POVERTY IN AUSTRALIA: CAUSES, INDICATORS AND IMPACTS

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Introduction

The Brotherhood of St Laurence has been undertaking research about poverty since the 1940s. This has included a range of studies about families, older people, homeless students and others, and about issues such as unemployment and housing.

Our focus has been on
the experience and impact of poverty
the causes of poverty
and what can be done to reduce poverty.

This is very much the basis for this paper. It begins with a discussion of what is meant by poverty, and then moves on to a description of the experience and impact of poverty. It then presents findings about the incidence of poverty in Australia, with particular reference to women and poverty and discusses the reasons for poverty. The conclusion provides proposals to reduce poverty in Australia.

What do we mean by poverty?

Poverty, along with many other concepts which have a strong value component and imperative to act, is subjective. Its meaning is open to many different interpretations. In Australia, poverty researchers generally accept the notion of ‘relative’ poverty rather than ‘absolute’ poverty. There are of course examples of the sort of hardship that people associate with ‘absolute poverty’ in Australia—among aboriginals, among homeless young people and others, where malnutrition is present and there are very real issues of lack of food and shelter and where the poverty is life threatening or, at the very least, life shortening. This poses the imperative for urgent and substantial change. The way we use the term poverty certainly incorporates the expectation of hardship, but it locates it in the social context, incorporating also the expectation that living standards are out of keeping with those acceptable in Australia today.

To talk of poverty is not to talk only of people who are starving or have nowhere to live but also of those whose lives are clearly deprived in comparison with the majority of the population.

The first half of this paper draws heavily from a paper by Taylor and McClelland.
While acknowledging the importance of social networks and personal resources, we consider poverty principally in terms of lack of economic resources, most easily measured and described in terms of lack of money (low-income), and how that prevents people from obtaining a decent standard of living and from participating in the society. A definition to which we often refer is that of Peter Townsend:

> Individuals, families and groups in the population can be said to be in poverty when they lack the resources to obtain the types of diet, participate in the activities and have the living conditions and amenities which are customary or are at least widely encouraged or approved in societies to which they belong. Their resources are so seriously below those commanded by the average individual or family that they are, in effect, excluded from ordinary living patterns, customs and activities. (Townsend 1979 p.31).

A quote from a mother in one of our studies provides an illustration:

> We do not have enough money to buy toys, to let her take up piano lessons, to take her places. We only have enough money to pay for food. We will not have enough money to pay for her training and education.

**The impact of poverty**

*Findings of recent Brotherhood research*

Our most recent and current study which looks at the impact of low income is the Life Chances Study, a longitudinal study undertaken to explore the impact of low income and associated disadvantages on the life chances of 161 children. The children were born in inner Melbourne in 1990. They are broadly representative of the diverse population of the inner suburbs and the study involves both low-income families and higher-income families with much of the information obtained from interviews with the children's mothers.

When the families were last interviewed in 1993, 35 per cent of children were living in low-income families—families with incomes below 120 per cent of the Henderson poverty line (HPL) (27 per cent were below the HPL). The remaining families—those grouped here as 'not low income'—includes families with some continuing reliance on the social security system, those who would usually be seen as middle-income, and those who would be seen as high-income (professional or business) families.

Low income was strongly associated with unemployment, non-English speaking background, sole parenthood and parents' limited education.

The families on low income were made up of

- two-parent families—father not working 48 per cent
- sole parent families—34 per cent
- two-parent families—father low wage 18 per cent.
What did low income mean to the families in the life chances study?

This paper will briefly describe four aspects of the findings to date: costs, housing, family stress and exclusion.

Inability to meet essential costs

For some families, low income meant not enough money to pay the bills (20 per cent of low-income families compared with 4 per cent of not low-income families); only one low-income family said they were able to save money (that is 2 per cent compared with 41 per cent of not low-income families).

Families reported various costs for their children they found difficult to meet, in particular clothing, food, medication and child care.

Poverty was about having to ask for handouts and the fear of rejection. As one Turkish mother of four children said:

    I can't make myself go and ask for help. I feel scared they won't help. I feel shy and don't want to be rejected.

Cost of food and missing meals was an issue for 21 per cent of low-income children, but for only one family not on a low income.

A mother of four whose husband is unemployed said:

    Sometimes it's been a bit difficult (affording food). Just a few times at the end of the week when I'm waiting for the pay to come in.

Housing

A third of the low-income families reported serious housing problems in the past year (compared with 10 per cent of other families).

Low-income families typically lived in rented accommodation while the majority of families not on low income were buying or owned their houses.

The housing problems for low income families included the poor conditions and high cost of privately rented housing, overcrowding and lack of safety in some public housing, and overcrowding and stress in shared housing.

Lack of play space for their children was a concern. Issues for some included frequent moves and associated loss of social networks, and one mother commented:

    We've been moving all the time, four times in the last five years, looking for cheaper places to live, feeling isolated living here, restricted in where we can go on a discount fare ticket.
**Family stress and low income**

Mothers in low-income families were more likely to say they were having problems managing their child (46 per cent in comparison with 6 per cent of other mothers) and were less likely to describe themselves as happy than mothers in higher-income groups (40 per cent in comparison with 84 per cent of other mothers).

Low-income mothers were significantly more likely to report serious financial problems, serious disagreements with their partners and serious housing problems. They were more likely to have experienced a combination of stressful life events. Some 45 per cent of low-income mothers reported serious disagreements with their partners (compared with 20 per cent of mothers not on low income). Over half of these linked the conflict with stress related to financial problems and/or unemployment.

**Exclusion**

Some mothers clearly expressed a sense of exclusion because of their low income. One mother whose husband is unemployed said:

> You feel you are shut out from the rest of the world because you can't afford anything.

In contrast, another mother a refugee, felt her husband's unemployment and low income had not had much effect, stating:

> Life was much harder in Vietnam.

Even at age three, the children in low-income families were being excluded from some forms of participation in the wider world, although the implications are far from obvious. There was much less use of paid child care by low-income families (only 38 per cent of low-income children, compared with 80 per cent of not low-income). Although some low income mothers wished child care for their children as an opportunity for socialisation, they could not afford it. There was also less use of play groups. Even more the parents worried about the children's future and the effects of low family income on their education and training:

> She will not be able to get the things she wants, she will feel inferior. She will think we do not love her because we cannot afford the things she wants.

To sum up: the Life Chances Study suggests that families with incomes below 120 per cent of the poverty line were significantly more likely to experience a range of disadvantages which hindered their participation in society.

**Findings from other studies**

Similarly, Trethewey (1989, p.123) concluded that the families she studied in the mid-1980s supported the findings of the Henderson Poverty Commission of the early 1970s: that those living below or just above the HPL shared a subsistence living standard and a common battle to make ends meet.
Brownlee & McDonald (1993, p.29) in their analysis of some 900 families in the Australian Living Standards Study, found a threshold of relative disadvantage around 120 per cent of the HPL. Below this level families were more likely to experience a range of personal, social and economic disadvantages.

While the preceding description has concentrated on the impact of poverty on families with children, there are three themes that emerge from research into the impact of poverty on people's lives which apply to a broader range of groups. They are as follows:

- poverty affects a person’s ability to afford the goods and services and to participate in the social activities which make up an Australian standard of living.
- poverty brings a sense of exclusion from the wider community.
- poverty restricts people’s choices.

The negative impact of poverty on people's lives can be both immediate and long lasting. Some of the long term impacts can arise because of the association between poverty and ill health and between poverty and low education outcomes.

For example:

- The likelihood of being only in fair or poor health is 170 per cent higher for adult men with low income in comparison with higher income men (for low income women it is 145 per cent higher).
- Low income adult men have a 65 per cent higher reported incidence of serious chronic illness than high income men (it is 35 per cent higher for low income women).
- Early school leavers are among the group most at risk of long-term unemployment in the 15 - 24 years age group (DEET 1993)
- In Victoria in 1989, more than 50 per cent of students whose parents had professional qualifications participated in tertiary education compared with just over 20 per cent of students whose parents had unskilled jobs (State Board of Education 1991).

Length of time spent on low incomes—duration—is important in influencing the impact of poverty on people's lives. While much of the poverty in Australia previously has been a short-term experience, this may be changing. Poverty may be becoming more long-term because of the increase in, and high incidence, of long-term unemployment in Australia and its concentration amongst families with children. It could also be affected by greater job insecurity and the decline in real wages for those at the lower end of the labour market. This is potentially a very serious development. We need longitudinal studies to better understand the extent and impact of longer-term poverty.
The incidence of poverty

*Overall incidence and incidence amongst particular family types*

The most recent estimates of the extent of poverty in Australia are from research undertaken by Harding. Table 1 shows the overall findings.

Table 1: Poverty Estimates for Individuals, Classified by Family Type, September 1994*

<table>
<thead>
<tr>
<th>Family Type</th>
<th>Estimated Poverty Rate</th>
<th>Estimated No in Poverty '000</th>
<th>Estimated % of Total in Poverty</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single aged person</td>
<td>6</td>
<td>54</td>
<td>3</td>
</tr>
<tr>
<td>Aged couple</td>
<td>4</td>
<td>48</td>
<td>3</td>
</tr>
<tr>
<td>Single non-aged</td>
<td>19</td>
<td>359</td>
<td>20</td>
</tr>
<tr>
<td>Sole parent</td>
<td>21</td>
<td>232</td>
<td>13</td>
</tr>
<tr>
<td>Couple, no children</td>
<td>7</td>
<td>211</td>
<td>11</td>
</tr>
<tr>
<td>Couple with children</td>
<td>12</td>
<td>933</td>
<td>51</td>
</tr>
<tr>
<td>Total</td>
<td>11</td>
<td>1,838</td>
<td>100</td>
</tr>
</tbody>
</table>

*Figures in italics on the right hand side of each column show the effect of assuming that the unemployed face the same costs as those 'not in the labour force'.

Source: Harding 1994, Table 1, p. 3.

This shows that, using the Henderson after-housing-costs poverty line, between 9 and 11 per cent of Australians were estimated be in poverty in late 1994.

While there have been criticisms of the HPL (especially in relation to how it is updated), because it contains a notion of adequacy of income in relation to need, it is still the most commonly used measure of poverty in Australia. The criticisms that have been raised have most effect on estimates of overall numbers and changes in overall numbers over time.

There is more agreement about the family types who are most likely to be poor and as Table 1 indicates, these are most likely to be sole-parent families (between 16 and 21 per cent of whom are poor); followed closely by single non-aged people (between 14 and 19 per cent); then couples with children. The estimates for single non-aged people do not include single people aged less than 21 years who live with their parents and thus may underestimate the poverty of single young people.

Families with larger numbers of children are more likely to experience poverty. For example, sole-parent families with three or more children have a poverty rate between 24 and 31 per cent and married couples with four or more children have poverty rates between 19 and 22 per cent.
Older people have lower rates of poverty but the incomes of many tend to hover around the poverty line.

Almost 50 per cent of people who are poor in Australia are in two parent families with children: single non-aged people constitute 20 per cent and sole parents another 13 per cent of people on incomes below the HPL.

Moving away from family type, there are other groups who are more likely to be in poverty and these include Aboriginal Australians, people from a non-English speaking background and women.

Aboriginal Australians have the highest rate of poverty in Australia as a result of the compounding impacts of low socio-economic status, alienation, racism, unemployment, poor health and appalling living conditions.

Studies examining poverty amongst families with children show that there is an over representation of families with children with non-English speaking backgrounds (NESB) which is related to the work force disadvantage of parents and to lack of adequate income support. However there is considerable variation in the poverty amongst NESB families and those who are likely to be particularly at risk include children of Lebanese and Vietnamese born parents as well as some other birth place groups, especially of recently arrived refugees (Taylor and MacDonald 1994).

Women and poverty

Most poverty data in Australia do not indicate the incidence of poverty by gender. We do not have accurate estimates of the number of women who are poor. Another reason for the difficulty for estimating the extent of poverty amongst women is that poverty is measured according to family income and thus assumes equal sharing of income amongst married couple income units. This may not always occur (Edwards 1981, Montague and Stephens 1985).

However there are indications of women’s greater vulnerability to impoverishment and these include:

- the high rate of poverty amongst sole-parent families, most of whom are female-headed. Because of their significant labour market disadvantage and their disadvantaged financial position following separation and divorce, sole mothers are highly likely to be dependant on government pension and benefit payments as their main source of income (ABS 1994, p.4)

- the special disadvantage of some young women. A longitudinal study of poverty amongst young people (Bell, Rimmer and Rimmer 1992) found that it was particularly women, and especially women with children, who were most at risk of spells of poverty. Their attachment to the labour market was tenuous and the cost of participation (such as child-care) a deterrent.

- on average women still experience a persistent disadvantage in relation to paid employment. While the participation rates of women have been increasing
(especially for married women), the increase has been overwhelmingly in part-time work, much of which is characterised by a lack of security, limited access to available benefits and superannuation and limited training opportunities and career paths. In addition, women workers are still likely to be concentrated in a narrow range of occupations and are disproportionately concentrated in the bottom distribution of earnings in Australia. Gender disparities in the performance of household work persist (ABS 1994), women still do most of the caring work and are more likely to be marginally attached to the labour force (Edgar 1992).

Of critical importance is the fact that the increased participation rates of married women have not been evenly spread amongst all married women. In particular wives whose spouses are unemployed or not in the labour market, have been much less likely to increase their labour force participation than wives who have an employed spouse. The wives of unemployed men are ten times more likely to be unemployed than wives of employed men and have a participation rate one third lower than the wives of employed men (Cass and Cappo 1994, p.11). This represents considerable disadvantage for a group of women and for a group of families. Family welfare and women’s welfare has come to be increasingly reliant on women’s earnings.

Older women are also likely to be disadvantaged in relation to men as a result of the impact over a life time of gender inequalities in access to jobs. In addition to the disadvantages mentioned previously, women have had fewer years in the labour force than men (currently on average 17 years compared with 39 years). These factors have influenced the capacity of older women to finance superannuation in their own right and this will continue to occur for some time. Over most age ranges women who are accruing superannuation entitlements have on average about half the entitlements of men of the same age. For those women outside the labour force, or for the majority who move in and out of the labour force, access to superannuation in their own right is severely restricted (Clare 1994, p.11).

Changes in poverty over time

Changes over the past twenty years have probably meant a substantial increase in poverty and certainly have effected a change in the kinds of groups experiencing poverty. There was definitely an increase in the number of people in poverty between 1972/73 and 1981/82, which was dramatic for families with children (Gallagher 1985). For example, the poverty of female headed single parent families increased from 38 per cent to 50 per cent over the period, and for couple families it increased from 4 per cent to 12 per cent (Cass 1985). Some studies using the HPL find a further increase in poverty over the 1980s. This is questioned by others. The latest studies do not provide estimates for the changes since the 1980s, but it is extremely likely that there was some significant increase as a result of the recession.

Reasons for poverty

There are a number of reasons for changes in the extent and incidence of poverty. Four stand out; labour market disadvantage, housing costs, changes in family structure (particularly the growth in sole parent families) and income support arrangements.
Labour market disadvantage

Traditionally in Australia the most important reason for being in poverty has been the absence of full-time, full year employment. The large increase in unemployment over the 1970s and early 1980s increased the extent of poverty and also changed its incidence towards families with children. This would have also been the effect of the more recent recession. Unemployment is the critical reason for poverty. However labour market changes may be creating a number of other labour market disadvantages which are also connected with poverty.

First the increase in the proportion of part-time workers in Australia means that there are more people now in work who are not in full-year, full-time employment. Second, there are increasing numbers of people who are jobless; that is people who are not officially unemployed but are without paid work because they have withdrawn from the labour market. This particularly applies to younger and to older workers and has always been the case for many married women. Third, the increasing incidence of low wages amongst full-time workers could be a growing problem, although it is still too early to say. Wage and salary earnings for full-time wage and salary earners became more unequal during the 1980s in Australia. There was a real decline in the earnings of those at the bottom of the wage and salary distribution, especially for men (Committee on Employment Opportunities 1993). Harding (1994) estimates that in 1994 there were around 140,000 people living in couple families with children with incomes below the HPL and where a family member was a full-time employee. A significant number (14 per cent) of non-aged single people in poverty in 1994 were working full-time.

Housing

Home ownership and low housing costs have been an important protection against poverty in Australia. However inequality in access to housing has been increasing. Home ownership is less affordable, housing-related poverty has been on the increase over the 1980s, there is less access to public housing and more and more people have become homeless (Bisset and Blaskett 1993).

Those most likely to suffer from poverty because of high housing costs are those dependant on pensions, allowances or low wages who are renting in the private market and first home buyers living on a single income.

Sole parents are particularly vulnerable. In March 1992 almost 40 per cent of sole parents lived in private rental accommodation (DSS 1992, p. 28). Aged pensioners who do not own their own homes are also more likely to be poor than home owners. In March 1992 more than 16 per cent of aged pensioners were living in private rental accommodation (DSS 1992, p. 28).

Sole parent families

Another reason for the increase in family and child poverty has been the sharp increase in the numbers of sole parent families. In 1974 sole parent families comprised nine per cent of all families with dependant children, compared with 19.3
per cent in 1991. This increase has been primarily the result of growing levels of 
divorce and separation.

The relatively high rates of poverty amongst sole parents reflect:

- their significant labour market disadvantage (such as low education, skills and limited recent work force experience) and the barriers faced by them in accessing paid employment;
- low levels of maintenance and other financial disadvantages following separation and divorce;
- high housing costs arising from high levels of private rental accommodation;
- inadequate levels of government income support for sole parents in comparison with married couples with children.

**Income support payments**

The income support system has been very important in reducing the extent of poverty and inequality in Australia during the 1980s and possibly also in the 1990s. Despite the clear improvements that have occurred, particularly for families with children, there are still a number of groups receiving inadequate levels of income support payments. Such groups include:

- single unemployed people, especially those aged less than 21 years who are living independently or who are without the financial support of families;
- sole parents who have no private income apart from the pension;
- some low income people in private rental accommodation;
- families with large numbers of children.

**Conclusion: responses to poverty**

There is a great deal of evidence about the extent of poverty, its incidence and the causes. We should be able to use this knowledge to take effective action.

There has been a mistaken belief that, because poverty is measured, and understood, in relative terms, and because it can increase during times of economic growth, that it is therefore not possible to eliminate or substantially reduce poverty in Australia. This is not correct. Poverty is related to inequality and its reduction is connected to the elimination of unacceptable inequality. It is possible to reduce poverty, as measured by the HPL, as long as we are prepared to take action to increase the incomes of those below the poverty line at a faster rate than the increase in the community average for some period of time. This has happened and it should continue to happen.

A great deal can be done in the short term through improvements to government income support. Special priority should be given to improvements to payments to sole parents, single unemployed people, young people who are either unemployed or studying and who have little financial assistance from their parents, people who are renting privately and large families.
Access to free or low cost services such as education, health, housing, transport, legal, water and energy has been shown to be essential in protecting and improving the living standards of low income people in Australia. The international evidence shows that such government action has helped to avoid some of the extreme increases in inequality of living standards that occurred in some countries as a result of the international trend to inequality (Fritzell 1993). We will need to maintain and extend such action in the future. For example, expanding the supply of low cost housing is essential. But to achieve such protection we will need adequate levels of taxation to ensure a responsible financing of this action.

We need to prevent poverty. However the nature of, and opportunities for, paid work are changing worldwide because of internationalisation and the impact of technology. We therefore need to actively manage our patterns of economic development and also strengthen some key social policies.

Reducing unemployment will continue to be the critical priority for some time and this requires sustained economic growth and effective programs to help unemployed and jobless people obtain paid work. We especially need to look more closely at the situations of those families with no parents in the paid work force. Unemployed men should obtain assistance through ‘Working Nation’ initiatives. We also need to devise effective ways of helping a forgotten group to obtain work—the wives of unemployed men—as well as continuing to extend assistance to sole parents through the job, education and training program (JET).

The way in which we go about reducing unemployment is important—reducing wages at the bottom could reduce unemployment at the expense of a significant increase in low wage poverty; a situation which has occurred in America. In that country over 13 per cent of full-time workers have incomes below the poverty line (Castles and Mitchells 1994). We therefore need to ensure that work pays reasonable wages in the future. There have been changes worldwide that have reduced the employment prospects and wages of people with low skills and a priority must be to improve the education and training opportunities and outcomes for people from lower socio-economic backgrounds.

Because of their labour market disadvantage, women will benefit from many of these labour market policies, but such policies need to be cognisant of women’s specific circumstances. In addition, women’s economic position is not only dependant on better access to jobs which are well paid, but also on a more equal sharing of domestic responsibilities between men and women.

Sole parents will also benefit from many of these policies. In addition it will be critically important over the next few years to avoid changes which could undermine the key strengths of the Child Support Scheme. The introduction of this Scheme has extended the coverage of maintenance to more sole parent families and has improved levels of payments. The administrative formula used to determine payments should not be changed, as it is already sufficiently geared to recognise the capacity to pay of non-custodial parents, including those who have new children. Any further reduction
of liability would seriously jeopardise the adequacy of payments to children in sole parent families.

These comments incorporate some priorities for reducing poverty. There are additional changes which would make a big difference to the lives of particular groups which time does not permit me to elaborate.

Next year is International Year of Poverty—the commitment we should all make for that year is to strengthen the political and community will to take action to reduce poverty. This will only happen if poverty is seen as morally and socially unacceptable and as something that diminishes us all.
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