



GENDER AND FINANCIAL LITERACY

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OECD International Network on Financial Education

2005 Recommendation of the Council on Principles and Good Practices for Financial Education and Awareness

2008
OECD International Network on Financial Education (OECD/INFE)

2012
High-level Principles on National Strategies for Financial Education

A **national strategy for financial education** is defined as “a nationally co-ordinated approach to financial education that consists of an adapted framework or programme, which:

- Recognises the importance of financial education - including possibly through legislation - and defines its meaning and scope at the national level in relation to identified national needs and gaps;
- Involves the cooperation of different stakeholders as well as the identification of a national leader or co-ordinating body/council;
- Establishes a roadmap to achieve specific and predetermined objectives within a set period of time; and,
- Provides guidance to be applied by individual programmes in order to efficiently and appropriately contribute to the NS.”

Financial
consumption
concerns
advice
financial
where
financial



OECD/INFE work on women and financial education

- Creation of the OECD/INFE Expert Subgroup “Empowering Women through Financial Education and Awareness” – chaired by India - October 2010
- Scoping paper “**Empowering Women through Financial Awareness and Education**” (Hung et al., 2012)
- OECD Horizontal Project on Gender Equality in Education, Employment and Entrepreneurship: “**Closing the Gender Gap**” - 2012
- Report on evidence and case studies “**Women and Financial Education**”
- **OECD/INFE Policy Guidance** on Addressing Women’s and Girls’ needs for financial Awareness and Education





Today's lecture

Outline Rationale and barriers

Gender differences in financial literacy

Factors affecting these differences

Policy responses

OECD/INFE policy guidance



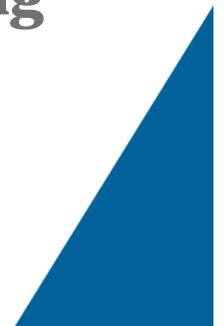


RATIONALE AND BARRIERS



Rationale

- Both women and men need to be sufficiently financially literate to effectively participate in economic activities and to take appropriate financial decisions for themselves and their families...
- ...but women:
 - Typically live longer and have a weaker labour market position with respect to men, meaning fewer resources >> **risk of poverty in old age**
 - Have less financial knowledge than men
 - Public policies – especially concerning pensions and health care – have shifted the burden of long-term financial decision-making onto the individual (health, pensions, etc.)
- **Women need to manage resources well and for long periods to improve access to economic / financial opportunities and to avoid poverty in old age**





Women also face...

... a number of **inequalities and barriers** affecting their participation to economic and financial opportunities on an equal grounding with men:

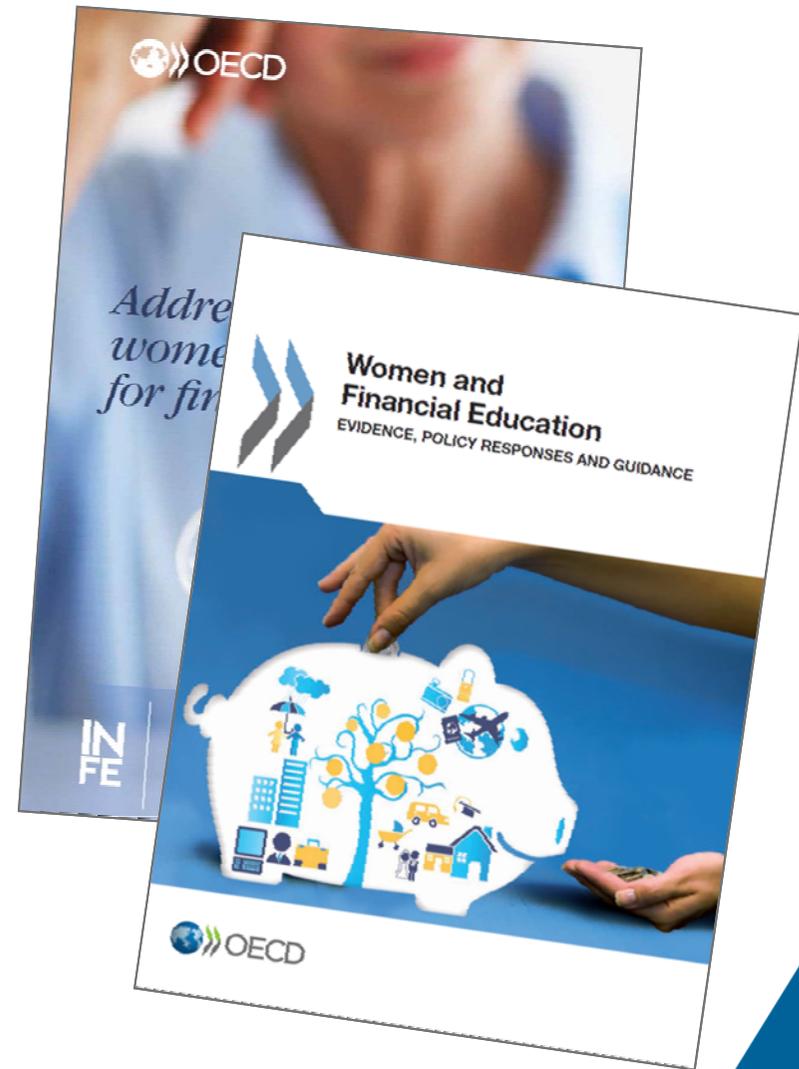
- Lower education levels (but changing)
- Lower participation rates to labour force
- Lower rates of entrepreneurship
- More difficult access to finance (for their businesses) and lower financial inclusion (for personal reasons)
- Different legal and social treatment (in some countries)





OECD/INFE work on empowering women through financial education

- How to improve female economic and financial empowerment and their financial well-being ?
- How can financial education help ?





GENDER DIFFERENCES IN FINANCIAL LITERACY



Financial literacy

- OECD/INFE definition: “***A combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial wellbeing***”
- Gender difference are analysed in three main components,
 1. Financial knowledge
 2. Attitudes
 3. Behaviour
- Sources:
 - Atkinson, A. and Messy, F-A. (2012), “Measuring Financial Literacy: Results of the OECD/International Network on Financial Education (INFE) Pilot Study”, *OECD Working Papers on Finance, Insurance and Private Pensions*, No. 15, OECD Publishing. doi: [10.1787/5k9csfs90fr4-en](https://doi.org/10.1787/5k9csfs90fr4-en)
 - Academic research
 - National (policy) studies





GENDER DIFFERENCES IN FINANCIAL LITERACY

1 – FINANCIAL KNOWLEDGE



Women have lower financial knowledge than men

**Large international evidence from many sources/countries
Women have lower levels of financial knowledge**

Gender differences are not significant in a minority of cases

Albania, Armenia, Australia, Azerbaijan, British Virgin Islands, Bulgaria, Canada, Czech Republic, Estonia, Germany, India, Ireland,

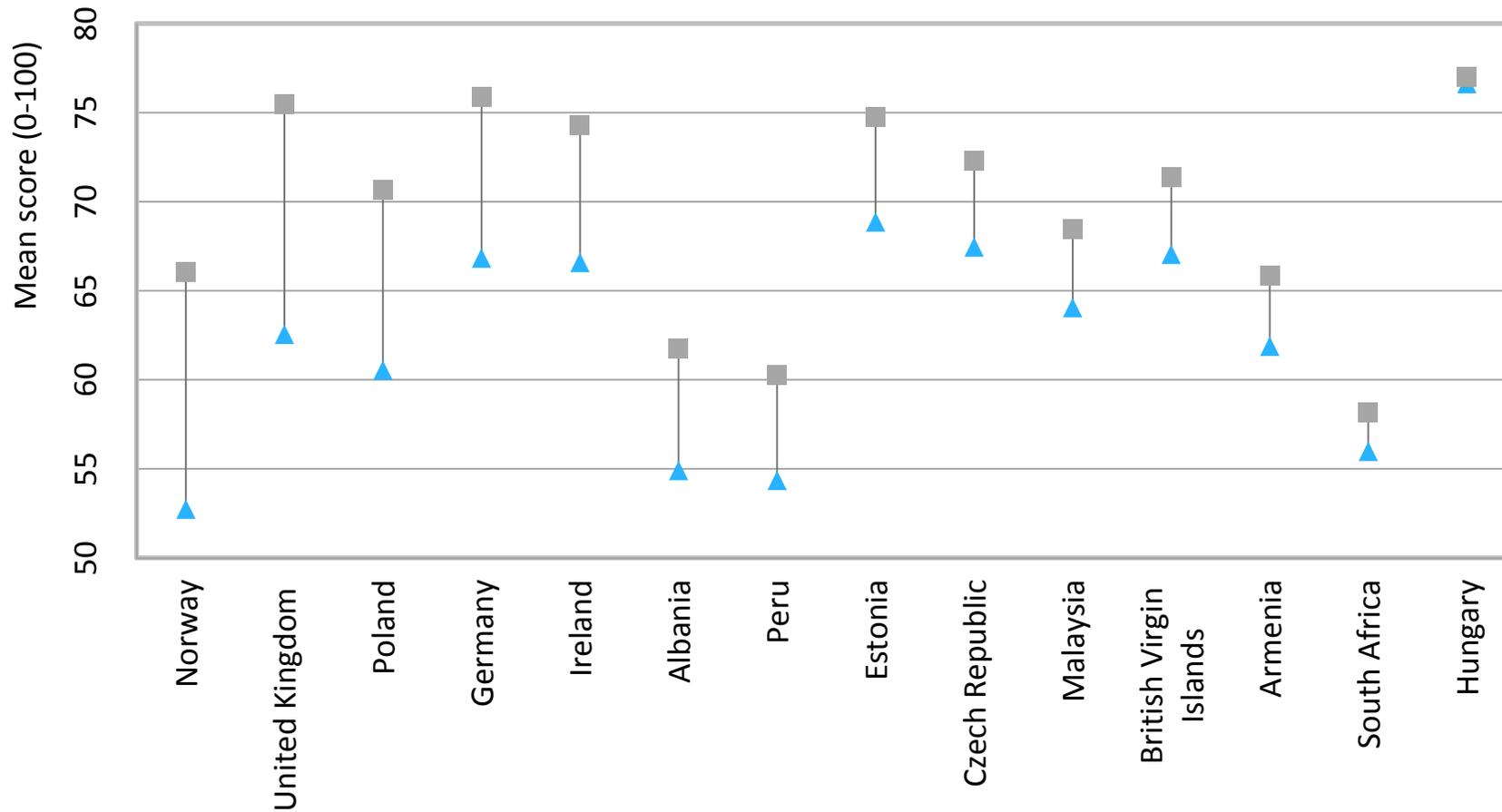
Italy, Jamaica, Japan, Malaysia, Netherlands, New Zealand, Norway, Peru, Poland, Portugal, South Africa, Sweden, UK, US

East Germany, Hungary, and Russia





Women have lower financial knowledge than men ...



Source: OECD (2013), Women and Financial Education: Evidence, Policy Responses and Guidance, OECD Publishing. <http://dx.doi.org/10.1787/9789264202733-en>





GENDER DIFFERENCES IN FINANCIAL LITERACY

2 – ATTITUDES



Women appear to be aware of their lack of financial knowledge

- Studies in Germany, the Netherlands and the US show that women's self-reported levels of financial knowledge are lower than men's
- This suggests that women tend to be aware of their lack of knowledge

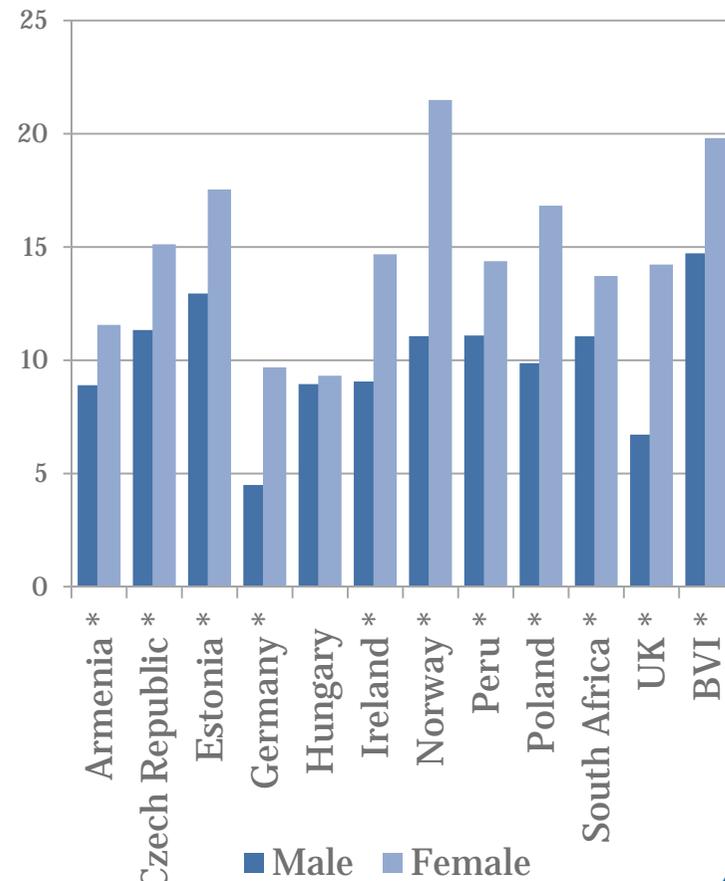




Women have lower confidence in their financial knowledge and skills

- Women are more likely than men to answer “do not know” to financial knowledge questions (OECD/INFE survey).
- Other countries where this has been found: **Azerbaijan, Bulgaria, Germany, Italy, Japan, the Netherlands, New Zealand, the Russian Federation, Sweden** and the **US**
- **Australia (2008)**: women are generally confident in their ability with everyday money management (budgeting, saving, dealing with credit and managing debt), but are less confident with more complex issues (investing, saving for retirement, understanding financial language).

Average number of "do not know" replies by gender – out of 100



Source: OECD (2013)



Men are more likely to be over-confident in their financial skills

- All evidence is from the United States
- Men behave more like over-confident investors than women.
- Men spend more time and money on security analysis, rely less on their brokers, make more transactions, believe that returns are highly predictable, and anticipate higher possible returns than do women. Men also trade more excessively than women, and as a result they reduce their net returns more compared to women.
- Overconfidence in one's own knowledge or ability can lead to mistakes and may impact upon the degree to which people seek financial information and advice.





Gender differences in interest for financial matters

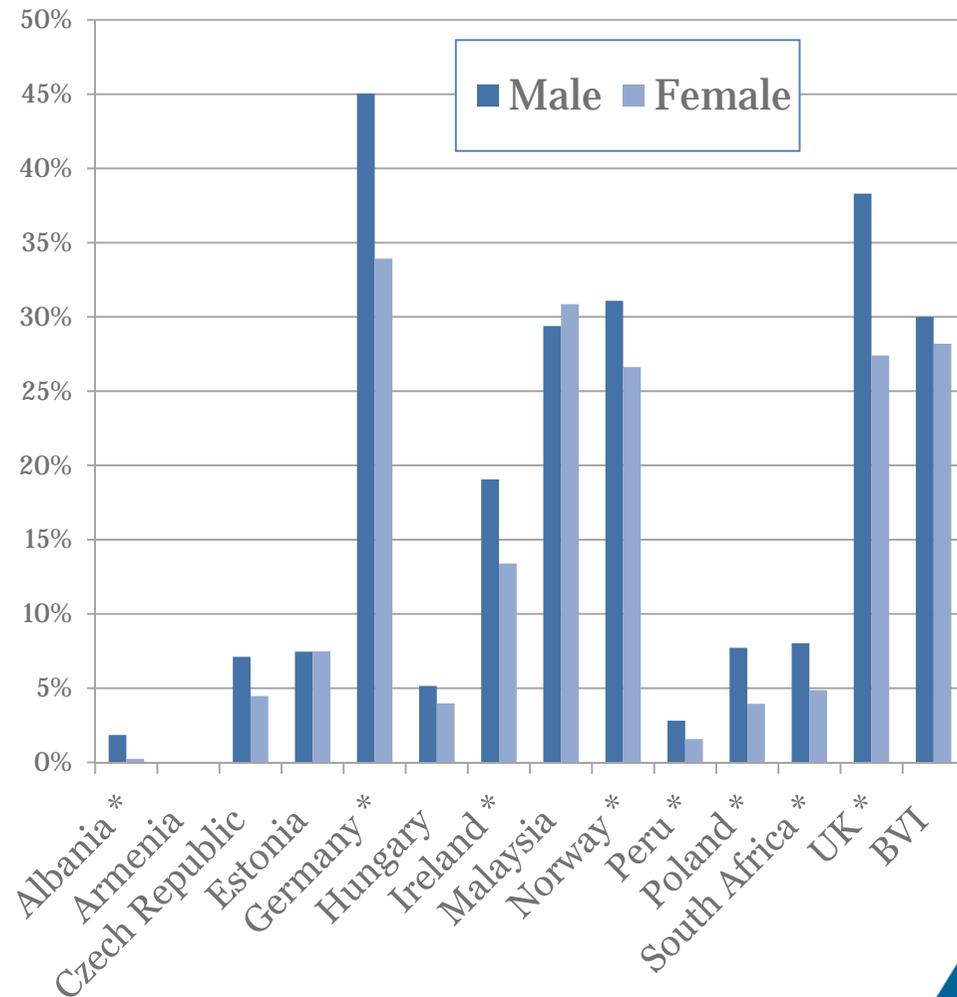
- Evidence in Germany, the Netherlands and the US show that girls/young women are less interested personal finance and finance related issues than boys/young men.





Women are less likely to invest in risky assets than men

Experimental and survey evidence that women are less likely to invest in risky assets than men, suggesting that women may be more risk-averse compared to men. Found in **China, Finland, Germany, India, the Netherlands, Sweden, Tanzania, Turkey, the US** and controlling for income, wealth, and financial knowledge



Source: OECD (2013)



-
- Overall, higher risk aversion, awareness of their financial knowledge and lower overconfidence underlie a more prudent financial behaviour which may protect women more than men from large investment losses or from being victims of financial scams
 - On the one hand, risk aversion and low confidence may reduce propensity to profit from opportunities in the financial marketplace by limiting their willingness to take financial risks.





GENDER DIFFERENCES IN FINANCIAL LITERACY

3 – BEHAVIOUR



Women appear to be better than men at short-term money management

- Keeping a close watch on every-day financial expenses is a first step in building long-term financial security and avoiding unsustainable levels of debt. **Women have day-to-day financial responsibility in many couples.**
- Evidence from some countries (Australia Canada Netherlands New Zealand Portugal, the United Kingdom and from OECD/INFE survey) that women appear to be better than men at **short-term money management behaviour**, such as to regularly keep a budget for their day-to-day finances, **keeping track of their financial affairs**, etc.





However, women are less able to make ends meet and save for long term

Make ends meet

- Women are more likely than men to report that they have experienced problems in **covering living costs** in the previous year (OECD/INFE survey)

Cover living costs

- Non-married men would be able to **cope for a longer period without their main source of income** (and without borrowing money or moving into a different house) than non-married women (OECD/INFE survey)

Savings gaps

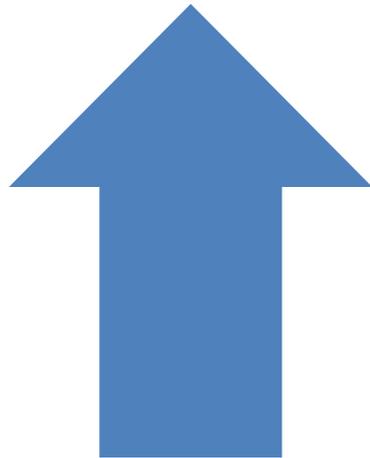
- **Gender saving gaps** (documented mostly in Anglo-Saxon countries). Large gender savings gap in Australia; UK women save less than men for retirement and in general

Wealth gaps

- Gender differences in saving are typically compounded into **gender differences in wealth** (documented in Canada, Germany, US)



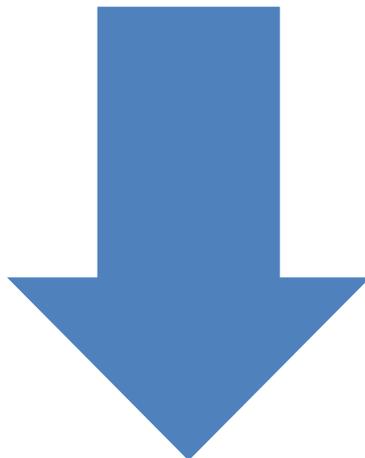
Different strategies to make ends meet



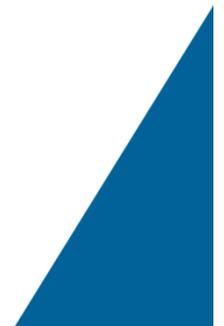
Women are more likely than men to answer that they **spent less**



No gender differences with respect to other coping strategies, such as running down existing savings, borrowing, or falling behind with payments (OECD/INFE survey)



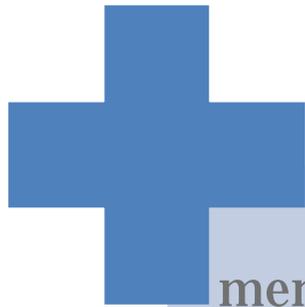
Men are more likely to report that men are more likely that they found ways to **earn extra money** (worked overtime or took a second job)





Different saving instruments

In some countries, among non-married respondents (OECD/INFE survey)...



men are more likely than women to be actively saving through **formal financial products**

(such as paying money into a savings account; buying financial investment products other than pension funds; paying in for a term deposit, and/or paying into a building society contract)

while women are more likely to be **saving informally**

(e.g., cash at home or in their wallet, or to be saving in an informal savings club)





Women are less likely to choose financial products in an informed way

Comparing financial products/services and asking for info/advice (OECD/INFE survey)

- men are more likely than women to **compare financial products** across providers in their recent products choices and to shop around for financial products across a
- women are less likely than men to have made an attempt at **taking informed decisions** in financial product purchases in (measured by whether respondents have consulted either independent or non-independent sources)
- of the respondents who tried to take an informed decision, men are more likely to have consulted **independent professional sources** of information and advice

Choice of sources of info/advice (Evidence from New Zealand, Japan, Netherlands and Germany)

- Men tend to seek financial information or advice from formal sources of advice (including newspapers, magazines/leaflets, websites, and advisors), while women are more likely to rely on informal sources such as family, relatives and friends



FACTORS AFFECTING GENDER DIFFERENCES IN FINANCIAL LITERACY



Important role of socio-economic factors...

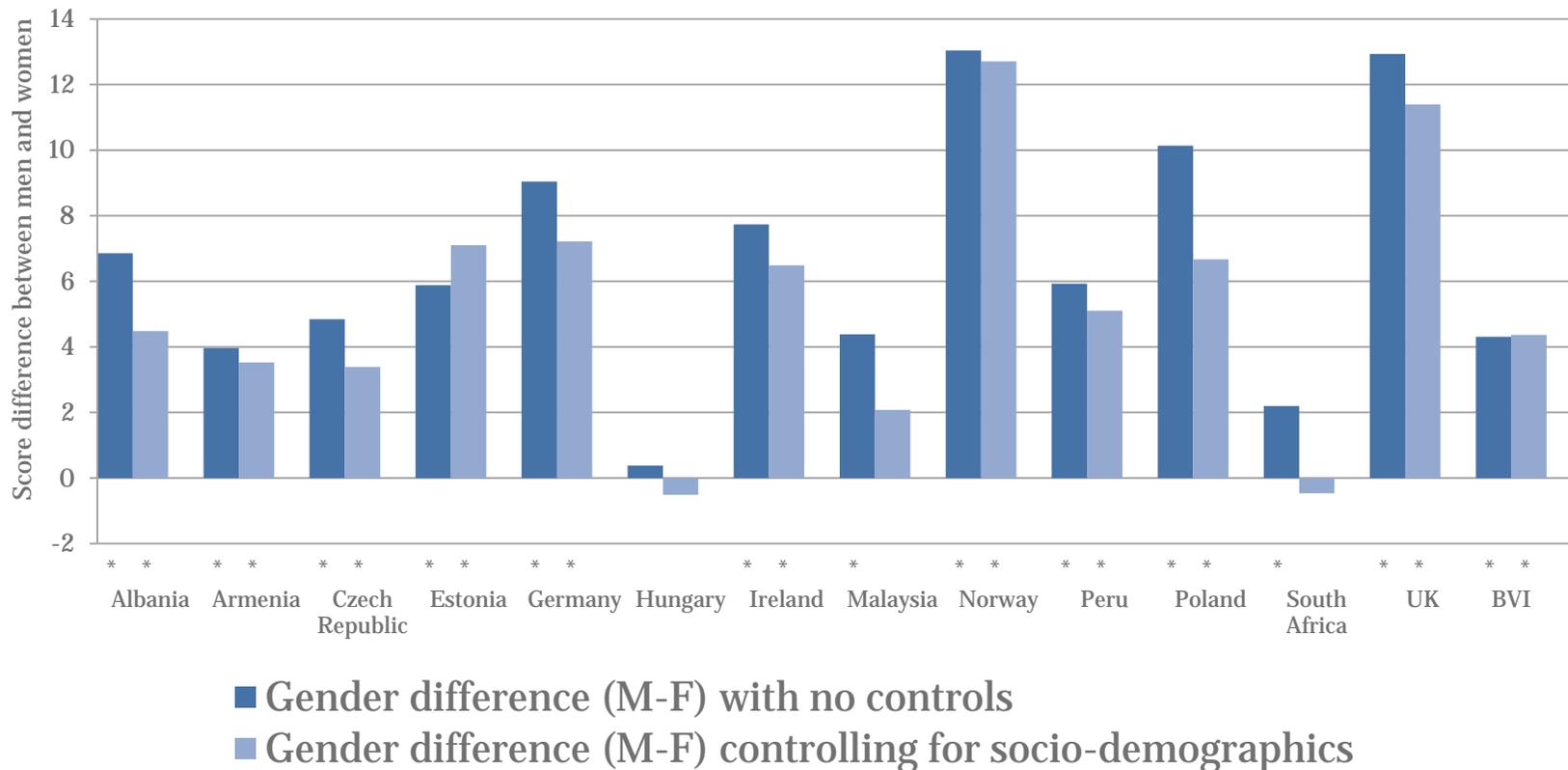
- Mixed (and little) evidence to support the idea that gender differences in financial knowledge are related to specialisation in household financial decision making
- Differences in both financial knowledge and financial behaviour /strategies are clearly related to **socio-economic factors**
- Role of social norms (eg. in short term planning and responsibility for smaller expenses vs. longer term planning and responsibility for larger expenses)





...on financial knowledge

Smaller but still significant gender difference in financial knowledge after controlling for socio-demographic factors



Source: OECD (2013)





...and on financial behaviour

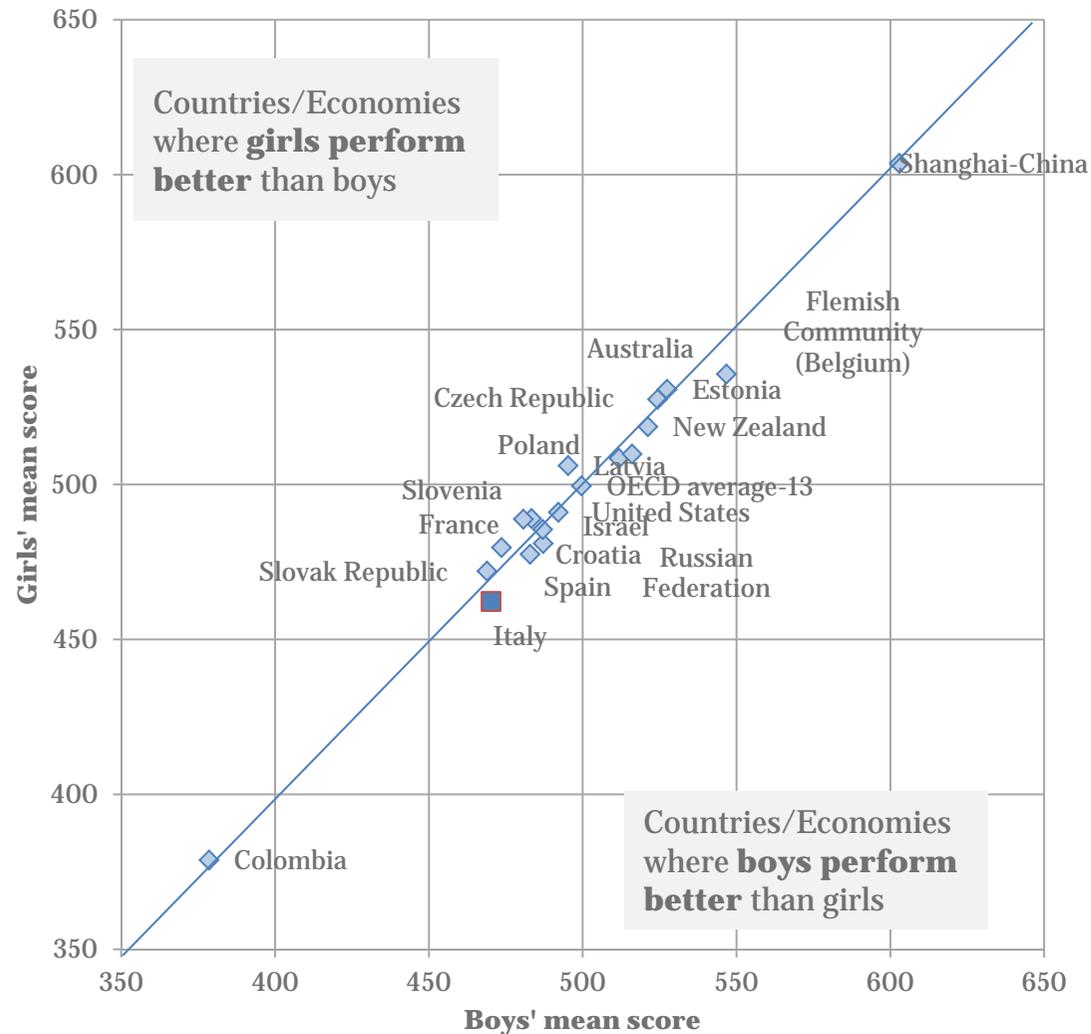
- Also differences in the ability cover living expenses and saving are related to observable socio-economic factors:
 - age, education, earnings and labour market experience (OECD/INFE survey, and studies in Germany and the US)





Gender differences in financial literacy among young people

To what extent do gender differences in financial literacy in adulthood come from gender differences among young people ?



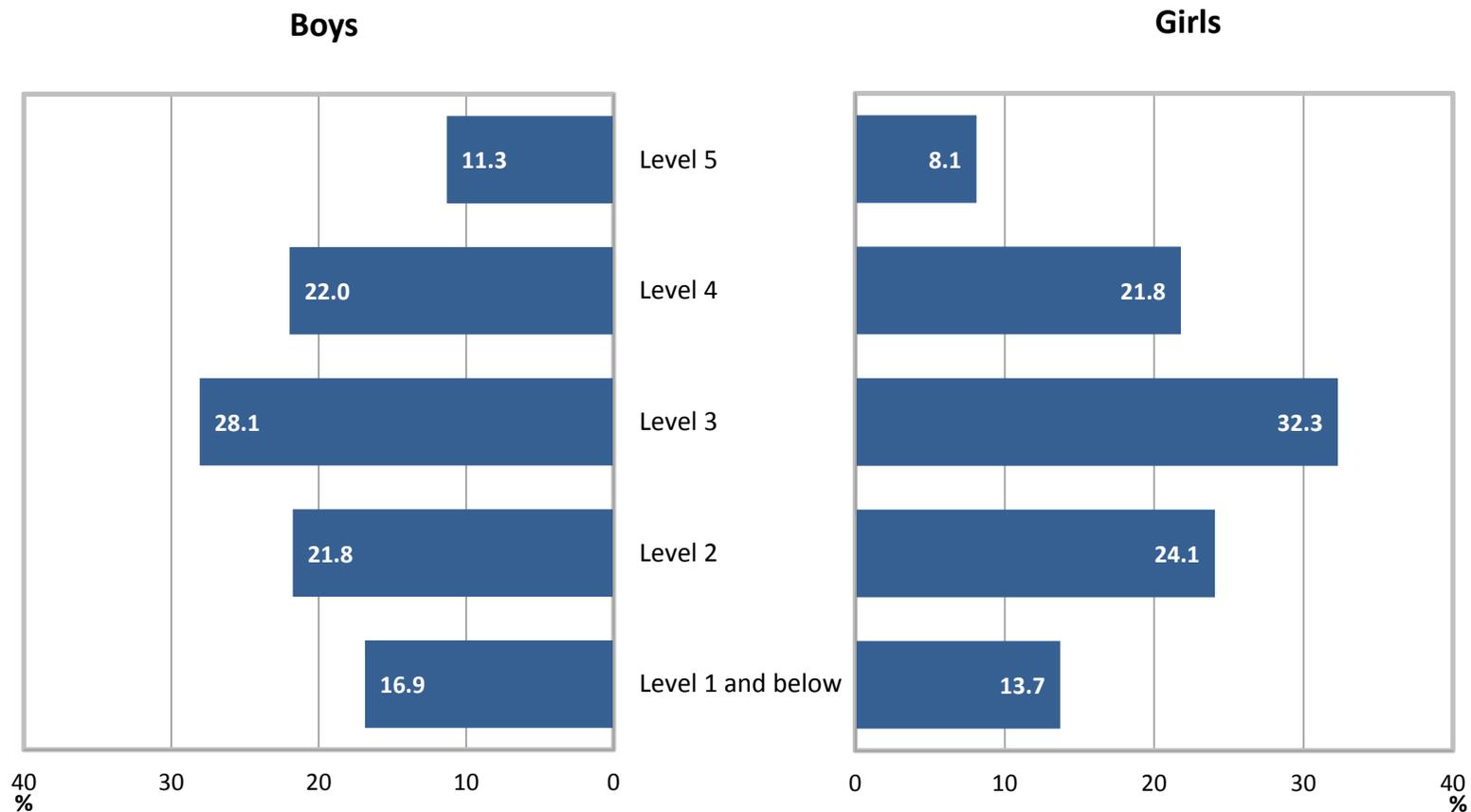
Source: OECD, PISA 2012 Database, Table VI.3.1.





Gender differences in financial literacy among young people

Gender differences at the top and at the bottom of the distribution



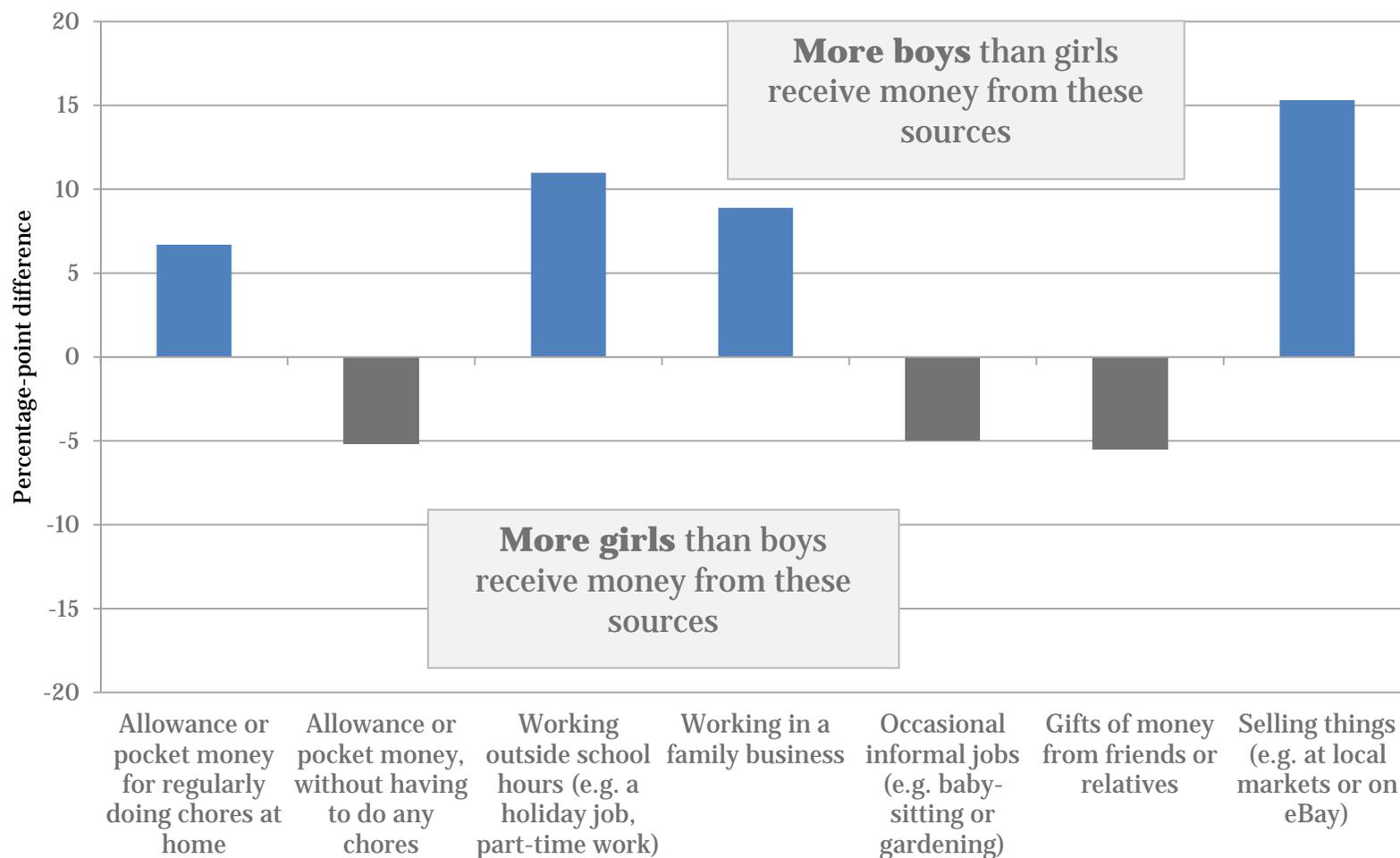
Source: OECD, PISA 2012 Database, Figure VI.3.3





Difference between boys and girls in sources of money

Students' sources of money, by gender, OECD countries and economies



Source: OECD, PISA 2012 Database, Table VI.4.8.



Questions for you...

Gender differences in financial attitudes I

- Larger evidence base from more countries. What drives women's risk aversion, lack of confidence and lower interest for financial matters with respect to men?

Gender differences in financial attitudes II

- What drives the relation, if any, between gender differences in financial knowledge and attitudes (especially confidence and risk aversion)? What drives the relation between gender differences in financial attitudes (especially time and risk preferences) and financial behaviour?

Gender differences in financial knowledge at young ages

- To what extent are gender differences in adulthood due to women's lack of opportunities for learning and experiencing about financial issues along the life cycle?

Gender differences in making ends meet and saving

- Larger evidence base. To what extent women's and men's attitudes, financial knowledge, and limited access to employment and entrepreneurship drive their ability and propensity to make ends meet, to cut expenses vs. earn higher incomes, and to save for unexpected expenses and for the long term?

Gender differences in saving behaviour

- Larger evidence base from more countries, especially from developing and emerging ones. In addition, more evidence is needed about the ability of men and women to plan for the long term vs. manage their money in the short run

Gender differences in the choice and use of sources of information and advice

- Women appear to be less overconfident than men and yet less likely to resort to advisors: what drives gender differences in the propensity to seek advice, taking into account both demand and supply side factors?



POLICY RESPONSES



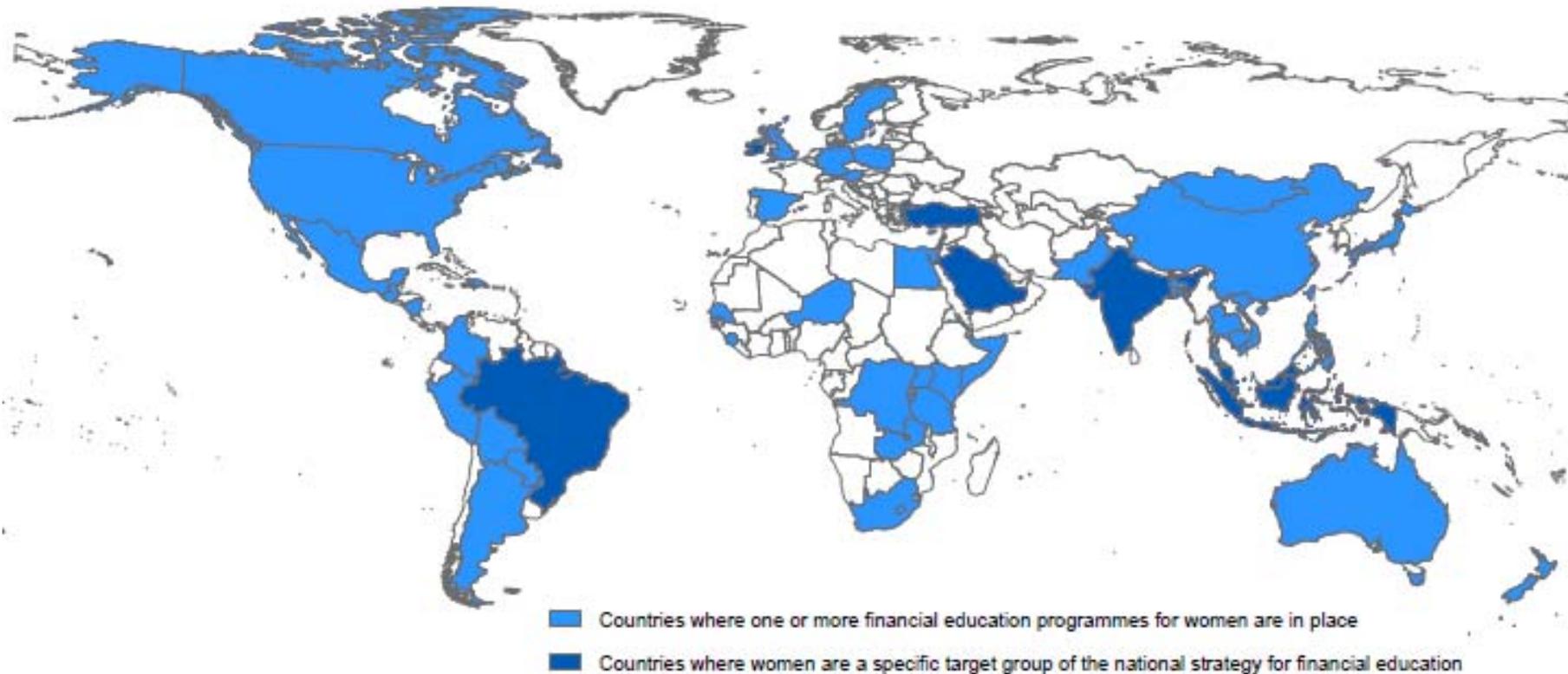
Growing attention to the financial empowerment of women/girls

- Women and girls as specific target groups of policies and initiatives on financial education:
 - A few countries, including Brazil, Israel, Malaysia and Turkey, have included women as a specific target group of their *national strategies* for financial education
 - Other programmes (by governments, NGOs and private sector) targeting women and girls





Financial education programmes targeting women in many countries



This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.





Programmes vary depending on countries' circumstances and needs

- **Stakeholders** (e.g. public authorities, international orgs, local and international NGOs, MFIs, financial institutions)
- **Target** groups (e.g. young/girls, elderly/widows, women approaching retirement, low-income/unemployed women, financially excluded, victims of violence, conditional cash transfer recipients)
- **Topics** (e.g. financial products awareness and day-to-day financial management, borrowing, long-term financial planning, consumers' rights)
- Rural / urban **settings**





Fostering women's economic empowerment by improving financial strategies

- Supporting **financial inclusion**: fostering the use of formal saving accounts, in combination with financial inclusion initiatives
- Supporting female **micro-small entrepreneurs**, in combination with training on entrepreneurship / business skills,
- **Broader empowerment initiatives**, eg including training on health-related issues (HIV/AIDS...)
- Helping women **choosing financial products** appropriately
- Helping women planning for **retirement**
- Preventing **over-indebtedness**





POLICY RESPONSES

CHALLENGES AND
LESSONS LEARNT



Common lessons from several case studies

While taking into account national circumstances and needs, some general lessons can be drawn

- Broad approach: women's financial empowerment and greater financial independence as a part of overall socio-economic empowerment. Valuable combination of FE with other types of training/interventions
- Learning environment
 - Learning in a group to share experiences and create sense of belonging
 - Use of female trainers as role models to build confidence among trainees
 - Use of female trainers can positively impact on trainers themselves





Challenges ahead...

- Understanding the role of **attitudes**: women less interested but aware of their lack knowledge and less over-confident → potentially more 'teachable'
- Finding ways to address **social norms** that may reduce women's financial independence
- Taking into account that women may be a particularly **hard-to-reach group**, due to social segregation, or lack of time due to work/social obligations
- **Tailoring content and delivery method** to women's lower expertise and preferences
- Finding ways to provide relevant and unbiased **advice** to women
- Analysing **impact evaluation** results by gender, even when a programme does not target women specifically





OECD/INFE POLICY GUIDANCE



OECD/INFE policy guidance

OECD/INFE Policy guidance on addressing women's and girls' needs for financial awareness and education

- Endorsed by G20 Leaders at their Summit in September 2013

OECD Recommendation on Gender Equality in Education, Employment and Entrepreneurship

- Recommendation of the OECD Council
- 



OECD/INFE policy guidance

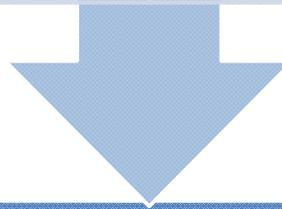
Developing consistent national framework to empower women

Women needs for financial education recognised as a cross cutting issue

Strengthened and ongoing co-ordination amongst relevant stakeholders

Development of national evidence on women's needs for financial education

Identification of particular vulnerable subgroups and policy priorities



Harnessing existing learning environments and women's attitudes and preferences

Promote adequate learning contexts (school, workplace, women's networks)

Use of community effect and female trainers as role models

Take advantage of women lower confidence but interest in learning

Evaluate and monitor programmes to further fine tune their delivery





THANK YOU!

Questions and feedback welcome

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OECD/INFE

www.financial-education.org

Financial education and women

<http://www.oecd.org/daf/fin/financial-education/financialeducationandwomen.htm>

