

# *‘No child...’*

Child poverty in Australia

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## Summary

This report was commissioned by the Children’s Task Force as a status report about the nature and extent of, and possible responses to, child poverty in Australia.

### Community concern about child poverty

Poverty is unacceptable because it hurts the lives of those who experience it and because it undermines the nature of our society and also diminishes those who are not poor.

Poverty embodies an idea of moral unacceptability and invokes an imperative for action. This is particularly so for child poverty, because of the vulnerability and blamelessness of children and because of the impact of poverty on their future lives as adults.

In Australia poverty is usually understood in relative rather than absolute terms, and is generally used to describe situations in which living standards are unreasonably low, where socially perceived necessities cannot be achieved and where deprivation and hardship are likely to be evident.

While non-material poverty can be important, most often the understanding and measurement of poverty are connected to some measure of material well-being and deprivation. Often this is undertaken with reference to income, although other measures are sometimes used. Qualifications to income measurements must be borne in mind.

In affluent countries relative poverty is highly connected to inequality. There are three related problems arising from growing poverty and inequality:

- deprivation, isolation and hardship,
- greater inequality of opportunities, and
- a decline in shared experiences and values—in social cohesion.

### Impacts of child poverty

Child poverty has detrimental effects. It can mean financial distress, missing out on normal activities, isolation and exclusion, the lack of a secure home, and it can affect child development and health. These impacts can have long-term consequences for education, employment and economic security as adults.

The consequences are likely to be greater if children experience poverty for a long time but the impact of poverty can also be profound if it is experienced only in the earlier years of life.

The outcomes are also likely to be harmful if low family income is combined with other disadvantages, especially limited parental education and family conflict.

However the impacts are not immutable and much depends on subsequent life experiences, including what happens at school early in the child’s life.

The harmful repercussions of inequality as well as poverty need to be considered.

## Estimates of child poverty

There are very large variations in recent estimates of child poverty and in changes over time. A reasonable estimate would be that one-in-eight children in Australia are likely to be in families with incomes below the half-average poverty line (before housing costs) and a much higher proportion in families on low incomes only slightly above. After housing costs are taken into account, the figure could increase to one-in-five children, but this would include a number of children where the parents are self-employed and where the income measures can be problematic.

The large variation in the estimates is disturbing and there is a need to develop a more consistent and robust measure of child poverty and poverty generally. However other studies (for example work on budget standards) reinforce the concern that a great many children would be in families where the income was not able to match community expectations of consumption.

Over the period since the early 1970s, the level of child poverty (that is the number of children in families with incomes below the poverty line) may have increased somewhat. At the very least it has not reduced. However, the depth of child poverty has reduced over time. This means that there are fewer children in families with incomes which are *substantially* below the poverty line.

More certain is that the factor driving an increase in child poverty has been the lower earnings of parents as a result of unemployment, and low-wage earnings growth for parents with low skills and on low wages.

Offsetting or moderating this increase have been improvements in payments by governments to low-income families with children, especially during the period 1982 to the mid-1990s. These have been critical to containing child poverty in Australia as have been the improvements to many services—although in the last few years there have been cuts to some of these which may be reducing their positive impact.

In comparison with other industrialised countries, Australia’s child poverty rates are high and while these comparisons may overstate our relative poverty and inequality, the results do suggest that we could do much better.

The position of families with children relative to other families appears to have deteriorated over time, and this should also be of concern to those interested in the welfare of children.

Another cause for concern is the increased poverty rates and the declining position of many young people aged 16 years and over who are jobless or in low-wage work.

## The reasons for child poverty and inequality in Australia

Children at great risk of poverty include:

- indigenous Australian children,
- the children of sole-parent families,
- children where no parent is in paid work,
- children where the prime source of income is government income support,
- children in public or private rental accommodation, and
- children with parents from certain non-English speaking backgrounds.

The situation of the children of indigenous Australians remains critical and is connected with the poor labour market situation of their parents, poor housing and access to services but also with a history of racism and oppression.

The position of other children who may be at risk of poverty, such as children with a disability (or with a parent who has a disability) and children in rural areas, is not examined in detail in this report. Most research studies do not have information about the poverty risks of these children.

Unemployment and joblessness is a key factor behind the continuation of child poverty. But increasingly under-employment, intermittent employment and low-wage earnings are becoming more important and these are connected with the poorer prospects of parents with low skills in Australia and in many countries overseas.

The increase in sole-parent families is another reason for the continuation of child poverty. The key reasons for their high poverty rates are a combination of the following:

- continuing high unemployment;
- the labour market disadvantage of sole parents, including the difficulties of working and parenting alone;
- the disadvantaged financial position of resident parents compared with non-resident parents after separation, with some problems remaining after the introduction of the Child Support Scheme; and
- income support payment deficiencies.

Housing costs and availability continue to play a critical role in child poverty. While improvements to the level and spread of Rent Assistance have been helpful to families in private rental accommodation, affordability is still a problem and security of tenure difficulties may be worsening rather than improving. The declining role of public housing is contributing to child poverty as well as difficulties arising from its location, sometimes away from areas of employment growth. The availability of low-cost rental accommodation has reduced and there are increasing levels of eviction. Such problems, combined with family violence, have contributed to increasing levels of family homelessness over the past decade.

Changes to income support payments have, since the early 1980s, played a positive role in containing child poverty, and overall the Government's Tax Package continues this improvement although it appears it will increase the income inequality of families with children. The continuing concerns relate to the situation of older children, the children of newly-arrived migrants, and some sole-parent families. Poverty traps, or high effective tax rates, are reduced for low-income working families through the Tax Package but they remain high for parents who are unemployed and are increased for some two-parent families.

A key problem for the future will be the adequacy of revenue to fund necessary action to reduce child poverty with the Tax Package substantially reducing net revenue by between \$5 and \$7 billion per annum.

Access to a range of services generally improved until the mid-1990s at least, and played a part in limiting the impact of child poverty. But problems still remain with the affordability of child care and access to some health services, such as dental health and ancillary services.

Further, a range of issues connected to the poorer educational participation and attainment of children from disadvantaged backgrounds, such as access to preschool assistance and support, schooling expenses, and the greater inequalities that may be emerging between advantaged and disadvantaged schools may also contribute to child poverty.

## Action to reduce child poverty

A number of researchers and organisations identify reform proposals relevant to reducing child poverty in Australia. Appendix C provides a summary of some of these. Common proposals include:

- action to improve the immediate living standards of children in low-income families especially through improvements to levels of income support to ensure all children are in families with an adequate income regardless of their parents’ situations, as well as improved access to low-cost services, particularly housing;
- action to prevent families with children becoming poor, especially by reducing unemployment, preventing low-wage poverty and providing better assistance to unemployed and jobless parents to obtain work;
- action to assist groups facing particular problems or risks including indigenous Australians, sole-parent and homeless families; and
- action to improve child development, especially to redress the disadvantage that certain children may face.

The proposals can be defined in five priority areas:

- reducing unemployment without increasing wage poverty;
- improvements to education and training which include greater attention to preschool intervention but also improving the quality and experiences of schooling for children from lower socioeconomic backgrounds, better assistance for school-to-work transitions, and quality labour market programs;
- improvements to the affordability and security of housing in locations where employment and services can be readily accessed. To achieve this, the supply of low-cost housing must be increased along with action to prevent evictions and homelessness;
- improvements to the affordability of child care and access to a number of health-related and family support services; and
- improvements to income support arrangements such as payments to sole parents with older children and the easing of income tests.

There should also be a special study undertaken on the impact of the Child Support Scheme on the income levels of sole-parent families.

However, the overwhelming priority should be action to reduce indigenous child poverty.

Action to reduce child poverty needs to take account of the problems of inequality as well as poverty. Poverty and inequality diminish all of us and the increase in inequality of family incomes may isolate children from wealthy backgrounds, as well as those from lower-income families.

Action to reduce child poverty will not occur without political and community commitment. At a time of change, we need to be better aware of the way the community understands poverty and inequality, and the level of community support for action.

One barrier affecting what is seen as possible and desirable may be a dominance of market-related values in our community. We need to reassert the importance of values that emphasise the dignity and worth of all people and their connectedness.

Finally, significant action to reduce child poverty will need alliances involving a range of individuals and organisations. While the proposals in this report have focused mainly on the role of government, it is also true that community organisations, employers, unions and parents all have a responsibility. The actions that different groups could take are outlined in the report and in Appendix C.

# I. Introduction

This report was commissioned by the Children's Task Force, chaired by The Hon. Alastair Nicholson, Chief Justice, Family Court of Australia.

The Task Force wished to develop a response to child poverty in Australia. To assist this, it requested a 'status report' on the nature of, extent and potential responses to, child poverty in Australia.

The proposal was for the Brotherhood of St Laurence to undertake research to:

- synthesise existing knowledge of the nature, extent and effects of child poverty in Australia;
- identify the implications of the 1999 Commonwealth Government's Tax Package;
- provide an overview of the reform proposals developed by various stakeholder groups; and
- identify lobby groups and alliances along particular reform proposals.

The Brotherhood responded positively to this commission because it has a longstanding interest in, and concern about, child poverty which dates back to significant work done in the early 1980s and continues to the present time. During the 1980s the Brotherhood:

- undertook research into the income, expenditure and experiences of families on low incomes;
- published an open letter from the then Executive Director, Bishop Hollingworth, to the Prime Minister on the need to take action on child poverty;
- participated actively in developing policies in the context of key changes in the 1980s such as the Social Security Review and the introduction of the Child Support Scheme;
- published a series of child poverty policy review papers; and
- conducted a major campaign against child poverty following Prime Minister Hawke's promise that no child need be living in poverty by 1990.

In more recent years, the Brotherhood has continued its interest through related research and service delivery activity, including the Life Chances Study and early intervention programs for children. The Life Chances Study is a longitudinal study of 167 children born in inner-urban Melbourne in 1990. The Brotherhood is following the lives of parents and children with the aim of researching how children's family backgrounds (including income) and other factors affect their development. It is also delivering a range of early intervention services.

This report draws on the Brotherhood's research but also uses other research findings from academics and welfare agencies in Australia and overseas.

The report does not have an absolute definition of the age span of childhood, although it is mainly concerned with young people who would be considered to be dependent, rather than independent. However, this is not clear cut, with the absence of firm and uniform transitions from dependence to independence.

The report is structured as follows:

- first, it identifies why the community should be concerned about child poverty and its consequences;
- second, it brings together the research findings about changes in the extent of child poverty in Australia over the past 25 years;
- third, factors connected with the incidence and impact of child poverty are examined; and

- finally, it presents various proposals to reduce (or eradicate) child poverty and identifies those groups who may be involved.

Appendix C gives some indication of the reform proposals of different groups.

The report is timely for at least two reasons. First, the Brotherhood has just committed itself to significant action over the next three years which will challenge the community to work towards an Australia free of poverty. The Brotherhood is committed to working with other organisations to achieve this ambitious but critical goal.

Second, recent Brotherhood research (Johnson forthcoming) shows that many in the community are unaware of poverty and its impacts in Australia. Poverty is hidden. It needs to be uncovered and understood. We hope this report can contribute to awareness that leads to action.

## 2. Community concern about child poverty

### Why poverty is unacceptable

Traditionally it is argued that the proof of the human calibre of a society lies with the genuine attention that is given to the poor. (Berghman 1997, p.19)

Poverty is unacceptable because it hurts those who experience it and because a society that tolerates poverty will be diminished.

A St Vincent de Paul Society report describes poverty as ‘debilitating and destructive’ (St Vincent de Paul 1999, p.2). Poverty also ‘undermines the unity of humankind’ (Australian Catholic Social Justice Council 1999, p.8). Community concern about poverty ultimately derives therefore from a belief in the respect and dignity that should be given each individual, alongside a belief that the way societies operate is critical.

Poverty invokes an idea of moral unacceptability and an imperative for action. This moral imperative is particularly relevant to child poverty, because of the vulnerability and moral blamelessness of children and because of the impact of poverty on their future lives as adults (Bradbury & Jäntti 1999).

### The idea of relative poverty

However, this moral imperative can become more difficult to understand in affluent countries, where the nature of poverty is generally ‘relative’ rather than ‘absolute’. Absolute poverty involves such a serious absence of resources that immediate survival is threatened. It is more a Third World phenomenon than an Australian one, with the important exceptions of many indigenous Australians and some homeless young people.

Relative poverty instead is understood in terms of prevailing living standards. It will vary across countries and time as community expectations and standards change. The term is generally used to describe situations in which living standards are unreasonably low, where socially perceived necessities cannot be acquired and where deprivation and hardship is likely to be evident—a situation qualitatively different from what is considered the usual for community membership and participation (Taylor 1999a; Kumar 1993).

### Poverty, material deprivation and income

Poverty is often seen as meaning something broader than low material living standards and income poverty. For example, Jarque, in a publication about child poverty for Mission Australia, describes child poverty as ‘any serious physical, social, material or emotional deprivation experienced by children, which proves detrimental to their well-being and disrupts their social, educational and emotional development’ (Jarque 1997, p.3). People who are materially well-off can be impoverished in relationships and in many other aspects of life.

Despite this broader view, in most instances our understanding and measurement of poverty are connected to some measure of material well-being and deprivation. This is because (as will be described later) material well-being has been shown to affect other aspects of life which are seen as important, such as the ability to form and sustain close, supportive relationships, to experience happiness or to enjoy good health. Kumar comments ‘child poverty can severely inhibit the realisation of individual potential while diminishing the

quality of personal and social life, involving as it does both material and social deprivation of various kinds’ (Kumar 1993, p.1). A Burnside publication sees poverty involving a lack of control over one’s life:

People living in poverty experience a lack of options and can feel that their lives are largely determined by circumstances beyond their control. There is increasing evidence that a lack of control over one’s life has a direct impact on a person’s physiology and biochemistry and increases their vulnerability to disease. (Burnside 1999, p.11)

Relatedly, in most countries which are market based, a person’s status and self-esteem is substantially affected by their capacity to acquire material resources.

In most affluent countries, the measurement of material well-being is undertaken with reference to income, with people said to be living in poverty if they live on incomes below a certain level. However there are other ways in which material well-being and poverty can be understood and measured including:

- the measurement of living standards more broadly, encompassing time, functioning and material resource (Travers & Richardson 1993);
- the use of an index of deprivation or budget standards (Saunders 1998); and
- a consensual approach which tends to define some community agreement about a required basic level of resources (Saunders 1998).

Bradbury and Jäntti (1999) suggest that child poverty is best understood in terms of the child’s family consumption patterns. This means more than those goods and services purchased in the ‘market’ but also includes the consumption of home production and of government provided services.

While child poverty is usually measured in terms of family income, at least three qualifications should be kept in mind. The first is that the level of government services available to parents and children can make a difference to living standards and material well-being. This is not usually reflected in measures of income.

Secondly, for some groups where lifestyle, expectation and culture are much less materialistic, the use of an income poverty measure alone will have severe limitations for understanding the experiences of children. This is especially relevant to consideration of indigenous Australian children and their parents, where wider issues of both material and non-material poverty are important (Taylor 1999a).

The third qualification is that while a poverty line which indicates a level of income below which living standards will be unacceptable can be a very useful tool, it would be a mistake to assume that people’s lives will alter dramatically if their incomes are raised just above that level. Nor should it be assumed that the lives of all people below the defined poverty line are the same. As Janet Taylor from the Brotherhood comments: ‘the diversity of the situations and experiences of people on low incomes is one of the constant findings of Australian studies over the last two or three decades’ (Taylor 1999a, p.5). In another paper, Taylor quotes Garton (1990) as acknowledging that the term ‘the poor’ disguises this diversity.

## **Poverty and inequality**

The reasons for a concern about relative poverty are highly connected with problems arising from inequality of income distribution and wealth in affluent countries such as Australia.

First, the harmful effects of relative poverty in terms of deprivation, isolation, poor relationships, ill health and so on, arise from the unequal position of those at the bottom of

the income distribution. To reduce relative poverty, inequality must also be tackled. The hardship created by poverty will not necessarily be solved by economic growth alone.

Second, both poverty and income inequality can lead to a greater inequality of opportunities which can in itself perpetuate and even exacerbate poverty and inequality in the future. Poverty can limit a child's development, educational attainment and employment futures. If poverty is also accompanied by a greater inequality and polarisation of family circumstances and opportunities, then a concern about equality of opportunity and a 'fair go' for all requires attention to inequality more generally including a concern about the unequal position of those at the top as well as those at the bottom. This polarisation may be happening in Australia, with the position of families who are very well-off having improved relative to those living in poverty (this is discussed further elsewhere in this report).

Third, growing inequality can be accompanied by a decline in shared experiences and values of different groups so essential to social cohesion and community life. One example is the sense of anger that can be felt by the 'battlers'—low to middle-income families who have struggled to maintain their living standards. The anger can be directed both towards those reliant on government income support payments who they see as not working as hard as them, yet receiving assistance they are denied, and towards those on very high incomes who they see as receiving most benefit from economic change but not understanding their own struggles. This can lead to a climate of 'blame', especially against certain groups such as indigenous Australians, sole parents and unemployed people.

Furthermore, those at the top of the distribution curve, who have seen the largest increase in their incomes from work and investment, may increasingly have lives and choices significantly different from the rest. Often these people are in positions of power—decision-makers—yet they may make decisions with a lack of understanding. For example, very high-income earners are not likely to be affected by proposals to means-test access to public hospitals (as they are more likely to use private hospitals) or to reduce minimum wages (as their salaries are not subject to community control). Many in the community recognise this trend and become more resentful of authority and institutions of government and business.

Taylor comments that the question to be explored is whether the concept of equality or of poverty is the stronger motivating force for action to improve the situation of those on inadequate incomes (Taylor 1999b).



### 3. The impact of child poverty

#### Illustrations

One way of understanding the impact of child poverty and inequality is through the stories of those affected. This section gives some very brief examples, using research by the Brotherhood of St Laurence as well as case studies from a number of other welfare agencies.

The Brotherhood's longitudinal Life Chances Study has provided various glimpses of the experiences of low-income families with young children in the 1990s (Gilley 1993; Gilley & Taylor 1995; Taylor & MacDonald 1992, 1994; Taylor & Macdonald 1998). One example is a refugee couple from Laos with five children, a 1993 instance of the 'working poor':

The mother is not in paid employment. The father works at Toyota 'looking after a machine', and his wage is \$309 per week, a wage that would be below the poverty line for a family with only one child. As a low-wage-earning family they receive Additional Family Payment (formerly Family Allowance Supplement), which adds an extra \$124 per week to their income. In addition, as they live in public housing (high rise)...their rent is \$100 per week. As a low-wage family they are also eligible for a Health Care Card, which reduces the cost of prescribed medication usually to \$2.60 per script, encourages doctors to 'bulk bill' under Medicare and is used as an indicator of eligibility for some State Government Concessions and also by local agencies...The mother says the Health Care Card is useful to buy medicine and for public transport. Nonetheless, the mother cannot always afford to buy healthy food (rice, meat and vegetables) she thinks important for the [children]. It is all a far cry, however, from the parents' previous experience: 'In my country we don't have to pay rent, pay tax, we can grow our own rice, have our own animals, cows and chickens'. (Taylor & MacDonald 1994, pp.50–51)

Female sole parents continue to be one of the groups with the highest rates of poverty. For example, a young mother from the Life Chances Study, separated from the father before the child was six months old, struggled with costs, ill health and unstable housing over a number of years:

The child at 18 months of age is in foster care because of the mother's poor health. The mother has moved several times, is staying with her own mother and is about to move into privately rented accommodation. She says her financial situation is worse than a year ago with not enough money for the child's Christmas or birthday presents.

When the child is 3 years old, the mother and two children are living temporarily in a bungalow behind a relative's house. The mother says the child is 'pretty happy' but is difficult to manage and has a number of health problems. The mother identifies serious financial and housing problems and problems with her own health. She has difficulty buying the child clothes or shoes or toys and owes the chemist for medicines. She has not used child care: 'I can't afford it. Like I am broke at the moment. Like I've got \$5 there. See that wouldn't buy milk until Thursday'. She says her financial situation has improved over the last year, because of cheap rent, but when they move to something bigger 'we'll be struggling'. (BSL 1994)

The story of Alice, recorded by the St Vincent de Paul Society, shows some concerns about child and family poverty connected with homelessness and the experiences of an indigenous Australian:

Alice and her children have been travelling around Queensland and NSW for a number of years. Alice has had several de facto relationships and at the age of 25 has four children and another on the way.

Alice has been in several services previously but has been unable to break the cycle of homelessness. She is reliant on relatives and friends for accommodation but this often 'falls apart' and she and her children are back on the streets again.

One complaint she has about the current homeless service she is in is that 'there isn't a Koori to talk to, someone who understands my problems'. However she feels the service is doing all it can to assist her at this stage. 'I can pay off my debts and save a bit so we can move into a Department of Housing (DOH) when we're allocated one.'

Alice is also receiving assistance with one of her sons who 'acts up all the time'. She is not happy with the inner city area the service is in because 'there are junkies everywhere. It's no place for kids'. Her dream is to find a place 'out in the middle of bush somewhere so me and the kids can do what we like' (St Vincent de Paul 1999, p.8)

The Salvation Army has documented the hardships experienced by many families in the aftermath of the recession in 1992. The story of the Walsh family illustrates the impact of unemployment and the poverty that goes with it.

Bob and Susan Walsh and their three preschool-age children crowd into a small two-bedroom house in Sydney's West. They have never been 'ones to whinge' and have been content with their lives. 'I have worked very hard for what we have', claimed Bob, 'but recently the bills and things keep piling on top of us'.

Bob recently spent six months unemployed, and has only in the past month obtained steady work again. 'We managed to make ends meet by borrowing from friends and cutting back on food and things, but we still had to pay the mortgage every month', said Susan. 'Things have caught up with us now and I guess we're going to have to make some sacrifices, perhaps sell the house!' lamented Bob. 'I know we are well off compared to lots of others, but gee how much do you have to lose?' (The Salvation Army 1992, p.31)

Mission Australia has also illustrated the impact of child poverty in a number of case studies. The story of James illustrates the combined impact of family disruption and poverty.

James is four years old. He was an independent child before his father was killed in an accident and his family was thrown into poverty. James then began wetting his bed, often became angry for no apparent reason. James became overly dependent on other adults and was often aggressive with other children. James' grief reaction was exacerbated by his family's lack of income and lack of access to support and services.

Staff of Mission Australia helped James by arranging speech therapy, developing an early intervention program for him and arranging for family support. James' social relations improved and his mood swings settled. He has since become more like he was before the accident—a lot more likable and independent.

James' younger siblings are also receiving special assistance, as they too have speech, language and emotional needs.

Their progress was set back when the children's uncle began borrowing the family car and dropping the children to kindergarten early and picking them up late. James began to revert to his sullen and aggressive behaviour.

James needs constant support and a stable environment and needs special assistance to settle into school next year. (Jarque 1997, p.11)

The impacts illustrated in these case studies have been summarised by two welfare organisations, Mission Australia and Burnside, as follows:

In a 1990 report Burnside describes, in practical terms, what child poverty means for children:

- not having a balanced diet
- being cold
- being left out
- stress, and
- school is not so good. (Burnside 1990)

The impact of poverty on children in a Mission Australia report is summarised as:

- material hardship
- poor physical health
- delayed language development
- greater investigation of child abuse and neglect
- dysfunctional relationships, and
- diminished opportunities. (Jarque 1997)

## Broad research findings

The immediate and longer-term impact of child poverty has been extensively studied in Australia and overseas. They may be usefully divided into three interacting areas:

- hardship and stress,
- isolation and exclusion, and
- adverse effects on health, development and education.

All of these can lead to longer-term impacts in adulthood.

### Hardship and stress

People with inadequate incomes typically give accounts of their difficulties in meeting basic costs, including struggling to pay for food, accommodation, clothing, education, health care, utilities, transport and recreation and trying to balance competing demands.

'You're always hoping that the fridge doesn't break down or hoping that your washing machine doesn't break down because you have no way of buying another one. And you know, it never happens on payday, always the day before. You're just hoping everything coasts along.' (Burnside 1999, p.11)

Some of the experiences of people on inadequate incomes, such as juggling the payment of bills, may be shared to some extent with those in the community on higher incomes. Other aspects of their lives remain almost unimaginable to those who are better off—for example, the process of seeking money, food vouchers or food parcels from relief agencies or going without food (Taylor & Challen 1998).

‘The kids can eat a lot of food and sometimes we’re short of it. Occasionally we have what we call a ‘pretend chicken dinner’. We’ll have baked potatoes, cauliflower, carrots and gravy but no chicken. Life like this has its bonuses though. Like if we’re really poor the night before pay night and we only have bread or something, the food next day tastes really lovely.’ (Burnside 1999, p.11)

The Brotherhood’s Life Chances Study found that by the time the children were 6 years old, the children’s mothers on low incomes over longer periods reported that they found it difficult to meet costs associated with clothing, medicine, school, birthdays and toys for their children (Taylor & Macdonald 1998).

In a country such as Australia, much of the harmful impact of poverty on parents and children comes from the stress and alienation connected with having a very low income; the continual juggling of finances, financial uncertainty in some cases and very often the sense of being different and less worthwhile. For children, the impact of stress (and unhappiness) may be direct or indirect through the parents’ experiences and behaviour.

The Brotherhood’s Life Chances Study found that for families on low incomes financial distresses were often interwoven with other problems, including family conflict and employment changes (or unemployment) adding to family tensions. Sometimes they were mentioned as having a direct impact on the children who had to go without. Often a combination of events compounded the stress.

Mothers living on low incomes in this study were significantly more likely than higher-income mothers to have experienced three or more stressful events, and to say that the family’s financial situation had a negative effect on the child. They were also significantly less likely to describe themselves as happy or to have assistance available from the children’s grandparents, from friends or from neighbours (Taylor & Macdonald 1998).

Using data about 3,052 young people in different parts of Australia from the Australian Living Standards Study, Weston and Hughes (1999) found that adolescents aged 11 to 19 years who were financially poor indicated lower well-being on a range of measures, including life satisfaction.

## **Isolation and exclusion**

Many of the harmful impacts of poverty in affluent societies such as Australia arise from isolation and exclusion.

### *Housing and isolation*

Fegan and Bowes (1999) find isolation a significant problem for many children in Australia with the following aspects relevant to child poverty.

First, high rates of mobility can have an isolating impact, especially if accompanied by limited parental income, education and assistance from other families in the new area.

Second, housing costs and availability can isolate low-income families in concentrations of public housing or in mobile homes and caravan parks. Fegan and Bowes (1999, p.118) comment: 'Life can be stressful for families living in caravan parks for a number of reasons, not the least being the intensity of close living. Children in this situation are also at increased risk of truancy and non-enrolment at school.'

Housing costs and availability can also contribute to social isolation by limiting housing choices to outlying areas where there are few services and transport can be difficult (Jarque 1997). Many low-income families are heavily reliant on low-cost rental accommodation. The availability of this accommodation is declining. Between 1986 and 1996 there was a 28 per cent decline in the supply of low-cost rental accommodation (Yates 1999). Most low-cost accommodation is located in middle and outer-suburban areas. A study of low-income families receiving government assistance with rental costs found that 46 per cent of sole-parent families and 43 per cent of couples with children receiving Rent Assistance live in outer metropolitan suburbs (Wulff & Rees 1999).

Finally, homelessness is perhaps the extreme manifestation of isolation and stress for children arising from the combination of low income and housing difficulties and, often, domestic violence. Fegan and Bowes report an increase in homelessness. Using 1997–98 Supported Accommodation and Assistance Program (SAAP) data, Horn (pers. comm.) estimates that 27,200 families were provided with crisis accommodation or support through homeless services with 56,000 accompanying children (half of whom were under 6 years of age). These figures would underestimate the extent of family homelessness in Australia as they exclude those not accessing SAAP services or receiving one-off assistance as casual clients.

Hanover's study of households in crisis seeking assistance showed that over 45 per cent of those evicted or at imminent risk of losing their rental housing, had been paying over half their income in rent (Horn 1997). Similarly eviction rates for clients seeking help have increased over the decade (Horn, M 1999, pers. comm.).

Research by Bethany Family Care and by Hanover Welfare Agency with the Royal Children's Hospital found that the impact of homelessness (accompanied by other factors such as family violence and abuse) included isolation, interrupted schooling and limited social interaction, along with behavioural disturbances, including fear, distress and aggressiveness (Efron et al. 1996; Horsley et al. 1995).

#### *Other isolating impacts*

The Brotherhood's Life Chances Study found that, at age 6, the children in low-income families had more isolated lives in that they were significantly less likely than other children to:

- live in a neighbourhood their parents saw as excellent for children,
- play with friends away from school,
- participate in sport, music or dance classes,
- be involved in any formal activities, and
- have been away on holiday in the previous year.

The parents in low-income families were more likely to say that they could not afford activities they wanted their children to do.

For the low-income children in the Life Chances Study, these exclusions followed earlier isolating experiences while younger. When the children were aged around 3 years, those in low-income families were less likely to participate in a range of services for children,

including child care, play groups, toy libraries or libraries and 3-year-old preschool (Gilley & Taylor 1995).

### **Adverse effects on health, development and education**

The effects of exclusion and isolation, along with stress and other factors, especially family conflict and low parental education, can combine with low income to have an impact on a child's health, development and longer-term educational and employment futures. This is especially true when child poverty is experienced over a long period of time. But a more limited experience of poverty in the early years of life can also be harmful.

Chase-Lansdale and Brooks-Gunn (1995), when examining evidence from the United States, conclude that the impact of child poverty includes impaired cognitive development, problems in socio-emotional adjustment and poor physical health. Such difficulties lead to a greater risk of problems later such as lower school achievement, poor peer relations, depression and delinquency, higher rates of morbidity and a compounding of developmental problems. Such impacts can lead to higher rates of ill health, low productivity and dysfunction in early adulthood.

Similarly, from the United Kingdom, Hobcraft (1998) after examining data from the National Child Development Study found that at the age of 33 years the combined impact of childhood poverty, family disruption and contact with the police had affected demographic, psychological, welfare, educational, and economic outcomes.

These studies are from countries where child poverty levels have often been regarded as higher than in Australia and where the outcomes may be more serious. However Australian studies also find a link between family income and other factors, and child health and development, school achievement and employment futures.

Taylor and Macdonald sum up some other relevant Australian research on the relationship of child development and family socioeconomic status as follows:

For example, a recent Australian longitudinal study (Najman et al. 1992) found modest correlations between low socioeconomic status and cognitive development at age 5 and the longitudinal Brunswick Family Study (Carmichael & Williams 1983) found cognitive functioning at the age of 11 was related to the mothers' number of years in education, poverty during the first year of life and current poverty. In the latter study a longer duration of exposure to poverty was associated with lower IQ scores and lower reading age. More recently, in research undertaken by the Australian Institute of Family Studies (Ochiltree & Edgar 1995), the best predictor of low language skill in the first year of school was found to be having a language other than English spoken at home. (Taylor & Macdonald 1998, p.110)

The Life Chances Study found that at age 6, children in low-income families were less likely than others to have education resources within the family, to have computers or children's books, or to have stories read to them as often. Also their parents felt less able to help with homework. While there were many similarities on measures of health and development for the children from different income groups, mothers in low-income families were more likely than other mothers to say their children were only in fair health and less likely to say they were in excellent health. They were also more likely to report accidents, dental problems and language problems, including problems with English for children from non-English-speaking backgrounds.

The study identified:

...family income, parental education and home language, and the interaction of these, as important influences on children's reading and confidence in their first year of school, although these cannot be said to determine the outcomes for the individual children as the range of outcomes were quite diverse. (Taylor & Macdonald 1998, p.xix)

Parental conflict was another factor associated with the children's outcomes at school and was in turn interrelated with a variety of family stresses, including unemployment, financial difficulties and separation. The situations of some of the children who were identified as the most disadvantaged in the study included parental drug and alcohol abuse and family violence; these were factors which could not be readily quantified but which could have considerable impact on the children's well-being as they started school.

A larger Australia-wide study of child health (Mathers 1995) found that children in low-income families had significantly more chronic illnesses than those in higher-income families. Mathers also quotes Australian research which finds associations with socioeconomic disadvantage and visual and hearing defects, dental problems, developmental delay and behavioural problems in children.

Burnside (1999) cite a comprehensive study of children's health in Australia (Zubrick et al. 1995) as demonstrating that parental education and employment status was very influential on a child's academic competence.

Hayes, Neilsen-Hewett and Warton (1999) find that family resources may be important for children's cognitive development as well as social skills, and Bowes and Hayes (1999) point to the link between poverty and birthrates, infant mortality and morbidity, and risk factors connected with health and development. They point to problems arising from the combination of poverty, limited parental education, family problems, unemployment and lack of connectedness to the community.

In her report for the Brotherhood, Ochiltree highlights the importance of the experiences in the early years of childhood in influencing future educational achievement. She summarises as follows:

Considerable research over the years indicates that the educational achievement of children born into disadvantaged families, in the circumstances discussed below, is generally lower than that for children from more advantaged family backgrounds and it is literacy which is often at the heart of their educational difficulties. (Ochiltree 1999, p.7)

Ochiltree then finds that: 'The strongest underpinning of disadvantage is poverty and it has long been known that poverty limits the life chances of children,' (p.7) and goes on to say that for children's education, the impact of poverty is closely linked with parental education.

Ochiltree identifies children in low-income families who have additional disadvantages likely to affect their life chances:

- children whose parents have a chronic physical or psychiatric illness or where there is an alcohol and/or drug problem;
- children where English is not spoken at home and where parents have little education and may be illiterate in their own language or where cultural expectations may be very different from contemporary Australia;
- children living in multi-problem, sometimes violent, low-income families where parents are not coping; and
- indigenous families where poverty is most entrenched and extensive. (Ochiltree 1999, pp.8-9)

#### *Impact as teenagers and adults*

Australian research mainly concerned with secondary school children indicates that family poverty and low socioeconomic status are consistently related to poorer school performance and low school retention rates (Ainley 1998; Williams 1988). Young people from low socioeconomic backgrounds, early school leavers and those with low achievement at school

are more likely to be unemployed, out of the labour market, or to be in precarious casual, part-time employment (McClelland et al. 1998; McClelland & Macdonald 1999).

Not all low-income children will be badly affected by their parent’s circumstances and while this discussion has shown that what happens to a child in the early years of life can be vital for later on, such experiences are not completely deterministic (Hobcraft 1998). This point is well summarised by Taylor and Macdonald as follows:

There is considerable evidence that links early childhood experience with later outcomes, although such links are not immutable. Rutter (1989), in a comprehensive discussion of the long-term effects of early experience and a review of research findings over three decades, notes that outcomes following early adversity are diverse and that long-term effects are heavily dependent on subsequent life experiences. In relation to socio-emotional development, Rutter concludes that ‘the long-term direct effects of even very serious adversities in early life tend to be quite minor provided that later experiences are good ones’ (1989, p.62). Similarly, Ochilree and Edgar regard the results of research undertaken in Western societies as showing that ‘the future of children is not pre-determined by what happens in early childhood’ (1995, p.6). (Taylor & Macdonald 1998, p.4)

## Summary and discussion

This chapter has documented extensive evidence that child poverty has detrimental impacts in terms of immediate material living standards, isolation and exclusion, and child development and health. These impacts can have long-term consequences for education, employment and economic security in adulthood.

The impacts are likely to be greater if children experience poverty for a long time but the impact of poverty in the earlier years of life only can also be profound.

The impacts are also likely to be harmful if low family income is combined with other disadvantages, especially low parental education and family conflict.

However these effects are not immutable and much depends on subsequent life experiences, including what happens at school early in the child’s life. More of this later in the report.

Finally, we also should not assume that all the adverse effects of increasing inequality in Australia are borne by low-income children. In their discussion about isolation and children, Fegan and Bowes (1999) point to one impact of the increasing gap between rich and poor families with children as affecting also the lives of better-off children. They say that these children can be isolated from other children in their neighbourhoods through a greater reliance on home-based entertainment (swimming pools and computers for example) and through attendance at schools and cultural activities removed from their local communities. This reminds us of the need to focus on inequality as well as poverty when we think about what impact it may be having on the future lives of the current generation of Australian children.

## 4. The extent of child poverty in Australia

This chapter examines research showing latest estimates of child poverty, changes in child poverty over time and how Australia compares with other countries, using measures of income poverty.

This examination draws mainly on the findings of three research reports:

- an analysis by King (1998) of changes in poverty generally, between 1972–73 and 1996, with some estimates of child poverty;
- research by Harding and Szukalska (1999) on changes in child poverty between 1982 and 1995–96; and
- a comparative study by Bradbury and Jäntti (1999) about changes in child poverty in a number of countries over time, including Australia.

The findings from these three studies are complemented by other research where relevant.

The section below describes the common definitions or measures of child poverty used in the three studies. These are the Henderson Poverty Line (HPL), the half median poverty line, the half child median poverty line, and the half average poverty line. Many of these measures also examine poverty after housing costs are taken into account.

King and Harding and Szukalska measure poverty according to ‘income units’. This is roughly equal to a family, or the unit within which income is assumed to be equally shared. Bradbury and Jäntti use ‘households’—a broader unit. All also use ‘equivalence scales’ to determine how much extra should be allowed to cater for additional adults and children in the family or the household. These equivalence scales are often subject to debate and can affect the estimates of poverty.

Poverty is then calculated according to the number of children in each income unit or household below the poverty line. But the definition of the span of childhood can also vary in different studies and make a difference to estimates of child poverty. For example, Bradbury and Jäntti define children as all people under 18 years whereas others have different definitions of what constitutes a ‘dependent child’ (see page 22 for further detail).

### Different measures of income poverty

#### The Henderson Poverty Line (HPL)

This line was developed by Professor Ronald Henderson and used to provide estimates of poverty for the Commission of Inquiry into Poverty in Australia (Australian Government Commission of Inquiry into Poverty 1975). It was originally based on the income received by a working man with a non-working wife and two children. It was set at such an austere and low level that ‘No-one can seriously argue that those we define as being poor are not so’ (Australian Government Commission of Inquiry into Poverty 1975, p.1). The line was then adjusted to take account of differing family composition, size and other factors, especially taking account of work force status and housing costs. The HPL, along with the lines described below, are frequently determined on a before and after housing cost basis. The after-housing cost lines were developed because of the view that housing costs are critical to living standards and non-discretionary. Since the early 1970s the HPL has been updated in different ways with the key objective of reflecting changes in average community incomes. This method of updating has been criticised and more recently these criticisms have intensified. It has been suggested that problems with the method of updating may overstate increases in the HPL by around 15 per cent (King 1998).

## Median poverty line

This line is set at half the median of equivalent family or household income in the community. (Median is the point where 50 per cent of the population are below.) It has been used more in recent years because of the above criticism about the HPL but also because it allows for international comparisons whereas the HPL is only used in Australia. Unlike the HPL, this is an arbitrary line measuring income distribution and does not necessarily carry a sense of connection to the level of income needed for a basic standard of living.

## Half child median poverty line

One variation of the median poverty line is the half child median poverty line. In this line child poverty is estimated at 50 per cent of the median income of families with children rather than all families.

## Half average poverty line

Another variation is the half average poverty line, which calculates poverty according to 50 per cent of average rather than median family incomes. The average line is higher than the median. The reason for using an average measure is the interest in measuring poverty against changes in income at the top as well as the bottom of the income distribution. This is increasingly relevant when income distribution changes are connected with a greater improvement of the position of those at the top, as has occurred in Australia and in many other countries (Harding & Szukalska 1999). The argument against is that it may be less robust than the median measure because data errors are more likely to occur at the extremes of the income distribution and because the median line may be a better measure of social exclusion (Bradbury & Jäntti 1999).

## Latest estimates of child poverty in Australia

**Table 1:** Latest estimates of child poverty in Australia

Source and year	Child poverty estimates						
	Percentage of children below poverty line						
	HPL (before housing)	HPL (after housing)	Half median (before housing)	Half median (after housing)	Half average (before housing)	Half average (after housing)	Half child median (before housing)
King 1996	16.3	13.7					
Harding & Szukalska 1995–96	24.2	26	8	16	12.5	22	
Bradbury & Jäntti 1993–94			17				11

Note: See page 19 for a description of the terms in this table.

Table 1 gives estimates of child poverty in Australia in the mid-1990s from the different studies.

The most salient point of this table is that the estimates vary greatly according to the particular study as well as the measure of child poverty that is used. They vary from less than

one-in-ten children, to just over one-quarter of children in Australia being in families with incomes below the poverty line.

First, there are different estimates of child poverty using the HPL with King (1998) finding 16.3 per cent of children below the HPL before housing in 1996 and Harding and Szukalska (1999) estimating 24.2 per cent for the same measure in 1995–96. However it should be noted that King used a micro-simulation model to estimate what poverty might have been in 1996 as the actual data was not available at the time of his research. Another key difference is that King excluded families with children whose parents were self-employed, whereas Harding and Szukalska included this group.

Similarly, there are different estimates of children in poverty using the half median line. Harding and Szukalska estimate 8 per cent of children were living in poverty in 1995–96 using this line, and Bradbury and Jäntti (1999) estimate 17 per cent in 1994.

Second, there are variations in estimates according to the different measures used. This is most clearly seen by examining the Harding and Szukalska estimates with variations from 8 per cent of children in poverty using the half median line before housing costs, to 26 per cent in poverty according to the HPL after housing costs. This shows the sensitivity of poverty estimates to the level of income defined as the line. A lower line will reduce the number of people defined to be in poverty. The half median poverty line was much lower than the HPL in 1995–96 (equal to only around three-quarters of the HPL).

As the discussion on page 19 indicates, many researchers now consider that the HPL overestimates poverty in Australia. Harding and Szukalska say that the 12.5 per cent estimate calculated from the half average poverty line may be a more accurate depiction of child poverty according to the original idea of the HPL. The 12.5 per cent average poverty line is around 15 per cent lower than the HPL and researchers have suggested that updating problems with the HPL mean that it is overestimated by this amount. The average poverty line is therefore the one most used in this report.

According to Harding and Szukalska, the higher after housing costs estimates in their research are affected by the number of families with children estimated to be below the poverty line who are purchasing a home and who are working (either as an employee or self-employed).

These very different estimates of child income poverty are concerning. Reliance on any one measure should be avoided. They also point to the need for a serious examination of poverty measurement in Australia. However, it must also be remembered that other ways of measuring the consumption needs of families reinforce concerns that many families with children do not have a sufficient level of income to meet these needs. For example, the work on budget standards undertaken by the Social Policy Research Centre constructed new estimates of how much money people need to spend in order to live reasonably in today's Australia. Calculations for a low-cost budget (one in touch with community standards but excluding items considered to be less necessary or less likely to be found in all homes) were, for families with children, usually well above HPL estimates and above levels of income support payments provided by government.

And even if the lowest estimate shown in Table 1 of 8 per cent of Australian children is accepted, this is still far too many.

## Changes in child poverty over time

**Table 2:** Changes in incidence of child poverty over time—different estimates

Source and year	Child poverty estimates						
	Percentage of children below poverty line						
	HPL (before housing)	HPL (after housing)	Half median (before housing)	Half median (after housing)	Half average (before housing)	Half average (after housing)	Half child median (before housing)
King * 1972–3 to Mar 1996	7.9 – 16.3 (increase)	7.2 – 13.7 (increase)					
Harding & Szukalska 1982 to 1995–96	19.2 – 24.2 (increase)	19 – 26 (increase)	13.6 – 8.0 (decrease)	18 – 16 (decrease)	18.2 – 12.5 (decrease)	23 – 22 (decrease)	
Bradbury & Jäntti 1981–82 to 1994			0.2 percentage point per annum (increase)				0.1 percentage point per annum (increase)

\* It should be noted that King warns against reaching conclusions from his estimates about changes in child poverty over time because of changes in the definitions of dependent children in the two periods.

Table 2 shows changes in child poverty over time from the three studies discussed above.

Again a key point is the differences in the findings. All who use the HPL find an increase in child poverty either from 1972–73 to 1996 (King 1998) or between 1982 and 1995–96 (Harding & Szukalska 1999). Harding and Szukalska find a decline in child poverty over the period 1982 to 1995–96 using half median and half average poverty lines, with the declines being substantial before taking housing costs into account, but with minimum changes in the after housing costs measures.

Bradbury and Jäntti (1999) found a slight increase in the proportion of children in poverty using the half median poverty line. The reasons for the different findings between these two studies can include:

- the different time periods used, with Bradbury and Jäntti’s estimates applying up to 1993–94 and for Harding and Szukalska, the period 1995–96. Between 1993–94 and 1995–96 unemployment declined and the wage earnings of lower-paid workers may have also improved somewhat; and
- other differences in the measurement of income, with Bradbury and Jäntti using annual income and Harding and Szukalska using current weekly income. There have been suggestions that the ABS annual data for 1993–94 available for Bradbury and Jäntti may have contained inaccuracies.

King (1998) cautioned about conclusions from his figures about changes over time because of the different data sources used. In particular the definition of dependent children has changed over time, especially for young people aged 15 years and over. This affects whether such young people’s incomes are considered to be that of their family (dependent) or just their own (independent). It can have a substantial impact on the number of young people assessed to be in poverty.

The 1972–73 definition counted a dependent child as an unmarried person who was either under 15 years, or 15 to 20 years of age and a full-time secondary student and living with a

parent. The 1996 figure had a broader definition of dependent children. It included unmarried people 15 to 24 years old who were full-time secondary or tertiary students and were living with their parents. King considered this change in definition could overstate the increase in child poverty over the period.

Harding and Szukalska (1999), confronting a similar problem with the data sources, made decisions about whom to include as dependent children, which they say could understate the increase. In 1982 the incomes of 15 to 20-year-old dependent children were not included in the survey, whereas they were recorded in 1995–96. Harding and Szukalska used these figures as recorded.

Harding and Szukalska analysed the reasons why child poverty may have declined over the 1980s and early 1990s. They conclude an important reason was the substantial increase in income support payments to low-income families with children including:

- the introduction of the Family Income Supplement (FIS) for low-income working families in 1983;
- the introduction of a single Family Allowance Supplement (FAS) for all low-income families with children in 1998, which replaced FIS and was paid at much higher levels with further increases later; and
- the extension of rent assistance to a wide range of low-income families with children who were renting privately, and also increases to the level of rent assistance payments.

These increases were very large for some families. For example for a single-wage couple with two children renting privately, the increase could be around \$100 per week after taking inflation into account. Families with two children not renting privately could have had increases of around \$45 per week in real terms.

But not all young people benefited. While Harding and Szukalska found a decline in child poverty for children aged less than 15 years, they found an increase for 15 to 18-year-olds who were not classified as dependents because they were not students but could have been unemployed or in paid work. This decline in the incomes of teenagers over time has been documented elsewhere (Landt & Scott 1998).

In addition, changes that would have increased child poverty also occurred over the period. Unemployment increased at certain points, although by 1995–96 it was lower than in 1982. The inequality of wage earnings of families also increased over the period (Landt & Fischer 1996).

It is likely that if a longer period of change is examined, in particular the period from the middle of the 1970s to the mid-1990s, rather than from the early 1980s, the decline in child poverty shown by Harding and Szukalska would be much less marked. A previous study by Gallagher showed that between 1972–73 and 1981–82 (Gallagher 1985) there was a dramatic increase in child poverty in Australia. For example the poverty of female-headed sole-parent families increased from 38 per cent to 50 per cent and for couple families it increased from 4 per cent to 12 per cent (Cass 1985).

Within this longer time frame we may be looking at two different periods: the first period between the 1970s and the early 1980s, when inequality and poverty increased; and a second period from the early 1980s to the early 1990s, when government action either reduced or contained the earlier increase in child poverty.

This possibility is supported by evidence from a study by Oxley et al. (1999) which examined changes in income distribution in Australia and other countries between 1975–76 and 1993–94. For Australia they find that there was little change in overall poverty rates (using the half median poverty line) or in overall income inequality over the entire period,

with both poverty and inequality increasing only slightly. Yet there were different trends within this time frame. In the earlier period, 1975–76 to 1985, they find a significant increase in poverty and inequality that was almost entirely offset by changes in the later period 1985 to 1993–94.

However, their analysis also indicates a decline in the relative position of families with children in Australia over the entire period. That is, the incomes of those with children did not increase as much as those without children. They find this was particularly so for sole parents. Supporting this concern about the poor relative position of families with children, Bradbury and Jäntti (1999) conclude that children are at greater risk of poverty than adults in Australia. Harding and Szukalska (1999) find a large number of families with children on incomes clustered at the lower end of the income distribution with many having incomes not much above the poverty line.

On a positive note, most studies conclude that there are fewer families with children living substantially below the poverty line and that the depth of poverty has been reduced.

Further, if we are concerned about living standards, changes in the social wage should be taken into account. This includes subsidised services such as health, education and child care. Such changes have been shown to improve the position of low-income families from the early 1980s onwards (Johnson et al. 1995). As Bradbury and Jäntti point out, when the benefits of these services are included, poverty rates are lower, reflecting ‘the more equal distribution of health and education services across the population compared to market incomes’ (Bradbury & Jäntti 1999, p.52). However cuts have been made to these services since the mid-1990s in Australia by the Commonwealth Government and by some state governments.

## Comparisons with other countries

If we need to be cautious about specific estimates of poverty, we need to be particularly cautious about international comparisons, especially in drawing any conclusions about small differences between countries.

Bradbury and Jäntti provide the latest estimates of comparisons of child poverty between different countries. In 1994, of 25 countries studied, Australia had the fifth highest rate of child poverty according to the half median poverty line and the sixth highest according to the half child median poverty line. When another measure, the United States Official Poverty Line was used (representing more a measure of real rather than relative poverty), Australia’s child poverty rate was towards the middle of the 25 countries.

While Australia’s poverty rate declined over time using the US Official Poverty Line, as previously mentioned, Bradbury and Jäntti find that it increased according to the two other measures of child poverty.

Bradbury and Jäntti showed that Australia did better than some countries but worse than others over the 1980s and the early 1990s in relation to child poverty. They summarise the international trends in child poverty in the following way:

Child poverty decreased using all three definitions in Taiwan, Canada, Denmark, Finland, Norway and Spain. Poverty increased in Germany, Hungary, Italy, the United Kingdom and the United States. For the rest of the countries, the direction of change varied between the three definitions. The most common pattern, however, is that relative poverty increased—reflecting an increase in inequality, and poverty based on the US official line decreased—reflecting an increase in real disposable income. (Bradbury & Jäntti 1999, p.27)

The Australian experience reflects this pattern.

One difference between Australia and other countries which have had lower rates of child poverty, highlighted by Bradbury and Jäntti, is the extent of inequality of earnings from work. Unequal earnings from work is affected by the extent of unemployment, underemployment and inequality in wages and salaries. Countries with less inequality of earnings from work are much more likely to have lower rates of child poverty. The negative impact of earnings inequality on levels of child poverty was also highlighted by Harding and Szukalska (1999) and then by Danziger et al. (1995), in another international comparative study of inequality. This will be discussed in more detail in the next section. However Danziger et al. also find a large increase in earnings inequality in Australia and confirm Harding and Szukalska's findings about the offsetting impact of income support payments.

## Summary and discussion

This chapter has described large variations in recent estimates of child poverty and in changes over time. A cautious estimate (using the half average poverty line) would be that at least around one-in-eight children in Australia are likely to be in families on incomes below the poverty line (before housing costs) and a much higher proportion in families on low incomes only slightly above. After housing costs are taken into account, the figure could increase to one-in-five children, but this would include a number of children where the parents are self-employed and where the income measures can be problematic.

The large variation in the estimates is disturbing. There is a need to give greater attention to developing a more consistent and robust measure of child poverty and poverty generally. In addition, other studies (for example work on budget standards) reinforce the concern that a great many children would be in families where the income was not able to match community expectations of consumption.

Over the period since the early 1970s, the level of child poverty (that is, the number or proportion of children in families with incomes below the poverty line) may have increased somewhat (or at the very least not reduced). Again there are uncertainties about trends, more so since the 1980s. However, the depth of child poverty has reduced over time. While there may be the same number of children, if not more, in families with incomes below the poverty line, fewer are likely to be in families with incomes *substantially* below the poverty line.

The growth in child poverty has been offset or moderated by improvements in payments by governments to low-income families with children. These have been critical to containing child poverty in Australia as have been the improvements to many services—although in the past few years there have been cuts to some of these which may be reducing their positive impact.

In comparison with other industrialised countries, Australia's child poverty rates are high and while these comparisons may overstate our relative poverty and inequality, the results do suggest that we could do much better. The growth in inequality in earnings from work emerges as a key reason for our failure to substantially reduce child poverty and this will be explored further in the next chapter.

The position of families with children relative to other families appears to have deteriorated over time, and this should be of concern to those interested in the welfare of children.

Another cause for concern is the increased poverty rates and the declining position of many young people aged 16 years and over who are jobless or in low-wage work.

While these results show that we should be careful about relying too much on any single poverty estimate, as the next section will indicate, there is general agreement about which children are likely to experience child poverty and the reasons for the continuation of child poverty in Australia, despite significant economic growth over the past 25 to 30 years.

## 5. Factors connected with the incidence and impact of child poverty

This chapter examines which children are most likely to be in families with incomes below the poverty line. It then provides more detail about the situation of such children who are particularly at risk of poverty including:

- indigenous Australian children;
- children in families where no parent is in paid work, or in families with low earnings from work; and
- children in sole-parent families.

The chapter discusses the importance of other factors connected with child poverty including:

- housing, homelessness and locational disadvantage,
- taxation and income support payments, and
- the availability of services.

It should be noted that most studies of child poverty do not include estimates by location or by the disability of the parent or the child. These important aspects of child poverty are not covered in this report, although rural issues are included in the discussion of locational disadvantage.

### Children at risk of poverty

Harding and Szukalska (1999) identified those children most at risk of poverty in 1995–96.

Using the half average poverty line (before housing) they find a high risk for the following children:

- those living in families headed by a female;
- or in sole-parent families;
- and in larger families;
- those with no parent in work;
- children where the main source of family income was government cash benefits;
- those living in public rental accommodation; and
- children where the head of the family was born overseas in certain areas, especially the Middle East, North Africa and South and Central America.

However, they found over the period since 1982 that most of these groups had experienced a significant decline in their comparative risk. This includes children in female-headed families, children in sole-parent families, larger families, children with no parent in paid work, children with government cash benefits as a principal source of income and children in public rental accommodation.

However, while their poverty risk may be lower, most of the children in poverty in 1995–96 were in male-headed families, in couple families and in families where there were one or two parental earners in the household. For example, Harding and Szukalska estimate that 311,000 children below the poverty line were in families with at least one parental earner in 1995–96, although just under two-thirds of these had one parent who was self employed (where there is concern that recorded income levels may overstate the level of hardship experienced). However, even after excluding self-employed families, there were still one-quarter of all

children in families with incomes below the poverty line with at least one parent in paid work as an employee.

When poverty is examined after taking housing costs into account, children in private rental accommodation join those in public rental accommodation as having a higher risk, but most other high-risk groups remain the same.

## **Indigenous Australian children**

Indigenous Australians have the highest rate of poverty of any demographic group in Australia. It has been difficult to determine the extent of indigenous poverty from the usual surveys, as most either do not require indigenous identification and/or have had too few indigenous people in the sample to draw meaningful results.

Based on a method developed by Ross and Whiteford (1992), Ross and Mikalauskas (1996) give 1991 estimates of indigenous child poverty. An illustration of these estimates is contained in Appendix A.

This shows the much higher rate of poverty of indigenous families with children, compared with non-indigenous families, for sole parents and for couple families. In 1991 on average, 50 per cent of indigenous families with children had incomes below the HPL compared with 21 per cent of non-indigenous families. Ross and Mikalauskas estimated that whereas indigenous children made up 2.7 per cent of all Australian children, they constituted 7 per cent of all Australian children living in poverty.

Ross and Mikalauskas find that the main factor associated with indigenous child poverty is the lack of employment of their parents, with over half of all indigenous families with children having no employed adult in the family unit in 1991. But having a parent in paid work was much less a path out of poverty for indigenous children than for non-indigenous Australian children. Almost one quarter (23.7 per cent) of indigenous couples with children and one adult employed had incomes below the HPL in contrast with only 5.5 per cent of non-indigenous families in the same situation.

Ross and Mikalauskas find that indigenous child poverty increased between 1986 and 1991 but that the rate of child poverty might have declined significantly since the early 1970s, especially among couples with children. Sole-parent indigenous families remained overwhelmingly in poverty.

Daly and Smith (1997) examine the particular circumstances of indigenous sole parents using 1991 Census data. Some key observations are that, in comparison with non-indigenous sole parents, indigenous sole parents:

- have larger numbers of children,
- are less likely to live in major urban areas,
- are more reliant on public housing (42 per cent),
- are younger, and
- have lower levels of education and employment, and lower incomes.

Altman and Hunter (1998) quote research findings by Jones (1994) who also uses 1991 Census data to document the continued housing difficulties of indigenous people including a continued lack of housing as well as overcrowding. In 1991 8 per cent of indigenous families were either living in improvised dwellings or sharing overcrowded dwellings with other families; 21 per cent experienced inadequate housing and almost 40 per cent in public housing rental accommodation were in after housing poverty.

The extract below illustrates some of the problems and impacts associated with poverty for indigenous children in Australia.

### **What particular problems do Aboriginal children face?**

Poverty, poor living conditions and health problems in Aboriginal families mean that many Aboriginal children are severely disadvantaged, specifically in terms of education.

Health problems may lead to a chain of related problems with children's education. Untreated ear disorders stop children from hearing the teacher properly, untreated eye disorders interfere with vision and malnutrition gets in the way of concentrating in class. All of these affect attendance.

- Indigenous infant mortality is still more than 3 to 5 times higher than that for other Australian children.
- The rate of admission for X-ray proven pneumonia was 80 times higher than for non-Aboriginal children.
- Nearly one-in-ten (9 per cent of) indigenous youths will not attend school or will leave school before the age of 14 (compared to 2 per cent of non-indigenous youth).
- Less than half (49 per cent) of Aboriginal and Torres Strait Islander 15 to 19 year olds are attending school (compared with 90 per cent of other youth).
- Only one-third (33 per cent) of Aboriginal and Torres Strait Islander students complete year 12 (compared with 77 per cent of other students).

Source: *Youth Issues Forum*, Winter 1998.

The 1990 report, *Aboriginal child poverty*, based on consultation with diverse Aboriginal communities across Australia, emphasised that while indigenous people of Australia suffer severe material poverty, this is secondary for them to deep-seated deprivation that is a consequence of cultural invasion, racism and oppression. The non-material aspects of poverty they emphasised include the loss of children through their forced removal, the loss of identity and spiritual and cultural heritage, the loss of contact with the land, and the loss of dignity and self-respect through oppression over many years (Choo 1990, p.8).

## **Unemployment and low wages**

A key driver of continuing high poverty and inequality amongst children in Australia and internationally has been the joblessness, under-employment, and the precarious and low wage earnings of their parents who have low skills.

### **Unemployment and joblessness**

While unemployment is currently just under 7 per cent (at November 1999), the lowest in about a decade, it has taken a long time to decline from its peak of 11 per cent in 1992 and has averaged 8 per cent until very recently. There are still 641,000 people unemployed with a third of unemployed males and a quarter of unemployed females unemployed for more than a year, and 60 per cent of this group experiencing unemployment for more than two years (ABS 1999).

A much higher number are jobless—that is, without paid work, as not all are recorded in the unemployment figures.

#### *Broad research findings*

The analysis of child poverty by Harding and Szukalska (1999) discussed earlier, showed that according to the half average poverty line in 1995–96, 36 per cent of children in families with no

parent in paid work were in poverty compared with 9 per cent where there was one parental earner and 7 per cent where there were two parental earners. After taking housing costs into account these figures increased to 53 per cent, 18 per cent and 12 per cent respectively (Harding & Szukalska 1999, Tables A1 & A2).

A cautious estimate would be that between one-third to one-half of Australian children with no parent in paid work were in families with below-poverty line incomes in 1996 (with the difference depending on the impact of housing costs).

In 1999 one-quarter of all officially unemployed people (158,500) were parents in households with children under 15 years of age. There were almost 360,000 families with a child under 15 years (representing one-in-six of such families) where no family member was employed (ABS 1999). Since 1979 the increase in the proportion of families with no member in employment has been from 11 per cent to 16.7 per cent (Gregory 1999).

Gregory (1999) examined the employment situation of families with dependent children over the period 1979–98. He concluded that most of the additional employment going to families with dependent children went to families where there was already an employed adult. This represented a continuing division between 'work poor' and 'work rich' families. He found differences in the pattern over the past two decades with:

- the decline in families with one adult employed occurring only until 1990, and 70 per cent of the growth in families with two parents employed also occurring in this period; and
- the increase in families with no parent employed has mostly occurred (70 per cent) since 1990.

Gregory concluded that the polarisation occurring in the first decade was primarily due to the division of employment among families, not lack of jobs. In the second decade, most of the polarisation has been generated by lack of jobs and growth in the number of jobless families.

This polarisation is associated with greater inequality among couple families with children as well as the continuing growth in the number of sole-parent families. Gregory (1999) suggests that the polarisation of the employment situation of couples with children could be due to the following:

- a concentration of joblessness among families with low education levels—similar skill levels of male and female partners;
- high effective marginal tax rates (EMTRs) for low-skilled couples who face low labour market incomes; and
- geographic polarisation as a result of:
  - the evolving geographic pattern of job opportunities (for example, poor employment prospects for both parents in country towns); or
  - job outcomes involving two-job families moving to neighbourhoods with expensive housing and no-job families moving to areas of cheaper housing.

Similar factors could account for the relatively poor position of sole parents.

However, in his examination of why the wives of unemployed men have low employment rates, Bradbury (1995) could not find evidence of geographic or effective marginal tax rate influences.

#### *Illustrations from the Life Chances Study*

The Brotherhood of St Laurence's Life Chances Study has followed the changes between 1990 and 1996 for 145 families who participated in the study over that time. A recent research paper based on the study found for the majority of the families with parents out of work, under-employed or in low-paid jobs at the beginning of the decade, there was little improvement in their situations by the end of 1996. Parental separation meant there were many more sole mothers in the group in 1996

and many of these families had low incomes (defined as below 120 per cent of the HPL). The majority of couple families without work in 1990 were still without work (and on low incomes) in 1996. In a number of other families, fathers lost their jobs in the recession of the early 1990s and many of these families also remained without work in 1996. (Macdonald forthcoming)

Most of the fathers who lost their jobs in the late 1980s or early 1990s had been in full-time waged jobs in manufacturing. By 1996 few of these fathers had found full-time employment. For most, employment over the 1990s was a series of temporary, casual and part-time jobs. A number of fathers who were recent immigrants from non-English speaking countries found low-paid 'self-employment' in the clothing industry.

Having paid work was not a guarantee of an adequate income for all the families with employment:

- in 1990 almost one-in-five of the families (19 per cent) with a parent in paid work had a low income; and
- of the 44 families who had low incomes, 19 had a parent in paid work. While four of these families had part-time employment only, the remaining 15 had one parent in full-time employment.

The changes in employment and income between 1990 and 1996 for the group of families as a whole suggest a widening gap in the experiences and opportunities of the families, with:

- an increase in couple families with two parents in employment and an increase in couple families with neither parent working;
- an increase in the proportion of sole-parent families, many on low incomes despite having paid employment; and
- among the couple families with one parent in employment, an increase in the proportion who have low family incomes.

The changes also suggest continuing and increased disadvantage among some groups with:

- the majority of families without paid employment in 1990 still without paid employment in 1996;
- an increase in the proportion of fathers in families from a non-English speaking background who were not in paid work from a third in 1990 to more than a half in 1996; and
- an increase in the proportion of fathers in the lower-paid and lower-skilled occupation groups (and with the least education) who were out of work in 1996 to more than half.

As with the fathers, changes in the employment situations of the mothers between 1990 and 1996 suggest ongoing disadvantage for particular groups with:

- less than a third of the mothers whose families had low incomes in 1990 in paid work in 1996, compared with two-thirds of the other mothers; and
- a greater proportion of mothers in families with low incomes in 1996 looking for work compared with other mothers.

### **Underemployment, precarious employment and low wages**

These illustrations from the Life Chances Study highlight the difficulty for parents in obtaining work which is either sustainable or sufficient to significantly improve their incomes. It also demonstrates the problems of under-employment, precarious employment and low wage earnings faced by many families with children.

#### *Children with parents in low-paid work*

The research of Harding and Szukalska (1999) suggests that, while the risk of a child living in poverty is much lower where a parent is in paid work, most children in poverty in Australia live in families where one or both parents are in paid work. Although most parents are self-employed, a

quarter of all children in poverty in 1995–96 were in families where one or both parents were in paid work as employees.

Most of these children had parents who were low-paid wage earners (earning \$10 per hour or less in 1995–96) but for many, under-employment also contributed to low earnings from work.

Eardley (1998) found increases in poverty for full-year, full-time workers between 1985–86 and 1995–96. While the increase was most marked among low-wage earning single-person households, Eardley also found increases in the incidence of poverty amongst other family types where the main wage earner was in full-year full-time employment. However the main reason for wage-earner poverty was under-employment, and his findings lend support to a concern that increasing casual and part-time work is one factor contributing to the growth of family poverty.

#### *Changes in earnings from work and in work patterns*

Among those in paid work there is increasing diversity in relation to hours worked. Among all people with jobs, just over a third now work what in the past was regarded as the ‘standard working hours model’ of an eight-hour day over a five-day week over 11 months of the year (Buchanan & Bearfield 1997).

One in every four people employed works part-time and the greatest increase in part-time work has been over the last decade (ABS 1998a; Burgess & Green 1997). Among men, part-time jobs have increased from almost 4 per cent in the late 1960s to almost 12 per cent of all jobs, with almost half this increase occurring in the past 10 years (ABS 1997). The share of women’s employment that is part-time has also increased. However, with a greater proportion of women now participating in the labour market than in the past, the ratio of women employed full-time to population has increased, as well as the ratio of women employed part-time to population (Freeland 1994).

Along with the growth in part-time employment there has been an increase in the proportion of part-time workers who want to work more hours, currently more than half-a-million people (ABS 1999). At the same time half of all full-time workers now work overtime or hold a second job (Buchanan & Bearfield 1997).

There are indications that, for many workers, jobs are less secure. While the incidence of shorter-term work is difficult to measure, the substantial growth in casual employment provides one indication of this increased insecurity. The proportion of workers who are casual employees has doubled since 1982 and, in August 1996, 22 per cent of people with paid work were casual employees; over one-in-ten full-time employees and two-thirds of all part-time employees (Campbell 1997). There are other indications of increased insecurity in employment, with analysis indicating a marked increase in contractors (Wooden & VandenHeuvel 1996) and evidence from workplace agreements of the spread of fixed-term appointments (Burgess & Campbell 1998).

Along with casual employment there is evidence of an increase in other forms of employment which are ‘precarious’—employment characterised by high levels of insecurity in relation to working time, work content, safety and skill opportunities, in combination with low earnings (Campbell 1997).

One form of precarious employment which appears to have increased is ‘marginal’ self-employment, in which employees ‘are at the boundary between employee and non-employee status’ (Campbell 1997, p. 5). Marginal self-employment includes outworkers, couriers and some work organised through certain labour hire firms. In relation to outworkers in the garment-making industry, there is evidence to suggest the numbers have at least doubled over the last 15 years. This is seen to be in response to cost pressures from retailers and tariff policy changes (Quinlan 1998).

Another concern is the increase in low-paid work and/or the relative decline in the position of low-paid workers. While low-paid jobs have been seen as providing a foothold in the labour market—a stepping stone to a better higher-paid job—there is evidence that many workers get stuck in low-paid employment or go through the revolving door back into unemployment or out of the labour force (OECD 1996). Rimmer has argued that:

there has been an increasing polarisation of the Australian work force, with an increasing number of people stuck in low-paying, non-upwardly mobile and unstable ‘lousy’ jobs and that this polarisation is likely to continue into the twenty-first century (1994, cited in Norris & Wooden 1995, p. 47).

Recent changes to the industrial relations and wage-setting systems are likely to exacerbate these trends (BSL 1996), while some economists and business groups continue to pursue wage reductions at the bottom end of the distribution curve, as they see this strategy as the key to creating employment (Moore 1998).

A longitudinal survey being undertaken by the Australian Bureau of Statistics provides some information on the dynamics of the labour market as well as information about the sorts of jobs that unemployed people gain. The Survey of Employment and Unemployment (ABS 1998a) provides an indication of how jobseekers fare in the labour market over a period of 14 or so months.

The ABS estimates that, of the 875,000 jobseekers in Australia in May 1995, half were working in September 1996. While 70 per cent of jobseekers worked at some time in the survey period, two-thirds of the jobs they started were casual and 89 per cent lasted less than 12 months. Particular groups were more successful with 73 per cent of jobseekers born in Australia and main English-speaking countries holding a job over the survey period compared with 57 per cent of those born in other countries. Three-quarters of those with post-school qualifications found work compared with 65 per cent of those who had not attended the highest level of secondary school.

## Sole-parent families and poverty

I wouldn't say coping [financially]. I wouldn't use that word. I'd say struggling, drowning, sometimes breathing, sometimes not! (sole parent with 3 children, part-time paid work, BSL 1999b).

The association between sole-parent families and child poverty has been extensively documented (Bradbury & Jäntti 1999; Danziger et al. 1995). The Salvation Army reports that in 1992, sole parents were over-represented in the kinds of family seeking material aid (Salvation Army 1992). They are also over-represented amongst homeless families, comprising 85 per cent of families presenting for assistance through SAAP services (Horn, M 1999, pers. comm.).

Harding and Szukalska (1999) found that children in sole-parent families were twice as likely to be in poverty as were children in couple families.

The sole-parent population has more than doubled since 1974. Most sole parents are women. At June 1997 there were 358,900 recipients of the Sole Parent Pension (now Parenting Payment Single) including Class A widows (up from 102,500 in 1974) (Whiteford 1998).

The higher risk of poverty for children in sole-parent families arises from a number of factors:

- the labour market disadvantage of their parent, which includes:
  - the difficulties of one parent combining work with parenting,
  - the gender and educational disadvantage of sole parents, and
  - discrimination against sole parents in the paid work force;
- their disadvantaged financial position after separation. While the introduction of the Child Support Scheme has helped reduce the unequal situations of custodial and non-custodial parents following separation, problems still remain;

- the discrimination and prejudice that can be faced by sole parents; and
- inadequacy of income support payments.

### **Sole parents and work**

While there has been an increase in the number of sole parents on income support payments who receive income from paid work, the children in sole-parent families are still much less likely to have a parent in paid work than children in two-parent families. In July 1999 two-thirds (240,000) of families with children under 15 years of age that were without a family member in paid work, were sole-parent families (ABS 1999).

Regardless of the age of the youngest child, sole mothers are more likely to be unemployed or not in the labour force than partnered mothers.

The Brotherhood recently spoke to 25 sole parents with children between 5 and 16 years of age about combining paid work with parenting. Parenting was seen as a higher priority than obtaining paid work, with employment decisions usually made in relation to their impact on parenting responsibilities. While slightly more than half of these parents had some paid work, all but three worked part-time, selecting jobs that fitted in with parenting responsibilities (principally during school hours).

Not surprisingly the main reason for undertaking paid work was the addition to the family income this provided. Some parents also said that it was important for their self-esteem and provided them with important social contacts.

However there were tensions between paid work and parenting as illustrated in the following comment by one participant:

The [main parenting pressure is the] time factor, not having enough time to spend with the children. Basically I am constantly feeling guilty that I don't spend enough time with the children because I usually don't get home until 6 or so, 6.30 sometimes, by the time I cook dinner, load washing on and do all that, the kids are watching TV anyway...come on kids, let's spend time together or the phone will ring and I find that I spend about 10 minutes with the children all day. (Sole parent in full-time work, BSL 1999b)

Other barriers to paid work identified by the parents included lack of appropriate and up-to-date skills, poor self-confidence, lack of job availability generally, difficulty in finding employment in school hours and the low returns from working as a result of the income test on benefits and tax on earnings.

Sole parents are generally more likely to have lower education attainment. Wilson et al. (1998 p.19) report ABS data showing that 'An estimated 48 per cent of married couples with children had recognised post-school qualifications compared to 36 per cent of single parents'.

The cost of child care can mean that, along with their low earnings from work and loss of income support payments, sole parents can work for little or no return. Sole parents, particularly those studying, are one group identified as very sensitive to the decline in child care affordability (Tasker & Siemon 1998).

The Brotherhood research (1999c) also highlighted the difficulties of sole parents who have children with disabilities.

### **Sole parents, income support and the Child Support Scheme**

As Harding and Szukalska (1999) demonstrated, sole-parent families reliant on government income support payments have benefited from improvements to the level of assistance for low-income

families. However, there are still concerns that such income support payments do not significantly recognise the additional costs of a child for a sole parent compared with couple families.

Further, as the next section on income support and taxation shows, despite increases in payments for sole parents through the recently legislated Tax Package, some sole parents may experience income losses and there may be longer-term problems with the sustainability of some payments.

A final problem related to income support payments for sole-parent families concerns a substantial loss of income for the family when the oldest child turns 16 years—this can be up to \$50 per week, even after receipt of the Youth Allowance is taken into account.

The relative disadvantage of resident (or custodial) parents after separation when compared with non-resident parents is another reason for child poverty in sole-parent families.

The Child Support Scheme (CSS) was introduced in 1989–90 to, at least partly, redress the disadvantages faced by children in sole-parent families arising from the lack of adequate and secure financial support from non-resident parents. In brief, the CSS uses the powers of the Taxation Office to collect and enforce payments by non-resident parents for child support, calculating their payments according to a formula which reflects capacity to pay.

There are indications that the CSS has had an anti-poverty effect by improving the levels of support from non-resident parents to children in sole parent families. Research by the Australian Institute of Family Studies has shown that, since the CSS was introduced, the rate of child support payment ‘has doubled from one-third to two-thirds in divorced populations with dependent children’ (Funder 1997, p.37). Hancock (1998) cites research by Carberry (1995) which shows an increase in the proportion of sole parent pensioners receiving child support from 26 per cent (before the CSS) to 42 per cent and with an increase in the average amount paid from \$44 per week to \$68 per week. Barrett (1999) using the Family and Community Services Longitudinal Data Set found that 49 per cent of sole parent pensioners had some form of child support in August 1996, with the average amount of \$203 per fortnight paid to those in receipt of child support payments.

For very low-income sole-parent families, a positive anti-poverty feature of the Scheme has been that at least part of the child support payment from non-resident parents directly improves the income levels of sole-parent families. This is because there is a free area of \$25 per week for child support payments (for a family with two children) and payments above that level are withdrawn at 50 cents in the dollar. In comparison with some countries, the introduction of the CSS was seen to have the objective of improving adequacy of income levels of sole parents, as well as limiting government expenditure.

Despite these benefits there are limits to the CSS’s capacity to address child poverty sufficiently. Some of these include:

- the high proportion of sole parent pensioner families who receive little or no child support;
- concerns that the formula might not adequately address the higher costs of older children (McHugh 1999);
- recent changes to the formula which will reduce payments to some sole-parent families (Hancock 1998; Funder 1997);
- other recent changes which may reduce the reliability of child support payments, especially the encouragement to make private arrangements; and
- ongoing concerns about the capacity of the CSS to adequately assess and recoup payments from non-resident parents, such as self-employed people and people who can arrange their financial affairs to minimise their taxable income. There are also concerns about the capacity of the Scheme to recover debts.

A number of researchers and reporters have identified a lack of information about how families are faring before and after separation (Funder 1997) and how the CSS has actually impacted on the

income levels of sole-parent families (Hancock 1998; Commonwealth Parliament 1997). This is serious as it greatly limits the understanding of the current role of child support in affecting child poverty.

## **Housing and locational disadvantage**

### **Housing**

Apart from employment effects, a family's standard of living is critically influenced by the cost and type of housing they occupy. Housing costs form a substantial component of a household's expenditure and determine the amount of income with which it is left to meet other expenses. The quality, location and security of tenure of housing are also important aspects affecting living standards and opportunities.

For example, as discussed earlier, high mobility associated with insecurity of tenure can, under certain circumstances, affect children's well-being and development. Family homelessness can be extremely detrimental as also described earlier.

Families in private rental accommodation can be especially vulnerable to insecurity of tenure. This was explored recently by the Brotherhood (BSL 1999a) in a study of 30 low-income tenants with housing problems. The major issues they identified were:

- problems of affordability of rents,
- rental properties being sold,
- difficulty in finding suitable accommodation,
- the adverse effects of their housing situation on health and well-being,
- the processes available to deal with the problems they face, and
- the difficulties in gaining access to other housing tenures.

The underlying reasons for the tenants' inability to live in the accommodation they sought seemed to be either due to problems in meeting increased rent, the properties being sold or that they were seen as less desirable tenants because of their low income.

Not all people living on low incomes and renting privately face these problems, but the research found there was evidence to show that they are widespread, with:

- very many low-income households paying more than 30 per cent of their income in rent;
- a high level of turnover in rental properties and landlords;
- a growing rate of claims for repossession; and
- transitional housing services reporting large and growing numbers of requests for assistance.

The research also examined broader data indicating that:

- over 900,000 households received Federal Government Rent Assistance in March 1998, suggesting that about 40 per cent of private tenancies are held by people on low incomes; and
- low-income tenants are likely to experience longer periods in private rental accommodation compared with those on higher incomes.

Research referred to in Chapter 5 demonstrated the high rate of poverty for children in public rental accommodation, and, after taking housing costs into account, for children in private rental accommodation. However large numbers of children are also in housing poverty where parents (often in work) are purchasing a home (Harding & Szukalska 1999).

Wolcott et al. (1997) quote research indicating that some families, especially sole-parent families, are more likely than other families to:

- live in poor quality housing where at least one basic amenity is lacking, there is a major structural problem and overcrowding exists; and
- experience a basic financial affordability problem related to high housing costs.

Such problems are likely to apply to many low-income families with children. In addition, family dynamics (family violence and breakdown) can impact on housing and work with the combined effect of all factors to often further isolate and marginalise low-income families with children.

The especially poor housing conditions of indigenous families were discussed earlier.

Housing issues likely to impact on people with low incomes include the following:

- a decline in the affordability of home ownership as a result of high rates of interest during the 1980s and the cumulative effect of housing price inflation;
- a weakening of the long-term viability of public housing with a real decline in public expenditure on, and commitment to, public housing with long waiting lists for access (Burke, T 1998); and
- lack of supply of low-cost rental housing in the main metropolitan areas (Yates 1999).

There has also been a significant change in the profile of homelessness with a rise in youth homelessness and homelessness among families (Burke, P 1998), as discussed earlier, with a dramatic impact on the lives and opportunities of children.

### **Locational disadvantage**

A particular problem for many low-income families is the need to move to areas where there are few job opportunities and where transport to employment may be costly or not readily available. The possibility of a geographic polarisation of the employment situations of families with children was described earlier from the research of Gregory (1999). This may be partly a result of the location of cheap housing. Gregory cites his earlier research (Gregory & Hunter 1995) as indicating that families with both parents in work may be congregated in socioeconomically advantaged areas and families with no parents in paid work becoming more concentrated in disadvantaged regions, especially where manufacturing was previously located.

Some of the broader trends and implications of locational inequality and disadvantage are summarised in a useful paper by Fincher and Wulff (1998). Examining changes since the early 1970s, they make a number of pertinent observations.

First, there has been an increase in the socioeconomic status (SES) disparity of inner-urban areas of major cities as well as a move (or pushing out) of low-income people to outer suburban areas. Such outer areas now have an increasing proportion of people living on low incomes. This move has been driven by the housing market and relative changes to housing affordability during the 1980s between inner and outer suburban areas. However Fincher and Wulff state that generalising about lower service access in outer suburban areas should be avoided and Gilley (1994) also reminds us that it can be a positive choice by some to move to outer suburbia for a child-focused lifestyle and a sense of space.

Second, while it is also important to avoid generalising about the state of rural Australia with some areas having improved their situation, overall there has been a rationalisation of services in small rural towns and their relocation to larger regional centres. This has been connected to greater inequality in smaller rural areas between those who depend on local services and those who do not, often with large numbers of the population dependent on social security payments.

Third, there has been a decline in the situation of industrial towns or regions that have experienced severe downturns in employment, especially manufacturing employment. These are often 'stressed

out' communities with the impact of change unevenly affecting the local population and with many surviving through benevolent efforts of the local communities.

Finally, selective coastal regions of Australia are also attracting people who are either unemployed or in low-paid or casual employment. This may be attributable to the combined effect of lower housing costs, lifestyle and paid work prospects in services and tourism in these areas and also due to the loss of jobs in parts of Sydney and Melbourne.

## **Income support and taxation**

Apart from earnings from work, the tax-transfer system is the main factor affecting disposable incomes, and transfer payments in particular are critically important to low-income families. As demonstrated earlier, changes in government assistance to low-income families in the 1980s and early 1990s were substantial and made a real difference to child poverty levels. The Family Tax Initiative, introduced by the Government in 1996, has also been important, especially for low-income families with a child aged under 5 years and where there is no or only one parent in paid work. The 1999 Tax Package contains further changes which are discussed separately in Chapter 6.

## **Government income support and welfare dependency**

In the final chapter the need for further improvements is canvassed. However, the important protection provided to families with children could be undermined, and necessary improvements may not take place, if recent concerns about welfare dependency erode support for income support arrangements.

Over the past few years it has become more common to hear the welfare system and especially income support payments for those not in work (either because they are sole parents, unemployed or have a disability) blamed for their continued need to rely on welfare support and for the extent of poverty, including child poverty. This appears to be at least one assumption underlying the Government's Welfare Review.

The concern is that welfare may perpetuate rather than reduce child poverty.

The argument has been that the provision of income support has been harmful in that it has provided an alternative to more important solutions such as community development, further education, training and employment, and strengthening family and community life as well as parenting skills.

It is critical that we do not blame people for living in poverty when we do not provide them with meaningful opportunities to help themselves.

There is no evidence in Australia, or indeed elsewhere, that the receipt of welfare creates dependency of any substantial scale, especially to the extent that it offsets its beneficial effects in reducing child poverty.

However, there have been few studies that examine this in any detail. McCoull and Pech (1999) investigated the relationship between a young person's parents' welfare recipient status and the young person's own welfare status between 1996 to 1999, using Department of Social Security payment data. The young people were 16 years old in 1996. They found that, even among young people with parents who are most disadvantaged and reliant on income support for a long period, only a small minority of the young people themselves were similarly highly reliant on income support payments for a substantial time between 16 and 19 years of age. However, they did find some evidence for the hypothesis that young people from families in receipt of income support are

more likely than average to leave school early, to experience unemployment and long-term unemployment, to have children by the age of 19, to receive income support payments themselves or to be classified as homeless for income support payment purposes.

Leisering and Walker (1998) examined the evidence from a range of studies from different countries about poverty duration, the receipt of welfare payments and social mobility. Their conclusions were:

- poverty is very differentiated and dynamic;
- poverty is not restricted to traditional marginal groups;
- there is a section of society, however, that is less mobile and which suffers from long-term recurrent episodes of poverty (and welfare receipt);
- many poor families continue to be active agents attempting to improve their position; and
- there is no evidence that time in receipt of welfare payments ‘corrupts’.

In their examination of children in poverty in the United States, Zill et al. (1995) conclude that in terms of child development, children in poverty were faring equally poorly regardless of the welfare status of their parents. They found that child development problems were more associated with parental education than with the receipt of welfare.

## **The social wage: services subsidised by government**

As mentioned earlier, services subsidised by government are often very important to the living standards of low-income families with children. Improvements to a number of these services helped to reduce the inequality in living standards of families with children over the 1980s and the early 1990s. This section examines some services that are particularly relevant to children living in poverty, including child care, health care services, education and employment services.

### **Child care**

The availability of child care can assist parents to participate in paid work and can also help child development for the children of working and non-working parents.

There are at least two main issues relevant to child poverty and child care:

- the affordability of child care, especially for parents with low-wage earnings; and
- access to child care for the children of non-working parents.

#### *Problems with affordability*

In 1998 a study on changes in the affordability of child care and its impact on the use of long day care centres was conducted by the Brotherhood of St Laurence and Community Child Care (Tasker & Siemon 1998).

The study was undertaken in the context of cuts in the 1996 Commonwealth Budget for child care assistance by about 7 per cent which exacerbated a gradual trend to higher out-of-pocket costs for families. Additional budget cuts to subsidies for community-owned centres also resulted in very large increases to weekly fees for all users, together with some additional ways of raising revenue, such as surcharges for part-time users.

The study found that the affordability of child care had deteriorated between 1992 and 1997. Child Care Assistance, the main form of expenditure support for low-income families for child care, had not increased as fast as the increases in child care fees over the period, even though this assistance was indexed for inflation. Out-of-pocket costs for a full week’s care in an average centre had risen by 50 per cent in real terms for low-income families.

The impact of the budget cuts and longer-term decline in affordability was evident in unprecedented underspending on child care subsidies. Spending in 1997–98 was \$150 million less than forecast (Siemon & Ford 1999, p.10), reflecting a decline in use by lower-income families.

Tasker and Siemon (1998) found that a brief examination of trends in wages and cost pressures on family incomes suggests that groups at risk of being unable to use care because it is too expensive were those:

- whose incomes are low and fixed because they are studying, unemployed or otherwise jobless;
- who are lower-paid wage-earners who lack industrial muscle to gain a share of higher output through enterprise bargaining, particularly those who are in part-time or casual employment;
- larger families who are living in rented accommodation; and
- families with high health costs or other needs.

Types of families likely to have to reduce child care use as result of the complex of changes therefore included:

- families with two or more children (particularly if more than one requires care);
- families with other high costs, particularly those living in rented accommodation or having high health costs;
- sole parents using care for full-time study;
- sole parents in part-time, lower-paid work;
- couples where the hourly earnings of the mother (or secondary earner) are relatively low, particularly where the family income as a whole is low; and
- couples where the mother or secondary earner is seeking to work less than half-time.

Tasker and Siemon concluded that the size of this group is likely to be significant.

#### *Changes from the Tax Package*

Changes to the level and structure of child care assistance were introduced in the 1999 Tax Package. This simplifies assistance, increases the level of assistance and reduces withdrawal rates of assistance for some families.

These changes were analysed by Siemon and Ford (1999) for the Brotherhood. They documented the key changes as:

- where child care is eligible for funding under the Children's Services Program it is to be GST-free and along with the abolition of other indirect taxes may reduce costs by lower than otherwise—possibly by 2 per cent;
- the repackaging of child care assistance. From July 2000 there will be one Child Care Benefit (CCB) replacing Child Care Assistance (CCA) which provides income test-free fee relief for formal child care and the Child Care Rebate (CCR) which provides some non-income-tested work-related child care assistance for both formal and informal care;
- increases to the level of child care assistance with the maximum subsidy for up to 50 hours of work-related care of a child per week increasing by about \$7.50 per week to an estimated \$120 per week; and
- an easing of the Child Care Assistance income test for some families.

There is to be one income test with the withdrawal of Child Care Benefit starting at \$28,200 per annum family income. Assistance will then reduce at a rate of 10 per cent for one child and 15 per cent for two or more children in care (with higher rates of withdrawal for those with incomes above \$66,000 per annum). Siemon and Ford (1999, p.10) conclude that:

The easing of the withdrawal rate means that more affluent families do slightly better out of these changes than do lower-income families if a child is in full-time care. However, lower-income

families do better if their children are in part-time care, as is now very common, because CCB is paid at a higher rate in this case.

Siemon and Ford also concluded that the increase in level of assistance is likely to undo some of the damage of past budgets, but that by July 2000, affordability is still likely to be as difficult for low-income families as it was in 1997.

#### *Other access issues*

Another concern is that a number of child-related services, including those important for child development and parental support, are either not sufficient or being cut back. These include:

- the limited hours of child care fee relief for children of non-working parents to 20 hours per week, although some children may need longer care for developmental needs; and
- changes to services in some states such as Victoria which may limit access by some low-income children, such as changes to Maternal and Child Health Care Services (with the introduction of an appointment system), and reduced funding and increased costs for preschools (kindergartens).

## **Health and education**

### *Health*

Medicare has made health care services in Australia more affordable (McClelland & Scotton 1998) and in general there is no evidence that lack of access to basic health care services is a substantial reason for the poorer health of children from families on low incomes. But there are key services where access is difficult that could affect child health. These include preventative services, especially dental care, some specialist ancillary services such as speech therapy and aids for disability and chronic illness (such as for asthma). In addition, access to appropriate health care for indigenous children remains a major problem.

McClelland and Scotton (1998, p.196) also express concern that ‘cutbacks in public hospital funding over the last decade have restricted the free services available from public outpatient departments and have extended waiting lists’.

The Brotherhood’s Life Chances Study has found that the cost of medication has been a continually reported difficulty for low-income families with children. Families in rural areas are also more likely to report difficulties finding access to a doctor who bulk bills.

### *Education*

Participation in education, and successful education and training outcomes, are now regarded as increasingly important for the employment futures for people as adults, at a time when worldwide, the relative situation of people with low skills is deteriorating (OECD 1997).

This report has provided evidence about the lower educational participation and achievement of children from lower socioeconomic backgrounds. The combined impact of low parental education and income on the poorer outcomes of children in poverty suggests a range of influences including:

- parents’ capacity to assist with their children’s learning;
- the effect of stress on parents’ and children’s confidence and capacity to cope at school;
- the impact of inability to afford school-related costs on both parents’ and children’s educational participation—for example, Brotherhood research (1999b) indicates the difficulties faced by low-income parents in meeting their child’s schooling costs. Households with low incomes are also less likely to have a computer at home (ABS 1998b);

- the impact of school structure in terms of its relevance to the lives and aspirations of some children from low-income families; and
- changing resource allocation between schools with concerns about the increasing funding pressure on the public school system in Australia and the increased inequalities that may be emerging both between public schools in advantaged and disadvantaged areas as well as between the public and private school systems.

## Summary and discussion

In this chapter, the reasons for child poverty in Australia and, to a lesser extent, the reasons for increasing family inequality, have been examined.

It has been found that the children at risk of poverty include:

- indigenous children,
- the children of sole-parent families,
- children where no parent is in paid work,
- those children where the prime source of income is government income support,
- children in public or private rental accommodation, and
- children with parents from certain non-English speaking background countries.

The situation of the children of indigenous parents remains critical and is connected with the poor labour market situation of their parents, poor housing and access to services but also to a history of racism and oppression.

The position of children who may be at risk of poverty, such as those with a disability (or with a parent who has a disability) and children in rural areas have not been examined in detail. Most studies do not have information about the poverty risks of these children.

Unemployment (and joblessness) is a key factor behind the continuation of child poverty. But increasingly under-employment, intermittent employment and low-wage earnings are becoming more important and these are connected with the poorer prospects of parents with low skills worldwide.

The increase in sole-parent families is another reason for the continuation of child poverty. The key reasons for their high poverty rates are a combination of the following:

- continuing high unemployment;
- labour market disadvantage including the difficulties of working and parenting alone;
- the disadvantaged financial position of resident parents compared with non-resident parents after separation with some problems remaining after the introduction of the Child Support Scheme; and
- income support payment deficiencies.

These problems are not unique to Australia. Danziger et al. (1995) say there has been a great convergence of the causes of child poverty in Western countries with many experiencing the increase in sole-parent families and the difficult situations of children who have parents with little or no work or who are in low-paid work.

Housing costs and availability continue to play a role in child poverty. While improvements to the level and spread of Rent Assistance have been helpful to families in private rental accommodation, affordability is still a problem and security of tenure difficulties may be worsening rather than improving. The declining role of public housing and declining availability of low-cost rental accommodation in major metropolitan areas will contribute to high levels of child poverty as well

as difficulties arising from its location, sometimes away from areas of employment growth. A critical issue is the combined impact of family dynamics, with employment and housing problems.

Changes to income support payments have, since the early 1980s, played a positive role in containing child poverty, and overall the Government's Tax Package continues this improvement. Concerns are related to the situation of older children, the children of newly-arrived migrants, some sole-parent families and the increase in inequality of family incomes resulting from the distribution of the tax cuts. Poverty traps—or high effective tax rates—are reduced for low-income working families through the Tax Package but they remain high for parents who are unemployed and are increased for some two-parent families.

A key problem for the future will be the adequacy of Government revenue to fund necessary action to reduce child poverty, with the Tax Package substantially reducing net revenue by between \$5 and \$7 billion per annum.

Access to a range of services has generally improved and played a part in limiting the impact of child poverty. But problems still remain with the affordability of child care and access to some health services, such as dental health and ancillary services.

Further, a range of issues connected to the poorer educational participation and attainment of children from disadvantaged backgrounds, such as access to preschool assistance and support, schooling costs, and the greater inequalities that may be emerging between advantaged and disadvantaged schools may also contribute to child poverty.



## 6. The 1999 Tax Package

There are a number of elements of tax changes introduced by the Howard Government in 1999 which are especially relevant to the disposable incomes of families or to the costs that they face.

The first is the introduction of the Goods and Services Tax (GST) on most goods and services at 10 per cent. Certain foods, health, education, child care and charitable activities are to be GST free. The Wholesale Sales Tax on goods is to be removed, and changes made to some excises, however, the planned abolition of some state indirect taxes has been delayed. In general these changes will increase the costs faced by families.

The second involves substantial income tax cuts, including an increase in the tax-free threshold and changes to other thresholds and reductions of rates. The most significant reductions apply to people on upper-middle incomes. These rate changes are shown in Appendix B of this report. The cuts are estimated to reduce Commonwealth income tax revenue by \$12 billion per annum for the next two years, and to \$13 billion per annum in subsequent years.

Third, there is a Family Package, which contains restructured and increased payments to families. Appendix B gives more detailed information about these changes. The 12 existing family benefits are collapsed into three payments. As one of these payments, the new Child Care Benefit, is discussed earlier on page 40, this analysis is confined to the other two new benefits.

The Family Tax Benefit, Part A (FTB[A]) will be paid at a maximum rate to families with children on \$28,200 or below and will cut out at \$73,000 family income if the family has one child. This payment has been increased by a maximum of \$140 per annum, and the income test has been eased, so that the rate of withdrawal is reduced from 50 to 30 per cent.

The Family Tax Benefit, Part B (FTB[B]) has a higher rate of assistance for children aged under 5 years and, unlike the first payment, is not to be income-tested on the combined family or primary earner's income, but is income-tested only according to the secondary income earner. This payment replaces a range of payments including basic payments for sole parents, the non-working partners of unemployed people who have children, and the Family Tax Initiative, Part B (FTI[B]). It is basically directed to families who do not have two parents in the paid work force. Some families will gain up to \$350 per annum (if a child is under 5 years) and \$61 per annum for a child aged 5 to 16 years.

In addition the revised Tax Package provides some assistance to families for the cost of unemployed or student dependants aged 18 to 24 years in partial recognition of the fact that the introduction of the Youth Allowance for this group had reduced payments for a number of families.

Finally, the Tax Package will impact on the cost of housing—the price of new houses, rent levels and investment in rental accommodation. However the actual impact at this stage is unclear. There are a number of compensation measures for possible cost increases but their adequacy has been questioned, especially for private renters and low-income home buyers. A clear concern is the option for landlords of caravan parks and hostels to levy the GST on long-term tenants (ACOSS 1999a).

### Impact of the Tax Package on child poverty and inequality

The Government's Tax Package should be assessed according to three criteria relevant to concern about child poverty and inequality:

- its capacity to improve the real incomes of low-income families in a significant way,
- its impact on family inequality, and

- its impact on poverty traps facing low-income families.

In assessing these outcomes it is the total Tax Package (that is, the GST, tax cuts and family tax changes) which must be taken into account. While the Family Package contains increases for all families, these, along with tax cuts, have to be sufficient to take account of the impact of the GST on family costs.

### **Impact on real incomes**

Warren et al. (1999) have assessed the impact of the Tax Package on the disposable incomes of different family types and conclude that the changes assist:

- families with children, particularly those families with one earner;
- those persons on or above average weekly earnings (because of the distribution of the tax cuts); and
- low-income families where food is a substantial component of their household spending.

They conclude that sole parents and single-income couples with children receive the biggest benefits from the package, with dual-income couples with children receiving the least. For example, a sole parent with a child under 5 years of age and no private income receives a benefit of \$27.68 per week whereas a couple with no private income and a child under 5 years receives a benefit of \$14.82 per week. The benefits are about \$7 per week lower when the child is over 5 years of age.

Therefore it is likely that the package will have a beneficial impact on the living standards of most low-income families with children, with several important caveats:

- the modelling used by Warren et al. (1999) assumes that families at different income levels have similar spending and saving patterns and therefore may overstate the benefits at lower incomes;
- the Australian Council of Social Service (ACOSS 1999a) has expressed concern about the negative impact of the package on sole parents with private incomes in the range of \$10–30,000 per annum. This group will experience some financial losses resulting from changes to the Family Package in terms of the integration of Sole Parent Rebate and Guardian Allowance into the new Family Tax Benefit, Part B. ACOSS is also concerned about the loss of a payment (Guardian Allowance) that recognises the extra cost of raising children alone. They say this places a question mark over the future sustainability of a new system for sole parents (especially those with no children aged under 5 years);
- it is unclear that the indexing mechanism for family payment will prevent the increases granted in the package from being eroded over time; and
- the mechanisms to help some families who are not covered adequately by current tax or income support payments are still unclear. Children in newly-arrived migrant families would fit into this category. The lack of income support for these families continues to be a problem.

### **Impact on family income inequality**

Another key issue is whether the package reduces inequality of incomes of families with children. The impact is less positive here. Although families with children gain in comparison with other households, the greatest gains (in dollar terms and as a proportion of income) tend to apply to families on average and high incomes. For example, for single earners with two children (one aged under 5 and the other aged 5 to 12 years) maximum gain as a proportion of income applies at \$35,000 per annum (10.2 per cent gain) and \$75,000 per annum (12.3 per cent gain). In contrast, a couple family with the same children and no private income receives a gain of only 3.7 per cent. Thus the package increases family inequality. This arises mainly from the distribution of the tax cuts, which gives maximum gains to individuals on \$60,000 per annum and above.

This distribution of tax benefits towards high-income families will be even more pronounced with the business tax changes, and in particular, the cuts to the Capital Gains Tax. ACOSS (1999b) has shown that the weekly average tax cut from a 50 per cent reduction in the related Capital Gains Tax (as proposed), would provide individuals with taxable incomes between \$50,000 to \$99,000 per annum with an average tax saving of up to \$1,146 per annum, in contrast with a saving of up to \$112 per annum for those on less than \$21,000 per annum.

### **Impact on poverty traps**

A further issue is whether the package reduces the high effective marginal tax rates facing many low-income families. Effective marginal tax rates refer to the amount of money a person loses when there is additional earnings from work or investment. They are often well over 85 per cent (and in some cases well over 100 per cent) on each extra dollar earned. They can apply at low incomes and are primarily due to Australia's income-tested Social Security system as well as its interaction with income tax rates. They also result from the income testing of a range of other forms of assistance—such as child care, rental rebates for public housing and low-cost medicines.

The work disincentives of these high effective tax rates are unclear as other factors, such as work availability, the lack of appropriate skills and child care, may be more important and as some income tests are based on previous annual income.

Harding and Beer (1999) analysed the Tax Package to ascertain its effects on effective tax rates. For low-income families with children they are reduced by 20 per cent, because of the cut in the taper of family payments from 50 to 30 per cent. Effective tax rates facing a secondary income earner in some couples however are increased.

Families in receipt of two different kinds of payments at the same time (such as family payments and Youth Allowance) will continue to face high effective tax rates as both benefits are withdrawn at the same time. This 'stacking' is an important element in high effective tax rates and has not been addressed in the Tax Package.

A final issue concerning the Tax Package and child poverty relates to the revenue that will be available after its introduction to fund needed services for families with children. It is here that the concern is greatest. The costs of the income tax cuts, and other expenditure items in the package, are not balanced by revenue raising measures. The revised package will cost the budget somewhere between \$5 and \$7 billion per annum depending on the particular year. This is revenue that could have been used to improve services to low-income families with children both to prevent—and to alleviate—child poverty.

### **Summary and discussion**

The 1999 Tax Package provides increases to the incomes of families with children and also reduces poverty traps for some. However there are also concerns raised in this chapter. The main problems relate to the impact of the Package on inequality (with higher income families gaining most) and on the adequacy of revenue to fund further action on child poverty.



## 7. Action to reduce child poverty

A number of researchers and organisations identify reform proposals relevant to reducing child poverty in Australia. Appendix C provides a summary of some of these. Common proposals include:

- action to improve the immediate living standards of children in low-income families especially through improvements to levels of income support to ensure all children are in families with an adequate income regardless of their parents' situations as well as improved access to low-cost services, particularly housing;
- action to prevent families with children becoming poor, especially by reducing unemployment, preventing low-wage poverty and providing better assistance to unemployed and jobless parents to obtain work;
- action to assist groups facing particular problems or risks including indigenous Australians, sole-parent and homeless families; and
- action to improve child development, especially to redress the disadvantage that certain children may face.

This chapter places these proposals in the context of recent research and policy work by the Brotherhood focusing on five key areas for action:

- reducing unemployment without increasing poverty in low-wage families;
- improving education and training;
- improving housing outcomes;
- further action to improve the affordability of housing and access to services including child care; and
- changes to income support.

However, an overwhelming priority must be action to improve the situation of indigenous Australian children. Overall, they will benefit from the proposals in this chapter but programs must be delivered in a way that is appropriate to their particular needs and circumstances. Importantly, the benefits will be too limited unless such changes are accompanied by genuine reconciliation between indigenous and non-indigenous Australians.

### **Reducing unemployment without increasing wage poverty and inequality**

Reducing unemployment is critical to reducing child poverty. But the kinds of solutions we pursue to reduce unemployment are also critical and will affect the prospects of limiting the low-wage poverty of families and the inequality of families in Australia more broadly.

The main concern arises from proposals to reduce unemployment by lowering wages, especially those wage levels applying to people considered to be low-skilled. The argument is that, by lowering the price of their labour, employers will create more jobs or be more likely to employ people who are currently unemployed because their skills are not attractive enough to be employed at prevailing wage rates. The example usually given for taking this route is the experience of the United States in the 1990s, where employment growth has been strong and unemployment has declined and where the labour market is deregulated and wage inequality more marked.

There are a number of reasons for not accepting this 'diabolical trade off' between high unemployment and wage inequality, and for being cautious about accepting the American comparison. These have been more extensively canvassed elsewhere (McClelland 1999).

In summary they include evidence that:

- countries with different levels of labour market regulation have had success in lowering unemployment;
- the employment experience of low-skilled adults in the United States is not better than many other countries;
- Australia has had similar growth in low-paid jobs to the United States; and
- very high levels of poverty are present in the United States (Bradbury & Jäntti 1999).

As well as an increasing level of unemployment, there have also been large changes in Australia to the nature of employment and its conditions and remuneration. Relevant changes, already discussed, include the casualisation of the labour market, the growth of part-time employment, and in the number of under-employed people and the declining position of low-wage earners.

These changes mean:

- we cannot assume a rigid distinction between unemployed and employed people. Many people move between the two categories over a relatively short period of time (ABS 1998a); and
- we cannot assume that once people obtain a job, they will move upwards in the labour market towards more secure, well-paid jobs (Mitchell forthcoming; OECD 1997). We also cannot assume that employed people always have a very different standard of living and quality of life than people who are unemployed. A small Brotherhood study of a group of 25 low-wage earners revealed that they experienced significant financial stress, including the inability to meet essential costs, social isolation and concern about their children’s future (BSL 1997).

Overall these changes mean that while we must take more concerted action to reduce unemployment, we should take great care about making sure that the costs of such actions are not disproportionately borne by lower-paid workers.

Reducing unemployment requires a range of actions which must include:

- greater political commitment;
- better economic management to avoid recessions and serious economic downturns;
- an incomes policy to ensure that productivity growth is shared fairly and translates into employment growth;
- improved education and training (see next section);
- more employment in the public sector, an area in which there has been massive job-shedding and which has contributed strongly to high unemployment over the last six years. We need improved employment in areas such as education, health and community services;
- changes to the distribution of work to reduce the excessive time some are working and increase the inadequate time of others. There are some areas where this is helpful, but it is no panacea for reducing unemployment substantially. However for families with children, employment conditions need to better allow parents to balance work and parenting;
- changes to income support arrangements to provide more adequate assistance to unemployed people and to improve rewards from work. This is discussed in more detail later in this chapter;
- greater attention to regional development; and
- changes to the taxation system, especially to ensure we have sufficient revenue to fund government action in the areas identified above.

## Education and training

This report has highlighted the important role of low education levels in the perpetuation of child poverty and inequality. Improved education and training can help to reduce the impact of disadvantage on children's futures. Similarly, training and labour market assistance for parents can improve the prospects of increasing family income from work.

Action to improve education and training opportunities therefore need to include the following policies.

Firstly, greater attention to preschool intervention. There is some evidence that this may be one of the most effective ways to improve future educational and employment prospects of disadvantaged young people (Martin 1998). Ochiltree (1999) says that Australia has not had a history of significant attention to early intervention programs to raise the educational achievement of disadvantaged children. However, it has had a strong emphasis on universal early childhood services such as Maternal and Child Health and preschools, which are lacking in other countries. The Brotherhood is currently providing a program aimed at achieving this for 4 and 5-year-old children: the Home Instruction Program for Preschool Youngsters (HIPPY). It is also developing a pilot program for under-3 year olds. Ochiltree (1999) discusses a range of approaches in her report, *The first three years*, that are worth considering. This approach is also emphasised in the Burnside report (1999) which is summarised in Appendix C. Some significant ideas presented in this report include the importance of child-initiated learning and of family involvement as well as the need to have programs in non-stigmatising places such as child care centres and preschools.

Second, improving the experiences and quality of schooling for children from lower socioeconomic backgrounds. Better preschool intervention will be of limited benefit if it is not accompanied by positive experiences at school. A recent Brotherhood submission (BSL 1999c), concerned with changes in schooling in Victoria and their implications for children, recommended attention be given to funding school costs, and also given to special groups. Increased funding for schools was suggested to redress the impact of funding cuts such as the loss of Student Welfare support and the greater reliance on parent contributions and local fund-raising. The submission suggested there was a need to restrict the use of fees in schools and to increase the level of financial assistance to low-income families with children, to reduce the negative impact of fees and costs on school participation and on children's living standards.

The submission also highlighted the need to:

- give greater attention to special needs groups (such as homeless children);
- broaden the effort in improving outcomes in disadvantaged schools beyond a focus on literacy and numeracy; and
- treat schools as a community resource rather than as independent business units.

Third, better assistance with school-to-work transition is also required. Even with concerted action to improve schooling and to increase school retention rates, there will always be some young people for whom school is not appropriate. We need to understand that change has meant that young people will no longer have a linear pathway from school to work, but the pathways will be more diverse. For those young people who are determined to leave school early, assistance before they leave should be available. The Brotherhood of St Laurence's Transition Project, which helped such young people with advice about training and work opportunities and with ongoing support, provides a model that could be replicated (MacDonald 1999). Ensuring TAFE programs are sufficient and affordable is especially important for young people from lower-income families (Kilmartin forthcoming).

Fourth, we also need to provide much more funding for high quality labour market assistance to unemployed and jobless parents to improve their prospects of obtaining work as it becomes available. The changes introduced by the Commonwealth Government have included a reduction of funding overall and the abolition of a number of specialist programs; these have been very damaging and should be reversed. For families with children, a particular need is to have affirmative programs for sole parents and for the jobless wives of unemployed men—so that assistance is readily available to both parents without work and not just the officially unemployed partner. The Jobs, Education and Training Program (JET) for sole parents is also important. Such programs should be voluntary and be backed up by affordable child care and quality training and work experience assistance. This is a critical issue for the Welfare Review as it examines ways to improve opportunities for people on income support to participate in paid work and their communities in meaningful ways.

Finally, we need to have a much better understanding of why some unemployed people do not make a successful transition to secure ongoing work, but may become unemployed again after a short period in paid work. This requires further research but also the understanding that unemployed people need continued support once they find a job, as well as some serious questioning about the trends to casual employment, the nature of low-paid jobs, and the lack of training available to many low-skilled workers in Australia.

## **Housing outcomes**

A critical priority is to improve the availability of low-cost housing in locations that are accessible to employment, transport and services. This needs action by federal and state governments and the private sector.

A secure home environment is the cornerstone of healthy child development. This report has documented the role of housing in child poverty, the lack of supply of low-cost housing and the stressful and isolating impacts that lack of secure, affordable housing can have on children’s lives.

The major priority must be to improve supply of low-cost public and private rental stock. This could be funded by proposals such as those advocated by ACOSS (1999c) which include the removal or reduction of negative gearing and the extension of land tax to high-value homes. As well as funding an increase in public housing, these measures could help fund a more targeted approach to increasing investment in low-cost private rental accommodation.

However it is essential that such measures be accompanied by legislation to restrict evictions and improve security in private rental accommodation. They also need to be accompanied by action to reduce family violence and strengthen families, as outlined below.

## **The affordability of child care and other services**

This report has documented serious problems with child care affordability and assessed that they will not be sufficiently addressed by the Government’s Tax Package. Maximum levels of fee relief need to be increased. Siemon and Ford (1999) propose that this could be funded in part by removing the \$20.10 per week subsidy which will apply as part of the new Child Care Benefit on a non-income-tested basis to those using informal child care only. They estimate that a similar payment has not been particularly helpful to low-income families and its removal should not have a detrimental impact on labour force participation.

It is critical that other services for low-income families are maintained and improved. There is a danger that the cost of the Tax Package will be financed by cutbacks (or by not improving) those services which benefit families. Priorities include improvements to preventative health services, ancillary health services, community health services and some basic services subsidised through Medicare, especially public hospital access.

The need for better family support and early intervention services, to assist families with parenting, to deal with the impact of isolation and to address the critical issue of family violence is also important. Proposals from a number of reports are identified in Appendix C. It is critical that these services are delivered in a non-stigmatising way. As Burnside (1999) and Ochiltree (1999) point out, they need to begin early in a child's life, involve parents and children, have a reasonable duration, a home visiting component and provide a combination of family support, parental education and early training/child care support.

## **Income support payments and the Child Support Scheme**

Changes have been made in the past to income support payments and more will be required in the future. Priorities for change include:

- improvements to the position of sole parents, especially those with older children;
- easing of harsh income tests confronted by unemployed people;
- improving wage supplementation to under-employed people and low-wage earners;
- assistance to newly-arrived migrants; and
- recognition of the value of assisting a wide range of activities, including the continued recognition of the importance of parenting.

But change should resist the recent trend to differentiate between categories of recipients (for example between age pensioners, families and unemployed people) in a way that moves away from a needs-based system. A particular concern for child poverty would be change that differentiates assistance to children according to the work force status of their parent. A major strength of family payments in Australia has been that assistance is based on need, as assessed by family income. This has been especially important for protecting the children of unemployed parents and of sole parents.

This problem needs to be kept in mind when assessing the value of the introduction of earned income tax credits as a targeted means of enhancing the incomes of low-wage earners. Such credits have been proposed by the Australian Labor Party in the recent election and by a number of economists (Dawkins 1999).

Finally, if we pursue an approach that compels people receiving social security payments to take part in activities that will not necessarily improve their future well-being nor employment prospects, and which are very different from those required from the rest of the community, the impact will be to humiliate and to further marginalise income support recipients.

## **The Child Support Scheme**

This report has not been able to examine adequately the impact of the Child Support Scheme on child poverty. This is mainly due to the absence of available research on the impact of the Scheme on the living standards of different families. It is likely that the Scheme has had a positive anti-poverty effect but this impact has been limited by certain features of the Scheme and by recent changes. Confirmation of this requires special research.

## Summary and discussion

This chapter has identified the priorities for reducing child poverty as:

- action to reduce unemployment without increasing wage poverty;
- improvements to education and training;
- developing housing outcomes;
- improvements to the affordability of child care, and access to a number of health-related and family support services; and,
- addressing income support arrangements.

Action to reduce child poverty should be cognisant of the dangers of greater inequalities occurring in Australia more generally. The community needs to accept that poverty and inequality is not just a problem for those at the bottom, but for all of us.

While the proposals in this report have focused mainly on the role of government, it is also true that community organisations, employers, unions and parents also have a responsibility to reduce child poverty.

The reports of Burnside (1999) and Danziger et al. (1995) both stress action by a broader range of groups. For example, employers should have family-friendly work practices, could sponsor early intervention programs, encourage staff to place a high priority on children and invest more in the education and training of low-skilled workers. The media could avoid the sensational and stereotypical treatment of child-related issues such as child abuse. Individuals should re-examine their own lifestyles and beliefs, and play an active role in their communities.

In the end we all must seriously question why, in such a wealthy country when over the past 30 years average incomes have grown significantly, child poverty is still a major problem.

The action outlined above will not occur without political and community commitment. At a time of change, we need better awareness of the way the community understands poverty and inequality and the level of community support for action. This is currently being explored by the Brotherhood of St Laurence in the Understanding Poverty Project.

One barrier affecting what is seen as possible and desirable may be a dominance of market-related values in our community.

There has been an increasing tendency to see the position and worth of individuals in market terms only. This is to see people as customers, workers and producers only, and to value them in terms of their success in a competitive marketplace in which the price of failure, to be a ‘loser’, is high. It is also to see children as commodities, acquired as a result of choice, and thus not requiring any specific prioritisation. This is a limited and dangerous view of human worth and potential. It is likely to confine an increasing number, if not to the scrap heap, at least to the very margins of our interests and concern.

We need to reassert the importance of another set of values—which emphasise the dignity and worth of all people and their connectedness. This needs leadership and a much more wide-ranging community debate. At a time when the lives of individuals, families and communities are much more diverse, it is even more important that we understand and affirm those aspects of our lives and our humanity that unite us, and that give us a sense of common purpose and vision.

## **Appendix A: Indigenous child poverty**



## Appendix B: Changes from the Tax Package

### Tax rates and thresholds

**Table B1:** Current personal income tax system

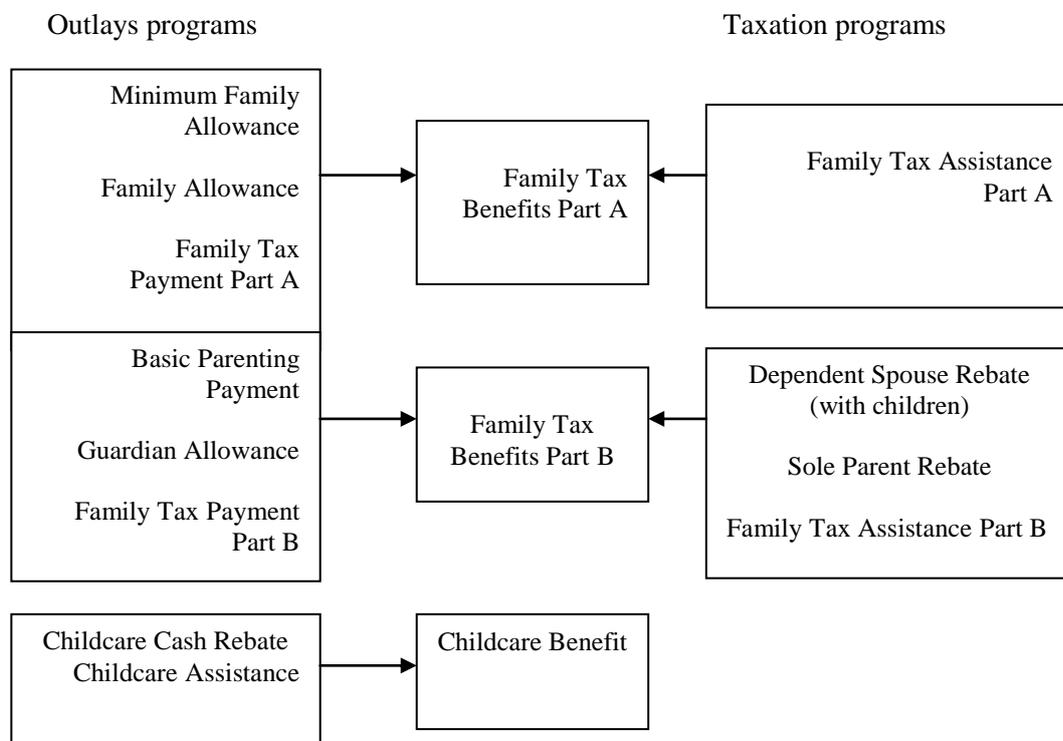
Taxable income	Tax rate, percentage
\$0-\$5,400	0
\$5,401-\$20,700	20
\$20,701-\$38,000	34
\$38,001-\$50,000	43
\$50,001–	47

**Table B2:** Proposed new personal income tax schedule from 1 July 2000

Taxable income	Tax rate, percentage
\$0-\$6,000	0
\$6,001-\$20,000	17
\$20,001-\$50,000	30
\$50,001-\$60,000	42
\$60,001-\$75,000	47
\$75,001–	47

### Family Benefit Changes

**Figure 1:** Twelve family benefits simplified to three



Source: Costello, P 1998, *Tax reform: not a new tax, a new tax system*, AGPS, Canberra, Fig 1-4.

**Table B3:** Proposed new structure for Family Assistance (projected July 2000 values); New Family Tax Benefit Part A

<b>Current system</b>		<b>New system</b>	
<i>Four forms of assistance</i>		<i>One form of assistance</i>	
1. Family Allowance (FA)		1. Family Tax Benefit, Part A (FTB(A))	
2. Minimum Family Allowance (MFA)			
3. Family Tax Payment, Part A (FTP[A])			
4. Family Tax Assistance, Part A (FTA[A])			
<i>Four rates of assistance</i>		<i>Three rates of assistance</i>	
	<i>\$/yr</i>		<i>\$/yr</i>
1. Family Allowance child aged 0–12 years	\$2,615	1. Maximum benefit child aged 0-12 years	\$2,955
Family Allowance child aged 13–15 years	\$3,402	2. Maximum benefit child aged 13-15 years	\$3,742
Minimum Family Allowance	\$637	3. Minimum benefit	\$977
FTP (A)/FTA (A)	\$200	<i>Total increases of \$140 pa for each component</i>	
Family income test on FA		Family Income test: maximum FTB(A)	
Free area for one child	\$24,350	Free area:	\$28,200
Taper	50%	Taper:	30%
Family income test on Minimum Family Allowance and FTP(A)/FTA(A)		Family income test: minimum FTB(A)	
Minimum Family Allowance cut-out (add \$3,413 per child after the first)	\$68,600	Threshold for one child	\$73,000
FTP(A)/FTA(A):		(add \$3,000 per additional child after the first)	
cut out (add \$3,000 per child after the first)	\$70,000	Taper:	30%
Taper	nil		

Source: Costello, P 1998, *Tax reform: not a new tax, a new tax system*, AGPS, Canberra, p.61.

**Table B4:** Proposed new structure for Family Assistance (projected July 2000 values); New Family Tax Benefit, Part B

Current System	New System	
<i>Six forms of assistance</i>	<i>One form of assistance</i>	
1. Dependent Spouse Rebate (DSR)	1. Family Tax Benefit, Part B (FTB(B))	
2. Basic Parenting Payment (BPP)		
3. Family Tax Payment, Part B (FTP(B))		
4. Family Tax Assistance, Part B (FTA(B))		
5. Sole Parent Rebate (SPR)		
6. Guardian Allowance		
<i>Ten rates of assistance</i>	<i>Two rates of assistance</i>	\$/yr
For single income couple families	1. Child aged under 5 years	\$2,640
<i>Youngest child aged under 5 years</i>	2. Child aged 5-16 years	\$1,851
1. DSR and FTP(B)/FTA(B)		
1. BPP and FTP(B)/FTA(B)		
<i>Youngest child aged 5-16 years</i>	<i>Total increases of \$350 pa (child aged under 5) and \$61 pa (child aged 5-16)</i>	
3. Dependent Spouse Rebate		
4. Basic Parenting Payment		
For sole parent families		
<i>Youngest child aged under 5 years</i>		
5. GA and FTP (B)/FTA(B)		\$1,496
6. SPR and FTP(B)/FTA(B)		\$1,770
7. GA, SPR and FTP(B)/FTA(B)		\$2,766
<i>Youngest child aged 5-16 years</i>		
8. Guardian Allowance		\$996
9. Sole Parent Rebate		\$1,270
10. GA and SPR		\$2,266
Income Test on DSR		\$/yr
Primary earner:	Income Test on FTB(B)	\$/yr
Spouse	primary earner:	no test
- free area:	spouse (couple families only)	
- taper	- free area:	\$1,616
	- taper	25%
Income Test on BPP	- cut out:	\$10,500
Primary earner:		
Spouse		
- free area:		
- tapers:		
Income Test on FTP(B)/FTA(B)		
Primary earner:		
(add \$3,000 per additional child after the first)		
Spouse		
- cut out:		\$4,777
- taper:		nil
Income Test on Guardian Allowance (available to sole parent)		
Same as for FA		
- free area:		\$24,350
- taper:		50%
Income Test on Sole Parent Rebate (available to sole parent)		
no test		

Note: Under the spousal income test for FTB(B) entitlement to FTP(B)/FTA(B) of \$500 under the FTI is, in effect, extended from \$4,777 a year of spousal income to \$8,750 a year. Also, instead of the sudden death income test under the FTI at \$4,777, entitlement to the FTB(B) tapers away at 30 cents in the dollar from \$8,750.

Source: Costello, P 1998, *Tax reform: not a new tax, a new tax system*, AGPS, Canberra, pp.63-64.



## Appendix C: Reform proposals related to reducing child poverty

In this Appendix, ideas from researchers and concerned organisations from a very selected literature review are presented.

They are grouped in the following way:

- literature that is concerned with poverty generally but which has relevance to child poverty;
- literature specifically concerned with child poverty;
- literature concerned with specific ‘at risk’ groups relevant to child poverty (for example sole-parents and homeless families); and
- literature concerned with action to improve child development, especially of children from disadvantaged backgrounds.

This Appendix does not provide a comprehensive overview of the literature but more an indication of the kinds of reform proposals identified from a selective reading.

### Reducing poverty generally

Australian Council of Social Service (ACOSS) 1999c, *Budget 99: making good the promise*, ACOSS paper no. 99, ACOSS, Sydney, Feb.

This report contains ACOSS’s priorities for government spending relevant to the alleviation of poverty. As the report states:

The critical aims of the ACOSS proposals are to:

- alleviate poverty by taking steps to improve income and other support for those most at risk: indigenous people, unemployed single adults, sole parents, young people, and newly-arrived immigrants;
- reduce unemployment by maximising both economic growth and work, education and training opportunities for the most disadvantaged unemployed people;
- strengthen social supports and infrastructure in critical areas such as public health, housing and education, legal aid, child care, aged care, and services for indigenous people and those with disabilities; and
- restore the public revenue base and remove harmful economic distortions by improving the efficiency and fairness of the income tax system. (ACOSS 1999c, p.8)

Some more specific recommendations include the following:

- a number of recommendations geared towards improving the quality and amount of labour market assistance for unemployed people;
- priorities for schools including improving literacy in primary schools by reducing class sizes, assistance to young people at risk of leaving school early and a more equitable funding framework for government schools;
- changes to social security payments including easing income tests for unemployed people, reducing periods of non-payment, improved financial assistance to families with older dependent children, reducing the waiting period for income support payments applying to newly arrived migrants and increases to the Guardian Allowance (for sole parents);
- action to improve the affordability of housing, the supply of low-cost housing and increased funding for the Supported Accommodation and Assistance Program;
- the development of a national framework for family policy, including a national policy framework for Aboriginal and Torres Strait Islander families;
- improvements to children’s services such as the development of a comprehensive planning framework, ensuring the continued viability of community-owned and based child care

services, improving the affordability of formal child care for families on low and moderate incomes, ensuring access for families to affordable outside school hours care and extending quality assurance measures; and

- specific assistance to children and young people with refugee experiences.

Salvation Army Crossroads Network 1992, *Hard times: Families in Crisis*, The Salvation Army, Melbourne.

The Salvation Army Crossroads Network recommended the following reforms to reduce poverty in Australia:

- ensuring an adequate level of income support for families. This included a Guaranteed Minimum Income (GMI) but also better assistance to sole parents, low-wage workers and those on benefits (allowances). They also wanted greater attention to the problems caused by waiting times for income support payments, the level of payments to under 20-year-olds and the need for financial counselling services;
- improved family support services. This includes the development of an Agenda for families;
- improved employment and training programs; and
- action to improve access to housing, especially public housing and the Special Accommodation and Assistance Program (SAAP).

St Vincent de Paul 1999, *Hidden faces of poverty: identifying poverty issues in Australia*, The Society of St Vincent de Paul, Petersham, NSW.

In a recent report documenting concerns about poverty generally in Australia, the following areas are highlighted for reform:

- income support, especially an increase in the level of unemployment benefit payments to above the poverty line;
- improved education and training and additional employment assistance, especially for people who are long-term unemployed;
- action to reduce housing costs by improving public housing and increasing Rent Assistance payments;
- improvement to the affordability of essential health and community services such as dental care, child care and respite care; and
- support for the development of innovative holistic programs in areas of high concentration of poverty.

Australian Catholic Social Justice Council 1999, *Responding to the challenge: a poverty action report*, Catholic Social Justice Series no. 36, Australian Catholic Social Justice Council, North Sydney.

This report suggests priority issues for attention which were contained in submissions from a range of Catholic organisations:

- indigenous people—including the need for a public apology and action to contribute to their social healing;
- people with mental illness, intellectual disabilities and dual diagnosis. It was stressed that the government should not abandon its responsibility to these groups as a result of de-institutionalisation;
- disadvantaged students. There were concerns about cuts to programs and the need for a renewed emphasis on education;

- migrants, refugees and asylum seekers. The principles of multiculturalism were stressed and humane alternatives to the mandatory detention of refugees and asylum seekers were recommended;
- rural communities, with the first priority being the creation of useful jobs;
- unemployment, with calls for government to take responsibility and for the reinstatement of labour market programs; and
- young people, including action on unemployment, the quality of family life, drug and alcohol dependence and youth suicide.

Oxley et al. 1999, *Income distribution and poverty in OECD countries*, OECD Economic Studies no. 29, OECD, Paris.

In their review of changes in income inequality and poverty in industrialised countries, Oxley et al. highlighted the priority of reducing unemployment and promoting upward mobility in the work force, so people do not remain in low-paid work.

## Child poverty generally

Danziger et al. 1995, *The Western welfare state in the 1990s: towards a new model of antipoverty policy for families with children*, Luxembourg Income Study Working Paper Series, Luxembourg.

This report focuses specifically on a model to prevent child poverty in industrialised countries. While warning that no single model is applicable to every country, the authors suggest a number of generic ingredients involving action by families, employers and governments.

- families that are willing and able to work in the market to support their children, and to maintain this support even when married and living arrangements change;
- employers who are willing to assume some of the costs of employment and training and to support flexible labour markets and family benefits;
- governments that are willing to provide basic services to all children: health care, education and pre-school; and other services to parents: employment-related services such as job training and re-training, and job search; and family leave for child and parental care;
- transfer programs that provide a low but significant level of support via universal child allowances; child support insurance (assurance) for single parents when an absent parent cannot or will not provide child support; and subsidies for unemployment or low wages to help working families make ends meet. There also needs to be a safety net program of limited duration to assist families with children who have otherwise fallen through the cracks and have no alternate means of emergency support; and
- tax programs that are broadbased, do not penalise employment, and when combined with safety net programs do not provide cumulative tax rates that unduly reduce incentives for beneficiaries to work.

## Children with special needs

Daly, A & Smith, D 1997, *Indigenous sole parent families: invisible and disadvantaged*, Centre for Aboriginal Economic Policy Research, Australian National University, Canberra.

This report deals with the situation of indigenous sole parents and their children. Recommended action includes:

- the need for a special survey,
- improving access for younger indigenous people through education and training, and

- the need for more appropriate income support arrangement for shared care.

Efron et al. 1996, *Can we stay here? A study of the impact of family homelessness and children's health and well-being*, Hanover Welfare Services and the Royal Children's Hospital, Melbourne.

Action to improve the position of children in homeless families is covered in this report from Hanover Welfare Services and the Royal Children's Hospital in Melbourne. The areas highlighted for attention are concerned with the prevention of family homelessness as well as remedial action. They include:

- reducing unemployment,
- increasing housing supply (including temporary accommodation),
- improving education and training,
- action on family violence, and
- improving access to early intervention and family support services where there have been recent cutbacks.

## **Studies focusing on child development**

Bowes, J & Hayes, A (eds) 1999, *Children, families and communities: context and consequences*, Oxford University Press, South Melbourne.

This book contains a number of chapters with proposals to improve child development, particularly in families where there is some form of disadvantage.

In reviewing the evidence about the impact of families and communities on child development, Bowes and Hayes stress the importance of investment in preventative services such as child care, education, and community development. They conclude that these approaches, along with increasing school retention rates, have been found to be cost-effective ways of reducing social and developmental risk and preventing their negative consequences.

In a particular chapter in this volume, Fegan and Bowes discuss the need for intervention for families to reduce isolation. They describe some interventions operating in Australia including CONTACT, The Isolated Parents' Association and the 'whole-of-government' approach: the Inter-agency School Community Centres Pilot Project. The last project operates in NSW and aims to influence the planning and integration of service delivery for disadvantaged families with children aged 0 to 5 years, to promote the health, well-being and school readiness of children. Fegan and Bowes note that the project in its pilot stage appears to have been successful. Factors which have contributed to its success include the use of a facilitator to work with both families and government agencies and the use of the local school as a base for work with the community.

Ochiltree, G 1999, *The first three years: an opinion on the need for and direction of early childhood interventions to improve the life chances of children in disadvantaged families*, Brotherhood of St Laurence, Melbourne.

In her report for the Brotherhood of St Laurence, Ochiltree examined action to improve children's development from a review of the international literature and an examination of services operating in Australia, particularly in Victoria.

She found that it was especially important to intervene in the first three years of life with a particular focus on literacy. She concluded that there is the need to enhance the children's environment and relationships with their parents through programs focusing particularly on the

child's development and empowering parents through practical knowledge about child development and the improvement of their own skills.

The importance of a combination of universal and targeted programs was stressed. The useful role of the Maternal and Child Health Service in Victoria, child care, preschool and specialist services as well as parenting education was emphasised.

Burnside 1999, *Images of children*, background paper, Burnside, Sydney.

This is a background paper to Burnside's photographic exhibition of children.

The paper highlights the role of children as citizens, in families, as a group and in social institutions. It recognises the skills of children and the perceptions of children and of childhood.

The paper examines children's experiences of social disadvantage including child poverty, unemployment of parents, education, health, child abuse and neglect. It presents a strong case for a much increased focus on early intervention with programs targeted at the most vulnerable communities but made broadly available in those communities.

They find that early intervention programs for families will be most effective if they have several facets (family support, parent training and early training/child care support), last two years at least, begin prior to the child's birth and include home visiting. Preschool programs are more likely to be effective if they are cognitively enriching (with child-initiated learning and responsibility) and have family involvement including the combination of parental and child skills training.

Burnside then recommends action by:

- governments at a number of levels—especially to give increased support to early intervention programs, have greater access by children 'at risk' to child care and to have child impact statements and have children's input into legislation and service planning. A innovative idea is to fund early intervention programs through a levy on advertising targeted at children;
- corporations—through family-friendly workplaces, staff support for children, the sponsoring of early intervention programs, and the contribution of staff expertise;
- the media—in a range of ways which are aimed at avoiding the stereotyping and sensational treatment of sensitive child-related issues and the encouragement of positive images of children;
- church congregations—with proposed action geared towards obtaining greater understanding and involvement in lobbying, and a range of volunteer and supportive activities; and
- individuals—to challenge beliefs and lifestyles as well as to become involved in organisations as donors, volunteers, foster parents and mentors.



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