



Brotherhood  
of St Laurence

Working for an Australia free of poverty

***Submission***  
***to the***  
***Senate Community Affairs***  
***References Committee***  
  
***Inquiry into Poverty and***  
***Financial Hardship in***  
***Australia***

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## Executive Summary

The Brotherhood of St Laurence is a Melbourne-based community organisation that has been working to reduce poverty in Australia since the 1930s. Our vision is ‘an Australia free of poverty’. Our work includes direct service provision to people in need, the development of social enterprises to address inequality, research to better understand the causes and effects of poverty in Australia, and the development of policy solutions at both national and local levels.

The level of poverty in Australia is unacceptably high and has not been reduced by ten years of sustained economic growth. In this submission we outline why we believe reducing poverty will require greater government action:

- to create more and better quality jobs
- to provide a more adequate income support system which more effectively assists people to find work
- to foster greater investment in affordable housing (both public and private) and
- to reduce barriers limiting access to health, education and community services for people on low incomes
- to build tolerance and enable marginalised communities to participate in employment, education and community activities.

## Defining poverty

The Brotherhood of St Laurence considers poverty to be **both**:

- the lack of access to an adequate material standard of living (in terms of food, shelter, clothing and health) resulting primarily, but not only, from inadequate income
- and**
- the lack of opportunity to participate fully in society (for example through employment, education, recreation and social relationships).

## Causes of poverty

The shortage of a million or so full-time jobs is a major cause of poverty, and many of the jobs which are being generated provide only low wages, poor conditions and uncertain working hours. Current labour market programs are inadequately funded and appear to be ineffective in assisting the most disadvantaged job seekers, as evidenced by continued levels of long-term unemployment.

The social security system fails to provide an adequate safety net income for many Australians. Current policy relies too much on compulsion and punishment, and provides inadequate rewards for efforts to paid employment. It does not effectively assist job seekers, especially the most disadvantaged, to move from welfare to work. Increasingly, the social security system must continue to support people who are working, since the fragmented labour market means that work is no longer sufficient to get off benefits.

Despite the recent housing boom, Australia has experienced a continuing decline in the stock of affordable housing and is facing a housing affordability crisis. Housing costs have increased rapidly over the last decade, and there is an estimated national shortage of

150,000 units of affordable housing. These trends contribute to homelessness and force many people into poverty.

Higher rates of separation and divorce have led to more one-parent families. While the introduction of a national child support scheme has helped to share the cost of raising children between custodial and non-custodial parents, the costs are still higher for separated families than for those living together. Sole-parent families have twice the poverty rate of two-parent families.

An additional change has been the concentration of employment by household. There are both more households with two wage-earners and more with no-one in the paid workforce, exacerbating income inequality between households. This is partly a consequence of increased employment for women in the service and professional sectors, and decreased employment for men in manual and manufacturing jobs.

Increased charges for many public services have placed greater pressure on the budgets of Australians living on low incomes. Funding for important services, such as public education, health services and child care, is often inadequate to meet need. At the same time, subsidies for private provision of education and health services (which benefit the wealthiest most) have increased, reinforcing the gap between rich and poor.

## **Recommendations**

### **Increasing employment opportunities**

Increasing the number and quality of jobs would make a significant contribution to ending poverty in Australia. Policies should aim create more full-time jobs and to ensure minimum standards for conditions, hours and entitlements for those in part-time or temporary work. For the long-term unemployed, better resourced labour market programs with access to work experience are needed.

### **Providing an effective income support system**

The adequacy of social security payments should be improved by setting the level of payment for a single person on Age Pension as the benchmark for all payments. A policy approach which more strongly emphasised support and rewards would better assist unemployed people to find work. One important reform would be to reduce the high marginal tax rates faced by people taking up work.

### **Ensuring affordable housing**

A national housing policy would help coordinate disparate state and federal government housing programs. Important components of such a policy would include increased investment in new forms of social housing and strategies to increase private sector investment in low-cost rental housing.

### **Improving access to services**

Access to essential services, such as health, education and child care, would be improved for low-income people by reducing the financial barriers posed by fees and charges. This could easily be funded by reducing the level of government subsidy for private health insurance and private education.

### **Including marginalised communities**

A truly inclusive society requires respect for diversity. Education to improve understanding and reduce prejudice is an important step towards this goal. Policies to allow marginalised communities (particularly Indigenous communities and asylum seekers) to participate more fully in employment, education and community activities would improve their quality of life and foster greater community cohesion.

### **Creating mechanisms for change**

Any attempt to reduce poverty and its impacts on Australians must involve whole of government approaches. By this we mean strategies which fall under the responsibility of more than one government department and more than one level of government. These approaches must also involve communities and local community organisations. While national and state government policy responses and leadership are required, solutions must also be tailored for different communities.

## **Recommendations**

### **Increasing employment opportunities**

#### **Creating more jobs**

- Make the achievement and maintenance of full employment a policy priority
- Initiate a major review by the Productivity Commission to explore the true extent, nature, and cost (both social and economic) of unemployment in Australia
- Develop targets for unemployment reduction, with strong emphasis on the quality of new jobs being generated
- Expand employment in the public and community sectors by increasing funding for health, community services, education and environmental programs
- Develop an industry development policy that links education and training, skill development, high productivity, high value-added production, and high quality, high wage employment
- Develop an incomes policy to moderate wages growth for all workers (including high-income employees) not just low paid workers.

#### **Protecting vulnerable workers**

- Legislate to ensure equal rights to standard entitlements (such as annual leave, sick leave, maternity leave, long-service leave and superannuation) regardless of employment status
- Increase the portability of entitlements (such as sick leave, parental, study and long-service leave and redundancy pay) through industry-wide bodies
- Introduce stronger substantive rights to study leave and income support to allow people to combine work with training.

#### **Reducing long-term unemployment**

- Restructure the Job Network model to better target long-term unemployed and highly disadvantaged job seekers
- Significantly improve funding levels for labour market programs as a proportion of GDP, and bring Australia back into line with the OECD average
- Develop new programs to provide long-term unemployed people with access to meaningful work experience and training. These could include the Transitional Jobs scheme proposed by ACOSS or the Swedish ‘training and hiring’ model.
- Develop targeted policies to reduce the cost to employers of employing disadvantaged job seekers (for example by direct subsidies, tax exemptions or rebates). These must operate over a reasonably long timeframe, as employers tend not to respond to short-term incentives.

### **Providing an effective income support system**

#### **Providing adequate income support payments**

- Make a commitment to gradually increase all social security payments to the Age Pension level of 25 per cent of male average weekly earnings by 2010
- Ensure that reform of the social security system makes no-one financially worse off under changes than they are under current policy.

### **Removing disincentives to undertake part-time or temporary work**

- Reduce high effective marginal tax rates for Newstart recipients doing part-time work by raising the earnings free of tax to \$82 per fortnight and introducing a consistent withdrawal rate of 60 per cent
- Introduce an ‘earnings credit’ and simplify arrangements for people to remain eligible for income support payment while taking up opportunities for temporary work

### **Reforming breach penalties**

- Ensure that breach penalties reduce payments for no longer than eight weeks.

### **Ensuring affordable housing**

- Develop a national housing policy focused on affordable housing for all, through a process which involves the federal, state and territory governments, community housing providers, the construction industry and the finance sector
- Increase funds for more public housing and upgrading of existing stock.
- Increase rent assistance for low-income private tenants
- Introduce policy instruments to redirect private sector property investment into affordable housing.

### **Improving access to services**

#### **Health**

- Ensure that bulk-billing is maintained and extended to a wider group of practitioners, especially specialists, and is available to people on low incomes in all geographic areas
- Establish a jointly funded Commonwealth/State National Dental Health Scheme to improve access to dental services for people on low incomes.

#### **Early childhood services**

- Ensure that sufficient child-care is available at a cost which low-income families can afford
- Guarantee a year of preschool education for every child, by providing Commonwealth assistance to the states and territories, including adequate integration funding.

#### **Education**

- Revise the current Commonwealth schools funding mechanism to ensure that a greater proportion of funding goes to public education, and particularly to schools in disadvantaged areas
- Increase investment in programs that improve the transition of young people from secondary education to further education and training and employment

#### **Aged care**

- Improve access to aged and community care services for disadvantaged older people such as those with histories of homelessness, alcohol problems or acquired brain injury
- Adjust funding arrangements for organisations that provide services for older Australians with special care needs.

### **Including marginalised communities**

- Reduce prejudice by ensuring that all school children in primary and secondary receive ongoing education regarding Indigenous history and culture
- Provide greater funding for Indigenous community housing, environmental health and capacity building programs
- Ensure that job creation schemes provide ongoing sustainable employment for Indigenous people
- Ensure that asylum seekers accepted as refugees under the Refugee Convention are entitled to family reunion and the full range of essential settlement services
- Use public funds to provide asylum seekers with access to housing, health care, education, and income support, rather than for the current costly system of detention
- Ensure that all those waiting for a decision on their application for permanent protection have the right to paid work, in order that they have the opportunity to support themselves.

### **Creating mechanisms for change**

- Support work by poverty researchers to develop an agreed poverty line for use within Australia which is able to show changes over time
- Establish a unit in the Department of Prime Minister and Cabinet charged with responsibility to develop a whole of government approach to poverty reduction
- Establish a poverty taskforce with broad representation from the community sector, employer organisations, unions and poverty research groups to guide the development of a poverty strategy.
- As part of such as strategy, develop targets and timelines for the reduction of poverty and social exclusion.

## The BSL experience and understanding of poverty

The Brotherhood of St Laurence is a Melbourne-based community organisation that has been working to reduce poverty in Australia since the 1930s. Our vision is ‘an Australia free of poverty’. Our work includes direct service provision to people in need, the development of social enterprises to address inequality, research to better understand the causes and effects of poverty in Australia, and the development of policy solutions at both national and local levels. We aim to work with others to create:

- an inclusive society in which everyone is treated with dignity and respect
- a compassionate and just society which challenges inequity
- connected communities in which we share responsibility for each other
- a sustainable society for our generation and future generations.

The level of poverty in Australia is unacceptably high and has not been reduced by ten years of sustained economic growth. In this submission we outline why we believe reducing poverty will require greater government action:

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- to reduce barriers limiting access to health, education and community services for people on low incomes
- to build tolerance and enable marginalised communities to participate in employment, education and community activities.

## Defining poverty

Poverty is a world-wide phenomenon although it has different faces in different parts of the world. There is no simple, single definition of poverty, but the term usually describes situations where standards of living are unreasonably low and hardship is evident. In Australia ‘absolute’ poverty—poverty of such a degree that there is insufficient food or shelter for survival—is rare, but infant mortality and malnutrition among Indigenous Australians indicate its presence. Poverty in Australia is generally considered to be ‘relative’ poverty, involving lack of access to a minimum acceptable standard of living, relative to the rest of the society.

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- and**
- the lack of opportunity to participate fully in society (for example through employment, education, recreation and social relationships).

It is worth noting that ‘adequacy’ is defined in relation to community standards and may change over time, as do standards of living for the community as a whole.

‘Poverty’ and ‘poor’ are usually terms that are used to refer to ‘other’ people. They can be stigmatising terms, and our experience is that people on low incomes seldom refer to themselves as poor. For example, one mother in the Life Chances Study spoke of her child’s response to the family’s income:

And you know there’s been many times that I’ve had to say, ‘Look we just don’t have much money at the moment’. And then he’d say, ‘Are we poor?’ I’d say, ‘No we’re not really. We’re not poor but we’re just going through a bit of an awkward time’. How do you define poor? ... I mean ... you can be ‘money poor’. But at the same time we’re rich in a lot of other things. So he’s had to learn to not ask for things. (Taylor & Fraser forthcoming)

The concept of social exclusion has been important in European policy and since the late 1980s has tended to replace that of ‘poverty’ although the terms are sometimes used interchangeably. The European Commission for example used poverty and social exclusion to refer to:

... when people are prevented from participating fully in economic, social and civil life and/or when their access to income and other resources (personal, family, social and cultural) is so inadequate as to exclude them from enjoying a standard of living and quality of life that is regarded as acceptable by the society in which they live. (European Commission 2002, p. 15)

Social exclusion usually refers to various forms of participation in society. Some uses of the concept of social exclusion, though, focus narrowly on participation in the labour market as an indication of whether someone is ‘included’ or ‘excluded’, and may thereby undervalue unpaid work and obscure the negative impact of low-paid work (Berghman 1997).

A narrow definition of ‘social exclusion’ also obscures the role of low income in causing poverty and may focus policy attention towards the symptoms rather than the causes of poverty. For example, in recent policy debates in Australia, the idea of ‘participation’ has been promoted as a way of overcoming social exclusion. However enforced participation, for example in voluntary work or in very low paid employment, does not address the causes of poverty, nor the material disadvantage associated with it.

The importance of an adequate income has increased as the application of ‘user-pays’ principles has led to increased charges for public goods, such as education, health and community services and water supply. There is evidence that the purchasing power of some groups has diminished over the last decade despite increased income because of the effect of increased public housing rents, public transport fares and health and education costs (Dufty 2000 unpub.).

## **Measuring poverty**

The Henderson poverty line became a generally accepted measure of income poverty in Australia in the 1970s as a result of the national Commission of Inquiry into Poverty. It was based on the then basic wage and set by Henderson at what he believed was an austere level that would not be challenged.

The Henderson line was generally accepted for some time but this consensus has broken down, due mainly to disagreement about the method for updating it and an emerging need for a poverty line which enables international comparisons (which the Henderson measure does not).

Poverty measurement and the merits of different measures have become a topic of quite heated disagreement particularly in the wake of the 2001 Smith Family and NATSEM poverty report and the public criticism by the Centre for Independent Studies (Harding et al 2001; Cox 2002; Saunders 2002).

For the Brotherhood of St Laurence, the value of effective poverty measurement is that it can lead to better outcomes for people on low incomes by improving our knowledge about:

- the numbers of people below the poverty line
- the poverty gap—how far incomes are below the poverty line
- which groups are below the poverty line
- which locations have high rates of poverty
- changes over time and for whom
- how Australia compares with other countries.

We believe that it is very important to have a consensus on one or more agreed measure/s that can be used to track changes over time. A key question is whether it is possible to have one poverty line which adequately reflects the complexity of the issue or whether there may need to be a combination of measures.

The European Commission (EC) has decided on a range of poverty measures. It adopted a relative income measure of poverty:

While recognising that a purely monetary indicator cannot capture the full complexity and multidimensionality of poverty and social exclusion, a fairly good approximation to the measurement of relative poverty can be given by defining an income threshold below which people are at risk of falling into poverty. **In this report this threshold is defined as the proportion of individuals living in households where income is below 60% of the national equivalised median income.** (bold in original, European Commission 2002, p. 19)

Other poverty measures adopted by the EC include indicators for long-term unemployment, early school leaving, life expectancy and health status (Social Protection Committee 2001).

It would be useful for the Inquiry to suggest a process for developing a similar consensus about poverty measures in Australia.

## **Poverty in Australia**

Poverty rates in Australia, based on a range of different poverty lines, increased or at best remained constant between 1990 and 2000 (Harding et al 2001). Even by the most cautious estimate (using the half-median income measure) more than a million and a half

Australians were living below that poverty line in 2000. Whichever way it is measured, this is simply too high for a wealthy country like Australia.

Australia's record on poverty compared with other OECD countries should be a cause for concern and national reflection. Australia has a higher poverty rate (measured by half-median income) than most European countries (Luxembourg Income Study 2002). The United Nations Development Programme (UNDP) research findings show that, out of 17 countries studied, the rate of poverty in Australia was amongst the highest, being lower only than those in the UK, Ireland and the USA (UNDP 2001).

### **Vulnerable groups**

Poverty is more likely among particular groups. Indigenous people have the highest rate of any group in Australia. As well as material poverty, Indigenous groups experience poor health, low educational levels, overcrowded living conditions and low self-esteem. (ATSI Social Justice Commissioner 2001). The landmark Brotherhood report *Aboriginal Child Poverty* (Choo 1990) found that, as well as severe material poverty, Indigenous people emphasised as dimensions of poverty the grief associated with the removal of children, the loss of identity and cultural heritage, the loss of contact with the land, and the loss of dignity and self respect through oppression over the years.

Many asylum seekers, people with a history of pain and suffering seeking a safe refuge, are deliberately excluded from participation in Australian society. They have poor or no access to services available to other members of the community, and some are denied the right to work. Some have no access to federal income support and must rely on housing provided through churches, without which they would be homeless. Many have only the hope of a temporary protection visa for 3 to 5 years and face a future of continuing uncertainty, consigned to the margins of society (Brotherhood of St Laurence 2002a).

The Brotherhood is increasingly concerned about the position of disadvantaged young people. We work with young people who face multiple personal barriers such as homelessness, mental health problems, substance abuse, and low self-esteem. Many have exited State care with little prospects for their future. With low incomes, few assets and limited work experience, this group are particularly vulnerable to the causes of poverty outlined below. They face a precarious labour market which offers them few opportunities for rewarding work, a punitive social security system which makes them more vulnerable to breaching, and a shortage of affordable housing.

Families with children constitute more than half the people living below the poverty line. Overall, 14.9 per cent of children lived below the poverty line compared with 13.3 per cent of adults. Depending on which measure you choose, child poverty rates at best remained constant from 1990 to 2000 and at worst increased significantly (Harding et al 2001, p.35).

Sole-parent families are even more disadvantaged. In 2000 the poverty rate in sole-parent families (21.8 per cent) was almost twice the rate for couples with children (12.2 per cent) (Harding et al 2001, p 7).

Poverty is also increasingly associated with where people live. There is growing evidence of regional disparities, with geographic concentrations of great wealth and great disadvantage emerging within areas of all major capital cities (McCarthy and Wicks 2001), and between cities and rural areas.

## **Experiences of living in poverty**

The experiences of children growing up in low-income families are examined in the Life Chances Study, a longitudinal study of 167 children commenced by the Brotherhood of St Laurence in 1990 and still continuing (Taylor & Macdonald 1998; Taylor & Fraser, forthcoming). The study highlights the experience of children in two-parent families with unemployed parents and with parents in low-wage employment as well as in sole-parent families.

The families on low incomes faced many barriers to improving their economic situation, barriers intensified by their low incomes which limited their access to, for example, training, child-care or transport.

The children's participation both in school and in the wider community was restricted. The low-income parents were more likely to have difficulty affording basic school costs, including levies and fees (even at government schools), uniforms and books, let alone excursions, school camps and swimming lessons.

While some families move in or out of poverty over time, a large majority experience long-term financial hardship: 74 per cent of the children in the study whose families were on low incomes when they were babies in 1990 were still living on low incomes when they were aged 11 and 12.

## **Income inequality in Australia**

The Australian economy has experienced strong economic growth since the early 1990s, with GDP increases averaging over 4 per cent. Annual average (per capita) income growth increased from 1.4 per cent in the 1970s and 1980s to 2.5 per cent in the 1990s (Parham et al. 2000). This growth has often been promoted as central to improving well-being for all, but these figures tell us little about how this income was distributed.

Saunders (2001) analysed recent trends in income inequality in Australia. He found a large increase in inequality in full-time wages—an increase of almost 23 per cent between 1990 and 1999-2000, or an average of around two per cent each year. There was a smaller but still significant increase in the inequality of the distribution of equivalent disposable income over the same period. This suggests that the tax and benefits systems played an important role in limiting overall inequality in the face of a major change in earnings inequality. These results are very similar to those derived from another study by Harding and Greenwell (2002), despite some differences in data and methods.

Some studies suggest that the poor may actually be worse off in real terms. For example, Borland (1998, cited in Watson 2001) found that the bottom decile of income earners suffered a 9.4 per cent decrease in real earnings in the two decades to 1995. These findings should be regarded with some caution since questions have been raised about the nature of income data for low income earners collected by the Australian Bureau of Statistics (ABS 2002a).

There is, however, no doubt that inequality has increased. The trend is confirmed by looking at changes in the ratio of adult minimum wages to median full-time earnings, which fell from 0.646 in 1985 to 0.577 in 2000 (OECD 2002).

When compared with other industrialised countries Australia ranks poorly in terms of income inequality. In a comparison of inequality in 26 countries in the mid-1990s, Smeeding (2002) found that Australia ranked seventh highest behind the UK, Italy, Israel, the USA, Russia and Mexico. There is some evidence that income inequality rose less in Australia than in other countries during the 1990s (Smeeding 2002), but as noted above, it remains amongst the highest in the developed world.

### **What does income inequality have to do with poverty?**

Some commentators have argued that we should not be worried about inequality, only poverty (e.g. Tsumori, Saunders & Hughes 2002). If the incomes of the rich increase faster than those of the poor, what does it matter as long as the poor are better off in real terms? A related argument is that increased inequality is associated with higher economic growth which benefits everyone in real terms—the ‘rising tide lifts all boats’ argument.

Burtless (2001) has shown that inequality has increased most rapidly in countries with the highest average levels of economic growth, suggesting that there is an association between increased inequality and increasing overall wealth of a country.

Burtless argues, however, that the poor in European countries have done better over the last decade, despite having lower rates of growth than the UK and the USA, because the benefits have been more equally distributed.

Research from the Luxembourg Income Study supports Burtless’ claim. This international study examines real differences in well-being between income groups in each country, with a particular focus on children. It does this by adjusting income for purchasing power—what someone can buy for a given amount of money in their own country (Smeeding & Rainwater 2002). Importantly, the study allows us to explore the question ‘Is someone on a particular income (measured as a point in the income distribution) in Australia better or worse off in absolute terms than someone on an equivalent income in other countries?’

The answer depends on whether you are rich or poor. Children of the rich in Australia (belonging to a family at the 90th percentile of the income distribution) were better off in real terms than the children of the rich in about half the other countries included. Children of the rich in the USA were better off than in any other country.

On the other hand, children of the poor in Australia (a child in a family at the 10th percentile of the income distribution) were worse off in real terms than all the other countries included except the UK and the USA (Smeeding & Rainwater 2002).

Tsumori, Saunders & Hughes (2002) claim that relative measures of poverty (which are influenced by changes in income inequality) involve arbitrary value judgements about fairness or justice, and that a measure of ‘basic’ poverty should be used which refers to only the necessities for survival.

Basic measures, however, themselves inevitably involve some reference to community views about what is considered a minimum acceptable standard of living. This standard changes over time according to what most people have access to. For example, whereas it was once common for an adult couple to have to share a bedroom with some or all of their children, few people today would consider this an acceptable standard of accommodation.

Thus, all poverty measures involve some judgement about the acceptable gap between what most people have access to, and what the poorest member of society should have access to.

There is considerable community concern about increasing inequality in Australia. The Brotherhood of St Laurence's Understanding Poverty Project (Taylor 2000) found the general public was very troubled about income or wealth inequality and the gap between rich and poor. Some decision makers, though, did not see inequality as a problem in itself and thought that it was an inevitable consequence of wealth creation which was a positive.

The widening gap between rich and poor is occurring not only in income, but also in employment opportunities, in access to education, housing and health services, and across geographical locations. Much of the community apprehension about these growing inequalities stems from a belief that they undermine social cohesion. There is some evidence to support this: recent research, for example, shows that higher levels of long-term unemployment amongst young people leads to higher levels of property crime (Chapman, Weatherburn, Kapuscinski, Chilvers & Roussel 2002). If the gap between rich and poor continues to widen, we risk greater social dislocation, conflict and crime. These will reduce the quality of life for all Australians.

The research of Smeeding & Rainwater (2002) shows that societies which allow high levels of income inequality are the least effective at reducing poverty. Policies to ensure that the national income generated by economic growth is fairly distributed are central to tackling poverty, and ensuring a high quality of life for all.

## **The impact of globalisation**

An inquiry into poverty in Australia would be incomplete without consideration of the effects of globalisation, especially on labour and work practices.

Global financial and capital markets and the increase in transnational activities of Australian companies directly impact on employment in Australia (and abroad). The offshore relocation of sectors of manufacturing and services places the jobs of low-income, low-skilled workers at particular risk.

The increasingly globalised economy means that we must understand the experiences of our neighbours in the Asia Pacific region. The efforts of the Asian Development Bank (ADB) are instructive when considering strategies to address poverty. The ADB has an overarching objective to reduce poverty:

Poverty is an unacceptable human condition. It is not immutable; public policy and action can, and must, eliminate poverty (ADB, 2003).

Historically the ADB has relied heavily on income level as the basic measure of poverty. However there is now an understanding that:

Dimensions of poverty far transcend this traditional definition. In ADB's view, poverty is a deprivation of essential assets and opportunities to which every human is entitled. Everyone should have access to basic education and primary health services. Poor households have the right to sustain themselves by their labour and be reasonably rewarded, as well as having some protection from external shocks (ADB, 2003)

The response of the ADB to this broader understanding of poverty has included investment in training and education, improved governance and enhanced consultation with all stakeholders, and the involvement of non-government organisations in development work or advocating the legal rights of the poor.

Whether globalisation is inevitably accompanied by increasing inequality is debatable. As Smeeding notes:

At least in theory, the winners from the globalization game should be able to compensate the losers to the benefit of all. And the strong welfare states of Europe and Scandinavia seem to have been able to protect their least skilled and least well off citizens better than have many others during this period. (Smeeding 2002, p. 27)

A key lesson from international experience is that it is especially important to maintain strong protective policies for the most disadvantaged during periods of trade liberalisation. It is also clear that Australia must develop a high-skill economy rather than expect to be able to compete with less developed countries with a large supply of cheap, low-skilled labour.

## Causes of poverty and increased inequality

### Unemployment and underemployment

Unemployment, particularly long-term unemployment, is the most significant cause of poverty and disadvantage in our community. Paid employment is a basic human right recognised in the Universal Declaration of Human Rights, Article 23:

Everyone has the right to work, to free choice of employment, to just and favourable conditions of work and to protection against unemployment.

Everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity and supplemented if necessary, by other means of social protection. (United Nations 1948)

Moreover, as Nevile (2000) points out, the right to work is closely linked with other human rights such as the right to live in a safe environment, and the right to high levels of mental and physical health.

Since the 1970s, however, the achievement of full employment has progressively lost ground as a policy priority, with the consequence that large numbers of Australians have been denied this basic right:

The elimination of unemployment has ceased to be a major imperative of governments, as a result of which unemployment has remained at unacceptably high levels for well over two decades. (Nevile 2000, p. 119).

The result of this policy change is that unemployment and underemployment have become massive social and economic costs to Australia. In December 2002, there were 628,400 people unemployed (seasonally adjusted estimates, ABS 2003). This represents perhaps the biggest public policy failure over the last twenty-five years.

The unemployment rate alone, however, underestimates the total number of people wishing to work. Not included are people working as little as one hour per week who want to increase their hours of employment, or those 'marginally attached to the labour market', (people who want to work and are actively looking for work but not available to start work immediately, or those who want to work and are not actively looking for work but are able to start work within four weeks) (ABS 2001). In September 2001, when there were 657,500 people officially 'unemployed' (seasonally adjusted) there were an additional 592,400 workers who were employed part-time but wanted more hours (ABS 2002b) and 816,500 who were 'marginally attached to the labour market' (ABS 2001).

To some extent the real number of Australians who are unemployed is concealed by the increase in Australians (mostly men) receiving disability or sickness benefits. Since the late 1960s this number has grown from 2 to 4 percent of the male workforce (representing an additional 300,000 males) at a time when health has generally improved (Quiggin 2002).

Of particular concern to the Brotherhood of St Laurence is the large number of people who experience long-term unemployment. By the ABS definition—the number of people unemployed for 12 months or more—there were 161,900 long-term unemployed people in March 2002 (ABS 2002c).

As discussed above, the ABS figures underestimate long-term unemployment, since they exclude those who find occasional or casual jobs, yet remain mostly out of work. A better measure is the number of people receiving Newstart Allowance and Youth Allowance (Other) for more than one year. The latest figures for Newstart and Youth Allowance (Other) recipients indicate that there were 393,100 long-term unemployed people in December 2002—more than twice as many as the ABS figures record. Data supplied by the Australian Council of Social Service (ACOSS) shows that this figure was higher than the rate six years earlier. (ACOSS 2003).

The continuing high number of long-term unemployed is particularly disturbing in light of research showing that 80 per cent of this group is likely to experience poverty, compared with around 15 per cent of short-term unemployed (Ferguson 2001). Groups more vulnerable to long periods of unemployment—Indigenous people, sole-parent families, early school leavers, people with disabilities, some groups of immigrants and refugees, and those living in some regional and rural communities—are more likely to live in poverty. For some marginalised groups (e.g. Indigenous people), governments need to address additional barriers, such as continued community prejudice, which hinder access to employment and educational participation.

The current economic orthodoxy fails to acknowledge the massive cost of the economy persistently operating well below capacity. Instead, the policy goal of full employment has been reduced to one of full employability, i.e. that unemployed people should be **able** to be employed, not that they **are** employed.

While policies to assist job seekers to improve their skills in seeking work and to encourage further training are welcome, they will do little to solve unemployment unless sufficient jobs are created. Government must start to consider ways in which extra employment can be generated in both the private and public sectors.

## **Trends in workplace relations and working conditions**

### **Casual and part-time employment**

Over the past 20 years there have been significant changes in the nature of employment in Australia. Employment in business services, retailing, hospitality and health and community services has grown, while that in the manufacturing and utilities sectors has declined (ACIRRT 1999). The proportion of jobs which are part-time or casual has increased, as has the proportion of lower-paid jobs within the service sector (Watson & Buchanan 2001).

Casual workers have no entitlements to sick pay and holiday pay, and no guarantee of continuing employment. Casual jobs may be temporary, but many are ongoing, even though insecure. Casual employment increased by 68 per cent in the 1990s. Permanent jobs increased by only 5.3 per cent over the same period, but the number of full-time permanent jobs actually fell by about 1 per cent (Borland, Gregory & Sheehan 2001). In

1999, 27 per cent of all jobs were casual and 69 per cent of these were part-time (Campbell 2000).

Some research suggests that casual work enables unemployed people to gain work experience and gain full-time permanent work. While this may be the case for some, the working reality for others is a series of short-term casual jobs interspersed with periods of unemployment (Chalmers & Kalb 2001; Hall, Bretherton & Buchanan, 2000). This trend also appears to be growing (Watson & Buchanan 2001).

Employment conditions are worse in particular industries. The textile, clothing and footwear industry in Australia is notorious for its exploitation of low-income and vulnerable workers. Outworkers in Australia, many of whom are from a non English-speaking background, and workers employed on piece rates in other sectors are among the 'working poor'.

The number of part-time jobs increased by 61 percent from 1990 to 2000, compared with an increase in full-time jobs of 5.5 per cent (Borland, Gregory & Sheehan 2001). Some workers, such as those juggling caring commitments or undertaking further education, prefer part-time work. For others, part-time work is not their preference, but is all they can get. One-quarter of part-time workers wanted to work more hours in September 2001 (ABS 2002b).

In 2002 the BSL conducted a research project which involved interviewing adults between 25 and 34 years of age about their experience of the labour market and how it affected their lives (Brotherhood of St Laurence 2002b). Some of the results are included below.

Many people had been working in casual work for some time and hoped that it would provide a stepping stone to more secure work, but for some people the cycle of casual work actually acted as a barrier to gaining a better job:

I think the hardest thing for me is that I don't really have much of a resume now, or references. The references I do have, have just been for casual work. (John)

Training was often difficult to fit in with casual employment:

I did six months' full-time [study] and then I actually worked within the industry. I felt that it would be a great opportunity to put what you're learning into practice immediately, rather than have all this knowledge and think 'What am I going to do with it?' ... [but] I was actually working in Sydney at the agency and the course requirements are that you need to spend some time in the actual field—[it's] like teaching rounds, you do your placement. And my practical placement coincided with the busiest time for the business and my employer wouldn't release me to complete my placement requirements. (Lisa)

I've never completed my apprenticeship or my commercial cookery course. I was doing all that and working at the same time ... He employed me there as a cook, and I was happy for him to do that because I was doing this commercial cookery course. But then he was rostering me on to work on the days I was meant to be at school. And that happened a few times, to the point where I'd missed so many classes that they [TAFE] just said, 'You'll have to catch up and come back next year'. (Jacinta)

Some work was so poorly paid that life was still difficult even with fairly regular work:

I got paid yesterday, but for the last week I've not had a cent, and that's even with babysitting on the weekends.... It really is hand-to-mouth, and everybody in child-care is like that. Everybody at the centre where I work at has a second job... in order just to make ends meet.... What I would like is to actually have a savings account. To actually have savings would be something for me, that I can't even begin to imagine. (Lisa)

The money coming in to me fluctuates so much it's just hard to save. When I'm having a bad week, I end up using my savings. (Jacinta)

Lack of leave entitlements was common and employers sometimes appeared to prefer 'cash in hand' arrangements to avoid their legal obligations:

I wouldn't mind going back to roof tiling again. Properly you know, with a proper employer—not getting paid cash in hand. Getting put properly on the books....Just because of holiday pay and stuff like that... You get no sick pay, no superannuation... If you get paid cash in hand you don't get any of that... Oh it's bad. If you've got no money you have to work, if you feel sick or anything. (Anthony)

I just ended up leaving. Because I also cut myself—I cut my hand on the slicer—and they didn't want me to put in on Workcover ... If I get sick I don't get paid obviously for the day that I don't go into work. If I cut my finger I don't get paid. (Jacinta).

One effect of the uncertainty of work was that it was difficult to participate in what most people would regard as normal life choices, such as living with a partner or even socialising:

It's a bit of a thing, not knowing when I'm going to work. I can't make plans, because I don't know when I'm working... Because I can't say to someone, 'Let's go out on Friday night', because I could get work. She could ring and say, 'You're working 2–11', and I can't say to the agency, 'No I can't work'. It just doesn't work that way. (Sarah)

The aspirations of people we spoke to were much the same as those fortunate enough to have stable and well paid employment:

Basically I want the security of a full-time job, knowing that I've got a secure income. Because the problem with casual is that it's not really secure ... it could fall apart at any stage. I'd rather have full-time and know it's there. (Sarah)

I would like to [own a house one day]. But I don't consider that it's a possibility... It is a dream, but it's a dream that I know is unattainable, and I don't consider it as a reality. (Lisa)

### **Workplace relations**

Australian labour market and industrial relations policy is shaped predominantly at the federal level. The centrepiece of the current government's industrial relations policy has been the Workplace Relations Act (1996), which was intended to reduce the role of tribunals and unions in the bargaining process, and subject labour to market forces in determining wages and conditions (Watts 2002).

Deregulation within the context of decentralised bargaining has focused not so much on reducing the level of regulation, as on changing the way in which the labour market is regulated (Watson 2001). The aim has been to remove regulations that provide external

protection for employees, in favour of systems of internal regulation which promote bargaining between the employer and employee directly, leading to a shift in the balance of power to management. There has been a continuing decline in numbers covered by the award system, which now includes less than 25 per cent of employees, compared with 68 per cent ten years ago (Watts 2002).

Probably the most obvious and widely agreed effect of this changed industrial relations environment has been a redistribution of the benefits of work. The main beneficiaries have been business, through increasing profit margins from improvements in productivity, and upper income earners with the market power to negotiate favourable conditions.

Low-skilled, part-time and casual employees have become increasingly vulnerable to low wages and worse conditions, such as lack of access to leave entitlements (Preston 2001). As would be expected, there is evidence that wage dispersion has increased significantly, since the take-up of enterprise bargaining (Watson & Buchanan 2001). As Watson summarises:

For workers who are already in vulnerable labour market circumstances, the impact of labour market 'deregulation', or more precisely, a greater exposure to internal regulation, is likely to compound their disadvantage. On the other hand those who fare well are likely to prosper. (Watson 2001, p.306)

The picture that emerges is of an economy leaving behind the low-skilled and less talented job seekers, resulting in greater polarisation of income and employment outcomes. Australia is moving toward a core/periphery labour market model (Dunlop 2001) with a large group of the work force permanently excluded, or only marginally attached to the labour force and at high risk of experiencing financial hardship. The legislative changes that have occurred since the early 1990s appear to have directly contributed to this situation.

Continuing in this policy direction, which follows that taken in the USA and the UK, will lead to growing and entrenched inequality. In the United States, for example, low minimum wages have been combined with weak employee protection laws and onerous requirements for those receiving welfare payments, leading to the development of a large low-wage sector. This has had the additional effect of dramatically worsening the distribution of income (Burtless 2002). As we have seen above, the USA has one of the highest rates of poverty amongst developed countries (Smeeding & Rainwater 2002).

### **Insecurity and dependence on income support**

The implications for the future are significant. Social security policy has relied on unemployment being short-term, but the changes we've seen show that many who find work may still have to rely on income support payments for an extended period. For a growing number of people, employment insecurity affects their ability to plan for the future—in terms of a career, time for relationships, the possibility of buying a house, or saving for retirement. While individuals bear the brunt of this impact, in the long term governments will carry the costs: increased dependence on the social security system, greater demand for public housing, loss of tax revenue, and possibly increased crime or family breakdown.

Some commentators (e.g. Dawkins 1999) have promoted the introduction of an earned income tax credit (EITC) as one way of supporting the wages of low-paid workers. While an EITC has some merit, there are significant limitations.

An EITC would effectively mean that government replaced regulation with business welfare as a means of protecting low-paid workers. It would also provide a subsidy regardless of employers' capacity to pay better wages, and possibly result in a longer term effect on employer expectations, with government seen to have primary responsibility for the adequacy of workers' incomes.

If competition is left to determine wages at the bottom end of the labour market, wages will continue to be driven down by a large pool of unemployed people, and governments may find themselves picking up an ever larger share of the support for this group. While this choice might be justified in terms of equity, a more practical issue may be whether and for how long governments could afford it.

Another concern about an EITC is its potential invisibility if 'paid' as a reduction in tax taken out of a person's salary. Many people would be unaware of the level of government support they received, leading to increased division between employed and unemployed people and undermining public support for transfer payments (McClelland 1999). In contrast, a regular payment made directly by either Centrelink or the Australian Taxation Office would be identified as a direct government contribution to a family's well-being.

Finally, the experience of paying Family Tax Benefit through the tax system has shown that this is a payment method fraught with difficulties, and which only a small percentage choose compared with a direct Centrelink payment. The policy goals of an EITC could be met more efficiently by reforming the payment structure and taper rates for social security payments.

To return to the broader issue of low-paid work, from a purely economic perspective, moves toward a high skill 'knowledge economy', which is vital for Australia's continued economic well-being, will not be helped by simply reducing wages and encouraging the substitution of labour for capital.

It is clear that government intervention is necessary to improve access to skills training and to prevent or alleviate the insecurity caused by the changes described above. Some suggested directions such as those proposed by ACIRRT (1999) are included in our recommendations.

## **Changes in Australian families**

Two major changes in Australian families have also influenced poverty and inequality. The first is that higher rates of separation and divorce have led to more one-parent families. Sole parents face greater barriers in getting paid employment since they do not have a partner to share child-care and must rely much more on paid child-care. While the introduction of a national child support scheme has helped to share the cost of raising children between custodial and non-custodial parents, the costs are still higher for separated families than for those living together. As mentioned earlier, sole-parent families have twice the poverty rate of two-parent families.

A second trend has been the concentration of employment by household. There are both more households with two wage-earners and more with no-one in the paid workforce (Dawkins, Gregg & Scutella 2001). This follows the increase in service and professional jobs, which more women have entered, and a decrease in manual and manufacturing jobs, which in the past employed mostly men. This has exacerbated income inequality between households.

## **The impact of unemployment**

Unemployment has serious economic, social and emotional impacts. The Brotherhood sees these effects every day. Unemployment puts severe financial and emotional stresses on families (Taylor 2002) and leads to loss of self esteem and social status. These can lead to family conflict and separations; to psychological and physical health problems; to homelessness and to a range of disadvantages for children growing up in these families.

People interviewed in a recent joint research project between the Brotherhood, St Vincent de Paul and the University of Melbourne (Ziguras, Dufty and Considine, forthcoming) talked about the impact that unemployment had had on their lives:

I never thought in my fifties I'd be living in my car and on the Centrelink payment. A few years ago I owned my own home and had a business ... I was married for 25 years.

I drink far more than I did three years ago. I'm probably not quite as positive as when I initially left university but that's as much related to not obtaining interviews ... I was surprised at how much the employment market had changed [between 1992 and 1999] ... for the first six months, I simply couldn't get an interview.

Many people we interviewed talked about the difficulty they had experienced in looking for work and the despondency they felt about long-term unemployment:

You start to get a bit disheartened after you've been unemployed for more than a year ... you start to think, 'Well, I'm not worthy ... low self esteem ... It's a vicious circle.

I was all over the place knowing that I was being shoved out and I felt very insecure, I was depressed ... about family issues, where I stood and owing to the fact that I wasn't then working ... so just a lot of things brought me down... too much too soon.

One non-English speaking mother in the Life Chances Study described the long-term impact of her husband's unemployment on her family:

[My husband] became unemployed in 1991. He ended up with too much time on his hands, and could not find another job; hence he reverted to drinking and gambling, resulting in many family disputes. This would affect the children, perhaps losing concentration at school ... I couldn't devote all my resources to looking after [Child] due to the many family disputes. Serious arguments would frighten the children. We moved out, however we returned a few months later. The father had not changed, hence we moved out again to a women's refuge. [Child]'s education would have been affected by the constant changing of addresses. Finally I sought legal aid and a restraining order ... The main difficulties have been financial difficulties.

## **Acknowledging the real cost of unemployment**

The Nobel Prize winning economist Amartya Sen points to the need for a more comprehensive policy approach which acknowledges the real cost of unemployment:

There is a need to consider employment policies in relation to different ends, in relation to demand management and macroeconomic considerations but also going well beyond them. The market economy signals costs and benefits of different kinds but does not adequately reflect all the costs of unemployment that arise in several ways. There is a need for public policy that takes into account those burdens of public policy that are not reflected in market prices. (Sen 1997, p. 164)

Sen argues that numerous costs of unemployment are not reflected in market prices and hence tend to be ignored in much economic analysis and in public discourse. These costs include:

- fiscal burden
- loss of current output
- loss of freedom and social exclusion
- skill loss and long-run damage to individuals
- psychological harm and ill health
- damaged family life and relationships
- racial and gender inequality
- loss of social values and responsibility
- organisational inflexibility
- technical conservatism.

A useful step forward would be a comprehensive study to document and quantify the real costs to the Australian community of continued unemployment.

## **Income support payments**

### **Adequacy of payments**

The main aim of the social security system is the prevention of poverty, but it is failing miserably for some groups, for whom the level of benefits received is inadequate to meet household needs. Young adults (between 18 and 20 years of age) receive around \$201 per week (including maximum rent assistance), 32 per cent below the Henderson poverty line of \$294 per week (head in the workforce and including housing costs) (Melbourne Institute of Applied Economic and Social Research 2002).

The Australian social security system distinguishes between pensions (such as Disability Support Pension and Age Pension), which have been traditionally assumed to last for an extended period of time, and allowances (such as Newstart Allowance for job seekers), which have been seen as short-term payments. Pensioners are paid a higher rate than allowees. Allowees receive \$375 per fortnight, 87 per cent of the pension rate of \$429 per fortnight.

This gap is growing since allowances are indexed to the Consumer Price Index (CPI), while pensions are indexed to male total average weekly wages which increase faster than the CPI.

The argument that people receive allowances for only a short period is no longer tenable: the casualised labour market and the incidence of long-term unemployment mean that many people must rely on allowances for an extended period.

Given these changes, and the inadequacy of the current allowances, the Brotherhood sees no rationale for the continued difference in payment rates. We support the National Coalition Against Poverty's argument that income support payments should be set at the level of Age Pensions—that is, 25 per cent of male average weekly earnings.

### **Activity test requirements and breaching**

Over the last decade, a number of additional 'activity test' requirements have been introduced for unemployed people receiving social security payments. It was argued that these would assist job seekers find employment. Many job seekers, especially the most disadvantaged, find these requirements to be unhelpful and onerous (Ziguras, Dufty & Considine forthcoming). By emphasising obligations and punishment rather than assistance and support, the requirements jeopardise the person's confidence in Centrelink at the same time that Centrelink is expected to more effectively assist those most in need.

While these obligations may force people to look for work, they do not actually help them find work, since too little attention is paid to barriers such as lack of recent work experience or low levels of education. The failure of the system to assist the most disadvantaged find work is clearly reflected in the continued long-term unemployment figures quoted earlier (ACOSS 2003).

Those people who fail to meet one of their requirements are penalised financially by having their payments reduced for up to six months. The number of breaches increased dramatically between 1997 and 2001 (ACOSS 2001a). While the number of 'breaches' has now started to decline after reaching a very high peak (Senate Community Affairs Legislation Committee 2002), the impact of breaches on those subject to them is still very severe. Each breach costs an unemployed person from \$400 to \$1500. For a third 'activity test' breach, the penalty is no payment at all for 8 weeks.

People interviewed in the joint research project between the BSL, St Vincent de Paul and the University of Melbourne (Ziguras, Dufty & Considine, forthcoming) talked about the impact of breaching. Twenty five per cent of those we interviewed (who were mostly disadvantaged job seekers) said they had been breached during the previous 12 months.

People coped with the reduced income by turning to welfare organisations, cutting basic expenses, using up savings or borrowing money from family or friends. Most interviewees said it was very difficult and frustrating coping with the loss of that money and a struggle to pay for essentials such as food and transport:

What really annoyed us was ringing people and telling them that we couldn't pay their bill.

Heaps of help with St Vinnies and Salvos ... go to all the agencies and ... make up for that loss every week ... it's only so much they can help you ... Going without, you know.

Very frustrating. [I] went to St Vincent De Paul. I've been taking anti-depressants ... stress is too much.

I'm still paying it back now ... It's a struggle ... with food and there's no money.

The Brotherhood of St Laurence welcomes the recent policy and administrative changes which have reduced the overall number of breaches. We believe, though, that further action is needed to reduce the financial penalty incurred by those who are breached.

### **Poverty traps**

Poverty traps caused by the combined effect of taxation and withdrawal of benefits mean that some people on social security payments can lose up to 87 per cent of every extra dollar they earn from working. For public housing tenants, this figure can be even higher. Not only is this patently unfair, given that high-income earners face a maximum tax rate of 48.5 per cent, but also it punishes efforts to work.

This problem could be diminished by raising the earnings threshold at which people begin to lose some of their benefits (the 'free area') and by introducing a standard withdrawal rate (e.g. 60 per cent) instead of the current two-tier rates of 50 and 70 per cent. These two changes would mean that people who worked part-time would retain more of their earnings. If the government wished to subsidise low-paid work, the free area and taper rates could be set at levels which would provide some continuing payment to those in very low-paying full-time jobs—a simpler and more efficient system than an Earned Income Tax Credit.

### **Reducing barriers to part-time and casual work**

Given the labour market changes discussed above, for many job seekers the only available work is part-time or temporary. The Brotherhood welcomes the introduction of the 'working credit' scheme which will enable people undertaking temporary work to keep more of their earnings.

However there are other aspects of the social security system which need reform, for example having to report income when there is an entitlement to it rather than when it is received and having to complete fortnightly continuation forms even while working casually, to maintain eligibility. These make combining work with receipt of benefits quite complicated and may be a disincentive to taking up part-time and intermittent work.

### **The crisis in housing affordability**

Housing is usually the single greatest cost facing most families. Unfortunately housing costs have increased rapidly over the last decade. At the same time the availability of 'affordable' housing—that is housing that low-income households can afford without experiencing housing stress—has declined.

'Housing stress' refers to people having to pay so much for housing that they suffer negative financial and social consequences. It generally refers to those households in the bottom 40 per cent of the income distribution who pay 30 per cent or more of their household income in housing costs (National Housing Strategy 1991).

Despite the recent housing boom, Australia has experienced a continuing decline in the stock of affordable housing and is facing a housing affordability crisis. Nationally there is an estimated shortage of 150,000 units of affordable housing (Yates & Wulff 2000, pp. 56–7). There are approximately a quarter of a million people experiencing housing stress; and if trends continue, the number will reach one million by 2020, even without including people in regional Australia (Berry & Hall 2001, pp.11–13).

Those living in private rental are most affected by the housing crisis. In 1996, almost three-quarters of lower income private tenants in Melbourne were in housing stress, an increase of 13.5 per cent from a decade earlier (Ballardin and Trudgett 2002, p. 61). Similarly, in Sydney 47 per cent of lower income households were estimated to be experiencing housing stress in 1999, an increase of 50 per cent from 1986 (Randolph & Holloway 2002, p. 335). Most commentators believe that these figures have further worsened since the late 1990s.

Home ownership is becoming increasingly out of reach for many Australians. A recent Australian Housing and Urban Research Institute (AHURI) analysis found that no private tenant in the lowest 40 per cent of income distribution could afford to buy a three-bedroom house anywhere in the cities of Sydney, Melbourne or Adelaide (Winter and Donald 2002, p. 19).

### **Impact of housing stress**

The impact of these trends was illustrated in Brotherhood of St Laurence research published recently (Brotherhood of St Laurence 2003). We interviewed people on low incomes about their experience of the housing market.

Participants frequently commented on the difficulties of being able to afford fundamental items such as food and clothing because of their housing costs:

Your health is affected because you can't afford nutritious stuff because it's costly. If you were paying less rent you could be putting more into healthier food for your health. (Couple with two young children, renting house in regional area, spending 32 per cent of income on rent)

Some people were unable to afford medicine and medical specialists:

And then when the kids do get sick and they have to see a paediatrician, it's hundreds of dollars just to see them, and people that are on the dole and paying private rent can't ... Your child just doesn't go to a specialist. (Couple with two young children, renting house in regional area, spending 32 per cent of income on rent)

One participant said that he was unable to afford medication, because he was paying 51 per cent of his weekly pension on rent for a substandard house. This left him with \$115 per week to cover his expenses:

I don't buy my medication because I simply can't afford it. I'm up for \$15–20 a week. And if I don't take them I'm putting myself at severe risk of another stroke and increasing the amount of blackouts. I'm living in totally inadequate housing ... I have steps that are too steep for a bloke that has blackouts and such. (Single male, renting in middle suburb)

To make matters worse, his rent was about to be increased by \$15 a week, leaving only \$100 to cover expenses. This combined with his unsuitable housing placed his health at severe risk.

Some participants were being forced into debt to cover housing costs. This has the effect of creating insecure and unsustainable tenures, which in turn increases the risk of eviction and homelessness:

At the moment I'm in a bit of a dire strait, my 20-year-old daughter has actually just applied for a bank loan to give me the money to help with the arrears so that we won't be kicked out. I know I'm gonna have to move and I'm dreading it ... How can I save for a bond? I would have to borrow to relocate and I don't want to go far because my children are still in high school and do I really want that disruption for them? (Sole mother of six renting in middle suburb)

For another participant something as small as celebrating her daughter's birthday was enough to put her behind with rent payments:

My daughter's birthday party was two weeks ago and now I'm behind in my rent because I actually had a birthday party ... I do feel it, with two kids by myself. (Sole parent renting in middle suburb)

This research showed that the effects for people experiencing housing stress can be categorised broadly into housing-related poverty and locational disadvantage. Many families were struggling to meet the costs associated with providing adequate food, clothing and other essential items, as a result of housing costs. The only way that some households could find affordable accommodation was to move to outer suburbs or country towns, but they then faced restricted access to employment, child-care and support networks. This appears to contradict policies to encourage labour market participation.

### **Homelessness**

The growing level of homelessness is a contributor to poverty and a major concern for the Brotherhood of St Laurence. While people become homeless for many reasons, the affordability and accessibility of accommodation is a key factor. In the 1996 Census 105,000 people were found to be homeless. Since then, the situation has not improved. In 2001-02, for example, the number of people using homelessness services in Australia increased by five per cent on the previous year (Australian Federation of Housing Organisations 2002).

Many homeless people we work with are forced to turn to rooming houses which charge \$100 per week or up to \$150 per week with food included. For a young person on Youth Allowance, this leaves only about \$7 per day to cover all other costs, including transport to meet their requirements to attend Centrelink, employment services and job interviews. Other people are increasingly reliant on crisis accommodation, squats and caravan parks, or simply live on the streets.

### **Inadequate housing policy interventions**

While the federal government has a range of interventions that mainly support the provision of privately owned housing, these strategies have failed to ensure sufficient affordable housing stock. Policies are not well coordinated and the greatest level of Commonwealth subsidy (exemption from taxation on capital gains or on imputed rent)

benefits owner-occupiers, in particular those with high incomes (Yates 2002). Furthermore, taxation concessions to investors in rental housing appear to act as a disincentive to the supply of low-cost rental stock (Wood 2002).

Rent Assistance is paid by the Commonwealth government to people receiving income support payments and living in private rental accommodation. In 1999, 1.46 million private renters received Rent Assistance. Unfortunately Rent Assistance does little to expand the supply of low-cost housing, and is often insufficient to alleviate housing stress. Of those Australian households in the lowest 40 per cent of income earners, 54 per cent in private rental were experiencing housing stress even with access to Rent Assistance (Housing Justice Roundtable 2002).

Nor is public housing (for which rent is at least linked to people's income) readily available to Australians on low incomes. Public housing is funded jointly by the Commonwealth, states and territories under the Commonwealth State Housing Agreement (CSHA), the only source of funds to supply affordable housing for households unable to compete in the market. The CSHA accounts for the smallest subsidy amount, yet receives the most scrutiny. Furthermore, under the next CSHA, funds from the Commonwealth are mooted to continue to decline, from \$805M to \$725M in the first year, before being indexed for the next four years (Perkins 2002).

Expenditure on the CSHA has been in decline in real terms since the 1980s and annual additions to public housing have declined from between 10,000 and 15,000 to less than 5,000 dwellings in the last few years (Berry & Hall 2001, p. 84). Current policy favours the targeting of scarce affordable housing resources to those with the highest (and often the most complex) needs and with the lowest incomes. The internal revenue now generated in Victoria's public housing only covers the cost of rental operations but is not sufficient to fund the acquisition of new stock, improvements to older stock or redevelopments of estates (Hudson, 2002). Therefore, the decline in funds available through the CSHA is all the more significant and has contributed to growing waiting lists for public housing.

Increasing housing costs appear to be contributing to greater levels of poverty. After taking housing costs into account, the level of poverty increased between 1990 and 2000 regardless of the measure used (Harding, Lloyd & Greenwell 2001).

Government action to improve the supply of affordable housing is urgently needed. Actions which could be undertaken by Commonwealth, State and Territory governments and key actors in the housing sector are outlined in the recommendations.

## The effectiveness of programs and supports in reducing cost pressures

### Health services

#### Medicare and bulk-billing

The role of Medicare in providing free or reduced cost hospital and medical services is of great value to all Australians. It is particularly important for people on low incomes who cannot afford private health insurance and for whom even relatively small costs can be a serious obstacle to health services.

The Brotherhood's work with households on low incomes shows that they rely on bulk-billing by general practitioners for access to affordable medical services. Since the introduction of Medicare in 1983-84, bulk-billing expanded by 1996 to cover 80 per cent of GP services but only one-third of specialist services.

However, bulk billing declined from 80.6 per cent of consultations in 1996 to 67.6 per cent in December 2002 (Schubert 2003). This decline results in uneven access to health services for people on low incomes, especially in country areas where there is little choice of GP. It is vital that bulk-billing is maintained and expanded to ensure access to health services for all Australians.

The Life Chances families illustrate some of the experiences of the health system (Taylor & Fraser forthcoming). While most of the children were in good health, 15 per cent of families on low income experienced difficulty affording health care for their 11-year-olds over the previous year compared with 4 per cent of other families. Some families mentioned that medication was a major expense they struggled to afford.

For many parents the issue of bulk-billing GPs was an important one:

I've got a very good children's doctor and he's looked after [child] since he's been born. But now they are not bulk-billing it will be a problem.

[I'm] angry that my doctor doesn't bulk-bill anymore.

#### Dental care

The deep inequalities in access to dental care are well documented. People living on low incomes visit dentists less frequently than the rest of the community, are likely to have teeth extracted rather than filled, and are less likely to get preventive care (Roberts-Thomson 1998). Research by the Brotherhood of St Laurence has shown that some people who have all their teeth removed during emergency treatment may wait up to a year to receive dentures (Brotherhood of St Laurence 1998).

A check-up at a private dentist costs around \$100, with another \$40 for X-rays and \$95 for each filling. Most people on low incomes cannot afford such fees and turn to the public sector, but inadequate funding means that waiting times are unacceptably long—up to three or four years in some areas. About 500,000 people are on waiting lists around

Australia and only about 11 per cent of those eligible for treatment receive it each year (Spencer 2001).

Dental costs were also a problem for families in the Life Chances study:

It's a bit unfair only wealthy people can afford braces. It shouldn't be a luxury.

It is unfortunate that the Commonwealth government cut the \$100 million National Dental Health Program, yet spends over \$300 million subsidising private dental treatment through the private health insurance rebate, largely benefiting the wealthy (Spencer 2001).

The decline in bulk-billing, the lack of access to dental care, and for some, the costs of medication, are major concerns for people living in poverty and are placing increasing pressure on household budgets.

## **Early childhood programs**

Experiences of children during early childhood and in the early years of school can have long-lasting effects well beyond childhood. Good quality child-care provides an enriching environment that can support and enhance all aspects of a child's development in the crucial early years. It can also identify health and development problems and promote remedial and preventative measures.

Child-care is essential if parents with young children are to take up opportunities for employment, education and training—some of the pathways out of poverty.

The Brotherhood's work with low-income families shows that child-care costs are still a significant obstacle, especially for families with more than one child and with parents involved in casual and contract work. The rate of Child Care Benefit for school-age children is lower than the rate for younger children. Better funding of and access to child-care services may have additional benefits by allowing more parents to work and reduce their reliance on income support payments.

Early childhood education programs are vital for building children's abilities and capacities. They enable children from disadvantaged backgrounds to start school with the skills and self-confidence to succeed in learning. They also make a major positive difference in the lives of children with disabilities. The cost of pre-school has increased considerably and means that some children in low-income families miss out (Taylor & Jope 2001).

## **Education**

Education and training are key pathways into employment and social participation, and out of poverty. They are also critical to creating economic growth, generating higher standards of living and fostering socially cohesive communities. Unfortunately there has been little change in the retention and completion rates of young people undertaking year 12 or equivalent over the last decade. Of particular concern is that those who do leave school

early are more likely to come from disadvantaged backgrounds (McClelland, MacDonald & Macdonald 1998). Lack of money for books, computers or excursions is known to contribute to lower retention rates and reduced opportunity for further studies.

Current allocation of Commonwealth Government funding to schools compromises the fairness of our education system. The States Grants (Primary and Secondary Education Assistance) Act 2000 provided more than generous funding support for private schools and especially for some of the wealthiest private schools. By 2004, government schools, which educate about 70 per cent of Australia's children, will receive only about one-third of Commonwealth education funding (Australian Education Union, 2001). This is an extremely inequitable distribution of federal government resources, reinforces divisions based on wealth, and displays little commitment to building equitable educational outcomes for all young Australians.

The inadequacies of subsidies for education costs is clear for the Life Chances study families on low incomes. While most children in low-income families attended government schools and received an Educational Maintenance Allowance, half the low-income families found it difficult to afford school costs.

The school costs that parents found most difficult to afford were uniforms, excursions and camps, fees and books:

[It is] sometimes hard buying the uniform, [with] pants \$50 each. (What do you do?) Save money for the uniform. Otherwise they won't go to school if they don't match.

Camp? They've never been with the school, we have never been able to afford it. They can't take part in everything. It makes them and me feel bad.

Young people who leave the education or training systems early are at considerable risk of experiencing long periods of disadvantage and poverty and unemployment, and are more likely to have poorer health, rely considerably on welfare services and to be involved in crime. The risk of these adverse outcomes is exacerbated by the fact that the past two decades have seen a collapse in the full-time labour market for 15 to 19-year-olds, with the number of jobs requiring little or no skills declining significantly (Business Council of Australia 2003).

## **Labour market programs**

With continued long-term unemployment, the role of labour market programs has become even more important, especially in equipping disadvantaged job seekers to become more competitive in the labour market and to get a foothold in paid work. Current programs are performing poorly in this respect.

### **Job Network limitations**

Numerous reviews of the Job Network have concluded that long-term unemployed and highly disadvantaged job seekers have not been well served in terms of both quality of assistance delivered and employment outcomes (Productivity Commission 2002; Davidson 2002; Eardley et al. 2001; ACOSS 2001b).

The Department of Employment and Workplace Relations' evaluation concluded that Intensive Assistance (the highest assistance category in the Job Network) provided only negligible benefits for job seekers, and that the likelihood of being in employment three months after completion was increased by only 0.6 per cent (DEWR 2002). The failure of this system to effectively assist disadvantaged clients is clearly reflected in the increases in long-term unemployment (ACOSS 2003).

It appears that the Job Network funding model provides strong incentives to focus resources on people who are easy to place rather than those with greater barriers to employment. By focusing on immediate outcomes, it discourages investment in quality services with the potential to address causes of labour market disadvantage (Quiggin 2003).

Evidence to date suggests a decline in the quality of support provided, a move away from holistic assistance, and a reduced focus on the broader welfare and personal needs of job seekers. The Productivity Commission (2002) found that in most cases Intensive Assistance was neither intensive or of assistance, and, that in general little was being done to address underlying employment barriers. This has led to large numbers of job seekers being 'parked' (registered with the provider but provided with no assistance) because the cost of removing barriers is too high relative to the outcome payment.

A further area of concern, which may directly affect poverty levels of disadvantaged job seekers, is the removal of any notion of job quality from the achievement of employment outcomes. For example Job Network providers receive the same payment for placing a job seeker in a low skill, low pay job with no prospects for development as for placing someone in a job with good training, reasonable pay, and possibilities for career development.

The Brotherhood welcomed the introduction of the Community Support Program and its extension to the Personal Support Program. This program has the potential to provide more personalised support to disadvantaged job seekers. Yet there is inadequate investment for this group, where barriers to work are often multiple, complex, and interacting, requiring high levels of on going support. In addition, the punitive element to activity test requirements and unnecessarily harsh breach penalties leads to increased financial hardship and de-motivation of job seekers.

### **Skill development and work experience**

Insufficient attention has paid to education, training, and skill development for unemployed people. While the introduction of Job Seeker Accounts from July 2003 may improve this situation a little, the amount provided for each job seeker (up to \$1,200) is still modest.

Another gap is the lack of effective programs to provide work experience for the long-term unemployed. Employers often prefer to appoint job seekers with recent work history, and the longer someone is out of work, the more uncompetitive they become. Work experience can overcome this in part, and provide on-the-job training in work practices and expectations of employers. A serious strategy to reduce long-term unemployment must provide greater opportunities for paid work experience.

One example of how this could be provided is the Transitional Jobs scheme suggested by ACOSS (2003) which would provide 6 months' work experience for very long-term unemployed people. Another with great potential is the Swedish 'training and hiring' model which provides public subsidies to employers who temporarily release low-skilled workers to upgrade their qualifications as long as they are replaced by an unemployed person (Schmid 1998).

## **Aged care**

Older people who have a history of insecure housing experience high rates of poverty. Particularly at risk are older people who are homeless, who live in rooming houses and caravan parks, or who have an unstable history in public housing or private rental. This group often experiences poor health, poor nutrition, premature ageing, loneliness, marginalisation and social isolation. Some also experience psychiatric or intellectual disabilities, alcohol-related brain impairment or acquired brain injury.

Unfortunately, people in this group are more likely to miss out on receiving the care and support they require. Mainstream aged services are reluctant to take on marginalised people as extra staff resources are usually required (e.g. for cleaning and dealing with challenging behaviours), but not recognised in funding formulae. Additional resources must be committed to ensure these people gain access to aged care accommodation or appropriate levels of community care.

## **Brotherhood of St Laurence innovations to reduce poverty**

The BSL has a long history of introducing new programs and initiatives to reduce poverty or moderate its effects. Some examples of current innovative programs are presented below.

### **Home Instruction for Parents of Preschool Youngsters (HIPPY)**

HIPPY supports parents to take an active role in the education of their pre-school age children in the home. It aims to maximise children's chances of success at school by encouraging a love of learning prior to beginning school. Home Tutors, who are also parents in the same community, are employed by HIPPY and trained to teach other parents how to teach their children, using activity-based learning materials. HIPPY has been effective in involving parents from culturally and linguistically diverse backgrounds and parents with limited formal education, thus offsetting two potential areas of disadvantage for children.

### **The Cottage**

The Cottage is a preventative developmental service which aims to increase the resilience of children, families and the community where it works. It demonstrates a flexible model of service delivery that responds to families by crossing traditional service boundaries. Programs offered include:

- the child development program
- early intervention service
- parenting work
- playgroups
- toy library
- early literacy program.

### **Homework Centre Fitzroy**

The Homework Centre provides academic and personal support for secondary school students. Students can receive assistance in a wide range of subjects covered at VCE level, use the space to work independently or to discuss work with friends in a relaxed and supportive environment. A particular focus is on students from non-English speaking backgrounds, or who lack the space or resources to study at home.

### **Transitions project**

This project works closely with secondary students at risk of leaving school early or who have already left. It provides early intervention through individual case management and seeks to bridge the gap between school and work or further training opportunities by having transitions workers based part-time in schools and part-time in local employment services. The project works with students from ten schools in the south-eastern and Mornington Peninsula region.

### **Parents as career and transition supports (PACTS)**

PACTS is a pilot project funded by the Department of Family and Community Services. Like the Transitions project, PACTS works with students at risk of early school leaving. It aims to equip parents to more effectively assist their children in choosing career pathways.

A Parents Support Group will be established to work with the Career and Transition adviser in initiatives such as 'Parents Training Other Parents', conducting workshops for parents and parent information nights.

### **Given the Chance**

This education program aims to strengthen new and emerging refugee communities across Victoria by overcoming employment disadvantage. Staff employed in private corporations or community organisations act as mentors for refugee job seekers. Mentors assist job seekers to understand employers' expectations regarding application and interview processes and performance on the job.

### **Ethical supply chain management**

The BSL has a commercial enterprise that imports optical frames from China. Considerable work has been done to understand the working conditions of the Chinese factory workers; by mapping supply chains, developing an understanding of Chinese labour law and its implementation and numerous factory visits. We have established relationships with local civil society representatives, industry associations and global brand name representatives to foster a higher level of compliance with Chinese law, and contribute to worker participation. This work identified some of the global dimensions of poverty, and the role of Australian business and government in promoting corporate social responsibility.

### **No Sweatshop Label**

The BSL is involved in the manufacture in Australia of new garments, which are then sold at our Hunter-Gatherer retail outlets. The BSL is one of only four accredited 'No Sweatshop Label' manufacturers in Australia. We are committed to ensuring that these garments are made in Australia by workers who receive award wages, superannuation and Workcover protection.

### **Microcredit**

The BSL and the Bendigo Bank have developed a micro-credit loans scheme to assist low-income people to purchase white goods. Low-income people are often unable to access mainstream financial services and must rely on more expensive forms of credit such as 'pay-day lenders' and pawn brokers. This initiative of the BSL is aimed at ensuring recipients have access to affordable financial services.

### **Community Partnership Accounts program**

The Community Partnership Accounts program, the first of its kind in Australia, aims to assist low-income families build savings for educational purposes. An 18-month pilot will be run by the Brotherhood of St Laurence and ANZ in three areas of Victoria to investigate the feasibility of the program. It is proposed that accounts be structured so that every dollar saved by individuals or families is matched with two additional dollars by the ANZ. Savings account holders will also be provided with financial education classes.

## **Conclusion**

Our analysis of poverty and financial hardship in Australia and our experience of innovative service delivery lead us to recommend a range of strategies which we believe will help reduce poverty. These can be grouped under five headings:

### **Increasing employment opportunities**

Increasing the number and quality of jobs would make a significant contribution to ending poverty in Australia. Policies should aim create more full-time jobs and to ensure minimum standards for conditions, hours and entitlements for those in part-time or temporary work. For the long-term unemployed, better resourced labour market programs with access to work experience are needed.

### **Providing an effective income support system**

The adequacy of social security payments should be improved by setting the level of payment for a single person on Age Pension as the benchmark for all payments. A policy approach which more strongly emphasised support and rewards would better assist unemployed people to find work. One important reform would be to reduce the high marginal tax rates faced by people taking up work.

### **Ensuring affordable housing**

A national housing policy would help coordinate disparate state and federal government housing programs. Important components of such a policy would include increased investment in new forms of social housing and strategies to increase private sector investment in low-cost rental housing.

### **Improving access to services**

Access to essential services, such as health, education and child care, would be improved for low-income people by reducing the financial barriers posed by fees and charges. This could easily be funded by reducing the level of government subsidy for private health insurance and private education.

### **Including marginalised communities**

A truly inclusive society requires respect for diversity. Education to improve understanding and reduce prejudice is an important step towards this goal. Policies to allow marginalised communities (particularly Indigenous communities and asylum seekers) to participate more fully in employment, education and community activities would improve their quality of life and foster greater community cohesion.

### **Creating mechanisms for change**

Any attempt to reduce poverty and its impacts on Australians must involve whole of government approaches. By this we mean strategies which fall under the responsibility of more than one government department and more than one level of government. These approaches must also involve communities and local community organisations. While national and state government policy responses and leadership are required, solutions must also be tailored for different communities.

We urge the Government to act decisively to implement these recommendations as a major step towards and 'Australia free of poverty'.

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