

Melbourne Institute
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POVERTY LINES: AUSTRALIA
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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 December 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 2010

The Melbourne Institute of Applied Economic and Social Research has updated the poverty line for Australia to the December quarter 2010. Inclusive of housing costs, the poverty line is \$805.23 per week for a family comprising two adults, one of whom is working, and two dependent children. This is an increase of \$3.27 over the poverty line for the previous quarter (September 2010). Poverty lines for the benchmark household and other household types 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 population and household disposable income estimates for previous quarters. Whenever these estimates are changed, it is necessary to re-

estimate the poverty lines. Accordingly, in addition to providing estimates of current poverty lines, we provide sufficient information for readers to calculate poverty lines for all quarters dating back to December 1973.

**Table 1: Poverty Lines: Australia,
December Quarter, 2010^{a, b}**

<i>Income Unit</i>	<i>Including Housing \$ per week</i>	<i>Other than Housing \$ per week</i>
Head in workforce		
Couple	573.49	419.45
Couple plus 1	689.36	521.39
Couple plus 2	805.23	623.33
Couple plus 3	921.11	725.27
Couple plus 4	1036.98	826.09
Single person	428.71	288.51
Single parent plus 1	550.38	396.25
Single parent plus 2	666.17	498.20
Single parent plus 3	782.04	600.14
Single parent plus 4	897.91	702.08
Head not in workforce		
Couple	492.40	338.28
Couple plus 1	608.27	440.30
Couple plus 2	724.15	542.24
Couple plus 3	840.02	644.19
Couple plus 4	955.89	745.00
Single person	347.62	207.43
Single parent plus 1	469.21	315.17
Single parent plus 2	585.08	417.11
Single parent plus 3	700.95	519.05
Single parent plus 4	816.83	621.00

Notes: (a) Based on seasonally adjusted household disposable income per head per week for the December quarter 2010 of \$687.41.

(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 2010. This table may be used to calculate poverty lines for any quarter within this period. For instance, to find 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 $805.23 \times 359.97/687.41 = \421.66 .

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

	<i>September</i>	<i>December</i>	<i>March</i>	<i>June</i>
1973/74	53.53	55.50	58.02	60.86
1974/75	62.68	66.59	70.62	72.44
1975/76	73.95	76.07	78.29	80.53
1976/77	85.87	87.59	89.12	90.94
1977/78	92.48	94.86	98.77	99.61
1978/79	104.16	106.33	110.83	111.14
1979/80	112.37	116.05	119.44	124.13
1980/81	125.98	130.24	132.70	138.13
1981/82	141.81	146.32	148.90	155.41
1982/83	157.84	160.97	164.24	162.17
1983/84	174.85	174.70	178.57	183.02
1984/85	184.35	186.49	192.64	194.95
1985/86	199.47	203.48	207.84	208.71
1986/87	214.76	217.48	216.54	221.97
1987/88	230.98	229.95	235.40	241.21
1988/89	245.86	255.16	260.80	267.13
1989/90	275.73	283.11	286.93	289.21
1990/91	295.78	292.88	290.31	289.67
1991/92	294.96	295.23	300.68	299.19
1992/93	305.84	306.10	307.67	311.28
1993/94	310.94	315.81	323.48	328.85
1994/95	326.61	332.32	337.55	338.62
1995/96	349.92	354.31	357.00	359.97
1996/97	358.91	361.61	364.65	370.98
1997/98	374.29	375.16	375.28	374.62
1998/99	382.86	375.81	382.32	390.01
1999/00	395.28	403.91	412.05	398.03
2000/01	434.96	421.14	422.22	437.19
2001/02	443.77	454.19	453.95	437.22
2002/03	454.86	454.69	463.40	469.57
2003/04	468.40	470.77	483.28	499.95
2004/05	496.30	498.97	504.68	514.12
2005/06	522.32	525.02	532.98	541.84
2006/07	563.71	577.53	586.90	600.25
2007/08	595.47	601.71	612.12	612.65
2008/09	622.48	667.83	664.29	675.06
2009/10	654.48	654.96	667.09	673.75
2010/11	684.62	687.41		

Sources: ABS, National Accounts (Cat. No. 5206.0), December 2010; ABS, Australian Demographic Statistics (Cat. No. 3101.0), September Quarter 2010.

Relative poverty and the cost of living

Updating poverty lines according to changes in per capita household disposable income means that the poverty lines are *relative* measures of poverty. As real incomes in the community rise, so too will the poverty lines. The value of the poverty lines will therefore be

reasonably stable relative to general standards of living, but may change relative to the cost of living.

An alternative method for updating poverty lines is to use a cost-of-living index, such as the ABS Consumer Price Index (CPI). Poverty lines generated in this way are *absolute* measures of poverty. The real purchasing power of the income at the poverty line is maintained, but it may change in comparison to general standards of living.

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

<i>Year</i>	<i>Poverty line (\$/week) for benchmark family updated by</i>		<i>Difference (%)</i>
	<i>HDI per head</i>	<i>CPI</i>	
1973/74	66.7	66.7	0.0
1974/75	79.7	77.7	2.6
1975/76	90.4	87.8	3.0
1976/77	103.5	100.0	3.6
1977/78	113.0	109.5	3.2
1978/79	126.6	118.5	6.9
1979/80	138.2	130.6	5.8
1980/81	154.3	142.7	8.1
1981/82	173.5	157.8	10.0
1982/83	189.0	176.0	7.4
1983/84	208.3	187.8	10.9
1984/85	222.1	195.9	13.4
1985/86	240.0	212.4	13.0
1986/87	255.0	232.3	9.8
1987/88	274.6	249.3	10.1
1988/89	301.3	267.6	12.6
1989/90	332.4	288.9	15.0
1990/91	342.2	304.2	12.5
1991/92	348.5	310.0	12.4
1992/93	360.5	313.2	15.1
1993/94	374.6	319.0	17.4
1994/95	391.0	329.1	18.8
1995/96	416.2	343.0	21.4
1996/97	426.4	347.6	22.7
1997/98	439.1	347.6	26.3
1998/99	448.3	351.9	27.4
1999/00	471.3	360.3	30.8
2000/01	502.4	382.0	31.5
2001/02	523.9	392.9	33.3
2002/03	539.6	405.1	33.2
2003/04	563.0	414.6	35.8
2004/05	589.8	424.7	38.9
2005/06	621.5	438.3	41.8
2006/07	681.9	451.0	51.2
2007/08	709.3	466.3	52.1
2008/09	770.1	480.8	60.2
2009/10	776.1	492.1	57.7

Sources: Melbourne Institute, *Poverty Lines: Australia*; ABS, Consumer Price Index (Cat. No. 6401.0), December Quarter 2010.

Table 3 compares annual movements in the poverty line for the benchmark income unit between 1973/74 and 2009/10 updated in these two ways. The table shows that, by 2009/10, an income unit whose income was adjusted to match movements in consumer prices would have 57.7 per cent *less* income than one whose income was adjusted to match movements in average household disposable income. Put another way, the

real purchasing power of the income at the poverty line rose by 57.7 per cent between 1973/74 and 2009/10.

Comparison of the poverty lines with income support payments

In Table 4 we compare the poverty lines with maximum welfare payments in the December quarter

for various family types. The reported payment levels are for 'standard' situations (excluding, for example, supplementary benefits for remote areas) and take no account of non-cash benefits to which many recipients are entitled. Non-cash benefits include concessions for health and welfare services, housing, transport, education and other goods and services.

Table 4: Comparison of Henderson Poverty Lines with the income of adults who receive maximum welfare payments and have no other income, December Quarter 2010
(Per capita household disposable income = \$687.41 per week)

	<i>Basic Payment of Person 1^g</i>	<i>Basic Payment of Person 2 (Partner)^g</i>	<i>Family Tax Benefit Part A</i>	<i>Family Tax Benefit Part B</i>	<i>Rent Assistance</i>	<i>Total Income^h</i>	<i>Poverty Lineⁱ</i>
<i>Married couple</i>							
Allowee ^a	212.00	212.00	0.00	0.00	54.30	478.30	573.49
Pensioner ^b	269.90	269.90	0.00	0.00	54.30	594.10	492.40
Couple with 1 child ^c	212.00	212.00	80.15	23.33	67.62	595.10	689.36
2 children	212.00	212.00	160.30	23.33	67.62	675.25	805.23
3 children	212.00	212.00	245.98	43.98	76.44	790.40	921.11
4 children	212.00	212.00	355.74	43.98	76.44	900.16	1036.98
<i>Single adult</i>							
Allowee ^d	234.85	-	0.00	0.00	57.60	292.45	428.71
Pensioner ^e	358.05	-	0.00	0.00	57.60	415.65	347.62
Single with 1 child ^f	305.95	-	80.15	47.53	67.62	501.25	469.21
2 children	305.95	-	160.30	47.53	67.62	581.40	585.08
3 children	305.95	-	245.98	68.18	76.44	696.55	700.95
4 children	305.95	-	355.74	68.18	76.44	806.31	816.83

Source: Information booklets on benefits and allowances are published quarterly by Centrelink. The booklets provide details of eligibility criteria and rates of payment for all income support and non-income support payments made by Centrelink on behalf of the Australian Government Departments of Families, Housing, Community Services and Indigenous Affairs and Education, Employment and Workplace Relations.

Notes:

^a A married couple without children receiving Allowances is assumed to be receiving Newstart Allowance.

^b A married couple without children receiving Pensions is assumed to be receiving the Age Pension or Disability Support Pension.

^c A married couple with children receiving Allowances is assumed to be receiving Newstart Allowance or Parenting Payment Partnered.

^d A single person receiving an Allowance is assumed to be receiving Newstart Allowance.

^e A single person receiving a Pension is assumed to be receiving the Age Pension or the Disability Support Pension.

^f A sole parent is assumed to be receiving Parenting Payment Single.

^g All basic payments for Pensioners include the maximum applicable Pension Supplement.

^h Total income is the sum of allowances, pensions and benefits for persons who have no other income. To be comparable with the poverty lines, total income reported should be net of personal income tax. However, allowing for offsets/rebates, no income tax would be payable for welfare recipients who received no other income. Hence, direct comparisons of total income with the poverty lines are valid.

ⁱ Poverty lines for single persons and married couples with up to four children are shown here, inclusive of housing costs. For recipients of allowances, the income unit head is assumed to be in the workforce, since recipients of the most common allowance, Newstart Allowance, are usually required to search for employment to be eligible for payment. For pensioners and sole parent families, costs are based on poverty lines for income units where the head is not in the workforce.

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