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BEHAVIOURAL  
ARCHITECTS



# Financial wellness

in the Australian workplace









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At AMP, we want to help all Australians to own their tomorrow. Our financial wellness report is an important tool that underpins how we communicate with and support both you and your employees in the workplace.

# The evolution of our research

More and more employers are recognising the importance of supporting their employees' financial wellness and the cost financial stress has on their business's bottom line.

In 2014, we conducted some of the first research into financial wellness in the Australian workplace. Our research revealed that financially stressed employees are less engaged, spend more time at work dealing with personal financial issues, and are more likely to leave<sup>3</sup>.

Our 2016 research focused on identifying the triggers of financial stress and how we can help increase financial confidence. Based on this, AMP has developed workplace education programs and campaigns to support employees' financial wellness.

This year, our research has built upon the existing findings to understand what role employers can play to support employees in preventing financial stress, as well as how to help employees recover from it.

Our study has shown that employers have a key role to play. Having a financial wellness program in place that complements a broader employee wellness proposition benefits not only the employees themselves, but the business as a whole.



2014

How financial wellness affects employees



2016

Key triggers of financial stress



2018

Prevention and recovery

## How our research was conducted

The Behavioural Architects is a global insight, research and strategy consultancy, specialising in applying behavioural science to understand business, customer and marketing challenges. The Behavioural Architects were engaged to conduct this research exclusively for AMP. The results were gathered in July 2018 from online interviews completed by over 2,000 Australian employees. To ensure that the data was reflective of employed Australians, the data was post-weighted based on data from the Australian Bureau of Statistics.

By studying the employed population, rather than a general cross section of Australia, our financial wellness research sets itself apart from other studies in the market. This research is then used to develop education programs and campaigns tailored for your employees.

<sup>3</sup> 'Financial Wellness in the Australian Workplace', TNS 2014, page 11.

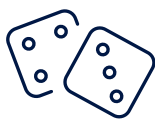
# What is financial wellness?

Financial wellness refers to the mindset formed from the way a person evaluates their finances and how it makes them feel. This mindset falls along the financial wellness index, a continuum that measures a person's satisfaction with their current and future financial situation, as well as the level of anxiety and guilt they currently associate with their finances.

The continuum includes both positive and negative psychological states. Individuals at the positive end of the index feel they can meet their needs within the boundaries of their income, whereas those at the negative end of the index feel they don't have sufficient funds to do so or to maintain a future standard of living.



Distinguishing between these financial stress levels may seem simple. Yet when you look closer, there's more to these mindsets. Financial wellness is underpinned by some key behavioural economic principles including availability heuristic, cognitive ease and the halo effect.



## Availability heuristic

We often judge the likelihood of an event, or frequency of its occurrence by what is salient to us and the ease with which examples and instances come to mind.



## Cognitive ease

The natural desire a person has to make decisions and judgements using 'System 1' thinking.



## Halo effect

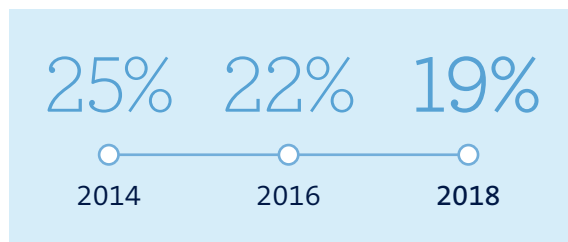
The tendency for a person's positive or negative traits to 'spill over' from one area of their personality to another in others' perceptions of them.

Consideration of behavioural economics principles is critical to understanding the extent of financial stress among Australian employees. This enables us to identify how financial stress is perceived and internalised, and how we can design and think about the ways we communicate with employees who are dealing with financial stress to support their recovery. It also provides us with a greater understanding of financial stress, revealing key triggers and implications for employees and employers.

# Financial stress continues to be a national problem

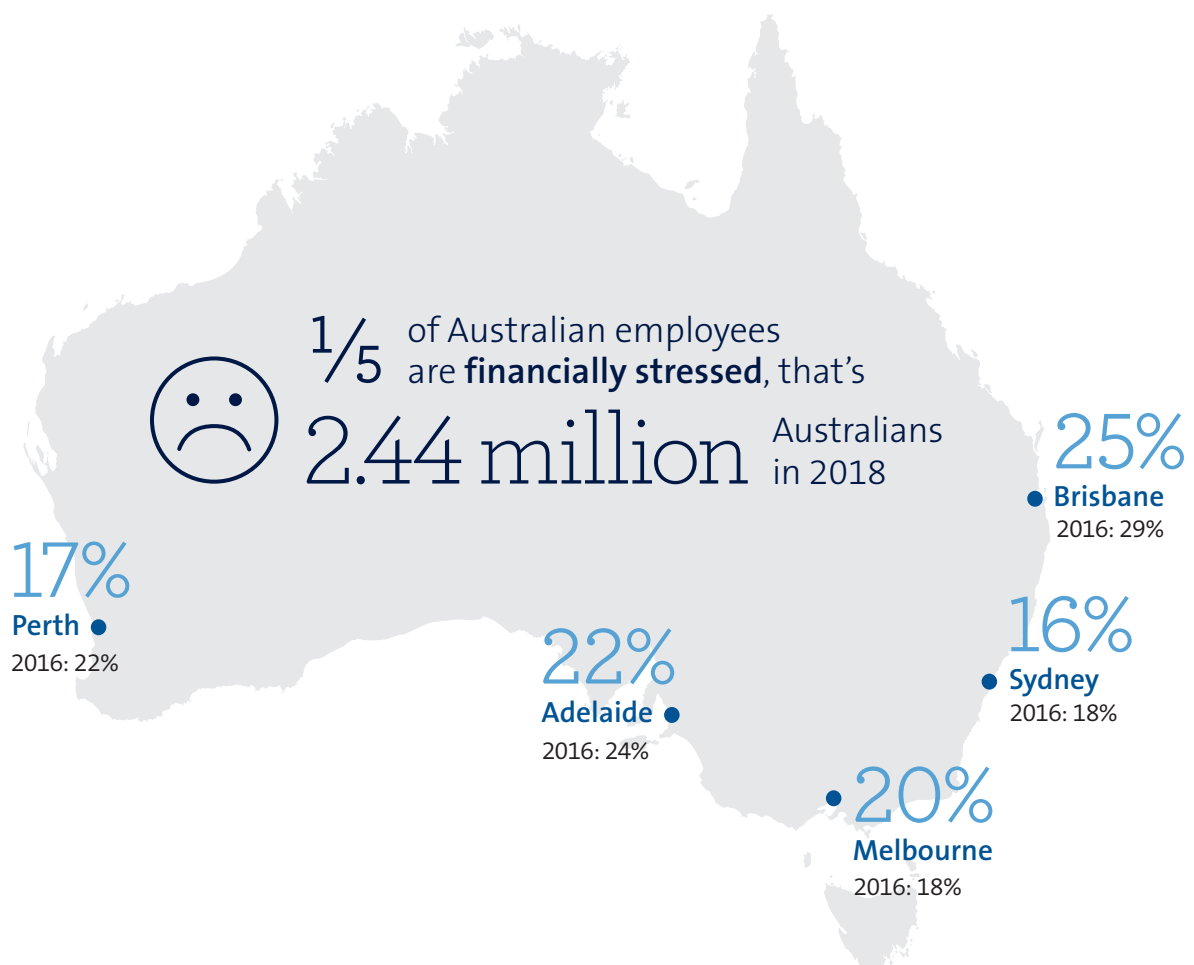
Although financial stress has been decreasing year-on-year nationally<sup>4</sup>, 2.44 million Australians still identified as being moderately or severely financially stressed in 2018.

## National findings



Our research found that 19% of Australian employees were financially stressed. This has decreased from 22% in 2016.

The biggest improvements in this study were seen in Perth and Brisbane where financial stress dropped 5% and 4% respectively.

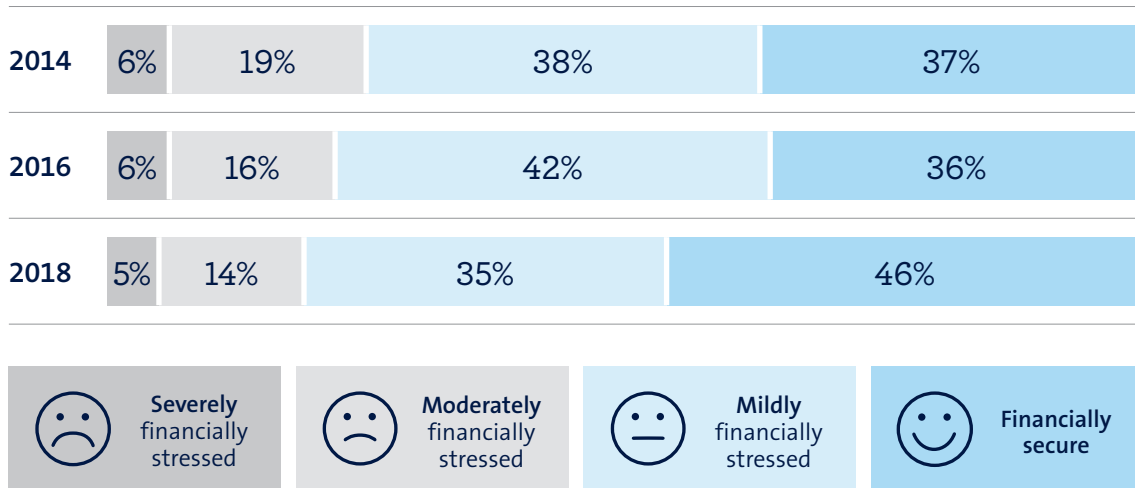


<sup>4</sup> National averages have been taken from a sample study of over 2,000 employed Australians across the five largest capital cities.

# Financial stress still exists

Our 2018 research reveals that although levels of financial stress in Australia are declining, more work still needs to be done.

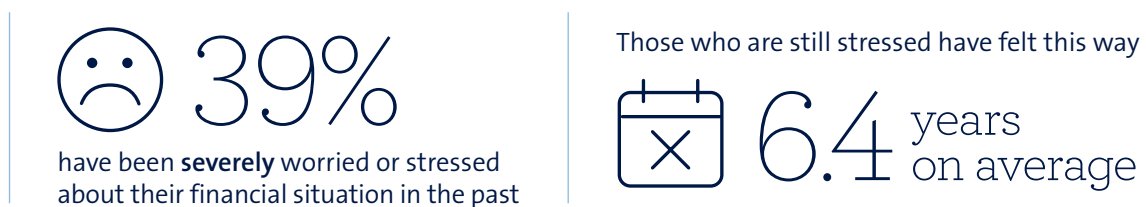
## Financial Wellness Index



Compared to our 2014 research findings, Australians now have greater disposable income and are spending more. Our research found participants felt more confident in dealing with financial matters and with their own levels of financial understanding. In line with these factors, financial wellness has also been improving with 46% of working Australians reporting they feel financially secure, up from 36% in 2016.

However, 2.44 million working Australians still feel financially stressed. This is spread across all industries, income levels and roles, and equates to one in five Australian employees currently feeling severely or moderately financially stressed.

Two in five Australian workers will suffer from financial stress over the course of their lifetime, and it's a condition that can last for years. On average, financially stressed employees have felt like this for 6.4 years, which can have long-term productivity implications for your workforce.



Compared to two years ago, fewer people are engaging in negative financial behaviours, such as making late repayments on bills and credit cards, which contribute to financial stress. This is a good start, but we are also seeing a decline in positive financial behaviours, such as making additional repayments on their mortgage or putting aside savings for a rainy day.

Many employees are also looking towards their employers for educational support relating to superannuation and personal finances.



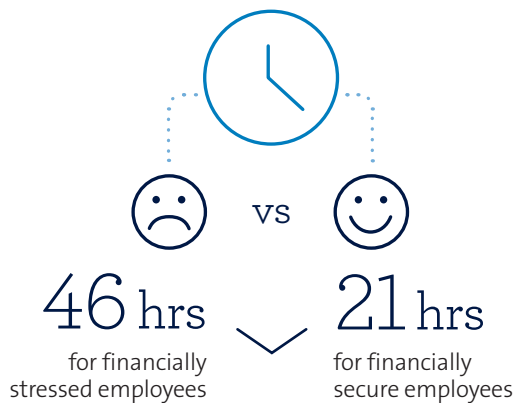
# How employers are impacted

Our research has found that financial stress costs Australian employers \$31.1 billion annually. This has decreased substantially from \$40.4 billion in 2016<sup>5</sup>.

This decrease is attributed to a number of factors. Our latest research found fewer reported incidents of financial stress, and a reduction in the number of hours of lost productivity and absenteeism among employees who identified as financially stressed.

However, there continues to be a significant gap in workplace productivity between employees who are financially stressed and those who are financially secure.

## Time spent dealing with finances at work:



## Leave from work due to illness:



That's a difference of **3.2** days per year

That's an extra **2.4** sick days per year

Financially stressed employees spend 46 hours per year dealing with personal financial issues at work, compared to only 21 hours spent by financially secure employees. That's a saving of 3.2 days per employee, per year.

<sup>5</sup> In 2018, a new Financial Wellness Index was developed to enable AMP to add granularity and better quantify levels of financial wellness. As such, the 2016 figures have been adjusted to align with this new definition.

# The impact to industries

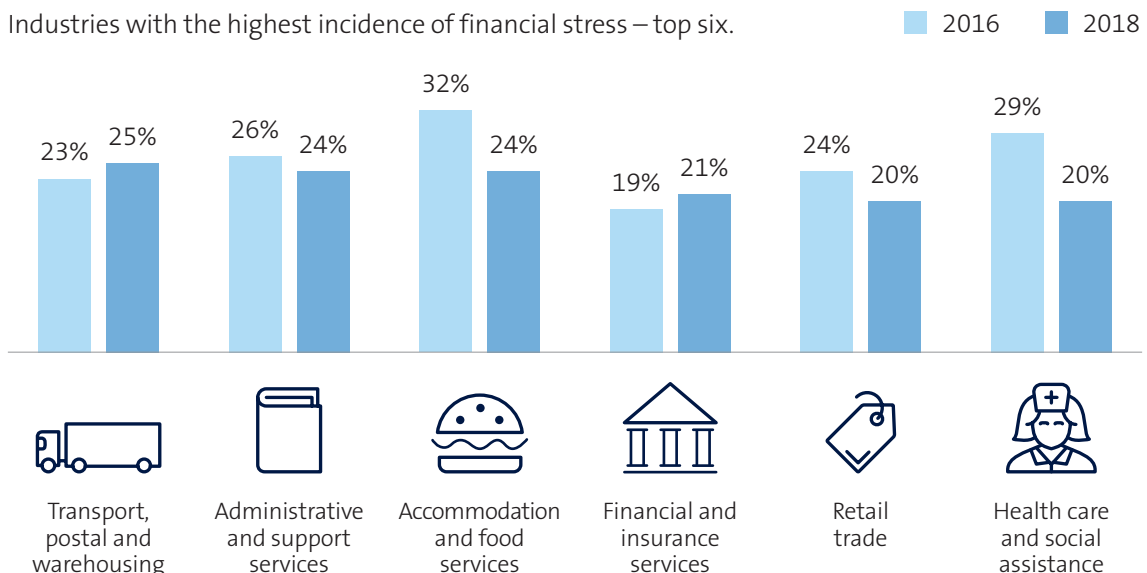
Financial stress is impacting Australian employees on a national level and is more prevalent in certain industries. Employees who are financially stressed are less satisfied with their lives, less communicative with their employers, and ultimately are more likely to underperform or be able to bring their best selves to work. This lost productivity can also be felt across their workplaces as financially stressed employees take, on average, three more days of sick leave annually than their unstressed counterparts and are more likely to be disengaged and less productive.



\$41.72 average Australian hourly rate (gross) = \$31.1 billion per year in lost revenue

## Incidence of financial stress varies across industries

Industries with the highest incidence of financial stress – top six.



The incidence of financial stress among those in the health care and social assistance industry has declined significantly since 2016. This correlates with significant growth in this industry over the same timeframe, which has seen a lot of new jobs and roles become available.

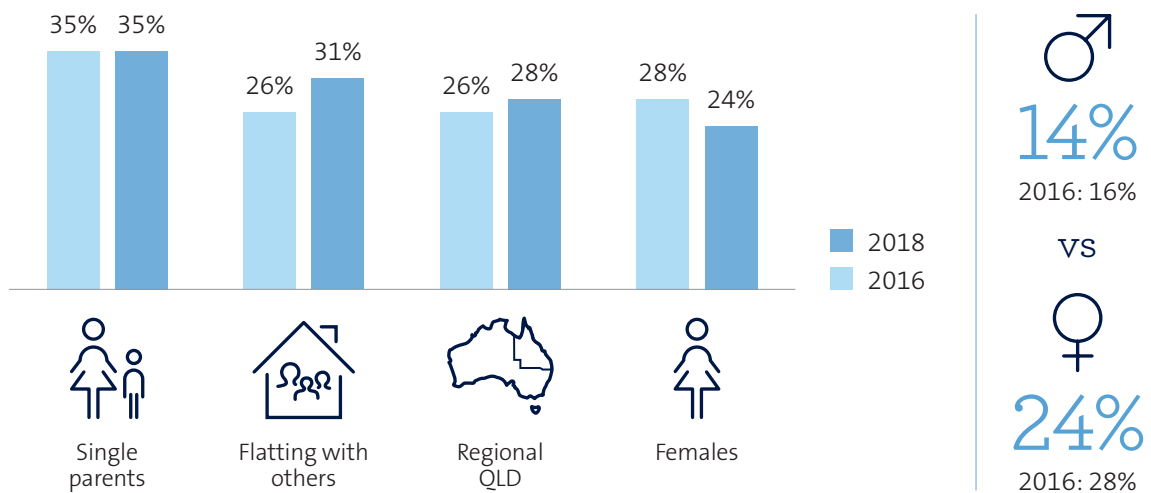
# Who's most at risk?

While no group or demographic is immune from financial stress, single parent families getting by on one income while juggling childcare and work responsibilities continue to be most at risk, with one in three suffering from financial stress<sup>6</sup>.

This is followed by those flatting with others, often younger people who are just starting out and trying to conserve costs, and those living in regional Queensland, which has felt the brunt of both the drought and subsequent pressures in the agriculture industry.

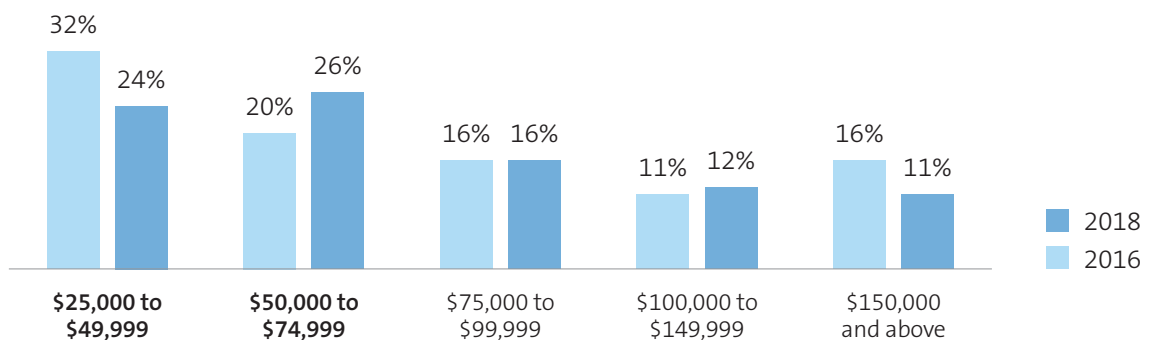
Financial stress in women declined by 4 percentage points since 2016, however this group still has a higher risk of experiencing financial stress than men. As a result of the income gap, many women earn less than their male counterparts, and women returning to work after a career break are more likely to job share and work part-time. This can mean that workplace conditions are often less flexible for women, who are often also the primary caregiver.

## Demographics with the highest incidence of financial stress



## Financial stress by personal income levels

Income is generally a strong indicator of financial stress, with lower income earners reporting they are more likely to feel financially stressed and require greater support than those in higher income brackets. No group, however, is immune from financial stress.



Employees in the \$50,000–\$74,999 income bracket recorded the highest increase in financial stress levels over the past two years with 26% of this cohort now identifying as financially stressed and requiring greater financial support and advice.






However, employees in the \$25,000–\$49,999 income bracket reported a decrease in financial stress, down from 32% in 2016 to 24% in 2018.

<sup>6</sup> Financial stress is defined as those who are severely or moderately financially stressed on the Financial Wellness Index.

# Workplace conditions can affect financial wellbeing

Staff who job share, work outside their contracted hours, hot desk and are on short-term contracts have identified as experiencing higher levels of financial stress than their peers.

## Key drivers of financial stress in the workplace

	Workplace satisfaction	Psychological wellbeing	Employee engagement	Employee performance	Financial wellbeing
 Work more than their contracted hours	—	×	—	✓	—
 Check emails outside working hours	—	—	✓	—	—
 Hot desking	—	×	—	—	×
 Job share	—	×	—	—	×
 Short-term contract	—	×	—	—	×

Linear Regression Modelling:

- ✓ Significant to .05 and a **positive** driver of each construct.
- ×
- Neutral or no correlation for each construct.

Our report also shows that weekly pay cycles are associated with a greater level of financial stress because they increase the ‘mental availability’ of finances and can act as a constant reminder of the state of an employee’s finances.


Behavioural economics has demonstrated that when people have scarce finances (just before pay day) they are less likely to think long term and prepare for the future.


Instead, monthly pay cycles are associated with the highest levels of wellbeing, but fortnightly cycles have the benefit of allowing people to make more frequent payments on debt (such as home loans) and pay less interest in the long run.


# How employers can help


Employers have a role to play in preventing financial stress and supporting their employees' recovery from it. Our research has shown that employees who identify as having greater levels of financial wellness tend to work for businesses that offer support and advice to employees who are struggling financially. These companies are also more likely to promote work-life balance.

To assist employees in dealing with financial stress, employers can:

- 

Encourage flexible working hours and working from home – to improve employee performance, engagement, and financial wellness.
- 



Prompt employees twice a year to check on the state of their finances.
- 

Target those who are job sharing or on a short-term contract, with financial support initiatives.
- 

Encourage employees to set up direct debits for recurring day-to-day bill payments – which reduces the overall time they spend thinking about their finances each month.

## Workplace factors impacting employee wellness and perception

	Workplace satisfaction	Psychological wellbeing	Employee engagement	Employee performance	Financial wellbeing
 Ability to work from home when needed	✓	–	✓	–	✓
 Ability to work flexible hours	–	✓	✓	✓	–
 Compressed work week (four days instead of five)	✓	–	–	–	–

Linear Regression Modelling:  Significant to .05 and a positive driver of each construct.  
 Neutral or no correlation for each construct.

Flexible working hours and conditions can impact more than an employee's financial wellness. These can also affect general workplace satisfaction, employee engagement and performance and their psychological wellbeing.

# Recovery from financial stress

There is a way out. Our most recent research identified that those who had been financially stressed in the past were able to recover through changes to their own behaviour and mindsets, and with the help and support of their employers.

The majority of those who experience financial stress do recover, within a couple of years.

 59%

of those who have ever been financially stressed have since recovered



2.0 average years

taken to recover from financial stress

## How can we help employees recover from financial stress?



Help employees plan for rainy days and unexpected expenses in the future, as this is the biggest cause of current financial stress.



Encourage employees to focus on specific financial behaviours such as:

1. Reducing discretionary spend
2. Creating a budget
3. Committing to clear goals
4. Putting away savings
5. Paying off a credit card.



Communicate that it's OK to ask for help, and work to reduce stigma around financial stress. This will be especially helpful for those who are severely stressed about their situation.



Those who tackle the problem head-on recover quicker, and to a greater degree. Encourage employees to adopt a holistic plan and commit to taking action immediately, rather than making slow, gradual changes over time.

Employees who tackled their financial situation head-on and in one hit, rather than gradually over time, were also shown to recover quicker, and to a greater degree.

Current financial stress is centred around concerns for the future and unexpected expenses, rather than having enough money day-to-day.

An emergency fund of between \$4,000–\$5,000 was found to be enough of a cushion to help most employees deal with unexpected expenses, so establishing a short-term savings goal should be a key consideration for all employees.

# How AMP can help

Two in five Australians experience financial stress across their lifetime, creating an ongoing problem for employers as well as the employees it affects.

Our research underpins our belief that supporting employees is the key to strengthening their confidence in managing their finances, as well as providing ways to help them to prevent and recover from financial stress in the workplace.

We are able to help tailor a Financial Wellness Program that integrates into your broader wellness approach, supporting your strategic HR agenda.

We do this through a holistic approach to financial wellness that includes:

## Building confidence through multi-channel education

We offer support that responds to your employees' needs, which can be accessed when and how they want it.

Our financial wellness resources are accessible online through self-paced education modules, remotely via our webinars, in person via face-to-face seminars, and through engagement with our workplace managers.

By providing a multi-channel approach to education we can assist your employees in increasing their financial literacy in the way that suits them, providing proactive and tangible support.

## Helping at life's key moments

Our financial wellness tool uses our research to make assumptions about how many employees in a business like yours might be experiencing financial stress. This tool uses information about the gender, age, location, employment type, income and industry of your workforce, to identify the particular areas of concern your employees may have and the corresponding education topics available from our Financial Wellness Program.

For further information about AMP's Financial Wellness Program, please contact your AMP representative.

Through conducting the research and by understanding your business challenges, we are able to add insight to your employees' financial wellbeing with relevant support when they need it.

The AMP Financial Wellness Report has been prepared by AMP Life Limited ABN 84 079 300 379 (AMP Life). The report is based on research that was conducted exclusively for AMP by The Behavioural Architects (TBA). Results were obtained in July 2018 and data was post-weighted based on ABS statistics: gender, age, location, employment type and industry. This report cannot be distributed, reproduced, copied or published in any way without the express and written consent of AMP Life. Please consider your own circumstances, and when making a decision about any financial product you should consider the relevant Product Disclosure Statement available from AMP at [amp.com.au](http://amp.com.au) or by calling 131 267, before deciding what's right for you. AMP Life is part of the AMP group and can be contacted on 131 267 or [askamp@amp.com.au](mailto:askamp@amp.com.au). If you decide to purchase or vary a financial product, AMP Life and/or other companies within the AMP group will receive fees and other benefits, which will be a dollar amount or a percentage of either the premium you pay or the value of your investments. You can ask us for more details.