



Income support policy and poverty trends in 21st century Australia

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Introduction

- The economic and policy drivers of poverty trends since 1999-00
- Poverty
 - Relative poverty
 - Taking account of housing costs
- Economic environment
 - Aggregate income trends (increasing then stagnant)
 - Employment (increasing for women, decreasing for men)
 - Housing costs (increasing)
- Income support payment rates
 - Increases for retired
 - No (real) increase for unemployed
 - Decreases for some lone parents

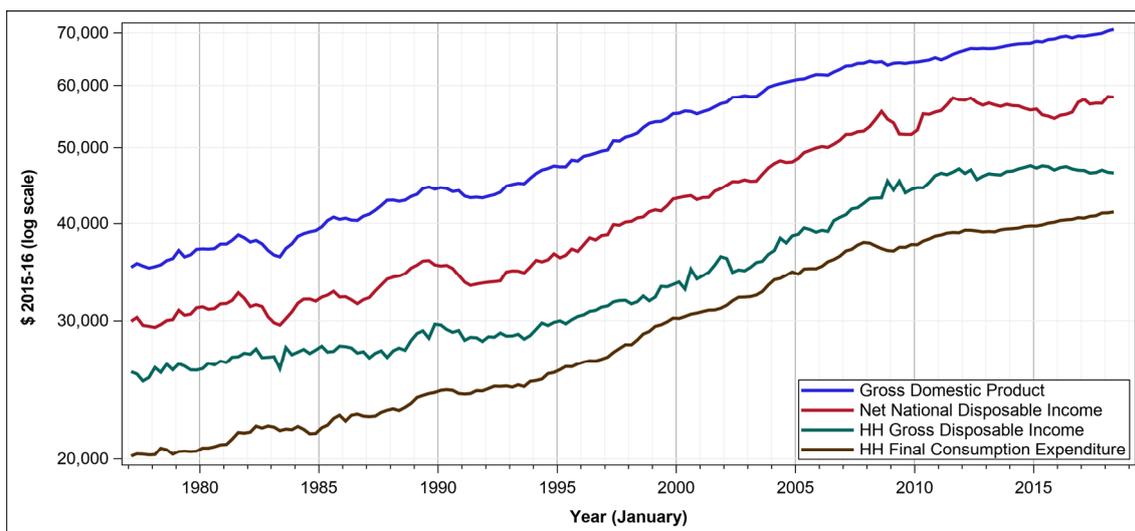


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The economic environment

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A quarter-century of strong GDP growth: But incomes stagnant since 2011

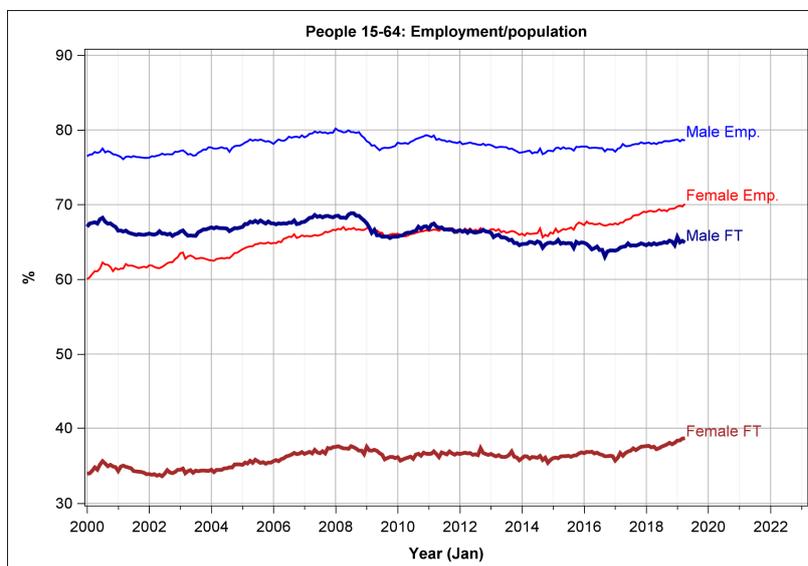


All measures are real and per-capita



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Employment increasing for women, but decreasing for men



As % of civilian population. Seasonally adjusted. Source: ABS Labour Force Survey



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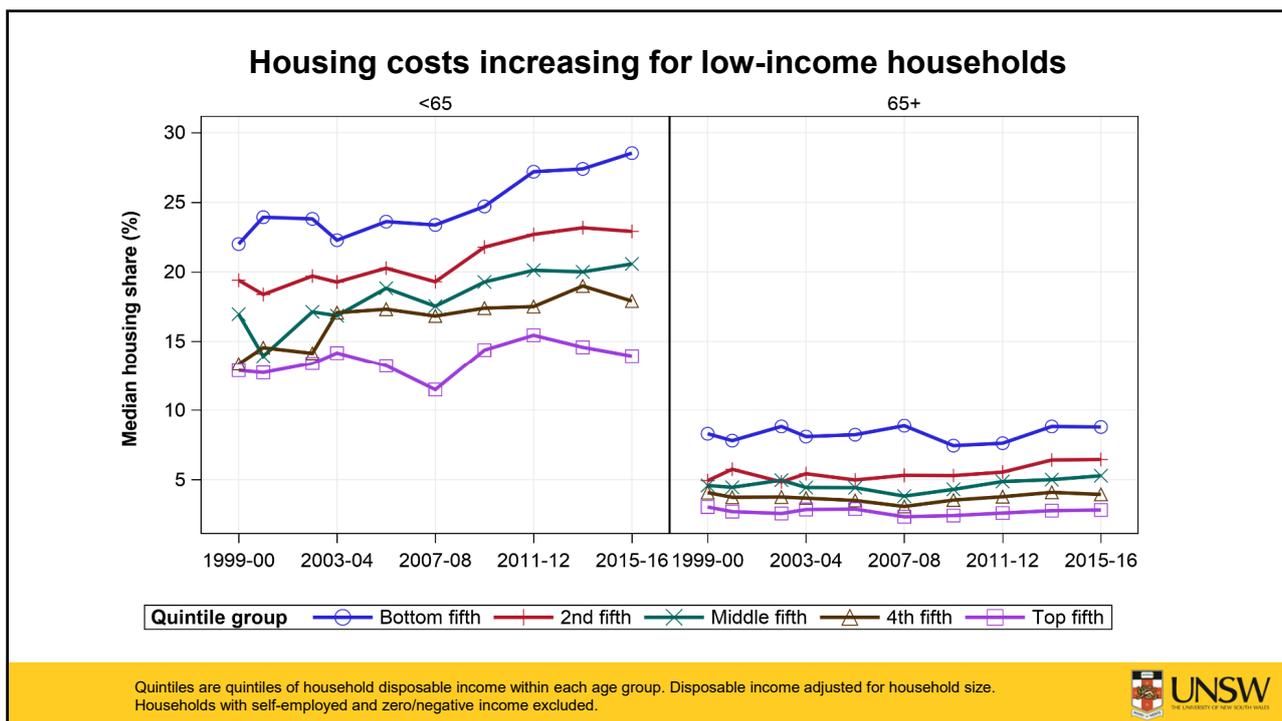
Increases in housing prices and shift to private rental

	1999-00	2015-16	Growth 1999-00 to 2015-16
	Mean	Mean	Ratio
Owner-occupiers (with and without mortgage)	(\$000 2015-16)	(\$000 2015-16)	
Mean house price (sale price of owner-occupied dwellings)	259.8	495.7	1.9
Mean outstanding mortgage	48.7	115.6	2.4
ABS rental price index			1.13
Housing tenure	%	%	Difference
% home owners (with and without mortgage)	73.9	69.1	- 4.8
% public renters	5.2	2.7	- 2.4
% private renters			
All	16.3	23.5	7.2
Single 65+	6.0	8.7	2.7
Couple 65+	2.4	3.8	1.4
Lone parent	32.2	44.9	12.7
Partnered with children	12.4	22.0	9.6

Means and percentages calculated across individuals rather than households. E.g. in 1999-00, 73.9% of people lived in home owner households



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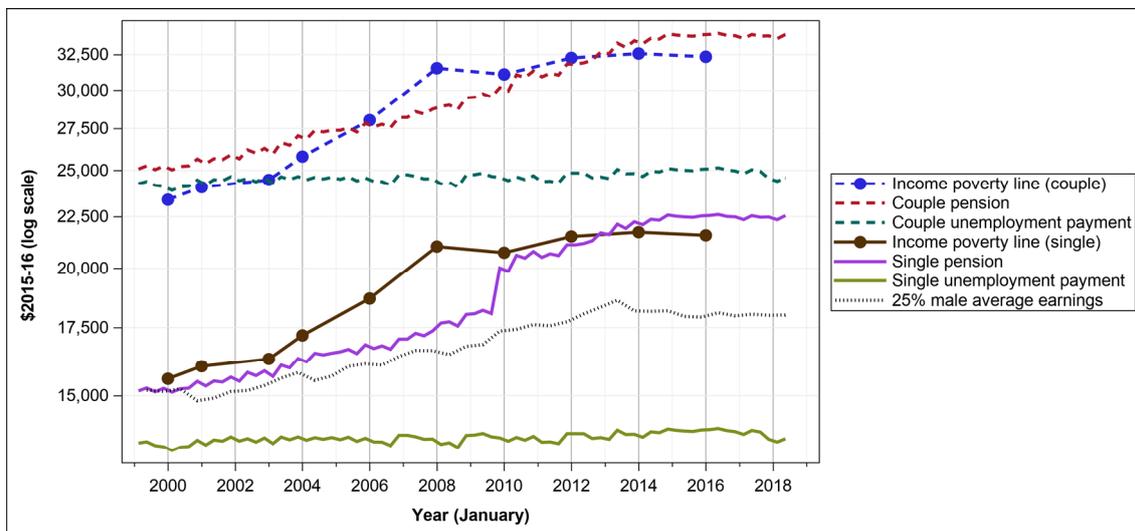


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**Income support
policy changes**

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Large real increases in payments for aged, none for unemployed



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Reductions in income support payments for lone parents

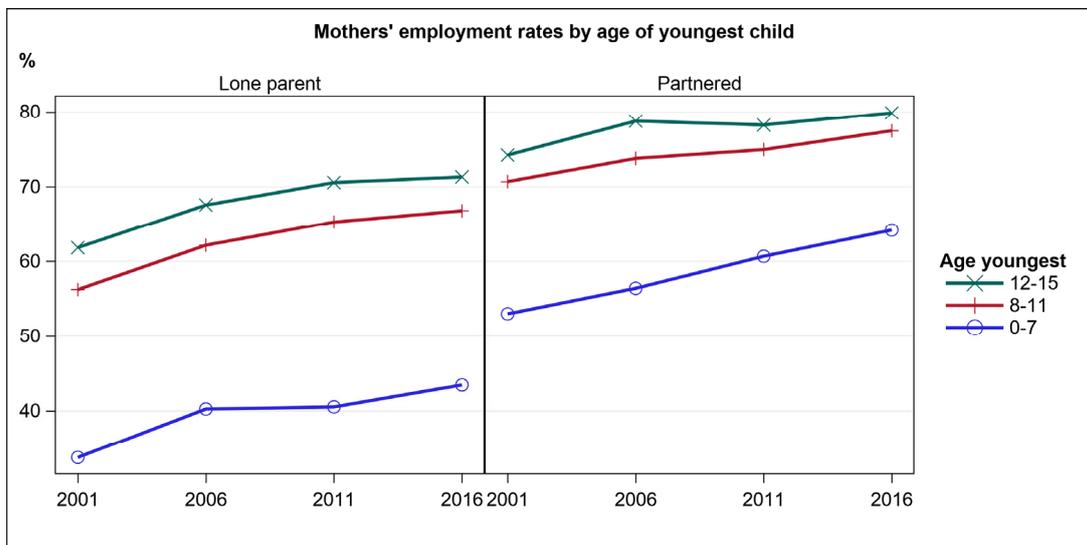
Age of youngest child	Changes to income support	Overall impact on income support payments
Under 8	<ul style="list-style-type: none"> No change 	No change
8-11	<ul style="list-style-type: none"> New recipients after July 2006: <ul style="list-style-type: none"> Lower (Newstart) payment Receiving PPS before July 1 2006 with no subsequent breaks: <ul style="list-style-type: none"> No change 	Average payment steadily decreased after 2006
12-15	<ul style="list-style-type: none"> New recipients after July 2006: <ul style="list-style-type: none"> Lower (Newstart) payment Receiving PPS before July 1 2006 with no subsequent breaks: <ul style="list-style-type: none"> No change until 2013. After 2013, lower (Newstart) payment rate 	Average payment steadily decreased after 2006, with a large drop after 2013

- Indexation changes for child supplements (FTB) since 2009
- Increases to job search requirements for both lone and partnered parents with youngest child 7+



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No apparent impact on employment rates of lone parents with older children

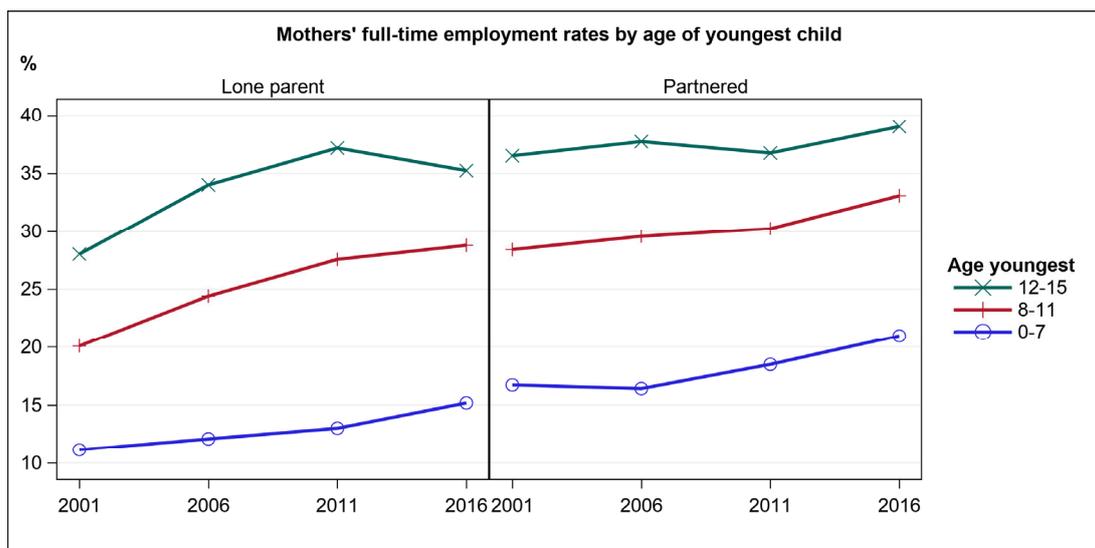


Source: ABS Census 1% sample files.



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Similar pattern for full-time employment



Source: ABS Census 1% sample files. Full-time employment as % of population



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Poverty outcomes

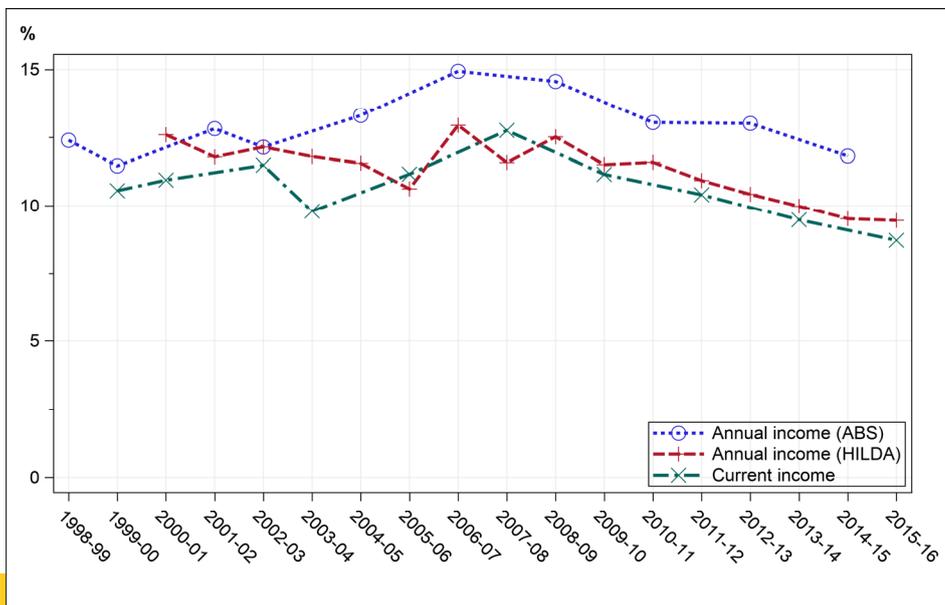
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Poverty

- Relative approach
 - Percentage below 50% of population median
 - Reflects ability to participate in national consumption norm (and national capacity to fund assistance)
- Resource measures
 - Disposable income (income poverty)
 - ABS current
 - ABS annual
 - HILDA annual
 - Disposable income minus housing costs (after-housing poverty)
- Population:
 - Analysis population excludes self-employed households (about 15%) and those with zero or negative incomes (about 1%)

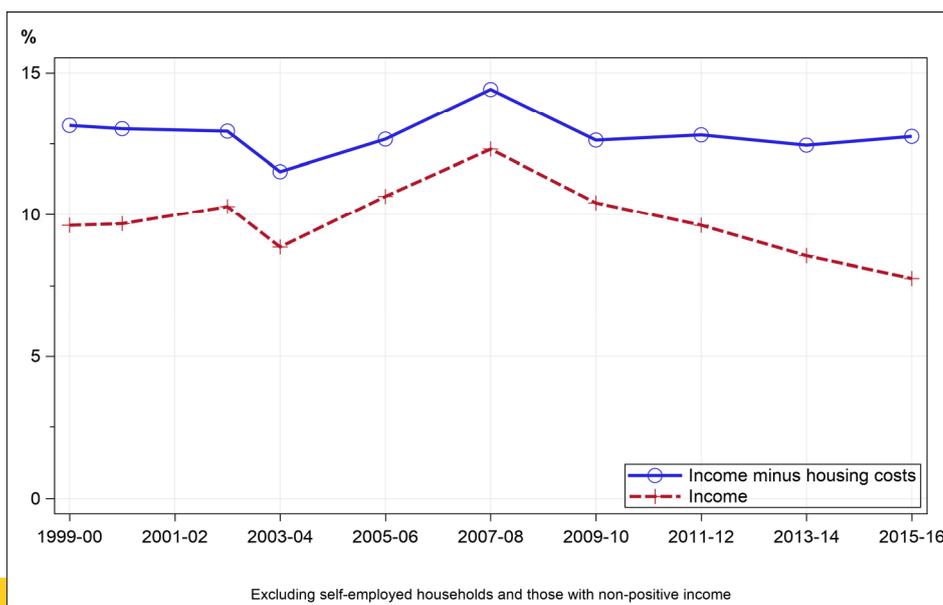
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Income poverty: Possible increase up to the GFC, but decreasing in recent years



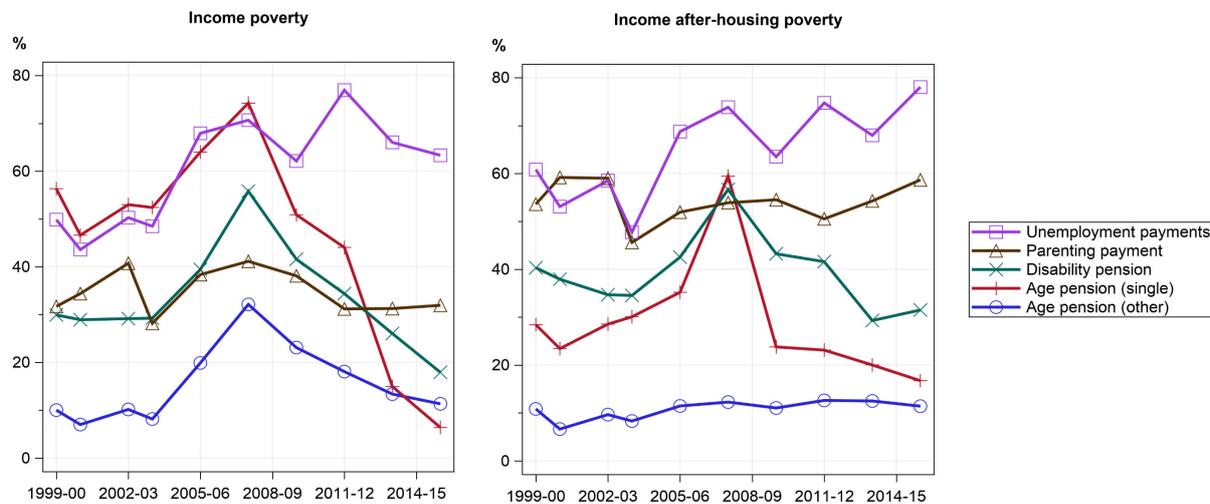
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After-housing poverty rate: No decline



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Poverty decreasing for aged and disabled, increasing for unemployed and parents

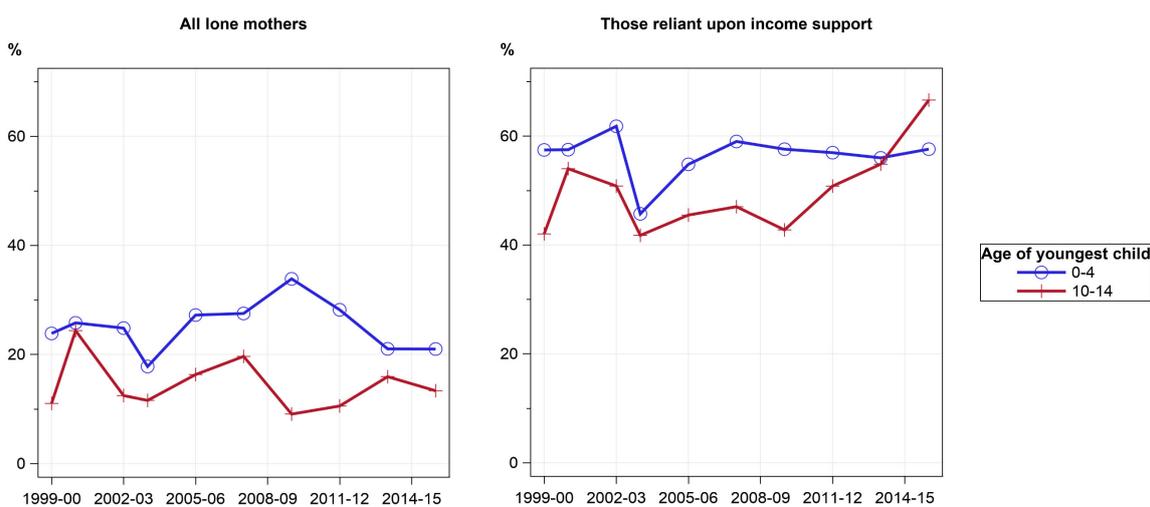


Population: People in households reliant upon selected income support payments (with income support more than half of household income and >\$180pw). Figure disaggregates by main payment received.



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Poverty increase for lone parents relying on income support



After-housing poverty. Population: Lone parents with no other household members aged 15+. Right-hand panel is for those reliant upon income support. Those with youngest child 5-9 not shown.



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Summary: Key drivers of poverty trends, 1999-00 to 2015-16

- Strong growth, but recent stagnation in median incomes
- Increases in real housing costs (especially for low-income)
- Recent falls in employment for men, increases for women
- Income poverty falling after 2008
- Overall after-housing poverty stable
- Income support
 - Pension increase for elderly => poverty reduction
 - Stable or decreasing income support for the unemployed and lone parents with older children => poverty increases for some
 - Employment increases for lone parents with **both** young and old children
 - Greater inequality of outcomes within lone parent families
- Poverty among those reliant upon wages: low but increasing



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Supplemental information

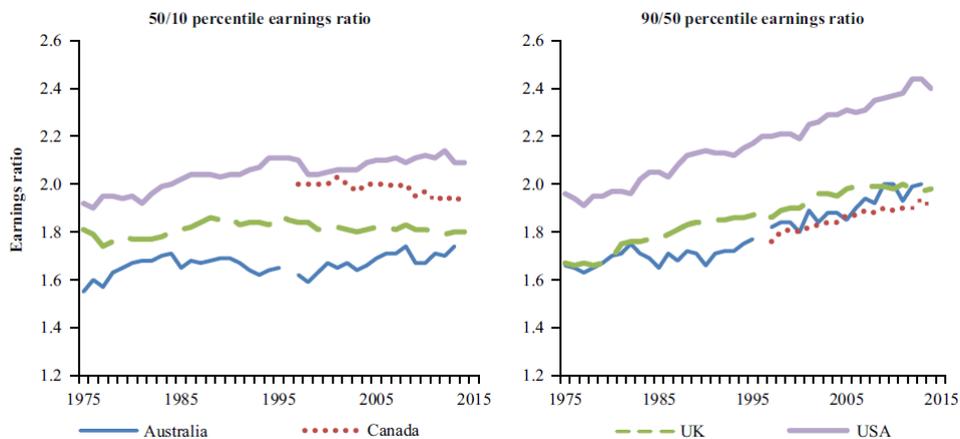
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Poverty after housing costs

- Based on disposable income minus current housing costs
 - Rent, mortgage repayments (interest and principal), land taxes (rates)
- Why the special treatment of housing?
 - Takes account of housing wealth impacts on current consumption (owners vs renters)
 - Relevant when considering older vs younger populations or tenure changes
 - Standard price indices do not take account of heterogeneity of housing cost trends
 - Eg periods where rents are growing in real terms, or interest rates increasing
- Note that
 - Poverty line is 50% of median income minus housing costs (so housing costs at the median affect poverty)
 - We use the same (modified OECD) equivalence scale for income and income minus after housing costs

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Wage inequality: Growing fast at the top and edging up at the bottom

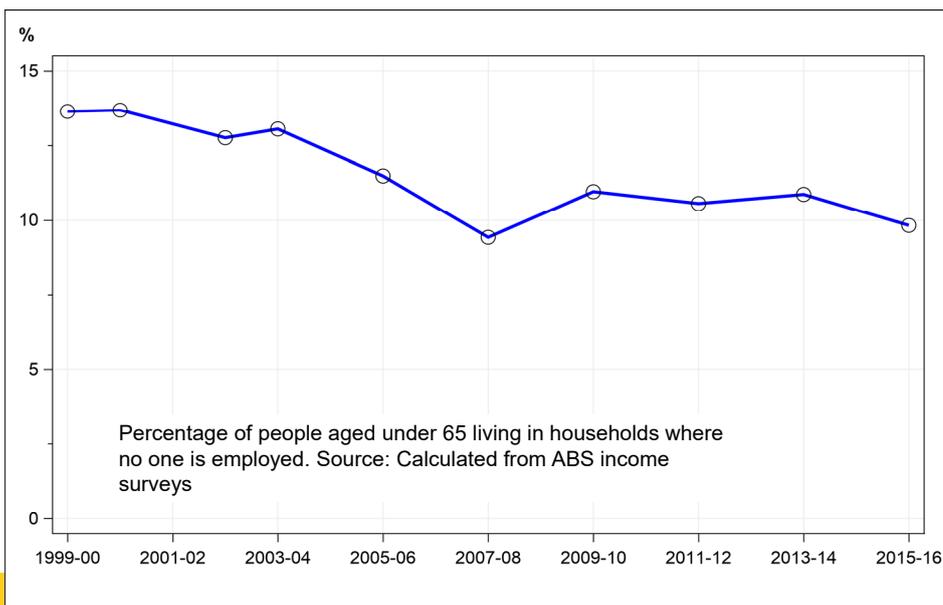


Source: Boreland and Coelli (2014), OECD data



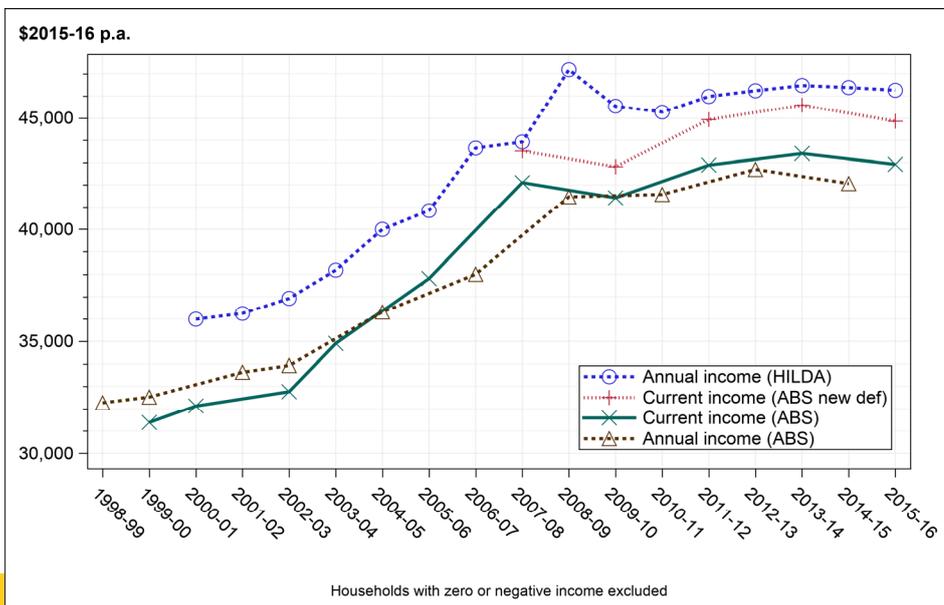
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Workless households: Decrease up to the GFC, then stable



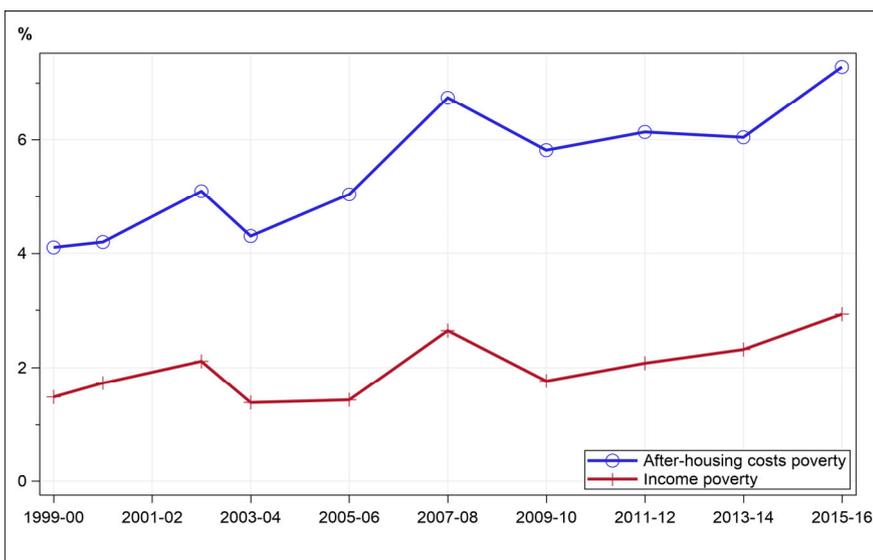
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Median equivalised income from different sources



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Poverty in households with wages as main income source: Low, but increasing



Population: People in households with wage and salary income as their main income source



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