

REPORT

Economic security and dignity

A financial wellbeing framework

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This paper proposes a financial wellbeing framework that recognises the drivers, impacts and experience of economic insecurity and is based on the concept of economic dignity.

The framework builds on BSL research into economic insecurity and financial stress. It was developed through a series of workshops with BSL staff, informed by the conceptual thinking undertaken as part of the ANZ Tony Nicholson Fellowship.

It will be used to guide the development of programs that directly address financial hardship among those experiencing disadvantage, and to support advocacy for government and institutional policies that create the conditions for the financial wellbeing of all Australians.

Underlying inequalities

Even before the COVID-19 crisis, there was increasing concern about economic insecurity in Australia, despite almost 30 years of uninterrupted growth. The full scope of the impacts of the pandemic is uncertain, but those who already experienced poverty or disadvantage will be hit hard. Policy measures such as the JobKeeper payment and the COVID-19 supplement for jobseekers will mitigate the impacts to some extent, but this crisis is overlaid on an unequal society and increasingly sluggish economy (Martin 2020, p. 17).

Before the pandemic, Australia's poverty rate was one of the highest among wealthier nations in the OECD with about 13% percent of people in poverty based on the 50% median income threshold, and 20% based on the 60% threshold (Sila & Dugain 2019). Wage growth had stagnated and job growth was in part-time rather than full-time work, with part-time jobs now accounting for 31.7% of employment

(ABS 2020). Even those with jobs increasingly felt insecure (Foster & Guttmann 2018). The underemployment rate had overtaken the unemployment rate (ABS 2020). Early indications are that COVID-19 has had an impact on hours worked and will have devastating impacts economically. Indeed, some economists predict a global depression (Roubini 2020).

Over the past forty years, access to social security has become increasingly conditional and inadequate. Prior to the temporary supplement in response to COVID-19 (DSS 2020) there had been no real increase in Newstart Allowance (now called Jobseeker Allowance) since 1995 (Michael 2019). As we have argued elsewhere, our social security system is not fit for present and future challenges and requires principled reform and renovation (Bowman, Thornton & Mallett 2019). The current crisis makes the need for reform even more pressing.

BSL research on economic insecurity, income volatility and social security has highlighted how structural and systemic drivers of inequality undermine the capacity of individuals and households to make ends meet and experience financial wellbeing. This research also examined the logics that inform people's decision making in tough times (Banks & Bowman 2017; Bowman & Banks 2018). Other research has shown that people in need of financial assistance often experience judgement and scrutiny when they seek help. This can be a deterrent to accessing support, with the effect of compounding economic hardship or encouraging them to access products like high-interest credit which can be financially harmful (Marston, Banks & Zhang 2017).

The framework we propose recognises the interplay of internal and external factors, and provides some signposts about how best to organise efforts to enable financial wellbeing and economic dignity for all Australians.

The Brotherhood of St Laurence is a non-government, community-based organisation concerned with social justice. Based in Melbourne, but with programs and services throughout Australia, the Brotherhood is working for a better deal for disadvantaged people. It undertakes research, service development and delivery, and advocacy, with the objective of addressing unmet needs and translating learning into new policies, programs and practices for implementation by government and others. For more information visit <www.bsl.org.au>.

The ANZ Tony Nicholson Research Fellowship is a one-year fellowship funded by ANZ in honour of the former BSL Executive Director, Tony Nicholson. Each research fellow will work on a different issue of interest. The work of the inaugural fellowship has concentrated on how financial capabilities can be conceptualised so that it embraces the needs of people experiencing disadvantage. This work has contributed to the development of this framework, which will help guide practice and strategic thinking across the sector.

Dr Jeremiah Brown is the inaugural ANZ Tony Nicholson Fellow and Dr Dina Bowman is Principal Research Fellow in the Work and economic security team in the Brotherhood's Research and Policy Centre.

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1. A framework to underpin financial wellbeing

Principles help us make decisions and understand what is happening around us. Dignity is an important moral concept, playing a key role as a principle in the law, human rights and our political debate (Rosen 2012). Drawing on Sperling (2019), we use the concept of **economic dignity**¹ to underpin our financial wellbeing framework because it highlights that *every person deserves to*:

- have meaningful control over their financial decisions
- be treated with respect, regardless of their financial situation
- be able to undertake work in a safe environment that is meaningful to them and that is valued by the community. This includes both paid and unpaid work
- be able to meet their basic needs.

We are influenced by Amartya Sen's capability approach, which enables:

(1) the assessment of individual well-being; (2) the evaluation and assessment of social arrangements; and (3) the design of policies and proposals about social change in society' (Robeyns 2016).

Martha Nussbaum (2000) extended Sen's approach to argue that there are ten fundamental capabilities: life; bodily health; bodily integrity; senses, imagination and thought; emotions; practical reason; affiliation; other species; play; and control over one's environment. She argues that these capabilities are necessary for human life to be 'not so impoverished that it is not worthy of the dignity of a human being' (p. 72).

For Nussbaum, dignity is central to wellbeing; and we argue that in a similar way it is central to financial wellbeing. By highlighting the importance of economic dignity, we expand the notion of financial wellbeing beyond conventional definitions, making the relationship between structures, systems and individuals more explicit.

As a concept, financial wellbeing has tended to focus on individual objective measures and self-assessments of ability to meet expenses (both day-to-day and in the future) and ability to meet unexpected expenses. These are important, but we argue that it is also necessary to take into account the systemic and structural drivers of inequality and insecurity (Bowman et al. 2016). In line with this

¹ The elements of the paper relating to economic dignity are more fully explained in a companion paper, *Economic dignity and financial capabilities: connecting principles and concepts*.

argument, a recent review of financial wellbeing literature in the Australian context notes:

we don't have a clear understanding how and to what degree external factors such as government policies, social and community support impact the individual factors associated with wellbeing (Russell, Kutin & Marriner 2020, p. 17).

By emphasising the importance of dignity, we aim to highlight the interaction of individual agency and social structures which can enable or undermine financial wellbeing.

Our framework (Figure 1) identifies four interconnected elements:

- financial logics
- financial literacies
- financial counselling
- financial advocacy.

The central aim of the framework is economic security, underpinned by economic dignity.

Figure 1

Financial wellbeing framework



Financial logics

Neoclassical economics is based on the notion that individuals maximise self-interest through rational informed decision making. Feminist economists, however, have long recognised that ‘models of individual free choice are not adequate to analyse issues of dependence/ interdependence, tradition, and power’ (Beneria 2003, p. 125). Furthermore, these models are gendered and based on notions of Western individualism.

Banks and Bowman’s research has highlighted the importance of understanding the logics that underpin decision making. They argue (2017, p. 19; emphasis added) that:

financial decisions, based on self-interest, social interests or moral values and influenced by the timeframe and social context (Wilk & Cliggett 2007), are both moral and rational (Ericson, Barry & Doyle 2000; Storchi 2017).

This is different from a behavioural economics approach that is informed by behavioural psychology and seeks to nudge or shape people’s behaviour in a particular direction (John & Robb 2017). Rather than starting from a point of desirable behaviour, our approach starts with understanding the financial logics— whether moral or rational—that shape people’s decisions and the factors that constrain their possible choices. This then can shape policies and programs to maximise possible choices that make sense to individuals, while respecting their autonomy and dignity. Understanding what is important to people is a first step in knowing which information and skills might be relevant.

Financial literacies

Drawing on the work of Chris Arthur (2012), Bowman and co-authors (2016) argued that the logics underpinning many financial literacy programs and policies are contradictory because they aim to improve financial wellbeing and yet do not challenge the drivers of financial distress:

For low-income households financially coping week to week, perhaps on inadequate welfare payments or a volatile income, a saving habit and debt avoidance may be beyond what is possible. As Arthur (2012) observes, the concept and application of financial literacy may help us break ‘the shackles of ignorance’ but it risks leaving ‘more substantive chains in place’ (p. 2).

Recognition of the drivers of economic insecurity does not discount the importance of information, knowledge and skills; but alone they are insufficient.

We use the term financial literacies rather than literacy in recognition of the diverse forms of knowledge and skills that are required to successfully navigate an increasingly financialised and marketised environment. For example, specific knowledge and skills are required to understand and interact with the aged care, child care or disability support systems. Similarly, specific knowledge and skills are required in relation to retirement, establishing a small business or choosing a telecommunications or energy supplier. An increasing number of intermediaries have been established to assist people to navigate these systems, but accessing these also requires some level of awareness and information. And the responsibility for decisions made remains with the individual.

Financial counselling

Insecure work and unaffordable housing, unfair contracts and predatory lenders can all contribute to financial insecurity and stress. When things go wrong, for example if people find they have unmanageable debt, they may seek financial counselling. This refers to information, advice and advocacy provided for people in financial difficulty.

It is important to note that the term ‘financial counselling’ is restricted under the *National Consumer Credit Protection Act 2009*. Accordingly ‘only financial counselling agencies who meet the exemption from an Australian Credit Licence can use the restricted terms’ and only suitably qualified and accredited persons can act as financial counsellors (FCA 2020).

Underpinned by the principle of social justice, financial counselling bridges individual support and advocacy for systemic change. For example, financial counselling associations advocate for regulatory change in relation to hardship provisions, informed by members’ insights from counselling people experiencing financial distress (FCA 2020).

Financial advocacy

Recognising the drivers of economic insecurity and financial distress means that advocacy is required to address systemic and structural barriers. For example, reform is required in:

- financial systems, relating to lending practices
- the labour market, ensuring decent work on fair and reasonable terms
- broader social policy contexts, such as social security
- equitable social infrastructure—such as affordable health care, education, transport, housing—that provides the enabling conditions for financial wellbeing.

2. Individual support and systemic change

Each dimension of our financial wellbeing framework is related to the others. An understanding of financial logics informs the development of relevant literacies, both of which relate to responsive financial counselling and effective policy advocacy to inform positive change to build financial wellbeing and economic security for all.

The four elements of the framework focus to varying degrees on individuals or structural and systemic issues. Financial logics and literacies focus more on individual

perspectives and needs, while financial counselling bridges the individual and systemic and informs advocacy. In this way, the framework reveals the importance of context and how structures of inequality and systemic barriers can constrain people’s choices and undermine efforts to achieve financial wellbeing.

This framework is nested in a broader framework, developed by Bowman and van Kooy (2016) that articulates the dimensions of inclusive work and economic security (see Figure 2).

Figure 2

Inclusive work and economic security framework



3. Applying the framework

Economic dignity requires meaningful control and respect in our financial lives. We propose the following ways in which the financial wellbeing framework should inform policy and practice approaches:

- respecting the agency and ability of people to make choices that are best for them
- supporting people to make their own decisions, rather than telling them what to do
- seeking to understand and respect the logics that frame people's financial decisions
- working with people to enable and empower them, as embodied in the phrase 'nothing about us without us'
- educating people in the financial literacies they need to feel confident that they understand the financial decisions that they make
- challenging unfair practices and policies that contribute to financial hardship
- working to change unfair systems and structures that constrain real choice.

This financial wellbeing framework forms part of BSL's broader strategy to achieve economic security for all. It can be used to help develop programs that directly address financial hardship among those experiencing disadvantage, and to inform government and institutional policies that create the conditions for the financial wellbeing of all Australians.

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