

What determines women's financial well-being and resilience?

An international perspective

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Policy attention is being focussed on 2 new concepts

- Financial well-being

Being able to meet all one's current commitments and needs comfortably and having the financial resilience to maintain this in the future

- Financial resilience

The ability to access and draw on internal capabilities and appropriate, acceptable and accessible external resources and support in times of adversity



How does financial well-being relate to financial resilience?

- Resilience has grown out of financial inclusion debates
 - And is the aggregate of resources available to individuals
- Well-being has recently grown out of financial capability ones
 - And is a set of financial outcomes
- Both acknowledge the importance of external as well as individual factors
- Surveys measure very similar things
 - But how these are analysed differs greatly
- So financial resilience could be seen as the set of determinants of well-being



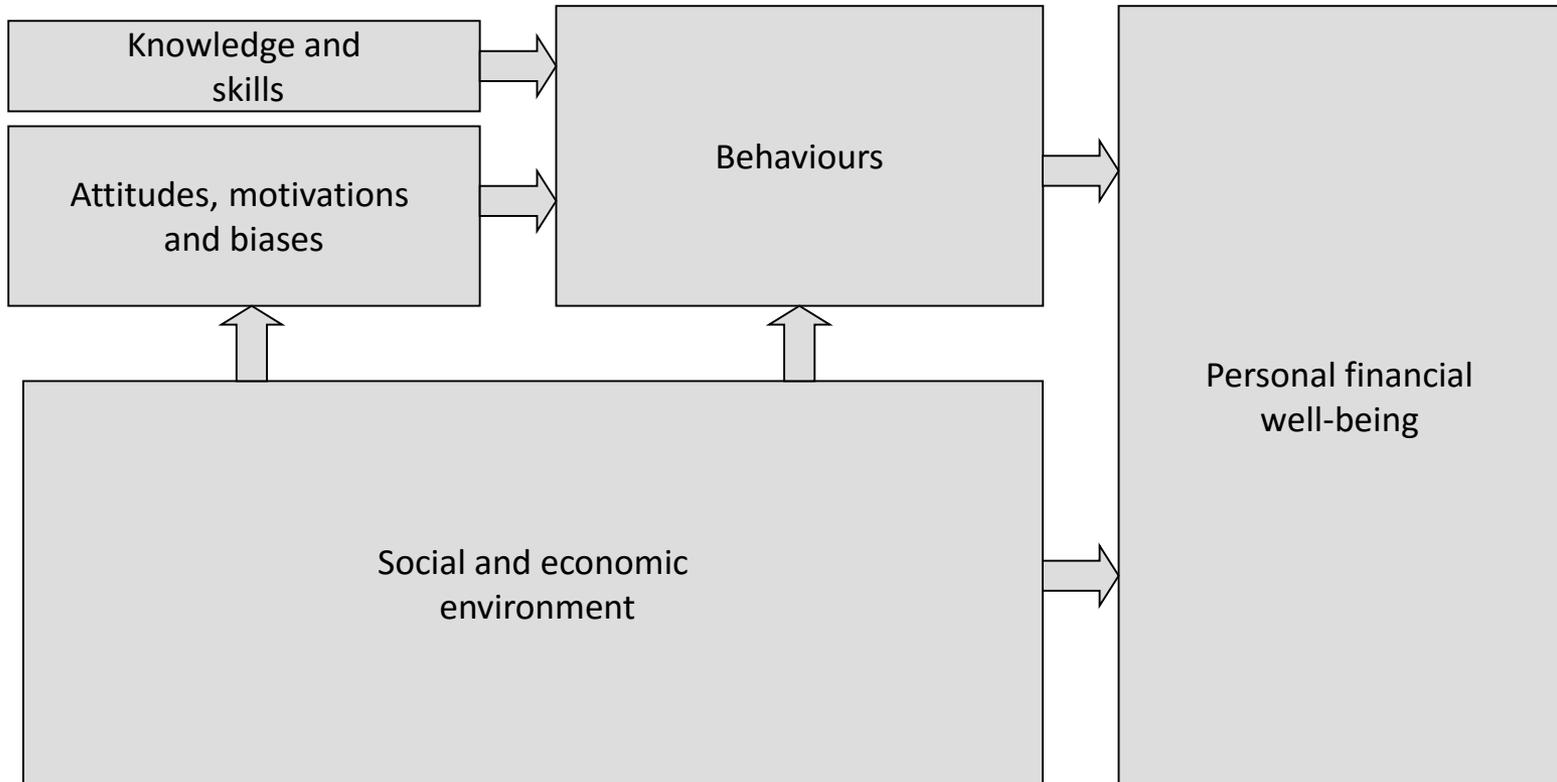
What influences financial well-being?

Qualitative research

- Financial behaviours, which are influenced by
 - Personality traits (attitudes, motivations, behavioural biases)
 - Knowledge and skills are of secondary importance
 - Up-bringing, family and friends – but again secondary to personality
- Plus socio-economic factors and environment
 - Income level & changes in income/income shocks
 - Family circumstances & health/disability related expenses
 - Changes in level of regular outgoings/ expenditure shocks
 - Level of financial inclusion
 - Social capital (extent of peer/family support)
 - Consumer protection legislation
 - Social security provision (including state pensions)
 - Nature of job market /security of jobs
 - Availability of (debt) advice



A priori model of the determinants of financial well-being



What does existing research tell us about women's abilities in each of these areas?



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Financial knowledge and skills

- Across a wide range of low- to high-income countries women's scores are lower than men for:
 - Knowledge of products
 - Understanding concepts such as percentages, compound interest, effects of inflation on savings
 - Understanding risks associated with investment
 - Ability to read and use bank statements
- Women less likely to keep up to date with things that might affect their finances
- In Asian-Pacific region, gap most pronounced in higher-income countries eg Australia, New Zealand, Singapore, Korea, Hong Kong



Attitudes motivations and biases

- When buying financial products women are:
 - Less confident and less likely to trust their own judgement
 - More conservative
 - But less impulsive and
 - More likely to seek advice
- They are more risk averse than men
 - And more ambiguity averse (ie like to know what the risks are)
- Psychological traits (eg ambition, self-control) explain many of these differences
- But differences in economic circumstances also explain many of them



Financial behaviours

- Considerable gendering of roles, across a wide range of countries
 - Women have primary responsibility for day-to-day money management
 - Men play more of a role in planning for the future and choosing financial products (and especially so where women's rights and independence are more limited)
- This is reflected in their financial capability
 - Women have higher scores on behaviours relating to managing money day to day (both making ends meet and keeping track of finances)
 - Women also have a higher orientation to saving
 - Men exhibit more capable behaviours in relation to planning for future needs and choosing products
- These differences seem to persist even when economic circumstances are taken into account



Socio-economic environment

- Extensive evidence on ways in which women are disadvantaged
 - Education inequalities
 - Gender pay gaps
 - Labour market participation and progression prospects
 - Responsibility for caring
 - Ability to accumulate assets compromised by discriminatory inheritance and property rights
 - Cultural norms restricting their autonomy
 - Coercive control and domestic violence
 - Design of pensions reflects male work patterns
 - Financial inclusion more generally



Findings from new research on financial well-being: UK and Norway



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Wellbeing and financial capability behaviours

UK survey

Two measures of well-being

- Current financial well-being
- Longer-term financial security

Six measures of behaviour

- Managing credit use
- Prioritising spending
- Active saving
- Building financial resilience
- *Keeping track of spending*
- *Working towards goals*

Norwegian survey

Four measures of well-being

- Overall well-being
- Able to meet current commitments
- ‘Comfortably-off’
- Financial resilience to maintain this in future

Six measures of behaviour

- Propensity to borrow for day-to-day expenses
- Spending orientation
- Active saving for the future
- *Planning finances*
- *Monitoring finances*
- *Informed product purchase*



What influences financial well-being?

Preliminary survey results: UK and Norway

- Incomes, income shocks (individuals) and income inequalities (populations)
- Financial behaviours important but had lower effects than income
 - Credit use, Spending orientation, Saving for the future
 - But not Planning finances or Monitoring finances
 - Nor Informed product purchase (N) or Working towards goals (UK)
- Also important
 - Confidence (UK)
 - Experience of money management (N)
 - Locus of control (N)
- Knowledge and especially motivations/biases had an indirect influence through behaviours:
 - Attitude to credit use, Impulsivity, Social status, Self control, Locus of control, Time orientation, Appetite for risk (N)



Gender differences: some preliminary findings

- Levels of well-being were lower for women than for men
 - But gender *per se* was not an important determinant when other factors (including incomes, income drops, behaviours) were taken into account (UK, N)
- Women had lower score on some financially capable behaviours (UK)
 - Active saver and Building resilience only
 - And gender effects on Building resilience persisted after other factors taken into account
- Women also had much lower scores on Financial numeracy, Financial confidence and Internet engagement (UK)
 - But higher scores on attitudes to saving



Implications for women's financial education and financial capability programs

- Need to have financial well-being as their primary goal
- Should focus on modifying behaviours (ie capability)
- Programs to impart knowledge and develop skills alone will have a very limited impact on financial well-being of adults
- There is a need for innovative approaches to tackle the motivations & biases that inhibit capable behaviours
 - Edutainment
 - Social marketing
 - 'Nudge'
 - Consumer protection



But...

- We have to recognise that incomes and other environmental factors can have a much bigger effect
- Women can't achieve financial well-being against the odds however capable they are:
 - Capable shopping for products can't overcome pensions that are inappropriate to women's needs
 - A saving orientation can't overcome the lack of money to save



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