Assessing Poverty and Well-being in Australia: Potential of the Capability Paradigm

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Abstract
Poverty and human well-being studies in Australia have been led by socioeconomic statistics which are limited in their description of the problem. There is a growing call for alternate ways, to conceptualise and evaluate poverty and well-being, which assist the government to develop broader and more inclusive poverty alleviation policies that can target more than what these statistics are able to capture. This paper argues for a broader informational space which is not dominant in Australian approaches to conceptualise, measure and evaluate poverty and well-being. The ‘Capability Approach’ brings capabilities and functionings into the informational space, highlighting issues of equality as well as diversity, making it useful for normative evaluations of poverty and well-being especially in an affluent country like Australia. This paper explores the basic tenets of the Capability Approach and how it may be applied to conceptualise and evaluate social policy in Australia. The Capability Approach is compared and contrasted with the ‘Close the Gap’ framework of the Australian Indigenous policy as an illustrative exercise. In conclusion, the paper makes recommendation for further conceptual and empirical work using the Capability Approach to inform Australian social policy.

Keywords: Capability Approach, inequality, well-being, poverty, indigenous

Introduction
In reviewing four decades of Australian poverty research, Peter Saunders (2009; 2005a; 2005b) calls for new indicators of poverty such that the critical link is maintained between how
poverty is conceived, how it is experienced and how it is measured. For three decades since early 1970s, the Australian poverty research and policy agenda has been influenced by the Henderson Poverty line used as a benchmark for poverty measurement. The Henderson poverty line focused on inadequate income as the main feature of poverty and thus called for various kinds of income transfers which could alleviate poverty. This provided the link between poverty research and the structure of a social security system with its reliance on means-testing. Noting that the Henderson poverty line is well past its ‘use by date’ (2005b: 57), Saunders puts forth three alternative paradigms – deprivation, capability and exclusion.

This paper seeks to pursue the capability paradigm to conceive and measure poverty and the related topic of human well-being. The Capability Approach (CA) has gained prominence amongst influential Australians such as Treasury Secretary Ken Henry and Melbourne Institute Director Peter Dawkins (Saunders 2005b). It has also found a place in academic circles in the area of Australian Aboriginal Studies (Duhs and Davidoff 2010; Altman 2009). In practice it has been incorporated in the guiding framework of the Cape York Institute, which champions reform in indigenous economic and social policies (Pearson 2005). More recently in policy discussions, the chairman of the Productivity Commission of Australia, Gary Banks (2007) has made a reference to the CA in his assessment of Indigenous disadvantage in Australia. Whilst there seems to be a growing interest in the CA, very limited theoretical or empirical work (see Headey 2006 for a recent application of CA to assess poverty and disadvantage in Australia) has been done on how it could be applied in Australian social policy.

The structure of this paper is as follows. It begins by exploring the basic tenets of the CA, its strengths and weaknesses, by comparing it to the Close the Gap approach of the Australian Indigenous policy. This comparative exercise will illustrate the applicability of CA in one area of Australian social policy. The paper concludes with general recommendations for further application of the CA in other areas of Australian Social policy.

**The Capability Approach and human well-being**

Conventional measures to assess poverty and human well-being use the informational space of satisfaction from consumption of certain goods and services. Called the utilitarian foundations of welfare economics, this informational space is constrained in what it includes as potentially valuable and what it excludes as not valuable (Sen 1999; 1993). For instance,
conventional poverty measures include in their informational space, household income levels as a proxy for standard of living for all members of the household. What is excluded in this informational space is certain household member’s (mostly women) contribution to unpaid work, their lower participation in paid work and different quality of leisure time. As such, the well-being of these members of the household is inaccurately measured, if measured at all. This implies a need for a broader informational space.

Amartya Sen, proposed an approach to evaluating human well-being and development as ‘the expansion of “capabilities” of people to lead the kind of lives they value – and have reason to value’ (Sen 1999: 18). He includes in the informational space the concepts of Functionings and Capabilities to function. The concept Functionings refers to what people are able to be and do, in other words, what they are able to achieve such as being literate, being well fed, working in the labour market, avoiding escapable morbidity, taking part in the life of a community and so on. The concept Capabilities, on the other hand, implies freedoms to achieve Functionings which people value. To put it simply, Capabilities are real opportunities that people have, and Functioning are the outcomes. Both concepts are interrelated and complementary but are independently useful. Capabilities are evaluated in the space of functionings, thus functionings are always integral to it. However, the focus on Capabilities brings to light issues of freedom and opportunities in a way that a focus on Functionings alone cannot.

To unpack the theoretical concepts in the CA, it is useful to compare it with an existing policy so as to draw out the strengths and weaknesses of the approach. The Close the Gap (CTG) framework of the Australian Indigenous policy is used as an example here. The federal government has identified ‘life expectancy, educational achievement and employment opportunities’ (Rudd 2008: 3) as the core gaps between Indigenous and non Indigenous Australians. The philosophical underpinnings of CTG framework are strongly linked to neoliberal and basic needs approaches (Altman 2009; Pholi, Blac and Richards 2009). Although starting as a grass roots movement in April 2007, it is not overtly different from previous government initiatives such as Aboriginal Employment Development Policy of the Hawke government in 1987 or the ‘practical reconciliation’ of the Howard Government in 1998.
The informational space in the CTG framework consists mostly of socioeconomic indicators in healthcare, literacy and economic participation. While these are crucial areas of assessment, they are limited by their individualistic focus. Given this stance, biomedical and socioeconomic data are popular as they focus on individual behaviour change. A study on Aboriginal, Maori and Inuit youth suicide describes how Indigenous youth suicide is commonly conceptualised as individual problem and hence interventions are addressed individually (Tatz 2004). But this study posits that Indigenous youth suicide is more a societal problem than an individual one. Similarly, the National Aboriginal and Torres Strait Islander Health Survey measures individual experiences of racial discrimination without a corresponding community measure for racial discrimination in the broader Australian population (Australian Bureau of Statistics 2006). As such, one could deduce from evidence based practice that racial discrimination is an individual problem to be addressed on an individual level, as no evidence exists of a broader social or structural problem (Pholi et al. 2009: 5).

This drawback in the CTG framework can be addressed if supplanted by the CA, which is ethically individualistic and ontologically nonindividualistic (Robeyns 2003: 65). Ethically individualistic implies that each person is accounted for in normative judgements without subsuming them under other categories such as household, family, community, and so on, thereby making individuals the ultimate units of moral concern in the evaluative exercise. For instance, an ethically individualistic approach would recognize that people living with disability require more income to achieve similar functioning as non-disabled people. Subsuming their well-being under family or household income risks overlooking their variation in need. At the same time, CA is ontologically nonindividualistic recognising the connections between individuals, their social relations and their social embeddedness. For example, the provision of childcare facilities will expand the capability for paid work for mothers and fathers much more than for childless people. Therefore using the CA, it becomes possible to expand the information space to include structural factors together with the individual factors which influence the well-being of a population subgroup.

Another concern with the CTG framework is its neoliberal sensibility which is based on efficiency rather than equity considerations, thereby conflating economic progress with well-being (Harvey 2007). The emphasis on economic growth assumes a level playing field between Indigenous and non Indigenous Australians discounting historical, cultural, social
and political causes of Indigenous circumstances. While not going so far as to say that CTG framework is irrelevant, it is fair to say that it is limited in its construction of the problem. The CTG objective to half the employment gap between Indigenous and non-Indigenous Australians within the decade has given Indigenous Australians (especially those living in remote areas) the choice of mainstream work or welfare with possibility of migration from home communities. The representation of well-being in this instance is tied to mainstream notions of employment in the market sector. Therefore, any contributions made in the non-market sector, such as participation in customary economy, living in ancestral land, harvesting game for local consumption and so on are not part of the informational space to evaluate well-being.

Unlike other conventional inequality measures which are amenable to the distinctions in the market economy through comparisons of income, job-holding and the like, CA is able to highlight crucial well-being aspects which are located in the non-market sector such as care labour, housework, availability of social networks, empowerment and so on. CA looks at peoples ‘beings’ and ‘doings’ in the non-market sector thus revealing complexities and uncertainties in the overall distribution of well-being. For example, a study of three small scale development projects in Pakistan - goat rearing, female literacy classes and rose garland production - concluded that standard a cost-benefit analysis is unable to integrate intangible effects into the evaluation of well-being (Alkire 2002). Conventional measures of well-being found goat rearing to be a sound economic investment due to higher returns. The project that fared worse off in the cost benefit analysis was the female literacy classes with no returns since there was a limited market for female employment in that region. But when viewed through the CA, the informational space included non market factors such as self confidence, self efficacy, agency and self determination which the literacy project generated amongst the women participating.

Rhetorically, within CTG framework, the concept of well-being is constructed in relation to disadvantage such that the issue becomes apolitical and momentary (Coram, 2008). The premise being, disadvantage is the absence of opportunity and through increased access in key areas, equality between Indigenous and non Indigenous Australians can be achieved. Jon Altman notes the flaw in such an assertion “because it looks for mainstream solutions to deeply entrenched non-mainstream problems” (2009: 1). The CTG framework has over emphasized equality between Indigenous Australians and other non Indigenous Australians
with limited emphasis on human diversity. A broader framework that “transcends the insidious homogenisation embedded in CTG” (Altman, 2009: 14) needs to be employed which values both equality and difference.

The CA could be illuminating in this regard when constructing the notion of well-being of a population sub group in the space of capabilities and functionings. This exercise brings the focus back on the people as the end of well-being and maybe even the means. The concept that freedoms are intrinsic to people’s well-being brings into conversation issues such as political freedoms, economic facilities, social opportunities, transparency guarantees and protective security (Sen 1999: 38). Instead of a tunnel vision of statistical equality, a bird’s eye view of structural norms and historical facts are considered together with socio economic indicators. Looking through the CA lens, it is justifiable that although there might be equality of means (that is access to services, resources etc.) given to Indigenous and Non indigenous Australians, inevitably there will be differences in outcomes (functionings) due to conversion factors. See table below for a comparison of CA and CTG framework).
Table 1
Comparing key features of the Capability Approach (CA) and Close the Gap (CTG) framework. Adapted from Sakiko Fukuda-Parr 2003: 311

<table>
<thead>
<tr>
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<th>CA</th>
<th>CTG</th>
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<tbody>
<tr>
<td>Concept of well-being</td>
<td>Functionings and Capabilities</td>
<td>Disadvantage; Meeting basic needs and utility maximization</td>
</tr>
<tr>
<td>Evaluative space</td>
<td>Human capabilities and functionings; individual and community; personal, social and environmental conversion factors</td>
<td>Poverty reduction in terms of income, employment, access to basic social services – health care and literacy. Economic growth and efficiency.</td>
</tr>
<tr>
<td>Agency aspect</td>
<td>People in development as ends (beneficiaries) and means (agents of change)</td>
<td>People in development as ends (beneficiaries)</td>
</tr>
<tr>
<td>Key operational goals</td>
<td>Expanding peoples opportunities/freedoms/capabilities (social, economic, political) to live the kind of lives they value.</td>
<td>Meeting six high level targets (life expectancy; young child mortality; early childhood education; reading, writing and numeracy; Year 12 attainment; and employment) to close gap between Indigenous and non Indigenous Australians.</td>
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</tbody>
</table>
If supplanted by the CA, the CTG framework could bring peoples capabilities together with their functionings into the evaluative agenda. An example of such a possibility is the case study given by Jon Altman (2009) of the Kuninjku people of western Arnhem land in remote Australia. This community sustains its livelihood through harvesting game for local consumption; producing art for national and global markets; and formal and informal work through Community Development Employment Programme (CDEP). While securing livelihood this way is not easy, it has given the community the flexibility to live on country and retain customary skills. They might not be able to close the statistical gap but they are able to achieve well being as they view it. Unfortunately, state supports such as CDEP are being dismantled as Indigenous Australians are encouraged to join mainstream work or welfare which could mean that they have to leave their home communities. A CA framework to indigenous affairs would focus on their diversity – on what they are able to be and do. It would require the State to create negotiated design, methodologies and outcomes (Taylor 2008: 117) that would be of intrinsic value to the Indigenous Australians.

In spite of the CA’s strengths and usefulness to conceptualise, measure and evaluate well-being, it is fraught with the weakness of under specification (Sugden 1993; Srinivasan 1994; Nussbaum 2003). CA as put forth by Amartya Sen, offers no guidance on which functionings and capabilities are to be included, how they are to be combined or sequenced. By refusing to provide a comprehensive list of Functionings and Capabilities, Sen emphasizes a bottom-up alternative to assessing well-being. Instead of being “passive recipients of the fruits of cunning development programs” (Sen 1999: 53) conceived from above, people decide democratically their joint outcomes (Functionings) and freedoms (Capabilities) which they have reason to value. This implies the need for public discourse, which enables individuals and communities to identify, refine and decide upon what is of intrinsic value to them. In the context of CTG framework, this under specification is a strong suit since power and control over indigenous affairs can be transferred to Indigenous Australians.

**Conclusion**

This paper makes an argument for a broader informational space to conceptualise, measure and evaluate poverty and well-being. The dominant emphasis in poverty studies has been on economic growth as an indicator of well-being but growth as an indicator is unable to explain how deprived people are doing. Recent work in Australia has moved on to studies of deprivation – items regarded as essential which people cannot afford (Saunders and Naidoo
Whilst offering a valuable way forward to overcome existing measures of poverty and well-being, it is still limited as it does not capture real opportunities or freedoms in its informational space. In an evaluative exercise, it is important to take note of not only the amount of information that is included but also the kind of information that is excluded.

The CA offers a broader informational space in which to conceptualize and evaluate human well-being. Conceptually, this paper has demonstrated how the CA is better equipped to capture poverty and human well-being in Indigenous policy in Australia compared to the Close the Gap framework. The Cape York institute which champions reform in Indigenous affairs is an example of how the CA can be applied in practice in the Australian context. The institute has expressed an agenda to ensure that “Cape York people have the capabilities to choose a life they have reason to value” (Pearson 2005: 3). Other areas of Australian social policy would benefit from evaluations made through the CA. Albeit fraught with insufficient data and operational conundrums, the CA is a useful foundation for poverty and well-being measures and is at a nascent stage in Australia. There is a pressing need to move beyond closing gaps to expanding capabilities.

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1 Informational space refers to breadth of information that is needed for assessing a person’s advantage/well-being or evaluating social arrangements.

2 Conversion factors refer to personal, social or environmental factors such as gender, cultural practices, physical and mental handicap, climate, legal regulations etc. (Robeyns 2003). Thus, equal command over resources does not always mean equal opportunities since individuals differ in their ability to convert resources into outcomes.

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References


