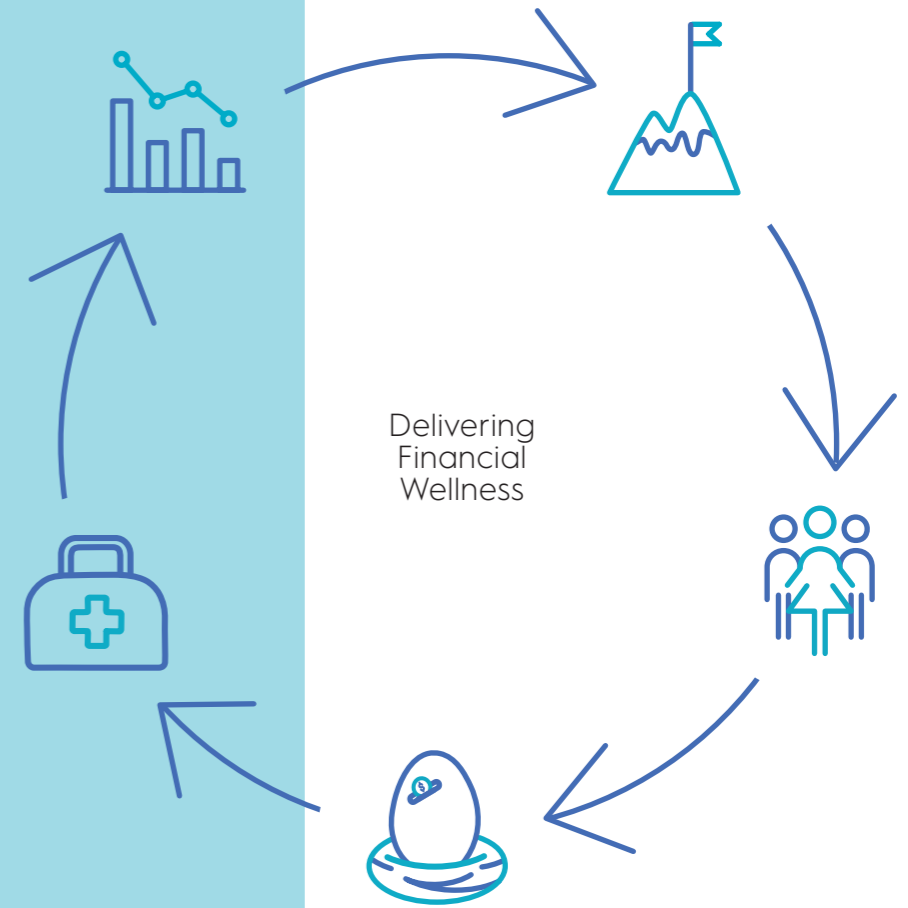




# Financial Wellness

in the Australian Workplace

2020



## Preface

The aim of this report is to provide a unique snapshot of how Australian employees are thinking and feeling about their financial situation in 2020.

It's designed to provide insights into the pressures and challenges many employees face when it comes to managing their sense of financial wellness, and the significant cost this has on Australian businesses and Australia more broadly.

We also offer a range of solutions and practical ideas for support through our Financial Wellness programs.

Unless otherwise indicated, all statistics reported in this paper have been taken from AMP's 2020 *Financial Wellness Report*, which explores the spectrum of employee financial wellness.

The report was based on data collected from 2,131 Australian employees, aged over 18 years old and working full-time, part-time or casually at least three days a week. It included those still employed, but temporarily stood down because of COVID-19. The data was post-weighted based on ABS statistics for gender, age, location, employment type and industry.

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## Introduction

### Financial stress Down Under

AMPs 2020 Financial Wellness Report has identified financial issues as the leading cause of stress among Australians, ahead of family and personal health concerns<sup>1</sup>. Money matters are keeping us awake at night, with 14% of people unable to pay one or more bills on time over the past 12 months, and one in four (23%) fearing that in an emergency, they would not be able to raise \$2,000 in a week<sup>2</sup>.

14%



were unable to pay one or more bills on time over the past 12 months

23%



fear they would not be able to raise \$2,000 in an emergency

Employees are going to work worried and distracted, and they're not performing at the levels at which they're expected and capable of, when they feel confident of their financial position. Sometimes, financial issues drive such high levels of depression and anxiety that employees don't show up to work at all. In extreme cases, consideration should also be given to employees who may be unable to afford transportation to work.

Compounding the worry, many of us have no plans for our retirement, and no idea how much we'll need – or have – when the time comes to say goodbye to the workforce.

Financial stress is real, and it's costing the economy – and employers – billions of dollars every year<sup>3</sup>.

1. All statistics referenced are from AMP (2020): [2020 Financial Wellness Report, The Behavioural Architects](#), unless otherwise specified.

2. Australian Bureau of Statistics (August 2020): [Household impacts of COVID-19 survey](#)

3. AMP (2020): [2020 Financial Wellness Report, The Behavioural Architects](#) (p10)

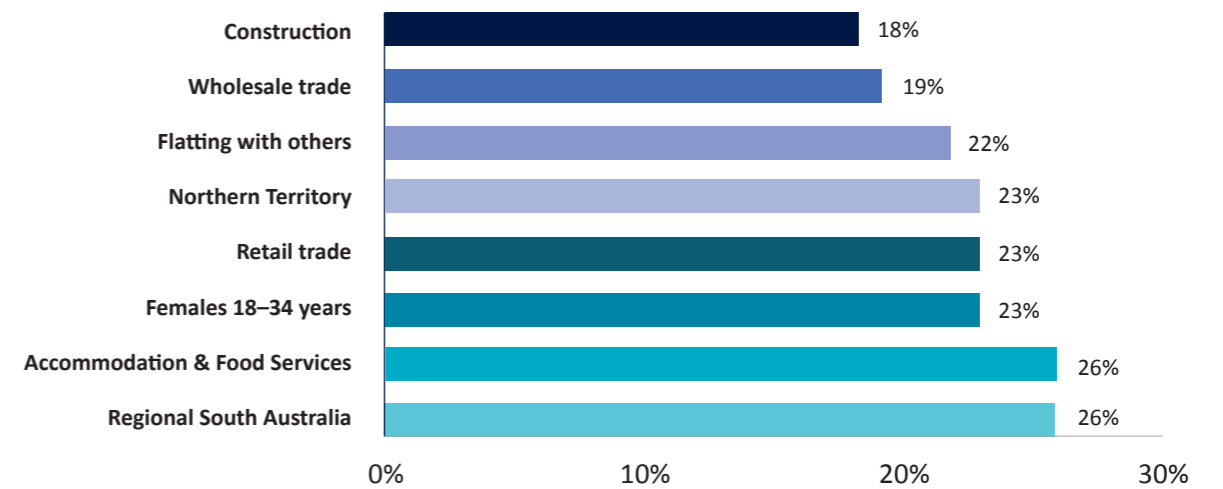






This year's economic events have placed increased financial strain on many employees, with certain demographics feeling the pinch more than others – females, single parents with dependents, workers in tourism, hospitality and retail industries, people in Victoria and the Northern Territory and some regional areas. Those directly impacted, whether by being stood down or having work hours reduced, have quite expectedly seen an acute spike in financial stress this year.

Groups with the highest incidence of financial stress in 2020



But while COVID-19 has left some Australians suffering financially, research suggests those not directly impacted feel happy just to have weathered the storm so far. The shock of COVID-19 has also acted as an impetus for employees to become more aware of their finances and spending habits, with many developing savings plans and goals to ensure they will feel more financially secure in the future. Employees who feel in control of their money are measurably less stressed, happier and more productive as a result, compared with those who feel they are not in control and in the dark.

While more employees today than in previous years claim to have good financial intentions, they often lack the tools, support, information and opportunity to take action.

The answer? Increased accessibility to financial education.

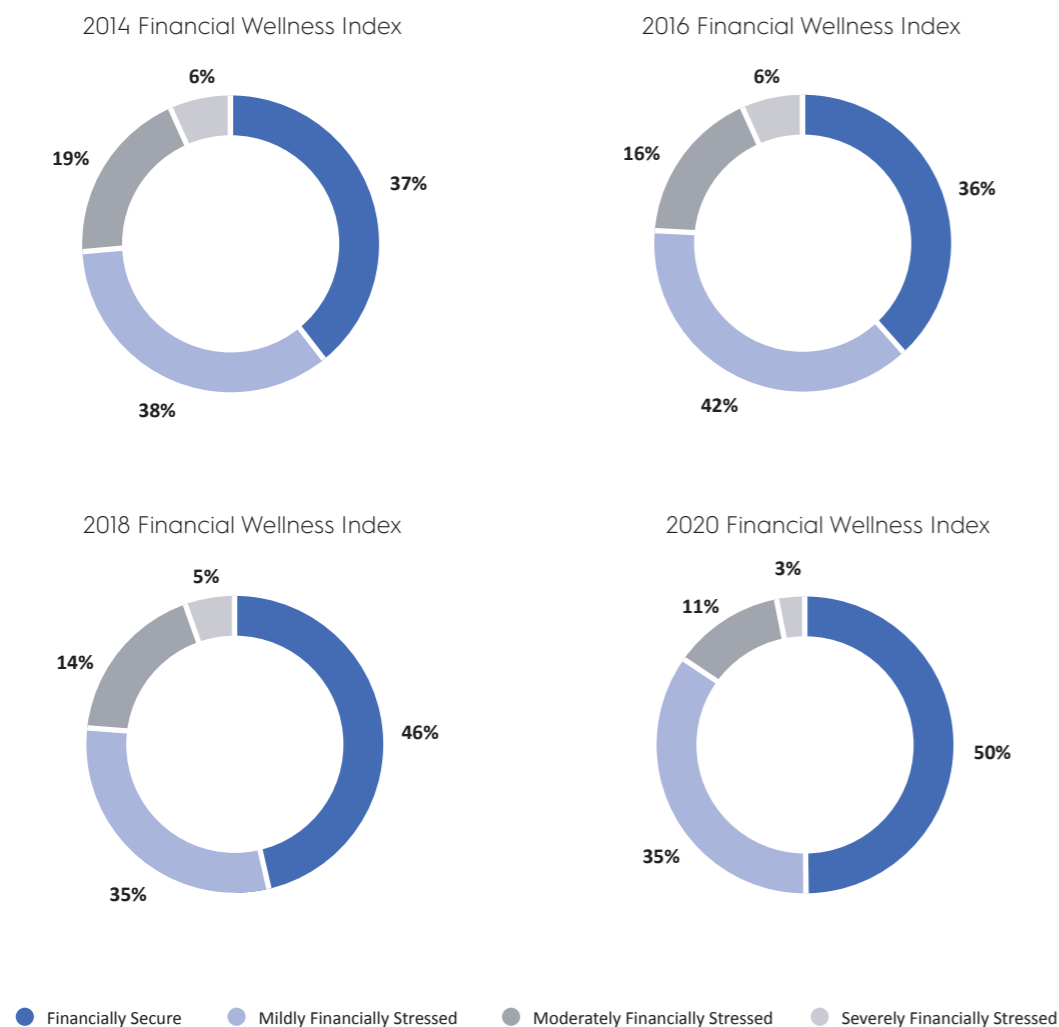
AMP's 2020 Financial Wellness Report demonstrates that employers have tangible opportunities to help reduce financial stress among their employees. They can do this firstly by supporting them on their current journey to develop and implement good financial habits. Additionally, there is an opportunity to attend to employees who haven't been directly impacted by the events of 2020, to help them to capitalise on the positive motivations they are experiencing.

The research suggests that only 10% of employees feel they are being offered this kind of financial assistance and support from their employers. But when available, financial education is one of the most used employee benefits and is an attractive employment perk to prospective employees as well. In fact, employees place an average value of \$1,297 per year on financial education provided by employers.



## The motivation for, and evolution of, our research

When considering 'wellness', employers often focus solely on employees' physical or mental health. While these are important, they are often influenced by more fundamental issues. In fact, employees' perceptions of their own financial security have a statistically greater impact on stress, guilt and anxiety than their own physical health or family issues<sup>4</sup>.



4. Australian Psychological Society (November 2015): [Stress & wellbeing: How Australians are coping with life](#) (p5)



AMP has been a forerunner in researching the impact of financial stress on employees and employers. Back in 2014, we conducted the first of our research studies into the financial wellness of the Australian worker, monitoring individuals and workplaces to uncover the extent of financial stress, how its symptoms manifest, the effect of these on the country's economy, and – importantly – what can be done to improve financial wellness.

Initial results were perhaps unsurprising: financial stress exists in Australia, across all segments, roles and industries, with wide-ranging impacts on psychological wellbeing and employee productivity.

Further research in 2016 identified some of the key triggers for financial stress among Australian workers, including bad debt, the need to save for retirement, and providing for their families.

In 2018, the research recognised the link between financial wellness and our relationships, home life and performance in the workplace. It was clear that employees suffering from financial stress were more likely to exhibit measurably lower levels of engagement and productivity, and suffer from both absenteeism (not showing up at work) and presenteeism (being physically present yet not fully productive at work).

The latest round of research, conducted in June and July 2020, allowed AMP to measure not only how financial wellbeing in the Australian workforce has changed since 2018, but also the unique economic circumstances presented by COVID-19. It also examined how changing attitudes towards financial health provide unprecedented opportunities for employers to assist employees and, in doing so, boost workplace productivity and morale.

### Research focused on Australian employees

While not the only study of financial wellness in the Australian market, AMP's 2020 Financial Wellness Report stands out because its findings are derived from responses provided by employees – including those employed but temporarily stood down because of COVID-19, those with reduced working hours or salaries, and those not directly impacted at all – rather than by the entire Australian population. The findings are therefore targeted toward employers, and provide reason to determine strategies that inform and empower the workforce.

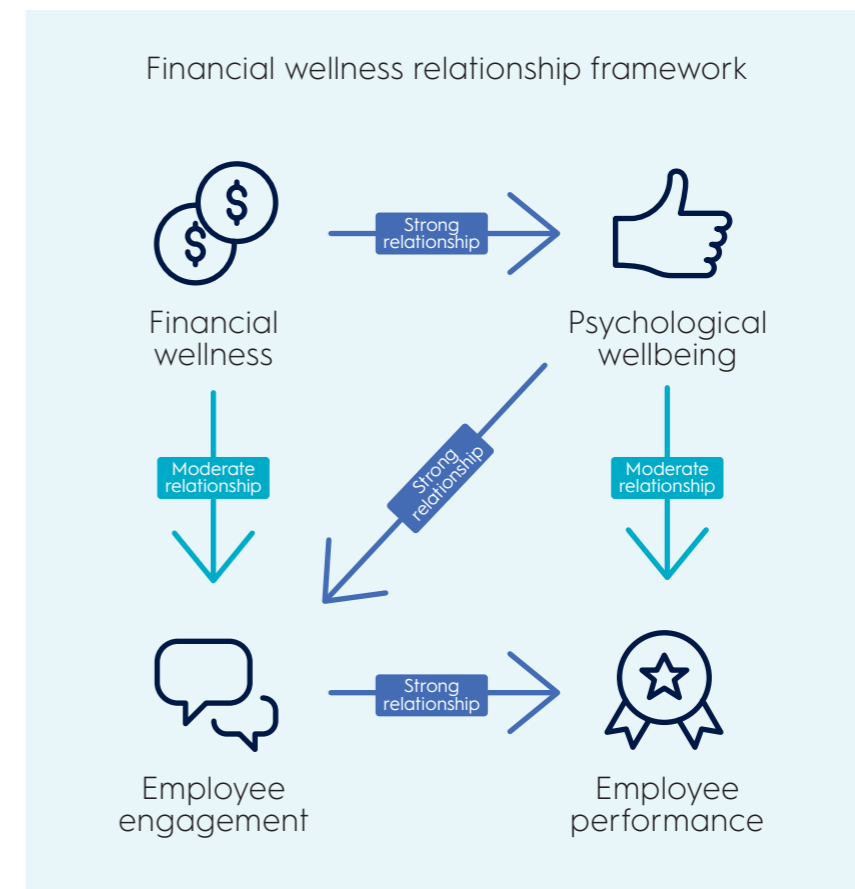




## What are financial wellness and financial stress?

Financial wellness is a uniquely individual mindset: it depends entirely on how an individual evaluates their own situation. These perceptions are shaped by many factors, including how their income compares with that of their peers and social circle within the current economic climate. It also depends on how the individual feels about this evaluation, and their own coping and resilience mechanisms.

Financial wellness is a continuum, with severe financial stress at one end and a strong sense of financial security at the other – in between lie moderate and mild levels of financial stress. Employees who feel financially secure believe they have sufficient funds right now, and enough money to meet mid- and long-term financial goals. Financially secure employees tend to be happy, and don't feel worried or guilty about their financial habits and behaviours.



An employee experiencing severe financial stress believes they don't have enough money to meet immediate needs and feel they don't have sufficient control over their finances to set any long-term goals. This is when worry, anxiety and depression occur with a snowball effect on mental and physical health, as well as relationships and productivity in the workplace.

Importantly, financial wellness is not directly linked to income levels: even those earning \$100,000 per year or more can be financially stressed.

Unless otherwise indicated, all statistics reported in this paper have been taken from AMP's 2020 Financial Wellness Report, which explores the spectrum of employee financial wellness. Here is a snapshot of the five key pillars of its research.



## The impacts of financial stress on businesses and the economy

# 1.0



### A pervasive problem

Research conducted by the Australian Psychological Society in 2015 confirms that financial issues are the top cause of stress among Australians, more so than any other trigger, including family dynamics and personal health<sup>5</sup>. Moreover, more than a third (36%) of the Australian population finds dealing with money, or even thinking about it, 'stressful and overwhelming'<sup>6</sup>.

It's a pervasive stress, as well – it's not something employees experience for an hour or a day, then dismiss. In fact, when an employee becomes financially stressed, they report feeling this way for an average of almost six and a half years<sup>7</sup>.

### Stress-inducing circumstances

In 2020, around one in seven (14.5%) of survey respondents reported moderate or severe levels of financial stress. If the same percentage (14.5%) is applied to the 12.21 million people in the Australian workforce, it equates to 1.78 million employees.

This has become particularly acute for employees whose finances have been negatively impacted by COVID-19. Of this group, around one in four (23%) now report further financial stress as a direct result of the negative impacts of COVID-19 – almost three times the financial stress levels of employees who have so far been spared direct financial impact as a result of the pandemic.

### Stress at all levels

While income and financial stress are correlated – employees with a lower annual income generally report heightened concern around money – stress can occur at any level of wealth. In fact, AMP research shows that one in 10 employees earning \$100,000 or more still experiences financial anxiety. Financial wellness is a mindset, based on an employee's evaluation of their financial situation and their coping mechanisms. Irrespective of their income amount, if they think they should be doing better, and feel out of control when it comes to budgeting and saving, they may feel financial stress.

5. Australian Psychological Society (2015): [Stress & wellbeing: How Australians are coping with life](#) (p5)

6. Australian Securities & Investments Commission (2018): [Australian financial attitudes and behaviour tracker](#) (p5)

7. AMP (2018): [Financial wellness in the Australian workplace](#) (p3)



In some ways, this is good news for employers: the solution is not to 'just pay everyone more'. Helping the workforce to feel more financially informed may actually be more effective and less costly for employers, while also offering a sustainable life skill for employees.

### So how does this impact the Australian workforce?

AMP's 2020 research finds that at least mild financial stress is impacting 14% of Australian employees and costing the economy \$30.9 billion a year, through a variety of factors:

#### Presenteeism:

This is when employees turn up to their workplace while they're sick, whether that illness is brought on by physical or mental health issues. When your body and mind aren't functioning at full capacity, your productivity decreases, your ability to problem solve is impaired, and you're less effective at collaborating and communicating<sup>8</sup>. In 2020, financially stressed employees have cost their workplace 7.7 ineffective hours a week, up from 6.7 hours in 2018.

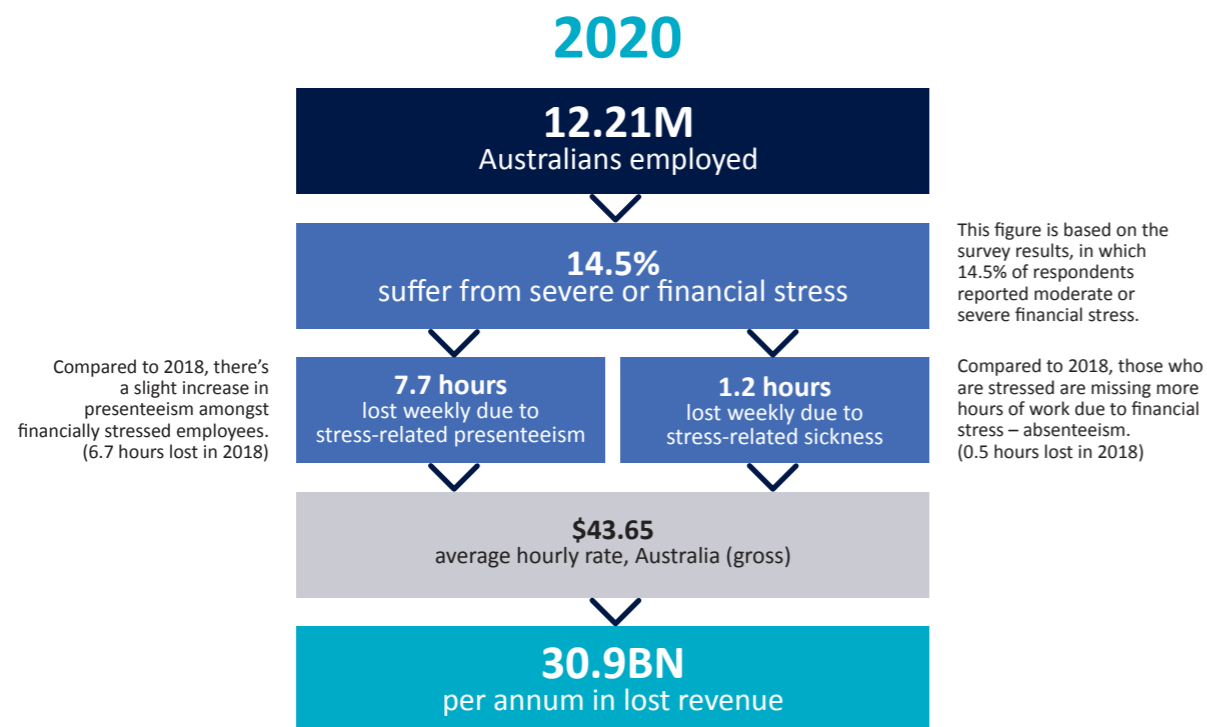
#### Absenteeism:

This is when employees are so stressed that it manifests in anxiety and depression, forcing them to miss work completely. In 2020, financially stressed employees cost their workplace 1.2 hours a week, compared with 0.5 hours in 2018.

#### Job security:

Whether real or perceived, the notion of job security (whether their own or a partner's/ spouse's) has a significant impact on financial stress, with 23% of employees who feel their job is not secure reporting severe or moderate financial stress, compared with just 10% of those who feel their job is secure.

Australians employed and revenue lost



8. Human Resources for Health (2018): [Four-year review of presenteeism data among employees of a large United States health care system: a retrospective prevalence study](#)



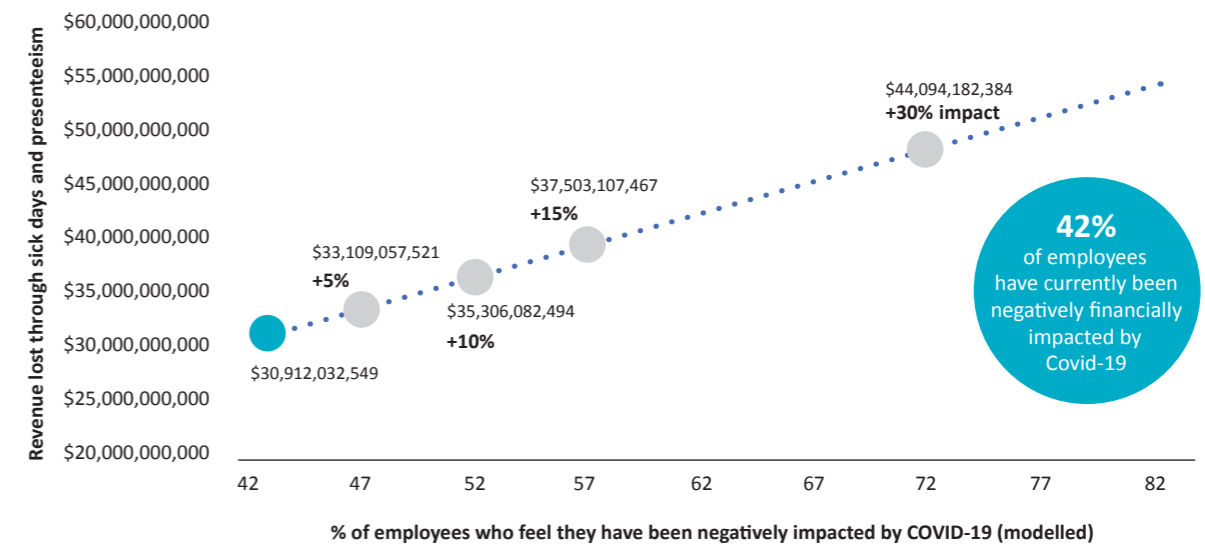


## The projected impact

As COVID-19 continues to impact the economy, and the government's JobKeeper supplements begin to taper off or face significant cuts in the new year<sup>9</sup>, the prospect of reduced hours or increased job insecurity may lead to even more employee stress in the coming months. Research suggests the ongoing impact to the economy and Australian workplaces could rise into the tens of billions.

Modelling conducted by AMP suggests that if the number of employees impacted by financial stress due to COVID-19 grows by just five points (to 47%), the cost to employees and the Australian economy could rise to \$33.1 billion; if the number rises to 15%, the cost could reach \$37.5 billion; and if it hits 30%, the economy could suffer a financial hit of \$44 billion.

AMP modelling showing revenue lost through sick days and presenteeism as the impact of COVID-19 increases



## Key takeaway for employers in a challenging macro-economic environment

- Recognise that employee satisfaction and financial stress isn't driven exclusively by a pay cheque.

In a challenging economic environment, you don't have to make unaffordable salary changes to have a positive impact on your employees' financial wellness. In turn, this can help to release lost productivity back into the business, and give a boost to employee performance and engagement.

9. Australian Taxation Office (October 2020): [JobKeeper extension](#)



# Financial wellness in the age of COVID-19

# 2020

## The expected highs and unexpected lows

There's no denying the impact COVID-19 has had on the Australian workforce. Whether full- or part-time, these uncertain times mean 360,000 fewer people are employed across the country, compared with 2018. As of August 2020, the national unemployment rate sat at 6.8% and underemployment at 11.2%<sup>10</sup>.

However, for around one in 10 Australian employees (11%), 2020's unusual economic circumstances have had a positive impact on their finances – we've seen some businesses boom in unexpected ways in recent months as society shifts. But for most, this has not been a poster year for financial success. Around 42% of employees report that COVID-19 has had a negative impact on their finances.

You might expect this would equate to a spike in financial stress across the board for employees, but surprisingly, in some ways, this has not occurred.

## Positive perception bias

In fact, despite objective evidence of reduced productivity and higher unemployment, 4.4% fewer employees (14.5%) report being either severely or moderately stressed in 2020, compared with the numbers who experienced it in 2018 (18.9%).

Remember the definition of financial wellness – a mindset that changes based on employees' evaluations and perceptions of their finances, relative to those around them. Those employees who have not had their work hours impacted by COVID-19 seem to feel pretty good about their current financial situation, even if it hasn't improved in the past year – they're just happy they survived.

## Bracing for the acute impact

Although levels of overall perceived financial stress have decreased since 2018, reported feelings of stress and anxiety around money have – perhaps unsurprisingly – hit record highs among employees impacted by COVID-19. Among those whose work hours have been negatively impacted, one in five report severe or moderate levels of financial stress, double the levels recorded by employees who have not been directly impacted. The figures are even greater for those who perceive the events have had a tangible negative impact on their finances, with 23% suffering from severe or moderate stress – almost three times the percentage reported by those who say they were not impacted.

## Good financial habits, bad sources of finance

While COVID-19 has delivered a lot of bad financial news, its economic shock waves have also triggered some positive financial behaviours. Faced with the possibilities of increasing job insecurity and reduced income, many employees have used this year to start implementing healthy financial habits.

Compared to before the initial lockdown of COVID-19, the results show a 6% increase in the number of employees establishing a financial plan. There was a similar increase in the number of employees (5%) who this year took action to start saving, putting money away for a rainy day, with those impacted by COVID-19 9% more likely to do so than those not impacted.

Despite this trend toward financial forward thinking, many of those impacted by COVID-19 now report relying on unfavourable sources of finance, such as dependence on credit cards to cover expenses, or taking out a personal loan.

Which of the following apply to you as a result of the COVID-19 pandemic?

|   | Working hours were impacted by COVID-19 | Working hours were NOT impacted by COVID-19 |
|---|---|---|
| I am increasingly relying on credit cards to pay for expenses | 11%                                     | 3%  |
| I have had to take out a personal loan                        | 7%                                      | 1%  |

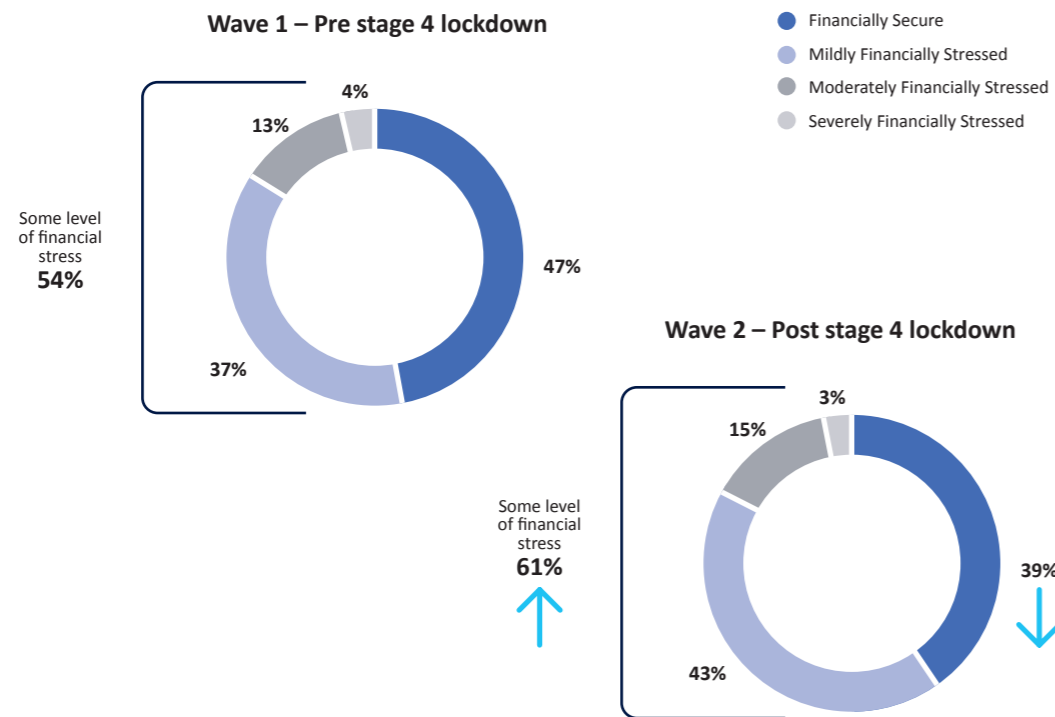
<sup>10</sup>. Australian Bureau of Statistics (August 2020): [Labour Force, Australia](#)



## Learnings from Victoria's second lockdown

The second wave of COVID-19 cases in Victoria saw the state enter a second hard lockdown in early July. AMP research shows not only the immediate impact on workers in Victoria, it also gives an indication of the effects subsequent waves might have on the broader Australian population. Financial stress among Melbourne employees climbed steeply from 54% after the first wave to 61% following the second wave of cases<sup>11</sup>. What's more, 80% of Melbourne workers report that financial stress has impacted on their productivity, compared with 63% of other Australians<sup>12</sup>.

### 2020 Financial Wellness Index – Melbourne



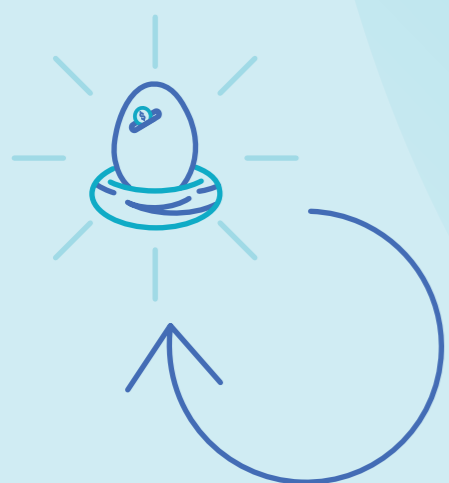
## Key takeaways for employers in the COVID-19 economic climate

- ④ Support employees on their journey to develop and implement good financial habits, such as putting money away for a rainy day.
- ④ Remember that a financial wellness initiative must also support those employees who haven't been directly impacted by the events of 2020, to ensure they maintain the momentum and don't become complacent with their finances.

11. AMP and The Behavioural Architects (2020): **Financial Wellness: Second Wave 2020 Report (p12)**

12. AMP and The Behavioural Architects (2020): **Financial Wellness: Second Wave 2020 Report (p16)**





## The financial road to retirement

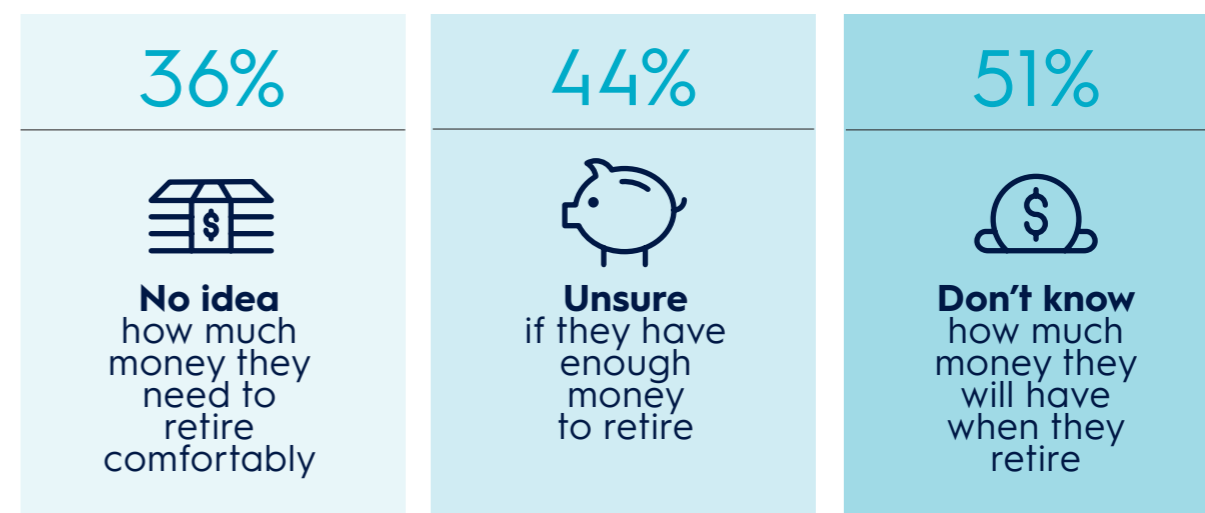
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### Super uncertainty

We know that superannuation exists to ensure Australian retirees can live comfortably once they say goodbye to the workforce. While the exact amount that is needed in retirement will depend on things like what kind of lifestyle a person plans to have, and what age they retire, retirement standards produced by ASFA show that the average, relatively healthy single Australian can retire comfortably with a super savings of \$545,000, while an average couple will need \$640,000<sup>13</sup>.

If you think the average employee knows this, think again. Around a third of employees (36%) report they have no idea how much money they will need to retire comfortably, while 44% are unsure if they will have enough money to retire, and 51% are clueless about how much money they will actually have by the time they reach average retirement age (55.4 years in 2020)<sup>14</sup>. On top of this, 39% feel they may have to work longer because of the current financial situation, in order to replenish their superannuation funds and meet their retirement savings goals.

A lot of uncertainty among employees around retirement



### Impacts of the Superannuation Early Release Scheme

Despite the uncertainty surrounding their retirement and superannuation, employees are increasingly comfortable withdrawing funds from their accounts without fully understanding the consequences.

The government's COVID-19 Superannuation Early Release Scheme – designed to assist Australians in financial trouble by giving pre-retirement access to their superannuation savings – has provided immediate relief for many people. Almost 2.8 million people withdrew a total of more than \$32.6 billion<sup>15</sup> from their super accounts between 20 April and 30 August 2020.

13. Association of Superannuation Funds Australia (2018): [Bringing retirement budgets into the digital age](#)

14. Australian Bureau of Statistics (2020): [Retirement and Retirement Intentions, Australia](#)

15. Australian Prudential Regulation Authority (September 2020): [COVID 19 Early Release Scheme – issue 19](#)



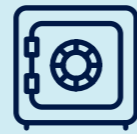
AMP research shows that two in five people who took advantage of the Early Release Scheme are not concerned about the long-term impact to their superannuation balance. And it seems this thinking is most likely to be prevalent among younger employees, with 43% of those aged 18 to 35 most likely to access – or consider accessing – their super now, regardless of the consequences in the future.

While retirement is decades away for most in this age bracket, the reality is that when it comes to your employees' superannuation and planning for retirement, time is a great multiplier due to the effects of compound interest. The younger the employee, the greater the lost growth opportunity will be for funds that are withdrawn early.

Some employees also show disregard toward spending and repaying the funds they access under the Early Release Scheme.

Despite tight budgets, many people dipping into their super are not spending this money on essential needs, like food and day-to-day bills. Instead, almost one in three are using the cash to fund their lifestyle.

While just over half (52%) intend to replace any super funds they withdraw now, they don't intend to replace all of it – in fact, they only aim to replace about two-thirds (63%) of the funds they access. About a third of employees are in the dark as to how they will replace these funds, and they are unsure of the various avenues that exist to top up super accounts.



52%

of people who withdraw super early **intend** to replace at least some of it

30%

of these people **don't know** how they will do it

## Key takeaways for employers

- ⌚ Educate employees on how much they may need to fund their lifestyle in retirement.
- ⌚ Educate employees about favourable vs. unfavourable ways to use any early-accessed superannuation funds.
- ⌚ Show employees where they can find information on how they can top up their superannuation accounts through personal contributions, salary sacrificing, spousal contributions or by consolidating their super accounts, as well as the things to consider when making these decisions.
- ⌚ Provide an opportunity to help employees understand other options rather than withdrawing super such as budgeting help, debt management, pay advances and financial counselling.



## How AMP can help

Through our long-term investment in financial wellness research, we know that improving the financial wellbeing of your employees makes them happier and more productive. Good financial habits are your employees' best protection against times of financial uncertainty, and one of your best investments in productivity, recruitment and retention. And that's what we're here for.

Our highly regarded Financial Wellness Programs offer real support to your employees, as part of our superannuation relationship. We provide free access to education and insights to equip them with the knowledge and skills they need to manage money more effectively and save for retirement. Our aim is to empower them to make smart financial choices when they need it most. And now is the time they need it most. And they want it, too – as this year's research shows.

AMP can help you tailor a Financial Wellness Program that can be integrated into your broader wellness approach, supporting your strategic agenda. We do this through a unique and holistic approach to financial wellness that can help you address many of the key takeaways in this report, including:

- ④ Supporting employees on their increasingly self-motivated journey to develop and implement good financial habits.
- ④ Targeting employees who are in at-risk demographics and regions.
- ④ Extending the focus to employees who haven't been directly impacted by the events of 2020 and feel positive about this, to ensure they don't become complacent with their finances.
- ④ Educating employees about favourable vs unfavourable ways to use any early accessed superannuation funds.
- ④ Showing employees how they can top up their superannuation accounts through personal contributions, spousal contributions or by consolidating their accounts, as well as the things to consider when making these decisions.
- ④ Educating employees on how much they may need to fund their lifestyles in retirement.

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

### What you need to know

The AMP Financial Wellness Report has been prepared by AWM Services Pty Limited ABN 15 139 353 496 (AWM Services) part of the AMP group (AMP). The report is based on research that was conducted exclusively for AMP by The Behavioural Architects Australia Pty Ltd (The Behavioural Architects). Results were obtained in June–July 2020 and data was post-weighted based on ABS statistics: gender, age, location, employment type and industry. Although the information is from sources considered reliable, AMP doesn't guarantee that it's accurate or complete. You shouldn't rely upon it and should seek professional advice before making any financial decision. Except where liability under any statute can't be excluded, AMP doesn't accept any liability for any resulting loss or damage to the reader or any other person. This report cannot be distributed, reproduced, copied or published in any way without the express and written consent of AMP. Any advice in this report is general in nature only. It doesn't consider a person's personal goals, financial situation or needs. It's important a person considers the appropriateness of any advice and read the relevant product disclosure statement before deciding what's right for them. Read our Financial Services Guide at [amp.com.au](http://amp.com.au) for information about our services, including the fees and other benefits that AMP companies and their representatives may receive in relation to products and services it provides. Contact us for a hard copy. AMP can be contacted on 131 267 or [askamp@amp.com.au](mailto:askamp@amp.com.au). The information in this document was current on 9 November 2020.





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