Rising levels of financial stress in Australia

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Two reports released last month reveal rising levels of financial stress in Australian households, particularly among those cut off welfare or denied any relief in the Rudd government's May 12 budget—the unemployed, sole parents and students.

The reports, one by the Wesley Mission charity and the other by the Australian Council of Social Services (ACOSS), provide a glimpse of the human impact of the worsening recession. The Wesley Mission report—*Financial Stress: The hidden human cost*—is based on a survey conducted in late 2008 of the financial and human stress in households across Sydney since a previous study in 2006. The 2008 survey was conducted one year after the Rudd Labor government took office and amid the early fallout from the global financial crash.

Sydney is the nation's financial capital. The average household income of the 450 people surveyed was just over $90,000—well above the national average of about $60,000. Yet, most of these people lived in a precarious state, in which an unexpected emergency, such as a major car repair or medical bill, could be enough to push them over the edge. Almost half had no savings, a third struggled with financial problems and one in seven were said to be on the brink of insolvency—spending more than they earned.

Among those surveyed there was a growing reliance on debt, with almost 20 percent of credit card holders unable to pay off their balances in a 12-month period. Between 2006 and 2008, there was a near 70 percent rise in the number facing other debts—the proportion owing money on an investment that required borrowing jumped from 19 percent to 32 percent, while the proportion with a personal loan from a financial institution rose from 13 percent to 22 percent. The number who would have difficulty raising $2,000 on short notice increased from 32 percent to 46 percent, with an even sharper rise in those who would have difficulty paying an extra $40 a week for bills—from 39 percent to 61 percent.

Growing numbers were already finding it difficult to maintain basic services—23 percent could not pay their electricity, gas or telephone bills on time, compared with 13 percent in 2006. Half of all sole parents aged 30-59 years said they would have to make major sacrifices if household expenses rose by $40 a week.

Just as the survey was released, the New South Wales state Labor government announced electricity price increases of 20 percent, pushing up the cost for some households by $200 annually. The rise followed a report from the NSW Energy and Water Ombudsman Clare Petre last year detailing a 32 percent rise during 2007-08 in complaints from people being cut-off electricity or water because they were unable to pay their utility bills.

The ACOSS report, entitled *Mind the Gap*, points to the increased hardship facing those most disadvantaged by the 2009 federal budget. The Labor government left sole parents with $43 a week less than aged pensioners and the unemployed even further behind—$106 per week. Students brought up the rear, forced to live on $147 a week less.

While the report praises Labor's budget for increasing the aged pension and supplements, the $33 increase for single pensioners lifts their income to just $333 a week while couples get an extra $10, bringing their benefits up to just $501 a week. These are still poverty-level payments. The ACOSS report itself refers

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to previous research by the Social Policy Research Centre, which indicates that even single aged pensioners who own their own homes would remain barely $16 a week above a "low cost budget" restricted to essential items.

The Labor government's 2009 budget resulted in the unemployed being far worse off, despite its own forecast that the official jobless rate would climb to 8.5 percent by 2010-11. This means that, by Labor's third year in office, about a million workers will be jobless, not counting over a million more who will be "under-employed" or on short-time working.

The ACOSS report draws on a 2008 Social Policy Research Centre survey that found that among those on the single Newstart Allowance (unemployment benefit) of $227 per week ($32 a day), about 45 percent lived below the poverty line of one half median income. Their lives were dominated by constant financial stress—54 percent lacked $500 in emergency savings, 28 percent were unable to pay a utility bill, and 23 percent lacked a decent and secure home.

The situation was even worse for the 360,000 sole parent families, with around 600,000 children between them, who relied on the Parenting Payment (PPS) benefit and family tax supplements, amounting to just $550 per week for a family of three. The survey found that 43 percent of those on PPS lacked a decent and secure home, 57 percent could not pay a utility bill in the last 12 months, 56 percent lacked $500 in emergency savings, 54 percent could not afford necessary dental treatment, 24 percent could not afford to purchase up to date school books and new clothing, 20 percent could not afford a bedroom for each child aged over 10, and 40 percent could not afford to pay for a hobby or leisure activity for their children.

Also under increasing stress were students on Austudy Payments or Youth Allowances, which were less than half the single aged pension rate. The official justification for this gap is that most full-time students receive support from their families. However, with household incomes falling, more and more students are being forced to hunt for jobs, which are generally low-paid, to support themselves.

Numbers of charities have warned that ordinary working class families are being dragged into acute financial difficulty. The St Vincent de Paul Society's Queensland president John Campbell pointed to a 10 percent increase in phone calls to the organisation from people seeking financial support. The worsening economic conditions and mounting job losses, he said, were "resulting in increasing levels of hardship for families". Campbell warned: "The big thing we all need to remember is that the average struggling family with a mortgage is only ever two pay packets away from destitution. This means if the breadwinners lose work such families are almost immediately at risk of homelessness."

In criticising the growing "gap" between aged pensions on the one hand and unemployment, sole parent and student benefits on the other, the ACOSS report said it enshrined a social security system "based not on financial need but on outdated divisions between groups considered more or less 'deserving' of support". ACOSS insisted that those "who miss out are the people most severely affected by the recession, and it is well established that they face a high risk of poverty".

The Rudd government ignored many such pleas in the lead-up to its budget and made a conscious decision not to assist those on unemployment, sole parent and student benefits. In addition, it abolished payments altogether for those under 20 unless they enrol in vocational training. These decisions were made, not because the affected groups are less "deserving", but in order to force them into cheap labour. This is just one of the ways in which the Labor government is utilising the global economic crisis, on behalf of the financial and corporate elite, to further lower the wages and living standards of all working people.

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