Poverty and Social Exclusion

Edited by Justin Healey
# Contents

## CHAPTER 1  
**POVERTY AND DISADVANTAGE**
- Poverty and its causes 1
- Facts and stats about poverty 3
- Defining poverty and the things that matter in life 4
- Perceptions of poverty 6
- Who is missing out? Hardship among low income Australians 8
- Measures of Australia’s progress: economic hardship 13
- Poverty versus inequality 14
- Let’s not forget those still living in poverty as the economy picks up 16

## CHAPTER 2  
**SOCIAL INCLUSION**
- Social inclusion 17
- Social inclusion – facts at a glance 19
- Social inclusion indicators 20
- What is financial hardship and social exclusion? 23
- Reducing social disadvantage and increasing national prosperity – the case for change 27

## CHAPTER 3  
**INCOME SUPPORT AND THE WELFARE SYSTEM**
- Income support among people of working age 31
- Income and economic participation 35
- Missing out: which income support recipients are most at risk of hardship? 37
- Shrinking safety net for jobless 39
- Antidote to welfare dependency 40
- What’s next for welfare-to-work? 40
- A concise history of welfare reform in Australia 41
- Poverty of ideas in welfare crackdown 42
- Resilience of the welfare state flummoxes the free marketeers 43
- Pulling our welfare weight 44
- Money won’t fix poverty 45
- Long-term welfare dependency is of no real benefit to recipients 46
- Work the problem 47
- The trouble with welfare reform miracles 48

### Exploring issues – worksheets and activities
- Fast facts 49
- Glossary 58
- Web links 59
- Index 60
Poverty and Social Exclusion is Volume 320 in the ‘Issues in Society’ series of educational resource books. The aim of this series is to offer current, diverse information about important issues in our world, from an Australian perspective.

KEY ISSUES IN THIS TOPIC
Poverty persists in Australia despite the opportunities available in such an affluent country. How is poverty in Australia defined? What is absolute poverty as opposed to relative poverty, and who are the affected groups in our community? What are the causes of poverty? At a time when the national economy has avoided the major impacts of a global recession, why do so many Australians still experience financial hardship, housing stress and income inequality?

Almost 1 in 6 Australians of working age is reliant on income support – does Australia’s welfare system provide a safety net or promote welfare dependency?

Social exclusion is closely linked to poverty, as people face deprivation and in the process are being left out. This book explores how the policy of social inclusion aims to overcome barriers that exclude participation and opportunity by addressing poverty, income inequality, lack of access to the job market, poor educational outcomes, housing affordability, poor health and wellbeing, lack of access to social supports and networks, exclusion from services, and discrimination. Is Australia the land of the ‘fair go’, for rich and poor?

This book presents the topic in three chapters: Poverty and disadvantage; Social inclusion; and Income support and the welfare system.

SOURCES OF INFORMATION
Titles in the ‘Issues in Society’ series are individual resource books which provide an overview on a specific subject comprised of facts and opinions.

The information in this resource book is not from any single author, publication or organisation. The unique value of the ‘Issues in Society’ series lies in its diversity of content and perspectives.

The content comes from a wide variety of sources and includes:

➤ Newspaper reports and opinion pieces
➤ Website fact sheets
➤ Magazine and journal articles
➤ Statistics and surveys
➤ Government reports
➤ Literature from special interest groups

CRITICAL EVALUATION
As the information reproduced in this book is from a number of different sources, readers should always be aware of the origin of the text and whether or not the source is likely to be expressing a particular bias or agenda.

It is hoped that, as you read about the many aspects of the issues explored in this book, you will critically evaluate the information presented. In some cases, it is important that you decide whether you are being presented with facts or opinions. Does the writer give a biased or an unbiased report? If an opinion is being expressed, do you agree with the writer?

EXPLORING ISSUES
The ‘Exploring issues’ section at the back of this book features a range of ready-to-use worksheets relating to the articles and issues raised in this book. The activities and exercises in these worksheets are suitable for use by students at middle secondary school level and beyond.

FURTHER RESEARCH
This title offers a useful starting point for those who need convenient access to information about the issues involved. However, it is only a starting point. The ‘Web links’ section at the back of this book contains a list of useful websites which you can access for more reading on the topic.
POVERTY AND ITS CAUSES
A fact sheet produced by the Australian Council of Social Service

What is poverty?

The Australian Council of Social Service (ACOSS) defines poverty as a relative concept used to describe the people in a society that cannot participate in the activities that most people take for granted. While many Australians juggle payments of bills, people living in poverty have to make difficult choices – such as skipping a meal to pay for a child’s textbooks.

Who lives in poverty?

Research commissioned by ACOSS and conducted by the Social Policy Research Centre at the University of NSW estimates that the number of Australians living in poverty has increased over the past decade or so, with approximately 2.2 million people, or 11.1 per cent of Australians, living in poverty in 2006, compared with 9.9 per cent in 2004, and 7.6 per cent in 1994. The method used to determine these figures (less than 50 per cent of the median disposable income of all Australian households) is a generous one by international standards. Using the measure of poverty that is currently used by the European Union and the UK (less than 60 per cent of median income), the number of Australians living in poverty in 2006 would nearly double to 3.8 million, or 19.4 per cent of the population.1

Child poverty is of particular concern. According to the Organisation for Economic Co-operation and Development (OECD), 12 per cent of children (aged 0-17) in Australia live in households with equivalent income less than 50 per cent of the median (compared with Denmark and Finland where it is 3 per cent and 4 per cent respectively). Overall, Australia is currently ranked a low 13 out of 19 OECD countries on the United Nations Human Poverty Index, despite being 3rd in terms of literacy, GDP, and life expectancy.

Particular groups of people in Australian society are at high risk of poverty. ACOSS research shows that in 2004, some groups were more likely to live below the poverty line, including: 40.2 per cent jobless people, 39 per cent of single adults aged over 65 years, 31.5 per cent of all people whose main income in social security, 22.8 per cent single adults of workforce age, and 11.4 per cent of sole parent families.

Recent research about the poorest 20 per cent of families in Australia indicates that most of these families are jobless.

Findings of NATSEM research conducted in 2004 include:

- 4 out of 5 families earning the lowest 20 per cent of income had social security payments as their main source of income
- 72 per cent of the 424,000 families in the bottom 20 per cent were jobless, 48 per cent were single parent families, and families with older children were also over-represented (27 per cent of bottom 20 per cent).

Significantly, Australia spends much less than the OECD average on income support as a proportion of GDP, but has among the highest proportions of people of workforce age living in jobless households.

Marginalised groups, such as those with disabilities and mental health issues, as well as minority ethnic groups, are likewise more likely to be affected by poverty and social exclusion.

ACOSS comparisons show that:

- Australia has the widest gap in life expectancy between indigenous and non-indigenous population compared to New Zealand, USA or Canada
- Household income for Aboriginal and Torres Strait Islander households is $460 (mean equivalent gross weekly household income as calculated by the ABS) compared to $740 for non-indigenous households.
Working poor

ABS figures show that the proportion of part-time employees increased from 19 per cent of the labour force to 28 per cent between 1986-87 and 2006-07. Between 1990 and 2000, the proportion of casuals rose from 19 per cent to 27 per cent.

ABS measurements in 2004 of financial stress on working people showed that in one year:
➤ 59,000 people went without meals
➤ 95,000 people were forced to pawn or sell something when they needed cash
➤ 36,000 were unable to heat their homes
➤ 89,000 sought help from charities and welfare organisations
➤ 537,000 were unable to pay their energy or phone bill on time
➤ 810,000 working families experienced cash flow problems in the past year (ACTU 2004).

FIVE CAUSES OF POVERTY

Poverty is not just caused by individual experiences but by major inequalities built into the structure of Australian society. Some of the main causes of this inequality and poverty are access to work and income, education, housing, health, and services.

1. Work and income

Many people working and trying to support a family on the minimum wage struggle to meet basic costs of living each week. Despite lowering official unemployment rates, there are also high numbers of people who are out of work or only have a few hours of work per week.

Centrelink statistics show that jobless Australians include:
➤ 418,000 people receiving unemployment payments, including 258,000 people who have been unemployed for 12 months or longer
➤ 714,000 people on disability support pensions
➤ 540,000 parents on pensions.

Studies have shown that unemployment is more concentrated in some suburbs and areas of Australia. In 1976, employment levels were similar across suburbs and regions, but by 1993, employment levels in richer suburbs had remained virtually unchanged while poorer suburbs had a 38 per cent decline in employment.

Low levels of income from social security payments are also a major factor increasing poverty:
➤ An unemployed single person on Newstart Allowance receives as little as $225 a week in payments (young people on Austudy and Youth Allowance can be on even lower levels of payments than people on Newstart Allowance)
➤ Single parents receiving payments find that these are reduced as a child gets older even though the costs of families with teenagers increases.

2. Education

Low education levels are linked to unemployment and subsequently the risk of living in poverty. Families with low education levels often cannot afford to better educate their children and so give them a better chance of a job:
➤ ABS figures show that people who have not completed high school have an unemployment rate of 11.3 per cent compared with a rate of 3 per cent for people with a bachelor degree
➤ In 2004, 97.5 per cent of the 236,000 new jobs created went to people with skills and a university degree, a TAFE diploma or equivalent work experience.

3. Housing

People on low incomes rarely own homes and rent is often unaffordable in Australia’s major cities. Housing impacts on a person’s ability to find work, education and training – regions and cities with jobs often have high housing prices and rental rates. Poor housing can also negatively affect a person’s health and wellbeing.

Over the past two decades, house prices have risen by 400 per cent, while incomes have risen by only 120 per cent.

The housing affordability crisis means that:
➤ Over 1 million low and middle income families and singles spend more than 30 per cent of their income on housing (defined as ‘housing stress’)
➤ A lack of affordable housing options has contributed to a rise in homelessness with 105,000 people homeless in 2000.

4. Health

People living in poverty commonly suffer greater levels of physical and mental illness. The high stress associated with living in poverty can also contribute to behaviour which leads to health risks such as smoking, substance abuse and poor diet. Increasing costs for patients in the health care system makes it harder for people to afford health care. In addition, people with disabilities often have higher costs of medication, equipment or aids, appropriate housing, transport and personal care and other services.

There is evidence that health inequalities have increased. For example:
➤ In 1985-87 death rates from lung cancer in men was 60
FACTS AND STATS ABOUT POVERTY

AUSTRALIAN POVERTY

➤ The life expectancy of indigenous Australians is 16-17 years less than for other Australians (AIHW). It is similar to Bangladesh, yet Australia is 10 times richer.
➤ About a quarter of a million Australian jobseekers have not had substantial work for a year or more. Many have had little or no work for 2 years. (www.workplace.gov.au)
➤ More than 1 in 4 Australian seniors live in poverty on international measures. (OECD)
➤ About half a million families have no members in paid work.
➤ Additional employment assistance for long-term unemployed people to help them become ready for work
➤ Maintenance of the minimum wage to reduce poverty of working households
➤ Increased access to affordable housing including by an expansion of investment in social housing and improvements in private Rent Assistance
➤ Improved affordability of essential health and community services such as dental care, child care, and respite care.

INTERNATIONAL POVERTY

➤ Every day 25,000 children die as a result of extreme poverty. Almost a million a year. (makepovertyhistory.com.au)
➤ In 2008, 9.8 million children around the world died before their 5th birthday – most from easily preventable causes. (makepovertyhistory.com.au)
➤ More than 800 million people go to bed hungry every day ... 300 million are children. Every 3.6 seconds another person dies of starvation. (unmillenniumproject.org)
➤ About 2 billion people around the world have incomes of less than US$2 per day.
➤ About 2 billion people do not have basic sanitation.
➤ About one-fifth of all adults are illiterate.
➤ In some African countries, life expectancy is less than 45 years and falling.
➤ Trade protection by wealthy countries costs many poor countries more than they receive in overseas aid.
➤ Australia’s overseas aid has fallen to about one-third of the agreed international benchmark.

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As economic commentator Ross Gittins suggested in the Sydney Morning Herald in late November last year, poverty is infrequently mentioned in Australian public policy discussions (“Don’t mention the ‘p’ word”, November 29, 2006). Academic debates on poverty in Australia have tended to focus on a financially construed definition of poverty, often based on updated versions of the Henderson Poverty Line, first developed in the 1970s. While not denying the importance of a financial component to poverty, across the globe there is an increasing interest in a broader understanding of the issue, through concepts such as social exclusion and social inclusion. This recognises that a failure to share in the prosperity of a nation is not simply a question of a lack of material goods but may also include the capacity and ability to function economically and socially in society.

The Social Policy Research Centre at the University of New South Wales has been undertaking a major research project in partnership with a number of community agencies, including Mission Australia, Anglicare Sydney, the Brotherhood of St Laurence and the Australian Council of Social Services (ACOSS), to get a more grounded contemporary understanding of poverty and social exclusion in Australia today. The research aims to get a better sense of what Australians see as an acceptable standard of living – what are the essentials of life in contemporary Australia?

The research is being conducted in two phases. The first involved a series of focus group discussions with clients and staff of the community agencies participating in the project, to better understand the problems faced by low income Australians and to get their view on what is needed to enjoy a decent standard of living.

These discussions confirmed that there are clearly groups of people in Australia who are missing out on the increased prosperity that over a decade of strong economic growth has brought to many other Australians.

The focus groups identified the broad range of areas which can impact on social exclusion-inclusion, including financial resources, employment, education, health and health care, housing, location, transport, social and civic engagement and access to care and support when required.

... there are clearly groups of people in Australia who are missing out on the increased prosperity that over a decade of strong economic growth has brought to many other Australians.

The quotes below are from the focus groups and provide some indication of what some Australians are experiencing:

I can’t even afford second hand clothes...

I have five children in one room...

You basically just need a clean well-kept place ... it’s fine being offered a place but if the toilet leaks or the roof leaks above your bed, I mean what kind of standard of living is that? ...

Everyone’s entitled to have a decent meal, it’s a right and if you don’t it affects you in so many ways, mentally, physically ...

Transport is a constant problem ...

It’s very hard to go out and meet new friends, cause you can’t afford to do things ...

A lot of people do not respect teenagers at all, we’re just this big scary group of people ...

The second phase of the project involved mailing a survey questionnaire to a random sample of the Australian population across all states. Over 2,700 people responded to the survey. A shorter version of the survey was also completed by about 670 clients of the community agencies.

Both surveys included a series of...
questions asking which among a list of items are essential in Australia today – things that no one should have to go without.

Participants were asked three questions:
➤ Whether they thought an item was essential for all Australians
➤ Whether they themselves had the item, and
➤ If they didn’t, whether this was because they couldn’t afford it or because they didn’t want it.

The list of potential items included basics (for example, a substantial meal at least once a day); items that allow people to participate in community life (for example, to be treated with respect); things that people need at particular times in their lives (for example, dental treatment); and the ability to use key services and facilities (such as good public transport).

The most striking aspect of the results is their consistency across both surveys. Both showed that the basics of life – secure housing, warm clothes, a substantial meal and being able to buy prescribed medicines rank at the top of the list of essentials.

Aside from the basic items mentioned above however, the other essentials of life identified by both groups focused on broad quality of life indicators such as access to health, the availability of care and support when needed and to be treated with respect and accepted for whom one is.

At least 90 per cent of respondents from both surveys also identified five items relating to children (for example, can they participate in school activities and outings) which were seen as essential.

The list of ‘essential items’ gives a much richer sense of what social inclusion – and its converse social exclusion – means in Australia today. It also broadens our collective understanding to show that ‘poverty’ can go well beyond material deprivation.

Preliminary analysis of the data has shown that a significant number of Australians are missing out on some of the ‘essentials of life’... one in eight participants couldn’t afford one substantial meal a day.

Having identified which items are essential, and that there is a high level of agreement on what these items are, further analysis is currently taking place to get a stronger sense of who is missing out on the essentials of life and what this implies for the extent and nature of deprivation and social exclusion in Australia. A major report will be released later this year.

... a significant number of Australians are missing out on some of the ‘essentials of life’... one in eight participants couldn’t afford one substantial meal a day.

These findings are likely to confirm the daily experience of many community organisations working in Australia today – that there are some Australians who are missing out on the essentials of life – both in terms of immediate needs such as food, but also in other key service areas, such as dental care. Added to this, the survey confirms the importance of being treated with respect – this was seen by many as a basic prerequisite for an acceptable life.

Australia, unlike nations in the European Union and elsewhere across the globe, does not have a national ‘anti-poverty strategy’, with clearly identified initiatives and targets to reduce poverty. While there are many Commonwealth, State and Territory, and other initiatives in Australia that play a role in improving the wellbeing of individuals and families, the lack of a cohesive national strategy to address poverty and social exclusion with clearly identifiable poverty targets is regrettable.

Given the broad acceptance by the general community of what constitutes an acceptable standard of living, as evidenced by the research discussed here – as well as the evidence of the daily experience of many Australians who are missing out – it may well be time to “mention the ‘p’ word” more explicitly in public policy in Australia.

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On Line Opinion, posted 13 April 2007
www.onlineopinion.com.au
A major report on poverty by The Salvation Army highlights that 2 million Australians now live in poverty – 1 in 10 of us – with more than half a million children living in jobless families. The report estimates around 12 per cent of children aged 0–17 live in ‘relative poverty’, which can then have an adverse effect on a child’s emotional/social development.

The Salvation Army’s new report – Perceptions of Poverty – points out Australia now has one of the highest levels of joblessness among families with children. Across OECD countries (on average) around 30 per cent of poor families with children are jobless.

In Australia around 70 per cent of poor children live in jobless families. This equates to 1 in 7 children growing up in a family where no one works.

New Roy Morgan Research being released by The Salvation Army shows 9.5 million Australians feel that taking action to reduce poverty should be a “very high priority”. The research also indicates that 11.6 million Australians agree (or strongly agree) that just about anyone can find themselves living in poverty.

The research shows that 8.9 million Australians agree or strongly agree not nearly enough has been done to reduce poverty in Aboriginal/indigenous communities.

Amongst The Salvation Army’s calls are that the Federal Government instigates a national child poverty strategy to ensure all children thrive academically and emotionally and a significant expansion for mental health services across Australia as well as a root and branch reform of the social security payment system.

The Salvation Army says there is a new emerging group of people getting bigger – the working poor. They say around half of the country’s low income households report experiencing cash flow problems, with more than a quarter of them needing to increase credit card debt and exhaust savings and borrow money from friends and family.

Australia now has one of the highest levels of joblessness among families with children. Across OECD countries (on average) around 30 per cent of poor families with children are jobless.

The Salvos estimate that at least 80,000 Australians needed their assistance for the first time last year. They highlight that they can provide hope to people in need and that poverty is a complex phenomenon.

The new report follows a University of Sydney report which shows full-time jobs are dramatically dropping – full-time jobs with paid leave now make up slightly more than 55 per cent of jobs – down from nearly 75 per cent in the early 1990s.

Major Marina Randall, Territorial Consultant, Community and Support Services said, the Perceptions of Poverty report is alarming. It highlights that poverty is a major issue for our community – and the issues are entrenched. We are seeing families where there is inter-generational poverty. The cycle just isn’t being broken. This report was commissioned so we could have a much closer look at the factors that are causing poverty and the impact of poverty on people and their families. The report highlights there needs to be more understanding about poverty rather than judging – often on misinformed stereotypes.”

The Perceptions of Poverty report also highlights many single parent families now experience poverty with 57 per cent reporting in the past 12 months they could not pay utility bills in the past 12 months and 12 per cent went without meals. A number of these figures are from ACOSS – the Australian Council of Social Service.

Report author Wilma Gallet said, “People living in poverty struggle every day to make ends meet. They deal daily with misinformed negative attitudes. It’s obvious that the absence of positive relationships and social connectedness can increase the stigma and sense of exclusion people feel when they are facing poverty.

“This report challenges us to consider the causes of poverty in a country like Australia, considered a ‘wealthy country’. Statistics show the rich are getting richer. The poor are getting poorer. In 2007 Australia’s richest 200 people had a combined wealth of over $128 billion – a jump of 27 per cent on the wealth just 12 months earlier.”

Salvation Army Community Support Services report
it is becoming increasingly more difficult for individuals and families to make ends meet, pointing out that factors include the rising cost of living, increased property prices and a lack of affordable housing, which are all increasing financial stress for low income families. The Salvation Army highlights that there is always hope for people and it is important they seek assistance before any situation becomes chronic. The Salvos point out that while the road to recovery can sometimes be a long journey, for many it is just a temporary setback.

The Salvation Army highlights child poverty is a significant issue and of deep concern because of the huge affect poverty can have on a child’s social, emotional and intellectual development. The Salvation Army says poverty has continued to remain largely hidden in Australia and has become more visible because of the global financial crisis.

The Salvation Army highlights a range of key issues need to be considered including:

➤ The Australian Government should develop a national child poverty strategy to ensure children thrive emotionally, physically, academically and socially
➤ An examination of the full extent of under-employed workers in Australia should be commissioned with strategies following to reduce under-employment and to address disincentives for people taking up full time work
➤ They say there should be a root and branch reform of Australia’s social security payment system
➤ They are calling for a national disability insurance scheme to be put in place to give life-time care and support for people with disabilities
➤ A 10-year action plan to expand mental health services across Australia should be instigated. Numerous disadvantaged people experience poor mental health
➤ Governments should work more flexibly and supportively with Aboriginal and Torres Strait Islander agencies across all areas of the community sector, with an expansion of programs to encourage community involvement/development in addressing indigenous poverty
➤ The Salvation Army wants to see more education models that engage disconnected young people and create learning environments to assist them. It says governments should ensure these models are adequately funded to keep young people who are struggling in education
➤ The Salvation Army recommends the Australian Government adopts a program that focuses on enhancing the skills and careers of single parents, pointing out there is a growing number of single parent women in low paid, part-time jobs
➤ The Salvos want to see an expansion of financial counselling and support programs
➤ The Salvos say there is a need to increase funding to the emergency sector so more integrated/intensive support programs can be offered to clients to reduce the chances of inter-generational poverty.

... around 70 per cent of poor children live in jobless families. This equates to 1 in 7 children growing up in a family where no one works.

The Salvation Army’s new report also highlights that Australia’s indigenous population – estimated at around 517,000 – experiences a much higher level of poverty than the broader community.

It also highlights most single parents are, in fact, middle-aged separated mothers – not single teenagers. Less than 3 per cent of single parents are teenagers. Most are 30-50 years old and were previously married.

Major Marina Randall added, “The impacts of poverty can’t ultimately be measured. This report shows there’s so much to do. It also highlights many people in the community want to see action. That is central. Children from poor families may often end up feeling judged and may be reluctant to go to school for all kinds of reasons linked to the financial struggles of the families. Parents may feel very distressed that their children can’t take part in clubs or sport.”

“There can be a very big social stigma. People may ultimately feel they are being looked down on or they are useless. Housing options may diminish and people may feel isolated. The report says all this. We need action. We need a much bigger focus on tackling this issue.”

The Salvation Army’s Roy Morgan Research was a CATIBus telephone survey of a nationally representative sample of 669 Australians aged 14 and over carried out in May 2010.

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Media release, 18 October 2010 | www.salvos.org.au

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Over the past decade, the average incomes of Australian households have grown strongly, but many people on low fixed incomes have been left behind. There is public concern and debate about how they have been affected by increases in the cost of basic essentials. Over the three years from June 2005 the average price of food has risen by 15%, rents have risen by over 17%, household energy bills have risen by 17% and fuel has risen by 41%.

Also, over the next few years unemployment is projected to rise substantially, increasing the number of people who have to rely on social security payments, especially Newstart and Youth Allowance but also Parenting Payment and Disability Support Pension.

The Government is reviewing the adequacy of pensions in the Harmer Review and the Henry Review of the tax-transfer system will consider the social security system as a whole.

Social security payments are well below typical community incomes. In December 2008 the base rate for a single pensioner is $281 per week while Newstart Allowance for an unemployed adult is $225 per week and a young person living independently of their parents receives up to $178. A sole parent with two school age children on Parenting Payment receives $477 per week (including Family Tax Benefit).

This report uses recent research, including previously unpublished data, to compare living standards and financial hardship among different groups of low income Australians especially those receiving income support payments. It is a contribution to the public debate over the adequacy of these payments, and the design of a better social security system.

It compares the living standards and wellbeing of low income households within each of these groups using three yardsticks: deprivation of essential items (such as a decent and secure home and access to dental treatment), income poverty, and budget standards.

The key findings are that:
- Indigenous people, sole parent families, unemployed people, people with disabilities and renters stood out as groups most likely to lack the essentials of life.
- On average, young people were more likely to be deprived of essentials than middle aged or mature aged people.
- Among mature age people, those renting their housing stood out as the group most likely to lack essential items. Also, single mature age people were more likely than couples to lack essential items.
- Among social security recipients, those on Newstart Allowance (for unemployed people), Parenting Payment (mainly sole parents), and Disability Support Pension, were the most likely to experience deprivation.

These findings have implications for policy because many of those at greatest risk of hardship – such as unemployed people, sole parents, young people and people with disabilities – receive the lowest social security payments (such as Newstart or Youth Allowance). This suggests that the system is poorly designed to reduce poverty.

**Deprivation – people lacking essential items**

Our first yardstick is deprivation, or lacking the ‘essentials of life’. We report new data from a survey that measured deprivation directly by asking people what they regarded as essential items, whether their household had these items, and if not, whether this was because they could not afford them. Examples included a decent and secure home and access to dental treatment when needed. Only those items which more than half of those surveyed considered essential were used as indicators of deprivation.

Two measures are adapted from this survey to compare the living standards of different groups. The first is a summary measure of ‘multiple deprivation’ based on the proportion of each group that lacks at least 3 out of the 26 essential items identified in the survey.

The key findings regarding multiple deprivation are as follows (see Table 1):
- Indigenous people, sole parent families, unemployed people, people with disabilities and people renting their housing stood out as groups more likely to experience multiple deprivation. The average level of multiple deprivation across the whole population was 19%. In contrast, 65% of indigenous people, 54% of unemployed people, 49% of sole parent families, 27% of people with disabilities, 53% of public tenants, and 48% of private tenants experienced multiple deprivation. People drawn from these groups who rely on social security payments (for example disability support pensioners) are likely to have significantly higher levels of multiple deprivation since these payments are confined to those on...
These groups also consistently stand out as vulnerable to deprivation and hardship in other Australian and international research. The adverse and often lifelong impact of deprivation on children in these households is of particular concern.

On average, young people were more likely to experience multiple deprivation (27%) than middle aged (19%) or mature aged people (12%). This is consistent with international research on poverty and deprivation in wealthy countries. Possible reasons are that young people have not accumulated the assets available to many older people (such as home ownership) and that older people who do not have dependent children and do not participate in the labour force have lower expenses.

Although mature age people have lower levels of multiple deprivation on average, this masks important differences between different groups. Mature age people who rent their homes stood out as a group more likely to experience multiple deprivation (39%). Possible reasons for this include higher housing costs and the likelihood that many also lack other important assets and supports (such as superannuation and financial support from family).

Single mature age people (19%) were more likely to experience multiple deprivation than couples (8%). This may reflect Australia’s relatively low social security payments for single people compared with couples (in both the pension and allowance systems).

Mature age people mainly reliant on pensions (those with incomes below $500 per week) were more likely to experience multiple deprivation (12%) than those who relied more on superannuation or other financial assets (those with incomes over $700 per week). The latter group had low levels of multiple deprivation (3%).

People living in Victoria (21%), Queensland (21%), and South Australia (20%) were slightly more likely to experience multiple deprivation than residents of other States and Territories, and residents of the Australian Capital Territory (10%) and Western Australia (12%) were less likely.

The second measure of deprivation derived from this survey is a subset of 12 items that were regarded by most people as essential. We can paint a clearer picture of the living standards of different groups by asking what proportion of each group lacks these items because they cannot afford them.

The twelve essential items are:

1. A decent and secure home
2. Home contents insurance
3. $500 in emergency savings
4. Could not pay utility bill (at least once in the last 12 months)
5. Unable to buy prescribed medicines
6. Access to dental treatment when needed
7. Regular social contact (e.g. because they cannot afford to go out)
8. Presents for family and friends on special occasions at least once a year (e.g. Christmas)
9. A week’s holiday away from home
10. A separate bedroom for each child over 10 years
11. Up-to-date school books and clothes (for example, had to rely on second hand items)
12. A hobby or leisure activity for children.

The key findings regarding access to these 12 essential items are:

The overall proportion of the population lacking one or more of these items was generally low (well under 20% in most cases), reflecting Australia’s status as a high income nation.

However recipients of Parenting Payment (mainly sole parents), Newstart Allowance (unemployed people), and Disability Support Pension stood out as being well over twice as likely as the general community to go without most of these items.

Among mature age people those who rent rather than own their

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**TABLE 1: PERCENTAGE OF EACH GROUP EXPERIENCING MULTIPLE DEPRIVATION (LACKING AT LEAST 3 ESSENTIAL ITEMS)**

<table>
<thead>
<tr>
<th>By at-risk group</th>
<th>Per cent</th>
<th>By age</th>
<th>Per cent</th>
<th>By State/Territory</th>
<th>Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indigenous people</td>
<td>65%</td>
<td>Under 25 years</td>
<td>27%</td>
<td>Victoria</td>
<td>21%</td>
</tr>
<tr>
<td>Unemployed people</td>
<td>54%</td>
<td>26-64 years</td>
<td>19%</td>
<td>Queensland</td>
<td>21%</td>
</tr>
<tr>
<td>Public tenants</td>
<td>53%</td>
<td>Over 64 years (all)</td>
<td>12%</td>
<td>South Australia</td>
<td>20%</td>
</tr>
<tr>
<td>Sole parents</td>
<td>49%</td>
<td>Over 64 (renting)</td>
<td>39%</td>
<td>New South Wales</td>
<td>19%</td>
</tr>
<tr>
<td>Private tenants</td>
<td>48%</td>
<td>Over 64 (single)</td>
<td>19%</td>
<td>Northern Territory</td>
<td>19%</td>
</tr>
<tr>
<td>People with disabilities</td>
<td>27%</td>
<td>Over 64 (couple)</td>
<td>8%</td>
<td>Tasmania</td>
<td>17%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Over 64 (less than $500pw)</td>
<td>12%</td>
<td>Western Australia</td>
<td>12%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Over 64 (over $700pw)</td>
<td>3%</td>
<td>Australian Capital Territory</td>
<td>10%</td>
</tr>
</tbody>
</table>

All persons 19%

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*Source: Data provided to ACOSS from New Indicators of Disadvantage project.*

For background see Saunders, Naidoo & Griffiths 2007, *Towards new indicators of disadvantage*, Social Policy Research Centre, University of NSW.
homes stood out as being much more likely to lack these items. Single mature age people were also significantly more likely than other mature age people to lack these essentials.

**Income poverty**

A second yardstick to measure hardship is income poverty, or having an income that falls below a poverty line. These are set at minimum income levels considered necessary to achieve a decent standard of living. Estimates are provided in Table 2 above of the proportions of different groups in the community living below two commonly used poverty lines in Australia – 50% of median income and 60% of median income.

Between 40% and 70% of people relying mainly on income support payments lived below these two poverty lines in 2006. The payments themselves were generally below the poverty lines. Unemployed people (45% to 65%) and single people over 65 years (47% to 66%) were particularly likely to live under both poverty lines. This reflects the low level of Newstart Allowance ($42 per week below the pension at that time) and the relatively low level of payments for single pensioners and allowance recipients compared with couples.

Whether or not people living below poverty lines are deprived of essentials depends on the other resources at their disposal, especially home ownership. For example, 80% of mature age people own their homes outright. It is therefore important to compare the results obtained from poverty research with other indicators of living standards such as those used in this report.

**Budget standards**

A third yardstick to measure hardship is Budget Standards. These are household budgets developed by experts to meet basic needs. A set of Low Cost Budgets was developed by the Social Policy Research Centre for the former Department of Social Security in 1996 to help assess the adequacy of social security payments. These budgets were restricted to essential items. In Table 3 we show updated Low Cost Budgets for single and married couple mature-age home-owners. These are the most stringent of these Budgets because they do not take account of the costs of rent or participation in the labour market. Further, the Budgets should be regarded as conservative because the expenses on which they are based have not been fully revised for over 10 years. We compare the total expenditures in these two Low Cost Budgets with the base rates of different social security payments.

The Budget Standards research suggests that single people on Newstart Allowance face a higher risk of financial hardship because their payments are relatively low – $70 per week below these Low Cost Budget Standards. It also suggests that single rates of payment are generally too low compared with married rates, especially for Newstart Allowance recipients. The Low Cost Budgets for mature age homeowners suggest that a single adult should receive over 70% of the married couple rate, but single pensioners receive 60% of the married rate and single Newstart Allowance recipients receive 55% of the married rate.

**Some implications for reform of social security payments**

The findings of this and other research on deprivation among social security recipients (including previous work commissioned by Government) has implications for the reform of the social security system to meet its core objective – to prevent hardship.

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### TABLE 2: ESTIMATED PERCENTAGE OF EACH GROUP LIVING BELOW POVERTY LINES (2005-06)

<table>
<thead>
<tr>
<th>Household type</th>
<th>% living below 50% of median income</th>
<th>% living below 60% of median income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unemployed people</td>
<td>44.7%</td>
<td>64.8%</td>
</tr>
<tr>
<td>Sole parents</td>
<td>16.4%</td>
<td>33.4%</td>
</tr>
<tr>
<td>Single over 65 years</td>
<td>46.9%</td>
<td>65.9%</td>
</tr>
<tr>
<td>Couple over 65 years</td>
<td>17.8%</td>
<td>43.8%</td>
</tr>
<tr>
<td>Main income social security</td>
<td>40.7%</td>
<td>69.9%</td>
</tr>
<tr>
<td>All persons</td>
<td>11.1%</td>
<td>19.4%</td>
</tr>
</tbody>
</table>


---

### TABLE 3: INCOME SUPPORT PAYMENTS AND ‘LOW COST’ BUDGET STANDARDS (DECEMBER 2007 IN $PW)

<table>
<thead>
<tr>
<th></th>
<th>Low cost budget (mature age home owner)</th>
<th>Pension base rates</th>
<th>Gap (low cost budget minus payments)</th>
<th>Newstart Allowance base rates</th>
<th>Gap (low cost budget minus payments)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single, no children</td>
<td>$285</td>
<td>$269</td>
<td>$16</td>
<td>$215</td>
<td>$70</td>
</tr>
<tr>
<td>Couple, no children</td>
<td>$390</td>
<td>$449</td>
<td>-$59*</td>
<td>$388</td>
<td>$2</td>
</tr>
<tr>
<td>Single as a % of couple</td>
<td>73%</td>
<td>60%</td>
<td>55%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Sources: Saunders 2004, *Updating and extending indicative budget standards for older Australians*, SPCR; Saunders 2004, *Updating budget standards for Australia*; *In this case, income support is higher than the Budget Standard.*
The present payment structure is poorly designed to prevent poverty. Levels of payment are often well below the minimum required to secure the essentials of life. In many cases, those facing the highest risk of deprivation receive the lowest payments (see Table 4).

The following weaknesses in the system need to be addressed:

➤ Unemployed people on Newstart Allowance (including many sole parents and people with disabilities) receive between $55 and $90 per week less than the austere pension levels, yet they count among those most at risk of deprivation.

➤ Young people living independently of their families receive around $50 per week less than Newstart Allowance, yet the risk of deprivation is generally higher among young people than those of middle or mature age.

➤ Although sole parents and their children face a particularly high risk of deprivation, since the Welfare to Work changes in 2006 many receive Newstart Allowance instead of the higher pension level of payment. Those on Parenting Payment do not receive the $500 per year Utility Allowance paid to other pensioners.

➤ Apart from Mobility Allowance and the $3 a week Pharmaceutical Allowance, there is no supplement to assist with the costs of disability, although these extra costs contribute to high deprivation levels among people with disabilities. Following the Welfare to Work changes, many more people with disabilities have also been placed on Newstart Allowance instead of Disability Support Pension.

➤ The social security system does not meet the needs of single people. Single people and sole parents generally have higher deprivation levels than couples. For example, Budget Standards research suggests that singles should receive 70% or more of the married couple rate yet pensions are paid to single people at 60%, Newstart Allowance at 56% and Youth Allowance at 50% of the married rate.

➤ Rent Assistance only covers a small fraction of the escalating costs of renting privately. Since 1995, median weekly rent across Australian capital cities rose by 30% in real terms to reach $214 in December 2007. Rent Assistance has barely increased in real terms over this period and the maximum rate for a low income family of four is just $65 per week. Yet those who rent their housing face high levels of deprivation. They are the most impoverished group of mature age people.

The social security system does not meet the needs of single people. Single people and sole parents generally have higher deprivation levels than couples.

### Table 4: Anomalies in Levels of Payments and Supplements (December 2008)

<table>
<thead>
<tr>
<th>Payments</th>
<th>Eligible groups</th>
<th>Single (^{11}) ($pw)</th>
<th>Couple (^{12}) ($pw)</th>
<th>Ratio of single: couple base rates (%) (^{13})</th>
<th>Supplements and concessions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pensions</strong></td>
<td>Retirees, people with disabilities, carers, sole parents</td>
<td>Base rate: $281</td>
<td>Base rate: $470</td>
<td>60%</td>
<td>Pensioner Concession Card, Senior’s Bonus (if over 65), Utility Allowance (not for sole parents), Pharmaceutical Allowance, Telephone Allowance, Carer Allowance, Mobility Allowance</td>
</tr>
<tr>
<td></td>
<td>With supplements: $305</td>
<td>With supplements: $494</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Newstart Allowance</strong></td>
<td>Unemployed people, including many people with disabilities, carers and sole parents</td>
<td>$225</td>
<td>$405</td>
<td>56%</td>
<td>Health Care Card, Pharmaceutical Allowance (in some cases), Carer Allowance, Mobility Allowance</td>
</tr>
<tr>
<td><strong>Austudy Payment/Youth Allowance</strong></td>
<td>Students 18-65 yrs, living independently, unemployed young people</td>
<td>$178</td>
<td>$355</td>
<td>50%</td>
<td>Health Care Card, Carer Allowance, Mobility Allowance</td>
</tr>
</tbody>
</table>

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FOOTNOTES
1. From the New Indicators of Disadvantage project conducted by Professor Saunders and colleagues at the Social Policy Research Centre in collaboration with ACROSS, Brotherhood of St Laurence, Mission Australia and Anglicare NSW.
2. Carers of people with disabilities are another group at risk of financial hardship, but there were not enough carers in the survey sample to draw clear conclusions about their circumstances. Other reports emphasise the severe impacts of prolonged caring on the health and finances of many carers (King 2008, Who is caring for the carers, Anglicare NSW; NATSEM 2008, Women carers in financial stress, Commonwealth Financial Planning and Carers Australia).
5. FaHCSIA 2008, Pension review background paper.
6. Although this was not one of the 26 essential items referred to above, it was included in the survey as a standard measure of financial stress.
7. FaHCSIA 2008, Pension review background paper. See also Smith Family & NATSEM 2001, Financial disadvantage in Australia. In this study the poverty rate among people over 64 years fell by about one third when the costs of housing were taken into account.
8. If we were to compare social security payments with the relevant Budget Standards for people of workforce age who rent privately, the gaps between the payments and the Budget Standards would be much greater than indicated in Table 3. See ACROSS 2008, Submission to Pensions Review.
9. Note: These Budget Standards are for mature age home owners, so do not include rent or the costs of working or job search. They have been updated to Dec 2007 using the CPI. Base rates do not include Supplements (such as Rent Assistance of up to $53pw that is paid to a significant minority of recipients).
11. Including the following supplements for pensioners – Utility Allowance, Senior’s Bonus, Pharmaceutical Allowance, Telephone Allowance (but not Rent Assistance, Mobility Allowance or Carer Allowance). These supplements are not paid to those on allowance payments.
12. Including supplements as above.
13. Does not include supplements.

CASE STUDY 1: BILL (AN UNEMPLOYED MAN)
Bill is a 50 year old single man who is currently unemployed. Bill previously worked with the railways for a number of years, but is now unable to find work due to what his caseworker believes is age discrimination in the local labour market.

He receives a Newstart Allowance of $437 per fortnight plus rent assistance of $107. He currently pays $440 per fortnight on private rental accommodation, which leaves him with $104 to pay for utilities, food, transport and medication and all other expenses.

Bill has had to sell his car as he could not afford to run it. He neither drinks nor smokes, and has no money left for any personal expenses. Bill allows $40 per fortnight for spending on food, and mostly lives on tins of baked beans from Aldi. Bill has to rely on charitable organisations for vouchers to help with the telephone and electricity. He doesn’t have a mobile phone.

Bill is trying to repay a loan which he took out while he was still working, and the bank has reduced his repayments under a hardship application. He does not want to apply for bankruptcy as he believes the debt is one he should repay. He has made an application for some of his superannuation to be released so that he can pay off the debt.

Bill’s income enables him to physically survive, but little more than that.

Bill (not his real name) is a client of Mission Australia in New South Wales, whose assistance is much appreciated.

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount/fortnight</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td></td>
</tr>
<tr>
<td>Newstart Allowance</td>
<td>$437</td>
</tr>
<tr>
<td>Rent Assistance</td>
<td>$107</td>
</tr>
<tr>
<td>Total income</td>
<td>$544</td>
</tr>
<tr>
<td>Expenditure</td>
<td></td>
</tr>
<tr>
<td>Private rental</td>
<td>$440</td>
</tr>
<tr>
<td>Utilities and phone</td>
<td>$47</td>
</tr>
<tr>
<td>Groceries</td>
<td>$40</td>
</tr>
<tr>
<td>Transport fees</td>
<td>$10</td>
</tr>
<tr>
<td>Medication</td>
<td>$10</td>
</tr>
<tr>
<td>Bank loan ($8,000 total)</td>
<td>$21</td>
</tr>
<tr>
<td>Total expenditure</td>
<td>$568</td>
</tr>
<tr>
<td>Balance</td>
<td>-$24</td>
</tr>
</tbody>
</table>
People in the low income group (Endnote 1) experienced a trend of rising real incomes between 1994-95 and 2005-06. The average real equivalised disposable household income of the low income group is estimated to have risen by 31 per cent over the period, although part of the increase may reflect improvements to the way income was collected in the survey from 2003-04. The same individuals were not necessarily in this income grouping for the entire period. But for those people who were, rising incomes on average would have provided a capacity to improve their standard of living.

While some would interpret this increase in the real income of the low income group as progress, others would consider that it also needs to be weighed against changes in community standards. Although there is no direct measure of these, one approach is to compare changes with those of ‘middle’ Australians and so changes in the real income of people in the middle income group are also shown. The average real equivalised disposable household income of the middle income group was estimated to have risen by 32 per cent between 1994-95 and 2005-06.

About this indicator

Society generally accepts that people have a right to enjoy some minimum material standard of living, that is, to consume a minimum standard of goods and services. Household income is the major source of economic resources for most households and therefore a key determinant of economic wellbeing. The headline indicator shows the growth in average real equivalised disposable household income of people in the low income group (Endnote 1). Although it provides no information about the number of people who might have an unacceptable standard of living, it does indicate how the average income of people in the low income group is changing.

The headline indicator considers low income which is commonly associated with economic hardship. However, some people have access to forms of wealth which can be used to support their standard of living (e.g. bank deposits). Furthermore, economic hardship is a multidimensional issue that is often associated with problems such as lack of participation in work, substance abuse, poor health, low levels of education, inadequate housing, crime, social exclusion and a lack of opportunity for children.

ENDNOTES

1. No surveys were conducted in 1998-99, 2001-02 or 2004-05. The respective data for these 3 years shown in the graph for economic hardship are the midpoint values between the survey values of the previous year and the following year. The base of each index is at 1994-95 and equals 100.

Disposable (after income tax) income amounts are equivalised to take account of the different needs of households of different size and composition, as there are economic advantages associated with living with others, because household resources, especially housing, can be shared. The equivalised income amounts are also adjusted for changes in living costs as measured by the Consumer Price Index.

The low income group comprises people in the 2nd and 3rd income deciles from the bottom of the distribution after being ranked, from lowest to highest, by their equivalised disposable household income. The middle income group comprises people in the middle income quintile (5th and 6th deciles) when all people are ranked, from lowest to highest, by their equivalised disposable household income.

People falling into the lowest decile are excluded from the low income group because, for many of them, the value of their income does not appear to be an appropriate indicator of the economic resources available to them. Their income tends to be significantly lower than would be available to them if they were reliant on the safety net of income support provided by social security pensions and allowances. At the same time, their expenditure levels tend to be higher than those of people in the second decile, indicating that they have access to economic resources other than income, such as wealth, to finance their expenditure.
Poverty and Social Exclusion Issues in Society | Volume 320

In a recent article for Inside Story, John Quiggin wrote that the verdict is still out on whether equality and social wellbeing are correlated. Some research shows that they are – Richard Wilkinson and Kate Pickett’s book The Spirit Level, for example – while other research has shown that the correlation is weak once other factors are taken into account. Because of the uncertainty surrounding these results, John Quiggin’s advice is to promote equality and social solidarity in as many dimensions as possible.

Given this debate on inequality, and the links to social wellbeing, people may be asking three related questions. What is income inequality? How does it compare to more traditional measures of disadvantage, like poverty? And how does Australia compare over time and with other countries in measures of income inequality?

When a researcher in Australia talks about poverty, they are usually talking about the number, or proportion, of people who earn below a set poverty line. This poverty line can either be relative (set in relation to everyone else’s incomes) or absolute (a fixed dollar amount, possibly calculated by looking at what someone needs to survive). A relative poverty line will increase as everyone’s income increases; a fixed poverty line is usually increased in line with inflation.

A relative poverty line could be set, for example, at half the median Australian income. In 2005-06 (the latest ABS data available) this was $281.50. An international example of a fixed poverty line is the $1 per day used by the World Bank until 2008, when it was increased to $1.25 per day. This is the amount that was required for people to meet their basic needs for adequate food, water, shelter, clothing, sanitation, health care and education. While this amount is appropriate for third world countries, in Australia, the amount required to meet these basic needs will naturally be much higher because prices of these basic necessities are higher. An absolute poverty line was calculated in Australia for the Henderson poverty inquiry in 1973. It was $62.70, which was the disposable income required to support the basic needs of a family of two adults and two dependant children at the time. This poverty line has been updated regularly by the Melbourne Institute according to increases in average incomes; for a single employed person it was $391.85 per week (including housing costs) in March 2009. If we inflated the relative poverty line from 2005-06 using the same inflation factors as applied to the Henderson poverty line, we get a figure of $320.77.

Inequality is quite different from poverty. It is a measure of how rich the rich are compared to how poor the poor are. The easiest way to calculate inequality is to look at how much the very rich earn, and divide this by how
much the very poor earn. This can be measured using what is called a P90/P10 ratio, in which the income that the top 10 per cent of the population earns is divided by the income that the bottom 10 per cent of income earners receives. In Australia, this ratio was 3.92 in 2005-06, which means those at the bottom of the top income earner group earn around four times more than the top of the bottom income earner group. It has been at this level since 1999-2000, whereas from 1994-95 to 1999-2000 it was lower, suggesting lower income inequality (or greater income equality) in that period.

An alternative measure to the P90/P10 ratio for inequality is the Gini coefficient. This is a measure of inequality that ranges between 0 (when all incomes are equal) and 1 (when one household receives all the income and every other household receives none). The closer the Gini coefficient is to 0, the more even the distribution of income.

In Australia in 2005-06, the Gini coefficient was 0.307, a figure that has not changed much since 1997-98, but was lower (P90/P10 ratio) in the mid 90s, suggesting greater income inequality since 1997-98.

Internationally, the 2009 OECD Factbook ranks Australia 16 out of 30 OECD countries, or about half way, using data from 2003-04. The country with the least income inequality was Denmark (0.232), and the country with the greatest income inequality was Mexico (0.474).

So how is income inequality distributed geographically across Australia? In recent work at the National Centre for Social and Economic Modelling (NATSEM), Riyana Miranti, Rebecca Cassells, Yogi Vidyattama and Justine McNamara calculated measures of income inequality using the Gini coefficient for small areas across New South Wales and Victoria. These measures of income inequality give some idea as to which small areas in Australia suffer from greater income inequality.

The report finds that remote areas in New South Wales like Central Darling, Bourke and Brewarrina suffered greater income inequality. In Sydney, the western suburbs and some inner-city suburbs like Randwick and Waverley suffered greater income inequality when compared to the rest of the state. In Victoria, remote areas near the South Australian border, like Wimmera and Hindmarsh, had higher income inequality. In Melbourne, many inner city areas like Melbourne City and Stonnington had higher inequality.

It is in these areas that we would expect lower wellbeing, according to the analysis in Wilkinson and Pickett’s book. And in many cases, that appears to be true. When we look at some variables representing disadvantage in an area (proportion of indigenous people, unemployment rates, occupation, education, poverty rates and housing tenure), the areas with high income inequality also seem to be areas of high disadvantage.

In other words, the areas with the highest inequality tended to have a higher proportion of indigenous people, a higher proportion of public housing and a higher proportion of people in poverty. But we can also find areas where high income inequality is associated with low disadvantage, so a higher proportion of managers and professionals and a higher proportion of people with a university degree.

So the link between income inequality and disadvantage is not clear. This is probably not surprising – when we go back to the definition of income inequality, it needs both rich and poor in an area for an area to be unequal. So, by their very nature, areas with high income inequality can also have high income, more advantaged households, and this would offset the low income, disadvantaged households.

Which is why income inequality is such a difficult concept to grasp, compared to other measures of disadvantage like poverty rates and indexes of disadvantage. And, possibly, why there are different results coming out of different studies mentioned by John Quiggin; because the measure is complex and requires both high income households and low income households in an area to show high inequality.

Robert Tanton is Principal Research Fellow at the National Centre for Social and Economic Modelling (NATSEM).
Let’s not forget those still living in poverty as the economy picks up

Clare Martin from the Australian Council of Social Service reminds us of those still in the firing line

As we breathe a sigh of relief at signs that the Australian economy appears to have dodged a bullet, we cannot forget the 2.2 million Australians who are still in the firing line. That’s the number of Australians who are faced with the daily, inescapable reality of poverty. That’s one in every 10 people, including 412,000 children, who live below the poverty line.

Being poor means going without. Skipping a meal to pay for your child’s school books, leaving the electricity bill unpaid or asking for yet another extension to pay the rent. It means constant worrying about how the week’s budget can be stretched, or having to borrow money from friends or payday lenders to replace the car or fridge.

Reports show consistently that the Australians most likely to go without are unemployed people, sole parents and single people over 65 years who rent privately. A recent OECD report noted that Australia lags behind other OECD countries with more than half of all Australian jobless households in poverty, compared with the OECD average of 37 per cent.

The downturn has placed greater pressures on these groups as more people compete for jobs, with unemployment rising by 40 per cent from the lowest level achieved during the boom. People without recent experience in work have been pushed to the back of the jobless queue.

The Federal Government responded swiftly to cushion Australia’s economy through a series of spending initiatives to support jobs and invest in future long term economic growth. Evidence points to the success of this strategy to buffer against the worst effects of the global recession. But we cannot claim the downturn is behind us until unemployment falls to lower levels. We cannot afford to forget about people who are stuck in poverty especially those who have been out of the workforce for several years.

There are complex issues around the responses to eradicate poverty. Government has recognised that one of the three groups at great risk of poverty – age pensioners – struggle to make ends meet and responded in September by lifting some pensions by $32.50 per week. The other two groups are awaiting similar recognition that their payment levels are not adequate, with the single age pension now $108 a week greater than unemployment payments.

There are 644,000 Australians living on unemployment payments of $32 a day and there has been no substantial increase in the real value of unemployment payments since the 1980s. Take a budget of a single woman who is looking for work and living on the Newstart allowance. Each week she has $228 plus about $55 in rent assistance to work out how to pay for rent, bills and groceries. These are the basic items required to live. Add onto this the cost of job search and it’s simply not enough.

Rental expenditure quickly absorbs a high proportion of the weekly budgets of people on low incomes – 65 per cent of low income private renters are in housing stress, paying more than 30 per cent of their income on housing. Lack of access to affordable, secure housing is a primary cause of poverty and is a common factor leading to entrenched disadvantage. The need for affordable housing remains critical. It comes as no surprise that recent research shows Sydney leads the capital cities in stock shortage. There is only one dwelling for every 15 very low-income households (in the bottom quintile).

Between 1996 and 2006, social housing went backwards – funding declined by $3.5 billion in real terms, stock declined. At the same time, housing affordability reached an all time low, pressure on the private rental market intensified and homelessness increased.

The National Rental Affordability Scheme is well designed to increase housing stock, by providing incentives for new partnerships between commercial developers and community housing providers. We should see the real benefits of this scheme over the next five years with a Government commitment to building 100,000 new dwellings.

The Government’s promised stimulus expenditure of $6 billion to build new social housing – later ‘recalibrated’ to $5.2 billion – is a much needed boost to help replenish housing stock. The 19,200 new homes will be a welcome relief for families who have been on waiting lists for years. Every dollar in the housing stimulus package is critical to make inroads into the accumulated demand.

Secure housing is a key stepping stone out of poverty. It makes getting and keeping a job easier. Kids don’t have to be uprooted from schools. Families no longer have to share with friends or live in motels. The quality of family and home life improves, educational outcomes are achieved and family income increases.

There is a shortage of 251,000 rental dwellings available for low-income families and individuals. Australia needs a national long-term affordable housing strategy with a genuine commitment to a future growth fund. The Government has acknowledged that an additional 40,000 affordable housing dwellings must be built by 2020 to meet its homelessness targets. Its $5.7 billion stimulus investment takes it almost halfway there. Funding of similar scale should be allocated to an affordable housing growth fund over the next five years to achieve this target. ACoss will be looking to next year’s budget for continued investment in this critical area of social infrastructure.

Rent assistance should also be increased to those most in need to alleviate housing stress, in recognition of impacts of rent inflation on low income families. Poverty doesn’t have to be a fact of life. Australia is a rich country which has prospered during the mining boom and looks set to avoid the major economic turmoil facing other developed countries.

Let’s remember the 2.2 million. They don’t deserve to miss out on the recovery.

Clare Martin is chief executive of the Australian Council of Social Service.

See www.antipovertyweek.org.au for more information.
Since the election of the Rudd Labor Government in November 2007, ‘social inclusion’ has been adopted as a key focus for social policy in Australia. The government has announced that it will seek to “launch a new era of governance to mainstream the task of building social inclusion so that all Australians can share in our nation’s prosperity.” To this end, it has established a Social Inclusion Committee of Cabinet, a Social Inclusion Unit in the Department of Prime Minister and Cabinet, and the Australian Social Inclusion Board.

Social inclusion policies have been prominent internationally for well over a decade. Originating in France in the 1970s, the concept of social inclusion has played a significant role within European Union social policy discourse since the early 1990s. In the United Kingdom, following its election in 1997, the Blair Labour Government established a Social Exclusion Unit reporting directly to Cabinet. In Australia, a number of State governments, including in Victoria and South Australia, have previously adopted social inclusion policies, however, this is the first time that they have been introduced at the federal level.

DEFINITIONS OF SOCIAL INCLUSION AND EXCLUSION

Social inclusion policies represent a challenge to older, purely material and economic interpretations of disadvantage. The focus is not simply poverty (defined as a relative lack of income), or deprivation (the relative lack of material goods), but, rather, the various and interrelated forms of social, cultural, and political exclusion that may or may not be a consequence of economic poverty or material deprivation. As Peter Saunders has noted: “The focus is on what people do not do, rather than what they cannot afford.” For example, not having access to a local doctor or hospital, or the inability to access savings for use in an emergency have been described as indicators of social exclusion. A lack of regular social contact can also be an example of social exclusion: for instance, if a person with a disability becomes socially isolated as a result of their inability to work and/or carry out other regular activities.

As Tania Burchardt, Julian Le Grand, and David Piachaud have noted:

An individual is socially excluded if a) he or she is geographically resident in a society but b) for reasons beyond his or her control, he or she cannot participate in the normal activities of citizens in that society, and c) he or she would like to participate.

According to these authors, social exclusion can be measured against four key indicators:

- **Consumption**: the capacity to purchase goods and services
- **Production**: participation in economically or socially valuable activities
- **Political engagement**: involvement in local or national decision-making
- **Social interaction**: integration with family, friends and community.

The Millennium Survey of Poverty and Social Exclusion in Britain has also identified four dimensions of exclusion:

- **Impoverishment**, or exclusion from adequate resources (for example, low income or deprivation)
- **Labour market exclusion**
- **Service exclusion** (for example, a lack of access to public transport or child play facilities), and
- **Exclusion from social relations** (for example, a lack of day to day social contact and support, or confinement in the home due to a fear of crime or a disability).

A key issue, then, is the problem of isolation, disengagement and non-participation, and that this can be caused by a variety of factors (for instance, geographic location), not just a lack of financial resources. Another important feature of the concept is that exclusion can be experienced across a number of interacting dimensions, and that it can become concentrated in certain geographical areas.
In this vein, the UK Social Exclusion Unit defined social exclusion as:

A shorthand label for what can happen when individuals or areas suffer from a combination of linked problems such as unemployment, poor skills, low incomes, poor housing, high crime environments, bad health and family breakdown.

Similarly, the EU Eurostat Taskforce on Social Exclusion and Poverty Statistics has defined social exclusion as:

A dynamic process, best described as descending levels: some disadvantages lead to exclusion, which in turn leads to more disadvantage and more social exclusion and ends up with persistent multiple (deprivation) disadvantages. Individuals, households and spatial units can be excluded from access to resources like employment, health, education, social or political life.

Likewise, Levitas et al. (2007) have noted that:

Social exclusion is a complex and multi-dimensional process. It involves the lack or denial of resources, rights, goods and services, and the inability to participate in the normal relationships and activities, available to the majority of people in society, whether in economic, social, cultural, or political arenas. It affects both the quality of life of individuals and the equity and cohesion of society as a whole.

This last point has also been emphasised in a report by the Australian Institute of Family Studies (2008). Social inclusion matters not only because of the way that it affects individuals, but also because it is “linked to the important notion of social capital ... [that is] the networks of social relations that are characterised by norms of trust and reciprocity.” Societies with high levels of social capital are more stable and cohesive, and therefore also more peaceful and resilient. Social inclusion may thus be seen as supporting the wellbeing of all.

**DEBATES**

It has been argued that the concept of social inclusion offers numerous benefits, both for researchers and policy makers, over the concept of poverty. As Saunders has noted, poverty lines (which are frequently set as a percentage of the median income of the population) are seen to be problematic because the chosen limit can be difficult to justify. Secondly, poverty lines can provide information only about income; they cannot demonstrate if, or to what extent, low income results in deprivation. While deprivation measures do provide this information, they also focus only on the material aspects of poverty. Social exclusion measures, on the other hand, can further reveal the complex nature and causes of social disadvantage, thereby allowing for a clearer understanding of how to approach the problem. In this view, raising incomes alone is seen as an unsophisticated response that is not likely to succeed.

Others have argued, however, that the focus on the non-monetary aspects of social inclusion can be used as a way for governments to avoid providing appropriate assistance to the poor. For example, it has been noted that the social inclusion policies that have been adopted in the UK have focused too narrowly on the issue of employment or ‘economic participation’, without acknowledging the ways in which the economic system might itself be acting as a barrier to inclusion.

Despite the official rhetoric, these policies have, in practice, shifted the burden of responsibility almost entirely onto the disadvantaged or unemployed, whose difficulties are seen to stem from their failure to conform to mainstream values and culture, particularly in relation to the question of work. In this context, targeting ‘welfare dependency’, and the broader cultures of ‘non-participation’, is seen as a key priority. Further, the removal or reduction of benefits is regarded as a useful method for achieving these aims.

A competing tendency within the thinking around social inclusion, however, is focused on the notion of citizenship rights, and looks at the different institutional systems within which these rights are given expression – for example, in the labour market, and the democratic and legal, welfare, and family and community systems. As Rob Atkinson and Simin Davoudi have noted: “The crucial issue is the degree to which individuals and groups are ‘embedded’ within institutional systems and the effects these institutional systems have on individuals/groups.”

Atkinson and Davoudi have further argued that the EU has (and probably will continue) to follow a path that is somewhere in between the two orientations:

A general consensus has gradually emerged regarding the desirability of developing a strategy for tackling social exclusion, albeit one which is largely subordinated to the economic imperatives of improving competitiveness and reducing the burden on social protection systems.

**AUSTRALIAN APPROACHES**

A particular feature of the Australian government’s approach, resulting from the need to address Australia’s current skills shortages and the problems associated with an ageing population, is the emphasis on the importance of social inclusion to the economy. Thus, rather than needing to choose between social justice and economic growth, the government is suggesting that it is not only possible, but also necessary to have both. Thus the Minister...
for Social Inclusion, Julia Gillard, has described social inclusion as “replacing a welfarist approach to helping the underprivileged with one of investing in them and their communities to bring them into the mainstream.”

The government has argued that in order to be socially included, all Australians must be given the opportunity to:

- Secure a job
- Access services
- Connect with family, friends, work, personal interests and local community
- Deal with personal crisis, and
- Have their voices heard.

The following areas have been identified as early priorities:

- Jobless families with children
- Children at greatest risk of long term disadvantage
- Focus on particular locations, neighbourhoods and communities
- Homelessness
- Employment for people with a disability or mental illness
- Indigenous Australians.

A social inclusion approach has important implications for the way government policy is implemented. It adds a valuable dimension to the concept of joined-up governance (the ‘joining up’ of services etc). The main benefit of a social inclusion approach is that it explicitly recognises the multiple dimensions of disadvantage that need simultaneous attention.

Despite the Australian Government’s new focus on the link between economic growth and social inclusion (as described above), it remains to be seen how the Government will manage any potential conflict between the two, and whether or not its policies will be successful in fulfilling their stated aims.

**USEFUL SOURCES**


Australian Government, Social Inclusion website. Available at: www.deewr.gov.au

The Brotherhood of St Laurence, *Social Inclusion Down Under Symposium at the University of Melbourne Proceedings*, 26 June 2008. Available at: www.bsl.org.au See also Brotherhood of St Laurence website for other papers on social inclusion.


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**SOCIAL INCLUSION – FACTS AT A GLANCE**

**WHAT IS SOCIAL INCLUSION?**

To describe social inclusion, it is helpful to define social exclusion, since social inclusion is the opposite of this. Social exclusion occurs when people are not able to participate in key activities in their community. It is closely linked to poverty. People face deprivation (‘missing out’) and social exclusion (being ‘left out’).

Social exclusion has three main areas:

- **Disengagement** – lack of participation in the kinds of social activities and events that are widely practised in the community such as going on holidays, hobbies, going out, playing or watching sports or volunteering
- **Service exclusion** – not being able to access services used by a majority of the population such as health, disability, mental health, dental treatment, aged care, basic utilities like gas and water
- **Economic exclusion** – economic stress that arises because of lack of employment or the ability to save or access credit.

Social inclusion is about overcoming the barriers that cause people to feel excluded. Social inclusion is making sure people are connected socially, and in their broader community.

**FACTORS AFFECTING SOCIAL INCLUSION**

Some of the factors affecting the ability and capacity for people in the community to participate in social and community life include:

- **Community attitudes** – attitudes towards certain people or groups in the community can lead to social exclusion if this is not addressed
- **Community activities/programs** – access to appropriate social or community activities to encourage involvement
- **Savings or spending money** – having spare cash to go out with friends or take children on outings or attend a wedding or funeral
- **Holidays** – work arrangements that include paid annual leave allowing time off to take a holiday
- **Transport** – being able to get around easily to participate in local activities with friends and family
- **Access to affordable health services** – access to health and dental services when needed
- **Employment** – access to appropriate employment that provides enough income to participate in activities and events, and
- **Access to help** – knowing where to turn to in the case of an emergency, and getting the right help at the right time.

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This article summarises a selection of the information included in the Australian Social Inclusion Board’s 2009 compendium of social inclusion indicators, particularly those relevant to families and social inclusion. An international comparison is included where available.

The Australian Social Inclusion Board was established in May 2008 as an advisory body to the Australian Government. As a means of consulting and providing input into methods of measuring disadvantage and social exclusion, the Board prepared a compendium of indicators of social inclusion, which was published in May 2009.

The European Union (EU) originally established the indicators, as referred to in the compendium, in 2001. Although the EU indicators have been adjusted since then, the priority within the board’s document is the original set of indicators. Supplementary measures that are relevant to the board’s work are also examined in the compendium.

The compendium is not only a collection of Australian data on these indicators, but a reference point for comparing these data to countries in the EU. It also provides the board with advice on how to improve social inclusion and identify the areas needing further attention.

Table 1 summarises a selection of Australian data as outlined in the compendium on a range of indicators relevant to families, and compares this to EU countries where applicable.

Overall picture
Where international comparisons were possible, the report acknowledges that Australia appears to be travelling satisfactorily in some fields, has a middling standard of achievement in others and has ground to make up in still others. Information from a range of sources has been provided to help in understanding how Australia is faring in relation to social inclusion and who is missing out. The Australian Social Inclusion Board hopes that this information will promote discussion about social inclusion and what it means to be excluded in a relatively prosperous country such as Australia.

ENDNOTES
1. Members of the Board’s indicators working group were Professor Tony Vinson, Dr Ngaire Brown, Ms Kerry Graham and Professor Fiona Stanley, along with members of the Social Inclusion Unit, Australian Government Department of Prime Minister and Cabinet.
2. There are currently 27 member states of the European Union: Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and the United Kingdom.

A Compendium of Social Inclusion Indicators: How’s Australia Faring? is available at www.socialinclusion.gov.au

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**TABLE 1: COMPARISON OF SOCIAL INCLUSION INDICATORS**

<table>
<thead>
<tr>
<th>INDICATOR</th>
<th>AUSTRALIAN DATA</th>
<th>COMPARISON TO EU COUNTRIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>At-risk-of-poverty rates after social transfers*</td>
<td>➤ In 2005-06, one in five Australians lived in households with incomes below 60% of the national median income ➤ Single persons, sole parents in one-parent families, couples without children, public renters, persons aged over 65 were all over-represented</td>
<td>➤ Greater than the EU25 average, with only five countries matching or slightly worse than the Australian vulnerability rate ➤ Australia showed ‘international prominence’ within the 65 years and over comparisons in 2006, indicating the vulnerability of older Australians to living in poverty</td>
</tr>
<tr>
<td>Persistent risk of poverty rate (income below the 60% threshold in a current year and in at least two of the three preceding years)</td>
<td>➤ Between 2001-05, more than a third of the population (38%) were poor in at least one of the five years studied, with almost 8% poor in two of the five years and 7.4% poor in all five years ➤ Highest 3-year poverty rates for elderly, people with disabilities, single mothers, non-aged singles, people of a non-English speaking background</td>
<td>➤ Although not directly comparable, on average over the EU15 countries, 9% of the population had household incomes below the 60% income threshold in 2001 and at least two of the preceding three years</td>
</tr>
<tr>
<td>Housing affordability</td>
<td>➤ In 2005-06, approximately one in five lower income households spent more than 30% of their income on housing ➤ Almost 5% spent more than 50% of their income ➤ The most vulnerable groups are private tenants and owners with a mortgage</td>
<td>➤ No information available</td>
</tr>
<tr>
<td>Participation in the labour market</td>
<td>➤ Between 1998-2008, the labour force participation rate of Australians aged 15-64 years ranged from 74% to 77%, with an increased number of females entering the workforce</td>
<td>➤ In 2007 the overall labour force participation rate for 15-64 year olds in Australia (76%) was higher than the EU25 average of 71%</td>
</tr>
<tr>
<td>Persons living in jobless households</td>
<td>➤ In 2005-06, 13% of children aged 0 to 18 years lived in a jobless household, with 66% living in one-parent households ➤ The proportion of people living in jobless families with children under 15 years declined from 19% in 1998 to 12% in 2008 ➤ Joblessness is much more likely to be long-term in one-parent families; 73% of children living in jobless households for 3 years (2001-03) were in lone parent households</td>
<td>➤ In 2006, 13% of Australian children lived in jobless households compared to the EU27 average of 9.7% ➤ Only four EU member states had a higher percentage of children living in jobless households than Australia: United Kingdom (16.2%), Bulgaria (14.5%), Belgium (13.5%) and Hungary (13.3%)</td>
</tr>
<tr>
<td>Assistance given and received</td>
<td>➤ A significant proportion of Australian women (29%) and Australian men (27%) provide support to a relative living outside their household ➤ A greater proportion of people in the highest income quintile (33%) provided support to relatives living outside the household than those with lowest incomes (21%)</td>
<td>➤ No information available</td>
</tr>
<tr>
<td>Homelessness</td>
<td>➤ In 2006, the rate of homelessness was 53 per 10,000 people; one in 10 homeless persons were members of families with children ➤ From 2001 to 2006 the percentage of homelessness in children under 12 years of age increased by 22%; however the overall rate remained stable ➤ In 2006, the rate of homelessness for Indigenous persons was 3.5 times higher than for non-Indigenous Australians</td>
<td>➤ No information available</td>
</tr>
<tr>
<td>Access to services</td>
<td>➤ In 2006, 22% of Australians reported difficulty accessing service providers; 34% of one-parent families reported this difficulty ➤ 18% of residents of major cities experience difficulty, compared to 39% in outer regional and remote areas</td>
<td>➤ No information available</td>
</tr>
</tbody>
</table>
### Teenage mothers

- The rate of teenage births per 1,000 females has been falling steadily for the past three decades, with a rate of 16 per 1,000 in Australia in 2007.
- In the Northern Territory, the rate for indigenous teenage births is 6.9 times the national rate (110.8 per 1,000 births).
- Teenage mothers are considerably worse off in terms of health (mental and physical) than older mothers.

#### Life expectancy at birth

- Life expectancy at birth of Australian women and men is among the longest in the world – in 2005, 83.5 years for women and 78.7 years for men.
- Life expectancy for indigenous Australians is much lower – estimated to be 65 years for women and 59 years for men.

#### Total social expenditure per capita

- Allowing for difficulties in harmonising different accounting systems, Australia stands near the bottom of the list of social expenditures.
- Social expenditure as a share of Gross Domestic Product (GDP) was 13.1% in 2004-06.
- All 27 EU countries except one (Greece) invested a higher proportion of GDP in social expenditure in 2004-06 than Australia (the EU average was 23.4% – almost twice that of Australia).
- Six countries had a rate of expenditure double or near double that of Australia: Sweden, Finland, Denmark, Austria, Italy and France.

* Social transfers consist of goods and services provided as transfers in kind to individual households by government units (including social security funds) and non-profit institutions serving households. For more details, see: [http://stats.oecd.org](http://stats.oecd.org)

### Where Australia is doing well

- Life expectancy and health expectancy at birth are among the world’s best.
- Work participation rates surpass EU27 – only 4 countries equalled or exceeded Australia’s performance.
- Employment rates were higher than the EU27 average with just 3 EU states having higher rates.
- Employment rates for 55-64 year olds are higher than the EU27 average – only 3 EU states had higher rates.
- Low rates of long-term unemployment.
- Low rates of 20-24 year olds not engaged in education or training or employment.
- Gender wage parity has not been attained but Australia is within the group of countries, including Sweden, Norway and several Middle-Eastern, African and Asian countries, nearest to achieving such parity.

### Where Australia has ground to make up

- A higher proportion of Australian households than the EU25 average are at ‘risk of poverty’.
- The depth of deficient income is marginally greater than EU25 states.
- The percentage of Australian children in jobless households exceeded the rate of all but four EU27 states in 2006.
- High rates of 15-19 year old Australians are not engaged in education, training or employment.
- High rates of Australian adults have had only a very basic education.
- The ratio of the income of Australians aged 65 years and over to those below that age is well below the EU average.
- While 15 year old students generally compare well in international education assessments, indigenous students and students from the lowest socio-economic backgrounds and from remote areas, have much ground to make up.


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We hear terms like these but aren’t always sure exactly what they mean. Meanings can change depending on the circumstances. The definitions below may be helpful.

**Financial hardship** is the inability to enjoy an adequate material standard of living (in terms of food, shelter, clothing and health) that results primarily from inadequate income. What is adequate is determined by the standards of living for the community as a whole.1

**Social exclusion** involves the lack or denial of resources, rights, goods and services, and the inability to participate in the normal relationships and activities, available to the majority of people in society in the economic, social, cultural or political arena. The exclusion can be caused by a variety of factors such as discriminatory attitudes (such as racism), location, age or lack of access to technology.

Whilst for some people financial hardship may be a temporary experience, for many it is an ongoing, even lifelong condition. Many people live with the constant stress of not knowing how they are going to be able to pay their next bill.

1. **IT’S ABOUT MORE THAN MONEY**

Although financial hardship is often measured in terms of income, the experience of financial hardship or poverty is much more than how much money a person has.

The experience of financial hardship may have a social, psychological or cultural basis. Simply providing financial assistance will not address the disadvantage experienced from these causes. Similarly, social exclusion based on factors such as ethnicity, age, disability will not be solved by money. It requires a change in attitude and a change in the way institutions operate.

2. **POVERTY CAN BE RELATIVE OR ABSOLUTE**

**Absolute poverty** exists when a person does not have access to the bare minimum requirements to sustain a healthy life, for example safe drinking water, shelter and regular food. In Australia, some homeless people and some Aboriginal communities live in absolute poverty.

**Relative poverty** exists when a group in society receives significantly less than the average person in that society. A person is viewed as being impoverished in comparison to the general expectations of that society. Depending on the measure used, between 5% and 22% of Australians live in (relative) poverty.

3. **POVERTY AND SOCIAL EXCLUSION ARE INTERCONNECTED**

Some say that social exclusion is a cause of poverty. Others say that poverty results in social exclusion. What is clear is that financial hardship limits participation in normal activities of our community. This amounts to social exclusion. Other factors experienced by a person can also cause social exclusion (e.g. Aboriginality, age, location, disability).

4. **EVERYONE HAS THEIR OWN IDEAS, THEIR OWN WORLDVIEW**

There are many different interpretations of financial hardship and social exclusion coming from our personal experiences and worldview. Our assumptions can significantly affect the way we relate to people experiencing hardship. We need to be aware of the unspoken values, attitudes and beliefs we have when we deal with people who may have different worldviews and experiences to us.

5. **BLUDGERS AND BATTLERS**

People in financial hardship are sometimes divided into the ‘deserving’ and the ‘undeserving’ poor, or the ‘battlers’ and the ‘bludgers’.

Although there may be a small group of people who take advantage of any system the majority of people experiencing financial hardship are not in this category. Some people’s lives are so difficult that payment of bills has a lower priority than day-to-day survival. Causes
include debilitating mental/physical illness and family violence or sexual abuse.

**FINANCIAL HARDSHIP AND POVERTY – SOME MYTHS**

Financial hardship is not experienced in the same way by all people. Factors such as a person’s support networks, as well as gender, ethnicity and age all impact on how poverty is experienced.

Absolute poverty is now less widespread than in the past, however relative poverty continues and grows.

People get their beliefs regarding poverty from a variety of sources. These sources may include personal experiences, the media, stories related by family and friends and messages communicated by government. There are some common misunderstandings regarding some aspects of financial hardship. These misunderstandings can cause problems when someone experiencing financial is requesting assistance or understanding.

**MYTH: PEOPLE ON WELFARE HAVE PLENTY OF MONEY**

The vast majority of people who rely on government payments as their primary source of income are living on very small amounts of money – inadequate to cover basic needs. Welfare payments once provided a secure, if frugal, standard of living for eligible people. The cost of many essential items such as fuel and housing has increased significantly more than welfare payments.

The Newstart Allowance for a single person with no children who is looking for work is $214.90 per week.

**MYTH: PEOPLE ON WELFARE WASTE ALL THEIR MONEY**

Research shows that the vast majority of people relying on Centrelink benefits usually spend almost all their available funds on basic items such as food, utilities, accommodation, education and transport.

Lack of funds means there is little opportunity to go out with friends, engage in sports or other important social and physical activities.

**MYTH: THERE ARE A LOT OF WELFARE CHEATS**

Fraudulent benefit claims do exist, but they are in the tiny minority. Despite the impression that is sometimes given by the media, actual rates of welfare fraud are very low. Less than 6% of welfare recipients are convicted of fraud.

To put this in perspective:

➤ In 2004-5 tax payers owed over $5.14 billion to the tax department
➤ Whereas welfare recipients owed $390 million
➤ The average social security debt was less that $1,000 while the average tax debt was many times greater.

In the main, those convicted of welfare fraud bear little resemblance to the few crooks who go to jail in a blaze of headlines having robbed the revenue of tens of thousands in multiple identity scams.

Research by Greg Marston and Tamara Walsh, of the University of Queensland, who tracked 80 social security fraud cases, found the defendants to be needy rather than greedy. They were more likely to be uninformed, sad people, living close to the poverty line.

The most common violation was to under-declare to Centrelink income earned from casual or intermittent work, and so be paid an incorrect welfare benefit. A good behaviour bond was the typical penalty.

Welfare fraud is less of a problem than has been made out. But more can be done to simplify a Centrelink reporting process that invites mistakes. As for the tax cheats, more hounding, and more tabloid headlines, would not go astray.

**MYTH: PEOPLE ON WELFARE DON’T WANT TO WORK**

Many people experiencing financial hardship face a number of significant barriers to employment and have not been able to benefit from the low rate of unemployment.

These barriers can include lack of appropriate training or experience, lack of appropriate transport, racism and cultural barriers, caring commitments to others, physical and mental health problems and age.

Many people also face limited employment opportunities because of where they live.
MYTH: THEY ARE ‘TRYING IT ON’
Many of us have been in a situation where we haven’t been able to meet a commitment to someone else. Explaining these circumstances to others, especially strangers, can be an embarrassing experience. Such situations can be made even more difficult in cases where people are ‘telling the story for the umpteenth time’, or do not feel that their experiences have been validated by the listener.

MYTH: THESE PEOPLE WASTE WATER AND ENERGY
It is true that some people have high energy and water bills because of inappropriate or excessive use. Excessive use and wastage of services can be caused by several factors: lack of education regarding the scarcity of resources; use of old appliances; or the unrestrained use of appliances. However, a lot of people living on lower incomes or experiencing financial hardship are unable to reduce their use due to factors such as: overcrowding; inability to afford efficient appliances; and no capacity to retrofit what is very old and inefficient housing. Schemes available to assist in reducing use of energy and water (such as star ratings for white goods and heating appliances, rebates on water-saving fixtures and energy saving retrofitting) are not appropriate for people in financial hardship because they require an initial outlay of funds, which is then recouped by future savings.

CONSEQUENCES OR CAUSES?
People experiencing financial hardship and social exclusion face many problems. Some of these problems are interrelated. They can be both a consequence and a cause of financial hardship and social exclusion.

POOR HEALTH
There is a strong link between financial hardship and poor health outcomes. People experiencing financial hardship have higher rates of suicide and self harm than the rest of the population. Some people experience hardship following the loss of employment caused by injury – in some cases this injury, or disability may be ongoing, excluding the person from types of employment which they have previously held. Many chronic health conditions and disabilities cost a lot to treat and can be barriers to employment.

INAPPROPRIATE HOUSING
People experiencing financial hardship are more likely to live in housing that does not meet their needs. This may include housing that is chosen because it is cheaper, but is further away from employment and education, is inappropriate because of health needs or far away from social and financial supports.

➤ The cost of rental accommodation has risen significantly over the past ten years
➤ People living on lower incomes pay a much higher percentage of their total income in order to remain housed

➤ Over 1/3 of people aged under 44 pay more than 30% of their income on housing.3

FAMILY VIOLENCE
Family and domestic violence occurs in all sectors of society. It involves an intimate partner, or family member attempting to exert power and control over another person. It is proportionately more common in families experiencing financial hardship. These families or partnerships experience higher levels of ongoing stress due to the financial hardship.

They may be more likely to encounter factors which increase the use of violence. These factors may include drug use (including alcohol), stress and a reduced capacity for people experiencing abuse to remove themselves from the unsafe situation.

People experiencing or leaving family violence situations can experience severe psychological stress making it difficult to cope with daily life.

People experiencing domestic or family violence require people to understand and believe their experiences. Along with violence can go STD – Sexually Transmitted Debt. That is, debt that belongs to the abusive partner may have been transferred to the person experiencing the abuse.

Many people have to live with debt for many years after the initial abuse has ended.

HIGHER COST OF LIVING
Surprisingly, people in financial hardship have a higher cost of living than rich people.

This occurs for a number of reasons, including:
➤ Higher transport costs
➤ Less efficient home appliances
➤ Use of high-cost credit to meet essential needs
➤ More time spent at home (resulting in higher water and energy costs)
➤ Lack of capacity to take advantage of ‘buy in bulk’ sales and inability to meet the upfront costs to take advantage of efficiency programs.

People living on lower incomes are also more likely to be subject to high bank fees, dishonour charges and overdue penalties on accounts.

IMPORTANT FACTORS TO REMEMBER ABOUT FINANCIAL HARDSHIP

SIGNIFICANT LIFE EVENTS AND INSUFFICIENT RESOURCES TO RESPOND
Many people in financial hardship have suffered a significant life event and they lack the resources to be able to respond.

Common significant life events include:
➤ Marriage and divorce
➤ Birth or death
➤ Loss of employment
➤ Loss of capacity (disability)
➤ Imprisonment or the threat of imprisonment and
➤ Other events which bring about significant physical or psychological trauma.

Everyone has differing capacity to deal with these sorts of events. When responding to someone presenting with hardship or disadvantage it is important to consider how many significant life events that person has experienced.

JUST BEING A PART OF GROUP DIFFERENT TO THE NORM

Just being a part of a specific group can significantly increase your chances of experiencing hardship or poverty.

In Australia, groups that are more likely to experience financial hardship include young people, single parents, people of Aboriginal or Torres Strait Island descent, people who don’t speak English and people from migrant backgrounds. The reasons why these groups may experience higher rates of hardship or poverty vary, but include lack of access to employment and education, racism and higher living costs.

SO IT’S ALL CONNECTED?

Yes. Many of the factors discussed above are both causes and effects of financial hardship.

Some of these factors even cause each other. For example, people who have encountered problems with the law may find it more difficult to locate employment, leading to stress, health and accommodation issues.

Experiencing more than one of these factors makes a person’s situation worse. Many of the conditions listed above are not easily solved in isolation. People may have experienced these situations for their entire lives. Whilst many of the factors that contribute to financial hardship could happen to anyone, there is evidence to suggest that disadvantage reproduces itself and continues from one generation to the next.

BUT I WENT THROUGH THAT TOO, AND I’M FINE – WHY?

Some people and groups have a greater capacity to deal with the significant life events and problems outlined previously than others.

Many of us have lost a love one, finished a relationship or been in a car crash. How did we cope with these events?

Some of us may have had support from friends or family members. In other cases, you may have previously been through a similar experience and known that things would eventually be alright.

The ability to cope with adverse life events is often known by psychologists as ‘resilience’. There are many internal (mental state) and external (environmental) factors that affect someone’s level of resilience.

Internal resources include:
➤ Age and maturity – positive experiences dealing with difficult situations
➤ Self-esteem and confidence – feeling that you have some control over the situation
➤ Education and employability – facilitates alternative paths to be pursued.

External resources include:
➤ Security of accommodation and employment
➤ Network to provide financial support – friends and relatives not experiencing financial hardship who can help out
➤ Network to provide emotional support – friends and relatives who are there to talk with
➤ Positive community and environment – being in a community with opportunities and access to services and amenities.

Many people experiencing financial hardship do not have sufficient internal and external resources to enable them to handle a difficult personal or financial situation. One possible result of ‘not handling’ the situation may be avoidance. That is, a difficult situation is ignored or avoided because it is too hard for the person to manage at that time. Everyone is different and deserves to be treated on an individual basis.

The very poor tell us over and over again that a human being’s greatest misfortune is not hunger or being unable to read, nor even being without work. The greatest misfortune of all is to know that you count for nothing, to the point where even your suffering is ignored. The worst blow of all is the contempt of your fellow citizens. Moraene Roberts

FOOTNOTES
1. Brotherhood of St Laurence to the Senate Inquiry into Poverty: Australian Senate (2004), A hand up not a hand out: Renewing the fight against poverty.

Compiled by the Western Australian Council of Social Service Inc. | www.wacoss.org.au
Despite a long period of strong economic growth, not all Australians have benefited from increased prosperity. Without determined action they and their families may fall further behind, according to this chapter extract from the Australian Government’s national statement on social inclusion, *A Stronger, Fairer Australia*

Disadvantage is often associated with a range of social, economic and health problems, including:
- Lower levels of trust and community participation
- Increased levels of mental illness
- Higher rates of obesity and preventable chronic disease
- Poorer educational outcomes for low skilled Australians and for their children
- Fewer opportunities for labour market participation by some people
- More limited opportunities for people to improve their economic and social circumstances, and
- Concentrations of multiple and entrenched disadvantage in particular communities.

These problems are significant in themselves but, left unchecked, their costs are likely to multiply, contributing to a cycle of intergenerational disadvantage that Australia cannot afford.

**Australia is changing**

Australia’s economy has changed in recent decades, with greater demand for skilled workers, shrinking opportunities for people with limited training or education and a geographical redistribution of job opportunities as some sectors contract and others expand.

The Australian population is ageing and becoming more diverse as increasing life expectancy, fertility and migration all contribute to a wider spread of household types and life circumstances. More women are participating in the workforce and having children later in life. More families with children have both parents working and face the challenge of balancing their work and family life.

Community structures and social life are also changing. Average economic standards of living have increased; average household size has fallen; there are more lone parent households; and people are smoking less but eating more, leading to changing patterns of disease. We have more wealth, information and choices than a generation ago, but there are also new risks and pressures, especially for those with fewer skills and resources to deal with change.

As our economy continues to change, more and more work opportunities will be available only to those with qualifications and higher level skills.

Social challenges will be different for a community with more older Australians and more people living on their own. As our society ages, Australia needs to build a ‘full participation economy’ to help meet the costs of health and other services and make sure that economic growth is not constrained by lack of skilled workers.

**Drivers of social exclusion in Australia**

International comparisons show that overall Australia is faring very well. However, when we look at outcomes for particular groups, it is clear that some Australians are not sharing in the benefits of national prosperity.

The following sections of this chapter provide information on drivers of social exclusion in Australia, including:
- Poverty, low income and income inequality
- Lack of access to the job market
- Poor educational outcomes
- Poor health and wellbeing
- Lack of access to social supports and networks
- Exclusion from services, and
- Discrimination.

Statistics show that these drivers are often interrelated. When they combine, they can have a compounding effect, deepening disadvantage and creating a vicious cycle that undermines people’s resilience and reduces their ability to participate.

Approximately five per cent of Australians aged between 18 and 64 years experience three or more of six selected types of disadvantage.

Available evidence suggests that multiple disadvantage is most likely to be experienced by people renting public housing and people in lone households and single parent households.

The drivers of social exclusion are more likely to be found in some neighbourhoods or regions, leading to concentrated locational disadvantage. Recent research by Professor Tony Vinson found that the most disadvantaged three per cent of localities across the country had at least twice the average share of unemployment, long-term unemployment, disability support and psychiatric...
admissions, criminal convictions, imprisonment and child maltreatment. Remote and rural locations can be at particular risk of locational disadvantage, as distance and small populations often make it difficult and expensive to deliver high quality services. Without innovative solutions to improving access to high quality services for people in rural and remote locations, we risk creating long-term barriers to participation and limited choice and opportunity for these communities.

Similarly, drivers of social exclusion are more prevalent in certain population groups, regardless of where they live. Those at greatest risk of social exclusion include sole parents, jobless families, Aboriginal and Torres Strait Islander people, people with disability and mental illness, those with low income and people who are homeless.

**Poverty, low income and income inequality**

On average, Australians have a high standard of living compared to other countries. However, the benefits of our national prosperity are not being shared by the entire population.

In 2007-2008 the 20 per cent of households which earned the lowest incomes received 7.6 per cent of total income, a decrease from 7.9 per cent in 1994-1995. Over the same period, households in the top 20 per cent of incomes received 39.4 per cent of income in 2007-2008, an increase from 37.8 per cent in 1994-1995. This means poor households did not experience the same growth in income as other households and the gap between the richest and poorest households slowly grew. Increasing income and opportunity for all Australians is good for Australia. Ensuring that the incomes and circumstances of those who are worst off can improve as the national economy grows is an important part of building a stronger, fairer nation.

Some Australians are at risk of poverty and struggle to meet the rising costs of living:

➤ Around one in five Australians were considered to be at risk of poverty.
➤ One in eight people lived in households with high financial stress.
➤ 40 per cent of one parent families with children lived in high financial stress.
➤ One in five low income households were classified as being in housing stress.
➤ Almost half of low income private renters were in housing stress, and
➤ Around 105,000 Australians are estimated to be homeless on any given night.

These indicators of poverty and financial stress continue to be present despite close to two decades of strong economic growth.

**Lack of access to the job market**

As with average income, Australia is well placed in terms of our overall rate of labour force participation and has amongst the lowest long-term unemployment rates when compared to other developed countries.

Some Australians, however, experience persistently high levels of unemployment and in some households, unemployment is a way of life. For example, over one third of households that were jobless in 2001 remained jobless in 2006.

**Different groups may have particular difficulty accessing the job market:**

➤ The rate of employment of people with disability and severe mental illness is still well below that of people without disability and mental illness, and, in recent years, their relative employment prospects have declined – from 1993 to 2003, the employment rate of people without disability increased by 13 per cent (from 67.6 per cent to 76.5 per cent), while the employment rate of people with disability (including psychological disability) increased only by 8 per cent (from 45.1 per cent to only 48.7 per cent).

➤ Rates of indigenous employment were much lower than for the non-indigenous population. In 2008, 54 per cent of indigenous Australians aged 15 years and over were employed compared to 73 per cent of non-indigenous Australians.

➤ Australia also has considerable regional variation in unemployment with some areas consistently showing much higher rates of unemployment. In 2008, 10 per cent of Statistical Local Areas (SLAs) – 1,334 small standard geographic areas across Australia – had unemployment rates of 15 per cent or lower, while 10 per cent had unemployment rates of 6.9 per cent or higher, and

➤ Low educational attainment is also linked to higher levels of unemployment. While people without a non-school qualification make up only 34 per cent of the population, they make up 58 per cent of the unemployed and 63 per cent of the long-term unemployed.

With the economic downturn, there has been an increase in jobless families as a proportion of all families from 12 per cent in June 2008 to 14 per cent in June 2009.

**Poor educational outcomes**

Education is fundamental to achieving a fairer and stronger Australia and for many people provides a pathway out of disadvantage. It also offers protection from unemployment. People who do not have a Year 12 education, or an equivalent non-school qualification, are 18 per cent less likely to be in the workforce than people that do. If they are in the workforce, they are 1.6 times more likely to be unemployed.

Low educational outcomes tend to be associated with particular social groups and concentrated in particular locations:

➤ Between 88 and 95 per cent of Australian Year 9 students are estimated to be working at or above the national minimum standard (writing and numeracy respectively), but the percentage of indigenous students at or above the standard is markedly lower at 59 and 75 per cent respectively.
Performance in reading and writing declines with remoteness – 93 and 87 per cent of Year 9 students in metropolitan areas are performing at or above the national minimum standard for reading and writing respectively, against 48 and 43 per cent in very remote areas. For indigenous students, this is even lower, for example 21 per cent in very remote areas for writing.

47 per cent of Aboriginal and Torres Strait Islander people aged 20-24 years reported having completed Year 12 or Certificate II. This compares with 84 per cent of non-indigenous Australians of the same age.

72 per cent of people aged 20-24 years living in areas of high socio-economic disadvantage had completed at least Year 12 or Certificate II, much lower than people living in the least disadvantaged regions at 92 per cent, and

39 per cent of single parents left school before Year 12 and have no non-school qualifications, compared to 24 per cent of partnered parents.

Educational participation and outcomes for children are very much related to the socio-economic status (SES) of their parents.

It is estimated that around 30 per cent of children are not participating in a preschool program in the year before school. This figure increases to around 42 per cent for indigenous children.

Students from high SES backgrounds are around three times more likely to go to university than those from low SES backgrounds.

Poor health and wellbeing

Providing the best opportunities for all Australians to live a long, healthy, happy and prosperous life is essential to building a stronger and fairer Australia. On average, Australians have exceptional levels of good health. The life expectancy at birth of Australian men and women exceeds that in almost all European countries and is amongst the highest in the world.

But again, Australia has very poor outcomes for some groups. There is clear evidence that social and economic disadvantage is associated with premature mortality, lower life expectancy, injury and disease prevalence:

Between 1998 and 2000 infant mortality rates for people in the most disadvantaged 20 per cent of the population were over 1.5 times higher than those living in the least disadvantaged 20 per cent of the population.

Tragically, children born in the most disadvantaged 20 per cent of the population can expect to live, on average, between two and four years less than children born in the least disadvantaged 20 per cent of the population.

The gap in life expectancy between Aboriginal and Torres Strait Islander people and non-indigenous Australians is estimated to be 9.7 years for women and 11.5 years for men. More than half of this life expectancy gap is estimated to be due to chronic disease.

People in jobless families and those born in non-English speaking countries are much more likely to have poorer health outcomes, and

Low socio-economic status is linked to higher prevalence of many conditions including arthritis, asthma, diabetes and heart disease.

Lack of social supports and networks

The resources available to a person or household extend beyond income to include other forms of support from friends, neighbours, relatives and work colleagues.

These other forms of support can be material or emotional:

In 2006, 93 per cent of the population had someone to turn to in time of crisis, generally family or friends, and

63 per cent of the Australian population aged 18 years and over were involved in a social group in their community over the last 12 months.

For some groups, levels of support are lower:

People with low income, the unemployed, people with disability, those with poor health, the aged and people not proficient in English reported lower levels of support in a time of crisis, and

Only 61 per cent of people living in households in the bottom 20 per cent of household incomes were involved in a social group compared to 80 per cent in the top 20 per cent.

Exclusion from services

Services represent another form of support for persons and households. These include both government services and those provided privately. The vast majority of Australians are able to access services readily.
However, some groups found this more difficult than others:

- Almost 40 per cent of people living outside cities and major towns reported difficulty accessing service providers.
- People with low income, in one parent families, with disability or poor health, those not proficient in English, the unemployed and the aged are more likely to have transport difficulties than the general population.
- Low income households were less likely to have access to the internet at home (33 per cent) compared to all households (64 per cent), and
- Many people facing a legal event or financial stress (33-47 per cent) take no action and do not seek any assistance because of lack of knowledge, lack of capacity, disempowerment or for fear it would make no difference or would make the matter worse.

**Discrimination**

While Australia is a tolerant and diverse society, some level of discrimination exists. Discrimination may take a number of forms and can be based on appearance, ethnicity and culture. People may also feel discriminated against because of their age, gender, disability or sexuality.

Measuring discrimination is difficult and there are currently no large scale, national sources of data on this issue. Although their scope and sample size are limited, surveys and research have found evidence of discrimination in Australia.

Some research has found that people from a non-English speaking background reported being treated with distrust, disrespect or experienced discrimination because of their national or ethnic background. Other research has found that Australians with names that imply that they belong to a minority group may suffer from discrimination when they attempt to secure employment in jobs that do not require post-secondary qualifications.

Discrimination can directly impact on groups that are already at particular risk of social exclusion, such as people from a refugee background and other vulnerable migrants, people from an Aboriginal or Torres Strait Islander background and people with a disability or mental illness:

- In 2009, 94 per cent of indigenous respondents who participated in the Australian Reconciliation Barometer reported a high level of prejudice from other Australians towards indigenous people.

Research also suggests that race-based discrimination in particular can lead to ill health, reduced productivity, and reduced life expectancy. It can also negatively affect families and local communities, with resultant social and economic costs.

The need to improve measurement is recognised in the indicator framework of social inclusion, which includes a supplementary indicator on tolerance of diversity.

**The broader impact of social exclusion**

While social exclusion has an immediate negative impact on those experiencing the exclusion, disadvantage also has economic and social impacts on society more broadly.

Social disadvantage results in:

- Costs to the budget through:
  - increased health spending on preventable chronic disease and mental illness
  - increased provision of financial support to those who are unable to work, and
  - increased costs for policing, the courts and corrective services.
- Costs to the economy through lost productivity and workforce participation.
- Costs to communities, where disadvantage becomes entrenched, levels of social interaction and safety are reduced and social isolation may ensue, and
- Costs to individuals and families who can experience financial hardship, social and physical isolation, chronic or persistent health problems and family breakdown.

By tackling the drivers of social exclusion, with a focus on the people facing long term risks and multiple disadvantages and the places experiencing concentrated disadvantage, we aim to reduce these costs and achieve our aspiration of a fairer society in which all individuals, families and communities have the capabilities, opportunities, responsibilities and resources they need to participate successfully.

**FOOTNOTES**

a. Six selected disadvantages were considered in three areas: economic (low income and no access to funds in an emergency, jobless households); personal (poor self-assessed health, education below Year 10); and social (feeling unsafe at home alone after dark, unable to get support in times of crisis).
b. Income refers to equivalised household disposable income.
c. With equivalised household income below 60 per cent of median (noting that there are some concerns with this as a measure of poverty risk).
d. High financial stress describes the proportion of people whose household reported an incidence of five or more individual financial stress indicators (out of a total of 15) in the previous 12 months. These included being unable to pay certain bills on time, whether they could not afford activities such as a night out once a fortnight, or a special meal once a week; or whether they had gone without food or heating because of a shortage of money.
e. Spending more than 30 per cent of their gross equivalised household income on housing costs.
f. The 20 per cent of all collection districts with the lowest Socio-economic Index for Areas (SEIFA) Index of Relative Socio-economic Disadvantage (IRSD) score.
g. The 20 per cent of all collection districts with the highest SEIFA IRSD score.
Over most of the 20th century an increasing proportion of the population received income support. In 1901, only 1% of Australians aged 15 years and over received an income support payment. By the early 1970s, 12% received income support and this increased rapidly during the 1970s to reach 23.5% in 1979. The proportion peaked in 1996 at 33% before declining to 27% in 2008.1

**Trends in rates of income support receipt among the working aged**

One of the explanations for the long-term increase in the overall rate of income support receipt among people aged 15 years and over is that, because Australians are living longer, an increasing proportion of the population has become eligible to receive the Age Pension. Yet the proportion of working age people receiving income support also grew until the mid 1990s. The reasons for the increase in this proportion between June 1978 (about 14%) and June 1996 (around 25%) include declines in full-time employment, an increase in the proportion of people without partners, and higher levels of education participation among young people (see Australian Social Trends 2001, ‘Income support among people of workforce-age’).

This article focuses on the subsequent decrease in the

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**DATA SOURCES AND DEFINITIONS**

Some of the data presented in this article have been sourced from publications and papers freely available on the websites of various Australian Government agencies. ABS Estimated Resident Population has been used to calculate rates of income support receipt. Other data are sourced from the ABS 2007-08 Survey of Income and Housing. Detailed information about this survey can be found in:

- Household Income and Income Distribution, Australia, 2007-08 (ABS cat. no. 6523.0)

Income support from the Australian government is designed to provide a basic, acceptable standard of living for people unable to fully support themselves. The amount paid reflects prevailing community standards, and is largely determined by the application of income and asset thresholds and tapers (i.e. means testing). As a result of means testing, a claimant may receive a full-rate income support payment, a part-rate payment, or be assessed as ineligible to receive income support.

Not all payments from government are considered to be income support. Payments which are not means tested (e.g. economic stimulus payments, one off payments to seniors and carers), payments intended to help meet specific costs (e.g. Family Tax Benefit, Baby Bonus, Utilities Allowance), and payments which represent compensation for loss (e.g. DVA Disability Pension, War Widow(er)’s Pension and Orphan’s Pension) are not regarded as income support.

In June 2007, income support payments comprised the following payments: Age Pension, Disability Support Pension, Newstart Allowance, Parenting Payment (Single), Youth Allowance (Full-time study), Service Pension, Parenting Payment (Partnered), Carer Payment, DVA Income Support Supplement, Youth Allowance (Other), Partner Allowance, Widow Allowance, Wife Pension, Abstudy, Exceptional Circumstances Relief Payment, Austudy, Sickness Allowance, Special Benefit, Mature Age Allowance, Widow B Pension, Bereavement Allowance, and Farm Family Restart.1

In this article, people of working age are people aged 16-64 years. Children aged 15 years are often excluded from the working age range when calculating rates of income support receipt as very few 15 year olds are eligible to receive an income support payment. This article excludes 15 year olds from the working age population to maximise comparability between different data sources.
The proportion of working age people receiving an income support payment between June 1996 (about 25%) and June 2007 (about 17%). Factors contributing to this decrease include strong jobs growth, the closure or phasing out of some payments, and tightening of eligibility criteria to receive some other payments.

**... strong jobs growth**

A sustained increase in employment opportunities saw the proportion of working age people receiving an unemployment payment fall from 6.9% in June 1996 to 3.3% in June 2008 before rising to 4.2% in June 2009. These movements closely mirror changes in the unemployment rate (see Australian Social Trends March 2010, ‘The labour market during recent economic downturns’).

While it is a major contributor, the lower rate of receipt of an unemployment payment accounts for less than half of the 7.5 percentage point fall in the proportion of working age people receiving income support between June 1996 and June 2007. Given that the proportions of working age people receiving Disability Support Pension and Carer Payment actually increased over the same period, factors other than lower unemployment clearly also contribute to the fall in income support receipt among people of working age.

**... several payments closed or being phased out**

One of the other reasons for the decrease in the rate of income support receipt among working age people between June 1996 and June 2007 has been the closure and/or phasing out of a number of income support payments.

**... tightened eligibility for some payments**

Another reason for the decrease in the rate of income support receipt among 16-64 year olds has been the gradual raising of the age at which women qualify for receipt of a pension for having reached retirement age. In June 1996, women needed to be aged 60.5 years to qualify for receipt of the Age Pension and 55.5 years to qualify for an equivalent retirement pension from the Department of Veteran’s
Issues in Society | Volume 320

by June 2007, these qualifying ages had risen to 63 years and 58 years respectively. This has resulted in progressively fewer working age people receiving the Age Pension. In June 1995 there were 211,685 women under 65 receiving the Age Pension (representing 1.8% of all working age people). By June 2007 the number of women under 65 receiving the Age Pension had more than halved.1

Until 10 May 2005, people qualified for the Disability Support Pension if they had an impairment that prevented them from working (or being re-skilled to work) for 30 hours a week at or above the minimum wage for at least the next two years. This changed from 30 hours a week to 15 hours a week for some working age people applying for this income support payment between 11 May 2005 and 30 June 2006, and for all new claimants from 1 July 2006. After rising from 1.7% in June 1972 to 5.3% in June 2004, the proportion of working age people receiving the Disability Support Pension changed little to June 2009 (5.2%).

Immediately prior to 1 July 2006, Parenting Payment was available (subject to means testing and residence rules) to the principal carer of a child aged under 16 years. Since 1 July 2006, new recipients needed to have a child under six (if partnered) or eight (if single). New recipients were required to look for at least 15 hours work per week when their youngest child turned six, and existing recipients were required to do so on 1 July 2007 or when their youngest turned seven (whichever was later).1,3 The proportion of working age people receiving the Disability Support Pension changed little to June 2009 (5.2%).

Who receives income support?

The age/sex distribution of working age income support recipients is shaped by factors such as the incidence of disability (which rises with age) and parenting activity (which increases for women when they have children then decreases as their children age).

In 2007-08, women represented nearly two-thirds (63%) of all working age income support recipients living in private dwellings. Yet men are more likely than women to receive certain types of payments. In June 2007, men comprised 63% of Newstart Allowees and 58% of Disability Support Pensioners. Rates of receipt of the Disability Support Pension rise with age for both men and women,1 which partly explains the relatively high proportion of working age income support recipients who are aged 55-64 years.

In June 2007, some payments to people of working age (i.e. Wife Pension, Widow B Pension, Widow Allowance and the Age Pension) were received by women only, while some others (e.g. Carer Payment, Partner Allowance and Bereavement Allowance) were mainly received by women. These payments also partly explain the relatively high proportion of working age income support recipients who are 55-64 year old women.

Among younger age groups, there were other reasons why there were more female than male income support recipients. High proportions of people receiving Parenting Payment (Single) (93%) and Parenting Payment (Partnered) (91%) were women, as were more than half (54%) of all students receiving either Youth Allowance (Full-time study), Austudy or Abstudy.

Characteristics and living standards

On some socio-economic measures collected in the ABS 2007-08 Survey of Income and Housing, working age people receiving income support appear broadly similar to working age people not receiving income support. On other measures, the income support recipients do not fare nearly as well.

Largely because their rate of participation in paid employment was relatively low (26% compared with 84% of other 16-64 year olds), income support recipients had lower income-related consumption possibilities. In 2007-08, their mean weekly disposable personal income ($371) was less than half (47%) that of 16-64 year olds who did not receive income support ($787). Taking into account the income of other household members and the economy of scale benefits derived from sharing household expenses, the average weekly household equivalised disposable income of working age income support recipients ($525) was 59% that of other 16-64 year olds ($895).
Working age income support recipients were also less likely than other working age people to be living with a partner (41% compared with 65%) yet were more likely to be the parent or guardian of one or more children aged under 15 (21% compared with 13%). Around 13% of working age income support recipients lived alone (compared with 9% of other 16-64 year olds), 15% lived in a one-parent family household (compared with 3% of other 16-64 year olds) and 52% lived in a couple family household (compared with 77% of other 16-64 year olds).

Other measures show little difference between recipients and non-recipients of income support. For example, 20% of working age income support recipients were studying (compared with 17% of other 16-64 year olds), 92% had a sufficient number of bedrooms in their dwelling (96% of other 16-64 year olds), 91% felt safe when home alone during the day (96% of other 16-64 year olds) and 17% wanted to move in the year ahead (13% of other 16-64 year olds).

Looking ahead

Government policy to maximise workforce participation combined with recent indications of improving labour market conditions might be expected to keep rates of income support receipt relatively low among people of working age. Further tightening of eligibility criteria to receive income support could be expected to have a similar effect.

One example of further eligibility tightening took effect on 1 July 2009, when there were changes to what Centrelink defined as assessable income for determining eligibility to receive most means tested income support payments. Assessable income could no longer be reduced by investment losses or salary sacrificed superannuation contributions.4

Another example of further eligibility tightening is that the Age Pension qualifying age is continuing to increase. Rates of income support receipt observed among 63 and 64 year olds in 2007-08 may lower in forthcoming years as the Age Pension qualifying age for women incrementally increases from 63 to 65 years between 2007 and 2013. Between 2017 and 2023, the Age Pension qualifying age is scheduled to gradually increase to 67 years for both men and women.5 This may extend the upper age limit of what is regarded as ‘working’ age.

The Australian Government is currently considering a wide-ranging review of the tax and transfer system, aiming to improve incentives to work, reduce complexity and maintain cohesion. The review made recommendations to meet looming demographic, social, economic and environmental challenges.6 Changes to aspects of some working age income support payments are one possible outcome of the government’s response to the review.

ENDNOTES

4. Centrelink, 2009, Changes to the definition of income could affect your payment, Centrelink, Canberra, www.centrelink.gov.au
INCOME AND ECONOMIC PARTICIPATION

This social issues paper from The Benevolent Society explores the challenges and possible solutions to exclusion

In recent decades Australia has enjoyed sustained prosperity. However, not everyone has shared in the benefits of robust economic growth and rising living standards. Around two million Australians currently live in poverty and the recent global financial crisis could put even greater pressure on those who are already struggling. The impact of poverty often goes beyond financial hardship, excluding people from the workforce, education and aspects of community life. If we are to build a strong economy and strengthen community wellbeing, it is essential that all Australians receive the support they need to participate in the economic and social life of our country.

Why this is important?

Poverty is not simply a lack of money. It also means missing out on what the community regards as the essentials of life, such as secure housing, meaningful work, educational opportunities and access to healthcare. One basic measure of poverty in Australia is household income. A commonly used ‘poverty line’ is defined as 50 per cent of the average Australian household’s income, which is then adjusted to the number of adults and children in a household.¹

While income and living standards have risen in the past 10 years, the number of Australians living in poverty has also increased significantly over the same period. In 2004 there were 1,935,000 Australians – or 9.9 per cent of the population – living below the poverty line, compared with 7.6 per cent of Australians in 1994.² Employment is crucial in moving disadvantaged individuals and families out of poverty. However many remain excluded from the labour market. Australia’s official jobless rate is currently five per cent, with Access Economics predicting that the global financial crisis will result in an increased unemployment rate of 7.5 per cent by 2010.³

Official jobless rates mask a much greater level of ‘hidden unemployment’. When people who have given up searching for work are included, the real level of unemployment is about twice the official figure.⁴ Australia has relatively poor workforce participation rates among a number of disadvantaged groups, including people with disabilities, sole parents, older people, young people, indigenous Australians and recently arrived migrants.

The increasing ‘casualisation’ of the labour market has also made workplaces less secure, which impacts most directly on disadvantaged and low-skilled workers. Part-time or temporary jobs, which are often not a voluntary choice, can trap some workers in employment and wage insecurity. As a result, disadvantaged workers often need to turn to the social security system to top up inadequate earnings. However, the level of income support available for unemployed and under-employed people is, and has always been, much lower in Australia compared with other wealthy countries.⁵

Recent changes to the social security system, such as the introduction of the ‘Welfare to Work’ program, have also placed significant additional pressures on sole parents who struggle to balance their caring responsibilities with finding and retaining work. The effects of economic disadvantage are cumulative. For instance, people who are not able to build up superannuation, savings, or to achieve home ownership, as a result of low income from employment or long periods out of the workforce, will experience financial hardship in older age. Poverty and a lack of meaningful employment also have a profound effect on people’s health and wellbeing. Depression is up to twice as common among low-income groups. Anxiety, low self-esteem and social isolation are also common.⁶

This sense of isolation is further compounded by the chronic shortage of public and low-rental housing in Australia’s major cities. The high cost of housing is pushing low-income earners into ‘satellite towns’ and regional areas where jobs, services and networks of social support are less available. Research has shown that when disadvantage becomes concentrated in particular communities, a disabling social climate can develop. This can increase the likelihood that poverty and disadvantage will be passed on to the children of the following generation.⁷

According to a 2007 report by UNICEF, between 12 and 15 per cent of Australian children live in poverty.⁸ A separate study in 2006 found that 28 per cent of Australian children experienced a period of poverty over the preceding three year period.⁹ Poor economic circumstances affect children’s lives in a number of ways, including the quality of their family relationships and their educational, developmental and health outcomes. Children in low income families have nearly five times less spent on their education each week than those in high income households,¹⁰ which can have long-term implications for their future employment opportunities.

Children feel the effects of poverty on their social relationships and their ability to participate in social activities. They describe the difficulties of ‘keeping up’ appearances, being unable to have friends over to visit, being excluded by their peers, feelings of shame and being bullied.¹¹

What should be done?

The Benevolent Society has been working with disadvantaged individuals and communities for almost...
200 years. We recognise that poverty is the result of a complex and dynamic range of social factors and individual circumstances. We recognise the need to address the structural barriers that push people to the margins of our community, as well as to support individuals develop the knowledge and skills that can give them a sense of control of their lives.

Getting more people into secure, reasonably paid jobs is a critical step in breaking the cycle of poverty. In uncertain economic times where competition for jobs increases, there is a risk that older workers or less skilled workers will find it harder to get jobs or gain new skills to improve their employment prospects. There is a pressing need for the federal and state governments to help disadvantaged people overcome the multiple barriers they face and develop opportunities and pathways for them to enter the labour market. Australia’s funding of employment and training programs for disadvantaged and jobless people is low by international standards.13 The result is that few get the kind of help they need, even after they have been unemployed for a long time.

Additional investment is required in education and training over the life course to ensure that the skills and productivity of people who are marginally attached to work are in line with the needs of employers. A highly skilled workforce will have a higher rate of workforce participation so governments must prioritise increasing the number of students retained in school or apprenticeships.13 Any government initiative to increase participation should also include strategies to assist mature age workers to remain in the workforce.

Addressing the growing crisis in housing is another crucial area for policy reform, as the lack of affordable and secure housing is a substantial barrier to participation in training and employment. Other services that are critical to workforce participation, such as childcare, should be accessible, affordable and equitable. We need to ensure that a reasonable safety net is in place to support those people who are unable to join the workforce such as people with a disability and carers. Income support payments should be sufficient to promote the wellbeing of disadvantaged individuals and families.

Welfare policies need to be based on the goal of promoting social inclusion and should enlarge, rather than restrict, people’s choices and opportunities. Similarly, retirement incomes policy should ensure that the age pension is at a level that allows pensioners to participate fully in community life and have access to necessary goods and services.

In addition to addressing the structural causes of economic exclusion, The Benevolent Society supports the promotion of improved financial literacy in individuals across the lifespan. We believe that in partnership, governments, not-for-profit organisations and businesses can work with communities to build economic awareness and skills which can empower individuals and help them to take control of their financial circumstances.

We will continue to work with individuals to provide them with information and skills to develop their financial literacy. The Benevolent Society delivers the Saver Plus program which was developed by The Brotherhood of St Laurence and ANZ Bank. The program includes a matched savings component and assists individuals to set and achieve savings goals that support their own or their child’s education needs. We also deliver the MoneyMinded program which reaches 5,000 clients annually and provides training for community workers so they are equipped to talk about financial literacy issues with their clients.

Central to all policies and programs aimed at tackling economic exclusion should be the voices and opinions of those who are experiencing disadvantage. Participation in service planning and policy development makes services more effective, policies more responsive and builds the confidence and capacity of the individuals involved.

If we are to continue building a strong, prosperous and inclusive nation, then we need to ensure all people have the support and assistance they need to maximise their economic and social participation.

ENDNOTES

5. Ibid; p.2.
10. VicHealth (2005); p.2.
11. Australian Research Alliance for Children and Youth Collaborative team (Professor Catherine McDonald, RMIT; NSW Commission for Children and Young People; and the Benevolent Society), Pulling the threads together: Consultations, invitations and conversations on child poverty in Australia, 2008; pp.10-11.

The Benevolent Society works with vulnerable individuals, families and communities who face a wide range of difficult issues which affect their wellbeing and their social and economic participation. Our Social Issues Agenda identifies 12 broad issues that are related to social and economic inclusion, and our series of issues papers explores these challenges and some potential solutions. To read the full series of social issues papers go to www.bensoc.org.au.
Missing out: which income support recipients are most at risk of hardship?

This report underscores the case for any increase to extend to all social security recipients, and for a reassessment of the adequacy of Rent Assistance which covers only a small fraction of the costs of renting privately. An article by Peter Davidson, ACOS Senior Policy Officer research published by ACOS finds that those on the lowest social security payments face the greatest hardship. The social security system is poorly designed to prevent poverty.

The ACOS report draws on a study by the Social Policy Research Centre, in collaboration with ACOS and member organisations, that surveyed access to essential items across the Australian population in 2006. Respondents were asked what they regarded as the essentials of life, whether their household had these items, and if not, whether this was because they could not afford them.

Examples included a decent and secure home and access to dental treatment when needed. Only those items which more than half of those surveyed considered essential were used as indicators of deprivation.

The average level of multiple deprivation across the whole population was 19%. However, the following groups faced a much higher risk of hardship (see Table 1):

- Indigenous people, sole parent families, unemployed people, people with disabilities and renters stood out as groups most likely to lack the essentials of life.

In contrast to the overall population, 65% of Indigenous people, 54% of unemployed people, 49% of sole parent families, 27% of people with disabilities, 53% of public tenants, and 48% of private tenants experienced multiple deprivation.

On average, young people were more likely to experience multiple deprivation (27%) than middle aged (19%) or mature aged people (12%). Among mature age people, those who rent their homes stood out as a group most likely to experience multiple deprivation (39%) and single mature age people (19%) were more likely to experience multiple deprivation than couples (8%).

People living in Victoria (21%), Queensland (21%), and South Australia (20%) were slightly more likely to experience multiple deprivation than residents of other States and Territories, and residents of the Australian Capital Territory (10%) and Western Australia (12%) were less likely.

The key findings regarding access to these 12 essential items are: the overall proportion of the population lacking one or more of these items was generally low (well under 20% in most cases), reflecting Australia’s status as a high income nation.

However recipients of Parenting Payment (mainly sole parents), Newstart Allowance (unemployed people), and Disability Support Pension stood out as being well over twice as likely as the general community to go without most of these items.

Among mature age people those who rent rather than own their homes stood out as being much more likely to lack these items. Single mature age people were also significantly more likely than other mature age people to lack these essentials.

Is the social security system inadequate?

These findings have implications for policy because many of those at greatest risk of hardship – such as unemployed people, sole parents, young people and people with disabilities – receive the lowest social security payments (such as Newstart or Youth Allowance). This suggests that the system is poorly designed to reduce poverty. Social security payments are well below typical community incomes. In December 2008 the base rate for a single pensioner was $281 per week while Newstart Allowance for an unemployed adult was...

<table>
<thead>
<tr>
<th>TABLE 1: PERCENTAGE OF EACH GROUP EXPERIENCING MULTIPLE DEPRIVATION (LACKING AT LEAST 3 ESSENTIAL ITEMS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>By at-risk group</td>
</tr>
<tr>
<td>Indigenous people</td>
</tr>
<tr>
<td>Unemployed people</td>
</tr>
<tr>
<td>Public tenants</td>
</tr>
<tr>
<td>Sole parents</td>
</tr>
<tr>
<td>Private tenants</td>
</tr>
<tr>
<td>People with disabilities</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>All persons</td>
</tr>
</tbody>
</table>

Source: Data provided to ACOS from New Indicators of Disadvantage project. For background see Saunders, Naidoo and Griffiths 2007, ‘Towards new indicators of disadvantage’, Social Policy Research Centre, University of NSW.

To paint a clearer picture of hardship among social security recipients, the ACOS report also examined access to 12 items that were regarded by most people as essential (see Table 2).
$225 per week and a young person living independently of their parents received up to $178. A sole parent with 2 school age children on Parenting Payment received $477 per week (including Family Tax Benefit).

The Government is reviewing the adequacy of pensions through the Harmer Review, while the Henry Review of the tax-transfer system will consider the social security system as a whole. The outcome of the Harmer Review is likely to be announced in this year’s Federal Budget. Media reports indicate that age pensions are likely to be increased for single people and that this may also extend to disability pensioners and carers. It is not clear whether sole parents on Parenting Payment Single, who are currently paid at pension rates, will receive from any increases. Also, the Government has not yet committed to increasing the lower allowance payments such as Newstart Allowance.

The missing out report underscores the case for payments to be reassessed, along with the adequacy of rent assistance which covers only a small fraction of the costs of renting privately. In its Budget submission, ACOSS called for a $30 per week increase in Newstart and other allowances for single people and for a 30% increase in Rent Assistance.

**FOOTNOTES**

1. ‘Who is missing out, hardship among low income Australians’, ACOSS Info Paper 391, is available on the ACOSS website.
2. From the New Indicators of Disadvantage project conducted by Professor Saunders and colleagues at the Social Policy Research Centre in collaboration with ACOSS, Brotherhood of St Laurence, Mission Australia and Anglicare NSW.
3. Carers of people with disabilities are another group at risk of financial hardship, but there were not enough carers in the survey sample to draw clear conclusions about their circumstances. Other reports emphasise the severe impacts of prolonged caring on the health and finances of many carers (King 2008, Who is caring for the carers?, Anglicare NSW; NATSEM 2008, Women carers in financial stress, Commonwealth Financial Planning and Carers Australia).

**TABLE 2: PERCENTAGE OF SOCIAL SECURITY RECIPIENTS AND MATURE AGE PEOPLE LACKING 12 ESSENTIAL ITEMS (2006)**

<table>
<thead>
<tr>
<th>Essential item</th>
<th>All people</th>
<th>Newstart Allowance</th>
<th>Parenting Payment</th>
<th>Disability Support Pension</th>
<th>Age Pension</th>
<th>Mature age (over 64 years)</th>
<th>Renting</th>
<th>Single</th>
<th>Married</th>
<th>&gt;$700pw</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decent and secure home</td>
<td>6.6</td>
<td>23.1</td>
<td>43.1</td>
<td>7.1</td>
<td>7.3</td>
<td>29.8</td>
<td>8.3</td>
<td>2.1</td>
<td>2.9</td>
<td></td>
</tr>
<tr>
<td>Could not pay utility bill</td>
<td>12.5</td>
<td>27.5</td>
<td>56.6</td>
<td>28.6</td>
<td>5.6</td>
<td>8.8</td>
<td>3.3</td>
<td>2.2</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>$500 in emergency savings</td>
<td>17.6</td>
<td>53.8</td>
<td>55.8</td>
<td>42.2</td>
<td>10.1</td>
<td>39.3</td>
<td>14.5</td>
<td>8.2</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Home contents insurance</td>
<td>9.5</td>
<td>55.6</td>
<td>51.9</td>
<td>31.0</td>
<td>7.6</td>
<td>28.6</td>
<td>11.1</td>
<td>2.1</td>
<td>2.9</td>
<td></td>
</tr>
<tr>
<td>Unable to buy prescribed medicines</td>
<td>3.9</td>
<td>16.7</td>
<td>12.5</td>
<td>11.4</td>
<td>2.0</td>
<td>6.7</td>
<td>4.5</td>
<td>0.6</td>
<td>2.9</td>
<td></td>
</tr>
<tr>
<td>Dental treatment</td>
<td>13.9</td>
<td>44.7</td>
<td>54.0</td>
<td>32.4</td>
<td>12.9</td>
<td>28.1</td>
<td>17.5</td>
<td>5.9</td>
<td>2.9</td>
<td></td>
</tr>
<tr>
<td>Regular social contact</td>
<td>4.7</td>
<td>20.6</td>
<td>14.9</td>
<td>18.1</td>
<td>5.4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Presents for family and friends</td>
<td>6.6</td>
<td>29.7</td>
<td>27.7</td>
<td>26.4</td>
<td>7.2</td>
<td>19.6</td>
<td>8.9</td>
<td>3</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Week’s holiday away from home</td>
<td>22.4</td>
<td>69.4</td>
<td>63.3</td>
<td>52.9</td>
<td>23.5</td>
<td>43.9</td>
<td>27.2</td>
<td>14.4</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Bedroom for each child &gt;10</td>
<td>6.1</td>
<td>8.6</td>
<td>20.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Up to date school books and clothes</td>
<td>3.8</td>
<td>6.5</td>
<td>24.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hobby or leisure activity for children</td>
<td>5.7</td>
<td>24.2</td>
<td>39.6</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>


Note: Shaded areas represent cases where the risk of deprivation exceeds twice that of the general population (the figures in the first column).
He government’s failure to boost unemployment benefits when it rolled out its pension reform program last week flags a new philosophical approach to social justice issues. It is part of a strategic response to welfare dependence that is set to transform our society. The new policy strategy is a response to the failure of the Keating experiment. In the 1980s the then Labor government revolutionised how it went about delivering social justice.

From Federation to the 1980s, governments intervened directly in the market to create social outcomes. The tools of choice were wage regulation to ensure income equality and a mixture of tariffs, industry policy and using government utilities as an employer of last resort to create full employment.

In the 1980s it was decided that these policies were causing too much collateral damage to the rest of the economy and were undermining efficiency.

The Keating experiment was to adopt a whole new approach. In this brave new world the idea was to unleash the free market and let it dictate economic outcomes. Government would then redistribute money afterwards to achieve social justice goals.

On one side of the ledger tariffs were torn down, industry policies abandoned and government utilities privatised, ending their role as employers of last resort. On the other side there was a big boost in government social spending. The policy has had several unexpected consequences. First, the gap between rich and poor ballooned much more quickly than was predicted.

Second, the new approach of using cash hand-outs to even up the playing field created problems with welfare dependence. We now have about 18 per cent of working-aged Australians relying on a government benefit to pay the bills. The problem of welfare dependence emerged in part because the reforms wiped out a whole class of unskilled jobs. Once-important industries such as iron and steel, metal fabrication, textiles, clothing and footwear, unskilled jobs. Once-important industries such as iron and steel, metal fabrication, textiles, clothing and footwear, once-important industries such as iron and steel, metal fabrication, textiles, clothing and footwear, textile and furniture all rapidly declined.

Low-skilled workers who lost their jobs in these industries now cycle back and forth between welfare and short-term contracts. The shortage of low-skilled jobs mean that while they do some work each year, it is not enough to survive on.

It has also become clear that the social outcomes from paying to keep people in jobs are not the same as those from paying them benefits when they are out of work.

We have learnt that when people who have been hard workers for decades lose their jobs they can rapidly lose what the gurus call ‘workforce attachment’. In many cases they never work again, and nor do their children.

Policymakers have watched with dismay as the evaluations of various government programs to fix the problem of welfare dependence came to nought. Training courses for the unemployed are not a panacea. Even the labour-market shortages at the height of the boom failed to make serious inroads into long-term unemployment among unskilled workers.

It is in this light that economists have begun to tell governments that the only solution is to drive down unemployment benefits and let the minimum wage fall. The argument is that a lower minimum wage will make it more affordable for employers to take on people to do very low-skilled tasks. The lack of benefits will also act as a stick to force people into the workforce to do these jobs.

Governments have sought to avoid the political outcry of actually cutting benefits. Instead, they have failed to adjust them to keep pace with the cost of living, and to let inflation erode them over time.

The cumulative effect has been that the dole is now about $100 a week less than the single aged pension. As unemployment benefits act as a floor for the minimum wage, it will also result in the minimum wage being allowed to fall over time.

We are heading down the path of becoming a society with an ever-deepening chasm between rich and poor. Welfare agencies argue we are creating a marginalised underclass. They describe how increasing proportions of their budgets are being spent on food and essentials to give to families that have jobs but are so poorly paid they still cannot put food on the table. In a society experiencing growing social conflict with intergroup tensions, it is not clear that this approach is wise. We know economic marginalisation is a powerful source of discontent. Being locked into poorly paid, low-status work and feeling it is not in your power to improve your lot is an important driver of social unrest.

In taking this approach, Kevin Rudd is simply continuing a Howard government strategy. Nonetheless, it is unfortunate this is being done by stealth. It is one of those nation-defining policies that we should have public debates about.

Dr Lindy Edwards is a political scientist at the Australian National University.

The Sydney Morning Herald
Opinion, 28 September 2009
ANTIDOTE TO WELFARE DEPENDENCY

The federal government’s extension of income management across the country, announced late last year, reflects a new consensus in Australia and internationally about the pernicious effects on individuals and families of long-term welfare dependence. Jessica Brown from the Centre for Independent Studies discusses

From July, long-term welfare-dependent people will have half their payment quarantined to be spent on food and household essentials. Income management will also be extended to welfare-dependent parents who are the subject of child protection concerns, and people assessed as vulnerable because of domestic violence or financial crisis.

The government’s announcement was undoubtedly designed to ward off criticism that the Northern Territory intervention is racially discriminatory. Yet despite this practical (and even cynical) motivation, this bold policy shift is the biggest reform to welfare policy since the Howard government’s ‘mutual obligation’ package in the late 1990s.

The Rudd government should be congratulated for taking such a tough stance.

We now know that many of the welfare policies designed to help people instead trap them in a cycle of dependency. In Australia, the evidence of this is most apparent in remote indigenous communities. But experience shows that the damaging effects of welfare are not confined to any race, gender or geographical location.

Almost one in six Australians of working age is reliant on income support. Long-term welfare dependence, which is often coupled with drug and alcohol addiction, child abuse and domestic violence, is overwhelmingly concentrated in disadvantaged communities. Children of jobless parents are more likely to end up on welfare. If these problems are to be overcome, the cycle of dependence must be broken.

Governments should not only help people to move off welfare but also hassle those who have lost their confidence, motivation and capacity for independent action to find work.

The new income management policy will try to achieve this with a mix of carrots and sticks. Individuals who show they can manage their money responsibly can opt out, and incentives will be offered to those who demonstrate that they can save.

Long-term welfare dependence, which is often coupled with drug and alcohol addiction, child abuse and domestic violence, is overwhelmingly concentrated in disadvantaged communities.

While the usual critics of welfare reform claim that this policy unfairly targets the most vulnerable people, it appears that there have been some important converts. Appearing on ABC radio in November, Mission Australia chief Toby Hall endorsed the policy. He said that for the group of people who had “taken welfare for granted for too long”, income management would increase the pressure to move into work.

The opposition should support the move as well. Expanding income management is the next logical step in the successful program of welfare reform implemented by the Coalition. John Howard’s reforms, along with prosperous economic times, saw the number of prime-age

WHAT’S NEXT FOR WELFARE-TO-WORK?

In 2006, the Howard government’s Welfare to Work reforms placed new eligibility requirements on recipients of the Disability Support Pension (DSP) and Parenting Payment (PP), with the aim of reducing their numbers. Since then, the number of people on PP has dropped by about 20 per cent: a remarkable result. However, the number of people on DSP has marginally increased. This suggests that DSP should be the focus of future welfare reform.

Evaluating recent welfare reform is particularly important at a time of rising unemployment. When jobs are hard to find, the incentive for unemployed people to move to other welfare payments such as DSP grows. There is a real danger that rising unemployment could undo the recent gains in reducing long-term welfare dependence.

Several relatively easy policy changes can be made to DSP, such as extending work requirements to existing recipients who were ‘grandfathered’ from the recent changes. But this alone will not solve the problem of growing DSP numbers.

Some of the success of the PP reforms is undoubtedly due to the fact that the new jobs being created were suitable for many sole parents, such as part-time positions in female-dominated industries. However, many DSP recipients are older, unskilled people who have work experience in areas where jobs are limited. A key component in reducing welfare numbers — both among DSP recipients and other payment types — must be removing structural impediments to greater unskilled job creation.

One solution is a system of ‘in work’ benefits that uses the tax-transfer system to top-up the disposable income of low-paid workers while letting the minimum wage fall. This strengthens both the incentive for employers to hire low-skilled workers and for welfare recipients to move into work. This type of system has some drawbacks but represents the best chance to reduce long-term welfare dependency and stimulate jobs growth.

Policymakers should draw lessons from both the successes and failures of past welfare reform to ensure that any short-term rise in unemployment is not the catalyst for an expansion in long-term welfare dependence.

households (in their mid-30s to mid-50s) reliant on welfare drop from about one in six in the mid-1990s to one in 10 in the late 2000s.

But while the Labor reforms are a move in the right direction, the road ahead may still be rocky. Income management on a large scale is untested. The potential for unforeseen and unintended consequences is high. The government must be careful to define exactly what its objectives are, and be willing to change tack if they are not being met.

One danger is that income management could potentially exacerbate the dependency it is trying to overcome. Income management should be the means to an end, not the end itself. The reforms will fail if people simply become more reliant on government to manage their budget, instead of taking up the responsibility themselves.

To guard against this, local communities should be given some autonomy to decide how income management is administered. This flexibility could be more effective in tackling problems such as poor school attendance, domestic violence or drug abuse, which vary between communities.

A good example of this approach is Noel Pearson’s Family Responsibilities Commission in Cape York, which empowers local leaders to make decisions about individuals’ income management based on their adherence to basic standards of behaviour.

There is also a danger that, in exempting Disability Support Pension from income management, the government will inadvertently increase the incentive for people who may be marginally disabled but still able to work to apply for this payment. Once they are on DSP, there is little chance they will ever leave welfare.

It is politically difficult for the government to extend income quarantining to DSP recipients, many of whom have severe physical and mental disabilities and would see income management as an unfairly punitive measure. But this difficulty simply highlights the need for reform of this payment. Perhaps it is time for a two-track system where severely disabled people are exempt from measures such as income management but those with a greater capacity to work are not.

In an open, liberal society, we celebrate our capacity to live our lives free from a high level of government interference. But growing levels of long-term welfare dependency present us with a real dilemma.

Should we strive to protect the independence of those who are so clearly dependent on the state in so many ways? Paradoxically, paternalistic interventions may now be essential to rebuild people’s capacity to take responsibility for themselves.

Jessica Brown is a policy analyst at the Centre for Independent Studies. Her report, ‘What’s Next for Welfare-to-Work?’ was published by the CIS, 15 October 2009.

First published in The Australian 19 January 2010

### A CONCISE HISTORY OF WELFARE REFORM IN AUSTRALIA

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1910</td>
<td>The first Invalid Pension is introduced.</td>
</tr>
<tr>
<td>mid-1940s</td>
<td>The first federally funded unemployment benefits and widows pensions are introduced. Unlike the contributory social insurance schemes that had been introduced in the United States and Europe, Australia’s payment was means-tested and paid at a flat rate. Few changes were made until the mid-1970s when some eligibility requirements were tightened.</td>
</tr>
<tr>
<td>1973</td>
<td>The Supporting Mothers Benefit (later Supporting Parents Benefit) is introduced to cover single mothers or other mothers not covered by the Widow Pension.</td>
</tr>
<tr>
<td>mid-1980s</td>
<td>The first ‘activity tests’ are introduced for unemployed people.</td>
</tr>
<tr>
<td>1989</td>
<td>Supporting Parents Benefit and Widows Pension are combined to form the Sole Parent Pension (called Parenting Payment from 1998).</td>
</tr>
<tr>
<td>1991</td>
<td>‘Newstart Allowance’, the current unemployment benefit, is introduced.</td>
</tr>
<tr>
<td>1991</td>
<td>The Invalid Pension is replaced by the Disability Support Pension.</td>
</tr>
<tr>
<td>1994</td>
<td>The Howard government takes these reforms further by introducing its Mutual Obligation package for jobseekers. A major part of this package was the introduction of Work for the Dole, based on the idea that unemployed people should have some responsibilities in return for the payment of their unemployment benefits. Initially confined to young jobseekers, Work for the Dole and other mutual obligation activities were eventually extended to older unemployed people and other income support recipients such as some sole parents.</td>
</tr>
<tr>
<td>1997</td>
<td>The Howard government introduces Welfare to Work, which tightens eligibility for some payments such as DSP and PP to increase the workforce participation of these groups. DSP recipients who were deemed to be able to work at least 15 hours per week and PP recipients whose children had reached school age were transferred onto Newstart Allowance and had a part-time work test applied.</td>
</tr>
<tr>
<td>2006</td>
<td>The Howard government introduces Welfare to Work, which tightens eligibility for some payments such as DSP and PP to increase the workforce participation of these groups. DSP recipients who were deemed to be able to work at least 15 hours per week and PP recipients whose children had reached school age were transferred onto Newstart Allowance and had a part-time work test applied.</td>
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Issues in Society | Volume 320

Poverty and Social Exclusion
Poverty of ideas in welfare crackdown

It is vital that we abandon approaches that hinge on the close supervision of the poor, assert John Falzon and Sally Cowling

For nearly 15 years, welfare reform in Australia has been driven by breathless enthusiasm for America’s ‘new paternalism’ and its ‘close supervision of the poor’.

It presumes people ‘doing it tough’ are living examples of moral failure. The truth is close supervision is a costly business. Extending income management to most income-support recipients in the Northern Territory will cost $350 million.

It is a stunning waste of resources when the only rigorous study of the Northern Territory intervention showed ‘no beneficial effect’ on the sale of tobacco, soft drinks, fruit and vegetables.

But this wasted expenditure buys a pearl of great political price: the moral high ground. It allows leaders to duck the truth that a country as prosperous as ours has no excuse for relatively high rates of poverty and homelessness.

In this time of prosperity, 2.1 million Australians, including 1 in 7 children, are living in poverty. This demands fresh thinking on how to reduce poverty and tackle its causes.

Welfare paternalism is not new. The new policy kids on the block are income quarantining and the threat of payment suspension to correct complex problems such as truancy and child neglect.

What is the case for a scheme in which parents may have their welfare payments suspended if their child is skipping school when similar schemes in the US had no impact on school attendance, but led to higher levels of child maltreatment?

When there is no evidence the long-term unemployed spend their meagre Newstart allowance recklessly, why seek to manage their income?

This measure would cost around $500 million. When there are four unemployed people for every job vacancy, why not invest in job creation instead?

Why, when there is no evidence that it works, does bipartisan enthusiasm for conditional welfare grow?

Noel Pearson recently argued for more dramatic extensions of welfare conditionality by tying income management to a range of state government programs working with people experiencing addiction or homelessness. Pearson is dismissive of the capacity for programs to correct entrenched problems and calls for ‘incentive packages’ to ignite self-interest as the fundamental engine of change.

While we agree with Pearson that greater investment in early intervention is desperately needed, it is mad to ignore the intensive support programs funded by governments and community organisations that we know make a difference. The challenge is to make sure they are available to those in need.

Pearson says he has been inspired by the ‘capabilities approach’ of Amartya Sen, the Nobel prize-winning economist. Sen argues the state should support its citizens to develop capabilities such as good health and literacy so each person can lead a life they value.

Like Pearson, we believe there is an urgent need to help those who are struggling to develop their capabilities. But we believe Sen’s framework demands a more sophisticated and compassionate approach to policy. Pearson’s prescriptions for those he deems ‘irresponsible’ are inconsistent with Sen’s vision.

Sen is circumspect about the power of unfettered self-interest to drive personal and social change. He stresses the need for governments to invest in education, health and social supports to tackle inequalities of capabilities. But Sen also demands that we think about how we work with those in need.

Does our intervention empower people so they can lead a life they value? At no point in Sen’s work does he suggest that paternalistic welfare policies provide an incentive to change harmful behaviour.

In Anti-Poverty Week, it is vital that, faithful to the tried and true rather than the tired and ideological, we abandon approaches that hinge on the ‘close supervision of the poor’. It is time to invest our energies and resources in policies that respect, listen to and empower those who have been pushed to the edges of the Lucky Country.

Dr John Falzon is chief executive of St Vincent de Paul Society’s national council and a member of the Australian Social Inclusion Board.

Sally Cowling is research manager, UnitingCare Burnside.

This column was written to mark the start of Anti-Poverty Week.

The Sydney Morning Herald
Opinion, 18 October 2010
Issues in Society | Volume 320

Resilience of the welfare state flummoxes the free marketeers

Australia would be wise to follow the Scandinavian model of social democracy with their generous social welfare programs, argues Fred Block

The global economic crisis that peaked in 2008-2009 has so far failed to resolve the decades-old battle between two competing political philosophies – ‘free market’ liberalism on the one side and social democracy on the other.

Some observers expected that a global financial crisis sparked by lax regulation in US markets would discredit the free market position.

But while the economic crisis did produce Barack Obama’s surprising election victory, the continuing weakness of the economic recovery from the Great Recession, especially in America, has given the free marketeers a new lease of life.

Their complaints about too much government spending are once again the dominant voices in the global economy. And their voices are about to be heard in Sydney as well.

The Mont Pelerin Society – the elite international group of theorists who have been the main proponents of the free market faith since 1947 – is coming to Sydney for a major meeting next week, where they will be joined by the former Australian prime minister John Howard.

Social democrats, on the other hand, have had a much lower profile; they have been on the defensive for the past 30 years. Even though many of the social democrats were fiercely anti-communist, their cause was also discredited by the fall of communism in Russia and Eastern Europe.

As faith in government declined, Sweden, Norway, and the other Scandinavian social democracies were widely seen as unhealthy societies, burdened by too much government and excessive taxation. It seemed inevitable that they would give up on their old-fashioned ideas and finally jump on the free market bandwagon.

But here is a surprise. While the Scandinavian social democracies have made a few small adjustments in the generosity of their social welfare benefits, most of the welfare state remains in place.

These nations still have the most generous social welfare programs on the planet. Despite the claims of the free market ideologues, these nations have compiled the best economic performance statistics of any nations in the world over the past 20 years. They have the lowest levels of inequality, the fewest children living in poverty, the highest rates of union density, and they have also had more rapid economic growth, more creation of new jobs by small entrepreneurial high-tech firms, and more vibrant innovation sectors than most other advanced nations.

Just the other day, the World Economic Forum released its 2010-2011 rankings of the world’s most competitive economies. Sweden was number two, just behind Switzerland, and all four of the Scandinavian social democracies ranked in the top 14 of the 139 nations that were evaluated. Australia came in at number 16.

These successes indicate that a reconsideration of social democracy is urgently needed.

According to free market orthodoxy, countries that assure workers a decent wage and lots of government-provided benefits should inevitably fail in international competition. Capital would flee in search of cheaper labour abroad and nobody would want to buy their overpriced exports. And, of course, it is axiomatic for free market doctrine that measures to eliminate poverty would inevitably undermine the work ethic and have catastrophic impacts on the labour force’s productivity.

But none of these things happened. Instead, Scandinavia’s highly educated labour force has become the envy of the world and their businesses are out-competing those in less generous nations.

To be sure, Sweden and other social democratic societies are far from perfect, and the Social Democrats as a party have now lost two consecutive elections in Sweden. But the critical point is that these countries have made considerable progress in revising and renewing the social democratic model over these past few decades.

Without abandoning the goals of greater equality and social inclusion, they have shifted from standardised, one-size-fits-all, social policies to more flexible, cafeteria-style benefits that support gender equality and the greater diversity of family forms.

They have also embraced decentralisation; shifting more decisions down to local government and developing economic policies that nurture small- and medium-sized enterprises. And they have made huge investments in environmental sustainability and other improvements in the quality of life.

Australia’s current precarious government has little leeway for major new initiatives, but these next few years are an ideal time for generating bold new ideas to reverse this country’s growing income inequalities and to create a more durable economic foundation than raw material exports.

Australia would be wise to follow the model of 21st century social democracy that has consistently outperformed those economies that have hewed to the free-market orthodoxy.

Fred Block is professor of sociology at the University of California, Irvine. He delivered the 3rd annual Wheelwright Memorial Lecture on 5 October 2010 at the University of Sydney.

The Sydney Morning Herald
Opinion, 4 October 2010

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Poverty and Social Exclusion 43
Australians income-support system is under scrutiny. The Commonwealth government used social-welfare payments as a means of delivering part of the first two stages of its economic stimulus package. In this year’s federal budget, it increased age pensions significantly and announced the introduction of paid maternity leave, but also continued to cut back on so-called ‘middle-class welfare’. The review of Australia’s Future Tax system is due to report at the end of this year and will make recommendations to reform the benefit and tax systems.

For the past 20 years, Australia has had the most progressive benefit system in the OECD ... It also has the most efficient system of benefits in inequality and poverty reduction of any developed country.

In a recent conference paper I looked at how Australia’s social security compares with other rich countries in the Organisation for Economic Co-operation and Development (OECD) and assess how the Australian tax and benefit systems score in effectiveness and efficiency – how much inequality and poverty are reduced for each dollar spent. Australia is very unusual in the way it pays for and delivers benefits. In most other OECD countries social security is financed with earmarked contributions, with benefits usually related to the past earnings of workers. In contrast, in Australia, government benefits are financed out of general tax revenue; benefits are flat-rate and in most cases are income-tested or assets-tested. So in most European countries, for example, the level of benefits you receive when you retire or if you become unemployed is higher for higher-income workers than for the lowly paid. In Australia the reverse tends to be the case.

In Australia we see social security as being to help those most in need, so that the government acts like Robin Hood and ‘takes from the rich to give to the poor’. In most other countries, people see social security as insurance against risks, acting more like a piggy bank that everyone contributes to and can expect to draw on. Australia actually pursues both objectives, but on balance, our system emphasises redistribution more strongly. Australia relies more on income-testing and targets a higher share of its benefits to the poor – the poorest 20 per cent of households receives 42 per cent of all benefits, while in the United States the corresponding group receives 25 per cent of benefits and in Japan about 16 per cent.

A range of indicators shows this approach has been extremely successful. For the past 20 years, Australia has had the most progressive benefit system in the OECD. Australia actually has less middle-class welfare than any other OECD country. It also has the most efficient system of benefits in inequality and poverty reduction of any developed country – for each dollar of spending on benefits Australia reduces inequality in poverty by about 50 per cent more than the United States, Denmark or Norway, twice as much as Korea, roughly two and a half times as much as Japan or Italy, and three times as much as France. In addition, Australia has one of the most progressive systems of direct taxes of any OECD country and the tax system is also one of the most ‘efficient’ in reducing inequality of any rich country.

A reliable and sustainable benefit system is essential, but the solution probably lies in more effective community services that prevent problems from occurring in the first place.

On some measures Australia reduces income inequality by about as much as countries like Denmark and Sweden, usually seen as the epitome of redistributive welfare states. Even though Australia spends less than the OECD average on benefits, the formula for distribution is so progressive that Australia redistributes more in absolute terms to the poorest 20 per cent of the population than any other OECD country except Denmark.

If this summing-up sounds too good to be true then it may well be that it is. Or it may be that debates are not pointing us to the more fundamental issues of disadvantage. A reliable and sustainable benefit system is essential, but the solution probably lies in more effective community services that prevent problems from occurring in the first place.

Peter Whiteford is a professor in the University of NSW’s Social Policy Research Centre. This article first appeared in the university’s magazine, ‘Uniken’.

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Australian Policy Online
5 August 2009, www.apo.org.au
Money won’t fix poverty
Solving poverty lies not in enrichment but in empowerment of people, asserts Irene Khan

When I met Elsie she was squatting in the raw dirt of an open field, surrounded by all her belongings, which bore the dents and scratches I have seen inflicted on scant possessions when people have to flee, for example from flood, war or forced evictions. I walked down the desert track, past the filthy and worn mattresses set out in the open air that were used as beds by Elsie’s mates, past the wooden crate perched on a rough-hewn bench that is their kitchen, and stepped over the tangled extension cord that brought electricity to their single lamp.

I squatted beside her in the slight shade cast by the blue plastic slung over the sticks that marked her living space. Through an interpreter, she said: “Lady, I pay rent to the government for sleeping on a mattress in the desert. I have no home, I don’t have a voice, no one is listening to me or my family.”

Did I meet Elsie in Sudan, Sri Lanka or Afghanistan? No. The political leaders responsible for Elsie’s situation are not to be found in Khartoum, Colombo or Kabul. They are in Canberra and Darwin. I met Elsie in Utopia in the Northern Territory. In the heart of the First World I saw scenes more reminiscent of the Third World, of countries torn by war, dominated by repressive regimes, racked by corruption. How is it possible that in 21st-century Australia – in the land of the fair go – its first people should be among those living in abject destitution, in such appalling poverty?

Australia is one of the world’s rich countries, with most scales ranking it among the top 30 countries by GDP per capita. By other measures, such as health, longevity, community life, political stability and political freedom, Australia leaps well up the world’s league table and into the top 10. I did not expect to see abject poverty to this degree in the lucky country.

Utopia is a microcosm of what is happening on a larger scale around the world. In a period of unprecedented economic growth globally, the real numbers of people living in poverty have increased, as has the gap between the richest and poorest groups of people in every country in the world.

Why is it so hard to end poverty? Because despite extensive research findings, government officials, policymakers and international financial institutions too often tend to define poverty in terms of income. But economic analysis does not capture the full picture of poverty and economic solutions cannot fully address the problem. Unless and until we address the human rights abuses that impoverish people and keep them poor, we will fail to eradicate poverty. That is as true in Australia as it is in Somalia.

People are poor not just because of how little they earn but because they are discriminated against and deprived, because they live in insecurity and are marginalised and excluded, and because their voices are not heard. It is important to consider each of those elements, but it is also important to recognise that these elements reinforce each other in a downward spiral that traps people in poverty. The answer to tackling it lies not in enrichment but the empowerment of the poor.

At birth, indigenous Australians are twice as likely to be low weight, and as they age they get sicker and die younger. The life expectancy of indigenous people in Australia is 17 years lower than that of the rest of the population. The rate of infant mortality is twice as high. Similar statistics are repeated across the world between those living in poverty and others. The poor live with discrimination. Women, ethnic minorities and indigenous populations are disproportionately represented among the poor. It is no mere coincidence that 70 per cent of the world’s poor are women and that that proportion is growing.

Discrimination can be lessened when laws and policies are in place, but social discrimination is fed by deep-seated prejudices. And sometimes, despite government policies and efforts, social discrimination, continuing prejudices and paternalistic policies are compounded by historical injustices to leave the minority disempowered and entrenched in poverty. The tendency then for the mainstream community is to blame the minority for their own condition of poverty or exclusion.

This reflects in many ways the situation of the indigenous communities in Australia. Many of those I met in Utopia and Alice Springs spoke of the prejudice and stigmatisation they feel they continue to be subjected to, for instance by the compulsory income management scheme, which they say has left them disempowered and disillusioned.

In Australia, indigenous women are 35 times more likely to be hospitalised due to domestic violence, and 10 times more likely to die as a result of assault. Elsie’s words in Utopia are echoed by poor people everywhere. No one hears us, we have no voice. We are told what will be done. If we don’t comply with their plans we do not get help. This is what poverty is about: the stuff of real human insecurity; the stuff of marginalisation, of voicelessness, of degradation, of inequality and injustice. These are human rights abuses. And so, respect for human rights is deeply relevant to the solution of poverty.

Human rights promote political participation and accountable government, which go to the heart of the issue of exclusion. In other words, the solution to poverty lies not in enrichment but in empowerment of people.

Irene Khan is Secretary-General of Amnesty International. This is an edited extract from her address to the National Press Club in Canberra last week.

The Sydney Morning Herald Opinion, 23 November 2009
Long-term welfare dependency is of no real benefit to recipients

Long-term welfare dependency leads to family dysfunction and poor health, writes Helen Hughes

For a liberal, turning a share of welfare payments into vouchers for groceries and rent is not a happy solution. A safety net for those who are ill, disabled or unable to find a job is a significant social achievement of compassionate democratic capitalism. But worldwide experience indicates that welfare without strings will be misused.

Longitudinal studies have shown that the welfare safety net can play its intended role for those who use it to recover from illness, overcome disabilities or recover from the death of a principal income earner. But welfare has become so attractive that many recipients prefer staying on it to working. This creates acute problems of welfare dependence.

About two million Australians are mainly dependent on welfare payments for their income. They include non-working single parents with children over six years of age. Many long-term unemployed show little inclination to return to work. Others have dropped out of the workforce into disability pensions, although they could work.

Many of the second and even third generations of unemployed in families where no one works do not seem inclined to get jobs. Aborigines denied the education they need to get jobs are a significant but very minor component of Australia’s very large number of welfare-dependent people. The same rules must apply to all Australians on welfare.

Whether high levels of alcoholism, smoking, illegal drug addiction, gambling, violence and crime are the causes or results of welfare dependence, their costs to the community are high. The plight of neglected children in welfare-dependent households has been highlighted in every state as well as in the Northern Territory.

The evidence that long-term welfare dependence leads to family dysfunction, poor health and thus to the curtailment of years of life is overwhelming. A considerable industry of academics, federal and state bureaucrats, social workers and welfare organisations has been unable to stem increasing numbers of welfare dependents or their health and social problems. More and more tax revenue goes to permanent welfare recipients.

About two million Australians are mainly dependent on welfare payments for their income.

The health and criminal costs of welfare dependence create additional burdens for taxpayers. The same taxpayers will face increased mortgage repayments because labour shortages that could be reduced by higher work participation are leading to inflation and rising interest rates.

Most academics whose disciplines are supposed to cover social issues have ignored the costs of welfare dependence. The analysis of how welfare damages its recipients has largely been undertaken outside academe. Noel Pearson has made an outstanding contribution, arguing that a practical approach to improving family budgeting in welfare-dependent communities is to sequester welfare payments so that children are fed, rents are paid and decent standards of behaviour are observed. His approach embraces community-administered welfare and covers the need for mainstream education and opportunities for employment.

When Mal Brough introduced welfare payment sequestering as part of the intervention to reduce Aboriginal disadvantage in the NT, he foreshadowed the application of the same sequestering conditions to other Australians. Family payments recipients were identified as targets.

If welfare payment sequestering is a useful tool of social policy, as improving nutrition in the communities where it has come into effect indicates, then it should apply to all welfare recipients. Recipients with real disabilities or who suffer other misfortunes would have to be excluded, as would those receiving welfare for less than a year, because for them it is likely to be only a temporary expedient.

But the mum who fails to feed her children because she spends most of her welfare payment buying virtual gold to spend in World of Warcraft is no less in need of help because she is not indigenous. Charitable organisations have volumes of evidence regarding non-indigenous families in housing estates in Melbourne and Sydney lacking food because welfare payments have been spent on gambling, alcohol and drugs.

A nationwide welfare payment sequestering policy could be effective in pushing into the labour force at least some of the people who find a welfare lifestyle preferable to working. Centrelink regulations are clearly unable to get able-bodied unemployed into well-paid jobs such as picking fruit.

Labour training policies for long-term unemployed have a long history of failure. Lifestyles that combine a little subsistence farming or a few hours in the black economy with cash welfare payments are not affected by such programs. Beginning to tackle welfare reform in general, and Aboriginal deprivation in particular, was undoubtedly to the Howard government’s credit. It is up to the Rudd Government to ensure that these efforts are expanded into a major thrust that helps welfare-dependent families enter the working mainstream, and that inflationary pressures are contained.

Helen Hughes is a senior fellow at the Centre for Independent Studies.

First published in The Australian 11 January 2008

Centre for Independent Studies | www.cis.org.au

Issues in Society | Volume 320
Despite the fact many considered it lacklustre, the federal election campaign did serve to expose an economic and social fault-line that needs to be bridged if Australia is to really thrive in the decade ahead. Today two forces are banging together with the potential of causing real damage to our social and economic foundations.

On the one side, there’s the certainty that, as our economy grows and our population ages, we’re going to need more people who are able to work. As demographer Peter McDonald has pointed out, we can have a bogus argument about this, but we are better off acknowledging the reality of growth and doing something about it, rather than pretending otherwise and making problems such as skill shortages and urban congestion worse.

On the other side, there is serious concern about social disadvantage. Many of those wary of higher levels of immigration and growth are asking the reasonable questions: “What about our own? Why are we bringing in more skilled migrants when there are still large numbers of Australians struggling to get a decent job?” Some are also asking a more fundamental question: “Is economic growth really worth it if it means affluent Australians will get everything and disadvantaged Australians – and struggling regions within Australia – see little hope of better times?”

We must address this if we want to maximise Australia’s prosperity over the next decade. History shows we can get greater public support for immigration and nation building if we ensure we don’t leave large numbers of our existing population languishing. The postwar immigration program, with its commitment to full employment, rising wages, home ownership, educational opportunity and decent welfare services, demonstrated what can be achieved.

But the answer doesn’t lie in trying to recreate the economic protectionism of that era. Yet unfortunately, much of our welfare-to-work system is still shaped by the conditions of that era, insensitive to the new risks and opportunities the modern market economy presents to the disadvantaged. That’s why even after the unprecedented period of prosperity immediately before the impact of the global financial crisis we had 1.1 million Australians who were either looking for work or couldn’t get enough hours. And I estimate there were about 150,000 disability-support pensioners who could have been working if the right help had been offered.

At the time, I was especially frustrated by a popular view among some economists that this was somehow ‘natural’ and there was probably nothing we could do about it. I was equally disturbed by a not uncommon, yet unspoken, assumption within our own welfare sector that these people were probably not up to it in the real economy and should be protected in some kind of welfare shelter.

At the Brotherhood, we categorically reject these stereotypes and call for a new commitment to getting all Australians into the economic participation they so clearly want. The answer to the population conundrum in part lies in a new social contract, based on the proposition that the nation will do all it possibly can to give every Australian a firm foothold in the mainstream economy. That will mean more disadvantaged Australians getting a guernsey in the world of work, in doing so easing the concerns about immigration and partially reducing the economic need for it.

Too many of these Australians not only lack the capacities needed for a skilled or semi-skilled job but also the employment-ready skills needed for any job at all. But the one thing I know from almost 30 years in assisting them is that they don’t lack a desire to work. They aspire to be part of the mainstream economic life of the nation. While our standard job-preparation and job-matching services perform well enough for many job seekers, they struggle when it comes to the highly disadvantaged job seekers. Why? Because they don’t tap into their aspiration to be part of the mainstream, by creating a line of sight between their current circumstances and a decent job.

As our post-GFC economy gathers steam, sourcing employees will become a struggle not just confined to the regions directly affected by the mining boom. Success is possible. The Brotherhood has collected evidence demonstrating where the big employment hurdles lie for the disadvantaged. The big picture is simple. As a nation, we have to invest more in getting people back to work. The five top-ranked countries in the OECD spend more than 1.15 per cent of GDP on labour-market programs compared to 0.32 per cent by Australia.

But its how the additional investment is made that is critical. The Brotherhood’s research suggests success for highly disadvantaged job seekers lies in their participation in an integrated package of training, work experience and health and welfare support over a period of nine to 18 months – all tied to a job offer from an employer. We call this an intermediate labour market.

It provides people with foundational skills – such as literacy, numeracy and understanding of the world of work. It gives people the work experience, accredited training and flexible help that allows them to look after children, deal with health problems, get adequate housing and develop personal resilience. Ultimately, it offers highly disadvantaged Australians a clear line of sight to a decent job – through a deal with an employer.

To create an intermediate labour market requires a new kind of direct collaboration between employers, welfare agencies and government funding bodies. With the forecast of labour shortages around the corner, now is the time to be forging such collaboration. We need to recognise the economic sense in sourcing our employees from the ranks of disadvantaged Australians.

© Tony Nicholson, Executive Director, Brotherhood of St Laurence
The Sydney Morning Herald, 30 August 2010
The trouble with welfare reform miracles

Frank Quinlan espouses there are no miracles in welfare to work policy

The Organisation for Economic Co-operation and Development has some stern words for Australian policy makers. In its latest Babies and Bosses report on work and family life they argue that too many Australian children are growing up in jobless, welfare reliant households with the biggest problem among single parent families.

The OECD’s experts say that Australia needs to do more to move single parents off welfare and into work. According to their figures, in Sweden and Denmark around 80 per cent of sole parents are in paid work. But in Australia, the figure is only 50 per cent. This is a problem, they argue, because long-term welfare reliance is associated with child poverty, and poverty damages childhood development.

Moving single parents from welfare into work seems like a win, win, win proposition. Employers fill vacancies faster, families lift themselves out of poverty, and the government makes savings on income support. What could be wrong with encouraging people to do something that’s good for the community and good for their families?

But as with everything else, there’s a catch – it’s a public policy version of the ‘pick two rule’. Engineers and software designers are fond of telling clients that they can have a product fast, cheap or good ... but not all three at once. There are trade-offs and clients need to decide which goals are most important.

It’s the same with welfare to work policy. It’s possible to create programs that move single parents from welfare to work, lift families out of poverty, and save the taxpayer money. But it’s not possible to create programs that do all three at once.

Wisconsin’s policy makers made moving recipients into work their top priority. Supporters like the Wisconsin Policy Research Institute have urged them to stick to that goal. Earlier this year the WPRI’s David Dodenhoff wrote that poverty reduction was “an unrealistic, unreachable goal”. This doesn’t worry Robert Rector. He simply refuses to accept that poverty is bad for children.

Policy makers in countries like Denmark, Sweden and Norway take poverty more seriously. According to the OECD’s poverty definition, around 22 per cent of US children were in poverty in 2000. But all three of these Nordic countries had child poverty rates below four per cent. According to the OECD, the explanation for this isn’t just low rates of joblessness for parents – it’s the combination of high rates of employment with policies that redistribute income through the tax and welfare system.

Nordic policy makers are both tougher and more generous than those in Australia. Single parents are expected to return to work much earlier in Australia and can face sanctions if they fail to participate in assistance. But they also receive more assistance and a better quality of assistance.

The Nordic countries keep poverty low and employment high by investing heavily in employment assistance, support for working parents, and early education programs for children. The OECD experts are blunt about the trade-off. The policies are ‘very expensive’ and not every nation is prepared to raise the taxes needed to pay for them.

The OECD’s preferred approach involves mutual obligation. Too many Australian commentators mutual obligation means policies like Work for the Dole which emphasise hassle over help. This isn’t the OECD view. They argue that mutual obligation involves a greater commitment from government, not just greater conditionality for welfare recipients. And they argue that income support sanctions should be ‘moderate’.

In a 2002 Babies and Bosses study of Australian, Danish and Dutch policies, the OECD warned that policy makers needed to “ensure that the activity to be carried out is appropriate to the objective of encouraging participation, rather than coming to be seen merely as a further compliance requirement”. The OECD has made it clear that many disadvantaged single parents will need more than a push to get them into paid work. Assistance needs to be of high quality.

There are no miracles in welfare to work policy. If Australians want their government to move single parents off welfare and reduce child poverty at the same time then it’s going to cost money. The trade-off we choose will tell us more about our priorities than any speech or press conference.

Frank Quinlan is Executive Director of Catholic Social Services Australia.
EXPLORING
ISSUES

ABOUT THIS SECTION

‘Exploring issues’ features a range of ready-to-use worksheets relating to the articles and issues raised in this book.

The activities and exercises in these worksheets are suitable for use by students at middle secondary school level and beyond.

As the information in this book is gathered from a number of different sources, readers are prompted to consider the origin of the text and to critically evaluate the questions presented.

Does the source have a particular bias or agenda? Are you being presented with facts or opinions? Do you agree with the writer?

The types of ‘Exploring issues’ questions posed in each Issues in Society title differ according to their relevance to the topic at hand.

‘Exploring issues’ sections in each Issues in Society title may include any combination of the following worksheets: Brainstorm, Research activities, Written activities, Discussion activities, Quotes of note, Ethical dilemmas, Cartoon comments, Pros and cons, Case studies, Design activities, Statistics and spin, and Multiple choice.

CONTENTS

BRAINSTORM 50
RESEARCH ACTIVITIES 51
WRITTEN ACTIVITIES 52
DISCUSSION ACTIVITIES 53
QUOTES OF NOTE 54
MULTIPLE CHOICE 55-56

WORKSHEETS AND ACTIVITIES

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Brainstorm, individually or as a group, to find out what you know about poverty and social exclusion.

1. What is poverty?

2. How is poverty in Australia measured?

3. Define the following terms and consider how their meanings differ from one another.
   - Relative poverty:
   - Income poverty:
   - Absolute poverty:
   - Financial hardship:

4. What is social inclusion?

5. What are the major causes of social exclusion?

6. Which Australians are most at risk of social exclusion?
1. Investigate the major structural causes of poverty in Australia. Who are the most disadvantaged groups of Australians?

2. What are the differences between inequality and poverty? How can poverty be reduced?
Complete the following activities on a separate sheet of paper if more space is required.

1. How many Australians are currently receiving income support? Explain the different types of income support payments for the following recipient categories: unemployment, disability support, carer payment, parenting payment, youth allowance.

2. According to a 2007 report by UNICEF, between 12-15% of Australian children live in poverty. A separate study in 2006 found that 28% of Australian children experienced a period of poverty over the preceding three year period. In what ways do poor economic circumstances affect children's lives?
1. Research published by ACOSS finds that those on the lowest social security payments face the greatest hardship. The social security system is poorly designed to prevent poverty. Discuss.

2. Long-term welfare dependency is of no real benefit to recipients. Discuss.
After reading each of the following statements, consider your own position on the opinions expressed and explain why you agree or disagree. You may wish to discuss the statements in pairs, or use them as starting points for group debates.

1. **Fraudulent benefit claims do exist, but they are in the tiny minority. Despite the impression that is sometimes given by the media, actual rates of welfare fraud are very low. Less than 6% of welfare recipients are convicted of fraud.** (Western Australian Council of Social Service, p.24)

2. **Welfare policies need to be based on the goal of promoting social inclusion and should enlarge, rather than restrict, people’s choices and opportunities. Similarly, retirement incomes policy should ensure that the age pension is at a level that allows pensioners to participate fully in community life and have access to necessary goods and services.** (The Benevolent Society, p.36)

3. **We are heading down the path of becoming a society with an ever-deepening chasm between rich and poor. Welfare agencies argue we are creating a marginalised underclass.** (Dr Lindy Edwards, political scientist, Australian National University, p.39)

4. **Almost one in six Australians of working age is reliant on income support. Long-term welfare dependence, which is often coupled with drug and alcohol addiction, child abuse and domestic violence, is overwhelmingly concentrated in disadvantaged communities. Children of jobless parents are more likely to end up on welfare. If these problems are to be overcome, the cycle of dependence must be broken. Governments should not only help people to move off welfare but also hassle those who have lost their confidence, motivation and capacity for independent action to find work.** (Jessica Brown, policy analyst, Centre for Independent Studies, p.40)

5. **Growing levels of long-term welfare dependency present us with a real dilemma. Should we strive to protect the independence of those who are so clearly dependent on the state in so many ways? Paradoxically, paternalistic interventions may now be essential to rebuild people’s capacity to take responsibility for themselves.** (ibid, p.41)

6. **A reliable and sustainable benefit system is essential, but the solution probably lies in more effective community services that prevent problems from occurring in the first place.** (Prof. Peter Whiteford, Social Policy Research Centre, University of New South Wales, p.44)

7. **Human rights promote political participation and accountable government, which go to the heart of the issue of exclusion. In other words, the solution to poverty lies not in enrichment but in empowerment of people.** (Irene Khan, Secretary-General, Amnesty International, p.45)

8. **There are no miracles in welfare to work policy. If Australians want their government to move single parents off welfare and reduce child poverty at the same time then it’s going to cost money.** (Frank Quinlan, Executive Director, Catholic Social Services Australia, p.48)
Complete the following multiple choice questionnaire by circling or matching your preferred responses. The answers are at the end of the next page.

1. Poverty in Australia is by definition:
   a. Relative
   b. Absolute
   c. Voluntary
   d. Extreme

2. The following number of Australians live in poverty:
   a. 500,000
   b. 1 million
   c. 1.5 million
   d. 2 million

3. The following number of Australian children aged 0-17 are estimated to be living in ‘relative poverty’:
   a. 7%
   b. 12%
   c. 15%
   d. 19%

4. According to estimates from the Australian Bureau of Statistics (October 2010), the current unemployment rate in Australia is between:
   a. 1-2%
   b. 3-4%
   c. 5-6%
   d. 7-8%

5. The proportion of the Australian working age population receiving income support (2008) is:
   a. 9%
   b. 17%
   c. 23%
   d. 27%

6. Which one of the following is not considered to be an indicator of social exclusion:
   a. Impoverishment
   b. Labour market exclusion
   c. Home ownership
   d. Service exclusion
   e. Exclusion from social relations

7. Which one of the following categories of people is not particularly at risk of social exclusion:
   a. Aged persons
   b. Public housing renters
   c. School leavers
   d. Aboriginal and Torres Strait Islander peoples
   e. One-parent families
   f. People of non-English speaking backgrounds
MULTIPLE CHOICE

Complete the following multiple choice questionnaire by circling or matching your preferred responses. The answers are at the end of this page.

8. Which of the following are **not** drivers of social exclusion in Australia (*hint: more than one may apply*):
   a. Poverty, low income and income inequality
   b. Lack of access to the job market
   c. Poor educational outcomes
   d. Poor health and wellbeing
   e. Public school education
   f. Lack of access to social supports and networks
   g. Living in rental accommodation
   h. Exclusion from services
   i. Discrimination

9. Match the following terms to their correct definitions:
   a. Absolute poverty
   b. Relative poverty
   c. Financial hardship
   d. Social exclusion

   1. The lack or denial of resources, rights, goods and services, and the inability to participate in the normal relationships and activities available to the majority of people in society in the economic, social, cultural or political arena.
   2. The inability to enjoy an adequate material standard of living (in terms of food, shelter, clothing and health) that results primarily from inadequate income.
   3. When a group in society receives significantly less than the average person in that society.
   4. When a person does not have access to the bare minimum requirements to sustain a healthy life, for example safe drinking water, shelter and regular food.

MULTIPLE CHOICE ANSWERS

1 = a; 2 = d; 3 = b; 4 = c; 5 = d; 6 = c; 7 = c; 8 = e, g; 9 – a = 4, b = 3, c = 2, d = 1.
There were approximately 2.2 million people, or 11.1% of Australians, living in poverty in 2006, compared with 9.9% in 2004, and 7.6% in 1994. (p.1)

Australia has the widest gap in life expectancy between indigenous and non-indigenous population compared to New Zealand, USA or Canada. (p.1)

Household income for Aboriginal and Torres Strait Islander households is $460 (mean equivalised gross weekly household income as calculated by the ABS) compared to $740 for non-indigenous households. (p.1)

In 2004, 97.5% of the 236,000 new jobs created went to people with skills and a university degree, a TAFE diploma or equivalent work experience. (p.2)

Over the past 2 decades, house prices have risen by 400%, while incomes have risen by only 120%. (p.2)

About a quarter of a million Australian jobseekers have not had substantial work for a year or more. Many have had little or no work for 2 years. (p.3)

About 2 billion people around the world have incomes of less than US$2 per day. (p.3)

2 million Australians live in poverty with more than half a million children living in jobless families. (p.6)

Across OECD countries (on average) around 30% of poor families with children are jobless. (p.6)

In Australia around 70% of poor children live in jobless families. This equates to 1 in 7 children growing up in a family where no one works. (p.6)

Full-time jobs with paid leave now make up slightly more than 55% of jobs – down from nearly 75% in the early 1990s. (p.6)

Over the 3 years from June 2005 the average price of food rose by 15%, rents rose by over 17%, household energy bills rose by 17% and fuel rose by 41%. (p.8)

The average real equivalised disposable household income of the middle income group was estimated to have risen by 32% between 1994-95 and 2005-06. (p.13)

1 in every 10 people, including 412,000 children, live below the poverty line. (p.16)

There are 644,000 Australians living on unemployment payments of $32 a day and there has been no substantial increase in the real value of unemployment payments since the 1980s. (p.16)

Joblessness is much more likely to be long-term in one-parent families; 73% of children living in jobless households for 3 years (2001-03) were in lone parent households. (p.21)

Life expectancy at birth of Australian women and men is among the longest in the world – in 2005, 83.5 years for women and 78.7 years for men. (p.22)

6 countries had a rate of expenditure double or near double that of Australia: Sweden, Finland, Denmark, Austria, Italy and France. (p.22)

Over 1/3 of people aged under 44 pay more than 30% of their income on housing. (p.25)

People living on lower incomes are more likely to be subject to high bank fees, dishonour charges and overdue penalties on accounts. (p.25)

Approximately 5% of Australians aged between 18 and 64 years experience 3 or more of 6 selected types of disadvantage. (p.27)

Around 105,000 Australians are estimated to be homeless on any given night. (p.28)

The rate of employment of people with disability and severe mental illness is still well below that of people without disability and mental illness, and, in recent years, their relative employment prospects have declined. (p.28)

39% of single parents left school before Year 12 and have no non-school qualifications, compared to 24% of partnered parents. (p.29)

Low socio-economic status is linked to higher prevalence of many conditions including arthritis, asthma, diabetes and heart disease. (p.29)

Low income households were less likely to have access to the internet at home (33%) compared to all households (64%). (p.30)

Almost 40% of school aged children cannot afford up-to-date school books or new school uniforms. (p.35)

In contrast to the overall population, 65% of indigenous people, 54% of unemployed people, 49% of sole parent families, 27% of people with disabilities, 53% of public tenants, and 48% of private tenants experienced multiple deprivation. (p.37)

We now have about 18% of working-aged Australians relying on a government benefit to pay the bills. (p.39)

Long-term welfare dependence, which is often coupled with drug and alcohol addiction, child abuse and domestic violence, is overwhelmingly concentrated in disadvantaged communities. (p.40)

The first federally funded unemployment benefits and widows pensions were introduced in the mid 1940s. (p.41)

1 in 7 children, are living in poverty. (p.42)

The World Economic Forum released its 2010-2011 rankings of the world’s most competitive economies. Sweden was number 1, just behind Switzerland. Australia came in at number 16. (p.43)

Australia relies more on income-testing and targets a higher share of its benefits to the poor – the poorest 20% of households receives 42% of all benefits, while in the United States the corresponding group receives 25% of benefits and in Japan about 16%. (p.44)

For the past 20 years, Australia has had the most progressive benefit system in the OECD. (p.44)

Australia is one of the world’s rich countries, with most scales ranking it among the top 30 countries by GDP per capita. (p.45)

Women, ethnic minorities and indigenous populations are disproportionately represented among the poor. (p.45)

The 5 top-ranked countries in the OECD spend more than 1.15% of GDP on labour-market programs compared to 0.32% by Australia. (p.47)
**Absolute poverty**
When a person does not have access to the bare minimum requirements to sustain a healthy life, for example safe drinking water, shelter and regular food.

**Disengagement**
Lack of participation in the kinds of social activities and events that are widely practised in the community such as going on holidays, hobbies, going out, playing or watching sports or volunteering.

**Economic exclusion**
Economic stress that arises because of lack of employment or the ability to save or access credit.

**Financial hardship**
The inability to enjoy an adequate material standard of living (in terms of food, shelter, clothing and health) that results primarily from inadequate income.

**Gini coefficient**
The Gini coefficient is an inequality indicator which measures the inequality of income distribution within a country. It varies from zero, which indicates perfect equality, with every household earning exactly the same, to one, which implies absolute inequality, with a single household earning a country's entire income. Latin America is the world's most unequal region, with a Gini coefficient of around 0.5; in rich countries the figure is closer to 0.3.

**High financial stress**
The proportion of people whose household reported an incidence of five or more individual financial stress indicators (out of a total of 15) in the previous 12 months. These include being unable to pay certain bills on time, whether they could not afford activities such as a night out once a fortnight, or a special meal once a week; or whether they had gone without food or heating because of a shortage of money.

**Income support**
Designed to provide a basic, acceptable standard of living for people unable to fully support themselves. The amount paid reflects prevailing community standards, and is largely determined by the application of income and asset thresholds and tapers (i.e. means testing). As a result of means testing, a claimant may receive a full-rate income support payment, a part-rate payment, or be assessed as ineligible to receive income support.

Not all payments from government are considered to be income support. Payments which are not means tested (e.g. economic stimulus payments, one-off payments to seniors and carers), payments intended to help meet specific costs (e.g. Family Tax Benefit, Baby Bonus, Utilities Allowance), and payments which represent compensation for loss (e.g. DVA Disability Pension, War Widow(er)'s Pension and Orphan's Pension) are not regarded as income support.

**Inequality**
There is an increasing inequality between rich and poor in Australia which continues to impact on the disadvantaged in a number of ways. This has been particularly noticeable in some inner city areas of Australia's major cities. Despite the increasing cost of housing in the inner city areas, enclaves of poverty continue to exist.

**Poverty line**
These are set at minimum income levels considered necessary to achieve a decent standard of living. Two commonly used poverty lines in Australia – 50% of median income and 60% of median income.

**Relative poverty**
When a group in society receives significantly less than the average person in that society.

**Service exclusion**
Not being able to access services used by a majority of the population such as health, disability, mental health, dental treatment, aged care, and basic utilities like gas and water.

**Social exclusion**
The lack or denial of resources, rights, goods and services, and the inability to participate in the normal relationships and activities available to the majority of people in society in the economic, social, cultural or political arena.

**Social inclusion**
Making sure people are connected socially, and in their broader community.

**Poverty**
Poverty is the state of being without the necessities of daily living, often associated with need, hardship and lack of resources across a wide range of circumstances. For some, poverty is a subjective and comparative term; for others, it is moral and evaluative; and for others, scientifically established. Internationally, people who lack food and shelter for minimal needs are said to be living in absolute poverty. Poverty in Australia, however, is generally relative poverty. People are considered to be poor if their living standards fall below an overall community standard, and they are unable to participate fully in the ordinary activities of society.

**Unemployment**
The unemployment rate is a figure produced monthly by the Australian Bureau of Statistics. An unemployed person is defined by the ABS as someone not in paid employment who is actively looking for work. Anyone who is doing paid work for at least one hour a week is not considered to be unemployed. Anyone can become unemployed. Statistically, however, indigenous Australians, recently arrived migrants, people with disabilities, young people and older workers who have been retrenched are most likely to be unemployed. People living in remote and rural communities also have higher rates of unemployment. People who have been unemployed for a period of 52 weeks or longer are defined as long-term unemployed.
Websites with further information on the topic

Anglicare Australia  www.anglicare.asn.au
Anti-Poverty Week  www.antipovertyweek.org.au
Australian Council of Social Service  www.acoss.org.au
Brotherhood of St Laurence  www.bsl.org.au
Department of Families, Housing, Community Services and Indigenous Affairs  www.fahcsia.gov.au
Melbourne Institute of Applied Economic and Social Research  http://melbourneinstitute.com
Mission Australia  www.missionaustralia.com.au
National Centre for Economic and Social Modelling (NATSEM)  www.natsem.canberra.edu.au
Social Inclusion (Australian Government)  www.socialinclusion.gov.au
The Benevolent Society  www.bensoc.org.au
The Salvation Army  http://salvos.org.au

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A
Aboriginal and Torres Strait Islander peoples 6-7, 9, 15, 19, 20, 26, 28-29, 30, 35, 37, 45
absolute poverty see poverty
Anti-Poverty Week 42

D
depprivation 5, 11, 18
at risk groups 37
definition 17, 19
multiple 9, 18, 37
disability 17, 19, 23, 30
people with 1, 2, 7, 9, 11, 28, 29, 35, 37
discrimination 30, 45
disengagement 19

economic
exclusion 19, 35
marginalisation 39, 45
participation 35-36, 47
essential items 4-5, 9, 11, 38
access to 9
lack of 8-9, 37, 45
extreme poverty see poverty

F
financial hardship 10, 13, 23-26, 37-38
at risk groups 25-26, 37-38
causes 25-26
definition 23
effects 26
experience of 23, 25-26
fixed poverty see poverty

G
Gini coefficient 15
global financial crisis 7, 35, 43, 47

H
health and wellbeing 25, 29
Henderson Poverty Line 4, 14
homelessness 2, 3, 19, 21, 28
housing 2, 25, 33-34, 36-37
affordability 7, 21, 36
public 20
human rights 45

I
income 7, 28, 35
household 13, 14
inequality 15, 27, 28, 44
definition 14-15
participation 35-36
support 31-34, 37, 40, 42, 44, 48
definition 31
payments 1, 3, 8, 10-12, 31-34, 36, 38, 43, 44
system 8, 44
trends 31-32
indigenous Australians see Aboriginal and Torres Straight Islander peoples

M
mental illness 1-2, 7, 19, 24, 28, 30, 35
mutual obligation 41, 48

N
National Rental Affordability Scheme 16

O
Organisation for Economic Co-operation and Development (OECD) 1, 3, 6, 15, 16, 44, 47, 48

P
poverty 1-3, 15, 17, 23, 26, 27, 28, 35
absolute 14, 23, 24
at risk groups 2, 6-7, 16, 26, 28, 45
causes of 1, 2, 6, 23, 26
children in 1, 6-7, 42, 43, 48
definition 1, 4, 16, 35
extreme 3
fixed 14
impact of 7, 35
indicators 28
prevention strategies 3, 5, 6-7
line 1, 4, 10, 14, 16, 18, 24, 35
living in 6, 16, 35, 45
reduction 3, 27
relative 6, 14, 23
solutions 45

R
relative poverty see poverty

S
service exclusion 3, 4-5, 19, 21, 26, 27, 29, 30
social exclusion 1, 4, 5, 17-19, 23, 25, 27, 28, 30, 43
definition 17, 19, 23
dimensions of 17
at risk groups 20, 28, 30
indicators 17, 28
measures 18, 43
causes 23, 25
costs of 30
drivers of 27, 28, 30
social inclusion
definition 5, 17, 19
factors affecting 19
indicators 20-22
policies 17-19, 27
social security
payments see income, support
sole parents 9, 11, 16, 28, 35, 37, 48

U
unemployment 9-12, 16, 24, 28, 30, 37
families 1, 6, 22, 28, 40
with children 6-7, 19, 21
long-term 28, 40
United Nations Human Poverty Index 1

V
violence, domestic 25

W
welfare see also income, support
dependence 39, 40, 41, 46
payments 46
policies 36, 40, 46
reform 40, 41, 42, 48
welfare-to-work 11, 40, 47, 48