

Session Number: 4B
Session Title: Multidimensional Measurement and Comparisons of Economic Well-being (2)
Paper Number: 2
Session Organizer: Thesia Garner
Discussant: Brian Nolan

*Paper Prepared for the 28th General Conference of
The International Association for Research in Income and Wealth
Cork, Ireland, August 22 – 28, 2004*

**RESOURCES, DEPRIVATION AND EXCLUSION APPROACHES TO
MEASURING WELL-BEING: A COMPARATIVE STUDY OF AUSTRALIA
AND BRITAIN**

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Introduction*

Australia and Britain are two countries with a long tradition of empirical poverty research, yet both have experienced fluctuations in the impact of such research on the social policy agenda. These swings in its political influence have not been independent of the standing of poverty research among academics and policy analysts. The waning of interest in Australia has reflected growing concern over the relevance and reliability of a poverty line that has been in existence for more than two decades. In Britain, where researchers have used either the level of social assistance benefits or a mean income benchmark to estimate poverty, the limitations of both as the basis for setting policy have become increasingly obvious.

Significantly, neither country has been prepared to commit resources to developing a single poverty line that the government could endorse, as has occurred in the US, for example (and more recently in Ireland also). However, both countries have witnessed recent official enquiries into poverty and its measurement (Senate Community Affairs References Committee, 2004; Department for Work and Pensions, 2003; House of Commons Work and Pensions Committee, 2004).

In part, these developments reflect the inherent weaknesses involved in specifying poverty solely in income terms and measuring it using an income poverty line. This approach provides a ready basis for setting social security benefits, but it over-simplifies what poverty means to those affected by it. Low income is neither a necessary nor sufficient condition for poverty to exist. Townsend famously captured this idea when he defined poverty in the following terms:

‘Individuals families and groups in the population can be said to be in poverty when they lack the resources to obtain the types of diet, participate in the activities and have the living conditions and amenities which are customary, or at least widely encouraged or approved, in the societies to which they belong’ (Townsend, 1979, p. 31)

One consequence of defining poverty using an income poverty line is that low income becomes synonymous with poverty and poverty research - by focusing on identifying those with low incomes (relative to need) - ignored not only the direct manifestations of poverty, but also its causes and consequences. Another is that poverty research became dependent on a single poverty line, making it vulnerable to attacks on its credibility and political significance.

This situation has begun to change as alternative frameworks for conceptualising poverty, its correlates and connections have emerged. This paper focuses on two such approaches – deprivation and social exclusion. The first has refined Townsend’s relative deprivation approach by using consumer surveys to identify a set of ‘socially perceived necessities’ (Mack and Lansley, 1985; Gordon et al., 2000) whose enforced absence is defined poverty. The second development has expanded the definition of poverty to include social exclusion, which is at its core about (a lack of) ‘participation in social valued

* The authors acknowledge the excellent research support on the Australian data provided by Judith Brown.

activities' (Richardson and le Grand, 2002) that involves issues of relativity, agency and dynamic effects (Atkinson, 1998).

Both approaches measure poverty directly by observing people's way of life and comparing it with a defined minimum standard (Ringen, 1987). Income poverty, in contrast, adopts an indirect approach that defines people as poor 'if they do not have the necessary resources, capabilities, or rights to achieve what is defined as a minimum standard in their way of life' (Ringen, 1987: 145). Deprivation and exclusion also overlap with Sen's notions of functioning and capability, although these have proved harder to translate into indicators that can influence empirical research and policy (Sen, 1999; 2000).

The deprivation and exclusion approaches have been the focus of recent research in Australia and Britain and both have had some purchase with policy-makers. Britain has produced a number of major studies on deprivation inspired by Townsend's work, and deprivation measures form part of the three ways in which child poverty will be measured when assessing the success of its child poverty reduction targets. The Blair Government also creating a Social Exclusion Unit within government which, along with academics, has produced valuable research in this area. In Australia, there has been no systematic attempt to implement a deprivation approach, although the Department of Social Security (DSS) recommended this in the mid-1990s (DSS, 1995). Social exclusion is a theme reflected in the emphasis on economic and social participation in the welfare reform debate (Reference Group on Welfare Reform, 2000) and inclusion has been mentioned in the government's response to it (Commonwealth of Australia, 2002) but there have been few studies of exclusion.

This paper contributes to these debates by presenting comparative estimates of income poverty, deprivation and exclusion designed to test the robustness of the measures, and overlaps between them, and thereby to compare the poverty profiles of the two countries. The paper is organised as follows: Section 2 reviews the main limitations of the income poverty approach and assesses how well these are overcome by the alternatives. Section 3 describes our data and sets out the methodological framework adopted in this paper, while the following three Sections present and discuss the main findings on household structure, inequality and income poverty (Section 4), on the incidence of hardship and exclusion (Section 5) and on what we term consistent poverty or deprivation (Section 6). The main conclusions are briefly summarised in Section 7.

2 Comparing the Indirect and Direct Approaches

Disadvantages of income poverty

Among the many criticisms of the poverty line, one of the most compelling is its lack of objectivity – a limitation that explains its limited role in guiding policy. The measurement of income poverty has suffered from a range of other problems. Failure to agree on which equivalence scale to use has added to the uncertainty surrounding which groups face the greatest risk of poverty, while the fact that measuring poverty on a family or household basis side-steps the issue of intra-household resource sharing that can lead to individuals being poor in households that are not. The 'headline' head-count poverty rate has also been criticised for conveying too precise a picture of the magnitude of poverty, given all of the underlying methodological uncertainties.

Concern has also been voiced over the reliability of income as the basis for estimating poverty. There are several distinct strands to this debate. First, there are well-known problems (the roles of assets and the social wage; income dynamics) surrounding whether or not low income always implies poverty. The reliability of the low incomes reported in household surveys has also been questioned by recent analysis by the Australian Bureau of Statistics (ABS) which has found that many households in the lowest decile report levels of expenditure that exceed not only their own incomes, but also the expenditures of those in deciles two and three (ABS, 2002a; 2003).¹ Although the magnitude – or even the direction - of any bias in poverty arising from these problems is uncertain, their existence adds to the perception that (static) income poverty may be past its ‘use-by date’. New data on income dynamics and wealth holdings have the potential to provide new perspectives on poverty (though not necessarily on where to set the poverty line).

One reason why income poverty has been subjected to such criticism is that too much has been asked of a poverty line that was never capable of delivering on all that was expected of it. There has also been increased awareness of the complex circumstances that cause poverty and that it often reflects a multiple array of interconnected and mutually reinforcing failings. In these circumstances, it is imperative to focus on underlying causes as the basis for designing appropriate policy interventions. An income poverty line does not lead naturally to this kind of research.

However, the fact that one particular approach has its limitations does not automatically imply that the alternatives are preferable. Many of the problems applying to measuring income poverty also apply to studies of deprivation and social exclusion, albeit in a somewhat different form. Neither approach avoids the need to make judgments, since the decision about which conditions constitute deprivation or exclusion can be as arbitrary as setting an income poverty line at 50 per cent of median income. Relying on community opinion to inform these decisions has also been used in studies of consensual (income) poverty (Goedhert et al., 1977; Hagenaars, 1986) – yet that approach is fraught with practical and methodological uncertainties (Piachaud, 1987; Saunders, 2003) and has not produced a more credible poverty line.

Advantages and disadvantages of direct measures

Many of the issues of data quality and inaccurate reporting that have been used to criticise income poverty also apply to estimates of deprivation or exclusion. Furthermore, whereas income is normally collected in surveys that have a broader purpose than identifying the numbers in poverty, data on deprivation and exclusion are generally gathered in specific surveys, providing a possible motive for respondents to exaggerate the effects, in the hope that this will increase the effort directed at addressing them.

Against this, the role of factors such as wealth or income dynamics is captured in indicators of deprivation or exclusion – for example, the (in)ability to raise funds in an emergency, or an enforced inability to participate socially over an extended period – even when no corroborating evidence is collected. The indicators capture the role of the social

¹ The intertemporal comparability of aspects of the Australian household level data is discussed by Siminski, Saunders and Bradbury (2003).

wage benefits and restrictions on access to key services such as transport and health that are not easily incorporated in the income approach. The direct approach also avoids the need to make assumptions about the extent of resource sharing and many of the indicators can, and have, been developed separately for adults and children.

Finally, the need for an equivalence scale disappears when using a deprivation or exclusion approach, because the relative need of different households is reflected in their susceptibility to each indicator. But this is achieved at a cost, in that there is no common metric for ranking the overall levels of deprivation or exclusion experienced by different households. Whether or not this is a limitation depends on the importance attached to producing aggregate rankings: the focus is on identifying individual hardships, there is no need to aggregate, because evidence of specific forms of deprivation or exclusion is significant. Multiple deprivation (or exclusion) may require a more coordinated policy response, but this does not make those who experience only a single element of either any less in need of assistance.

Combination measures

Much of the above discussion has assumed that there is a need to *choose* between an indirect income poverty approach and one based on direct observation of deprivation and exclusion. There is not. Alternative approaches allow different indicators to be compared and combined, shedding light on the severity of the underlying issues and on the robustness of the estimates.

This approach has been pioneered in Ireland (Nolan, 2000; Nolan and Whelan, 1996), and is now being used as one of the three child poverty measures in Britain. Recent studies along these lines in Anglo-Saxon countries include Saunders (2003) for Australia, Bradshaw (2004), Finch and Bradshaw (2003) and Adelman et al. (2003), for Britain and Perry (2002) for New Zealand. One of the main findings to emerge from these studies is the low degree of overlap between the income-based measures and those based on deprivation and exclusion. Bradshaw (2004), for example, shows that in Britain the overlap between different dimensions of exclusion differs little from what would be expected if the alternative measures were statistically independent of each other.

However, such evidence does not automatically imply that income poverty is a flawed concept, only that low income is weakly correlated with deprivation and exclusion. Differences in preferences and choices may explain such a finding, a point made long ago by Piachaud (1987). Although a low level of overlap between alternative measures is cause for concern, where there is overlap, this provides strong evidence that hardship exists (as Adelman et al., 2003, found for children in Britain).

3 Data and the Indicators of Poverty, Deprivation and Exclusion

Data: Australia

The Australian data were collected as part of the *Household Expenditure Survey* (HES) conducted in 1998-99 by the ABS and released as a confidentialised unit record file that protects the confidentiality of participants. The survey covers 6,892 households and contains information on 13,964 individuals. The HES data have been used to estimate the effect of government taxes and benefits on household incomes (ABS, 2002b), and to estimate patterns of poverty (Saunders, 1997) and inequality (Barrett, Crossley and

Worswick, 2000). The HES collects information for all persons aged 15 and over on income, expenditure, household characteristics and the raw data are weighted against external population, household type and labour force benchmarks (Siminski et al., 2003).

For the first time, the 1998-99 HES included a series of questions on the incidence of financial stress over the previous year.² The indicators include participation in customary social activities ('having a night out once a fortnight' and 'having a week's holiday away from home at least once a year'), as well as a range of hardship measures ('buys second hand clothes most of the time' and 'pawned or sold something due to a shortage of money'). The questions on participation were followed up by asking non-participants whether this was because they did not want to participate, or because they could not afford to. Those relating to hardship asked only if the event occurred because of a shortage of money. The results that follow refer only to those who indicated that they could not afford the activity, or experienced the event because of a shortage of money.³

Data: Britain

Undertaken in 1999, *The Poverty and Social Exclusion Survey of Britain* (PSE) was developed by researchers at the Universities of Bristol, York and Loughborough, and supported by the Joseph Rowntree Foundation, one of the largest independent social policy research and development charities in the UK (Gordon et al., 2000). The survey was designed to measure different dimensions of poverty and social exclusion in the lives of adults and children in Britain and has its roots in the earlier *Breadline Britain* surveys of 1983 and 1990 (Mack and Lansley, 1985; Gordon and Pantazis, 1997) and the *Small Fortunes Survey* conducted by Middleton et al. (1997) - all of which measured poverty as an inability to afford items and activities perceived as necessities by a majority of the public.

The PSE survey was a follow-up to the *1998-99 General Household Survey* conducted by the Office of National Statistics (ONS). Of the 2,431 eligible individuals who were contacted, 1,534 (63 per cent) were interviewed in September 1999, the vast majority of whom completed a full interview. PSE respondents were asked about their access to 39 items and 15 activities.⁴ They were asked to indicate whether they had each item/activity, did not have it but did not want it, or did not have it because they could not afford it. The results that follow are based on respondents not being able to afford the item/activity.

Data differences

² The financial stress indicators selected for inclusion were based on previous research on living standards undertaken by the Australian Institute for Family Studies (Brownlee, 1990) and for the Department of Social Security (Travers and Robertson, 1996). ABS notes that 'there are no precise definitions or an internationally agreed set of questions that can be drawn on to measure deprivation or financial stress' but undertook piloting to ensure that the questions chosen 'worked in the field' (McCull, Pietsch and Gatenby, 2001, p. 14).

³ Previous studies that have used the data in this way include Bray (2001), McCull, Pietsch and Gatenby (2001) and Saunders (2002; 2003).

⁴ The choice of questions was based on earlier research and was informed by the outcomes from a series of focus group discussions relating to what constitutes necessities (Bradshaw et al., 1998).

Although both the Australian and British surveys involved face-to-face interviews, there are a number of important differences that cannot be standardised. The HES data were collected as part of an official survey conducted by a government agency whose primary purpose was unrelated to the focus of the financial stress questions. In contrast, the PSE survey was conceived and conducted by independent agencies with the specific intention of collecting information on poverty-related issues. Second, while the HES focuses on the circumstances of the household, the PSE also explored the conditions faced by individual household members. Third, there are important differences in the weighting methods used in the two surveys, which may affect some of the comparisons presented later.⁵

There are also differences in the income data reported in the two surveys. The HES data reflect a detailed breakdown by income source and have been revised by ABS to correct for understatements of income from government benefits and own business income (ABS, 2002a). The PSE income data are based on information collected by ONS in the *1998-99 General Household Survey* adjusted for subsequent changes in income.⁶ Finally, there is a large difference in the size of the two samples, with the HES covering more than four times as many households as the PSE. This restricts the level of disaggregation that can be applied in some parts of the empirical analysis.

Methodology and Indicators

The analysis of the two data sets described above has three principal goals:

- to examine and compare the incidence and structure of income poverty in Australia and Britain at the end of the 20th century;
- to compare differences in the incidence and structure of hardship, exclusion and deprivation in the two countries; and
- to assess the extent of overlap between these indicators as a way of assessing the robustness of the indicators, within and between countries.

The choice of methods and indicators, reflecting modern comparative social policy research (Atkinson, Rainwater and Smeeding, 1995), was restricted to those variables that are already comparable, or where a common definitional framework could be applied. These goals and principles influenced which households are included in the study and which indicators have been used.

Household demographic variables:

⁵ The HES have been benchmarked against external sources and weighted accordingly, whereas the PSE weights adjust only for differences in selection probability and non-response.

⁶ Respondents were asked whether their income had increased, decreased or stayed about the same between the two surveys, and to indicate an income bracket which corresponded to any income change. Their income from the GHS was then adjusted (up or down) by the middle value of this income bracket. Those who reported an income decrease of over £600 which did not result from job loss or retirement, or an income increase of over £600, which did not result from entering employment, promotion or changing jobs were assumed to be invalid, and their incomes were assumed not to have changed.

- Adults are defined as all persons aged 15 and over (16 and over in Britain)^[C2]; aged adults are males aged 65 ^[C3]and females aged 60 and over; aged couples contain a male aged 65 or over^[C4];⁷
- Households with zero or negative income are excluded;
- Equivalent income is estimated using the ‘revised OCED’ equivalence scale, under which the first adult = 1.0, all other adults = 0.5 and children = 0.3; and
- Household weights have been used to derive all aggregate indicators.

Financial hardship has been measured using five indicators, all of which apply only to those who could not afford each item over the last year due to a shortage of money:⁸

- Unable to pay gas/electricity/telephone bills (Utility bills)
- Had to pawn or sell something (Pawned something)
- Had to borrow money from family or friends (Borrowed money)
- Went without meals (Missed meals)
- Unable to heat home (No heating)^[C5]

Restricted participation has been measured using six indicators, all of which apply only to those who could not afford (CA) them:

- CA at least one week’s holiday away from home a year (No holiday)
- CA a night out once a fortnight (No night out)
- CA friends or family over for dinner once a month (No family dinner)
- CA a special meal once a week (No special meal)
- CA new clothes, buys second hand most of the time (Secondhand clothes)
- CA spend time on leisure or hobby activities (No hobby)

We define four indicators of financial or material stress:

Income poverty (IP) - defined using poverty lines set at 40 per cent, 50 per cent and 60 per cent of median equivalent household disposable income (before housing costs).

Enforced hardship (EH) - defined as experiencing at least one of the five hardship indicators.

Social exclusion (SE) – defined as experiencing at least one of the six restricted participation indicators.

Relative deprivation (RD) – defined to exist when all three of the above indicators are simultaneously present, i.e. low income, enforced hardship and social exclusion.

⁷ In Australia there are a small number of persons aged 15-17 years who were living in households with children who were counted as (dependent) children.

⁸ The last two indicators for Britain refer to those who had not had them and could not afford them in recent weeks, not over the last year.

Both hardship and exclusion have been defined on the basis of experiencing a single indicator in order to identify which specific items or activities make the largest contribution to each condition. (The earlier discussion cautioned against defining hardship or exclusion on the basis of an arbitrary number of conditions).

A degree of caution must be applied when using the direct indicators to draw inferences about hardship, exclusion or deprivation. For example, an inability to pay a telephone bill – even if it is due to a shortage of money – may reflect a temporary shortage of funds caused by the decision to take out a mortgage or an unexpected bill.

In these cases, while the immediate constraints are genuine, it is debatable whether they can be described as giving rise to hardship as this term is generally understood. In addition, those who do not have family or friends over to dinner – even if they say they cannot afford to – may still suffer no adverse effects in terms of exclusion; some may even relish the prospect! While the emphasis on not being able to afford the items goes some way to establishing that the event reflects a constraint rather than a choice, there is still room to debate the meaning of the information provided and this needs to be kept in mind.⁹

Further compounding these interpretational difficulties within one country are those that arise when making comparison between countries. Differences in household structure, for example, will affect aggregate comparisons of deprivation and exclusion. Climate and custom also vary between countries in ways that can influence the significance attached to specific results. Being unable to heat one's home is likely to be far more serious in Britain than in most of Australia. The weight attached to having to pawn something will depend upon how common pawnshops are compared with the availability 'loan sharks', for example. The significance of having a holiday away from home, eating out or having family meals at home varies between age groups and family types as well as across cultures in ways that will affect what interpretation to place on those who miss out on them. Finally, seemingly innocuous differences in the wording of survey questions can produce apparently different results.¹⁰

4 Household Structure, Inequality and Income Poverty

Table 1 compares the (weighted) household structure in the two countries. The main differences are the greater proportion of aged households in Britain (27.6 per cent) than Australia (19.9 per cent), the higher proportion of childless couples in Britain (21.0 per cent, compared to 16.1 per cent), and the higher incidence of sole parent households in Australia (8.8 per cent, compared to 5.7 per cent). Just under two-fifths (38.9 per cent) of Australian households contain children and just under one-quarter (22.6 per cent) of these

⁹ Eating out may be a more important activity for some groups (younger, without children) than others (families with young children, or the aged), while the importance attached to going without meals or having a holiday away from home may also differ between sub-groups.

¹⁰ For example, the question about being unable to heat one's home refers in Australia being 'unable to heat home due to shortage of money,' whereas in Britain the question refers to 'going without adequate heating to warm living areas because it could not be afforded'. Similarly, while the Australian question refers to having 'pawned or sold something due to shortage of money', the British question asks whether 'there have been times during the past year when you have had to borrow money from a pawnbroker in order to pay for your day-to-day needs'.

have only one parent. In contrast, far fewer (28.5 per cent) of British households contain children, and slightly fewer of these (20.0 per cent) have only a single parent. The incidence of group households containing three or more adults is also somewhat higher in Australia, at 16.6 per cent compared to 12.9 per cent in Britain. In both countries, around one in seven households consist of single non-aged people living by themselves.

Table 1: Household Structure of the Australian and British Samples (percentages)

Household Type	Australia	Britain
Single aged person	10.4	16.9
Aged couple	9.5	10.7
Single non-aged person	14.6	14.0
Non-aged couple	16.1	21.0
Lone parent	8.8	5.7
Couple plus 1 child	7.5	5.8
Couple + 2 children	10.1	9.2
Couple + 3 plus children	6.5	3.8
≥3 adults	10.6	8.9
≥3 adults plus child(ren)	6.0	4.0
All households (%)	100.0	100.0
All households (n)	6,560	1,534

Table 2 compares the (household-weighted) income distributions in the two countries, expressed on an OECD-equivalised disposable income basis. Mean incomes are shown in national currency units and are relative to overall mean income in each country. It is worth noting that, when expressed in current prices and US dollars using current OECD (2004) purchasing power parities (PPPs), the level of GDP per head in the two countries is remarkably similar, at US\$24,696 in Australia and US\$24,014 in the UK.¹¹ The overall mean income figure for Australia of A\$420.6 shown in Table 2 converts to GB£207.3 using PPPs, and if a further adjustment is made to reflect the different household structures in each country, this latter figure increases to around GB£224.1 – very close to the reported mean of GB£229.8 shown in Table 2. These calculations thus suggest that, at least in aggregate terms, the reported income data for each country are not subject to any overall biases.¹²

Table 2 indicates that Australia has less inequality than Britain, with most of the difference concentrated in the bottom and top deciles. Thus, the income share of the lowest decile in Australia is around one percentage point higher than in Britain, while the income share of the highest decile is around five percentage points lower in Australia. The most striking aspect of these comparisons is the very low level of (equivalent) household income at the bottom of the British income distribution relative to households further up the British distribution, and relative to households in the bottom decile of the

¹¹ The Australian figure is the average for 1998 and 1999, while the UK figure is for 1999 (OCED, 2002).

¹² The fact that the levels of reported mean total income in the two countries are consistent with levels implied by National Accounts data does not imply that the different weighting procedures may distort income comparisons at the household level.

Australian distribution. Thus, the mean income of bottom-decile British households converts in PPP terms to A\$107.5 – just over three-quarters (76.8 per cent) of the mean income in the lowest Australian decile of A\$140.0. In contrast, the A\$ equivalent of mean income in the top decile of the British distribution is equal to A\$1279.1, or more than one-third (34.7 per cent) above the mean income of top decile Australians.

Table 2: Relative Equivalent Incomes in Australia and Britain

Equivalent income decile	Australia		Britain	
	Mean equivalent income of decile (Aus\$)	Ratio of decile mean to overall mean (= income share x 10 ⁻²)	Mean equivalent income of decile (GB£)	Ratio of decile mean to overall mean (= income share x 10 ⁻²)
1	140.0	0.333	53.0	0.231
2	198.0	0.471	82.6	0.359
3	234.1	0.557	110.3	0.480
4	277.4	0.660	141.5	0.616
5	329.2	0.783	172.3	0.750
6	394.6	0.938	203.6	0.886
7	467.7	1.112	241.4	1.050
8	551.8	1.312	287.7	1.252
9	663.6	1.578	375.4	1.633
10	949.3	2.257	630.6	2.744
All deciles	420.6	10.00	229.8	10.00

Table 3 presents estimates of poverty in each country, using alternative poverty lines set at 40 per cent, 50 per cent and 60 per cent of median income. The higher of these three benchmarks is now a widely accepted income poverty standard in the European Community (Atkinson et al., 2002) but not in Australia, where the use of a poverty line set at 50 per cent of mean income (which is close to 60 per cent of the median) has attracted wide criticism.¹³ The 50 per cent median income benchmark is commonly used in Australian poverty studies, as it is in comparisons between English-speaking countries studies using the Luxembourg Income Study (LIS) database (Micklewright, 2004). The range of poverty lines used thus produces poverty estimates covering the prevailing standards used in each country and allows the sensitivity of the estimates to be assessed.

On all three poverty benchmarks, poverty in Britain is well above that in Australia. The British poverty rate is more than three times that in Australia using the 40 per cent cut-off, and although the difference narrows as the poverty line is increased, the British poverty rate remains more than twice that in Australia using the 50 per cent benchmark and is around one-quarter higher using the 60 per cent line. The poverty estimates in Table 3 can be related to the inequality estimates in Table 2 by observing that the 60 per cent of median income poverty line corresponds approximately to the upper boundary of the second (equivalised) income decile in Australia, whereas the 50 per cent of median income poverty line falls slightly below the upper boundary of the second (equivalised) income decile in Britain.

¹³ See the acrimonious debate between Harding, Lloyd and Greenwell (2001) and Tsumori, Saunders and Hughes (2002).

Table 3: Income Poverty Rates, Relative to Median Income (percentages)

Household Type	Australia			Britain		
	40% median	50% median	60% median	40% median	50% median	60% median
Single aged person	4.3	18.8	54.4	19.1	34.5	48.0
Aged couple	3.9	5.7	33.1	6.1	18.2	29.9
Single non-aged person	5.5	14.8	26.0	13.6	16.2	20.9
Non-aged couple	2.8	3.7	11.9	4.8	7.2	12.7
Lone parent	5.4	12.1	26.0	44.7	51.8	60.0
Couple plus 1 child	3.3	4.7	8.6	8.5	15.7	19.5
Couple + 2 children	3.0	4.3	9.5	8.7	10.9	13.8
Couple + 3 plus children	4.9	10.9	17.4	7.7	13.5	23.1
≥3 adults	0.8	2.5	5.4	4.1	7.4	9.9
≥3 adults plus child(ren)	2.6	5.5	10.5	6.3	20.4	26.5
All households	3.7	8.4	20.7	11.7	18.5	25.6

Differences in the overall profile of poverty in the two countries are consistent with the existence of a comprehensive, though relatively ungenerous safety net in Australia, whereas in Britain many fall through the more generous but less extensive (social assistance) safety net. The fact that poverty rises much less sharply in Britain than in Australia when moving from the 50 per cent to the 60 per cent line presumably reflects the existence of social insurance benefits in Britain and the income-tested nature of social security in Australia, which leaves many with incomes only slightly above the level of social assistance benefits.

Focusing on the estimates based on the 50 per cent of median income poverty line, the groups with greatest exposure to poverty are similar in both countries. The single aged (particularly in Britain) and couples with three or more children all face above-average poverty, as do lone parents, of whom more than one-half are poor in Britain (in 1999).¹⁴ Non-aged single people face high poverty in Australia, though not to the same extent as in Britain, while the high poverty rate among Australian aged couples reflects a married rate of pension that is slightly below the poverty line.¹⁵

In both countries, households with children experience below-average poverty rates, as long as there are at least two parents present in the household – with the exception of couples with three or more children in Australia and three-adult households in Britain. Poverty rates for households with children are uniformly lower in Australia than Britain. This may appear surprising in light of the fact that the reduction of child poverty is an explicit policy goal in Britain, although this policy was not introduced until March 1999, some months after the PSE survey was conducted. Children living in households with more than two adults face below-average poverty rates at the lowest poverty line but above-average poverty rates at the two higher poverty lines (particularly in Britain) –

¹⁴ The poverty rate among Australian lone parents is lower than other studies have found (Saunders, 2002), reflecting the lower estimate of the cost of children implicit in the OECD equivalence scale.

¹⁵ Australian research indicates, for example, that many of the single aged are only slightly above the poverty line because the single rate of pension just exceeds the poverty line, with many aged couples falling just below the poverty line (Harding, Lloyd and Greenwell, 2001).

which suggests that some of these households have very low incomes and may be co-habiting in order to share housing costs.¹⁶

5 Hardship, Exclusion and Deprivation

Overall patterns

The overall incidence of enforced hardship and social exclusion are shown in Table 4. In contrast to the country rankings based on the poverty rates presented in Table 3, there is more of both enforced hardship and social exclusion in Australia than in Britain. Compared with the British, Australians report far higher rates of being unable to afford to pay utility bills, having to pawn things, having missed meals, not having a special meal and relying on secondhand clothes – despite having lower poverty rates. There are only three indicators where the overall incidence is higher in Britain than Australia, but in all three instances, the differences are very small.

Table 4: The Overall Incidence of Enforced Hardship and Social Exclusion in Australia and Britain (percentages reporting each indicator)

Indicator	Australia	Britain
<i>Enforced hardship:</i>		
Utility bills	16.0	6.8
Pawned something	4.2	0.7
Borrowed money	9.7	10.0
Missed meals	2.7	0.7
No heating	2.2	2.6
<i>Social exclusion:</i>		
No holiday	27.7	17.7
No night out	19.9	16.1
No family dinner	5.4	6.3
No special meal	11.8	4.2
Secondhand clothes	12.0	6.0
No hobby	9.2	6.6

One possible reason why the incidence of hardship and exclusion varies so much between the two countries is that custom and social norms affect what is regarded as acceptable and thus constrain what actions people take (or are willing to admit to taking when being interviewed) when they have inadequate resources. The consequences of experiencing each condition may also vary between countries, further compounding the interpretational difficulties.

Two conditions where these problems of cultural specificity and interpretational ambiguity are potentially less acute are being unable to afford a night out (a key indicator of social exclusion), and having to borrow money from family or friends (an obvious sign of hardship). Table 5 shows that the overall incidence of these two indicators is similar in both countries, as is the pattern across households. In both countries, the household types

¹⁶ These households may also contain older children still living in the parental home, including some who are still in tertiary education.

that rank worse on both indicators are lone parent households and couples with three or more children.¹⁷

Table 5: The Incidence of Specific Hardship and Exclusion Conditions by Household Type (percentages)

Equivalent income decile	<i>Cannot afford a night out:</i>		<i>Borrowed from family/friends:</i>	
	Australia	Britain	Australia	Britain
Single aged person	16.6	15.3	2.7	3.5
Aged couple	15.1	9.3	0.9	0.6
Single non-aged person	17.0	12.4	13.2	13.5
Non-aged couple	13.3	10.1	6.0	8.4
Lone parent	29.2	31.4	26.0	33.3
Couple plus 1 child	23.2	29.2	12.7	11.2
Couple + 2 children	26.3	21.3	9.0	12.0
Couple + 3 plus children	39.2	39.0	17.4	16.9
≥3 adults	12.1	14.8	5.3	8.8
≥3 adults plus child(ren)	23.4	8.2	10.3	15.0
All households	19.9	16.1	9.7	10.0

Hardship and exclusion by household type

Tables 6 and 7 provide a breakdown of the incidence of single and multiple forms of hardship and exclusion by household type in Australia and Britain, respectively. In Australia, social exclusion is around twice as prevalent as enforced hardship, the differential widening with the number of conditions experienced.¹⁸ Lone parent households rank highest on all of the measures shown, although in general the household type rankings do not mirror the income poverty rate rankings shown in Table 3.

In Australia, the aged experience relatively less hardship and exclusion than other household types despite having higher poverty, while households with children now appear much worse than they did on an income poverty basis. Households containing more than two adults also face above-average rates of hardship and exclusion, whereas they generally experienced less income poverty than many other households. The divergence in these latter results could imply that the equivalence scale (or, more likely, the equal resource sharing assumption) may be less appropriate for these households.

¹⁷ It can be argued that it is the presence of children that explains the high incidence of not being able to afford a night out, rather than lack of resources. However, when this indicator is replaced by one that is not subject to this problem – can only afford to buy secondhand clothes – the incidence is again highest among the same two groups.

¹⁸ It should be noted that there are six conditions included in the definition of exclusion, but only five hardship conditions, which may explain why exclusion shows up as more common than hardship. However, the two exclusion variables that could be omitted on the grounds that their meaning is ambiguous – not being able to afford to have a special meal or to have leisure activities or a hobby – both have low incidence rates (Table 4) and would thus not affect the results very much if they were omitted.

Table 6: Measures of Hardship and Exclusion in Australia (percentages)

Household Type	Enforced Hardship (EH)			Social Exclusion (SE)			EH \geq 1 & SE \geq 1
	EH _[C6] \geq 1	EH \geq 2	EH \geq 3	SE \geq 1	SE \geq 2	SE \geq 3	
Single aged person	8.9	3.2	1.5	35.3	20.0	14.0	8.2
Aged couple	4.7	1.1	0.4	29.2	15.6	8.6	3.9
Single non-aged person	25.8	14.2	6.5	38.9	22.5	14.3	19.3
Non-aged couple	13.8	4.9	1.3	28.0	14.1	6.1	9.1
Lone parent	48.1	25.9	12.7	67.0	42.1	26.7	42.6
Couple plus 1 child	24.2	9.1	4.1	41.3	23.2	10.5	17.5
Couple + 2 children	21.3	7.0	2.3	41.5	23.9	12.7	15.9
Couple + 3 plus children	36.3	16.9	5.2	58.6	38.9	22.5	29.9
\geq 3 adults	11.6	3.6	1.2	22.7	10.7	6.4	6.4
\geq 3 adults plus child(ren)	26.3	10.4	3.3	46.5	26.4	15.0	21.1
All households	20.7	9.1	3.7	38.8	22.2	12.8	16.1

A similar pattern of hardship and exclusion among different households in Britain is apparent in the estimates in Table 7. Here again, social exclusion is far more prevalent than enforced hardship and, as in Australia, the differential increase with the number of conditions specified. The aged face below average rates of hardship and exclusion – in contrast to their above-average incidence of low-income (Table 3). The precarious situation of lone parent households in Britain is reinforced, while couples with children are again seen to be more prone to hardship and exclusion than to low-income. However, in contrast to Australia, households with more than two adults in Britain appear worse on the basis of both the hardship and exclusion indicators than on an income poverty basis – both in absolute terms and relative to other households.

Table 7: Measures of Hardship and Exclusion in Britain (percentages)

Household Type	Enforced Hardship (EH)			Social Exclusion (SE)			EH \geq 1 & SE \geq 1
	EH \geq 1	EH \geq 2	EH \geq 3	SE \geq 1	SE \geq 2	SE \geq 3	
Single aged person	7.2	1.6	0.0	25.5	11.7	6.7	4.2
Aged couple	2.5	0.6	0.6	20.9	7.8	2.6	2.6
Single non-aged person	23.3	9.5	3.3	26.2	13.6	11.2	14.7
Non-aged couple	10.6	2.6	0.6	18.2	10.2	5.3	6.4
Lone parent	45.3	15.1	4.7	60.2	39.8	28.9	36.6
Couple plus 1 child	14.6	2.3	0.0	41.4	19.5	10.5	14.9
Couple + 2 children	15.7	8.6	1.4	29.2	15.3	9.5	9.5
Couple + 3 plus children	21.4	3.6	0.0	56.4	37.0	16.4	18.9
\geq 3 adults	13.6	6.1	0.0	26.9	12.3	5.4	10.2
\geq 3 adults plus child(ren)	16.9	8.6	1.7	22.8	13.8	8.6	10.5
All households	14.6	5.0	1.1	28.1	14.7	8.7	10.3

Very few British households other than single non-aged people and lone parents experience three or more hardship conditions and this is also true in Australia. In contrast, the incidence of multiple exclusion (missing out on three or more specified activities) is relatively high in both countries. In both countries, the results in Tables 5, 6 and 7 indicate that households with children are far more susceptible when the direct indicators

are used than on an income poverty basis (Table 3).¹⁹ The final column in Tables 5 and 6 shows the percentage of households who experience at least one form of hardship *and* at least one form of exclusion. Although this initial indicator of material deprivation is much higher in Australia (16.1 per cent) than Britain (10.3 per cent), there is a consistent ranking of household types in both countries, reinforcing the patterns identified earlier.

Cross-country comparisons

There are some interesting cross-country differences in how households are ranked according to the different hardship and exclusion indicators. These rankings are relatively stable in Australia, but are more volatile in Britain, particularly for couple households with children. However, one of the most striking features of the results in Tables 6 and 7 is the difference in the incidence of both hardship and exclusion *between* the two countries. Enforced hardship is around twice as prevalent in Australia than in Britain, while social exclusion is about 50 per cent higher. This is the reverse of the position implied by the income poverty estimates in Table 3, which show the incidence of low-income in Britain to be well above that in Australia.

Thus, the lone parent poverty rate in Britain is more than four times higher than in Australia (Table 3), yet British lone parents report experiencing less hardship and exclusion than their Australian counterparts. While single aged people have a (half-median income) poverty rate around twice the national rate in both Australia and Britain (Table 3), they experience less than half the national rates of enforced hardship in both countries and about the average rate of exclusion (Tables 6 and 7). However, even though the number of deprivation or exclusion conditions affects the *overall incidence* of each indicator, there is considerable stability in the hardship or exclusion *rankings* of different households. These patterns of similarity and difference suggest that policies to improve low incomes would be targeted very differently from those aimed at alleviating hardship or combating exclusion.

It is difficult to know with any certainty what gives rise to the different patterns of hardship and exclusion described above, although one possibility is that low-income households in Britain have access to cheaper services and/or have better social connections (or fewer social aspirations) than those in Australia. Access to transport may be a key factor here, given the differences in the size and urban structure of the two countries. Whatever the reason, the results indicate that low-income in Britain is less likely to be associated with hardship or exclusion than in Australia, and therefore that comparing income poverty rates provides a misleading picture of the relative risks of low living standards facing households in the two countries.

Other factors that may explain the observed differences in hardship and exclusion include differences in the asset positions of low-income households in the two countries, or in the willingness to acknowledge the existence of hardship and isolation. Differences in social norms may also play a role, along with differences in the appropriateness (and hence the comparability) of the hardship questions used in each surveys, how the two surveys were

¹⁹ This could reflect the fact that the equivalence scale used to derive the income poverty estimates underestimate the costs of children

conducted, in the wording of specific questions (see Footnote 10), and in the weighting procedures applied to the raw data.

Overall, the results are consistent with the conclusion reached by Finch and Bradshaw (2003, p. 523) that; ‘the people who are defined as living in poverty by different measures of poverty differ’. But the results provide no basis for deciding which of the alternative approaches is *better*, nor do they indicate *how many* hardship or exclusion conditions should be equated with either poverty, or with deprivation.

6 Overlaps and Consistent Measures of Poverty and Deprivation

Results

Having examined the evidence on indirect (income-based) and direct (hardship or exclusion-based) indicators of poverty, we now investigate the degree of overlap between them. As noted earlier, Townsend and Mack and Lansley used this approach to refine measured deprivation and Nolan and Whelan (1996) have used it to differentiate between poverty and deprivation, and Gordon (2000) to distinguish between absolute poverty and overall poverty. The approach provides evidence of whether reported hardship or exclusion by examining reflect the constraints imposed by limited resources.

The Australian results in Table 8 confirm that the consistent hardship measures are more severe than those that reflect consistent exclusion. The joint incidence of hardship and low income is about half of that between exclusion and low income at both poverty lines. Deprivation – defined as being both (60 per cent of median income) poor and experiencing at least one hardship and at least one form of exclusion – is 5.5 per cent, only slightly below the consistent hardship measure. This indicates that almost all of those in enforced hardship are also excluded in at least one dimension. In contrast, more than half of those whose exclusion is enforced do not face hardship. Deprivation is low in Australia generally, but is most prevalent among lone parent households, followed by single non-aged people living alone and couples with three or more children.

Table 8: Consistent Indicators of Poverty and Deprivation in Australia (percentages)

Household Type	Constrained Hardship		Constrained Exclusion		Deprivation	
	50% & EH \geq 1	60% & EH \geq 1	50% & SE \geq 1	60% & SE \geq 1	50% & EH \geq 1 & SE \geq 1	60% & EH \geq 1 & SE \geq 1
	Single aged person	2.6	6.4	8.1	26.0	2.4
Aged couple	0.4	3.0	2.2	15.7	0.4	2.6
Single non-aged person	7.1	11.6	9.5	18.4	5.5	9.7
Non-aged couple	0.5	2.6	1.1	6.7	0.4	2.3
Lone parent	6.3	15.7	9.3	20.6	5.6	14.2
Couple plus 1 child	1.7	4.4	3.4	6.4	1.5	3.8
Couple + 2 children	1.4	4.3	2.7	6.6	1.4	4.0
Couple + 3 & children	5.7	9.7	7.3	12.6	5.2	9.1
\geq 3 adults	0.4	1.9	1.0	2.7	0.4	1.6
\geq 3 adults & child(ren)	1.5	3.8	2.4	5.9	1.0	3.1
All households	2.7	6.3	4.7	12.4	2.3	5.5

The pattern of results for Britain in Table 9 shows that exclusion is again more prevalent than hardship and whereas most (60 per cent of median income) poor households who experience hardship are also excluded, around half of poor households who are excluded do not face hardship. Using the higher poverty line, Britain's overall rate of deprivation is just over 6 per cent – slightly higher than in Australia - although deprivation is again highest among lone parents, couples with three or more children and non-aged individuals living alone.²⁰

At the lower (50 per cent of median income) poverty line, Britain has about twice as much hardship, exclusion and deprivation than Australia, whereas the two countries are much closer when the higher (60 per cent of median income) poverty line is used. However, at the higher poverty line, deprivation among British lone parents is close to five times higher than the national rate, whereas in Australia the corresponding relativity is less than three to one. While around one in seven Australian lone parent households are deprived, the deprivation rate among British lone parents is almost one in three. Deprivation is much lower among the aged in Britain than in Australia, while it is (slightly) higher among group households in Britain. Overall, the incidence of deprivation in Australia is much more even across different households than in Britain, where it varies from less than one per cent to over 31 per cent. This difference is more a reflection of household differences in the reported incidence of hardship and exclusion than of different household poverty rates in the two countries.

These estimates indicate that in some respects, the choice of indicator makes a difference to who is defined as in poverty or deprivation and what factors contribute to this. Conventional income-based levels of poverty are reduced considerably when combined with reported hardship or exclusion to produce estimates of deprivation. At the 60 per cent of median income poverty line, the Australian poverty rate is just over 20 per cent (Table 3), while deprivation is around one-quarter of this, at only 5.5 per cent (Table 8).

Table 9: Consistent Indicators of Poverty and Deprivation in Britain (percentages)

Household Type	Constrained Hardship		Constrained Exclusion		Deprivation	
	50%	60%	50%	60%	50% &	60%
	& EH ≥1	& EH ≥1	& SE ≥1	& SE ≥1	EH ≥1 & SE ≥1	& EH ≥1 & SE ≥1
Single aged person	1.8	2.7	11.6	15.3	1.4	1.9
Aged couple	0.7	0.7	5.9	9.6	0.7	0.7
Single non-aged person	9.0	10.6	10.2	11.8	7.0	8.1
Non-aged couple	1.4	3.2	3.6	5.5	1.5	2.6
Lone parent	31.0	36.1	40.0	44.4	28.8	31.3
Couple plus 1 child	8.6	9.9	13.6	14.8	8.6	9.9
Couple + 2 children	4.4	5.8	6.7	7.5	4.5	4.5
Couple + 3 & children	8.0	12.0	8.2	16.0	6.4	12.5
≥3 adults	4.2	4.2	5.2	7.8	4.4	4.4
≥3 adults & child(ren)	6.4	8.7	6.7	13.0	2.2	4.4
All households	5.7	7.2	9.6	12.4	5.1	6.1

²⁰ Use of the higher poverty line in Tables 8 and 9 can be justified on the grounds that other (non-income) indicators are also included.

In Britain, the income poverty rate of over 25 per cent (Table 3) compares with a deprivation rate of around 6 per cent (Table 9). However, these differences conceal a more stable pattern of findings on the relative risks facing different households in each country. Aside from the improved standing of older households when moving from income poverty to deprivation, three household types are consistently shown to face the greatest risk of poverty and deprivation in both countries. These are lone parents, single non-aged people living alone and large (couple) families.

Discussion

One aspect of the results that warrants further examination concerns what the relatively low degree of overlap between the indirect (income-based) and direct (deprivation-related) measures implies for the reliability of the different indicators. The above results show that many of those who receive a low income do not report any of the hardship or exclusion consequences that are expected to result from not having enough resources to meet basic needs. This raises questions about whether the direct indicators can be automatically presumed to measure hardship, exclusion or deprivation.

The key issue here revolves around the extent to which the indicators reflect the *constraints* that people face, as opposed to consequences of *choices* made. Even though both the HES and PSE surveys attempt to capture the role of (financial) constraints by focusing explicitly on the role of affordability, this cannot be judged in isolation from how many resources are available, what form they take and how they are used. A lack of affordability may be a consequence of expensive or distorted tastes, past debts or the cumulative effect of prolonged poverty spells, or reflect an inability to budget adequately rather than an enforced lack of resources.

We examine these issues in Figures 1 and 2, which show for each country, the mean number of enforced hardships, social exclusion and deprivation conditions and the associated 95 per cent confidence intervals in each decile of the equivalent income distribution. In Australia, more than half (51.7 per cent) of all hardship and exclusion conditions are experienced by households in the three lowest income deciles, whereas almost one-in-ten (9.3 per cent) are experienced by those in the top three deciles. The number of conditions experienced remains more or less constant across the bottom three deciles, before declining steadily as income rises across the rest of the distribution. The confidence intervals also narrow as income rises, suggesting that preferences are not the main drivers of the observed variations.

The British patterns in Figure 2 reveal a much sharper delineation between the number of measures experienced in the lowest decile and those experienced higher up the income distribution, particularly in relation to hardship. Here, 56 per cent of all conditions are experienced in the lowest three deciles, while 8 per cent – somewhat less than in Australia, though still on the high side – occur in the top three deciles. The mean number of exclusion conditions experienced declines to around 0.6 in the third income decile in Britain (compared with 1.4 in Australia), while the mean number of hardship conditions in decile three is around 0.2 in Britain (compared with 0.5 in Australia). These differences imply that households in the *third decile* of the Australian income distribution report similar degrees of hardship and exclusion as households in the *lowest decile* of the British income distribution.

Figure 1: The Distribution Profile of Exclusion, Hardship, and Deprivation in Australia (mean number of conditions)

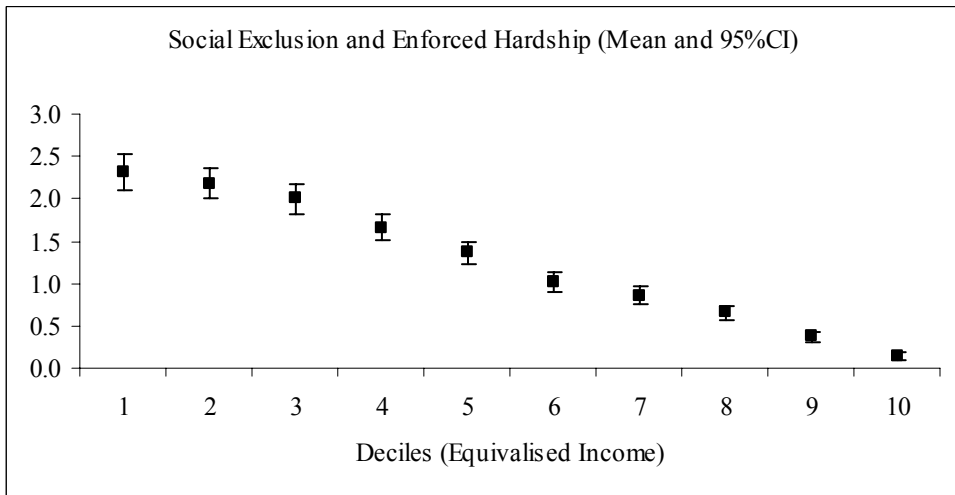
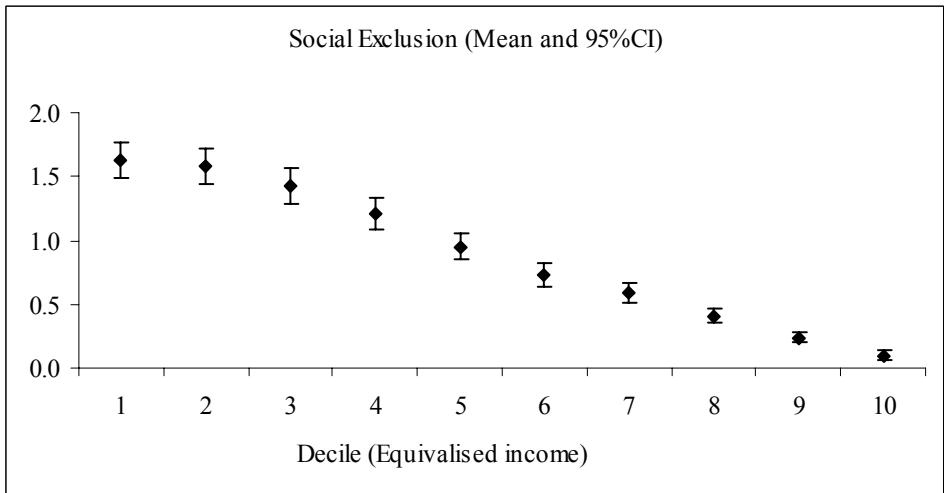
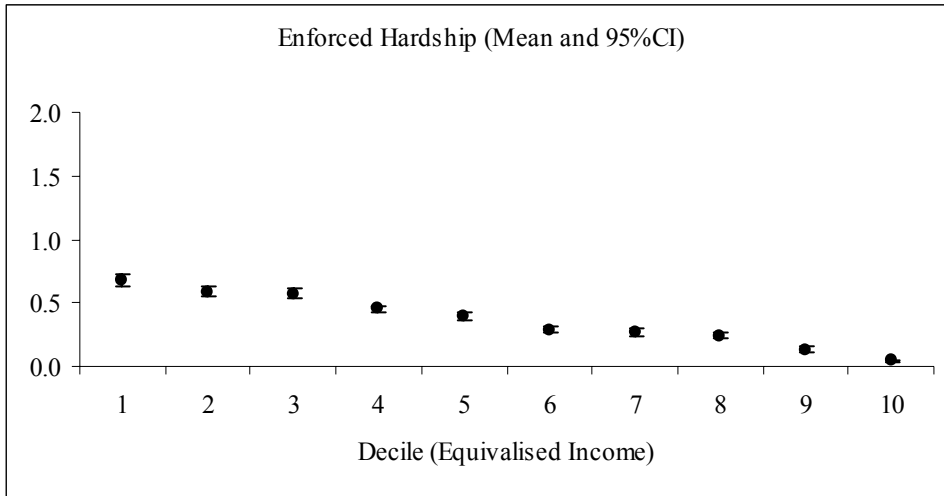
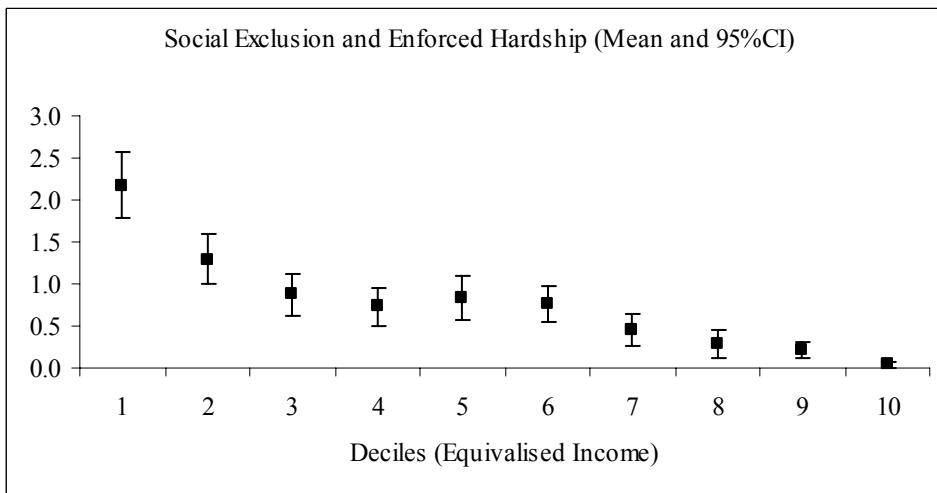
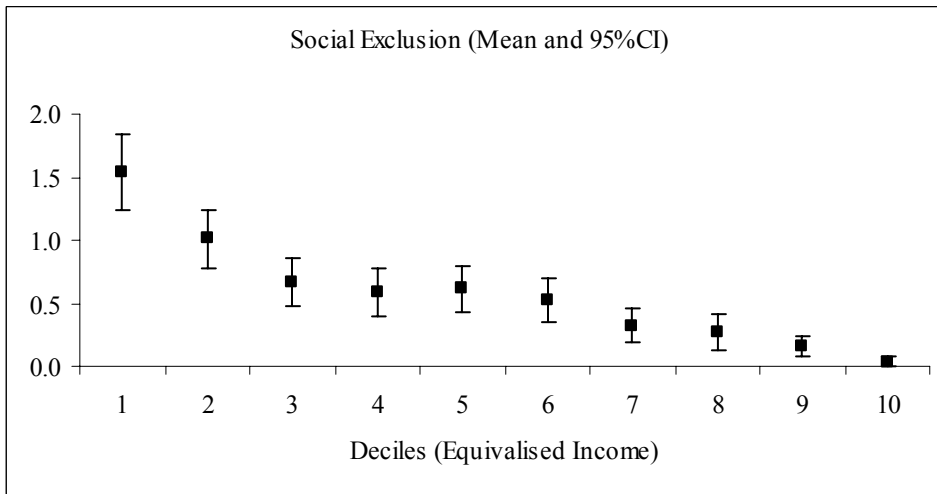
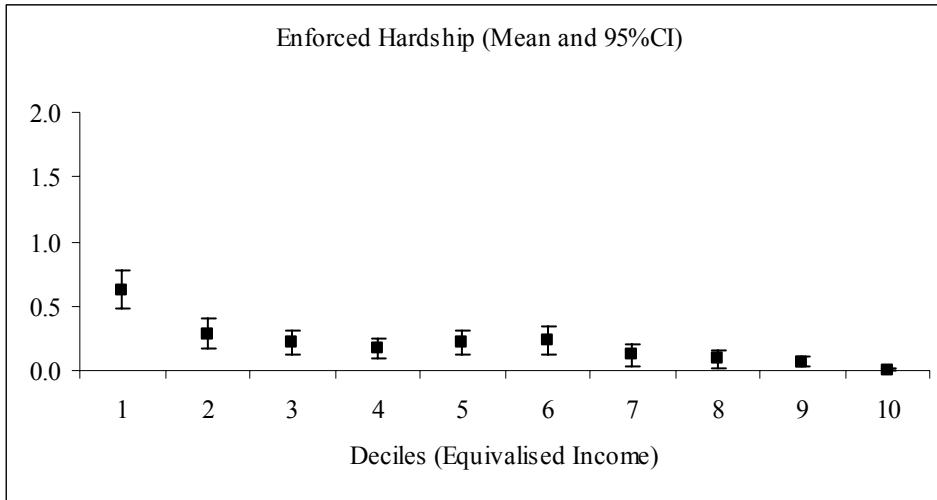


Figure 2: The Distribution Profile of Exclusion, Hardship, and Deprivation in Britain (mean number of conditions)



The patterns shown in Figures 1 and 2 also help to explain the results presented earlier. As noted, Table 3 implies that the 60 per cent of median income poverty line falls at around the 20th and 25th percentiles of the Australian and British (equivalised) income distributions, respectively. But whereas hardship and exclusion are spread evenly across all three lowest income deciles in Australia, they are heavily concentrated in the bottom decile in Britain. There are thus many Australian households experiencing relatively high levels of hardship or exclusion who have above-poverty level incomes, and there are many British households below the poverty line who experience no more hardship or exclusion than those with middle to high incomes.

These comparisons suggest that the direct hardship and exclusion indicators tend to exaggerate the overall extent of deprivation in Australia, whereas the income approach produces an over-estimate of the extent of poverty in Britain. Drawing on both direct and indirect indicators is thus preferable to considering either indicator in isolation.

7 Conclusions

Increasingly, researchers are using direct measures of hardship, exclusion and deprivation to address the methodological weaknesses and other acknowledged limitations of measuring poverty using an income poverty line. This paper has examined the structure of poverty and deprivation in Australia and Britain using a comparative framework to compare the sensitivity of results to different definitions of poverty and deprivation. The indicators examined are income poverty (defined relative to median income benchmarks), the number of hardship and exclusion conditions actually experienced (as reported in surveys), and deprivation that includes hardship and exclusion dimensions.

The results indicate that, when used in isolation, these measures produce very different results. While Britain ranks well above Australia in terms of the incidence of income poverty, both enforced hardship and social exclusion (defined as restricted participation) are considerably higher in Australia than in Britain. Despite these aggregate differences, the ranking of household types is more stable across the different methods within each country and in some instances, between the two countries. Lone parent households stand out in both countries as experiencing the highest rates of both income poverty and deprivation, followed by single non-aged people living alone and couples with more than two children.

There is a tendency for the results for the aged to vary considerably with the method used, with their low incomes not translating into either hardship or exclusion to the same degree as other households. In overall terms, the aged do less well in Britain than in Australia in terms of income but not in terms of hardship or exclusion. One explanation of these variations is that the needs of the aged are not captured well in the equivalence adjustment, which over-states their relative need, producing a downward bias in equivalent income and an exaggerated estimate of aged poverty. The items/activities used to identify hardship and exclusion may also not reflect (well enough) the requirements and circumstances of the aged in either country.

The differences in income poverty and deprivation rates suggests that a degree of caution should apply to the findings, although there is no indication of which approach is superior. One of the key lessons to emerge from the analysis is that direct national indicators of deprivation and exclusion cannot be as readily compared cross-nationally as

indirect, income-based measures, which conform to international standards in relation to the definition and measurement of income. Cross-national studies of deprivation and exclusion must therefore ensure that the measures used are comparable before drawing conclusions based on observed differences.

The different results present a quandary for those setting policy, particularly in relation to establishing which groups should be targeted to receive greatest support. The results show that combining information on income poverty with direct indicators of deprivation produces a broadly similar pattern of results in the two countries, and this approach has the advantage that it relies on consistent, validated evidence that has greater credibility. Although income poverty remains an important issue, poverty research should draw on other information to better understand how low-income affects people's lives and why its effects are more debilitating for some groups than for others.

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[C1]There is certainly concern in Britain about the reporting of income of those with the very lowest incomes (i.e. Govt don't want to believe it!) – so I have added 'low' – is this the case in Oz too?

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[C2]In Britain 16 and over

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[C3]In Britain aged men = 65+ aged women =60+

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[C4]In Britain, aged couple, woman 60+ man 65+

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[C5]In PSE, these two were don't have can't afford (not in the last year)

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[C6]These should all be \geq and on Table 7?