

The New South Wales
Financial Inclusion Network



2019 state election platform



Introduction

This New South Wales election provides a real opportunity to address the state's extraordinary levels of financial exclusion and commit to increasing financial inclusion.

Two million Australians experience severe or high financial stress with one in five reporting that they cannot raise two thousand dollars in an emergency.

This election platform highlights the issue of financial exclusion in New South Wales and calls for action in addressing the issue.

Increasing financial inclusion requires action to:

- 1** Adopt a whole of government approach to address financial exclusion
- 2** Invest in building financial resilience
- 3** Develop financial inclusion strategies for Aboriginal communities and people living remotely
- 4** Develop innovative programs to intervene early and prevent tenant debt
- 5** Seek urgent action from the federal government to change legislation on payday loans and rent to buy goods

What is financial exclusion?

The New South Wales Financial Inclusion Network builds on the Consultative Group to Assist the Poor (CGAP) definition of financial inclusion, providing more insight into financial exclusion, and its impact at a personal level.

Those who are financially excluded can be impacted by any of the following:

- No access to financial resources such as emergency savings or the ability to raise funds in a crisis situation
- No access to safe, fair and affordable credit
- No access to affordable insurance to protect assets
- Barriers to financial budgeting and management
- No access to a bank account

Financial inclusion matters

Financial exclusion

Prevents people from contributing to our state's economy

Financial exclusion causes and compounds financial disadvantage

Resulting in:

- Poverty and homelessness
- Amplified mental health problems
- Continued welfare dependence
- Remaining in a violent relationship
- Poorer educational outcomes for children
- Law breaking and criminal offences

Financial inclusion

Enables people to participate in and boost our economy

Financial inclusion breaks the cycle of disadvantage and strengthens our economy

Resulting in:

- Reducing long term government spending
- Improving the economy of NSW
- Reducing poverty and homelessness
- Improving mental health outcomes
- Improving education and employment outcomes
- Increasing people's economic and social participation

Priority alignments with state government

Bolstering financial inclusion, capability and resilience will assist New South Wales Government to address its priorities:

- A strong budget and economy
- Protecting the vulnerable
- Safer communities
- Better services

Supporting individuals and families to become more financially included will enable achievement of the *Human Services Outcomes Framework* and *New South Wales Government Homelessness Strategy*.

New South Wales economic performance

The New South Wales economy is the powerhouse of Australia.

The state's economic outperformance, which began in 2014-15, continued in 2017-18 with expectations of a 3% economic growth.

This will mark an exceptional four year period with economic growth above trend (2.5%) and above the national average.

Despite this there are still extraordinary levels of financial exclusion across the state.

International comparison

Levels of severe to full financial exclusion

Reference: The New South Wales Financial Inclusion Network *Financial Inclusion for NSW Position Paper 2017*

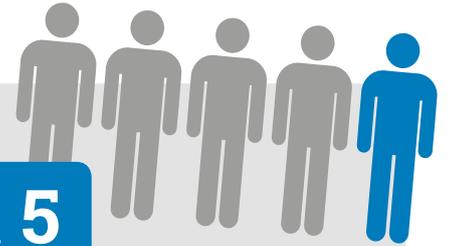


Quick facts

3.3 million

Australians lack access to safe, affordable and appropriate financial products and services

Good Shepherd Microfinance *Collective Action; Leading Change Report 2016.*



1 in 5

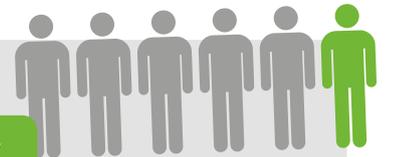
Australians cannot raise \$2,000 in an emergency

Centre for Social Impact/National Australia Bank *Financial Resilience in Australia 2018.*

2 million

Australians experience severe or high financial stress, reducing their ability to recover from financial shock

Centre for Social Impact / National Australia Bank *Financial Resilience in Australia 2018.*



1 in 6

Australians report difficulties in covering living expenses such as housing, food, utilities and education

Good Shepherd Microfinance *Collective Action; Leading Change Report 2016.*

29%

of Australian households are overindebted

Australian Bureau of Statistics survey of income and housing 2015/2016.



1 in 10

Australians have no form of insurance

Centre for Social Impact/National Australia Bank *Financial Resilience in Australia 2018.*

Addressing financial exclusion

Priority 1 – **Adopt a whole of government approach to address financial exclusion**

Although resources are allocated to financial inclusion programs, current measurements indicate financial inclusion has not improved.

The Financial Inclusion Network position paper noted that Australia's financial exclusion is a '*larger percentage of the population than any developed country should be comfortable with*'. There is limited

research into financial exclusion in New South Wales yet we know that the state experiences poverty at higher rates than other states.

To improve rates of financial inclusion, the Financial Inclusion Network believes that there should be improved co-ordination, needs assessment and solution provision.

Resource a central point that works collaboratively with the Financial Inclusion Network to develop a whole of government financial inclusion response. Key actions will include:

- Commit to the creation of an entire state strategy and costed plan to address financial exclusion
- Set targets at government level
- Measure financial exclusion to obtain a baseline of financial inclusion rates in the state, enabling measurement of continuous improvement
- Undertake service mapping to identify service gaps
- Develop an overarching evaluation strategy and impact assessment model

Priority 2 – Invest in building financial resilience

There is a high, largely unmet, demand for client assistance with basic money management advice and support. Evidence suggests there is a gap between the role of microfinance workers, emergency relief workers and financial counsellors, concerning clients with less complex financial and debt matters.

Currently many such clients must wait to see a financial counsellor or are turned away to self-manage their situation. These barriers and delays quickly escalate financial hardship, with clients acquiring further predatory debt, serious financial stress, being referred to a debt collector or being evicted from their home.

Funding financial capability workers would expand existing services and provide an early intervention alternative, the importance of which is highlighted by feedback to a financial capability service in regional New South Wales:

“(Financial capability worker) helped me get back on top of my finances, I cannot thank him enough.”

“This is a good thing that (financial capability worker) is doing.”

“A great help in a troubling time.”

Early intervention will reduce the pressure on currently overstretched financial counselling services and more importantly prevent many vulnerable people falling through the cracks.

Unchecked financial exclusion can result in vulnerable people going to court or worse (such as jail) due to financial problems. Early intervention financial capability work reduces this risk, creates genuine positive impact and savings for the government.

Key actions:

- Fund financial capability workers to enhance existing microfinance schemes, emergency relief and financial counselling programs
- Fund designated Aboriginal financial capability workers

Priority 3 – Develop financial inclusion strategies for Aboriginal communities and people living remotely

Aboriginal people and those living remotely are two of the most disadvantaged communities in New South Wales but there is little research that examines their financial exclusion.

The state's most disadvantaged communities are entrenched and life opportunities for these people are limited. We know that these communities are more financially disadvantaged than other population categories.

We know that individuals who have fewer economic resources are more financially excluded.

Aboriginal economic activity is a vital and growing area that will build a stronger foundation for social, economic and cultural prosperity in New South Wales. Supporting greater participation and opportunities for Aboriginal people will create jobs and employment, lift education and skills, and activate regional economic potential.

There is immense social and economic cost to society as a result of this sustained social deprivation (*Dropping of the Edge*, 2015). More research needs to be undertaken around the breakdown of those at greater risk of financial exclusion.

Key actions:

- Consult with Aboriginal communities to learn about their experiences of financial exclusion
- Fund research into the financial exclusion of Aboriginal, rural and remote communities
- Measure and obtain a baseline on financial inclusion rates for Aboriginal and remote communities
- Set targets at government level to commit the New South Wales Government to reducing financial exclusion throughout the state
- Expand energy and water cost reduction initiatives particularly to Aboriginal communities, rural and regional areas

Priority 4 – **Develop innovative programs to intervene early and prevent tenant debt**

Rent arrears is one of the major causes of homelessness. The capacity of tenants, both social housing tenants and those renting privately, to repay debts due to insufficient funds or a lack of financial management skills can ruin lives and cost New South Wales Government across a number of portfolios.

Debt associated with housing costs can lead to eviction and loss of essential utilities such as electricity for cooking, washing, heating and cooling.

Tenants with debt often must access unaffordable credit, which further exacerbates their debt and financial exclusion. The risk of stress and mental health issues also increases.

The best way to tackle rent arrears and housing debt is to try to prevent it occurring in the first place, to act early and to intervene when that debt is more manageable. If debt does build up, then landlords should be encouraged to look at innovative ways of resolving large debt repayment and incentivising this for tenants.

Allocate funding to develop and implement effective strategies such as:

- Fund financial counsellors to work specifically with tenants at risk of homelessness due to rent arrears
- Support social housing providers to develop and implement innovative incentive schemes for debt repayment
- Reduce energy and water costs for tenants by retrofitting all social housing properties with energy saving devices and innovative energy delivery solutions
- Establish a no-interest loan program to cover debt repayment.

Priority 5 – **Seek urgent action from the federal government to change legislation on payday loans and rent to buy goods**

Most people use financial counselling services because of unexpected life events, such as unemployment, illness, domestic violence, relationship breakdown or addictions, and not because of extravagant lifestyles.

Some people are also unable to cope with the general cost of living. Predatory finance such as pay day loans and consumer leases only add to the hardship that these people face.

Numerous submissions to the recent federal enquiry into 'credit and financial services targeted at Australians at risk of financial hardship' point out that large numbers of the Australia population (of which New South Wales has the largest share) experience money and debt problems.

High and non-transparent fee charging payday lenders and rent-to-buy schemes generally exacerbate financial troubles.

Reforms in this arena will lead to:

- Reduced time and money spent assisting people who fall victim to unscrupulous unregulated lenders. Such cases are often extremely time consuming and complex for financial counsellors and publicly funded legal staff to assist in, particularly if cases involve legal action
- Reduced flow-on impacts from financial difficulties such as alcohol, other drugs, mental health, gambling, family violence and even work cover injury

Seek urgent action on:

- Legislating all the Small Amount Credit Contract Reform recommendations made to the Government in 2016
- Legislating a comprehensive cap on interest for all forms of credit
- Removing payday lending providers from Centrepay

About us

The New South Wales Financial Inclusion Network aims to influence policy discussions to create a more financially included state

This network is a state-wide focused collaboration, formed in late 2015. It brings together deeply invested key stakeholders to collaborate on financial exclusion issues and potential solutions.

In September 2017, the Hon. Thomas George MP, Member for Lismore and the New South Wales Financial Inclusion Network launched the *Financial Inclusion for New South Wales Position Paper* at New South Wales Parliament House, seeking to highlight the nature and extent of financial exclusion in the state.

Network members

- Centre for Social Impact
- NSW Family and Community Services
- Financial Counsellors' Association of NSW
- Good Shepherd Microfinance
- Homelessness NSW
- Community Housing Industry Association NSW (CHIA)
- NSW Council of Social Services (NCOSS)
- New South Wales Government Fair Trading
- Northern Rivers Community Gateway
- NSW Government Office of Environment & Heritage, Residential Programs
- NSW Office of Responsible Gambling
- St Vincent de Paul Society
- The Salvation Army

For more information about the New South Wales Financial Inclusion Network, visit www.financialinclusionnetwork.com.au

Contact the New South Wales Financial Inclusion Network

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