

# **Solving Poverty, Not Just Measuring It**

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**Mark Latham, Assistant Shadow Treasurer and Shadow Minister for  
Economic Ownership, Housing and Urban Development**

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- Like most policy makers, I find the data on inequality and poverty interesting but ultimately, I'm more interested in solutions than measurement.
- At one level, the debate is quite surreal. Social scientists spend a lot of time measuring poverty. Poor people spend a lot of time living it.
- Not surprisingly, these two points of view produce different conclusions about the nature of poverty and the best way of solving it. Poor communities have more to teach us than we have to teach them.
- I must confess, I am highly sceptical about the measurement fetish that drives much of the public debate.
- The first problem lies in the relative measurement of inequality.

- Surely the purpose of a good society should be to abolish poverty, not to abolish inequality.
- Paradoxically in the public debate, the people who are most likely to complain about inequality are those with the most money. As one moves away from the centre of our major cities, the public's concern with this issue falls away.
- In my experience, poor people do not practice the politics of envy. They simply want a solution to their own circumstances. In any case, ripping down the rich does not necessarily provide a solution for the poor.
- With the fall of the Berlin Wall, people do not think this way anymore. This is what makes the measurement of inequality somewhat academic – it is constructing a problem that nobody wants to solve. Our objective must be to end poverty, not inequality.
- The second problem with the measurement fetish is its narrow focus on material items. This is a hangover from the days of the Henderson Poverty Line. Someone living on \$x per week is said to be in poverty while a person living on \$x + 1 is not.
- Surely our best understanding of poverty comes from Amartya Sen's notion of social capability.<sup>1</sup> A capable citizen is someone who has the freedom to achieve his or her goals in society. By definition, poor people lack this effective freedom.

- Material goods, of course, are just one part of the capability set. None of us live by financial capital alone. Our access to human capital and social capital is a big factor in determining our quality of life.
- A person on \$x a week with a strong network of family and community support, plus easy access to public services, is more likely to enjoy a decent standard of living than a socially isolated person earning \$x + 1. Yet, according to the conventional measure, the first person is the one living in poverty.
- Ultimately, the problem with the material poverty line is that it tries to simplify the relationships of a complex world.
- In his wonderful book, Seeing Like a State, James Scott writes of the unique way in which governments and academics assess society.<sup>2</sup> Theirs is a world of measurement, statistical verification and rational observation.
- The real world, of course, is more complex – people live their lives through a maze of relationships, threats and opportunities, intangibles that can never be measured or brought under the control of the state.
- A third problem with the measurement fetish is its static nature. It takes a snapshot view of poverty, measuring the number of people below the poverty line at a particular point in time.

- This analysis, however, takes no account of the dynamic nature of society and its economy. For most people, poverty is not a permanent condition.
- It is estimated that 30 percent of people experience occasional bouts of exclusion – falling in and out of the workforce, adjusting to changes in family and community life and so forth.
- A recent study in the United Kingdom, for instance, revealed that while one-third of families suffered episodes of low income, only four percent were persistently poor.<sup>3</sup>
- From my experience, I would expect the situation in Australia to be similar, with five to 10 percent of people experiencing long-term poverty. Unfortunately, the welfare research in this country is devoid of longitudinal studies.
- This is one of the reasons why public policy has concentrated more on curing poverty than preventing it. Temporary assistance is targeted at people who fall below the poverty line.
- The bigger challenge is to stop them falling – to help people manage the dynamic nature of a risk society. This was, of course, the original purpose of the welfare state, to give people a stronger sense of security and peace of mind.

## Solving Poverty

- As a nation, we spend more time measuring poverty than solving it. The recent, futile debate between the Centre for Independent Studies and NATSEM is an example of this process. It is easier to argue about the numbers than to actually solve the problem.
- This is also true at an ideological level. Instead of understanding the circumstances of poor people and taking an evidence-based approach to policy, the public debate is bogged down in a false divide between Left and Right-wing thinking.
- Left-of-Centre politics has argued that poverty is a product of structural issues – a lack of public provision and social opportunity.
- Right-wing politics has positioned poverty as a behavioural question – that poor people need to take more responsibility and work harder to lift themselves out of trouble.
- I do not believe that this should be an either/or debate. The evidence suggests that both sides have got something to offer. Poverty is not a one-dimensional problem – it is caused by structural as well as behavioural issues.
- So too, there is no one-dimensional answer to the problem. We need to address the macro as well as the micro dimension – the public as well as the personal.

- Ask the people who have escaped poverty and they will tell you that many things changed in their lives. Usually, it is the interaction between improved public provision (such as education and employment opportunities) and improved personal motivation that makes a difference.
- There can be no end to poverty without public provision or personal effort. It takes both. In the end, what matters is what works.
- If the war against poverty is to be won, it must be fought on many fronts. We must create opportunity as well as change behaviour.
- On the opportunity agenda, the following strategies can make a difference:
  - Labour market programs and local employment schemes.
  - Locational policies that attract private investment and jobs into poor neighbourhoods.
  - Strengthening the social safety net, family support and emergency assistance.
  - Early childhood development and parenting programs.
  - The reform of disadvantaged schooling, so that no child attends a failing school.
  - The extension of the lifelong learning agenda into disadvantaged homes and communities.
  - The redevelopment of Australia's public housing estates and rundown rental housing.

- Case management policies that customise government support around the needs of disadvantaged individuals.
  - Place management policies that coordinate the resources of the three levels of government at a local and regional level.
- To achieve behavioural change, governments need to develop the following strategies:
- Tax credit incentives that move people from welfare to work.
  - Support for social entrepreneurs and their community building work.
  - Partnerships with the voluntary sector, especially Australia's great charities and welfare organisations.
  - Public service programs that rebuild the habits of cooperation and social capital.
  - Asset-based policies that give poor people access to savings and ownership. All the evidence indicates that the act of saving substantially improves self-esteem, motivation and life chances.
- These are not meant to be exhaustive lists (and certainly not policy statements). But rather, a guide as to how much needs to be done to end poverty in our nation.
- This is the great frustration of being in Opposition. Answers are available, yet the Howard Government has failed to act against poverty.

- It has tackled just one side of the debate (behavioural issues) and even then, with a limited agenda. It is more interested in sanctions than community and capacity building.
- In most of the key areas of policy reform – labour market programs, lifelong learning, neighbourhood renewal, housing and urban development – it has withdrawn resources and Federal responsibilities.
- I believe that in Labor’s policy review our first priority must be to find new solutions to social exclusion. The know-how is available to lift disadvantaged people and places out of the poverty cycle.
- This issue is fundamental to the cause of Labor. All our hopes for a good society count for nothing if we cannot solve poverty. This is our greatest challenge – as a Party and a nation.
- We need to fight this problem on many fronts. We need to tackle structural as well as behavioural issues. We need to create opportunity as well as demand responsibility.
- In the debate about the Party’s purpose, I say that our objective is clear – to eliminate poverty and ensure that all Australians have the capability and freedom to achieve in our society. This is a great Labor thing to do.

## Notes

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<sup>1</sup> Amartya Sen, Inequality Re-examined, Clarendon Press, Oxford, 1992.

<sup>2</sup> James Scott, Seeing Like a State, Yale University Press, New Haven, 1998.

<sup>3</sup> A. de Haan and S. Maxwell, “Poverty and Social Exclusion in North and South”, IDS Bulletin, No. 1, 1998, pages 1-9. Similar results have been recorded in other European countries: see Anthony Giddens, “Social Change in Britain”, Tenth ESRC Annual Lecture, 2000.