

Improving our understanding and measures of economic hardship: Australia's development of a low consumption possibilities framework

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Australia does not have an official or generally agreed measure of economic hardship, although a number of international and Australian measures are commonly used for this purpose. Most Australian research and analyses have used income data, largely due to the frequency with which it is available, despite some well known limitations with its use for these purposes.

A household's capacity to support its desired standard of living, i.e. its consumption of goods and services, is mostly determined by its access to economic resources. The ABS has developed a conceptual framework for assessing the capacity of households to obtain the goods and services they require i.e. their *consumption possibilities*. The joint distributions of income and wealth lie at the core of the framework, but many other factors influence people's consumption possibilities and requirements, both at any point of time and over their life cycles.

To help illustrate the framework, the ABS has introduced new measures of consumption possibilities, combining income and wealth data, to support a more comprehensive understanding of people's economic circumstances and whether individuals are likely to be at risk of experiencing economic hardship.

The paper presents the outcomes of this work. It shows how the new measures better reflect people's economic circumstances in general, and at different stages of the life cycle.

The collection of wealth data together with income data for the first time in the 2003-04 Survey of Income and Housing (SIH), and the collection of expenditure data and financial stress measures in the 2003-04 Household Expenditure Survey (HES) from a subsample of the SIH, provided a very rich dataset for these analyses