



Australian Council  
of Social Service



**Poverty**  
**in**  
**Australia**  
**2014**

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ACOSS is the peak body of the community and social service sector and the national voice for the needs of people affected by poverty and inequality.

Our vision is for a fair, inclusive and sustainable Australia where all individuals and communities can participate in and benefit from social and economic life.

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By drawing on the direct experiences of people affected by poverty and inequality and the expertise of its diverse member base, ACOSS develops and promotes socially and economically responsible public policy and action by government, community and business.

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## Preface

*Dr Cassandra Goldie, CEO, ACOSS*

It is unacceptable that after 20 years of economic growth our wealthy nation is going backwards in the numbers of people falling into poverty.

As this report shows, most of this poverty is concentrated among the groups of people facing the most disadvantage and major barriers to fully participating in our community. These include people who are locked out of the jobs market, single parents, women and children, people with disabilities, the old, the young, Aboriginal and Torres Strait Islander people, and migrants.

The risk of poverty is highest among people who rely mainly on social security payments for their income. The social security safety net is vital for people who lose their job, fall ill, have a disability, separate from their partner, or retire, yet this report shows that the system is not doing its job to prevent poverty among people who experience these common life events. Even having paid work does not protect people from poverty: over 30% of the 2.55 million people living in poverty come from households where the main form of income is from wages and not social security.

These findings paint a disturbing picture that we as a community need to confront if we are to reverse the spreading disparity we are seeing on the ground in the daily lives of people across the country. It will take leadership from our elected representatives and governments who must ensure that addressing poverty is central to public policy making. This includes budget processes and decisions, which have in recent times run directly counter to reducing poverty, and will continue to do so if they are not recast in light of these findings.

But the big task cannot be left to politicians alone. We must have a whole of community effort, involving business, unions, community groups, researchers and the general public in a national consensus to support our much cherished values of a fair go, opportunity for all, and caring for each other - values that have made us a strong prosperous nation. Poverty should not be inevitable in a country as rich as ours. It is our collective responsibility to build on our great wealth and ensure we fairly share the opportunities and include all our citizens.

*Dr David Morawetz, Director, Social Justice Fund*

Poverty is defined as the pronounced deprivation of well-being, or the inability to satisfy one's basic needs. In such a wealthy nation as ours, its existence is shameful and it reduces us all.

I would like to acknowledge the enormous contribution made by Australian charities and community welfare groups to rid us of the scourge of poverty, and particularly the many courageous years of work by the Australian Council of Social Service as the peak body for this vital sector. For all of you, your ongoing support and care for those less well-off reminds us all of our own humanity, and makes us all richer. Your tireless voice for a future without poverty provides the hope and inspiration that enables change.

In a country as wealthy and as lucky as ours, it is a travesty that there are still so many people living in poverty, and that we are rapidly becoming a less equal society.

Addressing these issues is not just a matter for governments. Poverty is bad for our social relationships, and for our sense of community. Most of all, it is bad for those who are experiencing it: for their sense of self-worth, for their physical well-being, and perhaps most importantly for their children, for our future generations. We all need to do something about it. This is the reason why I strongly support this timely report. It's a call to arms for all of us. It's time to act.

*Dr John Falzon, Chief Executive Officer, St Vincent de Paul Society National Council*

**We have only one enemy: inequality**

This Report, rather than making us feel demoralised, should make us feel determined. Especially in the light of the lacerating measures proposed in the 2014 Federal Budget, this Report is an important weapon in our fight for justice. As the Feminist Movement taught us, the personal is political. And politics, as we know, is just a concentrated form of economics.

Our task, therefore, is to transform our personal stories of injustice into a powerful, collective struggle for a new society; a society in which people are not blamed because economic structures lock them out or, in some cases, lock them up; one in which people are not told that they would not be poor if only they chose to be a little more productive.

This is our beautiful struggle, we who are many; we who make up the massive movement for progressive social change. We have only one enemy. It is called inequality.

And no matter how long it takes, we will win against this enemy. Humanity will win against humiliation. Because our solidarity is stronger than our sadness. And even though our struggle is enormous, so too is our hope.

*Major Kelvin Alley, National Secretariat, The Salvation Army*

The Salvation Army in Australia sees the impact of poverty on individuals and families every day. More than 1000 programmes provide a range of assistance and support across the country including crisis and longer term accommodation, emergency relief, help with drug and alcohol problems, support for homeless people, for young people, for women and children escaping family violence and the frail aged.

In responding to the immediate needs of people, we become aware of the difficulties faced by people day after day as a result of financial and social disadvantaged circumstances. In addition to going without, (and more than 60 % of people using our emergency relief services tell us that they have to cut down on basic necessities) individuals and families reveal an overwhelming inability to participate in their local community. Sporting clubs, after school and extra-curricular programmes for children, buying birthday gifts and sharing meals with friends are just some of the activities that people give up. Poverty is not just about income, it is about the lack of opportunities and social participation that most of us take for granted.

This report highlights the overall impact of poverty in Australia. We must work together to make a difference to the whole community.

*David Thompson, CEO, Jobs Australia*

Jobs Australia published the poems included throughout this report to bring home the meaning of poverty experienced by many Australians, and especially those people living on manifestly inadequate levels of income support – and especially (but not only) long-term Newstart Allowees.

A lack of money inspires not just shame, anxiety, and occasionally stoic resignation, but also a powerful sense that things could and perhaps should be different.

The basic decencies of respectful encounters with institutions, which can cost nothing, matter a lot to people living in poverty. And it is plain to see that these people have immense reserves of energy and drive to make a decent living for themselves, and a future for their children, if only they are given the right chances. They need sufficient income to enable them to have adequate and decent shelter, food and clothing and to meet other expenses they are required to meet – not to live the life of Reilly, but just to scrape by.

The humiliation, deprivation and depth of despair some people feel is all too often either unknown or forgotten in the public stories and discourse about people living on welfare benefits.

It is not them or us, they are us. And we would all do well to remember that, in a blink of an eye, it could be us.

## About this Report

This Report tells the story of poverty in Australia in 2011-12, in the last year of the previous government, three years out from the Global Financial Crisis and with unemployment remaining above 5%.

The Poverty in Australia reports are now part of the ACOSS Poverty and Inequality Series. The first report was released in 2007 and highlighted the number of people living below the poverty line, which groups were affected by poverty and where they lived. 'Poverty in Australia 2014' is the third report on poverty in the series and updates earlier reports with new data released by the Australian Bureau of Statistics for the years 2011-12.

One simple way to measure the number of people in poverty, widely used by Governments and expert bodies such as the OECD, is the number of people living below a poverty line. This report uses 50% of median household income (half of the 'middle' income for all households) to identify people in poverty. This poverty line, also used by the OECD, equates to a very austere living standard: a disposable income of less than \$400 per week for a single adult (higher for larger households to take account of their greater costs).

A second poverty line, 60% of median income, is widely used in Britain, Ireland and the European Union is provided throughout the report for comparison. It equates to an income of \$480 per week for a single adult, and \$1,009 per week for a couple with two children. Both poverty lines take account of people's housing costs in measuring poverty<sup>1</sup>.

Poverty lines provide one indicator of low income and disadvantage. Other commonly used indicators of hardship include whether people can afford essentials such as access to dental care when needed, financial stress, and exclusion, as discussed in the section 'comparisons with other measures of hardship'<sup>2</sup>.

This research was conducted by Peter Saunders, Bruce Bradbury, and Melissa Wong at the Social Policy Research Centre at the University of New South Wales. The main data source is the 2011-12 Australian Bureau of Statistics (ABS) Survey of Income and Housing (SIH), supplemented in some cases by the ABS Household Expenditure Survey for 2009-10 and (for the trend analysis) earlier versions of both surveys). The data presented in this report are for 2011-12 and are not directly comparable with the 2009-10 data in 'Poverty in Australia 2012'. This is due to a change in methodology in the calculation of poverty lines relating to the treatment of people who report zero or negative incomes or who are in self-employed households, which slightly changes the estimates of poverty. Where figures for 2009-10 have been included in this report for comparison to 2011-12, these have been derived using the new methodology.

This Report was launched at the start of Anti-Poverty Week 2014 with participation from our project partners, all of whom work on a day to day basis with those living with poverty. It commenced a week of activity by ACOSS and its member organisations to highlight the ongoing experience of poverty, a growing problem in Australia, and brings about reform so that all people can expect a decent standard of living and to have the means to participate fully in our society.

1 See section 'How poverty is measured in this report'

2 For more information on 'deprivation boost' measures of financial hardship, see page 14 of this Report and ACOSS (2011) "Missing out", available at [www.acoss.org.au/publications](http://www.acoss.org.au/publications)

## Executive Summary

Despite 20 years of economic growth, many people in Australia go without a decent standard of living.

This Report tells the story of poverty in Australia in 2011-12, in the last year of the previous government, three years out from the Global Financial Crisis and with unemployment remaining above 5%. While median incomes continued to increase, a substantial proportion of the population was locked out of paid employment, and youth unemployment was particularly high. It remained difficult for people who were more disadvantaged in the labour market, such as Aboriginal and Torres Strait Islanders, people with a disability and the long term unemployed, to gain a foothold in the employment market. Importantly, this report includes stories and written text from those who experience poverty as part of their day to day lives – because ultimately poverty is about the real experiences of those who are in it.

In 2012, one in seven people, including one in six children, lived below the most austere poverty line widely used in international research (50% of median income).

### Poverty snapshot

In 2012:

- + The poverty line (50% of median income) for a single adult was \$400 per week. For a couple with 2 children it was \$841 per week.
- + 2.55 million people (13.9% of all people) were living below the poverty line, after taking account of their housing costs.
- + 603,000 children (17.7% of all children) were living below the poverty line.
- + 40% of people relying on social security payments lived below the poverty line including 55% of those receiving Newstart Allowance, 47% receiving Parenting Payment, 48% receiving Disability Support Pension, 24% receiving Carer Payment, and 15% of those on Age Pension.
- + 61% of people below the poverty line relied upon social security as their main income and 33% relied upon wages as their main income.
- + The level of poverty was 13.8% in capital cities compared to 14% outside capital cities.
- + The proportion of people in poverty was higher than in 2010, an increase of 0.9%, from 13% in 2010<sup>1</sup>.

<sup>1</sup> Where figures for 2009-10 have been included in this report for comparison to 2011-12, these have been derived using methodology consistent with 2011-12 data. Data in this report should not be compared with the previous report.



Poverty lines for different households are presented below. All people in poverty identified in this report lived in households with incomes at or below these poverty lines.

**Table 1: Poverty Lines in 2011-12 by family type (\$/week after tax, incl social security payments)**

	50% of median income	60% of median income
Lone person	\$400.30	\$480.30
Couple only	\$600.40	\$720.50
Couple with 2 children	\$840.60	\$1008.70
Lone parent with 2 children	\$640.40	\$768.50

Note: This research deducts housing costs (rent, mortgage payments and rates) from income before calculating the median income on which the poverty lines are based (which reduces the poverty lines) and then deducts each household's own housing costs from their income (which reduces household incomes) when calculating rates of poverty. The figures quoted above are before housing costs have been deducted.

The report finds that in 2012, 2.55 million people (13.9%), and 603,000 (17.7% of all children) children lived in households below the 50% poverty line. When the less austere but still low 60% poverty line is used a much higher 22% of the population, or 4 million people were in poverty in 2012 – living on incomes of \$480 per week or less (for a single adult) after adjusting for housing costs, or \$1,009 for a couple with two children. A major reason for the large increase in the number of people living below this income (compared with the lower poverty line) is that many households on social security payments have incomes (typically pension payments plus small amounts of private income) that lie in between the two poverty lines.

Using both the 50% and the 60% of median income poverty lines, the number and proportion of all people in poverty increased compared with 2010.

**Table 2: Number and proportion of people below the 50% and 60% of median income poverty lines, 2011-12**

	2009-10		2011-12	
	50% of median income	60% of median income	50% of median income	60% of median income
Number of people below the poverty line	2,300,303	3,775,612	2,548,496	4,029,526
Number of children below the poverty line	585,364	884,231	602,604	870,059
Percentage of people below the poverty line	13.0	21.3	13.9	22.0
Percentage of children below the poverty line	17.6	26.6	17.7	25.5

## Key Findings

The report finds that some groups have a distinctly higher proportion of people living in poverty.

### Population Groups

- + Women are significantly more likely to experience poverty than men, with 14.7% of women compared with 13% of all men experiencing poverty in 2011-12.
- + Compared with other age groups, children and older people face higher risks of poverty (17.7% and 14.8% respectively), reflecting the higher costs facing families with children and the fact that many older people receiving the Age Pension do not have sufficient additional income to place them above the poverty line.
- + Sole parents are at a particularly high risk of poverty, with a third (33%) of sole parents in poverty in 2012. As a consequence just over a third (36.8%) of all children in poverty were in sole parent households. This reflects the lower rates of employment among sole parent households, especially those with very young children, and low levels of social security payments for these families.
- + Poverty is higher amongst adults born in countries where the main language is not English (18.8%) than amongst those born overseas in an English speaking country (11.4%), or in Australia (11.6%).
- + The rate of poverty is higher amongst Aboriginal and Torres Strait Islander people (19.3%, compared with 12.4% of the total Australian population, based on based on 2011 HILDA<sup>3</sup> data).
- + People with a disability face a significantly higher risk of poverty than the average. In 2009 this was 27.4% compared with 12.8% for the total population, and this does not take account of the additional costs relating to disability (for housing, transport and medical services) borne by many people with a disability.

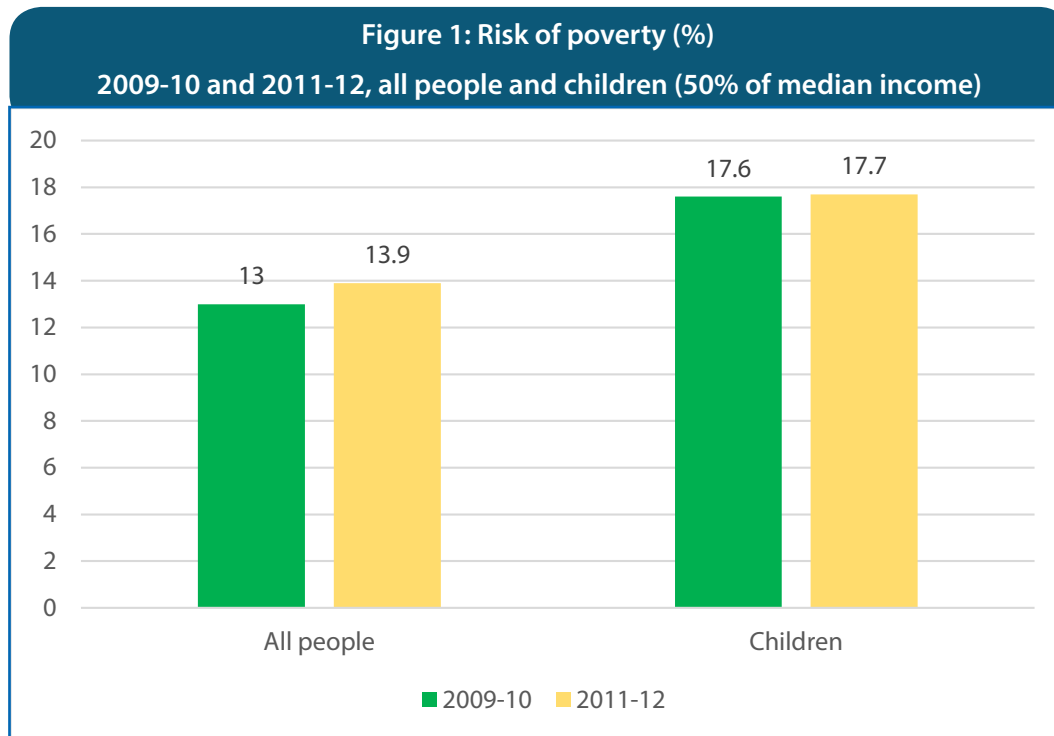
### Labour market outcomes and sources of income

- + The people most likely to be living in poverty are those who are unemployed (61.2%), or in a household that relies on social security as its main source of income (40.1%) and particularly on the Newstart Allowance (55.1%) or Youth Allowance (50.6%). This is largely explained by the fact that many social security payments fall below the poverty line, even with Rent Assistance and other supplementary payments added to household income.
- + For many social security payments, the maximum rate of payment (including Rent Assistance and Family Tax Benefit where applicable) was less than the poverty line, including the Newstart Allowance (which was \$97 per week below the poverty line for a single person, and \$118 per week for a couple with two children); Youth Allowance (\$193 per week below the poverty line); Parenting Payment Single (\$20 per week); and the Pension Payment (\$26 per week for a single person and \$36 below the poverty line for a couple with two children).
- + The indexation of social security payments such as the Newstart Allowance, Youth Allowance and the Parenting Payment to CPI means that the payment does not increase as community living standards improve; and is likely to result in higher poverty rates over time than would be the case if payments were indexed to wages, as they are with the Age Pension.
- + Poverty increased between 2010 and 2012 (from 13% to 13.9%); and over the longer term from 2004 to 2012 (the best available data suggests an increase from 11.8% to 12.8%<sup>4</sup>).

<sup>3</sup> Melbourne Institute: The Household, Income and Labour Dynamics in Australia Survey.

<sup>4</sup> A change in the definition of income led to a break in the data series, however the overlap years between the two series suggest data are comparable.

Figure 1 below shows the increase in poverty between 2010 and 2012 for all people, and the marginal increase in poverty amongst children over this period.



The key 'at risk' groups are shown in the table below and include unemployed people, single people over 65 years, people in households mainly reliant on social security, lone parent families and single people of working age without children.

**Table 3: Groups at high risk of poverty: proportions living below poverty lines in 2011-12 (%)**

	50% of median income	60% of median income
Unemployed households	61.2	67.6
Single adults over 65 years	25.2	57.5
Households whose main income is social security	40.1	64.1
People with a disability*	27.4	44.5
Lone parent families	33.0	45.3
Singe adults (without children) of workforce age	29.1	35.9
People of working age not in the labour force	48.4	62.2
<b>All people</b>	<b>13.9</b>	<b>22.0</b>

Note: Data for People with a Disability are from 2009-10, as the ABS Survey of Income and Housing only includes data that would allow poverty rates to be derived once every four years.

## How poverty is measured in this report

A key internationally accepted tool to measure disadvantage in wealthy countries is to work out the proportion of the population living below a poverty line. Poverty lines are usually based on the disposable (after tax) income of households.

In Australian and international poverty research, the poverty line for a single adult is usually calculated as a proportion of the disposable income - in this case 50% and 60% - of a 'middle income' (median) household. There are different poverty lines to take account of the number of adults and children in a household. The research used in this report takes into account people's housing costs as well as their incomes. This makes a difference because people who have low housing costs (such as those who own their homes outright) are able to achieve a higher standard of living on the same income than those with higher housing costs (for example, tenants and mortgagees). This research deducts housing costs (rent, mortgage payments and rates) from income before calculating the median income on which the poverty lines are based (which reduces the poverty lines) and then deducts each household's own housing costs from their income (which reduces household incomes). In this way, it compares different households' ability to meet their basic living costs apart from housing<sup>1</sup>.

The impact of adjusting for housing costs is that households with high housing costs are more likely to be below the housing adjusted poverty line. Certain groups are more likely to have high housing costs than others. For example, while age pensioners are more likely to own their own homes (having already paid off any mortgages), single parents are less likely to do so and thus will have higher housing costs, meaning they are more likely to be below the poverty line.

Ultimately, the impact of living on a low income is a personal one that can best be expressed through people's lived experience. The personal stories in the report show that people in poverty are not all the same. Some come from disadvantaged backgrounds, some have long term illnesses or disabilities, others were once well off but a family crisis or illness changed their lives for the worse. One thing that unites people who do not have access to a decent standard of living is that they aspire to a 'normal' life where income is secure, they are respected, and they have a place in society.

<sup>1</sup> Households reporting zero or negative incomes and those with self-employed residents were excluded from the sample due to uncertainty about the accuracy of their incomes as measured in the survey. Note that this reduces the overall population. Estimates of the risk of poverty in this report are expressed as proportions of this lower overall population.

## The Risk and Profile of Poverty

This report looks beyond the overall numbers to identify the groups affected by poverty, and where they live. We do this in two ways.

First, we show the *risk* of poverty faced by different groups (such as different types of family): for example, the proportion of individuals in lone parent families who live below the poverty line.

Second, we *profile* the population of people living below poverty lines: for example, the proportion of people living below poverty lines who are in lone parent families.

Looking at poverty from these two perspectives yields different results. For example, the risk of poverty within lone parent families (33%) is higher than among couples with children (11.7%). But because there are more couples with children than lone parent families, a higher proportion of people below poverty lines come from partnered families (33.5% for couples with children compared with 17.4% for lone parent families).

Table 4 sheds light on the factors which contribute to a person's risk of living in poverty. For example, 40.1% of individuals living in households where social security was the main source of income were

living below the 50% of median income poverty line. The risk and profile of poverty for these groups is discussed in the remainder of the report.

Table 4: Risk of poverty - proportion of people from different groups living below poverty lines in 2011-12(%)

<b>By gender</b>	<b>50% of median income</b>	<b>60% of median income</b>
Male	13.0	20.3
Female	14.7	23.5
All people	13.9	22.0
<b>By age</b>	<b>50% of median income</b>	<b>60% of median income</b>
Under 15	17.7	25.5
15 - 25	12.7	17.7
25 - 64	12.6	17.9
Over 64	14.8	35.7
All people	13.9	22.0
<b>By country of birth</b>	<b>50% of median income</b>	<b>60% of median income</b>
Australia	11.6	19.3
Main English speaking country <sup>8</sup>	11.4	18.5
Other	18.8	28.9
All adults	13.0	21.1
<b>By main income source</b>	<b>50% of median income</b>	<b>60% of median income</b>
Wage and salary	5.9	9.8
Social security payment	40.1	64.1
Other income	16.9	20.5
All people	13.9	22.0
<b>By family type</b>	<b>50% of median income</b>	<b>60% of median income</b>
Single, no children	27.7	44.9
Lone parent	33.0	45.3
Couple, no children	10.1	20.8

<b>By family type (cont.)</b>	<b>50% of median income</b>	<b>60% of median income</b>
Couple, children	11.7	17.5
Other	8.3	12.1
All people	13.9	22.0
<b>Children</b>	<b>50% of median income</b>	<b>60% of median income</b>
Children in sole parent households	36.8	50.4
Children in couple households	13.9	20.3
Children in other households	8.4	18.9
All children	17.7	25.5
<b>By labour force status</b>	<b>50% of median income</b>	<b>60% of median income</b>
Employed full-time	4.7	8.1
Employed part-time	15.9	25.2
Unemployed	61.2	67.6
Not in labour force 65+	16.0	37.6
Nor in labour force <65	48.4	62.2
All people	13.9	22.0
<b>By social security payment type</b>	<b>50% of median income</b>	<b>60% of median income</b>
Newstart Allowance	55.1	67.3
Youth Allowance	50.6	55.1
Parenting Payment	47.2	60.6
Carer Payment	24.8	46.9
Disability Support Pension	48.0	67.6
Age Pension	15.7	39.2
Total	30.4	50.4

NOTES: 'Main English speaking country' refers to New Zealand, United Kingdom, Ireland, Canada, the United States, and South Africa. Data on country of birth is only available for adults (household reference person). Labour force status and social security payment refer to household reference person. Main income source refers to all household members.

# Poverty in Australia

2014

Table 5 (Profile of poverty) describes the profile of people living below the two poverty lines, for example the number and proportion of all people in poverty who come from lone parent and married couple families with children. In 2012, for example, 17.4% of all individuals below the 50% poverty line and 15.1% of all individuals below the 60% poverty line, were in lone parent households.

Table 5: Profile of poverty - proportion and numbers of people from different groups living below poverty lines in 2011-12 (%)

By gender	Profile of poverty (%)		Numbers in poverty	
	50% of median income	60% of median income	50% of median income	60% of median income
Male	46.3	45.6	1,179,503	1,839,470
Female	53.7	54.4	1,368,993	2,190,056
All people	100.0	100.0	2,548,496	4,029,526
By age	50% of median income	60% of median income	50% of median income	60% of median income
Under 15	23.6	21.6	602,604	870,059
15 - 25	12.4	10.9	315,776	439,896
25 - 64	48.1	43.4	1,226,663	1,747,727
Over 64	15.8	24.1	403,453	971,843
All people	100.0	100.0	2,548,496	4,029,526
By country of birth	50% of median income	60% of median income	50% of median income	60% of median income
Australia	61.5	63.0	1,196,126	1,991,031
Main English speaking countries	9.4	9.4	183,036	295,949
Other	29.1	27.6	566,730	872,487
All adults	100.0	100.0	1,945,892	3,159,467
Main income source	50% of median income	60% of median income	50% of median income	60% of median income
Wage & salary	30.6	31.9	779,118	1,285,742
Govt pensions	60.7	61.4	1,546,706	2,473,838
Other income	8.7	6.7	222,672	269,945
All people	100.0	100.0	2,548,496	4,029,526

<b>Family type</b>	<b>50% of median income</b>	<b>60% of median income</b>	<b>50% of median income</b>	<b>60% of median income</b>
Single, no children	21.2	21.7	540,671	875,816
Lone parent	17.4	15.1	442,819	608,416
Couple, no children	15.1	19.7	383,553	792,745
Couple, children	33.5	31.6	853,850	1,272,285
Other	12.9	11.9	327,603	480,264
All people	100.0	100.0	2,548,496	4,029,526
<b>Children</b>	<b>50% of median income</b>	<b>60% of median income</b>	<b>50% of median income</b>	<b>60% of median income</b>
Children in sole parent households	36.8	34.9	221,950	303,779
Children in couple households	60.9	61.6	367,186	535,764
Children in other households	2.2	3.5	13,468	30,516
All children	100.0	100.0	602,604	870,059
<b>Labour force status</b>	<b>50% of median income</b>	<b>60% of median income</b>	<b>50% of median income</b>	<b>60% of median income</b>
Employed FT	20.5	22.1	522,138	891,343
Employed PT	12.7	12.8	324,563	514,916
Unemployed	6.4	4.5	162,811	179,812
Not in labour force 65+	17.1	25.5	436,016	1,079,710
Not in labour force <65	43.3	35.1	1,102,968	1,415,745
All people	100.0	100.0	2,548,496	4,029,526

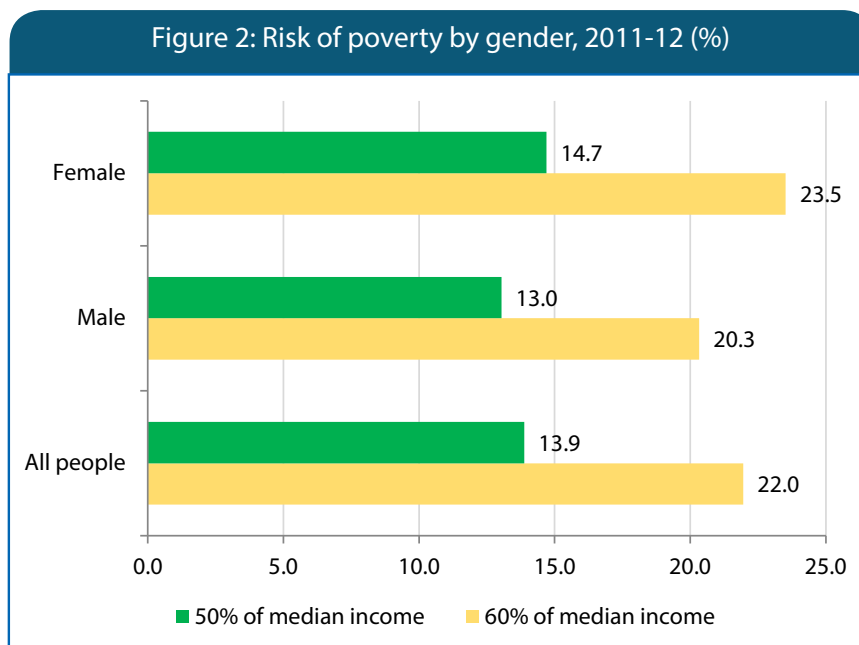


Social Security Payment Type	50% of median income	60% of median income	50% of median income	60% of median income
Newstart Allowance	14.0	10.4	189,434	231,562
Youth Allowance	1.8	1.2	23,915	26,038
Parenting Payment	27.4	21.3	370,634	475,468
Carer Payment	6.5	7.5	88,409	167,137
Disability Support Pension	24.5	20.8	330,759	465,806
Age Pension	25.8	38.9	348,104	871,187
Total	100.0	100.0	1,351,256	2,237,197

NOTES: Data on country of birth is only available for adults. Labour Force Status and Social Security Payment Type refer to household reference person. Main income source is of the household in which people live.

## Gender

Women are significantly more likely to experience poverty than men, with 14.7% of all women compared with 13% of all men experiencing poverty in 2011/12 (using the 50% poverty line). This outcome is due to the fact that women tend to have lower employment outcomes and wages, are more likely to be in unpaid caring roles, and have lower investment incomes in retirement<sup>5</sup>.



<sup>5</sup> Rebecca Cassells, Riyana Miranti, Binod Nepal, Robert Tanton (2009): She works hard for the money: Australian women and the gender divide. National Centre for Social and Economic Modelling (NATSEM), Canberra. Available: <http://apo.org.au/node/3880>

There are more women in poverty than men. Some female sub-groups are at particular risk, including single mothers, who comprise the majority of sole parents (see 'Family type').

Figure 3: Profile of poverty by gender, 50% of median income (%)

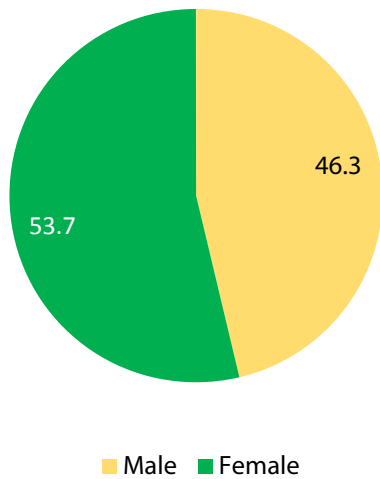
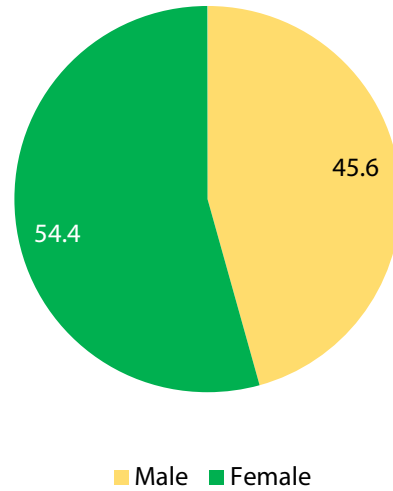


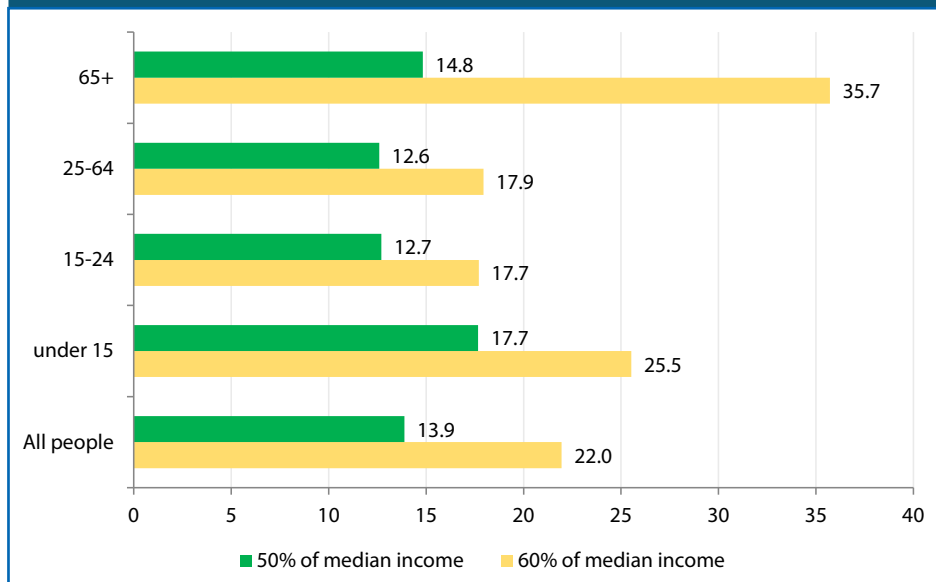
Figure 4: Profile of poverty by gender, 60% of median income (%)



## Age

Compared with other age groups, children are at a much higher risk of poverty, with 17.7% of all children living below the 50% poverty line. Older people are also at a higher risk of poverty, with 14.8% of people over the age of 65 living below the 50% poverty line.

Figure 5: Risk of poverty by age, 2011-12 (%)



## An uncertain future

Well...

*What am I going to do about money?  
I see my mum who worked all her life  
but she has no money.*

So yeah,

*it's pretty bad*

*when you work all your life and your only income  
is the pension.*

*If I did have children...*

*I don't have any savings or a stable job;*

*it would be really stressful I think.*

*And not being able to do anything.*

*And if you get sick you're a bit stuffed too.*

So...

*yeah.*

Alicia

The 'risk of poverty' graph below demonstrates the role that age plays in vulnerability to poverty.

The high poverty risk among children reflects the higher costs facing families with children, which parents who are not in paid work or on a low wage often struggle to meet.

For older people, the risk of living below the 50% poverty line has decreased since the Age Pension increase in 2009 (see section below on poverty among social security payment recipients), but remains high.

In addition, over a third of people over 64 are below the 60% poverty line, reflecting the fact that many older people with a small amount of income in addition to the Age Pension have a total income only slightly above the 50% poverty line, but below the 60% poverty line. Home ownership provides significant protection against poverty for many older people (and the lower housing costs that result are taken into account in this research) but the minority who rent face a higher poverty risk<sup>6</sup>.

Figure 6: Profile of poverty by age, 50% of median income (%)

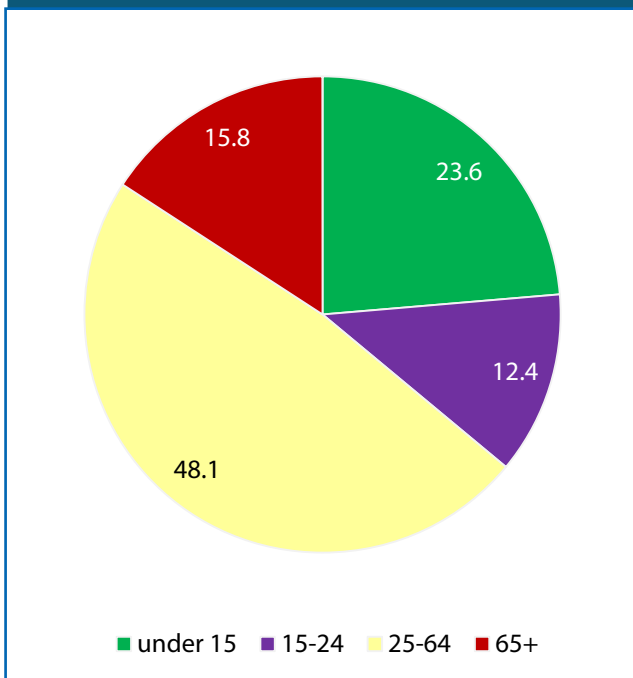
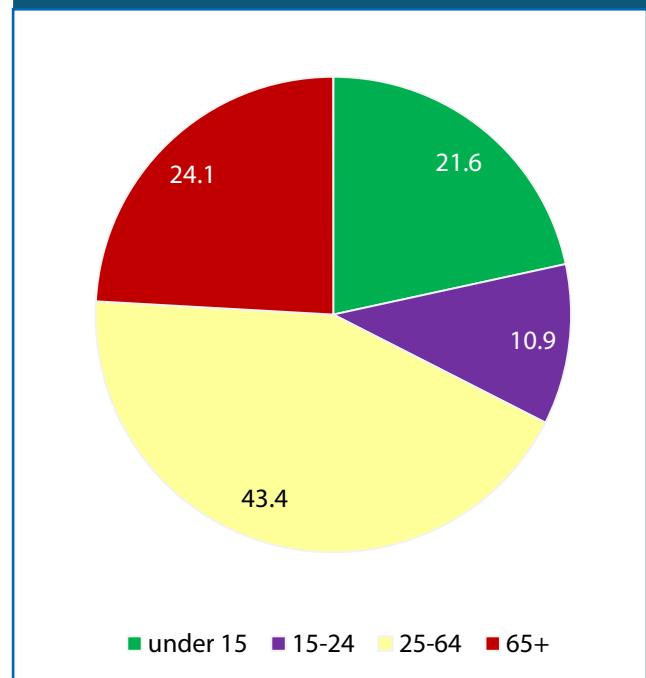


Figure 7: Profile of poverty by age, 60% of median income (%)



6 Seelig et al: (2008): Housing consumption patterns and earnings behaviour of people receiving income support recipients over time, AHURI Final Report No 119. Australian Housing and Urban Research Institute, Queensland. Available: [http://www.ahuri.edu.au/publications/download/20257\\_fr](http://www.ahuri.edu.au/publications/download/20257_fr)

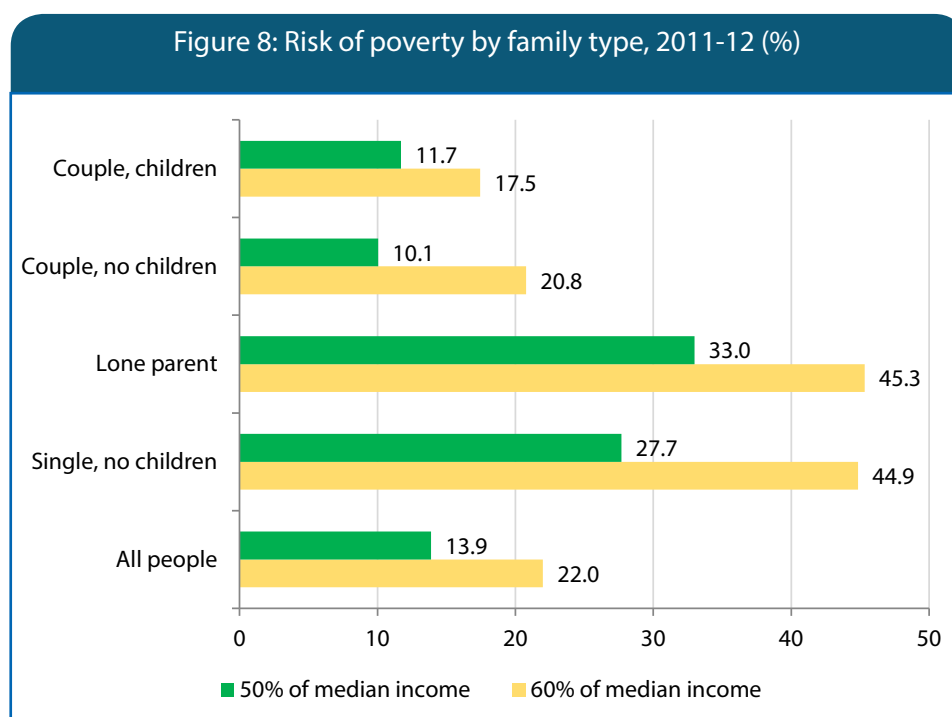
Home ownership provides significant protection against poverty for many older people, who are likely to have low housing costs and as such can use their income for other non-housing living costs. However, for those who rent in retirement, housing costs can be a significant part of expenditure, leaving less income for other living costs. As housing costs are deducted from household income (and poverty lines) in this research, those who have significant housing costs are more likely to be in poverty.

The largest group of people living below poverty lines are people 25 to 64 years despite their lower risk of poverty. This reflects the fact that there are more people overall in this group than in the younger or older age groups.

The high number of children living below the 50% poverty line (602,600 children, from Table 5, or almost a quarter of all people living below that poverty line) is of great concern.

## Family Type

Sole<sup>7</sup> parents are at a much higher risk of poverty compared with other family types, with a third (33%) of sole parent families living below the poverty line. Single people with no children also face a high risk of poverty (27.7%).



The higher risk of poverty amongst sole parent families is due partly to lower levels of employment among lone parents, especially those caring for young children on their own, and partly to the level of social security payments for these families<sup>8</sup>.

The risk of poverty among sole parent families with older children was raised by the Welfare to Work legislation of 2006 which shifted approximately 2000 sole parents from the Parenting Payment to the lower Newstart Allowance. The 2012 Federal Budget decision to move all remaining sole parents whose youngest child has turned eight from the higher Parenting Payment to the lower Newstart

<sup>7</sup> Family classification in this report is FAMILYCOM replacing DCOMP used in the previous report and so are not comparable.

<sup>8</sup> Peter Whiteford and Willem Adema (2007): What Works Best in Reducing Child Poverty: A Benefit or Work Strategy? OECD, France. Available: <http://www.oecd.org/dataoecd/30/44/38227981.pdf>

Allowance resulted in a typical loss of income for the poorest sole parent families of \$60 per week and affected another 80,000 sole parents, but the changes mostly occurred after the data for this report was collected, and hence its impact is not yet evident in the poverty statistics.

Single people with and without children generally face a higher risk of poverty than couples (33.0% and 27.7% compared with 11.7% and 10.1%), reflecting in part the economies of scale (for example, sharing housing costs and other bills) available to people living in couple households.

Figure 9: Profile of poverty by family type, 50% of median income (%)

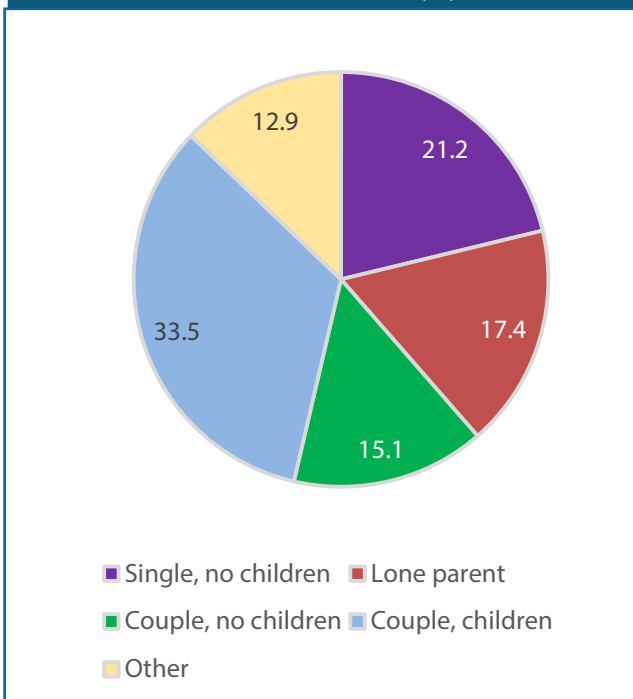
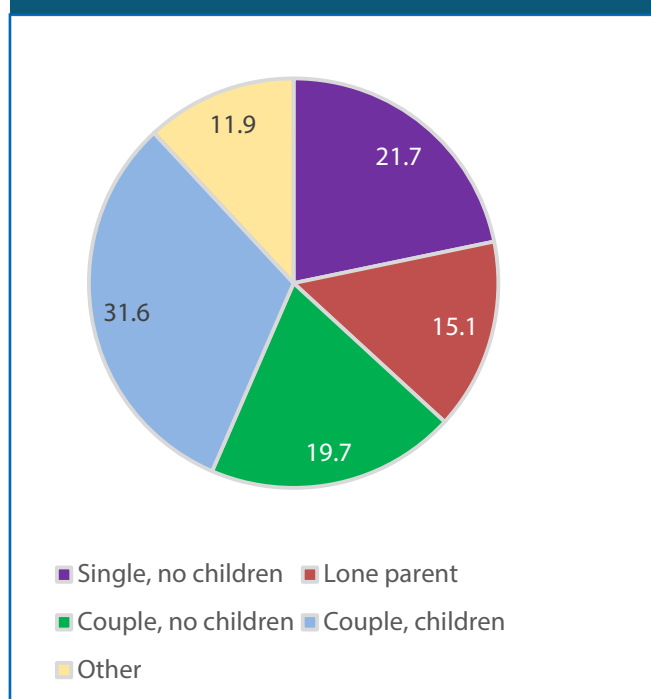


Figure 10: Profile of poverty by family type, 60% of median income (%)



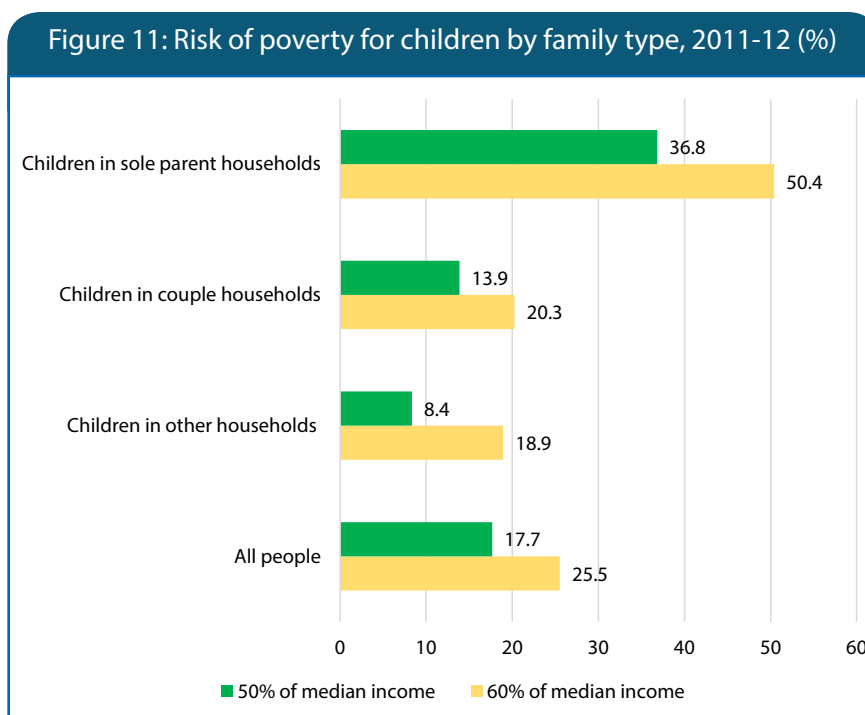
Turning to the profile of poverty by family type, couple households make up a larger proportion of households in poverty in Australia than lone parent or single person households (48.6% and 38.6% respectively for the 50% poverty line). This is due to the fact that there are more couple than single households.

### Case Study 1: Aiesha, single parent

Aiesha is a 32 year old single mother raising two children, aged 7 and 5, with no family of her own in Australia to provide support. Most of her income from Centrelink goes towards bills and rent in addition to medical fees for her son to access a speech therapist. She has a one bedroom community housing unit. She wants to give her children a better future, but has significant financial struggles with increasing education and other costs as her children grow older. She cannot afford to pay for many of the activities, like swimming lessons, which would support her children's health, participation and development, and which other families take for granted. Aiesha receives some support from her friends and accesses services offered by community organisations. She simply wants to raise her children well and give them a good future so they can give back to the community and have a good life. She asks government to understand the issues facing single parents.

## Child Poverty

Children in sole parent families are at a significantly higher risk of poverty than children in other family types. While 17.7% of all children live in households in poverty, over a third (36.8%) of children in sole parent households were living in poverty. This compares with 13.9% for children in couple households.



The high rate of poverty among children in sole parent households is the result of high rates of poverty among sole parent households overall – with 33% of lone parent households being below the poverty line. This implies that the risk of a child being in poverty rises almost three-fold (from 13.9% to 36.8%) if their parents separate.

As noted in the discussion of poverty by ‘Family Type’, high rates of poverty amongst children in lone parent families are due to a combination of the lower levels of employment among sole parent households, especially those with very young children, and the low level of social security payments for these families.

### Sick of saying ‘No’

*Just being able to take my daughter out.  
You know  
her friends have the best toys  
well she doesn't –  
she gets told,  
'We don't have the money.'  
That's the hardest for me.  
She knows she's different,  
she knows you can't afford it.  
At the supermarket yesterday  
ice-cream was \$2 cheaper the day before.  
Walked out with nothing because  
it's today,*

*not yesterday.  
They're the kind of things that upset me.  
That we can't give her what other kids have.  
She can't have the best clothes,  
the best toys.  
We can't say  
'Ok, let's go on a holiday.'  
We just don't have that option.  
So you know  
I'm sick of saying no the whole time  
because it wears you out.  
Not having to say no once...  
that's the ideal future.  
Eliza*

Figure 12: Profile of child poverty, 50% of median income (%)

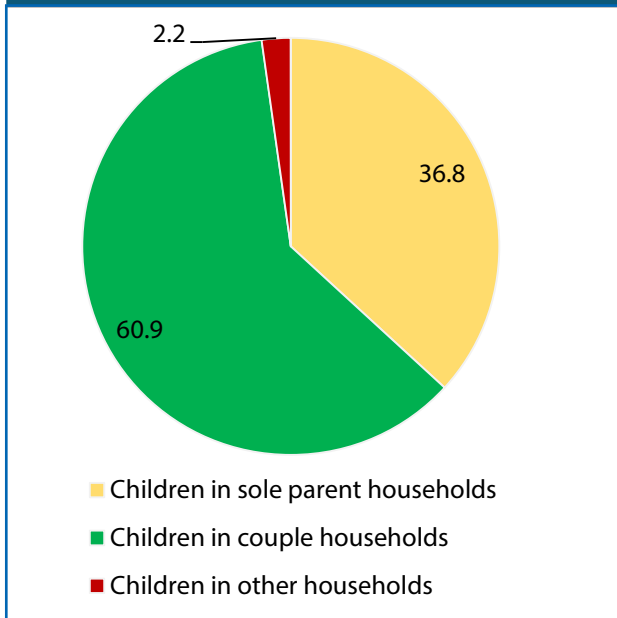
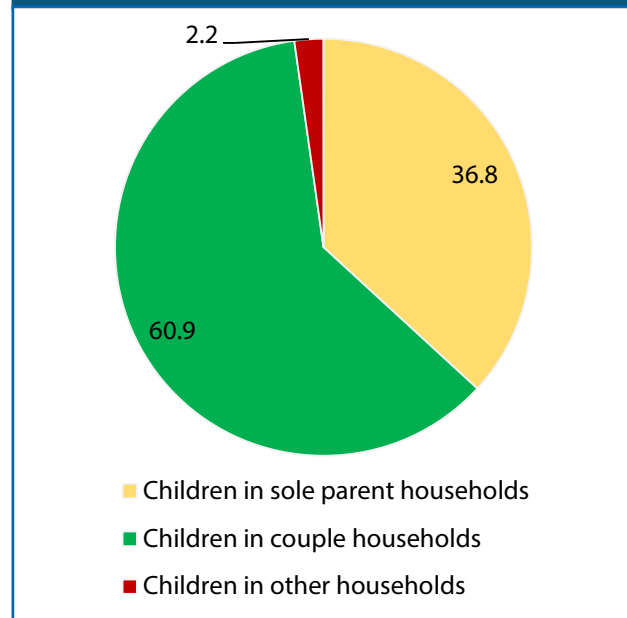


Figure 13: Profile of child poverty, 60% of median income (%)



While children in sole parent households have the highest risk of poverty, they comprise a third of all children in poverty. By contrast children in couple households make up almost two thirds of children in poverty. As with poverty by Family Type, this is because there are more children in couple households overall.

## Country of birth

Adults born in countries where English is not the main language face a much higher risk of poverty (18.8% using the 50% poverty line) than those born in Australia (11.6%), or in an English speaking country (11.4%)<sup>9</sup>.

This is likely to reflect the difficulties that migrants from non-English speaking countries face in securing well paid employment in Australia, which include (in many, though not all cases) language barriers, limited Australian-recognised skills, and discrimination<sup>10</sup>.

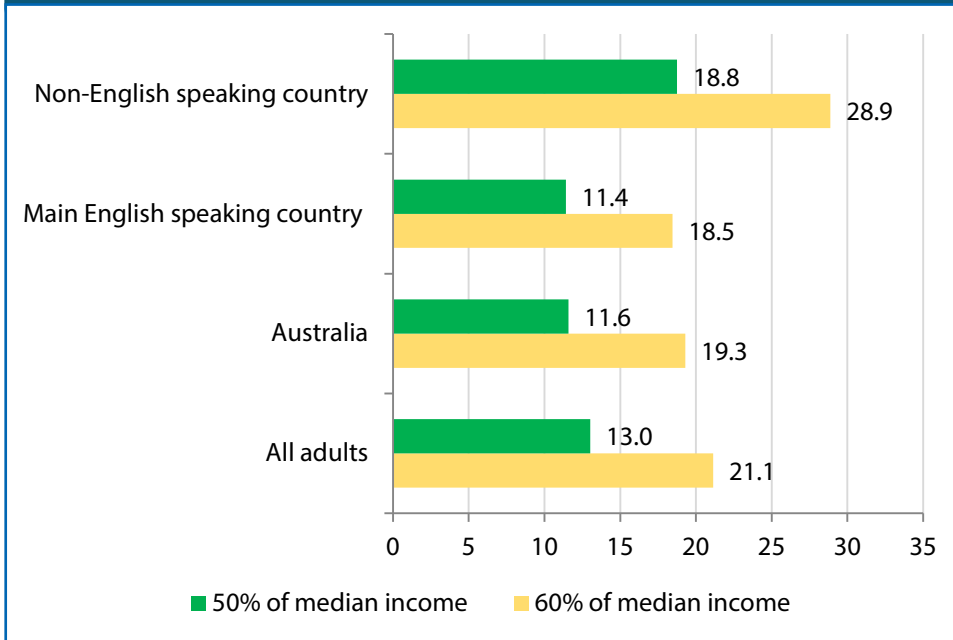
The 'profile of poverty' graph shows that 29.1% of adults living in households below the 50% poverty line are from a non-English speaking country.

<sup>9</sup> Data on country of birth is only available for adults.

<sup>10</sup> Department of Immigration and Citizenship (2010): How new migrants fare: Analysis of the Continuous Survey of Australia's Migrants. Australian Government, Canberra. Available: [http://www.immi.gov.au/media/publications/research/\\_pdf/csam-results-2010.pdf](http://www.immi.gov.au/media/publications/research/_pdf/csam-results-2010.pdf)

Figure 14: Risk of poverty by country of birth (%)

50% of median income poverty line



Note: 'Main English speaking country' refers to New Zealand, United Kingdom, Ireland, Canada, the United States, and South Africa.

Figure 15: Profile of poverty by country of birth, 50% of median income

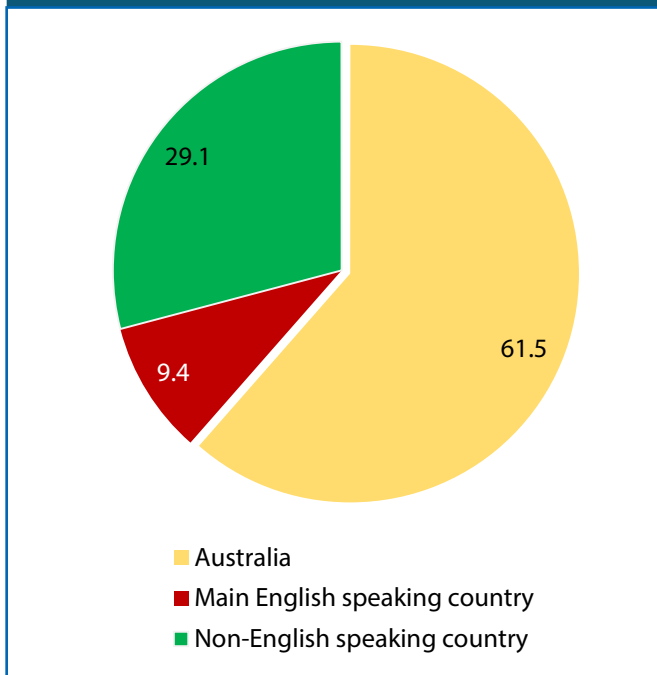
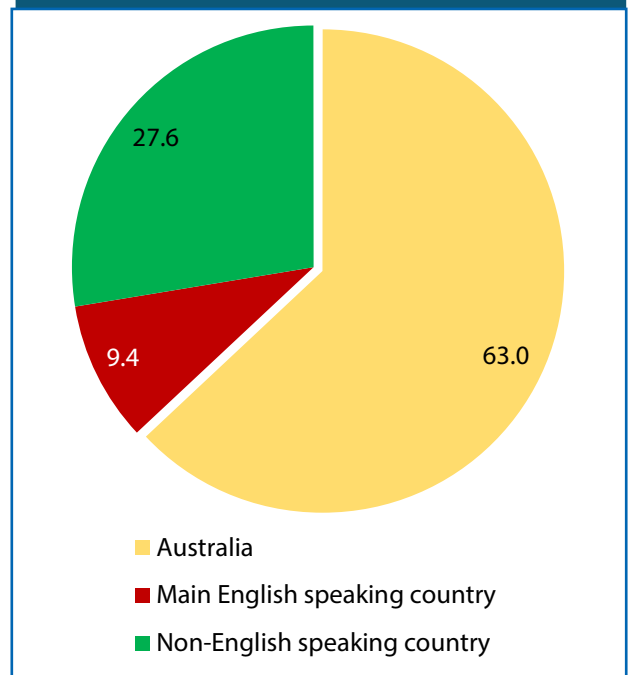


Figure 16: Profile of poverty by country of birth, 60% of median income



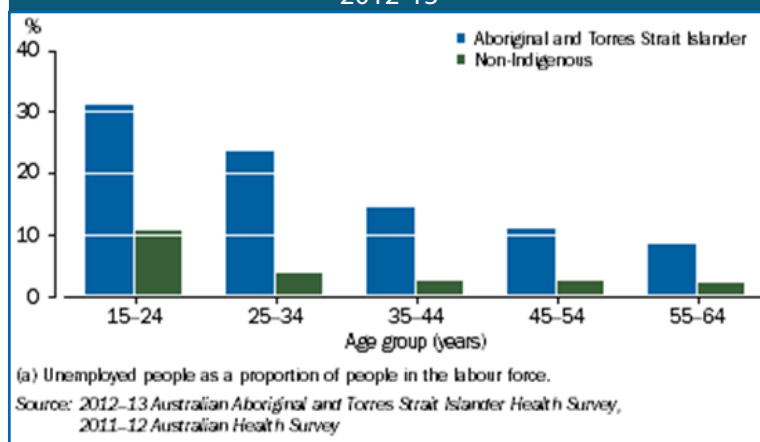


## Aboriginal and Torres Strait Islander People, Poverty and Disadvantage

Unfortunately the ABS Survey of Income and Housing (SIH) does not include information which would enable a more accurate measurement of poverty amongst Aboriginal and Torres Strait Islander people and communities. However, a number of other data sources provide a useful indication of Aboriginal and Torres Strait Islander poverty and disadvantage. As noted in the 2012 Poverty Report, analysis of data from the 2011 Household, Income and Labour Dynamics in Australia (HILDA) survey found that Aboriginal and Torres Strait Islander people were more likely to experience poverty than other Australians, with 19.3% of Aboriginal and Torres Strait Islander people living below the poverty line, compared with 12.4% of other Australians<sup>11</sup>.

As explained in this report there is a strong link between poverty and unemployment due in part to the low level of income support payments to those experiencing unemployment. Data from the Australian Aboriginal and Torres Strait Islander Health Survey (AATSIHS) shows that in 2012-13, the overall unemployment rate for Aboriginal and Torres Strait Islander people of working age was 21%<sup>12</sup>. This was significantly higher than the general unemployment rate, which was 5.7% in July 2013<sup>13</sup>. After accounting for the different age structures of the two populations, AATSIHS data found that in 2012-13 Aboriginal and Torres Strait Islander people aged 15-64 were four times more likely to be unemployed than non-Indigenous people<sup>14</sup>. This high unemployment rate means that many Aboriginal and Torres Strait Islander people rely on social security payments as their main source of income.

Figure 17: Unemployment rates by Indigenous Status, 2012-13



Source: ABS, 2014 Australian Aboriginal and Torres Strait Islander Health Survey: Updated Results, 2012-13, cat. no. 47270.55.006

Government data from March 2014 (Table 6) shows that Aboriginal and Torres Strait Islander people are disproportionately represented amongst people accessing income support payments. While Aboriginal and Torres Strait Islander peoples comprise approximately 3% of the population in

11 Unpublished estimates provided by Azpitarte from the Brotherhood of St Laurence, in McLachlan et.al (2013) Deep and Persistent Disadvantage in Australia. Productivity Commission Staff Working Paper. Poverty is measured using HILDA data, and based on a 50% of median income poverty line, but not adjusted for housing costs.

12 Australian Bureau of Statistics, 2014, Australian Aboriginal and Torres Strait Islander Health Survey: Updated Results, 2012-13, cat. no. 47270.55.006, available <http://www.abs.gov.au/ausstats/abs@.nsf/Lookup/by%20Subject/47270.55.006~2012%E2%80%9313~Main%20Features~Labour%20force%20characteristics~17>

13 Australian Bureau of Statistics, 2013, Labour Force, Australia, July 2013, cat.no. 6202.0. Available [http://www.abs.gov.au/ausstats/meisubs.NSF/log?openagent&62020\\_jul%202013.pdf&6202.0&Publication&ADDF90AC30145BEACA257BC00013E910&&Jul%202013&08.08.2013&Previous](http://www.abs.gov.au/ausstats/meisubs.NSF/log?openagent&62020_jul%202013.pdf&6202.0&Publication&ADDF90AC30145BEACA257BC00013E910&&Jul%202013&08.08.2013&Previous)

14 Australian Bureau of Statistics, 2014, Op cit

Australia, they represent 8.8% of those currently receiving the Newstart Allowance, 12.5% of those currently in receipt of the Parenting Payment (sole parent) and 15.9% of people accessing Youth Allowance (other). All of these payments have been shown to fall below the poverty line.

Table 6: Payment recipients by payment type and Aboriginal and Torres Strait Islander status  
March 2014

Payment type	Aboriginal & Torres Strait Islander people	Other	Total	Aboriginal & Torres Strait Islander percentage
Disability Support Pension	47,442	785,091	832,533	5.7%
Newstart Allowance	61,179	634,728	695,907	8.8%
Parenting Payment (partnered)	8,897	95,896	104,793	2.3%
Parenting Payment (single)	32,387	227,119	259,506	12.5%
Youth Allowance (other)	17,926	94,970	112,594	15.9%
Youth Allowance (student and apprentice)	2,089	225,505	227,594	0.9%
Age Pension	15,274	2,370,453	2,385,727	0.6%

Source: Department of Social Services, 2014, accessed online (September 2014) at: <https://data.gov.au/dataset/dss-payment-demographic-data/resource/3f8a71b1-d98d-4b06-9cba-0c1082e1f673>

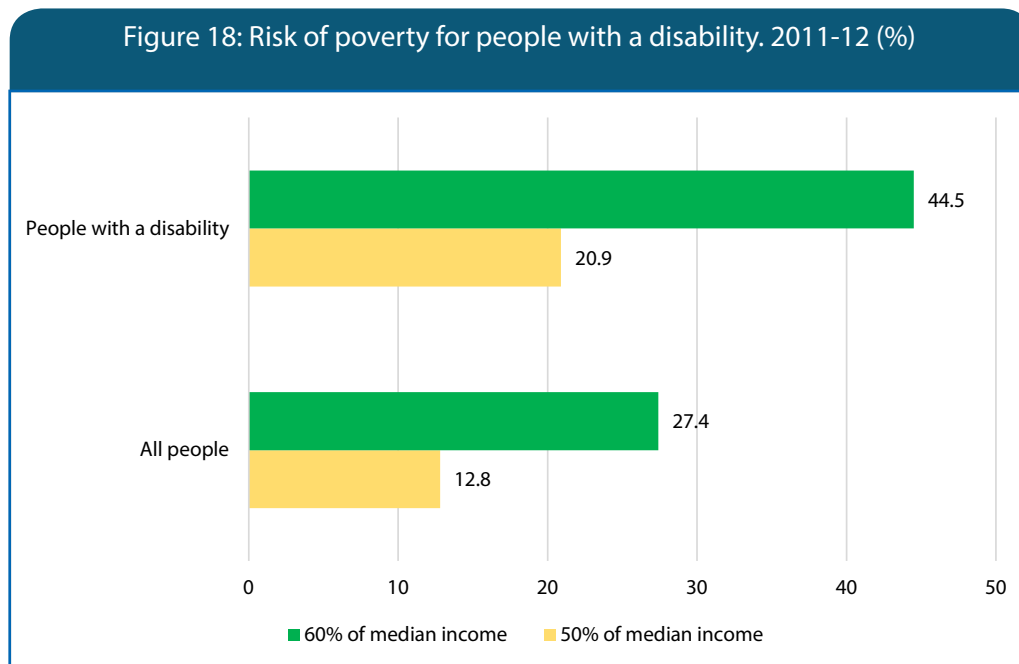
One payment type in which this population group is significantly underrepresented is the Age Pension, with Aboriginal and Torres Strait Islander people accounting for only 0.64% of those accessing this payment. The significant gap in Aboriginal and Torres Strait Islander people's life expectancy means that many do not reach the current pension age.

## Disability

Unfortunately, the latest available income data that would allow poverty rates to be calculated for people with a disability in Australia is from 2009-10. This is due to the fact that the ABS only collects this data every 4 years.

People with a disability face a significantly higher than average risk of poverty, with 27.4% (620,600 people) with a disability living in households below the 50% poverty line in 2009-10 (as noted in the previous report).

A large proportion of people with disabilities have household incomes in between the 50% and 60% poverty lines, so that the risk of poverty rises to 44.5% for the 60% line (based on 2009-10 data).



The graph above compares the proportion of people with a disability (those with a ‘core activity restriction’ as defined in the Australian Bureau of Statistics income survey) with the proportion of all adults below the poverty line.

This research does not take account of the extra costs of a disability when assessing whether people are living below the poverty line. Those costs may include adjustments to the home or workplace, purchase of care, additional transport costs such as taxis, pharmaceuticals and medical treatment. A previous study found that taking these costs into account substantially increases the level of poverty among people with disability<sup>15</sup>.

The higher than average risk of poverty for people with a disability is likely to be due in large part to their weaker employment prospects. In 2012, there were 53 per cent of people with disability participating in the labour force compared with 83 per cent of people without disability<sup>16</sup>. This is a reduction in the participation rate for people with a disability by 1% since 2009.

Many people with disabilities therefore rely on social security payments, especially the Disability Support Pension and Newstart Allowance, as their main income source<sup>17</sup>. Since the introduction of Welfare to Work policies in 2006, an increasing number of people assessed as having a ‘partial work capacity’ (ability to work part time) have been placed on the lower Newstart Allowance rather than

15 Saunders, P 2007, ‘The Costs of Disability and the Incidence of Poverty’, *The Australian Journal of Social Issues*, Vol. 42, No. 4, pp. 461-80.

16 ABS, *Disability, Ageing and Carers, Australia: Summary of Findings, 2012*, Table 9 Persons Aged 15-64 years, Living in Households, Disability Status, by sex and labour force status -2012, accessed at <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/4430.02012?OpenDocument>.

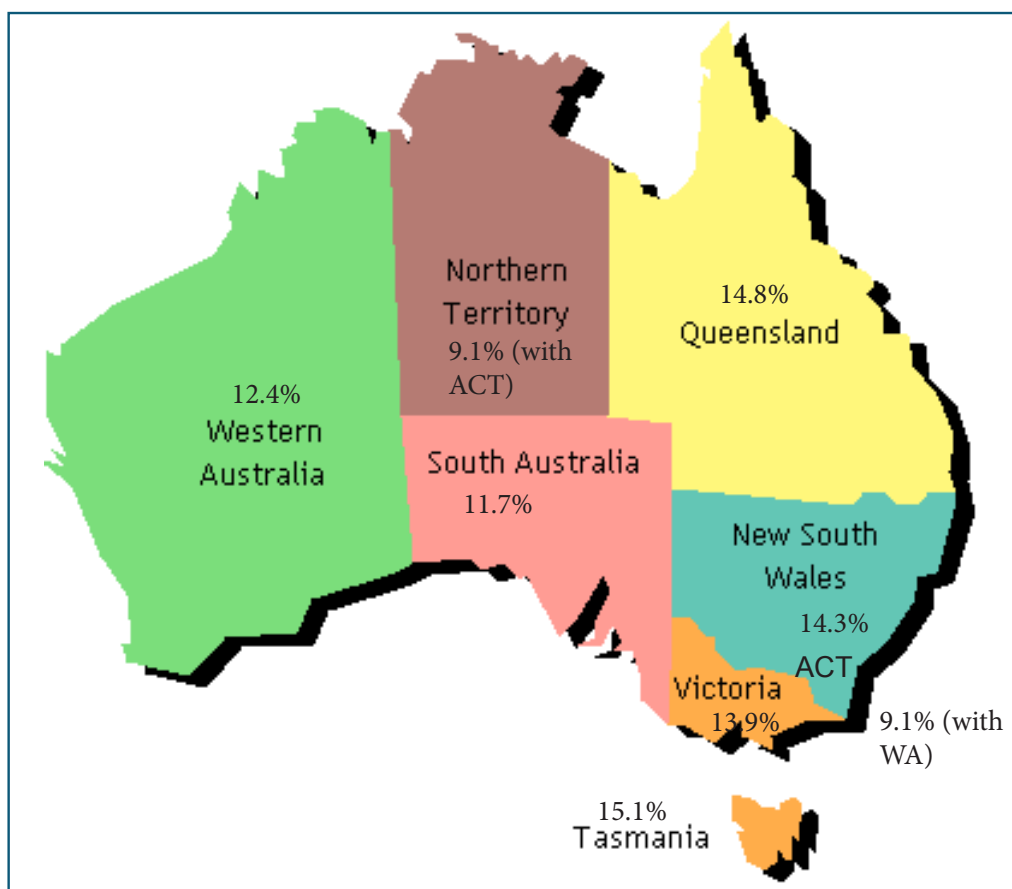
17 The poverty risk among DSP recipients was much higher at 48%. This is due to the fact that DSP is income and assets-tested so that many of the ‘poorest’ people with disabilities receive that payment.

the Disability Support Pension. Currently, over 800,000 people with disabilities receive Disability Support Pension and approximately 140,000 receive Newstart Allowance<sup>18</sup>.

### Case Study 2: Melanie, Single Parent

Melanie is a 48 year old lone parent from Brisbane, studying Community Development while raising her children. For Melanie, being a lone parent was not a matter of choice: she left a violent relationship after ten years of mental and physical abuse. Melanie says that returning to work after the separation improved her sense of belonging and confidence, as she was able to meet her children’s needs, but after two successive work injuries she was left with a permanent disability and was unable to continue working in that role. She decided to study to retrain. Melanie felt an enormous sense of achievement when she received a credit for one of her assessments, and her children were very proud of their mother. But things went downhill when she found out she was to be moved onto a lower social security payment at the same time that her rent was increasing. None of it made sense or seemed fair, and Melanie has since struggled with anxiety and depression, living in fear about how she and her kids will survive on so little.

## Location



18 Department of Social Services, DSS Payments March 2014, accessed on 29/9/2014 at <https://data.gov.au/dataset/dss-payment-demographic-data/resource/9c336c38-e7f9-4346-a2bf-1898664dc0a8>; Senate Community Affairs Committee, Answers to Questions on Notice, Social Services Portfolio, 2014-15 Budget Estimates Hearings.

Table 6 shows how the risk of poverty varies between states and between people living in capital cities compared with the rest of their state. It also shows the extent to which the risk of poverty is greater outside capital cities.

The overall risk of poverty is higher in Tasmania, Queensland and NSW than in the other states. This may reflect a combination of weaker employment opportunities, higher housing costs, and/or the different age profiles of different states. For example, although average rents are lower in Tasmania than in most other states, it has relatively high unemployment and a high proportion of older people.

The risk of poverty is greater outside capital cities in most states and territories (especially in Queensland and Tasmania), in part due to higher unemployment in regional Australia. The exceptions are New South Wales and Western Australia, where very high housing costs in the capital cities have increased the risk of poverty (when those costs are taken into account, as they are in this research).

Table 7: Risk of poverty by state, 50% of median income (%)

State	All	Capital City	Balance of state (non-capital city)	Difference: (Balance of State minus Capital City)
New South Wales	14.6	15.0	13.8	-1.2
Victoria	13.9	13.7	14.3	0.6
Queensland	14.8	13.9	15.4	1.5
South Australia	11.7	11.5	12.5	1.1
Western Australia	12.4	12.4	12.4	0.0
Tasmania	15.1	13.8	16.0	2.2
ACT and NT	9.1	-	-	-
<b>Total</b>	<b>13.9</b>	<b>13.8</b>	<b>14.0</b>	<b>0.2</b>

Table 8: Risk of poverty by state, 60% of median income (%)

State	All	Capital City	Balance of state (non-capital city)	Difference: (Balance of State minus Capital City)
New South Wales	22.2	27.1	23.3	1.6
Victoria	22.9	20.8	28.8	8.0
Queensland	22.1	20.0	23.9	3.9

State (continued)	All	Capital City	Balance of state (non-capital city)	Difference: (Balance of State minus Capital City)
South Australia	22.3	21.5	25.0	3.5
Western Australia	19.7	19.6	20.1	0.5
Tasmania	25.8	20.7	29.2	8.5
ACT and NT	22.0	20.9	23.8	2.9
<b>Total</b>	<b>22.0</b>	<b>20.9</b>	<b>23.8</b>	<b>2.9</b>

Table 9: Profile of poverty and numbers in poverty by state

State/Territory	50% median income		60% median income	
	Number	Profile %	Number	Profile %
New South Wales	868,373	34.1	1,324,662	32.9
Victoria	650,777	25.5	1,072,036	26.6
Queensland	535,357	21.0	803,622	19.9
South Australia	156,889	6.2	298,762	7.4
Western Australia	233,603	9.2	370,768	9.2
Tasmania	62,178	2.4	106,181	2.6
ACT and NT	41,320	1.6	53,494	1.3
<b>Total</b>	<b>2,548,496</b>	<b>100.0</b>	<b>4,029,526</b>	<b>100.0</b>

Note: Data not available separately for the ACT or NT due to small sample sizes in the ABS survey.

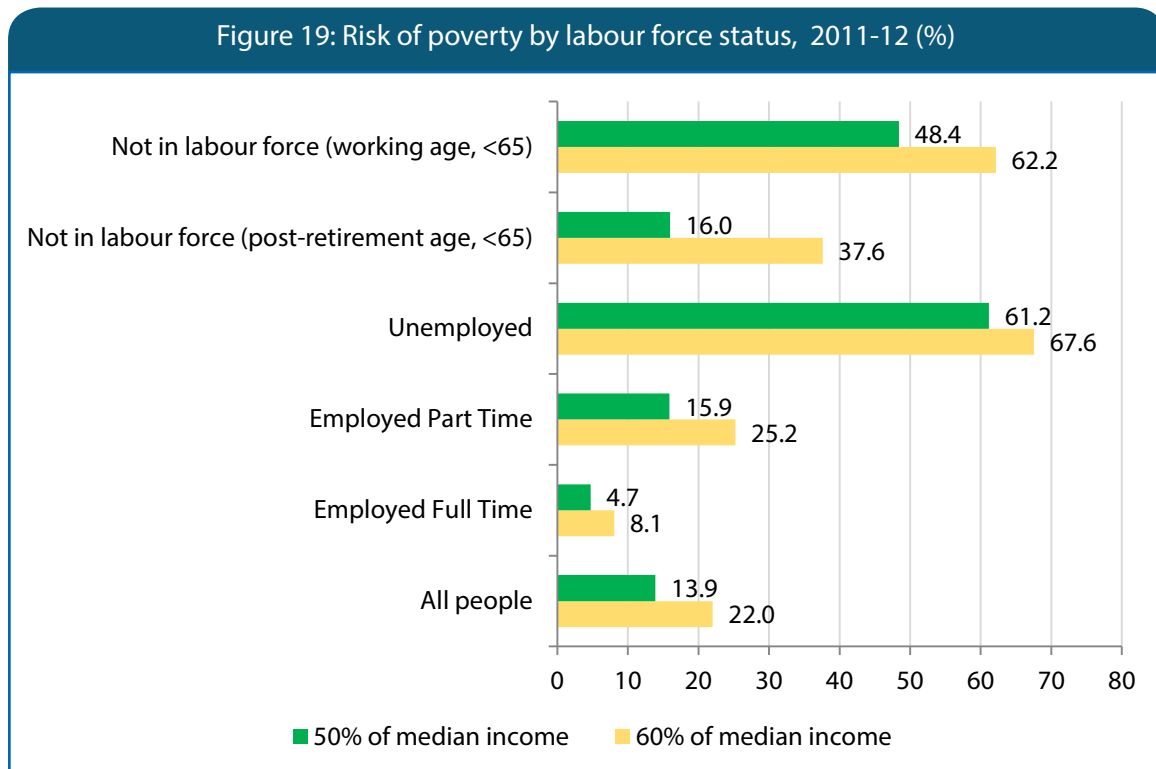
## Labour Force Status

The report now turns from an analysis of poverty amongst demographic groups to assess how different labour market experiences and income types (including social security payments) influence the risk and profile of poverty.

The following sections show that those most likely to be in poverty are people who are unemployed, rely on any social security payment, and particularly on the Newstart Allowance or Youth Allowance are the strongest predictors of poverty.

Being unemployed is the strongest overall predictor of poverty, with higher rates of poverty amongst this group than any other group. Six out of every ten people living in households where the main reference person is unemployed (61.2%) were living below the poverty line in 2012. This contrasted to a much lower 15.9% of those employed part time and 4.7% for those employed full time<sup>19</sup>.

The high rate of poverty among unemployed people partly reflects the level of the Newstart Allowance for unemployed people (\$303 per week for a single person with no children, including rent assistance), which is \$97 per week below the poverty line and less than half the disposable income of even the minimum wage for a person employed full time.



Note: Labour force status refers to household reference person. The category 'Not in the Labour Force' captures those who are neither in paid work nor seeking employment, and includes people caring for others, older people no longer working, people with a disability and others.

The other high risk category (48.4%) is those people who are not in paid employment but are not seeking work and so are not in the labour force, often due to having disabilities or caring roles. This group are usually reliant on social security payments such as the Disability Support Pension, Parenting Payment and Carer Payment; and the combination of the low rate of these payments and high housing costs (people in this group are more likely to be renting) contributes to almost half of this group being in poverty.

Among older people not in the labour force (those over the age of 64), the risk of poverty is also high (16%) and above the rate for those employed, while considerably below the rate for unemployed people. This reflects the higher rate of the Age Pension compared to Newstart Allowance, the increasing number of people retiring with at least some superannuation, and the lower housing costs of those who own their homes outright, which includes many older people.

<sup>19</sup> Note data refers to household reference person.

Figure 20: Profile of poverty by labour force status (%). 50% of median income poverty line

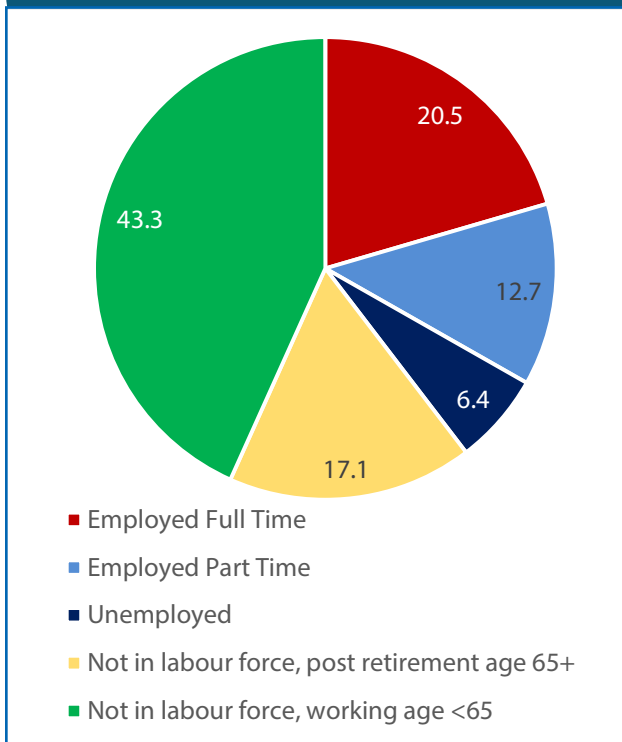
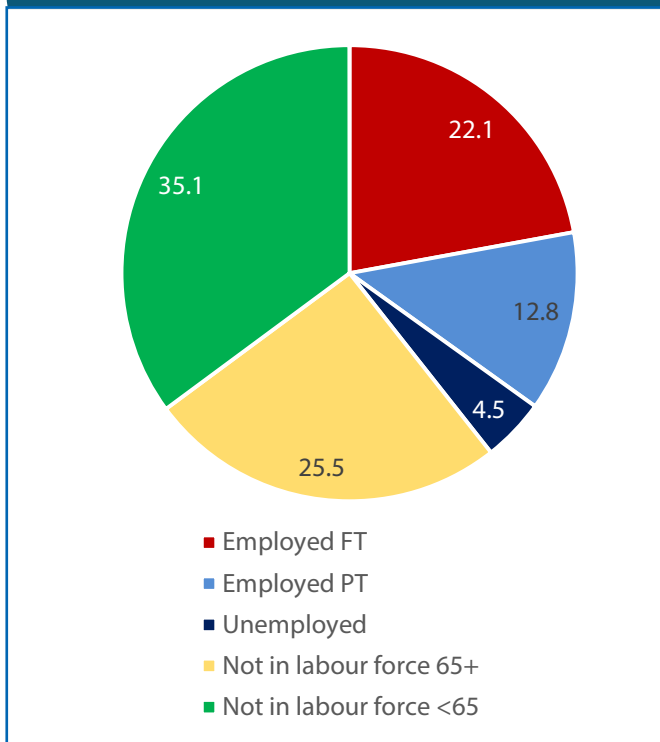


Figure 21: Profile of poverty by labour force status (%). 60% of median income poverty line



Note: Labour force status refers to household reference person.

The ‘profile’ of poverty charts show a different picture. Although workers in paid employment face a lower risk of poverty, they form one third (33.2%) of all people below the 50% poverty line. The reason for this is that there are more employees than unemployed people overall. More than half of employed people living below the 50% poverty line have part time jobs only.

Since the minimum fulltime wage is above the 50% poverty line for a single adult, it is likely that most employed workers living below that poverty line are either employed part time or are supporting dependent children on a low wage, or face high housing costs.

### The Ideal Future

*It is a concern.*

*If I don't get a job soon, its likely I'll never have a full-time job ever again.*

*And that means a lot of things.*

*One,*

*it means the house I've bought will deteriorate.*

*Plus, obviously things are going to go...*

*...wrong with me as I get older.*

*I think that's probably pretty likely.*

*It means appliances will break down, the TV will break down – where am I going to find the money?*

*Having a son,*

*it means that when he wants money at some stage, might want to borrow money ...*

*...I don't know where I'm going to get that from.*

*The ideal future is getting a full-time job...*

*Jimmy*



## Main Income Source

The risk of poverty is much greater among those whose main household income is social security payments (40.1% compared with 13.9% overall). This reflects that fact that many social security payments sit below the poverty lines, and so households mainly reliant on these payments are likely to be living below the poverty line unless they have other sources of income such as earnings or superannuation.

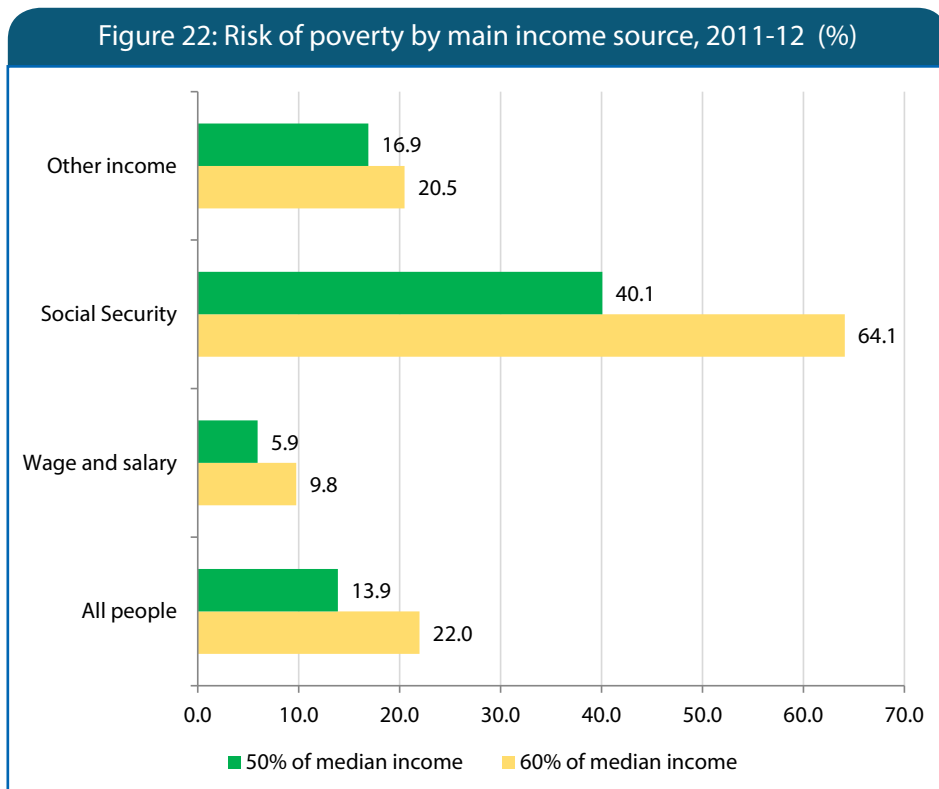


Figure 23: Profile of poverty by main income source (%), 50% of median income poverty line

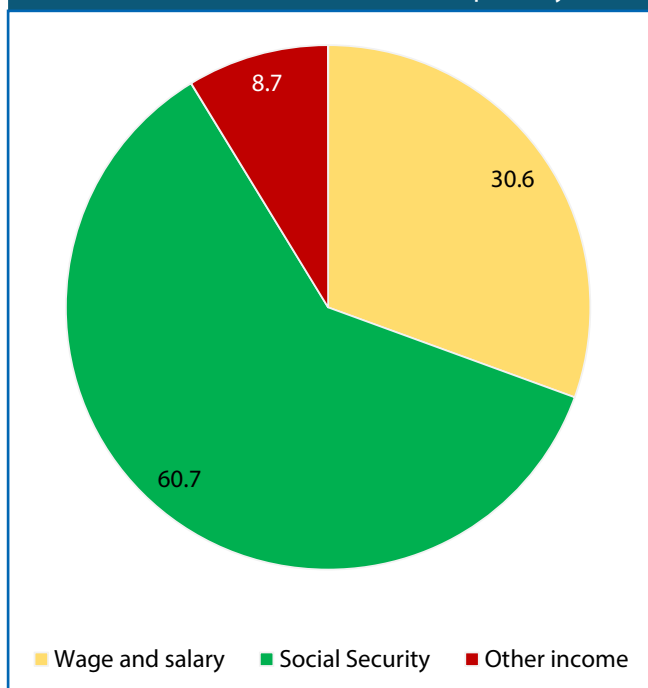
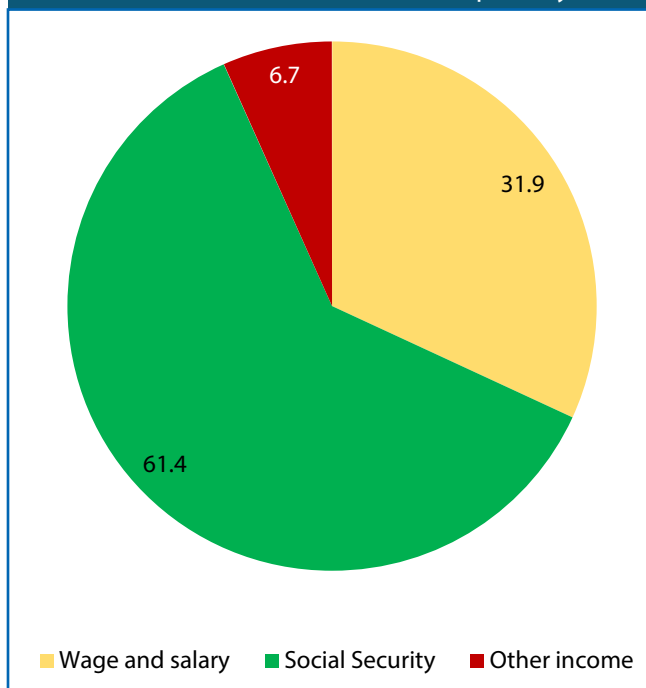


Figure 24: Profile of poverty by main income source (%), 60% of median income poverty line



Figures 24 and 25 indicate that the majority of people living in poverty (60.7% based on the 50% poverty line) rely on a social security payment, but a sizeable minority have wages as their main income source (30.6%). As discussed previously, this is due to the higher number of wage-earning households overall. It is likely that most of these people live in households relying on part time earnings only, or are raising children on a low wage (the costs of children are factored in to calculations of per person household income).

### Nothing in Reserve

*My future is what's giving me sleepless nights.*

*\$5000 on a new car...*

*\$1000 on a new fence...*

*That's it.*

*I have no savings left.*

*I have nothing in reserve –*

*never have I had nothing in reserve.*

*I don't know...*

*My financial future is scary,*

*really scary.*

*I just don't know...*

## Poverty among people on Social Security Payments

The risk of poverty is particularly high for those on the Newstart Allowance (55.1%), Youth Allowance (50.6%), Disability Support Pension (48%) and Parenting Payment (47.2%). A quarter of those on the Carer Payment (24.8%) and 15.8% of those on the Age Pension were in poverty in 2012.

A major cause of poverty among social security recipients is the level of these payments for people with no other source of income, with many of these payments falling below poverty lines.

Just over half (55.2%) of people in households where the 'reference person' receives Newstart Allowance (for unemployed people) are in households with incomes below the 50% poverty line. A slightly lower proportion of those in households reliant on Youth Allowance (50.6%) are below the poverty line.

This reflects the low level of these payments (as shown in Table 10, below) and the fact that (in the case of Newstart Allowance) only about one in five recipients has earnings from employment. Also, an above-average proportion of Newstart recipients rent their accommodation and are likely to face high housing costs<sup>20</sup>.

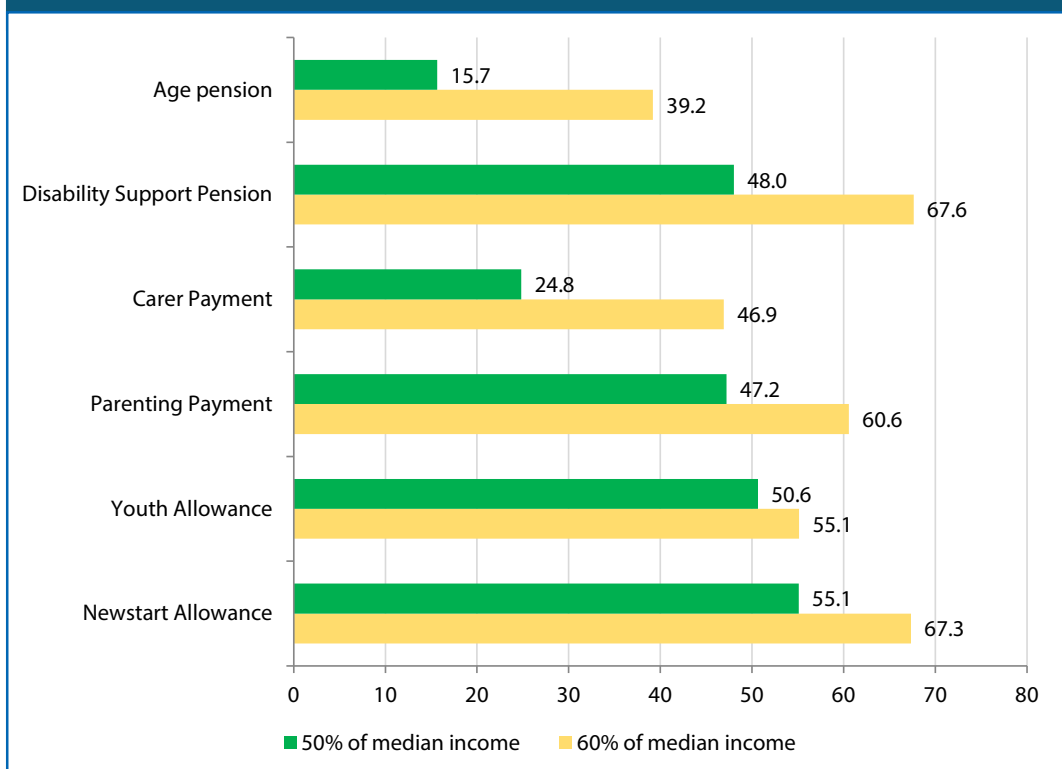
Almost half (47.2%) of people in households with Parenting Payment (most of whom are lone parents) are below the poverty line. This group is also more likely than the average household to rent their housing, and around one in three has earnings from employment. Along with Newstart recipients, people on Parenting Payment did not receive the September 2009 pension increase, so their maximum rate of payment is significantly lower than other pensions.

A slightly higher proportion (48.0%) of people in households receiving the Disability Support Pension were below the poverty line. While this group benefited from the 2009 pension increase, only about in ten has part-time earnings<sup>21</sup>.

20 FaHCSIA (2012): Income support customers: a statistical overview 2011. Statistical Paper no. 10. Department of Families and Housing, Community Services and Indigenous Affairs, Canberra. Available: [http://www.fahcsia.gov.au/sites/default/files/documents/07\\_2012/stps10.pdf](http://www.fahcsia.gov.au/sites/default/files/documents/07_2012/stps10.pdf)

21 The research does not take account of the extra costs of disability when assessing income, such as costs for adjustments to the home or workplace, purchase of care, additional transport costs such as taxis, or medical costs such as pharmaceuticals and medical treatments. These costs reduce the living standard that a person can achieve on a given income relative to others who do not face them.

Figure 25: Risk of poverty among people on Social Security Payments, 2011-12 (%)



Note: Social security payment data refers to household reference person.

Age pensioners had a lower risk of poverty (15.7%) than recipients of the other payments listed in table 10, which reflects lower housing costs (for the majority who own their homes outright), the pension increase in 2009, and income from superannuation and other investments.

The risk of poverty among people in households where the household reference person receives Carer Payment (24.8%) sits between that for Age Pensioners and the other payments. Carer Payment recipients are unlikely to have paid employment because they are caring fulltime for a relative with a disability, though they have a higher level of home ownership than recipients of the other working-age payments.

In all cases, over one third of people in households with these social security payments had incomes below the higher 60% poverty line. This reflects the fact that the maximum rate of their social security payments sat below that poverty line, as discussed below.

One way to explain the high levels of poverty among those on social security payments is to look at the maximum rate of payment compared to poverty lines.

Table 8 compares the maximum rates of major social security payments with poverty lines for the relevant family types and shows how far above or below the poverty line the income falls, for people relying fully on these payments (assuming no other source of income besides, in some cases, Rent Assistance).

In 2011-12 the Newstart Allowance for single adults was \$97 per week below the 50% of median income poverty line. Youth Allowance for independent young people was \$193 per week below the poverty line (including Family Tax Benefit payments); and the Parenting Payment for a single parent with two children was \$20 per week below the 50% poverty line. As maximum payment rates take into account Rent Assistance, in households not eligible for Rent Assistance the gap is even greater (by \$70 per week).

In 2009 the pension was increased by \$32 per week (above inflation), placing it closer to, but still \$26 per week below, the 50% line. (With Rent Assistance, which few pensioners receive, it is slightly above

the 50% poverty line, but below the 60% poverty line). Were the payment to be indexed to CPI instead of the higher of CPI or wages, it would fall further below the poverty line while wages continue to rise above inflation. This is discussed in the next section.

Table 10: Comparison of poverty lines for family types with selected social security payments by family type, 2011-12 (\$ per week)

<b>Newstart Allowance</b>	<b>Maximum Rate of Payment (Dec 2011)</b>	<b>Poverty Line 50% of median income</b>	<b>Poverty Line 60% of median income</b>	<b>Gap (50% of median income)</b>	<b>Gap (60% of median income)</b>
Single, no children	\$303	\$400	\$480	\$97	\$177
Single, 2 children	\$547	\$640	\$769	\$94	\$222
Couple, no children	\$496	\$600	\$720	\$104	\$224
Couple, 2 children	\$723	\$841	\$1,009	\$118	\$286
<b>Youth Allowance</b>					
Single, no children	\$207	\$400	\$480	\$193	\$273
<b>Parenting payment single</b>					
<b>Single, 2 children</b>	\$621	\$640	\$769	\$20	\$148
<b>Pension payment</b>					
<b>Single, no children</b>	\$374	\$400	\$480	\$26	\$106
<b>Couple, no children</b>	\$564	\$600	\$720	\$36	\$156

Note: Payment rates at September-December quarter 2011, including maximum rate of Rent Assistance (RA), Family Tax Benefits (FTB) and supplements where appropriate. RA is included for Allowance and Parenting Payment recipients, but not for pensioners as the vast majority are home owners. The maximum rates of RA were \$56 for singles, \$52 for couples and \$66 for the families with children. Many households on Allowance payments do not receive RA, and their payments were lower than indicated here. Conversely, a minority of pensioners receive RA, in which case their payments were higher than indicated. The Youth Allowance rate is for a young person 18 to 24 years living away from home. All children are aged 6-11 years. Some lone parents receive the higher Parenting Payment Single payment while others receive the lower Newstart Allowance payment. Pension payments include Age, Disability, and Carer pensions. The 'payment gap' is the gap between the maximum rate of payment and the poverty lines.

Single parents ineligible for the parenting payment (which occurs once the youngest child turns 8) rely on the lower Newstart rate, leaving a \$94 gap between the Newstart Allowance and the poverty line for a single parent family with two children (or \$164 for those not in receipt of Rent Assistance).

Social security payments for couples were generally below the 50% line, though closer to it in proportional terms. The Newstart Allowance for a couple without children was \$104 per week below the 50% poverty line, and (together with Family Tax Benefits) was \$118 below that poverty line for those with 2 children. The pension rate for a couple without children was \$36 below the 50% poverty line (with Rent Assistance it was \$20 above it).

Table 11 compares the 'poverty gaps' for recipients of major payments. The poverty gap is a measure of how far below the poverty line the incomes of those people living in poverty are, taking in to account housing costs. It is the average gap between the income of households that live below the poverty line and the poverty line. A large poverty gap indicates that most of those who are in poverty are likely to be living a long way below the poverty line.

The table should be read in conjunction with Table 10, as they measure different aspects of poverty. In some cases a large proportion of people in households receiving a certain payment may be living below the poverty line, but only a small distance below it; while in others a small proportion may be living below the poverty line but much further below it.

Table 11: Poverty gap: average gap between the total income of those below the poverty line and the relevant poverty line, 2011-12 (dollars per week)

	Using 50% of median income poverty line	Using 60% of median income poverty line
Newstart Allowance	\$246	\$304
Youth Allowance	\$168	\$274
Parenting Payment	\$164	\$244
Carer Payment	\$165	\$194
Disability Support Pension	\$123	\$172
Age Pension	\$ 93	\$ 95

Since it is likely that most people in these households below the poverty line have little or no income apart from social security, these 'poverty gaps' largely reflect the differences between the payments and the poverty line (see Table 10). Other factors include the incomes (if any) of other household members and housing costs. Poverty gaps are adjusted for housing costs (housing costs are deducted from median income and hence poverty lines, and each household's own housing costs are deducted from their total income prior to determining whether they are under the poverty line). The gap between a household's total income and the poverty line is then calculated and averaged for each payment type<sup>22</sup>.

Table 11 shows that when the 50% poverty line is used, the highest 'poverty gaps' in 2012 (\$246 per week and \$168 per week respectively) were found among households with recipients of Newstart Allowance and Youth Allowance. The next highest poverty gap (\$165) is for households where the

<sup>22</sup> The poverty gap may be larger than the difference between the poverty line and the relevant payment, as housing costs may reduce these households incomes more than the poverty line.

highest income-earner received Carer Payment<sup>23</sup>. The 'poverty gap' for people in households receiving Parenting Payment (\$164) is similar and also substantial. While lone parent families receive higher social security payments, their costs are also greater (due to the cost of raising children alone and the high housing costs of this group).

The poverty gaps are also substantial among Disability Support Pensioners (at \$123 per week) and Age Pensioners (\$93), though lower than for the other payment recipients. This reflects the smaller gaps between the maximum rates of those payments and the 50% poverty line (see Table 10).

### Case Study 3: Maria: Couple, 4 children

Maria lives in Yagoona with her 4 children and husband, who has a permanent injury and is out of workforce. All six family members live in a two bedroom rental property that costs \$450 per week. She has applied for community housing but is still on the waiting list. The family cannot afford to find an alternative rental property, and Maria has found that many landlords are unwilling to rent to a tenant on Centrelink benefits. Income support from Centrelink is not enough to meet the basic costs of raising children - Maria's children are not able to access recreational activities like swimming or sports outside of school with their school peers. The family relies on community centres whenever there are activities and the kids enjoy this. Maria is very resilient and has good support from her friends who also access community services in the area. She is trying to do the best she can for her children and be a part of the community, but she struggles to give her children the opportunities that other children have.

## Indexation

This report finds that 40.1% of all people who live in households that rely on social security payments for their main source of income are living on incomes below the 50% poverty line. As noted in the previous section, a major cause of this is that most social security payments fall below the poverty line.

This is due to the low rate of social security payments, but also to indexation arrangements for all payments other than pensions.

Indexed to the CPI only, the Newstart Allowance has not increased in real terms (above the CPI) since 1994. This means that unemployed Australians have not shared in increases in living standards received by the rest of the community over the last 20 years; and poverty levels among people unemployed have risen year by year.

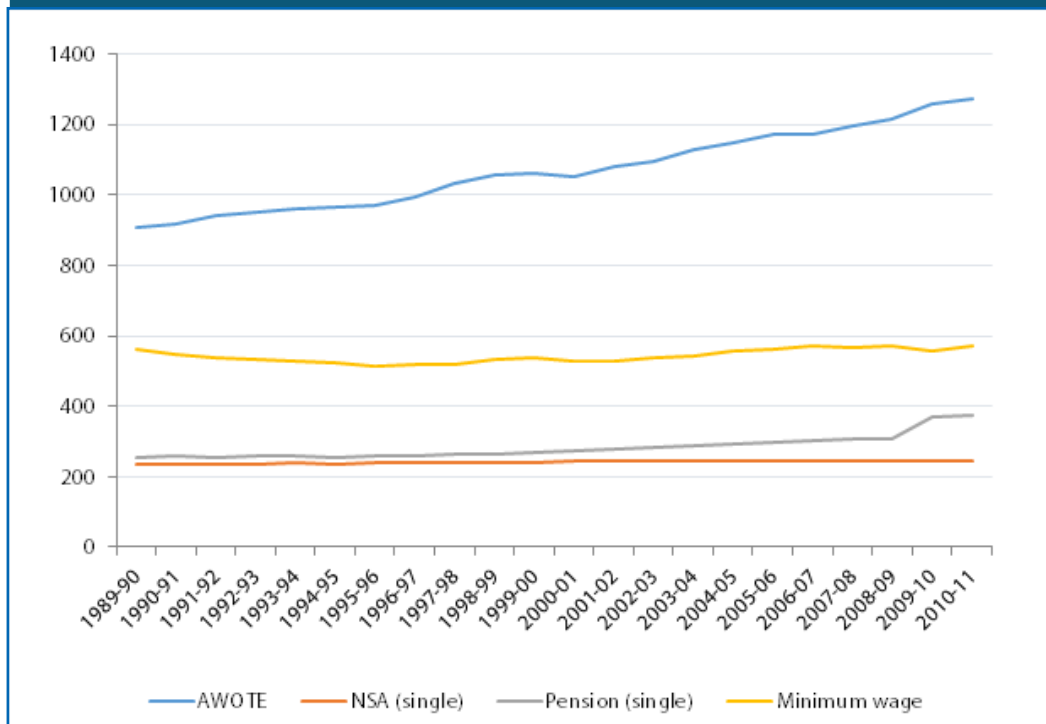
Since poverty is generally measured relative to community living standards, including in this study, the indexation of payment to CPI only is likely to result in higher poverty levels over time than would otherwise be the case (average wages rose by around 2% more than the CPI each year).

The figure below compares the maximum rate of Newstart Allowance and the Pension payment with wages (average weekly ordinary time earnings, or AWOTE). The figure shows that the gap between the Newstart Allowance and Pension payment has increased over time, as the Pension is indexed to wages allowing it to rise with community living standards<sup>24</sup>, while the Newstart Allowance is indexed to CPI only and has remained relatively flat in real terms. The minimum wage, also shown, is not indexed, but has remained relatively flat over time compared to wages.

<sup>23</sup> The sample size for this group is the smallest among the social security-recipient households, so this estimate should be treated with caution.

<sup>24</sup> The Pension is indexed to the higher of the Consumer Price Index and the Pensioner and Beneficiary Living Cost Index, and then increased to a wages benchmark, set at 41.76 per cent of Male Total Average Weekly Earnings (for the combined couple rate). The single rate of pension is two-thirds of the couple rate. Average Weekly Ordinary Time Earnings are used here to represent wages, however the trend is comparable to MTAW.

Figure 26: Trends in payment rates compared with average wages (2010 dollars)



Footnote: Newstart Allowance rate for a single adult, no children. It does not include Rent Assistance and so is lower than the maximum rate for Newstart reported in table 10, which includes Rent Assistance.

## Trends

The risk of poverty increased between 2010 and 2012, from 13% in 2010 to 13.9% in 2012.

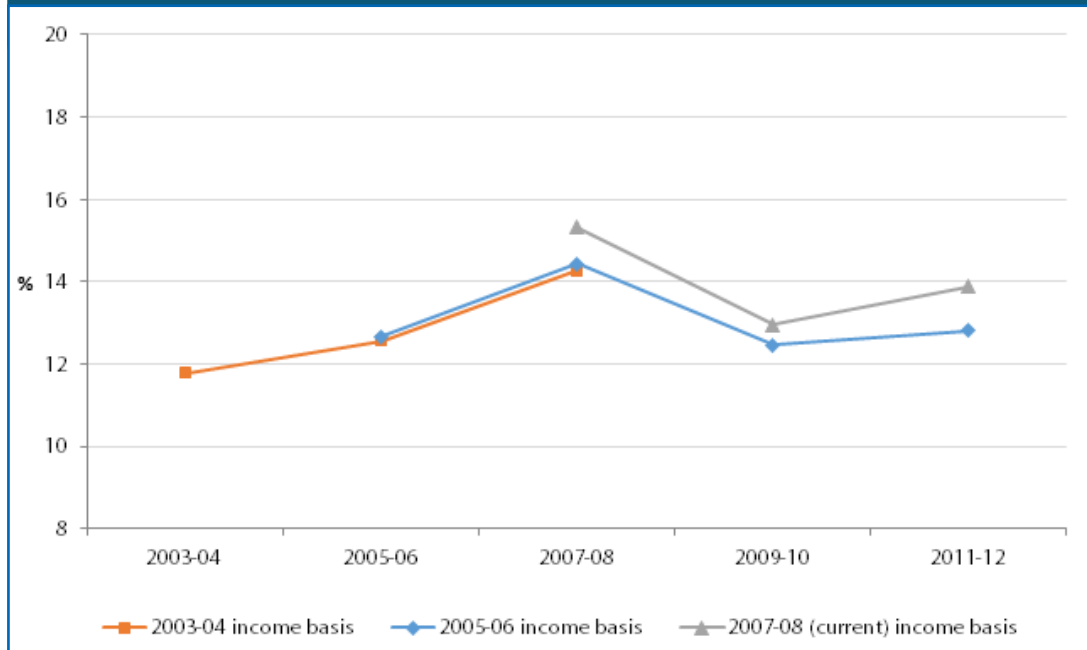
Poverty has also increased over the longer term. The available ABS data on the proportion of individuals living below the 50% of median income poverty line suggest that:

- + Poverty increased overall by a percentage point from 2003-4 to 2011-12 (11.8% to 12.8%).
- + It rose substantially between 2003 and 2007 (from 11.8% to 14.5%).
- + It declined substantially (from 14.5% to 12.5%) from 2007 to 2010, and then increased again to 2011-12.

The main reason for the increase in poverty from 2003 to 2007 is likely to be that community incomes (represented by the 'median income' measure on which the poverty lines are based) rose strongly over this period but a growing minority of people (those below the poverty line) fell behind. For example, the real incomes of people on some social security payments fell behind because their payments were only indexed to the CPI and not to wages. Over this period, the impact of the rise in overall community incomes on poverty levels was greater than the poverty-reducing impact of the fall in unemployment as employment increased.

The reasons for the dip in poverty between 2007 and 2010 are likely to include the economic downturn in 2008-09 (which depressed median incomes without substantially increasing unemployment) and the increases in pension payments for single people in September 2009 which lifted many people with either access to Rent Assistance in addition to the Pension or small amounts of non-pension income (such as interest from investments) above the 50% of median income poverty

Figure 27



line. The upturn in poverty from 2010 to 2012 is partly caused by an increase in median incomes and therefore the poverty line (as a percentage of median income) while employment growth remained low and the rate of payment for social security allowance payments increased only by CPI.

While a change in the way the ABS defined ‘income’ in 2006 led to a break in the series in that year, the degree of similarity in the overlap years of 2006 and 2008 suggests that a reasonably accurate picture of the longer-run poverty trend can be obtained by splicing together the two series. More significant changes were made in 2007-08 but these do not affect the series used to measure changes in poverty over the longer term.

The current definition of income, introduced in 2008 includes such factors as irregular overtime and bonuses, and as such leads to a higher median income and hence a higher poverty line. However, this is not the reason that poverty increased in 2012 compared with 2010. As shown in the graph, poverty estimates based on the new ABS income definition show that there was a significant rise in poverty between these two years.

## Comparisons with other measures of hardship

Poverty is one measure of financial hardship. Other measures include financial stress and deprivation. In this section of the report, we compare estimates of the risk of poverty with estimates of rates of financial stress and deprivation in the community, to check whether people living below poverty lines are also more likely to experience financial stress or deprivation. This provides a reality check for poverty research. Since more recent estimates for deprivation and financial stress are not available, these comparisons are based on 2010 estimates.

### Financial stress

This measures people’s perceptions of their financial health. The Australia Bureau of Statistics Household Expenditure Survey attempts to measure these perceptions by asking such questions as: ‘Last year, were you unable to pay gas/electricity/telephone bill on time?’



## Deprivation

This measures people's actual living standards, typically by asking people whether they have items which a majority of people regard as 'essential', such as 'a decent and secure home', and if not, whether this was because they could not afford it.

## Poverty and financial stress

The Australian Bureau of Statistics 'Household Income and Expenditure Survey' also asked questions about financial stress. People were asked whether they took certain actions because of a shortage of money, and whether they couldn't afford certain activities.

Actions taken over the last year due to a shortage of money:

- + Sought assistance from welfare/community organisations
- + Pawned or sold something
- + Sought financial help from friends/family
- + Unable to heat home
- + Went without meals
- + Could not pay gas/electricity/telephone bill on time
- + Could not pay registration/insurance on time

Cannot afford to participate in certain activities:

- + A night out once a fortnight
- + A special meal once a week
- + Have friends or family over for a meal once a month
- + A holiday away from home for at least one week a year
- + Household members buy second hand clothes most of the time (cannot afford brand new clothes)
- + Household members do not spend time on leisure or hobby activities

By adding together the number of these 13 'financial stress indicators' experienced by each household, the SPRC<sup>25</sup> developed an index of financial stress: the proportions of households with one or more, and three or more, of the above indicators. They then worked out the percentage of households both above and below the poverty lines that reported these two levels of financial stress.

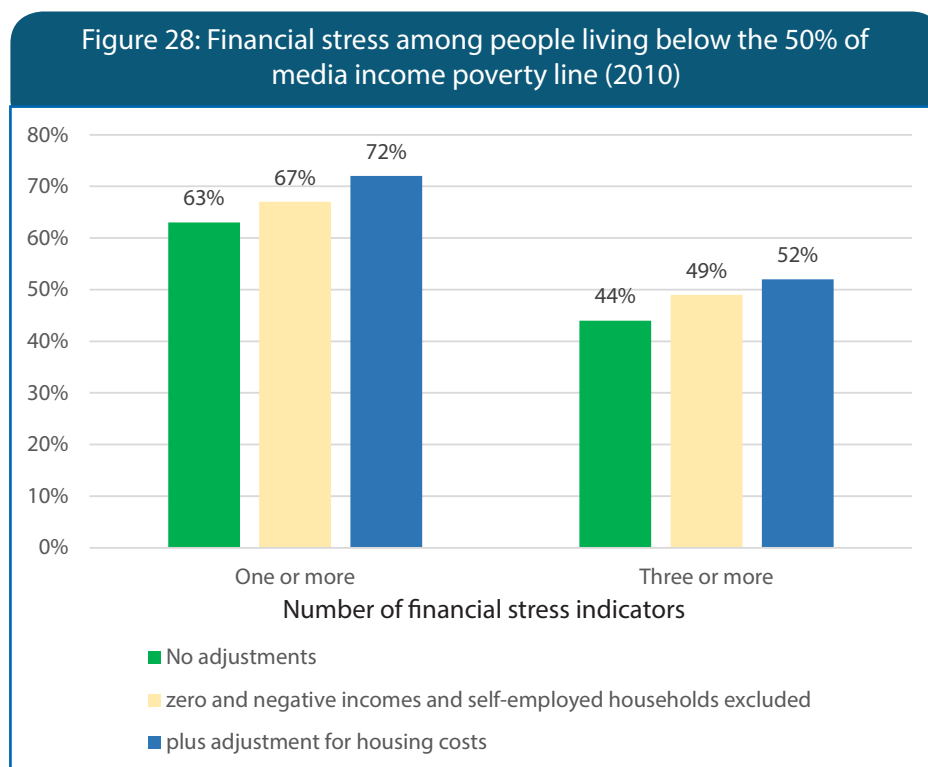
In 2010, 42% of all households reported one of more financial stress indicator, and 20% reported three or more.

If poverty is associated with higher levels of financial stress, we would expect a much greater proportion of people living below poverty lines to report financial stress than among people living above the poverty lines. The graphs below show that the proportion of people below the 50% of median income poverty line with at least one stress indicator was about twice that of people living above the poverty line.

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25 Saunders P and Wong M 2012 'Promoting inclusion and combating deprivation, recent changes in social disadvantage in Australia'. Social Policy Research Centre, University of New South Wales.

The graphs also compare financial stress levels among people below and above poverty lines when poverty is measured in different ways. This is to check whether not including households with zero or negative incomes and adjusting the poverty lines for housing costs improves the accuracy of the poverty measure (that is, whether there is a closer relationship between poverty and financial stress)

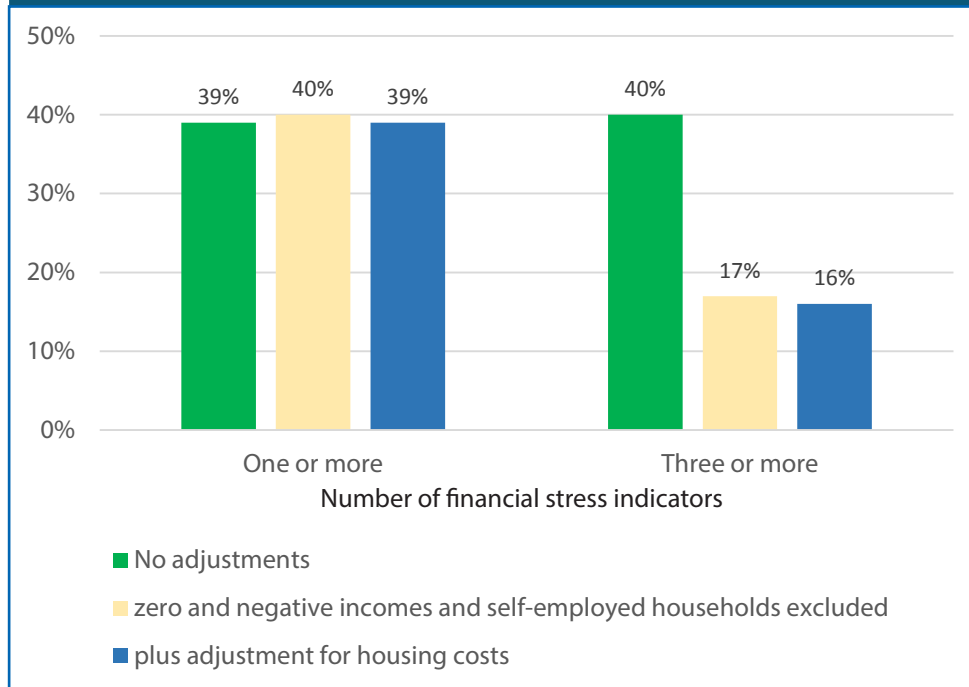


Note: the 'adjustments' refer to different ways to measure poverty. This report uses the third option 'plus adjustment for housing costs'.

Figure 29 shows that, when the costs of housing are taken into account as they are in this research, 72% of those households below the 50% poverty line reported at least one financial stress indicator, while 52% reported three or more. This suggests that while poverty and financial stress are not identical, almost three quarters of those households in poverty reported some difficulty managing financially and about half reported considerable difficulty. It is likely that many of the remaining one quarter of people living below the poverty line avoided financial stress by relying on financial supports beyond immediate family incomes (for example, income support from their extended families).

The graph also suggests that the method adopted by the researchers for our Poverty Reports (at the Social Policy Research Centre) to measure poverty improved the 'fit' between poverty and financial stress indicators. By excluding households reporting zero or negative incomes and those with self-employed members (where there are some doubts about the accuracy of incomes reported in the ABS survey), and adjusting poverty lines to take account of the cost of housing, the 'fit' between poverty and financial stress is improved. As a result, we can be more confident that people living below the poverty line also face financial hardship. For example, before these adjustments were made, 63% of households below the poverty line reported at least one financial stress indicator but this rose to 72% after the adjustments were made.

Figure 29: Financial stress among people living above the 50% of media income poverty line (2010)



## Poverty and deprivation

Another measure of financial hardship is 'deprivation'. In 2010, the Social Policy Research Centre conducted a survey of deprivation across the community, the 'Poverty and Exclusion in Modern Australia' (PEMA) survey. It measured the proportion of households lacking items which a majority considered essential, who also reported that they could not afford those things. This was a more comprehensive survey of hardship than the financial stress indicators used in the ABS survey listed above.

A list of these 'essentials', and the proportion of respondents who considered that each was 'essential' is provided in Table 12.

In a report prepared for ACOSS, the researchers of the PEMA study developed a measure of deprivation: the proportion of households reporting deprivation of three or more of these 24 items. This was referred to as 'multiple deprivation'. Overall, 15% of households reported multiple deprivation in 2010.

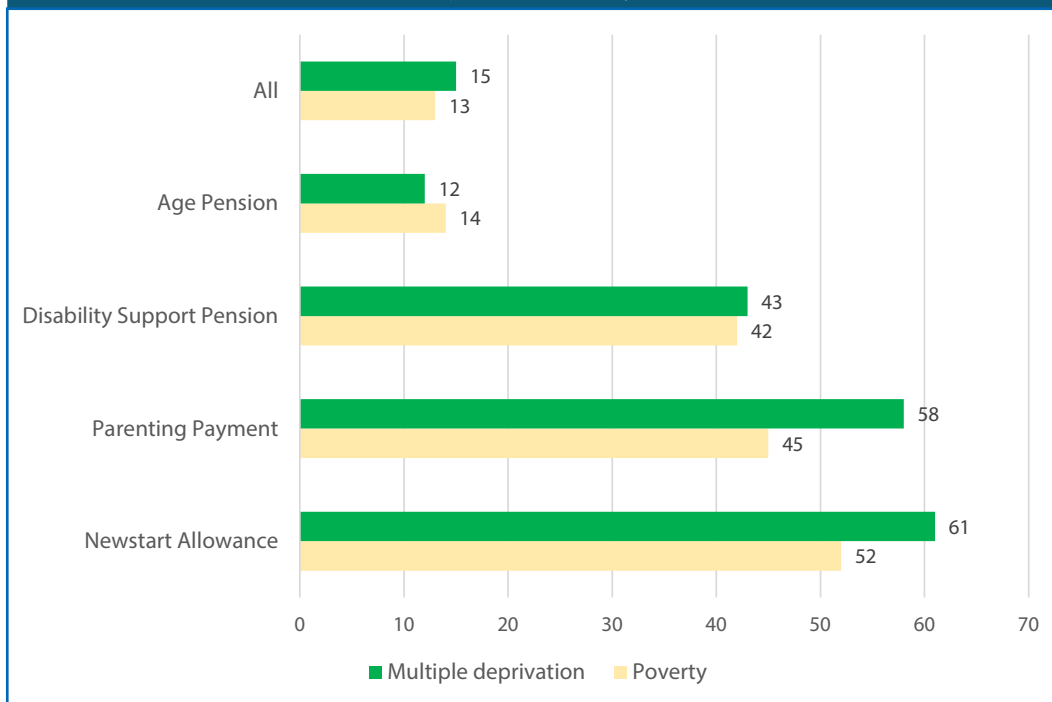
Table 12: 24 essential items from the PEMA survey

Item	Per cent of respondents considering it 'essential'
Warm clothes and bedding, if it's cold	99.9
Medical treatment if needed	99.9
Able to buy medicines prescribed by a doctor	99.5
A substantial meal at least once a day	99.4
Dental treatment if needed	98.4
A decent and secure home	97.1
Children can participate in school activities & outings	95.8
A yearly dental check-up for children	94.9
A hobby or leisure activity for children	92.7
Up to date schoolbooks and new school clothes	92.8
A roof and gutters that do not leak	91.3
Secure locks on doors and windows	92.4
Regular social contact with other people	91.6
Furniture in reasonable condition	89.0
Heating in at least one room of the house	87.0
Up to \$500 in savings for an emergency	81.4
A separate bed for each child	81.3
A washing machine	77.7
Home contents insurance	72.4
Presents for family or friends at least once a year	71.4
Computer skills	72.6
Comprehensive motor vehicle insurance	59.9
A telephone	59.7
A week's holiday away from home each year	53.9

Source: Saunders P & Wong M 2012, 'Promoting inclusion and combating deprivation, recent changes in social disadvantage in Australia'. Social Policy Research Centre, University of New South Wales.

Figure 30 compares poverty and multiple deprivation levels among different groups of social security recipients, a segment of the population that could be expected to experience above-average levels of both poverty and deprivation. If the same groups have relatively high (or low) levels of both poverty and deprivation, we can be more confident that our poverty measure is identifying groups facing greater (or lesser) financial hardship.

Figure 30: The risk of poverty (50% of median income poverty line) and multiple deprivation among social security recipients (2010)



Sources: ACOSS 2012, 'Poverty in Australia.' ACOSS 2012, 'Who is missing out? Material deprivation and income support payments,' ACOSS Paper 187. Note that the poverty estimates in this graph are from our previous Poverty in Australia report which provided estimates for 2010.

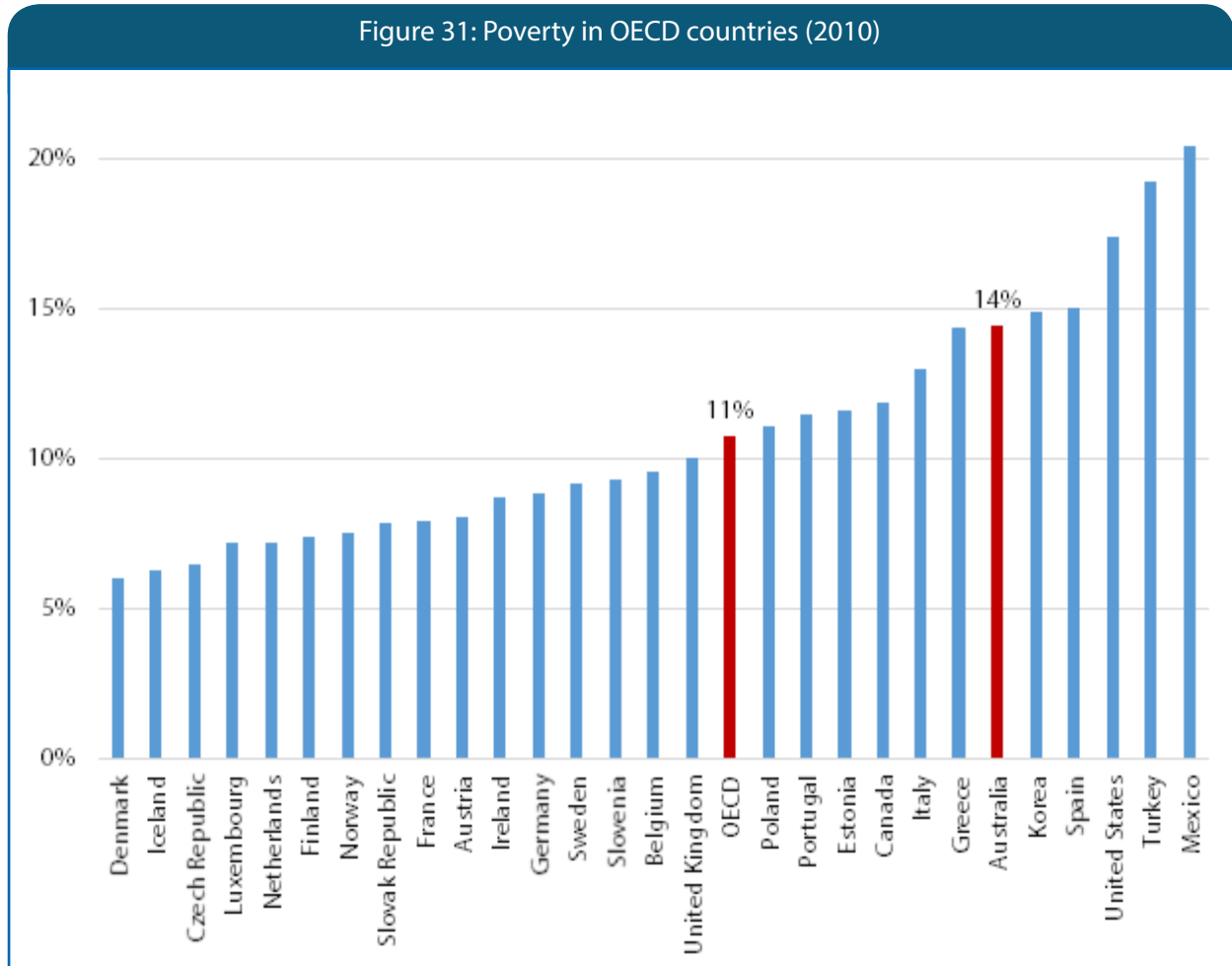
The graph suggests that there is a close correspondence between patterns of poverty and multiple deprivation among recipients of different social security recipients (we were not able to test whether this also holds for other groups in the community). The risk of both poverty and multiple deprivation was particularly high among recipients of the main 'working age' payments - Newstart Allowance, Parenting Payment (most of whom are sole parents), and Disability Support Pension.

The poverty measure used in this graph is the one adopted throughout this report, which takes account of the costs of housing. The effect of taking this factor into account is shown if we compare the risk of poverty measured in this way with a poverty measure that ignores housing costs. If housing costs are ignored, 29% of age pensioner households were living below the 50% of median income poverty line, compared with 14% when housing costs were taken into account. The close correspondence between poverty and multiple deprivation among age pensioner households shown in the graph then breaks down. The likely reason for this is that high levels of home ownership among age pensioners shield many from 'multiple deprivation' by reducing their housing costs.

## International Comparisons

Figure 31 compares the risk of poverty among people living in Australia with other countries belonging to the Organisation for Economic and Social Development (OECD). These poverty rates were calculated by the OECD and apply to 2010, the latest year for which international comparisons with Australia are available. Although the same 50% of median income poverty line was used, differences in the timing of the research and its methodology (for example, housing costs were not taken into account) mean that the results are close to but not exactly the same as in the poverty research reported here. The OECD's estimate for the overall risk of poverty in 2014 was 14.4% (compared with our estimate for 2011-12 of 13.9%).

The OECD figures suggest that poverty was about one third higher in Australia than the OECD average level (11%).



Source: OECD inequality and poverty data base (data extracted on 19 Sep 2014 07:46 UTC (GMT) from OECD.Stat)

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Jobs Australia



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Submission to McClure Review of Australia's Welfare System available at: [http://acoss.org.au/images/uploads/ACOSS\\_welfare\\_review\\_submission\\_2014-FINAL.pdf](http://acoss.org.au/images/uploads/ACOSS_welfare_review_submission_2014-FINAL.pdf)

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