VULNERABLE CONSUMERS AND DEBT: CAN SOCIAL MARKETING ASSIST?

ABSTRACT

There has been an increase in consumers’ reliance on credit and rising consumer debt. The increase is especially problematic for those least able to afford debt of any kind – welfare recipients. This qualitative study reports on 120 Australian welfare recipients’ attitudes towards debt, their understanding about what constitutes acceptable debt and the debt-management strategies they adopt. The results of this research show that welfare recipients see debt as a way of life and as a means of survival in a society where a core value appears (to them) to be the acquisition of material wealth. Their status as income earners and therefore their capacity to service debt is less than others. Consequently, we could expect that their debt levels would be proportionally less; however, many participants in this research did not appear to understand the long-term consequences of their level of debt. The paper concludes with a discussion as to how social marketing can be applied to potentially assist this vulnerable consumer group and the wider community.

INTRODUCTION

The combination of powerful market forces that help to normalise the use of credit and the widespread lack of financial knowledge among consumers makes debt a major issue of socio-political concern. Household debt in many developed countries including Australia has steadily increased to alarming rates and exposed nations to crises such as the Global Financial Crisis (GFC) and sovereign debt crisis in European countries (Stutchbury, 2010). The Governor of the Reserve Bank of Australia has warned that personal rather than government debt is potentially serious for the Australian economy (Battellino, 2010). In the current economic climate there are many groups who are less vulnerable than others.
because they have the capacity to service and repay debt. However should circumstances change, as has recently occurred in the United Kingdom and United States of America, there is a significant proportion of Australians who would become vulnerable consumers with serious indebtedness as household debt is at a relatively high level (Australian Bureau of Statistics, 2010a).

A group within the Australian population who are recognised as being vulnerable are those who are recipients of government income support payments (Australian Bureau of Statistics, 2010b). The increase in debt among income support recipients is inevitably connected to the relationships between financial institutions and the consumer marketplace. Financial institutions increasingly provide easier and more convenient methods of gaining forms of credit, and the increasing ease of access may explain the growing acceptability of debt. This connection provides an economic context for research into the subjective understandings of debt among vulnerable consumers. Debt not only relates to economics but also concerns consumer psychology and socio-demographic variables (Mewse, Lea and Wrapson, 2010). In the context of this study, welfare recipients’ understanding of debt is critical given their financial disadvantage, their reliance on government support and, as will be later demonstrated, their precarious dependency on credit institutions.

This study explores the attitudes towards debt among a group of potentially vulnerable consumers in Australian society, welfare recipients. In Australia, income support recipients are mostly comprised of aged pensioners, carers, students, the disabled, the unemployed and single parents. One main government agency is responsible for delivering social security services to these groups in Australia. However, they deliver services on behalf of multiple government agencies that are responsible for differing types of welfare payment(s). For simplicity, we have named the delivery agency “OzWelfare.” The Australian government has also recognised that this group of people may need protection
from the marketing activities of financial services organisations (Commonwealth of
Australia, 2005).

This study examines how 120 participants define debt, how they classify their debts
according to acceptability, and why the participants fail to see some liable consumer
practices such as credit and mortgages as debt. Firstly, the paper reviews the literature on
consumerism, debt and vulnerable consumers. Secondly, it describes the research
methodology. Thirdly, it describes the participants’ attitudes towards debt and how these
attitudes may coincide with generational shifts and trends in consumerism in recent
decades. Fourthly, it describes the participants’ debt management experiences, their
knowledge of finance management options, and the connection between attitudes towards
debt and repayment behaviour. Finally the paper concludes with a discussion of the
findings and a discussion as to how social marketing can be applied to potentially assist
this vulnerable consumer group.

DEBT AND VULNERABLE CONSUMERS

Personal debt is linked to psychological and behavioural variables, including positive
attitudes towards debt, the pursuit of materialism, and levels of self-control (Bertaut and
Haliassos 2002; Cameron and Golby 1990; Dellande and Saporoschenko 2004; George,
1997; Haultain, Kemp and Chernyshenko, 2010: Lea, Webley and Levine 1993; Perry and
Morris 2005; Watson 1998). Advertising also plays a significant role in spiralling
consumer debt, because it encourages individuals to maintain a consumerist lifestyle,
meaning that people are “expanding debt in the process of want creation” (Griffiths 2000,
p. 23). The ‘keeping up with the Joneses’ mentality is a powerful motivator in consumer
practices, given that mass consumption is now strongly linked to personal identity (Morgan
and Christen 2003; see also Lunt and Livingstone 1992; Livingstone and Lunt 1993). For
many consumers who are living in difficult financial circumstances find that deciding what
to buy with limited funds is problematic and rather than make choices which seemingly
deprive their family, they choose to use credit to cover the gaps in their lifestyle (McKay, 2004). These drivers for consumption may lead those people trying to keep up appearances
to incur debts that they simply cannot afford to repay.

The increasing levels of household and consumer debt are also connected to wider social
trends, including the growth in the availability of consumer credit since the 1980s. This
period marked a change in attitudes towards consumption and a concomitant growth in
personal debt (DeVaney and Lytton, 1995; Godwin, 1997). The change in consumer
practices since the 1980s are now deeply entrenched, so much so that the rise of consumer
credit use coincides with the rise in consumer debt and household insolvency (DeVaney
and Lytton, 1995). The rise of credit and debt seems to have continued. DeVaney and
Lytton’s work was based in the USA but credit and debt are also problems in Australia. For
example, the 2005 Australian Senate Inquiry on deficits and household debt found that a
significant cultural change seems to have taken place in the attitude of many Australians
towards debt (Commonwealth of Australia, 2005).

Similarly, a report on income and wealth by the National Centre for Social and Economic
Modelling (NATSEM) found that “debt is a way of life with the average Australian
household” (2004, iii). The NATSEM report describes how Australian savings patterns
have changed since the 1960s from actively saving up to 10 percent of household income
to spending 2.3 percent more than their weekly household income. The primary factors that
have contributed to the rise in household debt include the deregulation of financial
markets; a stock market and real estate boom; a sustained period of economic growth; and
the “growing acceptance of the concept of debt used for investment as ‘good debt’, actively
promoted by financial advisers promoting wealth creating strategies based on investment
equities and property” (Commonwealth of Australia, 2005, p. 64). However, it is not known if the debt currently being acquired by Australians is an optimistic investment in the future or an inability to live within one’s means. About two-thirds of Australian households (65%) have some form of debt. This debt includes home mortgages (34%); credit card debt (30%); Higher Education Contribution Scheme (HECS) debt (14%); other debts such as personal loans (31%); and other property debts (8%) (Australian Bureau of Statistics, 2009).

While financial counselling organisations find that most Australians capably manage household debt, six major counselling groups around Australia assisted over 30,000 individuals and families from 2002 to 2005, and these statistics are believed to be conservative estimates of those in financial distress (Commonwealth of Australia, 2005). For example, the Financial Counsellors’ Association of New South Wales has reported that 76 percent of their clients have incomes lower than $30,000 per annum, and this group are “vulnerable to uncontrollable factors such as loss of employment, domestic discord and ill-health” (Commonwealth of Australia, 2005 p.74). The Consumer Credit Legal Centre argued along similar lines:

“… we see a lot of people who are using credit just to live – people on fairly low incomes who are using credit facilities to purchase necessaries such as groceries, electricity, car registration and those sorts of things (cited in Commonwealth of Australia, 2005, p.74).

On the basis of such findings and those of other financial counselling groups, the Senate Inquiry on household debt in Australia found that although most Australians effectively manage credit and debt, there is a significant group of people who would have difficulty coping if there was a change in their circumstances such as a period of unemployment.
Prior to this study it was not clear how those Australians who were already in financial stress viewed debt, even though it was clear that debt is a growing phenomenon.

The factors which lead to household debt in Australia mirror those from elsewhere; as evidenced by the large body of literature which examines the links between credit use and debt. For example, Lunt and Livingstone (1992) examined the connection between consumer credit, saving and mass consumption. In a survey of 279 British participants aged 18 to 82 years, they found that the participants often made distinctions between credit and debt. Those participants who were not in debt saw credit as “debt” and something that was shameful, but those participants who were in debt viewed credit cards and other large loans optimistically. Generally, however, the participants saw credit as “borrowing”; it helped them purchase items for their future, and so debt was ultimately characterised as an “investment” (1992, p.36). Lunt and Livingstone’s research also found that the stigma attached to debt had lessened over time and, in its place, an acceptance of debt as an inevitable part of everyday life had become widespread (for negative attitudes toward increases in credit use, see Godwin, 1997).

Attitudes towards consumption and credit cards are also connected to debt practices. Castellani and DeVaney (2001) studied attitudes towards credit, and they found that non-white households headed by younger people who had an income below $20,000, and who had incurred late debt repayments, were more likely than other groups to use their credit cards when their income was suddenly cut. Drawing on data from the 1995 Survey of Consumer Attitudes in the U.S.A., which sampled 4,299 households, the study found that 44 percent of the household heads said it was alright to borrow money in order to cover living expenses when they faced unexpected life events, including sudden unemployment, illness or an accident. Castellani and DeVaney argue that education about financial
management should be implemented in high schools, most especially to help high-risk groups who are young and have lower incomes.

Complementary to these findings, Kim and DeVaney’s (2001) study on the determinants of an outstanding balance among credit card users found that attitudes towards credit were significantly related to debt. The study used data from the 1998 Survey of Consumer Finances, which surveyed 3,376 households in the U.S.A, and found that over half of the sample were “revolving credit card users” who did not pay off their monthly balances in full. Kim and DeVaney found that revolving credit card users with lower assets and lower income were especially vulnerable “because they have developed behaviour of ’spending first and paying later’”. The authors argue that financial counsellors should “help consumers to understand why they hold certain attitudes toward spending, and then help consumers adjust their attitudes” (2001, p.75).

Given the growing acceptance of credit in everyday life and the apparent levels of debt amongst those least able to repay, vulnerable consumers’ attitudes towards debt require further attention. In terms of financial vulnerability, Overall (2004) suggests that some consumers may be vulnerable because they have a greater difficulty than others in obtaining or assimilating consumer information into their decision making. His study identified seven key groups of vulnerable consumers: the elderly; young people; the unemployed; people who suffer a longstanding illness; low-income households; ethnic minority groups; and people with no formal educational qualifications. While there is strong academic interest in the debt experienced by vulnerable consumers, this literature is largely quantitative and it is focused on use of credit cards, especially by tertiary students and, to a lesser extent, low-income families (Boddington and Kemp, 1999; Braunsberger, Lucas and Roach, 2004; Dellande and Saporoschenko, 2004; Dickerson, 2001; Micomonaco, 2003; Perry and Ards, 2002; Stegman and Faris, 2003a; Warwick and
Mansfield, 2000). These studies find that, due to their precarious financial position and inadequate financial knowledge, vulnerable consumers often lack an understanding of how to reasonably manage credit and debt, even though aggressive marketers specifically target vulnerable consumers (see also Cui and Choudhury, 2003; Perry and Ards, 2002). For example, in their study of college students and credit-card use, Braunsberger, Lucas and Roach argued that students were vulnerable consumers because they “apparently have little knowledge about consumer credit, and are consequently unable to evaluate complex and competing product offerings” (2004, p.358). Similarly, the Financial Counsellors’ Association of New South Wales argued that “it is important to curb the marketing of financial products in light of the fact that there are some [consumers] in society who don’t have enough financial literacy to make a sound judgment” (cited in Commonwealth of Australia 2005, p.96). The lack of financial literacy among vulnerable consumers would suggest a direct connection between the overuse of credit and social inequality (Bird, Hagstron and Wild, 1997).

Consumer advocacy groups are critical of the way lenders offer credit increases to vulnerable consumers without taking into account their existing credit and charge card repayment difficulties, the financial hardship such consumers accumulate through unsolicited credit increases, and the opaque disclosure standards of lending organisations whose terms and conditions are “excessively complex or buried in small print”. Put simply: “many Australians do not adequately understand the terms and conditions of their credit, making it all too easy for the more vulnerable to be trapped into accumulating unaffordable debt” (Virgin Money, cited in Commonwealth of Australia 2005, p.95).

Some studies identify welfare recipients as vulnerable consumers who lack adequate financial knowledge to counter debt, and, as such, these consumers potentially face a longstanding over-reliance on social welfare. For those on income support, there may be an
element of difficulty in assimilating information regarding financial services. The evaluation of complex products such as those offered by financial services providers is difficult, even for the educated and financially empowered (Lee and Cho, 2005). Further, the loss of well being as a result of incorrect choice is proportionally greater for an income support recipient than it is for someone on an average wage. A $100 credit advance on payday, with a 25 percent interest rate quickly becomes a debt burden for those unable to pay it back in full.

Stegman and Faris (2003b) conducted a survey on the consumer credit use of 1,501 current and former welfare recipients in North Carolina, U.S.A. The study found that, while there was some overuse (or abuse) of credit among their sample, credit use and financial management were not easily linked to the participants’ levels of income, employment and education. Stegman and Faris’ findings suggest that financial management was therefore not necessarily “beyond the reach of most low-income families” and, instead, low-income families could potentially learn better consumer and debt management practices (2003b, p.38). The researchers advocated that welfare agencies should track former welfare recipients and educate them on how to save for emergencies and help them to manage their finances so that they do not return to the welfare system.

The research reviewed for this paper suggests that vulnerable consumers engage in an over reliance on debt and credit as part of their everyday management of finances. This is a concerning trend given these consumers’ inadequate knowledge about debt management practices. The above research almost uniformly recommends that consumer education should occur at all levels of society, including at primary school, as a means of reducing the likelihood of ongoing personal debt (see also Ramsay, 1998, p.16). This trend seems to be confirmed by a study involving university students that reported there was less ‘fear of debt’ (Haultain, Kemp and Chernyshenko, 2010). As debt becomes more common ‘getting
into debt makes debt seem not quite so bad’, especially if the problem becomes culturally sanctioned in the consumers’ relevant reference groups (Webley and Nyhus, 2001, p.442). In a social context where debt becomes a common part of everyday consumption, vulnerable consumers’ understanding of debt is a pivotal area of investigation. The findings from the present study add to the body of research concerned with the wider social problem of personal and household debt. This paper explores the participants’ definitions of debt, where Australians draw the line between debt and problem debt, and how they manage their debt.

**METHODOLOGY**

The latest available detailed data published by the Australian Bureau of Statistics (2010a) show that about 17 percent of the workforce-age population in Australia are currently receiving welfare support payments; this translates into almost two million Australians. There are six types of welfare payments in Australia, and of these categories of people receiving income support, 3.5 percent are on unemployment benefit; 5.2 receive disability/sickness pension; 2.3 percent receive student assistance; 2.9 percent receive single parenting payment; 1.9 percent receive partnered parenting payment; and 0.7 percent receive a wife/partner/carer pension. Women of workforce-age are more likely than men to be receiving welfare assistance (24% of women are income support recipients, compared to 19% of men). Those people who receive student assistance were mostly aged under 20 years (61%), while recipients of wife/partner/carer assistance were aged over 50 years (69%). Unemployment payments were mostly concentrated in the 20 to 29 years age group (43%) and those receiving parenting payments were also concentrated in the 20 to 29 years age group (87%).

Welfare recipients are vulnerable consumers who live within limited, unstable and underprivileged economic circumstances. As such, the understandings of debt by welfare
recipients are of critical interest. As reported earlier, most studies on the debt of vulnerable consumers are quantitative and focus mostly on students. Due to their quantitative nature, such studies can measure vulnerable consumers’ behaviour, but they cannot give us an in-depth understanding of what vulnerable consumers think and feel about debt or why they engage in debt practices. This was the impetus of the current study, to find out how welfare recipients understand debt, how they manage debt and why they might engage in debt practices which put their long term financial welfare at risk.

This paper reports on three key research questions. What are the participants’ attitudes towards debt given their welfare recipient status? What financial knowledge do they have? What help-seeking behaviours do they employ if they are experiencing debt? A series of pilot interviews were undertaken with participants who were representative of income support recipients to help shape the final interview schedule.

Data for this study were collected from 120 research participants through a series of semi-structured in-depth interviews regarding people’s attitudes towards debt. This sample size was obtained in order to interview both men and women from each of the six welfare types described above in various age categories: disabled; youth; unemployed; aged; single parent; and partnered parent. A research team of seven people conducted the interviews and analysis, including the two principal authors, one community worker and four master degree research students. The participants were recruited on the basis of their status as active welfare recipients.

When income support recipients first sign up with OzWelfare, they can nominate on their application forms that they are willing to participate in research. Currently, there are almost three million Australians who receive welfare assistance (some only occasionally), and 1.2 million of these people have agreed to be researched. From this pool of potential research participants, 270 people were initially recruited for the present study via telephone. These
telephone calls were undertaken by an external organisation and the participants were assured that privacy was guaranteed. Of these participants who initially agreed to participate, 180 people later committed to an interview with the researchers, but 60 of these interviews were cancelled at the participants’ request, or at the researchers’ assessment (for example, some participants were mentally ill, therefore the interview could not ethically take place). The final sample of 120 interviews took place in the participant’s home or in a comfortable location of their choice.

A purposeful sampling method was employed in order to obtain a comparable number of participants according to gender, age, location and welfare categories and so that the sample resembled the above statistical profile of income support recipients. Four demographic details were collected from all participants: gender, age, the participants’ welfare payment type and location. Other demographic data were not collected, as this was in accordance with privacy requirements and the constraints of the OzWelfare dataset.

Fifty-six men and 64 women participated in the study. There were six age categories: 15 to 24 years (n= 16); 25-34 years (n= 36); 35 to 44 years (n= 24); 45 to 54 years (n= 16); 55 to 64 years (n= 13); 65 to 74 years (n= 11); and over 75 years (n=4). The six main welfare categories that receive income support in Australia were represented: disabled (n= 14); youth (n= 25), and this category includes students; unemployed (n= 30); aged (n= 23); single parent (n= 16); and partnered parent (n= 12). The participants were recruited from four Australian states: Victoria (n= 63); Queensland (n= 28); New South Wales (n= 27); and the Australian Capital Territory (n= 2). Overall, there were 76 participants recruited from rural areas and 44 participants from metropolitan areas, inclusive of these four states.

The interview consisted of four main areas. First, the participants were asked about their debt history, including their debt to family and friends, financial institutions and OzWelfare. Second, the participants were asked about their attitudes towards debt,
including their perception of their own and other people’s debt and what kind of debts they believed were “okay”. Third, the participants were asked about their motivations for debt, including what circumstances they believed would lead to debt and how they felt about owing money to other people and institutions. Fourth, the participants were asked about their knowledge of their welfare obligations, including whether they accurately reported their earnings to OzWelfare. This line of questioning was included because additional income affects pension entitlements and underreporting income incurs debt, as recipients must pay back money to which they were not entitled. Finally, the participants were asked about their experiences of debt repayment, including how these repayments affected them and their families, and what type of help they had sought in order to get out of debt.

While the interviews were semi-structured, meaning that the key questions were pre-established, the participants were asked open-ended questions which allowed emergent themes to be pursued by the interviewer as they arose during the individual interviews. Interviews therefore varied in length from half an hour to one and a half hours. The interviews were audio taped, transcribed and later analysed using a hermeneutic method (Laverty, 2003; Smith and Fletcher, 2004; Wiklund, Lindholm and Lindstromb, 2002). This method of analysis requires that the analysts to read the whole data set and develops a holistic understanding of the data. The analysts then seek to identify detailed themes and categories that emerge from the data. In the context of the present study, three key themes that emerged were the participants’ distinction between “debt” and “borrowing”; their perception of debt as pervasive and essential in Australian society; and their perception that financial institutions are at “fault” for individual people’s debt. These themes are expanded upon below.

Typical quotes that represent the key ideas of the group are included throughout the analysis. The participants’ readily assessable demographic profiles (other than their age)
were not found to impact their discussion of debt. For example, gender was not found to influence the participants’ attitudes, as both men and women had similar understandings of debt. In order to provide some context for the quotes presented, however, each quote is followed by three sets of information in brackets: the participants’ gender (Male or Female); their welfare payment type (Disabled; Youth; Unemployed; Aged; Single Parent; Partnered Parent); and finally, their age bracket, as described above (15-24 years up to 75+ years).

This research is limited in its scope for generalisation from the sample population to wider society due to its qualitative methodology and sample recruitment, but its qualitative focus sheds light on the meanings attached to debt and the attitudes towards debt by welfare recipients.

ATTITUDES TOWARDS DEBT

Prior to the commencement of the interviews, the research team defined debt as owing money to another person or institution, and/or having an outstanding amount owing on any financial account. Using this definition, all 120 participants had some experience of debt. The participants did not share this broad definition of debt, instead, they saw “debt” as something quite different from “borrowing money” from other people or financial institutions, as this typical comment shows: “Of course I borrow money, but I’m not in debt” (Male, Unemployed, 35-44 years). Debt was regarded as “something you could not pay off” rather than an amount incurred by using a credit card or by taking out a loan. This data supports Lunt and Livingstone’s (1992) study on mass consumption and personal identity, where “credit” was differentiated from “debt”. The following quotes highlight that the participants were largely resistant to classifying themselves as having debt:
I don’t have any debt. I have a credit card but I pay it off each month on the due date so I’m not in debt to them. [Interviewer probes] No, I don’t pay it off in full, I don’t have to, I just have to keep up the payments; that’s not debt. (Female, Single Parent, 35-44 years)

I owe money to Telstra [telephone company] for my phone, but I can pay that back. Debt is when you are struggling to pay it back. (Male, Youth, 15-24 years)

The participants often drew comparisons between their debt and the national average debt, so they said things like, “I’m only $30,000 in debt, so I’m not as bad as everyone else” (Female, Single Parent, 35-44 years). They did not realise, however, that this national average is calculated in relation to a much higher average income than the one they received through their welfare entitlements. The participants’ narrow understanding of debt meant that they did not usually speak about their HECS liabilities, mortgages or car loans as debts, although these were liabilities that they still had to repay. Even when some participants did discuss these liabilities, they reiterated that these outstanding amounts were not “really” debt:

I don’t have any debts. I have to pay back my HECS one day and I get a phone bill each month but they aren’t debts are they? I can pay them off over time if I get into trouble. (Female, Youth, 15-24 years)

Yes, I have a mortgage, but I manage my repayments. I don’t owe them any [extra] money. (Female, Single Parent, 45-54 years)
Any outstanding liabilities that the participants considered to be an “investment in the future” (such as mortgages) were ultimately seen as *acceptable* debt. For example, one participant said: “If it is for a house or a positive step or a necessity, then it’s okay [to have debt]” (Male, Unemployed, 25-34 years). Another participant said: “Anything that produces a positive cash flow in the future is all right” (Male, Youth, 15-24 years).

Ultimately, debt was seen as a way to get ahead in life, especially in regards to large purchases such as homes or cars, and services that could potentially generate further income in the long run, such as education. As one participant put it: “Everyone I’ve spoken to says you’ve got to go into debt to get anywhere” (Female, Single parent, 35-44 years).

Often, the participants believed that it was “okay” to be in debt if you were “responsible” and you believed you would be able to repay the debt in the future, even though bank and student loans accumulated substantial interest that take several years (or decades, in the case of mortgages) to pay off. These were typical comments:

> I’ve got a mortgage and credit card and I’ve paid off my car. But I’ve never been in debt where I can’t manage. Owing people money is okay as long as you can pay it off. (Female, Partnered Parent, 25-34 years)

> Quite a few people are in debt. It’s ok to go into debt if you know there will be a stable income and you will have the means to pay it back – be responsible about it. But not for those who are irresponsible and don’t understand what they are getting themselves into. (Female, Unemployed, 25-34 years)
While many participants believed that future-orientated debt was acceptable, the majority believed that debt for day-to-day living expenses, such as rent and bills, was not acceptable. For example: “If you have to borrow for food, rent and similar items you start to get into trouble. If you need to borrow for that sort of thing how are you going to pay it back?” (Female, Single Parent, 35-44 years). Medical expenses were also considered unacceptable, but there were several participants who had such medical debts. Additionally, there was a distinct generation gap in the sample’s attitudes towards debt. While the younger participants under the age of 30 regarded debt with indifference, the older participants were very concerned about the spread of debt.

Young people these days want too much too quickly. In my day they used to have nothing but now they have to have the whole house. Young people do too much and they don’t know how to wait for what they want. They get into debt chasing after things they don’t really need. (Female, Aged, 75+)

One major form of debt for young males was public transport, speeding and parking infringements. These were considered acceptable debt because “they are just about revenue-raising anyway” (Male, Youth, 15-24 years). Fines were problematic debts because for many of the young male participants, there was no personal sense of responsibility about repaying fines. This indicates a sense of indifference to legislation and social conduct coinciding with a lack of engagement with governance systems. As a vulnerable section of the community, young income support recipients display a strong risk-taking mentality and indifference to societal measures for conformity. Rather than comply with rules such as traffic and vandalism laws, this group willingly engage in activities which they know will result in fines and subsequent debt. For many of these
young males, debts such as these are connected with a rebellion against social conformity and are not considered serious enough to curb their behaviour. In an interesting contradiction, these young men were unwilling to pay the fines that raise revenue for the government, but they nevertheless accepted their social assistance money raised through other taxes.

I often travel on the train without buying a ticket. I usually don’t have $12 to get to my OzWelfare interview but I’ll lose my allowance if I don’t go. I only get caught occasionally and I don’t see any point in paying the fines anyway. It’s just more money for the government that they don’t need. (Male, Unemployed, 25-34 years)

Me and my friends, we just ride around seeing how long it takes to get caught. I only have about $7,000 in fines, but some have got more than $10,000. They aren’t gonna chuck us in jail, we’re too young. It’s our game. (Male, Unemployed, 15-24)

In contrast to the indifference to debt displayed by younger participants, most of the older participants perceived credit and debt negatively. The participants over the age of 30 charted a shift in attitude towards debt, which they believed had moved from saving for large purchase items, to the “buy now, pay later” mentality which is increasingly embedded within consumer culture. As one participant said: “Younger people have more of a debt culture – credit cards, phones – but older people abhor it” (Male, Unemployed, 35-44 years). Overall, the participants epitomised current consumer practices such as “keeping up with everyone else” or “keeping up with the Joneses” (cf. Morgan and Christen 2003). For example:
A lot of people are in debt. People used to save a lot of money and buy things in cash, but since the credit cards, everything is sold to you as “have it now, don’t wait”. Delayed gratification isn’t around anymore. It’s about keeping up with the Joneses. (Male, Disability, 35-44 years)

Save up for it and then pay for it. That is how we were brought up and that’s how we do it. I think my friends and family are up to their eyeballs in debt. Nowadays, everybody wants to keep up with his or her friends. So I think that’s why people are in debt. People are used to getting in over their heads. (Female, Disability, 55-64 years)

Despite their largely negative attitudes towards debt, older participants tended to believe that debt had become widely acceptable, and this view would seem to be supported by the current household debt practices of most Australians (cf. Commonwealth of Australia, 2005; NATSEM, 2004). These older participants said:

I think the current day Australian thinks [debt] is acceptable. In our day it wasn’t but times have changed. (Female, Aged, 75+ years)

I think that older people are actually concerned about debt, whereas the younger people just don’t really care. I think they understand the fact that everyone is in debt all of the time. Credit cards, HECS, mobile phones, everyone’s always in debt. I think it’s an age thing, and I don’t think anyone seriously gives a damn
anymore. They understand that governments are in debt, countries are in debt: very rich countries like America. (Male, Unemployed, 35-44 years)

Overall, while the participants made distinctions between acceptable and unacceptable debt, there was a prevailing sentiment among the sample that debt was now “normal”: “It is normal to have debt; if you don’t you are almost strange” (Female, Partnered Parent, 45-54 years). Some participants estimated that 90 to 100 percent of Australians were in debt, and so debt was seen as “a way of life in Australia”. Using multiple credit cards and borrowing money was seen as a means of “survival”. Below are some typical comments:

I think debt is a way of life in Australia. Everyone has some [debt one] way or another. I don’t think it is acceptable but there is no other choice. We have to have debt to survive. (Female, Single Parent, 40-50 years)

Well I think everybody gets into debt and it’s quite easy to do. You can get into trouble with bank cards, and I have. I think we’ve changed over the years and it’s now more acceptable. (Female, Single Parent, 35-44 years)

The prevailing sense among the sample was that the consumer marketplace has changed irrevocably and that there is a deeply entrenched system of debt and credit which leaves consumers with few alternatives to help them manage their finances.

Today, I think without a credit card, the world would crash. Twenty-five years ago, that wouldn’t have been a problem. Society has changed. (Male, Unemployed, 45-54 years)
The whole society runs on debt so I can’t get too upset about it; that’s how it functions. If people actually paid their bills on time, I think the whole thing would collapse. (Male, Unemployed, 35-44 years)

MANAGING DEBT

The participants had clear priorities when repaying debt. There was a sense of obligation to repay debts to family and friends first because they would “need” the money more than a lending agency. Additionally, the participants’ sense of obligation was linked to the perceived rigor of the debt collection process of companies and the consequences if debts were left unpaid. Utilities and rent debts were likely to be paid first because they were collected more assiduously and because there were clear consequences for not repaying outstanding amounts, such as having the power cut off or being evicted. This participant encapsulates these repayment priorities:

You would pay your mortgage over your electricity bill in priority. House, then car, then utilities, credit cards. Small bills you’re not going to get a debt collector at your door or go to jail for. Personal loans cause more conflict than other types of loans because you’re just a number to them. Loans between friends and family you need to sort out first. (Male, Unemployed, 25-34 years)

Most of the participants were largely aware of their welfare obligations, such as reporting their additional income so as not to incur penalties, and most of the sample (57%) reported meeting these obligations. As one participant said: “There is no point in lying to them
because you’ll get caught” (Female, Unemployed, 25-34 years). Another participant said: “I would feel bad about owing OzWelfare money, not telling them that I work, that I was getting a little bit extra on the side, because OzWelfare is […] keeping us going, is giving us the money” (Female, Partnered Parent, 15-24 years).

A significant minority of the sample (about 22%) knowingly underreported their earnings to OzWelfare as a means to earn extra cash to pay off other debts. As this participant said: “If you get a bit of money on the side you have to tell them I suppose, but you don’t want to tell them too much because they’ll cut your pension payments” (Male, Aged, 65-74 years). In essence, these participants would risk being caught out by OzWelfare and having their income support penalised in fortnightly increments. Such penalties were not seen as “debt”, however, as this participant shows: “Can you have debt to OzWelfare? I didn’t know” (Female, Unemployed, 45-54 years). Nevertheless, owing money to OzWelfare was something that they could afford to pay off slowly. Furthermore, OzWelfare helped them manage through these incremental penalties, rather than having to pay off the debt in a lump sum, as a financial institution would force them to do. Social security debt, then, was used as a form of “borrowing” money, and those who took this path did not feel an obligation to repay this debt in a timely manner. The participants generally felt a sense of empathy with people who underreported their earnings:

A lot of my friends don’t declare their income and they get caught and have to pay it back. But they see it as an interest free loan because if you get caught you just have to pay it back. But I think there are more honest people out there that genuinely make the mistake but are sensible about it. It depends on what sort of value it is to them. (Male, Disabled, 25-34 years)
People on [unemployment benefit] are controlled by debt. Every time you get even a little job, you get in over your head and it takes ages to sort it all out, sometimes you wonder why you bother getting work at all. (Male, Unemployed, 25-34 years)

All of the participants felt that there are some types of debt which were created by the system and that they should not be held responsible for – especially administrative errors by their income support agency. For other participants, especially those heavily in debt, there was a sense that the organisations who were owed repayments “deserved it” for providing loans to a person they should have ascertained would not be in a position to repay. So, as the participants described it, while people who were in debt were partly to blame for their position, the market was also seen to play a significant role in helping vulnerable consumers sink deeper into the debt trap. To this end, credit card institutions were seen to be the biggest culprits because “People are pushed in to debt because of how easy it is to get credit cards and that” (Female, Unemployed, 45-54 years). Other participants felt strongly on this issue:

I think that the retail sector encourages people to go into debt by offering interest free periods and people enter into it without looking at the full facts. The banks are particularly happy to give credit because they know that interest rates can be double digits and that’s where they make their profits. (Male, Unemployed, 34-44 years)

Billions are in debt over credit cards… It’s so easy to put the card in and get stuff. That’s the problem. They don’t realize you have to pay that plus interest… It’s definitely a wake up call if they get a letter later on saying the company is taking
them to court. Who wants to be in debt? It’s hanging over you. (Male, Aged, 65-74 years)

When you’re younger I just think its very easy to get into debt that you can’t easily get yourself out of and I think that’s a bit outrageous and I think it’s very hard for people in that situation. It’s so easy to get credit cards when you’re younger.

(Female, Single Parent, 35-44 years)

The major help-seeking behaviour employed by the participants was obtaining money from one source to pay back another debt. They did not seem to think reducing their overall borrowings was a method of becoming debt free:

I used to be really bad with money. It didn’t matter what I’d earn, I’d spend it. I’ve had everything from debts to banks, to telecom, power bills, that’s the extent of it. You sort out one bill and you’re behind on the next one. The whole concept that if you put away $20 per week for this and that, I’m not very good at doing that. When the bill arrives, it empties out my whole bank account... (Male, Unemployed, 24-35 years)

No one thought to seek financial advice about their commitments or their budgets unless they were forced to due to threatened bankruptcy. This is a significant finding, because it shows the vulnerability of this sample population. A minority (13%) of the sample had sought debt assistance from OzWelfare but, rather alarmingly, 66 percent of the participants had never asked OzWelfare for advice or help on managing debt, specifically because they did not know that OzWelfare offered such financial management assistance.
The other 21 percent of people did not directly answer this question, and rather, they asked rhetorically: “how could OzWelfare help?” For example:

I wouldn’t even know how to get help from OzWelfare. I can’t get through to them. I don’t have a computer to get on to their website. They need to be more accessible. Maybe a hotline or emergency number for those who need help rather than a routine question. I shouldn’t have to wait 30 minutes plus for an emergency situation.

(Female, Aged, 65-74 years)

Rather ironically, the participants did not know that OzWelfare offers financial assistance to help people get out of debt, and so they sometimes engaged in underreporting of their income as a way to ease their overall debts. Without knowledge of viable avenues for financial assistance such as those offered by OzWelfare, the participants continue to get deeper into debt until the “debt cycle” becomes a “debt trap.” For some participants the debt trap was seen as “the new Aussie battle” and a “necessary evil.” Most of the participants did not express an ability to extricate themselves from debt and they did not believe that they really needed to “as long as I can handle it.” The other participants largely exhibited a crippling acceptance of debt, and they failed to recognise the resources available to them to manage their debt responsibly. One participant said: “It’s horrible to a): rely on the government to give you money, and then to be in debt as well” (Female, Partnered Parent, 35-44 years). As the debt burden worsens, so too does a sense of helplessness for these welfare recipients. One participant said: ‘I’m a small person in a big pond... it’s too hard’. (Female, Unemployed, 25-34 years). Another participant said: “sometimes I think, ‘What’s the point of me trying?’” (Female, Youth, 15-24 years).
CONCLUSION

This study found that income support recipients were vulnerable in terms of their acquisition of debt and, as such, they were in need of education about the financial services offered by their welfare and lending organisations. The participants did not always define “credit” as “debt” and, instead, they saw debt as an everyday, unavoidable phenomenon. Moreover, debt was not always regarded negatively, but rather, it was sometimes seen as an investment in the future. Consequently, we have a group of people assuming that an increase in debt is likely to lead to an improvement in their circumstances. Clearly, with such limited means to repay debt, this is unlikely to be the case. The participants in the present study saw their financial liabilities as “borrowing” and they most commonly described acceptable debts as those that were future-orientated. Unacceptable debts were described as “owing”, or liabilities that they could not repay, and these were connected to over-spending on everyday goods and services. The participants recognised a shift in social attitudes that moved from a saving-for-the-future mentality to a pervasive acceptance of debt.

Despite their distinctions between acceptable and unacceptable debt, the consensus in this sample group was that it is abnormal not to experience significant debt. The participants overwhelmingly believed that most Australians were in debt, and so debt was seen as almost unavoidable and inevitable for most people. Most of the participants borrowed money to pay back other debts. The priority for the repayment of debt was family and friends first, followed by those organisations “which set the collectors on to you,” and finally, their income support agency. While some of the participants who had accumulated OzWelfare debt had both a legal and a moral obligation to repay this debt (because they had knowingly misrepresented their earnings to the organisation that provided them social welfare), they did not really see a need to pay this type of debt back.
This study reflects the way that vulnerable consumers suffer with debt without seeking financial management aid from lending agencies designed to help them, such as their welfare provider. The ways that the participants in this study borrowed money from family and friends and used loans and their credit cards to repay other debts point to poor financial management strategies, as these means further intensify debt. Seeking help with debt requires an acceptance that something is “wrong”. These data reflect that a culture of debt may prevail among some vulnerable consumers, given that these consumers often lack the financial knowledge to extricate themselves from debt. The participants in this study did not fully understand that there might be a better way to manage their financial hardship and that they should seek help to make this happen. Instead, they seemed to think: if everyone does it, can my situation really be that bad?

Although the participants in this study did not see themselves as being “really in debt”, despite their various unpaid credit card balances and loans, they were in a self-made catch-22 situation: they defined debt as “something you can’t pay back” and preferred instead to see themselves as “borrowing” and “investing in the future”, and yet they were unable to pay off debts without getting into further debt elsewhere. They did not really understand – or they were unwilling to admit to – the true level of debt that they were getting themselves into by paying off one source of debt with another.

This paper has argued that some welfare recipients accept debt as a way of life and as a means of survival, and as such, they are vulnerable consumers who need better access to financial management assistance. However, this assistance needs to be designed in the knowledge that there is currently no shared understanding of what it means to be “in debt” between those who are experiencing financial hardship and those institutions who would like to help. Our research suggests that, even when though these vulnerable consumers had trouble managing their outstanding financial liabilities, they did not always see themselves
as being “really in debt”, and so they did not seek financial counselling to change their financial situation unless they were forced into it by threatened bankruptcy. In recent years, the Australian government implemented campaigns to inform consumers about their welfare obligations, including reporting their extra earnings in order to avoid penalties to their social security payments and further legal action. This study suggests that alongside this campaign, there should also be an education campaign communicating good debt management strategies and the available services which help low income earners manage their finances.

This research supports the recommendations of other studies on debt and credit practices cited in this paper regarding consumer policy. Specifically, our study proposes that consumer policy in the finance industry would better serve vulnerable consumers if policies were strengthened to protect, rather than encourage, the escalating debt of welfare recipients. Given that the participants generally considered credit card debt acceptable, there is an added onus upon credit providers to implement adequate safety nets on behalf of vulnerable consumers.

To implement these recommendations we suggest that a social marketing approach would be appropriate. While further research is required we posit that a broad, but directed, multilevel social marketing approach that could address this type of challenge. Such an approach seeks to foster change both at the individual level and also at the policy level through targeted interventions. Targeting the personal and contextual domain in this way are often referred to as ‘downstream’ and ‘upstream’ interventions (Goldberg 1995; Verplanken and Wood 2006). Downstream interventions are generally aimed at the individual and thus personal domain factors. A common example is an advertising campaign that attempts to change attitudes and behaviours through information provision and this could be complemented with financial decision making and debt management
education for the most vulnerable. Upstream interventions target regulatory restrictions and are often undertaken at a community or societal level. These target contextual domain factors such as legal, political, regulatory and economic aspects that may limit the adoption and success of the program. Improved consumer protection relating to credit use and greater product disclosure are specific examples that are directly influenced by regulatory control. Furthermore, because of the interaction between personal and contextual factors, interventions that only focus on downstream aspects are less likely to be successful than an integrated approach, particularly when dealing with habitual behaviour, in this case, uninformed and excess use of credit (Verplanken & Wood 2006). Policy changes to guard against the sophisticated target marketing by credit providers as advocated by Harrison and Gray (2010) is one example whereby vulnerable consumers would be more likely to be both protected and informed. The policy change would be required at the upstream area and disclosure and education downstream with the individual consumer.

Our climate of mass consumption, as well as the aggressive marketing techniques targeting vulnerable consumers, both entrench the false belief that “you’ve got to go into debt to get anywhere”. Money may well be the last social taboo: people find it difficult to earnestly talk about, and objectively assess, their financial situation, especially when they are borrowing more than they are earning. This unwillingness to communicate openly about debt makes it difficult to address the issue with public education strategies. Extreme debt practices signify a revolving door to poverty because some people, like the welfare participants in this study, do not recognise they are in debt. Without identifying themselves as having a debt problem, vulnerable consumers will not seek an effective solution to help get themselves out of debt. The majority of the participants in this study did not seek financial counselling because they had not yet become bankrupt. Currently, Australian income support recipients are paying a high price for their lack of knowledge about debt
management. They see themselves as “a small person in a big pond”, living in a society where debt is simply “a way of life” that they should, for better and worse, simply accept.
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