Introduction

Although poverty in Australia is evident among all ethnic groups, it is Indigenous Australians who appear most profoundly affected by poverty. Research has shown, over the past thirty years since the Henderson Inquiry into poverty, that Indigenous Australians are significantly worse off than non-Indigenous Australians, according to all social indicators. Not only is Indigenous poverty deeply entrenched, the causes are complex. This complexity arises in part because of the legacy of colonisation and social exclusion, and the denial (until relatively recently) of citizenship entitlements. However, the extent of Indigenous poverty can also be attributed to a changing Australian economy and increased demand for skilled labour. Furthermore, despite government policies directed toward achieving economic equality for Indigenous Australians, there has been little improvement to their relative socioeconomic status, according to standard social indicators.

The Howard Government’s approach to Indigenous poverty and disadvantage has focused on addressing practical concerns such as health, housing, employment and education. The current approach is primarily based on programs that encourage mainstream participation, thus enabling Indigenous Australians to compete more equally in the Australian economy, with the objective that Indigenous people reap the economic benefits of greater participation (Altman & Hunter 2003).
These current policies reflect an overall concern with unified national identity and a reluctance to address aspects of Indigenous disadvantage that incorporate elements of the ‘symbolic’. Within this context, the Howard Government has not provided clear support for Indigenous economic governance, Indigenous–directed solutions to Indigenous poverty, or for rights–based issues. Indeed, the governments’ silence about components of Indigenous disadvantage (that drift into the arena of rights—including property rights—and spiritual and emotional well–being) is notable (Altman & Hunter 2003: 16-18). From its position, the Howard Government claims to govern for the interests of all Australians, without special rights granted to one ethnic group over another. However, considering the complex and entrenched nature of Indigenous poverty, it is pertinent to question whether the current policy focus is adequate to address all aspects of Indigenous poverty and disadvantage.

Although income statistics are possibly the most relevant indicators of socioeconomic status in the context of this inquiry, there are some limitations in using only income for Indigenous poverty measurement. Relying solely on income does not adequately illustrate the depth of Indigenous poverty in Australia. Other, inter–related social spheres, including non–monetary spheres, play a significant part in the contemporary economic status of Indigenous Australians.

The frequent portrayal of Indigenous Australians as an ethnically homogenous group who are positioned simplistically against non–Indigenous Australians (for the purpose of data comparison) is equally problematic. Geographic, economic and cultural heterogeneity between Indigenous communities affects poverty measurement and program development. Thus, it is important to recognise the diversity of economic circumstances in the Indigenous population, especially of households of mixed ethnicity, when measuring Indigenous poverty (Altman 2000).

Methodological limitations are also a feature of Indigenous poverty measurement. Available official statistics tend to reflect the values of the dominant society, potentially affecting the outcome of Indigenous–specific research: ‘poverty, like economic status, is a value–laden concept that reflects the mainstream society’s priorities’ (Altman & Hunter 1998: 247). Additionally, research using the social indicator approach can overplay the differences between Indigenous and non–Indigenous people, overlooking that Indigenous Australians make up just over two per cent of the total population. Therefore adjustments need to be made in order to give an accurate picture of Indigenous poverty (Altman 2000).

Overall, poverty research has lacked consistently applied methodology. This has led to difficulties in clarifying Indigenous poverty trends over time (Altman & Hunter 1998). Although it is clear
that Indigenous people are among the poorest in Australia, the methodological problems in Indigenous poverty research has meant that policy makers are often ‘without direction in attempting to deal with entrenched Indigenous poverty’ (Hunter 1999: 1). In order for policy makers to address the multi-faceted nature of Indigenous poverty it is important that future research examine the links between spheres of life (including non-monetary spheres) and the related outcomes that affect Indigenous well-being and economic status (Hunter 1999). It is important that the ‘socialised’ nature of Indigenous poverty is better understood.

Identifying the size of the Indigenous population and defining who is Indigenous becomes problematic when factors such as inter-marriage and changed identification are factored into data collection (Altman & Hunter 2003). The rapid increase in the Indigenous population since 1971 indicates not only increased birth rate, but also an escalation of people identifying as Indigenous, and high levels of inter-marriage (Taylor 1997). The Indigenous population ‘explosion’ since the 1970s might also be partially explained by the increase in mixed ethnicity families, with the offspring of mixed families choosing to identify as Indigenous. Similarly, if the offspring is younger than fifteen, there is evidence that Indigenous identification is selected by household heads, with the offspring later self-identifying as Indigenous (Peterson & Taylor 2002). At the end of last century, around 40 per cent of Indigenous households were of mixed heritage (Altman 2000: 1). These changes complicate Indigenous poverty measurement, using official statistics, particularly when Indigenous family income may be provided by a non-Indigenous family member.

When comparing Indigenous and non-Indigenous economic status, there needs to be adjustments made for the income of households with different characteristics. This can be achieved by dividing raw household income by ‘equivalence scales’. Equivalent income, thus calculated, involves using raw household income and the equivalent scale, which typically varies with household size and composition. Such measures may significantly understate the depth, extent and embedded nature of Indigenous poverty if equivalence scales are used that do not account for the particularities of Indigenous economic circumstances. The challenge lies in developing equivalence scales that are sensitive to the unique position of Indigenous Australians, in order to give a clearer picture, and thus specific guidance for policy makers, of Indigenous poverty (Hunter, Kennedy & Biddle 2002).

The last thirty years has seen a distinct lack of accurate data collection on Indigenous poverty. CAEPR relies largely on census statistics and the 1994 NATSIS survey for analysis of Indigenous economic status. Nonetheless, these problems do not detract from the overwhelming evidence, despite data deficiencies, that ‘Indigenous poverty [is] so stark that the use of different methods will not change
the findings at any point in time’ (Hunter 1999: 16). That is, it makes little difference that there is currently a lack of culturally appropriate, rigorously collected data about the economic status of Indigenous Australians, because the available data plainly illustrates the vast gap in economic well-being between Indigenous and non-Indigenous Australians.

Indigenous poverty appears to be deeply entrenched and persistent. This implies that improvement in Indigenous economic status will require long-term government intervention. A future challenge for governments will involve implementing approaches that recognise the heterogeneity of Indigenous life influenced by the decisions made by Indigenous people in terms of how and where they want to live. These factors in turn affect how rapidly any progress might be made in improving the economic outlook for Indigenous people. The multi-faceted and complex nature of Indigenous poverty suggests that approaches that merely mirror those for mainstream society, or advocate immediate outcomes, may risk failure (Altman 2000).

The following part of this submission contains a brief literature review of some key publications by the Centre for Aboriginal Economic Policy Research on Indigenous poverty, followed by a short list of other relevant publications on Indigenous Australian socioeconomic status.

**SIGNIFICANT CAEPR PUBLICATIONS ON INDIGENOUS POVERTY**


In this discussion paper, Altman examines the economic status of Indigenous Australians by using social indicators. Social indicators of economic well-being include employment, income, housing, education, and health status. These indicators show that, in comparison to non-Indigenous people, Indigenous people ‘have the lowest economic status of all Australians, without any qualification’ (Altman 2000: 1).

Altman examines the various factors that explain the marginal economic status of Indigenous Australians—factors such as the
history of colonisation; the systematic exclusion from citizenship (until the 1970s), and associated entitlements; and geographic remoteness. Similarly, cultural factors such as low labour migration, Indigenous language use and the preference for maintaining Aboriginality over incorporation into mainstream labour markets influence economic marginality, as formally measured (Altman 2000).

Policies aimed at improving the economic status of Indigenous Australians have centred on the areas of health, education, housing and employment. It was assumed that if adequate funding was provided to these areas and progress made, then ‘material betterment would automatically follow and Indigenous people would be able to compete directly with other Australians, both in the formal labour market and in the business sector’ (Altman 2000:14). However, it has been suggested that there is not necessarily any correlation between funding and improved economic status (Altman 2000: 14).

Population projections indicate a sharply increasing Indigenous population by 2006, and in turn this suggests further problems with increased Indigenous unemployment and continuing economic inequality between Indigenous and non–Indigenous Australians. The future costs to governments of this inequality will be far greater than at present.


This discussion paper recognises the invaluable contribution made by Ronald Henderson to the examination of poverty in Australia. In his investigation into Australian poverty, the Henderson Poverty Inquiry of 1975, Henderson found that as an ethnic group, Indigenous Australians were the poorest.

The Henderson Report highlighted these findings by stating that, contrary to common perception, Indigenous poverty was prevalent in urban areas. The Inquiry’s data collection included the urban areas of Adelaide and Brisbane, and it was demonstrated that Indigenous poverty was as prevalent in these centres as assumed for rural and remote areas.
The Henderson Inquiry highlighted the legacy of exclusion of Indigenous people from mainstream services and the welfare state, and the impact of the denial of citizenship entitlements to Indigenous communities. The Inquiry also emphasised the need to approach Indigenous poverty within a holistic framework, and the importance of addressing the vast economic disparity between Indigenous and non-Indigenous Australians. However, some of the policy recommendations were problematic in that they were ‘limited in … vision for Indigenous Australians: [the] focus was primarily urban … [and] solutions to Indigenous poverty were firmly located in the mainstream economy’ (Altman & Hunter 1997: 17). Nonetheless, Henderson’s work in the 1970s placed Indigenous poverty on the policy map for all future governments.

The Henderson Report also highlighted the (continuing) problem of poverty measurement. However, from the available data, and despite large increases in the non-Indigenous poor, it is apparent that Indigenous poverty has remained similar to levels reported in the Henderson Report (Altman & Hunter 1997: 4). Where Indigenous poverty has declined when measured (by income) relative to non-Indigenous poverty, this decline is largely attributable to the escalation in low-income non-Indigenous households.

Nonetheless, based on available data sources, poverty measurement may not account for important non-pecuniary sources of welfare such as hunting and gathering, differences in income sharing arrangements, and household/family size among Indigenous and non-Indigenous households. Similarly, variations in the cost of living between remote and urban Australia; and the depth of Indigenous poverty also provide conceptual complexity to Indigenous poverty measurement (Altman & Hunter 1997: 8–11). In order to understand the extent and depth of Indigenous poverty and thus to formulate acceptable policy, it is important that consistent and culturally appropriate research methods are applied.


In this paper, Hunter contends, expanding upon Benjamin Disraeli’s metaphor of ‘two nations’ to symbolise the gulf between rich and poor in Victorian England, that there are three ‘nations’ in Australia, comprising of the rich, the poor non-Indigenous, and Indigenous Australians. Indigenous economic status is quite distinct from the non-Indigenous poor and rich ‘in the nature and extent of destitution experienced by much of their community’ (Hunter 1999: 1).
Indigenous poverty is not only entrenched and complex, the ‘nature of the poverty experienced may be qualitatively different to that of other poor’ (Hunter 1999: 9). Therefore, indicators other than income are used to measure poverty. These indicators include health; education; effects of dispossession or affinity with land; access to justice; and housing (Hunter 1999).

Accounting for the somewhat abstract nature of poverty research, this paper utilises some case studies to demonstrate the reality and day-to-day grind of poverty, and

the need for a multi-dimensional approach to Indigenous poverty, [not] only because income measures ignore much of the reality of Indigenous community, but also because even well meaning policy intervention can have dire consequences (Hunter 1999: 5).

These case studies are drawn from evidence given to the Royal Commission into Aboriginal Deaths in Custody, and the Stolen Generations Inquiry. They detail the interplay of social issues arising from low economic status.

Hunter’s research indicates that both high and low income (one third) Indigenous households will be affected by chronic health problems. This also signifies that ‘[well-being] is affected by factors other than household income’ (Hunter 1999: 12). The results also show that higher income for Indigenous Australians does not necessarily improve poor Indigenous health. Non-Indigenous Australians displayed a strong link between income and health status, that is, the higher the income, the healthier the household.

The effects of colonisation and dispossession rate highly for both high and low income Indigenous Australians. Stolen Generations are represented more or less uniformly across all income groups. The effects of removal policies are likely to be inter-generational, and thus far-reaching. The available literature about the effects of social exclusion emphasises the connection between Indigenous poverty and social well-being (see HREOC 1997; Aboriginal and Torres Strait Islander Social Justice Commissioner 2001; Borland and Hunter 2000). The effect of social exclusion is an important element of Indigenous poverty measurement.

Arrest rates also feature in both high and low-income Indigenous households. These factors are not characteristic of non-Indigenous, higher income households. Thus, higher income for Indigenous Australians does not equal lower rates of arrest, incarceration or victimisation. There is a slight decline in arrest and victimisation rates for higher income Indigenous households, but not a marked difference. Nearly ‘11 per cent of household members in the top quintile of equivalent household income...[have been] arrested in the last five years’ (Hunter 1999: 12).
Indigenous people are disproportionately represented in the justice system: ‘Indigenous adults are over eight times more likely to be arrested than are other Australian adults’ (Hunter 1999: 16). One important impact upon families is that the financial and social effect of arrest and incarceration on families is long-term. Adding to this mix are the complications of substance abuse and related crime.

Overall, the results show that Indigenous people are about two to three times more likely to be living in poverty than non-Indigenous Australians. Indigenous poverty is not affected by changes in measurement methodology—irrespective of the equivalence scale used, the results show that the depth and nature of Indigenous poverty stands out from the rest of the population. Poor non-Indigenous Australians show similarities with Indigenous Australians in terms of housing difficulties, however, poor non-Indigenous Australians are unlikely to experience the chronic poor health, low life expectancy, and high arrest rates that Indigenous Australians suffer.

Hunter’s ‘three nations’ metaphor is substantiated through analysis of available data: ‘Indigenous people’s living standards are both qualitatively and quantitatively different to that of other poor and rich Australians’ (Hunter 1999: 16).


Indigenous households are more likely to be multi-generational and have several families in residence than other Australian households. Equivalence scales attempt to control for family size and composition and the relative costs of maintaining various families. The authors used the 1995 National Health Survey to examine how variations in the assumptions underlying equivalence scales, such as household composition and economies of size, affect poverty measures for Indigenous and non-Indigenous Australians. The results show that the choice of equivalence scale affects the level and composition of poverty. This is evident in that variations in the assumption about the costs of children can increase Indigenous poverty by a factor of two-and-a-half.

One of the key findings of this paper is that equivalence scale choice matters for Indigenous people! This is most clearly evident in the fact that variations in the assumption about the costs of children have a more pronounced effect on Indigenous poverty. While Indigenous
poverty is generally higher than that in the non-Indigenous population, the Indigenous contribution to poverty is as much as two-and-a-half times larger when children are assumed to cost as much as adults. Furthermore, the proportion of Indigenous people under the poverty line are between 10 and 16 percentage points higher than for the non-Indigenous estimates after controlling for other factors. These variations in poverty are statistically significant and indicate the importance of ensuring that equivalence scales reflect the circumstances of a diversity of family types and cultures.

The use of the same equivalence scales for Indigenous and other Australians is clearly problematic (Altman & Hunter 1997). Unfortunately, the assumption is routinely made and is probably the only one practicable in the short term. If one wanted to model a separate equivalence scale for the two groups, detailed expenditure data for Indigenous and other Australians would be required. To date there has not been a comprehensive study of Indigenous household expenditure patterns. This is unlikely to occur in the near future because of intrinsic methodological constraints and the substantial cost of over-sampling Indigenous respondents.


This paper could be read in conjunction with Working Paper 19 (Hunter, Kennedy and Biddle 2002), as it sets out similar issues, the full implications of which are drawn out in this paper.

This paper examines the sensitivity of Indigenous income to the choice of equivalence scales whereas, Working Paper 19 examines how Indigenous incomes fare relative to a poverty line. That is, this paper examines income inequality issues for Indigenous Australian whereas Working Paper 19 analyses Indigenous poverty directly. The main result is that income for some Indigenous families can change as much as six deciles up (or down), the overall income distribution depending upon which equivalence scale is used. Considering that many government programs are based on measured income, this fact illustrates how access programs can vary depending on measurement method and the unit of analysis.

Hunter, Kennedy, and Smith contend that households should be used in preference to income units (or even families) as the basic unit of income analysis, especially statistical or policy analysis of
Indigenous Australians. While households are slightly less stable than income units, at least in terms of measured income, they provide a better basis for an analysis that directly relates to Indigenous circumstances. In addition to being culturally inappropriate, income units frequently generate distributions of equivalent income, which do not accord with widespread consensus about Indigenous poverty.

RELATED PUBLICATIONS


