

BANKWEST CURTIN ECONOMICS CENTRE

FALLING THROUGH THE CRACKS

Poverty and disadvantage in Australia

Focus on the States Report Series, No.1
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About the Centre

The Bankwest Curtin Economics Centre is an independent economic and social research organisation located within the Curtin Business School at Curtin University. The centre was established in 2012 through the generous support from Bankwest (a division of the Commonwealth Bank of Australia), with a core mission to examine the key economic and social policy issues that contribute to the sustainability of Western Australia and the wellbeing of WA households.

The Bankwest Curtin Economics Centre is the first research organisation of its kind in Western Australia, and draws great strength and credibility from its partnership with Bankwest, Curtin University and the Western Australian government.

The centre brings a unique philosophy to research on the major economic issues facing the state. By bringing together experts from the research, policy and business communities at all stages of the process – from framing and conceptualising research questions, through the conduct of research, to the communication and implementation of research findings – we ensure that our research is relevant, fit for purpose, and makes a genuine difference to the lives of Australians, both in WA and nationally.

The centre is able to capitalise on Curtin University's reputation for excellence in economic modelling, forecasting, public policy research, trade and industrial economics and spatial sciences. Centre researchers have specific expertise in economic forecasting, quantitative modelling, micro-data analysis and economic and social policy evaluation. The centre also derives great value from its close association with experts from the corporate, business, public and not-for-profit sectors.

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Foreword



The concept of disadvantage is one that invokes a number of connotations, including poverty, exclusion and deprivation. Generally disadvantage relates to a lack of resources and opportunity to achieve a basic standard of living.

A number of Australian studies have sought to further understand the extent of poverty and disadvantage, many of them using a 'standard' measure of income poverty based on the proportion of people with equivalised household income below 50% of the national median. However, many households have access to far less income.

Falling through the Cracks is the first in the *Focus on the States* series produced by the **Bankwest Curtin Economics Centre (BCEC)**. Our intention with this report is to add a much needed perspective to the national debate around poverty by examining just how deep income poverty extends throughout Australian households and what factors exacerbate the incidence and depth of poverty.

One of the key findings of our research is that more than one million people in Australia are living in severe income poverty, having access to household income of less than 30 per cent of the national median. This is a concerning number of people, of which more than 300,000 are children.

Dimensions of poverty and disadvantage are many and are often inextricably linked. Factors that at the outset may drive people towards or into poverty can quickly become outcomes of poverty in themselves, exacerbating the incidence and depth of poverty an individual experiences and perpetuating the cycle of disadvantage.

Who is falling through the cracks? Single person households, those renting, those with a disability, Indigenous and jobless households are the groups that are most exposed to deep and persistent poverty and disadvantage. These households are grossly over-represented in both 'standard' and severe income poverty measures and represent the highest risk groups for being persistently poor over extended periods of time.

Poverty, especially deep and entrenched disadvantage, is a complex problem of course, but for one million people to be in severe poverty represents something of a failure of Australia's social and economic systems to protect those in greatest need. However, it does represent an opportunity to rectify these disparities and develop inclusive and supportive policies and programs that prevent further slippage and enable these individuals and households to thrive rather than just survive.

A handwritten signature in black ink, appearing to read 'Alan Duncan', written in a cursive style.

Professor Alan Duncan
Director, Bankwest Curtin Economics Centre
Curtin Business School, Curtin University

Executive summary

This first report in the Bankwest Curtin Economics Centre's new 'Focus on the States' series explores the level of poverty and disadvantage within Australia - how this has changed in recent times, and what differences exist among groups and throughout Australia's states and territories.

Using the latest data from the ABS Survey of Income and Housing, supplemented by longitudinal and Census data, economists at BCEC have compiled a comprehensive report of the depths of income poverty and associated disadvantage that exists among Australia's states and territories.

The report is divided into two main sections - Part I examines the concept of poverty and disadvantage in the Australian context and measurement. Particular attention is paid to the depth of poverty and what groups of people are more or less likely to experience income poverty.

Key dimensions of poverty and disadvantage are explored further in Part II, including the income and employment, housing, disability and locational disadvantage. Indigenous disadvantage is considered closely, as well as trends in homelessness across states and territories.

Whether or not Australian governments have cultivated an environment that enables individuals and groups opportunities to succeed regardless of their background is also assessed.

Key findings

Income poverty and disadvantage

Concept and measurement

The concept of disadvantage is one that invokes a number of connotations, including poverty, exclusion and deprivation. Generally disadvantage relates to a lack of resources and opportunity to achieve a basic standard of living.

Regular and sufficient income is an essential element of Australian society, enabling necessary goods and services to be purchased and an adequate standard of living achieved.

Pooling those in poverty into one group can overlook nuanced differences between those who are doing it tough. In this report income poverty is separated into more severe degrees and differences in these groups assessed. Moderate, 'standard', substantial and severe measures are compared.

National and state level income poverty

Under the 'standard' income poverty definition, **12.9% of persons are living in households with income less than half the national median**. This equates to just over 2.8 million Australians in 2011-12.

Income poverty has remained relatively unchanged since 2009-10 for persons and households, and has decreased among Australian children, from 16.1% to 15.3%. More than 800,000 Australian children are living in poverty.

Considerable variation exists among states and territories. NSW is ranked first in both child and person level poverty measurements, with rates of 17.4% and 14.4% respectively. More than a million people in NSW are living in poverty, and close to 300,000 children.

Key Findings (continued)

Depth of poverty

In 2011-12 more than one million persons were in severe income poverty, having access to household income of less than 30% of the national median. This equates to around 5% of Australia's population.

A lone person in severe income poverty typically has no more than \$133 to live off each week after deducting housing costs – with many surviving on less. A couple with children in severe poverty makes do with income of \$261 each week after paying for housing.

The depth of poverty varies across Australia's states and territories, largely influenced by housing cost and demographic differentials.

The proportion of people in severe poverty is highest in Queensland and NSW, with 5.7% and 5.3% of persons in poverty respectively. NSW ranks highly among all poverty line groupings and has the highest proportion of people within the 'standard' 50% median poverty measure.

Among household types, single parents with children and lone person households are twice as likely to be in poverty under 'standard' measures.

Over one-quarter of single parent and lone person households are in poverty and one in seven is experiencing severe poverty.

Compared to their representation among all households, single parent and lone person households are over-represented among the poor. Across most poverty lines, single parent and lone persons have twice the representation among poor households when compared to their occurrence in the overall population.

Dimensions of disadvantage

Circumstances that give rise to persistent and deep disadvantage can be complex and the direction of causality blurred. Drivers of poverty can quickly become outcomes that exacerbate the incidence and depth of poverty an individual experiences, perpetuating the cycle of disadvantage.

The journey to employment as a means of escaping poverty is not always straightforward, nor necessarily as quick as might be desired, for many individuals in disadvantaged economic, social or health circumstances.

Poverty and labour force status

The proportion of single-earner, single adult households in severe poverty, at 6.4%, corresponds to an incidence more than twice that for single-earner couple households and around a third higher than for the general population.

Casual work provides less protection from poverty than other types of employment, leading to a small but noticeable class of 'working poor'.

Poverty rates are most prevalent among jobless households, with around one half of jobless households in some form of income poverty.

Jobless households are over-represented at various poverty depths, and are 7 times more likely to be in severe poverty than other households – a rate that has more than doubled over the last decade from under 15% in 2006 to nearly 34% in 2012.

Poverty incidence – both 'standard' and severe – also rises with the duration of unemployment. This highlights the importance of state and federal policies in targeting joblessness, and long-term unemployment especially, as a direct attack on poverty.

Source of income

Households that are able to source most of their income from wages and salaries are more likely to be out of poverty than other households, however *wages in and of themselves do not prevent income poverty entirely.*

The high proportion of households that are reliant on wages and salaries as their main source of income across the poverty depth groups indicates the existence of a 'working poor' sub-population.

Financial hardship and deprivation

Deprivation assesses how living standards compare to what are considered societal norms regarding material consumption and behaviour. When a person is unable to afford the items considered necessities within a society they are considered to be living in deprivation.

Single parent households in poverty face greater difficulties across all types of financial hardship than any other household type. Regardless of poverty depth, *almost one in four single parent households consistently experience multiple deprivation.*

Single non-elderly male and female households in poverty are more likely to be experiencing deprivation than other household groups, including the inability to heat their homes and seeking assistance from welfare organisations.

Housing

High housing costs represent a significant economic and social issue for Australia, as highlighted in the Centre's recent 'Focus on WA' report on Housing Affordability: the social dimension.

Local housing markets and the availability of affordable housing options to those on lower incomes have an important bearing on income disadvantage, a feature that is highlighted in an examination of

variations in poverty incidence across states and territories in Australia.

The overall poverty rate for renters in Australia is more than twice that for mortgage holders (22.6% against 10.0%) and three times the rate for owners without mortgages (at 6.8%).

More than a third of single parents with primary or secondary school-aged children are in poverty, and around one in seven single parents with pre-school children suffer severe poverty.

Elderly households in severe income poverty (below 30% median) have very low disposable incomes, once housing costs are deducted. This is especially the case for single elderly female households, who have on average \$130 per week to live off.

Homelessness

It is estimated that over 100,000 persons are homeless in Australia. Adult working-age Australians (25-64 yrs) are more likely to be homeless than any other age group, constituting 44% of all homeless persons nationally. Children (aged less than 18 years) have the second largest representation among those classified as homeless, with more than 1 in 4 homeless, children.

The Indigenous population is over-represented among those who are considered to be homeless. While Indigenous Australians make-up a greater proportion of the population in the Northern Territory (15%), they constitute more than 90% of all homeless persons.

Health and Disability

Poor health and disability has strong associations with income poverty and disadvantage, preventing individuals and families from full participation in the labour force and educational opportunities.

The relative risk of a household being in poverty is greater if a member of that household has some form of disability, among nearly all household types.

Non-elderly couple only households including someone with a mild to moderate activity limitation or an education or employment limitation are more than twice as likely to be in poverty as non-elderly couples without a limiting disability.

Indigenous Disadvantage

Across the array of potential metrics relating to poverty and disadvantage, Aboriginal and Torres Strait Islander peoples invariably rank among the demographic groups within Australian society experiencing the worst outcomes.

For most indicators of poverty and disadvantage used in this report, precise measures for the Indigenous population cannot be determined with existing data. Keeping this limitation in mind, the data indicate that households in which at least one of the household members identifies as being of Aboriginal or Torres Strait Islander descent have median household incomes 20% lower than other households. This income gap increases to almost 40% when judged on personal income, because Indigenous households have a higher average number of occupants (3.3 as opposed to 2.6).

Geography

Geography plays an important role in poverty and disadvantage. Individuals who possess particular attributes can have higher propensities of poverty, however, possessing these attributes together with living in a particular area can exacerbate and prolong poverty and disadvantage.

Among Australia's state capitals and state balances poverty rates vary considerably – from 8.2% in the ACT to 15% in Australia's most populated city – Sydney. The proportion of persons in severe poverty also has a relatively wide range, from just 2.8% of those living in

the ACT/NT to 6.5% in the Balance of Queensland.

Education and Social Mobility

Almost two-thirds of Australians whose parents achieved a university qualification have also achieved a tertiary level qualification. This compares starkly with those whose parents achieved year 10 or below, where 20% were able to gain a tertiary qualification.

Social mobility in education has increased especially among the cohort of Australians born in the 1970s. Those born in the 1970s whose parents were educated to Year 10 or below were 50% more likely to attain tertiary education than earlier cohorts.

However, there is also some evidence to suggest that these high rates of mobility in education are tailing off for the latest cohort of Australians born in the 1980s.

Poverty Persistence

Around 32% of the Australian population will have experienced at least one year in relative poverty over the last decade, and nearly one in five (19%) will have spent at least one year in severe poverty.

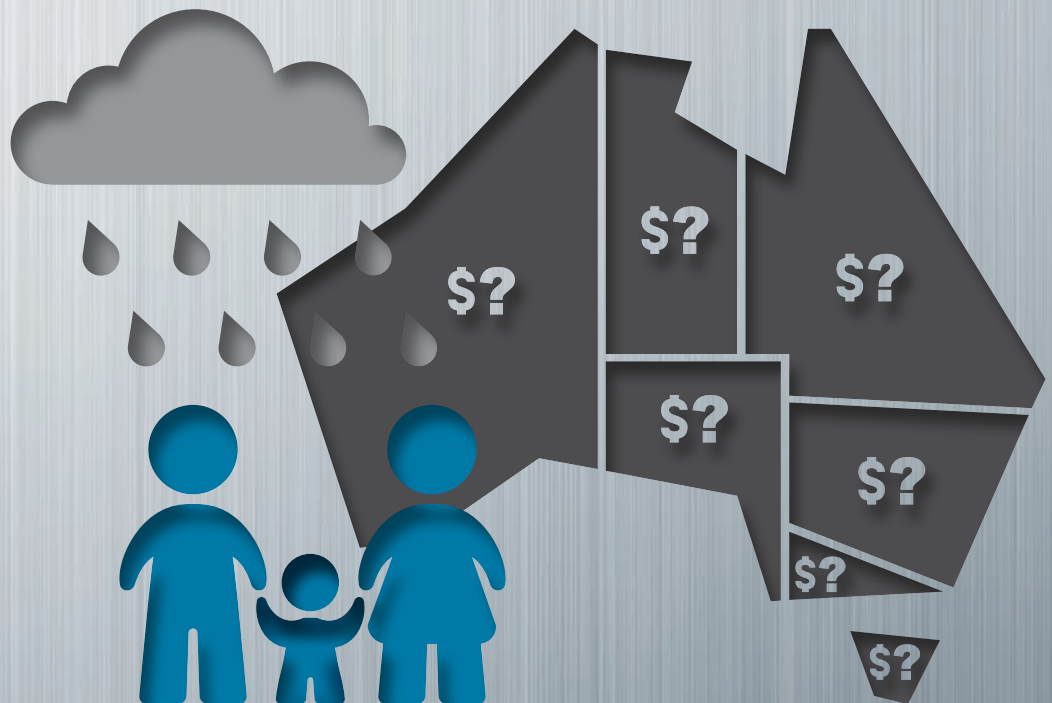
Up to 22% of households designated poor in 2011 had been in a state of relative poverty for at least a period of five years. However, there is some evidence that the rate of persistent poverty is on the decline in the latest survey year.

Poverty persistence is far more prevalent among single adult households. More than 60% of single parents experienced 'standard' income poverty for at least one year in the last 10, while nearly 15% - around 250,000 - were poor on the same definition for at least five years in the last decade.

PART I:

Income

poverty and disadvantage



Introduction

“Overcoming poverty is not a gesture of charity - it is an act of justice.”

Nelson Mandela

We live in a land of opportunity, with a keen sense of everyone being able to enjoy a ‘fair go’. Yet there remain groups in society who have not been able to share in the advantages that Australia has to offer. Why is there still so much distance between the “haves” and “have nots” – those who are able to progress in life and those that are left behind?

We begin this first report in the Bankwest Curtin Economics Centre’s ‘Focus on the States’ series by exploring the level of poverty and disadvantage within Australia - how this has changed in recent times and differences that exist among groups and throughout Australia’s states and territories.

Deep and prolonged disadvantage impacts both current and future wellbeing – of individuals, families and importantly children. In this report we add a much needed perspective to the national debate around poverty by examining just how deep income poverty extends throughout Australian households, and what factors exacerbate the incidence and depth of poverty. These analyses are supplemented with additional information about important aspects of disadvantage including homelessness, geographic and Indigenous disadvantage.

How deep is income poverty and disadvantage in Australia? Which groups have a higher risk of being in poverty? What role does location play? How fair is Australia? Can those who are able to move out of disadvantage? And do Australia’s education systems support this?

To provide answers to these questions we begin in Part I by examining the concept of poverty and disadvantage in the Australian context and associated measurements. Particular attention is paid to the depth of poverty and what groups of people are more or less likely to experience income poverty.

Key dimensions of poverty and disadvantage are explored further in Part II, including income and employment, housing, disability and locational disadvantage. Indigenous disadvantage is considered closely, as well trends in homelessness across states and territories. Whether or not Australian governments have cultivated an environment that enables individuals and groups opportunities to succeed regardless of their background is also assessed through social mobility analyses.

Background

The concept of disadvantage is one that invokes a number of connotations, including poverty, exclusion and deprivation. Disadvantage is a concept closely linked with the concept of wellbeing, where a lack of wellbeing (economic, social, physical, mental and so on) results in an inferior or 'disadvantaged' state. Generally this state is relative to other persons within a population, or in comparison to a social norm. While there is no consensus on an agreed definition, generally *disadvantage relates to a lack of resources and opportunity to achieve a basic standard of living*.

Traditional measures of disadvantage or poverty have previously been built around markers of low income or insufficient resources and have generally involved single dimensional measures such as being below a certain poverty line. It is now often recognised that disadvantage encompasses more than just a lack of financial resources but is extended to include other forms of disadvantage. Concepts such as social exclusion and multiple deprivation have developed around this rhetoric where it is now understood that *"the poor are not only those with the lowest incomes but also those who are the most deprived of health, education and other aspects of human well-being"* (UN Department of Economic and Social Affairs, 2008). These more recent concepts of disadvantage often continue to include measures of income or factors closely related to income, including the ability to access goods and services and an individual's educational attainment. However, the focus has moved to recognise multiple factors that are linked to disadvantage, including poor health, education, labour market opportunities and access to services (Callander, Schofield, & Shrestha, 2012, McLachlan, Gilfillan & Gordon, 2013, & Scutella, 2013). This approach to disadvantage assesses how living standards compare to what are considered societal norms regarding material consumption and behaviour.

Single dimension measures

Income poverty is one of the most widely used measures of disadvantage, providing a guide as to the minimum income required to maintain a standard of living. Income poverty measurement can involve both absolute and relative measures. Absolute measures are used by comparing the cost of a specific amount of goods in a country to maintain a certain standard of living and comparing this to an individual's or household's regular income. People are considered to be in income poverty if they do not earn or receive an income sufficient to cover this cost. This method provides governments with a specific figure to refer to in considering interventions and policies though it relies on the cost of goods and services at a specific place and time and does not often allow for the price of goods changing with localities and over time.

The relative income measure involves identifying an income threshold and classifying people as being in income poverty if they earn less than the threshold. A common threshold that is used is the half-median.

Both measures will typically adjust income for household size in order to gain a more accurate measure of the financial resources available to household members. For example, a couple only household with an annual income of \$80,000 per year will be able to acquire a higher standard of living when compared to a family with three children on the same annual income. This adjustment is referred to as 'equivalising'.

Multi-dimensional measures

While there is yet to be a single agreed upon concept or measurement of disadvantage there is increasing realisation that it is not based on income alone. The need to consider factors other than income in addressing poverty has been internationally recognised and is becoming a focus in Australian research.

While disadvantage has previously been understood as poverty, or low income, it is now recognised as a multidimensional construct that has long reaching negative impacts. A number of factors have been recognised as interacting with disadvantage, including deprivation (what items society considers necessary that a person cannot afford), capability (a person's capabilities and functions) and social exclusion (ability to adequately participate economically, socially and culturally in society).

The concept of social exclusion initially arose in France in the 1960s when it was used in discussion around the most disadvantaged members of society who weren't covered by social insurance such as invalids, abused children, people with addictions and the mentally or physically handicapped (Silver, 1994). However, it wasn't until the 1980s when the term became more widely applied in policy discussions (Silver, 1994). Social exclusion has since become one of the leading concepts in the expanding multi-dimensional disadvantage field. While definitions abound, the concept generally relates to a person's ability to effectively engage in society and has been described as "the process of being shut out fully or partially from any of the social, economic, political or cultural systems which determine the social integration of a person into society. Social exclusion may therefore be seen as the denial or non-realisation of the civil political and social rights of citizenship." (Walker & Walker, 1997, p. 8).

Some of the key dimensions identified with social exclusion include, but are not limited to, exclusion from the labour market, exclusion from adequate income or resources, or poverty, service exclusion and exclusion from social participation (Gordon *et al.*, 2000, p. 54) which results in reduced opportunities to learn, work, engage in society and be active in decisions (Australian Social Inclusion Board, 2012).

A number of recent Australian studies have sought to measure the extent of social exclusion in Australia. Abello *et al.* 2014 constructed geographic indices of youth social exclusion across all Australian regions. Using a domains approach they assemble indicators into over-arching areas of future and current wellbeing, including socio-economic status, education, participation, caring responsibilities, health service access and housing. Correlations with youth at risk of social exclusion were found between all domains, with particularly strong correlations identified with youth participation, caring responsibilities and socio-economic background. Overall results showed 20% of youth aged 15 to 19 years were at risk of social exclusion (Abello *et al.*, n.d.).

Scutella, Wilkins, and Kostenko (2013) also take a domains approach, however, measurement is conducted at an individual rather than geographic level. Scutella *et al.*, (2013) includes similar domains to Abello *et al.*, (n.d.) identifying seven domains as interacting with social exclusion: material resources, employment, education and skills, health and disability, social and personal safety. Scutella *et al.*, (2013) found that between 2001 and 2007 over three quarters of the population reported at least one indicator of social exclusion. A further 20% to 30% of the population were

identified as experiencing marginal exclusion and between 4% – 6% experiencing intense exclusion with the rates of exclusion decreasing over the period.

There are a number of characteristics the deeply social excluded experience. They often have long term medical conditions or a disability and experience little interaction with the community (McLachlan, 2013). They also often have low economic resources due to characteristics resulting in low workforce participation with just under 70% living in households with an annual income of less than 60% of the median household equivalised income (Melbourne Institute, 2013). Many have low educational attainment (nearly half), live in jobless households (nearly 60%) or participate marginally in the workforce, are underemployed or unemployed (just under 40%) (McLachlan, 2013).

Deprivation

Concepts of deprivation and poverty overlap but are not synonymous, though they are often used interchangeably. Original research into poverty in the late 1890's moved from considering income alone as a measure of poverty to calculating the cost of living expenses, including housing costs combined with the cost of covering basic nutritional requirements (Townsend, 1979). As an absolute measure of poverty and deprivation this measure has been criticised for not acknowledging changes in basic needs with location and time. With this in mind the concept has grown to be increasingly multidimensional and deprivation is now considered to relate not only to low income but to a lack of ability to afford basic materials and a lack of opportunities within society at a specific time, such as skills, physical abilities and participation (Chambers, 2006). Factors now considered in measuring deprivation include income poverty, material lack or want and a lack of capability (Chambers, 2006, McLachlan *et al.*, 2013).

When a person is unable to afford the items considered necessities within a society they are considered to be living in deprivation, and much of Australia's more recent research into deprivation has focused around this concept. Australian studies have shown that the items considered most necessary do not relate to material items instead relating to "their ability to function in society, to access key services when they need them, to have a sense of status and identity, and to connect socially with others" (SPRC, 2007).

Surveys were conducted by SPRC in 2006 and 2010 and identified 24 items that people considered essential in Australian society including access to medical treatment, warm clothing and bedding, access to one substantial meal a day and the ability to buy prescription medication if needed (McLachlan *et al.*, 2013). While previous studies of deprivation have failed to access portions of Australia's population, such as the homeless, the Poverty and Exclusion in Modern Australia (PEMA) study utilised welfare organisations such as Mission Australia and the Brotherhood of St Laurence to access this portion of the population and provide a sample that included Australia's most disadvantaged which provided the opportunity to compare welfare clients and the general community.

Summary

While there is yet to be a single agreed concept or measurement of disadvantage, there is increasing realisation that it is not based on income alone. The need to consider factors other than income in addressing poverty has been internationally recognised and is becoming a focus in Australian research.

However, income still remains an important aspect of gauging the level of disadvantage one experiences. Economic resources consistently feature prominently among multi-dimensional measures of disadvantage and are generally one of the main drivers of index findings. Outcomes in other important areas of one's life such as education, health, housing and social participation depend more often than not on a person's income or economic resources.

Income trends

Regular and sufficient income is an essential requirement to achieve an adequate standard of living, making possible the purchase of necessary goods and services and enabling Australian households to participate in community and society.

As shown in the BCEC's 'Sharing the Boom' report, real incomes have grown across the majority of household types over the last fifteen years, increasing nationally by 14.2% (Cassells *et al.* 2014a). Western Australia in particular experienced rising incomes, well beyond those of other states and territories, as the mining boom heated up the WA economy. Wages growth in the West has been significant, with average weekly earnings currently running more than 20% above the national average.

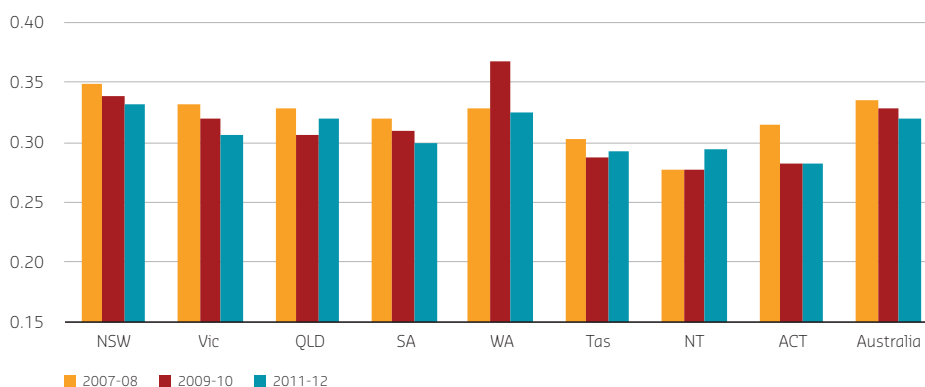
However, incomes have not grown as fast for some groups as they have for others. Inequality, especially that generated by unfair or prejudicial circumstances, is generally considered by many societies to be an unwanted outcome. Inevitably, where there exists an income distribution, there will always be those who have more than those who have less. The division between the two, and how 'fair' or 'unfair' that division is deemed to be, has led to policies that even out what many regard to be unwanted social and political outcomes. Australia's progressive taxation system and transfer payments are two such examples.

A standard and widely accepted measure of inequality is the 'Gini' coefficient. This measure calculates the dispersion of income within a population and ranges between zero and one. Values close to zero indicate less inequality and values closer to one represent a situation of greater inequality. In recent times, income inequality as measured by the Gini coefficient has been decreasing (Figure 1). This is the case across most Australian states and territories, with the exception of Queensland, Tasmania and the Northern Territory. These states have seen a slight increase between 2007-08 and 2011-12. Western Australia stands out, with income inequality towering above other states and territories in 2009-10, but declining since.

NSW and WA remain the most unequal of the states and territories when comparing income dispersion. Tasmania and the ACT are the least unequal of Australia's states and territories, highlighting a more homogenous population and economy.

NSW and WA remain the most unequal of the states and territories when comparing income dispersion.

Figure 1 Income inequality among Australian states and territories, 2007-08 to 2011-12



Note: Gini coefficients are calculated separately for each state/territory income distribution.
Source: BANKWEST CURTIN ECONOMICS CENTRE | AUSTRALIAN BUREAU OF STATISTICS Cat No. 6523.0.

The incomes of WA's richest households reached 4.8 times those of the poorest 10%, and 2.1 times the incomes of typical (median) households by 2009-10.

To further understand the causes of income disparity among states and territories, we turn to a series of comparisons of incomes at various parts of the distribution. Specifically, we compare the incomes of households in the richest 10% of the distribution (P90), the median household (P50, representing the middle of the income distribution), and the poorest 10% (P10).

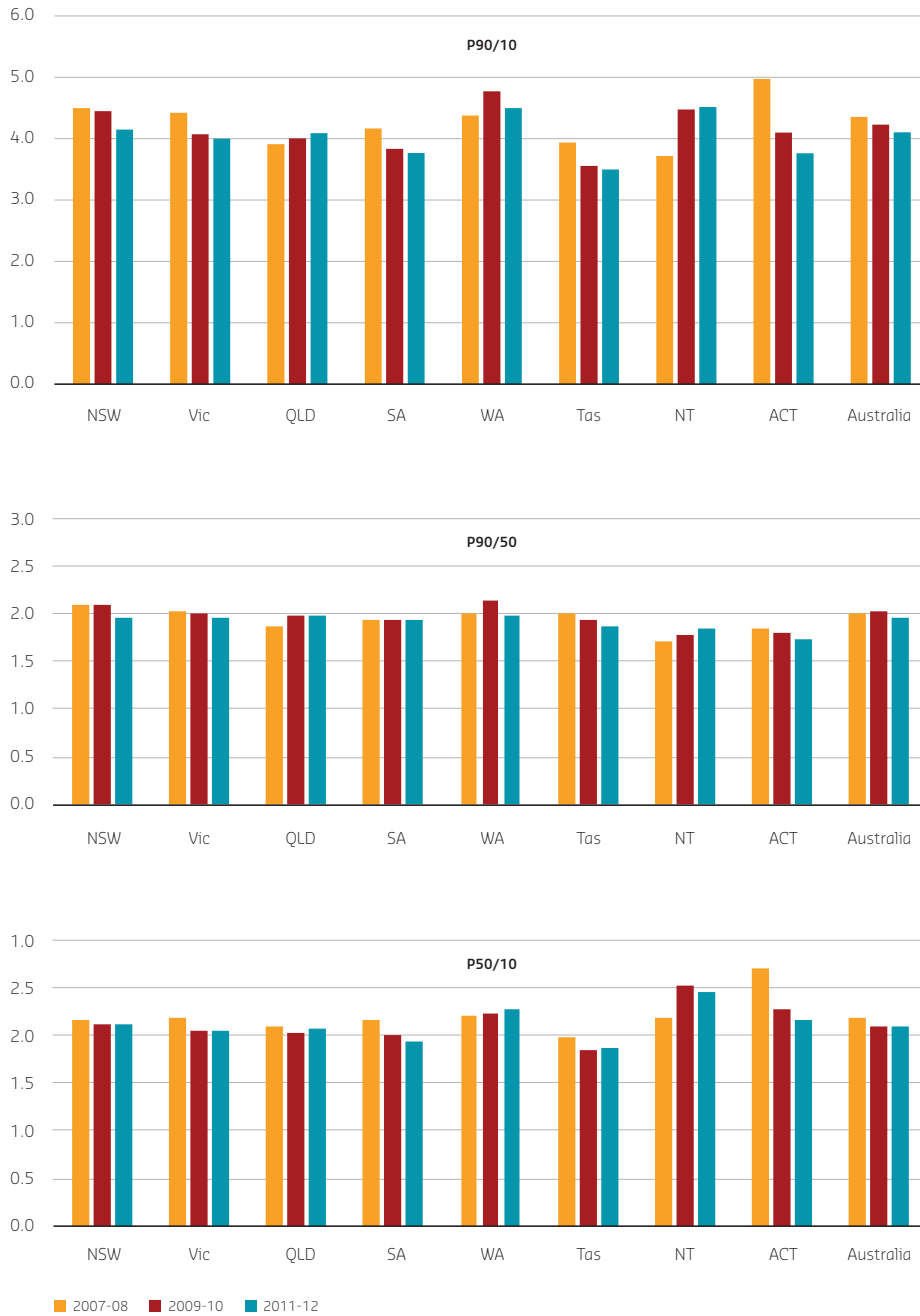
A number of comparisons are provided in Figure 2. The first panel (P90/P10) compares the incomes of those ranked in the top 10% of the income distribution (the richest households) with the poorest 10% of households. Nationally, the richest households received on average 4.1 times the income of the poorest households in 2011-12, a decrease from a multiple of 4.4 in 2007-08.

Among states and territories, the ACT has experienced the greatest reduction in inequality over the last half decade. The capital's P90/P10 ratio fell from a national high of 5.0 in 2007-08, to 3.8 in under five years. NSW, Victoria, South Australia and Tasmania have all seen reduced inequality between the incomes of the richest and poorest households. On the other hand, Queensland has experienced modest increases in the P90/P10 ratio since 2007-08, from 3.9 to 4.1, whereas the gap between rich and poor in the Northern Territory has also widened over the same period.

Turning to a comparison of the incomes of the richest 10% of households and those of the typical (P50) household in the middle of the income distribution, we find a fairly consistent pattern, with the richest households receiving around double the incomes of those at the median across all states and territories. This trend has remained relatively flat over the three periods, with only Tasmania and the ACT falling slightly. The difference between the richest and middle income households in the Northern Territory has also increased over time, suggesting that middle income households have failed to keep pace with the growth in the incomes of the richest households. As highlighted in the Centre's recent 'Sharing The Boom' report, the incomes of the richest households in WA moved away from both middle and low income households during the GFC. The incomes of WA's richest households reached 4.8 times those of the poorest 10%, and 2.1 times the incomes of typical (median) households by 2009-10. There is some indication of a reversal in these widening trends since this peak in 2009-10.

Nationally, middle income households in Australia have on average just over twice the incomes of the poorest 10% - a pattern that is repeated for most states and territories. Two exceptions to this rule are the Northern Territory, where middle incomes have grown to 2.4 times the levels of the poorest 10%, and WA (2.3 times). We have generally seen a modest reduction over the last six years in the gap between those on typical (median) incomes and the lowest income households, most obviously in the ACT from the highest P50/P10 ratio nationally (2.7) in 2007-08 to just over the national average (2.2) now. There has been a slight increase in the P50/P10 ratio in WA since 2007-08.

Figure 2 Relative income comparisons, Australian states and territories, 2007-08 to 2011-12



Source: BANKWEST CURTIN ECONOMICS CENTRE | AUSTRALIAN BUREAU OF STATISTICS Cat No. 6523.0

Income poverty in Australia

Poverty, like freedom, is a question of degree.

The assessment of income inequality in Australian society, and the manner in which resources are distributed over the population, is an important yardstick by which to judge fairness and economic wellbeing. However, its measurement reflects the level of income dispersion across the full array of households, from the poorest to the richest in society. Inequality can rise because households on the lowest incomes are failing to keep pace with those of typical families, but it is also influenced by growth in the incomes only of the richest.

This first report in the Centre's 'Focus on the States' series is concerned with the economic circumstances of the poorest sections of Australian society, for which a different series of measures are required. As highlighted in the introduction to this report, the main measure used to assess poverty is the *headcount poverty rate*, which calculates the proportion of the Australian population whose incomes fall below an appropriate threshold that is deemed sufficient to deliver an 'adequate' standard of living. Poverty can be assessed with respect to consumption, or expenditure, but the typical measure is based on household disposable income (after tax).

This reflects the importance of income as a means to obtain an adequate or desired standard of living, and provide access to financial resources – something that is especially important for households with larger necessary expenditures to support dependent children and adults.

Poverty, like freedom, is a question of degree. Despite the convenience of so doing, pooling those in poverty into a single group can disguise differences, both subtle and significant, in the circumstances of those who are doing it tough. This report adds a new perspective to the measurement of income poverty by assessing the characteristics of those in progressively more severe depths of poverty, rather than simplifying the quantification of poverty to a single, undifferentiated state. Specifically, the research in this 'Focus on the States' report compares the prevalence of economic disadvantage across Australian households using moderate, 'standard', substantial and severe measures of income poverty.

Data

The majority of the analysis in this report uses income poverty measures calculated from the most authoritative and comprehensive income data source – the Australian Bureau of Statistics' (ABS) Survey of Income and Housing. The longitudinal Household, Income and Labour Dynamics in Australia (HILDA) survey is also utilised to provide supplementary analysis of the dimensions of income poverty and persistence measures. Lastly, analysis of the ABS Census of Population and Housing adds a locational aspect to the report.

Measurement of poverty

Poverty rates are assessed by calculating the percentage of people whose real equivalised household disposable incomes fall below different fractions of the median. Equivalising income is a method of standardising income to take account of household size and composition differences. Here, we use the OECD modified equivalence scales to standardise income. These scales apply 1.0 for the first adult in the household, 0.5 for any subsequent adults and 0.3 for children.

The influence of housing costs and their impact on relative income poverty is controlled for by relating household incomes to national median values, but accounting for regional price variation to some extent through deducting housing costs from household disposable income.

Under the 'standard' relative income poverty definition used in most empirical studies, we estimate that 12.9% of persons are living in households with incomes below half the national median once housing costs are deducted. This equates to just over 2.8 million Australians in 2011-12. 'Standard' income poverty has remained relatively unchanged over the past two periods for persons and households, but has decreased among Australian children, from 16.1% to 15.3%. Even so, more than 800,000 children are living in poverty in Australia.

12.9% of persons are living in households with incomes below half the national median once housing costs are deducted. This equates to just over 2.8 million Australians in 2011-12.

Table 1 Income poverty rates and numbers – households, persons and children, 2009-10 and 2011-12

Unit of measurement	2009-10		2011-12		Change	
	No.	%	No.	%	No.	% point change
Households	1,229,465	14.7%	1,273,455	14.8%	+43,990	+0.1%
Persons	2,763,716	12.9%	2,836,066	12.9%	+72,350	-0.0%
Children	852,420	16.1%	812,931	15.3%	-39,489	-0.8%

Note: Poverty rates are assessed by calculating the percentage of people whose real equivalised household disposable incomes (after housing costs) fall below 50 per cent of the median. Nil and negative incomes are excluded from all poverty calculations. Data are re-based to 2014 prices. Housing costs included mortgage repayments, rent and property rates. See technical notes for further detail.

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Survey of Income and Housing unit record data.

We see some quite marked differences when states and territories are compared on 'standard' measures of poverty (Table 2). NSW ranks first in both child and person level poverty, at rates of 17.4% and 14.4% respectively. There are now more than a million people in NSW living below half median incomes, and close to 300,000 children.

Tasmania is ranked highest for the proportion of households in poverty, at 16.5%. This is just in front of NSW, at 16.4%. At the other end of the scale, WA ranks among the lowest across all states and territories in rates of household, person or child poverty. This likely reflects the higher incomes within the state when compared to national trends. Interestingly, the ACT/NT combination ranks last in poverty among households and children, yet fourth for persons in income poverty.

Table 2 Income poverty rates and numbers by state and territory, 2011-12

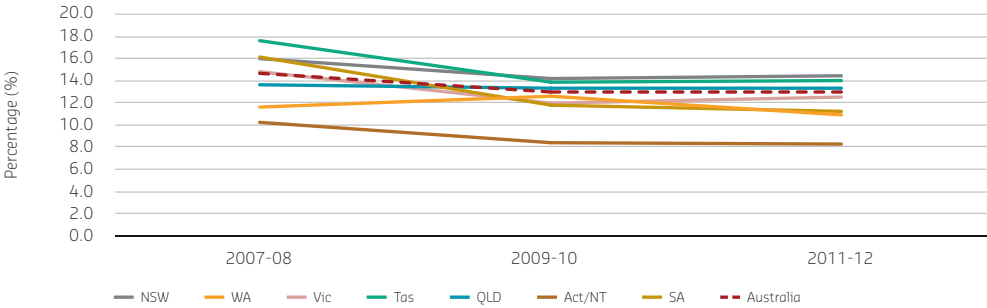
State/territory	2011-12 Households		2011-12 Persons		2011-12 Children		Rank (%)		
	No.	%	No.	%	No.	%	Households	Persons	Children
NSW	450,268	16.4%	1,023,237	14.4%	295,609	17.4%	2	1	1
Vic	297,577	13.9%	686,795	12.4%	208,767	15.6%	4	5	3
Qld	269,507	15.7%	586,188	13.3%	165,604	15.1%	3	3	4
SA	89,476	13.5%	178,875	11.2%	44,023	11.9%	5	6	5
WA	112,995	12.6%	248,016	10.8%	66,384	11.7%	6	7	6
Tas.	34,260	16.5%	69,319	13.9%	20,650	16.8%	1	2	2
ACT/NT	19,372	9.6%	43,636	12.9%	11,894	9.2%	7	4	7
Australia	1,273,455	14.8%	2,836,066	12.9%	812,931	15.3%			

Note: Poverty rates are assessed by calculating the percentage of people whose real equivalised household disposable incomes (after housing costs) fall below 50 per cent of the median. Nil and negative incomes are excluded from all poverty calculations. Data are re-based to 2014 prices. Housing costs included mortgage repayments, rent and property rates. See technical notes for further detail.

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Survey of Income and Housing unit record data.

Figure 3 shows how relative income poverty has changed between 2007-08 and 2011-12, for Australia overall and for each of the states and territories. Nationally, the headline poverty rate has fallen since 2007-08, and currently sits at 12.9%. Relative income poverty in South Australia has reduced from 16.2% to 11.2% over the same period, with Tasmania's rate also falling to just under 14%. These trends are likely to have been driven more by a slow-down in the rates of income growth (and hence a reduction in median incomes) in the larger, generally wealthier states of NSW, Victoria and WA, rather than any significant increase in household incomes either in Tasmania or South Australia.

Figure 3 Proportion of persons living with less than 50% of median equivalised household income, by state and territory, 2007-08 to 2011-12



Note: Poverty rates are assessed by calculating the percentage of people whose real equivalised household disposable incomes (after housing costs) fall below 50 per cent of the median. Nil and negative incomes are excluded from all poverty calculations. Data are re-based to 2014 prices. Housing costs included mortgage repayments, rent and property rates. See technical notes for further detail.
Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Survey of Income and Housing unit record data.

Depth of income poverty

The ‘standard’ measure of income poverty used in most empirical poverty studies is based on the proportion of people with equivalised household income below 50% of the national median. However, many households have access to far less income than this benchmark¹. For this report, we add a new perspective to the national debate by examining just how deep income poverty extends to in Australia. Specifically, we explore the prevalence of progressively deeper financial hardship by evaluating poverty at variations of the poverty line set at 50% (‘standard’), 40% (substantial) and 30% (severe) of median household income. These rates are compared with measures using the 60% (moderate) median poverty line increasingly favoured in OECD studies.

Table 3 shows the depth of poverty among households, persons and children at different poverty lines. In 2011-12 more than one million persons were in severe income poverty, having access to household income of less than 30% of the national median. This equates to around 5% of Australia’s population.

Among the 813,000 children who experienced ‘standard’ income poverty in 2011-12, more than half were in substantial income poverty (below 40% median) and 38% faced severe financial hardship. Severe income poverty is an unwanted outcome for most groups, but particularly those whose current living standards will likely predict future outcomes. More than 310,000 children nationally are living in households with severely low incomes below 30% of the national median.

More than 310,000 children nationally are living in households with severely low incomes below 30% of the national median.

Table 3 Depth of income poverty – households, persons and children, 2011-12

Poverty line	Households		Persons		Children	
	No.	%	No.	%	No.	%
30% median	488,016	5.7%	1,106,707	5.0%	312,999	5.9%
40% median	779,394	9.1%	1,719,972	7.8%	479,863	9.0%
50% median	1,273,455	14.8%	2,836,066	12.9%	812,931	15.3%
60% median	2,005,628	23.4%	4,359,009	19.8%	1,180,985	22.2%

Note: Poverty rates are assessed by calculating the percentage of people whose real equivalised household disposable incomes (after housing costs) fall below different fractions of the median. Nil and negative incomes are excluded from all poverty calculations. Data are re-based to 2014 prices. Housing costs included mortgage repayments, rent and property rates. See technical notes for further detail.

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors’ calculations from ABS Survey of Income and Housing unit record data.

In 2011-12, almost one-fifth of Australians were considered to be in poverty using a 60% poverty line (Table 3). While the 60% measure has its place in poverty analysis, it is almost always aligned with a prevalent welfare payment – in Australia’s case, the Age Pension. Given the prevalence of older people within Australia’s population, this has meant that an income of 60% of the median is close to the most common income among all Australians – known as the *mode* of the income distribution (see Figure 4). We consider that the 60% median measure potentially masks those who are seriously disadvantaged and can result in a somewhat inflated poverty measure.

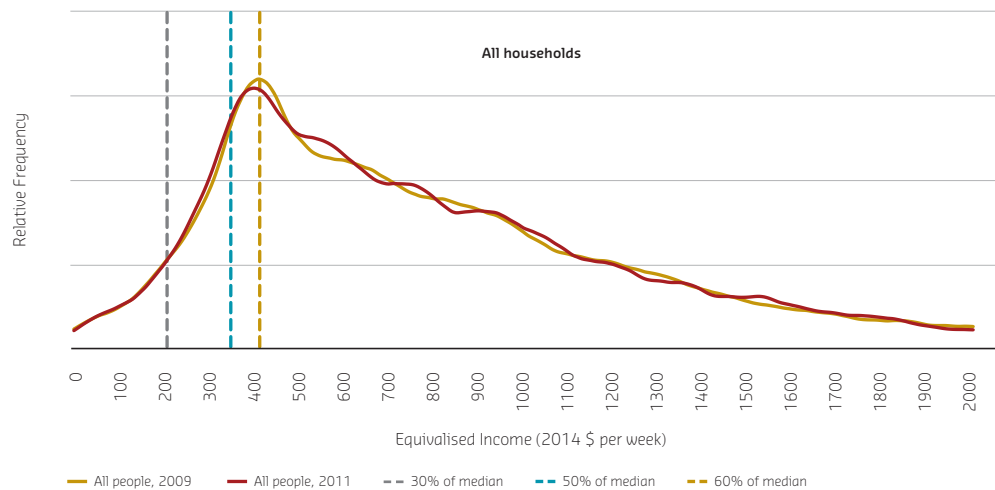
The distribution of equivalised weekly disposable income for all Australian households is shown in Figure 4, along with three poverty lines corresponding to 60%, 50% and 30% of median income. The distribution is skewed towards the lower income levels, with the most frequent income at around \$420 per week after housing costs. As can be seen, the 2009-10 and 2011-12 distributions follow very similar trends across the full breadth of incomes.

¹ All relative poverty measures are subject to a degree of volatility, especially during economic cycles. Relative income poverty will typically decrease during an economic downturn as the income distribution tightens. This does not necessarily mean that households previously considered to be in poverty have increased their standard of living in absolute terms, but that they are less behind those in the rest of the distribution. Other impacts of economic downturns, including decreased demand and lower prices can however increase living standards among those who are otherwise defined as income poor.

Lone persons in severe (30% median) income poverty would have to live off less - and often substantially less - than \$210 each week.

The income distributions for the majority of demographic groups are similar to the overall distribution of income for all Australian households (see Appendix Figure 33). These distributions allow us to inspect the prevalence of households at or below particular poverty lines. The peak (or mode) in the distribution for lone person, single parent households and couple only households can clearly be seen, and reflects the high frequency of government transfers clustered at or around the same level. The income distribution for couple households with children is more widely spread, denoting greater heterogeneity of this group less dominated by government payments and transfers.

Figure 4 Distribution of equivalised income, all households 2009-10 and 2011-12



Note: Poverty rates are assessed by calculating the percentage of people whose real equivalised household disposable incomes (after housing costs) fall below different fractions of the median. Nil and negative incomes are excluded from all poverty calculations. Data are re-based to 2014 prices. Housing costs included mortgage repayments, rent and property rates. See technical notes for further detail.

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Survey of Income and Housing unit record data.

To provide a tangible sense of the degree of financial hardship implied by the measures used in this report, Table 4 expresses each of the poverty depth thresholds used for analysis in terms of a series of values of household income (after housing costs) for a range of example family types, in 2014 dollars.

A lone person living in 'standard' (50% median) poverty – the measure commonly reported in many empirical poverty studies – would receive less than \$350 per week after deducting housing costs and any taxes (in 2014 prices). Lone persons in severe (30% median) income poverty would have to live off less - and often substantially less - than \$210 each week. A couple with two children in severe poverty makes do with less than \$437 each week.

Table 4 Example poverty lines for different family types

Example family types	Equivalence scale	Household income after housing costs (2014 dollars) percentage of median			
		30%	40%	50%	60%
Lone person	1	\$208.28	\$277.70	\$347.13	\$416.56
One parent with one child	1.3	\$270.76	\$361.02	\$451.27	\$541.52
One parent with two children	1.6	\$333.24	\$444.33	\$555.41	\$666.49
Couple only	1.5	\$312.42	\$416.56	\$520.70	\$624.83
Couple with one child	1.8	\$374.90	\$499.87	\$624.83	\$749.80
Couple with two children	2.1	\$437.38	\$583.18	\$728.97	\$874.77

Note: The poverty line for each family type is calculated with reference to the median equivalised household disposable income (after housing costs) for 2011-12. Nil and negative incomes are excluded from all poverty calculations. Equivalisation is based on the OECD modified scales. Data are re-based to 2014 prices. Housing costs included mortgage repayments, rent and property rates. See technical notes for further detail.

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Survey of Income and Housing unit record data.

States and territories

The depth of poverty varies considerably across Australia's states and territories, with housing costs and demographic differentials contributing substantially to poverty differences in addition to levels of household income (Table 5). The proportion of people in severe (less than 30% median) and substantial (less than 40% median) income poverty is highest in Queensland, with 5.7% and 8.4% of households in poverty respectively. NSW ranks highly among all poverty line groupings and has the highest proportion of people within the 'standard' 50% median poverty measure.

Queensland has the highest proportion of households in severe poverty – over a quarter of a million households. Western Australia and South Australia are ranked low in terms of the proportion of households at varying depths of poverty. WA has the second lowest percentage of households in poverty, calculated at 60% of the median – 17.4% of all households. South Australia has the second lowest proportion of households in severe and substantial income poverty – 3.5% and 6.4% respectively.

Victoria consistently ranks among the top four states according to the proportion of households in poverty, regardless of poverty depth. These proportions track closely to national averages. The ACT/NT is ranked as lowest in poverty terms, and for all poverty depths, reflecting the higher incomes in these two territories relative to national averages. The prevalence of government recipients within Tasmania is noticeable, with the state ranked first in the proportion of persons falling within the 60% (moderate) poverty line. The greater representation of Tasmanian households experiencing moderate poverty levels (60% median) is also demonstrated in Figure 5.

Table 5 Depth of income poverty across state and territories, 2011-12

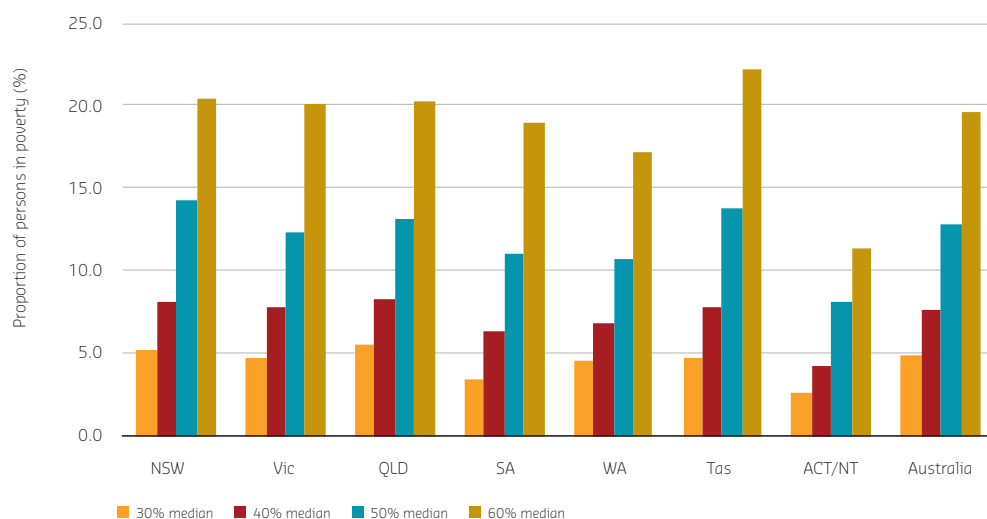
State/ territory	Poverty Line								State Rank			
	30% median		40% median		50% median		60% median		30	40	50	60
	No. Persons	%	No. Persons	%	No. Persons	%	No. Persons	%				
NSW	379,806	5.3%	592,189	8.3%	1,023,237	14.4%	1,463,182	20.5%	2	2	1	2
Vic	273,395	4.9%	434,691	7.9%	686,795	12.4%	1,121,998	20.3%	3	3	4	4
Qld	251,898	5.7%	369,352	8.4%	586,188	13.3%	899,275	20.4%	1	1	3	3
SA	56,333	3.5%	102,780	6.4%	178,875	11.2%	304,316	19.0%	6	6	5	5
WA	106,787	4.7%	158,453	6.9%	248,016	10.8%	398,406	17.4%	5	5	6	6
Tas.	23,764	4.8%	39,079	7.9%	69,319	13.9%	110,741	22.3%	4	3	2	1
ACT/NT	14,724	2.8%	23,428	4.4%	43,636	8.2%	61,091	11.5%	7	7	7	7
Australia	1,106,707	5.0%	1,719,972	7.8%	2,836,066	12.9%	4,359,009	19.8%				

Note: Poverty rates are assessed by calculating the percentage of people whose real equivalised household disposable incomes (after housing costs) fall below different fractions of the median. Nil and negative incomes are excluded from all poverty calculations. Data are re-based to 2014 prices. Housing costs included mortgage repayments, rent and property rates. See technical notes for further detail.

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Survey of Income and Housing unit record data.

Compared to national averages, Queensland and NSW are over-represented in the proportion of households in severe poverty (Figure 5). Nationally, the proportion of households in severe poverty is 5.0%, in Queensland this increases to 5.7% and for NSW – 5.3%. Taken together, the two states constitute more than half of all households in severe poverty.

Figure 5 Depth of income poverty across states and territories (proportions), 2011-12



Note: Poverty rates are assessed by calculating the percentage of people whose real equivalised household disposable incomes (after housing costs) fall below different fractions of the median. Nil and negative incomes are excluded from all poverty calculations. Data are re-based to 2014 prices. Housing costs included mortgage repayments, rent and property rates. See technical notes for further detail.

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Survey of Income and Housing unit record data.

Who is in poverty?

Poverty and disadvantage are not spread evenly among those households that experience it. Certain types of households are more likely to be in poverty than others, with particular household characteristics often exacerbating the incidence and depth of poverty.

Here we assess different poverty rates across typical household characteristics to understand what factors are more likely to be associated with severe, substantial and 'standard' poverty measures and how these differ (Table 6).

Generally, households that have much higher rates of poverty across the various poverty lines are characterised by single parent and lone person renter households with low qualifications, where the head of the household is female and relatively young.

Among household types, single parents with children and lone person households are twice as likely to be in poverty under 'standard' measures. Over one-quarter of single parent and lone person households are in poverty, and one in seven experiences severe poverty. This has increased slightly for lone person households since 2009-10, but decreased for single parent households across the same period.

Younger households are much more likely to be in income poverty than older households, which generally align with the average. This pattern is observed across all poverty lines, with the exception of poverty measured at a moderate 60% level, where elderly households dominate.

Turning to educational qualifications – those households headed by someone holding tertiary level qualifications are less represented in poverty than any other group, whereas households headed by persons with low qualifications are over-represented. A quarter of all households headed by someone with year 11 or below as their highest qualification are experiencing poverty as measured in 'standard' terms.

Whether or not the household owns or is purchasing their home plays an important role in the prevalence of poverty, across all measurements. Households that are renting are twice as likely to be in poverty as home owners or buyers. This reflects the important role housing costs play in determining the standard of living households are able to achieve and the financial strain many of these households are under.

Over one-quarter of single parent and lone person households are in poverty, and one in seven experiences severe poverty.

“The issue of poverty is not a statistical issue. It is a human issue”.

James Wolfensohn

Table 6 Poverty rates by household characteristics and poverty depth

Proportion of people in different depths of poverty	Proportion of people falling below different fractions of equivalised household disposable income (after housing costs)				Change in the proportion of people in poverty since 2009-10 (percentage point)	
	Moderate	'standard'	significant	severe	Below 50% median	Below 30% median
By household characteristics	Below 60% median	Below 50% median	Below 40% median	Below 30% median	Below 50% median	Below 30% median
Family composition						
Couple only	16.1	8.3	5.0	3.0	+0.2	+0.3
Couple with children	14.0	9.3	4.9	2.9	+1.6	+0.1
One parent with children	37.2	25.5	14.8	8.3	-5.3	-1.4
Lone person	42.1	25.3	14.7	8.6	+0.8	+0.2
Group households	13.7	8.9	5.0	2.7	+0.0	+0.3
Age of head of household						
24 and under	25.8	20.6	13.4	11.4	+2.0	+4.0
25-34	20.8	13.4	7.8	4.6	+0.1	+0.2
35-44	18.4	13.0	6.6	4.0	+0.8	-0.8
45-54	12.1	8.4	5.4	3.1	+0.3	+0.2
55-64	16.0	11.0	6.7	3.9	-1.1	-0.8
65 and over	30.0	12.8	6.2	2.8	+0.6	+0.4
Gender of household head						
Male	14.7	9.1	4.7	2.9	+1.2	+0.2
Female	27.1	17.1	10.3	5.7	-1.5	-0.4
Highest qualification in household						
Degree	9.6	6.5	4.2	2.8	-0.2	-0.1
Advanced diploma/diploma	13.4	9.8	5.3	3.5	+1.9	+0.2
Certificate III/IV	20.6	11.6	6.4	3.7	+0.5	+0.1
Year 12	26.9	18.5	12.1	7.0	+2.8	+0.7
Year 11 and below	41.6	24.5	12.0	5.9	+0.7	+0.1
Tenure status						
Owner without a mortgage	16.6	6.2	3.7	2.2	+0.1	+0.4
Owner with a mortgage	12.9	8.5	5.3	3.0	+1.4	-0.2
Renter	30.3	21.9	11.4	6.8	-2.4	-0.4
ALL PEOPLE	19.8	12.9	7.8	5.0	-0.04	-0.03

Note: Poverty rates are assessed by calculating the percentage of people whose real equivalised household disposable incomes (after housing costs) fall below different fractions of the median. Nil and negative incomes are excluded from all poverty calculations. Data are re-based to 2014 prices. Housing costs included mortgage repayments, rent and property rates. See technical notes for further detail.

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Survey of Income and Housing unit record data.

Composition of poverty depth groups

Another way to characterise patterns of poverty is to examine the profile of households defined as poor, and specifically the *composition* of those people who identified as falling into different poverty depth groups. This analysis allows for an assessment of those characteristics that become more or less prominent as one moves into progressively more severe depths of poverty (Table 7). By comparing the composition of those grouped into different degrees of poverty with the population as a whole, we are able to judge who are more or less likely to be falling through the cracks.

Each poverty depth group has been separated to allow for a mutually exclusive investigation of group level characteristics. A comparison of the over and underrepresentation among those in 'standard' and severe poverty is shown in the final two columns. For example, single parent families represent 8% of all Australian households, but 16.2% of all households in severe poverty – more than twice as many.

The over-representation in both 'standard' and severe income poverty is evident for lone persons, households that are headed by women, those with low educational qualifications, and renters. Some differences between the 'standard' and severe poverty groups are observed. Lone person households are slightly more likely to be experiencing severe poverty – 2.2 times the rate of the general occurrence of these households.

Table 7 Composition of poor across depths of poverty

Composition of poor at different depths of poverty	Composition of people below half equivalised household disposable income (after housing costs)						Change in composition of poor between 2009-10 and 2011-12 (percentage points)	Over/under-representation among poor in 2011-12 0.5=half as many 1=proportionate 2=twice as many	
	Composition of those between:								
By household characteristics	Composition of people below 50% median	50-40% median	40-30% median	Below 30% median	Below 50% median	Below 30% median	'Standard' poverty	Severe poverty	
Family composition									
Couple only	16.3%	14.9%	16.3%	18.1%	+0.2	+2.0	0.70	0.77	
Couple with children	36.8%	40.0%	33.5%	34.9%	+5.7	+1.1	0.78	0.74	
One parent with children	16.4%	15.8%	18.0%	16.2%	-6.1	-4.7	2.13	2.10	
Lone person	22.3%	21.3%	23.1%	23.1%	+0.2	+0.6	2.11	2.19	
Group households	8.2%	8.1%	9.1%	7.7%	+0.0	+1.1	0.74	0.69	
Age of head of household									
24 and under	6.7%	5.3%	2.8%	11.3%	+0.5	+4.0	1.72	2.89	
25-34	19.1%	18.3%	19.7%	19.9%	-0.5	+0.6	1.12	1.16	
35-44	26.6%	29.8%	23.1%	24.6%	-0.0	-5.8	1.08	1.00	
45-54	16.0%	13.3%	18.8%	17.7%	-0.0	+1.1	0.70	0.78	
55-64	14.2%	12.6%	15.7%	15.1%	-0.7	-1.8	0.92	0.98	
65 and over	17.4%	20.6%	19.9%	11.4%	+0.8	+1.9	1.07	0.70	
Gender of household head									
Male	48.5%	53.0%	41.5%	47.3%	+5.5	+3.4	0.76	0.74	
Female	51.5%	47.0%	58.5%	52.7%	-5.5	-3.4	1.42	1.46	
Highest qualification in household									
Degree	19.6%	16.1%	18.2%	25.2%	+0.3	+1.2	0.54	0.70	
Advanced diploma/ diploma	11.2%	11.8%	8.8%	12.1%	+2.2	+1.2	0.82	0.89	
Certificate III/IV	26.9%	27.5%	26.5%	26.2%	+0.9	+0.9	0.97	0.95	
Year 12	12.9%	10.2%	15.1%	14.9%	+0.9	+0.6	1.54	1.78	
Year 11 and below	28.5%	33.4%	30.0%	21.0%	-4.8	-3.4	2.05	1.51	
Household car ownership									
Household doesn't own a car	18.3%	18.0%	18.1%	18.7%	-1.0	+1.1	2.65	2.71	
Household owns a car	81.7%	82.0%	81.9%	81.3%	+1.0	-1.1	0.88	0.87	
Tenure status									
Owner without a mortgage	13.3%	12.2%	14.0%	14.4%	-1.3	+1.9	0.52	0.56	
Owner with a mortgage	29.7%	25.5%	34.8%	31.6%	+4.8	-2.0	0.71	0.76	
Renter	56.0%	61.2%	50.4%	53.0%	-3.7	+0.2	1.83	1.73	

Note: Poverty rates are assessed by calculating the percentage of people whose real equivalised household disposable incomes (after housing costs) fall below different fractions of the median. Nil and negative incomes are excluded from all poverty calculations. Data are re-based to 2014 prices. Housing costs included mortgage repayments, rent and property rates. See technical notes for further detail.

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Survey of Income and Housing unit record data.

The over- and underrepresentation of particular groups in severe and ‘standard’ poverty measures is shown graphically in Figure 6. Lone and single parent households are over-represented in both measures of poverty, however, slightly more so in the severe poverty group.

Households with a household head aged under 24 years are over-represented in both poverty depth groups, but more so in the severe poverty group. These households are almost three times more prevalent in the severe poverty group than in the general population.

Elderly households are over-represented in ‘standard’ poverty, but underrepresented in the more severe poverty measure, likely reflecting the role of government pensions and transfers in protecting older aged Australians from further deterioration.

Households where the head has low qualifications (year 11 and below) are over-represented in both poverty groups but more so in ‘standard’ poverty – with more than twice as many low education households in poverty than in the general population.

Figure 6 Over and under representation of groups among those in ‘standard’ income poverty

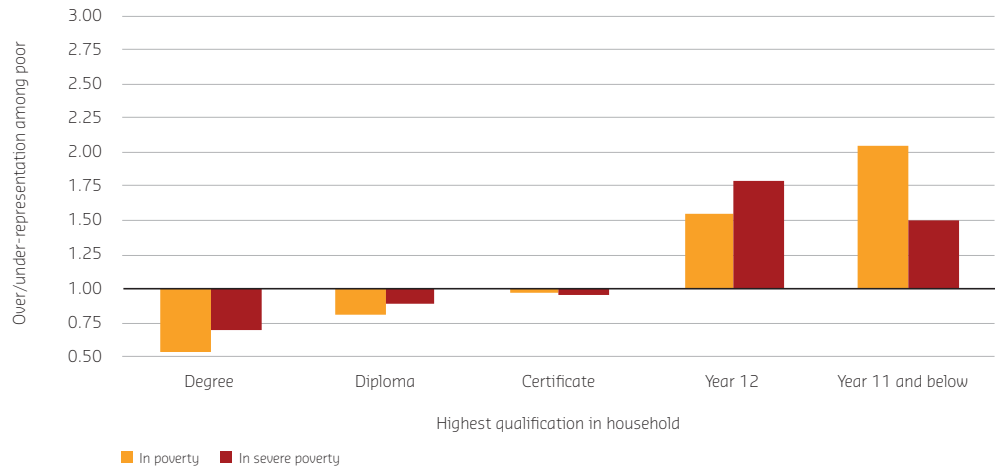


Note: Poverty rates are assessed by calculating the percentage of people whose real equivalised household disposable incomes (after housing costs) fall below different fractions of the median. Nil and negative incomes are excluded from all poverty calculations. Data are re-based to 2014 prices. Housing costs included mortgage repayments, rent and property rates. See technical notes for further detail.

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors’ calculations from ABS Survey of Income and Housing unit record data.

Single parents and lone person households are substantially over-represented among the poor, with twice the representation that should be expected from their respective population shares.

Figure 6 Over and under representation of groups among those in 'standard' income poverty (continued)



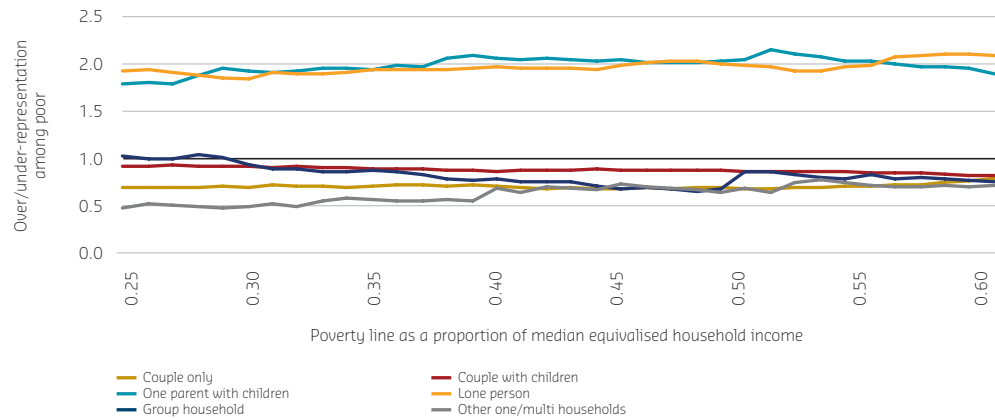
Note: Poverty rates are assessed by calculating the percentage of people whose real equivalised household disposable incomes (after housing costs) fall below different fractions of the median. Nil and negative incomes are excluded from all poverty calculations. Data are re-based to 2014 prices. Housing costs included mortgage repayments, rent and property rates. See technical notes for further detail.

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Survey of Income and Housing unit record data.

The over- and underrepresentation of different households for different depths of income poverty is shown in Figure 7. As was the case for Table 7, a value of 1 indicates that the number of households in a particular category is proportionate to their overall representation in the population. Values of two signify that a group has twice the representation in poverty compared with the proportion expected from their share in the general population, and values of 0.5 indicate that a group has half the expected representation.

Single parents and lone person households are substantially over-represented among the poor, with twice the representation that should be expected from their respective population shares. All other household types are underrepresented across poverty lines, when comparing to their incidence among all households.

Figure 7 Over and under representation of households in poverty, 2011-12



Note: Poverty rates are assessed by calculating the percentage of people whose real equivalised household disposable incomes (after housing costs) fall below different fractions of the median. Nil and negative incomes are excluded from all poverty calculations. Data are re-based to 2014 prices. Housing costs included mortgage repayments, rent and property rates. See technical notes for further detail.

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Survey of Income and Housing unit record data.

PART II:

Dimension

of disadvantage



Introduction

Circumstances that give rise to deep and persistent disadvantage can be complex and the direction of causality blurred. Factors that at the outset may drive people towards or into poverty – unemployment being a prime example – can quickly become outcomes of poverty in themselves, exacerbating the incidence and depth of poverty on individual experiences and perpetuating the cycle of disadvantage. A detailed and nuanced understanding of the strength of association between poverty, individual characteristics and circumstances is critical to breaking this cycle.

The second part of this report seeks to explore further some of the key dimensions of poverty and disadvantage that were highlighted in the previous sections, including employment and income, housing, health and disability and locational disadvantage. Indigenous disadvantage is considered closely, as well trends in homelessness across states and territories. The role of education and the level of social mobility that Australia affords successive generations are also assessed.

Employment and Income

The strong relationship between unemployment and economic disadvantage is a well-established finding in a large body of economic and social policy research, but the nature of the relationship between poverty and labour market status – and joblessness in particular – provides an essential information base in framing policies to provide adequate protection and support for those seeking employment as an exit route from poverty.

The journey to employment as a means of escaping poverty is not always straightforward, nor necessarily as quick as might be desired, for many individuals in disadvantaged economic, social or health circumstances. Neither might conditions prevail where it is possible, or indeed appropriate, to expect a full level of engagement in paid employment. To better understand these issues, this section of the report examines the link between poverty and the duration of unemployment, and the extent to which government transfers provide an appropriate level of income protection during periods of unemployment.

One-third of all jobless unemployed households experience severe poverty - almost 7 times the overall severe poverty rate for the full population.

Poverty and labour force status

Using data from the HILDA² survey of Australian households, we examine the relationship between labour force characteristics and the incidence of poverty. By characterising households according to the number of adults earning a wage, we are able to quantify the association between joblessness and economic disadvantage.

Table 8 Poverty rates and employment status

Proportion of people in different depths of poverty	Proportion of people falling below different fractions of equivalised household disposable income (after housing costs)			
	Moderate Below 60% median	'standard' Below 50% median	significant Below 40% median	severe Below 30% median
By labour force characteristics				
Job status				
Jobless households (NILF)	60.0	47.8	29.6	17.8
Jobless households (unemployed)	63.8	55.3	43.4	33.5
Single earner, one adult households	21.5	13.5	8.8	6.4
Single earner couple households	17.3	9.7	5.9	2.7
Dual earner couple households	4.2	2.7	1.6	1.0
<i>Among unemployed jobless h/h:</i>				
Duration of unemployment				
Unemployed 0-13 weeks	57.3	51.4	47.7	37.3
Unemployed 13-26 weeks	53.3	44.3	21.5	19.0
Unemployed 26-52 weeks	83.2	64.0	33.6	25.6
Unemployed > 1 year	80.5	76.0	76.0	53.6
<i>Among those in employment:</i>				
Type of contract				
FT permanent	5.7	3.0	1.7	1.0
FT fixed term	7.3	4.7	2.8	1.7
PT permanent	9.1	5.8	3.4	2.2
PT fixed-term	12.3	9.4	6.5	5.5
Casual	17.2	12.1	9.0	5.6
Principal source of h/h income				
Wages and salaries	5.4	3.0	1.3	0.7
Investment income	2.1	1.8	1.8	1.8
Superannuation/private transfers	1.7	1.1	0.9	0.4
Government transfers	53.7	32.8	17.4	9.0
ALL PEOPLE	19.8	12.9	7.8	5.0

Note: Poverty rates are assessed by calculating the percentage of people whose real equivalised household disposable incomes (after housing costs) fall below different fractions of the median. Nil and negative incomes are excluded from all poverty calculations. Housing costs included mortgage repayments, rent and property rates. See technical notes for further detail.

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Survey of Income and Housing 2011/12 and HILDA Release 12.

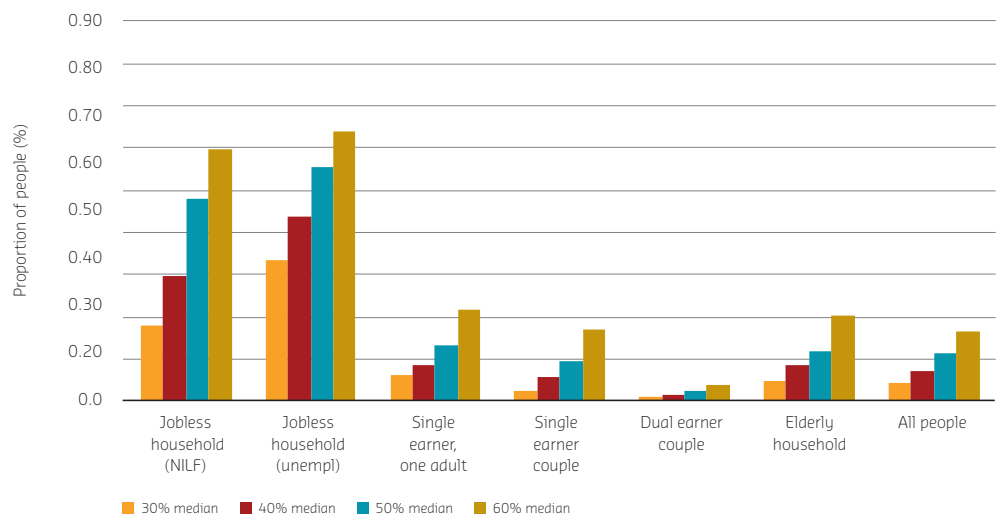
² The Household, Income and Labour Dynamics in Australia (HILDA) survey has collected detailed information since 2001 on the economic and social circumstances, subjective well-being, labour market dynamics and family dynamics annually from a panel of around 10,000 Australian households. The twelfth wave of the survey was conducted 2012.

Jobless households with adults who are not in the labour force (NILF) are also over-represented at various poverty depths. The difference in poverty is again highest for the 'standard' measure, with nearly 4 times the proportion of jobless NILF households in poverty relative to the overall population rate – just under 48% compared to 12.9%.

Although far below the prevalence rate for jobless households, single earner lone person households are nevertheless more likely to experience poverty than the overall population. The proportion of single-earner, single adult households in severe poverty, at 6.4%, corresponds to an incidence more than twice that for single-earner couple households and around a third higher than for the general population.

Those on casual contracts, whether part-time or full-time, are as likely to be in 'standard' poverty, and slightly more likely to be in severe poverty, compared with the overall population. This highlights the fact that casual work provides less protection from poverty than other types of employment, leading to a small but noticeable class of 'working poor'.

Figure 8 Depth of poverty and labour market status of households

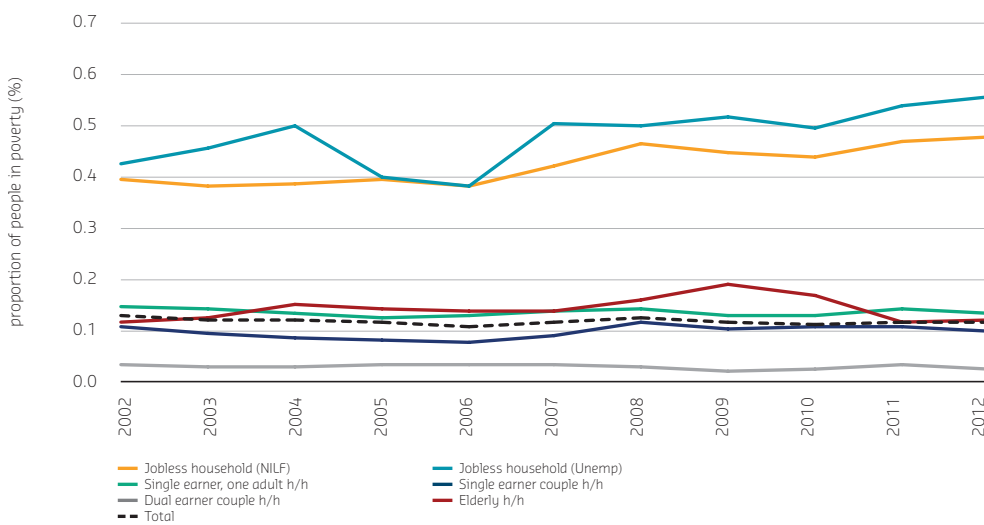


Note: Poverty rates are assessed by calculating the percentage of people whose real equivalised household disposable incomes (after housing costs) fall below different fractions of the median. Nil and negative incomes are excluded from all poverty calculations. Data are re-based to 2014 prices. Housing costs included mortgage repayments, rent and property rates. See technical notes for further detail.

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from HILDA Release 12

Figure 9 shows how poverty rates among different labour market groups in Australia have changed over the last decade. The rates of income poverty among jobless unemployed households and those not in the labour force have both risen by around 5 percentage points since 2009, to around 55% and 48% respectively by 2012. Poverty rates among all other labour market groups of working age have remained relatively stable over the last half decade.

Figure 9 'Standard' (<50%) income poverty and labour market status of households, 2002-2012



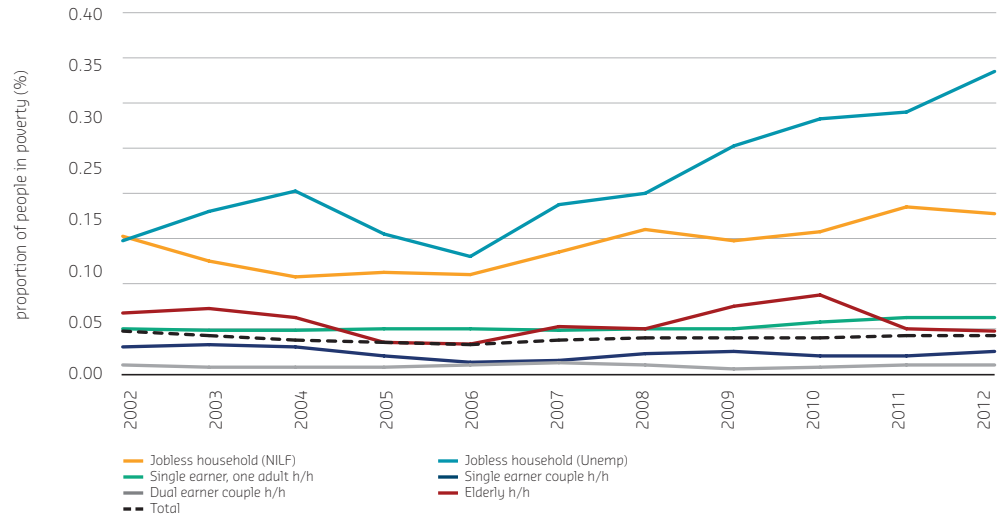
Note: 'Standard' poverty rates are assessed by calculating the percentage of people whose real equivalised household disposable incomes (after housing costs) fall below 50% of the median. Nil and negative incomes are excluded from all poverty calculations. Data are re-based to 2014 prices. Housing costs included mortgage repayments, rent and property rates. See technical notes for further detail.
Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from HILDA Release 12.

Casual work provides less protection from poverty than other types of employment, leading to a small but noticeable class of 'working poor'.

The rates of severe poverty in Australia have increased quite considerably over time for those of working age without jobs. Figure 10 shows that the rate of income poverty for jobless unemployed households has more than doubled from under 15% in 2006 to nearly 34% in 2012. This is by far the greatest rate of increase among labour market groups of working age over the last decade. We have already seen from the results in Table 8 how rates of poverty – both 'standard' and severe – rise with the duration of unemployment. Taken together, this highlights just how important it is for state and federal policies to target joblessness, and particularly long-term unemployment, as a direct attack on poverty.

Wages in and of themselves do not prevent income poverty entirely.

Figure 10 Severe (<30%) income poverty and labour market status of households, 2002-2012



Note: Severe poverty is assessed by calculating the percentage of people whose real equivalised household disposable incomes (after housing costs) fall below 30% of the median. Nil and negative incomes are excluded from all poverty calculations. Data are re-based to 2014 prices. Housing costs included mortgage repayments, rent and property rates. See technical notes for further detail.

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from HILDA Release 12.

Principal source of household income

Households that are able to source most of their income from wages and salaries are more likely to be out of poverty than other households, however wages in and of themselves do not prevent income poverty entirely.

The following analysis demonstrates how the principal areas that a household sources its income from vary depending on the relative depth of income poverty and for each household type. Beneath each chart, a table with the typical (median) disposable income within each grouping is shown³. For example, in Figure 11, 81% of persons out of poverty live in a household where the principal source of income stems from wage and salaries. The median disposable income from wages and salaries for this group is \$1,768 per week.

³ Where income components are not present due either to empty cells or small sample sizes, this is denoted by a hyphen in each table.

Figure 11 Depth of poverty and principal source of income – All and single parent households



■ Other income sources ■ Government transfers ■ Investment income ■ Private pensions/transfers ■ Wages and salaries

Note: Poverty rates are assessed by calculating the percentage of people whose real equivalised household disposable incomes (after housing costs) fall below different fractions of the median. Nil and negative incomes are excluded from all poverty calculations. Data are re-based to 2014 prices. Housing costs included mortgage repayments, rent and property rates. See technical notes for further detail.

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Survey of Income and Housing unit record data.

The high proportion of households that are reliant on wages and salaries as their main source of income across the poverty depth groups indicates the existence of a 'working poor' sub-population.

A comparison of all households and single parent households is shown in Figure 11. The majority of households that are out of poverty rely on wages and salaries as their main source of income – 81% among all households and 71% among single parent households.

A much higher proportion of single parent households living out of poverty rely on government transfers as their principal source of income compared with all households – 25% and 10.7% respectively. This demonstrates the importance of government transfers in maintaining an adequate standard of living, but it is also likely that many of these households supplement their income with wages and salaries. The proportion of single parent households that rely on wages and salaries as their principal source of income is far lower than the overall population.

Income poverty has varying associations depending upon not only the depth of income but the stage of life that different households are at. These stages typically attract or deter certain government payments and access to other income streams such as private retirement savings. Differences among cohorts can also impact the relative poverty experienced, with many older people approaching retirement becoming marginalised in the labour market (Li, Duncan and Miranti 2013).

The proportion of non-elderly households reliant on government sources generally increases with the depth of poverty. The exception is for non-elderly single male and households in severe poverty. These households are more reliant on wages and salaries and other income⁴ sources than households in 'standard' and substantial poverty depth groups. The high proportion of households that are reliant on wages and salaries as their main source of income across the poverty depth groups indicates the existence of a 'working poor' sub-population.

Of non-elderly couple only households in severe poverty, more than 40% source their income primarily from wages and salaries. For non-elderly couples with children in severe poverty, one-third are reliant on wages and salaries. It is important to note that while these households may source most of their income from wages and salaries (that is, more than 50%) they are still likely to be in receipt of income from other sources.

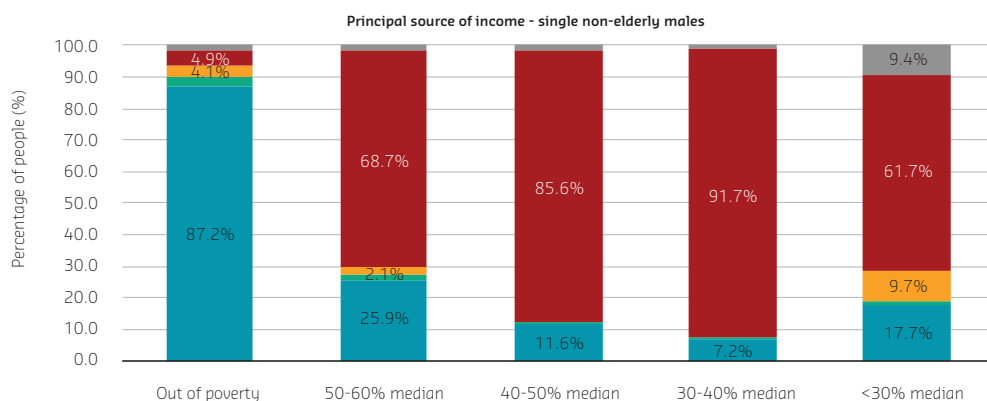
⁴ Other income typically comprises of financial and non-financial assets, superannuation, child support and workers compensation. See technical notes for further details.

Figure 12 Depth of poverty and principal source of income – non-elderly households



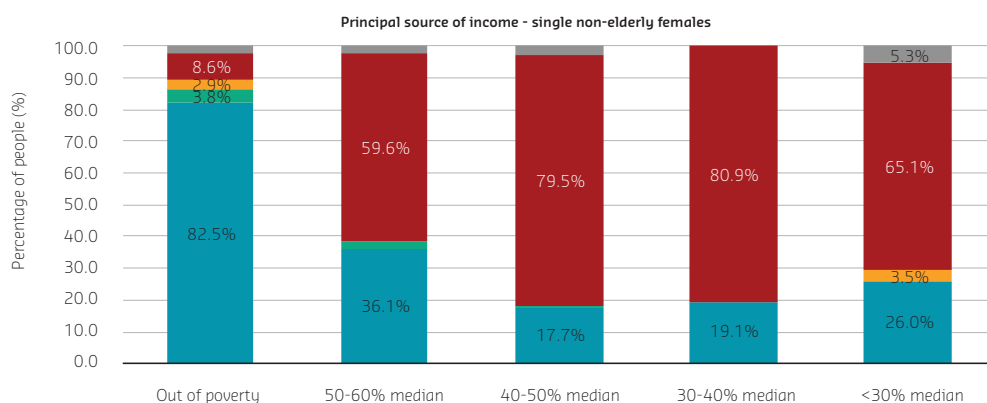
Note: Poverty rates are assessed by calculating the percentage of people whose real equivalised household disposable incomes (after housing costs) fall below different fractions of the median. Nil and negative incomes are excluded from all poverty calculations. Data are re-based to 2014 prices. Housing costs included mortgage repayments, rent and property rates. See technical notes for further detail.
Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Survey of Income and Housing unit record data.

Figure 12 Depth of poverty and principal source of income – non-elderly households (continued)



- Other income sources
- Government transfers
- Investment income
- Private pensions/transfers
- Wages and salaries

Typical (median) disposable incomes (AHC) by poverty and principal income					
663	-	-	-	165	
449	385	313	243	144	
720	-	-	-	167	
801	-	-	-	-	
902	383	318	228	139	
Out of poverty	50-60% median	40-50% median	30-40% median	<30% median	



- Other income sources
- Government transfers
- Investment income
- Private pensions/transfers
- Wages and salaries

Typical (median) disposable incomes (AHC) by poverty and principal income					
648	-	-	-	118	
421	379	316	246	133	
254	-	-	-	113	
674	-	-	-	-	
805	385	325	246	138	
Out of poverty	50-60% median	40-50% median	30-40% median	<30% median	

- Other income sources
- Government transfers
- Investment income
- Private pensions/transfers
- Wages and salaries

Note: Poverty rates are assessed by calculating the percentage of people whose real equivalised household disposable incomes (after housing costs) fall below different fractions of the median. Nil and negative incomes are excluded from all poverty calculations. Data are re-based to 2014 prices. Housing costs included mortgage repayments, rent and property rates. See technical notes for further detail.

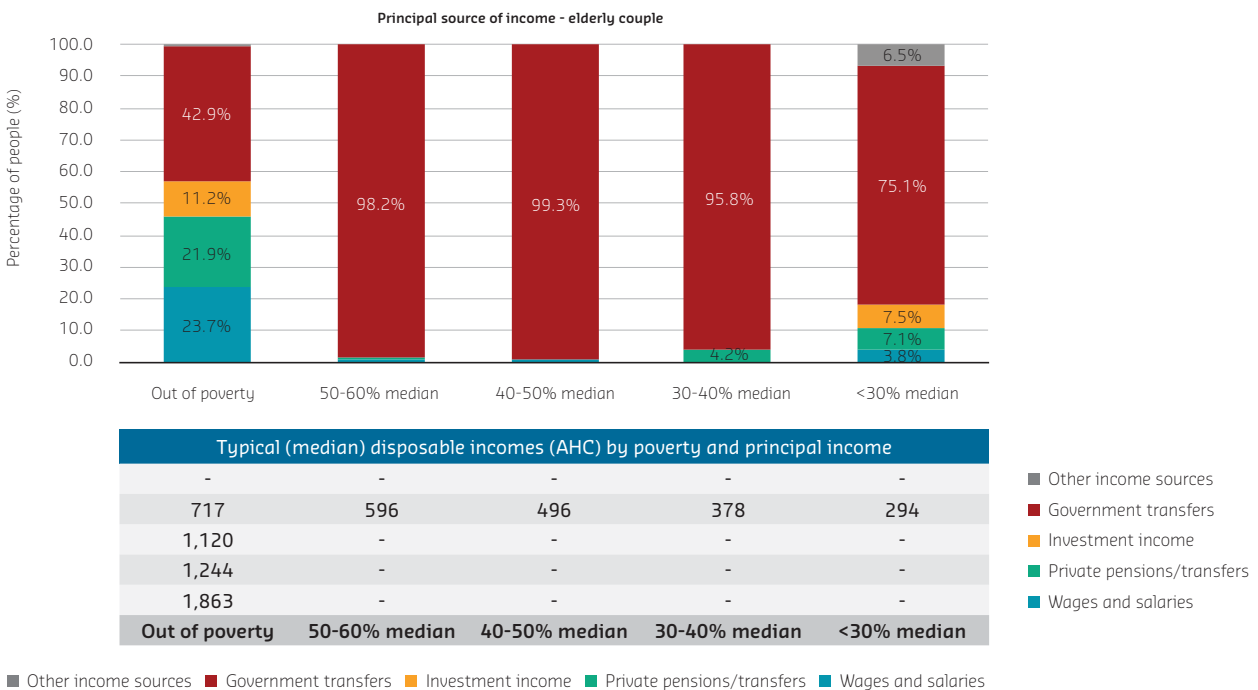
Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Survey of Income and Housing unit record data.

The contrast between elderly and non-elderly couples is noticeable, with government transfers playing a more dominant role in keeping elderly households out of poverty than in non-elderly households. Between 40% and 65% of elderly households that are out of poverty rely on government transfers as their principal source of income. Elderly households living out of poverty are also more likely to be relying on a more diverse range of income sources – among elderly couples 11.2% have investment income as their principal source of income, 15% of single elderly males and 11.5% of single elderly females also cite investment income as their principal income stream.

The dependency on government transfers and the prevalence of the age pension is visible among elderly households across most poverty depth groups. Elderly households in severe income poverty (<30% median) have very low disposable incomes, once deducting housing costs. This is particularly the case among single elderly female households, who have on average \$130 per week to live off. These households are likely to be renting, which, as shown earlier exacerbates income poverty.

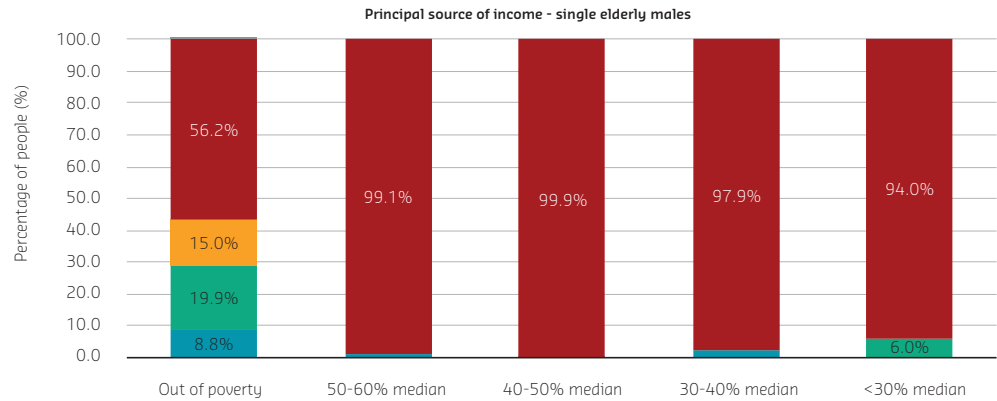
Single female elderly households in severe poverty have access to \$130 per week on average after deducting housing costs.

Figure 13 Depth of poverty and principal source of income – elderly households



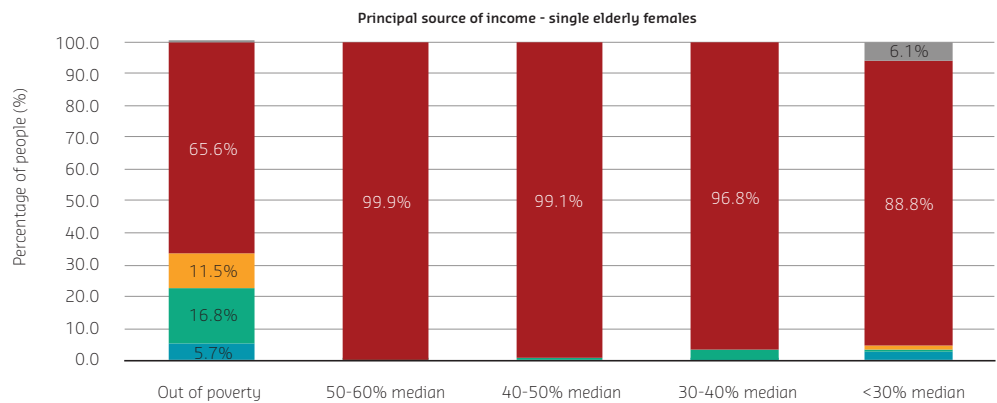
Note: Poverty rates are assessed by calculating the percentage of people whose real equivalised household disposable incomes (after housing costs) fall below different fractions of the median. Nil and negative incomes are excluded from all poverty calculations. Data are re-based to 2014 prices. Housing costs included mortgage repayments, rent and property rates. See technical notes for further detail.
Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Survey of Income and Housing unit record data.

Figure 13 Depth of poverty and principal source of income – elderly households (continued)



- Other income sources
- Government transfers
- Investment income
- Private pensions/transfers
- Wages and salaries

Typical (median) disposable incomes (AHC) by poverty and principal income					
-	-	-	-	-	-
458	387	322	255	170	-
660	-	-	-	-	-
848	-	-	-	-	-
812	-	-	-	-	-
Out of poverty	50-60% median	40-50% median	30-40% median	<30% median	



- Other income sources
- Government transfers
- Investment income
- Private pensions/transfers
- Wages and salaries

Typical (median) disposable incomes (AHC) by poverty and principal income					
-	-	-	-	-	-
476	385	322	256	130	-
761	-	-	-	-	-
791	-	-	-	-	-
792	-	-	-	-	-
Out of poverty	50-60% median	40-50% median	30-40% median	<30% median	

- Other income sources
- Government transfers
- Investment income
- Private pensions/transfers
- Wages and salaries

Note: Poverty rates are assessed by calculating the percentage of people whose real equivalised household disposable incomes (after housing costs) fall below different fractions of the median. Nil and negative incomes are excluded from all poverty calculations. Data are re-based to 2014 prices. Housing costs included mortgage repayments, rent and property rates. See technical notes for further detail.

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Survey of Income and Housing unit record data.

Financial hardship and deprivation

Deprivation assesses how living standards compare to what are considered societal norms regarding material consumption and behaviour. When a person is unable to afford the items considered necessities within a society they are considered to be living in deprivation.

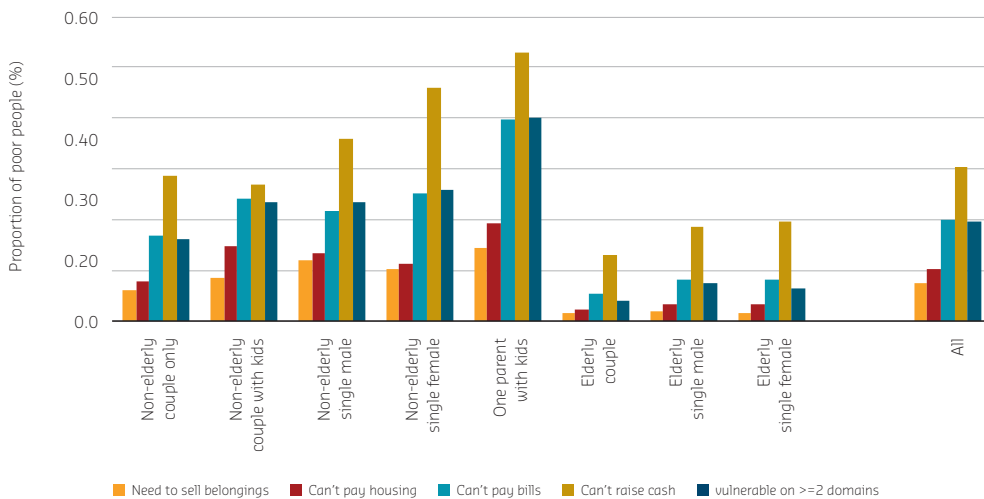
The relationship between income poverty and financial hardship is illustrated in Figure 14. The most common type of financial hardship among households in 'standard' income poverty is the inability to be able to raise cash in an emergency. This ranges from 12.9% of elderly couple households to more than 50% of single parent households. Single parent households in poverty have greater levels of difficulty across all categories of financial hardship than any other household type. Single parents are also more likely to have more than two forms of financial vulnerabilities.

Non-elderly single females and males are also among those households in poverty that experience greater levels of financial hardship, with one in four non-elderly single female households and one in five male households unable to pay bills.

Elderly households living in income poverty have much lower levels of financial hardship. This is likely to be driven by a number of factors, including to some extent the adequacy of the age pension; older households being more likely to own their own home; different needs of households at different life cycle stages; and differences in attitudes towards financial hardship across generations.

Half of all single parent households in poverty cannot raise cash in an emergency.

Figure 14 Income poverty and financial hardship



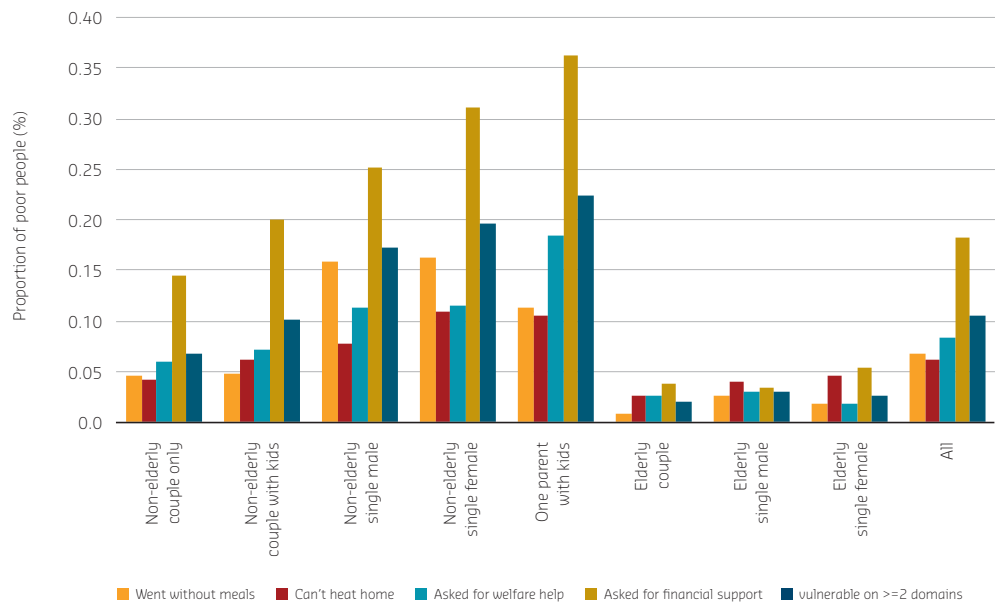
Note: Poverty rates are assessed by calculating the percentage of people whose real equivalised household disposable incomes (after housing costs) fall below different fractions of the median. Nil and negative incomes are excluded from all poverty calculations. Data are re-based to 2014 prices. Housing costs included mortgage repayments, rent and property rates. See technical notes for further detail.
Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Survey of Income and Housing unit record data.

Single non-elderly households are more likely to go without meals due to a shortage of money.

Turning to forms of deprivation that households in poverty regularly experience, Figure 15, similar patterns emerge among households. One in three single parent families had asked for financial assistance from a friends or family due to a shortage of money. A further one in five single parent families had sought assistance from welfare organisations due to a shortage of money.

Single non-elderly male and female households in poverty are also more likely to be experiencing forms of deprivation, unable to heat their homes and also seeking assistance from welfare organisations. Of concern, is the greater likelihood of these households to go without meals due to a shortage of money - just over 15% of single male and female single non-elderly households. As with financial hardship, elderly households in poverty are much less likely to be suffering from different forms of deprivation than other household types.

Figure 15 Income poverty and deprivation

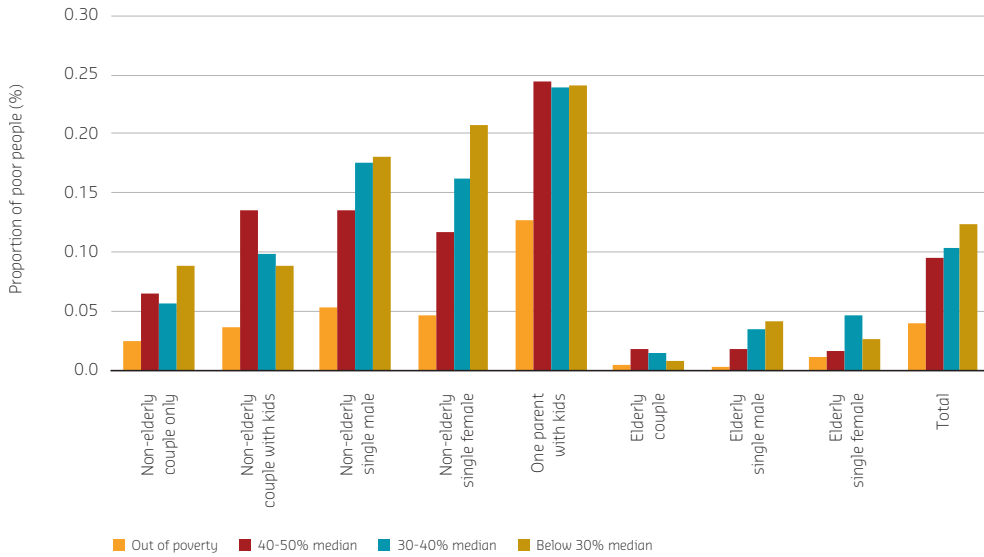


Note: Poverty rates are assessed by calculating the percentage of people whose real equivalised household disposable incomes (after housing costs) fall below different fractions of the median. Nil and negative incomes are excluded from all poverty calculations. Data are re-based to 2014 prices. Housing costs included mortgage repayments, rent and property rates. See technical notes for further detail.

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Survey of Income and Housing unit record data.

Combining the financial hardship and deprivation indicators, Figure 16 shows the proportion of people across each poverty depth group that experiences four or more of the ten areas of financial vulnerability highlighted in the earlier analysis. Regardless of poverty depth group, we find that almost one in four single parent households consistently experience multiple financial hardship or deprivation. Indeed, those single parents who are out of income poverty are as likely to be experiencing multiple hardships as non-elderly single female households in substantial poverty.

Figure 16 Depth of income poverty and multiple deprivation



Note: Poverty rates are assessed by calculating the percentage of people whose real equivalised household disposable incomes (after housing costs) fall below different fractions of the median. Nil and negative incomes are excluded from all poverty calculations. Data are re-based to 2014 prices. Housing costs included mortgage repayments, rent and property rates. See technical notes for further detail.

Source: BANKWEST CURTIN ECONOMICS CENTRE| Authors' calculations from ABS Survey of Income and Housing unit record data.

Housing

High housing costs represent a significant economic and social issue for Australia, as highlighted in the Centre's recent 'Focus on WA' report on Housing Affordability: the social dimension. The impact of affordable (or unaffordable) housing on the economy and society is manifested in many dimensions – including economic efficiency, productivity, community resilience, quality of life, child development and wellbeing. For many, their home represents the largest single asset accumulated over a lifetime. However, the shelter, comfort and security of a home is (and should be) regarded as an entitlement for all, to the extent that the costs of housing, along with food and heating, will take precedence over all other expenditures.

This section of the report is concerned with the relationship between housing costs and income disadvantage, recognising the fact that for many families, high housing costs can make the difference between being in and out of poverty – and can have an even bigger impact on levels of severe poverty for those on especially low incomes.

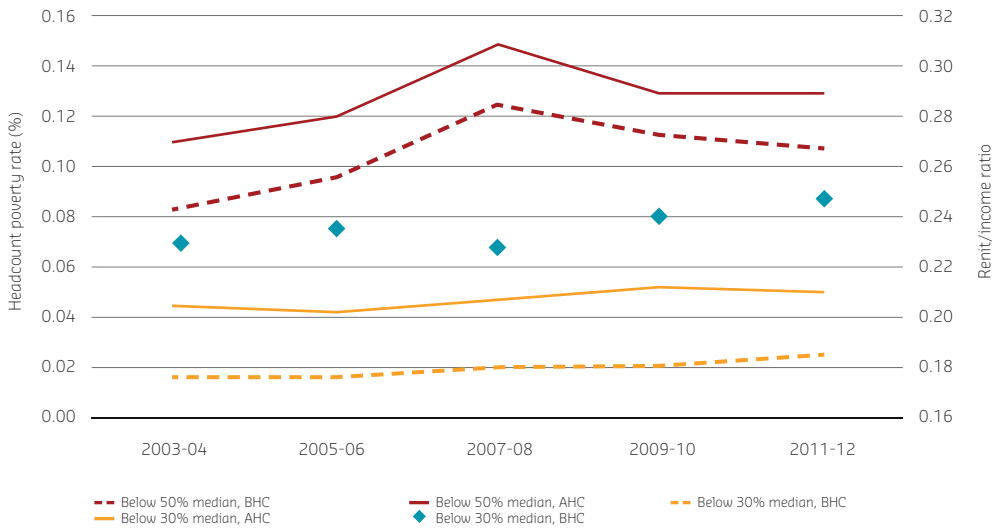
The effect of housing costs on poverty

Figure 17 compares headcount poverty rates before housing costs (BHC) with those after housing costs have been accounted for (AHC). Two poverty rates are calculated for each two year period between 2003-04 and 2011-12 - the 'standard' measure of poverty based on half median equivalised household income, and severe poverty based on 30% of median income.

The first feature to note is the higher rates of poverty when housing costs are taken into account, as shown by comparing the solid AHC schedules in Figure 17 with the dotted BHC lines. Secondly, the magnitude of the difference between BHC and AHC poverty is clearly related to the average rent-to-income ratios, as represented by the blue diamond symbols measured against the right hand scale. The growth in rent-to-income ratios from 2007-08 to 2011-12 have coincided with a widening of the gap between BHC and AHC poverty, especially looking at the more severe 30% measure. Thirdly, the differences between BHC and AHC rates over time are typically larger for those in severe poverty, which confirms that high rent and mortgage costs have a proportionately greater impact on those in deepest income disadvantage.

Local housing markets and the availability of affordable housing options to those on lower incomes have an important bearing on income disadvantage, a feature that is highlighted quite clearly in an examination of variations in poverty incidence across the country.

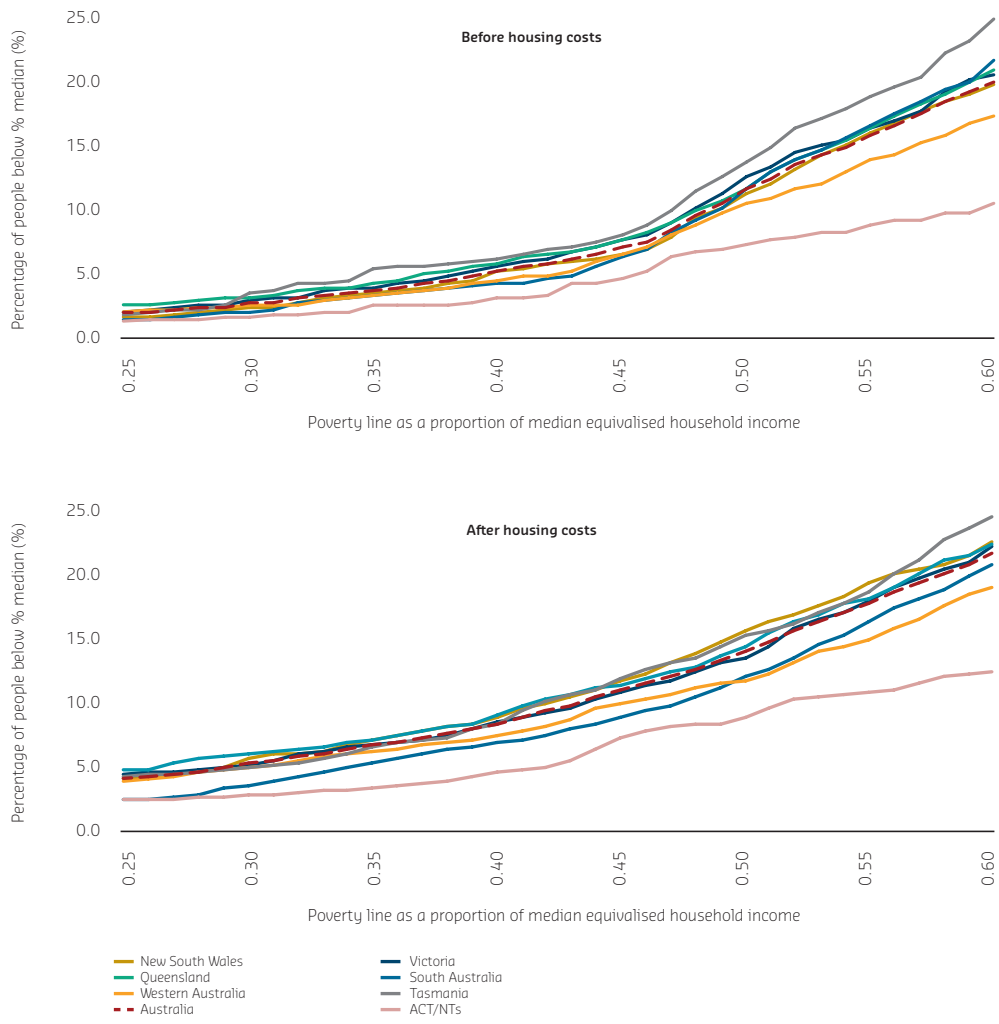
Figure 17 Before and after housing costs income poverty, 2003-04 to 2011-12



Note: 1) Poverty rates are assessed by calculating the percentage of people whose real equivalised household disposable incomes (before and after housing costs) fall below different fractions of the median. Nil and negative incomes are excluded from all poverty calculations. Data are re-based to 2014 prices. Housing costs included mortgage repayments, rent and property rates. See technical notes for further detail.
 2) In 2007-08 the ABS introduced a new concept of income. This definition is broader and captures income from irregular sources such as bonuses and overtime as well as financial support from family members resident outside the household. This change has meant that income measures prior to 2007-08 are not directly comparable. See technical notes for further information.
Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Survey of Income and Housing unit record data.

Figure 18 compares poverty profiles before and after housing costs for all states and territories in Australia. Tasmania shows the highest poverty rates before housing costs are taken into account, as exhibited by the grey profile in Figure 18. This stems from the higher proportion of households in the Apple Isle with low disposable incomes. However, the rates of poverty in Tasmania fall more to the Australian average once housing costs are accounted for, which demonstrates the compensating effect of lower housing costs in alleviating to some extent the level of relative poverty. ACT and the Northern Territory show the lowest rates of poverty across states and territories on both BHC and AHC measures – a function of the greater proportion of households on relatively high incomes.

Figure 18 Percentage of people below various poverty lines by state – Before and after housing costs



Note: Poverty rates are assessed by calculating the percentage of people whose real equivalised household disposable incomes (before and after housing costs) fall below different fractions of the median. Nil and negative incomes are excluded from all poverty calculations. Data are from 2011/12 re-based to 2014 prices. Housing costs included mortgage repayments, rent and property rates. See technical notes for further details.
Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from 2011/12 ABS Survey of Income and Housing unit record data.

These findings reinforce one of the key conclusions from the Centre's recent 'Focus on Western Australia' report on Housing Affordability. That report calculated the ratio of median household income to median rents in WA to be 29% in 2011-12, compared with a lower quartile rent-to-income ratio of some 50% (Table 9, p.42), with non-retired elderly couples and single people in rental accommodation facing especially severe cost burdens. The failure of the housing market to deliver affordable housing options in sufficient quantity to satisfy needs has led directly to greater levels of mortgage and rental stress among those on lower incomes in Australia. This current report has further shown that high housing costs have translated directly into a higher incidence of poverty and more severe financial hardship. It follows that affordable housing must be a key priority in the drive to reduce the incidence of poverty in Australia.

Life-cycle poverty and housing tenure

We focus now to the incidence of poverty for Australian families at different stages of their lives, and particularly the relationship between income disadvantage and housing tenure. Table 9 presents poverty rates at 50% ('standard') and 30% (severe) of median equivalised household income, and differentiated according to three main tenure states – (i) owners with no mortgage; (ii) owners with mortgages; and (iii) renters.

The overall poverty rate for renters in Australia is more than twice that for mortgage holders (22.6% against 10.0%) and three times the rate for owners without mortgages (at 6.8%), as shown earlier in this report. However, the most striking aspect of the analysis presented in Table 9 is the huge increase in poverty across the life-course for those families in rented accommodation. Around 29% of lone renters aged less than 35 are in poverty, but the rate rises to nearly four in 10 for lone persons aged 35 to 54, and more than one in two (55%) for those approaching retirement age. Indeed, nearly one in five lone renters aged 55 to 64 are found to be in severe poverty.

Although somewhat less extreme, a similar pattern emerges for couples without children in rented accommodation – with poverty rates rising from 7.6% for people in couple households with head aged less than 35, to 12.5% for those aged 35 to 54, and to more than one in four (26.8%) for older aged pre-retirement couples

Single parent families in rented accommodation face particularly serious financial hardship – more than a third of single parents with primary or secondary school-aged children are in poverty, and around one in seven single parents with pre-school children suffer severe poverty.

Table 9 Poverty depth and tenure across the life-course

Proportion of people in different depths of poverty	Proportion of people falling below different fractions of equivalised household disposable income (after housing costs)					
	'standard' poverty (below 50% median)			severe poverty (below 30% median)		
	owners no mortgage	owners with mortgage	renters	owners no mortgage	owners with mortgage	renters
By life-course family composition and tenure						
Young households and families						
Lone person, aged <35	(a)	19.6	28.9	(a)	10.8	13.4
One parent with dep kids - oldest 0-4	(a)	9.4	35.0	(a)	9.4	14.3
Couple with dep kids - oldest 0-4	(a)	12.9	21.4	(a)	5.2	9.3
Couple only, reference aged <35	(a)	1.5	7.6	(a)	1.0	4.7
Moving to middle age						
Lone person, aged 35-54	5.3	13.2	38.4	1.0	8.9	14.8
One parent with dep kids - oldest 5-14	(a)	26.7	34.2	(a)	15.7	12.2
One parent with dep kids - oldest >14	3.7	12.1	25.4	1.1	12.2	13.9
Couple with dep kids - oldest 5-14	6.9	9.6	24.5	2.5	3.9	9.1
Couple with dep kids - oldest >14	4.7	8.4	16.5	3.6	3.4	7.7
Couple only, reference aged 35-54	5.6	7.0	12.5	4.5	4.2	5.9
Older age, pre retirement						
Lone person, aged 55-64	9.2	21.9	55.1	5.2	11.5	19.0
Couple with dep+non-dep kids	2.7	7.8	14.7	1.2	4.2	4.3
Couple only, reference aged 55-64	7.8	10.8	26.8	3.6	5.1	6.8
Retirement age						
Lone person, aged 65+	8.7	43.0	68.8	3.6	5.4	12.6
Couple only, reference aged 65+	6.8	21.6	37.3	1.9	6.9	5.4
ALL PEOPLE	6.8	10.0	22.6	2.8	4.4	8.1

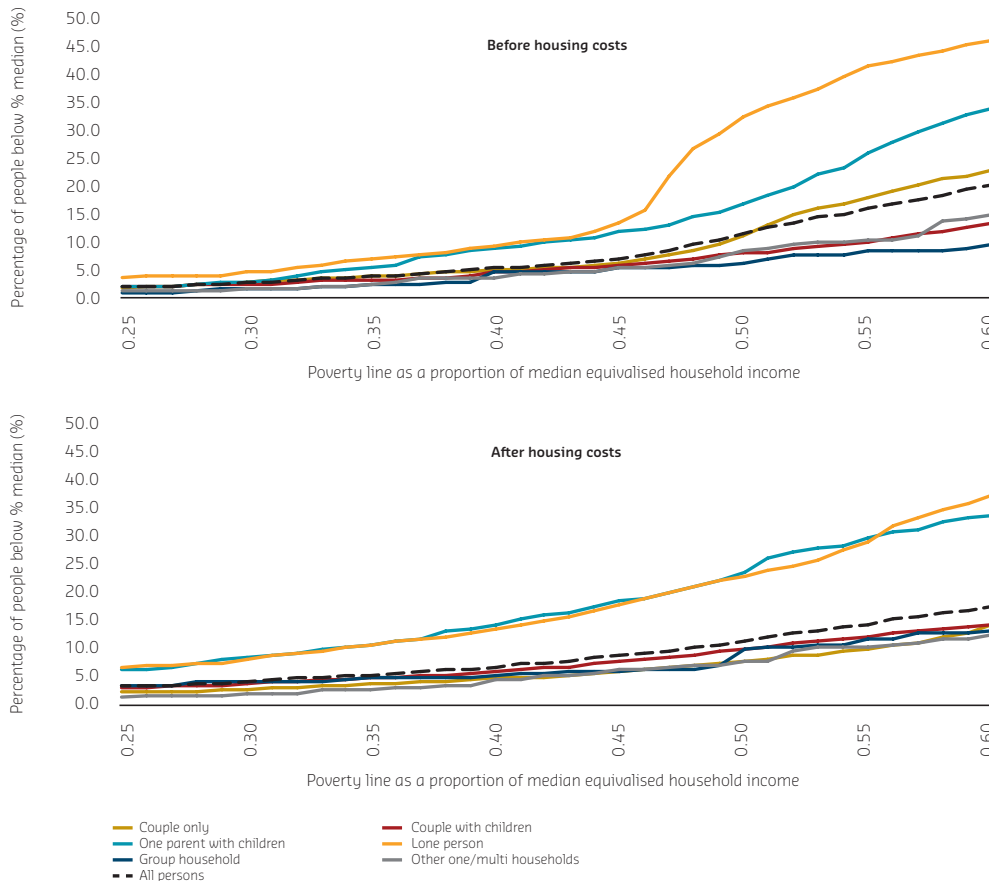
Note: (a) Cell size too small for reliable estimates

Poverty rates are assessed by calculating the percentage of people whose real equivalised household disposable incomes (before and after housing costs) fall below different fractions of the median. Nil and negative incomes are excluded from all poverty calculations. Data are re-based to 2014 prices. Housing costs included mortgage repayments, rent and property rates. See technical notes for further detail.

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Survey of Income and Housing unit record data.

Figure 19 highlights clearly how poverty rates differ between households, and how those rates vary according to whether housing costs are accounted for. The first panel compares before housing cost poverty rates at different poverty lines for couple households (with and without children), single adult households (with and without children) and group households. On this measure, the proportion of single adults with incomes that fall below a poverty threshold increases markedly from around 46% of median equivalised household income.

Figure 19 Proportion of people below various poverty thresholds before/after housing costs: 2011/12



Note: Poverty rates are assessed by calculating the percentage of people whose real equivalised household disposable incomes (before and after housing costs) fall below different fractions of the median. Nil and negative incomes are excluded from all poverty calculations. Data are re-based to 2014 prices. Housing costs included mortgage repayments, rent and property rates. See technical notes for further detail.

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Survey of Income and Housing unit record data.

Homelessness

Homelessness is often associated with sleeping rough on city streets, but homelessness extends far greater than this. A modern definition of homelessness drawn from the Australian Bureau of Statistics, and following international standards incorporates dwelling adequacy, the amount of stability a person has in their housing tenure and the level of control that they have over a space (ABS 2012). Specifically, a person is considered homeless (without suitable accommodation) when their current living arrangements are as follows:

- in a dwelling that is inadequate, or
- has no tenure, or if their initial tenure is short and not extendable, or
- does not allow them to have control of, and access to space for social relations.

90% of homeless persons in the Northern Territory are Indigenous Australians

It is estimated that over 100,000 persons are homeless in Australia. Adult working-age Australians (25-64 yrs) are more likely to be homeless than any other age group, constituting 44% of all homeless persons nationally. Children (aged less than 18 years) have the second largest representation among those classified as homeless, with more than 1 in 4 homeless, children.

Men are more likely to be homeless than women across all states and territories with the exception of the Northern Territory, where the split is ore even. A higher proportion of men makeup homeless persons in NSW than in any other state – almost 60%.

Table 10 Homelessness among age groups and sex, states and territories

State/ territory		Age Group				Sex		All
		Children	Young people	Adults	Elderly	Men	Women	
NSW	no.	6,275	4,278	13,108	4,531	16,786	11,404	28,192
	%	22.3%	15.2%	46.5%	16.1%	59.5	40.5	
Vic.	no.	5,921	3,834	10,306	2,712	12,968	9,806	22,773
	%	26.0%	16.8%	45.3%	11.9%	56.9	43.1	
Qld.	no.	5,457	2,627	8,306	3,442	11,329	8,503	19,832
	%	27.5%	13.2%	41.9%	17.4%	57.1	42.9	
SA	no.	1,565	824	2,773	818	3,378	2,604	5,980
	%	26.2%	13.8%	46.4%	13.7%	56.5	43.5	
WA	no.	2,427	1,346	4,326	1,496	5,355	4,236	9,595
	%	25.3%	14.0%	45.1%	15.6%	55.8	44.1	
Tas.	no.	429	202	695	254	920	662	1,580
	%	27.2%	12.8%	44.0%	16.1%	58.2	41.9	
NT.	no.	6,183	1,947	5,922	1,423	7,684	7,793	15,475
	%	40.0%	12.6%	38.3%	9.2%	49.7	50.4	
ACT.	no.	499	252	857	178	986	799	1,786
	%	27.9%	14.1%	48.0%	10.0%	55.2	44.8	
Aust.	no.	28,756	15,310	46,293	14,854	59,406	45,807	105,213
	%	27.3%	14.6%	44.0%	14.1%	56.5	43.5	

Note: For further information about homelessness refer to the Glossary and technical notes.

Source: BANKWEST CURTIN ECONOMICS CENTRE| Authors' calculations from ABS Cat No. 2049.0 - Census of Population and Housing: Estimating homelessness, 2011.

Higher proportions of non-Indigenous persons experience homelessness across nearly all states and territories, with the exception of the Northern Territory. However, Indigenous Australians are over-represented in rates of homelessness compared to their representation in the overall Australian population (approximately 3%). While Indigenous Australians make-up a greater proportion of the population in the Northern Territory (15%), they constitute more than 90% of all homeless persons.

Western Australia and Queensland also have a disproportionate Indigenous population who are classified as being homeless – 35% and 24% respectively.

Figure 20 Homelessness by Indigenous status, states and territories

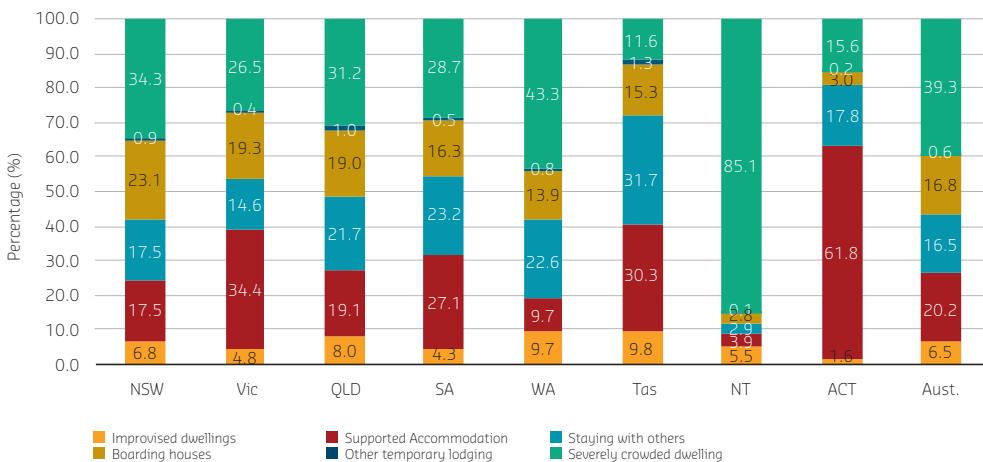


Note: A number of people do not report their Indigenous status in the Census, this has been denoted by the "Not stated" category.
Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Cat No. 2049.0 - Census of Population and Housing: Estimating homelessness, 2011.

Turning to the different homelessness operational groups, the prevalence of severely overcrowded dwelling as the main type of homelessness in the Northern Territory is noticeable (Figure 21). This pattern reflects the very high rates of Indigenous persons living in homelessness circumstances.

Among all homelessness circumstances, people living in overcrowded circumstances are the most prevalent, at 39.3%. Supported accommodation is the second most common type of homelessness, followed by boarding houses and staying with others.

Figure 21 Prevalence of homelessness operational group among homelessness, states and territories



Note: Refer to the Glossary and technical notes for further information about homelessness and the operational groups.
Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Cat No. 2049.0 - Census of Population and Housing: Estimating homelessness, 2011.

Health and Disability

Poor health and disability has strong associations with income poverty and disadvantage, preventing individuals and families from full participation in the labour force and educational opportunities. As Australia’s population ages and national health priorities increase and worsen, so too does the impact on living standards for many Australian households. Around 1.4 million Australians are living with a profound disability (AIHW). Currently there exist nine National Health Priority areas in Australia that contribute significantly to the burden of illness through health care and social welfare expenditure as well as forgone economic opportunities. These priority areas, along with their prevalence and the year that they were added to the priority list are shown in Table 11. The prevalence of these health issues among Australia’s population is noticeable – in particular obesity and mental health, which affects 45% and 60% of all Australians respectively.

Table 11 Australian National Health Priority Areas

National Health Priorities	Year added	Prevalence	
		%	No.
Cancer control	1996	Risk: 1 in 2 (men) 1 in 3 (women)	120,000 new diagnosis annually
Cardiovascular health	1996	16.60%	3.4 million
Injury prevention and control	1996	6.5% (burden of disease)	400,000 annual hospitalisations
Mental health	1996	45%	7.3 million
Diabetes	1997	4.20%	999,000
Asthma	1999	10%	2 million
Arthritis and musculoskeletal conditions	2002	28%	6.1 million
Obesity	2008	60%	12 million
Dementia	2012	10% (65+)	322,000

Source: BANKWEST CURTIN ECONOMICS CENTRE | Australian Institute of Health and Welfare, ABS 2011-12 Australian Health Survey data, ABS National Survey of Mental Health and Wellbeing.

Mental health is a concerning national health priority that effects close to half of all Australians, with 45% of the population reporting any lifetime mental disorder and one in five reporting any 12-month mental disorder. Anxiety and depression are among the most prevalent types of major disorders. Links between poor mental health and the ability to participate in society are well established (for example, see Frijters *et al*, 2014). Mental health disorders often result in the inability to participate in activities that would see most households escape poverty – employment and education.

The consequences of a household member having one or more long-term health conditions are many. These include a loss off potential income if employment is hindered, increased health expenditure and familial stress. People with a disability will often require a substantial level of care, further limiting the household’s capacity to escape poverty.

Table 12 Proportion of persons in poverty among households by degree of disability and poverty line

Family Composition	Poverty Line	Some form of disability or long-term condition	Severe to profound activity limitation	Mild to moderate activity limitation	Education or employment limitation only	No limiting disability
Non-elderly couple only	30% median	6.5%	6.7%	11.3%	9.6%	4.7%
	40% median	8.5%	11.4%	13.9%	13.6%	6.3%
	50% median	12.7%	23.4%	18.9%	20.8%	9.0%
Non-elderly couple with kids	30% median	4.3%	3.9%	8.9%	11.2%	4.5%
	40% median	7.0%	12.1%	15.5%	12.6%	6.8%
	50% median	12.6%	23.3%	26.7%	18.9%	10.3%
One parent with kids	30% median	8.2%	6.0%	8.4%	13.4%	9.7%
	40% median	19.2%	20.1%	18.3%	25.2%	18.4%
	50% median	34.2%	27.4%	29.4%	42.0%	31.1%
Non-elderly single male	30% median	17.0%	16.3%	15.0%	26.9%	12.9%
	40% median	26.2%	25.3%	29.0%	37.8%	18.5%
	50% median	43.4%	57.9%	51.2%	58.9%	26.5%
Non-elderly single female	30% median	11.8%	9.3%	15.2%	10.9%	11.2%
	40% median	23.9%	24.0%	31.1%	28.1%	19.2%
	50% median	40.1%	68.4%	54.0%	44.2%	27.4%
Elderly couple	30% median	1.7%	2.4%	0.6%	n/a	2.3%
	40% median	4.7%	6.2%	2.3%	n/a	5.4%
	50% median	8.8%	12.4%	7.8%	n/a	9.9%
Elderly single male	30% median	4.6%	0.3%	3.7%	n/a	7.2%
	40% median	12.1%	16.5%	9.0%	n/a	13.5%
	50% median	26.0%	33.3%	23.1%	n/a	25.6%
Elderly single female	30% median	4.0%	1.0%	3.1%	n/a	4.4%
	40% median	7.6%	11.6%	6.9%	n/a	8.4%
	50% median	21.8%	30.8%	23.7%	n/a	20.6%
All people	30% median	5.2%	5.5%	6.5%	11.5%	5.1%
	40% median	9.2%	12.6%	11.7%	17.3%	8.1%
	50% median	16.4%	23.7%	21.9%	26.9%	12.9%

Note: Poverty rates are assessed by calculating the percentage of people whose real equivalised household disposable incomes (after housing costs) fall below different fractions of the median. Nil and negative incomes are excluded from all poverty calculations. Data are re-based to 2014 prices. Housing costs included mortgage repayments, rent and property rates. See technical notes for further detail.

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Survey of Income and Housing unit record data.

The relationship between poverty depth and the degree of disability that a person experiences is assessed in Table 13. The relative risk of a household being in poverty if a member of that household has some form of disability is greater among nearly all household types when compared with the overall within group poverty rates.

Non-elderly couple only households with a household member that has a mild to moderate activity limitation or an education or employment limitation are more than

twice as likely to be in poverty as non-elderly couples without a limiting disability. This pattern exists across all poverty depth groups.

Non-elderly single male households that have an education or employment limitation also have more than double the risk of poverty than those who have none. Single parent families have the greatest poverty risk where education or employment only is a limitation due to a long-term health condition. Elderly households with a mild to moderate activity limitation have a relatively lower risk of being in poverty when compared to those without any limiting disability.

Table 13 Relative Risk of poverty among households by degree of disability and poverty line

Family Composition	Poverty Line	Some form of disability or long-term condition	Severe to profound activity limitation	Mild to moderate activity limitation	Education or employment limitation only
Non-elderly couple only	30% median	1.39	1.43	2.40	2.06
	40% median	1.35	1.82	2.22	2.17
	50% median	1.41	2.60	2.09	2.31
Non-elderly couple with kids	30% median	0.94	0.85	1.95	2.47
	40% median	1.04	1.79	2.30	1.87
	50% median	1.22	2.27	2.60	1.85
One parent with kids	30% median	0.85	0.62	0.87	1.38
	40% median	1.04	1.09	1.00	1.37
	50% median	1.10	0.88	0.94	1.35
Non-elderly single male	30% median	1.32	1.26	1.16	2.09
	40% median	1.42	1.37	1.57	2.04
	50% median	1.64	2.18	1.93	2.22
Non-elderly single female	30% median	1.05	0.83	1.35	0.97
	40% median	1.25	1.25	1.62	1.47
	50% median	1.46	2.50	1.98	1.62
Elderly couple	30% median	0.73	1.02	0.27	n/a
	40% median	0.88	1.16	0.44	n/a
	50% median	0.89	1.26	0.79	n/a
Elderly single male	30% median	0.63	0.04	0.51	n/a
	40% median	0.90	1.21	0.66	n/a
	50% median	1.02	1.30	0.90	n/a
Elderly single female	30% median	0.90	0.22	0.70	n/a
	40% median	0.91	1.37	0.82	n/a
	50% median	1.06	1.50	1.15	n/a

Note: 1) Poverty rates are assessed by calculating the percentage of people whose real equivalised household disposable incomes (after housing costs) fall below different fractions of the median. Nil and negative incomes are excluded from all poverty calculations. Data are re-based to 2014 prices. Housing costs included mortgage repayments, rent and property rates. See technical notes for further detail.

2) In 2009-10, survey respondents in the ABS Survey of Income and Housing were asked about conditions that they have that have lasted or are likely to last for 6 months or more. These included sight, hearing and speech problems, difficulty learning or understanding things, physical limitations and mental illness which required supervision. If respondents answered yes, the impacts of these conditions on their ability to participate in education or employment was also queried.

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Survey of Income and Housing unit record data.

Indigenous disadvantage

Across the array of potential metrics relating to poverty and disadvantage, Aboriginal and Torres Strait Islander peoples invariably rank among the demographic groups within Australian society experiencing the worst outcomes. Stark disadvantage exists with respect to physical and mental health, income, education, employment status, incarceration rates and the incidence of other adverse life events.

For most indicators of poverty and disadvantage used in this report, precise measures for the Indigenous population cannot be determined with existing data. Given the various difficulties in enumerating Indigenous people in the Census, the ABS provides separate 'experimental' estimates of the Indigenous population. According to the latest estimates, Aboriginal and Torres Strait Islanders made up 3.0% of the total Australian population in 2011, with this figure ranging from less than 1% in Tasmania to 29.7% in the Northern Territory. With Indigenous people comprising such a small proportion of the population, standard data collections based on representative sampling have wide error margins associated with estimates for the Indigenous people. Specific Indigenous surveys, such as the ABS' National Aboriginal and Torres Strait Islander Social Survey and the Longitudinal Study of Indigenous Children, do not enable ready comparisons with the non-Indigenous population, however some other surveys, including the ABS National Health Survey, include expanded Indigenous samples to facilitate such comparisons.

A critical issue with the Census data is the large proportion of people for whom Indigenous status is not determined. In the following table presenting information from the Basic Community Profiles for the 2011 Census for households with Indigenous persons and those without, the non-Indigenous households include those for which Indigenous status is not stated. Keeping this limitation in mind, the data indicate that households in which at least one of the household members identifies as being of Aboriginal or Torres Strait Islander descent have median household incomes 20% lower than other households. This income gap increases to almost 40% when considered on a personal income basis, because Indigenous households have a higher average number of occupants (3.3 people per household, as opposed to 2.6 for non-Indigenous households).

Table 14 Personal and household income by Indigenous status, Census, 2011

National Health Priorities	NSW	Vic	Qld	SA	WA	Tas	NT	ACT	Australia
Median total personal income (\$/weekly)									
Indigenous households	\$375	\$390	\$384	\$348	\$348	\$395	\$269	\$644	\$362
Non-Indigenous households	\$566	\$562	\$593	\$537	\$672	\$503	\$925	\$921	\$582
I to NI Ratio	0.66	0.69	0.65	0.65	0.52	0.79	0.29	0.70	0.62
Median total household income (\$/weekly)									
Indigenous	\$941	\$962	\$1,066	\$842	\$1,043	\$923	\$1,098	\$1,666	\$991
Non-Indigenous	\$1,247	\$1,218	\$1,243	\$1,049	\$1,425	\$949	\$1,811	\$1,925	\$1,241
I to NI Ratio	0.75	0.79	0.86	0.80	0.73	0.97	0.61	0.87	0.80
Persons per household									
Indigenous	3.1	3.0	3.4	3.0	3.5	3.0	4.2	3.1	3.3
Non-Indigenous	2.6	2.6	2.6	2.4	2.6	2.4	2.6	2.6	2.6

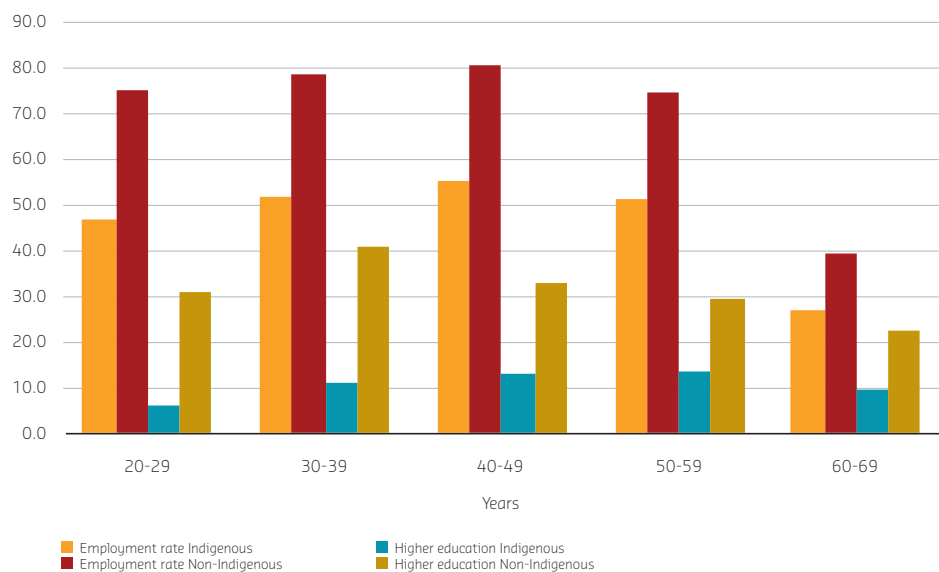
Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Census Basic Community Profile.

There seems to be no evidence of a narrowing of the labour market disadvantage faced by young Indigenous Australians.

Alarming, the discrepancy in median incomes is most pronounced in the Northern Territory, the jurisdiction with the highest Indigenous representation in its population. In the NT, median incomes for persons in Indigenous households are just 30% of that for non-Indigenous households. The difference in the number of persons per household does not reflect that Indigenous people live in larger houses, but rather more crowded houses. Using an established occupancy standard that accounts for gender and within-household relationships, the ABS estimates that additional bedrooms were required in 11.8% of Indigenous households, compared to just 3.2% of other households. It is true that cultural differences may mean that the occupancy standard has limited relevance to Indigenous peoples, however, the point remains that relative median incomes are vastly lower for Indigenous persons.

Welfare is also the main source of income for a substantial proportion of Indigenous persons and households. From being largely ineligible for welfare prior to legislative changes of 1966 that extended the Social Security Act to 'Aboriginal Natives', Indigenous Australians underwent a rapid transition to welfare dependency. It was estimated that by 1981, 70% of Indigenous income, including non-market production, came from government (see Dockery and Milsom 2007: 15). In 2008, 40% of Indigenous 18-64 year olds received government pensions or allowances as their main source of income compared to 14% of non-Indigenous people of the same age (SCGRSP 2011). Figure 22 shows employment rates and the proportion of persons holding a qualification at the diploma/associate diploma level or above by broad age group based on 2011 Census data. Indigenous Australians clearly experience vastly lower employment opportunity and education levels, and there seems to be no evidence of a narrowing of the labour market disadvantage faced by the cohort of recent labour market entrants relative to their predecessors.

Figure 22 Employment rate and proportion of persons with diploma or higher qualifications by age: Indigenous and non-Indigenous Australians, 2011



Note: Non-Indigenous includes persons for which Aboriginal or Torres Strait Islander status is not stated.
Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS 2011 Census of Population and housing.

A further caveat to note is that for cultural and other reasons, lower mainstream economic outcomes need not translate directly into lower wellbeing. Indigenous Australians are disproportionately located in more remote areas. While outcomes on standard socio-economic measures clearly decline with remoteness, other factors that have been found to be important to wellbeing for Indigenous Australians are more prevalent in remote settings, including attachment and identification with their Aboriginal or Torres Strait Islander culture, connection to country and kinship networks (Campbell *et al.* 2011, Dockery 2012, Nguyen & Cairney 2013). Income measures may also have less applicability in an Indigenous context given the tendency for sharing among extended families (Shepherd *et al.* 2012). Unfortunately, however, other information makes it clear that income and labour market disadvantage are just some elements of a broader picture of deprivation suffered by Indigenous Australians, and that extends to physical and mental wellbeing, victimisation, incarceration and suicide.

Since the formulation of the 'Closing the Gap' policy, under which the Coalition of Australian Governments set targets for the narrowing of inequality in outcomes indicators across a range of life domains, the Productivity Commission has published regular compendiums of progress against key indicators. For States and Territories for which comparable data exists (NSW, Queensland, WA, SA and the NT), the most recent overview (SCRGSP 2011) reports that age standardised hospitalisation rates for potentially preventable chronic conditions for the Indigenous population are more than double that of the non-Indigenous population rates. While Indigenous hospitalisation rates are higher across a wide range of conditions and injuries, they are particularly acute for conditions related to diabetes and for injuries associated with assaults, with rates for both being around 10 times higher than for the non-Indigenous population. Avoidable mortality rates for the 0-74 year old population was estimated to be 3.5 times higher for Indigenous people in the latter half of the last decade. WA fared worse on this measure, with Indigenous mortality rates five times higher than for the non-Indigenous population in that State (SCRGSP 2011 Chapter 7).

Indigenous Australians are around 14 times more likely to be imprisoned relative to non-Indigenous Australians after adjusting for age, and for juveniles 23 times as likely. Suicide rates in the second half of last decade are estimated to have been 2.5 times higher for Indigenous people, and so on (SCRGSP 2011). It's a scorecard that makes dire reading. On the positive side, recent data suggest a marginal narrowing in the gap in life expectancy for Indigenous Australians, to 10.6 years lower life expectancy for Indigenous men and 9.5 fewer years for Indigenous women, when compared to their non-Indigenous counterparts (ABS 2013). However, such glimpses of any positive change in the relative deprivation experienced by Indigenous Australians are all too rare. Further, gradients between parental and household socio-economic status and child developmental outcomes appear to apply equally for Indigenous and non-Indigenous children (Shepherd *et al.* 2012). Thus the profound disadvantage faced by Indigenous peoples today can be expected to be perpetuated in the form of entrenched poverty and deprivation for generations to come.

Indigenous Australians are around 14 times more likely to be imprisoned than non-Indigenous Australians.

Geography

Perth stands out - ranked second last among state capitals when using a standard poverty measure, rising to second place when comparing persons living in severe poverty.

As shown in previous sections, individuals who possess particular attributes can have higher propensities of poverty. However, possessing these attributes together with living in a particular area can exacerbate and prolong poverty and disadvantage.

Examining the incidence of poverty across Australia's capital cities and state balances, Table 15 shows the proportion of people in different depths of poverty and changes since 2009-10. Among the state capitals, poverty rates vary considerably - from 8.2% in the ACT to 15% in Australia's most populated city - Sydney.

Sydney is ranked first in terms of the proportion of persons living in households with less than 50% of median income, after deducting housing costs. Sydney is also ranked first among capital cities in the more severe poverty measure, with 6% of persons living with less than 30% of median income. Melbourne has the third highest proportion of persons in both 'standard' and severe poverty - 12.3% and 4.8% respectively.

The importance of distinguishing poverty measures by depth as well as geography is illustrated through the results of Hobart and Perth. The rankings for each capital differ considerably when progressing deeper into poverty. Perth stands out - ranked second last among state capitals when using a 'standard' poverty measure, but rising to second place when comparing persons living in severe poverty. Hobart on the other hand is ranked second in 'standard' poverty measures, but falls to fifth place using the more severe measure.

Brisbane, while ranked fourth among state capitals, has experienced the largest increase in persons in 'standard' poverty since 2009-10, an increase of 2.4 percentage points. In contrast, Perth has experienced one of the biggest decreases in persons in poverty since 2009-10 - the 'standard' definition reducing by 2.4 percentage points and the more severe measure by 1.5 percentage points.

Non-capital city areas in Queensland rank first in the proportion of people experiencing severe income poverty. Relative to national incomes, one in seven persons living in regional areas throughout Queensland is in severe income poverty. This has increased slightly since 2009-10.

Of note is the difference in rankings of persons in 'standard' and severe poverty across areas outside the capital cities. The Balance of Victoria moves from fourth to second place between 'standard' and severe poverty. The Balance of Tasmania follows a similar pattern to its capital, ranked first among state balances in the 'standard' poverty measure, extending to 3rd place when measuring those in more severe poverty.

While there has been little movement in the prevalence of persons in 'standard' poverty since 2009-10, the balance of Victoria has seen an increase in severe poverty by 1.5 percentage points.

Table15 Poverty rates by capital city/balance of state

Proportion of people in different depths of poverty	Proportion of people falling below different fractions of equivalised household disposable income (after housing costs)				Change in the proportion of people in poverty since 2009-10 (percentage point)		Ranking of the poorest regions city/balance of state	
	Moderate	'standard'	significant	severe	Below 50%	Below 30%	Below 50%	Below 30%
	Below 60% median	Below 50% median	Below 40% median	Below 30% median	Below 50% median	Below 30% median	Below 50% median	Below 30% median
By capital city/balance of state								
Sydney	19.9	15.0	8.9	6.0	+0.2	-0.0	1	1
Hobart	18.1	13.7	7.8	4.3	+0.5	-0.1	2	5
Melbourne	19.0	12.3	7.9	4.8	+0.7	-0.8	3	3
Brisbane	18.6	12.3	7.2	4.7	+2.4	+0.9	4	4
Adelaide	18.4	11.0	6.7	3.7	-0.2	-0.8	5	6
Perth	17.2	10.5	6.7	4.9	-2.4	-1.5	6	2
ACT and NT	11.5	8.2	4.4	2.8	-0.1	+0.2	7	7
Balance of Tasmania	25.3	14.1	7.9	5.1	-0.0	+0.6	1	3
Balance of Queensland	21.8	14.1	9.3	6.5	-2.0	+0.1	2	1
Balance of New South Wales	21.7	13.2	7.2	4.1	+0.2	+0.7	3	4
Balance of Victoria	23.8	12.7	7.8	5.3	+0.0	+1.5	4	2
Balance of Western Australia	18.0	11.8	7.5	3.9	+0.2	-0.2	5	5
Balance of South Australia	20.9	11.8	5.6	3.2	-1.7	+0.4	6	6
ALL PEOPLE	19.8	12.9	7.8	5.0	-0.04	-0.03		

Note: Poverty rates are assessed by calculating the percentage of people whose real equivalised household disposable incomes (after housing costs) fall below 50 per cent of the median. Nil and negative incomes are excluded from all poverty calculations. Data are re-based to 2014 prices. Housing costs included mortgage repayments, rent and property rates. See technical notes for further detail.

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Survey of Income and Housing unit record data.

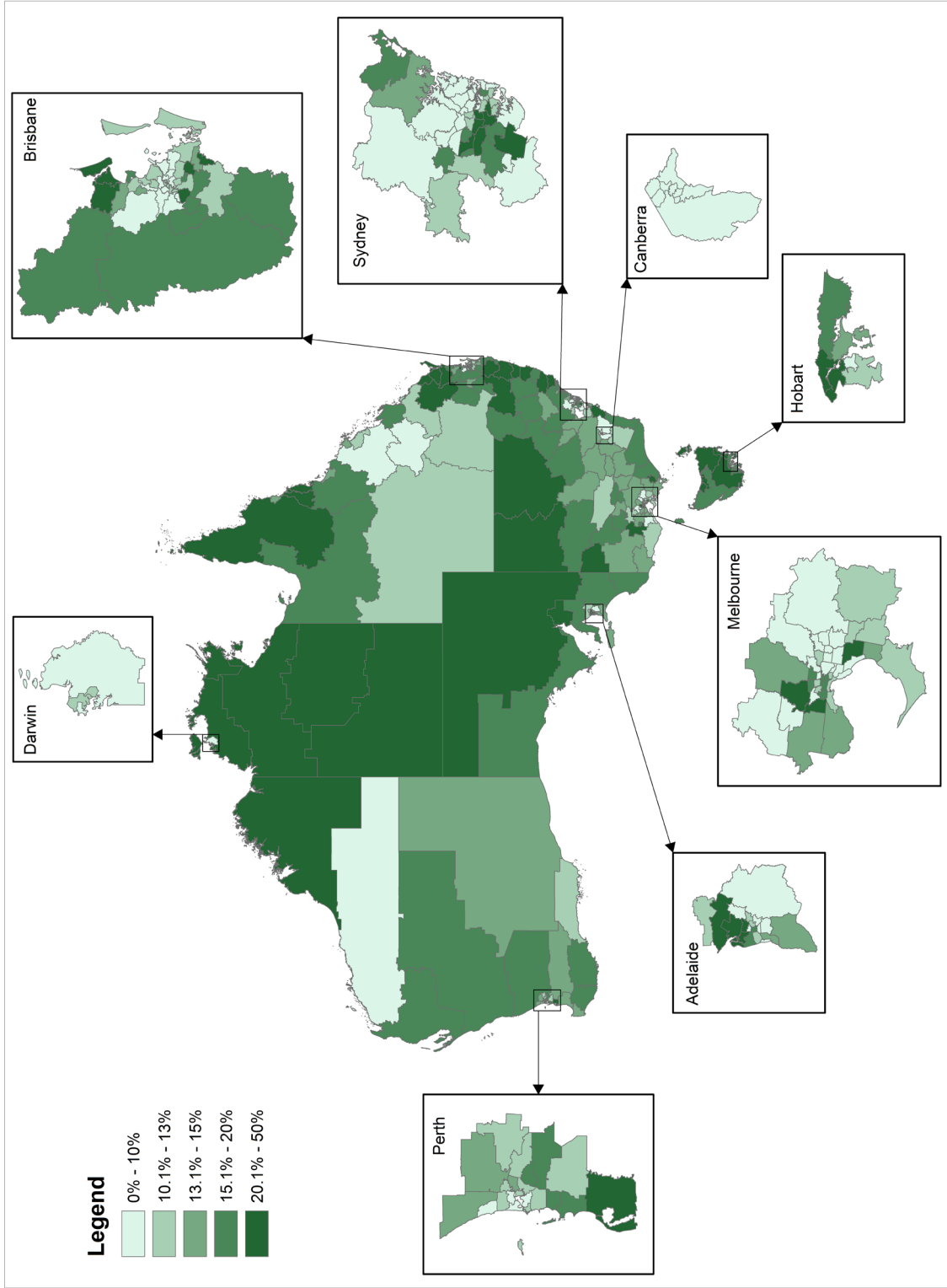
Locational Disadvantage

Increasing interest in locational disadvantage has led to an acknowledgement of the importance of place-based measures of well-being, in relation to identification, prevention and treatment (Cassells *et al.* 2011). Here we look at the way in which socio-economic disadvantage varies throughout Australia, by examining the spatial distribution of one of the most over-represented groups in severe poverty - jobless families. Remote areas across the Northern Territory, South Australia and NSW as well as the areas around and approaching Cape York are some of the areas throughout Australia with very high proportions of jobless families - above 20%.

The outskirts of Brisbane, including the Ipswich hinterland, Caboolture and Bribie have high rates of jobless families. One in five families with dependent children in Beenleigh, Forest Lake - Oxley and Beaudesert are jobless.

Moving along the Eastern coast to Australia's most populous capital - Sydney, a clustering of jobless families is evident among the South-West suburbs. Fairfield, Liverpool, Mount Druitt, Bankstown, Merrylands and Parramatta are among those Sydney areas where more than 20% of families do not participate in the labour force or are unemployed.

Figure 23 Jobless families in Australia



Note: Statistical Area level 3 (SA3) has been used as the underlying spatial unit to assess jobless families throughout Australian regions. Families are defined as households with dependent children.
Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS 2011 Census of Population and Housing.

All major sub-divisions of Canberra have relatively low rates of jobless families, reflecting the more homogenous population and stronger economy. Most of Tasmania's areas fall within the high to very high category of rates of jobless families, with one in three families in Brighton being without a job. Burnie, Launceston, and Devonport all record rates of jobless families at around 20% of all families in these areas.

Melbourne also exhibits clusters of jobless families – Brimbank and Tullamarine-Broadmeadows to the city's West and Dandenong to the South East all ranked in the highest category of jobless families. Playford, Salisbury and Port Adelaide form a cluster of areas in Adelaide with high proportions of jobless families.

In Perth, Mandurah and Kwinana are the two major sub-divisions that have the highest proportion of families in jobless households – comprising one in five families. Rockingham, Armadale and the Gosnells also have relatively high rates of jobless families – 15%.

In contrast to the high levels of jobless families throughout the Northern Territory, its capital - Darwin has very low rates of jobless families, with all major sub-divisions situated in the lowest two categories.

Educational Disadvantage

The role of education as a pathway out of disadvantage has featured strongly in policy rhetoric over time. Successive governments have introduced policies that have enabled greater access to higher education, with the recent Gillard government placing a strong emphasis on education policy, including rolling out universal pre-school for all children in the year before school.

Recently, researchers at BCEC have been undertaking a project that seeks to uncover the extent of educational disadvantage in Australia (Cassells *et al.* 2014c). The index takes a lifecycle approach, spanning across the education stages – pre, primary, secondary school and beyond. Indicators across key aspects of education systems – Access, Achievement and Outcomes, have been assembled and tested to construct a geographically detailed index of educational disadvantage covering areas across Australia. Key indicators include:

- Three and four year olds attendance at pre-school
- Children at risk in language and cognitive skills
- Children developmentally vulnerable on two or more domains
- Achievement of primary and secondary students in literacy and numeracy
- Sixteen and seventeen year olds engaged in study
- Progression of young people to higher education.

The index has been mapped using a more disaggregated spatial unit than that applied above, giving a visual perspective of the relative advantage and disadvantage children experience (Figure 24).

“There still remains a substantial child population that is left behind the rest of the country when it comes to education.”

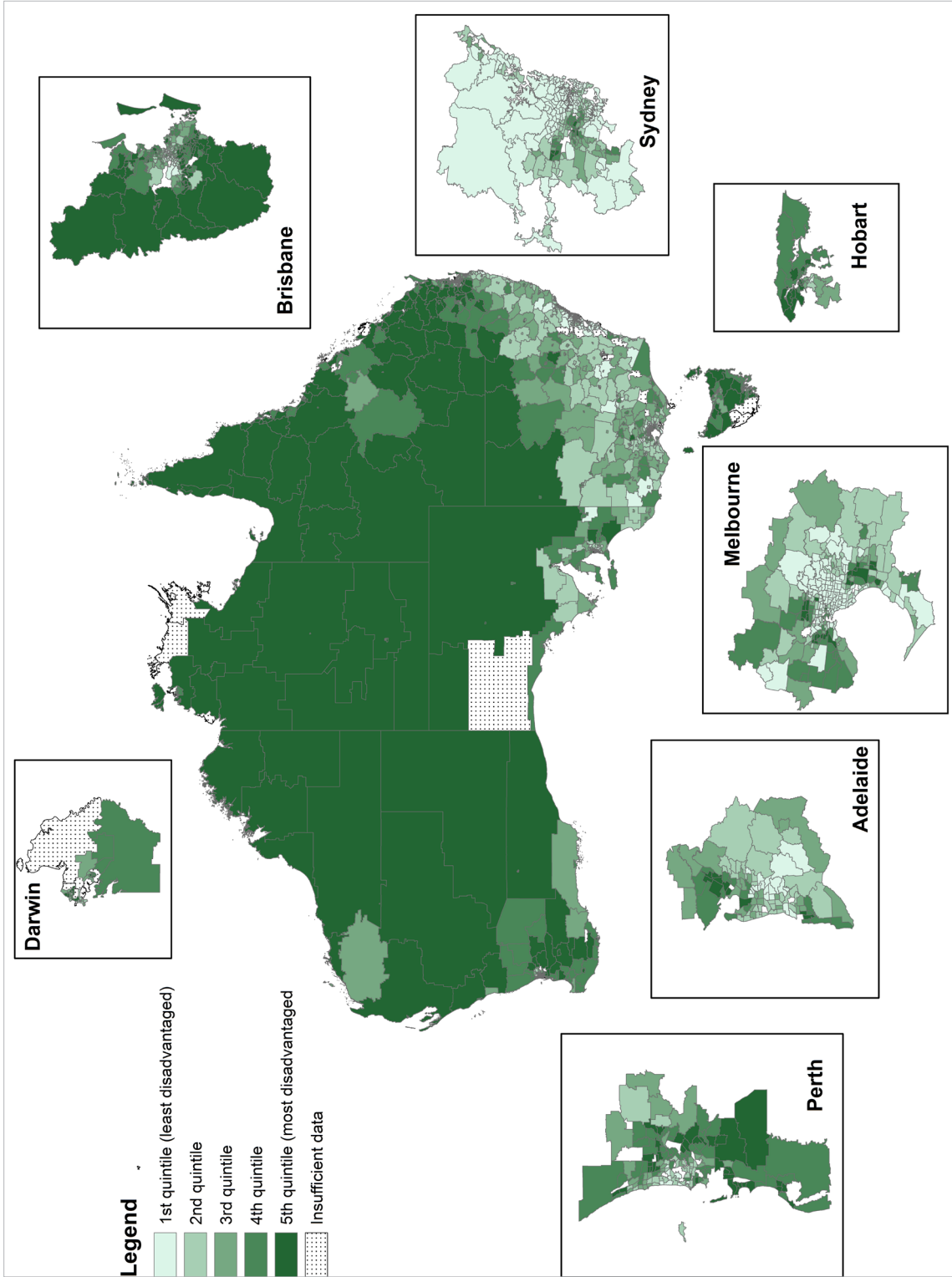
As with many socio-economic indicators, regional and remote areas across Australia’s states and territories generally suffer from higher levels of disadvantage than those that are closer to the coast line. While many of these areas are sparsely populated, there still remains a substantial child population that is left behind the rest of the country when it comes to education.

These areas are characterised by low access to educational participation and resources such as the internet, high rates of developmental vulnerability and risk, lower achievement in national literacy and numeracy testing, poor high school retention rates and outcomes after high school.

In Broken Hill for example, more than 37 per cent of children in kindergarten are vulnerable on two or more developmental domains assessed by the Australian Early Development Census (AEDC). Further, more than 40% of children in their first year at school are at risk in their learning and cognitive development. More than one-fifth of 16-17 year olds do not attend school and 30% of children do not have access to the internet at home.

These results contrast starkly with areas throughout Australia that are relatively more advantaged when it comes to educational access and achievement. Mosman in Sydney’s Northern suburbs for example, is characterised by low rates of developmental vulnerability for children in their first year of school, with 1.2% of children vulnerable in their learning and cognitive development and only 5% in two or more developmental domains. Achievement in literacy and numeracy is much higher than the national average and 98% of 16-17 year olds are still at school.

Figure 24. Educational disadvantage in Australia



Note: Statistical Area level 2 (SA2) has been used as the underlying spatial unit to assess educational disadvantage throughout Australian regions.
 Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from numerous data sources.

Education and social mobility

Australia prides itself as being the land of the 'fair go' - a country of opportunity where talent and motivation will be justly rewarded. Many of our social systems support this ideology - public health care and education; progressive taxation; and welfare nets designed both to catch those at risk of falling through the cracks, and provide a leg up to people when needed. However, to what extent does our economic and social system provide equal access to the same opportunities for all in society?

One of the biggest questions in social policy concerns the transfer of economic advantage and disadvantage from one generation to another. For Australia, a number of studies have established a high level of transmission of negative social outcomes such as poverty, unemployment and welfare dependence from generation to generation, perpetuating a 'cycle of disadvantage' (see for example Pech and McCoull, 1998, 2000; d'Addio, 2007; Cobb-Clark, 2010).

Social mobility refers to the ease with which an individual's economic and social position is able to change (Cassells *et al.* 2011b). A high level of social mobility is often associated with a more equitable society in which individuals and families are able to benefit from favourable economic and social opportunities and escape from disadvantage. Improvements in disadvantage can lead to less pressure on public welfare systems, better health outcomes, potentially less conflict and crime and a more cohesive society.

In this section of the report we examine the level of mobility that exists in Australia and how this has changed over time. We concentrate on a particular type of social mobility - intergenerational mobility - and on the link between the educational attainment of children and their parents. This is motivated by the clear association between educational achievement, greater economic opportunities and labour market outcomes.

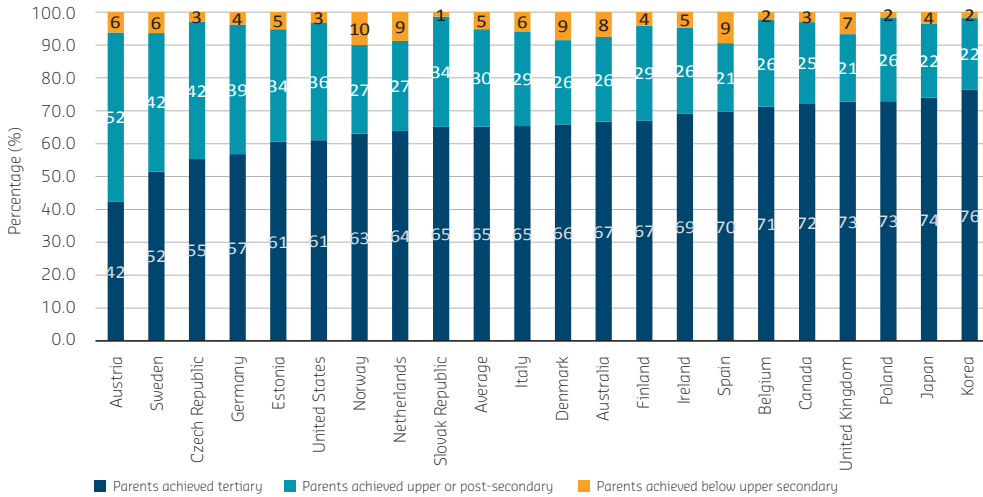
Turning first to how Australia fares on educational mobility compared to other OECD countries, Figure 25 shows the composition of parents' educational attainment among tertiary educated people (excluding current students) aged between 25 and 34 years. On average across all OECD countries, 65% of those people aged 25-34 years who attained a tertiary level qualification came from a family in which their own parents were also educated to tertiary level. Australia sits just above the OECD average, with 67% of 25-34 year olds with a tertiary qualification having parents who also achieved tertiary level. Korea rates highest on this measure, at 76%, followed closely by Japan, Poland and the United Kingdom.

The proportion of people educated to tertiary level whose parents attained below tertiary has been used as a marker of upward mobility⁵. Austria rates highest on this measure, with 52% of the parents of young people educated to tertiary level having achieved upper or post-secondary education. Australia, at 26%, sits a little lower than the OECD average of 30% in this regard.

Norway, the Netherlands, Spain, Denmark and Australia are among OECD countries that have the highest proportion of young people achieving at tertiary level whose parents achieved below upper secondary - between 8%-9%.

⁵ The metric should be interpreted with some caution, since as the proportion of the population achieving tertiary education rises over time, this necessarily reduces the stock of parents below tertiary level. There are also difficulties across all OECD countries in the comparability of pre-tertiary education systems. Nevertheless, the patterns across OECD countries with similar systems to those in Australia are instructive.

Figure 25 Tertiary education attainment of non-students aged 25-34 yrs by parents' educational attainment

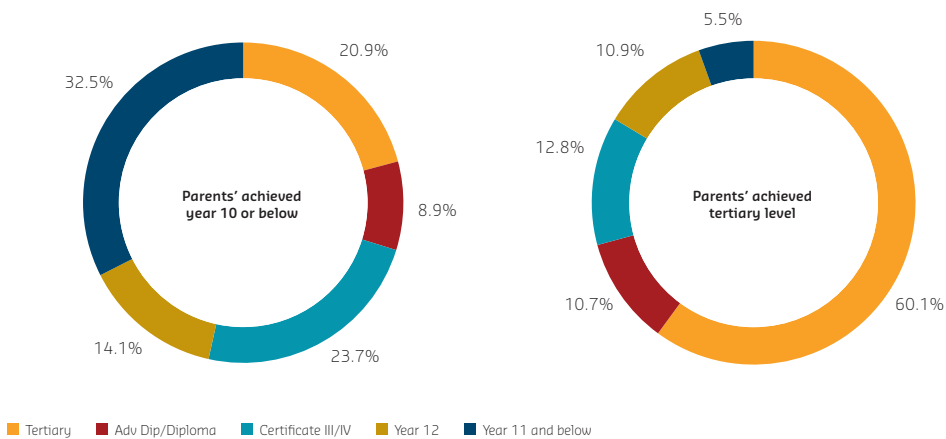


Almost two-thirds of Australians whose parents achieved a university qualification have also achieved a tertiary level qualification.

Source: BANKWEST CURTIN ECONOMICS CENTRE | Author's calculations from Education at a Glance 2014, OECD Indicators.

The strong association between the educational attainment of children and that of their parents is demonstrated further in Figure 26. Among the Australian population aged 15-64 years whose parents achieved tertiary level education, 60% went on to attain a tertiary qualification. This compares starkly with those whose parents achieved year 10 or below, where 20% were able to gain a tertiary qualification. The most common outcome for those whose parents did not progress in high school was to achieve year 11 or below – almost one third.

Figure 26 Educational achievement by parents' educational attainment



Note: Parents education achievement was constructed taking the highest qualification of either parent, where both parents were present when a person was aged 14 years.

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from HILDA Release 12.

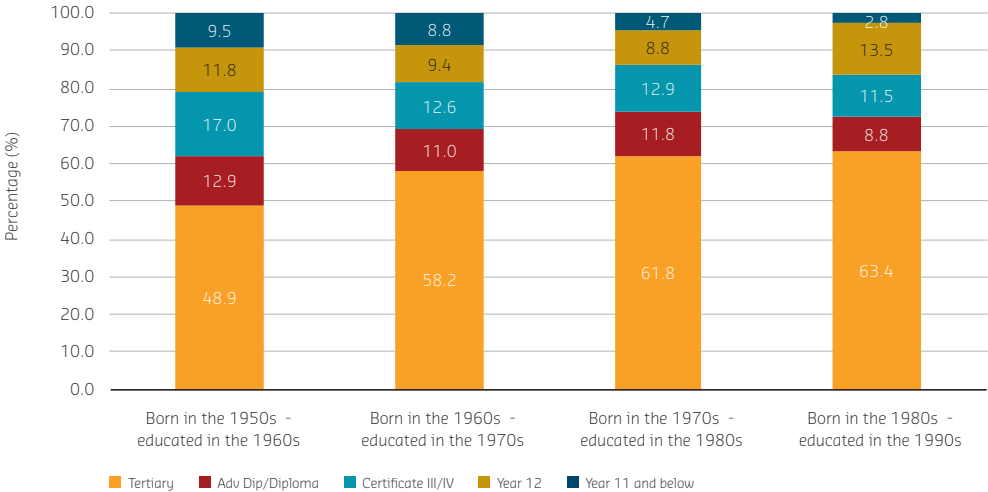
The last two decades has seen a noticeable focus on education policy, with education systems around the world expanding beyond that of mid-level high school. Currently there is a requirement that all young people stay in school until 17 years of age, completing an average of 13 years of schooling. And the majority of young people will go on to obtain a non-school qualification, one third at university.

The expansion in educational attainment has spread into pre-school, where early childhood education and learning is becoming recognised as both an industry and profession. Young Australian children are now expected to be accessing at least 15 hours of pre-school each week under the previous Gillard government’s national education policy, and the number of children participating in a pre-school program has increased substantially in just ten years.

Keeping in mind that educational standards and expectations differ among cohorts, we compare the educational achievement of parents and children across Australian generations to gauge the change in intergenerational mobility over the last half century.

Figure 27 shows the educational achievement of Australians if their parents achieved a university qualification. The proportion of people achieving tertiary if their parents did so too has increased consistently across all cohort groups, with around 65% of those born in the 1980s whose parents studied for a tertiary qualification going on to study at university themselves. Of course, this pattern reflects the general rise in access to tertiary education in Australia. At the other end of the education spectrum, we see a sharp reduction in the fraction of people not making it through to Year 12 – down to 2.8% for the latest cohort who were born in the 1980s.

Figure 27 Educational achievement if parents’ achieved tertiary level



Note: Parents education achievement was constructed taking the highest qualification of either parent, where both parents were present when a person was aged 14 years.
Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors’ calculations from HILDA Release 12.

Turning to those whose parents attained no more than Year 10 education, the pattern of educational achievement does indicate a rising degree of mobility. Figure 28 shows the educational achievement of successive cohorts of children born to parents educated to Year 10 or below. We see a significant increase in the proportion of people born in the 1970s to lower educated parents (and educated in the 1980s) who went on to tertiary level education – rising by 10 percentage points to 28% over and above those born in the previous decade. We also see a consistent reduction in the proportion of children of parents educated to at most Year 10 who themselves attained no more than Year 10 education – down from a rate of 38.5% among those born in the 1950s to 21% for the latest cohort born in the 1980s.

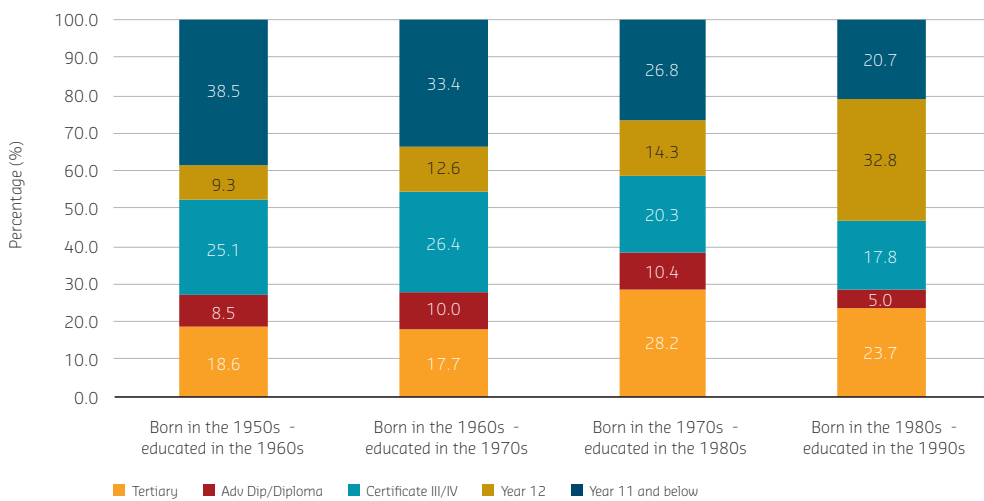
The increase in the proportion of people born in the 1980s to lower educated parents who went on to attain Year 12 has more than doubled over the previous decade, and tripled relative to those born in the 1950s. This is likely to reflect both educational mobility and the increased emphasis on Year 12 as a minimum educational standard for all children.

To judge the strength of evidence for intergenerational mobility in education in Australia, Figure 29 presents an indicator of the relative propensity to achieve tertiary education for different levels of parental educational attainment. Taking the 1950s cohort as a benchmark, Figure 29 reveals a steady but consistent rise in the rate of access to university education of later cohorts of people born to tertiary educated parents – by an average of 10% increase in the rate of access per decade.

Those born in the 1970s whose parents were educated to Year 10 or below were 50% more likely to attain tertiary education themselves than earlier cohorts. However, there is also some evidence to suggest that these high rates of mobility in education have been tailing off for the latest cohort of Australians born in the 1980s.

We see a sharp reduction in the fraction of people not making it through to year 12 - down to 2.8% for the latest cohort who were born in the 1980s.

Figure 28 Educational achievement if parents’ achieved year 10 or below

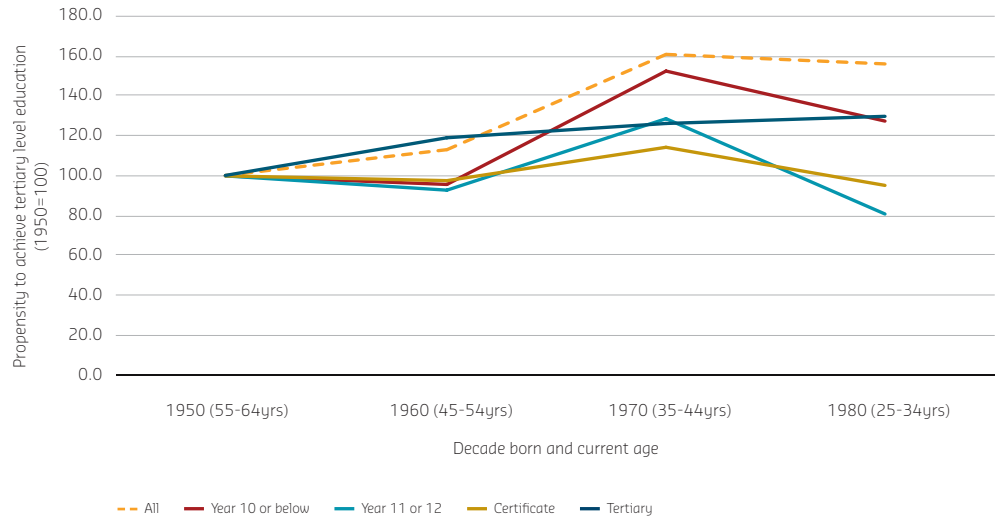


Note: Parents education achievement was constructed taking the highest qualification of either parent, where both parents were present when a person was aged 14 years.

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors’ calculations from HILDA Release 12.

Those born in the 1970s whose parents were educated to Year 10 or below were 50% more likely to attain tertiary education themselves than earlier cohorts.

Figure 29 Propensity to achieve tertiary education by parents' educational attainment and cohort



Note: Parents education achievement was constructed taking the highest qualification of either parent, where both parents were present when a person was aged 14 years.

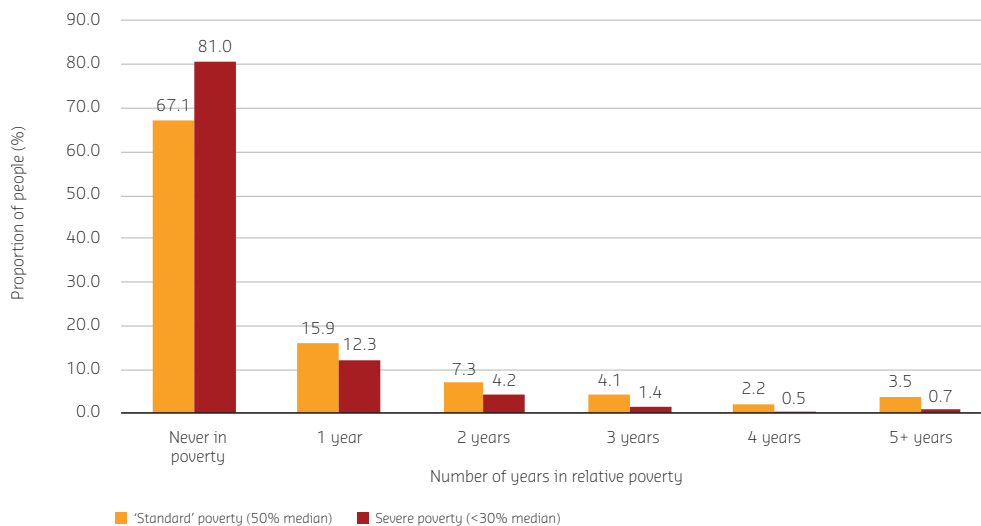
Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from HILDA Release 12.

Poverty persistence

We have been careful in this report to guard against the notion that poverty is in any sense a single, undifferentiated state or situation. People defined to be in poverty at any one point in time may have had very different experiences of deprivation and financial hardship, not just in terms of severity but so too in duration. For some, the situation may be transitory, the hardship relatively moderate, and the period that they spend on low incomes relatively brief. Others may find poverty to be a recurrent situation, with a pattern that moves them into and out of poverty over time. However, there are a small but significant number of people who remain in deep and persistent poverty for extended periods of time, and for whom entrenched disadvantage has unfortunately become a way of life.

Using repeated years of data from the longitudinal HILDA panel of Australian households, we are able to gain some insights into poverty persistence by measuring the incidence and degree of poverty *for the same people over repeated periods of time*. Figure 30 compares the number of years that Australians spent in ‘standard’ and severe poverty between 2003 and 2012⁶. The results are quite striking. We find that around 32% of the population will have experienced at least one year in relative poverty over the last decade, and nearly one in five (19%) will have spent at least one year in severe poverty with incomes below 30% of median equivalised household income.

Figure 30 Number of years in poverty, 2003-2012



Note: Poverty rates are assessed by calculating the percentage of people whose real equivalised household disposable incomes (after housing costs) fall below different fractions of the median. Nil and negative incomes are excluded from all poverty calculations. Housing costs included mortgage repayments, rent and property rates. Separate poverty thresholds were calculated for each year between 2003 and 2012.

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from HILDA Release 12.

⁶ This figure updates similar calculations from the Melbourne Institute (2013) using an earlier release of HILDA, reported in the Productivity Commission report into disadvantage in Australia.

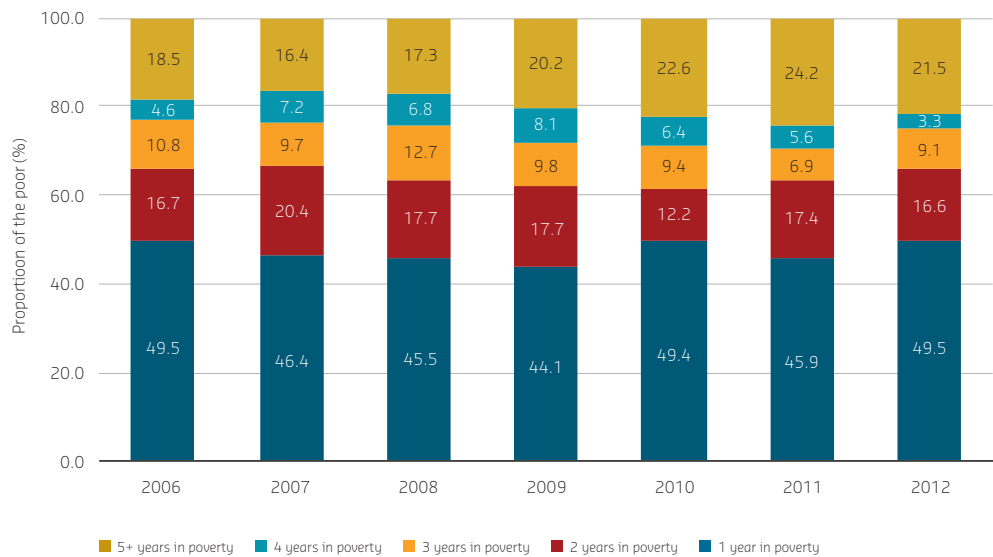
Up to 22% of households designated poor in 2011 had been in a state of relative poverty for at least a period of five years.

Breaking these figures down further, we find more than half of those people who have been in poverty over the last 10 years have spent more than a year in poverty – and 3.5% of the population has been in poverty for at least 5 of the last 10 years. Further, more than a third of those in severe poverty at some point over the last decade have spent more than a single year in deep disadvantage.

To give sharper focus to the nature of persistent poverty in Australia, and how patterns of persistence have changed over time, the following two figures examine the duration of continuous spells in ‘standard’ poverty (Figure 31) and severe poverty (Figure 32) among those who were categorised as poor in each survey year since 2006.

One of the clear results from Figure 31 is the way in which the proportion of people in long spells of over five years in poverty increased through the global financial crisis and beyond. Up to 22% of households designated poor in 2011 had been in a state of relative poverty for at least a period of five years. However, there is some evidence that the rates of persistent poverty is on the decline in the latest survey year.

Figure 31 Length of continuous spells in ‘standard’ (50% median) poverty

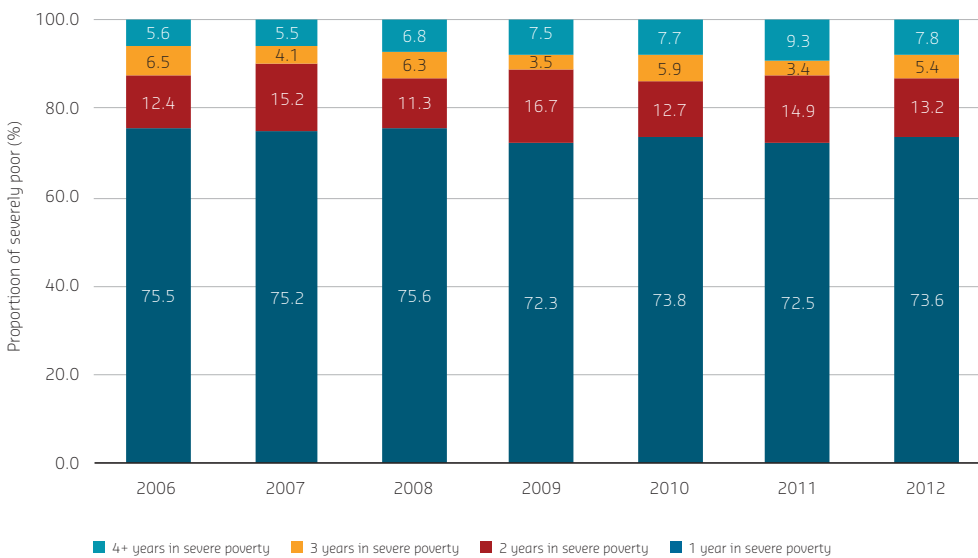


Note: Poverty rates are assessed by calculating the percentage of people whose real equivalised household disposable incomes (after housing costs) fall below half of the median. Nil and negative incomes are excluded from all poverty calculations. Housing costs included mortgage repayments, rent and property rates. Continuous spells in poverty were calculated for each person present in the survey between 2006 and 2012 and who had remained in the survey for five or more years.

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from HILDA Release 12.

Figure 32 concentrates on the length of continuous spells of financial hardship among those in severe poverty, and shows that around three quarters of people experienced no more than a single year in deep disadvantage. Nevertheless, nearly one in seven of those designated to be in severe poverty have been in the state for three years or more.

Figure 32 Length of continuous spells in severe (30% median) poverty



Note: Poverty rates are assessed by calculating the percentage of people whose real equivalised household disposable incomes (after housing costs) fall below 30% of the median. Nil and negative incomes are excluded from all poverty calculations. Housing costs included mortgage repayments, rent and property rates. Continuous spells in poverty were calculated for each person present in the survey between 2006 and 2012 and who had remained in the survey for five or more years.
Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from HILDA Release 12.

Which types of families are most prone to persistent poverty and disadvantage? Table 16 examines the different experiences of relative poverty – including severe poverty – among Australian families by looking at the number of years spent in relative poverty over the last decade separately by household type.

What is very clear from these results is that the persistence of relative poverty is far more prevalent among single adult households. More than 60% of single parents experienced poverty (with incomes below 50% of the median) for at least one year in the last 10, while nearly 15% - around 250,000 - were poor on the same definition for at least five years in the last decade. We also find around 100,000 single parents to have experienced severe poverty for three years or more in the last 10.

Around half of non-elderly single people experienced at least a year of poverty, with one in ten single men and one in seven single women spending half of the last decade in poverty. A quarter of retired single people experienced relative poverty for five or more years in Australia, although our earlier results confirm that the prevalence of poverty amongst retired Australians has fallen in recent years. This may well be attributable to the recent increases in public pensions.

Nearly 15% of single parents - around 250,000 were in poverty for at least five years in the last decade.

Table 16 Number of years in poverty by family composition, 2003-2012

Number of years in poverty	Proportion of people spending different numbers of years in poverty (below 50% and 30% of equivalised household disposable income after housing costs) between 2003 and 2012							
	Proportion of people in recurrent poverty (%)				Number of people in recurrent poverty ('000s)			
By family composition	Never in poverty	1-2 years	3-4 years	5+ years	Never in poverty	1-2 years	3-4 years	5+ years
Standard (50% median) poverty								
Non-elderly couple only	77.5	17.1	3.3	2.2	3,426	756	145	97
Non-elderly couple with children	72.8	21.2	3.7	2.4	6,211	1,806	314	202
One parent with children	38.4	34.4	12.5	14.6	649	581	211	247
Non-elderly single male	48.1	31.1	10.2	10.5	352	228	75	77
Non-elderly single female	50.7	27.6	9.1	12.6	275	150	49	69
Elderly couple	55.4	30.6	8.5	5.5	981	542	151	97
Elderly single male	34.9	31.6	8.6	24.9	86	78	21	61
Elderly single female	29.3	31.5	13.9	25.4	147	158	70	127
Severe (30% median) poverty								
Non-elderly couple only	88.3	10.5	1.0	0.2	3,905	464	46	9
Non-elderly couple with children	87.5	11.6	0.7	0.2	7,464	989	59	20
One parent with children	67.1	26.9	4.3	1.7	1,131	454	73	29
Non-elderly single male	64.4	27.4	4.9	3.3	472	201	36	24
Non-elderly single female	64.8	26.9	5.7	2.6	351	146	31	14
Elderly couple	78.6	19.6	1.5	0.4	1,391	347	26	8
Elderly single male	62.7	29.6	5.1	2.6	154	73	13	6
Elderly single female	62.3	28.3	5.7	3.7	312	142	29	19

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from HILDA Release 12.

Conclusion

and discussion

This report has sought to understand the level and depth of poverty and disadvantage experienced by Australian households, uncovering aspects of disadvantage that lead to more severe financial hardship and difficulties. Assessing income poverty through a new lens, we are able to bring into sharp focus those households who are really doing it tough and are in need of swift and adequate policy intervention.

Being single, either with or without children plays a central role in increasing the risk of being in poverty. Throughout all poverty depth groups, these households are continuously over-represented. Single parents with children and lone person households are twice as likely to be in poverty under 'standard' measures. Currently, over one-quarter of single parent households are in poverty and one in seven is experiencing severe poverty.

Once in poverty single person households are more susceptible to various forms of deprivation and regularly seek assistance from welfare and community organisations.

The way in which poverty manifests itself can vary considerably. This is shown in the prevalence of financial hardship and material deprivation among those households in poverty. On average, elderly households in poverty are less likely to be experiencing other forms of deprivation and financial hardship. As discussed in the report, this finding could be related to a number of factors, including generational and lifecycle differences and the higher level of home ownership among older households.

High rent and mortgage costs have a proportionately greater impact on those in deepest income disadvantage. High housing costs represent a significant economic and social issue for Australians, adding directly to a higher incidence of poverty and more severe financial hardship. Those who are unable to enter the housing market are particularly vulnerable, with the overall poverty rate for renters in Australia more than twice that for mortgage holders and three times the rate for owners without mortgages.

One of the most striking aspects of our research is the huge increase in poverty across the life-course for single people in rented accommodation. Around 29% of lone renters aged less than 35 are in poverty, but the rate rises to nearly 40% for lone persons aged 35 to 54 and more than half for those approaching retirement age. Local housing markets and the availability of affordable housing options to those on lower incomes have an important bearing on income disadvantage. It follows that affordable housing must be a key priority in the battle to reduce the incidence of poverty in Australia.

Households that are able to source most of their income from wages and salaries are more likely to be out of poverty than other households – however, wages in and of themselves do not prevent income poverty entirely.

Joblessness plays a major role in the level of disadvantage a household experiences. Households characterised by all adults not participating in the labour force are over-represented at various poverty depths. Geographically, the extent of joblessness among Australian families can vary substantially. A number of regions throughout Australia have high rates of jobless families (more than one in five). The fact that children are involved in these statistics amplifies the concern.

The high proportion of households that are reliant on wages and salaries as their main source of income across the poverty depth groups highlights the existence of a ‘working poor’ sub-population. This is particularly the case for non-elderly couple only households in severe poverty, where more than 40% source their income primarily from wages and salaries.

The way in which people engage in the labour force can also have a bearing on the level of disadvantage a household experiences. Those working on a part-time fixed term or casual basis are far more likely to be in poverty than other workers. These findings raise questions about the adequacy of Australian labour markets to protect and enrich the lives of all Australians.

Poor health and disability have strong associations with income poverty and disadvantage, preventing individuals and families from full participation in the labour force and educational opportunities. The relative risk of a household being in poverty is far greater if a member of that household has some form of disability when compared with society overall. As Australia’s population ages and long-term disabilities worsen, so too does the risk of increased poverty and disadvantage.

Aboriginal and Torres Strait Islander people invariably rank among those households who experience poor outcomes across an array of potential metrics relating to poverty and disadvantage. Stark disadvantage exists with respect to physical and mental health, income, homelessness, education, employment status, incarceration rates and the incidence of other adverse life events. Further, locational analyses identify a number of areas with relatively higher Indigenous populations that also fare the worst in measures of jobless families and educational disadvantage. Thus the profound disadvantage faced by Indigenous peoples today can be expected to be perpetuated in the form of entrenched poverty and deprivation for generations to come.

Who is falling through the cracks? Single person households, those renting, those with a disability, Indigenous and jobless households are the groups that are most exposed to deep and persistent poverty and disadvantage. These households are grossly over-represented in both ‘standard’ and severe income poverty measures and represent the highest risk groups for being persistently poor over extended periods of time.

Poverty, especially deep and entrenched disadvantage, is a complex problem of course, but for one million people to be in severe poverty represents something of a failure of Australia’s social and economic systems to protect those in greatest need. However, it does represent an opportunity to rectify these disparities and develop inclusive and supportive policies and programs that prevent further slippage and enable these individuals and households to thrive rather than just survive.

“The greatest evils and the worst of crimes is poverty.”

George Bernard Shaw

Glossary

and technical notes

Employment rate

The number of employed persons expressed as a percentage of the civilian population in the same group.

Equivalisation

A method of standardising the income, expenditure or wealth of households to take account of household size and composition differences. Equivalising income is a method of standardising income to take account of household size and composition differences. Here, we use the OECD modified equivalence scales to standardise income. These scales apply 1.0 for the first adult in the house, 0.5 for any subsequent adults and 0.3 for children.

HILDA survey

The Household, Income and Labour Dynamics in Australia (HILDA) survey is a household-based panel study which began in 2001. It tracks information on economic and subjective well-being of the respondents along with family and labour market dynamics.

Homelessness

When a person does not have suitable accommodation alternatives they are considered homeless if their current living arrangement:

- is in a dwelling that is inadequate, or
- has no tenure, or if their initial tenure is short and not extendable, or
- does not allow them to have control of, and access to space for social relations.

For further information refer to ABS Information Paper: A Statistical Definition of Homelessness (cat. no. 4922.0)

Homelessness Operational groups

The ABS has developed six homeless operational groups for presenting estimates of people enumerated in the Census who were likely to have been homeless on Census night. These groups are:

- Persons in improvised dwellings, tents or sleeping out,
- Persons in supported accommodation for the homeless,
- Persons staying temporarily with other households,
- Persons in boarding houses,
- Persons in other temporary lodgings, and
- Persons living in severely crowded dwellings.

Further detail can be found in ABS Information Paper - Methodology for Estimating Homelessness from the Census of Population and Housing (cat. no. 2049.0.55.001)

Household

A person living alone or a group of related or unrelated people who usually live in the same private dwelling.

Income poverty

Measurement

Poverty rates are assessed by calculating the percentage of people whose real equivalised household disposable incomes (after housing costs) fall below different fractions of the median. Nil and negative incomes are excluded from all poverty calculations. Data are re-based to 2014 prices.

Exclusions

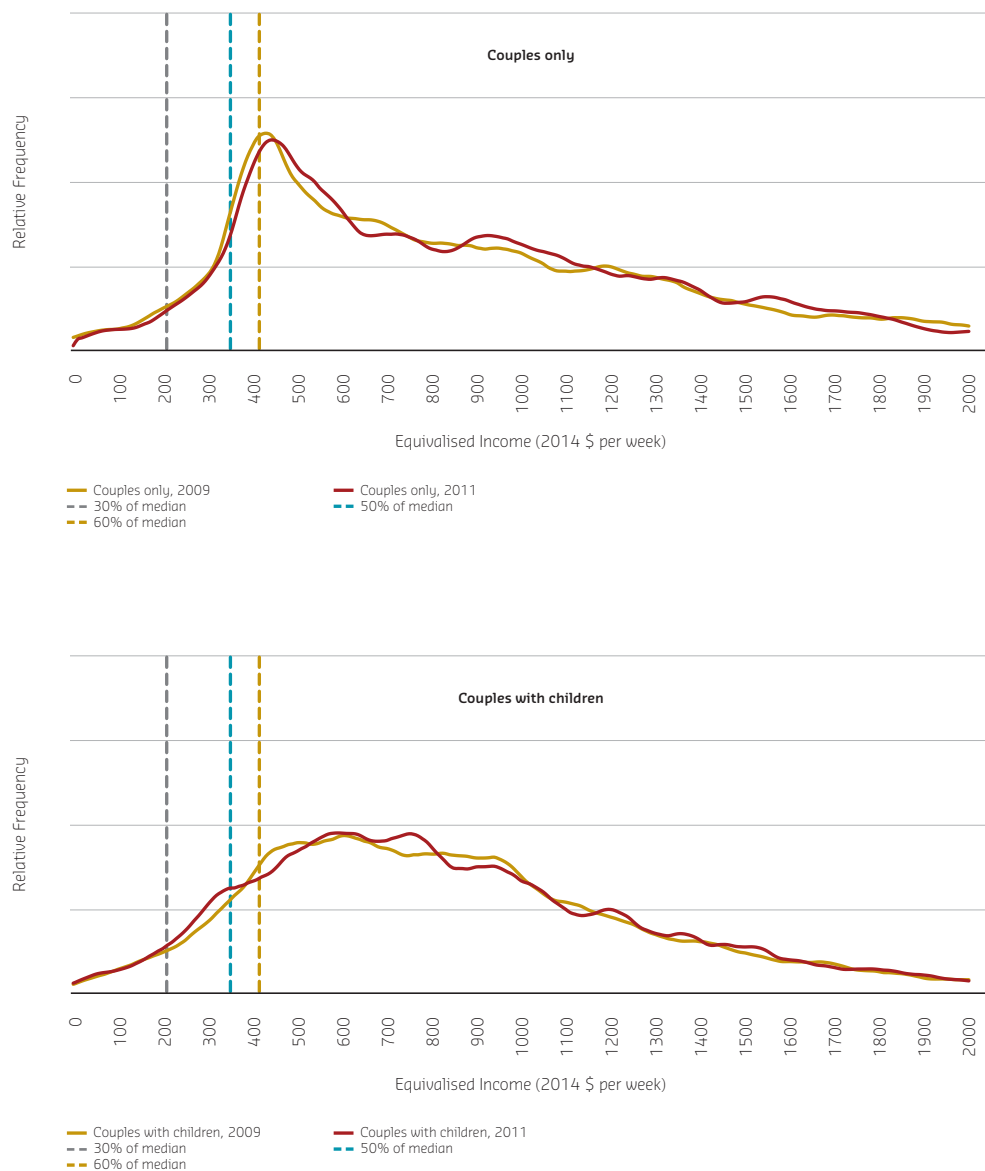
Excluding particular groups from the income distribution and poverty analysis is common practice among researchers. (see Saunders 2008; Rodgers 2012; Wilkins 2013). Groups are often excluded if their reported or measured income is deemed to not reflect their real standard of living, or access to economic resources. The self-employed, business owners and those households that report negative or nil income are among those that are typically excluded from poverty analysis.

Other income

Income other than wages and salaries, own unincorporated business income and government pensions and allowances. This includes income received as a result of ownership of financial assets (interest, dividends), and of non-financial assets (rent, royalties) and other current receipts from sources such as superannuation, child support, workers' compensation and scholarships. Income from rent is net of operating expenses and depreciation and may be negative when these are greater than gross receipts.

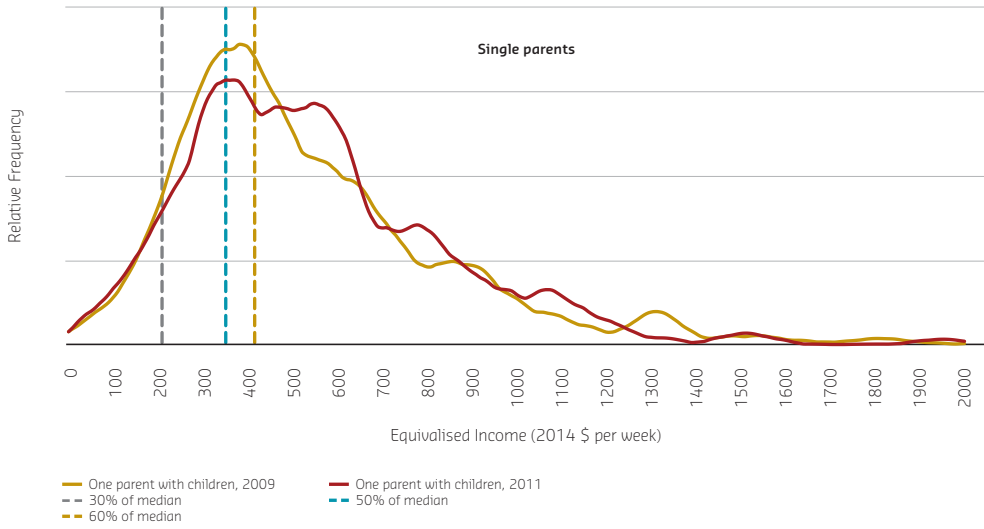
Appendix

Figure 33 Distribution of equivalised income, by household type 2009-10 and 2011-12



Note: Poverty rates are assessed by calculating the percentage of people whose real equivalised household disposable incomes (after housing costs) fall below different fractions of the median. Nil and negative incomes are excluded from all poverty calculations. Data are re-based to 2014 prices. Housing costs included mortgage repayments, rent and property rates. See technical notes for further detail.

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Survey of Income and Housing unit record data.



Note: Poverty rates are assessed by calculating the percentage of people whose real equivalised household disposable incomes (after housing costs) fall below different fractions of the median. Nil and negative incomes are excluded from all poverty calculations. Data are re-based to 2014 prices. Housing costs included mortgage repayments, rent and property rates. See technical notes for further detail.

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Survey of Income and Housing unit record data.

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