Towards official poverty measures for Australia: A proposal

ACOSS and UNSW Sydney propose that the government consult with experts, advocates and people directly affected to develop a set of poverty measures across two dimensions.

People are in poverty when their income and resources are inadequate to attain a socially acceptable living standard.

A dual track poverty measurement framework



1. Income based measures

Income-based 'poverty lines', taking account of other economic resources (e.g. housing)

Informed and validated by:

Minimum standards for consumption of essentials (including Budget Standards).



2. Direct measures of low living standards

Measures of the outcomes of inadequate economic resources across different domains of wellbeing (including deprivation of essentials and multidimensional poverty measures)

All guided and informed by:

Lived experience of people at risk of poverty.

Recommended approach to income-based poverty measures

Definition of income

Adopt current cash household disposable income (on a weekly or annual basis) as the starting point for income-based poverty measures. This includes earnings, income from investments, social security payments and income tax.

Develop a broader wealth-adjusted income measure to take account of at least those assets which are available to meet current expenditure needs.

Poverty thresholds

Adopt 50% of median equivalent household disposable income as the primary poverty threshold for a single adult, supplemented by 60% of median income indicating a 'risk of poverty'.

Adjust poverty lines for household size using the 'revised OECD equivalence scale'. Develop additional equivalence scales for poverty measures that are adjusted for housing costs or wealth.

Undertake Budget Standards research (minimum household budgets) at least every five years to validate income-based poverty thresholds.

Develop alternative methods to index poverty lines, such as rolling average measures, to reduce volatility in estimated poverty levels in periods of rapid growth or decline in community incomes.

Adjustments to capture variations in housing status and other major living costs

Account for housing status and costs by either deducting housing costs from income or adding a measure of 'imputed rent' to income to account for the benefits of homeownership. Consider capping the overall levels of housing costs/imputed rent that are included.

Consider supplementary poverty lines to capture major variations in living costs among people with disability, and to take account of the ways in which income is shared within Aboriginal and Torres Strait Islander and other communities.

Data availability and reliability

The Australian government should fund regular data collection on household income, wealth, and expenditure, including:

- ABS surveys of income, wealth and financial hardship at least every two years;
- Longitudinal surveys of similar scope such as the HILDA Survey
- Accessible administrative data via the via the Person Level Integrated Data Asset (PLIDA).

Outputs and poverty research

The core outputs should include:

- Incidence and depth of poverty - the number and percentage of people below poverty lines, and average gap between the poverty line and the incomes of those below it.
- Disaggregation by key demographics - including gender, income sources, and groups at higher risk of poverty such as First Nations people, people with disability, migrants and refugees.
- Trends in poverty, mapped against major demographic, economic and policy developments.
- Dynamics of poverty - examining persistence, transitions in and out of poverty, and the factors linked to these movements.

An open and robust process to develop official poverty measures

The Australian Government should promptly establish an open, transparent and rigorous process to develop official poverty measures including income-based and multidimensional measures, by:

- providing the research and data resources required (in conjunction with independent researchers);
- consulting widely with poverty researchers, advocates and people directly affected.

First step: settle on agreed income-based poverty measures informed by that strand of poverty research within one year.

Second step (commencing at the same time as the first): develop multidimensional poverty measures (across different domains of living standards) within two years, informed by existing research into material deprivation and the Multidimensional Poverty Index used internationally.

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