Financial inclusion action plan Evaluation

Evaluation Framework Part I:
FIAP concepts and population baseline

November 2016

The Centre for Social Impact

The Centre for Social Impact (CSI) is a collaboration between the University of New South Wales, The University of Western Australia and Swinburne University of Technology. CSI's mission is to create beneficial social impact in Australia through teaching, research, measurement and the promotion of public debate. We aim to consider and promote best practice and thought leadership in the context of a systems thinking approach to social purpose.

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INTRODUCTION

Three million people living in Australia are severely or fully financially excluded. These individuals and their families are at higher risk of financial hardship, such as poverty, financial stress and vulnerability to predatory lending practices, and poor social, emotional and health outcomes. While financial exclusion levels haven't changed markedly over the past 8 years; income gaps and financial hardship increased following the 2008 global financial crisis.

Against this background, in May 2015, the Australian Government pledged to develop the country's first Financial Inclusion Action Plan (FIAP) program (GSM 2015). This was part of the commitment made by G20 leaders, including Australia, to rebuild a resilient financial system in the wake of the Global Financial Crisis (GPFI 2014). The FIAP program, led by Good Shepherd Microfinance (GSM) in partnership with the Department of Social Services (DSS), Ernst and Young (EY) and the Centre for Social Impact (CSI), is based on a coordinated and systemic approach to creating a fairer and more just society. In line with Australia's obligations to the G20 Financial Inclusion Action Plan and the United Nation's Sustainable Development Goals, the FIAP program aims:

> *To realise inclusive growth for individuals and communities in Australia by reducing inequalities and increasing financial inclusion and financial resilience through collective actions of organisations across industry, government, academia and the community sector*

The evaluation framework

This document forms part one of the evaluation framework for FIAP. It describes:

- What the FIAP initiative is, its purpose and key concepts associated with it
- How Australia is currently faring in relation to financial inclusion and who is most vulnerable to financial exclusion.

In the second part of the evaluation framework we will:

- How we will know if FIAP has been successful in achieving its purpose.

Measurement and evaluation are important components of any program. Measuring outcomes and impacts allow organisations and sectors to demonstrate change, or lack thereof, and know where and for whom they are making a difference. Measurement and evaluation also provide evidence that can be used for multiple purposes, including: learning and development; seek funding; accountability; and benchmarking (Kristy Muir & Bennett, 2014).

An evaluation framework provides a plan that outlines the evaluation approach and guides the evaluation process. In other words, it documents **what** we need to measure to determine whether the FIAP program is achieving change, **how** we will do so and **when**.

The FIAP evaluation seeks to answer the following questions:

1. **Building a baseline**: Where are we now? Who is vulnerable?
    - Tracking macro population trends with regard to inclusive growth,; identifying differences between demographic groups to identify who is missing out
    - Short-term measures of organisational and industry level indicators related to inclusive growth, economic inequalities, financial inclusion and resilience for each FIAP organisation, compared to overall industry outcomes where data are available; and between demographic groups where data are available.
2. **Outcome and Process Evaluation**: How will we get there? What's working, what isn't and what should be changed in the future?

- An **Outcome Evaluation** to determine the impact of the FIAP program and what has changed since the baseline was established, to be repeated at 3, 5 and 10 years to measure progress and ultimately the long-term impact of FIAP.
- A **Process Evaluation** to determine what has facilitated and hindered the establishment and implementation of FIAPs.

This report focuses on addressing question one.

WHAT IS FIAP TRYING TO ACHIEVE? THE KEY CONCEPTS

Before determining the evaluation approach, we need to understand what FIAP is trying to achieve, who it intends to support and how. This is summarised below, before we describe the key concepts in more detail.

FIAP Purpose

The purpose of the FIAP program is:

> *To realise inclusive growth for individuals and communities in Australia by reducing inequalities and increasing financial inclusion and financial resilience through collective actions of organisations across industry, government, academia and the community sector*

The goal of FIAP is for organisations from across sectors to collectively contribute to achieving FIAP's purpose through their policies and actions. The purpose of individual Financial Inclusion Action Plans therefore is:

> *To contribute to inclusive growth through meaningful actions across customers, staff, suppliers and the community that reduce inequalities & increase financial inclusion and financial resilience*

The first group of organisations committed to the FIAP are the FIAP 'trailblazers'.

The key concepts

The FIAP purpose contains a number of concepts that need to be understood before we can determine what and how to measure success towards these.

At a macro level, FIAP aims to realise **inclusive growth**. Inclusive growth is one of the UN's Sustainable Development Goals (#8). We use the Organisation for Economic Co-operation and Development (2015, pp. 84-85) it as "economic growth that creates opportunity for all segments of the population and distributes the dividends of increased prosperity, both in monetary and non-monetary terms, fairly across society" (OECD 2015). This definition recognises the multi-dimensionality of inclusive growth and the role of policy and practice in redistribution and the critical importance of reducing inequalities.

> Inclusive growth is "economic growth that creates opportunity for all segments of the population and distributes the dividends of increased prosperity, both in monetary and non-monetary terms, fairly across society." (OECD 2015:84-5)

FIAP also aims to **reduce inequalities**. Inequality can take various forms, including but not limited to income distribution, economic and social participation, access to opportunities and even health outcomes (OECD 2015). Inequality not only negatively affects individuals, it also affects society more broadly as higher levels of inequality tend to adversely impact economic growth (Stiglitz, 2016). For the FIAP program, *reduced inequalities* refer to reductions in the *gaps between identified vulnerable groups* within their cohort of stakeholders – in relation to financial inclusion and the components of financial resilience (e.g. income, financial literacy, access to financial products and services etc). Of particular concern for FIAPs are the financial inequalities and gaps between women and men, with women faring worse than men on numerous financial indicators (add refs).

FIAP aims to increase **financial inclusion.** Financial inclusion has traditionally been defined as having access to appropriate and affordable financial products and services, including a transaction account, general insurance and a

> Financial inclusion refers to having access to appropriate, affordable and acceptable financial resources and supports.

moderate amount of credit (Burkett & Sheehan, 2009; Connolly, Georgouras, Hems, & Wolfson, 2011).

The definition of financial inclusion has largely been viewed as a demand and supply issue. Supply and how supply is provided – the accessibility, appropriateness, acceptability and affordability of products and services is a critical piece of the puzzle. In addition, it is important to understand people's agency in making an informed choice. In other words, people need to have the ability to access acquired knowledge, as well as skills and tools to identify appropriate financial products and services and effectively manage their finances (Taylor, 2011; Serido et al., 2013; Stumm et al., 2013). Individuals' capability and capacity to use financial products and services can be enhanced through financial literacy (or financial knowledge and behaviour). It is also critical that suppliers make products and services simple to use and easily understandable.

For these reasons, FIAP also aims to increase **financial resilience.** Financial resilience (Salignac et al. 2015 and Muir et al. 2016) recognizes that while financial inclusion is important, so too is an individual's "ability to access and draw on internal capabilities and appropriate, acceptable and accessible external resources and supports in times of financial adversity" (K. Muir et al., 2016). Resilience is multidimensional and relies upon both internal and external resources. These resources include: economic resources, financial products and services, financial knowledge and behaviour and social capital (Muir et al. 2016).

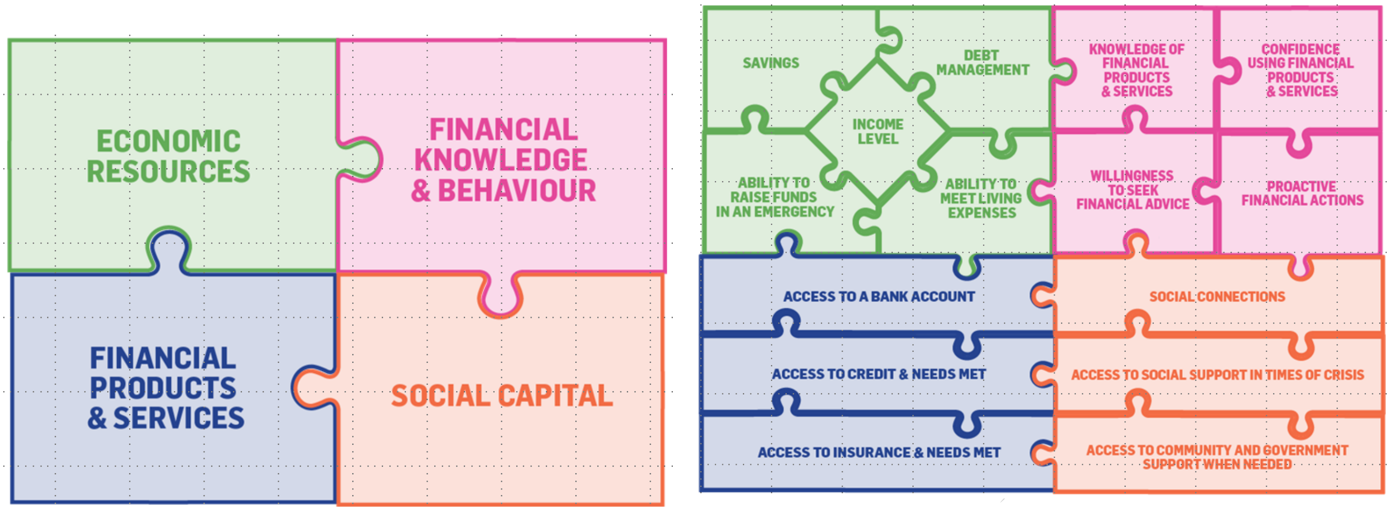
While financial inclusion and resilience can only be directly measured at the individual level, organisations have a critical role to play in strengthening people's ability to cope in situations of financial adversity. Organisations can directly provide external resources or support people to develop the internal resources they need to respond to expected and unexpected financial shocks.

Components of financial resilience

The four components of financial resilience can be summarized as follows:

- ***Economic resources***: include an individual's level of savings and debt; their capacity to meet repayments and cost of living expenses; their ability to raise funds in an emergency; and their level of income).
- ***Financial products and*** *services*: is about meeting demand for and access to financial products and services, which includes the traditional definition of financial inclusion.
- ***Financial knowledge and behaviour***: budgeting skills, knowledge and understanding of financial products and services, and the use or willingness to use financial advice. These are "internal resources … [which are] consistent with the large body of work undertaken around financial literacy and capability" (K. Muir et al., 2016).
- ***Social capital:*** relationships with family and friends as well as broader relationships such as membership in social and community based networks (e.g. individuals, community or government assistance who can "help to provide access to and sources of "information, advice, and assistance"; (Morrow, 2008, p. 10), informal financial supports like loans when an emergency occurs (Norris, 2010) (K. Muir et al., 2016).

Figure 1:The four resource components of financial resilience (K. Muir et al., 2016)



Meaningful actions

To achieve these goals, it is intended that organisations across industry, government, academia and the community sector implement 'meaningful actions'. These actions should be targeted across the four FIAP action areas which build on the components of financial resilience (Muir et al 2016) and recognize the role that organisations can play in supporting and increasing both financial inclusion and resilience. These four FIAP action areas are:

- Products and services
- Capabilities, attitudes and behaviours
- Understanding of culture and diversity
- Economic participation and status.

Product and service related actions are likely to identify and meet one or more needs (affordable, accessible & relevant) of vulnerable groups to directly influence their financial inclusion and resilience. Actions around **capabilities, attitudes and behaviours** are likely to include specific steps taken by an organization by way of improving internal capabilities, attitudes and behaviours to better service vulnerable groups and improving overall capabilities (knowledge and skills), attitudes and behaviours of the vulnerable groups, directly impacting their financial inclusion and resilience through a more informed decision making process. Actions related to **understanding culture and diversity** are likely to include initiatives to support cultural and ethnic diversity to help overcome barriers that may hinder the financial inclusion and resilience of vulnerable groups (e.g. language, cultural values, nuances and religious beliefs in relation to money and finances). Lastly, actions related to **economic participation and status** are likely to include steps to encourage meaningful economic participation through employment conditions, self-employment, asset-building, and to improve the economic status of vulnerable groups (e.g. addressing the gaps in retirement income for women, particularly those on a low income, late retirees/women, women entrepreneurs); and to improve inclusion of vulnerable groups whose economic status/independence is compromised due to limited access (e.g. new migrants with no credit history), life events (e.g. relationship breakdown or inheritance of debt) and low income (e.g. struggling to meet rise in cost of living).

Move the dial strategies

We have also identified 10 key strategies that we hypothesise will help to 'move the dial' on financial inclusion and resilience, and ultimately reduce inequalities and realise inclusive growth. These strategic areas emerged from the snapshot of where Australia is now in the next chapter. These strategies are not exclusive and should not limit the possibilities for FIAP organisation actions. Not all strategies will be relevant to all organisations.

1. Improve access (availability, affordability and appropriateness) of financial products and services
2. Promote savings and other supports that protect people and small/micro-businesses in times of need associated with financial risk
3. Build financial knowledge, skills and capabilities among vulnerable groups to facilitate informed decision-making and resilience
4. Improve the capacity, attitude and behaviours of staff (including cultural awareness) to support those who are financially excluded and vulnerable groups
5. Improve and facilitate social, community and/or government support for vulnerable groups
6. Increase understanding of barriers which may hinder financial inclusion and resilience among vulnerable groups
7. Engage/collaborate with other stakeholders to identify appropriate pathways and tools for support for vulnerable groups
8. Support customers and other stakeholders in times of need associated with financial risk
9. Address economic participation through employment, asset-building and equal opportunities for individuals and small/micro-businesses.
10. Increase economic resources and distribution and, reduce income equality.

Who does FIAP aim to support?

The FIAP program takes a systems approach, recognising that for change to occur at a macro level (across society), we need to implement change in our communities and organisations (at the meso level) and among individuals (micro level). The FIAP program primarily relies on groups of organisations committing to meaningful actions within their organisations that aim to reduce inequalities and increase financial inclusion and resilience among vulnerable cohorts across four stakeholder groups:

- Customers
- Staff
- Suppliers
- Community.

This is important as it recognizes that organisations are working within an ecosystem and are able to influence financial inclusion and resilience at multiple levels.

How will FIAP achieve its goals?

FIAP is underpinned by four key principles:

- Relationships: Engage and partner with all stakeholders
- Impact: People-centred solutions that are innovative, accessible and scalable
- Learning: Build capacity for all stakeholders, seek feedback for continual improvement
- Reporting: Measure impact, collect consistent data and share across key stakeholders

Figure 2: FIAP principles

Relationships: Engage and partner with all stakeholders

Impact: People-centred solutions that are innovative, accessible and scaleable

Learning: Build capacity for all stakeholders, seek feedback for continual improvement

Reporting: Measure impact, collect consistent data and share across key stakeholders

While it is expected that at a program level, the combined efforts of individual FIAP organisations will lead to increased financial inclusion and resilience, and subsequently reduced inequalities and inclusive growth, an important feature of FIAP is that FIAP organisations determine their own actions that are relevant to their sector and stakeholders. This means that FIAP organisations are all addressing similar, but potentially different pieces of the puzzle in relation to financial inclusion and resilience. Similarly, different organisations may be targeting different vulnerable cohorts.

WHERE ARE WE NOW? A BASELINE SNAPSHOT

In this chapter we detail how Australia is currently faring in relation to inclusive growth, economic inequalities, financial inclusion and financial resilience. We also begin to identify key groups who are particularly vulnerable to financial exclusion, or who may typically have lower levels of financial resilience.

In addition to this, and based on the data, we start to identify some areas of focus for FIAP organisations. We refer to these as 'move the dial' actions: key actions that we hypothesise will help to 'move the dial' on financial inclusion and resilience, and ultimately reduce inequalities and realise inclusive growth.

Inclusive growth and economic inequalities

Over the last 30 years, the distribution of income has become increasingly unequal with the richest 10% having, on average, a mean income 9.5 times higher than the poorest 10% in OECD countries. Following the 2008 global financial crisis, the situation has gotten worse with income gaps and financial hardship increasing, especially for vulnerable groups (OECD 2015).

Income inequality in Australia has grown between 2009/10 and 2013/14, with Australia's Gini coefficient increasing from 0.329 in 2009/10 to 0.333 in 2013/14 (ABS, 2015).[1] The twenty fold increase in short term small loans over the last decade highlights the financial hardship faced by many Australians (Banks M, De Silva A, & Russell R, 2015).

Economic growth – increased Gross Domestic Product (GDP) per capita – has the potential to alleviate poverty but only to the extent that the growth is shared across all members of society, that is, to the extent it is inclusive (Ianchovichina & Lundstrom, 2009). However, evidence suggests that certain population groups in Australia have less access to economic opportunities.

Vulnerable cohorts

Women: The male/female earnings gap was 13% in 2016. In 2015, a higher proportion of 20 to 24 year olds females (90.1%) than males (86.35) had completed Year 12 or a formal qualification at Certificate II or above, and women aged 25-29 were more likely than men to have a bachelor degree or higher level of education (39.6% compared to 30.4%) (ABS, 2016a); however, women are more likely to be in casual employment and earn two thirds of the weekly earnings of male employees (ABS, 2016b).[2] Women are also more financially vulnerable in retirement than men, with lower superannuation balances and less superannuation coverage, on average (ASFA, 2016).

Other groups of the population are also missing out on economic opportunities. **Aboriginal and Torres Strait Islanders**, for example, have lower levels of educational attainment and three times the unemployment rate of non-Indigenous Australians. **People born overseas** are not sharing equally in the opportunities available to other Australians, with higher unemployment rates, despite greater levels of educational attainment. **People with a disability** are also missing out, with people with disability experiencing around double the unemployment rate of those without a disability, and lower rates of superannuation coverage (ABS, 2016a, 2016b).

If Australia wants to be a nation of equal opportunity (as subscribed to in the Sustainable Development Goals), it is important that we ensure the opportunities offered by economic growth are shared by all members of society and that vulnerable groups in the population are not left behind. Identifying gaps and

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[1] The Gini coefficient is a measure of how unequal a country's income distribution is and can range from 0 to 1, where 0 indicates perfect equality, and 1 perfect inequality (OECD 2016).

[2] Measured as the proportion of employees without leave entitlements

making changes in our behaviour and activities within organisations is one way that we can work together towards a more inclusive society, by making a difference where we are able to do so.

Move the dial strategies on inclusive growth and reduced inequalities (some examples)

Economic growth has not been inclusive and inequality is on the rise. On this basis FIAP needs to:

- Address economic participation and employment opportunities
- Increase economic resources and reduce income inequality

Financial inclusion[3]

Financial in/exclusion is measured on a product-ownership basis that is by how many of three basic financial products and services – a bank account, credit card and insurance – an individual has. The classifications are as follows:

- Fully excluded = 0 of 3 basic financial products and services;
- Severely excluded = 1 of 3 basic financial products and services;
- Marginally excluded = 2 of 3 basic financial products and services;
- Financially included = 3 of 3 of basic financial products and services.

In 2014, close to 1 in 5 (18.3%) Australians aged 18 and over were either fully or severely financially excluded. Particularly, 1.3% were fully excluded, and 17.0% were severely excluded. A further 44.3% were marginally excluded, leaving 37.4% of the population fully financially included. The proportion of people financially excluded has increased between 2013 and 2014, for the fully, severely and marginally excluded groups, while the proportion of people financially included decreased.

Table 1: Rates of financial exclusion 2007-2016

Degree of Exclusion	2007	2008	2009	2010	2011	2012	2013	2014
Included	45.7%	46.6%	44.6%	43.4%	40.8%	39.7%	40.2%	37.4%
Marginally excluded	38.4%	38.7%	40.0%	41.0%	42.0%	42.6%	42.9%	44.3%
Severely excluded	14.5%	13.8%	14.6%	14.8%	16.1%	16.6%	15.9%	17.0%
Fully excluded	1.5%	0.9%	0.7%	0.8%	1.1%	1.1%	1.0%	1.3%

Source: Roy Morgan Research. Base: Australian population aged 18+.

Move the dial strategies on financial inclusion (some examples)

In summary, financial inclusion has been decreasing. On this basis FIAP needs to:

- Improve access (availability, affordability and appropriateness) to financial products and services

[3] This section draws all data from Muir et al. 2016.

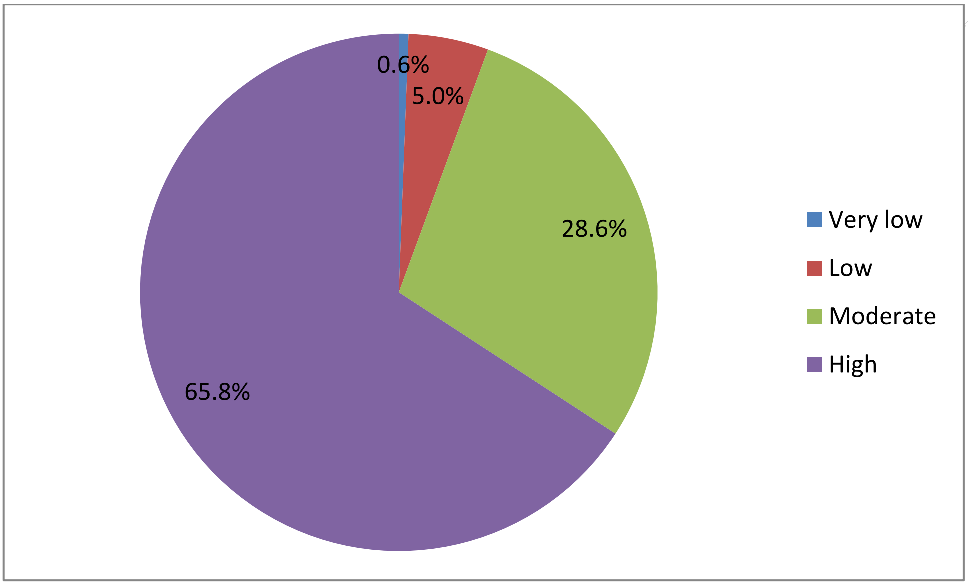
Financial products and services[4]

The financial products and services component of financial resilience builds on the financial inclusion research by adding demand for the financial products and services. The previous definition does not account for individuals who do not want or need credit or insurance. Consider a young person living at home who may not need either of these products, for example.

Only 0.5% of respondents indicated that they had no access to a bank account. However, 1 in 5 (20.2%) had no access to any credit in the previous 12 months and 12.4% said they have an unmet need for credit. Further, 8.7% report having had no access to any type of insurance in the 12 months prior to being surveyed, and 9.7% express having an unmet need for insurance.

The *Financial Resilience in Australia* (Muir et al. 2016) report examined the population's level of access to and demand for financial products and services. The majority of people had a high level of financial products and services (65.8%) and a further 28.6% a moderate level of financial products and services. 5.6% had low or very low levels of financial products and services.

Figure 3: Population's level of financial products and services



Source: Roy Morgan Research 2015

Notes: Sample size = 1,496, weighted to be representative of the Australian population aged 18+

Move the dial strategies on products and services (some examples)

In summary, many adults have poor access to financial products and services. FIAP actions should therefore:

- Improve access (availability, affordability and appropriateness) of financial products and services
- Improve the capacity, attitude and behaviour of staff (including cultural awareness) to support those who are financially excluded and vulnerable groups.

[4] This section draws all data from Muir et al. 2016.

Economic resources[5]

Almost 1 in 2 people have limited to no savings. Around 10% have no savings at all, 17.6% have less than 1 month's income worth of savings, and 19.3% have 1-2 months' income worth of savings.

Around 1 in 6 (17%) people report being over-indebted or just managing to meet their repayments on loans.

1 in 6 (16.6%) reported they would <u>not</u> be able to raise $2,000 within a week in case of an emergency. Of the 77.6% who said they would be able to, while the majority indicated they would do so through savings (82.6%), mainstream credit (18.5%), or family (18.5%). 1.0% reported they would use alternative credit providers like payday lenders or pawn brokers.

1 in 6 (16.6%) reported it is difficult or very difficult to cover living expenses.[6] A further 37.3% of respondents indicated it is neither easy nor difficult to meet cost of living expenses. In a climate of rising cost of living expenses (ABS 2016), this is concerning as some people might face increasing difficulty to meet such expenses.

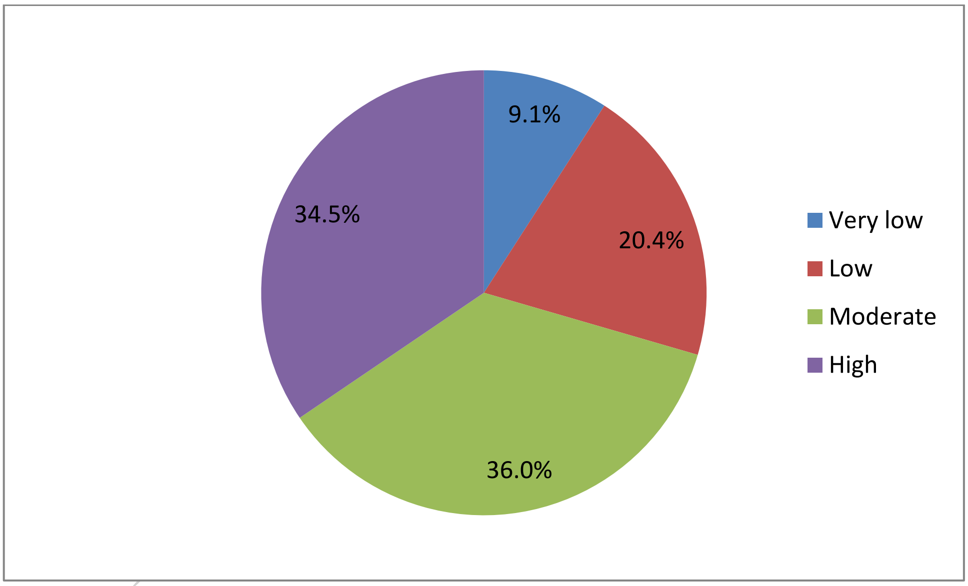
Looking at the population's access to economic resources, only 34.5% had a high level of economic resources. 36.0% had moderate economic resources, 20.4% had low economic resources and 9.1% had very low economic resources.

Move the dial strategies on economic resources (some examples)

In summary, economic resources are limited across the population. FIAP therefore needs to:

- Promote savings and other supports that protect people in times of need associated with risk

Figure 4: Population's level of economic resources



Source: Roy Morgan Research 2015

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[5] This section draws all data from Muir et al. 2016.

[6] Cost of living expenses refer to money spent on essential living expenses such as housing, food, education and utilities (NCOSS 2014). Not being able to meet cost of living expenses is a concern not only because it often means that people go without basic necessities, it is also a contributor to consumer anxiety (NAB Group Economics, 2014).

Notes: Sample size = 1,496, weighted to be representative of the Australian population aged 18+

Financial knowledge, skills and behaviour[7]

A sizable proportion of the population is vulnerable in financial knowledge and behaviour, which shows the importance of improving people's understanding of financial concepts (i.e. financial literacy) – both by ensuring financial concepts are accessible and easy to understand, and through financial education – and their ability to apply that knowledge (i.e. financial capability).

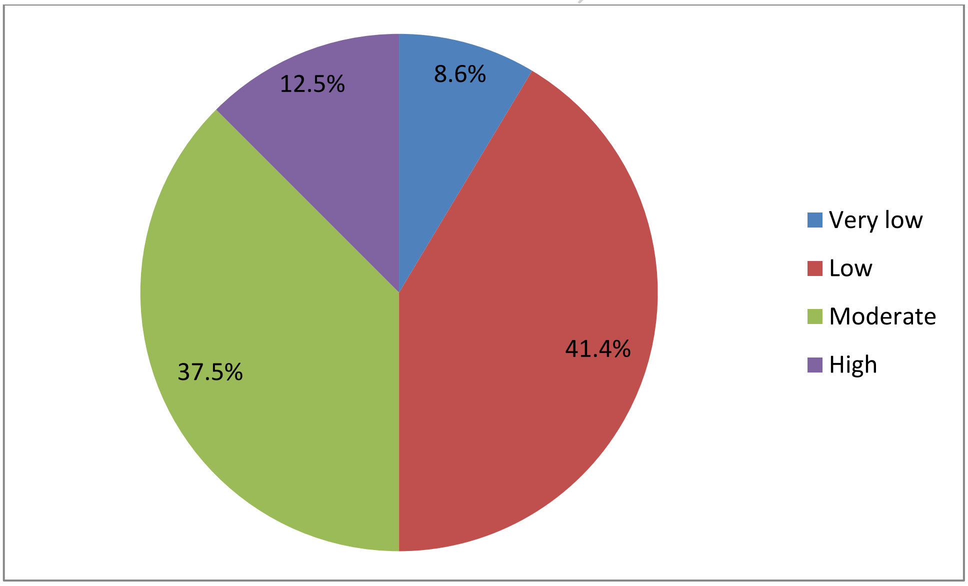
Around 1 in 2 (48%) people report only having a 'basic understanding' of financial products and services and over 9% report that they have 'no understanding' of financial products and services.

Further, 1 in 4 people report having experienced difficulties accessing financial services in the 12 months preceding the survey, with this group faring worse on the financial resilience spectrum than people who do not report facing any barriers. Cost was the most common barrier reported, with more than 1 in 10 (11.8%) people reporting that cost had hindered their access to financial services. People with lower household income were, expectedly, more affected by the cost barrier with 59.0% of people reporting cost as an obstacle to access financial services from the bottom two income quartiles in the study. However, 41% of people who were in higher income quartiles, also reported cost as a barrier.

There are, nonetheless, some encouraging signs of positive financial behaviour: in the year prior to the survey, around 1 in 2 people followed a budget (49.1%) and/or made extra repayments on personal loans (56.8%). Around 1 in 4 reported seeking receiving professional financial advice (25.8%) and/or made extra repayments on home loans (28.5%).

Looking at the population's level of financial knowledge and behaviour, only 12.5% of respondents had a high level of financial knowledge and behaviour, with the majority having a low level of financial knowledge and behaviour (41.4%). 37.5% of Australian adults had a moderate level of financial knowledge and behaviour, while 8.6% had a very low level of financial knowledge and behaviour.

Figure 5: Population's level of financial knowledge, skills and behaviour



Source: Roy Morgan Research 2015

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7 This section draws all data from Muir et al. 2016.

Notes: Sample size = 1,496, weighted to be representative of the Australian population aged 18+

Move the dial strategies on financial knowledge and behaviour (some examples)

In summary, financial knowledge and behavior is limited across the population. FIAP therefore needs to:

- Build financial knowledge, skills and capabilities among vulnerable groups.

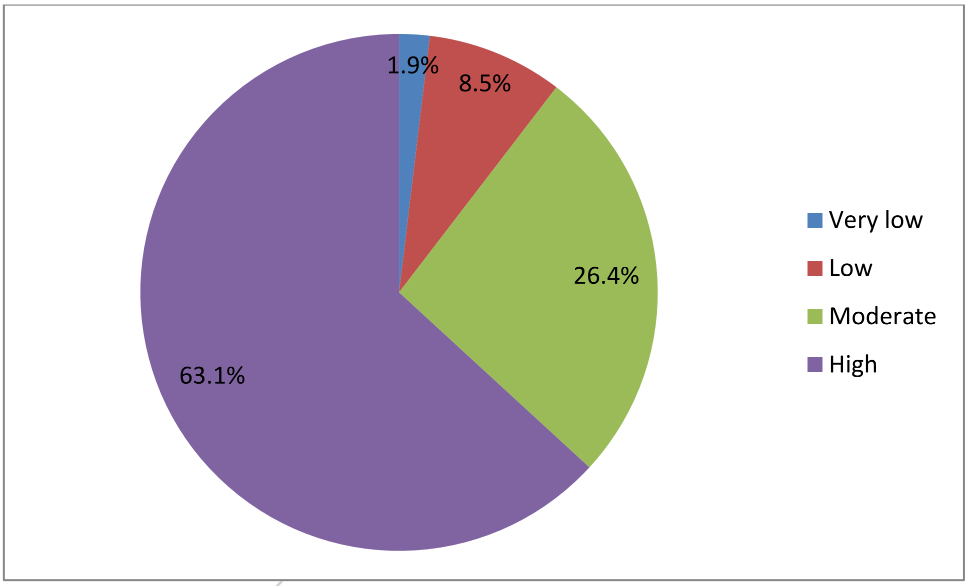
Social capital[8]

Over 1 in 5 people report having minimal (18.3%) social connections or being isolated or alone (3.7%) most of the time in the past year. Isolation is recognised as a key negative factor in resilience because it puts people at risk of not having access to support if / when they need it.

While the majority of respondents (71.2%) indicated they did not need any form of community or Government support, of concerns were the 1 in 30 (3.2%) who said they needed support but had no access to any form of community or government support.

Looking at the population's level of social capital, the majority of Australian adults (63.1%) had a high level of social capital, with a further 26.4% having a moderate level of social capital. 8.5% and 1.9% of the population had a low and very low level of social capital respectively.

Figure 6: Population's level of social capital



Source: Roy Morgan Research 2015

Notes: Sample size = 1,496, weighted to be representative of the Australian population aged 18+

Move the dial strategies on social capital (some examples)

In summary, social capital is somewhat limited. FIAP should therefore be working towards:

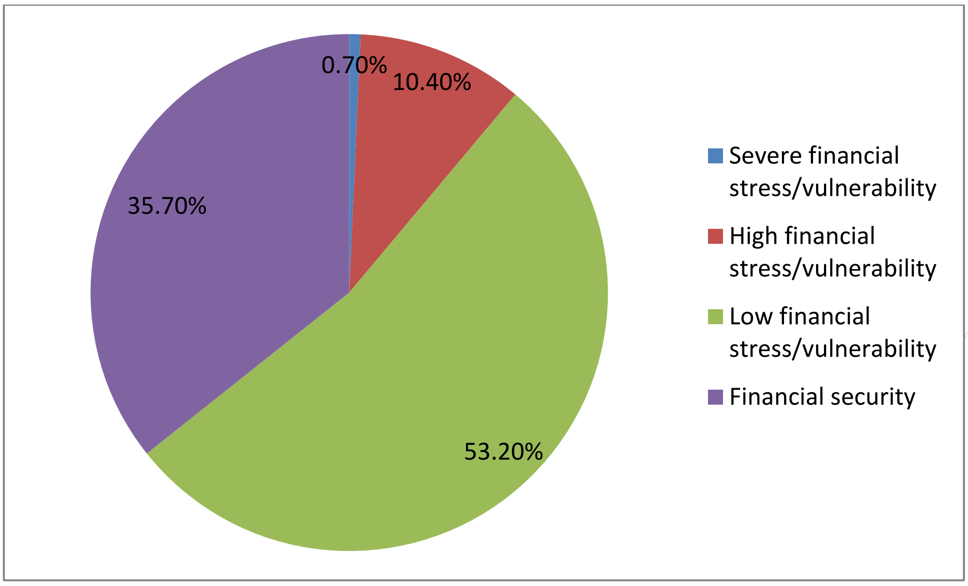
- Improve and facilitate social, community and/or government support for vulnerable groups
- Support customers and other stakeholders in times of need associated with financial risk.

[8] This section draws all data from Muir et al. 2016.

Financial resilience overall[9]

Around 2 million people (1 in 10; 10.4%) aged 18 and over in Australia experience severe or high financial stress/vulnerability. Over another 10 million people (53.2%) experience a low level of financial stress/vulnerability. This means that, in total, almost two-thirds (64.3%) of the adult Australian population is facing some level of financial stress/vulnerability, with only 35.7% being financially secure.

Figure 7: Population's level of financial resilience



Source: Roy Morgan Research 2015

Notes: Sample size = 1,496, weighted to be representative of the Australian population aged 18+

Financial resilience and vulnerable cohorts

The worst off

People in social housing, people with a mental illness, those born overseas in a non-English speaking country, the unemployed and underemployed and those with personal income below $20,000 per year fare poorest on the financial resilience spectrum.

People with a mental illness fare worse than people with no mental illness in all components of financial resilience. The presence of a mental illness significantly increases the likelihood of a person being in severe or high financial stress and decreases their probability of being financially secure compared to a person with no mental illness. Close to half of people with a probable mental illness (47%) were in severe or high financial stress, compared to 8% of people with no probable mental illness.

Financial stress is lower for people in higher income brackets; 17.2% of people with personal yearly income under $20,000 were in severe or high financial stress, compared to 3.3% of people with a yearly income of $100,000 or more. People who were unemployed, people with a lower level of education, and people living in social housing also had a higher proportion of people in severe or high financial stress compared to their better off counterparts.

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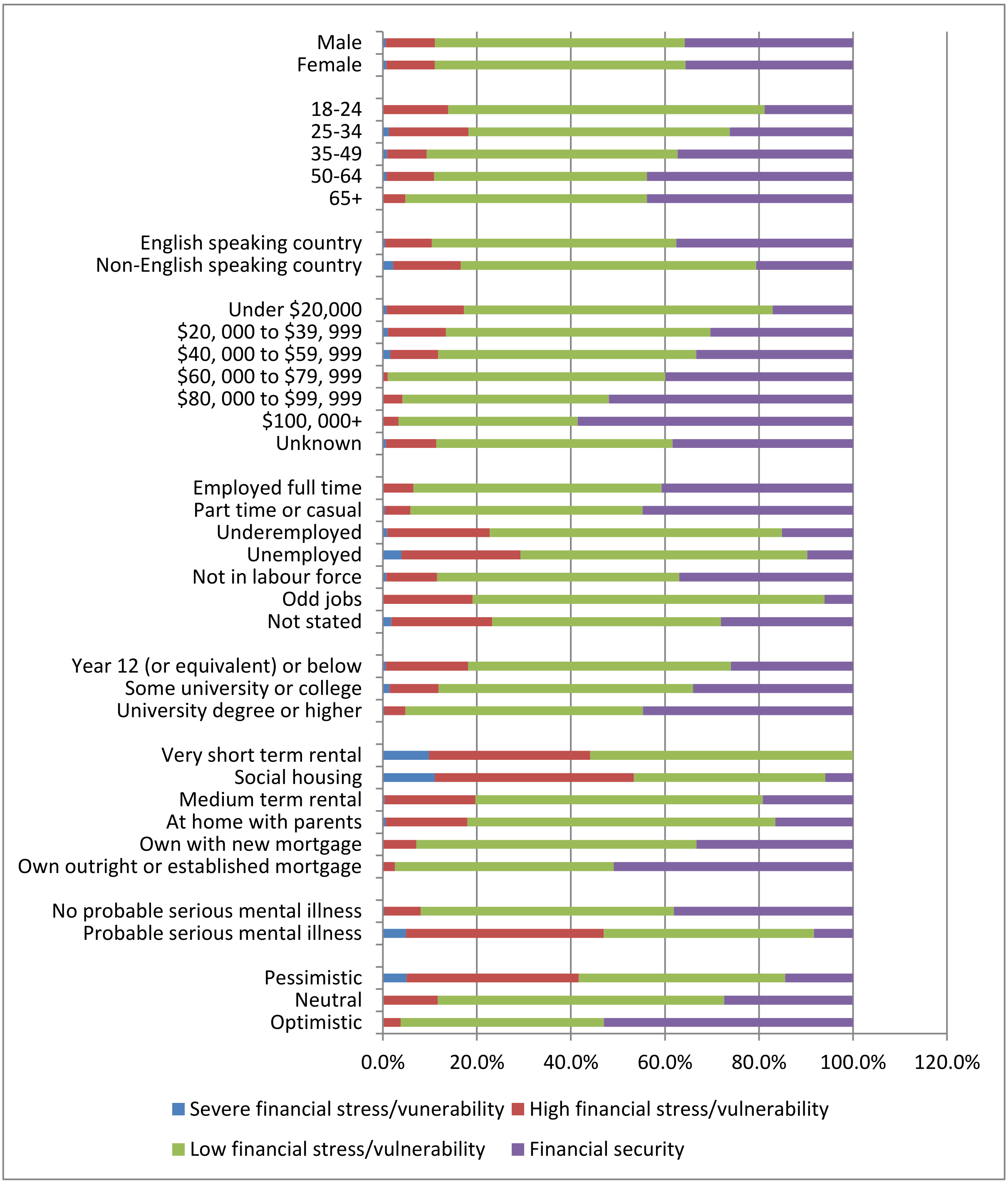
9 This section draws all data from Muir et al. 2016.

Figure 8: Level of financial resilience by demographic characteristics



Source: Roy Morgan Research 2015

Notes: Sample size = 1,496, weighted to be representative of the Australian population aged 18+

People born in non-English speaking countries were overrepresented in the severe or high financial stress group. 2.2% of people born in a non-English speaking country were in severe financial stress, and 14.4% were in high financial stress, compared to 0.5% and 9.9% of people born in an English speaking country, including Australia, respectively. People born in a non-English speaking country were also twice as likely to have very low and low financial products and services compared to people born in an English speaking country; although this was not the case for economic resources. Lower levels of financial products and services may therefore reflect differences in English language capabilities and the impact of this on ability to access financial products and services.

People who are optimistic have higher levels of financial resilience than people classified as neutral or pessimistic. 41.7% of people classified as pessimistic were in high or severe financial stress, in contrast to 11.7% of people classified as neutral and 3.8% of people classified as optimistic. Further, pessimism increases the probability of being in severe or high financial stress whilst optimism increases the probability of being financially secure. These findings are independent of mental health status.

People experiencing the cumulative impact of multiple 'risk' factors described above are predicted to be in severe or high financial stress/vulnerability depending on the combination of risk factors experienced.

The best off

People who own their own homes, have a university level education and/or personal yearly income above $100k have higher levels of financial resilience.

People living in the Australian Capital Territory (ACT) are, on average, have higher levels of financial resilience than people in other states or territories. Living in the ACT was also significantly associated with a higher likelihood of being financially secure. People experiencing the cumulative impact of multiple 'protective' factors described above are predicted to financially secure, on average.

Mixed results

Gender does not have any significant impact on overall financial resilience. However, women have lower levels of economic resources than men, while men have lower levels of social capital than women.

Age: People aged between 25 and 34 had the highest proportion of people, across all age groups, to be in severe or high financial stress (18.2%) while people aged 65 and over had the lowest proportion (4.8%) of all age groups. People aged 18 to 24 have higher levels of social capital, whilst their levels of financial knowledge and behaviour are lower than older age groups. Notably, when controlling for other differences, young people aged 18 to 24 are more likely to have higher financial resilience than people 30-49-years. This suggests that differences other than age itself are driving the lower financial resilience of young adults (such as mental health problems and unemployment).

Move the dial strategies on financial resilience (some examples)

In summary, financial resilience is low across the population. FIAP therefore needs to:

- Increase stakeholder understanding of vulnerable groups
- Engage/collaborate with other stakeholders to identify appropriate pathways of support for vulnerable groups.

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