

POVERTY AND  
DISADVANTAGE IN  
SOUTH AUSTRALIA





**P**overty remains a persistent feature of South Australian society, and has increased since the mid-1990s. Poverty is ‘multi-dimensional’ in that it affects different groups of people in different ways. This chapter of the *Blueprint* aims to set the context for understanding poverty in South Australia, and highlights some of the different approaches for measuring poverty. This chapter also gives an overview of the extent of poverty in South Australia using some of these measures.

Measuring and defining poverty remains a hotly contested issue. There are a number of different measures of poverty which reflect both new thinking and also the limitations inherent in the different approaches<sup>1,2</sup>. Broadly speaking there are four different approaches to measuring poverty<sup>3</sup>:

- **Low income** — this approach focuses on the *income* of a household as a measure of their poverty (this is widely used, but arguably too ‘narrow’ a measure, as it excludes overall assets and wealth)
- **Low Capabilities** — The approach advocated by Sen<sup>4</sup> measures poverty through the prism of a person/household’s capabilities. This means the range of powers and resources available to them to engage in society. While this is a broader measure of poverty, there is a lack of available research (particularly consistent trend data) about the

extent to which impoverished South Australians lack *capabilities*.

- **Social Exclusion** — This broader approach is used by the European Commission, and focuses on exclusion and barriers to wider participation, for example health status or access to reliable and affordable transport.
- **Material Deprivation/Low consumption** — this approach was developed by Townsend<sup>5</sup> and focuses on overall consumption patterns of a household. Whereas the *Low income* approach focuses on supply side of poverty (how much money a household receives), the *material deprivation* approach focuses more on the demand side (how much a *household spends*).

Measuring poverty strictly in terms of income raises a number of problems<sup>6</sup>. Income can only give an indication of a household’s potential command over economic resources, but does not actually show us their consumption levels. Also, people tend to under-report income support payments in surveys.

It is worth remembering that no Australian government has ever adopted an official poverty line. Partly this reflects the complexity of measuring poverty, but mostly this reflects a refusal by successive governments to take responsibility for the overall amount of poverty.

This section mainly focuses on income measures to provide an overview of the extent of poverty in Australia and South Australia. Some of the main income poverty measures outlined here:

1. 50% and 60% of median income poverty line
2. Henderson Poverty line
3. Household, Income and Labour Dynamics in Australia (HILDA) Survey
4. Deprivation Indicators Approach

Each of these measures is outlined below and, where available, data provided for South Australia.

#### 1. 50% AND 60% MEDIAN INCOME POVERTY LINES

The most widely used poverty line is set at 50% of median disposable income for all Australian households for a single adult. In 2004, this poverty line was \$249 per week. In 2004, 1,935,000 Australians or 9.9% of the population lived at or below this rate. Research has shown that this has increased by 2.3% since 1994<sup>7</sup>.

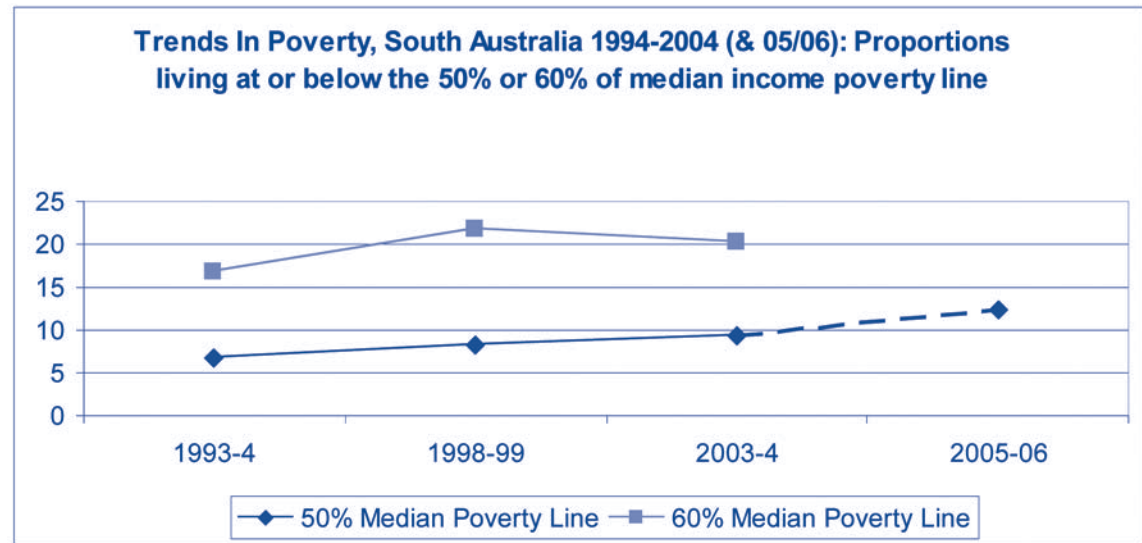
A less austere poverty line (used in Britain, Ireland and parts of the European Union) is 60% of median income. In this case in Australia the line was \$298 per week in 2004. Using this measure in 2004 in Australia, 3,859,000 people (including 786,000 children) lived in poverty which represented 19.8% of all Australians. Research shows that a key factor for the higher incidence of poverty using the 60%

poverty line is the low level of social security payments. For example, the single rate of Age pension was \$220 per week compared with the 60% median income of \$298<sup>8</sup>, or even the 50% line of \$249.

One of the advantages of the per cent based measure is that it allows poverty to be measured and tracked over time. Figure 3 outlines the poverty lines in South Australia since 1994, and shows the most recent (unpublished) data for one of the measures. What the table clearly shows is that using this measure, poverty has significantly increased in South Australia.

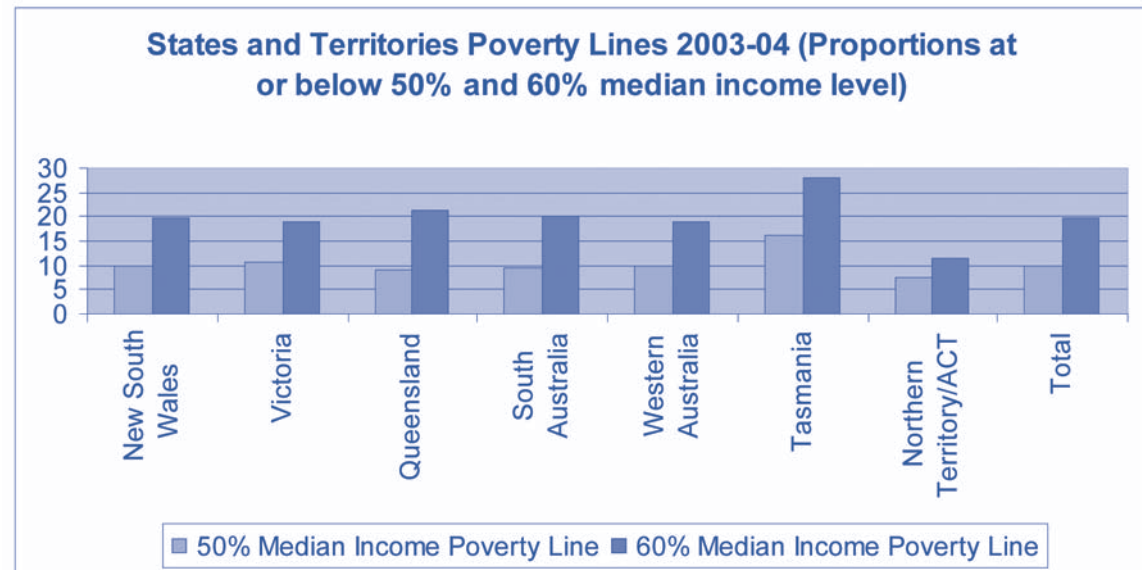
**Using the 50% of median income poverty line, the proportion of people living in poverty rose from 6.7% of South Australians in 1993-94 to 12.3% in 2005-06.**

Poverty levels differ across the Australian States and Territories. Using the 50% and 60% median income levels, South Australia is relatively one of the poorest states in the nation. Using the 60% measure, Tasmania is the poorest state, and South Australia is third just behind Queensland. Figure 4 compares Australian states and territories. As outlined in Chapter Two — Income, and throughout the *Blueprint*, on a range of measures South Australia is one of the poorest states. One of the key reasons is that South Australia has a disproportionately high level of key household types and social groups who are most likely to live in poverty.



**Figure 3**

Source: Australia Fair commissioned research by the Social Policy Research Centre University of NSW  
 NB: the dashed lined on the 50% median income indicator is unpublished data produced by the SPRC for Australia Fair



**Figure 4**

Source: Australia Fair commissioned research by the Social Policy Research Centre University of NSW

## 2. THE HENDERSON POVERTY LINE

A well-known poverty indicator in Australia is the 'Henderson poverty line' developed by Professor Henderson, the Chair of the national poverty inquiry in the early 1970s and updated since by the Melbourne

Figure 5 The Henderson Poverty Line compared with Centrelink Income Support (\$ per week, quarter ending March 2007)			
Household Type	Centrelink Payments	Poverty Line	Difference
Head in labour force			
16-17 years, single	174.05	352.16	-178.11
Couple over 21	379.80	471.09	-91.29
Couple with one child	470.66	566.27	-95.61
Single parent with one child	371.51	452.10	-80.59
Head not in labour force			
Single parent with one child	371.51	385.43	-13.92
Person over 65 (single)	258.95	285.55	-26.60
Persons over 65 (couple)	430.60	404.48	26.12

Source: Brotherhood of St Laurence: Poverty Line Update, August 2007

Institute. The Henderson poverty line estimates how much money individuals need to cover essential living costs, and represents a basic living standard<sup>9</sup>. The poverty line was the benchmark disposable income needed to support a family of two adults and two dependent children. Benchmarks for other household types are derived from this benchmark using a set of equivalence scales. At March 2007, inclusive of housing costs, the poverty line is \$672.06 per week for a family comprising two adults, one of whom is working, and two dependent children.

The Henderson poverty line is based on estimates, and is a *relative* measure of poverty. This means that as incomes rise in the wider community so too will the poverty lines. The Henderson data enables comparison between the poverty line and those groups whose sole source of income is government benefits. Figure 5 outlines the income of some key groups who receive maximum relevant social security payments and no other sources of income, compared with the Henderson poverty line.

This data shows that some groups fall significantly short of the Henderson poverty line, particularly single adults who have dependent children. The ABS census (and other data) gives an indication of the number of people whose principal source of income is government benefits. Data for 2001 indicated that **13.7% of all South Australians' main source of income was**

**government cash benefits**<sup>10</sup>. As outlined in the Income chapter this is higher than the national average. Overall, numbers for select benefits are outlined in Figure 6. Since most of these recipients fall below the relevant Henderson poverty line, it gives a rough approximation of one measure of the scale of poverty across the State. However, if the focus is only comparing welfare recipients against the Henderson poverty line, it can understate the extent of people living below the poverty line by excluding groups such as the 'working poor'.

Figure 6 Numbers of Recipients of Main Government Payments, South Australia, 2003	
Age pension	173,487
Disability support pension	64,414
Newstart allowance	46,064
Parenting payment – single	35,686
Youth allowance	32,538
Other pensions and allowances	52,986
<b>Total selected income support customers</b>	<b>405,161</b>

Source: ABS data regional maps<sup>11</sup>

### 3. HILDA DATA

Since 2001, the University of Melbourne has been running the annual *Household, Income, and Labour Dynamics in Australia* panel survey (HILDA)<sup>12</sup>. Rather than developing a new measure of poverty, HILDA gives us a longitudinal perspective on the dynamics of poverty. In the 2006 statistical report, the 50% and 60% median income measures were used to identify the extent of short term and long term poverty.

During this period, HILDA data shows a slight decrease in headline poverty in both the 50% and 60% median income measures. As we outline above, more recent research suggests that income poverty has risen. However, it does highlight the persistence of

poverty over this timeframe. Using the 50% measure, 21.4% were poor in at least one year in 2001-03, but 6.0% were poor in two of the three years, and 3.4% were poor in all three years. This is illustrated by Figure 7. This reinforces the view that poverty is dynamic, and that some poor groups cease to be poor for at least some time. Indicative findings from the HILDA data suggest that people who were poor, and then ceased to be poor, have a higher than average chance of being poor again.

Overall, this reinforces the fragility of income insecurity of the poorest groups. Some groups may escape poverty for a short while, but they are more likely to re-enter a state of income poverty.

The HILDA data also shows that certain household types are much more likely to be poor than other groups. Some of the poorest groups include:

- Elderly people living alone
- Single mothers and their children (over a quarter of these were poor using the 50% indicator during the period 2001-03)
- Working age people living in one person households
- Working age women living alone had a three year poverty rate of 15% (over four times the national average of 3.4% using the HILDA data).

Further analysis of the HILDA data has also enriched the picture of the drivers of poverty in Australia<sup>13</sup>. The poorest people tend to live in a household with either a female head, an early school leaver, a non-English speaking background or are disabled. The heads of the poorest households have less work experience and are less likely to be full-time employed. This analysis concludes that:

*Tertiary education and employment are the key factors in keeping households out of poverty; having a disability increases the probability of becoming poor and remaining in such a situation; households in outer-regional or remote areas are more likely to be become poor and continue to live under hardship, and finally, life-changing events, especially becoming separated, can lead households into persistent poverty.*

Figure 7 Annual relative poverty rates contrasted with measures of persistence of poverty (2001-03)		
Annual Poverty Rates	50% poverty line (%)	60% poverty line (%)
2001	13.2	21.8
2002	12.2	21.6
2003	11.2	21.0
Persistence of Poverty		
Numbers of years poor in 2001-03	50% poverty line (%)	60% poverty line (%)
Were poor for one or more times from 2001-03	21.4%	31.5%
1 year poor	12.0	12.5
2 years poor	6.0	8.3
All 3 years poor	3.4	10.7
Total	100	100
Source: HILDA 2006 Statistical Report		

What is clear is that compared with other OECD countries poverty in Australia is relatively high and that policy attention needs to be directed at both the proportion of those who remain persistently poor, and also those groups who travel in and out of poverty on a regular basis.

#### 4. DEPRIVATION INDICATORS APPROACH

Measuring income poverty through a ‘poverty line’ is an important, but limited, indicator of poverty. A broader approach is being developed the Social Policy Research Centre (SPRC) which has developed a set of 26 ‘indicators of disadvantage’<sup>14</sup>. This approach gives a more detailed perspective about poverty and disadvantage, and also shows more clearly who is being excluded from mainstream society.

This approach uses two sets of samples, one from a randomly drawn sample of Australian adults who completed a postal-based survey, and a second sample drawn specifically from welfare service clients. This enables a broader comparison of deprivation between the general population and those who use welfare services. For the wider public, the incidence of deprivation was highest for the following indicators:

- 22% were unable to have a week’s holiday away from home
- 17.6% were unable to raise \$500 in an emergency

- 13.9% were unable to afford dental treatment.

However, the findings for the welfare client sample were much bleaker, and the incidences of deprivation were much higher:

- 51.7% were unable to afford a week’s holiday away from home
- 51.6% were unable to raise \$500 in an emergency
- 44.7% were unable to afford dental treatment.

This project is at an early stage, and survey data specific to South Australia has not been undertaken.

#### SUMMARY

As outlined above, there are a range of poverty measures and indicators. SACOSS strongly believes that there is still a need for a poverty line, based on an updated version of the Henderson Poverty Line. Moreover, we support an approach that helps to clearly uncover the scale and character of the extent of poverty and deprivation in South Australia. In this respect, we advocate that the ‘deprivation indicators approach’ is a useful model with applicability in South Australia.

As we have already noted, no Australian government has formally adopted a poverty line indicator. We are calling on both the Federal and South Australian government to formally adopt such a measure, and in the

latter case introduce a specific anti-poverty plan for South Australia.

While the State government has adopted a target on economic disadvantage (T6.5) in *South Australia’s Strategic Plan* that seeks to reduce the number of South Australians whose main source of income is government benefits, we are concerned at both the inadequacy of this measure and also the lack of progress in formulating direct strategies to meet this limited target.

## ENDNOTES

- 1 For further detail see: Davidson, P. (2007) 'Poverty Lines 1994-2004' in *Impact Magazine*, Australian Council of Social Service Winter 2007, Canberra.
- 2 For a more technical discussion about poverty line indicators and also contextual information about defining poverty in Australia see: Saunders, P. (1998) *Defining Poverty and Identifying the poor: reflections on the Australian Experience* SPRC Discussion Paper 84. & Saunders, P (2004) *Towards a credible poverty framework from income poverty to deprivation* SPRC Discussion Paper 131 January 2004.
- 3 Headey, B. Warren, D. & Harding, G. (2006) *Families, Income and Jobs: A statistical report of the HILDA Survey* Melbourne Institute of Applied Economic and Social Research, University of Melbourne. Commonwealth of Australia.
- 4 Sen, A (1999) *Development as Freedom* Oxford University Press, Oxford.
- 5 Townsend, P (1979) *Poverty in the United Kingdom* Penguin, Harmondsworth.
- 6 Headey, B. Warren, D. & Harding, G. (2006) *Families, Income and Jobs: A statistical report of the HILDA Survey* Melbourne Institute of Applied Economic and Social Research, University of Melbourne. Commonwealth of Australia.
- 7 Davidson, P. (2007) 'Poverty Lines 1994-2004' in *Impact Magazine*, Australian Council of Social Service Winter 2007, Canberra
- 8 Ibid. (p.19).
- 9 Melbourne Institute of Applied Economic and Social Research (2007) *Poverty Lines: Australia* June Quarter 2007. University of Melbourne, Melbourne. Further Information and quarterly updates from: [www.melbourneinstitute.com/labour/inequality/poverty/default.html](http://www.melbourneinstitute.com/labour/inequality/poverty/default.html) (accessed October 2007)
- 10 Data for SA: [www.abs.gov.au/AUSSTATS/abs@.nsf/nrpbygeogtype?openview&restricttcategory=Main%20Areas&Expand=1&](http://www.abs.gov.au/AUSSTATS/abs@.nsf/nrpbygeogtype?openview&restricttcategory=Main%20Areas&Expand=1&) (accessed October 2007)
- 11 Ibid
- 12 For further information see: [www.melbourneinstitute.com/hilda](http://www.melbourneinstitute.com/hilda) (NB one of the concerns about the HILDA data set is that it asks fewer income related questions than the ABS data).
- 13 Buddelmeyer, H. and Verick, S. (2007) *Understanding the Driver of Poverty Dynamics in Australian Households* Discussion paper No.282. Institute of the Study of Labour (IZA), Bonn. Available from: [www.melbourneinstitute.com/hilda/hdps.html](http://www.melbourneinstitute.com/hilda/hdps.html) (accessed October 2007)
- 14 Saunders, P (2007) 'Towards New Indicators of Disadvantage Project' *SPRC Newsletter*