

Australia: a wealthy nation, feeling unwell

THE IMPACT OF POOR FINANCIAL WELLBEING
ON THE AUSTRALIAN WORKFORCE

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Australians are worrying themselves sick – about money.

INTRODUCTION

The fact is that financial wellbeing, or the absence of it, affects everybody. These issues are not left at home; they're brought into the workplace. If a worker is worried about money, there are obvious impacts on work performance, which flows through to productivity. You might think your staff are doing okay, but the evidence suggests otherwise, with research across Australia uncovering some alarming statistics.

When employees are less stressed and more confident about their finances, they are empowered to be more productive.

Imagine if you could get back just those **two hours** in lost productivity*.

Calculated on an average hourly wage, this costs over \$4,000 per year, for each employee.

In 2012, Asia-Pacific Economic Cooperation (APEC) Ministers of Finance identified financial literacy as a critical life skill^{xxxiv}. Financial literacy is also recognised as an important contributor to improved financial inclusion and individuals' financial wellbeing.

Offering programs which improve financial wellbeing as an employee benefit is a meaningful value-add. It can help reduce employee stress, increase productivity and differentiate you as an employer of choice.

48% of Australia's workforce is worried about their financesⁱ, **WITH MORE THAN ONE THIRD SAYING THEIR FINANCIAL SITUATION IS A MAJOR CAUSE OF STRESS.**



*39% of people say they spend **TWO OR MORE HOURS DURING THE WORKING WEEK THINKING ABOUT THEIR FINANCES**ⁱⁱ.



39% of Australian households **LIVE BEYOND THEIR MEANS, OR BARELY BREAK EVEN**ⁱⁱⁱ.





Australians are some of the wealthiest people in the world.

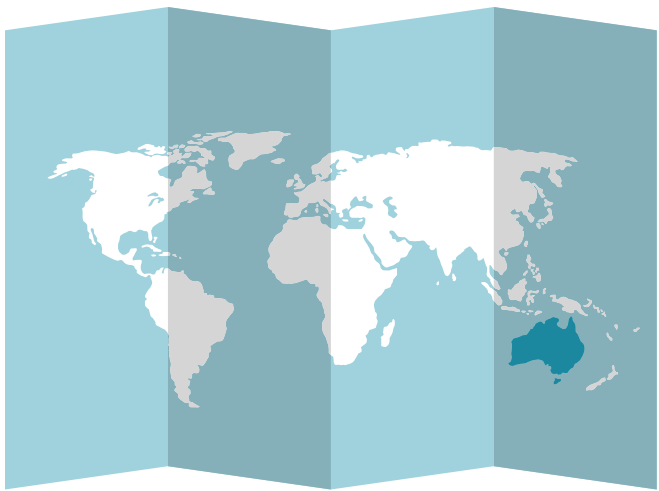
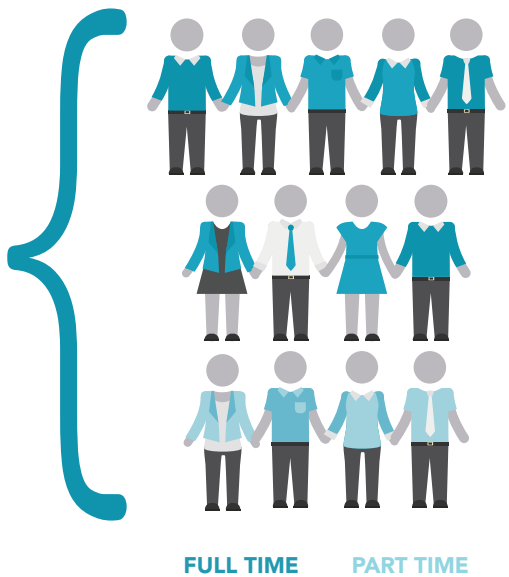
WEALTH & WORKING AUSTRALIA

According to the Australian Bureau of Statistics (ABS), as at February 2022, there were over 13.25 million working Australians^v.

That's over 13 million people with an income to manage, to ensure safety, stability and an enjoyable lifestyle for themselves – and often, their dependents.

Of those, over 9 million work full time. And while wage growth has slowed, full time average weekly earnings are above \$1,748^v.

International wealth reports from Credit Suisse consistently show that Australians have one of the largest middle classes and highest level of assets per person in the world^{vi}.



TOP 8 MEDIAN WEALTH PER ADULT (2020)		
\$238,070 USD		AUSTRALIA #1
\$230,550 USD		BELGIUM #2
\$183,339 USD		HONG KONG #3
\$171,620 USD		NEW ZEALAND #4
\$165,620 USD		DENMARK #5
\$146,730 USD		SWITZERLAND #6
\$136,110 USD		NETHERLANDS #7
\$133,560 USD		FRANCE #8

Source: Credit Suisse Global Wealth Report 2021

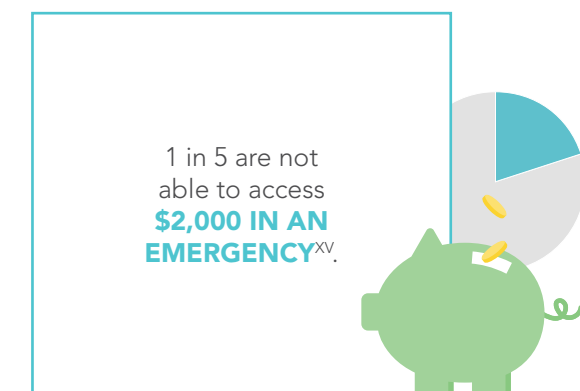
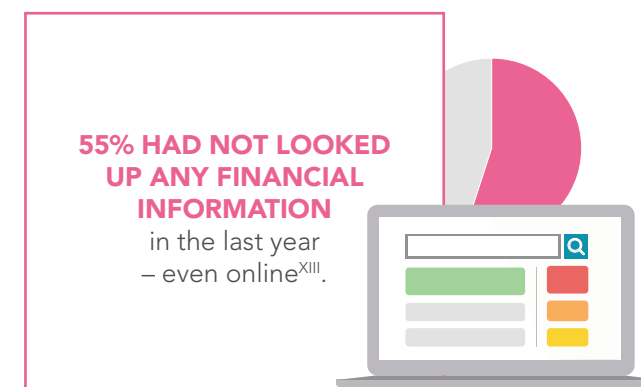
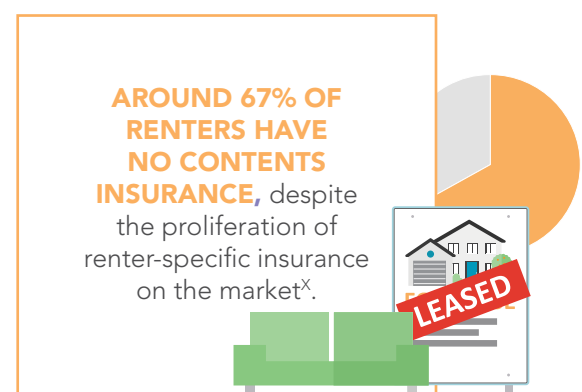
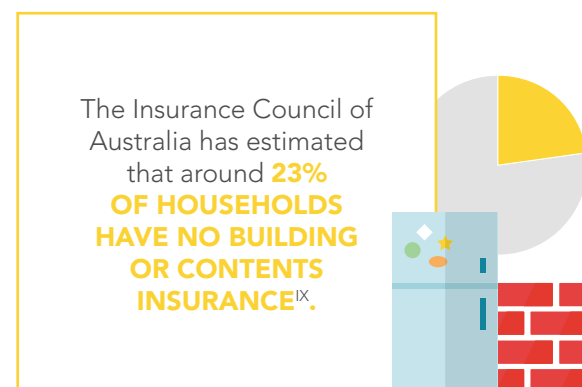
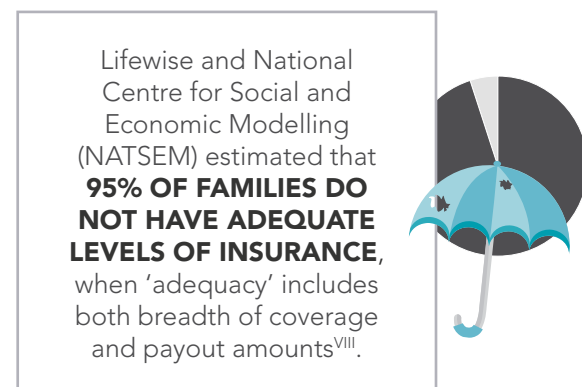
So why doesn't it feel that way?

A nation underinsured, underinvested, and overindebted

THE STATE OF A NATION

Several studies and private research reports indicate that Australians are vastly underinsured and uninsured, and overindebted. Despite having disposable income, few divert it into sound savings or investment.

Simply put, as a nation, we're ill equipped to make smart financial decisions. This lack of financial capability can negatively impact our financial wellbeing.





Financial wellbeing is one of the most important aspects of general wellbeing.

WHAT IS FINANCIAL WELLBEING?

A report from Financial Literacy Australia^{xix}, defines financial wellbeing as having three interrelated parts or dimensions, being when a person is:

1. able to meet expenses and has some money left over;
2. in control of their finances; and
3. feels financially secure, now and in the future.

The report highlights that these three dimensions are interlinked. There is a strong relationship between dimensions one and two, with both being strong predictors for dimension three. While some dimensions may differ to others, the overall result will determine a person's financial wellbeing.

Research has also suggested that financial capability, financial inclusion, social capital, and economic resources, especially income, are among the strongest influencers of financial wellbeing. The suggestion is that improvements in each of these four areas are likely to enhance a person's financial wellbeing.

Financial wellbeing includes both objective and subjective components. Time is also important, as a person's financial wellbeing might be different today, tomorrow and in the future. Furthermore, current actions and experiences can help shape a person's future financial wellbeing.

Models of financial wellbeing include a range of external factors. Socio-economic indicators such as income, employment, health and social support make a significant difference to the level of financial wellbeing. It does incorporate the need for knowledge (financial literacy), behaviours (capabilities), and is heavily influenced by attitudes and psychological traits. Financial wellbeing will be different for everyone but an effective index includes objective as well as subjective measures^{xx}.



Australia's average financial wellbeing score is 59 out of 100^{xxi}

AUSTRALIA'S FINANCIAL WELLBEING SCORE

Financial wellbeing is a growing topic of discussion for employers. There have been numerous studies over recent years; let's take a look at some of the results.

The ANZ Financial wellbeing survey has identified four distinct categories;

- STRUGGLING** bottom 13% (avg. score 19 out of 100)
- GETTING BY** next 23% (avg. score 42 out of 100)
- DOING OK** next 40% (avg. score 64 out of 100)
- NO WORRIES** top 24% (avg. score 90 out of 100)

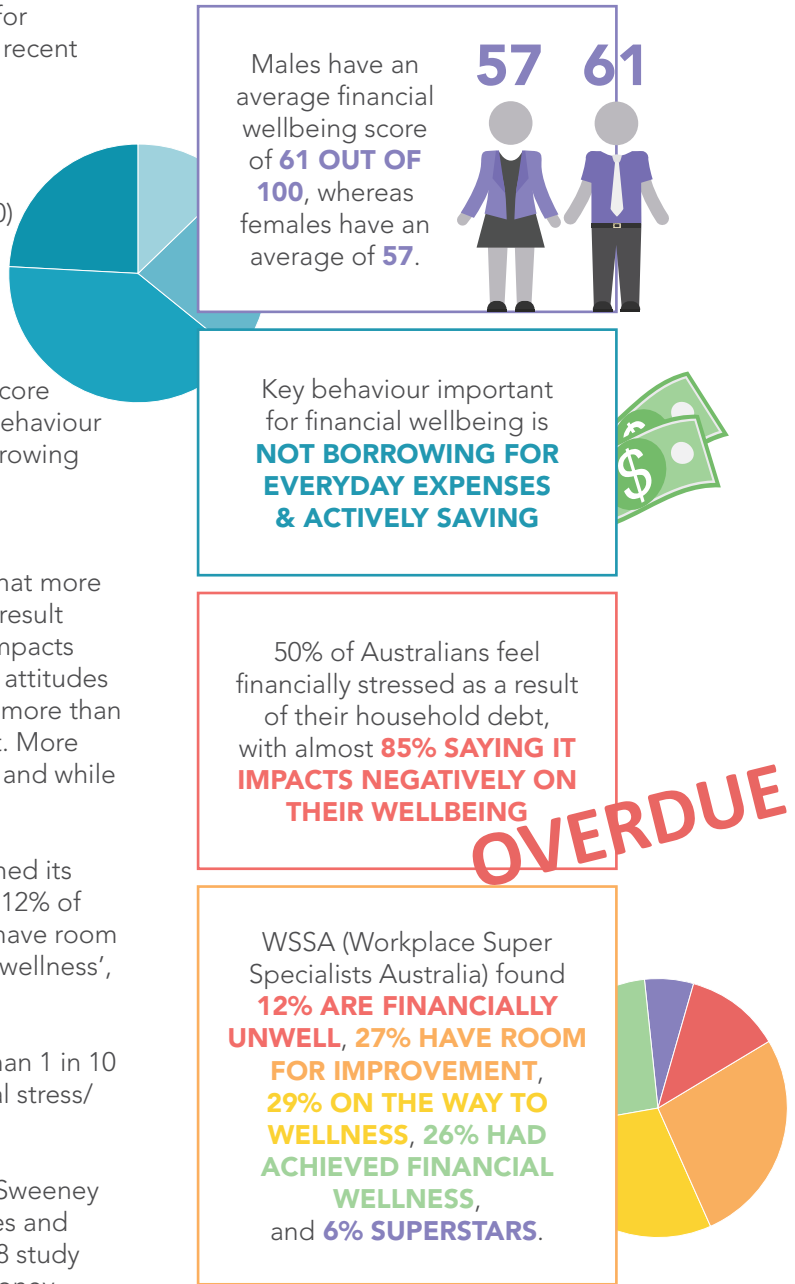
Overall, males have an average financial wellbeing score of 61, whereas females have an average of 57. Key behaviour important to achieving financial wellbeing is not borrowing for everyday expenses and active saving.

Mortgage Choice and CoreData's Financial Fitness whitepaper^{xxii}, released in February 2019, revealed that more than 50% of Australians feel financially stressed as a result of their household debt, with almost 85% saying it impacts negatively on their wellbeing. Exploring Australians' attitudes and behaviours towards their finances revealed that more than two in five admit they are embarrassed by their debt. More than 18% of Australians save nothing from their pay, and while 26% set financial goals, only 20% document them.

WSSA (Workplace Super Specialists Australia) launched its Financial Wellness Index in August 2016^{xxiii}. It found 12% of Aussie employees are 'financially unwell', and 27% 'have room for improvement'. Only 26% had achieved 'financial wellness', and a tiny 6% were rated as 'superstars'.

NAB and the Centre for social impact found more than 1 in 10 Australians adults experience severe or high financial stress/vulnerability^{xxiv}.

On the public research front, ASIC commissions EY Sweeney Research undertake the Australian Financial Attitudes and Behaviour Tracker^{xxv} each year. Results from the 2018 study reported 35% of respondents found 'dealing with money is stressful and overwhelming', including 41% of female respondents.





Financial wellbeing is influenced by many factors.

FACTORS INFLUENCING FINANCIAL WELLBEING

Research undertaken by the Centre for Social Impact & Social Policy Research Centre (Uni NSW)^{xxvi} found that the strongest influencers of financial wellbeing were:

- **Financial capability** (a combination of financial knowledge, attitudes, decisions, and behaviours);
- **Financial inclusion** (having access to appropriate and affordable financial services and products);
- **Social capital** (material support from friends, relatives and/or the community);
- **Income** (including income value, stability and source); and
- **Health**, particularly mental health, was also a strong influencer.

Focus group participants also revealed a range of other factors important at the individual, family, community and wider social levels, which included, employment status, housing, caring responsibilities and government policy. Changes in these factors make it difficult for people to manage expenses, increased worry about money, and decreased people's sense of control over their financial circumstances.

Additional factors which can have a short or long term negative impact on financial wellbeing include mental health, gambling, divorce, lack of social and cultural support and lack of job security.

MENTAL HEALTH

Money problems, especially debt, can worsen depression, with leading economists estimating that mental health problems cost the Australian economy around \$60 billion a year^{xxvii}.

GAMBLING

Problem gambling is one of the most prominent mental illnesses causing poor financial wellbeing. In Australia, the average problem gambler loses \$21,000 a year, with problem gambling estimated to cost the community about \$4.7 billion a year^{xxviii}.

DIVORCE

A range of resources from the Australian Institute of Family Studies show divorce has a serious impact on the finances of each former spouse, even if shared assets are split relatively evenly^{xxix}.

CULTURAL

In some cultures, talking about money is considered rude. In others, money lending is considered immoral.

JOB INSECURITY

Job insecurity and casualisation has a huge impact on financial wellbeing, in fact, about a quarter of Australians are stressed about their ability to pay the bills due to lack of job security^{xxx}.



How Australia's lack of financial wellbeing impacts the workplace

IMPACT IN THE WORKPLACE

Stresses can impact employees' happiness and distract them from succeeding at work. While some of these stresses relate to employees' personal lives, the role that work can play, in either adding to or reducing stress, is a common thread that runs throughout.

Employees in a recent MetLife study state that their number one source of stress is personal finances. Regardless of age or life-stage, a focus on finances tops the list as the biggest concern employees have day to day^{xxx}.

In a similar Australian study, more than one third of respondents said dealing with money makes them stressed and overwhelmed. With 39% of people saying they spend two or more hours during the working week thinking about their finances. Clearly, these problems are not left at home, they are brought with us into the workplace.

The fact is that financial wellbeing, or the lack of it, affects everybody. If a worker is worried about money, there are obvious impacts on work performance, which flows through to lost productivity. Put simply, workers' private financial problems impact their performance at work and can impact on the mood and culture of the entire workplace.

Increased levels of stress of your employees, can increase costs in three key areas:

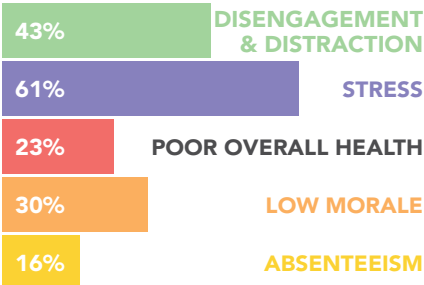
Presenteeism: employees presenting to work when they're in no fit state to be productive, because they're worried about losing out on income.

Absenteeism: employees taking more days off than they ought to because they're disengaged.

Compensation claims: claims made for mental health conditions which arise due to stress.

Most employers agree that **HELPING EMPLOYEES DEVELOP THEIR FINANCIAL LITERACY IS INCREDIBLY VALUABLE** as the impact of poor financial wellness in the workplace is costly^{xxxii}.

POOR FINANCIAL WELLNESS IN THE WORKPLACE LEADS TO:



Lack of financial wellness is driving absenteeism and presentism in the Australian workplace, **ESTIMATED TO COST AT LEAST \$33 BILLION ANNUALLY TO BUSINESSES**^{xxxviii}.



An organisation with resilient staff can thrive in times of economic uncertainty as well as in a high-pressure environment.

BENEFITS IN THE WORKPLACE

Employees say that solutions that help address financial stress are what they need most to thrive in the workplace and at home. Nearly 6 in 10 employees say an appropriate salary is one of the most important elements to successfully navigating and thriving in the workplace^{xxxiii}.

Yet, a moderate salary increase can only help so much when dealing with an unexpected expense, whether it's a broken bone or a flooded basement. That's why financial support in the form of financial wellness programs, retirement plans, and a broad set of benefits can play such a crucial role in helping employees manage the unexpected and plan for the future. And employees realise this too, with almost half of employees saying better benefits are key to thriving.

Improving the financial wellbeing of your staff is more than a valuable workplace benefit – it's also your key to boosting business performance. With productivity gains hard to find in the current business climate, an investment in financial capability can deliver unexpected rewards.

US-based academic E. Thomas Garman put the return for financial education initiatives specifically at up to 3 to 1, or around AUD\$500 per employee in the first year alone^{xxxv}.

Heads Up has also produced a must-see ROI tool allowing you to predict how much you could save by implementing an initiative such as financial education.

MENTAL HEALTH AND FINANCIAL WELLBEING

UK based Salary Finance's financial wellbeing research^{xxxvii} explored the relationship between employees mental health and other stress factors.

The greatest difference in mental health was between those that were stressed about their finances and those that do not.

Those with financial stress were:

- Almost 4 times more likely to feel anxious and be prone to panic attacks.
- Almost 5 times more likely to be depressed and find it difficult to carry on with life.

These differences are startling and make a compelling case for the relationship between mental health and financial wellbeing.

By offering employee benefits that allow people to take control of something that currently feels unmanageable by making active changes, supported by financial education, you can begin to mitigate the negative impact financial stress can have on overall wellbeing, and improve mental wellbeing in your organisation.



ENDNOTES

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^{III} [ANZ Survey of adult Financial literacy in Australia, May 2015](#)

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^{VII} [APRA Quarterly Private Health Insurance Statistics, December 2018](#)

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^{XII} [ANZ Survey of adult Financial literacy in Australia, May 2015](#)

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