

NSW Financial
Inclusion Network



2023 state election platform

Financial inclusion and disaster resilience



Introduction

New South Wales has experienced successive and unprecedented natural disasters. As a result, we've witnessed the most financially vulnerable people throughout the state be pushed further into escalating cycles of disadvantage.

We know that financial exclusion is a vicious cycle, deepening people's financial disadvantage, eroding community resilience and depressing economies.

The NSW state election provides a real opportunity to address our state's extraordinary levels of financial exclusion in New South Wales and commit to financial inclusion. Through targeted government intervention, policy and investment, we can increase financial inclusion, and strengthen the resilience of our people, our communities and economy in the face of future disasters.

This election platform highlights the issues of financial exclusion in our state and calls for specific actions to effectively address it.

What is financial exclusion?

The NSW Financial Inclusion Network uses the Consultative Group to Assist the Poor (CGAP) definition of financial exclusion.

According to CGAP, financial exclusion can be created by a lack of access to:

- Financial resources such as emergency savings or the ability to raise funds in a crisis situation.
- Safe, fair and affordable credit.
- Affordable insurance to protect assets.
- Financial budgeting and management.
- A bank account.

Increasing financial inclusion requires targeted action to:

- 1 Strategise cost of living reduction and seek urgent action from federal government to increase income support.
- 2 Increase investment in social and affordable housing.
- 3 Invest in digital knowledge and access.
- 4 Fund place-based service delivery.
- 5 Better safeguards for financial products.
- 6 Address financial abuse in New South Wales.

Alignment with state government priorities

Taking action to support financial inclusion will assist New South Wales Government to meet its key policy priorities:

- A strong economy.
- Highest quality education.
- Well connected communities with quality local environments.
- Being person-centred and customer-focussed.
- Breaking cycles of disadvantage.

Financial inclusion matters



Financial resilience

According to the Centre for Social Impact UNSW, financial resilience is built on four pillars:

Economic resources	Financial products and services	Financial knowledge and behaviour	Social capital
<ul style="list-style-type: none"> • Savings. • Debt management. • Ability to meet living expenses. • Ability to raise funds in an emergency. • Income level. 	<ul style="list-style-type: none"> • Access to a bank account. • Access to credit and needs met. • Access to insurance and needs met. 	<ul style="list-style-type: none"> • Knowledge of financial products and services. • Confidence using financial products and services. • Willingness to seek financial advice. • Proactive financial actions. 	<ul style="list-style-type: none"> • Social connections. • Access to social support in times of crisis. • Access to community and government support when needed.

Quick facts

32%

of households in the 2020 September quarter experienced at least one indicator of financial stress.

Centre for Social Impact UNSW – *Amplify insights: financial well-being*, 2021.

1 in 5



Australians, who experienced a significant income drop during the pandemic, requested financial support for basic living needs.

Australian Institute of Family Studies – *Life during COVID-19: Financial well-being and COVID-19*, 2020.

2 million

Australians experience a reduced ability to recover from financial shock.

Centre for Social Impact and National Australia Bank – *Financial Resilience in Australia*, 2018.

58%

of people in NSW have struggled to afford or gone without basic household goods and services at least once in the last year.

NCOSS – *Tough Times Hard Choices*, 2022.

4 in 5



community sector charities struggled with increased demand during the pandemic.

Centre for Social Impact and Social Ventures Australia – *Partners in Recovery: Moving beyond the crisis?*, 2022.



1 in 10

Australians have no form of insurance at all.

Centre for Social Impact and National Australia Bank – *Financial Resilience in Australia*, 2018.

Strategise cost of living reduction and seek urgent action from federal government to increase income support

Our social security system should enable people who are unable to work or find a job to live with dignity and afford the essentials. The Centre for Social Impact UNSW highlights that financial well-being is strongly connected to social inclusion and social security policies. Financial exclusion can increase the costs of savings, payments, and borrowing or receiving money.

But the current rate of JobSeeker and related payments is far too low. At just \$45 per day, the base rate falls well below the poverty line. This means that people who rely on these payments are often forced to choose between essentials such as putting food on the table, buying essential medicines and paying bills.

JobSeeker payments have not kept pace with the cost of living for people on low incomes. According to NCOSS, the combination of natural disasters, pandemic, supply chain disruption and overseas conflict has seen essential living costs reach extraordinary levels, at the same time that wages growth has stalled. Increased housing costs have meant people on JobSeeker often have very little left in their weekly budget for other essentials. And now, the rising cost of fuel and groceries will push more people into poverty.

Living in poverty affects financial, physical, mental and social well-being. The effects are not just felt by individuals but by communities, families, and future generations. Rather than providing vulnerable people with the security they need to get back on their feet when they have lost a job or cannot work, the low rate of payments can instead trap people in a poverty cycle from which it is hard to escape.

Current JobSeeker payments are so low they are failing to provide recipients with the security they need to get back on their feet when they cannot work or have lost a job.

Key statistics

- There are currently over 300,000 people in NSW receiving JobSeeker and Youth Allowance.
- Amongst those without jobs, nearly 66% of single people and 55% of single parents are living on an income below the poverty line.
- According to ACOSS, the introduction of JobSeeker corona virus supplements during the pandemic reduced poverty amongst JobSeeker recipients from 76% in 2019 to just 15% in 2020. That's a reduction of around 80%.
- According to Bankwest Curtin Economics Centre, permanently increasing the JobSeeker base rate by \$25/day, and a rent assistance increase of \$4/day, would virtually eliminate severe poverty in Australia.

Key actions for government

1. Invest in place-based services to support cost of living strategies.
2. Fund the administration of programs such as EAPA.
3. Provide state-based emergency relief programs.
4. Seek urgent action from federal government to increase the base rate of JobSeeker as a matter of urgency to at least \$69/day, bringing payments in line with pensions.

Increase investment in social and affordable housing

NCOSS' *Aftershock* report highlighted the effects of recent pandemic, fire and floods on housing security. Rental housing vacancy rates have dropped by more than 60% in some regions, whilst rental costs have significantly increased. This is particularly felt in regional areas.

Property values have been steadily growing throughout the state for over ten years. This has increasingly excluded low-income earners from home ownership and rental, being priced out of appropriate home quality and location, and forced to live in marginal areas and conditions.

Negative gearing policies encourage property owners to purchase additional investment properties, increasing demand for housing and driving purchase costs up.

Low-income earners have been amongst the most negatively affected by responses to the pandemic, compounding their financial disadvantage. Low-income mortgage holders and renters are being placed under further financial pressure by recent monetary interest rate increases. Escalating living costs (including debt interest rates and the costs of housing utilities and rent) are placing them under even more financial pressure. And the casualisation of low income work industries adds yet more layers of financial disadvantage and insecurity.

NCOSS has highlighted that First Nations Australians experiencing homelessness are over-represented in the specialist homelessness field. 30% of those seeking homelessness support are First Nations Australians.

Women and children escaping DFV have far fewer housing options, and some are choosing to stay in violent relationships instead of risking and experiencing homelessness.

According to the City Futures Research Centre UNSW, as communities experience the increasing frequency and extremity of climate disasters, more and more people are being displaced. This puts more pressure on a dwindling housing market and creates additional layers of hardship for people, families, communities and economies.

Without adequate supplies of social and affordable housing, these trends in housing affordability are compounding financial exclusion for all low-income earners. The worst affected are First Nations Australians, women and children escaping DFV, and people living in regional/remote areas. As well as creating hardship, this compounding trend is having a detrimental effect on state and federal economic growth.

Key actions for government

1. Invest in large scale, direct funding for social and affordable housing development, particularly for:
 - a. First Nations Australians.
 - b. Women escaping DFV.
 - c. People in regional and remote areas of the state.
2. Introduce better regulation of the private rental market to address:
 - a. Energy efficiency requirements.
 - b. "No grounds evictions" conditions.
3. Create incentives for:
 - a. Private property owners to offer social and affordable housing.
 - b. Private property developers to build social and affordable housing.
4. Broaden existing eligibility criteria for social and affordable housing.
5. Extend existing First Home Buyer Assistance Scheme benefits.
6. Seek urgent action from the federal government to revise negative gearing policies.

Invest in digital knowledge and access

Although businesses and agencies have been moving essential services and resources online for decades to reduce operational costs, there has not been a commensurate growth in strategies to improve digital access and inclusion. And recent responses to the pandemic have increased reliance on digital and online services.

According to the Australian Digital Inclusion Index, national digital inclusion has slightly improved in the last couple of years, but the most vulnerable groups are not moving with the national mean and are being increasingly excluded.

Digital exclusion is most greatly experienced in regional and remote communities. But also low income earners, First Nations Australians, seniors, and culturally and linguistically diverse peoples all experience exclusion. Because digital exclusion is strongly linked with financial exclusion, these vulnerable groups are experiencing escalating financial disadvantage.

Digital inclusion relies on 3 factors:

- Access to technology and networks.
- Education, skills and knowledge.
- Affordability of technology, network access and resources.

If barriers occur to just one of these factors, digital exclusion will be encountered. For example, a lack of affordability affects low income earners. A lack of knowledge affects seniors and people with low levels of education. Moreover, significant additional barriers are created by cybersecurity fears, resulting from escalating scams and cyberattack activities.

Technology-assisted abuse and e-safety is a growing problem for people prone to digital exclusion, such as women escaping domestic and family violence. According to the Centre for Women's Economic Safety, a coordinated, co-designed financial safety framework will anticipate, detect and minimise financial abuse before it occurs.

Real change needs a coordinated approach, incorporating government at all levels, private sector, not-for-profit, community and individual stakeholders.

Key actions for government

1. Invest in whole of government strategies to drive digital inclusion.
2. Expansion of NILs no interest loans for low income households to cover digital hardware and access costs.
3. Fund targeted initiatives and NGO sector to build digital capabilities and digital mentorship programs.
4. Targeted funding for projects to address Closing the Gap digital inclusion goals.
5. Co-design and introduce a new financial safety framework.

Fund place-based service delivery

A place-based approach to community support recognises the impact of place on people's experiences. It incorporates this recognition into strategies that improve social, economic and environmental outcomes. Place-based supports embed meaningful public participation into policy development and service delivery. In recent years, we have seen the importance of localised place-based services, at the forefront of disaster and crisis relief.

During the pandemic lock-down measures in July 2021, when vulnerable people were unable to access mainstream services during travel restrictions, it was local and trusted place-based services that were able to fill the gaps. For instance, when health communications in culturally and linguistically diverse LGAs were not getting through, it was the collaborative efforts of local place-based organisations that were able to liaise with state health, police and other government agencies to disseminate information to those vulnerable communities.

All local neighbourhood centres in NSW continued to deliver services during pandemic outbreaks. Whilst service delivery changed to meet public health requirements, local neighbourhood centres stayed open to meet contractual obligations. Many volunteer-based organisations shut their doors at this time, and it was local neighbourhood and community centres that continued to respond to the needs of the community. Federal government leveraged the knowledge of these organisations to ascertain communities' needs in real time, using state-wide emergency relief coordination committees.

During more recent flood crises across Northern NSW, it was the agility and specialised knowledge of local, place-based services that enabled them to respond quickly and effectively to their communities' sudden and urgent needs.

NCOSS highlights the role of front line services during the pandemic and notes that during both pandemic and flood responses, trusted place-based community organisations were often the first and only contact for people needing support.

Demand for services increased significantly during these crises, with community members seeking housing supports, emergency relief for essential items, support for cost of living including food, clothing, cleaning and hygiene products, energy bills and fuel costs.

Prior to these unprecedented flood events, the importance of local, place-based organisations in supporting community recovery and resilience had not been acknowledged at a government level. For many years, this has been reflected by increasingly inadequate funding support.

Accordingly, to meet increased demands for support, services have responded as best they can, using staff and brokerage resources that were already stretched. This has significantly reduced support for people who were disadvantaged before the crises and placed added pressure on staff within the sector.

Key actions for government

1. Integrate local, place-based community organisations into emergency response systems.
2. Improve the resourcing and capabilities of place-based community organisations.
3. Improve funding for place-based community organisations to meet increased disaster-related crisis support needs.
4. Invest in sector staff capacity-building to maximise a transition to digital service delivery.
5. Develop responsive systems for ongoing engagement with place-based community organisations.

Better safeguards for financial products

Introduce a compensation scheme of last resort.

We need a well-funded and broad-ranging compensation scheme of last resort (CSLR) to ensure victims of financial sector misconduct get paid fair compensation if a provider ceases operations. This overdue reform needs to be implemented as a priority.

Polling in 2020 found that 82% of Australians think there should be compensation for people when they are wronged by financial institutions. A legislated CSLR would ensure that victims of financial misconduct receive compensation where it has been awarded but the provider is unable to pay, such as when a firm goes into administration. The recent collapse of the Aboriginal Community Benefit Fund (ACBF/Youpla) left over 14,000 First Nations Australians who lost decades of savings. This demonstrates the immediate need for a CSLR to be in place, including funeral insurance and funeral expenses policies.

Regulate buy now pay later products.

Buy now pay later (BNPL) loans are more popular than ever. Providers exploit loopholes in consumer protection laws, which means they don't have to conduct even basic checks to ensure consumers can afford to repayments. This is creating serious financial risks to vulnerable people and leading them into unaffordable debt. BNPL companies target loans to people most at risk of financial hardship. Late fees charged to customers can quickly add up to cost far more than other forms of credit.

Financial counsellors have said that BNPL products are particularly dangerous for low income earners because they appear to have minimal impact, spreading payments over a few weeks or months. But if you don't have the income in the first place, all you're doing is deferring payments. And that is why we're seeing so many people become overcommitted.

In its annual survey, Financial Counselling Australia found a sharp rise in people seeking help from financial counsellors over BNPL products. 84% of counsellors said that half, most or all of their clients had buy now pay later debt, compared to just 31% the previous year.

According to Choice, 30% of Australians have used BNPL products in the past 12 months. 21% have used them for essential items like food and utilities. 15% have missed or been late on a payment, and 78% of those people have experienced financial hardship as a result, including additional loans and forgoing essential items. With wages not keeping up with inflation, more Australians will turn to buy now pay later products to pay for essential items.

Introduce stronger gambling reforms.

Financial counsellors, gambling counsellors and other community workers see the short and long term financial harm to people, their children, families and communities due to gambling. People harmed by gambling forego essentials and are forced to source unsafe funds to make ends meet. NSW needs legislation to protect people and their families from gambling harm. There is ample evidence of the damage and poverty caused by gambling, and its regulation in NSW is still inadequate to protect vulnerable people, families and communities.

Key actions for government

1. Seek urgent action from federal government to pass the CSLR bill and expand its scope to include funeral insurance and expenses policies.
2. Strengthen NSW consumer regulation to protect vulnerable people from buy now pay later, wage advances, other emerging fintech and all forms of gambling:
 - a. Apply the same consumer protections for all forms of credit.
 - b. Ban providers from marketing to children and people experiencing hardship.
 - c. Require merchants to provide full payment and free lay-by methods first.
 - d. Require companies to conduct checks to ensure products don't cause hardship.
 - e. Promote access to NILs loans and free, independent financial counselling.
 - f. Ensure regulators monitor and report on consumer impact.

Address financial abuse in New South Wales

Financial abuse is a hidden epidemic in Australia and is inadequately managed, more so in New South Wales than any other state or territory.

Research by Deloitte has found that 43 Australian women were subjected to financial abuse every hour in 2020. According to the ABS, around 85% of women who access domestic and family violence services in Australia say that they have experienced some level of financial abuse as part of the coercive control in their relationship.

Economic and financial abuse can occur alongside other forms of abuse such as physical, emotional and sexual violence, and the time following a violent incident can be particularly unsafe for victim survivors.

Debts and financial insecurity are a common barrier to a victim survivor leaving an abusive relationship. A victim survivor can experience the financial impact of domestic abuse long after the relationship has ended, including ongoing and long-term consequences for their housing and employment security.

This year, Commonwealth Bank has estimated that financial abuse costs victim survivors and the Australian economy a combined total of \$10.9 billion per year. As financial abuse is largely unreported, the true impacts of this widespread form of abuse are likely far greater.

NSW is currently the only jurisdiction in Australia in which financial abuse is not defined in legislation, although the new coercive control legislation, which will come into force in 2024, contains examples of financially and economically abusive behaviour. However, there is still a shortfall of adequate resources throughout the state to support victim survivors, to fund front line services which support them in their recovery, and to enable the police and judiciary to appropriately recognise and respond to financial abuse.

The report *Addressing Financial Abuse: A Collaborative Model for Legal and Non-Legal Support*, released in March 2022, highlights the varied needs of victim survivors of financial abuse and recommends that the Financial Abuse Service NSW be expanded to provide holistic legal and social support.

Key actions for government

1. Resource front line services to respond to the needs of victim-survivors, including:
 - a. Trauma informed expertise that empowers victim survivors and gives them choices and agency.
 - b. Legal expertise, financial counsellors and social supports.
 - c. Culturally specific and appropriate services for Aboriginal and Torres Strait Islander communities and other diverse communities.
2. Implement education and community awareness campaigns on financial abuse so there is greater understanding of how to identify financial abuse and support people experiencing it.
3. Invest in funding for appropriate training and education for police, judiciary and front line services that support people experiencing financial abuse in NSW.
4. Set industry standards, such as the eSafety Commissioner's Safety by Design principles, so that the finance sector can anticipate, detect and eliminate financial abuse before it occurs.

The NSW Financial Inclusion Network aims to influence policy discussions for a more financially inclusive state.

In September 2017, the Hon. Thomas George MP, Member for Lismore and the NSW 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.

Our 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.

For more information about the NSW Financial Inclusion Network, visit financialinclusionnetwork.com.au

This document was developed in collaboration with the following NSW Financial Inclusion Network members:

- Centre for Social Impact UNSW
- Community Housing Industry Association NSW
- Energy and Water Ombudsman NSW
- Financial Counsellors' Association of NSW
- Financial Rights Legal Centre
- Good Shepherd Australia New Zealand
- Homelessness NSW
- Northern Rivers Community Gateway
- NSW Council of Social Services
- Redfern Legal Centre
- St Vincent de Paul Society
- The Salvation Army

For a full list of the network members, visit financialinclusionnetwork.com.au.

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