



# A Multidimensional Approach to Investigation of Living Standards of the Low-Paid: Income, Wealth, Financial Stress and Consumption Expenditure

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Melbourne Institute of Applied Economic and Social Research  
The University of Melbourne  
November 2008

Report commissioned by the  
Australian Fair Pay Commission, 2008

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This paper uses the confidentialised unit record data file 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 Families, Community Services and Indigenous Affairs (FaCSIA) and is managed by the Melbourne Institute of Applied Economic and Social Research. The findings and views reported in the paper, however, are those of the authors and should not be attributed to either FaCSIA or the Melbourne Institute.

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## Executive summary

The Australian Fair Pay Commission Secretariat commissioned the Melbourne Institute of Applied Economic and Social Research to examine the ability of the income 'safety net' to provide adequate living standards for low-paid workers. To that end, this report investigates the following three questions:

1. What are the point-in-time levels of income, consumption expenditure and wealth of low-paid employees?
2. What is the prevalence of low living standards – defined as a combination of low household income, consumption and/or wealth – within the population of low-paid employees?
3. What is the persistence of such low living standards – as previously defined – among low-paid employees?

For the purposes of the analysis undertaken in this study, a person is defined to be a low-paid employee if earning less per hour than 120 per cent of the hourly Federal Minimum Wage (FMW) and less per week than 120 per cent of the weekly FMW. All work undertaken for this report uses data from the Household, Income and Labour Dynamics in Australia (HILDA) Survey. At the time of writing, data for each year in the 2001 to 2006 period was available; correspondingly, analysis relates to the 2001 to 2006 period.

The report comprises three broad components. First, the characteristics of the low-paid and the location of the low-paid in the income, wealth and consumption expenditure distributions at a point in time are described. Second, the proportion of the low-paid that can be classified as having low living standards is identified, employing a range of multidimensional benchmarks of living standards. These draw on one or more of household income, household wealth, household consumption expenditure and experience of 'financial stress' as measures of economic wellbeing. The characteristics of low-paid employees with living standards below a 'core' living standards benchmark are then examined. The third component exploits the longitudinal structure of the HILDA data to examine the persistence of low living standards among low-paid employees.

Twelve different definitions of 'poor' and 'near-poor' are examined in the report, although much of the analysis focuses on a 'core' benchmark of equivalised household disposable income and wealth both below 75 per cent of the median of the respective distributions.

### Location of low-paid employees in the distributions of income, wealth and consumption expenditure

Low-paid employees are found to be distributed throughout the household income distribution, and indeed tend to be located in the middle of the income distribution. Approximately half of the low-paid are in the middle four deciles (Deciles 4 to 7).

Low-paid employees are similarly found throughout the wealth and consumption expenditure distributions, but in these two cases are relatively more likely to be found in the lower deciles. Just under half of the low-paid are in the bottom four deciles of both the wealth and consumption expenditure distributions.

### Number and characteristics of the low-paid poor and near-poor

We find that when a multidimensional approach to identifying low living standards is taken, relatively few of the low-paid have low material living standards. Even when only income

and wealth are considered in the assessment of living standards, no more than 5 per cent of the low-paid in 2006 can be classified as poor or near-poor. The incidence of low pay combined with poverty is, however, somewhat higher among junior (15–20-year-old) employees. Nonetheless, even for the most inclusive definition of poor – one based on only income and using a high threshold – we find that most of the low-paid juniors – at least 70 per cent – are not poor.

Characterising the low-paid as belonging to one of five groups – secondary earner in a non-poor household, primary earner in a non-poor household, member of a poor or near-poor household with very limited labour market engagement (on income support), sole earner in a poor or near-poor household, and member of a poor or near-poor household with two or more earners – shows that the majority are secondary earners in non-poor households. At most, only 19 per cent (the 2006 estimate) of the low-paid are 'working poor or near-poor' in the sense of having a substantial engagement with the labour market, yet having a relatively low standard of living. Using a multidimensional income, wealth and consumption definition (which is only possible in 2006), only 7 per cent of the low-paid can be classified as 'working poor or near-poor'.

Restricting to persons aged 15–64 years, we compare the characteristics of the low-paid poor with (1) other low-paid workers; (2) other poor persons (whether working or not); and (3) persons who are neither low-paid nor poor (again, whether working or not). Comparisons with the low-paid non-poor (1) suggest the low-paid non-poor are more likely to be secondary earners in the household than are the low-paid poor. The key distinguishing feature of poor persons who are not low-paid (2) compared with the low-paid poor is that they are mostly not employed. The non-low-paid non-poor (3) are more likely to be partnered, and less likely to be living in sole-parent households, than are the low-paid poor. Slightly more than half of the non-low-paid non-poor are employed. Of those who are working, they tend to work in higher-skill occupations, have been in the job longer and work in larger organisations than the low-paid poor.

As an overall generalisation, compared with other members of the community (but especially the non-poor), the low-paid poor can be characterised as relatively young and more likely to be male, Indigenous or born in a non-English speaking country, single, and in sole-parent households, and tend to be working for small for-profit businesses in low-skill occupations, with little experience in the current job or occupation.

### **Longitudinal analysis**

For those who we identify as low-paid and poor in 2002, the proportion that is poor in 2006 is identified. We find that, depending on the definition of 'poor', approximately 40 per cent to 58 per cent of the low-paid poor in 2002 have exited poverty four years later. A more comprehensive examination of income and wealth mobility of the low-paid poor reveals that income mobility is greater than is wealth mobility. Approximately 28 per cent of those who were initially low-paid poor were in the top three income quintiles four years later, whereas only 13 per cent were in the top three wealth quintiles. This reflects the relative stability of wealth, which tends to slowly accumulate with age.

For persons identified as low-paid poor in 2002, we compare the characteristics of those who were no longer poor four years later with the characteristics of those who were found to still be poor. However, small sample sizes available for this analysis constrain the inferences that can reliably be made.

## 1. Introduction

The Australian Fair Pay Commission Secretariat commissioned the Melbourne Institute of Applied Economic and Social Research to examine the overall living standards of low-paid employees. To this end, this report investigates the following three questions:

1. What are the point-in-time levels of income, consumption expenditure and wealth of low-paid employees, in absolute and relative terms?
2. What is the prevalence of low living standards – defined as a combination of low household income, consumption and/or wealth – within the population of low-paid employees?
3. What is the persistence of low living standards – as previously defined – among low-paid employees?

All work undertaken for this report uses data from the Household, Income and Labour Dynamics in Australia (HILDA) Survey. At the time of writing, data for each year in the 2001 to 2006 period were available; correspondingly, analysis relates to the 2001 to 2006 period.

The analysis comprises three broad components. First, the characteristics of the low-paid and the location of the low-paid in the income, wealth and consumption expenditure distributions at a point in time are described. Characteristics examined include sex, age, partner status, household type, educational attainment and location of residence, as well as various job and employer characteristics. To describe the location of the low-paid in the population distributions of income, wealth and consumption expenditure, the proportion in each decile of each distribution is identified. Mean and median values of income, wealth and consumption expenditure of the low-paid are also compared with means and medians for the general population.

The second component identifies the proportion of the low-paid that can be classified as poor or near-poor, employing a range of multidimensional approaches to defining low living standards. This draws on one or more of household income, household wealth, household consumption expenditure and experience of 'financial stress' as measures of economic wellbeing, producing a number of alternative estimates of the number of low-paid employees with relatively low living standards. In addition to producing estimates for all low-paid workers, separate estimates for low-paid juniors (aged 15–20 years) and low-paid adults (aged 21 years and over) are produced.

The characteristics of the low-paid poor are then examined, for a 'core' definition of poor, which in fact comprises people we define to be poor or 'near-poor'. The inclusion of people who are 'near-poor' is motivated by the relatively low number of low-paid persons found to be poor. Thus, to ensure sample sizes that are sufficiently large for reliable statistical inferences to be made, we examine the characteristics of the low-paid poor and low-paid near-poor combined. The examination of characteristics is undertaken via comparisons with: low-paid non-poor employees, other poor persons (whether working or not) and non-poor persons who are not low-paid (again, whether working or not).<sup>1</sup> In this component, we also characterise the low-paid according to the household 'situation' of the individual, distinguishing five groups: secondary earner in a non-poor household; primary earner in a non-poor household; member of a poor household with very limited labour market engagement (i.e. primarily a government benefit recipient household); sole earner in a poor household; and member of a poor household with two or more earners.

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<sup>1</sup> Note that the 'other poor persons' comparison group includes near-poor persons, and the non-poor comparison groups exclude near-poor persons.

The third component exploits the longitudinal structure of the HILDA data to examine the persistence of low living standards for the low-paid poor. For persons who are initially low-paid and poor, income and wealth outcomes in subsequent years are described. This includes identifying the proportion that is subsequently poor, and the proportion that is not, and contrasting the characteristics of those who achieve adequacy in living standards with the characteristics of those who do not. As with the second component, for this component the 'low-paid poor' group in fact comprises those low-paid employees we define to be poor plus those low-paid employees we define to be 'near-poor'.

The plan of the report is as follows. In Section 2, we describe the data and approach, in particular providing details on the definitions of 'low-paid' and 'poor' that are employed in the study. Section 3 provides baseline information on the number and characteristics of the low-paid as identified in the HILDA data, as well as describing the location of the low-paid in the household income, wealth and consumption expenditure distributions. In Section 4, estimates of the number of low-paid poor are presented for a variety of definitions of 'poor' and the characteristics of the low-paid poor are described. Section 5 contains the longitudinal analysis, while concluding comments are given in Section 6.

## 2. Data and definitions

### 2.1 The HILDA Survey

The analysis relies on data from the Household, Income and Labour Dynamics in Australia (HILDA) Survey, conducted by the Melbourne Institute on behalf of the Australian Government. The HILDA Survey, described in detail in Wooden and Watson (2007), is a nationally representative household panel survey that commenced in 2001. For this project we have available data for the six years to 2006. The Wave 1 sample size was 13,969 respondents living in 7682 households. In Wave 6, 12,826 persons were interviewed, of whom 8899 had been interviewed in all six waves. In common with all household panel studies, attrition is a non-trivial problem. Sample weights derived from Population Census benchmarks for the age, household type and geographic location composition of the population are supplied with the data to attempt to account for non-randomness in attrition, but this will inevitably be only partially successful in doing so.

For this study the key strength of the HILDA Survey is that comprehensive information has been collected on personal and household income, earnings, hours of work and experience of financial difficulties or 'stress' in every wave, and on household wealth in Waves 2 and 6. Furthermore, limited information has been collected on consumption expenditure in Waves 5 and 6. This not only facilitates identification of low-paid workers, it also facilitates a multi-dimensional approach to assessing material living standards – multidimensional both in the sense of the 'measure' examined (income, wealth, consumption expenditure and financial stress) and the time period over which it is examined (e.g. persistence and recurrence of particular living standards can be studied).

The survey also provides very rich biographical and personal details about its respondents, including age, sex, marital status, children, location, country of birth (and year of arrival in Australia), ethnicity, educational attainment, labour force status, and the presence of health conditions and disabilities, as well as detailed employment information, such as hours of work, earnings, job tenure, occupation, industry, employment status, union membership, employment history. Extensive information about all other (responding) household members over 15 years of age, and limited information on children in the household under 15 years of age, is also available for each respondent.

The HILDA Survey was designed to be representative of the Australian population in 2001, with the exception that persons living in non-private dwellings (such as prisons), some persons living in remote areas and homeless persons were excluded from the initial sampling frame. The sample inclusion rules of the survey mean that it is also designed to remain broadly representative of the Australian population over time, with the one important exception that immigrants to Australia after 2001 can only enter the sample if they join a household already in the sample. To the extent that new immigrants differ in their economic wellbeing and in their likelihood of being low-paid from other members of the population, estimates towards the end of the HILDA Survey period may be affected. For example, if new immigrants are over-represented among the low-paid poor, we will understate the incidence of low pay combined with poverty in the Australian community.

A further issue to be cognisant of is measurement error in reported wages and other income. This is of course a problem for any household survey, but is one that becomes potentially more problematic for longitudinal study of wage and income changes. Essentially, the problem is a tendency for 'mean reversion', whereby those with the lowest wages and incomes initially tend to have higher wage and income growth, and those with the highest incomes initially tend to have the lowest income growth. There is no accepted resolution of this problem, but there are mitigation strategies that we employ, as detailed below.

As noted, the HILDA Survey data are supplied with sample weights. In fact, the data set contains a variety of alternative sample weights to enable population inferences to be made from the HILDA sample. The appropriate weights to be used depend on the nature of the analysis. For example, in longitudinal analysis, persons who do not respond to the survey in all waves being examined are automatically excluded by the longitudinal weights appropriate to that analysis (with the weights accounting for these exclusions). For cross-sectional analysis, by contrast, all (in-scope) persons who responded in the wave will be assigned a positive weight. All analysis presented in this report is based on weighted estimation, using the applicable weights.

## **2.2 Definitions of 'low pay' and 'low living standards'**

### **2.2.1 'Low pay'**

A key step in the analysis is defining a situation of 'low pay'. This is an issue that has received considerable attention internationally and in research commissioned by the Australian Fair Pay Commission Secretariat. While there is certainly no international consensus on the definition of low pay, it is nonetheless common to define low pay as earnings below some fraction (such as 60 per cent) of median earnings. In this report, we take an alternative approach, largely because of the particular nature of the Australian labour market. We define an employee to be a low-paid worker if earning less per hour than 120 per cent of the hourly Federal Minimum Wage (FMW) and also earning less per week than 120 per cent of the weekly FMW.<sup>2</sup> This is similar to the approach taken in earlier work using the HILDA data undertaken for the Secretariat (McGuinness *et al.* 2007), and has the added benefit that it will capture a proportion of low-paid casual employees, who may be excluded from a more restrictive definition because of their receipt of a 'casual loading'.

Most of the HILDA Survey interviews of respondents are conducted between September and December each year. For the 2001 to 2005 period (Waves 1 to 5), the applicable FMW is unambiguous. Increases in the FMW took effect in May between 2001 and 2004 and in June in 2005, such that the FMW did not increase during the survey period. In 2006, however, the move to a new industrial relations regime meant the FMW did not change until 1 December, during the HILDA fieldwork period. Although most interviews would have been conducted prior to the increase in the FMW from 1 December, we nonetheless adopt the post 1 December FMW as the applicable FMW for Wave 6.<sup>3</sup>

Hourly earnings are derived from respondents' reported current usual weekly gross earnings and their (independently) reported current usual hours worked.<sup>4</sup> Only employees

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<sup>2</sup> We use the terms 'employee' and 'worker' interchangeably in this report, but note that only *employees* can be classified as low-paid under our definition of low pay.

<sup>3</sup> If the 2005 FMW was adopted this would result in a sizeable drop in the proportion of employees classified as low-paid, with associated compositional changes to the low-paid. For this reason, and because many low-paid employees in Australia are not directly reliant on decisions of the Australian Fair Pay Commission, it was thought preferable to adopt a definition that maintained broadly stable numbers and composition of the low-paid for the purposes of this study.

<sup>4</sup> Both earnings and hours worked are totals over all jobs held by the respondent in the survey reference week. Cases with zero for earnings or hours worked are excluded from the analysis.

are classified as low-paid in this study – that is, no employer or self-employed worker has been classified as low-paid.

Table 1 presents the threshold wage rates obtained in each year from our definition of low pay. For comparison purposes, it also presents the wage rates that would be obtained if a ‘two-thirds of median earnings’ definition was adopted. According to the HILDA Survey data, median earnings growth has been very similar to the growth in the FMW over the 2001 to 2006 period, both increasing by approximately 24 per cent. However, the thresholds produced by our definition of low pay are consistently higher than the thresholds produced by the two-thirds-median definition. The HILDA Survey data indicate that approximately 18 per cent of adult employees (21 years and over), and 28 per cent of all employees, have hourly earnings less than 120 per cent of the hourly FMW. These proportions are quite stable across the HILDA Survey period.

**Table 1: Hourly and weekly wage threshold for determining low pay**

	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Hourly wage threshold</b>						
120% of the FMW	13.1	13.6	14.2	14.8	15.3	16.2
Two-thirds of median earnings	11.3	11.8	12.3	12.7	13.3	14.1
<b>Weekly wage threshold</b>						
120% of the FMW	496.1	517.7	538.1	560.9	581.3	614.2
Two-thirds of median earnings	428.7	446.7	460.0	480.0	504.7	533.3

Note: Applicable FMW is that prevailing from 1 July to the end of the relevant year, except in 2006, when the FMW is that prevailing from 1 December of that year. The two-thirds of median earnings measure is for earnings of adult (over 21 years of age) employees.

### 2.2.2 ‘Low living standards’

The study takes a multifaceted approach to defining low standards of living, reflecting the availability of income, wealth and consumption expenditure data, as well as information on experience of financial difficulties. Income data is the most common type of data used in studies of economic wellbeing, or more particularly, poverty. However, other measures provide potentially important information for assessing the true economic situation of an individual. Wealth is an important potential economic resource at an individual's disposal, capturing in-kind services (for example, of housing) and also providing an avenue for consumption via selling or borrowing against assets. Expenditure data provide an indication of consumption expenditure, which may in turn reveal access to economic resources not identified by measured income and wealth. For example, inter-household income transfers may not be measured as income for the recipient household, but may be indirectly identified by examination of the consumption expenditure of that household. Indicators of ‘financial stress’ also potentially contribute additional information about the adequacy of an individual's economic situation, although one would hasten to add only when used in conjunction with one or more of the other measures, since financial stress can be as much a product of mismanagement of finances as a product of inadequate resources.

Table 2 summarises when each potential measure of economic wellbeing was collected by the HILDA Survey. Definitions of low living standards based on income and on financial stress are possible in all six waves. Definitions that incorporate wealth can be implemented in Waves 2 and 6, while definitions that incorporate consumption expenditure are possible in Waves 5 and 6. Note, however, that a different, albeit substantially overlapping, set of expenditure items were measured in Waves 5 and 6.

Note that multi-wave information, particularly for income, increases the scope for 'multidimensional' approaches to assessing living standards. For example, income data for an individual in each year for six successive years allow for low living standards to be defined not only in terms of income in one particular year, but also in terms of income over longer intervals of time.

**Table 2: Data available in HILDA for assessing material living standards of the low-paid**

	2001	2002	2003	2004	2005	2006
Income	√	√	√	√	√	√
Wealth		√				√
Consumption expenditure					√*	√
Financial stress	√	√	√	√	√	√

Note: \* Experimental only.

### 2.2.3 Income, wealth, consumption expenditure and financial stress information in the HILDA Survey data

The analysis is of individuals, but it is the individual's *household* income, wealth and consumption expenditure that is examined. The income measure is the annual disposable household income from all sources, adjusted for household composition using the 'modified OECD' equivalence scale (Hagenaars *et al.*, 1994).<sup>5</sup> Under the OECD scale, household income is divided by one plus 0.5 for each person after the first that is 15 years of age and over and 0.3 for each child under 15 years of age. This produces a 'per-adult equivalent' household income for each individual. For example, the equivalent income of a family of two adults and two children under 15 years of age is the family's income divided by 2.1. For comparability across years, all incomes are converted to September 2006 prices.

Household net worth is derived from a detailed set of questions on assets and liabilities administered to all household members. These questions capture most, but not all, components of net worth. Asset components captured include:

- owner-occupied housing;
- other property;
- superannuation;
- equity investments;
- cash investments;
- bank accounts;
- trust funds;
- cash-in value of life insurance policies;
- business assets;
- motor vehicles; and
- collectibles.

Debt components captured include:

- home debt;
- other property debt;
- credit card debt;
- HECS debt;

<sup>5</sup> We do not impute rent for non-home-owners paying no rent or public housing tenants receiving subsidised rents.

- personal debt;
- business debt; and
- unpaid household bills.

Our wealth measure is total assets of the household minus total debts of the household. As with income, wealth is expressed at September 2006 prices. Unlike income, there is no established standard for adjusting wealth for household size or composition. It would, however, seem that there is a strong case for making such an adjustment. The number of household members over which the economic resources embodied by wealth need to be distributed is clearly relevant to determining the wealth position of individuals in the household. For example, individuals in a household of six people with combined wealth of \$400,000 are unlikely to be regarded as equally well off in wealth terms as a single-person household with the same wealth. We therefore attempt to adjust for household composition. Specifically, in the absence of an established standard for equivalising wealth, we simply apply the same OECD equivalence scale as used for income, an approach which was in fact taken by Jantti *et al.* (2008) in the Luxembourg Wealth Study.

Detailed household expenditure information was first collected in Wave 5, and again collected in Wave 6. However, a number of changes were made to the survey questions and the expenditure items in Wave 6, reflecting the experimental nature of the Wave 5 expenditure questions. We therefore restrict expenditure analysis to Wave 6. In this wave, expenditure items collected comprised groceries, alcohol, tobacco products, public transport and taxis, meals eaten out, motor vehicle fuel, women's clothing, men's clothing, children's clothing, telephone and internet, holidays, private health insurance, other insurance, health care practitioners, medications, utilities, home repairs and renovations, motor vehicle repairs and maintenance, education fees, new cars, used cars, computers and related devices, home audio-visual equipment, household appliances and household furniture. In addition, expenditures on child care, rent on primary residence and mortgage repayments are collected in every wave.

Interest in household expenditure data stems from the information it communicates about household *consumption*. In principle, to measure economic wellbeing, what is sought is the household's consumption of non-durable goods and services in the period under study, plus the household's consumption in that period of services delivered by durable goods (such as housing, cars, household appliances and furniture). Not all expenditure items collected by the HILDA Survey can be interpreted as purely current consumption (e.g. home renovations). Furthermore, there are a number of components of household consumption that are not measured. Headey (2007) estimates that approximately one-third of household expenditure is not captured by the HILDA Survey, but perhaps more significant is that no services delivered by consumer durables not purchased in the survey year are captured. The gap between measured expenditure and actual consumption of the household, combined with the fact that suitable expenditure data is only available in Wave 6, therefore limit the value of examining consumption expenditure using the HILDA Survey data.

The problem of divergence between measured expenditure and consumption is an issue not unique to the HILDA data and it has been recognised by a number of researchers investigating consumption measures of economic wellbeing. Crossley and Pendakur (2006) take an approach whereby they attempt, using data similar to HILDA, to produce a measure of consumption expenditure which they argue correlates well with total household consumption. We therefore follow the approach of Crossley and Pendakur (2006) and approximate household consumption as equal to the sum of expenditures on:

- groceries;
- alcohol;

- cigarettes and other tobacco products;
- taxis and public transport;
- child care;
- meals eaten out;
- motor vehicle fuel and engine oil;
- clothing and footwear;
- telephone rent and calls, and internet services;
- holidays;
- medical practitioners
- medications;
- health insurance;
- other insurance, such as home and contents insurance and motor vehicle insurance);
- electricity, gas and other heating fuel;
- motor vehicle repairs and maintenance;
- rent; and
- imputed rent on owner-occupied housing.

Different approaches to imputing rent are possible. We take an approach that is common when home values are available in the data, which is to impute annual rent as a fixed proportion of the home value, usually between 4 per cent and 6 per cent (e.g. Smeeding *et al.*, 1993, Frick and Grabka, 2002). We impute rent as equal to 5 per cent of the value of the home.<sup>6</sup> As per Crossley and Pendakur, no attempt is made to estimate consumption of durables other than housing, since all that we know about the durables for which expenditure data is gathered is the value of those purchased in the last year, which will in general be a poor guide to consumption of services of durables.

As with wealth, there is no established standard for equivalising consumption expenditure, but it seems entirely appropriate and uncontroversial to apply the same scale as applied to income, since they both measure *flows* (into the household in the case of income, and out of the household in the case of consumption). We thus equalise consumption expenditure using the OECD scale.

Financial stress is measured by a set of seven questions about financial difficulties, including inability to pay bills, going without meals or obtaining help from a welfare organisation, because of a shortage of money. (Full details of the data items are provided in Table 4.)

#### 2.2.4 Definitions of 'poor' and 'near-poor'

We define low income as equivalent income (i.e. household disposable income adjusted for household composition using the OECD scale) less than 60 per cent of the median equivalent income. This is a common international standard for defining relative income poverty (e.g. OECD, 2007; Eurostat, 2006), particularly for households containing employed persons. While there are internationally recognised standards for measuring adequacy of income, no such standards exist for wealth and consumption expenditure – nor, indeed, financial stress. Since wealth and consumption expenditure are, like income, continuous monetary measures, we take an analogous approach to defining low wealth

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<sup>6</sup> Headey (2008) proposes a half-median threshold for consumption and \$200,000 threshold for wealth, whereby a person must be low income, low consumption and low wealth to qualify as poor. The rule for wealth is somewhat ad hoc and the 60% of median wealth criterion adopted here seems more appropriate. In (as yet) unpublished work, Peter Saunders of the Social Policy Research Centre suggests a consumption expenditure threshold that is a multiple of the income poverty line, which has strong appeal, although the rationale for his chosen multiple of 2 is not provided. Because HILDA only measures some components of consumption, it is likely that a different multiple would be appropriate, but there is no clear basis for determining this multiple.

and low consumption to the approach taken for income. Specifically, an individual is defined to have low wealth if equivalised household wealth is less than 60 per cent of median equivalised household wealth; and an individual is defined to have low consumption if equivalised household consumption is less than 60 per cent of median equivalised household consumption expenditure.<sup>7</sup> For financial stress, a person is classified as in financial stress if that person provides answers in the affirmative to two or more of the seven questions on financial difficulties.

While we take a multidimensional approach to assessing adequacy of living standards, implicit in all of the analysis that follows is that income remains pivotal. Thus, a person may be classified as poor if low income, or if low income and low wealth and/or low consumption and/or is classified as experiencing financial stress. That is, no measure of living standards excludes income. This is primarily motivated by the fact that the existing literature has yet to satisfactorily address how to define an adequate living standard in a multidimensional framework. It also reflects the more practical consideration that wealth and consumption data are only available in some of the waves.

We in fact limit consideration of consumption expenditure and financial stress. The limited consideration of consumption expenditure reflects the fact it can only be examined in 2006, and also reflects the imperfect correspondence between HILDA expenditure data and consumption expenditure. Financial stress indicators are given limited consideration because it is not clear that their interpretation as measures of inadequacy of living standards is valid, given that financial stress can derive from bad budgeting rather than insufficient money.

In addition to the 60 per cent of median standard for defining low income, low wealth and low consumption expenditure, we additionally report results adopting a standard of 75 per cent of the median for each of income, wealth and consumption expenditure. This has two main motivations. First, the 60 per cent standard for income is commonly used in the absence of additional criteria (on wealth, consumption and/or financial stress), suggesting it may represent too austere a standard in the presence of additional criteria. The second motivation is more practical, which is that we find relatively few low-paid workers with low living standards when adopting the 60 per cent standard. If one accepts the 60 per cent standard as appropriate, then naturally it is not sound to relax it simply to increase the number found to be low-paid poor. However, even accepting the more restrictive standard as the appropriate one, it is useful to relax it for the purposes of further study of the characteristics of the low-paid with low living standards. That is, while the data (and the reality of the Australian situation) may not support examination of the characteristics and outcomes of the truly poor low-paid, they remain of interest to consider the combined characteristics and outcomes of the 'truly plus nearly poor' low-paid, which is what the 75 per cent threshold facilitates.

The definitions of 'poor' for which estimates are produced reflect the fact that income forms the core for defining inadequacy of living standards. Criteria based on wealth, consumption expenditure and financial stress constitute augmentations to the income-based measures. The lower frequency of collection of all but financial stress also influence the nature of the results presented. We ultimately produce twelve different definitions of low living standards:

1. Income less than 60 per cent of median income
2. 1 + wealth less than 60 per cent of median wealth

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<sup>7</sup> The sample size is lowered when we include the financial stress indicator in our definition of 'poor' because not all respondents answer the financial stress questions. None of the sample weights provided with the HILDA data account for this non-response.

3. 2 + consumption less than 60 per cent of median consumption
4. Income less than 75 per cent of median income
5. 4 + wealth less than 75 per cent of median wealth
6. 5 + consumption less than 75 per cent of median consumption
7. Income less than 60 per cent of median income and experienced financial stress
8. 7 + wealth less than 60 per cent of median wealth
9. 8 + consumption less than 60 per cent of median consumption
10. Income less than 75 per cent of median income and experienced financial stress
11. 10 + wealth less than 75 per cent of median wealth
12. 11 + consumption less than 75 per cent of median consumption.

For describing the characteristics of the low-paid poor and longitudinal analysis of the low-paid poor, we primarily focus on Definition 5, an income and wealth based definition with the more inclusive 75 per cent thresholds. As has been discussed, this definition is most appropriately viewed as capturing both poor and *near*-poor persons.

Table 3 shows the thresholds (expressed in September quarter 2006 prices) used to classify individuals as poor in each year under the above definitions. The equivalised income thresholds have grown steadily, from \$17,315 to \$19,847 in the case of the 60 per cent of median threshold, and from \$21,644 to \$24,809 in the case of the 75 per cent of median threshold. The equivalised thresholds for net worth grew very strongly between 2002 and 2006, from \$87,959 to \$118,890 for the 60 per cent of median threshold and from \$109,949 to \$148,613 for the 75 per cent threshold. Such significant increases in the real value of living standards benchmarks highlight the fact that measures based on relativities to the median are 'moving targets' and represent a higher standard of living in 2006 than in 2001.

**Table 3: Thresholds for equivalent income, wealth and consumption expenditure used to define 'poor'**

	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Narrow definition</b>						
60% of median income	17,315	17,525	17,872	18,406	19,055	19,847
60% of median net worth		87,959				118,890
60% of median consumption						18,443
<b>Broad definition</b>						
75% of median income	21,644	21,906	22,340	23,008	23,819	24,809
75% of median net worth		109,949				148,613
75% of median consumption						23,054

Note: All values expressed in September quarter 2006 prices. Income, net worth and consumption are measured at the household level and are equivalised.

In Table 4 we present somewhat analogous information on the experience of financial stress, although here we present – separately for the low-paid and for other employees – the proportion reporting financial stress. The table shows the proportion reporting each indicator of financial stress. As mentioned, we define a person as experiencing financial stress if two or more of the seven questions are answered in the affirmative. Most commonly, employees report inability to pay utility bills on time and/or asking for

financial help from friends or family. Low-paid employees are consistently more likely than other employees to report experience of each of the seven indicators of financial stress. However, for both groups, there has been a trend decline in the proportion experiencing financial stress, which is consistent with the above-mentioned improvements in living standards, as measured by income, wealth and consumption.

**Table 4: Financial stress indicators: did any of the following happen to you in the last twelve months because of a shortage of money?**

	2001 %	2002 %	2003 %	2004 %	2005 %	2006 %
<b>Low-paid employees</b>						
Could not pay electricity, gas or telephone bills on time	20.7	16.8	16.0	14.9	12.8	14.6
Could not pay the mortgage or rent on time	10.3	9.2	7.3	7.1	6.9	6.7
Pawned or sold something	7.4	5.9	4.9	5.0	4.4	4.4
Went without meals	6.9	5.2	5.1	5.3	3.5	4.2
Was unable to heat home	3.7	3.5	2.6	2.5	2.4	2.1
Asked for financial help from friends or family	25.5	18.4	18.4	17.7	16.8	15.8
Asked for help from welfare/ community organisation	6.2	3.6	2.6	2.9	4.1	3.5
<b>Other employees</b>						
Could not pay electricity, gas or telephone bills on time	17.4	15.0	14.2	13.6	12.2	11.1
Could not pay the mortgage or rent on time	8.1	6.8	7.1	6.4	5.9	5.4
Pawned or sold something	4.7	3.6	3.2	3.4	2.6	3.1
Went without meals	3.2	2.6	2.6	2.5	2.3	2.3
Was unable to heat home	2.3	1.7	1.5	1.4	1.4	1.4
Asked for financial help from friends or family	15.4	12.4	13.0	12.4	12.1	10.2
Asked for help from welfare/ community organisation	2.8	1.8	1.5	1.5	1.5	1.5
<i>Sample size</i>	6,290	5,723	5,941	5,747	5,985	6,102

Note: Population-weighted estimates.

To provide a better sense of the levels of the thresholds used to define low living standards, in Table 5 we present the proportion of the population below each threshold, as well as the proportion of the population classified as experiencing financial stress. Moving from the 60 per cent thresholds to the 75 per cent thresholds, the proportion of the population classified as 'low' (below the threshold) increases from approximately 20 per cent to 30 per cent for income, from approximately 36 per cent to 41 per cent for wealth, and from approximately 18 per cent to 30 per cent for consumption. We note that the 75%-of-median income threshold, in resulting in the bottom three deciles of the income distribution being classified as 'low income', is consistent with the definition of 'low income' adopted by the Australian Bureau of Statistics (2007) in its analysis of income data from the Survey of Income and Housing, where persons in deciles two and three are classified as 'low income'.

**Table 5: Proportion of the population below each threshold used to define 'poor'**

	<b>2001</b> %	<b>2002</b> %	<b>2003</b> %	<b>2004</b> %	<b>2005</b> %	<b>2006</b> %
<b>Narrow definition</b>						
60% of median income	20.5	20.6	20.3	20.2	21.5	19.4
60% of median net worth		36.2				35.5
60% of median consumption						17.8
<b>Broad definition</b>						
75% of median income	31.1	31.3	32.1	32.3	32.2	31.0
75% of median net worth		41.4				40.7
75% of median consumption						29.9
In financial stress	17.3	14.5	14.0	12.5	12.0	10.7

Note: Population-weighted estimates. Income, net worth and consumption are measured at the household level and are equalised.

### 3. Number and characteristics of the low-paid

#### 3.1 Number of low-paid workers

Table 6 presents the proportion of employees classified as low-paid in each year of the HILDA Survey. The top panel relates to all employees, the middle panel to employees 21 years of age and over ('adult' employees) and the bottom panel to employees aged 15 to 20 years ('junior' employees). The sample sizes show the number of persons in the survey who can be used for the calculation of the proportion that is low-paid (but note that our use of sample weights means that the exact number of sample members classified as low-paid cannot be determined from the table). The proportion of employees who are low-paid is relatively stable over the six years of the HILDA Survey. As expected, junior employees have a much higher probability of being low-paid than adult employees. Approximately three-quarters of junior employees are low-paid, compared with less than one-sixth of adult employees.

**Table 6: Proportion of employees who are low-paid**

	2001 %	2002 %	2003 %	2004 %	2005 %	2006 %
All employees	22.7	24.0	23.8	23.5	23.0	24.0
Sample size	6,808	6,507	6,508	6,378	6,754	6,905
Adult employees	15.5	16.5	16.8	16.3	15.5	17.1
Sample size	6,050	5,707	5,718	5,592	5,872	6,034
Junior employees	75.2	75.5	73.4	74.1	77.0	76.2
Sample size	758	800	790	786	882	871

Note: Population-weighted estimates. Adult employees are those over 21 years of age. Junior employees are those aged 15–20 years.

#### 3.2 Characteristics of the low-paid

Although previous work undertaken for the Secretariat has investigated the characteristics of the low-paid and their employers (Healy and Richardson, 2006; McGuinness *et al.*, 2006, McGuinness *et al.*, 2007), we briefly revisit the topic in this report because it provides a useful reference point for the subsequent analysis of the low-paid *poor*. It is also important to do this in the context of the differences across studies in the data and definitions of low-paid used.

Tables 7 to 11 describe the characteristics of those identified in the HILDA data as low-paid, whether poor or not. Table 7 examines demographic characteristics – sex, age, partner status, household type, ethnicity and place of birth and educational attainment – by presenting the proportion of employees in each demographic group that is low-paid. For example, the upper left cell indicates that 19 per cent of male employees in 2001 were low-paid, while the cell below indicates that 27 per cent of female employees in 2001 were low-paid.

These estimates can be interpreted as (unconditional) probabilities of being low-paid for employees with the characteristics indicated by the row heading. Thus, female employees are more likely to be low-paid than are male employees. Note that, although the table does not indicate, and we cannot deduce, what proportion of the low-paid is female, we *can* deduce the more pertinent fact that the low-paid are *relatively* more likely to be female compared with other employees. That is, the proportion of the low-paid that is female is higher than the proportion of other employees that is female.

Estimates in Table 7 generally accord with prior expectations. The probability of being low-paid follows a U-shape in age, being lowest for those in the 25–54 years age range. Consequently, the low-paid are relatively more likely to be young (especially under 25 years of age) or old (over 65 years) than are other employees. Low pay is more than twice as prevalent among single employees as it is among partnered employees. Differences in probabilities of low pay by household type suggest the difference by partner status to a significant extent reflects the high probability of low pay for sole-parent employees. Indigenous Australians tend to have higher rates of low pay, while immigrants from English-speaking countries have the lowest probabilities of low pay of the groups distinguished by ethnicity and place of birth in the table. Given employee status, the probability of being low-paid broadly decreases with rising educational attainment, from approximately 35–40 per cent for those with a highest qualification of Year 9 or lower, down to approximately 7–8 per cent for those with a bachelor's degree or postgraduate qualification. The high rate of low pay among low-educated employees will in part reflect the inclusion of junior

**Table 7: Proportion of employees that is low-paid, by demographic characteristics**

	2001 %	2002 %	2003 %	2004 %	2005 %	2006 %
Males	18.8	19.3	19.7	19.4	18.2	19.9
Females	27.0	29.3	28.5	28.2	28.4	28.6
<b>Age group (years)</b>						
15–20	75.2	75.5	73.4	74.1	77.0	76.2
21–24	25.6	30.6	33.5	29.1	30.2	29.4
25–34	14.4	15.7	15.7	13.3	12.3	15.5
35–44	13.4	14.2	13.6	14.8	13.2	14.2
45–54	12.8	13.2	13.2	15.9	14.2	15.7
55+	20.8	17.4	17.9	15.8	16.6	18.3
<b>Partner status</b>						
Partnered	13.5	14.4	14.6	14.2	13.6	15.5
Not partnered	35.9	37.4	36.7	36.4	36.8	36.4
<b>Type of household</b>						
Couple, no children	15.7	14.4	15.4	14.8	13.9	15.3
Couple with children	23.8	26.8	26.0	25.7	25.3	25.5
Lone parent	32.9	37.1	32.8	32.3	34.4	37.1
Other	22.1	20.7	22.7	22.4	21.5	23.0
<b>Ethnicity and place of birth</b>						
Born in Australia (non-Indigenous)	23.3	24.8	24.5	24.5	24.7	25.6
Aboriginal/Torres Strait Islander	34.2	45.3	33.4	31.3	31.5	31.4
Born in English speaking country	14.1	14.4	14.1	14.2	12.5	12.3
Born in non-English speaking country	24.6	24.0	25.4	23.6	20.7	22.4
<b>Highest educational attainment</b>						
Degree or postgraduate qual.	8.8	7.1	8.7	7.3	7.0	7.2
Diploma, Certificate III/IV	16.5	15.7	16.0	15.8	16.2	17.6
High school (Year 12)	33.6	37.3	35.5	35.5	34.1	36.0
Certificate I/II	29.7	35.1	35.7	26.7	33.5	34.5
Year 10/11	30.8	35.7	35.9	36.6	37.1	36.4
Less than Year 10	34.5	34.8	32.2	38.8	37.4	45.0

Note: Population-weighted estimates.

employees. As Table 6 shows, low pay is much more prevalent among juniors, many of whom will not hold post-school qualifications. Of course, many of these employees will go on to obtain higher qualifications, and indeed many of the low-paid are likely to be young persons enrolled in full-time study.

Table 8 considers the association between low pay and disability and health. The top panel shows that those with a work-limiting health condition are more likely to be low-paid; thus, the low-paid are relatively more likely to have a work-limiting long-term health condition than are other employees. The lower panel of Table 8 compares the mean general health level of the low-paid with that of other employees. The health measure is a score for general health, potentially ranging from 0 to 100, derived from the SF-36 Health Survey instrument, an internationally recognised diagnostic tool for assessing functional health status and wellbeing. Mean scores are slightly higher for employees who are not low-paid.

**Table 8: Low pay and health**

	2001	2002	2003	2004	2005	2006
<b>Percentage of employees that is low-paid, by disability status (%)</b>						
No long-term health condition	22.6	23.8	23.5	23.0	22.5	23.5
Long-term health condition that does not limit work	19.4	22.1	22.0	24.7	22.5	24.7
Long-term health condition that does limit work	26.5	29.1	28.7	27.8	28.5	29.6
<b>Mean general health (SF-36)</b>						
Low-paid	72.1	72.4	72.7	71.2	70.4	71.1
Not low-paid	73.6	73.3	72.8	72.4	72.5	72.6

Note: Population-weighted estimates.

The geographic location dimension to the characteristics of the low-paid vis-a-vis other employees is examined in Table 9 by presenting the proportion of employees that is low-paid by state and territory and by major city and other region. The ACT and New South Wales tend to have the lowest proportions of employees that are low-paid. Queensland, Western Australia and, to a less consistent extent, Tasmania and South Australia have relatively high rates of occurrence of low pay among employees. To some extent consistent with these state and territory patterns, the probability of low pay is markedly higher for those living outside the major cities.

**Table 9: Proportion of employees that is low-paid, by location of residence**

	2001 %	2002 %	2003 %	2004 %	2005 %	2006 %
<b>State</b>						
New South Wales	18.7	20.8	20.9	21.1	20.6	21.3
Victoria	23.4	26.0	26.4	23.5	23.5	24.3
Queensland	24.4	25.2	25.5	26.3	24.1	27.3
South Australia	27.0	28.6	23.4	25.5	23.6	25.1
Western Australia	28.5	25.8	25.2	24.5	27.5	26.1
Tasmania	24.3	23.0	25.9	27.3	24.1	27.6
Northern Territory	19.6	19.1	22.2	24.4	31.8	19.4
Australian Capital Territory	18.7	18.4	14.7	19.8	18.5	16.0
<b>Region</b>						
Major city	21.1	22.3	22.1	21.7	21.8	21.9
Other region	26.6	28.2	27.8	28.1	26.2	29.1

Note: Population-weighted estimates.

Reflecting the fact that the HILDA Survey is a survey of *households*, only limited job and firm characteristics are available in the data. Nonetheless, there is a reasonable amount of employment-related information collected by the survey. Table 10 considers the association of low pay with various job characteristics. As might be expected, the probability of being low-paid is strongly associated with occupation. Approximately half of Elementary clerical, sales and service workers and Labourers and related workers are classified as low-paid. At the other end of the occupation spectrum, fewer than 6 per cent of Managers and administrators and Professionals are low-paid.

**Table 10: Low pay and job characteristics**

	2001	2002	2003	2004	2005	2006
<b>Percentage of employees that is low-paid (%)</b>						
<b>... by occupation (1-digit ASCO)</b>						
Managers and administrators	3.6	5.6	3.8	4.6	3.7	5.2
Professionals	6.1	5.4	6.1	7.4	5.2	6.0
Associate professionals	11.2	13.7	11.9	10.8	9.7	12.4
Tradespersons and related workers	24.6	26.9	25.8	26.9	25.8	25.9
Advanced clerical and service workers	13.6	14.6	15.8	17.2	12.9	12.7
Intermediate clerical, sales and service workers	26.4	26.3	26.9	29.7	28.1	29.5
Intermediate production and transport workers	23.1	25.3	22.8	20.5	20.8	23.8
Elementary clerical, sales and service workers	46.8	50.4	53.9	48.1	52.7	50.4
Labourers and related workers	43.3	44.5	44.0	42.9	45.4	48.9
<b>... by hours worked per week</b>						
< 20	49.2	49.1	45.5	46.8	46.5	48.0
21–34	29.6	30.0	32.8	29.1	31.8	34.1
35–40	18.1	20.7	22.0	21.3	20.4	20.6
41–49	8.5	9.6	9.6	9.6	9.5	11.6
50–59	8.2	7.7	5.0	6.6	4.1	5.1
60+	8.9	9.0	7.4	6.8	4.5	7.6
<b>Mean tenure (in years)...</b>						
<b>... in current occupation</b>						
Low-paid	4.4	4.0	4.4	4.2	4.2	4.7
Not low-paid	9.4	9.2	9.2	9.0	8.9	9.3
<b>... with current employer</b>						
Low-paid	3.0	2.8	2.9	3.0	3.1	3.3
Not low-paid	6.7	6.5	6.6	6.5	6.5	6.6

Note: Population-weighted estimates.

The second panel of Table 10 shows that the probability of being low-paid is highest for part-time – and particularly short-hours part-time – workers. The low-paid are thus relatively more likely to be employed part-time than are other employees. More generally, the probability of being low-paid broadly decreases as number of hours worked increases, the only deviation from this pattern being that the probability of being low-paid is slightly higher among employees working 60 or more hours per week than among those working 50–59 hours. These employees who work very long hours must have very low hourly rates of pay for weekly earnings to be less than 120 per cent of the weekly FMW. The last two panels show that the mean length of employment tenure of the low-paid – both in current

occupation and with the current employer – is approximately half that of non-low-paid employees. The low-paid therefore tend to be comparatively new to the job, in terms of both the type of work (the occupation) and the employer. This is entirely consistent with the high incidence of low pay among young employees.

**Table 11: Low pay and firm characteristics – proportion of employees that is low-paid**

	2001 %	2002 %	2003 %	2004 %	2005 %	2006 %
<b>Industry (1-digit ANZSIC 1993)</b>						
Agriculture	38.4	43.0	38.6	39.0	37.8	40.6
Mining	2.5	2.4	3.6	5.4	1.5	2.6
Manufacturing	17.1	20.6	21.0	19.7	13.6	19.4
Electricity gas and water supply	9.7	12.1	0.0	8.8	8.0	5.5
Construction	18.2	20.1	18.7	22.6	21.0	26.1
Wholesale trade	18.0	17.2	17.4	21.2	18.2	23.1
Retail trade	48.4	51.2	51.7	46.4	50.3	46.3
Accommodation, cafés and restaurants	42.9	45.3	37.8	39.7	42.1	47.6
Transport and storage	13.3	11.0	15.7	11.3	12.4	13.3
Communication services	5.3	7.4	4.8	5.0	6.4	9.3
Finance and insurance	6.8	8.5	8.9	8.6	8.6	11.9
Property and business services	16.6	20.0	18.8	18.4	20.5	15.2
Government administration and defence	7.6	4.6	3.9	6.2	9.5	9.8
Education	10.9	10.9	12.7	13.1	11.7	13.2
Health and community services	19.6	19.5	20.9	22.0	21.7	20.4
Cultural and recreational services	30.5	31.9	27.6	34.7	25.2	28.7
Personal and other services	31.6	28.8	29.3	32.8	30.5	29.8
<b>Sector</b>						
Private sector for-profit organisation	26.9	29.1	28.5	27.9	27.3	28.5
Government business enterprise	9.6	7.1	8.5	9.3	10.9	10.1
Other commercial	27.3	32.8	10.7	0.0	29.1	23.5
Private sector not-for-profit organisation	20.9	23.2	23.1	21.0	21.6	22.2
Other governmental organisation	8.9	9.1	9.8	10.8	9.5	10.0
Other non-commercial	30.3	22.4	22.6	25.1	28.1	44.3
<b>Firm size</b>						
Fewer than 20 employees	37.3	37.4	35.9	38.1	38.3	38.4
20 to 99 employees	24.3	28.8	28.7	25.6	25.6	28.0
100 to 499 employees	17.4	17.4	18.0	20.1	17.4	18.8
500 or more employees	13.5	14.5	15.0	14.1	14.5	16.4

Note: Population-weighted estimates.

Associations between firm characteristics and low pay are provided in Table 11. The low-paid are relatively more likely to work in Agriculture, Retail trade, and Accommodation, cafés and restaurants; and they are relatively unlikely to work in Mining, Electricity, gas and water supply, Communications services, Finance and insurance, Government administration and defence and Education. The low-paid are furthermore relatively likely to be employed in the private for-profit sector, and in small firms – particularly those with fewer than 20 employees.

### **3.3 Location of the low-paid in the income, wealth and consumption expenditure distributions**

Before considering the number of low-paid workers classified as poor, we first provide a broader picture of the distribution of living standards outcomes for the low-paid by providing information on their location in the household income, wealth and consumption expenditure distributions for the general population.

Table 12 compares mean and median equivalent income, wealth and consumption expenditure of the low-paid with corresponding values for the general population (including the low-paid). Income, wealth and consumption expenditure are measured as described in Section 2.<sup>8</sup> Mean and median equivalent incomes for the low-paid are somewhat lower than those of the general population aged 15–64 years. Mean equivalent income of the low-paid is also lower than the mean for the entire population inclusive of children under 15 and persons over 65, but *median* equivalent income is very similar. The average low-paid person consequently has a similar income to the average person in the community; the lower mean income is simply the result of a lower incidence of very high household incomes among the low-paid than occurs in the general population. However, this in part reflects the inclusion of retired persons, many of whom depend on the Age Pension and have quite low incomes. Comparison of the low-paid with their working-age contemporaries shows the average income situation of the low-paid to be not so favourable.

Mean and median household wealth are substantially lower for the low-paid than for the general population, whether comparisons are made with working-age persons or all members of the population. However, wealth is on average of quite sizeable magnitude for the low-paid, and also grew strongly between 2002 and 2006 – such that the differential between the low-paid and the general population shrank somewhat. Mean and median consumption expenditure are also lower for the low-paid, with the differences proportionately greater than for income.

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<sup>8</sup> Recall that our income measure is equivalised household disposable income, our wealth measure is equivalised household net worth and our consumption expenditure measure is equivalised household consumption expenditure.

**Table 12: Mean and median income, net worth and consumption expenditure of the low-paid compared with the general population (September quarter 2006 prices)**

	2001	2002	2003	2004	2005	2006
	\$	\$	\$	\$	\$	\$
<b>Household income</b>						
Mean						
Low-paid	30,798	31,901	32,642	32,644	33,555	34,980
Persons aged 15–64 years	35,187	35,745	35,835	36,558	38,184	40,397
General population	32,348	32,957	33,025	33,741	35,153	37,327
Median						
Low-paid	28,788	29,256	29,969	30,455	30,686	32,140
Persons aged 15–64 years	31,254	31,829	32,269	33,003	34,240	35,427
General population	28,222	28,693	29,275	30,012	30,796	32,358
<b>Household wealth</b>						
Mean						
Low-paid		184,907				277,993
Persons aged 15–64 years		273,752				356,779
General population		264,751				359,706
Median						
Low-paid		111,861				154,696
Persons aged 15–64 years		145,545				189,007
General population		143,205				192,000
<b>Household consumption expenditure</b>						
Mean						
Low-paid						30,248
Persons aged 15–64 years						37,133
General population						35,975
Median						
Low-paid						26,476
Persons aged 15–64 years						31,863
General population						30,678

Note: Population-weighted estimates. Income, net worth and consumption are measured at the household level and are equalised.

Table 13 considers in full the location of the low-paid in the household income, wealth and consumption expenditure distributions. For each distribution, it shows the proportion of the low-paid in each decile. If the low-paid were a random sample of the population, we would expect 10 per cent to be in each decile.

The top panel of Table 13 provides clear evidence that the low-paid are found throughout the income distribution. They are certainly not concentrated at the lower end of the income distribution. Indeed, the low-paid tend to be located in the middle of the income distribution. They are relatively likely to be in the fourth to eighth deciles, and relatively unlikely to be in the bottom two deciles and the top two deciles. Approximately half of the low-paid are in the middle four deciles (Deciles 4 to 7).

The low-paid are similarly found throughout the wealth distribution, but in this case are relatively more likely to be found in the lower deciles. Just under half of the low-paid are in the bottom four deciles of the wealth distribution. The distribution of the low-paid in the household consumption expenditure distribution is somewhat similar to that found for wealth, with a relatively higher concentration of the low-paid in the lower deciles.

**Table 13: Proportion of low-paid workers in each decile of the income, wealth and consumption expenditure distributions**

	2001 %	2002 %	2003 %	2004 %	2005 %	2006 %
<b>Household income decile</b>						
Bottom decile	7.3	7.3	7.5	8.9	8.1	6.8
2nd decile	6.4	7.4	6.7	6.6	7.1	8.2
3rd decile	9.3	8.9	11.9	10.8	11.6	12.0
4th decile	14.3	13.3	11.9	13.2	12.2	14.3
5th decile	12.9	12.8	11.7	11.6	13.2	11.7
6th decile	13.7	11.9	12.1	12.5	13.8	13.5
7th decile	12.7	11.4	11.6	12.1	10.5	9.7
8th decile	10.8	12.3	12.3	8.0	9.8	11.5
9th decile	7.8	7.6	8.0	7.8	7.9	7.0
Top decile	4.6	7.0	6.4	8.4	5.8	5.3
<i>Total</i>	100.0	100.0	100.0	100.0	100.0	100.0
<b>Household net worth decile</b>						
Bottom decile		11.1				11.1
2nd decile		12.9				14.4
3rd decile		14.3				11.1
4th decile		9.5				11.6
5th decile		10.2				12.3
6th decile		10.7				8.8
7th decile		9.9				8.3
8th decile		8.0				8.6
9th decile		7.6				7.8
Top decile		5.8				6.1
<i>Total</i>		100.0				100.0
<b>Household consumption expenditure decile</b>						
Bottom decile						13.4
2nd decile						12.1
3rd decile						13.7
4th decile						11.3
5th decile						11.0
6th decile						9.7
7th decile						10.0
8th decile						6.8
9th decile						7.9
Top decile						4.1
<i>Total</i>						100.0

Note: Population-weighted estimates. Income, net worth and consumption are measured at the household level and are equalised.

## 4. Number and characteristics of the low-paid poor

### 4.1 Number of poor low-paid workers

Table 14 shows the proportion of all persons (of all ages, whether employed or not) classified as poor for the 12 alternative definitions of poor, in every year that data is available. Only in 2006 can all 12 definitions be compared.

**Table 14: Proportion of the population that is 'poor'**

	2001 %	2002 %	2003 %	2004 %	2005 %	2006 %
<b>A. '60%-of-median' thresholds used to define poor</b>						
Low income	20.5	20.6	20.3	20.2	21.5	19.4
Low income + low wealth		11.3				10.7
Low income + low wealth + low consumption						5.4
Low income + financial stress	5.2	4.7	4.8	4.1	4.3	3.4
Low income + low wealth + financial stress		3.6				2.7
Low income + low wealth + low consumption financial stress						1.6
<b>B. '75%-of-median' thresholds used to define poor</b>						
Low income	31.1	31.3	32.1	32.3	32.2	31.0
Low income + low wealth		18.7				18.1
Low income + low wealth + low consumption						10.9
Low income + financial stress	7.5	6.8	6.8	6.3	5.8	5.2
Low income + low wealth + financial stress		5.5				4.3
Low income + low wealth + low consumption financial stress						3.0

Note: Population-weighted estimates.

In 2006, 19.4 per cent of the population was poor using the 60%-of-median income criterion only, and 31 per cent was poor if only the 75%-of-median income threshold is used. In both 2002 and 2006, adding the wealth criterion decreases the proportion that was poor by approximately half; adding the consumption expenditure criterion (in 2006) then reduces the proportion that was poor by a further half. Adding the financial stress criterion also substantially reduces the proportion of the population classified as poor. Applying all criteria at once – only possible in 2006 – results in few members of the population being found to be poor: 3 per cent if the 75 per cent thresholds are applied, and 1.6 per cent if the 60 per cent thresholds are used.

Table 15 shows the distribution of employees across four groups defined by whether low-paid or not and by whether poor or not (i.e. low-paid and poor, low-paid but not poor, poor but not low-paid, neither low-paid nor poor). Estimates are presented for the six different definitions of 'poor' that embody the alternative multidimensional approaches to measuring economic wellbeing that do not draw on the financial stress indicators. (Note that the definition of low pay is left unchanged.)

The top panel indicates that if the 60%-of-median-income criterion is used to define low living standards, then regardless of any additional criteria, very few employees are both low-paid and poor. Using only the income criterion, the proportion of employees who are

Table 15: Proportion low-paid and poor – all employees

	2001 %	2002 %	2003 %	2004 %	2005 %	2006 %
<b>A. '60%-of-median' thresholds used to define poor</b>						
<b>1. 'Low income' definition of poor</b>						
Low-paid and poor	3.2	3.7	3.5	3.7	3.9	3.6
Low-paid but not poor	19.5	20.3	20.3	19.9	19.2	20.5
Poor but not low-paid	3.3	3.4	3.4	3.4	4.0	3.2
Neither low-paid nor poor	74.1	72.6	72.8	73.1	72.9	72.8
<i>Total</i>	100.0	100.0	100.0	100.0	100.0	100.0
<i>Sample size</i>	6,808	6,507	6,508	6,378	6,754	6,905
<b>2. 'Low income and low wealth' definition of poor</b>						
Low-paid and poor		2.7				2.6
Low-paid but not poor		21.3				21.4
Poor but not low-paid		1.9				2.0
Neither low-paid nor poor		74.1				74.0
<i>Total</i>		100.0				100.0
<i>Sample size</i>		6,507				6,905
<b>3. 'Low income, low wealth and low consumption expenditure' definition of poor</b>						
Low-paid and poor						1.3
Low-paid but not poor						21.7
Poor but not low-paid						0.6
Neither low-paid nor poor						76.4
<i>Total</i>						100.0
<i>Sample size</i>						5,303
<b>B. '75%-of-median' thresholds used to define poor</b>						
<b>4. 'Low income' definition of poor</b>						
Low-paid and poor	5.4	6.0	6.7	7.0	6.7	6.7
Low-paid but not poor	17.2	18.0	17.0	16.5	16.3	17.3
Poor but not low-paid	7.5	7.3	7.7	8.3	8.3	7.7
Neither low-paid nor poor	69.8	68.7	68.5	68.2	68.7	68.3
<i>Total</i>	100.0	100.0	100.0	100.0	100.0	100.0
<i>Sample size</i>	6,808	6,507	6,508	6,378	6,754	6,905
<b>5. 'Low income and low wealth' definition of poor</b>						
Low-paid and poor		4.6				5.0
Low-paid but not poor		19.4				19.1
Poor but not low-paid		4.7				5.1
Neither low-paid nor poor		71.3				70.9
<i>Total</i>		100.0				100.0
<i>Sample size</i>		6,507				6,905
<b>6. 'Low income, low wealth and low consumption expenditure' definition of poor</b>						
Low-paid and poor						3.1
Low-paid but not poor						19.9
Poor but not low-paid						2.6
Neither low-paid nor poor						74.4
<i>Total</i>						100.0
<i>Sample size</i>						5,303

Note: Population-weighted estimates.

both low-paid and poor ranges between 3.2 per cent and 3.9 per cent over the six years. This is a small proportion of all employees, implying that low living standards among the low-paid is not a significant feature of Australian society. Indeed, the proportion that is low-paid and poor is not consistently higher than the proportion of employees that is not low-paid but is poor. (Observe, however, that the proportion of the low-paid that is poor is considerably higher than the proportion of the non-low-paid that is poor, since over 75 per cent of employees are not low-paid.) Furthermore, in almost all cases the rate of low living standards among employees is much less than half that of the general population.

Adopting the less austere standard for living standards adequacy of 75 per cent of the relevant median increases the proportion of employees who are both low-paid and poor. From 2002 onwards, it is at least 6 per cent of all employees when only the income criterion is applied, which translates to approximately one-quarter of the low-paid – certainly not the majority of the low-paid, but a significant minority. In 2006 the proportion of employees that is both low-paid and poor drops to 5.0 per cent when the wealth criterion is added, and drops further to 3.1 per cent when the expenditure criterion is added to the definition of 'poor'.<sup>9</sup> If the 'three-pronged' standard is thought appropriate, then, as in the case when a 60%-of-median standard is applied, the estimates suggest poverty is not very prevalent among the low-paid in Australia.

Table 16 reproduces Table 15 for adult employees (i.e. those aged over 21 years) and Table 17 reproduces it for junior employees (i.e. those aged under 21 years). Consistent with the lower incidence of low pay among adults (Table 6), the incidence of low pay combined with poverty is lower among adult employees than it is among junior employees. Among junior employees we find sizeable numbers are low-paid poor for most of the definitions of poor. Nonetheless, even for the most inclusive definition of poor (the 75%-of-median benchmark), we find that most of the low-paid juniors – at least 70 per cent – are not poor. Many of these individuals will be living with their parents; for these young people, the parental incomes are more important to their living standards than the wages they earn themselves. It is young people living independently who are most vulnerable to low living standards.

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<sup>9</sup> The sample size reduces when the consumption expenditure criterion is added to the definition of 'poor' (Definitions 3 and 6) because of non-response to the expenditure questions.

**Table 16: Proportion low-paid and poor – adult employees**

	2001 %	2002 %	2003 %	2004 %	2005 %	2006 %
<b>A. '60%-of-median' thresholds used to define poor</b>						
<b>1. 'Low income' definition of poor</b>						
Low-paid and poor	2.4	2.6	2.5	2.5	2.3	2.4
Low-paid but not poor	13.2	13.9	14.3	13.8	13.2	14.7
Poor but not low-paid	3.3	3.3	3.4	3.4	4.2	3.2
Neither low-paid nor poor	81.1	80.2	79.8	80.3	80.4	79.6
<i>Total</i>	100.0	100.0	100.0	100.0	100.0	100.0
<i>Sample size</i>	6,050	5,707	5,718	5,592	5,872	6,034
<b>2. 'Low income and low wealth' definition of poor</b>						
Low-paid and poor		1.9				1.7
Low-paid but not poor		14.6				15.4
Poor but not low-paid		1.8				2.0
Neither low-paid nor poor		81.7				80.9
<i>Total</i>		100.0				100.0
<i>Sample size</i>		5,707				6,034
<b>3. 'Low income, low wealth and low consumption expenditure' definition of poor</b>						
Low-paid and poor						0.9
Low-paid but not poor						15.4
Poor but not low-paid						0.6
Neither low-paid nor poor						83.1
<i>Total</i>						100.0
<i>Sample size</i>						4,679
<b>B. '75%-of-median' thresholds used to define poor</b>						
<b>4. 'Low income' definition of poor</b>						
Low-paid and poor	3.9	4.4	4.9	5.3	4.4	4.8
Low-paid but not poor	11.6	12.1	11.9	11.0	11.1	12.4
Poor but not low-paid	7.8	7.6	8.0	8.5	8.8	8.0
Neither low-paid nor poor	76.6	76.0	75.2	75.2	75.7	74.9
<i>Total</i>	100.0	100.0	100.0	100.0	100.0	100.0
<i>Sample size</i>	6,050	5,707	5,718	5,592	5,872	6,034
<b>5. 'Low income and low wealth' definition of poor</b>						
Low-paid and poor		3.3				3.4
Low-paid but not poor		13.2				13.7
Poor but not low-paid		4.8				5.3
Neither low-paid nor poor		78.7				77.6
<i>Total</i>		100.0				100.0
<i>Sample size</i>		5,707				6,034
<b>6. 'Low income, low wealth and low consumption expenditure' definition of poor</b>						
Low-paid and poor						2.1
Low-paid but not poor						14.2
Poor but not low-paid						2.7
Neither low-paid nor poor						81.0
<i>Total</i>						100.0
<i>Sample size</i>						4,679

Note: Population-weighted estimates.

**Table 17: Proportion low-paid and poor – junior employees**

	2001 %	2002 %	2003 %	2004 %	2005 %	2006 %
<b>A. '60%-of-median' thresholds used to define poor</b>						
<b>1. 'Low income' definition of poor</b>						
Low-paid and poor	9.4	11.0	10.8	11.7	15.1	12.0
Low-paid but not poor	65.8	64.6	62.6	62.5	61.8	64.2
Poor but not low-paid	3.0	3.5	3.6	3.5	2.9	3.0
Neither low-paid nor poor	21.8	20.9	23.0	22.4	20.1	20.8
<i>Total</i>	100.0	100.0	100.0	100.0	100.0	100.0
<i>Sample size</i>	758	800	790	786	882	871
<b>2. 'Low income and low wealth' definition of poor</b>						
Low-paid and poor		8.1				8.9
Low-paid but not poor		67.5				67.3
Poor but not low-paid		2.3				2.2
Neither low-paid nor poor		22.1				21.7
<i>Total</i>		100.0				100.0
<i>Sample size</i>		800				871
<b>3. 'Low income, low wealth and low consumption expenditure' definition of poor</b>						
Low-paid and poor						4.8
Low-paid but not poor						71.7
Poor but not low-paid						0.7
Neither low-paid nor poor						22.7
<i>Total</i>						100.0
<i>Sample size</i>						624
<b>B. '75%-of-median' thresholds used to define poor</b>						
<b>4. 'Low income' definition of poor</b>						
Low-paid and poor	16.7	17.1	20.1	19.1	23.4	21.4
Low-paid but not poor	58.5	58.5	53.3	55.0	53.6	54.7
Poor but not low-paid	4.9	5.4	5.5	6.9	4.5	5.4
Neither low-paid nor poor	19.9	19.1	21.1	19.0	18.5	18.5
<i>Total</i>	100.0	100.0	100.0	100.0	100.0	100.0
<i>Sample size</i>	758	800	790	786	882	871
<b>5. 'Low income and low wealth' definition of poor</b>						
Low-paid and poor		13.5				16.5
Low-paid but not poor		62.1				59.7
Poor but not low-paid		4.1				3.6
Neither low-paid nor poor		20.3				20.3
<i>Total</i>		100.0				100.0
<i>Sample size</i>		800				871
<b>6. 'Low income, low wealth and low consumption expenditure' definition of poor</b>						
Low-paid and poor						11.3
Low-paid but not poor						65.3
Poor but not low-paid						1.6
Neither low-paid nor poor						21.8
<i>Total</i>						100.0
<i>Sample size</i>						624

Note: Population-weighted estimates.

In Table 18 we consider experience of financial stress, showing the proportion of low-paid and other employees reporting two or more indicators of financial stress. The low-paid do have a higher rate of experience of financial stress, although the gap appears to have narrowed over the six-year period of HILDA Survey data. Also notable is that the higher incidence of financial stress among the low-paid is confined to adults. For junior employees, in four of the six years the incidence of financial stress is actually higher among employees who are *not* low-paid. Consistent with what we earlier noted for the general population, the incidence of financial stress fell very significantly between 2001 and 2006 among all categories of employees. The incidence of financial stress was particularly high in 2001, which coincides with the slowdown in economic growth and rise in unemployment that occurred in 2001.

**Table 18: Proportion of employees experiencing financial stress**

	2001 %	2002 %	2003 %	2004 %	2005 %	2006 %
<b>Employees of all ages</b>						
Low-paid	22.0	16.2	16.1	14.9	13.3	13.9
Not low-paid	14.4	12.0	11.6	10.9	10.4	9.1
<b>Adult employees</b>						
Low-paid	25.3	18.6	22.1	17.6	17.0	16.3
Not low-paid	14.1	12.0	11.5	11.0	10.6	9.0
<b>Junior employees</b>						
Low-paid	16.9	12.6	6.6	10.6	7.7	9.7
Not low-paid	22.2	12.7	15.6	8.3	6.0	12.2

Note: Population-weighted estimates.

Tables 19 to 21 reproduce Tables 15 to 17, augmented by the additional criterion that to be poor also requires experience of two or more indicators of financial stress. In Tables 20 and 21 we present estimates only for the more inclusive income criterion, because of the very small numbers involved when the more restrictive criteria are employed, which results in unreliable estimates. As can be seen, for all six definitions of 'poor', the proportion classified as poor becomes very small indeed. Even among junior employees, the maximum proportion both low-paid and poor over all definitions of poor is 4.1 per cent.

**Table 19: Proportion low-paid and poor, including requirement that they experience financial stress in order to be classified as poor – all employees**

	2001 %	2002 %	2003 %	2004 %	2005 %	2006 %
<b>A. '60%-of-median' thresholds used to define poor</b>						
<b>1. 'Low income' definition of poor</b>						
Low-paid and poor	0.9	0.8	0.7	0.8	0.8	0.7
Low-paid but not poor	21.5	22.5	22.5	21.9	21.9	22.2
Poor but not low-paid	0.9	1.0	0.9	0.7	1.2	0.8
Neither low-paid nor poor	76.7	75.6	75.9	76.6	76.1	76.3
<i>Total</i>	100.0	100.0	100.0	100.0	100.0	100.0
<i>Sample size</i>	6,290	5,723	5,941	5,747	5,985	6,102
<b>2. 'Low income and low wealth' definition of poor</b>						
Low-paid and poor		0.7				0.6
Low-paid but not poor		22.6				22.3
Poor but not low-paid		0.9				0.7
Neither low-paid nor poor		75.8				76.4
<i>Total</i>		100.0				100.0
<i>Sample size</i>		5,723				6,905
<b>3. 'Low income, low wealth and low consumption expenditure' definition of poor</b>						
Low-paid and poor						0.4
Low-paid but not poor						21.9
Poor but not low-paid						0.2
Neither low-paid nor poor						77.5
<i>Total</i>						100.0
<i>Sample size</i>						5,088
<b>B. '75%-of-median' thresholds used to define poor</b>						
<b>4. 'Low income' definition of poor</b>						
Low-paid and poor	1.5	1.5	1.5	1.4	1.4	1.4
Low-paid but not poor	20.9	21.9	21.7	21.3	21.3	21.6
Poor but not low-paid	2.2	2.0	1.7	2.0	1.9	1.6
Neither low-paid nor poor	75.4	74.6	75.1	75.3	75.4	75.4
<i>Total</i>	100.0	100.0	100.0	100.0	100.0	100.0
<i>Sample size</i>	6,290	5,723	5,941	5,747	5,985	6,102
<b>5. 'Low income and low wealth' definition of poor</b>						
Low-paid and poor		1.2				1.2
Low-paid but not poor		22.1				21.7
Poor but not low-paid		1.7				1.4
Neither low-paid nor poor		75.0				75.7
<i>Total</i>		100.0				100.0
<i>Sample size</i>		5,723				6,102
<b>6. 'Low income, low wealth and low consumption expenditure' definition of poor</b>						
Low-paid and poor						0.8
Low-paid but not poor						21.5
Poor but not low-paid						0.7
Neither low-paid nor poor						77.0
<i>Total</i>						100.0
<i>Sample size</i>						5,088

Note: Population-weighted estimates.

**Table 20: Proportion low-paid and poor, including requirement that they experience financial stress in order to be classified as poor – adult employees**

	2001 %	2002 %	2003 %	2004 %	2005 %	2006 %
<b>1. 'Low income' definition of poor</b>						
Low-paid and poor	1.2	1.2	1.4	1.2	1.2	1.1
Low-paid but not poor	14.2	14.9	14.8	14.5	14.1	15.3
Poor but not low-paid	2.3	2.2	1.8	2.2	2.0	1.8
Neither low-paid nor poor	82.4	81.8	82.1	82.1	82.6	81.8
<i>Total</i>	100.0	100.0	100.0	100.0	100.0	100.0
<i>Sample size</i>	5,604	5,055	5,240	5,077	5,241	5,375
<b>2. 'Low income and low wealth' definition of poor</b>						
Low-paid and poor		1.0				1.0
Low-paid but not poor		15.0				15.4
Poor but not low-paid		1.8				1.5
Neither low-paid nor poor		82.2				82.1
<i>Total</i>		100.0				100.0
<i>Sample size</i>		5,055				5,375
<b>3. 'Low income, low wealth and low consumption expenditure' definition of poor</b>						
Low-paid and poor						0.7
Low-paid but not poor						15.4
Poor but not low-paid						0.8
Neither low-paid nor poor						83.1
<i>Total</i>						100.0
<i>Sample size</i>						4,522

Note: Population-weighted estimates. '75%-of-median' thresholds used to define poor.

**Table 21: Proportion low-paid and poor, including requirement that they experience financial stress in order to be classified as poor – junior employees**

	2001 %	2002 %	2003 %	2004 %	2005 %	2006 %
<b>1. 'Low income' definition of poor</b>						
Low-paid and poor	4.1	3.6	2.5	3.1	2.9	3.7
Low-paid but not poor	71.1	72.9	73.1	71.1	74.1	72.1
Poor but not low-paid	1.8	1.2	1.1	0.7	0.9	0.7
Neither low-paid nor poor	23.0	22.3	23.3	25.1	22.0	23.4
<i>Total</i>	100.0	100.0	100.0	100.0	100.0	100.0
<i>Sample size</i>	686	668	701	670	744	727
<b>2. 'Low income and low wealth' definition of poor</b>						
Low-paid and poor		2.9				3.1
Low-paid but not poor		73.6				72.8
Poor but not low-paid		0.9				0.6
Neither low-paid nor poor		22.6				23.5
<i>Total</i>		100.0				100.0
<i>Sample size</i>		668				727
<b>3. 'Low income, low wealth and low consumption expenditure' definition of poor</b>						
Low-paid and poor						1.5
Low-paid but not poor						74.5
Poor but not low-paid						-
Neither low-paid nor poor						24.0
<i>Total</i>						100.0
<i>Sample size</i>						566

Note: Population-weighted estimates. '75%-of-median' thresholds used to define poor.

## 4.2 Characterisation of the household income situation of the low-paid

In Section 4.1, the incidence of low living standards among all employees was considered. In this section, we restrict attention to the low-paid and take a different approach to considering the incidence of inadequacy of economic resources by characterising the low-paid as belonging to one of five groups. For this analysis, we adopt the inclusive criteria for defining 'poor', that is, where the 75%-of-median thresholds for determining low income, wealth and consumption expenditure are used. This is primarily motivated by the relatively rare nature of low pay combined with low household income; but, as noted, it is also arguable that higher thresholds are warranted when wealth and consumption expenditure criteria are added to the income criterion for defining a situation of inadequacy of economic resources. We do not consider financial stress further, because there are very few people who have low income, low wealth and low consumption expenditure and also report financial stress, so that meaningful analysis of such a group of people is not possible with the HILDA data.

The five groups distinguished are as follows:

1. Secondary or marginal earner in non-poor household
2. Primary earner in non-poor household
3. Member of poor household with very limited labour market engagement (i.e. primarily a government benefit recipient household)

4. Sole earner in a poor household
5. Member of a poor household with two or more earners.

An employee is deemed to be a secondary or marginal earner if someone else in the household has higher annual labour earnings. A household is deemed to have limited labour market engagement if the combined annual earnings of all household members are less than 50 per cent of the household's annual income.

The proportion in each of these five groups is presented in Table 22 for each of the three definitions of poor. Tables 23 and 24 present the same information for adult employees and junior employees, respectively. Focusing on the 'low income + low wealth' definition in Wave 6, we see that 57 per cent are secondary earners in non-poor households. A further 22 per cent are primary earners in non-poor households, while 7 per cent are in households that had little labour market engagement. Only 14 per cent are 'working poor' in the sense of being low-paid, with a substantial engagement with the labour market, and having an inadequate standard of living. Removing the wealth criterion (i.e. restricting to the income criterion) increases this to 19 per cent, while adding the consumption expenditure criterion (bottom panel) reduces it to a mere 7 per cent of the low-paid.

The proportion of the low-paid that is in this 'working poor' category is, perhaps surprisingly, similar for adults and juniors, at 14 per cent for low-paid adults and 13 per cent for low-paid juniors (in 2006, when income and wealth criteria are used to define poor). However, juniors are more likely to be in a poor household with two or more earners, and relatively less likely to be the sole earner in a poor household. This is consistent with the much higher proportion of low-paid juniors who are secondary earners in non-poor households (73 per cent compared with 47 per cent for adults), and correspondingly a much lower proportion who are primary earners in non-poor households (5 per cent compared with 33 per cent for adults). This no doubt reflects the fact that many of the juniors are living with their parents.

**Table 22: Characterisation of the household income situation of the low-paid – all low-paid employees**

	2001 %	2002 %	2003 %	2004 %	2005 %	2006 %
<b>1. 'Low income' definition of poor</b>						
Non-poor household, primary earner	19.1	16.9	14.8	14.6	15.3	17.9
Non-poor household, secondary earner	56.9	58.0	56.8	55.6	55.4	54.1
Poor household, little labour market engagement	11.1	12.0	12.0	14.0	12.1	9.1
Poor household, sole earner	4.7	6.3	8.3	9.3	8.3	9.3
Poor household, two or more earners	8.2	6.8	8.1	6.5	8.8	9.6
<i>Total</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>
<i>Sample size</i>	<i>1,492</i>	<i>1,490</i>	<i>1,475</i>	<i>1,434</i>	<i>1,528</i>	<i>1,645</i>
<b>2. 'Low income + low wealth' definition of poor</b>						
Non-poor household, primary earner		20.8				22.4
Non-poor household, secondary earner		60.2				56.9
Poor household, little labour market engagement		9.8				7.0
Poor household, sole earner		4.6				7.1
Poor household, two or more earners		4.7				6.5
<i>Total</i>		<i>100.0</i>				<i>100.0</i>
<i>Sample size</i>		<i>1,490</i>				<i>1,645</i>
<b>3. 'Low income + low wealth + low consumption expenditure' definition of poor</b>						
Non-poor household, primary earner						25.1
Non-poor household, secondary earner						61.5
Poor household, little labour market engagement						6.1
Poor household, sole earner						3.9
Poor household, two or more earners						3.4
<i>Total</i>						<i>100.0</i>
<i>Sample size</i>						<i>1,194</i>

Note: Population-weighted estimates. '75%-of-median' thresholds used to define poor.

**Table 23: Characterisation of the household income situation of the low-paid – adult low-paid employees**

	2001 %	2002 %	2003 %	2004 %	2005 %	2006 %
<b>1. 'Low income' definition of poor</b>						
Non-poor household, primary earner	27.5	26.5	21.0	21.1	23.8	26.5
Non-poor household, secondary earner	47.4	46.8	50.0	46.5	47.8	45.6
Poor household, little labour market engagement	11.4	12.7	11.2	15.0	11.9	8.7
Poor household, sole earner	5.8	7.2	10.8	11.3	9.4	11.9
Poor household, two or more earners	7.8	6.9	7.0	6.1	7.1	7.3
<i>Total</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>
<i>Sample size</i>	<i>915</i>	<i>886</i>	<i>891</i>	<i>847</i>	<i>867</i>	<i>987</i>
<b>2. 'Low income + low wealth' definition of poor</b>						
Non-poor household, primary earner		31.9				32.7
Non-poor household, secondary earner		48.2				47.3
Poor household, little labour market engagement		10.2				5.8
Poor household, sole earner		4.6				8.8
Poor household, two or more earners		5.0				5.4
<i>Total</i>		<i>100.0</i>				<i>100.0</i>
<i>Sample size</i>		<i>886</i>				<i>987</i>
<b>3. 'Low income + low wealth + low consumption expenditure' definition of poor</b>						
Non-poor household, primary earner						36.3
Non-poor household, secondary earner						51.1
Poor household, little labour market engagement						5.3
Poor household, sole earner						5.3
Poor household, two or more earners						2.1
<i>Total</i>						<i>100.0</i>
<i>Sample size</i>						<i>718</i>

Note: Population-weighted estimates. '75%-of-median' thresholds used to define poor.

**Table 24: Characterisation of the household income situation of the low-paid – junior low-paid employees**

	2001 %	2002 %	2003 %	2004 %	2005 %	2006 %
<b>1. 'Low income' definition of poor</b>						
Non-poor household, primary earner	6.4	2.7	4.8	4.5	3.2	3.2
Non-poor household, secondary earner	71.5	74.7	67.9	69.7	66.4	68.6
Poor household, little labour market engagement	10.6	11.0	13.3	12.6	12.4	9.9
Poor household, sole earner	2.9	4.8	4.3	6.2	6.8	4.8
Poor household, two or more earners	8.8	6.8	9.8	7.0	11.2	13.5
<i>Total</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>
<i>Sample size</i>	<i>577</i>	<i>604</i>	<i>584</i>	<i>587</i>	<i>661</i>	<i>658</i>
<b>2. 'Low income + low wealth' definition of poor</b>						
Non-poor household, primary earner		4.1				5.0
Non-poor household, secondary earner		78.0				73.4
Poor household, little labour market engagement		9.2				9.0
Poor household, sole earner		4.4				4.2
Poor household, two or more earners		4.3				8.4
<i>Total</i>		<i>100.0</i>				<i>100.0</i>
<i>Sample size</i>		<i>604</i>				<i>658</i>
<b>3. 'Low income + low wealth + low consumption expenditure' definition of poor</b>						
Non-poor household, primary earner						6.2
Non-poor household, secondary earner						79.0
Poor household, little labour market engagement						7.5
Poor household, sole earner						1.6
Poor household, two or more earners						5.7
<i>Total</i>						<i>100.0</i>
<i>Sample size</i>						<i>476</i>

Note: Population-weighted estimates. '75%-of-median' thresholds used to define poor.

### 4.3 Characteristics of the low-paid poor

In Tables 25 to 31 we compare the characteristics of the low-paid poor with (1) other low-paid workers; (2) other poor persons; and (3) persons who are neither low-paid nor poor. All analysis is of persons aged 15–64 years, on the basis that this is the 'working-age' age range. Most low-paid workers are in the 15–64 years age range and so they are most appropriately compared with other persons in this age range.

For this section of the report, we adopt two multidimensional definitions of low living standards. Both definitions include persons who are poor and persons who are near-poor. The first definition, available in both 2002 and 2006, is that which classifies a person as poor if equivalent income is less than 75 per cent of median equivalent income and

equivalent wealth is less than 75 per cent of median equivalent wealth. The second definition, available only in 2006, is that which classifies a person as poor if equivalent income is less than 75 per cent of median equivalent income, equivalent wealth is less than 75 per cent of median equivalent wealth and equivalent consumption expenditure is less than 75 per cent of median equivalent consumption expenditure. It is important to emphasise, therefore, that in the discussion that follows in this section all references to the term 'poor' should be interpreted as shorthand for 'poor or near-poor'.

We limit the definitions of low living standards that we examine to those employing the 75%-of-median thresholds – the poor plus near-poor definitions – because of the need for sample sizes that are large enough to allow reliable estimates of the characteristics of the low-paid poor to be produced. Similarly, we do not disaggregate by adult/junior status because of sample size limitations. We also exclude definitions that include the financial stress criterion, primarily because it results in sample sizes that are too small to allow examination of the characteristics of the low-paid poor, but also because financial stress indicators are not, in our view, good measures of inadequate living standards.

Tables 25 to 31 present information on the characteristics of the low-paid poor compared with the three other groups. Three sets of estimates are presented, the first and second for 2002 and 2006, respectively, using a definition of poor based on income and wealth. The third set of estimates is for 2006, using a definition of poor based on income, wealth and consumption expenditure. Given the large array of estimates, discussion that follows primarily focuses on the first two of these three sets of estimates. We furthermore primarily focus attention on comparisons between the low-paid poor and low-paid non-poor.

Demographic characteristics are compared in Tables 25 and 26, health and disability in Table 27, geographic location in Table 28, job characteristics in Table 29 and employer characteristics in Tables 30 and 31. In each panel that contains percentages, the columns sum to 100 per cent. For example, the upper left cells of Table 25 indicate that in 2002, 45.4 per cent of the low-paid poor were male, and the remaining 54.6 per cent were female. We proceed by first comparing the low-paid poor to the low-paid non-poor, which is the main focus of the comparisons made based on the tables. We then briefly compare the low-paid poor to other poor persons (who may be working or not), and the low-paid poor to persons who are neither low-paid nor poor (which includes non-workers who are not poor).<sup>10</sup>

#### **4.3.1 Comparisons between the low-paid poor and the low-paid non-poor**

##### *Demographic characteristics*

Compared with the low-paid non-poor, the low-paid poor are more likely to be male, more likely to be aged 25–34 years, and less likely to be aged 45–64 years. They are also more likely to be single, consistent with which is that they are much less likely to be in couple households with children, much more likely to be in the 'other' household type, which primarily comprises single-person households, and somewhat more likely to be in sole-parent households. The low-paid poor are furthermore more likely to be Indigenous or born in a non-English speaking country than are the non-poor low-paid. The low-paid poor are, however, similar to the low-paid non-poor in their levels of educational attainment.

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<sup>10</sup> When interpreting the estimates presented in Tables 25 to 31, it is important to be aware that some of the apparent differences in characteristics across the four groups will reflect the effects of differences in other characteristics. For example, the lower average general health of the non-low-paid poor compared with the low-paid poor probably in part reflects their older age profile. It is therefore important that causal inferences on the effects of characteristics on likelihood of being in each group are not made based on the results presented in these tables. (A regression approach could potentially shed light on the 'differences in characteristics holding all else constant', which would provide stronger indications of the causal effects of individual characteristics.)

### *Disability and health*

The low-paid poor are somewhat more likely to have a long-term health condition in 2002 than the low-paid non-poor, but are only slightly more likely to have such a condition in 2006. In both years, the low-paid poor have slightly lower average general health than the low-paid who are not poor.

### *Geographic location*

In 2002, the low-paid poor were less likely to live in New South Wales or Victoria than the low-paid non-poor, and more likely to live in Queensland, South Australia or Tasmania. In 2006, they were more likely to live in New South Wales, Queensland, South Australia or Tasmania, and less likely to live in Victoria or Western Australia. Differences in house-price growth across the states over the period from 2002 to 2006 may be at least partly responsible for this shift. Housing is the most important component of household wealth, and house price growth was relatively weak in Sydney and was particularly strong in Perth over this period.

The relative likelihood that the low-paid poor reside in the major cities also differs in 2002 and 2006. In 2002, the low-paid poor were less likely to live in one of the major cities, but in 2006, they were slightly *more* likely to live in one of the major cities than the low-paid non-poor. This shift may also in part be due to differential house price growth in major cities compared with other regions, whereby house prices, and therefore wealth, have grown more strongly outside the major cities. (We do not, however, have access to data on house prices outside the major cities.)

### *Job characteristics*

The low-paid poor are much more likely to be Labourers and related workers than are other low-paid workers, and have shorter average tenure in their current occupation and with their current employer. They have a similar distribution of hours worked to non-poor low-paid workers, with the exception that they are more likely to work fewer than 20 hours per week than other low-paid workers in 2002.

### *Employer characteristics*

The low-paid poor are distributed across industries similarly to the low-paid non-poor, the discernible differences being that they are slightly less likely to work in the Retail trade industry and in Education, and slightly more likely to work in the Accommodation, cafés and restaurants industry. Most notable in terms of differences in employer characteristics is that the low-paid poor are considerably more likely to work for a small employer (of fewer than 20 employees) and considerably less likely to work for a large employer (of more than 500 employees) than are non-poor low-paid workers.

### *Summary*

The associations apparent in Tables 25 to 31 are broadly consistent with expectations. Differences in demographic characteristics are as would be expected if the non-poor low-paid are more likely to be secondary earners in the household than are the poor low-paid. That educational attainment is not substantially different between poor and non-poor low-paid workers is consistent with similarly low productivity for the two groups translating to similar labour market outcomes, in the sense that both are low-paid. As with differences in demographic characteristics, the higher rate of employment as labourers among the low-paid poor would seem to be consistent with these workers more often being primary earners for households rather than secondary part-time workers. Likewise, the higher

rate of employment in Retail trade and with large employers is consistent with a higher proportion of the non-poor low-paid being secondary earners.

#### 4.3.2 Comparisons between the low-paid poor and other poor persons aged 15–64 years (the 'non-low-paid poor')

##### *Demographic characteristics*

Compared with other poor persons aged 15–64 years, the low-paid poor are similarly likely to be male or female in 2002, but in 2006 more likely to be male. The low-paid poor are much more likely to be aged under 25 years, somewhat less likely to be aged 25–44 years, and considerably less likely to be aged over 45 years. They are more likely to be single than other poor persons, and are correspondingly less likely to be in couple households with children, and more likely to be in single-person or 'group' households. The low-paid poor are also more likely to be born in Australia and less likely to be born in a non-English speaking country than other poor persons, and are furthermore more likely to have completed high school, and much less likely to have not completed Year 10.

##### *Disability and health*

Compared with other poor persons aged 15–64 years, the low-paid poor are much less likely to have a (work-limiting) long-term health condition and have much higher average general health.

##### *Geographic location*

The low-paid poor are less likely than other poor persons aged 15–64 years to live in New South Wales and more likely to live in Queensland and Western Australia. In 2002, they were less likely to live in one of the major cities, but in 2006 they were slightly more likely to live in one of the major cities.

##### *Job characteristics*

Compared with other *employed* poor persons aged 15–64 years – that is, working-age employed persons who are not low-paid but are poor – the low-paid poor are much less likely to be Professionals and somewhat less likely to be Tradespersons and Intermediate production and transport workers. They are also considerably more likely to be Labourers and related workers and Elementary clerical, sales and service workers, and somewhat more likely to be Intermediate clerical, sales and service workers. They are less likely to be working full-time hours, and more generally tend to work shorter hours than poor employees who are not low-paid. The low-paid poor are also of shorter average tenure in their current occupation and with their current employer than other employed poor persons.

##### *Employer characteristics*

Again comparing with other *employed* poor persons aged 15–64 years, the low-paid poor are much more likely to work for employers in Retail trade, somewhat more likely to work for employers in Accommodation, cafés and restaurants, and less likely to work for employers in Education. In 2002, they were also less likely to work in Manufacturing. As with the comparison with the low-paid non-poor, the low-paid poor are more likely to work for a small employer (of fewer than 20 employees) and less likely to work for a large employer (of more than 500 employees) than are other employed poor persons. The low-paid poor are further more likely to be employed in a private for-profit firm and less likely to be employed in the public service than other poor employed persons.

### *Summary*

A key distinguishing feature of poor persons who are not low-paid is that they are mostly not employed; 13 per cent were employed in 2002 and 19 per cent were employed in 2006. Many of these individuals will be income support recipients.

#### **4.3.3 Comparisons between the low-paid poor and persons who are neither low-paid nor poor**

##### *Demographic characteristics*

Compared with persons who are neither low-paid nor poor, the low-paid poor are more likely to be aged under 25 years, more likely to be single, much less likely to be in couple households with or without children, and much more likely to be in sole-parent, single person or 'group' households. They are more likely to be Indigenous or born in a non-English speaking country, less likely to be a migrant from an English speaking country, and much less likely to hold post-school qualifications, and in particular a bachelor's degree or a postgraduate qualification.

##### *Disability and health*

Compared with persons who are neither low-paid nor poor, the low-paid poor are similarly likely to have a long-term health condition, but have slightly lower average general health.

##### *Geographic location*

Compared with persons who are neither low-paid nor poor, the low-paid poor are less likely to live in New South Wales or Victoria and more likely to live in Queensland, South Australia or Tasmania. They are also less likely to live in one of the major cities, more so in 2002.

##### *Job characteristics*

Compared with *employed* persons who are neither low-paid nor poor, the low-paid poor are much less likely to be Managers and administrators, Professionals or Associate professionals and somewhat less likely to be Advanced clerical and service workers. They are much more likely to be Elementary clerical, sales and service workers or labourers and related workers, and somewhat more likely to be Tradespersons and related workers. The low-paid tend to work shorter hours than employed persons who are neither low-paid nor poor, and have substantially shorter average tenure in their current occupation and with their current employer.

##### *Employer characteristics*

Again, comparing them with *employed* persons who are neither low-paid nor poor, the low-paid poor are much more likely to work in Retail trade and Accommodation, cafés and restaurants, and somewhat more likely to work in Agriculture. They are less likely to work in Mining, Manufacturing, Electricity, gas and water supply, Transport and storage, Finance and insurance, Property and business services, Government administration and defence, and Education. They are much more likely to work for a small employer, much less likely to work for a large employer, much more likely to be employed in a private for-profit firm and much less likely to be employed in the public sector.

### *Summary*

Just over half of the non-low-paid non-poor are employed. They are the most likely to be partnered, and least likely to be living in sole-parent households, of all the groups distinguished in Tables 25 to 31. Of those who are working, as might be expected, they

tend to work in higher-skill occupations than the low-paid poor, have been in the job longer and work in larger organisations.

#### **4.3.4 Summary of findings on the characteristics of the low-paid poor**

To summarise this section, compared with other members of the community (but especially the non-poor), the low-paid poor can be characterised as relatively young and more likely to be Indigenous or born in a non-English speaking country, single, and in sole-parent households, and tend to be working for small for-profit businesses in low-skill occupations, with little experience in the current job or occupation.

**Table 25: Demographic characteristics of the low-paid poor compared with other groups – persons aged 15–64 years**

	2002 %						2006 %						
	Low income and wealth			Low income and wealth			Low income, wealth and consumption			Low income, wealth and consumption			
	Low-paid	Not low-paid	Poor	Low-paid	Not low-paid	Poor	Low-paid	Not low-paid	Poor	Low-paid	Not low-paid	Poor	
<b>Gender</b>													
Male	45.4	41.6	45.9	49.4	52.4	40.9	44.3	49.9	51.2	41.3	43.7	49.6	
Female	54.6	58.4	54.1	50.6	47.6	59.1	55.7	50.1	48.8	58.7	56.3	50.4	
<b>Total</b>	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	
<b>Age group (years)</b>													
15–20	38.0	41.0	17.0	7.8	39.2	36.9	16.5	8.5	40.7	36.9	14.1	8.3	
21–24	13.0	12.0	9.4	7.4	14.6	11.7	9.8	7.6	11.4	12.2	7.3	6.9	
25–34	19.2	16.3	23.1	23.7	16.9	14.8	21.3	22.1	19.4	14.4	18.8	21.5	
35–44	19.1	12.8	22.4	23.1	13.5	13.9	23.3	22.3	17.4	13.4	27.0	23.5	
45–54	7.3	12.3	14.1	22.1	10.8	14.7	15.7	21.4	6.7	15.4	16.7	21.6	
55–64	3.4	5.6	14.0	16.0	5.1	8.0	13.4	18.1	4.4	7.6	16.0	18.1	
<b>Total</b>	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	
<b>Partner status</b>													
Not partnered	69.7	64.5	53.6	35.0	69.6	60.6	54.2	35.4	68.4	58.8	47.7	32.3	
Partnered	30.3	35.5	46.4	65.0	30.4	39.4	45.8	64.6	31.6	41.2	52.3	67.7	
<b>Total</b>	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	
<b>Type of household</b>													
Couple, no children	8.7	13.5	12.0	25.8	9.3	15.1	10.6	26.4	8.0	15.6	12.8	27.9	
Couple with children	37.3	60.8	42.4	48.9	34.4	56.9	42.7	49.0	42.8	59.8	44.5	49.8	
Lone parent	24.0	13.4	23.7	8.4	21.2	16.0	21.4	9.5	24.5	13.1	21.4	8.9	
Other (primarily single-person)	29.9	12.3	22.0	16.9	35.2	12.1	25.3	15.1	24.7	11.5	21.3	13.4	
<b>Total</b>	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	

Note: Population-weighted estimates.

**Table 26: Demographic characteristics of the low-paid poor compared with other groups – persons aged 15–64 years**

	2002 %				2006 %				2006 %			
	Low income and wealth				Low income and wealth				Low income, wealth and consumption			
	Low-paid	Not low-paid	Poor	Not poor	Low-paid	Not low-paid	Poor	Not poor	Low-paid	Not low-paid	Poor	Not poor
<b>Ethnicity and place of birth</b>												
Born in Australia (non-Indigenous)	67.2	78.7	60.1	71.6	72.9	81.8	65.2	72.3	79.7	84.1	69.9	74.2
Aboriginal/Torres Strait Islander	6.2	2.3	6.4	1.1	5.3	1.5	7.3	1.3	7.3	1.3	7.6	1.3
Born in English speaking country	6.5	5.6	6.6	10.6	4.6	4.4	5.8	10.1	2.5	4.1	7.9	9.9
Born in non-English speaking country	20.0	13.4	26.8	16.7	17.2	12.3	21.6	16.3	10.6	10.5	14.6	14.6
<i>Total</i>	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
<b>Educational attainment</b>												
Degree or postgraduate qual.	5.2	7.1	8.7	23.0	4.6	7.9	7.3	26.1	5.5	8.4	7.4	26.3
Diploma, Certificate III/IV	18.2	17.9	18.7	28.0	21.5	21.7	20.9	28.9	20.2	21.6	18.8	29.1
High school (Year 12)	29.8	31.5	17.8	16.5	31.2	29.2	20.6	17.3	25.4	29.7	18.4	16.1
Certificate I/II	2.9	2.7	2.9	1.5	4.4	2.5	3.7	1.9	4.9	2.2	5.7	1.9
Year 10/11	30.2	34.1	31.1	23.1	28.7	30.5	28.8	19.7	33.2	31.1	33.6	20.4
Less than Year 10	13.7	6.6	20.8	7.9	9.6	8.2	18.7	6.1	10.8	7.0	16.1	6.1
<i>Total</i>	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Note: Population-weighted estimates.

**Table 27: Disability and health of the low-paid poor compared with other groups – persons aged 15–64 years**

	2002 %				2006 %				2006 %			
	Low income and wealth				Low income and wealth				Low income, wealth and consumption			
	Low-paid		Not low-paid		Low-paid		Not low-paid		Low-paid		Not low-paid	
	Poor	Not poor	Poor	Not poor	Poor	Not poor	Poor	Not poor	Poor	Not poor	Poor	Not poor
<b>Long-term health condition (%)</b>												
No long-term health condition	83.0	90.5	67.3	83.7	81.0	83.7	61.1	80.0	74.1	83.8	55.2	79.5
Does not limit work	4.1	4.0	4.5	4.6	9.3	7.4	7.3	7.2	11.9	8.1	7.5	7.3
Does limit work	12.9	5.5	27.9	11.6	9.6	8.9	29.5	12.4	14.0	8.1	35.3	12.8
Can't work	0.0	0.0	0.2	0.1	0.0	0.0	2.1	0.4	0.0	0.0	2.0	0.4
<i>Total</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>
<b>General health (SF-36)</b>												
Self-assessed health (mean)	70.1	72.9	61.7	71.0	68.9	71.6	61.1	70.5	67.7	72.0	58.8	70.7

Note: Population-weighted estimates.

**Table 28: Location of residence of the low-paid poor compared with other groups – persons aged 15–64 years**

	2002 %						2006 %							
	Low income and wealth			Low income and wealth			Low income, wealth and consumption			Low income, wealth and consumption				
	Poor	Not poor	Low-paid	Poor	Not poor	Low-paid	Poor	Not poor	Low-paid	Poor	Not poor	Low-paid	Poor	Not poor
<b>State</b>														
New South Wales	21.4	30.3	31.7	34.7	27.8	33.2	33.8	22.6	25.1	27.4	31.9			
Victoria	21.9	28.7	20.4	25.7	26.4	21.9	25.2	20.8	25.7	20.3	25.1			
Queensland	25.0	19.0	21.6	18.5	22.9	21.9	19.3	28.7	25.5	28.0	20.6			
South Australia	14.2	7.9	12.8	6.4	6.9	10.8	6.8	14.4	7.5	12.3	6.8			
Western Australia	11.8	9.8	8.6	9.4	11.3	6.5	10.0	10.0	10.8	5.5	10.4			
Tasmania	4.6	1.6	3.9	2.3	2.6	4.9	2.0	3.0	2.8	6.4	2.4			
Northern Territory	1.3	0.6	0.4	0.9	0.8	0.1	0.9	0.0	0.8	0.0	0.8			
Australian Capital Territory	0.0	2.0	0.5	2.2	1.4	0.7	2.1	0.5	1.8	0.4	2.1			
<b>Total</b>	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0			
<b>Region</b>														
Major city	53.3	68.5	61.7	71.9	63.6	60.0	72.2	64.4	62.6	52.7	71.2			
Other region	46.7	31.5	38.3	28.1	36.4	40.0	27.8	35.6	37.4	47.3	28.8			
<b>Total</b>	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0			

Note: Population-weighted estimates.

**Table 29: Job characteristics of the low-paid poor compared with other groups – persons aged 15–64 years**

	2002 %				2006 %				2006 %			
	Low income and wealth				Low income and wealth				Low income, wealth and consumption			
	Low-paid	Not low-paid	Poor	Not poor	Low-paid	Not low-paid	Poor	Not poor	Low-paid	Not low-paid	Poor	Not poor
Employed	100.0	100.0	13.2	52.3	100.0	100.0	19.2	56.3	100.0	100.0	14.5	56.3
<b>Employed persons only</b>												
<b>Occupation (1-digit ASCO) (% in each category)</b>												
Managers and administrators	0.4	1.4	0.9	6.9	1.2	1.3	1.0	8.0	0.0	1.1	1.5	7.7
Professionals	2.5	4.7	15.0	24.5	5.9	4.7	12.3	25.5	8.7	4.5	13.0	26.5
Associate professionals	5.2	6.2	6.6	12.4	2.9	6.8	9.2	13.7	4.4	7.3	8.6	13.6
Tradespersons and related workers	13.0	12.7	16.9	10.6	11.7	11.9	13.1	10.6	10.3	11.9	7.5	9.7
Advanced clerical and service workers	1.8	2.5	2.0	4.6	0.1	2.3	2.3	4.0	0.1	2.0	2.8	4.0
Intermediate clerical, sales and service workers	18.1	21.7	15.5	18.9	20.4	23.6	18.6	17.3	15.7	24.9	21.9	17.0
Intermediate production and transport workers	11.3	9.0	13.1	8.6	6.5	9.6	10.1	9.0	7.5	8.0	14.4	9.4
Elementary clerical, sales and service workers	24.0	25.9	11.7	7.7	23.7	23.7	14.2	6.9	23.9	23.4	6.6	7.2
Labourers and related workers	23.6	15.8	18.3	6.1	27.6	16.1	19.3	5.2	29.4	16.9	23.8	4.9
<i>Total</i>	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
<b>Hours worked per week (% in each category)</b>												
< 20	48.8	40.8	33.3	12.6	38.0	38.5	30.1	11.9	40.2	38.3	29.6	12.7
21–34	16.0	15.6	11.2	11.6	22.5	18.2	16.5	11.3	21.8	19.0	14.9	11.6
35–40	29.7	30.5	33.1	36.8	28.2	32.3	34.8	38.5	26.9	30.8	32.0	38.4
41–49	1.7	7.4	12.5	19.3	7.2	7.3	9.1	18.1	8.0	8.1	9.0	17.9
50–59	2.4	3.5	5.4	13.1	2.4	2.2	4.6	14.0	1.7	2.7	7.9	13.5
60+	1.4	2.2	4.5	6.6	1.7	1.6	4.9	6.2	1.5	1.2	6.6	6.0
<i>Total</i>	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
<b>Mean tenure (in years)</b>												
...in current occupation	3.3	4.2	5.7	9.4	3.6	5.0	4.5	9.6	3.0	4.7	4.6	9.7
...with current employer	2.1	2.9	2.9	6.8	2.3	3.5	2.6	6.9	2.5	3.4	2.9	7.0

Note: Population-weighted estimates.

**Table 30: Firm characteristics of the low-paid poor compared with other groups of employees – persons aged 15–64 years**

	2002 %						2006 %						2006 %					
	Low income and wealth			Low income and wealth			Low income and wealth			Low income, wealth and consumption			Low income, wealth and consumption			Low income, wealth and consumption		
	Low-paid	Not poor	Not low-paid	Low-paid	Not poor	Not low-paid	Low-paid	Not poor	Not low-paid	Low-paid	Not poor	Not low-paid	Low-paid	Not poor	Not low-paid	Low-paid	Not poor	Not low-paid
<b>Industry (1-digit ANZSIC 1993)</b>																		
Agriculture	5.7	3.1	2.8	1.4	2.9	3.6	2.9	2.9	1.2	1.6	3.0	1.6	3.0	4.0	1.3			
Mining	0.4	0.1	0.3	1.9	0.2	0.5	0.2	0.2	2.1	0.0	0.2	0.0	0.2	0.5	2.0			
Manufacturing	11.8	12.2	18.7	14.6	9.6	10.2	9.6	9.9	13.1	14.2	9.1	14.2	9.1	13.0	12.5			
Electricity, gas and water supply	0.0	0.6	0.1	1.1	0.0	0.0	0.0	0.2	1.1	0.0	0.1	0.0	0.1	0.0	1.2			
Construction	4.3	3.9	6.8	4.9	8.5	8.6	8.5	5.2	5.0	4.3	5.8	4.3	5.8	6.3	4.8			
Wholesale trade	2.9	2.9	4.7	4.3	3.3	4.2	4.2	4.2	4.2	3.6	4.2	3.6	4.2	3.7	4.2			
Retail trade	30.3	32.0	13.5	9.3	26.5	17.7	26.5	30.4	10.3	27.3	28.9	27.3	28.9	11.7	9.5			
Accommodation, cafés and restaurants	14.2	10.0	9.9	3.7	11.7	9.2	11.7	10.5	3.3	8.8	12.4	8.8	12.4	5.5	3.4			
Transport and storage	2.7	1.8	3.8	5.0	3.4	5.3	3.4	2.0	4.7	5.0	2.4	5.0	2.4	7.5	5.0			
Communication services	0.4	0.8	0.4	3.0	1.2	2.0	1.2	0.7	2.6	0.2	1.1	0.2	1.1	2.5	2.7			
Finance and insurance	0.8	1.4	0.2	4.5	0.5	1.2	0.5	2.5	5.1	0.0	2.3	0.0	2.3	1.7	4.8			
Property and business services	7.8	7.9	8.0	10.1	7.0	7.9	7.0	5.8	10.8	8.2	4.8	8.2	4.8	6.3	10.3			
Government administration and defence	0.8	1.1	3.5	7.2	1.9	3.8	1.9	2.5	7.1	2.0	2.2	2.0	2.2	3.1	6.7			
Education	3.1	4.6	11.3	11.1	3.8	7.3	3.8	5.9	11.5	4.6	6.0	4.6	6.0	9.5	12.4			
Health and community services	8.5	9.1	9.6	11.9	12.8	13.2	12.8	10.0	13.0	12.2	10.2	12.2	10.2	16.6	13.7			
Cultural and recreational services	4.8	4.0	3.6	2.8	2.0	3.0	2.0	3.4	2.4	3.1	3.2	3.1	3.2	4.3	2.7			
Personal and other services	1.6	4.5	2.8	3.1	4.6	2.5	4.6	3.6	2.8	4.9	4.1	4.9	4.1	3.9	2.9			
<b>Total</b>	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0			
<b>Firm size</b>																		
Fewer than 20 employees	47.2	41.2	37.5	20.9	42.4	36.4	42.4	35.2	17.1	43.1	36.7	43.1	36.7	34.1	17.4			
20 to 99 employees	25.8	21.5	22.8	16.8	20.9	21.0	20.9	21.4	16.8	20.7	20.7	20.7	20.7	23.1	16.9			
100 to 499 employees	7.3	11.0	11.7	15.4	9.1	11.0	9.1	10.3	13.7	10.0	9.6	10.0	9.6	13.6	14.0			
500 or more employees	19.7	26.3	28.0	46.9	27.5	31.6	27.5	33.1	52.3	26.2	33.1	26.2	33.1	29.2	51.7			
<b>Total</b>	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0			

Note: Population-weighted estimates.

**Table 31: Firm characteristics of the low-paid poor compared with other groups of employees – persons aged 15–64 years (continued)**

Sector	2002 %						2006 %							
	Low income and wealth			Low income and wealth			Low income, wealth and consumption			Low income, wealth and consumption				
	Poor	Not poor	Low-paid	Poor	Not poor	Low-paid	Poor	Not poor	Low-paid	Poor	Not poor	Low-paid	Poor	Not poor
Private sector for-profit organisation	86.6	85.4	70.6	65.8	83.8	81.7	76.6	64.2	81.6	81.9	72.2	62.8		
Government business enterprise	2.7	1.8	3.5	8.3	0.8	2.8	2.3	7.0	1.7	2.2	2.5	7.0		
Other commercial	0.3	0.4	0.4	0.3	1.0	0.8	0.3	0.9	0.9	0.9	0.7	1.0		
Private sector not-for-profit organisation	3.5	4.6	6.0	4.5	4.9	5.8	6.4	6.2	6.9	5.8	9.6	6.7		
Other governmental organisation	4.8	6.5	15.9	19.7	5.6	7.6	13.8	20.9	4.4	7.4	13.8	21.8		
Other non-commercial	2.1	1.2	3.6	1.4	4.0	1.4	0.6	0.8	4.5	1.8	1.3	0.7		
<i>Total</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>

Note: Population-weighted estimates.

## 5. Longitudinal analysis

A further 'dimension' to potentially be considered in a multidimensional approach to evaluating the adequacy of living standards is a longitudinal one. In this section we explore this dimension by following over time those who we identify as initially low-paid and poor. Specifically, for those who are initially low-paid and poor, we examine income and wealth outcomes in subsequent waves. This includes identifying the proportion that is subsequently poor, and the proportion that is not, and comparing the characteristics of these two groups to find the characteristics associated with persistent poverty and those associated with exiting poverty.

For this analysis, low living standards are defined only in terms of income and wealth, since expenditure data is only available in Wave 6, and the financial stress criterion results in sample sizes too small to support reliable inferences (and it is furthermore not clear that such criteria are appropriate for defining 'poor').<sup>11</sup>

Our analysis is of Waves 1 and 2 as defining the initial period and Waves 5 and 6 as defining the end period. Specifically, we examine each individual's household wealth in Wave 2 and in Wave 6, and each individual's two-year averaged equalised household income in Waves 1–2 and in Waves 5–6.

The focus is on only the totality of the period spanned by the HILDA Survey to allow a multidimensional approach to the study of persistence of low living standards, since wealth is only measured in Waves 2 and 6. The averaging of income over Waves 1 and 2 and over Waves 5 and 6 is to address the issue of measurement error. As noted in Section 2, measurement error in earnings and income is a non-ignorable problem in longitudinal analysis. Essentially, the problem is a tendency for 'mean reversion', whereby those with the lowest incomes initially tend to have higher income growth and those with the highest incomes initially tend to have the lowest income growth. There is no accepted resolution of this problem, but it is mitigated by averaging over more than one wave. Hence, when examining income mobility, we examine the average of Waves 1 and 2 and the average of Waves 5 and 6. Note that while this problem may also affect inferences on wealth changes, such averaging is not an option with respect to wealth.

### 5.1 Changes to the economic wellbeing of the initially low-paid poor

We begin in Table 32 presenting the proportion of those classified as low-paid poor in 2001–02 that was not poor in 2005–06 – that had 'escaped' poverty – for four alternative definitions of 'poor'. As can be seen from the last column of Table 32, sample sizes become quite small for the longitudinal analysis, so caution is warranted in making inferences based on this analysis. This notwithstanding, it is notable that persistence of poverty is little affected by the addition of the wealth criterion to defining a situation of poverty. Using the 60 per cent thresholds, 57–58 per cent of the low-paid poor in 2002 had exited poverty by 2006, regardless of whether the wealth criterion is applied. Likewise, using a 75 per cent threshold, 40–41 per cent had exited poverty by 2006 whether or not wealth is included. The similarity in persistence possibly reflects the gradual nature of changes in wealth, which tends to accumulate slowly with age. Income is more susceptible to change from year to year and is therefore more likely to be the driver of exits from poverty.

The corollary of the above results is that low living standards persist over four years for 42–43 per cent of the low-paid if the 60%-of-median standard is applied, and for 59–60

<sup>11</sup> In any case, our sample sizes are still generally quite small. In part this reflects the relatively low proportion of persons who are both low-paid and poor. Also contributing to reduced sample sizes is respondent attrition between 2002 and 2006.

per cent of the low-paid poor if the 75%-of-median standard is applied. The latter of these two results suggests that a significant proportion of the 57–58 per cent who exited poverty under the first definition did not progress all that far up the income and wealth ‘ladder’.

The lower panels of Table 32 indicate that poverty persistence is considerably lower for juniors compared with adults if the 60 per cent thresholds are adopted. The differences in persistence between adults and juniors are, however, not as large when the 75 per cent thresholds are used. It would seem that many young people who are initially low-paid and poor do make economic progress over a four-year interval; but for many of these individuals, they are still relatively poor after four years (i.e. they have moved beyond 60 per cent of median income and/or wealth, but not beyond 75 per cent of median income and/or wealth). One could reasonably expect that over a longer interval of time many of these individuals would go on to earn incomes that put their household equivalent incomes in excess of 75 per cent of the median. For example, many low-paid juniors are full-time students who, on completing their education, will enter the full-time labour market and then progressively move up the career ladder into increasingly higher-skilled jobs.

**Table 32: Poverty transitions: outcomes in Waves 5–6 of those low-paid and poor in Waves 1–2 (%)**

	Not poor in Waves 5–6	Poor in Waves 5–6	Sample size
All employees	%	%	%
<b>A. ‘60%-of-median’ thresholds used to define poor</b>			
Low income	57.7	42.3	145
Low income + low wealth	57.2	42.8	103
<b>B. ‘75%-of-median’ thresholds used to define poor</b>			
Low income	40.6	59.4	265
Low income + low wealth	40.2	59.8	201
<b>Adult employees only</b>			
<b>A. ‘60%-of-median’ thresholds used to define poor</b>			
Low income	44.7	55.3	87
Low income + low wealth	42.0	58.0	61
<b>B. ‘75%-of-median’ thresholds used to define poor</b>			
Low income	37.1	62.9	170
Low income + low wealth	33.9	66.1	127
<b>Junior employees only</b>			
<b>A. ‘60%-of-median’ thresholds used to define poor</b>			
Low income	76.7	23.3	58
Low income + low wealth	80.6	19.4	42
<b>B. ‘75%-of-median’ thresholds used to define poor</b>			
Low income	47.1	52.9	95
Low income + low wealth	50.6	49.4	74

Note: Population-weighted estimates.

For the remaining longitudinal analysis, we do not attempt to disaggregate by age (adults/juniors) due to sample size constraints. Table 33 presents the same information as in Table 32, disaggregated by household ‘situation’ in 2002: member of poor household with very limited labour market engagement; sole earner in a poor household; and member of a poor household with two or more earners. Estimates are presented for only two definitions of poor:

- (A) (two-year equivalent) income below 60 per cent of (two-year equivalent) median income and (equivalent) wealth below 60 per cent of median (equivalent) wealth; and
- (B) (two-year equivalent) income below 75 per cent of (two-year equivalent) median income and (equivalent) wealth below 75 per cent of (equivalent) median wealth.

Poverty persistence is greatest for those initially in households with little labour market engagement. The low-paid poor from households with significant initial labour market attachment, whether it be of one or of more than one household member, have substantially higher rates of exit from poverty, particularly if the 60%-of-median standard for defining living standards inadequacy is adopted.

**Table 33: Destinations of those initially low-paid poor, by type of household in 2002**

	Not poor in wave 6 %	Poor in wave 6 %
<b>A. '60%-of-median' thresholds for income and wealth used to define poor [Sample size = 103]</b>		
Poor household, little labour market engagement	44.8	55.2
Poor household, sole earner	81.2	18.8
Poor household, two or more earners	90.0	10.0
All low-paid poor	57.2	42.8
<b>B. '75%-of-median' thresholds for income and wealth used to define poor [Sample size = 201]</b>		
Poor household, little labour market engagement	30.9	69.1
Poor household, sole earner	41.3	58.7
Poor household, two or more earners	60.2	39.8
All low-paid poor	40.2	59.8

Note: Population-weighted estimates.

Table 34 provides a more complete picture of the income and wealth mobility of the low-paid poor. For each of the two definitions of 'poor', it presents the destinations and origins of the low-paid poor in the income and wealth distributions. Specifically, in each of Panels A and B, the upper panel presents the proportion of those who were low-paid poor in Waves 1–2 in each quintile of the income and wealth distributions in Waves 5–6 (the 'destinations' of the low-paid poor). The lower panel in each of Panels A and B presents the proportion of those who were low-paid poor in Waves 5–6 in each quintile of the income and wealth distributions in Waves 1–2 (the 'origins' of the low-paid poor).

As expected, income mobility is revealed to be significantly greater than is wealth mobility. For example, employing the inclusive 75%-of-median standard, just under 30 per cent of the low-paid poor in Waves 1–2 were in the top three income quintiles in Waves 5–6; and 28 per cent of the low-paid poor in Waves 5–6 were in the top three income quintiles in Waves 1–2. By contrast, only 13 per cent of the low-paid poor in Waves 1–2 were in the top three wealth quintiles in Waves 5–6; and 18 per cent of the low-paid poor in Waves 5–6 were in the top three wealth quintiles in Waves 1–2.

**Table 34: Destinations and origins in the income and wealth distributions of the low-paid poor – percent in each quintile**

	Bottom quintile	2nd quintile	3rd quintile	4th quintile	Top quintile	Total
<b>A. 'Poor' if two-year income is less than 60 per cent of median income and wealth is less than 60 per cent of median wealth</b>						
<b>Destinations in Waves 5–6 of those who were low-paid poor in Waves 1–2</b>						
Income distribution	47.0	32.2	10.0	9.0	1.8	100.0
Wealth distribution	72.2	18.8	6.5	1.8	0.6	100.0
<b>Origins in Waves 1–2 of those who were low-paid poor in Waves 5–6</b>						
Income distribution	47.7	29.0	15.7	1.9	5.7	100.0
Wealth distribution	53.5	32.2	5.1	4.6	4.6	100.0
<b>B. 'Poor' if two-year income is less than 75 per cent of median income and wealth is less than 75 per cent of median wealth</b>						
<b>Destinations in Waves 5–6 of those who were low-paid poor in Waves 1–2</b>						
Income distribution	34.4	37.4	16.0	11.0	1.3	100.0
Wealth distribution	62.4	24.1	9.1	3.4	0.8	100.0
<b>Origins in Waves 1–2 of those who were low-paid poor in Waves 5–6</b>						
Income distribution	40.0	31.4	20.5	3.9	4.1	100.0
Wealth distribution	47.9	34.5	8.6	6.9	2.1	100.0

Note: Population-weighted estimates.

## 5.2 The low-paid poor: comparing those who become non-poor with those who remain poor

In Tables 35 to 39, we compare the characteristics of the low-paid poor in Waves 1–2 who were no longer poor in Waves 5–6 with the characteristics of the low-paid poor in Waves 1–2 who were found to still be poor in Waves 5–6. For this analysis, we restrict the definition of poverty such that a person is poor if their income is less than 75 per cent of median income and wealth is less than 75 per cent of median wealth. Characteristics examined are as in Section 4.3, although the very small sample sizes available for this analysis severely constrain the inferences that can reliably be made. As Table 32 indicates, we have approximately 80 observations in the 'not poor' group and 120 observations in the 'poor' group. Relative standard errors will therefore generally be quite high. In interpreting the estimates, it should be noted that individuals could have made several transitions between poor and non-poor over the 2001–02 to 2005–06 period. Thus, for example, some of those found to be 'still poor' in 2005–06 may in fact have exited poverty after 2001–02, but have re-entered poverty by 2005–06.

The above caveats notwithstanding, the estimates suggest the following about poverty persistence of the initially low-paid poor:

- males are less likely to exit poverty than females;
- persons (initially) aged 15–24 are relatively more likely to exit poverty;
- persons in sole-parent households and couple households without children are less likely to exit poverty, and persons in couple households with children and in single-person or 'group' households are more likely to exit poverty;
- non-Indigenous persons born in Australia and immigrants born in an English speaking country are more likely to exit poverty;

- the likelihood of exiting poverty is relatively low for those who have not completed Year 10, and is also – somewhat surprisingly – relatively low for those with diploma or Certificate III or IV qualifications;
- persons with work-limiting long-term health conditions are much more likely to remain poor;
- persons living outside the major cities are relatively more likely to exit poverty;
- those initially working as Tradespersons and related workers or Labourers and related workers are more likely to remain poor, while those initially working as Intermediate clerical, sales and service workers are more likely to exit poverty;
- persons initially working full-time, and in particular long hours, are less likely to remain poor;
- persons initially working in Accommodation, cafés and restaurants are more likely to exit poverty; and
- persons initially working for medium-sized employers (20–99 employees) are less likely to exit poverty, and persons initially working for large employers (500 or more employees) are more likely to exit poverty.

**Table 35: Demographic characteristics of the low-paid poor in Waves 1–2: those who were no longer poor in Waves 5–6 compared with those who remained poor**

	Not poor in Waves 5–6 %	Poor in Waves 5–6 %
Male	50.0	56.7
Female	50.0	43.3
<i>Total</i>	<i>100.0</i>	<i>100.0</i>
<b>Age group in 2002</b>		
15–20	47.4	31.1
21–24	11.7	6.7
25–34	9.5	24.5
35–44	16.1	23.8
45–54	15.3	5.4
55+	0.0	8.5
<i>Total</i>	<i>100.0</i>	<i>100.0</i>
<b>Partner status in 2002</b>		
Partnered	29.0	30.9
Not partnered	71.0	69.1
<i>Total</i>	<i>100.0</i>	<i>100.0</i>
<b>Type of household in 2002</b>		
Couple, no children	4.5	6.7
Couple with children	40.7	36.0
Lone parent	27.0	32.2
Other (primarily single-person)	27.8	25.1
<i>Total</i>	<i>100.0</i>	<i>100.0</i>
<b>Ethnicity and place of birth</b>		
Aboriginal/Torres Strait Islander	1.8	9.2
Others born in Australia	81.0	63.4
Born in English speaking country	9.8	4.5
Born in non-English speaking country	7.4	23.0
<i>Total</i>	<i>100.0</i>	<i>100.0</i>
<b>Educational attainment in 2002</b>		
Degree or postgraduate qual.	5.2	1.9
Diploma, Certificate III/IV	14.0	21.1
High school (Year 12)	30.0	23.3
Certificate I/II	4.0	4.6
Year 10/11	40.9	34.6
Less than Year 10	5.9	14.5
<i>Total</i>	<i>100.0</i>	<i>100.0</i>

Note: Population-weighted estimates. '75%-of-median' thresholds for income and wealth used to define poor.

**Table 36: Disability and health of the low-paid poor in Waves 1–2: those who were no longer poor in Waves 5–6 compared with those who remained poor**

	Not poor in Waves 5–6 %	Poor in Waves 5–6 %
<b>Long-term health condition in 2002</b>		
No long-term health condition	94.2	74.1
Does not limit work	2.6	3.3
Does limit work	3.1	22.7
<i>Total</i>	<i>100.0</i>	<i>100.0</i>
<b>General health (SF-36) in 2002</b>		
Self-assessed health (mean)	73.7	68.6

Note: Population-weighted estimates. '75%-of-median' thresholds for income and wealth used to define poor.

**Table 37: Location of residence of the low-paid poor in Waves 1–2: those who were no longer poor in Waves 5–6 compared with those who remained poor**

	Not poor in Waves 5–6 %	Poor in Waves 5–6 %
<b>State of residence in 2002</b>		
New South Wales	16.5	25.8
Victoria	27.8	18.0
Queensland	33.8	23.9
South Australia	7.3	16.6
Western Australia	9.3	8.2
Tasmania	5.3	5.5
Northern Territory	0.0	2.0
Australian Capital Territory	–	–
<i>Total</i>	<i>100.0</i>	<i>100.0</i>
<b>Region of residence in 2002</b>		
Major city	40.2	55.8
Other region	59.8	44.2
<i>Total</i>	<i>100.0</i>	<i>100.0</i>

Note: Population-weighted estimates. '75%-of-median' thresholds for income and wealth used to define poor.

**Table 38: Job characteristics of the low-paid poor in Waves 1–2: those who were no longer poor in Waves 5–6 compared with those who remained poor**

	Not poor in Waves 5–6 %	Poor in Waves 5–6 %
<b>Occupation (1-digit ASCO) in 2002</b>		
Managers and administrators	0.0	0.4
Professionals	2.8	3.9
Associate professionals	4.2	1.3
Tradespersons and related workers	10.9	15.8
Advanced clerical and service workers	1.8	0.9
Intermediate clerical, sales and service workers	30.5	12.6
Intermediate production and transport workers	14.6	15.8
Elementary clerical, sales and service workers	25.2	22.8
Labourers and related workers	10.0	26.4
<i>Total</i>	<i>100.0</i>	<i>100.0</i>
<b>Hours worked per week in 2002</b>		
< 20	46.9	49.4
21–34	13.8	21.6
35–40	31.6	27.1
41–49	4.9	0.5
50–59	1.3	0.9
60+	1.5	0.4
<i>Total</i>	<i>100.0</i>	<i>100.0</i>
<b>Mean tenure (in years)</b>		
...in current occupation as of 2002	3.0	3.7
...with current employer as of 2002	1.7	2.0

Note: Population-weighted estimates. '75%-of-median' thresholds for income and wealth used to define poor.

**Table 39: Firm characteristics of the low-paid poor in Waves 1–2: those who were no longer poor in Waves 5–6 compared with those who remained poor**

	Not poor in Waves 5–6 %	Poor in Waves 5–6 %
<b>Industry (1-digit ANZSIC 1993) in 2002</b>		
Agriculture	5.1	5.8
Mining	1.3	0.0
Manufacturing	11.0	10.8
Electricity gas and water supply	–	–
Construction	3.6	5.6
Wholesale trade	2.1	3.7
Retail trade	27.2	30.5
Accommodation, cafés and restaurants	17.7	8.9
Transport and storage	1.4	2.9
Communication services	1.5	1.7
Finance and insurance	2.8	0.9
Property and business services	7.0	8.2
Government administration and defence	–	–
Education	1.9	7.0
Health and community services	10.2	9.8
Cultural and recreational services	3.8	3.2
Personal and other services	3.5	1.0
<i>Total</i>	<i>100.0</i>	<i>100.0</i>
<b>Firm size in 2002</b>		
Fewer than 20 employees	52.5	52.7
20 to 99 employees	17.7	24.8
100 to 499 employees	3.9	5.1
500 or more employees	25.9	17.5
<i>Total</i>	<i>100.0</i>	<i>100.0</i>
<b>Sector in 2002</b>		
Private sector for-profit organisation	89.6	82.8
Government business enterprise	0.8	2.7
Other commercial	0.0	0.0
Private sector not-for-profit organisation	0.0	6.6
Other governmental organisation	5.5	5.4
Other non-commercial	4.0	2.5
<i>Total</i>	<i>100.0</i>	<i>100.0</i>

Note: Population-weighted estimates. '75%-of-median' thresholds for income and wealth used to define poor.

Table 40 examines the employment situation in 2005 and 2006 of persons who were low-paid poor in Waves 1–2, broken down by whether they were poor or not poor in 2005–06. When using the 75%-of-median thresholds to define low income and wealth, it shows that in 2005, 69 per cent of those no longer poor were employed full-time, compared with only 29 per cent of those who were poor in Waves 5–6. Those who remained poor had higher rates of both part-time employment and non-employment. The probability of part-time employment in 2005 was 42 per cent, compared with 21 per cent for those no longer poor, while the probability of non-employment in 2005 was 29 per cent for those who were poor in Waves 5–6, and only 10 per cent for those who were not poor in Waves 5–6. Estimates for employment in Wave 6 are similar to the Wave 5 estimates. Clearly, full-time employment is key to exiting poverty.

**Table 40: Employment destinations of the low-paid poor in Waves 1–2: those who were no longer poor in Waves 5–6 compared with those who remained poor**

	<b>Not poor in Waves 5–6</b> %	<b>Poor in Waves 5–6</b> %
<b>Employment status in 2005</b>		
Employed full-time	69.3	29.4
Employed part-time	20.5	42.2
Not employed	10.2	28.5
<i>Total</i>	<i>100.0</i>	<i>100.0</i>
<b>Employment status in 2006</b>		
Employed full-time	74.9	28.6
Employed part-time	15.4	42.8
Not employed	9.7	28.7
<i>Total</i>	<i>100.0</i>	<i>100.0</i>

Note: Population-weighted estimates. '75%-of-median' thresholds for income and wealth used to define poor.

## 6. Concluding comments

The evidence from Waves 1 to 6 of the HILDA Survey shows that when a multidimensional approach to identifying low living standards is taken, relatively few of the low-paid are found to have low material living standards. Even when only income and wealth are considered in the assessment of living standards, and the inclusive 75%-of-median thresholds are adopted, no more than 5 per cent of employees can be classified as poor, equivalent to 21 per cent of the low-paid. The more common 60%-of-median standard (when it comes to defining low income) reduces this proportion to at most 2.7 per cent of employees, equivalent to 11 per cent of the low-paid. Furthermore, the HILDA data show that for many of the low-paid poor, low living standards do not persist over four years. To a large extent, this reflects the young ages of many of the low-paid poor.

These findings are consistent with existing evidence that, at least in the current Australian context, in the overwhelming majority of cases employment is an effective mechanism for avoiding poverty, provided sufficient hours of employment can be secured. Indeed, many of the low-paid poor found to have high persistence in poverty over the medium-term are living in income-support recipient households in which hours worked are very limited. Needless to say, the poverty-mitigation properties of employment in Australia could be altered by allowing the real value of minimum wages to fall and changes in government tax and transfer policies, but one suspects the changes would need to be quite large, and be sustained for some time, before significant numbers of 'working poor' emerged.



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## Notes

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