



REPORT

Hard times

Australian households and financial insecurity

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Despite sustained economic growth, many households are doing it tough in Australia. The qualitative *Spinning the Plates* study examined the financial circumstances of people with low and uncertain incomes in Melbourne and how they cope with risk in the short and longer term.¹

Key points

Drivers of economic insecurity

Insecure work and inadequate incomes

Precarious employment, low and erratic wages, inadequate and increasingly conditional welfare payments, and escalating living costs are making life financially insecure for many people in Australia.

Few people in our study had a steady and reliable income. Many were dealing with two interlinking financial uncertainties: variable hours and wages, and the risk that their income support payment might not be correct or even be paid. People in our study talked about not knowing what their wages would be in the next week; yet they were required by Centrelink to guess in order to claim an income support payment or Child Care Benefit. When their estimate was incorrect they incurred a debt to Centrelink.

Some had previously had stable employment, but a series of events had had cascading impacts. For example, caring for a seriously ill child triggered job loss, depression and poverty; or a terrible accident meant job loss, hardship and homelessness.

Others had always had a tough life, with little luck on their side. They had few resources to fall back on when the going got even tougher.

Impacts of insecurity

Paying the rent or mortgage came first

With low incomes there is often very little left after paying high mortgage or rental costs. Regular bills such as gas and electricity are hard to estimate, so a common strategy to avoid bill shock was to avoid using heating.

The people in this study had wafer-thin financial buffers and little capacity to cope with unplanned expenses.

Even small, unexpected expenses such as a broken kettle or the fee for a school excursion could tip the balance from managing to not managing.

It costs more to be poor

Many everyday costs are higher for low-income households, who cannot afford to buy in bulk or prepay monthly or annual travel passes. Delaying payment of bills was a way of making do, but this attracts penalties that increase total costs.

Strategies for coping with insecurity

Juggling risks

The people in this study juggled expenses. They carefully worked out how long medications would last and what bills could be delayed so that they could cover more immediate costs.

Low-income households assess, prioritise and manage a complex mix of short and longer term risks. Each course of action—whether it is doing without, delaying purchase of medication or borrowing to make ends meet—is typically based not only on narrow financial considerations but also on assessing the risks of emotional harm to themselves and those they care about.

¹ In an associated paper we examine why people on low incomes do or do not take out insurance (Banks & Bowman 2017).

Doing without

Missing meals so that children had enough to eat, not using heating and avoiding socialising, and walking or riding bikes rather than using a car or public transport were common strategies to try to make ends meet.

Borrowing, lending and trying to create buffers

Individuals borrowed small amounts of money from friends and other household members and traded goods and services. Most were wary of getting caught up with credit card debt.

Inadequate and/or uncertain incomes make it hard to save for the longer term. Low-income households tend to save small amounts towards predictable expenses such as the rent. A common strategy was to pay a little more than required when they could, in an attempt to get ahead—or at least not fall behind.

Responding to insecurity: policy opportunities

Investment in social infrastructure and enabling conditions

While there is some recognition of the impacts of broader social and economic policies on the financial wellbeing of households, dominant policy and program approaches to financial insecurity tend to focus on the provision of information with the aim of changing individual behaviours and attitudes (Bowman et al. 2017, p. 218).

Our research highlights the difficult choices that individuals make in constrained circumstances. While providing more accurate and accessible information is important, critical assessors of financial literacy programs point out that keeping the policy spotlight on individual change casts into the political shadows the drivers of poverty:

- inadequate and unstable incomes
- the social pervasiveness of indebtedness
- the higher costs of living unfairly experienced by low-income households
- and a paltry, increasingly conditional welfare safety net (Arthur 2012; Soederberg 2014).

To foster economic security requires an investment in enabling conditions and equitable social infrastructure, rather than a sole focus on the skills, attitudes and behaviours of individuals.

Background

There is increasing concern about inequality and about job insecurity in Australia. We know that:

- Income inequality in Australia has been growing since the mid-1990s (Fletcher & Guttman 2013; OECD 2015).
- Australia's poverty rate of 13% is above the OECD average of 11% (OECD 2016).
- Minimum wages have declined from 50% of average full-time wages in 2000 to 44% in 2015 (OECD.Stat 2017) while wage growth has stagnated (Bishop & Cassidy 2017).
- The rate of underemployment is the highest since records began in 1985 (ABS 2017b, Table 22).
- Part-time work has increased from 18.9% of employment in 1986 to 31.6% in 2016 (Borland 2017). Working conditions are deteriorating as more part-timers are confronted with unpredictable and irregular weekly rosters (Charlesworth 2012).
- Access to adequate welfare payments has become less certain and more conditional than it was 20 years ago (Herault & Azpitarte 2014).
- Even for those who are currently employed, there is a decline in perceived job security (Foster & Guttman 2018).

How policymakers are responding to the impact of these changes has attracted some criticism. For example, Treasury Secretary John Fraser is reported to have 'slammed politicians for being out of touch with the struggles of everyday Australians' who are coping with 'rising energy prices and the weakest wage growth in Australia's history' (Bagshaw 2017). Speaking about underestimating the ongoing social consequences of the global financial crisis, he observed:

In the cosseted world of Canberra, we in Treasury did not always recognise the major social impacts of such structural shifts on the communities they affected (quoted in Bagshaw 2017).

To develop solutions, there is a pressing need to examine the impacts of these changes on lower income households.

The research

Spinning the Plates was a qualitative study designed to investigate how households with low or unstable incomes manage short and longer term financial risks.

The study had two phases: an in-depth, semi-structured telephone interview and a follow-up panel survey with a member of each household. The household rather than the individual was the unit of analysis in order to capture the micro-level risk pooling that can smooth income flows and stabilise economic security (Western et al. 2012).

Phase 1: Interviews

The main part of the narrative, semi-structured interview explored the participant’s household financial practices, strategies and subjective levels of coping. The final part of the interview gathered data on household composition; income in the last two weeks; assets and liabilities; insurance coverage for contents, house, car, health and other events; and borrowing and lending practices. A short, internationally recognised, financial wellbeing survey was also included (CFPB 2015).

Interview participants were reimbursed with a \$60 Coles voucher.

Phase 2: Surveys

All interviewees were encouraged to complete an online survey once a fortnight for four months. The survey asked about household income and expenses and included open-ended questions about:

- unexpected financial events during the fortnight
- their expenditure
- why they lent to, or borrowed from, a household or family member
- how participants felt they were coping in the last 14 days.

Survey respondents were reimbursed with a \$25 Coles voucher for each completed survey (payable at the end of the survey period).

Recruitment

Participants were recruited from the three local government areas in Melbourne that reported the highest rates of financial stress, defined as the percentage of the adult population who indicate that they could not raise \$2000 in two days (Community Indicators Victoria 2011).

From 133 people who expressed interest, 75 were selected for interview—25 from each local government area. While efforts were made to source male participants, the final

sample reflected greater interest in participation from women (56) than men (19).

Most participants were of working age, mainly between 30 and 60 years.

Participants’ estimates of their household’s gross annual income varied considerably, but all received less than the national median gross income of \$80,000 (ABS 2015, Table 6.1):

- 33% had incomes of less than \$25,000
- 37% had incomes between \$25,000 and \$50,000
- 29% of households had incomes between \$50,000 and \$80,000.

The majority of respondents (71%) had some paid work in the fortnight before recruitment, and 80% of households had at least one member who was employed in that period.

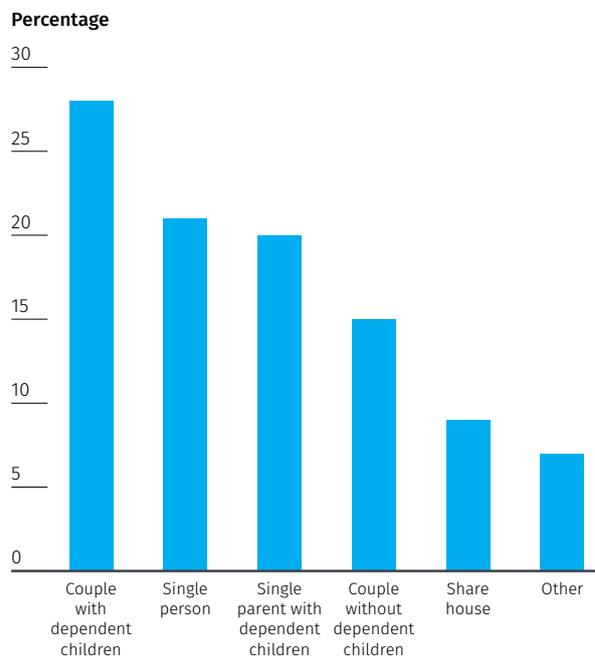
The number of people living in the households was fairly evenly distributed between one (16), two (19), three (17) and four (15) people. Eight households comprised five or more people. Thus the households in the study tended to be larger than in the Australian population as a whole (.id c. 2018).

The leading household type was couples with dependent children (28%); another 15% were couples without dependent children. One in five participants headed a single parent family and a similar proportion lived alone. The ‘Other’ category includes people living in a boarding house and with extended family members (Figure 1).

Figure 1

Study households were diverse types

(n=75)



Of the 75 initial interviewees, 70 agreed to participate in the second phase, to complete eight fortnightly surveys. There was a remarkably strong survey response rate: all 70 completed the full panel schedule.

Ethics

Ethics approval was granted by the Brotherhood of St Laurence Human Research Ethics Committee.

Limitations

The four-month survey period was relatively short and led up to Christmas and the summer holidays. Other times of the year could show different financial practices and patterns.

Due to resource constraints we interviewed and surveyed only one member of each household rather than all adult members. This might have affected the accuracy of information for about half the sample households. Reliance on one person provided less detail about each member's financial practices, and about household bargaining and power relations.

Findings

Low-income households face difficult questions every day about how to manage complex and competing financial and emotional risks. Below we summarise our findings on the drivers and impacts of financial insecurity. To illustrate its complexity we provide examples drawn from our study, using pseudonyms for participants.

Drivers of insecurity

Low and unpredictable income

Most participants in our study had quite erratic incomes, fluctuating by 25 per cent or more between one fortnight and the next.

Volatile incomes magnified the difficulty of managing fortnightly and irregular expenses.

Firstly, most households had to estimate what money would be coming in over the next fortnight and then attempt to adjust their expenditures. Secondly, compounding the difficulties of managing budgets with fluctuating incomes, a significant minority got their estimates wrong.

When asked 'In the last 14 days did you or anyone in your household discover that your wages and/or Centrelink payment was different from what you expected?', up to one-fifth of participants noted that their actual income that

fortnight was not what they had expected. Many of these households reported providing incorrect wage estimates to Centrelink. The net impact was to increase the likelihood that these households would endure major financial hardships in the immediate fortnight (if their estimate was too high) or in the subsequent fortnight (if their estimate was too low).

Casual work and fluctuating hours of work make it hard for households to correctly estimate incomes.

Jack, in his late 20s and living in a share house, explained that casual work 'means no guaranteed hours' and this meant no guaranteed income.

Peter, in his 40s and also living in a share house, recounted how his previous job as a labourer had been initially for 30 hours a week but then was reduced to 10 hours. A similar thing happened with his current factory job, as he explained:

They keep changing the days, from five days to two days ... there is no guarantee ... They say come today, tomorrow, no, no.

Work-hours can fluctuate from day to day, week to week and, as Linda explained, across the year:

LINDA

Linda, a single mother with a 5-year-old son, worked as a relief teacher. She explained the fluctuations across the year:

First term of the year is very quiet, so no work as such, but starting from second term they start calling us.

She was a casual relief teacher at one school, had agency work at other schools, tutored privately on occasions and usually received some Parenting Payment (single) income.

Linda considered herself a capable money manager and was proud of paying off her credit card at the end of the month. However, multiple casual jobs and wage uncertainty increased the stress of managing with limited means:

You can't go on with the normal things. You have to really think and do. You can't do anything extra, you have to really budget it and then you have to think ok if I do this how much will I need, whether I will have to sacrifice something else. It's a lot of thinking and planning. You can't just go and spend money [or] you'll end up with nothing.

During the survey period she twice noted that she could not pay her electricity bill on time. The first time was after notifying Centrelink that her income had risen due to some extra days' work, which resulted in her receiving no income support payment that fortnight. The trouble was she had yet to be paid for that extra work, causing a shortfall in her budget. The second instance was the opposite. She received a full income support payment as she had no wages that fortnight. Her son fell ill and she had to take him to the doctor at midnight. Then she caught a chest infection. With no sick leave entitlements, she had to rely only on income support.

When you fall sick, the situation becomes worse as you are mentally and physically suffering due to lack of finances.

By the following fortnight Linda was a little more upbeat as she had put her gas and electricity on payment plans. She compared her constrained circumstances with when she had an ongoing job:

It was a totally different scenario. Then I could do anything, I knew my salary was coming and I could plan and go overseas, travel, do anything, whatever I want I can buy. But that I can't do now.

Inadequate income support

Newstart Allowance is widely recognised by business, unions, welfare agencies and international bodies, such as the OECD, as manifestly inadequate and a barrier to finding work (Patty 2018; Saunders 2017).

The people in our study who received Newstart Allowance struggled to make ends meet and often had to rely on charity.

For example, Henry, who was in his 40s and lived in a share house, reported he received \$1112 per month and his rent was \$1192. As he put it, 'Basically I just don't have any money'. He owed over \$8000, and during the survey period faced additional costs because his house mate left unexpectedly and did not pay his share of the rent. Henry was unable to pay utility bills, or purchase medication or food, so he had to seek assistance from charities. He did whatever he could 'to survive'.

Many participants in our study were managing the dual risks of insecure paid work and conditional income support payments. They reported difficult, often frustrating interactions with Centrelink.

Peter (introduced earlier) had casual work in a factory but earned so little that he qualified for a partial Newstart

Allowance. He explained how he found his interactions with Centrelink embarrassing and frustrating:

I give them my papers. They go no, no, no, you have to go to the [public] telephone booth and call this number. I call that number and they ask me 'Which language do you want?' I want English. They keep you for hours—hours and hours and hours and hours. Until you get tired and leave and go ... Very, very, very, very frustrating. Very frustrating ... They kind of embarrass you, you know?

For Peter, engaging with Centrelink took too much time and sapped his energy and confidence.

People receiving other forms of income support were also doing it tough. For example, Kiara explained that on a Disability Support Pension she struggled to make ends meet:

Most of that money that I get from Centrelink really goes on the bills ... it all goes on my rent and on my medication. That's where most of that money is going. Out of all that money that I get from Centrelink, I'll probably end up having about \$10 or \$20 left in my pocket.

Bad timing

A variable fortnightly income throws out last week's financial calculations, especially since most low-income households do not have a savings buffer.

Jennifer, a single mother in her fifties, relied on income support which was calculated on the assumption that she also received Child Support payments from her former partner. This assumption was not always correct, as she explained:

Basically, they calculate in their heads that he's been paying you [child support] and he doesn't pay and you've still got to find the money to survive and you just can't ... I'm supposed to be getting \$800 a month and then I get nothing and I've still got to survive without that \$800 [each month] for six months or so, for 12 months. That's where it puts a person into debt.

This delay in payment increased her exposure to physical, emotional and financial harm:

I have physical illnesses because I didn't eat for a very long time. I fed my children but yeah, you know, just to make ends meet ...

The timing of payments for work done is also an issue. Jennifer worked on a casual basis at a school, and was paid each month in arrears. She explained that payments varied depending on the length of the school term and public

holidays, which meant she had to rely on Newstart Allowance, friends and family, and community organisations.

Subcontractors faced particular challenges as they are required to purchase supplies and then seek reimbursement.

Maria explained the impact of her boyfriend's subcontracting work:

He sometimes gets work with a builder, but he's got to fit the bill for the materials, so therefore, sometimes I help him out so he can get the job done, so we can get some money. [Then], when the job is completed he has to wait thirty days before he gets paid for it anyway.

Risks of self-employment

Amina, whose husband also worked as a subcontractor, highlighted another risk of self-employment: 'if you fall sick, you can't go to work, and you don't get paid'.

The erosion of the standard employment relationship means that there is an increasing number of contract and self-employed workers who are exposed to the risks of earning an income, without the hard-won protections of employment entitlements, such as paid holiday leave, sickness pay or loadings for unsocial hours. This compounds the financial risks that low-income households are exposed to.

Without steady, secure and well-paid work to buffer risks, low-income households experience ongoing uncertainty. They need to be able to predict what their next fortnightly income will be, and to be confident that timely income support will provide a real safety net if their wages are less than expected.

Unexpected costs

For households with low or volatile incomes, even managing predictable expenses was hard. Unexpected expenses often tipped the balance from just managing to not managing to make ends meet. During the survey period participants noted 615 instances of 'unexpected expenses'. Here unexpected expenses included expenses that were greater than anticipated, had been overlooked, were everyday expenses not expected that fortnight; or were unforeseen expenses due to illness or household changes (see Table 1).

Car problems, illness and social obligations such as buying a present were the most common forms of unexpected event.

Table 1 Unexpected expenses

In the last fortnight did you or someone in your household have an unexpected expense?

Reason	Number
Money management	
A forgotten bill	66
Receiving a fine	38
Transport	
Car problems	61
Licence or car registration	10
Extra transport costs	18
Health	
An illness or other health issue	55
Dental expenses	24
Relationships	
Needing to buy a present for someone whose birthday you had forgotten	50
Someone needing some money	26
Education	
School or education expenses	39
Communication	
Phone/internet costs	25
Extra food	26
Household equipment	
Fridge, toaster, kettle, column heater or other electrical equipment breaking down	22
Lawnmower needing to be fixed	10
Theft or loss of a household item	8
Insurance costs	20
Housing	
Increased rent	13
Someone moving in or out of your household	9
Taking pet to the vet	13
Other unexpected expenses	82
TOTAL	615

Several of the women in the study had discovered a much larger cost: that their partners had incurred debts. Some had taken charge of managing the household’s money because their partners were ‘very bad’ at it. These women appeared *willing* to take on their partner’s debts, as they were invested in the relationship.

JEAN

Jean discovered that her partner owed \$20,000 when they applied for a car loan. She explained that was now almost paid off and then added:

I think the only thing I had left of his to pay is just credit card [debts] which are two or three thousand dollars. So we managed to clear a lot of his debt.

She took responsibility for managing the partner’s debt while characterising this as a joint effort (‘we managed’) even though she recognised that she had not incurred it (‘his debt’). Jean explained how she had taken out a consolidation loan to help her husband manage his debt because his credit rating was ‘so bad’:

When we got together I had to put my name on the consolidation loan with my perfect record ... He had two personal loans and two credit cards and we consolidated all of that and paid it off.

For Jean, taking on this responsibility framed the relationship.

He’s not allowed, he was never allowed from the start of our relationship to have access to the joint money because he and I—this wasn’t like I decided, we decided together—he really wasn’t trustworthy enough [laughs] to leave enough money in there for the food and the bills.

Because her husband was not responsible she ‘had to’ take responsibility.

Measuring financial insecurity

The most respected measures of income poverty in Australia do not show income fluctuations that might expose households to financial hardship. The Australian Bureau of Statistics Household Income and Wealth survey examines the distribution of household income and assets (ABS 2017a). The University of Melbourne’s analysis of the Household Income and Labour Dynamics Australia (HILDA) survey tracks changes in household income across time, but looks at changes in *annual* personal and household income

(Wilkins 2014). While useful, these approaches obscure shorter term volatility.

Our findings highlight the weakness of using year-on-year data to measure or understand financial hardship. Financial risks happen in real time. They have peaks and troughs.

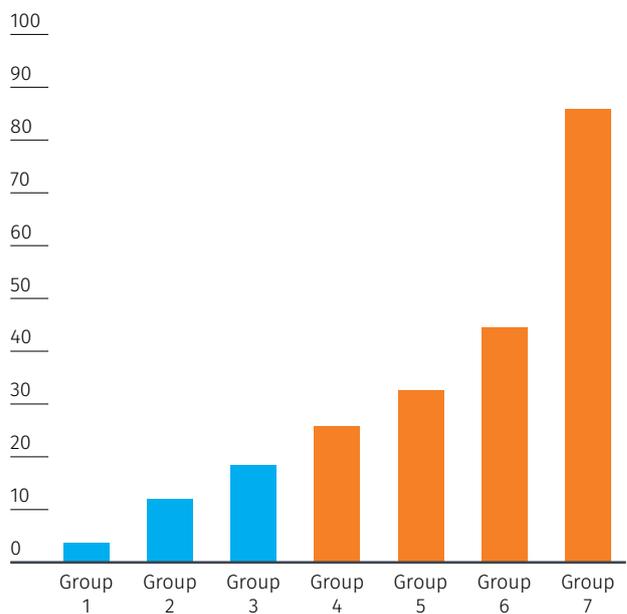
Figure 2 shows the income volatility of the 63 participants in the study who recorded their household’s fortnightly wage and welfare income in all surveys, grouped into seven levels of income volatility. The majority (the four orange bars) recorded that their incomes fluctuated by an average of more than 25% from one fortnight.

Figure 2

Many households had dangerous fortnightly variations in income

(n=63)

Fortnightly income variation (percentage)



Note: Graph shows average fortnight-to-fortnight variation in equivalised household income for each group.

International studies have found that households whose incomes fluctuate by more than 25% from one pay period to the next experience sharply higher risks of emotional conflict (Hill et al. 2013) and financial hardship (Hacker et al. 2012; Morris et al. 2015; Nichols & Rehm 2014).

Making ends meet

Households in this study had little scope to use savings to smooth the impact of income shocks. Most Australians regard having a savings buffer of at least \$500 for an emergency as part of the 'Essentials of life' (Saunders & Bedford 2017, p. 3). However, one in three people in Australia cannot find \$500 to deal with an unexpected event (Commonwealth Bank 2017).

In our study, over half the participants (n=42) reported that their household had less than \$500 in savings. A third had no savings.

Table 2 Financial coping strategies

In the last 14 days did you or anyone in your household ...	
Could not pay electricity, gas or telephone bills on time	112
Went without meals	96
Ask for help from welfare/community organisations	88
Negotiate that your rent/mortgage be deferred for a day or more?	50
Pawn something or sell something? (for example at Cash Converters or on Gumtree or eBay)	49

Nevertheless, many households had financial repertoires that allowed them to partially buffer the risks of inadequate or volatile incomes. Table 2 shows some of the actions they had taken.

These practices included borrowing and lending small amounts of money from friends, other household members, Centrelink and payday lenders; cutting back on food and energy costs; trading goods and services; seeking cash or goods from a welfare provider; and renegotiating utility and rent payment dates.

Participants had developed strategies for managing predictable or regular expenses, like rent or electricity. They often paid a little in advance each week or fortnight rather than face a large bill. This was a form of saving. For example, Rachel, a single parent who had recently been homeless, negotiated with her landlord to pay weekly rather than monthly as a way of first catching up and then managing her rent. This was a common strategy to buffer the risk of falling behind.

The parents in our study often struggled to meet the costs of their children's education, and sometimes took other

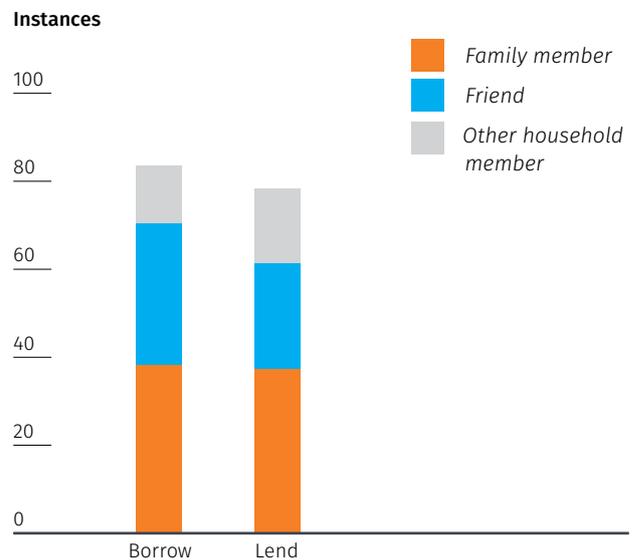
risks to cover these. To pay for a child's unanticipated school excursion some mothers reported going without a meal, putting less petrol in the car, buying less and doing without meat.

Borrowing and lending

Research in the United States found that lower income households commonly borrowed money from family and friends to pay daily living expenses such as medication or doctors' appointments. Such borrowing also served as a means to avoid overdrawing on bank accounts or defaulting on bills (Murdoch & Schneider 2017). These reasons for loans are notably different from the borrowing habits of higher income households, whose loans typically funded long-term investment in economic mobility—for example, for education or purchasing dwellings (The Pew Charitable Trusts 2016).

Figure 3

Households often borrowed or lent money



In our study, participants reported they frequently borrowed from, or lent to, a friend or someone in their household (Figure 3). This is likely to be a buffering practice in households, rather than a source of extra income or debt.

Within families, the distinction between a loan and a gift is often blurred. A gift may be presented as a loan to ease feelings of obligation but may change again into being considered a loan if the lender needs the money returned or relationships within the family become strained (Ali, Banks & Silva 2016; Heath & Culvert 2013).

The borrowing and lending attitudes and practices of households in our study ranged across this spectrum from loan to gift.

The most common, and pragmatic, attitude was that money received from or lent to another household member was a short-term loan. Jennifer, for example, talked about the amounts of \$20 to \$50 she often borrowed from or lent to her son and daughter as ‘sort of like a rotating table’ to pay unexpected expenses. They all repaid these micro-debts ‘pretty quickly’ for the logical reason that ‘we’d never keep track of it’ otherwise.

The nature of larger, longer term money transfers was sometimes less clear. Jane was on maternity leave when she participated in this study. She lived with her partner, who worked full-time, and their two young children. Surviving on just one income was difficult, but Jane prided herself on her ability to ‘live with less’. She shopped carefully, planned menus and grew fruit and vegetables.

Even with careful scrimping and saving, there were times when it was hard to make ends meet. Jane’s parents were her ‘safety net’. They were relatively well off and they were ‘always happy to help’. She had received \$5,000 from her mother. It was called a loan but Jane said there was no time limit on when she would repay it or whether she had started repaying: ‘Just indefinitely. Until it’s paid’.

Some other households, however, considered that the emotional and moral risks of borrowing from family and friends were to be avoided. Mahira, a single mother of two, had worked as a GP on contract but had to cease work because of illness. At the time of the interview she was relying on her savings and partial Parenting Payment (single). She emphasised maintaining her financial independence and avoiding embarrassment, even if this meant doing it tough:

You let yourself down when you borrow or you keep borrowing money on a regular basis from anybody. I think the real reason why I wouldn't want to ask someone is because I don't really want to owe them anything. I don't know, I like to be a bit more independent with my finances ... with my mother, I'd hate to be told no. Yeah, I'd feel embarrassed for asking.

People on low incomes need to make difficult choices, weighing up the risks associated with doing without one thing or another.

RIANNA

Rianna missed a family funeral because she couldn't afford the petrol for her unroadworthy car. With only \$35 left for the fortnight and a broken fuel gauge, she ‘didn't know how much petrol she had’ so every trip was risky:

All night last night I'm stressing about the fact that ... I don't know that I have enough fuel. And I've got to buy a loaf of bread and I have to buy milk. And what else have I got to buy? Toothpaste, and then I've got the \$35, and all night I'm going, you know, around and around and around and around thinking I shouldn't have done that, I shouldn't have done this.

She also recounted how she searched for a second-hand car battery with her ex-partner. But this was a risky enterprise for her:

So we spent the day walking in and out—he was drunk as well and became abusive, but we were looking for this battery at a wreckers, any wreckers that we could find ... Well, there were no batteries ... He drinks and then he becomes violent verbally and physically. And he did that on Saturday while we were looking for this battery.

Having ‘put up with this situation for over five years—physical, psychological, verbal and financial abuse’, she held on to the hope he would repay the money he owed her.

So what's another fortnight? The pill would be too bitter to swallow if, after all the bashings, attempts on my life, the explosive anger outbursts, the nasty taunts and constant put-downs, he takes more money off me.

Rianna had a rationale for her actions. With very little income and the slim chance that she might be repaid the money she had lent him, she was prepared to risk contact with her former partner—even though she knew he was not good for her. As she said: ‘Why would you want to live like this? No-one would want to live like this’.

Advances and loans

Among the people in our study, it was common for those in receipt of income support to seek advances for specific expenses, or use CentrePay to smooth the impacts of bill shock, but often these strategies were inadequate to protect them from harm.

For example, once a year, Kiara, who lived alone and relied on a Disability Support Pension, applied for an advance payment to cover her car registration and insurance. This allowed her to cover the costs but the repayments reduced her fortnightly income and often left her unable to pay for food or medication, without taking out an additional loan:

They take out like \$92 a fortnight ... then sometimes I have to go and apply for a personal loan ... to try and pay the other bills or my medication or if I need to go and buy food.

While seeking advances or loans helped meet immediate costs, it did not address her persistent low income.

Trading and bartering

Some people living with low and uncertain incomes were more creative in trying to make ends meet. For example, Dylan who was in his 40s and lived in a boarding house, prided himself on his entrepreneurial ability. He explained how he gained some extra income by trading online, purchasing very low cost items and selling them for a profit:

I can occasionally find something on eBay that I can literally get for a dollar and that I can sell a couple of days later for \$20 and that \$20 will be \$20 that feeds me. So, I never sneer at saving a dollar because I know what I can do with it. The people that do [sneer], don't control their money very well.

Araya, an older woman who lived with her husband, received the Disability Support Pension. They saved money—and created a buffer—by growing fruit and vegetables, and bartering:

I organise everything ... my husband grows all the vegetables. We bottle everything and we freeze it. We do swaps. We do bartering. I can sell my eggs for the food for the chooks. If I give them eggs, they'll do something for me or they'll make something for me or they'll give us something that they've got at their place.

Most of the people in our study had faith in their ability to make ends meet, but this often came at great personal cost.

Impacts of financial insecurity

It costs more to be poor

As Brown (2009) has pointed out, 'the poorer you are, the more things cost'. For example, transport expenses for low-income households are often higher due to living further from work and major services, and the greater costs of maintaining and running older cars (Blumenberg & Agrawal 2014; Rosier & McDonald 2011). Other costs like insurance premiums are also more expensive for those who live in areas rated by insurance companies at greater risk of crime, flood or fire (AI 2016, p. 20). Furthermore, poorly insulated, lower quality housing containing sub-par appliances increases energy and upkeep costs. A British study has quantified this 'poverty premium' at £490 (about \$900) per household per year (Davies, Finney & Hartfree 2016, p. 8).

This poverty premium also applies to gaining early access to superannuation in cases of financial hardship. The hardship policy that allows superannuation savings to be withdrawn after six months on an income support payment attracts a punitive 20% tax.

For low-income households, the extra cost burden of keeping a car on the road figured prominently as a chronic risk. For example, because Felicity received less than she had expected from her meagre superannuation account she could not afford to replace her car, which in turn meant that her car running costs were higher:

I had to get this horrible car that uses a lot of fuel. If I had a grand more, I could have got something smaller that wasn't using fuel as much. But it didn't work out that way.

The higher costs of maintaining older and less reliable cars expose low-income households to additional risk.

Accumulated harms

Not having enough income meant that even small everyday costs become risky and fraught rather than mundane.

With four young children, Moira struggled to make ends meet on Parenting Payment (single). Her ex husband refused to pay adequate child support—unfortunately, a relatively common situation in Australia (Cook, McKenzie & Natalier 2015). Her comments in the fortnightly survey reflect a constant barrage of practical and emotional financial risks.

In the first fortnight, a small but unexpected social expense put the rent at risk. In Fortnights 2 and 4, she highlighted the emotional cost of having to borrow from family and

explain to her children that they couldn't afford to participate in extracurricular activities. In Fortnights 3, 5, 6, 7 Moira wrote about worrying about how she would cope. She made difficult choices even if they caused relational harm—for example, paying for the car even if that meant no Christmas presents for the children (Fortnight 8).

MOIRA

Fortnight 1: *My daughters met up with a friend and that cost me around \$80 for the outing so I have been taking from the money set aside for rent to cover me this week.*

Fortnight 2: *I ran out of money, literally had only \$2 until my sister gave me \$20. I hate the feeling that comes with having nothing; and no petrol in my car makes me feel insecure.*

Fortnight 3: *I'm really short on money. I'm not sure whether I'm going to cope well this week—*

I have had car registration to pay, car insurance and internet paid and I'm broke, with rent due next week.

Fortnight 4: *My bank account is down to 50 cents. I'm about to run out of fuel, it feels horrible and insecure. Telling my children we can't participate in things that cost money is really hard.*

Fortnight 5: *I'm really struggling, just managing with the money I'm getting to cover school costs and food, fuel costs.*

Fortnight 6: *I can't believe this is the second month I have run short of money after paying rent. I'm not sure what I can do. I am being pressured from my girls' school as I can't afford school excursions or new uniforms. It really stresses me. I have a car that needs mechanical repairs to be safe but I can't get ahead. I'm really struggling just managing food and rent at the moment.*

Fortnight 7: *I think I have finally caught up on my finances even though I borrowed money the other week. This week I think I have enough to get through without [borrowing] money.*

Fortnight 8: *My children are well fed. We won't be doing Xmas presents though this year, as a car is a priority with a large family. I will need to use the Xmas money to go towards that.*

In a policy sense, Moira's comments below flip the notion of financial resilience to one of survival. In fortnight 6 of the surveys she described her situation and her response:

At times there are events that happen such as breakdowns of the basic running of a car, household goods. This can cripple your bank balance if you have one. Or the credit card gets maxed out or things don't get repaired. The impact this has on any member in our household is depressing.

1. Anger—no money.

2. Can't do anything—no money.

3. No repairs made—no money.

4. Treated poorly, via low maintenance [child support]—no respect from father to allow this. He is currently retired and has lots of money, we all know this. He chose to pay in small amounts [whereas] it would suit us for the whole amount to be paid [so] we might begin to recover financially and be finally be free of that hold he has over us.

5. Self-harm, counselling sessions, suicide (attempts) from younger members of family due to the crippling financial living. Also from the harshness that goes hand in hand with poverty and broken families.

6. My determination to not let this beat us. Teach younger members how to survive, be grateful for what we have, and for each other.

7. Never give up.

For Moira and others like her, survival is a form of resistance to the risks imposed on her family.

Increased risk and difficult choices

Life events such as having children, becoming single, unemployment, retirement, disability and ill-health create well-known physical, social and financial risks. Sociologists and social policy scholars often refer to these as 'old social risks' (see, for example, Taylor-Gooby 2004). Increasingly, social policies combine to intensify old risks and create new social risks with unequal consequences (Bowman, Bodsworth & Zinn 2013).

For example, for people with disability, inadequate social support, lack of timely access to health care and inadequate material resources compound economic insecurity and disadvantage. In this way, the 'intimate relationship between disability and poverty' (Joly & Venturiello 2012) can be said to be 'constructed', in that the lack of adequate, responsive social policies creates new social risks. And these risks cause harm to people.

LISA

Lisa has two daughters, one of whom was born with cancer (currently in remission) that resulted in a significant disability. Her husband works in a low-paid job, while Lisa cares for the family.

The costs of illness and disability have accumulated. In the first year of their daughter's life, the costs of extended hospitalisation combined with loss of income hit the family hard. Since then times have been tough, even with Carer Payment, which Lisa now receives, after having her first application denied.

Lisa explained:

We always struggle for the fortnight. It's like, 'OK, do we have enough money to reach the next Centrelink payment?' With no savings, it's a daily existence—subsistence, if that's the word, yes fortnightly subsistence. We live pay cheque to pay cheque.

Even though money is tight, Lisa does not scrimp on food:

I know we're low-income but because cancer changed us, how we eat, we buy food from farmers' market ... We buy the best kind of chicken: it's free range that has no chemicals in it ... Everything's fresh and freshly cooked.

For Lisa, her family's health is paramount, even if this means doing without herself. She explained how she made meals for three people and ate the leftovers.

That's my savings strategy. I cook for three people. That's how I do it. It's embarrassing. I won't admit it to my husband openly. What I do, like I keep busy when they're eating dinner. I wash the dishes or that's the time I hang laundry.

She suffers from clinical depression, for which she takes antidepressants—'really strong ones'. She copes 'day by day' and tries not to think about the past or the future. Lisa explained the impacts of being unable to work and always having to be on call for her daughter:

Having a child with a disability or a terrible illness is not easy, managing household income while I cannot work. I'm a full-time carer. I'm on standby whenever the school calls ... they often call me [when] she's not well and I have to take her home.

In the absence of adequate income and social support, Lisa makes difficult choices, putting her family first, even if this means putting her health at risk.

Households with dependent children had specific risk management logics and practices. Parents often prioritised meeting children's needs and supporting them to flourish.

Katerina is a sole parent of two young boys. At the time of the interview, she received a Child Support payment of \$50, Family Tax Benefit of \$517 and Parenting Payment of \$724, totalling \$1291 per fortnight. She owed \$4000 on credit card debts incurred by her former partner. Katerina worked part-time on a casual basis for some additional income but found it very hard to provide for her children.

She explained:

Every fortnight is a struggle between trying to save a few dollars [and] trying to make sure my kids don't miss out on doing things. For example, signing my son up for Little Athletics. It's important for him to be social as well as do a physical activity and learn about competition but it was also a big expense to get started.

In the last survey just prior to Christmas she explained how, even if it meant doing without, her children came first:

I don't want my children to miss out at Xmas time and so I probably overspent on gifts. It meant I had less money for groceries and bills but I made the choice to do it. It has caused some stress but I would rather eat toast for dinner for a week or two and see my children happy.

Fathers also attempted to shield their children.

Mohammed and his wife had been doctors in their home country. At the time of the interview, Mohammed was working on a casual basis in a construction company, while his wife cared for their three young children. The family relied on his wages and income support. He planned to sit the exam to be accredited to practise medicine in Australia, and was saving to take time off work to study and pay the exam fees and cost of registration.

He explained that protecting their children from the emotional harm of poverty was a priority:

We're trying not to let them feel anything. They don't know usually if we have money or not. I mean, we never let them feel that. I don't want to stress them ... to let them feel the fire ... We don't tell them that [Daddy or Mummy] is not working now and out of a job. I don't want them to feel sad, so they are happy even in this transitional period.

Mohammed and his wife felt the hard times that the family was experiencing were temporary. However, for many households, economic insecurity is not temporary and it is hard to protect children, no matter how parents try.

Alice, a single parent of five including a child with disability, struggled to get by on Carer Payment. She noted how her young children 'have attuned to "Mum's not a millionaire"', explaining how 'they're picking up on that stuff; be it my body language or verbal, I don't know. It breaks your heart'.

Brenda lived with her husband and two children. She had two part-time casual jobs. Her husband worked full-time in a warehouse, and had taken a second job to help pay off the debt accrued when Brenda's hours were cut unexpectedly. Their teenage son also had a part-time job while studying.

Brenda was a careful money manager, but low and unpredictable incomes made it hard to get by, despite her best efforts.

She recalled how her nine-year-old daughter had tried to protect her by not showing her a school excursion form:

Because it was something she thought that maybe we couldn't afford it, and I was a bit embarrassed about that once I heard ... it worried me ... to think that at nine she can be worrying and not sleeping because she thinks that we might not be able to afford it. She shouldn't have to worry about those sort of things at that age.

Like Mohammed, these women wanted to protect their children from the emotional harms of poverty. They felt disappointed that they couldn't always do so. Yet the drivers of their financial insecurity were outside their control.

Responding to insecurity: policy and practice

There is increasing awareness that financial hardship in Australia is not confined to the small minority of households living in entrenched poverty. The 2017 HILDA Survey report, for example, clearly shows most people experience spells of financial hardship. Even in a relatively short period of 15 years, the odds that a working-age Australian relied on an income support payment at some point is a coin flip. Between 2001 and 2015, 45.6% of those surveyed personally received an allowance, payment or pension; moreover, 70.5% of households had a member reliant on an income support payment at some point (Wilkins 2017, p. 40). These figures exclude receipt of Family Tax Benefit and Child Care Benefit. The author's conclusion was:

Given that approximately 20% of working-age individuals receive income support in any given year, this indicates that the welfare system does indeed provide temporary rather than long-term support for most recipients, and is potentially playing a very important safety net role (Wilkins 2017, p. 40).

The extent of contact with the income support system suggests that we need to move beyond understanding people experiencing poverty and economic insecurity as different from the rest of us, and somehow lacking. As Peter Whiteford (2017) eloquently explains:

... many people call on government support at some time during their working lives – because they become unemployed, ill or disabled, for instance, or because they face extra child-rearing demands after a breakdown of family relationships ... In Australia, which has the most income-tested system of any rich country, nearly two-thirds of working-age households receive an income-tested benefit during any ten-year period, yet only around 1 per cent of households depend on benefits across a full decade.

Yet people who are doing it tough still tend to be regarded as lacking the right knowhow, information or behaviours. Policy attention focuses on individuals and tends to ignore the drivers or impacts of insecurity.

Financial literacy or literacies?

The *MoneySmart* website, hosted by the Australian Securities and Investments Commission (ASIC), lists the following life events that might increase the risks of financial hardship:

- having a baby
- getting married

- starting work
- losing your job
- redundancy
- dealing with illness
- being a carer
- divorce or separation
- losing your partner
- getting a pet.

The site at <<https://www.moneysmart.gov.au/>>, which offers ‘free and impartial financial guidance’, links each life event to useful financial information, tools, calculators, case studies and welfare resources that illustrate ways to mitigate these risks. There is additional life event information for specific groups: educators, families, Aboriginal and Torres Strait Islander people, people who speak other languages, people with disability, over-55s, self-employed people, under-25s, women and employers.

Similar websites have emerged overseas. For example, the Money Advice Service in the United Kingdom at <<https://www.moneyadviceservice.org.uk/en>>, run by a board appointed by the Financial Conduct Authority, offers ‘free and impartial money advice’. And the Consumer and Financial Protection Bureau site <<https://www.consumerfinance.gov/>> in the United States provides money management guides and resources.

These financial advisory sites have several common features. All were established by governments after the global financial crisis. All focus on improving consumer financial knowledge, skills and behaviours. All are moving away from the term ‘financial literacy’ towards ‘financial capability’, in recognition that having better knowledge and budgetary skills is insufficient—that behavioural change is also required to become financially capable.

While these resources are useful, there has been some criticism. For example, an article critical of the UK financial advice strategy argues:

Governing authorities are not interested in the substance of consumers’ interests, the particular feature of people’s life projects or the content of their personal narratives of the self. What they are concerned about is the behaviour and attitudes of consumers: how they go about making the choices that they make and how those choices might best be made entrepreneurial and self-optimizing (Marron 2014, p. 495).

MoneySmart’s life event model partially addresses this criticism, by practically engaging consumers as they confront a particularly risky time in their lives. It also offers more comprehensive links to welfare and support agencies than the websites in the UK and the USA.

However, our study shows that greater understanding is needed of how actual financial decisions are made by low-income households. With the fraying of the social safety net and without steady and sufficient incomes, many people have to cope as best they can, given their circumstances.

Our findings show that, for households on low or erratic incomes, generic financial advice is problematic. For example, insuring belongings might be common sense for many Australians but it was not always possible for the households we interviewed. Some saw it as important and did without in order to afford insurance. Others had more pressing financial priorities. They made rational choices within tight constraints. Similarly, advice such as purchasing in bulk is sensible but difficult to implement if you rely on public transport, have young children and have few resources.

Financial capabilities

As we have argued elsewhere, the concept of financial capability is welcome but needs to be strengthened (Bowman et al. 2017). The current use of financial capability involves four domains: managing money, planning ahead, choosing products and staying informed (Atkinson et al. 2007). In this sense, financial capability can be more accurately viewed as increasing financial capacity—adding to financial literacy the extra resources an individual requires for financial wellbeing.

Policy frameworks for capacity building express similar tensions to those for financial literacy education. They aim to alleviate the suffering households experience as a result of poor financial circumstances. Yet they fail to treat immediate financial distress within a broader context of income inequality and volatility, unaffordable housing and unemployment. Instead, the problem is again turned inwards towards individuals—to their behaviours, practices and choices.

We argue that Amartya Sen’s approach to capability provides a better means to evaluate the extent to which current financial literacy and capability programs and initiatives improve people’s lives.

Sen’s capability approach recognises that agency and aspirations, as well as structural and cultural factors, shape financial wellbeing and economic security.

Such an approach means that rather than just focusing on individuals and their behaviours, the drivers and impacts of economic insecurity are identified, which in turn can inform social and economic policy responses.

Reclaiming social and economic security

Making ends meet in hard times is risky. It may mean 'saving' on food costs by a parent quietly forgoing dinner, running the risk that there will be enough petrol in the car to get to work, carefully calculating how long medication will last, or hoping that there will be enough shifts next week.

It is in the interaction of increasing debt, precarious labour markets and welfare conditionality that low-income people are attempting to cope with higher exposure to financial risk. Individuals and households adopt different ways of preparing for, and coping with, the harms that may result from these risks. Within difficult constraints the strategies participants in our study deployed to mitigate the risks to themselves and their families were overwhelmingly rational.

Overall, these descriptions of trying to get enough income, adjusting spending, borrowing, lending, sharing, bartering and saving are not simply one-off events recorded by participants but rather processes and strategies they used to manage risk.

What is needed is a move away from responses to entrenched disadvantage that are based on a 'deserving/undeserving' framework towards one that re-imagines social and economic security as fundamental enabling conditions of a fair, compassionate and just society.

Achieving economic security for households with low or uncertain incomes will require fundamental changes, including:

- a fit-for-purpose social security system that recognises the changed nature of work
- decent social insurance in health, education and housing
- economic development to underpin employment security
- strategies such as job guarantees to provide meaningful work and economic security for those marginalised in the labour market.

This study is part of ongoing research into drivers and impacts of financial hardship. Understanding the nature of the challenges that households face is an important step to developing effective responses.

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About the project

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We deeply appreciate the involvement and insights from participants about how they attempted to reconcile competing emotional and financial demands from one pay period to the next.

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For further information

In an associated report, *Juggling risks*, we draw on data from the *Spinning the Plates* study to examine the reasons why, why not and how households use insurance to manage risk. The study aims to inform the development of policies, programs and products to better protect households with low or uncertain incomes from the consequences of shocks, hazards and risk.

The report *Juggling risks; insurance in households struggling with financial insecurity* by Marcus Banks and Dina Bowman may be downloaded from the Brotherhood of St Laurence website.

For other relevant Brotherhood publications, see <www.bsl.org.au/research>

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