Global financial crisis leaves two million Australians in poverty

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Two studies have provided a damning picture of the immense social distress being caused by the restructuring of working and living conditions in Australia following the financial crash of 2008.

The reports point to the reality of the country's "two-track" economy. Beneath the surface of the mining-led "recovery", millions of ordinary people are suffering economic insecurity, acute financial difficulties and housing stress.

"Perceptions of Poverty," a report by the religious charity, the Salvation Army, estimates that two million people are living in poverty—that is, one in ten. Among children the poverty rate is even higher—around 12 percent. These statistics, however, are almost certainly understated because they rely on a semi-official poverty line—first developed for the Whitlam Labor government's 1975 Poverty Report—which is based on estimations of what family units need to live at an "austere" level, rather than a decent one.

By another measure, two million people are now so destitute that they depend on charitable food relief programs each year. Around half of them are children, who often go to school without breakfast or to bed without dinner.

One in seven children is growing up in a family where no one works—one of the highest rates among Western countries. But unemployment is no longer the only substantial cause of poverty. Over the past year, there has been a sharp increase in the number of "working poor"—families living in poverty despite at least one parent working. Last year, reductions in working hours and wages, and failures in small family businesses, led at least 80,000 people to seek help from the Salvation Army for the first time.

Half the households using the organisation's Community Support Services in 2010 reported experiencing cash flow problems, with more than a quarter needing to increase credit card debt, exhaust savings and borrow money from friends and family. About 55 percent believed they were worse off because of the financial situation, 52 percent had cut down on necessities, and 45 percent felt stressed about the future.

Spokesman Peter Sutcliffe told ABC radio: "The economic downturn was simply the tipping point for many families." Even before the crash, research had estimated that around 14 percent, or one in seven, full-time adult workers was low paid, with the highest concentrations in the hospitality, retail and health and community services sectors.

The report shows that traditional stereotypes of poverty are inaccurate. Some of the most disadvantaged people are indigenous, elderly, disabled or mentally ill, but poverty has become entrenched more broadly. Generations of families are trapped in hardship, which cannot be explained simply by individual circumstances or personal factors.

Although the official jobless rate is not as high as in the US and Europe, more than 600,000 families remain affected by unemployment, with another 800,000 people, or 7.7 percent of the workforce, under-employed. Between February 2008 and February 2010, the number of people in full-time work dropped from 7.693 million to 7.660 million, while the number in part-time work increased from 3.035 million to 3.311 million.

Employers have used the global economic breakdown to accelerate a longer-term trend. The report refers to a recent University of Sydney study that showed a dramatic drop in full-time jobs with paid leave—they now make up slightly more than 55 percent of jobs, down from nearly 75 percent in the early 1990s.

Economic stress and family breakdowns have also resulted in many more single parent families. Contrary to media stereotypes, less than 3 percent of single parents are teenagers. "Most are 30 to 50 years old and were previously married," the Perceptions of Poverty report states.

According to statistics from the Australian Council of Social Services, 57 percent of sole parents reported they could not pay a utility bill in the past 12 months, 54 percent could not afford necessary dental treatment, 47 percent had sought financial help from friends and family and 12 percent had gone without meals.

Young people from poor backgrounds who fail to complete secondary schooling or obtain a Certificate III vocational qualification—close to one in five of all young adults—find it almost impossible to secure work. Even in 2004, 97.5 percent of the 236,000 new jobs created went to people with skills and either a university degree, a TAFE diploma or equivalent work experience.

An estimated 600,000 families and single people are experiencing housing stress—defined as paying more than 30

percent of income on rent or mortgage payments. As a result, homelessness is rising well above the level of 105,000 people identified in the 2006 Census. Salvation Army services reported a 65 percent jump in the number of homeless people across New South Wales during the 2009-10 financial year.

Compounding this crisis is a long-term reduction in public housing. Homelessness Australia reported that the number of public housing dwellings fell by 30,000, from 372,000 in 1996 to 341,000 in 2006, "leaving 180,000 households to languish on waiting lists".

The Salvation Army notes that in Australia, which is considered a "wealthy country," the "poor are getting poorer" while the "rich are getting richer". In 2007, Australia's richest 200 people had a combined wealth of over $128 billion—a jump of 27 percent in just 12 months. (This figure pre-dates the global financial crisis, and the gap has widened since then. According to the latest *BRW* Rich 200 list, after a sluggish year in 2009, Australia's wealthiest people "bounced back in style" this year, adding more than $21 billion to their collective fortunes of almost $136 billion, with property and mining magnates doing the best.)

Polling commissioned for the report found that despite "misinformed stereotyping" that blamed the poor for their own plight, 53 percent of people thought that taking action to reduce poverty should be a "very high priority". Another 41 percent considered it important, although not a high priority. Only 6 percent of respondents said it was not a priority, or could not say.

The other report, released by the National Centre for Social and Economic Modelling (NATSEM) shows the impact of soaring house prices and rents. Over the past decade, the proportion of first time home buyers in housing stress—spending more than 30 percent of their income on mortgage repayments—increased from 43 to 47 percent.

The biggest factor was that, on average, disposable incomes grew by 64 percent in 10 years, but house prices soared twice as fast—by 132 percent. The numbers in stress grew fastest in Melbourne, where 53 percent of first time buyers are under pressure, up from 36 percent. There, the median house price rose 138 percent to $470,000, but disposable incomes for households increased by only 58 percent.

NATSEM warns that higher interest rates—some economists are predicting rises of up to 2 percentage points over the coming 12 months—are likely to push more first home buyers into deeper trouble, with the proportion paying more than 30 percent, probably rising into "the high 50s and early 60s [percent]".

The NATSEM research also shows that the number of first home buyers dropped 10 percent between 2000 and 2007. In the same period, Australia's population rose 12 percent. This divergence, which shows that home ownership is increasingly out of reach for young people, is putting upward pressure on rents.

NATSEM notes that rising interest rates will add to the pressures on many first home buyers who obtained large mortgages at low interest rates between August 2008 and December 2009, when the federal Labor government introduced a first home buyers' grant of $14,000 (cut to $7,000 from September 2009). Under the pretext of assisting young families, the government used the grants to prop up the real estate and home building industry as part of its economic stimulus packages. As a result, housing prices were driven up, further exacerbating the affordability crisis.

Neither NATSEM nor the Salvation Army called into question the underlying source of the social crisis—the capitalist private profit system. Instead, both called on the Gillard government to change course, a demand that flies in the face of Labor's policies over the past three decades, and its ongoing unconditional commitment to free-market economic "reform". NATSEM suggested the need for government policies to encourage the supply of new housing, and for the abolition of stamp duty on housing purchases, while the Salvation Army called for the adoption of a national child poverty strategy. The latter recalls the Hawke Labor government's cynical election pledge in 1987 to abolish child poverty by 1990. The Salvation Army also urged reform of the social security system, noting that the unemployment benefit for a married couple with two children is $97 per week below the poverty line, while the payment for a single adult is $118 per week below the poverty line. The Labor government, however, has deliberately kept benefits at those levels, precisely to push the jobless into low-paid and insecure work.

Far from reversing its anti-working class policies, the Gillard Labor government is preparing a new round of spending cuts, including to welfare, housing and health, that will only intensify the growing impoverishment of millions of ordinary people.