



## **THE EXPERIENCE OF (NOT) LIVING ON NEWSTART: DATA AND STORIES FROM FINANCIAL COUNSELLING CLIENTS**

September 2019

Between February and May 2019, 111 people who were clients of financial counsellors shared their stories about trying to live on the Newstart allowance. They also provided information about their weekly income and expenditure showing that it is simply impossible for many people to make ends meet on the current rate.

## **ABOUT FCRC**

The Financial and Consumer Rights Council is the peak body for the financial counselling profession in Victoria.

## **ABOUT THIS REPORT**

This report was put together by the FCRC Centrelink Working Group (CWG). FCRC Working Groups engage in system advocacy on issues encountered by financial counsellors in their practice, aiming to change systems that disadvantage vulnerable people. CWG involves 20 practising financial counsellors concerned with improving Australia's social security system.

Liz Stary is convenor of the Working Group, and along with Carmel Stafford undertook the data analysis on which this report is based.

## **ACKNOWLEDGEMENTS**

FCRC thanks the clients who told their stories, and the financial counsellors who participated in this process and provided completed surveys.

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## EXECUTIVE SUMMARY

This report describes a survey of people whose main source of income was the Newstart allowance and who were clients of a financial counsellor. There were 111 responses to the survey.

### **Arrears and budget deficits are the norm**

- People commonly reported arrears in paying household bills and debts in the previous 12 months. The most common bill to go unpaid was for utilities (87 people – 78%), followed by housing (58 people – 52%).
- Of the 111 people in the survey, 100 people completed an income and expenditure statement setting out how they allocated their money. Of this group, 81 statements were in deficit.
- Housing costs were easily the largest expenditure item for most people. Some 89 income and expenditure statements provided information on this cost. A usual measure of housing stress is when more than 30% of one's income is spent on housing. A total of 81 people were in this category. 73 people spent more than 40% of their income on housing, 56 people spent more than 50% and 20 people spent more than 70%.

### **A highly vulnerable group**

- People commonly had problems paying for food and bills: 93 (84%) had accessed emergency relief services (which can help pay bills); 92 had accessed food relief services; and 77 people had skipped meals.
- Many people reported personal circumstances that would make them vulnerable. The two most common were social isolation, which was experienced by 75 people (68%), and mental health issues, also reported by 75 people (68%).
- The community bears the costs when people need to access emergency relief services and hospitals.

### **In their own words: what I miss out on, what I can't afford**

- Survey respondents were asked to write down what they missed out on or couldn't afford. The overriding theme was that the inadequate rate of Newstart had serious impacts on their lives, ranging from missing out on food, not being able to afford adequate housing, driving unroadworthy cars, experiencing poorer health and limited social interactions. The comments about the detrimental effect on children are particularly sad and it is clear that parents feel this acutely.

## **1 INTRODUCTION**

### **1.1 What is this report about?**

This report describes the practical experiences of people who sought help from a financial counsellor because of financial hardship and whose main source of income was the Newstart allowance. The report documents the actual income and expenditure position of this group of people and captures the reality of their lives.

### **1.2 Why did we write it?**

Financial counsellors assist many clients who are in receipt of income support payments. There is no doubt that the low rates of these payments can both cause and exacerbate financial hardship. This is particularly the case in relation to the Newstart allowance, which has not increased in real terms for 24 years.

Not surprisingly, financial counsellors are strong supporters of the Raise the Rate campaign, which is advocating for an increase of \$75 per week in the Newstart allowance. In writing this report, we are adding yet another piece of evidence to the Raise the Rate campaign.

### **1.3 Methodology**

The survey was conducted between February and May 2019 and there were 111 responses. Financial counsellors with clients in receipt of Newstart, asked them to complete the survey or filled in the data with them. The survey asked participants:

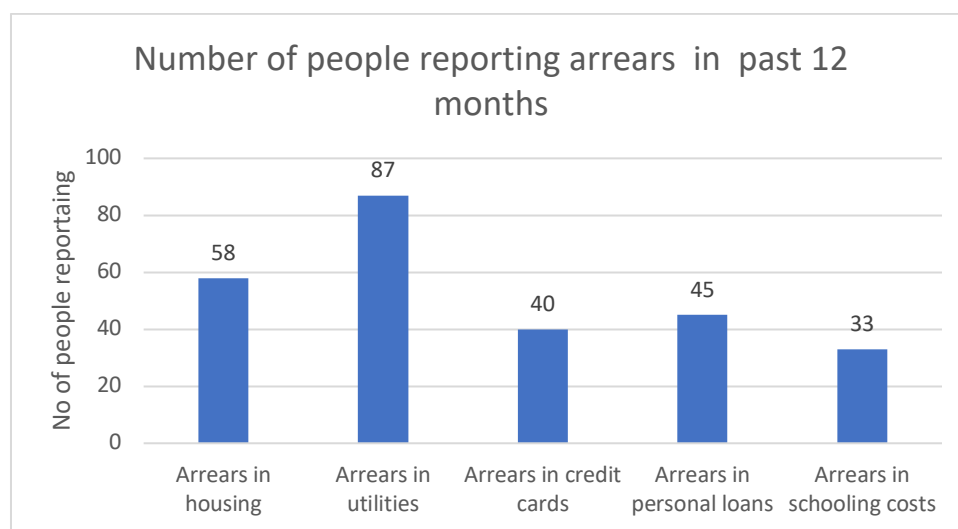
- Demographic information (age, gender and postcode)
- Whether they had been in arrears in the past 12 months (housing, utilities, credit cards, personal loans, schooling costs or other)
- If they had accessed specific services in the past 12 months (emergency relief, food relief) or if they or a family member had skipped meals
- If they had experienced any specific circumstances (homelessness, family violence, mental health difficulties, social isolation, chronic illness, terminal illness, other)
- In their own words, what they missed out on or couldn't afford.

Participants were also asked to complete a short income and expenditure statement (a template was provided or a financial counsellor could use their own).

## 2 ARREARS AND DEFICIT BUDGETS ARE THE NORM

### 2.1 Arrears

As Newstart is such a low level of payment, people commonly reported arrears in paying household bills and debts in the previous 12 months. This data is graphed below. The most common bill to go unpaid was for utilities (78% or 87 people), followed by housing (52% or 58 people).



### 2.2 Income and Expenditure Statements in Deficit

The Newstart allowance is paid on a fortnightly basis. Of the 111 people in the survey, 100 people completed an income and expenditure statement setting out how they allocated their money. Of this group, 81 statements were in deficit. The other 19 statements were incomplete so could not be assessed (these statements did not include items such as debt payments).

Housing costs were easily the largest expenditure item for most people. Some 89 income and expenditure statements provided information on this cost. A usual measure of housing stress is when more than 30% of one's income is spent on housing. A total of 81 people were in this category. 73 people spent more than 40% of their income on housing, 56 people spent more than 50% and 20 people spent more than 70%.

An example of an income and expenditure statement is below. This statement does not include any allowance for food. Appendix 1 has more examples of income and expenditure statements, which show the impossible choices people have to make.

**Example of Statement of Financial Position (or use your own)**

**Income:** \$ per fortnight \$533

**Expenditure:** \$ per fortnight

Housing: \$379

Food:

mobile Telephone: 20

Gas: \$30

Electricity: \$40

Water: \$10

Travel: \$60

Health:

Schooling:

Other:

**Total:** \$539 - NO food

**Deficit:**           

What I cannot afford: basic power gas water  
Housing ~~at market~~ (at Current Rental market value)  
computer or internet  
Myki top up money  
Food - where fore I don't eat, outcome - Health

## 2.3 Savings

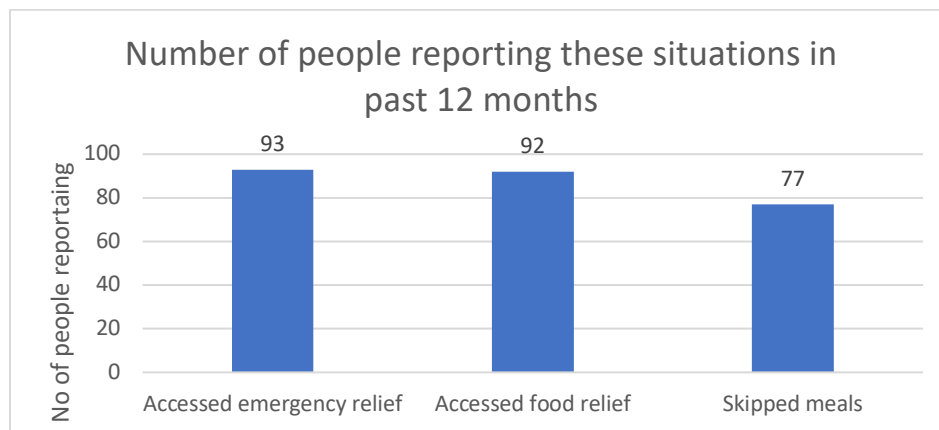
As confirmed by ANZ research,<sup>1</sup> one of the most important indicators of financial wellbeing is the ability to save money and accumulate a small savings buffer. This allows people to cope with unforeseen events such as the need for car repairs or to travel for a funeral. None of the income and expenditure statements had room for even a modest level of savings, such as \$5 per fortnight. There is no room for discretionary expenditure of any kind.

<sup>1</sup> Financial Wellbeing: A Survey of Adults in Australia, ANZ, April 2018 p.6. Available at <https://www.anz.com/resources/2/f/2f348500-38a2-4cfe-8411-060cb753573d/financial-wellbeing-aus18.pdf>

### 3 A HIGHLY VULNERABLE GROUP

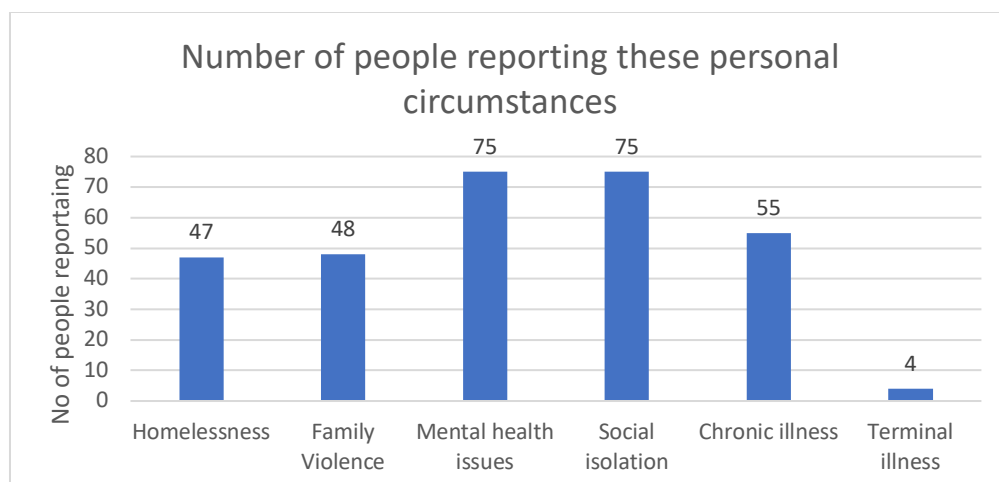
#### 3.1 Accessing food relief is a common coping strategy

The survey asked participants about whether they had skipped meals or accessed food relief or emergency relief services (such as access to vouchers to pay bills) in the past 12 months. This data is shown in the graph below. It was very common to have done this: 93 people (84%) had accessed emergency relief services; 92 had accessed food relief services; and 77 people had skipped meals.



#### 3.2 Personal circumstances are challenging

The graph below shows the number of people reporting personal circumstances that would make them vulnerable. The two most common experiences were social isolation, which was experienced by 75 people (68%). Mental health issues were also reported by 75 people (68%). Not having enough money to live on is obviously highly stressful. Mental health issues in particular are both cause and effect in relation to financial hardship.





### **3.3 Community bears the costs also**

Individuals obviously suffer when they do not have enough to eat and cannot pay their bills. But the community also bears the costs. These include the costs of funding food relief services, and the costs arising from people experiencing health issues or homelessness. These costs, however, do not seem to be factored into government decision-making processes that leave the Newstart allowance at levels that mean people don't have enough to eat and experience poor physical and mental health.

## 4 IN THEIR OWN WORDS: WHAT I MISS OUT ON, WHAT I CAN'T AFFORD

Of the 111 people surveyed, 110 answered the question “What I cannot afford” or “What are you or your family missing out on” or both.<sup>2</sup> The quotes in this section are from survey responses and chosen to illustrate the specific topic.

The overriding theme is that the inadequate rate of Newstart has serious impacts on the lives of recipients. This ranges from missing out on food, not being able to afford adequate housing, driving unroadworthy cars, poorer health and limited social interactions. The comments about the detrimental effect on children are particularly sad and it is clear that parents feel this acutely.

### 4.1 Food and clothing

*“(I miss out on) ... food.”*

*“I visit a different community service each week to get food.”*

#### **Summary of the themes**

A common theme was that people did not always have enough money for food and regular meals. Some people said they missed out on buying fresh or healthy food. Some people said they could not afford warm clothing or shoes for themselves or their children.

#### **What this means**

People who cannot afford food either skip meals or visit community-run food relief services. These services, however, generally limit the number of times an individual can obtain a food relief package.

There are health implications when people on Newstart do not eat enough healthy food.

There are also broader costs to the community because of the need to fund food relief services.

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<sup>2</sup> Slightly different versions of the survey were administered with some versions asking “what I cannot afford”, others asking “what are you or your family missing out on” and some asking both questions.

## 4.2 Housing and utilities

*"I don't have a bed; I'm sleeping on a broken, 40-year-old couch."*

*"(The) power (company is) threatening disconnection due to arrears."*

### Summary of the themes

The data on housing costs described in Section 2 showed that this represents a large proportion of most people's weekly expenditure. Not surprisingly, access to stable and secure housing was also a clear theme in the qualitative comments. For example, some people commented that they could not afford private rental or a mortgage or rates.

People also had trouble in being able to afford basic necessities such as gas, electricity, water and heating. Telephone and internet costs were also out of the reach of some people.

### What this means

Some people remain in unsatisfactory housing situations, such as staying with friends, because of the cost. One person appeared to be remaining in a family violence situation because they could not afford the cost of housing. Another said they were missing out on feeling safe because they lived in a rooming house.

In the experience of financial counsellors, many people prioritise housing costs over food. The high costs of housing therefore makes it extremely hard, and often impossible, to make ends meet.

People who struggle with utility payments can and are disconnected.

## 4.3 Impact on children

*"My kids have to carry all their belongings in their school bags because we can't afford to pay for lockers."*

*"I can't afford to send my kids on school excursions."*

*"We can't do simple things like taking my daughter to her friend's birthday party because we can't afford gifts."*

*"Kids have to stay home as never have money to do anything with them."*

*"Embarrassed to have his friends over."*

### **Summary of the themes**

People reported that their children missed out on many things at school for example, school camps, excursions, music lessons, sports day (because of an entry fee), after-school activities. Some people said they couldn't afford school uniforms, school books or subject fees.

Children also missed out on other things that would be considered a normal part of growing up, such as gifts, treats such as Easter Eggs or going out as a family.

### **What this means**

Children and young people missing out on activities such as school excursions are not receiving the same educational opportunities as others. It is also likely that there will be psychological impacts for children and young people because they are unable to participate in the same activities as their peers. How these psychological issues play out is for other experts to assess, but surely must be a concern for us as a community.

Parents unable to adequately provide for their children are likely to experience feelings of shame and despair.

## **4.4 Transport**

*"I am driving an unroadworthy car with bald tyres because where am I going to get \$600 from to replace the tyres?"*

### **Summary of the themes**

People said they couldn't afford the running costs of a car such as petrol, tyres, insurance, registration, repairs and ongoing servicing.

Some people also said that for them public transport was unaffordable.

### **What this means**

An inability to access transport may make it difficult for some people to attend job interviews. There are obvious risks to the community if unroadworthy cars remain on the road. Individuals also risk fines, and debts to third parties may arise if the car is in an accident and is not insured.

Access to transport is also important in facilitating participation in the community, so that people can interact with friends and family.

#### 4.5 Health

*“My neck and back were injured in the domestic violence I experienced but I can’t afford to go to the physiotherapist for treatment. And I can’t afford regular psychology appointments to deal with all the trauma.”*

*“Sometimes I go without my medications so I can feed my child. She has already missed out on so much, it’s upsetting.”*

##### **Summary of the themes**

People were not able to pay for many health-related costs. Examples mentioned included: medications, dental care, optometry, rehabilitation, vitamins and physiotherapy. One person needed to see a specialist but could not afford it. Some people mentioned psychological impacts such as feeling sad and depressed.

##### **What this means**

There are obviously serious impacts for individuals who are unable to afford the medicines they need to stay well. For some people, this will be a significant barrier to being “job ready”, for example, if they are unable to recover from injury.

There may also be implications for the broader health system if people end up using emergency services or more expensive health-care options because preventative medicines are unaffordable or they have not been able to access mental health services in a timely way.

#### 4.6 Social interactions

*“I can’t catch up with friends for coffee because I simply cannot afford to socialise.”*

*“I’m newly arrived to the country and have escaped domestic violence. I have no local friends and I can’t make any friends because I can’t afford to attend these sorts of functions.”*

*“(I miss) talking to people.”*

##### **Summary of the themes**

An inability to participate in the community and feel part of society was a common theme in the comments. People said they missed out on things like socialising, fun, coffee, recreation, entertainment, treats, holidays, Christmas and Easter.

### **What this means**

When people lose connections with others, it can exacerbate feelings of inadequacy and mental health issues. It also diminishes opportunities to find employment.

## **4.7 Financial management**

*“(I) couldn’t afford (a) new fridge (and) had to get rent to buy ... 400% more expensive.”*

*“(I) borrow money from family which I can’t pay back.”*

*“I have worked since I was 17 and now when I need help 30 years later, there is none from the government.”*

### **Summary of the themes**

Some people commented on their overall financial position of having debts that they couldn’t afford to pay back.

### **What this means**

People unable to pay their debts will receive calls from debt collectors. Some will resort to high cost credit in an attempt to find a short-term solution, such as a payday loan.

## APPENDIX 1 – STATEMENTS OF FINANCIAL POSITION: IMPOSSIBLE CHOICES

**Example of Statement of Financial Position (or use your own)**

**Income:** \$ per fortnight 650

**Expenditure: \$ per fortnight**

Housing: 520

Food: 100

Telephone: 20

Gas: 35 (usage 80)

Electricity: 50 (usage 40)

Water: 20

Travel: 50

Health:

Schooling:

Other:

**Total:** 805

**Deficit:** 155

What I cannot afford:

Usage payments on gas + elec

Adequate food

Housing was 720 until recently got housemate paying 100pw (also on N/S)

Rent + utilities all in arrears

**Example of Statement of Financial Position (or use your own)**

**Income:** \$ per fortnight 680 (CENTRELINK NEW START)

**Expenditure: \$ per fortnight**

Housing: \$620

Food: —

Telephone: — \$5

Gas: \$20

Electricity: \$20

Water:

Travel:

Health:

Schooling:

Other:

**Total:**

**Deficit:**

What I cannot afford:

FOOD

ELECTRICITY

GAS

TELEPHONE / INTERNET

**Example of Statement of Financial Position (or use your own)**

**Income:** \$ per fortnight

**Expenditure: \$ per fortnight**

Housing: 240.

Food: 100.

Telephone: 50.

Gas: 50.

Electricity: 50.

Water: 40.

Travel: —

Health: 50.

Schooling: 50.

Other:

**Total:**

**Deficit:**

What I cannot afford:

- Healthy food, medication at times,
- Dental care (I have ongoing dental issues).
- Vitamins (for heart issue)
- Warm clothing / shoes for kids.

**Example of Statement of Financial Position (or use your own)**

**Income:** \$ per fortnight 500

**Expenditure: \$ per fortnight**

Housing: 320

Food: 100

Telephone: 142

Gas: 50

Electricity: 50

Water: 30

Travel: 100

Health: 100

Schooling:

Other:

**Total:** 872

**Deficit:** 372

What I cannot afford:

REGO  
Food  
CLOTHES  
FURNITURE  
Fuel



**Example of Statement of Financial Position (or use your own)**

**Income: \$580 per fortnight**

**Expenditure: \$ per fortnight**

Housing: \$300

Food: \$160

Telephone: \$40

Gas:

Electricity: \$62

Water:

Travel: \$30

Health: \$50

Schooling:

Other:Fines \$20

**Total: \$662**

**Deficit: \$82**

What I cannot afford:

My mother is the regular carer for my son and I am supposed to pay her \$100 per fortnight towards his care, I am ashamed I cannot even pay that now

I cannot afford to have my son come over as I do not always have any money to buy food or treats which he finds it very hard to understand

I feel I cannot care for him now and should stop seeing him, I used to take him to the local football game now I cannot afford the entry fee or the pie we used to enjoy.

I cannot afford to see my private specialist in Melbourne

My flat mate pays for the electricity so I now have a debt to him.

I used to go and play snooker at a local club now I cannot afford to pay the game fee and I am not able to buy even a soft drink

I have unstable epilepsy and no one will give me a job, I have lost my driver's licence because of my health and I live in the country