

An Ever-Rising Tide? Poverty in Australia in the Eighties

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AN EVER-RISING TIDE?

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Peter Saunders and George Matheson

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**AN EVER-RISING TIDE?
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Peter Saunders and George Matheson

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ABSTRACT

As in many other countries, the eighties have seen the re-emergence of poverty as a political issue in Australia. Rising unemployment and the increased incidence of sole parenthood have put more children at risk of poverty, a development which has prompted increased policy concern. This paper presents estimates of the incidence and structure of poverty in Australia in 1981-82, 1985-86 and 1989-90, using the poverty standard developed by the Poverty Commission in the seventies. The estimates for 1989-90 are based on data generated from the **1986 Income Distribution Survey** by a microsimulation model that allows for trends in demographic change, labour market participation and income during the second half of the eighties. The results indicate that the overall poverty rate has increased from 9.2 per cent in 1981-82 to 12.8 per cent in 1989-90. This is despite the fact that the incomes of many low income groups have increased in real terms, in many cases substantially. The reason for this apparent paradox is that the poverty standard is a relative one, and has thus itself been increased in line with average community incomes. One of the conclusions of the paper is that it may be necessary to reconsider the use of a relative poverty standard when assessing short-run trends in the extent of poverty.

1. Introduction

Poverty, an issue that hardly featured in Australian political debate at the turn of the decade, has come to haunt the Hawke government since its election in 1983. In part this reflects a growing awareness in the community that poverty in general - and child poverty in particular - has become more prevalent in a society characterised by high levels of unemployment. It probably also partly reflects higher community expectations of what a Labor government would and should do to alleviate poverty once elected to office. In response to these pressures, Prime Minister Hawke announced during the 1987 election campaign his famous pledge that 'by 1990 no child will be living in poverty'. That pledge gave the impetus for the government to introduce an extensive range of measures designed to provide additional assistance to low income families with children. But at the same time it provided a benchmark against which the government's achievement in reducing child poverty could be assessed. Such an assessment had never before been possible in Australia, not only because no previous government had made such a specific policy commitment, but also because the data and research techniques required to undertake such an assessment were not available until quite recently. In the event, the results from the assessments that have been undertaken show that the child poverty pledge has not been fulfilled. Poverty continues to affect large numbers of Australian children and their parents. Such work does, however, raise fundamental questions relating to the measurement of poverty which also need to be addressed. This paper will present both the results and the research and policy issues to which they give rise.

That poverty still exists even in a rich country like Australia had been demonstrated by the work of the Poverty Commission in the early seventies. That work pointed to unemployment and family break-up as important factors increasing the risk of poverty, in addition to sickness and disability, old age and inadequate income support payments for families with large numbers of children. The Poverty Commission had the wisdom to locate the poverty problem within a broader context of overall economic performance and the conditions which allowed structural inequalities in society to persist. It noted, in particular 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 judgement on the society which condones the conditions causing poverty.' (Commission of Inquiry into Poverty, 1975, p. viii)

The Hawke government's corporatist approach to economic management, its Accord agreement with the ACTU, and its commitment to social justice policies raised legitimate hopes that the Poverty Commission's objectives might at last be achieved. Here, it seemed, was a policy

framework which had the potential at least, to address issues of economic and social inequality, although seven years into the Hawke ALP government it appears that much remains to be done.

This paper substantiates these remarks by presenting estimates of trends in poverty between 1981-82 and 1989-90. It will become apparent that these estimates are just that - estimates - produced by the application of one particular method to the measurement of poverty. The method adopted follows as closely as possible that developed by the Poverty Commission in the seventies. That method has, however, come under considerable criticism from a number of quarters in the last fifteen years. Some of these criticisms will become apparent during the course of the paper. Despite these criticisms, however, the methods developed by the Poverty Commission have proved so far to be remarkably resilient. Although the approach has never received official endorsement by government, neither has any serious official attempt been made to replace it with an alternative. This discussion serves to highlight the point that there is no single approach to poverty measurement that has universal acceptance. Any poverty line inevitably embodies value positions and because of the emotive and political dimensions of poverty research, it is no surprise that debate on the poverty line encompasses both a technical and an ideological dimension.

As already observed in the context of the work of the Poverty Commission, it is a mistake to produce and analyse estimates of poverty in a social and economic vacuum. Because poverty represents the most extreme form of inequality and disadvantage, poverty research must be firmly located within a broad economic, social and political context. To do otherwise is to risk obscuring the impact of important economic and social processes which allow poverty to exist and persist. With this in mind, the next section of the paper reviews some of the developments which have caused poverty to reappear onto the political agenda in Australia (and overseas) during the eighties. Section 3 then briefly summarises developments in social security policies under the ALP government, pointing to their relevance to trends in poverty. The methods used to produce the poverty estimates are described in Section 4, along with an analysis of the poverty estimates themselves. Finally, the main conclusions of the paper are summarised in Section 5.

2. The Revival of Interest in Poverty

Just as the American 'war on poverty' in the sixties was prompted by research which showed that the United States was characterised by widespread and severe pockets of poverty, so the emergence of poverty onto the political agenda in the last fifteen years has been partly driven by poverty research. But of far greater significance in the more recent history has been the poor economic performance and high levels of unemployment that have persisted in most advanced countries since the oil shocks of the seventies. In 1973, for example, total unemployment in the OECD area was just over 11 million. By 1979, it had risen to almost 18 million, and in 1983 it was over 31 million. Since then, despite a relatively long recovery characterised by modest rates

of economic growth throughout much of the OECD region, the level of unemployment has fallen only modestly, to just above 25 million by 1989.¹ Accompanying the rise in unemployment after 1973 was an even greater rise in long-term unemployment, a situation which research undertaken for the OECD showed was an important cause of financial insecurity, low income and, ultimately, poverty (OECD, 1984).

Research for many countries has established that the increase in unemployment caused a general rise in poverty among working age families, many of whom had responsibility for the care and maintenance of young children. Added to this was the increased incidence of sole parenthood which contributed greatly to the rise in the number of children at risk of poverty. In Australia, that risk translated into actual poverty for many sole parent families, because many were reliant on income support which provided levels of assistance below the poverty line.

Together, these changes led to a marked change in the demographic structure of those in poverty as compared with earlier years. In the sixties and early seventies, poverty in most advanced countries was primarily prevalent amongst the elderly. However, with the improvement in public programs and levels of cash assistance for the elderly, poverty among the elderly declined substantially (a major success of the post-war welfare state, though often not acknowledged as such) while the recession saw poverty become more prevalent among families with children. Table 1 - derived using the comparative income data produced by the Luxembourg Income Study (LIS) - illustrates that even before the 1982 recession, child poverty was assuming a serious dimension in a number of countries.

The results in Table 1 show that the rate of child poverty in Australia was particularly severe by international standards at the turn of the decade. The Australian child poverty rate of 15.9 per cent exceeded that in all countries except the United States, and was more than three times that in Germany, Norway and Sweden. The poverty rate amongst children in Australia was almost identical to the poverty rate among the elderly population - 15.9 per cent as compared with 15.7 per cent. A decade or so earlier, the Poverty Commission found that the child poverty rate (7.9 per cent) in 1973 was less than half the rate of poverty among the elderly (19.4 per cent). More recent estimates using the same (Henderson) methodology indicate that by 1982-83 the child poverty rate was more than double the elderly poverty rate.² It thus seems clear that there was indeed a substantial change in the age structure of the Australian poverty population between 1973 and

¹ The unemployment figures quoted here are taken from OECD (1990), Table I, p. 201.

² The source for the first of these estimates is **Poverty in Australia**, Table 3.4 and author calculations based on Table 3.9. The estimates for 1982-83 are taken from Table 8 of Saunders (1990).

TABLE 1: COMPARATIVE ESTIMATES OF POVERTY AMONG CHILDREN, ADULTS AND THE ELDERLY AROUND 1980^(a)

Country/Year	Poverty rate (percentages):			Total
	Children	Adults	Elderly	
Australia (1981-82)	15.9	9.9	15.7	12.2
Canada (1981)	15.5	10.7	17.2	12.6
Germany (1981)	4.9	4.5	11.1	5.6
Norway (1979)	4.8	5.4	5.6	5.2
Sweden (1982)	5.0	6.7	0.8	5.3
Switzerland (1982)	7.8	8.1	11.4	8.5
United Kingdom (1979)	9.3	5.7	29.2	9.7
United States (1979)	22.4	13.4	23.9	17.1

Note: (a) The poverty line used in each country is equal to one half of median disposable income. Family needs are assumed to vary in each country according to the variations implicit in the United States Government poverty line.

Source: Smeeding, Torrey and Rein (1988), Table 5.2, p. 96.

1981.³ Furthermore, international evidence such as that in Table 1 showed Australian children to be at far greater risk of poverty than children in many other advanced countries. The myth of Australia as a land of equality began to be seen as simply that: no more than a myth.

There can be little doubt that the increase in child poverty attributable in part to the rise in unemployment was a major factor leading to increased community concern over the problem of poverty generally. For whatever people might think about poverty among adults being the result of their unwillingness to work or other self-inflicted eventualities, such arguments certainly could not be used to blame children for their poverty. Furthermore, widespread and rising unemployment increased the risk of joblessness throughout the entire workforce and made even those in apparently secure employment give some thought to the possibility that they might become victims of the next surge in unemployment. Unemployment thus moved the perception of poverty from a problem afflicting only marginal groups in society to a real risk for those in the mainstream of economic and social life. Similar arguments also apply to the possible impact of family breakup leading to sole parenthood. Such breakups knew no class or income barriers and were thus a risk for the entire (married) population.

Increased unemployment as a cause of poverty among working age families was no less serious in Australia in the eighties than elsewhere. After remaining below 400 000 in August 1980 and 1981, the number of people recorded as unemployed rose to 460 000 in August 1982 and to almost 690 000 by August 1983. Unemployment at those levels had not been experienced in the post-war period. Neither had the severity of the 1982 recession, when the numbers unemployed rose by almost 300 000 in the eight months between July 1982 and February 1983. At those levels, and rising at that rate, the prospect of unemployment became real for large sections of the Australian workforce. The increase in the number of sole parent families, which had begun to accelerate in the early-seventies was also still present, thus adding to the effects of unemployment in the early-eighties. As a consequence, increasing numbers of children were living in families in which there was no regular source of employment income. As Saunders and Whiteford (1987) have indicated, the number of children living in families where the chief wage earner was unemployed virtually doubled in the year beginning in June 1982 (Saunders and Whiteford, 1987, Table 3, p.6). Such developments saw the Australian public begin to show increased concern over the problems associated with child poverty, an issue which was to be explicitly taken up some years later at the political level.

If unemployment and sole parenthood were the major factors pushing poverty back onto the Australian political agenda in the eighties, there were at least three other developments which led

³ This is in fact confirmed by the work of Bradbury, Rossiter and Vipond (1986); see in particular their Table 6.2, p.80.

to a parallel renewal of research interest in the area. The first of these has already been referred to in general terms. It was the work of the Commission of Inquiry into Poverty, whose first main report, **Poverty in Australia** had been released in 1975. Among the many significant contributions made by the work of the Commission under the Chairmanship of Professor Ronald Henderson was the emphasis it placed on unemployment as the major cause of poverty among families of working age. Also of significance was the fact that the Poverty Commission provided, for the first time, a well articulated and rigorous standard against which the extent of poverty could be assessed, at least in relation to its financial dimension. The 'Henderson poverty line', as it has subsequently come to be called, was based on research conducted by Ronald Henderson and his colleagues at the University of Melbourne in the mid-sixties (Henderson, Harcourt and Harper, 1970). That poverty line made no claims to scientific objectivity. It was an explicitly relative poverty line concept, established in relation to a measure of average income in the community. Yet it represented a poverty standard based on the expert judgements of a group of eminent social researchers in the mid-sixties and subsequently utilised by an officially appointed Commission of Inquiry a decade later.

Since its establishment, the Henderson poverty line has, as already noted, been the subject of extensive criticism by those who wish to replace the Poverty Commissioners' judgements by their own (without, incidentally, actually revealing in any operational sense what their own judgements are). Yet the Henderson poverty line has, despite its acknowledged shortcomings, proved to be extremely resilient in the face of such criticism.⁴ This is not the occasion on which to enter into those debates. Suffice it to say that no one has yet proposed an alternative to the Henderson poverty line which merits serious consideration. For this reason, the Henderson line will be used as the poverty standard in this paper against which to assess trends in poverty during the eighties. This is not to deny that in order to understand the more fundamental **causes** of poverty, there is a need to locate the discussion of poverty in a broader context that recognises those determinants of unequal economic power which legitimate various forms of social inequality.⁵ Nor is it to deny that measures of the extent of poverty which rely solely on a headcount of the numbers below the poverty line place great emphasis on where the poverty line is set (unlike measures like the poverty gap, which are less open to such criticism, because they are less sensitive to changes in the poverty line). Such issues, are, however, beyond the scope of this paper, although reference will be made later to the measurement aspect.

If rising unemployment caused increased concern over the problem of poverty, and the Henderson poverty line provided a standard against which trends in poverty could be assessed, there is a

⁴ For a summary of these debates see Saunders (1980), Stanton (1980), Manning (1982) and Saunders and Whiteford (1989).

⁵ For a discussion of the social context of poverty in Australia see Harris (1989).

crucial third element that was required before trends in poverty could be quantified. That third element was detailed reliable data on family incomes, which could be compared with the estimates of family needs that were implicitly incorporated into the Henderson poverty line. Such data were produced for the Poverty Commission as the result of a special income survey undertaken in 1973 by the Australian Bureau of Statistics (ABS). The results from similar surveys undertaken in 1982 and 1986 have subsequently been released, while results from the 1990 survey are expected in due course. The data produced by these surveys have been made publicly available in unit record form, that is in a form which provides detailed socioeconomic information at the individual level (subject to appropriate confidentiality conditions) on such variables as family structure, labour force participation and the level and sources of family income. These data have allowed researchers to apply the poverty standard and other techniques used by the Poverty Commission in order to estimate trends in poverty in the eighties on the same basis as those originally produced for 1973. The usefulness and value of the data produced by these ABS income surveys should not be underestimated. Without them, there would simply be no reliable basis on which to estimate how unemployment and the other economic and social forces that have been evolving throughout the last two decades have influenced the nature and extent of poverty in this country.⁶

One final factor that has influenced the emerging recognition of poverty as a serious social problem in the eighties is of a more general nature. It is the prolonged period of fiscal restraint that began with the non-accommodating macroeconomic policy response to the second oil shock in 1979 and continued throughout the eighties as governments throughout the Western industrialised world strived to reduce the budget deficits which emerged following the first oil shock in the mid-seventies. Most governments chose to close the gap between expenditure and taxation by operating primarily on the expenditure side of the budget. Fiscal constraint, in Australia as in most other countries, has thus been pursued primarily through attempts to curtail and reduce the growth in public expenditure. Indeed, many (including successive Australian governments throughout the eighties) have also sought to reduce the level of taxation, thereby making the burden of adjustment falling on public expenditure that much more onerous.

That in turn has seen a great deal of the burden of fiscal adjustment fall onto social expenditure: government spending in the areas of education, health, social security, welfare and housing. This is in part because the development of the post-war welfare state had seen social spending increase as a proportion of total government spending, and partly because welfare state programs were seen by some as characterised by inefficiency, waste, distortions and perverse disincentive effects.⁷

⁶ The Australian empirical literature on poverty includes Bradbury, Rossiter and Vipond (1986), Brownlee and King (1988), Gallagher (1985) and King (1987).

⁷ The evidence in support of many of these propositions has generally been non-existent or not particularly robust. See for example Danziger, Haveman and Plotnick (1981).

These developments thus saw the eighties as a decade in which expenditure on social security, by far the largest item in the total welfare state budget, was subject to severe restraint. That led in turn to curtailment in the availability and adequacy of social security payments, the main source of income for those at greatest risk of financial poverty. With the increased levels of unemployment and sole parenthood already referred to, this could not have come at a worse time for those families affected by job losses. The fact that benefits paid to social security recipients with dependent children were amongst the hardest hit by the social security restraints generally made things even worse. In conjunction with the developments described earlier, it is thus hardly surprising that poverty assumed centre stage in the social policy debate as the eighties unfolded.

3. Social Security Under Labor: A Brief Overview

That the level and availability of social security payments are crucial factors in the determination of the standard of living of the poorest sections of the community is virtually self-evident. Given the income tested nature of the Australian social security system, receipt of a pension or benefit is evidence that other sources of income are either non-existent or at low levels. Only a small fraction of recipients (mainly age pensioners) have other incomes that are of modest levels. The availability of social security payments will thus determine how many of those at risk of poverty receive some financial assistance, while pension and benefit levels will determine whether those who do receive assistance receive sufficient to meet their needs and thus escape poverty. It is important to recognise that both the level (or adequacy) and the availability (or coverage) of pensions and benefits are significant in this context. Policies which increase benefit levels whilst at the same time restricting benefit availability may thus succeed in assisting some out of poverty whilst denying (or restricting) the support available to others, thereby worsening and perpetuating their poverty. For this reason, comparisons of pension and benefit rates with poverty lines - a popular (and indeed important and legitimate) activity amongst those in the welfare sector keen to pressure governments into raising benefit levels - tell only part of the story and can, if not interpreted appropriately, present a somewhat misleading picture.

This highlights the fact that any comprehensive discussion of how social security reforms affect poverty will inevitably be a complex exercise. Partly for this reason, no such discussion is attempted here, nor could it be in the limited space available. But there is a second reason why such a discussion would be particularly complicated for the period since the election of the first Hawke ALP government in March 1983. This relates to the enormous number of social security reforms that have taken place since then, particularly in the period since 1986, most of which were introduced during the period when Brian Howe was the Minister for Social Security. Under Howe's direction, the entire system was the subject of a Social Security Review chaired by an independent academic, Dr. Bettina Cass. That Review produced a series of major Issues Papers along with supporting Background/Discussion Papers which established an agenda for reform of

the social security system on a scale not seen before in Australia (nor in most other countries) in the post-war period. Few can deny that such a thorough examination of the system was long overdue. In the event, many of the recommendations made by the Review to the Minister have been incorporated into actual reforms of the social security system.

As already indicated, it is not possible to do justice here to the full range of social security reforms that have occurred under Labor.⁸ In general terms, however, many of them have been motivated by two underlying principles. The first, associated with the work of the Social Security Review, is the **principle of integration**, whereby social security programs have been changed so as to improve the linkages between receipt of benefit and active participation in the labour market. This has resulted in changes designed to make it easier for those on benefit to re-enter the waged labour force, both through 'carrots' (e.g. an easing of poverty traps for some beneficiaries) and 'sticks' (e.g. making the receipt of assistance conditional upon active job search and/or participation in education and training programs), as well as through an overall increase in the availability of training and education programs to beneficiaries generally. The second principle that has driven social security reform under Labor has been the **principle of targeting**. The rationale for this second principle has somewhat less to do with the Social Security Review and more to do with the government's fiscal stance and the perceived need for public expenditure constraint described earlier. Targeting of income support has, as explained by Saunders (1991), a number of dimensions but the underlying motivation has been to restrict the availability of benefits to those whose needs are greatest, thereby effecting expenditure savings as benefits are withdrawn from those deemed not to need them. Amongst the many specific initiatives introduced in order to improve the targeting of the system are the introduction of the assets test, the introduction of an income test on family allowance (previously one of the very few universal payments in the entire system), the narrowing of eligibility criteria for unemployment benefit and sole parent's pension, and a considerable tightening of administrative review of new and on-going benefit recipients.⁹

Although the measures designed to increase the targeted nature of the system have resulted in expenditure savings, some of these savings have been used to improved assistance provided through other parts of the system. The most significant, but not the only, area where the level of assistance has increased is income support for low income families with children. The 'family package' introduced in December 1987 following the Prime Minister's 'child poverty pledge' described earlier saw substantial increases in the rates of benefit and the coverage (or availability) of family allowance supplement. As a result, expenditure on family allowance supplement rose

⁸ For a fuller account of these reforms and the thinking underlying them, see Cass and McClelland (1989), Cass and Whiteford (1989), Edwards and Whiteford (1988) and Saunders and Whiteford (1991). A very useful record of the legislative changes since 1983 is provided in Howe (1989).

⁹ For an assessment of the impact of these latter changes, see Saunders (1991) Table 4.

from \$60.6 million in June 1987 to \$213.6 million in June 1988, and to \$400 million by June 1989.¹⁰ In overall terms, Commonwealth Government expenditure on social security and welfare rose in real terms by 15 per cent between 1982-83 and 1989-90. That exceeded the increase in total real budget outlays of 9.3 per cent over the period, with the result that social security and welfare spending rose as a percentage of the total budget, from 28.8 per cent in 1982-83 to 30.3 per cent in 1989-90. However, the relative size of the total budget itself declined over the period, from 28.9 per cent to 23.6 per cent of GDP. Thus even though social security and welfare spending rose in real terms and as a proportion of total Commonwealth spending, it fell relative to GDP from 8.3 per cent in 1982-83 to 7.2 per cent by 1989.¹¹

Although changes in social security rates can give a misleading picture of social security changes overall, they do nonetheless provide a reasonable guide to changes in the living standards of those receiving social security. However, even here some caution needs to be applied, because many social security recipients will have other sources of income (albeit small in most cases) which supplement their pension or benefit, and some of these will as a consequence not be receiving the full rate of payment. With these reservations in mind, Table 2 indicates how selected social security payment levels have changed between November 1983 and November 1990.¹² An indication of the relative priority given to different types of social security recipients can be gauged by comparing the increases in different payment rates shown in nominal and real terms in the last two columns of Table 2. The targeted nature of benefit increases under Labor is clearly apparent, with sole parent families, private renters and low income families with children gaining significantly from the increases in mothers'/guardian's allowance, rent assistance and family allowance supplement, respectively. Furthermore, while the value of most benefits has been at least maintained in real terms over the period (because of benefit indexation) increases in rates of family allowance have not kept pace with inflation. Again this reflected government thinking in that family allowance, being (until 1987) a universal payment available to all families with dependent children, was seen as particularly poorly targeted and thus accorded low priority (as well as being expensive) when payment increases were under consideration.

The figures in Table 2 do not directly indicate how real income support payments have increased **overall** for those who receive more than one form of benefit (as most recipients in fact do).

¹⁰ The family income supplement introduced in May 1983, but legislated by the Fraser government, was re-named family allowance supplement in December 1987. The source for the expenditure figures quoted in the text is the *Annual Report, 1988-89* of the Department of Social Security.

¹¹ *Budget Statements 1990-91*, Statement No. 3; Statistical Appendix.

¹² At the time of writing this paper, the latest available CPI figure was for the June quarter 1990. It was thus assumed that the CPI rose by 4 per cent between the June and December quarters of 1990.

**TABLE 2: SELECTED SOCIAL SECURITY PAYMENT LEVELS,
NOVEMBER 1983 AND NOVEMBER 1990**

	Payment from November 1983	Payment from 1 November 1990 ^(a)	Increase, 1983-1990:	
	(\$ per week)	(\$ per week)	Nominal (%)	Real ^(b) (%)
Age Pension				
- standard rate	85.90	145.85	69.8	4.3
- married rate	143.20	243.20	69.8	4.3
Sole Parent's Pension				
- basic rate	85.90	145.85	69.8	4.3
- mothers'/guardians' allowance	6.00	12.90	115.0	32.1
Unemployment Benefit				
- single, aged 18-20, without dependants	73.60	105.15	42.9	-12.2
- single, aged over 20, without dependants	73.60	134.30	82.5	12.1
- married, both aged over 20	143.20	243.20	69.8	4.3
Rent Assistance	10.00	35.00 ^(d)	250.0 ^(d)	115.0 ^(d)
Family Allowance				
- first child	5.25	9.30	77.1	8.8
- second child	7.50	9.30	24.0	-23.8
- third child	9.00	9.30	3.3	-36.5
- fourth child	9.00	12.40	37.8	-15.4
- subsequent children	10.50	12.40	18.1	-27.5
Family Allowance Supplement^(c)				
- each child aged under 13	12.00	24.15	101.3	23.6
- each child aged 13 to 15	12.00	35.25	193.8	80.5

- Notes:**
- (a) These rates do not include the \$5 a week payable to certain recipients as compensation for changes in the Pharmaceutical Benefits Scheme announced in the 1990-91 Budget.
 - (b) Assumes an increase in the CPI of 62.8 per cent between the December quarter 1983 and the December quarter 1990.
 - (c) Family Income Supplement in 1983. Additional pension or benefit for children is payable at the same rates as those shown.
 - (d) Assumes one or two dependent children.

Sources: Department of Social Security, **Annual Report 1983-84** and **A Guide to Social Security Payments, September to December 1990.**

Neither do they reflect the changes in the coverage of benefits, which have been significant in the areas of rent assistance and family allowance supplement. In order to illustrate these effects, it is necessary to calculate the total package of support received by recipients, according to their family composition and other relevant circumstances. Two examples of such calculations are shown in Table 3. This table shows that, for these hypothetical family types at least, total income support increased very substantially in real terms between November 1983 and November 1989, mainly as a consequence of substantial increases in rent assistance and family allowance supplement (or its equivalent).

It does not necessarily follow because total social security payments have increased in real terms that poverty amongst social security recipients has fallen. Not only does the issue of benefit availability become crucial here, but account must also be taken of how the poverty line has changed. As pointed out earlier, following the Poverty Commission, the standard used to assess changes in the extent of poverty in Australia has been a relative one, which means that the poverty line increases in line with movements in average community incomes. If average incomes increase in real terms, it is possible that estimated levels of poverty will increase even though the real incomes of the poor have risen. As will be shown later, this has been a very significant actual occurrence in Australia during the eighties.

The relevance of the issue is explored in Figure 1, which shows movements in the consumer price index (CPI) and two indicators of average incomes, average male weekly earnings (AWE) and household disposable income per capita (HDYC). These are two income indicators which have been used to adjust the Henderson poverty line, an AWE series being replaced by the HDYC series in the early eighties in order to account for the effects of fiscal drag on family incomes.¹³ Figure 1 indicates that over the period of ALP government, the CPI and AWE series have moved very closely in line. Between the March quarter 1983 and the June quarter 1990, the two series rose by 66.5 per cent and 62.6 per cent, respectively. The similarity in these movements, largely reflecting wage indexation accompanied by wage moderation under successive Accord agreements, indicates that a relative poverty line indexed to AWE would, in fact, have remained virtually constant in real terms between 1983 and 1990. However, as Figure 1 indicates, and as Figure 2 demonstrates more clearly, the HDYC index against which the Henderson poverty line is now indexed rose substantially in real terms over the period. Between the March quarter 1983 and the December quarter 1988, HDYC increased in real terms by 10.5 per cent, implying a similar real increase in the poverty line.¹⁴ The main reason for the increase in real HDYC has been the rise in the

¹³ Further discussion of the switch from AWE to HDYC as the income measure for adjusting the poverty line can be found in Manning (1982).

¹⁴ Quarterly HDYC data were not available beyond the end of 1988 at the time of writing. The HDYC data used, and hence the poverty line, are the same as those used in the study by Saunders (1990).

**TABLE 3: ILLUSTRATIVE EFFECTS OF SOCIAL SECURITY CHANGES,
FOR TWO HYPOTHETICAL FAMILIES, 1983-1990**

Family 1: Sole Parent with one child (under 13), renting privately.

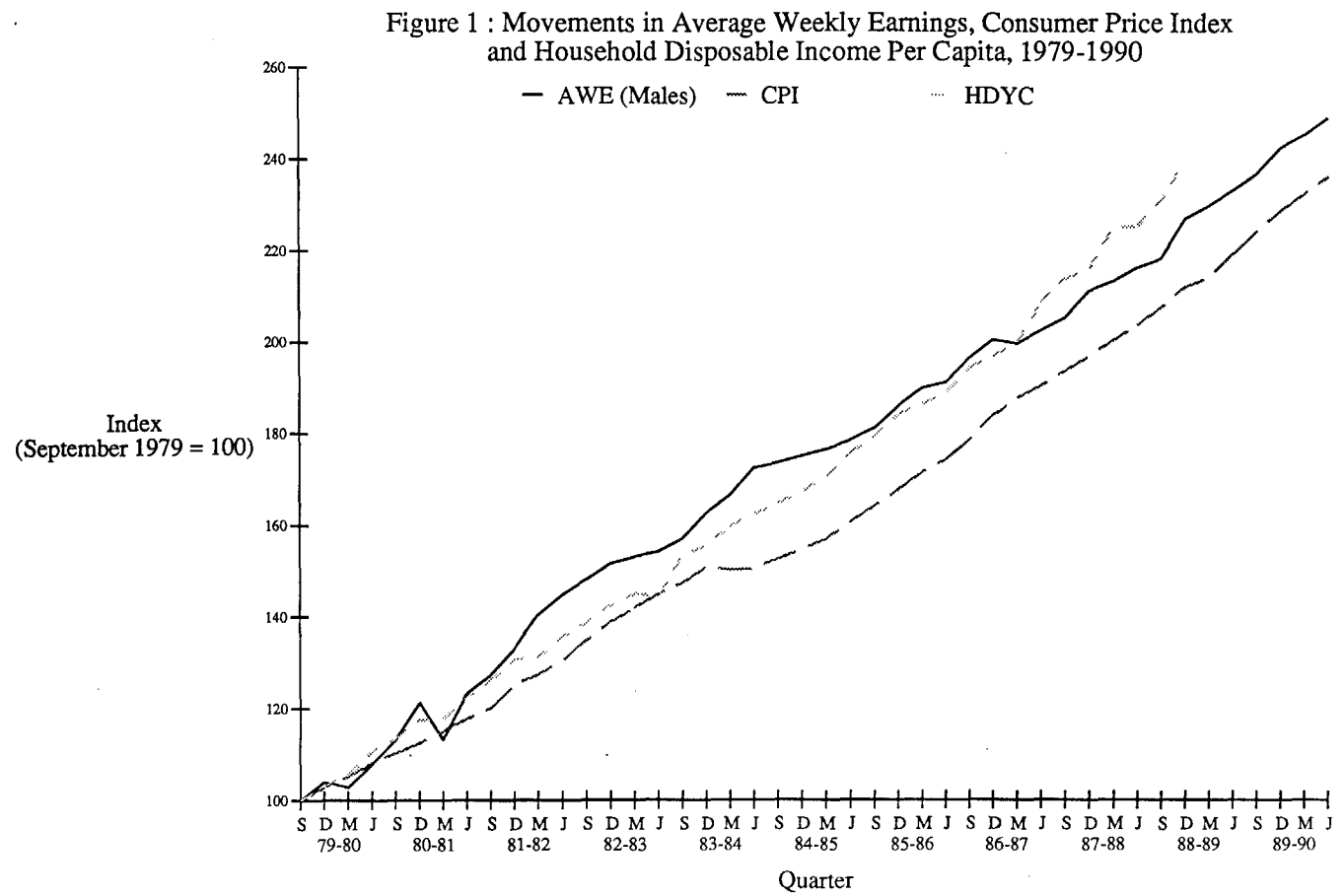
Type of Payment	November 1983 (\$ per week)	November 1990 (\$ per week)	Increase:	
			Nominal (%)	Real ^(a) (%)
Basic benefit	85.90	145.85	69.8	4.3
Mothers'/guardians' allowance	6.00	12.90	115.0	32.1
Rent assistance	10.00	35.00	250.0	115.0
Family allowance	5.25	9.30	77.1	8.8
Family allowance supplement ^(b)	12.00	24.15	101.2	23.6
Total	119.15	227.20	90.7	17.1

Family 2: Unemployed couple (both over 20) with two children (one over 13), renting privately

Type of Payment	November 1983 (\$ per week)	November 1990 (\$ per week)	Increase:	
			Nominal (%)	Real ^(a) (%)
Basic benefit	143.20	243.20	69.8	4.3
Rent assistance	- (c)	35.00	-	-
Family allowance	12.75	18.60	45.9	-10.4
Family allowance supplement ^(b)	24.00	59.40	147.5	52.0
Total	179.95	356.20	97.9	21.6

- Notes:**
- (a) Assumes an increase in the CPI of 62.8 per cent between the December quarter 1983 and the December quarter 1990.
 - (b) Additional pension or benefit for children is payable at the same rates.
 - (c) Rent assistance was not paid to unemployment beneficiaries in 1983.

Source: Table 2.



earnings of second (and subsequent) earners in the household, although this has been reinforced by reduced taxation and higher non-wage (particularly interest) incomes. Such developments raise the basic question of the relevance of a poverty line which increases in real terms over short (or long) periods solely because the economy is growing strongly. This clearly opens the possibility for perverse results to be produced.

Figure 2 illustrates this by showing that real HDYC exhibits strong cyclical tendencies, rising sharply with the recovery from the 1982-83 recession, falling back during 1985-86 and then rising sharply again with recovery thereafter. As just observed, this can cause somewhat anomalous changes in short-run estimates of poverty, which may follow a pro-cyclical pattern similar to movements in real HDYC itself. It appears that this has to some extent occurred in the period since 1983, as noted by Saunders and Whiteford (1987). It reflects something of a shortcoming of relative poverty lines, at least when used to estimate trends in poverty over short periods of cyclical swings in the economy. The more successful government economic policy is in generating economic growth, the faster the relative poverty line will increase in real terms and ceteris paribus, the more measured poverty will rise.¹⁵ This is an aspect of the use of the relative poverty line which should be borne in mind when assessing the short-term movements in poverty presented in the next section. It is an issue which will be returned to in the final section of the paper.

4. Trends in Poverty in the Eighties

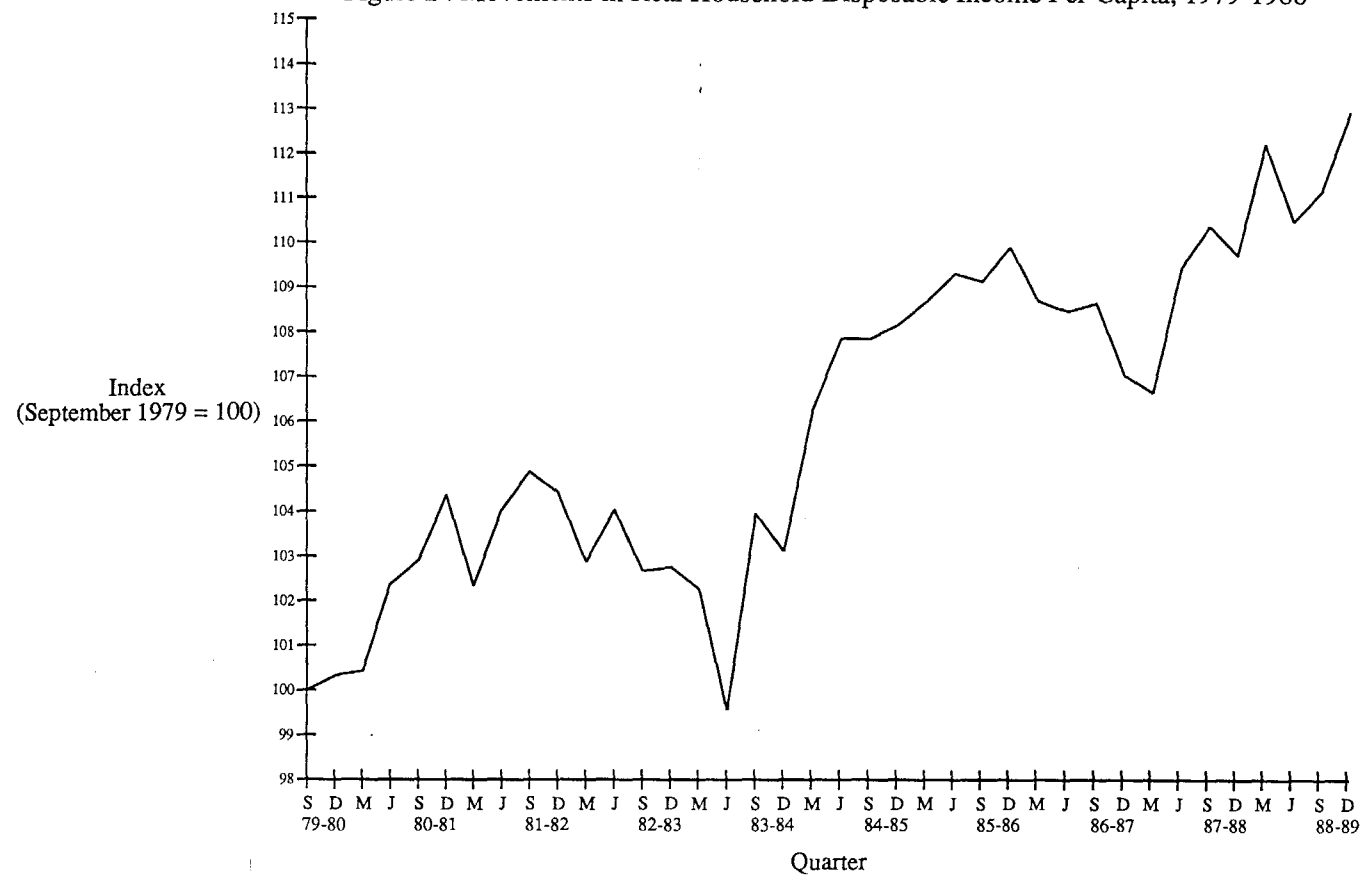
4.1 Methods

The two main requirements for producing estimates of poverty - detailed data on family incomes and a procedure for establishing a set of poverty lines - have now been briefly described. In relation to the latter, the previous section indicated that the procedures developed by the Poverty Commission have been adopted in this paper. This facilitates comparisons of the poverty estimates with those for earlier years and also allows comparisons with other poverty estimates derived using the same methods and data sources.¹⁶ The final input required before estimates of poverty are presented is the choice of an index by which the extent of poverty is to be measured. In line with

¹⁵ The ceteris paribus condition is, of course, crucial here. One would anticipate that faster economic growth would lead to more jobs and greater increases in incomes which would tend to reduce the extent of poverty, even if the poverty line is increasing in real terms.

¹⁶ As far as possible, the estimates presented here are directly comparable with those presented in Saunders (1990). The only differences reflect the need to apply the same procedures to data from the 1981-82 and 1986 surveys which required some minor changes in procedure from those used in Saunders (1990) (see footnote 19).

Figure 2 : Movements in Real Household Disposable Income Per Capita, 1979-1988



much previous Australian poverty research, the poverty index used here is the simple head count measure, the proportion of income units (or persons) with incomes below the poverty line. The shortcomings of this index are acknowledged, and more sophisticated indices such as the poverty gap have been used in Australia by Saunders and Whiteford (1987), Brownlee and King (1988) and Johnson (1988). While these more sophisticated poverty indices have the potential to provide greater insight into trends in poverty and the impact of government policies, they have not been used because the aim here is to provide a broad overview of the main trends rather than a detailed examination of specific developments. The results presented here would, however, need to be supplemented by those based on more refined poverty indices before a complete assessment of the situation could be claimed to have been done.

The actual poverty lines used to assess the poverty status of selected income unit types are shown in Table 4. For each income unit type, the poverty line shown is the average for each specified group, this being necessary because the poverty line varies according to the age, gender, workforce status and housing circumstances of each individual in the income unit.¹⁷ As discussed earlier, the poverty lines have increased in real terms over the period reflecting economic growth and the resulting increase in real average disposable incomes. The poverty line for a single person aged under 25, for example, increased in real terms by 7.3 per cent between 1981-82 and 1985-86, and by a further 6.1 per cent between 1985-86 and 1989-90, with the poverty lines for other income unit types increasing by similar magnitudes. Such increases thus imply that a family on the margin of poverty in 1989-90 could still be almost 14 per cent better off in real financial terms than they were in 1981-82.

The second ingredient required before estimates of poverty can be derived is detailed data on the income and other relevant socioeconomic characteristics of a large representative sample of Australian families. Such data have been collected and made publicly available by ABS for the years 1981-82 and 1985-86, as a consequence of the **1981-82 Income and Housing Survey** and the **1986 Income Distribution Survey**, respectively. The income data from these surveys have been used firstly to calculate income tax liabilities and hence disposable incomes and then to estimate the numbers of each income unit type below their relevant poverty line.¹⁸ Two indicators of poverty have been calculated. The first, the **incidence of poverty** (or the **poverty rate**) expresses the numbers in poverty as a percentage of the estimated population of each income unit type. The second, the **structure (or composition) of poverty** which expresses the number of each

¹⁷ The equivalence scales used to derive the poverty lines in Table 4 are referred to as the detailed Henderson scales. They are explained in Appendix F, pp. 354-356 of **Poverty in Australia**.

¹⁸ Income tax payments are not available on the 1981-82 data tape and are missing in a considerable number of cases on the 1985-86 tape. For this reason, income tax liabilities have been estimated directly from the tax scales. Details are provided in Saunders and Hobbes (1988) and Saunders, Hobbes and Stott (1989).

TABLE 4: RELATIVE POVERTY LINES IN 1981-82, 1985-86 AND 1989-90^(a)
(Dollars per week)

Income Unit Type	1981-82	1985-86	1989-90
Single person, aged under 25	66.40	95.90	138.40
Single person, aged 25 to 44	73.60	106.20	151.90
Single aged person ^(b)	63.70	91.80	131.90
Aged couple ^(b)	99.00	139.30	199.40
Non-aged couple	122.90	173.40	250.90
Couple, one child	151.40	218.00	313.90
Couple, two children	180.30	255.50	368.90
Couple, three children	205.40	290.70	419.10
Sole parent, one child	99.00	144.20	208.40
Sole parent, two children	131.70	186.20	268.10

Notes: (a) The poverty line for each income unit type is the calculated average for that type, taking into account differences in age, workforce status and housing circumstances. All numbers have been rounded to the nearest ten cents.
(b) Single aged income units comprise males aged 65 or over or females aged 60 or over. Aged couples are those where the income unit head is male and aged 65 or over, or female and aged 60 or over. Aged income units with dependent children (of which there are a very small number) are included in either the non-aged couple or sole parent groups.

Sources: See main text.

income unit type in poverty as a percentage of the total number of income units in poverty.¹⁹ The first indicator shows the risk of poverty confronting particular types of income unit, while the second indicates the probability that a poor income unit will be of a particular type. Income unit types with a high risk of poverty may nonetheless represent a tiny proportion of the poverty population if they are only a small group in the population as a whole.

In order to estimate the incidence and structure of poverty in 1989-90, it was first necessary to generate income data for that year, since ABS survey data are not available. This was done using the microsimulation techniques described in Bradbury, Doyle and Whiteford (1989), and Bradbury (1990). These techniques use available income distribution data for 1985-86 in combination with other ABS data on labour market, demographic and aggregate income changes, and changes in the social security and tax systems, in order to simulate changes in the income distribution between 1985-86 and 1989-90. Because these microsimulation techniques are still in a relatively early stage of development, the precise poverty estimates for 1989-90 should not be accorded undue importance. They do, however, represent the only estimates of poverty at the end of the eighties currently available. The broad trends shown below thus appear to be a reasonable representation of the true picture. Just how accurate they are will, however, not be able to be fully ascertained until data from the ABS 1990-91 income survey are available for detailed analysis.

4.2 Results

Estimates of poverty by income unit type in 1981-82, 1985-86 and 1989-90 are shown in Table 5. Overall, the number of income units in poverty rose from 494 thousand in 1981-82 to 774 thousand in 1989-90, an increase in the overall poverty rate from 9.2 per cent to 12.8 per cent. These estimates compare with an overall poverty rate of 10.2 per cent in 1972-73 estimated by the Poverty Commission. Much of the increase in poverty in the eighties occurred between 1981-82 and 1985-86, particularly among aged income units where the poverty rate almost doubled from 6.8 per cent to 13.3 per cent. This increase in poverty among the aged continued after 1985-86, with their poverty rate reaching 19.1 per cent by 1989-90, close to three times the rate in 1981-82. However, as Bradbury and Saunders (1990) have shown, the increase in poverty among the aged largely reflects the fact that the rate of pension has declined slightly relative to the poverty line over the period, causing many to move from just above to just below the poverty line. Such sensitivity reflects the use of the simple head-count index to measure poverty and reflects a small movement in the relative income position of many aged people, even though (as Table 2 implies)

¹⁹ As explained in footnote 16 the methods used are essentially the same as those used in Saunders (1990), to which interested readers are referred for more detail. The main difference is that the exclusion of self-employed income units is undertaken here on the basis of their current labour force status, this being the only method readily available for 1981-82.

the real income levels of many of them will have risen slightly.²⁰ It is also true, however, that this increased trend in poverty among the aged in the eighties goes against the longer run decline in aged poverty described earlier. One factor that has probably been of significance here is the pension assets test which has lowered the pension paid to many aged people. Such people do, however, have considerable asset holdings and are thus asset-rich while income-poor. This points to a shortcoming of a purely income based approach to the measurement of poverty.

How much of the increase in poverty between 1981-82 and 1989-90 is due to the real increase in the poverty line alluded to earlier? The recent study by Saunders (1990) is of relevance here, particularly as it utilises the same methods as those used to derive Table 5, aside from the minor difference explained in footnote 19. In that study, Saunders shows that the poverty rate increased from 9.8 per cent in 1982-83 to 12.9 per cent in 1989-90 when estimated using the Henderson poverty line. However, when a poverty line held constant in real (1982-83) terms was used, the overall poverty rate fell from 9.8 per cent to 7.0 per cent over the same period. The real increase in the poverty line thus explains why measured poverty increased over the period, and the implications of this for the assessment of short-term trends in relative poverty more generally are both obvious and significant.

Within non-aged income units, Table 5 indicates that the groups with the highest incidence of poverty are sole parent families, couples with three or more children and single people aged between 45 and retirement age. Indeed, the poverty rate among this latter group of older workers exceeded the poverty rate among the aged up until 1985-86 and remained very high in 1989-90. The impact of the family package in reducing poverty amongst families with children since 1985-86 is clearly apparent, although the extent of the decline is not great. Again, however, this reflects the insensitivity of the head-count poverty measure; poverty gap estimates would undoubtedly show a far greater impact. The family package has without doubt raised significantly the real living standards of many low income families with children since its introduction in 1987 (Saunders and Whiteford, 1987; Brownlee and King, 1988).

Perhaps the most significant aspect of the estimates in Table 5 is the extent to which poverty is a feature of families in which there is only a single adult present, either single people or sole parent families. In 1981-82, over 71 per cent of all income units in poverty had only a single adult present, and by 1989-90 this had increased to over 77 per cent. In contrast, the poverty rate among

²⁰ Table 5 shows that poverty among single aged people has risen from below 8 per cent to over 28 per cent, while poverty among aged couples has remained virtually unchanged. Yet Table 2 indicates that the standard and married rate of pension have risen by the same amount. This suggests that the poverty line and benefit relativities for single aged people and aged couples are different and that this, combined with the use of the head-count poverty index, explains some of the sensitivity of the estimates of poverty among single aged people.

TABLE 5: THE INCIDENCE AND STRUCTURE OF POVERTY BY INCOME UNIT TYPE

	1981-82			1985-86			1989-90		
	Number of income units in poverty ('000)	Poverty rate (%)	Composition of the poor (%)	Number of income units in poverty ('000)	Poverty rate (%)	Composition of the poor (%)	Number of income units in poverty ('000)	Poverty rate (%)	Composition of the poor (%)
Single people:									
- aged under 25	88.6	11.0	17.9	82.8	11.4	12.5	97.3	12.0	12.6
- aged 25 to 44	41.3	6.7	8.4	54.3	7.5	8.2	69.5	8.4	9.0
- aged 45 to 60/65(a)	55.3	15.8	11.2	77.2	20.9	11.7	92.2	22.4	11.9
- aged 60/65 and over(a)	55.8	7.9	11.3	136.4	18.7	20.6	224.1	28.3	29.0
All Single People	241.0	9.7	48.8	350.7	13.8	53.0	483.1	17.0	62.5
Aged couples(a)	19.8	4.8	4.0	23.5	5.0	3.6	24.9	4.9	3.2
Non-aged childless couples	26.1	3.2	5.3	38.8	4.3	5.9	39.6	3.9	5.1
All Childless Couples	45.9	3.8	9.3	62.3	4.5	9.5	64.5	4.3	8.3
Couples, one child	17.7	4.0	3.6	20.9	4.6	3.2	19.3	4.0	2.5
Couples, two children	32.4	5.2	6.6	47.1	7.7	7.1	40.0	6.3	5.2
Couples, three children	23.9	8.6	4.8	40.9	16.6	6.2	33.7	13.8	4.4
Couples, four children	14.5	20.8	2.9	13.7	21.8	2.1	10.6	17.3	1.4
Couples, five or more children	8.7	33.0	1.8	8.5	36.9	1.3	6.3	29.3	0.8
All Couples with Children	97.2	6.7	19.7	131.1	9.4	19.9	109.9	7.6	14.3
Sole parents, one child	43.9	30.8	8.9	50.9	38.2	7.7	51.9	36.1	6.7
Sole parents, two children	37.6	48.1	7.6	43.8	52.8	6.6	43.4	49.3	5.6
Sole parents, three children	21.1	64.9	4.3	18.0	71.7	2.7	17.4	70.1	2.2
Sole parents, four or more children	7.3	85.8	1.5	4.0	62.9	0.6	3.9	60.2	0.5
All Sole Parents	109.9	42.0	22.3	116.7	47.2	17.6	116.6	44.3	15.0
All Aged	75.6	6.8	15.3	159.9	13.3	24.2	249.0	19.1	32.2
All Non-aged	418.4	9.8	84.7	500.8	11.4	75.8	525.1	11.0	67.8
All Income Units	494.0	9.2	100.0	660.7	11.8	100.0	774.1	12.8	100.0

Notes: (a) See Note (b) to Table 4.
 (b) These estimates exclude income units whose current employment status is self employed and juvenile income units aged 16 to 19 or 20 without dependants and living with their parents.
 (c) The poverty lines for each year are based on the detailed Henderson equivalence scales and have been adjusted in line with movements in household disposable income per capita (HDYC), with budget forecast used to update the HDYC series to 1989-90. Further information is available on request from the authors.

Sources: 1981-82 Income and Housing Survey and 1986 Income Distribution Survey, unit record files.

non-aged units with two adults present, particularly those without children or with less than three children is much lower. Part of the reason for this is the economies of scale in housing costs which can be achieved when adults live together, but it also reflects life cycle factors and, for sole parents, the difficulties of joining the labour force when caring for young children. The overall picture suggested by these estimates is therefore that the risk of poverty declines significantly when younger adults marry or enter into a relationship with someone else, but then rises dramatically if that relationship ends, particularly for the person left caring for any children.

The very different poverty rates for couples with children and sole parents with children, combined with the fact that the vast majority of sole parent families were previously in couple relationships (Raymond, 1987) point to the serious implications of family break-up for the living standards of children, at least in the immediately following period. Again, housing costs are likely to be a significant factor here, reinforced by the difficulties faced by sole parents in gaining access to suitable employment opportunities particularly where there are young children present and child care facilities are inadequate. The fact that the 1989-90 poverty rate for sole parent families is four times the overall non-aged poverty rate points to the need for even greater efforts to be directed to designing more adequate and appropriate income support **and** labour market policies for sole parents.

Table 6 classifies poverty by labour market status rather than by income unit type. Not surprisingly, poverty is much higher among the unemployed and those not in the workforce (both non-aged and aged) than among those income units who have access to at least one wage income. Amongst the non-aged, poverty is higher among those not in the workforce than among the unemployed, reflecting the fact that some of those defined as unemployed in Table 6 will have worked for some part of the year and earned enough to escape poverty on average over the year. The estimates in Table 6 (and those in Table 5) are thus consistent with the possibility that many more unemployed and other families are forced into poverty for relatively short spells during the course of the year.²¹ Although the incidence of poverty among unemployed families remains at around one third in all three years shown in Table 6, the composition of the poor who are unemployed fell from 25 per cent in 1981-82 to 19 per cent in 1989-90. This reflects the decline in unemployment since 1982-83, which can be legitimately claimed to be a positive achievement of the Labor government, even if the size of the resulting decline in poverty is smaller than many have claimed.²²

²¹ For an interesting analysis of poverty spells among American families see Ruggles (1990).

²² For a more detailed analysis of the impact of employment growth on poverty since 1983 see Saunders (1990).

TABLE 6: POVERTY BY LABOUR FORCE STATUS

Labour Force Status	1981-82		1985-86		1989-90	
	Incidence of poverty (%)	Composition of the poor (%)	Incidence of poverty (%)	Composition of the poor (%)	Incidence of poverty (%)	Composition of the poor (%)
Full year, full-time workers	1.0	6.0	2.3	9.9	1.8	7.3
Unemployed ^(a)	30.2	24.9	32.7	22.8	32.9	19.2
Other non-aged in the labour force ^(b)	13.1	13.4	16.0	12.4	16.2	12.5
Not in the labour force	38.4	40.3	35.3	30.6	36.9	28.8
Aged income units	6.8	15.3	13.3	24.2	19.1	32.2
All income units	9.2	100.0	11.8	100.0	12.8	100.0

Notes: (a) Income units where the head is unemployed for eight weeks or more during the year.
 (b) This category includes part-time workers, part-year full-time workers and those unemployed for less than eight weeks during the year.

Sources: See Table 5.

Perhaps the most surprising aspect of Table 6 is that there is apparently some poverty among families with a full-time, full-year worker present. Although the rate of poverty among this group is very low, they still account for over 7 per cent of all poor families in 1989-90 and almost 10 per cent in 1985-86. One reason for this is probably that levels of financial assistance to low wage families with large numbers of children have generally not been adequate in relation to the poverty line. That would be consistent with the fall in poverty since 1985-86 for this group, as a consequence of the introduction of the family package. But whether there remain instances of low wages and poor working conditions which are condemning low wage families to poverty is an issue serious enough to warrant further investigation. Indeed, if low wage earners are more prone to unemployment than those on higher wages - as the available evidence suggests - it may be that these families are experiencing a life of poverty whether they are in work or not. That possibility raises serious questions about the nature of both the wages and income support systems that also require further investigation.

5. Summary and Conclusions

Any government concerned about questions of social justice, inequality and disadvantage in the community can and indeed should be judged against their record in reducing poverty. Financial poverty - an enforced lack of sufficient monetary resources to allow needs to be met - is by no means the only social problem faced by modern governments. Nor can such poverty be viewed or addressed without taking account of those broader issues of economic power and social inequality which allow the extremes of poverty to continue to exist in rich countries like Australia. But at a fundamental level, if a government cannot guarantee sufficient monetary resources to allow basic needs to be met, any claims to the achievement of improved social justice have a hollow ring to them.

This raises a series of questions relating to the way in which poverty is conceived and how the extent of poverty is measured. It needs to be remembered, however, that estimates of how the trend in poverty is changing over time do not, of themselves, indicate how successful government anti-poverty policies have been. There are many other factors which influence the overall poverty rate, many of which, in the short-run at least, are not amenable to direct government influence. These factors need to be identified separately - no easy task - before the direct impact of government policies on poverty can be quantified. That having been said, however, no government can take pride in presiding over a period of increasing poverty. The fact that that increase might have been even greater had the government not acted as it did may give some comfort to those working in the machinery of government, but will never persuade those who see the increase in poverty as convincing evidence of policy failure.

This paper began by noting that the high and sustained levels of unemployment experienced throughout the eighties did much to move the discussion of poverty back onto the political agenda, both in Australia and elsewhere. The growth in the number of sole parent families has also caused the number of children living in poverty in Australia to increase sharply since the mid-seventies. Evidence of increased poverty among children in working age families whose adult members were condemned to joblessness and thus denied the ability to meet their own needs through paid employment points dramatically to the need for something to be done.

The impressive employment record achieved by the Hawke government through the Accord, and the package of social security measures aimed at low income families with children, have been the two main features of the attack on poverty in Australia under the ALP government. In relation to the first, however, the evidence suggests that employment growth has not had anything like the impact on reducing poverty often claimed by the government (Saunders, 1990). Many of the new jobs created since 1983 have, it seems, been taken by people in families who already had a wage earner, with consequently little or no impact on the poverty rate. The introduction of the family package at the end of 1987 saw family assistance payments for low income families increase in real terms - in some instances substantially so - with beneficial effects on the real living standards of those receiving them. In addition, the establishment of benchmarks for the level of child payments and the commitment to maintain their value relative to adult payments through automatic indexation represent significant improvements in family assistance.

If poverty is conceived in relative terms, increases in the real incomes of those at the bottom of the income hierarchy will not reduce poverty if real incomes in the community generally are rising rapidly. Such increases will raise the real living standards of the poor, but may not cause the ranks of the poor to decline. That the former event has occurred since 1983 is confirmed by the work of Bradbury, Doyle and Whiteford (1989), which shows that the real increases in family disposable incomes since 1982-83 have tended to be greatest for families at the bottom of the income distribution, both overall and within family types (Bradbury, Doyle and Whiteford, 1989, Table 9, p.33). Despite these increases, however, the estimates in this paper show that poverty has increased throughout the period since 1981-82, albeit with a marked slowdown in the rate of increase after 1985-86. This partly reflects the real increase in the poverty line which, being adjusted in line with average disposable incomes, increased substantially in real terms following recovery from the recession in 1982-83 and the subsequent period of moderately high economic growth (Figure 2).

The poverty estimates presented here need to be supplemented by additional research and, possibly, further policy changes in several areas. The impact of housing costs on poverty is one of these, as is the need to understand more about the nature and extent of poverty among sole parent families. There is a need for research of a longitudinal nature that will track families over time in

order to investigate the extent to which poverty is of a relatively short-term temporary nature, rather than an almost permanent state of unmet need and cumulative disadvantage. The estimates that we do have indicate that, despite limited success in some areas, poverty - at least when measured using the head-count ratio - remains high in Australia and has continued to rise since the ALP government was first elected to office.

But perhaps the most fundamental issue raised by the results presented in the paper relates to the need to re-think the methodology underlying the Henderson poverty line and the use of a head-count measure to estimate the extent of poverty. Together, these ensure that the trend in poverty in Australia in the eighties has been rising, despite the fact that the living standards of many low income families have also been increased by government action. Were the poverty line to have been held constant in real terms, the trend in measured poverty over the eighties would have been downwards rather than upwards. In these circumstances, defenders of the government's record can legitimately question the relevance of a poverty measure that shows things getting worse when other indicators clearly suggest quite the opposite. Certainly, the real increases in benefits for low income groups illustrated in Tables 2 and 3 show that living standards can be protected and enhanced even when social security expenditure is under severe constraint. The time is perhaps right to consider once again how the poverty line should be set and how the extent of poverty is best measured.

These issues accepted, what the evidence presented here perhaps best shows overall is the inherent implausibility of the 'trickle down' approach to poverty alleviation. Such an approach argues essentially that the best and most sustainable way of assisting the poor is through policies which promote overall efficiency and economic growth. The increased affluence associated with a more highly productive economy will then, in some mysterious fashion rarely expounded, trickle down to benefit those at the bottom of the income distribution. In short, the best way to assist the poor in the long-run is actually to assist the rich in the short-run. Such policies did not work in the United States during the Reagan years (Danziger and Gottschalk, 1983: 1986) and neither have they appeared to work in Australia in the eighties. Economic growth alone will never be sufficient to eradicate relative poverty in rich countries like Australia. Redistributive policies are also essential in order to attack financial poverty, as are a range of other social justice policies if other aspects of social disadvantage are to be tackled successfully. In relation to the first of these, the estimates in this paper suggest that the ALP government has made progress in some areas to date, but that overall poverty has continued to rise. The ever-rising tide of poverty in rich countries like Australia is by no means inevitable, but greater redistributive efforts are required if that tide is to be turned back.

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