Project report no.19- 2018

Elaine Kempson & Christian Poppe

Assessing the Levels of Financial capability and Well-Being in Norway

A summary report

Økonomisk dugelighet og trygghet i Norge

Hovedfunn

OSLO METROPOLITAN UNIVERSITY
CONSUMPTION RESEARCH NORWAY SIFO

Mission report no 19 – 2018

CONSUMPTION RESEARCH NORWAY - SIFO
OsloMet —Oslo Metropolitan University
Stensberggt. 26.

PO BOX 4, St. Olavs plass, NO-0130 Oslo, NORWAY

www.oslomet.no/om/sifo

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Elaine Kempson
Visiting Professor at Consumption Research Norway (SIFO)
Oslo Metropolitan University

Christian Poppe
Senior Researcher/Phd at Consumption Research Norway (SIFO)
Oslo Metropolitan University

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Sammendrag

Denne rapporten handler om '*financial well-being'* — økonomisk trygghet på norsk. Rapporten gir et oversiktsbilde av økonomisk trygghet i Norge i 2017, basert på en tidligere rapport: *Kempson E, Poppe C. SIFO rapport 3-2018. Understanding Financial Well-Being and Capability. A Revised Model and Comprehensive Analysis. Oslo: Consumption Research Norway (SIFO), Oslo Metropolitan University*. Analysene viser at økonomisk trygghet påvirkes direkte av tre grupper av variabler: måten man bruker penger på, grad av økonomisk kontroll, og egenskaper ved det sosiale miljøet. Resultatene sammenlignes også med andre land, og plasserer Norge som en kontekst med utpreget høy grad av generell økonomisk trygghet. Rapporten peker likevel på kritiske aspekter av norske husholdningers økonomiske atferd, herunder lav grad av kontrollert forbruk, og gir anbefalinger for å konsolidere og forbedre allerede høye nivåer av økonomisk trygghet.

Summary

This report provides an overview of financial well-being in Norway in 2017, based on a previous report: *Kempson E, Poppe C. SIFO Report 3-2018. Understanding Financial Well-Being and Capability. A Revised Model and Comprehensive Analysis. Oslo: Consumption Research Norway (SIFO), Oslo Metropolitan University*. The analysis show that financial well-being is directly influenced by three groups of variables: money use behaviours, financial confidence and control, and aspects of people's social environment. The results are also compared with other countries, placing Norway as a high-score context. Still, the report points at critical aspects of the financial behaviour of Norwegian households, including a relatively low score on spending restraint, and offers policy advice to consolidate and improve already high levels of general financial well-being.

Stikkord

Økonomisk utsatthet, økonomisk trygghet, økonomisk dugelighet, økonomisk atferd

Innhold

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The quality check of the report was done by Anita Borch, Head of Research SIFO.

Consumption Research Norway SIFO
OsloMet —Oslo Metropolitan University
Oslo, 15. December 2018

Økonomisk trygghet i Norge

Sammenlignet med andre land skårer Norge høyt på generell økonomisk trygghet. Men når det gjelder økonomiske buffere er handlingsrommet mindre enn for håndtering av daglige utgifter. Dette skyldes både inntektsforhold og folks forbruks-, spare- og låneadferd — atferdsmønstre som primært henger sammen med personlighetstrekk. Økonomisk kunnskap er mye mindre viktig. Dette peker i retning av at det må rettes et større fokus på nordmenns økonomiske dugelighet for å sikre at de i tiden som kommer kan ta tilstrekkelig ansvar for egen økonomi.

- På det generelle målet for økonomisk trygghet skårer Norge i gjennomsnitt 77 poeng (på en skala fra null til 100). Dette er betydelig høyere enn i Canada (65), Irland (64), Australia og New Zealand (begge 59). For en stor del kan dette tilskrives høyere inntekt og lavere inntektsforskjeller i Norge.
    - På et av de tre underliggende dimensjonene av økonomisk trygghet — overholde løpende økonomiske forpliktelser — skårer Norge svært høyt: 90 poeng. Dette målet fanger det å ha tilstrekkelig med penger til mat og evnen til å betale regninger og andre utgifter til rett tid.
    - I motsetning til dette var gjennomsnittlig poengskåre for den andre underliggende dimensjonen — økonomisk armslag — betydelig lavere: 70. Dette målet fanger opp grad av økonomisk valgfrihet i hverdagen. Resultatet viser at et større antall mennesker ikke hadde mye handlingsrom utover å dekke løpende utgifter.
    - På den tredje og mer langsiktige underliggende dimensjonen for trygghet — økonomisk robusthet — skårer Norge i gjennomsnitt 73 på skalaen fra 0 —100. Resultatet tyder på at mens en større del av den norske befolkningen er rimelig godt beskyttet mot økonomiske problemer, fins det også en mindre andel som er utsatt fordi de ikke har en tilstrekkelig økonomisk buffer.
- Disse gjennomsnittene skjuler imidlertid også signifikante forskjeller på tvers av den norske befolkningen.
    - Over halvparten (57 prosent) synes å være økonomisk '*trygge*' og skårer i gjennomsnitt hele 91 poeng på det generelle trygghetsmålet. Både deres nåværende økonomiske situasjon og beskyttelsen mot uheldige begivenheter i framtiden er god.
    - En tredjedel (34 prosent) 'har *det bra*' med en gjennomsnittlig skåre på 68 på det generelle trygghetsmålet. Men selv om de er i stand til å overholde sine økonomiske forpliktelser har de mye lavere bufre enn de økonomisk '*trygge*'.
    - Folk som *'klarer seg akkurat'* utgjør 6 prosent av den norske befolkningen. De har en gjennomsnittlig generell økonomisk trygghetsskåre på bare 42 poeng. Mange har økonomiske problemer mens andre lever på grensen av å komme i vanskeligheter. De har få økonomiske bufre mot fremtidige endringer i rammebetingelsene.

  - Omtrent 3 prosent av den norske befolkningen ‘*sliter’* økonomisk. De har en gjennomsnittlig generell økonomisk trygghetsskåre på bare 19 poeng, og også svær lave nivåer på samtlige av de tre underdimensjonene av økonomisk trygghet. Med andre ord er de allerede i økonomiske vanskeligheter, og har utilstrekkelige eller ingen bufre å trekke på overfor mulige inntektsreduksjoner- eller utgiftsøkninger.

- Den økonomiske tryggheten påvirkes av en kombinasjon av inntekt, hvordan folk bruker og administrerer pengene de har, og eventuelle erfaringer med inntektsnedgang. Grad av økonomisk kunnskap spiller en mindre rolle. God politikk er nødvendig, ikke bare for å sikre stabilitet i husholdenes inntektssituasjon, men også for å fremme økonomisk kompetent atferd.

- De viktigste handlingstypene som driver økonomisk trygghet er knyttet til hvordan folk bruker pengene sine: aktiv sparing, ikke låne til daglige utgifter, begrenset bruk av forbrukskreditt og kontrollert forbruk. Økonomisk tillit og ansvar for egne økonomiske handlinger påvirker også den økonomiske tryggheten. Hvordan folk styrer pengene sine (gjennom budsjettering og overvåkning av inntekter og utgifter, for eksempel) er imidlertid mindre viktig.

  - Selv om det er rom for forbedring, skårer Norge høyt når det gjelder handlingstyper som påvirker den økonomiske tryggheten. Unntaket er (mangel på) kontrollert forbruk, hvor gjennomsnittsskåren er lavere enn i de fleste andre land. Hvis man skal gjøre noe med dette, må det fokuseres mer på folks holdninger til å spare, bruke og låne penger, samt rette oppmerksomheten mot en rekke avgjørende personlighetstrekk. Eventuelle tiltak som tar sikte på å øke graden av økonomisk kunnskap og erfaring i den voksne befolkningen er trolig mindre viktig i denne sammenheng.

- Det å øke nivået på økonomisk trygghet og fremme god atferd er en kompleks prosess som potensielt involverer mange aktører. Skolene har tydeligvis en viktig rolle å spille overfor barn og unge, og det samme gjelder organisasjoner som NAV og forbrukerorganisasjonene. Men også banker og andre finansinstitusjoner har et klart ansvar.

- Regjeringene i andre land, som f.eks. Storbritannia, USA, Canada, New Zealand og Australia har etablert spesifikke organisasjoner for å koordinere arbeidet på dette området. Disse er en integrert del av det institusjonelle systemet og gjerne direkte underlagt et departement. Den norske regjeringen bør vurdere en tilsvarende ordning.

  - Disse organene jobber vanligvis med en rekke interessenter for å utvikle en nasjonal strategi for å øke nivået på økonomisk atferd og trygghet. De foretar undersøkelser for å identifisere prioriteringsområdene for intervensjoner, identifiserer og fremmer beste praksis når det gjelder økonomiske tjenester, samt identifiserer hull i gjeldende reguleringer. Den foreliggende analysen av økonomisk trygghet gir grunnlag for å utvikle en nasjonal strategi av denne typen i Norge.

De trygge

Over halvparten (57 prosent) synes å være økonomisk '*trygge*' og skårer i gjennomsnitt hele 91 poeng på det generelle trygghetsmålet. Både deres nåværende økonomiske situasjon og beskyttelsen mot uheldige begivenheter i framtiden er god.

- Denne gruppen viser ingen tegn på å ikke kunne oppfylle løpende økonomiske forpliktelser (gjennomsnittlig score 99). Nesten alle (98 prosent) sier at de ikke har problemer med å betale regninger og andre utgifter til rett tid, og resten sier at det skjer sjelden.
- De gjør det også bra med hensyn til økonomisk armslag (gjennomsnittlig score 82). De fleste har penger til overs ved månedsslutt og har nok penger til å nyte livet og gjøre de tingene de ønsker.
- Nivået på økonomisk robusthet er også høyt (gjennomsnittlig score 91). Fire av ti (40 prosent) har oppsparte midler tilsvarende mer enn 12 månedslønner, og en fjerdedel (23 prosent) har spart mellom seks og tolv månedslønner.

Hvem er de?

- Dette er den eldste av de fire gruppene med en gjennomsnittsalder på 52 — ti år eldre enn de andre gruppene.
- De er også den mest velstående gruppen, med brutto husstandsinntekter på i gjennomsnitt 828,403 kroner i året. Og de er gruppen med lavest sannsynlighet for å ha opplevd enten et betydelig inntektsfall eller en betydelig utgiftsøkning de siste 12 månedene.
- Alle kategorier med særlig risiko for lav grad av økonomisk trygghet er sterkt underrepresentert i gruppen av økonomisk '*trygge*'. Dette inkluderer arbeidsløse, selvstendig næringsdrivende og leietakere (se figurene 3-6).
- De har også høyest utdanning. Det store flertallet har minst videregående skolegang, og 36 prosent har en universitetsgrad.

Økonomisk dugelighet

- De '*trygge*' skåret høyest på økonomisk dugelighet. De er svært aktive sparere, med en gjennomsnittlig score på 82 av 100, og nesten ingen låner for å betale regninger eller møte daglige behov (poengsum 97).
- Sammenlignet med andre grupper har de høyere grad av kontrollert forbruk (78), selv om deres høyere inntekter innebærer at de har mindre behov for dette. De begrenser også bruk av forbrukslån mer enn andre grupper med en score på hele 95.
- De er ganske sikre på deres evner til å styre penger (75) og påtar seg ganske høy grad av personlig ansvar for sine økonomiske beslutninger (73).
- Omtrent halvparten av dem (52 prosent) sier at foreldrene deres har diskutert penger med dem som barn.

Mulige tiltak

- Denne gruppen vil ikke være prioritert når det gjelder tiltak for å øke den økonomiske dugeligheten i Norge.

Har det bra, men med få reserver

En tredjedel (34 prosent) 'har *det bra*' med en gjennomsnittlig skåre på 68 på det generelle trygghetsmålet. Men selv om de er i stand til å overholde sine økonomiske forpliktelser har de lavere bufre enn de økonomisk '*trygge*'.

- Denne gruppen gjør det ganske bra når det gjelder håndtering av økonomiske forpliktelser, med en gjennomsnittlig score på 87. Likevel sa tre av ti (31 prosent) at de noen ganger sliter med å betale regninger og andre forpliktelser til rett tid.
- Noen av dem har imidlertid ganske begrenset armslag i sine budsjetter, med en gjennomsnittlig score på 58. Faktisk sa bare seks av ti (60 prosent) at deres økonomi gir dem nok valgfrihet til å anskaffe det de ønsker og nyte livet.
- Deres relative mangel på økonomiske bufre betyr at de er potensielt utsatt for økonomisk risiko (deres gjennomsnittscore på økonomisk robusthet var 58). Nesten to tredjedeler av dem (64 prosent) hadde mindre enn tre måneders inntekt oppspart.
-

Hvem er de?

- Med en gjennomsnittsalder på 43 er de en god del yngre enn de som tilhører gruppen økonomisk '*trygge*'.
- De har moderat høye (brutto) husstandsinntekter på i gjennomsnitt 654.091 kroner i året. Relativt få av dem har opplevd betydelig nedgang i inntekt eller betydelig økning i utgiftene de siste 12 månedene. Denne gruppen omfatter heller ikke mange arbeidsledige og selvstendig næringsdrivende (figur 3-5).
- Andelen leietakere er høyere enn blant de '*trygge*', men samtidig lavere enn i de to andre gruppene. (Figur 6).

Økonomisk dugelighet

- Denne gruppen har ganske høy grad av økonomisk dugelighet, selv om den er lavere enn blant de '*trygge*'. De er ganske aktive sparere, med en gjennomsnittlig poengsum på 68, og nesten ingen av dem lånt for å betale regninger eller møte daglige utgifter (poeng 91).
- Imidlertid har de en høyere tilbøyelighet til forbruk enn de '*trygge*', og skårer i gjennomsnitt bare 64 poeng på indikatoren for kontrollert forbruk. Nivået på begrenset bruk av forbrukskreditt er også lavere enn blant de '*trygge*', men fortsatt svært høyt (87).
- De er ganske trygge på deres evner til å styre penger (66) og tar en moderat grad av personlig ansvar for sine økonomiske beslutninger (68).
- Omtrent halvparten av dem (49 prosent) sier at foreldrene deres diskuterte penger med dem som barn.

Mulige tiltak

- Bruk av sosiale markedsførings- og edutainment-teknikker for å fremme aktiv sparing og kontrollert forbruk.
- Hjelp-til-selvhjelp-tiltak, f.eks. på internett.

Klarer seg akkurat

Folk som *'klarer seg akkurat'* utgjør 6 prosent av den norske befolkningen. De har en gjennomsnittlig generell økonomisk trygghetsskåre på bare 42 poeng. Mange har økonomiske problemer mens andre lever på grensen av å komme i vanskeligheter. Denne gruppen vil være et mål for tiltak for å avverge økonomiske vanskeligheter, samt å bygge reserver for å kunne møte fremtidige behov.

- Selv om de hadde en gjennomsnittlig score på 61 for å møte løpende økonomiske forpliktelser, sier én av ti (9 prosent) at det er en konstant kamp for å betale regninger til rett tid, og syv av ti (72 prosent) sier at de sliter av og til. Nesten fire av ti (37 prosent) sier at de kommer på etterskudd med betalinger fra tid til annen, og 8 prosent innrømmer at det skjer regelmessig.
- De har lite økonomisk armslag i hverdagen og scoret bare 37 på dette målet. Og åtte av ti (80 prosent) sier at økonomien ikke tillater dem å gjøre de tingene de ønsker for å kunne nyte livet.
- Dessuten har de svært lite penger lagt til side for å dekke dem mot fall i inntekt eller økte utgifter. Her skårer de i gjennomsnitt så lavt som 28 poeng. Tre fjerdedeler av dem (75 prosent) har mindre enn én månedsinntekt i sparepenger.

Hvem er de?

- De som '*klarer seg akkurat'* har en brutto årsinntekt på i gjennomsnitt 533.770 kroner. Dette er under gjennomsnittet for hushold i befolkningen sett under ett. Ca. en tredjedel har opplevd en betydelig nedgang i inntektene de siste 12 månedene, mens en femtedel har fått en vesentlig økning i utgiftene i samme periode (se figur 3 og 4).
- 7 prosent er arbeidsløse — mer enn det dobbelte av nasjonalt gjennomsnitt (se figur 5).
- 43 er leietakere og svært få av dem (5 prosent) er boligeiere (se figur 6).

Økonomisk dugelighet

- De som 'klarer seg akkurat' har mye lavere nivåer av økonomisk dugelighet enn de to foregående gruppene. De hadde lav score for aktiv sparing (50 av 100). Og selv om de fleste unngikk låneopptak for å betale regninger eller møte daglige behov (poeng 78), sliter en minoritet av dem med nettopp dette.
- De har en relativt lav score på kontrollert forbruk (57). Nivået på begrenset bruk av forbrukskreditt var høyere (71).
- De var ikke særlig trygge på evnen til å styre penger (54) og tok en moderat grad av personlig ansvar for sine økonomiske beslutninger (62).
- Bare fire av ti (41 prosent) sier at foreldrene deres diskuterte penger med dem som barn.

Mulige tiltak

- Personlig coaching og rådgivning gjennom NAV/selvhjelpsmateriell for å fremme sparing og unngå lån til daglige utgifter for å bedre evnen til å møte økonomiske utfordringer i fremtiden og å fremme større ansvar for egne økonomiske beslutninger.

Sliterne

Omtrent 3 prosent av den norske befolkningen '*sliter*' økonomisk. De har en gjennomsnittlig generell økonomisk trygghetsskåre på bare 19 poeng, og også svært lave nivåer på samtlige av de tre underdimensjonene av økonomisk trygghet. Mange er allerede I økonomiske vansker og har antakelig behov for veiledning og assistanse fra NAVs økonomiske rådgivere.

- '*Sliterne'* skårer bare 34 på overholdelse av økonomiske forpliktelser, noe som indikerer at de fleste har økonomiske problemer. Faktisk sier fire av ti (41 prosent) at det er en konstant kamp for å betale regninger og andre forpliktelser til rett tid, og resten innrømmer å slite fra tid til annen. Omtrent halvparten (51 prosent) sier at de regelmessig kommer på etterskudd med regninger og andre forpliktelser, og ytterligere en tredjedel (35 prosent) innrømmer at dette er tilfellet fra tid til annen.
- De hadde nesten ikke noe slakk i budsjettet, noe som tydelig illustreres av deres gjennomsnittlige poengsum på 17 på målet for økonomisk armslag. Faktisk sier nesten samtlige (98 prosent) at deres økonomi ikke tillater dem å gjøre det de ønsker og nyte livet.
- Med en gjennomsnittlig poengsum på bare 8 på målet for økonomiske bufre (robusthet), har de i praksis ingen beskyttelse mot fremtidige økonomiske begivenheter. Nesten alle (98 prosent) har mindre enn én månedsinntekt i sparepenger.

Hvem er de?

- Dette er uten tvil den mest utsatte av de fire gruppene. Deres årlige inntekter er mindre enn halvparten av de økonomisk '*trygge'* – 392.570 kroner mot 828.403 kroner. Det var fem ganger mer sannsynlig at de hadde hatt et betydelig inntektsfall i løpet av det siste året og tre ganger mer sannsynlig at de hadde vært utsatt for en større økning i utgiftene (se figur 3 og 4).
- 15 prosent i denne gruppen er arbeidsløse og ytterligere 8 prosent er selvstendig næringsdrivende. Begge andeler er høyest av alle fire grupper (figur 5).
- Mer enn halvparten er leietakere (se figur 6).

Økonomisk dugelighet

- Av de fire gruppene skårer 'sliterne' lavest på økonomisk dugelighet. På aktiv sparing skårer de bare 39, men dette kan vel så mye skyldes lave inntekter som mangel på tilbøyelighet til å spare.
- Selv om de har en høyere poengsum på målet for ikke å låne til daglig forbruk (73) er dette likevel lavest av de fire gruppene.
- De skårer 57 poeng på målet for kontrollert forbruk. Dette er det samme som de som *'klarer seg akkurat*'. Nivået på begrenset bruk av forbrukskreditt var også ganske lik (74).
- De skårer lavt på grad av tillit til egen evne til å styre penger (40). På målet for ansvar for egne økonomiske beslutninger skårer de 59 av 100 poeng.
- Bare tre av ti sier at foreldrene diskuterte penger med dem som barn. Dette er lavest av alle fire grupper.

Mulige tiltak

- Personlig coaching og rådgivning i NAV for å fremme sparing og unngå lån til daglige utgifter, og for å bygge opp økonomiske bufre og oppmuntre til større ansvar for egne økonomiske beslutninger.

Overview of Financial Well-being in Norway

Compared with their counterparts in other countries, Norwegian people were doing quite well in terms of general financial well-being. But levels of financial resilience for the future were somewhat lower than they were for meeting day-to-day commitments. This was attributable to people's spending, saving and borrowing behaviours, as well as the income they had. And these behaviours were driven primarily by personality traits; knowledge, however, was much less important. This indicates a need to ensure that the Norwegian population has the financial capability needed for their growing responsibility for their own financial well-being.

- The Norwegian population had average score for the general financial well-being measure of 77 (on a scale from zero to 100). This is considerably higher than in Canada (65), Ireland (64) Australia or New Zealand (each 59). In large part this can be attributed to the higher incomes and lower income inequality in Norway.
  - The average score was very high (90) for the meeting current commitments sub-measure of financial well-being**,** which captures the inability to pay bills and other commitments on time and having insufficient money for food and other expenses.
  - In contrast, the average score for being and feeling comfortable financially was considerably lower, at 70, showing that a larger number of people did not have much money left over after paying for essentials to allow them to do the things they want or enjoy.
  - The longer-term sub-measure of financial resilience for the future average score was 73, indicating that, although most of the Norwegian population has fairly good provision against financial shocks, a minority are exposed.
- But these averages hide some significant differences across the population of Norway.
  - Well over half (57 per cent) of the population appeared to be financially 'secure' with an average score of 91 on the general measure of financial well-being. Both their current financial situation and their provision for the future were strong.
  - A third (34 per cent) of the population seemed to be 'doing OK,' with an average general financial well-being score of 68. But although they were, on the whole, keeping up with current commitments they had much lower levels of financial resilience for the future than the people who were financially secure.
  - People who were 'just getting by' accounted for 6 per cent of the Norwegian population. They had an average general financial well-being score of just 42. These people appeared to be at risk of falling into financial difficulties currently as well as having little financial resilience for the future.
  - About 3 per cent of the Norwegian population were clearly 'struggling' financially. They had an average general financial well-being score of only 19 and very low scores across all of the more detailed measures, both short and long term. In other words, they were in financial difficulty now, and had inadequate or no reserves to protect them against possible income or expenditure shocks.

- The financial well-being of individuals was influenced by a combination of their incomes and experience of income shocks and how they use and manage the money they have available to them. Knowledge did not play a major role. So, policies are needed not only for income security but also to promote financially capable behaviours.
- The core behaviours that drive financial well-being relate to how people use their money: active saving, not borrowing for daily expenses, restrained consumer credit use and spending restraint. Financial confidence and taking responsibility for one's financial actions and outcomes also affect financial well-being. How people manage their money (through budgeting and monitoring income and expenditure, for example) is much less important.
    - Even though there is scope for improvement, compared with other countries the Norwegian population does quite well on the core behaviours that were found to drive financial well-being. The exception is (lack of) spending restraint, where the average score is lower than in most other countries. Promoting improvement in all the core behaviours will mean addressing attitudes to saving, spending and borrowing as well as an array of personality traits. Knowledge and experience seem less important.
- Raising levels of financial well-being and promoting capable behaviours is a complex process, potentially involving many actors. Schools clearly have an important part to play especially for children of young age, as do organisations such as NAV and consumer organisations. But so, too, do banks and other financial institutions.
- Governments in other countries, such as the United Kingdom, the United States, Canada, New Zealand and Australia have nominated a body to co-ordinate work in this area, which is generally either part of the regulatory framework or directly accountable to government. The Norwegian government may wish to consider following their example.
    - These bodies typically work with a range of stakeholders to develop a national strategy to raise levels of financial capability and well-being. They undertake surveys to identify the priority areas for interventions, identify and promote best practice in terms of service delivery as well as identifying gaps in provision that need to be filled. The financial well-being survey, therefore, provides the bedrock for developing a national strategy of this kind in Norway.

Secure

Representing over half (57 per cent) of the Norwegian population, people who were financially ‘secure’ had an average score of 91 on the general measure of financial well-being. Both their current financial situation and their provision for the future were strong.

- These people were showing no signs of being unable to meet their financial commitments (average score 99). Almost all of them (98 per cent) said that they faced no difficulty paying bills and other commitments on time and the rest said that it seldom happened
- They were also doing well in terms of both being financially comfortable (average score 82), with money left over most months and had sufficient money to do the things they wanted and to enjoy life.
- Their financial resilience for the future was also high (average score 91). Four in ten (40 per cent) of them had the equivalent of more than 12 months income in savings and a further quarter (23 per cent) had between six- and 12-month’s income saved.

Who they are

- They were the oldest of the four groups – with a mean age of 52 – ten years older than other groups.
- They were the most affluent, with gross household incomes averaging NOK 828.403 a year. And they were the group least likely to have experienced either a substantial income fall, or a substantial expenditure increase in the past 12 months.
- All the types of people who were at particular risk of low financial well-being were greatly under-represented among people who were financially secure. This included unemployed people, people who were self-employed and tenants. (Figures 3-6).
- They also had the highest levels of education. The great majority were educated to beyond Junior Certificate level. Indeed, 36 per cent of them had a university degree.

Financial capability

- People who were ‘secure’ had the highest levels of financial capability. They were very active savers, with an average score of 82 out of 100, and almost none of them borrowed to pay bills or meet daily living expenses (score 97).
- Compared with other groups they exercised higher levels of spending restraint (78), even though their higher incomes meant that they had less need to do so. The level of restrained consumer borrowing was also very high (95).
- They were quite confident about their abilities to manage money (75) and took quite a high degree of personal responsibility for their financial decisions and outcomes (73).
- About half of them (52 per cent) said that their parents had discussed money with them as a child.

Possible financial capability interventions

- These people would not be a priority for interventions to raise their level of financial capability.

Doing OK, but with little put by

This group of people had an average score of 68 on the general measure of financial well-being. For the most part they were able to meet their day-to-day commitments, but they had lower levels of financial resilience for the future. They represented a third (34 per cent) of the Norwegian population.

- These people were doing quite well on the meeting financial commitments measure, with an average score of 87. Even so, three in ten of them (31 per cent) said that they occasionally struggled to pay bills and other commitments on time.
- Some of them, however, had fairly limited room for manoeuvre in their budgets, so that they had an average score of 58 on the being comfortable financially measure. Indeed, only six in ten of them (60 per cent) indicated that their finances allowed them to do what they want and enjoy life.
- Their relative lack of provision against future financial shocks meant that they were potentially at risk financially (their average score for financial resilience was 58). Almost two thirds of them (64 per cent) had less than three months' income saved.

Who they are

- With an average age of 43, they were a good deal younger than those who were secure.
- They had moderately high (gross) household incomes that averaged NOK 654.091 a year. Relatively few of them had experienced either a substantial drop in income or a substantial rise in expenditure in the past 12 months. Nor did they include many unemployed and self-employed people (Figures 3-5).
- The proportion of tenants was higher than among the 'secure', but still lower than in the two other groups. (Figure 6).

Financial capability

- People who were 'doing OK' had fairly high levels of financial capability, although these were lower than among people who were secure. They were quite active savers, with an average score of 68 and almost none of them borrowed to pay bills or meet daily living expenses (score 91).
- But they had a higher propensity to spend than the people who were 'secure' with an average score of 64 on the measure of spending restraint. The level of restrained consumer borrowing was also lower than among the 'secure', but still very high (87).
- They were fairly confident about their abilities to manage money (66) and took a moderately high degree of personal responsibility for their financial decisions and outcomes (68).
- Half of them (49 per cent) said that their parents had discussed money with them as a child.

Possible financial capability interventions

- Use of social marketing and edutainment techniques to promote active saving and spending restraint.
- Interventions helping people help themselves, e.g. on the Internet.

Just getting by

People who were 'just getting by' accounted for 6 per cent of the Norwegian population. They had an average score of just 42 for general financial well-being. These people would certainly be the target for interventions designed to avert financial difficulties as well as building resilience for future needs.

- Although they had an average score of 61 for meeting commitments, one in ten (9 per cent) of them said that it was a constant struggle to pay bills on time and seven in ten (72 per cent) said that they struggled occasionally. Almost four in ten (37 per cent) said that they fell behind with payments from time to time and 8 per cent admitted that it happened regularly.
- They had little room for manoeuvre in their finances and scored just 37 on average for being comfortable financially. And eight in ten (80 per cent) said that their finances did not allow them to do the things that they want and enjoy life.
- Moreover, they had very little money put aside to cover them against income or expenditure shocks – with an average score of 28 on the financial resilience measure. Three quarters of them (75 per cent) had less than a month's income in savings.

Who they are

- Those 'just getting by' had below-average gross annual household incomes at NOK 533.770. About one third of them had experienced a substantial drop in income in the past 12 months, which is almost three times the national average. And one fifth had seen their expenditure rise substantially in the same period (Figures 3 and 4).
- 7 per cent of them were unemployed – again more than twice the national average. (Figure 5).
- 43 per cent of them rented a home and very few of them (5 per cent) were outright owners (Figure 6).

Financial capability

- People who were 'just getting' by had much lower levels of financial capability, than the previous two groups. They had a low score for active saving (50 out of 100). And although most avoided borrowing to pay bills or meet daily living expenses (score 78) a minority of them were doing so.
- They exercised a fairly low level of restraint on their spending (57) However, the level of restrained consumer borrowing was higher (71).
- They were not particularly confident about their abilities to manage money (54) and took a moderate degree of personal responsibility for their financial decisions and outcomes (62).
- Just four in ten of this group (41 per cent) said that their parents had discussed money with them when they were young.

Possible financial capability interventions

- One-to-one coaching and advice through NAV/ self-help materials to promote saving restraint and avoiding borrowing for day-to-day expenses, to improve financial resilience for the future and to encourage greater responsibility for financial decisions and outcomes.

Struggling

About 3 per cent of the Norwegian population were clearly 'struggling' financially and could, potentially, require the assistance of services provided by NAV for people facing payment problems. They had an average score for general financial well-being of only 19 and very low scores across all the more- detailed measures.

- Their score of just 34 for meeting financial commitments indicated that they were in financial difficulty. Indeed, four in ten (41 per cent) said it was a constant struggle to pay bills and other commitments on time and all the rest admitted to struggling from time to time. About half of them (51 per cent) said that they regularly fell behind with the payments on household bills and other commitments and a further third (35 per cent) admitted doing so from time to time.
- They had almost no slack in their budget at all as evidenced by their average score of 17 on the being financially comfortable measure. In fact, almost all (98 per cent) said that their finances did not allow them to do the things they wanted and enjoy life.
- With an average score of just eight on the financial resilience measure, they had no protection at all against future financial shocks. Almost all (98 per cent) of them had less than a month's income in savings.

Who they are

- Without doubt this was the most economically disadvantaged of the four groups. Their annual incomes were less than half those of the people who were financially 'secure' – NOK 392570compared with NOK 828403. They were five times more likely to have experienced a substantial income drop in the past year and three times as likely to have had a substantial expenditure rise. (Figures 3 and 4).
- 15 per cent of them were unemployed and a further 8 per cent were self-employed – both being the highest proportions of all four groups (Figure 5).
- More than half of them were tenants. (Figure 6).

Financial capability

- They also had lowest levels of financial capability of the four groups. Their score for active saving was just 39, but this might well be due as much to their low incomes as it is to their lack of inclination to save.
- And although they had a higher score for not borrowing for daily living expenses (73) this was the lowest of the four groups.
- Their score for spending restraint (57) was the same as for people who were 'just getting by'. The level of restrained consumer borrowing was also quite similar (74).
- They had fairly low levels of confidence in their abilities to manage money (40) and tended to feel responsibility for their financial decisions and outcomes lay with fate or others (59).
- Financial education in childhood was rare. Only three in ten said that their parents had discussed money with them as a child - which was the lowest proportion of the four groups.

Possible financial capability interventions

- One-to-one coaching and advice through NAV to promote saving restraint and avoiding borrowing for day-to-day expenses, to improve financial resilience for the future and to encourage greater responsibility for financial decisions and outcomes.

The Importance of Financial Well-being and Financial Capability

Norwegian people, like their counterparts in other developed economies, are increasingly being expected to take responsibility for their own financial well-being both currently and in the future. It is, therefore, important to ensure that they have the capabilities to meet this responsibility.

In all developed economies there has been a gradual shift in responsibility for financial well-being of individuals from the state to the individuals themselves. At the same time, rising prosperity has gone hand-in-hand with rising consumerism and pressures to consume. And financial services firms have responded to these changes by developing a diversity of products, whether that be credit cards, mortgages to buy a home, life insurance or savings for retirement. The decisions and conflicting pressures faced by individuals have never been greater, giving rise to concern that they may lack the ability to deal with the responsibilities and decisions they now face and that their financial well-being could be adversely affected.

> Financial well-being
> The extent to which someone is able to meet all their current commitments and needs comfortably and has the financial resilience to maintain

The earliest manifestation of this concern was in surveys of *financial literacy*, which assessed the knowledge levels of particular populations or groups within them and interventions developed that sought to raise knowledge levels. In the mid-2000s a discussion began in earnest about whether policy makers should focus more on what people do rather than what they know - giving rise to the concept of *financial capability*. At much the same time, behavioural economists were raising similar concerns about the focus on knowledge, arguing that psychological factors are the main determinants of the behaviour of individuals (Buss 2009; Garcia 2013; Willis 2009). and that there is little evidence that knowledge has an effect. Research shows that the effectiveness of knowledge-based interventions in changing behaviour is mixed at best and, where there is one, the effect is generally small (Fernandes et al. 2014; Hathaway & Khatiwada 2008). Following a review of research on the links between knowledge and behaviour, the Consumer Financial Protection Bureau concluded that *"… factual knowledge in and of itself is not sufficient to drive behaviour or behaviour change"* (CFBP 2015).

Yet our understanding of which financial capabilities are important in determining financial well-being, how these capabilities vary across the Norwegian population and what influences them is still relatively slight. This hampers our ability to design financial education and other interventions to promote financially capable behaviours and, ultimately, financial well-being in Norway.

> Financial capability
> The behaviours and approaches to financial decision making that influence someone's financial well-being

This study was, therefore, designed to fill these information gaps, by assessing the level of financial well-being in Norway, identifying the most important financial capabilities and other factors that promote high levels of financial well-being and exploring the best ways of promoting higher financial capability and, ultimately, higher levels of financial well-being. The starting point was a reanalysis of 58 focus groups that took place across the world, with people of all ages and at all income levels to identify how the ordinary citizen perceives financial well-being and the factors that they believe are important in determining it. This was used to inform the design of the survey used to collect the data for this report.

The study has proved to be pioneering and a growing number of countries have replicated the survey, including: Australia, New Zealand, Ireland and Canada, with other countries actively considering doing so. For the first time, therefore, we have a robust evidence base, with cross country comparisons, to inform a debate on how best to raise levels of financial capability and well-being in Norway.

Financial Well-being in Norway

The average score for the general financial well-being measure was 73 (on a scale from zero to 100), indicating that the Norwegian population was doing quite well. Never-the-less there was a minority of the population for whom the situation was much less benign.

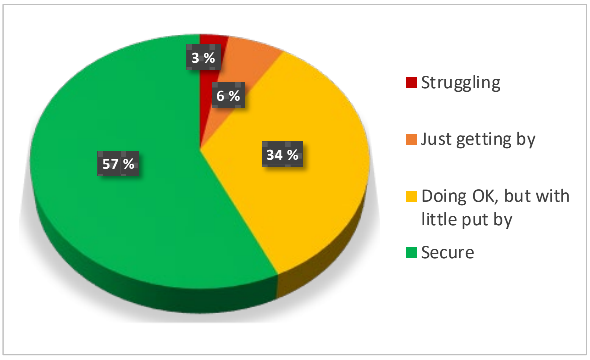
Financial well-being was measured using 11 questions covering people's financial situation, in terms of how well they were doing currently as well as the resilience they had against future economic shocks (see the three text boxes below). In general, the Norwegian population was doing quite well, with an average score of 73 on a scale from zero to 100. Setting this in an international context, the Norwegian population as a whole had higher levels of financial well-being than the populations of Canada (65), Ireland (64), Australia or New Zealand, each of which had an average score of 59 (ANZ 2018a,b; Kempson & Poppe 2018a).

Segmenting the Norwegian population

There was, however, quite a variation around this average score, with many people doing very well indeed: regularly meeting all their current commitments with a comfortable margin and having resilience against future income or expenditure shocks too. Others, however, were clearly in financial difficulty or at risk of payment problems in the future.

To explore this further, we created a categorisation based on the scores for general financial well-being, assigning people to one of four categories (Figure 1).

Figure 1: Overall financial well-being. Percent. Norway 2017. N=1921.



Well over a half of the Norwegian population could be considered financially 'Secure' (scoring more than 80 points). The second-largest group – a third of the population – were people who were 'Doing OK' (scoring between 50.01 and 80) but had much less resilience against financial shocks than the people who were secure.

That leaves two small groups who were not doing nearly as well. The first of these (6 per cent) could be considered to be 'Just getting by' (they scored between 30.01 and 50); while the second group (3 per cent of the population) were obviously 'Struggling' financially (with scores of 30 or less).[1]

Detailed measures of financial well-being

Three sub-measures of financial well-being were also identified, which combined to make up the general measure of well-being discussed above. These were: meeting current commitments; being financially comfortable and financial resilience for the future.

[1] This categorisation follows the Australian approach, which means that the results can be directly compared with the Australian distribution. (see ANZ 2018a). The results are consistent with other research, showing that around 6% of Norwegian households regularly run into payment problems, half of which have problems dealing with debt obligations – in particular consumer loans and credit card debt (Poppe 2016, 2017).

As might be expected, the mean score was highest (91) for meeting current commitments**,** which captures the ability to pay bills and other commitments on time and having sufficient money for food and other expenses (see Text Box). In other words, relatively few of the people interviewed said that they were experiencing such payment difficulties. Indeed, only one in twenty (5 per cent) of the population scored 50 or less on this measure. It should also be noted that the average score in Norway is higher than those in Canada (81) and Ireland (80) and a great deal higher than in Australia (71) and New Zealand (72).

Meeting commitments	
b3	How often has no money for food and expenses
b18	Ability to pay bills
b19	How often payment problems at the final reminder due to lack of money

In contrast, the score for being financially comfortable was considerably lower, at 71, showing that a minority of people were not satisfied with their financial situation and did not have a lot of money left over after paying for essentials to allow them to do the things they want or enjoy (see Text Box). The lower score was reflected in a larger proportion of people (19 per cent) scoring 50 or less. Again, the Norwegian population was doing rather better than Canadians and the Irish (both with an average score of 61) and a lot better than either Australians (55) or New Zealanders (54)

Financially comfortable	
b1	How often has money left over at the end of the month
a2	How good/bad is your current financial situation
a3	How confident are you about financial situation in next 12 months
a5x	My finances allow me to do the things I want and enjoy life

The average score for the longer-term measure of financial resilience for the future was 73, again indicating a minority of the Norwegian population has rather poor provision against financial shocks (see Text Box). Over two in five (21 per cent) of the people interviewed scored 50 or less on this measure. As before, though, levels were higher than those found in Canada (60) Australia (53) New Zealand (52) and Ireland (52).

Resilience for the future	
c3	How much could cover of an unexpected expense of one month's income
c4	How much would need to borrow to cover unexpected expense
c5	How long could cover fall of income by a third without having to borrow
c10	Savings in terms of number of months' income

Figure 2 Mean financial well-being sub-measure scores at different levels of overall financial well-being. Norway 2017. N: 55 (struggling), 116 (just getting by), 646 (doing OK), 1102 (secure)

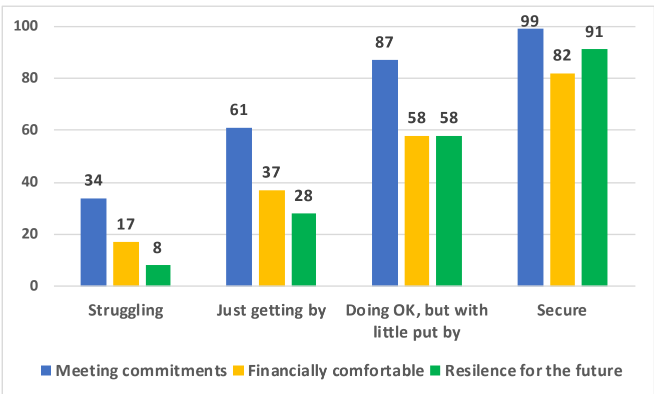


Figure 2 shows the mean sores on each of these sub-measures for our four segments of the population that were identified above.

We can see from this that people's scores on the general measure of well-being were reflected in their scores across all three of the sub-measures: meeting current commitments, being (and feeling) comfortable financially, and having financial resilience for the future.

So, the large group of people who were considered to be 'Secure' financially had average scores of over 80 on all three sub-measures, which included an average score of almost a hundred for meeting commitments.

The third of the population who were ‘Doing OK’ also had a very high score for meeting commitments, but their ones for being comfortable financially, and resilience for the future were considerably lower, indicating that they might not be able to withstand a major economic shock to their budget.

In contrast the 6 per cent of people who were considered to be ‘Just getting by’ were, on the whole, keeping up with their commitments, but they clearly had very little money left over after doing so and had even less resilience for the future. The remaining 3 per cent of people who were ‘Struggling’ were falling behind with household bills and other commitments and had no (or virtually no) money put by to protect them against future economic shocks.

Types of people with the lowest financial well-being scores

We assessed the relationship between financial well-being and a wide range of socio-demographic and economic characteristics using statistical models that, in effect, identified the independent effect of each one after holding all the others constant. This enabled us to identify the key ones that influence financial well-being directly (See Kempson & Poppe 2018b for further details).

Low scores across all measures of financial well-being were strongly associated with people's economic circumstances, including income level and experience of either a substantial income fall or a substantial increase in the household expenses (Figures 3 and 4). The size of the effect of an income drop was considerably higher than in other countries. Employment status was also important and the types of people with the lowest scores included people who were unemployed or self-employed, followed by part-time workers (Figure 5). Although people unable to work through long-term sickness and disability did have lower levels of financial well-being than either retired people or those working full-time, the effect was rather smaller – due almost certainly to the relatively generous disability pension in Norway.

On the whole, socio-demographic factors were not nearly so important, although there was a strong association with age, with people aged over 60 having by far the highest scores. Tenants also stood out as having much lower scores than home owners, particularly those that owned their homes outright and had no housing costs to pay (Figure 6).

Figure 3 Average gross household incomes in NOK at different levels of general financial well-being. Norway 2017. N=1919. Weighed

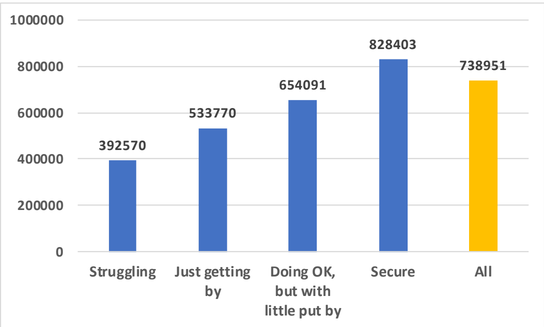


Figure 4 Percentage of population experiencing substantial income drops or expenditure rises at different levels of general financial well-being. Norway 2017. N=1919. Weighed

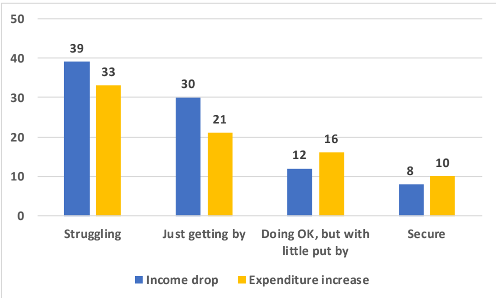


Figure 5 Percentage of population that is unemployed or self-employed at different levels of general financial well-being. Norway 2017. N=1919. Weighed

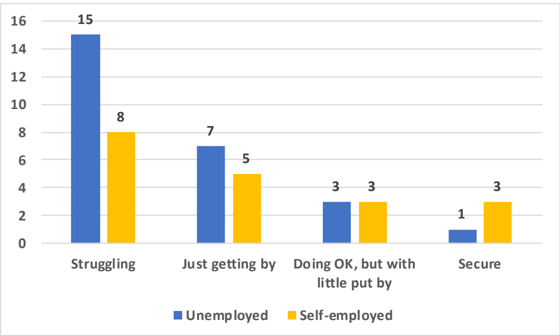
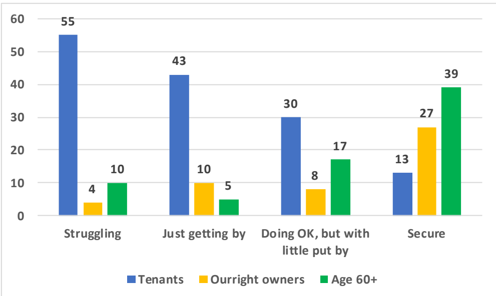


Figure 6 Percentage of population that is a tenant, outright owner or 60 years or more at different levels of general financial well-being. Norway 2017. N=1919. Weighed



Factors that Promote Higher Levels of Financial well-being

Financial well-being of individuals is influenced by a combination of the income they have and how they use and manage that money. At all income levels, people's ability to meet their current commitments and financial resilience for the future are determined by their propensity to save, to avoid borrowing for daily expenses and to exercise restraint over both spending and consumer borrowing. This shows that policies are needed not only to provide income security but also to promote financially capable behaviours through financial education, in its broadest sense, and other interventions.

The analysis[2] has shown that the biggest gains in terms of general financial well-being would be through interventions raise levels of financial capability by modifying behaviours. Four key behaviours were found to have a direct effect on financial well-being: spending restraint, active saving, restrained use of consumer credit and not borrowing to pay bills or meet daily living expenses.

Other behaviours, such as planning and monitoring one's finances, informed decision-making and active product choice did not, however, promote higher levels of financial well-being.

In addition to these behaviours, two other areas of financial capability were found to have a direct effect on financial well-being: confidence in dealing with various aspects of money management and taking responsibility for one's financial decisions and outcomes (financial locus of control).

However, even when all these factors (and others) were taken into account, income was still important in its own right – as was having experienced a substantial drop in income. Never-the-less, low income or experience of an income drop are insufficient explanations of financial well-being. At all income levels, a propensity to spend and to use consumer credit damages financial well-being, as do borrowing to pay bills or meet other daily living expenses and not saving money for a rainy day. Likewise, people who experience a sudden substantial drop in income can reduce their chance of damaging their financial well-being by not engaging in these behaviours.

Very similar influences were found across all three sub-measures of financial well-being, the most important difference being that being comfortable financially was not influenced by spending restraint. Beyond that the differences related to the size of the effects that these capabilities had on the sub-measures. In general, the effects of behaviours were lower for feeling comfortable financially measure of financial well-being, but it was more affected than the other measures by both financial confidence and taking responsibility for one's financial decisions and outcomes. In contrast, the effects of restrained consumer borrowing, active saving and not borrowing for daily expenses were very high for financial resilience for the future and the effect of financial confidence was very low. By far the biggest effect for meeting current commitments came from not borrowing for daily expenses. It should, however, be noted that these differences were primarily a matter of nuance.

[2] These findings are based on regression modelling which included: a wide range of behaviours; attitudes and financial confidence and locus of control; knowledge and experience; personality traits and a range of socio-demographic and economic factors. (See Kempson & Poppe 2018b for full details).

Factors that Promote Financial Capability

Even though there is scope for improvement, compared with other countries the Norwegian population does fairly well on the core capabilities that seem to drive financial well-being (active saving, not borrowing for daily expenses, restrained consumer credit use, financial confidence and taking responsibility for one's financial actions and outcomes). The area of particular weakness in Norway is the (lack of) spending restraint. Promoting improvement in all of these factors will mean addressing attitudes to saving, spending and borrowing as well as an array of personality traits. Knowledge and experience are much less important.

As we note above four key behaviours have a strong positive effect on financial well-being: active saving, spending restraint, restrained consumer credit use and not borrowing to pay bills or meet daily living expenses. The two key behaviours with the lowest scores are active saving and spending restraint.

The average (mean) score for spending restraint was 71 and a relatively small proportion of the Norwegian population were exercising low levels of restraint. Just 14 per cent of the people interviewed had scores that were 50 points or below and 2 per cent had scores of 25 or less, almost certainly making them compulsive spenders and shoppers. Again, we can compare the scores in Norway with those elsewhere. The Norwegian average score for spending restraint was slightly lower than Australia (74), New Zealand (74) Canada (73), although it was higher than in Ireland (68). Moreover, as we noted earlier, spending restraint (and the lack of it) had a direct impact on financial well-being only in Norway. It is, therefore, a prime candidate for interventions designed to promote more capable behaviours and consequently important to understand what drives it. Attitudes to spending, saving and borrowing were by far the biggest driver of this behaviour and would be the easiest determinant to tackle[3]. Other important factors were impulsivity control and self-control. But these are general personality traits that permeate all aspects of people's lives and, because they are more pervasive, they are more difficult to change. It is far easier to tackle low levels of knowledge, but here the gains to financial well-being are much smaller. Teaching people about money management would have only a modest impact, however, as would encouraging people to make informed financial decisions. Finally, since women scored considerably worse than men on *spending restraint,* interventions could usefully be targeted on them.

Turning now to active saving, here the average score was 75, showing that, on the whole, most Norwegians were inclined (and had the money) to save. That said, 15 per cent of the people interviewed scored 50 or less on this measure and 4 per cent scored 25 or under. In this case, the Norwegian population did rather better than the Canadians (68), Irish (68) Australians (63) and, especially, New Zealanders (60). (ANZ 2018a,b; Kempson & Poppe 2018a). Never-the-less, there is room for improvement. Once again, attitudes to spending, saving and borrowing were by far the biggest driver of this behaviour. Informed decision-making was also important, along with two personality traits: time orientation (looking to the future and not living for today) and locus of control. Although budgeting had a positive impact on saving its effect was much smaller and would not be the obvious starting point to encourage increased saving among Norwegians. It should, however, be noted that income also played an important part in determining active saving, when these and other factors were taken into account.

[3] See the technical report for the full analysis (Kempson & Poppe 2018b).

In other words, some people were inclined to save but did not have the money to do so. And the number of dependent children in the household also reduced the capability to save.

The other two behaviours that drive financial well-being in Norway are restrained consumer borrowing (such as frame loans, credit cards and unsecured loans) and not borrowing for daily living expenses. Although there has been much concern about the levels of borrowing in Norway, the analysis[4] shows that, although they may be high, there are not yet causing significant problems. The mortgage borrowing to income variable was not a significant driver of financial well-being nor did it drive any of the money use behaviours. Such problems seem to stem from consumer borrowing.

However, although both borrowing for daily expenses and not restraining consumer credit use damaged financial well-being, the average scores on each of these measures were high, indicating that only a small number of people had problematic levels of borrowing.

Not only was the average score for restrained consumer borrowing high (90) but hardly anybody had low scores: only 5 per cent of the people interviewed scored 50 or less, and less than 2 per cent scored 25 or below. Indeed, only 15 per cent of the population got a score of less than 75. The consequences of this are that it was not possible to find clear determinants of this behaviour. The only one of any with an effect of any size was, once again, attitudes to spending, saving and borrowing but here the effect was far smaller than for any of the other three behaviours.

Finally, the mean score for not borrowing for daily expenses was 93. Moreover, only 2 per cent of the people interviewed scored 50 or less and just 0.2 per cent scored 25 or below. In other words, this really is a rare practice in the Norwegian population, albeit one that leads to financial difficulty. Consequently, our modelling found only one factor that had a sizeable influence, which was attitudes to spending, saving and borrowing). Raising someone's level of financial confidence and promoting impulsivity control would have more modest impacts. Again, income played a part although this was not a great as it was for active saving. The analysis showed (unsurprisingly) that people were more inclined to borrow to meet their daily living expenses if they had low incomes and the more dependent children they had (all other things being equal). More surprising is the fact that a substantial income drop did not predispose them to this behaviour. This means that borrowing for daily expenses is not an inevitable consequence of an income shock or living on a reduced income. People seem to borrow in this way through inclination rather than need. So, it will not be an easy behaviour to tackle and only affects the financial well-being of a small proportion of the Norwegian population. Never-the-less it is a counter-productive strategy for making ends meet, leading people into a spiral of payment problems and does need addressing for the minority of people affected. To set the Norwegian score in context, it was a good deal higher than in other countries by between 7 and 11 index points (ANZ 2018a,b; Kempson & Poppe 2018b).

In addition to these behaviours, two other areas of financial capability have a direct effect on financial well-being: financial confidence and financial locus of control. Both also have an indirect effect on active saving and financial confidence also has a small indirect effect on both spending restraint and not borrowing for daily expenses. They are, therefore, important areas to tackle to promote financial well-being in Norway.

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[4] See the technical report for the full analysis (Kempson & Poppe 2018b).

The average score for financial confidence was 71. And international comparisons show that, on average, Norwegians have a similar level of financial confidence as Canadians. And both are more confident than New Zealanders (66), Australians (65) and, particularly, the Irish population (62). Compared with the behaviours just discussed, raising levels of financial confidence is likely to be rather easier to achieve because it is primarily a matter of knowledge and experience, rather than personality. In order of importance the main factors affecting financial confidence were: knowledge of money management; experience of money management; knowledge of how to choose appropriate financial products and having an understanding of risk. In addition, exercising impulsivity control was also important[5].

The Norwegian population also had a score of 71 for taking responsibility for their financial actions and outcomes (financial locus of control). This was slightly higher than was found in Ireland (67) and Canada (66) and a good deal higher than the scores that the Australians and New Zealanders achieved (60 and 61 respectively). Capability in this area would also be improved by raising levels of knowledge and experience of money management but the main determinants are personality traits and self-control, particular. The gains from improving knowledge would, therefore be relatively modest without also tackling self-control[6].

It should also be noted that, when a range of other factors were controlled, women had higher scores than men for both financial confidence and financial locus of control. Financial confidence was also higher among home owners than it was among tenants[7].

Figure 7: Model of key direct and indirect determinants of financial well-being

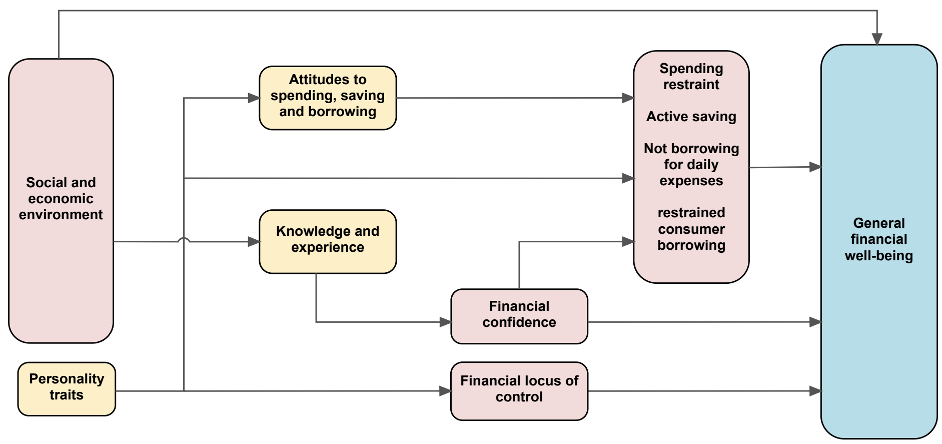

Figure 7 brings this analysis together with that in previous sections as a model that both illustrates the key direct and indirect determinants of financial well-being and shows the main relationships between financial well-being, financial capability and other factors.

[5] See the full technical report for details (Kempson & Poppe 2018b)
[6] See the full technical report for details (Kempson & Poppe 2018b)
[7] This is based on regression analysis which included: knowledge and experience; personality traits; socio-demographic and economic factors. See the full technical report for details (Kempson & Poppe 2018b).

Implications for Policy and Practice

Although this report has shown that, compared with other countries, levels of both financial well-being and most aspects of financial capability are high in Norway a section of the population is not doing nearly so well. A small minority is showing real signs of financial stress and around a third of the population is at risk. Although income (and income instability) plays a part it is quite clear that so too do incapable behaviours, pointing to the need to address these issues, as in other countries.

To date, the debate in Norway has tended to focus on assisting people facing payment problems. This is in contrast to many other counties, where there is an equal concern about levels of financial capability and, increasingly, financial well-being. The evidence in this report shows that the Norwegian population has higher levels of financial well-being than those in other countries (such as Canada, Ireland, Australia or New Zealand), thanks in large part to the high level of income equality that results from social welfare provision.

Never-the-less there is clear room for improvement with one in ten of the population experiencing, or in real danger of experiencing, financial difficulties and a third of the population who could, potentially, be at risk because they have insufficient money saved to help them to deal with an income or expenditure shock.

Moreover, while income (and income instability) is a major contributor to low levels of financial well-being, this is far from the whole story. At all income levels, people's propensity to spend, save and borrow also have an effect. And these behaviours are particularly important determinants of financial well-being in a country like Norway, where the great majority of the population have incomes that are more than adequate for their needs. Similarly, while sudden falls in income have the potential to tip people into payment problems, whether or not this happens depends on how they handle this change in their financial circumstances and whether or not they rein in spending and avoid borrowing to make ends meet. But it also relates to whether, prior to the income fall, they were actively saving and exercising restraint on their levels of consumer borrowing.

Promoting financial well-being

Although internationally, many financial education initiatives focus on aspects of money management, the analysis presented in this report suggests that promoting capable money management behaviours - such as budgeting or keeping track of money - will be a much lower priority for policy and practice than either promoting capable behaviours regarding money is used or building financial confidence and encouraging greater responsibility for one's financial decisions and outcomes. To explore the types of interventions that would be appropriate, we return to the segmentation of the population that was described earlier.

Only a minority of people were showing signs that they were facing payment problems. About 3 per cent of the people interviewed were considered to be struggling financially – scoring 30 or less on the overall measure of financial well-being. And a further 6 per cent were just getting by and quite likely on the brink of falling into payment problem. While their lower-than-average income levels were clearly very important, these two groups of people were also the ones who were most inclined to borrow for daily living expenses and least inclined to save. At the same time, they exercised the lowest levels of spending restraint and were the least likely to accept responsibility for their financial actions and outcomes.

Helping these people to get their finances back under control, requires interventions that increase their level of spending restraint and reducing their dependence on credit to cover daily living expenses, whether that be to buy food, pay bills, meet credit commitments or to refinance existing credit commitments. In addition, there are further gains to be achieved by encouraging greater restraint in future over the use of credit for consumption purposes and engagement in regular saving.

A slightly smaller effect could be brought about by raising levels of financial confidence and encouraging people to take more responsibility for their financial decisions and outcomes.

This will mean addressing attitudes to spending, saving and borrowing and tackling underlying personality traits and, because the numbers of people with real difficulties meeting commitments is so small, the best way of delivering these interventions would be through one-to-one advice and coaching as part of the overall assistance delivered by NAV alongside, negotiating with creditors. Engaging in this way would not only enable people to meet their obligations under debt settlement plans but help to prevent a recurrence of the problem in the future Indeed, without tackling these patterns of behaviour, existing clients of NAV run the risk of slipping back into payment difficulties (see Money Advice Service 2018 for an evaluation of a success intervention of this kind). One important intervention in the UK has adopted an experimental approach to exploring a range of behavioural approaches to: encouraging people to build up a savings buffer and helping people to take control of their spending and how they use and repay credit. This has particular resonance with the findings of this research (Behavioural Insights Team, 2018).

In addition to these people, a further third of the Norwegian population are doing OK but are at potential risk of facing financial difficulties in the future, because they have inadequate provision against financial shocks.

Although the gains by changing their behaviours are not so great as they were for the people just getting by or struggling financially they are never-the-less considerable. Promoting both spending restraint and more active saving would increase their chances of avoiding payment problems if they experienced either a substantial fall in their income or a substantial rise in their outgoings. Likewise raising levels of financial confidence and encouraging people to take greater responsibility for their own financial decisions and outcomes would also provide them with greater resilience.

Since about a third of the Norwegian population is at risk in these ways, interventions to tackle attitudes in this group could usefully draw on the techniques of social marketing (marketing campaigns for social purposes) or use edutainment (story line embedded in popular drama series) to reach them. These would promote the message that one can increase the amount of money you have to enjoy life both now and in the future by small adjustments such as: [8]

- cutting back spending on non-essentials;
- not borrowing for daily expenses;
- paying down credit card balances;
- trying to save a small amount regularly, however, little it may be, and
- using savings rather than credit for consumer purchases wherever possible.

[8] For evaluations of effective interventions see for example (Beshears et al. 2013) - social marketing) and (Berg & Zia 2013) - edutainment).

It is also important to address the underlying personality traits that drive spending restraint and active saving. These will be more difficult to deal with and may need to rely on 'nudge' techniques that either harness or overcome the personality traits (see Fiorillo et al. 2014).

There is evidence that attitudes and approaches to money are set in early childhood and that both formal education in schools and colleges and informal education in the home promote active saving and financial well-being (Bruhn et al. 2013; Whitebread and Bingham, 2013). This calls for the design of educational curricula to teach children and young people of all ages about the importance of saving, living within your means and spending restraint. To underpin this, formal education should seek to shape attitudes to spending, saving and borrowing as well as dealing with the important issues of curbing impulsivity, exercising self-control and not just living for today. Finally, it should promote the importance of accepting responsibility for one's own actions and outcomes with respect to money and not putting it at the door of others or fate. Experience in Brazil has shown that it is important to work with educational psychologists to develop learning materials that are engaging and relevant to young people if such education is to have a demonstrable and lasting effect (Bruhn et al. 2013). At the same time, teachers need to feel equipped to use the materials with young people. Since they are likely to reflect the population as a whole, some will be financially capable and feel comfortable teaching young people about money matters, while many will not (Young Enterprise, 2016).

Just as important is the role of parents to reinforce formal education in the home, encouraging very young children to save and shaping the personality traits that are such important drivers of financial capability and well-being. Research has shown that parents can either undermine or augment what is learnt at school (Bruhn et al. 2013). Moreover, it is never too young to start as research also shows that by the age of seven basic approaches to money have already been established (Whitebread and Bingham, 2013).

Developing a national strategy

Raising levels of financial well-being and promoting capable behaviours is a complex process, potentially involving many actors. Schools clearly have an important part to play, as do organisations such as NAV and consumer organisations. But so, too, do banks and other financial institutions.

This has led governments in many other countries to nominate a body to co-ordinate work in this area, which is often either part of the regulatory framework or directly accountable to government.[9] These bodies work with a range of stakeholders to develop a national strategy to raise levels of financial capability and well-being. The strategies developed in these countries have much in common with one another. They encompass:

- Work with children and young people, including in schools and colleges
- Initiatives to promote saving
- Initiatives relating to day-to-day money management, including tackling problem borrowing
- Assistance for people in financial difficulty.

Norway may well wish to follow this example, drawing on the experiences of Australia, New Zealand and Canada as well as the UK. All four countries have long-term experience in this area, working with

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[9] See the OECD/INFE Policy Handbook National Strategies for Financial Education: http:// www.oecd.org/ g20/ topics/ employment-and-social-policy/National-Strategies-Financial-Education-Policy-Handbook.pdf

wide range of stakeholders from across the private, government and not-for-profit sectors, who play an important role in both developing and delivering the strategy.

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National strategies

In Australia responsibility for the development and oversight of the national strategy lies with the regulator, ASIC. The first strategy was developed in 2011 and ASIC has been consulting on its third one, which will shift the focus from financial literacy to financial capability and well-being. In doing so it will place the emphasis on three core behaviours:

- Managing money day-to-day
- Planning for the future, and
- Making informed decisions.

The revised strategy will be published in the autumn of 2018.
www.financialliteracy.gov.au/

The New Zealand Commission for Financial Capability published its most recent strategy to raise levels of financial capability in 2015 and implementation is now well underway. The vision outlined is to equip everyone to 'get ahead financially'. Within this, it has five aims:

- A cultural shift where it's easy to talk about money
- Effective financial learning throughout life
- Everyone has a current financial plan and is prepared for the unexpected
- People make smart use of debt
- Everyone is saving and investing

https://www.cffc.org.nz/financial-capability/national-strategy-2/

The UK Money Advice Service published its strategy in 2015, too, updating the one originally set in 2005 by the Financial Services Authority. Its aim is to improve people's ability to:

- Manage money well day to day
- Prepare for and manage life events, and
- Deal with financial difficulties

https://www.fincap.org.uk/uk_strategy

The Financial Consumer Agency of Canada strategy also published its national strategy in 2015, with the vision of strengthening the financial well-being of Canadians and their families by empowering them to:

- Manage money and debt wisely
- Plan and save for the future
- Prevent and protect against financial fraud and financial abuse

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About the research

The research began with an extensive review of previous research as well as a detailed reanalysis of the transcripts from 58 focus groups from research conducted in the UK and across a range of low- and middle-income countries to inform our definition and conceptualisation of both financial well-being and financial capability. This, in turn, informed both the design and content of the national survey (see Kempson et al. 2017 for more details).

The fieldwork for the survey was undertaken in March and April 2017, using Gallup's internet panel. A total sample of 2.043 respondents aged 18-80 from across Norway was produced. The number of observations used in the analyses is somewhat lower: 1.919. This is partly due to missing information on income, and partly because respondents with more than 15 "*don't know'* and '*prefer not to answer'* were removed. In addition, some cases were omitted from the sample, involving young people living with their parents who gave information about the household's finances even though they were not responsible for managing them. The final sample was weighted by gender, age, education and place of residence to be representative of the adult population of Norway.

The questionnaire included a suite of 11 questions designed to capture financial well-being. It also included 27 questions relating to key behaviours identified by the qualitative research as well as questions capturing knowledge and experience, attitudes to spending saving and spending, financial confidence and an array of personality traits. A range of demographic and socio-economic questions included as well as ones to capture financial education at school and from parents and financial support from family and friends.

Finally, it is important to note that the interview began with screening questions to identify whether the individual being interviewed had responsibility for managing both the household income and any personal income they might have, or solely for their personal income. They were then instructed to answer subsequent question in relation to the money that they personally managed.

Identifying the key components of financial well-being, capability and literacy

The analysis began by combining these questions into a smaller number of meaningful variables using a technique known as Principal Components Analysis (PCA), which identifies groups of questions that correlate with one another and can be considered as measuring an underlying 'component' of the data. This analysis was informed by a conceptual model, covering, in turn: financial well-being, behaviours (financial capability), knowledge and experience (financial literacy) and psychological factors. The score for each these components was rescaled from zero to 100.

Identifying the determinants of financial well-being and capability

To understand the factors that determine the scores for financial well-being and capable financial behaviours in the Norwegian population, we ran OLS regression analyses for each in turn. The advantage of this method of analysis, compared with simple tables is that it is possible to identify the independent in-fluence of each item, while taking all other items in the analysis into account**.**

Details of both the analysis and results are included in the full survey report:

Kempson E, Poppe C. SIFO Report 3-2018. *Understanding Financial Well-Being and Capability. A Revised Model and Comprehensive Analysis*. Oslo: Consumption Research Norway (SIFO), Oslo Metropolitan University

Consumption Research Norway SIFO at OsloMet - Oslo Metropolitian University has a special responsibility to contribute to the knowledge base for consumer policy in Norway and will develop new knowledge about consumption, consumer policy and consumer position and role in society.

Key research topics are:

- consumers in the market and consumer choice
- household resource allocations
- consumer economy - debt development and poverty
- technological development and consumers' every day life
- digital daily life and coping
- environmental effects of different types of consumption
- food and eating habits
- textiles - value chains - consequences for everyday life and environment
- consumption significance for social inclusion
- consumer policy

CONSUMPTION RESEARCH NORWAY - SIFO
OsloMet - Oslo Metropolitian University

OsloMet - Oslo Metropolitian University
Consumption Research Norway
PO box 4 - St. Olavs plass - NO-0130 Oslo.
Visiting adress: Stensberggt. 26, Oslo.
Phone: +47 67 23 50 00
E-mail: post@oslomet.no
Internet: www.oslomet.no/om/sifo