

# SARC *briefs*



## Hard times: Tasmanians in financial crisis

### What are emergency relief and financial counselling services?

Emergency relief and financial counselling services are provided by community service organisations, with funding from both the Australian and State Governments. Some emergency relief providers obtain additional funding for their services through fundraising, donations and the proceeds from op-shops and similar projects.

This summary explores the causes of financial crisis in Tasmanian households and what drives people to seek assistance from emergency relief and financial counselling services. It outlines the main findings of a two-week, snap-shot survey of 411 clients of these services from around Tasmania.

### Who were the participants?

Of the 411 participants in the survey:

- 94.5% were dependent on income support payments, mainly the Disability Support Pension, Parenting Payment Single and Newstart Allowance;
- 67.2% were female;
- 65.8% were from urban areas;
- 51.4% had dependent children;
- 51.0% were aged under 35;
- 44.8% were private renters and 33.7% were public housing tenants;
- 31.1% lived on their own and 30.6% were single parents;
- 15.4% were Aboriginal<sup>1</sup>; and
- 5.9% were from a non-English speaking background.

### How often did people experience financial crisis?

Financial crisis was not a new experience for the people surveyed. Nearly half (47.2%) said that their household regularly or always had financial problems and 81.0% had applied for assistance from emergency relief and financial counselling services before. Of those who had applied before, nearly half (46.2%) were using services four or more times a year.

1. In this Brief, 'Aborigines' and 'Aboriginal' refer to Aboriginal and Torres Strait Islander people.

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*Half of the participants (49.4%) said that it was always true that they worried about whether the amount of food that they could afford to buy for their family would be enough. Another quarter (27.5%) said it was mostly true.*



Even among people who had not applied for assistance before, financial crisis was not a new experience – 39.7% of first time applicants said their household had financial problems regularly or always.

## Hardship

The survey asked about seven 'indicators' of hardship. These were whether in the previous year, due to a shortage of money, households had been unable to pay their electricity or phone or gas bill, been unable to pay their rent or home loan, pawned or sold something, gone without meals, been unable to heat their home, had the phone disconnected or had the power off.

The proportions of participants whose households had had these experiences were shocking.

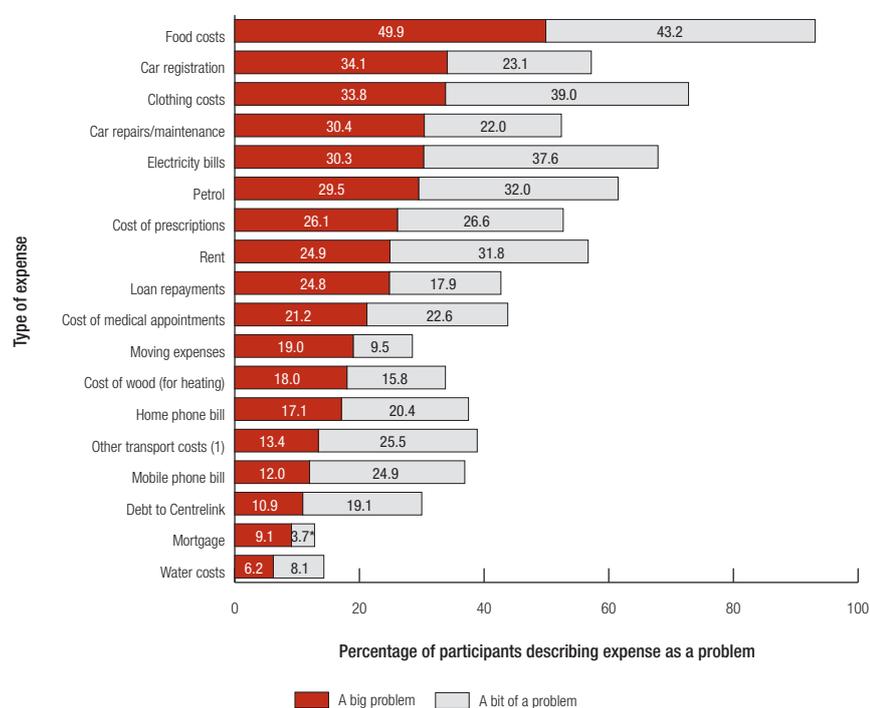
**Table 1: How many people experienced hardship?**

| In the previous year, due to a shortage of money, have you: | Percentage of participants saying yes |
|---|---------------------------------------|
| Been unable to pay an electricity, phone or gas bill?       | 67.9%                                 |
| Been unable to pay your rent or home loan?                  | 47.9%                                 |
| Pawned or sold something?                                   | 64.6%                                 |
| Missed meals?   | 75.1%                                 |
| Been unable to heat your home?                              | 57.4%                                 |
| Had your telephone disconnected?                            | 40.8%                                 |
| Had the power off?  | 28.3%                                 |

## The cost of living

The survey form listed 18 expenses and asked participants to indicate to what degree each was a problem for their household. The responses indicate that the expenses causing the most difficulty were food, clothing, electricity bills, the costs of registering, maintaining and running a car, rent and prescription medicines.

Figure 1: Which expenses were problems for households?



\* Estimate has a relative standard error of 25-50% and should be used with caution.

(1) 'Other transport costs' would include the cost of public transport, community transport and taxis.

Participants experienced problems right across their household budget. A third (33.6%) described five or more expenses as big problems for their household. Households where multiple expenses were a big problem reported higher rates of hardship.

Participants were also asked which expenses had led them to seek assistance on this particular occasion. Food was identified as the main reason for needing assistance by 36.2% of participants. The other expenses most commonly named as reasons for needing assistance were rent, electricity bills, loan repayments, car registration and clothing costs.

### Lack of income

Research suggests that although there are a range of reasons why a household might fall into financial crisis, lack of income is one of the main contributing factors. Not only were most participants dependent on income support payments, but they had been dependent on income support for a long time: nearly three quarters (72.6%) had been on income support for two or more years and a quarter (24.8%) had been on income support for over a decade.



*The survey revealed that different households have different ways of coping with a shortage of money. For example, people with children and people with partners were more likely to report that they had been unable to pay bills or that they had been disconnected from essential services, while people living alone were much more likely to say that they had missed meals or gone without heating.*



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In addition, nearly half (49.7%) of the participants were on a reduced rate of their income support payment. This may occur if a person is paying back a Centrelink advance payment (or 'loan'), repaying a debt to Centrelink or have had part or all of their payment withheld as the result of failing to meet a mutual obligation requirement.

Of those people who were on a reduced rate, over half (56.2%) were paying back an advance payment and a quarter (26.6%) were paying back a debt. Thirteen per cent were on a reduced rate for more than one reason. Of those participants who had partners, 41.3% said their partner was on a reduced rate, and for 32.5%, both were on a reduced rate. The impact that being on a reduced rate had on the household was clear: participants on a reduced rate reported much higher rates of hardship than did participants who were not on a reduced rate. Rates of hardship were highest among participants repaying advance payments, suggesting that for the participants in this survey at least, even this form of 'affordable' credit was not 'affordable' enough.

## Underlying issues

The survey asked participants whether they or someone they lived with had experienced any of a list of 20 underlying issues that could create problems for the household. The issues most commonly affecting participants' households included family or relationship breakdown (43.3%), mental illness (32.4%), chronic debt (27.5%), disability (27.5%) and a legal problem or court appearance (26.5%).

Issues tended to cluster together. Two thirds (68.4%) of the participants had been affected by more than one issue and a quarter (24.6%) had been affected by five or more. Those affected by multiple underlying issues were more likely to experience hardship, have financial problems regularly or always, worry about the amount of food they could afford for their household and experience problems with multiple household expenses.

Of the list of 20 underlying issues, those most associated with financial hardship and difficulty were eviction, chronic debt and legal issues. This is well-supported by research, which has found that these issues have a strong association with financial stress. There are also intersections with other issues: for example, participants reporting legal problems were more likely than average to also report that they had been affected by a health-related issue in the previous year. Research has found that people with a chronic illness or a disability are more vulnerable to experiencing

a wide range of legal problems and are less likely to successfully resolve their legal problems (Coumarelos & Wei 2009, pp. 2-3).

### Access to other support

The final question in the survey asked participants whether they or anyone in their household was receiving any other support services. Only 15.8% of participants were receiving any other support services, which meant that the overwhelming majority (84.2%) were receiving no additional support, despite reporting high levels of financial stress and complex underlying issues. Participants who had used emergency relief or financial counselling services before and those who had been on income support for long periods were more likely to be receiving other support, suggesting contact with the service system does facilitate some referral to other services, but even among those groups of participants most likely to be receiving additional support services, the actual proportion receiving other support was very low.

### Recommendations

The findings of this survey were not unusual. They were consistent with the findings of similar surveys from across the country and with the vast literature on poverty, financial hardship and disadvantage. Report after report has raised these issues and it has become clear that more than small-scale efforts to ameliorate the impact of financial crisis are required. Therefore, while the recommendations in Anglicare's reports usually focus on responding to each of the individual issues raised, Anglicare chose this time to take a different approach and call for structural reform to tackle the broader causes of financial crisis and social exclusion.

#### The key recommendations included:

##### Income support

We need a different approach beyond recommending financial counselling and budgeting tools as solutions to ongoing financial crisis – an approach that recognises that first and foremost, people need adequate incomes that can cover the cost of essentials. The Australian Government's recent reforms to the pension system provide some relief from financial stress for some groups, but fail to address the issue of adequacy across the whole income support system.

**Anglicare is calling for all income support payments to be increased to a level sufficient to provide recipients with a basic acceptable standard of living.**



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## Food security

Food security is a complex issue that requires a comprehensive response encompassing the full spectrum of food production, distribution and consumption. The State Government's recent response to the Social Inclusion Commissioner's report establishes a new food security council, but it appears that this body will be responsible for direct service delivery as well as for strategic issues (Social Inclusion Unit 2009, p. 11). Anglicare believes that the research evidence on food security calls for Tasmania's food security council to take an exclusively strategic role if it is to successfully make substantial inroads in this area.

**Anglicare is calling for the council to be given a legislative mandate, clear and transparent targets, a responsive and democratic approach, a representative membership, a focus on strategic and structural issues, long-term, recurrent operational funding, sufficient operational resources, lines of reporting into key government departments and the financial capacity to support direct service delivery by other groups where there is need.**

## Housing

The large number of public housing tenants who are using emergency relief services and the level of hardship they are reporting is a concern, given that the public housing system is supposed to provide affordable, supportive housing for people with complex needs. The research suggests that the disadvantage reported by participants in this report who were public housing tenants is symptomatic of the restrictive targeting of public housing to those most in need and the chronic under-funding and political neglect of the public housing system over many years. Anglicare is particularly concerned about the risk posed by present reform directions, especially in the area of rental policy. Public housing rents must be affordable for tenants and the delivery of affordable rents can only occur with substantial Government funding and support.

**Anglicare is calling for the retention of public housing as a core government service, with appropriate recurrent investment, and a particular commitment to providing the funding necessary to deliver affordable rents in public and community housing.**

## Essential services

Many of the expenses causing financial stress in participants' households are delivered by corporatised, government-owned services such as Aurora Energy, Metro Tasmania and the new water and sewerage corporations. The essential

services provided by these corporations were not affordable to the participants in this survey, and research would suggest that they are increasingly unaffordable for low income households in general. Making these services affordable is a State Government responsibility met through the provision of 'community service obligation' payments to the corporations. This and other research suggests that the current level of these payments is inadequate.

The definition of 'affordable' is a complex area, but Anglicare believes that the affordability of any one essential item has to be considered in the context of all the other demands on the household budget and the standard of living the household is able to achieve.

**Anglicare is calling for the inclusion of 'affordability' as a core community service obligation for corporatised essential services, with appropriate funding provided by the State Government.**

**Anglicare is also calling for the provision of a 'lifeline' tariff by applicable essential services – a basic component of usage that is free to the user – so that no one need be disconnected from the supply of any essential service due to an inability to pay.**

**The customer service standards of essential services also need to be reviewed to ensure that they are really meeting the requirements of low income earners and households with special needs.**

### **Underlying issues**

The survey drew attention to the range and complexity of personal issues that underpinned people's experience of financial crisis. Many emergency relief services in their current form, particularly the smaller services, do not have the capacity to respond effectively to these kinds of problems. Governments are recognising this, but the reality is that the focus of the recent funding injections into emergency relief has been on the financial and budgeting end of the spectrum of issues facing clients. There has been insufficient attention given to the other issues facing clients and the lack of additional support available to resolve those other issues.

**The full list of recommendations arising from the research and a more extensive discussion of the findings are contained in the full report.**



## Social Action and Research Centre (SARC)

Anglicare's SARC team works with low income Tasmanians to identify the structural barriers that impact most severely on their lives. The Centre pursues policy change on these issues at a State and Federal level. [www.anglicare-tas.org.au](http://www.anglicare-tas.org.au)

### References

Coumarelos, C & Wei, Z 2009, *The legal needs of people with different types of chronic illness or disability*, justice issues paper no. 11, Law and Justice Foundation of New South Wales, Sydney.

Social Inclusion Unit 2009, *A social inclusion strategy for Tasmania: preliminary response*, Department of Premier and Cabinet, Hobart.

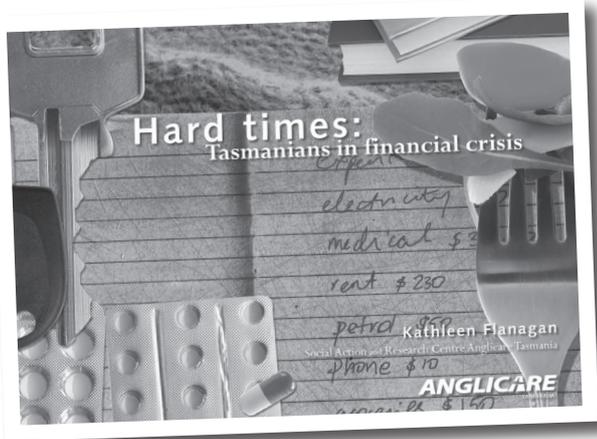
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### For more information

The full report, *Hard times: Tasmanians in financial crisis* by Kathleen Flanagan, is published by the Social Action and Research Centre at Anglicare Tasmania.

It is available by calling 6213 3555.

It can be downloaded at [www.anglicare-tas.org.au](http://www.anglicare-tas.org.au).

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