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TASMANIA

Social Action and Research Centre

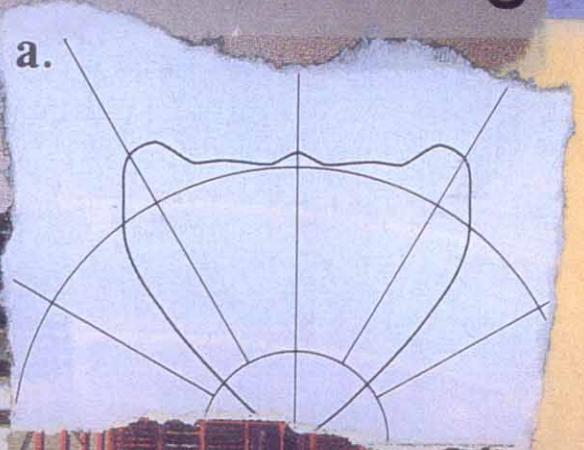
brief

# Bread and Board

When the basics break the budget

a.

d.



○ Kelly Madden

1974  
Pioneer Shelter



# **Bread and Board:**

## **When the basics break the budget**

**Kelly Madden**  
**Social Action and Research Centre**  
**Anglicare Tasmania**

**Bread and Board:  
When the basics break the budget**

Anglicare Tasmania Inc, February 2003

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**ISBN 0-9580475-6-1**

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# **1. Acknowledgements**

This research was funded by Anglicare Tasmania and the State Government through the Family Assistance Program. The researchers would like to thank the members of the Project Reference Group, Ronda McIntyre (The Salvation Army), Dawn Alomes (Anglicare Financial Counselling), Barrie Brumby (Aurora) and Sue Grigg (Department of Health and Human Services) for their advice during the development of the research. This group and Joy Radford (Salvation Army) also provided valuable feedback and comments on the written report. The research findings and recommendations of this report are those of Anglicare. The views expressed in this report should not be attributed to any members of the reference group or their employers. Any errors in the report are the responsibility of the author.

The researchers would also like to thank the many Emergency Relief workers and financial counsellors who agreed to assist with this research. These people, many of them volunteers, work under considerable pressure and we are particularly grateful to them for spending additional time in conducting the surveys with their clients.

Finally we would like to very sincerely thank the many clients who, at a time of financial crisis, were willing to share information about themselves and their families. We share their hope that this research will lead to changes which help to prevent future financial crises for low income Tasmanians.

This research project was conducted by Kelly Madden and Margie Law.

## 2. Executive Summary

Strong economic growth has provided significant opportunities for Tasmanians during the past two years. Many people have been able to gain employment and improve their standard of living. However, there continue to be thousands of Tasmanians who experience significant disadvantage, living on very low incomes, and who struggle to make ends meet.

This research surveyed 812 Tasmanians who were experiencing financial crisis. All of the survey respondents were people who accessed Emergency Relief and Financial Counselling agencies over a two week period in November 2003. Emergency Relief agencies tend to provide food parcels or vouchers while financial counsellors usually assist by negotiating with creditors and helping to develop debt repayment and budget plans.

Overwhelmingly, the people seeking assistance were low income Tasmanians reliant on Centrelink pensions or benefits. Most were living on Parenting Payment Single, the Disability Support Pension or Newstart Allowance. These low incomes, which are close to or below the Henderson Poverty Line, leave people constantly exposed to the risk of financial crisis. Two thirds of the respondents had been on a Centrelink payment for two years or longer. Whatever financial reserves they might have had were gone; a big bill, a car breakdown or the ordinary costs of living were enough to cause a crisis.

Single people and single parents accounted for almost 70% of those surveyed. Sixty three percent of the respondents were women and about half of all respondents were caring for dependent children in their homes. Almost 45% of the respondents were living in private rental accommodation with a further 33% in public rental. Private renters were much more likely than public renters to consider their housing costs as a big or very big problem for the household. Almost 40% of private renters reported that their rent had increased in the past year, on average by \$30 per fortnight. Private renters also had significant issues with housing stability, only 18% of this group reported living in the same home as two years ago (compared to almost 50% of people in public rental accommodation).

The main cause of financial crisis identified by respondents was food costs followed by electricity bills, rent payments, car/transport costs, debt payments and medical expenses. The large proportion of respondents ranking food costs as their main cause of crisis (27%) is likely to be affected by the fact that Emergency Relief agencies give the majority of their assistance as food parcels or vouchers. However, the fact that hundreds of Tasmanians could not afford to buy enough food for their households during the survey period is disturbing. That 59% of respondents reported having gone without meals due to a shortage of money in the past year is perhaps even more shocking. No Tasmanian should face a situation where they are unable to afford a meal.

The cost of electricity in a cold climate is a major concern to many low income Tasmanians. For people in financial crisis it can be a critical issue. Almost 20% of the survey respondents reported having had the power off at some time during the previous 12 months, this includes 11% who were disconnected by Aurora and 7% who couldn't afford to recharge their Pay As You Go (PAYG) card. Overall 10% of respondents reported that the electricity bill was the main cause of financial crisis for their household. Just over 30% of respondents had moved to the (PAYG) system for their electricity accounts and people using this payment method were less likely to report electricity costs as a big or very big problem for their household.

Health costs were also identified as a problem for many respondents. Almost 25% of those surveyed reported that they or a family member living in their household had experienced a mental illness in the past year. Other types of chronic illnesses and drug or alcohol addiction were also issues for nearly 20% of respondents. As would be expected, the greater the number of health issues which were experienced in the household, the greater the likelihood that health costs were identified as a big or very big problem.

Debt payments were particularly likely to be identified by clients of Financial Counselling services as being the main cause of their financial crisis. Overall 15% of respondents identified loan costs to be a big or very big problem for their household. The main debts were electricity bills, phone bills, loans from family members or friends and personal loans. Almost half of those people with personal loans identified loan payments as a big or very big problem for their household.

Car and transport costs were very likely to be identified by people living in non-metropolitan areas as a big or very big financial problem. The lack of public transport options and the high costs of running a car make this issue a problem for 41% of people living outside the major population centres.

Anglicare has made a range of recommendations for policy changes at a State and Federal level. Each of these recommendations seeks to ensure that some of the most vulnerable members of our community are able to afford the basics for a decent life. The key recommendation is for the Federal Government to ensure that all Centrelink recipients are on incomes which are above the Henderson Poverty Line. This single recommendation has the potential to make the most significant difference for the most disadvantaged members of our community.

### **3. Recommendations**

#### **Increasing income support payments**

Reliance on Centrelink payments was almost a universal experience for those who participated in this research. The low level of many Centrelink payments exposes people to the risk of financial crisis. This is particularly the case for people relying on Newstart, Austudy, Youth Allowance and other allowances which are set well below the already modest level of pensions. ACOSS (2003) has also recognised the need for increases in payments to people caring for older children to reflect the real costs of raising a child.

#### **Recommendation 1**

**That the Federal Government increase payments for Newstart, Austudy, Youth Allowance and other primary allowances to the level of pensions.**

#### **Recommendation 2**

**That the Federal Government adjust family assistance payments based on the actual costs of raising a child in a low income family.**

#### **Recommendation 3**

**That the Federal Government adjust Youth Allowance, Rent Assistance and Family Tax Benefit Part B payments to ensure that family payments do not fall as children grow older.**

#### **Information provision by Centrelink**

People who register with Centrelink after experiencing a change in their circumstances can be in a particularly vulnerable position. Centrelink can provide advanced payment of part of the claimant's first income support payment in cases of financial hardship. However, Centrelink does not provide any information about this Hardship Advance Payment in its brochures for people in financial crisis. It is important that information about this payment is included in Centrelink literature so that clients and community workers are aware of its existence.

#### **Recommendation 4**

**That Centrelink include information about the Hardship Advance Payment in its literature for people in crisis and provide information about the arrangement to other community service agencies, particularly Emergency Relief agencies.**

#### **Creation of more Public Housing**

The real estate boom in Tasmania has placed significant pressure on the supply of low cost rental accommodation. The State Government has made a major commitment to build additional public housing and assist low income renters through the Affordable Housing Strategy. It is important that the number of homes available for public rental is significantly increased to meet demand from low income Tasmanians. The Federal Government can assist the State in achieving this goal by forgiving the state's current public housing debt.

#### **Recommendation 5**

**That the Federal Government forgive the \$263 million public housing debt owed by the State Government. That the State Government commit to ensuring that the funds which would have been spent servicing this debt are used to create additional public housing in Tasmania.**

## **Assistance with electricity bills**

Electricity costs are an area where assistance from the State Government and energy retailer Aurora can have a significant impact on the quality of life of people in financial crisis. The Victorian State Government, for example, provides assistance through programs which help people to reduce their electricity bills by providing a grant towards the cost of an energy efficient appliance and through assistance with bill payment for people who are experiencing a temporary financial crisis. These schemes could easily be adopted by the Tasmanian State Government.

### **Recommendation 6**

**That the State Government introduce a Utility Relief Grants Scheme and an Electricity Capital Grants Scheme modelled on the Victorian programs to assist low income Tasmanians to deal with financial crisis caused by electricity bills and reduce their ongoing power costs.**

### **Recommendation 7**

**That Aurora Energy provide 'electricity vouchers' to Emergency Relief agencies. These vouchers should be able to be applied to electricity bills or top-up PAYG cards. This voucher system could form part of a Hardship Policy for Aurora and should be developed in consultation with community agencies.**

### **Recommendation 8**

**That the State Government fund a print and television advertising campaign about the electricity concession with a particular focus on the winter concession for Health Care Card holders. This campaign should run well before the winter months in early 2004 and include distribution of information and advertising material to all Emergency Relief and Financial Counselling, Neighbourhood Houses in Tasmania.**

## **Information on low cost phone services**

The cost of an ordinary home telephone account is beyond the reach of many of the survey respondents. Telstra has developed a range of phone services for low income consumers as required under its licensing conditions with the Australian Communications Authority. However awareness of some of these products, particularly the service where consumers have free line rental for a phone that essentially allows them to have incoming calls only, is very limited.

### **Recommendation 9**

**That Telstra distribute posters and small cards about key products including InContact, MessageBox, and the Pensioner Concession to all Emergency Relief, Financial Counselling Services and Neighbourhood Houses for provision to clients. Ongoing monitoring of awareness of these products by members of the target group should also be undertaken.**

## **Access to affordable health care**

The cost of health services has become a major issue for low income Tasmanians in recent years. Key concerns include the difficulties in finding General Practitioners who bulk bill and the cost of pharmaceutical bills for people who require large amounts of prescription medication. Debate on the Federal Government's proposed changes to Medicare had not concluded at the time of

writing. However, Anglicare makes two recommendations regarding access to affordable health care.

#### **Recommendation 10**

**That the Federal Government ensure guaranteed access to bulkbilling doctors for Health Care and Pension Concession Card holders and their children.**

#### **Recommendation 11**

**That the Pharmaceutical Benefit Scheme Safety Net Threshold for concession card holders be adjusted for family size, to approximately \$50 for a single person, \$100 for a couple or a single parent with one child and \$150 for a three person family. The \$197.60 threshold should be retained for all other concession holding families.**

#### **Access to affordable consumer credit**

Consumer credit has become the main way for households to gain access to major household appliances such as fridges and washing machines. Low income people are often excluded from access to mainstream credit providers. Fringe lenders will generally provide credit to this group but at interest rates which are many times higher than those offered by institutions such as banks. No Interest Loan Schemes and Centrelink Advance payments are two of the very few affordable credit options available to low income earners.

#### **Recommendation 12**

**That the State Government commit to fund the administration costs for the NILS Network of Tasmania Inc beyond June 2005**

#### **Recommendation 13**

**That Centrelink introduce more flexible options for Advance Payments. This includes the option of smaller, more regular loans and also the option of loans for amounts of between \$500 and \$1000 for major household appliances and bills with repayment schedules of 12 months.**

#### **Increased public transport and help with transport expenses for those in isolated areas**

Tasmania's relatively small and dispersed population presents significant challenges to the development of an efficient and effective public transport system. However, the State Government's goal should be to ensure that all Tasmanians can achieve affordable access to their closest major population centre. Anglicare proposes that where this goal cannot be achieved using public transport, significant concessions for private vehicles should be offered to low income earners.

#### **Recommendation 14**

**That the State Government commit to ensuring that all Tasmanians have access to some type of public transport service to take them to the nearest major population centre. Where this is not possible the State Government should provide a significant concession on motor vehicle stamp duty and car registration for isolated Health Care and Pension Concession Card holders to assist with the costs of running a car.**

## **4. Introduction**

Over the past two years the Tasmanian economy has experienced a level of growth which is unprecedented in the past twenty years. This growth has provided many Tasmanians with opportunities to find employment and significantly improve their standard of living. However, two decades of poor economic performance have left a legacy of deep disadvantage for many individuals and families. Thirty six percent of Tasmanians rely on Commonwealth pensions and benefits as their main form of income and the State is below the national average on a range of health and educational indicators (ABS, 2003a; ABS, 2003b). Tasmania also has a high proportion of people with disabilities (22%) compared to the national average (19%) (ABS, 2003b).

This project focuses on the people who will be last to reap the benefits of an improved economy. These are the people who were hardest hit by the recessions of the 1980s and 1990s. These are people whose long-term unemployment, health problems or status as a single parent has meant that they are forced to rely on Commonwealth income support payments, some living below the Henderson Poverty Line.

This research specifically surveys the experiences of people who have turned to Emergency Relief (ER) or Financial Counselling agencies for help during a time of financial crisis. It provides a greater understanding of the key factors associated with financial crisis for these households. It should be noted that the research does not investigate Emergency Relief or Financial Counselling services themselves. It is the broader experiences of the people using these agencies which are the focus. It is useful, however, to give a brief summary of the types of services provided by ER agencies and financial counsellors as background to the research findings.

### **4.1 Emergency Relief (ER)**

Emergency Relief services are sometimes described as the 'safety net under the safety net'. Nationally the program is funded by the Federal Government through the Department of Family and Community Services (FACS) with \$28.9 million shared among about 900 community agencies around Australia in 2003/04 (FACS, 2004).

In Tasmania the State Government provides funding for ER under the \$350,000 Family Assistance Program. The Federal Government allocation for the State is about \$943,000 shared between 21 community agencies. Many of the agencies have outlets in more than one location. Almost all of the assistance funded by the ER program in Tasmania is given to people in the form of food vouchers and food parcels. Many ER agencies also provide some assistance with blankets, second hand clothing, new or used furniture and assistance paying accounts. In addition to the material assistance, most agencies also provide information to clients, referrals to other services and sometimes advocacy on behalf of clients.

Under the terms of Federal Emergency Relief funding agencies may not use more than 15% or \$5000, whichever is the lesser, for administrative purposes. This requirement means that many agencies are run by volunteers and that those services with paid workers need to subsidise the program from other funding sources. Many agencies also supplement the funds used to purchase goods for distribution to clients from donations and other sources.

Anglicare researchers talked to representatives of all Tasmanian ER agencies during this research project and many said that demand for services was well above what could be met from their budget. Almost all agencies have policies to

try to manage this high demand, including guidelines which generally restrict clients to three or four lots of assistance for the year, ensuring that clients only access one ER agency and/or allocating their resources monthly or quarterly with no further ER given after the funds for that period run out. This research project initially attempted to collect data on unmet need for Emergency Relief during the survey period. However, this research was conducted over a two week period which made it impossible to gather reliable data for those agencies which allocate their resources on a monthly, quarterly or other longer term basis. Agency-based collection of data on services provided and unmet need would supply very useful information for tracking changes in demand for ER and would also provide evidence for increased funding to address unmet need.

The Federal Government is currently conducting a review of its ER program. ER agencies have made submissions on a FACS discussion paper and a position paper due to be released soon. This paper does not examine or address issues covered by the review as they are beyond the scope of the research. However, Anglicare would emphasise the need for the Federal Government to ensure that any requirement for increased services or reporting by agencies is matched with an increase in funds to assist agencies to meet these obligations.

## **4.2 Financial Counselling**

Financial Counselling services in Tasmania are provided by Anglicare in Hobart, Launceston, Devonport and Burnie with some outreach services to Huonville, Bridgewater, Kingston, Glenorchy, Scottsdale, Georgetown, Beaconsfield, the East Coast, and Smithton. Financial counsellors provide services which can include negotiation with creditors on behalf of clients, development of debt repayment plans, creation of budgets and provision of information on bankruptcy proceedings. Financial Counselling is a free service and all counsellors are paid employees who may work with clients just once or may see a client several times over a period of many months. Waiting times to see financial counsellors are generally around two weeks. Funding for financial counselling services in Tasmania is provided by the Federal Department of Family and Community Services, the State Department of Health and Human Services and the Community Support Levy with approximately \$400,000 allocated for the program in 2003/04.

## **5. Methodology**

Anglicare approached all of the agencies which receive funding under the Department of Family and Community Services Emergency Relief Program seeking their assistance with the research project. Of the 36 outlets providing Emergency Relief, 35 agreed to participate in the project with 27 outlets eventually conducting surveys with their clients. Anglicare's Financial Counsellors also conducted the survey with their clients.

The survey questions were piloted over a one week period by a financial counsellor and one ER agency. Minor changes were made to some questions following this process. Prior to the survey period all agencies were provided with survey forms which included an explanation of the project for clients. Copies of the survey forms and explanation are included as Appendix A. Agencies were asked to invite all clients accessing their service for ER or Financial Counselling during the survey period to complete a survey. Where clients agreed to participate in the survey, agency staff were asked to either go through the questions with the clients or, if the client preferred, allow the client to complete the survey themselves. Completed survey forms were returned to the author where they were coded and entered into the electronic data management system SPSS.

### **5.1 Limitations of the Study**

The survey was conducted as a 'snap shot' study over two weeks in November 2003. The use of this snap-shot method means that the group surveyed is not statistically representative of any larger group and generalisations cannot be made about any broader population group. Also, no direct comparison can be made with earlier studies of this type. However, the results of similar earlier studies do contribute to an understanding of experiences of financial crisis in Tasmania and nationally. These studies include research by The Smith Family (Green *et al.*, 2000), the Department of Health and Human Services (Herbert & Short, 2001), the Department of Family and Community Services (Bray, 2001), the Australian Council of Social Services (ACOSS, 1999) and Anglicare (Wolstenholme, 1998). The earlier research by ACOSS and Anglicare followed a similar methodology to the current study and the survey questions used in 2003 are based on the earlier Anglicare research (Wolstenholme, 1998). The findings of the current study are sometimes discussed in light of the earlier studies but no conclusions about change over time between these studies should be drawn.

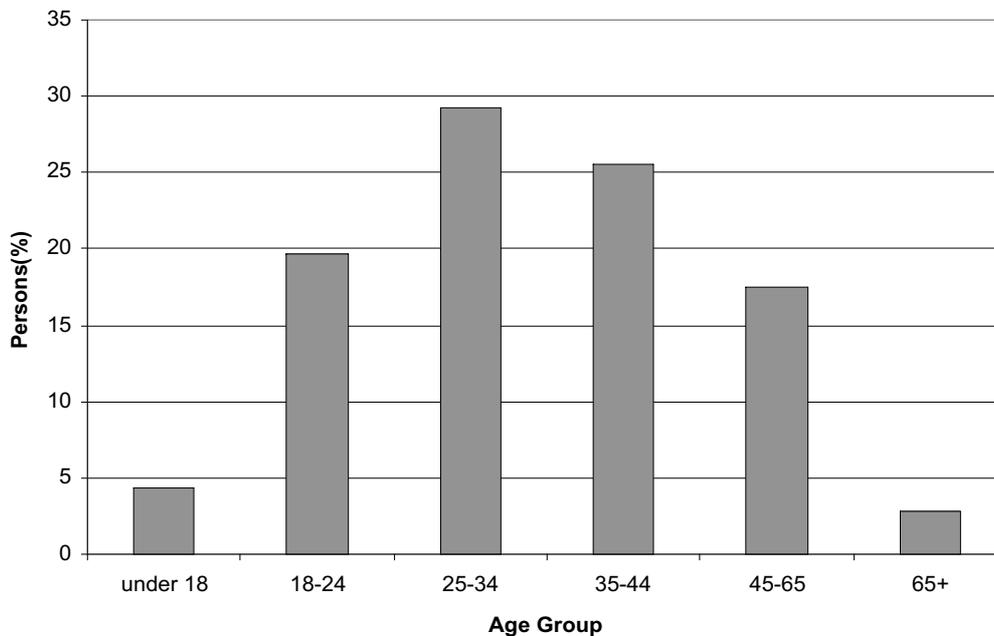
## 6. Findings

### 6.1 Client Profile

Surveys were completed for 812 people, 776 accessing Emergency Relief and 36 attending Financial Counselling services over the two week survey period<sup>1</sup>. Sixty three percent of those accessing the services were women and about half of all clients accessing these services were caring for dependent children in their homes.

Figure 1 shows that just over half of the respondents were aged under 34 years. Previous research has indicated that young people are much more likely to experience financial stress and crisis (Bray, 2001; Wolstenholme, 1998). In this context the proportion of respondents in the 35 to 65 age range (43%) is somewhat surprising. A longer term randomised sample would be needed to determine whether there has been an increase in the number of middle aged people seeking assistance.

**Figure 1. Respondents' age group**



Almost all of the respondents (91%) were born in Australia with 12% of respondents identifying as Aboriginal or Torres Strait Islanders. In the 2001 Census just over 3% of Tasmanians identified as Aboriginal or Torres Strait Islander (ABS, 2003c). This indicates that Aboriginal and Torres Strait Islanders were vastly over-represented for their population size amongst those seeking assistance from ER and Financial Counselling agencies during the survey period. These findings are consistent with other research into financial crisis and poverty which indicates that Aboriginal and Torres Strait Islanders are much more likely than the general community to be on very low incomes and experience severe financial hardship (for example Altman & Hunter, 1998).

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<sup>1</sup>Due to the relatively small size of the Financial Counselling group, findings for this group are not reported separately except where there are very large differences between the two groups.

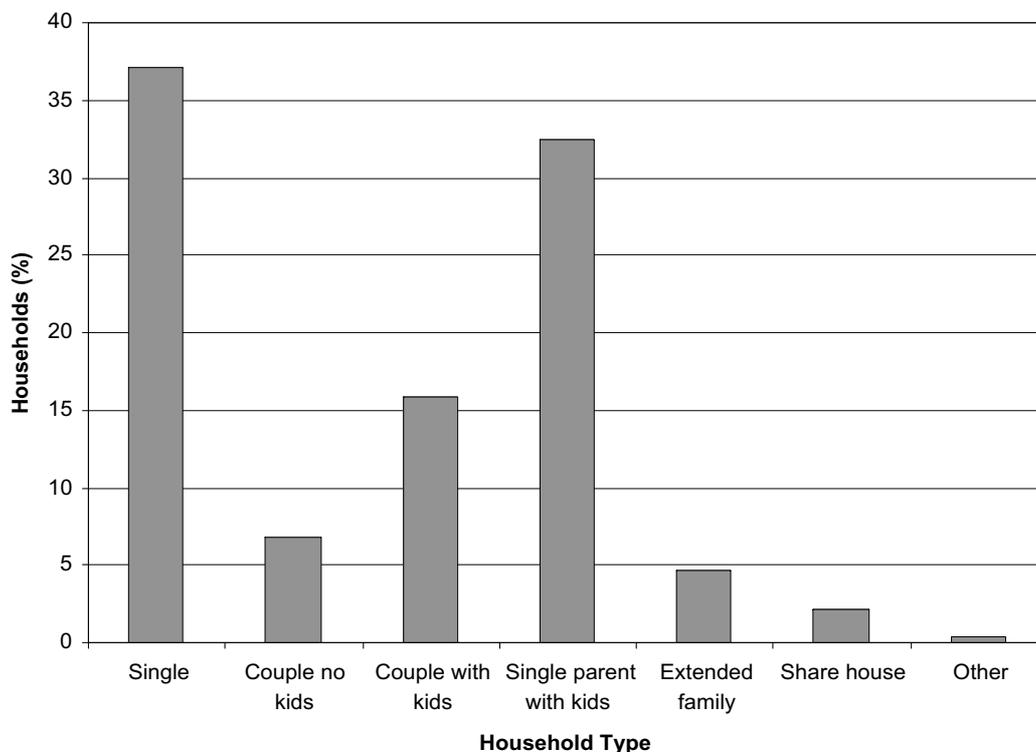
### 6.1.1 Living Arrangements

Almost half of the respondents (46%) lived in the south of the State with 30% in the north and 16% residing in the North-West Coast<sup>2</sup>. These figures are similar to the actual population spread of about 49% of Tasmanians living in the south, 28% in the north and 22% in the North-West. Most respondents (72%) lived in urban and suburban areas of Tasmania.

Single people and single parents with children accounted for 70% of those seeking assistance from ER and Financial Counselling services (see Figure 2). This pattern of household composition is almost identical to that of Wolstenholme's 1998 research and also very similar to the national patterns recorded by ACOSS (1999). These findings are broadly consistent with general research on poverty which indicates that being part of a couple offers some insulation against poverty with the capacity to share income and costs between two people and even out fluctuations in income (Harding *et al.*, 2001). However, the proportion of single people and particularly the proportion of single parents accessing ER and Financial Counselling services are even greater than the numbers which would be expected using general poverty data from Harding *et al.* (2001).

To illustrate this issue further it is worth considering ABS Census data which indicates that about 27% of Tasmanian households are lone person households (ABS, 2002). However, during the survey period people living in lone person households accounted for 37% of the respondents accessing ER and Financial Counselling services. Similarly, single parent households account for about 12% of Tasmanian households but around 33% of those seeking assistance during the survey period (ABS, 2003d).

**Figure 2. Respondents' household type**



<sup>2</sup> Seven percent of respondents did not answer this question. For the remaining sections, missing data is not reported in the tables or figures but was retained as a separate category. This is reflected in all calculations. Therefore frequencies may add to less than 100%.

### 6.1.2 Previous Assistance

Most respondents (81%) had previously sought assistance from an ER agency or financial counsellor, with the remaining 19% seeking assistance for the first time. As discussed earlier, most ER agencies have a limit on the number of times clients can seek assistance in a 12 month period due to the limited funds available. Table 1 shows that one quarter of survey respondents were accessing the service for the first time in 12 months with a further 30% accessing the service for their second or third time in the year. Fourteen per cent of the survey respondents had sought assistance more than six times in the year.

**Table 1. Number of times respondent had sought ER or Financial Counselling in the past year (including this visit)**

<b>Number of times</b>	<b>Respondents</b>
First time*	25%
Second	14%
Third	17%
Fourth	10%
Fifth	10%
Sixth	6%
More than six	14%

\*Includes those who have never sought assistance before

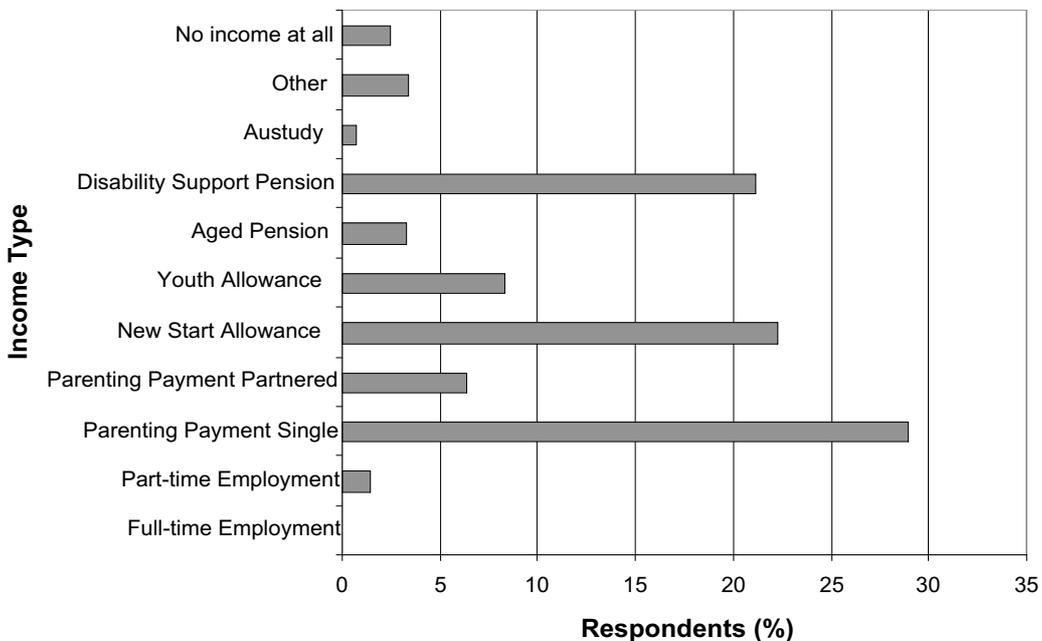
## 6.2 Income

Low income status was almost a universal experience for those accessing ER services and also a very common experience for those seeking Financial Counselling during the survey period. Less than 2% of survey respondents had household incomes high enough to disqualify them from receiving a Commonwealth pension or benefit. Again this finding is consistent with previous research on people accessing ER and Financial Counselling services (Wolstenholme, 1998; ACOSS, 1999).

General research on poverty has also consistently found that “being dependent upon government cash benefits is still the single key characteristic shared by those living in poverty” (Harding and Szukalska, 2000). Sole parents, single pensioners, single people and couples on Newstart Allowance, Austudy or Youth Allowance are particularly likely to be living in poverty (Harding and Szukalska, 2000). Relying on pensions and benefits, which are close to or below the poverty line, has been found to be a key factor in exposing people to the risk of financial stress and crisis (Bray, 2001).

As shown in Figure 3, 29% cent of respondents were in receipt of Parenting Payment Single while Newstart Allowance (22%) and Disability Support Pension (21%) were the other key sources of income for respondents. Each of these three groups were vastly over-represented in the survey group for their size in the general Tasmanian population. They are also much more likely to be seeking assistance than would even be expected for the size of the group amongst those people receiving Centrelink pensions and benefits. There were about 173,000 Tasmanians receiving some type of Centrelink payment in December 2003, approximately 6% of these people were on Parenting Payment Single, 11% on Newstart Allowance and 14% on Disability Support Pension (Centrelink, 2003a,b). The very high proportion of sole parents seeking assistance from Emergency Relief and Financial Counselling services is a particular concern.

**Figure 3. Respondents’ income source(s)**



\*Percentages add to greater than 100 as some respondents have more than one income source.

The Federal Government has responsibility for providing social security payments. The key way to reduce the number of people seeking assistance due to financial crisis is to ensure that incomes are adequate to meet the basic needs of all households. The Federal Government must ensure that all payments to people dependent on social security are raised above the Henderson Poverty Line, with an initial focus on Newstart, Austudy and Youth Allowance. Bringing these payments into line with pensions must be the first priority.

Although the poverty rates of sole parent families have fallen significantly since the early 1980s, more than 20% of sole parents continued to live below the poverty line in 2000 (Harding and Szukalska, 2000; Harding *et al.*, 2001). ACOSS (2003) has recently raised concerns about the adequacy of family support payments for older children. While payments for younger children have been increased significantly in the past two decades the increases in payments for older children have been much more modest and current payment structures do not reflect the costs associated with raising older children (ACOSS, 2003). Despite NATSEM figures (in ACOSS, 2003) showing the direct cost of raising a child increases particularly steeply after they turn 16, household income for a single parent with one child living at home declines once the child turns 16 and further declines when the child turns 18 (ACOSS, 2003). ACOSS (2003) has completed calculations which show that even if it is assumed that the young person contributes their entire Youth Allowance payment to the household budget, this does not fully cover the lost income from Parenting Payment, Rent Assistance and Family Tax Benefit Part B. While it is not possible from the current survey to determine the ages of children living in the respondents' households, the ACOSS evidence of increased costs and reduced incomes for older children leads Anglicare to support the ACOSS recommendations to the Federal Government that:

- family assistance payments be increased to reflect the actual costs of raising a child in a low income family; and
- Youth Allowance, Rent Assistance and Family Tax Benefit Part B payments be adjusted in the interim to ensure that family payments do not fall as children grow older.

### 6.2.1 Length of Time on Centrelink Payment

Table 2 shows that respondents seeking ER and Financial Counselling tend to have been in receipt of Centrelink payments for long periods, generally more than 2 years. This finding is unsurprising as it would be expected that people would initially draw down any financial reserves that they may hold to deal with financial crisis but as time progresses would no longer have their own reserves and need to turn to agencies for help.

**Table 2. Amount of time respondents had been on main Centrelink payment**

Time	Respondents
Less than 1 year	11%
1 year but less than 2 years	8%
2 years but less than 5 years	26%
More than 5 years	40%

### 6.2.2 No Income at All

A small group of survey respondents (2.5%) reported having no income at all. Half of these people reported that the reason for their lack of income was that a recent change in their circumstances had left them without income and they were waiting for their first payment from Centrelink. While the number of people in this situation was small (10 people), their financial situation was extremely

severe as they were reliant on charities, friends and family to get through the period until their first Centrelink payment.

Centrelink Hardship Advance Payments are designed to allow people who have applied for a payment to receive up to half of their first fortnight's payment in advance if they are in severe financial hardship. This survey does not provide information on why the survey respondents had not received the Hardship Advance Payment but it is quite possible that they were not aware of the existence of the payment. Information about Hardship Advance Payment is not included in the Centrelink booklets for people in crisis or those experiencing unemployment and no documents on the payment are found when searching the Centrelink website (Centrelink 2003c,d; Centrelink 2004a). The Welfare Rights Centre has also indicated that they believe clients are generally unaware of the Hardship Advance Payment arrangement and that Centrelink may be reluctant to publicise its availability (pers comms, 2003). It is recommended that Centrelink include information about the Hardship Advance Payment in its literature for people in crisis and provide information about the arrangement to other community service agencies, particularly Emergency Relief agencies.

### **6.3 Factors Associated with Financial Crisis**

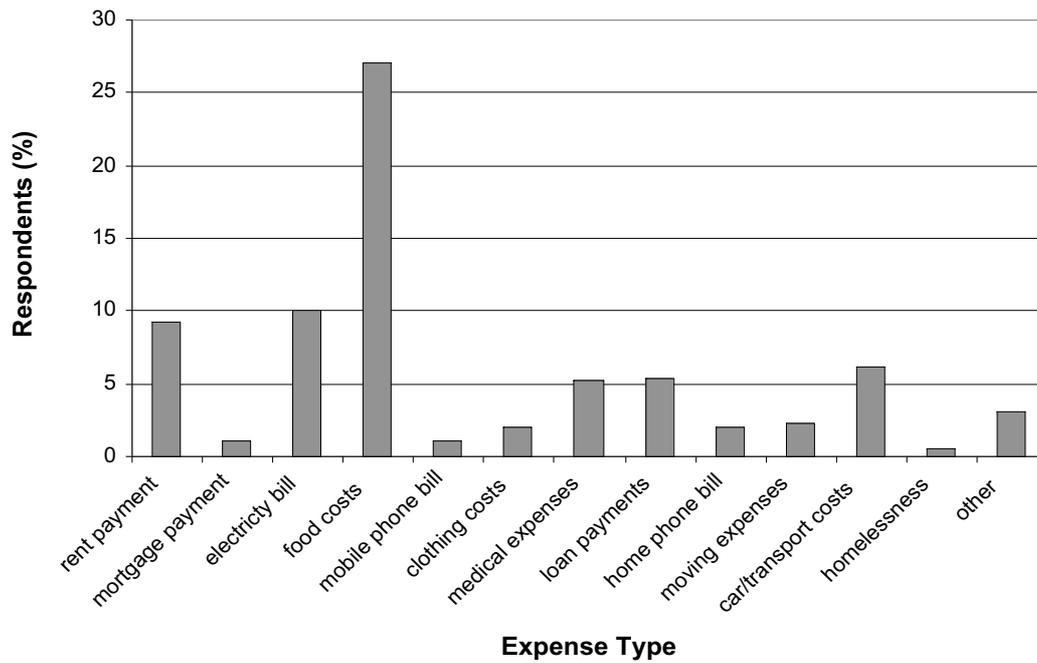
While low income status should be seen as the key factor in making the households in this survey vulnerable to financial crisis, it is also useful to consider the specific expenses and bills which triggered the process of seeking assistance from community agencies for the survey respondents.

Survey respondents were asked to think about the things that tend to cause financial problems in their household and their importance in causing the person to seek assistance from services. Respondents were then asked to rate a list of expenses and bills under categories ranging from 'very big problem' to 'not a problem'. Respondents were also asked to identify the issue which was the main cause of financial crisis in their household.

#### **6.3.1 Main Cause of Financial Crisis**

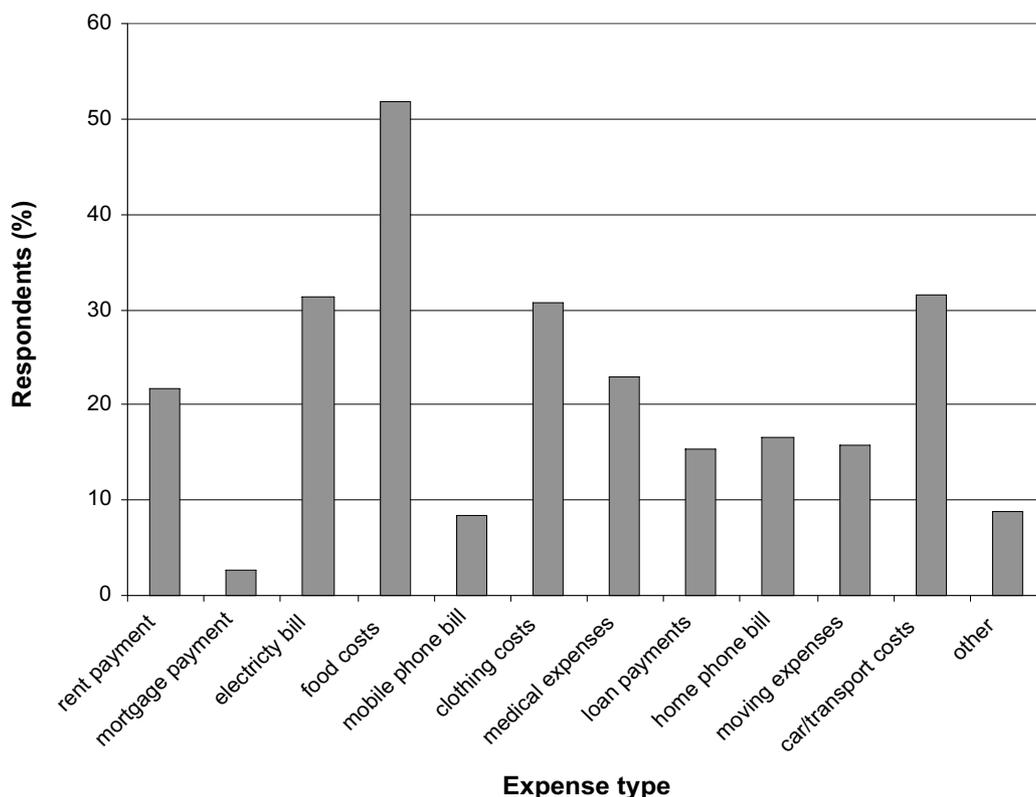
Food costs were by far the biggest issue for the survey respondents with 27% identifying this expense as the main cause of financial crisis in their household (see Figure 4). This finding is consistent with previous research, however ACOSS (1999) suggests that these findings may reflect the nature of assistance provided by Emergency Relief services more than the underlying cause of the financial crisis. Emergency Relief agencies in Tasmania provide the vast majority of their assistance in the form of food or food vouchers. Clients in financial crisis may therefore use their last remaining funds to pay their rent or other bills leaving them without grocery money but knowing they are able to seek assistance from an ER agency to help them meet this need. In this context, the most pressing and immediate crisis is food but the cause of crisis may be the interaction of several expenses. Having the survey conducted by ER agencies where people have, or are just about to, ask for food assistance may also make people feel that it is necessary to list food as their most pressing concern in order for them to be seen as credible by the agency's worker. Further qualitative research would be needed to determine the extent to which these issues might be likely to compromise surveys in ER settings. Rent payments and electricity bills were the two other major expenses identified by respondents as the main cause of financial crisis for their household.

#### **Figure 4. Respondents' main cause of financial crisis**



Another way of looking at this issue is through respondents' assessments of how much of a problem particular expenses were for their household. Figure 5 shows the proportion of respondents who rated each expense as either a big or very big problem for their household. Food costs continue to be the most significant problem with more than half of all respondents rating this item as a big or very big problem. However, transport costs, electricity bills, clothing costs, medical expenses and rent payments all rated as big or very big problems for a significant proportion of respondents.

**Figure 5. Respondents' rating of issues as a big or very big problem for the household.**



The cause of financial crisis is one of the few areas where it is possible to comment on financial counselling clients in isolation (as the small sample size makes it very difficult to make any meaningful analysis of other issues). The most common main cause of financial crisis for the financial counselling respondents was loan payments with 42% of respondents identifying this as their biggest issue. Grocery bills were still a significant issue for this group but not to the same extent as ER clients, with 36% of financial counselling clients identifying food costs as a big or very big problem for their household. These differences reflect the differing focus of ER and Financial Counselling services as outlined in the introduction to this report.

### 6.3.2 Other Circumstances

Research by Green *et al.* (2000) with people accessing the Smith Family's Emergency Help program also investigated other household circumstances which led people to seek clothing and financial assistance from the agency. They found that health problems and family breakdown were the most common circumstances affecting people seeking assistance with 33% of clients experiencing chronic or major illness, 23% experiencing family breakdown and 21% experiencing mental health problems (Green *et al.*, 2000).

Anglicare's research also asked respondents whether they or a family member living in their household had experienced a range of 11 circumstances in the past year (listed in Table 3). Family breakdown and mental illness were the most common circumstances experienced with other chronic illnesses, drug or alcohol addiction, chronic debt and domestic violence also issues for more than 15% of respondents. These circumstances tended to be concentrated in particular households with 43% of respondents indicating that their household had experienced more than one the circumstances listed.

**Table 3. Circumstances experienced by self or a family member in the household**

<b>Circumstance</b>	<b>Respondents</b>
Family Breakdown	30%
Mental Illness	24%
Other Chronic Illness	19%
Drug or Alcohol Addiction	19%
Chronic Debt	18%
Domestic Violence	16%
Legal Dispute	12%
New Baby	10%
Funeral Expenses	5%
Serious Accident	5%
Gambling Problem	4%

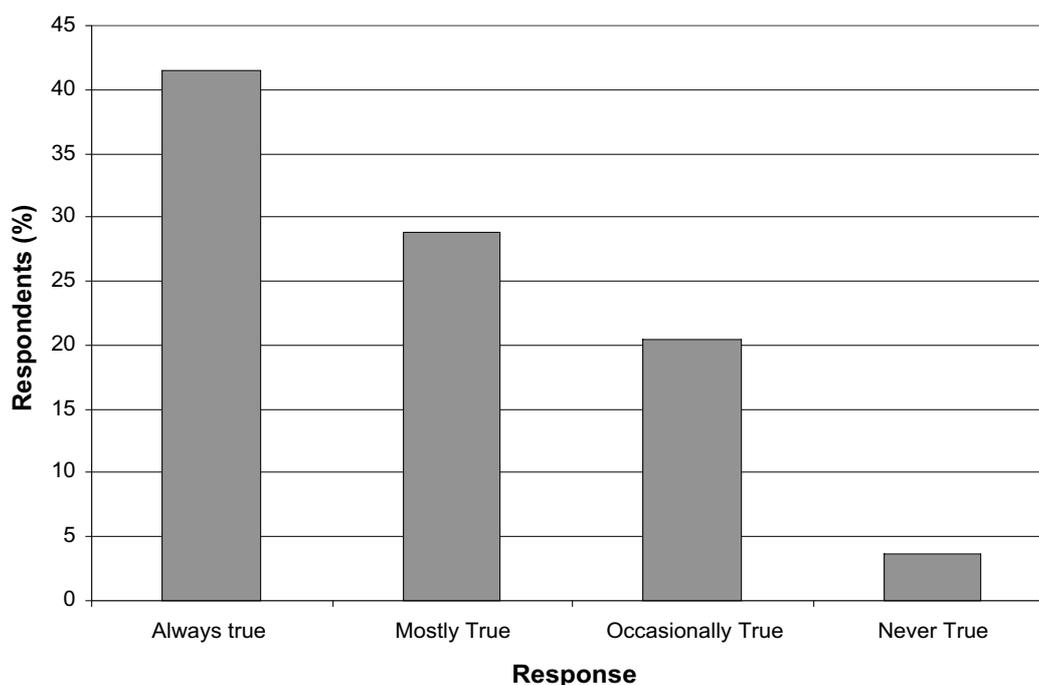
## 6.4 Food

As discussed above, the cause of a financial crisis may be an interaction between low income and a range of bills and expenses. However, the battle to afford enough food to feed the family is probably the most confronting illustration of the depth of the crisis experienced by people seeking assistance. The reality of having literally nothing in the cupboard and no money to buy more until the next pay day is almost unimaginable for middle and higher income earners. Yet low income Tasmanians struggling to pay their fixed expenses or deal with an unexpectedly large bill can find themselves in the position of running out of groceries before the next pay period and needing to turn to ER agencies for help.

Wolstenholme (1998) found that most ER clients she interviewed were embarrassed and uncomfortable about using the services as they felt humiliated about needing to ask for help from a charity. This may partially explain the disturbing finding that 59% of respondents in the 2003 survey reported having gone without meals in the past year due to a shortage of money. People may have preferred to go without a meal rather than seek assistance. Alternatively they may have been unable to access an ER agency or they may have been turned away if the agency was unable to assist them. Whatever the reasons, it is unacceptable for people to be unable to afford adequate food in a prosperous nation such as Australia. The importance of ensuring that all Centrelink incomes are above the Henderson Poverty Line is again emphasised. It is also important to ensure that Emergency Relief agencies are funded to a level where clients without food are never turned away empty-handed.

The issue of food affordability is further highlighted in Figure 6 which shows that just over 70% of clients say it is always true or mostly true that they worry about whether the amount of food they can buy for the household will be enough. Again adequate incomes for Centrelink recipients are probably the most effective way to deal with this.

**Figure 6. Respondent worries that the amount of food won't be enough**

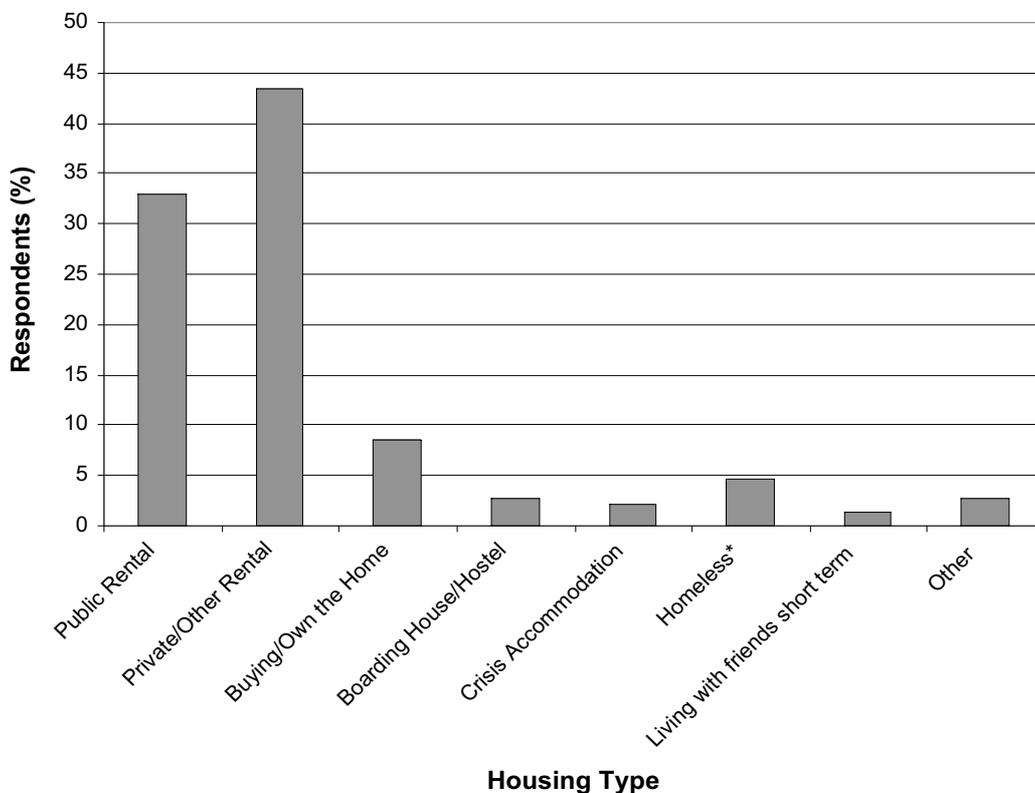


## 6.5 Housing

The boom in housing prices in Tasmania in the past few years has been widely acknowledged. These increased purchase prices have flowed into the private rental market as increased rental costs. The State Government's Affordable Housing Strategy is a most welcome response to try to address this major social issue which has come to affect many low income Tasmanians. The focus on the provision of public housing is particularly appropriate as previous research and the following analysis indicate that people in private rental accommodation have far greater difficulties with housing affordability than those in public rental (National Shelter & ACOSS, 2003). As Anglicare has previously argued, it is important that the Federal Government match the State's commitment to the provision of public housing. An important step in this direction would be for the Federal Government to forgive the \$263 million public housing debt owed by the Tasmanian State Government. Under these circumstances, Anglicare further recommends that the State Government commit to ensuring that the funds which would have been spent servicing this debt are used to create additional public housing in Tasmania.

Figure 7 shows that the largest group of respondents in this research were living in private rental accommodation (44%). One third of respondents were in public rental accommodation, 9% were purchasing or owned their home and 8% of respondents were in very unstable housing situations either in crisis accommodation, staying short-term with friends or homeless. Several of the respondents in this research had been staying in tents for prolonged periods.

**Figure 7. Respondents' housing tenure type**



\*The 'homeless' group in this survey only includes those people who selected this category when asked about their housing situation. Under the SAAP definition of homelessness people living in crisis accommodation and living with friends short term would also be included in the homeless category

### 6.5.1 Rental Costs

Private renters were the group most likely to identify their housing costs as the main cause of financial crisis for their household. Fifteen per cent of private renters identified this cost as their biggest issue compared to 5% of all public renters. Similarly 29% of private renters identified rent as a big or very big problem for their household compared to 17% of public renters. The significant differences in the level of difficulties for people in different tenure types are unsurprising given the different methods of rent setting within the housing system.

Public housing rents are set according to household income with most households paying about 25% of their income as rent, for example, the average fortnightly rent for a single parent with one child aged 10 would be about \$120 per fortnight. This method of setting rents means that actual rents rise marginally each time Centrelink payments increase but that the proportion of income going for rent remains steady. Obviously the actual rent can increase significantly if the household's circumstances change and there is a large increase or decrease in household income.

Private rents are determined by a range of factors including the size, location and quality of the home as well as the supply of and demand for homes in the rental market. Most Centrelink recipients in private rental accommodation are eligible for Commonwealth Rent Assistance if their rental payment is above the Rent Assistance threshold (for example, \$83.80 per fortnight for a single person). People receive a payment based on how much their rent is above the threshold up to a set maximum (for example the maximum payment for a single person is \$94.40 if their rent is \$209.67 per fortnight or more). While Rent Assistance is designed to assist people with their rent, the price of private rental may mean that people still pay a very high proportion of their household income on rent. Cameron (2002) found that 61% of low income private renters in Tasmania were experiencing 'housing stress' where they were paying more than 25% of their household income as rent.

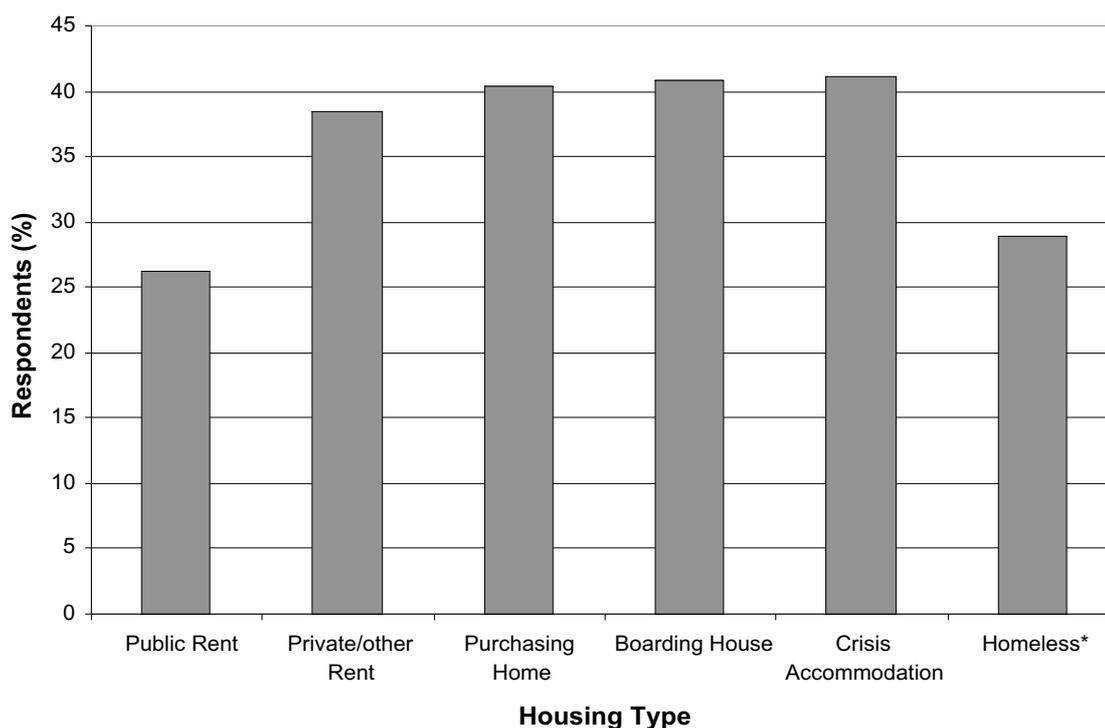
While this research did not attempt to measure rent costs as a proportion of income, it is worth briefly considering the average level of rents paid by survey respondents in private rentals. For single people the median rent payment was \$200 per fortnight, for couples without children \$220 per fortnight, single parents with children it was \$240 per fortnight and for couples with children the median rent payment was \$260 per fortnight. Research by Colony 47 on rental costs for low income earners in the south of the State assisted by the CA\$H service gives additional data on rents for homes of particular sizes. In June 2003 the average fortnightly rent for clients renting bedsits was \$179, for one bedroom dwellings \$197, two bedroom dwellings \$266 and three bedroom dwellings \$311. This research also shows that there have been significant rises in rents for all housing types in the year to June 2003. The average rental price of four bedroom houses (up 16%), bed sits (up 18%) and boarding and rooming places (up 19%) have increased particularly sharply. The large increases for these accommodation types have been an ongoing trend; in the past four and a half years rents for four bedroom homes are up 49%, bedsits up 50% and boarding and rooming rents are up 79% (Colony 47, 2003). These price increases have particularly affected people living alone or in larger share houses. Larger families requiring four bedroom homes have also been affected.

The current research also asked respondents about rental increases. Of the respondents living in private rental housing, 39% reported experiencing an increase in their rent in the previous year. For the private renters who experienced increases, the median rental increase was \$30 per fortnight. The median rental increase for singles was \$20 per fortnight, for couples with children

it was \$25 per fortnight and for single parents with children the median increase was \$40 per fortnight. While for some people these rent increases would have been partially offset by increased Rent Assistance payments, those people who were already paying rents at or above the maximum Rent Assistance threshold would have been exposed to the full impact of the increase.

Respondents were also asked if they had been in the situation of being unable to pay the rent or their home loan due to a shortage of money in the past year. For respondents who had moved in the previous year this might refer to either their previous or their current accommodation. Figure 8 shows that public renters were the group least likely to report having been unable to pay their rent. This finding may reflect factors including the cost of public rental and the range of payment methods available to public renters (such as being able to have their rent automatically deducted from their Centrelink payment). People living in crisis accommodation, boarding houses and people purchasing their home were the groups of respondents who were most likely to have had this experience. Although it might initially seem surprising that a smaller proportion of homeless respondents reported this experience, factors including longer term homelessness and non-financial causes of homelessness may explain this result.

**Figure 8. Proportion of respondents within each housing type unable to meet rent/housing payment due to shortage of money**



\*Homeless definition as for Figure 7

### 6.5.2 Home Buyers

Of the small group of respondents who were buying their home (7%) the median fortnightly home loan payment was \$200. Three-quarters of the respondents who were purchasing their homes were single parents or couples with children. Of those buying homes, 12% reported that mortgage costs were the main cause of financial crisis for their household and 32% rated these costs as a big or very big problem. It would be expected that increases in housing interest rates would have a very significant impact on these households.

### 6.5.3 Housing Stability

Housing stability was an issue for many of the survey respondents with only 30% reporting that they had lived in the same home for the past two years. Nineteen per cent of respondents reported having moved once in that period and 18% reported moving twice. Ten per cent of respondents had experienced significant housing instability, moving five times or more in the previous two years.

The number of times respondents had moved in the previous two years was strongly linked to their housing tenure type. As expected, Table 4 shows that the respondents who were in crisis accommodation, homeless or staying with friends had moved most frequently in the previous two years. However, the number of moves experienced by the private renters is of concern with only 18% reporting that they were living in the same home as two years ago. By comparison, almost half of the respondents living in public rental housing had been in the same home for the past two years.

**Table 4. Number of house moves in previous two years for respondents in different housing types**

	Didn't move	Once	Twice	Three times	Four times	Five times or more
Crisis Accom/ Homeless/ Staying with friends	12%	15%	20%	12%	11%	14%
Private/ Other Rental	18%	24%	22%	11%	6%	12%
Public Rental	48%	15%	13%	6%	5%	7%
Purchasing Home	58%	19%	*	*	*	*
Own Home	69%	*	*	*	*	*

\*Indicates number of respondents was too small for a reliable figure

While some people will choose to move for positive reasons such as finding a better or more affordable place, many low income earners are forced to move because their current housing is inadequate, unaffordable or because the landlord chooses to sell the home (Cameron, 2002). This survey indicates that frequent moves can be a cause of financial crisis. Overall, 16% of respondents reported that moving costs were a big or very big cause of financial crisis for their household. Of those who had moved five times or more in the last two years, 29% reported moving costs as a big or very big problem for their household.

## **6.6 Electricity**

The cost of electricity is a significant issue for low income earners in Tasmania, particularly considering the State's cool climate. As noted earlier, electricity bills were ranked as the main cause of financial crisis by 10% of respondents, the second most common response after food costs (see Figure 4). Overall 31% of respondents identified electricity costs as a big or very big cause of financial crisis. Fifty three percent of respondents indicated that they had been unable to pay a utilities bill in the past year due to a shortage of money (although this would include bills other than electricity). Many of the respondents (42%) said that they had experienced a situation where they had been unable to heat their home in the past year while 19% had the power off at some stage in the year.

### **6.6.1 Payment Methods**

Aurora Energy is the monopoly electricity retailer in Tasmania and its prices are set by the Tasmanian Energy Regulator. Aurora has introduced a range of payment options for customers to allow them to pay their bill in smaller more regular portions. The current research asked respondents about the method which they use to pay their account to see if this affected the level of problems they identified with payment of electricity bills. The main payment methods are Pay As You Go Meter (PAYG), Direct Debit, Centrepay, Regular Account, Payment Plans and 'other' methods of payment.

The PAYG system has been taken up by about 27,000 Tasmanian households, representing over 10% of residential customers. PAYG customers have a special electricity meter installed which includes a smart card slot. These customers pay to have credit placed on their PAYG smart card at outlets such as selected post offices. They then place the recharged card into the smart card slot at their home, transferring the credit into their electricity meter. A small amount of emergency credit, equivalent to about two days worth of power, is available on the PAYG meters before they run out. The power then shuts off during daylight hours until the smart card is recharged.

Direct Debit is a system used by a range of organisations where regular payments of a set amount of money are automatically deducted from a customer's bank account at agreed intervals. Centrepay is a similar system available to people on Centrelink payments where regular payments can be made to organisations out of the clients' benefit before the money is paid into their personal bank account. Centrelink clients do not pay fees for this service and it does not carry the risk associated with overdrawn accounts for direct debits.

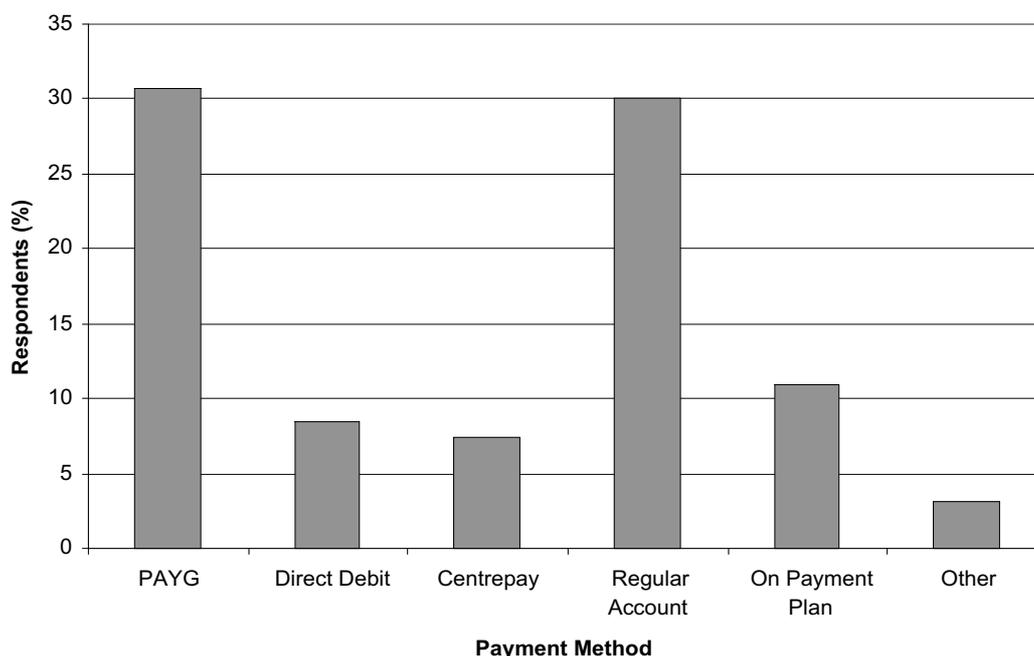
Regular Account is where the customer pays their account with a lump sum at the end of the quarter.

Payment Plan arrangements are made by Aurora with customers who have failed to pay their accounts. The client and the company make an arrangement for regular amounts to be paid over an extended period until the debt is paid in full.

There are a wide variety of 'other' methods for paying Aurora such as arrangements within households where members of a sharehouse pay their money to a flatmate who then pays the Aurora account.

Figure 9 shows that PAYG and Regular Account were the most common payment methods with just over 60% of respondents choosing these payment methods. Payment Plans were also very common for this group, as might be expected for people experiencing a financial crisis, with 11% of respondents in this category.

**Figure 9. Respondents' payment method for electricity**



### **6.6.2 Electricity Disconnections**

Eleven percent of survey respondents reported that Aurora had disconnected their power supply in the past year while 7% said that they had had the power off for a period when they could not afford to recharge their PAYG card. Any period without electricity supply is a serious issue with the potential for food spoilage and severe difficulties in heating the home, preparing food and bathing. Under the Electricity Supply Industry (Tariff Customers) Regulations 1998, Aurora is required to undertake several steps before the company can disconnect a customer including offering at least two payment plan arrangements to allow the customer to pay their debt off over time. In addition to the mandated requirements Aurora's own credit policy requires additional steps to be taken including a visit by a member of staff to advise on payment options. The Credit Policy, in place since August 2001, has significantly reduced Aurora's disconnection rate from almost 300 per month in June 2001 to about 125 per month in 2002/03 (OTER, 2003). The 2002/03 disconnection rates compare favourably with rates in New South Wales and South Australia but are higher than in Victoria (OTER, 2003).

Disconnections by Aurora are generally caused by significant debts of several hundreds of dollars with the average debt for payment plans around \$330 in 2003 (Aurora, 2004). Therefore any financial assistance to help prevent this type of disconnection would need to be quite significant. Information about free financial counselling services is already provided to clients at risk of disconnection under the Electricity Supply Industry Regulations 1998.

In Victoria, the State Government provides significant assistance to people facing difficulties with large utility bills. The Utility Relief Grants Scheme provides once-off assistance to pay the full or partial costs of up to six months utility usage for people on low incomes who are in financial hardship. The Electricity Capital Grants Scheme provides up to about \$1500 to assist with the replacement of an essential appliance where it can be shown that the current appliance is causing high bills. Anglicare proposes that the Tasmanian State Government introduce

local versions of these schemes to assist low income Tasmanians in dealing with financial crisis caused by electricity bills and reduce ongoing costs.

Information about self-disconnections for PAYG customers is not collected on a regular basis and unlike company controlled disconnections there are no procedures which must be followed before a PAYG meter disconnects the power. However, all PAYG customers have the option of going back to the standard tariff arrangements with ordinary meters at any time. Aurora Energy has undertaken some research into self-disconnections by PAYG customers. The research indicates that about 1% of all PAYG customers have had a disconnection in the previous year. The majority (about 80%) of unintentional self disconnections are related to people forgetting to recharge their card or being unable to go to an agent to recharge (Aurora, 2003). Most people (almost 90%) are reconnected within a day of the self disconnection. About 18% of those who disconnect do so due to financial difficulties. Of this group, 18% remain disconnected for between two and seven days (Aurora, 2003). It would be relatively easy to provide assistance help this group prevent these disconnections or to reconnect the electricity more quickly.

As a measure to assist clients to prevent electricity disconnection, Anglicare proposes that Aurora Energy provide 'electricity vouchers' to Emergency Relief agencies. These vouchers should be able to be applied to electricity bills or top-up PAYG cards. This voucher system could form part of a Hardship Policy for Aurora and should be developed in consultation with community agencies.

### 6.6.3 Payment Methods and Financial Crisis

Table 5 shows that payment methods had a very significant impact on the proportion of respondents who indicated that electricity costs were the main cause of financial crisis in their household as well as those who rated electricity bills as a big or very big problem. Those on payment plan arrangements and regular accounts rated electricity costs as a much bigger problem than people on other payment methods. The high proportion of those on payment plans who identified electricity bills as a problem is unsurprising considering that these plans are only made when people have been unable to pay their bill. PAYG clients were significantly less likely to identify electricity costs as a major issue. However, it should be noted that even in this group one fifth of all respondents rated this item as a big or very big financial problem for their household.

**Table 5. Proportion of respondents using each payment method who report electricity bills as main cause of financial crisis and as a big or very big problem**

Payment Method	Main Cause of Financial Crisis	Big or very big problem
Pay As You Go	4%	20%
Direct Debit	*	32%
Centrepay	13%	35%
Regular Account	16%	40%
Payment Plan	19%	53%
Other	*	40%

\*Indicates number of respondents was too small for a reliable figure

Although alternative payment methods had a positive impact on the extent to which electricity costs were perceived as a big or very big problem for respondents, they did not impact on the total number of issues which were identified as problems. On average, respondents identified three expenses/bills as big or very big problems for their household regardless of the method they used for paying their electricity bills. This indicates that while electricity costs

became less of a problem for respondents using PAYG, Direct Debit or Centrepay, some other bill or expense became more of an issue. This finding does not diminish the usefulness of a range of payment methods for electricity bills, instead it emphasises the need for Centrelink incomes to be increased to ensure that people are able to afford the basic items.

#### 6.6.4 Concessions

In Tasmania the key form of State Government assistance provided to low income earners for electricity bills are price concessions. Pensioner Concession Card holders are eligible for a concession of 48.4c per day on their electricity bills. In the 2003/04 State Budget this concession was partially extended to Health Care Card holders at the same rate of 48.4c per day but only for the two winter quarters.

Pension Concession Card holders include people on the Aged Pension, Disability Support Pension and Parenting Payment Single. Health Care Card holders tend to be people on Newstart, Youth Allowance and Austudy. Those on Health Care Cards are generally on lower incomes and the income test for eligibility is much tighter than for Pension Concession Cards.

Among the survey respondents, 52% of people held a Pension Concession Card, 42% held a Health Care Card and 4% did not hold any type of concession card.

Respondents were asked whether their household was receiving the electricity concession on their electricity bills. Table 6 shows that while most Pension Concession Card holders were receiving the concession the take-up rate was very low for Health Care Card holders. These findings are in line with State Government data indicating that less than 5000 Health Care Card holders took up the electricity concession in its first year of operation.

**Table 6. Proportion of card holders receiving the electricity concession**

Card Type	Receive concession	Don't receive concession	Don't know if they receive it	Not Applicable
Pension Concession Card	69%	27%	2%	2%
Health Care Card	23%	67%	1%	6%

Where respondents indicated that they did not receive the concession they were asked why this was the case. Thirty two percent of Health Care Card holders indicated that they did not know about the concession with a further 18% living in households where the electricity account holder was not eligible for the concession. Of the Pension Concession Card holders, 13% indicated that they did not know about the concession, with 6% living in households where the electricity account holder was not eligible.

These findings indicate that greater advertising of the electricity concession is required, particularly the winter concession for Health Care Card holders. Although newspaper and other print advertising was conducted in 2003, this was not sufficient to make potential recipients aware of the concession. The State Government should ensure that a print and television advertising campaign is conducted as early as possible in 2004 to ensure that the maximum number of potential recipients are registered for the concession for winter 2004. Information and advertising material about the concession should also be

distributed to Emergency Relief agencies, Financial Counsellors, Neighbourhood Houses and Centrelink offices with take-away cards available for clients of these services. An extensive advertising campaign will allow the State Government to assess what the likely ongoing take-up of the concession will be. This may also provide the opportunity to extend the winter electricity concession to a full-year concession for Health Care Card holders within the budget allocated in the 2003 State Budget.

## 6.7 Phones

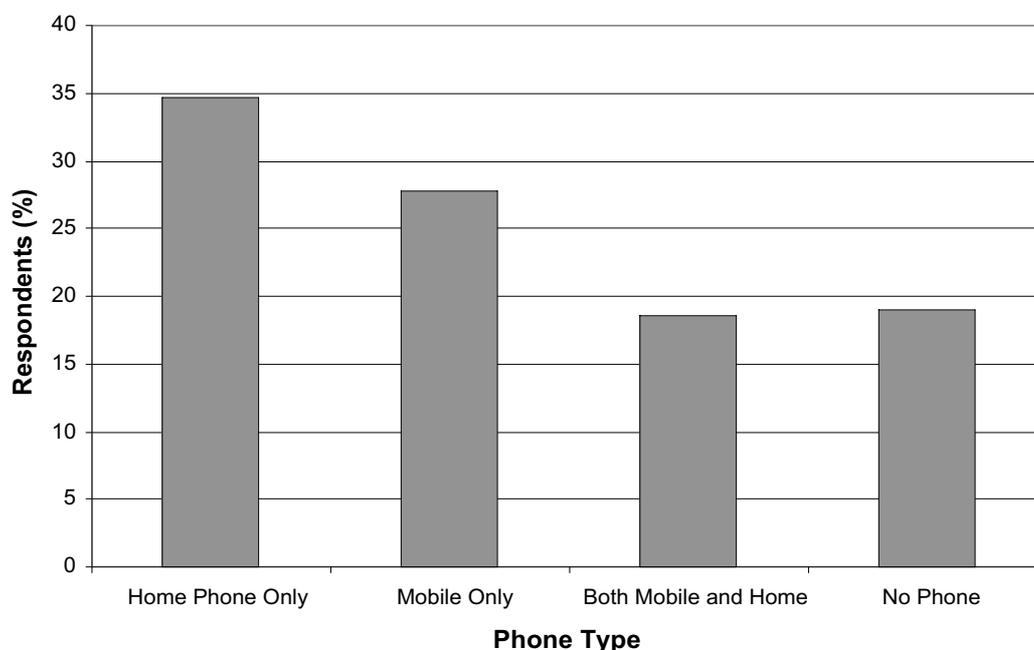
Telephone costs have not been raised as a significant cause of financial crisis in previous research focussing on Emergency Relief clients (Wolstenholme, 1998; ACOSS, 1999). However recent research with financial counselling clients in New South Wales did show that telephone debt was a significant problem for this group (Griffiths and Renwick, 2003).

In the current research neither mobile nor home phone bills were considered major causes of financial crisis for a large number of households. Only 2% of respondents identified home phone bills as the main cause of their financial crisis. Even fewer people (1%) identified mobile phone bills as their main cause of household financial crisis. Similarly only 8% of respondents identified mobile phone bills as a big or very big problem for their household. The proportion of respondents who identified home phone bills as a big or very big problem was higher, at 17% but still not one of the more common issues identified.

However, 31% of respondents did report having their phone disconnected at some stage in the previous year due to a shortage of money. This is significantly more than the 19% of respondents who had the power off in the same period. It is possible that respondents considered the phone as less of a 'necessity' than the electricity and so were somewhat less concerned about these bills even if they resulted in a disconnection.

Figure 10 shows that almost 35% of respondents had a home phone with a further 19% having both a home phone and a mobile. Twenty eight percent of respondents did not have a home phone but did have a mobile phone. Nineteen per cent of respondents did not have a phone at all.

**Figure 10. Respondents' phone accounts**



Of those with mobile phones, 81% had prepaid phones where it is necessary to purchase credit before calls can be made. This pattern of payment for mobile phones probably explains the low number of respondents nominating mobiles as a significant financial problem for their household.

That almost 20% of respondents do not have any sort of phone is of concern. Being without a phone can isolate people from their family and friends and restrict access to many services. It is especially worrying that 23% of respondents living in non-metropolitan areas did not have any phone as this group may experience even greater isolation and need to travel much further to access a pay phone or visit services in person.

Under its licensing conditions with the Australian Communications Authority Telstra must offer and market a package for low income earners. This licensing condition does not apply to other telephone companies. Telstra is the only phone company which currently offers a significant package for low income consumers. These products include:

- a range of payment methods including prepayment and Centrepay;
- a free MessageBox system for people who are not in secure accommodation;
- a small concession on home phone bills for pensioners;
- a budget home phone package which has a relatively lower line rental cost but higher call charges for people who do not make many calls;
- a bill assistance program where selected Emergency Relief agencies including The Salvation Army, Anglicare and St Vincent de Paul are provided with vouchers which can be given to people in financial crisis to help pay off their phone bill; and
- the InContact service where people on Health Care or Pension Concession Cards can access a free home phone service which primarily allows incoming calls but also allows emergency 000 calls, calls to Telstra, Homelink<sup>3</sup> calls, 1800 calls and retrieval of messages from a Telstra MessageBox. Outgoing calls can also be made using prepaid PhoneAway cards.

This range of services should ensure that everyone who wants access to a phone service is able to have some type of service. However, awareness of these products is a problem. Telstra does provide information about the products on its website and in a booklet distributed to some community agencies. However, there is no further marketing strategy for services such as InContact which would be of particular benefit to people in financial crisis. Research by Telstra has shown that awareness of the InContact service has actually declined (pers comms, 2004).

To increase awareness of these telephone account options, Anglicare recommends that Telstra distribute posters and small cards about key products including InContact, MessageBox, and the Pensioner Concession to all Emergency Relief, Financial Counselling, Neighbourhood Houses and Centrelink offices for provision to clients. Ongoing monitoring of awareness of these products by members of the target group should also be undertaken.

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<sup>3</sup> Homelink is a service designed to allow family and friends of a person with an ordinary Telstra account to call that person and have the cost of the call charged to the account holder's bill. For a person with an InContact service this would allow them to make an outgoing call to a family member or friend who was willing to have the calls billed to their account.

## 6.8 Health

Medical expenses were identified as the main cause of financial crisis by a relatively small proportion of the respondents (5%) but almost a quarter of those surveyed (23%) identified these costs as a big or very big problem for their household. The costs of accessing general practitioners, specialists, medications and other equipment have all been identified as significant issues in previous Anglicare research (Madden, 2001; Flanagan, 2000).

As noted earlier, mental illness was a very common problem with 24% of respondents having experienced mental illness themselves in the past year or living in a household where a family member had experienced a mental illness in the past year. Those respondents receiving Disability Support Pensions were asked to indicate the type of disability they experienced. Seventeen percent of those respondents in receipt of DSP indicated that they had a psychiatric disability. Their receipt of DSP indicates that their illness is serious enough that they have a continuing inability to work and that their impairment is rated as 20% or more under the Commonwealth's statutory Impairment Tables.

Other types of chronic illness were also identified as being problems for 19% of respondents or family members living in their household. The same proportion (19%) identified drug or alcohol addiction as a problem for them or a family member in their household.

Mental illness, other chronic illness and drug or alcohol addiction tended to be somewhat concentrated within households. While forty five percent of respondents did not experience any of these issues in their household, 30% experienced one of these health issues in the household, 12% experienced two issues and 2% of respondents experienced all three issues in their household in the previous year. Mental illness and drug or alcohol addiction were the health issues most likely to be found in the same household with 34% respondents who lived in a household where someone experienced mental illness also identifying drug or alcohol addiction as an issue. There is significant evidence indicating that individuals often experience more than one of these issues with about one quarter of those with a substance use, anxiety or affective disorder also having at least one other mental disorder (Teesson and Burns, 2001).

As shown in Table 7 those with more health issues tended to be more likely to rate medical costs as a big problem or very big problem for their household, particularly those where chronic illness was a problem for themselves or a family member in their household.

**Table 7. Proportion of respondents with particular health issues who report medical costs as a big or very big problem**

Respondents' Health Issue/s	Health costs reported as a big or very big issue
None Reported	14%
Drug or Alcohol Addiction	13%
Mental Illness	26%
Other Chronic Illness	38%
Mental Illness and Drug or Alcohol Addiction	36%
Mental Illness and Other Chronic Illness	61%
Other Chronic Illness and Drug or Alcohol Addiction	53%
Mental Illness, Other Chronic Illness &	74%

At the most basic level, access to bulkbilling general practitioner services are needed to ensure that people in financial crisis are able to access medical care when it is needed. At the time of writing the Federal Government's Medicare package was still being debated by the Senate. Anglicare recommends that any Medicare reform package must include guaranteed access to bulkbilling doctors for Health Care and Pension Concession Card Holders and their children.

The cost of prescription medications is another area where action is needed. Concession card holders receive their prescription medication for \$3.80 per item. After spending \$197.60 on Pharmaceutical Benefit Scheme (PBS) medications in a calendar year, additional scripts are free for the rest of that year. This threshold is set at the same level regardless of family size, meaning that a single concession card holder does not receive free medication until they have spent the same amount as a large family with a concession card. Anglicare recommends that this figure be adjusted for family size, so that a single concession card holder would receive free PBS medication after spending \$50 in a year, a couple or single parent with one child after they spend \$100, a three person family after spending \$150 with the \$197.60 limit retained for all other concession holding families. This approach would provide greater assistance to single people and smaller families coping with chronic or frequent illnesses.

Responses are also required to assist the large proportion of respondents who were living in a household where they or a family member experienced a mental illness. Anglicare is currently undertaking detailed research into the needs and experiences of people with mental illnesses and their carers. Detailed recommendations addressing the specific needs of low income Tasmanians living with serious mental illness and their carers will be contained in the report of that research to be released later in 2004.

## 6.9 Debt Payments

Debt payments were identified by 15% of respondents as a big or very big financial problem and the main cause of crisis by 5%.

Respondents were also asked about the types of loans they had and whether they had money owing on accounts. Table 8 shows that the most common situation for respondents was to have money owing on their electricity or phone accounts. Family and friends were the next most common source of loans for respondents.

**Table 8. Respondents' current loans and debts**

Money owing on/to	Respondents
Electricity Bill	38%
Phone Bill	31%
Family members	26%
Friends	20%
Personal Loan	19%
Other Loan/Account	14%
Credit Card	13%
Store Card	11%
Home Loan	7%

Again loans tended to be concentrated in particular households with 17% of respondents reporting no loans, 24% reporting one loan, 23% reporting two loans, 16% reporting three loans and 14% reporting more than three loans. As would be expected the more loans reported, the greater the likelihood that loan payments were reported as a big or very big problem for the household. For example, 9% of respondents with one loan reported that loan payments were a big or very big problem compared to 26% of respondents with three loans and 48% of people with five loans.

The type of loan also had an impact on the extent to which loans were reported as a big or very big problem for the household. As shown in Table 9 respondents with personal loans, home loans, store cards and credit cards were most likely to indicate that loan payments were a big or very big problem for their household.

**Table 9. Proportion of respondents with particular debt types reporting loan payments as a big or very big problem**

Respondents' debt type	Debt payments reported as a big or very big problem
Personal Loan	46%
Home Loan	41%
Store Card	38%
Credit Card	37%
Family	26%
Friends	23%
Phone Bill	23%
Other Loans	17%
Electricity Bill	16%

The very high proportion of respondents with personal loans who reported loan payments as a big or very big problem for their household is a major concern. Access to affordable consumer credit for low income earners is very limited with people often forced to turn to fringe lenders for loans for major household

appliances. These lenders charge very high interest rates, for example, one local finance company has effective interest rates of well over 50% per annum. Many of the respondents (46%) also reported having pawned or sold items in the past year due to a shortage of money. The high cost of using pawn brokers and low returns for second-hand goods mean that these options are usually a last resort for people trying to raise money. Greater access to affordable credit for major appliances and big bills are needed.

The No Interest Loan Scheme (NILS) Network of Tasmania Inc offers no interest loans to low income earners for major household items. The scheme was established by Anglicare and other community agencies with support from Aurora and the Tasmanian Community Fund in 2002. The scheme is not designed for people in severe financial crisis as clients must be able to demonstrate that they are able to afford to repay a loan and must not have significant other debts. However, the service does play a valuable role in providing very affordable credit to people on low incomes who would otherwise have few options but high cost credit to purchase major household appliances. The NILS service prevents people falling into financial crisis caused by high interest debts. Funding for the NILS Network is due to run out in June 2005. Anglicare recommends that the State Government commit to continue funding this program.

Centrelink Advance Payments can be an affordable option for people on Centrelink payments but are restricted to amounts of \$500 or less per year. These advance payments allow clients to apply for a lump-sum advance on their benefit which is paid back over six months with instalments deducted automatically from their Centrelink payment. The small size of this advance and the requirement that they be paid back over six months mean that the advance payment is usually not large enough to purchase major household appliances.

Between 1995 and 1997 people on selected Centrelink payment types could access advance payments of up to \$1000. In 1996 several additional groups of Centrelink recipients were also given access to advance payments of up to \$500. In 1997 the upper limit for advance payments for all Centrelink recipients was revised down to \$500. The upper limit for the advance has not changed since this time and has lost significant value due to inflation.

Anglicare proposes that Centrelink introduce Advance Payments of up to \$1000 for major household appliances and bills with repayment schedules of 12 months. This would allow Centrelink clients to access no interest advances for larger household items and big bills such as car repairs. Administration of these larger advance payments could follow similar procedures to NILS loans where a cheque for the good or service is paid directly to the supplier. This proposal should be developed in consultation with the National No Interest Loan Scheme Network.

Anglicare also supports a proposal from the Consumer Law Centre of Victoria (in Wilson, 2002) that Advance Payments of up to \$500 should be made more flexible. They propose allowing smaller, more regular advances to be made to clients, with new advances available within a fortnight of paying off the previous advance. This change would provide clients with an alternative to payday lenders. Anglicare believes that advance payments for less than \$500 should continue to be available for any purpose.

## 6.10 Transport

Almost one third (31%) of respondents identified car and transport costs as a big or very big problem, second only to food costs. The cost of transport was particularly likely to be identified as a big or very big problem by respondents living in non-metropolitan<sup>4</sup> areas (41%) and by people living in households comprising of a couple with children (44%). As shown in Table 10 the differences between people living in different regions were much less significant than the differences between people living in metropolitan and non-metropolitan parts of each region.

**Table 10. Proportion of respondents in regions and areas reporting transport costs as a big or very big problem**

Region	Metropolitan	Non-metropolitan
South	28%	45%
North	31%	42%
North-West	33%	37%

It is not surprising that car and transport costs came up as such a significant issue for people in non-metropolitan areas given the lack of public transport options in many parts of the state and the high costs of running a car. Tasmania's relatively decentralised and small population makes the provision of adequate public transport services challenging. However, it is vital that all Tasmanians have access to affordable transport options if they are to fully participate in community life. Anglicare calls on the State Government to commit to ensuring that all Tasmanians have access to some type of public transport service to the nearest major population centre. Where this is not possible the State Government should provide a significant concession on motor vehicle stamp duty and car registration to Health Care and Pension Concession Card holders to assist with the costs of running a car.

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<sup>4</sup> For the purposes of this research metropolitan areas include the following postcodes: 7000-7011, 7015-7019, 7030-7053, 7248-7250, 7310 and 7320. All other areas are defined as non-metropolitan.

## 7. Conclusion

This research provides an insight into the experiences of some of the most disadvantaged Tasmanians. People seeking Emergency Relief and Financial Counselling services during the survey period were experiencing financial crisis caused by a range of interconnecting circumstances. The complex interaction of costs, personal circumstances and low incomes leave hundreds of Tasmanians needing to seek assistance from Emergency Relief agencies and financial counsellors each week.

The costs identified by respondents as the most problematic were food, electricity, rent and transport. However, without the accompanying personal circumstances and low incomes these costs would be unlikely to cause a financial crisis. Living with a disability, as a single parent and without paid employment were the most common circumstances experienced by people included in this survey. These factors meant that respondents were relying on Centrelink payments for their income and most had been on these low incomes for more than two years. Other prominent factors for those accessing the services during the survey period included family breakdown, with 30% of participants living in households which had experienced a family breakdown in the previous year and mental illness with almost a quarter of respondents were living in a household where they or a family member had a mental illness. More than 35% of the respondents lived alone and a further 33% lived in a household where they were the only adult.

Anglicare has proposed a range of important measures to assist people with particular expenses and help prevent people falling into financial crisis. However the most pressing recommendations from this report are those relating to the level of social security payments by the Federal Government. While some social security payments remain below the Henderson Poverty Line there will continue to be thousands of Tasmanians who are unable to make ends meet and regularly experience situations of financial crisis.

Social security payments are at the very core of Australia's social safety net. Their purpose is to prevent people from falling into poverty at times in their lives when they are not able to earn an income from paid employment. Historically, aged pensioners were one of the groups most likely to be living in poverty in this country. The plight of this group has improved enormously in the past three decades as policy changes have been made to ensure that pensions are set above the poverty line and are indexed to keep up with average weekly earnings. Similar policy efforts have resulted in much lower poverty rates for families with young children.

This research has investigated the experiences of hundreds of Tasmanians who are not able to meet their most basic needs. The Federal Government must focus on ensuring that all of those vulnerable Australians who spend time on social security benefits are provided with incomes which are set above the poverty line. These incomes must also reflect improvements in the living standards of the broader community over time. Ensuring that all Australians are receiving an income which allows them to meet their basic needs is the key to reducing the number of people seeking assistance from Emergency Relief agencies and financial counsellors.

For aged pensioners and for families with young children policy change at a national level has made a real difference. Policy change can again make the difference in improving the standard of living for those who are currently at the bottom of the income scale. The redesign of social security systems is a complex

task which requires detailed modelling of the impacts and interactions of each adjustment. However, it is the underlying principles that guide such changes which are the most important factor in determining how the system will affect individuals. The Australian social security system should be based on ensuring that all citizens receive an income which allows them to cover the basics. People must be on incomes which are above the Henderson Poverty Line and which accurately reflect the costs of living. Once the basic needs are met people have the opportunity to fully participate in the life of the community without worrying about whether they will have enough money to feed the family and pay the rent. They can build lives without being forced to turn to community agencies for enough groceries to last the fortnight. With decent incomes people will be able to make decent lives for themselves and their families.

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# **ANGLICARE**

TASMANIA

## **Information About the Survey**

We've been asked to help with a survey of people using Emergency Relief services around Tasmania this week. If you'd like to take part we will go through it together now, it will take about 10 minutes.

It is part of Anglicare's research which is used to lobby politicians to assist people on low incomes. For example the results of the last survey were used to help convince the State Government to put aside almost \$3 million to provide a winter time electricity concession to people on Health Care Cards. The information from the survey will be written up in a report which will be available here when its finished early next year.

The survey is completely anonymous, so your name and contact details won't ever be used.

If you don't want to take part in the survey that is no problem, it won't affect your access to this service or Anglicare services in any way.

Do you have any questions?

Would you be willing to participate?

Agency ID No      Date

## Emergency Relief Questionnaire

1. **Gender**      Female   
Male
2. **Age**
3. **Postcode**
4. **Have you ever sought emergency relief before?**      Yes   
No
5. **If yes how many times in the past 12 months (excluding today)?**      \_\_\_\_\_
6. **Are you from a non-English speaking background?**      Yes   
No
7. **Do you identify as an Aboriginal or Torres Strait Islander?**      Yes   
No
6. **Which country were you born in?**  
Australia   
Other (please state) \_\_\_\_\_
7. **Your household living arrangements:**  
Single Person   
Couple (no children)   
Couple with children   
Single parent with children   
Extended Family   
Other (please state) \_\_\_\_\_
- Number of dependent children usually living in the household**      \_\_\_\_\_
8. **Housing type:**  
Renting from Housing Tasmania   
Private/other rental   
Purchasing home   
Boarding house/hostel   
Crisis accommodation   
Own the house   
Homeless   
Other (please state) \_\_\_\_\_

9. **Your fortnightly rent/house payment: \$** \_\_\_\_\_
10. **How many times have you moved house in the last two years?**      \_\_\_\_\_
11. **Has your rent increased in the last year?**      Yes   
No   
**If yes how much has it gone up per fortnight?**      \_\_\_\_\_
12. **Do you hold a:**  
Pension Concession Card   
Health Care Card   
Neither
13. **Does your household currently receive a concession on electricity bills?**      Yes   
No   
**If no why not?**  
Don't know about it   
Account holder not eligible   
Other (please state) \_\_\_\_\_
14. **What is the current method for paying electricity bills in your household?**  
Pay As You Go Meter   
Direct Debit   
Centrepay   
Regular account paid on due date   
On a payment plan arrangement with Aurora   
Other (please state) \_\_\_\_\_
15. **Do you have a**      mobile phone   
home phone
16. **What is your current method for paying for your mobile phone?**  
Pre-paid   
Direct debit   
Centrepay   
Regular account paid on due date   
Other (please state) \_\_\_\_\_



**22. Thinking about the things that tend to cause financial problems in your household, how important are the following issues in causing you to seek emergency relief? (please tick)**

	Very Big problem	Big problem	A bit of a problem	Not a problem	Not Applicable
Rent Payment					
Mortgage Payment					
Electricity Bill					
Food Costs					
Mobile Phone Bill					
Clothing Costs					
Medical Expenses					
Loan Payments					
Home Phone Bill					
Moving Expenses					
Car/Transport Costs					
Other (please list below)					

**23. From the list above please circle the issue that is the main cause of financial crisis in the household.**

**24. Do you have money owing on any of the following?**

Home Loan	<input type="checkbox"/>	Store Card	<input type="checkbox"/>	Other	_____
Personal Loan	<input type="checkbox"/>	Electricity Bill	<input type="checkbox"/>		_____
Credit Card	<input type="checkbox"/>	Phone Bill	<input type="checkbox"/>		_____
To Family Members	<input type="checkbox"/>	To Friends	<input type="checkbox"/>		_____

**25. Is there anyone in the household with a gambling problem?** Yes  No

**26. If yes, what form of gambling is used?** \_\_\_\_\_

**27. In the past year have you or any family member living in your household experienced any of the following issues.**

Family Breakdown	<input type="checkbox"/>	Domestic Violence	<input type="checkbox"/>
Mental Illness	<input type="checkbox"/>	Legal Dispute	<input type="checkbox"/>
Other Chronic Illness	<input type="checkbox"/>	Funeral Expenses	<input type="checkbox"/>
Chronic Debt	<input type="checkbox"/>	Drug or Alcohol Addiction	<input type="checkbox"/>
Serious Accident	<input type="checkbox"/>	New Baby	<input type="checkbox"/>

# **ANGLICARE**

TASMANIA

## **Information About the Survey**

Anglicare is doing a survey of financial counselling clients around Tasmania this week. If you would be willing to take part we can go through it together now, it will take about 10 minutes.

It is part of Anglicare's research which is used to lobby politicians to assist people in financial crisis. For example the results of the last survey were used to help convince the State Government to put aside almost \$3 million to provide a winter time electricity concession to people on Health Care Cards. The information from the survey will be written up in a report which will be available here when its finished early next year.

The survey is completely anonymous, so your name and contact details won't ever be used.

If you do n't want to take part in the survey that is no problem, it won't affect your access to this service or other Anglicare services in any way.

Do you have any questions?

Would you be willing to participate?

Agency ID No      Date

## Financial Counselling Questionnaire

1. **Gender**      Female   
Male
2. **Age**
3. **Postcode**
4. **Have you ever sought financial counselling before**      Yes   
No
5. **If yes how many times for separate issues?**      \_\_\_\_\_
6. **Are you from a non-English speaking background?**      Yes   
No
7. **Do you identify as an Aboriginal or Torres Strait Islander ?**      Yes   
No
6. **Which country were you born in?**  
Australia   
Other (please state) \_\_\_\_\_
7. **Your household living arrangements:**  
Single Person   
Couple (no children)   
Couple with children   
Single parent with children   
Extended Family   
Other (please state) \_\_\_\_\_
- Number of dependent children usually living in the household**      \_\_\_\_\_
8. **Housing type:**  
Renting from Housing Tasmania   
Private/other rental   
Purchasing home   
Boarding house/hostel   
Crisis accommodation   
Own the house   
Homeless   
Other (please state) \_\_\_\_\_

9. **Your fortnightly rent/house payment: \$** \_\_\_\_\_
10. **How many times have you moved house in the last two years?**      \_\_\_\_\_
11. **Has your rent increased in the last year?**      Yes   
No   
**If yes how much has it gone up per fortnight?**      \_\_\_\_\_
12. **Do you hold a:**  
Pension Concession Card   
Health Care Card   
Neither
13. **Does your household currently receive a concession on their electricity bills?**      Yes   
No   
**If no why not?**  
Don't know about it   
Account holder not eligible   
Other (please state) \_\_\_\_\_
14. **What is the current method for paying electricity bills in your household?**  
Pay As You Go Meter   
Direct Debit   
Centrepay   
Regular account paid on due date   
On a payment plan arrangement with Aurora   
Other (please state) \_\_\_\_\_
15. **Do you have a**      mobile phone   
home phone
16. **What is your current method for paying for the Mobile Phone ?**  
Pre-paid   
Direct debit   
Centrepay   
Regular account paid on due date   
Other (please state) \_\_\_\_\_



22. Thinking about the things that tend to cause financial problems in your household, how important are the following issues in causing you to seek financial counselling? (please tick)

	Very Big problem	Big problem	A bit of a problem	Not a problem	Not Applicable
Rent Payment					
Mortgage Payment					
Electricity Bill					
Food Costs					
Mobile Phone Bill					
Clothing Costs					
Medical Expenses					
Loan Payments					
Home Phone Bill					
Moving Expenses					
Car/Transport Costs					
Other (please list below)					

23. From the list above please circle the issue that is the main cause of financial crisis in the household.

24. Do you have money owing on any of the following?

Home Loan	<input type="checkbox"/>	Store Card	<input type="checkbox"/>	Other	_____
Personal Loan	<input type="checkbox"/>	Electricity Bill	<input type="checkbox"/>		_____
Credit Card	<input type="checkbox"/>	Phone Bill	<input type="checkbox"/>		_____
To Family Members	<input type="checkbox"/>	To Friends	<input type="checkbox"/>		_____

25. Is there anyone in the household with a gambling problem? Yes  No

26. If yes, what form of gambling is used \_\_\_\_\_

27. In the past year have you or any family member living in your household experienced any of the following issues.

Family Breakdown	<input type="checkbox"/>	Domestic Violence	<input type="checkbox"/>
Mental Illness	<input type="checkbox"/>	Legal Dispute	<input type="checkbox"/>
Other Chronic Illness	<input type="checkbox"/>	Funeral Expenses	<input type="checkbox"/>
Chronic Debt	<input type="checkbox"/>	Drug or Alcohol addiction	<input type="checkbox"/>
Serious Accident	<input type="checkbox"/>	New baby	<input type="checkbox"/>

Thank you very much for your time and assistance in completing this survey