



# Going Without: Financial Hardship in Australia

## Report

Prepared By:

Mr Ben Phillips and Dr Binod Nepal

Prepared For:

Anglicare Australia, Catholic Social Services Australia, The Salvation Army, UnitingCare Australia

**ANGLICARE**  
*in every Community* AUSTRALIA

 Catholic Social Services  
Australia



 UnitingCare  
Australia

August 2012

## ABOUT NATSEM

The National Centre for Social and Economic Modelling was established on 1 January 1993, and supports its activities through research grants, commissioned research and longer term contracts for model maintenance and development.

NATSEM aims to be a key contributor to social and economic policy debate and analysis by developing models of the highest quality, undertaking independent and impartial research, and supplying valued consultancy services.

Policy changes often have to be made without sufficient information about either the current environment or the consequences of change. NATSEM specialises in analysing data and producing models so that decision makers have the best possible quantitative information on which to base their decisions.

NATSEM has an international reputation as a centre of excellence for analysing microdata and constructing microsimulation models. Such data and models commence with the records of real (but unidentifiable) Australians. Analysis typically begins by looking at either the characteristics or the impact of a policy change on an individual household, building up to the bigger picture by looking at many individual cases through the use of large datasets.

It must be emphasised that NATSEM does not have views on policy. All opinions are the authors' own and are not necessarily shared by NATSEM.

NATSEM, University of Canberra 2011

All rights reserved. Apart from fair dealing for the purposes of research or private study, or criticism or review, as permitted under *the Copyright Act 1968*, no part of this publication may be reproduced, stored or transmitted in any form or by any means without the prior permission in writing of the publisher.

National Centre for Social and Economic Modelling  
University of Canberra  
University Drive South, Canberra ACT 2617, Australia

Phone + 61 2 6201 2780

Fax + 61 2 6201 2751

Email [natsem@natsem.canberra.edu.au](mailto:natsem@natsem.canberra.edu.au)

Website [www.natsem.canberra.edu.au](http://www.natsem.canberra.edu.au)

## **ABOUT THE MAJOR CHURCH PROVIDERS**

Anglicare Australia, Catholic Social Services Australia, The Salvation Army and UnitingCare Australia are four of the major church providers of social services in Australia. These organisations share the concern that each person has access to the means and opportunity for a dignified life, and belongs, is valued by, and can contribute to their community. These organisations work together in partnership with governments, other social service providers and organisations, and all men and women of good will towards a fair and equitable society for all.

## **AUTHORS NOTE**

Mr Ben Phillips is a Principal Research Fellow and Dr Binod Nepal is a Senior Research Fellow at the National Centre for Social and Economic Modelling.

## **ACKNOWLEDGEMENTS**

The authors would like to acknowledge the assistance received from Anglicare Australia, Catholic Social Services Australia, The Salvation Army and UnitingCare Australia

## **GENERAL CAVEAT**

NATSEM research findings are generally based on estimated characteristics of the population.

These estimates may be different from the actual characteristics of the population because of sampling and nonsampling errors in the microdata and because of the assumptions underlying the modelling techniques.

The microdata do not contain any information that enables identification of the individuals or families to which they refer.

## **CONTENTS**

|  |           |
|--|-----------|
| <b>About NATSEM</b>  | <b>2</b>  |
| <b>About the Major Church Providers</b>                      | <b>3</b>  |
| <b>Authors Note</b>  | <b>3</b>  |
| <b>Acknowledgements</b>                                      | <b>3</b>  |
| <b>General caveat</b>  | <b>3</b>  |
| <b>Contents</b>  | <b>4</b>  |
| <b>Background and summary of results</b>                     | <b>5</b>  |
| <b>Methodology</b>   | <b>7</b>  |
| <b>Background: Allowances in Australia</b>                   | <b>9</b>  |
| <b>Profiling Allowees in Australia</b>                       | <b>11</b> |
| <b>Deprivation and Financial Stress and allowees</b>         | <b>15</b> |
| <b>Expenditure Analysis of Allowees and Other Households</b> | <b>17</b> |
| <b>Poverty Analysis and Allowees</b>                         | <b>19</b> |
| <b>References</b>  | <b>23</b> |

## BACKGROUND AND SUMMARY OF RESULTS

This report analyses financial hardship in Australia using a number of quantitative measures including deprivation, financial stress, expenditure analysis and poverty analysis. The report takes a special interest in households where the main source of income is derived from either the Newstart Allowance (NSA) or the job seeker Youth Allowance (YA). These are the two main payments received by unemployed persons in Australia. The report has been prepared for the Major Church Providers.

This report provides an analysis of financial hardship in Australia through a number of lenses. Poverty measures are constructed to consider the extent of resource constrained households through the perspective of the OECD *half-median* income measure. To add extra dimensions to the financial hardship measures we add the more direct measures of deprivation and financial stress and provide a detailed analysis of the expenditure patterns within households. Such measures are considered for different household types and government beneficiary households.

While the Australian economy has prospered in recent years one group that is falling behind the pack is the unemployed. The current unemployment benefit for single persons is \$244 per week which is 40 per cent of the minimum wage in Australia. This study finds that households where the unemployment benefit is the main source of income are more than five times as likely to be in poverty with a poverty rate at 75 per cent. The overall poverty rate in Australia sits at 13.8 per cent for 2009-10. A very high proportion of these unemployed households persist in poverty for at least two years (46.8 per cent) compared to the national average of eight per cent.

After housing costs the unemployed households have disposable incomes of just \$242 per week which is about 25 per cent of the national average (or about 33 per cent after accounting for household size). Once the basic expenditure items such as shelter, food, electricity, and health are taken into account the unemployed households have only

\$22 per day left over which is a half that of other government beneficiary households and only 12 per cent of that for wage and salaried households (\$188 per day).

Rates of financial stress and deprivation are much higher amongst the unemployed households. Around 36 per cent of these households experience at least three forms of financially driven deprivation (out of six) compared with the all households average of 8.7 per cent. 45 per cent of unemployed households experience at least three financial stressors (out of nine) compared to 8.8 per cent for all households. 16.6 per cent of unemployed households went without meals while 13.5 per cent could not afford to heat their home. The respective numbers for all households for these financial stressors were 3.2 per cent and 1.9 per cent.

The unemployment benefit in Australia is particularly low, especially for singles. The single rate is just 55 per cent of the couples combined rate which compares poorly with the 66 per cent for the higher aged pension. The Newstart allowance and Youth Allowance job seeker payment rates are indexed to the Australian Bureau of Statistics (ABS) Consumer Price Index which is consistently lower than average household incomes growth and ensures that these allowee households continue to slide further behind the rest of the community in terms of economic resources and opportunities.

## METHODOLOGY

The report is split into four related sections. The first section provides an overview of the job seeker allowances in Australia. The next section deals with the deprivation and financial stress measures while the third section deals with expenditure patterns and a final section deals with poverty rates.

The deprivation and financial stress measures offer an *outcomes* approach to financial hardship while the poverty measures used in this report relate to resourcing constraints.

The data used in the deprivation and financial stress analysis is taken from the 2009-10 Household Expenditure Survey (HES) undertaken by the Australian Bureau of Statistics (ABS). This survey asked households whether, prior to the survey, they had been unable to do a range of activities (deprivation) or unable to make certain payments (financial stress). Examples of the types of measures used within each dimension include:

- 1) deprivation, such as not able to afford a night out once a fortnight, or not able to have a special meal once a week or buying second hand clothes regularly.
- 2) Financial stress, such as unable to heat the home, pay insurance bills or seeking financial assistance from friends and family.

Some form of deprivation or financial stress is quite common amongst many households so the analysis also considers the incidence of multiple occurrences of deprivation or financial stress.

The HES contains a detailed description of household expenditure patterns and a vast array of economic, demographic and social information on the household and the persons living in that household. The measures mentioned above can be compared

between these different groupings to determine the extent of hardship within different socioeconomic and demographic groups.

In profiling the different household groups, this research utilised the STINMOD model (NATSEM's static microsimulation model) which combines the 2007-08 and the 2009-10 Survey of Income and Housing, both of which are produced by the ABS and include persons living in non-private dwellings via a sample of ABS Census records<sup>1</sup>. The main advantage of using STINMOD is a much larger sample size and the updating of the sample to fit to the latest ABS population demographics and government administration totals for a host of social security programs.

In developing poverty estimates, this study used the income and housing survey data from the ABS to construct the aggregate poverty numbers for Australia. The surveys used include 2000-01 and 2009-10. Each of these surveys contains highly detailed economic and demographic information on households and forms a strong basis for poverty analysis.

This study's approach to poverty is the OECD approach which is a measure of *relative poverty*. This measure compares household incomes and defines any household with less than half the median income as being in poverty. The modified OECD measures are calculated with and without housing costs. The modified OECD after housing measure subtracts housing costs from disposable income<sup>2</sup>. The poverty estimate chosen for this report is the after-housing cost variant.

An alternative measure of poverty is the Henderson Poverty Lines developed by the Melbourne Institute (Henderson, 1975). The arguments for and against the Henderson

---

<sup>1</sup> Non-private dwellings mostly include those persons who usually reside in a nursing homes, hotel, student residence, aged care, boarding houses or other non-private dwellings.

<sup>2</sup> In this report housing costs refer to the ABS *HCOSTSH* variable which includes rent (without deductions), mortgage repayments (including principal), mortgage repayments for alterations and additions, weekly repayments on unsecured loans for housing purposes and general and water rates .



and OECD poverty measures are described in Greenwell, H (2001). The OECD *relative poverty* approach is the preferred measured and used in this study.

## **BACKGROUND: ALLOWANCES IN AUSTRALIA**

The Australian social security system is broadly broken into three groups: pensions, allowances and family payments. Pensions cover the aged pension, disability support pension and veteran's pensions and parenting payment for singles. Pensions are usually set at a higher rate than other payments given that pensions are a more permanent payment for people who have very low income earning potential. Allowances, include parenting payments (partnered), unemployment benefits such as Newstart Allowance and job seeker youth allowance and student youth allowance. These allowances are set at a lower rate than pensions reflecting the expectation that these payments are of a temporary nature and that the recipient will transition to employment in the near future.

This report focuses on the job seeker category of allowances. As of June 2012, Australia had 663,000 persons either on NSA or job seeker YA. Of these, the average duration on some form of income support was 2.6 years. Around one in four remain continuously on income support for more than two years (Australian Government, 2009). It is worth noting here that these figures are based on an Australian jobs market that at the time was very strong.

While it is important that such payments provide an incentive to return to work, it is also important that recipients have enough resources to fund their job search activities and to make a decent living.

The Henry Taxation Review (Australian Government, 2009) recommended an increase in the base rate of allowances for singles on NSA and job seeker YA and noted the growing inequality between NSA and pensions as a result of different indexation arrangements. Many welfare organisations argue that an increase in Newstart Allowance is necessary to alleviate poverty and financial disadvantage. At the 2011 Taxation Forum there was strong support from academics, business and welfare groups that a more generous Newstart Allowance should be a priority of government. In this report the current financial position of these welfare recipients will be compared and contrasted with other Australian households.

To set the scene it is worth firstly considering the current state of play with the Newstart Allowance. A single person without children on NSA receives a benefit of \$244.85 per week<sup>3</sup><sup>4</sup>. This equates to around \$12,766 per annum. An away from home Youth Allowance job seeker receives \$201.35 per week or about \$10,500 per annum. A single pensioner receives \$377.75 per week while average weekly earnings for male total earnings is \$1298 per week.

NSA for singles equates to 18 per cent of average male earnings and 40 per cent of the current minimum wage (\$606 per week). At 40 per cent of the minimum wage there is clearly a very strong incentive to move to paid employment<sup>5</sup>.

An ongoing concern with NSA is the indexation of the payment relative to government pensions and the wages of the working population. NSA is indexed according to the ABS Consumer Price Index (CPI) while pensions (aged, veterans and disability) are indexed according to average weekly earnings. Figure 1 clearly shows that through the last decade the discrepancy between NSA and either pensions or average weekly earnings has increased. Of great concern to policy makers is that on current trajectories this gap will get even wider.

While NSA is indexed with the CPI, which is generally a sound measure of the cost of living, the CPI does not keep pace with the living standards of the broader community which means from a relative perspective those on this payment fall behind. If recipients were only on this payment for very short periods then such a low payment would be less of an issue but with one in four on this payment for longer than two years the relative size of this payment is a serious issue.

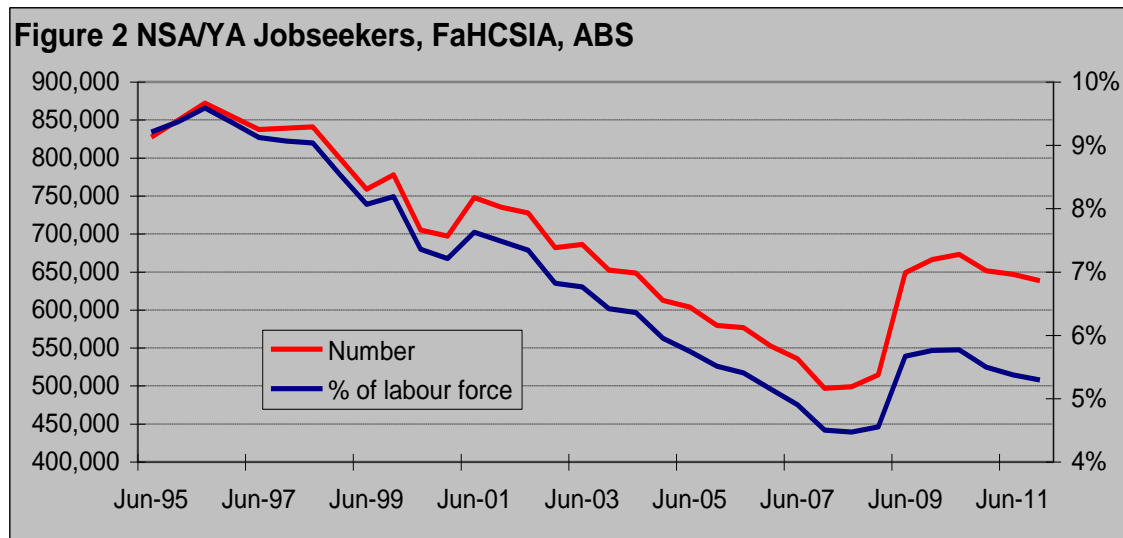
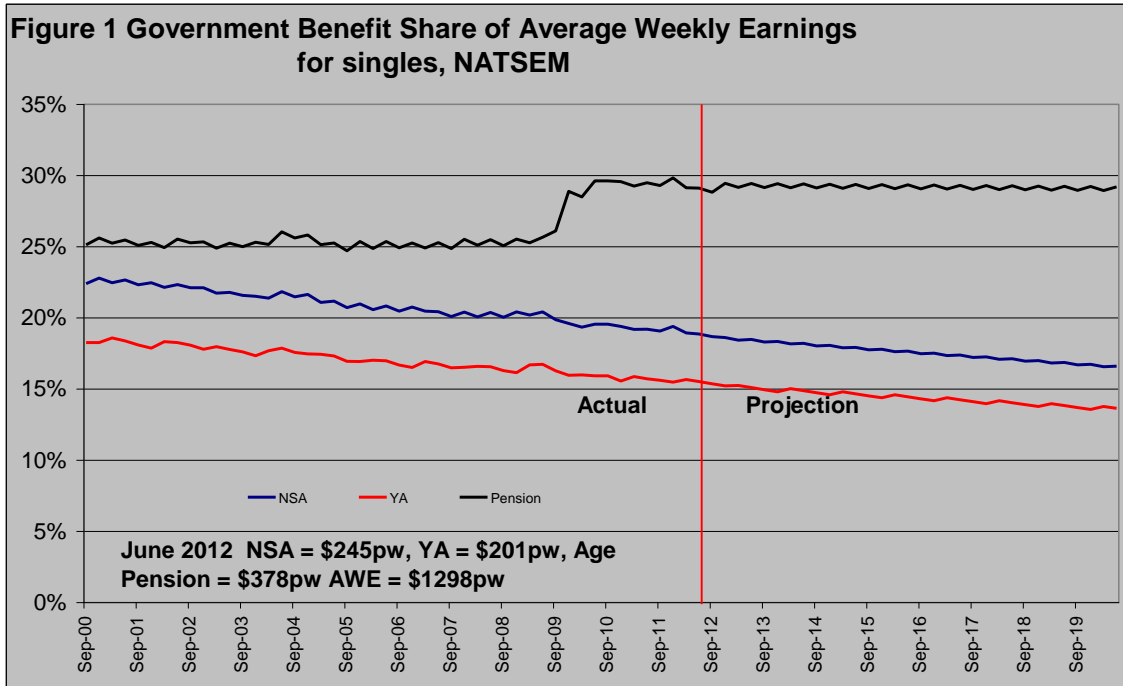
The number of recipients of these job seeker allowances has shrunk dramatically since the last recession in Australia in 1990. Over the past decade and a half the share of the labour force on these payments has declined from around 9.5 per cent to less than 5.5 per cent (see Figure 2). The global financial crisis at the end of last decade momentarily increased both the number and share of the population on these allowances, however, both the absolute number and share have declined in recent years.

---

<sup>3</sup> Up to \$60.10 per week is available as rent assistance depending upon individual circumstances and weekly rent payment levels.

<sup>4</sup> Centrelink Payments Guide, July to September 2012.

<sup>5</sup> As some tax is payable for the minimum wage in net terms the NSA share of net income increases to 44 per cent. The share of after-tax average weekly earnings is 24 per cent.



## PROFILING ALLOWEES IN AUSTRALIA

Table 1 displays the household type distribution by the main source of income. In profiling households the table splits the main source of income into the standard categories of wages and salaries, business income, ‘other’ income and government benefit income. For government benefit income we further split this category into job seeker allowances and other government payments. Other government payments are dominated by aged and disability support pensions. In addition to

the main source of income groups we have split out households with any job seeker allowance income. This group was split out as many job seekers live in households where their allowance income is not the main source of income.

In this report the household was chosen as the unit of analysis. The household, as defined by the ABS is the statistical unit within a dwelling where persons share resources and expenses.

Table 1 shows that around 57.1 per cent of job seeker allowee households belong to lone person households. This is more than twice the all households share of 24.5 per cent and a higher share than any other main source of income household. Across all households, around 52 per cent of households are either couples with children or couple only. For job seeker households only 16 per cent are in a couple. The broader definition of NSA/YA category shows a similar distribution except that a larger share belong to the 'other' category which is mostly made up of households with multiple 'families' such as group households and other mixed families.

**Table 1 - Household Type, December 2011**

|  | Main Source of Income  |                      |                     |                    |          |                   | All       |
|--|------------------------|----------------------|---------------------|--------------------|----------|-------------------|-----------|
|  | Has NSA/non-student YA | YANSA as main income | Other Govt Payments | Wages and salaries | Business | Other/Self-funded |           |
| <b>%</b>                               |                        |                      |                     |                    |          |                   |           |
| <i>Couple only</i>                     | 11.6                   | 8.8                  | 30.2                | 22.7               | 27.0     | 41.5              | 26.2      |
| <i>Couple family with children</i>     | 13.3                   | 7.2                  | 7.1                 | 35.7               | 37.9     | 8.7               | 26.1      |
| <i>One parent family with children</i> | 7.7                    | 9.6                  | 12.4                | 4.2                | 2.6      | 3.1               | 6.1       |
| <i>Lone person households</i>          | 30.8                   | 57.1                 | 40.0                | 16.4               | 19.6     | 35.3              | 24.5      |
| <i>Other</i>                           | 36.6                   | 17.2                 | 10.3                | 21.0               | 12.9     | 11.5              | 17.2      |
| <i>All</i>                             | 100.0                  | 100.0                | 100.0               | 100.0              | 100.0    | 100.0             | 100.0     |
| <b>Number</b>                          |                        |                      |                     |                    |          |                   |           |
| <i>Couple only</i>                     | 65,000                 | 15,000               | 612,000             | 1,149,000          | 131,000  | 345,000           | 2,244,000 |
| <i>Couple family with children</i>     | 74,000                 | 12,000               | 145,000             | 1,803,000          | 183,000  | 72,000            | 2,238,000 |
| <i>One parent family with children</i> | 43,000                 | 16,000               | 252,000             | 213,000            | 13,000   | 25,000            | 519,000   |
| <i>Lone person households</i>          | 172,000                | 94,000               | 812,000             | 828,000            | 95,000   | 294,000           | 2,096,000 |
| <i>Other</i>                           | 204,000                | 28,000               | 209,000             | 1,062,000          | 62,000   | 95,000            | 1,469,000 |
| <i>All</i>                             | 557,000                | 165,000              | 2,030,000           | 5,057,000          | 483,000  | 832,000           | 8,567,000 |

Source: ABS SIH/STINMOD11

Table 2 shows the resources available to different households through income. Income is summarised in a number of different measures. Disposable income nets off tax and medicare paid from total income from all sources<sup>6</sup>. Comparing disposable income can be misleading as different household types usually share this resource amongst different sized households. To overcome this equivalised income is derived to compare incomes on a *per adult* basis<sup>7</sup>.

Table 2 shows that NSA/YA (main source) households have incomes substantially lower than any other household type. The typical NSA/YA (main source) household survive on just \$305 per week

<sup>6</sup> Income from all sources includes wages and salaries, bonuses, non-cash benefits, investment income, government benefits (including Commonwealth Rent Assistance), business profit/loss, child support, workers compensation, and superannuation income.

<sup>7</sup> In this report the modified OECD equivalence scale is applied to income. A value of 1 is given for the first adult, 0.5 for subsequent adults and 0.3 for each child under 15.

(\$302 equivalised per week) or about \$15,900 per year. This compares to the typical disposable income of all households of around \$1,213 per week (\$706 equivalised). Other government beneficiary household's typical equivalised incomes are substantially higher than NSA/YA households at \$426 per week<sup>8</sup>.

Considerable differences exist between the housing costs of different income source households. Pensioner households tend to have very low housing costs as many own their own house outright while wage and salary households often have large mortgages. Subtracting housing costs from disposable income provides an alternative measure of disposable incomes. After housing costs, the typical NSA/YA household has only \$242 per week leftover. This compares poorly with other beneficiary households who have \$503 per week leftover. After equivalising, the NSA/YA households have 49 per cent less income than other beneficiary households.

The households that have at least some NSA/YA income tend to be in a better financial position than those households where the NSA/YA income is the main source of income. According to Table 2 their equivalised after-housing income is around double that of the main source NSA/YA households and similar to other government beneficiary homes. This group is made up of a heterogenous mix of households where there are often a number of *income units* and considerable income is derived from private sources<sup>9</sup>. It is difficult to draw definitive conclusions on the financial positions of the NSA/YA individuals within these households, although the evidence does suggest their financial position is somewhat higher than households where the main source of income is NSA/YA.

**Table 2 Household Income, December 2011**

|                                   | <i>Private<br/>Income</i> | <i>Government<br/>Transfers</i> | <i>Disposable<br/>Income</i> | <i>Equivalised<br/>Disposable<br/>Income</i> | <i>Disposable<br/>Income<br/>After-Housing</i> | <i>Disposable<br/>Income<br/>After-Housing<br/>Equivalised</i> | <i>Rent/<br/>Mortgage</i> |
|-----------------------------------|---------------------------|---------------------------------|------------------------------|--|--|--|---------------------------|
|                                   | <i>mean/wk</i>            | <i>mean/wk</i>                  | <i>median/wk</i>             | <i>median/wk</i>                             | <i>median/wk</i>                               | <i>median/wk</i>   | <i>mean/wk</i>            |
| <i>Has NSA/non-student YA</i>     | \$812                     | \$490                           | \$927                        | \$452  | \$769  | \$378  | \$203                     |
| <b>Main Source of Income</b>      |                           |                                 |                              |  |  |  |                           |
| <i>YANSA as main income</i>       | \$90                      | \$316                           | \$305                        | \$302  | \$242  | \$195  | \$126                     |
| <i>Other Govt Payments</i>        | \$104                     | \$542                           | \$567                        | \$426  | \$503  | \$381  | \$79                      |
| <i>Wages and salaries</i>         | \$2,239                   | \$96                            | \$1,687                      | \$901  | \$1,379  | \$732  | \$319                     |
| <i>Business</i>                   | \$1,799                   | \$101                           | \$1,207                      | \$679  | \$1,014  | \$580  | \$251                     |
| <i>Other/Self-funded Retirees</i> | \$1,300                   | \$93                            | \$801                        | \$606  | \$728  | \$586  | \$63                      |
| <i>All</i>                        | \$1,576                   | \$206                           | \$1,213                      | \$706  | \$982  | \$585  | \$230                     |

Source: ABS, STINMOD11

The tenure type of Australian households has remained relatively stable for several decades with home ownership dominating. Table 3 shows that around two in three households in Australia are

<sup>8</sup> The measure used to determine the *Typical* value is the median.

<sup>9</sup> The income unit is the statistical unit the ABS uses to define a group of people who share income within a household.

either owned outright or are being purchased<sup>10</sup>. 36.7 per cent of NSA/YA households rent from private landlords while a further 15.3 per cent rent in public housing. Rental accommodation is the most prevalent amongst allowance households while the rest of Australia is dominated by home ownership. For other government beneficiaries the dominant tenure is outright ownership. This explains why their housing costs tend to be, on average, much lower than other household types.

**Table 3 Tenure Type, December 2011**

| Housing tenure<br>%  | Main Source of Income      |                         |                        |                       |          |                                | All       |
|----------------------|----------------------------|-------------------------|------------------------|-----------------------|----------|--------------------------------|-----------|
|                      | Has NSA/non-<br>student YA | YANSA as<br>main income | Other Govt<br>Payments | Wages and<br>salaries | Business | Other/Self-<br>funded Retirees |           |
| Owner outright       | 28.1                       | 28.4                    | 48.0                   | 20.8                  | 27.1     | 60.2                           | 31.6      |
| Purchaser            | 23.7                       | 10.4                    | 8.4                    | 48.8                  | 46.8     | 10.1                           | 34.6      |
| Renting – Government | 10.3                       | 15.3                    | 11.8                   | 1.2                   | 0.9      | 0.4                            | 3.9       |
| Renting – Private    | 32.3                       | 36.7                    | 21.4                   | 24.8                  | 19.8     | 8.1                            | 22.3      |
| Other                | 5.6                        | 9.1                     | 10.4                   | 4.4                   | 5.3      | 21.2                           | 7.6       |
| All                  | 100                        | 100                     | 100                    | 100                   | 100      | 100                            | 100       |
| <b>Number</b>        |                            |                         |                        |                       |          |                                |           |
| Owner outright       | 157,000                    | 47,000                  | 974,000                | 1,054,000             | 131,000  | 501,000                        | 2,707,000 |
| Purchaser            | 132,000                    | 17,000                  | 171,000                | 2,466,000             | 226,000  | 84,000                         | 2,965,000 |
| Renting – Government | 57,000                     | 25,000                  | 240,000                | 58,000                | 5,000    | 3,000                          | 332,000   |
| Renting – Private    | 180,000                    | 61,000                  | 434,000                | 1,256,000             | 96,000   | 67,000                         | 1,913,000 |
| Other                | 31,000                     | 15,000                  | 210,000                | 223,000               | 25,000   | 177,000                        | 650,000   |
| All                  | 557,000                    | 165,000                 | 2,030,000              | 5,057,000             | 483,000  | 832,000                        | 8,567,000 |

Source: STINMOD11

The educational attainment of persons on NSA and job seeker YA is not as high as that of the rest of the working age population. At the person level, Table 4 shows that 10.6 per cent of NSA/YA persons have a bachelor's degree or higher compared with 23 per cent for all persons of working age. Conversely, 35.4 per cent of NSA/YA recipients have progressed no further than year 10 compared with 23.4 per cent of the working age population.

**Table 4 Educational Status, Persons Aged 15 to 64**

|                  | NSA/non-<br>student YA | All Persons 15 to<br>64 years old |
|------------------|------------------------|-----------------------------------|
| Higher Education | 10.6%                  | 23.0%                             |
| Technical/Trade  | 25.5%                  | 27.9%                             |
| Year 12          | 20.8%                  | 18.4%                             |
| Year 11          | 7.6%                   | 7.3%                              |
| Year 10 or less  | 35.4%                  | 23.4%                             |

Source: ABS SIH 2009-10

Table 5 shows that the proportion of NSA/YA persons with some earned income, defined as either employee income or business income, is 23 per cent compared with the working age population's 70.3 per cent. The average earned income for those persons on NSA/YA is \$81 per week compared

<sup>10</sup> The underlying survey data estimates a slightly higher proportion, however the STINMOD population includes the non-private dwelling population as separate households which reduces the overall ownership rate.

to the working age population average of \$729 per week. Of those with earned incomes the disparity is less with the NSA/YA population earning \$354 per week compared to \$1,006 per week for the working age population.

**Table 5 Earned Income, Persons Aged 15 to 64**

|                                      | <i>NSA/non-student YA</i> | <i>All Persons 15 to 64 years old</i> |
|--------------------------------------|---------------------------|---------------------------------------|
| %                                    | 23.0%                     | 70.3%                                 |
| Average Income (\$/wk)               | 81                        | 729                                   |
| Average Income (conditional) (\$/wk) | 354                       | 1,006                                 |

Source: ABS SIH 2009-10

## DEPRIVATION AND FINANCIAL STRESS AND ALLOWEES

The ABS Household Expenditure Survey (HES) asks households a series of questions aimed to describe deprivation and financial stress. The deprivation questions asked householders about six measures of deprivation and nine measures of financial stress. These indicators offer a direct measure of households with poor economic outcomes. Various responses were possible but Table 6 provides the share of households that identified the 'cannot afford' response to these questions.

**Table 6 Household Deprivation and Financial Stress**

|  | % Reason given - cannot afford |                      |                    |                    |      |
|--|--------------------------------|----------------------|--------------------|--------------------|------|
|  | Has NSA/non-student            | YANSA as main income | Other Govt Payment | Wages and salaries | All  |
| <b>Deprivation</b>   |                                |                      |                    |                    |      |
| 1 Reason household does not have holiday away from home for at least one week a year | 57.0                           | 69.5                 | 41.4               | 20.9               | 25.4 |
| 2 Reason household does not have a night out once a fortnight                        | 41.7                           | 56.6                 | 33.3               | 14.5               | 19.1 |
| 3 Reason household does not have friends or family over for a meal once a month      | 22.4                           | 33.9                 | 16.0               | 4.2                | 7.3  |
| 4 Reason household does not have a special meal once a week                          | 31.4                           | 41.5                 | 24.7               | 8.7                | 12.7 |
| 5 Reason household members buy second hand clothes most of the time                  | 28.3                           | 39.6                 | 22.4               | 7.3                | 11.1 |
| 6 Reason household members do not spend time on leisure or hobby activities          | 28.3                           | 38.9                 | 22.5               | 7.3                | 11.1 |
| % no deprivation (can't afford)  | 33.1                           | 19.6                 | 47.6               | 69.9               | 65.3 |
| % greater than 3 deprivations (can't afford)   | 26.3                           | 35.7                 | 20.1               | 4.8                | 8.7  |
| <b>Financial Stress</b>  |                                |                      |                    |                    |      |
| 1 Household spends more money than it gets   | 24.6                           | 39.1                 | 16.8               | 13.4               | 14.9 |
| 2 Could not raise \$2000 within a week   | 41.4                           | 57.6                 | 26.4               | 10.7               | 14.4 |
| 3 Could not pay electricity on time  | 26.1                           | 35.9                 | 17.1               | 12.0               | 12.5 |
| 4 Could not pay registration/insurance on time                                       | 11.3                           | 14.6                 | 6.0                | 5.0                | 5.0  |
| 5 Pawned or sold something   | 7.4                            | 13.2                 | 4.5                | 2.2                | 2.7  |
| 6 Went without meals   | 11.5                           | 16.5                 | 6.2                | 2.1                | 3.2  |
| 7 Could not afford to heat home  | 7.8                            | 13.5                 | 4.8                | 0.8                | 1.9  |
| 8 Sought assistance from welfare/community organisations                             | 12.9                           | 24.3                 | 6.4                | 1.3                | 2.8  |
| 9 Sought financial help from friends/family  | 22.0                           | 33.1                 | 10.9               | 7.3                | 8.0  |
| % no financial stress  | 38.1                           | 19.6                 | 57.8               | 72.0               | 68.6 |
| % 3 or more financial stressors  | 26.6                           | 45.4                 | 14.9               | 7.0                | 8.8  |
| % 6 or more financial stressors  | 6.3                            | 10.6                 | 2.6                | 0.9                | 1.4  |

Source: HES 2009-10

For the deprivation measures financial pressures are most likely to be the reason for households being unable to take an annual holiday (25.4 per cent) or have a night out once a fortnight (19.1 per cent). For the remaining deprivation measures between 7.3 per cent and 12.7 per cent identify financial constraints for the deprivation.

Financial reasons for deprivation are much more prevalent amongst households with NSA/YA compared to the rest of the population. More than one in three NSA/YA households identify at least three measures of deprivation compared with only 8.7 per cent of all households and around one in five of other government beneficiary households.

Of the nine financial stress measures, more than two in three households do not identify any financial stressors while only 19.6 per cent of NSA/YA households experience none of the identified financial stressors. Disturbingly, 16.5 per cent of NSA/YA households went without meals due to financial constraints compared with just 3.2 per cent for all households. 13.5 per cent of NSA/YA households could not afford to heat their home compared to 1.9 per cent of all households. The NSA/YA households experience vastly more financial stress than other government payment households with 10.6 per cent identifying at least 6 financial stressors compared to just 2.6 per cent for other government beneficiary households and 1.4 per cent for all households.

Housing stress is clearly shown to be much more prevalent amongst NSA/YA (main source) households where 49.4 per cent of households pay more than 30 per cent of their disposable income on housing (Table 7). Overall, housing stress rates are found to affect 21.9 per cent of households. Households with some NSA/YA income have housing stress rates higher than the all household average at 31.5 per cent. The table also shows a strong relationship between an increased number of deprivation and/or financial stress factors and housing stress.



**Table 7 Housing Stress**

| Housing Stress (30% only measure)             | Housing Stress |           |
|---|----------------|-----------|
|   | %              | Number    |
| Has NSA/non-student YA income                 | 31.5           | 90,000    |
| <i>Main Source of Income</i>                  |                |           |
| NSA/YA  | 49.4           | 57,000    |
| Other Government Benefits                     | 19.5           | 392,000   |
| Wages and Salaries                            | 22.5           | 1,159,000 |
| Business                                      | 33.7           | 134,000   |
| Other Government Benefits                     | 13.0           | 89,000    |
| All Households                                | 21.9           | 1,829,000 |
| <b>Deprivation and Housing Stress</b>         |                |           |
| 0 measures                                    | 17.4           | 945,000   |
| 3+ measures                                   | 34.6           | 390,000   |
| <b>Financial Stressors and Housing Stress</b> |                |           |
| 0 measures                                    | 17.4           | 997,000   |
| 3+ measures                                   | 37.5           | 276,000   |
| 6+ measures                                   | 43.9           | 51,000    |

Source: ABS HES

## EXPENDITURE ANALYSIS OF ALLOWEES AND OTHER HOUSEHOLDS

Table 8 compares the household expenditure patterns of the main source of income households. The classification of expenditure items follows the AMP.NATSEM's cost of living report *Prices These Days!* The household expenditure items are split into three categories: 1) basics, 2) relative necessities and 3) discretionary items. The basics group consisted of items that are essential for survival such as shelter, basic foods, clothing, health, energy and water and public transport. The relative necessities are items that while not necessary for survival are necessary to remain engaged with society. These items include mobile phones, internet access, computers, child care and televisions. Discretionary items are the non-essentials such as restaurant meals, prepared foods, airfares, holiday travel and alcohol and tobacco.

We find that NSA/YA households spend 63.9 per cent of disposable income on these basic items. Other government beneficiary households spend 50.7 per cent, while the all household's average is 34.2 per cent.

Table 8 also shows that NSA/YA households spend 121.7 per cent of their income implying a large degree of dissaving during their time on unemployment benefits.

**Table 8 Household Expenditure Patterns**

|  | <i>Basics Share</i> | <i>Expenditure Share</i> | <i>Housing</i> | <i>Food</i>  | <i>Clothing</i> | <i>Health</i> | <i>Transport</i> | <i>Utilities</i> | <i>Other Items</i> |
|--|---------------------|--------------------------|----------------|--------------|-----------------|---------------|------------------|------------------|--------------------|
| <b>Share of Disposable Income</b>                              |                     |                          |                |              |                 |               |                  |                  |                    |
| NSA/YA as main income  | 63.9%               | 121.7%                   | 35.3%          | 22.7%        | 3.5%            | 4.1%          | 11.1%            | 7.3%             | 37.7%              |
| Other Government benefits                                      | 50.7%               | 105.9%                   | 18.7%          | 20.1%        | 2.5%            | 9.1%          | 14.5%            | 6.0%             | 35.1%              |
| Wages and salaries   | 32.4%               | 80.1%                    | 14.9%          | 12.6%        | 2.4%            | 4.1%          | 13.4%            | 2.8%             | 29.8%              |
| Business   | 34.4%               | 85.5%                    | 15.5%          | 13.8%        | 2.7%            | 5.1%          | 10.9%            | 3.3%             | 34.2%              |
| Other  | 29.7%               | 86.3%                    | 9.3%           | 12.5%        | 2.6%            | 5.9%          | 11.9%            | 3.2%             | 40.8%              |
| <i>All</i>   | <i>34.2%</i>        | <i>83.5%</i>             | <i>14.9%</i>   | <i>13.4%</i> | <i>2.4%</i>     | <i>4.8%</i>   | <i>13.3%</i>     | <i>3.2%</i>      | <i>31.5%</i>       |
| <b>Spend per week (equivalised or per person in household)</b> |                     |                          |                |              |                 |               |                  |                  |                    |
| NSA/YA as main income  | \$210               | \$400                    | \$116          | \$75         | \$11            | \$13          | \$37             | \$24             | \$124              |
| Other Government benefits                                      | \$220               | \$459                    | \$81           | \$87         | \$11            | \$39          | \$63             | \$26             | \$152              |
| Wages and salaries   | \$349               | \$862                    | \$160          | \$136        | \$26            | \$45          | \$145            | \$31             | \$321              |
| Business   | \$340               | \$846                    | \$153          | \$137        | \$26            | \$50          | \$108            | \$33             | \$338              |
| Other  | \$316               | \$916                    | \$99           | \$133        | \$27            | \$62          | \$127            | \$34             | \$433              |
| <i>All</i>   | <i>\$319</i>        | <i>\$779</i>             | <i>\$139</i>   | <i>\$125</i> | <i>\$23</i>     | <i>\$45</i>   | <i>\$124</i>     | <i>\$30</i>      | <i>\$294</i>       |

Source: ABS HES - updated to June 2012 using ABS CPI and average weekly earnings for disposable income

A standout expenditure area for NSA/YA households is housing where they devote 35.3 per cent of disposable compared to the all households average of just 14.9 per cent. The NSA/YA share is significantly higher than any other household type by main source of income.

Compared to other household types, NSA/YA households devote a larger share of income to food, clothing and utilities but a lower share to health and transport.

After taking into account expenditure on basics in Table 8 NSA/YA households have, on average, \$22 per day remaining, compared to \$44 per day for other government beneficiaries and \$188 per day for wage and salary households<sup>11</sup>.

<sup>11</sup> Derived from subtracting basics expenditure from disposable income.

## POVERTY ANALYSIS AND ALLOWEES

Across Australia, around 13.8 per cent of households live in poverty<sup>12</sup>. This equates to around 2.7 million persons. The poverty rate is effectively unchanged through the last decade<sup>13</sup>.

Table 9 shows that the main income source group with by far the highest rate of poverty is the NSA/YA group at 75.3 per cent. Those households with some NSA/YA also have a high poverty rate of 43.5 per cent. Other government beneficiary households also have relatively high poverty rates at 27.8 per cent.

While the poverty rates in Table 9 mostly show an increase between 2000-01 and 2009-10 only the NSA/YA category is higher using statistical significance testing. The poverty rate for NSA/YA households increased during this period from 63.9 per cent to 75.3 per cent. The households with some NSA/YA increased from 38.2 per cent to 43.5 per cent in poverty which is not quite significant at the 90 per cent statistical level.

---

<sup>12</sup> The poverty rate chosen in this report is the after-housing measure which places households with less than 50 per cent of the median equivalised after housing disposable income in poverty.

<sup>13</sup> While most categories of source of income show an increase in poverty the overall rate remains close to unchanged due a compositional shift between 2000-01 and 2009-10 to wage and salaried households which have a low poverty rate.

**Table 9 Poverty Analysis**

|                           | OECD After-housing Poverty Measure |       |           |       | Persistence |       |
|---------------------------|------------------------------------|-------|-----------|-------|-------------|-------|
|                           | Households                         | %     | Persons   | %     | Households  | %     |
| <i>2009-10</i>            |                                    |       |           |       |             |       |
| <i>Some NSA/YA</i>        | 120,000                            | 43.5% | 239,000   | 33.8% | 69,000      | 25.0% |
| <b>Main Source Income</b> |                                    |       |           |       |             |       |
| NSA/YA                    | 98,000                             | 75.3% | 152,000   | 65.3% | 61,000      | 46.8% |
| Other Government Benefits | 552,000                            | 27.8% | 1,267,000 | 31.6% | 458,000     | 23.1% |
| Wages and salaries        | 301,000                            | 5.9%  | 875,000   | 6.0%  | 51,000      | 1.0%  |
| Business                  | 75,000                             | 18.5% | 195,000   | 17.4% | 21,000      | 5.2%  |
| Other                     | 128,000                            | 17.8% | 227,000   | 15.9% | 75,000      | 10.4% |
| All                       | 1,154,000                          | 13.8% | 2,716,000 | 12.7% | 667,000     | 8.0%  |
| <i>2000-01</i>            |                                    |       |           |       |             |       |
| <i>Some NSA/YA</i>        | 157,000                            | 38.2% | 382,000   | 33.0% |             |       |
| <b>Main Source Income</b> |                                    |       |           |       |             |       |
| NSA/YA                    | 129,000                            | 63.9% | 272,000   | 60.0% |             |       |
| Other Government Benefits | 510,000                            | 27.2% | 1,112,000 | 30.0% |             |       |
| Wages and salaries        | 167,000                            | 4.0%  | 499,000   | 4.2%  |             |       |
| Business                  | 70,000                             | 15.1% | 213,000   | 15.3% |             |       |
| Other                     | 114,000                            | 21.5% | 238,000   | 23.0% |             |       |
| All                       | 991,000                            | 13.7% | 2,334,000 | 12.6% |             |       |

Source: ABS SIH 2009-10

Note: Results exclude negative and zero income households

Source: ABS Survey of Income and Housing, 2000-01, 2005-06, 2009-10

An important question for poverty analysis is the degree of persistence. This study estimated the persistence of poverty using the ABS Survey of Income and Housing. Table 9 shows that 8 per cent of households remain in poverty through a two year period<sup>14</sup>. 46.8 per cent of NSA/YA households remain in poverty for at least two years while 25 per cent of households with some NSA/YA remain in poverty for at least two years. 23.1 per cent of other government beneficiaries remain in poverty through at least two years.

Table 10 profiles poverty in Australia. None of these broad categories exhibit poverty at rates close to those experienced by the NSA/YA group. Poverty rates are highest for single parents and lone person households. Couple families with or without kids and

<sup>14</sup> The ABS SIH provides the current and previous year's disposable income which implies poverty persistence relates to 2008-09 and 2009-10. The income measure in the previous year is based on annual disposable income while the current year relates to weekly disposable income. This is perhaps not ideal, however the poverty persistence rates are very close to the aggregate rates estimated from the HILDA survey (Wilkins and Warren 2012). For the fine grained analysis in Table 10 the 2009-10 ABS SIH offers a much larger sample and robust results compared to the HILDA survey. For HILDA poverty results see Figure 7.1 and Table 7.1  
[http://melbourneinstitute.com/downloads/hilda/Stat\\_Report/statreport-v7-2012.pdf](http://melbourneinstitute.com/downloads/hilda/Stat_Report/statreport-v7-2012.pdf)

group households all experience relatively less poverty. In terms of sheer numbers couple families with kids have the greatest number of persons in poverty, however, this is a function of their relative size in the population rather than their relative risk of poverty.

Poverty rates are much higher for renter households. 21.9 per cent of private renter households are in poverty, while 47.9 per cent of public housing households are in poverty. These figures are in stark contrast to purchaser households (10.9 per cent) and 7.2 per cent for outright owners.

New South Wales (NSW) has the highest incidence of poverty at 15.6 per cent of households. The higher rate of poverty in NSW is mostly driven by the high cost of housing in NSW. While not reported in Table 10, the *before* housing poverty rate in NSW is 12.7 per cent compared to the all states 11.6 per cent. The lowest rates of poverty are found in the combined ACT and NT with a poverty rate of 7.7 per cent. There is little difference in poverty rates between the state capitals and the regions. This result is likely driven by higher incomes in the capital cities but also higher housing costs which after-housing poverty rates account for. Past analysis of regional poverty at a smaller regional level does find significant variation in poverty rates (Lloyd 2001).

**Table 10 Poverty Profiling Australia**

| <i>Equivalised after-housing<br/>Disposable income</i> | <b>OECD After-housing Poverty Measure</b> |       |           |       |
|--|---|-------|-----------|-------|
|  | Households                                | %     | Persons   | %     |
| <b>Family type</b>                                     |   |       |           |       |
| Couple/kids  | 257,000                                   | 11.8% | 1,079,000 | 12.9% |
| Single Parents   | 147,000                                   | 29.0% | 478,000   | 30.7% |
| Couple only  | 193,000                                   | 8.8%  | 386,000   | 8.8%  |
| Lone Person  | 448,000                                   | 22.1% | 448,000   | 22.1% |
| Group Household  | 28,000                                    | 10.0% | 69,000    | 9.8%  |
| Other  | 80,000                                    | 6.9%  | 256,000   | 6.8%  |
| <b>Tenure Type</b>                                     |   |       |           |       |
| Own Outright   | 196,000                                   | 7.2%  | 363,000   | 6.2%  |
| Purchaser  | 328,000                                   | 10.9% | 988,000   | 10.7% |
| Private Renter   | 454,000                                   | 21.9% | 1,037,000 | 20.2% |
| Public Renter  | 157,000                                   | 47.9% | 294,000   | 42.1% |
| Other  | 18,000                                    | 8.7%  | 34,000    | 7.7%  |
| <b>State</b>   |   |       |           |       |
| NSW  | 419,000                                   | 15.6% | 994,000   | 14.3% |
| Victoria   | 253,000                                   | 12.1% | 641,000   | 11.9% |
| Queensland   | 238,000                                   | 14.3% | 541,000   | 12.6% |
| South Australia  | 79,000                                    | 12.1% | 166,000   | 10.4% |
| Western Australia                                      | 122,000                                   | 14.2% | 275,000   | 12.8% |
| Tasmania   | 29,000                                    | 14.3% | 60,000    | 12.3% |
| ACT/NT   | 15,000                                    | 7.7%  | 39,000    | 7.6%  |
| <b>Regional/Cap city</b>                               |   |       |           |       |
| Capital city   | 691,000                                   | 13.5% | 1,697,000 | 12.8% |
| Regional   | 462,000                                   | 14.3% | 1,019,000 | 12.6% |

Source: ABS SIH 2009-10

## REFERENCES

- ABS (2011) *Household Income and Income Distribution, Australia, 2009-10*, 6523.0, ABS
- ABS (2011) *Survey of Income and Housing, Australia, 2009-10*, Cat no. 6540.0
- ABS (2008) *Information Paper: Survey of Income and Housing, User Guide, Australia, 2007-08*, 6553.0, ABS
- ABS (2001) *Survey of Income and Housing, Australia, 1999-00*, Cat no. 6540.0
- Australian Government (2009) *Australia's future tax system*, Australian Government.
- Greenwell, H. Lloyd, R. and Harding (2001), A. *An Introduction to Poverty Measurement Issues* Discussion Paper no. 55, December 2001, NATSEM
- Henderson R. (1975) *Poverty in Australia – First Main Report April 1975*, Commission of Inquiry into Poverty, AGPS, Canberra.
- Lloyd, R., Harding, A., Greenwell, H. (2001) *Worlds Apart: Postcodes with the Highest and Lowest Poverty Rates in Today's Australia*, National Social Policy Conference 2001, Sydney.
- Phillips, B. (2012) *Prices These Days: The Cost of Living in Australia*, AMP.NATSEM Report 31, AMP-NATSEM.
- Wilkins, R. and Warren, D. (2012) A Statistical Report on Waves 1 to 9 of the Household, Income and Labour Dynamics in Australia Survey, *Families, Incomes and Jobs*, Vol. 7, Melbourne Institute of Applied Economic and Social Research, Melbourne.