TOWARDS A MORE INCLUSIVE SOCIETY

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This is the second Policy Research Symposium
Proceedings summarizing presentations in the first Symposium are available
New topic inspired by data
Towards a more inclusive society

• The focus of this Symposium: Building a more inclusive society

• Research demonstrates that there are large differences in financial literacy

• Who are the vulnerable groups?
  – women
  – lower income/lower education
  – immigrants, elderly
  – young
Financial literacy among women

• Very robust findings of large gender differences in financial literacy
• Women are much more likely to say “I do not know”

Financial literacy by gender
(3 questions answered correctly)

At least one "don't know" answer, by gender

- US
- Netherlands
- Germany
- Canada

Women  Men

Financial literacy:
- Women: 22% US, 35% Netherlands, 33% Germany, 51% Canada
- Men: 38% US, 47% Netherlands, 60% Germany, 50% Canada

“Don't know” answers:
- Women: 34% US, 29% Netherlands, 43% Germany, 47% Canada
- Men: 50% US, 46% Netherlands, 51% Germany, 28% Canada
Financial literacy across income groups

- Financial literacy is also strongly positively correlated to income level

Financial literacy by income level in the United States
(3 questions answered correctly)
Financial literacy across education groups

- Financial literacy is strongly positively correlated to education level

Financial literacy by education in the United States
(3 questions answered correctly)

- Less than High School: 10%
- High School diploma: 22%
- Some college education: 38%
- College graduate: 49%
- Post-Graduate education: 65%
Financial literacy among the young

- Compared to other age groups, financial literacy among the young is very low.

Financial literacy by age in the United States
(3 questions answered correctly)

- Now we have 2012 PISA data on financial literacy that allows us to study financial knowledge among high school students in 18 different countries.
New data for 15-year-olds around the world

• We have important new data
• 2012 Programme for International Student Assessment (PISA)
• Measuring financial literacy among high school students
2012 PISA Financial Literacy Assessment

PISA is the first large-scale international study to assess the financial literacy of 15-year-old students.

The PISA financial literacy assessment provided an articulated plan for developing items, designing the instrument, and providing a common language for discussion of financial literacy.
PISA Financial Literacy Assessment

A multiple-year project

• A group of experts was convened by the OECD to design the 2012 module on financial literacy

• They represented many countries and many stakeholders (treasury departments, central banks, regulators, practitioners, academics)

• Experts worked on the assessment for about two years

• Data was released on July 9, 2014
US release of PISA financial literacy data, July 9, 2014
What does the data say?

• The data is incredibly rich and provides a lot of information that can be used by policy makers, practitioners, teachers, and parents.

• Today we are also going to listen to some young people. They are the faces behind the numbers.
Some important findings

• A lot of the variation in financial literacy is explained by socio-economic background (parent’s income and education)

• We start unequal when it comes to financial literacy and inequality will only grow

• How to provide equality of opportunity early in life?
Relationship between socio-economic status and financial literacy, mathematics, and reading performance

Percentage of variation in performance explained by socio-economic status

Financial literacy, Mathematics, Reading

Countries: Estonia, Italy, Russian Federation, Croatia, Australia, Poland, Shanghai-China, Colombia, Latvia, Czech Republic, OECD average-13, Israel, Spain, France, Slovenia, United States, Slovak Republic, New Zealand.
Why should we care?

- Financial literacy can be linked to behavior: saving, borrowing, investing, and retirement planning
- Today, we will see that financial literacy is also linked to wealth inequality
- The paper in the afternoon session shows that financial literacy is one of the main determinants of wealth inequality
The importance of research

• Assessing how financial literacy impacts wealth inequality is a hard task

• Need a (new) model of saving that incorporates financial knowledge

• The model needs to incorporate realistic features of the economy, such as:
  – Many sources of risk
  – Borrowing constraints
  – Inequality in wages
The importance of research (continued)

Once we have such a model, it is possible to

• Calculate the share of wealth inequality that is due to financial literacy

• Understand the behavior of financial literacy over time

• Assess whether policies or programs improve well-being; for example, what are the effects of adding financial literacy programs/curricula in school?
From research to applications

What can be done to address financial literacy among the young and to address inequality?

- We have received a large number of projects which have been done around the world

- We want to discuss other ideas as well
  - Borrow from other fields, for example health
• Very important to share experiences
• INFE is a true gateway for financial education
• We are looking forward to an interactive session at the end of the Symposium
  – Still time to ask questions or to mention projects
  – Learning from each other
GFLEC’s Global Network: Ongoing projects around the world
Our approach is multidisciplinary
Maximizing our potential through entrepreneurship
Thanks to our funders
Thank you!

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