

WHAT IS FINANCIAL HARDSHIP AND SOCIAL EXCLUSION?

We hear terms like these but aren't always sure exactly what they mean. Meanings can change depending on the circumstances. The definitions below may be helpful.

Financial hardship is the inability to enjoy an adequate material standard of living (in terms of food, shelter, clothing and health) that results primarily from inadequate income. What is adequate is determined by the standards of living for the community as a whole.¹

Social exclusion involves the lack or denial of resources, rights, goods and services, and the inability to participate in the normal relationships and activities, available to the majority of people in society in the economic, social, cultural or political arena. The exclusion can be caused by a variety of factors such as discriminatory attitudes (such as racism), location, age or lack of access to technology.

Whilst for some people financial hardship may be a temporary experience, for many it is an ongoing, even lifelong condition. Many people live with the constant stress of not knowing how they are going to be able to pay their next bill.

1. It's about more than money

Although financial hardship is often measured in terms of income, the experience of financial hardship or poverty is much more than how much money a person has.

The experience of financial hardship may have a social, psychological or cultural basis. Simply providing financial assistance will not address the disadvantage experienced from these causes. Similarly, social exclusion based on factors such as ethnicity, age, disability will not be solved by money. It requires a change in attitude and a change in the way institutions operate.

2. Poverty can be relative or absolute

Absolute poverty exists when a person does not have access to the bare minimum requirements to sustain a healthy life, for example safe drinking water, shelter and regular food. In Australia, some homeless people and some Aboriginal communities live in absolute poverty.

Relative poverty exists when a group in society receives significantly less than the average person in that society. A person is viewed as being impoverished in

¹ Brotherhood of St Laurence to the Senate Inquiry into Poverty: Australian Senate (2004), 'A hand up not a hand out: Renewing the fight against poverty',

comparison to the general expectations of that society. Depending on the measure used, between 5% and 22% of Australians live in (relative) poverty.

This training deals predominantly with relative poverty.

3. Poverty and social exclusion are interconnected

Some say that social exclusion is a cause of poverty. Others say that poverty results in social exclusion. What is clear is that financial hardship limits participation in normal activities of our community. This amounts to social exclusion. Other factors experienced by a person can also cause social exclusion (eg Aboriginality, age, location, disability)

4. Everyone has their own ideas, their own worldview

There are many different interpretations of financial hardship and social exclusion coming from our personal experiences and worldview. Our assumptions can significantly affect the way we relate to people experiencing hardship. We need to be aware of the unspoken values, attitudes and beliefs we have when we deal with people who may have different worldviews and experiences to us.

7. Bludgers and battlers

People in financial hardship are sometimes divided into the 'deserving' and the 'undeserving' poor, or the 'battlers' and the 'bludgers'.

Although there may be a small group of people who take advantage of any system the majority of people experiencing financial hardship are not in this category.

Some people's lives are so difficult that payment of bills has a lower priority than day-to-day survival. Causes include debilitating mental / physical illness and family violence or sexual abuse.

FINANCIAL HARDSHIP AND POVERTY – SOME MYTHS

Financial hardship is not experienced in the same way by all people. Factors such as a person's support networks, as well as gender, ethnicity and age all impact on how poverty is experienced.

Absolute poverty is now less widespread than at in the past, however relative poverty continues and grows.

People get their beliefs regarding poverty from a variety of sources. These sources may include personal experiences, the media, stories related by family and friends and messages communicated by government. There are some common misunderstandings regarding some aspects of financial hardship. These misunderstandings can cause problems when someone experiencing financial is requesting assistance or understanding.

MYTH: People on welfare have plenty of money

The vast majority of people who rely on government payments as their primary source of income are living on very small amounts of money – inadequate to cover basic needs. Welfare payments once provided a secure, if frugal, standard of living for eligible people. The cost of many essential items such as fuel and housing has increased significantly more than welfare payments.

The Newstart Allowance for a single person with no children who is looking for work is \$214.90 per week.

MYTH: People on welfare waste all their money

Research shows that the vast majority of people relying on Centrelink benefits usually spend almost all their available funds on basic items such as food, utilities, accommodation, education and transport.

Lack of funds means there is little opportunity to go out with friends, engage in sports or other important social and physical activities.

MYTH: There are a lot of welfare cheats

Fraudulent benefit claims do exist, but they are in the tiny minority. Despite the impression that is sometimes given by the media, actual rates of welfare fraud are very low.

Less than 6% of welfare recipients are convicted of fraud.

To put this in perspective:

- in 2004-5 tax payers owed over \$5.14 **billion** to the tax department,
- whereas welfare recipients owed \$390 million.²
- The average social security debt was less than \$1000 while the average tax debt was many times greater.

² Horin, A. (15 December 2007) Tax dodgers laughing as the poor are hounded. *The Sydney Morning Herald*. Retrieved 14 April 2007 from <http://www.smh.com.au/news/opinion/tax-dodgers-laughing-as-the-poor-are-hounded/2007/12/14/1197568262862.html>

In the main, those convicted of welfare fraud bear little resemblance to the few crooks who go to jail in a blaze of headlines having robbed the revenue of tens of thousands in multiple identity scams.

Research by Greg Marston and Tamara Walsh, of the University of Queensland, who tracked 80 social security fraud cases, found the defendants to be needy rather than greedy. They were more likely to be uninformed, sad people, living close to the poverty line.

The most common violation was to under-declare to Centrelink income earned from casual or intermittent work, and so be paid an incorrect welfare benefit. A good behaviour bond was the typical penalty.

Welfare fraud is less of a problem than has been made out. But more can be done to simplify a Centrelink reporting process that invites mistakes. As for the tax cheats, more hounding, and more tabloid headlines, would not go astray.

MYTH: People on welfare don't want to work

Many people experiencing financial hardship face a number of significant barriers to employment and have not been able to benefit from the low rate of unemployment.

These barriers can include lack of appropriate training or experience, lack of appropriate transport, racism and cultural barriers, caring commitments to others, physical and mental health problems and age.

Many people also face limited employment opportunities because of where they live.

MYTH: They are 'Trying It On'

Many of us have been in a situation where we haven't been able to meet a commitment to someone else.

Explaining these circumstances to others, especially strangers, can be an embarrassing experience.

Such situations can be made even more difficult in cases where people are "telling the story for the umpteenth time", or do not feel that their experiences have been validated by the listener.

MYTH: These people waste water and energy

It is true that some people have high energy and water bills because of inappropriate or excessive use.

Excessive use and wastage of services can be caused by several factors: lack of education regarding the scarcity of resources; use of old appliances; or the unrestrained use of appliances. However, a lot of people living on lower incomes or experiencing financial hardship are unable to reduce their use due to factors such as: overcrowding; inability to afford efficient appliances; and no capacity to retrofit what is very often old and inefficient housing.

Schemes available to assist in reducing use of energy and water (such as star ratings for white goods and heating appliances, rebates on water-saving fixtures and energy saving retrofitting) are not appropriate for people in financial hardship because they require an initial outlay of funds, which is then recouped by future savings.

CONSEQUENCES OR CAUSES?

People experiencing financial hardship and social exclusion face many problems. Some of these problems are inter-related. They can be both a consequence and a cause of financial hardship and social exclusion.

Poor health

There is a strong link between financial hardship and poor health outcomes.

People experiencing financial hardship have higher rates of suicide and self harm than the rest of the population.

Some people experience hardship following the loss of employment caused by injury – in some cases this injury, or disability may be ongoing, excluding the person from types of employment which they have previously held.

Many chronic health conditions and disabilities cost a lot to treat and can be a barriers to employment.

Inappropriate housing

People experiencing financial hardship are more likely to live in housing that does not meet their needs. This may include housing that is chosen because it is cheaper, but is further away from employment and education, is inappropriate because of health needs or far away from social and financial supports.

- The cost of rental accommodation has risen significantly over the past ten years.
- People living on lower incomes pay a much higher percentage of their total income in order to remain housed.
- Over 1/3 of people aged under 44 pay more than 30% of their income on housing.³

Family violence

Family and domestic violence occurs in all sectors of society. It involves an intimate partner, or family member attempting to exert power and control over another person.

It is proportionately more common in families experiencing financial hardship. These families or partnerships experience higher levels of ongoing stress due to the financial hardship.

They may be more likely to encounter factors which increase the use of violence. These factors may include drug use (including alcohol), stress and a reduced capacity for people experiencing abuse to remove themselves from the unsafe situation.

People experiencing or leaving family violence situations can experience severe psychological stress making it difficult to cope with daily life.

People experiencing domestic or family violence require people to understand and believe their experiences.

Along with violence can go STD – Sexually Transmitted Debt. That is, debt that belongs to the abusive partner may have been transferred to the person experiencing the abuse.

Many people have to live with debt for many years after the initial abuse has ended.

³ AMP.NATSEM Income and Wealth Report (2008) Trends in housing affordability and housing stress, http://media.corporate-ir.net/media_files/irol/21/219073/home.pdf

Higher cost of living

Surprisingly, people in financial hardship have a higher cost of living than rich people.

This occurs for a number of reasons, including:

- higher transport costs,
- less efficient home appliances,
- use of high-cost credit to meet essential needs,
- more time spent at home (resulting in higher water and energy costs),
- lack of capacity to take advantage of “buy in bulk” sales and inability to meet the upfront costs to take advantage of efficiency programs.

People living on lower incomes are also more likely to be subject to high bank fees, dishonour charges and overdue penalties on accounts.

IMPORTANT FACTORS TO REMEMBER ABOUT FINANCIAL HARDSHIP

Significant life events and insufficient resources to respond

Many people in financial hardship have suffered a significant life event and they lack the resources to be able to respond.

Common significant life events include;

- marriage and divorce,
- birth or death,
- loss of employment,
- loss of capacity (disability),
- imprisonment or the threat of imprisonment and
- other events which bring about significant physical or psychological trauma.

Everyone has differing capacity to deal with these sorts of events. When responding to someone presenting with hardship or disadvantage it is important to consider how many significant life events that person has experienced.

Just being a part of group different to the norm

Just being a part of a specific group can significantly increase your chances of experiencing hardship or poverty.

In Australia, groups that are more likely to experience financial hardship include young people, single parents, people of Aboriginal or Torres-Strait Island descent, people who don't speak English and people from migrant backgrounds. The reasons why these groups may experience higher rates of hardship or poverty vary, but include lack of access to employment and education, racism and higher living costs.

SO IT'S ALL CONNECTED?

Yes. Many of the factors discussed above are both causes and effects of financial hardship.

Some of these factors even cause each other. For example, people who have encountered problems with the law may find it more difficult to locate employment, leading to stress, health and accommodation issues.

Experiencing more than one of these factors makes a person's situation worse. Many of the conditions listed above are not easily solved in isolation. People may have experienced these situations for their entire lives. Whilst many the factors that contribute to financial hardship could happen to anyone, there is evidence to suggest that disadvantage reproduces itself and continues from one generation to the next.

BUT I WENT THROUGH THAT TOO, AND I'M FINE – WHY?

Some people and groups have a greater capacity to deal with the significant life events and problems outlined previously than others.

Many of us have lost a love one, finished a relationship or been in a car crash. How did we cope with these events?

Some of us may have had support from friends or family members. In other cases, you may have previously been through a similar experience and known that things would eventually be alright.

The ability to cope with adverse life events is often known by psychologists as 'resilience'. There are many internal (mental state) and external (environmental) factors that affect someone's level of resilience.

Internal resources include:

- age and maturity – positive experiences dealing with difficult situations
- self-esteem and confidence – feeling that you have some control over the situation
- education and employability – facilitates alternative paths to be pursued

External resources include:

- security of accommodation and employment
- network to provide financial support – friends and relatives not experiencing financial hardship who can help out
- network to provide emotional support – friends and relatives who are there to talk with

- positive community and environment – being in a community with opportunities and access to services and amenities

Many people experiencing financial hardship do not have sufficient internal and external resources to enable them to handle a difficult personal or financial situation. One possible result of 'not handling' the situation may be avoidance. That is, a difficult situation is ignored or avoided because it is too hard for the person to manage at that time.

Everyone is different and deserves to be treated on an individual basis.

The very poor tell us over and over again that a human being's greatest misfortune is not hunger or being unable to read, nor even being without work.

The greatest misfortune of all is to know that you count for nothing, to the point where even your suffering is ignored. The worst blow of all is the contempt of your fellow-citizens.

Moraene Roberts