

Poverty and its Causes

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 of 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% 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% 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 equivalised 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 organizations;
- 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 & 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 1991, 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 can not 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 per cent higher in most disadvantaged areas compared to least disadvantaged areas;
- in 1995-97 death rates were 98 per cent higher in Australia's most disadvantaged areas compared to its least disadvantaged areas.

5. Services

Access to affordable community services is an important poverty prevention strategy by helping disadvantaged people to be more able to participate in social and economic life. These same services are often under strain. The *Australian Community Sector Survey 2007* conducted by ACOSS found that:

- 1 person was turned away from a service they needed for every 16 people who received a service.

How can poverty be reduced?

To reduce poverty and address its causes, ACOSS recommends:

- a National Anti-Poverty Plan to take coordinated action across all levels of government to meet targets which reduce poverty and alleviate the causes of poverty;
- an increase in the rate of the lowest social security payments with added supplements for costs of disability and working for unemployed people;
- 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.

Useful Sources

Australian Bureau of Statistics (ABS).

<http://www.abs.gov.au>

This site provides a range of data on poverty in Australia.

Australian Council of Social Service (ACOSS).

<http://www.acoss.org.au/>

ACOSS is the peak council of the community services and welfare sector. This website provides access to a range of materials (papers, reports, submissions, fact sheets) dealing with the issue of poverty in Australia, including, for example:

Australian Bureau of Statistics (ABS), Department of Employment and Workforce Relations, Australian Council of Social Service (ACOSS). *The Bare Necessities – Poverty and Deprivation in Australia Today*, June 2003.

Peter Saunders, Trish Hill and Bruce Bradbury, *Poverty in Australia: Sensitivity Analysis and Recent Trends*, Social Policy Research Centre, University of New South Wales (Updated October 2007).

Peter Davidson, *Who is Missing Out? Hardship Among Low Income Australians*, December 2008.

Peter Saunders, Yuvisthi Naidoo and Megan Griffiths with the assistance of Peter Davidson (ACOSS), Anne Hampshire (Mission Australia), Janet Taylor (Brotherhood of St Laurence) and John Bellamy and Sue King (Anglicare, Diocese of Sydney). *Towards New Indicators of Disadvantage: Deprivation and Social Exclusion in Australia*, November 2007.

Endnotes

1. See www.australiafair.org.au

Authors

Australian Council of Social Service. Last updated August 2009.