

# MELBOURNE ECONOMIC FORUM

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## UNDERSTANDING AUSTRALIA'S POVERTY ISSUES: A MULTI-DIMENSIONAL MATTER

15 March 2019

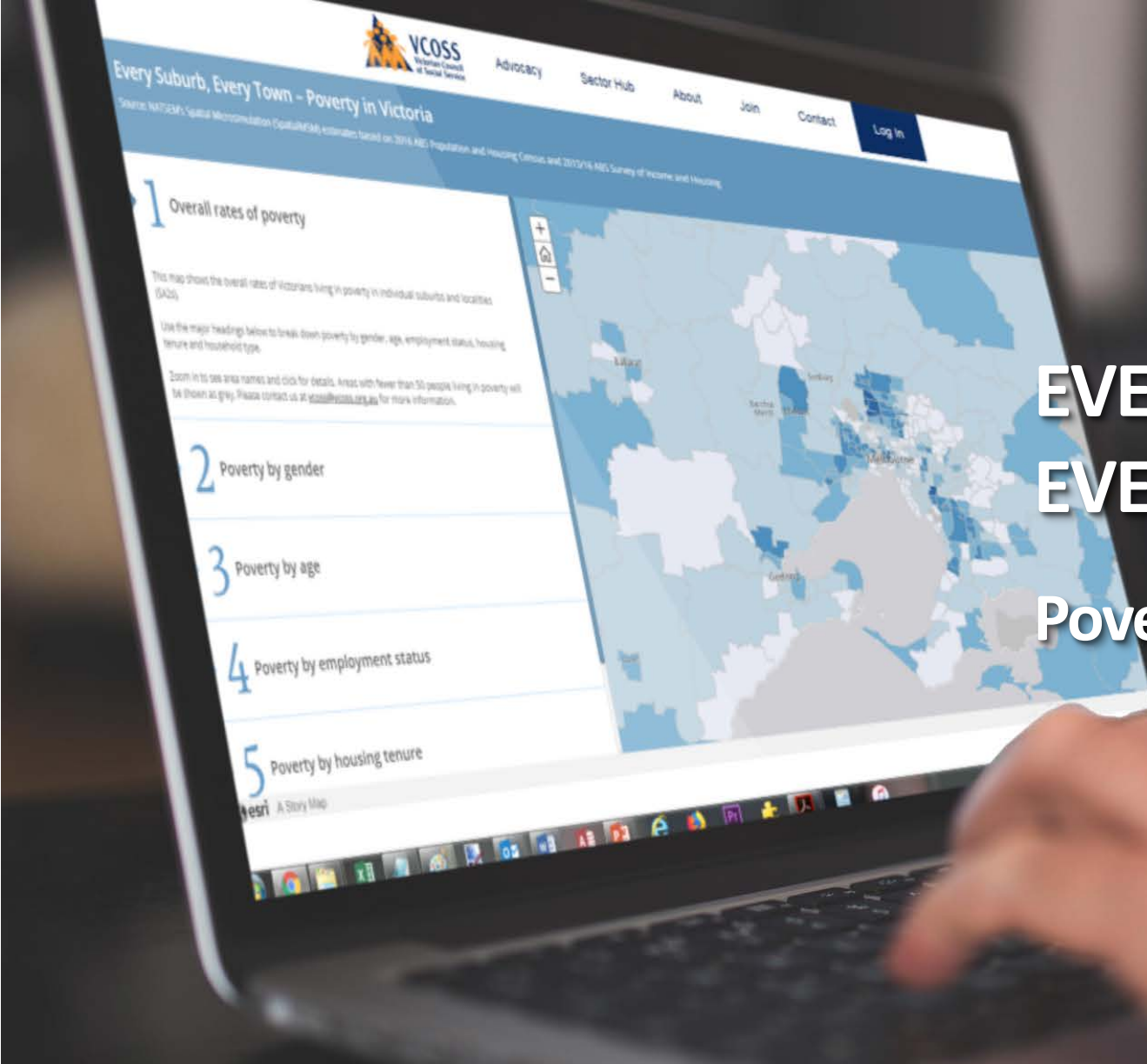
# MELBOURNE ECONOMIC FORUM

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Llewellyn Reynders

*Victorian Council of Social Service*



# EVERY SUBURB EVERY TOWN Poverty in Victoria

[vcross.org.au/news/poverty-atlas](http://vcross.org.au/news/poverty-atlas)

## Living in poverty means:

After paying for housing, a single person has less than about \$50 a day to live on.

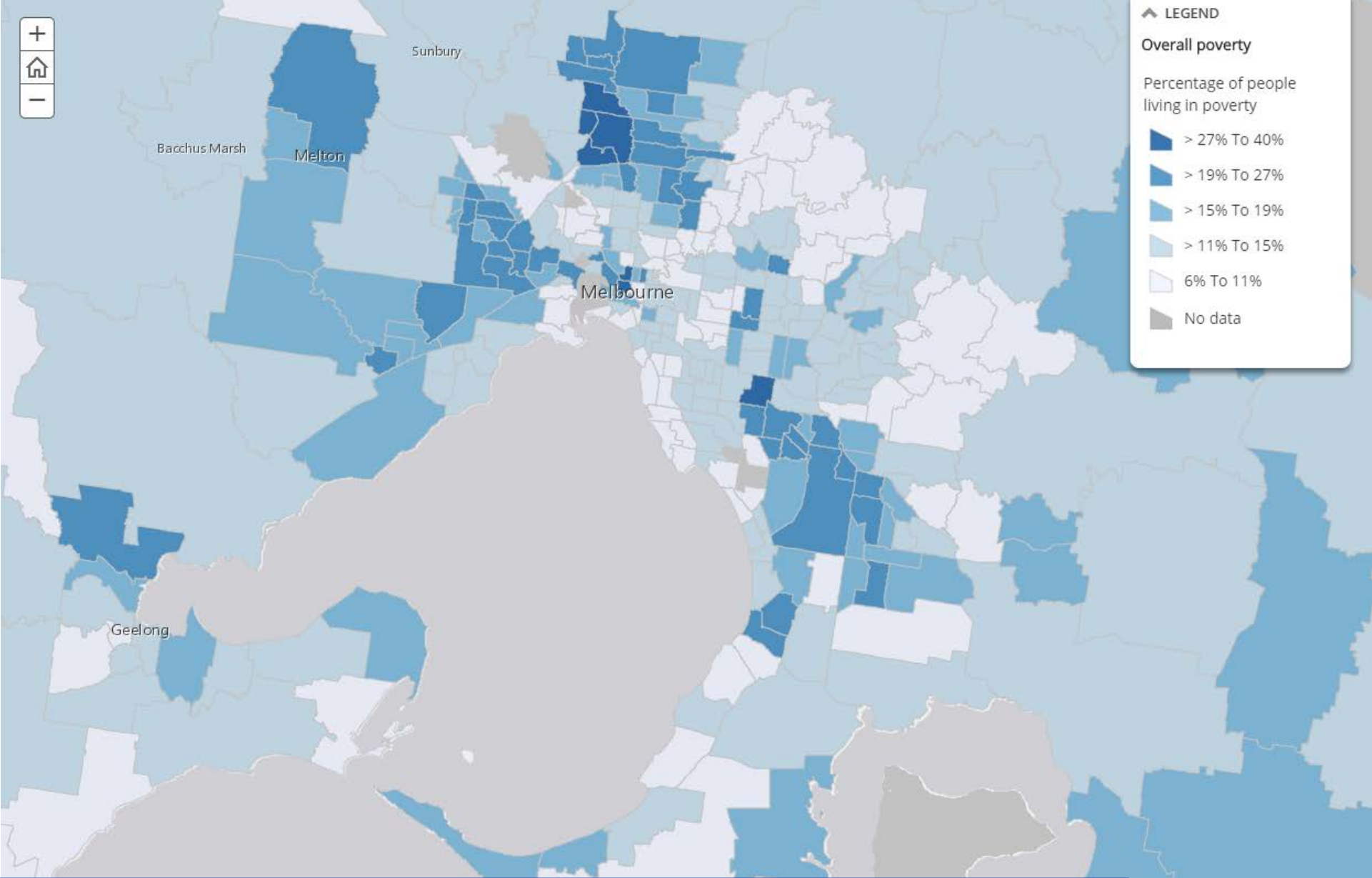
For a family of four, it is less than about \$100 a day.

**More than 1 in 8 Victorians live in poverty**

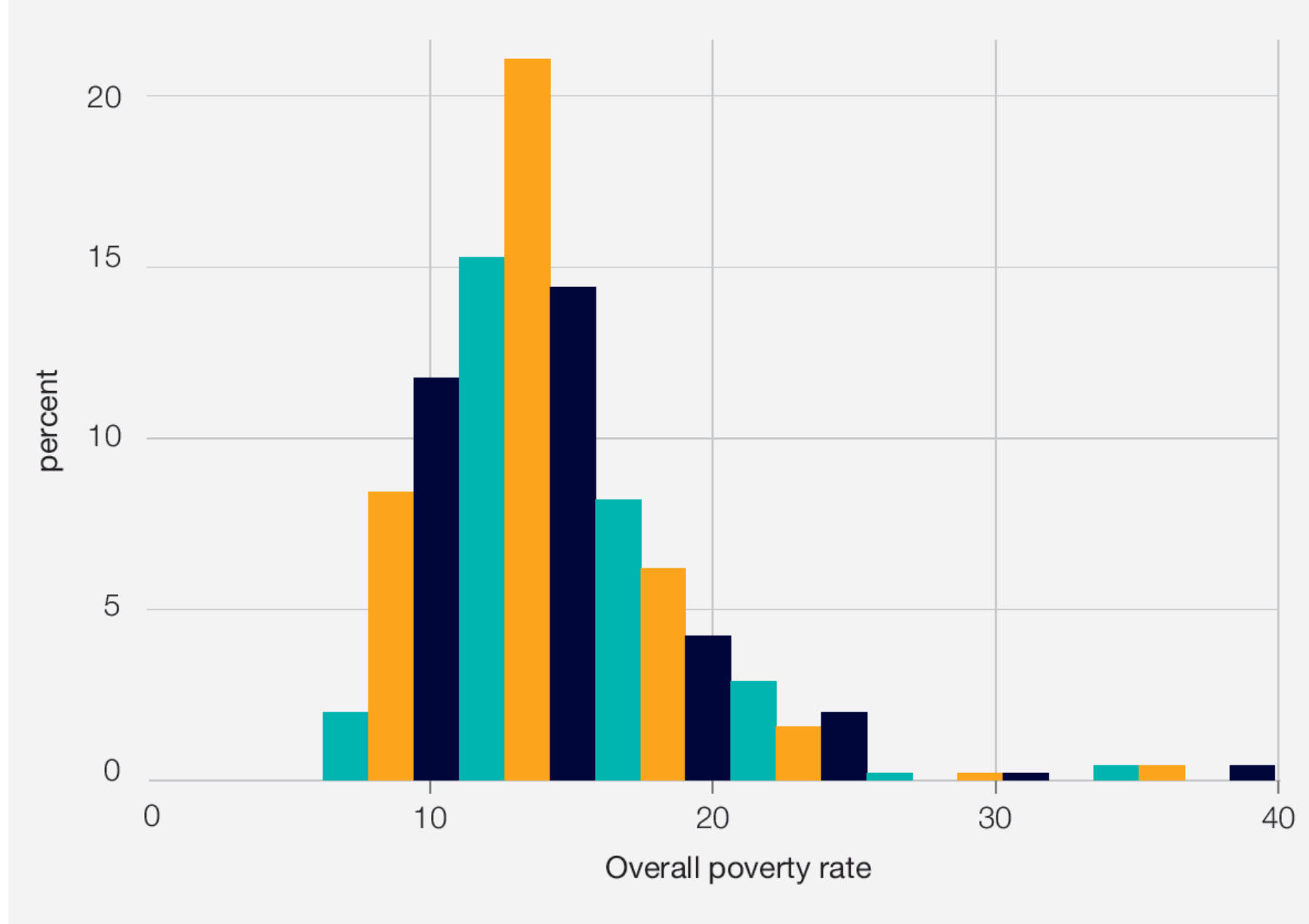
## 774,200 Victorians live in poverty (13.2%)

- More than a quarter are children under 15
- The majority are women (15+)
- More than a quarter have jobs (15+)
- More than a third live in mortgaged homes
- More than a quarter live in regional Victoria
- More than a third have a disability (15+)
- 1 in 70 are Aboriginal



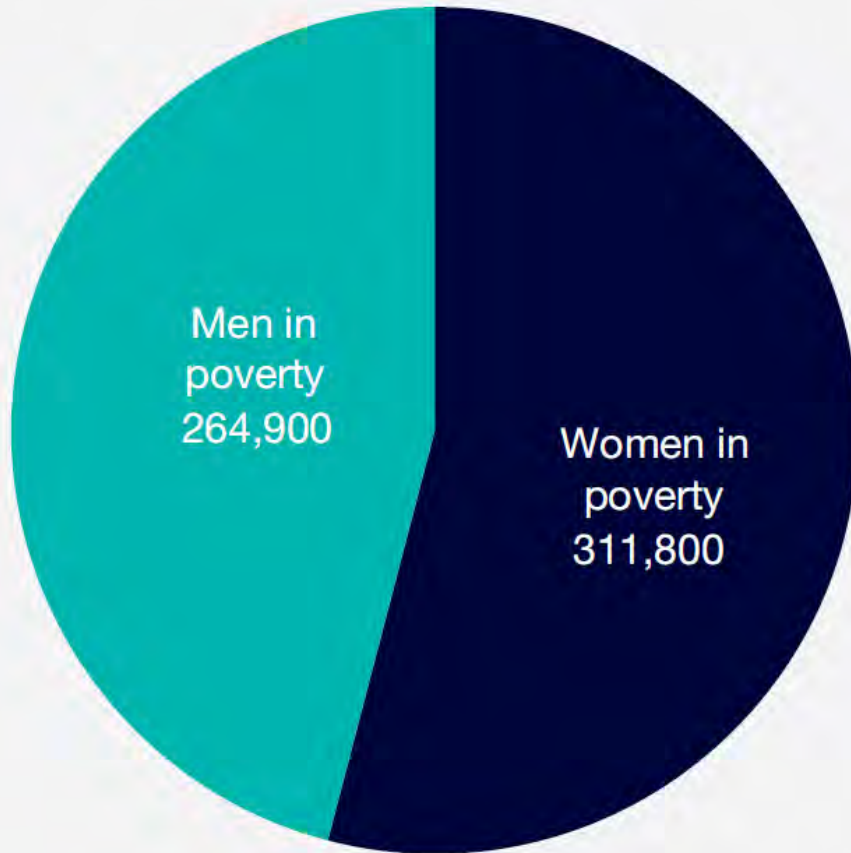


**Every suburb has at least 6% in poverty**



**Most places have average poverty rates**

**Gender of Victorians in poverty**  
Number of Victorians experiencing poverty aged 15+, by gender



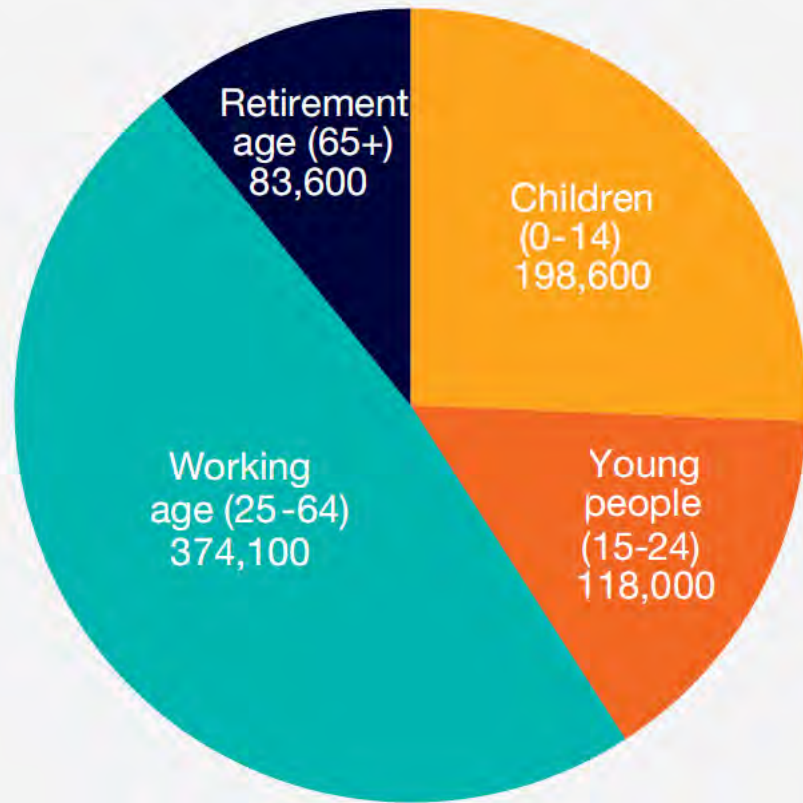
**Victorian poverty rates by gender**  
Prevalence of poverty by gender of people aged 15+



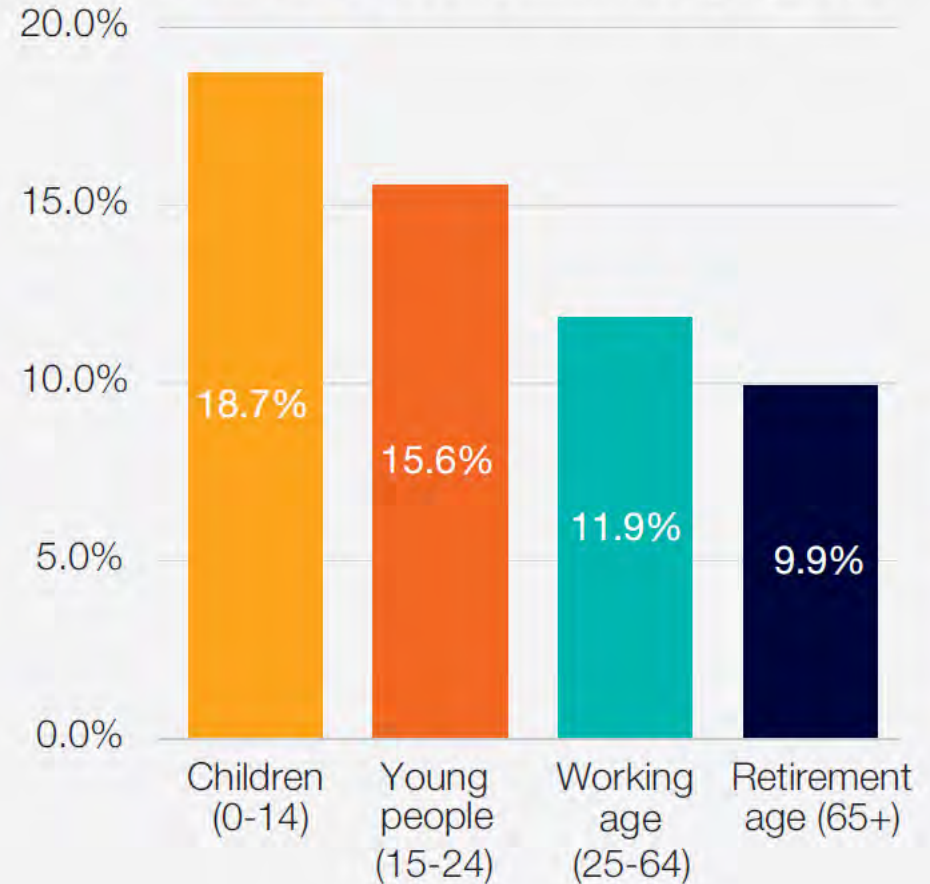
**Women are more likely to be in poverty**



**Age of Victorians in poverty**  
Number of Victorians in poverty by age group

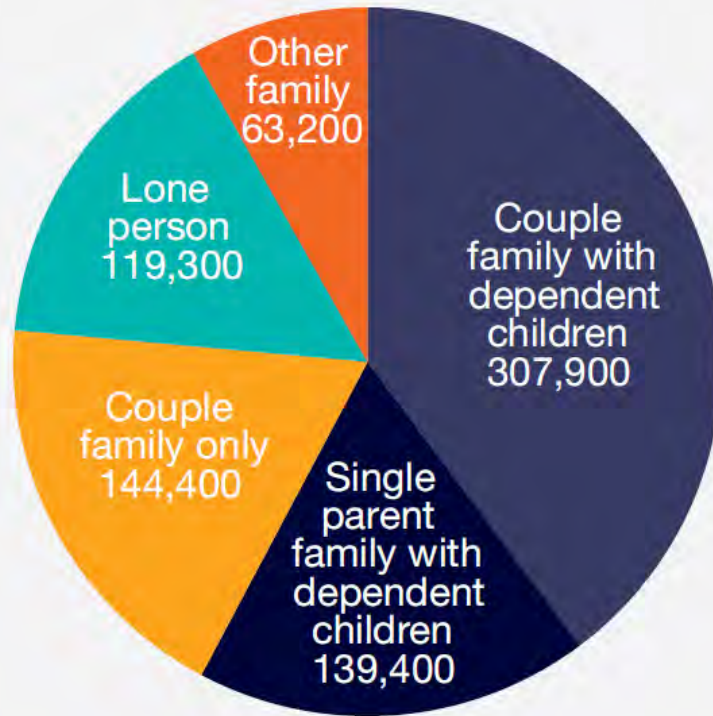


**Victorian poverty rates by age group**  
Prevalence of poverty in each age group

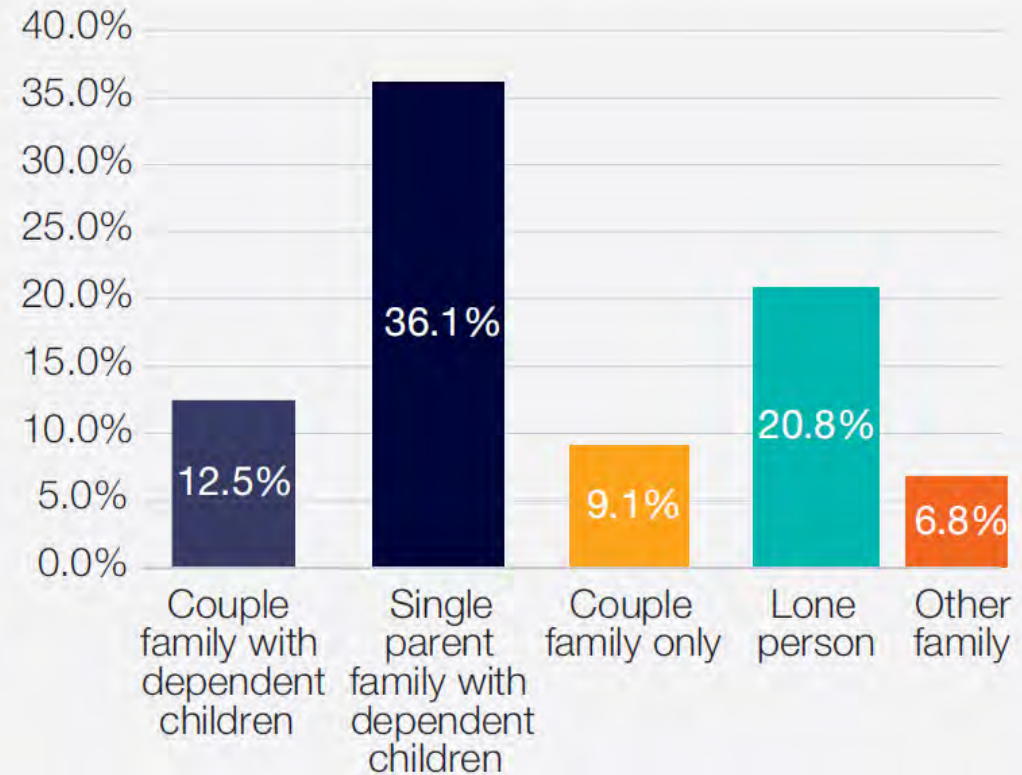


**Children are more likely to be in poverty**

**Family arrangements of Victorians in poverty**  
Number of Victorians in poverty by family type



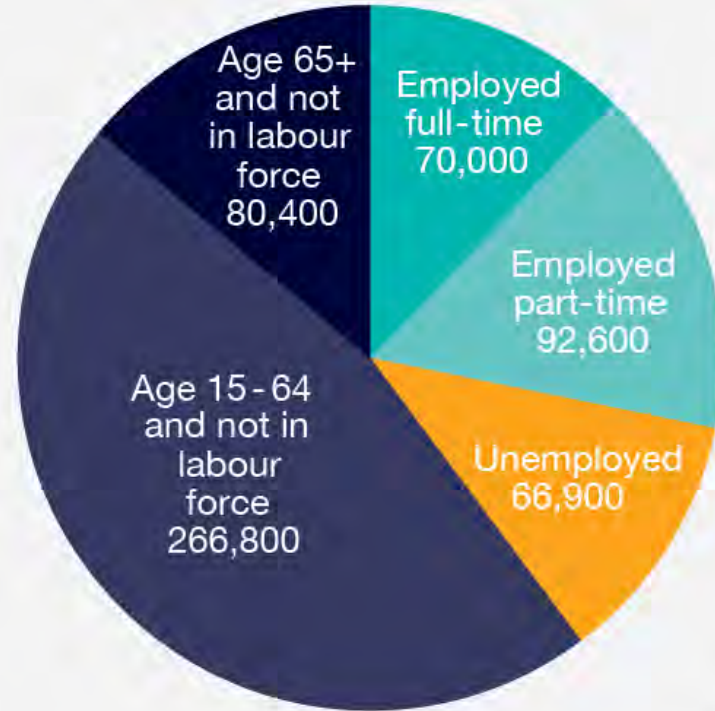
**Victorian poverty rates by family arrangement**  
Prevalence of people living in poverty in each family type



**Singles and families with kids are more likely to be in poverty**

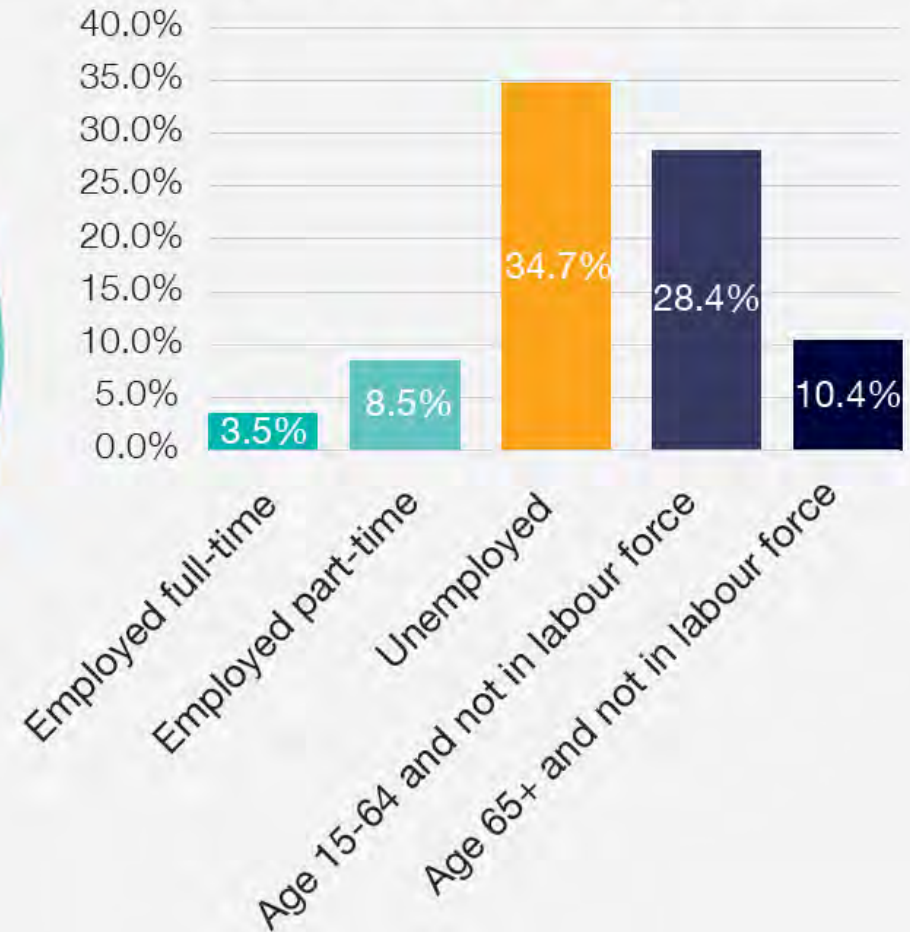
## Employment status of Victorians in poverty

Number of Victorians in poverty aged 15+ by employment status



## Victorian poverty rates by employment status

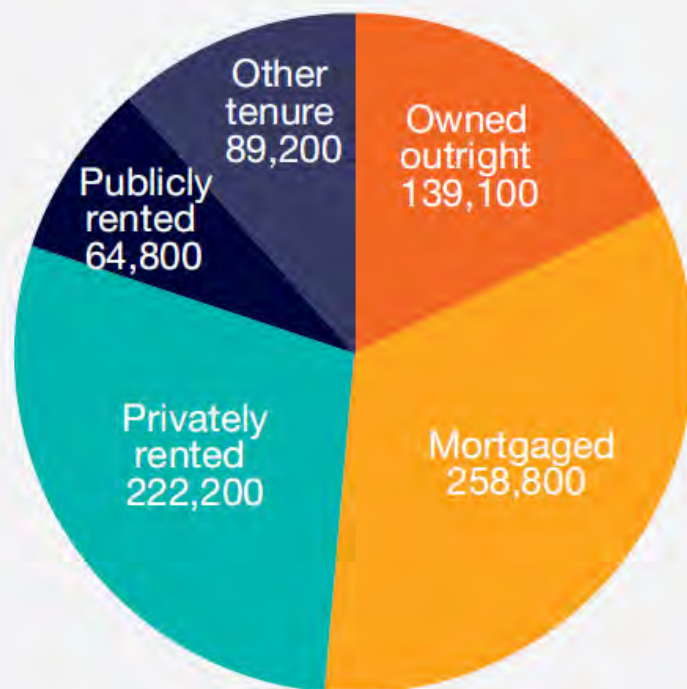
Prevalence of poverty by each employment status of adults aged 15+



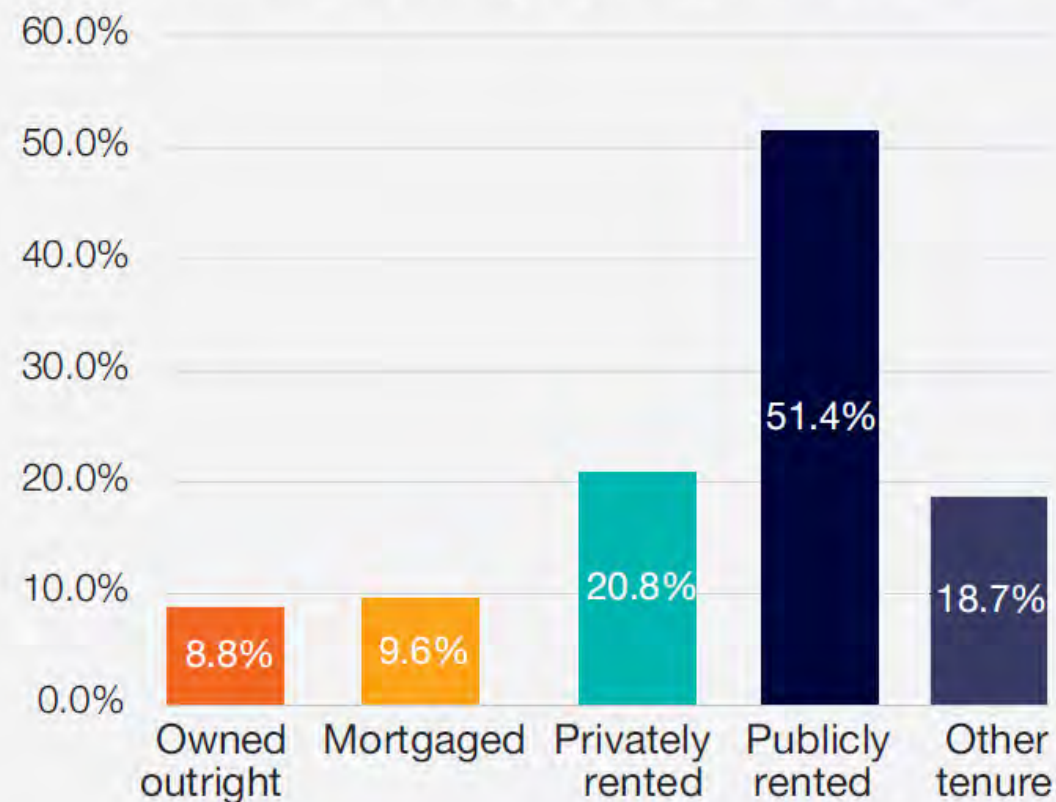
**Workers are a quarter of those living in poverty**



**Housing of Victorians in poverty**  
Number of Victorians in poverty by housing tenure



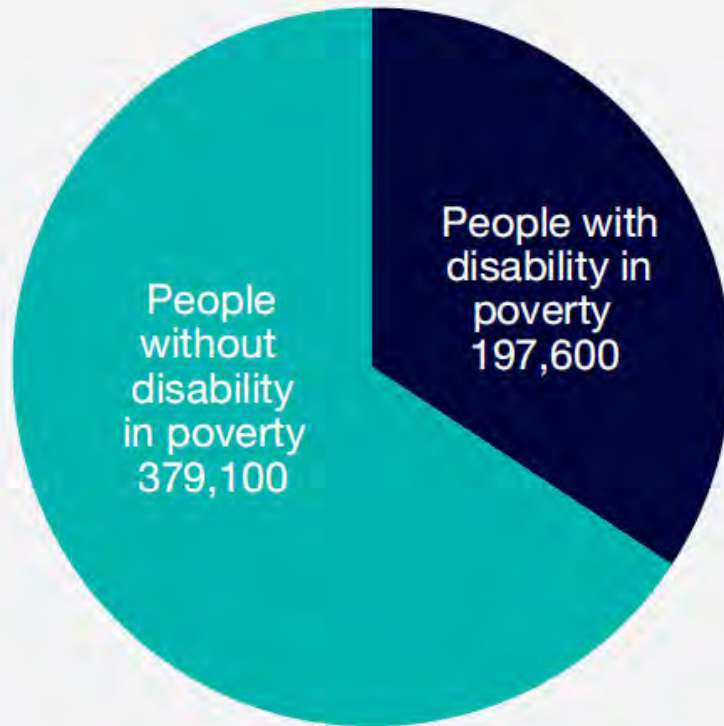
**Victorian poverty rates by housing tenure**  
Prevalence of poverty for each housing tenure



**A majority of those in poverty live in owner-occupied homes**

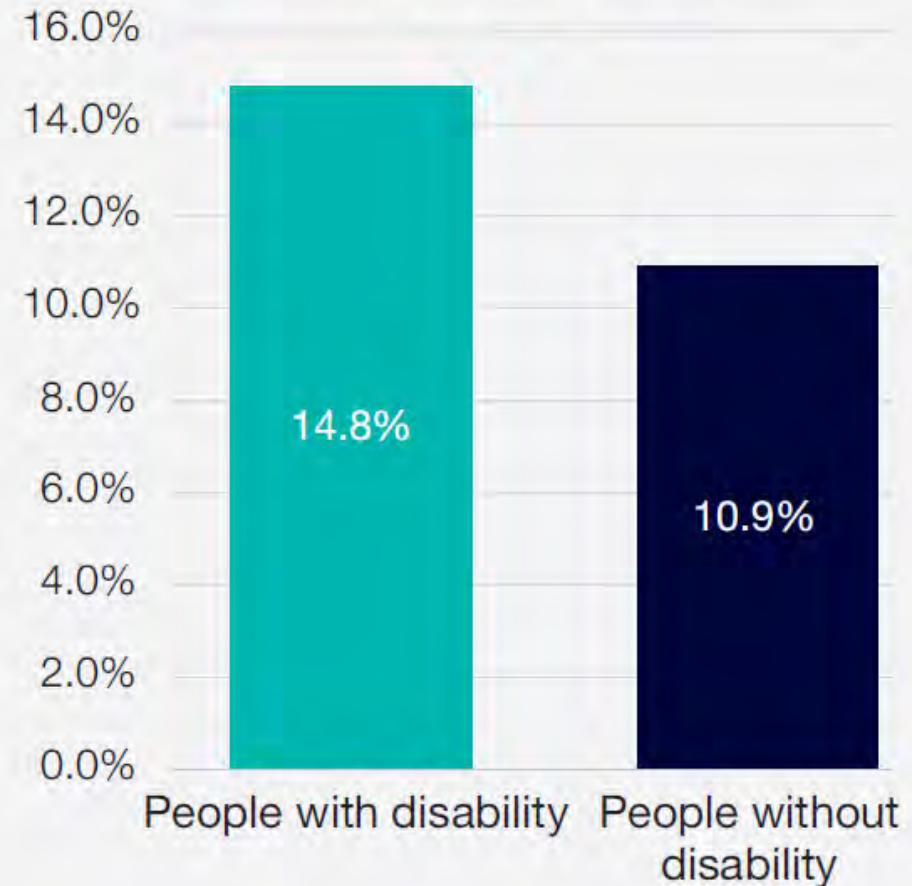
## Victorians with disability experiencing poverty

Number of Victorians in poverty by disability status, aged 15+



## Victorian poverty rates by disability status

Prevalence of poverty by disability status of people aged 15+

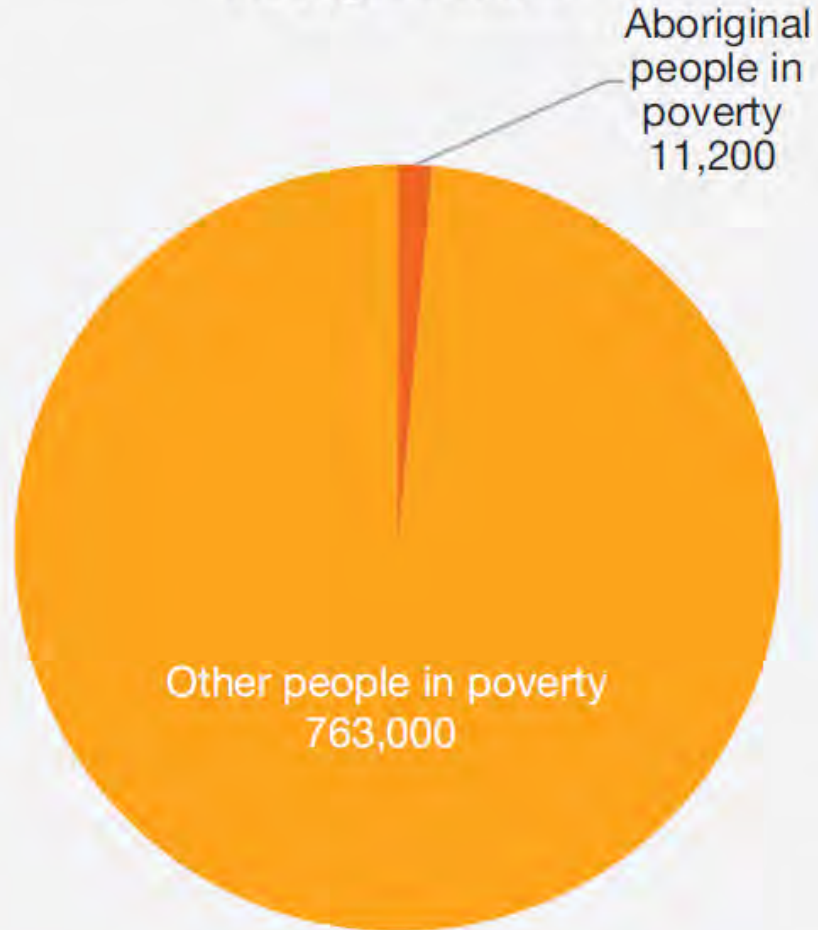


**A third of people in poverty have a disability**



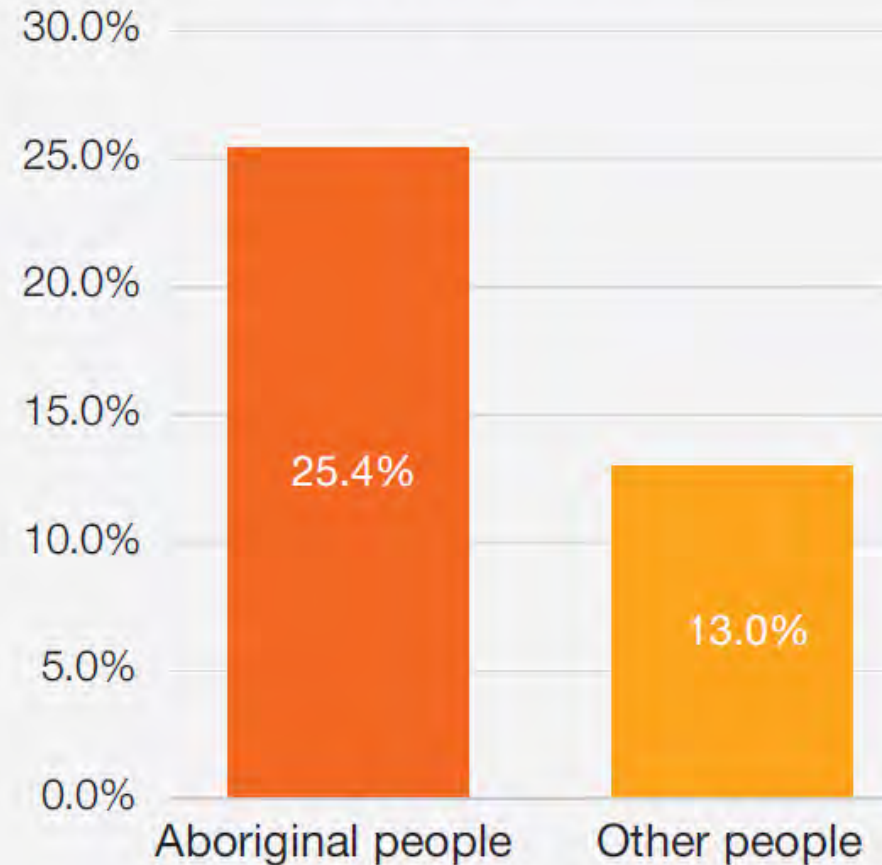
### Aboriginal Victorians in poverty

Number of Victorians in poverty by  
Aboriginal status



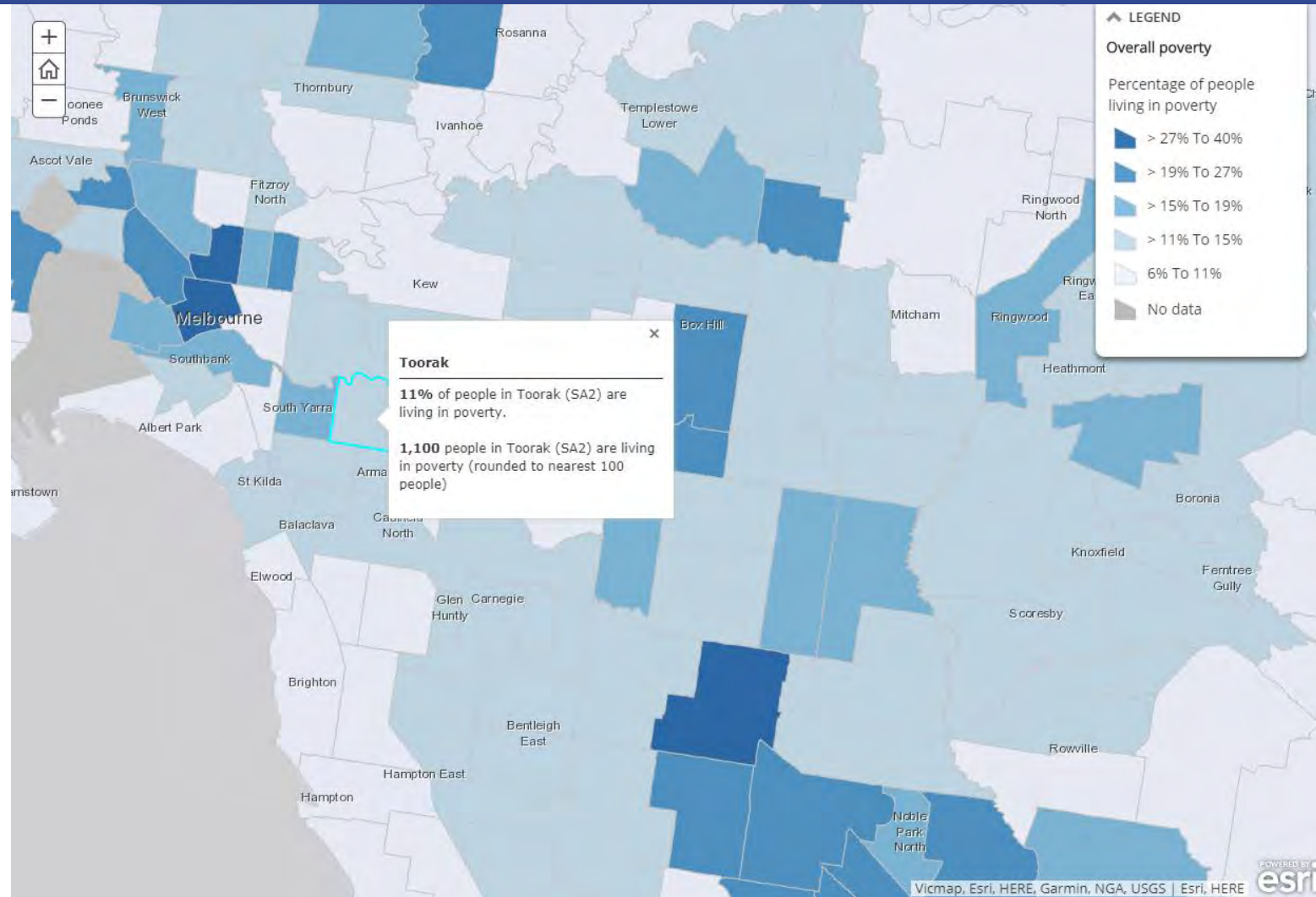
### Victorian poverty rates by Aboriginal status

Prevalence of poverty by people  
Aboriginal status



**A quarter of Aboriginal people live in poverty**

# Interactive Poverty Atlas: Zoom in to find town and suburb detail



<http://povertymaps.vcross.org.au/>





[vcoss.org.au](https://vcoss.org.au)



[@VCOSS](https://twitter.com/VCOSS)



[/VCOSS](https://www.facebook.com/VCOSS)



[‘Victorian Council of Social Service’](#)

# MELBOURNE ECONOMIC FORUM

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**Professor Guay Lim**

*Melbourne Institute: Applied Economic & Social Research  
The University of Melbourne*

# Why are Wages in Australia Low?

## Causes and Consequences

Guay Lim, Viet Nguyen & Sam Tsiaplias

Friday, 15 March 2019



# Outline

- Motivation and evidence
- Explanations and shock decompositions
- Causes and consequences

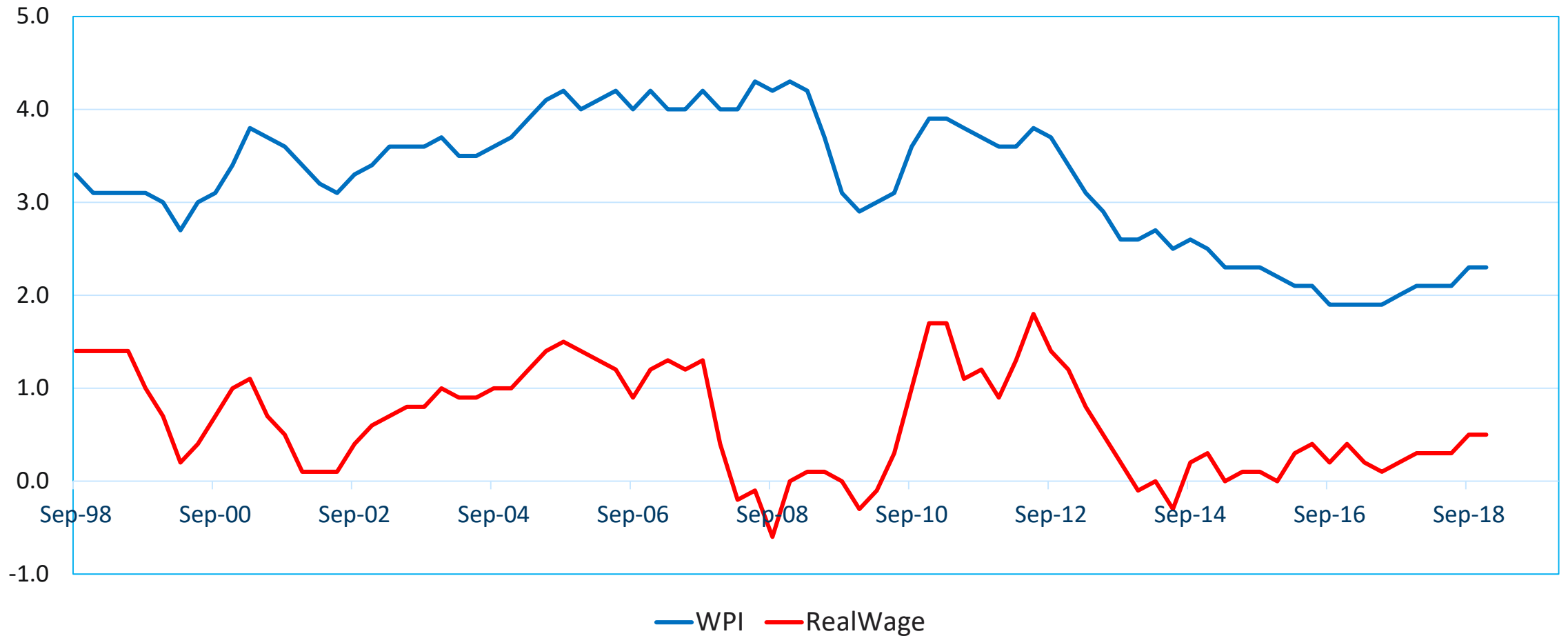
***“What matters more than economic growth for understanding trends in inequality are the sources of income growth (labour, capital and transfers).”***

Rising Inequality? A Stocktake of the Evidence, Productivity Commission, August 2018

***“. . slow wages growth is diminishing our sense of shared prosperity”.***

Philip Lowe, RBA Governor, Address to Australian Industry Group, Productivity, Wages and Prosperity, Melbourne, 13 June 2018

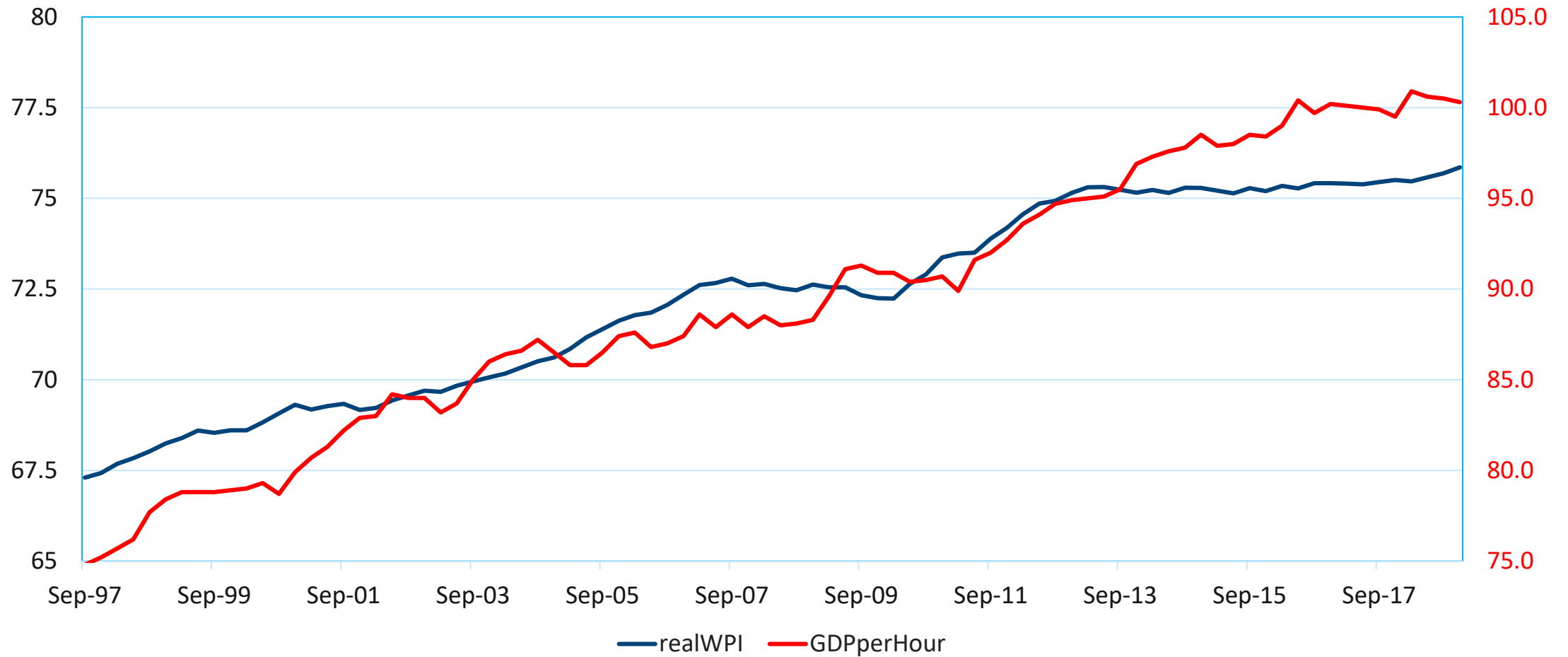
# Nominal and Real Wage Growth



# Explanations – interrelated factors

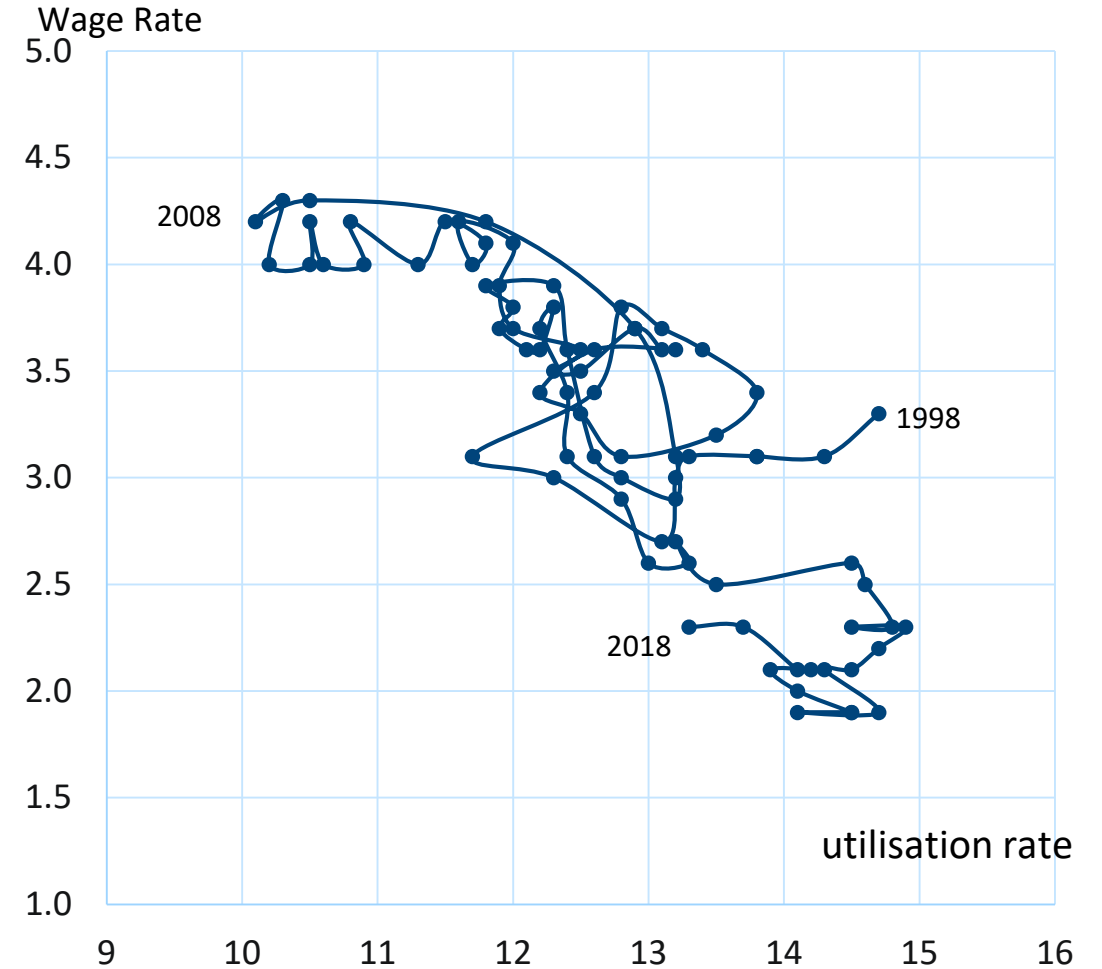
- Productivity & low inflationary expectations
  - cyclical-structural change and compositional shifts
- Wage-price-employment dynamics & slack labour market
  - weak union wage-bargaining power
- Terms of trade & other international effects
  - global uncertainty

# Real WPI and GDP per Hour Index

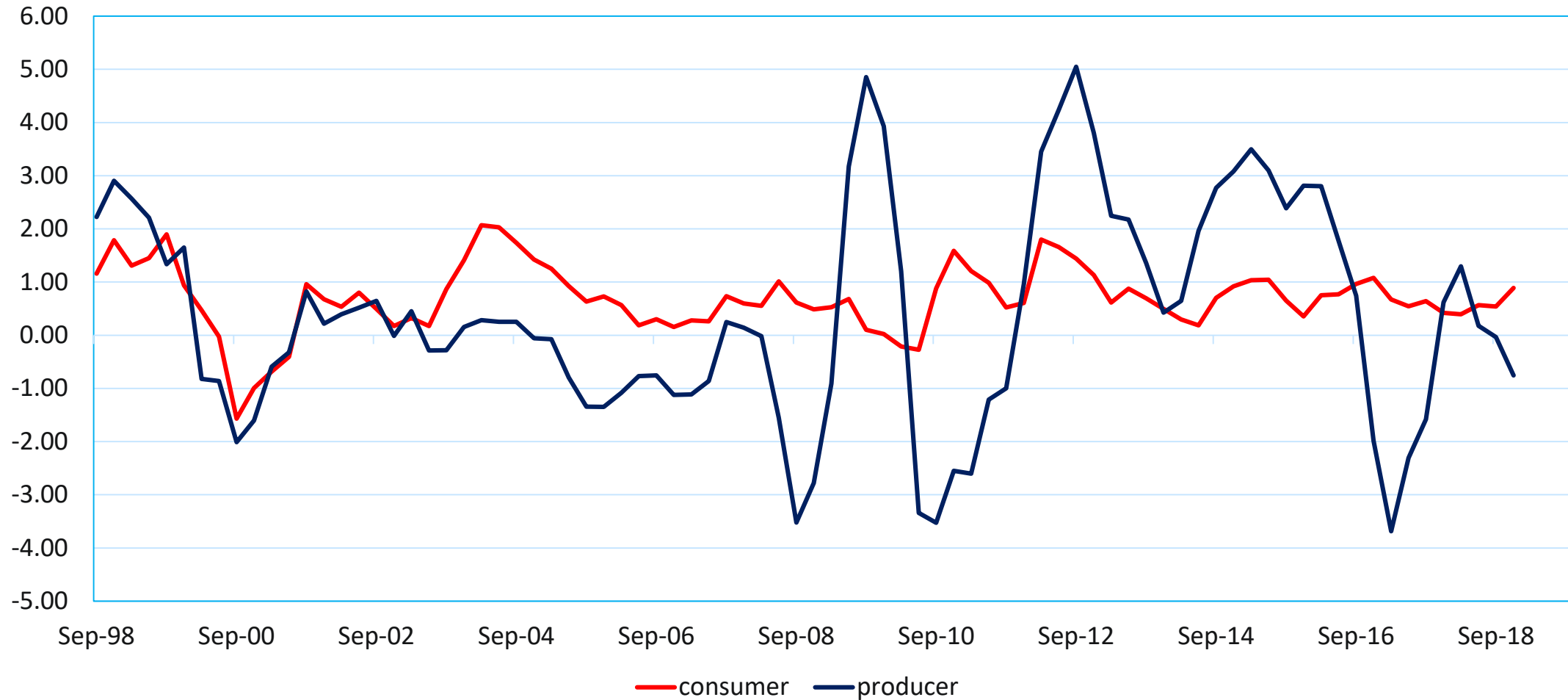




# Wage Phillips Curves



# Producer and Consumer Real Wage

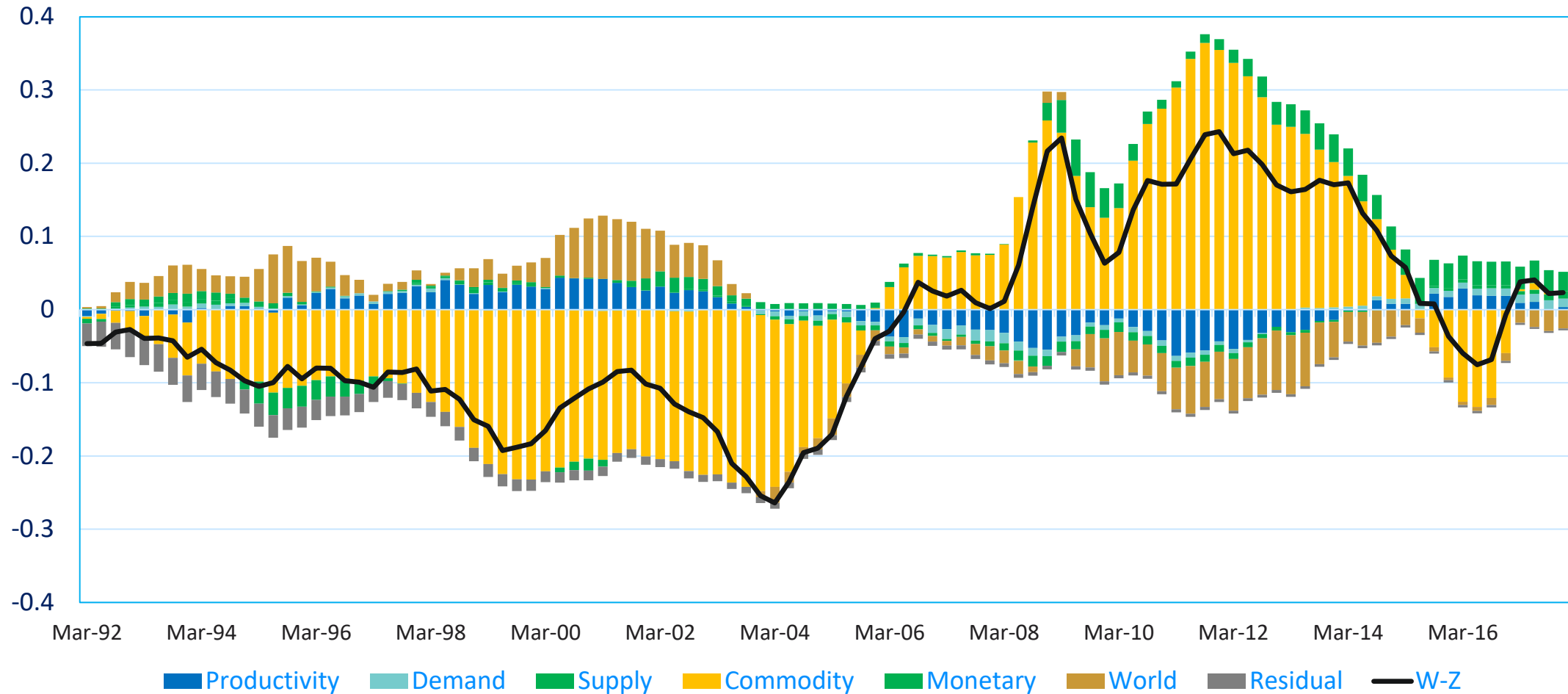


# A Multi-Sector Model of the Australian Economy

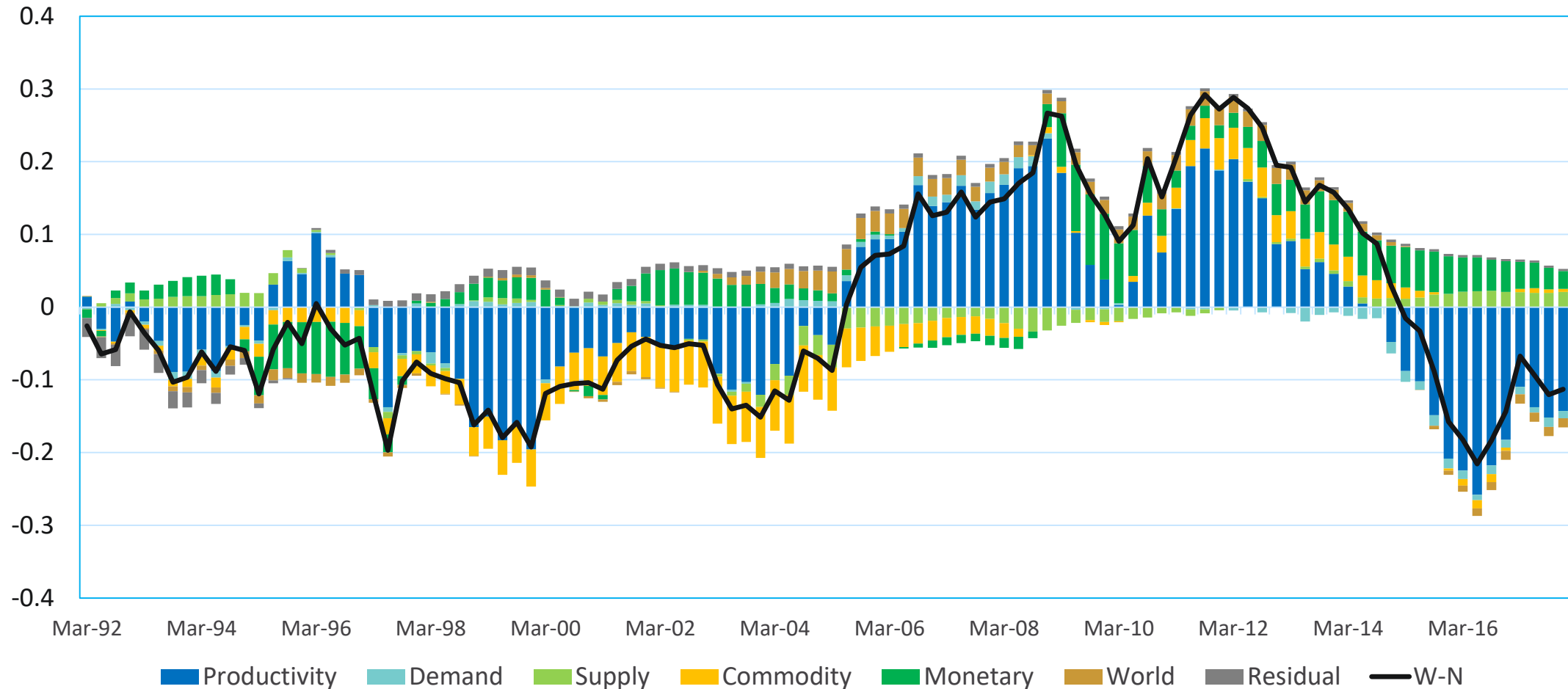
D.M.Rees, P.Smith & J.Hall, *Economic Record*, 2016, 374-408

- Economy-wide macro model; updated data 1992-2017
- 5 sectors: resources, non-resources traded, non-traded, imports, final-goods
- 6 Shocks: sector-specific productivity, commodity, world, supply, demand, monetary
- Sector-specific Phillips curves
- Re-estimated external sector

# Shock decompositions: Wage (Resources sector)

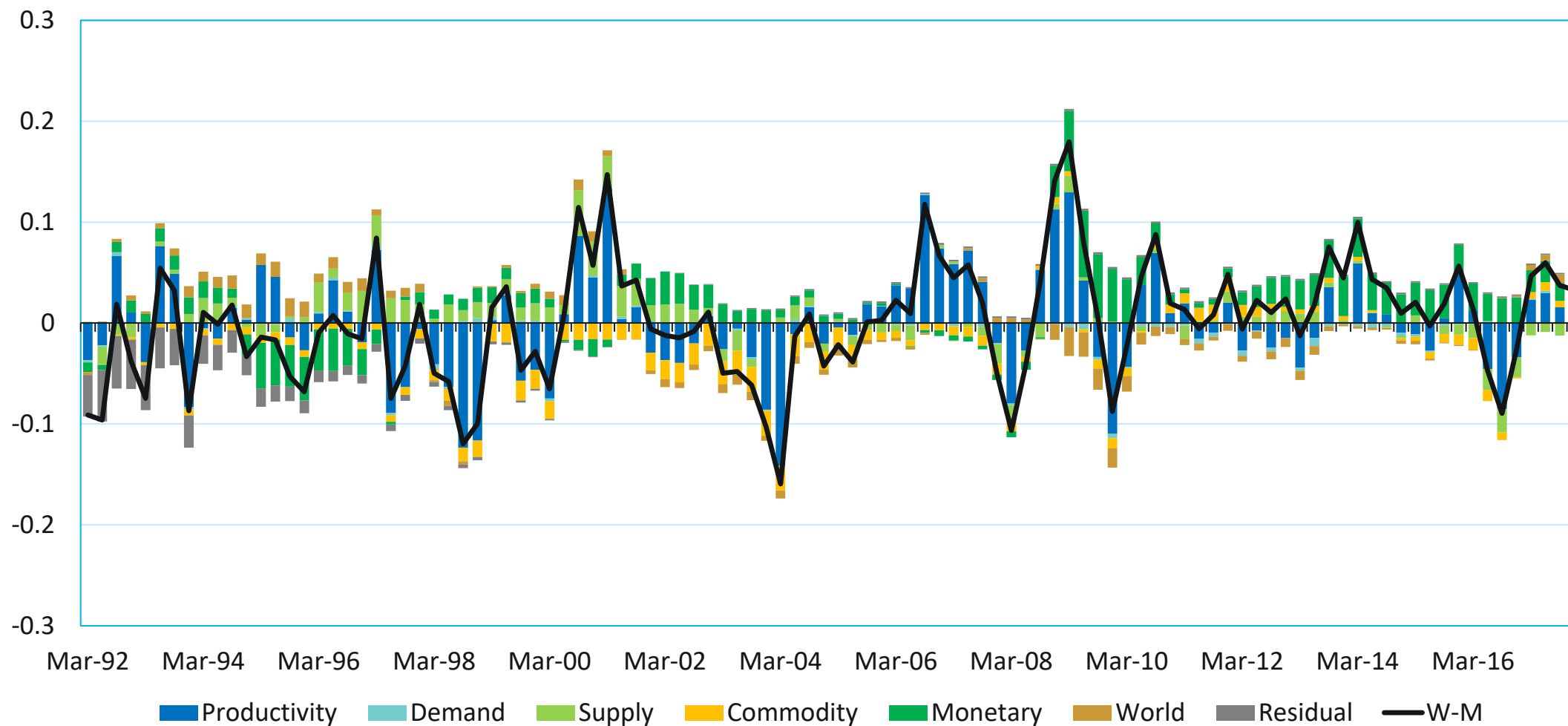


# Shock decompositions: Wage (Non-Tradable sector)

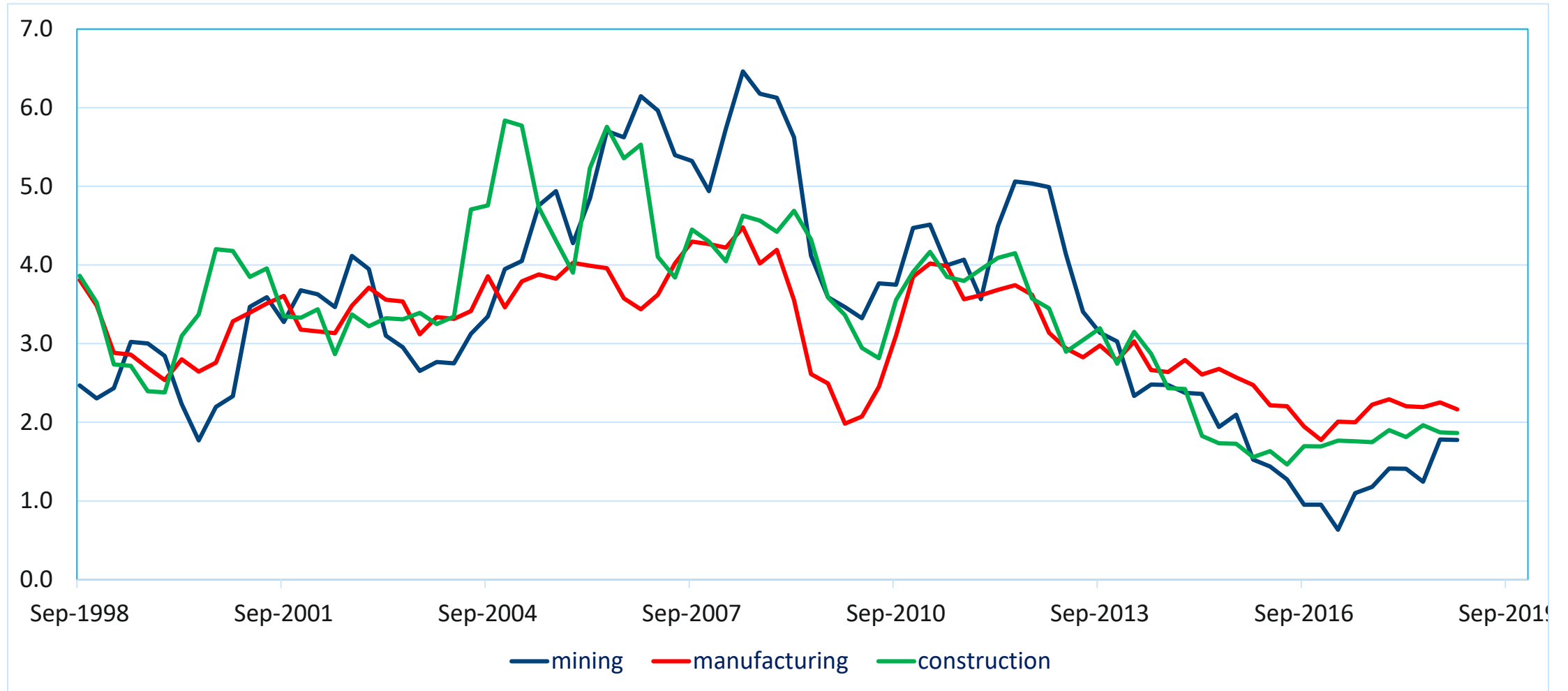




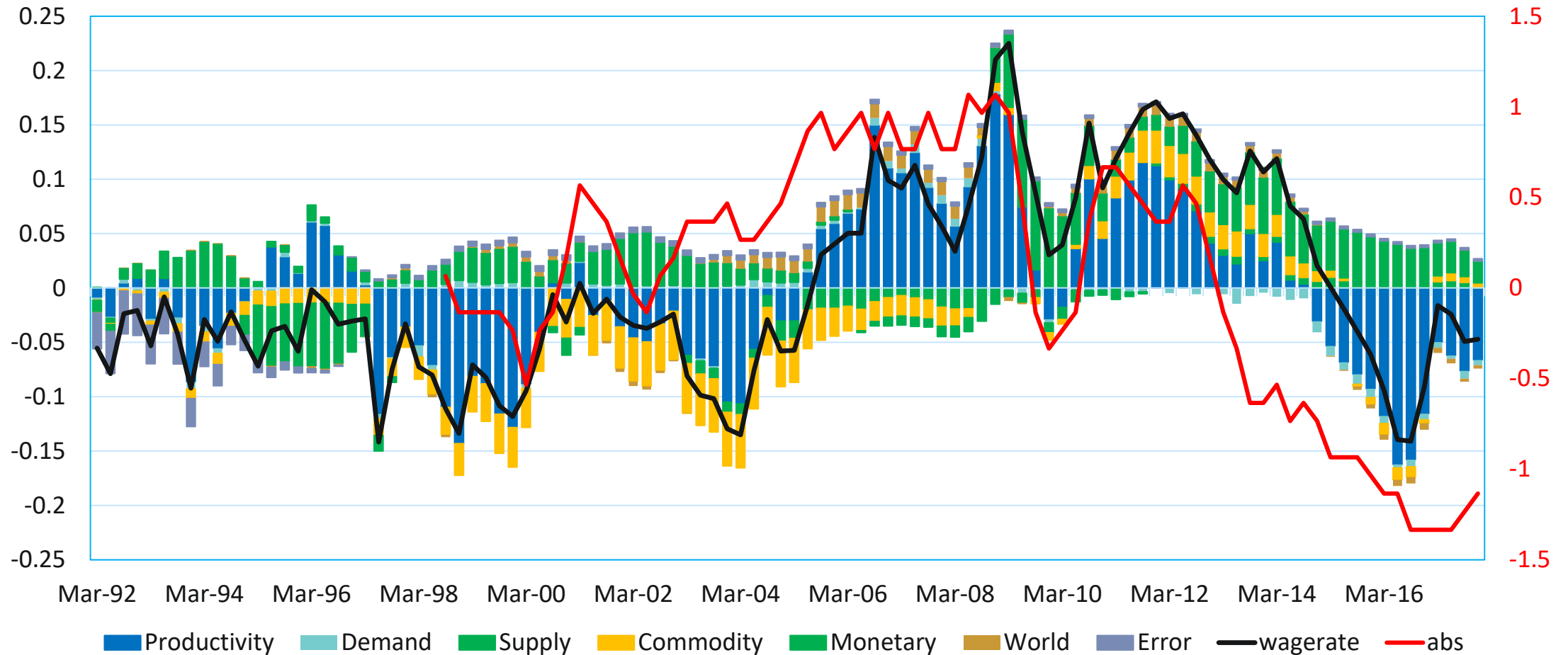
# Shock decompositions: Wage (Non-Resources Tradeable sector)



# Total Hourly Rates of Pay (excluding bonuses)



# Shock Decomposition: Wage Rate



# Causes and Consequences – New Normal

- Cyclical & Structural technological changes
- Unemployment, Underemployment & Utilisation Rates
- Domestic policies, global uncertainty and global low growth

# Why are Wages in Australia Low?

## Causes and Consequences

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Friday 15 March 2019

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**Professor Mark Wooden**

*Melbourne Institute: Applied Economic & Social Research  
The University of Melbourne*

# The Intergenerational Transmission of Joblessness

Mark Wooden



# Acknowledgements

## FUNDING

Australian Research Council Discovery Project grant (#DP160101063)

## DATA

This presentation uses unit record data from the Household, Income and Labour Dynamics in Australia (HILDA) Survey. The HILDA Survey Project was initiated and is funded by the Australian Government Department of Social Services (DSS) and is managed by the Melbourne Institute of Applied Economic and Social Research (Melbourne Institute). The findings and views reported in this paper, however, are those of the author and should not be attributed to either DSS or the Melbourne Institute.

## COLLABORATORS

- CIs = Irma Mooi-Reci (School of Social and Political Sciences, UoM)  
Mark Wooden (Melbourne Institute)
- PI = Tim Liao (Dept. of Sociology, University of Illinois)
- RF = Matthew Curry (Melbourne Institute)
- RA = Yin-King Fok (Melbourne Institute)

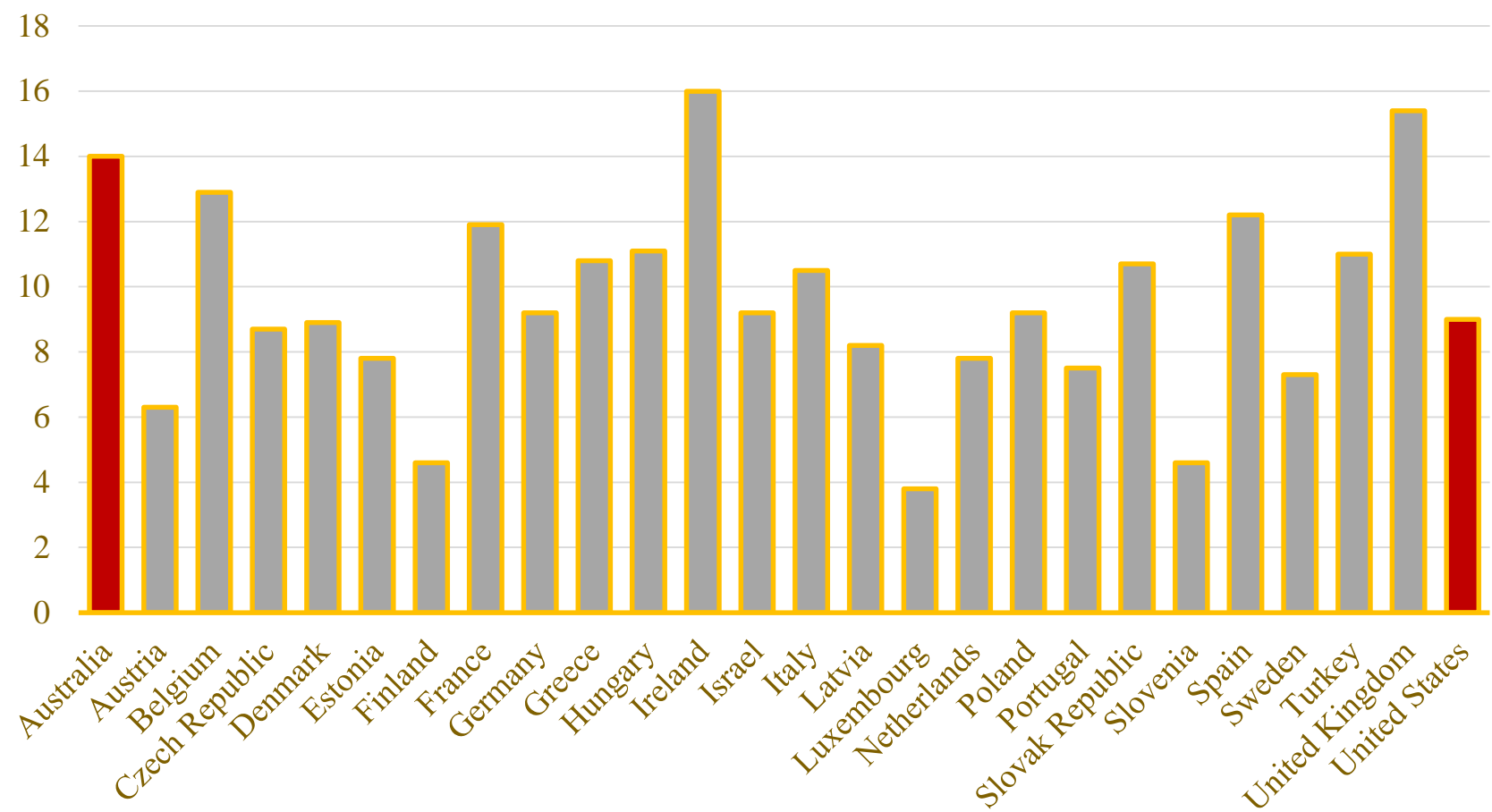
# Key research questions

- 1) Does growing up in a jobless household affect labour market outcomes later in life?
  - And are outcomes worse if both parents jobless?
- 2) Are there factors that moderate the transmission process?
- 3) Do associations vary across different institutional contexts?



# Parental joblessness affects many families

% of children living in hh's where no parent employed: OECD 2011





# Good data are critical (and hard to find)

Need data that:

- provide good measurement of (labour market) outcomes
- identify all people in the family / household
- follow all household members over an extended timeframe

HILDA Survey data almost ideal

... but panel not quite long enough yet

# Studies & Selected Findings

# Studies

- 1 Effect of parental joblessness on joblessness as a young adult
- 2 Similarity of parent and child labour force trajectories
- 3 Effect of parental joblessness on wages
- 4 Buffering role of university education
- 5 Moderating role of housework



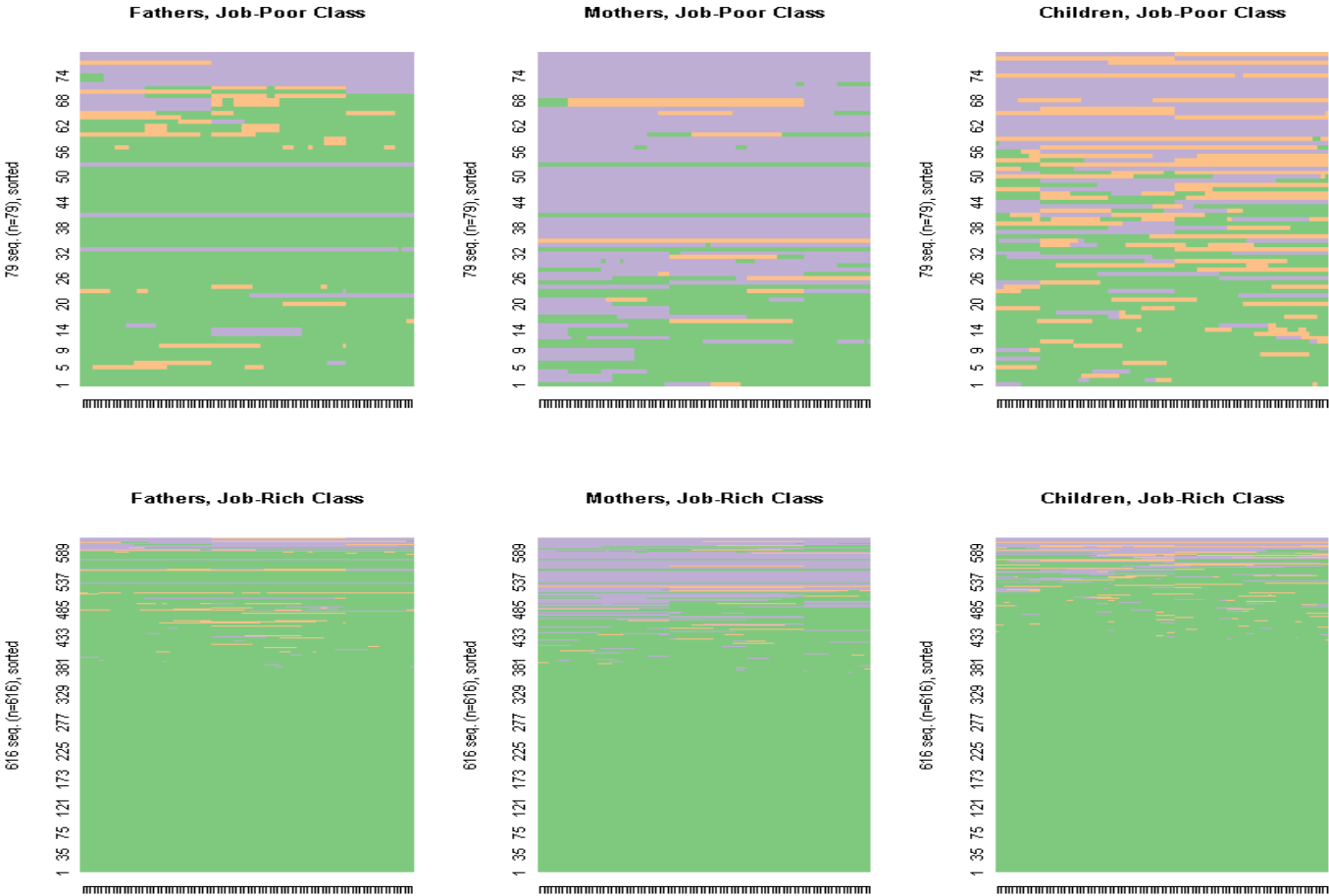
# Does growing up in a jobless household affect labour market outcomes later in life?

YES. Children always observed in jobless households have:

- 12% larger probability of being jobless as adults (study 1)
- 8% lower hourly wages when employed (study 3)
- 54% slower school-to-work transitions on average (study 4)



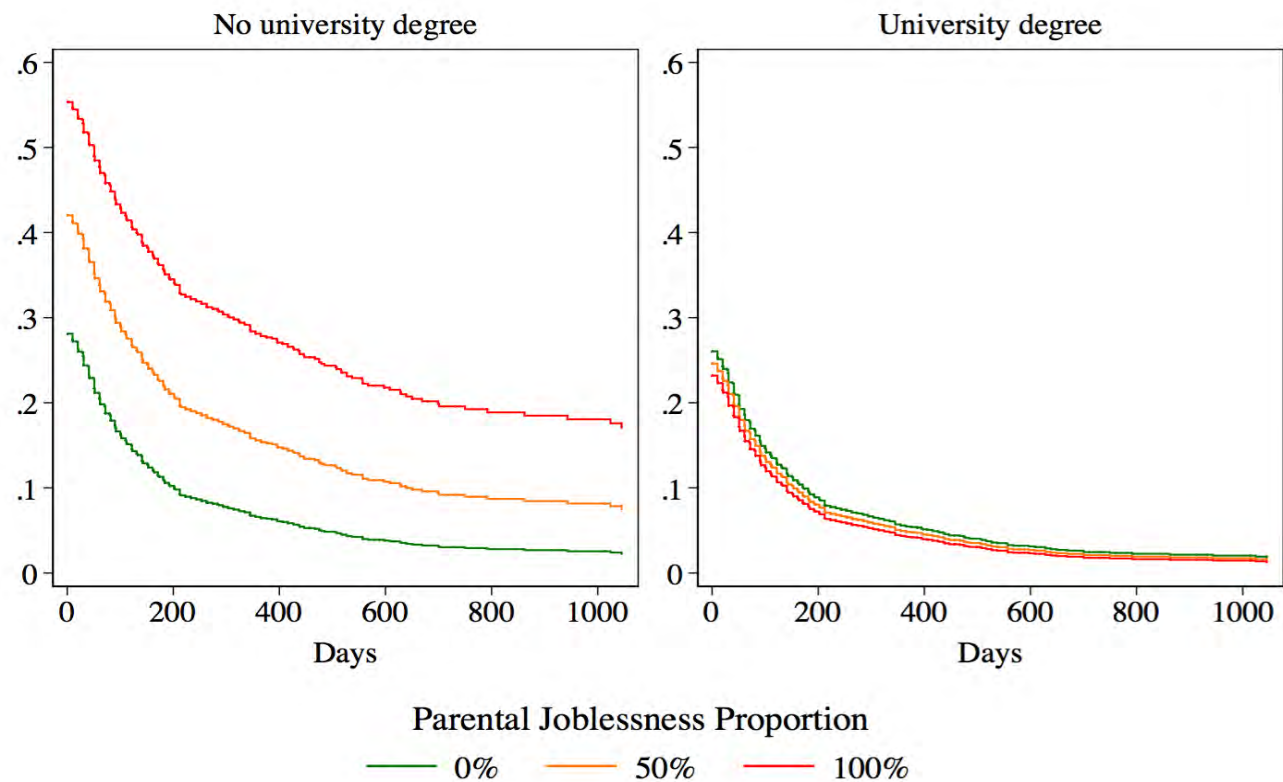
# Greater likelihood of “job-poor” LF trajectory (study 2)





# Are there factors that moderate the transmission process?

School-to-work: duration of joblessness (first spell)



# Limitations

- Unable to make strong causal claims
- Unable to observe parental joblessness for entire childhood
- Data only cover two countries
  - Working on data for UK and Germany

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**Dr Yi-Ping Tseng and Professor Jeff Borland**

*Melbourne Institute: Applied Economic & Social Research /*

*Department of Economics*

*The University of Melbourne*



# Policy for children facing extreme adversity: Should we be afraid of targeting?

Jeff Borland and Yi-Ping Tseng

Department of Economics/Melbourne Institute

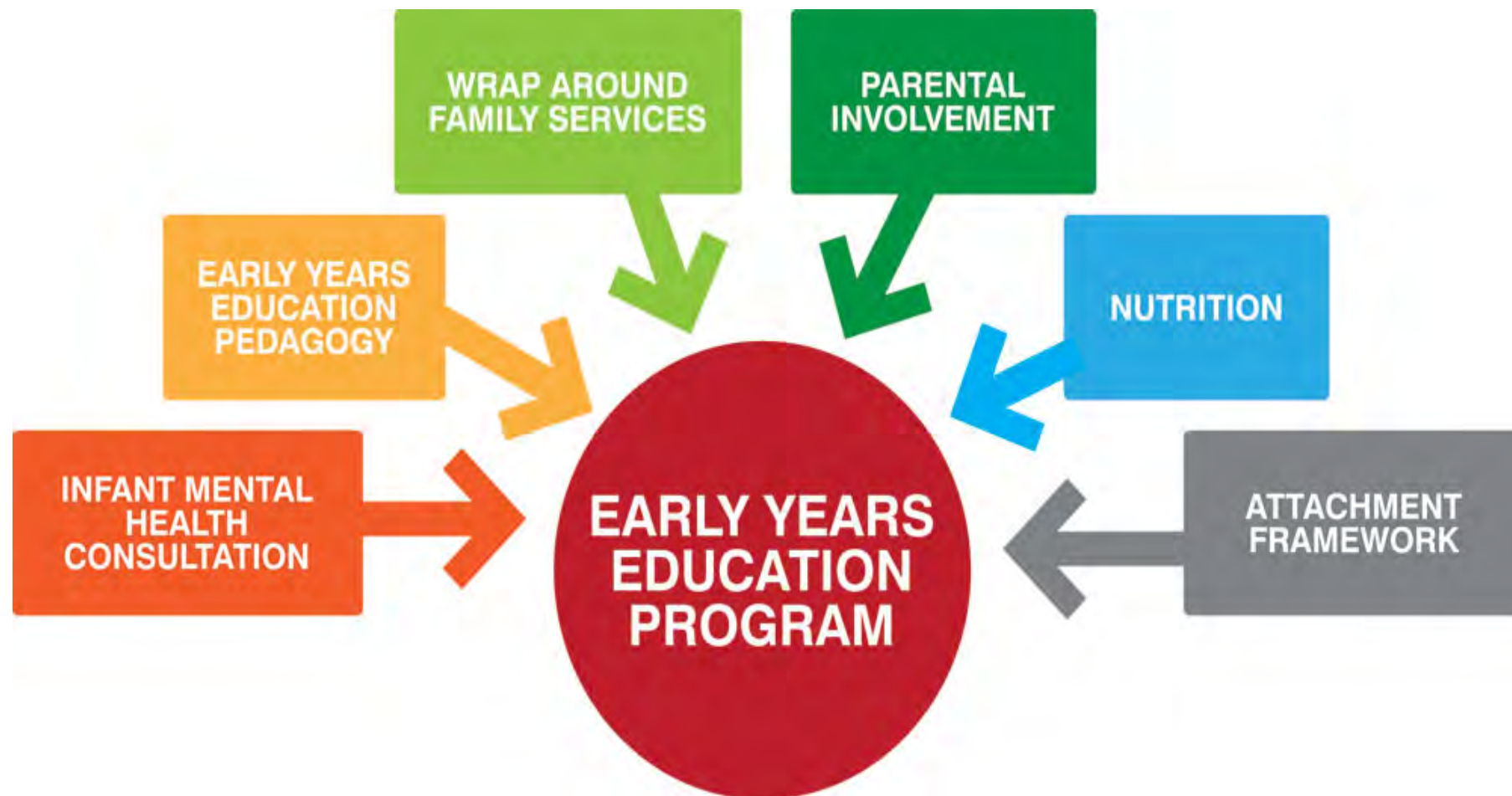
University of Melbourne

Presentation to Melbourne Economics Forum, March 15

# 1. Background: The Early Years Education Program

- A centre-based early years care and education program
- Targeted at children who are exposed to significant family stress and social disadvantage, including being at heightened risk of, or having experienced, abuse and neglect
- Dual focus: to address the consequences of family stress on children's development and to redress learning deficiencies.
- Ultimate objective of EYEP is to allow children realise their full potential and arrive at school developmentally equal to their peers and equipped to be successful learners.
- Children enter at 0-3 years; Receive 50 weeks of program (25 hours per week) for 3 years
- Being evaluated in a RCT – Multi-disciplinary research team

# EYEP: A SUMMARY



# 1. Background: Extreme adversity in early years

**Extreme adversity** – Multiple types of family stress and adverse childhood experiences

# 1. Background: Extreme adversity in early years

**Extreme adversity** – Multiple types of family stress and adverse childhood experiences

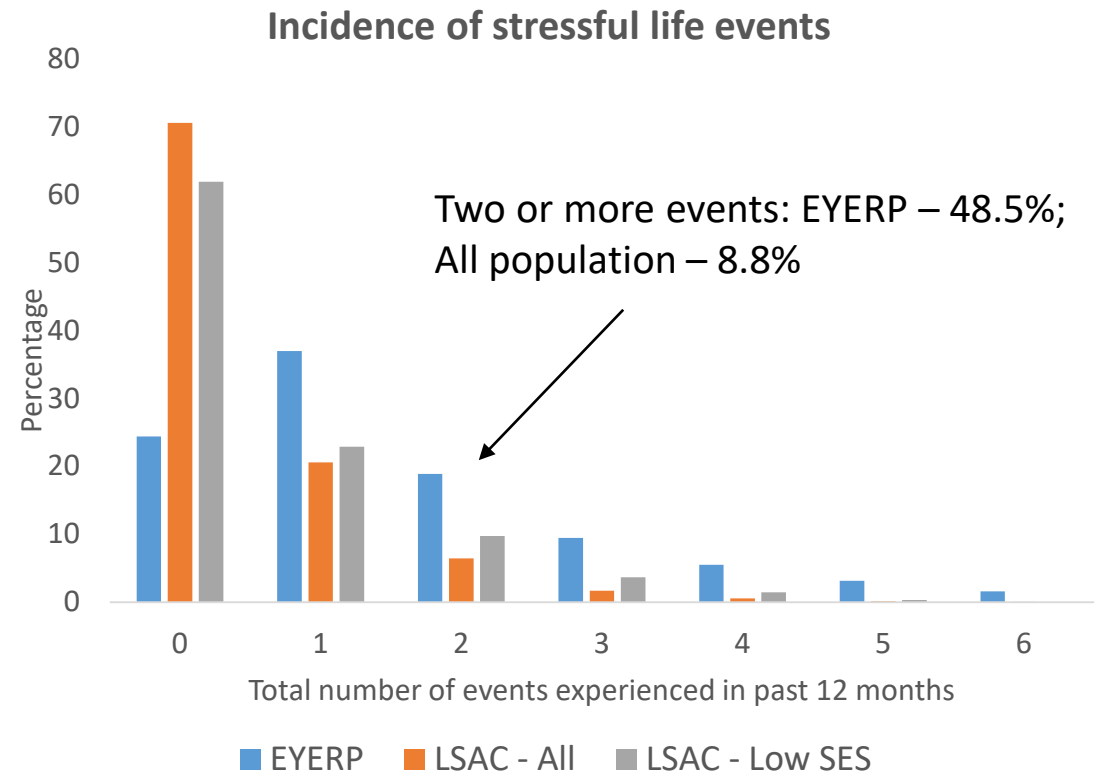
	Child lives in jobless household (%)	Biological mother did not work during pregnancy (%)
EYEP	65.6	76.3
LSAC – Low SES	35.5	57.8
LSAC – All	4.5	38.5



# 1. Background: Extreme adversity in early years

**Extreme adversity** – Multiple types of family stress and adverse childhood experiences

	Child lives in jobless household (%)	Biological mother did not work during pregnancy (%)
EYEP	65.6	76.3
LSAC – Low SES	35.5	57.8
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- 1] Serious illness, injury or assault
- 2] Broke off romantic relationship
- 3] Serious problem with close friend, neighbour, relative
- 4] Major financial crisis
- 5] Problems with police + court appearance
- 6] Someone in household has alcohol or drug problem

## 2. Lots of people seem to be afraid...

- **What we mean by targeting:**
- Services designed for and delivered separately to children experiencing extreme adversity
- **When we started:** We were asked:
- Shouldn't the program **integrate** the children into universal childcare and kinder services?
- ...
- **Now:** We are told:
- What these children need is **more universal services**.

## 2...and what is the evidence?

- ‘Universality is a hallmark of Canadian social policy for very young children. The evidence base for these policies is small, non-experimental, and offers mixed results. In contrast, the evidence base for targeted early childhood interventions is largely experimental and offers strong guidance. Policy makers and advocates often cite the research on targeted programs in support of universal programs, although this is problematic for a number of reasons.’
- Baker, Michael (2001), ‘Innis Lecture: Early childhood interventions: What is the evidence base?’, *Canadian Journal of Economics*, 44(4), p.1069.

### 3. We think targeting is essential

- 1] Addressing the needs of this population of children facing extreme adversity should be seen as vitally important by policy-makers
- 2] Universal programs don't work for children who have experienced extreme adversity
- 3] We know that targeted programs can work
- 4] Not saying that universal care is unimportant – But need to understand what it can achieve, and question whether it is the best way to spend the marginal policy dollar

## 1] The costs of not addressing this source of disadvantage

- **i] Persistence of extreme social disadvantage associated with early adversity**
- Evidence of long-term impacts of neglect, abuse or toxic stress on...
- low education attainment, unemployment, teenage pregnancy, and involvement in crime;
- an increased risk of lifelong physical and mental health problems, including major depression, heart disease and diabetes;
- a variety of health-threatening behaviours in adolescence and adulthood.

## 1] The costs of not addressing this source of disadvantage

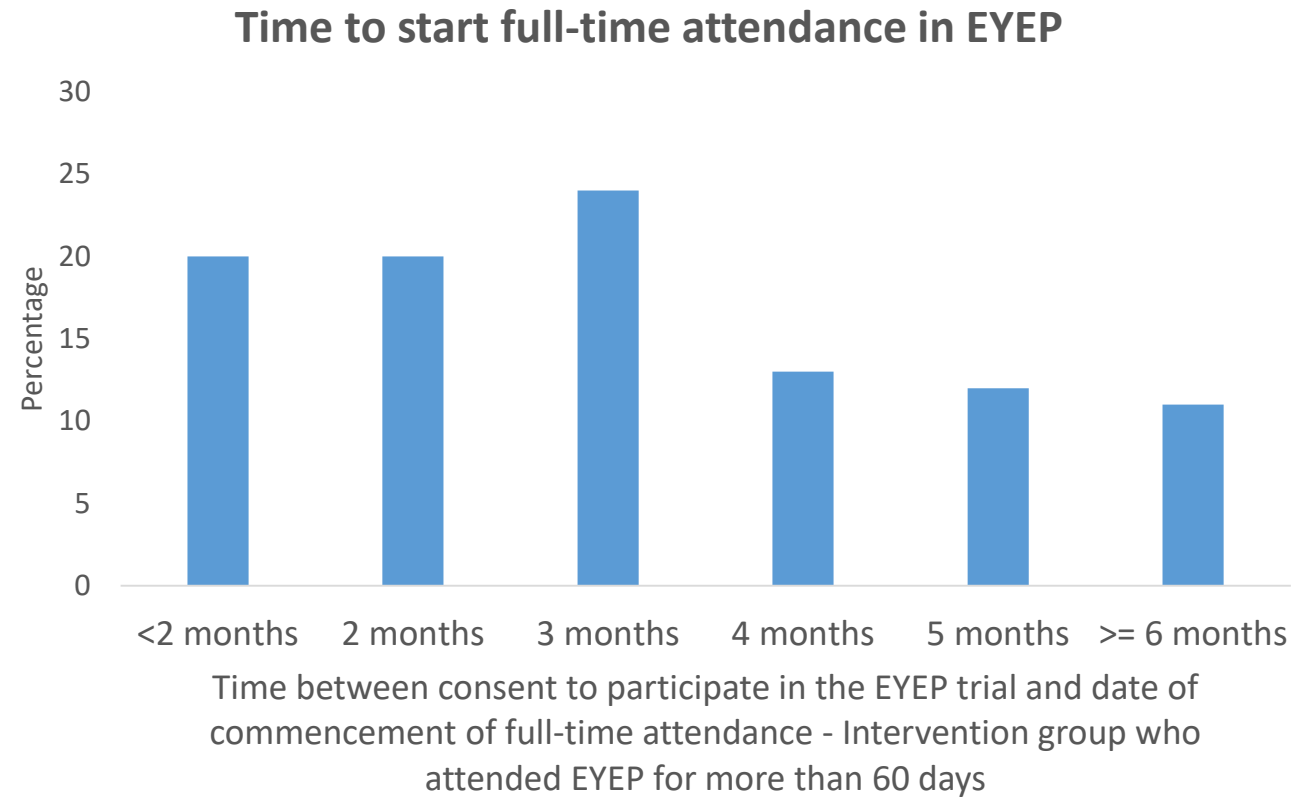
- **ii] Concentration of long-term costs to society and budgetary costs to government associated with children who experience extreme adversity**
- Some examples:
  - 1] Dunedin study: 1% (5%) of cohort account for 5% (12%) of adult economic burden (Caspi, A. et al. (2016), Nature Human Behaviour)
  - 2] Meta-analysis of 37 studies of ACEs – Across the studies about 13% have 4 or more ACEs – Amongst other impacts, increases seven-fold the likelihood of problematic drug use and inter-personal and self-directed violence (Hughes, K. et al. (2017), Lancet)
  - 3] Perry Pre-school – Costs of crime a major driver of positive benefit-cost ratio from the trial (Heckman, J. et al. (2009), NBER 15471).



## 2] Universal programs don't work for children experiencing extreme adversity

- **i] Access/attendance issues**

Evidence on lower rates of access to childcare/early education for low SES groups...  
Plus the EYEP experience...



## 2] Universal programs don't work for children experiencing extreme adversity

- **ii] A specialist type of program is required**
- What distinguishes children experiencing extreme adversity:
  - 1] Extremely stressful (toxic) family environment
    - -> Negatively impacts on brain development and hence the capacity to benefit from learning opportunities;
    - -> Need programs: 'linking high-quality pedagogy to interventions that prevent, reduce, or mitigate the disruptive effects of toxic stress on the developing brain.' (Jack Shonkoff, 2011);
  - 2] Complexity - Multiple potential sources of and responses to extreme adversity
    - -> Programs must be able to address multiple needs flexibly.

## 2] Universal programs don't work for children experiencing extreme adversity

- To address the sources of extreme adversity, giving more of universal services is not enough.
- Instead, programs need to be:
- Multi-dimensional – Trauma and attachment theory informed; High quality pedagogy; Nutritional needs; Parental involvement
- Tailored – Individualised goal setting and program to address diversity and complexity of each child's needs
- Intensive – Eg., staff ratios; time spent in program
- Coordinated – To bring together the multiple elements

### 3] Targeted programs can work

- Evidence from EYEP
- We can identify children facing extreme adversity
- The program can have an impact
- What about benefit-cost?

### 3] Targeted programs can work

- **EYEP - The program can have an impact – 12 months outcomes**

	<b>Outcome</b>	<b>EYEP mean (12 months)</b>	<b>EYEP impact</b>	<b>1-tail p- value</b>	<b>2-tail p- value</b>	<b>Number of observations (Intervention/ Control)</b>
	<b>Children's development</b>					
(1)	IQ	99.48	3.809	0.065	0.122	50/43
(2)	Language	92.70	0.559	0.425	0.839	50/43
(3)	Protective factors	46.90	1.953	0.163	0.327	49/45
(4)	Social and emotional (Percent in clinical range; Below norm for bottom 10% of population)	21.28	-12.20	0.107	0.219	47/44
	<b>Primary caregiver</b>					
(5)	Psychological distress	15.34	-1.012	0.187	0.370	47/44
(6)	Parenting daily hassles - Frequency	45.60	0.809	0.372	0.753	46/42
(7)	Parenting daily hassles - Intensity	47.88	4.558	0.113	0.225	46/42
(8)	Home environment	73.79	1.715	0.270	0.533	36/37

### 3] Targeted programs can work

- **Summary of findings from benefit-cost studies**

Program	Earnings only	Total benefit
<b>State and district programs</b>		
Early Childhood Education and Assistance Program	3.73	4.19
Oklahoma/Georgia Preschool	5.90	
Tulsa full-day (half-day)	3.06 (3.66)	
<b>Federal Head Start programs</b>		
National estimate 1 (WSIPP)	2.51	2.81
National estimate 2 (Duncan et al.)	1.58	
<b>Demonstration/Model programs</b>		
North Carolina Abecedarian	1.76	2.49
Perry Preschool	4.39	8.60
Chicago Child-Parent Center	3.39	10.83

Source: Ramon et al. (2017), Tables 2 to 4.

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