

# Hardship and Australian Families

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The views expressed in this paper are those of the author and do not represent the views of the  
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## **Abstract**

Social policy is primarily concerned with the outcomes for families and individuals and the society they live in. Quantitative social policy analysis, and indeed, policy responses have had income, particularly income, as their focus. The inclusion of financial stress questions in the 1998-99 Australian Bureau of Statistics Household Expenditure Survey has permitted, for the first time in Australia, using such a national data set, direct measures of outcomes to identify the distribution of disadvantage. Analysis indicates that stress is multi-dimensional. A focus on the component which reflects the most adverse negative outcomes – and defined as ‘hardship’ - has strong implications for families. Children are almost twice as likely as adults to be living in a household which has had multiple hardship outcomes. In large part this reflects outcomes in sole parent households. Employment appears to play an important role in reducing the incidence.

## Introduction

This analysis considers the extent to which Australian families, and in particular those families with dependent children, faced disadvantage in the late 1990s.

It uses, and extends earlier analysis which has been published as “Hardship in Australia” (Bray 2002), a Department of Family and Community Services Occasional Paper.<sup>1</sup>

## Deprivation measurement

The macro measurement of social outcomes, and much debate about these, is unusual in that it usually is based on the measurement of inputs. That is, when most analysis of those experiencing disadvantage in the community is undertaken, it relies upon the measurement of household income – and the assumption that this accurately reflects poor outcomes.

An alternative approach to this is the direct measurement of outcomes. The main method for this has been in studies which seek to identify resource-constrained deprivation. That is households, or individuals who, because of low resources, are deprived from being able to undertake activities, or have amenities, which are accepted as being a standard for living in the community.

This work was pioneered by Townsend in his study *Poverty in the United Kingdom* (1979). In this he extracted 12 indicators out of a much wider group of 60 indicators of ‘styles of living’ to form an ‘experimental’ deprivation index. This encompassed questions relating to food adequacy, leisure activities and household amenities and households missing out on six or more of the items were considered as experiencing deprivation. Mack and Lansley (1985) refined a number of aspects of the methodology. They selected items in their scale on the basis of whether a majority of people surveyed described it as being ‘necessary and [households] should be able to afford’. They also introduced a question structure that resulted in households only being considered as deprived, if they reported the absence of an item was because they could not afford it.

Nolan and Whelan (1996) in their research in Ireland extended the analysis of the results of such studies to examine the characteristics of deprivation. In their work they identified three dimensions: basic deprivation, which included missing meals and inadequate clothing; secondary deprivation, which broadly covered lifestyle activities; and thirdly, deprivation of housing and housing facilities. Reflecting some of the debate on the original work of Townsend they also proposed a concept of ‘consistent poverty’ – this required households to both have low incomes and have experienced basic deprivation,

Research on deprivation has also been undertaken in Australia, in particular the work of Travers and Richardson analysing the results of the 1987 Australian Standard of Living Study (Travers and Richardson 1993). Following this, in the context of a set of research initiatives around the question of the adequacy of payments, the then Department of Social Security commissioned Travers to conduct a pilot study of deprivation among DSS clients (Travers and Robertson 1996).

As a follow on to this, a joint ‘Living Standards’ project was established between the Department of Family and Community Services and the Australian Bureau of Statistics (ABS) to consider the extent to which such measures could form part of the ABS survey program.

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<sup>1</sup> Copies of the occasional paper can be obtained from [publications.research@facs.gov.au](mailto:publications.research@facs.gov.au), or downloaded from the FaCS website.

The result of this work provides the resource upon which this paper draws.

## The data

The 1998-99 Household Expenditure Survey was conducted by Australian Bureau of Statistics (ABS) between July 1998 and June 1999 as part of the ABS regular household survey program. The survey covers residents of private households, and seeks to collect data on a representative national basis, although it excludes some remote and sparsely settled areas. The final sample comprised 6,893 dwellings. The survey has many different purposes, including the weighting of the Consumer Price Index.

Included in the survey were 16 questions which had been developed through the living standards project which were described by the ABS as measuring the 'financial stress' of households. The ABS indicates in their technical paper on the survey that these questions provide a 'subjective measure of the household's economic well-being' (ABS 2000).

The distribution of responses to the questions, by net equivalised income quintile and main family types with dependent children, is shown in Table 1.

**Table 1: Financial stress: by Income Quintile and Family Type**

Financial stress question	Net equivalised household income quintile <sup>2</sup>						Family Type		
	Q1 (Low)	Q2	Q3	Q4	Q5 (High)	Total	Couple Depend Child.	Lone Parent Dep Child.	Other House- holds
Living standard compared to 2 years ago:									
Better	14.6	16.7	26.1	35.0	48.3	28.1	37.4	25.7	24.4
Same	42.5	48.7	44.6	42.6	35.2	42.7	38.0	36.1	45.4
Worse	41.1	32.3	26.8	18.6	11.7	26.1	23.5	33.7	26.5
Household not comparable	1.7	2.3	2.5	3.8	4.9	3.0	1.1	4.6	3.7
Over the past 12 months usually:									
Spend more money than we get	23.0	19.3	14.9	11.0	5.4	14.7	15.9	26.2	13.1
Just break even most weeks	61.9	60.7	57.2	50.9	33.7	52.9	54.8	62.7	51.1
Able to save money most weeks	15.1	19.9	28.0	38.2	60.9	32.4	29.4	11.1	35.8
Cannot afford:									
Week's holiday away from home each year	44.0	38.0	29.6	17.7	7.3	27.3	29.5	55.6	23.6
Night out once a fortnight	31.2	28.9	21.7	11.3	3.9	19.4	26.5	35.3	14.8
Friends/family over for meal once a month	11.1	9.5	3.5	1.9	0.4	5.3	5.1	16.6	4.2
Special meal once a week	22.6	17.2	10.8	6.0	1.6	11.6	12.9	24.8	9.8
Brand new clothes (usually buy second-hand)	23.4	19.7	9.6	4.6	1.4	11.8	11.9	36.5	9.2
Leisure/Hobby activities	18.1	14.0	7.9	4.4	1.1	9.1	10.2	22.2	7.3
In past year due to shortage of money:									
Could not pay gas/electricity/telephone on time	23.4	22.5	17.6	11.7	5.2	16.1	20.0	46.6	11.4
Could not pay car registration/insurance on time	8.8	7.9	8.0	5.6	2.3	6.5	9.3	15.8	4.4
Pawned or sold something	7.9	6.4	3.6	2.5	0.8	4.2	4.2	15.4	3.1
Went without meals	6.5	3.7	1.7	1.3	0.3	2.7	1.3	8.4	2.7
Unable to heat home	5.1	3.6	1.4	0.8	0.3	2.2	1.3	9.6	1.9
Sought assistance from welfare/community	7.5	5.7	2.6	1.2	0.3	3.5	3.0	18.4	2.2
Sought financial help from friends /family	14.6	13.3	9.6	8.5	3.6	9.9	11.2	33.4	7.1
Could not raise \$2 000 in a week	36.0	27.4	16.3	11.6	4.3	19.1	17.9	49.0	16.7
Households ('000)	1 426.7	1 422.7	1 423.8	1 424.9	1 423.7	7 121.9	2 011.2	460.5	4 650.2
(%)	20.0	20.0	20.0	20.0	20.0	100.0	28.2	6.5	65.3

Source: All tables have been derived from the Second Edition Confidentialised Unit Record File of the 1998-99 Household Expenditure Survey, Australian Bureau of Statistics, Catalogue Number 6544.0.30.001

<sup>2</sup> The modified OECD scale (1 for the first adult, 0.5 for the second and subsequent adult and 0.3 for children under the age of 15) has been used. Quintiles in this table are household weighted. In other tables in this paper they have been person weighted. Thus while they will each contain the same number of people the number of households will vary.

As noted in the table, most of the questions ask the household about their experience in the year prior to the survey. This not only means that the data refers to an earlier time period, often reaching back into 1997-98, but also that there may be some disjuncture between these experiences and the current status of the households – for example their current income and employment status.

The table identifies some quite marked patterns for families with children:

- The experience of couples with dependent children is broadly in line with the community as a whole, with some differences: Although they are more likely to report an improved standard of living over the last two years, they are less likely to report being able to regularly save money. While, on the one hand, they are much more likely to report being unable to afford to have a regular night out once a fortnight and to have problems paying car registration and insurance on time, they are much less likely to have gone without meals or heating – or sought help from welfare organisations.
- Sole parents show a much more distinctive pattern of higher financial stress. They are over five times as likely as households overall to have sought assistance from welfare agencies, four times as likely to have been unable to heat their home at some point in the previous year and three times as likely to buy second hand goods, be unable to afford to have friends over for a meal, to have pawned or sold an item, gone without meals or sought financial assistance from a friend or family.

While this item by item analysis can provide some understanding of the circumstances of these households, it is difficult to undertake extensive cross-classification with this number of variables. In addition, of interest in this type of analysis is whether or not there are patterns within the responses reported by households which might better inform us about their experiences.

### **Components of stress**

Principal components and factor analysis was undertaken to identify whether there was an underlying structure in the responses to the questions. From this three dimensions of stress were identified. These grouped the questions as follows:

1. Unable to have family and friends over for a meal, nights out, hobbies, holidays away from home, or having to buy second hand clothing, due to a shortage of money;
2. Not paying bills on time or needing to borrow money from friends and family; and
3. Going without heating and meals, or having had to pawn or sell possessions, or needing assistance from community organizations because of a shortage of money.

The first of these I have named “Missing out”. It reflects the limitations that a household and its members face on their interaction with the rest of the community and the extent to which they may be constrained to living a lifestyle which sets them apart from others. The second – named “Cashflow Problems” – appears to represent process, rather than outcome. It is the means by which some households manage in the light of constrained income. The third I have called “Hardship”. It represents the type of events, about which I think there would be a general consensus, which represent adverse outcomes – at odds with the lifestyle and standards Australians believe they should be able to have.

Three questions: changes in household living standards; whether households usually broke even, spent more money than they received or were able to save; and the capacity of households to raise money for something important, did not load into the factor structure.

For each of these three derived variables indicators were considered at two levels of intensity: ‘Some’ where a household recorded one or more items within the scale; and ‘Multiple’, where

two or more items were recorded within the scale. My focus in analysis has been on the second of these. This approach takes account of the degree to which there may be some ambiguity in single responses, and the pattern of responses by income. That is, a much higher proportion of households on lower incomes which report a single occurrence have multiple items, when compared with those on higher incomes.

## Multiple Hardship

Overall some 223,000 households report events which saw them classified as having experienced multiple hardship. This represents 3.1 per cent of all households. These households were marginally larger than the average Australian household – with some 590,000 people living in them – 3.2 per cent of the Australian population.

When this group is considered more closely it comprises 367,000 people over the age of 15 years and 223,000 aged less than this. This represents 2.5 per cent of the adult population and 5.7 per cent of children.

That is, at the time of the survey, while only one in 40 Australians over the age of 15 live in a household which experienced multiple hardship, this rose to one in 18 for children.

As can be seen in Table 2 these outcomes, reflecting the results already seen in Table 1, are highly concentrated in single parent households. Just over half the children experiencing multiple hardship live with a single parent, although only 17 per cent of all children do so.

**Table 2: Incidence of Multiple Hardship**

	Households (Number)	Adults (Number of people)	Children	Persons
Couple with dependent children	51,008	131,210	100,363	231,573
Sole Parent with Dependent children	67,669	91,824	118,236	210,060
Couples - other	11,403	24,578	-	24,578
Single	72,231	72,231	-	72,231
Other	20,414	47,205	4,718	51,923
All	222,725	367,048	223,317	590,365
Rate of Multiple Hardship				
Couple with dependent children	2.5	2.5	3.2	2.8
Sole Parent with Dependent children	14.7	13.7	17.4	15.5
Couples - other	0.5	0.5	-	0.5
Single	4.2	4.2	-	4.2
Other	2.7	2.4	4.1	2.5
All	3.1	2.5	5.7	3.2

The table also shows how the rate of incidence is much higher for couples when they have a dependent child than for those without.

These differences can also be seen in Table 2 which provides a more detailed breakdown by type of household, and extends the table to include information on the other indicators of financial stress.

**Table 3: Financial Stress by Household Type**

	Total	Some	Multiple	Some	Multiple	Some	Multiple Hardship	
	Households (number)	Missing %	Missing %	Cashflow %	Cashflow %	Hardship %	%	H'holds
Couple dependent children	2,011,168	43.8	26	24.7	12	6.6	2.5	51,008
Couple non-depend. children	433,097	24.2	9.8	8.5	2.8	2.1	0.4	1,772
Couple 55 yrs and over	957,119	30.8	17	4.8	0.8	2	0.1	1,241
Single 55 yrs and over	886,923	36.4	20.7	8.4	2.4	5.4	1.5	13,478
Group	269,911	26.8	10.7	26.7	9.7	10.3	3.1	8,400
Other family depend. children	71,478	49.1	32.5	23.7	17.1	10.6	0.9	674
Other family non-dep. child	400,988	36.6	18.1	25.9	9.6	8	2.8	11,340
Couple under 55 yrs	796,919	25.2	11.7	16	6.4	4.9	1.1	8,390
Single 25 – 54 yrs	770,999	39.2	22.6	26.7	11.8	14.3	6.8	52,254
Sole parent dependent child.	460,493	75.7	50.8	55.7	29.9	31.8	14.7	67,669
Single under 25 yrs	62,772	33.8	20.5	48.2	28	17.3	10.4	6,499
All	7,121,867	38.3	21.8	20.6	9.2	8.2	3.1	222,725

The table reveals even greater variation in the incidence of multiple hardship, and while no other household type approaches the rate experienced by sole parents, an elevated rate is also recorded for young singles, and singles aged 25-54 years. In contrast, very low rates are reported by the elderly, especially aged couples, and for couple only households aged 25-54 years.

Also noticeable is that the pattern of incidence between the different measures is not constant between different groups. Using the 'multiple' level:

- Sole parents have the highest rates across all three indicators;
- In contrast, couples with dependent children have higher than average levels of missing out and cashflow problems – but a below average rate of multiple hardship.
- Such variations in the pattern of incidence are also shown by other groups – young singles for example have below average rates of missing out – but a hardship rate triple that of the average.

There is no obvious single reason behind these patterns – although it is possible to entertain some explanations. The young singles, for example, may be less willing to limit their activities due to limited resource and hence will, at times, overextend themselves. In contrast, couples with children may act with more restraint and go without various social and other activities so as to ensure that they do not have the adverse outcomes associated with hardship.

## Income

It was seen in Table 1 that the incidence of individual stress items decreased with higher income, although with some degree of persistence.

**Table 4: Financial stress by income quintile**

Income Quintile (Net Equivalised)	Total Households	Some	Multiple	Some	Multiple	Some	Multiple Hardship	
		Missing %	Missing %	Cashflow %	Cashflow %	Hardship %	%	H'holds
<b>Couples with Dependent Children</b>								
1	284,542	68.1	48.5	47.2	28.8	22.6	9.6	27,253
2	424,422	62.7	44.6	36.2	18.5	8.8	3.6	15,149
3	493,998	47.3	24.3	25.1	9.2	4.7	1.2	5,692
4	486,670	30.1	12.6	13.9	6.1	1.2	0.5	2,243
5	321,536	12.9	4.6	5.1	1.7	0.5	0.2	671
Total	2,011,168	43.8	26.0	24.7	12.0	6.6	2.5	51,008
<b>Sole Parents with Dependent Children</b>								
1	186,060	82.1	62.3	64.8	42.4	43.9	23.3	43,367
2	131,637	84.3	58.4	62.1	28.1	32.2	12.6	16,571
3	80,405	72.2	39.0	43.4	12.9	20.9	7.7	6,213
4	43,693	57.5	20.5	40.9	24.1	10.2	3.5	1,518
5	18,698	9.1	5.8	7.8	5.9	5.5	0.0	0
Total	460,493	75.7	50.8	55.7	29.9	31.8	14.7	67,669
<b>All households</b>								
1	1,738,737	58.0	39.1	29.6	14.5	17.4	7.4	128,454
2	1,298,117	50.0	32.1	25.3	12.0	9.8	3.7	48,224
3	1,224,051	42.5	20.9	22.2	8.5	6.1	2.1	25,622
4	1,323,337	28.4	11.3	17.2	7.9	4.3	1.2	15,658
5	1,537,625	11.4	3.3	8.0	2.6	1.4	0.3	4,767
Total	7,121,867	38.3	21.8	20.6	9.2	8.2	3.1	222,725

This is also reflected in the stress components as shown in Table 4. The way this happens is however different for different types of families:

- Couples with children are largely concentrated in the middle three income quintiles. Such families in these quintiles report levels of multiple hardship below the average of the quintile. In contrast, couples with dependent children with low incomes, that is, in the bottom quintile, have a higher incidence relative to other households on these incomes. They have an average incidence of 9.6 per cent, compared to 7.4 per cent for all low income households. This may reflect the extent to which this lowest quintile has large numbers of elderly households which may depress the quintile rate.
- In contrast, sole parents have markedly elevated rates of multiple hardship no matter which quintile they are in, other than the top. That is, a middle income sole parent is likely to have higher rates of multiple hardship than other middle income households.

As well as highlighting the extent to which multiple hardship is experienced across the income distribution, although at much diminished rates for households on higher incomes, this indicates that sole parent households, even with higher incomes, have a greater incidence of adverse outcomes.

### Source of Income

As would be expected with the variation by level of income, the incidence of financial stress also varies by source of income. In most cases the occurrence of multiple hardship is closely associated with having government income support payments as the main source of income.

This is most strongly exhibited by couples with dependent children. Where income support is the main source of family income, 14.6 per cent of the households report multiple hardship – compared to just 1.7 per cent for the next highest group – those with income from self employment.

More detailed analysis of these factors highlights particularly high levels for incidence for those with Disability Support Pension as their main source – 24.7 per cent of the 42,000 households reported multiple hardship, and Newstart – 18.1 per cent of the 49,000 households.

**Table 5: Financial stress by main source of income**

Main Source of Income	Total Households	Some Missing %	Multiple Missing %	Some Cashflow %	Multiple Cashflow %	Some Hardship %	Multiple Hardship	
							%	H'holds
<b>Couples with Dependent Children</b>								
Wages & salary	1,572,604	40.5	22.8	21.0	8.8	3.8	1.2	18,302
Self employed	199,509	30.8	12.5	17.4	8.4	2.9	1.7	3,299
Super, Invest & Private	25,082	43.3	36.0	24.4	19.0	7.5	0.0	0
Govt Income Support	201,151	84.6	64.6	60.9	39.9	32.1	14.6	29,407
Zero or neg.	12,822	18.8	10.6	17.5	0.0	0.0	0.0	0
<b>Total</b>	<b>2,011,168</b>	<b>43.8</b>	<b>26.0</b>	<b>24.7</b>	<b>12.0</b>	<b>6.6</b>	<b>2.5</b>	<b>51,008</b>
<b>Sole Parents with Dependent Children</b>								
Wages & salary	155,621	58.3	30.4	36.8	16.7	12.8	4.6	7,148
Self employed	9,767	52.1	41.6	26.8	14.1	8.0	0.0	0
Super, Invest & Private	21,782	61.2	29.8	53.0	15.4	20.4	9.1	1,974
Govt Income Support	272,282	87.6	64.7	67.6	39.0	44.1	21.5	58,547
Zero or neg.	1,041	100.0	0.0	100.0	100.0	100.0	0.0	0
<b>Total</b>	<b>460,493</b>	<b>75.7</b>	<b>50.8</b>	<b>55.7</b>	<b>29.9</b>	<b>31.8</b>	<b>14.7</b>	<b>67,669</b>
<b>All households</b>								
Wages & salary	4,061,590	32.4	16.1	19.0	7.9	4.9	1.4	57,651
Self employed	447,083	27.5	10.6	14.2	7.0	4.5	2.0	9,153
Super, Invest & Private	526,503	20.0	9.5	8.7	2.7	3.2	0.8	4,311
Govt Income Support	2,020,524	57.7	39.0	28.4	14.0	17.2	7.5	151,610
Zero or neg.	66,167	29.2	17.9	18.4	7.1	1.7	0.0	0
<b>Total</b>	<b>7,121,867</b>	<b>38.3</b>	<b>21.8</b>	<b>20.6</b>	<b>9.2</b>	<b>8.2</b>	<b>3.1</b>	<b>222,725</b>

The rate was even higher for sole parents in receipt of income support. 21.5 per cent of sole parents with dependent children with income support as their main source of income reported multiple hardship. Most sole parents with income support as their main source of income were in receipt of parenting payment single.

The lower average rate for all households in receipt of income support (7.5 per cent), half the rate of couples with children and a third of the rate for lone parents with this as their main source of income, is very much a product of the very low incidence of multiple hardship amongst the aged. Indeed only 1.0 per cent of households with the aged pension as their main source of income reported multiple hardship.

## Family Characteristics

In addition to the basic structure of the family – whether it is a couple or a lone parent, the incidence of hardship and other forms of financial stress varies with other household characteristics. The number and age of children and the level of educational attainment of the parent(s) are considered below.

### Number of children

The pattern of incidence of multiple hardship by number of children varies between couples and lone parents. For couples the rate is constant for one and two children and increases only slightly, but constantly, with increasing numbers of children, up until the fifth where a marked jump is recorded, although this estimate is subject to a very high sampling error. For sole parents there is a marked difference between those with one, and those with more, although the pattern is less consistent for this latter group as the number of children increases.

**Table 6: Financial Stress by number of dependent children**

Dependent Children	Total Households	Some Missing %	Multiple Missing %	Some Cashflow %	Multiple Cashflow %	Some Hardship %	Multiple Hardship %	H'holds
	Couples with Dependent Children							
1	690,633	36.6	20.6	21.0	8.7	4.5	2.2	15,178
2	822,408	42.7	24.4	21.7	10.5	5.9	2.2	18,117
3	388,225	51.8	32.1	30.5	17.1	9.1	2.8	10,772
4	91,786	69.9	48.4	47.1	22.3	14.7	3.3	2,989
5 or more	18,116	70.0	64.8	58.4	39.2	22.6	21.8	3,952
Total	2,011,168	43.8	26.0	24.7	12.0	6.6	2.5	51,008
Sole Parents with Dependent Children								
1	229,815	71.8	45.4	49.8	27.9	26.9	11.8	27,230
2	149,379	78.6	57.0	60.5	30.6	37.3	17.6	26,293
3	54,060	81.0	53.7	61.5	39.5	31.8	15.4	8,326
4	21,500	80.7	48.5	74.1	30.7	49.4	27.1	5,820
5 or more	5,739	90.2	90.2	43.8	0.0	18.3	0.0	0
Total	460,493	75.7	50.8	55.7	29.9	31.8	14.7	67,669

Turning to some of the other components of stress provides some interesting detail of these trends. Multiple missing out shows a broadly similar pattern for couples – with some upward movement between one and two children and then a marked progression. For sole parents, after an initial jump with a second child, there is again no change.

### Age of youngest child

Perhaps reflecting in part the above data (that is, larger families are more likely to have a younger child still at home), the incidence of multiple hardship is higher for both couple and lone parent families with younger children.

**Table 7: Financial stress by age of youngest child**

Age of youngest child	Total Households	Some Missing %	Multiple Missing %	Some Cashflow %	Multiple Cashflow %	Some Hardship %	Multiple Hardship %	H'holds
	Couples with Dependent Children							
Under 5 years	777,396	46.9	28.7	29.7	14.9	8.7	3.3	25,595
5-14 years	888,675	44.1	26.0	24.9	11.4	6.0	2.2	19,708
15 years and over	345,097	36.4	20.1	12.7	6.9	3.1	1.7	5,705
Total	2,011,168	43.8	26.0	24.7	12.0	6.6	2.5	51,008
Sole Parents with Dependent Children								
Under 5 years	135,867	84.0	58.7	65.7	35.8	39.2	17.1	23,237
5-14 years	259,306	72.8	48.7	54.1	29.7	32.9	15.1	39,189
15 years and over	65,320	70.0	43.0	40.9	18.6	11.8	8.0	5,243
Total	460,493	75.7	50.8	55.7	29.9	31.8	14.7	67,669

This result is more marked for couples where the rate for a family with a youngest child aged 5 to 14 years is only 2/3 of that for a family with a younger child. In contrast, for sole parents the rate only drops very marginally from 17.1 per cent to 15.1 per cent.

### Parental Education

The extent of multiple hardship, and to a lesser degree other indicators of financial stress, has a strong association with the level of school achievement of the parents (in couples based upon the higher of the two parents).

In couples with children, multiple hardship is 2.8 times more frequent if the highest level of education was less than year 12 (or age adjusted equivalent) than if it was at that level or higher. This effect was even stronger amongst sole parents. Those sole parents with less than year 12 education had a multiple hardship rate of 20.1 per cent, 3.4 times higher than those who had gained this level of education.

**Table 8: Financial stress by educational attainment**

Educational Attainment	Total Households	Some Missing %	Multiple Missing %	Some Cashflow %	Multiple Cashflow %	Some Hardship %	Multiple Hardship	
							%	H'holds
<b>Couples with Dependent Children</b>								
Year 12 or equivalent <sup>3</sup>	1,105,646	36.1	20.9	20.2	8.9	3.6	1.4	15,953
Less than Yr 12	905,522	53.3	32.3	30.1	15.7	10.2	3.9	35,055
<b>Total</b>	<b>2,011,168</b>	<b>43.8</b>	<b>26.0</b>	<b>24.7</b>	<b>12.0</b>	<b>6.6</b>	<b>2.5</b>	<b>51,008</b>
<b>Sole Parents with Dependent Children</b>								
Year 12 or equivalent	177,197	66.7	41.6	47.2	19.7	14.2	6.0	10,705
Less than Yr 12	283,296	81.3	56.6	60.9	36.3	42.8	20.1	56,964
<b>Total</b>	<b>460,493</b>	<b>75.7</b>	<b>50.8</b>	<b>55.7</b>	<b>29.9</b>	<b>31.8</b>	<b>14.7</b>	<b>67,669</b>
<b>All households</b>								
Year 12 or equivalent	3,755,139	30.8	16.4	17.4	6.9	5.0	1.5	55,346
Less than Yr 12	3,366,728	46.8	27.8	24.1	11.8	11.8	5.0	167,379
<b>Total</b>	<b>7,121,867</b>	<b>38.3</b>	<b>21.8</b>	<b>20.6</b>	<b>9.2</b>	<b>8.2</b>	<b>3.1</b>	<b>222,725</b>

This relationship has an even more dramatic impact on the overall outcomes for the two groups for, while 55 per cent of couple families had one parent at least who had reached year 12, this fell to 38.5 per cent for sole parents.

While it is noted that the use of the higher qualification of two persons in the couples may exaggerate this difference, this factor is not likely to account for the magnitude seen in these figures.

## Housing

Housing is very frequently cited as a factor associated with disadvantage and hardship. In recent debates considerable attention has been focused on questions such as the proportion of income spent on rent in the private rental markets, and the relative decline in the role of the public rental sector.

Table 9 considers both of these aspects of tenure as well as home ownership. The patterns revealed by the data are quite interesting:

- For both sole parents, and couples with dependent children, the highest rates of multiple hardship are amongst those households which are renting from public housing authorities. The rates are 25.8 per cent and 19.7 per cent respectively.
- For those renting privately regardless of whether they are paying more than 30 per cent of their income as rent<sup>4</sup>, or whether they are paying less, the rate of multiple hardship is less than that for public renters. In both cases the rate of multiple hardship was a little higher for those paying a higher proportion of their income as rent.
- The level of multiple hardship is much lower amongst owners and purchasers. While couples show the anticipated lower rate for owners relative to purchasers, this is not seen amongst lone parents.

<sup>3</sup> As school educational attainment is associated with age – that is, younger people are more likely to have completed year 12 than those of an older generation, the actual attainment level used has been adjusted for different broad age groups to gain a picture of educational attainment consistent, relative to the population, to current year 12 standard.

<sup>4</sup> In this analysis it has been necessary to use a gross rental affordability measure – total rent as a proportion of total disposable income, without taking account of the need to offset the Rent Assistance component of income support against the rent, rather than treating it as a component of income. In this way these results exaggerate the extent of high cost private rental.

**Table 9: Financial Stress by housing tenure**

Housing Tenure	Total Households	Some Missing %	Multiple Missing %	Some Cashflow %	Multiple Cashflow %	Some Hardship %	Multiple Hardship	
							%	H'holds
<b>Couples with Dependent Children</b>								
Owner	494,858	28.9	17.6	8.7	4.4	2.2	0.4	1,788
Purchaser	1,069,472	43.3	23.1	23.4	10.6	4.3	1.1	11,793
Other	33,397	63.3	48.5	51.2	23.7	20.8	10.2	3,397
Low-cost Private Rent	283,996	57.1	36.1	39.9	20.3	13.1	6.2	17,532
High-cost Private Rent	77,372	62.0	43.8	49.5	20.5	17.3	8.1	6,246
Public Rental	52,073	85.4	70.2	64.8	46.8	33.3	19.7	10,252
<b>Total</b>	<b>2,011,168</b>	<b>43.8</b>	<b>26.0</b>	<b>24.7</b>	<b>12.0</b>	<b>6.6</b>	<b>2.5</b>	<b>51,008</b>
<b>Sole Parents with Dependent Children</b>								
Owner	66,492	69.9	43.8	38.6	13.9	5.8	4.2	2,822
Purchaser	110,552	61.4	31.8	41.6	25.3	17.6	4.2	4,619
Other	3,087	38.3	32.3	38.3	28.2	28.2	0.0	0
Low-cost Private Rent	91,051	76.9	45.7	63.1	32.0	37.0	16.2	14,720
High-cost Private Rent	108,508	86.5	69.0	66.8	36.7	43.8	22.7	24,641
Public Rental	80,803	85.7	64.8	66.4	38.1	50.7	25.8	20,867
<b>Total</b>	<b>460,493</b>	<b>75.7</b>	<b>50.8</b>	<b>55.7</b>	<b>29.9</b>	<b>31.8</b>	<b>14.7</b>	<b>67,669</b>
<b>All households</b>								
Owner	2,820,630	28.5	15.2	6.4	2.2	2.3	0.4	10,386
Purchaser	2,118,951	37.8	18.9	21.2	9.3	4.6	1.1	23,773
Other	172,372	37.6	25.6	27.4	9.3	10.6	2.8	4,886
Low-cost Private Rent	1,044,986	40.8	22.7	34.7	16.3	13.7	5.2	54,667
High-cost Private Rent	575,830	59.9	41.8	44.9	21.9	27.1	14.1	80,924
Public Rental	389,098	74.1	52.0	43.7	21.6	26.6	12.4	48,089
<b>Total</b>	<b>7,121,867</b>	<b>38.3</b>	<b>21.8</b>	<b>20.6</b>	<b>9.2</b>	<b>8.2</b>	<b>3.1</b>	<b>222,725</b>

One possible explanation of the public/private result is that it arises from higher income households renting in the private market. This is examined in Table 10 which is restricted to those households in the lower two income quintiles. In essence the same picture is presented.

**Table 10: Lower Income Households Multiple Hardship, Selected Housing Tenures**

	Low-cost private	High-cost private	Public Rental
Couple with dependent children	12.1	11.1	21.7
Sole Parent with dependent children	19.8	25.3	27.9

This pattern of poorer outcomes in public housing, and relatively small differences in outcomes for those paying higher or lower rents in the private rental market, appears to be associated with families with children. Other analysis (Bray 2001) shows that for other households multiple hardship is less prevalent amongst those in public housing, and is much higher where households pay high rents in the private rental market.

## Employment

Some of the effect of employment on the outcomes of families with children has already been seen in consideration of the sources of household income. Table 11 presents an analysis by whether or not a person in the household had full or part time employment, or whether no person was employed. (These data are derived from the employment status of all persons in the household, therefore the employed person may not necessarily be a parent, but may be a dependent or a non-dependent child living in the household. While this may be seen as a distortion, other analysis using only reference persons presents a very similar picture.)

**Table 11: Financial stress by Employment**

Employment	Total Households	Some	Multiple	Some	Multiple	Some	Multiple Hardship	
		Missing %	Missing %	Cashflow %	Cashflow %	Hardship %	%	H'holds
Couples with Dependent Children								
One or more full-time	1,755,174	39.3	21.6	20.2	9.0	4.0	1.3	23,137
One or more part-time only	132,401	68.4	46.6	50.1	25.6	16.8	7.7	10,179
No employment	123,593	81.7	67.3	60.2	39.9	31.8	14.3	17,692
Total	2,011,168	43.8	26.0	24.7	12.0	6.6	2.5	51,008
Sole Parents with Dependent Children								
One or more full-time	118,002	59.8	29.7	39.0	22.2	15.8	3.7	4,372
One or more part-time only	104,759	75.4	45.1	47.8	18.5	19.1	6.6	6,963
No employment	237,732	83.7	63.9	67.4	38.8	45.3	23.7	56,334
Total	460,493	75.7	50.8	55.7	29.9	31.8	14.7	67,669
All households								
One or more full-time	4,279,486	31.1	15.0	17.7	7.7	4.5	1.3	53,521
One or more part-time only	637,032	51.9	30.5	32.9	15.0	13.8	5.0	32,161
No employment	2,205,349	48.4	32.4	22.6	10.4	13.8	6.2	137,043
Total	7,121,867	38.3	21.8	20.6	9.2	8.2	3.1	222,725

The table shows a very strong association between employment and household outcomes:

- For couples with dependent children the rate of multiple hardship falls by over 45 per cent, from 14.3 per cent to 7.7 per cent, if there is a person employed part-time, in contrast to the case where no-one has employment, and by over 90 per cent, to just 1.3 per cent if there is a person employed full-time.
- The fall associated with part-time employment is even higher for sole parents. The decline from no employment to part-time work is 72%. While the rate drops again with full-time work, this is much weaker than that for couples.

Multivariate analysis conducted across all households suggests that some of this employment effect is independent of the income which the employment generates. That is, it is the fact that people are employed, not simply that they earn money which is important.

It is not possible to test the direction of this – whether employment leads to the skills which may help a household to manage and not experience hardship, or whether the people with the skills and capacities to manage are those who are more employable. As can often be the case it may be in fact a little of each – as well as the influence of other, independent, factors.

Notwithstanding this uncertainty, for couples in particular, it would appear that full time employment is very good insurance against multiple hardship, with part-time being much less so, while for sole parents any employment seems important.

## Poverty of poverty measurement

This paper commenced discussion by noting that much research relies upon input measures, especially of reported household income, as a proxy for social outcomes. This section considers how well these types of measures predict hardship and other forms of financial stress.

Table 12 presents such results. Two poverty measures are used: the first based upon a poverty line of 50% median income – a measure which puts some 11.3 per cent of households in poverty, including 7.0 per cent of couples with dependent children and 16.9 per cent of sole parents with dependent children. The second uses a higher 50 per cent of mean income line. This results in 19.0 per cent of all households being in poverty, including 11.2 per cent of couples with dependent children and 29.1 per cent of sole parents with dependent children.

**Table 12: Financial Stress by “poverty” measures**

	Total Households	Some Missing %	Multiple Missing %	Some Cashflow %	Multiple Cashflow %	Some Hardship %	Multiple Hardship %	H'holds
<b>50% Median Income</b>								
Couples with Dependent Children								
Above	1,870,178	42.5	24.7	23.7	10.9	5.5	1.9	35,055
Below	140,990	61.2	43.8	37.4	26.7	21.2	11.3	15,953
Sole Parents with Dependent Children								
Above	382,870	74.7	48.9	55.1	28.2	30.0	12.8	49,040
Below	77,623	80.6	60.3	58.7	38.3	40.5	24.0	18,629
All households								
Above	6,316,186	36.0	19.5	19.6	8.5	6.9	2.5	157,051
Below	805,681	56.7	39.9	28.1	15.0	17.9	8.2	65,674
<b>50% Mean Income</b>								
Couples with Dependent Children								
Above	1,785,561	40.9	23.1	21.9	9.6	4.6	1.5	26,990
Below	225,607	67.0	49.3	46.4	30.6	22.6	10.6	24,018
Sole Parents with Dependent Children								
Above	326,497	72.5	46.3	52.0	25.2	26.9	10.5	34,315
Below	133,996	83.5	61.9	64.6	41.3	43.8	24.9	33,354
All households								
Above	5,766,472	33.4	17.4	18.4	7.8	6.0	2.0	117,642
Below	1,355,395	59.2	40.5	29.7	15.1	17.4	7.8	105,083

Notwithstanding the magnitude of some of these proportions in poverty, neither of the lines, for either sole parents or couples with dependent children, even identifies half the households reporting multiple hardship. Certainly there is a higher probability of a household reporting multiple hardship if they are identified as being in poverty, but then this is a reflection of the overall trend of higher propensities at lower incomes, already seen in other tables.

In addition to not being able to identify those households with multiple hardship, these lines also identify as being in poverty relatively large numbers of households who are not touched, or are at best touched lightly, by financial stress. For example, even at the more severe 50 per cent mean income line, just on half of the couples and 38 per cent of the sole parents, report only missing out, for financial reasons, on a single item, at most, out of the 6 “missing out” items.

These results strongly suggest that conventional income poverty measures, using reported income, as collected in household surveys are not particularly effective at identifying the types of experience identified in these questions, notwithstanding the fact that these types of outcomes are those which most in the community would consider to be evidence of social disadvantage.

### Is there scope for combining income and outcome measures?

Returning to some of the earlier discussion on the derivation of these types of approaches the question is whether there is scope to use these results, along the lines of the Irish ‘consistent poverty’ measure. This is certainly worth considering, although there remain some quite serious issues to work through:

- The financial stress questions are a much narrower set than those used in Ireland – and the structure of the experience of deprivation appears to be different. In Ireland a number of the missing out questions and the hardship questions loaded into a single factor – the primary deprivation scale – this was not the case in Australia.
- If the outcomes which constitute multiple hardship represent outcomes which are considered as being unacceptable, should we be concerned with unacceptable outcomes only when they affect those on lower incomes – and if so how low?

- As has been evidenced in recent debates in Ireland, the consistent poverty concept does not resolve debate on whether poverty is being measured appropriately – a key issue now being how to update the deprivation component to account for changes in community standards.

## Summary and implications

Using deprivation measures does not do away with the arbitrary nature of measurement of social outcomes, in particular the identification of those whose standards of living fall below what we might consider as acceptable in our society.

It does though allow us much more insight into the nature of these breakdowns in the social fabric, and makes some of the judgements much more transparent – and potentially opens up the debate in ways which will allow for more commonality of understanding of the issues.

In my analysis I take the view that multiple hardship reflects an outcome around which there would be a strong consensus that it represents an undesirable circumstance for Australians.

Using this measure suggests:

- The extent of adverse outcomes is less than that which has been suggested in analysis which has used other approaches – such as much income poverty analysis;
- The relative disadvantage of children is greater.

To the extent a focus on outcomes represents the best way to identify those facing real disadvantage in our society, it suggests that using income as a basis for identifying and targeting need is not necessarily efficient or effective.

The analysis reported in this paper cannot answer the question of causation, and indeed it appears probable that in many cases the results reflect multiple sources of disadvantage, however:

- Sole parenthood is a state very closely associated with poor outcomes;
- Some larger families also seem more prone;
- Employment is strongly associated with lower levels of hardship;
- Some traditional responses, such as public housing, appear not to be delivering improved outcomes for some groups.

The opportunities for this type of research in the future also look positive. ABS are proposing to use the financial stress questions in future HES surveys, and potentially in a number of the other surveys they undertake. In addition they have been included in the Household Income and Labour Dynamics Australia (HILDA) panel survey. Initial results of the first wave of HILDA are now available. Early analysis suggests that the levels of stress identified in the survey are higher than those identified in the HES. This may be as a result of the methodology which collected the data at a person level and used a written mail back questionnaire at the person level for these questions.

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