

# Outside your control – a systems perspective on financial inclusion and financial wellbeing

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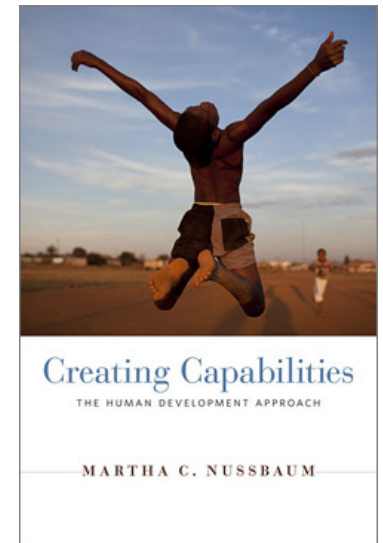
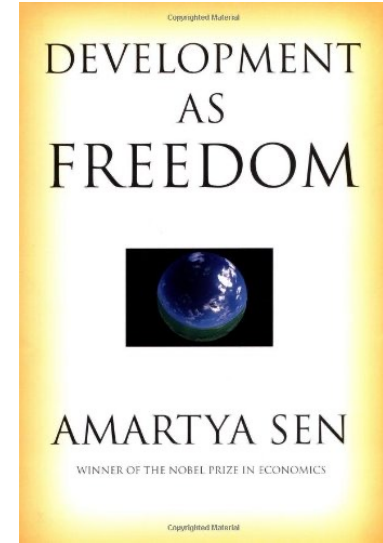
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- *The Capabilities Approach to freedom*
- *Financial wellbeing and financial inclusion*
- *A systems perspective on financial wellbeing and financial inclusion*
- *An example to highlight how a systems perspective is useful*
- *Building systems that support people*



# The Capabilities Approach to freedom

- You are free to the extent to which you are *plausibly* able to do something
- Developed by Amartya Sen [1] [2] and Martha Nussbaum [3] as a response to GDP focused development economics
- Emphasis is on what people can *actually* do, rather than what they have the *right* to do



# The Capabilities Approach to freedom

- Our freedom is often constrained by ‘soft’ constraints
- ‘Soft’ constraints are often related to our resources, social norms, and at times our relationships
- Consider the ‘pint’ analogy:  
*are you free to grab a pint this afternoon?*
- There are a number of factors to consider in whether I am actually free, including resources, social norms, and who is asking me



# Financial inclusion & financial exclusion

*Financial Inclusion* is “having access to appropriate and affordable financial products and services” [4]

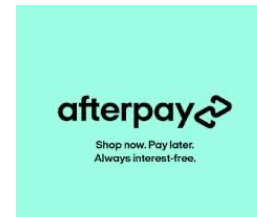
*Financial Exclusion* is “a partial or full blockage of access to foundational products and services that would enable (someone) to meet their basic human needs that achieve societal standards” [5]

- Historically, we might think about this through banks and banking services, but increasingly our systems use digital platforms for our finances and transactions

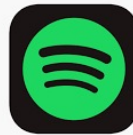
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# Financial wellbeing

Financial wellbeing is when a person is able to meet expenses and has some money left over, is in control of their finances and feels financially secure, now and in the future [4].

Within this definition there are three interrelated dimensions:

**Being in control of  
your finances**



**Meeting expenses with some  
money left over**



**Feeling financially secure  
now and in the future**



These all depend on things that are external to us - that is, the system around us [6]

# Australian financial wellbeing

Prior to the pandemic:

- 1 in 8 Australians would not have been able to raise \$2,000 in an emergency [7]
- approximately 30% of Australian households had savings of less than one month's worth of income [7]
- 57% of lower-income households renting from a private landlord were spending 30% or more of their gross income in rent in 2017-18 [8]
- an estimated 639,737 lower-income households were spending 30% or more of their gross income in rent in 2017-18 [8]

# Australian financial wellbeing

During the pandemic, according to the ANZ Roy Morgan Australian financial wellbeing indicator [9]:

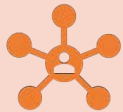
- Financial wellbeing declined from an overall average score of 60.7 (out of 100) in the 12 months prior to the pandemic, to an average of 58.0 (out of 100) in June 2021
- The percentage of the population '**Meeting Everyday Commitments**' declined, down from 73.0 (out of 100) to 68.9 (out of 100) in the 12 months to June 2021
- The percentage of the population described as '**Struggling**' has grown from 12.2% up to 14.3%
- Victoria experienced the worst declines, with a 6.1% decline in financial wellbeing



# What is a systems perspective?



A system is “a set of things – people, cells, molecules, or whatever – interconnected in such a way that they produce their own pattern of behaviour over time” [10]



Rather than treating individual factors as separate and disconnected, they are understood in a broader context (the system that they sit within)



The structures around people are important for understanding the kinds of outcomes that they achieve (and the constraints that they face)

# The financial wellbeing system

There are 3 levels to the financial wellbeing system:

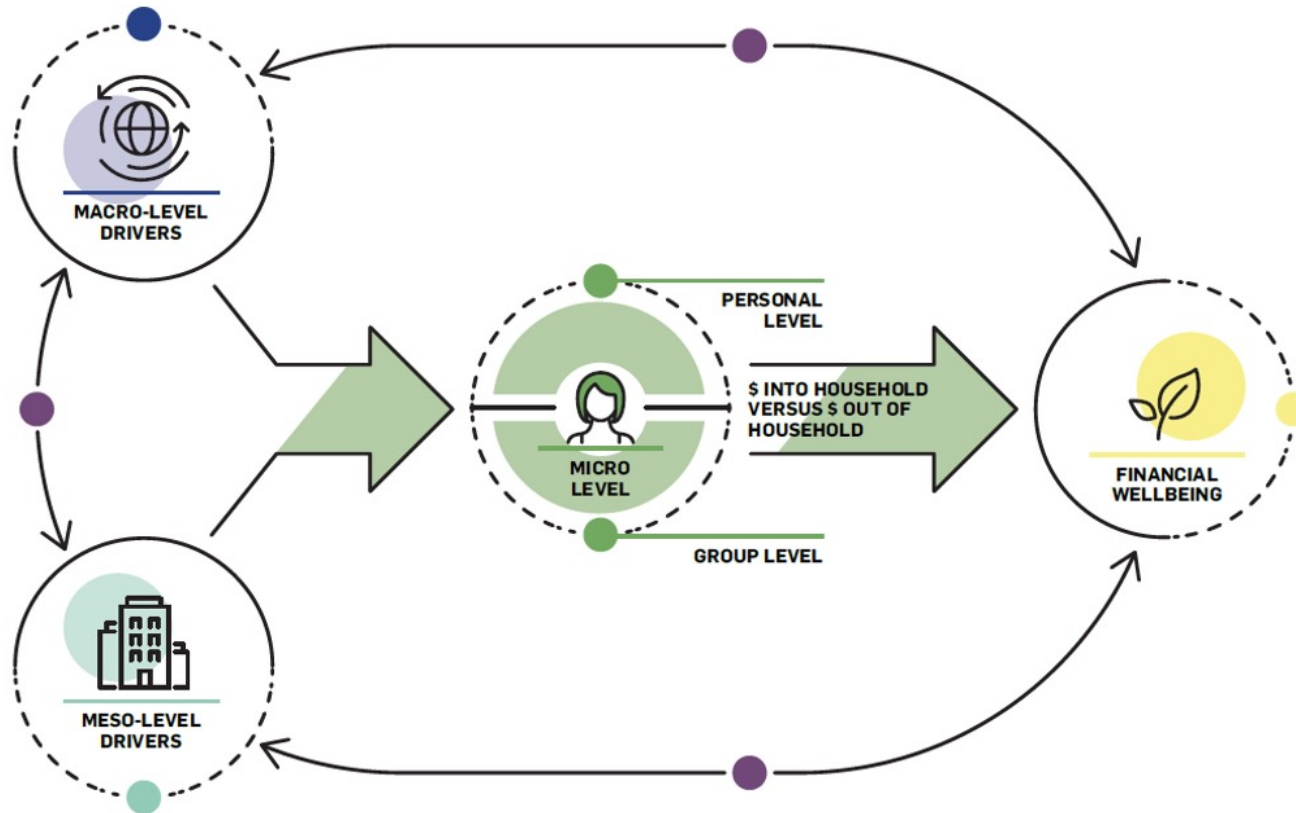


Factors at each level can shape the income and expenses for the household, and thus drive financial wellbeing outcomes.

*Micro, meso, and macro-level drivers of financial wellbeing [6]*

MICRO		MESO	MACRO
PERSONAL	GROUP	ORGANISATIONS AND INSTITUTIONS	NATIONAL
<p><b>FINANCIAL CAPABILITY:</b> Behaviours Attitudes Knowledge Skills Motivations</p> <p><b>OTHER CONTEXTUAL FACTORS:</b> Income Expenses Education Occupation Caregiving commitments Dependents Mental Health Physical Health Social Capital Employment Sector Employment Status Parental Wealth Relationship Status</p>	<p>Gender Disability Ethnicity Age Race Aboriginal and Torres Strait Islander People</p>	<p><b>COMMERCIAL ORGANISATIONS:</b> Bank policies and actions Employer policies and actions Pay day lenders Media Location of financial institutions Financial advisors</p> <p><b>NOT-FOR-PROFIT ORGANISATIONS:</b> Financial counselling services Community lending programs Community orgs</p>	<p><b>POLICIES AND LAWS:</b> JobKeeper Age pension JobSeeker/ NewStart Regulators Public healthcare Income management Superannuation Family policies Interest rates</p> <p><b>SOCIAL STRUCTURES:</b> Precarious employment Poverty cycle Social class Patriarchy Systemic racism Colonialism</p> <p><b>FINANCIAL MARKETS ASSETS AND INVESTMENTS:</b> Stock market activity Housing markets Higher education access loan structure</p> <p><b>EVENTS:</b> COVID-19 GFC Housing Bubbles Natural Disasters Military conflict</p>

# The financial wellbeing system

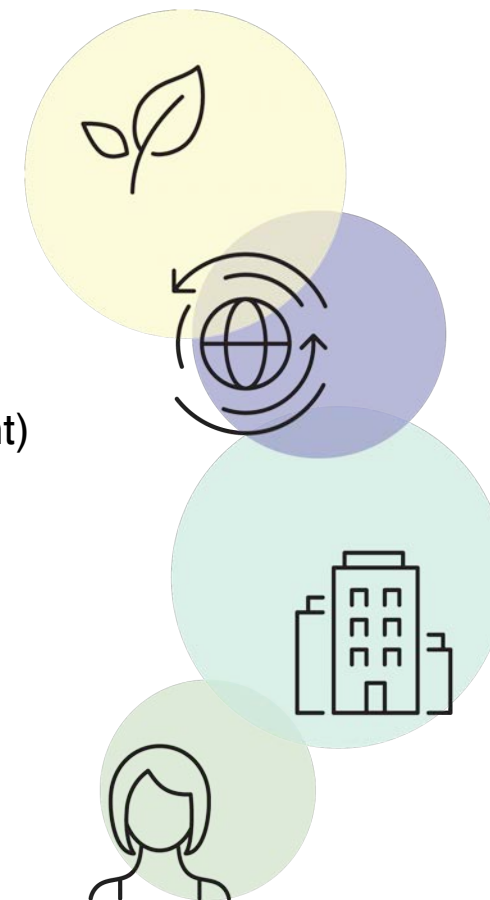


Find a detailed version  
of this diagram at [www.csi.edu.au/fwb](http://www.csi.edu.au/fwb)

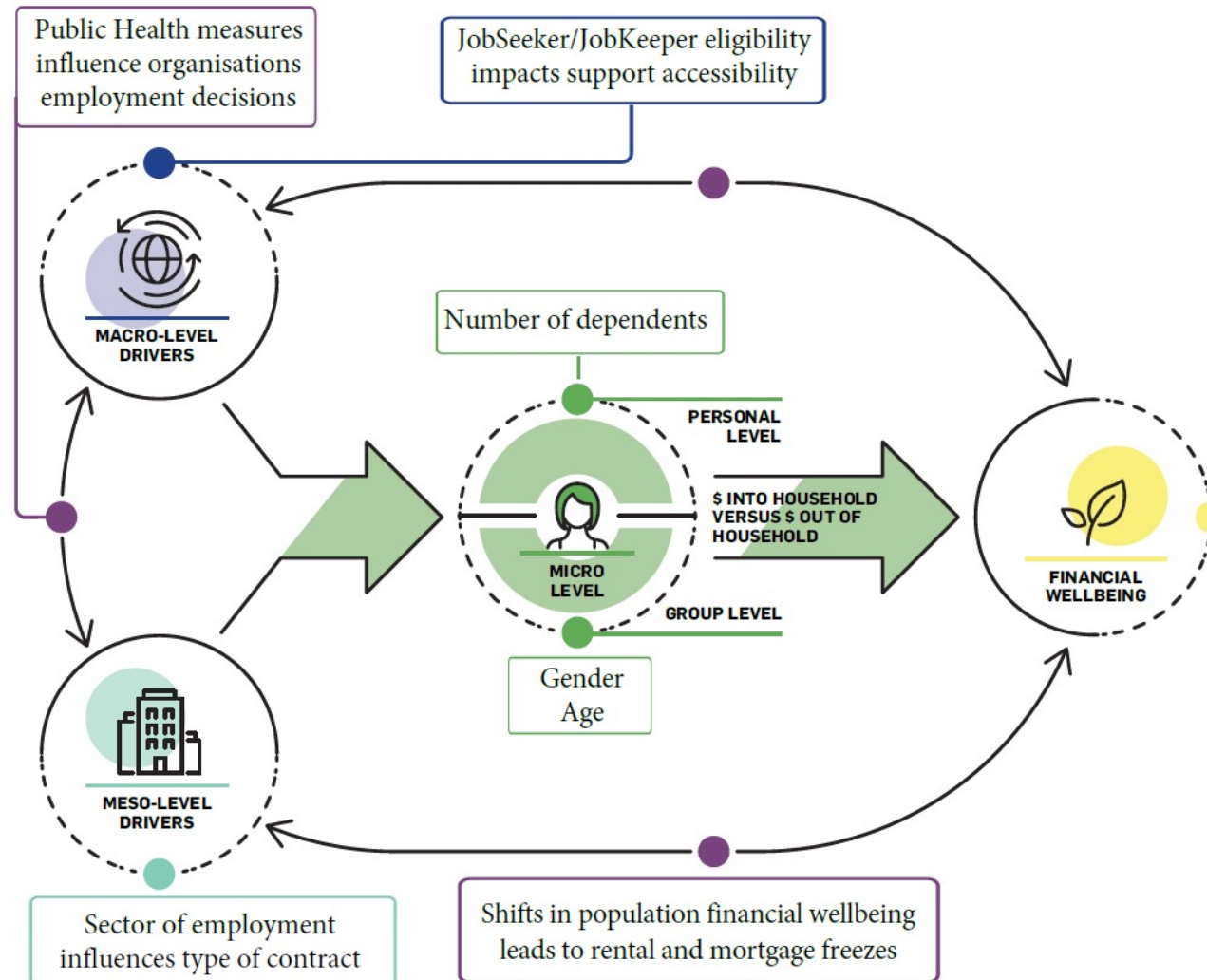
# An example of the system

**Lin is a 36-year-old hospitality worker and a single parent living in Melbourne, Victoria, with her 9-year-old son:**

- She has a high level of financial capability
- Lin is a casual
- Moved onto JobSeeker, instead of JobKeeper (\$862 compared to \$1200 per fortnight)
- Lin has to care for her son
- Employment opportunities are harder to identify
- Lin's age made her ineligible for the JobMaker wage subsidy



# An example from the system (for Lin)



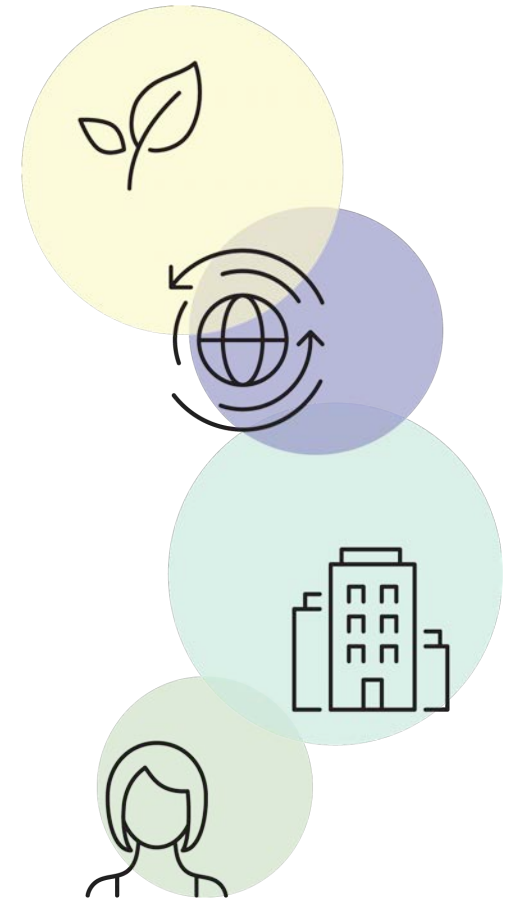
# Navigating the financial wellbeing system

- **Remember:**

- Financial wellbeing is when a person is **able to meet expenses and has some money left over, is in control of their finances and feels financially secure, now and in the future**
- Lin's financial wellbeing has been destabilised by the pandemic
- The key drivers of her financial wellbeing during the pandemic remain outside of her control
- Fixing that means structural changes

# Building systems that support people

- Solutions to the problems experienced by people like Lin must be multi-dimensional [6]
- Solutions also need to address the structural conditions that people like Lin are situated in [11]
- We need to build processes and supports that allow for people's complex experiences [12]
- We need to ensure our financial system supports economic dignity for people [13]





# Building systems that support people


- Many organisations are already using this kind of approach without necessarily conceiving of it as using a systems approach
- Need to ensure that systems don't produce outcomes that amplify inequalities
- Ensuring that ways of accessing support or assistance are not mediated by our social capital [12]
- Effective support systems need to meet people where they are at



**Thank you for your attention**



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