

Just Comment

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A joint publication of Edmund Rice Centre for Justice and Community Education & The School of Education, Australian Catholic University

The changing face of poverty in Australia

Since 1990 the notion that “the rich are getting richer and the poor are getting poorer” has gained increasing public and media attention.

Often, different conclusions are reached depending on how poverty is measured. It is clear that Australia’s middle class is shrinking, and while the majority of those living in poverty are probably not becoming poorer in absolute terms, they are becoming more numerous. However, those in the bottom 5% of income earners in Australia have in fact become poorer over the past decade. Poverty in Australia today is complex and changing.

Who are the Australian poor?

According to the Smith Family in 2001*:

- 13% of Australians live in poverty
- 14.9% of children live in poverty
- 21.8% of single parent families live in poverty

*This report highlighted the relationship between poverty and unemployment with the under-employed facing greater risks of poverty particularly with the increasing casualisation of the workforce.

What is poverty?

There are two main ways of defining poverty. The World Bank considers a person to be in *absolute poverty* if his or her consumption or income level falls below some minimum level necessary to meet basic needs. Robert McNamara, the former President of the World Bank, described absolute or extreme poverty as “...a condition so limited by malnutrition, illiteracy, disease, squalid surroundings, high infant

mortality, and low life expectancy as to be beneath any reasonable definition of human decency.” (www.worldbank.org/poverty/mis-sion/up2.htm).

In industrial countries such as Australia however, people in poverty often don’t *look* poor in this absolute sense. Therefore, poverty is more often measured in *relative* terms, where a family’s income is low relative to that of other families. The minimum level of income against which income is considered is called the *poverty line*.

Researchers argue about where this line should be drawn. The Smith Family and NATSEM (The National Centre for Social and Economic Modelling) report in 2000 indicated as many as 1 in 8 Australians are experiencing poverty. The Centre for Independent Studies (CIS) argues that their research indicates the figure is 1 in 12 and even could be as low as 1 in 20.

- The Smith family researchers “added up all the pay packets in Australia and divided them by the number of wage earners. That average is then halved to find the poverty line” (the Mean).

- The CIS “ranks all the pay packets in descending order finds the wage in the very middle of that range and then halves that... wage to find the poverty line” (the Median) (www.abc.net.au/am/s459428.htm). This gives very different results as seen in Figure 1.

The problem of these measures is that they focus exclusively on income. But poverty is also defined through other indicators such as education, health, access to services and infrastructure, vulnerability, social exclusion, access to social capital, etc.

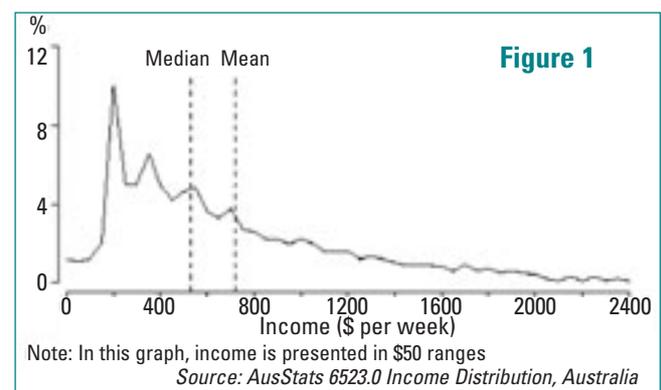
The most widely used indicator to



take non-income factors into consideration is the Human Development Index (HDI) compiled yearly by the United Nations Development Programme (UNDP). For advanced economies, this index takes into consideration health (probability at birth of not surviving to age 60), knowledge (percentage of adults lacking functional literacy skills) and social exclusion (long-term unemployment rate). Australia ranks very high on this global index, although it has recently begun to fall.

Poverty in Indigenous Australia

Indigenous and minority groups are sometimes referred to as the “Fourth World.” They experience a lower life expectancy, higher rates of infant mortality, higher unemployment rates, a lower general standard of living (health, hous-



ing), high rates of arrest and imprisonment, plus problems of alcohol and other substance abuses.

Australian Indigenous people are no exception. In 2000, life expectancy of Indigenous Australians was some 20 years below that of other Australians (ABS 3302.0). All the socioeconomic indicators such as income, employment, housing, education and health show considerable disparities between Australia's Indigenous and non-Indigenous populations. In fact, Australian Indigenous poverty ranks alongside countries as poor as Bangladesh where *absolute poverty* is real!

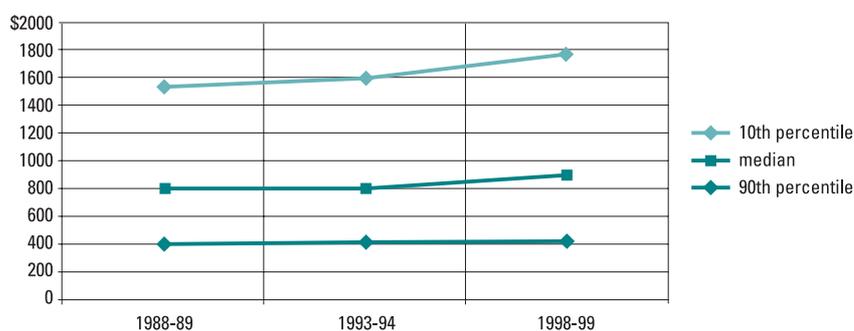
The causes of poverty in Indigenous communities relate to factors such as the dispossession of land and the imposition of Western values on a society that can no longer operate in its traditional ways. Government welfare can provide crucial day-to-day relief of the worst effects of poverty, but it will solve none of the root causes of the problem. On the other hand, development programs are too often devised without consulting the targeted population, and are therefore not adapted to the specific needs of Indigenous communities. Any serious attempt at addressing the problem of Indigenous socioeconomic disadvantage must consult with and involve Indigenous communities at every stage of the design and implementation of policies.

Life Expectancy at birth for selected countries

Japan	81
Sweden	79.7
Australia	78.9
Canada	78.8
United Kingdom	77.7
World (average)	66.9
India	63.3
Indigenous Australians (female)*	63
Bangladesh	59.4
Papua New Guinea	56.7
Indigenous Australians (male)*	56
Sudan	56
Sierra Leone	38.9

Source: Human Development Report 2002, Except (*) ABS 3302. (2000) Deaths Australia

Figure 2: Indicators of income inequality from ABS Household Expenditure Survey



Source: Harding and Greenwell (2002), p.4

Increasing inequality

Despite varying measures of poverty the one thing that all of the measures show is that since the 1980s the gap is growing between the rich and the poor.

Australia is now often labeled a “u-shaped society”: the rich are getting richer and the poor are being left behind. Figure 2 shows that in the 1990s the expenditure of the top 10% of households increased markedly while that of the lowest 10% changed very little. Indeed the expenditure of the lowest 5% of households declined over the same period.

The causes of poverty

Too often the victims of poverty are blamed for their own fate. However, the main causes of poverty are structural, not linked to individual behaviour. These include:

- shifting of the economy from the manufacturing sector to the services sector, like finance and retail, less unionised and generally less paid;
- increases in casual work, leading to a problem of underemployment and “working poor;”
- increasing unemployment and long-term unemployment;
- geographic concentrations of poverty.

Some forms of Government welfare have become increasingly targeted, so that only the poorest receive assistance. While this has prevented many from falling further into poverty, it can also create poverty traps. This occurs because people with low incomes lose their entitlements as they earn more money,

while at the same time they pay tax. The net result is that when people gain more work they may receive no extra income, making it hard to get out of poverty.

Another problem is that poverty is often transmitted from generation to generation, challenging the myth of “a fair go for all.” Children brought up in poor families will not be given the same opportunities for personal development, which will affect their academic achievements and later their employment opportunities.

Just Action

• Find out more information in the following reports:

- World Bank PovertyNet, www.worldbank.org/poverty/index.htm
- Brotherhood of St. Laurence (2001), information sheet on poverty, www.bsl.org.au
- NATSEM and The Smith Family (2000), “Financial Disadvantage in Australia, 1990 to 2000: the persistence of poverty in a decade of growth” www.smithfamily.org.au
- Financial and Consumer Rights Council (2001) “A Line in the Sand: Faces of Poverty in Australia”, <http://home.vicnet.net.au/~fcrc/research.htm>
- Australian National University, Centre for Aboriginal Economic Policy Research. www.anu.edu.au/caepr/

• Write to your government representatives to express your concern about poverty in Australia