

The background of the lower half of the image is a photograph of a coastal landscape. It shows several large, dark rock formations (sea stacks) rising from the ocean. The sun is low on the horizon, creating a warm, orange glow that reflects on the water. The sky is a mix of orange and blue. The overall mood is serene and majestic.

The Importance of Financial Wellbeing in the Workplace

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What is Financial Wellbeing?

Financial wellbeing is an often-misunderstood topic. When we say someone is financially 'well-off' we usually mean to say that they are notably wealthy. The reality is that for most, the idea of financial wellness is a basic sense of financial security and confidence that we have enough money to meet our needs.

Financial wellbeing is characterised by a feeling of being in control of your day-to-day finances with sufficient freedom and flexibility to experience life on your terms, without feeling financially locked into certain behaviours or activities.

According to the Centre for Social Impact¹ (in collaboration with UNSW), financial wellbeing can be broken down into a three-pronged model:



1. Meeting expenses and having some money left over



2. Being in control



3. Feeling financially secure

The ability to (1) meet expenses, manage debt and comfortably afford some discretionary spending each month leads to (2) a feeling of control. You can choose to save for a future goal or spend more on things or experiences to enhance your life and happiness. Both of these factors lead to (3) a sense of financial security. You're satisfied with your financial situation and are not excessively worried about things going wrong.

Financial wellbeing is a fluid concept in that it is highly dependent on significant life events and all the factors that contribute to one's ability to meet their expenses. Losing a job, having a baby, facing an unexpected expense, and starting retirement may put stress on someone's sense of financial wellness. Alternatively, a job promotion, inheritance or business win may improve their immediate situation and future outlook.

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¹ Centre for Social Impact - Exploring Financial Wellbeing in the Australian Context, 2017



The link between Financial Wellbeing and Mental Health

Financial wellbeing impacts many aspects of our life, with one of the most significant areas being our mental health.

Mental health is an incredibly complex issue with multiple variables and causations at play. What we do know for sure, however, is that worries related to money are often a significant contributor to a person's mental wellbeing.

I can't make rent again this week...

*I can't afford to fix the car before next week..
How do I get to work?*

*I've just been let go,
how will I tell my family?*

Not only do financial worries negatively influence a person's self-worth, mindset and general mood, but the distraction often makes it even more challenging to think clearly about making smart financial decisions.

Our state of mental health is strongly linked to our perception of financial security, with each playing a role in influencing each other. To take meaningful action and improve Australia's relationship with money and mental wellbeing, we need to understand that financial stress damages our mental health and that poor mental health makes it so much more difficult to manage money.

Poor mental health may make it harder to focus when making important financial decisions or to understand all the necessary information required when it comes to managing your money. Even if you are able to make sound decisions, the weight of carrying debt may play on your mind throughout the day, impacting your ability to sleep, causing anxiety and reducing your day-to-day performance.

Taking all these components and putting them together paints a clear picture between mental health and our financial wellbeing. Financial stress causes and exacerbates existing negative mindsets resulting in a volatile and dangerous relationship with money.

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Why should we care about the Financial Wellbeing of ourselves and others?

Financial wellbeing is not just about defining our relationship with money; it's so much more encompassing. Our financial, physical and mental health are more interlinked than most of us realise. International studies² have found that over 60% of those over eighteen years of age have felt an impact on their mental health due to monetary concerns at some point in their life and that mental stress spills over into other areas of our life. The worries caused by financial stress are difficult to escape, playing on our minds throughout the day.

With financial worries taking up important mental capacity, it's often difficult to concentrate and be productive at work. Poor performances at work may put further pressure on a person's finances as they get fewer shifts, take more time off and miss promotions (or worse, are let go). Worse still, severe financial stress (and its implications) can lead to far more serious mental health issues, such as anxiety and depression. These mental illnesses often limit our motivation and ability to live a healthy lifestyle, which in turn, continues to negatively affect our mental wellbeing.

Furthermore, financial wellbeing is a strong determinant of a person's general health. Without sufficient money on hand, many of us will skip critical medical appointments, turn back expensive medication or surgery or even stop seeking answers to health issues due to the mental stress of an unfavourable prognosis.

No matter who you are, the implications of poor financial wellbeing are profound. Your partner, children, family, and friends are all at risk, and we believe it's everyone's responsibility to promote financial wellbeing amongst Australians. If your employees are struggling with their financial wellbeing, it's very likely that their focus and performance at work are compromised, reducing their productivity, output and their contribution to your bottom line.

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² The Money Advice Service - Press Release, May 2018

How do Australians fare when it comes to Financial Wellbeing?

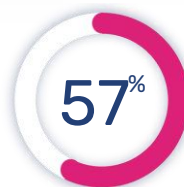
Australians don't fare very well in terms of Financial Wellbeing.



Australians live paycheck to paycheck³



Do not have \$500 in cases of emergencies⁴



Cannot survive a \$5000 emergency⁵

These are astonishing numbers that highlight the severity of the financial wellbeing issue in our own backyard. With such a large number of

Australians living paycheck to paycheck, it is easy to see how financial worries can impact so many of us, so easily. Loaded with debt, Australians are struggling to meet even the first component of financial wellbeing - meeting expenses with a little leftover. With a reliance on the next payday, it's almost impossible to develop a feeling of financial control. You're at the mercy of your next paycheck.

A concerning trend is the rapid increase of payday lending in Australia.

A concerning trend is the rapid increase of the use of payday lending in Australia, which has more than doubled since 2013⁶. Payday loans are predatory loans that charge incredibly high interest rates (sometimes up to 400%) to those who need urgent cash to pay their bills before their next paycheck.

They're easy to apply for, and the money can be in

a user's account by the end of the day, however the repayments often remain for much longer than expected which balloons out the interest.

The same applies to the raft of "consumer fintech" lenders that have emerged recently. Yes, their fees and charges might be lower as compared to a payday loan, but they are still significant.

Payday and more traditional consumer loans are inherently engineered to create a cycle of dependence. If a user is unable to repay their loan (along with the interest, fees and charges on top of it), they may jump to another loan to make ends meet. This process succeeds at one thing - exacerbating their original financial issues and preventing a solution to reach a state of sustainable financial wellbeing.

With such a large number of Australians living paycheck to paycheck, it is easy to see how financial worries can impact so many of us, so easily.

³ MLC/NAB - Australia today, 2020

⁴ CBA - More than a third of Australians struggle to reach financial goals, 2017

⁵ Finder - 2020

⁶ Consumer Action - Payday lenders are driving Australians into debt, November 2019

COVID-19 has made the situation worse

The health and economic impacts of COVID-19 have been substantial.

Even as case numbers decline and Australia transitions into a 'new normal', the ongoing consequences for the financial wellbeing of Australian's are as pervasive as ever. The Australian economy has plunged into its first official recession⁷ in twenty-nine years, and the unemployment rate has risen to 7.5% in recent months. Furthermore, the RBA has predicted⁸ the underlying unemployment rate will continue to trend higher, plausibly reaching 10% by the end of the year. This is despite government stimulus policies, such as JobSeeker and JobKeeper and loan deferrals. As these measures are phased out over the next few months, the financial security of many people may be under threat⁹. Uncertainty about our financial future is not conducive to financial wellbeing.

The high and rising unemployment, significantly increased government debt and a wounded global economy have sown the seeds for increased financial uncertainty for millions of Australians over the next few years. How we respond to economic challenges impacts not only the financial wellbeing of Australian workers but their physical and mental health as well.

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⁷ ABC - Australia in its first recession in 29 years as March quarter GDP shrinks, June 2020

⁸ RBA - Economic Outlook, August 2020

⁹ AFR - RBA expects thousands of extra business bankruptcies, October 2020

The benefits of promoting a Financial Wellbeing in your workplace

Financial wellbeing and sound mental health translate positively into the workplace.

Obviously, we want our employees and colleagues to be doing well, but their performance at work and their impact on the bottom line is also essential. There are three main ways that financial wellbeing has a direct effect on the workplace:



1. Financial wellbeing improves productivity.

According to research from UBank¹⁰, 59% of Australian's report that financial stress causes them loss of sleep. Millennials apparently have it even worse, with 44% saying that the stress impacts them not only at night, but continuously throughout the day - including when they're trying to be productive at work. Furthermore, Map My Plan¹¹ found that financially stressed individuals spend about 10% of their paid working hours consumed by thoughts of their financial issues.

If employees are not wholly focussed, how can they deliver their best work? Employee engagement is serious business in Australia, with only 24 per cent¹² of the workforce actively at their most productive. Promote financial wellbeing and bring employee's focus back to where it serves themselves and their organisation best.

2. Financial wellbeing reduces absenteeism.



Worse than being distracted at work is not showing up at all! If employees don't come into work, nothing gets done. Stress follows us throughout the day; it's not something that can be easily turned off. Often this presents itself as showing up late, taking extended breaks throughout the workday or leaving early.

If the stress builds up enough to impact a person's mental (or physical) health enough, they may take additional sick days. Estimates from AMP Life¹³ suggest that high levels of financial stress may increase the number of sick days taken by Australian workers, estimating that it costs employers billions of dollars every year.

3. Financial wellbeing minimises employee turnover.



Mental stress is one of the leading causes of workplace turnover, with almost 40% of employees¹⁴ citing it as a reason for leaving their role. If an employee doesn't feel financially fulfilled where they currently are, they'll probably be open to other roles that may give them a better sense of financial security. The process of hiring a new employee is costly, and the loss of a valued worker and their knowledge may be intangibly invaluable.

¹⁰ Finder - Financial stress keeping Australians awake at night, February 2018

¹¹ Map my plan - The financial fitness of working Australians, November 2015

¹² Power 2 Motivate - Australia faces an employee engagement crisis, August 2017

¹³ ANZ - Financial Wellbeing, April 2018

¹⁴ Financial Outfitters - Workplace Productivity, February 2014

The benefits of promoting Financial Wellbeing in your workplace

Financial wellbeing should be valued and embedded within every organisation. Yes, work should be so much more than just a paycheck. However, the reality is that to get the most out of an employee and for them to give their best to an organisation, a sound mental state is almost always a prerequisite. Integral to that is an embedded sense of financial wellbeing. Organisations should see it as their duty to help their employees achieve this state, not only for their general health but as a necessary step to maximise the output and value contribution from every worker.

Financial wellbeing is a two-way street. Set employees up for success and all parties then reap the rewards, in many ways than just one!

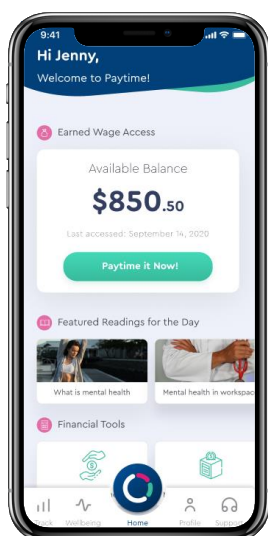
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How Paytime Can Help Achieve Financial Wellbeing

01. Paytime's Earned Wage Access empowers employees to access their wages early, whenever they need it.

Earned Wage Access (EWA) addresses the need for employees to have increasingly flexible access to their earned wages. Staff living paycheck to paycheck are reliant on their next payday. EWA reduces this reliance by allowing employees to visualise, track and drawdown on their earned (but unpaid) wages, whenever they like. When an unexpected bill or expense arrives, instead of stressing and eventually having to turn to credit or a dangerous payday loan, they can instead access a portion of their earned wages to cover any shortfall.



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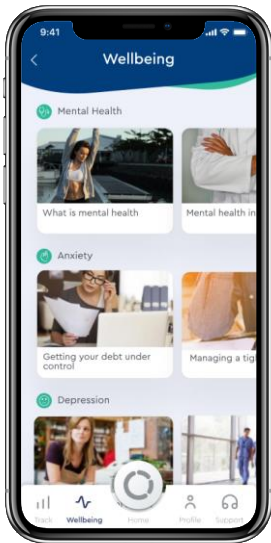
Various case studies from major international markets have delivered a clear verdict on EWA. There was a 20% increase in hours worked due to a more substantial effort-to-reward link, 25% reduction in employee turnover and 15% lower absenteeism. Furthermore, a report from Visa shows that 79% of surveyed workers¹⁵ are more willing to switch to employers already offering EWA. Additionally, EWA can provide a meaningful differentiation point for employers with near-wage parity, where other employment enhancements are crucial to attracting and retaining staff. EY found that almost 60% of employees¹⁶ would view a potential employer in a better light if EWA were offered as a benefit of the job.

¹⁵ VISA - Earned Wage Access (EWA) provides early access to already earned wages, 2019

¹⁶ EY - On-Demand Pay: payroll that works for all, September 2020

02. Paytime reinforces mental wellbeing in the workplace and at home: it's a better solution.

Paytime and EWA itself addresses a larger problem than just financial wellbeing. Mental health is a severe issue that workplaces need to address, not only to get the best out of their people but as a duty of care to the community they serve and support. Currently, the support systems put in place by corporates are often inadequate and struggle to deliver a solution that targets the underlying issue.



03. Complements current support systems (e.g. EAP)

Employee assistance programs (EAP's) appear to be useful (and may well be in some instances) but they are rarely used. The two main issues with EAP services stem from lack of awareness and confidentiality. Many employees simply won't even know the EAP exists, and others feel that there are negative consequences for using it.

Having access to financial and mental health resources on one's mobile phone that is 100% private and confidential, via the Paytime app,

Providing employees with an EWA solution is a great way to help Australians **achieve the financial wellbeing they deserve** while also contributing to the corporate's bottom line.

provides a credible solution to this issue. People are more willing to open up about their personal issues in complete privacy, on their own phones with straightforward access to all the relevant resources and helplines they might want to access.

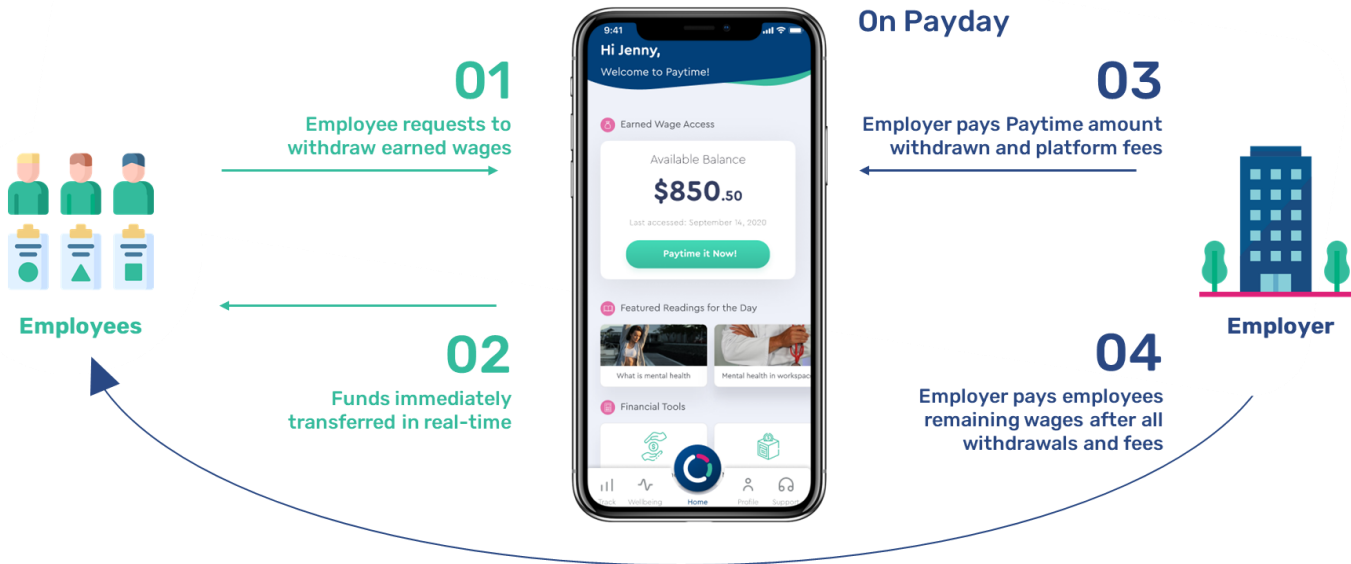
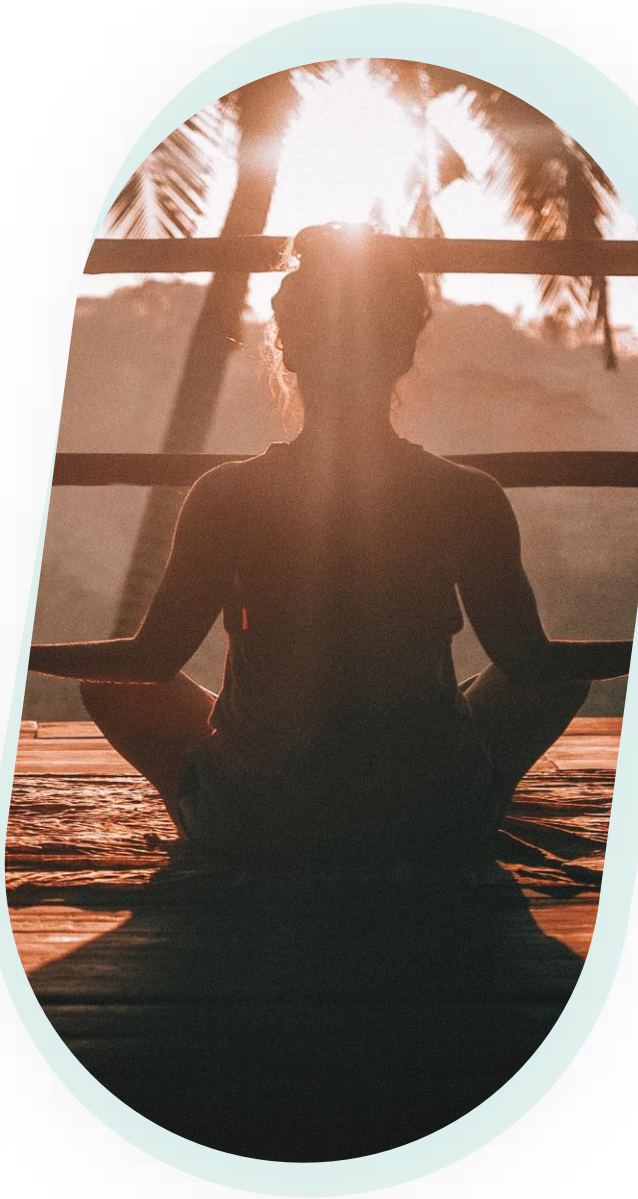
The Paytime app can then easily connect with your EAP provider's helpline (or any other support systems available) and offer these to your employees at the right moment.



04. It's simple and easy to implement.

Paytime's EWA app provides an easy-to-implement solution that your organisation can offer to its employees. The Paytime app conveniently ties into any payroll system and simply subtracts any early access from the employees' next payslip – there is no extra effort for the payroll team. Remember, it's not a loan. There's no money being lent. No interest is ever charged. Instead, a small platform fee (less than the cost of a cup of coffee) is applied on a per withdrawal basis. Staff only pay when they use the service, and many employers choose to subsidise the cost to make it a true employee benefit. Providing employees with an EWA solution is a great way to help Australians achieve the financial wellbeing they deserve while also contributing to the corporate's bottom line.

Providing employees with an EWA solution is a great way to help Australians **achieve the financial wellbeing they deserve** while also contributing to the corporate's bottom line.





Conclusion

Financial wellbeing is a critically important concept for all Australians to understand. The implications of poor financial wellbeing are substantial and it's all of our responsibility to take action. Almost half of Australians live paycheck to paycheck, and one in three do not have \$500 in cases of emergency.

We are dealing with a vicious cycle: Financial stress negatively plays on one's emotions and mental performance, making it much more difficult for one to concentrate and perform at work. Poor performances at work further impacts a person's finances as they lose shifts, miss bonuses and take additional leave. If employees are not performing, businesses will be negatively impacted, operationally and financially.

According to a Harvard study¹⁷, Earned Wage Access provides a clear benefit to employee morale and performance, resulting in reduced turnover and better on-the-job output. Employees are better off, and employers stand to reap considerable financial rewards from instilling a significant financial and mental wellbeing solution such as Paytime across their workforce.

Paytime offers Earned Wage Access designed to drive financial wellbeing in the right direction, for both employees and their employers.

Get Paytime today!

Providing employees with an EWA solution is a great way to help Australians **achieve the financial wellbeing they deserve** while also contributing to the corporate's bottom line.

¹⁷ Harvard Kennedy School – The Power of the Salary Link, 2018

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