

Financial Capability and Well-Being

An international comparison

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How does financial well-being compare across countries?

Norway has highest levels of the 5 countries on all measures

Lowest levels found in Australia and New Zealand

- about 20 index points lower than Norway on all measures

Canada does relatively well

- But is 10 index points lower than Norway

	Norway	Canada	Ireland	Australia	NZ
Overall financial well-being	77	65	64	59	59
Meeting commitments	91	81	80	71	72
Comfortable financially	70	61	61	55	54
Financial resilience	73	60	52	53	52

Segmenting the populations

Norway has more than twice the proportion of the population who are financially secure

Largest proportions who are struggling are in Australia and New Zealand

- More than 4 times the proportion in Norway
- And double the number in Ireland

	Norway	Ireland	Australia	NZ
Financially secure	57	25	24	23
Doing OK, but little put by	34	52	40	40
Just getting by	6	16	23	24
Struggling financially	3	7	13	13

The key determinants of financial well-being across countries

In all countries FWB is determined by a combination of economic circumstances

- Income
- Substantial fall in income (biggest effect in Norway)

And how you use the money you have (financial capability):

- Active saving
- Not borrowing for daily expenses
- Financial locus of control
- Financial confidence
- In Norway: spending restraint
- BUT not budgeting

These capabilities are largely driven by personality

Knowledge and experience (literacy) much less important!

	Norway	Ireland	Australia	NZ
Spending restraint	.20	ns	.03	ns
Active saving	.40	.42	.35	.31
Not borrowing for daily expenses	.24	.19	.28	.31
Financial locus of control	.09	.07	.09	.10
Financial confidence	.12	.12	.14	.10
Income	.11	.10	.11	.11
Income drop	-.13	-.06	-.06	-.05
Parents discussed money	.03	.04	.04	.03

How countries compare for key financial capabilities

Norwegians

- Had highest scores across all behaviours...
 - except spending restraint

Canadians

- Had joint highest score for financial confidence
- And did relatively well on other measures

Irish

- The least likely to be exercising spending restraint
- Had lowest levels of financial confidence

Australians & New Zealanders

- The least likely to be active savers
- Had lowest levels for financial locus of control

	Norway	Canada	Ireland	Australia	NZ
Active saving	75	68	68	63	60
Not borrowing for daily expenses	93	84	86	83	82
Spending restraint	71	73	67	74	74
Financial locus of control	71	66	67	60	61
Financial confidence	71	71	62	65	66

How countries compare on incomes and income inequality

Seems to be a link between financial well-being and income inequality (Gini coeff)

- But not with average incomes

Norway

- Highest incomes
- Lowest income inequality
- As well as highest level of financial well-being

Canada compared with Ireland

- Similar levels of financial well-being
- Similar levels of income inequality
- But average incomes very different

	Disp. income ¹	Gini coeff ²	Overall FWB
Norway	38.469	27	77
Canada	32.944	32	65
Ireland	25.998	30	64
Australia	35.577	34	59
NZ	25.871	35	59

¹ Ave household net disposable income per capita (USD). OECD 2017

² Source: OECD (checked Oct. 2018)

Overview

Across all countries, financial well-being is determined by a combination of the money people have and how they use that money

- Active saving and not borrowing for everyday expenses have the biggest effects
- But taking responsibility for one's financial decisions and outcomes is also important
- However, there is a limit to what can be achieved if income inequality is high and there are considerable numbers of people living in low-income households

There are remarkable similarities in the key behavioural determinants across countries

- So we have a lot to learn from one another

But equally there are some interesting differences

- That indicate where individual countries might want to focus their efforts

Applying the research to practice

Calls to action in the UK launched in Talk Money Week

- We want everyone to be saving money regularly
- We want to see a fall in the number of people relying on credit for everyday essentials
- We want to see everyone who needs it receiving free and effective debt advice
- We want everyone to have the support they need to make informed decisions about their retirement
- We want all children and young people to have a meaningful financial education

And a clear ambition set out in the national strategy

The five Calls to Action

Theme	Call to Action	2021 Ambition
1. Savings	10.7m adults don't save regularly, and 11.5m have less than £100 in savings to fall back on. We want everyone to save money regularly.	We want 1 million more adults to be saving by 2021.
2. Credit	9m adults often borrow to buy food or pay bills. We want to see a fall in the number of people relying on credit for everyday essentials.	We want 1 million fewer people to be relying on credit for everyday essentials by 2021.
3. Debt	8.3m people are over-indebted but less than a quarter seek help. We want everyone who needs it to be able to get free and effective debt advice.	We want 500,000 more people a year to get free and effective debt advice.
4. Retirement	22m working-age people say they don't know enough to plan for their retirement. We want everyone to have the support they need to make informed decisions about their retirement.	We want 2m more working age adults to say they understand enough to make informed decisions about their retirement.
5. Financial Education	Only 52% of 7-17 year olds said they receive some form of financial education in school, at home, or in other settings. We want all children and young people to have a meaningful financial education.	We want 60% of 7- to 17-year-olds to receive a meaningful financial education, delivered in settings appropriate to their needs. We want a better understanding of financial education in early years and in supporting the transition to work.

Finding out what works best

Evidence hub developed by UK Money Advice Service

https://fincap.org.uk/en/evidence_hub

- Includes both thematic reviews and evidence summaries
- Covers research from across the world

Recently enhanced by results of UK What Works Fund, which:

- Tested and piloted potential new solutions
- Scaled up and/or evaluated existing financial capability interventions
- Wave 1 awarded nearly £12 million in grants to 65 diverse projects
- Wave 2 focusing on:
 - Linking financial capability and debt advice
 - Promoting saving in the work-place
 - Evaluating the winners of the UK's FinTech For All competition

And the setting up of the Financial Capability Lab, which is:

- generating and rapid-testing new and behaviourally-informed ideas to promote capable behaviours