

The Human Face of the Rural Downturn

Jim Pekin

The economic effects of the current rural downturn are relatively easy to monitor. This paper looks at the social costs and the impact on farm families. It also discusses the discrimination against farm families within Australia's welfare system.



Jim Pekin is the Senior Economist of the Victorian Farmers' Federation.

Farm families have become seasoned to occasional poor weather and a trend of worsening real prices and increasing costs. But, through their long experience of difficult conditions, farmers have never faced today's situation.

There is a simultaneous downturn in all major commodities, a domestic economy in recession and limited employment opportunities. Many farm families across Australia are in deep survival mode.

Net farm cash income is forecast to fall 24 per cent in 1991-92, following a 35 per cent drop this year - the lowest on record.¹

The Social Costs

The situation facing farm families does not start and finish at the farm gate. Many rural communities are reeling from the recession. But it is not easy to put social costs in dollar terms. Policy makers do not enumerate the cost of deteriorating town

infrastructure, declining populations in remote regions or the cost of stress on farm families.

Surviving this downturn means hardship to many young farm families. The norm currently is for the husband to ignore the farm and to shear, or do other off-farm work, for as many months as possible, and for the wife to work in town, where possible.

Take Gayle and Henry Lee, for example, who farm at Walwa, 100 kilometres east of Albury. Rather than continue to take sheep to the saleyards and end up with a bill, they decided to shoot most of their sheep. Henry spent eight months this year working at Orbost, four hours away, where he lived in a caravan. The Lees have three children: Amber, 12, Heidi, 9, and Jordan, 8. Gayle works part-time as a nursing sister doing night shift in the local hospital. She works to pay off farm bills, even though the farm is producing very little. After night shift she drives Amber to the school bus stop, 18 kilometres away then gets the other two off to school.²

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Government Assistance

The Victorian Farmers' Federation (VFF) recognised the social cost of the downturn and appointed a committee in June to assist farm families obtain the same degree of access to government assistance as that obtained

by urban people.

Farm families have been denied access to unemployment benefits (now called Job Search Allowance) for years, but it has been highlighted by the lack of available jobs due to the recession. In rural Victoria, for example, the level of unemployment is up to two and a half times the national average.³

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It is inequitable that a farmer's spouse who is actively seeking work is not eligible for Job Search Allowance (JSA), even though the family may have no income. The catch is that members of a farm family are deemed to own farm business assets (land, machinery and stock). Very few viable farms have net assets under the JSA assets threshold of \$157,500. The implication of this lack of access is that farm families with low income either suffer hardship or sell part of the farm to provide themselves with income support.

But most farms and farm assets are not divisible or saleable in the current economic climate. And where it is possible to sell off part of the farm the result is a farm unit remaining which is not large enough to be viable in the long-term.

Furthermore, when a farm is sold, where it is possible to sell, the home is sold with it. The reluctance of many farm families to take this step is certainly understandable. If the Government imposed this requirement on unemployed urban families there would be a justifiable outcry. The VFF has unsuccessfully urged government to address the problem by having a more appropriate assets threshold for JSA.

Hardship

The policy makers are slow to understand that farm families are also denied access to the Department of Social Security (DSS) Hardship provision.

The result of current Social Security legislation is that many farm families with little or no income have no access to government financial assistance and must battle on alone. Farm families are a minority group in Australia but are not recognised as such.

The VFF has unsuccessfully raised this matter with bureaucrats and politicians. The government must change the Hardship Provision rules so that farm families experiencing severe financial hardship can access the Hardship Provision, regardless of eligibility for Household Support.

Family Allowance

The Government's Assets Test Bill for Family Allowance, currently before the Senate, also discriminates against farm families. Family Allowance has always been a small payment to help average and low income earners meet the cost of raising children. It has never been asset tested. But from January 1st, 1992 those with more than \$600,000 in assets will be excluded. While this will automatically exclude 50 per cent of farm families now and two thirds by 1994, it will continue to allow urban families access by excluding the family home from the assets test.

The assets test is to have two stages. For the next two years a farm family with one child and average farm assets will be ineligible for Family Allowance if income exceeds \$13,700.

But a non-farm family with one child can have a home of any value and an income of \$62,000 and still receive the Family Allowance. From January 1994, two thirds of all farm families will be ineligible even if no income is received.

The Elderly

The senior members of the family farm also need the attention of policy makers. Life interest, registered on the property title, is counted as part of the elderly parents' farm assets when they apply for the Aged Pension. But where the adult son, who manages the farm, has to sell the farm due to a financial crisis, the DSS rules that the parents have gifted the farm to the son and they are therefore deemed ineligible for the Aged Pension for five years. Other anomalies also occur.

It is common for the DSS to provide the Aged Pension to an elderly farm owner as a loan against the farm. When the pensioner dies the middle generation incur the additional debt burden.

An incentive is required so that the farm can be transferred from the elderly to the next generation while they are still alive. This would increase financial management efficiency and reduce stress on farm families. The only situation in which stamp duty on the transfer of land is not incurred is when the owner dies and passes the farm on in the will to surviving family. This frequently provides fuel for family feuds, particularly when some recipients of the wills, with no commitment to the farm, want to sell.

It is suggested that intergenerational transfers of farm land should not incur stamp duty. This would remove the impediment to land transfers between the elderly and the middle generation who are already managing the property.

Educational Assistance

The number of non-metropolitan adults participating in higher education was half the number of their metropolitan counterparts in 1989.⁴ But the numbers are expected to be far worse now as a result of the introduction of the Austudy assets test in that year.

The assets test for Austudy discriminates against farm families on three counts:

- * Farm business assets are not readily realisable and there is no accurate way of obtaining their value in the current recession.
- * Farmers direct income towards productive assets, which are asset tested, rather than to the family home, which is not.
- * The level of farm assets bears no relationship to the amount of disposable income remaining for education after it has been directed to farm inputs, food and clothing.

It is suggested that eligibility for Austudy be based on an interactive test whereby the asset limit is raised by \$25,000 for every \$3,000 by which income falls below the income limit. In addition, those rural students, living beyond the 90 minutes limit, who are refused Austudy due to the assets test should be eligible for a smaller grant through a Living Away from Home Allowance. This should be subject to the income test.

Social Equity

Australian society will be richer after government addresses the social justice issues facing farm families. The lack of access to Social Security programmes for a significant sector of the community and the lower proportion of rural students attending a tertiary institution should be matters of deep concern to all governments. The discrimination is not only an economic issue. ♦

References

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