Australian welfare agencies warn of growing social crisis

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Evidence is mounting that the global economic meltdown is already having a devastating financial impact on working people in Australia. Even before the crisis erupted, millions were under severe stress and welfare agencies were turning away growing numbers seeking emergency relief. Now, rising levels of unemployment and cuts to working hours, combined with record levels of household debt, are seeing ever more pleas for help.

During 2006-07, according to the Australian Council of Social Services (ACOSS), 725 member agencies provided services to nearly two million people, an increase of 6.3 percent from the previous year. In addition, however, these organisations turned away 77,083 people who were eligible for assistance—an increase of 24 percent—because of lack of capacity. The highest turn-away rates were for housing and homelessness (around 13 percent), family relationships (10.5 percent), legal services (9.8 percent) and child care/preschool (6.3 percent).

Over the past few months, the agencies say they have reached breaking point, with demand for services like housing, counselling and emergency relief doubling. On November 26, a delegation of 30 representatives of the welfare sector convened a summit in Canberra to discuss the impact of the economic crisis and plead for an urgent funding injection of $900 million from the Rudd government to keep services running over the next three years. The summit went virtually unreported in the mainstream media.

To document their case, four major church providers—Anglicare, the Salvation Army, Catholic Social Services and Uniting Care—commissioned a report by Access Economics, titled "The Impact of the Global Financial Crisis on Social Services". The report warned that unemployment was likely to rise from just over 4 percent to at least 5.4 percent by June 2009, or from 460,000 to around 600,000—an increase of 30 percent. But if joblessness rose at the same rate as in the 1990-91 recession, it would reach 8 percent by December 2009—an additional 440,000 unemployed.

Access Economics said the pressure on households would be compounded because employers would cut the hours of casual and part-time workers, while older workers, faced with the decimation of their superannuation and other retirement funds by the 50 percent fall in Australian share prices since November 2007, would defer retirement, making new jobs even harder to find.

The report noted that strain on welfare services was building before the global financial crisis began. "Even during the recent period of buoyant economic conditions, agencies were reporting growing demand and the emergence of a new clientele of 'midstream' wage earners facing severe financial stress. Instability in the financial sector and its flow-on effects to the rest of the economy can only exacerbate these problems, putting an even greater strain on what are already overstretched social services."

Throughout the so-called "buoyant" period, while mining companies and finance houses extracted record profits, working people suffered soaring costs of fuel, housing, food, utilities and other essentials, as well as rising mortgage and credit card interest rates. By 2005-06, more than one million low- and middle-income households, or about 10 percent of the population, were in "housing stress"—paying more than 30 percent of their income on housing.

While most mortgage rates have since been slashed by about three percentage points as the Reserve Bank of Australia tries to boost business activity and consumer spending, credit card and other loan rates have remained at exorbitant levels due to the international financial crunch. On-the-ground evidence suggests that housing stress is worsening. A recent survey by Salvation Army Emergency Relief Services of 1,250 clients across southern Australia found that they were spending about half their budgets on housing. Those who were buying their homes were paying, on average, 48.8 percent on housing, while renters were paying 53.5 percent.

Uniting Care Australia head Lin Hatfield Dodds told the

WSWS her organisation, which operates more than 400 agencies nationwide, had seen an unprecedented rise in demand, particularly among working class families. "Over the past five to six months our emergency relief providers have seen a spike in demand between 50 and 100 percent," she said. "The most disadvantaged will be the most impacted, but right across all our networks, we are seeing a new type of client—people facing severe financial stress because of income loss and cost-of-living pressures. If one wage earner loses a job, a family ends up in financial crisis."

Hatfield Dodds said welfare services were likely to confront a "tsunami" of increased demand in coming months, especially for employment programs, housing, financial and general counselling and emergency relief. "We are now seeing mid-stream wage earners coming in for urgent financial aid to stop their utilities being turned off, or to buy food or clothing. These people have become so highly indebted that they have no budget fat. They are living on the very edge—if either parent loses a job, or even has a decrease in pay, they go over the edge. The sad thing is that people are coming to us after they have already had their electricity or water cut off or been locked out for non-payment of rent."

In her 2007-08 annual report, the New South Wales Energy and Water Ombudsman, Clare Petre, said utility cut-offs were rising sharply as households found themselves unable to pay higher electricity, gas and water bills. There had been a 32 percent rise in the number of credit-related disconnection complaints, from 1,121 to 1,484. In particular, the complaints came from "customers who are facing disconnection or have been disconnected because of financial hardship," Petre said. "They're finding bills are higher, prices are going up and customers are being squeezed financially and really feeling the pinch in terms of meeting their ongoing commitments."

Another indicator of financial distress is a fall in visits to doctors by 14 percent during the year to September, while spending at pharmacies rose more than 19 percent. CommSec chief economist Craig James said the unpublished figures from the Bureau of Statistics indicated that people were cutting back on seeing doctors for financial reasons.

Recently published research by ACOSS, the peak welfare body, demonstrated that even before the crisis broke out, many low-income members of society went without necessities like a decent and secure home, access to dental treatment and new schoolbooks and clothes for their children. The ACOSS study, "Who is missing out?", found that 57 percent of sole parents on income support could not pay their utility bills, 30 percent of Newstart (unemployment) recipients could not afford gifts for friends and family, and a third of Disability Support Pensioners could not afford to visit the dentist.

Overall, 65 percent of Indigenous people, 54 percent of unemployed people, 49 percent of sole parent families, 27 percent of people with disabilities and 53 percent of public tenants suffered multiple deprivation—lacking three or more out of the 26 essential items identified in the report—compared with 19 percent of all Australians. The 26 essential items covered the most basic requirements of life, such as "a substantial meal at least once a day", "warm clothes and bedding if it's cold" and "heating in at least one room of the house".

While the Rudd government has handed out billions of dollars to prop up the banks, finance houses and car companies, it has so far refused to respond to the plea by welfare agencies for $900 million in emergency aid. As a result, according to Hatfield Dodds, the charities are being forced to turn away rising numbers of people.

Charitable handouts are no solution to the economic and social crisis, which requires a fundamental restructuring of society along socialist lines. Nevertheless, the Labor government's response speaks volumes about its priorities— in order to shore up the corporate elite it is determined to impose the burden of the crisis onto the backs of ordinary people.

Community Services Minister Jenny Macklin, along with two junior ministers, delivered speeches at the November 26 summit, paying lip service to the emerging social disaster, but offering not a cent in extra funding. Instead, Macklin and her colleagues claimed that the government's pre-Christmas economic stimulus package, featuring one-off payments of $1,400 for aged and disability pensioners (or $2,100 per couple) and $1,000 per child for low- and middle-income families, was proof of the government's concern.

In reality, these amounts are pittances compared to the scale of the financial distress and will do nothing to provide any ongoing relief for millions of ordinary people.