BANKWEST CURTIN ECONOMICS CENTRE

BEHIND THE LINE

Poverty and disadvantage in Australia 2022

Alan Duncan

Focus on the States Series, No. 9/22
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About the Centre

The Bankwest Curtin Economics Centre is an independent economic and social research organisation located within the Curtin Business School at Curtin University. The Centre was established in 2012 through the generous support of Bankwest, a division of the Commonwealth Bank of Australia. The Centre's core mission to deliver high quality, accessible research that enhances our understanding of key economic and social issues that contribute to the wellbeing of West Australian families, businesses and communities.

The Bankwest Curtin Economics Centre is the first research organisation of its kind in WA, and draws great strength and credibility from its partnership with Bankwest, Curtin University and the Western Australian government. The Centre brings a unique philosophy to research on the major economic issues facing the State.

By bringing together experts from the research, policy and business communities at all stages of the process – from framing and conceptualising research questions, through the conduct of research, to the communication and implementation of research findings – we ensure that our research is relevant, fit for purpose, and makes a genuine difference to the lives of Australians, both in WA and nationally.

The Centre is able to capitalise on Curtin University's reputation for excellence in economic modelling, forecasting, public policy research, trade and industrial economics and spatial sciences. Centre researchers have specific expertise in economic forecasting, quantitative modelling, micro-data analysis and economic and social policy evaluation. The Centre also derives great value from its close association with experts from the corporate, business, public and not-for-profit sectors.

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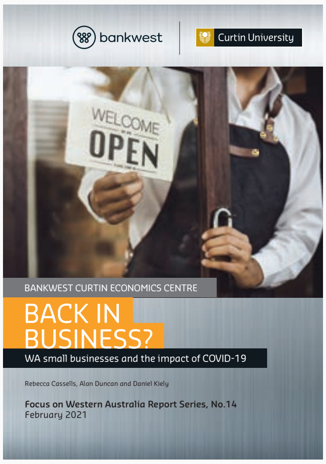

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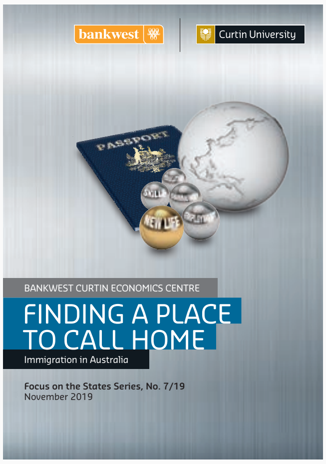

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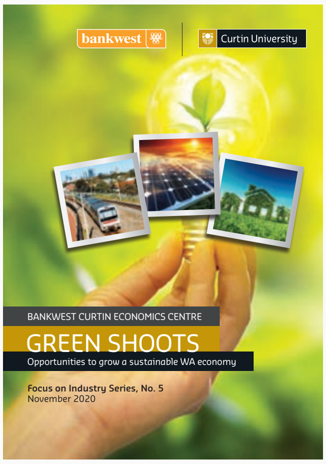

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FOREWORD

This latest report in the Bankwest Curtin Economics Centre *Focus on The States* series throws new light on the prevalence of poverty and disadvantage in Australia, and the depth and impacts of poverty across different sections of our society.

Our research explores the depth of income poverty and disadvantage in Australia, and more especially, how it has changed from pre-COVID levels.

We look at how employment, poverty and wellbeing were affected both by the pandemic, but also by the government stimulus and support measures put in place to navigate the crisis.

But we were determined to look behind the poverty line, to explore how the experience of poverty impacts on people's quality of life, social isolation, security and wellbeing.

Deep and prolonged disadvantage clearly impacts on both current and future wellbeing. When we deprive our fellow Australians of the opportunity to thrive and contribute we are all poorer as a society, and our future is smaller and less bright.

This is particularly true for children growing up in impoverished households, who deserve the opportunity to be all that they can be.

The release of this *Focus on The States* report coincides with International Women's Day, and it could not be more fitting that many of the findings speak directly to the financial hardships and pressures that many women in Australia face.

Our research explores the challenges faced by single parents, and by women across the course of their lives, and examines how adverse life events affect women's economic security.

If you care about gender equity then you should read this report and care about poverty because of its disproportionate impact on women.

Professor Alan Duncan
Director, Bankwest Curtin Economics Centre
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EXECUTIVE SUMMARY

The health and economic wellbeing of any society is a key barometer not just of a nation's material prosperity, but of its compassion and core values. The overarching goal for economic and social policy should be to create a safe, secure environment in which everyone can achieve their potential, and to maintain adequate protections for the most vulnerable sections of our community.

Yet in Australia there are still groups in society who fall through the cracks, with some facing serious hardship or consistent financial disadvantage over much of their lives.

This Bankwest Curtin Economics Centre *Focus on the States* report provides the latest examination of the prevalence of poverty within Australia, how this has changed over time, and which groups in society face the greatest risks of financial hardship and material deprivation.

We also look at how income poverty has changed through the experiences of the COVID-19 pandemic. We examine how Australia's states and territories compare in the prevalence of poverty and disadvantage, and seek to understand more about people's journeys into poverty, and the pathways and supports to escape from financial hardship.

The measurement of income poverty in the report assesses the number of people whose incomes fall below a poverty line as a representation of a basic living standard.

But much of this *Focus on the States* report looks 'behind the line', exploring deeper issues that highlight how poverty affects people's livelihoods and life chances, and their sense of wellbeing. We reveal the scarring effects of childhood poverty on life outcomes in adulthood, and show the extent to which prolonged experiences of poverty affect mental health and exert psychological trauma. And we put forward for consideration a range of policy recommendations that would go some way to alleviating and assisting people to escape the poverty trap.

Poverty in Australia

One approach to modelling the incidence of income poverty in this *Focus on the States* report assesses the share of the Australian population whose incomes fall below particular thresholds. This includes a commonly used benchmark of half the typical (median) per capita equivalent household income, controlling for housing costs and adjusting for differences in family composition - one that is generally deemed sufficient to deliver an adequate standard of living. Our modelling reveals a 'standard' poverty line of $451.50 per person per week once housing costs have been paid.

Just under three million Australians are assessed to live under the poverty line of half median income – 11.8 per cent of the population - including nearly 750,000 children. The number of people defined to be in poverty has somewhat surprisingly fallen by around 350,000 over the last year, partly due to the availability of COVID-19 supports paid through government allowances and wage subsidies.

A number of factors contribute to a heightened risk of poverty. Over a quarter of single parents are in poverty, with one in ten experiencing severe poverty. Single person households, those in social housing and those with a disability are most exposed to deep and persistent poverty and disadvantage. Joblessness is unsurprisingly one of the key drivers of poverty, particularly among single people and those supporting larger families. Nearly two thirds of single jobless people and 55 per cent of single parents without jobs have incomes below the 'standard' poverty line.

Our report reveals a gender gap in poverty that is more pronounced for young women and women approaching retirement. Single women aged 55 and over who live in private rental accommodation are particularly exposed to financial hardship, with two thirds experiencing income poverty.

Below the line: the depth of poverty

One of the problems with defining poverty against a single poverty line is that it categorises some people as poor, but others who are pretty much identical in terms of their disposable incomes as out of poverty. There are ongoing debates on the precise threshold that best differentiates people in poverty from those that remain out of poverty.

For a more nuanced view of the extent of income-based hardship experienced by individuals and families, we take advantage of an approach which differentiates according to progressively more stringent poverty lines. In particular, we measure the share of families below 30 per cent, 40 per cent, 50 per cent and 60 per cent of standardised per capita household income. In doing so, this gives us a better sense of the proportion families that are doing it especially tough – and what this means in terms of the number of people in severe poverty.

Nearly one million Australians – around 5.8 per cent of the population - are living in severe income poverty, having access to per capita equivalent income below 30 per cent of the national median. The 30 per cent median income threshold equates to around $270 each week after housing costs, but many in severe poverty have to make do with less than $150 per week after housing. For the poorest couples, a typical weekly income of around $270 per week is not uncommon, with some having to survive on much less.

And among the 750,000 children who are living in families below the income poverty line, over 190,000 are experiencing severe poverty. Severe income poverty is an unwanted outcome for any group, but particularly for children whose living standards while in the home will adversely affect their future life outcomes.

Unemployed single people in rented housing currently receive $388.35 per week from JobSeeker, including rent assistance and the energy supplement. Around 105,000 people who are unemployed are in severe poverty in Australia, the majority of whom are single people living in private rentals or social housing.

Using data from the HILDA survey, modelling in this report projects that an increase of $20 per day in the base JobSeeker rate combined with 30 per cent increase in the maximum rent assistance would go a long way towards eliminating severe poverty in Australia.

The scarring effect of poverty

Poverty scars people. It gets under the skin.

The innovative research in this report compares life outcomes of children who experienced poverty in the family home with those that didn't, and uncovers compelling evidence of inferior economic outcomes and poorer mental and psychological health throughout the life course - even after controlling for age, gender, Indigenous and ethnic background, future family status and educational achievement.

The survey data[1] used in this report tracks the economic, social and health outcomes for the *same* individuals for up to twenty years. This means that we are able to follow the progress of children and young people into their adult lives.

People who experience childhood poverty are up to 8 percentage points more likely to remain in poverty in adult life. The chances of securing future employment after a poverty in childhood are up to 11 percentage points lower compared to those who did not come from a poor

1 The Household Income and Labour Dynamics in Australia (HILDA) survey, managed by the Melbourne Institute (including 2020 data).

childhood background, and they are significantly more likely to suffer from nervousness or feel unhappy with their lives for up to 10 years after leaving home.

The analysis in this report reinforces our understanding of how far the impacts of poverty extend, and for how long they endure over the course of people's lives and the lives of their children. Equally, the report's findings demonstrate the scale of the economic return from targeted strategies to reduce poverty, as well as the positive social, psychological and health benefits from doing so.

Rental costs are a large contributor to financial hardship

For families on lower incomes, financial hardship is more acute when housing costs are high. The first priority is to put a roof over their heads and food on the table before anything else.

Our data show that financially vulnerable people are forced to make spending decisions on really tight margins with little or no discretionary income, and that's exactly the situation facing the 1.5 million renters across the country who are experiencing poverty. It is not unusual for the poorest families to have to survive on less than $150 per week once housing costs have been paid – that is only $21.50 a day.

How much income a family has left for food, clothing and other necessities once housing costs have been paid is heavily affected when rents rise, and this explains much of the growth in poverty rates among those in private rented accommodation.

People receiving government allowances who pay rent of $159 or more per week are eligible for the maximum weekly Commonwealth rent assistance of $71.40, but for most, the cheapest rents that can be accessed on the private rental market are at least $300. This means that every dollar of increase in private rental costs is a dollar less on disposable income. The impact of rapidly rising housing costs is especially acute for families whose incomes are relatively fixed, as is the case for those without a job and who rely on government allowances as their main source of income.

The experience of rising rental costs over the last two years brings to the fore the importance of the maximum entitlement to rent assistance, and the need for it to adequately reflect the (very different) costs incurred by low income families across the country.

People have substantially different experiences of housing cost stress across states and territories, and between cities and regional areas, but the maximum level of rent assistance remains fixed at a single rate for all. The weekly rental costs available in the private sector – even at the lowest price points - have increased over the last five years by $100 in Canberra and by at least $50 in Sydney, Adelaide and Perth. Rents have risen even more so in some regional centres. Yet the maximum rate of rent assistance has increased over the same period by only $6.10. This necessarily creates inequities in the degree of financial support for housing costs among the poorest sections of society driven solely by where they live.

There are fewer levers at the disposal of state and territory governments to tackle poverty, but amongst those that they do have, the provision of social housing features among the most important. Findings from this report show that while poverty is far higher among people who rent from a government housing authority, at 53.8 per cent (due to stringent eligibility criteria that rations limited social housing to those most in need), the prevalence of poverty for those in social housing has reduced by 6.7 percentage points over the last two years.

A lifetime of hardship?
Financial hardship can be short-term or transitory for some, but for many, the experience of poverty can endure over an extended period of time. This report uncovers compelling evidence that persistent poverty is destructive, damaging health and wellbeing to a significant degree.

Around 575,000 people have been in poverty for at least five of the last ten years, with a further 115,000 having faced financial hardship consistently for a decade or more. Single people face a heightened risk of persistent poverty, while a third of a million single people and a quarter of a million single parents have been in poverty for at least five of the last ten years.

Our report shows that people who face persistent poverty are more likely to experience psychological distress, and the longer the time in poverty, the worse the mental health impacts are. Those who were in poverty for at least five of the last ten years are 3 times more likely to suffer acute mental stress compared to people who have never experienced poverty.

The psychological trauma from years in poverty rises more steeply for women than for men in most age cohorts and family settings. Older age cohorts provide the one exception, with more than a quarter of single men aged 55 and over who have endured poverty for 5 years or more experiencing psychological distress, compared to one in five older women.

Journeys into poverty
That life events have an impact on people's financial wellbeing should not come as a surprise, but until now there has been less empirical evidence on which life transitions affect people's experiences of poverty the most, and for how long those impacts last.

Both partners are at greater risk of poverty when relationships break down, but the effects are both more severe and more enduring for women. The risk of descending into poverty is three times higher for women than for men following separation or divorce, and twice as high following the death of a partner. Women also suffer adverse impacts from life events for longer. The poverty risks for women remain at the same heightened level for three or more years after a relationship breakdown or the death of a partner.

The working poor
One in five people in poverty are in low paid employment, with one in eight agriculture workers and nearly 10 per cent of workers in the accommodation and food services sector earning below the poverty line. Poverty rates did fall by 6 percentage points among casual workers who held onto their jobs during the COVID-19 pandemic, but this needs to be balanced against the fact that nearly 220,000 casuals left employment between 2019 and 2020.

The fieldwork for the 2020 HILDA survey took place between August 2020 and February 2021. This provides an important opportunity to compare labour market outcomes among workers according to whether their employers have been able to claim the JobKeeper wage subsidy payment.

One of the clearest findings to emerge from this analysis is that rates of working poverty for those employed on casual contracts dropped between 2019 and 2020 by a far greater margin for workers in organisations that were able to claim the JobKeeper payment.

In 2019, around one eighth of workers on casual contracts (12.5%) took home earning below the 50 per cent poverty line. In 2020, the poverty rate dropped to 9.4 per cent among workers for whom no JobKeeper payments were claimed, but to a much lower rate of 5.6 per cent for workers in companies that both qualified for and claimed JobKeeper.

The initial design of JobKeeper led to average weekly earnings for those on casual contracts rising from $616 per week in 2019 to $754 per week when their employers were able to claim JobKeeper, but to only $650 per week when this was not the case.

What is more surprising is that the reverse appears to be true for workers on permanent or fixed term contracts in JobKeeper-eligible organisations. For example, the rates of working poverty for employees on fixed term contracts rose from 4.3 per cent to 5.9 per cent between 2019 and 2020 - nearly twice the 3.1 per cent poverty rate for fixed term workers in organisations that did not qualify for the subsidy. The same effect is present to a lesser degree among permanent contract holders.

RECOMMENDATIONS:

- Increase base JobSeeker and related social security payments by $20 per day as a minimum amount to lift recipients above a threshold for severe poverty.
- Increase the level of Commonwealth Rent Assistance maximum payment by 30 per cent to better align CRA support with rental costs.
- Consider how CRA maximum payment rates can be indexed to an agreed basic measure of rental costs.
- Increase investment in social housing to deliver new housing units on a scale that meets needs.
- Invest in local services that provide immediate advice and support to newly jobless people in accessing government services, and connections to new employment opportunities.
- Extend free public transport to all concession card holders and job seekers.
- Ensure that household fees and charges for essential services remain affordable for low-income households.

Key Findings

POVERTY AND DISADVANTAGE IN AUSTRALIA 2022

Poverty incidence in Australia

- Income poverty in this report is measured by comparing per capita income with a poverty threshold of $451.50 per person per week after housing costs.
- Just under 3 million people in Australia are assessed to be in poverty in 2020.
- The incidence of poverty has fallen by around 350,000 people over the last year.

Who is most likely to face poverty?

- Over a quarter of single parents are in poverty, with one in ten experiencing severe poverty.
- Poverty is more pronounced for women than men, with larger gender differences in rates of poverty for young women and women aged 55 and over.
- Joblessness is a key driver of poverty, particularly for single people and people living in large families.
- Nearly two thirds of single jobless people and 55 per cent of single parents without jobs have incomes below the 'standard' poverty line.

Poverty depth

- Severe poverty is assessed against a weekly income threshold of $270 per person after housing costs
- Single people in severe poverty have to live on less than $150 per week after housing costs are paid.
- The poorest couples in Australia survive on less than $270 per week.
- Nearly one million Australians – around 5.8 per cent of the population - are living in severe income poverty with income below 30 per cent of the national median.
- Of the 750,000 children living in poverty, over 190,000 are experiencing severe poverty.
- JobSeeker payments are currently $388.35 per week including rent assistance and the energy supplement.
- Around 105,000 unemployed people are in severe poverty in Australia.
- An increase of $20 per day in the JobSeeker base rate combined with a 30 per cent increase in rent assistance ($21.42 per week) would virtually eliminate severe poverty in Australia.

A lifetime of hardship

- Persistent poverty is shown to be damaging to health and wellbeing.
- 575,000 people have been in poverty for at least five of the last ten years.
- 330,000 single people and a 250,000 single parents have been in poverty for at least five of the last ten years
- 115,000 people have experienced financial hardship consistently for a decade or more
- People in poverty for at least five of the last ten years are 3 times more likely to suffer acute mental stress compared to people who have never experienced poverty.
- The psychological trauma from persistent poverty rises more steeply for women than for men in most age groups.

Working poor

- One in five people in poverty are in low paid employment.
- One in eight agriculture workers and 10 per cent of workers in accommodation and food services have earnings below the poverty line.
- Poverty rates fell by 6 percentage points among casual workers who remained in employment during the COVID-19 pandemic.
- There were 220,000 fewer casual workers in 2020 than 2019.
- Poverty rates for casual workers dropped between 2019 and 2020 by a far greater margin for workers in organisations that were able to claim the JobKeeper payment.
- Poverty rates dropped to 9.4 per cent in 2020 for casual workers in organisations where no JobKeeper payments were claimed, but to 5.6 per cent for workers in companies that claimed JobKeeper
- Average weekly earnings for casual workers rose from $616 per week in 2019 to $754 per week when their employers were able to claim JobKeeper, but to only $650 per week when this was not the case.

Poverty and housing

- 1.5 million renters in Australia are in poverty, with the poorest families left with no more than $150 per week after housing costs are paid.
- The maximum Commonwealth rent assistance is $71.40 per week, compared to private sector rents of at least $300 per week.
- Rental costs have increased over the last five years by $100 in Canberra and by at least $50 in Sydney, Adelaide and Perth.
- The maximum rate of rent assistance has increased by $6.10 over five years.
- 53.8 per cent of people who rent from a government housing authority are in poverty.
- The poverty rate for people in social housing has fallen by 6.7 percentage points over the last two years.

The scarring effects of childhood poverty

- Poverty scars children and affects their economic, social and health outcomes in adulthood.
- This report finds that people who come from a poor family experience inferior economic outcomes and poorer mental and psychological health.
- People who experience childhood poverty are up to 8 percentage points more likely to remain in poverty in adult life.
- The probability of employment is up to 11 percentage points lower for children who experienced poverty in childhood compared to those who did not come from a poor childhood background
- Poor children are significantly more likely to suffer from nervousness or feel unhappy with their lives for up to 10 years after leaving home.
- Targeted strategies to reduce poverty will deliver economic returns, and positive social, psychological and health benefits.

Recommendations

- Increase base JobSeeker and related social security payments by $20 per day as a minimum amount to lift recipients above a threshold for severe poverty.
- Increase the level of Commonwealth Rent Assistance maximum payment by 30 per cent to better align CRA support with rental costs.
- Consider how CRA maximum payment rates can be indexed to an agreed basic measure of rental costs.
- Increase investment in social housing to deliver new housing units on a scale that meets needs.
- Invest in local services that provide immediate advice and support to newly jobless people in accessing government services, and connections to new employment opportunities.
- Extend free public transport to all concession card holders and job seekers.
- Ensure that household fees and charges for essential services remain affordable for low-income households.

INTRODUCTION

There is perhaps a prevailing belief that Australia is a land of opportunity, with a strong sense of egalitarianism that means everyone is given 'a fair go'.

But it's hard to reconcile this picture with a society in which people still suffer from deep and persistent disadvantage, and where they continue to struggle and fall behind.

Which groups have the highest risk of experiencing poverty, and how has this shifted over time? Does the experience of poverty impact differently on different groups – such as women, children growing up in poverty, or those retiring in private rental?

What are the knock on effects to our health and mental health – our future prosperity and wellbeing? Is there a long-term scarring effect?

Do particular life events – such as job loss, retirement, separation or bereavement increase our risk of poverty? What does the gender poverty gap look like in 2022?

To provide answers to these questions we begin by looking at the definition, incidence and depth of poverty in Australia to determine who is most at risk of extreme poverty, and examine the role that housing costs play in financial hardship.

The COVID-19 pandemic provides an important context to any consideration of poverty in Australia, and would be impossible to ignore.

Fortunately, the research for this report is based on the 2020 Household Income and Labour Dynamics in Australia (HILDA) survey, which gives us a unique opportunity to draw insights from the first large scale, representative survey to cover the COVID-19 pandemic.

We consider the circumstances of the nearly one in five Australians who are working and living in poverty, and look at the differential impacts of COVID-19 measures on labour force status for those who are full-time, part-time or casual workers or not in the labour force.

We also examine the impacts of JobKeeper Payments on poverty rates for women versus men, depending on whether they were permanent employees, casual, or on fixed term contracts, and whether working full-time or part-time.

We examine different domains of vulnerability – from financial insecurity to emotional vulnerability and housing insecurity. We consider how significant life events – such as separation or bereavement – affect the risk of poverty for women and men, and how long those effects persist.

And we look at the links between poverty and psychological stress, tracking how the persistence of poverty impacts on long-term wellbeing through the life course. Finally we look at the scarring effects of poverty in childhood and adolescence to see how early depravation manifests in longer term disadvantage.

"THE OVERARCHING GOAL FOR ECONOMIC AND SOCIAL POLICY SHOULD BE TO **CREATE A SAFE, SECURE ENVIRONMENT IN WHICH EVERYONE CAN ACHIEVE THEIR POTENTIAL,** AND TO MAINTAIN ADEQUATE PROTECTIONS FOR THE MOST VULNERABLE SECTIONS OF OUR COMMUNITY."

WHAT DOES POVERTY IN AUSTRALIA LOOK LIKE?

INTRODUCTION

The health and economic wellbeing of any society is a key barometer not just of a nation's material prosperity, but of its compassion and core values. The overarching goal for economic and social policy should be to create a safe, secure environment in which everyone can achieve their potential, and to maintain adequate protections for the most vulnerable sections of our community.

Yet in Australia there are still groups in society who face serious hardship or consistent financial disadvantage over much of their lives.

This Bankwest Curtin Economics Centre *Focus on the States* report provides the latest examination of the prevalence of poverty within Australia, how this has changed over time, and which groups in society face the greatest risks of financial hardship. We also examine how poverty rates compare across Australia's states and territories.

The standard measurement of income poverty assesses the number of people whose incomes fall below a defined poverty line as a representation of a basic living standard. This is useful as a broad indication of patterns and trends, but depending on the income threshold chosen, can conceal factors which are critically important in the understanding of severe poverty.

This report, building on the Centre's 2014 *Falling Through The Cracks*[2] report, looks 'behind the line', exploring the prevalence of deeper degrees of poverty, surfacing issues that highlight how poverty affects people's livelihoods and life chances, their capacity to secure work, and their sense of wellbeing.

2 Rebecca Cassells, Michael Dockery and **Alan Duncan** (2014), *Falling Through The Cracks: poverty and disadvantage in Australia*, BCEC Focus on the States Report Series, Issue #1. October 2014.

DEFINING POVERTY

One approach to modelling the incidence of income poverty in this *Focus on the States* report assesses the share of the Australian population whose incomes fall below particular thresholds. This includes a commonly used ('standard') benchmark of half the typical (median) per capita equivalent household income, controlling for housing costs and adjusting for differences in family composition - one that is generally deemed sufficient to deliver an adequate standard of living.

The choice of index against which poverty is to be measured, and the process of determining the income thresholds used to classify the incidence of poverty, are subject to a number of key decisions and assumptions, each of which impose an implicit or explicit judgement regarding the needs of families and what poverty itself actually means as a concept.

The representative population data we use for this report is drawn from the Household Income and Labour Dynamics in Australia (HILDA) survey managed by the Melbourne Institute. The data are longitudinal, which allows us to track individuals over a period of twenty years. The HILDA survey contains exceptional details of people's incomes, labour force and work patterns, socioeconomic characteristics and education outcomes, as well as a host of information on life events, attitudes and measures of subjective well-being.

The income measure we use is total household disposable income after housing costs, the benefits of which are assumed to be shared across family members. This means that all members of the same household are assumed to have the same status of poverty. Depending on the nature of the income sharing within households, this may or may not be true. However there is insufficient information in most household surveys to capture different circumstances where not all family members are able to access household resources to the same degree.

Using these data, we assess poverty based on the adequacy of income relative to a benchmark poverty line.

Poverty rates are assessed by calculating the percentage of people whose real *equivalised household disposable incomes* fall below different fractions of the median. Equivalisation is a method of standardising income to take account of household size and composition differences. Here, we use the OECD modified equivalence scales to standardise income. These scales apply 1.0 for the first adult in the household, 0.5 for any subsequent adults and 0.3 for children.

Our 'standard' income poverty measure is set at 50 per cent of the typical (median) standardised incomes, but we also consider different poverty depths down to 30 per cent of the median.

Our modelling reveals a 'standard' poverty line of $453.50 per person per week once housing costs have been paid.

Using this as a baseline, the equivalent poverty lines for family income can be calculated using the OECD modified equivalence scales (Table 1). We can also vary poverty depth by adjusting the percentage of median income that defines the degree of poverty. These include a threshold of 30 per cent of median equivalent per capita income. We consider families to be in severe poverty when their income falls below this threshold.

TABLE 1

Poverty line equivalences

		Household poverty lines (after housing costs)			
Family type	Equivalence scale	Percentage of median income			
		30%	40%	50%	60%
Single person	1	272.10	362.80	453.50	544.19
Single parent with 1 child	1.3	353.73	471.64	589.54	707.45
Single parent with 2 children	1.6	435.36	580.47	725.59	870.71
Couple with no children	1.5	408.15	544.19	680.24	816.29
Couple with one child	1.8	489.78	653.03	816.29	979.55
Couple with 2 children	2.1	571.40	761.87	952.34	1,142.81

Note: Poverty lines are calculated for real equivalised household disposable incomes (after housing costs). Nil and negative incomes are excluded from poverty calculations. Data are re-based to December 2021 prices. Housing costs included mortgage repayments, rent and property rates. See technical notes for further detail.
Source: Bankwest Curtin Economics Centre | Author's calculations from HILDA Survey Waves 2-20 (2002-2020).

POVERTY INCIDENCE IN AUSTRALIA

Our analysis reveals that just under 3 million people in Australia (2,958,800) are assessed to live under a 'standard' poverty line of 50 per cent of median income in 2020 (Table 2). This represents nearly 11.8 per cent of the population, and includes nearly 750,000 children.

The number of people defined to be in poverty has fallen by 356,000 over the last year, a drop of 1.6 percentage points. This may be driven partly due to the availability of COVID-19 supports paid through government allowances and wage subsidies.

Just under 1.5 million households are modelled to be in poverty, which translates to a household poverty rate of 15 per cent. This rate has also fallen slightly, by 1 percentage point, over the last year. The reason that household poverty rates are higher than the individual rate is because a higher share of single adult families tend to experience poverty in Australia.

Just under 1.5 million households are modelled to be in poverty, which translates to a household poverty rate of 15 per cent.

TABLE 2

Poverty rates and counts: 2015, 2019 and 2020

	Household poverty lines (after housing costs)						Changes in poverty rates and numbers			
	2015		2019		2020		2015 to 2020 (5 years)		2019 to 2020 (1 year)	
Units	#	%	#	%	#	%	count	ppt	count	ppt
Households	1,335,500	14.8	1,551,800	16.0	1,472,400	15.0	+136,900	+0.2	-79,400	-1.0
Persons	2,760,900	11.9	3,314,900	13.4	2,958,800	11.8	+197,900	-0.1	-356,100	-1.6
Childen	650,900	12.5	836,900	15.7	746,600	13.9	+95,700	+1.5	-90,300	-1.7

Note: Poverty lines are calculated for real equivalised household disposable incomes (after housing costs). Nil and negative incomes are excluded from poverty calculations. Data are re-based to December 2021 prices. Housing costs included mortgage repayments, rent and property rates. See technical notes for further detail.
Source: Bankwest Curtin Economics Centre | Author's calculations based on HILDA Survey waves 2 to 20 (2002-2020).

Looking across states and territories, the rate of individual poverty ranks highest Queensland at 13.5 per cent, followed by the Northern Territory at 13.3 per cent (Table 3). The lowest rates of poverty are to be found in the ACT (at 5.4%) and Victoria (10.9%).

TABLE 3

Poverty rates and counts by state/territory: 2020

Income poverty rates and numbers									
	Households			Persons			Children		
	#	%	rank	#	%	rank	#	%	rank
NSW	453,000	14.8	5	913,800	11.4	6	231,100	13.6	4
VIC	354,900	13.9	7	716,100	10.9	7	164,900	11.6	6
QLD	315,600	16.1	4	676,400	13.5	1	193,800	17.3	2
SA	129,900	17.9	1	220,300	12.8	4	48,900	13.2	5
WA	162,100	16.1	4	325,700	12.8	4	85,800	16.6	3
TAS	38,400	16.4	2	62,400	11.8	5	17,100	14.1	7
NT (a)	9,700	14.7	6	24,700	13.3	2	10,800	18.5	1
ACT (a)	14,000	8.2	8	22,600	5.4	8	4,900	8.6	8

Note: Due to smaller sample sizes, NT and ACT figures are averaged over two years, 2019 to 2020. Poverty calculations are based on real equivalised household disposable incomes, after housing costs. Nil and negative incomes are excluded from poverty calculations. Housing costs included mortgage repayments, rent and property rates.
Source: Bankwest Curtin Economics Centre | Author's calculations based on HILDA Survey waves 2 to 20 (2002-2020).

Some interesting and contrasting patterns emerge when we look at changes in poverty rates over time across Australia's states and territories over the last decade.

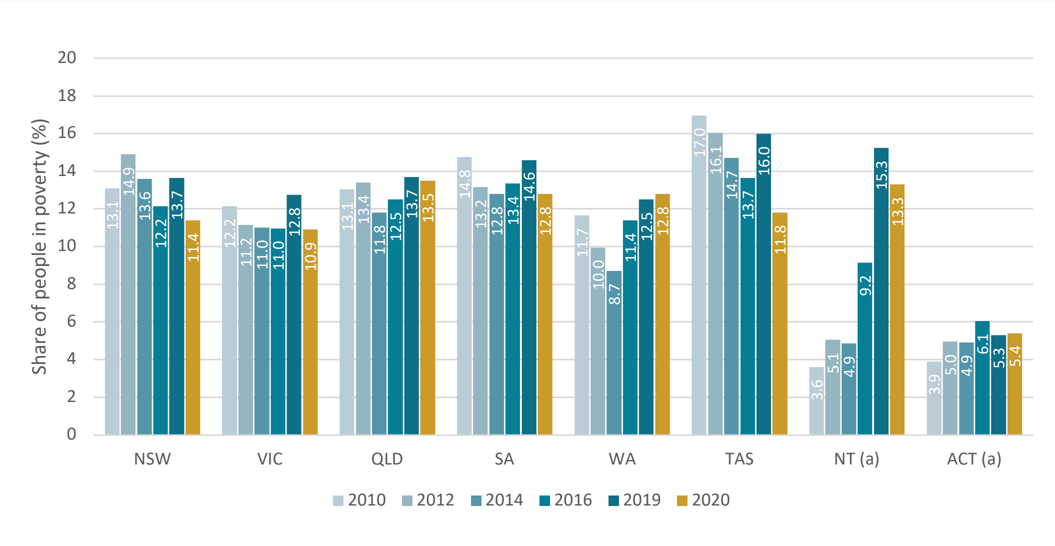
New South Wales has improved reasonably consistently over the last 10 years, with individual poverty rates dropping from 14.9 per cent in 2012 to 11.4 per cent by 2020. Victoria has maintained relatively low rates of around 11 per cent for most of the decade.

Rates have risen gradually in Queensland and more strongly in the Northern Territory, while for Western Australia the rate of poverty reduced over the first half of the last decade to 8.7 per cent in 2014 but has then risen over the last six years to 12.8 per cent in 2020.

ACT has the lowest poverty rates, reflecting the relative prosperity and higher average salaries for the majority of its population, but rates have been climbing gradually, reaching 5.4 per cent in 2020.

FIGURE 1

Share of people in income poverty by state/territory: 2010 to 2020



Source: Bankwest Curtin Economics Centre | Author's calculations based on HILDA Survey waves 2 to 20 (2002-2020).

BELOW THE LINE: THE DEPTH OF POVERTY

For the poorest couples, a typical weekly income of around $270 per week is not uncommon, with some having to survive on much less.

One of the problems with the use of a single poverty line as a binary indicator of poverty, is that it categorises families or individuals who are substantially similar in terms of their disposable incomes into separate groups. There are also ongoing debates on the precise threshold that best differentiates people in poverty from those that remain out of poverty.

For a more nuanced view of the extent of financial hardship experienced by individuals and families, we take advantage of an approach which differentiates according to progressively more stringent poverty lines. In particular, we measure the share of families below 30 per cent, 40 per cent, 50 per cent and 60 per cent of standardised per capita household income. In doing so this gives us a sense of proportion of families that are doing it especially tough – with the 30 per cent threshold representing a clear indicator of severe poverty.

Nearly one million Australians – around 5.8 per cent of the population - are living in severe income poverty, having access to income below 30 per cent of the national median (Table 4). The 30 per cent median income threshold equates to around $270 each week after housing costs, but many in severe poverty have to make do with less than $150 per week after housing. For the poorest couples, a typical weekly income of around $270 per week is not uncommon, with some having to survive on much less.

Among the 750,000 children who are living in families below the income poverty line, over 190,000 are growing up in severe poverty. Severe income poverty is an unwanted outcome for any group, but particularly for children whose living standards while in the home will adversely affect their future life outcomes. Poor childhood nutrition and lack of access to developmental opportunities has been shown to have lifelong impacts.[3]

TABLE 4

Numbers and share at different depths of income poverty: 2020

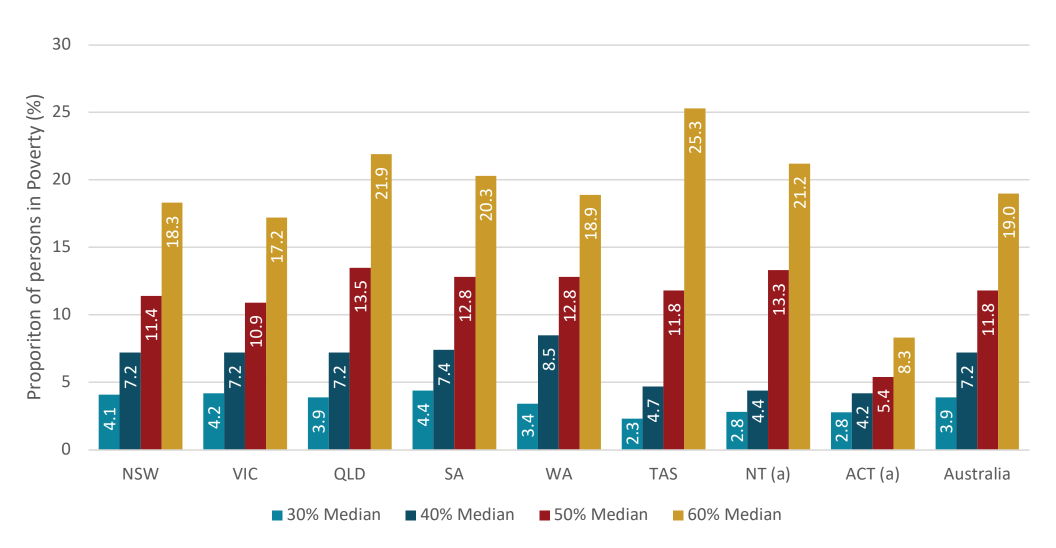
	Depth of income poverty					
Poverty depth	Households		Persons		Children	
	#	%	#	%	#	%
30%	564,500	5.8	982,600	3.9	190,300	3.5
40%	967,500	9.9	1,802,800	7.2	403,000	7.4
50%	1,472,400	15.0	2,958,800	11.8	746,600	13.9
60%	2,302,000	23.5	4,740,500	19.0	1,189,100	22.2

Note: Poverty depth calculations are based on real equivalised household disposable incomes, after housing costs. Housing costs included mortgage repayments, rent and property rates. Nil and negative incomes are excluded from poverty calculations.
Source: Bankwest Curtin Economics Centre | Author's calculations based on HILDA Survey Waves 2 to 20 (2002-2020).

3 H Monks (2017) 'The impact of poverty on the developing child', *CoLab Evidence Report*, Telethon Kids Institute, colab.telethonkids.org.au/resources/

FIGURE 2

Depths of income poverty: by state or territory, 2020



Note: Due to smaller sample sizes, NT and ACT figures are averaged over two years, 2019 to 2020. Poverty calculations are based on real equivalised household disposable incomes, after housing costs.
Source: Bankwest Curtin Economics Centre | Author's calculations based on HILDA Survey waves 2 to 20 (2002-2020).

WHO IS MOST LIKELY TO FACE POVERTY?

Being single, either with or without children, substantially increases the risk of being in poverty.

Figure 3 explores the proportion of people experiencing different depths of poverty by main family type. What is immediately apparent is that lone person and single parent households are far more likely to experience the deepest levels of financial hardship.

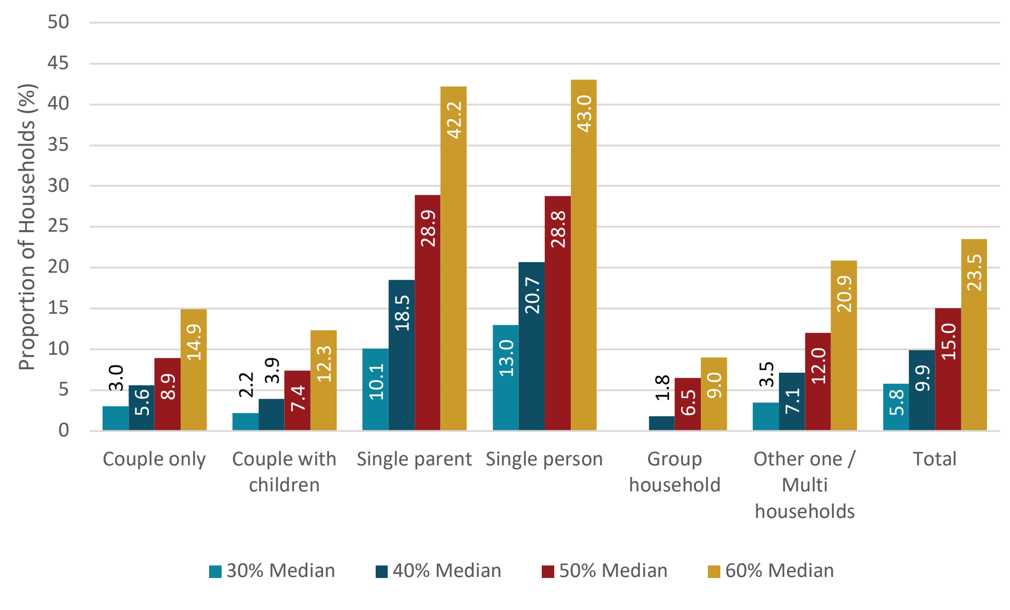
Being single, either with or without children, substantially increases the risk of being in poverty. In fact, single households are continuously over-represented throughout all poverty depth groups.

Around one in 11 people in couple-only households (8.9%) live on incomes below the standard 50 per cent poverty line. For parents in two-adult households, the figure is even lower at 7.4 per cent. In contrast, more than quarter of single parents and single adults are in poverty according to the standard definition. Around one in 10 single parents and more than one in eight single adults (13%) experience severe income poverty.

Single people and single parent families experiencing poverty are more susceptible to various forms of deprivation - for example struggling to heat homes, raise cash in an emergency, or pay bills - and seek assistance from community organisations more regularly than other types of families.

FIGURE 3

Share of people at different depths of poverty: by broad family type, 2020



Source: Bankwest Curtin Economics Centre | Author's calculations based on HILDA Survey waves 2 to 20 (2002-2020).

A number of factors contribute to a heightened risk of poverty. Over a quarter of single parents are in poverty, with one in ten experiencing severe poverty. Single person households, those in social housing and those with a disability are most exposed to deep and persistent poverty and disadvantage.

Joblessness is unsurprisingly one of the key drivers of poverty, particularly among single people and those supporting larger families.

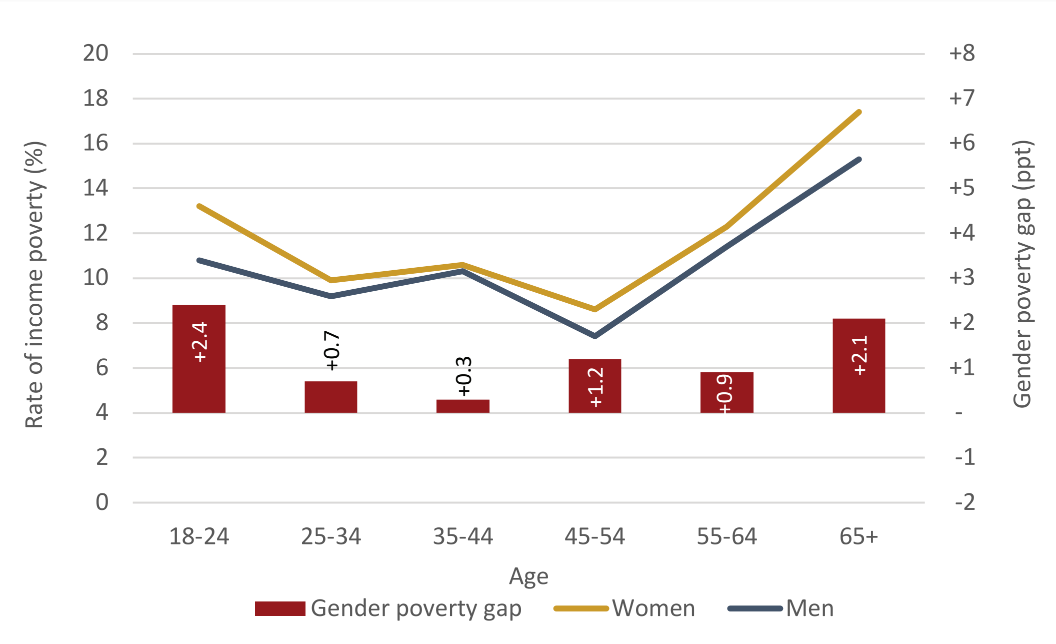
Nearly two thirds of single jobless people and 55 per cent of single parents without jobs have incomes below the 'standard' poverty line.

And there is a gender gap in poverty that is more pronounced for young women and women approaching retirement (Figure 4). Single women aged 55 and over who live in private rental accommodation are particularly exposed to financial hardship, with two thirds experiencing income poverty.

Nearly two thirds of single jobless people and 55 per cent of single parents without jobs have incomes below the 'standard' poverty line.

FIGURE 4

The gender poverty gap: income poverty rates by age and gender: 2020



Source: Bankwest Curtin Economics Centre | Author's calculations based on HILDA Survey waves 2 to 20 (2002-2020).

THE ROLE OF HOUSING COSTS IN DRIVING POVERTY

Nearly a quarter of renters (23.6%) fell below the poverty line in 2020, an increase of 2.2 percentage points in two years

Our research finds that nearly a quarter of renters (23.6%) fell below the poverty line in 2020, an increase of 2.2 percentage points in two years (Table 5).

Single parents on low incomes can access more in government payments in respect of their children, but also need access to larger homes and have greater commitments to spending on absolute necessities. Around four in 10 single parents in rented property (37.8%) fall below the poverty line. Financial hardship is especially severe for single people living in rented housing in older age, with a two thirds of single women aged 55 and a half of older single men in the same age range surviving on incomes below the 50 per cent median poverty line.

There are fewer levers at the disposal of state and territory governments to tackle poverty, but amongst those that they do have, the provision of social housing features among the most important. At 53.8 per cent overall, poverty is far higher among people who rent from a government housing authority. This is to be expected, as there are far fewer social housing places available than there are households in need, so that stringent income and eligibility criteria are used to ration access to limited stock. However, Table 5 shows that the prevalence of poverty for those in social housing has reduced by 6.7 percentage points over the last two years, indicating that once they are settled as social housing tenants it makes a meaningful difference to their ability to get by on a low income.

Financially vulnerable people are forced to make spending decisions on really tight margins with little or no discretionary income, and that's exactly the situation facing the 1.5 million renters across the country who are experiencing poverty. It is not unusual for the poorest families to have to survive on less than $150 per week once housing costs have been paid – that's only $21.50 a day.

How much income a family has left for food, clothing and other necessities once housing costs have been paid is heavily affected when rents rise, and this explains much of the growth in poverty rates among those in private rented accommodation.

These results are consistent with findings from the *2021 BCEC Housing Affordability Survey* that found more than a third of private renters regularly struggle with housing costs compared to a quarter of those with a mortgage.

TABLE 5

Poverty and housing tenure, 2020 and change 2018 to 2020: by family type

	Income poverty by housing tenure - 2020			Change in income poverty rate 2018 to 2020		
Family type	Owned/ mortgaged	Private rental	Social housing	Owned/ mortgaged	Private rental	Social housing
	%	%	%	ppt	ppt	ppt
Couples aged 17-54, no children	9.1	9.1	29.5	+7.0	-0.3	-12.6
Couples aged 17-54, with children	5.3	17.5	26.4	-1.0	+3.8	-6.2
Single parents with children	20.3	37.8	61.2	+6.9	+1.5	-0.7
Single women aged 17-54	8.3	28.8	76.7	+0.2	+3.3	-1.3
Single men aged 17-54	13.9	27.2	71.6	-0.4	-1.4	-3.8
Couples aged 55+	9.1	38.3	54.7	+1.1	+5.2	-8.9
Single women aged 55+	15.7	66.1	82.5	-1.1	+0.2	-1.4
Single men aged 55+	18.9	49.3	82.9	+0.4	+3.3	-13.4
All tenures	8.3	23.6	53.0	+1.1	+2.2	-6.7

Source: Bankwest Curtin Economics Centre | Author's calculations based on HILDA Survey waves 18 to 20 (2018-2020).

Supply pressures, high housing costs and rental vacancy rates at unprecedented lows across a lot of the country have driven rental costs to record highs in some states and territories. The typical (median) rental cost for a three-bedroomed house (Figure 5) is currently at least $400 per week across all state and territory jurisdictions, with rental prices in Sydney touching $520 per week. The most expensive city in Australia for renters is Canberra, where the typical rent has rocketed to $570 per week up to the end of 2021.

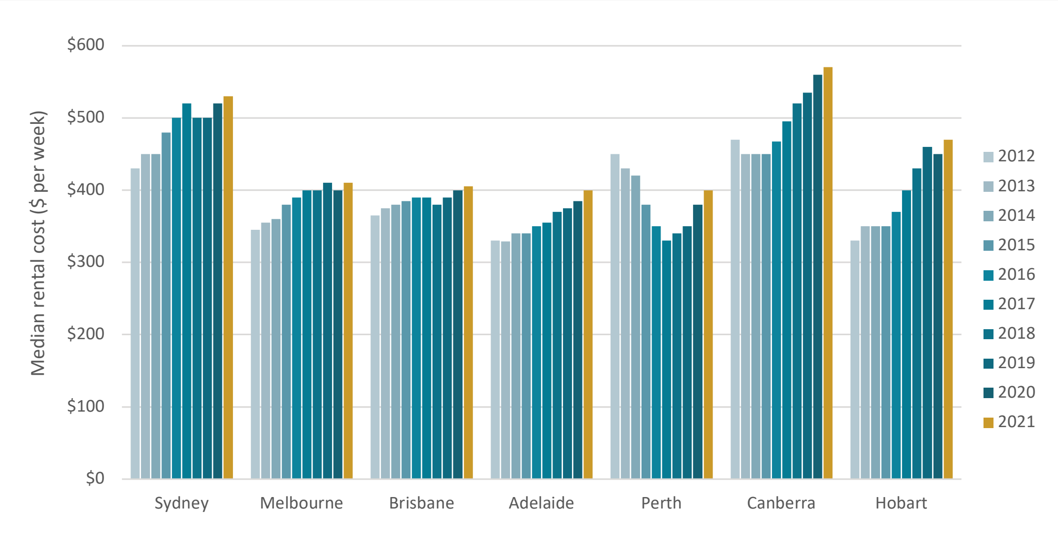
Rental prices in Darwin rose to an unprecedented $650 per week in 2013, but had been dropping consistently up to 2020. However, the pattern has again reversed - it now costs $540 per week to rent a typical three-bedroomed house in Darwin.

Weekly rental costs available in the private sector have increased over the last two years by $30 in Sydney and Canberra, and by $50 or more in Perth and Darwin. The same pattern is substantially true for those renting at the lowest price points. Rents have risen even higher in some regional centres, from a combination of low vacancy rates and high demand.

Supply pressures, high housing costs and rental vacancy rates at unprecedented lows across a lot of the country have driven rental costs to record highs in some states and territories.

FIGURE 5

Rental costs by state/territory and housing type: 2020



Source: Bankwest Curtin Economics Centre | Real Estate Institute of Australia (REIA).

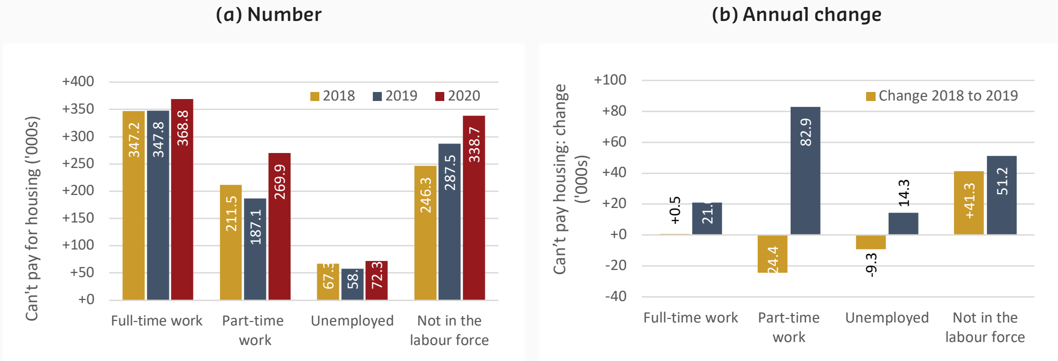
The rise in rental costs since the onset of the COVID-19 pandemic will inevitably have put more pressure on the abilities of many families to meet their housing costs, especially those who are either out of work or reliant on government payments as their main source of income.

These challenges are shown clearly in the numbers of people who report being unable to meet their housing costs in 2020 compared to the two previous years. Nearly 170,000 more people can't pay for their housing in 2020, the majority of whom are either in part-time work or not in the labour force (Figure 6).

More than 72,000 unemployed people report not being able to meet their housing costs in 2020, around a third of whom have moved into unemployment from full-time work a year earlier with high mortgage or rent payments.

FIGURE 6

Number of people unable to meet housing costs: 2018 to 2020, by labour market status



Source: Bankwest Curtin Economics Centre | Author's calculations based on HILDA Survey waves 18 to 20.

Rising housing cost pressures have added significantly to the financial pressure faced by families in rented accommodation, especially those who are either out of work or reliant on government payments as their main source of income.

So what supports are available to low income families in the face of accelerating rental costs?

People receiving government allowances who pay rent of $159 or more per week are eligible for the maximum weekly Commonwealth Rent Assistance (CRA) of $71.40, but for most, the cheapest rents that can be accessed on the private rental market are at least $300. This means that every dollar of increase in private rental costs is a dollar less of disposable income. The impact of rapidly rising housing costs is especially acute for families whose incomes are relatively fixed, as is the case for those without a job and who rely on government allowances as their main source of income.

The experience of rising rental costs over the last two years brings to the fore the importance of the CRA maximum rent assistance entitlement, and the need for it to adequately reflect the (very different) costs incurred by low income families across the country.

People have substantially different experiences of housing cost stress across states and territories, and between cities and regional areas, but the maximum level of rent assistance remains fixed at a single rate for all regardless of their location. And the maximum CRA rate has increased by only $6.10 over the last five years - an equivalent annual percentage growth of only 2 per cent – when rents have grown far faster, as evidenced Figure 5. We find typical rents to have increased annually by at least 3 per cent in Sydney, Adelaide and Canberra, and by nearly 7 per cent in Perth.

This necessarily creates inequities in the degree of financial support for housing costs among the poorest sections of society driven solely by where they live.

Unemployed single people in rented housing currently receive $388.35 per week from JobSeeker, Commonwealth Rent Assistance and the energy supplement combined. Yet despite this, around 105,000 people who are unemployed are in severe poverty in Australia, the majority of whom are single people living in private rentals or social housing.

To see what it might take to mitigate the incidence of severe poverty in Australia, we use data from the HILDA survey to project the impact of different combinations of government income supports on poverty rates.

We find the most efficient targeting of poverty comes from a combination approach involving changes to both JobSeeker payments and the maximum CRA rate. Our analysis suggests that an increase of $20 per day in the base JobSeeker rate combined with 30 per cent increase in the maximum CRA rent assistance rate would go a long way towards eliminating severe poverty in Australia. The other area where state and territory governments can have an important policy impact on the poverty of their citizens is in relation to the effect of household fees and charges on living costs, particularly in relation to the cost of essential services (such as electricity, water, public transport and telecommunications) and the effectiveness of concessions. Accessible and well targeted concessions policy is a way of ensuring those in greatest need are supported, while keeping household fees and charges low for all citizens is a good way to ensure that working poor individuals and households do not miss out.

An increase of $25 per day in the base JobSeeker rate combined with $30 per week extra in rent assistance would go a long way towards eliminating severe poverty in Australia.

UNEMPLOYMENT AND POVERTY THROUGH COVID-19: DID THE CORONAVIRUS SUPPLEMENT HELP?

Unemployment is one of the strongest drivers of poverty for Australian families, and potentially most significant among jobless households. With no salaries or employment income to draw from, many families – particularly those with children – will inevitably face financial challenges in making ends meet, especially with high or rising housing costs.

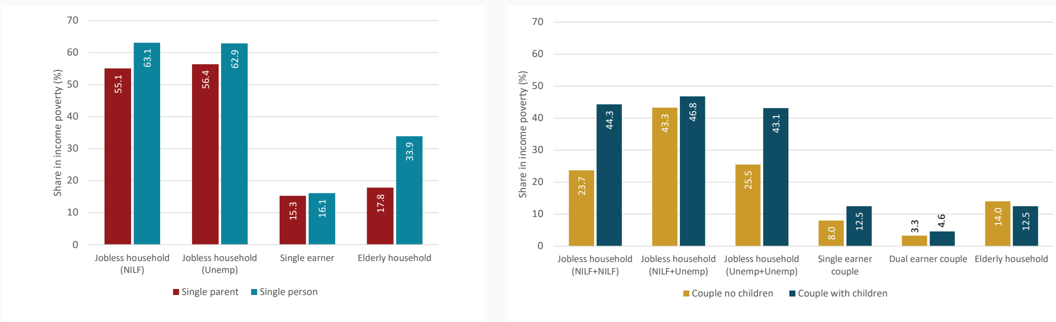
To understand the scale of the issue, this section of the report looks at the association between joblessness and financial hardship, using a poverty line of 50 per cent median per capita income.

The poverty rate for working single adults came to around 16.1 per cent in 2020, and for working single parents to 15.3 per cent (Figure 7). Around 55 per cent of unemployed single parents experienced poverty, with a similar rate among those who were not in the labour force.

Poverty rates were around 25.5 per cent for jobless couples without children where both partners were unemployed, rising to 43.1 per cent for jobless unemployed couples with children. Similar rates applied where one both partners were not in the labour force. However the poverty rate is much higher, at 43.3 per cent, among jobless couples without children where one partner is unemployed and the other is not in the labour force.

FIGURE 7

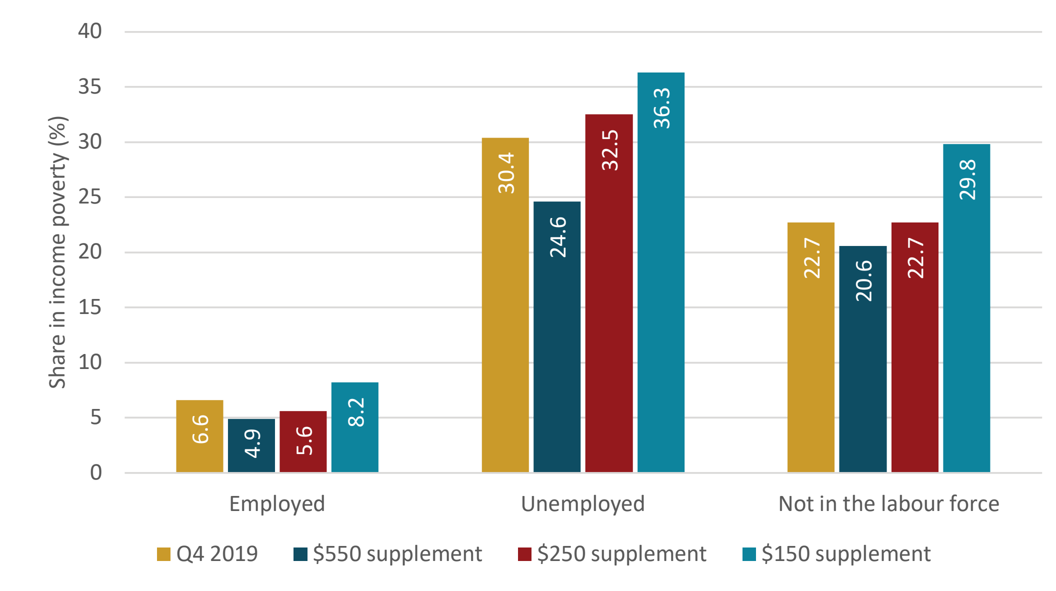
Poverty rates among jobless households: 2020, by family type



Source: Bankwest Curtin Economics Centre | Author's calculations based on HILDA Survey wave 20.

FIGURE 8

Changes in poverty incidence by value of JobSeeker coronavirus supplement



Source: Bankwest Curtin Economics Centre | Author's calculations based on HILDA Survey waves 20.

Poverty among jobless households has fallen in 2020 compared to 2019, largely as a result of the emergency COVID-19 measures put in place - principally the Coronavirus supplement to JobSeeker (Figure 8).

The share of the unemployed below the 'standard' (50 per cent median) poverty line fell by just under 6 percentage points to 24.6 per cent among HILDA respondents interviewed up to 24 September 2020, when the Coronavirus supplement was set at $550 per fortnight, compared to Q4 2019.

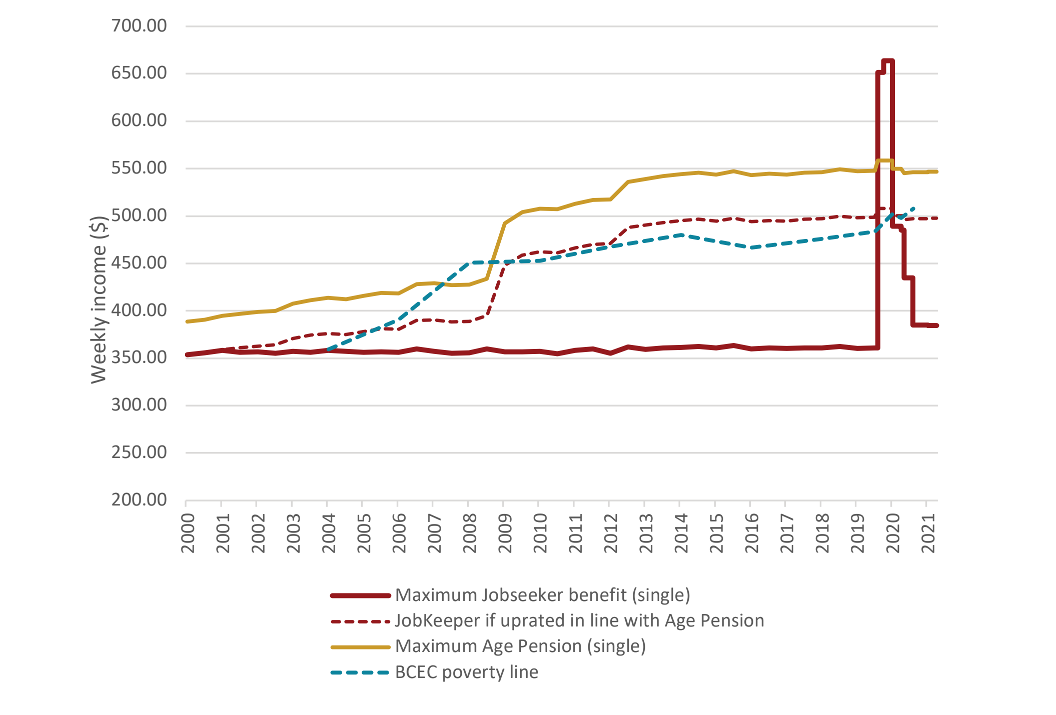
The poverty rate then increased 7.9 percentage points to 32.5 per cent for respondents interviewed from 25 September 2020 to 31 December 2020, when the Coronavirus supplement was reduced to $250 per fortnight, and by a further 3.8 percentage points to 36.3 per cent from 1 January 2021.

Joblessness and long-term unemployment has long presented a challenge, and a difficult one, in the design of effective policy initiatives. But the social and economic payoff from reducing the number of people in the deepest or most persistent financial hardship would be considerable. It remains a priority for coordinated State and Federal programs to address issues of severe and persistent hardship among those who have been out of work for an extended period of time.

These associations provide a pretty clear demonstration of the effectiveness of potential mitigation of poverty if JobSeeker payments are set at a sufficient base level. This evidence highlights the importance of the current debates regarding JobSeeker adequacy, to which we turn now.

FIGURE 9

Relativity of JobSeeker payment rates to poverty line: 2000 to 2021



Source: Bankwest Curtin Economics Centre | Author's calculations based on HILDA Survey waves 20.

What level of income protection is provided by government payments? And is the basic income support afforded adequate to meet families' basic needs?

On the question of adequacy, Figure 9 shows the trajectory of maximum JobSeeker, including the maximum entitlement to the Commonwealth Rent Assistance (CRA), for a single person. Figure 9 also shows the standard poverty line, the schedule of Age Pension single rate, and the hypothetical values of JobSeeker if uprated in line with the Age Pension from 2020.

The impact of the Coronavirus Supplement from September 2020 is clear, with the maximum level of financial support lifting comfortably above the poverty line for recipients. But equally, the maximum rate of JobSeeker and CRA returns to well below the poverty line once the supplement ended.

Following its withdrawal, the maximum weekly income from JobSeeker and CRA combined comes to $386.15 per week, which maximum Commonwealth Rent Assistance at $71.40 per week. This is well below a 'standard' poverty line of 50 per cent of median income.

In fact, the entitlement is actually likely to keep recipients below the threshold for severe poverty, which we set at 30 per cent of median income, worth $271 per week after housing costs.

For even a minimal rental cost of $250 per week, the maximum entitlement to JobSeeker and CRA leaves recipients with only $136.15 to live on once housing costs have been covered – well into severe poverty according to the definition in this report.

A LIFETIME OF HARDSHIP?

Financial hardship can be short-term or transitory for some, but for many, the experience of poverty can endure over an extended period of time. And research shown later in this report uncovers compelling evidence that persistent poverty is destructive, damaging health and wellbeing to a significant degree.

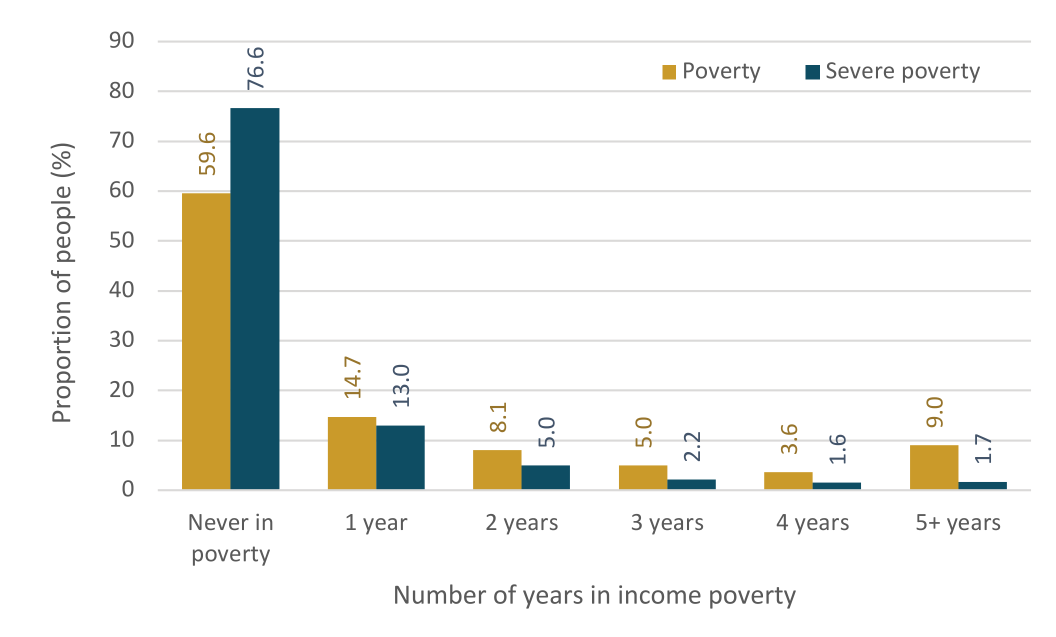
Around 575,000 people have been in poverty for at least five of the last ten years, with a further 115,000 having faced financial hardship consistently for a decade or more.

Single people face a heightened risk of persistent poverty, while a third of a million single people and a quarter of a million single parents have been in poverty for at least five of the last ten years.

Poverty across the life-course is especially prevalent for those renting, particularly for single person households. Around 30 per cent of single people aged under 35 and renting are in poverty, but more than 70 per cent of single renters aged 55 and over experience poverty.

FIGURE 10

Number of years in poverty and severe poverty: 2019-2020



Source: Bankwest Curtin Economics Centre | Author's calculations based on HILDA survey waves 19-20.

"POVERTY, **LIKE FREEDOM,** IS A QUESTION OF DEGREE."

EMPLOYMENT, POVERTY AND COVID-19

INTRODUCTION

It is understandable to interpret poverty largely as a challenge faced by people without employment, and of course the majority of the poorest people (and of course their children) are either unemployed or outside of the labour market. However, there is a significant share of people in Australia who are employed, but whose incomes keep them below the poverty line.

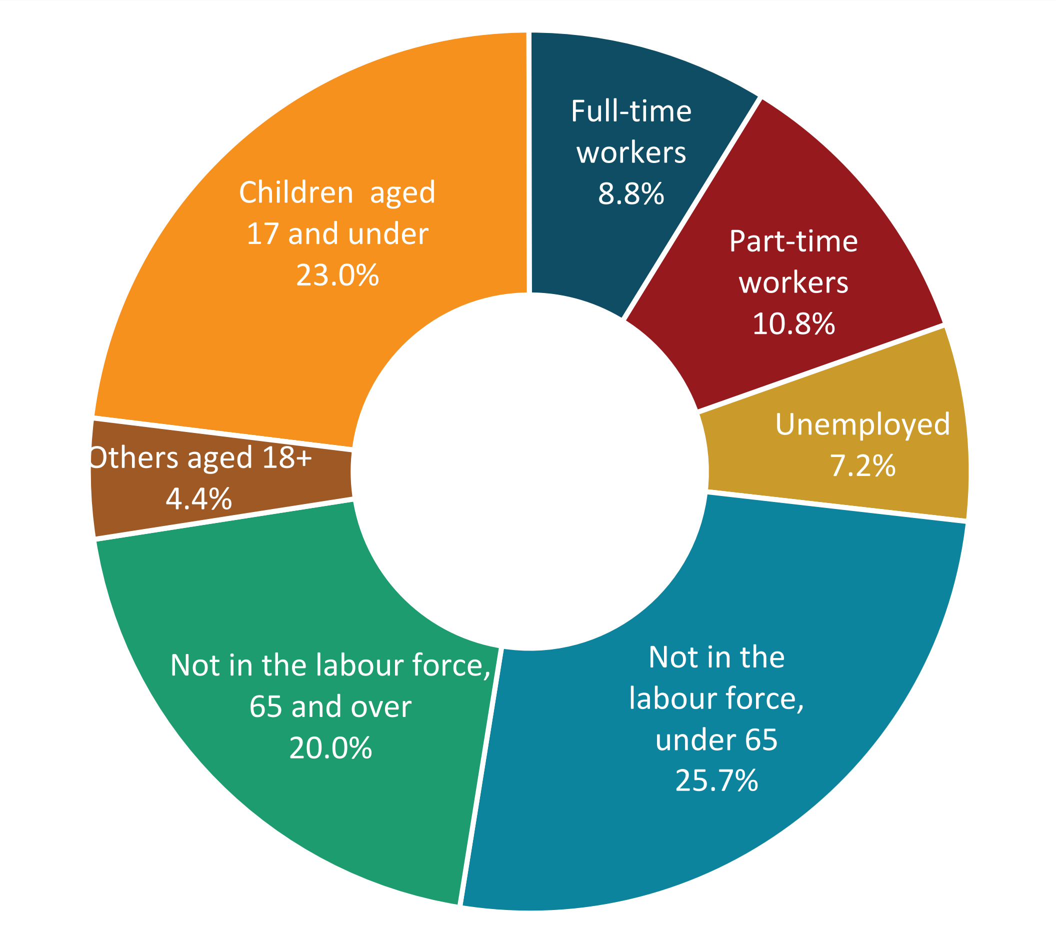
THE WORKING POOR

In 2020, 8.8 per cent of people classed as poor (that is, earning below 50% of equivalised median income) were in full-time employment (Figure 11) and a further 10.8 per cent were part-time workers - taken together, that is nearly one in five of the poor who are working. Just over a quarter of people in poverty are not in the labour force and of working age, while 20 per cent are retired.

The unemployed make up 7.2 per cent of the poor, but of course the number of unemployed people is a small fraction of the total adult population. It is also worth highlighting that a far larger share of unemployed people are in poverty than any other group in the labour force.

FIGURE 11

The labour market characteristics of people in poverty: 2020



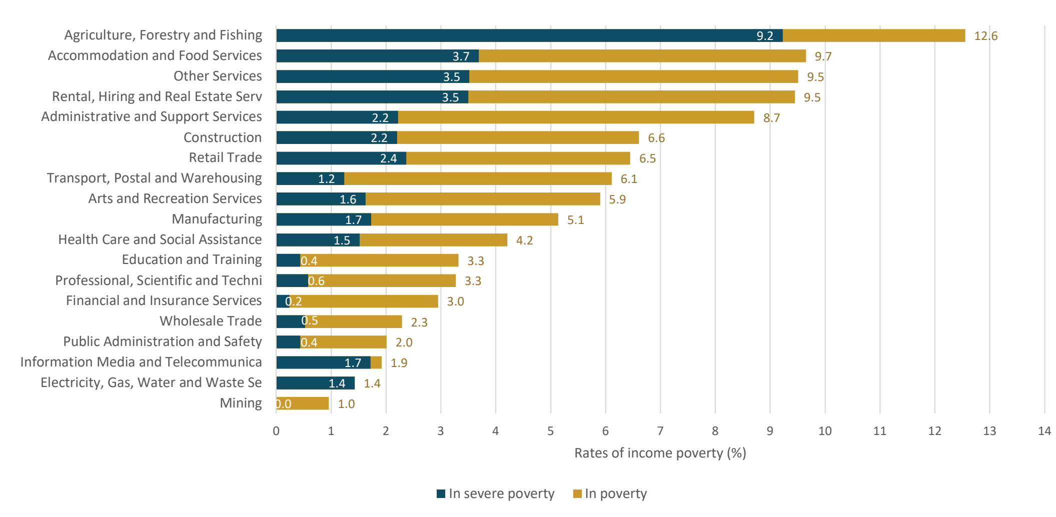
Source: Bankwest Curtin Economics Centre | Author's calculations based on HILDA Survey wave 20 (2020).

And in which industries are the working poor most likely to be employed?

Rates of poverty are highest in the agriculture sector, with 12.6 per cent of agriculture workers earning below the 'standard' (50 per cent median) poverty line (Figure 12), and 9.2 per cent classed as being in severe poverty. Nearly one in 10 people in accommodation, food and hospitality services are working in poverty, with rental hiring and real estate services and administrative and support services also ranking highly.

FIGURE 12

Working poverty rates (including severe poverty): 2020, by industry sector



Source: Bankwest Curtin Economics Centre | Author's calculations based on HILDA Survey wave 20.

EMPLOYMENT TRANSITIONS THROUGH COVID-19

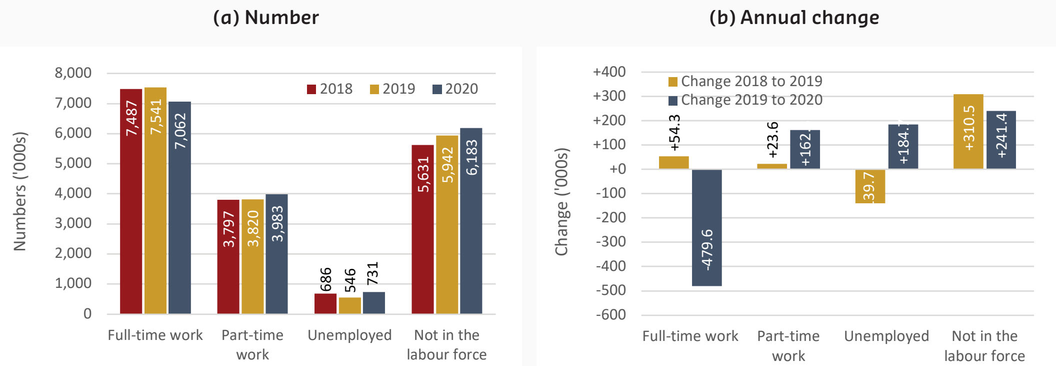
A change of labour force status is likely to be one of the most influential factors in peoples' descent into or escape from poverty. And labour markets were clearly affected by the COVID-19 pandemic. Using the HILDA survey, Figure 13 compares the number of people in four broad labour force categories, comprising full-time work, part-time work, unemployment, and not in the labour force.

The numbers of people working full-time in 2018 and 2019 were virtually identical, at just below and just above 7.5 million people in each year. However, between 2019 and 2020 the number of full-time workers fell nearly 480,000 to just over 7 million in 2020, demonstrating the significant effect that COVID-19 had on the labour market.

The count of part-time workers increased by just under 163,000 to 3,983,000 in 2020, and the number of unemployed rose by nearly 185,000 to 731,000. The number of people not in the labour force grew by 310,000 between 2018 and 2019 and increased by a further 241,000 in 2020, to 6,183,000.

FIGURE 13

Employment numbers by labour market status: HILDA estimates, 2018 to 2020



Note: Working poverty rates are estimated on the subset of HILDA survey respondents in full-time or part-time employment. HILDA Wave 20 survey responses were collected between August 2020 and February 2021.
Source: Bankwest Curtin Economics Centre | Author's calculations based on HILDA Survey waves 18 to 20.

To get more of a sense of labour market flows, Figure 14 explores transitions across four broad labour market categories, comprising full-time work, part-time work, unemployment, and not in the labour force.

As a benchmark, each panel of Figure 14 reports two sets of transitions: the first, in gold, shows transitions to each of the four labour market states between 2018 and 2019. The second, in blue, shows transitions between 2019 and 2020.

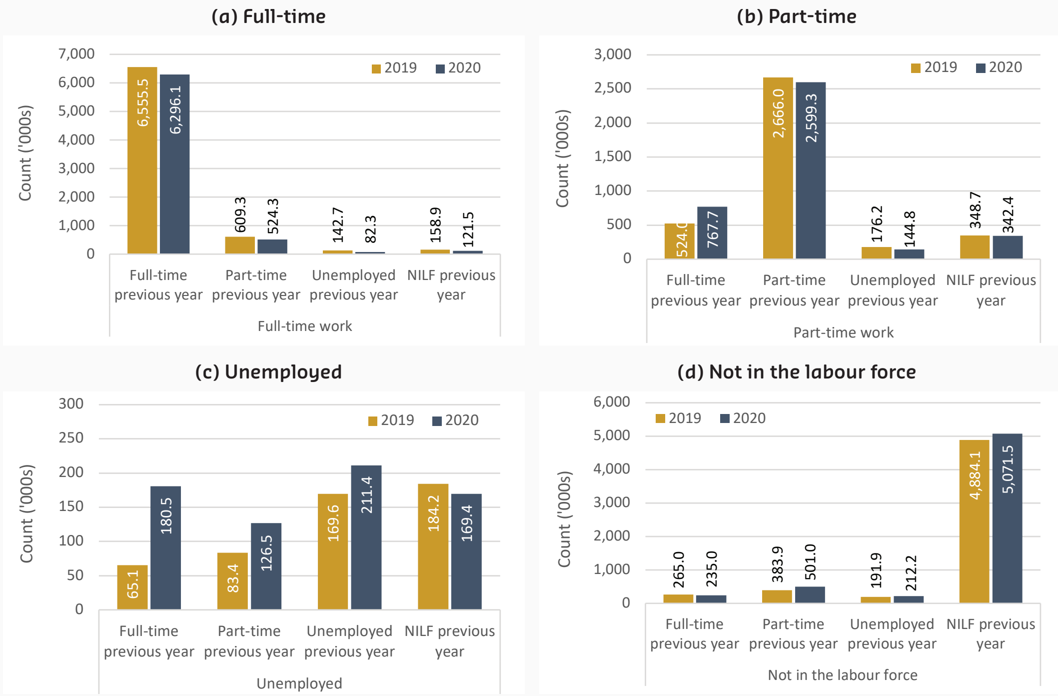
Of the 7 million full-time workers in 2020, 6,296,000 people remained in full-time work between 2019 and 2020, while 524,000 entered full-time employment from part-time work (Figure 14 Panel a). Just over 82,000 full-time workers in 2020 were unemployed in the previous year, and 121,500 entered the labour market to work full-time.

Nearly 768,000 people moved from full-time to part-time work between 2019 and 2020, an increase of more than 240,000 compared to the previous year (Panel b). This reflects the adjustments that many employers were making to their workforce during the first year of COVID-19.

The composition of the 731,000 unemployed in 2020 are highly relevant to our understanding of changes to poverty rates in 2020, as shown in Panel (c). More than 180,000 people entered unemployment in 2020 from full-time work a year earlier, nearly triple the comparable flow moving into unemployment from full-time work in 2019. The flow into unemployment from part-time work came to 126,500, an increase of more than 50 per cent compared to the previous year. Collectively, that means more than 300,000 people who were unemployed in 2020 were in paid work a year before.

FIGURE 14

Employment transitions by labour force status: HILDA estimates, 2019 and 2020



Note: Working poverty rates are estimated on the subset of HILDA survey respondents in full-time or part-time employment. HILDA Wave 20 survey responses were collected between August 2020 and February 2021. .
Source: Bankwest Curtin Economics Centre | Author's calculations based on HILDA Survey waves 19 and 20.

WORK TRANSITIONS AND POVERTY INCIDENCE DURING COVID-19

The transition from work to unemployment inevitably represents a significant shock to financial security, affecting the capacity to cover accustomed outlays on housing, food, utilities, loans and recreation when they were working.

So how did these labour force transitions affect poverty rates in 2020? And did the protections introduced through the JobSeeker COVID-19 supplements and the JobKeeper wage subsidy alleviate poverty during 2020?

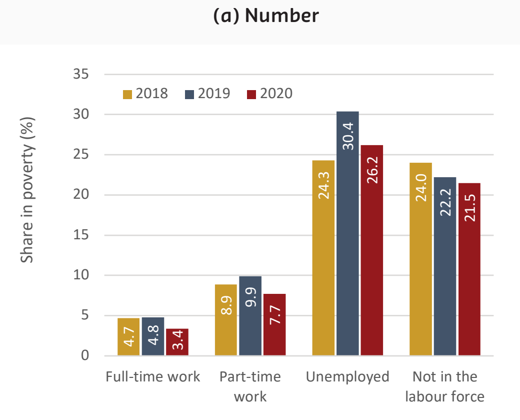
Poverty rates by labour force status over the three years from 2018 to 2020 are shown in Figure 15. For full-time workers, poverty rates have typically been low, but have dropped by 1.4 percentage points in 2020 to 3.4 per cent.

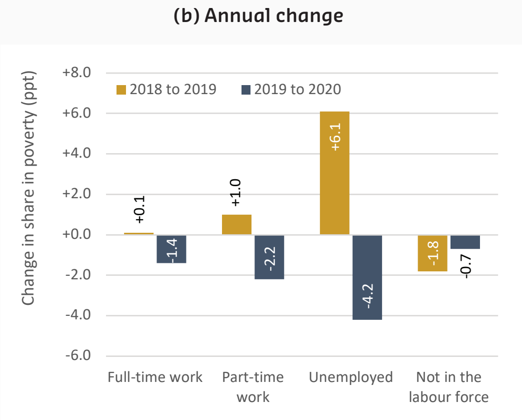
Around 7.7 per cent of part-time workers were in poverty in 2020, down 2.2 percentage points from 9.9 per cent in 2019. Taken together, these two changes are indicative of a degree of protection afforded to workers by the JobKeeper wage subsidy that was introduced on 30 March 2020.

Poverty rates for the unemployed rose steeply to over 30 per cent in 2019, before falling 4.2 percentage points to 26.2 per cent in 2020, while just over one in five of those not in the labour force are below the 50 per cent median poverty line.

FIGURE 15

Poverty by labour market status: HILDA estimates, 2018 to 2020





Note: Working poverty rates are estimated on the subset of HILDA survey respondents in full-time or part-time employment. HILDA Wave 20 survey responses were collected between August 2020 and February 2021.
Source: Bankwest Curtin Economics Centre | Author's calculations based on HILDA Survey waves 18 to 20.

To explore whether people who moved between labour market states were at greater risk of financial hardship than those who remain at their current status, Figure 16 further breaks down the changes in poverty rates between 2019 and 2020 by labour markets transitions across the four labour market states.

Poverty rates for full-time workers fell across all prior labour force states (Panel a), while only 5.2 per cent of workers who moved from full-time to part-time work in 2020 dropped below the 'standard' poverty line (Panel b) - half the rate compared to those who made the same transition a year earlier.

The fall in poverty rates for the unemployed in 2020 (shown earlier in Figure 15) coincided with the introduction of the COVID-19 supplement to JobSeeker. This could indicate that the additional $550 on top of the base JobSeeker payment provided financial protection, either to those who moved into unemployment in 2020, or who have been out of work since 2019. So which is the case?

Nearly one in five (19.3%) of those who moved from part-time work to unemployment experienced poverty in 2020 (Figure 16 Panel c). This is 4.7 percentage points lower than the equivalent poverty rate among those who made the same transition into unemployment in 2019. Poverty rates for people who moved from full-time work to unemployment dropped to 11.4 per cent in 2020, down 3.1 percentage points, while poverty rates for those that remained unemployed across 2019 through to 2020 rose slightly to 37.1 per cent.

FIGURE 16

Poverty by labour force transitions: HILDA estimates, 2019 and 2020

Note: Working poverty rates are estimated on the subset of HILDA survey respondents in full-time or part-time employment. HILDA Wave 20 survey responses were collected between August 2020 and February 2021. .
Source: Bankwest Curtin Economics Centre | Author's calculations based on HILDA Survey waves 19 and 20.

HOW HAVE COVID-19 STIMULUS MEASURES AFFECTED WORKING POVERTY?

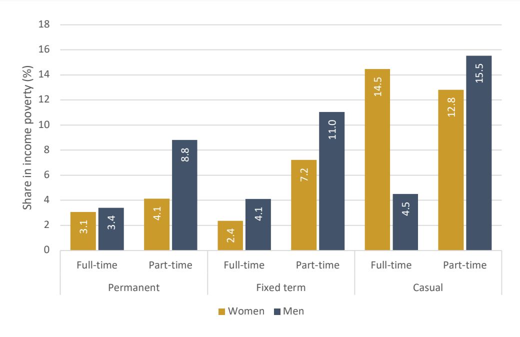
Another innovation in this report centres on the manner in which we compare the depth of poverty between workers according to contract type, including those on permanent contracts, those working to fixed term contracts, and those employed casually.

The fieldwork for the 2020 HILDA survey took place between August 2020 and February 2021. This provides us with an important opportunity to compare labour market outcomes among workers according to whether their employers have been able to claim the JobKeeper wage subsidy payment.

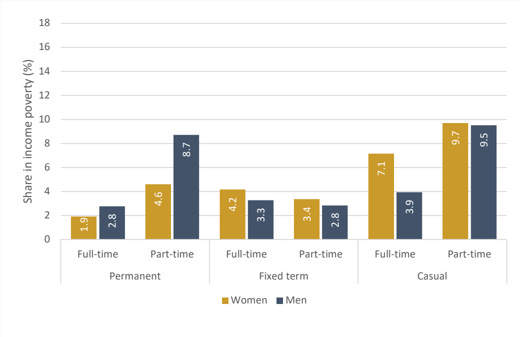
FIGURE 17

Working poverty rates: by gender and contract status

(a) 2019



(b) 2020



Note: Working poverty rates are estimated on the subset of HILDA survey respondents in full-time or part-time employment. HILDA Wave 20 survey responses were collected between August 2020 and February 2021.
Source: Bankwest Curtin Economics Centre | Author's calculations based on HILDA Survey waves 19 and 20.

Rates of working poverty for those employed on casual contracts dropped between 2019 and 2020 but by a far greater margin for workers and organisations that were able to claim the JobKeeper payment.

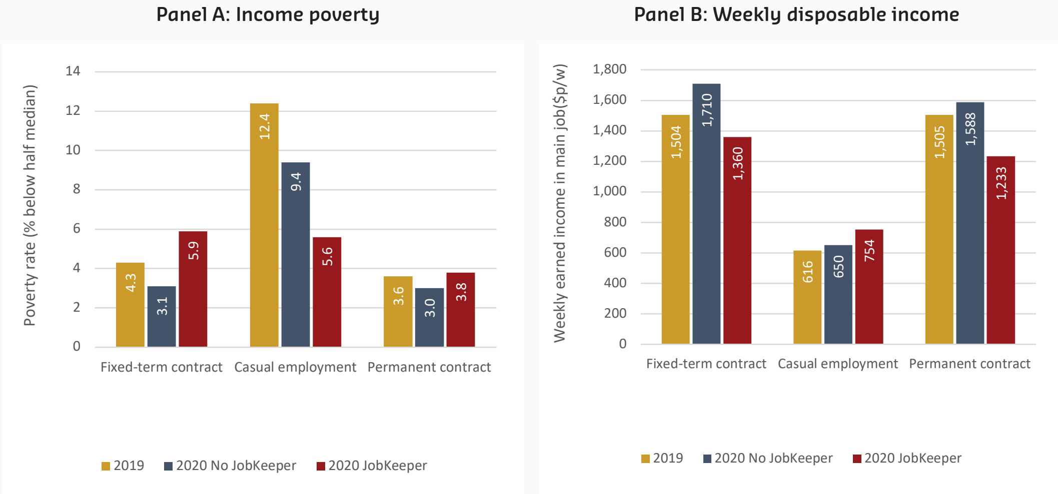
Figure 18 provides a benchmark poverty rate in 2019 for workers on permanent contracts, fixed term contracts and in casual employment. We then compare the share of workers in poverty in 2020 by contract status in organisations that claimed JobKeeper payments, versus organisations that did not claim the wage subsidy (Panel a) and their incomes (Panel b).

One of the clearest findings to emerge from this analysis is that rates of working poverty for those employed on casual contracts dropped between 2019 and 2020 but by a far greater margin for workers and organisations that were able to claim the JobKeeper payment.

In 2019, around one eighth of workers on casual contracts were below the 50 per cent poverty line. In 2020, the poverty rate dropped to 9.4 per cent among workers for whom no JobKeeper payments were claimed, but to a much lower rate of 5.6 per cent for workers and companies that both qualified for and claimed JobKeeper.

FIGURE 18

Working poverty rates and incomes: by contract status and receipt of JobKeeper



Note: Working poverty rates are estimated on the subset of HILDA survey respondents in full-time or part-time employment. HILDA Wave 20 survey responses were collected between August 2020 and February 2021. Employed respondents in the 2020 JobKeeper category reported that their employers had accessed the JobKeeper wage subsidy in respect of their employment. Those in the 2020 No JobKeeper category reported no JobKeeper wage subsidy payments were received by their employer.

Source: Bankwest Curtin Economics Centre | Author's calculations based on HILDA Survey waves 19 and 20.

The reason for such a marked difference stems from the requirement for companies receiving JobKeeper to pass the wage subsidy payments fully to eligible workers. The subsidy payments were initially worth $750 per week, regardless of the workers' salaries. As Cassells and Duncan (2020) demonstrated, this meant that a considerable share of those on casual contracts saw their incomes increase significantly during the majority of 2020 and the first quarter of 2021.[4]

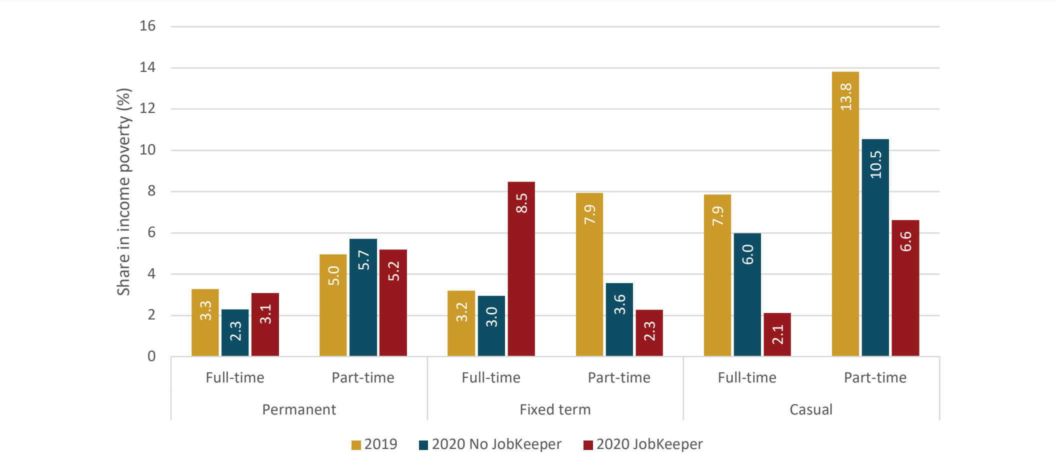
This explains why the average weekly earnings for those on casual contracts rose from $616 per week in 2019 to $754 per week when their employers were able to claim JobKeeper, but to only $650 per week when this was not the case (Figure 18 Panel b).

However, what is less obvious and more surprising is that the reverse appears to be true for workers on permanent or fixed term contracts in JobKeeper-eligible organisations. For example, the rates of working poverty for employees on fixed term contracts rose from 4.3 per cent to 5.9 per cent between 2019 and 2020 - that's nearly twice the 3.1 per cent poverty rate for casual employees in organisations that did not qualify for the subsidy. The same effect is present to a lesser degree among permanent contract holders.

We can see this effect playing out in a comparison of the average weekly earnings of workers in 2020 according to contract status (Figure 18 Panel b). The average weekly pay for workers on permanent or fixed term contracts was around $350 per week lower when their employers were able to claim JobKeeper payments compared to those organisations that remained ineligible for the wage subsidy.

FIGURE 19

Share of full-time and part-time workers below poverty line: by JobKeeper receipt and contract status



Note: Working poverty rates are estimated on the subset of employed people. HILDA Wave 20 survey responses were collected between August 2020 and February 2021. Employed respondents in the 2020 JobKeeper category reported that their employers had accessed the JobKeeper wage subsidy in respect of their employment. Those in the 2020 No JobKeeper category reported no JobKeeper wage subsidy payments were received by their employer.
Source: Bankwest Curtin Economics Centre | Author's calculations based on HILDA Survey waves 19 and 20.

5 Cassells and Duncan (2020) *JobKeeper: The efficacy of Australia's first short-time wage subsidy*. Australian Journal of Labour Economics, Volume 23/2, pp 99-128. https://bcec.edu.au/publications/jobkeeper-the-efficacy-of-australias-first-short-time-wage-subsidy/

The introduction of JobKeeper led to a substitution of pay and conditions between workers according to contract status.

Casual employees benefited from an increase in their earnings due to the conditions of JobKeeper, leading to a significant reduction in rates of working poverty (Figure 19). The rate of working poverty for full-time workers on fixed term contracts more than doubled to 8.5 per cent between 2019 and 2020, but fell to 2.3 per cent among part-time fixed term workers. This indicates that a share of fixed term employees were moved from full-time to part-time hours in 2020, and a greater share of workers on fixed-term contracts lost employment during 2020 (Figure 20).

These findings suggest that the introduction of JobKeeper led to a substitution of pay and conditions between workers according to contract status. One of the key learnings from the COVID crisis and previous economic downturns (such as the Global Financial Crisis in 2008 and the Nineties recession) is that our best strategy to reduce the scarring effects of job loss and support an effective economic recovery is to reach out and engage with the newly jobless to quickly provide advice and support.

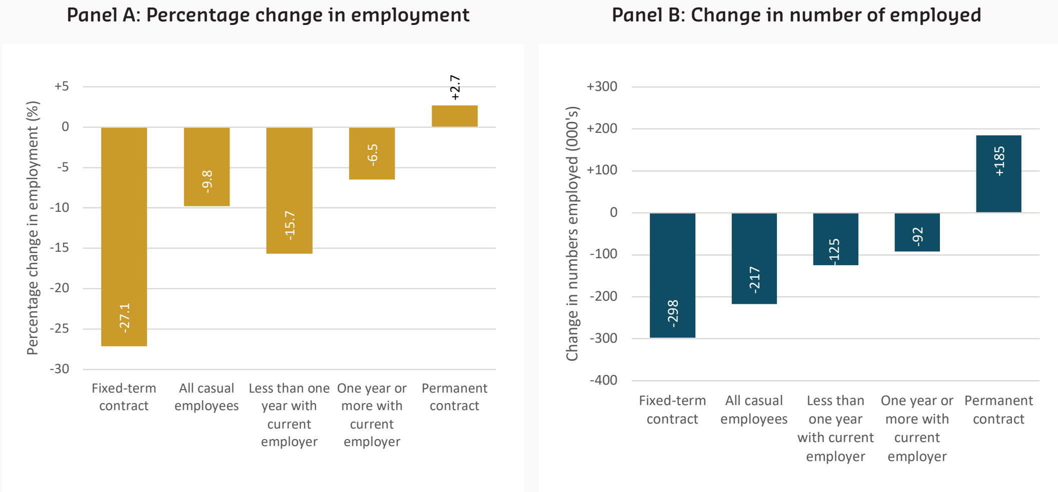
The sooner we can provide advice on careers and skills, and support to avoid financial stress, deteriorating mental health or relationship breakdown, the fewer households will face long-term joblessness and poverty.

The problem we faced was that many of these households had not engaged with services before, may be living in areas with less disadvantage and fewer social services, and put off reaching out for help because of stigma and the complexity of navigating the bureaucracy.

Models using local community connectors, who are accessible in local libraries, community resource centres, or shopfronts in local shopping centres in affected towns and regions can be most effective.[6]

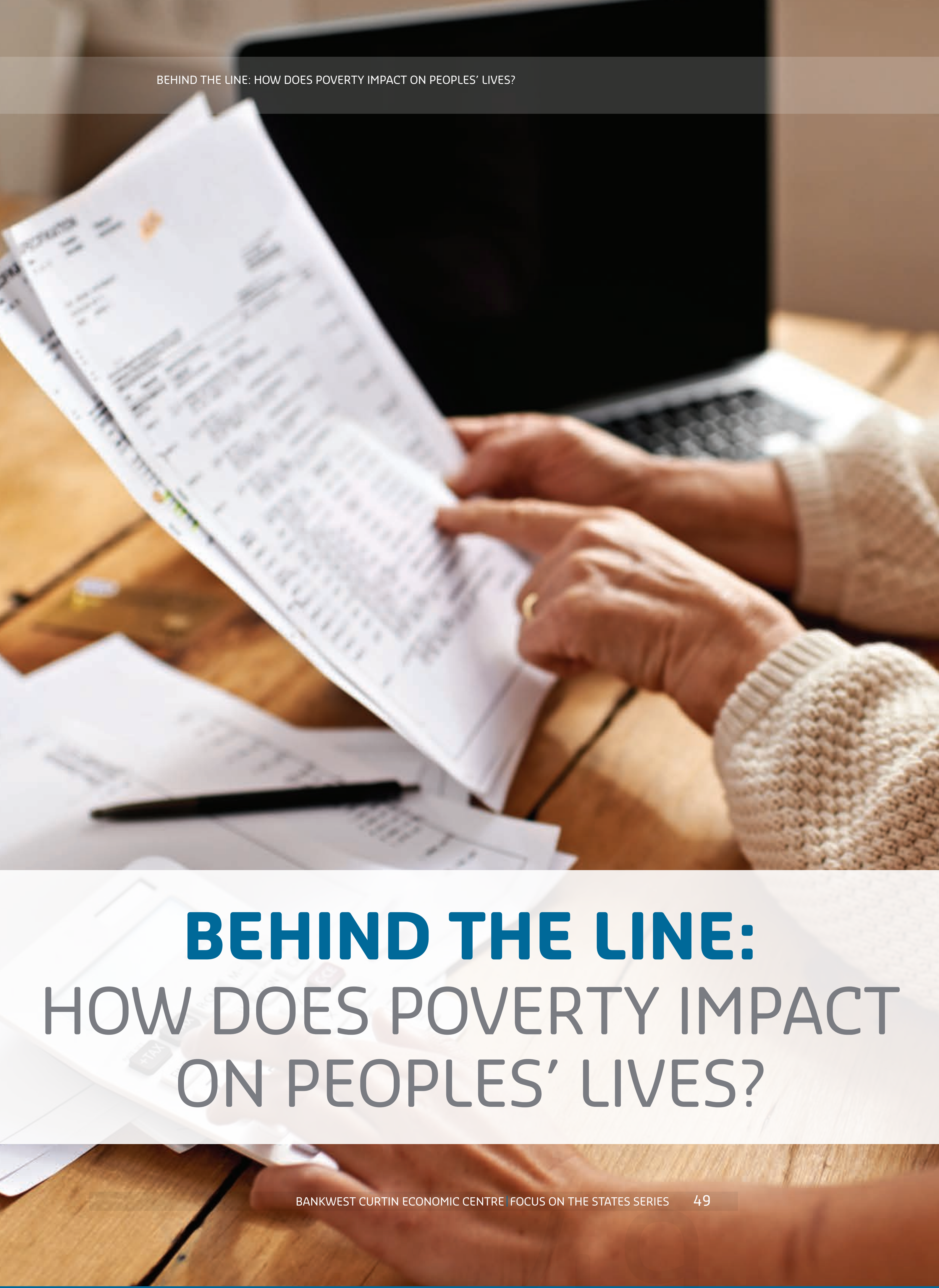
FIGURE 20

Change in the number of workers, 2019 to 2020: by contract status



Source: Bankwest Curtin Economics Centre | Author's calculations based on HILDA Survey waves 19 and 20.

6 WA Community Recovery Plan, June 2020, WACOSS. https://www.wacoss.org.au/library/stage-one-wa-community-recovery-plan/.



BEHIND THE LINE: HOW DOES POVERTY IMPACT ON PEOPLES' LIVES?

INTRODUCTION

Experiences of financial hardship will inevitable impact on people's quality of life, their security, health and sense of wellbeing. This section of the report explores the strength of the connections between poverty and broader aspects of economic and social disadvantage.

DOMAINS OF VULNERABILITY

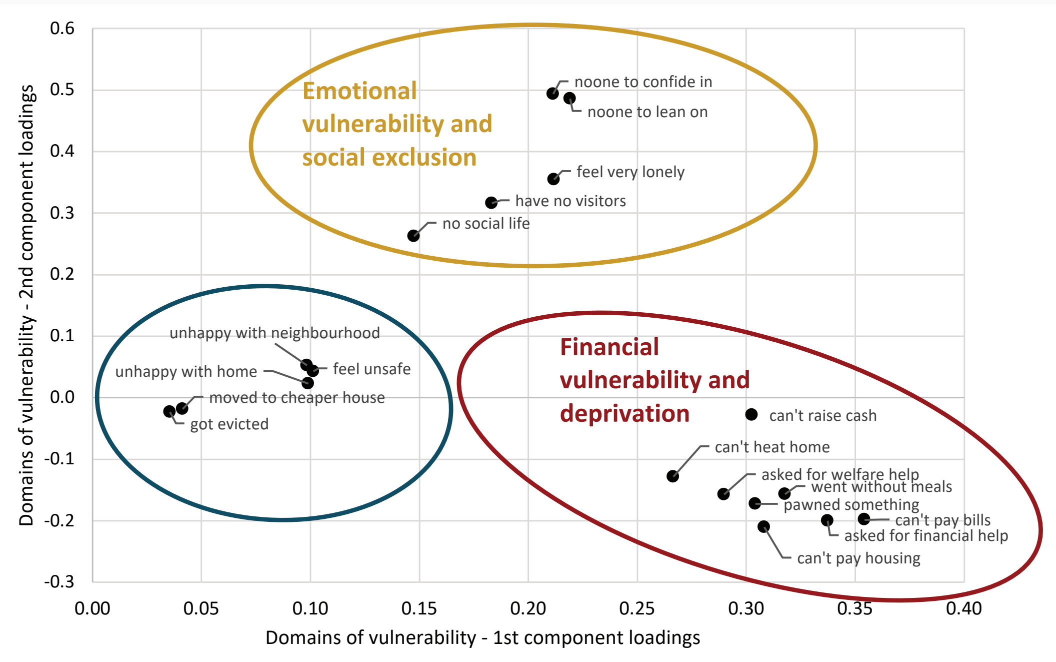
The HILDA survey includes a broad set of indicators that document survey respondents' attitudes towards their financial and social circumstances, as well as broader measures of life satisfaction. Interrogating these data offers some insights into the experiences of living with poverty.

Statistical modelling was used to reveal broader domains of vulnerability from the many indicators of financial and social wellbeing collected in the HILDA survey. The approach, known as *Principal Components Analysis* (PCA), can be used to construct social indices by exploiting similarities and contrasts between a set of indicators. The PCA analysis uncovered relatively tightly grouped clusters of indicators that revealed three informative concepts of vulnerability or disadvantage (Figure 21) which could be helpful in framing the coordination of policies to address disadvantage and improve individual wellbeing:

- **Financial vulnerability and deprivation**: relating to the inability to pay bills or afford essential utilities, difficulties in meeting housing costs or raising cash for an emergency, going without meals, and needing to reach out for financial assistance or help from community or welfare organisations;
- **Emotional vulnerability and social exclusion**: relating to social isolation and the absence of a social life, not being able to connect with friends and family, loneliness and emotional distress, a feeling of lack of support;
- **Housing insecurity**: relating to dissatisfaction with housing circumstances, a feeling of lack of safety in the home, a sense of disconnection through eviction, or pressure to compromise on the location because of challenges with housing affordability.

FIGURE 21

Domains of vulnerability



Source: Bankwest Curtin Economics Centre | Author's calculations based on HILDA Survey waves 19 and 20.

TABLE 6

Prevalence of financial vulnerabilities, all people and those in poverty: 2019 and 2020

	Prevalence of deprivation or hardship in 2019			Prevalence of deprivation or hardship in 2020			Change in prevalence 2019 to 2020	
	All families	Families in poverty	relative odds	All families	Families in poverty	relative odds	All families	Families in poverty
	%	%	#	%	%	#	ppt	ppt
went without meals	4.2	11.0	2.6	3.1	8.7	2.8	-1.1	-2.3
can't heat home	3.4	9.1	2.7	2.8	6.9	2.5	-0.6	-2.2
asked for financial help	10.7	19.4	1.8	7.7	16.1	2.1	-3.0	-3.3
asked for welfare help	3.5	10.4	3.0	4.4	10.3	2.3	+0.9	-0.1
can't pay bills	9.8	17.1	1.7	9.8	15.9	1.6	-	-1.2
can't pay housing	5.4	9.4	1.7	6.1	8.7	1.4	+0.7	-0.7
can't raise cash	15.7	33.2	2.1	16.0	33.8	2.1	+0.3	+0.6
pawned something	5.1	10.5	2.1	4.4	8.9	2.0	-0.7	-1.6

Note: Poverty calculations are based on real equivalised household disposable incomes, after housing costs, with nil and negative incomes excluded. The relative odds measure is the ratio of prevalence for families in poverty compared to all families.
Source: Bankwest Curtin Economics Centre | Author's calculations based on HILDA Survey waves 19 and 20 (2002-2020).

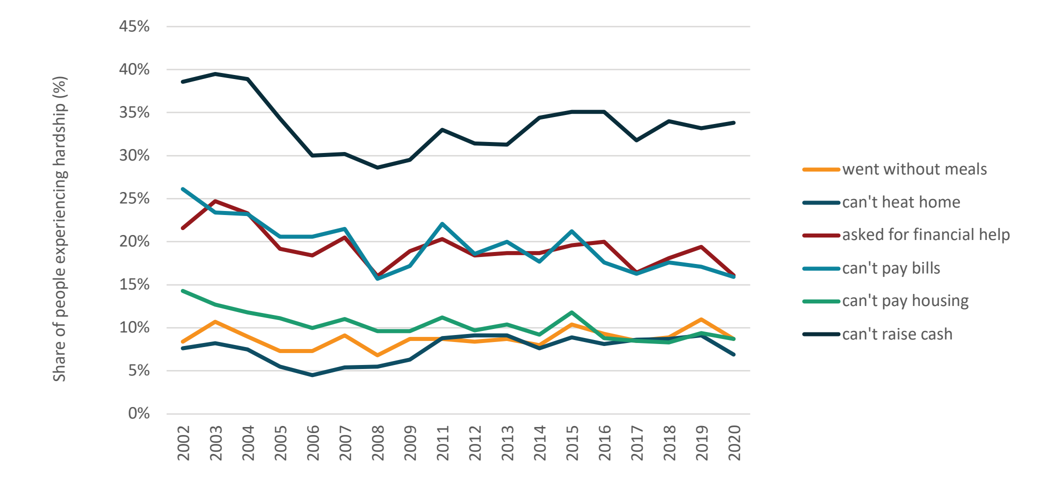
Table 6 shows how measures within the financial vulnerability and deprivation domain have changed between 2019 and 2020 for people experiencing poverty, and for the broader population.

More than 1 in 12 (8.7%) of people on low incomes went without meals in 2020, which is 2.8 times the rate for all families. However, the share of people in poverty who went without meals did fall by 2.3 percentage points between 2019 and 2020.

The share of people experiencing poverty who had difficulties in meeting bills also fell between 2019 and 2020, dropping by 1.2 percentage points to 15.9 per cent, but remained at 9.8 per cent for the broader population. More people were able to heat their homes in 2020, but it is worth noting that the HILDA survey does pre-date the more recent increases in living costs, so this trend may not reflect the current situation – especially now that the extra financial supports made available during the COVID-19 pandemic are no longer available.

FIGURE 22

Prevalence of financial vulnerabilities among families in poverty: 2002 to 2020



Source: Bankwest Curtin Economics Centre | Author's calculations based on HILDA Survey waves 2 to 20.

The Coronavirus supplement was effective in alleviating financial vulnerabilities for people on lower incomes during 2020.

The improvements in most indicators of financial vulnerability for people on lower incomes during 2020 (Figure 22) suggest that, despite the pandemic, the Coronavirus supplement was effective in alleviating their financial stresses compared to a year earlier.

A number of the indicators in the emotional vulnerability and social exclusion domain deteriorated in 2020 both for those people experiencing financial hardship and for the broader population, which reflects the influence of restrictions put in place during the COVID-19 pandemic.

TABLE 7

Prevalence of social isolation, all people and those in poverty: 2019 and 2020

	Prevalence of deprivation or hardship in 2019			Prevalence of deprivation or hardship in 2020			Change in prevalence 2019 to 2020	
	All families	Families in poverty	relative odds	All families	Families in poverty	relative odds	All families	Families in poverty
	%	%	#	%	%	#	ppt	ppt
feel very lonely	9.7	13.8	1.4	9.4	14.8	1.6	-0.3	+1.0
have no visitors	13.8	17.9	1.3	15.8	18.6	1.2	+2.0	+0.7
no social life	23.9	23.5	1.0	27.7	27.0	1.0	+3.8	+3.5
no one to confide in	13.0	18.3	1.4	12.4	15.1	1.2	-0.6	-3.2
no one to lean on	11.8	17.6	1.5	10.9	14.4	1.3	-0.9	-3.2

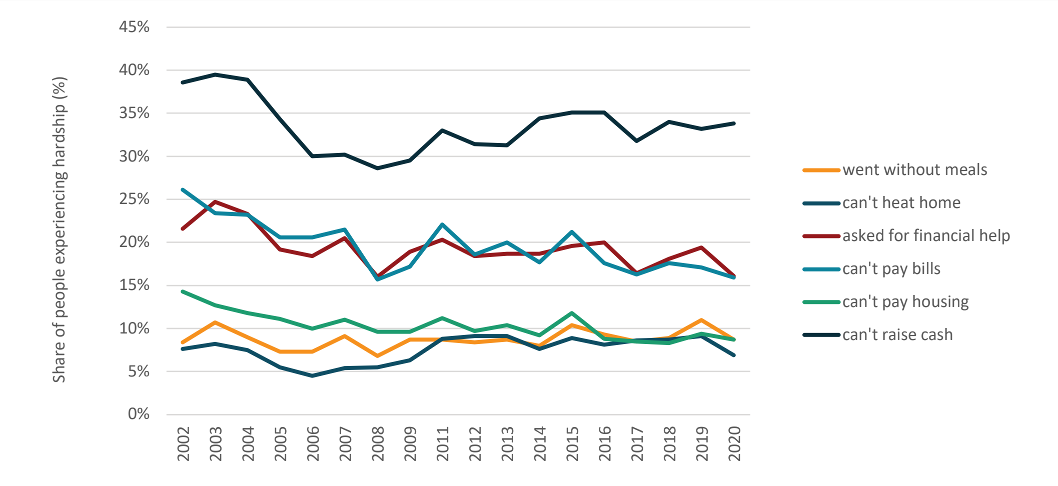
Note: Poverty calculations are based on real equivalised household disposable incomes, after housing costs, with nil and negative incomes excluded.
Source: Bankwest Curtin Economics Centre | Author's calculations based on HILDA Survey waves 19 and 20 (2002-2020).

The share of people that reported having no social life during 2020 increased by 3.8 percentage among all families, and by 3.5 percentage points for people experiencing poverty (Table 7). The share of people having no visitors also rose in 2020 for both groups.

Nearly one in seven people in poverty (14.6%) feeling very lonely in 2020. These findings match those in the Centre's *Loneliness and Belonging* report, which shows the heightened degree of social isolation experienced by people in poverty.

FIGURE 23

Prevalence of social isolation among families in poverty: 2002 to 2020



Source: Bankwest Curtin Economics Centre | Author's calculations based on HILDA Survey waves 2 to 20.

JOURNEYS INTO POVERTY: LIFE EVENTS AND FINANCIAL HARDSHIP

For many, the journey into poverty will have been triggered by a life event that substantially changes their financial situation and outlook. Circumstances change substantially for people who suffer relationship breakdown or the death of a partner. People lose their jobs or retire. Each of these life transitions can have profound impacts on people's personal well-being, and may bring a significant material change to their financial circumstances.

One of the great opportunities afforded by using the HILDA survey is that its longitudinal nature, which makes it possible for life events to be tracked, and related to measures of financial hardship.

For this report, we employ statistical regression methods to assess to what extent each of these life events affects poverty incidence, and how long the effects on poverty endure. We consider the likelihood both of being in poverty, and of moving into poverty, among people whose life histories we observe for at least five years. We test the impacts of four life events on poverty incidence and transition separately for women and men, including divorce or separation from a partner, the death of a partner, retirement, and the loss of employment. Each model relates current poverty status to life transitions that occurred in the previous year, two years ago, and three or more years ago. Additional factors are added to explain poverty status, including gender and Indigenous status, employment status, proficiency in English, family characteristics, age and birth cohort.

The results reported in Table 8 provide a number of important insights:

- The risk of poverty increases by 6.7 percentage points for women following relationship breakdown in the previous year, and by 4.6 percentage points for men.
- The risk of poverty after the death of a partner in the previous year increases by 5.9 percentage points for women, and by 4.6 percentage points for men.
- The poverty risks for women remain at a heightened level for three or more years after a relationship breakdown or the death of a partner.
- The risk of moving into poverty is three times higher for women than for men following separation or divorce, and nearly twice as high following the death of a partner.
- The effects on the likelihood of poverty of the loss of employment in the previous year is higher for men than women, at 3.7 percentage points compared to 1.7 percentage points.
- Similarly, the chance of moving into poverty due to the loss of a job in the previous year increases by 5.7 percentage points for men and 3.2 percentage points for women.
- Retirement increases the probability of moving into poverty by two percentage points for women and 2.6 percentage points for men.
- The impacts of both retirement and job are short term and typically last for no more than one year.
- Indigenous women and men are more likely both to be in poverty, and to move into poverty, than non-Indigenous women and men
- The lack of English proficiency is also a significant factor in poverty incidence and transition.

The overall take-homes messages on the relationship between poverty and life events from these findings are relatively clear.

Both partners are at greater risk of poverty when relationships break down, but the effects are both more severe and more enduring for women. The poverty risks for women remain at a heightened level for three or more years after a relationship breakdown or the death of a partner. The loss of a partner increases the risk of poverty for both men and women for an extended period, but is more likely to move women into poverty compared to men.

Both partners are at greater risk of poverty when relationships break down, but the effects are both more severe and more enduring for women.

TABLE 8

Relationship between life events, poverty incidence and transitions into poverty: regression

Life event	Marginal impacts of life events on the incidence and transition into poverty: on likelihood of poverty (ppt change)				on moving into poverty (ppt change)			
	Women		Men		Women		Men	
Divorce/separation from partner	6.69	***	4.65	***	4.20	***	1.57	**
Last year	5.43	***	3.15	***	2.84	***	1.50	**
2 years ago	5.80	***	3.64	***	2.86	***	2.22	***
3+ years ago								
Death of partner	5.89	***	4.51	***	3.05	***	1.71	
Last year	4.07	***	4.74	***	2.03	**	1.20	*
2 years ago	6.67	***	4.38	**	3.26	***	2.38	
3+ years ago								
Retirement	0.20		1.66	**	2.05	***	2.62	***
Last year	0.93		2.71	***	-0.45		1.06	
2 years ago	0.54		0.50		-0.98		-0.88	
3+ years ago								
Fired from job	1.73	**	3.36	***	3.20	***	5.73	***
Last year	0.86		1.04		0.48		0.83	
2 years ago	1.12		0.45		0.70		0.85	
3+ years ago								
Gender								
Non-Indigenous woman	(reference)				(reference)			
Non-Indigenous man	-5.69	***			-7.30	***		
Indigenous woman	14.37	***			8.63	***		
Indigenous man	8.10	***			3.05	***		
English proficiency								
Proficient in english	(reference)				(reference)			
Very poor english	21.49	***			1.31			
Poor english	15.09	***			5.27	***		
Labour force status								
Employed full-time	(reference)				(reference)			
Employed part-time	8.21	***			4.46	***		
Unemployed	28.11	***			16.29	***		
Not in the labour force	22.18	***			10.16	***		
Additional controls	(reference)				(reference)			
Year	YES				YES			
Age x gender	YES				YES			
Birth cohort	YES				YES			

Note: Regression estimates use poverty incidence measures based on 50 per cent median equivalised household disposable incomes, after housing costs. Nil and negative incomes are excluded. Moving into poverty is defined as someone within the HILDA survey who is modelled to be in poverty in the current year but not to be in poverty in the previous year. Life events variables are constructed using the longitudinal cross-wave identifier in the HILDA survey. To ensure sufficient history for previous life events, only individuals who are present for at least 10 survey years are included in the estimating sample. Estimated regression parameters are reported as significant at 1 per cent (***), 5 per cent (**) and 10 per cent (*).
Source: Bankwest Curtin Economics Centre | Author's calculations based on HILDA Survey waves 2 to 20 (2002-2020).

POVERTY AND HEALTH

We showed earlier in this report that close to 600,000 people have been in poverty for at least five of the last ten years, 20 per cent of whom have faced financial hardship consistently for a decade or more. To be in poverty for so long will inevitably take its toll on people's life satisfaction, well-being and mental health. But to what degree does poverty persistence affect psychological well-being?

THE LINK BETWEEN PERSISTENT POVERTY AND PSYCHOLOGICAL DISTRESS

People who face persistent poverty are more likely to experience psychological distress, and the longer the time in poverty, the worse the mental health impacts.

The Kessler K10 index of psychological distress measures ten component indicators of distress, each scored on a scale of 1 (low) to 5 (high) building up to a composite score (10-50). A banded measure based on K10 scores categorises the level of psychological distress felt as low (for K10 scores of 10-15), moderate (16-21), high (22-29) and very high (30-50).

So does poverty persistence affect either of these two measures of psychological distress? If it does, how robust is the relationship between psychological distress and poverty?

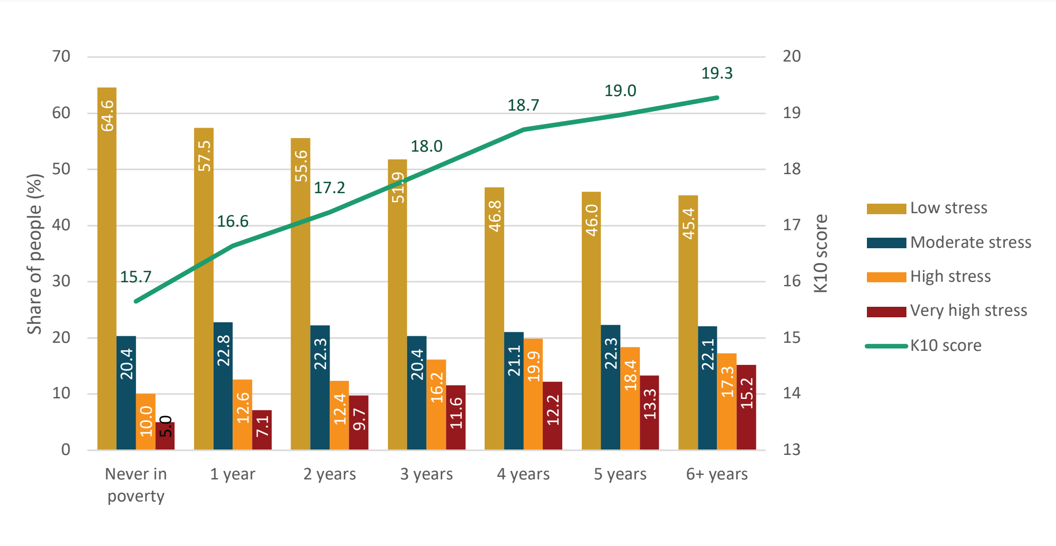
People who face persistent poverty are more likely to experience psychological distress, and the longer the time in poverty, the worse the mental health impacts (Figure 24).

Those who are in poverty for at least five of the last ten years are three times more likely to suffer acute mental stress compared to people who are never in poverty (shown in red bars in Figure 24).

A similar pattern can be seen for those falling within the high psychological distress category (in orange) – as poverty duration increases, so does the level of acute psychological distress.

FIGURE 24

The relationship between persistent poverty and psychological distress



Source: Bankwest Curtin Economics Centre | Author's calculations based on HILDA Survey waves 2 to 20.

The relationship between psychological distress and poverty is a complex one to unpack, with many potential drivers. To what extent is psychological distress elevated by poor living standards, the experiences living on low incomes - especially for families with children? It may also be the case that psychological distress itself creates difficulties in securing work, and resolving the challenges of financial hardship.

The effects of persistent poverty can be felt differently at certain ages for women and men. We might expect those impacts also to be felt more acutely by parents, especially by the primary carer.

To explore these associations in more depth, Figure 25 looks separately at the relationship between the number of years in poverty and the prevalence of high or very high psychological distress for single people versus partnered couples with and without children, and by age range.

We find that the psychological trauma from years in poverty rises more steeply for women than for men in most age cohorts and family settings.

The escalation is especially acute on single women aged less than 55 (Panel d), with 40 per cent or more of women who have been in poverty for at least three years experiencing high psychological distress. Psychological stress also rises with the number of years in poverty for single men, albeit to a lesser degree.

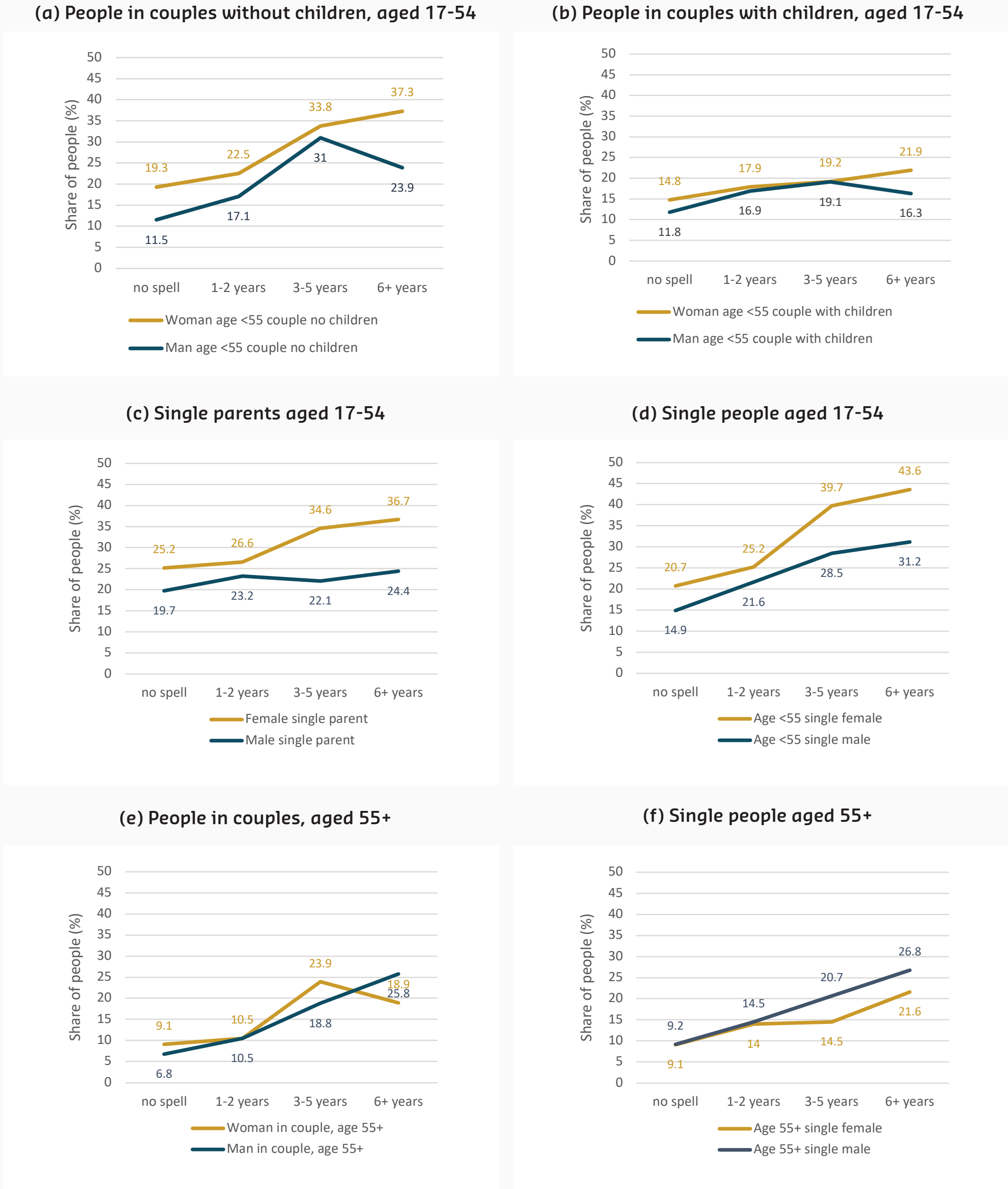
More than a third (34.6%) of single parent women who have been in poverty for between three and five years suffer from elevated levels of stress (Panel c), rising to 36.7 per cent when poverty persists for at least six years over the last decade. For male single parents, the rate is somewhat smaller, at just over 24 per cent.

Older age cohorts provide the one exception (Panel f), with more than a quarter of single men aged 55 who have endured poverty for five years or more experiencing psychological distress, compared to one in five older women.

We find that the psychological trauma from years in poverty rises more steeply for women than for men in most age cohorts and family settings.

FIGURE 25

Number of years in poverty and the prevalence of psychological distress: by gender



Source: Bankwest Curtin Economics Centre | Author's calculations based on HILDA waves 2 to 20.

THE SCARRING EFFECTS OF CHILDHOOD AND ADOLESCENT POVERTY

Does financial vulnerability in childhood and adolescence have an impact on the future economic, social and health outcomes of young people?

As a first test of whether there exists a relationship between childhood poverty and adult outcomes, we use HILDA survey data[7] to compare young people according to the degree of financial vulnerability they faced while in the family home. Specifically, we compare employment outcomes for young adults who experienced no poverty at home with adults who experienced poverty during childhood – including those that experienced persistent poverty at home.

The analysis shows that the likelihood of securing future employment is up to 11 percentage points lower for young adults who experienced poverty in the family home compared to those who did not come from a poor childhood background (Figure 26).

The employment trajectories of the two groups narrow once the young adults approach 30 years of age, but the gap remains strongly significant from the age of 18.

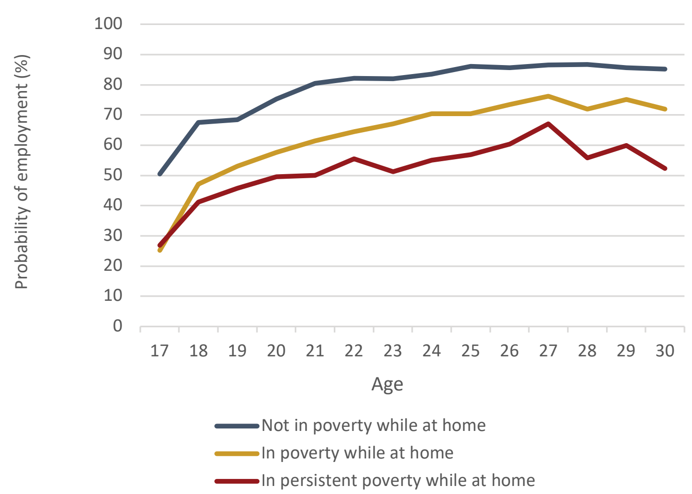
These differences could potentially be explained purely by compositional differences, and differences in personal characteristics and sociodemographic background.

To explore the question, we use the HILDA survey to track the economic, social and health outcomes for the *same* individuals for up to twenty years. This means that we are able to follow the progress of children and young people into their adult lives.

To examine whether the experience of poverty whilst in the family home affects future economic, social and health outcomes, we compare the life outcomes of children who experienced poverty in the family home with those that did not for each of the 10 years after they leave home.

FIGURE 26

Adult employment rates for young adults aged 17 to 30: by incidence and persistence of family poverty in childhood



Source: Bankwest Curtin Economics Centre | Author's calculations based on HILDA Survey waves 19 and 20.

7 The Household Income and Labour Dynamics in Australia (HILDA) survey, managed by the Melbourne Institute.

The innovative research presented in this report uncovers compelling evidence that children's experiences of poverty are damaging to their future economic outcomes and mental and psychological health.

Our method uses a matching approach to compare the outcomes from ages 17 through to 30 for young adults in the HILDA survey who experienced poverty in their childhood years with similar people who were not exposed to poverty during childhood.[3] Only those young people who were observed for at least three years before and three years after leaving home are included in the matching process. This ensure adequate measurement of outcomes both in childhood through to young adulthood.

The series of charts presented in Figure 27 compare the trajectories of young adults who experienced poverty in childhood (in gold) with similar people who faced no poverty (in blue), across a range of economic, social and health outcomes.[4]

The specific measures we choose to compare include; (a) employment, (b) unemployment, (c) the incidence of poverty and (d) severe poverty, (e) whether people suffer from anxiety or nervousness, and; (f) whether they regularly feel down emotionally.

The first chart (a) confirms that the trajectories shown earlier in Figure 26 were not driven by differences in education, age, gender or other sociodemographic characteristics in adulthood.

The likelihood of employment for young adults who come from a background of child poverty is around 11 percentage points lower than employment rates for those who didn't experience poverty in the family home (Panel a). The differences are a little larger in the first five years after leaving home, and narrow to around 8 percentage points in the late 20s.

Unemployment rates are significantly higher among adults who experienced poverty at home, even after controlling for differences in characteristics (Panel b). People who experience childhood poverty are up to 8 percentage points more likely to remain in poverty in adult life (Panel c), while the incidence of severe poverty is broadly the same across the two groups (Panel d). They are also significantly more likely to suffer from nervousness (Panel e) or feel unhappy with their lives (Panel f) for up to 10 years after leaving home.

The innovative research presented in this report uncovers compelling evidence that children's experiences of poverty are damaging to their future economic outcomes and mental and psychological health - even after controlling for age, gender, Indigenous and ethnic background, and future family status and educational achievement.

The analysis in this report reinforces our understanding of how far the impacts of poverty extend, and for how long they endure over the course of people's lives and the lives of their children. Equally, the report's findings demonstrate the scale of the economic return from targeted strategies to reduce poverty, as well as the positive social, psychological and health benefits from doing so.

3 The matching process uses the statistical technique of *nearest-neighbour matching* to pair as closely as possible each person who is first recorded in the HILDA sample as a child and who is modelled to live in a poor household during childhood with up to 10 other children who didn't experience childhood poverty. Each pairing is aligned as closely as possible on a range of characteristics and attributes, including age, gender, age left home, current family type, number of children and highest educational qualification.

4 In each chart, the differences (the red bars) are marked according to their level of statistical significance.

FIGURE 27

The impact of childhood poverty on adult's outcomes after leaving the family home

Note: Comparison groups are constructed using nearest neighbour matching to pair each person who is first recorded in the HILDA sample as a child and who is modelled to live in a poor household during childhood with up to 10 other children who didn't experience childhood poverty. Matched pairs are selected at each age from 18 to 30 by Mahalanobis distance aligned to gender, age left home, current family type, number of children and highest educational qualification. Life outcomes are constructed using the longitudinal cross-wave identifier in the HILDA survey. To ensure sufficient history for previous life events, the estimating sample includes only individuals who are present as a chiild for at least three years in the family home, and for at least 3 years after leaving the family home. Estimated differences are reported as significant at 1 per cent (***), 5 per cent (**) and 10 per cent (*).
Source: Bankwest Curtin Economics Centre | Author's calculations based on HILDA Survey waves 2 to 20.

"THE GREATEST EVILS AND THE WORST OF CRIMES IS **POVERTY**."

GEORGE BERNARD SHAW

SUMMARY
AND RECOMMENDATIONS

SUMMARY AND RECOMMENDATIONS

Economic and social policy should be concerned with creating a safe, secure environment in which everyone can achieve their potential, and thrive. Good economic and social policy should ensure adequate protections for the most vulnerable sections of our community to ensure we are all better off.

Yet in Australia, there are still far too many people who face serious financial hardship, with many experiencing disadvantage over much of their lives.

This Bankwest Curtin Economics Centre Focus on the States report provides the latest examination of the prevalence of poverty within Australia, how this has changed over time, and which groups in society face the greatest risks of financial hardship and material deprivation.

Our analysis reveals that just under 3 million people in Australia live in income poverty, as defined by a poverty line of 50 per cent of median income. This represents nearly 11.8 per cent of the population, and includes nearly 750,000 children.

Poverty fell by just over 350,000 over the last year, driven partly by the COVID-19 supports paid through government allowances and wage subsidies.

However, the story since then has very much been about rising housing and living costs, and the extent to which rent increases are having a far greater impact on those in deepest income disadvantage.

High housing costs represent a significant economic and social issue for Australians, adding directly to a higher incidence of poverty and more severe financial hardship. Those who are unable to enter the housing market are particularly vulnerable, with the overall poverty rate for renters in Australia more than twice that for mortgage holders and three times the rate for owners without mortgages.

For many, the journey into poverty has been triggered by a life event that substantially changes their financial situation and outlook. Circumstances change substantially for people who suffer relationship breakdown or the death of a partner. People lose their jobs or retire, and each of these events have profound impacts on people's economic security and well-being.

We find that both partners are at greater risk of poverty when relationships break down, but the effects are both more severe and more enduring for women. And women suffer adverse impacts from divorce or separation for longer.

This research shows just how far the effects of poverty extend, and also for how long the impacts last. Findings in this report show that the effects of poverty in childhood stay with those people as they move into adulthood.

But it also shows, if such a demonstration were ever needed, that there is an economic return to strategies that target a reduction in poverty, to go alongside the positive social, psychological and health benefits from doing so.

Deep and persistent poverty affects not just people's current wellbeing, but the disadvantages from financial hardship extend well into the future, affecting their economic potential, their health and social connectedness.

Joblessness and long-term unemployment has long presented a challenge, and a difficult one, in the design of effective policy initiatives. But the social and economic payoff from reducing the number of people in the deepest or most persistent financial hardship would be considerable.

It remains a priority for coordinated State and Federal programs to address issues of severe and persistent hardship among those who have been out of work for an extended period of time.

Added to this, the pandemic has led to a growing class of newly unemployed people who may well be experiencing unemployment for the first time in their lives, carrying commitments that align with their previous work status, and who may be entirely unfamiliar with the situation.

Interventions that would address the immediate service needs of newly unemployed, including measures to reconnect with the labour market, would be both beneficial and economically highly efficient.

JobSeeker and Commonwealth Rent Assistance together provides a total of $386.15, which is simply not adequate as a protection against rising rents and broader living costs. Even if recipients can find rental accommodation at $250 per week, this leaves only $136 per week to live on.

The COVID-19 pandemic has given government support systems for people in poverty a stress test, and has found them wanting. It also showed how a substantial increase in income support to those living in poverty can transform their lives and effectively stimulate our economy.

This report recommends an increase of 30 percent in the CRA maximum payment together with a $20 per day increase in the base JobSeeker rate and related payments.

These achievable increases will protect up to 1,000,000 people across the country from rising rents and high costs of living, and go a long way towards reducing severe poverty in Australia.

Social housing is one of the most important levers at the disposal of state and territory governments in the fight against poverty. It has probably never been more important than now as a way to provide housing security to those in deepest financial hardship as a basis for economic and social participation.

If you already care about gender equity and the status of women within our society, then you should really care about poverty – because it impacts disproportionately on women.

Our research shows that poverty has a greater and more persistent impact on the health and wellbeing of women, their economic security, and their ability to safely participate in our community as equals.

Women are also more likely to take on caring roles and responsibilities that are further impeded by poverty.

Raising children and young people or caring for ageing parents becomes dramatically harder with poverty – and the knock-on impacts to the wellbeing of others is increased.

We hope that by looking behind the line, the relevance to each of us of targeting poverty is clear.

Poverty is, and should always remain, a critical issue for Australia, but this report is about more than that.

It's about equity and fairness.

It's about narrowing the gap between Indigenous and non-Indigenous peoples.

It's about making sure our children have the best opportunities to reach their potential and their dreams.

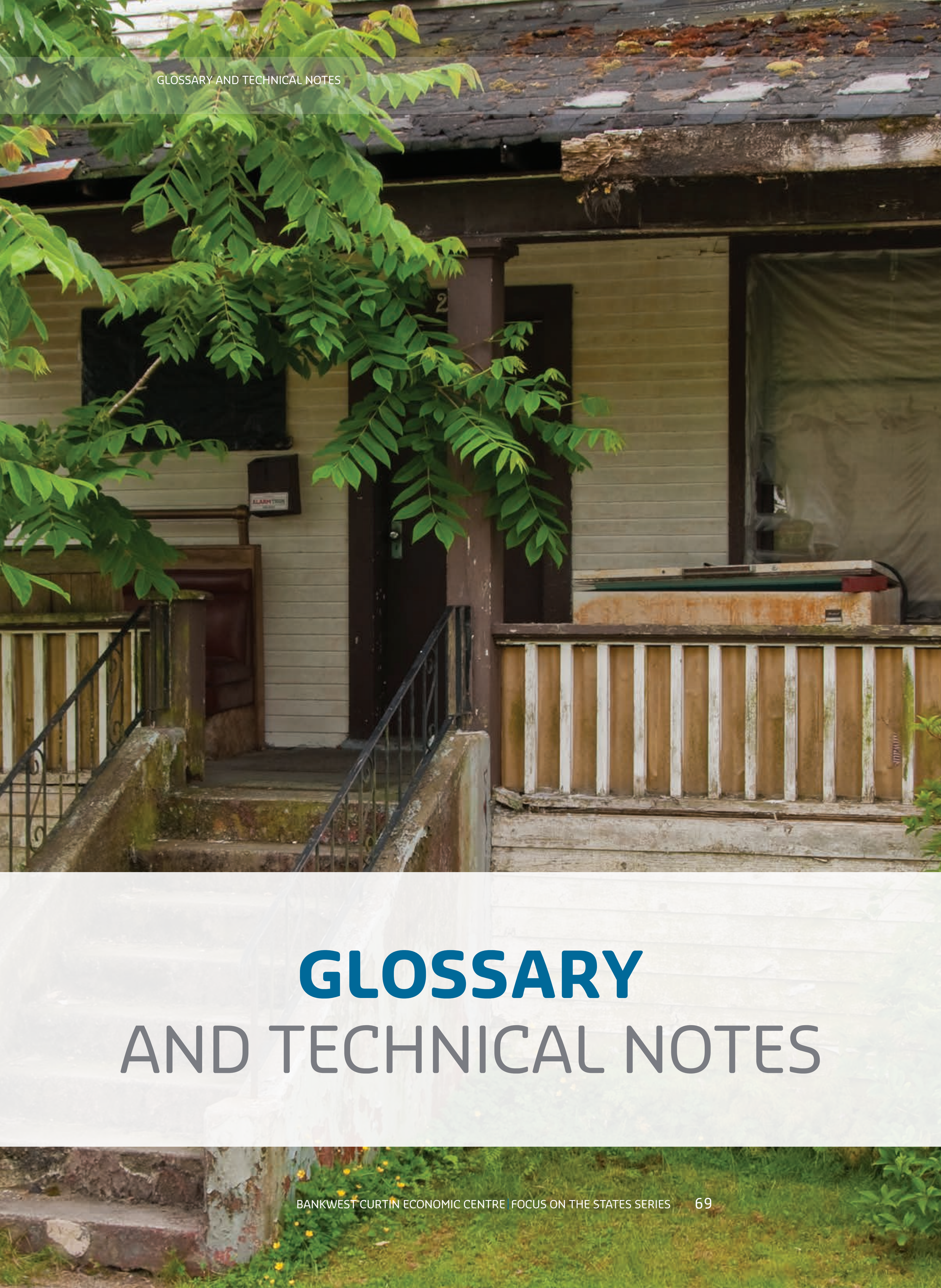
It's about women's economic security, and gender equity.

It's about economic efficiency and the effective delivery of public services.

And ultimately, it's about how Australia protects, cares for, and nurtures the most important resource of all – its people.

"POVERTY **IS NOT AN ACCIDENT.** LIKE SLAVERY AND APARTHEID, **IT IS MAN-MADE** AND CAN BE REMOVED BY THE ACTIONS OF HUMAN BEINGS."

NELSON MANDELA



GLOSSARY
AND TECHNICAL NOTES

GLOSSARY AND TECHNICAL NOTES

Consumer Price Index (CPI)

The Consumer Price Index measures quarterly changes in the price of a 'basket' of goods and services which account for a high proportion of expenditure by metropolitan households.

Coronavirus Restriction Period (CRP)

The period from March to May 2020 when COVID-19 restrictions were at their peak. For the LSAC survey, respondents were asked to ‘think back’ to their experiences during the CRP.

Community support groups

Whether the person has been actively involved in a community support group in the last 12 months.

Examples of community support groups include:

- service clubs
- welfare organisations
- education and training
- parenting/children/youth
- health promotion and support
- emergency services
- international aid and development.

Employment rate

The number of employed persons expressed as a percentage of the civilian population in the same group.

HILDA survey

The Household, Income and Labour Dynamics in Australia is a household-based panel study which began in 2001. It tracks information on economic and subjective well-being of the respondents along with family and labour market dynamics.

Kessler psychological distress scale (K10)

The status of a person’s mental health is based on the Kessler psychological distress scale (K10). The K10 measure is an aggregate of scores to 10 questions about emotional states, each of which are recorded on a five-level response scale, giving rise to a K10 score of between 10 to 50. The mental health of respondents is categorised according to the following K10 scores:

- Likely to be well (K10 score from 10 to 19);
- Likely to be in mild psychological distress (20 to 24);
- Likely to be in moderate psychological distress (25 to 29), or;
- Likely to be in severe psychological distress (30 to 50).

Life satisfaction
Whether respondents are happy with how things are for them in their life. Respondents answered on a scale from 'strongly disagree' to 'strongly agree'.

Principle component analysis
Principle component analysis (PCA) is a statistical procedure that can be used to reduce a large set of variables to a small set that still contains most of the information in the large set.

Socioeconomic status
The relative socio-economic advantage and disadvantage in terms of people's access to material and social resources, and their ability to participate in society. Areas in Australia are ranked according to relative socio-economic advantage and disadvantage, constructed by factoring in the proportion of individuals with a tertiary education, people employed in a skilled occupation and the proportion of families with high incomes.

Statistical Area Level 2 (SA2)
The Statistical Area Level 2 (SA2) is an area defined in the Australian Statistical Geography Standard (ASGS), and consists of one or more whole Statistical Areas Level 1 (SA1s). Wherever possible SA2s are based on officially gazetted State suburbs and localities. In urban areas SA2s largely conform to whole suburbs and combinations of whole suburbs, while in rural areas they define functional zones of social and economic links. Geography is also taken into account in SA2 design. SA2s cover, in aggregate, the whole of Australia without gaps or overlaps.

Unemployment rate
The unemployment rate is the proportion of the labour force that is unemployed.

Unemployed persons
A person who is not employed for one hour or more, is actively seeking work, and is currently available for work.

Unpaid voluntary work through an organisation
The provision of unpaid help willingly given in the form of time, service or skills, to an organisation, club, or association. The GSS excludes unpaid voluntary work through an organisation if undertaken overseas.

Income poverty

Measurement

Poverty rates are assessed by calculating the percentage of people whose real equivalised household disposable incomes (after housing costs) fall below different fractions of the median. Nil and negative incomes are excluded from all poverty calculations. Data are re-based to 2014 prices.

Exclusions

Excluding particular groups from the income distribution and poverty analysis is common practice among researchers. (see Saunders 2008; Rodgers 2012; Wilkins 2013) . Groups are often excluded if their reported or measured income is deemed to not reflect their real standard of living, or access to economic resources. The self-employed, business owners and those households that report negative or nil income are among those that are typically excluded from poverty analysis.

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