

Financial hardship is surging

– how are organisations responding?

By Hannah Cook MICM*

More than 4 in 10 Australians experienced financial hardship in the first quarter of 2023, the highest level in six years. NAB's Consumer Insights Survey found that almost 1 in 4 people experiencing hardship missed a bill payment, and 1 in 20 were unable to make a mortgage repayment during the quarter.¹

There's plenty of coverage on how rising inflation and cost of living pressures are making it more difficult for many to make ends meet. As one of Australia's largest debt collection agencies, Recoveriescorp has valuable early insight into the changing face of hardship and vulnerability. On top of a significant increase in the number of hardship cases our clients deal with, we're seeing

a real evolution in the types and complexity of hardship cases we manage on their behalf.

We've created this case study capturing some of our key learnings to share with other organisations managing an increasing number of hardship accounts. By sharing our experience, we hope to contribute to broader awareness and more effective and empathetic management of hardship and vulnerability in all organisations.

Hardship cases have become more complex

The pandemic drove a deeper appreciation – both at an organisational and societal level – that hardship goes beyond purely financial hardship.



Hannah Cook MICM

“On top of a significant increase in the number of hardship cases our clients deal with, we're seeing a real evolution in the types and complexity of hardship cases we manage on their behalf.”



We speak with people from all walks of life who are struggling to pay their bills for a variety of reasons, including:

- natural disasters
- injury or illness
- loss of employment or reduction in work hours
- relationship breakdowns, domestic violence, or financial abuse
- gambling

At the height of the pandemic, the average handling time (AHT) for a hardship call was three times longer than that of a non-hardship call due to the complexity of these cases. In 2023, we're finding that hardship cases continue to be deeper and more complex than we've previously encountered.

“At the height of the pandemic, the average handling time (AHT) for a hardship call was three times longer than that of a non-hardship call due to the complexity of these cases.”

To manage this need effectively and provide a nuanced approach to managing hardship and vulnerability, Recoveriescorp has created a dedicated hardship team. Our specialist hardship operators work to different targets than standard collections teams, focusing on empathy, engagement, and developing realistic solutions that acknowledge each customer's hardship situation.

Many people are experiencing hardship and vulnerability for the first time

Across our organisation, we're dealing with an increasing number of hardship cases relating to domestic violence and mental illness. Many of these customers are experiencing temporary, short-term hardship or have simply never needed to ask for hardship support before. ▶

“...we're dealing with an increasing number of hardship cases relating to domestic violence and mental illness. Many of these customers are experiencing temporary, short-term hardship or have simply never needed to ask for hardship support before.”

We've created an online Customer Options Hub to provide a safe space for customers to learn more about how we can support them. The hub provides information on the options and resources available to those experiencing vulnerability and offers flexible contact methods to reflect that not everyone is comfortable discussing their situation over the phone during business hours. Our Customer Options Hub includes:

- Subtitled explainer videos about hardship and vulnerability
- Information and contact details for free hardship support services specialising in domestic and family violence, mental health, disability support, financial counselling, refugee support, and more
- Quick links to apply for hardship or request a callback
- Recoveriescorp's Vulnerable Customer Policy
- Recoveriescorp's Financial Counsellors Engagement Charter

Created in consultation with financial counsellors through a Social Sustainability Roundtable Sub Committee, the hub reflects a best-practice approach to supporting

customers experiencing hardship. The hub is the third most viewed page on the Recoveriescorp website, with more than 9,000 customers visiting www.recoveriescorp.com.au/customer-options over the past 12 months.

We've had to redesign the way we manage hardship

Today's complex hardship landscape means organisations must continuously evolve the way we connect, engage and communicate with customers experiencing hardship and vulnerability. Recoveriescorp's vision is: *"We enable successful and socially responsible credit experiences by empowering customers through exceptional people, technology and data."*

As a practical first step, we're supporting our customer-facing workforce to further build their hardship and vulnerability awareness and skills. These employees are trained to identify the type of vulnerability that's caused each customer's financial distress by listening for specific triggers and following a process that's appropriate in that scenario. The approach required to support someone experiencing short-term job loss will likely be different from how we deal with a customer

suffering from mental illness, for example.

When dealing with financial hardship, we focus on financial-based assessments and financial literacy education to reduce the reoccurrence of debt. Managing vulnerable hardship involves nuanced qualitative evaluations and providing customers with additional assistance via referral to community organisations and support lines.

We've also updated our call quality model to include standalone questions designed to identify hardship and vulnerability triggers; our workflow sees these cases escalated to our dedicated team of hardship specialists. We've strengthened our translating and interpreting service (TIS) process and are trialling voice analytics programs that can automatically identify hardship triggers.

An effective hardship collections strategy focuses on engagement

One of the most interesting learnings to emerge from our efforts to embed a best-practice hardship management strategy across our business is the value of genuine engagement. Recoveriescorp's hardship

specialists are experienced and highly skilled; however, they're handpicked based on more than their collections ability. In assessing their fit for the role, we consider aspects including personality, emotional intelligence, communication skills and lived hardship experience.

Our hardship team's targets drive team members towards finding the best outcome for the customer. Operators are not measured on keeping average call handling time (AHT) to a minimum, but on their ability to manage hardship cases sensitively and have valuable conversations that let them put appropriate payment arrangements in place. This approach has allowed us to achieve an industry-leading average arrangement-kept rate of 90.1%.

Recoveriescorp is in a unique position to lead on improving hardship understanding and outcomes

In our role as one of Australia's largest debt collection agencies, Recoveriescorp is serious about raising awareness of hardship and vulnerability and improving how it's managed – both across our organisation and in the broader business community.

One of the most impactful ways we're ensuring that we create a safe place to assist and empower the most vulnerable members of our community is via our Social Sustainability Roundtables. Launched in late



“Managing vulnerable hardship involves nuanced qualitative evaluations and providing customers with additional assistance via referral to community organisations and support lines.”

2021, these sessions are quarterly events where we bring together financial and social sustainability experts from a range of prominent organisations to share their knowledge.

Recoveriescorp is genuine about seeking to build capability in dealing with hardship and vulnerability beyond our organisation. We're constantly validating the way we operate against best practice, and we're generous in sharing our experience and insights as a recoveries business that's leading the way when it comes to managing hardship.

To view past Social Sustainability Roundtable sessions, visit www.corporate.recoveriescorp.com.au/media-centre. To register for upcoming sessions, please email hannah_cook@recoveriescorp.com.au.

*Hannah Cook MICM

Client Fulfilment Manager
recoveriescorp
T: (03) 9131 7508
E: hannah_cook@recoveriescorp.com.au
www.recoveriescorp.com.au

FOOTNOTES:

- 1 <https://business.nab.com.au/wp-content/uploads/2023/04/Financial-Hardship-Q1-2023.pdf>