



RESEARCH NOTE

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Measuring the Numbers of People in Poverty

Introduction

With as many as one in every six or seven people in Australia living in poverty, including over three-quarters of a million children (see Table 1 below), the extent of poverty has become one of the continuing concerns across Australian society generally, and occupies many policy-makers continually. As very few people live in the kind of poverty usually associated with some 'third-world' countries, which is often referred to as 'absolute' poverty, the focus in Australia is on 'relative' poverty. Calculations are usually in reference to the incomes (and to a lesser extent the assets) of various groups and individual people in relation to their purchasing power. The income levels below which people are considered to be in (relative) poverty are often called 'poverty lines'. This Research Note does not try to establish what the poverty lines are, but provides measures of the *numbers* of people in (relative) poverty.

Table 1 below compares the

estimates of these numbers in poverty from various sources using income survey data with the estimates calculated using 'proxy' measures. An example of the calculation of the 'proxy' estimates for all people in poverty is shown in Table 2 below.

Income surveys

Over the years there have been many analyses conducted to estimate the numbers of people living in poverty. In Australia most of these have been based on the results of income and expenditure surveys conducted by the Australian Bureau of Statistics (ABS). In simple terms, analysts have applied the various poverty lines (generally compiled also using ABS data) to the income distributions estimated from the surveys. Many different outcomes have been derived from these surveys, depending on the assumptions being used as the bases for the calculations. This Note does not discuss the assumptions but presents many of the outcomes, as shown in Table 1.

Experimental 'proxy' measures

Although poverty lines have been published quarterly for many years, unfortunately income distribution surveys have been conducted far less frequently, and estimates of the numbers in poverty have not been calculated regularly. For some interested parties this has been an unsatisfactory situation and they have sought alternatives. In response, experimental measures have been developed, around the notion that people in families without jobs are the most likely to be in poverty. Certainly social security payments do take many of these people out of poverty, but these measures are only a guide, hence their 'experimental, proxy' nature. They are 'indicators' of what the numbers are likely to be, not definitive estimates.

These experimental estimates have, in several comparisons with estimates from income surveys, produced very similar results (see 1985–86 and April 1994 in Table 1). Hence a full series of these

Table 1. Numbers of People 'in Poverty', Australia

Measure	1981-82	1985-86	1989-90	April 1994	1995-96	June 1998	June 1999	Apr. 2000
Income surveys(a)(% of pop.)—								
Henderson Poverty Line, HDIPC	10.7	13.4	16.7					
OECD scales(b), annual income	11.0	11.6	9.3	(c)9.5				
Microsimulation, NATSEM				15.2	(d)16.7			
OECD scales(b), weekly income	(e)12.5				8.7			
NATSEM, unpublished, weekly	(e)15.8				20.3			
Others	10.3-19.2	8.6-18.1	6.7-18.2	4.8-9.5	10.1-19.1			
'Proxy' measures—								
'Minimum' poverty(f), '000	(g)1 023.4	1 066.7	1 055.7	1 475.3	1 341.0	1 524.3	1 420.3	1 369.4
– incl. dep. children, '000	n.a.	513.8	500.0	711.1	669.0	776.8	736.7	698.0
'Minimum' poverty(f), % of pop.	(g)6.7	6.7	6.2	(g)8.3	7.3	8.1	7.5	(g)7.1
'Likely' poverty(f), '000	(g)1 976.9	2 101.2	2 162.4	2 690.9	2 646.3	2 826.2	2 782.9	2 721.8
– incl. dep. children, '000	(g)533.1	599.3	579.0	795.7	765.4	870.8	832.2	787.3
'Likely' poverty(f), % of pop.	(g)13.0	13.1	12.7	(g)15.1	14.5	15.1	14.7	(g)14.2

(a) Latest estimates for periods shown are included. (b) 50 per cent of median income, equivalence scales. (c) 1993-94. (d) March 1996.

(e) November 1982. (f) June figures for financial year estimates. (g) Estimate.

HDIPC - Household disposable income per capita; dep. - dependent; n.a. - not available.

Source: ABS 3101.0/3201.0, various; ABS 6203.0/6224.0, various; Harding/NATSEM, various; Saunders, various; OECD, various.

experimental estimates has been calculated and is shown in Table 1. These calculations can be made for any month as they come from the monthly labour force survey (LFS) conducted by the ABS. They are particularly useful for estimating the number of children in poverty.

This Note provides two 'proxy' measures: 'minimum' numbers in poverty and 'likely' numbers. The 'minimum' numbers refer only to people in families where no member at all has a job; it is highly unlikely that the actual total number of people in poverty is anywhere near as low as this figure. The 'likely' numbers attempt to include all people at risk of being in poverty.

The advantages of these 'proxy' measures are that (i) they are available monthly, and (ii) they are consistent estimates over time, unlike many of the estimates based on income surveys.

Precautions

These 'proxy' measures are 'crude' estimates; they are not unrealistic but they rely heavily on poverty being an outcome of joblessness. They are broad measures only, with shortcomings that may or may not roughly compensate for each other overall. The 'shortcomings' are

listed below:

- people classified as unemployed by the ABS are not necessarily in poverty, as (i) social security payments can raise their total incomes significantly and (ii) they may be without work only temporarily;
- people classified as not in the labour force are not necessarily in poverty as many are self-funded through superannuation, investments, etc.. However many have age, disability or other pensions or transfer payments as their only source of income and may be in poverty;
- some families with an earner may still be in poverty as the income from that person may still be below the poverty line;
- these measures take into account only people who are usually resident in a household where a family relationship is determined (in March 2000 about 770 000, or 5.1% of civilians aged 15 years and over, did not have family relationship determined).

As with many kinds of estimates, the shortcomings may result in

slightly inaccurate figures, but, as each observation is measured the same way, movements from period to period in the measures would reflect fairly accurately the changes in the numbers in poverty as much as it can attributed to joblessness.

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Table 2. 'Proxy' Measures of the Numbers of People 'in Poverty', Australia, April 2000
('000)

Type of income unit	Families with no dependant children		Families with one dependent child			Families with two or more dependent children			Total		
	No. of families	No. of people	No. of families	No. of dep's	No. of people	No. of families	No. of dep's	No. of people	No. of families	No. of dep's	No. of people
Families where no member has a job—											
Couple families	27.7	55.4	45.5	425.5	136.5	88.8	222.0	399.6	162.0	267.5	591.5
One parent families	53.7	(a)107.4	113.0	113.0	226.0	127.0	317.5	444.5	293.7	430.5	777.9
Total - 'minimum' poverty	81.4	162.8	158.5	158.5	362.5	215.8	539.5	844.1	455.7	698.0	1 369.4
Families where no parent, but some other member, has a job—											
<i>Couple families –</i>											
Husband u/e, wife u/e	0.2	0.4	0.6	0.6	1.8	0.5	1.3	2.3	1.3	1.9	4.5
Husband u/e, wife NILF	3.0	6.0	2.4	2.4	7.2	3.1	7.8	14.0	8.5	10.2	27.2
Husband u/e, wife u/e	0.6	1.2	0.2	0.2	0.6	0.2	0.5	0.9	1.0	0.7	2.7
Husband NILF, wife NILF	(b)	(b)	12.1	12.1	36.3	5.2	13.0	23.4	12.3	25.1	59.7
<i>Total</i>	<i>3.8</i>	<i>7.6</i>	<i>15.3</i>	<i>15.3</i>	<i>45.9</i>	<i>9.0</i>	<i>22.5</i>	<i>40.5</i>	<i>28.1</i>	<i>37.8</i>	<i>94.0</i>
<i>One parent families –</i>											
Parent unemployed	4.0	(a)8.0	3.8	3.8	7.6	3.0	7.5	10.5	10.8	11.3	26.1
Parent not in labour force	77.1	(a)154.2	14.9	14.9	29.8	10.1	25.3	35.4	102.1	40.2	219.4
<i>Total</i>	<i>81.1</i>	<i>(a)162.2</i>	<i>18.7</i>	<i>18.7</i>	<i>37.4</i>	<i>13.1</i>	<i>32.8</i>	<i>45.9</i>	<i>112.9</i>	<i>51.5</i>	<i>245.5</i>
Non-family member NILF	..	..	..	..	..	..	..	..	..	..	1 012.9
Total - 'likely' poverty	166.3	332.6	192.5	192.5	445.8	237.9	594.8	930.5	596.7	787.3	2 721.8

(a) A family must by definition contain at least two people. (b) Using this methodology there is insufficient data for families in which there are no dependants, and where neither parent is looking for work, e.g. retired couples, to ascertain how many are likely to be in poverty. Also applies to families, except one-parent families with one non-dependant, where no member has a job. u/e - unemployed; NILF - not in the labour force; dep's - dependants.

NOTE. (1) The number of dependants in families with two or more dependants is deemed to be 2.5 dependants per family.

(2) It is possible that there are other people in all family types in this table, e.g. non-dependent children, thus the numbers are most likely an underestimation of the numbers of people in poverty when calculated in this manner.

Source: Based on Tables 29 and 32, *Labour Force, Australia*, April 2000 (ABS 6203.0).