Money matters in times of change

Financial vulnerability through the life course

Zuleika Arashiro

Brotherhood of St Laurence

Working for an Australia free of poverty

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Summary

Life transitions and events that impact adversely on our finances can happen to any of us. Material and emotional support at times of financial vulnerability are essential to reduce the risk that predictable events, such as the transition into retirement, or more unpredictable events, such as job loss, become the source of financial hardship and cumulative or persistent forms of disadvantage.

This research identifies some of the needs that financially vulnerable people in Australia are facing around the following four events or transitions: moving from school to work, being out of work, becoming a single mother, and retiring and ageing. It also identifies the strategies these people apply to deal with those needs. The information gathered also indicated that most participants experience lack of assets, poor access to fair and adequate mainstream credit, and difficulties in accessing financial information, which indicate their high risk of financial exclusion.

This study relies on the experiences of forty-eight individuals from Melbourne and regional Victoria. The key findings associated with each life transition or event are presented below. The common themes that emerged during all four transitions or events were:

Financial needs and resources: Insufficient and unsteady income was the most common trigger of financial vulnerability across different life transitions. Although participants worried about their future, financial limitations generated a context in which they had to make multiple financial decisions on a day-to-day basis to meet their most pressing financial needs. Rent, transport, utilities and child care were some of the costs that could not be ‘postponed’ and were increasingly a source of financial concern. Non-material resources such as education and support from family, partner or social groups, as well as good mental and physical health, played a determinant role at times of change. These resources helped reduce the risk that vulnerability at one stage will be converted into disadvantage in the long run.

Coping mechanisms and strategies: The most common ‘solution’ that participants in this study mentioned implementing was to live without what they could not afford and separate needs from wants. This was not an easy process, since it often meant that they reduced activities that would enhance their sense of social inclusion. These could be as simple as a ‘coffee out with a friend’ or a night out with mates. In some cases, people were coping with stressful situations and even with abuses—for example, in lease agreements—because they believed that under their financial circumstances they did not have other options.

Financial exclusion indicators: The majority of participants did not have either liquid or fixed assets that they could access in the case of a financial emergency. Home ownership was only common among the retirees. Most people were not accessing mainstream loans and if possible used ‘credit’ from family at times of need. They also lacked access to appropriate financial information, that is, ‘hands-on’ financial information that they perceived as relevant to their context, offered by impartial sources in accessible places and communicated in a simple way.

Key findings

Moving from school to work

Sixteen participants (six young women and ten young men) shared their financial experiences surrounding their move from school to work. The majority of these participants had left home and did not count on their family for financial assistance.

Although they were all engaged in either training or vocational education, many had previously experienced dropping out of school. For the majority who were living independently, insufficient income to cover basic costs when relying on the Youth Allowance was the main financial challenge. Costs relating to public transport, course fees, driver's licence and car registration were mentioned as the main sources of pressure, influencing how they balanced work and study as well as their educational opportunities.

The most common strategy they mentioned using to deal with the shortage of money was to go without what they could not afford and avoid situations in which they might feel pressured to consume, such as social outings with friends. Those living with no financial assistance from their family were more cautious about accessing credit. They associated credit with debt and saw it as a risk they should avoid.

Positive relationships with family, peers, teachers and service providers; recognition of their capacity; and non-judgemental treatment when looking for support services were cited more often than money as sources of personal satisfaction. This was especially the case for the young people living in regional Victoria, who found that the support they received helped them to better plan their next steps and goals.

Being out of work

Ten individuals (three women and seven men) were interviewed about their experiences being out of work. There were considerable differences in the degrees of financial difficulty the participants were facing and in their financial needs. A key explanation for these differences was the kinds of social relations and networks that individuals could access for both material and emotional support.

Single men in particular were exposed to high risk of social isolation and they perceived a lack of support services to address their needs.

Job loss produces a sudden fall in income. Even short periods of only a couple of months without work were sufficient to push participants from a state of no debt to one of accumulated debt. Lack of regular income immediately affected participants' plans and some of the decisions they made within that context had the potential to create cumulative disadvantages. For example, a decision to live in the outer suburbs where rental costs are more affordable could increase an individual's risk of being socially isolated as well as reduce their access to a larger pool of job opportunities.

It was hard to discuss financial skills or information with this group given that their focus was to find a job. Moreover, health issues such as stress and depression were frequently mentioned by interviewees, either as a driver for their decision to leave their jobs or as a barrier to finding another job.

Becoming a single mother

The issue most specific to this group of twelve women was the constant need to balance financial considerations with their carer responsibilities. Most women placed their children's needs and wellbeing at the top of their priority list and financial considerations were usually subordinated to that priority.

Life-course studies have identified a gender gap in the accumulation of assets. In the case of the single mothers who participated in this study, it was easy to trace the origins of that gap. Most were in part-time or casual work and mentioned that they could not afford to save. The ones who said that they managed to save were doing that to cover an expenditure that they knew would come in the near future, such as school supplies, extra-curricular activities or car registration.

Many of these participants were aware of the importance of long-term financial planning, such as a retirement plan. However, given their present financial circumstances they made the rational decision to concentrate their attention on fulfilling immediate needs before moving on to more abstract future plans.

Participants were used to budgeting and in some cases had to maintain multiple reporting systems to satisfy the government requirements for income support payment. They mentioned the difficulties of finding clear, easily accessible financial information that was relevant to their specific circumstances.

Retiring and ageing

Socioeconomic background was the main variable that differentiated the financial needs of the ten senior participants (four women and six men). For those living on a government pension, financial needs were mainly related to having sufficient income to pay for essentials such as rent, transport, medical costs and utility bills. They also experienced a high degree of financial vulnerability when faced with extraordinary expenses.

Those who owned their house, had other assets, were not entirely dependent on a government pension and had a tertiary education were more likely to cite access to transparent and trustworthy financial information as a key financial need.

Participants were keen to offer suggestions on how to improve the provision of financial information for seniors. They highlighted that financial information should be delivered by credible and legitimate sources, in clear and simple language. They also suggested that group sessions should be organised around a participatory rather than 'lecture' approach, building upon participants' strengths and practical experiences.

As in all previous categories, financial considerations were linked to participants' broader life goals and values. Seniors placed a high value on social participation and were keen to volunteer and share their practical knowledge.

Looking back at their life trajectory, some of these participants could see the structural limitations that younger generations face, such as high housing prices and low availability, while others focused more on changes in behaviour associated with the modern culture of credit and consumption.

Policy and practice recommendations

Public policies and rules should improve incomes and facilitate asset accumulation

Employment policies need to be better integrated with the income support system to reduce financial vulnerability and maximise the opportunities for individuals' social and economic participation. Apart from the benefits that it will bring to the Australian economy, this participation is a fundamental step to building a fairer society.

- Many individuals who receive income support payments are working in casual jobs with variable workloads each fortnight. Currently the rules guiding the government income support system tend to create financial risk for those undertaking extra paid work on an irregular basis. Moreover, the very low threshold of the liquid asset test that is applied to some types of government income support payments operates as a disincentive to saving.
- Employment policies should focus not only on the acquisition of new skills but should enable people to apply their existing skills to pursue the life path they consider will be fulfilling in the long run.

Financial information needs to be accessible at and relevant to the individual's life stage

There is an excessive amount of generic financial information in the market, which often makes people feel overwhelmed and confused. In order to be effective, financial information for the most financially vulnerable groups should be:

- **clear**. Financial information needs to be translated into clear and simple language, with a central message for each topic.
- **accessible**. Financial information needs to be channelled through places and organisations that the targeted groups are likely to visit.
- **independent**. Information needs to come from independent sources. Community organisations and government agencies could benefit from training peer facilitators to deliver workshops through a participatory approach.
- **relevant**. In order to capture attention, information needs to speak to people's most common challenges surrounding particular life transitions and events, such as those covered in this report.

Access to fair and adequate financial products and services should be universal

Australia is advancing its financial inclusion agenda. In the past two years, the federal government has partnered with the community and private sectors to help expand microloans, community development financial institutions and asset building programs, as well as financial education programs. This collaboration between sectors allows the benefits to go beyond a small group of individuals to reach others in society. It also helps to show that despite the disseminated idea that the financial market provides us with many choices, for the most financially vulnerable Australians the problem is lack of choice.

- Due to the central role of income and assets in preventing financial vulnerability, priority should be given to improving access and availability of *fair* and *basic* financial services and products, such as loans, insurance and basic bank accounts. Access and availability of integrated and simple automatic payment systems should also be improved, drawing on the positive experience of low-income groups with Centrepay.

Hardship responses and policies should be promoted and access facilitated

Financially vulnerable groups are struggling to pay for essential services such as electricity, telephones and public transport. There is an opportunity to improve access to and operation of financial hardship policies across a range of industries, including the financial sector, and telecommunications and utilities providers.

- Since many service providers such as banks and utilities companies have introduced hardship policies to support those in financial hardship, government and industry should promote the best practices and broadly disseminate information on their existence. Within hardship policies, more emphasis needs to be placed on measures that address those experiencing longer term hardship.
- In the energy sector, there have been moves to regulate hardship policies to improve standards and monitor effectiveness. Regulators should consider ways to stimulate similar developments for other essential services.
- For many people experiencing financial hardship, personalised assistance and advocacy are needed to deal with service providers. With adequate government funding, financial counsellors can be pivotal in assisting people to escape the debt cycle and gain control of their finances.

1 Introduction

Increasingly, individuals are asked to bear risks associated with an increasingly complex financial market system, and to adjust to changing financial needs that emerge throughout their life course. Material and emotional support to deal with financial vulnerability are essential to reduce the risk that predictable life events, such as retirement, or more unpredictable ones, such as job loss, become the source of financial hardship and cumulative and persistent forms of disadvantage.[1]

In moving from school to work, for instance, young people on a low income who live in areas with fewer job opportunities face a range of financial difficulties, such as limited availability and high cost of public transport, and the costs of living away from home. Similarly, while being unemployed is a stressful event for most people, for those with very low accumulated assets and little social support, unemployment may be particularly damaging for their mental wellbeing.

This study relied on the voices of forty-eight participants who shared their experiences about how they have dealt with the financial challenges that emerged around particular life events or transitions. Its goals were:

- to identify the financial needs that financially vulnerable people in Australia face around the following events: moving from school to work, being out of work, becoming a single mother, and retiring and ageing
- to collect information about the level of financial exclusion participants were experiencing, such as lack of accumulated assets, poor access to fair and adequate mainstream credit, and difficulties in accessing financial information.

At the same time, the study aimed to go beyond the idea of 'needs' to capture the strategies that people are applying to navigate through periods of financial difficulties. An international report with input from social innovators from developing and developed countries (Diacon & Vine 2010, p. 4) recommended that programs and policies that aim to assist groups experiencing some form of marginalisation or disadvantage take into account that:

- An exclusive focus on needs and inabilities leads to isolation and loneliness.
- A focus on gifts and assets leads to inclusion and acceptance.
- Relationships are the most effective ways to discover, appreciate and enable people to make a contribution.

By acknowledging the contextual boundaries as well as allowing space for human agency, we hope to avoid the 'weakness' discourse that sometimes prevails in needs-based analysis and to highlight the skills many people already apply in their daily financial management.

Financial vulnerability through the life course

Chambers differentiates poverty from vulnerability and refers to the latter as 'not lack or want, but defencelessness, insecurity, and exposure to risk, shocks and stress' (Chambers 1989, p. 1). In his

[1] For the multiple dimensions and linkages between forms of disadvantage, see Scutella, Wilkins & Kostenko (2009), and Saunders, Naidoo & Griffiths (2007).

widespread definition, vulnerability has an ‘external side’ related to risks and shocks, and an ‘internal side’ related to ‘the lack of means to cope without damaging loss’.

The concept of vulnerability fits this study because it best captures what we found empirically. While some participants were effectively struggling financially, others were not so poor as to fit into preconceived images of ‘welfare-dependent’ individuals. Still they were living under constant financial pressure. As Laura, a single mother of two children, who works part-time and studies part-time, expressed:

> I think there’s a big gap, like I said, a gap of sorts, those in between, the working poor okay? A gap in the system where we earn too much to be eligible for a lot of things but we don’t earn enough to do everything private … We are missing out because we are not in crisis.

Approaching this study from a vulnerability angle meant that we expected to encounter diversity in type and degree of financial need, and we avoided excluding people who might not fit below the thresholds for financial hardship but who are still facing high financial vulnerability. Since financial needs, and the strategies people use to deal with their finances, are affected by when in life they occur, the best way to capture different experiences was through the life-course perspective.

Elder, who introduced the life-course paradigm in the 1970s, highlights that a distinguishing feature of a life-course analysis is its emphasis on ‘the social pathways of human lives, their sequences of events, transitions, and social roles’ (Elder 1995, p. 103). Methodologically, the life-course perspective is guided by four principles, namely, ‘lives in time and place, human agency, the timing of lives, and linked lives’.

The inclusion of a life-course perspective to examine economic vulnerability has gained increasing space in social policy research. Recent studies using the life course as a reference include Westaway and McKay’s (2007) longitudinal research on differences in asset and debt accumulation between men and women in the United Kingdom, Rank’s report (2008) on asset building in the United States, and Boshara’s analysis (2010) on the accumulation of savings and assets.

The life-course perspective should not be confused with age-segmented analysis. In fact one of its greatest advantages it that it recognises diversity of experiences within age cohorts. This has made it particularly useful in research that explores variations in financial vulnerability and risk around specific life events or transitions, both in Australia (ASIC 2007; Finsia & UMR Research 2009; Kimberley & Simons 2009; National Centre for Social and Economic Modelling 2008; Parr, Ferris & Mahuteau 2007) and overseas (Jansen, Mortelmans & Snoeck 2009; McKay, Kempson et al. 2008; Miles & Probert 2009; Rigg & Sefton 2006; Taylor, M 2009; Woodstock Institute 2009).

Bounded choices

As we will see in this study, in reasoning about financial decisions, people take into account their connections with others—’linked lives’—the specific demands of their life stages, and their margin for choice based on their external environment.

This recognition of how people actually make individual decisions, as opposed to idealised models of decision-making, has direct implications for social policy formulation and for rethinking agency *in context*. Kahneman, who became a central intellectual influence on behavioural economics, refers to psychology studies to show that a view of rational agent closer to reality will acknowledge the ‘power of the situation’ and context-dependence in the analysis of behaviour and decision-making (Kahneman 2003, p. 1449).

Ben-Galim and Lanning’s (2010) study on the implications of the pre–debt crisis credit expansion in the United Kingdom well illustrates the relevance of context in the analysis of behaviour and decision-making. Based on data collected from fifty-eight low-income families, they found that a ‘debt problem’, that is, the kind of debt unprotected by assets or future income and that exposes people to extreme financial vulnerability, had rarely derived from individuals’ poor money management. In line with previous studies of low-income groups (Bennett 2008; McKay & Rowlingson 2008) and our own findings in this report, they concluded:

> Much of the vulnerability to problem debt is explained by the relative resilience of the industry in which the individual works and the type of contract they are employed on. This suggests that dealing with over-indebtedness is more dependent on the availability and quality of employment than on levels of individual financial capability (Ben-Galim & Lanning 2010, p. 6)

Series of events that trigger financial vulnerability are not under individuals’ control, from macro events such as changes in the labour market or a financial crisis, to individual life-changing events such as job loss (Waine 2009). That does not mean, however, that access to financial education and information is irrelevant. As we will see in this report, various participants considered that financial information would help. Research has demonstrated that effectiveness of financial guidance will depend on some key features, such as the salience of the issues for the person receiving advice (Clark, Knox-Hayes & Strauss 2008), good communication and trust in the advisor (Arashiro 2011).

Moreover, providers of financial information and education need to keep in mind that periods of sudden change generate psychological and emotional pressures which demand a differentiated approach in the delivery of financial guidance. In 2001, the National Endowment for Financial Education (NEFE) gathered financial planners and psychologists in the United States to discuss how they could better support individuals around four life-changing events: job loss, loss of a partner, inheritance of a financial windfall and remarriage. The most common factors identified as impacting on individuals’ relationships with their finances when going through these life events were (NEFE 2001, p. 10):

- emotions: conflicting feelings, anger, anxiety, insecurity, paralysis, uncertainty, confusion and the sense of being overwhelmed or out of control
- psychological issues: distrust of others, the need to trust others, the need to set boundaries, the need to stabilise, the need to feel ‘safe’, the desire to gain something meaningful from the transition, social change, re-evaluation of self and re-evaluation of values.

Resources

Any analysis of individuals’ strategies and attitudes towards finances needs to take into account the resources they can access and which affect their margin for choice. The term ‘resources’, as used here, encompasses both material and non-material ‘assets’, such as family support, education and physical and mental health. Resources impact on an individual’s financial decisions in three specific ways:

- They affect the ‘boundaries’ for individual choice.

- They affect an individual's ability to develop and apply their capabilities.
- They affect the level of financial risk involved in an individual's decisions.

Resources are closely connected with the notion of forms of capital (social, cultural, human or economic) and, like those forms, can acquire different 'values' depending on the context in which they are applied. Bourdieu places social and cultural capital within specific power structures that heavily influence not only access to different types of capital but also the economic value they can acquire (Bowman 2010; Daly & Silver 2008; Silva and Edwards 2004).

A case study conducted in a Swedish firm (Behtoui & Neergaard 2010) applied the idea of social capital to analyse the differentiation and career advancement opportunities of immigrants from 'outside north-western Europe and North America' and locals. It identified that the kind of resources those immigrants could access through their personal ties was limited and that was one of the reasons for disadvantage in relation to locals. The pool of 'economically valuable' resources was not always measurable or skills-based and included differentiated access to information, salary negotiation and professional advice within the workplace.

In Rocha's (2007) research of how poor urban households in Mexico went through economic crises and changes in the labour market, she noted that even when the poor had resources such as social networks, these did not compensate for the negative impact caused by macroeconomic changes. Moreover, lack of material resources reduced their capacity to stay engaged with their networks:

> Even social exchange networks depend to a certain extent on regular wages: individuals with the resources to be part of a relationship of reciprocity will be in a position to maintain that link, while those who lack resources to exchange will not. (Rocha 2007, p. 60)

Her findings resemble some of the observations from our study, in which some participants who were facing financial difficulties had reduced simple social activities such as a 'coffee with friends' as a means of living within their budget. Rocha criticises what she calls the 'the myth of survival' of the poor or the belief in some circles that the poor hold infinite and multiple capabilities to survive, regardless of adequate material resources.

Some of the cases covered in our study also show that the same pool of resources can have different 'economic' value depending on the context. Some immigrants, for instance, find it difficult to get a job despite being highly skilled in their country of origin and having English as their native language. The time of life in which these resources are available also matters. In one case, a mature-age student acquired a doctoral degree in her fifties but could not find employment in her field. These examples remind us that while concepts such as individual capabilities are valuable in the policy arena, they should not be taken as technical tools to fix those systemic barriers that are beyond the individual or community level (Daly & Silver 2008).

In summary, financial vulnerability is affected by the forms of capital available to people at different stages of their life, which may allow them to move through life transitions without major financial or emotional shocks. Moreover, while individual characteristics such as thrift and attitude towards credit influence financial decisions, the historical time in which these decisions are made also matters. The term 'financialisation' has been used to capture the central role that market-based financial transactions and relationships have come to occupy in our daily lives regardless of socioeconomic status (Martin 2002). For the participants in this research, their financial strategies have certainly been created within a social context in which the push for individualisation of risk and self-reliance has intensified.

2 Method and sample

The study was designed as qualitative research which aimed to identify some of the financial needs of financially vulnerable individuals during selected life events, and the strategies they apply to deal with their financial challenges. Three broad questions guided the focus groups and individual interviews:

- What are the specific financial needs associated with the life events or transitions covered in this research, namely, moving from school to work, being out of work, becoming a single mother, and retiring and ageing?
- Which solutions were people adopting to deal with those emerging financial needs (for example, accumulated debt, asset liquidation, access to new credit lines or savings) and what were the difficulties they identified?
- What does the information collected indicate about the types of financial exclusion that participants were experiencing?

The analysis was based on triangulation of data from: (i) a review of relevant literature, (ii) focus groups and (iii) face-to-face, semi-structured interviews.

Recruitment and profile of participants

This study focused on the experiences of forty-eight individuals (twenty-five women and twenty-three men) from Melbourne and regional Victoria. The recruitment and collection of primary data occurred between May and October 2010. In addition to recruitment through the Brotherhood of St Laurence's services, we contacted community organisations specialised in working with the targeted groups (that is, seniors, single mothers, those involved in vocational education and training, and apprentices) to assist in the recruitment process. In the case of unemployed individuals, we also distributed recruitment flyers in public housing complexes and had the support of an agency that works with homeless people. In addition to partners in Melbourne, we received the collaboration of organisations in Ballarat and Geelong, which enabled us to reach participants in regional Victoria.

Based on the recruitment channels, we did not predict significant variation in the social and economic background of participants. The majority of participants were receiving government income support, and had casual or part-time work or were job seekers.

There were, however, differences in socioeconomic background for the participants of the retiring and ageing group. Three out of four participants recruited through the Brotherhood of St Laurence's aged care services suffered from physical disability, depended on a government pension as their main source of income and were living alone. On the other hand, the six participants recruited through a seniors' advocacy organisation did not face major health issues, owned their houses, were actively volunteering and, in some cases, were in paid work and did not perceive their own circumstances as characteristic of the difficulties faced by age pensioners. Moreover, four of the six were living with their partners. As expected, their financial needs differed considerably from the former group.

Table 2.1 Summary of participants

Moving from school to work

- number of participants: sixteen
- age range: 16–24 years old, except for one 28-year-old apprentice
- four interviews (two young women and two young men) in Ballarat
- one focus group with six third-year male apprentices in the building industry in eastern Melbourne
- one focus group with six students (four young women and two young men) undertaking the Victoria Certificate of Applied Learning on the Mornington Peninsula, Melbourne.

Being out of work

- number of participants: ten
- age range: 26–50 years old
- ten interviews (three women, seven men) across Melbourne.

Becoming a single mother

- number of participants: twelve
- age range: not specified as a requirement but the majority were 2050 years old
- three interviews: one in inner Melbourne, one in a northern suburb of Melbourne and one in Ballarat
- one focus group with four participants in inner Melbourne
- one focus group with five participants in Geelong.

Retiring and ageing

- number of participants: ten
- age range: mainly 65–70 years old
- three interviews (two women and one man) across Melbourne
- one focus group with four participants (one woman and three men) in inner Melbourne
- one focus group with three participants (one woman and two men) on the Mornington Peninsula, Melbourne.

Ethics

All participants received a letter explaining the goals of the research, how the material would be used and their rights to privacy and non-identification. Following the terms agreed with the Brotherhood of St Laurence's ethics committee, informed written consent was sought from all participants. Names have been changed and locations not specified in order to protect the participants' right to anonymity and privacy.

Advisory committee

A committee of five researchers and policy analysts from the Brotherhood of St Laurence, Consumer Affairs Victoria and the Australian Securities and Investment Commission (ASIC) was set up to provide guidance and practice-informed suggestions.

Limitations

Indigenous Australians and newly arrived migrants and refugees are among the most financially vulnerable groups in Australia (DEECD 2009). We acknowledge that they are under-represented in this study and suggest that specific studies be designed for the purpose of addressing their cases.

We also recognise that this study was primarily a mapping exercise of financial needs and strategies among financially vulnerable groups. As such it does not offer an in-depth analysis of financial needs across all socioeconomic groups in Australia. Still, we hope that by giving the opportunity for people facing higher financial vulnerability to communicate their experiences, this research will build a bridge between participants, policymakers and practitioners.

3 Moving from school to work

The majority of young Australians do not need to worry daily about how they will access the material resources required for fulfilling their basic needs. Data from the Australian Bureau of Statistics (2009) shows that over the past two decades, the proportion of young people living with their parents increased, with young men being more likely to live with their parents than young women. Among the reasons for staying home, 45 per cent of the young people in the cohort aged 20–24 mentioned financial considerations. For some young Australians, however, financial issues become a central part of their concerns from a very early age. For many participants in this study events such as the move away from home and the need to become completely financially independent from their parents occurred when they were still Years 10 or 11 at school. These young people have taken on a degree of responsibility that defies images commonly associated with their generation, inviting us to examine more carefully intra-generational needs within the life-course perspective.

In our study, although the young participants were engaged in either training or vocational education at the time of the interview, many had previously dropped out of school. Moreover, apart from some apprentices, they were already living independently from their parents and relied on government income support, sometimes complemented by casual work, as their main sources of income. Given that in the past decades young people have remained financially dependent on their parents for longer periods, those under eighteen years old who have already made the move away from home can be considered as moving against the trend.

What do we know?

The move from school to work is a particularly challenging transition. While we all face decisions throughout life that have long-lasting consequences, at this particular life transition young people are required to make multiple choices which inaugurate their path into adulthood. In this transition process, they often rank non-material factors such as the quality of their relationships with family and friends, as well as physical and mental health, as more relevant than financial security (Mission Australia 2010).

This does not mean that the impact of financial difficulties on a youth’s wellbeing can be underestimated. Young people are immersed in a culture in which identity is attached to consumption patterns and financial issues influence their ability to participate in social activities, their health, and their aspirations and attitudes towards work and education.

Financial factors may affect their school experience and educational opportunities from the early years throughout the tertiary level. Young people often mention the value of positive relationships with teachers and peers (Myconos 2010; The Youth Collaboration 2007). Still, parents’ difficulties in affording school materials, uniforms and extra-class activities (Bond & Horn 2009) can lead to children’s reduced participation in school activities and can deprive them of social opportunities that are central to a positive experience of social belonging.

A national survey conducted in 2007 confirmed the association between socioeconomic status and the likelihood of successful completion of Year 12. Only 59 per cent of students from low socioeconomic backgrounds completed Year 12, compared to 77 per cent of students from high socioeconomic backgrounds (SCRGSP 2009). It is also worth noting that non-completion of secondary education can have different financial implications for men and women, with women being more likely to become dependent on occupations in which casualisation is prevalent, such as hospitality and clerical work (Curtis & McMillan 2008).

Although money is not the only explanation for the gap mentioned above, financial conditions affect the opportunities and choices that young people make. For the young people living independently, cost considerations go beyond course fees to include other expenses such as public transport and may affect their opportunity to engage in training or employment (Cull 2009; J Taylor 2009).

In the case of young people in rural and regional areas, lack of money to move away from home or to afford a car may limit their chances of undertaking an apprenticeship or pursuing further education. As documented in inquiries conducted by the Parliament of Victoria (Rural and Regional Committee 2009, 2010), for secondary students in these areas participation in higher education and employment opportunities often require them to be able to afford the costs of living away from home. When that is not possible, young people are exposed to disadvantages that, according to Alston and Kent (2009), can produce systemic social exclusion.

Research findings

Despite the fact that individuals differ in their perception of needs and priorities, some themes were common across the focus groups and the interviews for this transition. These were aggregated into two categories: money matters and non-monetary matters.

Money matters

Income

The most widespread financial limitation for this group was insufficient income to cover the costs of living, with no family support to fall back on. In the words of one participant, to manage her finances required her to ‘sit down and budget all the time’. While awareness of the financial implications of decisions is positive, it can sometimes lead young people to forego opportunities for education and training. As participants in the focus group of vocational training students on the Mornington Peninsula explained:

> When I was in my previous school I [had] to pay for my own excursions, school fees, school books. It was hard when I had so little money to do so. (Alice)
>
> If we wanted to study in a normal school we couldn’t afford it. (Kyle)
>
> Unless it’s a Centrelink-approved course—usually they don’t have many—you can’t do it because you can’t afford it. (Stephanie)

Participants in the Mornington Peninsula group also mentioned the ‘stress’ of making ends meet using the payment they receive from the government and, although they tried to cope with most day-to-day expenses, the main financial difficulties occurred around extraordinary costs. These could include unpredictable expenses, such as public transport fines, as well as predictable ones, such as the cost of a driver’s licence or car registration. Most of those living independently, whose main income source was the Youth Allowance, could not build financial reserves to allow them to afford those additional costs.

Due to government income support being central in their financial life, participants were asked to comment on their relationship with Centrelink. In line with previous research (J Taylor 2009), the young participants cited confusion about the rules, ‘unreasonable’ requirements, ‘invasion of privacy’ and lack of assistance to fill out forms as difficulties in their dealings with the agency:

> It’s hard to work if you are studying, and even if you are working you are only allowed to earn so much before it affects your Centrelink payment … Centrelink is hard to understand, sometimes they blame you if something goes wrong but they don’t explain things. (Kyle)

> Centrelink still says that your payment will be affected by your partner’s income even if his/her income doesn’t even support [you] but they say it can support two. For example, a partner’s income of $200 per week doesn’t support much at all. (Hannah)

One participant illustrated the risk of complex rules for the young people’s current and future finances. Clare was 20 years old and lived with her partner and two children. Due to the liquid asset threshold imposed on savings for those accessing income support, she considered she would risk losing her payment if she tried to save. Her partner had recently got a job and they decided that he would save from his wage while she would be responsible for paying the rent and some other costs related to the house and their children. Clare’s case shows that, in addition to being a disincentive for saving, institutional rules affect money management within relationships and can produce gendered financial risks.

Transport

The cost of transport, especially for those living in Melbourne’s outer suburbs, was frequently cited as a problem. Some of the students undertaking vocational training still depended on public transport, and travelled long journeys between their home, school, and areas where they could access training or more options for casual work. Although buying a car would help, they often did not have the money to buy a car and pay for all the related costs, such as driving lessons, insurance, car registration and maintenance:

> Going for your licence is hard, it’s such an expensive thing that we all have to do. (Kyle)

> Trying to save at least $20 for petrol is hard because there’s just not enough time or money whilst trying to study and get by. (Stephanie)

> With how much I get and how much goes to the things I need, I can’t get my car licence or get a car at all, even though I wish I could. I also need money for driving lessons. (Alice)

Housing

As for many Australians, the cost of accommodation was a major factor affecting the finances of the young people interviewed. Even for those who were still living with their parents, the impact renting had on their finances influenced their decision to stay home. In this study, only the young apprentices were still living with their parents. They did not plan to leave home until they were financially better off:

> It’s not being able to support yourself out there yet and honestly I know if I was living out of home I’d not be able to maintain myself. (Luke)

> Until I’m qualified and I’ve finished my loan off, I’ll probably stay at home. (Tim)

> Can’t afford it on my wage either, I’m happy staying at home anyway. (Jeff)

Moreover, some associated leaving home with needing to be able to afford a house, an expectation that was not on the radar of most of those who had already made the move away from home:

> I'm supported at home and I'll wait until I'm qualified and I'm happy with what I'm getting paid and then I'll start thinking about buying a house. (Jeff)

> It's impossible to move out of home, I want to get an investment property and that's where you've got renters paying for your interest. (Gavin)

However, for the majority of participants in this transition, relying on family for financial assistance was not an option. Those renting faced the challenge of finding an adequate place that they could afford. They were sharing with partners, friends or young relatives. Although they did not complain about their living conditions, they cited some experiences that should be of concern for policymakers.

Clare's case exposes the power imbalance and potential for abuse within lease agreements, and it shows how the deficiencies in the rental market and housing availability can reinforce disadvantage for particular groups. She mentioned a situation in which she and her partner could not get a positive response from the landlord, despite the fact that the conditions of their rented property violated the tenants' rights. Still they were inexperienced and with a new baby, they put up with the poor conditions until the lease expired:

> There'd been dog wee all in the bedrooms and the house smelt like dog wee and it was just so bad. And they said we had to stay there and we were complaining about the smell because we had a new-born baby that we were meant to be taking into that house and they said we had no rights. We lived there for twelve months until our lease was up … Technically we know now that we could have forced them to replace the carpets and stuff like that, but at the time we were just 18 … and we didn't really know that much.

Debt and credit

Among the few cases in which a current debt was mentioned, the triggers included public transport fines, problems with mobile phone companies and debt incurred due to job loss. Most participants did not own a credit card. As a young student who had cancelled her credit card after losing her job commented, 'Credit card, car, mobile, all was paid for when I was working but when [I was] fired, there was not enough money to pay the bills'.

Nicole, a 21-year-old young mother undertaking vocational training in regional Victoria, explained that she did not consider a credit card 'a very smart idea because if you can't afford something, it's going to put you further back'.

In fact most participants had a cautious attitude towards credit cards and seemed aware of the burden represented by the associated debt. One apprentice commented that although he did not consider using his credit card was a good solution, he had to use it due to an unexpected expense:

> I took my car in to get repaired … They rang me up and said, 'You can pick up your car, the bill is $1931' or whatever it was, and I lost it a bit on the telephone and go, 'I'm not paying that money, I was told it's not going to exceed $1000!' And he goes, 'How are you going to pay for that, cash?' … I had to put that on the credit card, like the 900 bucks. (Michael)

Studies of youth financial behaviour that do not focus on low-income groups point out increasing levels of debt among young people (AIHW 2007), credit card mismanagement and loss of control over mobile phone bills (Wire 2010) as major financial problems young people face. However, in our study, we noticed that many young people resisted accumulating debt and understood the consequences but had to use credit mechanisms, such as a credit card, to cover extraordinary but necessary expenses.

Two participants also commented on barriers to accessing mainstream loans:

> I’ve heard of people going to normal banks [and] the banks knocking them back so that they go to small loan places that have a higher interest and they are stuck with heavier repayments and things like that. So I suppose it is a bit unfair on some people when the banks won’t give them a chance. (Nicole)

> We’ve been trying for a loan for a while because we wanted a new car earlier because the other one was really dodgy. And at first the banks wouldn’t allow us to have a loan. You have to have a steady job to be able to get a loan, or if you wanted to go through another company the interest rate is really, really high, which makes it also harder. (Clare)

Their observations go against the assumption that appropriate credit lines are available for young people in general and it is just a matter of ‘making good choices’. The information page on personal loans on the Victorian Government’s Youth Central website (2010), which appears to be aimed at more affluent young people, includes the following text:

> One of the most important things to do is to shop around. Rates and fees can differ substantially. And with the lenders so keen to sign you up, as long as you have a healthy credit rating, *it’s a buyer’s market for credit. This means that you will be able to pick and choose the loan you want to sign up for.* (author’s emphasis)

Financial skills

Most of the young participants who were living independently had learned how to manage their finances early in their life due to their circumstances. Their main reason for stress was associated with the constant juggle to balance study and work with Centrelink requirements, and being able to pay for essentials such as public transport, car, accommodation and mobile bills.

Some referred to good ‘role models’ and tailored financial information as ways of increasing financial skills such as saving and budget control. One participant suggested that schools should provide budgeting information early on at school (around Years 8 and 9), addressing the actual costs young people should expect when planning their move away from home:

> Before you move out of home and all that, it looks all affordable and fun and exciting and then I suppose a lot of people do it and then they realise how hard it is and how overwhelming it is and a lot of people end up stressed or unhappy and depressed. (Nicole)

Nicole had problems with her bills and was referred to a free financial counselling service by the coordinator of her mothers’ group. She considered it very helpful but noted that the waiting lists to get access to the service could work against the provision of effective assistance:

> I suppose there needs to be more government-funded places like financial advisors and that, so there’s not such a big waiting list so people get in and see someone. So they don’t, in the waiting period, *while they’re waiting for their appointment, so they don’t build up more debt and also they don’t just give up and not attend the appointment*. (author’s emphasis)

Non-monetary matters

Behaviour

Participants were invited to comment on who they saw as influencing their monetary decisions. They differed on whether they named family members or 'role models' as relevant for their current behaviour. While some linked their money practices to what they saw their parents practising, others mentioned that they now spend much more than their parents' generation, in a social context of high consumption patterns.

On the capacity to save, there was also a mix of experiences. Luke, an apprentice, considered it possible to save if he reduced 'coffee with mates or clubbing in the weekend'. He controlled his budget with a simple but effective technique:

> I've got a funny way of saving money but it works. I've got three envelopes at home: one for holiday, one for all my regos and insurance and one for savings. And every time like on the way home there's a servo next to my house and I stop at the servo, take out 20 bucks or 50 bucks and just go home and put it in one of the envelopes and save like that.

Nick, on the other hand, found it hard to save:

> When you're living at home, you can save more, that's what everybody said to me … before you move out of home—that's when you've got to save all your money because when you move out, you're not going to save a cent. And I'm like, 'Yeah, yeah!' But there's always stuff around the house you can do and your money just goes.

Rick moved interstate to regional Victoria and experienced a significant drop in income. When asked whether he could save now, he mentioned that his fixed costs had reduced and he was spending less to have a good social life. He also used the strategy of avoiding situations and places which could tempt him to 'waste' money:

> But, you know, if I keep occupied and … I've got the things I need, like necessities … I don't really feel a drive for anything else. Say, needs and wants.

Another participant commented:

> A night out or something, if I haven't got enough money, I just don't go out—don't put yourself in a position where you know you'll be in trouble. (Luke, apprentice)

For Clare, mother of two, the main pressure came from her children's requests. As she explained, although her daughter is only 5 years old, children her age are already comparing what they have and feeling a sense of competition with other children at kindergarten. She said she felt 'bad' for not being able to provide them with new things like expensive dolls. She dealt with the pressure by avoiding taking the children shopping with her so they would not be tempted. Clare's feeling is common among parents. A study with low-income parents in the United Kingdom noted that many were building reserves to buy their children nice Christmas presents in an attempt to make up for the lack of activities during the year. They expressed feeling 'guilty' if they had to deny their children a Christmas gift (Ben-Galim & Lanning 2010, p. 13).

Peer pressure appeared to be influential in the financial behaviour of the apprentices interviewed. For this group, a car was essential to access broader opportunities for training and work, so it was not surprising that they all owned a car. But beyond the basic needs level, there seemed to be pressure to acquire models that were not necessarily compatible with their current income level. Despite being on a very low income, they cited friends spending around $20,000 to purchase a car:

> In a way, yes, because the younger people now they all want nice cars. Because there’s a lot of people that say, ‘Your car is rubbish’, and suddenly they’ll go out and get a loan and have a nice car. (Nick)

Overall quality of life

The overall quality of life emerged as an important theme, particularly during conversations with young people living in regional Victoria. They spoke very positively about the support they were receiving from local agencies and their community. Their comments were even more relevant because they were not prompted during the interview to make direct comments on social or community aspects:

> I think it is the only group that I know of that really has that, good leaders, good organisers, they don’t judge, anyone goes and people don’t get judged there, and we’re like a little family. (Nicole, commenting on the young mothers’ group in which she participates)

They highlighted the non-material values that influenced their sense of wellbeing, which suggests that an integrated approach to individual needs is relevant even when discussing financial issues. Lucas, 20 years old, was undertaking vocational training in regional Victoria. He had moved from a metropolitan area after some very negative experiences, which included becoming homeless and having difficulties locating social service support. About the challenges of living within the Youth Allowance payment, he commented:

> It’s just me and my girlfriend, like, just living together. It’s a bit difficult but because everyone around here is so helpful, it makes it a lot easier … you can say, I’ve got a friend, like, down the street who actually goes out of their way to help you.

Lucas said that social life is different in the ‘country’ as, rather than going out to socialise, friends tend to go to each other’s houses. He also valued the support he was receiving from his teacher, whom he considered ‘really helpful’ and ‘trying to better us’, as opposed to his experience in a big city.

Key findings

- Six young women and ten young men shared their financial experiences surrounding their move from school to work. The majority of participants had left home and did not count on their family for financial assistance.
- Although they were all engaged in either training or vocational education, many had previously experienced dropping out of school. For the majority who were living independently, insufficient income to cover basic costs when relying on the Youth Allowance was the main financial challenge. Costs related to public transport, course fees, driver’s licence and car registration were mentioned as the main sources of pressure, influencing how they balanced work and study as well as their educational opportunities.
- The most common strategy they mentioned to deal with the shortage of money was to go without what they could not afford and avoid situations in which they might feel pressured to consume, such as social outings with friends. Those living with no financial assistance from the family were more cautious about accessing credit. They associated credit with debt and saw it as a risk that they should avoid.

- Positive relationships with family, peers, teachers and service providers; recognition of their capacity; and non-judgemental treatment when looking for support services were cited more often than money as sources of personal satisfaction. This was especially the case for the young people living in regional Victoria, who found that the support they received helped them to better plan their next steps and goals.

Rick's story: Moving ahead for a better future

Rick is 16 years old and moved interstate to regional Victoria in 2010. Rick had left school before completing Year 12 and was working full-time and receiving a good wage. However, he realised that he was getting involved with groups and 'things' that were not appropriate and decided to change his path.

> Like I said, it's nowhere near as fun as the life that I was living but I know there's got to be a point in your life when you buckle down a bit and take a bit of action.

In his new location, he found the incentive to engage in vocational training and has been able to make professional plans for the near future:

> When I left school, there was kind of a slow transition … I was a bit, you know, away from school, like I just started doing other things and I preferred to be at work than at school … Ever since I came here … I've never actually been able to study as well as I have here. So yeah, because there is a lot less distraction out of the way.

Since he is now relying on the Youth Allowance, his income has dropped. Still, he did not see problems in adjusting, as his fixed costs decreased as well as the money spent on having a good social life. Whereas in a big city he used to spend money on nights out and drinks, in the country activities such as Sunday picnics are a normal part of the social life. Moreover, he consciously avoids getting into situations in which he could feel tempted to waste money.

Rick has become financially independent very early and acknowledges that his financial skills were influenced by having 'hard-working parents' and being put in charge of his financial life early:

> Recommendations would be that children aren't kept, you know, on the side, they need to be a part of it, so that at a young age they can kind of witness what the world is about and how things work … If you have a sheltered childhood and another person, like your parents, is there all taking care of the problems and you don't have any of those problems or anything …

4 Being out of work

Not everyone goes through the experience of being out of work. Moreover, some individuals may choose to be out of work for a certain period, while others may be forced into that situation. As we found in this study, there is in fact a great diversity of experiences around this life event.

Unlike for the other events and transitions, attempts to organise focus groups with ‘recently unemployed’ individuals to discuss financial needs and strategies were not successful. In conversations with practitioners, it appeared that the low interest in participating in the study could relate to the high levels of stress individuals normally face in this circumstance and the discomfort many, especially men, feel about talking of financial difficulties in a group situation.

In view of these considerations, we abandoned the idea of group discussions and instead recruited participants for individual interviews using advertisements placed in public housing offices and organisations providing support for job seekers. There was a very positive response, particularly from men (70 per cent of interviewees in this group). The openness of participants to share their experiences in one-on-one interviews gave us a deeper understanding of the different issues affecting the financial side of being out of work. These included issues such as level of previous debt and educational background, but also less discussed ones such as the specific needs of single men.

Another distinguishing factor was whether participants were born in Australia (three interviewees) or had migrated to Australia (seven interviewees). It was striking to note that although many of the participants who were born overseas had been in the country for five years or more, and some had an excellent command of English as well as tertiary qualifications, they were still struggling to find a job.

What do we know?

The extent to which being out of work places individuals in a financially difficult situation is related to whether it was a voluntary or involuntary decision to leave work, as well as their previous financial condition, time out of the workforce and their ability to count on social networks (for example, family, partner or friends) for financial and non-material support, among other reasons.

Research on unemployment and financial exclusion in the UK (Gibbons 2010) shows that, although the relationship between debt and unemployment depends initially on the previous levels of credit and indebtedness of the unemployed person, if the income drop is prolonged it may create debt regardless of the previous situation. Gibbons concluded that ‘the long-term unemployed in particular are likely to face an additional “poverty premium” caused by their exclusion from mainstream and affordable financial services’ (Gibbons 2010, p. 4).

At the same time, as mentioned in discussing the move from school to work, financial disadvantage can reduce the chances of a person finding a job. This can occur through difficulties in paying for transport to areas with more employment opportunities, acquiring skills in areas of interest and even affording basic costs such as phone calls and internet access, which are incurred in the process of searching and applying for jobs.

While avoiding an escalation of financial problems associated with being out of work is fundamental, identifying preventative and early stage interventions that are effective is a challenge. Attempts to map financial needs and strategies that deal with matters arising from unemployment often encounter a more complex reality, in which the priority assigned to the resolution of financial difficulties varies among individuals and has to be contextualised.

For those who lost their jobs—as opposed to deciding to leave the workforce for a certain period—psychological and emotional support is fundamental to help diminish the impact of feelings of shame, being overwhelmed or low self-esteem. The consequences of job loss and long-term unemployment go beyond financial problems to encompass negative psychological and social experiences. Recent research in the United Kingdom concluded that, even after taking into account variables such as an individual's predisposition, unemployment was a risk factor associated with health problems such as anxiety and depression (Ford et al. 2010).

The challenge for financial counsellors, as well as for health sector practitioners, is that the stress associated with job loss tends to make it harder for the individual to rank needs, set priorities and goals and act on their resolutions. Moreover, issues such as shame and low self-esteem may block people from seeking support. In regional areas, for instance, there is a higher risk of being recognised when accessing local support services and the fear of exposure may prevent people from seeking assistance. Research with workers in the building industry showed that despite there being a need, unemployment did not trigger men to search for financial advice, with the most common immediate reaction being one of self-reliance, an 'I can cope' attitude (Du Plessis 2010). Aware of the health implications of financial problems and unemployment, the organisation Beyond Blue has mobilised efforts to provide support for individuals experiencing depression or anxiety after retrenchment or financial loss (Beyond Blue 2008) and is experimenting with alternatives such as 'e-couch', an online interactive tool that aims to reach those with symptoms of depression and anxiety while ensuring anonymity.

As we will see in the research findings below, for culturally and linguistically diverse (CALD) individuals, the process may be even more daunting if the mainstream steps recommended for job seekers do not lead to the expected outcomes. A study on the employment challenges that face job seekers from Sudanese and Liberian backgrounds in South Australia identified that—in addition to socioeconomic status—education, language, lack of recognition of their previous qualifications and racial attitudes influenced their employment opportunities (Atem 2010). It also noted that prolonged periods being dependent on welfare could produce negative feelings within some migrant groups due to their inability to provide for their families.

Research findings

Money matters

Income

While all interviewees in this group experienced an income drop, the main factor that helped some to reduce their financial vulnerability was support from family or a partner. For those who were single, and especially for single men, the drop in income had more immediate consequences, including the need to look for cheaper accommodation and using their savings.

Two interviewees cited relying on their partner's income until they could find another job. Although they appreciated their partner's support, they also recognised the additional pressure that the situation created for their relationship. As Chris explained:

> Obviously it did put a lot of pressure on the relationship. It was a really tough time for both of us … [my partner] had to take a lot of the pressure that I was feeling because she was the one that was paying the rent and buying the groceries.

Due to his partner's income, Chris was entitled to only $55 per week from Centrelink. With insufficient income to cover basic costs, he started to look for 'any sort of work' and was fortunate to find a part-time job that he enjoyed.

Samir, a migrant from an English-speaking African country, was married with five children. He had lost his job during the financial crisis and was still looking for work. After paying for all basic needs such as rent, utility bills and food he is left with $50–$60 from his Centrelink payment. Because he could not afford to pay for his car registration—around $600 annually—he was not using his car. This in turn, had reduced his chances in the competition for jobs:

> I use public transport to go [to interviews]. And sometimes when you tell any employer you have no car or your car has this problem, they are not going to look at you because they don't want to waste their time.

Samir's experience also exposes how even small interruptions in income flow, such as between becoming unemployed and the beginning of Centrelink payments, can create financial risk. His internet and telephone connections were cut off after he could not afford to pay a small bill:

> The bill was $64. And I could not get the money because when I lost the job, they have to take some time before I was [paid by] Centrelink … So during that period, I was not able to pay the $64 … So the contract was not expired, my contract didn't expire, but because they say I didn't pay the bill … So later on we got internet and then telephone, so I asked them to reconnect me. They reconnect me, the bill that came … was $1800, which it took me almost the whole of last year [to pay] and I just completed that in February this year.

Housing

For Hu and Lim, a Vietnamese couple with two children who have lived in Australia for more than fifteen years, being out of work limited the possibility of them renting a house in an area they would consider safer for their children. In their current location, they worry about the high use of drugs in the neighbourhood and the lack of effective surveillance. Hu lost his job due to the closure of the factory he worked for, while Lim stopped working to care for the children. They decided to pay for private schools, which they consider will give their children a better education, and that represented a considerable expense in their small budget.

Tom was an African migrant in his late thirties. He lost his job around the same time he was going through separation, and had to rent a new place. He moved to an outer suburb and calculated that it was cheaper to rent a house and share it. When he moved in, he noticed the house conditions were really poor—'Today hot water, tomorrow there's no hot water, another day it's lukewarm water' and 'When they flush the toilet, everything goes outside'. The family that had agreed to share then left the house and he became solely responsible for the rent. His Newstart Allowance payment provided him with about $460 per week but he paid $320 per week in rent. When he tried to complain about the house conditions and terminate the contract, he was told he would incur penalties for breaking the lease. He was willing to look for legal advice but was also conscious that without a job his choices were restricted:

> So that's some of the difficulties, actually, when you are not employed. When you are employed you can always afford to have a place, this and that you like, because you know

> you are assured of some income and you can pay your rent. But once no employment, housing becomes a problem.

Matt was single, in his early forties and on a waiting list for public housing. He lived in his car and used to work as a driver on a casual basis, enjoying the freedom the job gave him. However, in 2010 he got sick and had a series of operations, which hospitalised him for a couple of months. After leaving the hospital, he tried to continue his previous work but his physical condition prevented him.

He was then on the disability pension. He explained that he opted for life in a car due to negative experiences with rooming houses, the only other form of accommodation he could afford:

> You have people there doing criminal activities, people that are self-medicating. It’s just not the right environment, especially for somebody like me who’s trying to leave that behind. So that’s why I choose to live in my car and not in rooming houses because I don’t want that anymore in my life.

His homeless condition not only decreased his chances of getting a new job but also affected other areas, essentially putting all his plans on hold. Matt needed to go through medical treatment that would produce strong side effects and can only be initiated once he is in stable accommodation. He was also waiting to get a house to resume a TAFE course he had begun but could not complete last year. He acknowledged the problem of housing shortage and the need to give priority to single mothers with children but noted that many times after a relationship break-up fathers are ‘left with nothing, out on the streets’.

James, a 28-year-old single man, had been on a waiting list for public housing for about four years. Although he thought he was ‘very lucky’ for waiting ‘only’ four years, he criticised what he perceived as subjective criteria used by agencies. On the general availability of support services for men, he agreed with Matt in the identification of a gap in services:

> Well, most of the guys out there don’t see that there is much help for them, especially because a lot of the services, they don’t put you in a number and on a list. They generally pick who they like.

Debt and credit

None of the participants mentioned accessing a bank loan in order to supplement their income after being out of work. In fact, there was often a sense that formal loans were a ‘last resort’. When possible, borrowing from family and getting support from a partner were the main solutions.

For those who had a credit card, it was one of the ‘quick solutions’ adopted to deal with their financial needs. The debt accumulated while unemployed was high and some participants were still repaying it even after getting a job. Moreover, two interviewees mentioned using up the savings they had been able to accumulate during periods in which they were employed.

Hu and Lim relied on family members for small loans and general financial assistance. The couple had cancelled their credit card and Hu highlighted the risks presented by the high interest rates charged. Samir also had a negative experience with a credit card after he arrived from Africa. As he explained:

> Maybe one or two per cent may understand what interest rate is, but it’s difficult for them because we don’t have that system in Africa. Like there is no bank that will give you credit card.

Financial skills

The majority of Australian-born interviewees did not mention the need for financial guidance or information. However, among interviewees of African background the issue was often raised. The problems they faced illustrate how financial information for new migrants has to take into account differences in cultural practices and whether immigrants have had previous experience with financial systems similar to the Australian system.

In addition to Samir's observation on Africans' inexperience with credit cards, he noted the gap of knowledge about money management experienced by African women. According to Samir, while in many African cultures the household finances are controlled by men, this situation is reversed in Australia where Centrelink payments are often made to the women. This change alone alters the power within relationships and pushes a renegotiation of gender roles within families, but the situation becomes more complex when African men are faced with unemployment. He recommended that more financial training be provided for African women.

In line with observations made by community workers who work closely with refugees from Africa, the three African interviewees in this group described financial matters as a stressor on their relationship as a couple, and two had split from their partners. They confirmed that relationship breakdowns within their community are increasing. As Samir explains:

> The financial issue is one big problem in any African household. For example, Centrelink give all the money to the women and those women are not used [to] handling a set amount. That creates problems in some family homes and some family have already split. They are married maybe ten to fifteen years before they move here—because of financial issues that family is breaking down.

Non-monetary matters

Employment conditions and mental health

Two interviewees had become unemployed because of mental health issues. Chris, in his late thirties, was working full-time in a media and communications position which required intense concentration for long hours. He had to use new equipment but received no training and had to learn on the job. The mental pressure built up and he started suffering from depression. Rather than being offered stress leave, Chris had his contract terminated close to the end of his probationary period.

James worked as a casual worker for the same employer for a couple of years. At the time of his interview he was living with a friend and on a waiting list for public housing. James's main complaint was not the drop in his income from being unemployed, his housing situation or his financial difficulties. Rather, throughout the interview, he constantly complained about his work conditions and the lack of recognition he felt from his boss after years of work, which finally led him to quit:

> I had to cancel that [mobile]. I couldn't afford to pay it after leaving him [his boss] but I couldn't handle [it]. If I could have handled the stress and the pressure working for him, I would have, but it got to me very badly and mentally it was very disturbing at that stage, and I couldn't handle it anymore.

Discrimination

This study focused on financial needs and not directly on employment opportunities. Nevertheless, during the interviews with some of the migrants from Africa, money was often not the central theme they discussed but rather the multiple ‘unspoken’ barriers to finding employment in Australia.

Tom came from an English-speaking country in Africa. His life trajectory included leaving his war-torn country to live in a refugee camp for a couple of years. However, he was able to resume his education and completed a university degree. In Australia he received a scholarship to pursue his postgraduate training by research and was doing well in his studies until he lost his job. Although he was in a position for which he was clearly over-qualified, he described the experience as extremely rewarding:

> The work was very good for me because it gave me structure. I was more organised, I had a routine to follow, I was in a good environment and I appreciated it … So when I had a job I was having a bit of income, it improved my self-esteem, I was a really good member of the community. But when I couldn’t continue, that really put me down again.

The job loss immediately impacted on material and emotional aspects of his life. While at work, Tom was pleased to send money to a relative who is still in a refugee camp and to help fund his brother’s education. He also had managed to save but had to use the savings to rent a house when he separated from his partner. With fluent written and spoken English, he has been submitting job applications every day but temporarily interrupted his postgraduate studies due to the mental pressure. Despite all these challenges in his own life, he still finds time to help his community: ‘I feel like it’s a moral obligation’.

Samir also came from an English-speaking country in Africa but, unlike Tom, completed his tertiary education in Australia. He was accepted for a training position but at the end of the six-month training period, he was not offered a continuing position. One of the main barriers he described, and which has been identified in previous research (Mestan 2008), was the fact that he could not even get an interview:

> If they interview me and they know that maybe I have the experience and I have the knowledge … maybe I have the chance to get a job … Because the competition is too high and Africans here, we are in minority. People are not used to us yet. It is a difficult time that we are going through, especially we are just coming in this country you see, so it’s really hard. It’s not that we don’t want to work, we love working. We can even work six to six, we’re okay, once we are getting something out of it, you know. But we don’t have the chance to actually do the job; you see we are not given that chance yet, the opportunity.

Samir’s comments resonate with studies with migrants that documented the difficulty of getting past the first screening of job applications to reach the interview phase (Atem 2010; Booth, Leigh & Varganova 2010). Some migrants even adopt English-sounding names in their resumé as an attempt to increase their chances of being interviewed. Given the government’s emphasis on skills shortage, and the high qualifications and English level of many unemployed migrants, it would be worth investigating further how effective our current system is in preventing racial discrimination in the labour market.

Key findings

- Ten individuals (three women and seven men) were interviewed about their experiences being out of work. There were considerable differences in the degrees of financial difficulty the participants were facing and in their financial needs. A key explanation for these differences was the kinds of social relations and networks that individuals could access for both material and emotional support.

- Single men in particular were exposed to a high risk of social isolation and they perceived a lack of support services to address their needs.

- Job loss produces a sudden fall in income. Even short periods of only a couple of months without work were sufficient to push participants from a state of no debt to one of accumulated debt. Lack of regular income immediately affected participants’ plans and some of the decisions they made within that context had the potential to create cumulative disadvantages. For example, a decision to live in the outer suburbs where rental costs are more affordable could increase an individual’s risk of being socially isolated as well as reduce their access to a larger pool of job opportunities.

- It was hard to discuss financial skills or information with this group given that their focus was to find a job. Moreover, health issues such as stress and depression were frequently mentioned by interviewees, either as a driver for their decision to leave their jobs or as a barrier to finding another job.

Louise’s story: Saved from falling

Louise came to Australia with a working holiday visa when she was in her mid-twenties. She had a university degree and when she was offered sponsorship to work in Australia, she took the opportunity. After a couple of years, she found herself ‘really unhappy’ in her workplace. Although she was aware of the difficulties of finding another sponsor for her working visa in the middle of the financial crisis, her health started to suffer and she decided to leave her job.

Louise did not qualify for Centrelink assistance and what helped her was that she and her Australian partner decided to live for a period under his income only. She also received financial assistance from her family overseas, who paid some of her education loan instalments. Even with these sources of support, her savings were rapidly consumed with the visa application and she ended up with a $500 balance. In order to cover other expenses, she was forced to accumulate debts on her credit card:

> I used to be the type of person, because I was working and I was making a decent income, I always paid my credit card off in full and I never wanted to pay a high annual fee … I had a higher interest rate and a lower annual fee so I kept that same credit card, but when I didn’t have the employment, I wasn’t able to ever pay it off. I was only making my minimum payment. So I was actually paying a lot higher [interest] than what probably I could have been paying.

Louise is aware of her privileged situation in comparison to many others who cannot count on any financial assistance from close friends or relatives. However, she stresses that, like other interviewees, being out of work had a major impact on her mental health. As she explains, she underestimated the time that it would take for her to find another job and as time passed the stress built up and affected her performance in job interviews:

> The big problem for me was my mental state … Once you get depressed it is really difficult to try and find a job because you lose your motivation and you are low on energy and it is too hard to go to interviews because I think people that are interviewing definitely pick that up … Obviously financial [support] is really important but I think also support with depression and issues around mental health is really, really important, because I think it definitely will stop a lot of people from getting jobs.

Louise identifies social isolation as the central cause for her falling into depression. At the same time that she was deprived from the day-to-day social interaction of her workplace, she moved to a new suburb away from the city. Louise sought community-based activities she could join but most charged fees that, even when small, were unaffordable in her circumstances.

> I knew that I was getting more depressed than I [had] ever been ever in my life … I wanted to do a course and do a cooking class at the Neighbourhood Centre but, you know, they were all like $150, so that would have been something that definitely would have helped me but I just didn’t have the money to pay.

Based on her experience, she considers mental health support for unemployed people to be as relevant as financial support. Social isolation was the most difficult part of her experience out of work and she recommends that more free community activities and workshops be offered, to give people who are out of work the opportunity to remain socially included and interact with others of a similar age.

5 Becoming a single mother

As with the move out of work, becoming a single parent is a life event that leads to a range of financial changes and needs, depending on individual and contextual factors. While there are many cases of ‘single fathers’, it is well known that this event is predominantly a ‘women’s issue’, as women tend to be the primary carers of children. In this study we opted for the use of the term ‘single mothers’ to avoid the neutralisation of gender in the analysis and to reflect the fact that all participants in this group were women.

This study benefited from the input of twelve women, distributed among one focus group in Melbourne, one in regional Victoria and three interviews. Socioeconomic background, although not a selection criterion, was a distinguishing factor, with the financial implications for professional, more-educated single mothers differing from those for single mothers with lower levels of education on very low incomes. Still, one theme was common across all discussions and participants, and exposed how financial vulnerability is both a cause and consequence of bounded choices. Overall, participants were making rational decisions about their finances but this rationality would not fit into the mainstream economic definitions of rational choice. As pointed out in other studies, for single mothers financial decisions are made as part of a broad life strategy which involves constantly balancing the ‘gains and losses’ involved in paid work, career aspirations and care responsibility, but in which the priority is their children’s wellbeing (Bodsworth 2010).

What do we know?

Women can become lone mothers at different stages in life. They may be single at the time of birth of their child or children, or face the loss of their partner due to separation or death. In our study, none of the participants faced the death of the partner, and they were either single at the time of birth or became lone mothers due to a relationship breakdown.

While many studies and the experiences of practitioners in the community sector suggest that there is an association between financial difficulties and relationship breakdowns, the ways in which these relate are complex. Financial difficulties can either derive from or be a cause of a relationship breakdown. Moreover, they do not always lead to extreme financial hardship, and characteristics such as gender, socioeconomic background, age and individual attitudes have all been identified as influencing the degree of a person’s financial vulnerability after separation (Finney 2009).

Without disregarding these variables, research has shown that the financial implications of relationship breakdowns tend to be heavier for women. The financial challenges women face are not only related to their paid work trajectory through the life course, but are also influenced by cultural patterns and expectations. Such patterns and expectations influence intra-household money management and can contribute to lower accumulation of savings and pensions, as well as affect women’s experiences with financial matters (Price 2010). Moreover, how public policies construct the notion of ‘family’ and the institutional assumptions about how a family functions have implications for the degree of financial vulnerability women may experience.

The Dutch government, for instance, initiated a Life Course Saving Scheme in 2006, based on specific assumptions about what a life course would look like. Maier, de Graaf and Frericks (2007) argue that those assumptions emphasised individual lives and responsibilities (human agency), while the ‘interdependencies between life courses’ received little attention. By doing so, the scheme not only minimised the relevance of ‘linked lives’ but may have contributed to the reproduction of prevailing ‘gender scripts’, placing women at a financial disadvantage. As Nussbaum (1997, p. 1213) argues, while there is altruism in families there are also ‘conflicts over resources and different bargaining positions’. These conflicts need to be acknowledged in government-led interventions. In the United States, an analysis of the economic implications of divorce and legal settlement emphasised the asymmetrical effects from divorce (Fisher & Low 2010, p. 254):

> The stark conclusion is that men’s household income increases by about 23 percent on divorce once we control for household size, whereas women’s household income falls by about 31 percent. There is partial recovery for women, but this recovery is driven by repartnering … Those who do not repartner tend to be older and have children.

These difficulties can be magnified when women become the lone carers for their children. Single parents are recognised as among the most economically disadvantaged groups in Australian society (DEECD 2009; DPMC 2009), and appear in various studies of financial hardship as a highly vulnerable group (Wesley Mission 2009).

While reliance on government income support means dependence on a very low income that exposes these single mothers to high financial vulnerability, balancing monetary needs with other life priorities, such as time spent with their children, is part of the daily calculation many single mothers do in order to distribute time, paid and unpaid work (such as household work) and income. Moreover, as Bodsworth’s study (2010) showed, the disincentives to work that are built into the government income support system make this calculation even harder, often adding an element of high risk for those single mothers who are planning to increase their paid workload.

Considering these circumstances, it should not be surprising that single mothers are likely to move out of employment, especially if they cannot find a job which accommodates their need for flexible working hours. As recommended in Baxter and Renda’s analysis (2011), policies to improve job retention rates for single mothers need to target more on-the-job support and training but also need to look at the labour market structure and affordable access to child care.

The single mothers who participated in this study stressed broad financial issues, but that does not mean that their basic financial needs are safely covered. A community organisation working specifically with single mothers in Melbourne noticed an increasing number of requests for material assistance to purchase school supplies and uniforms. It also noticed that some mothers are choosing not to send their children to the first week of school if they cannot afford paying for all the required materials and programmed activities. The financial planning of these mothers is also affected by the unsteady flow of child support payments, with delays in the payment and variations in the amount received making it hard to plan ahead.

Research findings

One focus group turned into a space for discussion among participants, in which they shared their concerns but also exchanged financial tips and information. This revealed the benefits of networking with people experiencing similar circumstances, as well as the positive role of social groups in disseminating information about support services.

Money matters

Income

The discussion around income was permeated by comments from the participants about the additional stress caused by the rules for income support. In many cases, these rules were perceived as punishing women for having a job. They also generated a sense that saving was counter-productive. Institutional rules affect intra-family financial arrangements, with many single mothers perceiving the system as unfair and based on distorted assumptions about their former partner's contribution to their children's care. More than in any other group included in this study, the impact of institutional rules on the participants' material and non-material wellbeing, and on their margin for 'choice', was huge.

Jo, a single mother now in her fifties, remembered a time when her children were still young and she worked extra hours to try to buy a fridge. When she communicated her additional income to Centrelink in the periodical report, she ended up with no extra money and lived without a fridge for one year:

> It was impossible to deal with the assumption that somehow you've got something else that can turn into elastic, when you've got the least possible room for movement in the world.

Ana, in her thirties, had a tertiary qualification and worked full-time. When her son was born with a health problem that required medical treatment, she contacted Centrelink but was informed that she did not qualify for any government support. It was only when a professional in a hospital noted that she was actually eligible and helped her to go through the process of application that she found out she had been misinformed and actually qualified for the Carer Allowance. In the period in which she could not access the government payment, Ana started to use her credit cards to finance her expenses:

> Right now, like, I owe $20,000. From starting out with no debt when I was pregnant to $20,000 debt because [I was] just trying to live and exist and rent and [pay] child care …

Mothers who were sharing the care of their children with their former partners complained that the government's child support formula to allocate payment for each partner is based on assumptions about the division of care that do not correspond to the actual distribution of tasks and even costs:

> It's based on the nights spent at each house. So if the child goes at five o'clock at night and comes back at nine o'clock in the morning, that's considered they get a full night. (Nicky)

> I send my kids to their dad at 5.30 on a Friday night. Nine times out of ten when he picks them up they've already been bathed, fed, ready for bed. (Julie)

Balancing paid work, career and care

The issue most specific to this group, in contrast to the other three groups studied, was the need to balance financial considerations with carer responsibilities. Many women oriented their choices by a logic that considered the children's wellbeing as the centre of their priorities, and other considerations were often a means to ensure that priority would be served:

> All I was waiting for is next year, if I worked full-time, I would have been able to get an extra $1000 a month to pay off my debts from these last few years. But because of my health and my son's health—and his behaviour has been affected by this stress—I have to make, I have to go down to part-time and I have to put my career back because of it. (Ana)

> I don’t like being on a parenting payment … I enjoy spending time with my daughter and everything but I kind of feel, I don’t know, it’s great that it’s in place and a good help, some countries don’t have that and everything, but you just feel like … If I wasn’t a single mum I would be working. (Nicole)

Laura had two children. She worked part-time but had an opportunity to extend her hours and she did not find that getting a full-time job itself was the problem. The difficulty, according to Laura, was to reconcile full-time employment with her role as a primary carer. Talking about the impact of separation she said, ‘You’ve got the kids more, like 90 per cent of the time, so I can’t work as much as I want to work, even though I do have the job to work’.

In assessing their choices, single mothers tended to take into account not only whether to work or not but also how accommodating the job would be in view of their children’s needs. Jo went to college and decided that it would be better for their two children’s future if they moved to a private school. Despite her qualifications, she applied for a cleaning job in their school and in return obtained a scholarship for one of her children. As she explained, ‘If you show yourself prepared to do, and actually have the dignity to stand up for what you really want, things sort of come together somehow’. Tess also considered herself ‘very, very lucky’ for getting a job in her son’s crèche:

> I was very lucky that a position became available in the kitchen at my son’s crèche. So one, I’m there with him and, two, I actually get, as well as the government discount, I actually get cheaper fees for working at the crèche. Otherwise I could not afford to pay crèche fees by the time I work, you pay for petrol or parking or transport costs and crèche costs, I could not afford to do it. And personally I’m a worker, after three months of not working I just go—I have stress attacks or anxiety attacks or something, I can’t not work.

Childcare cost was also a major factor influencing Laura’s decision to work:

> I’ve got my daughter in crèche two days a week—she was only in one [day per week]—but I’m trying to pick up more work and I have to put her in and I’m thinking, ‘Is it really worth it?’ I’m paying extra, and I know that you get money back from the government, you know, they pay half, but you get it in a lump sum, like, six months away … I need that money now to pay for the child care.

Housing

As with the previous groups in the study, housing stress, related specifically to rental affordability, was a main burden for single mothers. Only two of the participants had their own house, while most were in rental properties, public housing or staying temporarily with family members.

An issue that came up both in Melbourne and in regional Victoria was the perceived discrimination when competing for a place to rent, which could lead to self-exclusion:

> A lot of real estate [agents], being a single mother on a pension, they won’t even look at your application. (Nicole)

> There were fifty people at the inspection … fifty people! You had groups of students. You had professional couples with two incomes. They are not going to give it to me, there is no way and where I am they keep putting the rent up. (Laura)

Some single mothers were coping with violations of their lease agreement by the landlord and even though they knew their rights, they found that the risk of having to move out and not finding an affordable place—’people end up bidding for properties, as probably you know, for rental properties’— was too high.

After becoming a single mother, Michelle decided to move from Melbourne to regional Victoria due to a mix of financial and non-financial considerations:

> It's the only place I could get. It was either [here] or move to a place in Melbourne that I knew would destroy my son's life. I grew up there and I refuse for him to grow up there.

Financial skills

While many women would like to gain more access to financial support services, the greatest need was for applied information and support around specific events, such as relationship breakdown. Jo was in her fifties. About five years ago she decided to sell her house before finishing the mortgage payment and needed specific advice on how to invest but could not find it:

> I was lucky because I had this lump of money but it was this pressure of having to find a place within a certain timeframe or that would be turned into an asset in its own right that meant that I would not be eligible for Centrelink payment any more … Then down the track a bit, I realised that because I had my lump sum of money sitting in the bank for a while, it had been earning interest. It was not related to my business or anything, therefore it was taxable. And it's like, oh my God, I've got this huge tax bill because I took a holiday from this life that wasn't working. It's like, just bizarre and so that kind of stuff is just like—who do you talk to? How do you get any advice? And who stops pushing the buttons, saying 'deadline, deadline, deadline—you've got to fit this box'? Life does not happen in boxes.

The conversation among participants from a focus group suggested that most women were good with budgeting and dealt with a variety of accounting mechanisms, but struggled to navigate complex reporting systems from government agencies:

> Jo: You feel like you've got to turn into an accountant to deal with all of this administrative way of dealing with stuff. You don't necessarily keep your books that way for yourself anyway, but because you've got to report it in certain ways for different organisations or whatever, it's like you've got to have four different versions of your accounting system so you can translate to the people around you that you've got to deal with how it fits with them.
>
> Laura: It doesn't make sense, their reporting style, because you have to report—you have to estimate your earnings two weeks ahead. It's just stupid.
>
> Tess: If you're working casual—if you work the same hours for the same pay it's different, but if you're working casual or seasonal work …
>
> Laura: Well, that's like my pay is different every fortnight. Why can't I when I get my payslip ring them up and say, this is what I earned last fortnight?
>
> Tess: Because it's got to fall into their fortnight.
>
> Laura: Yeah, but you've got to estimate, like if I worked this last week—I've got to estimate for next week as well and then I've got to put an estimate in and then I've got to ring them back and say 'The estimate that I gave you is wrong' because I earned a little bit more or a little bit less. It's just ridiculous.

Mary was in her forties, had a teenage son and recently went through a divorce after more than two decades married. In the same period she also lost her job. Both Mary and her husband had contributed to the household expenses, but he was the one in charge of organising and making payments. In addition to coping with the emotional side of all these changes, she was dealing with the need to look for a new place to live, learning how to manage the household finances as a single mother and making sense of the government payment system:

> What I've noticed recently is bills are coming in now and I'm 'Gee, I've never had to deal with bills on my own before' and on the bills it doesn't say anywhere, there's no information about if you're on the Health Care Card you only have to pay this amount—so I don't know. Is there a $20 saving or is it $100? I don't know. So recently I've had to transfer my car into my name with registration and I thought, oh no, here comes a $600 bill next month for registration. I phoned them and said, 'I'm on a healthcare card, what's the thing with that?'. 'Oh yes, well you can pay it in two halves and also there's a $90 difference'. And I thought, 'Well, why don't you say that on the bill? There's no information!'

Long-term financial planning

Most participants could not afford to save for a 'rainy day' (Kempson & Atkinson 2006). The ones who managed to save were doing it to cover an extra but predictable expense that they knew would come in the near future. These included items such as school supplies or car registration. This finding coincides with Bodsworth's research (forthcoming) on the social dimensions of the matched saving scheme Saver Plus. When asked about long-term financial planning, such as for retirement, many single mothers in the present study were aware that they would not have enough superannuation or assets accumulated, but given their circumstances they had to concentrate on covering more-immediate costs.

> Jo: You can't plan like that. You need it more now than you do for then, if you can't do what you need to—like educate yourself and stuff like that, so that you can have the next little bit of your future—there's no point thinking the future beyond that.

> Tess: I think people just resign themselves to the fact that you're going to end up on pension. That you can't support yourself in the future. They're already saying you need millions when we are older to be able to live comfortably without any pension. Who here or anywhere has millions to be able to do it? So you're just resigned to the fact that you are going to be on a pension, that's life, you know? And you don't plan otherwise because you know it's not going to happen.

> Laura: Sometimes I think great, I've saved a thousand dollars. A thousand dollars is nothing, but great, I've saved a thousand dollars—but then your car registration will come in and your car insurance will come in or school fees will come in or something will come in and you think, well … and it's going down and down and down and where's that thousand dollars that I've just saved? So I'm not great at saving, but I find that when I am able to eventually save, everything comes in and it's like, well, do I pay it off at $5 a week and pay it for the next twelve months or do I just pay it and get it out of the way? Because more bills are coming in than my income is coming in. So it's really, really hard to save for next year, let alone for fifty years' time when you retire.

Non-monetary matters

Dignity and social inclusion

The sense of being treated disrespectfully by government agencies was behind many comments made by participants, indicating that non-monetary values were extremely relevant for their sense of fairness and social wellbeing:

> The majority of times I found […] it's not even our mishap, it's their either misunderstanding or they're not processing paperwork or losing paperwork or whatever reason, it's them. And they talk to you like you're just not important. You're just on government benefits, like, you know, you sit on your butt all day and do nothing. It's like—

> hang on a second, I'm one of those few that work and try and not just live off the government'. (Tess)

Nicole mentioned that many young mothers are fearful of asking for information from government agencies such as the Department of Human Services, as 'they get scared that if they do ask about things they might have their children taken off' them as they will be perceived as not being 'good mums'.

On the other hand, Nicole spoke enthusiastically about her young mothers' group, which has offered her a 'non-judgemental environment' and a space for receiving information and social support. Like Nicole, Lisa was very positive about the support she gets from the single parents' group she joined, and which allowed her to share pleasant experiences with other parents and children, such as camps and weekend barbecues.

Key findings

- The issue most specific to this group of twelve women was the constant need to balance financial considerations with their carer responsibilities. Most women placed their children's needs and wellbeing at the top of their priority list and financial considerations were usually subordinated to that priority.

- Life-course studies have identified a gender gap in the accumulation of assets. In the case of the single mothers who participated in this study, it was easy to trace the origins of that gap. Most were in part-time or casual work and mentioned that they could not afford to save. The ones who said that they managed to save were doing that to cover an expenditure that they knew would come in the near future, such as school supplies, extra-curricular activities or car registration.

- Many of these participants were aware of the importance of long-term financial planning, such as a retirement plan. However, given their present financial circumstances they made the rational decision to concentrate their attention on fulfilling immediate needs before moving on to more abstract future plans.

- Participants were used to budgeting and in some cases had to maintain multiple reporting systems to satisfy the government requirements for income support payment. They mentioned the difficulties of finding clear, easily accessible financial information that was relevant to their specific circumstances.

Lisa's story: Choices within constraints

Lisa is in her mid-thirties and has a son in primary school. She owns her house and, due to the flexibility of her workplace, she is able to work full-time for some periods and reduce her work hours if needed.

Lisa recognises that she is economically in a better situation than many single parents. Still, she believes that they all share some common concerns and face the same need to plan financially. About the need to balance work with care, she comments:

> Working full-time feels too hard a lot of the time so that's one of the challenges, to get the balance right. And I think a lot of women feel that you have the potential of working full-time because you're qualified and capable. But if you do that, suddenly the rest of life is affected because you can't do as much as you would like to for your child … And then you've only got the weekend really to try and build your life, you know, do all the other things you have to do in life.

At the same time, she is aware that reducing her workload has implications for her career and financial future:

> I think I'm not going to be offered any promotions when I'm not working full-time especially if I am not able to cope with the full-time load. I don't think I am going to be the one that's offered career advancement because of my circumstances. My superannuation is affected when I reduce my hours.

She is aware of what she calls the 'side effects' of her decision to prioritise family and the wellbeing of her son:

> I know I need to accept that I have to make that sacrifice because I want to be a good family person. I want to give to my family and my son and make sure he's okay so I need to, that's a decision I make that a lot of people have to make. I've put those things before career advancement or financial gain.

Lisa does not have high accumulated debts, and her main new debt is the legal fees relating to her divorce. She manages to save but explains that these funds are to cover predictable minor expenses—'Next year they're going to need computers for their school, for each workstation'—rather than for any long-term investment.

More than the financial impact, Lisa cites the 'psychological pressure' of being solely responsible for the family as one of the most difficult consequences of her divorce:

> I don't have the option of saying, oh you know, I'm not doing so well at the moment, I'll take some time off and know that there's someone else who's there to pay, you know—there's not someone else, so I need to. And I think that's a psychological pressure more than anything being physically different, it's more knowing that the responsibility to earn an income is on just me now.

6 Retiring and ageing

The financial pressure on seniors living on a government pension is frequently mentioned in welfare debates. Therefore the fact that participants in this research who relied on a pension were struggling financially was not a surprise. But in documenting their monetary needs, we observed how closely linked financial issues are to other spheres of their life, affecting their physical and mental wellbeing on a daily basis. As revealed in the findings about participants in the previous groups, money was not their only need but it was interconnected with other issues they valued.

The experiences of the seniors who participated in this study illustrate how an individual’s financial trajectory is embedded into their life course, and is related to both individual characteristics and events that are beyond their individual control. For instance, most seniors who participated in this study grew up at a time when the predominant culture was of thrift rather than high consumption, and when housing was more affordable and reliance on credit not a widespread phenomenon. Still, events such as health deterioration, loss of a partner through death or divorce and lack of employment impacted negatively on their finances and, in some cases, on their opportunities for social participation.

Participants in this category varied in socioeconomic background. While these variations were reflected in their different financial needs, all groups considered social participation, recognition of their knowledge, and appreciation of the specific needs that arise with age as important components of a good life.

What do we know?

A positive transition into retirement and ageing needs to be supported by a broad range of social policies (Kimberley & Simons 2009), which cannot be fully captured here. Regarding financial needs, however, two main themes deserve attention, namely, the level of income, savings and other assets that seniors can count on, and their access to financial information.

The inadequacy of the current age pension in providing a decent living standard for seniors in Australia is well known. Debates about alternatives that would improve the financial situation of seniors often revolve around incentives for long-term financial planning and saving as preventive strategies, as well as the postponement of retirement. There is, however, a tendency to use the experience of baby boomers as the basis for policy recommendations, minimising intra-generational differences in financial needs.

While superannuation and savings, as well as policies to combat age-based discrimination in the job market, should certainly be part of any retirement policy agenda, the needs of low-income seniors and future retirees require specific attention. In our study, those on a low income simply did not have enough funds in superannuation for it to be a relevant issue. Many were either prevented from working due to a disability or, at the other extreme, had to keep working longer than they would have liked to due to lack of money for retirement. This is in line with previous research with seniors in Australia that shows that seniors experiencing poorer socioeconomic conditions are more likely to remain in the workforce due to need rather than choice (Clare 2010; Hamilton & Hamilton 2006). Improving their income with better pensions continues to be crucial for the latter group.

Access to adequate and clear financial information and advice is the other important theme revealed in this study. Various studies in Australia and overseas have pointed out how the growing complexity of financial markets, together with an increasing push for individual responsibility in the management of information on financial products and services, has placed seniors in a highly vulnerable position (Age Concern England 2007; Wainer, Darzins & Owada 2010; Woodstock Institute 2009).

While there is plenty of financial information available, problems with content, quality and the way information is communicated create a gap between needs and services provided. Clark, Knox-Hayes and Strauss (2008) argue that policymakers should be aware of the limitations of generic financial advice in pension planning, for instance. In their study, 'sophisticated' investors tended to ignore generic financial advice. And as a recent study by ASIC highlighted, many people prefer to receive 'piece-by-piece, simple advice rather than holistic advice' (2010, p. 5). Clark, Knox-Hayes and Strauss noted that in a worst case scenario, generic advice could have the negative effect of encouraging 'unwarranted confidence in those who can least afford to make errors in pension planning' (2008, p. 23).

Gender differences also need to be considered when providing financial information. A submission by the Country Women's Association of New South Wales to a parliamentary enquiry into older people and the law (HRSCLCA 2007, pp. 17–18) exemplifies how some older women maintain practices around money management that are rarely taken into account in mainstream financial information:

> Older and less mobile people tend to keep large sums of money in the house—one reason being it is more difficult to access banks, financial institutions every week and often a fee is charged if more than a certain number of face-to-face transactions take place in a month. Secondly, many older people do not use electronic methods to pay bills … There is also the situation of women living longer than men and some of those women, still today, have had little or no contact with tradesmen, cheque books, bank accounts and money in general until they found themselves widows and then suddenly had the responsibility their late husbands undertook.

Research findings

Money matters

Income

For seniors living on a government pension, basic living costs such as utility bills, rent, transport and medicine were the primary source of financial pressure. Robert, 64 years old, was single and on a disability pension. He had to stop working in his late forties due to a genetically transmitted disease. Robert started his focus group discussion with a comment about his gas bill:

> I think that aged people in general now are finding it increasingly difficult to survive, let alone live. I got a gas bill today, $450. See, I've got a neurological complaint where I've got to have my house warm all the time … But if I don't unfortunately I get rather horrific pains … I got $88 off it [due to concession]. That brought it down to the $450.

While they were budgeting to cover daily costs, extraordinary expenses were destabilising:

> You very often have a situation where the car might be worth $1000, and you've got a $3000 repair on the car. So where do you get your $3000? That's $3000 [pensioners] haven't expected. They can't buy a better car because they haven't got the money so then

> they've got the choice, not have a car at all, which means their mobility and a whole lifestyle goes down (Andrew)

Two seniors mentioned funeral costs. Lucy, 70 years old, single and on the age pension, had to stop working due to health complications. She recalled struggling to pay for the funeral of her daughter. She had never imagined her daughter would die before her, but had to deal with the emotional shock at the same time that she looked for ways to pay for the funeral:

> I had no help at that time from anyone to tell me how to go about arranging a funeral and then they didn't even want to bury her or anything until I had the money up first … I went to Centrelink and they said, 'Oh well, we'll give you a loan, we might give you a loan of $500' … When I said to the funeral parlour about the $500 they said, 'No, you've got to have half'. (Lucy)

In the end, Lucy took a Centrelink loan and borrowed money from a friend. Anthony, 63 years old, was on a disability pension. He had suffered a stroke a couple of years ago and was dealing with the side effects. Anthony had also recently lost his wife. He used to pay for her life insurance and, faced with high funeral costs, went to activate the policy, unaware that the minimum waiting period had not elapsed. Eventually he received a payment from the insurer after succeeding in raising his case with the local media:

> [The insurer] said 'You're not entitled to it'. I said, 'You're bloody joking. Why not?' And they said because she died twenty days, hang on, I think it was four months, before she was entitled to it, right?

Lucy and Anthony faced financial difficulties exactly when they were most fragile emotionally. These difficulties were not only related to income but were also connected with the need to go through a series of administrative procedures and contractual rules before reaching assistance.

Dealing with the financial system

Bank fees, in particular ATM fees, were a concern for participants with impaired mobility:

> Lucy: I go to the closest where there's an IGA and you get charged $2 because you're not using your own bank.
>
> Robert: Bank fees are a real problem.
>
> Lucy: A total rip-off.

On the accessibility of financial information, participants complained that it is usually provided in a non–user friendly manner:

> I think banks should give you a book like you used to have years ago … They'll say, 'I'll give you a monthly statement'—that's not good enough. People at our age get that way that the momentary things don't stay with us, the long-term memory stays with you but the short-term memory is very, very hard. We should have that book we can look back on and then ask a question about but you don't have any idea of how much you've taken out or if you're leaving any in there. (Lucy, 70 years old)

Robert was in a wheelchair and mentioned using the internet, not so much as a choice but because he 'had to'. Greg, in his late sixties, closely monitored government policies and participated in local initiatives that affect seniors in Australia. On the impact of technological changes on the seniors, he commented:

> Technology is changing so fast that many 20 year olds can't keep up with it and the changes are dramatic, which leaves a senior in their sixties at a loss to manage … So we are moving into an accelerated rate of dependency from so many, on so few.

In the focus group with the Brotherhood of St Laurence's clients, when we informed participants about the existence of basic bank accounts, none of them knew about them:

> Robert: Do they pay pensions into that sort of account automatically, people not having to ask about it?
>
> Anthony: That's really what should happen. And that concession that we were talking about, that should automatically come off but it doesn't, right?
>
> Robert: No! You've got to apply for it.
>
> Anthony: Now, a lot of people don't know about it.

Financial information and skills

Maria was 65 years old. She had come to Australia with her children as a skilled migrant about twenty years ago. Her professional background included experience with finance and she was not facing financial problems. Interestingly her specialised knowledge made her more cautious with financial advisors:

> Who is selling the product? See, that's my problem with a financial advisor the bank gives you. They are salesmen for their product line, they are selling a product line and some people don't witness it that way, they see it as free advice, it's not. (Maria)

Participants also stressed that those delivering the information need to have life experience to pass on and to be able to engage with older people:

> It's very important from my experience of older people to get them involved in the meeting. Don't lecture to them and they'll come up with the things anyway, and then they'll come away with some understanding. (Andrew)

Comments on superannuation came from better-off participants, and showed their critical perception of the viability of superannuation:

> A lot of the super I looked at, and some of my friends', are with the banks and this is my problem. There is a fixed fee regardless of whether the fund makes money or not. So if the fund manager is not efficient and is not good, he still gets his commission. I have a problem with the concept. (Maria)
>
> A lot of my friends … they've relied on superannuation as the be-all and end-all. Now it isn't. It's nowhere near. It's only come up at 3 per cent over ten or twelve years and on top of that there's been the economic downturn … I didn't take an indexed pension, I took the lot. I had the option to take the lot out, I took the whole lot out, did a whole lot of really great things with it, kept some in super for varying reasons, kept a lot of it out and I believe at the moment I'm much better off financially than I would have been if I stayed in. (Richard)

Those on a government pension did not raise superannuation as a relevant topic. For the few pensioners who had some superannuation accumulated, like John (see box below), that was not enough to give them financial security. When asked about what kind of financial information would be useful, they mentioned basic budgeting, automatic access to concessions and legal assistance, including about their rights and entitlements.

Concerning gender and financial skills, money management did not come up as a problem for the four older women who participated in this study. This appeared to be due more to their actual experience of managing money throughout their lives than their level of education. Anna, 69 years old, had retired from her work as a nurse, owned her unit and was living on her pension. She had divorced when she was 40 years old, raised two daughters alone and managed to return to higher education as a mature-age student to undertake another degree. When Anna talked about how she handled different events that affected her financial life—divorce, health issues—she revealed an impressive psychological strength. But based on her current strategy to live on the pension income, it is clear that Anna's solution involved cutting activities that most Australians would consider an essential part of their social life:

> But you manage. You just cut down. So anyway I retired and that was fine and then I thought it was like a window where I thought, 'I'll go for a coffee, do this', and then suddenly the reality … and I've had to cut back more and more and more. So now I only go out for a coffee if I'm with people, and if I'm in town I bring my lunch and my thermos … I very rarely go out for dinner with friends. I like to go to the pictures but then that's getting too dear but I've now decided that once a month I can go to the pictures. I might go on a senior's ticket but that's up to $10 now. But that's a social outing. I bushwalk and I've taken up bicycle riding.

The main gap in financial skills seemed to be faced by women who were not used to managing financial affairs within the household. Andrew's description of his money management with his household provides a clear picture of the risks in those cases:

> I've always handled the financial situations in our house. We were on tight cash flow. I ran a brutal ship … Now the situation is okay … Now she has great difficulty with financial matters … It would be very difficult for her if I predeceased her to know what to do, what our financial position is, what to do next … The real crunch point for a lot of retirees doesn't happen at retirement, it happens when one spouse dies or they're divorced.

Finally, participants provided some insightful recommendations on how to communicate about finances with their age group. In line with research by Golding and others (2007), participants mentioned the need for simple and clear messages provided in a non-intimidating environment, such as community centres or local council offices:

> Chuck your small font size. Simple, really simple English, more is less and less is more. If God could get by with ten commandments, why do we need more? So I think you've got to be very simple, very fundamental. Most people have only got the ability to pick up about one item in any session and that's it. So if you go around giving people too much information they get bewildered. The basic thing is to get people over the fear barrier. I think the other thing is, you do better with people who are … peer educators (Andrew)

Non-monetary matters

Social participation

Remaining active and contributing to society with their knowledge and experiences was behind many comments by participants, and was important regardless of income level. Volunteering was common among participants. Some men were still working casual hours but for one woman in particular her capacity, skills and motivation to work were not enough to convince potential employers. Rachel, in her sixties, held a doctorate and had experience in education, and had conducted research on the wellbeing of seniors. In line with other studies about age discrimination and workforce participation (Bowman & Kimberley (forthcoming); Gilffilan & Andrews 2011), she noticed that age discrimination was a factor that shaped her job opportunities:

> In my case it's not me that's limited, it's the workforce around you. Try and get a job in your fifties and sixties.

As Andrew added:

> Just generally speaking there is ageism because I know my wife, she [got] a mature-age university degree and she made it … When she told me that they expected someone to walk in the door at about the age of 23 or 24, she didn't put her age on the applications. They put on a first-year graduate, 23, 24. This 54-year-old woman walks in—[The] end.

Many participants were trying to engage with activities in which they could apply their skills and professional experiences. While finances mattered, social participation seemed as valuable. Anthony had recently lost his partner and was also facing some health problems. He found that helping others had a positive impact on his wellbeing:

> And then I went down there and helped with the severely mentally handicapped down at Mornington and that was very lifting for me. (Anthony)

Other participants also commented on the centrality of social participation:

> It is an important thing when you've got an illness or when you're on your own that you're with other people because your mind … [Socialising] gives you a reason to get up in the morning and say, Well, thank God I'm still here, and do yourself up and look after yourself. (Lucy)

> It was suggested to me [at the aged care organisation] that I should become involved and meet all the people … I think it was probably a scared attitude more than anything where I said, 'Oh no, those older people … I don't really want to meet them.' And I lost sight of the fact that the worst thing that ageing people can do is live on their own and have an insular life. You've got to mix with other people. And as a result now I'm probably very much involved in the activities of the [organisation] and I would say for me and many others it's been a godsend to us. (Robert)

Andrew's comment summarised the gap between existing financial information and support services and the demand for integrated approach to needs:

> When I was at retirement age I found there were a lot of people who had vested interests who would give you a presentation on financial things but they didn't actually give you anything on how to actually have a happy retirement … You've got to have something meaningful to do in your life.

Key findings

- Socioeconomic background was the main variable that differentiated the financial needs of the ten senior participants (four women and six men). For those living on a government pension, financial needs were mainly related to having sufficient income to pay for essentials such as rent, transport, medical costs and utility bills. They also experienced a high degree of financial vulnerability when faced with extraordinary expenses.

- Those who owned their house, had other assets, were not entirely dependent on a government pension and had a tertiary education were more likely to cite access to transparent and trustworthy financial information as a key financial need.

- Participants were keen to offer suggestions on how to improve the provision of financial information for seniors. They highlighted that financial information should be delivered by credible and legitimate sources, in clear and simple language. They also suggested that group sessions should be organised around a participatory rather than ‘lecture’ approach, building upon participants’ strengths and practical experiences.

- As in all previous categories, financial considerations were linked to participants’ broader life goals and values. Seniors placed a high value on social participation and were keen to volunteer and share their practical knowledge.

- Looking back at their life trajectory, some of these participants could see the structural limitations that younger generations face, such as high housing prices and low availability, while others focused more on changes in behaviour associated with the modern culture of credit and consumption.

John's story: Wisdom through the life course

John is in his nineties. He has a calming presence and is mentally very sharp, and interviewing him was a journey through his life course. After spending some decades of his adulthood in a religious order, he left and married Therese. By then he was in his fifties but had not accumulated financial assets to enable him to afford buying a house. Still, this was back in the 1970s and John and Therese were able to begin their life together in their own house after accessing a small, interest-free loan from Therese's family.

Both John and Therese worked but they adopted the rule that one wage would be for their living expenses and one would be saved. Their plans changed, however, after their child was born. Their son suffered from health problems that required a series of operations and special care, and Therese had to cease paid work for a period.

Although Therese did resume employment, she later faced health problems herself and had to stop working. Although John had reached retirement age, they did not have enough superannuation to cover expenses. As he explained, 'Because we didn't have any money I worked for ten years over retirement age'.

During the interview, John did not complain about their financial situation and, instead, was particularly thankful for the assistance the family has received from community organisations. They now receive assistance with cooking, the special care needs of his son and household duties. John's main preoccupation is that he is losing his sight and therefore cannot fully perform activities such as reading and dealing with paperwork:

> I had trouble signing the bank form the other day. They weren't happy with my signature when I wanted to get some money out. So I had to explain to them.

When asked to give some financial advice to younger generations, John recommended that they avoid borrowing and 'go without some things for a while until they can afford them'. While acknowledging that the current context in Australia is financially harder for young people—'probably because everything is dearer, prices are dearer, particularly housing'—he considers that attitudes towards money have also changed between generations:

> The modern kids can't do it simply because it's a part of life now to have credit, to have ready money and to use it and be always in debt. But older people didn't want to be in debt, they avoid it like the plague.

7 Conclusions

This study identified insufficient and unsteady income as the main trigger of financial vulnerability across different life events and transitions. For people who rely on government payments as their main source of income, there is hardly enough money left at the end of each fortnight to justify planning ‘too much’ ahead, such as planning for the next life transition.

Although they worry about their future, financial limitations mean most participants have to make multiple financial decisions on a day-to-day basis to meet their most pressing financial needs. Rent, transport, utilities and child care are some of the costs that cannot be postponed and which are increasingly a reason for their financial concerns.

Non-material resources such as education and support from family, partner or social groups, as well as good mental and physical health, play a determinant role at times of change. They help reduce the risk that vulnerability at one stage will be converted into disadvantage in the long run. In the absence of these resources, people experiencing a life transition often concentrate on meeting their financial needs alone, at the same time as trying to adjust psychologically to the demands of a new life context.

The most common ‘solution’ that participants in this study were implementing was to live without things and activities they could not afford. This process often resulted in the reduction of activities that most Australians have access to and which enhance our sense of social participation. These could be as simple as a ‘coffee out with a friend’, or a ‘night out with mates’. But in some cases, people were coping with stressful situations and even with abuses of their rights—for example, in lease agreements—because they believed that, given their financial circumstances, they did not have other options. These cases show that not all members of our society are equally able to make choices and exercise their rights.

Financial limitations can often become a source of disadvantage, with consequences throughout the life course. For young people, not being able to undertake the courses they wish or dropping out of school can deeply influence their vision of their place and participation in society. For single mothers, balancing care and paid work often requires sacrificing opportunities that they know will have negative implications for their financial future.

Confirming the findings of previous research (Clare 2004; Westaway & McKay 2007), this study also contains indications that women are more likely to become financially vulnerable throughout the life course. While we recognise that expectations about men’s and women’s ‘social roles’ have changed, the majority of women still join the labour market in positions that expose them to lower wages and lower levels of accumulated assets—such as casual and part-time work—throughout their paid work life. They are also more likely to take time out of the paid workforce to have children and care for their families.

Finally, with regard to indicators of financial exclusion, we observed that the majority of participants did not own either liquid or fixed assets that they could access in the case of a financial downfall or emergency. Home ownership was only common among the retirees. This reflects the erosion of the Australian dream of home ownership, which is becoming increasingly unattainable for younger people and people on low incomes. Most people were not accessing mainstream loans, and tried as much as possible to access ‘credit’ through family at times of need. They also lacked access to ‘hands-on’ financial information that they perceived to be accessible, reliable and applicable to their context.

8 Policy and practice recommendations

This research has confirmed that while the financial needs and experiences of financially vulnerable groups differ, income restrictions continue to be a major cause for vulnerability at all life stages. It also highlights the various opportunities that currently exist for policymakers and practitioners to facilitate individuals' transitions through financially difficult periods.

Public policies and rules should improve incomes and facilitate asset accumulation

Employment policies need to be better integrated with the income support system to reduce financial vulnerability and maximise the opportunities for individuals' social and economic participation. Apart from the benefits that it will bring to the Australian economy, this participation is a fundamental step to building a fairer society.

- Many individuals who receive income support payments are working in casual jobs with variable workloads each fortnight. Currently the rules guiding the government income support system tend to create financial risk for those undertaking extra paid work on an irregular basis. Moreover, the very low threshold of the liquid asset test that is applied to some types of government income support payments operates as a disincentive to saving.
- Employment policies should focus not only on the acquisition of new skills but should enable people to apply their existing skills to pursue the life path they consider will be fulfilling in the long run.

Financial information needs to be accessible at and relevant to the individual's life stage

There is an excessive amount of generic financial information in the market, which often makes people feel overwhelmed and confused. In order to be effective, financial information for the most financially vulnerable groups should be:

- **clear**. Financial information needs to be translated into clear and simple language, with a central message for each topic
- **accessible**. Financial information needs to be channelled through places and organisations that the targeted groups are likely to visit. In the case of the participants in this study, these places could include vocational training organisations, single parents' groups, community health centres, community organisations, local libraries, employment services and general and relationship counselling services.
- **independent**. Information needs to come from independent sources. For those with pressing financial needs, talking about finances is not easy and we noticed in this study that participants seldom spoke directly about 'money'. Information needs to be transmitted by sources that the target group or groups perceive as trustworthy. Community organisations and government agencies could benefit from training peer facilitators to deliver workshops through a participatory approach. Seniors in particular stressed their preference for learning from people who succeeded in dealing with life experiences *similar* to theirs.
- **relevant**. In order to capture attention, information needs to speak to people's most common challenges surrounding particular life events and transitions. For example, for

young people, detailed explanations about the Centrelink system, concessions, rights and obligations around lease and mobile contracts, risks of payday loans and simple financial services and products that could reduce financial pressure would capture more attention than discussions about mortgages and superannuation. Moreover, for CALD groups, financial information and guidance need to acknowledge different cultural practices around money and work to link their experiences with the Australian financial system.

Access to fair and adequate financial products and services should be universal

Australia is advancing its financial inclusion agenda. In the past two years, the federal government has partnered with the community and private sectors to help expand microloans, community development financial institutions and asset building programs, as well as financial education programs. This collaboration between sectors allows the benefits to go beyond a small group of individuals to reach others in society. It also helps to show that despite the disseminated idea that the financial market provides us with many choices, for the most financially vulnerable Australians the problem is lack of choice.

- Due to the central role of income and assets in preventing financial vulnerability, priority should be given to improving access and availability of *fair* and *basic* financial services and products, such as loans, insurance and basic bank accounts. Access and availability of integrated and simple automatic payment systems should also be improved, drawing on the positive experience of low-income groups with Centrepay.

Hardship responses and policies should be promoted and access facilitated

Financially vulnerable groups are struggling to pay for essential services such as electricity, telephones and public transport. There is an opportunity to improve access to and operation of financial hardship policies across a range of industries, including the financial sector, and telecommunications and utilities providers.

- Since many service providers such as banks and utilities companies have introduced hardship policies to support those in financial hardship, government and industry should promote the best practices and broadly disseminate information on their existence. Within hardship responses, more emphasis needs to be placed on measures that address those experiencing longer term hardship.
- In the energy sector, there have been moves to regulate hardship policies to improve standards and monitor effectiveness. Regulators should consider ways to stimulate similar developments for other essential services.
- For many people experiencing financial hardship, personalised assistance and advocacy are needed to deal with service providers. With adequate government funding, financial counsellors can be pivotal in assisting people to escape the debt cycle and gain control of their finances.

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