



Addressing entrenched disadvantage in Australia

April 2015

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About this publication

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Forewords

Professor the Hon. Stephen Martin,
Chief Executive, CEDA



Poverty and disadvantage are experienced by many people at some point throughout their lives, but the issue of entrenched disadvantage has not had the focus it deserves. This publication seeks to redress that.

Entrenched disadvantage impacts all aspects of society. While for individuals the ramifications can be severe, there are much broader societal and economic consequences, including the impact on government budgets and lower workforce participation leading to lost growth potential for the country as a whole.

It is estimated that four to six per cent of our society experience chronic or persistent disadvantage – that is one to 1.5 million people. Given that Australia has been such a prosperous nation over the last two decades, this is a significant number of people who have not shared the benefits.

While there is much media attention on the need to rein in welfare payments such as disability and unemployment benefits, the contribution to welfare payments as a share of GDP in Australia is relatively low compared with other OECD countries.

In addition, the distribution of welfare payments has been well targeted – about 42 per cent of social benefits go to the lowest 20 per cent of households – compared with the OECD average of around 20 per cent.

What seem to be missing are more targeted early intervention programs that can break the cycle of poverty.

This policy perspective examines three key areas that need this focus: education gaps, Indigenous disadvantage and mental health. These have been selected because they highlight significant characteristics of those at risk of chronic poverty and disadvantage.

Education gaps are important to tackle because often entrenched disadvantage starts early in life and early intervention can change that cycle.

About 30 per cent, the largest group, of those receiving the disability support pension are people living with mental health conditions. Policies that back early intervention and support, and improved access to services and community-based care could make a significant difference to this group of people and to the contribution they can make to society more broadly.

Indigenous disadvantage should not be an issue in the 21st century but unfortunately has been the focus of many iterations of policy. We need policies that focus on collaboration with communities and that are customisable to local needs, while also being carefully targeted and evaluated.

Balancing hand-outs is difficult. It is unlikely that any country can wholly eliminate poverty and disadvantage. However, Australia most definitely can and must do better.

Some progress has been made but we are a prosperous nation and given the last two decades of economic expansion, the improvements in tackling entrenched disadvantage should have been far greater.

Unfortunately given government fiscal tightening and some policies currently being proposed, it is likely we will see political expediency replace good public policy. That is why it is vital this issue be on the national agenda now.

I would like to thank the six contributing authors and the CEDA Advisory Group for their quality contributions and oversight of this project.

I would also like to thank publication sponsor, ACIL Allen Consulting. Additional support from CEDA members such as this ensures CEDA can keep focusing on economic and social issues of national importance.

Dr Les Trudzik, Executive Director, ACIL Allen Consulting



ACIL Allen Consulting commends CEDA for identifying entrenched disadvantage as a key national issue and for commissioning this report. It is an issue that has required serious consideration in many of our reviews for government and non-government agencies over recent years.

The Australian economy is currently experiencing numerous challenges leading to constraints on budget expenditure. It could be argued that times are tough. However, this situation follows more than two decades of economic growth, during which time some groups in our community continued to experience significant disadvantage.

Governments of all persuasions at all levels, universities, community service organisations, their business partners and advisers constantly wrestle with providing a balance of incentives and supports to reduce inequalities for our vulnerable populations in a manner that is financially sustainable. Much effort has been expended developing and implementing strong economic and social policies to this end.

It is clear that something needs to change if we are to address entrenched disadvantage more effectively. This report provides important information to enhance the efforts to do so. The report helps us better understand the nature of the problem, providing insights into:

- The importance of early intervention;
- The importance of local and customised input into design of services, particularly for Aboriginal and Torres Strait Islander Australians; and
- The need for life-course strategies to support people at various times in their lives.

More work and better data are required, and ACIL Allen Consulting is taking steps to extend the dialogue with leaders in business, governments and the community sector, and to identify concrete actions that build on the evidence provided through reports like this to address entrenched disadvantage. Our Health and Human Services practice directors, Pam Muth and Annabel Brebner, are undertaking the collection of additional data and targeted analysis to help inform future decision-making in this area.

And we should address it. Not only for the compelling economic reasons, but because as a civil society and as a 'rich' country, it is not acceptable that some groups of people are consistently and persistently unable to participate in, contribute to, and benefit from this wealth.

Executive summary

Entrenched disadvantage is a wicked problem for any society. Disadvantage of one form or another will always be with us, but when disadvantage is entrenched, some Australians are not able to play their full part in our economy and society.

An estimated four to six per cent of our society experiences chronic or persistent poverty or deprivation. This represents both a tragedy for the individuals concerned and a loss of economic potential for the nation.

While we have policies in place or in development to address disadvantage, it is not clear that we have recognised the need to address the deeper problem of long-term, persistent and chronic disadvantage. As a rich and successful society, we can clearly do better – others do.

Two aspects of entrenched disadvantage are clear:

- The problem is both significant and complex; and
- Current policies to remove entrenchment are not working.

The people who find it hardest to escape from disadvantage appear to fall into six main categories:

1. Older people;
2. Less-educated people;
3. Households with no employed members;
4. Particular geographic areas;
5. Indigenous Australians; and
6. Those with chronic health problems.

Current policies are mainly designed to get people into, or back into, the labour market. While this is an appropriate objective, there are people in our society who need targeted and/or additional help to prepare themselves for ongoing employment. It is difficult to get or hold a job if you do not have anywhere to sleep or

have ongoing health problems. It is hardly surprising then that disadvantage is cumulative: The longer a person spends with significant disadvantage, the more likely he or she is to be stuck there. Children who grow up in a home with entrenched disadvantage are also more likely to face the same problem.

Recommendations

As a starting point, we need to recognise that addressing entrenched disadvantage involves working to lessen disadvantage and working to make sure it does not become entrenched.

To address entrenched disadvantage, the Government should:

- Recognise that the disparate factors influencing and driving entrenchment of disadvantage require a suite of policies to address the problem, some direct and some intermediated by non-government organisations and similar bodies;
- Recognise that people who experience entrenched disadvantage are likely to need help to establish a stable domestic base before they can transition successfully into employment;
- Develop life-course or long-term policies to minimise the risk of disadvantage becoming entrenched in high-risk individuals, for example, through early intervention policies to address the problem before it happens or early in the onset of disadvantage, particularly for children at risk of intergenerational disadvantage;
- Improve effectiveness of programs by subjecting all programs and policies designed to address disadvantage to follow-up evaluation to ensure sustained improvement in individuals, and ensuring that evaluation processes are sufficient and transparent; and
- Place a focus in the development of good longitudinal data (for example, through the use of administration data held by government departments) and more in-depth research to understand the dynamics (for example, length, risk of re-entry and existence of intergenerational disadvantage) of disadvantage.

These recommendations should be applicable to all policies, regardless what aspect of disadvantage is being addressed.

Further recommendations address three particular aspects of disadvantage explored in this policy perspective:

1. Education

To improve educational attainment with the aim of improving workforce participation and reducing the risk of disadvantage, the Government should:

- Develop policies that address the main drivers of poor education attainment rather than focus on one driver (typically, school attendance rates); and
- Address the intergenerational nature (when it exists) of educational disadvantage by ensuring policies are targeted at both parents and children.

2. Indigenous Australians

For policies addressing Indigenous disadvantage to be effective, they should:

- Be set in collaboration with communities and customisable to the local needs and context;
- Not impinge on a person's independence and autonomy, and if such policies (for example, income management) are unavoidable, they should be on opt-in and voluntary basis, carefully targeted and evaluated; and
- Address labour market discrimination issues such as unconscious bias.

3. Mental illness

For mental health policies to be effective in improving the livelihood and ability of people living with mental illness to participate in the workforce, they should:

- Focus on the provision of community-based care and early intervention programs to minimise hospital admissions and re-admissions whenever possible, including by supporting the housing arrangements of those living with mental illness;
- Improve access to health services, including through the use of technology; and
- Enhance the capability of the mental health workforce, including better mental health content in degrees, accreditation and a larger peer support workforce.

Contributions

This report explores issues associated with entrenched disadvantage in Australia from experts in the field.

In *Poverty and social disadvantage: Measurement, evidence and action*, Professor Peter Saunders explores social disadvantage in Australia through the poverty line and deprivation approaches. He finds that deprivation is highest among sole parent households, with deprivation more pronounced in items that provide protection against future risks related to poor health and unforeseen circumstances (for example, dental treatment or emergency funds). He also finds that only about 40 per cent of those below the poverty line are disadvantaged based on the deprivation approach. He discusses implications for policy, including options for tackling long-term unemployment and housing issues.

In *Persistent disadvantage: A duration analysis based on HILDA data*, Dr Francisco Azpitarte and Dr Eve Bodsworth explore the dynamics of disadvantage using the Household Income and Labour Dynamics (HILDA) Survey. They find evidence of the persistence of poverty and risk of chronic poverty. They also find that those who are most at risk of long-term disadvantage or of falling back into poverty are older people, less-educated people, jobless households, people with low socioeconomic status, Indigenous Australians and those with chronic health

problems. They conclude that further data of and research in the dynamics of disadvantage are required to inform better policies.

In *Early intervention: The key to preventing entrenched disadvantage*, Anne Hampshire discusses a successful early intervention program pursued by The Smith Family to help break the cycle of disadvantage. Learning for Life is a scholarship program of early intervention aiming to support children to achieve educationally and then to transition successfully to post-school work or further education. She discusses the program's success, which is underpinned by parent engagement, and concludes that to be effective, early intervention approaches should be sustained across the various stages of a young person's development and take into account the numerous drivers of disadvantage.

In *Entrenched disadvantage in Indigenous communities*, Dr Nicholas Biddle discusses the level and cost of Indigenous disadvantage and finds that Indigenous Australians are more likely to live in low-income households, more likely to be unemployed and more likely to remain unemployed than non-Indigenous Australians. He suggests that education, location, discrimination, health, disability, labour market discrimination and social norms all play a role in explaining disadvantage, and finds there is evidence of intergenerational disadvantage when it comes to education in particular. He concludes that the problem is complex and as a result, requires careful policy responses with a long-term perspective.

In *Living with mental illness*, Professor Lorna Moxham discusses the challenges facing those living with mental illness and finds that people with mental illness are among the most excluded in society, receive inadequate income, suffer from poor health and premature mortality, have low self-confidence and feel powerless. She explains that while governments have been trying to address the issue for decades, there is room for improvement in policies, particularly in the following areas: utilisation of mental health services, mental health and peer support workforce, early intervention programs, mental health language, sense of purpose and access to mental health services.

Acknowledgements

CEDA wishes to acknowledge the input and expert advice from the CEDA Advisory Group in the development of this policy perspective.

The CEDA Advisory Group consisted of:

- Dr Cassandra Goldie, CEO, Australian Council of Social Service
- Professor Peter Whiteford, Crawford School of Public Policy, Australian National University
- Allison McClelland, Commissioner, Productivity Commission

These distinguished experts provided guidance in the creation of the report and input into the final recommendations. However, the final report is entirely the responsibility of CEDA and of the individual authors.



CEDA overview

Sarah-Jane Derby

CEDA SENIOR ECONOMIST

Australia is a prosperous nation, one of the richest in the world. The economy performed admirably during and after the Global Financial Crisis, and despite some headwinds ahead and concerns around the end of the mining investment boom, 2015 is expected to mark the 24th consecutive year of economic growth. However, the success of our economy has not translated well to moving people out of poverty and disadvantage.

This study focuses on the segments of the population for whom life in Australia is not as prosperous as we would expect. In particular, it looks at long-term, persistent and chronic disadvantage (entrenched disadvantage). Addressing such entrenched disadvantage would improve the lives of many Australians and lead to a more prosperous nation as a consequence of increased workforce participation and greater social cohesion.

The state of welfare

Australia has a well-targeted tax and transfer system. As a result of strict income testing, Australia achieves redistribution while keeping the overall cost to the taxpayer relatively low. The system is also progressive: About 42 per cent (compared with an Organisation for Economic Co-operation and Development [OECD] average of 20.1 per cent) of social benefits goes to the lowest 20 per cent of households in Australia while the highest 20 per cent of households receive just 3.8 per cent of benefits (OECD average: 20.3 per cent).¹ Public social spending (including services such as health and welfare transfers like the Newstart Allowance) in Australia is about 19 per cent, significantly lower than the OECD average of 22 per cent.²

The current welfare system addresses disadvantage through two main approaches:

1. Policies aimed at improving workforce participation; and
2. Transfers to those who are not in the workforce.

Nevertheless, there are clear problems with the welfare system's effectiveness in dealing with entrenched disadvantage. As an example, children who grow up in a home with entrenched disadvantage are more likely to graduate to a lifetime of disadvantage. In effect, they are likely to inherit disadvantage.

The scale of the risk is apparent from the fact there were some 530,000 children living in jobless households in 2012.³ In the absence of policy changes, the future does not bode well for many of these children.

There is some recognition in government that something needs to be done. The recently released McClure Review into the welfare system focused on employment outcomes, but it also recognised the need for targeted investment in individuals and groups deemed to have the largest lifetime risk of disadvantage.⁴ It is in all of our interests that all Australians are productive members of the community, and labour market policies are important for this. However, policies must recognise that some individuals need more support than others, including establishing a stable living platform, mainly around housing and health, to participate effectively.

“There are clear problems with the welfare system's effectiveness in dealing with entrenched disadvantage. As an example, children who grow up in a home with entrenched disadvantage are more likely to graduate to a lifetime of disadvantage.”

Understanding entrenched disadvantage

Understanding and measuring disadvantage is crucial for setting public policy. Identifying drivers of disadvantage, the length and experience of those who are disadvantaged, and whether disadvantage is intergenerational, are all steps towards informing better policy.

The starting point in understanding disadvantage is to begin with a poverty line to measure the pool of people who might be disadvantaged. Such poverty lines are often set at 50 or 60 per cent of the median household income.

Low income, in itself, however, does not automatically imply that disadvantage is present. It is possible, for example, that some people who have low incomes are simply moving between jobs and are not disadvantaged in any meaningful way. We then need to look at indicators other than income to decide who is actually disadvantaged. By and large, the disadvantaged are a subset of those living below the income poverty line, and the entrenched disadvantaged a subset of the disadvantaged.

How serious is disadvantage?

There are many ways to measure and define disadvantage, including the poverty line, the deprivation and the social exclusion approaches. Each method has its own shortcomings and strengths,⁵ with this study focusing on the deprivation and social exclusion approaches, as they are more representative of experienced disadvantage.

Using the 50 per cent of median income poverty line approach, and after taking into account housing costs, the Australian Council of Social Service (ACOSS) found that the threshold for poverty in 2011–12 was a disposable income of less than \$400 per week for a single adult and \$841 for a couple with two children. This implies that 13.9 per cent of the population (or 2.55 million Australians) had an income below that necessary to acquire a socially accepted standard of living.⁶

An alternative to using poverty lines is to attempt to describe whether households have access to goods and services deemed necessary as defined by a survey of community attitudes (the deprivation approach). An example is the Social Policy Research Centre (SPRC) surveys conducted in 2006 and 2010 using a list of 25 items identified as essential for all Australians.⁷

In Chapter 1 of this report, Professor Peter Saunders finds that deprivation (using the SPRC surveys) is highest among sole-parent households, and deprivation was pronounced in items that provide protection against future risks related to poor health and unforeseen circumstances (for example, dental treatment or emergency funds). He also finds that only about 40 per cent of those below the poverty line are considered deprived.

A third methodology, the social exclusion/inclusion approach, is generally seen as multidimensional, with concepts based on the capability⁸ and deprivation approaches. It captures social inclusion as having the resources; having opportunities and capabilities to work, learn and engage; and having a voice in society.⁹

One such example is the Social Exclusion Monitor (SEM) by the Melbourne Institute and the Brotherhood of St Laurence.¹⁰ The SEM captures social exclusion through 30 indicators of disadvantage in seven life domains:

1. Material resources;
2. Employment;
3. Education and skills;
4. Health and disability;
5. Social connection;
6. Community; and
7. Personal safety.

The SEM finds that about five per cent of Australians faced deep social exclusion and a further one per cent faced very deep social exclusion in 2012,¹¹ amounting to almost one million people, or about 39 per cent of those living below the poverty line, echoing the findings of SPRC's deprivation approach.

How persistent is disadvantage?

Using the social exclusion and deprivation approaches, it appears that about four to six per cent of the population suffers from severe disadvantage. However, this does not reveal much about the extent of entrenched disadvantage.

In Chapter 2 of this report, Dr Francisco Azpitarte and Dr Eve Bodsworth use the income approach to poverty (60 per cent of median income) and a multidimensional approach based on the social exclusion method to explore the dynamics of poverty/disadvantage, using 12 years of data (2001–2012) collected in the Household Income and Labour Dynamics (HILDA) Survey.

They find evidence of the persistence and of the risk of chronic poverty:

- About a quarter of the people who manage to exit poverty have returned to being poor within two years; and
- About 12 to 15 per cent of poor households are still poor 11 years later.

They also find that individuals with a high risk of facing long-term disadvantage fall into the following categories:

- Those with low education attainment, including those who did not complete high school;
- Indigenous Australians;

- Households with someone living with a long-term health problem or disability;
- Those aged 65 and over;
- Jobless households; and
- Those living in disadvantaged areas.

It is important to note that having the above characteristics does not *cause* entrenched disadvantage. What the characteristics show is that there is a high prevalence of disadvantaged people among those groups, and that their risk of remaining in or re-entering a disadvantage spell is high.

While all categories of disadvantage are important, this study focuses on three particular aspects:

1. Education attainment;
2. Indigenous disadvantage; and
3. Mental illness.

Education attainment

There is evidence that the cycle of disadvantage begins early in life and that education is crucial to improving equality of opportunity for all Australians.¹² Numerous factors affect children’s development, including their educational outcomes, including: personal characteristics, such as intelligence; home environment and parent engagement; the learning institutions attended; attitudes and aspirations, including those of peers; and location and availability of socioeconomic resources.¹³ Addressing the factors influencing education attainment is a crucial step in addressing or minimising the risk of entrenched disadvantage.

In Chapter 3, Anne Hampshire discusses a successful early intervention strategy pursued by The Smith Family to help break the cycle of disadvantage. Learning for Life is a scholarship program of early intervention that aims to support children to achieve educationally and then to transition successfully to post-school work or further education. The policy works – about 80 per cent of students who left the program in Years 10, 11 or 12 were engaged in employment, education or training a year after leaving it, while the majority of the remaining 20 per cent were looking for paid work. The program’s success is underpinned by parent engagement and helping to address the differences in learning environments between those with good education outcomes and those without. The program also helps children develop pro-learning concepts and improve their educational aspirations.

“Any policy that aims to address disadvantage through improved education attainment should address the underlying drivers and take a long-term view. Further, policies should be based on evidence and on programs for which there is ongoing longitudinal evaluation.”

To be effective, any early intervention policy, or indeed, any policy that aims to address disadvantage through improved education attainment, should address the underlying drivers and take a long-term view. Further, policies should be based on evidence and on programs for which there is ongoing longitudinal evaluation. There is a role for the Government to evaluate current programs to ensure they are effective not only in improving education attainment, but also that they have a lasting effect, for example, through improved employment participation. Programs should also be subject to ongoing evaluation to ensure they remain relevant and effective.

Indigenous Australians

The prevalence of deep and very deep social exclusion in Indigenous communities was lower in 2010 than in 2006,¹⁴ findings that are reflected in the SPRC's deprivation approach results.¹⁵ Nevertheless, as discussed by Dr Nicholas Biddle in Chapter 4, Indigenous Australians are still more likely to live in low-income households, more likely to be unemployed, and more likely to remain unemployed than non-Indigenous Australians. Education, location, discrimination, health, disability, labour market discrimination and social norms all play a role in explaining disadvantage with no single factor dominating. The intergenerational nature of the disadvantage compounds this issue, with evidence pointing towards intergenerational transmission of educational disadvantage in particular.

Current Indigenous education policies focus primarily on school attendance rates. While important, policies should also address the other drivers of poor educational outcomes. Policies aimed at early childhood and parents have been successful at breaking the cycle of educational disadvantage. For example, Let's Start Parent-Child Program, delivered by the Menzies School of Health Research, is a successful program for Indigenous parents and their children with challenging behaviours, aimed at helping parents develop the skills to manage their children's behaviour. The program has been successful in reducing problem and risk behaviours at home and at school, with a follow-up evaluation six months after the end of the program showing the results persist.¹⁶

Unfortunately there is evidence of labour market discrimination against Indigenous Australians, that is, wage and employment differentials, which cannot be explained by educational gaps or other factors. One possible explanation for the employment gap is discrimination, whether conscious racism or unconscious bias.¹⁷ The responses in this case are often best left to organisations to ensure they have tools such as unconscious bias awareness programs to address the discrimination.

Australia has a number of policies in place designed to address some of the underlying causes of entrenched disadvantage in Indigenous communities. Income management (policies under which part or all of an income received from the Government is managed by restricting ways in which it can be spent) is one such policy put in place to alleviate welfare dependency and financial stress.

About 90 per cent of those being income managed under the New Income Management policy in the Northern Territory are Indigenous Australians. An evaluation of the policy shows that income management has actually led to an increase in welfare dependency rather than building capacity and independence.¹⁸ The program was proven effective only when very specifically targeted to particular individuals.

The lesson is that any policy aimed at addressing disadvantage in Indigenous communities should be set in collaboration with the communities, must have a long-term focus, and must be reviewed for effectiveness. Policies should be flexible enough to be customisable to the local needs and context. Policies that are seen to impinge on a person's independence must be made on an opt-in basis, carefully targeted and evaluated.

Mental health

Low-income individuals and households tend to have the poorest health outcomes: They are more likely to have higher mortality rates, lower life satisfaction, poor self-assessment of their health, and higher rates of long-term or severe health conditions.¹⁹ Individuals with poor health conditions are less likely to participate fully in the workforce and in some cases, particularly for the more acute and long-term illnesses, there is the additional cost of caring for those who cannot care for themselves.

In Chapter 5 of this report, Professor Lorna Moxham focuses on one aspect of the health debate for which entrenchment is an issue: mental illness. About 30 per cent (the largest group) of those receiving the disability support pension (DSP) are people living with mental health conditions.²⁰ Mental illness (for example, the more common ones such as depression and anxiety and the less common – but more severe – ones such as schizophrenia) can affect a person's ability to interact with the community and with the workforce. Often, mental illness is persistent or permanent. People with mental illness are among the most excluded in society, receive inadequate income, suffer from poor health and premature mortality, have low self-confidence and feel powerless.

Governments past and present have been trying to address the issue for decades, most recently through the Roadmap for National Mental Health Reform and the mental health component of the National Disability Insurance Scheme (NDIS). However, there is room for improvement in policies addressing mental illness, particularly in mental health services utilisation, mental health and peer support workforce, early intervention programs, mental health language, sense of purpose and access to mental health services.

“Mental illness can affect a person’s ability to interact with the community and with the workforce. Often, mental illness is persistent or permanent. People with mental illness are among the most excluded in society, receive inadequate income, and suffer from poor health and premature mortality.”

The capability of the specialist workforce caring for those living with mental illness can be enhanced through better mental health content in university degrees for health professionals or by creating accreditation for mental health specialisations in degrees. As a complement to the health workforce, increasing the amount of peer support workforce (people who are living with or have lived with mental illness) would also improve outcomes for those with mental illness.

Early intervention has been identified as one of the key action areas by the Council of Australian Governments (COAG). Successful early intervention programs in mental health should be in the form of community-based care rather than inpatient care, with the view to keeping people out of hospitals whenever possible. One of our highest priorities should thus be to significantly improve support for the housing arrangements of those living with mental illness. Making use of new technology to help support those living with mental illnesses should also be explored.

An example that encompasses those recommendations is Mind Australia's PARCS²¹ (Prevention and Recovery Care Services), which is a recovery-focused residential service for people who are either leaving acute mental healthcare, or who would benefit from ongoing support to avoid a hospital admission. The service combines clinical treatment and assistance with activities of daily life. It combines treatment with an early focus on recovery that helps reduce the risk of long-term disadvantage. Individuals accessing the service obtain help in various areas, including support to maintain employment and to access more suitable accommodation. The service has been successful in achieving its aim of improving the mental health outcomes of people with severe mental illness and preventing avoidable hospital admissions.

Implementing these mental health reforms and policies would go a long way in addressing the livelihood of people living with mental illness and improving their attachment to and ability to participate in the workforce, thereby addressing their long-term disadvantage.

Policy lessons

While each of the three areas of disadvantage comes with its own challenges and policy implications, this study suggests some overarching perspectives that are applicable to all policies, regardless what aspect of disadvantage is being addressed.

Entrenched disadvantage is a complex and significant problem:

- An estimated four to six per cent of our society experiences chronic or persistent disadvantage. This amounts to about one to 1.5 million Australians;
- Between 12 and 15 per cent of disadvantage spells last more than a decade;
- The longer an individual spends with significant disadvantage, the more likely they are to be stuck in the spell;

- The risk of falling back into a disadvantage spell is highest in the first two years of exiting poverty, affecting about a quarter of people who have exited; and
- Children who grow up in a home with entrenched disadvantage are more likely to face the same problem.

The solutions are not simple. As a starting point, we need to recognise that addressing entrenched disadvantage involves tackling two aspects:

1. Working to lessen disadvantage; and
2. Working to make sure it does not become entrenched.

Policies need to recognise that people who experience entrenched disadvantage are likely to need help to establish a stable domestic base before they can transition successfully into employment.

Policies need to reflect the disparate factors influencing and driving entrenchment of disadvantage, which requires a suite of policies to address the problem, some direct and some intermediated by non-government organisations and similar bodies. The evidence shows us that the persistence aspect of disadvantage is complex – only a small subset experiences poverty spells lasting more than a decade, some are never at risk of long-term disadvantage, while others are at risk of falling in and out of disadvantage through their life course. Understanding those dynamics is important.

To address the persistence of disadvantage, policies should work to ensure that individuals remain out of poverty once they have exited, for example, through the development of life-course or long-term policies to minimise the risk of disadvantage becoming entrenched in high-risk individuals, through early intervention policies to address the problem before it happens or early in the onset of disadvantage, particularly for children at risk of intergenerational disadvantage.

To enable the development of these policies, there should be increased focus on the development of good longitudinal data, including, for example, through the use of administration data held by government departments such as the Department of Social Services. The data could be used for in-depth research to understand the dynamics – for example, length, risk of re-entry and existence of intergenerational nature – of disadvantage.

Finally, to improve the effectiveness of programs, they should be subjected to follow-up and ongoing evaluation to ensure sustained improvement in individuals, using evaluation processes that are sufficient and transparent.

Conclusion

Addressing entrenched disadvantage is an onerous task. Current policies are not working as well as we would hope and despite Australia's relatively good economic performance, our scorecard when it comes to getting people out of the cycle of disadvantage has not been as good. There is a lot more work to do to reduce disadvantage and make sure it does not become entrenched.

To do so would require a suite of policies that are evidence-based, focused on long-term objectives, with the view to address the drivers behind the persistence of entrenched disadvantage, including the need to ensure that individuals have the right environment (such as stable housing) to enable better participation. These policies would be subject to transparent evaluation, including ongoing evaluation to ensure they remain effective and have a long-term impact on individuals.

More research into the dynamics of disadvantage, perhaps through the development of better longitudinal data, is required to develop this suite of policies and to inform good policy. One thing is certain: Entrenched disadvantage is a complex problem and in the absence of appropriate and effective policies, it is not going away. A nation as rich as Australia has no excuse for not doing better – we can, and should, do better not just for the benefit of those who are disadvantaged, but for the benefit of all Australians.

Endnotes

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1. Poverty and social disadvantage: Measurement, evidence and action

Professor Peter Saunders

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This chapter explores the scale and nature of poverty in Australia, considers different approaches to identifying and analysing the issue, and reviews some of the actions that can be taken to address it.

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Professor Peter Saunders was the Director of the Social Policy Research Centre (SPRC) at the University of New South Wales (UNSW) from February 1987 until July 2007, and he now holds a Research Chair in Social Policy within the Centre. His research interests include poverty and social exclusion, economic and social inequality, household needs and living standards, social security reform and comparative social policy.

Professor Saunders was elected a Fellow of the Academy of the Social Sciences in Australia in 1995, was the first President of the Australian Social Policy Association between 2009 and 2012, and is currently the President of the Foundation for International Studies on Social Security (FISS).

Introduction

In most people's minds, poverty is synonymous with social disadvantage and is thus the obvious place to begin any discussion of the topic. To be poor is to be denied the resources required to meet basic needs and thus prevented from realising one's full potential – economically and socially. Poverty researchers estimate poverty by comparing people's incomes with a poverty line that identifies how much income is required to meet their basic needs. This amount will vary with family size – how many adults and children because of differences in their needs and economies of scale – and with housing tenure, which affects housing costs, particularly for homeowners.

Estimated poverty rates provide important information on which groups are most vulnerable and can help highlight some of the underlying causes such as unemployment, sole parenthood and disability. They can help policymakers diagnose the problem and develop effective solutions.

However, the approach has been criticised for its narrow focus on income and because of the arbitrary nature of the poverty line.

Increasingly, poverty and social disadvantage are recognised as fundamentally multidimensional concepts that cannot be easily reduced to (or measured using) a single metric like income (important though it is). Poverty line studies do not capture the actual experience of poverty and are incapable of establishing that those below the poverty line are actually going without. Families can draw on other resources (for example, wealth) to fill an income shortfall, so that not everyone below the poverty line is poor, while some with incomes above the line may

face special needs (for example, relating to disability or living in a remote location) and end up being poor. For these reasons, it is best to think of poverty rates as providing an indirect indication of who is *at risk of poverty* rather than directly capturing the extent of the problem.

How poverty relates to inequality

It is also important to consider how poverty defined in terms of income is related to the broader issue of income inequality. It is often claimed that if poverty is measured in relative terms by setting a poverty line that varies with average living standards – as reflected in the level of median income, for example – then poverty will always exist as long as there is inequality. This is not correct.

Inequality exists when some people have less than (or more than) others, whereas poverty exists when some people have less than they need. It is possible to eliminate poverty without removing all inequality, and while there will always be some at the bottom of the income distribution, there is no law stating that there will always be some below the poverty line. The challenge for those with the power to bring about change is to recognise this reality and address poverty in ways that do not undermine the incentive structures and outcome disparities that encourage the economic activities that generate income in the first place.

Demanding action

Even accepting this, questions arise about why poverty should give rise to social concerns that demand action – generally by government, though often involving others. Whether identified purely in income terms or using other methods, there are several reasons why addressing poverty should be accorded a high priority in any nation's social *and economic* agenda.

First, there are the 'moral imperative' arguments, which see the existence of poverty as undermining claims that society is equitable: To condemn some citizens to live below the poverty line is to force them to face a standard of living that is intrinsically unacceptable, particularly in an affluent country like Australia, which can afford to do better.

Poverty has also been shown to have harmful effects, particularly on children. Whatever one's views about the extent to which adults are poor because of the unwise, or simply bad, choices they have made, these arguments cannot be applied to the children who are innocent victims of the poverty that results. Of even greater concern is the growing body of evidence demonstrating that poverty during childhood can have harmful effects on child development leaving permanent scars that persist into adulthood as poverty is transmitted across generations.¹ Addressing child poverty will thus not only produce positive social benefits in the short term, it will produce positive economic benefits in the longer term as the economic potential that might otherwise not have the opportunity to emerge is released.

Finally, there are concerns that poverty can give rise to social unrest that can threaten overall political stability and undermine the broader social consensus on

which economic prosperity is based. When poverty exists, it presents a threat to everyone. This is because many of the factors that cause it – for example, job loss, disability, marital breakdown, relocation – can affect anyone and unless there is an adequate safety net in place to cushion those affected from the resulting income falls, support for the whole system can be weakened.

Nature of the problem

If society is to address poverty and other forms of social disadvantage, there must be clarity about how these terms are defined and measured. The importance of these issues was highlighted in a recent report from the Productivity Commission, which argued:

“A lack of understanding about disadvantage can contribute to misplaced community concerns. It can also be an impediment to good public policy. Sound policy development should be built on an evidence-based understanding of the nature, depth and persistence of disadvantage and the costs it imposes on individuals and the broader Australian community.”²

Despite this warning, Australian poverty research has been sidelined in the policy debate, which refuses to engage with the issue. This presents a major challenge to research on poverty and other forms of social disadvantage which, if it is to achieve its purpose, must be used to inform better future policy not just to berate the Government about the failings of past and current policy.

The Irish Combat Poverty Agency has defined poverty as follows:

“People are living in poverty if their income and resources (material, cultural and social) are so inadequate as to preclude them from having a standard of living which is regarded as acceptable by Irish society generally.”³

The two key words in this definition are *inadequate* and *acceptable*. The first refers to the adequacy of the resources available and the second to the acceptability of the standard of living achieved. Poverty line studies examine the first of these issues, while deprivation studies focus on the second.

Poverty line approach

A central question within the poverty line approach is to decide where to set the poverty line. This has produced considerable controversy because adequacy is a normative concept that requires a judgement to be made before it can be made operational. The most common judgement now used by poverty researchers in Australia and internationally is to fix the poverty line as a percentage of median income after adjusting for differences in family or household needs. The percentage adopted in Australia and by international agencies like the Organisation for Economic Co-operation and Development (OECD) is 50 per cent, although the higher figure of 60 per cent is now used by the European Union (EU) and in most EU countries.

Deprivation approach

Thus far, the focus of the discussion has been on poverty, defined and measured as a lack of income. Reflecting the weaknesses in this approach, an alternative has developed over the last three decades that builds on the work of British sociologist Professor Peter Townsend. Deprivation can be thought of as a consequence of poverty or as a way of identifying poverty that involves establishing whether people's living standards are consistent with prevailing community norms of acceptability. It does this in three stages:

1. People are asked to indicate whether they think certain basic items are necessary or essential for everyone – things that no one in Australia should have to go without today;
2. Those items regarded essential by a majority in the community – the necessities of life – are then identified and people are asked whether they have each item and, if they do not, whether this is because they cannot afford it or because they don't want it;
3. Deprivation is then defined to exist when people do not have and cannot afford items that a majority think are essential for everyone. The extent of deprivation can be measured as the percentage that is deprived of a minimum number of essential items (equivalent to the poverty rate), or by simply adding up the number of deprivations into a summary score and comparing it between groups and over time.

The deprivation approach seeks to identify directly who cannot afford basic necessities and are thus forced to endure an unacceptable standard of living. The benchmark for acceptability is set by a majority of members of the community, not by expert researchers, bureaucrats or political decision-makers. These features make the deprivation approach more closely aligned with the experience of poverty, and with prevailing community norms and notions of acceptability. The use of a majority rule to identify basic necessities can be defended on the grounds that this is a widely accepted way of making social choices in circumstances in which individual views differ.

“The deprivation approach seeks to identify directly who cannot afford basic necessities and are thus forced to endure an unacceptable standard of living. The benchmark for acceptability is set by a majority of members of the community, not by expert researchers, bureaucrats or political decision-makers.”

Deprivation is becoming incorporated into new poverty measures used by a range of international organisations including the OECD and the United Nations Children's Fund (UNICEF), whose important and influential work on child poverty now includes a measure of deprivation, defined as the percentage of children who are lacking at least two out of 14 items considered “normal and necessary for a child in an economically advanced country”.⁴

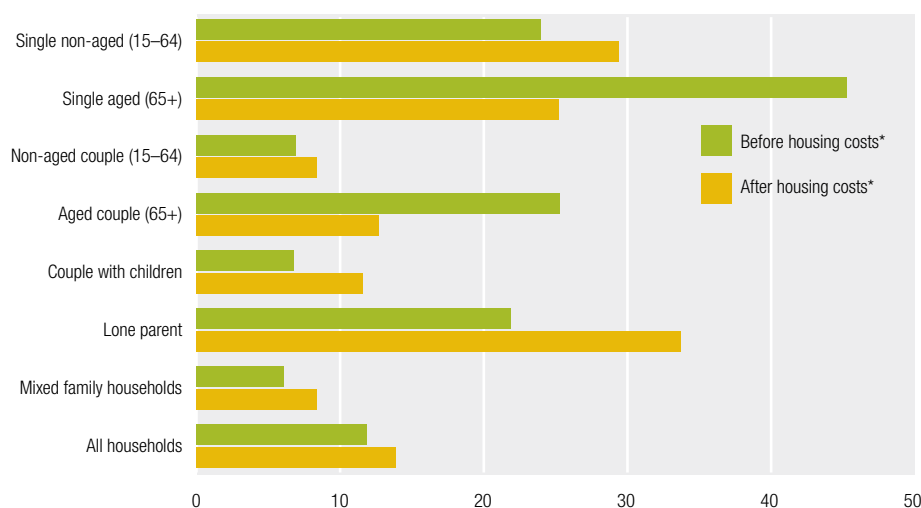
In a similar vein, the Multidimensional Poverty Index (MPI) recently introduced by the United Nations Development Programme (UNDP) “identifies overlapping deprivations suffered by households in health, education and living standards”.⁵

The emerging importance of the concept of deprivation is part of a broader recognition that concepts like poverty and social disadvantage are multidimensional and that measures should reflect this reality. This trend explains the growing influence of the deprivation approach, particularly in Europe where countries like the United Kingdom and Ireland that have adopted official poverty reduction targets base them (and their assessment of progress) on a combination of income poverty rates and deprivation measures.

The deprivation approach is relatively new in Australia although it was canvassed by the (then) Department of Social Security (DSS) in the mid-1990s as a possible alternative to a poverty line approach.⁶ The method has been applied in Australia recently by the current author with colleagues and some of the main findings are presented later.

Scale of the problem: Poverty

FIGURE 1
ESTIMATED INCOME POVERTY RATES (2011–12)



*Based on the latest (2007–08) income measure.
Source: Australian Bureau of Statistics, *Survey of Income and Housing 2011–12*; confidentialised unit record file.

Figure 1 shows poverty rates for different family types in 2011–12, the latest year for which the required data are currently available. Estimates are presented both before housing costs (BHC) and after housing costs (AHC), as this highlights the role of homeownership, which reduces housing costs once the mortgage is repaid, leaving more income to meet other needs.

On a BHC basis, the national poverty rate of 11.9 per cent implies that 2.19 million Australians were living below the poverty line in 2011–12, of which 363,000 were children aged under 15. Poverty is highest among older people, particularly single older people, followed by single people of working age (15–64) and sole-parent families.

When account is taken of housing costs, the poverty rate rises to 13.9 per cent even though the poverty line itself is lower (because it is now equal to 50 per cent of the median value of income minus housing costs). This reflects the fact that those with low to modest incomes tend to have higher housing costs. This drags some who were originally above the poverty line below it when the AHC measure is used. On this basis, there were more than 2.5 million Australians in poverty in 2011–12, of which over 600,000 were children.

The family profile of poverty also changes markedly, with older people now facing lower poverty rates because many of them own their own homes outright. Although poverty remains high among single older people, many of those who are poor are only just so because their incomes (predominantly the Age Pension) place them just below the poverty line. Poverty is now highest among sole-parent families and working age single people, both of which face poverty rates that are more than twice the national rate.

“Although poverty remains high among single older people, many of those who are poor are only just so because their incomes (predominantly the Age Pension) place them just below the poverty line.”

Has poverty been getting worse?

This question is difficult to answer with certainty because of changes in how the Australian Bureau of Statistics (ABS) surveys collect the required data on household incomes, and because of measurement changes that have improved data quality. However, a study by the Melbourne Institute’s Roger Wilkins⁷, which uses the same approach as that used (for BHC) in Figure 1, shows that poverty increased modestly over the 1980s from an initial level of around 11 per cent in 1982, then declined in the first half of the 1990s before rising again to almost 13 per cent by 2002. Since then, estimates produced by the author and colleagues show that poverty before and after housing costs increased after 2003–04, reaching a peak in 2007–08 before falling back slightly between then and 2011–12.

How Australia compares internationally

Data comparability is an issue, although the most recent estimates produced by the OECD (using the same approach, but only on a BHC basis) show that in 2012, the Australian poverty rate of around 13 per cent was above the OECD average for 33 countries of 12 per cent.⁸

In terms of overall performance, Australia ranked 25th overall, with only nine countries having a higher poverty rate, among them Korea, Japan, Chile, Mexico, Spain and Greece, as well as the United States – a notoriously bad performer when it comes to addressing poverty.

Scale of the problem: Deprivation

The deprivation estimates shown in Table 1 are based on two national surveys, conducted by the Social Policy Research Centre (SPRC) in 2006 and 2010.⁹ Both surveys were much smaller than the ABS survey used to generate the estimates in Figure 1, but the findings are significant because they represent the first attempt to measure the extent and nature of deprivation in Australia. They are based on 25 ‘necessities of life’ that were identified in both surveys as essential for all Australians.

The list includes such items as:

- A substantial meal at least once a day;
- Access to medical treatment if needed;
- A decent and secure home;
- Secure locks on doors and windows;
- Home contents insurance;
- Ability to buy medications prescribed by a doctor;
- A separate bed for each child;
- Ability for children to participate in school outings and activities; and
- Regular social contact with other people.

The number of these items that each survey respondent did not have and could not afford was identified and summed to give the deprivation score for that household. These scores were then averaged across household types to produce the estimates shown in Table 1. To minimise any sample response bias, the estimates have been weighted by age using ABS population data.

TABLE 1
RECENT CHANGES IN DEPRIVATION BY FAMILY TYPE (WEIGHTED PERCENTAGES)

Family type	2006*		2010**	
	Absolute	Relative	Absolute	Relative
Single working age	2.26	1.58	1.52	1.17
Single older person***	1.19	0.83	0.79	0.61
Working age couple no children	0.90	0.63	0.97	0.75
Older couple***	0.51	0.36	0.45	0.35
Working age couple with children	1.29	0.90	1.30	1.00
Sole parent	3.61	2.52	2.94	2.26
Mixed family households	2.36	1.65	1.73	1.33
All households	1.43	1.00	1.30	1.00

* 2589 respondents

** 2574 respondents

*** Single older people are those aged 65 or over; older couples are those where the respondent is aged 65 or over.

Deprivation scores are shown in both raw form and expressed relative to the overall national score to make it easier to draw comparisons. In both years, deprivation is highest among sole-parent households followed by single working age people and then mixed (multiple generation families or group) households. Older people, particularly couples, now show up as faring better than most other groups in both years, experiencing below average levels of deprivation.

When it comes to the most common forms of deprivation, results for both years are similar so only those for 2010 are discussed. In that year, deprivation was highest in relation to the following six items (incidence rates shown in brackets):

- A week's holiday away from home each year (19.8 per cent);
- Up to \$500 in savings for an emergency (17.8 per cent);
- Dental treatment if needed (13.1 per cent);
- Home contents insurance (9.5 per cent);
- Comprehensive motor vehicle insurance (9.1 per cent); and
- An annual dental check-up for children (8.0 per cent).

In all but the first case, these items represent forms of protection against risks in relation to poor health, accidents or other unforeseen events.

The fact that almost one-fifth of all Australians do not have a modest amount of savings for use in an emergency highlights the vulnerability facing many people. In these circumstances, a minor bump in the car or a fridge that breaks down can be the difference between making ends meet and falling into poverty. Other essential items were less often a cause of deprivation but when they were, they highlight the deep pockets of disadvantage that still exist: that many Australians are unable to afford to buy medicines prescribed by a doctor (3.5 per cent), have a substantial meal at least once a day (0.9 per cent) or have a separate bed for each child (2.1 per cent) is a telling indictment of our failure to eradicate some of the most invidious forms of poverty.

When people are compared in terms of their deprivation and poverty status, the overlap between the two groups is relatively low, with only around 40 per cent of those with incomes below the poverty line being deprived of at least three of the 25 identified essential items. This is an important finding because it indicates that how social disadvantage is identified and measured affects not only the severity of the problem but also who is most affected by it. It also shows how measurement can affect our understanding of the nature of the problem of social disadvantage, and influence what kinds of actions are needed to address it.

“The fact that almost one-fifth of all Australians do not have a modest amount of savings for use in an emergency highlights the vulnerability facing many people. In these circumstances, a minor bump in the car or a fridge that breaks down can be the difference between making ends meet and falling into poverty.”

Implications

Despite the misgivings over the robustness and objectivity of estimated poverty rates, a lack of income is a core component of social disadvantage preventing people from functioning fully and effectively in society. Providing people with access to an income that is adequate to meet their immediate and developmental needs is thus a critical element of any anti-poverty strategy.

It is, however, also clear from the results that not all groups are equally protected from poverty or deprivation and that, in overall terms, Australian poverty exceeds that in many other OECD countries. In 2010, for example, OECD estimates indicate that the child poverty rate in Australia was higher than that in 25 (out of 40) high-income countries at around 15 per cent – two percentage points above the OECD average.¹⁰ This might seem like a small difference, but it implies that around 85,000 children would be moved out of poverty if Australia raised its game to match the OECD average.

For most people, income is accessed through the labour market or from savings accumulated while earning. For those who cannot compete in this arena, income takes the form of cash transfers from others – primarily from government, although intra-household transfers also play an important income support role at certain stages of the life cycle, and support from welfare agencies can be critical in times of urgent need. It follows that there are two broad strategies for addressing poverty:

1. An employment strategy that seeks to get more people into jobs; and
2. A benefit strategy that raises the benefits paid to those out of work.

These are not alternatives; both are important. However, recent Australian governments have emphasised the former and shown great reluctance to address (or even acknowledge) the latter. This is evident in the long running (and bi-partisan) failure to adequately index Newstart Allowance (NSA) – the main benefit paid to the unemployed.¹¹ As a consequence of this failure, the maximum single rate of NSA (including rent assistance) has fallen below 40 per cent of median income – well below the accepted international adequacy benchmark of 50 per cent implicit in the poverty line. Raising NSA to this benchmark would do much to reduce poverty among single working age people, but the change should be accompanied by investing in the human capital of the unemployed (and others on benefits) through training programs that increase their employability while meeting the skills shortage and other needs of employers.

Motivating the unemployed – particularly the long-term unemployed – is also critical. This requires an approach focused on employment outcomes but recognising the importance of benefit adequacy and the grim realities of life below the poverty line. Given the complex and often deep-seated problems facing many long-term

“Motivating the unemployed – particularly the long-term unemployed – is also critical. This requires an approach focused on employment outcomes but recognising the importance of benefit adequacy and the grim realities of life below the poverty line.”

benefits recipients, any such program must be appropriately resourced and long term in its focus and outlook. The barriers facing many of the unemployed have often taken years to develop and will not be removed overnight. When welfare reform recognises the need for human capital investment linked to positive job outcomes, the case for applying stringent conditionality tests on the receipt of unemployment benefits becomes stronger and more likely to generate greater support from the community, and from the unemployed themselves.

While better income support is the cornerstone of any serious attack on social disadvantage, it must be accompanied by a series of other measures, some of which are highlighted by the results presented earlier. It is apparent, for example, that homeownership plays an important poverty alleviation role for many older Australians, but it often imposes high costs on working families in the early years of their mortgage.

“While better income support is the cornerstone of any serious attack on social disadvantage, it must be accompanied by a series of other measures ... It is apparent, for example, that homeownership plays an important poverty alleviation role for many older Australians.”

How sustainable is this approach? Increasingly, younger people are finding it harder to access affordable housing (purchased or rented) and this has the potential to undermine the homeownership ethos on which the current system relies. Housing subsidies can play a role in reversing this trend but only if the benefits are not captured by existing homeowners and/or real estate developers/landlords. Social housing still forms a very small part of the Australian housing market and there is capacity to expand this in ways that will benefit those who are currently most disadvantaged.

This presents policymakers with a challenge that involves tackling existing stereotyping of public housing as a drain on public budgets and a factor contributing to locational disadvantage and social exclusion. These features are a direct result of assigning the limited number of places to those most in need, creating ‘welfare ghettos’ that are often geographically isolated, disconnected from local labour markets and stigmatised.

What is needed to overcome the ‘silo of public housing’, according to a recent report prepared for the Australian Housing and Urban Research Institute (AHURI), is a concerted effort to develop a case for better public housing that assists “not only with housing need but also with the integrated domains of public responsibility that are connected to it: mental health services, homelessness, education and health”.¹² This highlights the need for a multipronged approach consistent with the multidimensional nature of the forms of social disadvantage that currently exist.

Some of the factors contributing to deprivation also need to be addressed directly, including providing people with better access to key services such as healthcare, pharmaceuticals and dental care. These schemes serve the needs of most people fairly well, but those that fall through the gaps have no option but to go without treatments that are often urgently needed. Unnecessarily prolonged illness or neglected dental problems are barriers to employment that better incomes alone will not solve – the gaps in the service provision nets need to be mended. Families that cannot afford to have a week’s holiday away or to have

regular social contact with others face the prospect of being socially excluded and this can undermine confidence and have negative consequences for their economic participation.

Australia always ranks well on the international league tables of community well-being, lifestyle and satisfaction, but these are national averages that conceal the pockets of poverty and deprivation that exist. We should take pride in our overall achievements and in the fact that they are available to all. This is the essence of what it means to make a reality of the 'fair go'. Most Australians have a deep sense of fairness and resist moves that threaten past achievements – whether in relation to workplace change, welfare reform, access to medical care or the treatment of marginal groups. We are a rich country with the resources to address these problems, but we first need to acknowledge that such problems exist and do our best to understand them. Action is needed to address social disadvantage and to provide all Australians with the ability to realise their full potential and contribute to the nation's future economic prosperity.

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2. Persistent disadvantage: A duration analysis based on HILDA data

Dr Francisco Azpitarte
Dr Eve Bodsworth

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This chapter uses Household, Income and Labour Dynamics
in Australia (HILDA) data to determine whether the risk of
staying poor increases the longer a person remains in poverty.
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service delivery.

Dr Bodsworth is also interested in the experiences of service users. Her doctoral research examined how single mothers make choices about work, family and income support in the context of Australian welfare to work policy.

Introduction

Despite relative affluence, poverty continues to be a problem in Australia. Yet how we define and measure poverty has significant implications – for political debates, policy design *and* academic research.

Traditional approaches to poverty research tend to use a narrow definition based on income, and they measure the extent of poverty using a static or 'point-in-time' approach. This chapter provides new insights into describing and understanding poverty in Australia by using a dynamic approach to poverty measurement and a broader, multidimensional definition of poverty.

Consistent with similar research, we find that although poverty is relatively short-lived for many Australians, there are certain socioeconomic groups for whom poverty is a persistent phenomenon. Drawing on 12 waves of Household, Income and Labour Dynamics in Australia (HILDA) data, we show that the risk of staying poor increases the longer a person remains in poverty, while the risk of returning to poverty declines with the time spent out of it. We also point to key socioeconomic factors that:

- Decrease the likelihood of exiting poverty; and
- Increase the likelihood of re-entering poverty after an exit;

In doing so, we identify key high-risk individual, household and place-based characteristics:

- Individuals aged over 65 and the long-term unemployed;
- People living in ‘jobless’ households or a household with a person with a disability; and
- People living in areas of high socioeconomic disadvantage.

We find these groups are at higher risk of chronic poverty for two reasons:

1. Once in poverty, they are less likely than other groups to exit from poverty; and
2. These groups are more likely to return to poverty soon after an exit, increasing the amount of time they spend in poverty.

These findings provide an important mapping of the factors associated with chronic poverty, providing valuable directions where future research and policy development should be targeted.

Why explore the dynamics of poverty?

A dynamics approach to poverty research presents a “dramatically more comprehensive” understanding of poverty than point-in-time studies.¹ While point-in-time studies can provide a snapshot view of poverty in a particular population at a given time, this approach risks presenting the poor as an homogenous and unchanging group distinct from the non-poor.

In contrast, a dynamic approach draws on a sample that traces the same individuals or households over time. This enables an understanding of the duration of poverty and the likelihood of particular groups entering or exiting poverty. It also enables a distinction between different experiences of poverty:

- Those who never experience it;
- Those who have a one-off or transitory experience;
- Those who experience recurrent poverty; and
- Those who experience chronic or persistent poverty.²

Such distinctions are crucial for understanding poverty and shedding light on questions of culture, dependency and targeted policy responses, particularly in light of consistent findings that the majority of people who experience poverty do so for a short time.³

In identifying groups most likely to remain in poverty or return to poverty, dynamics research can provide important insights for policymakers seeking to target interventions to those most in need and to create preventative measures to ensure that those most at risk do not enter poverty at all.

This chapter analyses the dynamics of poverty using two different definitions of poverty:

1. A narrow, income-based conception of poverty; and
2. A multidimensional approach.

The latter definition recognises that the extent, nature, causes and consequences of poverty and disadvantage cannot be understood merely by looking to the cash incomes of individuals' households. In reality, experiences of disadvantage or poverty involve many aspects of people's lives and are influenced by the values and priorities of the society in which it is experienced. It may involve the extent to which individuals have real opportunities to participate, or who are economically and socially excluded.⁴

Previous research

While a dynamic approach to poverty has been used overseas for some time⁵, there are relatively few studies using this approach in Australia. Australian policy-makers have been slow to realise the potential of this approach to inform policy design.

A small number of previous studies exist, all drawing on earlier waves of HILDA data. Early research using the first three waves of HILDA data identified that roughly four per cent of Australians were poor across all three years based on an income poverty definition of household disposable income of less than 50 per cent of the median.⁶ Saunders and Bradford⁷ had similar findings; however, given the relative newness of the HILDA survey, the authors acknowledged it was still too early to know whether those who escape poverty do so permanently, or whether they slip back or oscillate on its margins, with the risk of poverty a constant threat.

Research conducted in 2008 using the first five waves of the HILDA survey using the same definition of income poverty as the earlier studies found that approximately 4.5 per cent of the population was poor for two of five years and one per cent remained in poverty from 2001 to 2005.⁸ They also found that income-poor individuals were more likely to live in a household headed by a female, an early school leaver, a person from a non-English speaking background, a person with a disability or a person working part-time.

Rodgers and Rodgers⁹ draw on data from six waves of HILDA to examine chronic and transitory income poverty (using different measures of income poverty). They find that 8.4 per cent of the population is chronically poor (poor in at least four out of six years, using a poverty line equal to 50 per cent of the median) and that around half the people who were poor in a given year were chronically poor. These findings varied according to the definition of income poverty adopted.

Data sources and definitions

This chapter analyses data from the first 12 waves of the HILDA Survey. HILDA is a nationally representative survey that collects detailed longitudinal information about the Australian population. This makes it particularly suitable for the analysis of poverty dynamics.

The HILDA survey began in 2001 with a sample of 7682 households containing 19,914 people. The households and their members are followed over time so that every year detailed socioeconomic information is collected from all members above 15 years of age.¹⁰

Spells of poverty and non-poverty

This analysis draws on a pooled sample of the data consisting of 175,884 person-year observations (i.e. number of years interviewed per person) corresponding to 29,269¹¹ individuals interviewed between one and 12 times between 2001 and 2012. We use this data to construct samples of poverty and non-poverty spells that individuals experienced over that period. We define poverty and non-poverty spells as a sequence of consecutive periods in which the individual is observed in or out of poverty. Given that data is collected annually, a year is the reference period for the analysis.

One problem with considering spells of poverty and non-poverty arises due to the fact that when some individuals joined the panel, they were already experiencing a spell of poverty or non-poverty. We therefore consider two samples of spells. The first sample includes all spells regardless of whether the start of the spell is observed and the second includes only new spells (those that started during the sampling period).

Other researchers have observed that the former approach may cause an important bias in the expected length of spells and the effect of covariates because those spells that were already ongoing before the start of the sampling period are likely to be atypically long.¹²

“The HILDA survey began in 2001 with a sample of 7682 households containing 19,914 people. The households and their members are followed over time so that every year detailed socioeconomic information is collected from all members above 15 years of age.”

Poverty measurement

Two different approaches to measuring poverty are used for the analysis.

The first approach defines poverty in relation to income. We assume an individual's income is a function of the total income of the household to which they belong.¹³ To define income poverty, we assume that in any given year an individual is poor if his or her income is below 60 per cent of the median equivalent disposable household income of that year.¹⁴

The second approach uses a multidimensional measurement of poverty. This approach is based on a framework recently developed by the University of Melbourne and the Brotherhood of St Laurence to measure deprivation in Australia. The approach recognises that experiences of disadvantage are broader than income poverty. This is consistent with Sen's notion of capability deprivation.¹⁵

This framework aims to capture the extent to which individuals are able to fully participate in social and economic life based on 21 indicators from seven domains:

1. Material resources;
2. Employment;
3. Education and skills;
4. Health and disability;
5. Social;
6. Community; and
7. Personal safety.

A summary measure of poverty is derived from these indicators using a sum-score method.¹⁶ It takes values in the interval $[0,7]$ where 0 corresponds to the highest level of deprivation.¹⁷ As in the case of income, we assume that an individual's level of multidimensional poverty is also determined at the household level. Each individual is assigned the average level of poverty of the household using levels of deprivation of household members. Unlike income poverty, there is no official threshold to identify those who are poor according the multidimensional measure.

For the present analysis we will use a threshold equal to one. This is the value used to identify social exclusion in the *Social exclusion monitor bulletin* run by the University of Melbourne and the Brotherhood of St Laurence.¹⁸

“The second approach uses a multidimensional measurement of poverty. The approach recognises that experiences of disadvantage are broader than income poverty.”

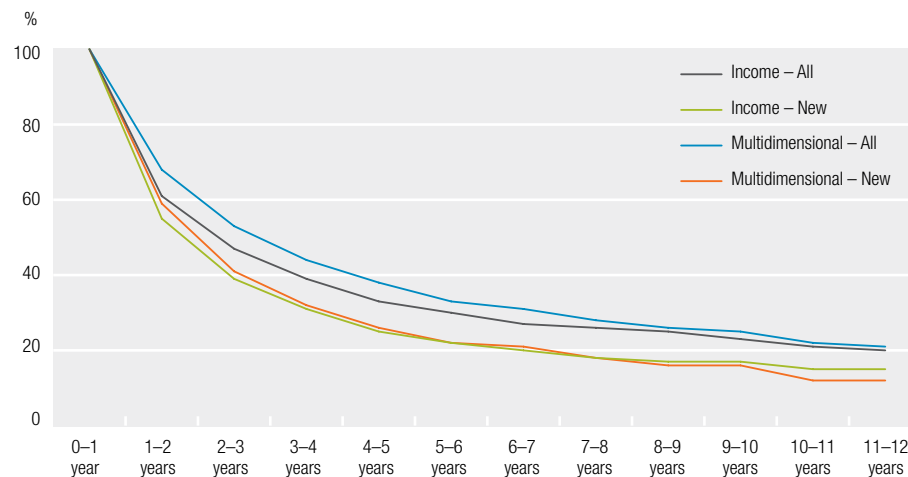
Dynamics of poverty and non-poverty spells

Empirical survival and hazard functions

The analysis initially sought to look at two aspects of the dynamics of poverty related to the duration of poverty and non-poverty spells:

1. The likelihood that a particular spell lasts beyond a specific time (i.e. survival rate); and
2. The rate at which spells finish after a given period (i.e. hazard rate).¹⁹

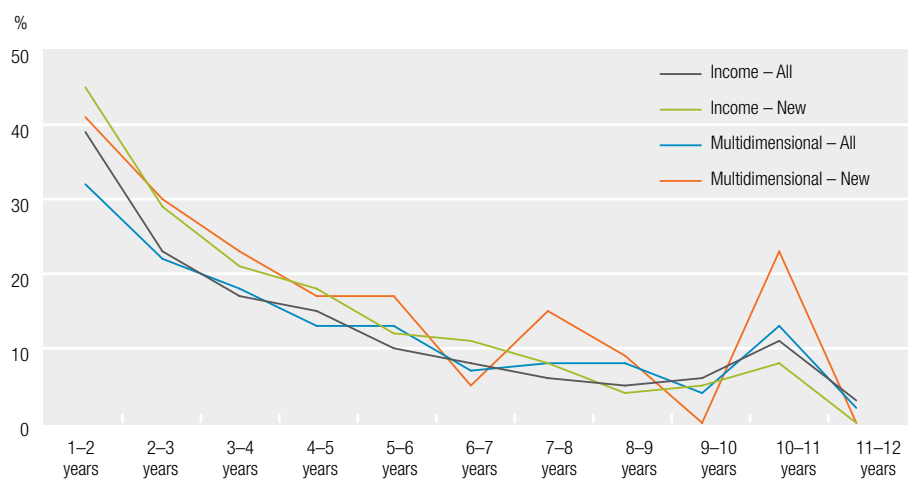
FIGURE 1
SURVIVAL RATES OF POVERTY



Note: Survival rates computed using the all and new samples of spells. The category all includes all spells regardless of whether the start of the spell is observed or not. New spells are those whose start is observed in the data excluding, therefore, all the spells that were already in progress when the individual joined the panel.

Source: Authors' calculations based on HILDA data.

FIGURE 2
HAZARD RATES OF POVERTY



Note: Hazard rates computed using the all and new samples of spells. The category all includes all spells regardless of whether the start of the spell is observed or not. New spells are those whose start is observed in the data excluding, therefore, all the spells that were already in progress when the individual joined the panel.

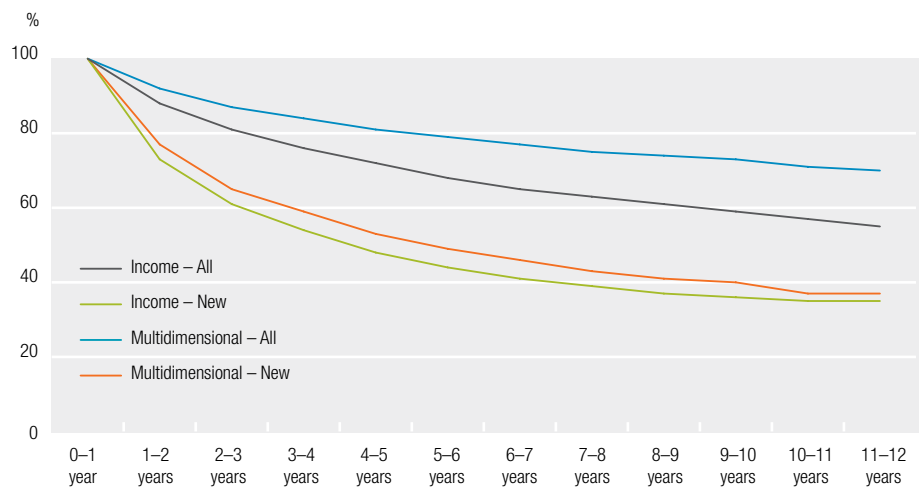
Source: Authors' calculations based on HILDA data.

The survival rates shown in Figure 1 indicate that a significant proportion of poverty spells are exited within the first two years. Based on the sample of new spells, it is estimated that more than 40 per cent of the spells conclude before the end of the second year regardless of the definition of poverty adopted. However, our results also show that there are groups in Australia for which poverty seems to be a permanent condition. In fact, we find that about 15 and 12 per cent of both income and multidimensional poverty spells, respectively, are still in progress after 11 years. Our estimates clearly suggest negative duration dependence: the longer a person spends in poverty, the less likely they are to exit. For both income and multidimensional poverty, the exit rate in the second year is around 40 per cent. This probability steeply declines with the time individuals remained in poverty. The exit rate after three years in poverty is below 20 per cent and after that it continues to fall so that the exit rate for those who remain more than seven years in poverty is generally below 10 per cent.

“Our estimates clearly suggest negative duration dependence: the longer a person spends in poverty, the less likely they are to exit. For both income and multidimensional poverty, the exit rate in the second year is around 40 per cent.”

Comparison of hazard rates (refer to Figure 2) using the sample of all spells with the sample including only new spells demonstrates the problem of bias using the former approach. Larger hazard rates for both income and multidimensional poverty can be observed based on the sample of new spells than those derived using the sample of all spells due to the bias effect observed by Heckman and Singer.²⁰

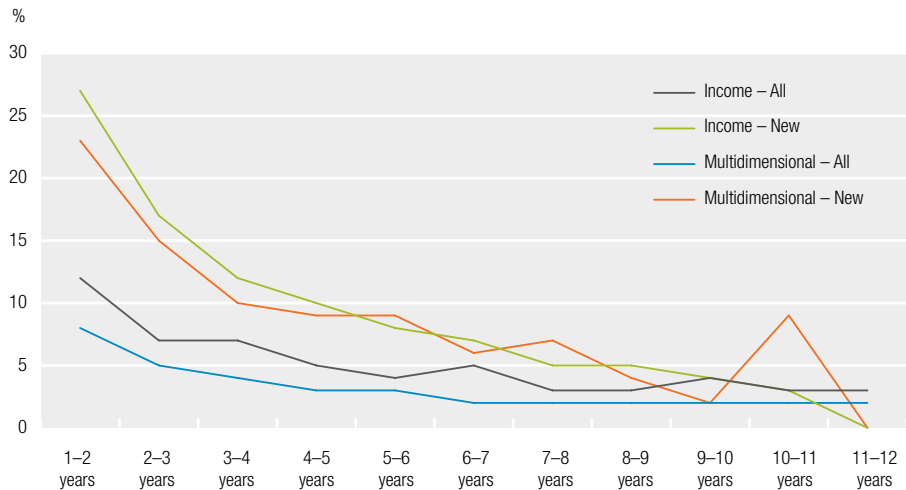
FIGURE 3
SURVIVAL RATES OF NON-POVERTY



Note: Survival rates computed using the all and new samples of spells. The category all includes all spells regardless of whether the start of the spell is observed or not. New spells are those whose start is observed in the data excluding, therefore, all the spells that were already in progress when the individual joined the panel.

Source: Authors' calculations based on HILDA data.

FIGURE 4
HAZARD RATES OF NON-POVERTY



Note: Hazard rates computed using the all and new samples of spells. The category all includes all spells regardless of whether the start of the spell is observed or not. New spells are those whose start is observed in the data excluding, therefore, all the spells that were already in progress when the individual joined the panel.

Source: Authors' calculations based on HILDA data.

The analysis of non-poverty spells (refer to Figure 3) suggests the existence of significant poverty recurrence. Using information from the sample of new spells, we find that about 27 and 23 per cent of those who exit from income or multidimensional poverty, respectively, return to poverty between one and two years after exit. Estimates of the survival function also indicate that an important proportion of the exits from poverty observed in the data lead to relatively long periods out of poverty. In fact, more than 35 per cent of those who exited do not return to poverty within the first 11 years. The time individuals spend out of poverty after an exit influences the probability of falling back into it. Indeed we find evidence of negative duration dependence as the risk of returning to poverty declines with the time spent out of it.

Estimates of the hazard functions (refer to Figure 4) based on new spells suggest that the re-entry hazard rate between years one and two for income and multidimensional poverty is 27 and 23 per cent, respectively. This hazard rate falls to below 10 per cent after being four years out of poverty. This highlights the importance of remaining out of poverty for reducing the risk of falling back into it.

Modelling time in and out of poverty

The empirical hazard and survival functions discussed in the previous section relate to the whole sample population. They therefore provide little insight into the variability of spell lengths across groups or the impact of particular characteristics on the duration of poverty and non-poverty episodes, including:

- Individual characteristics, such as sex, age, educational attainment, whether born in an English-speaking country, current labour market status and employment experience;

- Household characteristics, including family type, housing tenure, presence of someone with a disability or poor health²¹ and whether any member of working age in the household has a job²²; and
- Place characteristics, including the unemployment rate of the statistical area and level of social and economic disadvantage or advantage of the area in which the person lives.²³

To study these issues, we use duration models where the poverty exit and re-entry hazard rates are expressed as a function of the duration of the spell and other relevant socioeconomic characteristics.

Model

Given the interval-censored nature of our data, we estimate a complementary log-log model²⁴ of the hazard function with the following parametric form:

$$h(t,X) = \theta(t) + \beta'X + \epsilon, \quad (1)$$

In this form:

- $h(t,X)$ is the hazard function;
- $\theta(t)$ and β are the vector of parameters that capture the effect of duration and socioeconomic covariates of the hazard rate; and
- ϵ is a random variable used to account for unobserved heterogeneity, which is assumed to be distributed according to a gamma distribution.

To assess the impact of time and socioeconomic characteristics on the probability of moving out of poverty, we estimate model (1) using the sample of poverty spells, whereas the impact of those variables of the risk of re-entry is estimated using information on non-poverty spells.²⁵

For the regressions, we model the duration of spells using a set of duration-interval dummy variables that includes one for each of the first five years and one for durations of six years or more. The matrix of covariates X includes multiple socioeconomic variables expected to influence poverty and non-poverty transitions.

Findings

It was found that the following factors influence poverty exit and re-entry:

1. **Age:** Table 1 shows the estimation results for the poverty exit and re-entry hazards for both the income and the multidimensional measures of disadvantage. Our estimates based on poverty spells show that the probability of moving out of poverty is not the same for all age groups. In particular, people aged 65 and over are less likely to exit poverty than other groups. The hazard rates for this group are only 68 and 69 per cent of the hazard rate for those aged between 35 and 44. Older people are also more likely to return to poverty soon after an exit. In fact, there is a clear age gradient with the risk of re-entry increasing as individuals age. The re-entry hazard rates for income and multidimensional poverty for those who are 65 and over are 44 and 18 per cent larger, respectively, than those of the reference group.

2. Education and employment: Individuals' educational attainment and engagement in the labour market affect the chances of moving out of poverty and the risk of falling back into it after exit. Highly educated groups have larger exit hazard rates and lower re-entry rates than the reference group. The opposite is true for those with low levels of education (Year 11 or below). Compared with other groups, long-term unemployed have longer episodes of income and multidimensional poverty. The exit hazard rates for this group are only 40 and 64 per cent of the hazard rate for those who are full-time employed. The long-term unemployed also have a greater chance of re-entering poverty after exit as suggested by the large values of the hazard ratio for both income and multidimensional poverty of 2.4 and 2.5 respectively.

3. Household characteristics: Household characteristics also play an important role in explaining the dynamics of poverty and non-poverty spells. In particular, being part of a household where no member of working age is working or a household where at least one member has some disability or long-term health condition significantly affects both the probability of exit and re-entry. For instance, the exit hazard rate in the case of income poverty for those living in a jobless household is just 70 per cent of that of non-jobless households. This group is also at higher risk of falling back into poverty after an exit: the hazard rates of re-entry for income and multidimensional poverty are, respectively, 78 and 52 per cent larger than those of other households.

“Compared with other groups, long-term unemployed have longer episodes of income and multidimensional poverty. The long-term unemployed also have a greater chance of re-entering poverty after exit.”

4. Place and housing: The socioeconomic characteristics of the area in which individuals live influence the duration of poverty and non-poverty spells. In fact, we find that those living in the most disadvantaged areas as defined by the Socio-Economic Indexes for Areas (SEIFA) have lower exit and higher re-entry hazard rates than those living in other areas. Indeed, individuals from areas in the bottom quintile of the SEIFA have poverty exit hazard rates that are only 75 to 79 per cent of the hazard rate of those living in the most affluent areas. Public housing tenants are more likely to have longer episodes of poverty than those in other forms of housing. This is because people living in public housing have lower poverty exit hazard rates and also higher re-entry rates than other groups.

5. Time: The time spent in and out of poverty affects the duration of poverty and non-poverty spells. Our estimates of the hazard rates based on poverty spells indicate that the probability of exit from poverty declines with the time spent in poverty: the exit hazard rates for those who have been in poverty for six or more years in the case of income and multidimensional poverty are, respectively, only 24 and 18 per cent of those observed in the first year. Similarly, the risk of falling back into poverty reduces as the time out of poverty increases. Indeed, the re-entry hazard rate during the second year out of poverty is about 60 per cent of that observed in the first year, and this rate falls to around 30 per cent after being out of poverty for six or more years.

TABLE 1
LOG-LOG MODEL OF THE POVERTY AND NON-POVERTY HAZARD FUNCTIONS

	Poverty exit hazard based on poverty spells				Poverty re-entry hazard based on non-poverty spells			
	Income		Multidimensional		Income		Multidimensional	
	Coeff.*	p-value	Coeff.*	p-value	Coeff.*	p-value	Coeff.*	p-value
Sex (ref=male)	1.12	3.39	1.08	1.85	0.71	-7.53	0.72	-5.85
Age (ref=35-44)								
Under 25	1.18	2.92	0.96	-0.56	0.47	-10.33	0.44	-7.94
25-34	1.25	3.85	1.06	0.75	0.52	-8.95	0.61	-5.32
45-54	1.13	2.25	0.99	-0.17	0.76	-3.89	0.80	-2.71
55-64	1.03	0.40	0.80	-2.59	0.97	-0.38	1.01	0.14
65+	0.68	-4.66	0.69	-3.79	1.44	3.88	1.18	1.47
Educational attainment (ref=intermediate**)								
High	1.23	4.30	1.17	2.40	0.65	-6.30	0.73	-3.52
Low	0.95	-1.62	0.86	-3.76	1.13	2.83	1.19	3.24
Born in a non-English speaking country (ref=born in an English speaking country)	0.81	-4.62	0.78	-4.22	1.07	1.15	1.03	0.38
Job experience (years)	1.00	2.92	1.00	2.14	0.98	-8.22	0.99	-5.90
Labour status (ref=employed full-time)								
Employed part-time	0.80	-4.92	1.01	0.15	1.62	8.12	1.39	4.49
Unemployed	0.67	-4.58	0.96	-0.46	2.42	8.89	1.84	3.97
Long-term unemployed	0.40	-5.12	0.64	-2.38	2.42	4.25	2.51	2.99
Out of the labour force	0.63	-7.90	0.72	-4.64	1.98	10.15	1.62	5.99
Unemployment rate of statistical area	0.98	-1.40	1.00	0.31	0.77	-17.17	0.79	-12.33
Jobless household*** (ref=non-jobless household)	0.70	-6.43	0.79	-3.67	1.78	9.56	1.52	5.09
Disability at home (ref=household with no disability)	0.87	-4.26	0.80	-5.33	1.10	2.39	1.38	6.44
SEIFA index**** quintile (ref=top quintile)								
Bottom quintile (most disadvantaged)	0.79	-4.56	0.75	-4.37	1.10	1.52	1.08	0.97
Second quintile	0.87	-2.83	0.75	-4.12	1.02	0.34	0.79	-2.80
Third quintile	0.89	-2.26	0.90	-1.52	0.96	-0.69	0.83	-2.14
Fourth quintile	0.89	-2.15	0.87	-1.93	0.74	-4.30	0.79	-2.69

TABLE 1...CONT
LOG-LOG MODEL OF THE POVERTY AND NON-POVERTY HAZARD FUNCTIONS

	Poverty exit hazard based on poverty spells				Poverty re-entry hazard based on non-poverty spells			
	Income		Multidimensional		Income		Multidimensional	
	Coeff.*	p-value	Coeff.*	p-value	Coeff.*	p-value	Coeff.*	p-value
Family type (ref=couple with no children)								
Couple with children	1.12	1.60	1.23	2.37	0.72	-3.79	0.63	-4.04
Lone parent	1.05	0.63	0.91	-0.97	0.80	-2.25	0.62	-3.62
Single	0.83	-4.58	0.83	-3.44	1.06	1.02	0.90	-1.48
Other	1.06	0.95	0.99	-0.14	0.72	-4.24	0.77	-2.92
Household with dependent children (ref=household without dependent children)	1.01	0.08	0.91	-1.19	1.25	2.70	1.16	1.33
Housing tenure (ref=owner with mortgage)								
Outright owner	1.05	0.97	1.15	2.51	0.96	-0.74	0.85	-2.30
Private renter	1.03	0.57	0.96	-0.77	0.90	-1.77	0.93	-1.00
Public housing	0.68	-4.77	0.81	-2.13	1.63	5.39	1.19	1.59
Other	0.88	-2.04	1.01	0.16	1.02	0.23	1.01	0.09
Duration of the spell (ref=one year)								
2 years	0.71	-8.37	0.78	-5.05	0.68	-8.44	0.67	-6.74
3 years	0.53	-10.18	0.60	-6.52	0.54	-10.07	0.46	-9.32
4 years	0.48	-8.98	0.45	-6.79	0.50	-9.19	0.43	-8.21
5 years	0.32	-9.65	0.48	-4.90	0.45	-8.40	0.46	-6.58
6+ years	0.24	-11.15	0.18	-7.28	0.33	-11.21	0.29	-9.37

Source: Authors' calculations based on HILDA data.

Notes: Estimates derived using the sample of new spells that includes only those spells whose start is observed in the panel. Thus, the results based on the sample of poverty spells inform us about the probability of exiting poverty once individuals start a poverty spell, whereas estimates for non-poverty spells are informative about the risk of falling back into poverty after an exit from poverty has occurred.

* We report exponentiated coefficients which are equal to the hazard ratio. Thus, a value above (below) one indicates a higher (lower) risk of poverty exit and re-entry.

** The high education group includes those with a postgraduate education, graduate diploma or certificate, and bachelors. The intermediate group comprises those with advanced diploma, diploma, certificate III or IV, or Year 12. The low education includes those with Year 11 or less.

*** Jobless households are defined as those where all members of working age (15 to 64) are not working.

**** We use the SEIFA2011 index of socioeconomic advantage and disadvantage that assigns smaller (larger) values to the most disadvantaged areas.

Discussion

The findings provide an important map of the contours of poverty in Australia. We know that people who have experienced poverty in the past are more at risk of entering poverty than those who have never experienced poverty and the longer people remain in poverty, the less likely they are to escape. The findings also point to the breadth of factors that influence the likelihood of exit from, or re-entry into, poverty and indicate areas requiring further research.

The results highlight individuals and groups that are more vulnerable to falling into poverty and are more likely to remain poor, or churn in and out of poverty. These include older Australians and the long-term unemployed, households affected by joblessness and disability (not just individuals with disabilities themselves), and people living in highly disadvantaged areas and public housing.

These findings also have significance for policymakers. However, caution must be exercised in interpreting these results. While this form of analysis enables examination of discrete socioeconomic variables, reality is rarely so simple. Many individuals and households are likely to face multiple factors influencing their experiences of disadvantage. More research is necessary to understand how these factors intersect and shape the experience of poverty. Some of these variables also require further unpacking. For example, the notion of joblessness itself encompasses a wide range of family and household types: single parents, couple-headed households and other household structures. The reasons for joblessness also vary, for instance, unemployment is different from being out of the labour force due to disability and caring responsibilities. Further, correlation is not causation. The term ‘jobless’ simply recognises a common factor among poor households but it tells us little about the complex causal factors underpinning these experiences and it doesn’t directly point to appropriate policy responses. These are issues that will require further investigation.

“Many individuals and households are likely to face multiple factors influencing their experiences of disadvantage. More research is necessary to understand how these factors intersect and shape the experience of poverty.”

Estimates of the survival function also indicate that an important proportion of the exits from poverty observed in the data lead to relatively long periods out of poverty. In fact, more than 35 per cent of those who exit do not return to poverty within the first 11 years out of it. Further investigation is needed to understand the factors enabling some individuals and households to move out and stay out of poverty over time.

The evidence of some individuals and households churning in and out of poverty also points to areas for which further research and policy development is needed – looking at ways to keep people out of poverty rather than simply exiting poverty at a point in time – despite the fact that most government and other outcomes measures are set up in this way. This might require a shift in policy focus towards employment retention and advancement rather than simply emphasising moving

into paid work. A longer-term perspective looking at sustained, progressive employment across the life span may also be necessary – with other research indicating that higher incidences of poverty among older people, especially women, is “rooted in the quality of their employment histories”.²⁶

Challenges for policymakers arising out of understanding poverty from a dynamic perspective include:

- How to target policies or interventions to assist those experiencing deep or persistent poverty;
- How to protect against shocks or triggers that see people enter spells of poverty; and
- How to safeguard against recurrent poverty for those who have moved out of poverty but who are at greatest risk of re-entry.

This may require a shift in perspective towards understanding individuals in the context of the life span rather than as part of a cohort at a point in time.

It is also useful to remember that the translation from evidence to policy is complex. In reflection on his roles as both dynamics researcher and senior welfare policymaker in the Clinton Administration, David Ellwood observes that dynamics analysis alone cannot guide policy unless accompanied by a set of values regarding social support and social responsibility. He adds:

“A second concern is that the rich and important nuances of research are lost in the translation to policy. One of the most important lessons of dynamic research is the extreme heterogeneity of the population. People’s lives and loves are complicated and filled with unexpected setbacks and successes. But in a political world of sound bites and short attention spans, simple tends to win out.”²⁷

Notwithstanding the challenges Ellwood identified, longitudinal data and analysis is critical to understand the dynamics of disadvantage. Further research is required, bringing together different data sources and methodologies. It is recognised that data sources such as HILDA are often unable to adequately represent the most disadvantaged, and it has been suggested that administrative data have the potential to provide new knowledge to inform researchers and policymakers about deep and persistent disadvantage.²⁸ Further, panel surveys are limited by the scope of the questions they can ask. Developing longitudinal qualitative research into the dynamics of poverty could enable exploration of the complex factors influencing individual and household transitions, and it may provide insight into the perspectives of those experiencing poverty as an everyday reality.

Acknowledgements

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3. Early intervention: The key to preventing entrenched disadvantage

Anne Hampshire

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This chapter explores the relationship between education and lifelong economic and social outcomes, including employment opportunities and income levels.
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Anne Hampshire has over 20 years' experience working across the community and government sectors, including at national, state, regional and local levels.

Anne has researched and written in a range of areas, including children, young people and families, unemployment, social capital and rural and regional communities.

Anne has contributed to the development of a range of initiatives aimed at addressing disadvantage, including for young people, families and communities.

Education is a predictor of individual and national wellbeing

Educational attainment is an important predictor of an individual's future employment, health and welfare prospects.¹ Young people who do not complete Year 12 or equivalent are at risk of a lifetime of economic and social disadvantage. Conversely, there is a positive correlation between increased individual learning and a reduction in the risk of future unemployment and long-term disadvantage.²

Data shows that across childhood and into early adulthood, significant proportions of young Australians are not developing the skills, knowledge, attitudes and behaviours to enable them to fully participate in the complex economic and social environment of the 21st century. For example:

- One in three children living in Australia's most disadvantaged communities start school behind on one or more key areas of development, such as language and cognitive skills, communication skills or social competence³;
- Around one in five (19.3 per cent) Year 3 Aboriginal and Torres Strait Islander students did not meet the National Assessment Program – Literacy and Numeracy (NAPLAN) minimum numeracy standard⁴;

- Fourteen-and-a-half per cent of Year 9 students whose parents' highest level of education was Year 11 or below did not meet the NAPLAN minimum reading standard⁵; and
- There is a 20 per cent difference in the proportion of young people from low socioeconomic backgrounds and those from high socioeconomic backgrounds who attain Year 12 or equivalent (73.7 per cent compared with 93.2 per cent).⁶

Young people's poor educational achievement has contributed to 41.7 per cent of 17 to 24-year olds from low socioeconomic backgrounds not being fully engaged in work or study.⁷ These young people are at risk of long-term disadvantage, with negative consequences not only for themselves but Australia as a whole.

Australia's economic prosperity relies heavily on its existing and potential stock of human capital. Current and predicted future employment markets have fewer lower skilled roles and an increasing emphasis on knowledge, innovation and workplace safety. Nations with large proportions of their adult population with low reading and numeracy skills are likely to be hampered in introducing productivity-improving technologies. This will stall improvements in national living standards.⁸

Early intervention

Skills development is cumulative, with success at each stage of life greatly enhancing the chances of success at the next stage.⁹ If crucial skills, knowledge, attitudes and behaviours are not developed across childhood and adolescence, they become increasingly difficult and expensive to address later.

Given the relationship between education and later outcomes, improving the educational outcomes of disadvantaged children and young people is the most cost-effective approach to breaking the cycle of long-term disadvantage and welfare dependency. Investment in this area is far more efficient than later outlays on income support and remediation efforts targeted at building the skills of adults who are unable to secure employment or participate in society more broadly.

Improving disadvantaged children and young people's educational outcomes is an early intervention approach. Such approaches aim to mitigate factors that may place children at risk of poor outcomes or prevent an emerging problem from getting worse. For example, a program supporting young children who are struggling with literacy is an example of early intervention. The aim is to address a gap in an area that is important for educational achievement before they fall too far behind their peers and the problem becomes more difficult to tackle.

“Improving disadvantaged children and young people’s educational outcomes is an early intervention approach. Such approaches aim to mitigate factors that may place children at risk of poor outcomes or prevent an emerging problem from getting worse.”

Balanced intervention throughout a young person's life

It is now understood that the early years of a child's life are important for laying the foundations for cognitive functioning, behavioural, social and self-regulatory capacities, and physical health.¹⁰ However, it is not just the early years of a child's life that affect their lifelong educational, health and wellbeing outcomes.

Research by Nobel economist James Heckman and his colleague Flavio Cunha shows that for disadvantaged children, steady human capital investments throughout a young person's life, rather than a concentration of support at only one stage, such as

preschool or adolescence, pay the greatest dividends. When investments are balanced throughout a young person's childhood, there is a positive impact on high school and university graduations, and a reduction in welfare dependency and involvement with the criminal justice system.¹¹

“When investments are balanced throughout a young person's childhood, there is a positive impact on high school and university graduations, and a reduction in welfare dependency and involvement with the criminal justice system.”

Multiple factors affect a young person's development

As well as providing support across a young person's life, a range of factors affect their development. These factors need to be considered in efforts aimed at improving education, health and wellbeing. These include:

- Personal characteristics such as social skills, intelligence and attitudes;
- Family, such as their parents' engagement in their learning and the resources to which they have access;
- Peers, including their attitudes to education, aspirations and risk-taking behaviours;
- The learning and care institutions they attend, such as school and early learning and care settings; and
- The community in which they live and the social and economic resources available there, the presence of role models and the level of community cohesion.¹²

These factors help shape a child's likely pathway or trajectory through life. However, that pathway is not immutable and challenges in one area can be offset by additional support in another. These trajectories can be influenced by providing the right support at the right time and in turn help prevent disadvantage from continuing across generations.

Learning for Life: Early intervention to improve children's educational outcomes

The Smith Family is a national charity and its mission is to create opportunities for disadvantaged young Australians by providing long-term support for their participation in education. Informed by the research showing education is essential to addressing entrenched disadvantage, The Smith Family's Learning for Life scholarship program is an early intervention approach. It aims to support children and young people from low-income families to achieve educationally and as a result, be able to transition to post-school employment, training or further education.

Learning for Life supports children and young people to acquire the skills, knowledge, aspirations and behaviours necessary to succeed at school and beyond. Given the evidence of Heckman and others of the importance of long-term support, young people can commence on the scholarship in their first year of school and continue on the program through to tertiary studies. Further, in response to research highlighting the multiple influences on children's outcomes, Learning for Life operates within the context of the young person's individual characteristics and needs, their family, the school they're attending and the community in which they live.

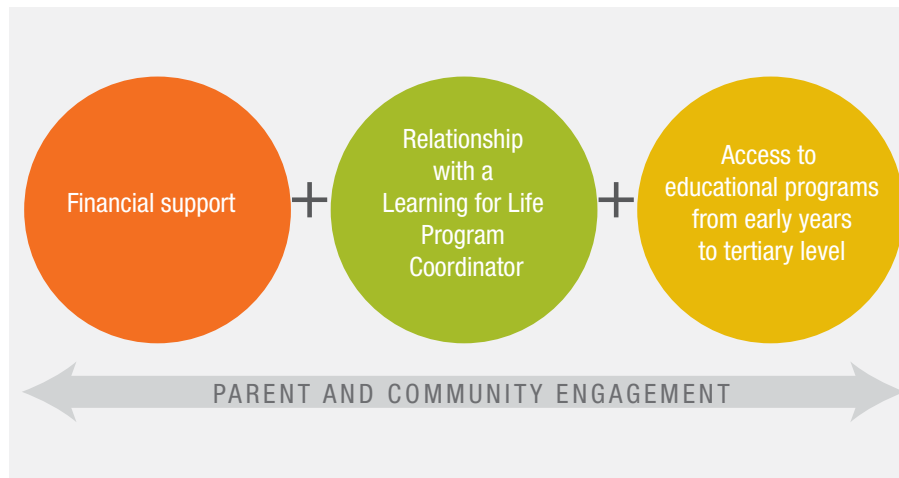
Financial, relational and programmatic support

Learning for Life has three integrated components that provide financial, relational and programmatic support as shown in Figure 1:

1. A modest biannual payment is made to families to help them cover education-related expenses, such as books, uniforms and excursions. For school students, the payment ranges from just over \$400 per year to less than \$700 per year, depending on the student's year level.
2. A Learning for Life Program Coordinator (The Smith Family staff member) who works with the family to support their child's long-term participation in education. The Coordinator helps the family to overcome any barriers to strong school attendance and achievement that their child may face.
3. Access to a range of programs from the early years to the tertiary level to help ensure the young person is engaged in education and their parent/carer is supporting this participation. These include literacy and numeracy programs, learning clubs, mentoring and career activities. These short-term programs target different stages of a young person's life as well as providing support to their parents, as shown in Figure 2. They aim to build the skills, knowledge, attitudes and behaviours that support educational achievement.

Parent and community engagement

FIGURE 1
THREE COMPONENTS OF LEARNING FOR LIFE



The principles of parent and community engagement underpin Learning for Life (refer to Figure 1). The emphasis on parental engagement is because research shows that parent involvement in their child's learning has a significant effect on educational achievement and adjustment. This is true even after all other factors, such as parent education and poverty, have been taken into consideration.¹³ Parental engagement has a significant effect on achievement across the various stages of a young person's development. There are many forms of parental involvement, but it is the 'at-home' relationships and modelling of aspirations that play the major part in affecting school outcomes.¹⁴ This helps the child develop a pro-social and pro-learning self-concept, and to have high educational aspirations.¹⁵

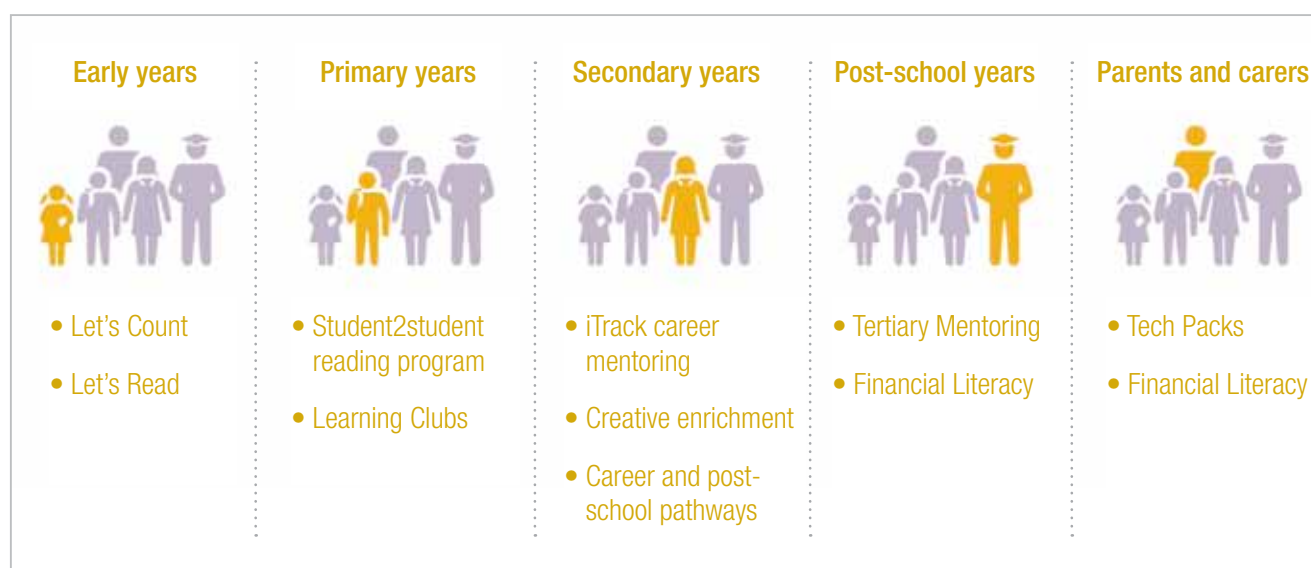
For a range of reasons and despite a desire to be actively engaged in their child's learning, many disadvantaged parents and carers need support in this area. They may lack confidence or be uncertain about how to support their child's learning; they may have a poor educational history themselves, including their engagement with schools; they may have limited English language skills, or come from a country where the educational system does not encourage parental engagement. The Learning for Life program, particularly through the development of an ongoing relationship between the family and their Learning for Life Program Coordinator, seeks to influence the home learning environment and support parents and carers to be positively engaged in their child's education.

The implementation of Learning for Life also involves partnerships with a range of community, education, business, philanthropic and government organisations. These partnerships harness diverse resources and supports coordinated to support the goal of improving the educational outcomes of disadvantaged young

people. Community engagement recognises that no one organisation will have all of the resources and expertise needed to improve the long-term outcomes of disadvantaged children and young people. It also contributes to more efficient and effective support of young people, reducing the likelihood of gaps or duplication in meeting young people's needs.

Learning for Life children and families

FIGURE 2
PROGRAMS AT DIFFERENT STAGES OF A YOUNG PERSON'S LIFE



There are two key criteria for families on the Learning for Life program:

1. They must be low income, as evidenced by them having a Health Care Card or being on a pension; and
2. They must live in one of the 94 disadvantaged communities across Australia in which The Smith Family works.

The second criterion reflects the importance of place or community in influencing the lives of young people. It also enables the family to access a range of the shorter programs identified in Figure 2, many of which are delivered through schools.

The family enters into an agreement with The Smith Family that they will work together to support their child's long-term participation in education. Underlying the agreement are the principles of mutual responsibility and high expectations regarding school attendance, school completion, and post-school engagement in employment or further education. The agreement formally acknowledges the importance of a parent's engagement in their child's learning.

Learning for Life supports around 34,000 children and young people from around 18,000 families each year. Around 5500 of these young people are from an Aboriginal and Torres Strait Islander background. Approximately 1500 of all young people on the program are studying at tertiary level, with the balance fairly evenly divided between primary and secondary school.

Over half of the families are single parent and close to 70 per cent of parents and carers are not in paid employment. A third of the families speak a language other than English at home and a similar proportion of households have six or more people living in them. Residential and school mobility is a reasonably common characteristic.

Targeting families who need support

A key consideration for programs aiming to intervene early and prevent entrenched disadvantage is that they target and are able to reach and retain young people and families who are likely to have poor outcomes without additional support. Research shows that after controlling for differences in school achievement, many individual and family characteristics are associated with differences in educational outcomes.

On average, students who live in families in which there is parental unemployment and low levels of parental education, or who come from an Aboriginal and/or Torres Strait Islander background, have lower rates of school attendance, poorer academic achievement and lower Year 12 attainment rates than their peers.¹⁶

Table 1 compares key demographics for Learning for Life students attending 50 low socioeconomic schools in New South Wales with that of their peers in the same schools. It highlights that even within disadvantaged schools, as a group, Learning for Life students are more disadvantaged than their peers on the key variables of Indigeneity and parent and carer education, and employment. The program is clearly successfully targeting and engaging families whose children may be at risk of not achieving educationally without additional support.

TABLE 1
DEMOGRAPHICS OF LEARNING FOR LIFE STUDENTS IN NEW SOUTH WALES COMPARED WITH THEIR PEERS

Characteristic	Total school population* (per cent)	The Smith Family students* (per cent)
Aboriginal or Torres Strait Islander background	14.3	24.7
Parent/carer Year 12 completion or post-school education	80.3	39.4
Parent/carer university education	12.5	3.4
Parent/carer employed	79.0	18.4

* Sample of 50 low socioeconomic schools with 30 or more Learning for Life students
 Note: The NSW Department of Education and Communities provided data to enable The Smith Family to undertake this analysis.

Given the research showing the importance of providing support for disadvantaged young people over different stages of their development, a key attribute for programs aiming to address entrenched disadvantage is their capacity to sustain participants' engagement over time. Over half of the secondary students who are on the Learning for Life program have been participating for five or more years, indicating its success in keeping highly disadvantaged families engaged in supporting their child's education.

Measuring the effectiveness of Learning for Life

In 2012, The Smith Family commenced tracking three key longer-term outcomes of Learning for Life:

1. School attendance;
2. School completion; and
3. Post-school engagement in employment, education and training.

These are outcomes that the Council of Australian Governments (COAG) identified as important for all Australian children and young people.¹⁷ In addition, The Smith Family measures the outcomes of its shorter-term programs identified in Figure 2, such as its reading program student2student. These shorter programs aim to build young people's skills and knowledge, and influence their attitudes and behaviours. This provides the foundation for keeping them engaged in school, able to complete Year 12 or equivalent, and then to transition to post-school employment or further education.

Student2student, for example, is a peer reading program targeting children in Years 3 to 8 who are up to two years behind in their reading. The program matches them with trained reading buddies who are at least two years older and are good readers. The program runs over 18 weeks with the pair connecting over the phone two to three times a week for at least 20 minutes at a time. The young person reads to their buddy from books appropriate to their reading level, which The Smith Family provides. The program aims to improve the young person's reading skills, confidence and motivation. In 2013, more than 1100 young people participated in student2student and 95 per cent improved their reading age over the course of the program.

Literacy is a core skill and young people who do not do well in this area are more likely to become disengaged in school and struggle to complete Year 12. As with the overall Learning for Life program, student2student is an early intervention approach. It specifically aims to support the development of a young person's reading skills, and in turn to contribute to Learning for Life's ultimate goals of engagement in school, completion of Year 12, and transition to post-school employment or further education.

“Literacy is a core skill and young people who do not do well in this area are more likely to become disengaged in school and struggle to complete Year 12. As with the overall Learning for Life program, student2student is an early intervention approach.”

Improving school attendance is critical

The relationship between strong school attendance and academic achievement is now well substantiated. Academic achievement declines as absence rates increase, with the effect of absences also accumulating over time.¹⁸ High school attendance rates are particularly important for young people from low socioeconomic backgrounds, as more advantaged children, particularly in the primary years, appear to have alternate and effective resources to help them achieve learning objectives and ‘buffer’ them from the immediate effects of being absent from school.¹⁹

Despite the importance of strong school attendance, relative disadvantage is associated with poor attendance from the very beginning of formal schooling. Attendance gaps between children from low and high socioeconomic backgrounds are clear from the first year of school.²⁰ This gap widens as young people progress through school, particularly high school.

Those young people most likely to benefit from strong school attendance are, as a group, least likely to be attending at high levels. Supporting disadvantaged children to improve their attendance is therefore critical to improving achievement, including Year 12 completion, and in turn setting them up to make positive post-school transitions.

School attendance rates of Learning for Life students

The average school attendance rates for Learning for Life students for 2012 and 2013 are shown in Table 2. These rates are broken down by primary and secondary school, and for students from Aboriginal and Torres Strait Islander backgrounds.

TABLE 2
AVERAGE SCHOOL ATTENDANCE RATES FOR LEARNING FOR LIFE STUDENTS

	2012 (per cent)	2013 (per cent)
Average attendance rate for primary school students	90.4	91.2
Average attendance rate for secondary school students	84.6	86.0
Average attendance rate for Aboriginal and Torres Strait Islander students	85.2	86.9

Note: Attendance data are not collected in a consistent way across Australian states/territories and education systems. Therefore data cannot be compared across jurisdictions.²¹

Year 12 progression and post-school engagement of Learning for Life students

The Smith Family is also monitoring the progression to Year 12 or equivalent and the post-school engagement in employment, education and training of Learning for Life participants. The proportion of Learning for Life students who were in Year 10 in 2011 and who advanced to Year 12 or its equivalent by 2013 was 62.5 per cent, up from 60 per cent for the period 2010–2012.

Around 80 per cent of students who left the program in Years 10, 11 or 12 were engaged in employment, education or training 12 months after leaving Learning for Life. Sixty-two per cent were fully engaged (35 hours per week), while 18 per cent were engaged fewer than 35 hours per week. Two-thirds of the 20 per cent of former students who were not engaged in employment or study were actively looking for paid work. One in seven of this group was also involved in volunteer activities.

Improving the ongoing effectiveness of Learning for Life

Given the level of disadvantage experienced by Learning for Life families, the results for school attendance, progression to Year 12 and post-school engagement in employment and further education show considerable promise. The fact that the attendance and Year 12 completion outcomes have improved since 2012 is also promising. These improvements have been influenced by a range of strategies that The Smith Family is implementing as part of its ongoing continuous improvement approach. This included responding to analysis of its data showing which families need additional support for their child to achieve educationally.

Detailed analysis for example has highlighted that Year 11 is a time of potential disengagement from school for some students on Learning for Life. As a result, The Smith Family is implementing a range of strategies to support Year 11 students and their families with the goal of ensuring they complete Year 12 or equivalent. Similarly, analysis year on year of individual Learning for Life student attendance rates has resulted in a range of approaches being implemented to support families whose child is struggling in this area.

“Given the level of disadvantage experienced by Learning for Life families, the results for school attendance, progression to Year 12 and post-school engagement in employment and further education show considerable promise.”

Using evidence to inform policy and practice

Key to Australia's capacity to address entrenched disadvantage will be its ability to develop evidence-informed policies and implement at scale, programmatic responses that have been shown to be effective. A report commissioned by the Review of School Funding²² examined the evidence of the impact on student outcomes of the significant investment in programs aimed to support disadvantaged students. It noted, somewhat surprisingly, that there were insufficient data available to establish to what extent existing programs were effective in reducing the impact of disadvantage on educational outcomes. This was because few had been evaluated and fewer still had been evaluated with student outcomes as a focus. This was despite the estimation that programs seeking to address educational disadvantage had a minimum national aggregate funding of \$4.4 billion in 2009–10.

If Australia is to address entrenched disadvantage, investment must be in those initiatives for which there is an evidence base. The evidence for early intervention, balanced support across a young person's life and the multiple influences on their development, all provide direction for policy and programs aimed at breaking the cycle of disadvantage. So too does the experience of organisations such as The Smith Family, which has been implementing the Learning for Life program at scale in communities across Australia and refining the program based on ongoing evaluation. The longitudinal nature of this evaluation is particularly important for informing public policy and programmatic responses aiming to address longstanding gaps in educational achievement.

“The evidence for early intervention, balanced support across a young person's life and the multiple influences on their development, all provide direction for policy and programs aimed at breaking the cycle of disadvantage.”

Conclusion

The relationship between education and lifelong economic and social outcomes is clear. Higher levels of education are associated with economic benefits, including increased employment opportunities and higher incomes. Higher levels of education are also associated with better health, longer life expectancy, stronger civic engagement and greater overall life satisfaction.²³ Conversely, lower levels of education are likely to contribute to long-term welfare dependency and entrenched disadvantage.

There are currently around 638,000 dependent children and young people in Australia living in jobless families.²⁴ These young people are at risk of poorer long-term economic and social outcomes. Improving the educational outcomes of disadvantaged children is a cost-effective early intervention approach to

addressing entrenched disadvantage. To be effective, such approaches need to be sustained across the various stages of a young person's development, and take into account the multiple influences that affect positive outcomes.

The Smith Family's Learning for Life program is an example of an early intervention approach contributing to breaking the cycle of disadvantage. It is engaging families whose children are at risk of poor educational outcomes and it is sustaining their engagement in Learning for Life over multiple years. The program is seeing improvements in school attendance, Year 12 completion and post-school engagement in employment or further education. It is currently being delivered at scale in many communities across the country. A focus on continuous improvement, including the use of data to improve program effectiveness, is a hallmark of its implementation.

It offers considerable promise for a cost-effective and scalable approach to preventing entrenched disadvantage.

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4 Entrenched disadvantage in Indigenous communities

Dr Nicholas Biddle

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This chapter addresses the level and cost of entrenched disadvantage among the Indigenous population, causes of entrenched disadvantage and possible policy responses.

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Dr Biddle's research interests include understanding the education decision and its consequences, demographic and socioeconomic research of Indigenous populations, and spatial aspects of inequality.

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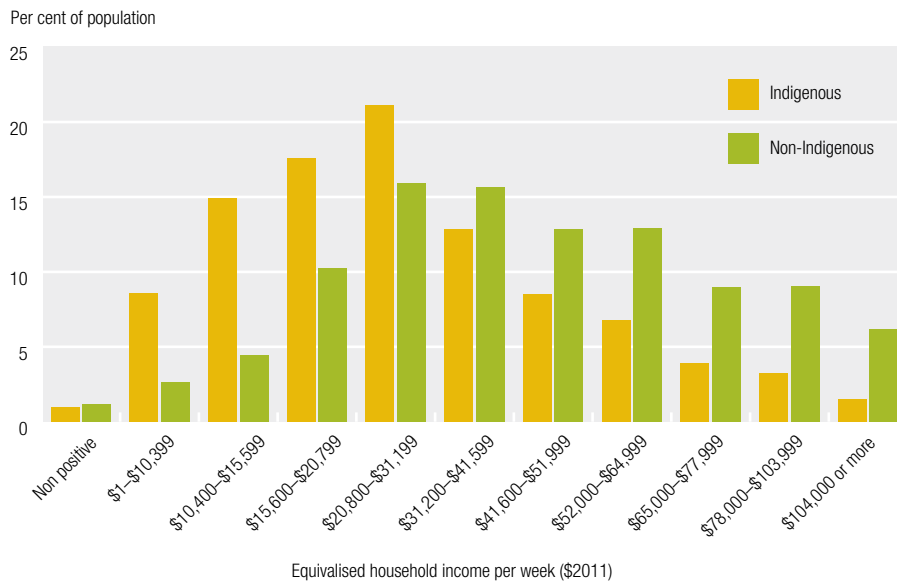
Overview of the Indigenous population: Demography and socioeconomics

By June 2015, there will be around 730,000 Aboriginal and Torres Strait Islander (Indigenous) Australians, making up around three per cent of the total Australian population.¹

In relative terms, Indigenous Australians are more likely to live in remote parts of the country; in absolute terms, the Indigenous population is still quite urban and regional.² There are also demographic differences in the median age of the Indigenous population: 21.1 years compared with 36.8 years for the non-Indigenous population.³

According to Biddle and Wilson, "the focus of research and policy debate on Indigenous Australians far exceeds their population size".⁴ This is partly due to their unique and important position as descendants of the original inhabitants of Australia, and acknowledged previous policy failure.

FIGURE 1
HOUSEHOLD EQUIVALISED INCOME FOR INDIGENOUS AND NON-INDIGENOUS AUSTRALIANS (2011)



Source: Australian Bureau of Statistics, 2011 Census of Population and Housing

Another reason for the policy and research focus on the Indigenous population is the relatively high rate of socioeconomic disadvantage. This is recognised by all levels of government, with considerable resources devoted to measuring scale and trajectory disparities between the Indigenous and non-Indigenous population. The most recent *Overcoming Indigenous Disadvantage* report, for example, runs to 3252 pages, breaking down data into 12 headline indicators and a range of supplementary indicators.⁵

A useful summary of socioeconomic disadvantage is the equivalised income of the household in which a person lives⁶ (refer to Figure 1).

Indigenous Australians are more likely to live in a household with relatively low equivalised income. Around 18.5 per cent of the non-Indigenous population, or roughly the bottom quintile of the distribution, live in a household with equivalised income of less than \$20,799 per year (\$400 per week). Proportionally, more than twice as many Indigenous Australians (42.1 per cent) fall below this threshold. At the other end of the distribution, 24.2 per cent of non-Indigenous Australians live in a household with an equivalised income of \$52,000 or more per year (\$1000 per week) compared with 8.7 per cent of Indigenous Australians.

At a snapshot in time, Indigenous Australians are therefore more likely to live in a relatively low income household and less likely to live in a high income household compared with non-Indigenous Australians. This socioeconomic disadvantage has not changed substantially since comparable data were first collected more than three decades ago.⁷

This doesn't tell us much, however, about entrenched disadvantage among individuals or families. For this, we need longitudinal data and measures of socioeconomic outcomes for a given individual at more than one point in

time. If anything though, data from the Australian Census Longitudinal Dataset (ACLD) show that socioeconomic disadvantage is even more entrenched for the Indigenous population than the point-in-time snapshot would suggest.

Defining low income in 2006 or 2011 as living in a household with equivalised income of less than \$20,799 per year, 30.2 per cent of Indigenous Australians⁸ lived in a low income household in 2006 and 2011. This is almost three times the proportion of non-Indigenous Australians (11.1 per cent). Defining high income as living in a household with an equivalised income of \$52,000 or more per year, only 5.1 per cent of Indigenous Australians lived in a high income household in 2006 and 2011 (compared with 18.6 per cent).

Income dynamics further highlight this entrenched disadvantage. Of those Indigenous Australians in a low income household in 2006, 44.2 per cent were in a medium or high income household in 2011. The equivalent figure for the non-Indigenous population is 56.2 per cent. Of those who lived in a high income household in 2006, around 36.5 per cent of Indigenous Australians were no longer in a high income household in 2011, compared with 25.5 per cent of non-Indigenous households. Across a five-year period, an Indigenous person is not only more likely to stay at the bottom part of the income distribution, but is more likely to fall out of the top of the distribution.

“Of those Indigenous Australians aged 25 to 54 years who were not employed in 2006, only 31.6 per cent were employed in 2011. By contrast, 42.8 per cent of non-Indigenous Australians made the transition to employment.”

One proximate cause of relatively low income for a given household is a low level of employment. For most people, success in the labour market is the key route to improved socioeconomic outcomes for themselves and their families. Using the ACLD, 44.1 per cent of Indigenous Australians aged 25 to 54 were employed in 2006 and 2011 compared with 70.9 per cent of non-Indigenous Australians.

Employment transitions are again quite telling. Of those Indigenous Australians aged 25 to 54 years who were not employed in 2006, only 31.6 per cent were employed in 2011. By contrast, 42.8 per cent of non-Indigenous Australians made the transition to employment.

Looking at those who were employed in 2006, 23.2 per cent of Indigenous Australians were no longer employed, compared with 10.7 per cent of non-Indigenous Australians. The Indigenous population is therefore more likely to stay unemployed and to cease employment relative to the non-Indigenous population.

Costs of entrenched disadvantage

Income and employment are important measures in their own right. Both bring direct benefits to individuals and their families through increased access to economic resources. There are also indirect benefits of income and employment or – looking at it another way – indirect costs of entrenched disadvantage.

Income foregone from low employment outcomes

With colleagues, I estimated potential benefits if the Indigenous employment rate equalled the non-Indigenous one. We were able to show that for the 2011 baseline year, “closing the Indigenous employment gap is estimated to result in additional labour market earnings per year for the Indigenous population of \$4821 million in 2011 dollars”.⁹ This estimate can be thought of as the direct cost to Indigenous Australians of relatively low employment outcomes.

There are also costs to the rest of the community. An Indigenous person who is not able to obtain and maintain steady employment pays less tax across their lifetime and is more likely to receive transfer payments.

We estimate that closing the employment gap would lead to a “total additional income tax paid of \$762 million ... (and) that the increased labour market earnings reduce social security payments by \$780 million per year”.¹⁰ That is, low Indigenous employment outcomes have an additional cost to the taxpayer of more than \$1.5 billion per year.

This may seem relatively small in terms of a Commonwealth Budget that is measured in hundreds of billions of dollars. However, the relative size of the Indigenous population needs to be kept in mind (around three per cent of the population), alongside the potential for that expenditure to be redirected to more long-term developmental goals.

Intergenerational transmission of disadvantage

Many living in relatively disadvantaged households were children, particularly for the Indigenous population. Focusing on data from the 2011 Census, 44.5 per cent of the Indigenous population who lived in a household with equivalised income of less than \$20,799 per year were aged less than 15 years. Only 4.4 per cent were aged 65 years or older. Only 20.3 per cent of the non-Indigenous population in low income households were children compared with 28.4 per cent who were aged 65 years and older. This is a reflection in part of the population’s demographic distribution, and of historically high fertility rates and low life expectancy. There are simply more Indigenous children in relative terms. However, there are also implications for future measures of disadvantage.

In *Theory of Justice*,¹¹ John Rawls argues a just society is one in which a person would choose to live if they knew everything about the distribution of outcomes within that society but nothing about one’s own place within that distribution. The corollary to this in terms of socioeconomic outcomes is that the circumstances

of the household into which a person is born should have little bearing on the circumstances of that individual into adulthood. Empirically, this is clearly not the case in Australia,¹² with Blanden¹³ placing Australia roughly in the middle of comparable countries. There is no comparable data for the Indigenous population. There is, however, some data on what we might label “intergenerational education transmission”.¹⁴

According to analysis of the 2009 cohort of the Longitudinal Survey of Australian Youth (LSAY), 64.9 per cent of Indigenous students without a parent who had completed Year 12 had either completed Year 12 themselves or were still a high school student in 2012. In comparison, 73.3 per cent of those with a parent who had completed Year 12 had completed themselves or were still studying. For non-Indigenous students, it was 72.1 per cent and 82.6 per cent respectively. There is a large and statistically significant gap in Year 12 completion or retention between Indigenous students with a parent who had completed Year 12 and those without. This intergenerational transmission of educational disadvantage is likely to be a long-term cost of current, entrenched disadvantage.

Subjective wellbeing and entrenched disadvantage

The data presented earlier shows quite conclusively that Indigenous Australians have poorer socioeconomic outcomes than non-Indigenous Australians. This doesn't mean they are necessarily worse off using broader measures. In identifying costs of entrenched disadvantage for the Indigenous population, it is necessary instead to look at measures of subjective wellbeing in and of themselves.

In 2014, I had a paper published that analysed subjective wellbeing of the Indigenous population, making comparisons with the non-Indigenous population.¹⁵ I found “Indigenous Australians are less likely to report frequent periods of happiness and more likely to report periods of extreme sadness than the non-Indigenous population”.

In relating these findings to costs of entrenched disadvantage, it is worth considering whether there are still differences between the two populations once measures of socioeconomic outcomes are controlled. In doing so, I found “while the difference in happiness is no longer significant once other characteristics are controlled for, the marginal effect is still negative and large. Furthermore, Indigenous Australians are significantly more likely to report periods of extreme sadness after controlling for a range of factors.”¹⁶ Socioeconomic disadvantage explains some, but not all, of the difference in subjective wellbeing.

“Indigenous Australians have poorer socioeconomic outcomes than non-Indigenous Australians. This doesn't mean they are necessarily worse off using broader measures. In identifying costs of entrenched disadvantage for the Indigenous population, it is necessary instead to look at measures of subjective wellbeing in and of themselves.”

One complicating factor is that income appears to have a weaker relationship with subjective wellbeing for the Indigenous population compared with the non-Indigenous population. In an analysis of this relationship, I show “a complex relationship between wellbeing and income for the Indigenous population. For some, in particular males living in non-remote Australia, there is a strong positive association similar to other population groups. In remote Australia, the relationship is less apparent.”¹⁷

These results can be explained in two ways:

1. Those in remote areas and females in particular are less sensitive to income than the non-Indigenous and non-remote Indigenous population; and/or
2. The extent to which people have access to their income varies.

Either way, the findings support the ethnographic evidence that status in many Indigenous communities is derived from non-economic sources, economic resources are shared widely beyond the household and there are other activities outside the mainstream economy that support Indigenous livelihoods.¹⁸

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The evidence on subjective wellbeing needs to be kept in mind when explaining and responding to entrenched disadvantage, with many Indigenous researchers and community leaders arguing for a more holistic approach to Indigenous policy taking into account a broader set of Indigenous-specific and other measures of wellbeing.¹⁹

Causes and policy responses to entrenched disadvantage

Entrenched disadvantage within the Indigenous community is both long-standing and complex. Boyd Hunter has borrowed the term “wicked problem” to describe this situation, or one that is complex and multidimensional.²⁰ Hunter used the cumulative causation concept to argue various domains of disadvantage have the potential to reinforce each other, leading to an “unstable equilibrium”.²¹

Given this complexity, there is considerable debate about the underlying causes of disadvantage, let alone the most effective solution. Some arguments are supported by direct empirical evidence (quantitative and qualitative), some are driven by theory and evidence from other contexts, while some arguments, it must be said, are driven by ideology.

I will discuss evidence for five possible causes and their related policy responses:

1. Education, language and human capital;
2. Locational disadvantage;
3. Labour market and other discrimination;
4. Health, disability and caring responsibilities; and
5. Culture, social norms and behaviour.

These are not the only potential causes of entrenched disadvantage and a more exhaustive list might include long-term government funding, incomplete recognition of land rights and native title, housing, and many others. Furthermore, while these five potential causes are discussed separately, they are likely to have significant interactions.

Education, language and human capital

Much debate related to Indigenous policy is driven by the review undertaken by mining magnate Twiggy Forrest and his review team.²² When asked to look at potential pathways to employment parity between Indigenous and non-Indigenous Australians, the review team identified the clear role education is likely to play. The review states: “Given the fact that there is no employment gap, or disparity, for first Australians who are educated at the same level as other Australians, the full force of our community leaders and governments must pack behind the achievement of parity in educational outcomes as a national priority.”²³

To test this claim and implications for government policy, it is worth comparing an Indigenous person’s employment outcomes with a non-Indigenous person with the same observable characteristics. That is, if you have two people of the same sex and age with the same education and English language ability, but one is Indigenous and one is non-Indigenous, are they as likely to be employed as one another? As outlined in my response to the review, “the short answer to that question is no”.²⁴ Specifically, I used the census to show:

“When you control for education, age, and self-reported English language ability and focus on those who were not studying full time, there is a large and statistically significant gap between Indigenous and non-Indigenous Australians in the probability of employment. It is true that the gap reduces, but there is an employment gap for first Australians who are educated at the same level as other Australians.”

The data suggests – and others have shown this²⁵ – education, English language ability and human capital are important but not the only determinants of Indigenous disadvantage. Recognising this is not the same as designing effective policies to improve education and training outcomes.

“Education, English language ability and human capital are important but not the only determinants of Indigenous disadvantage. Recognising this is not the same as designing effective policies to improve education and training outcomes.”

The current focus of Indigenous education policy (at least at Commonwealth level) is on school attendance – using carrots and sticks to make sure as many kids as possible are attending school on a given day. Once again though, attendance is important in explaining outcomes,²⁶ but it is not the only factor driving poor education outcomes. Indeed, in my analysis of data from the 2009 LSAY, I showed “school attendance data in the LSAY explain about 18 per cent of the gap in maths (between Indigenous and non-Indigenous students), 21 per cent of the gap in reading and 22 per cent of the gap in science.”²⁷

Other factors likely to explain attendance and differences in school success beyond attendance include:

- Early childhood education;
- Teacher quality;
- School resources;
- Family background;
- Relevance of the curriculum;
- Experiences of racism and bullying;
- English language exposure; and
- Health and disability.

Locational disadvantage

Indigenous Australians are more likely to live in remote parts of the country than the non-Indigenous population. This has been used to explain Indigenous labour market and socioeconomic disadvantage²⁸ – an Australian version of the spatial mismatch hypothesis from the United States (US).²⁹ There is some evidence for this. For example, I showed that across 37 regions in Australia:

*“There were three regions (Apatula, Jabiru–Tiwi and Nhulunbuy) where the Indigenous population had an average disposable income that was less than \$300 per week. At the other end of the distribution, there were two regions (the Australian Capital Territory and South Hedland) that had an average disposable income of more than \$700 per week.”*³⁰

Apart from resource-rich areas, those Indigenous Australians living in relatively remote parts of the country had a lower average income than those in relatively urban ones (with regional areas falling somewhere in between).

There are two counterarguments to this focus on location as the cause of entrenched disadvantage:

1. It has been shown using repeated censuses that there is greater socioeconomic disadvantage among Indigenous Australians within every area in Australia, even at a highly disaggregated level of geography.³¹ Indigenous Australians are more likely to live in disadvantaged areas, but they are also more likely to be disadvantaged than the rest of the population in the areas in which they do live.

2. There is some evidence that there are plenty of employment opportunities in the areas in which Indigenous Australians live, they just tend to be taken up by the non-Indigenous population. For example, I showed “when the average number of jobs within the local area is divided by the total number of usual residents aged 15 to 64 years” the 2006 Census data shows “Indigenous Australians in fact live in areas that have a slightly higher number of jobs per usual resident (0.689) than do non-Indigenous Australians (0.660 jobs)”.³²

Ultimately, from a policy point of view it doesn’t always matter whether employment or socioeconomic outcomes are worse for Indigenous Australians in remote compared with regional or urban areas. What matters is whether outcomes of an Indigenous Australian in a remote area would be improved by moving to a less remote one. Evidence would suggest otherwise. I showed subjective wellbeing (as opposed to socioeconomic outcomes) was higher for Indigenous Australians living in remote areas compared with those in non-remote areas.³³

Even using objective measures of socioeconomic status like employment, analysis of ACLD would suggest that those Indigenous Australians who were not employed in 2006 and who lived in a remote area were in fact slightly more likely to be employed in 2011 if they stayed in a remote area than if they moved to a major city.³⁴

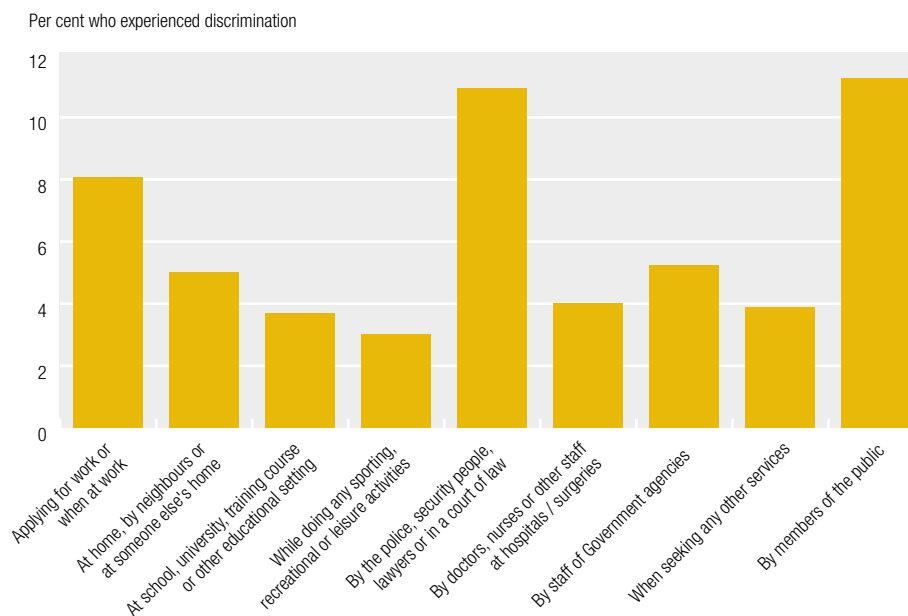
This is not to say the cost of service provision isn’t higher in remote areas (and regional ones to a lesser extent) and location doesn’t affect the quality and availability of health, education, transport and a range of other services. Modelling by the Commonwealth Grants Commission shows it clearly does.³⁵ Rather, to the extent that locational disadvantage is an issue for individuals, evidence would suggest the best policy response is to support labour markets in the areas in which Indigenous Australians live and, perhaps more importantly, ensure as much as possible that Indigenous Australians in those areas have the skills and capabilities to take up those opportunities.

Labour market and other discrimination

Altonji and Blank define labour market discrimination as “a situation in which persons who provide labour market services and who are equally productive in a physical or material sense are treated unequally in a way that is related to an observable characteristic such as race, ethnicity or gender”.³⁶ Such definitions work well for conscious discrimination resulting from personal animosity or hostility towards another group. More recently, behavioural research has shown that most prejudice is implicit and, perhaps even more surprisingly, that implicit discrimination can have a more damaging effect on those who experience it. Specifically, Hardin and Banaji define implicit prejudice as that which is “unwitting, unintentional and uncontrollable”.³⁷

Indigenous Australians report a high level of discrimination (refer to Figure 2). According to analysis of the response to the discrimination question in the National Aboriginal and Torres Strait Islander Social Survey (NATSISS), there is a strong overlap between the different settings.³⁹ If a person felt he or she was

FIGURE 2
DISCRIMINATION SETTINGS FOR INDIGENOUS AUSTRALIANS (2008)³⁸



discriminated against in one setting, they were quite likely to feel they were discriminated against in another. In analysis of an alternative data source, it was shown that Indigenous Australians are more likely to report they were discriminated against than non-Indigenous Australians (self-perceived discrimination), and their income and employment chances are lower than a non-Indigenous Australian with the same education and labour market characteristics (observed discrimination).⁴⁰ The recent *Reconciliation Barometer* also showed a high degree of acceptance among the broader Australian population for the notion that Indigenous Australians experience prejudice.⁴¹

Those who feel they are discriminated against in the labour market may change their job seeking behaviour or, in more extreme cases, drop out of the labour market entirely. Those who experience discrimination are also likely to experience negative health effects.⁴² There is a real need, therefore, to support Indigenous Australians who experience such discrimination – in essence, minimising the harm. The first step is recognising nationally, and at the highest level, that:

- a) Discrimination does occur;
- b) It is harmful to the life chances of the Indigenous population; and
- c) It is not the fault of the Indigenous population.

There is also a need to develop (and evaluate) programs that give Indigenous Australians the tools to deal with and respond to discrimination. Bogart, Elliott et al.⁴³ make a similar case in the US and argue the need to provide:

“Skills for realistically appraising and managing discrimination with adaptive coping strategies ... and for avoiding maladaptive coping strategies that prolong distress (e.g., anger or rumination, i.e., repetitively focusing on the situation) and that could lead to longer-term health problems.”

Reducing negative effects of discrimination on Indigenous Australians must, however, include a focus on the attitudes and behaviour of non-Indigenous Australians. Most employers and co-workers with whom Indigenous Australians interact will be non-Indigenous. But, as argued in Hardin and Banaji⁴⁴, reductions in prejudice will not be achieved by assuming that big changes can be achieved by rooting out a few problematic individuals with highly objectionable views. That is not where the evidence suggests the problem lies. Rather, “anybody is capable of prejudice, whether they know it or not” and that “solutions should focus on identifying the enabling conditions that call out prejudice and stereotyping across individuals rather than focusing on identifying the rotten apples.” Shelton, Richeson, et al.⁴⁵ argue that the evidence suggests this is most likely to occur through interventions focusing on fostering intergroup relationships, making people aware of their potential for intergroup biases and developing shared, rather than oppositional, identities.

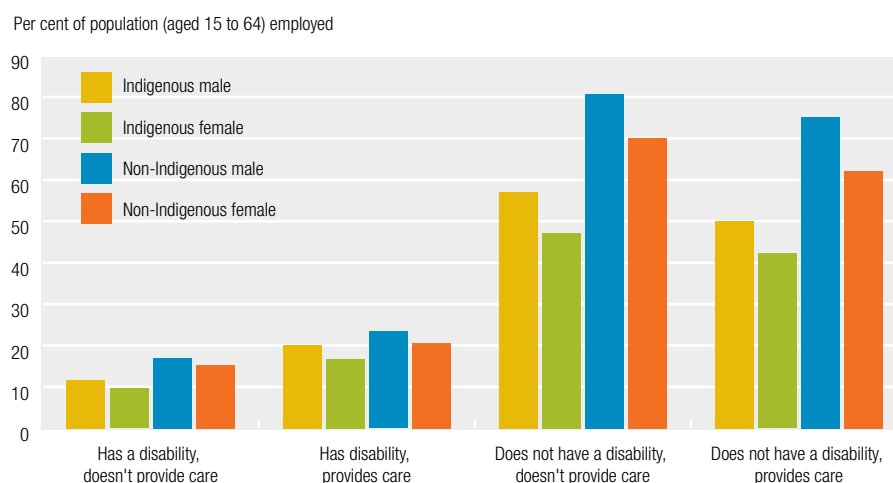
Health, disability and caring responsibilities

Labour market discrimination and locational disadvantage are examples of potential demand-side constraints on Indigenous employment that affect labour supply decisions. However, more direct constraints have the potential to further entrench Indigenous disadvantage. Specifically, Indigenous Australians are more likely to suffer poor health and disability,⁴⁶ and have greater caring responsibilities.⁴⁷

Data from the 2011 Census is once again instructive, as summarised in Figure 3. This figure gives the per cent of Indigenous and non-Indigenous males and females aged 15 to 64 who were employed, broken down by whether they themselves have a disability and/or whether they provide care for someone with a disability or condition related to old age.

Figure 3 shows that those with a disability are less likely to be employed than those without a disability, as are those who provide care relative to those that do not. However, within each category, Indigenous Australians are significantly less

FIGURE 3
EMPLOYMENT BY DISABILITY AND CARING (2011)



Source: Australian Bureau of Statistics, 2011 Census of Population and Housing

likely to be employed than their non-Indigenous counterparts. This may be due to the limitations of the disability and carer questions on the Census – Indigenous Australians with a disability may have a more severe condition and those without a disability may have other health constraints. Nonetheless, the results imply disability and caring is a cause, but not the only cause of poor labour market outcomes. Responses to entrenched disadvantage within the Indigenous population need to pay particular attention, therefore, to labour market and other supports for Indigenous Australians with disability and/or caring responsibilities, and be flexible in training and work experience offered.

Culture, social norms and behaviour

Indigenous Australians are rightly proud of the fact that theirs is the oldest living culture on the planet, with ongoing attachment to land, language and law. The wider community can also celebrate this. There is also strong empirical evidence this cultural attachment enhances socio-economic outcomes and wellbeing.⁴⁸ While this evidence is cross-sectional, the associations are at least positive. However, separate literature views Indigenous cultural attachment as a cause of negative behaviour rather than a positive force. For example, Gary Johns⁴⁹ argued Indigenous Australians “have paid a price because policymakers have restricted their choices to a sub-set of those available to other Australians”⁵⁰ in the name of maintaining an authentic Aboriginal culture.

“Research in other contexts has shown that poverty is most likely a cause of certain behaviours linked to certain cultural groups, rather than culture being the cause of entrenched disadvantage.”

What does the evidence say about the relationship between culture and entrenched disadvantage? Research in other contexts has shown that poverty is most likely a cause of certain behaviours linked to certain cultural groups, rather than culture being the cause of entrenched disadvantage. For example, an emerging finding from experimental and other research is the profound negative effects on a person’s ability to make long-term decisions from the ongoing stresses of poverty. This research is encapsulated in a quote from Sendhil Mullainathan and Eldar Shafir:

“... the behavioural patterns of the poor may be neither perfectly calculating nor especially deviant. Rather, the poor may exhibit fundamental attitudes and natural proclivities, including weaknesses and biases, that are similar to those of people from other walks of life. One important difference, however, is that in poverty there are narrow margins for error, so that the same behaviours often manifest themselves in more pronounced ways and can lead to worse outcomes...”⁵¹

Indigenous people experience a high degree of financial stress and this is likely to negatively affect their ability to make long-term decisions reflecting their own needs and aspirations. At the same time, there are legitimate concerns about the effect of income support on people’s long-term behaviour. Passive welfare or dependency is believed by some, prominently Noel Pearson⁵², to lead to lack of incentives for Indigenous people to make the types of changes to behaviour that will lead to long-term improvements for themselves, their children and their

community. According to Pearson, writing with regard to Cape York: “Most economic activity, including the operation of community enterprises, occurs within the passive welfare economy, and is reliant upon government transfers.” Pearson believes this form of economic activity is problematic because:

- Passive welfare is “an irrational economic relationship” as there are no obligations placed on the recipient;
- It is a “method of governmental action” in that a superior power has all the rights and responsibilities; and
- It is “a mentality” that is “internalised and perpetuated by recipients who see themselves as victimised or incapable”.⁵³

Emerging behavioural research documented in Mullainathan and Shafir⁵⁴ would suggest that while reducing income support may create the right incentives to change behaviour, it will also place additional cognitive load on individuals that may make such behavioural change less likely. There is, like in many areas of social policy, a complex trade-off to be made. Pearson recognises this trade-off and makes it

“Emerging behavioural research documented in Mullainathan and Shafir would suggest that while reducing income support may create the right incentives to change behaviour, it will also place additional cognitive load on individuals that may make such behavioural change less likely.”

clear he is not “urging poverty as a solution to our social predicament”. Instead, he argues “poverty needs to be overcome via the development of real economies for our society and that we should utilise our welfare resources to develop an economic foundation to our society (that is, Aboriginal communities in Cape York) that is based on real principles”.⁵⁵ This is a long-term goal. In the short-term, policies need to take into account the potential for the cognitive constraint identified in Mani, Mullainathan et al⁵⁶. According to Vohs: “Paring down the sheer volume of decisions that the poor must make – perhaps through defaults – and allowing others to share in the decision-making process could help.”⁵⁷

A potential solution to behavioural impacts of welfare receipt and financial stress is active support for Indigenous Australians to manage the income they receive. This could reduce the effect of Indigenous poverty on people’s available stores of self-control and affect the direction of expenditure. There is enthusiasm for such a policy response within the Forrest Review.⁵⁸ The problem is that the high-quality evaluations of this type of “income management” have shown them to be both expensive and largely ineffectual for long-term behavioural change. For example, Bray, Gray et al show that “rather than promoting independence and the building of skills and capabilities, New Income Management in the Northern Territory appears to have encouraged increasing dependence upon the welfare system”.⁵⁹

One key finding from the evaluation was that people on Voluntary Income Management (or those who opt into the program) are more positive than people subject to Compulsory Income Management. Furthermore, the authors argue:

“There is some evidence to show that income management may be a successful intervention when used as part of an individually tailored program for some individuals who have been specifically targeted as a result of their identified individual vulnerability or problem such as child protection”.

This contrasts with the blanket approach advocated by Forrest and implemented in the Northern Territory. This gives a strong indication that an intervention designed to bring about behavioural change that does not respect a person's autonomy and choices will be less well received and less effective than one allowing individuals to opt in. Ultimately, good policy needs to be well designed, well evaluated and well targeted to have any effect.

Another negative social norm used as an explanation for entrenched Indigenous disadvantage is that which leads to exposure to the criminal justice system. There is data to support this, with the Steering Committee for the Review of Government Service Provision⁶⁰ reporting that after adjusting for differences in population age structures, the rate of imprisonment for Indigenous adults was 13 times the rate for non-Indigenous adults. There are likely to be intergenerational effects, with children who grow up in households affected by the criminal justice system likely to find their own life chances constrained.⁶¹

We must not assume the high imprisonment rates are culturally driven. Snowball and Weatherburn use a range of empirical data to reject such assumptions.⁶² Like with financial decision-making and poverty, it is as likely that entrenched disadvantage is a cause of high imprisonment rates instead of, or at least in addition to, causality running in the opposite direction.⁶³ In a separate analysis, I was able to show using longitudinal data “those with lower levels of subjective wellbeing at the start of the period are more likely to be arrested” (over one year) than those with relatively high levels of wellbeing. Low education levels and low income also had a strong predictive effect. Designing policy requires careful analysis of the evidence and avoiding unsubstantiated causal assumptions.

Summary and concluding comments

This chapter aimed to summarise the data and research on:

- Level and cost of entrenched disadvantage among the Indigenous population;
- Causes of entrenched disadvantage; and
- Possible policy responses.

The main conclusion from the results and research is that the issue is complex, and there is unlikely to be one single or dominant cause of disadvantage. Education is important, as is where people live. Discrimination, health, disability and caring are all likely to combine to significantly affect hiring decisions (of employers) and labour supply responses. Preferences of Indigenous Australians and development of social norms and attitudes to work are also likely to play a part. Each issue alone is not enough to explain employment and income differences between Indigenous and non-Indigenous Australians.

“Indigenous communities are diverse and local conditions and aspirations matter. Policies designed to reduce disadvantage need to be carefully evaluated and developed in genuine collaboration with affected communities.”

Such complex policy issues require a careful policy response with a long-term perspective. This includes the best available evidence on what works, for example, as summarised in papers available as part of the *Closing the Gap Clearinghouse*.⁶⁴ Indigenous communities are diverse and local conditions and aspirations matter. Policies designed to reduce disadvantage need to be carefully evaluated and developed in genuine collaboration with affected communities.

While focusing on the clear policy need, we shouldn't ignore the many positive stories and successes of Indigenous Australians. Some of these are well known to the Australian public including David Gulpillil (film); Geoffrey Gurrumul Yunupingu and Jessica Mauboy (music); Noel Pearson (law and advocacy); Professors Marcia Langton and Mick Dodson (education/research); and Adam Goodes and Cathy Freeman (sport). The Census and similar data collections can be used to highlight gaps between Indigenous and non-Indigenous Australians and variation within the population. They can also be used to highlight the scale of success.

In 2011, the Census counted around 148,000 Indigenous Australians who were employed, including around 29,000 managers and professionals. There were around 174,000 Indigenous Australians participating in some form of education and training, from early childhood education through to trades, bachelor degrees and post-graduate research. There were around 10,000 Indigenous Australians counted as self-employed, potentially hiring many other Indigenous Australians. These people have their own positive stories to tell and challenges they have overcome. Policy should aim to support those things that work and learn from those that don't.

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5. Living with mental illness

Professor Lorna Moxham

.....
This chapter explores how living with mental illness can result in social and economic hardship, and takes a look at policy responses to address mental illness.
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Initially qualified as a three-year specialist trained psychiatric nurse at Rozelle Hospital in Sydney, Lorna continued her passion for lifelong learning graduating from the University of Western Sydney with a Diploma of Applied Science and Bachelor of Health Science. She then graduated from the University of New South Wales with a Master of Education. In addition to her PhD, Lorna has a Graduate Certificate in Occupational Health and Safety and in Quality Management from Central Queensland University. She also has certification in Training and Assessment from Central Queensland Institute of TAFE.

Passionate about healthcare and its valuable contribution to the wellbeing of our society, Lorna's specific area of expertise rests within mental health nursing. She is a Fellow of the Australian College of Mental Health Nurses and the Australian College of Nursing.

What is mental illness?

The term mental illness, as used in this chapter, is inclusive of mental disorder(s) and encompasses a wide range of mental health and behavioural issues. A mental illness is a clinically diagnosable set of symptoms or behaviours associated with distress and with interference with personal functions. Mental illness can significantly interfere with a person's cognitive, emotional and social abilities.

The most prevalent mental illnesses are depression, anxiety and substance use disorders. Not as prevalent, but often more severe, are mental illnesses such as schizophrenia, bipolar disorder and schizoaffective disorder.¹

Anyone can develop a mental illness. It does not discriminate and affects all ages, gender, ethnicity and socioeconomic status. One in five Australians aged 16 to 85 years had a mental disorder in 2007, and almost one in two (or 7.3 million people) had experienced a mental disorder at some point in their lives.² The rate of mental illness was higher for men aged 16 to 34 years (23 per cent) and women aged 16 to 24 years (30 per cent) compared with older age groups.

Mental illness can affect a person's ability to interact successfully with their family, friends, work colleagues and the broader community. It can cause significant distress and disability, and can lead to isolation of, and discrimination against, people who are affected.³ Living with a mental illness and managing the challenges that come with it can mean that people with mental illness may not be able to fully participate in the labour force. This affects the individual in terms of personal income, social participation and self-esteem, but also has wider economic impacts.

Entrenched disadvantage

While Australia has experienced two decades of economic growth and rising average incomes, people with mental illness are among the most disadvantaged in society, with many experiencing social and economic hardship as a direct result of their illness.⁴ Mental illness continues to be stigmatised, and services and research continue to be under funded compared with other illnesses and injury. Many people with a mental illness live in a cycle of entrenched disadvantage. Such disadvantage is not just about low income. It includes social isolation and exclusion, diminished capabilities and deprivation. Diminished capabilities, a measure of disadvantage identified by Amartya Sen, can translate into outcomes such as inadequate income or education, poor health, low self-confidence and a sense of powerlessness.⁵

If these 'measures' are applied to people with mental illness, we find:

- Social isolation and exclusion;
- Inadequate income;
- Poor health and premature mortality; and
- Low self-confidence and sense of powerlessness.

Social isolation and exclusion

People with long-term mental illness are among the most excluded in society.⁶ The idea that having a mental illness contributes to 'otherness' has meant that for centuries, exclusion from society has resulted.⁷

Inadequate income

The full-time adult average weekly total earnings in May 2014 was \$1516.90.⁸ The maximum rate of the Disability Support Pension (DSP) is \$766 per fortnight for a single person aged over 21 with no dependents. The Newstart Allowance is \$510.50 per fortnight for a person in the same circumstances. A person may also be eligible for Commonwealth Rent Assistance of \$119.40 per fortnight.

The Mental Health Council of Australia identifies the proportion of people with disabilities receiving the DSP is 37.3 per cent (825,000 out of 2.2 million Australians identified as having a disability).⁹ At any given time, more than 3.2

million Australians are estimated to experience mental illness, with 62 per cent currently employed. Of these, there are an estimated 489,000 people living with severe mental illness.

In September 2013, there were 258,640 people receiving the DSP due to psychosocial disability (31.1 per cent of total DSP recipients). This is less than 10 per cent of the total number of people living with mental illness in Australia. Any changes in access to the DSP need to be carefully considered, particularly for people with a mental illness who are already marginalised and live with stigma.

Poor health and premature mortality

Mental illness is associated with increased exposure to health risk factors, greater rates of disability, poorer physical health and higher rates of death from many causes including suicide.¹⁰ People with severe mental illness tend to, on average, die earlier than the general population.¹¹ There is a 10-to-25-year reduced life expectancy in people with severe mental illness with the vast majority of deaths due to preventable chronic physical medical conditions such as cardiovascular, respiratory and infectious diseases, diabetes and hypertension. Suicide is another important cause of death. The mortality rate among people with schizophrenia is two to two-and-a-half times higher than the general population.¹²

Low self-confidence and sense of powerlessness

The stigma associated with having a mental illness is a major contributor to low self-confidence and a sense of powerlessness. Stigma and discrimination against people with mental illness is a global problem and can lead to lower rates of help seeking, under treatment and social exclusion.

Costs of mental illness

The Australian Institute of Health and Welfare indicates that over \$7.2 billion, or \$322 per person, was spent on mental health-related services in Australia during 2011–12, an increase from \$282 per person in 2007–08.¹⁴ State and territory specialised mental health services cost \$4.5 billion, an average annual increase of 4.3 per cent between 2007–08 and 2011–12. Most of this funding was spent on public hospital inpatient services (\$1.9 billion), followed by community mental healthcare services (\$1.8 billion).

In addition to the public sector, expenditure on specialised mental health services in private hospitals was \$333 million during 2011–12. The Australian Government paid \$906 million in benefits for Medicare subsidised mental health-related services in 2012–13, equating to 4.9 per cent of all Medicare subsidies. Expenditure on psychologist services (clinical and other) of \$377 million made up the largest component of mental health-related Medicare subsidies in 2012–13. The Australian Government spent \$788 million, or \$34 per person, on subsidised prescriptions under the PBS/RPBS during 2012–13, equating to 8.3 per cent of all PBS/RPBS subsidies.

The aforementioned costs are indicative of ‘running costs’. They don’t account for indirect costs and personal costs to the person and/or their family. The annual cost of mental illness in Australia has been estimated at something more like \$20 billion. This approximation includes the cost of lost productivity and labour force participation.¹⁵ Significantly, mental illness has been identified as the leading cause of healthy years of life lost due to disability.¹⁶

More than two decades of plans

The care and treatment provided to people with a mental illness has long been the subject of inquiries and commissions, not only in Australia but across the globe. Many of these inquiries have been on the basis of mistreatment or perceived unprofessional behaviour. To ‘fix’ past issues and identify future directions and approaches, mental illness has also been the subject of numerous government and organisation plans and strategies, nationally and internationally.

In many respects, Australia has led the way with these initiatives. In 1992, the Australian Health Ministers signed the first five years of a National Mental Health Strategy. The strategy contained a statement of Rights and Responsibilities of Consumers (1991), the National Health Policy (1992), the National Health Plan, and it outlined Commonwealth funding under the Medicare Agreement. This was indeed a significant document. Given that Australia was the first country to develop a national strategy for the modernisation of mental health services, the National Mental Health Strategy (1992–1998) sent a powerful message that reform of mental health services was very much on the Government’s agenda.

The Government wanted to assure change by promoting the mental health of the Australian community, prevent mental illness, reduce the impact of mental illness and assure the rights of people who are living with mental illness.

The aims of the National Mental Health Strategy were to:

- Prevent the development of mental disorder (where possible);
- Reduce the impact of mental disorder on individuals, families and the community; and
- Ensure the rights of people with a mental disorder.

These aims are just as relevant in 2015 as they were when they were originally written in 1992.

The first National Mental Health Plan was written at a time when the mental health system was thought to be in disarray. Within the decade prior to the release of the plan, there had been a shift of psychiatric beds from large, standalone mental

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health institutions to general hospitals and to community-based care as a result of de-institutionalisation. It was however, by no means complete. The move to community-based care is still the subject of much conjecture.

Given the context of the time, the first plan mainly focused on public mental health services with changes in structure and mix of public mental health services being identified as the priority. The plan asserted that better integration of care was required. It also emphasised consumer rights.

In addition to the first National Mental Health Plan, in 1996, the Australian Government recognised the significance of mental illness by identifying mental health as one of the national health priority areas. The Australian Government chose mental health because mental illness contributes significantly to the burden of illness and injury in the Australian community. Indeed, the Government felt that by targeting specific areas that impose high social and financial costs on Australian society, collaborative action could achieve significant and cost-effective advances in improving the health status of Australians.

The second National Mental Health Plan (1998–2003) aimed to continue the ‘unfinished business’ of the first plan but expanded its focus. The second plan was introduced to progress initiatives of the National Mental Health Strategy. It turned its attention to promotion and prevention, partnerships in service reform, and quality and effectiveness. The gaze fell upon general practitioners and private psychiatrists who had previously felt excluded from mental health services. These professionals could provide timely and necessary primary healthcare. Such early intervention could mean timely access to treatment and prevent costly and undesirable inpatient admissions. Programs related to depression were also given significance. The plan had attracted growth in mental health expenditure in real terms, but this growth had simply mirrored overall health expenditure trends and was not sufficient to meet the level of unmet need for mental health services.

In 2003, the third plan was released. This National Mental Health Plan (2003–2008) had a broad approach and described mental health for all Australians. This plan identified 34 outcomes with 113 key directions. The plan did not, however, identify specific Commonwealth funds. This was not considered appropriate given that sufficient and timely funding is a critical component for innovation and expansion. Evaluation of this plan indicated that continuing the progress that was made since the establishment of the National Mental Health Strategy in 1992 was considered important, and overwhelming support remained for the principles viewed as fundamental to realising the aims outlined in the plan.¹⁷

In July 2006, the Council of Australian Governments (COAG) agreed to the National Action Plan on Mental Health 2006–2011, once again clearly recognising the need for a change in the way governments respond to mental illness. The plan provided a strategic framework that emphasised coordination and collaboration between government, private and non-government providers.

Like previous plans, this one also aimed to build a more connected system of healthcare and community supports for people affected by mental illness. The five-year plan identified five action areas with associated agreed outcomes (refer to Figure 1).

FIGURE 1
COAG NATIONAL ACTION PLAN

Action areas	Agreed outcomes
<ul style="list-style-type: none"> Promotion, prevention and early intervention 	<ul style="list-style-type: none"> Reducing the prevalence and severity of mental illness in Australia
<ul style="list-style-type: none"> Integrating and improving the care system 	<ul style="list-style-type: none"> Reducing the prevalence of risk factors contributing to the onset of mental illness and preventing long-term recovery
<ul style="list-style-type: none"> Participation in the community and employment, including accommodation 	<ul style="list-style-type: none"> Increasing the proportion of people with an emerging or established mental illness who are able to access the right healthcare and other relevant community services at the right time, with a particular focus on early intervention
<ul style="list-style-type: none"> Increasing workforce capacity 	<ul style="list-style-type: none"> Increasing the ability of people with a mental illness to participate in the community, employment, education and training, including through an increase in access to stable accommodation
<ul style="list-style-type: none"> Coordinating care ('Coordinating care' and 'Governments working together') 	

During this time, a new National Mental Health Policy was endorsed by health ministers in December 2008. This revised policy represents renewed commitment by providing an overarching vision and intent for the mental health system in Australia. The policy embeds the whole of government approach first agreed by COAG in July 2006 regarding mental health reform that formed the centrepiece of the COAG National Action Plan on Mental Health.

We now have the Roadmap for National Mental Health Reform (2012–22). Endorsed by COAG on 7 December 2012, the Roadmap outlines the directions to be taken by governments over 10 years. It identifies governance and accountability arrangements designed to directly engage stakeholders and ensure that governments are held to account. The new arrangements included the establishment of a COAG Working Group on Mental Health Reform. This group developed the Fourth National Mental Health Plan (2009–2014), which set out how the Roadmap will be implemented through the identification of five priority areas.

The Roadmap has a great vision that all Australians should see as valuable and worthy of investment. It states:

“A society that values and promotes the importance of good mental health and wellbeing, maximises opportunities to prevent and reduce the impact of mental health issues and mental illness, and supports people with mental health issues and mental illness, their families and carers to live full and rewarding lives.”

There is ongoing debate about whether the plans have achieved their aims, what real change has occurred and whether any difference has actually been made. Such debate is necessary and whether plans have ‘worked’ or not will continue

to be the subject of debate. State, territory and national plans, and indeed global plans and strategies, related to mental health are, in my opinion extremely valuable. Mental health plans, strategies, policies, and so on, include agreement about collective values and beliefs about mental health service provision, and they identify understanding and commitment about the country's vision, direction and goals. Quite simply, they provide the goals to aspire to and give an overall direction. Mental health service providers can choose to use these plans to advocate for change or they can choose to leave them sitting on a shelf and then complain nothing has changed.

Prioritising care and treatment

The increased level of utilisation of mental healthcare services across all age brackets will have a large influence over which components of plans can and should be implemented as a matter of priority. Australia has the building blocks in place to implement strategies outlined in mental health plans and these can successfully be built upon. Keeping people out of hospital is considered best practice and this should be the focus. General practitioners, primary healthcare workers and mental health nurses working under the Mental Health Nurse Incentive Program (MHNIP) are important players in this respect. As such, early intervention in mental health can prevent costly admission, the cost of which is both fiscal and often personal.

A specialist workforce

The provision of care to people with mental illness is specialised. A consortium of researchers, advocates and clinicians¹⁸ advise that one strategy to improve the lives of people with mental illness around the world is to “strengthen the mental health component in the training of all healthcare personnel”.

In Australia, one way this can be achieved is by addressing the lack of mental health content in undergraduate qualifications. Nursing is a good example. The Australian Mental Health Nurse Education Taskforce conducted a national examination of mental health content of preregistration nursing curricula to develop a framework for including mental health in future curricula. Qualitative findings from national consultations about the framework suggest that the mental health content of curricula should be increased.¹⁹ Many universities have little or no mental health content in their degree. Out of 24 subjects, on average there may be one or two mental health courses. Of the minimum required 800 hours' clinical exposure, some nursing students don't even get a mental health placement as part of their training at all.

Strengthening the mental health component doesn't have to cost more. Identifying the minimum mental health content within health programs will ensure that mental health is part of the curriculum. If universities aren't given set minimums, they won't change their curricula.

Despite the dearth of mental health training, graduates can begin employment in mental health settings. Clinical staff who work in mental health should not be employed unless they possess qualifications reflective of the specialised nature of care and treatment for people with mental illness. Nurses make up the large majority of the clinical workforce, sometimes as much as 70 per cent. Just as midwifery has a recognised endorsement, so too should the speciality area of mental health nursing in Australia. In fact, this used to be the case. These days this can be achieved by credentialing through the Australian College of Mental Health Nurses who posit that the minimum qualification required to be credentialed is a Graduate Diploma. Being credentialed is one way to identify to employers, consumers and colleagues who are mental health nurses.

“Clinical staff who work in mental health should not be employed unless they possess qualifications reflective of the specialised nature of care and treatment for people with mental illness.”

Early intervention begins in the community

Funding for community-based care should be the priority. The majority of funding continues to go to inpatient care. The 1980s saw the mass movement from institutional to community-based care. Why then, after more than two decades is the majority of funding still going to hospital-based care when early intervention, initiatives in primary healthcare and increased community support will actually keep people out of hospital? Are we trapped in a mind-set of being too risk averse? Community-based care is best practice. Nothing will change if mind-sets and funding models don't change.

Peer workforce

Increasing the peer support workforce is a no-brainer. People with lived experience offer valuable insights and understanding of mental illness. Peer support does not replace treatment, but is complementary to clinical care and the peer support worker is and should be seen as an active and equal member of the multidisciplinary team. Peer support workers educate people with mental illness about the power and responsibility that each person has in determining their own recovery. The peer relationship enables equality and mutuality, and engenders hope.

The power of language

Everyone can agree that language is powerful. Words do not just convey meaning, they have a potency that can empower or deflate. The words we use reflect, reinforce and shape perceptions of people. Mental healthcare and treatment is filled with language that deflates. But this can and should change. Recovery-focused language that is strengths-based should be the norm. Such an affirming paradigm is important to move towards in all forms of communication, written, verbal and non-verbal. Forms, documents, policies and procedures, from national, state and territory, right down to local health district level should all use recovery-oriented language.

Sense of purpose

Everyone needs something for which to get out of bed – a motivator, a sense of purpose. Indeed, research suggests that having a purpose in life has the potential to reduce mortality risk.²⁰ The purpose is different for different people, and discovery of it recognises and acknowledges individuality. People with a mental illness are, of course, no different. Engagement in rehabilitation, leisure and therapeutic recreation activities in the community are an excellent means of creating meaning. Cost-effective programs can be run by organisations that facilitate purpose, decrease social isolation and address stigma.

Access

The ability to access mental health services is not evenly distributed across Australia. Pragmatically, with a continent that is 7,692,024 square kilometres, the tyranny of distance is always going to mean that for the most part, services will be located where the majority of the population reside.

To reach Australians who live remotely and in rural and regional settings, we need to use technology. One can only hope that the National Broadband Network will make a difference. Mental health services can, in part, be delivered through better use of video and

“To reach Australians who live remotely and in rural and regional settings, we need to use technology. Mental health services can, in part, be delivered through better use of video and teleconferencing. Such technology can be far reaching and can provide support for people in very remote locations.”

teleconferencing. Such technology can be far reaching and can provide support for people in very remote locations. Importantly, this can be done in the person’s own home. An example is Lifeline, a 24-hour telephone crisis line founded in 1963 by the Reverend Sir Alan Walker. Services like Lifeline provide valuable mental health support particularly in the area of suicide. This kind of service is extremely cost-effective yet it does not attract anywhere near enough government funding.

Funding research that will develop evidence-based apps that can empower and educate, and can assist people to manage their illness at home will be important for future healthcare delivery. People will have to increasingly manage their lives in ways that promote personal responsibility for health. Apps that can help us all work towards healthier lifestyles present a way for Australians to enjoy a better quality of life.

Making sure we have good mental healthcare will play a role in the future prosperity of Australia. We would do well to heed the following advice from a person with lived experience:

If we plant a seed in the desert and it fails to grow, do we ask, “what is wrong with the seed?” No. The real conspiracy lays in this: to look at the environment around the seed and to ask, “what must change in this environment such that the seed can grow?” The real conspiracy that we are participating in here today is to stop saying what’s wrong with psychiatric survivors and to start asking: “How do we create hope filled, humanised environments and relationships in which people can grow?”²¹

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Master Builders Association of South Australia
NCVER
Royal Automobile Association of SA
SA Department of Environment, Water & Natural Resources
SA Department of Further Education, Employment, Science and Technology
SA Department of Primary Industries and Regions, South Australia
SA Power Networks
South Australian Water Corporation
Thomson Geer
University of South Australia

TAS

Aurora Energy
Nekon
TasNetworks
Tasmanian Department of Premier & Cabinet

VIC

AusNet Services
Australian Unity
Barwon Water
Benetas
Cabrini Health
CBP Lawyers
City of Ballarat
City of Melbourne
Clean Energy Council
CSL
Deakin University
ExxonMobil
GHD
Gilbert + Tobin
IFM Investors
Independent Broad-Based Anti-Corruption Commission Victoria (IBAC)
Independent Schools Victoria
JANA Investment Advisers
Janice Van Reyk
Jo Fisher Executive

Medibank
META
Monash University
Monsanto
National Australia Bank
NHP Electrical Engineering Products
NICTA
Open Universities Australia
Oracle
PGA Group
Pinnacle Group
Port of Hastings Development Authority
Programmed Group
Public Transport Victoria
RMIT University
Ross Paton
Royal Australian College of General Practitioners (RACGP)
Royal Automobile Club of Victoria
Sue Zablud
Sustainability Victoria
Telstra
The Future Fund
Thiess
Toyota
Transdev
Treasury Corporation of Victoria
United Energy & Multinet Gas

University of Melbourne	Curtin University	WA Department of Commerce
Victorian Department of Education and Training	Dynamiq	WA Department of Mines and Petroleum
Victorian Department of Environment, Land, Water and Planning	Edith Cowan University	WA Department of Planning
Victorian Department of Premier & Cabinet	ExxonMobil	WA Department of Regional Development
Western Water	Georgiou Group	WA Department of Treasury
Wilson Transformer Company	HopgoodGanim Lawyers	Water Corporation
Yarra Trams	INPEX	Wellard Group Holdings
	Jackson McDonald	Wesfarmers
	K&L Gates	Whelans Australia
	King & Wood Mallesons	Woodside Energy
	LandCorp	
	Leighton Contractors	
	Main Roads, Western Australia	
	Murdoch University	
	OptaMAX	
	Public Sector Commission	
	SAP Australia	
	Terry Grose	
	The Chamber of Minerals and Energy of Western Australia	
	Toro Energy	
	University of Western Australia	
	WA Department of Agriculture and Food	

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