PARLIAMENT

OF

SOUTH AUSTRALIA

RURAL POVERTY

IN

SOUTH AUSTRALIA

Interim Report

of the

Social Development Committee

(Fourth Report)

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SOCIAL DEVELOPMENT COMMITTEE

Establishment and composition of the Social Development Committee

The Social Development Committee was established pursuant to Sections 13,14 and 15 of the *Parliamentary Committees Act 1991* proclaimed on 11 February 1992.

Members

Hon Dr B S L Pfitzner MLC (Presiding Member)

Hon C A Pickles MLC
Hon S M Kanck MLC
Mr M J Atkinson MP
Mr S R Leggett MP
Mr J Scalzi MP

Secretary to the Committee

Ms V Evans

Research Officer

Mr J Wright

Functions of the Social Development Committee

The functions of the Social Development Committee are:

(a) to inquire into, consider and report on such of the following matters referred to it under this Act:

 (i) any matter concerned with the health, welfare or education of the people of the State;
 (ii) any matter concerned with occupational safety or industrial relations;
 (iii) any matter concerned with the arts, recreation or sport or the cultural or physical development of the people of the State;
 (iv) any matter concerned with the quality of life of communities, families or individuals in the State or how that quality of life might be improved;

(b) to perform such other functions as are imposed on the Committee under this or any other Act or by resolution of both Houses.

TERMS OF REFERENCE

Pursuant to Section 16(1) of the *Parliamentary Committees Act 1991*, the following terms of reference were referred to the Social Development Committee by the House of Assembly on 10 March 1994:

The Social Development Committee should investigate the effects of rural poverty on -

(a) children, single adults, single parent families, married couples (as individuals and as a care-giving team), couples with dependent children, the aged (whether pensioners or not), and other groups of pensioners;

(b) the communities in which they live;

(c) the educational, social, recreational and professional organisations to which they attend and/or which they belong;

(d) the delivery of Government services to those people and their communities; and

(e) the ways in which more effective sources of help can be identified to alleviate distress, dysfunctional behaviour, mental ill-health, suicide, demise of community organisation structures and traditional activities and any other consequences the Committee discovers and considers relevant to the need for social redevelopment,

by taking evidence in the most poverty stricken areas of rural South Australia (such as the Murraylands and Mallee) from individuals, groups and community representatives and provide an interim report to the House of Assembly before the end of April 1994.

INTRODUCTION

Surprisingly little is known about the dimensions of rural poverty in Australia as most poverty research has focused on metropolitan areas. Yet there are indications that rural poverty may be more widespread and severe.

This interim report presents the findings to date of the Social Development Committee's inquiry into rural poverty. As set out in the terms of reference, the objectives of the inquiry are to investigate and report on:

1. the nature and extent of rural poverty in South Australia;

2. the social and economic impact of poverty on rural communities;

3. the effectiveness of existing measures and services to alleviate poverty in rural South Australia;

4. changes that would contribute to the reduction in poverty in rural South Australia.

The Committee notes that so far it has received largely anecdotal evidence about rural poverty in South Australia. Although interesting, the Committee believes that it does not necessarily provide a true measure of the dimensions of the problem and that it needs to be assessed against more rigorous, quantitative data. That is not to detract from the very useful and informative evidence that has been provided. In the next stage of the inquiry, the Committee will take evidence from persons and organisations that can provide quantitative data about the extent, severity and impact of poverty on rural South Australia.

The Committee awaits with interest the release of the State Government's rural debt audit which has investigated farm debt in South Australia. The Committee has noted recent comments about the audit by the Minister for Primary Industries, Hon Dale Baker MP:

> Early briefings indicate that while there are certainly farm families in difficulty, there are many more who are either debt free or are adequately servicing their debts. (Media release, 23 March 1994)

The Committee believes that the rural debt audit report will help in its inquiry into rural poverty in South Australia.

WHAT IS POVERTY

Introduction

The Committee notes that almost two decades after the Australian federal government's 'Commission of Inquiry into Poverty' (known as the Henderson report) the Australian debate over poverty continues to be characterised by a lack of consensus over a definition.

For the purposes of its interim report, the Committee remains uncommitted to endorsing a precise definition of poverty. Instead, the Committee intends to select some examples of definitions, and advance explanations by researchers in the field about the difficulties associated with interpreting the concept of poverty. This overview of defining poverty is not intended to be an exhaustive account, and it may be that the Committee finds it necessary in the final report to elaborate on some of these issues.

Describing poverty: an analogy

In evidence to the Committee a witness (Travers, oral evidence, 1994) described poverty by way of an analogy:

> I have heard poverty described as the whole community standing in various levels of water, with some people being up to their waist, the poor tend to be the ones up to their neck in the water. If anything goes wrong, it could be something external or it could be through mismanagement, they are in trouble, they go under. Those of us who are affluent, if you like, are up to our ankles in water. We can make all sorts of mistakes in life and life goes on ... one of the features of poverty ... is that there is no room for error or folly of any kind.

Defining poverty: historical attitudes and ethical influences

Ethics and attitudes influence our understanding and definition of poverty. According to Richardson and Travers (1994) poverty encompasses a range of ethical concepts. These include the nobility of poverty associated with religious renouncement of material goods, that poverty is the result of character defects and personal weakness, an economically rational view that poverty is harmful because it causes inefficiency and under production, as well as the more compassionate view that poverty is offensive because of the suffering it causes.

Richardson and Travers (1994) suggested that situations such as 'hunger, inadequate shelter, lack of other basic material resources and exclusion from normal social activity' are described by the concept of poverty, at the same time as implying an 'evaluation' of these situations. Value judgements may include 'the people involved must be inadequate' or 'it [poverty] is unacceptable in a rich society' (Richardson and Travers, 1994) and so on.

Richardson and Travers (1994) believe it is important to highlight the different interpretations of 'the social meaning of poverty' if there is to be an understanding of the difficulties attached to obtaining reliable information about the severity and extent of poverty. More importantly, Richardson and Travers (1994) caution that each of the different understandings of poverty 'will generate its own definition for measurement purposes', thus risking rejection of findings based on measurements at odds with those from other perspectives.

Contemporary definitions of poverty

A Melbourne survey of 'People in Poverty' (Henderson et al, 1970) defined poverty according to a measurement, known as a 'poverty line' (discussed below). Henderson et al (1970) based their definition on the commonly held assumption that 'poverty means an inadequacy of income'. The researchers believed that their definition of poverty was 'so austere as ... to make it unchallengeable' given that their accepted state of poverty was based on 'the situation of a man with a wife (not working) and two children whose total weekly income at that time was less than the basic wage plus child endowment' (Henderson et al, 1970).

Evidence prepared by the Australian Council of Social Service (ACOSS) for the Commonwealth Commission of Enquiry into Poverty (1976) argued that a definition of poverty was an essential starting point to discussions:

> Poverty is defined as a life condition created by a constellation of deprivation factors which together result in a standard of living **significantly** below that acceptable for and by the community.

The ACOSS (1976) definition of poverty was based on a rejection of poverty narrowly defined to consider 'only minimum income levels necessary to subsist'. ACOSS argued that issues such as various lifestyle factors and standards of living must also be examined, thus suggesting a 'relative' approach to defining poverty.

In response to a request from the Committee for a definition of poverty, Richardson and Travers (1994) summed up their view as follows:

> The poor are those whose material circumstances are such that they cannot be said to live decently according to the standards of the day.

This statement was further qualified by Richardson and Travers, expressing agreement with British researchers Mack and Lansley (1985) who defined poverty as 'an enforced lack of socially perceived necessities' (quoted by Richardson and Travers, 1994).

No definitive answer to the question of what is poverty

Some researchers claim that 'there is no definitive answer to the question of what is poverty' (Davidson and Lees 1993). To illustrate this point, Davidson and Lees (1993) drew on a statement by Townsend (1979) that 'poverty can be defined objectively and applied consistently only in terms of the concept of relative deprivation'. This led Davidson and Lees (1993) to argue that 'poverty is relative and therefore, specific to the social context in which it occurs'. In other words, what constitutes living in poverty in Australia would differ markedly from the experience of poverty in an undeveloped country. Likewise, movement 'in' and 'out' of poverty would be possible over time, presumably in response to factors such as changing standards of living. For these reasons, Davidson and Lees (1993) concluded that:

> ... attempts to construct a universally acceptable definition of poverty are unlikely to succeed as poverty will always be a function of the particular social context within which needs are created and satisfied.

MEASURING POVERTY

Introduction

The Committee is aware that poverty is a contested concept which defies agreement on definition. Similarly, disagreement also characterises the assessment of the extent and severity of poverty. It has been suggested above that arriving at a definition of poverty is intrinsically linked to measuring poverty. In other words, different understandings of poverty in turn influence how poverty is measured.

The measurement of poverty is fraught with difficulties, and traditional measuring devices — including the common use of 'poverty lines' — are often argued as problematic and lacking in accuracy. Although the Henderson poverty line (discussed below) remains the most widely accepted device for measuring poverty in Australia, critics continue to question its merits. Indeed, in evidence to the Committee scepticism about poverty lines was cited as the reason for devising other measures (Richardson, 1994).

The Henderson poverty line

The study by Henderson et al (1970) of income and needs in Melbourne in 1966 used a measurement device based on income known as a 'poverty line'. For the authors of this study, adopting this method satisfied both the well accepted relevance of the basic-wage to Australian standards of living, and achieved a level of comparability with international research into poverty using similarly constructed poverty lines.

The poverty line developed by Henderson et al (1970) used the following formula:

> We have assumed that if the standard family of a man, wife and two children had in 1966 an income that was equal only to the basic wage plus child endowment they would be likely to be in poverty. This amounted to $32.00, so it was assumed that $33.00 was a reasonable figure to use as a poverty line. ... Any income unit whose 'adjusted income' was below $33.00 was regarded as being in poverty.

According to Henderson et al (1970) it would be necessary to update the poverty line regularly, allowing not only for price changes but also for rises in both productivity and general standards of living.

The poverty line developed for the 1966 Melbourne study (Henderson et al, 1970) was later taken up by the Commonwealth government for its 'Commission of Inquiry into Poverty'. Known thereafter as the Henderson poverty line, it has survived criticisms to remain an accepted device for measuring poverty in Australia and continues to be updated regularly.

Criticisms of poverty lines

In evidence to the Committee, a witness stated that 'there are major groups for which the money income does not give an accurate picture' (Richardson, oral evidence, 1994). This indicated that the Committee should not be solely reliant on the poverty line for its inquiry.

Travers and Richardson (1993) argue that the conventions of the Henderson poverty line should be abandoned in favour of a more superior measuring device, one that relies on full income[1] rather than current income[2], for the following reasons:

- income gives us only one perspective on poverty, yet people on similar incomes may be quite different in other ways;
- income does not tell us what other resources people have access to, such as the entire range of government services;
- current income fluctuates over a lifetime, and tells us less about poverty than would a measure that takes into account savings and assets built up during times of prosperity;
- income is notoriously difficult to measure accurately.

[1] Full income is described by Travers and Richardson (1993) as a measure 'expressed in dollars of all the major sources of material well-being including money income.'

[2] Current income is annual after-tax money income (Travers and Richardson, 1993).

The Committee is aware that the desire for a relatively simplistic and neat formula has been argued by critics of the Henderson poverty line as the main motivation for its retention as a measure of poverty (Travers and Richardson, 1993).

Applying the poverty line to the measurement of rural poverty

The Committee notes that the validity and appropriateness of the Henderson poverty line has been questioned generally as a device to measure poverty. However, the Committee is also aware that this approach has been found particularly wanting with respect specifically to measuring rural poverty.

Indeed, the Australian federal government's 'Commission of Inquiry into Poverty ' (1975) conceded that the difficulties of comparing the extent of poverty among farm families relative to non-farm families were sufficient to prevent the development of an accurate measuring device applying the traditional income-based model. The Commission made a number of observations about the barriers to estimating the extent and severity of poverty among the farming community, such as 'the income of the farming enterprise ... is a poor guide to the disposable income of the farm family' and 'low income among people who own and operate businesses is not a good indication of poverty'. Further complications to an accurate assessment of rural poverty among farmers included the variability of farm income. The Commission stated that by combining assets and incomes for this group, it could be said that some farmers were reasonably well off and that furthermore 'while many farm families are income poor, very few are both income *and asset* poor'.

Similar comments were made in evidence to the Committee. A witness (Richardson, oral evidence, 1994) told the Committee of conclusions reached following a recent visit to a South Australian farming couple, 'These people had a very low cash income but they were not poor in their material standard of living, which was quite good'. The Committee believes that this highlights the importance of getting 'a better and more complete picture of material well-being' (Richardson, oral evidence, 1994). The Committee was advised (Richardson, oral evidence, 1994) to go beyond a simplistic analysis of poverty, looking instead to an examination of the full range of indicators in 'spheres of well-being' including both the non-material (for example friendship, family, health, education) and material well-being (for example money income, financial wealth, material possessions).

To investigate claims that poverty 'in the bush' was more extensive and severe than in metropolitan and urban areas, Davidson and Lees (1993) embarked on a comparative study of poverty in rural and regional Australia. Avoiding traditional methods of measuring poverty based on income levels, Davidson and Lees (1993) concluded that a reliable estimate of the extent of poverty was dependent on making effective comparisons between households:

> ... it is necessary, first of all, to make appropriate adjustments to household gross incomes for income tax, and then to adjust these net of tax incomes for perquisites that are available to the self-employed and employers and not available to other labour force categories.

At the conclusion of their study, Davidson and Lees (1993) were able to confirm many accepted views about the existence, extent and distribution of poverty in Australia, as well as reject the notion that rural poverty was more serious than city-based poverty. The Committee believes that it is important to realise that Davidson and Lees (1993) findings were made possible by extending and improving traditional approaches to poverty measurement.

Alternative measures of poverty

Seeking an alternative to the poverty line, academics Travers and Richardson (1993) propose a strategy using both an income-based measure using full-income and direct measures, set out as follows:

- rank income units (defined according to purpose) by some measure of material standard of living;
- select the percentile(s) or other criteria that define the bottom group on which attention will be focused, such as the 10th or 20th percentile or half the median income;
- examine the material resources of this bottom group relative to the whole population, using various inequality measures;
- describe how the bottom group (and selected subsets) is living, both in absolute terms and relative to some appropriate reference group (for example, extent of ownership of cars, houses, consumer durables, ability to pay bills, holidays away from home);
- perhaps reflect upon, but do not claim expertise in, judging whether the circumstances described, both relative and absolute, constitute living decently.

The Committee accepts that situations typical of rural areas where people are often ‘cash poor but asset rich’ exposes the shortcomings of traditional income based poverty lines. The Committee believes that to assess as accurately as possible the extent and severity of rural poverty it will be necessary to go beyond the limitations of a strict income-based analysis. The Committee agrees with evidence received (Richardson, oral evidence, 1994 and Travers, oral evidence, 1994) that the inquiry should endeavour to take into account broader issues and themes such as regional decline, the availability of community services and the state of family networks.

PREVIOUS RESEARCH INTO RURAL POVERTY IN AUSTRALIA

Introduction

Although most poverty research in Australia has been concerned with metropolitan poverty, there have been a number of quite detailed studies of farm poverty. What most of these studies show is that there are significant numbers of farm households living in poverty and that this has been a feature of rural Australia for many years. This section summarises the main research into rural poverty in Australia.

Studies of farm poverty

A financial crisis in the dairy industry in the 1960s led to several studies into poverty amongst farmers. The first of these (McKay, 1967) used farm income data from surveys by the Bureau of Agricultural Economics to estimate net farm income and hence the extent of rural poverty. Net farm income was defined cash receipts less cash costs, depreciation and an imputed amount for the value of family labour. McKay selected \$2 000 per annum as the benchmark for differentiating between a low and an adequate income. McKay's study revealed that in the early 1960s 40 000 to 45 000 farms had annual incomes of less than \$1 000 and about 80 000 had incomes of less than \$2 000. Dairy farms had the lowest incomes. From these results, McKay estimated that 34% of the total farm population in Australia received \$2 000 or less annually and 19% received \$1 000 or less.

McKay's method was criticised as underestimating disposable farm household income because it did not take into account non-cash perquisites, interest payments were not included, adjustments were not made for family size and off-farm income was ignored (Musgrave et al, 1975). In response to these criticisms, Davidson (1968) used Bureau of Agricultural Economics farm income survey data with adjustments for non-cash perquisites (e.g. rent, motor vehicle use and food) to gauge how well-off farm families were. Davidson noted that these adjustments, while an improvement on McKay's method, did not take account of wealth increases such as an increase in farm land values and opportunities available to farm families for reducing tax liabilities (i.e. investment in farm capital improvements).

Davidson used the benchmark of \$600 per annum to measure whether or not a farm family was in poverty. Using unadjusted farm income data, he found that in 1965 10% of farms had incomes below this level. After adjusting for perquisites, the number of farm families below the benchmark fell to 6%. He concluded that farm poverty was not a significant issue.

The Royal Commission of Inquiry into Poverty in Australia in the 1970s also attempted to measure the extent and severity of rural poverty using data from an income survey carried out by the Australian Bureau of Statistics (ABS) for the Commission in 1973. In arguably the most detailed assessment to date, this snapshot of income based poverty showed that in 1972-73, approximately 12% of farm households had incomes below the poverty line. This compared with about 7% of the non-farm population. A striking feature of the survey results was the large number of farm households with incomes significantly below the poverty line (about half the farm households with incomes below the poverty line had incomes that were less than 20% of the poverty line). A closer examination of the characteristics of these farms showed that many were operated by farmers aged 60 years and over, and they were generally small acreages with little commercial output.

Owing to the income minimisation provisions available, low income is not necessarily a good indicator of poverty for people such as farmers who own and operate businesses. To get a better idea of farmers' real financial situation, income was compared with net worth (i.e. assets). This showed that a considerable number of low income farm households had substantial reserves of net worth; only about a fifth of the farms with incomes below the poverty line also had a low net worth. These were mostly sub-commercial operations run by farmers aged 60 years or more.

The Royal Commission also found that although poverty was distributed among farm households of all sizes, it was concentrated among single person households, many of whom were older people on small holdings.

To get a better understanding of rural poverty, the Commission of Inquiry into Poverty funded a number of detailed investigations of farmers' finances and farm characteristics. In-depth surveys of farmers in a range of industries were carried out in Queensland, New South Wales and Victoria. These showed that while the ABS income survey did not reveal high levels of farm poverty on an Australia-wide basis, there were pockets of poverty in particular areas and industries.

Building on the work of the Royal Commission, Vincent (1976) investigated the extent to which poverty among farm families was a temporary or chronic phenomenon. Using taxation data to examine the incidence of poverty over the period 1968-69 to 1972-73, Vincent found a sizeable group of farm families in chronic poverty (three or more years below the poverty line) and an even larger group who experienced temporary poverty. Relatively few (53%) farm families had remained above the poverty line for each of the five years. Of those whose incomes had fallen below the poverty line in one or more years, 36% had spent three out of five years below the poverty line and 64% one or two years below the poverty line. Although many farm families had incomes below the poverty line for at least some of the time, Vincent found that only 14% had aggregate incomes below the poverty line. He concluded that for most farm families, surpluses in good years were sufficient to cover short falls in bad years, and that in most instances low income was a temporary phenomenon resulting from the variability inherent in agriculture.

The most recent study of rural poverty is that of Davidson and Lees (1993) who used data from the 1986 Census to compare the extent and severity of poverty in rural and metropolitan Australia. The study was motivated by conjecture that poverty in rural Australia had increased in the last decade and was more common and more severe than poverty in metropolitan areas. To compare poverty levels, Davidson and Lees developed regionally specific poverty measures that adjusted household gross incomes for income tax and the perquisites available to different labour force groups and that also took account of regional differences in the cost of living and consumption patterns. Using the Henderson poverty line as the poverty benchmark, Davidson and Lees found that the incidence of poverty among farmers was 28%, noticeably higher than the national average of 22%. Interpreting their findings, Davidson and Lees added the caveat that in 1986 farmers in Australia were in the midst of a severe rural recession and that in an average year the incidence of poverty amongst farmers may not be significantly greater than in society generally.

Studies of poverty in rural-urban communities

As shown by the preceding studies, most investigations of rural poverty have focused on farm poverty with little attention given to poverty among the rural-urban population. Davidson and Lees (1993) state that the reason for this is the long held assumption that an examination of the economic well-being of farmers provides an effective indicator of the well-being of the rural-urban communities. While it is true that there are important linkages between the farm economy and the economy of rural towns, research by Stayner and Reeve (1990) has found that these linkages are not as strong as is frequently assumed. Further, the belief that policies which provide support for farmers will, via a trickle down effect, also provide indirect support for the incomes of those living in rural towns is only partly correct. It has been found that increases in farmers' discretionary income (the amount that remains after basic needs are met) is not necessarily spent locally, with many by-passing their local towns in favour of larger urban centres that offer a greater variety of goods and cheaper prices (McKenzie, 1984). Hence Davidson and Lees (1993) caution against any simple extrapolation of the relationship between farm well-being and the well-being of the inhabitants of rural towns. This shows that any examination of rural poverty must not only consider farm families; it also indicates that policies to alleviate rural poverty should address the needs of the rural-urban population as well as farm families.

The most comprehensive examination of rural-urban poverty to date is that by the Commission of Inquiry into Poverty (1975) which looked at the incidence and characteristics of poverty in rural-urban communities. It concluded that there was a higher rate of poverty in rural-urban areas than in non-rural areas. Reasons for this were believed to be the higher proportion of older persons in rural areas, a higher incidence of large families and lower incomes for wage earners, particularly labourers.

More recently McKenzie (1987) has similarly claimed that the main incidence of poverty in rural Australia is in the towns rather than on the farms. He goes so far as to describe low income families living in small country towns 'the forgotten poor of Australia'. Those living in poverty in towns lack the means to present their case as they do not have organisations to represent their interests. McKenzie argues that in contrast the farm lobby is well organised and practised in representing its case to society in general and politicians in particular.

BACKGROUND TO THE FINANCIAL CRISIS BEING EXPERIENCED BY PRIMARY PRODUCERS

Until the deregulation of the financial market, interest rates paid by primary producers were controlled and kept slightly below market rates. Because banks could obtain higher returns elsewhere they were conservative in their assessment of rural loan applications and farmers often had difficulty getting banks to lend capital.

After deregulation primary producers started paying market interest rates and banks began to differentiate between customers by charging different margins according to risk. Farms, like other small businesses, were regarded as having above average risk and were charged higher interest rates.

Perhaps most significantly in terms of the financial difficulties now being experienced by many farmers, banks became willing lenders after deregulation. Eager to shore up market share in a deregulated financial market, banks relaxed lending criteria, often with insufficient regard to commercial reality.

At about the same time as market deregulation, the Federal Government's monetary policy was causing interest rates to rise. For many primary producers who borrowed extra capital, ironically to increase farm viability, the high interest rates of the late 1980s led to significant increases in debt servicing costs.

At the same time as interest rates were rising, commodity prices were falling. In the early 1990s following the removal of the guaranteed minimum price for wheat and the collapse of the floor price for wool, the price of these commodities fell by approximately 40% (Report of the Select Committee of the South Australian House of Assembly on Rural Finance, 1992). Low commodity prices, in some cases below production costs, made it impossible for many farmers to meet their debt requirements. Banks compounded the problem because farmers who were unable to meet their interest and loan repayments often had harsh interest rate penalties imposed on outstanding loans, leading to a rapid escalation of debt. For many, spiralling debt became a vicious circle from which there was no escape.

In many cases penalty rates were applied to farmers who already had a low equity in their property, further reducing their equity and making adjustment out of agriculture even more difficult. Increased debt levels and reduced profitability has increased the number of farmers wanting to sell their farms which in turn has reduced land prices thereby making it uneconomic for farmers to sell up.

This confluence of circumstances has also been extremely disruptive to small business in rural communities, particularly those with a direct reliance upon agriculture. As farm incomes have fallen and farm families have sold up and moved out, local businesses have also failed, compounding the impact of the rural crisis.

Although in recent years there has been an easing of interest rates, it is expected that rural communities will continue to face highly variable commodity prices, sustained cost pressures and fluctuating interest rates.

RURAL AREAS FOR SITE VISITS BY THE COMMITTEE

Owing to the limited time available to conduct the poverty inquiry, the Committee concluded that it was not feasible to visit all rural areas in the State to take evidence. Instead it was decided to limit site visits to the two most severely affected regions.

To determine which regions to travel to, the Committee obtained information from the Australian Bureau of Statistics (ABS) that ranked areas according to their level of socio-economic disadvantage. The data were compiled by the ABS using a computer program called Socio-Economic Indexes for Areas (SEIFA) which uses Census data to calculate a summary measure of the socio-economic conditions of an area (ABS, 1994).

Other indicators of disadvantage were considered by the Committee but it was decided that the ABS socio-economic indexes provided the most readily available, statistically valid, composite measure of disadvantage. It should be noted that the indexes are not a measure of poverty as they do not provide any information about wealth, savings, debt levels, property values or equity. The Committee's decision to use the ABS indexes was supported by two expert witnesses in poverty measurement who appeared before the Committee (Travers and Richardson, oral evidence, 1994).

The ABS has developed five indexes to measure the socio-economic conditions of areas with each index summarising a different aspect of socio-economic well-being:

1. Urban Index of Relative Socio-Economic Advantage

2. Rural Index of Relative Socio-Economic Advantage

3. Index of Relative Socio-Economic Disadvantage

4. Index of Economic Resources

5. Index of Education and Occupation

Given the Committee's particular interest in the impact of poverty on farming and small rural-urban communities, the ABS recommended that the most appropriate measure to use was the Rural Index of Relative Socio-Economic Advantage. This uses income, occupation and educational attainment data to rank rural areas according to their level of disadvantage. A high score on the index means that an area has characteristics such as a relatively large proportion of households with high incomes, more people with high levels of education and a relatively large proportion of the labour force in skilled occupations. A low score indicates the opposite.

An examination of the areas in the bottom quartile of the index showed that the Murray-Mallee Statistical Subdivision and the Pirie Statistical Subdivision had the largest number of disadvantaged rural areas (see Appendix A).

SUBMISSION FROM MURRAY-MALLEE COMMUNITY REPRESENTATIVES

Introduction

At the commencement of its inquiry the Committee received evidence from community representatives from the Murray-Mallee, one of the areas most severely affected by the down-turn in the farm sector. These witnesses described:

- the effect the rural crisis was having on children and the health of people in the region;
- that there was increasing social isolation, especially among women; and
- that some farmers were being forced to use non-sustainable land management practices because of pressure from banks to repay loans.

The evidence of the community representatives is summarised below.

Impact on children

According to witnesses, some children blamed themselves for their family's financial difficulties. Believing that they were a financial drain on the family, the Committee was told that some children had approached their school counsellor to find out how they could be adopted or fostered out. It was also reported that the rural crisis was placing a severe psychological strain on children and that a number had attempted to commit suicide:

> These issues have created emotional traumas within the children ... They would hear their parents arguing about the fact they may lose the farm which

> means that they will probably lose their home. ... They hear their fathers particularly talking about burning the place, burning the bank, shooting the bank manager or shooting themselves. Whilst in some instances this is said more in jest, the kids take it very seriously.
>
> As a result, the children become very anxious and frightened and may find themselves powerless. In some cases I am told that they have blamed themselves: they feel the costs they are imposing on their parents are too much at this time. (Bowman, oral evidence, 1994)

The Committee heard that as a result of reduced incomes, farmers could not afford to employ labour and were increasingly relying on their children to do farm work:

> We are finding that children are being asked to replace labour that was once paid for. Farmers are unable now to pay for labour, but the work is still there. Obviously, you cannot just leave the work on the farm. (Bowman, oral evidence, 1994)

The Committee heard further that some children were having to work excessively long hours and that they were being given an undue amount of responsibility to generate extra farm income and pay their own way:

> We have documented evidence of some children driving tractors for between 200 and 300 hours during the seeding season. We also have evidence of kids who, having been given a sense of responsibility by raising a small litter of piglets, are now looking after the piggery. Whereas they may have been raising three or four bobby calves, they are now raising 10 or 15 to try to increase the earning capacity of the farm and pay their own way. (Bowman, oral evidence, 1994)

As a result children were going to school tired, which was affecting their school work. At the same time parents were telling their children that there was no future in farming and that they needed to do well at school so that they could get a job or go on to further study.

The Committee was also told that some school children were resorting to stealing from other students to get enough food to eat:

> ... there are kids stealing food, and that is not something we have experienced before in the terms of hunger. There are children now ... who are actually stealing from their classmates simply because they are hungry and that is a phenomenon we have not experienced before. (Bowman, oral evidence, 1994)

Medication use

To illustrate the effect that the rural recession was having on the health of Murray-Mallee residents, the Committee was given information by a pharmacist about changes in the level of medication use.

This showed significant increases in the use of prescription medication, particularly for drugs used to treat stress related conditions. For example, comparing the years 1987 and 1992 it was reported that there had been a 104% increase in the number of prescriptions for migraine medication, a 140% increase for anti-depressants and hypnotics, and a 515% increase in medications for treating ulcers[3].

The Committee believes that these data should be interpreted with caution and that they do not necessarily demonstrate a substantial increase in the number of people suffering from these medical conditions. For example, it may be that these medications are now easier to get under Medicare and that doctors are prescribing them more often. Further, the data are from only one pharmacy in the Murray-Mallee.

It was explained to the Committee that the marked increase in the use of medication to treat anxiety related conditions was 'a symptom of the stress and depression that arises from the goings on in the rural economy and rural areas' (Gooley, oral evidence, 1994).

Isolation

The Committee heard that a further effect of the rural recession was increasing social isolation. The high cost of fuel meant that people made fewer trips to go shopping or visit friends; telephone use was also restricted because of the cost.

The Committee was told that rural women were particularly vulnerable to social isolation as they encountered 'pressure from husbands to stay at home and not use the telephone' (Nichols, oral evidence, 1994). This compounds their difficulties because it reduces their access to the very services and facilities that would help them cope with their circumstances.

The issue of isolation is discussed further below.

Impact on farm management practices

A soil conservation officer told the Committee that owing to poverty and debt repayment pressures, some farmers were using non-sustainable land management practices in an effort to generate as much immediate income as possible. It was stated that these practices were detrimental to the long term viability of the land:

> ... Landcare is marking time while the recession is on. People are applying short term solutions because of poverty. In other words, they are mining the soil rather than taking on long term strategies for management. ... we are concerned about falling nutrient levels of the soil and the fact that some of

[3] This excludes antacids, which increased by 26%.

> these farmers are being forced to adopt non sustainable land management practice. ... weeds, vermin and erosion are increasing in locations and, as a board, we have a concern about that. (Berger, oral evidence, 1994)

It was also suggested that the falling standard of land management by some farmers was because they felt powerless to improve their financial positions and had '... given up and are filling in time until someone takes them over' (Berger, oral evidence, 1994).

EVIDENCE FROM RURAL COUNSELLORS

Introduction

In an effort to get quantitative information about the financial difficulties being experienced by people living in rural South Australia, the Committee took evidence from rural counsellors working in those areas identified as having the highest levels of socio-economic disadvantage. The information provided by the counsellors was derived from informal interviews they had conducted with community representatives (e.g. social workers, health care workers, local government representatives, farmers and business people) and from their own experiences providing assistance to rural families.

Financial problems experienced by rural families

The Committee was told that many primary producers were experiencing severe financial difficulties owing to increased costs and declining returns on their commodities. The rural counsellor from the Murraylands told the Committee that the situation had become so serious in that area that she had recently delivered two food parcels. She commented that, 'I have never had to do that before' (Neldner, oral evidence, 1994).

The rural counsellor from the Yorke Peninsula informed the Committee that many of the properties in his area were being run down by farmers who could not afford to maintain farm infrastructure and capital works programs. For example, it was reported that many farmers were operating with old, dangerous and inefficient machinery, that fencing and other capital works were having to be postponed indefinitely and that many farm houses were in urgent need of repair.

The Committee was told that some farmers, faced with a cash crisis, were selling farm assets such as machinery, often at prices well below their true value. The rural counsellor who provided this information believed that while these actions provided short term gains, in the long term they only exacerbated financial difficulties by reducing farmers' productive capacity.

The Committee was told that farmers were being forced to sell assets because banks were unwilling to lend them money as they already had large debts and had almost exhausted their loan repayment capacity. Farmers were also reluctant to get further into debt. A consequence of this was that many farmers were living from day-to-day, unable to make any long term financial plans:

> The capacity to repay loans is almost gone and therefore farmers are not prepared to borrow too much. Banks are also aware of the financial situation of farmers and as such will only lend small amounts.
>
> The financial situation that many farmers now find themselves in is that they have to look at the short term to survive without looking at long term sustainability. (Fleming, written submission, 1994)

It was reported that many farmers could not even consider the option of selling their properties as a way out of their financial problems because the sale price of the property, when it was eventually sold, would be too low to allow them to clear their debts and leave the industry with any financial security. The Committee was told many farm families felt a sense of helplessness and anger about their financial situation, and that they felt powerless to do anything to change their circumstances:

> It has made communities and individuals angry because they have lost their self-control, and they lack self-esteem and power. People generally feel neglected and harbour a sense of betrayal by authorities. (Fleming, oral evidence, 1994)

Regionalisation of services

Rural counsellors were critical of the regionalisation of services which they believed had increased the isolation of rural people by increasing the cost and time taken getting to and from services. It was stated that there was even a reluctance to telephone services for help because most calls were charged at STD rates which was prohibitively expensive:

> ... the cost of transport is more because they have to go further to get help, and phone calls are STD because agencies have been relocated further away. (Fleming, oral evidence, 1994)

It was argued that because of regionalisation people in need of assistance were not using social services:

> Geographic isolation from service agencies also adds to the social poverty experienced by individuals and communities. Individuals particularly tend not to seek out assistance as they feel the financial cost associated with obtaining assistance or treatment is not worth the effort. (Fleming, written submission, 1994).

The Committee was told that the perceived financial benefits of regionalisation often left behind a 'service poor' population with 'massive social problems' (Fleming, written submission, 1994).

According to witnesses, the continued survival of some country towns was being threatened by the centralisation of services. It was explained that as services were removed from towns, this reduced the size of the population and the level of demand for the remaining local services. It was stated that the loss of these people was particularly felt because many were young families. Services mentioned included ETSA, Telecom, EWS and the Department of Transport.

Several rural counsellors told the Committee that because of the loss of these service workers, country towns had plenty of cheap housing which was producing an influx of social welfare recipients from Adelaide. As a result it was believed that rural towns were increasingly becoming characterised by an ageing, welfare dependent population. It was stated that this migration was fundamentally altering the character of rural areas, which long- term rural residents were having difficulty coming to terms with.

Witnesses reported that the ageing of the rural population was leading to school closures. According to witnesses, this was disadvantaging students because it meant that they had to move to schools that were further away, greatly increasing their travel times. It was also stated that because of the increased recognition of the importance of education as a way of getting ahead, some parents preferred to send their children to school in Adelaide but that this was becoming increasingly difficult owing to falling income levels.

Migration of young people out of rural areas

The Committee was told that a consequence of the rural recession was the migration out of rural areas of young people for further education and because they could see no future in remaining locally. In particular the reduced profitability of farming has led to the migration of children who would have otherwise stayed to work on the family farm. It should be noted that many farming districts in South Australia have been losing population through this process for many decades.

It was stated that once young people left the district, most did not return:

> What incentive is there for the sons of farmers to return to the family farm and take it over if all they have to look forward to is unpaid debts, old and dangerous equipment, no long term financial gain, and the associated financial stress? (Fleming, oral evidence, 1994)

The Committee was told that the young people who stayed in the district faced a bleak future as there were few job opportunities for those who did not have a family farm to employ them.

However it was reported that even the children who could find work on family farms faced considerable hardship:

> Those children who stay in the district ... have to face the emotional reality of the pressure of perhaps not finding employment unless provided by the family farm. In many instances children work on the farm for minimal or no immediate financial reward. Most of these children work for negligible wages in the belief and hope they will inherit the farm at a later date. (Fleming, written submission, 1994)

The Committee was told that there was growing dissatisfaction among those who stayed to work on the family farm as they were increasingly not prepared to '... live on nothing as mum and dad have' (Ottens, oral evidence, 1994):

> A difficulty arises also when young sons stay home on the farm and they see that their friends ... can get a good job in Adelaide and they actually have money in their pocket. Years ago farmers' lads would make do with pocket money with the thought that the farm would one day be theirs. That has all changed and the farmers' lad now says, 'I want some money to go out with my mates. I want to have a car like my mates. (Ottens, oral evidence, 1994)

It was also reported to the Committee that declining farm incomes had forced farmers' wives to take off-farm employment, which further reduced employment opportunities in the district for young people.

Eligibility for the Age Pension

The Committee was told that many farmers on reaching retirement age were having to continue working because they were ineligible for the age pension owing to their level of assets. If they ‘gift’ the farm to one of their children, under gifting provisions they must wait five years before they are eligible for the pension[4]. It was stated that this was exacerbating the financial hardship of farm families because most farms did not generate enough income to support two families:

[4] At present under the Social Security Act, a farmer can ‘gift’ money or assets to family members up to the value of $10 000 per year without incurring any penalty on pension eligibility. If the amount gifted exceeds $10 000 then the farmer is assessed as having earned income on the amount in excess of the gifting limit. (Social Security refer to the ‘gifting’ of money or assets in excess of $10 000 as income deprivation, i.e. the person gifting the money or asset is depriving themselves of income.) For example, if a farm is valued at $500 000 and the farmer gifts it to one of his children, Social Security would assess the farmer as being able to derive income from $490 000 (i.e. the amount in excess of the gifting limit).

Under normal circumstances the level income is assessed at either the deeming rate (currently 4% of the value of the property) or on the income generated by the farm in the year immediately prior to it being gifted, whichever is greater. However, there are discretionary hardship provisions at which income is deemed at either the lower rate of 2.5% of the value of the property or the commercial lease value of the property at the time of transfer, whichever is lower.

> ... as farmers are reaching the age of retirement, they are finding that they still have to continue working due to their inability for the age pension and the inadequacy of the farm to support two families. Even if they give over the farm, they still must wait five years before they can receive that. (Fleming, oral evidence, 1994)

Several rural counsellors suggested that the rules for gifting as they apply to the transference of farms should be reviewed with a view to waiving the five year waiting period for aged pension eligibility.

Impact on sporting and service clubs

The number and level of membership of sporting and service clubs is a useful barometer of the vigour of rural communities.

The Committee was told that owing to the rural recession a large number of sporting and service clubs had been forced to close because of declining membership, and many of those that remained were having difficulty continuing. For instance it was reported that in some districts football clubs had been amalgamated, tennis clubs had closed and many service clubs were struggling to survive. Witnesses expressed particular dismay about the difficulties being experienced by service clubs and volunteer organisations as they provided much needed community services that were no longer available or had been severely rationed.

One rural counsellor was especially concerned about the impact the recession was having on the Country Fire Service (CFS). He told the Committee that as people left the district or took off-farm employment, the effectiveness of the CFS was deteriorating, which in turn was jeopardising farmers' livelihoods:

> The worrying thing is with the lower numbers within rural areas, it is becoming harder to maintain a service at-call. Also a lot of farm families in that position where either the wife is out working with the husband in the paddock or working off-farm to support the family business, there is no-one available in the house to take the emergency call as it comes in, so there is a longer response time to get that CFS vehicle out into action.

The Committee was told that the falling number of sporting and services clubs was the product of several factors:

The farmer's income on the gifted property is assessed by Social Security for five years, after which time it stops being assessed.

1. the loss of population, particularly young people;

2. falling incomes - as incomes have fallen, families are having to cut back on expenses and one way to do this is to give up membership of clubs and associated organisations;

3. as the use of paid labour has declined, families are having to spend more time working on their properties, reducing the time they have available for social activities.

CONCLUSION

From the evidence that the Committee has received, it is clear that many rural communities in South Australia are experiencing severe financial hardship. The Committee notes, however, that the evidence it has heard about the dimensions of rural poverty has been largely anecdotal. Although interesting, anecdotal accounts need to be assessed against more rigorous, quantitative information. In the next stage of its inquiry the Committee will take evidence from persons and organisations that can provide quantitative data about the extent, severity and impact of poverty on rural South Australia.

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SCHEDULE OF WITNESSES
(to April 20 1994, in order of appearance)

Mr Clive Bowman	MEDO Chairperson and Rural Initiative Scheme (RIS) Chairperson.
Ms Margaret Brown	Chairperson, Murray-Mallee Health and Welfare Council and Federal Government Adviser.
Ms Elizabeth Nicholls	Farm Secretarial Business Proprietor and School Councillor
Mr Ian Gooley	Pharmacist and Community Service Clubs Member
Mr John Berger	District Councillor, School Council Chairperson and Adviser to Government on Country Areas Program (CAP), Murray-Mallee Soil Conservation and Landcare.
Dr Sue Richardson	Faculty of Economics and Commerce, University of Adelaide.
Dr Peter Travers	Faculty of Social Sciences, the Flinders University of South Australia.
Mr Bruce Fleming	Yorke Peninsula Rural Counselling Service.
Ms Valerie Monaghan	South-East Rural Counselling Service.
Ms Kathy Ottens	Mid and Upper North Rural Counselling and Information Service.
Mr Gary Possingham	South-East Rural Counselling Service.
Ms Susan Neldner	Murrayland Rural Counselling Service.

Appendix A: The SLAs[5] in the bottom quartile of the Rural Index of Relative Socio-economic Advantage

Statistical Subdivision	Council Area	Population	No. of Areas
1. Murray Mallee SSD	Karoonda-East Murray	1 339	
	Peake	908	
	Mannum	3 083	
	Coonalpyn Downs	1 525	
	Meningie	3 893	
	Total	**10 748**	5
2. Pirie SSD	Peterborough	382	
	Jamestown	2 120	
	Hallett	631	
	Crystal Brook-Redhill	2 147	
	Total	**5 280**	4
3. Upper South East SSD	Lacepede	2 266	
	Lucindale	1 417	
	Tatiara	6 939	
	Total	**10 622**	3
4. Yorke SSD	Bute	1 040	
	Central Yorke Peninsula	4 837	
	Total	**5 877**	2
5. Lower North SSD	Spalding	507	
	Burra Burra	2 026	
	Total	**2 533**	2
6. West Coast SSD	Murat Bay	3 654	1
7. Riverland SSD	Browns Well	289	1
8. Flinders Ranges SSD	Carrieton	200	1
9. Lincoln SSD	Tumby Bay	2 578	1

[5] **Statistical Local Areas - these are the equivalent of local government areas.**