

Commonwealth Treasury
via email: MeasuringWhatMatters@Treasury.gov.au

26 May 2023

Dear Treasurer

Measuring What Matters - second consultation

Thank you for the opportunity to contribute to the development of the Measuring What Matters Statement and the emerging set of policy themes, draft descriptions and associated indicators.

Ecstra Foundation's submission focuses on the importance of including financial wellbeing measures in the framework. We also include suggested amendments to the proposed descriptions under the emerging policy themes.

About Ecstra Foundation

[Ecstra Foundation](#) (Ecstra) is an independent charitable foundation committed to building the financial wellbeing of Australians within a fair financial system.

Our mission is for more Australians to be confident making money decisions today, and to be planning for the future.

Ecstra is relatively unique in Australia, with a dedicated focus on supporting financial education, capability and wellbeing initiatives. Ecstra has committed \$26 million over four years in grant funding across these domains.

We work with partners in communities, schools and other learning environments to map, design, deliver and measure financial education initiatives that help build individual financial literacy, capability and confidence. We also support consumer organisations in their work to address the many structural barriers to financial inclusion and economic security.

Our national financial education program in primary and secondary schools [Talk Money with Ecstra Foundation](#), helps school students learn about money lessons for life, be confident talking about money and to make informed decisions. Since launching in 2022, Talk Money has engaged 620 schools, delivered over 3,600 workshops with more than 110, 000 student bookings and continues to expand to schools nationally.

We collaborate with government, consumer groups, communities, industry, educators and researchers as part of the [National Financial Capability Strategy](#), led by Federal Treasury.

Ecstra's initial funding was provided through ASIC's Enforceable Undertaking regime (namely community benefit payments), ensuring that consumers are always at the centre of our work.

Wellbeing framework and measurement approach

Ecstra welcomes the Australian Government's commitment to developing a national framework and indicators for measuring wellbeing (the Framework).

Traditional macroeconomic measures do not adequately track Australia's progress and performance on areas such as levels of inequality and inequity, economic and social inclusion or access to positive health outcomes.

Broader measures of progress that go beyond typical macroeconomic measures are needed to help assess and track outcomes across key areas that impact people and communities, including social, health (including financial health) and environmental outcomes.

We support the Government's stated approach that the Framework will continue to be adjusted and refined over time to reflect ongoing community feedback, research and data developments and changing community views and needs¹.

The Framework should not only measure progress but be used to inform budget priorities and policy settings.

Financial literacy and wellbeing in Australia

Financial wellbeing is important for individuals, communities and the wider economy. It impacts many areas of everyday life, and is intrinsically linked to individual overall physical, mental and social health.

Financial wellbeing is being able to talk about money, to make informed decisions about money and feel in control to plan for the future.

Many factors influence financial wellbeing. These include:

- Individual characteristics: financial knowledge, skills, attitudes, psychological traits, health
- External conditions: macro-economic, financial inclusion, social support, public programs, social and cultural norms
- Household factors: income and financial resources, financial situation, social capital, health of household members
- Temporal factors: life stages and events².

A quarter of Australians report that they are just about getting by or finding it difficult to manage financially, and many Australians (particularly young people and women) find dealing with money stressful and overwhelming³.

Despite successive National Strategies and financial literacy being embedded in the Australian school curriculum, financial literacy in Australia is on the decline. The latest Household, Income and Labour Dynamics in Australia survey (HILDA) results show that financial literacy rates across all age groups have fallen, with the largest declines for those aged 15 to 24⁴.

Further, Australia's results in the OECD's Programme for International Student Assessment (PISA) financial literacy assessment of 15 year olds has declined since 2012, with no significant improvement over the last two assessment cycles⁵.

This is a concerning trend, particularly against a backdrop of cost of living pressures, an increasingly complex financial system, disparities in economic equality and the proliferation of scams.

Ecstra's survey on financial education in schools found that many students report low confidence levels in talking about finance and money, and many are not learning about key concepts such as online scams despite being active consumers⁶.

¹ The Australian Government the Treasury (2023) 'Measuring What Matters, Consultation Pack – Second Phase'

² Russel, R., Kufin J. & Marriner, T. (2020) 'Financial Capability Research in Australia', RMIT

³ Commonwealth of Australia (Department of The Treasury) [National Financial Capability Survey 2021](#)

⁴ Wilkins, R et al (2022) The Household, Income and Labour Dynamics in Australia Survey: Selected Findings from Waves 1 to 20. Melbourne Institute: Applied Economic & Social Research, University of Melbourne.

⁵ PISA 2018: Financial Literacy in Australia by Sue Thomson, Lisa De Bortoli, Catherine Underwood and Marina Schmid (Australian Council for Educational Research) under contract with the Commonwealth of Australia as represented by the Australian Securities and Investments Commission.

⁶ Ecstra Foundation (2022), 'Financial Education in schools survey: Key insights' Research conducted by McNair yellowSquares.

The Australian Council for Educational Research notes that providing young people with financial education is essential to help bridge disparities in financial literacy due to differences in students' socioeconomic status, and will potentially reduce differences in their future socioeconomic status⁷.

People experiencing financial issues are twice as likely to experience mental health challenges⁸. There is also a positive relationship between financial wellbeing and mental health, with each having cumulatively positive impacts on the other over time.⁹

Financial wellbeing is also intrinsically linked to physical health, with access to economic resources, care and support being important to maintaining good physical health. Across almost all health measures, Australians living in the lowest socio-economic areas fare worse than those in higher socio-economic areas.¹⁰ Further, poor physical health can be both a cause and consequence of financial and mental health challenges¹¹.

Tracking and understanding financial wellbeing factors as part of a holistic approach is critical to prioritising and improving overall wellbeing outcomes for people and communities.

Emerging policy themes and proposed descriptions

(Q5: how might the descriptions be amended to best reflect priorities?)

We welcome the inclusion of a number of draft descriptions that relate to financial wellbeing, including people being financially secure, affordability of life's essentials, social and economic inclusion/accessibility and access to paid employment.

The proposed descriptions should also specifically include reference to the following priorities:

- **Financial health:** Given the interconnections between mental, physical and financial health outlined above and the significant impact each of these have on overall wellbeing, financial health and wellbeing should be included together with the reference to physical and mental health under the emerging theme of 'Healthy'. Reference to financial wellbeing could also be included in the draft description relating to people being financially secure under the emerging theme of 'Prosperous'¹².
- **Access to affordable and secure housing:** Affordable and secure housing significantly impacts many dimensions of wellbeing (including financial wellbeing) and should be specifically referenced in the Framework descriptions. Explicit reference to housing could be included in the draft description relating to ensuring people can 'afford life's essentials'. Jurisdictions that feature housing as a prominent, headline priority include Ireland, Canada and New Zealand. Indicators should include homelessness and rental and mortgage stress rates, as well as quality and suitability of housing measures (including location, access to local infrastructure and overcrowding).
- **Poverty:** The effects of poverty cut across many dimensions of wellbeing, including significantly impacting health, education, financial wellbeing, social and economic inclusion and access to essential services and goods. Reducing poverty should be explicitly referenced as an objective and measure in the Framework¹³.

⁷ Thomson, Sue. (2020) 'Equity issues in student financial literacy', Teacher, 27 August 2020

⁸ Heartward Strategic on behalf of ASIC and Beyond Blue (2022), 'Money and Mental Health. Social research report – executive summary'

⁹ Ibid.

¹⁰ Australia Institute of Health and Wellbeing (2022), 'Health Across Socioeconomic Groups'

¹¹ Heartward Strategic on behalf of ASIC and Beyond Blue (2022), 'Money and Mental Health. Social research report – executive summary'

¹² For example, New Zealand and Canada's respective wellbeing frameworks include specific reference to financial wellbeing.

¹³ For example, Scotland, Germany, Italy, Wales and Canada feature specific poverty indicators in their respective wellbeing frameworks.

- **Access to justice:** Knowing where to go for help and being able to access information and support (including legal support) is critical to ensuring better outcomes for people across many areas. Access to justice is recognised as crucial for women experiencing family and domestic violence (including economic abuse)¹⁴ and is critical for vulnerable consumers and the growing number of Australians impacted by scams. Access to justice measures are featured in a number of wellbeing frameworks in international jurisdictions¹⁵.
- **Trust in institutions:** 'Trusted institutions' should be included in the description relating to trust in government under the emerging policy theme of 'Cohesive'¹⁶. Given the role non-government institutions play in providing essential goods and services such as banking and utilities and in responding to emerging technologies and risks (for example, cyber security risks and scams), understanding the role that institutions play in community wellbeing and exacerbating or preventing disadvantage is important to improving overall wellbeing.

Some of the above priorities may already be captured by the broad descriptions currently listed under each emerging policy theme and subsequently included through the development of associated indicators. However, given the significant impact each of the above have on individual and community wellbeing, they should be prominently and specifically referenced in the Framework.

Financial wellbeing indicators

(Q6: Are there any indicators and existing data sources that will be critical to inform the emerging policy themes?)

Financial wellbeing indicators in other jurisdictions

Countries that have introduced wellbeing frameworks and reporting structures with specific financial wellbeing indicators include New Zealand, Italy, Ireland and Canada. These indicators are featured in addition to traditional measures relating to financial wellbeing including income distribution, employment and household income, debt and net wealth.

Financial wellbeing indicators in the Australian context

In Australia, there are a number of existing frameworks and measures that can be drawn on to identify and incorporate indicators that are appropriate to the Australian context. This includes subjective and objective measures of financial wellbeing.

In 2022, Federal Treasury released a National Financial Capability [Evaluation and Monitoring Framework](#) to support the National Financial Capability Strategy. The framework aims to ensure a consistent approach to measuring, understanding and tracking the outcomes of financial capability initiatives. The results of the first [National Financial Capability Survey](#) were also released at this time. The survey tracks progress and changes in financial capability over time across the general population¹⁷.

Consistent with the approach flagged in the 2022-23 Budget Statement 4: Measuring What Matters and consultation paper for existing frameworks, key indicators contained in the

¹⁴ Commonwealth of Australia (Department of Social Services) (2022), 'National Plan to End Violence against Women and Children 2022-2032'

¹⁵ For example, Scotland, Wales, and Canada each include access to justice (or similar) indicators in their respective wellbeing frameworks.

¹⁶ For example, the Australian Capital Territory (ACT) and Canada both feature 'trust' or 'confidence in' institutions indicators in their wellbeing frameworks.

¹⁷ For survey results see: www.financialcapability.gov.au/strategy/dashboards

National Financial Capability Evaluation and Survey could be incorporated into the Framework.

The HILDA survey of over 17,000 Australians can also be drawn upon, with longitudinal data collected on issues affecting Australian households including financial wellbeing and financial literacy.

The table below outlines specific financial wellbeing indicators we recommend be included in the Framework. These are in addition to indicators relating to employment, income equality and household net wealth and debt which should also be included (including measures that examine equitable distribution of wealth and income and access to secure and satisfying employment).

As outlined above, a range of factors influence financial wellbeing. These cut across many wellbeing domains including health, housing, gender equality, social inclusion and access to services, employment and support. The Framework should acknowledge and take into account the intersection of these elements. Analysis of measures should include consideration of how these interrelationships drive changes in financial wellbeing and overall wellbeing outcomes for people and communities.

Financial wellbeing indicators

Relevant Emerging Policy Theme and Draft Description	Proposed indicator	Data source / framework
<p>Prosperous: People are financially secure</p> <p>Healthy: Add new description: A society in which people are in good financial health</p>	<p>Proportion of people who report they are managing well financially¹⁸</p> <p><i>How well are you managing financially?</i></p> <p>5 point scale: <i>Living comfortably</i> <i>Doing Alright</i> <i>Just about getting by</i> <i>Finding it quite difficult</i> <i>Finding it very difficult</i></p>	National Financial Capability Survey
<p>Prosperous: People are financially secure</p> <p>Inclusive: A society that allows people to afford life's essentials</p>	<p>Proportion of adults that in the last month, have struggled to pay a bill or have borrowed money to pay for a bill¹⁹</p>	National Financial Capability Survey
<p>Prosperous: People are financially secure</p> <p>Inclusive: A society that allows people to afford life's essentials</p>	<p>Proportion of people experiencing two or more indicators of financial stress in the past year: <i>Could not pay electricity, gas or telephone bills on time</i> <i>Could not pay mortgage or rent on time</i> <i>Pawned or sold something</i> <i>Went without meals</i> <i>Was unable to heat home</i> <i>Asked for financial help from friends or family</i> <i>Asked for help from welfare/community organisations</i></p>	HILDA

¹⁸ The ACT Wellbeing Framework includes a financial position indicator (self-rated), the UK's Measures of National Wellbeing measures the proportion of people 'finding it quite or very difficult to manage financially'.

¹⁹ New Zealand, Italy and Ireland's wellbeing frameworks each include measures relating to inability to make ends meet.

Relevant Emerging Policy Theme and Draft Description	Proposed indicator	Data source / framework
<p>Prosperous: People are financially secure</p> <p>Healthy: <i>Add new description:</i> A society in which people are in good financial health</p>	Proportion of people who could cover living expenses for at least three months if they lost their main source of income ²⁰ (i.e. resilience to income shocks)	National Financial Capability Survey
<p>Prosperous: People have access to education, knowledge and training so they have the skills to fully participate in society and the economy throughout their life</p>	Financial literacy rates for school aged students (15 years)	PISA/OECD
<p>Prosperous: People have access to education, knowledge and training so they have the skills to fully participate in society and the economy throughout their life</p>	Financial literacy rates for people aged 15-65+	HILDA
<p>Healthy: <i>Add new description:</i> A society in which people are in good financial health</p>	Proportion of people that report being better off financially than 12 months ago ²¹ <i>Would you say that you are better off, worse off or about the same financially than you were a year ago?</i>	National Financial Capability Survey
<p>Healthy: <i>Add new description:</i> A society in which people are in good financial health</p>	Proportion of people who report feeling in control of their finances	National Financial Capability Monitoring and Evaluation Framework
<p>Healthy: <i>Add new description:</i> A society in which people are in good financial health</p>	Proportion of people who find dealing with money stressful and overwhelming	National Financial Capability Survey

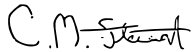
Across all indicators in the Framework, data should be capable of disaggregation including for age, gender, location, socio-economic status, diverse cultural communities, and First Nations communities. This enables analysis of outcomes and influences that have significant and varying impact on different groups, enabling progress to be tracked more effectively overtime. This will assist Government to assess and evaluate policy initiatives that are targeted at specific outcomes under the Framework and identify areas requiring further investment and action.

²⁰ Canada's wellbeing framework includes a similar protection from income shock/unexpected expense indicator.

²¹ Italy's wellbeing framework includes a similar indicator, measuring the proportion of households reporting a worsening economic situation compared to the previous year.

Ecstra welcomes the opportunity to engage with Government and stakeholders as the Framework is finalised. Please contact Stephanie Hui, Head of Policy and Engagement, Ecstra Foundation at stephanie.hui@ecstra.org.au if you have any questions or require further information.

Yours sincerely,

A handwritten signature in black ink, appearing to read "C.M. Stewart".

Caroline Stewart
CEO, Ecstra Foundation