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Financial Wellbeing and Capability Policy Team
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Submission to Future Directions of the Financial Wellbeing and Capability Activity

The Federation of Ethnic Communities' Councils of Australia (FECCA) is the national peak body representing Australia's culturally and linguistically diverse (CALD) communities and their organisations. FECCA provides advocacy, develops policy and promotes issues on behalf of its constituency to Government and the broader community. FECCA supports multiculturalism, community harmony, social justice and the rejection of all forms of discrimination and racism so as to build a productive and culturally rich Australian society. FECCA's policies are developed around the concepts of empowerment and inclusion and are formulated with the common good of all Australians in mind.

FECCA welcomes the opportunity to make a submission to the Financial Wellbeing and Capability Activity

FECCA highlights that many people from CALD backgrounds are employed in insecure work conditions that are often low paid and isolating. Across the literature in this area, and in FECCA's own research and experience, ethnic minorities who originate from non-English speaking backgrounds often have reduced employment opportunities and generally poorer employment outcomes in comparison to native English-speaking or Australian-born jobseekers. Because of this disparity, CALD workers are also more vulnerable to economic upheavals such as financial crises and ongoing financial instability.

FECCA further highlights that some groups, in particular, experience more acute disadvantage when attempting to attain and retain permanent employment. These groups include refugee and humanitarian entrants who, particularly during the initial years of settlement are especially vulnerable to insecure employment conditions. Women from CALD backgrounds are also overrepresented in insecure employment fields which include industries such as manufacturing, accommodation, food services, cleaning and labouring.

FECCA also notes that negotiating Australia's complex matrix of financial arrangements can be a confronting process. Taxation provisions, superannuation systems, welfare and income support structures, lending and credit practices and combinations of each of these areas can present significant obstacles for CALD persons. People from CALD backgrounds may experience the intersecting vulnerabilities of gaps in English literacy, financial literacy and, as government services are increasingly offered digitally-by-default, digital literacy. This, combined with the insecurity of employment referred to above, creates situations whereby overlapping financial stressors can become unmanageable.

It is on the basis of the above factors that FECCA makes the following submissions.

According to the discussion paper-

- ***Emergency Relief (ER) and Commonwealth Financial Counselling (CFC) services would be restricted to those at imminent risk of not being able to pay their debts***

FECCA submits that financial well-being and capability services, particularly those of an advisory nature, should be structured with prevention as a foundation principle. As noted above, the complexity of managing insecure employment with competing financial demands means that people from CALD backgrounds may experience uncertainty with regards to the most appropriate means of negotiating economic challenges.

One concern is the ability to effectively negotiate situations in which debt becomes an issue. This is particularly prescient in the context of predatory practices amongst short-term lenders. The extent of this issue was revealed by the Australian Securities and Investment Commission¹ and the Federal Court of Australia.² In many cases the consumers of these services will be attempting to prevent a situation where they are at 'imminent risk of not being able to pay their debts'. Incurring further debts, often unnecessarily, as a means of paying for essential services such as gas and electricity can be due to an absence of understanding about hardship provisions offered by the service provider. The ability to obtain counselling and advice regarding options is vital to preventing debt from compounding. The discussion paper notes that FWC services are increasingly focused on intervening early to minimise the long term impact of a financial crisis when it occurs, or even preventing the crisis altogether in individuals who may be vulnerable to financial stress. This principle ought to be applied to CFC services.

Persons in scenarios like that described above would not likely meet the 'imminent risk' criterion, but by the time such criterion was met, the scope for offering any real assistance would have significantly narrowed. FECCA reiterates that a preventative approach is the most effective means for ensuring financial counselling services assist consumers with managing challenges before they become insurmountable. Further, if persons are seeking assistance in the form of emergency relief (ER) it will often be in a situation where payment for essential services has been prioritised creating a gap which in some cases can only be filled by the assistance ER providers offer, such as food and petrol vouchers. Assistance in the form of food or fuel means that struggling families do not have to choose between paying a gas bill and providing meals or transport to work. They may not be facing impending default, but ER services may be the only means of preventing such defaults from occurring. FECCA urges against restricting assistance to those already in crisis.

- ***As a complement to the income support safety net, Financial Capability would be restricted towards:***
 - people in receipt of an Australian Government social welfare allowance pension or benefit,***
 - people experiencing domestic and family violence, and***
 - immigrants/non-citizens***

¹ Media Release, ASIC "Payday lender Nimble to refund \$1.5 million following ASIC probe" Wednesday 23 March 2016 <http://asic.gov.au/about-asic/media-centre/find-a-media-release/2016-releases/16-089mr-payday-lender-nimble-to-refund-15-million-following-asic-probe/>

² ASIC v The Cash Store (in liquidation) [2014] FCA 926.

FECCA commends the Financial Wellbeing and Capability Policy Team for recognising the unique position of immigrant/non-citizens in extending to that class of persons the Financial Capability assistance package. FECCA would request further clarification about how 'immigrant' is to be defined. FECCA cautions that cultural and financial capability does not automatically follow citizenship and that cultural issues can persist beyond.

- ***FWC providers would be contractually required to establish formal relationships and referral pathways with other FWC providers and other relevant services including Family Relationship services, jobactive/job network providers and/or other appropriate services in their funded areas.***

FECCA supports attempts to increase the holistic approach to responding to the intersectionality of vulnerabilities responsible for financial hardship. FECCA is, however, concerned that in an effort to streamline service provision niche providers with ethno-culturally specific knowledge will be subsumed into, or diluted by, a more generalised network of delivery. Cultural awareness is a vital resource in addressing issues that uniquely affect CALD persons and their communities. Maintaining that enduring resource ought be prioritised above short-term savings measures.

- ***Clients who present on multiple occasions (for Emergency Relief assistance) within a certain timeframe would be required to demonstrate that they have taken reasonable steps to reduce their costs, increase their income or improve their financial management.***

FECCA cautions against withholding crisis assistance on the basis of demonstrable change. It is the case that many persons will simply find themselves with financial demands they are unable to meet regardless of good budgeting. Requiring a person on low income to increase that income, or decrease their expenditure, will often be unrealistic. Although there will likely be a portion of emergency assistance seekers for whom incentives are an effective means of reducing dependence upon emergency relief, it is the case that many are simply unable to meet life's financial demands.

The discussion paper refers to consumers 'with a range of complex needs including mental health issues, homelessness or housing stress'. For many, incentivising emergency assistance is likely to have the effect of increasing anxiety without any real gain. The flow-on effects of increased financial stress are well documented and can be deeply harmful for families and communities. For a percentage of consumers, cyclical return to emergency relief providers will be an ongoing reality. Many of these will be persons from CALD backgrounds due to the vulnerability factors referred to above. This is despite concerted efforts on behalf of individuals to increase earning capacity through education and consistent engagement with jobactive providers. Further complications may result from ongoing health related complications, the costs associated with child rearing, the inability to progress beyond the lowest paid employment or, in some cases trauma-related disadvantage.

FECCA certainly supports efforts to address longer-term disadvantage factors in conjunction with the provision of emergency relief. However, making Emergency Relief contingent upon a demonstrable increase in earning capacity, a decrease in expenses or enhanced budgeting outcomes is likely to be more punitive than remedial in circumstances that do not allow for movement in those areas.

Strategies to build a strong workforce

The discussion paper notes an increasing demand for services to be provided online. Whilst this is certainly the case, FECCA advises that for many CALD persons, the digital provision

of services renders those services inaccessible. FECCA strongly counsels that online and telephone services must augment, rather than replace, in-person delivery.

The discussion paper further notes that DSS is funding national organisations to deliver co-ordinated training and development in an attempt to meet emerging challenges associated with FWC delivery. FECCA suggests that a portion of that funding be allocated to ethno specific-organisations to ensure the provision of culturally aware training. This will enhance service providers' understanding of culturally unique causes of financial hardship and enable the more efficient delivery of programs.