

Perceptions of income adequacy by low income families

RESEARCH SUMMARY

FEBRUARY 2015

Introduction

Many low income New Zealand families report that their income meets their everyday needs. However, managing on a low income is challenging, requiring time and effort to make the household income cover a modest set of needs. Researchers talked to low income families, in order to understand what was behind their perception of whether their income is 'enough' or 'not enough'. In doing so, this work explores the strategies and characteristics of families who successfully manage on a low income.

KEY FINDINGS

- > Many people on a low income report that their income meets their everyday needs.
- > Parents want to do the best for their children, both in terms of care and providing material resources.
- > Making ends meet is stressful and requires planning, time and effort.
- > Families often go without, for example by skipping meals and in children missing out on opportunities.
- > Parents prioritise spending on accommodation, power, food and transport.
- > The amount of income was only one factor taken into account by participants. Other factors include: a regular income, financial management skills, unexpected costs, and support from the family, whānau and community.
- > Many of those who say their income is 'enough' report having times where it was 'not enough'.
- > Families reporting 'enough' income tend to have paid employment, own their home, have financial planning skills and confidence in their ability to manage.
- > Families reporting 'not enough' income tend to receive a government benefit, have unpredictable income, rent their home and juggle expenses.
- > Significant unplanned events like separation and job loss can reduce income so that there is 'not enough'.
- > Having 'enough' income contributes to, but doesn't ensure, a reasonable life.
- > Strengthening families' abilities to cope in times of low income is helpful.

The issue

Many New Zealand families manage on a low income. According to Household Economic Survey data, over half of those on low incomes report that their household income meets their every-day needs. Those taking part were asked –

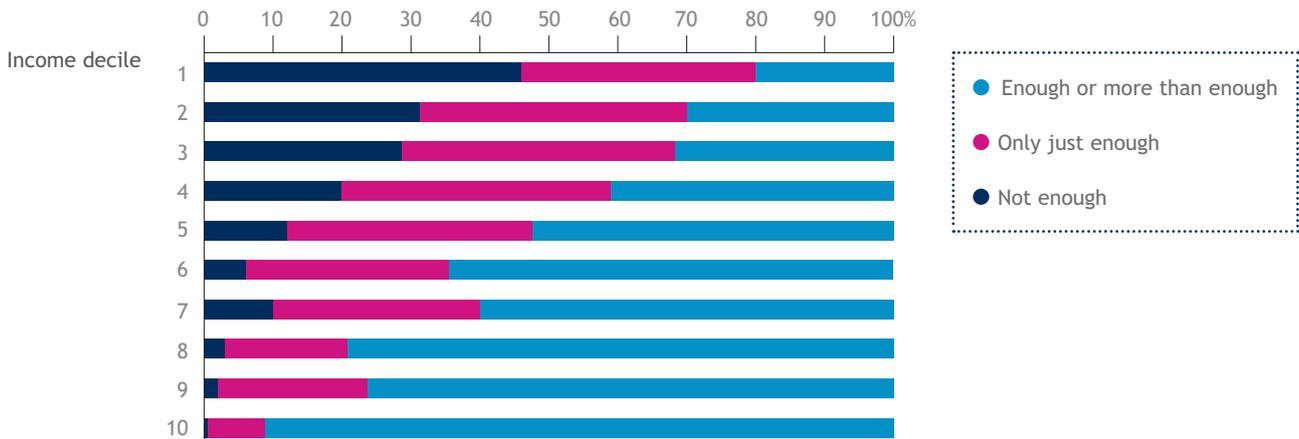
'How well does your total income (you and your partner's combined income) meet your every-day needs for such things as accommodation, food, clothing and other necessities?'

'Would you say you have not enough money, only just enough money, enough money, or more than enough money?'



Figure 1 shows that less than half of those in the bottom income decile (decile 1), and a third in the second lowest decile (decile 2), report that their income is inadequate to meet their needs.

Figure 1 _ Perceived income adequacy by household income decile (HES 2013)



The purpose of this exploratory qualitative research is to:

- > better understand why some low income families report that their income is adequate while others on similar incomes report that their income is inadequate
- > explore what personal, financial, household, family and wider community factors are associated with judgements of income adequacy in these families
- > develop a conceptual framework (or build on an existing framework) for understanding household economic resilience.

The research approach

The research consists of a mixture of individual and focus group interviews with 72 parents/caregivers in three areas of New Zealand. The parents/caregivers have incomes in the range of decile 2¹ to decile 4 (\$22,000 to \$55,000 pre-tax) and have at least one primary school aged child. Approximately half the participants judge their income to be 'enough' to meet their everyday needs, while the others report it to be 'not enough'.

The research compares the discussions between the 'enough' and 'not enough' groups and identifies what they have in common and where there are differences. It is important to note that although

the groups were chosen on the basis of their current income, participants have moved in and out of income adequacy.

Key findings

Common values and expectations

'Once I had kids I concentrated on them, to get a good education. It's time to look after them'.

Almost all participants mention that their primary motivation is to do the best for their children. This is not solely a matter of material provisions, for example having a TV. For some it's about parental care with parents staying at home rather than increasing income through work. For others it's about giving children experiences and opportunities. While having an adequate income is important, participants said it neither ensures, nor is required for, a 'reasonable life'. Family, whānau, community relationships, health and higher order values such as religious faith are also important in determining overall wellbeing.

For many in both groups, employment is seen as the way to achieve a regular, adequate income.

¹ As decile 1 income tends to be less reliably reported (Perry, 2014) they were not included in the sample.



Economising and going without

In order to make ends meet, participants from both groups describe going without food and heating, missing out on developing the skills and interests of their children, and on holidays and social occasions.

'My whole family don't drink or smoke. My husband will say "honey, can I have a beer on Friday night" and I'll say "yeah, right"'.

Commonly, the adults go without so that the children can gain or benefit. Families also describe many situations where both the children and adults miss out on experiences, such as birthday parties or adult social occasions. Parents clearly want the best for their children and are generally able to shield their children from some aspects of material deprivation. However, sometimes children actively shield their parents from financial demands by opting out of experiences and activities. Several parents reflected that seeing their children miss out was one of the most difficult and heart-breaking aspects of living on a low income.

'When your kids get invited to birthday parties and they can't go cos you can't afford the present...she doesn't even ask anymore, she'll go, oh mum I don't have to go'.

They do not aspire to luxury, reporting modest needs and have realistic expectations given their circumstances.

Multiple factors impact on judgements of adequacy

While the actual level of household income is important in judging income adequacy there are a range of other factors that are influential.

A secure income – many of those with 'not enough' are unsure of their annual income, in part because it comes from benefits, is seasonal or 'lumpy', or have payments made at source.

Basic needs – relatively few have assets that they can draw upon. Some in the 'enough' group have their own homes, but all in the 'not enough' group are renting. Main items of everyday expenditure included:

- > accommodation, for example rental costs
- > power
- > food
- > transport, especially for rural families.

Clothing is also mentioned, but isn't necessarily a big expense due to the availability of hand-me-downs and clothing from second hand stores.

'I can't remember the last thing we bought new, off the shelf'.

More specific needs, depending on circumstances, include:

- > education costs such as school fees and activities
- > phone, for rural areas
- > chronic medical condition expenses
- > personal care items, for example nappies and sanitary items
- > cigarettes, for those addicted
- > internet for school use
- > car insurance.

For Pacific participants, tithing to the church is a specific challenge. Although they love their culture and get a lot back from giving (the idea of 'what goes around comes around'), this is a heavy financial burden as they struggle to meet their immediate family's every-day needs. They aspire to get themselves and their immediate families 'together' first and then think about giving/tithing to extended family/church, however most have not achieved that (see also Families Commission, 2012a and 2012b).



Careful use of debt – most have an aversion to getting into debt. Those in the ‘enough’ group are more likely to use manageable debt, such as hire purchase and credit cards, while those with ‘not enough’ are more likely to get into debt as a last resort.

‘If you do end up in debt you’ve gotta have a plan on how to get out of it.’

Active financial management – almost all report that living on a low income requires planning, time and energy. Those who report having ‘enough’ are more likely to talk about using good financial planning techniques than those in the ‘not enough’ group. Examples of financial strategies participants describe are:

- > having a budget and using it
- > looking for bargains especially on the internet
- > saving for bigger items, for example setting aside money for expected big bills
- > getting help from others
- > using a grocery list.

‘We didn’t have enough in the past but learning to stick to a budget has helped us have enough’.

In line with previous studies, current research confirms that practical economising behaviours are effective and important. Both groups use a range of similar practical strategies, including:

- > how they purchase and use food, for example buying low priced products, cooking or baking basic foods from scratch, gathering and hunting for food, and being thrifty with food
- > buying second-hand clothes
- > using power wisely or as little as possible.

As mentioned above, in both groups it is common to go without in order to make ends meet.

Support from family and community – support includes money, in-kind assistance such as bartering, emotional guidance and information. Those who report having ‘not enough’ are more positive about asking for help, possibly because they currently need and are accessing support. They highly value the reciprocity, sharing and community support based on giving and receiving. Many are generous with their time in supporting others and their community and are socially connected.

For both groups, regardless of their attitudes, help is primarily received from the wider family and whānau (see also Families Commission, 2012a). This is followed by schools especially for those who report having ‘not enough’, and support agencies. Friends, neighbours and the church are important for the few who receive support from them.

‘I can’t get by without help from family/friends’.

Families can experience times of both ‘enough’ and ‘not enough’ income – reasons cited for movement into ‘not enough’ income include:

- > relationship separation
- > illness
- > loss of a job
- > unexpected costs such as medical bills, car repairs, funeral costs.

‘One of my whānau dying would be it for me’.

In some cases savings are a buffer against unexpected expenses. However there may be times when families need support from wider family, friends, the community and government agencies.



IMPLICATIONS

The participants in this study report that living on a low income is a challenge. It requires good management, planning and takes time. It can be stressful for all family members and can require doing without.

But income is just part of the picture. How that income is managed, what expectations are held, the predictability of income and expenses and the presence of support all influence judgements of income adequacy.

This research suggests that it is important to support low income families getting jobs, but also to balance this with their desire to care for their children. Building family resilience on the ability to cope (Orthner et al., 2004) will enable low income families to better manage times where their income does not cover their needs. Building financial planning skills, strong relationships, an optimistic outlook and family and community support will enable them to bounce back from unexpected events. Help with controlling major expenses associated with day-to-day living, such as the cost of accommodation, power and transport, would help these families.

A common theme in this research is the tension between wanting to care for children and having sufficient income to provide a reasonable life. For these families a reasonable life is generally defined as being able to meet every-day needs plus having:

- > a content and happy family
- > social contact
- > low stress
- > good health
- > a warm, healthy home
- > enough money so children don't miss out on school trips, birthday parties and sports.

The above items are examples of the factors identified in the Family and Whānau wellbeing framework (Families Commission; 2013). Ensuring that all families can meet these needs will contribute to the overall wellbeing of New Zealand families and whānau.

References

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Further Information

This research summary is based on the report *Perceptions of income adequacy by low income families*, by Quigley and Watts (February 2014).



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