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Social Policy Research Centre

A large graphic consisting of two overlapping arrows. The top arrow is red and points to the right, containing the text 'POVERTY IN AUSTRALIA'. The bottom arrow is grey and points to the left, containing the text '2016'. The arrows overlap in the center, creating a white space where the text is placed.

POVERTY IN AUSTRALIA

2016

Poverty in Australia 2016

The fifth edition of 'Poverty in Australia', part of the 'Poverty and Inequality in Australia' series from the Australian Council of Social Service and the Social Policy Research Centre.

Who we are

ACOSS is the peak body of the community and social service sector and the national voice for the needs of people affected by poverty and inequality. Our vision is for a fair, inclusive and sustainable Australia where all individuals and communities can participate in and benefit from social and economic life.

The Social Policy Research Centre (SPRC) is a research centre at UNSW Australia. Since 1980, we have been a centre for innovative applied research concerned with the social policies which affect all our lives. Our research is designed to be both academically rigorous and to be useful to those developing social policy and those using it.

What we do

ACOSS leads and supports initiatives within the community and social service sector and acts as an independent non-party political voice. By drawing on the direct experiences of people affected by poverty and inequality and the expertise of its diverse member base, ACOSS develops and promotes socially and economically responsible public policy and action by government, community and business. Find out more on our website at <http://www.acoss.org.au>

The SPRC is a multidisciplinary centre undertaking research across a wide range of social policy areas. On the basis of our research we seek to influence existing policies, to inform the development of new policies, and to identify good practice.

Thanks to our partners:



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This edition of Poverty in Australia has been prepared by Penny Dorsch, Jacqueline Phillips and Charmaine Crowe for the Australian Council of Social Service with research conducted by Professor Peter Saunders, Bruce Bradbury and Melissa Wong from the Social Policy Research Centre at the University of New South Wales.



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Foreword

Dr Cassandra Goldie - Chief Executive Officer, ACOSS

This is the fifth Poverty Report ACOSS has published in partnership with the Social Policy Research Centre (SPRC) at the University of New South Wales. I am proud that we are continuing to work together to produce a stable, independent evidence base on poverty and inequality in Australia.

I want to particularly acknowledge the invaluable expertise of Professor Peter Saunders and colleagues at the SPRC, Associate Professor Bruce Bradbury and Dr Melissa Wong. Peter's work is internationally renowned and his academic leadership has given this series consistency and authority, and greatly contributed to the standing of these reports in the field.

This report has also been made possible thanks to the generous support of the Australian Communities Foundation (Social Justice Fund), St Vincent de Paul Society, Mission Australia, and the Salvation Army.

This latest Poverty Report 2016 finds that Australia has failed to reduce the level of overall poverty in our community over the 10 years to 2014, with 13.3% of the population (2.99 million people) living below the poverty line in 2013-14. Alarming, there has in fact been a 2 percentage point rise in the number of children living in poverty in the period, now 17.4% (731 300 children).

The majority of people living in poverty receive social security payments as their main source of income, underscoring the Government's direct role in preventing poverty through ensuring adequate income support payments. At the same time, a third of people living in poverty rely on wages as their main source of income. The evidence is clear that a job does not guarantee an adequate income and we must look at both social security settings, labour market policies and jobs growth if we are to successfully address poverty.

Unfortunately, our political leaders often seem more concerned with providing the next tax cut than with reducing poverty and inequality. Successive budgets have cut income support payments to those with the least, including low-income families despite persistent and increasing child poverty in Australia. The low level of unemployment payments is broadly recognised as acting as a direct barrier to securing stable work. And although we have committed to the Sustainable Development Goals, which list eradicating poverty as goal number one, we are yet to set a national poverty benchmark.

We need to shift the mindset that poverty is a reflection of the individual and instead view eradicating poverty as a shared responsibility.

We should all be able to feel secure in the knowledge that, regardless of what life throws at us, including the ability to get a job, we will have enough income to afford shelter, food and other essentials. Such security strengthens communities and boosts opportunities for all. We can change lives if we are bold enough to eradicate poverty but we need to think big, show leadership and work together across community and leadership matters.

Executive Summary

In 2014, the 50% of median income poverty line for a single adult was \$426.30 a week (or \$343.00 for income after housing costs). For a couple with children it was \$895.22 a week (or \$720.22 after housing). Using the after-housing poverty line, the headline poverty rate in 2014 is 13.3%, slightly lower than the 2012 rate (13.9%).¹

Long term analysis indicates an overall trend of persistent and entrenched poverty over the decade. Of most concern, there was a 2% increase in child poverty from 2004 to 2014, with the trend most pronounced for children in lone parent families.

Internationally, Australia's poverty rate remains above the OECD average, despite our relative prosperity.

In population terms, there were 2.99 million people living below the poverty line after taking account of housing costs in 2014.² The poverty rate for children remained significantly higher than for adults at 17.4%, affecting 731,000 children. This was little changed from 2012 when the child poverty rate was 17.7%. Of concern, the child poverty rate for children in lone parent families increased from 36.8% in 2012 to 40.6% in 2014.

By family type, lone parents experience the highest poverty rates at 33.2% and this has been a consistent trend throughout the decade. The rate of poverty for lone parents has increased since 2012, a year in which 80,000 sole parents were moved from pension to (much lower) allowance payments. Children in lone families are more than three times more likely to be living in poverty than

The majority of people below the poverty line relied on social security as their main source of income (57.3%), but a significant proportion received wages as their main income (32%). This division has not changed significantly from the previous reports, with wage earners comprising about a third of those in poverty in 2010 (29%) and 2012 (33%).

While an overall minority of people receiving social security payments fell under the poverty line in 2014 (36.1%), a majority of Newstart (55%) and Parenting Payment (51.5%) recipients were in this category.

A number of social security payments fell significantly below the poverty line, including most notably the unemployment payment. For a single person with no children, Newstart in 2013-14 fell \$109.55 per week below the poverty line. Youth Allowance was even further below: for a single person with no children it fell \$158.63 per week below the poverty line. These figures take Rent Assistance into account, so the gaps were even higher for households not eligible for this supplementary payment.

Unemployed households experienced poverty at the highest rate of all the population groups analysed at 63.2%, a 2% increase since 2012. People of working age not in the labour force had a poverty rate of 43.9% and lone parent families 33.2%.

Analysis by housing tenure shows that the vast majority of people below the poverty line were in rental housing in 2014 (59.7%), with most in private rental housing (44.2%) compared with 11.4% in public. Only 15.5% of people living below the poverty line were homeowners, with a slightly higher proportion being mortgagees than outright owners.

Snapshot of poverty in Australia – in 2014:

- The poverty line (50% of median income) for a single adult was \$426.30 a week. For a couple with 2 children, it was \$895.22 a week.
- 2.99 million people (13.3% of the population), were living below the poverty line, after taking account of their housing costs.
- 731,300 children under the age of 15 (17.4% of all children) were living below the poverty line.
- The proportion of people in poverty was slightly lower than in 2012, a decrease of 0.6%, from 13.9% in 2012. However, the 2014 headline poverty rate reflects persistent and entrenched poverty over the decade.
- Child poverty in Australia increased by 2 percentage points over the decade 2003-04 to 2013-14.
- 36.1% of people receiving social security payments were living below the poverty line, including 55% of those receiving Newstart Allowance, 51.5% receiving Parenting Payment, 36.2% of those receiving Disability Support Pension, 24.3% receiving Carer Payment, and 13.9% of those on the Age Pension.
- 57.3% of people below the poverty line relied upon social security as their main income and 32.1% relied upon wages as their main income.
- Between 2012 and 2014, poverty rates increased for: children in lone parent families (36.8 to 40.6%), those receiving Youth Allowance (50.6 to 51.8% and those receiving Parenting Payment (47.2 to 51.5%). They remained very high (61.4% to 59.9%) from 2007 to 2014 for unemployed households.

In 2014, 2.99 million people (13.3% of the accschthe

CASE STUDY: RHIMA (LONE PARENT)

Rhima has two children aged 7 and 9, and struggles to pay all the bills. Rhima's son has frequent sinus and ear infections, which the doctor assures her will improve as he grows up. She accesses foodbank and other supports available from her local community services.

"My son has a lot of time off school due to sickness and I need to be here at home to look after him. I have been looking for work but I can't find anything that fits around school hours and is flexible for days off to look after my boy.

"Next year they will put me on Newstart and I don't know what I am going to do, I can't survive on what I get now let alone anything less.

"I have no savings, my children have never been on a holiday and I have nightmares about what's going to happen to us."



About this Report

The Poverty in Australia 2016 Report is the latest in the Poverty and Inequality series, a partnership between ACOSS and the Social Policy Research Centre (SPRC) at the University of New South Wales.

The first report was released in 2007 and highlighted the number of people living below the poverty line and which groups were most at risk of poverty. Poverty in Australia 2016 is the fifth report on poverty in the series and updates earlier reports. Each of the reports has focused on the measurement of poverty for the purpose of analysing changes in poverty rates. The information provides a better understanding of the circumstances and opportunities of vulnerable and disadvantaged people in Australia.

The analysis is based on the Australian Bureau of Statistics (ABS) Survey of Income and Housing (SIH)³ and specifically data on the basic Confidentialised Unit Record File (CURF). The SIH is conducted every two years. The data presented in this report covers the latest survey (2013-14) and comparisons are made going back to 2003-04.⁴

Information on country of birth and specific data on Aboriginal and Torres Strait Islander peoples is not available in the latest SIH 2013-14 basic confidential unit record file (CURF) data. While it has been possible to include other relevant data on income and deprivation for Aboriginal and Torres Strait Islander peoples, this was not possible for people born overseas. Unlike previous reports, this report also does not include a breakdown of poverty rates by location.

The ABS has implemented changes over the years to some of the data measurements to improve the quality of data. Researchers at SPRC have applied various treatments to ensure the data is as consistent as possible but caution should be taken in making any comparisons across the different data set years. Caution should also be used in interpreting certain results due to the limited sample size of certain groups in the surveys. Further detail is contained in the Methodology paper that accompanies this report.⁵

Each of the five Poverty in Australia reports has consistently adopted the commonly used poverty line set at 50% of median household disposable income in line with the OECD measure. A second poverty line set at 60% of median household income is also included for comparison; this measure is commonly used to measure poverty in the European Union.

How poverty is defined and measured in this report

Poverty is defined to exist when a household's income is so inadequate as to preclude them from having an acceptable standard of living. In practice, it is often identified when people are unable to afford socially perceived necessities - things that a majority in the community agrees that no-one should have to go without. It is separate, but closely related, to other measures of financial disadvantage.

In wealthy countries the internationally accepted practice for measuring poverty is to set a poverty line for a single adult living alone as a fraction of the median after-tax household income of all people. To calculate the median, the household incomes of all people are adjusted for family size using an 'equivalence scale', then ranked in order of adjusted income and the income of the middle-ranked person is chosen. As per this report, commonly chosen poverty line thresholds are either 50% or 60% of this median income.

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

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

³ Australian Bureau of Statistics (ABS) *Survey of Income and Housing (SIH)* ABS Catalogue No. 6541.0.30.001 (microdata user guide), and No. 6523 *SIH general series*.

⁴ References in this report to 2014 data are for the 2013-14 year.

⁵ Saunders, Peter, Melissa Wong and Bruce Bradbury (2016), *Poverty in Australia: New Estimates and Recent Trends. Research Methodology for the 2016 Report* <https://www.arts.unsw.edu.au/media/SPRCFile/PovertyMethods2016.pdf>.

Poverty lines

Poverty lines for different households are presented below in Table 2 which shows the poverty line in dollar terms for four types of household: *Lone adult* and *Couple with 2 children* and *Lone parent* and *Couple with 1 child*. The table presents 'before housing' poverty lines (before the deduction of housing costs) since these are more readily understood and compared with actual household incomes, for example, those provided by the maximum rates of social security payments.

Table 2: Poverty lines before housing costs (2014-15) (\$/week)

	50% of median	60% of median
Lone person	\$426.30	\$511.55
Couple only	\$639.44	\$767.33
Couple with 2 children	\$895.22	\$1,074.27
Lone parent with 2 children	\$682.07	\$818.49

Note: These are the poverty lines before housing costs are taken into account.

The rate and profile of poverty

There were 2.99 million people living below the 50% of median income poverty line in 2014, or 13.3% of the population. Of these, 731,300 were children, or 17.4% of all children. This is little changed from poverty rates in 2012, which were

Table 4 shows the rate of poverty faced by different groups and family types, highlighting the factors that contribute to a person's risk of living below the poverty line.

Table 4: Poverty rates by family type and household composition, 2015-16

Children (2)	50% of median	60% of median
Children in sole parent households	40.6	54.5
Children in couple households	12.5	18.7
Children in other households	14.7	20.9
All children	17.4	24.9
By labour force status (1)	50% of median	60% of median
Employed full-time	4.7	7.9
Employed part-time	15.5	24.1
Unemployed	63.2	73.6
Not in labour force aged 65 and over	14.4	28.8
Not in labour force aged under 65	43.9	57.1
All people	13.3	20.1
By social security payment type (2)	50% of median	60% of median
Newstart Allowance ^f median		

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

- By gender: 52.6% are female
- By age: 47.9% are aged 25-64
- By main income source: 57.3% are on income support

The table also provides details of the total number of people in each of the groupings and characteristics.

Table 5: Profile of people living below the two poverty lines, 2015-16 (%)

	PROFILE OF POVERTY (%)		NUMBERS IN POVERTY	
	50% of median	60% of median	50% of median	60% of median
By gender (2)				
Male	47.4	47.0	1,417,300	2,131,500
Female	52.6	53.0	1,573,000	2,403,200
All people	100.0	100.0	2,990,300	4,534,700
By age (2)				
Under 15	24.5	23.1	731,300	1,048,900
15 - 24	12.5	11.5	374,900	521,500
25 - 64	47.9	45.0	1,430,900	2,042,000
65+	15.2	20.3	453,300	922,300
All people	100.0	100.0	2,990,300	4,534,700
By main income source (3)				
Wage and salary	32.1	34.4	959,800	1,560,800
Social security payments	57.3	57.3	1,714,100	2,596,400
Other income	10.6	8.3	316,400	377,500
All people	100.0	100.0	2,990,300	4,534,700

8 Note that some groups are defined by the status of the Household Reference Person

9 Note that estimates of numbers in poverty in this report adjust for the exclusion of the self-employed and people with zero or negative income and so are not comparable with the numbers in the 2014 and previous reports. Poverty rates are not affected by this change



Poverty trends: 2003-4 to 2013-14

Headline trends

The section looks at the trends in poverty from a ten-year perspective. Data has been prepared for the overall population and divided into children and adults. Three population groups have also been analysed: lone parent households, unemployed people and older people aged 65 and over to allow a more considered analysis of the longer-term situation of poverty in Australia for different groups.

Longer-term trend analysis enables the variables of certain peak and trough years to be levelled out and therefore show the improvements or otherwise in the rate of poverty. There are some challenges to this approach due to data collection adjustments in measurement and definitions at various points over the ten-year period. We have approached this by adjusting figures, where necessary, to enable comparisons over time. This means that comparable figures for 2013-14 are different from the headline figures reported in the previous section.

As can be seen in figures 1 and 2 the changes in measurement and definition over the years has impacted the reportable rates. Over this period, the ABS has used three different income definitions in its surveys. The results presented in other sections of this report for 2013-14 use the most recent (and most comprehensive) definition, denoted here as the '2007-08 income definition'. This has only been collected since 2007-08 and so results for the earlier definitions are also presented to permit comparisons over a longer time period. The current definition of income introduced in 2007-08 includes factors such as irregular overtime and bonuses, and as such leads to a much higher median income and therefore higher poverty line.

Figure 1: Percentage of population in poverty (0% of median income, 2007-08 income definition)

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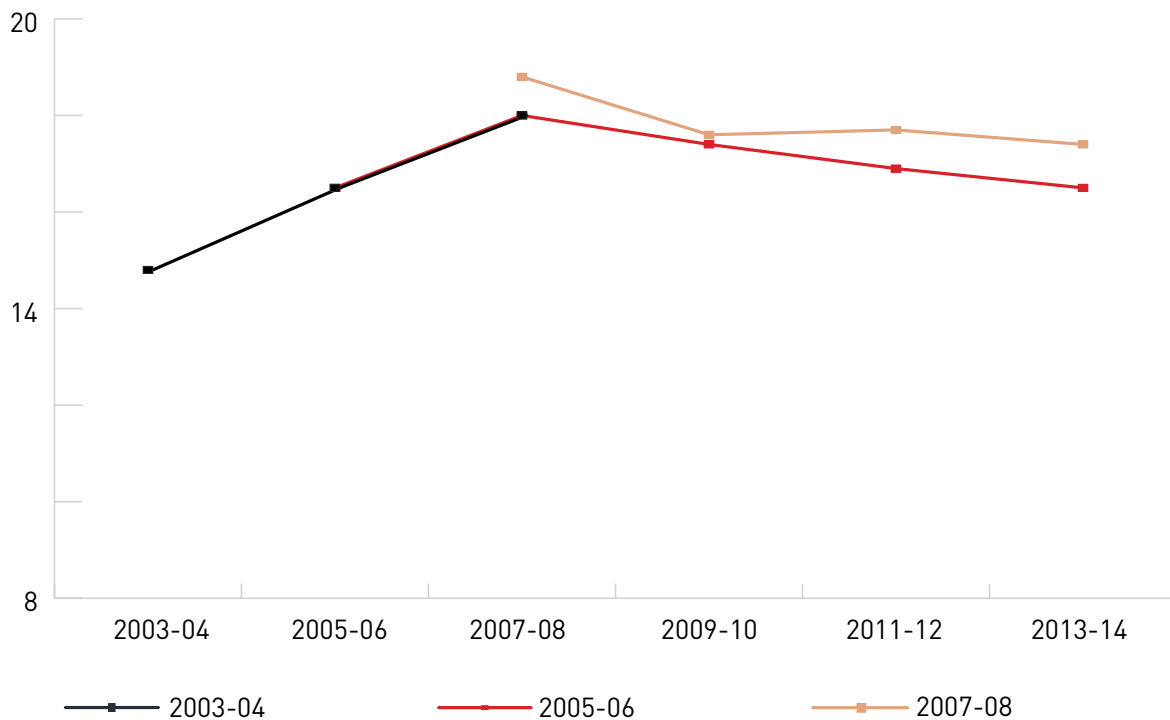
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the 2005-06 basis of measurement.¹⁰ On this basis, when looking at the ten-year trend data, the overall poverty rate was similar in 2003-04 and 2013-14, however there have been some notable peaks and troughs as is evident in figures 1 and 2.

The most concerning population group over the period were children for whom the rate increased by over 2 percentage points from 14.8% in 2003-04 to 17% in 2013-14 on a comparable basis (17.4% using the updated ABS measure).

Figure 1: Poverty rate (0% or less, disposable income)



The main reason for the increase in poverty from 2003 to 2007 is likely to be that median incomes rose strongly during that period but a growing minority of people (those below the poverty line) fell behind. For example, the real incomes of people on some income support payments fell behind because their payments were only indexed to the CPI and not to wages. Over this period, the impact of the rise in overall incomes on poverty levels was greater than the poverty reducing impact of the fall in unemployment. For more on payment indexation, see page 29.

The dip in poverty after 2007 is likely due, in part, to the economic downturn in 2008-09, which depressed median incomes without substantially increasing unemployment. The increases in pension payments for single people in 2009 combined with the one-off payments that were introduced after the Global Financial Crisis will also have had a positive impact.

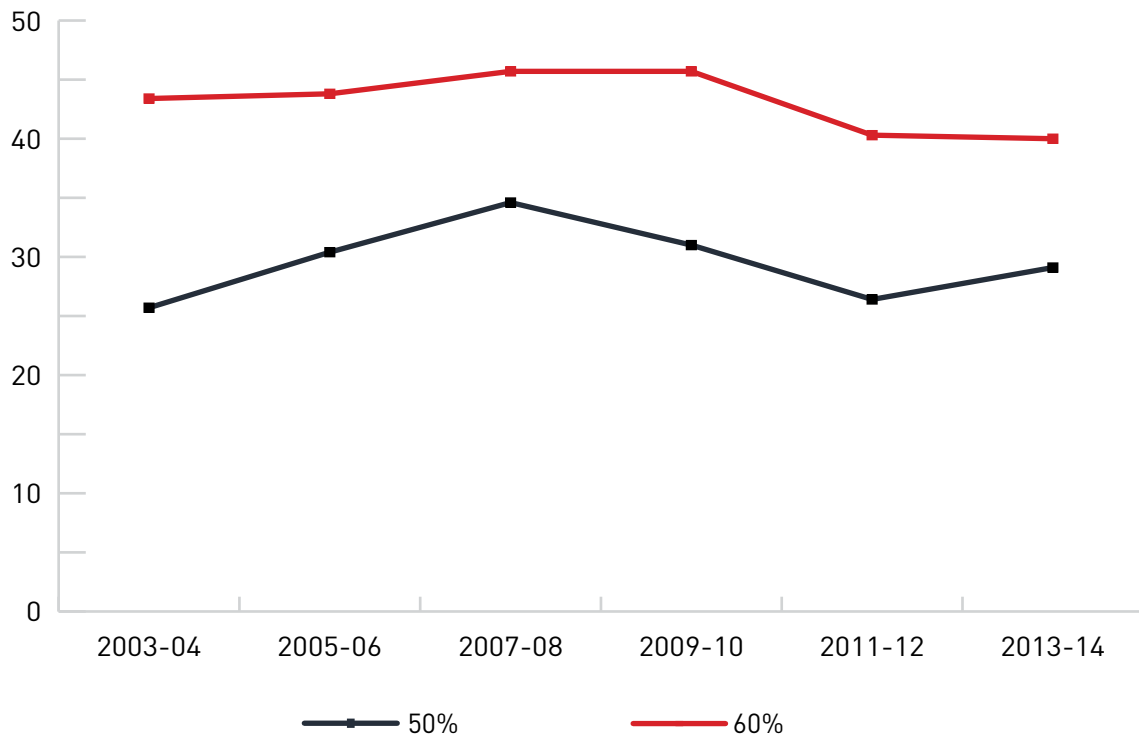
¹⁰ The estimate for 2013-14 based on the updated ABS measure is 13.3%

Navigation icons: back, forward, search, etc.

Over the decade there has been an increase in poverty for lone parent households. On a comparable basis, poverty in lone parent households has increased from 25.7% in 2003-04 to 29.1% in 2013-14.¹¹

Some issues that may have contributed to this pattern of lone parent household poverty include the 2006 Welfare to Work legislation and successive changes to eligibility for payments. The 2006 legislation resulted in approximately 20,000 lone parents being moved from Parenting Payment to the lower Newstart Allowance¹². In 2013 all remaining lone parents whose youngest child had turned eight were also moved from the Parenting Payment to the lower Newstart Allowance. This resulted in a typical loss of income for the poorest lone parent families of \$60 per week and affected 80,000 lone parents.

Line graph showing poverty rates for lone parent households at 50% and 60% of median income from 2003-04 to 2013-14.



Navigation icons: back, forward, search, etc.

Due to a change in ABS methodology, we can only measure poverty trends at the 50% of median income line for households headed by unemployed people since 2007-08. In that year, 61.4% of people who were unemployed were living below the poverty line, compared with 59.9% in 2013-14. As the graph below shows, the poverty rate for this group has remained fairly entrenched and persistent throughout the period, at around 60%. A major reason for this, discussed later, is that the maximum rate of the main unemployment payment (Newstart Allowance) has remained well below the poverty line throughout the period. Only the minority of unemployed people with other sources of income (e.g. from paid work or superannuation) escaped poverty.

¹¹ This is based on the 2005-06 basis of measurement for the purposes of comparison.

¹² Department of Education Employment and Workplace Relations (2009), *Welfare to Work Evaluation Report*

Poverty levels in 2013-14

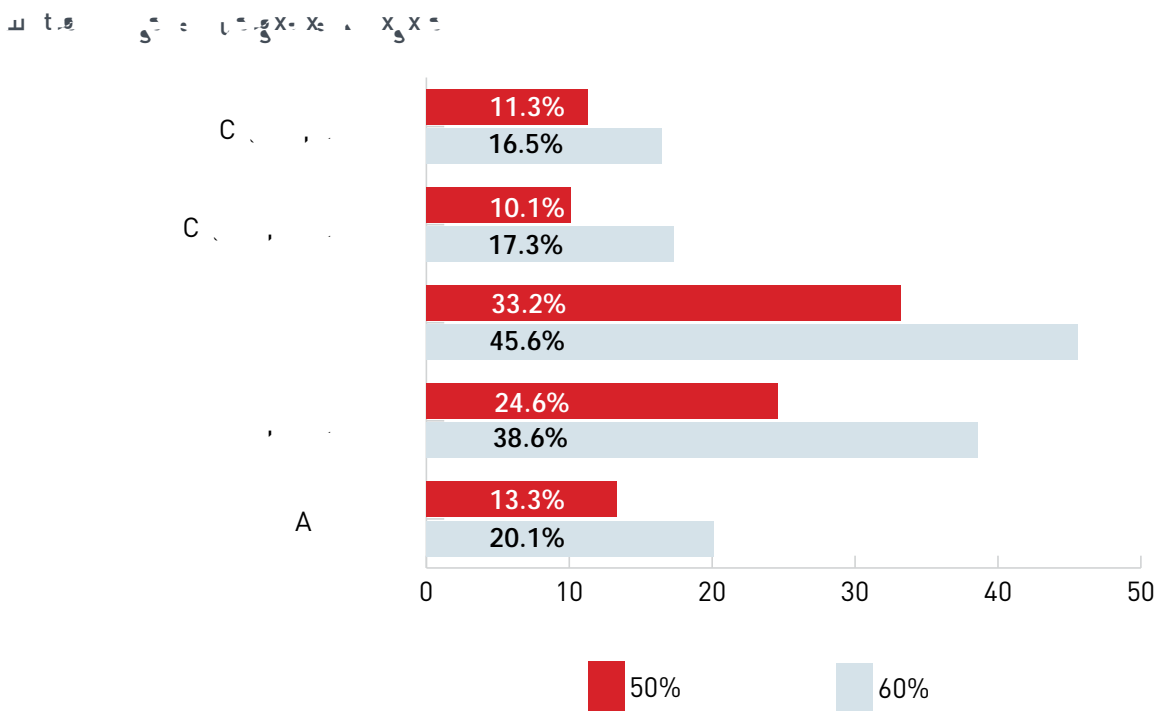
This section of the report examines the circumstances of different groups in 2013-14 in more depth.

Family Type

Over the decade, lone parents have had a consistently higher prevalence of poverty compared to all other family types, with a third of lone parent families living below the poverty line in 2013-14 (33.2% below the 50% poverty line and 45.6% below the 60% poverty line) as can be seen from the Child Poverty section below.

Single people with and without children generally experience a higher rate of poverty than couples. The poverty rates in 2013-14 were 33.2% with children and 24.6% without children for singles compared to couples at 11.3% and 10.1% respectively. This is because single adult households have only a single income (generally lower in the case of those with caring responsibilities), but still have the fixed costs of running a household, with or without children.

As noted above, couple households make up a larger proportion of households in poverty than lone parent or single person households (50.4% and 36.9% respectively), due to a higher number of couple than single households.



Child poverty

In 2013-14, 17.4% of all children were living in households experiencing poverty, with the corresponding figures being 40.6% for children in lone parent households and 12.5% for children in couple households when using the 50% poverty rate. There has been an increase in both the rate and profile of poverty for children in lone parent families since 2011-12.

- 50% poverty line: 36.8% to 40.6%
- 60% poverty line: 50.4% to 54.5%

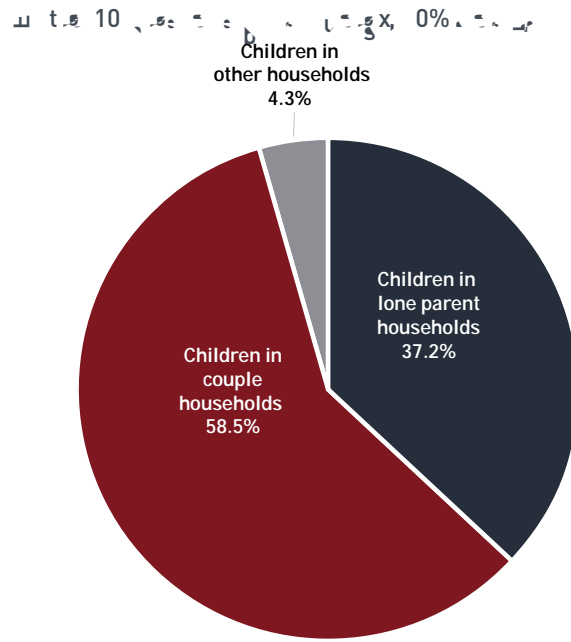
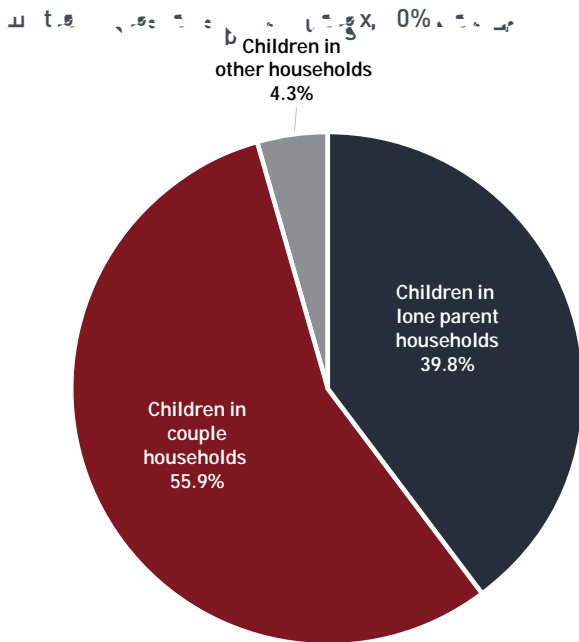
Children in lone parent households are more than three times likely to be living in poverty (40.6%) than children in couple households (12.5%).



As we have seen in the ten-year trend data presented earlier in this report, lone parents have experienced an increase in their rates of poverty from 25.7% in 2003-04 to 29.1% in 2013-14¹⁴.

Lone parents experience a higher risk of poverty due in part to lower levels of employment. The responsibilities of being the lone parent of a child can severely restrict choices and options for lone parents. This, combined with the level of Parenting Payment for a single parent with young children or Newstart for those with older children, make life difficult for this family group. The social security system does not take proper account of the extra costs of raising a child alone. For example, the rates of payment for sole parents were not increased along with single pension payments in 2009.

The high rate of poverty experienced by children in lone parent households is a result of high rates of poverty among



Labour Force Status

This section of the report provides an analysis of poverty amongst demographic groups to assess the impact of labour market experiences and income types on the rate and profile of poverty. The following tables show, not surprisingly that those most likely to experience situations of poverty are those who are unemployed and rely on income support payments, most particularly those on Newstart Allowance and Youth Allowance.

In 2013-14, 63.2% of households, where the reference person was unemployed, were living below the poverty line. This contrasts with a lower incidence of poverty for those who work full time (4.7%). For part time workers the rate is 15.5% which is higher than the overall poverty rate of 13.3% but significantly below the rate for those who were unemployed.

Being unemployed is the strongest overall predictor of poverty, with higher rates of poverty amongst this group than any other group. The high rate of poverty among unemployed people partly reflects the level of the Newstart Allowance, which in December 2013 – the mid point of the SIH survey – was \$316.75 per week for a single person with no children (including rent assistance). When comparing this payment level with the 50% of median income poverty line we can see that it is \$109.55 per week less. In December 2013 the minimum wage was \$622.20 for a person employed full time, which is nearly double the level of Newstart Allowance.

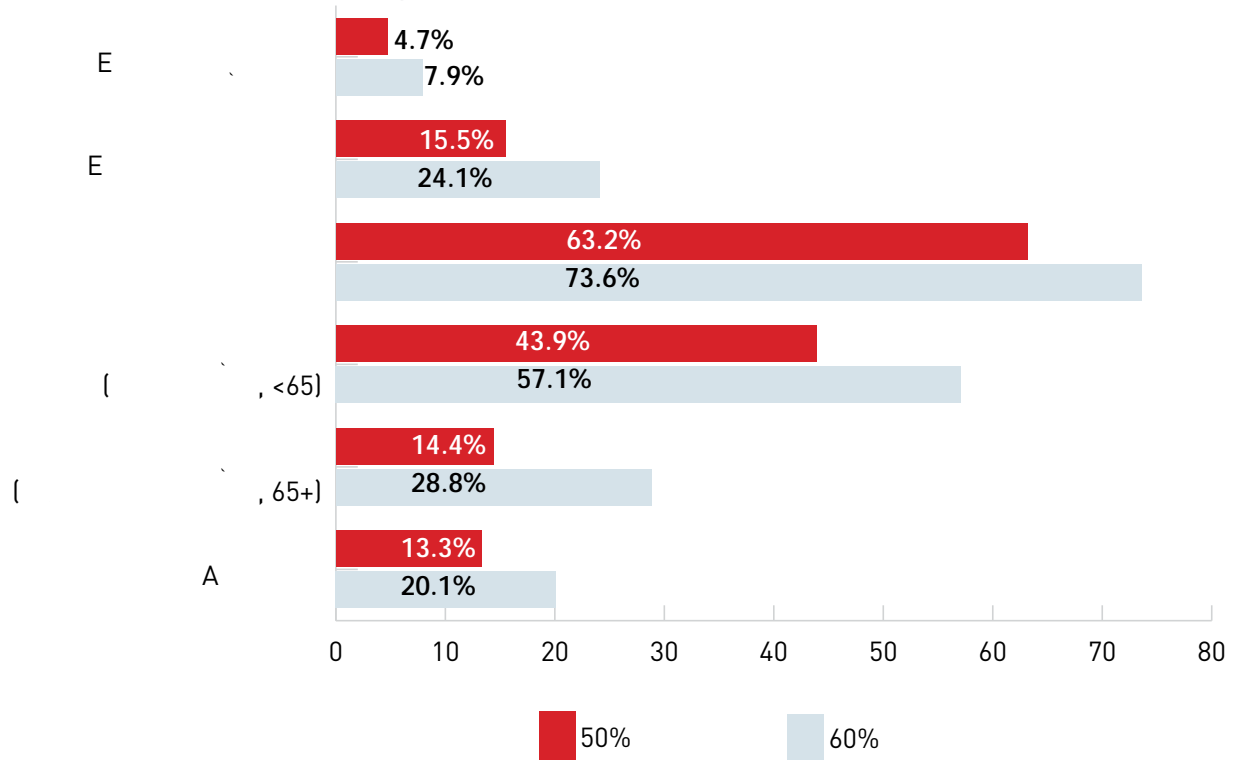
CASE STUDY: PATRICIA (72)

Patricia worked all her life with breaks from paid work when she had children. The combined impacts of working part time, divorce and time off for child rearing have resulted in a very low level of superannuation which, after 12 years in retirement has already run out, and she is now fully dependent on the age pension.

“I do OK, but I can’t do a lot of the things I used to do as I can’t afford them. There are no treats. I loved going to the pictures when I was younger but I can’t afford that anymore.

“My two big worries are health and my home. My health is holding up but I live in a private rental and I worry that the owners will decide to sell and I will have to move, I am too old to move.”

Figure 11: People outside the labour force



People outside the labour force, often due to disability or caring roles, are another key group with high rates of poverty. This group are usually reliant upon the Disability Support Pension, Parenting Payment or Carer payments. This group are more likely to be in rental housing and less likely to own their own home, meaning that their housing costs have a significant impact on poverty.

Figure 1: Source of income for people receiving Income Support Payments, 2016

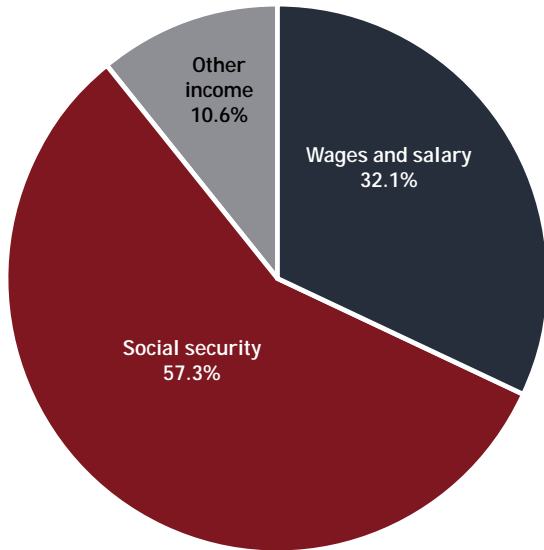
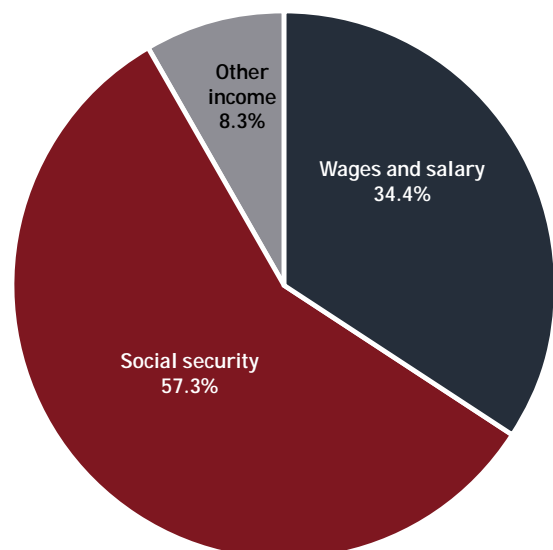


Figure 1: Source of income for people receiving Income Support Payments, 2016



Poverty among people receiving Income Support Payments

Table 1: Maximum rate of payment of Newstart Allowance, Youth Allowance, Parenting Payment Single and Pension Payment (December 2013) - before housing costs are deducted

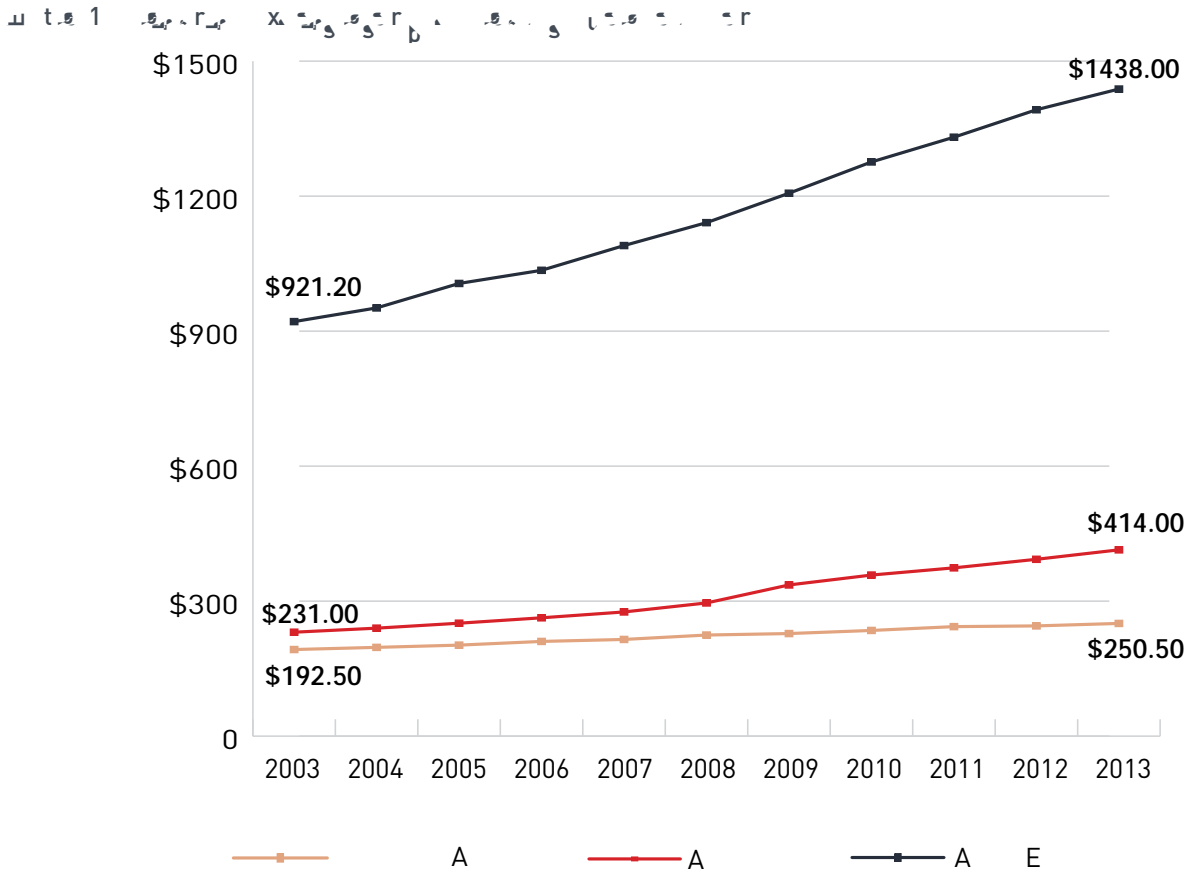
	Maximum rate of payment (December 2013)	Poverty line 50% median income	Poverty line 60% median income	Gap (50% of median income)	Gap (60% of median income)
NEWSTART ALLOWANCE					
Single, no children	\$316.75	\$426.30	\$511.55	\$109.55	\$194.80
Single, 2 children	\$610.60	\$682.07	\$818.49	\$71.47	\$207.89
Couple, no children	\$518.30	\$639.44	\$767.33	\$121.14	\$249.03
Couple, 2 children	\$794.96	\$895.22	\$1,074.27	\$100.26	\$279.31
YOUTH ALLOWANCE					
Single, no children	\$267.67	\$426.30	\$511.55	\$158.63	\$243.88
PARENTING PAYMENT SINGLE					
Single, 2 children	\$690.76	\$682.07	\$818.49	(\$8.69)	\$127.73
PENSION PAYMENT					
Single, no children	\$413.55	\$426.30	\$511.55	\$12.75	\$98.00
Couple, no children	\$623.40	\$639.44	\$767.33	\$16.04	\$143.93

NOTES: All payments include the Energy Supplement and the maximum rate of Rent Assistance (except for pension households), and relevant supplements, including Family Tax Benefit where there are children. Poverty lines are before housing costs are deducted.

Table 1: Maximum rate of payment of Newstart Allowance, Youth Allowance, Parenting Payment Single and Pension Payment (December 2013) - before housing costs are deducted

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and Pension payment (as well as average wages) has increased over time, as the Pension was indexed to wages allowing it to rise with community living standards, while the Newstart Allowance was indexed to CPI only.



Until 2009, family payments were indexed to wage movements but they have been indexed only to CPI since that time. This is resulting in the gradual erosion of the adequacy of the payments and is likely to contribute to increasing child poverty rates over time.

Housing Tenure

Housing is the largest fixed cost of most family budgets, meaning that those with lower housing costs, such as people who own their homes outright, are able to achieve a higher standard of living than those on the same income but with higher housing costs. Therefore housing tenure is a key factor in assessing the experience of poverty. This is the first of the poverty report series where we present housing tenure data for people living below the poverty line.

While a minority of all people were living in rental housing nationally, (31%) in 2013-14¹⁸, the majority of people living below the poverty line were renters (59.7%), including 44.2% in private rental and 11.4% renting publicly. While public tenants are a smaller group than private tenants, their high risk of poverty (48.4%), compared with 21.9% for private renters, indicates that they are deeply financially disadvantaged.

On the other hand just 15.5% of people living below the poverty line were homeowners, of which 7.9% had a mortgage against their property and 7.6% owned their home outright. This compares with the broader population where 67% were homeowners, comprising of 36% with a mortgage and 31% who owned their home without a mortgage¹⁹.

Home ownership provides significant protection against poverty particularly for many older people who are likely to

¹⁸ Australian Bureau of Statistics, *Housing Occupancy and Costs, 2013-14* Cat No 4130.0 <http://www.abs.gov.au/ausstats/abs@.nsf/mf/4130.0>
¹⁹ *ibid*

have lower housing costs and can therefore use their income for other non-housing living costs. Conversely for those who are in a rental situation in retirement, housing cost can be a significant component of living costs.

Figure 1: Housing tenure by age group

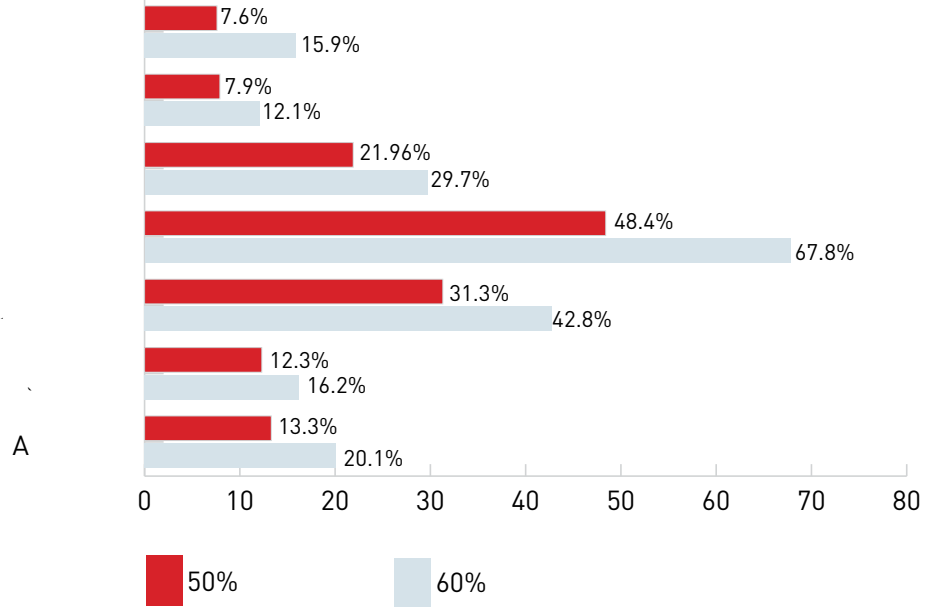
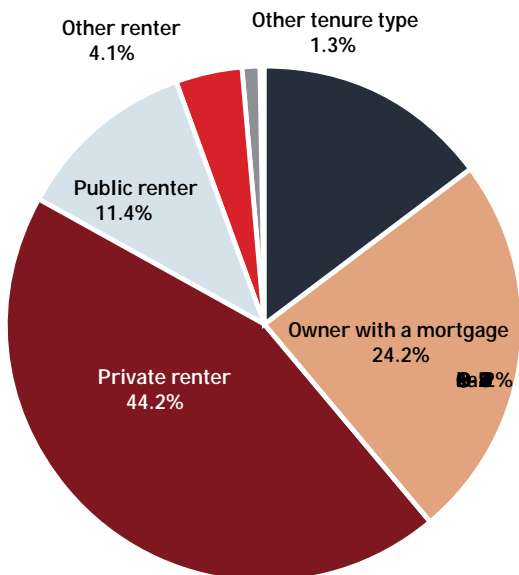


Figure 2: Housing tenure by age group, 0% threshold



Gender

As with previous reports women continue to be more likely to live below the poverty line regardless of which poverty line is used. This outcome is due to women tending to have lower employment rates and lower wages than men and a greater caring role both for children and for other family members.

The data for 2014 in figure 22 shows the rate of poverty for women is at 13.8%, which is higher than the headline rate of 13.3% and higher than the rate for men of 12.8%.

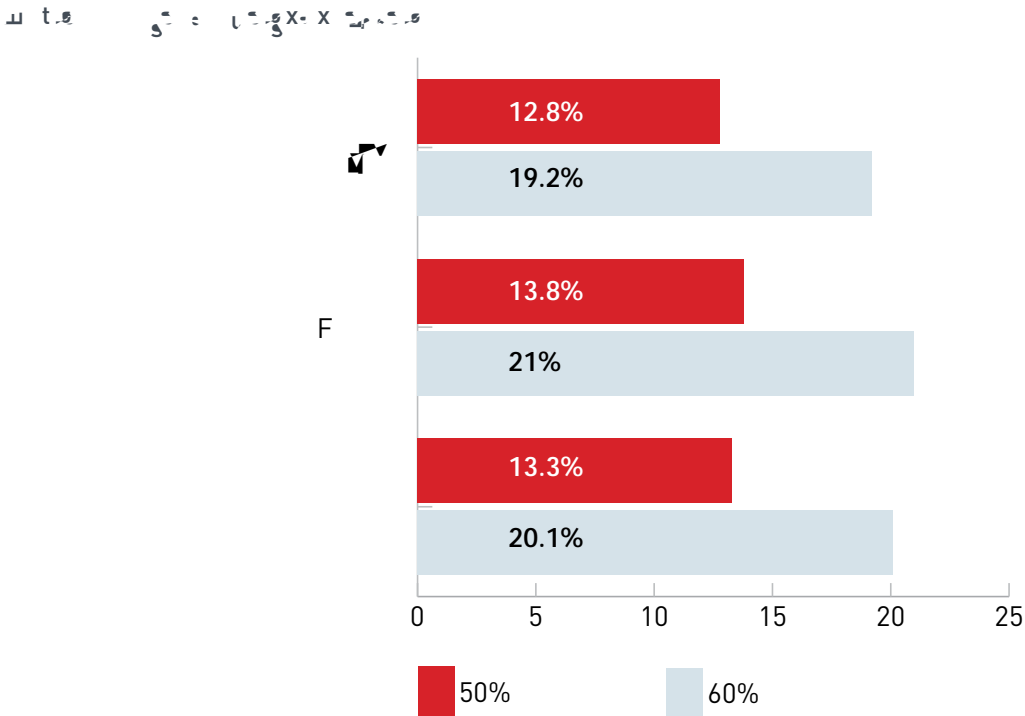


Figure 22: Poverty rates for men and women in 2014, by poverty line



Age

The rate of poverty is highest for those under 15 and over 65 but the profile shows greater numbers of people in the 25-65 category are experiencing poverty, due to the overall larger numbers of people in this category.

When we compare the various age groups, households with children show much higher rates of living below the poverty line than other groups. In 2013-14, 17.4% of children were living in households below the 50% poverty line and 20.9% were below the 60% poverty line. This in part reflects the higher housing costs associated in households with

... the ... X-X ... 0% ...



with the same assumptions as in the previous section



Aboriginal and Torres Strait Islander People

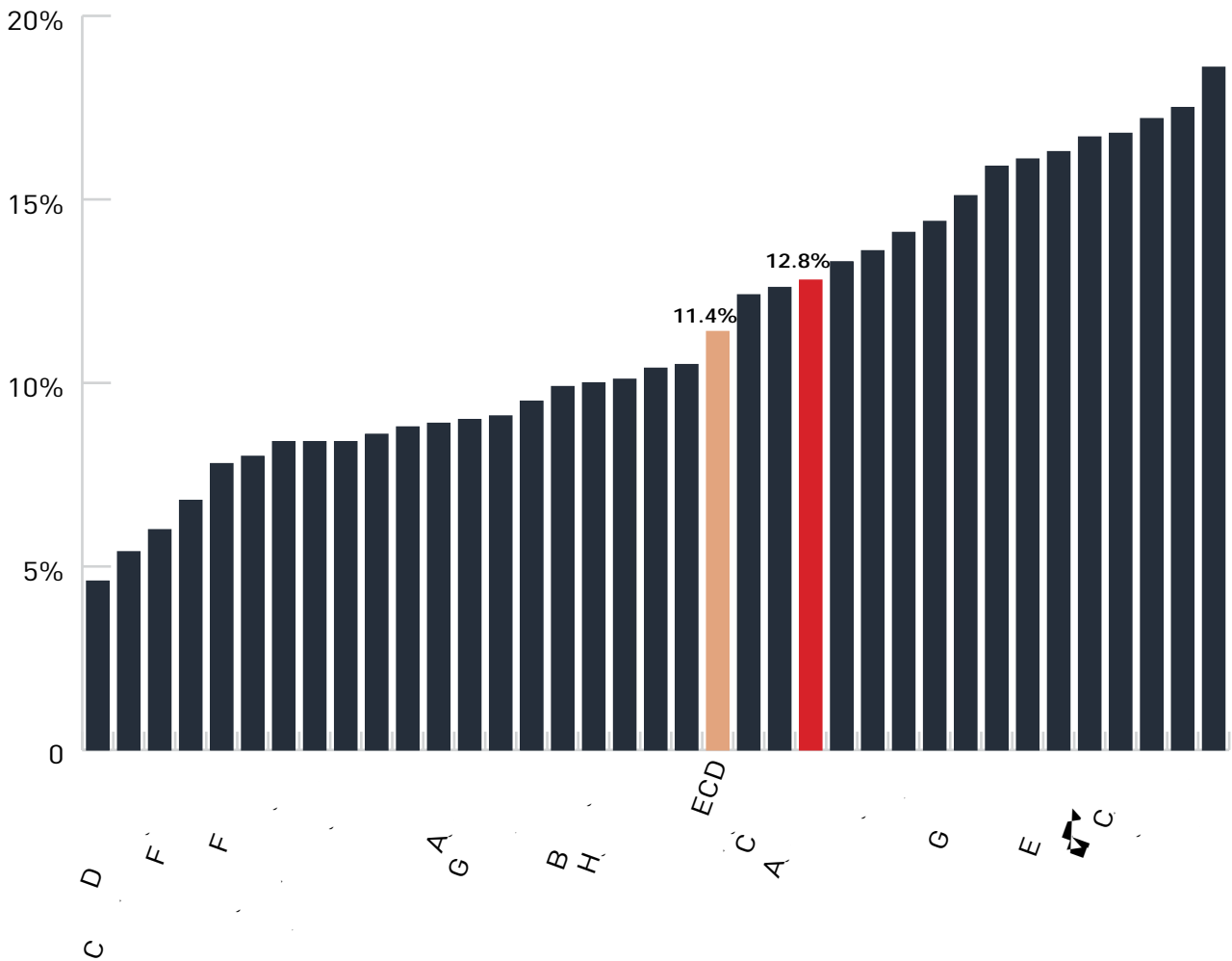
The 2014 *Overcoming Indigenous Disadvantage* report shows that economic outcomes have improved over the long term for Aboriginal and Torres Strait Islander Australians, including higher incomes and lower reliance on income support payments. While this improvement is positive, the gains have slowed in recent years²³.

International Comparison

The OECD's estimate for the overall ratio of poverty in 2014 was 12.8% (compared with our estimate for 2013-14 of 13.3%), placing Australia 14th highest out of 36 countries.

Figure 31 compares the rate of poverty among people living in Australia with other countries in the Organisation for Economic and Social Development (OECD). These poverty rates were calculated by the OECD and apply to 2014 (or nearest year). Although the same 50% of median income poverty line was used, differences in the timing of the research and its methodology (for example, housing costs were not taken into account) mean that the results are close to but not exactly the same as in the poverty research reported here.

Figure 31: OECD average poverty rate, 2014 (or nearest year)



SOURCE: OECD, Income Distribution and Poverty, OECD.stat database

²³ Australian Government Productivity Commission (2014) *Overcoming Indigenous Disadvantage: Key Indicators 2014* Available: <http://www.pc.gov.au/research/ongoing/overcoming-indigenous-disadvantage/key-indicators-2014>

APPENDIX

Other Measures of Hardship

Poverty is only one measure of financial hardship. Other useful measures and indicators that assist in understanding the circumstance and experience of hardship include: Financial Stress, Deprivation, Housing Stress and Food insecurity.

▬ ▲

The Australian Bureau of Statistics 'Household Income and Expenditure Survey' asks questions about financial stress. People were asked whether they took certain actions because of a shortage of money, and whether they couldn't afford certain activities. Questions such as 'Last year, were you unable to pay gas/electricity/telephone bill on time?' were asked to attempt to measure these perceptions. A total of 13 financial stress indicator questions were asked, as listed below:

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

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

Cannot afford to participate in certain activities:

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

By adding together the number of these 13 'financial stress indicators' experienced by each household, the SPRC has developed an index of financial stress: the proportions of households with one or more, and three or more, of the above indicators.²⁴ They then worked out the percentage of households both above and below the poverty lines that

understanding of the living standards of Australians. The 2016 HILDA report includes the responses to 26 questions posed to participants in 2014.

The measure used is the extent of overall deprivation by looking at the number of essential items that people are deprived of. The analysis concludes that lone parents have the highest deprivation rate at 19.1%, calculated on a basis of being deprived of 3 or more items.

Table 1: Deprivation of essential items by household type

	Deprivation of 2 or more essential items	Deprivation of 3 or more essential items
Child under 18	16.1	9.9
Partnered	7.7	4.2
Single female over 18	15.1	7.9
Single male over 18	13.8	8.2

40

