



Australian Government

Department of Families, Housing,  
Community Services and Indigenous Affairs

# The experience of financial stress in Australia: the role of life events and prior stress

Annemarie Nicol

Dept of Families, Housing, Community Services  
and Indigenous Affairs

Improving the lives of Australians



Australian Government

Department of Families, Housing,  
Community Services and Indigenous Affairs

## Background – financial stress

---

- Financial stress is defined as the difficulty that an individual or household may have in meeting basic financial commitments due to a shortage of money.
- For many families some experience of financial stress is not uncommon.
- Some advantages in using financial stress measures over income measures.



Australian Government

Department of Families, Housing,  
Community Services and Indigenous Affairs

## Previous research

- Bray, JR (2001) Hardship in Australia: an analysis of financial stress indicators in the 1998-99 Australian Bureau of Statistics Household Expenditure Survey, Department of Family and Community Services, Occasional Paper no.4.
- Breunig, R & Cobb-Clark D (2005) Understanding the Factors Associated with Financial Stress in Australian Households, Social Policy Evaluation Analysis and Research Centre, The Australian National University
- Marks, G (2007) Income poverty, subjective poverty and financial stress, Department of Family and Community Services, Social Policy Research Paper No 29.



Australian Government

Department of Families, Housing,  
Community Services and Indigenous Affairs

## Life events

- Less research on the role of life events on financial stress
- Life events → increased risk of financial stress?
- Life events not restricted to those on low incomes



Australian Government

Department of Families, Housing,  
Community Services and Indigenous Affairs

## Objectives

---

- To explore the characteristics of individuals who enter financial stress.
- To examine the role of life events on the likelihood of entering financial stress.
- To examine the role of the prior experience of financial stress on entering financial stress



Australian Government

Department of Families, Housing,  
Community Services and Indigenous Affairs

## Methodology - data source

---

- Household, Income and Labour Dynamics in Australia (HILDA).
- Primarily Wave 8.
- Final sample consisted 7495 working age individuals (21 years to 64 years) ( $M = 42.3$ ,  $SD = 12.2$ ).
- More detail about HILDA can be found in Watson & Wooden (2004)



Australian Government

Department of Families, Housing,  
Community Services and Indigenous Affairs

## Methodology – measures

---

- Financial stress - due to lack of money:
  - Could not pay electricity, gas or telephone bills on time
  - Could not pay rent or mortgage on time
  - Asked for financial help from friends or family
  - Unable to heat home
  - Went without meals
  - Pawned or sold something
  - Asked for help from welfare/community organisations.



Australian Government

Department of Families, Housing,  
Community Services and Indigenous Affairs

## Methodology – measures – life events

- Life events (in the previous 12 months), for example:
  - separation from spouse or long-term partner
  - being fired or made redundant
  - illness or injury in a family member
  - own illness or injury
  - change of job
  - got married
  - retired from the workforce
  - major improvement in financial situation
  - major worsening in financial situation



Australian Government

Department of Families, Housing,  
Community Services and Indigenous Affairs

## Methodology – measures – other variables

---

- Sociodemographic characteristics
  - age, sex, country of birth, Indigenous status
- Household characteristics
  - household type, marital status
- Financial characteristics
  - household equivalised income, employment status, housing tenure



## Results – prevalence of financial stress

---

Wave 8 frequencies:

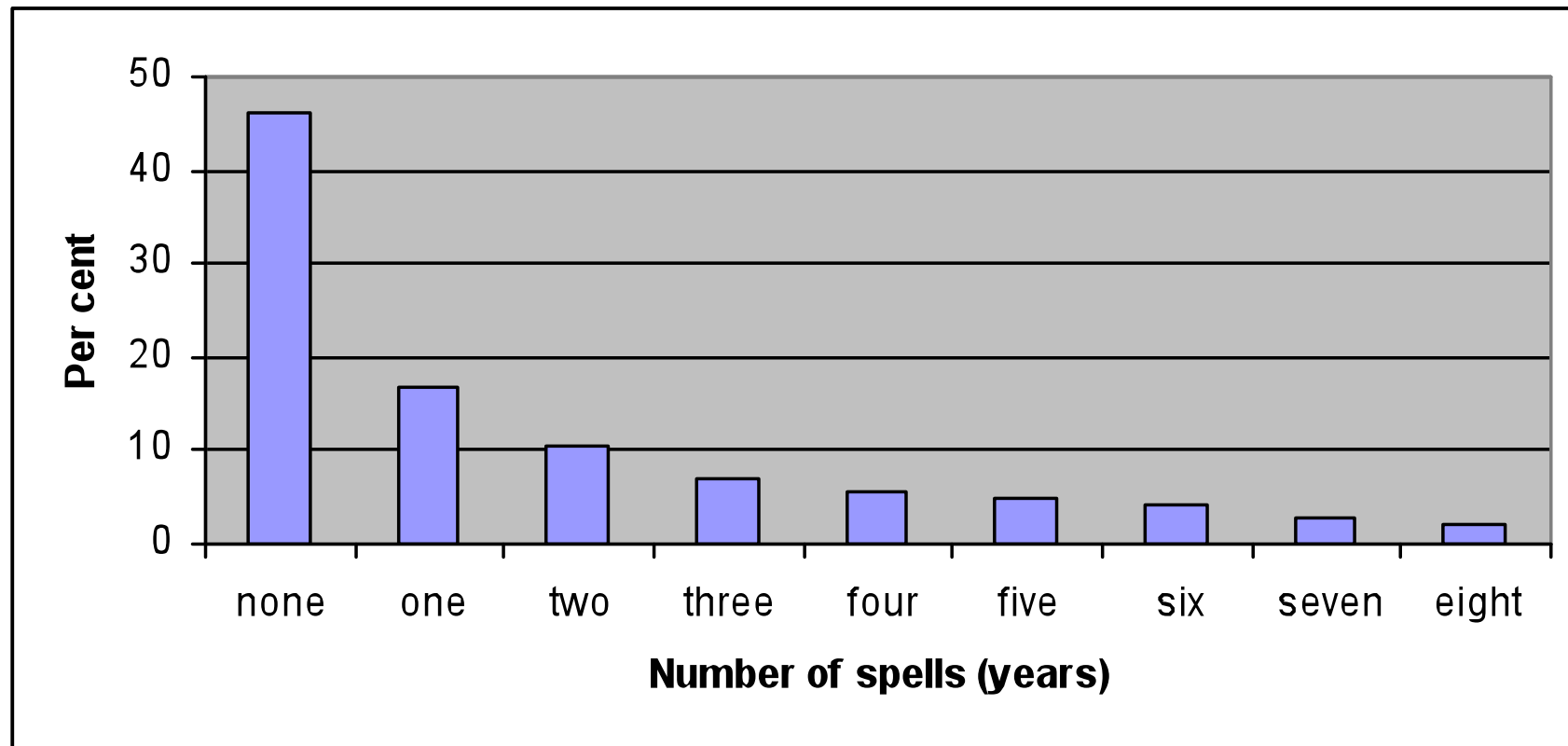
Financial stress: 21% of total sample (n=1,574)

What are they reporting?

Inability to pay electricity, gas, telephone bill	12.5% (n=928)
Asked for financial help from family	12.1% (n=902)
Inability to pay mortgage, rent	6.1% (n=450)
Pawned, sold something	3.7% (n=273)
Asked for help from welfare organisation	3.5% (n=241)
Went without meals	3.1% (n=232)
Unable to heat home	2.1% (n=157)



## Results – recurrence of financial stress



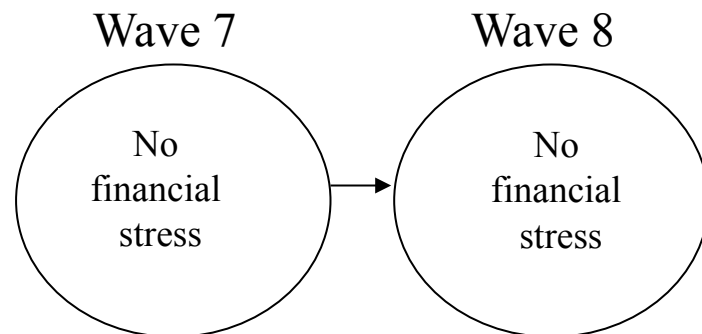
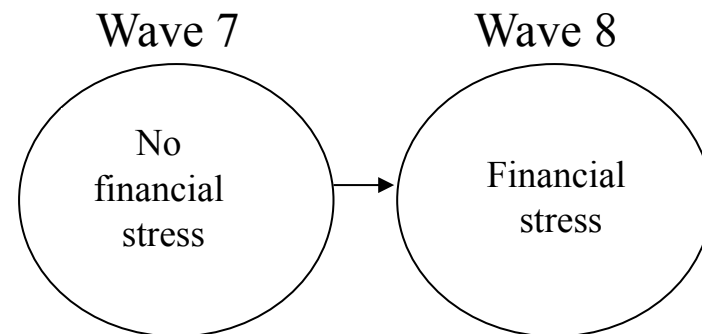


Australian Government

Department of Families, Housing,  
Community Services and Indigenous Affairs

## Results – dynamics of financial stress

- ‘entering’ group:
  - 480 individuals reported financial stress in Wave 8, after reporting no financial stress in Wave 7 (7% of the total sample).
- ‘not stressed’ (comparison) group:
  - 4,624 (78%) of individuals reported no financial stress in either Wave 7 or 8.





Australian Government

Department of Families, Housing,  
Community Services and Indigenous Affairs

## Who is entering financial stress? Bivariate results

---

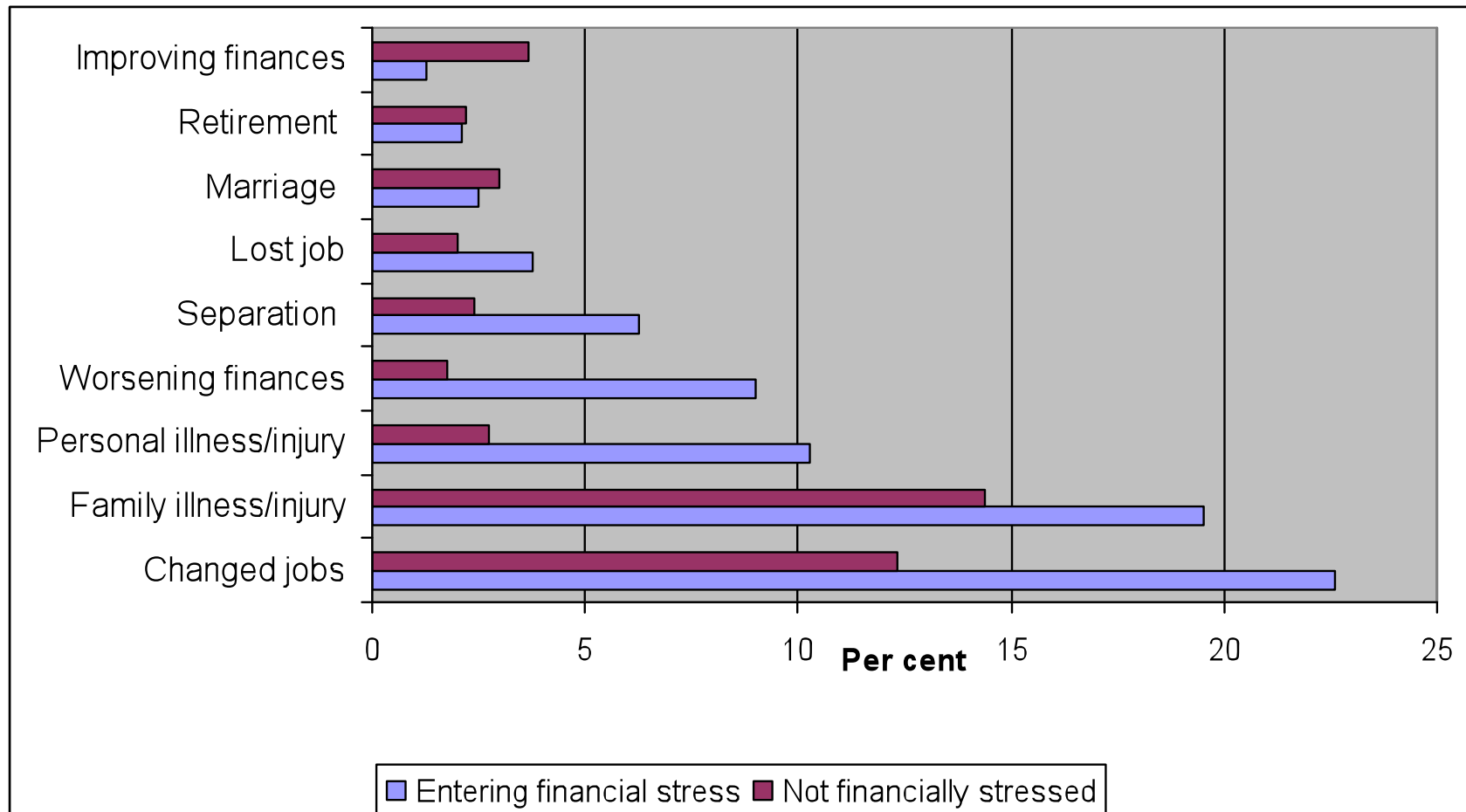
- Compared to those who remained out of financial stress, those who entered financial stress in Wave 8 were more likely to be:
  - younger
  - Indigenous
  - have a year 12 or less education
  - lone parent with child under 15 / lone person
  - separated / divorced / de facto
  - have children
  - unemployed
  - renting / paying off mortgage
  - **prior experience of financial stress**



Australian Government

Department of Families, Housing,  
Community Services and Indigenous Affairs

## Who is entering financial stress? Life events





Australian Government

Department of Families, Housing,  
Community Services and Indigenous Affairs

## Who is entering financial stress? Multivariate results

- logistic regression analysis was used to determine what characteristics and life events predict entering financial stress:
  - age (OR=0.97)\*\*
  - income '000 (OR=0.76)\*\*
  - renting (OR =1.99; reference group paid off house)\*\*
  - mortgage holder (OR = 1.84; reference group paid off house)\*\*
  
  - major worsening in financial situation (OR=6.35)\*\*
  - injury/illness to self (OR=1.72)\*\*
  - injury/illness to family (OR=1.48)\*\*
  - change of job (OR=1.42)\*
  
  - prior experience of stress in Waves 1 to 6 (OR=3.47)\*\*

\* significant at  $p < .05$  level

\*\* significant at  $p < .01$  level

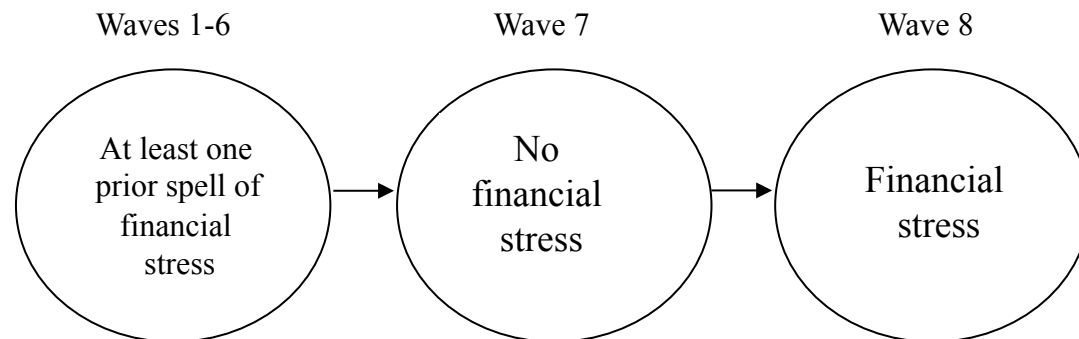


## Does prior stress make a difference?

Compared those who had previous experience of stress with those who didn't:

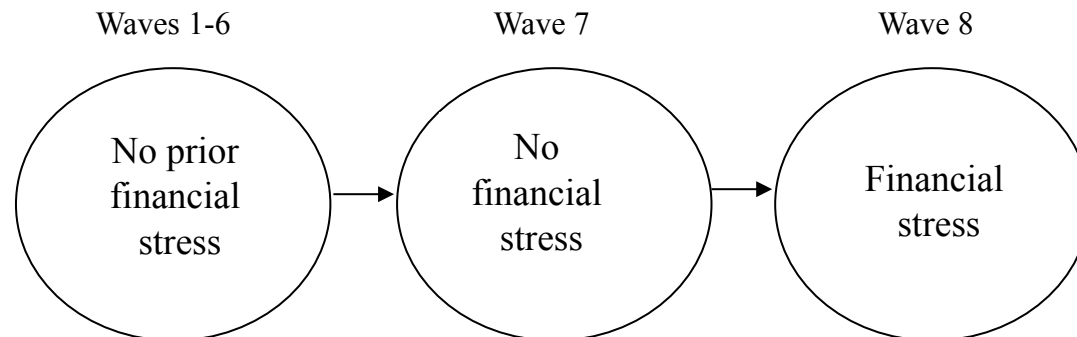
### 'priors'

344 (74%) had at least one experience of prior stress



### 'first timers'

119 (26%) had no experience of prior stress





Australian Government

Department of Families, Housing,  
Community Services and Indigenous Affairs

## Who experiences prior stress? Characteristics in Wave 8

	<b>'First timers'</b>	<b>'Priors'</b>	<b>Not stressed</b>
	Mean / Per cent	Mean / Per cent	Mean / Per cent
Age	40.44 years	39.36 years	44.51 years
Sex (female)	55.4%	58.1%	52.6%
Have children	34.5%	45.6%	17.7%
Current income (Wave 8)	\$39,636	\$36,081	\$51,045
Previous income (Wave 7)	\$46,666	\$34,486	\$47,645



Australian Government

Department of Families, Housing,  
Community Services and Indigenous Affairs



<b>Prior experience of stress (Priors)</b>	<b>No prior experience of stress (First timers)</b>
Age (OR=0.98) **	
Income '000 (OR=0.78)**	
Renting (OR =1.76) **	
Mortgage holder (OR = 1.73)**	
Major worsening in financial situation (OR=5.66)**	



Australian Government

Department of Families, Housing,  
Community Services and Indigenous Affairs

<b>Prior experience of stress (Priors)</b>	<b>No prior experience of stress (First timers)</b>
Age (OR=0.98) **	Age (OR=0.97) **
Income '000 (OR=0.78)**	Income '000 (OR=0.77)**
Renting (OR =1.76) **	Renting (OR =3.89)**
Mortgage holder (OR = 1.73)**	Mortgage holder (OR = 2.13)**
Major worsening in financial situation (OR=5.66)**	Major worsening in financial situation (OR=9.16)**
	Separation (OR=2.21)*
	Injury/illness to self (OR=2.31)*
	Injury/illness to family member (OR=1.81)**
	Change of job (OR=1.83)**



Australian Government

Department of Families, Housing,  
Community Services and Indigenous Affairs

## Discussion: what is the effect of prior stress?

---

- Found that the prior experience of financial stress moderated the relationship between life events and the likelihood of entering stress.
- For those who had no prior stress ('first timers') life events (such as a separation, illness, change of job) were significant predictors of the likelihood of moving into financial stress.
  - These events were not significant for those with prior stress experience.
  - Role of income – previous and current



Australian Government

Department of Families, Housing,  
Community Services and Indigenous Affairs

## Implications

---

- Role of money management programs
- Prior stress has a role in predicting entrance into financial stress
- Integration of support services with key government contact points such as Centrelink, Child Support Agency and Medicare.



Australian Government

Department of Families, Housing,  
Community Services and Indigenous Affairs

## Discussion – limitations and future work

---

- Non-response bias.
- Measurement problems.
- Unit of analysis: looking at individuals rather than households... will need to address this in future research.
- Sample size issues
- Future research – explore what are the outcomes for those moving into financial stress for the first time...does the event set them on a trajectory that will take years to recover?



Australian Government

Department of Families, Housing,  
Community Services and Indigenous Affairs

## Acknowledgements and Questions

---

I would like to thank Alison Waters and colleagues from the Money Management Branch and Paula Mance and staff of Research Projects and Publications for their helpful suggestions and feedback on this presentation.

The opinions, comments and/or analysis expressed in this document are those of the author and do not necessarily represent the views of the Minister for Families, Housing, Community Services and Indigenous Affairs and cannot in anyway be taken as expressions of Government policy.