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AMPLIFY INSIGHTS®

Financial Wellbeing

Amplify Insights: Financial Wellbeing

Financial wellbeing is complex, but it's time to embrace that complexity for a better outcome.

Presented by:

In partnership with:

This report is a call for coordinated action to address the individual (micro), organisational (meso), and societal (macro)-level factors in Australia that have created and continue to create financial hardship and vulnerability, or poor financial wellbeing.

The report shows that there are many factors that can influence an individual's financial wellbeing which are outside of an individual's control.

We will show how no single organisation or entity can effectively address financial wellbeing on its own. But, by genuinely understanding the systems that create financial hardship, we can identify where there are gaps in our responses and work together to develop levers of change, some big and some small, that different organisations and entities can action in a coordinated way.

In this sense, this report also seeks to catalyse the social purpose sector towards a systems-approach to improving financial wellbeing that embraces complexity rather than trying to simplify it. There are some organisations that are already doing system change work and we will need to look to them for leadership and advice.

Meso- and macro-level factors are typically out of an individual's personal control.

When we look at micro factors, they can be divided into personal factors (e.g. income, financial capability), and group factors, which again are out of an individual's control, such as gender, age, Indigeneity, and disability status. Group level factors typically do not change, but social structures such as patriarchy and social class mean that some groups are more advantaged than others. Because of the way that some personal factors operate, they can also be thought of as group factors as well – for example, an individual can have a low level of education (personal factor), and people with low levels of education can be thought of as a cohort (group factor) which are impacted by things like employment policies.

In addition, you can see that micro-level factors can significantly guide how well an individual can cope and respond to meso- and macro-level influences.

WHAT IS FINANCIAL WELLBEING?

Financial wellbeing is when a person is able to:

- Meet expenses and have some money left over: including having an adequate income to meet basic needs, pay off debts, and cover unexpected expenses, while also having some money left over.
- Be in control: including feeling and acting in control of your finances.
- Feel financially secure: including not having to worry much about money and having a sense of satisfaction with your financial situation.

Micro, meso, and macro-level drivers of financial wellbeing

MICRO

PERSONAL

FINANCIAL CAPABILITY:
Behaviours
Attitudes
Knowledge
Skills
Motivations

OTHER CONTEXTUAL FACTORS:
Income
Expenses
Education
Occupation
Caregiving commitments
Dependents
Mental Health
Physical Health
Social Capital
Employment Sector
Employment Status
Parental Wealth
Relationship Status

GROUP

Gender
Disability
Ethnicity
Age
Race
Aboriginal and Torres Strait Islander People

MESO

ORGANISATIONS AND INSTITUTIONS

COMMERCIAL ORGANISATIONS:
Bank policies and actions
Employer policies and actions
Pay day lenders
Media
Location of financial institutions
Financial advisors

NOT-FOR-PROFIT ORGANISATIONS:
Financial counselling services
Community lending programs
Community orgs

MACRO

NATIONAL

POLICIES AND LAWS:
JobKeeper
Age pension
JobSeeker/ NewStart
Regulators
Public healthcare
Income management
Superannuation
Family policies
Interest rates

SOCIAL STRUCTURES:
Precarious employment
Poverty cycle
Social class
Patriarchy
Systemic racism
Colonialism

FINANCIAL MARKETS ASSETS AND INVESTMENTS:
Stock market activity
Housing markets
Higher education access loan structure

EVENTS:
COVID-19
GFC
Housing Bubbles
Natural Disasters
Military conflict

Meet Lin...

THIS IS HOW LIN EXPERIENCES THE FINANCIAL WELLBEING SYSTEM

Lin is a 36-year-old hospitality worker and a single parent living in Melbourne, Victoria with her 9-year-old son.

- She has a high level of financial capability. Lin knows the different avenues for securing financial support and all the rules that surround them.
- The company Lin worked for, in a casual hospitality role, was forced to close its doors for the duration of the lockdown as it could not stay open due to COVID. As Lin was casual, and had not been in the role long, she lost her job.
- Lin was not eligible for JobKeeper so she moved onto JobSeeker.
- The rate per fortnight for a parent receiving JobSeeker was $862, while the rate per fortnight for Tier 1 of JobKeeper was $1,200. Because Lin was ineligible as a casual for JobKeeper she was $338 worse off per fortnight during the later stages of the second lockdown period (when those payment rates were in effect).
- Lin's job effectively vanished, so she needed to look for employment in a new sector, and this is likely to impact her employment prospects.
- Being a primary caregiver also meant that for large periods of the pandemic Lin had to look after her son while schools in Victoria were closed.
- Because her son is 9-years-old, he is too old for Lin to qualify for the Parenting Payment (the cut-off age for a single parent is 8) and Lin was unable to access childcare during that time. Because women tend to be the primary caregivers for children in most households, these kinds of issues that limit employment opportunities have tended to impact women more than men.
- The JobMaker program makes Lin's age directly relevant from a system and policy perspective. If Lin were 34 years old instead of 36, an employer that hired her would be eligible for a $100 per week subsidy to Lin's wage, provided they met the rules for JobMaker Hiring Credit eligibility, and this subsidy would increase to $200 if she were 29 years old. In this case, her age makes her a less attractive employee to businesses that are eligible for the credit.
- All of these factors reduce the income coming into Lin's household, which has a negative effect on her financial wellbeing.

Read Lin's full story online at *csi.edu.au/lin.*

Lin's Financial Wellbeing: a diagram

Macro-level and meso-level factors can interact with each other to influence financial wellbeing for individuals.

For example, the public health measures undertaken by the Federal Government during the pandemic influenced the decisions of organisations, with some closing for a period of time. The choices of these various organisations in turn resulted in policy responses from the Government like the decision to stimulate the economy in the November and May Federal budget announcements.

The macro-level deals with the larger structures of our society, which can impact people deeply, and which are outside the control of any one individual.

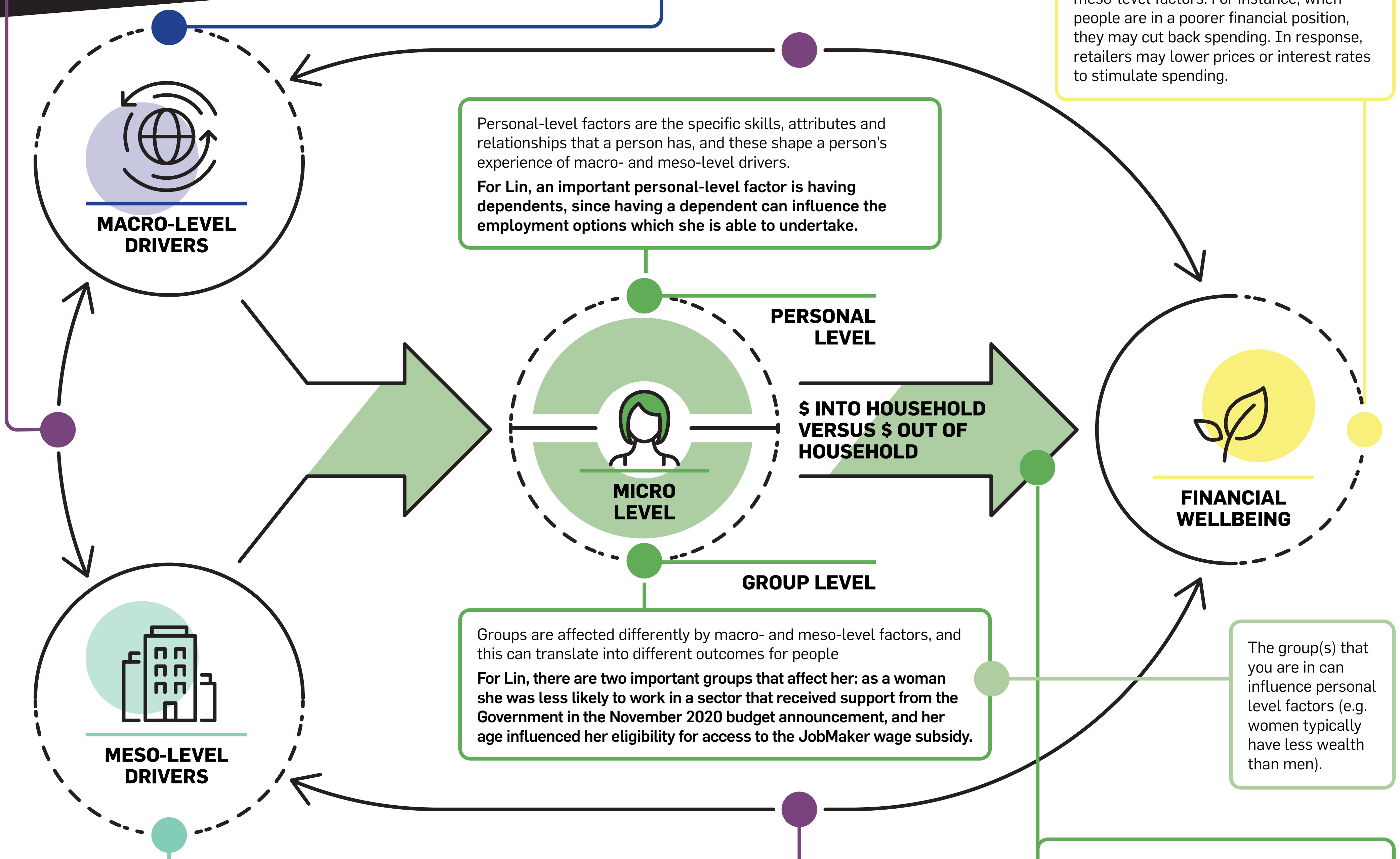
For Lin, policy decisions about which people would receive JobSeeker rather than receive JobKeeper directly impacted her financial wellbeing.

Financial wellbeing can influence macro-level factors. For example, those in the strongest financial position tend to be white, mid-upper class males and the power they exert over others maintains the social structures of patriarchy, white dominance and social class.

Financial wellbeing can also influence meso-level factors. For instance, when people are in a poorer financial position, they may cut back spending. In response, retailers may lower prices or interest rates to stimulate spending.

Personal-level factors are the specific skills, attributes and relationships that a person has, and these shape a person's experience of macro- and meso-level drivers.

For Lin, an important personal-level factor is having dependents, since having a dependent can influence the employment options which she is able to undertake.



Groups are affected differently by macro- and meso-level factors, and this can translate into different outcomes for people

For Lin, there are two important groups that affect her: as a woman she was less likely to work in a sector that received support from the Government in the November 2020 budget announcement, and her age influenced her eligibility for access to the JobMaker wage subsidy.

The group(s) that you are in can influence personal level factors (e.g. women typically have less wealth than men).

The meso-level deals with the influence that organisations of various kinds can have on people, and these too are beyond the control of any individual.

For Lin, her sector has a tendency to employ workers as casuals rather than on part-time contracts. This prevented her eligibility for JobKeeper, and she instead received JobSeeker.

The financial wellbeing of individuals can also feed back into the macro- and meso-level.

For example, during the pandemic concerns about the financial wellbeing of people like Lin resulted in the introduction of new policies to support them, and also resulted in meso-level actions like banks offering mortgage freezes.

The money going into and coming out of the household is a key driver of household financial wellbeing, influenced by each of the above factors.

If the policy choices about eligibility were different, or Lin was a part-time instead of casual worker, Lin would have instead received a higher income by being on JobKeeper instead of JobSeeker.

Key facts:

CURRENTLY THERE ARE MANY AUSTRALIAN HOUSEHOLDS EXPERIENCING FINANCIAL ISSUES OF ONE KIND OR ANOTHER. DURING THE SEPTEMBER 2020 FINANCIAL QUARTER, 32% OF AUSTRALIAN HOUSEHOLDS EXPERIENCED AT LEAST ONE INDICATOR OF FINANCIAL STRESS.

Prior to the COVID-19 Pandemic:

Households with debt 3 or more times their income had grown steadily from 19.3% in 2003-04 to 28.4% in 2017-18

57% of lower income households renting from a private landlord were spending 30% or more of their gross income in rent in 2017-18

An estimated 639,737 lower income households were spending 30% or more of their gross income in rent in 2017-18

Approximately 30% of Australian households had less than one month of income worth of savings

One in eight people in Australia would not have been able to raise $2,000 in an emergency

There needs to be greater attention paid to macro and meso-level drivers of financial wellbeing, which tend to be structural in nature. Social structures are the patterns of relationships that are simultaneously created by people, while also constraining (and allowing) their behaviours.

For example, gender is a social structure created and maintained by society. It constrains what men and women 'can do'. Social structures are not static, which is why notions such as gender are constantly being challenged and reshaped over time. Shifting these structures to better support and positively impact financial wellbeing is an important piece of work that will improve Australian financial wellbeing.

At CSI, in partnership with NAB, we are addressing this in three distinct ways:

1. Building up the evidence base on what works to promote financial wellbeing.
2. Facilitating coordination across the financial wellbeing system to avoid duplication and maximise impact.
3. Mapping the financial wellbeing system, to identify the levers for change and the stakeholders to activate them.

These three steps each combine to help give us a blueprint for systems change. By doing this work, we will have a much stronger foundation to guide the interventions and will be able to concentrate on the most effective levers for change.

As we've shown, this is not a job for us alone. We are asking the social purpose sector to lift its gaze above individual or agent-based drivers of financial wellbeing to embrace the complexity of the system, and to work together to create macro-level change. This does not mean stopping the valuable work that organisations do to support individuals. Rather, we're advocating for a collective effort to drive social change.

It is easy to acknowledge complexity and then move back to the individual. Unfortunately, we have been doing this for a long time and without significant change in financial wellbeing. We believe there is no better time to do this given that most Australians are being affected by a large-scale macro-level factor as is playing out with COVID-19.

As part of this call to action, we're simply asking people to sign up for the journey. Then we can decide together how to coordinate ourselves for systems change.

For organisations already focusing on system-level barriers, we hope you will act as champions and leaders as the social purpose sector will undoubtedly look to you for guidance in the future.

Get involved at www.csi.edu.au/fwb

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AMPLIFY Social Impact™