



POVERTY LINES: AUSTRALIA DECEMBER QUARTER 2001

What are the Poverty Lines?

Poverty lines are income levels designated for various types of income units. If the income of an income unit is less than the poverty line applicable to it, then the unit is considered to be in poverty. An income unit is the family group normally supported by the income of the unit.

How the Poverty Lines are Calculated

The poverty lines are based on a benchmark income of \$62.70 for the September quarter 1973 established by the Henderson poverty inquiry. The benchmark income was the disposable income required to support the basic needs of a family of two adults and two dependant children. Poverty lines for other types of family are derived from the benchmark using a set of equivalence scales. The poverty lines are updated to periods subsequent to the benchmark date using an index of per capita household disposable income. A detailed description of the calculation and use of poverty lines is published in the *Australian Economic Review*, 4th Quarter 1987 and a discussion of their limitations is published in the *Australian Economic Review*, 1st Quarter 1996.

The Poverty Lines for the December Quarter 2001

The Melbourne Institute of Applied Economic and Social Research, has updated the poverty line for Australia to the December quarter 2001. The poverty line for a family income unit comprising two adults and two dependant children where only the head of the family is working and including housing costs is \$550.80 per week. This is a rise of \$10.23 per week from the poverty line for the previous quarter (September, 2001). The increased figures are shown in comparison to the poverty line in Table 4. Poverty lines for the benchmark household and other types of household unit are shown in Table 1.

The Poverty Lines are Estimates

As has been stated in paragraph 2, the poverty lines are based on an index of per capita household disposable income. The index is calculated from estimates of household disposable income and

population provided by the Australian Bureau of Statistics (ABS). Because the index is based on estimates, the poverty lines themselves will be estimates. As more information becomes available, the ABS may update the estimates for, either or both, population and household disposable income, for some or all past quarters. Whenever the estimates of population or household disposable income are changed it is necessary to re-estimate the poverty lines. Accordingly, with each new issue of the poverty lines newsletter we provide sufficient information for readers to calculate poverty lines for all past quarters (going back to September 1973), as well as providing estimates for the current poverty lines.

**Table 1: Poverty Lines: Australia,
December Quarter, 2001^{a, b}**

<i>Income Unit</i>	<i>Including Housing \$ per week</i>	<i>Other than Housing \$ per week</i>
Head in workforce		
Couple	392.28	286.91
Couple plus 1	471.54	356.64
Couple plus 2	550.80	426.37
Couple plus 3	630.05	496.10
Couple plus 4	709.31	565.06
Single person	293.24	197.35
Single parent plus 1	376.47	271.05
Single parent plus 2	455.67	340.78
Single parent plus 3	534.93	410.51
Single parent plus 4	614.19	480.24
Head not in workforce		
Couple	336.81	231.39
Couple plus 1	416.07	301.17
Couple plus 2	495.33	370.91
Couple plus 3	574.59	440.64
Couple plus 4	653.85	509.60
Single person	237.78	141.88
Single parent plus 1	320.95	215.58
Single parent plus 2	400.21	285.31
Single parent plus 3	479.47	355.04
Single parent plus 4	558.73	424.77

Notes: (a) Based on seasonally adjusted household disposable income per head per week for the December quarter 2001 of \$431.61.

(b) All figures refer to income after tax

How to calculate poverty lines for other quarters

Table 2 shows the estimated per capita household disposable income for all quarters between September 1973 and December 2001. This table may be used to calculate poverty lines for any quarter within this period. For instance, if you wish to know the poverty line for the June quarter 1996 for any household type, multiply the current value of its poverty line by the ratio of per capita household disposable income in the June quarter 1996 to that in the current quarter; that is, the poverty line for a benchmark household in June 1996 would be $550.80 \times 338.24/431.61 = \431.65 .

Relative poverty and the cost of living

The use of per capita household disposable income for updating means that the poverty lines are relative. As incomes in the community rise, so will the poverty lines rise. The relativity between the poverty lines and general standards of living will be maintained although both may change in comparison to the cost of living.

Table 2: Seasonally adjusted household disposable income (HDI) (per week per head)

Year/ Quarter	September (\$)	December (\$)	March (\$)	June (\$)
1973/74	49.13	51.57	54.59	57.79
1974/75	58.75	63.25	66.61	68.57
1975/76	70.13	73.66	72.91	75.77
1976/77	81.81	83.46	84.42	86.01
1977/78	88.40	90.18	92.62	95.25
1978/79	97.39	99.23	107.80	106.03
1979/80	107.30	110.74	113.06	117.54
1980/81	120.06	124.27	124.80	132.16
1981/82	135.23	140.55	141.17	147.94
1982/83	150.96	153.76	155.60	156.33
1983/84	165.67	168.64	173.74	174.59
1984/85	175.26	178.30	184.02	184.90
1985/86	190.52	195.71	199.52	198.21
1986/87	206.35	208.53	206.96	211.46
1987/88	222.87	217.69	224.19	231.74
1988/89	233.53	242.19	249.66	258.28
1989/90	264.69	269.82	280.93	280.75
1990/91	283.35	285.62	283.84	277.31
1991/92	283.54	287.80	291.71	291.81
1992/93	294.69	293.78	295.30	297.72
1993/94	291.53	299.57	304.83	312.58
1994/95	311.86	318.09	318.66	323.56
1995/96	330.01	330.15	336.41	338.24
1996/97	344.54	347.78	348.41	349.93
1997/98	352.69	353.10	353.85	357.32
1998/99	366.81	373.06	373.76	375.82
1999/00	380.83	384.45	389.87	393.93
2000/01	417.81	418.26	418.36	429.58
2001/02	423.59	431.61		

Sources: ABS, National Accounts (Cat. No. 5206.0), December Quarter 2001; ABS, Australian Demographic Statistics (Cat. No. 3101.0), September Quarter 2001.

An alternative method of updating uses an index based on changes in the cost of living such as the CPI. The real purchasing power of absolute poverty lines generated in this way is maintained but they may change in comparison to general standards of living.

Table 3 compares annual movements in the poverty line for the benchmark income unit between 1973/74 and 2000/01 updated in these two ways. The table shows that by 2000/01 a benchmark income unit whose income was adjusted to match movements in the prices of the things that it bought would have 38.1 per cent less income than an income unit whose income was maintained relative to average incomes. In other words the real purchasing power of the poverty line rose 38.1 per cent between 1973/74 and 2000/01.

Comparison of the poverty lines with social security payments

In Table 4 we compare the poverty lines for the December quarter with the levels of pensions and benefits for a standard situation at the endpoint of that quarter. The levels of benefits and pensions take no account of fringe benefits to which many beneficiaries and pensioners are entitled. Fringe benefits include concessions for health and welfare services, housing, transport, education and other things.

Table 3: Comparison of poverty line updated using HDI per head and poverty line updated using the CPI

Year	Value of poverty line (\$/week) for benchmark family updated by		
	HDI per head	CPI	Difference (per cent)
1973/74	68.0	68.0	0.0
1974/75	82.0	79.2	3.6
1975/76	93.3	89.5	4.3
1976/77	107.1	101.8	5.2
1977/78	116.9	111.5	4.8
1978/79	130.9	120.7	8.5
1979/80	143.1	133.0	7.6
1980/81	159.9	145.4	10.0
1981/82	180.2	160.7	12.2
1982/83	196.7	179.2	9.8
1983/84	217.8	191.3	13.9
1984/85	230.5	199.5	15.5
1985/86	250.1	216.3	15.6
1986/87	265.9	236.6	12.4
1987/88	286.0	254.0	12.6
1988/89	313.8	272.5	15.2
1989/90	349.7	294.3	18.8
1990/91	360.5	309.9	16.4
1991/92	368.4	315.8	16.7
1992/93	376.9	319.0	18.2
1993/94	385.6	324.9	18.7
1994/95	405.9	335.2	21.1
1995/96	425.9	349.3	21.9
1996/97	443.7	354.0	25.3
1997/98	452.1	354.0	27.7
1998/99	475.2	358.4	32.6
1999/00	494.2	367.0	34.7
2000/01	537.3	389.0	38.1

Sources: Melbourne Institute, Poverty Lines: Australia; ABS, Consumer Price Index (Cat. No. 6401.0), various issues.

Table 4: Comparison of Henderson Poverty Lines with the income of adults who receive maximum Social Security Payments and have no other income, December Quarter 2001^a
(per capita household disposable income = \$ 431.61 per week)

	<i>Pension/ Allowance/ Benefit^d</i>	<i>Parenting or Partner allowance or Wife pension^b</i>	<i>Family tax Benefit Part A^c</i>	<i>Family tax Benefit Part B^d</i>	<i>Rent assistance^e</i>	<i>Total income^f</i>	<i>Poverty line^g</i>
Married couple							
allowee	164.45	164.45	na	na	42.20	371.10	336.81
pensioner	171.30	171.30	na	na	42.20	384.80	336.81
allowee with 1 child	164.45	164.45	61.46	na	52.50	442.86	416.07
2 children	164.45	164.45	122.92	na	52.50	504.32	495.33
3 children	164.45	164.45	184.38	13.28	59.36	585.92	574.59
4 children	164.45	164.45	266.49	13.28	59.36	668.03	653.85
Single adult							
allowee	182.30	na	na	na	44.80	227.10	237.78
pensioner	205.25	na	na	na	44.80	250.05	237.78
pensioner with 1 child	205.25	na	61.46	36.82	52.50	356.03	320.95
2 children	205.25	na	122.92	36.82	52.50	417.49	400.21
3 children	205.25	na	184.38	52.78	59.36	501.77	479.47
4 children	205.25	na	266.49	52.78	59.36	583.88	558.73

Source: Information on benefits and allowances are gathered from leaflets published by Centrelink. The leaflets provide general guides to the rates and the total amount of benefits and allowances, and describe the eligible beneficiaries as at the endpoint of the December Quarter 2001.

Notes: (a) From 20th September to 31st December 2001 rates are shown for single allowees and married allowees with and without children, for married aged and disability pensioners and for single pensioners with and without children. Note that the amount shown here does not include the pharmaceutical allowance of \$2.90, now paid directly to pensioners in lieu of increased charges for medical services.

(b) A parenting or partner allowance of \$164.45 is paid to spouses of beneficiaries or allowees. Wife pensioners receive \$171.30 per week.

(c) Following the introduction of the new tax system, Family Allowance is now incorporated in the new Family Benefit Part A. The maximum amount is shown and applies to families with low incomes. The amount depends on the age of the children. It is \$61.46 per week for children under 13 and \$77.91 per week for children between 13 and 15. In table 4 we assume the first three children are under 13 and the fourth is between 13 and 15. In addition there is a larger family supplement of \$4.20 per week for the fourth child.

(d) Family Tax Benefit Part B targets assistance to single income families. The payment is made to the family and depends on the age of the youngest child. We assume the youngest child is under the age of five for families of 3 and 4 children and over five for families of 1 and 2 children. For families with children under 5 the rate is \$52.78 and for those 5–15 (16–18 if full time student) it is \$36.82. Please note that for couples each receiving full parenting or partner allowance income with one or two children would be above the eligibility threshold for Family Tax Benefit Part B.

(e) Rent assistance is an extra payment for families who pay more than a minimum amount per week for rent or lodgings. It is not paid for rental of government houses or flats and is subject to a means test. The maximum levels were \$42.20 per week for families of couples with no children, \$52.50 for families with one or two children and \$59.36 for families with three or more children. The maximum level for single persons was \$2.60 more than that for couples.

(f) Total income is the sum of benefits and allowances for persons who have no other income. The total for unemployed beneficiaries refers to those unemployed for more than six months. To be comparable with the poverty lines, total income should be net of personal income tax. On the basis of the pensions assumed here, given that only the benefit itself is taxable and allowing for rebates, no tax would be payable for most situations. Hence generally total income is the same as total after tax income and may be compared directly with the poverty lines.

(g) Poverty lines for single persons and married couples with up to four children are shown here. They include all costs (including housing) for head not in workforce.

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