Give Where You Live Foundation & Geelong Community Foundation

Building Financial Capability for vulnerable and marginalised populations in the Geelong / G21 region

Progress Report
Abridged Version
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Introduction

The Give Where You Live Foundation (GWYLF) and Geelong Community Foundation (GCF) are partnering to foster a collective response to building financial capability for vulnerable and marginalised populations in the Geelong / G21 region.

This Progress Report provides an account of the project to date including a review of relevant literature, an analysis of available data relating to financial vulnerability and a summary of the consultations undertaken up until this point in time. It also provides a number of interim findings relating to:

- Building a collaborative service system
- Strengthening frontline capability
- Reducing stigma
- Clever and sustainable ways to develop financial literacy
- Automatic application of concessions

The interim findings highlight that in today's Australian society having enough money, being financially secure, is a core element to enabling economic inclusion and wellbeing for the majority of people.

An Australian Council of Social Service (ACOSS) report from 2020, however, shows that 'there are 3.24 million people (13.6%) living below the poverty line of 50% of median income – including 774,000 children (17.7%) and 424,800 young people (13.9%). In dollar figures, this poverty line works out to $457 a week for a single adult living alone; or $960 a week for a couple with 2 children. The report further found that:

- More than one in eight adults and more than one in six children are living in poverty.
- Many of those affected are living in deep poverty – the average 'poverty gap' (the difference between the incomes of people in poverty in various types of families and the poverty line) is $282pw'.[1]

The severity of the ACOSS findings are supported by National Australia Bank publications that estimate that 69.5% of Australian adults, are facing some level of financial stress or vulnerability and one in ten people have no savings at all.[2]

The findings in this Progress Report also highlight that in the G21 Region many people are financially vulnerable, and this vulnerability becomes exacerbated when they have to face life issues that are complex and difficult to resolve. The typical issues that impact on, and add complexity to, the financial vulnerability of people include unexpected job loss, long term unemployment, relying on a pension, family breakdown, sexual assault and family violence and bereavement.

The Report finds that people who are seen as particularly susceptible to financial vulnerability generally fall into one or more of the following four categories:

- Recipients of government benefits;
- People who are in precarious employment;
- People who are in precarious family and social situations;
- People of certain ages, in particular Younger and Older Australians.

In addition, seven common contributing factors were identified by stakeholders throughout consultations. These are:

- Being enmeshed in poverty;
- Inability to access services and navigate complex systems;
- Blindsided by unplanned, multiple large bills;
- Manoeuvred (trapped) into debt;
- Addictions;
- Changes to the economic and social environment;
- Family debt.

The service system in the G21 Region is complex in that it is far wider and more dispersed than just the specific government funded Financial Counselling Services and Emergency Relief Services that are at its heart. Much good will exists between providers in the system, but the system does not, however, join up in a way that will allow for strategic response planning or coherence for service users (particularly new service users).

A key gap is in early intervention. There are excellent examples of programs that focus on building financial literacy, but they are not funded or resourced at a community wide or deep level. The extent of financial illiteracy for adults is significant and serious consideration needs to be given in how to reach people in different ways and at different times to shift personal behaviours that contribute to financial vulnerability.

Financial Vulnerability

What does “being financially vulnerable” mean to stakeholders?

In addition to researching definitions associated with financial vulnerability in the Literature Review, project consultations explored the following questions:

- What constitutes “financial security”?
- What does “being financially vulnerable” look like to stakeholders?
- What does “being in financial crisis” mean?

With respect to “*financial security*” the CSOs and frontline workers highlighted concepts such as having enough:

- Financial resources to ensure shelter, food, utilities and basic medical care needs are met;
- To get by without experiencing financial stress;
- To provide a buffer against unexpected situations arising in the future.

For younger people and people in their middle years having employment with a reliable income is considered to be very important to sustaining security, as is the opportunity to pass wealth from generation to generation and accumulate wealth across generations. For older people, having sufficient superannuation, owning their own house compared with paying commercial rent and not carrying high levels of debt are considered important.

Exploring the concept of “*what security is*” led to reflections on the lack of understanding by many Australians of what being financially secure is, coupled with the phenomena of thinking in the short term and *having a false sense of security*.

Generally, it was felt that people who are vulnerable often don’t know or understand the assistance that is available. It was also felt that there are people who don’t recognise that they are vulnerable, and, for these, there is a fine line between security and crisis. Key characteristics of vulnerability were determined as being where the household is juggling to meet financial obligations and where the income levels or available assets are not sufficient to provide a buffer against unexpected events – economic (recession), health (COVID), environment (fires and floods).

The characteristics of “being in financial crisis” were identified as including where individuals or a household cannot purchase the basic things needed to live. For people in crisis everything is out of control and they don’t have the resources for food, shelter, work and community participation. For some people it manifests as homelessness and food poverty and often wellbeing is not attended to.

The consultations identified that some people are born into and live in crisis. These people know it well and are constantly/daily juggling the minuscule resources they have to live on.

For other people, factors include relationship breakdown (family, friends, partners), domestic violence, mental illness and/or loss of employment.

In fact, Stakeholders working with victims of sexual assault and family violence identify financial vulnerability and financial abuse as the key and critical factor contributing to the overall vulnerability of their clients. Stakeholders from across the CSO sector, in a survey undertaken by MGA for this review, also identified financial vulnerability as a critical factor for their clients either through direct requests for assistance with financial matters, or requests related to food security or job loss.[4]

Counsellors working with families who are facing life threatening illness or sudden and unexpected bereavement identified the importance of including a focus on ensuring that the family has considered its financially security and is able to navigate the immediate and medium term.

Stakeholders reported that people in crisis often withdraw and don't ask for help. Many people come to crisis services carrying a sense of shame and vulnerability, with the act of accessing a service contributing to their sense of failure.

The available literature that the confidence of people who are not financially literate and/or are financially vulnerable and in crisis decreases[5], as does their social activity and, with increased social exclusion[6], they being to change psychologically.[7]

Consultations identified the importance in Australia of having a sufficient income support/safety net for people who have fallen into or have been born into financial crisis. Contrasts were drawn between the pre-COVID Newstart rate and the Job Seeker rate with the clear view that the Newstart rate, at $40 per day, is too low for people to survive on and too low to enable them to take the steps that are known to improve financial wellbeing.

Who is the financially vulnerable cohort?

The consultations indicate that financial vulnerability is impacting across a broad range of people in the G21 region.

The groups of people have been immediately and severely impacted by COVID are asylum seekers, international students and people on various visas. These people do not meet the eligibility criteria for Job Seeker payments. Prior to COVID these cohorts typically held jobs in sectors where the work is casual and precarious such as hospitality, tourism and Uber Drivers. This work disappeared with the restrictions associated with COVID.

Stakeholders also identified a range of other cohorts that they believe are typically vulnerable to financial stress. MGA has found that these cohorts fall into four groupings:

a. **Recipients of government benefits, in particular:** People on pensions including Aged, Disability and Carer Support Pensions; people who are long term unemployed; people who work in low paid job and lose their work; and people who are homeless.

b. **People who are in precarious employment including:** casual workers; people working "gig" jobs; people in the justice system or who have a history of connection to the justice system; families on one income where the pay is low and/or the role is precarious.

c. **People who are in precarious family and social situations, particularly**: single parents with poor or no work history, low skilled and no close family supports; families of people in prison who often incur extra costs of maintaining their connection; elders suffering pre-inheritance financial abuse; people impacted domestic violence and sexual assault: people who are experiencing marriage breakdown; and people, and the families of people, who are experiencing life threatening illnesses and/or experience bereavement.

d. **People of certain ages, in particular Younger and Older Australians:** young people under the age of 25 (pre-COVID 50% of Australia's 25-year-olds were able to secure fulltime work even though 60% hold post school qualifications[8]); older people (single women particularly identified) impacted by low or no superannuation or assets and/or living in rental accommodation (particularly along the Great Ocean Road and in areas where demand for rental accommodation is driving prices up).

Contributing Factors

In addition to particular cohorts being identified as at risk of financial vulnerability, stakeholders identified an extensive list of factors that contribute to a person or family experiencing vulnerability.

Frontline workers in CSOs identify financial vulnerability as a critical factor for clients but also report that is often the secondary presenting issue. Primary presenting issues are often unemployment, family breakdown, sexual assault and family violence, drugs and alcohol or homeless. The compounding of these issues often leads to a rapid downwards trajectory into financial crisis which further compounds the primary reporting issues making it very difficult for people to then move out of crisis towards financial security.

Poor financial literacy can lead to poor financial decision making which can trigger the slide into financial vulnerability and financial crisis. It can also be the barrier for people in trying to navigate their way out of financial crisis as they cannot be confident in their day to day decisions in relation to financial transactions and interactions. The literature highlights that people who are less financially literate may be more likely to unknowingly commit financial mistakes, less likely to engage in recommended financial practices, and less likely to be able to cope with sudden economic shocks. [9]

Being financial literate does not, on its own, buffer all people from the negative impacts of the external environment. A young financially literate person, for example, may face job loss or redundancy before they have had a chance to accumulate a *nest egg* to cushion the effects of their changed relationship with the labour market.

MGA has identified the following major contributing factors to financial vulnerability:

- Enmeshed in Poverty

Contemporary society is constructed in such a way as to make it very difficult for people who have been born into poverty or who, because of life's circumstances, are enmeshed in poverty, to navigate their way to a financially secure footing. People who are in poverty often lack access to banking and savings facilities, lack access to insurance and don't get loans[10], find it very difficult to get jobs or well-paid jobs, have poor health outcomes and lower life expectancy and are living in crisis in relation to having enough money to pay for food, clothing, rent and utilities.

The CSOs providing Emergency Relief report that people in poverty are in survival mode making it extremely difficult for them to plan for a future they can't see. They don't have the resources to move forward into employment and need help with pre-requisites such as a white card, boots or transport.

If a person who has lived in poverty over a long period of time does gain employment, they face a number of potential issues that can jeopardize their ability to hold down the job. These include:

- The gap between when a person experiencing poverty starts work and their first pay can be problematic as it leaves the person with no money for potentially up to a week. This situation can lead to no transport, no food for lunch or no resources for incidental expenses;
- Debts may have accumulated over the time and as soon as the person is working the debtors come looking for repayment. These might be debts such as overdue fines and training debts. Examples were provided in the consultations of where people have chosen to go to jail to wipe off the debts they owe;
- No one else may be working in the family or household and so there is no familial support for the person to live a sustainable work lifestyle.

Pre-COVID there was growing consensus that the Newstart payment, at $40 a day, is far too low for people to survive on. The doubling of the payment throughout COVID has led stakeholders, in particular providers of Emergency Relief, to observe that the increase has resulted in recipients not being as desperate as they were pre-COVID.

Stakeholders express concern that the payment, whilst higher that Newstart, will, going forward, be significantly lower than the COVID Job Seeker level making it difficult, in a very tight post COVID labour market, for vulnerable people to move out of poverty.

Council of the Aging (COTA), a key peak organisation representing the needs of older Australians, identifies that "basic economic security is essential for wellbeing in older age, yet many older Australians live in, or close to poverty, even after long and fully productive lives[11]. COTA is particularly concerned about single, full Pensioners who do not own their own homes and who have low superannuation balances and other savings (more often women). Widowhood and increasing rates of older age divorce and separation can also have a devastating impact on economic security in later life.[12]

- Inability to Access Services and Navigate Complex Systems

The inability to access services and navigate complex systems is a key contributor to people not receiving the relief they are eligible for, or the supports they need, at times of financial vulnerability.

Barriers to access include poor English language skills, the stigma or perceived stigma in asking for help, people needing help to access online systems such as banks and Centrelink, being new to the Centrelink system and not being familiar with the way MyGov and Centrelink work, not understanding mutual obligations, not having a basic literacy around legal and financial systems at times of family breakdown or bereavement and not understanding superannuation.

Barwon Water reported that complex systems can lead to many people not using their Concession Card to obtain a concession for their bill. People with Concession Cards have to register their card separately with each utility, government department and private business that provide a concession or rebate. When people don't register the card and they receive higher bills than necessary. The question was raised that if there was a way to automatically link up the Centrelink data on Concession Cards with the utilities billing system people could be receiving the right bills as soon as the Concession status is granted and not accumulating unnecessary debt.

- Blindsided by Unplanned, Multiple Large Bills

People can get caught out with unplanned, multiple and/or large bills and panic when their overspend becomes apparent. When this happens, unpaid bills can compound as people either ignore the need to arrive at an arrangement or don't know how to negotiate a reasonable payment schedule.

With people across the region working and schooling from home full time over winter throughout the COVID lockdown, utility usage will be up leading to higher winter heating bills than previous years. Stakeholders are concerned that they will see a spike in people needing to negotiate a plan to pay off debts with a range of organisations.

When unexpectedly large bills arrive people often don't know what to do.

Deferred debt can be the cause of issues for people. The impact of COVID will also be evident in this area as landlords begin to demand payment for deferred rentals in the coming months. For many tenants this will be as much as six months of back rent.

- Manoeuvred (Trapped) into Debt

Many people find themselves having incrementally acquired debt that can become crushing, others have been manoeuvred to take up large unnecessary debt and there are many people who are scammed into passing on their savings, leaving them feeling devasted and exposing them financially going forward.

Tools of debt, such as expensive mobile phone and internet plans, are now normalised for young people leaving school, as is Pay TV and other goods and services that are now available via monthly payments, along with the alure of "interest free terms".

In addition, stakeholders confirm that many young people are using facilities such as Payday Lenders and After Pay because there isn't a credit rating check, or a check on accumulated debt and these "services" are easy to access.

MGA spoke to a small number of young people and they said that everyone they know is using or has used Payday Lenders and/or After Pay. Revealingly, these young people say that the main reason for payday loans is to access the dollars to go out at night.

Scammers are increasing in their effectiveness to trick people into parting with savings. Scamwatch has been established by the Australian Competition and Consumer Commission. On the 30th of September 2020 Scamwatch reported that they had received over 4560 scam reports mentioning the coronavirus with 0ver $5,118,000 in reported losses since the outbreak of COVID19.[13] Rental and accommodation scams are up by 76% compared to the same time last year.[14]

- Addictions

Addictive behaviour overrides the rational thinking that people bring to their decisions about what they will spend money on. A person may understand and be able to articulate the principles underpinning financial literacy but, if they have an addiction, they will be allocating their resources to feed the addiction and not to ensuring that they are financially secure.

The addictions that were most commonly referred to in the consultations are drugs and alcohol, gambling and shopping. The advent of online sports gambling is seen as particularly insidious for young people in that it directly couples the love of sports with the thrill of gambling.

Similarly, online shopping enables people to spend money without having to go out to shops, making it easier to spend more, more quickly.

- Changes to the Economic and Social Environment

A sudden change to the external environment that impacts the local and global economy, such as COVID19, bushfires and floods, usually catches people unawares and, whilst their ability to bring in the same amount of revenue can be impacted immediately, they are unable to change their personal obligations and expenditure with the same agility. Stakeholders highlighted the potential for COVID19 and the post COVID economic reality to have a real impact on households in new estates, such as Armstrong Creek and Bannockburn where many people will be highly geared.

Changes over time, can also increase the vulnerability of people and households. The example given is the increase in rents and housing shortage. These two factors are associated with economic growth, population growth and social change, such as gentrification. Low income people who have been in long term rentals along the Great Ocean Road and in Colac are now competing to remain in their rental properties as the mean rental price has risen over the past decade.

- Family debt

It is difficult to get a clear picture as to the extent of family debt and also the interrelationship between this and addictions. Stakeholders report, however, that they are working with low income or limited income people who feel under enormous pressure to spend beyond their means on their children. They also report instances of the kids, themselves, overspending parents' money.

A common issue for parents is when they undertake to go guarantor for their child's debt and the child defaults on the loan leaving a parent with the debt.

Similarly, people can find that they are shouldered with a legacy debt. A legacy debt can be where they find that, whilst they have separated from a person they were married to, they may have people chasing them for the repayment of debts that their x-partner has incurred.

Whatever the circumstances, family conflict over money is a very common problem.

Financial Vulnerability Journey

When we look at who our financially vulnerable people are and the factors that can combine to contribute to a person becoming financially vulnerable, or in crisis, we can see that a potentially complex set of life circumstances.

The following diagram provides a visual depiction of the relationship between financial vulnerability and the compounding factors that can exacerbate that vulnerability. It also illustrates the complexity of the issues associated with financial vulnerability.