



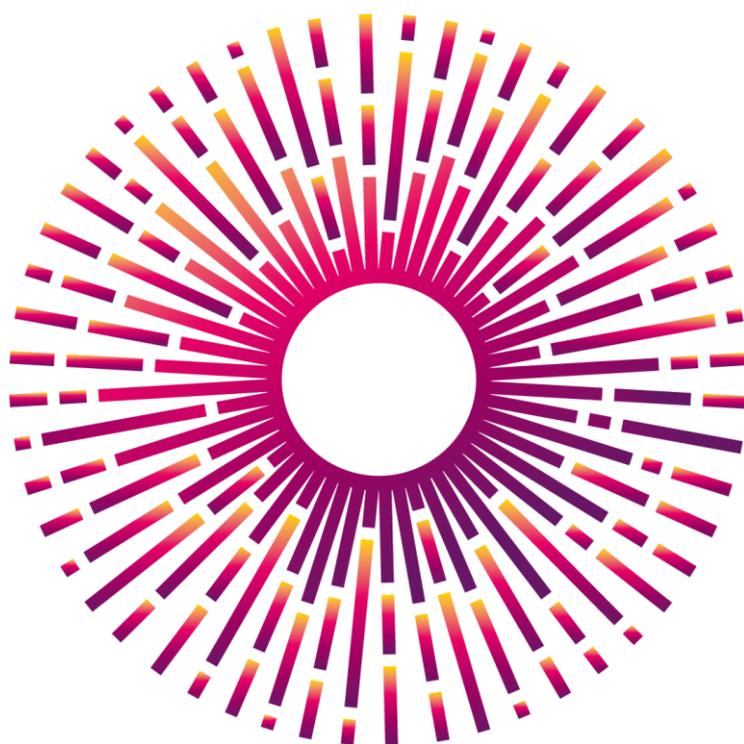
Senate Community Affairs References Committee

# Inquiry into the Extent and Nature of Poverty in Australia

Submission from the  
Australian Institute of Family Studies

*Authorised by  
Hon Dr Sharman Stone*

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## Introduction

Despite the strength of the Australian economy and the relatively low rate of unemployment in recent decades, the extent to which families experience relative poverty has not lessened (Cantillon, 2019) and, as demonstrated by this inquiry, such trends have serious implications for the wellbeing of these families.

The Australian Institute of Family Studies (AIFS, or the Institute) is a Melbourne-based Australian Government statutory agency. We were established in 1980 under the *Family Law Act 1975*. AIFS' mission is to conduct high-quality, impartial research into the wellbeing of Australian families, to inform government policy and promote evidence-based practice in the family services sector. AIFS includes the Australian Gambling Research Centre.

AIFS undertakes primary research and synthesises the evidence on a broad range of issues affecting Australian families, including those living in poverty or disadvantage. AIFS research also examines issues relating to disadvantage across intersectionalities including mental health, parenting, family and domestic violence, and some institutional impacts (e.g. gendered differential access leading to inequality in the division of family assets in the Family Court). Drawing on findings from AIFS research, our submission summarises some key issues about the poverty and financial disadvantage experienced by Australian families, organising these around some of the Inquiry's Terms of Reference.

## Experience of poverty and financial disadvantage in Australia

Terms of Reference: (a) The rates and drivers of poverty in Australia

Estimates of the extent to which Australians experience poverty and financial disadvantage vary depending on different definitions and measurements.<sup>1</sup>

AIFS research has explored the experiences of poverty and financial disadvantage in Australia among different cohorts, and the socio-demographic correlates linked with such experience.

This research includes:

- Experiences of Australian children:
  - Analysing the first five waves of data from the AIFS Longitudinal Study of Australian Children (LSAC) from 2004 to 2012, when children were aged between 0 and 12 years, Warren (2017) reported that rates of relative income poverty (defined as having a level of equivalised parental income less than 50% of the median in the LSAC sample) among Australian children ranged from 11% to 14%, and rates of financial disadvantage (defined as a level of equivalised parental income less than 70% of the median) ranged from 20% to 28% each year. Many of these families depended on government benefits as their main source of income, with such dependence being

<sup>1</sup> AIFS' poverty-related research has focused mostly on financial disadvantage in terms of low income or joblessness, or on community measures of socio-economic position. We acknowledge that there are several ways poverty may be measured; however, AIFS has not undertaken research focused on poverty measurement. Related to this, though, Baxter and Taylor (2012) reported on the measurement of the socio-economic status of women and demonstrated that different measures had varied strengths and weaknesses for women at different life stages. They argued that the selected measure of lower socio-economic status should consider women's stage in the life course.



particularly prevalent in the very early years of childhood. Children living in single-parent families were at a higher risk of poverty or financial disadvantage, with the poverty rates ranging from 29% to 41%.

- Based on LSAC data, Baxter and colleagues ([AIFS], 2012) showed the close links between parental joblessness and financial disadvantage. A much higher prevalence of joblessness and short part-time employment (i.e. parental employment of 20 hours or less per week) was found among single-parent families, than among couple-parent families, with children aged 0–10 years (joblessness: 50% cf. 4%; short part-time hours: 20% cf. 2%). They reported that jobless families and, to a lesser extent, families with short part-time hours were linked with factors such as lower educational attainment, poorer health and living in disadvantaged areas. This research further revealed that shifting from joblessness or short part-time to full-time/long part-time hours was important to alleviate financial disadvantage. Significantly, however, moving from being jobless to working short part-time hours had limited impact on financial disadvantage.
- AIFS research found financial and other disadvantages can persist across generations. Using the AIFS LSAC data, Hancock, Edwards, and Zubrick ([AIFS], 2013) found clear continuities in the experiences of joblessness and relationship separation between grandparent and parent generations, and that these persistent disadvantages had significant negative impacts on early childhood developmental outcomes. For example, of the cohort of children aged 0–1 in 2004, those children living in a couple family between 2004 and 2010, where both maternal and paternal grandparents were jobless, were three times as likely to be in a jobless family for one or more survey waves compared to those children with no jobless grandparents (20% cf. 6%). Children whose paternal and maternal grandparents had separated were more than twice as likely to have lived in a single-parent family at 6–7 and 10–11 years of age compared to those with neither side of grandparents experiencing separation.
- Further LSAC research is currently underway to investigate the intergenerational persistence of poverty, as LSAC participants have now reached adulthood.
- Poverty and financial disadvantage experienced by women:
  - Women, more often than men, withdraw from paid work or reduce their work hours to care for children and others, which not only potentially reduces their income but also has significant impacts on their retirement income through reduced superannuation and savings. Further, women still earn less than men for the same number of work hours (Australian Bureau of Statistics [ABS], 2022). These factors contribute to the continuation of gendered patterns in poverty and financial disadvantage. Baxter and Taylor ([AIFS], 2014), in exploring socio-economic disadvantage among women in NSW, reported that while risk factors for poverty and financial disadvantage varied for women at different life stages, common correlates associated with financial hardships were being of Indigenous background, having poor English language skills, having a disability, being a carer or single parent, living alone, living in public housing, and being a recipient of income support payments, especially government rental assistance.
  - AIFS research on the financial consequences of separation has revealed that women generally experienced a steep decline in equivalised household income in the short-term after separation, especially those with dependent children. This pattern did not apply to men. The research found that although women were able to recover their



household income to their pre-separation levels, their income levels after six years following separation were still lower than those who were not separated, with this income disparity more marked for women with dependent children (de Vaus, Gray, Qu, & Stanton, 2014). The findings are consistent with the higher prevalence of poverty and financial disadvantage experienced by single parents (mostly mothers) and their children, as outlined above.

- Financial disadvantage experienced by humanitarian migrants:
  - The AIFS study Building a New Life in Australia (BNLA)<sup>2</sup> has provided some evidence on the experience of financial hardships among this vulnerable cohort of humanitarian settlers. A sizable minority of the participants reported the experience of financial stress (e.g. unable to heat/cool the home, unable to pay utility bill on time or rent/mortgage, going without meals, etc.; 32%–42% between 2014 and 2018), with multiple types of financial stresses being more common than a single type of financial stress (18%–27% vs 12%–17% across the years). Most participants reported that a government payment was their main source of income; nevertheless, the proportion declined from 88% in 2014 to 60% in 2018.
  - AIFS is currently conducting a wave of data collection with BNLA participants that will provide further evidence of any unemployment and other factors related to poverty experienced by these humanitarian migrants and their children, some 10 years after their arrival in Australia.
- It is also important to note that some local communities have a greater concentration of individuals and families experiencing poverty, and neighbourhood factors can further exacerbate the disadvantages that the families and individuals are already facing.
  - The Life Around Here project, a qualitative study conducted by AIFS and focusing on selected disadvantaged areas (described below), highlighted the interconnectedness of joblessness, education and health/disability entrenched in these communities (Hand, Gray, Higgins, Lohar, & Deblaquiere [AIFS], 2011).

## Economic conditions and poverty and financial disadvantage

Terms of Reference: (b) The relationship between economic conditions (including fiscal policy, rising inflation and cost of living pressures) and poverty

Economic conditions are important to the living standards of families in various circumstances, especially those who are already disadvantaged. During economic downturns and recessions, families are impacted through reduced work hours and increased unemployment due to a decrease in labour demand (Gray, Edwards, Hayes, & Baxter [AIFS], 2009). Families can also face a decline in asset values and a reduced capacity to meet living costs and service debt. Families already living in a difficult financial position are disproportionately affected.

Gray and colleagues ([AIFS], 2009) also observed that locational disadvantage is likely to become more pronounced in economic turndowns and recessions. Single-parent families are

<sup>2</sup> The Building a New Life in Australia: Longitudinal Study of Humanitarian Migrants follows 2,399 humanitarian migrants and their family members who arrived in Australia or had their permanent residency visa granted between May and October 2013. The participants were interviewed annually between 2014 and 2018.



particularly vulnerable. Economic downturns and recession increase long-term unemployment, which has long-lasting negative impacts on future earnings and living standards in later life.

The impacts of economic conditions on families are also evident in the [Families in Australia Survey](#), conducted by AIFS during the COVID-19 pandemic. This online survey was conducted at four different time periods during 2019 and 2020, with large samples achieved through a convenience sampling approach, although not representative of the population. Drawing on the first survey conducted in 2020, Warren and Baxter ([AIFS], 2020) found that during the early stage of the COVID-19 pandemic, many participants cut down on non-essential expenses, with some reducing spending on essential items such as groceries and using money saved for other purposes to pay for everyday expenses. Of those who experienced a drop in income, one in seven had asked for a pause on their rent or mortgage payments, one in five had asked for financial help from friends or family, and one in eight had asked for help from a welfare or community organisation. There were widespread concerns expressed by participants about short- and long-term financial futures and their ability to cope with job losses and reduced employment.

## The impact of poverty and financial disadvantage on family wellbeing

Terms of Reference: (c) the impact of poverty on individuals in relation to: (i) employment outcomes, (ii) housing security, (iii) health outcomes, and (iv) education outcomes

There is ample research evidence that poverty and financial disadvantage have serious direct and indirect impacts on the wellbeing of individuals and families, resulting in significant costs for individuals, families and the broader community. Consistent with the literature on poverty and family wellbeing, AIFS research has shown that poverty and financial disadvantage is detrimental to parental wellbeing, and children living in poverty and financial disadvantage have worse developmental outcomes across a range of domains. For example:

- Parents of families in poverty or financial disadvantage, jobless families or families with short part-time hours had poorer social connection and poorer mental health (Baxter et al. [AIFS], 2012; Warren [AIFS], 2017).
- Financial disadvantage and poverty affect parents' capacities to invest in cognitive stimulus activities. Poverty and financial disadvantage were associated with harsh parenting and poor family relationships and interactions (Smart, Sanson, Baxter, Edwards, & Hayes [AIFS], 2008; Warren [AIFS], 2017).
- Children living in poverty and financial disadvantage had poorer developmental outcomes: lower cognitive development, poorer social-emotional outcomes, poorer general health and an elevated risk of obesity, with negative impacts being more pronounced for children experiencing more severe and prolonged financial disadvantage (Warren [AIFS], 2017).
- Children of families experiencing poverty and financial disadvantage were less ready for home-to-school transition compared to other children (Smart et al. [AIFS], 2008). Although school readiness was found to be affected by a range of factors, financially disadvantaged families need additional support for preparing their children for school to avoid long-term cumulative negative impacts.

These experiences of disadvantage can be persistent across generations. As noted above, the research by Hancock, Edwards, and Zubrick ([AIFS], 2013) showed that children with



experience of persistent intergenerational disadvantage fell behind their peers in cognitive and academic performance and socio-emotional development at age 6–7 and at 10–11 years. These poorer developmental outcomes can result in cumulative disadvantage and poor wellbeing in adulthood. Such impacts lead to an ongoing cycle or transmission of poverty and poor wellbeing. AIFS' current research is continuing to investigate the intergenerational transmission of poverty within the LSAC cohort.

## The impacts of poverty in different demographics and communities

AIFS research has identified that some demographic groups; for example, families with young children, recently separated women and unpartnered older women, were at greater risk of experiencing poverty. Understanding how poverty affects different cohorts is critical, as different strategies will be required to ameliorate their poverty.

For example, AIFS research has highlighted the long-lasting financial impacts of divorce for women. De Vaus, Gray, Qu, & Stanton (2014) found that although separated women were able to recover their household income to pre-separation levels after six years, their income levels, especially for those with dependent children, were still lower compared to women who remained in a relationship. Research further revealed that the negative financial impacts of relationship separation could be long-lasting. Older women who experienced divorce and remained single were in a poorer financial position compared to their counterparts who repartnered after divorce and older women who were married and never divorced (de Vaus et al. [AIFS], 2007; Qu, Gray, Stanton, & de Vaus [AIFS], 2018).

AIFS research, using the *Ten to Men* study, highlights that for Australian men, those in poverty or at risk of poverty face an additional range of disadvantageous circumstances compared to other Australian males. AIFS *Ten to Men* research has shown that male employment and mental health are strongly linked: men out of the labour force were four times more likely (and unemployed twice as likely) to have depression or anxiety than employed men (Daraganova & Quinn [AIFS], 2020). Further AIFS *Ten to Men* research has shown that risks of social isolation are greater among unemployed men and those out of the labour force (Quinn, Rowland, & Martin [AIFS], 2022).

In addition to the variation by demographic groups, the variation across locations in Australia is an important factor. In some parts, there is a more concentrated population of individuals and families experiencing poverty. AIFS research has highlighted the negative impacts of locational financial disadvantage in such communities.

- The Life Around Here study, a qualitative study with participants from three disadvantaged areas, reported that financial disadvantage was often accompanied by other disadvantages such as employment, education, health and housing. Some participants were also grappling with other issues such as substance misuse, mental health and violence. Families with dependent children reported feeling acutely aware of the negative impacts of the location on their children's development but did not have the means to leave (Hand et al., 2011).
- Consistent with this research, Edwards ([AIFS], 2011) reported that, based on the AIFS LSAC data 2004–08, moving out of a disadvantaged neighbourhood played a major role for young children and their families in escaping locational disadvantage; however, neighbourhood mobility declined as children grew older. Edwards also noted the findings in



previous research (e.g. Simpson & Fowler, 1994) that residential mobility was associated with poorer developmental outcomes for children and suggested further investigation.

The quality of schooling accessible to low-income families is measurable and able to be tracked with NAPLAN and other location-based measures. More research is needed on the lifelong impacts of neighbourhood socio-economic status, including the quality of education and early childhood education.

## Mechanisms to address and reduce poverty

Mechanisms to address and reduce Australian poverty need to consider the intergenerational impacts of some intersectionalities and the form and function of Australian society. For example, the Closing the Gap First Nation equality strategy specifically addresses the population impacted by a colonial legacy of poverty, discrimination and disadvantage. In this submission, we have highlighted some findings from AIFS research that are relevant to the alleviation of the effects of poverty and financial disadvantage.

Warren ([AIFS], 2017) found that the negative impacts of financial disadvantage on children's development were in part a result of the parents' lack of financial means to invest in cognitive stimulating activities, their poor mental health and harsh parenting. Warren argued that additional financial assistance to low-income families would help but was not likely to completely overcome all negative impacts on children's development. She suggested a multi-pronged intervention involving programs targeted at improving the early home environment of disadvantaged children and programs aimed at improving the employability of adolescents who had experienced poverty in their early years.

The research by Hand and colleagues ([AIFS], 2011) focused on disadvantaged communities and highlighted the lack of services for young people and in parenting support and education in these communities. The authors ascertained that a multi-pronged approach for overcoming community disadvantage required investment in the neighbourhood, with obtaining a post-school qualification a key element for improving the prospect of long-term employment and combating disadvantage.

As found in our research, women are at a greater risk of experiencing poverty and financial disadvantage than men, and many suffer significant financial impacts from relationship breakdown, especially those with dependent children. The research by de Vaus and colleagues ([AIFS], 2014) showed that the Australian social security system played an important role in moderating some of the more negative impacts on the incomes of low-income women after separation.

Although there is evidence that child support payments help reduce the extent to which single mothers experience poverty (Hakovirta, Skinner, Hiilamo, & Jokela, 2019; Skinner, Cook, & Sinclair, 2017), AIFS research also showed that a minority of payers (often fathers) did not pay their child support on time or in full (Kaspiew et al. [AIFS], 2015; Qu, Weston, Moloney, Kaspiew, & Dunstan [AIFS], 2014). More research is needed to identify the effects of parenting orders and child support regulations on poverty experienced by separated families.



## Summary

- Although definitions and measurements affect the estimates of poverty rates, AIFS research identifies some people who are at a greater risk of experiencing poverty and financial disadvantage. The AIFS LSAC data suggested that over 1 in 10 children aged 0–12 years were living in relative poverty, with twice as many children experiencing financial disadvantage. Research has consistently shown that single parents and their children are more likely than others to be in such financial positions.
- Persistent gender pay gaps and limited or no engagement with paid employment when caring for children affect women’s personal income and their capacity to accrue superannuation for late life, making them more susceptible to poverty or financial disadvantage. Relationship separation affects women more than men financially, especially those with children. Importantly, there is evidence that the experiences of disadvantage can persist across generations.
- AIFS longitudinal research also shows a significant minority of humanitarian migrants experience financial stress, and government income support is their main source of income for many humanitarian migrant families.
- There is ample AIFS research evidence that poverty and financial disadvantage have serious direct and indirect impacts on the life cycle and wellbeing of individuals and families including a range of negative impacts on children and parents. For example, children living in poverty and financial disadvantage are less prepared for home-to-school transitions compared to other children and fare worse in terms of cognitive development and social-emotional outcomes. Parents living in poverty or financial disadvantage have poorer social connection and poorer mental health.
- This submission draws attention to locational disadvantage, associating communities with a greater concentration of individuals and families experiencing poverty with a range of other issues such as mental health challenges, substance misuse and gambling harms.
- This submission also refers to some findings from AIFS research that are relevant to the alleviation of the negative impacts of poverty and financial disadvantage. For example, programs that improve the early home environment of disadvantaged children, including parenting support that could help mitigate the negative impacts on children’s cognitive development in early childhood.
- AIFS is continuing to research these topics using our rich longitudinal datasets, and would welcome the opportunity to discuss ongoing research programs and other findings. We are also available to discuss new research opportunities to address research gaps, drawing on AIFS’ expertise and datasets.

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