

# Estimates of Poverty and Social Exclusion in Australia: A multidimensional approach

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# Why measurement is essential



- Policy makers need to know 'how many', 'who' and the nature of disadvantage
- Enables monitoring of overall trends to determine whether govt efforts are working
- Enables monitoring of developments across countries



# How do we measure social exclusion?

- Follow Burchardt, 2000 and focus on measures that capture 'participation', or the ability to participate, in all aspects of society.
- Capture 'exclusion' at the individual level, enables examination of:
  - who experiences multiple dimensions of disadvantage/exclusion
  - the persistence of disadvantage/exclusion
- No data set is perfect! See Scutella et al (2009) for review of data sources. For our needs, HILDA is most suited.

# Indicators of poverty and social exclusion

Domain	Indicator	% of population aged 15+
Material resources	(1) Household income less than 60% of median	19.9
	(2) Household net worth less than 60% of median	38.0
	(3) Consumption expenditure less than 60% of median	12.8
	(4) Three or more indicators of financial stress	6.3
Employment	(5) Long -term unemployed	0.6
	(6) Unemployed	3.4
	(7) Unemployed or marginally attached	9.7
	(8) Unemployed, marginally attached or underemployed	16.5
	(9) In a jobless household	12.2
Education and skills	(10) Low literacy	3.1
	(11) Low numeracy	4.6
	(12) Poor English proficiency	2.7
	(13) Low level of formal education	36.2
	(14) Little or no work experience	11.3

# Indicators of poverty and social exclusion

Domain	Indicator	% of population aged 15+
Health and disability	(15) Poor general health	18.3
	(16) Poor physical health	10.9
	(17) Poor mental health	10.0
	(18) Has a long term health condition or disability	26.2
	(19) Household has a disabled child	3.6
Social	(20) Little social support	1.4
	(21) Get together with friends/relatives < once a month	10.6
Community	(22) Low neighbourhood quality	1.6
	(23) Low satisfaction with neighbourhood	4.5
	(24) Low satisfaction with 'feeling part of local community'	13.9
	(25) Not currently a member of a club or association	18.8
	(26) No voluntary activity in a typical week	23.3
Personal safety	(27) Victim of physical violence in the last 12 months	1.6
	(28) Victim of property crime in the last 12 months	5.1
	(29) Low level of satisfaction with 'how safe you feel'	4.3

# Accounting for multidimensionality

- Requires weighting of various domains
- We adopt approach assigning equal weight to each domain, where value inversely related to number of indicators within each domain
- Range of each domain between 0 and 1
- Sum of 'scores' identifies extent of exclusion, ranges between 0 and 7
- Define marginal exclusion =  $\text{Score} \geq 1$ , Deep exclusion =  $\text{Score} \geq 2$

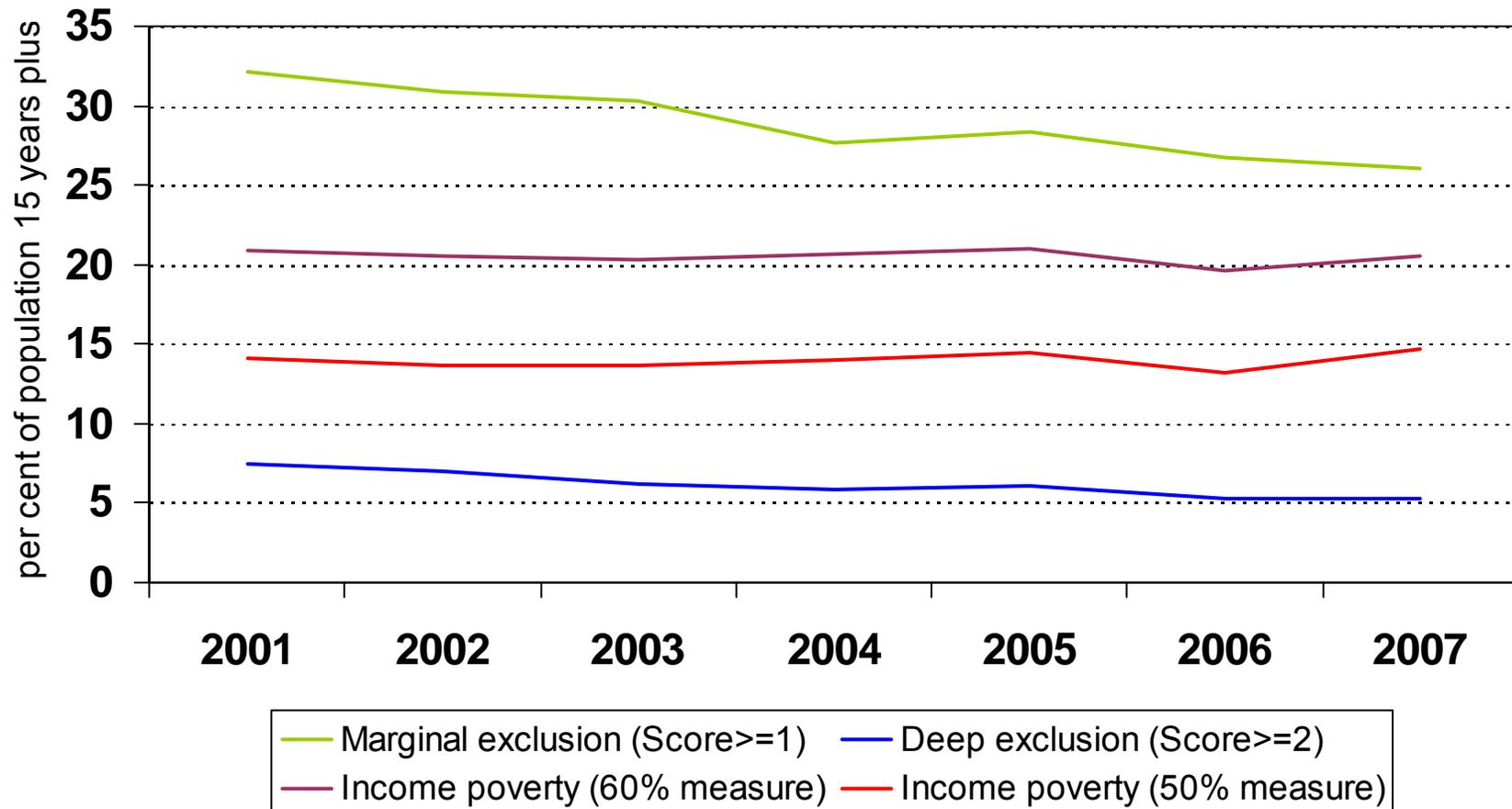
# Examples of assigning 'scores'

- Person A
  - Low income
  - Low educational qualification
  - Experiences no other indicators of exclusion
  - Score(Material Resources) =  $1/4 = 0.25$
  - Score(Education and skills) =  $1/5 = 0.2$
  - Total Score = 0.45
  
- Person B
  - Low income, low wealth, low consumption and in financial stress
  - Low educational qualification and low literacy
  - Experiences no other indicators of exclusion
  - Score(Material Resources) =  $4/4 = 1$
  - Score(Education and skills) =  $2/5 = 0.4$
  - Total Score = 1.4

# Number of indicators in HILDA

	2001	2002	2003	2004	2005	2006	2007	All years
Material resources	2	3	2	2	2	4	3	2
Employment	5	5	5	5	5	5	5	5
Education and skills	3	3	3	3	3	3	5	3
Health and disability	5	5	5	5	5	5	5	5
Social	2	2	2	2	2	2	1	1
Community	5	5	5	5	4	5	4	4
Personal safety	1	3	3	3	3	3	3	1
All domains	23	26	25	25	24	27	26	<b>21</b>

# Poverty and social exclusion in Australia, 2001 to 2007



# Groups most prone to exclusion



- Females
  - The young and the old
  - Single parents
  - Persons in regional areas
  - Indigenous Australians, persons born in non-English speaking countries
  - Persons in private rental accommodation
  - Persons with a long term health condition
  - Persons not completing secondary school (or its equivalent)
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# Comparing 'excluded' and 'poor'

- Find that there are poor people who are not socially excluded and non-poor people who are excluded
- Persons 65 years smaller share of most 'excluded' than 'poorest'
- Families with children are a larger share of most excluded than the 'poorest'
- The 'most excluded' group captures a larger share of persons with a long-term health condition
- Differences in composition of 'excluded' and 'poor' are larger when wealth taken into account

# Persistence: Years 'excluded'

(maximum possible = 7 years)

% of the population aged 15+ in each category

	Individual Score $\geq 1$	Individual Score $\geq 2$
1 year or more	52.5	16.6
2 years or more	36.8	8.5
3 years or more	26.9	4.9
4 years or more	19.3	2.9
5 years or more	13.0	1.6

# Conclusions and policy implications

- To tackle social exclusion is essential to have good measures of social exclusion:
  - To understand extent of the problem
  - To monitor trends
  - To get an indication of whether governments' efforts are working
- Social exclusion inherently multidimensional, thus essential to measure at individual level, identifying depth of exclusion at a point in time and over time:
  - While relatively large proportion of population experience marginal exclusion at some point in time, small proportion experience deep exclusion persistently over time

# Conclusions and policy implications



- Doesn't mean that can ignore marginally/short term excluded, just highlights that we need to better understand dynamic processes of exclusion
  - Exclusion more sensitive to business cycle than income poverty, reflects importance of employment
  - Most 'excluded' are different to 'poorest', particularly in relation to age
  - Does not substitute for rigorous evaluation of individual programs
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# Future research



- Incorporate wealth data for intervening waves, or at least calculate 'imputed rent'
  - Further sensitivity to different weightings
  - Examine domains of exclusion for most 'excluded')
  - Persistence
  - Causes of exclusion
  - Further examine supplementary data for particularly excluded groups: homeless, prison populations, recent immigrants etc
  - Regular updates (annual)
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