Report highlights growing social distress in Australia

John Harris 11 March 2017

Australian workers, retirees, single parents and young people face mounting job insecurity, poverty and financial stress, as well as a growing social divide. This is the picture painted by the *Household Financial Comfort Report*, released last month by industry superfund ME Bank, based on a survey of 1,500 households.

Participants rated their financial situation, expectations and confidence across 11 different fields from 0 to 10 (worst to best). The report recorded the lowest rate of "financial comfort and stability" since the survey was first conducted in October 2011.

The report provided a glimpse into the divergence of the incomes of the wealthiest and poorest layers in society. Last year, 46 percent of households earning over \$100,000 per year reported income gains and only 13 percent reported a decrease. By contrast, 41 percent of households earning under \$40,000 a year experienced a fall in income and just 17 percent registered an increase.

ME consulting economist and report co-author Jeff Oughton told Fairfax Media: "The rich appear to be getting richer, while the rest of Australia is struggling—there's a divide across households."

Oughton noted that with the collapse of the mining boom and the crisis of manufacturing, many workers were being pushed into part-time employment. He commented: "ABS data shows wage growth at historical lows over the past two years to the September quarter. ME's report highlights low wage growth continued in the whole of 2016 and is causing financial discomfort for many households, exacerbated by job insecurity and underemployment."

Underlining the precarious jobs situation, 56 percent of households were concerned they would struggle to find a new job within two months if they became unemployed. Around one in three felt insecure in their current job, up 9 percentage points from the previous year's survey.

Some 70 percent of casual workers indicated they wanted to find full-time work and 60 percent of part-time employees said they would like to increase the hours they work.

Official figures are a pale reflection of the fall in full-time jobs. According to the Australian Bureau of Statistics, full-time employment has fallen by around 40,100 jobs over the past year. Over that time, the number of workers in part-time employment has increased by 129,800.

Roy Morgan Research reported that as of January 2017, real unemployment stood at 9.7 percent, with another 8.2 percent underemployed. That means 2.4 million people were either looking for a job or more hours.

As a result, millions are living on a knife-edge. Nearly two-thirds of survey respondents said they could not "easily raise \$3,000 in an emergency." In other words, any unexpected expense, from a car breakdown to a medical emergency, could push many into economic ruin.

Numbers of those surveyed had far less than \$3,000 at hand—27 percent of households registered cash savings of less than \$1,000. A further 27 percent reported cash savings of between \$1,000 and \$10,000.

During 2016, "debt increased faster than income," with 28 percent of households reporting an increase in debt. In June, approximately 10 percent of survey participants said they could not meet minimum required payments on debt.

Although the report does not spell it out, broad layers of the population have negative wealth, with workingclass families drowning in debt. In another indication that many are struggling just to get by, 43 percent of households said the cost of necessities (groceries, utilities, rent, transport, medical costs plus additional costs) was their biggest concern. Nearly half (49 percent), indicated they were either "unable to afford essentials" or had "no money left over after payments."

At the other end of society, 2 percent, comprising the wealthiest layers of society, reported cash holdings of more than half a million dollars. The cash holdings did not include other forms of wealth such as shares and property.

This disparity is in line with other indications of a sharp rise in social polarisation. A *Wealth of the Nation* report last year found that the richest 10 percent of society own more than half of Australia's household wealth, with the top 1 percent holding up to 20 percent. The poorest 40 percent own virtually nothing.

The most vulnerable layers of the working class have been hit hardest by the redistribution of wealth up the income scale, and the assault on healthcare, education and social spending prosecuted by successive governments, Labor and Liberal-National alike.

Some 40 percent of single parents reported declining incomes, up 3 percent in six months. Over recent years governments have targeted sole parent households.

In 2006 the Liberal-National government of John Howard axed the single parenting payment when the youngest child turned eight, for all new applicants. The Labor government of Julia Gillard extended the policy to all recipients in 2012, pushing 130,000 parents straight onto the below poverty-level Newstart Allowance. Households lost up to \$140 a week.

Those close to retirement confront significant financial uncertainty, as a result of the small returns yielded on the compulsory superannuation payments workers make throughout their working life, and the inadequacy of the poverty-line government aged pension.

Around 43 percent of households feared that their superannuation would not be enough to support them in retirement, forcing them to rely on private savings and the government pension. Some 19 percent said they would have to rely on the government pension because they would have inadequate private savings.

Amid ever more strident demands from the corporate and financial elite for the imposition of sweeping austerity cuts to social spending, the social crisis afflicting layers of the working class will only deepen.



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