



The Benevolent Society Social Issues Paper 10

Income and economic participation

In recent decades Australia has enjoyed sustained prosperity. However, not everyone has shared in the benefits of robust economic growth and rising living standards. Around two million Australians currently live in poverty and the recent global financial crisis could put even greater pressure on those who are already struggling. The impact of poverty often goes beyond financial hardship, excluding people from the workforce, education and aspects of community life. If we are to build a strong economy and strengthen community wellbeing, it is essential that all Australians receive the support they need to participate in the economic and social life of our country.

Why this is important

Poverty is not simply a lack of money. It also means missing out on what the community regards as the essentials of life, such as secure housing, meaningful work, educational opportunities and access to healthcare.

One basic measure of poverty in Australia is household income. A commonly used 'poverty line' is defined as 50 per cent of the average Australian household's income, which is then adjusted to the number of adults and children in a household¹.

While income and living standards have risen in the past ten years, the number of Australians living in poverty has also increased significantly over the same period. In 2004 there were 1,935,000 Australians – or 9.9 per cent of the population – living below the poverty line, compared with 7.6 per cent of Australians in 1994².

Employment is crucial in moving disadvantaged individuals and families out of poverty. However many remain excluded from the labour market. Australia's official jobless rate is currently five per cent, with Access Economics predicting that the global financial crisis will result in an increased unemployment rate of 7.5 per cent by 2010³.

Official jobless rates mask a much greater level of 'hidden unemployment'. When people who have given up searching for work are included, the real level of unemployment is about twice the official figure⁴.

Australia has relatively poor workforce participation rates among a number of disadvantaged groups, including people with disabilities, sole parents, older people, young people, Indigenous Australians and recently arrived migrants.

The increasing 'casualisation' of the labour market has also made workplaces less secure, which impacts most directly on disadvantaged and low-skilled workers. Part-time or temporary jobs, which are often not a voluntary choice, can trap some workers in employment and wage insecurity.

As a result, disadvantaged workers often need to turn to the social security system to top up inadequate earnings. However, the level of income support available for unemployed and under-employed people is, and has always been, much lower in Australia compared with other wealthy countries⁵.

The daily cost of economic exclusion

A recent study¹⁴ of clients of community organisations has found that:

- 15 per cent do not regularly get at least one substantial meal a day
- 31 per cent cannot afford to buy medicine prescribed by a doctor
- 57 per cent do not have access to dental treatment
- 24 per cent lack regular social contact with other people
- 18 per cent have children sharing a bed
- Almost 40 per cent with school aged children cannot afford up-to-date school books or new school uniforms.

Recent changes to the social security system, such as the introduction of the 'Welfare to Work' program, have also placed significant additional pressures on sole parents who struggle to balance their caring responsibilities with finding and retaining work.

The effects of economic disadvantage are cumulative. For instance, people who are not able to build up superannuation, savings, or to achieve home ownership, as a result of low income from employment or long periods out of the workforce, will experience financial hardship in older age.

Poverty and a lack of meaningful employment also have a profound effect on people's health and well-being. Depression is up to twice as common among low-income groups. Anxiety, low self-esteem and social isolation are also common⁶.

This sense of isolation is further compounded by the chronic shortage of public and low-rental housing in Australia's major cities. The high cost of housing is pushing low-income earners into 'satellite towns' and regional areas where jobs, services and networks of social support are less available.

Research has shown that when disadvantage becomes concentrated in particular communities, a disabling social climate can develop. This can increase the likelihood that poverty and disadvantage will be passed on to the children of the following generation⁷.

According to a 2007 report by UNICEF, between 12 and 15 per cent of Australian children live in poverty⁸. A separate study in 2006 found that 28 per cent of Australian children experienced a period of poverty over the preceding three year period⁹.

Poor economic circumstances affect children's lives in a number of ways, including the quality of their family relationships and their educational, developmental and health outcomes. Children in low income families have nearly five times less spent on their education each week than those in high income households¹⁰, which can have long-term implications for their future employment opportunities.

Children feel the effects of poverty on their social relationships and their ability to participate in social activities. They describe the difficulties of 'keeping up' appearances, being unable to have friends over to visit, being excluded by their peers, feelings of shame and being bullied¹¹.

What should be done?

The Benevolent Society has been working with disadvantaged individuals and communities for almost 200 years. We recognise that poverty is the result of a complex and dynamic range of social factors and individual circumstances.

We recognise the need to address the structural barriers that push people to the margins of our community, as well as to support individuals develop the knowledge and skills that can give them a sense of control of their lives.

Getting more people into secure, reasonably paid jobs is a critical step in breaking the cycle of poverty. In uncertain economic times where competition for jobs increases, there is a risk that older workers or less skilled workers will find it harder to get jobs or gain new skills to improve their employment prospects.

There is a pressing need for the federal and state governments to help disadvantaged people overcome the multiple barriers they face and develop opportunities and pathways for them to enter the labour market.

Australia's funding of employment and training programs for disadvantaged and jobless people is low by international standards¹². The result is that few get the kind of help they need, even after they have been unemployed for a long time.

Additional investment is required in education and training over the life course to ensure that the skills and productivity of people who are marginally attached to work are in line with the needs of employers. A highly skilled workforce will have a higher rate of workforce participation so governments must prioritise increasing the number of students retained in school or apprenticeships¹³. Any government initiative to increase participation should also include strategies to assist mature age workers to remain in the workforce.

Addressing the growing crisis in housing is another crucial area for policy reform, as the lack of affordable and secure housing is a substantial barrier to participation in training and employment. Other services that are critical to workforce participation, such as childcare, should be accessible, affordable and equitable.

We need to ensure that a reasonable safety net is in place to support those people who are unable to join the workforce such as people with a disability and carers. Income support payments should be sufficient to promote the well-being of disadvantaged individuals and families.

Welfare policies need to be based on the goal of promoting social inclusion and should enlarge, rather than restrict, people's choices and opportunities. Similarly, retirement incomes policy should ensure that the age pension is at a level that allows pensioners to participate fully in community life and have access to necessary goods and services.

In addition to addressing the structural causes of economic exclusion, The Benevolent Society supports the promotion of improved financial literacy in individuals across the lifespan. We believe that in partnership, governments, not-for-profit organisations and businesses can work with communities to build economic awareness and skills which can empower individuals and help them to take control of their financial circumstances.

We will continue to work with individuals to provide them with information and skills to develop their financial literacy. The Benevolent Society delivers the Saver Plus program which was developed by The Brotherhood of St Laurence and ANZ Bank. The program includes a matched savings component and assists individuals to set and achieve savings goals that support their own or their child's education needs. We also deliver the MoneyMinded program which reaches 5000 clients annually and provides training for community workers so they are equipped to talk about financial literacy issues with their clients.

Central to all policies and programs aimed at tackling economic exclusion should be the voices and opinions of those who are experiencing disadvantage. Participation in service planning and policy development makes services more effective, policies more responsive and builds the confidence and capacity of the individuals involved.

If we are to continue building a strong, prosperous and inclusive nation, then we need to ensure all people have the support and assistance they need to maximise their economic and social participation.



Endnotes

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Social Issues Papers

The Benevolent Society works with vulnerable individuals, families and communities who face a wide range of difficult issues which affect their wellbeing and their social and economic participation. Our Social Issues Agenda identifies 12 broad issues that are related to social and economic inclusion, and our series of issues papers explores these challenges and some potential solutions. To read the full series of social issues papers go to www.bensoc.org.au

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