

MELBOURNE INSTITUTE
Applied Economic & Social Research

Poverty Lines: Australia

June Quarter 2020

Melbourne Institute: Applied Economic & Social Research

POVERTY LINES: AUSTRALIA ISSN 1448-0530 JUNE QUARTER 2020



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 per week 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 dependent 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 June Quarter 2020

The Melbourne Institute of Applied Economic and Social Research has updated the poverty line for Australia to the June quarter 2020. Inclusive of housing costs, the poverty line is \$1,054.12 per week for a family comprising two adults, one of whom is working, and two dependent children. This is an increase of \$19.90 from the poverty line for the previous quarter (March 2020). 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, June Quarter, 2020 a, b

Income Unit	Including Housing \$ per week	Other than Housing \$ per week
Head in workforce		
Couple	750.75	549.09
Couple plus 1	902.44	682.55
Couple plus 2	1054.12	816.00
Couple plus 3	1205.81	949.45
Couple plus 4	1357.50	1081.43
Single person	561.22	377.69
Single parent plus 1	720.49	518.73
Single parent plus 2	872.08	652.19
Single parent plus 3	1023.77	785.64
Single parent plus 4	1175.45	919.09
Head not in workforce		
Couple	644.60	442.84
Couple plus 1	796.29	576.40
Couple plus 2	947.97	709.85
Couple plus 3	1099.66	843.30
Couple plus 4	1251.35	975.28
Single person	455.07	271.54
Single parent plus 1	614.24	412.58
Single parent plus 2	765.93	546.04
Single parent plus 3	917.62	679.49
Single parent plus 4	1069.30	812.94

Notes: (a) Based on seasonally adjusted household disposable income per head per week for the June quarter 2020 of \$895.98.

(b) All figures refer to income after tax.

How to calculate poverty lines for other quarter

Table 2 shows the estimated per capita household disposable income for all quarters between September 1973 and June 2020. 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 $1,054.12 \times 347.38 / 876.96 = \417.56

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

	<i>September</i>	<i>December</i>	<i>March</i>	<i>June</i>		<i>September</i>	<i>December</i>	<i>March</i>	<i>June</i>
1973/74	53.29	54.23	56.44	60.87	2009/10	673.12	684.18	695.02	697.96
1974/75	61.88	66.19	70.17	71.44	2010/11	711.11	727.51	743.68	745.12
1975/76	73.34	75.85	77.45	79.57	2011/12	755.01	766.12	758.89	774.74
1976/77	85.52	87.27	88.69	90.31	2012/13	757.25	769.54	778.91	779.25
1977/78	90.58	93.91	97.72	98.48	2013/14	785.30	797.53	803.04	811.48
1978/79	103.06	104.66	108.47	109.94	2014/15	813.87	819.17	817.02	825.63
1979/80	111.31	113.95	117.74	122.53	2015/16	826.62	818.62	821.03	825.78
1980/81	124.78	129.13	131.23	136.33	2016/17	827.59	826.28	831.66	829.27
1981/82	139.28	144.82	147.28	153.86	2017/18	830.61	841.96	843.80	843.78
1982/83	154.82	159.04	162.69	159.65	2018/19	843.91	849.03	855.37	851.50
1983/84	172.42	172.28	176.07	179.88	2019/20	874.28	867.07	879.06	895.98
1984/85	179.93	184.34	188.99	190.28	<i>Sources: ABS, National Accounts (Cat. No. 5206.0), June 2020; ABS, Australian Demographic Statistics (Cat. No. 3101.0), March Quarter 2020.</i>				
1985/86	193.51	200.32	203.70	205.42					
1986/87	207.61	212.72	212.03	218.26					
1987/88	223.82	222.23	231.00	236.55					
1988/89	238.04	248.49	257.53	265.09					
1989/90	262.87	278.69	283.01	284.05					
1990/91	285.02	292.73	285.47	288.45					
1991/92	290.89	289.99	295.44	295.02					
1992/93	300.05	298.93	300.47	303.87					
1993/94	300.55	304.42	311.20	318.81					
1994/95	317.62	322.15	326.27	326.97					
1995/96	334.29	338.96	342.87	347.38					
1996/97	349.47	354.85	357.70	362.17					
1997/98	363.94	365.53	363.43	366.58					
1998/99	373.10	368.47	371.97	387.14					
1999/00	387.72	393.61	398.22	391.48					
2000/01	426.63	414.36	422.28	429.51					
2001/02	440.11	457.26	456.50	437.87					
2002/03	446.00	448.63	457.65	462.39					
2003/04	465.78	477.11	485.71	504.52					
2004/05	498.91	512.11	516.50	529.13					
2005/06	531.73	529.92	538.77	543.27					
2006/07	566.25	574.76	583.56	601.76					
2007/08	605.08	618.39	633.42	639.62					
2008/09	646.92	688.29	673.78	694.16					

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 compares annual movements in the poverty line for the benchmark income unit between 1973/74 and 2019/20 updated in these two ways. The table shows that, by 2019/20, an income unit whose income was adjusted to match movements in consumer prices would have 75.1 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 75.1 per cent between 1973/74 and 2019/20.

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

Year	Poverty line (\$/week) for benchmark family updated by			Year	Poverty line (\$/week) for benchmark family updated by		
	HDI per head	CPI	Difference (%)		HDI per head	CPI	Difference (%)
1973/74	66.1	66.1	0.0	2007/08	734.3	471.2	55.8
1974/75	79.3	77.0	3.0	2008/09	795.1	478.1	66.3
1975/76	90.1	87.0	3.5	2009/10	808.9	492.7	64.2
1976/77	103.5	99.1	4.5	2010/11	861.0	510.4	68.7
1977/78	112.0	108.5	3.2	2011/12	898.5	516.4	74.0
1978/79	125.3	117.4	6.8	2012/13	907.4	530.9	70.9
1979/80	136.9	129.4	5.8	2013/14	940.4	546.9	71.9
1980/81	153.4	141.4	8.5	2014/15	963.5	555.2	73.5
1981/82	172.1	156.3	10.1	2015/16	968.3	560.9	72.6
1982/83	187.1	174.3	7.3	2016/17	975.0	571.7	70.5
1983/84	206.1	186.1	10.7	2017/18	988.3	583.6	69.4
1984/85	218.7	194.1	12.7	2018/19	1000.0	592.9	68.7
1985/86	236.2	210.4	12.2	2019/20	1034.3	590.8	75.1
1986/87	250.2	230.2	8.7				
1987/88	268.7	247.1	8.8				
1988/89	296.8	265.1	12.0				
1989/90	326.1	286.3	13.9				
1990/91	338.7	301.5	12.4				
1991/92	344.5	307.2	12.2				
1992/93	353.9	310.3	14.1				
1993/94	363.2	316.1	14.9				
1994/95	380.3	326.1	16.6				
1995/96	401.0	339.8	18.0				
1996/97	418.9	344.4	21.6				
1997/98	429.3	344.4	24.6				
1998/99	441.4	348.7	26.6				
1999/00	462.1	357.0	29.4				
2000/01	497.9	378.5	31.6				
2001/02	527.0	389.3	35.4				
2002/03	533.7	401.4	33.0				
2003/04	568.6	410.8	38.4				
2004/05	604.9	420.8	43.7				
2005/06	630.5	434.3	45.2				
2006/07	684.2	446.9	53.1				

Sources: Melbourne Institute, *Poverty Lines: Australia*; ABS, Consumer Price Index (Cat. No. 6401.0), June 2020.

Comparison of the poverty lines with income support payments

In Table 4 we compare the poverty lines with maximum welfare payments in the June 2020 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, June Quarter 2020
(Per capita household disposable income = \$895.98 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	534.35	534.35	0.00	0.00	65.80	1134.50	750.75
Pensioner ^b	355.90	355.90	0.00	0.00	65.80	777.60	644.60
Couple with 1 child ^c	534.35	534.35	94.85	0.00	82.04	1245.59	902.44
2 children	534.35	534.35	189.70	0.00	82.04	1340.44	1054.12
3 children	534.35	534.35	284.55	0.00	92.68	1445.93	1205.81
4 children	534.35	534.35	407.89	0.00	92.68	1569.27	1357.50
<i>Single adult</i>							
Allowee ^d	562.25	-	0.00	0.00	69.80	632.05	561.22
Pensioner ^e	472.15	-	0.00	0.00	69.80	541.95	455.07
Single with 1 child ^f	676.05	-	94.85	56.28	82.04	909.22	614.24
2 children	676.05	-	189.70	56.28	82.04	1004.07	765.93
3 children	676.05	-	284.55	80.57	92.68	1133.85	917.62
4 children	676.05	-	407.89	80.57	92.68	1257.19	1069.30

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 are assumed to be receiving Newstart Allowance/JobSeeker Payment. These figures include the \$550 per fortnight Coronavirus Supplement to a variety of payments, which began on 27 April 2020.

^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/JobSeeker Payment or Parenting Payment Partnered. These figures include the \$550 per fortnight Coronavirus Supplement.

^d A single person receiving an Allowance is assumed to be receiving Newstart Allowance/JobSeeker Payment. These figures include the \$550 per fortnight Coronavirus Supplement.

^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. These figures include the \$550 per fortnight Coronavirus Supplement.

^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. Income figures do not include Clean Energy Advance payments. 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. The First Economic Support Payment of \$750 available to those eligible for most payments or allowances due to the COVID-19 pandemic is not included. This payment was made from 31 March to 13 April 2020.

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/JobSeeker Payment, 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.

26 October 2020

