

Financial Capability and Well-Being

The International Context

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Status of comparable international research

Norway: survey instrument developed for Consumption Research Norway

- Survey 2016 and report published
- Repeat survey 2017 with revised questionnaire, detailed report just published

Ireland: survey conducted in Jan/Feb, report being written and available later this year

Canada: survey conducted in Feb/March, data just delivered, so report also later in the year

United States: ????

The value of comparable international data

It allows us to benchmark countries against one another

And identify areas where a particular country is doing relatively well...

... and those where it is not

It also provides additional insights into what the key drivers in a particular country might be

Where drivers of financial well-being are very similar countries can learn from one another

Will illustrate this by preliminary high-level comparisons between four countries:

- Australia, New Zealand, Norway and Ireland

How does financial well-being compare across countries?

Levels very similar in Australia and New Zealand

But both are a lot lower than Norway (about 20 index points) on all measures

- Especially for meeting commitments and financial resilience for the future

Also lower than Ireland on all except resilience for the future

- Especially for meeting commitments
- And despite the effects of the Financial Crisis in Ireland

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

The key determinants of financial well-being across countries

Key determinants

In all four countries it is a combination of economic circumstances

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

And how you use the money you have:

- Active saving
- Not borrowing for daily expenses
- Financial locus of control
- Financial confidence
- In Norway only: spending restraint
 - Although it has a strong indirect effect in Ireland

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

How countries compare on these key determinants

Norwegians (mean score overall FWB:77/100)

- Have highest scores across all behaviours except spending restraint

Australians & New Zealanders vs. Norwegians (59)

- Much more likely to borrow for daily expenses
- Less likely to be active savers
- Lower levels of responsibility for financial outcomes

Irish (64) vs. Australians & New Zealanders

- Higher scores on all behaviours (but below Norway)
- But lower levels of financial confidence

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

How countries compare on incomes and income inequality

Norway (mean score overall FWB:77)

- Highest incomes
- Lowest income inequality

Australia (59)

- Relatively high incomes
- But also relatively high income inequality

New Zealand (59)

- Low incomes
- And relatively high income inequality

Ireland (64)

- Low incomes
- But lower income inequality than in Australia or New Zealand

	Australia	NZ	Norway	Ireland
Ave h'hold net disposable income per capita (USD)	33,417	24,366	35,739	25,439
Income inequality (Gini coef.)	34	35	26	30

Summing up: Norway and Ireland

Norway (FWB 77)

High incomes and income equality mean very few people experience on-going financial strain

Incomes also permit active saving and avoidance of borrowing for daily needs

Key drivers of lower financial well-being appear to be income drops and lack of spending restraint

Ireland (FWB 64)

Lower incomes and higher income inequality mean more people experience on-going financial strain

Effects of Financial Crisis were considerable

But fairly high scores for active saving and not borrowing for daily needs suggests a conservative approach

Achilles heels are lack of spending restraint and lack of financial confidence (and very low financial inclusion)

Summing up: Australia and New Zealand

Similar levels of *low* financial well-being (59)

Average incomes are very different (Australia close to Norway; NZ close to Ireland)

But high income inequality means many more people experience on-going financial strain

Illustrated by lower scores for active saving and avoidance of borrowing for daily needs

Key drivers of lower financial well-being appear to be:

- Income disparity and substantial minority with low incomes
- Much more likely to borrow for daily expenses
- Less likely to be active savers
- More laid back attitude to life and a tendency not to take responsibility for financial outcomes
- But *not* a tendency to overspend

In conclusion

We are at the beginning of an exciting journey

- Initial international comparisons are already looking very interesting and potentially useful

Financial well-being is determined by a combination of how much money you have... but also how you use it

- Across countries similar factors are of greatest importance in driving financial well-being, so can learn from one another
- Some interesting differences across countries in the *relative* importance of these key drivers

Future research, policy and practice in Australia and New Zealand should focus on the design of interventions:

- To promote saving, supported by the development of appropriate savings products
- To dissuade people from borrowing to make ends meet, with regulation of, and development of alternatives to, high-cost credit
- To inculcate a greater sense of responsibility for financial outcomes
- To tackle financial inequalities