

Understanding Behavioural Responses to Tax and Transfer Changes: A Survey of Low-Income Households

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Abstract

This paper describes a role for qualitative research in examining the behavioural responses of low-income households to changes in personal income taxes, indirect taxes and transfers. A series of Focus Groups were conducted to flesh out decision-making processes with respect to labour supply and consumption. Discussions with sole parents and couples with dependent children are reported in this paper.

Focus Group sessions explored the nature and strength of spending adjustments to past variations in prices, and the management of situations in which expenditure exceeded the participant's current income. A second strand of questions focused on the interface between the labour market and the tax and transfer systems. By identifying factors that had influenced their participation or non-participation in the paid labour force, Focus Group members shed light on possible labour supply responses to a change in effective marginal tax rates.

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1. Introduction

Attempts to model the effects of taxation reform present an interesting conundrum. While most analysts acknowledge that the impacts on equity and efficiency extend beyond ‘day after’ effects, models used to evaluate these impacts have assumed no behavioural change.

This assumption is waived in a research project being conducted by the Melbourne Institute, the Brotherhood of St Laurence and the Committee for Economic Development of Australia. The project incorporates reform-induced behavioural change into a general equilibrium model of the economy. In this way, tax reform options can be assessed and evaluated in terms of their impacts on equity and efficiency in both the short and long run. The research reported in this paper is part of the project.

This paper describes a role for qualitative research in examining behavioural responses to changes in personal income taxes, indirect taxes and/or transfers. The research aims to flesh out the decision-making processes of low-income households with respect to labour supply and consumption and to consider whether expressed preferences have been, or can be, realised in the market. Data attained from focus groups will provide a ‘real life’ check of the behavioural assumptions and implicit elasticities used in the distributional and general equilibrium models.

Comprehensive reform of the tax and welfare systems is likely to affect a broad spectrum of the community and to provoke a range of behavioural adjustments. This paper examines the labour supply and consumption responses of just two groups. It is therefore important to outline the reasons for our interest in low-income households.

With this discussion as a prelude, the paper is structured as follows. Section 2 is concerned with research methodology and the rationale for selecting focus groups as our primary research method. Section 3 details our research objectives and questions. Section 4 outlines the framework for the study and provides a demographic and socio-economic profile of participants. Findings are reported in Sections 5 and 6, and Group

feedback in Section 7. Conclusions regarding the role of behavioural analysis in assessing the equity and efficiency implications of tax reform are drawn in Section 8.

1.1 Low-Income Groups and the Tax Reform Process

In general terms, low-income households will suffer relatively more if reform-induced prices rises are larger for goods forming a relatively large part of their total expenditure. The overall effect on inequality will depend on the precise nature of price changes, household expenditure patterns, and the distribution of income. Thus in order to assess who ultimately pays any tax it is necessary to measure both price adjustments and household responses to relative price changes.

Johnson et al (1997) showed that average indirect tax as a proportion of disposable income is highest for the lowest income quintile. Thus a change in the tax mix, from direct to indirect taxes, will require the measurement of, and a strategy for, the compensation of low-income groups. It is hoped that material gathered from focus group discussions will assist our assessment of different compensation options and provide insights into the effectiveness of the direct tax and transfer systems in redressing adverse distributional effects.

Johnson et al (1997) also examined the interface between the taxation system, the transfer system and the labour market. They cited a 1994 study by Harding and Polette (1995, pp.100-106) which found that effective marginal tax rates were highest in the low to middle income deciles where most social security income tests operate. Orthodox theory argues that, in the presence of high effective tax rates, the incentive to move away from welfare and into paid work is dampened or removed. Focus group discussions will examine the pertinence of this assumption by gathering information about labour supply responses of low-income households in the context of a highly targeted and means-tested welfare system.

2. Research Methodology

There are a number of methods, both quantitative and qualitative, which may be used to collect data on likely behavioural responses to tax and/or welfare reforms. The process

of selecting which method, or combination of methods, was best suited to meeting the research objectives involved a number of considerations.

In the first instance it was important to establish how collected information would be integrated into subsequent phases of the project and the type of data, and level of detail, required. The second phase involved an assessment of the relative ability of survey, as against non-survey, methodologies to meet information needs. Finally, alternative survey methods were evaluated - keeping one eye on the potential research gains of each approach and the other on more prosaic matters of cost, probable response rates, demands on time and resources, and access to a sampling frame.

2.1 Data Collection Methods

In the following discussion, the advantages and disadvantages associated with each method are outlined both in general terms and in terms of meeting research objectives. The aim is to use qualitative work - focusing on decision-making processes with respect to labour supply and consumption - as a means to discern the behavioural responses of low income households to changes in the tax and/or transfer systems.

2.1.1 Telephone Interviews

Telephone interviews offer savings in time and resources when compared to individual or group interviews. However, in terms of research needs, the associated disadvantages are significant.

Phone interviews limit the social interaction between facilitator and participant making it relatively difficult to establish rapport and trust. This may inhibit the collection of sensitive information assuming that participants have ready access to the requested material. In reality, it is unlikely that details pertaining to income, government benefits, and household expenditure can be recalled quickly and accurately without reference to documents. In this regard, a postal survey that gives the respondent time to check documentation and/or confirm figures is preferable to a phone interview. In addition, mail surveys and personal interviews do not restrict the sample group to persons owning

telephones, although mail surveys exclude the functionally illiterate. Both restrictions may be important given our explicit focus on low-income households.

2.1.2 Focus Groups versus Individual Interviews

Focus groups generally involve between six and ten participants who discuss a series of issues or questions introduced by a facilitator. While it is important to delineate key questions, in order to impart a structure and enable comparisons across groups, Taylor (1997, p.2) argues that the number of key questions should be limited to allow time for exploration and clarification. Discussions tend to produce a wider range of information and interaction when group members are relatively homogenous. It is important that participants do not feel uncomfortable or stigmatised - feelings that may arise if participants have different socio-economic backgrounds or characteristics.

The decision to use focus groups as the primary research method is based on a number of factors. Firstly, the strength of this approach in "...gaining qualitative information on underlying attitudes, opinions and behaviour patterns" (Neale, 1989, p.14) is highly commensurate with research objectives. Focus groups tend to be used as a method of collecting data when researchers are seeking to understand why people act the way they do. The sessions provide the opportunity to ask questions about current behaviour, with respect to labour supply and consumption, and likely responses to alternative reform scenarios. In contrast to postal surveys, focus groups enable the interviewer to probe responses and gather additional details, and allow participants to offer contingent answers to questions. While this may increase understanding of the subject at hand it may also increase the difficulties associated with reporting and interpreting results.

It is reasonable to argue that the above advantages are attributable to interviews in general rather than group interviews per se. However, different arrangements have different strengths and weaknesses. Personal interviews are highly effective in terms of building rapport and collecting sensitive information. This is particularly important when individuals feel intimidated or nervous in a group setting, or are reluctant to express a dissenting view. Responses given by members of the sample group are

independent of one another although leading questions, whether intentional or unintentional, have the potential to bias results.

The decision to use group, rather than individual, interviews rested on two factors. Firstly, focus groups offer a more efficient and less costly method of gathering data. This was important in the context of a small budget and tight time frame. Secondly, focus groups may uncover additional information by allowing members to react to, and build upon, the responses of other participants. We recognise that this advantage may be tempered if a group contains a dominant or highly opinionated member. The facilitator will aim to pose value-free questions and to encourage contributions from all participants.

2.1.3 Postal Surveys

In comparison to other survey methods, mail questionnaires can allow researchers - armed with a high quality sample frame - to access a large and diffuse sample at a relatively low cost. Postal surveys may also enhance the quality and accuracy of data by allowing the respondent to complete the survey in her or his own time. This was an important factor in deciding to use a self-completion questionnaire as an adjunct to group interviews.

Given that we are collecting data at a household level and that information about household expenses may require reference to bills and receipts, participants will receive survey forms one week prior to their Focus Group. For couple households this will provide an opportunity for consultation, as information on income is requested for each partner. The anonymity offered by postal surveys may aid our collection of potentially sensitive information although Bourque and Fielder (1995, p.13) note that "...more recent studies suggest that sensitive information may be collected as effectively or with even greater accuracy through telephone and face-to-face interviews."

The decision to use a postal survey as a complimentary, rather than primary, research method was made for a number of reasons. Firstly, mail surveys generally have low response rates that may offset the quality and reliability of data. Secondly, questions

need to be simple, straightforward and are typically closed-ended. This stems from a view that only the highly motivated and interested will be prepared to write sufficiently detailed responses to a series of open-ended questions.

In the context of our survey this is a particularly important restriction. For example, we are interested in examining whether changes in effective marginal tax rates induce changes in labour supply. One way of exploring this issue is to ask individuals, who are not in full-time employment, about the factors and/or barriers that have influenced their mix of paid and unpaid work. A mail questionnaire will typically define a limited number of factors (including the loss of government benefits and concessions) which the respondent will then tick or rank in order of importance. If options chosen do not capture experiences that are common or unique to the survey group then results may fail to provide meaningful insights into ‘how’ and ‘why’ labour supply decisions, and adjustments, are made. Bias may result if those designing questions and those providing answers differ in terms of their socio-economic background, knowledge of the tax-transfer system, and labour market experiences. Pilot studies, however, could be used to assist the development of relevant questions and response categories.

While a postal survey may be a cheap and effective way of eliciting ‘what’ a respondent did, the inability to clarify and probe responses means it is less suited to an examination of ‘why’. Similarly, postal surveys are more amenable to asking questions about the present than about the past or future. This is a serious limitation for researchers seeking information on how an individual is likely to respond to hypothetical changes in prices or income. However, by enabling us to attain information about current patterns of consumption and work, mail questionnaires provide a context for the examination of behavioural change.

3. Research Questions

The collection of information on behavioural responses to tax and transfer changes is one component of a multi-stage research program. Central to this program is the use of a general equilibrium model to assess the aggregate impacts of changes to taxes and

transfers. Before turning to our research questions it is important and instructive to note what the behavioural data will not be used for.

This study is not based on a representative sample - it will not generate data that can be generalised to some larger population and expressed in quantitative terms. The information attained from focus groups will not be used to calculate household demand or labour supply elasticities but it will be used to provide a 'real life' check on behavioural assumptions used in the modeling process.

Both the general equilibrium and distributional models constructed for the project will incorporate behavioural responses to tax changes. For example, the distributional model will use price elasticities to measure the distributional effects of replacing a raft of indirect taxes with a broad-based expenditure tax. These elasticities can then be checked against information on consumption patterns and responses gathered through focus group discussions and a Household Expenses Form (see Appendix A1.2). If differences are significant, the implications of varying the model's assumptions can be explored.

Focus group discussions will be framed around a series of questions relating to behavioural change. Questions will explore the way in which participants have responded to past variations in prices, transfers, and earned income. Following consultation with social researchers at the Brotherhood of St Laurence it was felt that extrapolation from past behaviour would provide a well-grounded assessment of the likely response to future changes in policy. This methodology has been preferred to a similar application of hypothetical changes to the tax and transfer system.

3.1 Consumption Behaviour

Our ability to analyse and interpret consumption responses to changes in direct or indirect taxes will require an understanding of how low-income households manage income, expenditure and assets, and how they respond to relative price movements.

Focus Group sessions will begin with a discussion of current consumption patterns as recorded on the participants' Household Expenses Form. Questions may be raised as to

the value of collecting this data when the 1993-94 Household Expenditure Survey Unit Record File contains information on the household characteristics and detailed expenditure of over 8000 Australian households. Answering such queries provides a convenient framework for the discussion of our research objectives.

In order to examine and understand changes in consumption behaviour, following a reform-induced change in relative prices, it is important to examine current household expenditure. While HES data tells us that households in the bottom quintile of the income distribution spend x per cent of their budget on Good A and y per cent on Service B; they do not shed light on why households make these choices and the relevance of the word 'choice' to spending patterns that emerge.

In trying to ascribe meaning to HES data, Focus Groups will discuss how consumption decisions are made, and the nature of spending priorities, sacrifices and trade-offs. It is important to consider whether traditional consumer choice theory is an appropriate framework in which to analyse consumption decisions made by low-income groups. Saunders (1989, pp.146-47), commenting on Trethewey's survey of fifty low-income households, makes the following point:

“For them, there was precious little choice in any aspect of their lives. Life was a matter of survival in which choice had almost no role to play. Increased housing costs, for example, did not result (at least in the short term) in a switch in consumption towards cheaper housing but simply limited the resources available for other goods. In other words, housing costs were not the result of any notion of *choice*, but rather acted as a *constraint* on other choices”.

The participants' record of current expenditure will provide the reference point for a second line of questions. These will be designed to explore past variations in consumption patterns following changes to relative prices and/or disposable income. Participants will be asked to discuss the relative importance of expenditure as an adjustment mechanism and the nature of any changes made.

Our work on consumption behaviour has an additional objective - to check and augment existing quantitative data. Calculations based on HES data produce a large gap between reported income and expenditure for households in the bottom income quintile. An average propensity to consume of this magnitude implies that a switch in the tax mix, from direct to indirect taxes, will have a deleterious impact on equity. As a precursor to understanding likely consumption responses to reform-induced price changes we need to understand how low-income households have managed income, assets and debt. This information may help us to assess the veracity of the HES result.

The Focus Group sessions will examine how participants have managed situations in which current income is insufficient to meet expenditure needs and commitments. Possible mechanisms include the use of welfare services, drawing on past savings, borrowing from family, friends or financial institutions, rolling over existing debt, purchasing on credit, and selling /pawning personal assets. These discussions may assist in discerning whether low-income households have the scope to manage and plan income and expenditure, or whether their 'management' context is day-to-day survival.

3.2 Labour Supply Behaviour

Assessment of the equity and efficiency impacts of taxation reform requires an understanding of the interface between the tax and transfer systems and the labour market. Recent Australian research¹ has shown that low-income families face high effective tax rates, both marginal and average. These results reflect interactions between the taxation system and means testing as applied to a growing number of government benefits, allowances and concessions.

Economists argue that high effective marginal tax rates (EMTRs) over a wide range of income reduce the incentive to work. An extra hour of work will have a small, or even negative, impact on disposable income. However, as Brownlee (1985, p.171) notes:

¹ See Harding and Polette (1995), Ingles (1997), and Campbell and Bond (1997).

“...all the debates about the effects of marginal tax rates on who works and how much they work make assumptions about the responses of behaviour to different tax rates and about the labour market”.

Ingles (1997, p.2) has questioned whether empirical evidence is necessary to confirm the existence of disincentive effects. He argues that, in the absence of a controlled experiment, evidence of a behavioural response would:

“...require a careful study of actual versus hypothetical earnings patterns amongst both affected and potentially affected families, and would raise difficult questions of methodology and interpretation. This is not to deny the potential value of such a study, but rather to question whether in its absence it is reasonable to simply assume that demonstrated high EMTRs are only a ‘theoretical problem’”.

As stated earlier, a key aim of our focus groups is to flesh out the decision-making processes of low-income households with respect to labour supply. While such a small, qualitative study cannot produce an estimate of behavioural responses, it can offer insights into the role of high EMTRs as a determinant of labour supply behaviour. To this end, focus group discussions will be built around three broad questions.

Firstly, we wish to examine whether individuals and households understand how additional private earnings will effect any government benefits, allowances or concessions they currently receive. Department of Social Security evidence² has shown that unemployment beneficiaries and sole parent pensioners generally had little knowledge of eligibility rules, withdrawal rates and the taxation system. It is thus important to consider whether labour supply behaviour is driven by knowledge, lack of knowledge or estimates.

² See Puniard and Harrington (1993) and Crompton (1987).

Secondly, we will explore whether EMTRs were an explicit influence on current labour supply behaviour in terms of whether or not each participant worked and the number of hours they worked. The consideration of EMTRs will form part of a broader discussion in which participants will be asked about the factors that determined their current labour force status and whether such factors reflected individual choices and values or imposed constraints. When speaking to individuals engaged in part-time or casual work we will discuss whether their current labour supply behaviour is a fulfilled preference or the product of barriers to full-time participation. We are also interested in discussing whether individuals make ‘work decisions’ independently or on a family or household basis. An examination of this decision-making process may contribute to the debate on differences in the behavioural responses of primary and secondary income earners.

Finally, we will take a historical perspective. This will involve asking participants whether past changes in their real disposable income induced changes in their labour force participation. Supplementary questions will explore the source of past income changes, and the nature of, and reasons for, subsequent variations in work patterns. Such patterns may be indicative of the labour supply response to future changes in the tax or transfer systems.

4. Focus Group Characteristics

This series of Focus Groups began life as a two-group pilot study. The purpose of the study, as initially conceived, was to test and develop the structure of the interview and the questions and material used. A second series of Groups or ‘study proper’ would follow.

Feedback was gathered on participants’ understanding of the questions asked and concepts used, and is discussed in Section 7. As a result of this material, some adjustments were made to the self-completion forms. However, these changes were peripheral and did not compromise the integrity of our findings. The ability to draw valid comparisons between Focus Groups in both the first and second series meant it was appropriate to accord this initial study full, rather than pilot, status.

Interviews with the second series of Focus Groups have now been completed. The composition of these Groups was determined by our research objectives, previous research on low-income households and a range of demographic, economic and social factors. Characteristics and results will be reported in a later paper³.

The first series of Focus Groups were drawn from Frankston, an area to the south of Melbourne on the Mornington Peninsula. Participants were recruited from the pool of individuals using a local, community-based welfare service. Interested persons were given written material introducing the project and detailing what their involvement in a Group would entail. An assurance of confidentiality was also provided. Participants did need to fit a demographic and income profile as specified in Section 4.1. The criteria were deliberately few in number to allow feedback to be gathered from a range of individuals. Participants could differ in terms of their family size, the age of their dependent children, and their labour force status.

The Groups were conducted on Monday, 17 November 1997 at the Brotherhood of St Laurence Material Aid Service in Frankston. Sally Cowling from the Melbourne Institute of Applied Economic and Social Research was the facilitator and Tim Gilley from the Brotherhood of St Laurence made notes and recorded the sessions on audio tape. The morning Group consisted of female sole parents. Couples with dependent children formed a second Group in the afternoon. Each session ran for 90-100 minutes and participants received a cash payment of \$40 on its conclusion.

Additional data was gathered from a self-completion Questionnaire (Appendix A1) and Household Expenses Form (Appendix A2) mailed to participants one week prior to their Focus Group. With the individual's permission, the completed documents were collected at the end of the meeting. The Questionnaire enabled us to gather information to describe or profile the Groups. The type of information collected is detailed in Section 4.2.

³ See Cowling (1998).

The Household Expenses Form⁴ was used to provide each participant with a detailed record of his or her current household spending. Expenditure categories were designed to allow comparisons with broadband data from the Household Expenditure Survey. The record was an important reference point for questions exploring variations in consumption patterns following changes to relative prices and/or disposable income. The use of the Household Expenses Form could be expected to produce more realistic and accurate responses for two reasons. Firstly, in the days leading up to the interview, it encourages participants to think about how they spend their money, narrowing differences between perceived and actual spending patterns. Secondly, participants could refer to the full list of expenditure categories before responding to discussion questions. This may reduce distortions stemming from imperfect recall.

4.1 Selection Criteria

The choice of ‘Sole Parents’ and ‘Couples with Dependent Children⁵’ as Focus Groups followed research on the composition of the bottom income quintile. In determining the incidence of low income for different household types, it was important to look beyond measures of gross income. The use of equivalence scales⁶, which take into account varying costs of income units, changes the profile of the lowest quintile. The following figures demonstrate the tendency for one-person units - with their lesser needs for food, housing and other essentials - to be replaced in the lowest income quintile by couple and one-parent units.

In 1995-96, almost 90% of the lowest gross income quintile were one-person units compared to 61% using an equivalent income measure. By contrast, the proportion of

⁴ The Household Expenses Form draws from an expenditure diary developed by the Budget Standards Unit (Social Policy Research Centre, University of New South Wales) as part of a project titled “Development of Indicative Budget Standards for Australia”.

⁵ The ABS Catalogue *Labour Force Australia* defines dependent children as “all persons aged under 15 years, and persons aged 15-24 years who are full-time students, live with a parent, guardian or other relative and do not have a spouse or offspring of their own living with them” (1997c, p.69).

⁶ Equivalent income data are taken from ABS Catalogue 6523.0 *Income Distribution Australia 1995-96* (1997b, Table 27c) and are based on a simplified Henderson Equivalence Scale. Equivalent income is calculated by multiplying each income unit’s disposable income by an equivalence scale. Equivalence

couple units in the lowest quintile rose from 10% to 30% when income was adjusted by the Henderson scales. Among couples, the main movement into the bottom quintile was for those aged under 45 with dependent children. This group comprised 3% of all income units in the lowest gross income quintile compared to 13% in the lowest Henderson equivalent quintile (ABS, 1997b, p.10). Given this high and rising incidence, 'Couples with Dependent Children' was chosen as a pilot group.

Two pieces of data were important in the selection of 'Sole Parents' as the other pilot group. Firstly, ABS figures on income distribution for 1995-96 (1997b, p.10) showed that the units most likely to be in the lowest Henderson equivalent income quintile were one-parent units. Approximately 33% of all one-parent income units were in that quintile. Secondly, the ABS publication *Australian Social Trends* (1997a, p.34) reports that in the ten year period between 1986-1996, one-parent families as a proportion of all families with dependent children increased from 15% to 19%. Over the same period, the number of one-parent families in Australia increased by almost 50% from 311,800 to 467,200.

Participants in the pilot study met two generic criteria. Firstly - in order to promote experiential discussion of possible linkages between labour supply behaviour and effective marginal tax rates - all persons were aged between 25 and 45 years. Secondly, all participants belonged to a 'low income household'. As mentioned earlier, we have defined 'low income' as the bottom equivalent income quintile although eligibility for a Department of Social Security Health Care Card was regarded as a reasonable proxy for recruitment purposes.

4.2 Group Profiles

As discussed earlier, individuals participating in the pilot study were asked to complete a Questionnaire prior to attending their Focus Group. This proved an effective method of collecting demographic details and potentially 'sensitive' information such as the individual's level and sources of income and their labour force status. The

scales are sets of ratios that show the relative income levels required for income units of different sizes and composition to maintain a similar standard of living.

Questionnaires completed by the second Group recorded data for both the participant and her or his partner. In this way we were able to distinguish between household income and income received by the individual.

The profiles presented in Sections 4.2.1 and 4.2.2 aim to provide a context for the reporting and analysis of each Focus Group meeting. Profiles have been constructed from completed Questionnaires and are thus based on the information provided by participants.

4.2.1 Focus Group 1: Sole Parents

The Group consisted of six females, five of whom were Australian-born. A male sole parent participated in the second Focus Group - “Couples with dependent children” - due to his inability to attend an earlier session for Sole Parents.

Three of the participants were aged between 35 and 44 years, two were aged between 25 and 34 years and one belonged to the 20-24 years age bracket. The number of dependent children living in each household ranged from one to six. Four of the participants each had two children living at home. For the group as a whole, four children were aged between 0 and 5 years, four were aged between 6 and 10 years and seven were aged between 11 and 15 years. It should be noted that only two households had children in the latter age group, five of whom belonged to one family.

While all of the participants completed primary school, no one in the Group had completed secondary schooling or tertiary or trade qualifications. One individual completed Year 11 studies and one completed Year 10. Of the remaining four participants, two left school after Year 9 and two left after Year 7.

Four participants categorised their labour force status as “not in the labour force” and described their main activity as “home duties and childcare”. The two individuals who classified themselves as “unemployed” (see footnote 8) had been unemployed for 6 months and two years, respectively.

All participants cited a government pension or benefit as their main source of income⁷. Each person received the Sole Parent Pension (SPP)⁸ which is subject to both an income and assets test. Unlike the Newstart Allowance, the SPP is not subject to an activity test. In addition, all participants received the Family Payment - the level of which depends on the age and number of children. Once again, income and assets tests apply. Non-taxable Department of Social Security payments are not included as income for the purpose of income testing however maintenance payments may reduce Family Payments.

In terms of additional benefits, the three individuals who were renting from a private landlord received Rent Assistance. The other members of the Group were renting from a government authority ('public housing'). All participants held a Health Care Card, two received the Pharmaceutical Allowance, and one person received a Basic Parenting Allowance. Reported income levels suggest that individuals were either marking their primary government payment on the self-completion form or were not claiming all allowances to which they were entitled.

4.2.2 Focus Group 2: Couples with Dependent Children

Eight individuals attended the second Focus Group, five of whom were married. The other three participants were sole parents - two had been unable to attend the morning group and one person was newly separated i.e. her marital status had changed during the recruitment process. The mix of participants did not seem to inhibit the flow of the discussion or the willingness of all participants to share experiences and to outline their family structure, labour force involvement and financial circumstances. However, less time was devoted to discussing whether couples make decisions about work jointly or on an individual basis, than was originally planned. This was unfortunate, as we had hoped to compare the strength of any labour market disincentive effects applying to sole

⁷ Centrelink (1998) provides a guide to Commonwealth Government payments for the period 20 March to 30 June 1998. Information on State Government concessions for low-income earners can be found in Department of Human Services (1998).

⁸ On 20 March 1998, the Sole Parent Pension and Parenting Allowance was replaced by a new Parenting Payment. This payment is available to both partnered and lone parents caring for children, thereby

parents with those applying to couples with dependent children. In order to elicit this information a second group comprising couples with dependent children was included in our second series of Focus Groups. Results will be presented in a forthcoming working paper (see footnote 3).

The group contained five females and three males. Of the eight participants, seven were born in Australia and one in another English speaking country. One person had a partner from a non-English speaking background. Two couples and one sole parent were public housing tenants while the remaining members of the Group were renting privately.

Four of the participants (one sole parent) were aged between 25 and 34 years, two (one sole parent) were aged between 45 and 54 years, and there was one participant in each of the 20-24 years (sole parent) and 35-44 years classifications. In terms of children, the number of dependent children living in each household ranged from one to three. Four of the households had two children living at home. Collectively, members of the group had nine children aged between 0 and 5 years, three between 6 and 10 years, and three in the 11-15 years bracket. Six of the participants had at least one child under five. One sole parent had all three of her children less than 5 years, while one couple had both children aged between 11 and 15 years.

The educational profile of the Group was poor. An examination of the highest level of education achieved by participants and their partners showed that no one in this group had completed secondary schooling and two participants (one sole parent) had a primary school education only. Of those who attended high school, four of the participants and all partners left school upon, or before, the completion of Year 10. The husband of one participant had a trade qualification.

The labour force status⁹ of sole parents and couples participating in the Groups was also indicative of low household incomes and dependence on government pensions/benefits.

providing assistance on the basis of parenting responsibilities rather than marital status. This change was announced in the 1997-98 Federal Budget.

⁹ The following definitions are taken from ABS Labour Force, Australia, 6203.0, November 1997:

The two female sole parents were not in the labour force and described their main activity as home duties and childcare. For both women, it had been 6-7 years since they last participated in the paid workforce. The male sole parent was currently unemployed and had been able to gain only intermittent periods of employment during the past five years. For those Group members who were part of a couple, all had partners who were either unemployed or not in the labour force. One participant chose not to record the labour force status of her husband. Among the participants, two were classified as very long-term unemployed¹⁰ with one person having their partner in the same situation. The four participants (two sole parents) who were not in the labour force all described their main activity as “home duties and child care”. The only employed person within the group had part-time¹¹ work (a paper run) for two hours per week. He had been unable to participate in full-time work for the past eleven years due to a disability.

A government pension or benefit was the main source of income for the eight participants and five partners surveyed. Each sole parent received the Sole Parent Pension (see footnote 7) and Family Payment. Among married persons, two participants and three partners received the Newstart Allowance and one participant the Disability Support Pension. Either the husband or wife, in each of the five couples, received the Family Payment and Parenting Allowance. One participant and one partner received the Partner Allowance.

In terms of additional benefits, all individuals participating in the Group, and two of their partners, were eligible for a Health Care Card. Indeed this was the primary selection criterion for participation in the Focus Group. Two of the three couples renting

Employed - persons aged 15 or over who, during the reference week, worked for pay, profit, commission, payment in kind or without pay in a family business or had a job but were not at work.

Unemployed - persons aged 15 and over who were not employed during the reference week but were actively looking for and available for work.

Not in the labour force - Persons who were not in the categories employed or unemployed as defined. They include persons who were keeping house (unpaid), voluntarily inactive, or permanently unable to work.

¹⁰ Persons unemployed for a period of 104 weeks or more.

¹¹ Part-time workers are defined by the ABS as employed persons who usually worked less than 35 hours a week and who did so during the reference week [Labour Force, Australia, 6203.0, November 1997].

from a private landlord received Rent Assistance and one couple received the Telephone Allowance.

5. Focus Group 1: Sole Parents

5.1 Consumption Behaviour

The session began with a discussion about spending priorities. Participants were asked to examine their Household Expenses Form and to identify any spending patterns: “Are there goods and services that generally get paid for first?” Responses were rapid and identical. The Group concurred that you “*always* pay you’re rent first” followed by the utility bills (electricity, gas, water, and phone). Individual estimates of the proportion of their household income absorbed by these two payments ranged from 35 to 50 per cent. Remaining income was spent on food and education costs in the first instance. It should not be inferred that items described as “priorities” are immune from changes in expenditure when prices or incomes vary. We will return to this later.

The discussion of spending sacrifices and substitution effects was introduced with a general question. It was important to consider whether the way a question was asked influenced the way it was answered. Would a general question about the nature of spending adjustments generate responses that were consistent with adjustment patterns suggested by the participant’s past behaviour?

The Group was asked, “When the budget gets a bit tight, are there things that you cut back on or cut out”? The responses are listed below with items mentioned most frequently listed first:

5.1.1 Entertainment and Going Out

Changes took the form of a switch to low-cost activities. Examples included taking children to the park or the beach instead of McDonalds. Two women mentioned sharing expenses: “We take turns to hire a video and we pass it around instead of going to the movies” (Karen).

5.1.2 Shoes and Clothing

As financial circumstances become more difficult individuals reduced spending and became more reliant on op shops and 'hand-me-downs'. "I'd be lucky to spend \$100 a year on myself. I can't remember the last time I went out a bought a pair of shoes but I still buy them for my kids." (Jackie)

This response was typical. In all cases, parents reduced personal expenditure before cutting back on goods and services purchased for their children. This 'sacrifice hierarchy' was discussed in vigorous and emotional terms.

5.1.3 Household Items

Repairs to durable goods or to one's home were delayed whenever possible.

5.1.4 Cigarettes

The three smokers in the Group "cut back on the fags" (Louise).

Participants were asked to look at the amount they currently spend on the above goods. Expenditure on 'Recreation' and 'Household Furnishings, Equipment and Services' was nominal with the exception of some payments for emergency repairs. This cast some doubt on whether a distinction was drawn between items on which expenditure was generally low and items on which spending was adjusted as financial circumstances changed. To test this concern, and to encourage respondents to focus on past behaviour, subsequent questions were framed in specific terms.

The Group was asked whether they had noticed any change in the prices of goods that they buy, or would like to buy, over the last twelve months. Price rises were noted in education, health and dental services, fruit and vegetables, and meat. The next step was to ask participants how they had responded to these price changes taking care to discuss their personal experiences rather than their opinions or the experiences of others.

Consumption responses relating to food were prominent. Most participants have reduced their spending on meat, fruit and vegetables. Simone commented "If the price

of a big bag of potatoes goes up over \$10 then I buy rice instead”. Four members of the Group said that higher prices have meant that they *only* buy cheaper cuts of meat - mince and sausages. Substitution between brands was not significant as participants tended to use ‘Home’ or ‘No Name’ brands where available.

A key response to higher grocery prices was an increased emphasis on bargain hunting - a preparedness to travel and ‘shop around’ in order to get cheaper goods. ‘Timing’ was seen as all-important. Most members of the Group go to the butcher and the markets at closing time on Saturday in order to get cheap meat trays and cheaper fruit and vegetables. Participants discussed the use of informal networks to share information. This started a debate about the cheapest place to shop in Frankston and pens and paper came out to jot down local bargains. Two people mentioned that “when things get too much” they buy in bulk and split purchases with friends. Two others had started to grow their own fruit and vegetables.

Four participants mentioned that when prices increase they try to reduce their energy and water bills so that their family will not go hungry. Strategies included imposing time limits on showers. “My children have to have a 2 minute shower now. Once a week they’re allowed to have 5 minutes so they can wash their hair.” (Simone) Families would generally wear more clothes or go to bed earlier in winter to avoid using the heater.

An area of particular concern to participants was the need to reduce their usage of education, health and dental services following recent changes in Government policy. Four parents, all with school-age children, argued that changes to the Education Maintenance Allowance¹² (EMA) have increased the cost of education. In order to cope

¹² The Education Maintenance Allowance (EMA) is paid by the Victorian Department of Education to parents holding a Department of Social Security concession card. Prior to 1997, parents received \$127 per annum per child in primary school and \$254 per child in secondary school. The EMA is paid twice, early in the two semesters, and cuts out when the child reaches 16 years. At the start of the 1997 school year a change was made in the way the EMA is delivered. Schools now receive fifty per-cent of the payment to be offset directly against school costs. It cannot be used for requisites used in the delivery of the school curriculum, for items covered by the School Global Budget, or to offset voluntary contributions. Siemon (1997) argues that there are difficulties associated with implementing these guidelines.

with rising costs these parents have said “no” to some school excursions and camps and their children are not enrolled in subjects having subject-specific fees or voluntary levies. This was clearly an emotional adjustment that was described as a “last resort”.

“Half of the education cheque you used to get from the government goes to the school now but I have to pay \$30 on top of my part [of the EMA] as fees and that’s not including excursions. My son had to miss out on the fifth grade camp this year. All his grade went and he had to spend the week in fourth class. We couldn’t afford it anymore.” (Louise)

For many in the group, up-front charges for services provided by community health centres, along with the introduction of a \$20 co-payment for dental care¹³, has meant forgoing medical and dental treatment. The following quotes are illustrative.

“My daughter has to see a chiropractor once a week but it’s \$38 a visit so she just can’t go.” (Trish)

“I had a toothache for three weeks but if you don’t have \$20 what do you do? I just put up with it but I couldn’t do that if it was one of the kids.” (Simone)

“I couldn’t afford to [go to the dentist] so I just took lots of Panadol.” (Jackie)

In the course of discussing consumption behaviour, participants stressed the importance of establishing, and sticking to, a tight budget. Many had received financial counseling through Centrelink or non-government welfare agencies saying that weekly fluctuations in income made it difficult to manage expenditure. For sole parents in the Group, variations in income were generally attributed to the absence of regular, reliable maintenance payments and the administrative arrangements for the payment of Child

¹³ The Commonwealth Dental Health Program, which provided free dental care for persons on low-incomes, was abolished in the 1996-97 Commonwealth Budget. The Victorian Government has since introduced a \$20 co-payment for dental care.

Support¹⁴. This was a timely point at which to introduce our next research question: “How do low-income households adjust to unexpected expenses”? Material gathered may assist our understanding of the high propensities to consume attributable to HES data.

Participants were asked to describe situations in which they had faced unexpected imposts and to discuss the mechanisms used (and those not used) to meet such expenses. Common scenarios included the need to repair or replace large consumer durables, and the management of repayments when “bills arrive on top of one another”. Coping strategies were numerous and were often used in concert.

5.1.5 Partial or Deferred Payment of Bills

All participants were adept at juggling and balancing the payment of bills and the repayment of loans. An important precept was trying to keep the amount paid each week reasonably even. Utility bills were only paid in full after the individual had received ‘reminder’ or ‘warning’ notices. The order in which bills were paid reflected the consequences of non-payment e.g. the disconnection of services, and the attitude of suppliers.

5.1.6 Department of Social Security Advance Payment

In the past twelve months, five members of the Group had used a DSS Advance Payment to help with expenses. The Payment was generally used to finance emergency repairs to, or the replacement of, large durable goods and motor vehicles.

The Advance Payment is a lump sum amount paid from part of future DSS payments. It takes the form of an interest free loan. Advance payments vary from \$250 to \$500 with

¹⁴ Child support payments received by the Australian Taxation Office Child Support Agency (CSA) are transferred through a Trust Account to the Department of Social Security (DSS) for disbursement. The DSS system only processes child support payments on two paydays a month, resulting in time delays and inflexible payment arrangements. The taxable income of the non-custodial parent is currently used as the basis for the child support assessment and can change over time. Custodial parents who inadvertently receive more child support than they are entitled to must repay the difference. A Commonwealth Ombudsman’s Report released in January 1998 found that by the time parents were notified of overpayments, the money had usually been spent making it difficult to repay the CSA. The Report recommended that the CSA revise its policy of intercepting the custodial parent’s tax refund to recover debts and, if forced to do so, negotiate a suitable amount with the parent that takes into account the often precarious financial position of single parent families.

the size depending on how much the applicant normally gets paid. The maximum Advance Payment will be 6 per cent of the applicant's annual payment up to a ceiling of \$500. If 6 per cent of annual payments is less than \$250 then the applicant will be ineligible for an Advance. The Advance Payment is repaid by fortnightly deductions from DSS payments over a period of 6 months. Deductions range from \$19.30 per fortnight for an advance of \$250 to \$23.10 per fortnight for an advance of \$500 (DSS, 1997).

Participants were asked how they adjusted consumption behaviour during the repayment period. Adjustments matched the pattern of 'spending sacrifices' detailed at the beginning of the session.

5.1.7 Assistance from Welfare Agencies

Three individuals had received cash handouts and small interest-free loans to cope with "crisis situations" (Lisa). The crises were described as situations in which families faced eviction, were unable to afford food, or had been threatened with disconnection (of electricity, water, gas, phone) if they did not respond promptly to 'final warning notices.' All participants had received material assistance from welfare agencies.

5.1.8 Acquisition of Debt

The Group reported that financial institutions "won't loan money to poor people especially not single mums" (Lisa). Two individuals were repaying hire purchase loans, and one had taken out a second loan: "I couldn't keep up with the interest payments on the first loan. They charge 26 per cent" (Simone). Borrowing from family and friends, while done reluctantly and as a "last resort", was quite common.

5.1.9 Delaying Purchases and Repairs

Many of the group had put off replacing or repairing broken goods, particularly white goods, until they could save enough money or find a bargain. Bargains were generally discovered in the local Trading Post, at Material Aid or Op shops and at garage sales. Trish said: "My washing machine broke down and I couldn't afford to get it fixed so I hand washed for 6 months - washed everything in the bath tub until I could afford a new

[second hand] one”. Karen’s washing machine met a similar fate: “...it was going to cost \$300 to fix so I just had to wait until I got my tax back. You do the best you can. Sometimes I had to borrow my neighbour’s machine but I felt so bad asking her”.

5.1.10 Selling Personal Items

One participant had pawned personal effects in order to quickly raise funds. “Last time I was stuck - rather than ask my family or borrow - I grabbed a ring and got \$50 for it.” (Simone)

It is important to note that none of the participants had a pool of savings on which to draw. Goods were frequently purchased on lay-by but only one person currently owns, and uses, a credit card. Interest charges account for “sixty per cent” of her monthly debts. A number of other participants had been similarly burnt: “I cut mine up. I went over the limit and I didn’t know and I’m still [one year later] paying it off” (Jackie).

To conclude the section on consumption behaviour, the Group was asked how they were coping with Christmas. The discussion revealed that Christmas was a highly stressful time and that families were trying to manage by limiting the number of gifts. All were anxious not to incur debt. Many had started Christmas Club Accounts but had withdrawn money, often with some financial penalty, when urgent situations arose during the year. “I started one and then two bills came in together and I didn’t have the money so I took it out.” (Trish)

5.2 Labour Supply Behaviour

The second part of the session focussed on labour supply. To discern likely determinants of labour supply behaviour, participants were asked to describe their current mix of paid and unpaid work and search activity. As outlined in Section 4.2, all members of the group were either unemployed or not in the labour force. With this information as a backdrop, questions about behaviour were geared to the circumstances of the Group. The following questions were asked:

“For those of you who are seeking paid work; are you looking for full-time, part-time or casual work? Are there any factors or barriers that have made it difficult to find suitable work?”

“For those of you who are not seeking paid work; are there any factors or barriers that have deterred you from seeking paid work? What are the main reasons for your non-participation in the labour force?”

The barriers and influences cited by participants form a complex and interdependent structure and are described below. Unraveling and weighting factors is a difficult and imprecise task. For the sole parents interviewed, issues relating to the care of children and the inflexibility of the unskilled labour market emerged as key determinants of current labour supply behaviour and form an important context in which to analyse ‘secondary’ factors.

5.2.1 Family Responsibilities

Four members of the Group would like to work part-time but had been unable to find work that was compatible with their family responsibilities. Two of the four were actively searching for paid work while the others were “just keeping [their] eyes open”. ‘Caring needs’ were seen as incompatible with involvement in the paid workforce. This was a critical issue for two of the participants, one of whom had an intellectually disabled child and the other who had children with learning difficulties.

The Group initiated a broad, and often emotional, discussion about whether paid work was ‘worth it.’ The concept of ‘worth’ was non-monetary and focussed on the care and attention that children miss out on when the custodial parent is employed.

“The children miss out because you don’t have the time to spend one-on-one.”
(Simone)

“I was doing voluntary work for my self esteem and then I got some part-time work in the same field but I think it was part of my marriage breaking down. We

actually had less money and things change at home. The kids couldn't cope. It wasn't worth it." (Trish)

Four of the women discussed the pressures of being a sole parent and not having a partner to share domestic responsibilities. The following statement captured the feelings of the Group.

"It was so hard when I was working because you work all day and then come home and do the shopping and the housework and look after the children and the money. All men have to do is go to work." (Jackie)

5.2.2 Labour Market Inflexibility and Lack of Skills

All of the participants had left school before turning 16 and described themselves as unskilled. They argued that the jobs for which they could apply - waitressing / bar work, and work in shops or factories - generally had rigid hours. In addition, many of the jobs required night work or shift work. It was very important to all members of the Group that they were home when their children left for, and returned from, school and that they could stay home if their children were sick. Inflexible working arrangements meant that this was not possible. The perceived availability of unskilled labour meant, "...if you take time off because your kid is sick you lose your job. If you don't have any skills they can just replace you" (Louise). The Group was asked whether this statement reflected personal experiences. No examples were forthcoming.

Three of the women who were seeking work said that employers were not interested in hiring single mothers especially those with children less than 5 years. Instances of discrimination were cited.

5.2.3 The Cost and Availability of Child Care

Part-day care was not available in the local area and the cost of long-day care was viewed as preclusive when compared to wage rates offered. Mothers who had been shopping around for childcare had received quotes ranging between \$18 and \$22 per day

(full-day care). Job seekers within the Group had a clear preference for part-time work and felt that the non-availability of part-day care had deterred their search effort.

When making decisions about work, all participants compared pay rates offered with attendant reductions in DSS benefits and concessions. An unfavourable comparison did not, in itself, guarantee that opportunities to shift from dependence on welfare to paid work would be knocked back. However, the Group agreed that it was a factor that they have taken, or would need to take, into account.

“I could find work if I had to. It’s there if you look hard enough but the pay’s so bad. Two jobs I got offered paid \$8 per hour. I can barely survive now and if I’d taken them I would have gone backwards.” (Karen)

During the last twelve months, two individuals had turned down jobs because they were “not worth it” once the additional costs of working had been taken into account.

‘Additional costs’ included childcare, work clothes and transport.

The discussion of poverty traps revealed an important dichotomy. The loss of allowances and concessions - most notably the Health Care Card, Rent Assistance and State Government concessions on energy, water, sewerage, municipal rates and transport (see footnote 7) – was much more significant in the decision-making process than any consideration of payment thresholds and taper rates. In particular, participants expressed deep fears about their ability to cope without a Health Care Card.

“One of my sons needed glasses and it took me six months to be able to afford them. What would I do if I didn’t have my card?” (Simone)

The strength of these concerns necessitated a second line of questioning. Firstly, it was important to establish whether participants were well informed about eligibility requirements and the income, assets and activity tests applying to some benefits. Secondly, we needed to consider the whether labour supply behaviour was effected by this information. The following questions were asked

“Do you know how much you can earn in the labour market before you lose your Health Care Card?”

“What is the maximum amount you can earn before you start to lose some of your Sole Parent Pension?”

Participants noted that Centrelink did send this information to them but they could not state the amount or make a “confident” guess. No one in the Group had used Centrelink’s Financial Information Service¹⁵. Participants were asked how they attained information relating to their benefits. Friends in receipt of the same benefit/s were the first port of call. The majority expressed a reluctance to use government information services arguing that it was time consuming and staff were poorly informed.

To conclude the session the Group was asked whether they had any feelings or opinions about the mooted introduction of a goods and services tax (GST). A number of points emerged from this discussion.

Firstly, the GST was seen as a tax that would cause an equal and universal increase in the price of goods and services. While most participants felt that the Government would “... probably get rid of some other taxes if they bring in a GST”, they did not understand that the impact on price outcomes would, in part, depend on which taxes were replaced and the extent to which indirect taxes are passed forward. This discovery caused much consternation.

“It’s confusing. It’s hard to understand. I mean if some [prices] are going up and some are going down you can’t work out how it will effect you. All I know is that if it costs more to go to the shops – just to get the basics – then I’m going to struggle, really struggle.” (Louise)

¹⁵ Centrelink offers a free and confidential Financial Information Service that can answer any questions about pension, allowance or benefit entitlements. For example, individuals considering employment can find out how earnings would affect their Social Security payments.

Two individuals said they would be in favour of a GST if they were “properly compensated” through the transfer system. Compensation in the form of additional income had the following advantage.

“If you’ve got the extra dollars in your pocket then at least you can decide what to do with it – you can choose how to spend it.” (Louise).

6. Focus Group 2: Couples with Dependent Children

6.1 Consumption Behaviour

While the nature and order of spending priorities mirrored those of the ‘Sole Parents’ Focus Group, participants seemed less sure of the proportion of weekly expenditure devoted to rent, utilities, food and education. Estimates were expressed in general terms -“a lot”, “a big chunk” - and further questions did not elicit specific responses. It is important to consider whether participants found it difficult to translate dollars spent into percentage terms. This hypothesis was tested in later Groups by asking individuals “How much do you spend on....?” before seeking this information as a proportion of weekly expenditure or income.

Referring to the Household Expenditure Form, participants were asked whether there were HES broadband categories on which they didn’t spend money. Jason said “Yeah, just a couple. NOT”! The Group enjoyed the sarcasm and found it “...ridiculous that you could have enough money to buy all that stuff” (Jason again). In general, participants did not spend money on “house things” (furniture, appliances, cutlery and crockery), repairs and maintenance, superannuation, and clothing and shoes for adults. Two participants did not spend any money on alcohol and tobacco.

In the manner of the earlier session, the Group discussed the nature of trade-offs made following a change in financial circumstances. A clear pattern of ‘spending sacrifice’ was established which was again similar to that of the first Group. Explicit references were made to reducing the family food bill by switching to cheaper brands and cutting

back on the amount of food purchased - particularly fresh fruit and vegetables and meat. The scope for substitution was limited because most families were already using the cheapest products available, buying day-old bread and hovering around the markets at closing time to get “bargains!” Nicole and her husband were “pretty happy” about a weekend purchase. “We went to the butcher just as he was closing and we got a whole tray of BBQ steak for three bucks. It’s all in the timing.”

Buying in bulk and sharing purchases was also used as a means to reduce the shopping bill. Elena told the following story: “My husband saw a 10 kilogram bag of onions for \$6 so we got in touch with our friends and sold them for 60 cents per kilo. This way we helped each other and got onions for 60 cents rather than \$1.49 per kilo.”

Robert drew out a pattern of sacrifice common to all couples within the Group.

“My wife and I have been married for five years and I forget what we forgo...we don’t go out to restaurants, we can’t afford a weekend away, we don’t give each other gifts...certainly treating ourselves is very infrequent.”

Wherever possible sacrifices were borne by adults rather than children. This was particularly pertinent at Christmas. Cathy summed up the behaviour of the group: “You buy the best you can for the kids and go without yourself. Adults never exchange presents”. As with the Sole Parent Group, financial planning mechanisms such as Christmas Clubs were ineffectual.

Group members initiated a discussion about how they cope with unavoidable or unexpected expenses. Peter articulated the general philosophy: “Basically you do with what you have and if you need something you cut back or go the Op Shop or Material Aid”. Rising education costs and changes to the payment of the Education Maintenance Allowance (see footnote 12) were widespread concerns and had induced the ‘sacrifice’ pattern described earlier. This was particularly the case in January and July - periods

when school fees needed to be paid and uniforms purchased. Parents raised the importance of having their children in the ‘proper’ uniform.

“The school says they must have the correct uniform but it’s different to the one you can get at Target and it’s double the price. And if you buy the Target one your kid looks different and that’s not fair so you give up buying clothes for yourself to buy the right one.” (Linda)

Other participants spoke about the financial pressure created by frequent uniform changes (at least two, often three) in State schools. “They just change the bloody collar or colour or something so you have to get them a new shirt.” (Cathy)

The introduction of a \$20 co-payment for dental services was identified as a “big price change”. For some members of the Group the non-provision of free dental care (previously available to low-income persons under the Commonwealth Dental Health Program – see footnote 13) has changed the way in which they finance dental care and their demand for this service.

“I went to the dental hospital about two months ago. They found what was wrong and they fixed it up. But because you’re going to be \$20 out of pocket you’ve got to think about it. I had to talk about it with my wife and work out how we could afford it. When you’ve got a tooth problem you’ve got to attend to it - you can’t just put it on the back burner. I’d like my family to have one check up a year to keep our teeth in good condition but there’s no way that I can afford to do that now.” (Robert)

“For the last four weeks my son - he’s eleven - has had a tooth ache and the school service couldn’t tell us what was wrong. They took x-rays and still couldn’t tell us what was wrong so then we went to the Dental Hospital. And after going through the system, getting the x-ray and paying the \$20 they said: “Here is the problem...you’ll have to go back to your own dentist and have root

canal work or have the tooth extracted. It cost me all up \$240. I had to get a DSS loan.” (Peter)

To stimulate further discussion of ‘coping’ or ‘adjustment’ mechanisms the Group was asked: “Have you experienced situations where you have been unable to pay bills or have been hit with unexpected expenses? How did you cope”?

In addition to “doing without for as long as you can” (Nicole) and reducing expenditure - in accordance with the hierarchy discussed earlier, most participants relied on two stopgap provisions.

1) Partial payment or deferral of bills

During the past twelve months, all members of the Group had either deferred the payment of bills or had paid the amount owing in installments. This method was generally used when bills - especially those for electricity, gas, water and telephone - arrived simultaneously and enabled expenditure smoothing in accordance with tight weekly budgets. Peter referred to a recent situation when his electricity and gas bills arrived in the same week: “I paid half of each bill and requested an extension on the remaining amount due”. Elena discussed how she deals with utility bills when she is unable to meet the repayments: “I get the first bill then wait until the second bill arrives. And then I phone and ask if I can pay off some of the first bill”. Six of the eight participants found suppliers to be both helpful and flexible “...especially if you have a good record and pay at least a bit of the bill”(Linda).

2) Advance Payments

Five members of the Group had used a DSS Advance Payment (see footnote 15) in the last twelve months. This was seen as preferable to borrowing from family or friends. A number of participants had applied for loans from financial institutions and hire purchase companies. All applications had been rejected on the grounds of insufficient income and/or assets. Elena spoke about the difficulties she encountered when trying to rent a house: “My husband and I are both long-term unemployed so no one would have us. Eventually we had to lie to get a place and we are the best tenants they’ve ever had”.

Given the status of Advance Payments as a preferred, and frequently used, source of funds it was important to examine concomitant adjustments. There was general agreement among the Group that the deduction of fortnightly repayments from DSS pensions/benefits was a “blessing”. The five individuals who had used this funding made the following changes to their spending behaviour during the repayment (reduced income) period.

“I had to say no to a school camp and excursion.” (Linda)

“My strategy is based on survival. If a bill comes in and it has to be paid and I have less money than usual then I say “Oh well, it has to be paid” and things come out of the shopping trolley.... I take out all meat except for the very cheapest mince and I’ll go anywhere to get the cheapest. If there’s no washing powder left then I’ll use soap and do all my washing by hand.” (Cathy)

“The car didn’t get repaired when it should and I’m seeing if a mate can fix it.” (Jason)

“I’ve put off buying a pair of cheap, but decent, boots for eight months.” (Robert)

“We rely even more on families and friends – we even lend their clothes. The only things we buy for our 12-month-old baby are nappies. Everything else is borrowed or a gift.” (Robert)

Nicole turned her attention to the period following the final repayment raising an interesting question about symmetry versus asymmetry in consumption behaviour. “It doesn’t matter what you get you just have to live on what you get. When I’ve finished paying off a DSS loan then I go wild. I might buy an ice cream or go to the movies - just spend it. And then go ‘normal’ again.” Half of the Group agreed that this statement was a general description of their response to an increase in income.

In our discussion of consumption behaviour - and the methods used to bridge gaps between income and expenditure - participants did not indicate a role for savings. This raised the question of whether Group members had savings on which to draw. Elena and her husband had used money “set aside for the children’s education” to purchase a computer. The funds had been saved five years ago when both partners were employed. Only one other person had savings available.

Participants did not use credit cards but made heavy use of lay-by for the purchase of all non-grocery items. Most individuals had applied for at least one credit card during the preceding twelve months however applications were generally rejected on the grounds of insufficient income and/or assets. Cathy was the only participant to have used a credit card in the past year. “I pay only the minimum monthly payment and half of it is interest. I haven’t made any in-roads on the original amount. I don’t buy on credit anymore. I stopped six months ago.”

To conclude this part of the discussion, participants were asked about their ability to earn additional income by taking on extra work. After assuring members that all information could be given in confidence, two of the men said they were able to increase their income “...sometimes, when I’ve got nothing left... by fixing cars and washing machines for our friends or friends of friends” (Jason). Money earned was not declared for taxation purposes.

6.2 Labour Supply Behaviour

The second part of the session focused on labour supply behaviour. Material canvassed in the first Focus Group formed a framework for discussion and additional time was devoted to exploring differences between preferred and actual behaviour, and independent versus interdependent decisions in ‘Couple Households’.

By way of introduction, participants were asked to describe their current labour force status and that of their partner. Details are presented in Section 4.2.2. Follow-up questions helped to identify discouraged workers and the under-employed. Job seekers

were asked whether they had a preference for full-time, part-time, or casual work. The preferences reported below apply to a world in which barriers to labour market participation, both personal and institutional, are removed by assumption.

Two women were actively seeking part-time work while one woman wished to work part-time but had “given up” search activity.

Two women were not in, and did not wish to be in, the paid labour force.

Two men were actively seeking full-time work.

One man had two hours paid employment per week but would prefer to work half time.

Having established ‘preferred options’, the Group discussed the factors, barriers and values that had determined whether their preferences were, or were not, realised in the labour market. Responses were strikingly similar, both in content and order, to those offered by the ‘Sole Parents’ Focus Group.

6.2.1 Family Responsibilities

For six of the eight participants the difficulty of combining paid work with home duties and childcare had been the most significant barrier to their participation in the labour force. Flexible or part-time positions that accommodated the “needs of parents” were very hard to find, especially in the unskilled labour market. Peter, a sole parent, gave voice to these needs:

“I’d love to go out and work but a lot of work is at night times and I can’t do that because I want to be there for my son when he comes home. I want to cook his dinner for him. I want to be able to stay with him when he is sick”.

6.2.2 The Cost and Availability of Child Care

While female participation in the paid workforce may be facilitated by switching from home care to formal childcare, this option was “not available to low-income families” (Michelle). Three of the women had stopped looking for (part-time) work because positions were not available in community-based centres. Other childcare options were unaffordable: “...22 bucks each day for my two kids and I don’t even want full-day care” (Nicole). In addition, the lack of casual care facilities made it difficult to seek work and attend interviews. When asked about informal care arrangements involving family or friends all agreed that this was used for “emergencies only”.

6.2.3 Lack of Skills, Formal Qualifications and Experience

“The longer you’re out of work the harder it is to get and if you haven’t got any skills...well you’re stuffed.” (Robert)

The work history of each participant was fragmented and featured significant periods without paid employment. For male participants these ‘gaps’ were generally due to long-term unemployment while female participants had left the labour force to bear and raise children. Three of the women felt that firms were reluctant to employ women with young children. Female participants with school-age children had also found re-entering the workforce a difficult or fruitless pursuit.

Labour market discrimination has proved a significant barrier for Peter: “I’m 40 and I’ve been knocked back time and time again because they think I’m too old”. Peter hopes to become self-employed and is “working on a few business opportunities”. For Gordon, whose Disability Support Pension is not subject to an activity test, insecurity of tenure for unskilled workers had diminished his search activity. “The jobs don’t last long. I’ve been hired one week and fired two weeks later. Is it really worth going off your benefit?”

6.2.4 Poverty Traps

In order to explore the impact of EMTRs on labour supply behaviour the following questions were asked: “Has anybody ever knocked back a job offer”? “If so, why?” Two experiences were recounted.

“My husband was offered a traineeship in Hastings and he doesn’t drive. The pay they were offering him was only \$30 more than the dole but we looked at it and by the time I drive down and drop him off and drive back and then drive down, pick him up and drive back then it wasn’t worth it.” (Cathy)

“I went to the CES today and I was applying for a traineeship and the pay was \$350 per week. They said it was in Hawthorn and by the time I catch a train - I don’t know how much it is but it’s probably \$10 a day - or drive the car then it costs a hell of a lot. So I won’t take it.” (Linda)

The stories stimulated a general discussion about the ‘costs of working.’ The majority was unsure whether costs associated with transport, clothing, and wear and tear on one’s vehicle would cause them to refuse work. However, all agreed that additional costs would be taken into consideration: “When your budget’s really tight and you’re only offered low pay then you have to think about it” (Jason).

The Group was asked whether there were other factors that would determine whether a job was “worth it”. Participants used this expression frequently, and in a range of contexts, making it important to clarify the intended meaning. A number of points emerged from this discussion.

Firstly, the loss of DSS benefits and allowances was an explicit factor in decisions about labour supply - at both the individual and family level. For participants with partners work decisions were made interdependently.

“To think about what I would like to do would be a luxury because you’ve got no choice but to think about what’s best for the family.” (Cathy)

Secondly, concerns were again focussed on additional allowances and concessions. When considering the impact of private earnings on DSS entitlements, participants did not mention the thresholds and taper rates that apply to pensions and the Newstart Allowance. What they did mention was the loss of Rent Assistance and State Concessions, reserving their deepest concern for coping without a Health Care Card.

“How will you pay for a prescription if one of your children gets sick”
(Michelle)

“My son’s epileptic and if I lost my Health Care Card (HCC) I couldn’t go back to paying \$19 a script like I used to. I mean if I got a job I’d only be on a low wage.” (Elena)

Both women stressed that their feelings about paid work would change if they retained the concessions available to HCC holders.

Nicole’s comments pertained to Rent Assistance: “I’m in a Housing Commission place so if I was to get a job I’d probably pay the same amount as people renting privately but I wouldn’t get RA”. Nicole was asked whether this would influence her labour supply behaviour? “No, but if I could get a job I’d probably be better off renting privately.”

Linda offered a different perspective on ‘worth’:

“You have to remember I’m a mum too...I have to come home and take care of our kids and give to our kids. I asked my daughter how she’d feel if I went out to work and she was really crappy with me. I have to take that into account. If I did work then knowing how she feels would affect me too”.

For two members of the Group, government policy on income support has heightened their “need” and “determination” to get jobs. Both women have children in the 11-15 years age group and will lose their more-than-minimum Family Payment when their children turn 16. Austudy - available to students aged 16 years or over subject to income and assets tests - is paid directly to the student¹⁶. Elena is anxious and distressed:

“How will we cope when things change? How will we pay the rent and gas and water? The children think the money is just for them. My son said, “it’s for my education”. My husband and I have to get jobs by then. We have to get them somehow or we just won’t cope”.

Given that most participants wished to attain paid employment each person was asked “How much extra income would you need to receive each week before you were prepared to take on paid work”? The responses given were \$100 (one person), \$150 (three), \$200 (three) and \$250 (one). Supplementary questions established that these amounts represented the difference between income from paid work and current DSS payments. The ‘extra’ income was regarded as compensation for additional costs imposed by work and the loss of non-cash benefits and concessions.

Our discussion of the tax-transfer system was wide-ranging and involved, however much of the analysis was couched in general or uncertain terms.

“If they take away the extra allowances and then they take away RA you don’t know how much you’ll be left with.” (Michelle)

“I don’t think the basic wage is much more than what a couple can get on the dole.” (Jason)

¹⁶ On July 1, 1998 a new Youth Allowance will replace AUSTUDY for students under 25 years of age; and the more-than-minimum Family Payment for secondary students aged 16-18 not on AUSTUDY. The Youth Allowance will be paid directly to young people but a parental means test will apply to dependent young people under 21 who are not in full-time education. The AUSTUDY parental means test will be adopted for the Youth Allowance.

The extent to which labour supply behaviour is guided by information (as against misinformation) about the tax-transfer system remains an important research question. Earlier discussions about the Health Care Card (HCC) presumed a synthesis between undertaking paid work – whether full-time, part-time or casual – and loss of the HCC. However, with the exception of one person, Group members did not know the income test limit that applied to the Card nor could they make a “confident guess”. Participants readily acknowledged that Centrelink mailed out this information although most found it “too hard to read” (Michelle). By way of contrast, three people were able to provide full and accurate details of the thresholds and taper rates applying to the Newstart Allowance.

To conclude the session, the Group was asked for any comments or views about a goods and services tax (GST). In general terms, participants were worried about how a GST would effect the poor and wanted to see “the whole package” before making an assessment. Elena offered contingent support: “I don’t mind if they put taxes on things as long as they put the money into schools instead of making us pay for education.” Robert referred to the New Zealand experience “...their Government keeps increasing the GST and that makes me very wary”.

7. Group Feedback

Feedback on the Questionnaire and Household Expenses Form was wholly positive. Participants commented that the instructions were clear and the questions were “easy to understand”. Most participants were able to fill out both forms in 15-20 minutes, less than the 30 minutes we had projected. This served to allay fears that the length of the forms would act as a deterrent to their completion.

The shorter-than-expected completion time related to the spending constraints facing low-income groups. Most participants recorded zero expenditure for a large number of spending categories, and income was generally derived from Department of Social Security payments alone. There was little or no need to calculate income received from paid work, interest, or dividends. In addition, the tight budgeting behaviour referred to

in discussions meant that most participants were highly cognizant of how they spent their money.

Analysis of the completed questionnaires revealed one significant problem. When asked to identify their labour force status (Question 1, Part B), most participants did not understand the technical distinction between ‘unemployed’ and ‘not in the labour force’. A number of individuals who classified themselves as unemployed also answered Question 3, Part B: “If you are not in the labour force, how would you describe your main activity”? The Questionnaire has been altered and now asks the individual whether or not she/he is actively looking for work. While the discussion sessions enabled us to discern the labour force status of all participants, for the purpose of providing the group profiles in Section 4.2, we were not able to use data on the duration of unemployment. A ‘duration’ question was included to provide contextual information for our analysis of labour supply behaviour.

In future Focus Groups more discussion time will be devoted to taking a recent history of the labour force participation of each participant. Explicit attention will also be given to labour supply issues introduced by Group members. These include under-employment, work for cash-in-hand, and out-working.

As noted in Section 4.2.1, reported income levels suggested that individuals were either marking their primary government payment on the self-completion form or were not claiming all allowances to which they were entitled. There were some inconsistencies between total income and income aggregated by source. Questionnaires to be completed by future groups will ask the individual to tick all government pensions or benefits he or she currently receives. With the participant’s permission we will also check questionnaires on a one-on-one basis.

8. Conclusions

While material gathered from Focus Groups cannot be generalised to a larger population, it does provide valuable and timely insights into the possible behavioural

responses of low-income groups to tax and transfer changes. Conclusions, based on discussions with six focus groups, will be detailed in a forthcoming Working Paper (Cowling, 1998). Some preliminary remarks are appropriate at this stage.

Focus Groups identified fruit and vegetables, meat, education, and health and dental services, as items that had increased in price during the past twelve months. The nature of attendant consumption adjustments made by 'Sole Parents' were markedly similar to those made by 'Couples with Dependent Children.'

For both Groups, higher food prices led to reductions in the amount of food purchased, and limited substitutions in terms of type and brand. To moderate these adjustments many participants shopped at markets, rather than supermarkets, and rationed their use of energy and water. In addition, many families delayed or did not seek treatment in response to the imposition of new charges for dental care and community health services. The rising cost of education, and changes to the distribution of the Education Maintenance Allowance, has led to greater dependence on welfare agencies. In some cases, children were unable to participate in school activities or to enroll in courses having subject-specific fees.

It is important to note that families did not adjust to changes by dissaving. The vast majority owed money and used a variety of coping strategies when "the money ran out" or when 'unexpected' expenses arose. These included the partial or deferred payment of bills, the use of Department of Social Security Advance Payments, requesting help from family, friends, and welfare agencies, and delaying purchases and repairs.

The task of assessing the impact of tax and welfare reforms on the labour supply of low-income households is somewhat difficult. The story, as told by Focus Group participants, is a complex one and attention should be drawn to the range and interdependence of factors that influenced their mix of paid and unpaid work. These factors included high effective marginal tax rates, costs associated with working, the difficulty of combining work and family responsibilities, lack of jobs in the local unskilled labour market and lack of access to affordable part-day childcare.

It is clear that Focus Group discussions have provided some insight into the decision-making processes of low-income households. It is now important to consider whether these findings have implications for the current debate on tax and welfare reform, and the nature of the reform process. The following points can be made.

Firstly, in order to assess the equity effects of proposed reforms, policy-makers need to look beyond short-run aggregate impacts. Analysis needs to incorporate behavioural responses, and to examine the precise nature of price changes, household expenditure patterns, and the distribution of income.

Secondly, debate must pay due regard to the price and income elasticities of low-income groups with respect to their demand for essential goods and services. Focus Group participants were noticeably sensitive to changes in the 'price' of food, health and dental services, and education. Restricted access has had a deleterious impact on the wellbeing of participants and their families.

Thirdly, reductions in the effective marginal tax rates facing low-income groups will probably encourage some individuals to enter, or re-enter, the labour market. However, in the absence of a holistic approach to facilitating labour force participation, incentive effects will be muted. If the diminution of poverty traps is not accompanied by improved access to unskilled jobs and affordable childcare, many Focus Group members, particularly women, will remain outside the paid labour force.

Discussions also highlighted the importance of additional government allowances, most noticeably Rent Assistance and the Health Care Card, to low-income participants. This suggests that labour supply incentive effects stemming from a lower effective tax rate will depend on both the amount by which rates are reduced and the means by which the reduction is achieved.

Finally, the experiences of our Focus Group participants provide a cautionary note to those engaged in the processes of taxation reform. Explaining the consumption and labour supply behaviour of low-income groups is not the exclusive domain of consumer choice theory. It is likely that changes in prices and/or income will elicit a behavioural response. Whether such responses are the result of choices, or whether they are the result of constraints imposed by institutions or by the condition of being poor, is central to the formulation of fair and effective policy.

Appendices

A.1: Questionnaire

Thank you for helping us with our research project. This questionnaire has 3 parts - Part A, Part B and Part C. Please complete all questions by ticking the appropriate box. **The information we asking for will be treated as strictly confidential.** If you are unsure about how to answer a question we can help you before or after the focus group.

Some questions ask for information about yourself and your partner. If you have a partner, please record your details in column 1 and your partner's details in column 2. If you are single or a sole parent fill in column 1 only.

*****Please bring your completed form to the focus group.*****

PART A

In the first part of this survey we would like to ask some questions about your household.

1. Are you female or male?

2. How would you describe your household type?

Single (person living alone)	<input type="checkbox"/>
Sole Parent	<input type="checkbox"/>
Couple, no children	<input type="checkbox"/>
Couple, with children	<input type="checkbox"/>

3. What age group are you in?

	Self	Partner
15-19 years	<input type="checkbox"/>	<input type="checkbox"/>
20-24 years	<input type="checkbox"/>	<input type="checkbox"/>
25-34 years	<input type="checkbox"/>	<input type="checkbox"/>
35-44 years	<input type="checkbox"/>	<input type="checkbox"/>
45-54 years	<input type="checkbox"/>	<input type="checkbox"/>
55+ years	<input type="checkbox"/>	<input type="checkbox"/>

4. If you have children living at home, please write down the number of children you have in the following age groups.

Number of children aged : 0-5 yrs ____ 6-10 yrs ____ 11-15 yrs ____ 16+ yrs ____

5. What country were you born in?

	Self	Partner
Australia	<input type="checkbox"/>	<input type="checkbox"/>
Other English speaking country	<input type="checkbox"/>	<input type="checkbox"/>
Non-English speaking country	<input type="checkbox"/>	<input type="checkbox"/>

6. What is your highest level of education?

	Self	Partner
Primary school	<input type="checkbox"/>	<input type="checkbox"/>
Secondary school (year____)	<input type="checkbox"/>	<input type="checkbox"/>
Tertiary	<input type="checkbox"/>	<input type="checkbox"/>
Trade qualifications	<input type="checkbox"/>	<input type="checkbox"/>

7. What is your housing situation?

Own your home	<input type="checkbox"/>
Buying your home and paying off a mortgage	<input type="checkbox"/>
Renting from a government authority	<input type="checkbox"/>
Renting from a private landlord	<input type="checkbox"/>
Other _____	<input type="checkbox"/>

PART B

We would now like to ask some questions about your labour force status.

1. What is your current labour force status?

	Self	Partner
Employed full-time	<input type="checkbox"/>	<input type="checkbox"/>
Employed part-time	<input type="checkbox"/>	<input type="checkbox"/>
Unemployed	<input type="checkbox"/>	<input type="checkbox"/>
Not actively seeking paid work	<input type="checkbox"/>	<input type="checkbox"/>

2. If you have a paid job, how many hours do you usually work each week?

	Self	Partner
1-15 hours	<input type="checkbox"/>	<input type="checkbox"/>
16-24 hours	<input type="checkbox"/>	<input type="checkbox"/>
25-34 hours	<input type="checkbox"/>	<input type="checkbox"/>
35-39 hours	<input type="checkbox"/>	<input type="checkbox"/>
40 or more hours	<input type="checkbox"/>	<input type="checkbox"/>

If unemployed, please write down how long you have been unemployed in the current period.

Self _____

Partner _____

3. If you are not in the labour force, how would you describe your main activity?

	Self	Partner
Home duties / child care	<input type="checkbox"/>	<input type="checkbox"/>
Undertaking education or training	<input type="checkbox"/>	<input type="checkbox"/>
Retired	<input type="checkbox"/>	<input type="checkbox"/>
Disabled, ill or injured	<input type="checkbox"/>	<input type="checkbox"/>
Unpaid voluntary work	<input type="checkbox"/>	<input type="checkbox"/>
Other _____	<input type="checkbox"/>	<input type="checkbox"/>

PART C

We would now like to ask some questions about your income.

1. What is your main source of income?

	Self	Partner
Wages or salary	<input type="checkbox"/>	<input type="checkbox"/>
Own business or partnership	<input type="checkbox"/>	<input type="checkbox"/>
Government pension or benefits	<input type="checkbox"/>	<input type="checkbox"/>
Other income	<input type="checkbox"/>	<input type="checkbox"/>

2. Before tax is taken out, how much income (including pensions and allowances) do you receive each week?

Self: \$.....

Partner: \$.....

3. Please tick any government pensions or benefits that you receive.

	Self	Partner
Unemployment benefit / Newstart Allowance	<input type="checkbox"/>	<input type="checkbox"/>
Sole Parent Pension	<input type="checkbox"/>	<input type="checkbox"/>
Disability Support Pension	<input type="checkbox"/>	<input type="checkbox"/>
Carer Payment	<input type="checkbox"/>	<input type="checkbox"/>
Partner Allowance	<input type="checkbox"/>	<input type="checkbox"/>
Sickness Allowance	<input type="checkbox"/>	<input type="checkbox"/>
Special Benefit	<input type="checkbox"/>	<input type="checkbox"/>
Family Payment / Family Tax Payment	<input type="checkbox"/>	<input type="checkbox"/>
Parenting Allowance	<input type="checkbox"/>	<input type="checkbox"/>
Rent Assistance	<input type="checkbox"/>	<input type="checkbox"/>
Health Care Card	<input type="checkbox"/>	<input type="checkbox"/>
Pharmaceutical Allowance	<input type="checkbox"/>	<input type="checkbox"/>
Telephone Allowance	<input type="checkbox"/>	<input type="checkbox"/>
Mobility Allowance	<input type="checkbox"/>	<input type="checkbox"/>
Remote Area Allowance	<input type="checkbox"/>	<input type="checkbox"/>
Other _____	<input type="checkbox"/>	<input type="checkbox"/>

A.2: Household Expenses Form

Please enter costs and expenses for your family but if single fill in your costs only. If you are not sure of any costs e.g. how much your families spent on clothes over the last year, then please give an estimate.

*****Please bring your completed form to the focus group*****

GOODS OR SERVICE	EXAMPLES	TIME PERIOD	YOUR HOUSEHOLD COSTS (\$)
Housing costs			
Rent Payments		Weekly	
Mortgage payments	Interest	Monthly	
Other	Rates, insurance, repair and maintenance costs	Last 12 months	
Water, fuel and power			
Water		Last quarterly bill	
Electricity		Last quarterly bill	
Gas		Last quarterly bill	
Food and non-alcoholic beverages			
Groceries		Weekly	
Meat		Weekly	
Fruit and vegetables		Weekly	
Take-away and eating out	Pizza, KFC, restaurants, lunches, school canteen	Weekly	
Alcohol and tobacco			
Beer, wine and spirits		Weekly	
Cigarettes		Weekly	
Household furnishings, equipment and services			
Telephone		Last quarterly bill	
Furniture	Bed, table, sofa, lamp	Last 12 months	
Linen	Blankets, sheets, towels	Last 12 months	
Major electrical appliance	Fridge, washing machine, heater, TV	Last 12 months	
Minor electrical appliance	Toaster, iron,	Last 12 months	
Crockery, cutlery and cooking utensils		Last 12 months	
Gardening equipment and tools		Last 12 months	
Repair and maintenance		Last 12 months	
Cleaning agents	Cleaners, sponges, broom	Monthly	
Clothing and Footwear			
Self		Last 12 months	
Partner		Last 12 months	
Children	Include school clothes	Last 12 months	

Medical care and health expenses			
Visits to G.P, specialists, dentist		Last 12 months	
Alternative health care	Naturopath, acupuncture	Last 12 months	
Pharmaceutical expenses	Prescriptions, medicines, tablets, creams	Monthly	
Private Health Insurance		Monthly	
Transport			
Motor vehicle - petrol		Weekly	
Motor vehicle - repairs and maintenance	Latest service, tyres	Last 12 months	
Car insurance and registration		Last 12 months	
Bus, train , tram and taxi		Weekly	
Recreation			
Sport costs	Lessons, fees, equipment	Weekly	
Outings	Movies, football, zoo	Monthly	
Videos, CDs, magazines		Weekly	
Gambling	Poker machines, TAB, lotto	Weekly	
Personal care products			
Toiletries, personal care	Soap, shampoo, haircuts, toothpaste, moisturiser	Monthly	
Other goods and services			
Child care costs		Weekly	
Education costs	Fees, books, excursions	Last 12 months	
Financial institution fees and charges	Account keeping charges, charges for using ATMs or EFTPOS		
Debt repayments (Do NOT include home mortgage payments)	Interest payments on loans and credit cards, repaying money borrowed from family or friends	Monthly	
Child maintenance payments		Monthly	
Other major costs	New / second-hand car,	Last 12 months	
Income tax		Last 12 months	
Superannuation and life insurance		Last 12 months	

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