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**Social Service**

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# Who is missing out?

## Hardship among low income Australians

The primary author of this paper was Peter Davidson, Senior Policy Officer at ACOSS. As with other ACOSS papers, our network of policy advisers and national member organisations and other ACOSS staff contributed to its development.

The data used for this research was provided by the Social Policy Research Centre at the University of New South Wales, and comes from a survey conducted as part of an Australian Research Council funded project 'Towards New Indicators of Disadvantage' in which the Centre partnered with ACOSS, the Brotherhood of St Laurence, Mission Australia and Anglicare NSW.

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# Who is missing out?

## Hardship among low income Australians

### Executive summary

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This report uses recent research, including previously unpublished data<sup>1</sup>, 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 well being 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

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<sup>1</sup> 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.

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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.<sup>2</sup>
- 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 the lowest incomes.
- 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.<sup>3</sup>
- 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.<sup>4</sup>
- 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

<sup>2</sup> 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).

<sup>3</sup> Steering Committee for Review of Government Service Provision 2007, *Overcoming Indigenous Disadvantage*, Productivity Commission; Marks 2007, *Income poverty, subjective poverty and financial stress*, FACSIA Social Policy Research Paper No 29; Bray 2001, *Hardship in Australia*, FACS Occasional Paper No 4; Saunders 2007, *Disability, poverty and living standards*, SPRC Discussion Paper 145; Travers & Robertson 1996, *Relative deprivation among DSS clients*, National Institute of Labour Studies; OECD 2008, *Growing unequal?*; Hayes et al 2008, *Social exclusion*, Australian Institute of Family Studies; D'Addio 2007, *Intergenerational transmission of disadvantage*.

<sup>4</sup> OECD 2008, op cit.

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(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).<sup>5</sup>
- *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.

**Table 1: Percentage of each group experiencing multiple deprivation (lacking at least 3 essential items)**

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

<sup>5</sup> FaHCSIA 2008, *Pension review background paper*.

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All persons	19%	All persons	19%	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.

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 12 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)<sup>6</sup>
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 schoolbooks 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 (see Attachment 2).
- 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.

### 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 below 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.

<sup>6</sup> 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.

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**Table 2: Estimated percentage of each group living below poverty lines (2005-06)**

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

Sources: Saunders, Hill & Bradbury 2007, *Poverty in Australia*, Social Policy Research Centre.

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.<sup>7</sup> 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.<sup>8</sup> 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.

<sup>7</sup> 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.

<sup>8</sup> 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 ACOSS 2008, *Submission to Pensions Review*.

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**Table 3: Income support payments and 'Low Cost' Budget Standards (December 2007 in \$pw)**

	Low Cost Budget (mature age home owner)	Pension base rates	Gap (Low Cost Budget minus payments)	Newstart Allowance base rates	Gap (Low Cost Budget minus payments)
Single, no children	\$285	\$269	\$16	\$215	\$70
Couple, no children	\$390	\$449	-\$59*	\$388	\$2
Single as a % of couple	73%	60%		55%	

Sources: Saunders 2004, *Updating and extending indicative budget standards for older Australians*, SPRC; Saunders 2004, *Updating budget standards for Australia*; \*In this case, income support is higher than the Budget Standard.<sup>9</sup>

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.

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

<sup>9</sup> 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).

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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.
- 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.<sup>10</sup> 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. 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.

**Table 4: Anomalies in levels of payments and supplements (December 2008)**

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

<sup>10</sup> Ong et al 2008, *Commonwealth Rent Assistance in the context of rising housing costs*, AHURI/NATSEM Research Centre, RMIT University.

<sup>11</sup> 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.

<sup>12</sup> Including supplements as above.

<sup>13</sup> Does not include supplements.

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### 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.

Bill's fortnightly budget		
	Item	Amount/fortnight
<b>Income</b>	Newstart Allowance	\$437
	Rent Assistance	\$107
	<b>Total income</b>	<b>\$544</b>
<b>Expenditure</b>	Private rental	\$440
	Utilities & phone	\$47
	Groceries	\$40
	Transport fees	\$10
	Medication	\$10
	Bank loan (\$8,000 total)	\$21
	<b>Total expenditure</b>	<b>\$568</b>
<b>Balance</b>		<b>-\$24</b>

## 1. Deprivation

In the past, Australian poverty research has focussed mainly on the adequacy of people's incomes. Presented below are new findings from research that asks people directly about their living standards – the goods and services they have and those which they cannot afford. They come from a ground breaking survey of deprivation and social exclusion in Australia conducted in 2006 by the Social Policy Research Centre at the University of New South Wales (SPRC) in partnership with ACOSS, Mission Australia, the Brotherhood of St Laurence and Anglicare NSW. These data, comparing the circumstances of people on different social security payments, have not previously been publicly released.<sup>14</sup>

The purpose of the survey was to measure deprivation directly by asking those surveyed 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. A key innovation of this research was to take account of community views of the essentials of life. Only those items which more than half of those surveyed considered essential were used as indicators of deprivation. The list of 26 key essential items used in survey, and the proportion of those surveyed who regarded each item as essential, is shown at Attachment 1. Respondents were asked whether they lacked essential items because they could not afford them in order to distinguish between a preference or choice not to buy an item and *deprivation*, which is an enforced lack of the essentials of life.

The survey set out to measure deprivation objectively by establishing which essential items people lacked, rather than subjectively by asking people how they perceived their standard of living (though these questions were also asked). This was to address a common problem in research on deprivation: that some groups living in deprived circumstances (especially mature age people and others who have lived on low incomes for some time) may lower their expectations in regard to the goods and services they need.

The data presented in this report uses the survey to paint a picture of the living standards of people of different age groups and household types (including Indigenous people, mature age people, people with disabilities and sole parents) including more detailed information on recipients of the following income support payments: Age Pension, Veteran's pensions, Disability Support Pension, Parenting Payment (mainly paid to sole parent families) and Newstart Allowance (for unemployed people).

Two approaches are taken in this report. First, an overall measure of multiple deprivation (the proportions of each group who lacked at least 3 of the 26 essential items) is calculated. Second, to paint a more detailed picture of the living standards of different groups of social security recipients, we present data on the proportions of each group lacking each of 12 essential items.

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<sup>14</sup> Saunders, Naidoo & Griffiths 2007, *Towards new indicators of disadvantage*, Social Policy Research Centre. The survey was mailed to a random sample of 6,000 members of the adult population drawn from the Australian federal electoral roll in 2006. 2,704 people responses were received, representing a response rate of 46.9%.

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### Case study 2 – Helen (a sole parent)

Helen is a single parent, of one seven year old child. She is studying a post secondary course full time and receives Parenting Payment and monthly child support payments.

Helen's fortnightly income is \$976 including social security, Pensioner Education Supplement and child support. The child support is not being paid in full, so she receives only about half of the proper amount. Without the Pensioner Education Supplement (only available during terms to help with study costs) her income falls to \$913 a fortnight.

Her main expenses include \$380 in rent and \$170 in groceries and \$133 in phone and utility bills. Because she cannot afford health insurance, she puts aside around \$25 per fortnight towards a new set of glasses each year and for dental appointments for her son and herself. She is studying to improve her future job prospects but this means extra costs for books, internet and travel and she is paying off a student loan. She receives assistance from the Government with after school care fees (under the JET scheme), reducing those fees to \$10 per fortnight. However this expires next year when she reaches her third year of study, due to a Government policy that restricts this support for full time students to two years only. As a result her child care costs will rise by about \$90 per fortnight next year.

Helen has just \$13 a fortnight left over each fortnight after paying her regular expenses. She is constantly behind in paying utilities bills, her account is often over drawn when insurance is due and she can never get ahead. She is always worried about providing uniforms and other clothing for her son.

Her car (a 1985 laser) needs replacement but she cannot afford to do so and therefore spends extra on repairs and maintenance. She does not want to get any further into debt by taking out a loan. She also has a Higher Education (HECS) debt and repayments to make on a separate student loan.

She worries about the possibility of anything needing replacement or if there is an emergency. Her family live interstate and if she needed to visit them in a hurry, she would be unable to do so. Birthdays, Christmas and other family events are a constant concern as she is unable to save for them.

She is studying hard in order to be able to get off social security, but in the meantime living on income support is extremely difficult.

Helen (not her real name) lives in South Australia. Her assistance is much appreciated

#### Helen's fortnightly budget

	Item	Amount/fortnight
<b>Income</b>	Parenting Payment	\$562
	Family Tax Benefit	\$333
	Pensioner Education Supplement	\$62
	Child Support	\$39 to \$83
	Tax	-\$20
	<b>Total income</b>	

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<b>Expenditure</b>	Private rental	\$380
	Utilities (incl. phones & internet)	\$133
	Insurance	\$30
	Groceries	\$170
	Child care and child's activities	\$50
	Transport (car rego, repairs, fuel, public transport)	\$95
	Medical	\$35
	Study expenses	\$30
	Loan repayments	\$40
	<b>Total expenditure</b>	<b>\$963</b>
<b>Balance</b>		<b>\$13</b>

### (1) Multiple deprivation

A simple way to compare deprivation among different groups in the community is to work out the proportion of people in each group that lacks a number of essential items. People who lack a significant number of essential items because they could not afford them are more likely to experience deprivation than those who lack only one item. One such measure of 'multiple deprivation' adopted by the researchers in this study was those lacking 3 or more of the 26 essential items because they could not afford them. In all, 19% of the Australian population experienced multiple deprivation defined in this way, but the level of multiple deprivation varied considerably between different population groups. We are mainly interested here in comparisons between deprivation levels among different groups rather than developing a robust measure of deprivation across the community.<sup>15</sup>

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<sup>15</sup> Multiple deprivation could be measured differently using a larger or smaller number of items, or by examining deprivation in different domains of life such as health and housing. An alternative approach would be to weight each item according to the proportion of the overall population that has it (giving greater weight to items held by a larger proportion of people). However, since the main purpose of this report is to compare the circumstances of different groups rather than to estimate the actual numbers of people experiencing multiple deprivation, the number of deprivation items used (for example, more or less than 3) is not likely to be critical.

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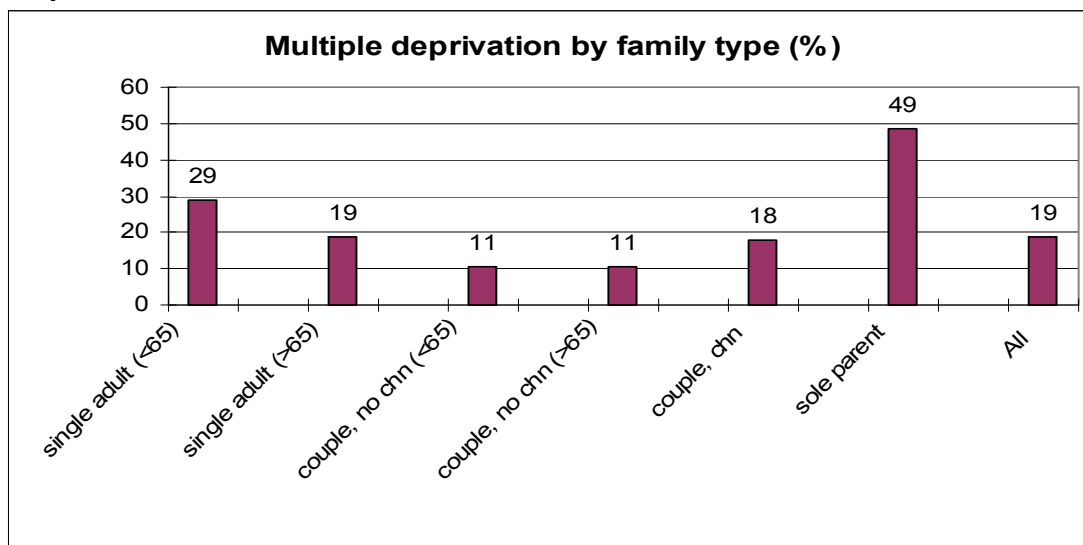
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Graph 1 shows the levels of multiple deprivation by family type. The risk of deprivation (the proportion of each group experiencing multiple deprivation) is shown by the dark bars.<sup>16</sup>

The findings are that:

- Sole parents face a much higher risk of multiple deprivation (with 49% of all sole parents experiencing multiple deprivation) than other family types.
- Also, single people generally face a higher risk of deprivation than couples, especially single people of working age.

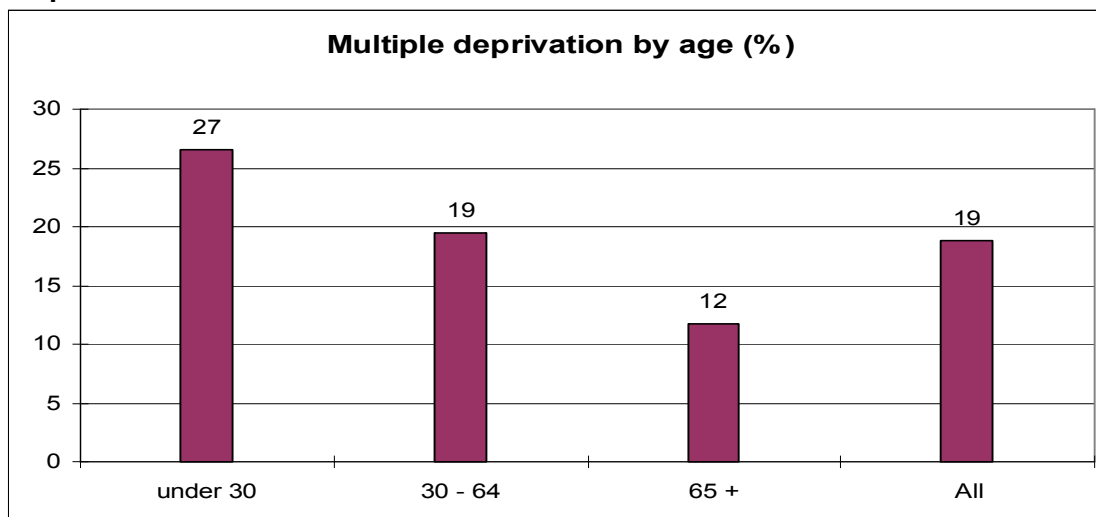
**Graph 1**



Graph 2 shows levels of multiple deprivation by age. The findings are that:

- The risk of multiple deprivation declines with age.
- For example, 27% of young people face multiple deprivation compared with 19% of people of working age and 12% of mature age people.

**Graph 2**



<sup>16</sup> Note that families with children are somewhat more likely to lack 3 out of the 26 essential items because 6 of the items relate specifically to children. However, a closer examination of the data on individual essential items (see next section of this report) indicates that sole parents (at least those on Parenting Payment) are much more likely than the rest of the population to lack the non-child specific essentials. This is consistent with the view that low income parents shield their children from hardship by depriving themselves of essentials (see for example Middleton 1997, *Small fortunes, spending on children, child poverty and parental sacrifice*, Joseph Rowntree Foundation).

## Who is missing out? Hardship among low income Australians

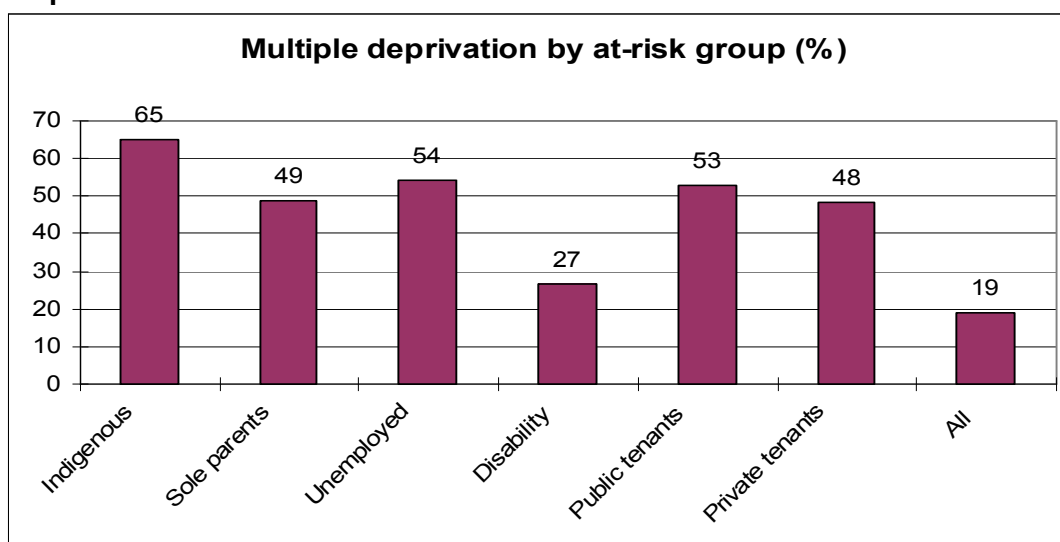
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Graph 3 shows levels of multiple deprivation experienced by a number of groups often considered at risk of hardship including Indigenous people, people with disabilities and unemployed people. Multiple deprivation is experienced by:

- 65% of Indigenous households (over three times the national average)
- 54% of unemployed people
- 53% of public tenants
- 49% of sole parents
- 48% of private tenants.
- 27% of people with disabilities.

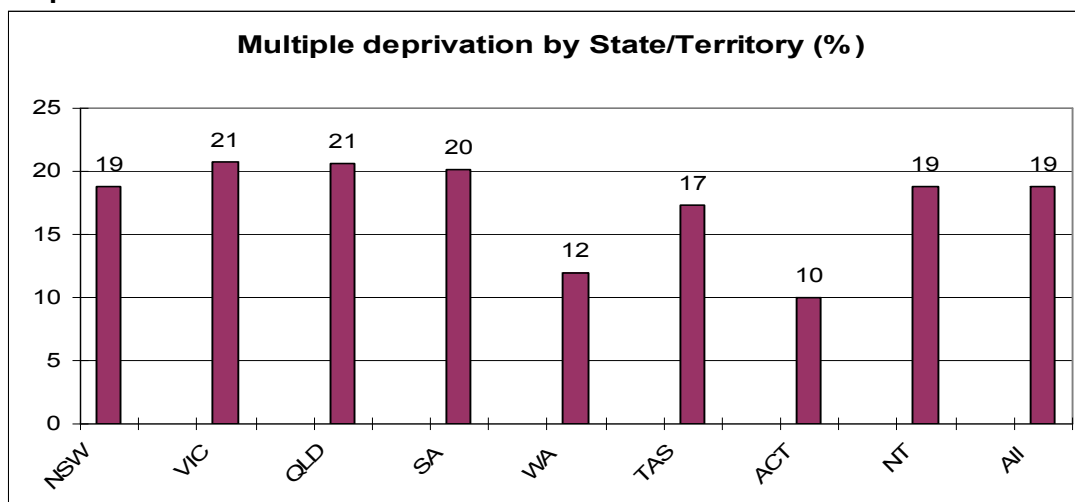
These figures are well above the overall average level of multiple deprivation across the community (19%). Those members of these groups who receive social security payments (such as disability support pensioners) are likely to have significantly higher levels of multiple deprivation because these payments are limited to those on the lowest incomes.

**Graph 3**



Graph 4 shows that the level of multiple deprivation also varies by State and Territory, though not as much as among the population groups described above. Victoria, Queensland and South Australia have the highest overall levels of multiple deprivation.

**Graph 4**

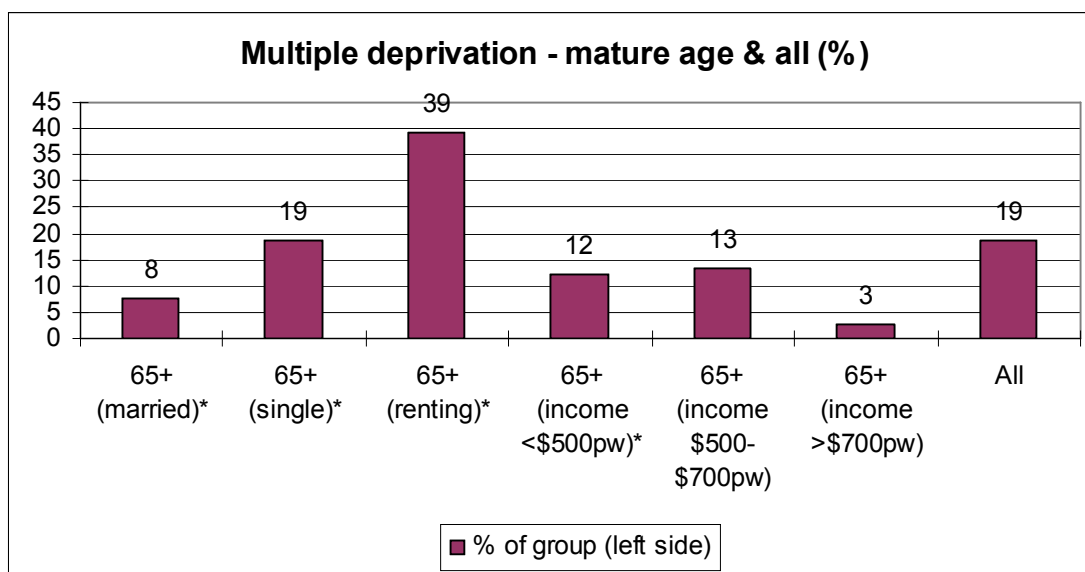


## Who is missing out? Hardship among low income Australians

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Graph 5 compares the circumstances of different groups of *mature age people*. Age pensioners are not separately identified but would generally fall within the two lowest income groups (below \$500pw and \$500-\$700pw). The overall level of multiple deprivation is lower than for the at-risk groups identified in Graph 3 (sole parents, unemployed people and people with disabilities) but 39% of mature age people who rent experience multiple deprivation, a level similar to these groups and twice the community average (19%). Single mature age people have higher levels of multiple deprivation (19%) than couples (8%).

**Graph 5**



### Case study 3: Susan (a disability pensioner)

Susan is a 51 year old woman living on a Disability Support Pension. She is being treated for severe anxiety and depression and has made several suicide attempts.

Prior to being able to find rental accommodation, Susan had an absolute fear of being homeless and was using her two credit cards to pay for motel rooms. Now that she has found accommodation in the private rental market, rental payments take up 65% of her income, and she has applied for public housing and been placed on the waiting list. The average wait for public housing in Susan's area is seven years.

Susan budgets frugally, spending \$70 per fortnight on groceries and a small amount on transport fares, medication and the internet. She has no car. Fortunately, her medical expenses are relatively low for someone with a chronic illness. Her other expenses are electricity and phone bills, water and home and contents insurance. The internet is very important to her as it allows her to stay in touch with her family who live in rural areas. Her mental health problems and lack of money make it extremely difficult for her to socialise.

Previously, Susan's expenses included debt repayments. However, after a complete assessment of her situation it became clear that she could not continue to live in the way that she was. She applied for bankruptcy and was relieved of these debts.

By being very frugal and careful, Susan is now just able to budget on the pension. There is a little room for extras like a cup of coffee or a plant for her garden. Susan's anxiety has lessened a little now and she is managing to walk to the library once a week. If she received Newstart Allowance instead of Disability Support Pension (as do many people with disabilities), her income would be about \$160 per fortnight less and her fortnightly expenses would exceed her income.

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

## Who is missing out? Hardship among low income Australians

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Susan's fortnightly budget		
		Amount/fortnight
<b>Income</b>	Disability Support Pension	\$548
	Rent Assistance	\$100
	<b>Total income</b>	<b>\$648</b>
<b>Expenditure</b>	Private rental	\$420
	Groceries	\$70
	Utilities, phone & internet	\$62
	Home contents insurance	\$8
	Transport (fares)	\$10
	Medication	\$16
	<b>Total expenditure</b>	<b>\$586</b>
<b>Balance</b>		<b>\$62</b>

### (2) Deprivation - people lacking specific items

To get a better feel for what deprivation means for different groups in the population, we present below the results for 12 specific items that more than half of the population identified as essential. These items are listed below.

Housing:

1. Lacks a decent and secure home
2. Lacks home contents insurance

Financial resources:

3. Lacks \$500 in emergency savings
4. Could not pay utility bill<sup>17</sup>

Health services:

5. Unable to buy prescribed medicines (at least once in the last 12 months)
6. Lacks access to dental treatment when needed

Social engagement and recreation:

7. Lacks regular social contact (e.g. because they cannot afford to go out)
8. Could afford presents for family and friends (e.g. for Christmas) at least once in last 12 months
9. Cannot afford a week's holiday away from home

Resources for children:

10. Lacks a separate bedroom for each child over 10 years
11. Cannot afford up to date schoolbooks & clothes (for example, had to rely on second hand items)
12. Cannot afford a hobby or leisure activity for children.<sup>18</sup>

<sup>17</sup> Although this was not one of the 26 essential items in Attachment 1, it was included in the survey as a standard measure of financial stress.

## Who is missing out? Hardship among low income Australians

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For this part of the analysis we divide the population into the following groups according to their main source of income:

- 'All' (the overall population)
- 'Wages'
- 'Invest' – investment income (mainly independent retirees)
- 'AP' – Age Pension
- 'VAP' – Veteran's Affairs pension
- 'DSP' – Disability Support Pension
- 'PP' – Parenting Payment (mainly sole parents)
- 'NSA' – Newstart Allowance (unemployed people)
- 'Other CL' – other Centrelink payments (including Carer Payment)<sup>19</sup>
- 'Other' – other income source (including self employed people).

We also break down the incidence of deprivation among people over 65 years, according to:

- whether they are single or married
- whether they rent
- their income levels.

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

- 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. For example, 7% of all people lacked a decent and secure home, 12% were unable to pay utility bills, 18% lacked \$500 in emergency savings, 9% lacked home contents insurance, 4% could not afford prescribed medicines, 14% could not afford dental treatment when needed, 7% could not afford gifts for family and friends, 5% lacked regular social contact, 6% of families with children could not afford a bedroom for each child over 10 years, and 4% could not afford up to date schoolbooks and clothes for their children.
- 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 these items. Those on Parenting Payment were more than twice as likely to lack all 12 items, Newstart Allowance recipients were more than twice as likely to lack 10 of them, and those on Disability Support Pension were more than twice as likely to lack 8 of them.
- Among *mature age people* those who *rent rather than own their homes* stood out as being much more likely to lack these items. They were more than twice as likely as the general community to lack 6 of the 12 items. Single mature age people were also significantly more likely than mature age couples to lack these essentials.

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<sup>18</sup> In regard to these 3 'children's' items, results are not reported here for Age or Veteran's Pensioners, those relying on investment incomes, Disability Support Pensioners, or 'other' Centrelink payments, as they are less likely to have dependent children.

<sup>19</sup> Although it is possible that most of this group receive Carer Payment, unfortunately the sample is not large enough to separately identify Carer Pensioners. Other payments in this category include Widow Allowance, Partner Allowance and Sickness Allowance.

## Who is missing out? Hardship among low income Australians

ACOSS Info December 2008

Turning to the detail of the items that different groups lacked:

- Among *Parenting Payment* recipients, 43% lacked a decent and secure home, 57% were unable to pay utility bills, 56% lacked \$500 in emergency savings, 54% could not afford dental treatment when needed, 28% could not afford gifts for family and friends, 20% could not afford a bedroom for each child over 10 years, 24% could not afford up to date schoolbooks and clothes for their children, and 40% could not afford a hobby or leisure activity for their children.
- Among *Newstart Allowance* recipients, 23% lacked a decent and secure home, 28% were unable to pay utility bills, 56% lacked \$500 in emergency savings, 56% lacked home contents insurance, 17% could not afford prescribed medicines, 45% could not afford dental treatment when needed, 30% could not afford gifts for family and friends, and 21% lacked regular social contact.
- Among *Disability Support Pensioners*, 29% were unable to pay utility bills, 17% could not afford prescribed medicines, 42% lacked \$500 in emergency savings, 31% lacked home contents insurance, 11% could not afford prescribed medicines, 32% could not afford dental treatment when needed, 26% could not afford gifts for family and friends, and 18% lacked regular social contact.
- Among *mature age people renting privately*, 30% lacked a decent and secure home, 9% were unable to pay utility bills, 39% lacked \$500 in emergency savings, 29% lacked home contents insurance, 7% could not afford prescribed medicines, 28% could not afford dental treatment, 20% could not afford gifts for family and friends.
- *Single mature age people* were more likely than couples to lack a decent and secure home (8% compared with 2%), to lack home contents insurance (11% compared with 2%), to lack \$500 in emergency savings (15% compared with 8%), to be unable to afford prescribed medicines (5% compared with 1%), to be unable to afford dental treatment when needed (18% compared with 6%), and to be unable to afford gifts for family and friends (9% compared with 3%).
- *Age pensioners* were more likely than mature age people on higher incomes (over \$700 per week) to lack a decent and secure home (7% compared with 3%), to be unable to pay utility bills (6% compared with 0%), to lack \$500 in emergency savings (10% compared with 3%), to lack home contents insurance (8% compared with 3%), to be unable to afford dental treatment when needed (13% compared with 3%), to be unable to afford a week's holiday away from home (23% compared with 3%), and to be unable to afford gifts for family and friends (7% compared with 0%).

We outline below, and in Attachment 2, the detailed results for each of the 12 essential items.

# Who is missing out? Hardship among low income Australians

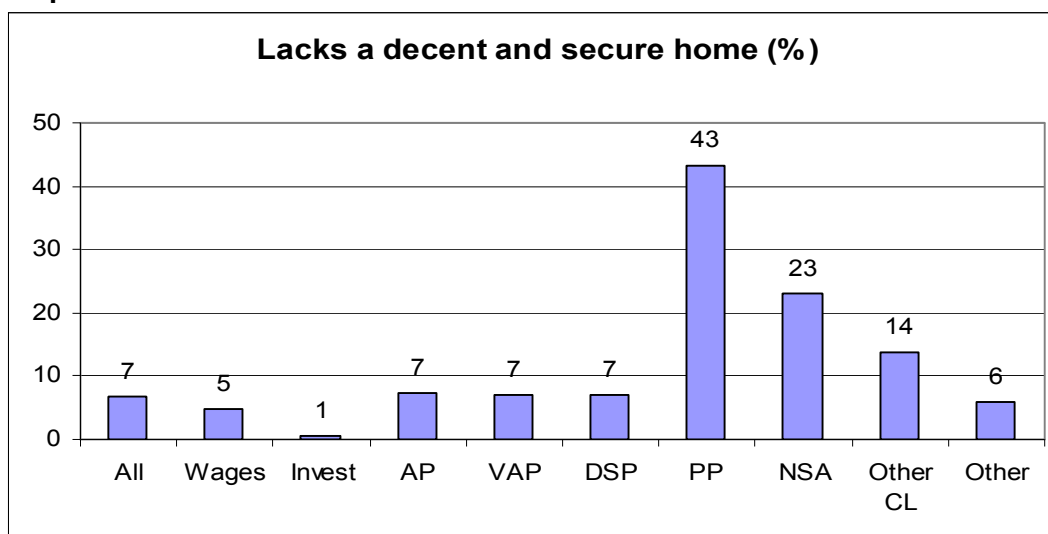
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## Housing

Graph 6 shows the percentage of each of the *income groups* identified above lacking a 'decent and secure home':

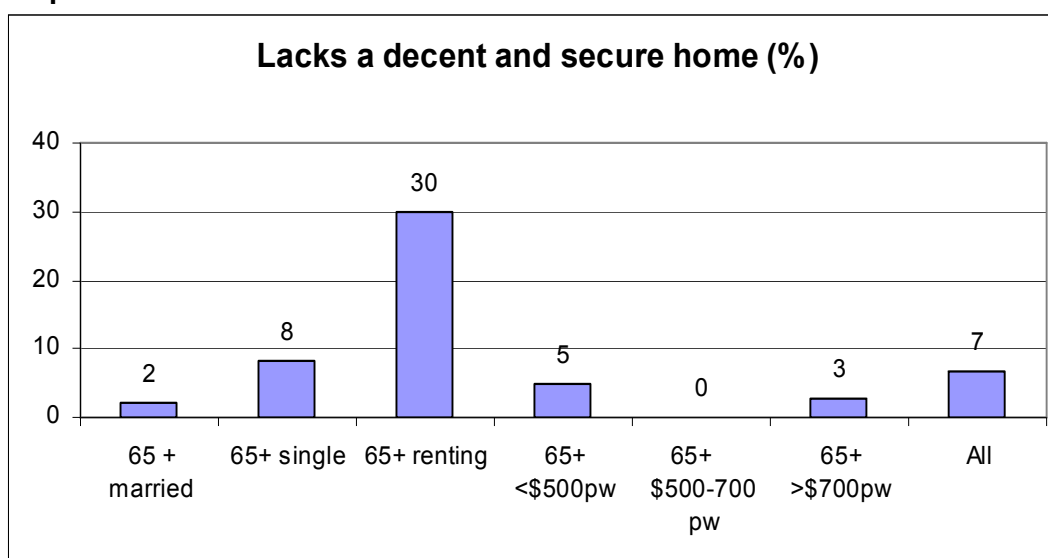
- Those most likely to be living in poor quality or insecure housing are on Parenting Payment (43%), Newstart Allowance (23%), and 'other' Centrelink payments (14%).
- These groups are also more likely to be renting their home from a private landlord of social housing provider.<sup>20</sup> Private tenants on low incomes often have to move home when the rent increases or the landlord sells the property.

Graph 6



Graph 7 shows the percentage of different groups of *mature age people* who lack a decent and secure home. This problem is more common among those renting privately (30%) and single mature age people (8%) than in the overall population (including younger people).

Graph 7



<sup>20</sup> FaHCSIA 2008, *Pension Review Background Paper*.

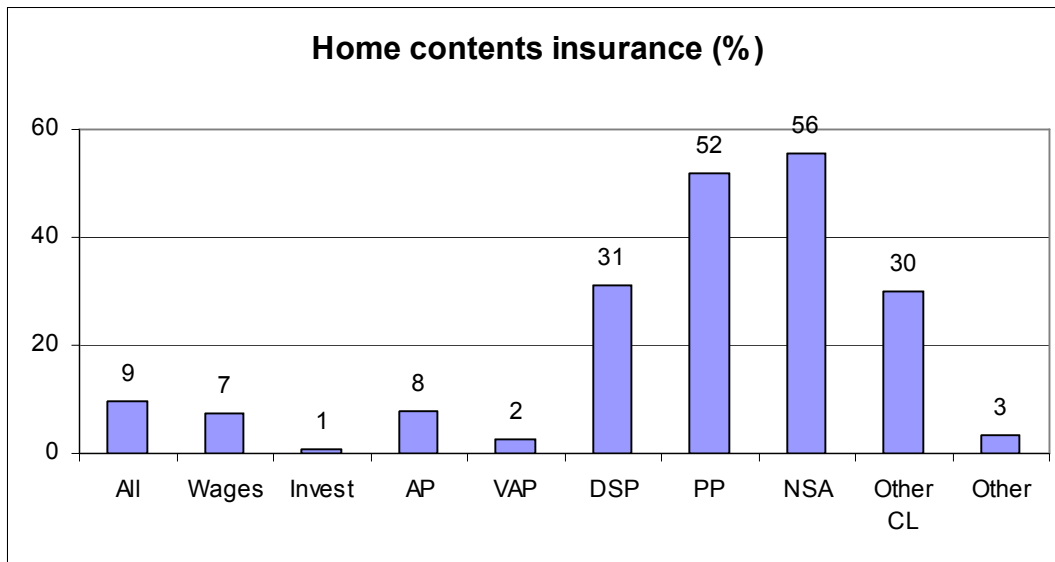
# Who is missing out? Hardship among low income Australians

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Graph 8 shows the percentage of each of the *income groups* identified above who lack home contents insurance:

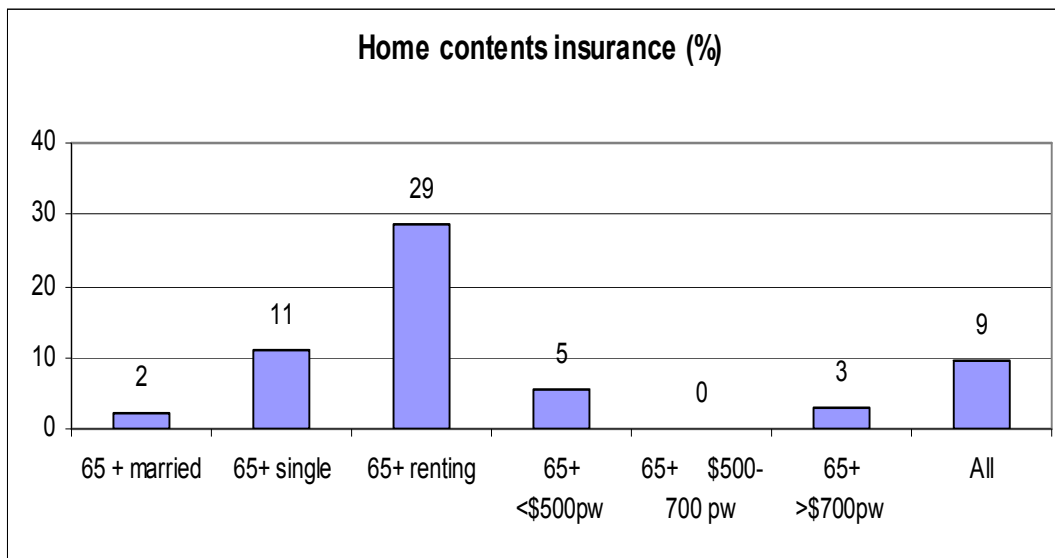
- Those most likely to lack home contents insurance are on Newstart Allowance (56%), Parenting Payment (52%), Disability Support Pension (31%), and 'other' Centrelink payments (30%).

**Graph 8**



Graph 9 shows the percentage of each of the *mature age* groups who lack home contents insurance. This problem is more common among those renting privately (29%) and single mature age people (11%) than in the overall population.

**Graph 9**



# Who is missing out? Hardship among low income Australians

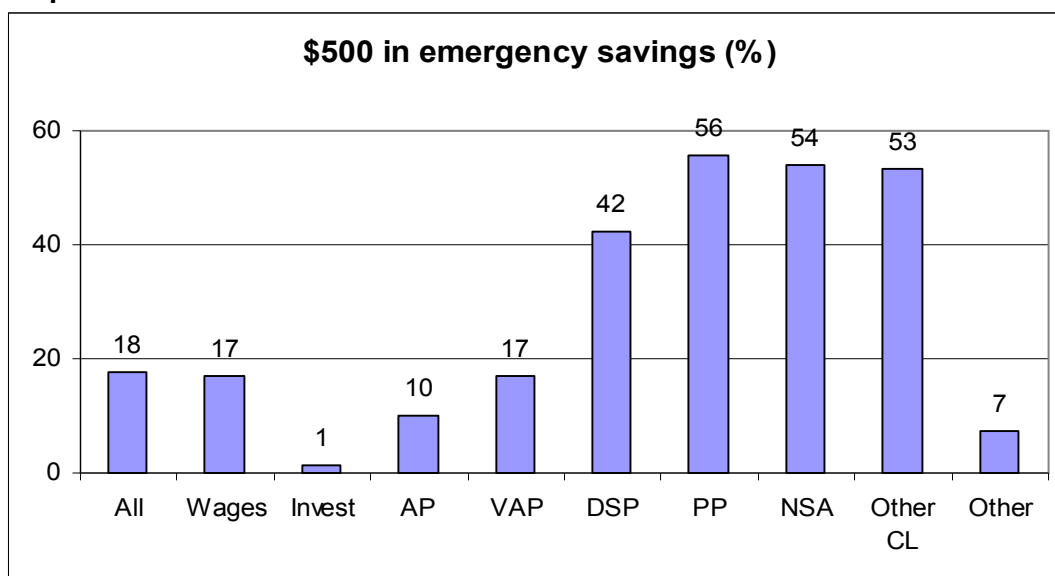
ACOSS Info December 2008

## Financial resources

Graph 10 shows the percentage of each of the *income groups* identified above who lack at least \$500 in emergency savings:

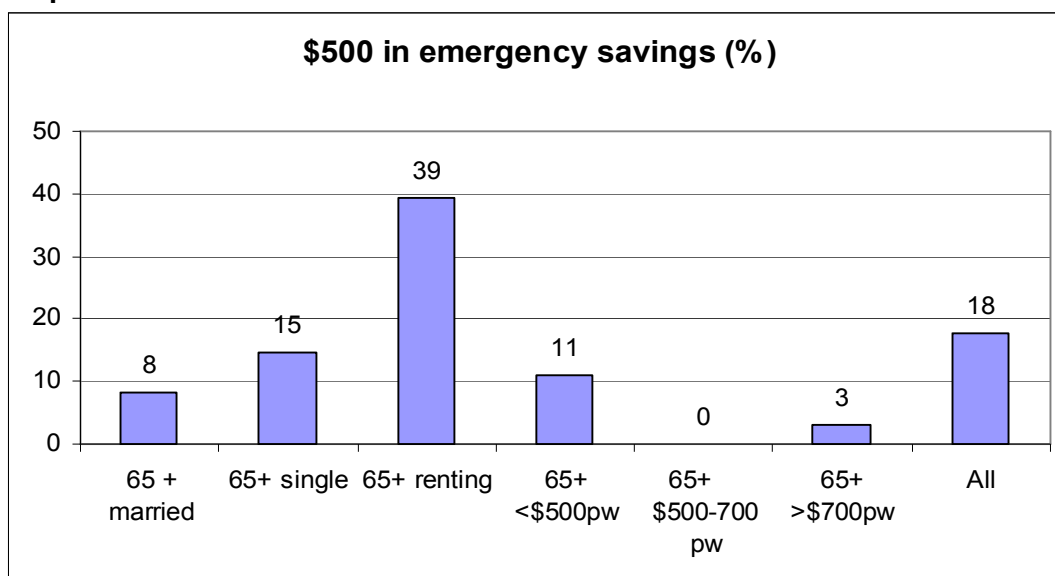
- Those most likely to have very limited savings are on Parenting Payment (56%), Newstart Allowance (54%), 'other' Centrelink payments (53%), and Disability Support Pension (42%).
- These groups lack a buffer against unexpected expenses such as a broken fridge. This means that many have to borrow money from relatives or friends, use pay day lenders that charge high interest rates, or rely on charities when these occur.

Graph 10



Graph 11 shows the percentage of each of the *mature age groups* who lack at least \$500 in emergency savings. This problem is more common among those renting privately (39%) than in the overall population.

Graph 11



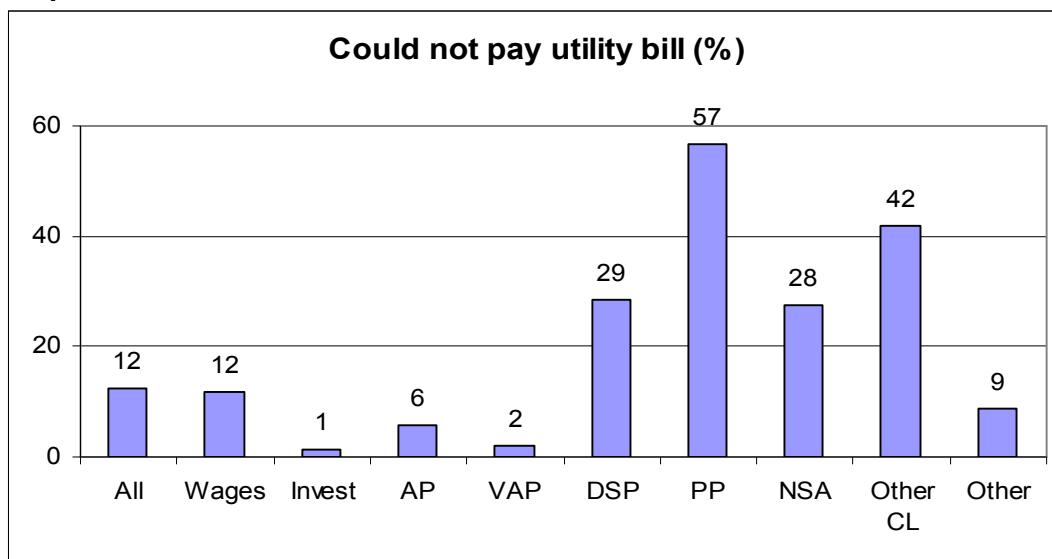
# Who is missing out? Hardship among low income Australians

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Graph 12 shows the percentage of each of the *income groups* identified above who could not pay utility bills (at least once in the last 12 months):

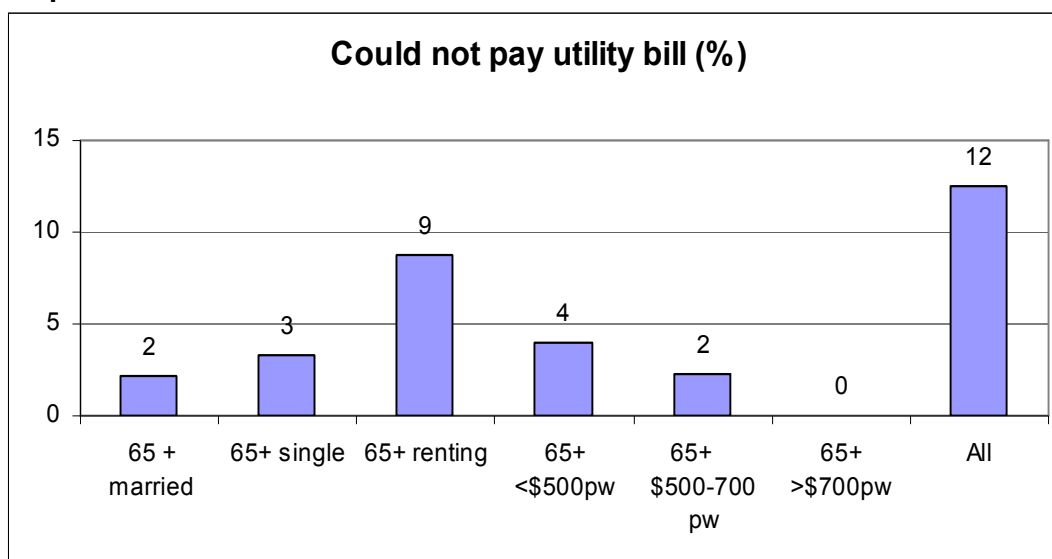
- Those most likely to be unable to pay a utility bill are on Parenting Payment (57%), other Centrelink payments (42%), Disability Support Pension (29%), and Newstart Allowance (28%).
- This is significant given that Parenting Payment and Newstart Allowance recipients do not receive the Utility Allowance paid to pensioners to assist with these costs.

**Graph 12**



Graph 13 shows the percentage of each of the *mature age groups* who could not pay utility bills (at least once in the last 12 months). This problem was less common among the mature age groups than in the overall population, though among mature age people renting privately this was just below the overall average (9% compared with 12%). It is possible that mature age people give greater priority than others to paying such bills on time.

**Graph 13**



# Who is missing out? Hardship among low income Australians

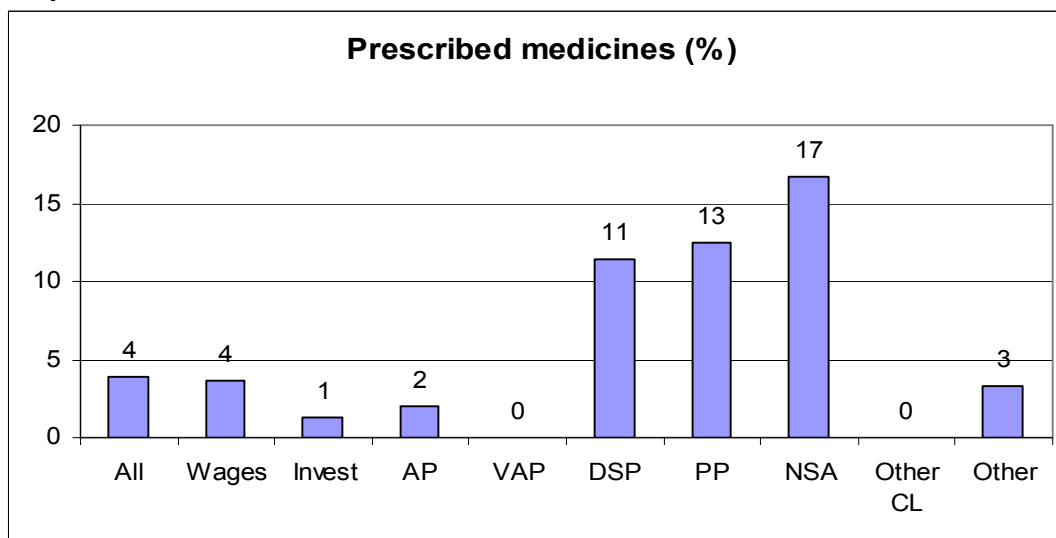
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## Health services

Graph 14 shows the percentage of each of the *income groups* identified above who could not afford prescribed medicines (at least once in the last 12 months):

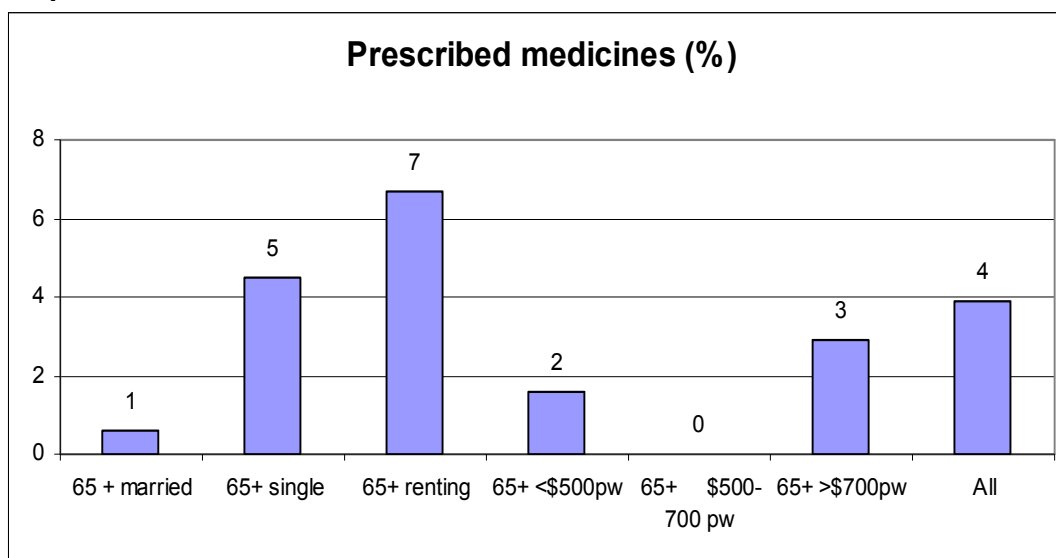
- Those most likely to be unable to afford medicines are on Newstart Allowance (17%), Parenting Payment (13%), and Disability Support Pension (11%).
- Concession cards assist income support recipients to buy medicines more cheaply under the Pharmaceutical Benefits Scheme (PBS) but they must still make a co-payment. Also, many items (such as creams) are not covered by the PBS.

Graph 14



Graph 15 shows the percentage of each of the *mature age* groups who could not afford prescribed medicines (at least once in the last 12 months). This problem is more common among those renting privately (7%) and single mature age people (5%) than in the overall population.

Graph 15



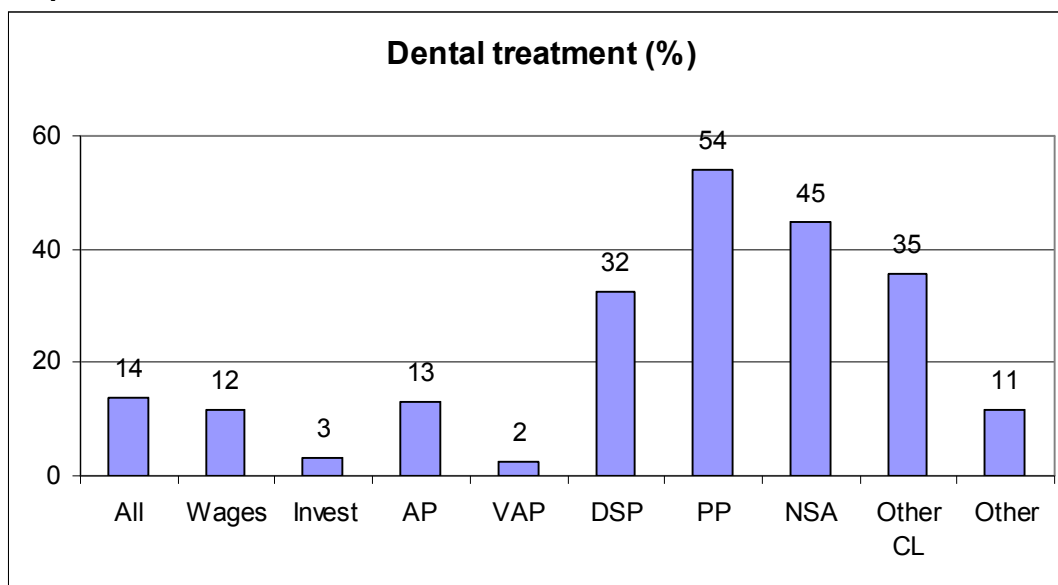
# Who is missing out? Hardship among low income Australians

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Graph 16 shows the percentage of each of the *income groups* identified above who could not afford dental treatment when needed:

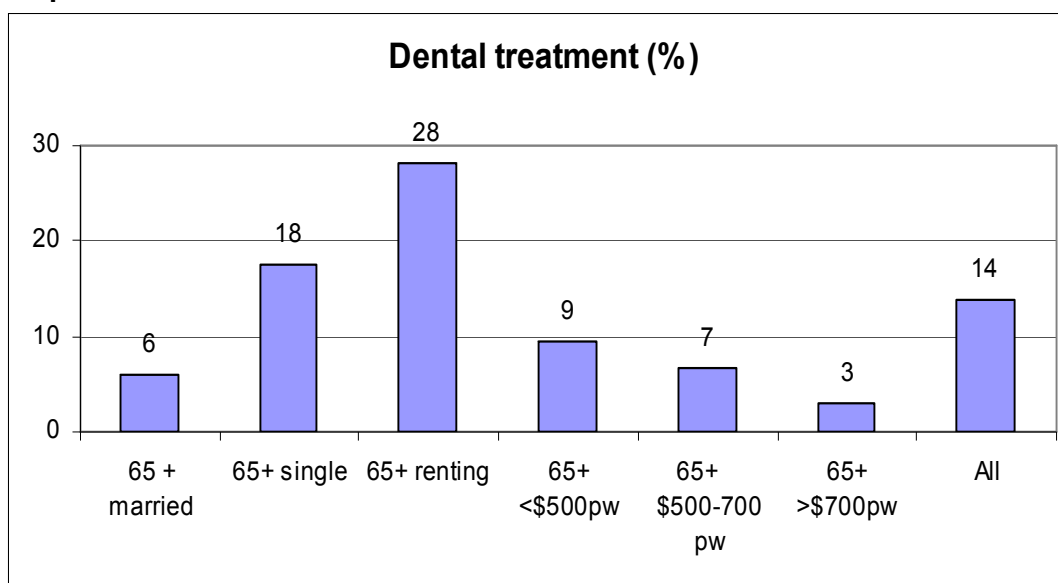
- Those most likely to be unable to afford dental treatment are on Parenting Payment (54%), Newstart Allowance (45%), 'other' Centrelink payments (35%), and Disability Support Pension (32%).
- Many low income people experience chronic pain and lose teeth because they cannot afford a private dentist.<sup>21</sup>

**Graph 16**



Graph 17 shows the percentage of each of the *mature age* groups who could not afford dental treatment when needed. This problem is more common among those renting privately (28%) and single mature age people (18%) than in the overall population.

**Graph 17**



<sup>21</sup> ACOSS 2006, *Fair dental care for low income earners*, ACOSS Info paper 389.

# Who is missing out? Hardship among low income Australians

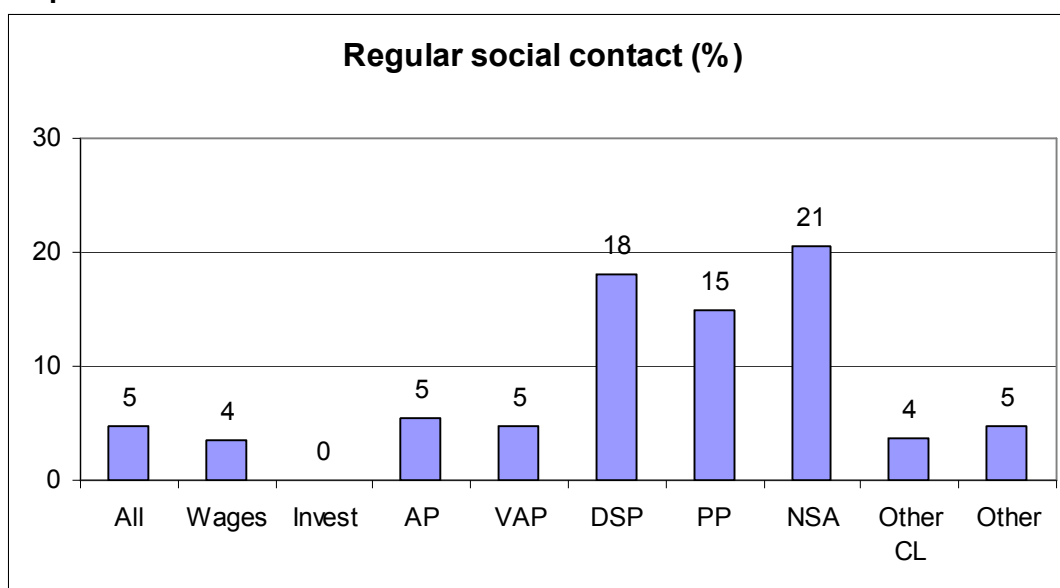
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## Social engagement and recreation

Graph 18 shows the percentage of each of the *income groups* identified above who could not afford to maintain regular social contact (for example because they lived some distance from relatives and friends and could not afford the travel costs):

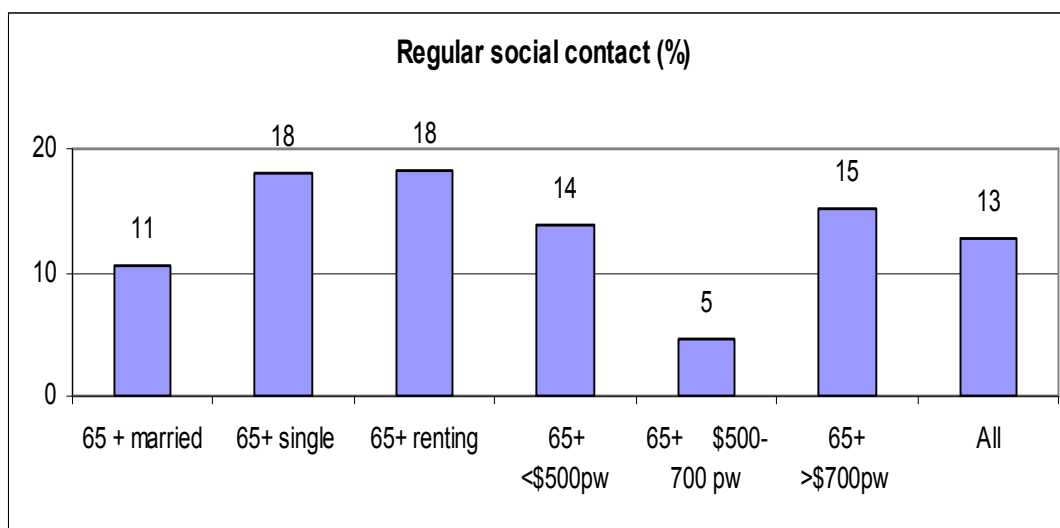
- Those most likely to be unable to afford regular social contact are on Newstart Allowance (21%), Disability Support Pension (18%), and Parenting Payment (15%).

**Graph 18**



Detailed data on *mature age* groups who could not afford regular social contact was not available, so the graph below is not directly comparable with Graph 18 above. Graph 19 shows the proportion of the mature age groups (and all people) unable to maintain regular social contact *whether or not this was due to a lack of financial resources* (so the proportions are higher). This problem is more common among those renting privately (18%) and single mature age people (18%).

**Graph 19**



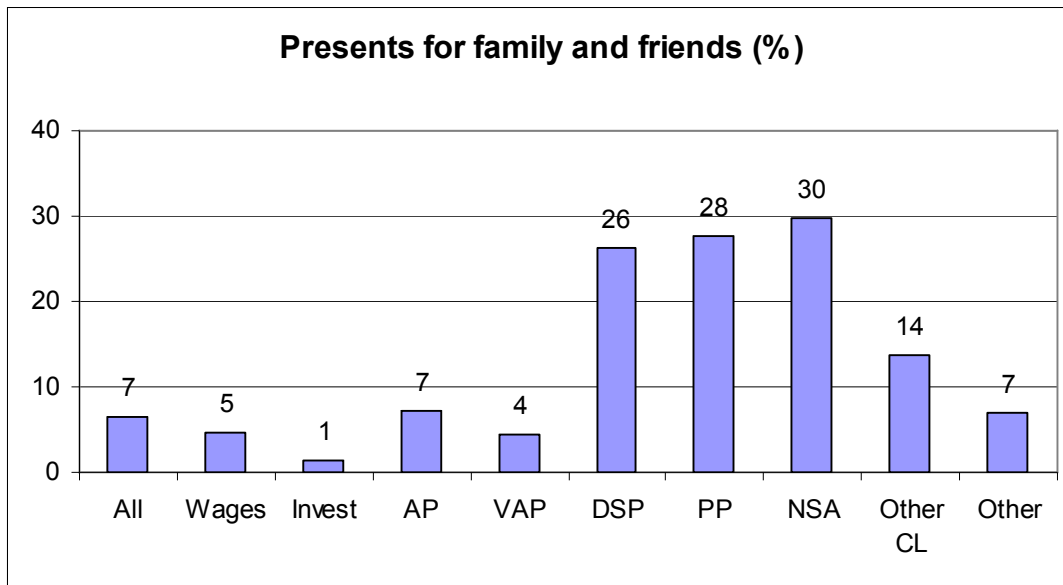
# Who is missing out? Hardship among low income Australians

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Graph 20 shows the percentage of each of the *income groups* identified above who could not afford presents for family and friends on occasions such as birthdays and Christmas:

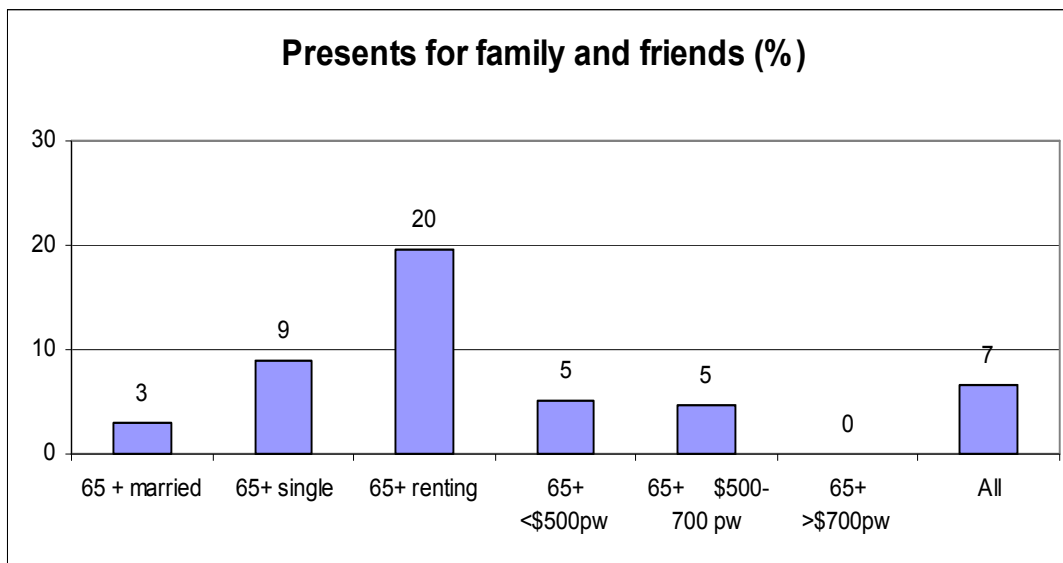
- Those most likely to be unable to afford presents for family and friends are on Newstart Allowance (30%), Parenting Payment (28%), and Disability Support Pension (26%).

**Graph 20**



Graph 21 shows the percentage of each of the *mature age* groups who could not afford presents for family and friends. This problem is more common among those renting privately (20%) and single mature age people (9%) than in the overall population.

**Graph 21**



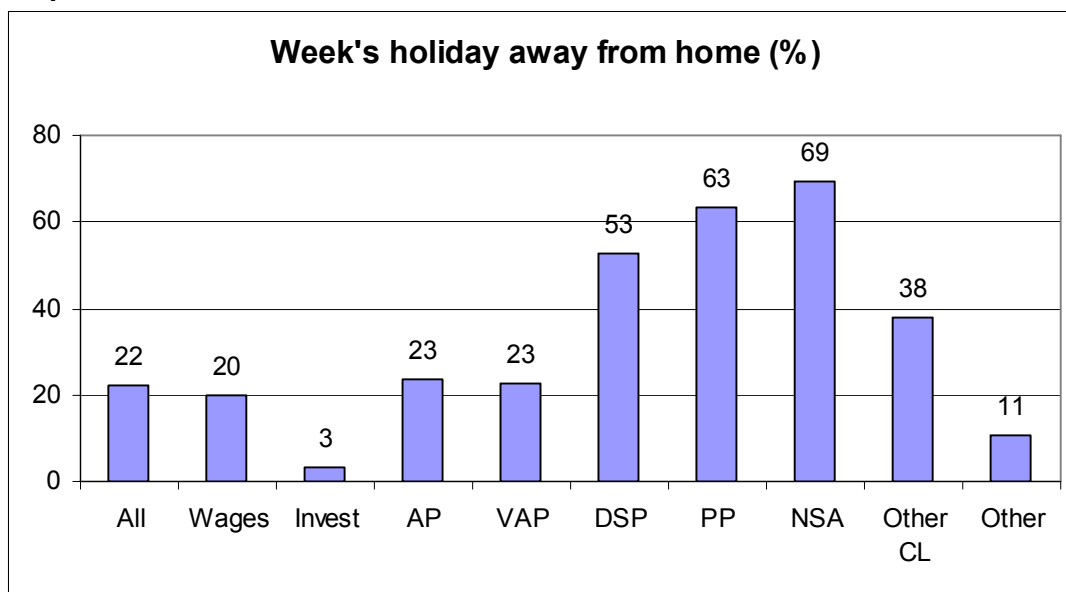
# Who is missing out? Hardship among low income Australians

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Graph 22 shows the percentage of each of the *income groups* identified above who could not afford a week's holiday away from home:

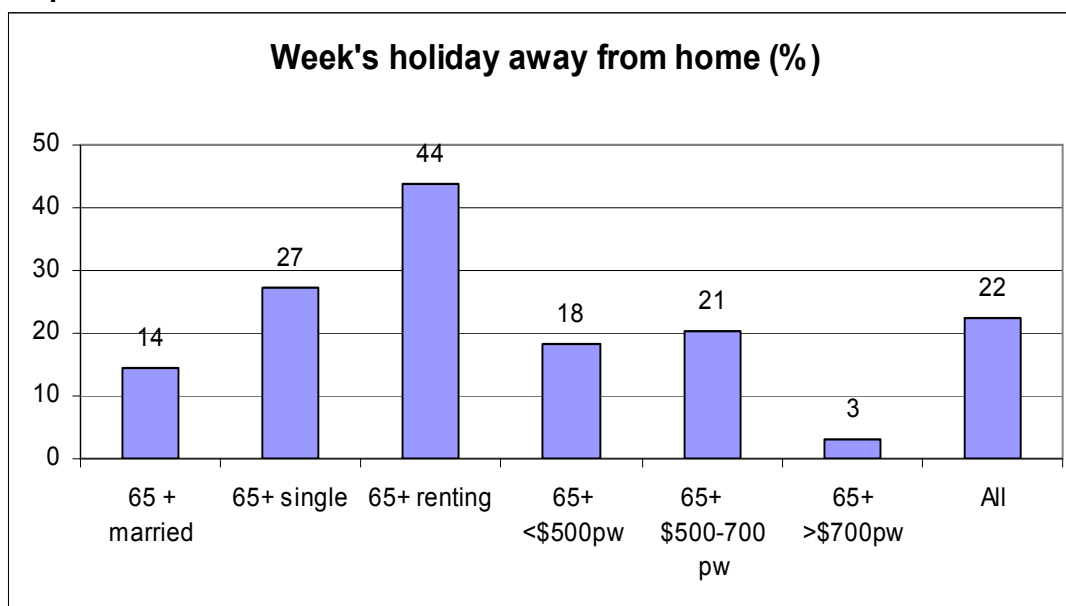
- Those most likely to be unable to afford a week's holiday away from home are on Newstart Allowance (69%), Parenting Payment (63%), Disability Support Pension (53%), and 'other' Centrelink payments (38%).

**Graph 22**



Graph 23 shows the percentage of each of the *mature age* groups who could not afford a week's holiday away from home. This problem is more common among those renting privately (44%) and single mature age people (27%) than in the overall population.

**Graph 23**



# Who is missing out? Hardship among low income Australians

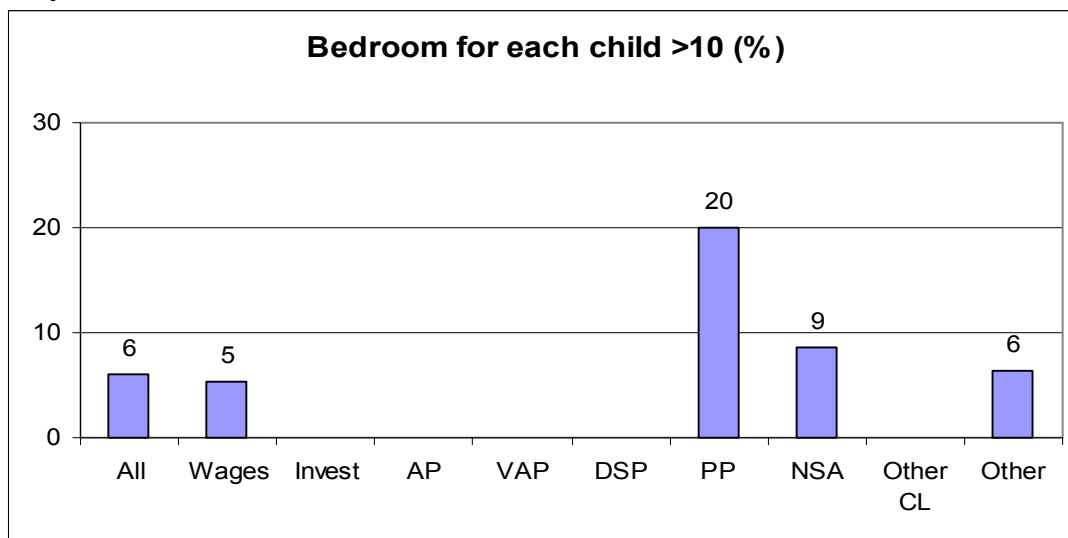
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## Resources for children

Graph 24 shows the percentage of *income groups most likely to have children* who could not afford a separate bedroom for each child over 10 years of age:

- Those most likely to be unable to afford a separate bedroom for each child over 10 are on Parenting Payment (20%), and Newstart Allowance (9%).
- Results are not reported here for Age or Veteran's Pensioners, those relying on investment incomes, Disability Support Pensioners, or 'other' Centrelink payments, as they are much less likely to have dependent children.

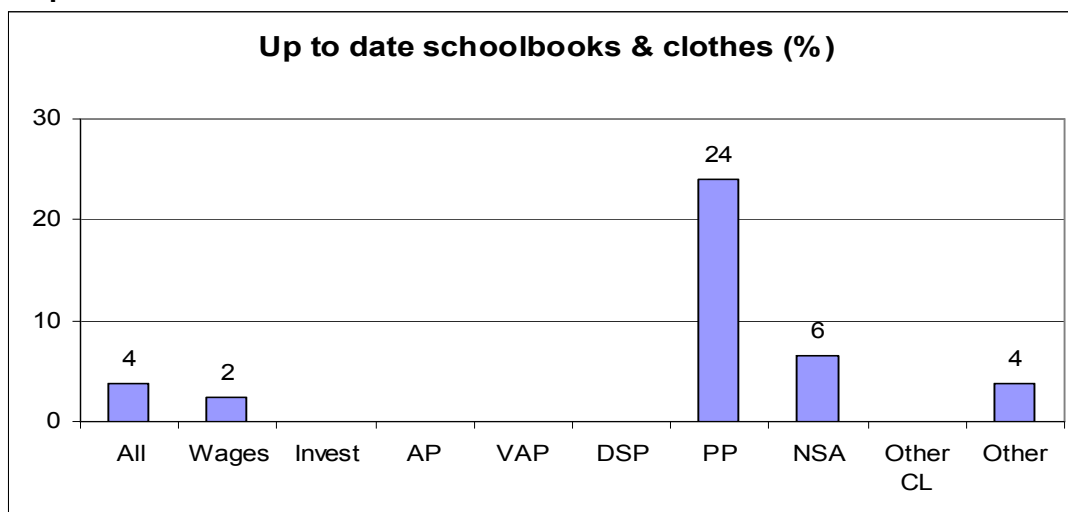
Graph 24



Graph 25 shows the percentage of *income groups most likely to have children* who could not afford up to date school books and clothes for their children (for example, they had to rely on second hand items):

- Those most likely to be unable to afford up to date school books and clothes are on Parenting Payment (24%), and Newstart Allowance (6%).

Graph 25



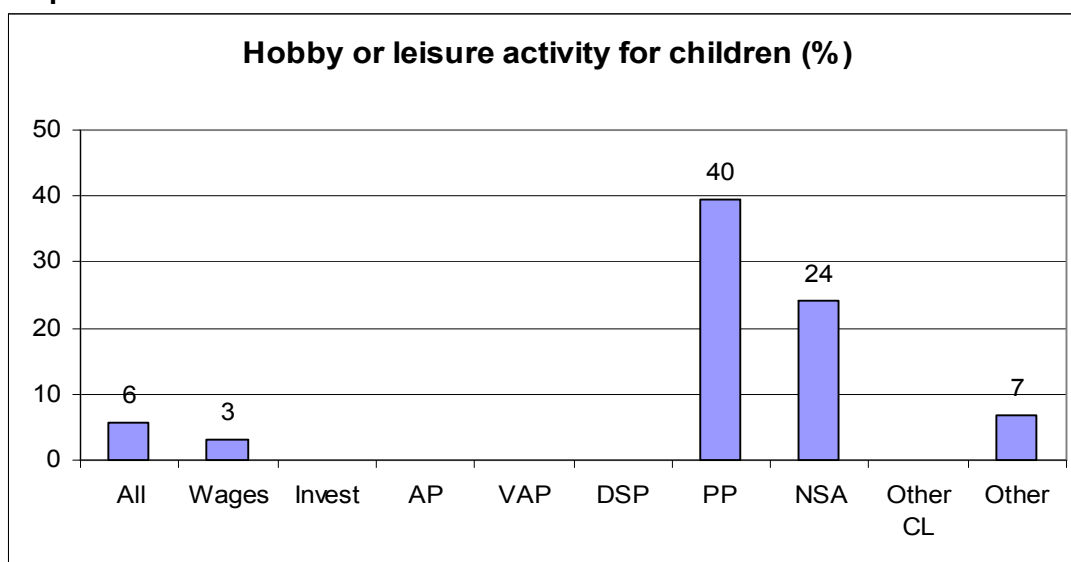
## Who is missing out? Hardship among low income Australians

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Graph 26 shows the percentage of *income groups most likely to have children* who could not afford a hobby or leisure activity for their children:

- Those most likely to be unable to afford a separate bedroom for each child over 10 are on Parenting Payment (40%), and Newstart Allowance (24%).

**Graph 26**



### (3) Comparison with the results of a similar survey in 1995

In 1995, the former Department of Social Security commissioned a survey of deprivation among recipients of different income support payments by Travers and Robertson. Recipients of Age Pension, Disability Support Pension, Newstart Allowance, Sickness Allowance, Austudy Payment and Partner Allowance were surveyed. It is interesting to compare the results with those of the current survey.<sup>22</sup>

Twenty-one essential items were used in the previous survey and there is considerable overlap with the items used in the current SPRC study. For example, the items included: 'went without dental care due to lack of money', 'unable to raise \$1000 in an emergency', 'dissatisfied with security or condition of home', and 'went without meals due to lack of money'.

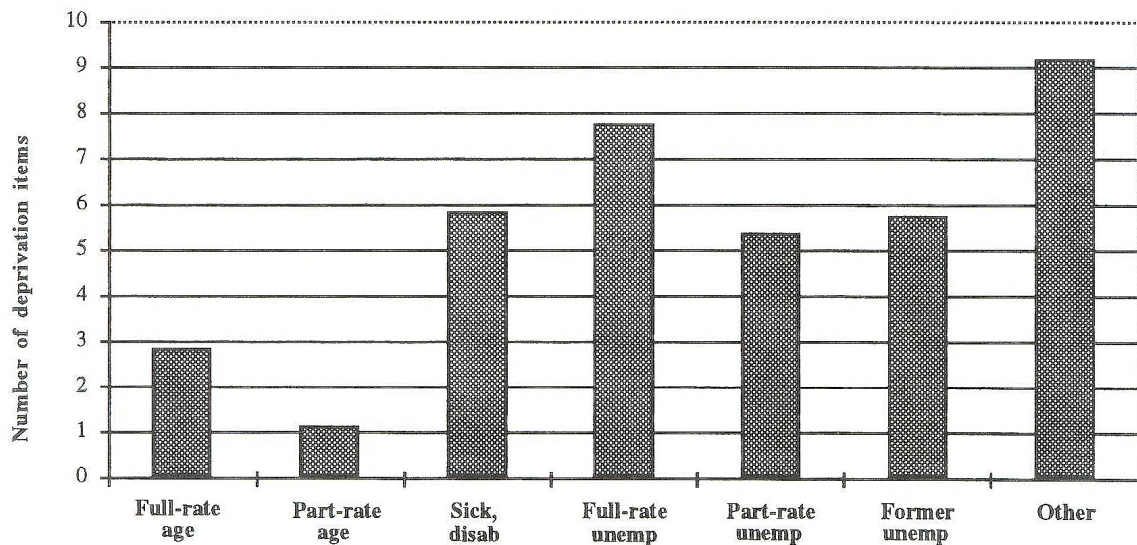
Instead of the proportion of different recipients lacking 3 or more items (the definition of 'multiple deprivation' used above), Travers and Robertson used a simple count of the number of items (out of the 21 essentials) that people lacked as their index of deprivation. The results are presented in Graph 27.

<sup>22</sup> Travers & Robertson 1996, *Relative deprivation among DSS clients*, National Institute of Labour Studies.

## Who is missing out? Hardship among low income Australians

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**Graph 27: Outcomes of Travers & Robinson deprivation study (1995) – average number of essential items lacked by recipients of different social security payments**



Source: Travers & Robertson 1996, *Relative deprivation among DSS clients*, National Institute of Labour Studies. 'Full rate' refers to recipients of the maximum level of payment (those with little or no private income), 'Part rate' refers to those with significant private income, 'Sick/Disab' refers to Disability Support Pension or Sickness Allowance, 'Unemp' refers to recipients of Newstart Allowance, 'Former unemp' refers to former recipients of Newstart Allowance who were at that time employed. Sole parents were not included in this study. There were 21 essential items used in this survey.

The results are broadly consistent with those of the SPRC deprivation survey described in this report. On average, recipients of Newstart Allowance (unemployment payments) were more likely to face multiple deprivation than those on Disability Support Pension, who in turn faced a higher risk than age pensioners. The Travers and Robertson study did not include Parenting Payment recipients.

## Who is missing out? Hardship among low income Australians

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### Case study 4: Myra (an age pensioner)

Myra is a recently widowed 68 year old woman who receives the Age Pension. She has experienced difficulty in making ends meet since the death of her husband. Her husband's death meant that Myra's income dropped, but many of her expenses remained the same. Living costs in terms of food decreased, but utility service fees, rent and costs associated with running the car did not.

Myra receives social security payments of \$664 per fortnight. She spends \$200 per fortnight on rent and an additional \$46 per fortnight on property expenses. It costs her nearly \$100 per fortnight to run a car, and her food expenses are about \$130 per fortnight.

Myra has no debt, but her pension barely covers her expenses. She is behind with her phone payments and is experiencing difficulty in catching up. She has no extravagant expenses but still can barely afford all the things she needs.

Myra's daughter is assisting her in covering her living costs.

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

Myra's fortnightly budget		
	Item	Amount/fortnight
<b>Income</b>	Age Pension	\$562
	Rent Assistance	\$102
	<b>Total income</b>	<b>\$664</b>
<b>Expenditure</b>	Private rental & property expenses	\$246
	Utilities & phone	\$40
	Car	\$94
	Groceries	\$130
	Medical	\$20
	Personal	\$144
	<b>Total expenditure</b>	<b>\$674</b>
<b>Balance</b>		<b>-\$10</b>

## 2. Poverty lines

There is a well established research tradition of measuring poverty using poverty lines. These are set at the minimum income levels considered necessary to achieve a decent standard of living. They are generally based on a single 'benchmark' poverty line for a particular family type (for example a single adult), which is then adjusted to take account of variations in household size. The three most commonly used poverty lines in Australia are:

- 50% of median income, which is based on a poverty line for a single adult equal to half the median (middle) income of all Australians – this is the main poverty line used by the OECD.
- 60% of median income, which is based on a poverty line for a single adult equal to 60% of the median (middle) income of all Australians – this is the main poverty line used by the UK and European Union.
- The Henderson Poverty Line, which was developed by the Melbourne Institute for the National Poverty Inquiry that was conducted in the 1970s. It was based on the then 'basic wage' plus child endowment for any dependent children and has been updated since by the Melbourne Institute.

Research conducted by the Social Policy Research Centre estimated the extent of poverty among different groups in the community in 2005-06, using all three of the above poverty lines. The table below compares these poverty lines with maximum rates of social security payments at that time.

**Table 4: Income support payments and poverty lines (2005-06 in dollars per week)**

	Income support	50% of median poverty line	Henderson Poverty Line	60% of median poverty line
Single, Newstart Allowance	\$202	\$281	\$331	\$337
Single, pension	\$244	\$281	\$268	\$337
Couple, Newstart Allowance	\$365	\$421	\$442	\$506
Couple, pension	\$408	\$421	\$380	\$506
Sole parent, 2 children (on Parenting Payment)	\$423	\$449	\$514	\$539
Couple, 2 children (job seeker, on Allowances)	\$528	\$590	\$621	\$708

Sources: Australia Fair 2007, *Update on those missing out* ([www.australiafair.org.au](http://www.australiafair.org.au)); Melbourne Institute 2006, *Poverty Lines*, Australia. Income support does not include Rent Assistance of up to \$53pw that is paid to a significant minority of recipients. Note that many sole parents now receive the lower Allowance rates of payment (not shown here), and that Henderson Poverty Lines are higher for unemployed people to take account of the costs of seeking work.

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These figures indicate that income support payments were generally set below the three commonly used poverty lines. The exception was the Age Pension rate for couples, which was above the Henderson Poverty Line. The greatest gaps between income support and the relevant poverty line were found among single people, especially those on allowance payments such as Newstart Allowance.

This is consistent with the data presented below, estimating the extent of poverty among different groups of Australians in 2005-06.

**Table 5: Estimated number of people in poverty – and as a % of all people in each group (2005-06)**

Household type	50% of median income		60% of median income	
	Number in poverty	as a % of people in each group	Number in poverty	as a % of people in each group
Unemployed people	256,000	44.7%	370,000	64.8%
Sole parents	362,000	16.4%	1,288,000	33.4%
Single over 65 years	349,000	46.9%	490,000	65.9%
Couple over 65 years	252,000	17.8%	617,000	43.8%
Main income social security	1,635,000	40.7%	2,808,000	69.9%
All Australians	2,210,000	11.1%	3,857,000	19.4%

Sources: Saunders, Hill & Bradbury 2007, *Poverty in Australia*, Social Policy Research Centre, University of NSW.

The results for the lower poverty line (50% of median income) suggest that people whose main source of income is social security faced a high risk of poverty (41% on average). This is consistent with the fact that most payments lie below this poverty line, so that people need significant private income in addition to their income support payments in order to avoid poverty. The same research found that around three quarters of all Australians in poverty were mainly reliant on income support. Among the broader demographic groups unemployed people (45%) and single people over 65 years (47%) were particularly likely to be living under the poverty line.

When the higher poverty line is used (60% of median income), 70% of those relying mainly on social security lived below this income level. Unemployed people (65%) and single mature age people (66%) again faced a high risk of poverty. Poverty levels increased substantially among sole parents (33%) and mature age couples (44%) when the higher poverty line was used. This reflects the bigger gap between income support payments for

those groups and the 60% of median income poverty line, which means that they needed higher private incomes to avoid poverty.

Caution should be used in interpreting these figures. Although they show that income support payments are very low, whether people experience hardship also depends on the other resources at their disposal. In particular, the above estimates of the extent of poverty do not take account of whether a household owns or rents their home. This can make a major difference to living standards, especially among mature age people since 80% own their homes outright, as previous research using 'after housing poverty lines' (which do take housing costs into account) demonstrates.<sup>23</sup>

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.

### 3. Budget standards

Another approach to assessing whether a given income level is adequate to meet basic needs is to use Budget Standards. These are household budgets developed by experts to meet basic needs. Although they rely heavily on expert judgement, one advantage of Budget Standards is that they are transparent and readily understood by the community. Minimum wages were originally set in Australia using this approach.

A set of Budget Standards was developed by the Social Policy Research Centre (SPRC) for the former Department of Social Security in the mid 1990s, and it is possible to update these to present values. One set of budgets, the 'Low Cost' Budgets, were developed to inform policy discussion on the adequacy of income support payments. These budgets were restricted to the essentials of life, so they only allow for a very austere standard of living.<sup>24</sup>

One caveat made by the researchers should be kept in mind: after about 10 years it is necessary to fully revise the budgets as they will have fallen out of date. It is likely that such a revision would increase the budgets overall due to improvements in community living standards and expectations, so the updated budgets shown below should be treated as conservative.

The table below compares estimated values for the Low Cost Budgets for mature aged home owners with base rates of pensions and allowances. These are the lowest set of Budget Standards developed by the SPRC as they do not include any allowance for rent, the costs of working, or the costs of children. Separate Low Cost budget standards for people of working age who rent are substantially higher than those for mature age homeowners, increasing the gap between these Budgets and Newstart Allowance payments.

The table also compares the living costs of singles and couples, and the relative value of payments for singles compared with couples. This is relevant to concerns that single people on social security may face greater hardship than couples.

<sup>23</sup> See for example Smith Family & NATSEM 2001, *Financial disadvantage in Australia*. In this study the poverty rate among people over 65 years fell by about one third when the costs of housing were taken into account.

<sup>24</sup> Saunders et al 1998, *Indicative Budget Standards for Australia*, Social Security Research Paper No74.

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**Table 6: Income support payments and Low Cost Budget Standards (December 2007 in \$pw)**

	Low Cost Budgets (mature age home owner)	Pension base rates	Gap (Low Cost Budgets minus payments)	Newstart Allowance base rates	Gap (Low Cost Budgets minus payments)
Single, no children	\$285	\$269	\$16	\$215	\$70
Couple, no children	\$390	\$449	-\$59*	\$388	\$2
Single as a % of couple	73%	60%		55%	

Sources: Saunders 2004, *Updating and extending indicative budget standards for older Australians*, SPRC; Saunders et al 1998, *Development of indicative budget standards for Australia*; Policy Research Paper No 74, Department of Social Security. 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 indexed 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).

\*In this case, income support is higher than the Budget Standard.

The comparisons between Budget Standards and income support payments in the table above suggest that:

- In all cases except pensioner couples, income support payments are significantly below the relevant Budget Standard.
- The gaps between payments and Budget Standards are much greater for singles than for couples, especially for single people on Allowance payments. This suggests that the income support system does not give sufficient weight to the extra costs of living alone. For example, single people lack the economies of scale received by couples in sharing costs such as rent.
- The gaps between payments and Budget Standards are much greater for those on allowance payments than pensions. This reflects the significantly lower level of allowance payments.

## Attachment 1: List of essential items from the 'New indicators of disadvantage' survey (2006)

The table below lists the 26 key essential items used in this survey, and the percentage of all respondents who lacked them because they could not afford them. The second column presents the same results after the survey responses were weighted to better reflect the profile of the general population. The 26 items were all regarded by a majority of respondents as essential items.

### Percentage of population lacking key essentials

Essential item	Community sample (u/wtd)	Community sample (wtd) <sup>(a)</sup>
* A decent and secure home	6.6	7.1
* A substantial meal at least once a day	1.1	1.2
* Warm clothes and bedding, if it's cold	0.2	0.3
Heating in at least one room of the house	1.8	2.1
Furniture in reasonable condition	2.6	2.8
Comprehensive MV Insurance	8.6	9.8
A telephone	1.5	1.9
A washing machine	0.8	1.1
A television	0.2	0.2
Up to \$500 in savings for emergency	17.6	19.6
Secure locks on doors & windows	5.1	5.0
Home contents insurance	9.5	11.1
* A roof and gutters that do not leak	4.6	4.8
Separate bed for each child	1.6	1.7
Separate bedroom for children over 10	6.1	6.7
* Medical treatment if needed	2.0	2.1
* Able to buy prescribed medicines	3.9	4.5
* Dental treatment if needed	13.9	14.5
* Dental check-up for children	9.1	9.8
Regular social contact	4.7	4.7
Week's holiday away each year	22.4	23.6
Presents for family / friends each year	6.6	6.8
* A hobby or leisure activity for children	5.7	5.7
Computer skills	5.2	4.6
Schoolbooks / new clothes for children	3.8	4.0
* School activities / outings for children	3.5	3.6
Mean incidence	5.8	6.1

Source: Saunders et al 2007, *Towards new indicators of disadvantage*, Social Policy Research Centre, University of NSW.

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## Attachment 2

### Percentage of people in 'at risk' groups lacking essential items (2006)

Essential item	all people	Newstart Allowance	Parenting Payment	Disability Support Pension	Age Pension	Mature age (over 64 years)			
						renting	single	married	income >\$700pw
decent and secure home	6.6	23.1	43.1	7.1	7.3	29.8	8.3	2.1	2.9
could not pay utility bill	12.5	27.5	56.6	28.6	5.6	8.8	3.3	2.2	0
\$500 in emergency savings	17.6	53.8	55.8	42.2	10.1	39.3	14.5	8.2	3
home contents insurance	9.5	55.6	51.9	31.0	7.6	28.6	11.1	2.1	2.9
unable to buy prescribed medicines	3.9	16.7	12.5	11.4	2.0	6.7	4.5	0.6	2.9
dental treatment	13.9	44.7	54.0	32.4	12.9	28.1	17.5	5.9	2.9
regular social contact	4.7	20.6	14.9	18.1	5.4				
presents for family and friends	6.6	29.7	27.7	26.4	7.2	19.6	8.9	3	0
week's holiday away from home	22.4	69.4	63.3	52.9	23.5	43.9	27.2	14.4	3
bedroom for each child >10	6.1	8.6	20.0						
up to date schoolbooks & clothes	3.8	6.5	24.0						
hobby or leisure activity for children	5.7	24.2	39.6						

Source: Data provided to ACOSS by Social Policy Research Centre; for details of source see Saunders et al 2007, *Towards new indicators of disadvantage*, Social Policy Research Centre November 2007.

Note: Shaded areas represent cases where the risk of deprivation exceeds twice that of the general population (the figures in the first column).

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