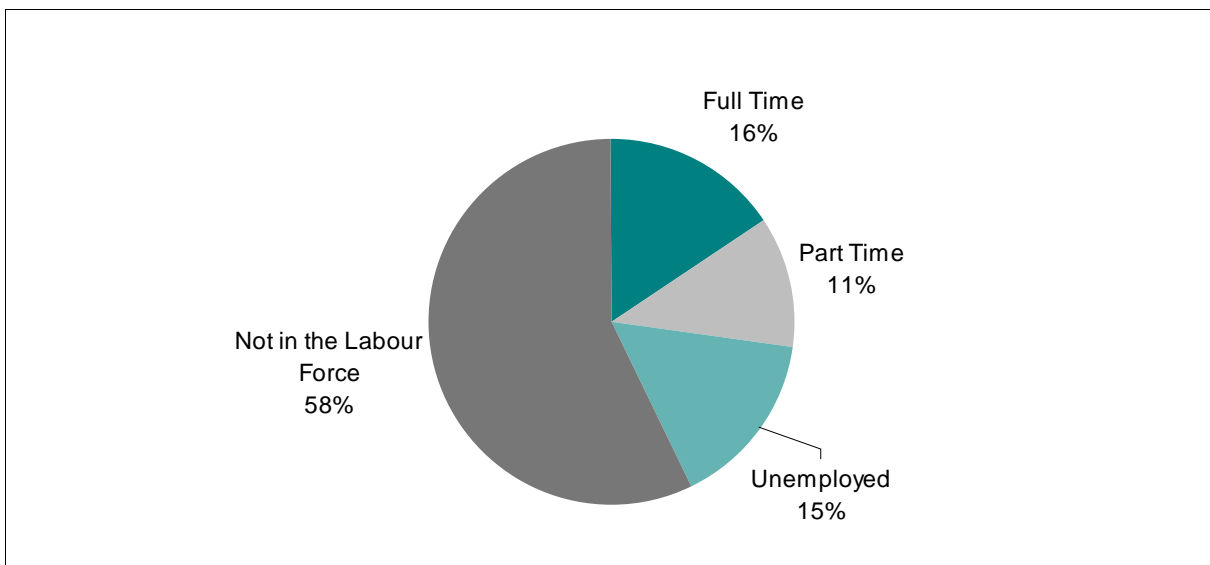


Figure 2 **Australians aged 15 and over in poverty by labour force status, 2001**



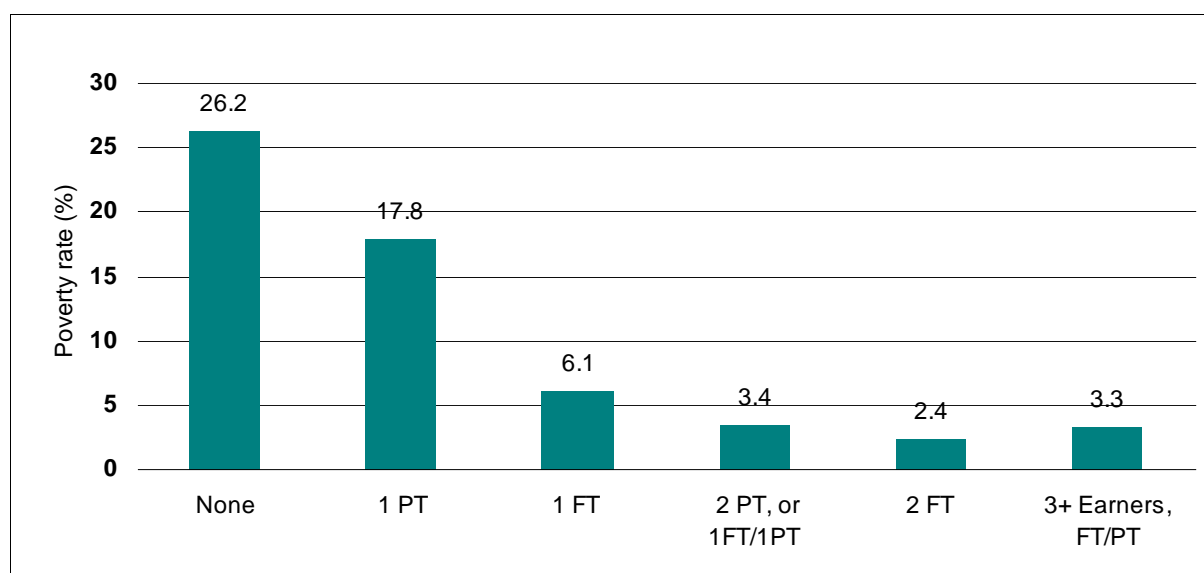
Note for figures 11 & 12 : Using the before housing costs OECD half median poverty line. Estimated for people aged 15 years and over.

Source: ABS, 2000-01 Survey of Income and Housing Costs.

### Number of Wage and Salary Earners in an Income Unit

The importance of wage and salary earnings to the achievement of financial security is further evidenced by analysis of the number of 'earners' in an income unit. The data showed that the rate of poverty decreased with the number of full-time earners in the income unit (figure 13). The highest poverty rate (26.2 per cent) was amongst households with no wage or salary earners. This group also made up 62.9 per cent of all people in poverty. While increasing numbers of part-time earners in the income unit also decreased poverty rates, households without a full-time wage / salary earner were significantly more likely to experience financial hardship.

Figure 3 **Estimated poverty rates by number or earners in the income unit, 2001**



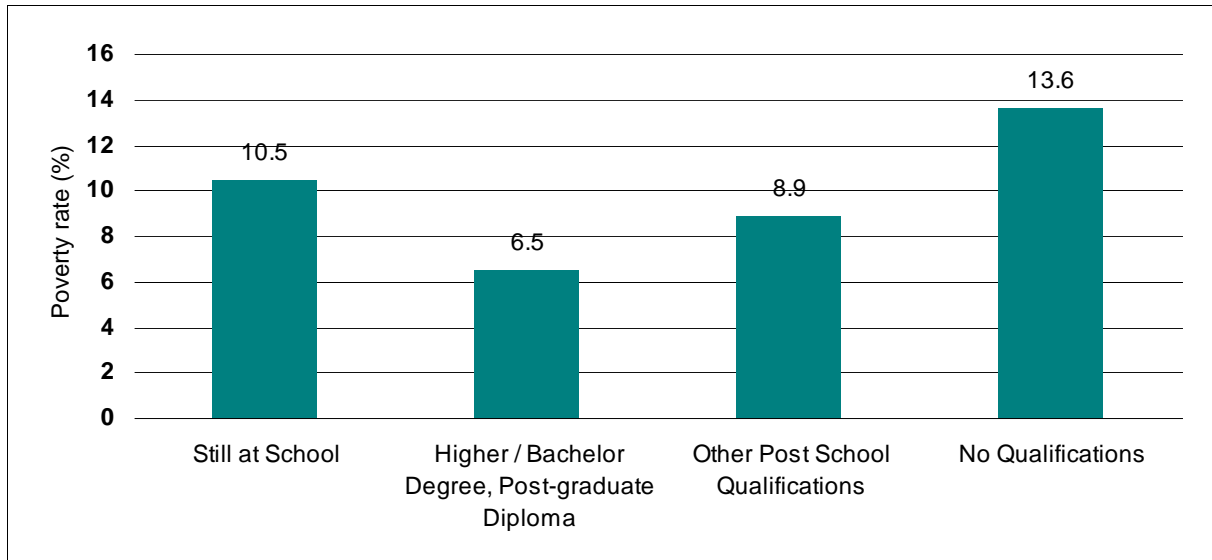
Note: Using the before housing costs OECD half median poverty line.

Source: ABS, 2000-01 *Survey of Income and Housing Costs*.

### Educational Characteristics

Analysis of poverty by educational qualifications showed that there is a definite link between poverty and a lack of educational qualifications; the risk of living in poverty diminishing as education level increased (figure 14). However, poverty persisted among those with university and other post school qualifications.

Figure 4 **Estimated poverty rates for people aged 15 and over by educational characteristics, 2001**



Note: Using the before housing costs OECD half median poverty line. Estimated for people aged 15 years and over.

Source: ABS, 2000-01 *Survey of Income and Housing Costs*.

People with ‘no qualifications’ made up the greatest proportion (64.1 per cent) of Australians living in poverty. The strong link between a lack of qualifications and financial disadvantage is further supported by the above average poverty rate experienced by this group at 13.6 per cent. This can perhaps be explained by the increased vulnerability to unemployment experienced by those with a low level of education and their increased likelihood of working in lower paid jobs.

It is noteworthy also that 23.4 per cent of people experiencing financial hardship have ‘other’ post school qualifications and that 7.9 per cent have higher degrees indicating that, while the risk of poverty is negatively related to one’s educational level, qualifications do not make one immune to financial disadvantage.

## 5 Depth of poverty

While the above analysis of Australians in poverty tells *how many* experience financial hardship and some of their characteristics, it says little of how severe the problem is. A central issue to the poverty problem is how far below the poverty line people are, be it by only a few dollars or hundreds of dollars. This is a particularly important issue, as the apparent poverty rate can vary greatly as the poverty line moves up or down by a few dollars a week. Very large numbers of Australians are clustered in the income ranges where poverty lines are typically drawn, sometimes

resulting in apparent significant fluctuations as the relativities between commonly used poverty lines and the major social security payments change slightly. Clearly, there is little difference in the living standards of a family who are a dollar above the poverty line in comparison to a family who are a dollar below the poverty line – yet the former is not in poverty and the latter is in poverty according to our headline poverty measure. Consequently, the poverty gap provides important additional information about how deep poverty is.

This section investigates the depth of poverty in Australia using poverty gaps. The poverty gap is the dollar amount by which a family's income falls short of the poverty line. The comparison of average poverty gaps and the proportional breakdown of those in poverty by their poverty gap helps to define the picture of poverty in Australia.

In 2001, the average poverty gap was estimated to be \$108 dollars. That is, on average, families experiencing financial disadvantage had an income \$108 below the poverty line of \$408. Assessment of the breakdown by poverty gap shows that approximately 42 per cent of people living in poverty had incomes that fell below the poverty line by less than \$49 a week (table 3). However, around 14 per cent had weekly incomes that were \$200 or more below the line.

**Table 3 Proportion of people in poverty by size of income unit poverty gap**

	2001
	%
\$0-49	42.0
\$50-99	15.4
\$100-149	10.3
\$150-199	18.3
\$200 and over	14.0

*Note:* Using the before housing costs OECD half median poverty line. All figures have been adjusted to 2000-01 dollars.

*Source:* ABS, *Survey of Income and Housing Costs*, 2000-01.

## 6 Conclusions

Based on the ABS 2000-01 *Survey of Income and Housing Costs*, and using the OECD equivalence scale and a poverty line set at half median equivalent income, this analysis found that an estimated 11 per cent of Australians were living in poverty in 2001, with an average poverty gap of \$108. It must be emphasised that the ABS has

concerns about the accuracy of the income information for some of those at the lower ranges of the income distribution and that these issues should be borne in mind when interpreting the results. In addition, like most studies of income poverty, our analysis focussed only on cash income and ignored assistance provided in the form of non-cash benefits, such as free or subsidised education and health services. While such issues affect the headline measure of poverty, they are less important for attempting to understand which types of Australians are most likely to face higher risks of poverty and this is the area upon which we have concentrated.

The study showed that men today have a higher risk of living in poverty than women. People living in NSW or Victoria were shown to have higher rates of poverty than those living in other states and territories. Those living outside the capital cities experienced slightly higher rates than those in the cities. In terms of country of birth, one in three people living in a family headed by a migrant was in poverty and those born in non-English speaking countries experienced higher poverty rates of poverty than migrants from English speaking countries and people who were Australian born.

Our study showed that poverty rates were linked to income unit type, with more single people being financially disadvantaged than those living in couples. While marital status appeared to be the major aspect of family structure affecting poverty rates, poverty rates also generally increased with number of dependent children for both single and partnered parents.

One overall conclusion that can be drawn from this study is the centrality of stable employment to financial security in Australia. This was shown in several areas of our analysis. First, it has been shown that the unemployed were more likely to be poor than any other defined group in the study, with a poverty rate of 41.1 per cent. This reflects the relatively lower rate of payments made to the unemployed – and particularly youths – as governments seek to balance providing an adequate rate of income support to the unemployed with maintaining work incentives.

While the link between work and prosperity is unsurprising, other areas of analysis demonstrated that employment, in the simple sense of not being unemployed, was not always enough to guarantee financial security. Poverty persisted, albeit to a much lesser extent, amongst those in part and full-time employment. It was shown that part-time work in particular did not necessarily represent freedom from poverty.

Furthermore, when poverty rates were compared by age group, it was shown that only those aged between 15-24 and 55-64 years experienced above average poverty rates, perhaps reflecting the instability of employment experienced at the beginning and end of the working life. In terms of principal source of income, poverty rates were highest where people's incomes were not based around wages. Most notably,

people whose principal income source was government benefits experienced a poverty rate of 24.3 percent, more than double the national average.

Poverty rates were inversely related to level of education attained, again possibly indicative of the relationship between educational characteristics, employment and income. Perhaps even the disproportionately high rates of poverty amongst people from non-English speaking countries, or living outside capital cities could be explained by their increased difficulty in finding work. This centrality brings into question issues of the changing structure of wages and working hours in Australia.



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