

ACOSS AND UNSW SYDNEY

# POVERTY IN AUSTRALIA 2018



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About this report: The Poverty in Australia 2018 Report is the latest in the Poverty in Australia series, part of the Poverty and Inequality Partnership between ACOSS and UNSW Sydney. The companion publication, '**Inequality in Australia**' profiles income and wealth inequality.

Poverty in Australia 2018 is the fifth report on poverty in the series and updates earlier reports, the first of which was published in 2007. Each report provides a detailed profile of poverty and provides a summary and analysis of changes in poverty rates. The information contributes to a better understanding of the extent of poverty, the circumstances of financially vulnerable and disadvantaged people in Australia, and the main factors influencing poverty levels.

This report was drafted by Peter Davidson from needtoknow consulting, with Professor Peter Saunders at UNSW Sydney, based on analysis undertaken by Professor Bruce Bradbury and Dr Melissa Wong at UNSW Sydney. Penny Dorsch at ACOSS assisted with layout, and Fifty Acres was responsible for design. Project management was undertaken by Jacqueline Phillips at ACOSS.

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# ACOSS Partners

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# Contents

<b>GLOSSARY</b>	<b>9</b>
<b>FIGURES AND TABLES</b>	<b>10</b>
<b>EXECUTIVE SUMMARY</b>	<b>12</b>
Poverty in 2015-16	12
Trends in poverty (1999-2015)	13
Snapshot of poverty in Australia	15
<b>Part 1: Overview of poverty rates and profiles</b>	<b>18</b>
1.1 Poverty lines	21
1.2 The rate and profile of poverty	22
1.3 International comparison	30
1.4 Trends in poverty from 1999-00 to 2015-16	31
<b>Part 2: Poverty rates and profiles in 2015-16: detailed break-downs</b>	<b>38</b>
2.1 Age	38
2.2 Child poverty	40
2.3 Gender	42
2.4 Family type	44
2.5 Main income source of household	46
2.6 People relying on social security payments	48
2.7 Labour force status	56
2.8 People with a disability	58
2.9 Country of birth	60
2.10 Housing tenure	62
2.11 Location	64
2.12 Aboriginal and Torres Strait Islander people	65
<b>Part 3: Trends in poverty among different households (1999-2015)</b>	<b>68</b>
3.1 Trends in poverty by family type and age	70
3.2 Trends in poverty among income support households	71
Poverty rates	71
Poverty gaps	72
Impact of social security policies	74
3.3 Trends in poverty among older people	76
3.4 Trends in poverty among people who are unemployed	80
3.5 Trends in poverty among sole parents	82
<b>APPENDIX</b>	<b>86</b>
The effect of changes in median household incomes and housing costs on poverty rates	87
A1 The effect of trends in median income	87
A2 The effect of trends in housing costs	89
Housing costs for income support households	90

# Foreword

In 2015, the Australian Government joined other nations in adopting the Sustainable Development Goals, a framework for national and global development. The first goal is to 'end poverty in all its forms' with a national target 'to reduce at least by half the proportion of men, women and children of all ages living in poverty in all its dimensions according to national definitions' by 2030.

Australia currently lacks a poverty reduction plan. As yet, we do not even have an agreed national definition of poverty, or regular monitoring and reporting by governments on progress to address it.

This report seeks, in part, to fill this gap, to ensure that the Australian community understands the prevalence and profile of poverty in Australia. It uses the latest data from the Australian Bureau of Statistics.

We find that despite Australia enjoying consistent economic growth over the last three decades, and currently ranked as the second wealthiest country in the world, poverty rates have remained entrenched at a high level. There are more than 3 million people living below the poverty line in Australia, including 739,000 children. Our research also shows that most of those affected are living in deep poverty, on average a disturbing \$135 per week below the poverty line. Unsurprisingly, those experiencing poverty at the highest rates are those relying on Government allowances – Youth Allowance (64%) and Newstart (55%).

This report is the second in a five-year Partnership between the Australian Council of Social Service (ACOSS) and the University of New South Wales (UNSW) to better understand and reduce poverty and inequality in Australia. Our shared purpose is to provide a robust, independent, authoritative research series that regularly monitors the level, nature and trends in poverty and inequality in Australia and explores the underlying causes, consequences and policy impacts. Our shared hope is that, informed by this research, action to reduce poverty and inequality becomes a national priority for governments, business and the community.

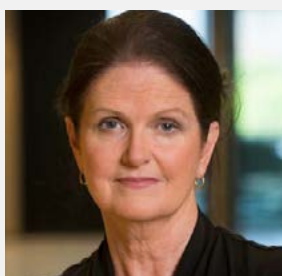
'Poverty in Australia 2018' follows the recent publication of 'Inequality in Australia 2018', which showed that while the growth in income inequality has plateaued since the Global Financial Crisis, it remains at a high level, and wealth inequality continues to rise. That report highlighted the stark division in our community between those getting ahead and those being left behind – the highest 20% of income earners receiving more than the lowest 60% combined. Together, these companion reports tell a compelling story about Australia's social and economic progress, its beneficiaries and its casualties.

We gratefully acknowledge the leadership of the ACOSS Board and President and the UNSW Vice Chancellor Ian Jacobs along with UNSW Deputy Vice-Chancellor Inclusion and Diversity Professor Eileen Baldry in championing this initiative. We also sincerely thank all the ACOSS partners for their generous support: Anglicare Australia; Australian Red Cross; the Australian Communities Foundation Impact Fund (and two sub-funds - Hart Line and Raettvisa); the BB & A Miller Foundation; the Brotherhood of St Laurence; CoHealth; the David Morawetz Social Justice Fund; Good Shepherd Australia New Zealand; Mission Australia; the St Vincent de Paul Society; the Salvation Army; and the Smith Family. Particular thanks to Mission Australia for providing images for this report and Good Shepherd Australia New Zealand for sharing the stories of people who use their services.

Finally, we acknowledge our academic partners with whom we will be working over the next five years to broaden our lens to explore the links between poverty and inequality

and housing, justice and health service access and outcomes: Professor Bill Randolph and Professor Hal Pawson from City Futures Research Centre; Professors Mark Harris and Evelyne de Leeuw from the Centre for Primary Health Care and Equity; and Professor Brendan Edgeworth and colleagues from the Faculty of Law.

We hope that this report and the broader poverty and inequality research series informs policy debate and inspires reform to create a more inclusive and equitable Australia.



A handwritten signature in black ink that reads "Cassandra Goldie".

**Dr Cassandra Goldie**



A handwritten signature in black ink that reads "Peter Saunders".

**Professor Peter Saunders**

Photo credit: Mission Australia.  
Representational only.





# Glossary

<b>ABS</b>	Australian Bureau of Statistics
<b>ACOSS</b>	Australian Council of Social Service
<b>After housing costs income</b>	Disposable income minus housing costs
<b>Before housing cost income</b>	Disposable income (without any deduction of housing costs)
<b>CPI</b>	Consumer Price Index
<b>GFC</b>	Global Financial Crisis
<b>NSA</b>	Newstart Allowance
<b>PP</b>	Parenting Payment
<b>PIP</b>	Poverty and Inequality Partnership
<b>Poverty line</b>	50% of median household after (or before) housing costs income
<b>Poverty gap</b>	Measure of the average depth of poverty for those living below the poverty line
<b>FTB</b>	Family Tax Benefit
<b>HH</b>	Household – a person living alone or a group of people, either related or unrelated, who live in the same private dwelling
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>UNSW</b>	University of New South Wales

# Figures and Tables

## FIGURES

1. Poverty rates in OECD countries in 2014-15 (% of people)	30	15. Rate of poverty by income support payment received by household reference person (% of people)	49
2. Trends in poverty - all people (50% median income poverty, after housing costs - % of all people 1999-2015)	32	16. Profile of poverty by income support payment received by household reference person (% of people in poverty) (a) 50% of median income poverty line (b) 60% of median income poverty line	49
3. Trends in poverty among children (1999-2015) (50% median income poverty, after housing costs - % of all children)	33	17. Social security rate structure in 2015-16: maximum rates of payment for different family types with no private income (\$ per week)	51
4. Average poverty gap for all households in poverty from 1999 to 2015 (a) % of the 50% of median income poverty line, after housing costs (b) \$2015-16 per week, equivalised, after housing costs	35	18. Rate of poverty by labour force status of household reference person (% of people)	57
5. Rate of poverty by age (% of people)	39	19. Profile of poverty by labour force status of household reference person (% of people in poverty) (a) 50% of median income poverty line (b) 60% of median income poverty line	57
6. Profile of poverty by age (% of people in poverty) (a) 50% of median income poverty line (b) 60% of median income poverty line	39	20. Rate of poverty among adults with a disability (% of adults)	59
7. Rate of poverty among children up to 15 years (% of children)	40	21. Profile of poverty by disability status (% of adults in poverty) (a) 50% of median income poverty line (b) 60% of median income poverty line	59
8. Profile of poverty among children up to 15 years (% of children in poverty): (a) 50% of median income poverty line (b) 60% of median income poverty line	41	22. Rate of poverty by country of birth (% of adults)	60
9. Rate of poverty by gender (% of men and women)	42	23. Profile of poverty by country of birth (% of adults in poverty) (a) 50% of median income poverty line (b) 60% of median income poverty line	61
10. Profile of poverty by gender (% of men and women in poverty) (a) 50% of median income poverty line (b) 60% of median income poverty line	43	24. Rate of poverty by housing tenure (% of people)	62
11. Rate of poverty by family type (% of people)	44	25. Profile of poverty by housing tenure (% of people in poverty) (a) 50% of median income poverty line (b) 60% of median income poverty line	63
12. Profile of poverty by family type (% of people in poverty) (a) 50% of median income poverty line (b) 60% of median income poverty line	45	26. Rate of poverty by location (% of people)	64
13. Rate of poverty by main household income source (% of people)	46	27. Rate of poverty by State/Territory of residence (% of people)	65
14. Profile of poverty by main household income source (% of people in poverty) (a) 50% of median income poverty line (b) 60% of median income poverty line	47	28. Poverty rates and gaps among Aboriginal and Torres Strait Islander people, by region, in 2016	66

29. Trends in poverty rates by family type and age (1999-2015) (50% median income poverty, after housing costs - % of all people)	70	41. Poverty among sole parents in income support households in which all children are under 16 years	84
30. Trends in poverty rates among people in income support households, by payment (50% median income poverty, after housing costs)	72	42. Average poverty gaps among people in sole parent income support households (as a % of the 50% median income poverty line, after housing costs)	85
31. Average poverty gaps among people in income support households (as a % of 50% median income poverty line, after housing costs)	73	Figure A1: Trends in median equivalised household disposable incomes (1999-2015)	88
32. Average poverty gaps among people in income support households (\$2015-16 per week, based on 50% median income poverty line, after housing costs)	73	Figure A2: Median equivalised housing costs by family type and age (1999-2015)	90
33. Trends in social security payments compared with wages (\$ per week)	75	Figure A3: Trends in average housing costs for income support households, by payment (\$2015-16 per week, equivalised)	92
34. Trends in poverty among older people, by family type and housing status (50% median income poverty, after housing costs)	77	<b>TABLES</b>	
35. Single pension rate compared with average male earnings and poverty line (50% median income before housing costs - \$2015-16 per year)	78	1. Poverty Lines by family type, 2015-16 (\$ per week after tax, including social security payments)	19
36. Average poverty gaps among older people, compared with those for all people (% of 50% of median income poverty line, after housing costs)	79	2. Poverty Lines (before housing costs) by family type, 2015-16 (\$ per week after tax, including social security payments)	21
37. Trends in poverty among unemployed people, by family type and payment (50% median income poverty line, after housing costs - % of all unemployed people)	81	3. Number and percentages of people below the 50% and 60% of median income poverty lines in 2015-16	22
38. Average poverty gaps for people in income support households receiving Newstart Allowance, compared with those for all people in poverty (as a % of the 50% of median income poverty line, after housing costs)	81	4. Rates of poverty - percentages of people from different groups living below poverty lines in 2015-16 (%)	24
39. Trends in poverty among sole parents and their children (50% median income poverty line, after housing costs - % of all people in sole parent families)	82	5. Profile of poverty - percentages and numbers of people below poverty lines who belong to different groups in 2015-16	26
40. Sole parents on Parenting Payment Single and Newstart/Youth Allowance	83	6. Poverty gaps: average gap between the total disposable income of those below the poverty line and the relevant poverty line in 2015-16 (dollars per week)	50
		7. Comparison of selected social security payments and poverty lines (\$ per week, 2015-16)	54

# Executive Summary

## Poverty in 2015-16

The analysis of poverty in this report begins with the poverty line used in most international poverty research: 50% of median household disposable income. Before taking account of housing costs, this is a very frugal \$433 a week for a single adult living alone in 2015-16. For a couple with two children it is \$909 a week.<sup>1</sup>

After taking account of housing costs, more than one in eight people (13.2%) live below the poverty line in Australia. Disturbingly, the poverty rate among children is much higher, at more than one in six (17.3%). All told, there are 3.05 million people in poverty, including 739,000 children.

Another measure of poverty used in this report is the 'poverty gap'. This measures the average depth of poverty for those below the poverty line (the average gap between their incomes and the poverty line). This averages \$135 per week, indicating that many people in poverty are living well below the poverty line.

From an international perspective, we remain in the top half of the Organisation for Economic Co-operation and Development (OECD) countries with our poverty rate 14th highest out of 36 OECD countries.<sup>2</sup>

Most people below the poverty line (53%) rely on social security as their main source of income.

Social security policies clearly have an impact on poverty, for better or for worse. Most major income support payments are below the poverty line, so to escape poverty, people need to supplement their social security payments with private income or move out of the social security system altogether (if able to do so). Escaping poverty is easier if the payment sits close to the poverty line (e.g. the pension for home owners without children). For example, while one in eight people (12%) in households whose reference person receives the Age Pension are below the poverty line, the remainder have sufficient superannuation or other income in addition to the pension to avoid poverty.<sup>3</sup>

A majority of those living in households whose reference person receives Youth Allowance (64%), Newstart Allowance (55%), or Parenting Payment (52%) fall below the poverty line. The lowest income support payments are Youth Allowance (for single people up to 24 years old living away from the parental home) at \$285 per week (including Rent Assistance) and Newstart Allowance, at \$328. The low level of Youth Allowance reflects a policy view that young people can rely on financial support from their parents, though many paid at this rate have been assessed as financially independent.

Housing tenure has a major impact on poverty. The majority (52%) of people below the poverty line is renting, while only 15% of people in poverty are home-owners without a mortgage. The critical factor that determines whether older people are poor is their housing status: 43% of tenants aged 65 years and over are in poverty, compared with 12% of all older people.

1. To estimate the level of poverty after accounting for housing costs, we estimate the median value of income after subtracting the cost of housing and set the 'after-housing' poverty line at 50% of that median. This results in new poverty lines equal to \$353 for singles and \$742 for couples with two children. We then estimate after-housing poverty by subtracting housing costs from the incomes of each household in the ABS income survey sample and comparing the resulting incomes with the after-housing poverty lines.
2. Note that the OECD analysis does not account for housing costs.
3. The reference person for each household is chosen by the ABS, by applying its selection criteria to all household members aged 15 years and over. The selection criteria are applied in the order listed, below, until a single appropriate reference person is identified:
  - The person with the highest tenure when ranked as follows: owner without a mortgage, owner with a mortgage, renter, other tenure
  - One of the partners in a registered or de facto marriage, with dependent children
  - One of the partners in a registered or de facto marriage, without dependent children
  - A lone parent with dependent children
  - The person with the highest income
  - The eldest person

Among different family types, sole parent families have the highest poverty rates at 32%. Children in sole parent families, with a poverty rate of 39%, are more than three times as likely to live in poverty as their counterparts in couple families (13% of whom are in poverty).

While the full-time minimum wage sits above the poverty line for a single adult without children, this does not prevent wage-earning families with children, those with only part-time earnings, and those with high housing costs, from falling into poverty. Among people in households whose main income is wages, 7% are in poverty. Since most people live in wage-earning households, this group forms a substantial proportion (38%) of all people in poverty.

### **Trends in poverty (1999-2015)**

The overall poverty rate fluctuated within a band between 11.5% and 14.4% between 1999-00 and 2015-16. Poverty declined substantially from 13.1% in 1999 to 11.5% in 2003, rose sharply during the boom years to 14.4% just before the Global Financial Crisis (GFC) in 2007, declined to 12.6% in 2009, and has since plateaued, reaching 12.8% in 2015-16.<sup>4</sup> Economic conditions and social security changes, including a large increase in the single pension rate in 2009, were key influences.

Child poverty moved within a higher band, fluctuating between 14.3% and 18.6% from 1999 to 2015. It followed a similar trajectory prior to the GFC, declining substantially from 18.6% in 1999 to 14.3% in 2003, and rising sharply during the boom years to 18.1% in 2007. After the GFC, child poverty took a different path to overall poverty. It fell only slightly to 17.8% in 2009, declined to 16.5% in 2013, then rose to 17.2% in 2015-16.

Trends in child poverty were also influenced by economic conditions, but social security changes since the GFC increased child poverty instead of reducing it, especially in sole parent families. Parenting Payment was excluded from the 2009 pension increase, Family Tax Benefits (FTB) were frozen (after accounting for inflation) and in 2013, 80,000 sole parents were transferred from Parenting Payment to the lower Newstart Allowance.

One reason for the decline in the overall poverty rate between 2007 and 2009 was a \$32 a week increase in the single rate of pension in 2009. Buttressed by the ongoing indexation of pensions to wage movements, this reduced poverty among pension recipients (other than sole parents on Parenting Payment), though we are unable to measure its impact precisely because other factors (such as economic conditions and rent levels) were also influential, but changing.<sup>5</sup>

The poverty rate among people in households relying mainly on the Age Pension was 15% after the pension increase in 2009, well below its rate in 2005 (19%) and in 2007 (27%).<sup>6</sup>

In contrast, following the transfer of many sole parents to Newstart Allowance, the rate of poverty among unemployed sole parents rose from 35% in 2013 to 59% two years later (compared with a rise in poverty from 35% to 38% for all unemployed people).

The freezing of Newstart Allowance (after inflation) since 1994 is contributing to a progressive deepening of poverty for people in households relying mainly on that payment. Their poverty rate rose from 61% in 1999 to 78% in 2015, while the average poverty gap (for those below the poverty line) rose from \$81 per week to \$136 per week over the same period (compared with a rise from \$70 to \$96 for all income support households).

4. The 13.2% rate reported above for 2015-16 is based on the latest ABS income definition, so is not directly comparable with earlier years. We use the 2005-06 ABS income definition for trend analysis.

5. Estimating the size of the impact of specific policy changes is beyond the scope of this study.

6. Poverty among Age Pensioners and many other groups peaked in 2007-08, so part of the 12 percentage point decline in poverty for Age Pensioners from 2007 to 2009 was likely due to changed economic conditions.

Poverty levels are affected by factors other than the incomes of those most at risk. Since the poverty line is a relative measure (half of median household disposable income for a single person), poverty is also affected by changes in median incomes. This is consistent with the convention in poverty measurement that people are in poverty if they cannot attain a living standard that is acceptable in a given country at a given point in time.

Median household incomes grew very strongly - a 22% increase after accounting for inflation - in the boom years from 2003 to 2007, and poverty rose over that period as the incomes of many people out of paid work or on low wages failed to keep up.

After the GFC, median household incomes grew by a sluggish 3% (after inflation) in total from 2007 to 2015, reducing growth in poverty as measured in this report (by narrowing the gap between the lowest incomes and the median). In contrast to the recession in 1990 (after which the unemployment rate rose by five percentage points), the rise in unemployment after the GFC was more modest (at two percentage points), limiting its contribution to poverty.<sup>7</sup>

The impact of the business cycle on poverty underscores a challenge for public policy. Slowing income growth for everyone is not the way to stop people being left behind. We need policies for inclusive growth, so that the incomes of the poorest grow at least as quickly, or more so, than the rest of the community when the economy is growing strongly.

Since the GFC, a surge in housing costs for many low-income households pushed back against the dampening effect on poverty rates of slow growth in median household incomes. From 2007 to 2015, average (equivalised) housing costs for recipients of the Age Pension rose by 45% (after adjusting for inflation), along with a 32% increase in average housing costs for recipients of the Parenting Payment. Both these increases were significantly higher than the 27% rise in overall median housing costs over the same period.

Since the 2009 pension increase, due in part to the offsetting effects of sluggish growth in median incomes and strong growth in housing costs for low-income households, the overall poverty rate has been stable.

The numbers in this report demonstrate the role played by public policy - especially social security, but also housing, and employment policies - in increasing or reducing poverty. The evidence shows that through social security, housing, and employment policies, as a nation we choose the level of poverty we are prepared to accept.

7. Plumb M, et al (2010): 'The labour market during the 2008-2009 downturn' *RBA Bulletin* March quarter 2010.

# Snapshot of poverty in Australia

## 1. In 2015-16:

- The poverty line (50% of median income, before housing costs) for a single adult is \$433 a week. For a couple with two children, it is \$909 a week.
- 3.05 million people (13.2% of the population - more than one in eight - are estimated to live below the poverty line, after taking account of their housing costs.
- 739,000 children under the age of 15 (17.3% of all children - more than one in six) and 410,000 youth between the ages of 15 and 24 (13.9%) live below the poverty line.
- The average 'poverty gap' (the difference between the incomes of people in poverty and the poverty line) is \$135 per week.
- 53% of people below the poverty line are in households that rely on social security as their main source of income, while 38% rely on wages as their main income.
- 26% of people in households whose reference person receives an income support payment are living below the poverty line, including 64% of those on Youth Allowance, 55% of those receiving Newstart Allowance, 52% of those on a Parenting Payment, 36% of those on the Disability Support Pension, 17% of those on a Carer Payment, and 12% of those on the Age Pension.
- A major source of child poverty is the high poverty rate (32%) among sole parent families, who must generally rely on a single income.
- The majority (52%) of people below the poverty line were in rental housing, while 15% of people in poverty were home-owners without a mortgage.
- Australia has the 14th highest poverty rate among 34 OECD countries, and is part of a group of English speaking wealthy nations with above-average poverty levels.

## 2. From 1999-00 to 2015-16:

- The proportion of people in poverty fluctuated within a band between 11.5% and 14.1% from 1999 to 2015. Poverty declined substantially from 13.1% in 1999 to 11.5% in 2003, then rose sharply during the boom years to 14.4% in 2007. After a large pension increase in 2009 it fell to 12.6%, and then stabilised, reaching 12.8% in 2015.
- Child poverty moved within a higher band between 14.3% and 18.6%. It also declined substantially from 18.6% in 1999 to 14.3% in 2003, and rose sharply to 18.1% in 2007. It fell more gradually after the GFC to 16.5% in 2013-14, then rose to 17.2% in 2015-16 (after 80,000 sole parents were shifted from a pension payment to Newstart Allowance in 2013).
- Poverty among people in households relying mainly on the Age Pension was 15% after the \$32 a week pension increase in 2009, well below its 19% rate in 2005.
- The freezing of the Newstart Allowance (which has not increased above inflation since 1994) has increased poverty among those receiving that payment. Poverty among people in households relying mainly on Newstart Allowance rose from 61% in 1999 to 78% in 2015, while the average poverty gap (for households reliant on Newstart Allowance below the poverty line) rose from \$81 per week to \$136 per week over the same period.
- The transfer of 80,000 sole parents to Newstart Allowance in 2013 was associated with an increase in the rate of poverty among unemployed sole parents from 35% in 2013 to 59% two years later.



# PART 1: OVERVIEW



## The stories behind the statistics

### Mary

Mary is a single mother living in NSW who is looking for paid work. Poverty is hindering her efforts to find a job.

“The government and jobactive providers should not assume that all jobseekers have internet access, latest models of mobile phones for apps etc and plenty of mobile phone credit. I am a single parent, struggling to have credit on my simple/cheapest mobile phone, no internet access or apps on my mobile phone, currently homeless with a teenager, staying in a temporary accommodation.”

**(Source: Survey respondent, ACOSS, Voices of Unemployment, 2018)**

### Linda

Linda, aged over 50, lives in South Australia. She was unemployed for two years.

“I was lucky, qualified as a nurse, then ran a child care centre so I had strong skills and employment history. Then I spent a number of years as a stay-at-home mum, so lacked a recent history of paid work. I re-entered the workforce after my husband lost his job and our family business (a café) didn't work out, and found myself unemployed in my late 40s. I was the '2nd best candidate' for jobs on many occasions. There aren't many jobs in the country town where I live.

The Newstart payment is ridiculous, we couldn't live on it. Our finances went downhill. We'd paid off the home but took out a loan for the café and fell behind in mortgage payments. My husband had to withdraw from his super three times. On one of those occasions, the local Council would have forced us to sell our home if we hadn't paid three years of overdue rates (\$6,700). We survived off credit cards and support from our daughter. Eventually I found paid work where I was volunteering, teaching people IT skills. I teach unemployed people and seniors. I love doing it. My husband had to take up a job interstate so I haven't seen him for six months but at least our finances are improving.

Raising Newstart, that's the most important thing to do.”

**(Source: Survey respondent, ACOSS, Voices of Unemployment, 2018)**

All names have been changed.

# Part 1: Overview of poverty rates and profiles

## How poverty is defined and measured in this report

For the purpose of this report, people are in poverty when their household's disposable (after-tax) income falls below a level considered inadequate to achieve an acceptable standard of living. Rather than measure living standards directly (for example, by asking people whether they have to go without socially perceived necessities), we set a benchmark for the adequacy of household incomes by comparing them with middle or median incomes and calculate how many people fall below a benchmark set at one-half of the median.

This benchmark is widely used in national and international poverty studies and is referred to as the 'international poverty line'.

In wealthy countries this internationally accepted benchmark (or 'poverty line') for a single adult living alone is a fraction of the median disposable household income of all people. To calculate the median, the household incomes of all people are adjusted for family size using an 'equivalence scale', then ranked in order of adjusted income and the income of the middle-ranked person is chosen.<sup>8</sup> Commonly chosen poverty line thresholds are then set at either 50% or 60% of this median income. Both are used here, but we focus on results derived from the lower 50% poverty line, which is more commonly used in international poverty research, including by the OECD.

Poverty lines for other types of household (such as a sole parent with two children) are then derived from this poverty line by applying the same 'equivalence scale' to estimate how much they need to achieve the same standard of living as the single person.

This approach means that the poverty lines rise or fall in accordance with changes in median income (including wages and any government benefits). That is, the poverty lines aim to measure living standards relative to those enjoyed by 'middle Australia'. This is appropriate, given that the cost of achieving an acceptable standard of living varies over time and between countries as living standards rise or fall. An example is the ability of families to afford such things as school outings and sporting activities for their children. Similarly, the quality of housing that we regard as 'essential' has changed over time – for example access to an indoor toilet.

It does not follow that these poverty measures are simply measuring inequality, or that poverty cannot be eliminated while income inequality exists. People in poverty have an income well below that which people living in Australia would ordinarily expect to receive. Further, the number of people living below poverty lines can be reduced to zero by lifting minimum incomes (including social security payments, paid working hours and minimum wages) relative to the median, in a country with significant levels of overall inequality. As the international comparison in this report reveals, different countries have markedly different poverty rates even when measured using the same (relative) 'international poverty line'. Poverty rates also vary across different groups within Australia and over time.

In addition to comparing the incomes of different households, this report takes account of the major fixed cost of most low-income households: housing. This adjustment is frequently made in poverty research (including the landmark study by Professor Henderson for the

8. The 'modified OECD equivalence scale' assigns values to each household complement as follows: single adult = 1; each additional adult = 0.5; each child under 15 years = 0.3. For example, a sole parent with two dependent children is assumed to face costs equivalent to 1.6 times that of a single adult living alone

National Poverty Inquiry, which reported in 1975).<sup>9</sup> Housing costs vary considerably among owners, purchasers and tenants living in different parts of the country. For example, for a particular level of income, outright home-owners can achieve a much higher standard of living than most tenants or mortgagees because their housing costs are lower.

To take housing costs into account, a separate set of ‘after housing costs’ poverty lines is used. These are derived by subtracting housing costs from disposable income before calculating the median. In 2015 the poverty line for a single adult based on disposable income with no allowance for housing costs (which we describe as ‘before housing costs’) is \$432.70 per week. After housing costs are deducted, the ‘after housing costs’ poverty line is \$353.30 per week for a single adult living alone. So the after housing cost poverty line is the amount of money needed to buy all other essentials after housing is paid for. The poverty status of each household is then established by comparing its income after deducting housing costs with the after housing costs poverty line.

For the purpose of comparing poverty lines with community incomes, such as social security payments, we use the before housing costs poverty lines.

**Table 1: Poverty Lines by family type, 2015-16**  
**(\$ per week after tax, including social security payments)**

	<b>50% of median income, before housing costs</b>	<b>60% of median income, before housing costs</b>	<b>50% of median income, after housing costs</b>	<b>60% of median income, after housing costs</b>
<b>Lone person</b>	\$432.73	\$519.28	\$353.29	\$423.94
<b>Couple only</b>	\$649.10	\$778.92	\$529.93	\$635.91
<b>Sole parent, 2 children</b>	\$692.37	\$830.85	\$565.26	\$678.31
<b>Couple, 2 children</b>	\$908.74	\$1,090.48	\$741.90	\$890.28

9. Henderson, R (1975): *Poverty in Australia First Main Report* April 1975, Commission of Inquiry into Poverty, AGPS, Canberra.

The data presented in this report are estimates of the number of individuals living in households with incomes below the relevant poverty line. We use data from the ABS Survey of Income and Housing 2015-16 along with data from earlier similar ABS surveys. For our poverty estimates in 2015-16 we use the most comprehensive income measure collected in the survey, while for estimates of trends since 1999 we use a more restricted income measure, which is more comparable over time (see below).

Estimates are presented for both the 50% and 60% of median income poverty lines. In addition, estimates have been calculated using three different methods:

1. Comparisons of total household incomes with the higher 'before housing' poverty lines;
2. The above approach but with households reporting zero or negative incomes and self-employed households excluded;<sup>10</sup> and
3. Comparisons of household incomes minus housing costs with the lower 'after-housing' poverty lines, with the same exclusions as above.

The third method is considered the most valid and robust, and this report is based on that approach unless otherwise noted.<sup>11</sup>

We also calculate 'poverty gaps' for certain household types. These measure the depth of poverty among those with incomes below the poverty line. The poverty gap for a given group is the average difference between the relevant poverty lines and the disposable incomes of households living below it, either expressed in actual or equivalised dollars per week or as a percentage of the poverty line.<sup>12</sup>

Further detail of the methods used to produce the estimates in this report is contained in the accompanying [\*\*Methodology Paper\*\*](#).

10. These households are removed from the sample due to the greater likelihood that their incomes have been under-reported, or do not reflect their current living standards because they might be able to run down business assets.

11. Estimates of the total number of people or children who are below the poverty line (as opposed to the poverty rate) compensate for the exclusions in methods 2 and 3 by inflating the estimates by the ratio of the total population to the non-excluded population. For the overall estimate of poverty numbers, this is equivalent to assuming that the excluded households (e.g. self-employed households) have the same poverty rate as those not excluded. This affects the overall number of people estimated to be in poverty but not the estimated rates of poverty. However, this adjustment is not applied to the estimated numbers of people in different groups in the population (for example, by age or State of residence) who are below the poverty line (see [\*\*Methodology Paper\*\*](#)). This means that the numbers of people in each group who are below the poverty line do not add up to the total number of people below the poverty line.

12. There are different variants of poverty gaps used in the literature. These depend on whether the gap is measured in actual or equivalent income, whether the averaging is over people in poverty or the whole population (with gap=0 for non-poor), and whether individuals or households are the counting unit. The most commonly used variants are:

*Equivalised gap:* This is the average gap among the poor calculated in single-person equivalents. If this is divided by the equivalised poverty line we obtain the

*Gap as % of poverty line:* If this in turn is multiplied by the poverty rate we obtain the

*Poverty Gap Index*, which can also be calculated directly by averaging over the whole population. The poverty gap index can be used in a similar fashion to the poverty rate to compare the well-being of different population groups.

These three measures are usually averaged over individuals in the same way that poverty rates count individuals. To help in understanding the size of the gap, the gap can also be calculated in actual dollars. Note that this gap will tend to be greater in larger household because of their greater needs. Finally, if we calculate the gap in actual dollars, but count households rather than individuals, the sum of this gap adds up to the minimum expenditure required to lift everyone to the poverty line.

In this report we present results showing the gap in actual dollars in Chapter 2 (averaged over individuals) and the equivalised gap together with the gap as a % of the poverty line in the trend analysis in Chapter 3.

## 1.1 Poverty Lines

Poverty lines for different households are presented below in Table 2 for four types of households: single adult; couple without children; lone parent with two children and couple with two children. The table presents 'before-housing' poverty lines (before the deduction of housing costs) since these are more readily understood and compared with actual household incomes, for example wages and social security payments.

The main poverty line used in this report (50% of median household disposable income) is \$433 a week (\$353 after housing costs are deducted) for a single adult with no children in 2015-16. For a couple with two children it is \$909 a week (or \$742 after housing). The higher '60% of median income' poverty lines used in many wealthier European countries and by the European Commission are included for comparison.

Wealth holdings are much more concentrated than income. The highest 20% of households by wealth own 62% of all wealth, while the lowest 50% own just 18%. The average wealth of a household in the highest 20% wealth group (\$2.9 million) is five times that of the middle 20% (\$570,000) and almost a hundred times that of the lowest 20% (\$30,000). The wealthiest 5% had average wealth of \$6 million and the wealth of the highest 1% averaged \$14 million.

**Table 2: Poverty Lines (before housing costs) by family type, 2015-16 (\$ per week after tax, including social security payments)**

	50% of median income <i>Before housing costs</i>	60% of median income <i>Before housing costs</i>
<b>Lone person</b>	\$432.73	\$519.28
<b>Couple only</b>	\$649.10	\$778.92
<b>Sole parent, 2 children</b>	\$692.37	\$830.85
<b>Couple, 2 children</b>	\$908.74	\$1,090.48

Note: These are the poverty lines before housing costs are taken into account, and after households with zero or negative incomes and self-employment income are excluded from the sample used to estimate median income.

## 1.2 The rate and profile of poverty

After taking account of housing costs, more than one in eight people (13.2%) live below the 50% of median income poverty line (Table 3). The poverty rate among children is much higher, more than one in six (17.3%). All told, there are 3.05 million people in poverty, including 739,000 children.<sup>13</sup>

The 'poverty gap', a measure of the depth of poverty for those below the poverty line (the average gap between their incomes and the poverty line), is 38% of the (after-housing) poverty line, or \$135 per week.<sup>14</sup> That is, people below the poverty line have incomes that average \$135 per week below the line. It is important to measure poverty gaps, because even if the rate of poverty is reduced, this could leave many people living well below the poverty line.

**Table 3: Number and percentages of people below the 50% and 60% of median income poverty lines in 2015-16**

	2015-16	
	50% of median poverty line	60% of median poverty line
<b>Percentage of people below the poverty line</b>	13.2	21.1
<b>Percentage of children below the poverty line</b>	17.3	25.5
<b>Number of people below the poverty line</b>	3,051,500	4,885,200
<b>Number of children below the poverty line</b>	739,300	1,087,500
<b>Average poverty gap for those below the poverty line (\$ per week)</b>	\$135	\$206
<b>Average poverty gap for those below the poverty line (% of poverty line)</b>	38%	49%

Note: After housing poverty measures are used here. The poverty gap is the difference between the average incomes of those below the poverty line (from all household types) and the poverty line.

13. A recent analysis of inequality and poverty by the Productivity Commission (Productivity Commission 2018, *Rising inequality? A stocktake of the evidence*, Commission research paper) used the 2015-16 ABS income survey and 50% of median income poverty line. That report estimated a poverty rate of 9% (without taking housing costs into account). This is close to our estimate of 9.1% before housing costs, without excluding self-employed households and those with zero or negative incomes. When those groups are excluded, poverty falls to 8.2%, and when housing costs are then taken into account it rises to 13.2% as shown in Table 3.

14. This is the actual dollar amount for the average poverty gap for people in all household types (e.g. from singles to couples with children). The poverty gap is not equalised (adjusted downwards for larger households).

In this chapter, we look beyond the overall numbers to compare the rate and the profile of poverty among different groups in the population. The poverty rate (Table 4) refers to the risk of poverty among people drawn from each group (for example sole parents). The profile of poverty (Table 5) refers to the share of each group in the population of people in poverty.

Looking at poverty from these two perspectives yields different results. For example, the rate of poverty is higher for sole parent families at 32% than for couples with children at 12% (Table 4). There are, however, more couples with children than sole parents overall, so a higher proportion of people below the poverty line come from partnered families: 38% from couple families with children compared to 18% from sole parent families (Table 5) when using the 50% poverty line.

More detailed break-downs of the rate and profile of poverty for different groups are provided in Chapter 2.

Table 4 shows that the following groups face an elevated risk of poverty compared with the overall rate of 13.2% shown in Table 3:

- People in households whose reference person is unemployed (68%);
- People in households whose main income is social security (35%);
- People in households whose reference person receives Youth Allowance (64%), Newstart Allowance (55%), Parenting Payment (52%), or the Disability Support Pension (36%);
- Public housing tenants (49%);
- People in households whose reference person is of working age and out of the labour force (45%);
- Children in sole parent households (39%);
- People with a disability and core activity restriction (19%);
- Adults born in a non-English speaking country (17%).

Regrettably, the ABS survey on which these data are based does not identify Aboriginal and Torres Strait Islander people. A separate study by Markham & Biddle (2017) estimates that 31% of Aboriginal and Torres Strait Islander people are living in poverty, based on the 50% of median income poverty line, but without taking account of housing costs.<sup>15</sup>

15. This estimate is derived from 2016 Census data, using a before-housing poverty measure and the same equivalence scale as the present study. This is likely to result in a lower poverty rate than the method used in this study because before-housing poverty rates are generally lower. Further, the relatively high level of non-declaration of income among Indigenous census respondents reduces estimated poverty rates (Markham F & Biddle N (2017): *Income, poverty and inequality - Census Paper 2* Centre for Aboriginal Economic Policy Research, Australian National University, Canberra).

**Table 4: Rates of poverty - percentages of people from different groups living below poverty lines in 2015-16 (%)**

	2015-16	
All people <sup>(1)</sup>	50% of median	60% of median
<b>All</b>	<b>13.2</b>	<b>21.1</b>
<b>By Age <sup>(1)</sup></b>	<b>50% of median</b>	<b>60% of median</b>
Under 15 years	17.3	25.5
15 - 24 years	13.9	20.2
25 - 64 years	12.1	17.6
65 years and over	11.6	28.3
65 years and over, renting	43.4	57.9
<b>Children <sup>(1)</sup></b>	<b>50% of median</b>	<b>60% of median</b>
Children in sole parent households	39.4	52.3
Children in couple households	13.1	20.1
Children in other households <sup>16</sup>	10.0	21.0
All children	17.3	25.5
<b>By gender <sup>(1)</sup></b>	<b>50% of median</b>	<b>60% of median</b>
Male	13.0	20.6
Female	13.4	21.6
<b>By family type <sup>(2)</sup></b>	<b>50% of median</b>	<b>60% of median</b>
Single, no children (15-64 years)	26.2	34.9
Couple, no children (15-64 years)	18.0	46.5
Sole parent	32.0	43.2
Couple, no children (15-64 years)	9.6	13.2
Couple, no children (65 years+)	11.1	26.1
Couple, children	11.9	18.3
Other	7.1	11.6
<b>By main income source <sup>(2)</sup></b>	<b>50% of median</b>	<b>60% of median</b>
Wage and salary	6.9	11.5
Social security payment	34.5	56.4
Other income	14.9	17.5
<b>By social security payment type <sup>(3)</sup></b>	<b>50% of median</b>	<b>60% of median</b>
Newstart Allowance	54.6	66.5
Youth Allowance	63.7	70.4
Parenting Payment	52.3	67.6
Disability Support Pension	36.4	56.0
Carer Payment	17.1	42.1
Age Pension	12.2	31.5
All recipients	25.6	44.1

16. This includes children living in multiple family households or group households.



2015-16		
All people <sup>(1)</sup>	50% of median	60% of median
<b>By labour force status <sup>(3)</sup></b>		
	50% of median	60% of median
Employed full-time	5.8	9.7
Employed part-time	14.6	24.0
Unemployed	67.8	78.4
Not in labour force (16-64 years)	44.7	59.5
Not in labour force (65 years +)	12.4	29.2
<b>By housing status <sup>(2)</sup></b>		
	50% of median	60% of median
Owner without a mortgage	7.7	17.9
Owner with a mortgage	9.0	13.7
Private renter	21.0	30.6
Public renter	48.9	66.9
Other	8.6	12.8
<b>By disability status <sup>(4)</sup></b>		
	50% of median	60% of median
Disability, core activity restriction	18.6	33.6
Disability, no core activity restriction	15.4	27.1
All with disability	16.5	29.4
<b>Adults, by country of birth <sup>(4)</sup></b>		
	50% of median	60% of median
Australia	11.1	18.6
Major English speaking country	9.7	16.6
Other country	17.4	26.9
All adults	12.3	20.1

Notes: (1) Refers to all persons in the survey with this characteristic (2) Refers to persons in households with this characteristic (3) Refers to persons in households where the reference person has this characteristic (4) Refers to adults with this characteristic.

Table 5 shows the profile of people living below the two poverty lines, that is the percentage of people below the poverty line with each particular characteristic.

Groups comprising a relatively high share of all people in poverty include:<sup>17</sup>

- Women (52%);
- People in households whose main income is social security (53%) or wages (38%);
- People of working age (48%);
- Couple households with children (38%);
- People with disabilities (38%);
- People in households whose reference person is of working age and not in the labour force (36%);
- People in households whose reference person receives Age Pension (26%), Newstart Allowance (24%), or Parenting Payment (23%);

17. These groups are not mutually exclusive.

These groups form a high share of all people in poverty, either because they have relatively high poverty rates (such as people in households whose main income is social security) and/or because they form a large proportion of the overall population (such as wage-earning households and couples with children).

Table 5 also details the total number of people in poverty in each group.<sup>18</sup>

**Table 5: Profile of poverty - percentages and numbers of people below poverty lines who belong to different groups in 2015-16**

	PROFILE OF POVERTY (% of people below poverty lines)		NUMBERS IN POVERTY (No. of people below poverty lines)	
	50% of median	60% of median	50% of median	60% of median
<b>By age <sup>(1)</sup></b>				
Under 15 years	24.2	22.3	620,200	912,300
15 – 24 years	13.4	12.2	343,800	499,700
25 – 64 years	48.1	43.7	1,230,200	1,792,400
65 years +, renting	5.3	5.0	136,200	203,300
65 years +, not renting	9.0	16.8	229,337	690,300
All people in poverty	100.0	100.0		
<b>Children <sup>(1)</sup></b>				
Children in sole parent households	37.5	33.9	232,600	309,200
Children in couple households	60.5	63.2	375,000	576,000
Children in other households	2.0	2.9	12,700	26,600
All children in poverty	100.0	100.0		
<b>By gender <sup>(1)</sup></b>				
Male	48.5	48.1	1,241,000	1,969,300
Female	51.5	51.9	1,318,500	2,128,700
All people in poverty	100.0	100.0		
<b>Households, by family type <sup>(2)</sup></b>				
Single, no children (15-64 years)	11.9	9.9	304,400	405,000
Single, no children (65 years+)	6.1	9.9	157,300	405,700
Sole parent	17.6	14.9	451,600	610,400
Couple, no children (15-64 years)	8.6	7.3	219,000	300,000

18. Note, however, that the total estimates of people in poverty derived from data in this table exclude self-employed and people in households with zero or negative income, so would be lower than those in table 3. The reason for this is explained in the [Methodology Paper](#).

	PROFILE OF POVERTY		NUMBERS IN POVERTY	
	(% of people below poverty lines)		(No. of people below poverty lines)	
Couple, no children (65 years+)	7.4	10.8	188,800	444,000
Couple, children	37.6	36.2	963,800	1,484,700
Other	10.7	10.9	275,100	448,600
All people in poverty	100.0	100.0		
<b>By main income source<sup>(2)</sup></b>	<b>50% of median</b>	<b>60% of median</b>	<b>50% of median</b>	<b>60% of median</b>
Wage and salary	37.8	39.0	967,900	1,598,400
Social security payments	53.3	54.5	1,364,600	2,231,900
Other income	8.9	6.5	227,300	267,700
All people in poverty	100.0	100.0		
<b>By social security payment type<sup>(3)</sup></b>	<b>50% of median</b>	<b>60% of median</b>	<b>50% of median</b>	<b>60% of median</b>
Newstart Allowance	24.0	17.0	288,100	350,400
Youth Allowance	2.9	1.9	34,500	38,200
Parenting Payment	22.9	17.2	274,200	354,600
Carer Payment	6.2	8.9	74,200	183,000
Disability Support Pension	18.1	16.2	217,200	334,200
Age Pension	25.9	38.9	311,000	801,000
All people in poverty in households whose reference person receives income support	100.0	100.0		
<b>By labour force status<sup>(3)</sup></b>	<b>50% of median</b>	<b>60% of median</b>	<b>50% of median</b>	<b>60% of median</b>
Employed full-time	25.9	27.1	663,800	1,112,400
Employed part-time	13.4	13.8	342,200	564,400
Unemployed	9.9	7.2	253,300	293,000
Not in labour force, under 65 years	35.6	29.6	912,300	1,213,100
Not in labour force, 65 years +	15.2	22.3	388,200	915,100
All people in poverty	100.0	100.0		
<b>By housing status<sup>(2)</sup></b>	<b>50% of median</b>	<b>60% of median</b>	<b>50% of median</b>	<b>60% of median</b>
Owner without a mortgage	15.1	21.9	385,900	899,200
Owner with a mortgage	28.9	27.3	738,800	1,119,600
Private renter	40.6	37.0	1,038,700	1,514,200
Public renter	11.8	10.0	300,900	411,600
Other	3.8	3.8	95,500	153,300

	PROFILE OF POVERTY (% of people below poverty lines)		NUMBERS IN POVERTY (No. of people below poverty lines)	
	50% of median	60% of median	50% of median	60% of median
<b>Adults, by disability status <sup>(4)</sup></b>				
Disability, core activity restriction	24.5	28.0	475,300	892,900
Disability, no core activity restriction	13.6	13.2	263,900	420,400
All with a disability	38.1	41.2	739,200	1,313,400
All without a disability	61.9	58.8	1,200,400	1,872,400
All adults in poverty	100.0	100.0		
<b>Adults, by country of birth <sup>(4)</sup></b>				
Australia	62.0	63.4	1,202,300	2,019,300
Major English speaking country	8.4	8.7	163,000	277,600
Other country	29.6	27.9	574,300	888,700
All adults in poverty	100.0	100.0		

Note: Numbers in poverty exclude self-employed and people in households with zero or negative income, so are lower than those in table 3. (1) Refers to all persons in the survey with this characteristic (2) Refers to persons in households with this characteristic (3) Refers to persons in households where the reference person has this characteristic (4) Refers to adults with this characteristic.

## The stories behind the statistics

### Siobhan

Siobhan lives in Victoria. She was unemployed for more than a year.

“Being without paid work was very, very hard. I’ve definitely struggled. Very isolating – I lost touch with friends because I couldn’t afford to do anything other than pay my rent. It was a very difficult time.”

**(Source: Survey respondent, ACOSS, Voices of Unemployment, 2018)**



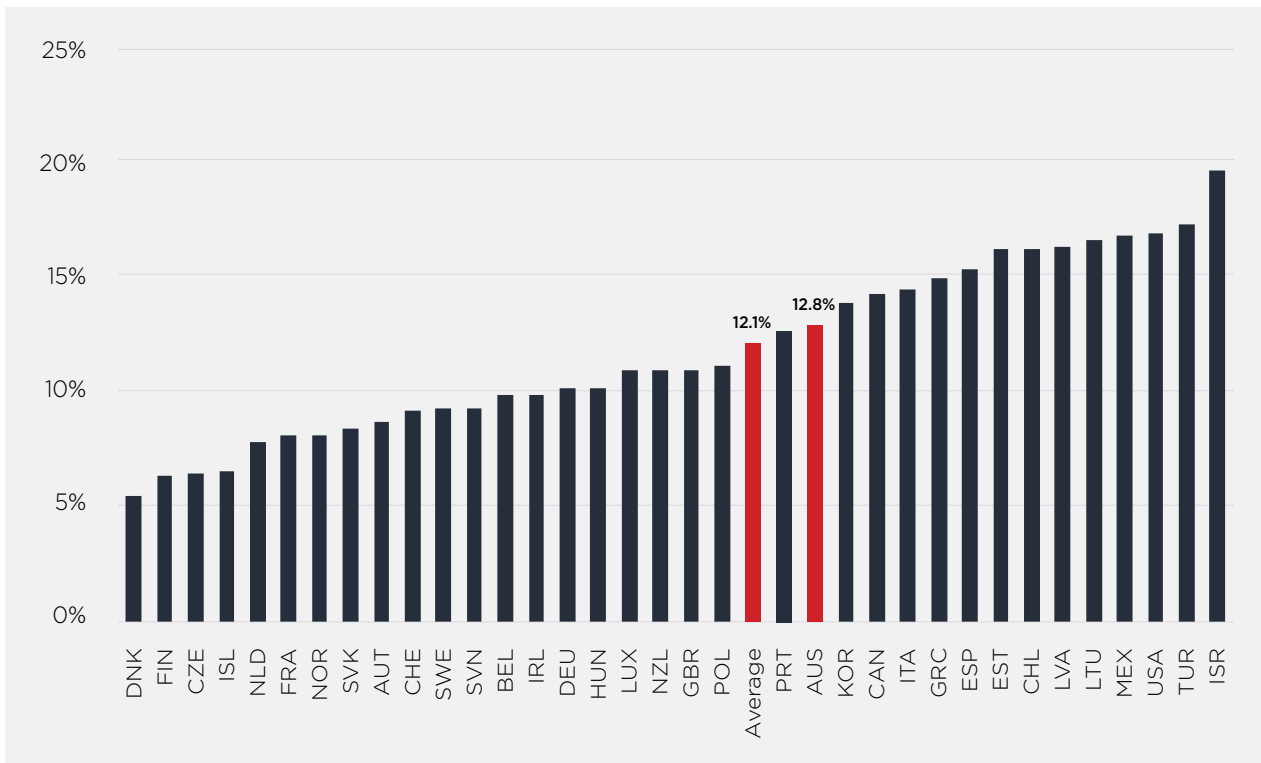
Photo credit: Ev on Unsplash  
Representational only.

### 1.3 International comparison

The OECD’s estimate for the overall rate of poverty in Australia in 2014 is 12.1% (compared with our estimate for 2015 of 13.2%), placing Australia 14th highest among 34 OECD countries. Among the wealthier OECD nations, Australia is part of an English speaking group, which, together with Italy, has above-average poverty rates.

Figure 1 shows estimates of poverty rates for 2014 or 2015 (depending on the country) from the Organisation for Economic and Social Development (OECD). Although the OECD uses the same 50% of median income poverty line, differences in the research methodology (for example, housing costs were not taken into account and self-employed people were not excluded) mean that the results are close to but not exactly the same as those reported here.

**Figure 1: Poverty rates in OECD countries in 2014-15 (% of people)**



Source: OECD (2018): *Poverty rate (indicator)*. doi:10.1787/0fe1315d-en.

Note: Data is for 2015 for all countries except for Australia (2013-14), and Hungary, Israel and New Zealand (2014).

Note: The OECD uses a different poverty measure to that applied in this research.

## 1.4 Trends in poverty from 1999-00 to 2015-16

This section of Chapter 1 looks at the broad trends in poverty over a 16-year period from 1999 to 2015.

Poverty researchers face challenges in comparing rates of poverty or poverty gaps over time in Australia, including infrequent ABS income surveys before 1995 and a series of changes in income definitions applied by the ABS during the 1990s and 2000s.

To overcome this problem of inconsistency of ABS income measures, we use the ABS definition of income that was in use prior to 2007-08, and which has also been included in later surveys.<sup>19</sup> This differs from the 2007-08 income definition we use to measure poverty in 2015-16 in Tables 1 to 4 above.<sup>20</sup> This means that the poverty lines (and poverty rates) in the trend analysis in this section and in Chapter 3 are somewhat lower than those used in the above (static) analysis of poverty in 2015-16.

In the trend analysis, the 50% of median income poverty line, taking account of housing costs, is used.

### Poverty among all people

Figure 2 shows changes in the rate of poverty among all people from 1999 to 2015. For completeness, it also includes the higher poverty rates derived from the 2007-08 ABS income measure but our focus is on the consistent estimates based on the pre-2007 measure.<sup>21</sup>

The overall poverty rate fluctuated within a band between 11.5% and 14.1% between 1999-00 and 2015-16. Poverty declined substantially from 13.1% in 1999 to 11.5% in 2003, rose sharply during the boom years to 14.4% just before the GFC in 2007, declined to 12.6% in 2009, and has since plateaued reaching 12.8% in 2015-16.

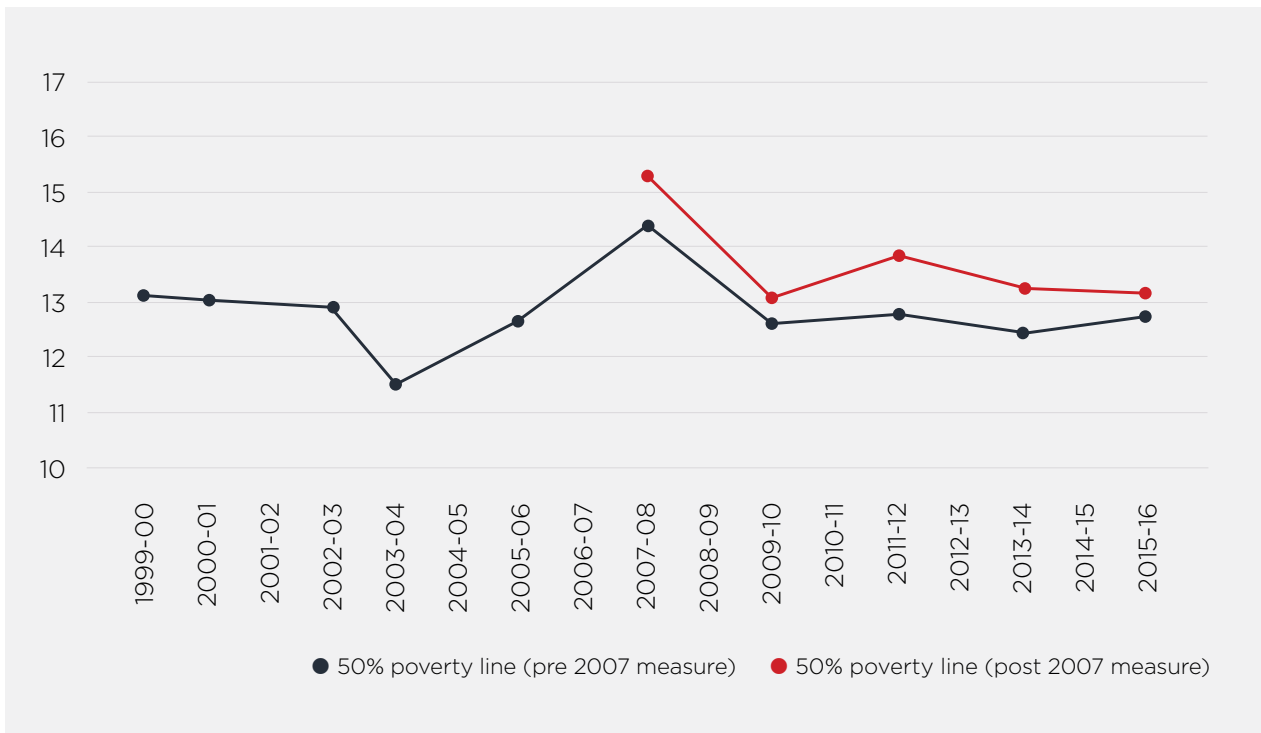
Poverty trends are influenced by incomes and housing costs in both the middle and lower ends of the income distribution, as well as social security policy changes (such as a pension increase in 2009). In particular, the poverty increase in 2007-08 (and its decline two years later) was largely driven by strong growth in average incomes prior to the GFC – an increase that low-income families did not share. More detail on changes in median incomes and housing costs is provided in the Appendix. In this chapter we focus on trends in incomes at the lower end of the distribution.

19. Household size is also top-coded for comparability with earlier years. See the Methodology Paper for details. For discussion of these measurement challenges, see Wilkins (2010): 'Evaluating the Evidence on Income Inequality in Australia in the 2000s' *Economic Record*, Vol 90, No 288, pp 63-89; and Saunders P, Bradbury B & Wong M (2016): 'Poverty in Australia since the financial crisis: the role of housing costs, income growth and unemployment', *Journal of Poverty and Social Justice*, Vol 24, No 2, pp 97-112.

20. Changes introduced in the 2007 survey included a broadening of the income definition to capture forms of income not previously measured such as occupational fringe benefits, irregular overtime and bonuses. This increased estimates of median incomes and thus (all things equal) poverty rates.

21. As can be seen from Figure 2, the impact of the new income measure introduced by the ABS in 2007-08 was to increase the overall poverty rate by about one percentage point. This is consistent with the impact estimated by Wilkins (Wilkins, R (2014) *ibid*)

**Figure 2: Trends in poverty - all people (50% median income poverty, after housing costs - % of all people 1999-2015)**



## The stories behind the statistics

### David

“I am on Newstart and I hope the rate will increase so that we don’t have to worry about surviving and choosing between eating a meal and paying a bill.”

(Source: Your Stories, Raise the Rate, [www.acoss.org.au](http://www.acoss.org.au))

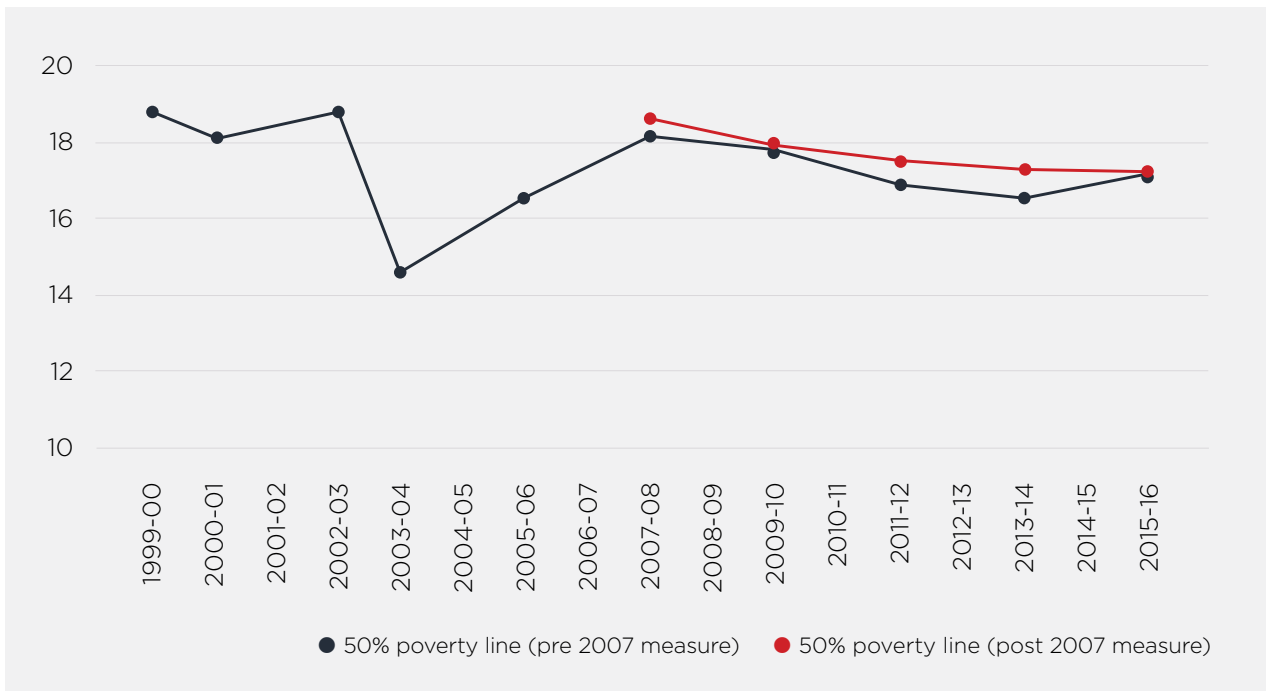


### Poverty among children

Figure 3 shows that child poverty moved within a higher band than overall poverty, fluctuating between 14.3% and 18.6% from 1999 to 2015. It followed a similar trajectory to overall poverty prior to the GFC, declining substantially from 18.6% in 1999 to 14.3% in 2003, and rising sharply during the boom years to 18.1% in 2007. After the GFC, child poverty took a different path to overall poverty, falling only slightly to 17.8% in 2009, declining further to 16.5% in 2013, then rising to 17.2% in 2015-16. This final figure is about four percentage points above the overall poverty rate in that year.

Trends in child poverty were also influenced by economic conditions, but social security changes since the GFC are likely to have increased child poverty instead of reducing it, especially in sole parent families. This is examined in depth in Chapter 3.

**Figure 3: Trends in poverty among children (1999-2015) (50% median income poverty, after housing costs - % of all children)**



Note: 'children' refers to people under 15 years old.

## Poverty gaps

Figure 4 shows that poverty gaps (the average gap between the household incomes of those in poverty and the poverty line) rose in sawtooth fashion between 1999 and 2015. The poverty gap is measured in two ways: as a percentage of the poverty line (4(a)), and in constant (2015-16) dollars per week, adjusted for household size (4(b)).<sup>22</sup>

One contributing factor to this increase in the poverty gap is the indexation arrangements for social security allowance payments such as Newstart Allowance (and since 2009, Family Tax Benefits), discussed in more detail in Chapter 3.

Another factor influencing poverty gaps is the changing composition of households below the poverty line. If, for example, a major social security payment marginally below the poverty line is increased to above the line, then all things equal, this will reduce the poverty rate. However, if many households are lifted from just below the line to above it, this can result in an increase in the average poverty gap for those still below the poverty line. This illustrates the need to examine poverty rates and poverty gaps for a given household type together.

# The stories behind the statistics

## Kate

I'm an unemployed Registered Nurse and single mother who has been struggling for years. It's punishment trying to live off this meagre payment and is not in any way helpful when bringing up children and trying to get a job. I lost my job due to becoming disabled but apparently I'm not disabled enough to qualify for disability benefits. I am, however expected to work despite my disability.

**(Source: Your Stories, Raise the Rate, [www.acoss.org.au](http://www.acoss.org.au))**

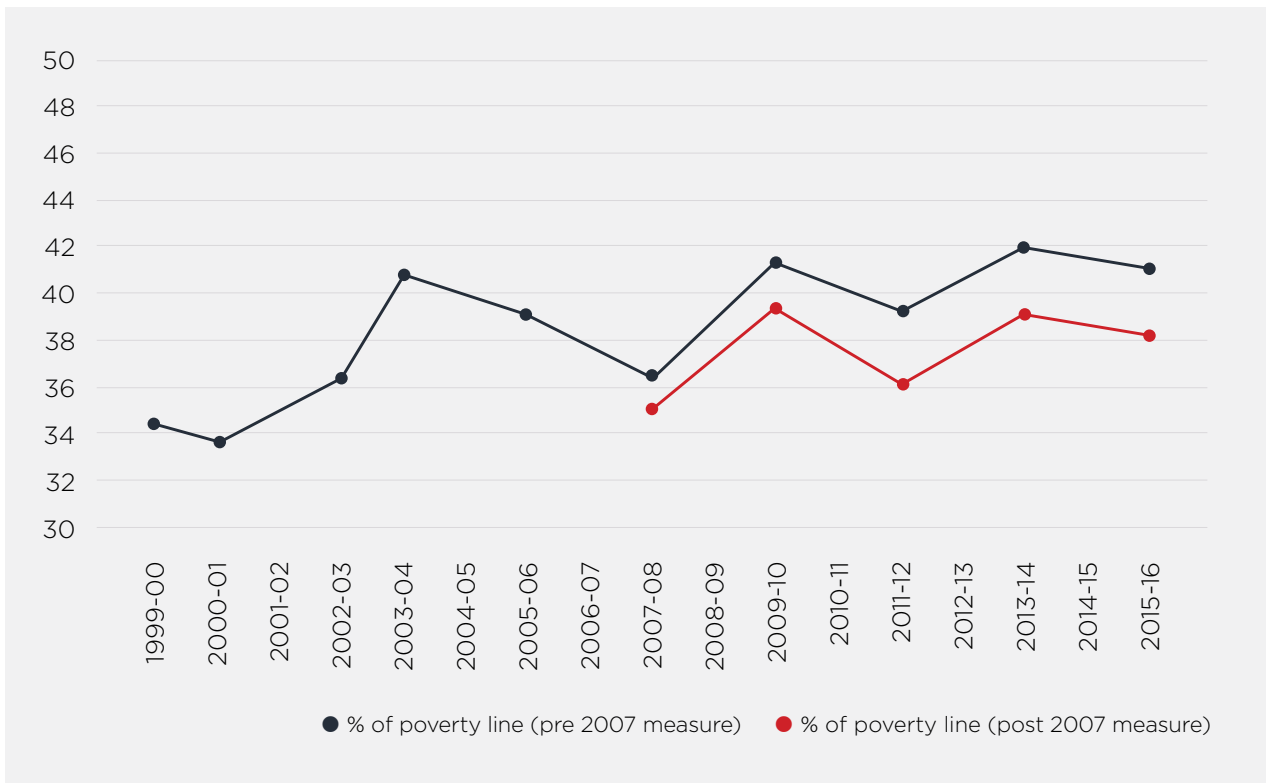
## Imogen

I'm a single mum who's studying and trying to survive and support my son on Austudy. It's so hard. I have to go to charities for help with food. I worry a lot about how to pay my bills and this takes away from my ability to study successfully. Sometimes I can't afford the fuel to get my son to school. The poverty is extreme and heartbreaking and sometimes seems insurmountable.

**(Source: Your Stories, Raise the Rate, [www.acoss.org.au](http://www.acoss.org.au))**

22. Note that the dollar amounts in Figure 4(b) are equivalised, unlike the poverty gap estimates for 2015-16 in Chapter 2. While we might expect the poverty gap to rise in constant dollar terms as community incomes increase, it also rose in proportion to the poverty line, which is linked to median household disposable income. The recent Productivity Commission report on inequality uses both poverty gap measures (Productivity Commission (2018): *op cit*).

**Figure 4: Average poverty gap for all households in poverty from 1999 to 2015**  
**(a) % of the 50% of median income poverty line, after housing costs**



**(b): \$2015-16 per week, equivalised, after housing costs**

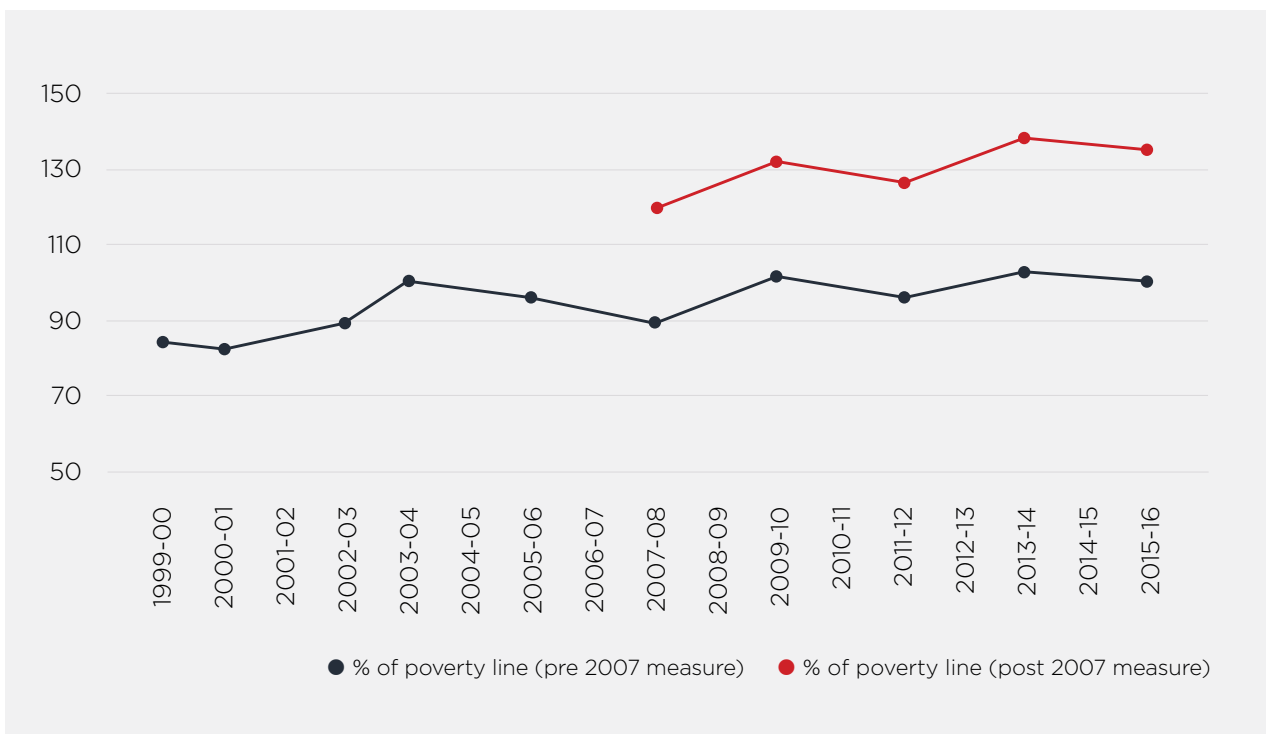


Photo credit: Mission Australia.  
Representational only.



## PART 2: POVERTY RATES AND PROFILES

# The stories behind the statistics

## **Ross**

“I’m an ex-Australian soldier who returned to Australia, couldn’t find work and was shunted into Newstart and (Work for the Dole). I have a three-year-old and barely have enough money to feed/clothe him or I. The extra money would help us “survive” until I could get back on my feet employment-wise.

## **Bella**

“I’m 51, on Newstart and need someone to know what I’m experiencing. I’ve been homeless this year, and last. I’m reliant on my daughters giving me extra food when they can. I lost my car. What I’m afraid of is if this nightmare continues... Please #RaisetheRate.”

## **Jim**

“I was on Newstart from October 2017 until April 2018 and it was impossible to meet basic expenses such as rent/food/bills, never mind new clothes and transport. Newstart must be increased to cover basic costs.”

## **Ellen**

Ellen is 61 and caring for two children.

“You can’t live on Newstart. I eat one meal a day so the kids can eat. My sweet girl says I should eat more. I was a nurse for 27 years. All my savings have gone. I’m in so much debt. I try my best but feel so ashamed.”

**(Source: Your Stories, Raise the Rate, [www.acoss.org.au](http://www.acoss.org.au))**

## Part 2: Poverty rates and profiles in 2015-16: detailed break-downs

**This chapter examines the level and profile of poverty among different groups in the population in 2015-16 in more depth.**

### 2.1 Age

The average rate of poverty is inversely related to age (Figure 5).

The rate of poverty among children (discussed in detail in the next section) is 17.3% based on the 50% of median income poverty line, and 26% when using the 60% poverty line. Contributing factors include the impact of caring responsibilities on parents' employment participation, the direct costs of children (as measured using the equivalence scale), and the adequacy of Family Tax Benefits.

The poverty rate among young people (15-24 years) is also above average at 14% (20% when the 60% of median income poverty line is used).

Among people aged 25 to 64 years, poverty rates are somewhat lower (at 12% and 18% at the 50% and 60% of median income poverty lines respectively).

People 65 years and over are less likely to experience poverty than the rest of the population when the 50% poverty line is used (12%) but more likely when the 60% poverty line is used (28%). This difference reflects the close proximity of the Age Pension to the 50% of median income poverty line before housing costs are taken into account (see Table 7 below).<sup>23</sup>

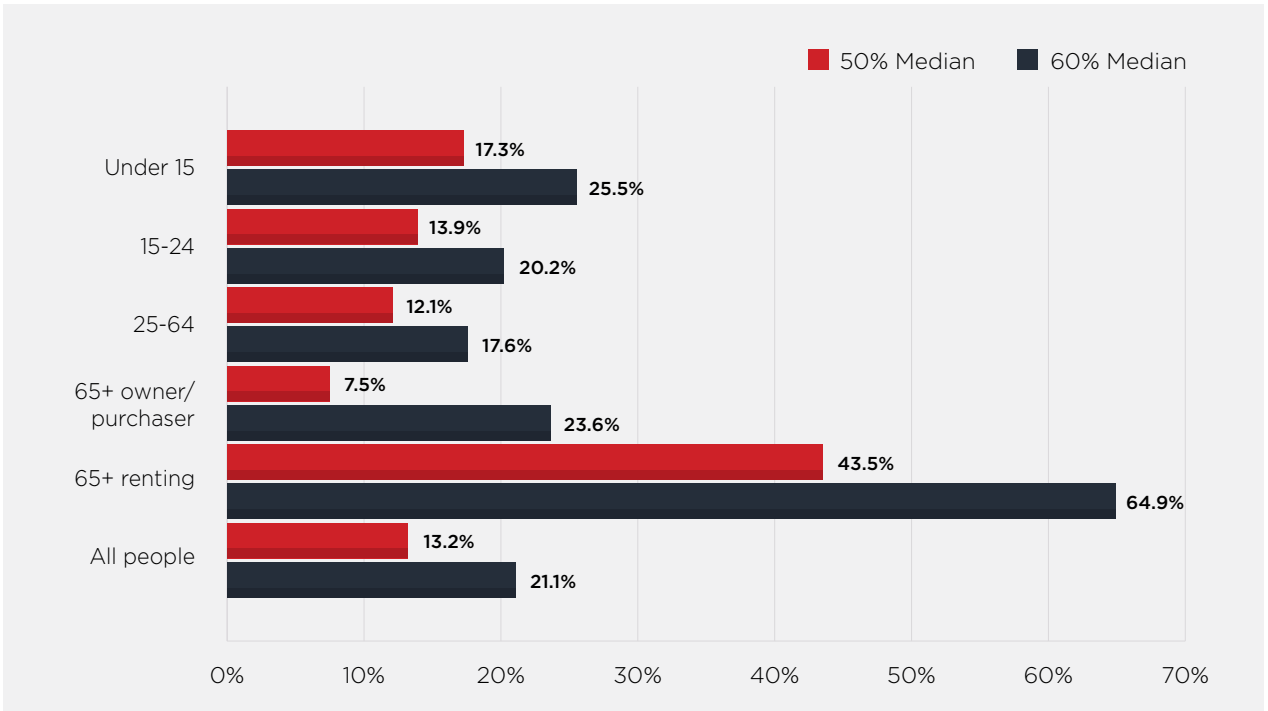
To illustrate the profound impact of housing costs on poverty rates among older people, Figure 5 also shows the poverty rate among the 10% of older people who rent their homes (more than double the overall poverty rates for people aged 65 and over, at 43% and 58% respectively).<sup>24</sup>

Turning to the age profile of those in poverty, the largest group below the poverty line is those of working age (25-64 years), reflecting their high share (53%) of the overall population (Figure 6).

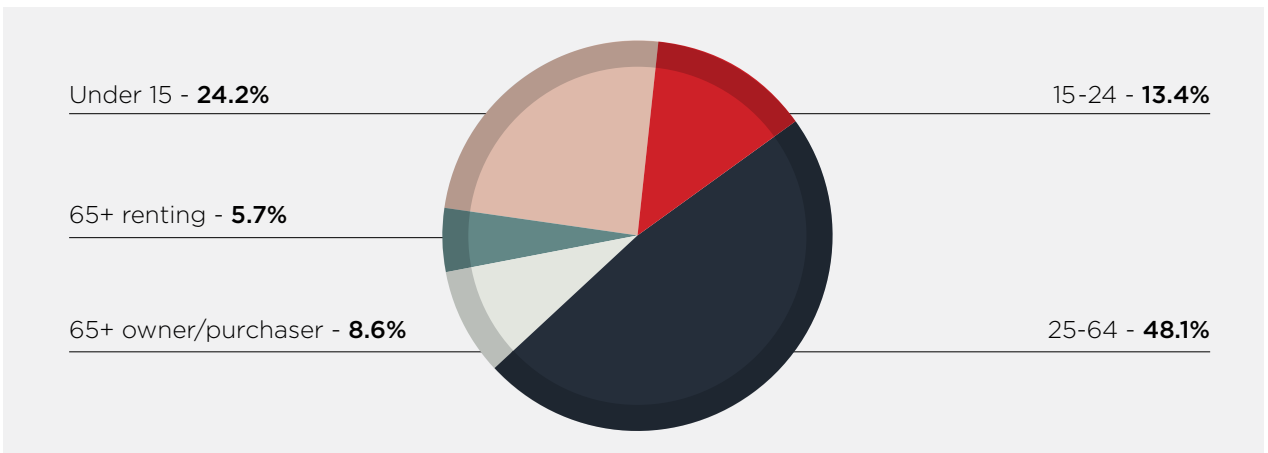
23. Older people are unlikely to be in poverty in 2015-16 (when the 50% of median income poverty line is used, taking account of their housing costs) unless they were surveyed by the ABS early in that year (before they received the regular six-monthly pension increase in September 2015), or they had relatively high housing costs (especially if renting).

24. Poverty rates by housing tenure across all age groups are examined later.

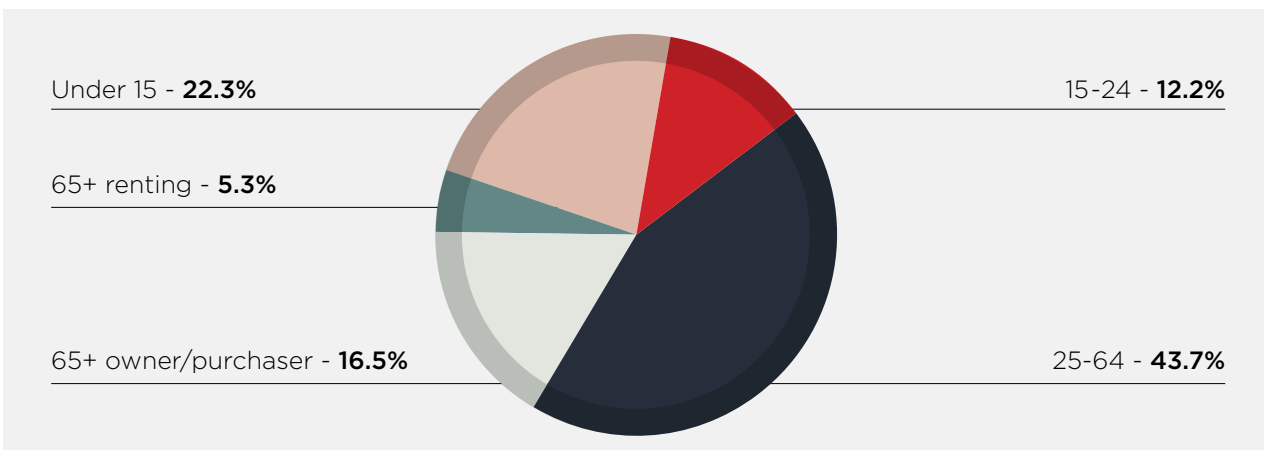
**Figure 5: Rate of poverty by age (% of people)**



**Figure 6: Profile of poverty by age (% of people in poverty)  
(a) 50% of median income poverty line**



**(b) 60% of median income poverty line**



## 2.2 Child poverty

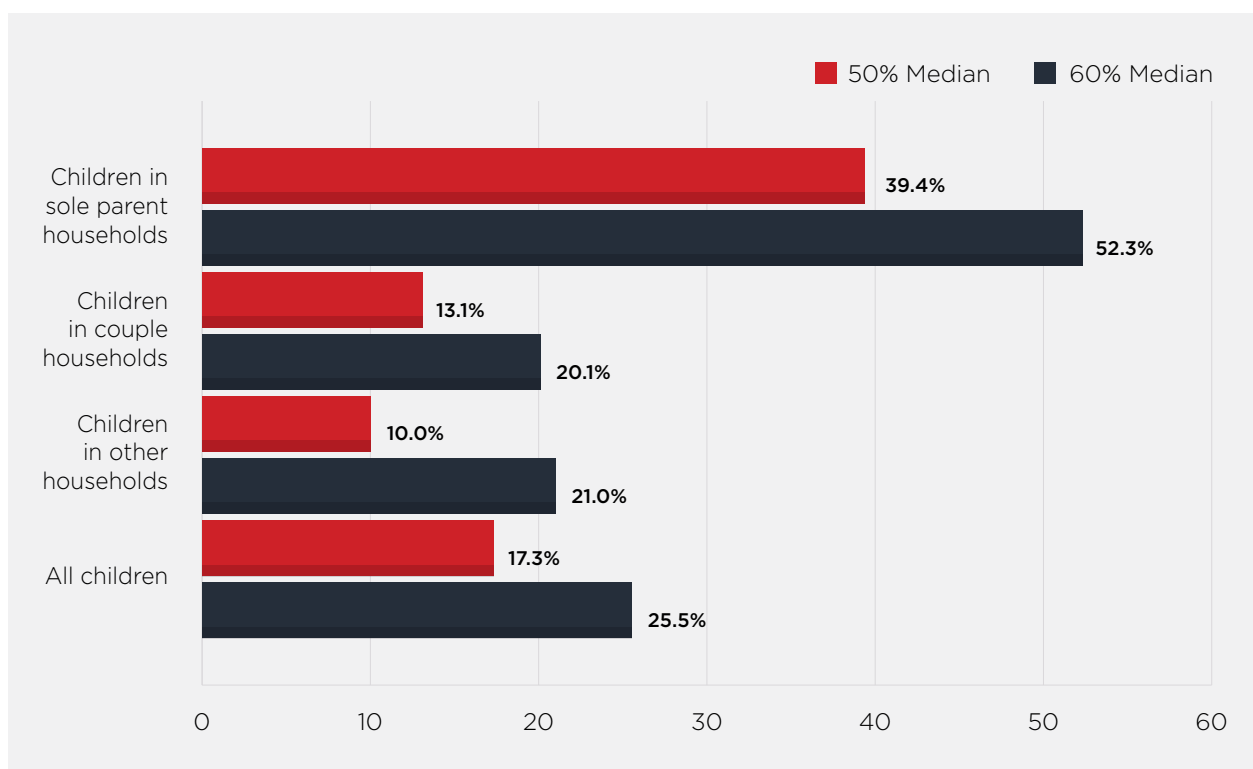
As indicated above, 17% of all children were living in households experiencing poverty, rising to 26% when the 60% poverty line is used (Figure 7).

The risk of poverty is highest for children in sole parent families (39% and 52% respectively). The risk of poverty for children in sole parent families is three times that for children in couple families, based on the 50% poverty line (39% compared with 13%).

Factors contributing to the higher rates of child poverty in sole parent families include reliance on a single parental income, lower employment levels among sole parents (due to a combination of their sole caring responsibilities, child care availability, and limited family friendly employment options), and the level of social security payments for sole parents (especially Newstart Allowance, on which they must rely if out of paid work and their youngest child is eight years of age or more).<sup>25</sup> As discussed in Chapter 3, income support for many sole parents is lower than it would have been in the absence of policy changes introduced since 2006.

Most children in poverty are in couple families, (61% based on the 50% of median income poverty line and 63% when the 60% line is used) since a greater share (83%) of all children are living in these families. However, sole parent families are over-represented at 38% and 34% of all children in poverty respectively (Figure 8).

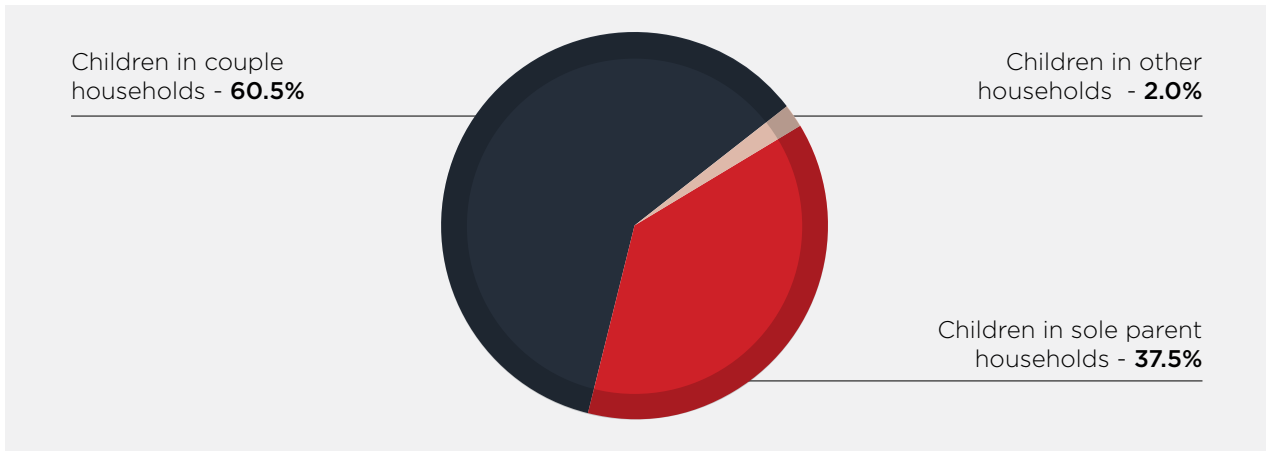
**Figure 7: Rate of poverty among children up to 15 years (% of children)**



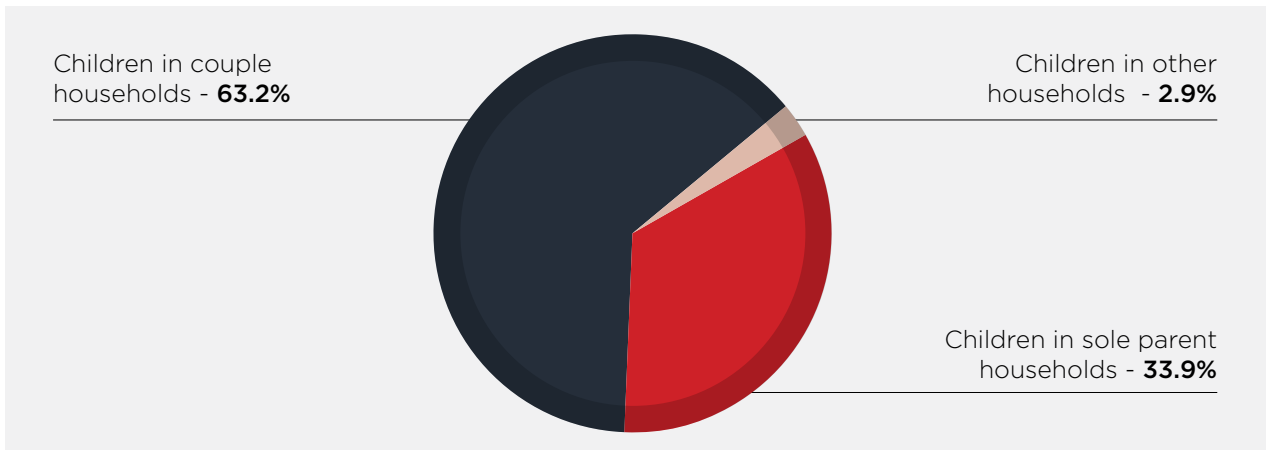
25. Baxter J et al (2012): 'Parental joblessness, financial disadvantage and the wellbeing of parents and children' *Occasional Paper No. 48*, Department of Families, Housing, Community Services and Indigenous Affairs, Canberra.



**Figure 8: Profile of poverty among children up to 15 years (% of children in poverty):**  
**(a) 50% of median income poverty line**



**(b) 60% of median income poverty line**



## 2.3 Gender

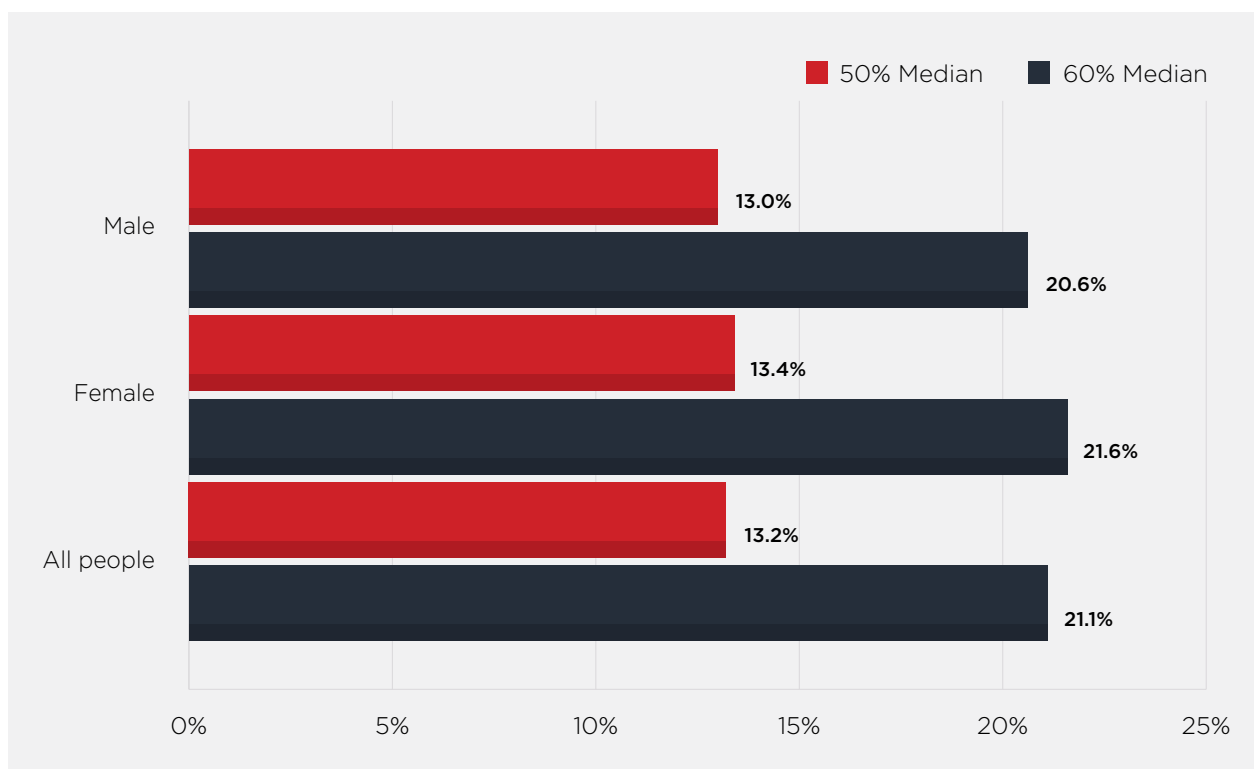
Figure 9 shows that women are more likely to live in households below the poverty line than men, regardless of which poverty line is used (13.4% as against 13.0% for men based on the 50% poverty line, and 21.6% as against 20.6% using the 60% poverty line).

This report adopts the conventional approach to poverty research and focusses on household incomes. While beyond the scope of this study, it is worth noting that if we focussed instead on differences in personal incomes between men and women, the gaps between them are likely to be much larger.<sup>26</sup>

The higher poverty rates for women shown here reflect the lower incomes of female-headed households, including sole parent families (the vast majority of which are headed by women) and older women living alone (who outlive men on average and have lower private savings, including superannuation).

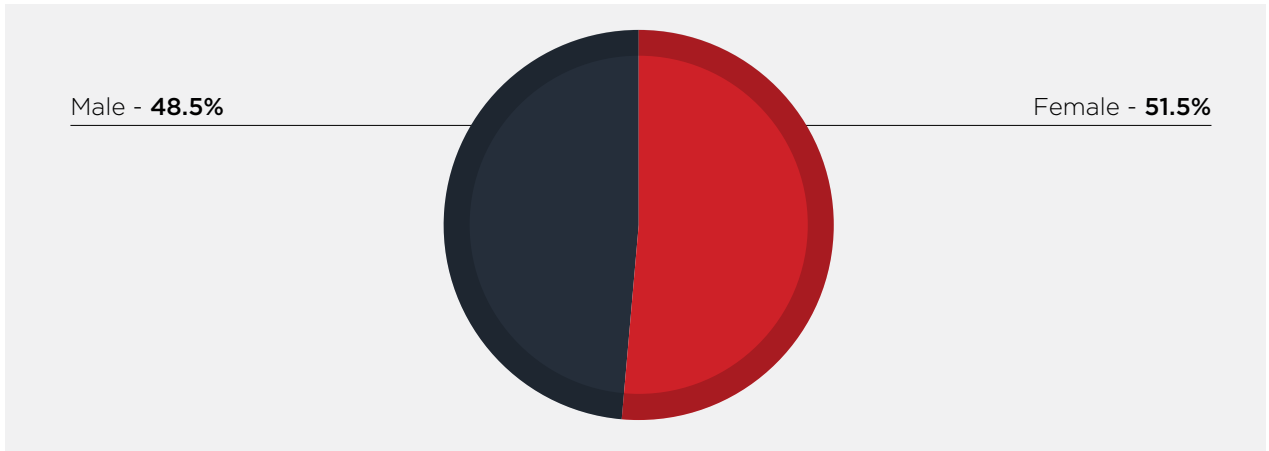
Figure 10 shows a higher share of people in poverty are women (51.5% compared with 48.5% based on the 50% of median income poverty line, or 51.9% compared with 48.1% using the 60% of median income poverty line).

**Figure 9: Rate of poverty by gender (% of men and women)**

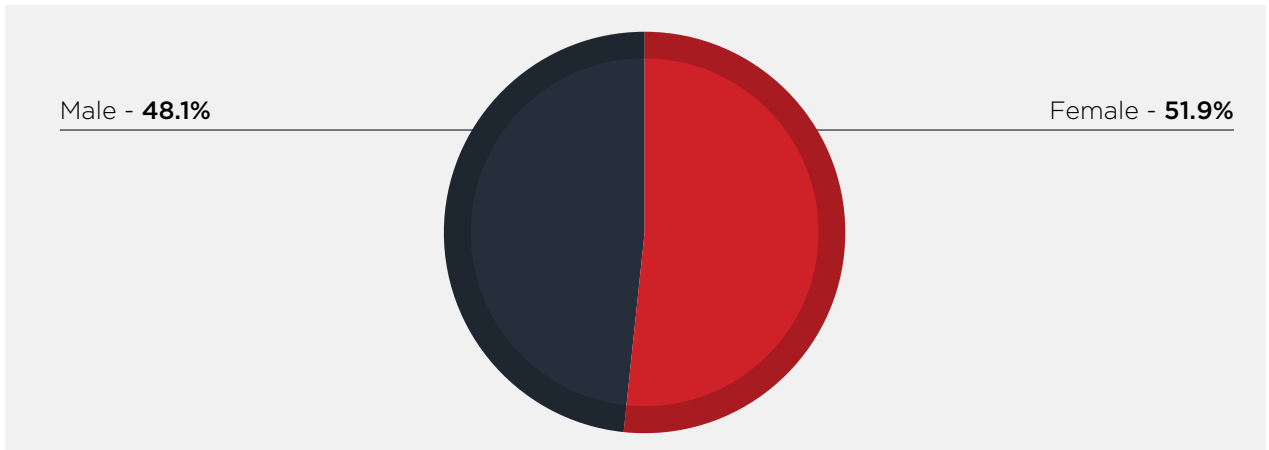


26. In 2016-17, the labour force participation rate of people aged 20-74 years was 66% for women and 78% for men; and 45% of employed women worked part time compared with 16% of employed men. In 2016, the average female hourly wage was 89% of the average male wage (non-managerial adult hourly ordinary time cash earnings). In 2015-16, men aged 55-64 in 2015-16 had an average superannuation balance \$310,145 compared with \$196,409 for women the same age (ABS (2017): *Gender indicators, Australia, September 2017*, Catalogue No 4125.0).

**Figure 10: Profile of poverty by gender (% of men and women in poverty)**  
**(a) 50% of median income poverty line**



**(b) 60% of median income poverty line**



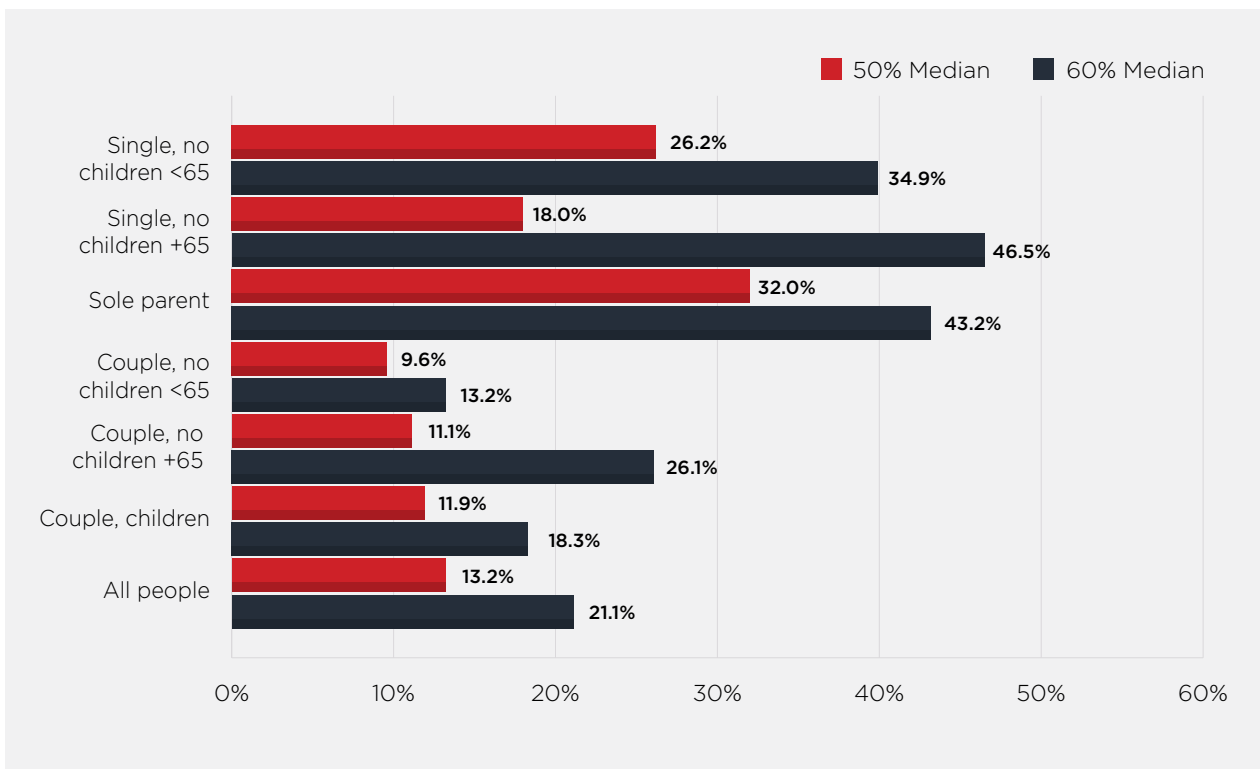
## 2.4 Family Type

Figure 11 shows that, consistent with the higher rate of child poverty in sole parent families discussed above, this family type has the highest rate of poverty, with almost one-third of all people in sole parent families living in poverty (32% based on the 50% poverty line, or 43% when the 60% poverty line is used).

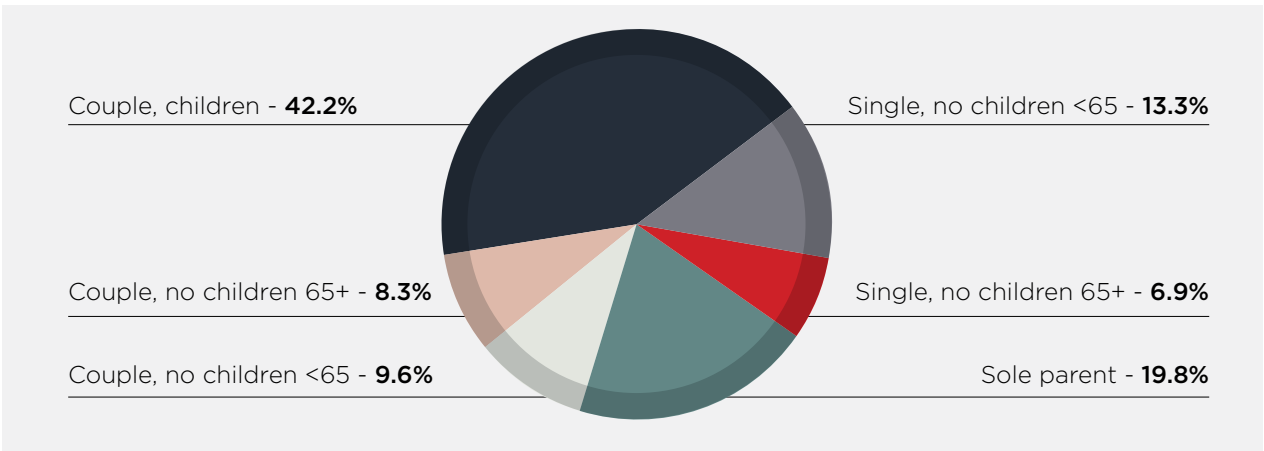
Single persons living alone also have relatively high poverty rates, reflecting their limited opportunity to benefit from economies of scale in living costs (built into the equivalence scale) and their reliance on a single income. When the 50% poverty line is used, single adults under 65 years have a higher rate of poverty (26%) than those 65 years and older (18%), but these rankings are reversed when the 60% poverty line is used (35% compared with 47%), for reasons discussed previously (see 'poverty by age').

Turning to the profile of poverty by family type (Figure 12), couple households with children are the largest group in poverty (42% and 41% of all people in poor families, respectively), due to their larger share of the overall population. People in sole parent families are strongly over-represented among those in poverty, (at 20% and 17% of all people in poverty, respectively) when compared with the 7% of all people who live in sole parent families.

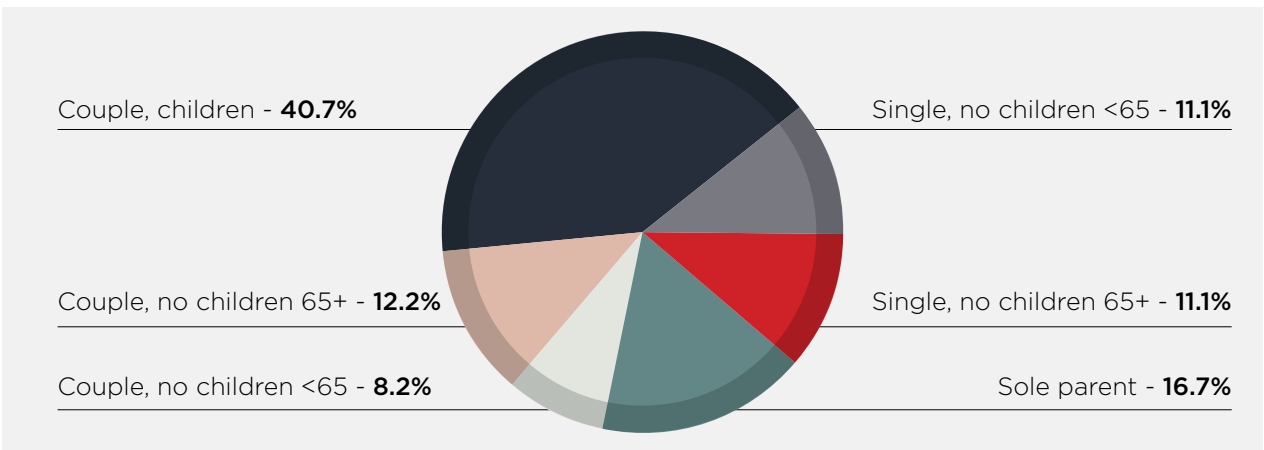
**Figure 11: Rate of poverty by family type (% of people)**



**Figure 12: Profile of poverty by family type (% of people in poverty)**  
**(a) 50% of median income poverty line**



**(b) 60% of median income poverty line**



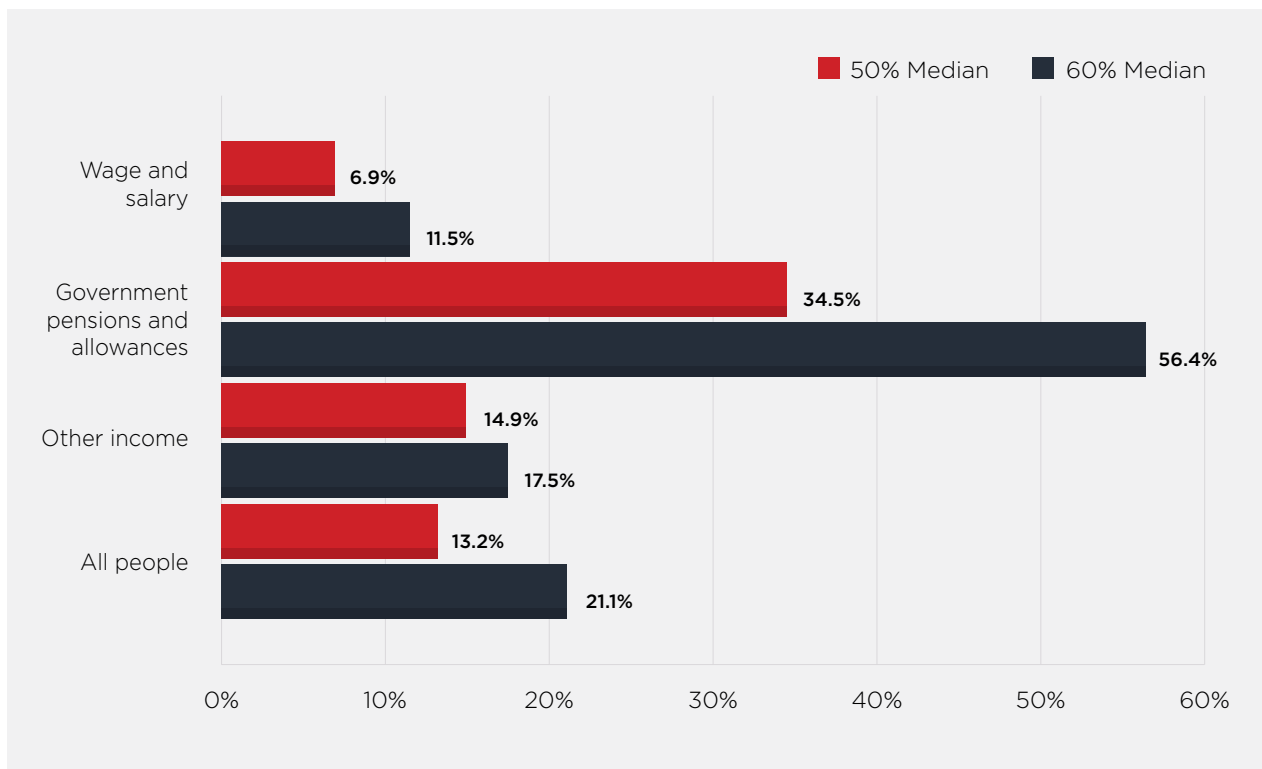
## 2.5 Main income source of household

Figure 13 shows that households relying mainly on social security payments are approximately five times more likely to experience poverty (35% based on the 50% poverty line or 56% based on the 60% poverty line) than those relying mainly on wages and salaries (6.9% based on the 50% poverty line and 11.5% using the 60% poverty line).

The high risk of poverty for households relying on social security benefits reflects the level of income support and family payments, which (as discussed later) are generally below the poverty line. Minimum fulltime wages are usually above the poverty line, unless a single wage is supporting a family with children.<sup>27</sup> However, the rate of poverty among households mainly reliant on wages and salaries (based on the 50% of median income poverty line) rose in recent years, from 5.4% in 2009 to 6.9% in 2015, possibly reflecting low wage growth (compared to other components of income).<sup>28</sup>

Turning to the profile of households in poverty (Figure 14), the largest group of households in poverty is those relying on social security (53% when the 50% poverty line is used and 55% based on the 60% poverty line). However, a significant share (38% and 39% respectively) of households in poverty rely mainly on wages, reflecting the higher share of wage-earning households overall.<sup>29</sup>

**Figure 13: Rate of poverty by main household income source (% of people)**

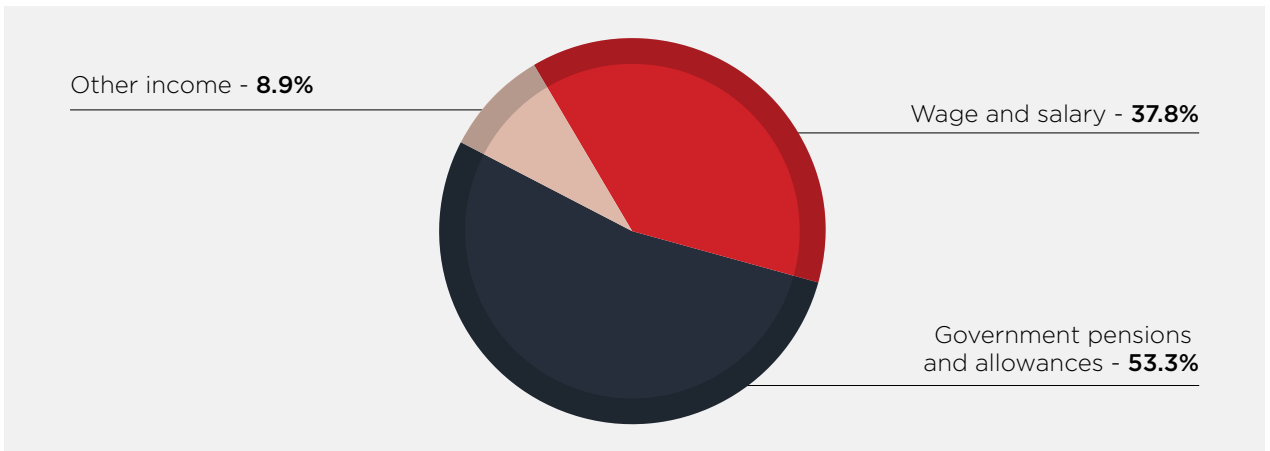


27. Fair Work Australia (2018): *Statistical report, - Annual wage review 2016-17*, Melbourne. The living standards of households reliant on social security payments and full-time minimum wages are also examined in depth in recent 'budget standards' research (Saunders P & Bedford M (2017): *New Minimum Income for Healthy Living: Budget Standards for Low-Paid and Unemployed Australians*, University of New South Wales, Sydney).

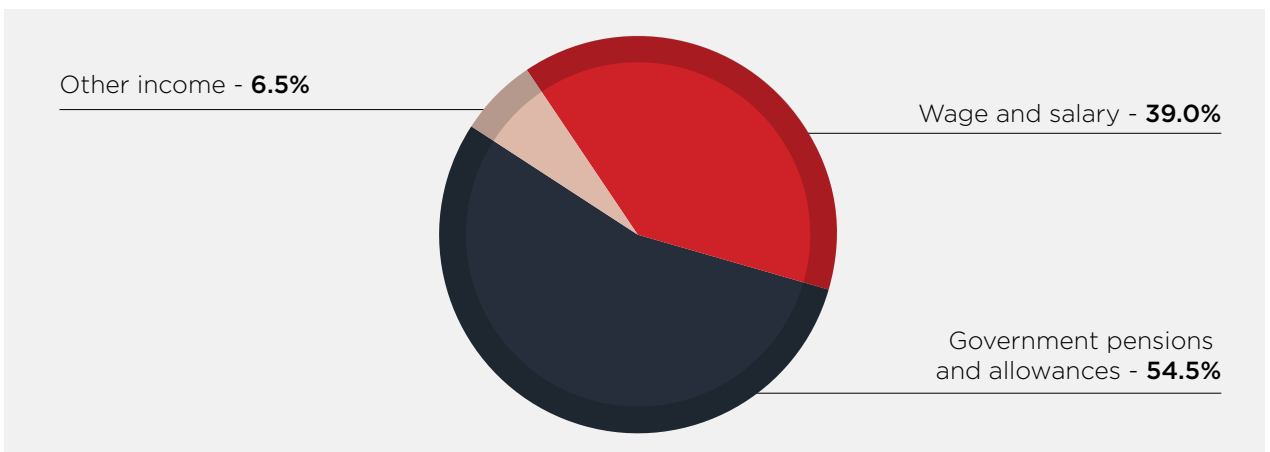
28. The Treasury (2017): *Analysis of wage growth*, Canberra.

29. The share of households in poverty whose main source of income is wages and salaries rose from 30.6% in 2009 to 37.8% in 2015.

**Figure 14: Profile of poverty by main household income source (% of people in poverty)**  
**(a) 50% of median income poverty line**



**(b) 60% of median income poverty line**



## 2.6 People relying on social security payments

### Poverty rates and profiles

Figure 15 shows poverty rates for people in households whose reference person receives an income support payment.<sup>30</sup> For all income support payments, these poverty rates average 26% based on the 50% of median income poverty line and 44% when the 60% of median poverty line is used.<sup>31</sup>

The highest poverty rates are for Youth Allowance recipients (64% and 70% respectively). These households would generally receive the 'away from home' rate of that payment, so the young people (up to 25 years old if a fulltime student) are living away from the parental home.<sup>32</sup>

A majority of people in households where the reference person receives Newstart Allowance (55% and 67% respectively) or a Parenting Payment (52% and 68%) are living in poverty.<sup>33</sup>

More than one-third of people in households whose reference person receives the Disability Support Pension is in poverty (36% and 56% respectively), while 17% of people in households whose reference person receives a Carer Payment are below the poverty line (42% when the 60% of median income poverty line is used).

Among people in households whose reference person receives the Age Pension, 12% are in poverty (32% using the 60% of median income poverty line).

Turning to the profile of households in poverty (Figure 16), those in households whose reference person receives the Age Pension are the largest group (26% and 39% respectively), since the overall Age Pension population is larger than for other payments. This is followed by Newstart Allowance (24% and 17%), Parenting Payment (23% and 17%) and Disability Support Pension (18% and 16%).

30. As noted above, the reference person for each household is chosen by the ABS by applying its selection criteria to all household members aged 15 years and over. The selection criteria are applied in the order listed below, until a single appropriate reference person is identified:

- the person with the highest tenure when ranked as follows: owner without a mortgage, owner with a mortgage, renter, other tenure;
- one of the partners in a registered or de facto marriage, with dependent children;
- one of the partners in a registered or de facto marriage, without dependent children;
- a lone parent with dependent children;
- the person with the highest income;
- the eldest person.

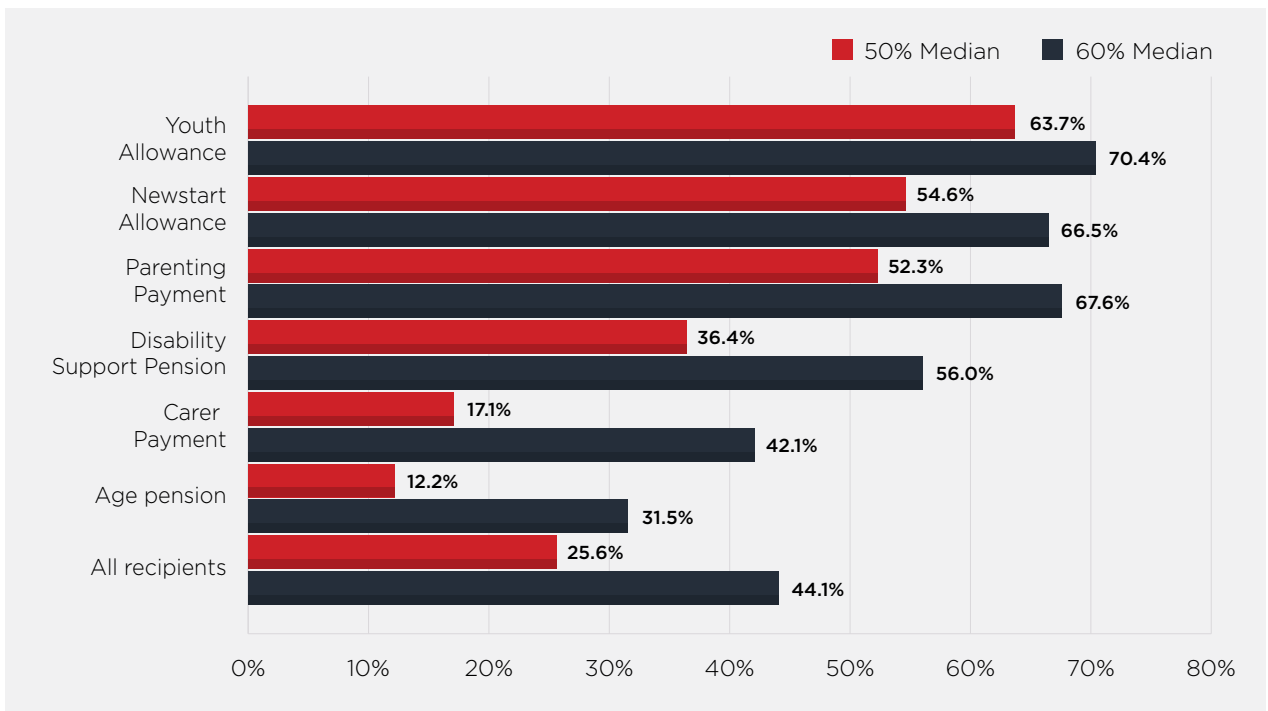
31. This is different to the previous category ('main income source social security' in Figure 13) in two ways: it is based on the social security payment status of the household reference person (rather than the household), and receipt of any income support payment by that person (rather than *main* source of income being any social security payment, including family payments – see the accompanying Methods Paper). In order to receive an income support payment, the reference person's family must generally have low income and assets.

32. The lower 'at home' rates are paid to young people living with their parents (in which case they are unlikely to be the household reference person).

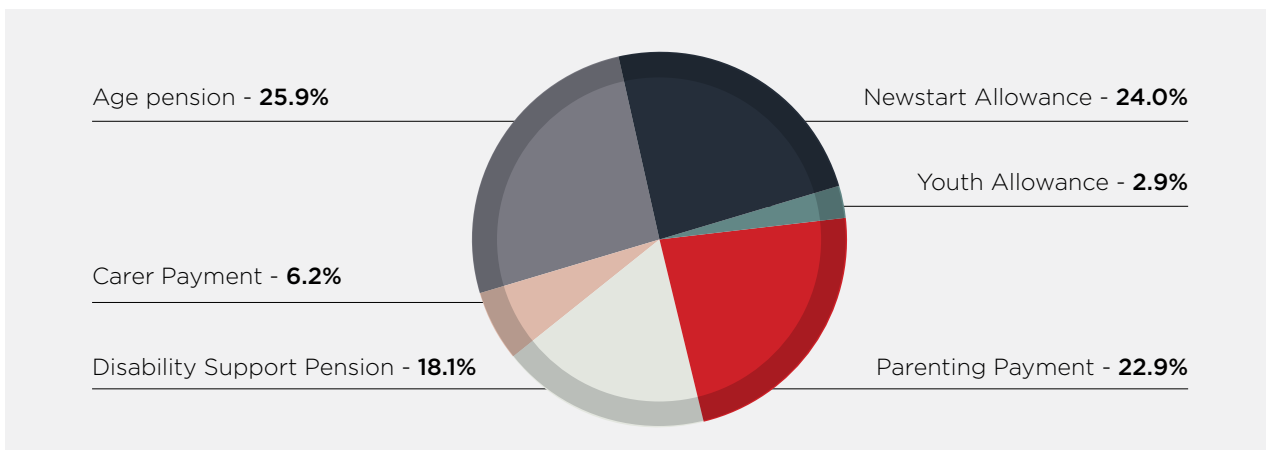
33. Newstart Allowance is received by people in all family types, while Parenting Payment is received by the main carer of a child under 16 years old, whether in a sole parent or couple family.



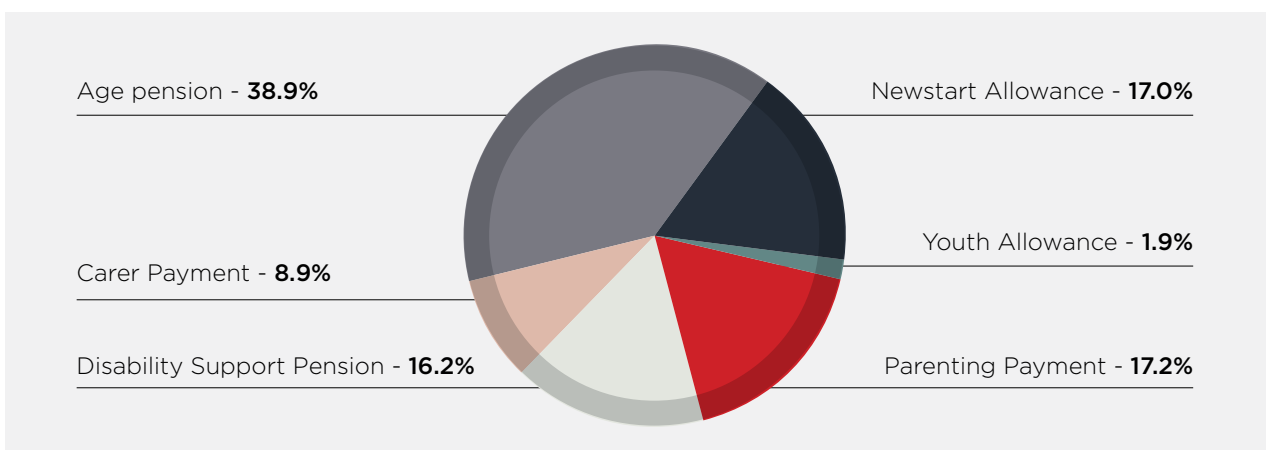
**Figure 15: Rate of poverty by income support payment received by household reference person (% of people)**



**Figure 16: Profile of poverty by income support payment received by household reference person (% of people in poverty)**  
**(a) 50% of median income poverty line**



**(b) 60% of median income poverty line**



## Poverty gaps

The 'poverty gap' is a measure of the average depth of poverty among households below the poverty line (the difference between their incomes and the relevant poverty line). A large poverty gap indicates that most of those who are in poverty are likely to have incomes well below the poverty line. Poverty gaps decline whenever the income of anyone below the poverty line increases, whereas poverty rates only decline when income increases by enough to raise someone from below the poverty line to above it. For this reason, both poverty rates and poverty gaps should be examined when assessing the impact of policy.

Table 6 shows poverty gaps for people in households living below the poverty line, whose reference person receives one of the above income support payments, taking account of the income received by these households and their housing costs.<sup>34</sup>

These figures should be read in conjunction with the above poverty rates for people in households whose reference person receives income support payments. For example, in some cases (such as Carer Payment), the risk of poverty is relatively low (17% based on the 50% poverty line), while the poverty gap for those below the poverty line is relatively large (\$182 a week).

Table 6 shows that average poverty gaps (adjusting for household size) are greatest for recipients of Newstart Allowance (\$249), Youth Allowance (\$244 a week), Parenting Payment Single (\$161) and Carer Payment (\$182).<sup>35</sup>

**Table 6: Poverty gaps: average gap between the total disposable income of those below the poverty line and the relevant poverty line in 2015-16 (dollars per week)**

Where household reference person receives:	50% poverty line (AHC)	60% poverty line (AHC)
<b>Newstart Allowance</b>	\$249	\$320
<b>Youth Allowance</b>	\$244	\$340
<b>Parenting Payment single</b>	\$161	\$240
<b>Carer Payment</b>	\$182	\$194
<b>Disability Support Pension</b>	\$118	\$169
<b>Age Pension</b>	\$112	\$100

Note: Poverty gaps in this table are the average gaps between the actual disposable incomes of people in poverty in the ABS income survey sample and the two poverty lines, taking account of any private income and housing costs. All family types (not only singles) are represented here.

34. Poverty gaps are measured differently in this Chapter to Chapter 3 (trends in poverty). In this Chapter, they are measured on a 'per-person in poverty' basis and expressed in actual 2015-16 dollars. In Chapter 3, they are measured on a 'per-household in poverty' basis and expressed in equalised 2015-16 dollars. Further, this Chapter uses the more up-to-date 2007 ABS income measure, whereas the trend analysis uses the pre2007 ABS income definition. Consequently, the poverty gaps in this Chapter are generally larger than those in Chapter 3.

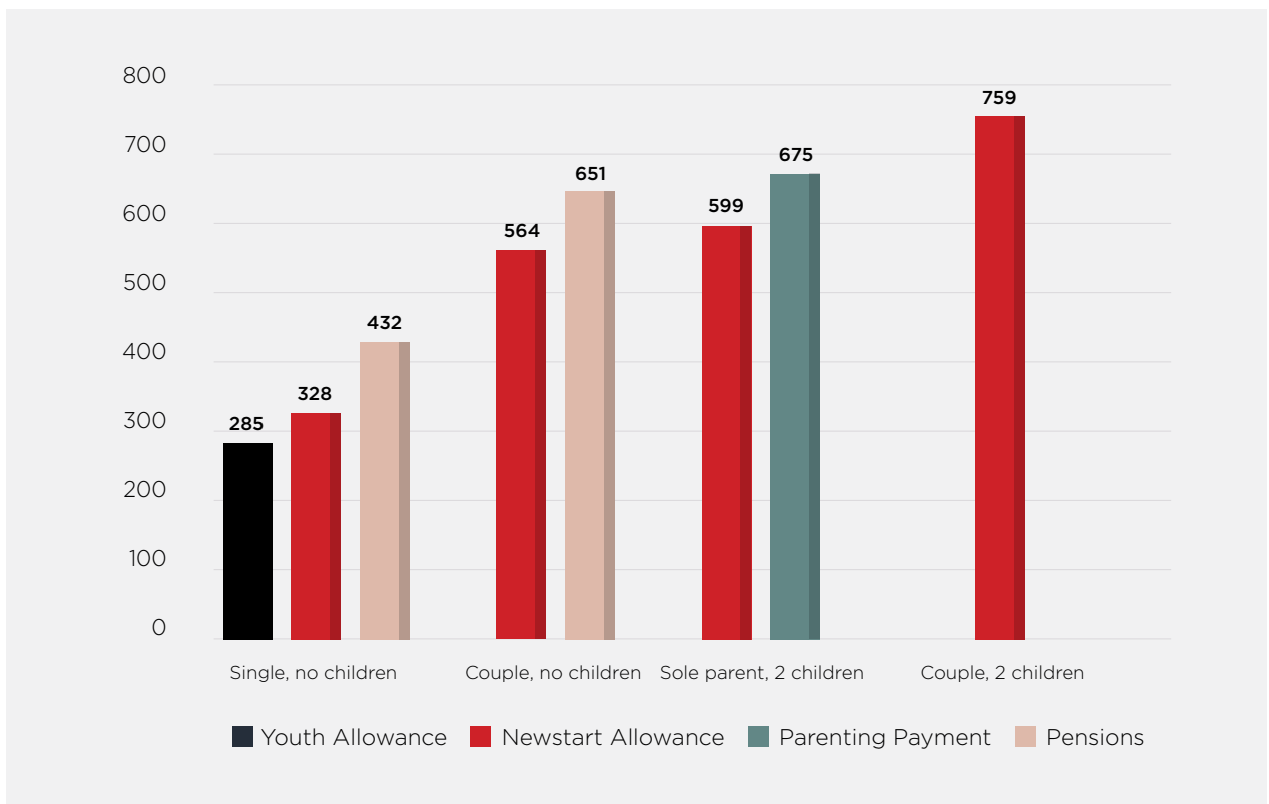
35. Parenting Payment Single is the rate of Parenting Payment for sole parents.

### Comparison of payment rates and poverty lines

Social security payments include income support payments for adults in low income families (divided into the higher pension payments such as Age Pension and lower allowance payments such as Newstart Allowance), Family Tax Benefits for children in low and middle-income families, and supplementary payments such as Rent Assistance for private tenants in low-income families.

The rate structure that applied in 2015-16 is illustrated in Figure 17.

**Figure 17: Social security rate structure in 2015-16: maximum rates of payment for different family types with no private income (\$ per week )**



Note: Youth Allowance is for an 18-24 year old living away from home.

Families who have two school-age children and receive the maximum rates of Family Tax Benefit are included.

Sole parents may receive either Newstart Allowance or Parenting Payment Single.

Couples with children may receive Newstart Allowance and Parenting Payment Partnered.

Maximum rates of Rent Assistance and Energy Supplement are included, though not all receive Rent Assistance.

High levels of poverty among households that mainly rely on social security payments are due in part to the level of those payments, which usually sit below the relevant poverty line.<sup>36</sup> This means that a household relying on social security usually needs additional (private) income such as part-time earnings to avoid poverty. How much additional income is needed depends on the difference between social security payments and the poverty line, and also on housing costs (which are taken account in the poverty measure used in this study).

Table 7 compares the standard maximum rates of major social security payments with before-housing poverty lines for different family types in 2015-16.<sup>37</sup> In contrast to Table 6, the 'gaps' between maximum payment rates and poverty lines are based on 'cameo' family types with no private income, so they do not take account of the private incomes and housing costs of families in the ABS income survey sample.

There are large gaps between maximum single rates of Newstart Allowance and Youth Allowance and the poverty line (\$105 and \$148 a week respectively). Allowance payments such as these are indexed to the Consumer Price Index (CPI) only and not wages, so they generally grow more slowly than community living standards. In 2015-16, the maximum single rate of Newstart Allowance (together with maximum Rent Assistance and Energy Supplement) was \$328 per week.<sup>38</sup>

Youth Allowance for single young people living away from the parental home (up to 25 years old if studying fulltime) was \$43 a week less than Newstart Allowance, at \$285 per week. Lower payments for young people reflect a policy view that they can rely on financial support from their parents, although many have been assessed as financially independent. The assumption that students can live on lower social security payments extends to fulltime students up to 64 years old, who receive Austudy Payment or Abstudy Payment at the same rate as Youth Allowance.

Since pensions are regularly increased in line with wages growth (average male total earnings) or increases in the cost of living (whichever is greater), and a one-off pension increase of \$32 per week was paid to single pensioners excluding sole parents in 2009, they are much higher than allowance payments.<sup>39</sup> Pensions for singles and couples without children are very close to the 50% of median income poverty line (\$1-2 per week below it on average for those owning their homes, who do not receive Rent Assistance). Among age pensioners, the minority who rent their homes (and have higher housing costs) face the greatest risk of poverty.<sup>40</sup>

Social security payments (including Family Tax Benefit) for sole parent families relying on Parenting Payment Single are \$17 a week below the poverty line, where the family rents privately and has two school-age children. Before 2009, Parenting Payment Single was paid at the same rate as other pensions, but this payment was excluded from the increase in single pensions in 2009.

36. The key exceptions, for at least part of 2015-16, are singles and couples (without children) receiving pension payments.

37. Maximum payment rates in this table include Rent Assistance (apart from pension payments since most pensioners are home owners). Those with Rent Assistance are likely to face higher housing costs (since Rent Assistance is only paid once rents exceed a minimum level) while those without it have lower incomes.

38. Not all Newstart Allowance recipients receive Rent Assistance.

39. Saunders P & Wong M (2011): 'Using deprivation to assess the adequacy of Australian social security payments' *Journal of Poverty and Social Justice*, Vol 19 No 2, pp91-101.

40. Harmer J (2008): Pension Review discussion paper, Department of Families, Housing, Community Services and Indigenous Affairs, Canberra.

Sole parents not in paid work whose youngest child is eight years of age or over receive the single parent rate of Newstart Allowance, which was \$82 a week less than Parenting Payment Single in 2015. A sole parent family on Newstart Allowance that rents privately and has two school-age children, receives \$105 a week less than the poverty line.<sup>41</sup>

Social security allowance payments for couples are generally below the 50% line, but closer to it in proportional terms. Newstart Allowance for a couple without children is \$85 a week below the poverty line, and (together with family payments and Rent Assistance) it is \$150 below it for those with two school-age children.

## The stories behind the statistics

### Paul

Paul is a 47-year old single male who was made redundant 18 months ago, after 27 years in the public service. This was the only job Paul ever knew. Paul bought a house after separating from his partner two years ago. He now lives alone and has fortnightly weekend visits from his school age children. Paul receives income from the Newstart Allowance, as well as from a casual job he has delivering junk mail for \$100 per fortnight. Paul has been diagnosed with depression, which is being treated with weekly appointments with his psychiatrist and medication. He also has high cholesterol and suffers from heartburn after complications from a stomach operation. Paul's frugal budget leaves him with a \$60 deficit per fortnight, meaning he has no money for car repairs and other unexpected costs. Without an increase in his income, Paul will continue to be in severe financial hardship.

**(Source: Good Shepherd Australia New Zealand)**

41. ACOSS (2005): *Welfare to Work*, Sydney; ACOSS (2012): *Sole parents won't be helped to find employment by cutting their payments*, Submission to Senate Community Affairs Committee, Sydney.

**Table 7: Comparison of selected social security payments and poverty lines  
(\$ per week, 2015-16)**

	Maximum rate of payments (2015-16)	Poverty line 50% of median income	Poverty line 60% of median income	Gap (50% of median income) <sup>3</sup>	Gap (60% of median income) <sup>3</sup>
<b>Newstart Allowance</b>					
<b>Single, no children</b>	324-331 (av. 328) <sup>3</sup>	433	519	-105	-191
<b>Couple, no children</b>	529-599 (av. 564) <sup>3</sup>	649	779	-85	-215
<b>Single, 2 children <sup>1</sup></b>	595-602 (av. 599) <sup>3</sup>	692	831	-93	-232
<b>Couple, 2 children <sup>1</sup></b>	751-767 (av. 759)	909	1,090	-150	-331
<b>Youth Allowance and Austudy Payment</b>					
<b>Single, no children <sup>2</sup></b>	283-286 (av. 285) <sup>3</sup>	433	519	-148	-234
<b>Parenting Payment Single</b>					
<b>Single, 2 children <sup>1</sup></b>	671-679 (av. 675) <sup>3</sup>	692	831	-17	-156
<b>Pension Payments</b>					
<b>Single, no children</b>	430-433 (av. 432) <sup>3</sup>	433	519	-1	-87
<b>Couple, no children</b>	649-653 (av. 651) <sup>3</sup>	649	779	-2	-128

Note: The 'gaps' in this table are different to the poverty gaps in Table 6. The households are cameo households and we assume they receive the maximum social security payments available and have no private income.

All cameos include relevant supplements such as the Energy Supplement, Rent Assistance (except for Pension recipients, since most recipients own their homes), and Family Tax Benefit (where there are children). Poverty lines are before housing costs are deducted. Whether a household is in poverty in this study also depends on housing costs (not included in this table).

1. Children are aged 8-15 years.
2. Aged 18-24 years, living away from home.
3. Since the ABS income survey was conducted through the year, and maximum payments varied through the year, payment levels in the first and second halves of 2015-16 are shown. Average rates in 2015-16 are in brackets, and payment gaps are based on those rates.

Photo credit: iStock.com/hyejin kang  
Representational only.



## The stories behind the statistics

### **Amina**

Amina is a 44-year-old single mother with a migrant background and has been actively seeking fulltime employment for two years. She has four children, ranging from seven to 20 years of age. Her eldest child is currently studying. Amina receives \$1,500 per fortnight – \$500 of which is from working part-time as a cleaner, \$500 from her Newstart Allowance and \$500 from income support payments she is eligible to receive as a single parent. Amina has always been up to date with her mortgage repayments however this has come at the cost of paying off her utilities arrears and being able to afford to eat three meals a day. She has had to use a cash converters loan to pay her most recent rates bill. Recently Amina has been unable to afford fixing her heater, leaving her and her children to suffer in the cold as she tries to negotiate a replacement heater with her insurance provider.

**(Source: Good Shepherd Australia New Zealand)**

## 2.7 Labour force status

Figure 18 compares poverty rates among people according to the labour force status of the reference person in their household.

People of working age lacking paid employment face an elevated risk of poverty. Among people in households where the reference person is unemployed, 68% are in poverty (78% using the 60% of median income poverty line, after-housing costs). A likely reason for the higher poverty rate where the reference person is unemployed (68%), as distinct from receiving Newstart Allowance (55%), is that 21% of Newstart Allowance recipients have part-time earnings.<sup>42</sup>

Where the reference person is under 65 years old and not in the labour force, 45% of household members are in poverty (60% using the 60% of median income poverty line). Many of these households have a reference person with a disability or caring responsibilities, and rely on the Disability Support Pension, Parenting Payment, or Carer Payment.

Poverty rates are much lower where the household reference person is employed fulltime (6% and 10% respectively). Since minimum wages are above the poverty lines for a single adult, those with fulltime employment in poor households are likely to rely on a single wage to support a partner and/or children, or to be paid below the minimum wage.<sup>43</sup> Families relying on a single part-time wage are more than twice as likely as those relying on a fulltime wage to be in poverty (15% and 24% respectively). Low-paid employment is also more likely to be offered on a part-time rather than a fulltime basis.<sup>44</sup>

In recent years, the poverty rate for people in households whose reference person has earnings from fulltime employment has increased, from 3.9% in 2009 to 5.8% in 2015 (based on the 50% of median income poverty line). On the other hand, where the reference person had part-time earnings, the poverty rate declined from 17.2% to 13.6%.

Among people in households where the reference person is 65 years and over and not in the labour force, 12% are in poverty (29% when the 60% of median income poverty line is used.) This is very similar to the poverty rate where the reference person receives the Age Pension. It is much lower than the poverty rate in households where the reference person is of working age, reflecting a stronger social security safety net and lower average housing costs for older people.

The profile of poverty (Figure 19) presents a different picture. Although households reliant on income from paid employment have a much lower rate of poverty, they include 39% of all people below the 50% poverty line (41% when using the 60% of median income poverty line), since three times as many people live in households whose reference person receives income from employment compared with income support.<sup>45</sup>

42. Department of Social Services (2016): *Newstart Allowance – Payment Trends and Profile Report, June 2015*. Note that the ABS does not count a person as unemployed if they had at least one hour's paid employment in the reference week, whereas in typical cases, Newstart Allowance recipients may undertake up to two days' work each week and still receive a part-payment.

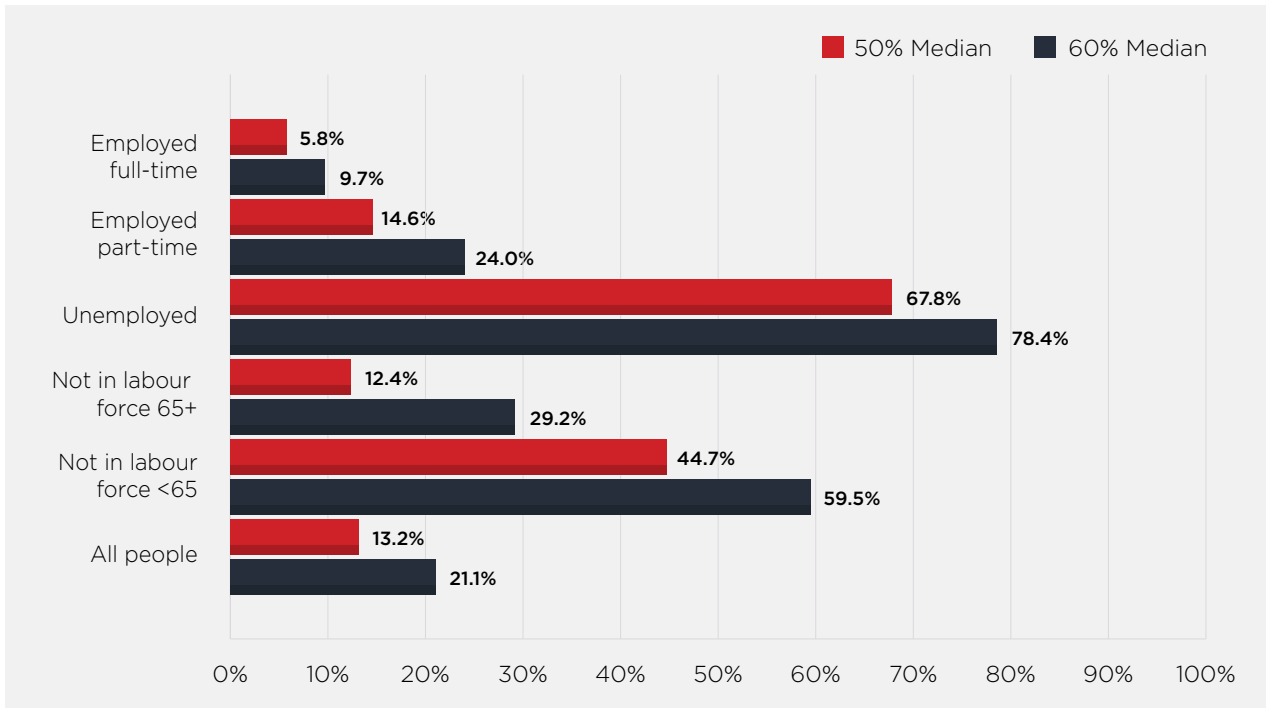
43. Fair Work Australia (2018) *op cit*.

44. In 2017, among low-paid workers (those receiving less than two-thirds of the median hourly wage), 55% were part-time compared with 30% of all jobs (Australian Government (2018): *Submission to the Fair Work Commission Annual Wage Review 2018*; ACOSS (2018): *Faces of Unemployment*.)

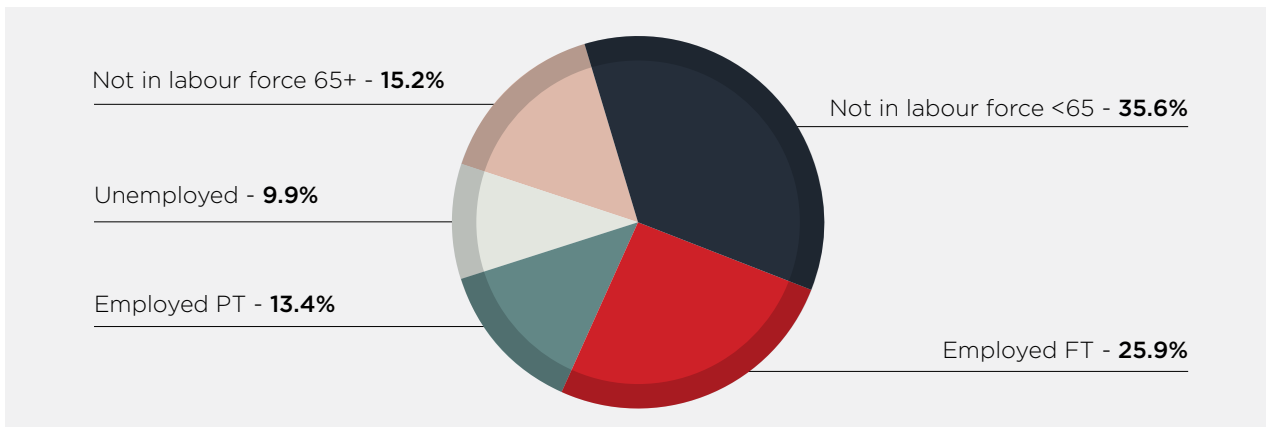
45. The share of people in poverty where the household reference person is employed full-time has increased from 18.1% in 2009 to 25.9% in 2015, while in the case of reference persons with part-time employment it declined from 15.2% to 13.4%.



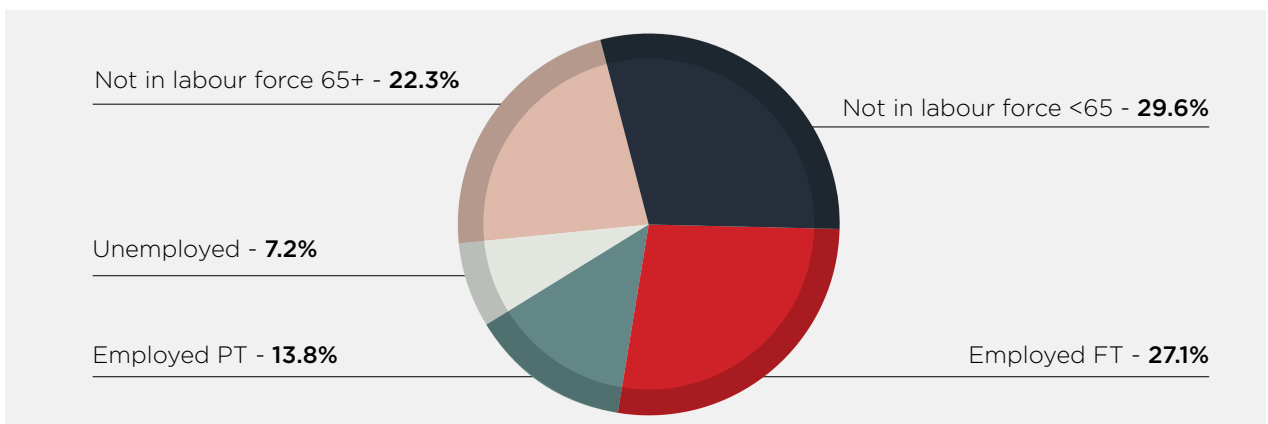
**Figure 18: Rate of poverty by labour force status of household reference person (% of people)**



**Figure 19: Profile of poverty by labour force status of household reference person (% of people in poverty)**  
**(a) 50% of median income poverty line**



**(b) 60% of median income poverty line**



## 2.8 People with a disability

People with disabilities, especially those with more severe incapacities (core activity limitations), face a risk of poverty well above-average.<sup>46</sup> Figure 20 shows that the rate of poverty among adults with a disability is 17% (29% when the 60% of median income poverty line is used).<sup>47</sup> The rate of poverty is higher (19% and 34% respectively) among adults with a core activity limitation.

This research is likely to under-estimate poverty among people with disabilities, as it does not take account of the extra costs of a disability when assessing whether people are living below the poverty line.<sup>48</sup> The costs incurred by those with a disability can include adjustments to the home or workplace, costs of care, additional transportation costs such as taxis and medical and pharmaceutical costs.

A contributing factor towards people with disability having an above average risk of poverty is their weaker employment prospects.<sup>49</sup> Many people with disabilities have difficulty finding employment and must therefore rely on income support payments, especially the Disability Support Pension and Newstart Allowance. As the disability threshold applying to the Disability Support Pension has become stricter, more people with disabilities have been diverted to the lower Newstart Allowance.<sup>50</sup>

Turning to the profile of poverty (Figure 21), a sizeable share of people in poverty have a disability (38% using the 50% of median income poverty line and 41% using the 60% poverty line). This reflects a combination of the overall rate of disability (18% of the total population in 2015), the higher rate of disability (more than 40%) among people aged 65 years and over (who tend to have low incomes), as well as the above-average risk of poverty among people with disabilities noted above.<sup>51</sup>

46. A core activity limitation refers to a profound, severe or moderate limitation in core activities, which are defined as communication, mobility or self-care (ABS (2017): *Disability, Ageing and Carers, Australia 2016: Summary of Findings*, Catalogue No 4430).

47. The poverty rate for people in households where the reference person receives DSP is higher (36% using the 50% poverty line), since that payment is limited to people with severe disabilities and is also income-tested against family income.

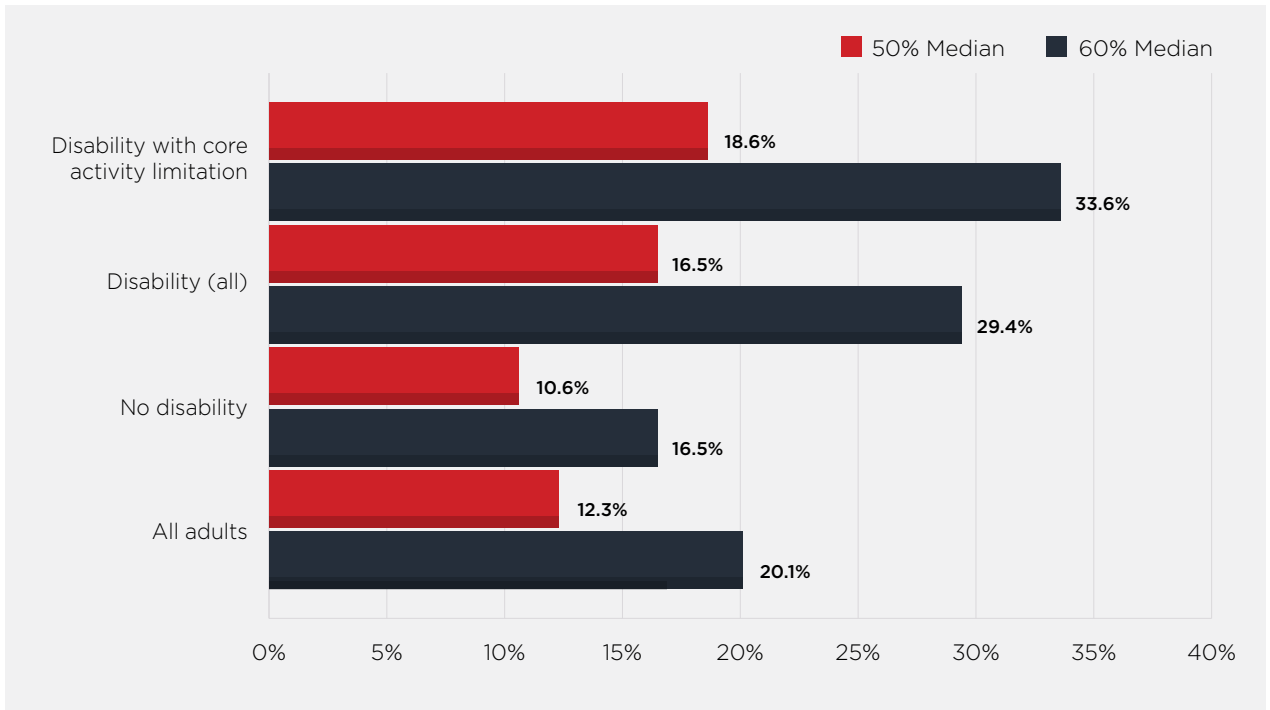
48. Saunders P (2007): 'The costs of disability and the incidence of poverty' *Australian Journal of Social Issues*, Vol. 42, No. 4, pp. 461-80.

49. In 2016, only 53% of people aged 16-54 years with disabilities, compared with 83% of those without a disability, were in the paid workforce (ABS (2017) *op cit*).

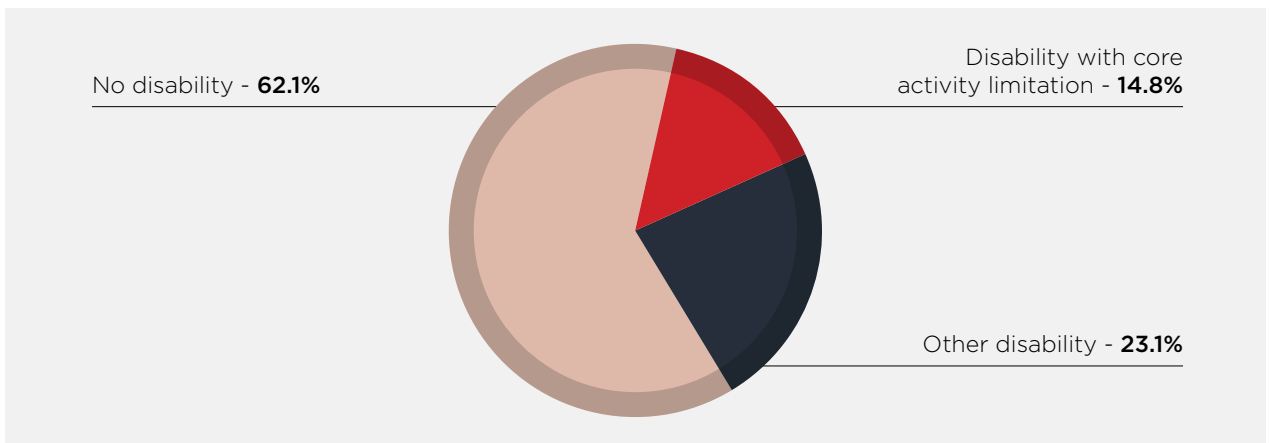
50. In July 2018, 24% of Newstart and Youth Allowance (other) recipients had a 'partial work capacity', that is, a disability that prevented them from working full-time (ACOSS (2018) *op cit*; ACOSS (2014): Submission to the review of Australia's welfare system).

51. ABS (2017) *op cit*

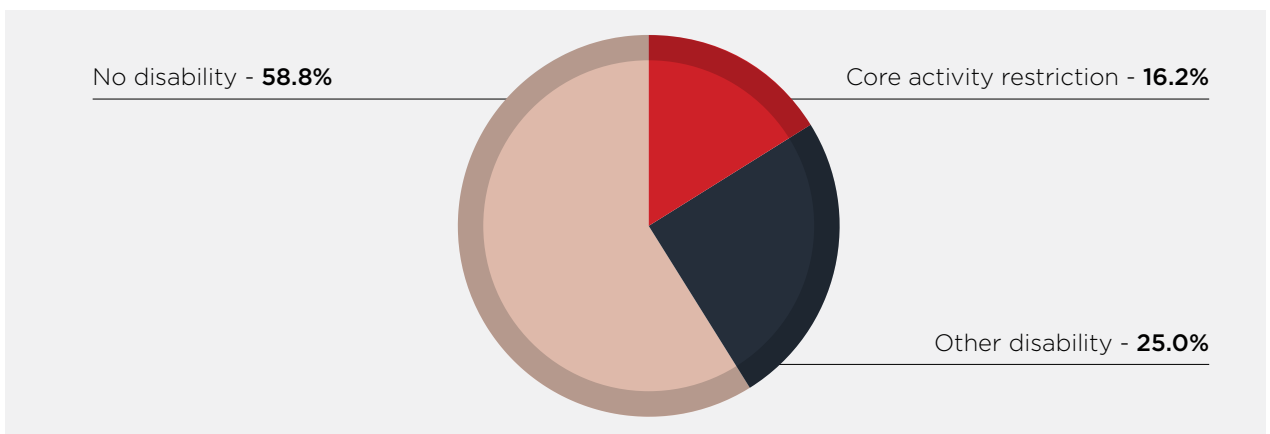
**Figure 20: Rate of poverty among adults with a disability (% of adults)**



**Figure 21: Profile of poverty by disability status (% of adults in poverty)**  
**(a) 50% of median income poverty line**



**(b) 60% of median income poverty line**



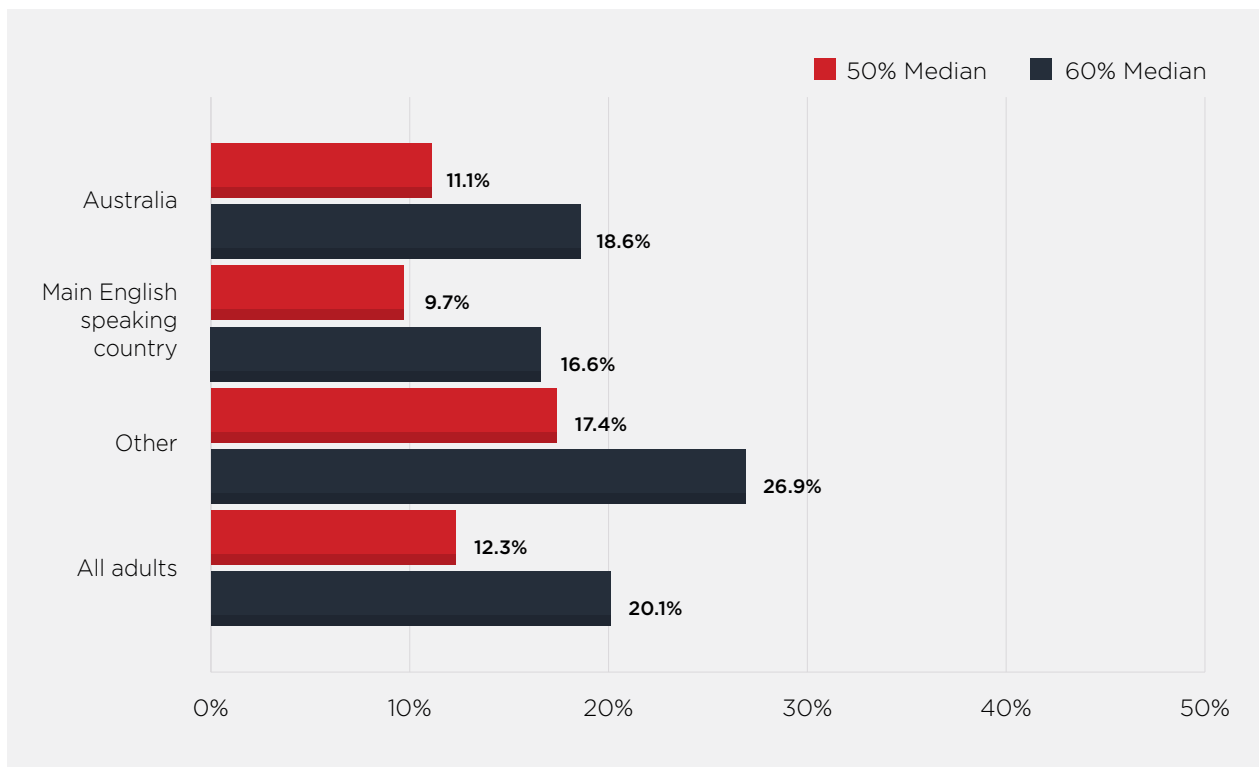
## 2.9 Country of birth

Figure 22 compares poverty rates among adults according to their country of birth. The key distinction here is the much lower poverty rate among migrants born in a major English speaking country (10% and 17% respectively), compared with those born elsewhere (17% and 27% respectively). Poverty rates among people born in Australia are below-average (at 11% and 19% respectively), but above those for migrants born in a major English speaking country.

Lower employment rates among migrants from non-English speaking countries are likely to contribute to their above-average poverty rate. For example, in December 2015, of all new (adult) migrants from North-West Europe, 82% were employed 5-10 years after arrival, compared with 38% of those migrating from North Africa or the Middle East.<sup>52</sup> These differences in employment prospects reflect a range of factors including access to labour market information and access networks, discrimination in employment, and recognised workforce skills.

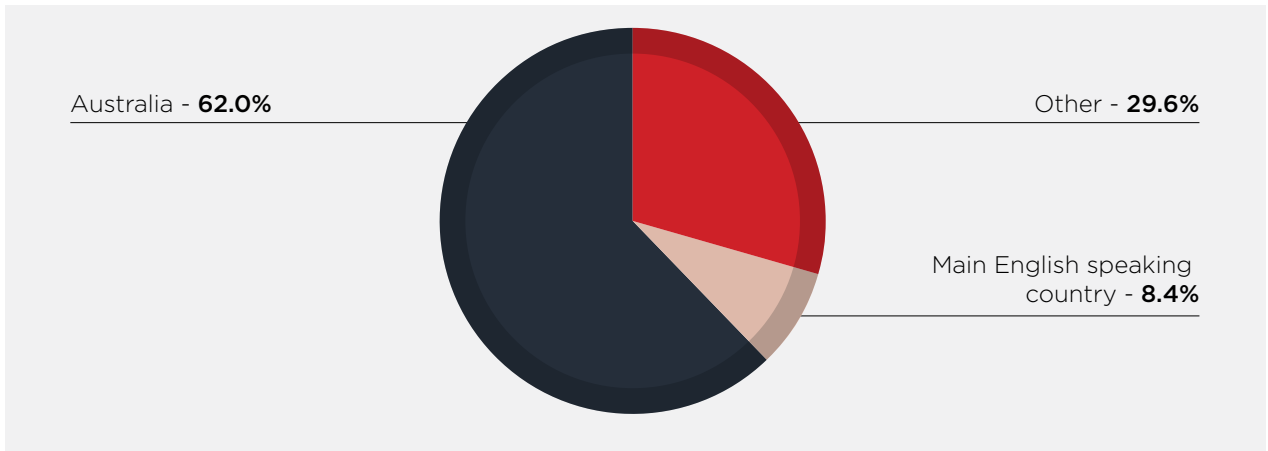
Nevertheless, the majority of adults in poverty were born in Australia (62% and 63% respectively), due to the higher proportion of native-born adults (Figure 23).

**Figure 22: Rate of poverty by country of birth (% of adults)**

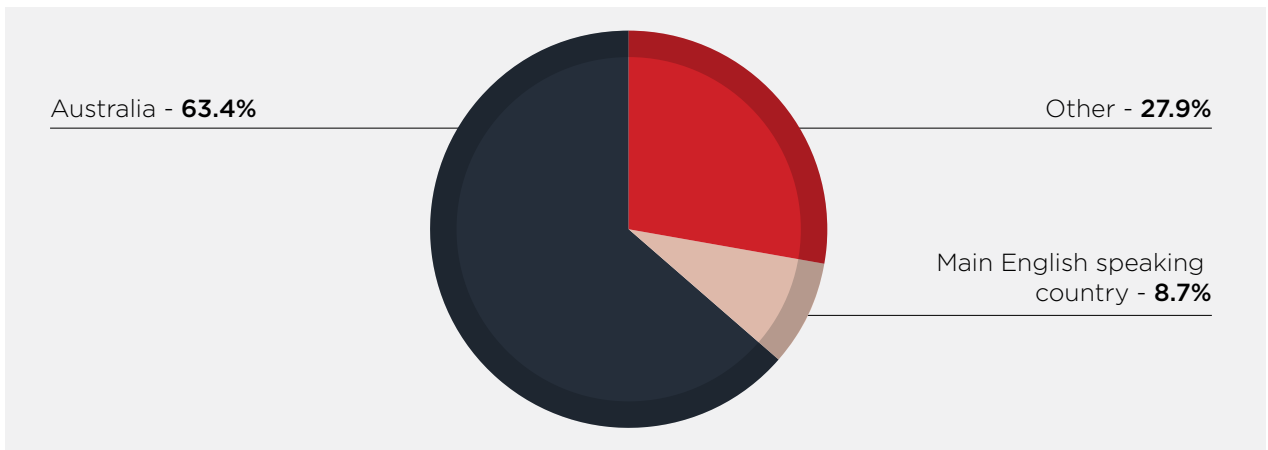


52. ABS (2018): Labour force status by elapsed years since arrival (since 1991) and major country group Catalogue No. 6291.

**Figure 23: Profile of poverty by country of birth (% of adults in poverty)**  
**(a) 50% of median income poverty line**



**(b) 60% of median income poverty line**



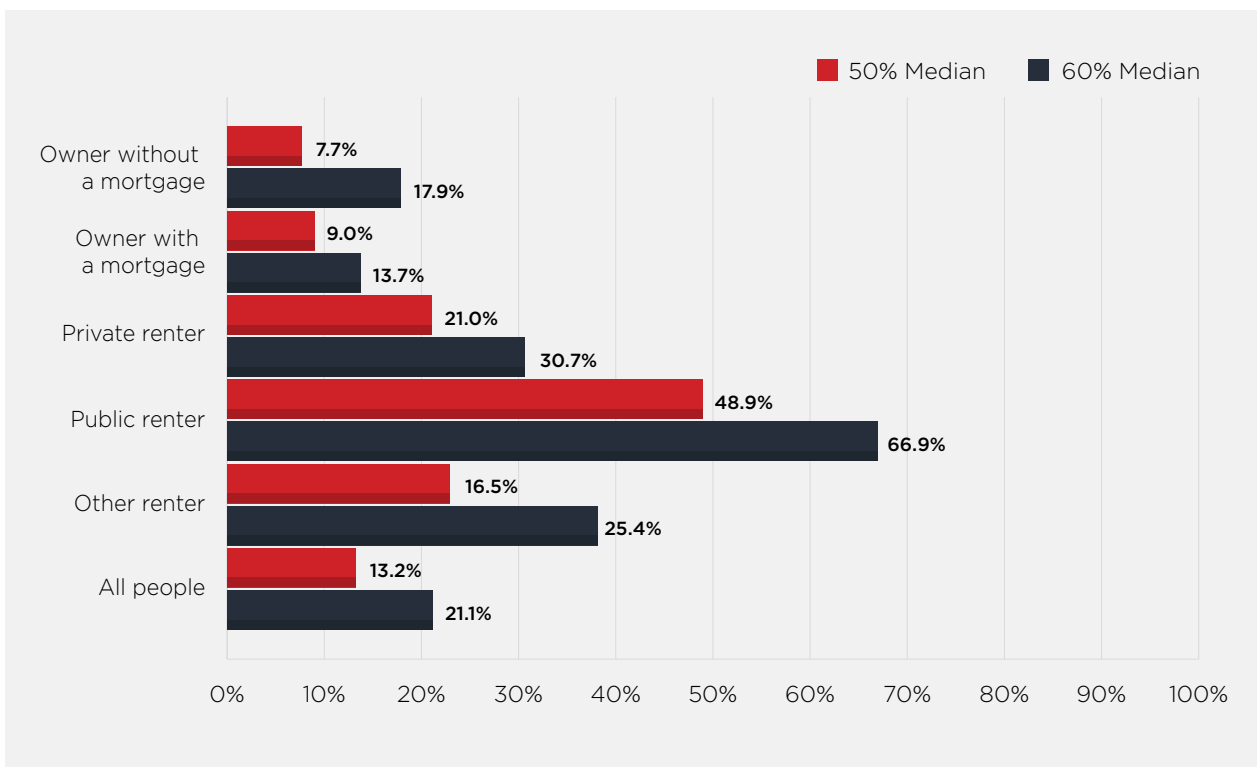
## 2.10 Housing tenure

Housing is the largest fixed cost in most family budgets. Therefore, those with lower housing costs (especially those who own their homes outright) are able to achieve a higher standard of living than those on the same income but with higher housing costs (especially tenants).<sup>53</sup> For this reason we measure poverty after taking housing costs into account.

Figure 24 shows that the risk of poverty is more than twice as great (21% based on the 50% of median income poverty line and 31% using the 60% poverty line) for households renting privately than for home-owners (8% and 18% respectively) or home purchasers (9% and 14%), reflecting the higher cost of private rental housing.<sup>54</sup> Poverty is higher again among those in public or community housing (49% and 67% respectively), due in part to the lower incomes of this group (reflecting the stringent eligibility conditions for priority housing to circumvent lengthy public housing waiting lists).<sup>55</sup>

Figure 25 shows that approximately half (52% and 47% respectively) of all households living below the poverty line were renting. This means that renters were over-represented among households in poverty, since just under one-third of all households (31%) were renting in 2016.<sup>56</sup> Just below half of all households in poverty (44% and 49% respectively) either owned or were buying their homes. This reflects the high share (66%) of home-owning or purchasing households in the community generally.<sup>57</sup>

**Figure 24: Rate of poverty by housing tenure (% of people)**



53. Saunders P & Bedford M (2017): *New Minimum Income for Healthy Living: Budget Standards for Low-Paid and Unemployed Australians*, University of New South Wales, Sydney.

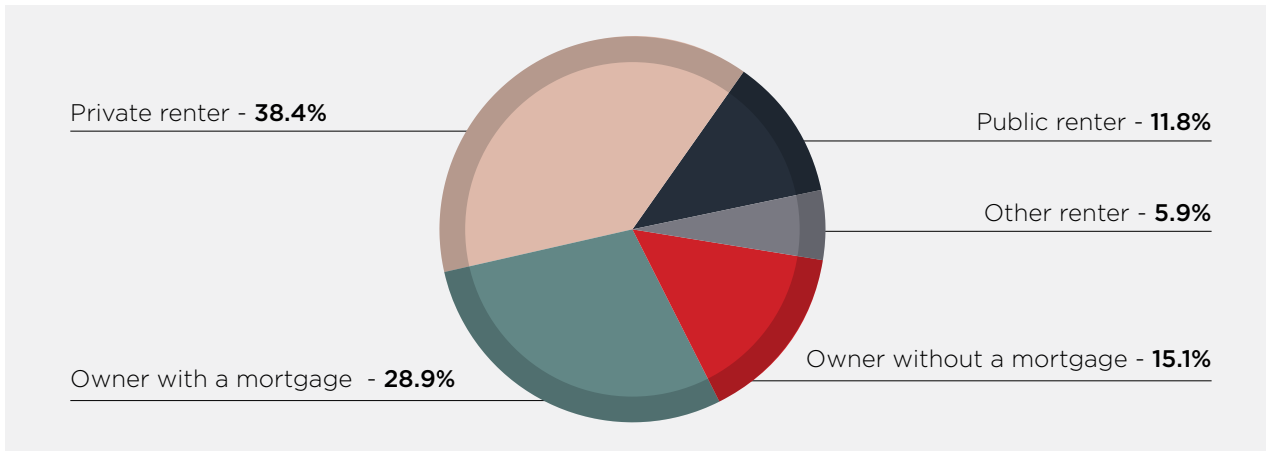
54. The relatively small difference in poverty rates for those with and without a mortgage reflects the lower incomes of retirees (who are more likely to own their homes outright) compared with people of working age (who are more likely to have a mortgage).

55. Groenhart L & Burke T (2014): *Thirty years of public housing supply and consumption: 1981-2011*, AHURI Final Report No.231, Australian Housing and Urban Research Institute, Melbourne.

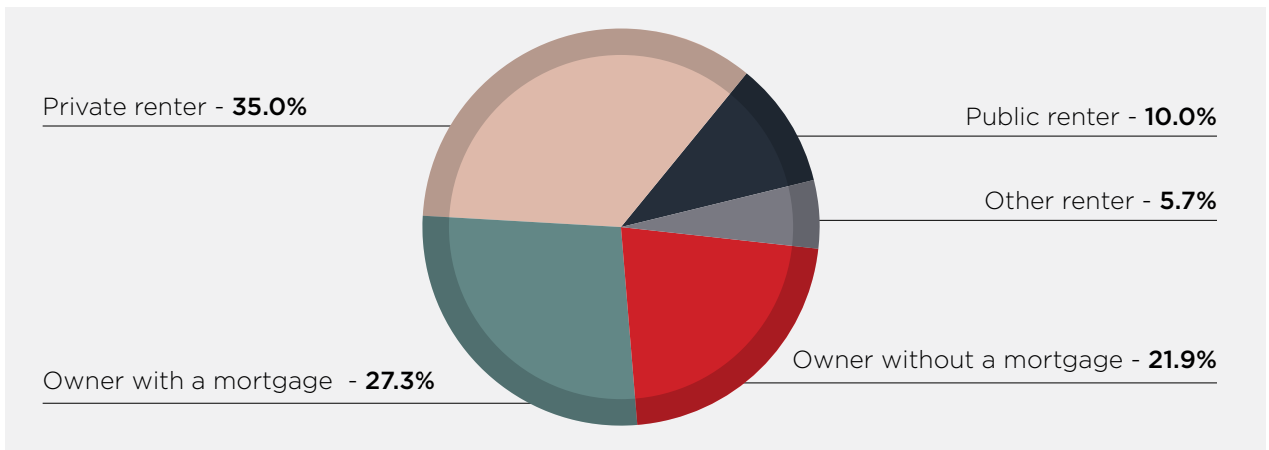
56. ABS (2018): Census 2016 Quick Stats Available: [http://quickstats.censusdata.abs.gov.au/census\\_services/getproduct/census/2016/quickstat/036](http://quickstats.censusdata.abs.gov.au/census_services/getproduct/census/2016/quickstat/036).

57. ABS (2018): op cit.

**Figure 25: Profile of poverty by housing tenure (% of people in poverty)**  
**(a) 50% of median income poverty line**



**(b) 60% of median income poverty line**

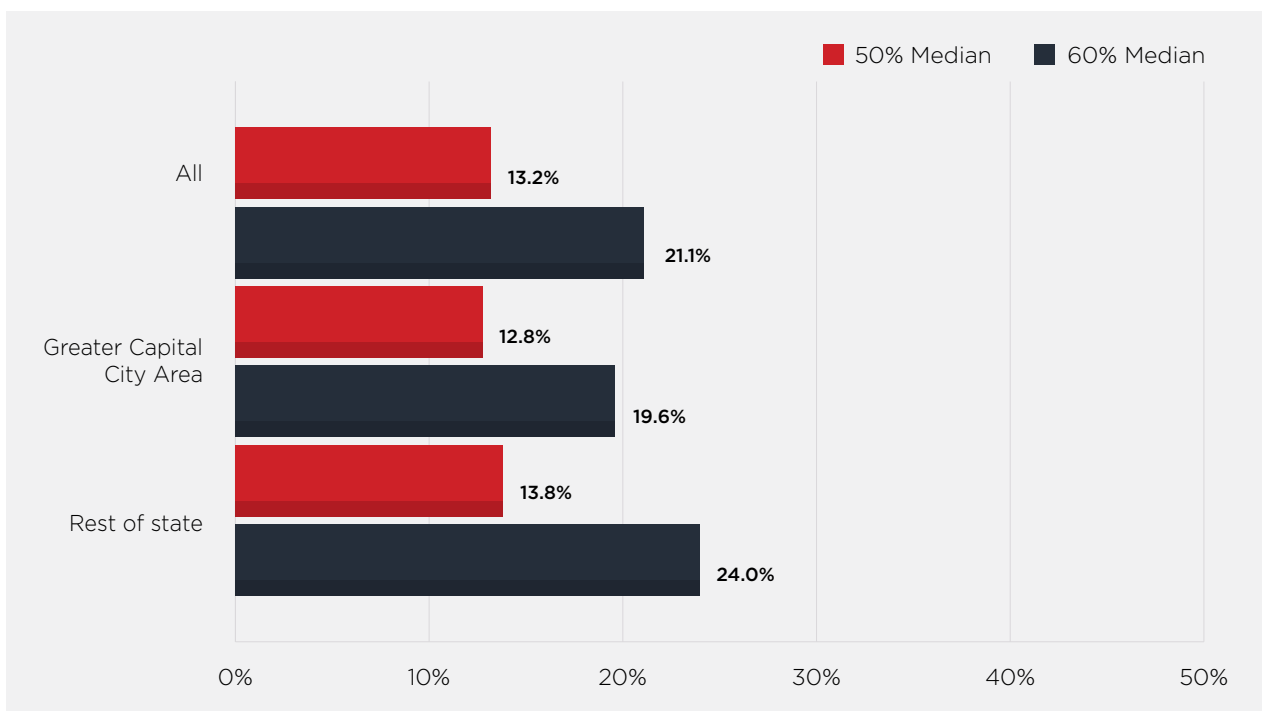


## 2.11 Location

Figure 26 shows that poverty is higher (at 13.8% using the 50% of median income poverty line or 24% using the 60% of median line) among people living outside capital cities than among those who live in them (12.8% and 19.6% respectively).

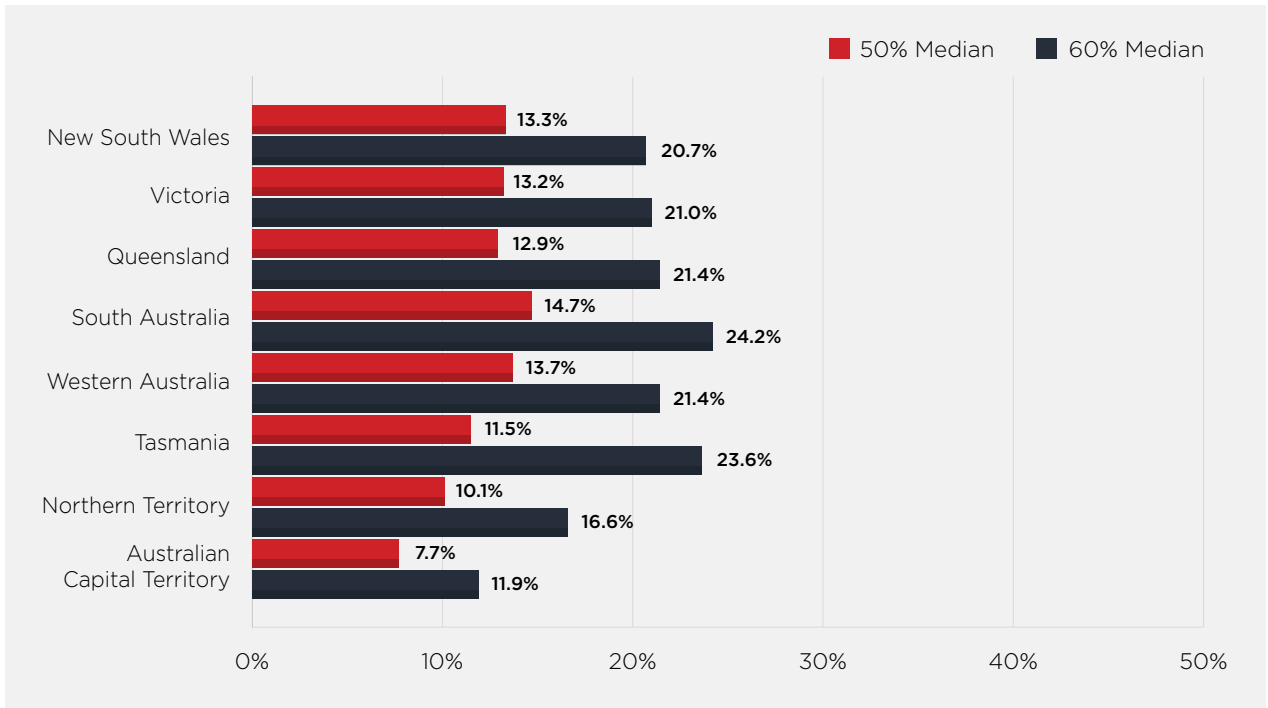
Figure 27 compares poverty rates in the eight States and Territories. People living in South Australia (with poverty rates of 14.7% and 24.2% respectively) and Western Australia (13.7% and 21.4% respectively) face the highest risk of poverty. Those living in the Australian Capital Territory (7.7% and 11.9% respectively) and Northern Territory (10.1% and 16.6% respectively) face the lowest risk of poverty.

**Figure 26: Rate of poverty by location (% of people)**





**Figure 27: Rate of poverty by location (% of people)**



## 2.12 Aboriginal and Torres Strait Islander people

Regrettably, the ABS Survey of Income and Housing does not identify Indigenous status and therefore cannot be used to estimate poverty among Aboriginal and Torres Strait Islander people.

Markham & Biddle (2018) have estimated the rates of poverty in Aboriginal and Torres Strait Islander communities in different parts of the country, using census data.<sup>58</sup> As in our research, they use the 50% of median income poverty line and the OECD equivalence scale, but unlike the present study they measure poverty before housing costs (which usually results in poverty rates that are a few percentage points lower).

Markham & Biddle caution that accurate measurement of poverty in these communities is hampered by non-declaration of income and the complexity of family structures and income-sharing arrangements (which mean that the standard equivalence scales used in poverty research are unlikely to be appropriate). Non-declaration of income is likely to result in under-estimation of poverty in Aboriginal and Torres Strait Islander communities.

Their key results are summarised in Figure 28, which shows that the poverty rate for Aboriginal and Torres Strait Islander people is 31%, while poverty is twice as high in very remote communities (54%) as in major cities (24%).<sup>59</sup>

Low employment rates among Aboriginal and Torres Strait Islander people contribute to their high poverty rates. According to 2016 census figures, 47% of Aboriginal and Torres Strait Islander people aged 15 to 64 years were employed compared with 72% for non-Indigenous people.<sup>60</sup>

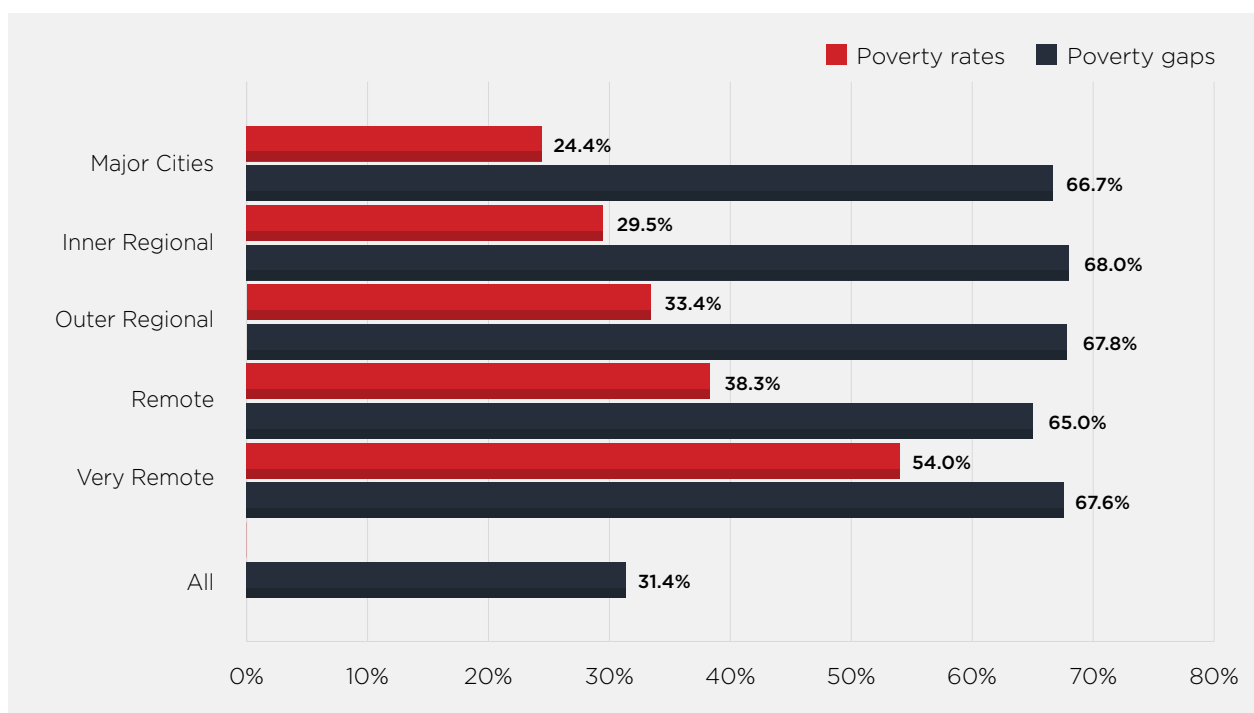
58. Markham F & Biddle N (2018): *Income, poverty and inequality - Census Paper 2*, Centre for Aboriginal Economic Policy Research, Australian National University, Canberra.

59. This is more than three times the poverty rate for all households in 2015-16 (9.1%), when poverty is measured using the 50% of median income poverty line before housing costs and without excluding self-employed households and those with zero and negative incomes, and the ABS Income and Housing survey is the data source.

60. ABS (2017): *Aboriginal and Torres Strait Islander population 2016, Reflecting Australia - Stories from the Census*.

Figure 28 also shows that poverty gaps for Aboriginal and Torres Strait Islander people (in proportion to the poverty line) are consistent across the country, from 67% in major cities to 65% in remote areas.<sup>61</sup> A likely reason for the limited variation among poverty gaps is the role of the social security safety net in sustaining incomes among Aboriginal and Torres Strait Islander people who are out of paid work. For example, while Aboriginal and Torres Strait Islander people comprise 3% of the population, they represent 13% of those receiving Newstart Allowance and Youth Allowance (other) and 15% of Parenting Payment Single recipients.<sup>62</sup> Nevertheless, as indicated previously (Table 7), these payments fall well below the poverty line.

**Figure 28: Poverty rates and gaps among Aboriginal and Torres Strait Islander people, by region, in 2016**



Source: Markham, F., & Biddle, N. (2018). Income, poverty and inequality (2016 Census Paper No. 2). Canberra: Centre for Aboriginal Economic Policy Research, ANU. Retrieved from <http://caepr.cass.anu.edu.au/research/publications/income-poverty-and-inequality>

Note: Poverty rates are before housing costs, using 50% of median income poverty line.

Poverty gaps are expressed as a percentage of the poverty line, and are calculated differently to the poverty gaps in our research.

61. These are approximately double than average poverty gaps for all households in our study, as they are calculated in a different way. They are included here to show the consistency of poverty gaps for Indigenous people across different parts of Australia.

62. Social security data are for March 2018 (from ACOSS (2018) op cit and [www.data.gov.au](http://www.data.gov.au)). Population data are from ABS (2017) op cit.

Photo credit: Mission Australia.  
Representational only.





PART 3: TRENDS

## Part 3: Trends in poverty among different households (1999-2015)

This chapter examines trends in poverty from 1999 to 2015 in more depth, using the 50% of median income poverty line and taking account of housing costs.<sup>63</sup> Trends in poverty rates, and in some cases poverty gaps, are analysed for the following groups: all people by family type and age, people in households relying mainly on income support payments, older people (65 years and over), unemployed people, and sole parent families.

Key influences on rates of poverty and poverty gaps in these population groups are examined, including changes in social security policies. The appendix then examines the effects on poverty rates of trends in median household disposable incomes and housing costs during this period.<sup>64</sup>

63. Though the ABS income surveys collected income data over financial years (as shown in the figures), for convenience we describe these using the first year of the financial year (e.g. 2015 for 2015-16). The method used was discussed in Chapter 1, and in the methodology paper. A significant difference between the poverty estimates in Chapters 2 and 3 is that the trend analysis in Chapter 3 uses lower poverty lines derived from the pre-2007 ABS income measure, as distinct from the more up-to-date 2007-08 income measure used for the static analysis in Chapter 2.

64. Quantifying the impact of each of these factors is beyond the scope of this report. This would require different statistical tools such as multivariate and decomposition analysis.

### 3.1 Trends in poverty by family type and age

Figure 29 compares trends in poverty according to family type and age.<sup>65</sup>

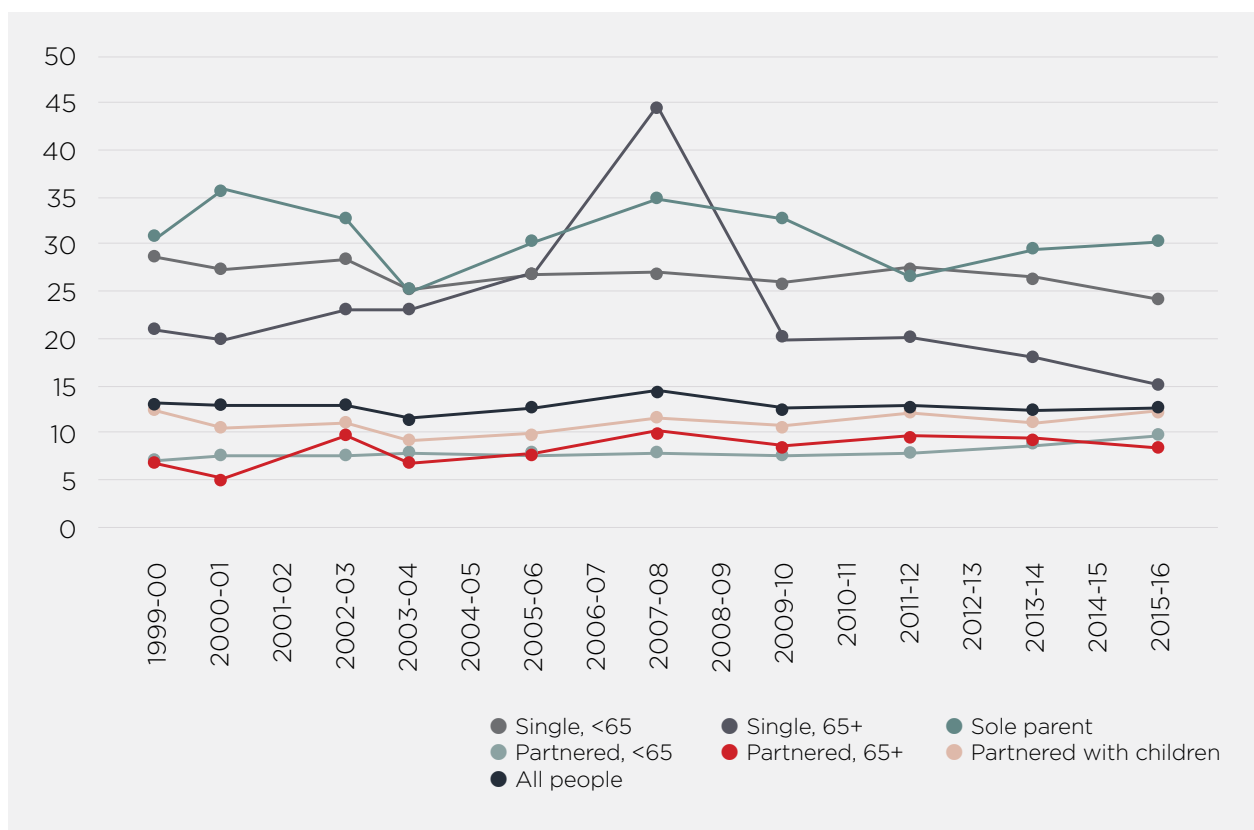
Over the period, poverty rates were consistently higher for single people and sole parents than for partnered families.

Poverty rates for people 65 years and over (especially single people) and sole parents were more variable than for other family types. One explanation for this is social security policy changes affecting those groups, discussed below.

The main shifts over the whole period are a decline in poverty among single people aged 65 years and over, and a rise in poverty among partnered people (from a relatively low base), irrespective of age.

Poverty rates for single people (the top three lines) also fluctuated considerably more than for partnered people (lower three lines), especially for single people aged 65 years and over. In addition to social security policy changes, this reflects the closeness of single pension rates to the 50% of median income poverty line.

**Figure 29: Trends in poverty rates by family type and age (1999-2015) (50% median income poverty, after-housing costs - % of all people )**



65. For the purpose of categorising families by type (e.g. sole-parent), a 'dependent child' is defined as one that is up to age 24 years old, if a fulltime student. For the analysis of trends in child poverty in Chapter 1, a child is defined as a person aged less than 15 years.

### 3.2 Trends in poverty among income support households

We now turn to trends in poverty among income support households, that is, households in which at least one member receives a substantial income support payment (an income-tested payment for adults such as Newstart Allowance or the Age Pension, as distinct from a supplementary payment such as Family Tax Benefit).<sup>66</sup> Since income support payments are income-tested, most of these households have low incomes by definition.<sup>67</sup>

We focus on these households due the elevated risk of poverty among households who rely mainly on social security for their income, and to better understand the influence of social security policies on poverty rates.<sup>68</sup>

#### Poverty rates

Figure 30 compares poverty rates among income support households according to the main income support payment received.

Average poverty rates for those receiving Newstart Allowance and a Parenting Payment were consistently above the average for all income support households. Those receiving the Age Pension had consistently below-average poverty rates. These differences have widened since the GFC in 2007-08.

Poverty in income support households relying mainly on Newstart Allowance declined from 61% in 1999 to 48% in 2003, and then rose strongly (in sawtooth fashion) to 78% in 2015.

Among income support households relying on most pension payments (Age Pension, Disability Support Pension and Carer Payment), poverty rose during the boom period from 2003 to 2007, declined sharply from 2007 to 2009, and since then has continued to fall. For example, the poverty rate in income support households relying on the Age Pension fell slightly from 17% in 1999 to 16% in 2003, rose sharply to 27% in 2007, fell sharply to 15% in 2009, and then fell more gradually to 13% in 2015. The reasons for this are discussed in the next section dealing with people aged 65 and over.<sup>69</sup>

For households relying on a Parenting Payment, the trend was similar to that for the pension payments up until 2007, and different afterwards.<sup>70</sup> Poverty also declined in the early 2000s (from 54% in 1999 to 46% in 2003) and rose during the boom to 57% in 2007. However, there was no decline in 2009, and it rose over the last two years to 59% in 2015. These trends are analysed further in the section below dealing with sole parent families.

As shown in Figure 30, the net effect of these changes is for a 'fanning out' in the pattern of social security poverty rates over the period between recipients of different payments, particularly since 2007-08.

66. Income support households are formally defined here as households in which social security is the main source of income and social security payments exceed \$180 per week (in constant 2015-16 dollars). This generally means that at least one household member receives a substantial income support payment.

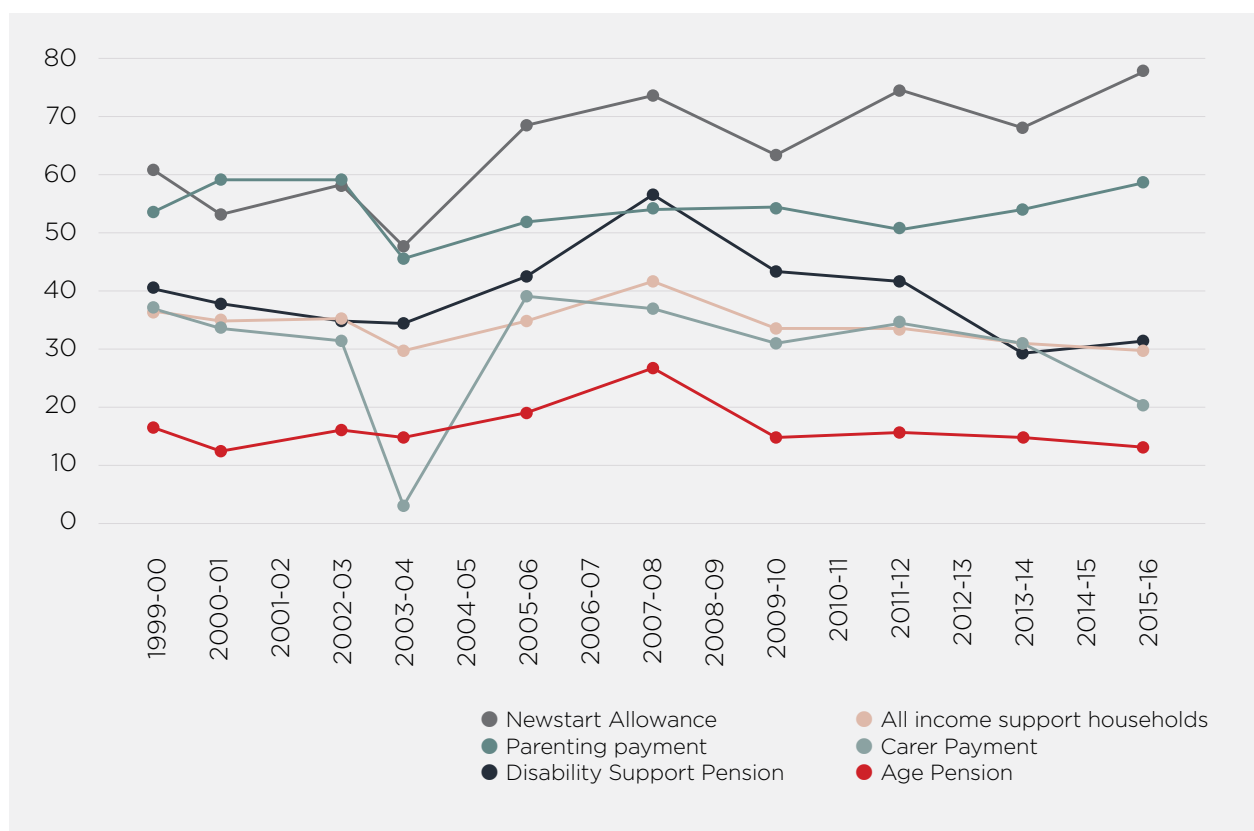
67. Wilkins R (2016): *11th Annual Statistical Report of the HILDA Survey*.

68. As indicated in Tables 2 and 3, in 2015 35% of households who rely mainly on social security are in poverty and 53% of all households in poverty have social security as their main income source.

69. The volatility in poverty rates in households relying on Carer Payment between 2002 and 2005 may reflect the small sample size for this group in the early years, which grew from 23 in 1999 to 145 in 2005-06, and then rose sharply to 614 in 2015. The sample size from the next-smallest group, households reliant on Newstart Allowance, rose from 414 to 873 over the period.

70. Note that Parenting Payment includes a pension component for sole parents (Parenting Payment Single) and a lower Allowance payment for partnered parents (Parenting Payment Partnered).

**Figure 30: Trends in poverty rates among people in income support households, by payment (50% median income poverty, after housing costs)**



## Poverty gaps

Figures 31 and 32 show trends in poverty gaps for income support households, the first expressed as a percentage of the poverty line and the second in constant 2015 dollars per week, adjusted for household size.<sup>71</sup>

Poverty gaps for households reliant on Newstart Allowance rose in several increments over the period, from 33% (\$81 per week) in 1999 to 41% (\$136 per week) in 2015. The reasons for this are discussed in the section below dealing with poverty among unemployed people.

Poverty gaps for households reliant on the Age Pension and Disability Support Pension moved in a narrower (and lower) band, with the former rising from 21% (\$52 a week) in 1999 to 23% (\$77) in 2016, and the latter falling from 24% (\$59) to 22% (\$77) over the period.

Poverty gaps for households reliant on a Parenting Payment fell from 28% (\$70 a week) in 1999 to 22% (\$67) in 2005, then rose to 31% (\$104) in 2015.

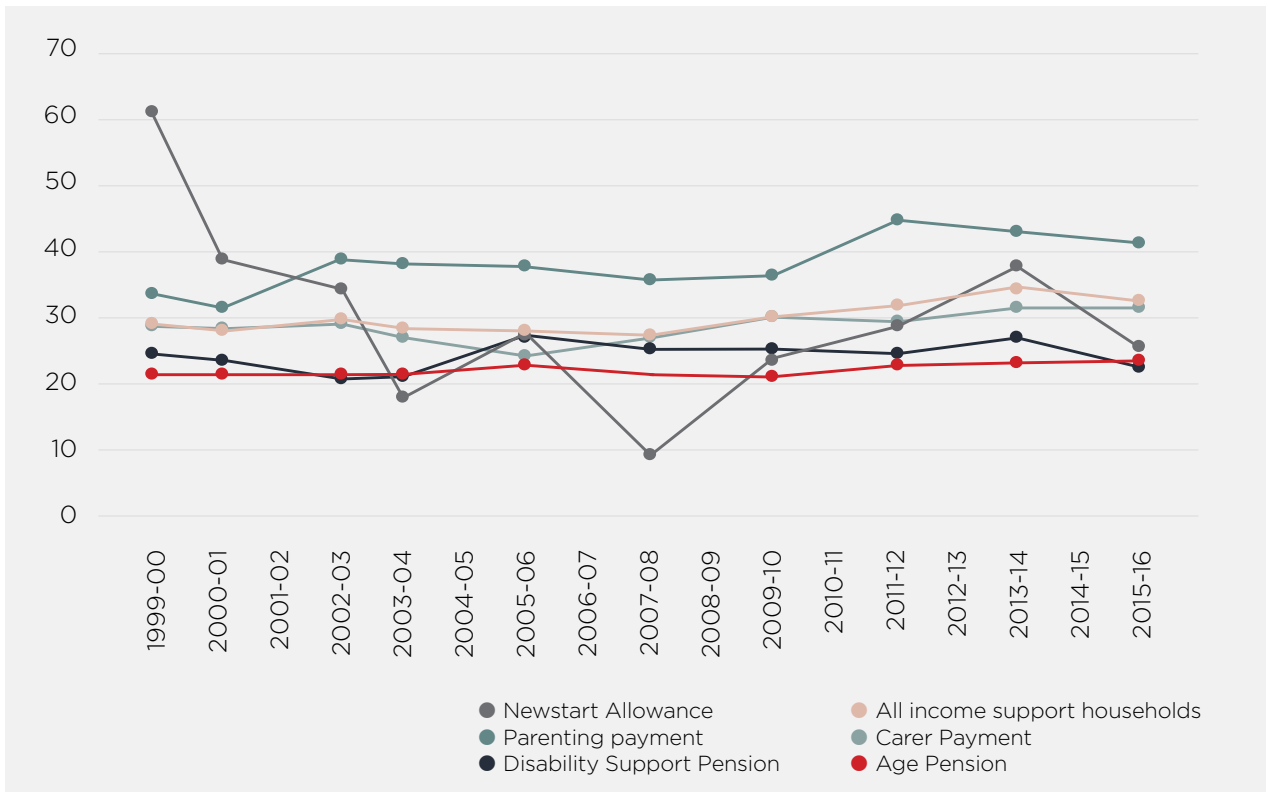
Poverty gaps for households reliant on Carer Payment were more volatile over the period, falling from 60% (\$148 per week) in 1999 to 9% (\$28) in 2003, then rising to 25% (\$94) in 2015.<sup>72</sup>

71. This adjustment (equivalisation) makes no difference to the dollar values for single person households but reduces them for larger families. Poverty gaps are measured differently in this Chapter to Chapter 2 (poverty in 2015-16). In this Chapter, they are measured on a 'per-household in poverty' basis and expressed in equivalised 2015-16 dollars. In Chapter 2, they are measured on a 'per-person in poverty' basis and expressed in actual 2015-16 dollars. Further, this Chapter uses the pre-2007 ABS income definition, while Chapter 2 uses the more up-to-date 2007 ABS income measure. Consequently, the poverty gaps in this Chapter are generally smaller than those in Chapter 2. For example, the poverty gap for Age Pensioners living under the poverty line in Chapter 2, Table 6 is \$112 per week whereas in Figure 31 it is \$77 per week.

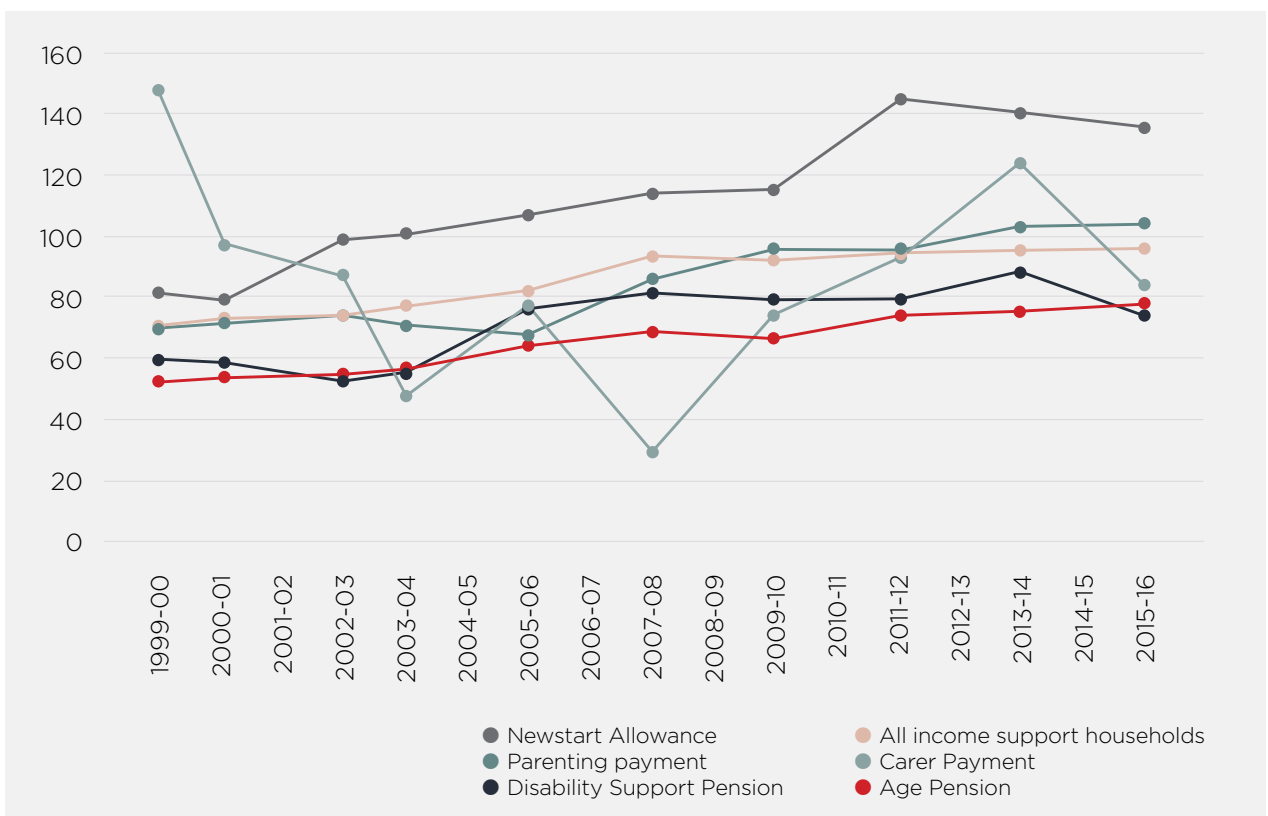
72. As indicated, small sample sizes for Carer Payment raise questions over the accuracy of the estimates for the first half of the period.



**Figure 31: Average poverty gaps among people in income support households (as a % of 50% median income poverty line, after housing costs)**



**Figure 32: Average poverty gaps among people in income support households (\$2015-16 per week, based on 50% median income poverty line, after housing costs)**



## Impact of social security policies

As discussed in Chapter 2, one reason for above-average poverty rates among income support households is that maximum rates of social security payments (for those with little or no private income) often fall below the poverty line. Increases in poverty rates and gaps for people reliant on payments other than pensions are also associated with inadequate indexation arrangements for these payments.

Pension payments such as the Age Pension, Disability Support Pension and Carer Pension are indexed either to the CPI or other inflator for living costs for social security recipients, or to average wages (whichever gives the highest result). In contrast, allowances (including Newstart and Youth Allowance) and Family Tax Benefits are currently only indexed to CPI movements. This makes a major difference over a period of a decade or more, if real wages are rising.

Newstart Allowance has not appreciably increased in real terms (above the CPI) since 1994.<sup>73</sup> This means that unemployed Australians have not shared in increases in living standards received by the rest of the community for almost 25 years.

Since poverty is generally measured relative to community living standards (median household income in this study), limiting the indexation of payments to CPI movements is likely to increase poverty over time, provided wages rise faster than the CPI, as they usually do.<sup>74</sup>

Further, Rent Assistance for low-income private tenants is indexed to the CPI rather than to growth in rents, which has been much faster over the period.

Figure 33 compares the single maximum rate of Newstart Allowance and pension payments with wages (average weekly ordinary full-time earnings and the median full-time wage). This shows that the gap between the Newstart Allowance and single pension rates (as well as average and median wages) has grown over time.

In addition to these different indexation arrangements, four major social security policy changes since 2005 have had a substantial impact on payment levels for certain groups:

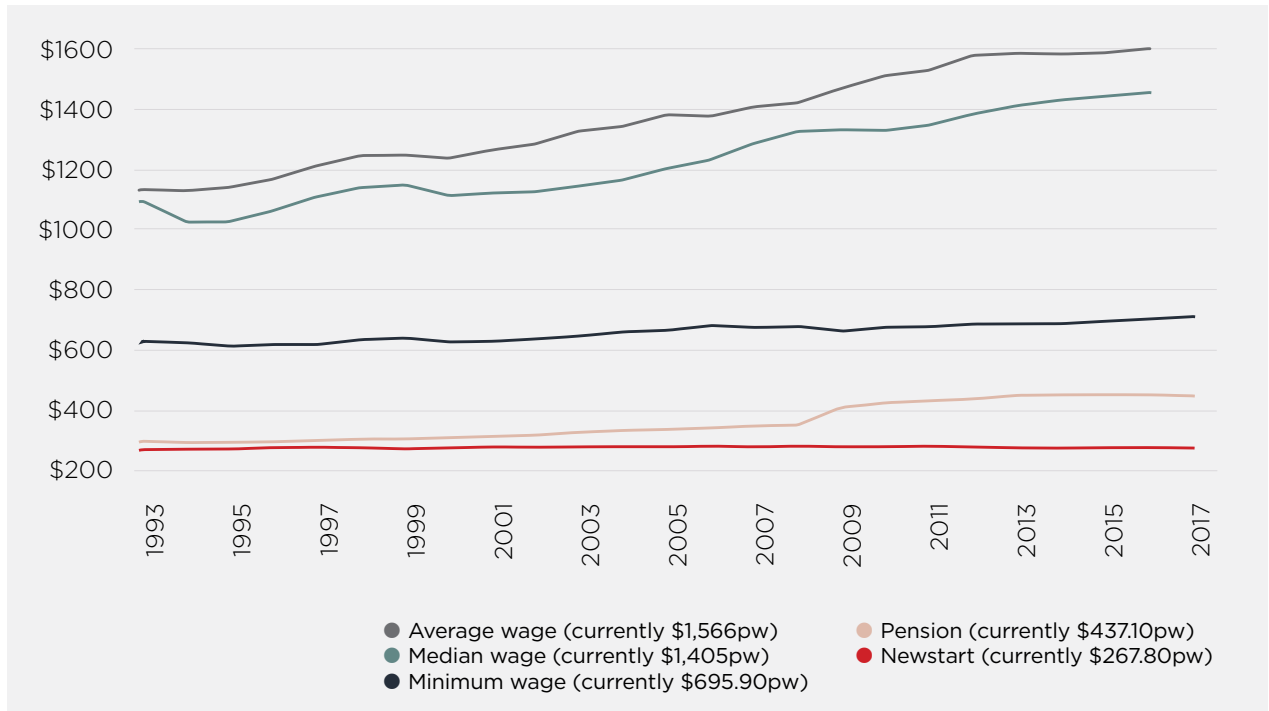
- First, in 2009 pension payments (other than the Parenting Payment Single payment for sole parents), were raised for single people by \$32 a week, following the Pension Review.<sup>75</sup> This helps explain the reduction in poverty rates for households reliant on the Age Pension and Disability Support Pension in that year in Figure 30, and its impact is discussed further below.
- Second, an earlier trend for substantial increases (above inflation) in FTB for low-income families (including the introduction of annual FTB supplements in 2003) was reversed. In 2009, the link between FTB for low-income families and Age Pension rates was removed, so that family payments were no longer indexed to wage movements. As with allowance payments, they were subsequently indexed to CPI only. All things equal, this can be expected to increase child poverty over time (provided wages and median household incomes grow faster than the CPI). Subsequently, in 2014 the maximum rate of Family Tax Benefits for low-income families was frozen in nominal terms for three years.

73. There were three exceptions: the GST compensation payment introduced in 2000 (which compensated for price rises from the Goods and Services Tax), the Income Support Bonus in 2011 (since abolished), and the Energy Supplement in March 2013 (to compensate for the 'carbon price' regime introduced in that year, which was discontinued). Only the Energy Supplement led to a significant and sustained (though still small) improvement in living standards, and this has since been frozen in nominal terms.

74. The post-GFC period since 2007-08 is an exception during which wages have barely risen above the CPI (The Treasury 2017, Analysis of wage growth, Canberra). This has reduced growth in median incomes and poverty lines, as discussed in the appendix.

75. Harmer J (2008): *Pension review report*, Department of Families, Housing, Community Services and Indigenous Affairs, Canberra.

**Figure 33: Trends in social security payments compared with wages (\$2017 per week)**



- Third, from 2006, progressive tightening of eligibility requirements for Parenting Payment Single diverted many sole parents from pension payments to the lower Newstart and Youth Allowance.<sup>76</sup> Sole parents who were new claimants for income support after 2006, could no longer receive Parenting Payment Single if their youngest child was 8 years old or more. This affected approximately 20,000 sole parents each year. In 2009, Parenting Payment Single was excluded from the abovementioned pension increase. Then in 2013, approximately 80,000 sole parents whose youngest child was over 8 years old, but who still received Parenting Payment Single (because they received that payment before 2006) were transferred to Newstart or Youth Allowance.<sup>77</sup>
- Fourth, from 2006 many people with disabilities were also diverted from a pension payment (the Disability Support Pension) to the lower Newstart and Youth Allowances.<sup>78</sup> From 2006, approximately 20,000 new claimants with disabilities assessed as able to undertake part-time paid work were diverted each year to allowance payments.<sup>79</sup> Then from 2012, eligibility requirements for Disability Support Pension were further tightened. These changes were associated with a decline in new entries to Disability Support Pension from approximately 85,000 in 2011 to 50,000 in 2013.<sup>80</sup>

76. Department of Education, Employment and Workplace Relations (2009): *Welfare to Work evaluation*, Canberra.

77. Phillips B (2015): *Single Parents - Analysis of Recent Trends and Future Prospects*, National Centre for Social and Economic Modelling, University of Canberra, September 2015.

78. Unfortunately, a lack of consistent trend data on the incomes of households containing people with disabilities (before 2009) in the ABS Income and Housing surveys makes it more difficult to assess the impact of these policies and other factors on poverty among people with disabilities.

79. Department of Education, Employment and Workplace Relations (2009) *op cit*.

80. Australian National Audit Office (2016): *Qualifying for the Disability Support Pension*, ANAO Report No.18 2015-16, Canberra.

### 3.3 Trends in poverty among older people

Until 2015, single people 65 years of age or over had significantly higher poverty rates than the wider community, while poverty rates for older couples have been consistently lower (Figure 34). Poverty rates for older people in income support households (mainly Age Pension recipients) were slightly higher than those for older single and partnered people generally and followed similar trajectories. This is consistent with the high incidence of pension receipt (77% in 2008) among people aged 65 years and over.<sup>81</sup>

A striking feature of Figure 34 is the markedly different trend in poverty among older single people and couples between 2005 and 2009. While the poverty rate for older couples was relatively stable during this period (declining from 9.2% in 2005 to 8.4% in 2009), poverty rates among single older people were more volatile. Poverty rose from 27% in 2005 to 45% in 2007, then fell to 18% in 2009 - 9 percentage points below its 2005 level. The poverty rate among single older people in income support households also fell overall by 9 percentage points, from 27% in 2005 to 18% in 2009.

The increase in poverty among single older people from 2005 to 2007 was consistent with the strong growth in median household incomes, and in their housing costs during that period.<sup>82</sup>

The even sharper reduction in poverty among older single people from 2007 to 2009 was consistent with the substantial (\$32 per week after accounting for inflation) increase in the single pension rate in 2009, which did not extend to couples.

If we compare before-housing poverty rates for older single people over this four-year period, the impact of the pension increase is clearer, since it is no longer confounded by variations in housing costs (both for people in poverty and the median household).

Before-housing poverty rates for older single women rose from 49% in 2005 to 58% in 2007, then fell to 39% in 2009 - an overall reduction of 10 percentage points. For older single men, it rose from 44% to 51% then fell to 39%, an overall reduction of 5 percentage points. The overall average reduction in poverty among single older people measured on a before-housing basis was similar to the 9 percentage-point reduction after-housing costs were taken into account.

The other striking feature of Figure 34 was the relatively high poverty rates among the minority of older people (6% in 2015) that rent their housing (which is evident once housing costs are taken into account). Clearly, the older people most at risk of poverty are those renting their homes.<sup>83</sup>

After-housing poverty rates among older people in public housing (comprising 4% of people aged 65 years and over in 2015) rose from 49% in 1999 to 80% in 2007, and then declined to 33% in 2015. Despite the lower rents in public housing (which are typically tied to income), public tenants have a relatively disadvantaged profile and their private incomes are likely to be lower than those of other older people.<sup>84</sup>

81. Harmer J (2008) *op cit*.

82. The influence of these two factors on poverty rates is discussed in the appendix.

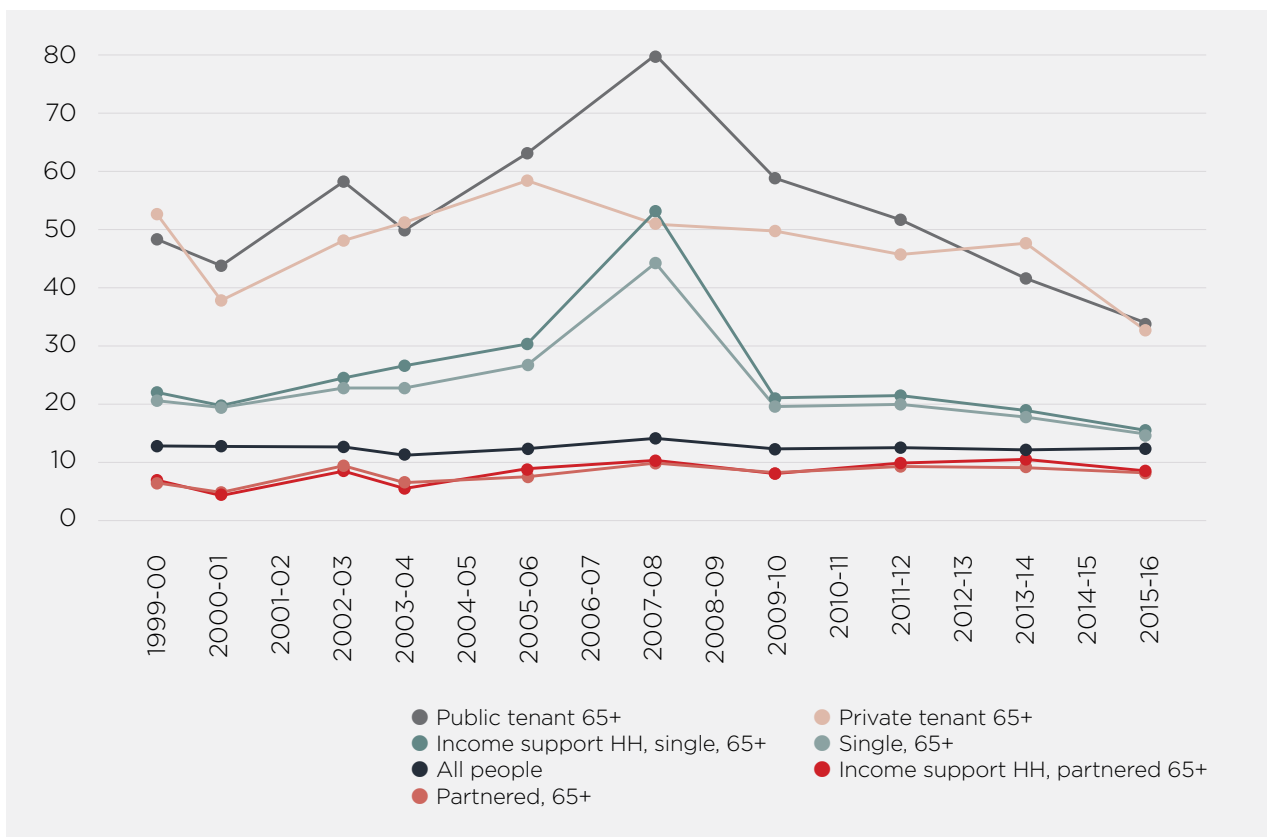
83. This was acknowledged in the Pension Review report (Harmer 2008, *op cit*), although that report recommended a general rise in the maximum single pension rate.

84. Groenhart L & Burke T (2014) *op cit*.

After-housing poverty rates among private tenants aged 65 years and over rose from 53% in 1999 to 59% in 2007, then fell to 33% in 2015 (close to the poverty rate for public tenants in that year). The high after-housing poverty rates among older private tenants reflect their higher housing costs compared with older home-owners, and relative to the overall median.

The volatility of the poverty rate for single older people is due in part to the close proximity between the single pension rate and the 50% of median income poverty line before housing costs are taken into account, especially after the pension increase in 2009 (Figure 35). This means that short-term changes in pension rates relative to median incomes can shift large numbers of pension recipients from one side of the poverty line to the other.<sup>85</sup>

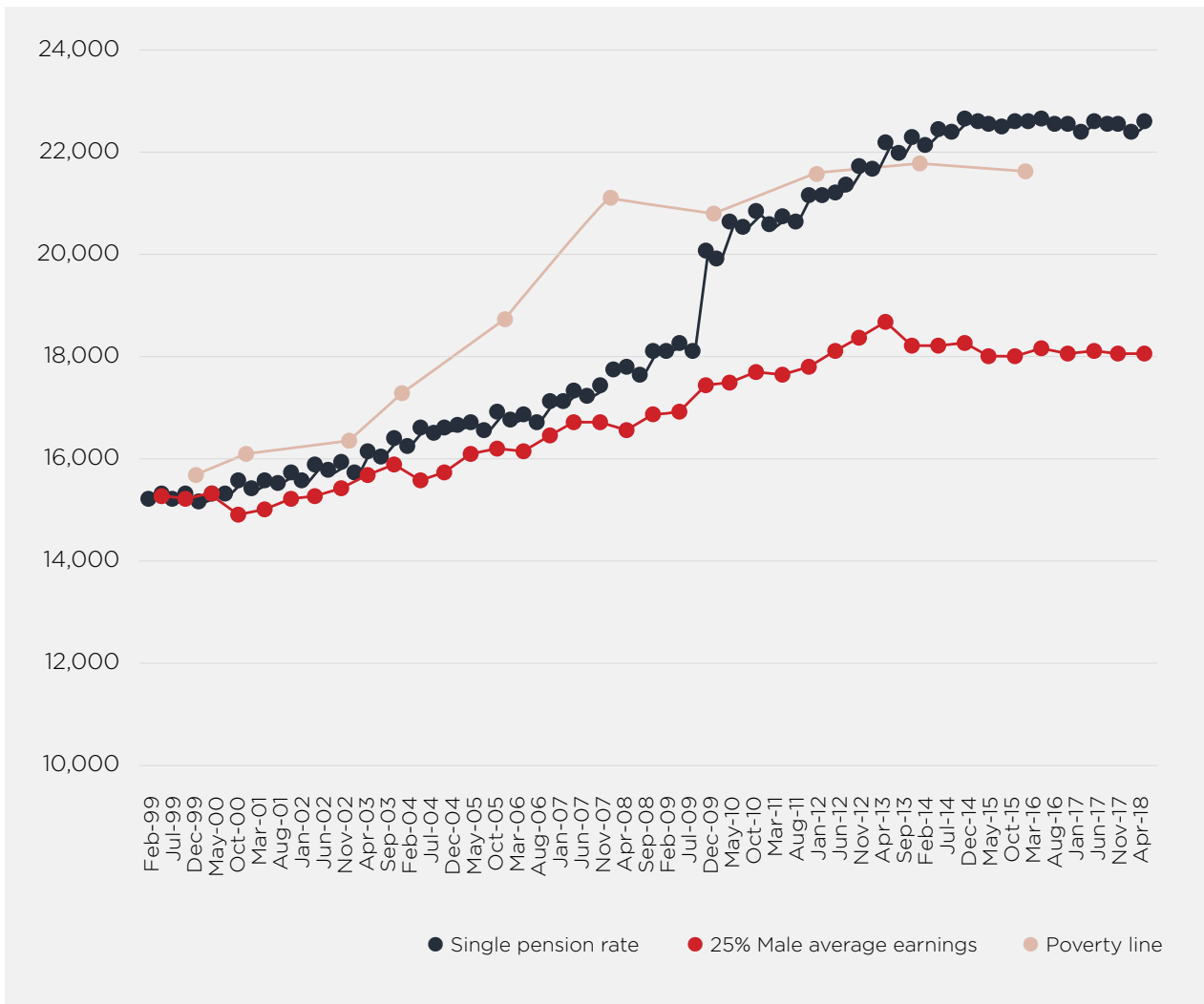
**Figure 34: Trends in poverty among older people, by family type and housing status (50% median income poverty, after housing costs)**



Note: 'Income support HH' refers to income support households. 'All people' refers to the entire population.

85. We noted this previously when discussing poverty rates among people aged 65 years and over in 2015-16. Since our poverty estimates for that year are based on a more up-to-date and broader ABS income measure (which results in a higher poverty line), the single pension rate 'crossed over' the 50% of median income poverty line during 2015-16 (Table 7, based on poverty lines before housing costs). In the trend analysis, the poverty line is lower (reflecting a narrower income measure). Consequently, the single pension rate crosses over the poverty line sooner, during 2012.

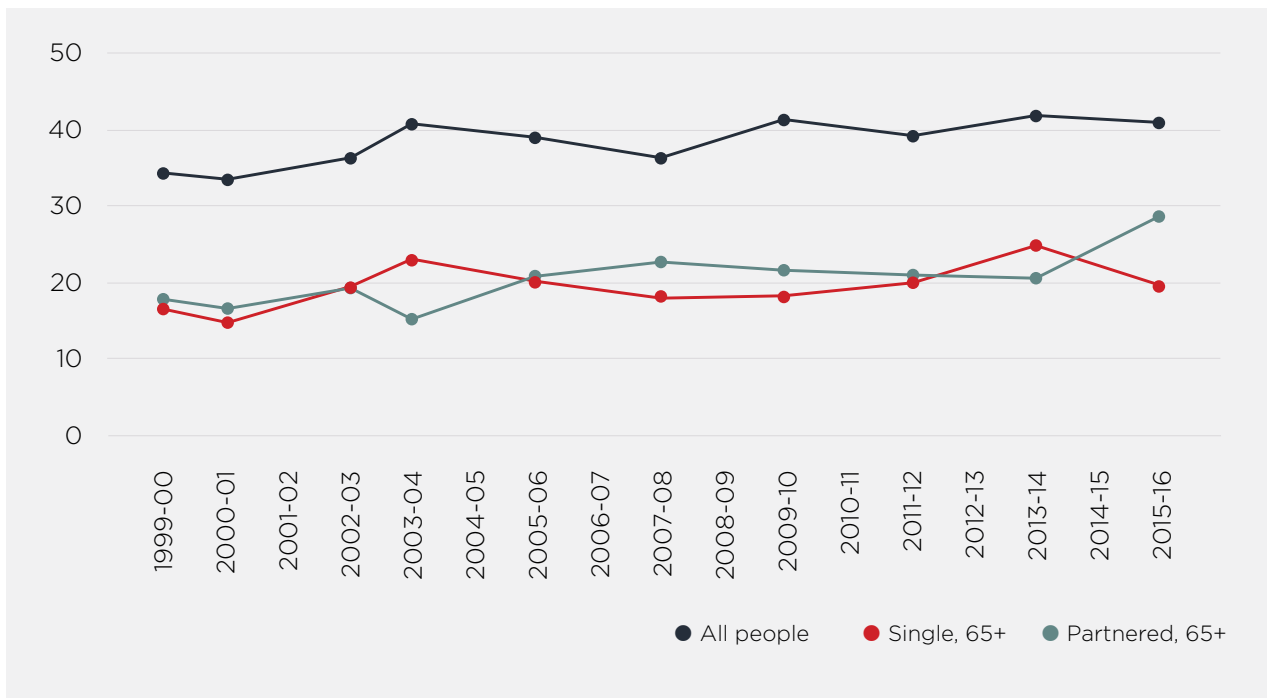
**Figure 35: Single pension rate compared with average male earnings and poverty line (50% median income before housing costs - \$2015-16 per year)**



Note: The single pension rate is benchmarked to male total average weekly earnings, and the benchmark percentage was lifted in 2009. Since the pension rate increases every six months in accordance with the wage benchmark and two measures of inflation (whichever is greater), it did not decline after 2012 along with male total average weekly earnings, but continued to increase in line with the inflation measures.

Figure 36 shows that average poverty gaps among people aged 65 years and over in income support households were much lower than those across the whole population over the period. This is consistent with the close proximity of pension payments to the poverty line from the outset. Nevertheless, the poverty gap for older couples in income support households rose substantially over the period, from 18% of the after-housing poverty line in 2003 to a peak of 29% in 2015. Increases in their housing costs is likely to have contributed to this outcome.<sup>86</sup>

**Figure 36: Average poverty gaps among older people, compared with those for all people (% of 50% of median income poverty line, after housing costs)**



Note: 'All households' refers to the entire population. This should be interpreted in conjunction with poverty rates for the two groups. Figure 34 shows that the poverty rate among older people was consistently higher than that of the entire population.

86. Average housing costs for income support households relying on the Age Pension rose (after accounting for inflation) from \$32 per week in 1999 to \$55 in 2015 (see Appendix).

### 3.4 Trends in poverty among people who are unemployed

Figure 37 shows that poverty among unemployed people was consistently higher than the population-wide poverty rate from 1999 to 2015.

The poverty rate among unemployed single people was particularly high, at 90% at both the start and end of the period. This reflects the levels of Newstart and Youth Allowance for single people which, as indicated earlier, were well below the before-housing poverty line. High housing costs are also important. Consequently, few unemployed people are able to afford to live alone, with the fraction living alone falling from 12 to 9 per cent over the period.

Newstart Allowance recipients in general also had elevated poverty rates, albeit lower than those for single unemployed people. The main differences between these two populations were family status (for example, Newstart recipients include those who were partnered), and employment status (since as discussed, approximately one in five Newstart recipients had part-time employment).

There was a marked increase in poverty among Newstart Allowance recipients, from an already high level of 61% in 1999 to 78% in 2015.<sup>87</sup> The lack of increases in this payment above inflation contributed to this rise in poverty, along with growth in recipients' average housing costs (from \$75 per week to \$136 per week in constant 2015 equivalised values).<sup>88</sup>

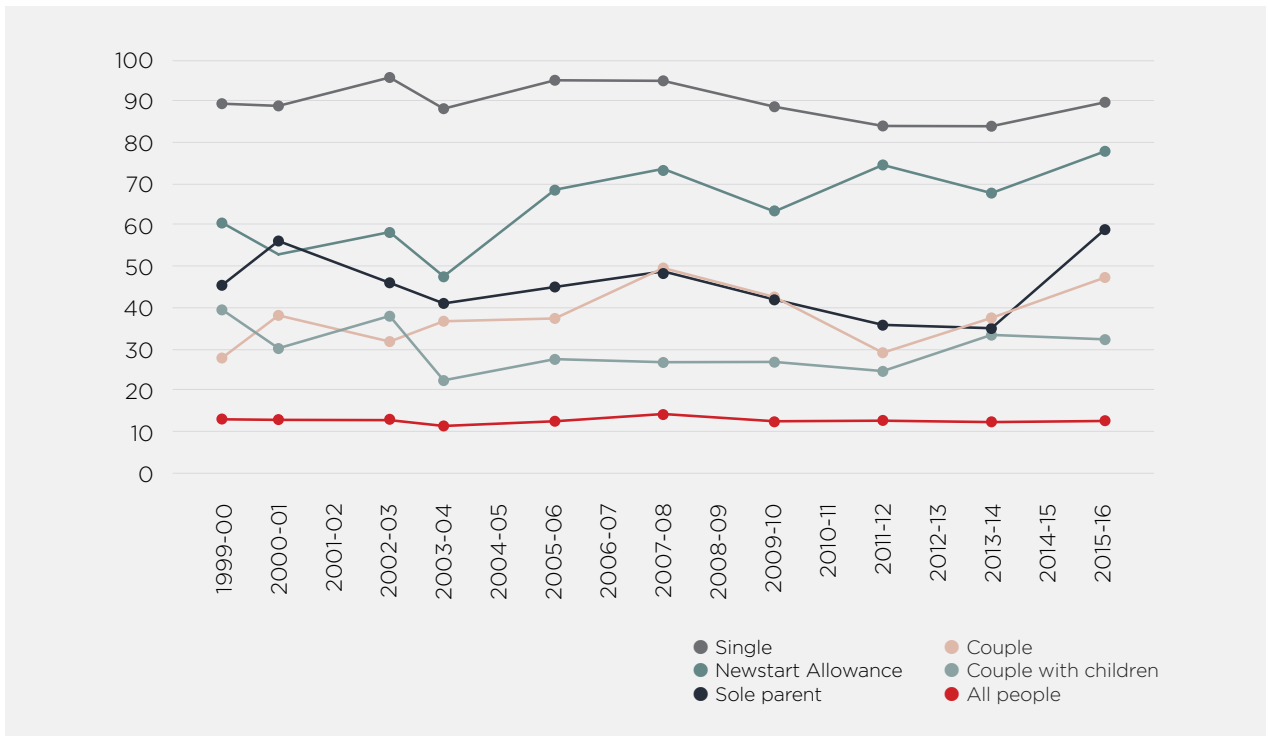
A notable feature of trends in poverty among unemployed sole parents is the sharp rise from 34% to 59% at the end of the period between 2013 and 2015, which we discuss in more depth in the section dealing with poverty among sole parents.

87. Trends in poverty among households reliant on Youth Allowance are not shown in Figure 37, due to small sample sizes.

88. Average housing costs are detailed in the Appendix.

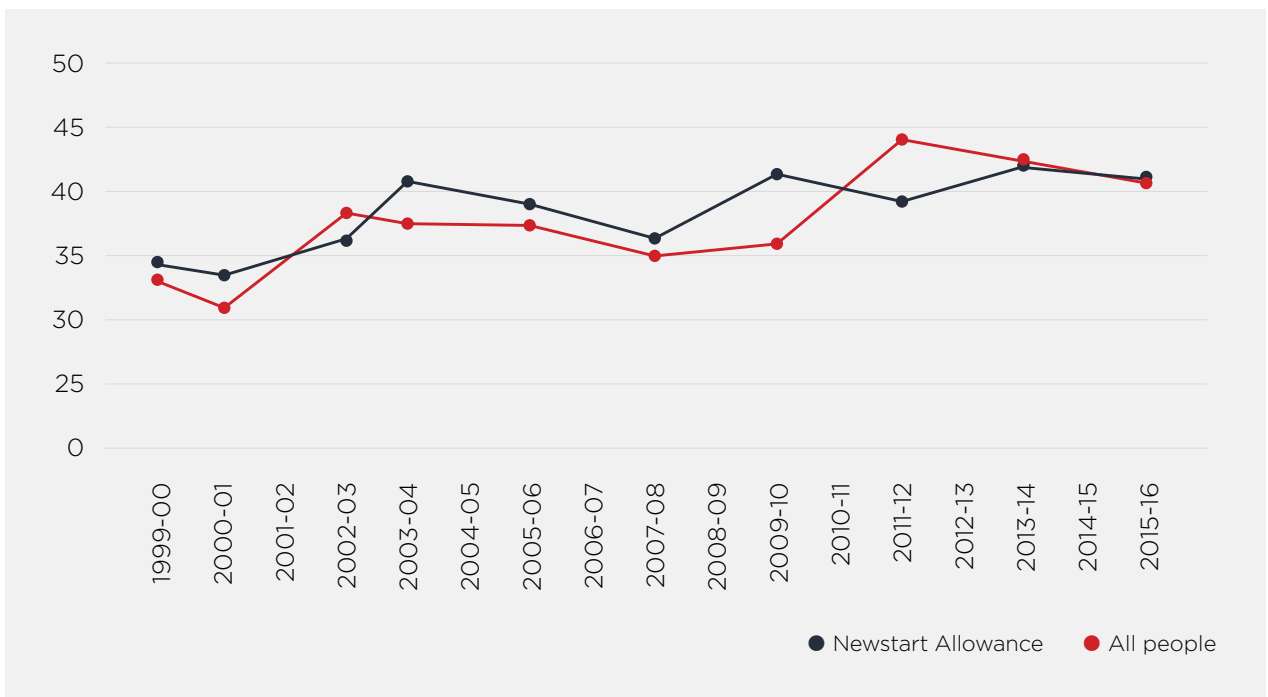


**Figure 37: Trends in poverty among unemployed people, by family type and payment (50% median income poverty line, after housing costs - % of all unemployed people)**



Note: Newstart Allowance line shows poverty rates for income support households with Newstart/ Partner allowance as their main payment. 'All people' refers to the entire population.

**Figure 38: Average poverty gaps for people in income support households receiving Newstart Allowance, compared with those for all people in poverty (as a % of the 50% of median income poverty line, after housing costs)**



Note: 'All households' refers to the entire population. This should be interpreted in conjunction with poverty rates for the two groups. Figure 37 shows that the poverty rate among income support households relying mainly on Newstart Allowance was consistently four times that of the entire population.

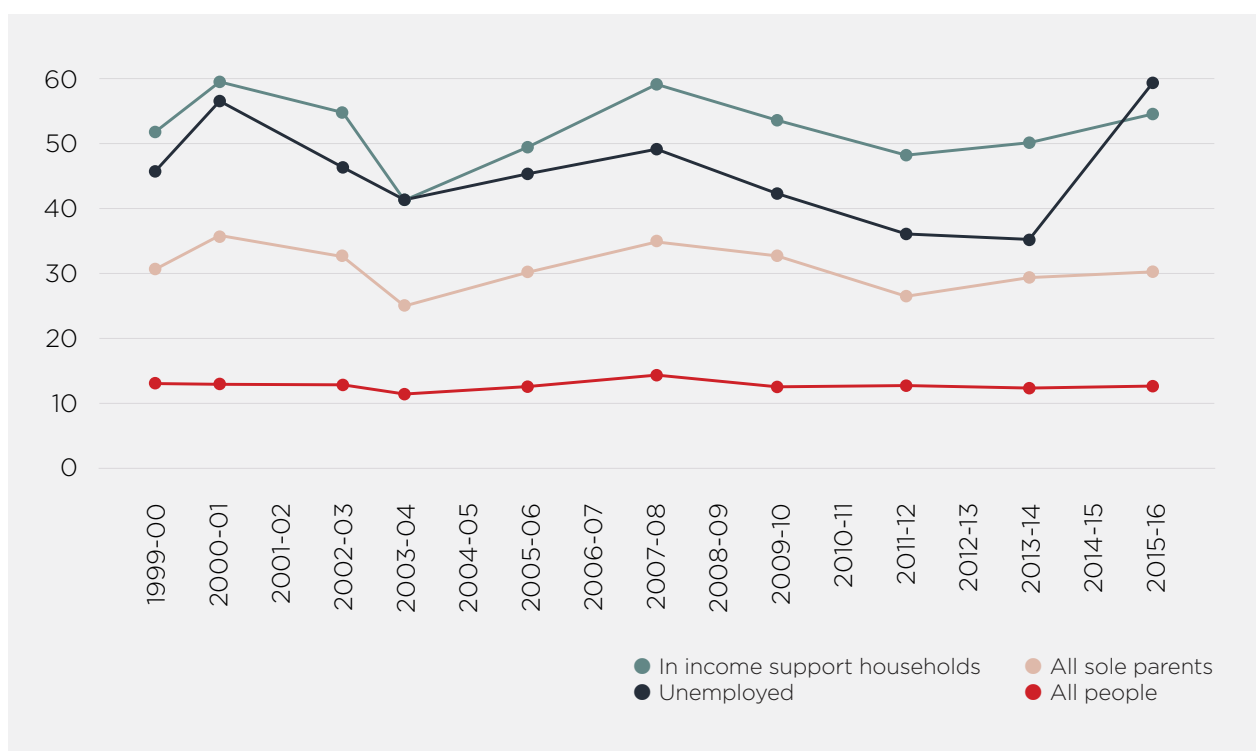
### 3.5 Trends in poverty among sole parents

Figure 39 shows that sole parents also had consistently higher poverty rates than the population-wide level throughout the period.

The poverty rate for all sole parents fluctuated in sawtooth fashion, falling from 31% in 1999 to 25% in 2002, rising to 35% in 2007, falling to 26% in 2011, then rising again to 30% in 2016. These trends can be partly explained by the pattern of changes in median household incomes (which rose very strongly from 2002 to 2007) and housing costs for sole parents (which also rose strongly during that period).<sup>89</sup>

The poverty rate among sole parents in income support households (who relied predominantly on either a Parenting Payment or Newstart Allowance) followed a similar sawtooth pattern to that among sole parents generally, but at higher levels. This is consistent with a substantial proportion of sole parents living in income support households (varying between 53% of all sole parents in 1999 to 44% in 2015). Although these sole parents had lower incomes, their average housing costs rose more rapidly over the period (from \$91 to \$152 per week, or by 67%, in equivalent 2015-16 values), than those of all sole parents (whose housing costs rose from \$101 to \$156 per week, or by 54%).

**Figure 39: Trends in poverty among sole parents and their children (50% median income poverty line, after housing costs - % of all people in sole parent families)**



Note: 'All people' refers to the entire population. 'In income support households' and 'unemployed' refers to sole parents.

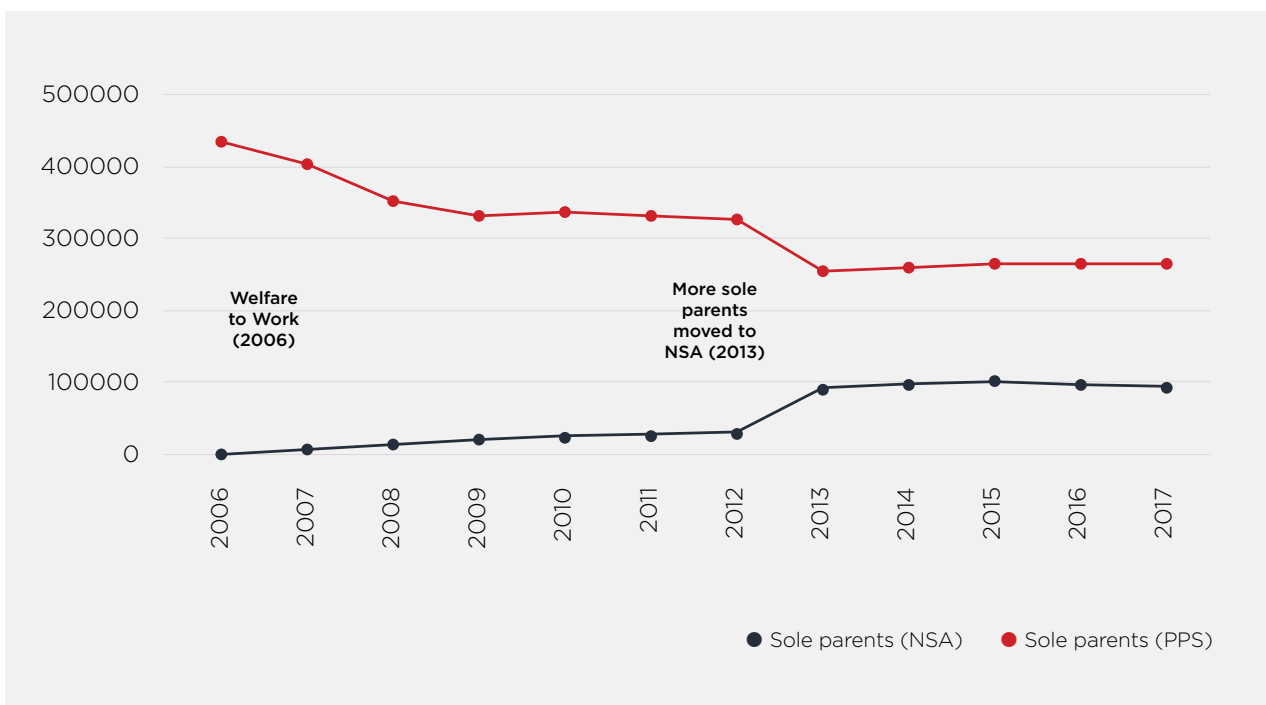
89. See Appendix.

Social security policy changes during the period contributed significantly to these trends in poverty among sole parents. These families benefited from increases in Family Tax Benefits (which comprised around half their overall social security income where the family had two children or more) in the early 2000s. Their social security incomes grew more slowly from 2009, after which Family Tax Benefit was no longer indexed to wage movements, only to movements in CPI. Many sole parents in income support households experienced large reductions in their social security incomes due to ‘welfare to work’ policies introduced in 2006 and 2013, which diverted growing numbers of sole parents from Parenting Payment Single to the lower Newstart Allowance.

The impact of the transfer of approximately 80,000 unemployed sole parents to Newstart Allowance and other payments in 2013 is evident in Figure 39 which shows a sharp rise in poverty among households with sole parents who were unemployed, from 35% in 2013 to 59% in 2015. This was a much sharper increase in poverty than for sole parents in income support households generally.<sup>90</sup>

Figure 40 shows that the number of sole parents receiving Parenting Payment declined from 425,000 in 2006 to 260,000 in 2015 (with the largest reduction being the fall from 320,000 to 250,000 in 2013 when the last remaining sole parents with a youngest child eight years or over (those who had received Parenting Payment prior to 2006) were shifted onto Newstart Allowance or other payments, or left income support). On the other hand, the number of sole parents receiving Newstart Allowance rose from close to zero in 2006 to 88,000 in 2015.

**Figure 40: Sole parents on Parenting Payment Single and Newstart/Youth Allowance**

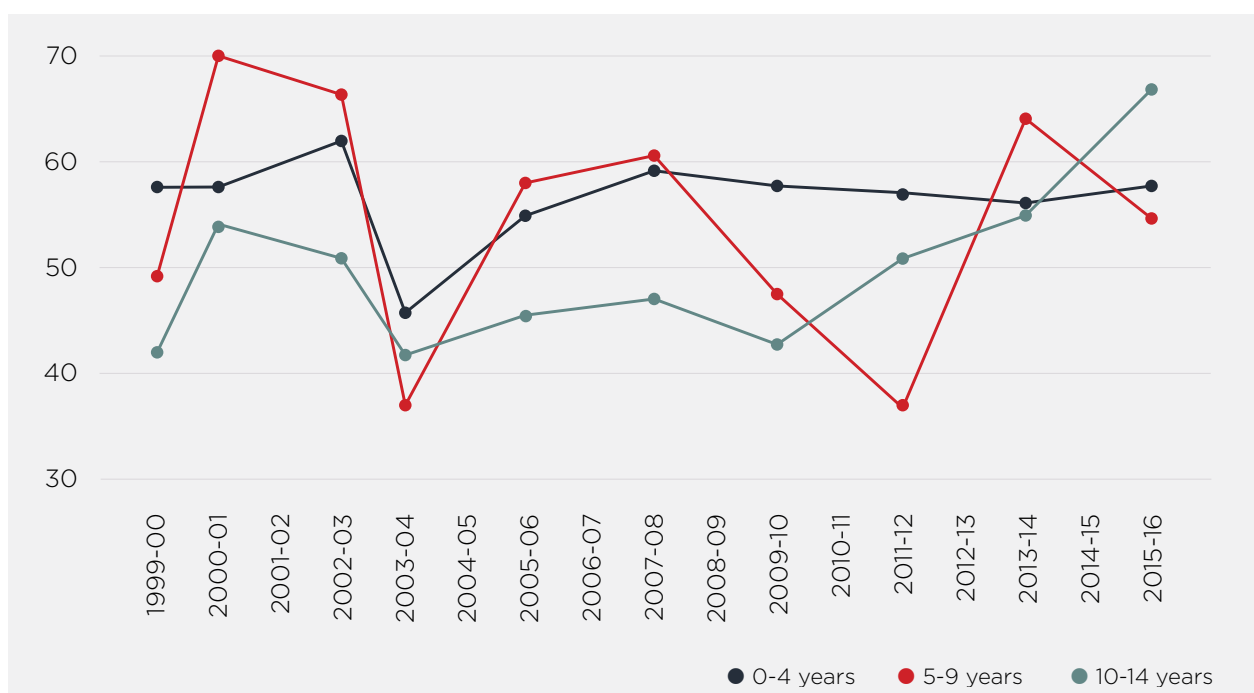


90. A substantial share of unemployed sole parents would have received Parenting Payment prior to 2013 and Newstart or Youth Allowance subsequently, since both payments required parents whose youngest child was of school age to search for paid work. Note that the incomes of other household members (including adult children) would also have affected poverty rates in these households.

The impact of these ‘welfare-to-work’ policies on poverty among sole parents was confounded by other factors, including changes in median incomes, housing costs, and the presence in many sole parent families of teenage or older children with earnings from employment.

Figure 41 controls for the earnings of teenage and adult children in sole parent families in income support households by restricting the sample to those with children under 15 years of age.<sup>91</sup> By comparing poverty rates among people in sole parent families whose youngest child was 0-4 years (who were not affected by the ‘welfare-to-work’ policies) with those that had older children, we can gain more insight into the effect of these policies on poverty in sole parent families. While the poverty rate among families not affected by the policy remained stable (rising only marginally from 57% in 2011 to 58% in 2013), poverty rates rose substantially among families affected by the policy (rising from 37% to 55% for those whose youngest child was 5-9 years old and from 51% to 67% for those whose youngest child was 10-14 years old).<sup>92</sup>

**Figure 41: Poverty among sole parents in income support households in which all children are under 16 years**



Note: 0-4, 5-9 and 10-14 refer to age of youngest child

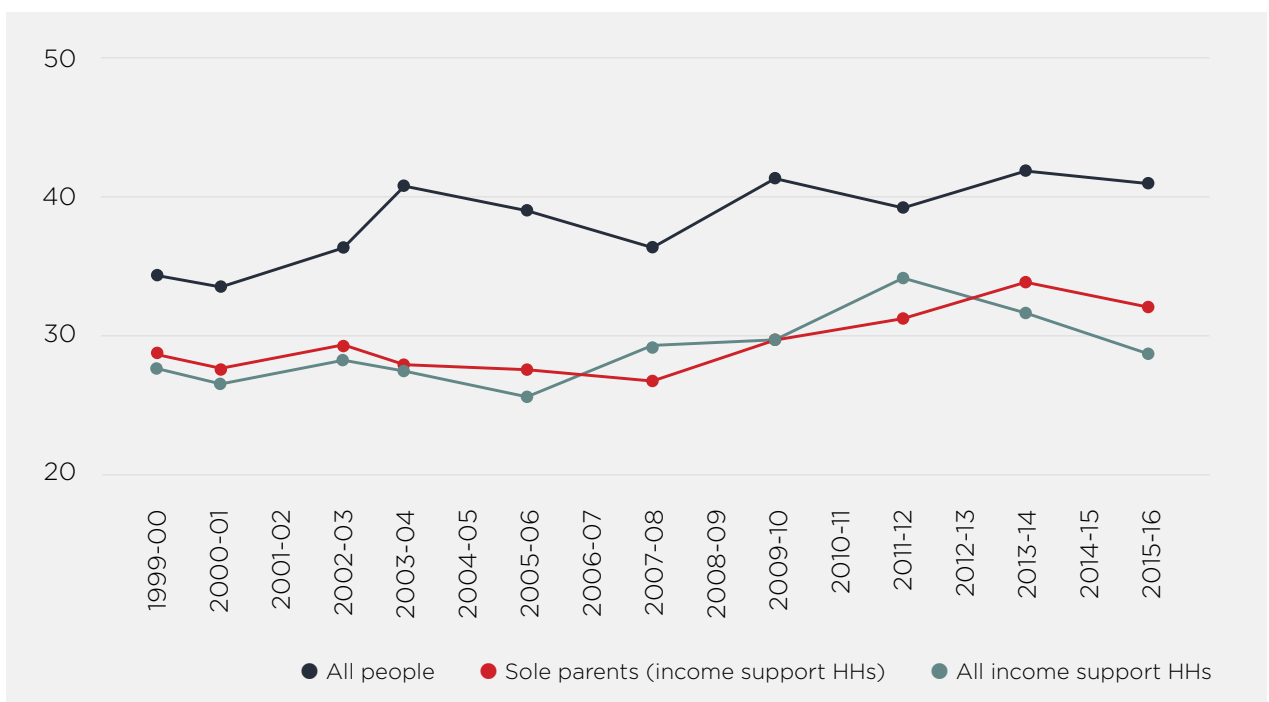
91. This reduces the estimated number of sole parent income support households by approximately one third, from 650,000 to 420,000 in 2015-16.

92. The age brackets in the ABS data do not align exactly with the policy, since those affected had a youngest child aged 8 years or over. Note also that a smaller group of sole parents on Parenting Payment were transferred to Newstart Allowance in 2012.

Figure 42 compares poverty gaps for sole parents in income support households with those for all people in income support households and the whole population living below the poverty line. The poverty gaps for sole parents in income support households are very similar to those in income support households generally. This is consistent with the maximum rate of Parenting Payment Single being greater than Newstart and other allowance payments but less than pension payments.

The poverty gap for sole parents in income support households rose from 28% of the poverty line in 1999 to 34% in 2011, then declined to 29% in 2015. The decline in recent years may be related to changes in the composition of those households living below the poverty line, as more sole parents fell below the line after 2011.<sup>93</sup>

**Figure 42: Average poverty gaps among people in sole parent income support households (as a % of the 50% median income poverty line, after housing costs)**



Note: 'All people' refers to the entire population. This should be interpreted in conjunction with poverty rates for the two groups. Figure 39 shows that the poverty rate among sole parents and their children in income support households was consistently three times that of the entire population.

'All income supports HHs' refers to all income support households (not only sole parent families).

93. For example, some sole parents may have moved from above the line to slightly below it, lifting the poverty rate but reducing the average poverty gap.

Photo credit: Mission Australia.  
Representational only.

# APPENDIX

# The effect of changes in median household incomes and housing costs on poverty rates.

To better understand the trends in poverty rates and gaps discussed in Chapter 3, we turn to two factors that have a major bearing on the level of both the poverty line and poverty rates: median household incomes and housing costs.

## A1 The effect of trends in median incomes

Since the poverty line we use in this report is benchmarked against median equivalent household disposable income (the after-tax income of the household in the middle of the income distribution, after adjusting for household size and deducting housing costs), major changes in median household disposable incomes affect measured poverty levels. This is consistent with the conventional 'relative' view of poverty: that it is best measured in comparison to the living standards and expectations of the broader community at a given point in time.<sup>94</sup>

Figure A1 shows that median household disposable incomes rose sharply from 1999-00 to the GFC in 2007-08, and subsequently grew much more slowly. This is consistent with the economic boom conditions prevailing in the first period, and sluggish growth in wages and certain other community incomes subsequently.<sup>95</sup>

94. Poverty is an indirect measure (using 50% of median disposable income as a proxy for deprivation) of a standard of living that is unacceptably low by community standards in a given country at a given point in time (Saunders P & Naidoo Y (2018): 'Mapping the Australian poverty profile: A multidimensional deprivation approach' *Australian Economic Review*, Vol 51, No 3, pp1-15). According to this approach to poverty measurement, the standard of living that corresponds to 'poverty' will be different between (say) Australia and India, and between Australia in the 1950s (when most households had backyard toilets and mobile phones were not in use) and Australia today.

95. For more detailed analysis of these income trends, see ACOSS & UNSW Sydney (2018): *Inequality in Australia*, Sydney.

**Figure A1: Trends in median equivalised household disposable incomes (1999-2015, in 2015-16 dollars per week)**



Note: Since these incomes are adjusted downwards for households larger than one person (equivalised), the median values are much lower than actual median household disposable incomes.

All things equal, the strong growth in median incomes from 1999 to 2007 would increase the poverty line and hence poverty rates (since the benchmark poverty line is half of these median incomes), unless the incomes of low-income households rise at least as quickly as median incomes. It does not follow from this that poverty cannot be reduced when incomes generally are ‘booming’: for example, the incomes of those below the poverty line could rise more rapidly than the median due to substantial reductions in unemployment and/or increases in social security payments, or to changes in the family composition of low-income households.

Conversely, ‘flat’ median income growth such as that experienced in Australia since 2007 tends to reduce poverty, all things equal, by slowing growth in the value of the poverty line.<sup>96</sup> Again, this is not inevitable: in the event of a recession, unemployment could rise substantially and this could have a greater dampening effect on the incomes of low-income households than slow wage growth has on the income of the median household. Alternately, wages may grow more slowly within low-income households than households closer to the median.<sup>97</sup>

The key factor in both cases is the extent to which those below the poverty line share in the income growth of households generally.

96. A key contributing factor to slower growth in median household incomes is sluggish wage growth since the GFC (ACOSS & UNSW Sydney (2018) *op cit*; Australian Treasury (2017) *Analysis of wage growth Canberra*).

97. The poverty rate among households mainly relying on wages increased from 6% in 2013 to 7% in 2015.



## A2 The effect of trends in housing costs

The poverty measure used in this report takes account of housing costs (mainly rents and mortgage repayments) across the community, and also those of low-income households at risk of poverty. By taking account of variations in the largest fixed cost of many households, this 'after-housing' poverty measure is likely to be more closely aligned with the actual living standards of people who lack the resources to buy socially perceived essentials.<sup>98</sup>

The impact of growth in housing costs on poverty rates is ambiguous. It depends on the relative rate of growth in housing costs for low-income households compared with those receiving higher incomes. All things equal, a relatively large increase in housing costs for low-income households tends to increase poverty, when the poverty measure takes housing costs into account.

Figure A2 shows trends in median housing costs for households with different family types. These housing costs are equivalised (adjusted to take account of household size).

The median housing costs of the older people without children in Figure A2 are at least one-third lower than those of households with the same family type whose members are under 65 years. Broadly speaking, single person households without children have higher (equivalised) median housing costs than couple households without children.

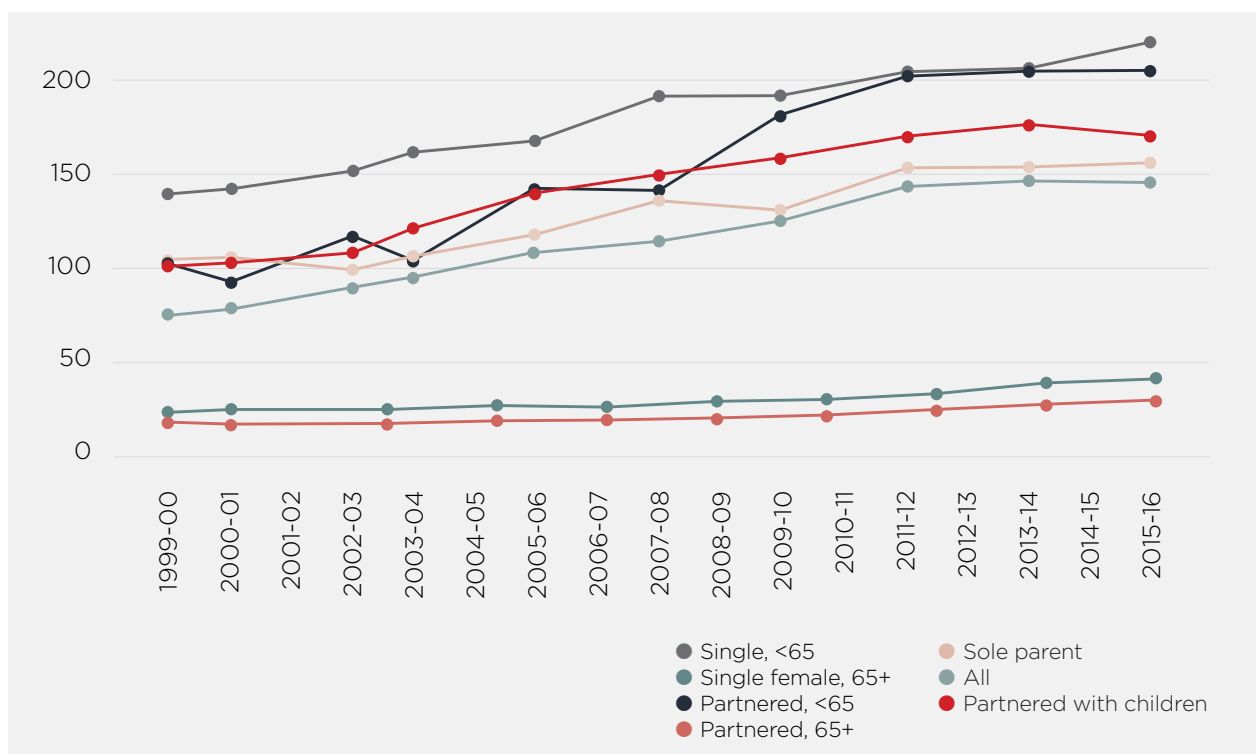
From 1999 to 2015, median housing costs grew rapidly for all households with people aged under 65 years, with the strongest growth reported between 2003 and 2011. Median housing costs grew particularly strongly among couples under 65 years without children from 2007 to 2011.<sup>99</sup> Growth in housing costs among older households also increased after 2007 (starting from a much lower base).<sup>100</sup>

98. For example, most older people (65 years+) own their homes and have low housing costs. This frees up more of their income to purchase other essentials. (Saunders P, Bradbury B, & Wong M (2016) *op cit*).

99. Their median housing costs grew by 45%, compared with 25% for all households. One possible explanation is high mortgages for couples purchasing their first home.

100. This would occur, for example, if an increasing share of older households after 2007 still had mortgages to pay.

**Figure A2: Median equivalised housing costs by family type and age (1999-2015, in 2015-16 dollars per week)**



**Housing costs for income support households**

Figure A3 shows growth in average (not median) housing costs in constant 2015-16 dollars per week (adjusted for household size), for income support households receiving different payments.<sup>101</sup> These housing costs are compared with the median cost for all households from Figure A2.

We focus here on housing cost increases from 2007 to 2015, since (as discussed above) this was the period when slow growth in median household incomes dampened increases in poverty rates.

From 2007 to 2015, median housing costs for all households (after adjusting for inflation and household size) rose from \$75 a week in 1999 to \$115 per week in 2007, and then increased by 27% to \$146 in 2015.<sup>102</sup>

Average housing costs among the income support households shown in Figure A3 grew more strongly (by 30%) after 2007.

101. Since these costs are equivalised, the actual costs for households with more than one person were significantly higher.

102. Growth in median housing costs plateaued after 2011 (when they were \$144 per week). Over the whole period between 1999 and 2015, they grew by 94%.

The largest housing cost increases from 2007 to 2015 were experienced by those relying on a Parenting Payment (principally sole parent families). These households faced similar housing costs to overall median levels across the community, despite their much lower incomes.<sup>103</sup> Their average (equivalised) housing costs rose in real terms from \$91 per week in 1999 to \$115 in 2007, then increased again by 32% to \$152 in 2015.<sup>104</sup>

Among income support households, those relying mainly on Newstart Allowance also faced relatively high housing costs, which grew from \$75 per week in 1999 to \$106 in 2007, then rose by 28% to \$136 in 2015.<sup>105</sup>

Housing costs for households relying on the Disability Support Pension rose from \$64 per week in 1999 to \$83 in 2007, then increased by 28% to \$103 in 2015.<sup>106</sup>

Housing costs for households relying on a Carer Payment fell from \$91 per week in 1999 to \$87 in 2007, then increased by 29% to \$136 in 2015.<sup>107</sup>

The lowest average housing costs among income support households were for those relying on the Age Pension, reflecting their high outright home ownership rate (74% in 2015). Nevertheless, they faced the steepest increase in housing costs after 2007. Their average housing costs rose modestly from \$32 per week in 1999 to \$38 in 2007, and then by 45% to \$55 in 2015.<sup>108</sup>

All things equal, the increases in housing costs among income support households from 2007 to 2015 would have offset - to a significant degree - the dampening effect on poverty rates of slow growth in median household incomes discussed previously.

Further, the high housing costs among those relying on Parenting Payment or Newstart Allowance would have contributed to their relatively high poverty rates.

103. In 2015, 63% of people in sole parent families were in the lowest 40% of households by equivalised income (ACOSS & UNSW Sydney (2018) *Op cit*).

104. A 64% rise in housing costs for households reliant on Parenting Payment between 2003 and 2007 may have contributed to the increase in child poverty over that period observed in Chapter 1. Over the whole period between 1999 and 2015, their average housing costs grew by 71%.

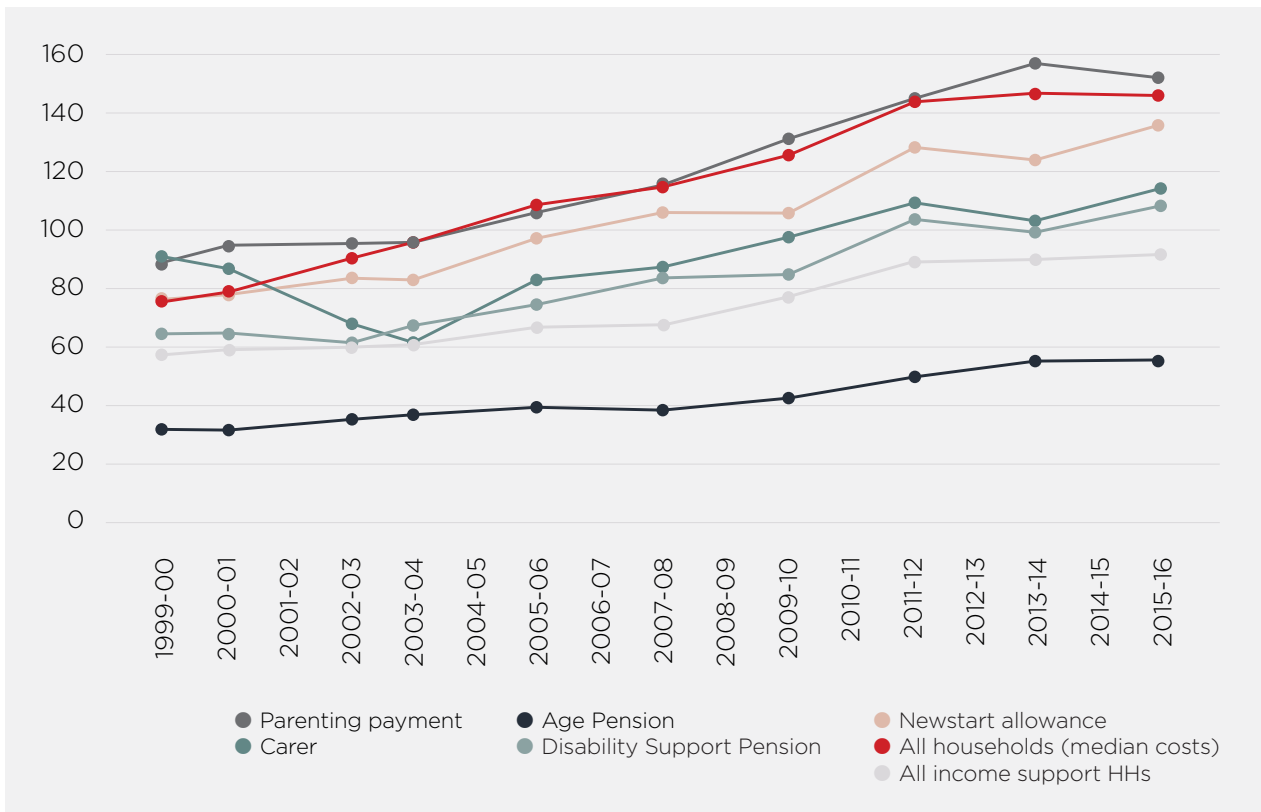
105. Over the whole period between 1999 and 2015, they grew by 78%.

106. Over the whole period between 1999 and 2015, they grew by 66%.

107. Over the whole period between 1999 and 2015, they grew by 24%. As discussed, small sample sizes in the first half of the period cast doubt on these estimates for households relying on Carer Payment.

108. Over the whole period between 1999 and 2015, they grew by 75%. Compositional change may help explain the steep rise in average housing costs for income support households relying on the Age Pension. Between 2007 and 2015, the share of people aged 65 years and over in households with a mortgage rose from 8% to 12%, the share renting privately rose from 5% to 6%, and the share in public housing fell from 5% to 4%. The share of outright home owners fell from 78% to 74%.

**Figure A3: Trends in average housing costs for income support households, by payment (\$2015-16 per week, equivalised)**



Note: Housing costs are adjusted for household size (so are much lower than actual costs for larger households). Average housing costs for income support households are shown, along with median costs for all households.

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