Journal of Consumer Policy (2019) 42:189–221
https://doi.org/10.1007/s10603-018-9392-1

ORIGINAL PAPER

The Experience of Financial Hardship in Australia: Causes, Impacts and Coping Strategies

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Received: 18 May 2017 / Accepted: 24 September 2018 / Published online: 25 October 2018

Abstract

This article outlines the findings of Australia's first large-scale study on the experiences of people who have recently been unable to pay a debt when it fell due. The study builds upon empirical research on the causes and impacts of financial hardship in the United Kingdom and the United States, and examines the coping strategies that debtors employ to deal with their predicament. The study shows that although an overall increase in economic insecurity since the 1980s – together with rising living costs and rapid growth in household debt – have created a situation in which financial hardship can happen to almost anyone, people who are already in a position of socio-economic disadvantage are especially at risk. Debtors at all levels of income favour individualistic strategies for reducing their expenditure – for some, to the point of foregoing essential living needs. However, for debtors on social security incomes, financial hardship has particularly serious consequences, impacting negatively on health, relationships, and social inclusion, and undermining their ability to afford necessities such as food, heating, and medical care. This article undertakes an analysis of these findings in the context of the literature on economic insecurity, disadvantage, and the growing financialization of everyday life in Australia and overseas.

Keywords Financial hardship · Causes · Impacts · Coping strategies

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The problem of "financial hardship" – where a person takes on debt obligations under a contract, but then becomes unable to meet them when they fall due[1] – has been the subject of significant media attention in Australia over the last decade. As the impacts of the economic slowdown of 2008–2009 began to be felt, such attention was directed at record increases in the number of debtors who were subject to mortgage foreclosures and home repossessions after defaulting on their home loans (see, e.g., Zappone 2012). Sharp spikes in the numbers of disputes between banks and other credit providers, energy, water and telecommunications companies and customers experiencing payment difficulties (EWOV 2011, p. 22; FOS 2012, p. 51; Sydney Morning Herald 2012; TIO 2012, p. 17) – and, more recently, the disconnection of record numbers of Victorians from their electricity and gas services due to inability to pay (Dowling and Dow 2015) – were also seen as indications that growing numbers of Australians were having trouble meeting a broad range of debt obligations. These indications represent instances where falling behind with debt has had serious legal consequences such as disconnection from an essential service, repossession of a home or debt enforcement proceedings in the courts or in a tribunal, all of which can have significant impacts on the wellbeing of debtors and their families (CALC 2015, pp. 39–41; Nettleton and Burrows 2000; Pleasence et al. 2008). Yet, financial hardship is a term that covers debt problems across an entire spectrum of seriousness, and can also include less concerning instances of falling into arrears, such as needing a fortnight's extension to pay an unexpectedly high electricity bill. However, even these instances of falling into arrears can be important indicators of overall financial health, with a recent survey by the Center for Financial Services Innovation (CFSI) in the United States (US) finding that people who were struggling from time to time to meet bills and credit payments were half as likely to be in good financial health as those who kept up with payments without difficulty (Gutman et al. 2015, p. 20).

The breadth of the problem of financial hardship makes its incidence difficult to measure. According to a recent survey by the Centre for Social Impact (2016, p. 30), only 2.7% of Australians have debts larger than their ability to repay them. However, a further 14.6% appear to have a precarious grip on their finances, reporting that they only just manage to meet their repayments (CSI 2016, p. 30). Only 35.7% are "financially secure" and are not experiencing any form of financial stress (CSI 2016, p. 25). These figures suggest that while most Australians are managing to meet their debt obligations when they fall due, financial hardship may become a more widespread problem in the context of rising energy costs (Chester 2013), together with a growing "housing affordability crisis" that puts first-home buyers at particular risk of defaulting on their home loans (Davey 2016), and leaves people on low incomes with few affordable private rental options (Anglicare Australia 2017). Concerns about the vulnerability of growing numbers of Australians to short and longer-term episodes of financial hardship have led to the incorporation of special consumer protections into the legal frameworks governing Australia's consumer credit, energy, water, and telecommunications sectors. These protections have the objective of enabling debtors to negotiate alternative payment arrangements – for example, moratoriums on repayments, or instalment plans – with their

[1] This is the definition of "financial hardship" employed in Australia in the context of debt default and payment difficulty (see, e.g., ABA 2015, pp. 1–2). Financial hardship is distinct from the separate problems of poverty and financial stress, even though falling into arrears on mortgage, rent and utility payments has also been used as an indicator for measuring levels of deprivation and financial stress in Australia and overseas (e.g., ABS 2002; Phillips and Nepal 2012; Saunders and Wong 2009; Whelan et al. 2001). Studies on financial hardship in other jurisdictions have also employed other terms, including "debt entanglement," "debt problems" and "indebtedness" (see the section "Background: Existing Research on Debtors' Experiences of Financial Hardship").

creditors while receiving a reprieve from debt enforcement or disconnection (Ali et al. 2015). Perhaps the best-known of these protections is section 72 of the *National Credit Code*, which gives debtors the right to seek a variation of their credit contract on the grounds of hardship.[2]

Yet even though it is clearly a major consumer policy issue, financial hardship – unlike the related yet distinct problems of financial stress and social exclusion – has not been the subject of extensive empirical research in Australia. To address this gap in the research, the authors conducted Australia's first large-scale study on the experiences of people who have, within the previous two years, been unable to pay a debt when it fell due. The study comprises an online survey of 1101 people across all Australian states and territories. The study contributes to a substantial body of empirical research on debtors' experiences of financial hardship that has emerged in the United Kingdom (UK) and the US since the 1970s. Such research played a crucial part in dispelling the assumption that financial hardship only affected people on low incomes who were living beyond their means. While showing that the causes of financial hardship had more to do with unforeseen disruptions in income than extravagant spending, such research raised questions about the ways in which the impacts of debt problems differed for debtors with different levels of income and financial security. This study builds upon this research by inquiring into the varied socio-economic circumstances of Australians who had recently experienced some form of financial hardship; the causes and impacts of financial hardship for Australians at different levels of income; and the strategies that they use to deal with their predicament. The study includes a comparison of the experiences of two groups of debtors in particular. The first group consists of debtors whose income comes from wages paid by an employer, who have a median income that is above that of the Australian population as a whole, and who are referred to as "wage recipients." The second group consists of debtors living on social security incomes distributed by Centrelink,[3] who are referred to as "Centrelink recipients." Centrelink recipients, particularly those who are unemployed and receiving the Newstart Allowance ("Newstart"),[4] are widely acknowledged to be in a position of socio-economic disadvantage relative to other Australians.

This article begins by setting out the background to the study and summarizing the existing research on debtors' experiences of financial hardship. The following sections, "Methods" and "Results," set out the methodology and outline the findings of the study. The section "Analysis" evaluates these findings with reference to the existing research on financial

[2] Section 72 of the *National Credit Code* is contained in Schedule 1 of the *National Consumer Credit Protection Act 2009* (Cth). In the energy, water and telecommunications sectors, hardship protections have also been incorporated into a complex patchwork of regulatory codes and legislation, requiring companies to publish and implement hardship policies comprising a minimum range of assistance for customers facing payment difficulties (see, e.g., Communications Alliance Ltd 2015, Clauses 6.11–6.14; *National Energy Retail Law (South Australia) Act 2011* (SA), Schedule 1, Sections 43–48, 50; Essential Services Commission 2015, Clauses 33, 71–71B, 72, 72A, 75–76).

[3] Centrelink is a Commonwealth government agency operating under the authority of the Department of Human Services. The main types of social security payments distributed by Centrelink are detailed in footnotes 4 and 13–18, with all payment amounts last updated on 20 September 2017. More information on these payments is available online at Department of Human Services (Cth), *Centrelink*, https://www.humanservices.gov.au/customer/dhs/centrelink.

[4] The Newstart Allowance is a payment provided to unemployed people aged between 22 and 65. The maximum fortnightly payments for a Newstart recipient are AUS $538.80 for a single person with no dependents; AUS $582.80 for a single person with dependent children; and AUS $486.50 for each person in a couple. These payment rates do not have a time limit, but are subject to income and asset tests. Recipients of Newstart are subject to activity requirements that may include actively seeking employment or undertaking vocational education or training.

hardship, as well as the literature on economic insecurity, disadvantage and the growing financialization of everyday life in Australia and overseas. The sections "Groups at Risk of Financial Hardship in Australia" and "Insights into the Causes of Financial Hardship" show that while rising living costs and an overall increase in economic insecurity since the 1980s have created a situation in which financial hardship can happen to almost anyone, socio-economic disadvantage and a heightened risk of financial hardship frequently go hand in hand. The sections "Insights into the Impacts of Financial Hardship" and "Insights into the Strategies Used to Cope with Financial Hardship" demonstrate that although Australians generally favour individualistic strategies for reducing expenditure when dealing with debt problems, for debtors on social security incomes, this tendency has particularly serious consequences. High proportions of debtors in this group have foregone essential living needs including food, heating, and medical care in order to make repayment of debt, all while experiencing a heightened degree of social exclusion. In the section "Policy Implications," the authors make a number of recommendations for public policy development on the basis of these findings. In particular, it is argued that raising the level of Centrelink payments should be the starting point for providing this group with adequate protection from what is currently a disproportionate risk of financial hardship.

Background: Existing Research on Debtors' Experiences of Financial Hardship

This study took place against a background of existing empirical research on debtors' experiences of financial hardship in the US and the UK. In the US, the best-known examples of such research focused on the relative minority of debtors who had not merely fallen into arrears on their repayments, but who had been subject to enforcement action in the courts, or had filed for bankruptcy. The first of these was a study by Caplovitz (1974), which sought to shed light on the phenomenon of "debt entanglement" by conducting interviews with debtors who had default judgments entered against them in the courts. Then, between 1979 and 1981, Schuchman (1983) carried out an analysis of bankruptcy schedules filed in the courts by debtors across nine US states. Finally, first in 1981 and again in 1991, 2001, and 2007, four studies making up the Consumer Bankruptcy Project ("CBP") collected data on the demographic and economic circumstances of debtors who had filed for bankruptcy during these years (Porter 2012; Sullivan et al. 1989; Sullivan et al. 2000; Warren and Tyagi 2003). The debtors examined by the CBP were found to represent "a fair cross-section of the American middle class"[5] (Sullivan et al. 2000, p. 3), with similar levels of education and home ownership to non-bankrupt Americans (Sullivan et al. 1989, pp. 328–329; Sullivan et al.

[5] Sullivan et al. (2000) did not actually articulate a clear definition of the "middle class," describing it as "a function of many characteristics" (p. 28) such as having a level of education and occupational prestige that were at least equivalent to that of the general population (pp. 53, 56–57); having an income comparable to the median family income for the American population (p. 61); and home ownership, "the ultimate symbol of middle-class security" (p. 201). In a more recent analysis of trends in Australian personal insolvency, Ramsay and Sim (2010) took a similar approach, demonstrating the increased prevalence of personal insolvency among middle class Australians. Noting that the concept of the "middle class" was "not readily quantifiable" (Ramsay and Sim 2010, p. 291), they measured membership of the middle class by reference to factors that "might commonly be perceived to represent middle class Australians" (p. 284), including belonging to a higher prestige occupational group; having realisable assets; and home ownership. Rising levels of personal and household income were also included as a factor that "might play a role in class status" (Ramsay and Sim 2010, p. 293).

2000, pp. 33–35, 51–59, 73). They were distinguished from the general population primarily by their comparatively low incomes that were the result of a recent disruption that had precipitated their fall into bankruptcy (Sullivan et al. 2000, p. 63).

While these US studies had a profound influence on subsequent empirical research in the area of financial hardship, a greater body of research on this topic has emerged in the UK amidst concerns about rising rates of consumer borrowing. An early study by Adler and Wozniak (1981) adopted a methodology similar to that employed by Caplovitz (1974) by interviewing Scottish default debtors. In 1989, Berthoud and Kempson at the Policy Studies Institute ("PSI") conducted the first large-scale survey of the borrowing patterns of UK households and the extent, causes and impacts of all forms of "indebtedness." The study acknowledged that while indebtedness was fairly common – with one in five households experiencing some form of arrears in the previous year – for many households this was a rare and easily resolvable occurrence, while for others, particularly low income households, it became a long-term or even chronic experience (Berthoud and Kempson 1992, p. 111). A comparable survey of UK households was repeated on behalf of the Personal Finance Research Centre more than a decade later (Kempson 2002; see also, Kempson et al. 2004). Research by the PSI was also incorporated into a qualitative study inquiring into the extent to which arrears are caused by debtors' inability to pay, or their unwillingness to do so (Dominy and Kempson 2003). Finally, Kempson et al. (2004) carried out a longitudinal analysis of several datasets to evaluate the extent of arrears in UK families.

This body of research from the UK and the US – of which only some of the most prominent studies have been summarized – has played a critical role in dispelling the popularly held assumption that financial hardship mainly affects the "dishonest" or "irresponsible" debtor who is intentionally avoiding their obligations, or whose debt problems are primarily a consequence of their own profligate consumption (see, e.g., Adler and Wozniak 1981, pp. 15–16, 58–59; Berthoud and Kempson 1992, pp. 121–122; Dominy and Kempson 2003, pp. 5–8; Kempson 2002, pp. 31–32, 47–49; Sullivan et al. 2000, pp. 15–21, 88, 250). This research has also paved the way for more recent work on the experiences of US and UK debtors, particularly in the wake of the global financial crisis. These include a longitudinal qualitative study by Dearden et al. (2010), which employed a "poverty dynamics approach" comprising in-depth interviews with low income UK households over a 12-month period to examine in detail their subjective experiences of indebtedness. Another qualitative study referenced in this article was conducted by Tach and Greene (2014), who drew on the narrative identity perspective employed in the field of cultural sociology to provide an account of the debt management strategies of low income families in the US.

This body of research has also served as a foundation for empirical research in Australia, where there has been no comparable history of large-scale studies on the experiences of debtors in financial hardship. In Australia, such research has mostly consisted of smaller-scale studies undertaken by community organizations or government agencies. Some of these studies focused broadly on the experiences of all debtors – including those on middle incomes – with the objective of evaluating the effectiveness of newly enacted consumer protections in particular sectors, assessing the extent of compliance by creditors, or identifying areas for reform. For example, Berry et al. (2010) carried out a survey of mortgagors who had been subject to Supreme Court claims of possession on their properties, as well as qualitative interviews with mortgagors and a review of data on default collected by other organizations. Another study carried out on behalf of the Victorian Essential Services Commission (Hall & Partners/Open Mind 2011) comprised in-depth interviews with debtors in Melbourne and regional Victoria who had experienced difficulty paying energy or water bills, and who had either sought or received assistance with managing their payments from their utility company. Other examples include in-depth interviews with and a survey of Melbourne water customers who were the main bill payers in their households (GA Research 2013); and a study by Levin and Guthrie (2014), which included focus groups with debtors who had difficulty paying telecommunications bills.

Other Australian studies sought to highlight the particular vulnerability of debtors living on low incomes. These studies included a survey and focus group interviews dealing with the impacts of increasing energy prices on low income households (Chester 2013); a review of Magistrates' Court data and interviews with default judgment debtors in Victoria (Bodsworth 2013); an Australia-wide survey of financial counselling recipients (Brackertz 2012); and the Bulk Debt Negotiation Project (Nelthorpe and Digney 2011), which collected information on the case files of judgment-proof debtors. Other small-scale studies examined the additional barriers that particular demographic groups – for example, Aboriginal Victorians (CUAC 2011); women who had experienced domestic violence (CUAC 2014); and people with a mental illness (Ryan et al. 2010) – faced in making use of the legal protections for debtors in financial hardship. The sample groups participating in these studies consisted mostly – or, in some cases, entirely – of Centrelink recipients, who have also been the target of research on the separate but related problems of financial stress, poverty and social exclusion (Phillips and Nepal 2012; Saunders and Wong 2009).

This body of empirical research demonstrates a clear need for a large-scale study on the experiences of debtors in financial hardship – encompassing not only mortgages or energy or water bills, but also telecommunications bills and other types of debt – in Australia. There is also a need for an investigation into the different experiences of debt problems for Australians at all levels of income, with varying levels of social and economic capital.[6] This study aims to address these gaps in the research by providing a more detailed picture of the socio-economic circumstances of Australians who have recently experienced some form of financial hardship; the triggering events that caused them to fall into arrears; their own perceptions of the factors contributing to their debt problems; the aspects of their lives that are affected negatively by the experience of being in arrears; and the coping strategies they employ to get by financially and, potentially, to make some repayment of their debt.

Methods

This study consisted of a written survey of people who were experiencing, or who had within the last two years experienced, financial hardship. The survey was delivered through the research company Pureprofile, which maintains a database of panelists around Australia who complete online surveys in return for a small cash payment, and which is widely used by academic researchers at major Australian universities. It was expected that the use of this online panel would influence the composition of the sample in two ways. First, it was expected

[6] This article does not seek to measure the proportion of Australians in financial hardship who belong to any particular social class. However, the article does refer to a number of markers of social and economic capital that have been recognized by earlier studies as indicators of belonging to the middle class, including debtors having completed some form of tertiary education, or living in a home that they own (see, e.g., Ramsay and Sim 2010; Sullivan et al. 2000). Another indicator referred to in this article is having a personal income that is higher than the median income for the Australian population as a whole.

that the sample would be older than the Australian population as a whole, as people who are older and retired are generally more receptive to social science surveying, and are more likely to take the time to complete an online survey in return for a small additional income. Secondly, while the prospect of a small cash payment would be more likely to attract people at the lower end of the income spectrum, the requirement for internet access and a relatively high level of English proficiency would prevent some particularly vulnerable members of the community – for example, people who had been cut off from their electricity or phone and internet services due to inability to pay, or recent migrants from a non-English speaking background – from participating in an online panel of this kind. On 19 June 2015, Pureprofile advertised a link to the survey to approximately 36,000 members of its panel, with the aim of securing around 1000 responses. The survey was closed three days after the launch date, having received 1101 responses.

The survey consisted of 52 mostly quantitative multiple choice questions, some of which allowed respondents to select multiple causes and impacts of, and strategies for coping with, financial hardship. In the interests of producing a comprehensive picture of their experiences, this article includes the results even for those questions where certain responses were only selected by a very small percentage of respondents. However, given the relatively small sample size for this study, particular care should be exercised in interpreting these results.

The first question was a screener question intended to confirm that the survey was only completed by people who had, within the last two years, been unable to pay any type of debt when it was due.[7] Respondents who answered "no" were not permitted to complete the survey. It was followed by a question asking respondents if they consented to have their comments quoted directly in published research resulting from the study, with 84.5% of respondents consenting to being quoted directly.

The next section of the survey comprised a series of demographic questions, and questions about respondents' household composition. The first of these was another screener question asking respondents to provide their year of birth. Respondents aged under 18 were not permitted to complete the survey. The survey asked respondents to indicate when they first started having trouble paying debt, and to identify the types and amount of debt they had trouble paying on time.

The survey then used two types of questions to diagnose the causes of respondents' financial hardship. First, respondents were asked about their experiences in the 12 months before they started having trouble paying debt. Secondly, respondents were asked whether any of a select number of factors related to low financial literacy and financial

[7] These eligibility criteria focused on the recent experience of arrears, as the survey formed part of a broader research project that aimed to explore the dimensions of financial hardship in Australia, and to evaluate the effectiveness of the existing legal protections for Australians in financial hardship. These eligibility criteria allowed the survey to investigate the experiences of people who had recently fallen behind with any of the broad range of debts to which such protections applied. By way of comparison, the UK and US studies outlined in the section "Background: Existing Research on Debtors' Experiences of Financial Hardship" also encompassed a broad range of debt, rather than any particular type of arrears. For example, Berthoud and Kempson (1992) and later Kempson (2002) sampled the population generally, surveying heads of households in randomly selected districts across the UK, with additional questions for those who admitted to having fallen into arrears with any of their household commitments in the past year. Other studies targeted narrower segments of the population, such as people who had not only fallen into arrears, but had default judgments entered against them in the courts (Adler and Wozniak 1981; Caplovitz 1974); or heads of households whose income fell below a certain threshold (Dearden et al. 2010; Tach and Greene 2014).

mismanagement had, in their own view, contributed to their debt problems. These questions were only asked of those respondents who had indicated that their debt problems began less than two years ago ($n = 550$). This was because it was assumed that respondents with longstanding debt problems would have had difficulty identifying a 12-month window before their debt problems began, and remembering their experiences during this period. Respondents were asked whether their financial hardship had impacted negatively on any areas of their lives including their ability to afford basic living necessities, their relationships, and their health. Respondents were asked whether they had, within the previous two years, experienced any of the more severe legal consequences of financial hardship, such as utility disconnection or supply restriction, harassment by a debt collector, debt enforcement action in a court or tribunal, or bankruptcy.

The survey asked respondents about the aspects of their lives that were impacted negatively by their debt problems, and the coping strategies they employed to get by financially. The survey also asked respondents whether they had received some form of assistance (for example, an alternative payment arrangement such as a moratorium on repayments, or an instalment plan) from a creditor in the consumer credit, energy, water, or telecommunications sectors. The next two sections of the survey were programmed to be completed only by those who had received such assistance, and asked respondents about their experiences of receiving it. The survey then asked respondents whether their financial situation had improved since they first started having trouble paying debts, and allowed them to provide qualitative reasons for this. The final question allowed respondents to provide qualitative comments on any aspect of the survey.

The survey data was analysed using inferential statistical procedures to test for differences between sub-groups within the sample and determine whether these differences were statistically significant. As outlined in the introduction to this article, the two main sub-groups that are compared in this article are respondents who had income coming from wages paid by an employer and any additional sources other than Centrelink ("wage recipients") ($n = 480$, or 43.6%); and respondents who had income coming from Centrelink and any additional sources other than wages ("Centrelink recipients") ($n = 402$, or 36.5%).[8] However, this article also discusses some of the standout differences between other sub-groups, including respondents who were single and those who were either married or in a de facto relationship; respondents who had experienced mental health problems in the 12 months before their debt problems began and those who had not experienced mental health problems; and respondents whose debt problems started "one to two years ago," "two to five years ago," or "more than five years ago" ("respondents with long-term debt problems") and those whose debt problems started either "less than six months ago" or "six months to one year ago" ("respondents with short-term debt problems").[9]

[8] The remainder of the sample ($n = 219$, or 19.9%) were neither "Centrelink recipients" nor "wage recipients." These respondents comprised those who received *both* wages paid by an employer *and* a Centrelink payment ($n = 76$, or 6.9%); and those whose income came entirely from other sources including commissions or bonuses, earnings from their own business, redundancy payments, savings in a bank account, rent from an investment property, and superannuation ($n = 143$, or 13.0%).

[9] The study also investigated the differences between a wide range of other sub-groups, such as respondents who had experienced physical health problems in the 12 months before their debt problems began and those who had not; respondents who were born in Australia and those who were born overseas; and respondents who had a university degree and those who did not. However, in this article, the results of this analysis are only discussed where membership of the sub-group had a significant impact on respondents' socio-economic circumstances and their experiences of financial hardship.

Results

Profile of the Respondents

The respondents consisted of 1101 members of the Pureprofile panel. Table 1 shows a selection of demographic data relating to the respondents, and compares it against the available data for the Australian population as a whole. As shown in Table 1, 63.6% of respondents were female, and only 36.4% were male—making women somewhat over-represented compared to the Australian population. Sixty four percent of respondents were living in an urban area,[10] and 35.8% were living in a rural or regional area, compared to 29.1% of the Australian population as a whole (ABS 2016a). Eighty percent of respondents had been born in Australia, and respondents born overseas had, on average, been living in Australia for 34.2 years. Only 4.2% spoke a language other than English at home.

The average age of respondents was 50.6 years and, as shown in Table 1, a far greater proportion were aged between 35 and 64 compared to the Australian population as a whole. Consistently with expectations of a higher rate of ageing in the regional and rural population of Australia (AIHW 2002, p. 5), 20.3% of respondents living in a regional or rural area were aged 65 and over, compared to 12.1% of those living in an urban area. While 68.8% of respondents had children, only 24.6% had children living with them, or mostly with them, while 2.5% were paying child support for children who were not living with them. Forty seven percent were married, 13.1% were in a de facto relationship, 21.0% were single, and 16.3% were divorced or separated. Three percent were single parents with dependent children living at home, and of these, 92.6% were female.

Respondents were nearly evenly split between renting and living in a home that they owned, with renters somewhat over-represented compared to the Australian population as a whole. Thirty four percent were renting from a landlord or real estate agent, while 10.7% were renting in public or community housing. Forty eight percent were living in a home that they owned, either on their own or jointly with another person, and of these, 72.7% had a mortgage. Very small minorities of respondents were staying rent-free with family or friends (4.1%), living in crisis accommodation (0.3%), or homeless (0.3%).

Respondents' education levels were fairly comparable to the Australian population as a whole. Eighteen percent of respondents had completed formal education up to Year 10 or less; 16.2% had completed Year 12[11]; 29.3% had completed a Technical and Further Education ("TAFE") course[12]; and 27.2% had completed either a bachelor degree or a postgraduate degree. Twenty six percent of respondents were in permanent full time employment; 9.4% were employed on a permanent part time basis; and 17.8% were in casual employment, mostly on a part time basis. Eighteen percent were retired, while 8.8% were unemployed, although the

[10] The proportions of "urban" and "rural or regional" respondents were measured by classifying their postcodes in accordance with the Australian Statistical Geography Standard Remoteness Structure – a geographical classification developed by the Australian Bureau of Statistics ("ABS") – which divides Australia into five geographic regions based on the measurement of road distances to service centres. The category "urban" comprises only those postcodes that fall into the statistical divisions of all Australian capital cities, as well as the other "Major Cities of Australia," which are Gold Coast, Newcastle, Wollongong, Sunshine Coast, Townsville, Geelong, and Cairns. Meanwhile, the category "rural" includes areas classified by the ABS as "Inner Regional Australia" and "Outer Regional Australia," as well as "Remote Australia" and "Very Remote Australia."

[11] Year 12 is the final year of secondary school in Australia.

[12] In Australia, "TAFE" courses comprise a range of vocational tertiary education courses provided by colleges or institutes that are owned and operated by the state and territory governments.

Table 1 Comparing the sample to the Australian population as a whole

		Sample ($n = 1101$)	Total Australian population
Gender	Male	36.4%	49.3%
	Female	63.6%	50.7%
			(ABS 2017)
Location	Urban	64.2%	70.9%
	Rural	35.8%	29.1%
			(ABS 2016a)
Place of birth	Australia	79.5%	66.7%
	Overseas	20.5%	33.3%
			(ABS 2017)
Age	Under 25	0.1%	31.5%
	25 to 34	11.2%	14.4%
	35 to 44	23.7%	13.5%
	45 to 54	27.2%	13.3%
	55 to 64	22.3%	11.8%
	65 and over	15.5%	15.8%
			(ABS 2017)
Relationship status	Single	21.0%	25.0%*
	Married	46.9%	47.7%
	De facto	13.1%	10.4%
	Divorced or separated	16.3%	11.7%
			(ABS 2017)
Income	Median annual personal income	$26,000	$34,424
			(ABS 2017)
Housing	Rented (either privately or in public or community housing)	44.8%	30.9%
	Owned (either outright or with a mortgage)	48.2%	65.5%
			(ABS 2017)
Highest level of education completed	Year 10 or less	18.0%	20.1%
	Year 12	16.2%	18.3%
	TAFE course	29.3%	31.1%
	Bachelor degree	18.6%	17.4%
	Postgraduate degree	8.6%	5.5%
			(ABS 2016b)

* There was no comparable figure available for the proportion of Australians who were "Single". This approximate figure was obtained by subtracting the proportion of Australians who indicated in the 2016 Census that their "registered married status" was "Separated" (3.2%), "Divorced" (8.5%) or "Widowed" (5.2%) from the proportion who said that their "social married status" – being their relationship status based on their current living situation – was "Not Married" (41.9%)

rate of unemployment was higher for single respondents (14.7%). A minority of respondents were engaged in care work, either caring for a child (6.0%) or another person such as an elderly parent (2.3%).

The median personal income for the sample was $26,000 per annum for all respondents who had an income, and $31,200 and $26,000 per annum for male and female respondents respectively. These figures are somewhat lower than the median personal income for the Australian population as a whole, which was $34,424 per annum at the time of the 2016 Census (ABS 2017). Three percent of respondents had zero personal income, while others reported an annual personal income of under $10,000 (4.9%); under $20,000 (23.6%); under $30,000 (24.0%); under $40,000 (12.5%); under $50,000 (9.3%); under $60,000 (8.5%);

under $70,000 (4.5%); and over $70,000 (9.4%). For respondents who had a partner with an income, the median personal income of their partner was $28,600 per annum.

The most common source of income for the sample was wages paid by an employer (50.5%), followed by a social security income coming from Centrelink (43.4%); earnings coming from their own business (7.8%); savings in a bank account (4.1%); and superannuation (3.5%). A total of 43.6% of the sample fell into the sub-group described in the section "Methods" as "wage recipients," in that their income came from wages paid by an employer and any additional sources other than Centrelink. Meanwhile, 36.5% were "Centrelink recipients," in that their income came from Centrelink and any additional sources other than wages. Eighty seven percent of Centrelink recipients (or 31.9% of the total sample) had no additional income coming from any other source. Centrelink recipients were asked to specify the type of payment that they received. The types of payment specified by Centrelink recipients were the Disability Support Pension (32.1%)[13]; Age Pension (18.2%)[14]; Newstart (15.9%); Family Tax Benefit (6.5%)[15]; Carer Payment (7.7%)[16]; and Parenting Payment (3.2%).[17] Four percent were receiving another type of payment, such as the Widow Allowance or Austudy.[18] Twelve percent said they were receiving a "pension" without specifying whether this was the Disability Support Pension or the Age Pension.

As shown in Table 2, there were significant differences between the socio-economic circumstances of Centrelink recipients and wage recipients. Centrelink recipients received a median personal income of just $19,981 per annum – less than half that of wage recipients, which was $44,876 per annum. A significantly higher proportion of Centrelink recipients was divorced or separated. A higher proportion had a formal education level of Year 10 or less, while a significantly lower proportion had a university degree. Only 36.8% of Centrelink recipients were living in a home that they owned, compared to 56.5% of wage recipients. Nearly 20% of Centrelink recipients were renting in public or community housing, compared to only 4.4% of wage recipients. It should be noted that the rate of home ownership was even

[13] The Disability Support Pension is a payment provided to people aged between 16 and 65, who have a permanent intellectual, physical, or psychiatric condition that limits their capacity to undertake employment. The maximum fortnightly payments for a Disability Support Pension recipient are AUS $808.30 for a single person; and AUS $609.30 for each person in a couple.

[14] The Age Pension is a payment provided to people aged over 65 years and 6 months (with the pension age due to go up to 67 by 1 July 2023). The maximum fortnightly payments for an Age Pension recipient are AUS $814.00 for a single person; and AUS $613.60 for each person in a couple.

[15] The Family Tax Benefit comprises two types of payment provided to families with at least one dependent child aged under 20 years. The first of these is Family Tax Benefit Part A, which is paid per child, and the second is Family Tax Benefit Part B, which is paid per family and is provided only to single parents and families with one main income.

[16] The Carer Payment is a form of income support for people giving constant care, in a private home, to another person due to a severe disability, illness, or old age. The maximum fortnightly payments for a Carer Payment recipient are AUS $814.00 for a single person; and AUS $613.30 for each person in a couple.

[17] The Parenting Payment is a payment provided to the principal carer of children aged six and under (for partnered parents) or eight and under (for single parents). The maximum fortnightly payments for a Parenting Payment recipient are AUS $752.60 for a single parent; and AUS $486.50 for each person in a couple.

[18] The Widow Allowance is a payment provided to women born on or before 1 July 1955, with no recent workforce experience, who have become widowed, divorced or separated since turning 40. The maximum fortnightly payments for a Widow Allowance recipient are AUS $538.80 for a single person with no dependents; and AUS $582.80 for a single person with dependent children. Austudy is a payment provided to people aged 25 or over who are studying full-time or undertaking a full-time apprenticeship or traineeship. The maximum fortnightly payments for an Austudy recipient are AUS $437.50 for a single person with no dependents; AUS $573.30 for a single person with dependent children; AUS $437.50 for each person in a couple with no dependents; and AUS $480.50 for each person in a couple with dependent children.

lower among single respondents, only 29.9% of whom were living in a home that they owned, compared to 59.6% of respondents who were either married or in a de facto relationship.[19]

Debt Problems of the Respondents

Respondents included people who had only recently begun having trouble paying debt on time, and others whose difficulties with debt were more ongoing. As shown in Table 3 below, respondents with "short-term debt problems" were in the minority. Only a small proportion of respondents (11.6%) had first started having trouble paying debt less than 6 months earlier, while higher proportions said "six months to one year ago" (15.5%). The majority of respondents had what can be described as "long-term debt problems," beginning either "one to two years ago" (22.8%); "two to five years ago" (22.6%); and "more than five years ago" (27.4%). The proportion of respondents who said their debt problems began "more than five years ago" was substantially higher for Centrelink recipients (34.6%) than wage recipients (21.7%).

As shown in Table 4 below, the most common type of debt that respondents had trouble paying in the previous 2 years was electricity or gas bills (55.4%), followed by credit card bills (45.1%); phone or internet bills (34.8%); water bills (26.7%); and council rates (22.9%).[20] Only small proportions of respondents had trouble making payments on a consumer lease or hire-purchase agreement (1.5%) or a payday loan (2.0%).

Most respondents (86.4%) were able to estimate the amount of debt they had trouble paying on time. As shown in Table 5 below, the largest proportion of respondents as a whole (30.7%) estimated this amount as "less than $1,000," while the rest selected "$1,000 to $4,999" (25.6%); "$5,000 to $9,999" (10.2%); "$10 000 to $19 999" (8.8%); "$20 000 to $50 000" (6.1%); and "more than $50 000" (5.0%).

Causes of Financial Hardship

As shown in Table 6 below, the most common experiences selected by those respondents who were asked about the 12 months before their debt problems began ($n = 550$)[21] were unforeseen expenses (e.g., car repairs, or medical costs) (36.9%); relying on a Centrelink income (32.7%); unexpectedly high electricity, gas or water costs (27.1%); physical health problems (26.9%); and mental health problems (e.g., anxiety or depression) (22.2%). Twenty nine percent of Centrelink recipients indicated that they had experienced mental health problems, by comparison to only 18.5% of wage recipients. Significantly higher proportions of respondents who had experienced mental health problems reported that they had also experienced alcohol or drug addiction (10.7%) or gambling addiction (8.2%), by comparison to 0.9% and 2.8% of respondents who had not experienced mental health problems.[22]

In the 12 months before their debt problems began, a significant proportion of respondents had also experienced employment problems of some sort, including unemployment lasting

[19] This difference is statistically significant at the 0.01 level (chi-square test).

[20] In Australia, "council rates" are a form of taxation collected from property owners by local governments or councils to fund infrastructure and services. The amount payable by each property owner is calculated on the basis of the value of their property.

[21] As explained in the section "Methods," these 550 respondents were those who had indicated that their debt problems began less than two years ago.

[22] This difference is statistically significant at the 0.01 level (chi-square test).

Table 2 Comparing Centrelink recipients and wage recipients

		Centrelink recipients ($n = 402$)		Wage recipients ($n = 480$)
Relationship status	Single	21.6%		21.0%
	Married	40.8%	**	50.4%
	De facto	10.7%	*	15.2%
	Divorced or separated	20.4%	**	13.3%
Income	Median annual personal income	$19,981	**	$44,876
Housing	Rented privately	34.8%		34.8%
	Rented in public or community housing	19.7%	**	4.4%
	Owned (either outright or with a mortgage)	36.8%	**	56.5%
Highest level of education completed	Year 10 or less	26.6%	**	11.5%
	Year 12	18.9%		14.6%
	TAFE course	31.8%		27.9%
	Bachelor degree	12.4%	**	24.0%
	Postgraduate degree	3.0%	**	12.7%
Employment situation	Employed (casual full time)	0.0%	**	10.8%
	Employed (casual part time)	1.5%	**	17.1%
	Employed (permanent full time)	0.2%	**	54.4%
	Employed (permanent part time)	0.2%	**	15.6%
	Self-employed or working in a family business	4.2%	*	1.5%
	Unemployed	16.7%	**	0.6%
	Studying	4.7%	**	0.6%
	Retired	42.3%	**	0.4%
	Caring for a child	11.4%	**	1.5%
	Caring for another person (e.g., an elderly parent)	5.2%	**	0.2%
	Looking for work or extra work	6.2%	**	0.8%

One asterisk (*) indicates difference is statistically significant at the 0.05 level. Two asterisks (**) indicate significance at the 0.01 level (chi-square test)

6 months or more (17.3%); unemployment lasting less than 6 months (10.2%); not doing enough paid work, or working variable hours (19.5%); and not being able to do enough paid work because of caring for a child or another person (5.6%). Five percent went through a separation or divorce; and some reported experiences suggesting the presence of economic abuse, including not receiving child support from a former partner (3.5%); having debts taken out in their name, or in their joint names, by a former partner (2.5%); and losing or not having access to assets that were in the name of a former partner (2.4%). Sixteen percent cited “other” experiences that affected them financially. Many of these respondents described experiences

Table 3 Duration of respondents’ debt problems

“When did you first start having trouble paying a debt, or multiple debts?”

	% of all respondents ($n = 1101$)	% of Centrelink recipients ($n = 402$)		% of wage recipients ($n = 480$)
Less than 6 months ago	11.6	12.7		12.1
6 months to 1 year ago	15.5	12.2		14.8
1 to 2 years ago	22.8	16.9	**	27.1
2 to 5 years ago	22.6	23.6		24.4
More than 5 years ago	27.4	34.6	**	21.7

Two asterisks (**) indicate difference is statistically significant at the 0.01 level (chi-square test)

Table 4 Types of debt that respondents had trouble paying on time

"In the last 2 years, what types of debt did you have trouble paying on time? Please tick all that apply.

Type of debt	% of all respondents (n = 1101)	% of Centrelink recipients (n = 402)		% of wage recipients (n = 480)
Electricity or gas bills	55.4	65.7	**	48.5
Credit card bills	45.1	38.3	**	51.5
Phone or internet bills	34.8	37.6	*	30.6
Water bills	26.7	25.9		26.5
Council rates	22.9	21.1		23.5
Medical or dental bills	18.0	18.4		17.9
Insurance premiums	16.4	16.2		16.3
Mortgage	15.4	9.5	**	19.6
Rent	14.8	12.4		17.1
Personal loan	9.3	6.5	**	12.3
Fines (e.g., public transport, speeding)	8.2	9.0		7.7
Childcare or school fees	8.1	8.2		7.5
Car loan	6.4	2.5	**	9.6
Payday loan	2.0	2.2		2.1
Payments on a consumer lease or hire-purchase	1.5	0.7		1.7
Other	8.1	10.2	*	5.6

One asterisk (*) indicates difference is statistically significant at the 0.05 level. Two asterisks (**) indicate significance at the 0.01 level (chi-square test)

that actually fit within the category of "unforeseen expenses," such as unexpectedly high bills. A few respondents mentioned taking maternity leave and other costs related to the care of children, such as school fees and medical bills. Others experienced a broad range of legal problems, from custody disputes, to disputes over a deceased estate, to being owed money by "clients not paying" for their services.

As shown in Table 7 below, out of those respondents who were asked if any of a range of factors had contributed to their debt problems ($n = 550$),[23] 29.8% identified spending too much as a contributing factor, while smaller proportions selected borrowing too much (16.5%); and not knowing how to budget or manage money (12.2%). Forty eight percent felt that none of these factors had contributed to their debt problems. Nearly the same proportions of Centrelink recipients (30.4%) and wage recipients (32.4%) felt they had been spending too much. Higher proportions of respondents who had experienced mental health problems in the 12 months before their debt problems began indicated that the above factors had contributed to their debt problems. Of particular significance, 23.0% selected not knowing how to budget or manage money (compared to 9.1% of those who had not experienced mental health problems); and 13.9% selected not knowing their rights as a consumer (compared to 4.0% of those who had not experienced mental health problems).[24]

In their qualitative comments at the end of the survey, numerous respondents provided additional details of the circumstances causing their financial hardship. Many mentioned the difficulty of getting by financially on a Centrelink income, particularly Newstart. One wrote that the rate of payment of Newstart was "extremely low…when I was on it a few years ago, I

[23] As explained in the section "Methods," these 550 respondents were those who had indicated that their debt problems began less than two years ago.
[24] This difference is statistically significant at the 0.01 level (chi-square test).

Table 5 Amounts of debt that respondents had trouble paying on time

"What was the total amount of these debts?"

	% of all respondents (n = 1101)	% of Centrelink recipients (n = 402)		% of wage recipients (n = 480)
Less than $1000	30.7	36.3	**	27.9
$1000 to $4999	25.6	30.3	*	23.1
$5000 to $9999	10.2	5.5	**	13.8
$10,000 to $19,999	8.8	6.5	*	10.2
$20,000 to $50,000	6.1	4.0	*	7.1
More than $50,000	5.0	4.5		5.2
Do not know	13.6	12.9		12.7

One asterisk (*) indicates difference is statistically significant at the 0.05 level. Two asterisks (**) indicate significance at the 0.01 level (chi-square test)

could barely stay afloat, every fortnight I was in major financial and mental stress," and another said that to live on Newstart "means that one lives in extreme poverty." Another said "now that I am on Newstart, I do not have any money for food… [I] never thought we would be in this situation, ever!" Respondents living on an Age Pension or Disability Support Pension also struggled, with one saying, "It's a problem just trying to survive on a pension." Other respondents discussed employment issues, with one saying that "[j]obs are almost impossible to find at age 57," another saying they had "applied for 56 jobs and had four unsuccessful interviews" after being made redundant, and another saying, "It's hard for me to get a job because I don't have anyone to take care of my children and I can't afford child care." Another respondent said:

> "I feel the government doesn't realise how tough families are doing it. We both work full time, our kids work part time and study full time, yet the cost of basics, cars, petrol, insurance, internet[,] are just unrelenting and getting higher."

Other respondents highlighted how easy it was to fall into arrears in the context of an ongoing illness or disability. One said, "[t]he reason we got in trouble was because the car broke down, unfortunately we need the car [as] I am unable to walk. It was just before Christmas and all the bills came in together." Another wrote:

> "I'm not badly off ($70k a year), but I've developed two autoimmune conditions on top of a pre-existing neurological condition. Medication is expensive, and so are consultations with specialists… I know how to manage my money, but there are more costs than money coming in. Cutting back on leisure cuts me off from my friends, which leads to anxiety and depression… It's taught me not to judge people with money problems. We're all in this mess for different reasons."

Impacts of Financial Hardship

As shown in Table 8 below, more than half of respondents (50.8%) indicated that paying for basics (e.g., food, utility bills, and petrol) became more difficult for them after their debt

Table 6 Respondents' experiences in the 12 months before their debt problems began

"In the 12 months before you first started having trouble paying debts, did you experience any of the following? Please tick all that apply."

Experience	% of all respondents ($n = 550$)	% of Centrelink recipients ($n = 168$)		% of wage recipients ($n = 259$)
Unforeseen expenses (e.g., car repairs)	36.9	44.0		35.9
Relying on a Centrelink income	32.7	64.9	**	13.5
Unexpectedly high electricity, gas or water costs	27.1	38.1	**	20.5
Physical health problems	26.9	31.5		23.6
Mental health problems (e.g., anxiety, depression)	22.2	28.6	*	18.5
Not doing enough paid work, or working variable hours	19.5	8.9	**	18.9
Unemployment (six months or more)	17.3	21.4	*	12.4
Unemployment (less than six months)	10.2	6.0	*	12.0
Unexpectedly high phone or internet costs	10.2	15.5	*	6.2
Unexpectedly high rent increase	6.2	6.0		7.0
Not being able to do enough paid work because of caring for a child or another person	5.6	6.5		3.1
Separation or divorce	5.3	4.8		5.4
Failure of my business	4.2	3.0		4.6
Gambling addiction	4.0	4.8		4.6
Not receiving child support from my former partner	3.5	3.0		2.7
Alcohol or drug addiction	3.1	3.0		3.5
Debts taken out in my name, or in our joint names, by my former partner	2.5	3.6		1.9
Unexpectedly high increase in my mortgage repayments	2.4	2.4		3.1
Losing or not having access to assets (e.g., a house, a car) that were in the name of my former partner	2.4	1.2		3.5
Domestic violence	2.2	1.2		2.3
Agreeing to act as a personal guarantor for a contract	2.2	1.2		2.7
Homelessness	0.5	0.0		0.4
Other	16.2	19.6	*	12.4

One asterisk (*) indicates difference is statistically significant at the 0.05 level. Two asterisks (**) indicate significance at the 0.01 level (chi-square test). The results shown in this table are from a question that was only asked of those respondents who had indicated that their debt problems began less than two years ago ($n = 550$)

problems began, followed by those who had trouble paying for recreation (e.g., movie tickets, eating out, or sports memberships) (41.8%); had mental health problems (36.0%); had trouble paying for insurance (27.9%); had physical health problems (27.5%); and had trouble maintaining relationships with family and friends (21.6%). Socio-economic circumstances had a strong influence on the impacts reported by respondents. Compared to wage recipients, higher proportions of Centrelink recipients experienced physical and mental health problems, and had trouble paying for basics, staying involved in their community, and maintaining relationships with family or friends.

It should be noted that relationship status also had some influence on the impacts of financial hardship on respondents, although a further analysis of its influence falls beyond the scope of this article.[25] Twenty three percent of single respondents had difficulty staying involved in their community after their debt problems began, and 31.2% had trouble maintaining relationships with family and friends, compared to 14.1% and 17.1% of respondents

[25] The following differences are all statistically significant at the 0.01 level (chi-square test).

Table 7 Factors contributing to respondents' debt problems

"In your opinion, did any of the following contribute to your difficulties with debt? Please tick all that apply, or tick 'none of the above'."

Factor	% of all respondents ($n = 550$)	% of Centrelink recipients ($n = 168$)	% of wage recipients ($n = 259$)
Not having experience with using banking or credit	2.5	1.2	2.7
Choosing the wrong financial products (e.g., a loan with a high interest rate)	4.7	4.8	5.8
Not being able to understand bills or contracts	5.1	5.4	4.2
Making the wrong investment decisions	5.5	7.1	4.2
Not knowing about my rights as a consumer	6.2	6.5	6.2
Not knowing how to budget or manage my money	12.2	13.7	12.4
Borrowing too much	16.5	11.9	17.8
Spending too much	29.8	30.4	32.4
None of the above	47.8	51.8	42.9

None of the differences shown in Table 7 are statistically significant. The results shown in this table are from a question that was only asked of those respondents who had indicated that their debt problems began less than two years ago ($n = 550$)

who were married or in a de facto relationship. Meanwhile, higher proportions of respondents in de facto relationships reported trouble maintaining their relationship with their partner (28.5%) and domestic violence (4.2%), compared to 14.5% and 1.0% of married respondents. Finally, the duration of respondents' debt problems was another influential factor. Twenty three

Table 8 Aspects of life that were negatively impacted by respondents' debt problems

"Since you first started having trouble paying debts, have any of the following become a problem—or become more difficult—for you? Please tick all that apply."

Aspect of life	% of all respondents ($n = 1101$)	% of Centrelink recipients ($n = 402$)		% of wage recipients ($n = 480$)
Paying for basics (e.g., food, utility bills, petrol)	50.8	61.9	**	43.5
Paying for recreation (e.g., movie tickets, eating out, sports membership)	41.8	43.8		41.0
Mental health problems (e.g., anxiety, depression)	36.0	43.0	**	28.8
Paying for insurance	27.9	31.8	**	23.1
Physical health problems	27.5	38.6	**	20.2
Maintaining my relationships with family or friends	21.6	24.9	**	17.1
Borrowing money from a bank, building society or credit union (not a payday lender)	19.9	23.1		18.8
Increasing my credit limit	17.8	16.2		19.8
Staying involved in my community (e.g., attending events, volunteering)	17.1	21.6	**	13.3
Finding a job	16.8	16.9		14.6
Maintaining my relationship with my partner	14.1	12.9		14.2
Paying childcare or school fees	8.7	8.7		8.3
Finishing my education or doing further study	8.3	7.0		7.7
Applying for a rental property	7.1	8.5		5.8
Domestic violence	2.8	3.2		2.3
Other	8.9	8.5		9.6

Two asterisks (**) indicate difference is statistically significant at the 0.01 level (chi-square test) percent of respondents experiencing long-term debt problems indicated that borrowing money from a bank, building society or credit union became more difficult for them, compared to only 12.0% of those with short-term debt problems. Thirty one percent of respondents experiencing long-term debt problems had physical health problems, and 40.6% had mental health problems, compared to 19.4% and 23.4% respectively of respondents experiencing short-term debt problems. Twenty four percent of respondents experiencing long-term debt problems had trouble maintaining relationships with family and friends, and 16.1% had trouble maintaining their relationship with their partner, compared to 15.1% and 8.7% respectively of respondents experiencing short-term debt problems.

Within the previous two years, a significant proportion of all respondents (19.7%) had experienced harassment or threatening behaviour by a debt collector. Smaller proportions had experienced disconnection of their phone or internet service (13.5%); disconnection of their electricity or gas service (6.1%); or restriction of their water supply (4.4%) due to inability to pay. Nine percent had experienced legal action to enforce a debt against them in a court or tribunal, and 4.0% had been bankrupt.

There was a strong association between prior experience of mental health problems and these more serious consequences of financial hardship.[26] Twenty six percent of respondents who had experienced mental health problems in the 12 months before their debt problems began had been subject to harassment or threatening behaviour by a debt collector, compared to 14.5% of those who had not experienced mental health problems. Eighteen percent had been the subject of legal action to enforce a debt against them, compared to only 7.2% of those who had not experienced mental health problems. Thirteen percent had experienced disconnection of their electricity or gas service, compared to 5.8% of those who had not experienced mental health problems. The duration of respondents' debt problems also had a surprising impact on the incidence of these consequences of financial hardship, with higher proportions of respondents with short-term debt problems saying they had experienced disconnection of their electricity or gas service (10.4%); restriction of their water supply (7.4%); and bankruptcy (6.0%), compared to 4.5%, 3.2%, and 3.2% respectively of respondents with long-term debt problems. However, 21.7% of respondents with long-term debt problems had been subject to harassment or threatening behaviour by a debt collector, compared to 14.4% of those with short-term debt problems.

In their qualitative comments at the end of the survey, respondents discussed the serious impacts of financial hardship on their mental health and overall quality of life. One described falling behind with payments as "embarrassing" and "a real hit on one's self-esteem." Others said falling behind with debt jeopardized their mental health, with one saying they were now "suffering chronic depression and finding it hard to find a reason to get out of bed each day"; another saying "the stress never ends"; and another explaining, "[i]t's the anxiety, not knowing from week to week whether the debts will all be able to be paid."

Coping with Financial Hardship

Only a minority of respondents coped with their financial hardship by accessing any form of assistance from a creditor in the consumer credit, energy, water or telecommunications sectors. By far the highest proportion (24.9%) received assistance from an energy or water company, while only 14.3% received assistance from a bank or other credit provider, and 12.4% received

[26] The following differences are all statistically significant at the 0.01 level (chi-square test).

assistance from a phone or internet company. In a separate article, the authors explore in detail the implications of this finding, which suggests that the legal protections for Australians in financial hardship play a relatively modest role in the overall range of ways in which respondents cope with debt problems (Ali et al. 2016a). In fact, relatively high proportions of respondents who did access assistance from a creditor had already experienced some of the more serious legal consequences of financial hardship mentioned above, including utility disconnection or supply restriction, harassment by a debt collector, debt enforcement action in a court or tribunal, and bankruptcy. Furthermore, only a minority of respondents who accessed assistance from a creditor did so with the aid or advice of a financial counsellor or another advocate.[27]

Respondents employed a range of other coping strategies to get by financially after their debt problems began. As shown in Table 9 below, the most common coping strategies involved taking steps to reduce spending, particularly by cutting down on food (57.8%); their own recreation activities (56.8%); electricity, gas or water use in their home (55.5%); phone or internet use (43.7%); medical care (32.5%); or driving their car or taking public transport (32.3%). Others coped by borrowing money, predominantly from family or friends (33.6%). Others reorganized their finances, whether by seeking a limit increase on their credit card (13.2%); consolidating their debts (10.2%); entering into a debt agreement (9.0%); or refinancing their home loan (6.5%). Some were able to seek out additional income by pawning their personal belongings (15.4%); applying for a Centrelink payment (13.0%); or taking on additional paid work, or extra shifts at work (12.0%).

The types of coping strategies employed by the respondents were strongly influenced by their socio-economic circumstances. Sixty six percent of Centrelink recipients cut down on electricity, gas and water use and also on food, compared to 48.5% and 50.8% of wage recipients respectively. Forty percent cut down on driving or taking public transport, compared to only 25.2% of wage recipients. Sixty three percent cut down on their own recreation activities, compared to 54.0% of wage recipients. Fifty two percent cut down on phone and internet use, compared to 37.3% of wage recipients. The proportion of Centrelink recipients who obtained emergency relief from a charity, or energy vouchers from a community organization, was more than three times as high as the proportion of wage recipients who did the same. Meanwhile, wage recipients favoured strategies that involved reorganizing their finances, such as consolidating their debts; or refinancing their home loan. For Centrelink recipients, the main sources of additional income were applying for a Centrelink payment or pawning personal belongings. Higher proportions of Centrelink recipients reported strategies that could be interpreted as indicating a longer-term deterioration in their financial situation, such as selling their home or another significant asset to get by financially; or entering into a debt agreement.

The duration of respondents' debt problems was another strong influence on the types of coping strategies they employed to get by financially. Higher proportions of respondents with long-term debt problems moved into cheaper ongoing accommodation (10.0%) or temporary accommodation (5.2%), compared to 5.0% and 2.3% respectively of those with short-term debt problems. Higher proportions of respondents with long-term debt problems borrowed money from family or friends (36.7%) and obtained emergency relief from a charity (12.2%), compared to 25.4% and 5.7% respectively of those with short-term debt problems. Finally,

[27] In Australia, financial counsellors are an important source of advocacy and advice for people experiencing debt problems. Financial counsellors are employed mostly by not-for-profit organizations, and provide their services free of charge. Community legal centres are another source of free advice for debtors.

Table 9 Preferred ways of getting by financially

"Since you first started having trouble paying debts, what have you done to get by financially? Please tick all that apply."

Coping strategy	% of all respondents ($n = 1101$)	% of Centrelink recipients ($n = 402$)		% of wage recipients ($n = 480$)
Reduced my spending on food	57.8	66.4	**	50.8
Cut down on my own recreation activities (e.g., movie tickets, eating out, sports membership)	56.8	62.7	**	54.0
Took steps to reduce electricity, gas or water use in my home	55.5	66.2	**	48.5
Took steps to reduce my phone or internet use	43.7	51.5	**	37.3
Borrowed money from family or friends	33.6	35.8		31.0
Reduced my spending on medical care (including mental health and dental)	32.5	35.8	*	29.4
Cut down on driving my car or taking public transport	32.3	39.6	**	25.2
Pawned my personal belongings	15.4	20.9	**	13.1
Sought a limit increase on my credit card	13.2	10.0	**	16.7
Applied for a Centrelink payment	13.0	23.1	**	5.0
Took on additional paid work, or extra shifts at work	12.0	3.7	**	17.7
Obtained emergency relief from a charity organization	10.4	17.4	**	5.0
Consolidated my debts	10.2	5.7	**	15.4
Entered into a debt agreement	9.0	11.2	*	7.3
Cut down on my children's extracurricular activities	9.0	7.7		8.8
Moved into cheaper ongoing accommodation (e.g., a cheaper rental property)	8.6	10.7	*	6.5
Sold my home or another significant asset (e.g., a car)	7.3	9.2	*	5.2
Refinanced my home loan	6.5	3.7	**	9.2
Borrowed money from a payday lender	6.3	6.2		7.3
Obtained energy vouchers from a community organization	5.7	10.4	**	2.3
Moved into temporary accommodation (e.g., stayed with family or friends)	4.5	5.0		3.5
Borrowed money through a no interest or low interest loan scheme	4.1	6.5	**	2.1
Postponed separating from my partner	2.3	2.5		2.5
Used a for-profit budgeting service	1.4	0.7		2.3
Used a for-profit credit repair service	1.1	0.5		1.7
Took my children out of a private school	0.7	1.0		0.6
Other	11.1	10.9		9.2

One asterisk (*) indicates difference is statistically significant at the 0.05 level. Two asterisks (**) indicate significance at the 0.01 level (chi-square test)

higher proportions of respondents with long-term debt problems cut down on food (61.0%); electricity, gas and water use (58.4%); and medical care (35.8%), compared to 49.2%, 47.8%, and 23.7% respectively of respondents with short-term debt problems.

In their qualitative comments at the end of the survey, respondents elaborated on the difficulties they faced in trying to get by financially while also making payment of debt. As one respondent wrote:

> "I am surviving by paying for things on my credit card, getting a balance transfer, paying that off while using the other card to live off again. It is a never-ending cycle. My family doesn't have any leisure activities as we are unable to afford them."

Many respondents emphasized the importance of financial and in-kind support from friends and family, with one saying, "If I did not have the support of my family I don't imagine what my position would be or my future would be." Another said, "If we had not been able to borrow money off family during my husband's unemployment we would have become homeless." Another wrote:

> "Raising my son as a single mother has been very difficult financially. I have been very grateful to the emergency relief support provided by local charities. I have always worked part-time, but as I live in a rural area there is often not enough work for me. These are the times I appreciate extra support from family and friends."

Outcomes

Less than half of all respondents (42.6%) felt that their financial position *had* improved since their debt problems began, while nearly the same proportion (43.9%) said it had *not* improved, and 13.5% were unsure. A far higher proportion of Centrelink recipients (52.0%) than wage recipients (37.1%) said their financial position had not improved.

Respondents provided a wide range of qualitative reasons explaining why their financial position had improved, or had not improved. For those whose position *had* improved, these reasons were mostly examples of strategies employed to get on top of their finances and, in particular, reduce their spending. Some respondents were able to make lifestyle changes to cut down on discretionary spending. One "temporarily cut back on extravagances like restaurants, expensive foods, [and] holidays"; another "stopped buying take-away food"; another "reduced consumption of alcohol" and "stopped smoking." Others used strategies for living more frugally and sticking to a budget. One mentioned "buying in bulk" and "cooking from scratch"; another said they "meal planned" to save on food; and others tried to reduce their energy consumption. However, a smaller number cited strategies for cutting down their expenditure to a bare minimum that revealed a very high degree of privation; one respondent indicated that they managed to improve their financial position by "saving gold coins" and "walk[ing] more [to] save on gas"; another said they "walk instead of driving"; another mentioned staying in a caravan and trying to eat less; and numerous respondents mentioned going without heating.

Many respondents attributed an improvement in their financial position to a positive change in their employment situation, particularly if they or their partner found a job, or changed to a more secure or highly paid position. One mentioned working additional hours; another said their "partner found full time work"; another "got a second job"; another obtained "more pay from overtime"; while another said "my health has improved and I am back at work." A smaller proportion mentioned receiving assistance from family or friends, whether in the form of a loan, a gift, regular financial support or an inheritance.

Generally, higher proportions of respondents whose financial position had *not* improved cited broader socio-economic issues – such as the rising cost of food, utilities, and rentals in their area, or age discrimination making it difficult for older people to find employment – as the reasons for this. Most, however, gave reasons focusing upon the recent experiences of their immediate family. Many mentioned negative changes in their own or their partner's job situation – "husband lost job" – while others described an ongoing lack of job security, with one saying they were "only working very few hours at [a] casual job," and another attributing their lack of improvement to "no job security, still looking for full time work." Others mentioned a deterioration in their mental or physical health. Others cited family problems, including relationship breakdown and family violence, and the need to provide financial support to adult children, siblings or parents.

Respondents whose financial position had *not* improved tended not to cite their own financial behaviours as a reason for this. Indeed, a small proportion gave reasons revealing their impoverished circumstances and their lack of capacity to make any changes to their spending patterns. One respondent said they “can’t pull belt in any further”; another said they “go hungry” and “go to bed early”; another said they “go without food,” “can’t afford to run a car,” and are “constantly stressed over money”; another said “I have no social life”; and another said they had “lost self-respect,” because it is “difficult going to interviews when you are h[u]ngry and can[’]t afford nice clothes or even the basics to get there.”

Analysis

The main findings of this study are as follows. First, while a minority of the sample had characteristics that could be perceived as indicators of belonging to the middle class, the over-representation of people on Centrelink incomes and people living in a rural or regional area suggests that those facing the highest risk of financial hardship in Australia are groups that are already in a position of socio-economic disadvantage. Secondly, the major triggers for falling into arrears were changes in circumstances causing a loss of income (such as unemployment), mental and physical health problems, and, especially for Centrelink recipients, unexpected increases in basic living costs. Thirdly, while financial hardship had a negative impact on respondents’ physical and mental health and overall quality of life, its impacts were experienced with greater severity by Centrelink recipients and respondents with long-term debt problems. Fourthly, respondents favoured individualistic strategies for reducing their expenditure to get by financially, although higher proportions of Centrelink recipients cut down on essential living needs in order to make repayment of debt. In this section of the article, these findings are analysed with reference to the literature on economic insecurity, disadvantage and the growing financialization of everyday life in Australia and overseas. Finally, the implications of these findings for policy development are discussed.

Groups at Risk of Financial Hardship in Australia

One of the aims of this study was to shed light on the varied socio-economic circumstances of Australians who had recently experienced some form of financial hardship. The research outlined in the section “Background: Existing Research on Debtors’ Experiences of Financial Hardship” suggested that financial hardship is a problem that can affect almost anyone at some point in their lives. As a case in point, a sizeable minority of the sample in this study had characteristics that, according to earlier studies (Ramsay and Sim 2010; Sullivan et al. 1989; Sullivan et al. 2000), could be perceived as indicators of belonging to the middle class. Namely, they had completed a degree at a university, lived in a home that they owned, and had personal incomes above the median income of the Australian population.

One explanation for the incidence of financial hardship among middle class Australians is provided by Hacker (2008), who argues that there has been a decline in the ideal of social insurance against the impacts of experiences such as job loss, illness, disability and old age. In the Australian context, this has resulted in what Wilson et al. (2013) describe as a “hollowing out” of a “wage-earner” welfare model (pp. 637–639), which relied upon industrial protections and a comparatively high minimum wage to supplement a residual welfare state. “Residualism,” in this context, refers to the targeting of means-tested assistance towards the disadvantaged, by contrast to the "universalist" approach prevalent in social-democratic countries, whereby welfare services can be accessed by all citizens regardless of income (Mendes 2008, pp. 3–4; Stebbing and Spies-Butcher 2010, pp. 587, 600). Neoliberal reforms since the 1970s have affected both of these components of Australia's wage-earner model. The deregulation of the labour market has increased economic insecurity for workers through the dismantling of industrial protections and an expansion in part-time and casual employment (Carney 2006; Pocock 2010; Wilson et al. 2013). There has also been an increase in economic insecurity for welfare recipients as a result of the policies discussed in the section "Insights into the Causes of Financial Hardship."

This increase in economic insecurity has been accompanied by what Berry (2015) describes as the growing financialization of everyday life – a phenomenon characterized by an increased degree of interaction between individuals and financial services, and a consequent expansion in household debt. In Australia, even as security of employment for workers declined, levels of household debt rose to nearly 1.8 times the amount of disposable household income (ABS 2014a). Around three quarters of this debt consists of loans for owner-occupied and investment properties (ABS 2014b), and can be attributed to surging property prices. Rising levels of credit card debt (Senate Standing Committee on Economics 2015, pp. 7–8), as well as a "turn to the private sphere" (Pocock 2010, p. 158) for services such as health care and primary and secondary education, has also added to the financial burden on middle class households. A higher debt burden leaves households with less room for error when faced with any unforeseen disruption to their income and expenditure (Sullivan et al. 2000).

In this context, it is unsurprising that financial hardship is not confined to people living on low incomes. And yet, while Hacker (2008, p. 6) argues that "economic insecurity today reaches across the income spectrum…across lines of geography and gender," the results of this study confirm that socio-economic disadvantage and a heightened risk of financial hardship frequently go hand in hand. Although people on low incomes have historically found it more difficult to access mainstream credit products (Tach and Greene 2014), they are more likely to fall behind with debt such as utility bills, which must be paid by households at all levels of income (Berthoud and Kempson 1992, pp. 117–118; Kempson et al. 1994, pp. 261–263). In Australia, studies have found that people on Centrelink incomes, especially Newstart, are particularly vulnerable to falling into arrears on these types of payments. This heightened risk of financial hardship is borne out by the demographics of the respondents, 31.9% of whom were relying entirely on a Centrelink income. It is also evidenced by the fact that higher proportions of Centrelink recipients in the sample experienced longstanding debt problems lasting five years or more, and indicated that their financial situation had not improved at the end of the survey.

Financial hardship also appears to be particularly prevalent among people living in a rural or regional area, who made up 35.8% of the sample. The over-representation of people living in rural or regional areas provides an explanation for the fact that the respondents were older than the Australian population as a whole, when earlier research on financial hardship (e.g., Berthoud and Kempson 1992) showed that households composed of older people generally had fewer debts, even if their incomes were low. Further research is necessary to ascertain the extent to which the life-cycle model of consumption—which posits that younger people "borrow to consume in advance of future income, repay their debt and save through the middle years, and draw down their savings after retirement" (La Cava and Simon 2005, p. 46)—remains an accurate description of Australians' patterns of indebtedness.

The age distribution of the sample is likely to reflect the fact that people living in rural or regional areas tend to be older and experience multiple forms of disadvantage that can put them at a higher risk of experiencing debt problems. People aged 50 and above are over-represented in regional areas of Australia due to the migration of retirees to inner regional and especially coastal locations, and conversely, the migration of young people to the capital cities (RAI 2015, pp. 89–94). By comparison to people living in more densely populated inner regional and urban areas, inhabitants of rural and remote areas have the greatest difficulty accessing important services – particularly medical and dental, child care and financial services – a situation exacerbated by poor and costly access to broadband internet and the absence of public transport infrastructure (Baxter et al. 2011, pp. 3–4; Gibson 2008, pp. 17–19; NRHA and ACOSS 2013, pp. 6, 12). People living in rural areas also experience higher rates of unemployment due to factors including the mechanization of farming; seasonal fluctuations in the agriculture and tourism industries; policy changes affecting the viability of single sector industries; and, lastly, the detrimental impact of drought on farming incomes (Gibson 2008, p. 13; NRHA and ACOSS 2013, pp. 4, 11–12). For many older people living in rural areas, these factors, together with increasing levels of farm debt, place them at risk of having loans still owing well past retirement age (Gibson 2008, pp. 12–14, 43), even when their comparatively conservative borrowing habits (Gibson and Rochford 2008), together with the aforementioned life-cycle model of consumption, would suggest that they have a low risk of experiencing financial hardship.

Insights into the Causes of Financial Hardship

Yet in practice, even risk factors such as being on a low income must be combined with some precipitating factor that causes a debtor to fall behind with their repayments. Another aim of this study was to investigate the full range of such factors, encompassing events and circumstances in the debtors' lives, as well as their subjective perceptions about their own financial decisions and behaviours. The studies discussed in the section "Background: Existing Research on Debtors' Experiences of Financial Hardship" establish that the primary factor that triggers falling into arrears is a change in circumstances causing a temporary or long-term loss of income (Adler and Wozniak 1981; Berry et al. 2010; Berthoud and Kempson 1992; Caplovitz 1974; Kempson 2002; Schuchman 1983). The loss of a job is the most common trigger recognized by these studies (Berthoud and Kempson 1992, p. 120; Caplovitz 1974; Kempson 2002; Sullivan et al. 2000). Even a short period of unemployment can undermine the ability to keep up with debt obligations taken on in expectation of better – or at least, unchanging – times ahead (Sullivan et al. 2000). So can "job skidding," where a debtor is only able to find new employment at a reduced salary (Sullivan et al. 2000, pp. 88–90), as well as demotions and reductions in wages or work hours.

These and other studies have also recognized other types of triggers, such as an illness, injury or disability (Berry et al. 2010; Caplovitz 1974; Kempson 2002; Sullivan et al. 2000), which, if they become chronic, are associated with a higher risk of long-term debt problems (Balmer et al. 2005). Another major trigger is relationship breakdown (Berry et al. 2010; Kempson 2002; Sullivan et al. 2000), which has a significant negative impact on income, and increases the likelihood of inability to pay utility bills, mortgage or rent, particularly for women with children (De Vaus et al. 2009). Dearden et al. (2010) specified that for people living on low incomes, these types of events and circumstances may function not so much as one-off triggers, but as factors that fit within "a gradual accumulation" of problematic debt over time (p. 17). They "often have a cumulative, rather than an immediate, effect" (Disney et al. 2008, p. 4) on household finances, forming part of a “negative ‘feedback’ loop” that makes it more difficult for people to get out of debt (Dearden et al. 2010, p. 17). A recent study of US households by Morduch and Schneider (2013) suggests that one major reason for this “negative feedback loop” relates back to employment. For many people on low incomes, disruptions to earnings caused by illness, relationship breakdown and other events fall within a more ongoing pattern of income uncertainty. People who are working multiple casual, part-time, seasonal and other types of precarious jobs frequently find themselves managing numerous pay cycles, some of which may provide highly variable amounts of income from month to month, making it difficult to manage regular commitments such as bills or mortgage repayments, let alone plan for unexpected expenses (Morduch and Schneider 2013).

The respondents’ experiences in the 12 months before their debt problems began are consistent with the findings of these earlier studies. However, they also highlight the impact of increases in basic living costs. Between 2006 and 2016, the cost of living as measured by the Consumer Price Index (“CPI”)[28] rose by 26.4%, and the cost of particular goods and services considered essential for all households went up significantly, with utilities rising by 103.1%, insurance rising by 62.9%, and rent rising by 50.2% (ABS 2016c). People on middle incomes are more likely to have access to savings and sources of additional income that might assist them in weathering such steep increases. Meanwhile, people living on Centrelink incomes – for whom the increase in the cost of living has been even higher (ABS 2016d) represent the majority of those turning to high-interest, short-term loans from fringe lenders (Banks et al. 2012, pp. 16, 32–34) or emergency relief from charity organizations (Engels et al. 2009, pp. 44–45) in order to avoid going into arrears over the cost of these necessities, or to get by financially while paying off existing debt.

The particular vulnerability of people living on Centrelink incomes in the face of rising living costs is largely due to another facet of the neoliberal reforms introduced in the section “Groups at Risk of Financial Hardship in Australia”: increased economic insecurity and “paternalistic supervision” (Wilson et al. 2013, p. 625) for welfare recipients, particularly people with disabilities, carers and the unemployed. The Welfare to Work reforms of 2006 were an important development in this longer trend, transitioning certain Parenting Payment and Disability Support Pension recipients to Newstart and subjecting them to tighter income and assets restrictions and stricter activity requirements (Carney 2006). This was purportedly in the name of incentivising participation in paid work, although this justification has been refuted by numerous commentators (see, e.g., ACOSS 2012; Coad et al. 2006). Centrelink Allowances such as Newstart have been set at a lower rate of indexation compared to Centrelink Pensions, and have been criticized as inadequate to cover even the basic costs of living (ACOSS 2012, pp. 26–33, 41; Denniss and Baker 2012; Wilson et al. 2013). Yet although the Disability Support Pension and the Age Pension have increased at a higher rate, resulting in a significantly higher fortnightly income,[29] they are still frequently insufficient to cover the typical expenditures of their recipients, who may have substantial medical costs associated with their conditions (Engels et al. 2009, p. 45; Gibson and Rochford 2008). For many of the respondents, who are living on an Age Pension or a Disability Support Pension, it was expenses associated with a health problem – such as visits to a

[28] In Australia, the CPI is produced by the ABS to provide a measure of inflation in the price paid by households for a fixed basket of goods and services. It is a controversial measure of the cost of living, because not all of these goods and services are part of the expenditure of households on low incomes, and some of them (e.g., clothing, footwear, and household appliances) have experienced much lower or negative price inflation over the last two decades (Phillips et al. 2012, pp. 7–8).

[29] See footnotes 4 and 13–18.

specialist, prescribed medications or other medical treatments – that caused them to lose their grip on a carefully managed budget and fall into arrears.

These findings also provide insight into respondents' subjective perceptions about the role of their own spending patterns in their difficulties with debt. While nearly half of the sample did not believe their debt problems were caused by any of the financial decisions and behaviours outlined in the section "Causes of Financial Hardship," a significant proportion (29.8%) selected excessive spending as a contributing factor. This was despite the fact that for many respondents, cutting back on spending perceived as "excessive" meant going without essentials such as food or heating, rather than foregoing luxuries. Even more surprisingly, almost equal proportions of wage recipients and Centrelink recipients said they had been spending too much. Cooper (2014) suggests that there is an "adaptive aspect" (p. 212) to the fact that Centrelink recipients attributed their predicament to their own poor money management: "people adopt emotional strategies that serve to endorse the status quo" and "accept the underlying logics of the economic system as legitimate" (p. 214). In Australia, there has been what Berns (2002, pp. 31, 48, 50) describes as a resurgence in discourses treating poverty – particularly where it is combined with reliance on social security – as "an individual failing" rather than "a consequence of economic or societal changes." In this context, it is unsurprising that many debtors in financial hardship internalize these discourses, even if in practice, they have little scope to change how they manage incomes that are insufficient to cover even the most basic of living costs.

Insights into the Impacts of Financial Hardship

Another aim of this study was to examine the full range of impacts of financial hardship on debtors and their families. It is difficult to generalize about these impacts, because they vary according to the seriousness of a person's debt problems and the surrounding circumstances. And yet the findings of the study indicate that financial hardship has profound consequences for debtors' quality of life. For 36.0% of the respondents, falling into arrears led to mental health problems. For 27.5%, it led to physical health problems, which may be connected to the fact that 32.5% of the sample had to reduce spending on medical care to get by financially. Turunen and Hiilamo (2014) and others (Edwards 2003; Nettleton and Burrows 1998; Nettleton and Burrows 2000) have also drawn connections between debt problems and reduced physical and mental health, particularly where debtors were forced to delay or forego medical treatment, or prescribed medication.

The findings of this study also showed a strong link between financial hardship and other repercussions that can be summarized as a detrimental impact on social inclusion. The Australian Social Inclusion Board (2012, p. 12) defines social inclusion as having the resources and opportunities to participate in education and training, paid employment and unpaid or volunteer work, including family and care responsibilities. This study indicates that falling behind with debt undermines all of these aspects of social inclusion by making it more difficult for respondents to find employment; to complete their education; and to stay involved in their community. Yet the negative impacts of debt problems were most pronounced closer to home, making it harder for respondents to maintain relationships with family and friends, and even with their partner, particularly where their debt problems were of a long-term nature. Foregoing recreation activities and missing social events and celebrations – either as a strategy to minimize expenditure, or due to anxiety and embarrassment – made falling into arrears a socially isolating experience for most respondents, despite the fact that many of them preferred to rely on financial assistance and advice from friends and family over seeking help from external sources.

Yet while particular impacts of financial hardship were common to respondents as a whole, some were experienced with much greater severity by those respondents who were already in a position of socio-economic disadvantage. Compared to wage recipients, higher proportions of Centrelink recipients experienced physical and mental health problems, and had trouble paying for basics, staying involved in their community, and maintaining relationships with family or friends. Admittedly, Centrelink recipients also had a higher incidence of mental health problems before their debt problems began. However, another explanation for the more severe consequences of financial hardship for this group is their reduced access to savings or sources of additional income to enable them to weather financial disruptions without foregoing essentials including medical care.

It is important to note that, as explained in the section “Methods,” the use of an online panel to deliver this survey made it impossible for some particularly vulnerable members of the community to take part. This limitation may have caused this study to under-represent the experiences of people facing the highest degree of deprivation as a result of their debt problems – for example, people who had been cut off from their electricity, phone or internet services due to inability to pay. It is possible that the more severe levels of deprivation indicated by respondents’ qualitative comments in the section “Outcomes” are in fact more widespread than the survey results would suggest, making it important to ensure that any policy responses to the problem of financial hardship focus not only on middle class debtors experiencing temporary financial difficulties, but also people in situations of longer-term disadvantage. Furthermore, the under-representation of people aged under 25 in the sample (due to the exclusion of people aged under 18, as well as the over-representation of older people living in rural or regional areas) may have under-represented the extent of those impacts of financial hardship that are more likely to affect young families with low incomes and high levels of household debt. For example, the extent of the impact of financial hardship on debtors’ ability to pay for childcare and school fees, to complete their education, or apply for a rental property may be even more severe than suggested by the fairly small proportions of respondents who selected these options in Table 8.

Insights into the Strategies Used to Cope with Financial Hardship

Another aim of this study was to obtain a detailed account of the strategies used by debtors at different levels of income to cope with financial hardship. Tach and Greene (2014) argue that in Western societies where money is regarded as a private matter (Singh and Shelly 2005, p. 10), debt management strategies tend to take individualistic forms, with a strong preference for measures that stretch or rearrange existing financial resources within the nuclear family, with the aim of maintaining a “self-sufficient, financially independent identity” (Tach and Greene 2014, pp. 10, 17). For debtors surveyed by Tach and Greene (2014), the maintenance of such an identity required them to delay turning to others – either government or charity organizations, or their social or extended family networks – for financial assistance until their situation escalated to the point of having material consequences such as disconnection of their electricity service, or inability to provide food for their children.

The coping strategies employed by the respondents centred around the themes of individualism and self-reliance identified by Tach and Greene. Most respondents responded to falling into arrears by reducing their expenditure, particularly on everyday basics. However, wage recipients in the sample were significantly better placed to get by financially and make payment of debt without foregoing essentials such as energy and water, food, and phone and internet. The majority of Centrelink recipients reported cutting back in all of these areas, and a high proportion also cut back on medical care, despite research showing that people on Centrelink incomes are already less likely to have access to items such as prescribed medication, a substantial meal at least once a day, and heating in at least one room of the house, all of which are, according to community surveys, considered essential in Australia (Saunders and Wong 2009, pp. 30–31). This is consistent with a study of debt management strategies among people on low incomes by Kempson et al. (1994, p. 141), which found that for families that had already confined their spending to the most necessary items, essentials such as food were "frequently the only area of flexibility." Respondents with long-term debt problems had more time – or were forced – to take more drastic measures to reduce their spending by moving to cheaper temporary or ongoing accommodation, which may have required them to terminate a lease, find an alternative rental property and incur other costs to relocate their belongings, and may also have contributed to their greater difficulty maintaining relationships with family, friends and partners.

As for coping strategies that involved seeking assistance from others, by far the most common source of financial and in-kind assistance for the respondents – especially Centrelink recipients – was family and friends. Wage recipients had access to a broader range of comparatively self-sufficient strategies that involved reorganizing their finances, or accessing additional income, and that did not require seeking assistance from family, friends, charities or community organizations. Respondents with short-term debt problems also had a lower rate of reliance on borrowing from family or friends, or seeking emergency relief from charity organizations – also suggesting a broad reluctance to turn to others for assistance until their debt problems had become particularly serious.

Policy Implications

The findings of this study have a number of implications for the development of public policy, particularly in the areas of social security and consumer protection.

Commentators in Australia and overseas have already recommended various ways in which people could be assisted to better manage their debt obligations in the context of increased economic insecurity and the growing necessity of interacting with financial service providers as part of their everyday lives. Some of these involve forms of income smoothing, whether in the form of requirements for employers to offer the option of smoothing out irregular pay (Morduch and Schneider 2013, p. 7); or changes to social security law to enable a greater proportion of Centrelink recipients to be paid on a weekly rather than fortnightly basis (Banks et al. 2012, p. 87). Creditors could also assist people on irregular incomes to "make the most of their income spikes" (for example, opportunities to take on additional shifts, or seasonal work) by allowing them to make pre-payment of bills (Morduch and Schneider 2013, p. 7).

The negative impacts of financial hardship on the physical and mental health and social lives of the respondents—as well as other research showing an association between long-term debt problems and ongoing or chronic illness and disability (e.g., Balmer et al. 2005) — also highlight the importance of measures that promote access to health care and foster social inclusion. These include additional funding for social services such as community legal centres, disability, employment support, financial counselling, and mental health services. Multiple commentators have argued that greater integration of such services is needed to address the impacts and underlying causes of financial hardship for vulnerable groups such as older people, people living in rural or regional areas, and people suffering from a physical or mental illness or disability. This could be achieved via co-location of legal and financial services with health services, especially in rural or regional areas where access is complicated by a lack of public transport infrastructure (Gibson 2008, p. 9); and collaboration between financial counsellors and other community workers (Ryan et al. 2010, pp. 18, 45). Balmer et al. (2005) have also emphasized the importance of training for community workers to "actively look out for the signs" of financial hardship and to "signpost" clients to appropriate advisers (p. 48).

There have also been suggestions for ways in which creditors in the consumer credit, energy, water and telecommunications sectors could improve their company practices in order to make it easier for debtors to access appropriate assistance under the legal protections for Australians in financial hardship. These include taking measures to promote awareness of the availability of such assistance; and developing systems for proactively identifying and offering assistance to vulnerable debtors on the basis of their levels of arrears or payment histories (Ali et al. 2015; Ali et al. 2016a; Ali et al. 2017). They also include changes to the consumer law to strengthen these protections, particularly by putting the onus on credit providers to offer a minimum range of assistance to debtors who identify themselves – or are proactively identified – as unable to pay a debt when it falls due (Ali et al. 2016b). Community organizations have also called for similar legal protections to be applied to council rates (FCLCV and FCLC 2012), which, as suggested in the section "Debt Problems of the Respondents," are a source of difficulty for a significant proportion of Australians in financial hardship.

Yet for Centrelink recipients – particularly those relying on Newstart – their heightened risk of financial hardship appears to be a direct consequence of having incomes that are inadequate to meet the basic costs of living. This view is supported by research showing that debt problems for this group are frequently exacerbated by over-reliance on high-interest fringe credit products to pay for everyday essentials such as food (Banks et al. 2012). Measures that fall under the umbrella of promoting "financial inclusion" – for example, additional funding for safe alternative forms of credit such as no-interest and low-interest loan schemes, and the development of affordable general insurance products for people on low incomes – may assist Centrelink recipients and other low income earners to manage unforeseen expenses and protect them from incurring debts to repair or replace lost or damaged property. However, raising the Centrelink payment rate should be the starting point for providing this group with protection from severe and recurring problems with debt.

Conclusion

The breadth of the problem of financial hardship makes it difficult to measure not only its incidence, but also its underlying causes and impacts on debtors and their families. The overall increase in economic insecurity since the 1980s – together with increases in housing and utility costs and rapid growth in household debt – have created a situation in which financial hardship can happen to almost anyone, even debtors with higher levels of social and economic capital, given the right combination of triggering events involving a loss of income or an increase in expenditure. However, the impacts of the "risk shift" described by Hacker and applied by others to the Australian context are not distributed equally, and nor is the risk of financial hardship. As this study shows, those most at risk of experiencing debt problems are already likely to be in a position of socio-economic disadvantage: people living on Centrelink incomes; and people living in rural or regional areas.

The fact that the problem of financial hardship encompasses so many varied circumstances also makes it difficult to generalize about the strategies that debtors employ to deal with their predicament. Yet these questions are of crucial importance to the development of public policy, particularly in the areas of social security and consumer protection. This study shows that Australians generally try to deal with debt problems behind closed doors, opting for individualistic strategies for reducing expenditure and stretching their incomes further – for some, to the point of foregoing necessities such as food, heating, and medical care – rather than seeking outside assistance. Financial hardship – and, arguably, this preference for individualistic approaches to mitigating it – has serious consequences for debtors, their immediate families, and their broader social networks. It has negative impacts on mental and physical health, undermines debtors' ability to meet their basic living needs, and also exacerbates social exclusion.

Ultimately, this study showed that general descriptions of impacts such as "had trouble paying for basics," and "had trouble paying for recreation" – or coping strategies such as "reduced my spending on food" and "cut down on my own recreation activities" – conceal an entire spectrum of experiences and, in many cases, deprivation. For some of the respondents, reducing spending on food meant foregoing take-away and eating out, while for others, it meant skipping meals altogether. Likewise, for some respondents, "luxuries" and holidays were no longer possible; however, others were unable to have any social life. All of the negative impacts of financial hardship were more serious for those respondents who were already in a position of socio-economic disadvantage, and who were more likely to take drastic measures to pay off debt or to simply get by financially while in arrears. Further research and analysis is required to investigate the causes and implications of the over-representation of women among the respondents; the impact of mental health problems on the perceived causes and subsequent escalation of financial hardship; the influence of the duration of debt problems on the types of coping strategies that the respondents employed to get by financially; as well as the greater vulnerability of single respondents to some of the negative impacts of financial hardship. Yet for Centrelink recipients – particularly those relying on Newstart – their vulnerability appears to be a direct consequence of having incomes that are inadequate to meet the costs of living. Raising the level of Centrelink payments should therefore be the starting point for providing this group with adequate protection from what is currently a disproportionate risk of financial hardship.

Acknowledgments The authors thank the two anonymous reviewers for their comments. The authors also thank Dr. Malcolm Anderson for his statistical analysis of the data in this article.

Funding Information This research is supported under the Australian Research Council's Discovery Projects funding scheme (project number DP140101031).

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