Defining Poverty and Identifying the Poor: Reflections on the Australian Experience

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DEFINING POVERTY AND IDENTIFYING THE POOR

REFLECTIONS ON THE AUSTRALIAN EXPERIENCE

by Peter Saunders

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Revised version of the Plenary Address to the Conference to Mark the Centenary of Seebohm Rowntree's First Study of Poverty in York, University of York, England, 18-20 March 1998

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The series is indebted to Diana Encel for her continuing editorial contribution.

Tony Eardley
Editor

Abstract

This paper provides an overview of the historical development of poverty research in Australia, focusing on the impact of Seebohm Rowntree's first study of poverty in York, conducted one hundred years ago. It also reviews some of the recent Australian evidence on the extent of poverty and summarises the debates generated by that research. Finally, the paper discusses several developments currently in progress in the area of poverty and living standards research. These include the Adequacy Project being run within the Department of Social Security, the recent SPRC budget standards study, the Project on *Poverty in Australia* being organised by the Academy of the Social Sciences in Australia, and the proposed National Living Standards Survey being planned by the Australian Bureau of Statistics.

1 Introduction

Although Seebohm Rowntree visited Australia only briefly, he has had a profound impact on Australian poverty research. The methods developed in his first York poverty study formed the basis for the Harvester Judgement of 1907 in which Justice Higgins, President of the Arbitration Court, established a basic wage by identifying the needs of working families and costing them. Rowntree met Higgins in Australia in the mid-1920s and quoted him at the beginning of *The Human Needs of Labour* on the benefits of providing working men with 'relief from their material anxiety' (quoted in Briggs, 1961: 152).

Ronald Henderson, the founding father of Australian poverty studies, later described by Peter Kaim-Caudle as 'well on the way to becoming the Australian Beveridge' (Kaim-Caudle, 1975: 406), was allegedly prompted to establish his study of poverty in Melbourne on hearing from a colleague that there was no Australian equivalent to Rowntree on poverty (J. and D. McCaughey, 1997: 10).

In the six decades between the Harvester Judgement and Henderson's poverty study, there were several attempts to develop and cost household budgets. In 1919, a Royal Commission on the Basic Wage estimated the cost of living of 'a man with a wife and three children under fourteen years of age' to be around 50 per cent higher than Higgins' Harvester standard - an amount which, if paid to workers, would have more than absorbed the nation's entire national income at the time (Hancock, 1997).

In 1941, the Ministry of Post-War Reconstruction funded a Melbourne University Economics Professor to undertake a project on household budgets which was completed in 1945 but not published until 1952 (Prest, 1952). That study adopted the Rowntree methodology to cost budgets for a sample of Melbourne households and estimated poverty by comparing 'available income' (income after rent) with a budget that excluded housing costs (Prest, 1952, Chapter X).

Two aspects of these developments are worth emphasising: first, they illustrate that research on poverty and its measurement in Australia has a long history, involving both academic researchers and official agencies of government. Secondly, they highlight the close relationship between the analysis of poverty and wage determination which has been the central feature of Australian incomes policy for most of the last century.

The following discussion provides a flavour of the Australian poverty debate without straying too far into the esoteric technicalities that, like the columns of local newspapers, contain very little of interest (and generally even less of relevance) to anyone other than the locals. Although the discussion focuses mainly on current Australian debates and developments, many of these are common to other nations also and I hope that some of what I have to say will be of general interest.

2 Wages and Poverty

Frank Castles has captured a crucial aspect of the Australian approach to welfare and redistribution by describing its social programs as comprising a 'wage earners' welfare state' (Castles, 1985). In essence, Castles' categorises welfare development in Australia as focusing on establishing adequacy of incomes primarily through a highly centralised wage determination system, supported by tariffs and labour supply controls acting through immigration policies. With wages acting as the platform for income equality, the role of social security was to provide support on a contingent and means-tested basis to those unable to provide for themselves. Residualist social security thus developed in place of extensive (and expensive) contributory social insurance programs.

From very early this century, the idea that 'need' should play a major role in Australian income determination became widely accepted as legitimate, with the result that income was redistributed on a selective basis. The idea of contributory finance was rejected in favour of general revenue financing, while the notion that benefits should be provided universally and related to earnings was regarded as both wasteful of resources and inequitable (in that previous market-generated inequalities would thereby be maintained by the state). Far better for the state to play an active role in moderating the worst extremes of market inequality through minimum wages, income-tested social benefits and progressive taxation.

The study of Australian poverty research and policy development must therefore begin by examining the wage determination system and its interaction with the benefit system. The 1907 Harvester Judgement set the basic wage at a level of seven shillings per working day or 42 shillings per week, this amount being assessed by Justice Higgins as 'appropriate to the normal needs of the average employee regarded as a human being living in a civilised community' (Macarthy, 1969: 17).

Higgins arrived at this figure by studying the actual budgets and living costs of nine families containing between one and seven children (Macarthy, 1969, Table 2). Since the nine families contained just over three children on average, the rounded figure of 42 shillings per week was seen as applying to a family of *'about five'* - an intriguing but rather imprecise notion which was interpreted for practical purposes to refer to a family of *exactly five*, (two adults and three children).

The basic wage recommendations of the 1920 Royal Commission Report were not implemented (possibly wisely, in light of their cost!), although a proposal to automatically index the basic wage to quarterly price movements was. Subsequent work by Commission Chairman A. B. Piddington led him to propose the introduction of child endowment as a necessary complement to the basic wage, a suggestion which prompted the introduction of a modest scheme of child endowment for the federal public service (Hancock, 1997: 4), some 20 years before universal child endowment was introduced in 1941.

The basic wage continued to underpin the entire wage system until its abolition in favour of a new minimum wage (set at a higher level - Hancock, 1997: 7). This occurred in 1967, ironically the year after its adoption by Henderson and his colleagues as the basis on which their poverty line was established.

There is still an element of centralised determination of wages in the Australian system, although its role is diminishing. Its main purpose is to provide protection to those with the lowest wages in circumstances where enterprise bargaining is becoming the norm in an increasingly fragmented labour market characterised by declining real wages for the low-paid and greater dispersion of earnings generally (Borland, 1997).

In 1997, the Australian Council of Trade Unions (ACTU) submitted a 'living wage' claim to the Australian Industrial Relations Commission which argued that the 'needs of workers' should be reflected in the determination of wages. The ACTU Submission did not specifically argue that the Henderson poverty line should form the basis for a living wage, although they did accept that some form of external needs-based adequacy standard was required.

One possibility utilised in the ACTU Submission relied on the analysis of data from the Household Expenditure Survey. This approach was rejected by the Commission on the grounds that attempting to infer needs from actual expenditure patterns is inherently circular in its reasoning.

The Commission (or at least its Deputy President at the time) also rejected the possibility of translating needs into wage outcomes by developing benchmarks for income adequacy. Such a proposal was seen as being both 'at odds with logic and ignores historical experience' (Hancock, 1997: 15), it being argued instead that the needs of the low paid would best be met by granting them larger wage increases than other workers.

In its decision in the 1997 living wage case, the Commission awarded a new federal minimum wage of A$359.40: a level considerably above the 1967 basic wage adjusted for movements in consumer prices, but well below what would have resulted from indexing it to movements in average earnings (Hancock, 1997).

3 Henderson Poverty

The above discussion of the wages debate highlights the on-going role of the current poverty line in Australia. Although never officially endorsed by government, the poverty line developed by Henderson and his Melbourne colleagues in the 1960s and reaffirmed by the Poverty Commission a decade later, has proved to be of enduring value and impact.

The original Melbourne research itself was primarily privately funded, with contributions from charitable foundations and industry, supplemented by grants from the Australian Research Council and the

Social Science Research Council. Henderson himself also contributed a small amount.

The research results received very wide publicity throughout the Australian media when they were first released and this was followed by a carefully planned and coordinated release of further findings designed to generate additional publicity in academic, policy and media circles. This aspect of the study illustrates how a piece of well-conceived and timely but independent social research can, through carefully explained dissemination of its findings and implications, have a major impact on the public's awareness of the issues and thus mobilise the support necessary for political action.

The emphasis of the Melbourne survey was on identifying the extent of poverty due to inadequate income: inadequate in the sense of income being low relative to need. This was (and often still is) criticised for being too narrow a conception of poverty, although it made sense as part of a broader strategy to generate pressures for wages and social benefit levels to be increased. Poverty was measured using an austere poverty line and the study was crucial in raising public awareness about the nature and extent of poverty in Australia (Roe, 1976).

In adopting virtually the same approach, the Poverty Commission justified its emphasis on primary poverty on the grounds of both practicality and significance. In the words of the Commission:

> ... an adequate income is fundamental to a person's security, well-being and independence. It enables him to provide housing, education, food, transport and other essentials for himself and his family. An adequate income allows him freedom of choice and freedom to participate in activities of his choice. It contributes greatly to personal freedom and the extent of opportunities available. (Commission of Inquiry into Poverty, 1975: 2)

Although many aspects of the Poverty Commission's 1975 Report *Poverty in Australia* have been subject to criticism, its impact has been considerable. More than two decades after its publication, the methods it developed to measure poverty still influence the collection of data on household incomes and are still used to estimate poverty. The problems identified in the Report as causing primary poverty in the 1970s - too few job opportunities and inadequate levels of income support - continue to be significant causes of poverty in Australia in the 1990s, and the Henderson poverty line continues to be used to pressure those responsible for determining basic income levels.

One criticism of the Henderson approach is that by focusing on the detailed operation of income support and related policies, broader questions surrounding the meaning and causes of poverty have become submerged in the debates over the statistics. This is despite the fact that the Poverty Commissioners themselves argued that:

> If poverty is seen as a result of structural inequality within society, any serious attempt to eliminate poverty must seek to change those conditions which produce it. Although individual members of society are reluctant to accept responsibility for the existence of poverty, its continuance is a judgment on the society which condones the conditions causing poverty. (Commission of Inquiry into Poverty, 1975: viii)

In adopting a narrow approach to the measurement of primary poverty, Henderson was in good company. Beveridge also focused on the details rather than the overall structure, yet it is difficult to claim that his work has not affected the structure of British society. The fact that this cannot be said of Henderson is primarily due to the differences in the circumstances and economic prospects of Britain in the mid-1940s and Australia in the mid-1970s.

Although the poverty line used by the Poverty Commission continues to be updated and used as the basis for estimating poverty, its validity has been increasingly called into question. As implied earlier, Henderson originally set the poverty line in 1966 equal to the basic wage plus child endowment for a reference family of two adults and two children. However, it was emphasised that poverty was explicitly relative and that the poverty line should be updated in line with average earnings. This was endorsed by the Poverty Commission, whose reference family poverty line was set at the same fraction (56.5 per cent) of average weekly earnings.

Over time, those updating the poverty line initially maintained this relativity with earnings, although this was criticised in the late 1970s because fiscal drag arising from the interaction between high inflation and a progressive income tax structure meant that the poverty line rose relative to the after-tax income of the average worker. As a consequence, it was agreed in 1981 that the basis for indexing the poverty line would change towards adjustment in line with household disposable income per capita, a measure which allowed for the impact of income tax but also of changes in non-wage income and population growth.

More recently, the use of the new updating index has itself been criticised on the grounds that the household income measure includes several components that are not picked up in the income distribution surveys used as the basis for estimating poverty. These include imputed rental income from dwellings and imputed interest on superannuation, both of which have grown more rapidly than incomes generally (fuelled by a buoyant housing market and the growth in occupational superannuation), leading to an upward bias in the poverty line adjustment. In addition, changes in labour force participation have caused the growth of the population of ‘equivalent adults’ under the Henderson methodology to exceed actual population growth, leading to a further upward bias in the updating procedures.

The net impact of these two effects has not been insubstantial. Between 1972-73, when the Poverty Commission’s poverty line was set, and 1992-93, their combined cumulative impact has been of the order of 15 per cent, or just under one per cent a year on average (Saunders, 1996). The size of the impact will differ between different groups (particularly between those at different points in the life cycle), so that they are likely to have a marked impact on the overall poverty rate and on the composition of the poor.

Perhaps of greater significance, the fact that a possible upward bias in the poverty statistics may exist has taken the pressure off government. As some commentators have observed:

> Disagreement over the measurement of trends in poverty has been most helpful to those who wish to see poverty kept off the policy agenda. (Manning and de Jonge, 1996: 354)

One way of removing the effects referred to above would be to expand the concept of income that is measured in household income surveys rather than revise the poverty line methodology. This would be desirable in its own right, although the practical problems are considerable.

However, the debate has raised the whole question of the changing meaning and measurement of income, how these have changed and what consequences this has had for the measurement of poverty. One of the most significant developments that has occurred in Australia since the early 1980s has been associated with the expanding role of the non-cash ‘social wage’, that is, government benefits in the form of free or subsidised health, education, housing and welfare services.

In the decade to 1994, the average value of social wage benefits for all households increased by almost 63 per cent - well above the increase in prices and cash incomes. For households principally reliant on government cash benefits, the average value of social wage benefits more than doubled in absolute terms and increased as a percentage of disposable income from 52 per cent to 63 per cent (King, 1997, Figure 7).

More recently, the trend has been towards further targeting of social wage benefits to low income households and increased reliance on user pays by the middle class, both of which would result in less measured poverty if they were incorporated into the poverty estimates. Against this, it is important to acknowledge that the social wage provides households with a notional ‘income’ that is conditional upon their use of services over which they have little or no effective choice. Free health care benefits may help to make the poor less sick, but not necessarily less poor. As Manning and de Jonge have noted:

> Social security and the social wage are inherently unsatisfactory as income sources for people who would rather earn their own living, particularly when

> everybody else would also prefer that they were doing so. (Manning and de Jonge, 1996: 356)

Aside from this, incorporating the social wage into the Henderson poverty framework would not be easy and would raise many difficult conceptual problems in addition to those associated with the measurement of income and of need. What these problems suggest, however, is that the case for revising the Henderson poverty framework (or at least supplementing it with other measures) may be becoming more compelling as traditional forms of income receipt are supplemented by new ones.

Some interesting insight into the traditional poverty literature can be gained if, instead of using ABS income distribution data to estimate poverty, data from the Household Expenditure Survey (HES) are also used. The HES data have the advantage that they include information on both income and expenditure, so that it is possible to distinguish between poverty measures derived from income, which measures the *capacity to consume*, and those which are derived from expenditure, which more directly measures *actual consumption*.

Some of the contrasts between the two measures are particularly interesting. In a recent study, I applied the conventional Henderson poverty line framework using HES data for single income unit households in 1993-94 to produce an estimated poverty rate of 20.3 per cent (Saunders, 1997). However, further analysis of those below the poverty line reveals that of all households who were in income poverty, 12.1 per cent had recorded expenditure levels that were *above* the poverty line, while a further 5.4 per cent reported expenditures that were less than their income.

If these two groups are excluded from the poverty definition (the former on the grounds that their expenditure was more than sufficient to support an above-poverty level of consumption, the latter on the grounds that their apparent saving suggests that they are not in need), the poverty rate drops from 20.3 per cent to 2.8 per cent. The extent of the fall varies across different socioeconomic groups, with a very large decline (from 37.2 per cent to 2.0 per cent) in poverty among single people over pension age. For sole parents, the figures fall from 33.7 per cent to 6.1

per cent - again a very substantial decline, but one which still leaves their poverty rate more then twice the national average.

These estimates raise important questions about the sustainability of the observed situations and what this implies for whether or not those experiencing them are poor on a longer term basis. Borrowing to sustain a level of consumption in excess of income cannot be pursued indefinitely, particularly if income itself is very low. The estimates also draw attention to the role of saving and dissaving at different points in the life cycle in smoothing the fluctuations in living standards that would otherwise arise from periodic variations in income.

They also raise important questions about the validity of using the HES data for such purposes. Expenditure on infrequently-purchased consumer durables implies that the divergence between the weekly incomes and expenditures of *individual* households can give a very misleading impression of their longer term economic status. There are also formidable difficulties involved in interpreting the difference between income and expenditure, as recorded in the HES, as a measure of household saving.

These factors caution against drawing strong inferences from the above estimates. Even accepting this, there are nonetheless important issues raised concerning the relationship between the levels of income and expenditure recorded in household surveys and their relationship to the standard of living of those reporting them. This would appear to be fertile ground for further work.

Another area where the limitations of the Henderson poverty framework are apparent is in relation to its use to measure poverty among indigenous Australians. It is widely acknowledged that the Henderson poverty line provides only a 'rudimentary baseline for the analysis of indigenous poverty' (Altman and Hunter, 1998: 255). Even so, estimates suggest that indigenous poverty has declined relative to total poverty from being three to four times higher in the early 1970s to around twice as high in the early 1990s, partly as a consequence of the rise in poverty amongst non-indigenous Australians (Altman and Hunter, 1998: 255).

However, it would be foolish to conclude from such analysis that the problem of indigenous poverty can be solved solely by increasing their incomes, whether through increased employment or higher benefits. Nor can the problem be solved by paying higher wages under the Community Employment Development Projects (CDEP) scheme, under which payment of unemployment benefit to indigenous Australians living in remote communities and small country towns is made conditional upon them undertaking work approved by community leaders. Addressing the problems of indigenous poverty will involve far more than providing access to higher incomes, however much that in itself is needed. Deriving estimates of Henderson poverty may help to track the extent of one aspect of the problem, but the problem itself requires a far more broadly-based structural response.

Despite its limitations, my assessment is that the Henderson poverty line benchmark has been far more influential than its critics are willing to admit. Many of the benefit changes of the last two decades have focused on areas where research has identified highest poverty rates and largest gaps between benefits and the poverty line. Even the current Government's decision to fix the age pension at 25 per cent of average earnings corresponds almost exactly to where the Poverty Commission set its poverty line for the aged.

The Australian experience with its (semi-official) poverty line illustrate the value in what Tony Atkinson has referred to as the institution of a poverty line that has some official status (Atkinson, 1993). It is easy to focus on the strengths and limitations of a particular poverty line and lose sight of the wider research and policy issues. Many of the esoteric debates over the relevance of the Henderson poverty line in fact mirror broader social trends concerning the nature of income, the meaning of poverty and the role of *money income* in its alleviation.

4 The Meaning of Poverty

The above discussion, like the Australian poverty debate in general, has proceeded without giving explicit consideration to the meaning of poverty. It is possible to construe the meaning of poverty in one of two ways. The first focuses on a limited *definitional* sense which focuses on what poverty means to those who study it. Alternatively, the meaning of poverty can be considered from a more *outcome-oriented* perspective which explores what poverty means to those who experience it.

What has been called the ‘consensual approach to poverty measurement’ spans these two perspectives in attempting to base a poverty line on the responses of the population to what they regard as the minimum income needed to ‘make ends meet’ (Walker, 1987). Here, the approach estimates what income would, on average, meet the subjectively assessed material needs of the population if they were able to meet their needs, but no more.

One of the most striking features to emerge from research on the consensual approach is that even when the minimum income question (MIQ) is worded very precisely, there is often no clear consensus in the replies. This emerged from research in which we asked a random sample of Australians on the electoral roll what they regarded as the minimum income they needed in order to make ends meet. Even after taking account of differences in the actual incomes and family circumstances of the respondents, we were never able to explain more than 30 per cent of the variation in the MIQ response.

One consequence of this is that the poverty line derived from the MIQ responses is very sensitive to the precise methods used to derive it: too sensitive in my opinion to make the method of much use for policy purposes (Saunders and Matheson, 1992).

The following version of the MIQ has been asked of Australians twice each year by the Roy Morgan Research Centre since the late 1940s:

> *In your opinion, what’s the smallest amount that a family of four - two parents and two children - need each week to keep in health and live decently - the smallest amount for all expenses including rent?*

Analysis shows that the mean response varies considerably over time (Saunders and Bradbury, 1991; Gruen, 1995). Between February 1974 and February 1994, for example, the mean response varied in real (1988 dollar) terms between $360 in July 1991 and $430 in February 1982 - or by about 20 per cent. Overall, the mean real response at the end of the period ($372) was very close to that at the beginning ($376). The Henderson poverty line for a two-adult, two-child family in September 1994 was $402 a week, well below the mean response of $459.

It is possible to argue that these variations reflect different interpretations of the MIQ question and differences in the values and experience of respondents. However, we have also discovered that even if the MIQ is asked of a group with a similar standard of living and (recent) experience, the responses still vary considerably. For example, when the MIQ was asked as part of a recent study of the young unemployed, the response from a sample of 389 recipients of unemployment benefit aged between 16 and 24 varied between $110 and $210 a week, according to age and whether the respondents were living at home or not (King and Payne, 1993, Table 14.1). The MIQ response exceeded the actual incomes of those surveyed by between 30 per cent and 80 per cent, although the interviewers noted that many respondents had difficulty answering the question and around 10 per cent chose not to.

More recently, the same question has been asked of over 1000 participants in the first wave of a Social Policy Research Centre (SPRC) longitudinal study of Department of Social Security (DSS) clients which began around September 1995. In this instance, the mean overall response was just over $400 a week, with around three-quarters falling between $200 and $500 a week, again indicating that there is considerable variation in the perceptions of minimum income levels, even amongst those with very similar standards of living.

The conclusion I draw from this research is that it is unlikely that the consensual approach is likely to provide the basis for a new poverty line. Although it remains possible that the variation in responses reflects a systematic effect of as yet unidentified variables, the best that can be concluded at the moment is that any consensus in Australian perceptions of minimum income levels itself remains elusive.

Another aspect of what poverty means to those who experience it concerns how the notion of poverty itself is understood by those living at or close to the poverty line. Research currently underway at the SPRC has explored this issue by asking those who participated in the longitudinal study referred to above a series of questions designed to elicit information on their understanding of the meaning of poverty.

In the course of a face-to-face interview, survey participants were asked the following question:

> *There's been a lot written recently in the papers about poverty in Australia. Which of these statements BEST describes what being in poverty means to you?*

Analysis of the 1149 responses indicates that the vast majority (over 68 per cent) of those interviewed couched their perceptions of poverty in terms of being able to afford basic needs without having to struggle to make ends meet all the time (Table 1). Less than 10 per cent saw poverty as having enough to 'live decently', while only 6.7 per cent accepted that poverty means having to forgo the 'good things in life', and very few saw poverty purely in terms of having less than others.

Table 1: Perceptions of the Meaning of Poverty Among DSS Clients (Percentages)

Not having enough money to make ends meet	12.3
Having a lot less than everyone else	1.8
Not having enough to buy basics like food and clothing	41.9
Having to struggle to survive each and every day	26.4
Never having enough to be able to live decently	8.6
Never being able to afford any of the good things in life	6.7
Don't know	2.5

Source: SPRC Longitudinal Survey of DSS Clients, First Wave of Interviews.

Table 1 gives the overall impression that those who are themselves on low incomes regard poverty as a situation in which people do not have enough to meet their basic needs. The evidence suggests that those on low incomes have rather modest expectations of what they would need to escape poverty, although when the same group were asked what level of income they themselves needed to 'make ends meet' many said that they needed more (often a good deal more) than they were currently receiving.

These results are exploratory and preliminary, although they suggest that there is a need for more Australian research on what members of the community understand by the meaning of poverty in its various manifestations - along similar lines to that pioneered by Mack and Lansley (1985) and recently extended by Gordon and Pantazis (1997) and Hallerod, Bradshaw and Holmes (1997).

Such research will not provide 'the' answer to the definition of poverty, but it holds the promise of improving community awareness of poverty, of gaining legitimacy for any new poverty measure, and influencing how poverty can best be defined for policy purposes.

5 Current Developments

It is possible to separate views regarding where Australian poverty research should now be heading into two broad camps. The first of these accepts the need to refine the prevailing (Henderson) approach by developing a poverty line that has more relevance to, and hence increased legitimacy in, the Australia of the 1990s. Within this group, there is some division between those who favour revising the current poverty line to remove some of its main weaknesses and those in favour of its continued use until a clearly superior alternative has been developed. The differences between these two groups are as much to do with strategy as with poverty research itself, although this is not to deny that the need for more research is widely acknowledged.

The second camp favours the rejection of any poverty line because the normative judgements implicit in any line undermine its value as an objective indicator of adequacy. This group sees the value in the conduct of *poverty research* but sees this as possible without having to use a *poverty line*. Of particular relevance to the emergence of this position has been book *Living Decently* by Travers and Richardson (1993) which argues that traditional poverty lines 'carry too heavy a burden; they confuse issues of inequality with issues of the ability to live decently, and seek a degree of precision which is greater than they can bear' (Travers and Richardson, 1993: 65).

Travers and Richardson argue that the best way forward involves using a range of descriptive indicators of actual living circumstances to compare different groups, leaving it to others to make the judgement as to whether or not these represent poverty. In effect, what is being proposed is that households are ranked against a range of different indicators and the characteristics of those at the bottom of each ranking (or at the bottom of several separate rankings) be identified as most in need. There is undoubtedly value in research of this kind, although the difficult problems associated with establishing on what basis to rank households (the equivalence scale issue) remains a formidable obstacle. My own view is that such research should complement not replace traditional poverty research.

Which of the two broad positions identified above will have most impact on Australian poverty research over the next decade or so will depend upon a number of important initiatives that are currently taking place. Several of these are now briefly described.

One of the most important and enduring lessons to emerge from the experience of the last three decades of Australian poverty research is the value and significance of *data* which can be used to estimate the dimensions of poverty, however it is defined. Although much of the discussion of the impact of the Poverty Commission surrounds the value and relevance of the poverty line, of equal significance was the entire framework for collecting and analysing data on household incomes in order to estimate poverty (Saunders, 1998). How income is measured and how the income unit is defined have as much impact on the nature and extent of poverty as the poverty line itself, as some of the foregoing discussion has indicated.

Equally important in practice is the frequency with which household income surveys are conducted and who pays for them. In this respect, Australia has been well served in the past by the Australian Bureau of Statistics (ABS) which has conducted a series of household income surveys and, since the mid-1980s, made the (confidentialised) unit record data available (at a price) to researchers. Until recently, however, the fact that such data were only available every five years or so has limited the ability to conduct research on the causes of poverty and to influence the current policy debate.

Since July 1994, the ABS has changed its method of conducting its household income surveys from an infrequent one-off approach to a continuous survey piggy-backed onto the Monthly Population Survey

(MPS). A major advantage of this change is that household income distribution data will henceforth be available on an annual basis, allowing for trends in income poverty to be better tracked and their causes more readily identified.

Under the new methodology, about one-sixth of households who are participating in the MPS are asked to participate in the income survey when they reach their final (eighth) month of participation in the MPS. This methodology implies that the new income data will not be directly comparable with those collected in earlier income surveys, although strict consistency is often a casualty of change. The important point is that the new ABS data should provide the basis for a more informed and timely discussion of trends in poverty, although it is still too early to judge what the real impact will be.

The second development with the potential for far-reaching consequences is the study of the adequacy of social security payments within the Department of Social Security (DSS, 1995; Holbert, 1995). The long-term objective of the study is the development of benchmarks for assessing the adequacy of social security payments which; ‘address both issues of opportunity and outcomes … and to place this material in a contemporary and relevant context’ (Holbert, 1995: 45).

The project was initiated by the previous Government, although it appears to have withstood the change of government in 1996 and the restrictive budgetary stance of the new Government - so far! The initial report of the project identified two approaches to adequacy, a *prescriptive approach* designed ‘to nominate a specific and independent measure against which the adequacy of payments could be assessed’ (DSS, 1995: 23) and a *descriptive approach* which ‘would identify some payments as being more or less adequate than other payments’ (DSS, 1995: 23) on the basis of observing the living conditions and experience of low-income DSS households.

As an initial step, DSS commissioned outside experts to conduct research in each area. Peter Travers was commissioned to conduct a pilot study of the circumstances of low-income DSS households as a way of assessing the potential of the descriptive approach (Travers, 1996). I and a group of colleagues at the SPRC were commissioned to undertake the development of a set of indicative budget standards for Australia, along the lines of those developed for the UK by the Family Budget Unit in York.

Our budget standards study has been more ambitious (and better funded) than the York study - possibly too ambitious. We have developed a series of modest but adequate and low cost budgets for no less than 46 different household types, a huge task which has just been completed and published (Saunders et al., 1998). The fact that we in Australia have now joined the increasing number of countries that have developed their own budget standards using the techniques pioneered almost a century ago by Rowntree in his first York poverty study (Rowntree, 1901) points to the strength and enduring value of his contribution to poverty research.

Although any detailed discussion of these findings is not appropriate here, I am doubtful whether the low cost budget standard will replace the Henderson poverty line. Our low cost standard, like the lower living standard proposed two decades ago for the US by Harold Watts (1980) is intended to allow 'economic and social participation consistent with community standards' even though it also requires 'frugal and careful management of resources'. These descriptions imply a higher standard of living than that achievable at a poverty line described by its originators as 'so austere as to make it unchallengeable that those described as poor are not so' (Henderson, Harcourt and Harper, 1970: 1).

This does not mean that the low cost budget standard will not be useful as the basis for a new understanding of what income adequacy means in the 1990s. It will provide a systematic framework for defining adequacy and assessing its achievement in various dimensions - both of which are of central importance to determining the level of social security payments.

At the same time as these developments have been taking place, additional work is being conducted within the somewhat narrower confines of the traditional Henderson approach. Two specific initiatives are worth mentioning briefly. The first has involved the preparation of a volume of essays designed to provide a perspective on Australian poverty in the 1990s using the Henderson framework. The book, *Australian Poverty: Then and Now* has just been published and contains a thorough evaluation of the contribution of Henderson and the Poverty Commission and an assessment of what is known about the magnitude and various dimensions of Australian poverty in the 1990s (Fincher and Nieuwenhuysen, 1998).

In what should eventually be an important companion volume, the Academy of the Social Sciences in Australia (ASSA) has been funded to undertake a project on Poverty in Australia which will draw on expertise from a range of social science disciplines, to define key areas and issues in poverty research, develop strategies for improving its quality and to recommend broad objectives for such research in the context of current and future trends. Particular attention is being given to the scope for improved international cooperation in poverty research and how this can complement other activity being undertaken by ASSA and other bodies such as ABS.

Among the topics that will be addressed in the project itself are situating the Australian poverty debate in the context of international trends in poverty and poverty research, the changing nature of the links between the labour market and poverty, the geography of poverty and disadvantage, the various dimensions of poverty and deprivation among indigenous Australians and the nature of family poverty from the perspective of children.

In addition, specific attention will be directed to the much neglected but very important issue of the representation of poverty in the media and advertising and the role of discourses that emerge from this in the evolution of community understanding of, and attitudes to, poverty and the poor. The final section of the project will draw out the implications for how Australia can best adapt to the future pressures impacting on poverty, including identifying the scope for further international collaboration.

The final development has evolved directly from those already described. As a consequence of the DSS adequacy project, the ABS has established a Living Standards Reference Group to advise it on the content of a major survey of household living standards which is being planned for implementation in around the year 2000, supported by special funding provided by DSS and other agencies. The initial fieldwork for the study began in February 1998, with the evaluation of the test data currently underway.

Amongst the topics covered by questions in the pilot survey are the degree of satisfaction with the current standard of living, comparison with the standard achieved twelve months ago, the degree of difficulty experienced meeting mortgage repayments, satisfaction with dwelling (with reasons for any dissatisfaction), satisfaction with schools, difficulty paying school expenses, satisfaction with hours of work, employment prospects, unemployment experience over the previous five years, lowest acceptable weekly take-home pay, self assessment of health status, degree of involvement in community activities, imputed rent of owner-occupied dwellings, estimated values of assets, liabilities and net worth, ability to raise $2000 in an emergency and details of cash flow problems experienced over the last twelve months. (The SPRC argued unsuccessfully for inclusion of the MIQ described earlier.)

In addition to the collection of standard demographic, income and labour force characteristics data, the survey has the potential to provide many new insights into the kinds of deprivation being experienced by different households and how these relate to the objective circumstances and subjective experiences of each household. In conjunction with the detailed results from the budget standards project, the basis is being laid for a quantum leap in Australian research on living standards, though not necessarily in research on poverty.

6 Summary

The main aim of this paper has been to provide an overview of the issues that are currently shaping the very vibrant area of Australian poverty research in its various manifestations. That vibrancy is mirrored to some extent by the policy concerns surrounding the re-emergence of poverty and other forms of social disadvantage in a more competitive and dynamic international economy that is generating ‘winners and losers’ at an increasing rate.

One of the themes running through the paper is that much of the Australian poverty literature has been rather narrow in its focus on measurement issues, to the relative neglect of developments in the international literature in the way that poverty is conceptualised and identified. Yet at the same time, the imperative for action is being fuelled by the emergence of new forms of poverty associated with the persistence of unemployment and growing labour market inequalities.

Several current initiatives have the potential to provide an optimistic basis for future Australian poverty research. These include the development of improved national statistics on income and other dimensions of living standards, the SPRC research on budget standards, work on descriptive indicators of relative deprivation, the proposed ABS survey of living standards and several strands of the Academy's poverty project.

These developments suggest that the prospects for a new and improved understanding of the nature, extent and meaning of poverty in modern Australia have not been better since the Poverty Commission was undertaking its work over two decades ago.

An important feature of many of the developments described in the final section of this paper is the degree to which they involve the active participation and/or encouragement by key agencies of government, particularly DSS and ABS. The close interaction between the academic and bureaucratic spheres has long been one of the features of Australian policy research generally. There are obvious dangers in this, particularly in sensitive areas like poverty where research often becomes a source of pressure for government.

On balance, however, these dangers have not in my view materialised to date, although this is not to deny that government has been all too willing to challenge poverty research findings when it has been in their interest to do so. As a researcher who has worked actively in the field for the last two decades, I would far rather work in a cooperative (if guarded) way with the bureaucracy than in an environment where the word poverty is no longer recognised by some people as either a helpful research construct or as a practical reality.

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