

# OVERVIEW

## Introduction

This examination of poverty and disadvantage in Australia was undertaken for two reasons.

Firstly, there is growing evidence within our community that the strong economic gains of the last two decades have not been shared fairly. While our economic indicators have continued to reach upwards, so has the level of inequality, poverty, homelessness and housing stress, long term unemployment, suicide and child abuse.

Secondly, there has been no comprehensive or wide-ranging study such as this on poverty for over 30 years. This study was based on the most reliable, authoritative and up-to-date data available. This was sourced from:

- Australian Bureau of Statistics;
- Commonwealth Departments;
- charities and welfare organisations with research capacities;
- private sources; and
- the Committee *Hansard* recording of hearings made during the inquiry.

Underpinning our report is how rapid growth of inequality – especially during the last decade – is driving more and more Australians into deprivation and disadvantage.

What we found is that Australia is losing the fight for the fair go, that inequality is accelerating and that there is an increasing loss of opportunity in our community which denies an increasing number of Australians a legitimate chance at success.

## The Extent of Poverty in Contemporary Australia

Current levels of poverty in Australia are unacceptable and unsustainable. Whilst there is considerable academic debate on what constitutes deprivation, there can be no denying the growth in poverty throughout the last decade.

The table below indicates a consensus that the numbers of Australians living in poverty generally ranges from 2 to 3.5 million – with one study finding 1 million Australians in poverty despite living in a household where at least one adult works. In addition, there are now over 700 000 children growing up in homes where neither parent works and a great risk that many youths will never find full-time employment. Without concerted action, these children and youth will become tomorrow's disadvantaged adults.

## Poverty in Australia – Selected Estimates

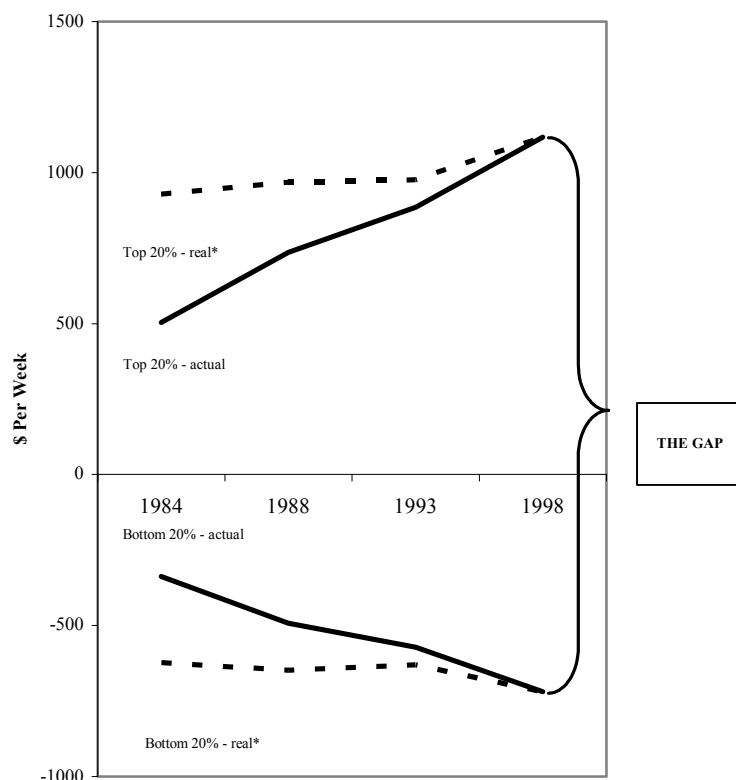
	Year	Numbers in poverty
Henderson poverty line	1999	3.7 – 4.1 million (20.5 – 22.6% of population)
St Vincent de Paul Society	-	3 million
Australian Council of Social Service	2000	2.5 – 3.5 million (13.5 – 19% of population)
The Smith Family	2000	2.4 million (13 % of population)
Brotherhood of St Laurence	2000	1.5 million
The Australia Institute	-	5 – 10% of population
Centre for Independent Studies	-	5% of population in 'chronic poverty'

*Sources:* See chapter 3, table 3.1.

This cycle of poverty demonstrates how poverty is becoming more entrenched and complex. This is evidenced by the fact that the kind of economic growth Australia is achieving has been unable to lift many Australians out of poverty.

Importantly, the committee had its attention drawn by a number of submissions to the close association between poverty and inequality – and inequality of opportunity. This is illustrative of a marked shift from Australia's egalitarian traditions, and evidenced in the rapid widening in the income gap over recent years.

### Variation From Average Weekly Household Income – Highest and Lowest 20 per cent of Incomes



\* Real Incomes expressed in constant 1998/99 dollars

*Source:* Submission 44, p.4 (SVDP National Council).

No more clearly is this drawn than by the rapid change in income inequality and wealth distribution over the last decade. As can be seen below, the income shares for both the lower and middle quintiles of the population have decreased – with the middle becoming increasingly polarised.

### Gini Coefficient and Shares for Expenditure and Income

	1984	1988-89	1993-94	1998-99	Change 1984 to 1998-99
<b>Gini coefficients<sup>a</sup></b>					%
Equivalent disposable income	0.298	0.295	0.306	0.311	4.4
Equivalent current expenditure	0.298	0.301	0.297	0.302	1.3
Equivalent total expenditure	0.334	0.360	0.362	0.351	5.1
Equivalent non-durable expenditure <sup>b</sup>	na	0.275	0.271	0.277	0.7
<b>Share of bottom quintile</b>	%	%	%	%	
Disposable income	8.2	8.1	8.0	7.4	-10.3
Current expenditure	8.3	7.9	8.3	8.2	-0.9
Total expenditure	6.8	5.1	5.7	6.0	-12.6
<b>Share of middle quintile</b>	%	%	%	%	
Disposable income	17.6	17.8	17.4	17.6	-0.3
Current expenditure	17.4	17.6	17.4	17.4	-0.4
Total expenditure	17.1	17.5	16.9	17.1	-0.5
<b>Share of top quintile</b>	%	%	%	%	
Disposable income	37.8	37.4	38.2	38.2	1.1
Current expenditure	38.1	38.0	38.0	38.3	0.5
Total expenditure	40.3	41.2	42.0	41.2	2.3

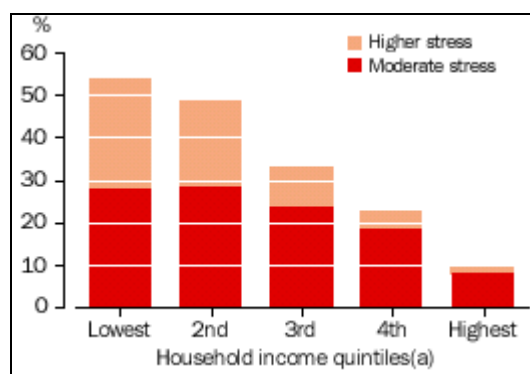
<sup>a</sup> The Lorenz curves cross in the following cases: for disposable income between 1993-94 and 1998-99; for current expenditure for all cases except between 1984 and 1998-99; and for total expenditure between 1988-89 and 1993-94, between 1988-89 and 1998-99 and between 1993-94 and 1998-99. Consequently, no conclusion can be drawn about the change in inequality during these periods. <sup>b</sup> Durable items are defined in appendix B. Non-durables items are all other items. Note that the Lorenz curves for non-durable expenditure have not been checked to determine whether they cross.

*Note:* The income and expenditure measures are the international equivalent disposable household income and expenditure of individuals.

*Source:* ABS Household Expenditure Survey unit record files.

The crucial fact is that the widespread financial stress of poor households is due directly to a decline in their real incomes. It must be stressed that for the common index of inequality, the Gini coefficient, a movement of 0.01 has deleterious effects on poverty.

### Distribution of Households in Financial Stress - 1998-99



*Source:* 'Household income, living standards and financial stress', *Australian Economic Indicators*, June 2001.

As can be seen above, the reality is that incomes have not kept pace with the increased costs of services. The deprivation detailed above is grounded in, and nurtured by, growing inequality and lack of access to such services. There is now a 'poverty of participation' by the disadvantaged in institutions of social mobility and security – such as:

- employment;
- education and training;
- health; and
- housing.

Perhaps the most salient example of the prevalence of poverty and disadvantage is the striking finding that 21 per cent of households, or 3.6 million Australians, live on less than \$400 a week – less than the minimum wage. The persistence of low-pay and low-incomes arising from the growth in inequality is clearly the major driver of poverty.

### **The Reasons behind the Rise of the 'Working Poor' as the New Face of Poverty**

This report has challenged traditional assumptions that joblessness is often a sufficient reason for the presence of poverty. The committee has heard that over 1 million Australians are living in poverty despite living in a household where one or more adults are in employment. By contrast, the 1975 Henderson report found that only 2 per cent of households with an adult employed fulltime could be classified as poor. The rise of the 'working poor' as this group has come to be known demonstrates that they are the new face of poverty in post-industrial Australia.

The prevalence of working poor households in poverty is due simply to low-wage employment. Driving this change has been a casualisation of the workforce in the last two decades and a more recent weakening of the industrial relations systems. Between August 1988 and 2002 total employment of casual workers in Australia increased by 87.4 per cent (141.6 per cent for men and 56.8 per cent for women). By August 2002 casual workers comprised 27.3 per cent of all employees, an increase of 7 percentage points since August 1991.<sup>1</sup>

The committee has found that this development entails a radical break with Australian tradition. The main bulwark against poverty since the Harvester judgement has been secure employment opportunities and just or living wages. This report has now found that over 1 million Australians are finding that this certainty has been taken away from them – through no fault of their own.

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1 ABS, *Employee Earnings, Benefits and Trade Union Membership*, Cat. No. 6310.0.

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The committee found that many members of the low-wage working poor are placed in similar situations. They are often employed casually or part-time, in low skill and service industries resulting in little bargaining power with their employers. Most crucially, their low wages are unable to be increased due to the inaccessibility of fulltime work or because of unpaid overtime. Moreover, because of the precariousness and uncertainty of their employment, career progression and training is often unavailable.

The committee has also found that the rise in workforce casualisation is the result of attacks on Australia's traditional industrial relations system, which emphasised full employment opportunities and provided protection against attempts to reduce workers job security.

Moreover, the working poor are increasingly finding a poverty of access to community services due to moves by the current Federal Government to 'user-pays' models. A salient example of this has been the impacts on families arising from Medicare bulk-billing. Many working poor families now not only struggle to afford visits to their family doctor, but are also more likely to compound their health problems by avoiding visiting the doctor due to the cost.

Finally, the committee is extremely concerned about the intergenerational implications of this move away from what has often been termed the *Australian way* of ensuring the welfare and prosperity of all our people. The report has detailed the clear diminution of children's opportunities and the limitations placed on upward mobility of disadvantaged families. However, if the processes that have given rise to a new class of poverty-stricken working people are allowed to continue, then Australia may never regain its egalitarian tradition.

### **The Adequacy of Selected Commonwealth Programs and Payments of Interest to the Inquiry**

Almost every submission to this inquiry focused in one way or another on the role of Government in combating poverty. What united most submissions – especially those from charities and the community sector – is that Government should offer a hand up, and not a hand out, to those living in poverty.

The vast bulk of evidence to the inquiry found that Government is failing this expectation. On one hand, as the table below demonstrates, many payments to vulnerable Australians are well below the poverty line, and must contribute to these people either living in – or being at risk of – poverty. On the other, the committee found that Government initiatives are largely failing to provide the necessary opportunities to the people who need them – especially in the form of employment services and family payments.

### Comparison of Social Security Payments to the Henderson Poverty Line (including housing costs) – \$ per week, September quarter 2002

Family/Income Unit	Base Rate	FTB A and/or B	Rent Assistance	Total Payment \$ per week	Poverty line \$ per week	Rate as % of poverty line
<i>Head in Workforce</i>						
Single adult unemployed	\$185	N/A	\$45	\$230	\$294	78%
Single, away from home, 18-20 unemployed	\$150	N/A	\$45	\$196	\$294	67%
Couple unemployed – 0 children	\$333	N/A	\$43	\$376	\$393	96%
Sole Parent unemployed – 1 child	\$211	\$101	\$53	\$365	\$378	97%
Sole Parent unemployed – 3 children	\$211	\$228	\$60	\$499	\$536	93%
Couple unemployed – 1 child	\$333	\$63	\$53	\$449	\$473	95%
Couple unemployed – 3 children	\$333	\$190	\$60	\$583	\$632	92%
<i>Head not in Workforce</i>						
Single adult student	\$151	N/A	0	\$151	\$238	63%
Single student, away from home, 18-25	\$151	N/A	\$45	\$196	\$238	82%
Single Age/Disability Pensioner	\$211	N/A	\$45	\$256	\$238	108%
Age/Disability Pensioner couple – 0 children	\$352	N/A	\$43	\$395	\$338	117%
Sole Parent not in labour force – 1 child	\$211	\$101	\$53	\$365	\$322	113%
Sole Parent not in labour force – 3 children	\$211	\$228	\$60	\$499	\$481	104%

Source: ACOSS, *Fairness and Flexibility*, September 2003, p.41.

Without prejudicing the importance of the working poor in understanding poverty, unemployment remains a key reason for deprivation and disadvantage. It is unfortunate then, that the committee has found significant shortcomings in the Government's Job Network model of employment services that are failing the unemployed. This is because at no stage is there a significant guarantee that the long-term unemployed will receive the necessary case-management or training to find employment through the system. This report has therefore recommended significant changes to the way the Job Network operates.

The committee has also had its attention drawn to the poverty traps created by the present family payments system. This system, which governs both income support payments (such as Newstart) and family payments (such as the Family Tax Benefit)

creates effective marginal tax rates as high as 80 per cent. This is because earnings over a certain level attract additional tax but also result in a reduction in the amount of payment received. The committee agrees with the many submissions that argued this acts both as a significant barrier to additional work to increase family incomes and limits family incomes at a level inappropriate to the circumstances of many families.

A particularly current debate for all Australians – housing affordability – has created significant 'housing stress' for those at the lower end. The inquiry heard that many families are spending over 30 per cent of their incomes on either rent or mortgage repayments – often to the detriment of other family expenses. Because of the increases in both rents and house prices over the last decade, the rise in housing stress is closely linked to lower disposable incomes, and ultimately poverty. Of concern to the committee was the lack of interest shown by the current Government in low-cost housing, the absence of a national housing strategy and a decrease in the Commonwealth's funding of public housing stock.

### **Government expenditure on Commonwealth State Housing Agreement (CSHA) assistance and Commonwealth Rent Assistance (CRA)**

	CSHA assistance		CRA	
	\$m	2001-02 \$m	\$m	2001-02 \$m
1992-93	1485.4	1758.7	1199.0	1419.6
1993-94	1419.6	1662.5	1401.0	1640.8
1994-95	1509.6	1649.4	1453.0	1688.2
1995-96	1489.8	1688.4	1552.0	1758.9
1996-97	1353.4	1510.1	1647.0	1837.7
1997-98	1207.4	1328.4	1484.0	1632.7
1998-99	1276.6	1402.3	1505.0	1653.2
1999-2000	1331.0	1431.0	1538.0	1653.6
2000-01*	1406.5	1442.7	1717.0	1761.2
2001-02*	1392.3	1392.3	1815.0	1815.0

\*CSHA expenditure in 2000-01 and 2001-02 contained \$89.7 million of GST compensation paid to State and Territory Governments.

*Source:* See chapter 6, table 6.1.

The committee was also shocked by the nature and extent of children's poverty throughout the inquiry. Not only were the detrimental effects to life chances of concern to the committee, but also the extent of deprivation suffered by children in families living in poverty. In many cases Commonwealth programs offer little in response to the complex needs of children – such as literacy interventions, nutrition and parenting skills – where children are disadvantaged. For this reason the committee

has made significant recommendations in regard to early intervention strategies and support services for families with poverty stricken children.

Underpinning these selected examples is a common need to 'poverty-proof' community services and rebuild the ladders of social mobility. This means a linking up of government services at all levels and across responsibilities to ensure whole-of-government responses to poverty. This carries with it the recognition that disadvantage is increasingly concentrated and geographic and hence the implication that such a response must be localised and holistic.

Whilst the report has a number of recommendations of poverty interventions, it must be stressed that these must occur in conjunction with ensuring both employment opportunities for those that can work, and income dignity for those that cannot.

These key findings presented below serve to illustrate a compelling case that Australia will face a crisis of poverty and disadvantage in the coming years. They carry with them the implication that Australians are increasingly at risk of falling into poverty and indeed more so now than at anytime during the post-war era.

What is most disturbing however, is the common theme that while poverty is becoming more entrenched and more intractable, the Commonwealth is increasingly abrogating its responsibility to tackle this great indignity inflicted on the Australian people.

## **Conclusions and Selected Recommendations**

Economic growth is vital but only because it represents the path to greater prosperity for everyone. The evidence to this inquiry demonstrates that the kind of prosperity we are achieving is being captured by a few at the long term expense of the many.

The Commonwealth's indifference to, or acceptance of, increasing poverty and inequality as the inevitable by product of a market economy in a globalised world, is out of step with the views of Australians who believe in a fair go for all.

Indeed this has never been the Australian way. Modern Australia was founded on a strong economy and a just society. Secure and dignified employment was the cornerstone of this endeavour. The rise of the working poor due to casualisation, low pay and the weakening of job security demonstrate how this thread in Australia's institutional fabric has been torn away.

We ought not automatically assume the solutions of the past will solve the problems of today. However, this committee has made substantial recommendations to ensure that we are able to give hope to those Australians living in poverty in line with our traditions via:

- Removing the poverty traps associated with the Government's family payments system that acts as barrier to increasing working families' incomes (recommendation 15);



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- Developing a national jobs-strategy to reverse the decline to a low-skill, low wage economy (recommendation 1);
  - Provide employment security and social mobility to casual and part-time workers through strengthening their employment entitlements (recommendations 8, 9, 10); and
  - Poverty-proofing the minimum wage by linking it to adequate standards of living and an inquiry into the nature of low-pay in Australia (recommendations 6, 7).

The growing gulf between the headline economic figures and social outcomes at the community level also requires that key Government social and economic responses to build capacity be better joined and devolved. Without whole of government action targeted at economic growth, job creation and improved social cohesion at a local level, the geographic chasm the St Vincent de Paul Society describes as 'Two Australias' will only widen.

Nowhere is the 'Two Australias' description more appropriate than in the level of access to public services and institutions of social mobility. The committee has found that those Australians living in – or at risk of – poverty are either finding that many public services are either inaccessible or more poorly resourced than in areas of lesser disadvantage. Resolving this requires political will, and it is incumbent on the Commonwealth to ensure that all Australians are able to access the services they deserve. In this regard the committee has recommended:

- Ensuring that additional funding for schools is based on the socio-economic profile and resources of the school concerned (paragraph 7.102);
- Recognising the need for a sustained commitment to bulk-billing, and for additional population and preventive health measures (paragraphs 8.24-8.25, 8.50);
- The reestablishment of the Commonwealth dental health scheme (paragraph 8.68);
- Significant reform of the Job Network to ensure that it is able to provide the necessary and appropriate assistance and training options for the unemployed (paragraph 4.51);
- The development of national standards of access and adequacy for public services and a national public infrastructure development plan (paragraphs 14.43, 14.45); and
- It also recommended that the Commonwealth's presence in local communities currently provided by Centrelink be bolstered and more focused on building social and economic capacity (paragraphs 17.93-17.94).

It must also be stressed that a central reason why poverty is becoming more entrenched and complex is because of the increasing prevalence of social risk. Risks such as weak connections to the labour market, poor educational development and family dysfunction are both symptomatic and causes of poverty. The 'cycle of poverty' that these risks then create clearly demands interventions made at both the family, community and individual level that are sufficiently localised and tailored to break the cycle. Major examples and recommendations in this report are:

- A national, community based early childhood and parenting skills and support system (paragraph 11.94);
- A series of initiatives focused around early childhood development and literacy (paragraphs 7.49-52);
- Measures to increase school retention and smooth school to work pathways (paragraphs 7.103-7.104); and
- Expansion of financial counselling services (paragraph 9.52).

There is also a failure on the part of the Commonwealth to harness institutions such as the Council of Australian Governments (COAG), so crucial in a Federal system, to coordinate effort to address disadvantage. If we are serious about tackling poverty and poverty of opportunity, coordinated effort between Governments (including local governments) is a must.

It is for this reason that the committee has recommended the development of a National Poverty Strategy. Nothing else can harness the necessary political will to comprehensively fight poverty. This report has found that piecemeal and inconsistent responses to poverty are inadequate and ineffective as long term approaches. The development of the National Poverty Strategy will involve:

- a summit of Government and key interest groups to highlight the importance and nature of the issues raised by poverty and poverty of opportunity and to agree on a broad plan of action;
- a whole-of-government approach through co-ordinated actions across government and across policy areas; and
- a commitment to action within 12 months.

Following on from this, it is the committee's recommendation that a statutory authority or unit reporting directly to the Prime Minister be established to:

- develop, implement and monitor the National Poverty Strategy;
- develop poverty reduction targets against a series of anti-poverty measures; and
- report regularly to Parliament on its progress.

Finally, the committee would like to stress there is little room for complacency or delayed action. Although Australia by world standards is a wealthy country, the level of poverty in our community is increasing and becoming increasingly entrenched. The committee is compelled to this view after hearing the daily experiences of Australians living in poverty – from pensioners who go to bed early because they cannot afford heating and students slipping into prostitution to support their studies. Indeed it is often the most vulnerable Australians that are most at risk of poverty, such as:

- children and youth;
- families with more than one child;
- single parent families; and
- Indigenous Australians.

The indignities these Australians face must not be tolerated by Government as the unfortunate, but acceptable by-product of modern society. In the same way that we cannot afford continuing poverty as a nation, we cannot deny the same life chances to those Australians who most need the opportunity for a fair go.

Poverty and inequality in Australia today represent a fundamental test of our national resolve and values. If we are serious as a community about our claim to be a fair society – indeed the land of the fair go – then concerted action is required.

