

Income, Wealth and Joblessness: Insights from the HILDA Survey

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Introduction

Most of the social statistics we are all familiar with are cross-sectional; that is, they provide snapshots – still photographs – of situations at one moment in time. By repeating cross-sectional studies we can tell whether, at an aggregate level, trends are positive or negative. For example, we can assess whether numbers in poverty or unemployment are increasing or decreasing.

Panel studies are more like movies than still photographs. They can tell us not just whether aggregate trends are improving or declining, but whether individuals and families have short-term, medium-term or long-term problems. For public policy purposes, this information is crucial, since presumably we would all agree that long- and medium-term problems are more serious, and may need quite different solutions, than short-term problems.

In this paper we use panel data from the first three waves of the Household, Income and Labour Dynamics in Australia (HILDA) Survey to provide new evidence about income mobility and labour force dynamics.¹ We also examine new data on the wealth holdings of Australians. More specifically, after briefly describing the data and providing definitions for key terms used in this paper, the paper begins by examining data on relative income mobility. We then focus on low-income households and show how our understanding of income poverty can be substantially changed when viewed from a dynamic rather than static perspective. The next section uses the data on wealth collected in wave 2 to examine the composition and distribution of wealth in Australia. Special attention is given to the issue of household debt. While these data do not provide any information about wealth dynamics (detailed information about wealth has only been collected in one wave of the HILDA Survey to date), they nevertheless are of interest because of the absence of such data in Australia prior to the HILDA Survey being administered. We then present information on labour force transitions, with particular focus on episodes of unemployment. In the final substantive section of the paper the focus is on joblessness at the household level, rather than individual level, and in particular, on the extent to which household joblessness persists.

Data

The HILDA Survey Sample

The HILDA Survey is a nation-wide household panel survey with a focus on issues relating to employment, income and the family. It is funded by the Australian Government (through the Department of Family and Community Services) but managed by the Melbourne Institute of Applied Economic and Social Research. Described in more detail in Watson and Wooden (2004a), the HILDA Survey began in 2001 with a large national probability sample of Australian households occupying private dwellings. All members of those responding households in wave 1 form the basis of the panel to be pursued in each subsequent wave, with each wave of interviewing being approximately one year apart.

Note that like virtually all sample surveys, the homeless are excluded from the scope of the HILDA Survey. Also excluded from the initial sample were persons living in institutions, though persons who move into institutions in subsequent years remain in the sample.

After adjusting for out-of-scope dwellings (e.g., unoccupied, non-residential) and households (e.g., all occupants were overseas visitors) and for multiple households within dwellings, the

¹ All the data used in the analyses reported here come from the HILDA Survey confidentialised data release version 3.0 issued in January 2005.

total number of households identified as in-scope in wave 1 was 11,693. Interviews were completed with all eligible members at 6872 of these households and with at least one eligible member at a further 810 households. The total household response rate was, therefore, 66 per cent. Within the 7682 households at which interviews were conducted, there were 19,917 people, 4790 of whom were under 15 years of age on the preceding 30 June and hence were ineligible for an interview. This left 15,127 persons of whom 13,969 were successfully interviewed. Of this group, 11,993 were re-interviewed in wave 2 and 11,190 were re-interviewed in wave 3. The total number of respondents in each wave, however, is greater than this for at least three reasons. First, some non-respondents in wave 1 are successfully interviewed in later waves. Second, interviews are sought in later waves with all persons who turn 15 years of age. Third, additional persons are added to the sample (mostly on a temporary basis)² as a result of changes in household composition (interviews are sought will all persons who live with a sample member even if they were not part of the original sample).

Definitions

Income

The measure of income used throughout this paper is equivalised disposable household income. Following the practice of the Australian Bureau of Statistics (ABS), our income measure does not include income received in the form of goods or services (information on which is not collected in the HILDA Survey). Also in line with ABS practice, we attempt to restrict income to receipts that are of a regular and recurrent nature. Thus income from severance payments, inheritances and bequests, and from other types of lump-sum payments is excluded.³ The income variable used here is thus best described as total ‘regular’ after tax income, which was constructed by summing income from wages and salary, unincorporated businesses, investments, private pensions (i.e., superannuation and workers’ compensation), government benefits and pensions, and other regular sources (e.g., child support payments), and deducting Commonwealth taxation payments, which were estimated on the basis of reported incomes, employment and family circumstances (see Headey 2003). Some government payments – Family Tax Payments and Child Care Benefits – were also estimated. Where information on any of the main income components was missing, the value of the component was imputed using a method developed specifically for longitudinal data.⁴ The components refer to receipts (or payments) during the financial year preceding interview. Each household’s net income is then adjusted using the modified OECD equivalence scale.⁵ As is the standard practice in the international literature, the income-receiving unit used here is the ‘individual’. That is, all household members (including children) are attributed with the equivalent net income of the household to which they belong.

Income poverty

In developed countries it is generally accepted that poverty is largely a relative concept. That is, a person or household is assumed to live in relative poverty if they are unable to afford the

² All new births become permanent members of the sample. Further, temporary sample members are converted to permanent sample members if they have a child with an original sample member.

³ For some types of income sources, however, the HILDA Survey does not distinguish between regular and lump-sum payments. As a result, we have had to make assumptions about the form different types of income are more likely to take. For example, all workers’ compensation payments have been included as regular income.

⁴ For more information about the imputation method that has been used (and other features of the HILDA Survey data), readers should consult the HILDA User Manual (Watson 2005), available on the HILDA Survey web site at: www.melbourneinstitute.com/hilda/doc.html.

⁵ This scale assigns a weight of 1.0 to the first adult in the household, 0.5 to all other adults, and 0.3 to all children. Here we have defined a child as any one under the age of 15 years.

goods and services needed to enjoy a normal or mainstream lifestyle in the country in which they live. We thus follow international convention in defining poverty as having an income level below some pre-specified low-income threshold or ‘poverty line’.⁶ Further, since the definition of poverty employed here is a relative one, it makes sense to set that poverty line relative to the population median. Thus, we define a household as poor if it has an equivalised disposable income that is less than half that of the median, or typical, income. Clearly, other thresholds could have been chosen. The European Union, for example, has recently adopted a poverty line set at 60 per cent of median income. Very differently, Harding, Lloyd and Greenwell (2000) favoured half the mean income, rather than half the median (but reported both), while in Australia others have continued to rely on the Henderson poverty line, which was central to the 1975 Commission of Inquiry into Poverty chaired by Ronald Henderson (Commission of Inquiry into Poverty 1975). Choice of the poverty threshold clearly matters for the absolute numbers estimated as living in poverty but turns out to have little bearing on the analysis of poverty dynamics.

Wealth

One of the innovations of the HILDA Survey was that it included, in wave 2, questions intended to measure the wealth of Australian households. Specifically, the intention was that the survey would cover all physical and financial assets and debts with the exception of home contents and accounts payable. Many of the questions were asked at the household level and answered by one person on behalf of the entire household. These questions covered housing and property, business assets and liabilities, equity-type investments (e.g., shares, managed funds) and cash-type investments (e.g., bonds, debentures), vehicles and collectibles (e.g., art works). However, some questions about assets and debts – those that it was felt could not be reported accurately by one person on behalf of all – were asked of individuals. These included questions about superannuation, bank accounts, credit cards, HECS debt and other personal debt. In most cases, respondents were asked to provide exact dollar amounts. Like the income data, where information on any major wealth component was missing, the missing value was replaced with an imputed value.⁷

Labour force activity

The HILDA Survey uses the standard labour force activity framework employed by the ABS to classify the population into employed, unemployed and not in the labour force states. Indeed, for estimates derived at the time of interview, the approach used is close to identical to that employed in the monthly Labour Force Survey.⁸ In deriving information about labour force activity in the period preceding (and between) interview dates the approach used was necessarily much less complicated and based on a self-classification system. That is, respondents were required to determine, for every period between the start of the preceding

⁶ The income poverty approach is widely used but may be too narrowly focussed. There is much to be said for a broader approach which defines poverty in terms of a range of low capabilities, as suggested by the Nobel Laureate, Amartya Sen (1999), or in terms of social exclusion and barriers to participation.

⁷ The imputation of wealth data was actually undertaken by staff from the Reserve Bank of Australia. The only missing values not imputed were for those individuals who did not provide an interview but nevertheless were members of responding households. Thus, while total households assets and debts were fully imputed, as were all components collected at the household level, the estimates of superannuation, bank accounts, credit card debt, student debt and other personal debt are based entirely on members of households that completed the personal interview. Again, for details of the imputation procedure used, see Watson (2005).

⁸ The most notable difference occurs with respect to the part-time / full-time distinction. Like the ABS, a threshold of 35 hours per week is used to define full-time employment, but unlike the ABS this is determined entirely on the basis of ‘usual’ hours. In contrast, the ABS system uses a combination of data on both actual and usual hours worked.

financial year and the interview, whether they had a paid job, were not employed but looking for work, or were neither employed nor looking for work.

Jobless households

One concept that appears in this paper is that of the jobless household. In its simplest form this is any household where no member is in paid work. The longitudinal nature of the data, however, demands that we specify a time-frame. In the analysis reported here the key time unit is the financial year. We thus could define a household as jobless where no member of the household was employed at any time during that year. We, however, felt this definition was overly restrictive, and opted instead to define a household as jobless (or at least, ‘near jobless’) when no household member had been in work for more than 25 per cent of the last financial year. Further, for the main analysis we have excluded any household where the household reference person or head was aged 60 years or over or was a full-time student at the date of interview.⁹

Weights

While the intent was to recruit a randomly selected population that was representative of the Australian population resident in private households, non-response and attrition combine to reduce the representativeness of the sample. Drawing inferences about the wider population thus requires adjusting responses through the application of population weights which account for both non-random response at wave 1 and attrition bias in subsequent waves. All estimates reported in this paper thus use the relevant population weights (both cross-sectional and longitudinal) that are provided with the data.¹⁰

Income Mobility

Social science textbooks often present an image of society as being like a layer cake, or a pyramid. Better off and higher status people are pictured on the top layer (or at the top of the pyramid) and the impression is given that they remain there for long periods, perhaps for an entire lifetime (or even longer given status might be transmitted across generation). Middle income or middle class people are pictured as remaining long term in the middle layers of society, and the poor or lower status people are shown in the lower layers, or at the bottom of the pyramid. Further, such a static view of society seems, at first glance, to be consistent with conventional analyses of income distribution which show that differences in incomes between those at the top of the distribution and those at the bottom only change slowly over time (e.g., Johnson & Wilkins 2004).

In reality, however, the income distribution is more fluid. That is, the position of households in the income distribution is not fixed, and the relative position of some households will improve over time while others will deteriorate. With longitudinal data, the extent of relative income mobility can be measured. Of course, ideally we would use data over quite a long period (a decade or more), whereas we currently only have three waves of data from the HILDA Survey. Nevertheless, some interesting and perhaps unexpected patterns of change are observable.

⁹ Identification of the household ‘head’ was determined by applying the following criteria, in order, until a unique person was selected. These criteria are: (i) in a registered or de facto marriage (and still living together); (ii) a lone parent; (iii) the person with the highest financial year income; and (iv) the eldest person.

¹⁰ For an analysis of the impact of attrition on sample representativeness between wave 1 and wave 2, see Watson and Wooden (2004b). Information about how these population weights were constructed can be found in the HILDA User Manual (Watson 2005).

Our analysis of income mobility involves classifying individuals into deciles based on their equivalised disposable household income for 2000-01 and then again for 2002-03, and then cross-tabulating to provide a mobility matrix. This is reported in Table 1 and shows how the relative income position of individuals has changed between 2000-01 and 2002-03. Printed in bold italics along the top left to bottom right diagonal are the proportion of persons within each decile group in the starting year whose relative income position did not change at all.

Table 1: Relative income mobility, 2000-01 to 2002-03 (%)

		<i>Decile income group 2000-01</i>									
		<i>D1</i>	<i>D2</i>	<i>D3</i>	<i>D4</i>	<i>D5</i>	<i>D6</i>	<i>D7</i>	<i>D8</i>	<i>D9</i>	<i>D10</i>
<i>Decile income group 2002-03</i>	<i>D1</i>	37.5	22.2	10.0	10.9	5.6	4.0	2.5	2.4	2.9	2.1
	<i>D2</i>	26.8	37.3	15.9	7.5	5.8	2.2	2.1	1.2	0.9	0.4
	<i>D3</i>	13.9	19.8	33.3	12.1	6.4	4.8	3.8	1.6	3.1	1.2
	<i>D4</i>	7.9	9.7	19.7	23.8	19.3	7.0	4.8	4.3	1.5	2.1
	<i>D5</i>	4.1	4.2	8.0	20.9	24.4	17.5	9.8	5.1	2.7	3.1
	<i>D6</i>	3.0	2.1	6.2	11.4	18.6	24.8	15.7	8.7	5.4	4.2
	<i>D7</i>	2.6	2.1	3.4	6.1	9.5	21.3	25.4	17.4	7.6	4.4
	<i>D8</i>	1.8	1.3	1.0	3.6	5.1	10.4	23.5	27.4	17.6	8.3
	<i>D9</i>	1.4	1.3	1.1	2.5	3.9	4.8	8.9	21.7	35.5	18.8
	<i>D10</i>	1.0	0.1	1.4	1.4	1.4	3.1	3.4	10.2	22.6	55.3
		100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Note: Unweighted N = 15457.

To understand how to interpret this table, consider the first column of numbers. This column shows in what part of the income distribution persons who were in the poorest decile group in 2001-01 are found two years later. Thus 37.5 per cent of this group were still in the poorest decile two years on, while just over another quarter (26.8%) had only moved up to the second poorest decile. Such figures thus suggest a moderate degree of stability, at least at the bottom end of the income distribution. On the other hand, the data also reveal significant upward mobility, with over one-third of persons in the poorest decile moving up by more than one decile group and almost one in ten finding their way into the top half of the income distribution.¹¹

¹¹ There are good reasons to be concerned about the quality of income data collected in sample surveys, especially at the bottom of the income distribution (see Siminski, Saunders & Bradbury 2003). Key issues here include non-response bias and under-reporting. While non-response can, in theory, be dealt with through the construction of appropriate population weights, under-reporting is more problematic. In the HILDA Survey, for

Overall, we distill four key findings from Table 1. First, there is a moderate degree of stability in the income distribution. This can be seen by looking along the diagonal which shows that the proportion of each income decile group remaining in the same decile varies from 24 to 55 per cent. In total, just under one-third of the population did not change decile group. Second, and reinforcing this picture of stability, most of those persons who had changed their relative income position moved up or down by only one decile. Indeed, a little over another one-third (35.2%) of the population moved up or down by one decile. In other words, most income mobility, at least over this two-year window, is relatively short range. Third, despite an overall picture of moderate stability, a minority registered large changes in equivalised income. Of those who started in the bottom two deciles in 2001, 8.3 per cent were in the top half of the distribution by 2003. Conversely, among those who started in the top two deciles, 10.1 per cent were in the bottom half of the distribution by 2002-03. Fourth, and directly related to the preceding figures, the asymmetry in the mobility process often found in overseas studies (e.g., Jarvis & Jenkins 1998), where the relative mobility from the top to the bottom is more short-range than from the bottom to the top, is not replicated here. That is, while the rich are very likely to remain rich (55 per cent of the richest decile were still in the richest decile two years later), of those that do move downwards a significant proportion move a long way. So around 20 per cent of the richest decile who move down the income distribution in the following two years, move all the way into the bottom half of the income distribution. Conversely, among those in the bottom decile in 2000-01, the proportion of upward movers who make it into the top half of the distribution is slightly less – 16 per cent.

Income Poverty Dynamics

We now focus on poverty dynamics and begin by first reporting conventional one-year rates of income poverty. These are given in Part A of Table 2. As can be seen, poverty rates are reported for both the entire population and for the sub-group of children aged under 15 years of age. The first point to note is that these poverty rates are higher than is usually reported from data collected by the ABS, which at first glance should be surprising given analyses of ABS data are concerned with ‘income units’ and income units are generally smaller than households. Dickens and Wilkins (2005), for example, calculated a poverty rate for 1999-2000 using similar definitions to that used here of 11.9 per cent. In part, the higher rate reported here might reflect the fact that we have not excluded any cases or trimmed any outlying responses. Alternatively, it seems likely that this difference will also reflect differences between the HILDA Survey and the ABS income surveys.¹²

Second, the figures reported in Table 2 suggest that the incidence of poverty in Australia actually declined over the three years covered by the HILDA Survey. Such findings are of some interest in their own right given the emphasis in the recent majority report of the Senate

example, there are a number of households reporting relatively small incomes (the reported or imputed gross annual income was less than \$5000 for almost 3 per cent of households in wave 1). While this is entirely possible, particularly for owners of unincorporated businesses, the relatively high proportions involved are of some concern for analyses of income mobility. We thus repeated the analysis reported in Table 1 after omitting all cases where gross private income (that is, exclusive of government benefits and payments) was negative in either wave 1 or wave 3. Essentially the conclusions remained unaffected with the notable exception that the proportion of low-income households remaining in the bottom increased (to 42%).

¹² For example, it appears likely that maternity allowance payments have not been adequately reported in the HILDA Survey. Similarly, the HILDA Survey does not deal very well with rent assistance. Very differently, the HILDA Survey has almost certainly not done as good a job as the ABS income distribution surveys in distinguishing lump-sum payments from more regular sources, which may have contributed to the relatively higher median income that is recorded in the HILDA Survey data. Differences in the sample structure may also be partly responsible.

Inquiry into poverty which concluded that Australia was “losing the fight for the fair go” (Senate Community affairs Reference Committee 2004, p. xv). Note that changing the way the poverty threshold is calculated makes little difference to this conclusion. Poverty rates are also found to be falling (though not quite as quickly) when a poverty line set at 60 per cent of median household income is used.¹³

Nevertheless, it is neither the level of poverty (which obviously varies depending on how high or low the poverty line is set) nor the trend in the annual rates which we think is of large importance. Far more important is poverty persistence; that is, how many people remain below the poverty line in each of the three years for which data are available. Summary data on this is provided in Part B of Table 2. Still using the 50 per cent of median income poverty threshold, Table 2 indicates that almost one-quarter of the population – 24.3 per cent – were poor in at least one of the three years considered. But only 7.1 per cent were poor in two of the three years, and only 4.2 per cent were poor in all three years. Either of these last two figures could be regarded as initial estimates of the rate of medium-term poverty in this country. In other words, the rate of medium-term poverty is a great deal lower than the one-year poverty rate at the centre of most previous poverty discussions. Of course, the corollary of this finding is that quite a large number of Australians are poor at least occasionally.

Table 2: Annual poverty rates vs poverty persistence

	<i>All persons</i>	<i>Children under 15 years of age</i>
Part A: Annual poverty rates (%)		
2000-01	14.2	15.3
2001-02	13.2	14.5
2002-03	12.1	13.2
Part B: Poverty persistence, 2000-01 to 2001-03 (% distribution)		
Never poor	75.7	73.0
Poor in only one year	13.0	14.6
Poor in two years	7.1	8.8
Poor in all three years	4.2	3.7

Another way of looking at the issue of poverty dynamics is provided by the tree approach used in Table 3. This table charts transitions in and out of poverty across each of the three waves for the balanced panel (that is, members of households responding in all three waves).¹⁴ Thus we can see that of those measured as being poor in wave 1 (13.9 per cent of

¹³ It should be noted that after wave 1 the representativeness of the HILDA survey sample changes in one important respect – it under-represents new immigrant arrivals.

¹⁴ The balanced panel involves an unweighted sample size of 15436. The fact that the wave 1 poverty rate in reported in Figure 1 is lower than that reported for 2000-01 in Table 2 reflects slightly higher rates of sample attrition by respondents who live in poverty which have not been entirely accounted for by the longitudinal weighting structure.

the weighted balanced panel), about half were still poor in wave 2, and of this group 60 per cent were still poor in wave 3. Multiplying these three fractions together and we arrive at the three-year poverty rate of 4.2 per cent reported in Table 2. Similarly, at the other end of the spectrum, of the 86 per cent of the population who were not poor in wave 1, almost 93 per cent were not poor at wave 2, and of this group 95 per cent were not poor in wave 3. Again, multiplying through and we arrive at the never poor proportion (of around 76%) reported in Table 2.

One problem with the data on poverty persistence reported on in Table 2 (and in Table 3) is that they are left censored. That is, we do not know for how long those people defined as living below the poverty threshold in our first year of data had already been living in poverty. Some of our sample members were almost certainly living in poverty for several years prior to 2000-01. Nevertheless, it does seem likely that most people who become poor soon cease to be poor. For example, and as shown in Table 3, of those who were not poor when first interviewed in 2001 but had fallen below the poverty line in the following year, only 37 per cent had not shifted above the poverty threshold a year later.

Table 3: Poverty transitions, 2000-01 to 2002-03

<i>Wave 1 (2000-01)</i>	<i>Wave 1 (2001-02)</i>	<i>Wave 3 (2002-03)</i>
		Poor – 60.2%
	Poor – 50.4%	Not poor – 39.8%
Poor – 13.9%		Poor – 28.6%
	Not poor – 49.6%	Not poor – 71.4%
		Poor – 37.1%
	Poor – 7.4%	Not poor – 62.9%
Not poor – 86.4%		Poor – 5.1%
	Not poor – 92.6%	Not poor – 94.9%

Although most people who enter poverty soon leave, a more somber fact is that the longer one remains in poverty, the harder it is to escape. Table 3 demonstrates that the exit rate in 2002-03 for those who had already been poor for two years was considerably lower than the exit rate of those poor for only one-year – 39.8 per cent as compared with 62.9 per cent. And this exit rate can be expected to decline further as poverty duration lengthens.

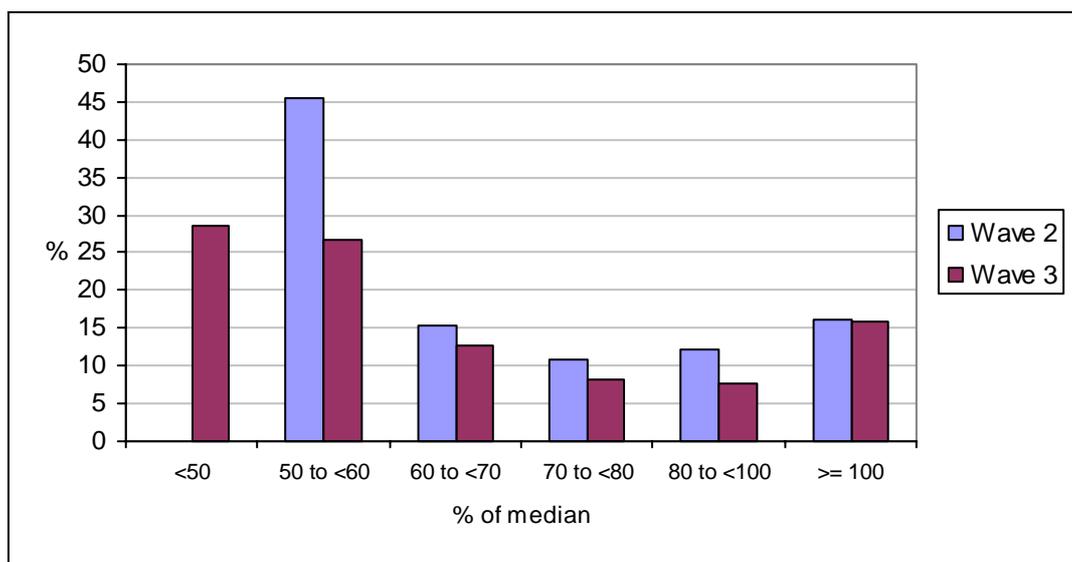
Of course, it might still be that these movements in and out of poverty are not all that significant. That is, many of these exits from poverty may involve only small increases in income and/or are only temporary. While it will take more years of data collection before we can reach any definitive conclusion about the permanence of these exits from poverty, it is

clear from Table 3 that not all poverty exits in any one year are permanent. Almost 29 per cent of those persons who were poor in wave 1 but were not measured as poor in wave 2 returned to poverty in wave 3. Of course the flipside of this statistic is that the large majority of people exiting poverty in one year did not return to poverty the next.

With these data we can also examine by how far people escape poverty. In Figure 1 we report, for those persons measured as living in poverty in wave 1 but not in wave 2, the distribution of equivalised household disposable income relative to the population median. Thus we can see that close to half this group (45.4% per cent) had, in wave 2, not left poverty very far – their incomes were still below 60 per cent of the population median which, as noted earlier, is widely used in Europe as the poverty threshold. Further, when we move to wave 3 we can see that almost 29 per cent had returned to poverty while a further 27 per cent were only just above the poverty line (that is, their equivalised disposable income was between 50 and 60 per cent of the population median). On the other hand, it is also true that significant numbers escape poverty by a considerable margin. Most obviously, almost 16 per cent of these poverty exits involved a shift into the top half of the income distribution. Nevertheless, the fact that well over half (55.4%) of those exiting poverty in wave 2 had either returned into poverty in wave 3 or were only slightly above the poverty threshold suggests that the three-year poverty rate highlighted earlier may be misleading. For example, re-defining medium-term poverty persistence to include those persons whose income was below half-median in only two of the years but whose income in the third year was still below 60 per cent of the population median, would almost double the estimated rate to 8.2 per cent.

It is worth reiterating again though that these results should be treated with a good deal of caution. The HILDA Survey has to date only yielded three waves of data and it may well be that the data will suggest quite different conclusions once more waves of data come in. In particular, the experience from overseas research suggests that we are likely to find many more people escaping poverty by larger margins once we have even 5 or 6 waves of data.

Figure 1: Equivalised disposable household income (relative to population median) of persons exiting poverty in wave 2 (% distribution)



Finally, and returning to Table 2, another significant finding concerns children. Like many other studies, the HILDA Survey data confirm the rather alarming finding that the annual poverty rate for children is typically higher than for the population average – 13.2 per cent among children aged under 15 years in 2002-03 compared with an adult rate of 11.8 per cent. The position, however, is reversed when we use longitudinal data to make three-year estimates. The three-year poverty rate for children is 3.7 per cent, which compares with 4.3 per cent for adults. Again, however, we need to take into account how far above the poverty threshold those children leaving poverty in any one year are moving. If we treat short-range movements out of poverty in one year as not constituting a poverty exit, then the medium-term poverty rate for children would rise to 8.9 per cent, which is about one percentage point above the adult rate.

Overall, and unavoidably, it is not entirely clear what conclusions should be drawn from this initial analysis of poverty dynamics. At first cut we were drawn to the conclusion that the majority of Australians living in poverty do not remain there for long. And with additional waves of data from the HILDA Survey this may well be the conclusion that should be drawn. Nevertheless, we have also seen that many of the people who exit poverty in a single year do not move far above the poverty threshold and are clearly at some significant risk of dropping back into poverty.

What is clear, however, is that the number of persons at risk of persistent poverty is less than the number measured as living in poverty for a single year; recall that the annual poverty rates calculated from these data ranged between 12 and 14 per cent. Such findings, however, should not be construed as belittling the poverty problem. Rather, it should be used to highlight how serious the financial situation is for those persons and families who are trapped in medium- or long-term poverty, or who experience repeated spells of poverty. Indeed, we would argue that one of the main advantages of longitudinal data is that it can assist in identifying the types of individuals and families who are at greatest risk of poverty persistence and thus most in need of public assistance.

Finally, we conclude this analysis of poverty with a warning. Income measures by themselves do not adequately assess deprivation and disadvantage. It is also essential to assess and remedy those educational, health, social and employment deficits that limit opportunities.

Household Wealth

The previous two sections have been entirely concerned with income, but plainly income is not the only or necessarily the best indicator of material standards of living. Indeed, since income is a flow rather than a stock, it is likely to be a second-best proxy for economic well-being. What we also need to measure are the wealth holdings of households (and their individual members). Unfortunately, survey data on wealth have only rarely been collected, and as a result estimates of the distribution of wealth in Australia have generally been derived from indirect methods (e.g., based on the size of the income flows generated by selected assets).¹⁵ However, as noted earlier, wave 2 of the HILDA Survey included a detailed series of questions about household assets and debts. Note though that these questions have yet to be repeated and so at this stage we can say very little about wealth dynamics. In what follows we present data on both the composition and distribution of household wealth, and then examine the debt holdings of Australian households and their capacity to service that debt.

¹⁵ A survey of wealth was conducted as part of the 1915 War Census. Since that time, the only other survey of household wealth we are aware of is a small study conducted in the 1960s (Podder & Kakwani 1976). For more details about these studies, together with a review of other research imputing wealth estimates using indirect methods, see Headey, Marks and Wooden (2004).

The Composition of Household Wealth

We begin by presenting, in Table 4, the mean and median values of different types of assets and debts, and the percentage contribution each type of asset and debt makes to total holdings.¹⁶

This table reveals that in the last quarter of 2002 the average household had a net worth (assets minus debts) of about \$405,000, this being made up of \$474,000 of assets and almost \$69,000 of debts. However, these figures are skewed upwards by the wealth of a relatively small number of very wealthy households. The ‘typical’ household had assets of just under \$280,000 and a net worth of about \$219,000.¹⁷

Table 4: Assets, debts and net worth per household, 2002

<i>Type of Asset / Debt</i>	<i>Mean (\$000)</i>	<i>Median^a (\$000)</i>	<i>% of assets / debts</i>
<i>Assets</i>			
Housing and other property	256.7	200.0	54.2
Pensions / superannuation	77.2	27.0	16.3
Businesses and farms	45.2	0	9.5
Equity investments	31.5	0	6.6
Bank accounts	21.6	4.1	4.6
Vehicles	19.0	10.0	4.0
Other assets ^b	17.9	0	3.8
All non-financial assets	324.5	220.0	68.5
All financial assets	149.5	50.5	31.5
Total assets	474.0	279.5	100.0 ^c
<i>Debts</i>			
Housing and other property	51.7	55.0	75.1
Businesses and farms	6.9	0	10.0
HECS (student debt)	1.3	0	1.9
Credit cards	1.0	0	1.5
Other debts	7.0	0	10.1
Total debts	68.9	55.0	100.0 ^c
<i>Net worth</i>	405.1	219.0	

- Notes: a. The reported medians are for the median household in the 50th and 51st percentiles of net worth.
b. Other assets include cash investments, trust funds, the cash-in value of life insurance and collectibles.
c. The sub-components do not sum to 100 because missing values for some of the sub-components have not been fully imputed.

¹⁶ Rather than report the simple median, the medians given here are for the median household in the 50th and 51st percentiles of net worth. This seems a better guide to the typical Australian household.

¹⁷ The numbers reported vary somewhat with those reported in Headey et al. (2004) because we use data from release 3.0 whereas they used data from the previous data release, and the population weights are amended with each data release.

As is well known, the asset portfolios of Australians are dominated by housing. The HILDA Survey data confirm this with housing and other property constituting almost 55 per cent of all household assets and over 70 per cent of the assets of the median household. Indeed, just over two-thirds of all Australian households owned or were buying their own home while 16.7 per cent had a stake in other property as well (a holiday home or investment property). The latter figure is consistent with Taxation Office data which indicate that some 13 per cent of Australian taxpayers earned rental income in 2000/01 (RBA 2003, p. 19).

The second largest asset of most households is superannuation, but it comes a very distant second – the median household holds superannuation worth only about \$18,000, though this rises to \$27,000 once we focus on households in the middle of the wealth distribution. Other holdings of considerable value to some households are business assets and equity investments. The median household holds no equities and of course does not own a business. However, the 41 per cent of households who do own equities average about \$70,000 worth (median = \$15,000), and the average value of businesses, owned by 12.5 per cent of households, was about \$291,000 (median = \$80,000). It should be noted, however, that equity investments are understated here since, in order to avoid double-counting, respondents were asked not to include superannuation in their calculation of equity holdings, and of course some superannuation is held in equities. Moving towards the bottom of the list of assets, the median household has a car worth about \$10,000 and just \$4,500 in the bank.

Household debt is mainly held in the form of mortgages. The average property debt is about \$52,000, which is slightly less than the level held by the median household. Most households have very little or nothing in other forms of debt which will probably surprise many. In part this may reflect some tendency for respondents to under-report debt, perhaps for social desirability reasons. Comparisons between the weighted data from the HILDA Survey with aggregate data from the ABS national financial accounts, for example, suggest that the HILDA Survey may have understated debts by somewhere in the vicinity of 18 per cent (see Headey et al. 2004). It should, however, be emphasised that the HILDA Survey made no serious effort to measure accounts payable (i.e., overdue bills). Further, the low levels of credit card debt may reflect the fact that only what was owed after the last payment made was recorded as debt, and a majority of individuals with credit cards reported paying off their entire balance each month.

Finally, the data in Table 4 indicate that in most households non-financial assets dwarf financial assets. Most households thus lack liquidity. They have relatively little cash and certainly little that they can easily cash up if normal sources of market income are temporarily or permanently cut off, or if emergency expenditures are required. This means that in the absence of usual income sources, many households will be forced to rely primarily on government transfer payments. This is especially clear when one remembers that, until one retires, superannuation is not available and so, while classified as a financial asset, it is not in reality liquid for persons of pre-retirement age.

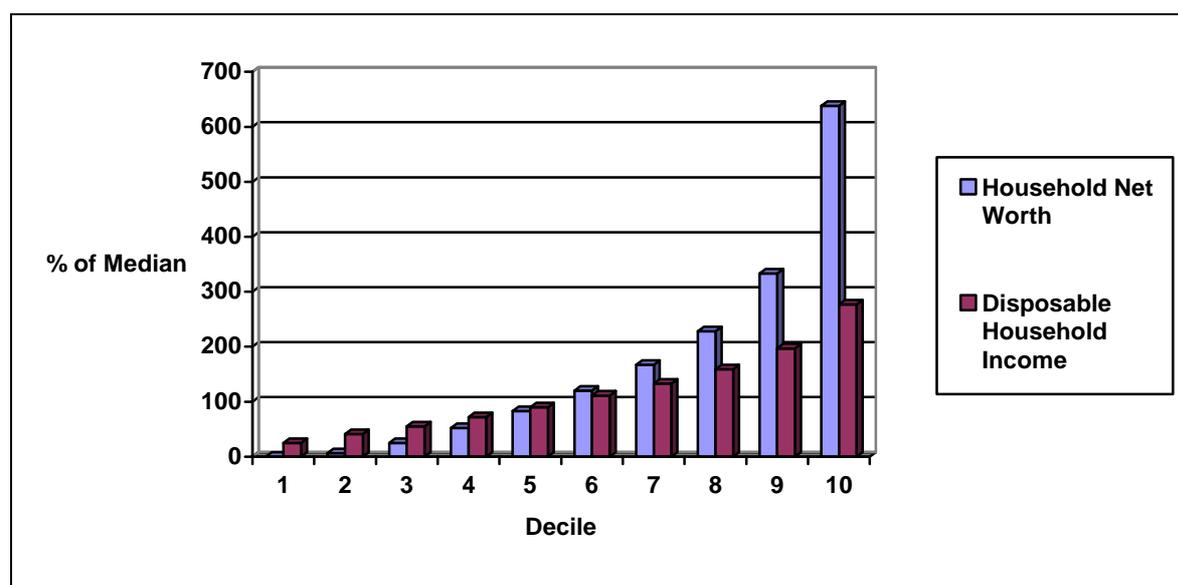
The Distribution of Wealth

As in other Western countries, wealth is much more unequally distributed than income. This is illustrated graphically in Figure 2, which sorts the population of households into ten equal groups (deciles) based on household net worth and on household disposable income, and then reporting the median value of that decile group relative to the median for the entire population. Thus we can see that among the wealthiest 10 per cent of households, net worth is more than six times the value of the wealth holdings of the average household. In contrast,

the richest 10 per cent of households only have a net income (based on data for the 2001-02 financial year) which is just under three times that of the average household's income.¹⁸

The fact that wealth inequality is greater than income inequality is far from surprising, and reflects the greater dependence of wealth on savings at older ages. Wealth accumulates via both voluntary saving and compulsory superannuation, and these savings grow at compound interest as people age. Income, of course, also increases with age, but the gradient is nothing like as steep as wealth's compound interest gradient.

Figure 2: The distribution of household net worth and disposable income (% of respective median)



Further information about the distribution of both household wealth and household disposable income is provided in Table 5. This table, however, distinguishes between assets and debts, and it also sorts wealth and income into decile groups based on both wealth and income ranking. Focusing first on net worth we can see that among the 10 per cent of households that are the least wealthy, average net worth is negative. Further, the bottom half of the distribution own less than 10 per cent of total household wealth. At the other end of the distribution, the wealthiest 10 per cent of households have an average net worth of just over \$1.8m (median holdings = \$1.4m) and own 45 per cent of all household wealth. The poorest ten per cent of households in income terms, however, are not bereft of assets. Specifically, assets for this group average \$215,000 in value, and this group owns 5 per cent of wealth in Australia. Similarly, at the other end of the income spectrum, the ten per cent of households that are most income rich have mean net worth of just over \$1m and own 25 per cent of total net worth, which while considerable is far less than might have been expected.

¹⁸ Another way of summarising inequality is through the use of Gini coefficients. The Gini coefficient for household net worth that is derived from the HILDA Survey data is 0.61, which compares with a Gini of 0.38 for household disposable incomes for the 2001-2002 financial year.

**Table 5: The distribution of household wealth and income: Mean values, \$000s
(% in parentheses)**

<i>Per- centile</i>	<i>Sorted by household net worth</i>				<i>Sorted by net household income</i>			
	<i>Assets</i>	<i>Debts</i>	<i>Net worth</i>	<i>Net income</i>	<i>Assets</i>	<i>Debts</i>	<i>Net worth</i>	<i>Net income</i>
1-10	21 (0)	26 (4)	-6 (0)	23 (5)	232 (5)	17 (2)	215 (5)	7 (2)
11-20	29 (1)	14 (2)	15 (0)	31 (7)	240 (5)	13 (2)	227 (6)	16 (3)
21-30	99 (2)	44 (6)	55 (1)	39 (8)	236 (5)	23 (3)	213 (5)	22 (5)
31-40	177 (4)	63 (9)	114 (3)	38 (8)	315 (7)	37 (5)	278 (7)	28 (6)
41-50	247 (5)	66 (10)	181 (5)	42 (9)	319 (7)	50 (7)	270 (7)	35 (7)
51-60	335 (7)	72 (10)	263 (7)	45 (9)	415 (9)	58 (8)	357 (9)	43 (9)
61-70	440 (9)	74 (11)	365 (9)	49 (11)	459 (10)	78 (11)	381 (9)	52 (11)
71-80	588 (12)	84 (12)	503 (13)	54 (11)	595 (13)	111 (16)	484 (12)	63 (13)
81-90	829 (18)	88 (13)	740 (18)	63 (13)	728 (15)	117 (17)	611 (15)	77 (16)
91-100	1973 (42)	156 (23)	1814 (45)	86 (18)	1200 (25)	185 (27)	1016 (25)	127 (27)
Total	474 (100)	69 (100)	404 (100)	47 (100)	474 (100)	69 (100)	404 (100)	47 (100)

Of course, we would expect many older households to be both relatively asset rich and income poor. Nevertheless, restricting the population to households where the ‘head’ is aged between 25 and 55 years does not fundamentally alter the situation portrayed in Table 5. For example, while the levels of net worth in the top half of the distribution decline, the changes in the percentage distribution are minimal.

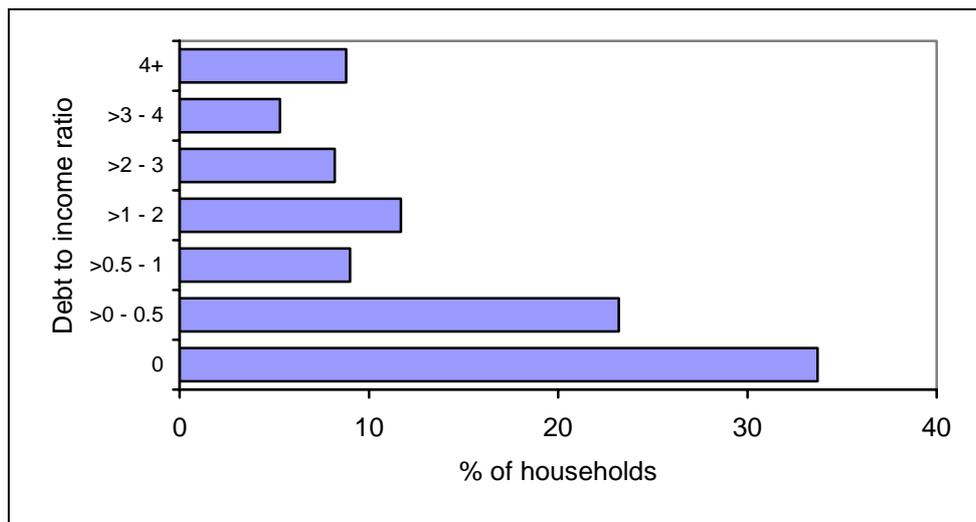
Household Debt

Perhaps one of the most interesting features of Table 5 is how strongly household debts are correlated with assets ($r = 0.46$). In other words, household debt tends to be held by asset-rich households. The 20 per cent of households that are the least wealthy (the bottom two deciles in terms of net worth) had average debt levels of about \$20,000 and accounted for just six per cent of all household debt. When we focus on the poorest 20 per cent of households in income terms, then the story is even better, with mean debt just \$14,000 and this group accounting for only four per cent of all debts. The distribution of debt within this group, however, is quite dispersed. Indeed, the median level of debt among the least wealthy 20 per cent of households is just \$2000 (and among the lowest income households, it is zero). This implies that there is a sizeable minority of asset- and income-poor households where the level of debt is relatively large.

Whether household debt is a serious problem depends on the ability of households to service that debt. To examine this question we report, in Figure 3, data on the ratio of household debt to annual household disposable income (for the preceding financial year). This figure reveals that about one-third of households have zero levels of debt, and almost another quarter have very modest levels, defined by debts equal to less than half one year’s net income. At the other end of the distribution, there is about nine per cent of households where financial liabilities exceed by more than four times the value of net household disposable income,

which is probably around the limit that most financial institutions would set when determining the capacity to borrow (though this varies markedly with individual circumstances).¹⁹ These are obviously the households which are most cash constrained and most likely to be seriously affected by an increase in borrowing costs. Households which are less heavily geared are also exposed, but the main threats they face are from major changes in life circumstances (e.g., job loss, serious illness, unexpected pregnancy). Small and gradual rises in the cost of borrowing will affect the rate at which they can pay off loans but in most cases will not affect their ability to meet scheduled repayments.

Figure 3: Household debt to annual household disposable income



Interestingly, we found very little evidence that high debt to income ratios were concentrated in any part of the income distribution. Indeed, on the basis of an admittedly crude multivariate analysis, it appears that, with one notable exception, the debt to income ratio is not associated in any obvious way with observable characteristics of the household or its 'head'. What does appear to matter is home ownership (or more specifically, having a mortgage) and how long ago the home was purchased. Almost two-thirds of those households identified here as having high debt-to-income ratios have a mortgage (compared with less than 28 per cent of all households), and the majority of these (73%) purchased their current home in the preceding five years.

Further, we found almost no evidence that households with these high debt-to-income ratios were reporting higher levels of financial stress. If we restrict the population to just the household head or reference person (thus ensuring only one response per household), we find a mean score on satisfaction with financial situation of 6.1 (scored on a 0 to 10) scale, almost exactly the same as the population mean. Similarly, when asked whether any stressful financial events had occurred in the past year, the group with the high debt-to-income ratios generally did not stand out as being the most financially vulnerable. Indeed, out of a list of seven stressful events, the only item which this group scored noticeably worse than the population mean was the inability to pay the mortgage or rent on time – 11 per cent of this

¹⁹ Some of these households (especially those which own small businesses) will have reported very low incomes and thus the corresponding debt involved may also be relatively small. Nevertheless, excluding those cases where pre-government income is negative from the population, and ignoring cases where the total household is less than \$5000, sees the proportion of households with debt to income ratios fall only slightly – to 8.7 per cent.

group responded affirmatively to this question in wave 2 compared with a population mean of 9 per cent.²⁰ And this result is entirely a function of the relatively high rates of home ownership among this group.

Overall, we are drawn to the conclusion that if high debt-to-income poses a serious problem, then the threshold must be a lot higher than a multiple of four. Indeed, scores on the satisfaction with financial situation variable are only significantly lower than the population for households where the debt-to-income ratios exceed, which represent less than two per cent of all households. Such conclusions appear to be supported by a recent Reserve Bank report which suggests that the number of at-risk households is relatively small (RBA 2005, pp. 20-22). Also using the HILDA Survey data, that report focused specifically on the property debt held by households with owner-occupier mortgages and reported both debt-servicing ratios (debt servicing costs as a proportion of after-tax income) and property gearing ratios (property debt to property assets). The report designated debt-servicing ratios in excess of 50 per cent and property gearing ratios in excess of 75 per cent as problematic. The HILDA data suggest that only 2.4 and 4.2 per cent of households were exceeding these thresholds in 2002 and only 0.4 per cent exceeded both.

Overall, the HILDA Survey data suggest that the problem of excessive household debt, which has been much discussed in the media, is concentrated on a relatively small proportion of the population. Further, most households in this group are new home owners who, in most cases, would expect their debt-to-income ratios to decline in the future as incomes rise and debt is retired. That said, it should be borne in mind that wave 2 of the HILDA was conducted in late 2002 and in the following two years aggregate household debt in this country rose by over 30 per cent.²¹ It thus follows that the HILDA data will understate the current exposure of some households to deterioration in their financial situation (RBA 2005).

Employment Dynamics

Labour Force Transitions

We now turn to the issue of employment, the major source of income for most Australian households. Comprehensive employment data are regularly collected and reported on by the ABS, but again the emphasis has always been on cross-sectional comparisons over time. And as with the income example discussed previously, such comparisons will tend to create the misleading impression that change has been relatively modest and gradual. As a simple illustration of this, consider the data presented in Table 6. If we simply focus on the totals for each of the two years presented, we can see that the employment population ratio has increased from 60.7 per cent to 62.3 per cent, the unemployment to population ratio has declined from 4.3 to 2.9 per cent and the labour force participation rate has increased only slightly (from 64.9% to 65.2%).²² Such figures are indicative of an improving labour market over this period, but with net change still being relatively modest (the employment rate still rose by only 1.6 percentage points). The extent of true change, however, is understated by

²⁰ The relevant question asked respondents to indicate whether they did any of the following because of a shortage of money: (i) could not pay electricity, gas or telephone bills on time; (ii) could not pay the mortgage or rent on time; (iii) pawned or sold something; (iv) went without meals; (v) was unable to heat home; (vi) asked for financial help from friends or family; and (vii) asked for financial help from welfare / community organisations.

²¹ Based on numbers available on spreadsheet from the ABS, *Australian National Accounts: Financial Accounts* (cat. no. 5232.0), Table 15: Financial Assets and Liabilities of Households (\$ million).

²² We are using a sample that only includes cases observable in both waves, thus creating the possibility for attrition bias. In theory, the longitudinal weighting structure is designed to correct for such biases, though that correction is likely to be far from perfect.

this figure. The numbers in Table 6, for example, also reveal that about 15 per cent of the population considered here changed their employment status between 2001 and 2003. Further, not all of the change was towards employment. For example, the employment status of one per cent of the sample changed from employed to unemployed while a further 5.1 per cent exited the labour force status after having been employed in 2001. Similarly, while 5.2 per cent of the population moved from outside the labour force into employment, another 1.1 per cent had moved into job search.

For ease of exposition, the data presented in Table 6 are highly aggregated. We could, however, have just as easily distinguished between more varied types of employment outcomes (e.g., between full-time and part-time employment or, among non labour force participants, between those who want a job and those who do not) and between different sub-groups of the population. More detailed transition matrices are thus reported in an Appendix.

Table 6: Employment status, 2001-2003
(% of all persons aged 15 years or older in 2001)

	<i>2003 Employed</i>	<i>2003 Unemployed</i>	<i>2003 Not in the labour force</i>	<i>2001 Total</i>
<i>2001 Employed</i>	54.7	1.0	5.1	60.7
<i>2001 Unemployed</i>	2.5	0.9	1.0	4.3
<i>2001 Not in the l/f</i>	5.2	1.1	28.9	35.1
<i>2003 Total</i>	62.3	2.9	34.8	100.0

Unemployment

The main weakness of Table 6, however, is not the way it aggregates across different groups, but the way it aggregates data over time. We have simply presented information on labour force states at two discrete points of time. Obviously it is relatively straightforward to add a third data point for 2002 when the second wave of interviews was conducted. More importantly, however, the HILDA Survey also collected information about labour market activity between each wave using a calendar approach. Thus, in theory, we can identify every spell of employment and unemployment experienced by each sample member together with the duration of each spell. These calendar data, however, are quite complex, and are still in need of further work, particularly with respect to matching spells across waves. Nevertheless Table 7 should provide some indication of the sort of information that can be extracted. In this table we focus specifically on the unemployment experience, reporting the proportions of our (weighted) balanced sample who indicated that they had been out of employment but looking for work at some time during any of the three financial years between 2000-01 and 2002-03 inclusive. The table reveals that approximately 83 per cent of the population never experienced unemployment over this period, implying that 17 per cent were unemployed for at least some time.²³ This proportion varies with age, with close to 40 per cent of young people (persons aged between 15 and 24 years in wave 1) experiencing at least one spell of

²³ Note that very short episodes of unemployment (like a week or less) are unlikely to be recorded given the unit for our calendar was one-third of a month.

unemployment, which compares with 18 per cent of persons aged 25 to 54 years and just under ten per cent of those aged 55 to 64. Table 7, however, also suggests that while many people experience unemployment, relatively few experience persistent or recurring unemployment, with less than two per cent of the population unemployed for at least some time during each of three years for which we have data.

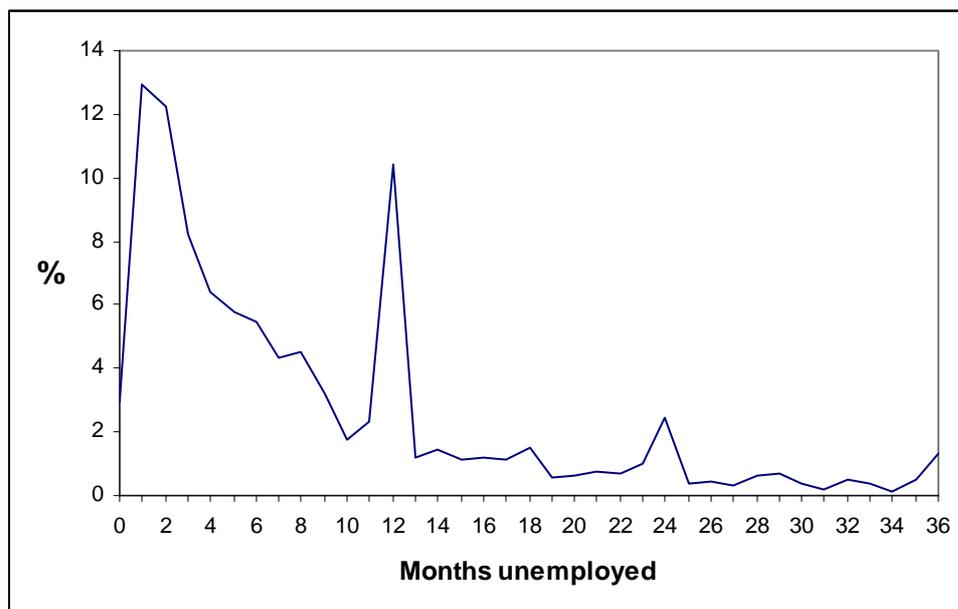
**Table 7: Unemployment, 2000-01 to 2002-03, by age
(% of persons experiencing unemployment)**

	<i>15-24 years</i>	<i>25-54 years</i>	<i>55-64 years</i>	<i>Total (15+ years)</i>
Never	62.0	82.2	90.4	83.3
2000-01	15.2	8.0	5.5	7.4
2001-02	21.6	9.8	5.4	8.3
2002-03	18.4	8.1	4.2	7.7
One year only	24.9	11.5	5.5	10.9
Two years (out of 3)	8.7	4.5	2.7	4.2
All three years	4.3	1.8	*	1.7

Of course, to get a better handle on persistence we actually need to know about the amount of time people spend in unemployment. Information on the amount of time spent in unemployment during our three-year window is summarised in Figure 4. This figure reveals a highly skewed distribution, with most people that experience unemployment spending a year or less in unemployment. Nevertheless, there is a sizeable minority who experience lengthy spells in job search. Indeed, around 12 per cent of this group was unemployed for at least 18 months (one-half of the three-year window). The other noticeable feature of this graph is the spikes at 12 and 24 months. These almost certainly reflect reporting problems associated with the ‘seams’ between waves.

Many of the unemployed can be expected to exit unemployment not by finding a job, but by ceasing to look for work. In Table 8, therefore, we look again at the sub-sample of people who were unemployed at any time during our three-year window and report the proportion of time they spent out of work. As we can clearly see, we find relatively large proportions of this group spending substantial fractions of their time without jobs. Indeed, 15 per cent of this group never manage to find a job, and close to half are jobless for 18 months or more. Not surprisingly, the proportion is especially high among older persons, many of whom effectively retire following job loss and a period of unsuccessful job search. Nevertheless, even among prime-age persons there are considerable numbers spending long periods out of work even though they are or had been looking for work. This should be of large concern to policy-makers. While even short-term joblessness can give rise to a variety of social and economic problem, medium- to long-term joblessness is a much more serious policy issue because of its implications for long-term income and health outcomes, and because of its potentially damaging impact on the ability to effectively participate in the community.

**Figure 4: Distribution of time spent unemployed:
Persons unemployed at any time during 2000-01 to 2002-03**



**Table 8: Proportion of time not in employment:
Persons unemployed at any time during 2000-01 to 2002-03**

<i>% of three financial years</i>	<i>15-24 years</i>	<i>25-54 years</i>	<i>55-64 years</i>	<i>Total (15+ years)</i>
<5	6.4	9.1	*	8.0
5 to <10	5.0	13.1	*	9.7
10 to <25	16.2	18.6	14.3	17.2
25 to <50	22.6	16.8	13.8	18.1
50 to < 100	39.9	28.7	28.5	32.0
100	9.8	13.7	32.7	15.1
TOTAL	100.0	100.0	100.0	100.0

Jobless Households

The analysis above was entirely concerned with joblessness from the perspective of the individual, but recent research has identified a growing polarization in the distribution of employment across households. That is, researchers (e.g., Dawkins 1996, Miller 1997, Dawkins, Gregg & Scutella 2002, Scutella & Wooden 2004) have reported evidence of increasing numbers of households in which one or two members work very long hours as well as increasing numbers of 'jobless households' in which no-one has any paid work. All of this evidence, however, has been cross-sectional, which again will typically mean inadequate attention being paid to the dynamics and duration of joblessness.

Here we present some very simple statistics in an attempt to describe persistence. First, however, a brief digression on measurement and definitions is warranted. As noted earlier, the definition of jobless household presented earlier does permit household members to hold a job, but only for a fraction of the year – no more than 25 per cent. Further, we also recommended excluding from the population two groups where joblessness is not of large policy interest – households headed by the retired and those approaching retirement years (i.e., where the head was aged 60 years or over) or by full-time students. Clearly, many other definitions are possible. Table 9 presents a range of alternative estimates for each year of the panel. Our preferred definition produces jobless estimates of 9 to 10 per cent of the relevant population (which we can roughly think of as members of households headed by a working-age person).²⁴ It also should be noted that all of these statistics are based on data collected from fully responding households. While information on the employment states at the time of interview of non-responding household members was collected, we know nothing about the labour market activity of these individuals between interviews and so have excluded their households from the analysis.

Table 9: Cross-section estimates of % of persons living in jobless households

<i>Jobless household definition</i>	<i>Wave 1</i>	<i>Wave 2</i>	<i>Wave 3</i>
<i>All persons</i>			
No jobs at date of interview	23.2	21.8	22.5
No jobs during previous FY	19.3	18.6	19.2
No one worked >25% of previous FY	20.9	20.4	20.8
<i>Excluding households headed by FT students or persons aged 60 years or older</i>			
No jobs at date of interview	11.9	10.7	10.9
No jobs during previous FY	8.3	7.9	8.1
<i>No one worked >25% of previous FY</i>	9.8	9.6	9.5

Note: Population restricted to fully responding households.

Turning then to the issue of persistence, we report in Table 10 the proportion of people living in jobless households using our preferred definition cross-classified by the number of years they were in the jobless state. For comparison purposes, we report estimates for the entire population as well as our preferred sub-population. The first column of the table relates to all individuals, and at first glance suggests that the jobless households issue is extremely serious, with 16 per cent of the population living in a jobless household in all three years covered by the data. But as just noted, this estimate includes households headed by retired people and full-time students. Once we exclude these households, then the proportion of people living in households that were persistently joblessness (i.e., jobless in all three years) is just 4.4 per

²⁴ While not reported in Table 9, this equates to about 11 to 12 per cent of households.

cent. On the other hand, these same data also show that just over 12 per cent experience at least one year living in a jobless household. Table 10 also suggests that children are somewhat more exposed to household joblessness than are adults, with almost six per cent of children under the age of 15 years living in a jobless household in all three years.

Further information about the dynamics of household joblessness is reported in Table 11 which summarises flows in and out of household joblessness over the three-year period. This table reveals confirms that joblessness is relatively persistent (and more so than was the case

Table 10: Proportion of people living in a jobless household (2000-01 to 2002-03)

<i>Year jobless</i>	<i>All persons</i>	<i>Excluding full-time students and households with head aged 60 years or older</i>		
		<i>Persons</i>	<i>Adults</i>	<i>Children (<15 yrs)</i>
None	73.8	87.7	89.1	83.6
One	4.6	3.7	3.3	4.7
Two	5.3	4.2	3.6	6.0
Three	16.3	4.4	4.0	5.7

Note: Population restricted to fully responding households.

Table 11: The dynamics of household joblessness, 2000-01 to 2002-03

<i>Wave 1 (2000-01)</i>	<i>Wave 2 (2001-02)</i>	<i>Wave 3 (2002-03)</i>
		Jobless – 72.7%
	Jobless – 75.2%	Not jobless – 27.3%
Jobless – 8.1%		Jobless – 31.4%
	Not jobless – 24.8%	Not jobless – 68.6%
		Jobless – 69.0%
	Jobless – 3.0%	Not jobless – 31.0%
Not jobless – 91.9%		Jobless – 1.6%
	Not jobless – 97.0%	Not jobless – 98.4%

Note: Sample restricted to balanced panel.

with income poverty), but also shows that considerable proportions of people from jobless households do move into employed household states – of those persons in jobless households in one wave, around 25 to 30 per cent will not be in a jobless household the next. The other important feature of Table 3 is how low the inflow rates into joblessness are for people who come from a sustained history of employment. Thus very few of the people represented in the bottom half of the table move into a jobless state in any one year – only three per cent of persons from households with jobs moved into a jobless household the next year.

Finally, it is worth pointing out that lone parent households are over-represented among jobless households. As reported in Table 12, members of lone parent households (as defined by their wave 1 characteristics) accounted for 39 per cent of all persons who were in a jobless household during at least one of the three years covered by the data, and 46 per cent of all persons in jobless households for all three years. By comparison, lone parent households account for just 8 per cent of persons in households that never experience life in a jobless household. In contrast, household joblessness is far less prevalent among couple households.

Table 12: Household joblessness by household type, 2000-01 to 2002-03 (% of persons)

<i>Household type^a</i>	<i>Never in jobless household</i>	<i>In jobless household in at least one year</i>	<i>Jobless in all three years</i>
Lone parent	8.1	38.7	45.8
Couple, no children	27.3	15.4	14.0
Couple with children	53.6	29.0	12.8
Lone person	7.4	11.9	23.5
Other household	3.6	4.9	3.8
Total	100.0	100.0	100.0

Note: a Determined on the basis of household status in wave 1.

Conclusions

This paper has summarised new findings about various aspects of income, poverty, wealth and employment in Australia using the first three waves of the HILDA Survey. A panel survey, such data provide an important longitudinal complement to the cross-section snapshot data regularly collected and reported on by the ABS. In addition, the HILDA Survey provides new data on household wealth that have been very lacking in Australia.

The key findings can be summarised as follows:

- While there is considerable income mobility from one year to the next, much of that mobility is relatively short range (at least over the three-year window covered by the data).
- The number of persons at risk of persistent poverty is much less than the number measured as living in poverty in a single year. That said, it is also apparent that many of the persons who move above the poverty line in one year fall below it again a year

later. Further, many of those leaving poverty have not moved very far above the poverty line.

- Wealth is much more unequally distributed across households than is income.
- The wealthiest households not only control the bulk of households, but also the bulk of household debt.
- The problem of excessive household debt appears to be concentrated on a relatively small proportion of households, most of which are new home owners who, in most cases, would expect their debt-to-income ratios to decline in the future as incomes rise and debt is retired.
- Employment states are, over a two-year period, relatively stable. Nevertheless, 15 per cent of the population were in different labour force states two years after wave 1 of the survey was conducted.
- A better guide to labour force mobility is provided by calendar data that document labour market activity between interview dates. According to these data, some 17 per cent of the adult population experienced an episode of unemployment at some time during the period, 2000-01 to 2002-03. Close to half this group never succeeded in finding a job at any time during this period.
- Close to one-in-ten persons (from working-age households) in any one year are estimated to be living in jobless households. Further, just over four per cent were in jobless households in all three of the years covered by the HILDA Survey data.
- Household joblessness is especially pronounced for persons living in sole parent households.

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APPENDIX: Labour Force Transitions, 2001 to 2003

Table A1: All persons (%)

2001 labour force status	Wave 3 employment status						2001 total
	Employed FT	Employed PT	Un-employed	NLF - Want job	NLF - Don't want job	Total	
Employed FT	84.9	8.7	1.2	1.8	3.4	100.0	41.6
Employed PT	24.5	58.0	2.4	4.7	10.3	100.0	19.1
Unemployed	31.8	25.1	20.0	12.9	10.2	100.0	4.3
NLF - Want job	11.7	22.4	8.9	26.3	30.8	100.0	7.9
NLF - Don't want job	3.0	6.3	1.3	7.9	81.4	100.0	27.2
2003 total	43.1	19.2	2.9	6.4	28.4	100.0	100.0

Table A2: Males (%)

2001 labour force status	Wave 3 employment status						2001 total
	Employed FT	Employed PT	Un-employed	NLF - Want job	NLF - Don't want job	Total	
Employed FT	89.4	5.4	1.3	1.2	2.8	100.0	56.9
Employed PT	36.2	45.5	5.2	4.9	8.1	100.0	11.5
Unemployed	37.8	20.0	22.1	10.7	9.3	100.0	5.1
NLF - Want job	19.3	17.1	11.0	27.3	25.3	100.0	5.3
NLF - Don't want job	4.4	5.4	*	8.3	80.7	100.0	21.1
2003 total	58.9	11.4	3.3	5.0	21.4	100.0	100.0

* Cell size too small to generate a reliable population estimate.

Table A3: Females (%)

2001 labour force status	Wave 3 employment status						2001 total
	Employed FT	Employed PT	Un-employed	NLF - Want job	NLF - Don't want job	Total	
Employed FT	76.3	15.2	*	3.0	4.6	100.0	27.4
Employed PT	19.7	63.1	1.3	4.7	11.2	100.0	26.1
Unemployed	23.7	31.9	17.1	15.8	11.4	100.0	3.5
NLF - Want job	8.0	25.0	8.0	25.7	33.4	100.0	10.2
NLF - Don't want job	2.2	6.8	1.4	7.7	81.9	100.0	32.9
2003 total	28.4	26.5	2.4	7.8	34.9	100.0	100.0

* Cell size too small to generate a reliable population estimate.

Table A4: Persons under 25 years of age in 2001 (%)

<i>2001 labour force status</i>	<i>Wave 3 employment status</i>						<i>2001 total</i>
	<i>Employed FT</i>	<i>Employed PT</i>	<i>Un-employed</i>	<i>NLF - Want job</i>	<i>NLF - Don't want job</i>	<i>Total</i>	
Employed FT	56.7	11.4	*	*	*	100.0	30.0
Employed PT	23.6	52.9	19.0	18.0	19.5	100.0	31.7
Unemployed	8.4	9.6	31.5	10.3	*	100.0	10.5
NLF – Want job	5.5	17.0	28.1	35.7	27.1	100.0	15.3
NLF – Don't want job	5.8	9.1	13.1	26.7	43.6	100.0	12.5
<i>2003 total</i>	43.9	31.7	6.8	8.8	8.8	100.0	100.0

* Cell size too small to generate a reliable population estimate.

Table A5: Persons aged 25-64 years in 2001 (%)

<i>2001 labour force status</i>	<i>Wave 3 employment status</i>						<i>2001 total</i>
	<i>Employed FT</i>	<i>Employed PT</i>	<i>Un-employed</i>	<i>NLF - Want job</i>	<i>NLF - Don't want job</i>	<i>Total</i>	
Employed FT	85.3	8.2	1.1	1.7	3.7	100.0	52.7
Employed PT	22.1	60.6	1.9	4.7	10.8	100.0	19.0
Unemployed	29.8	22.4	19.9	15.5	12.5	100.0	3.7
NLF – Want job	10.5	17.2	7.9	29.6	34.8	100.0	7.1
NLF – Don't want job	3.2	8.8	1.7	11.7	74.7	100.0	17.6
<i>2003 total</i>	51.6	19.4	2.5	6.5	20.0	100.0	100.0

Table A6: Persons aged 65 years or older in 2001 (%)

<i>2001 labour force status</i>	<i>Wave 3 employment status</i>						<i>2001 total</i>
	<i>Employed FT</i>	<i>Employed PT</i>	<i>Un-employed</i>	<i>NLF - Want job</i>	<i>NLF - Don't want job</i>	<i>Total</i>	
Employed FT	66.5	*	*	*	*	100.0	2.6
Employed PT	*	49.7	*	*	40.3	100.0	4.7
Unemployed	*	*	*	*	*	*	*
NLF – Want job	*	*	*	*	74.1	100.0	3.0
NLF – Don't want job	*	*	*	2.8	95.8	100.0	89.6
<i>2003 total</i>	2.1	4.1	*	3.4	90.4	100.0	100.0

* Cell size too small to generate a reliable population estimate.