

# Child and teenage poverty deepens in Australia

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If one believed recent reports in the media, child poverty has fallen dramatically in Australia since the early 1980s, thanks to "generous" social welfare measures introduced by the Hawke and Keating Labor governments between 1983 and 1996.

"Child poverty funds pay off," was the headline of an article in the *Financial Review* last Friday. "By 1996, fewer lived in poverty," stated the *Melbourne Age*. Both claimed that while former prime minister Bob Hawke failed to deliver on his notorious 1987 election promise to ensure that no child was living in poverty by 1990, the Labor government did succeed in cutting child poverty by about one third.

The reports were based on a paper presented by the National Centre for Social and Economic Modelling, a federally funded agency attached to the University of Canberra. Using a poverty line set at half the average family incomes, NATSEM calculated that the child poverty rate had fallen from 18.2 percent in 1982 to 12.5 percent in 1995-96, with the number of dependent children living in poverty decreasing from 760,000 to 600,000.

If this had been accomplished in a period of worsening unemployment and declining real wages, it would indeed be a remarkable achievement. It would show that the Labor government had uplifted the living standards of hundreds of thousands of children by boosting the welfare system, defying the worldwide trend to dismantle the welfare state. And it would mean that the economic system based on private profit is capable of delivering ever more humane conditions, despite the sweeping impact of globalisation, corporate downsizing and the replacement of full-time jobs with part-time, casual and temporary labour.

A closer reading of the NATSEM paper, however, leads to very different conclusions.

In the first place, even accepting the methodology adopted by the paper, the poverty rate among unemployed and working teenagers has almost doubled. Those 15 to 18-year-olds who were not studying and still living with their parents had a poverty rate of 44 percent in 1995-96, compared to 26 percent in 1982. Of those in that age group who had left home, 47 percent were living in poverty, compared to 27 percent in 1982.

In other words, nearly half these youth are now living in poverty. Once they left school and sought employment, they

faced poverty risks four to five times higher than when they were still dependent on their parents. This startling change reflects the decline in the level of unemployment benefits paid to young people, the shift from full-time to part-time work and the lower wages paid to youth. No doubt partly as a consequence, far more in this age group remained at school and living at home--80 percent in 1995-96, compared to two-thirds in 1982.

NATSEM suggests that many of the impoverished youth in fact remain dependent on their parents for very substantial assistance, including food, accommodation and clothing. Their families would, in effect, be sharing their poverty, although this might not show up in the official figures.

Secondly, the headline statistics put out by NATSEM refer to poverty levels calculated without taking housing costs into account. If after-housing figures are used, the child poverty rate decreased only fractionally, from 23 percent to 22 percent, between 1982 and 1995-96. Thus, on the more realistic basis of taking the cost of rent or mortgage payments into account, more than one in five children were living in poverty, that is, well over one million.

Significantly, NATSEM says the disparity between the two figures appears to be due to a pronounced shift in the types of families that were in after-housing poverty. It suggests that children living in self-employed families and those dependent on government cash benefits moved out of poverty, but wage-earning families took their places. "These 'working poor' families were much more likely to be buying their homes, and thus faced higher housing costs than those families they replaced," NATSEM commented.

This trend reveals two underlying tendencies. The first is the growth of poverty among working families--those where one or both parents are employed, but their wages are so low that their families remain in poverty. Elsewhere NATSEM notes that the majority of children living in poverty today have one or two parental earners in their family. Poverty, once confined to the aged, the ill and the unemployed, has increasingly become the province of the so-called working poor.

The second major development is the crumbling of the "great Australian dream" of owning one's own home. NATSEM found that the majority of poor children live in families that had

already bought or were buying their homes. About one-quarter of all poor children lived in families who were outright owners of their homes, and another 30 percent lived in families who were still paying off their mortgages.

A third feature of the NATSEM paper is even more telling. The overall result of reducing child poverty was reached by simply changing the definition of poverty.

Over the past two decades the generally accepted poverty line in Australia has been that developed by Professor Ronald Henderson and used in the federal government's 1975 Poverty Report. Henderson's line was based on detailed estimations of what different types of family units actually needed to live at an "austere" level.

By contrast, NATSEM set its poverty line at what it admits is an arbitrary level: half the average disposable income of all Australians. This is not an objective measure of family needs, nor of social hardship. It is a value judgement of so-called relative poverty. It just happens to coincide with what NATSEM regards as a "credible result".

If NATSEM had used the Henderson line, the results would have been dramatically different. On Henderson's test, the child poverty rate increased by one quarter, from 19.5 percent in 1982 to 24.2 percent in 1995-96. This is double the NATSEM estimate, representing 1.2 million children.

Similarly, on Henderson's test, the teenage poverty rate in 1995-96 was well over half--54 percent among 15 to 18-year-old non-students living at home and 60 percent among those not living with their parents.

If housing costs are counted, the overall result is worse again. The child poverty rate rose from 19 percent to 26 percent, or close to 1.3 million children.

Moreover, Henderson's 1975 report also highlighted the plight of the many families living near poverty, measured at 120 percent of his poverty line. They were constantly at risk of falling below the austere living standard. If their numbers were added, the true number of children living in poverty today would be about two million.

NATSEM justifies its switch from the Henderson line to the "half-average" figure by arguing there are defects in the models used to update Henderson's estimations. Yet other social researchers dispute this.

It is also worth noting that the Henderson poverty line today stands at about \$470 per week for a family of two adults and two children, nowhere near enough to pay for housing, food, clothing, childcare, schooling and other family essentials, let alone what is required for a decent standard of living and enjoyment of life. Twice-yearly public opinion surveys conducted by the Roy Morgan Research Centre have shown that most people estimate the amount needed for a family to keep in health and live decently to be substantially higher than the Henderson line.

NATSEM's primary objection to the continued use of the Henderson line appears to be based more on political, rather

than scientific, considerations. Its paper states: "Presumably, if the current indexing methodology continued unchanged, the Henderson poverty line could reach 70 percent of average incomes in some 15 years time, which would result in one-third of Australians being in 'poverty'." In other words, NATSEM's main objection is that Henderson's line--the only detailed objective measure of poverty in Australia--is producing unacceptably high readings.

The real issue is that one-third of Australians, including two million children, are already living in, or near, poverty in absolute terms. They have been pauperised, and wider middle layers have also suffered, while a thin rich strata has increased its wealth seven- or eight-fold over the same period.

What then has been the impact of the social security measures introduced by the Labor governments? Rather than alleviate poverty, they have facilitated this process of social polarisation. They have primarily subsidised the lowering of wages, allowing employers to continuously drive down real wage levels.

The two main measures introduced by the Labor leaders were family assistance payments for low-income earners and rent assistance packages for low-paid workers who could not qualify for, or obtain, public housing accommodation. Both programs were introduced precisely because wages have fallen to the point where many working families cannot survive. At the same time, the Labor government slashed payments to teenagers, students and new immigrants--forcing their families to bear far more of the burden of their keep. The Howard government has since deepened these cuts.

The NATSEM report signals a further shift in the response of the political establishment to poverty. In the early 1970s, the announcement of Henderson's Poverty Inquiry represented the high-water mark of reformist politics. Both major parties, Labor and Liberal, expressed dismay at rising poverty levels and called for an exhaustive investigation. By the time the report was completed in 1975, however, the post-war period of boom and relative full employment had ended. Henderson's vision of using rising government tax revenue to eliminate poverty within 10 years was quietly shelved.

Last year, on the 25th anniversary of the convening of the Henderson Inquiry, his successors produced a report *Australian Poverty, Then and Now*, demonstrating that poverty had worsened over the quarter century. They lamented the fact that the demands of the money markets made ameliorating policies unlikely. Their report was ignored in official circles. Now, a new approach is being advanced--that of redefining poverty to belittle its existence.



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