

Estimates of Poverty and Social Exclusion in Australia: A multidimensional approach

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Why measurement is essential



- Policy makers need to know 'how many', 'who' and the nature of disadvantage
- Enables monitoring of overall trends to determine whether govt efforts are working
- Enables monitoring of developments across countries



How do we measure social exclusion?

- Follow Burchardt, 2000 and focus on measures that capture 'participation', or the ability to participate, in all aspects of society.
- Capture 'exclusion' at the individual level, enables examination of:
 - who experiences multiple dimensions of disadvantage/exclusion
 - the persistence of disadvantage/exclusion
- No data set is perfect! See Scutella et al (2009) for review of data sources. For our needs, HILDA is most suited.

Indicators of poverty and social exclusion

| Domain | Indicator | % of population aged 15+ |
|----------------------|--|--------------------------|
| Material resources | (1) Household income less than 60% of median | 19.9 |
| | (2) Household net worth less than 60% of median | 38.0 |
| | (3) Consumption expenditure less than 60% of median | 12.8 |
| | (4) Three or more indicators of financial stress | 6.3 |
| Employment | (5) Long -term unemployed | 0.6 |
| | (6) Unemployed | 3.4 |
| | (7) Unemployed or marginally attached | 9.7 |
| | (8) Unemployed, marginally attached or underemployed | 16.5 |
| | (9) In a jobless household | 12.2 |
| Education and skills | (10) Low literacy | 3.1 |
| | (11) Low numeracy | 4.6 |
| | (12) Poor English proficiency | 2.7 |
| | (13) Low level of formal education | 36.2 |
| | (14) Little or no work experience | 11.3 |

Indicators of poverty and social exclusion

| Domain | Indicator | % of population aged 15+ |
|-----------------------|--|--------------------------|
| Health and disability | (15) Poor general health | 18.3 |
| | (16) Poor physical health | 10.9 |
| | (17) Poor mental health | 10.0 |
| | (18) Has a long term health condition or disability | 26.2 |
| | (19) Household has a disabled child | 3.6 |
| Social | (20) Little social support | 1.4 |
| | (21) Get together with friends/relatives < once a month | 10.6 |
| Community | (22) Low neighbourhood quality | 1.6 |
| | (23) Low satisfaction with neighbourhood | 4.5 |
| | (24) Low satisfaction with 'feeling part of local community' | 13.9 |
| | (25) Not currently a member of a club or association | 18.8 |
| | (26) No voluntary activity in a typical week | 23.3 |
| Personal safety | (27) Victim of physical violence in the last 12 months | 1.6 |
| | (28) Victim of property crime in the last 12 months | 5.1 |
| | (29) Low level of satisfaction with 'how safe you feel' | 4.3 |

Accounting for multidimensionality

- Requires weighting of various domains
- We adopt approach assigning equal weight to each domain, where value inversely related to number of indicators within each domain
- Range of each domain between 0 and 1
- Sum of 'scores' identifies extent of exclusion, ranges between 0 and 7
- Define marginal exclusion = $\text{Score} \geq 1$, Deep exclusion = $\text{Score} \geq 2$

Examples of assigning 'scores'

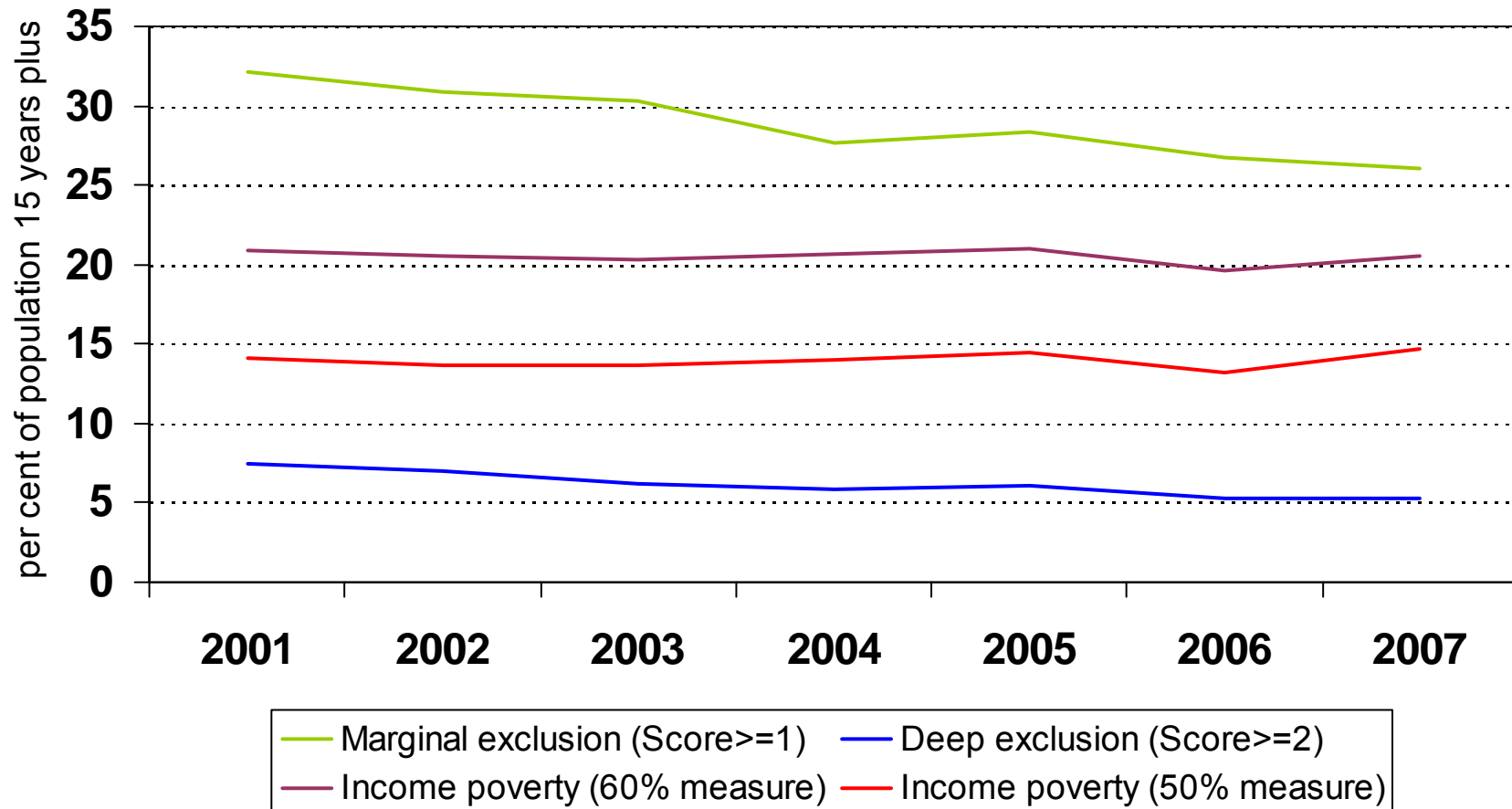
- Person A
 - Low income
 - Low educational qualification
 - Experiences no other indicators of exclusion
 - Score(Material Resources) = $1/4 = 0.25$
 - Score(Education and skills) = $1/5 = 0.2$
 - Total Score = 0.45

- Person B
 - Low income, low wealth, low consumption and in financial stress
 - Low educational qualification and low literacy
 - Experiences no other indicators of exclusion
 - Score(Material Resources) = $4/4 = 1$
 - Score(Education and skills) = $2/5 = 0.4$
 - Total Score = 1.4

Number of indicators in HILDA


| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | All years |
|-----------------------|------|------|------|------|------|------|------|-----------|
| Material resources | 2 | 3 | 2 | 2 | 2 | 4 | 3 | 2 |
| Employment | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Education and skills | 3 | 3 | 3 | 3 | 3 | 3 | 5 | 3 |
| Health and disability | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Social | 2 | 2 | 2 | 2 | 2 | 2 | 1 | 1 |
| Community | 5 | 5 | 5 | 5 | 4 | 5 | 4 | 4 |
| Personal safety | 1 | 3 | 3 | 3 | 3 | 3 | 3 | 1 |
| All domains | 23 | 26 | 25 | 25 | 24 | 27 | 26 | 21 |

Poverty and social exclusion in Australia, 2001 to 2007



Groups most prone to exclusion



- Females
 - The young and the old
 - Single parents
 - Persons in regional areas
 - Indigenous Australians, persons born in non-English speaking countries
 - Persons in private rental accommodation
 - Persons with a long term health condition
 - Persons not completing secondary school (or its equivalent)
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Comparing 'excluded' and 'poor'

- Find that there are poor people who are not socially excluded and non-poor people who are excluded
- Persons 65 years smaller share of most 'excluded' than 'poorest'
- Families with children are a larger share of most excluded than the 'poorest'
- The 'most excluded' group captures a larger share of persons with a long-term health condition
- Differences in composition of 'excluded' and 'poor' are larger when wealth taken into account

Persistence: Years 'excluded'

(maximum possible = 7 years)

% of the population aged 15+ in each category


| | Individual Score ≥ 1 | Individual Score ≥ 2 |
|-----------------|------------------------------|------------------------------|
| 1 year or more | 52.5 | 16.6 |
| 2 years or more | 36.8 | 8.5 |
| 3 years or more | 26.9 | 4.9 |
| 4 years or more | 19.3 | 2.9 |
| 5 years or more | 13.0 | 1.6 |

Conclusions and policy implications

- To tackle social exclusion is essential to have good measures of social exclusion:
 - To understand extent of the problem
 - To monitor trends
 - To get an indication of whether governments' efforts are working
- Social exclusion inherently multidimensional, thus essential to measure at individual level, identifying depth of exclusion at a point in time and over time:
 - While relatively large proportion of population experience marginal exclusion at some point in time, small proportion experience deep exclusion persistently over time

Conclusions and policy implications



- Doesn't mean that can ignore marginally/short term excluded, just highlights that we need to better understand dynamic processes of exclusion
 - Exclusion more sensitive to business cycle than income poverty, reflects importance of employment
 - Most 'excluded' are different to 'poorest', particularly in relation to age
 - Does not substitute for rigorous evaluation of individual programs
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Future research



- Incorporate wealth data for intervening waves, or at least calculate 'imputed rent'
 - Further sensitivity to different weightings
 - Examine domains of exclusion for most 'excluded')
 - Persistence
 - Causes of exclusion
 - Further examine supplementary data for particularly excluded groups: homeless, prison populations, recent immigrants etc
 - Regular updates (annual)
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