Financial Practices of Adults in Strained Economic Situations

Money Museum of Deutsche Bundesbank in Frankfurt, photo: Klaus Buddeberg

Annual Conference of the EBSN

From Evidence to Action:
Advancing Adult Basic Skills for Tackling Inequalities

Brussels, 18th - 20th June 2025

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Dr. Klaus Buddeberg

GEFÖRDERT VOM
Bundesministerium für Bildung und Forschung

Agenda

1 **Introduction**
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2 **Prior research**
What do we know about financial literacy?

3 **Methods**
How does the Survey of Adult Skills (PIAAC) inform us about financial literacy?

4 **Findings and discussion**
How do adults with low-income care for their budgets?

1

Introduction: What do we mean when we talk about basic skills?

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What do we mean when we talk about basic skills?

- PIAAC (OECD, 2024)
  - Reading Skills, Numeracy Skills,
  - ICT-Skills (PS-TRE, Adaptive Problem Solving)
- LEO 2018 (Germany) (Buddeberg et al., 2020)
  - Reading and writing Skills (assessed)
  - **Financial**, digital, health and political literacy (self-reported)
- **Financial** Literacy (OECD, & INFE., 2020; Klapper, L., et al., 2015).
- European Commission (2018) LifeComp – Media, **Financial**, Environmental, and Health Literacies (https://publications.jrc.ec.europa.eu/repository/handle/JRC120911)

Strategies for Financial Literacy

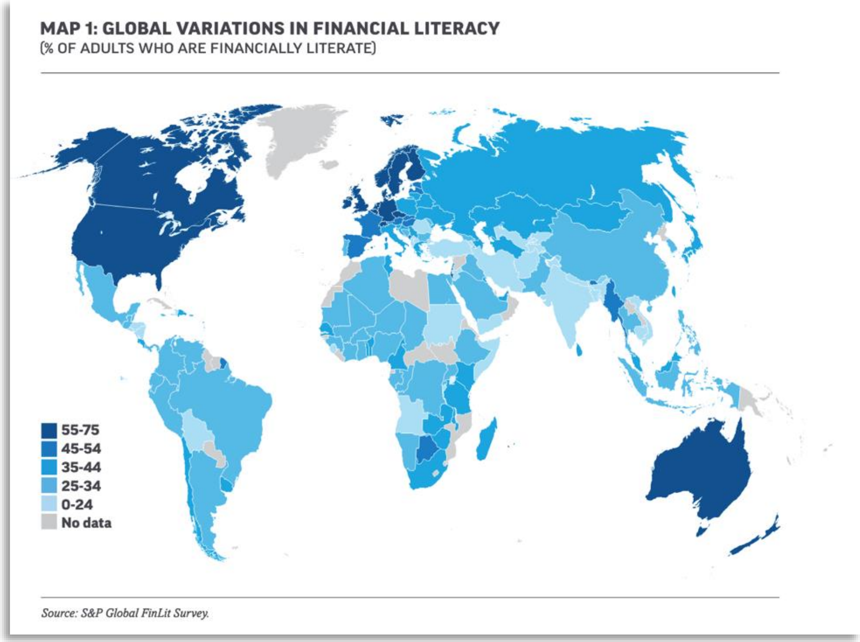
https://finance.ec.europa.eu/consumer-finance-and-payments/financial-literacy_en

https://www.bundesfinanzministerium.de/Content/DE/Pressemitteilungen/Finanzpolitik/2023/12/2023-12-06-meilensteine-der-initiative-finanzielle-bildung.html

Critically commented by Höhne (2024) for being too focused on financial education and ignoring wider economic conditions.

2

Prior research: What do we know about financial literacy?



Klapper, L., Lusardi, A., & van Oudheusden, P. (2015). *Financial Literacy around the World* (Standard & Poor's Ratings Services Global Financial Literacy Survey). https://gflec.org/initiatives/sp-global-finlit-survey/

What is financial literacy?

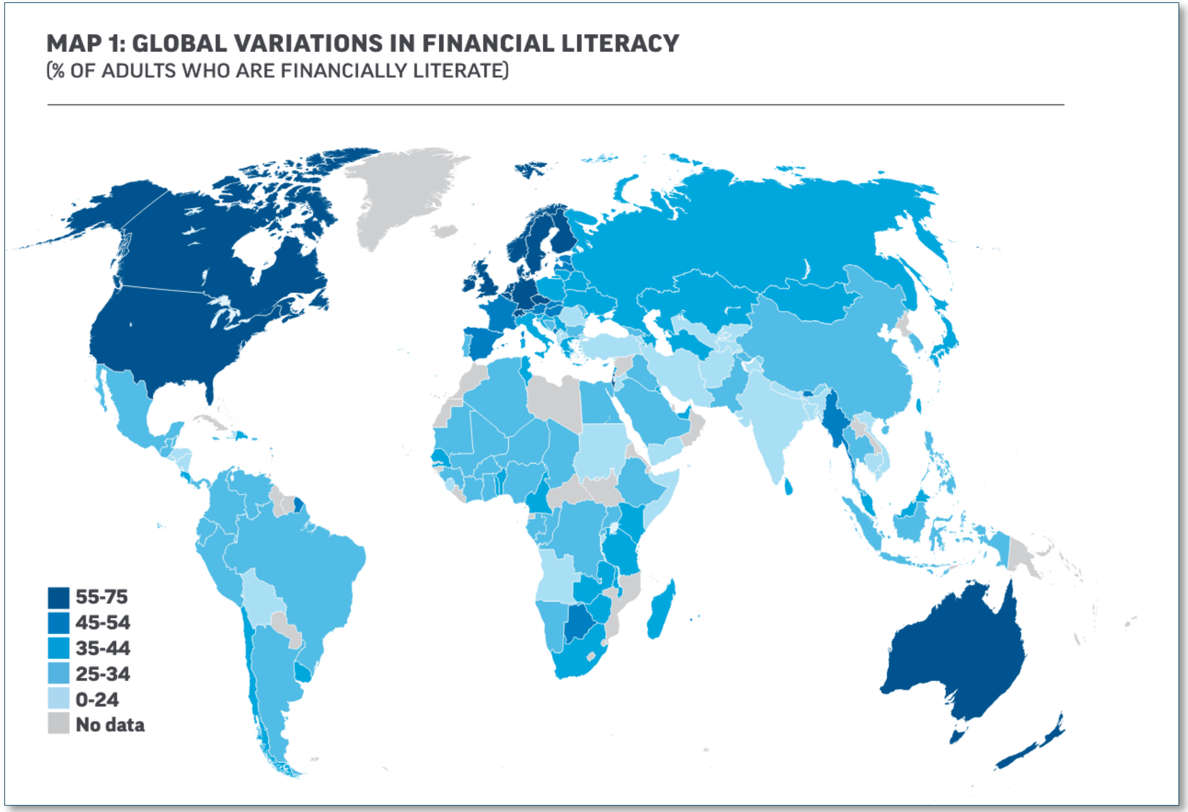
- Much research, few definitions (Beckker, 2020)
- Just skills? “Knowledge and skills needed to make important financial decisions” (European Commission: https://finance.ec.europa.eu/consumer-finance-and-payments/financial-literacy_en)
- Or more dimensions? Understanding and **use** (Huston, 2010)
- Or even three components? (OECD/INFE, 2020)
  - Financial skills,
  - financial attitudes,
  - **financial behavior**

PIAAC:
Skill Use
Variables

Financial Literacy around the World

- Map shows the proportions of Adults who are **defined as** being financially literate by the survey.

- **Caution**: A high ranking on a league table may hide important differences within a country, e.g. regarding
  - educational levels
  - employment status
  - gender
  - migration



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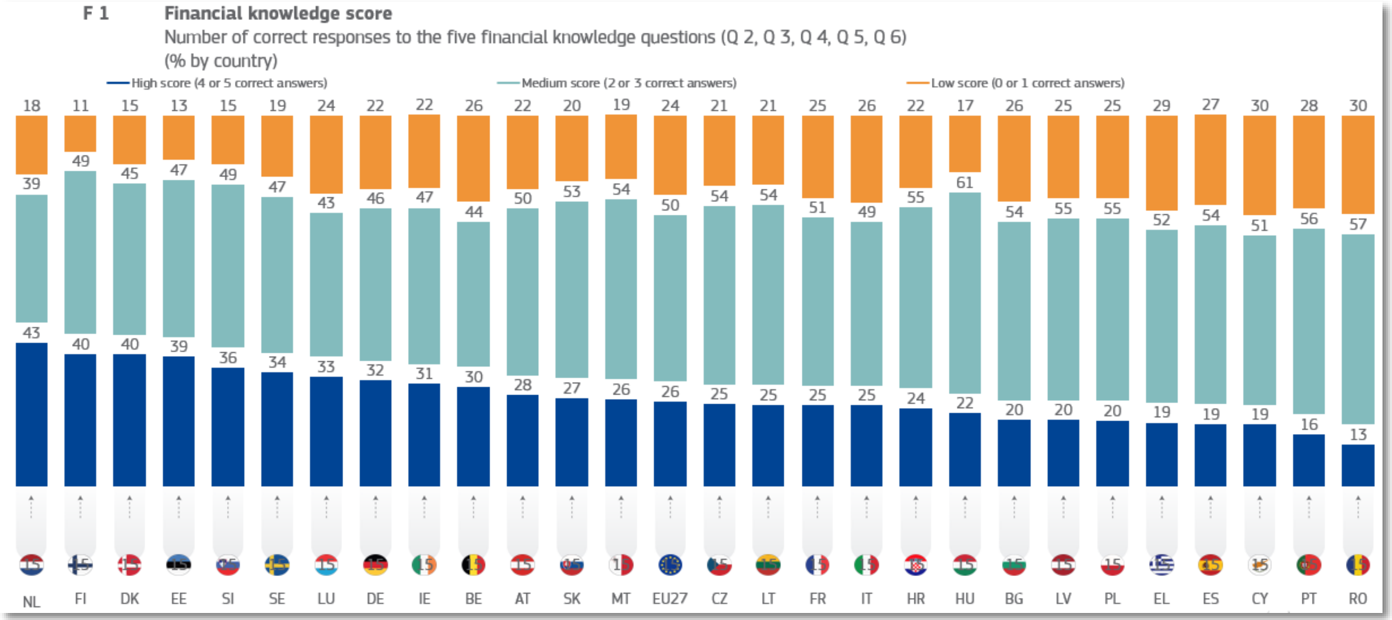
Financial knowledge reported by Eurobarometer



“Big Three”

Questions on
- inflation
- compound interest
- investment risk

https://europa.eu/eurobarometer/surveys/detail/2953

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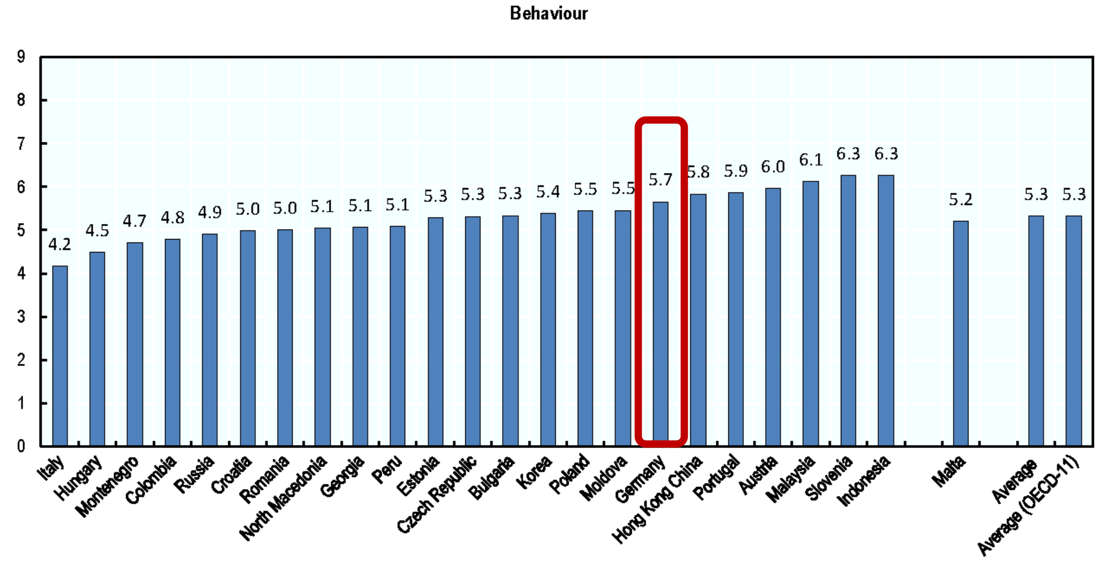
International Survey of Adult Financial Literacy

Figure 6. Financial behaviour

Financial behaviour score calculated from a number of statements related to budgeting, shopping around for products, saving money, carefully controlling expenditure and avoiding indebtedness. Maximum possible score is 9.



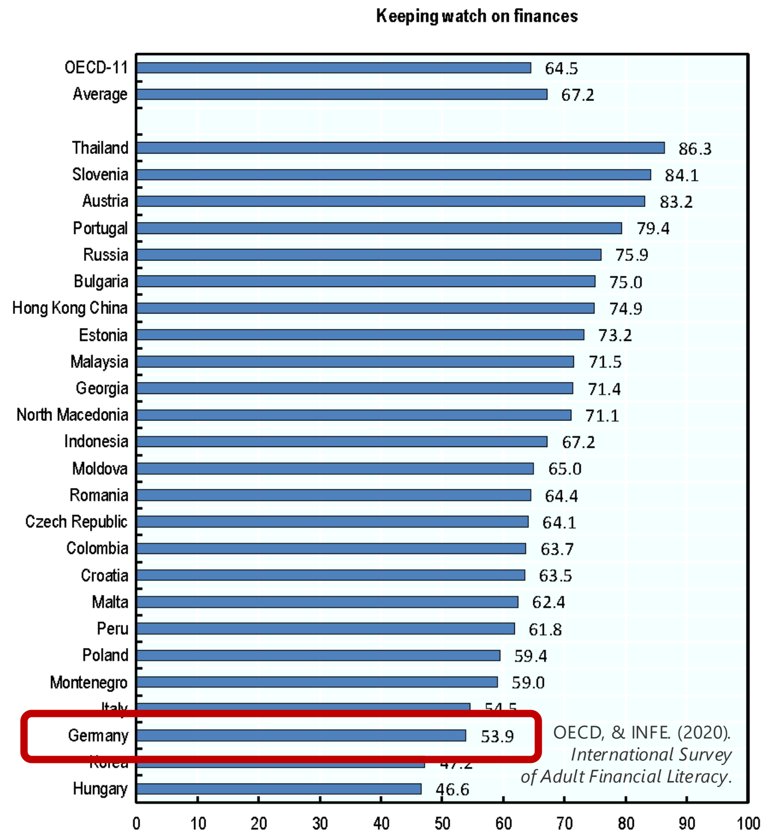
OECD, & INFE. (2020).
International Survey of Adult Financial Literacy.

International Survey of Adult Financial Literacy

- Germany has a relatively high average of financial literacy but…
- …many adults do not regularly keep watch over their finances

Figure 13. Keeping watch over finances

Percentage of respondents who suggested they keep a keen watch over their finances.



OECD, & INFE. (2020). *International Survey of Adult Financial Literacy*.

How do adults with low-income care for their budgets?

- Many adults in Germany do not regularly keep watch over their finances.
  - Can we assume that economically vulnerable groups are even less strict in controlling their budgets?
  - Are they therefore responsible for their situations (blaming the victim)?
  - **Based on PIAAC Cycle 1 we could reject this assumption** (Grotlüschen et al., 2019).

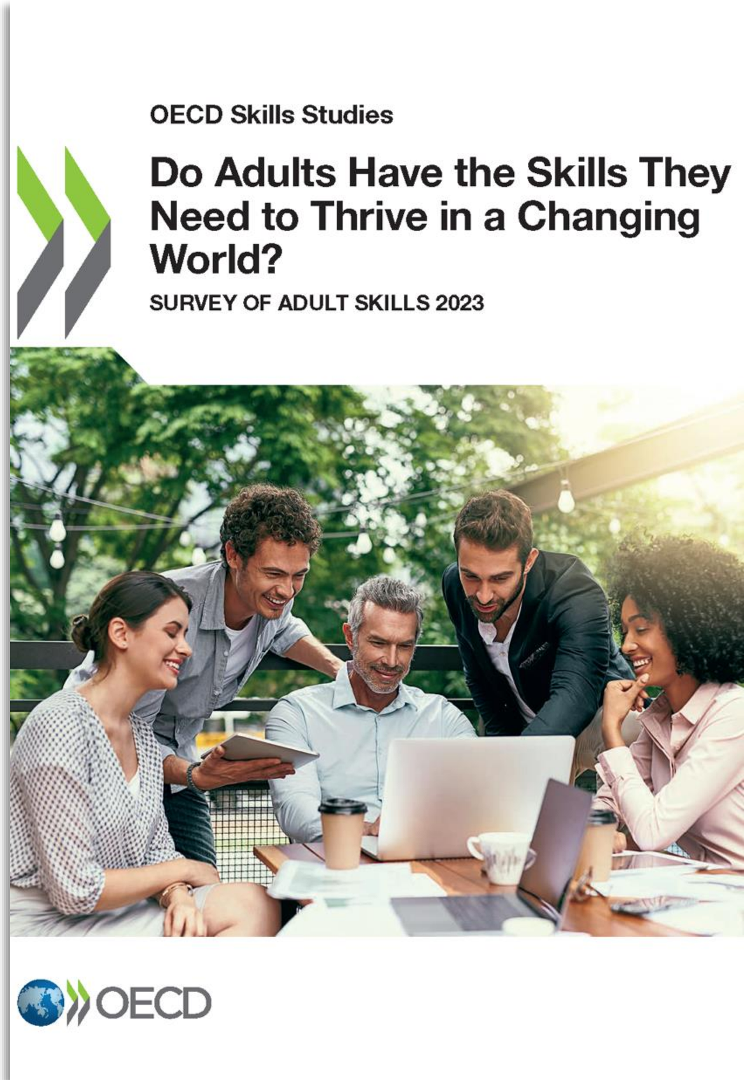
Grotlüschen, A., Buddeberg, K., Redmer, A., Ansen, H., & Dannath, J. (2019). Vulnerable Subgroups and Numeracy Practices: How Poverty, Debt, and Unemployment Relate to Everyday Numeracy Practices. Adult Education Quarterly, 69(4), 251–270. https://doi.org/10.1177/0741713619841132

Research Questions

1. Does this also apply to Germany when using the PIAAC Cycle 2 data?
2. Does the same apply to other European countries?

3

Methods:
How does PIAAC inform us about financial literacy?



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How can the Survey of Adult Skills (PIAAC) inform us about financial literacy?

- PIAAC has no assessment (testing) of financial literacy but reports about numeracy and **financial practices**
- **Why practices?**
  - Literacy as Social Practice, New Literacy Studies (Barton & Hamilton, 2000; Yasukawa et al., 2018)
  - Financial behaviour as one component of financial literacy (de Beckker, 2020)
  - Practice Engagement Theory: Practices do not equal skills but are closely related (Reder, 1994, 2017)

How can the Survey of Adult Skills (PIAAC) inform us about financial literacy?

- Practices in PIAAC: Reading and writing practices, ICT-practices and numeracy practices, practices of dealing with financial issues
- Data: Public Use Files of participating countries in PIAAC cycle 2, Public Use File Germany (Cycle 1)
- Calculations carried out with R/R-Studio, Package Rrepest
- Bivariate analysis, multivariate analysis planned for ongoing year

How can the Survey of Adult Skills (PIAAC) inform us about financial literacy?

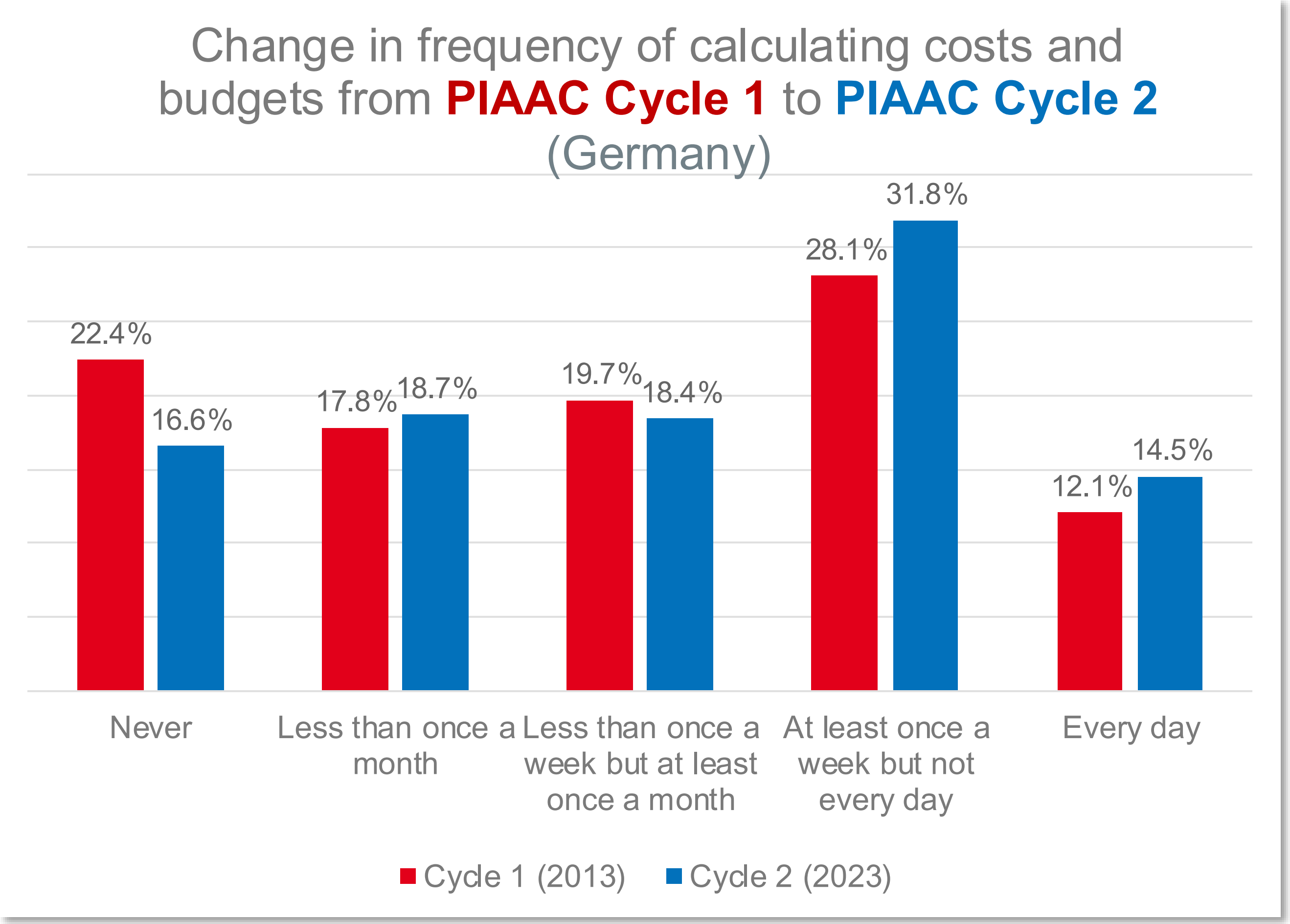
- G2_Q03a: **In everyday life, how often do you usually undertake calculations, such as calculating prices, costs or quantities?**
  - never (1), less than once a month (2), at least once a month (3), at least once a week (4), every day (5)
- Gender
- Migration (born in country)
- Employment status (employed, unemployed, out of the labor force)

4

Findings and discussion: How do adults with low-income care for their budgets?

Money Museum of Deutsche Bundesbank in Frankfurt,
photos: Klaus Buddeberg

In everyday life, how often do you usually undertake calculations, such as calculating prices, costs or quantities?



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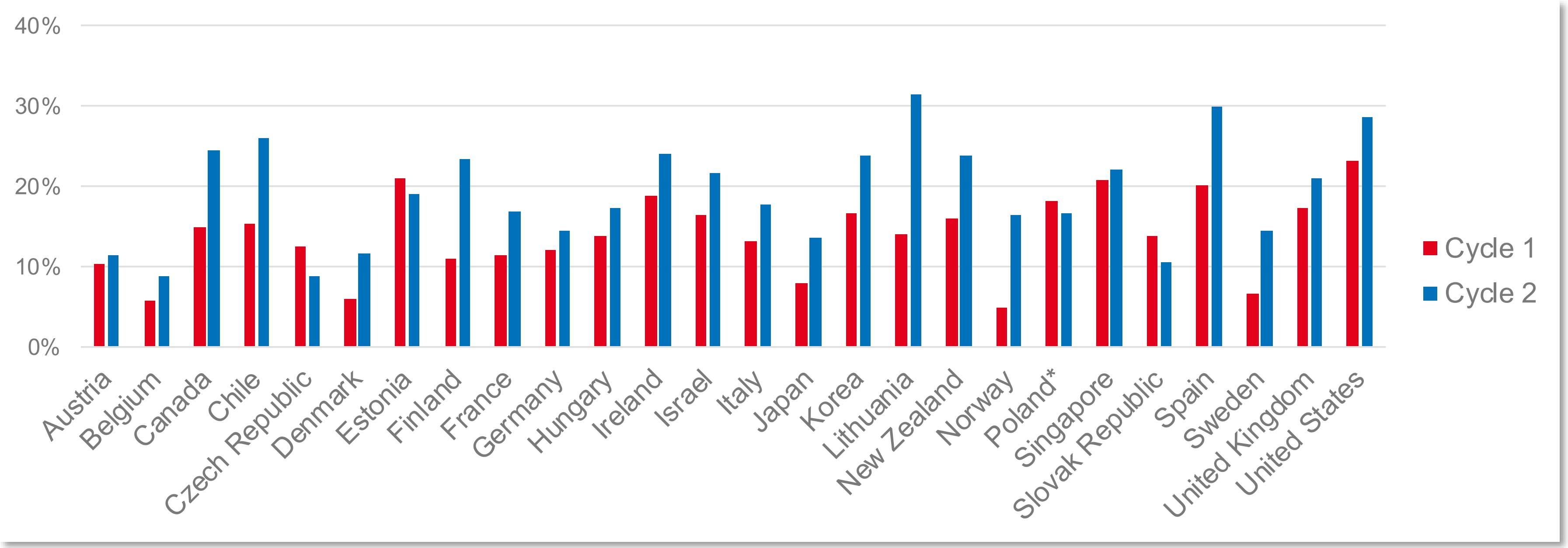
Proportions of Adults who undertake calculations about costs and budgets every day in PIAAC Cycle 1 and PIAAC Cycle 2



*Poland: Caution is required in interpreting results due to the high share of respondents with unusual response patterns.

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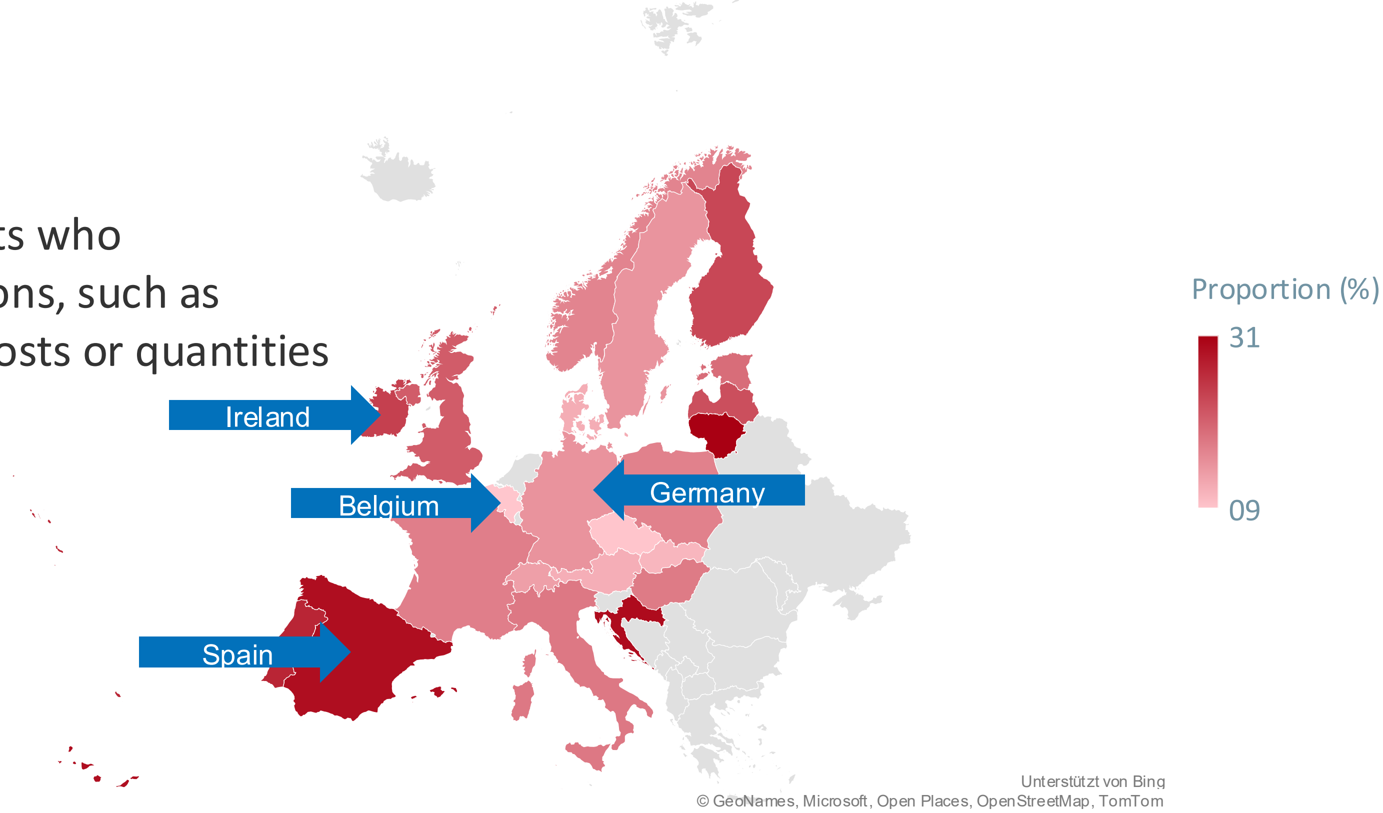
Regional differences in European countries

PIAAC Cycle 2:
Proportions of adults who undertake calculations, such as calculating prices, costs or quantities **every day**



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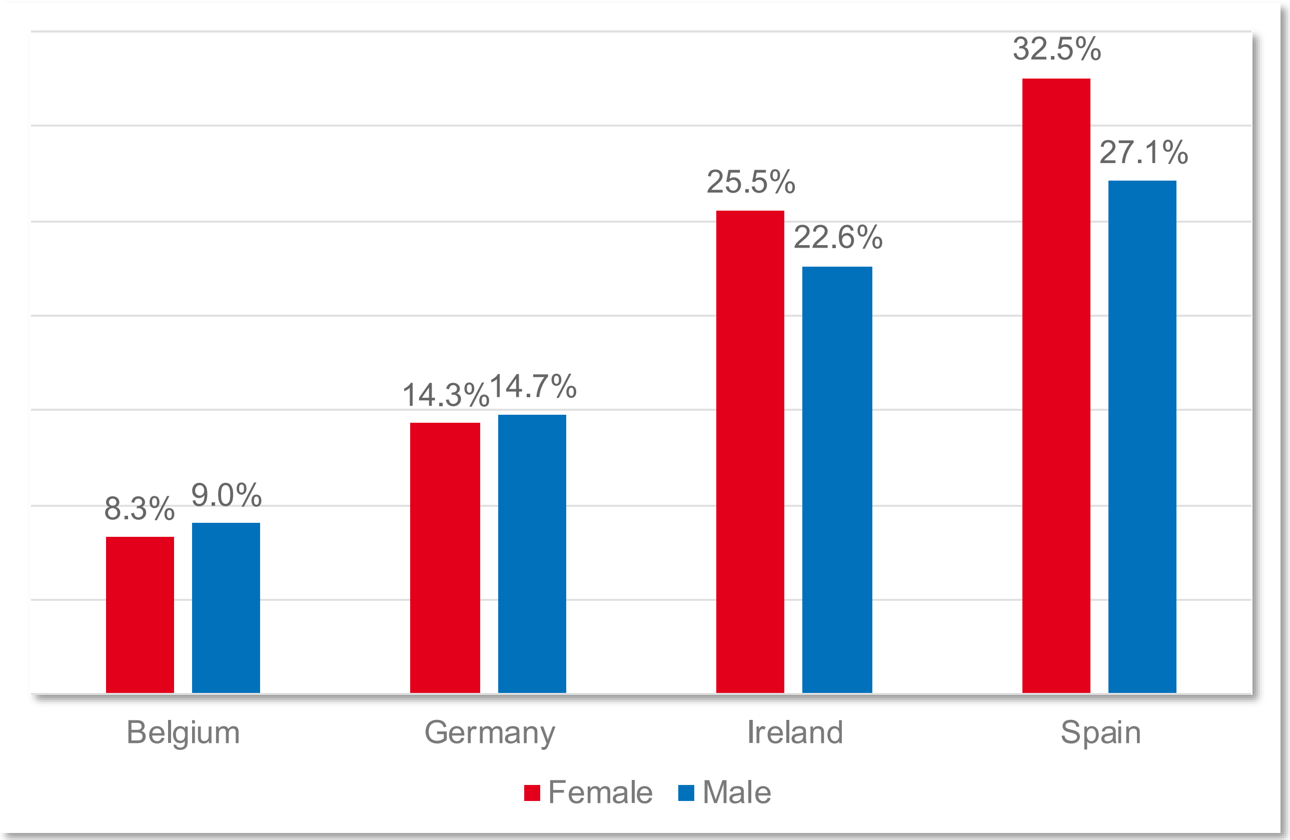
PIAAC Cycle 2: Proportions of adults who undertake calculations, such as calculating prices, costs or quantities **every day by gender**



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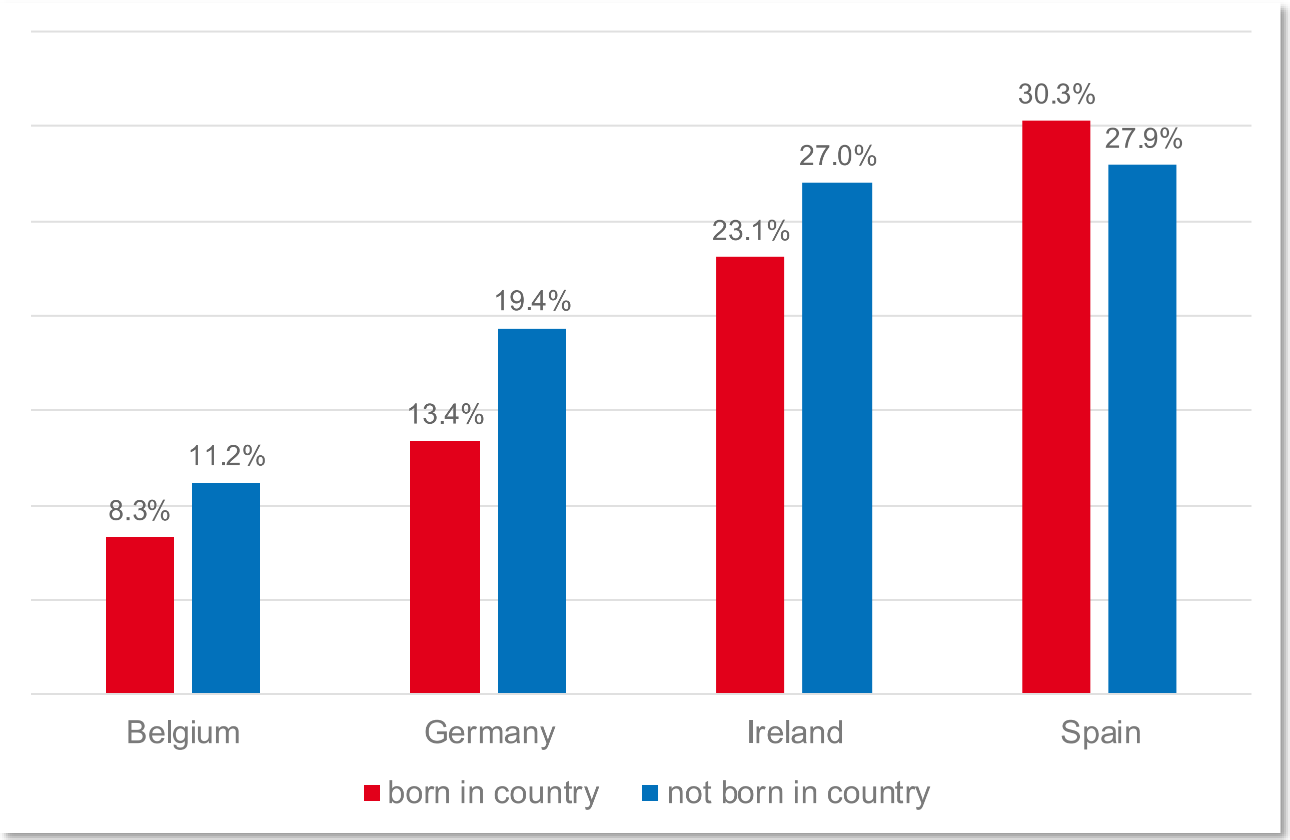
PIAAC Cycle 2: Proportions of adults who undertake calculations, such as calculating prices, costs or quantities **every day** **by country of birth**



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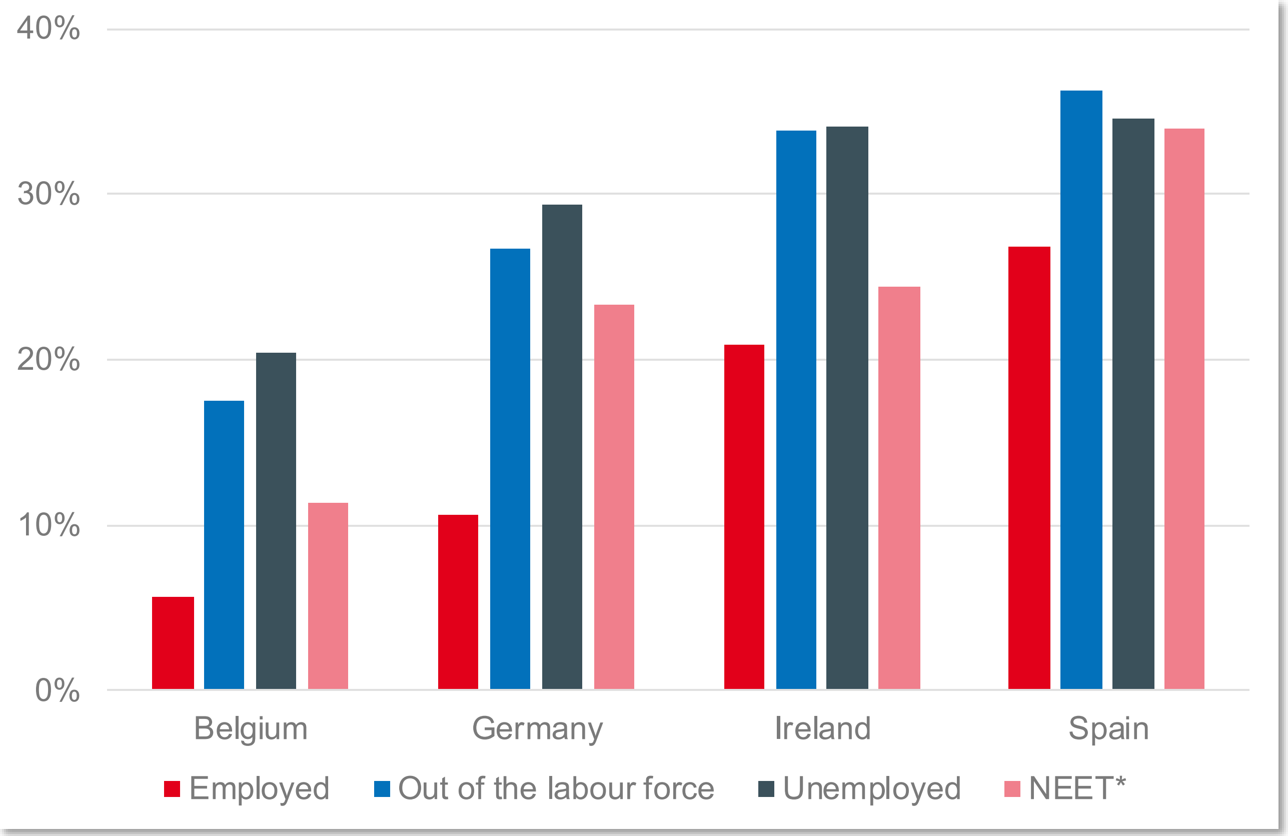
PIAAC Cycle 2: Proportions of adults who undertake calculations, such as calculating prices, costs or quantities **every day by employment status**



* NEET: Not currently employed and did not participate in education or training in last 12 months

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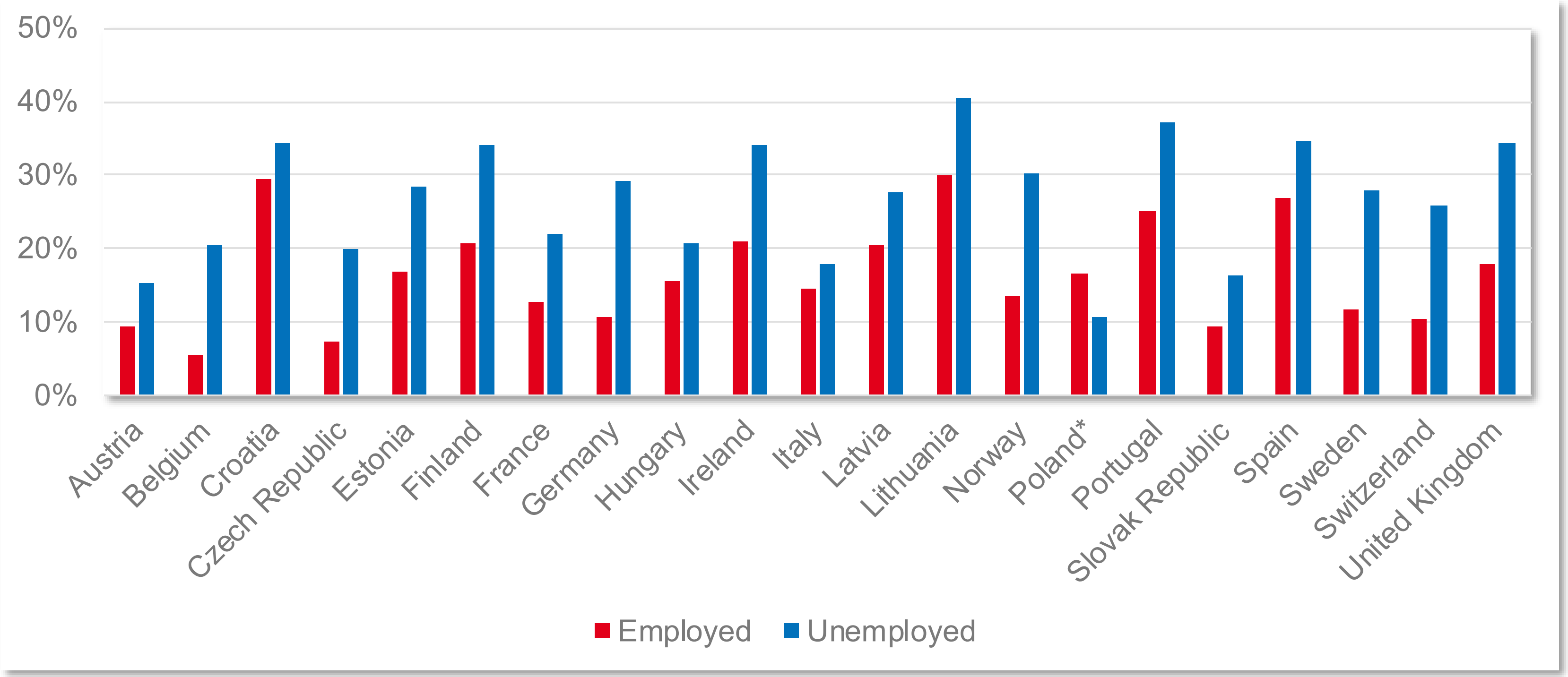
Daily calculating by Employment Status



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Research Questions

1. Does this also apply to Germany when using the PIAAC Cycle 2 data? ✓
2. Does the same apply to other European countries? ✓

What do we learn from these findings?

- Adults in difficult economic situations are not responsible for their circumstances simply because they fail to keep track of their finances.
- “Generating very low income is not necessarily a result of too little numeracy or financial literacy. It could also be seen as the result of (very) low income, personal crises and personal upheavals, or the complexity of liberalized consumer markets” (Grotlüschen et al, 2019, p. 263-264).
- Programmes and training measures that are limited to teaching skills only (as is implied by the financial education strategy in Germany, for example) do not take into account factors that lead to unemployment and the risk of poverty.
- Programmes and training measures should therefore offer not only financial education, but also economic education.
- When teaching financial literacy, you can build on the fact that many potential participants are well practised in making everyday rough calculations.

Thank you very much for your attention!

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Research Project:
Everyday financial practices of Adults

https://uhh.de/ew-finbi

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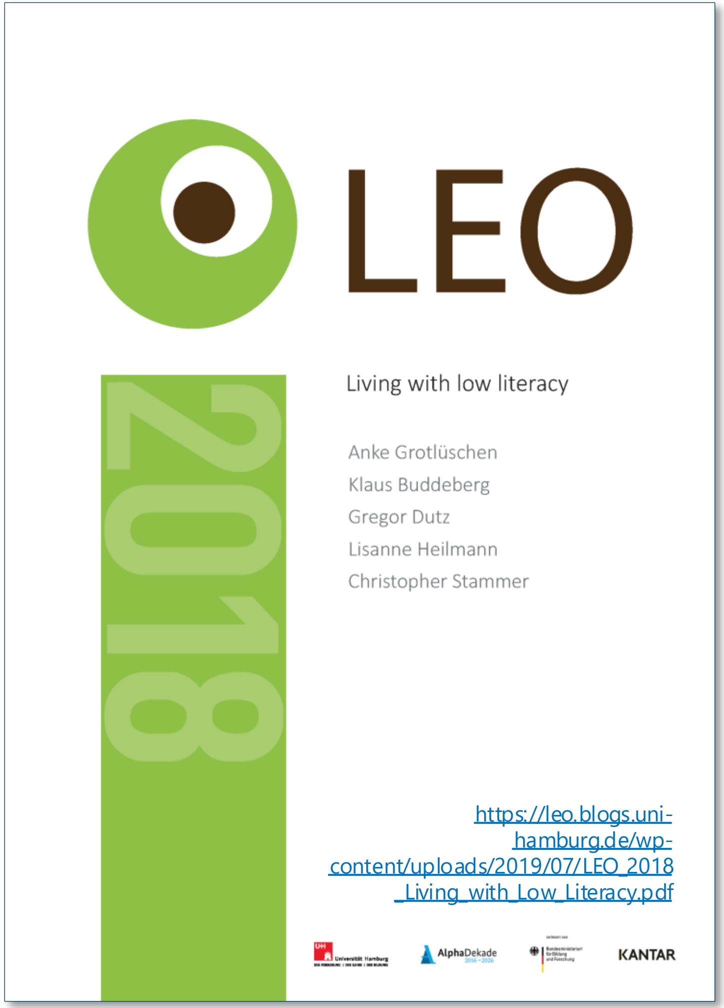
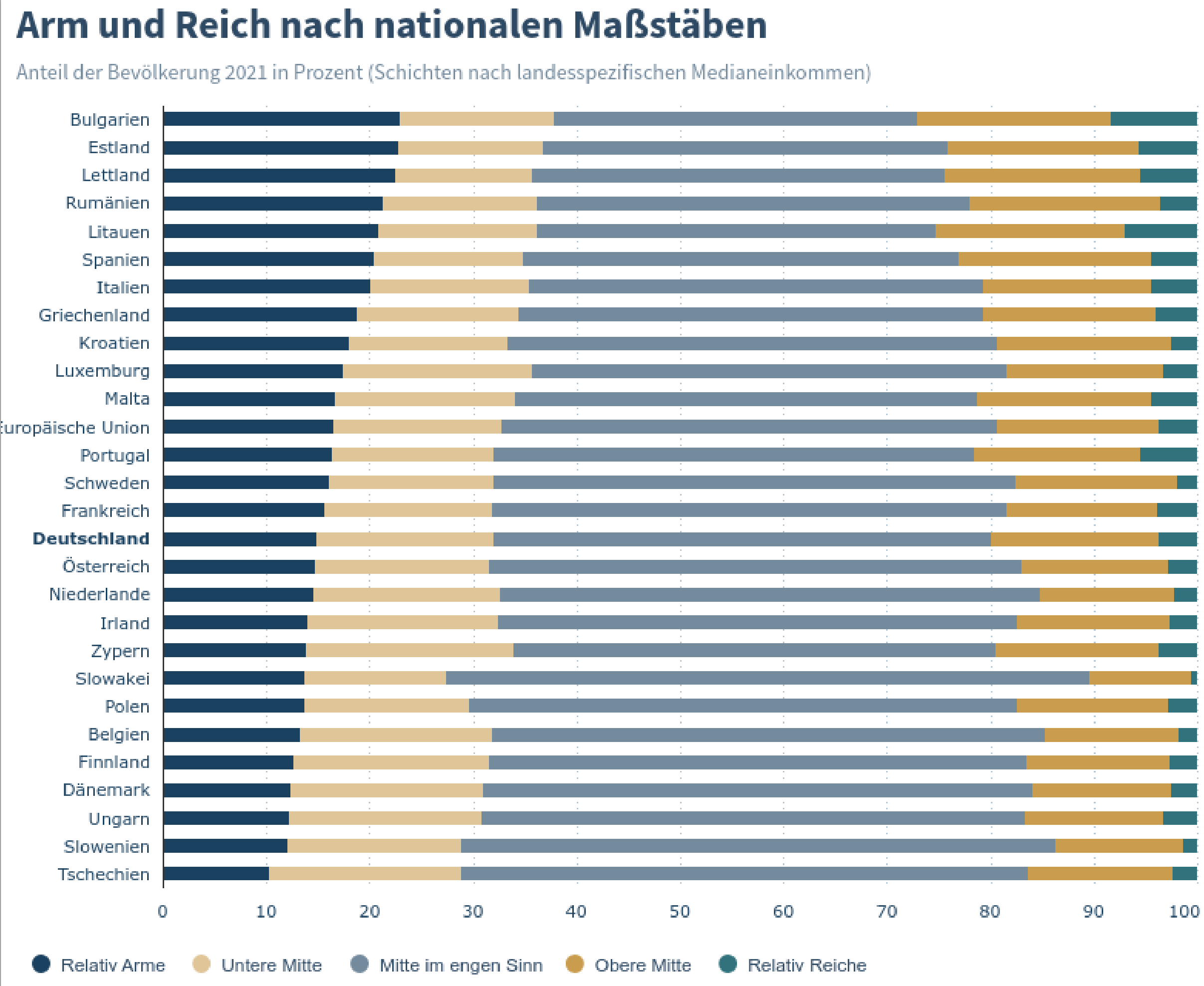
Additional Slides

LEO – Survey on Adult Basic Skills in Germany

- Financial Literacy also is the ability to critically scrutinize financial aspects and risks (Buddeberg, 2020)
- Lower financial inclusion of certain population subgroups e.g. in access to online banking
  - **Unemployed**
  - School drop-outs
  - Low reading and writing skills
    (Buddeberg et al. 2023)



Rich and poor by national standards



Europäische Union: Bevölkerungsgewichteter Durchschnitt der EU-27 Staaten.

Quelle: EU-SILC 2022 (Version Oktober 2023)

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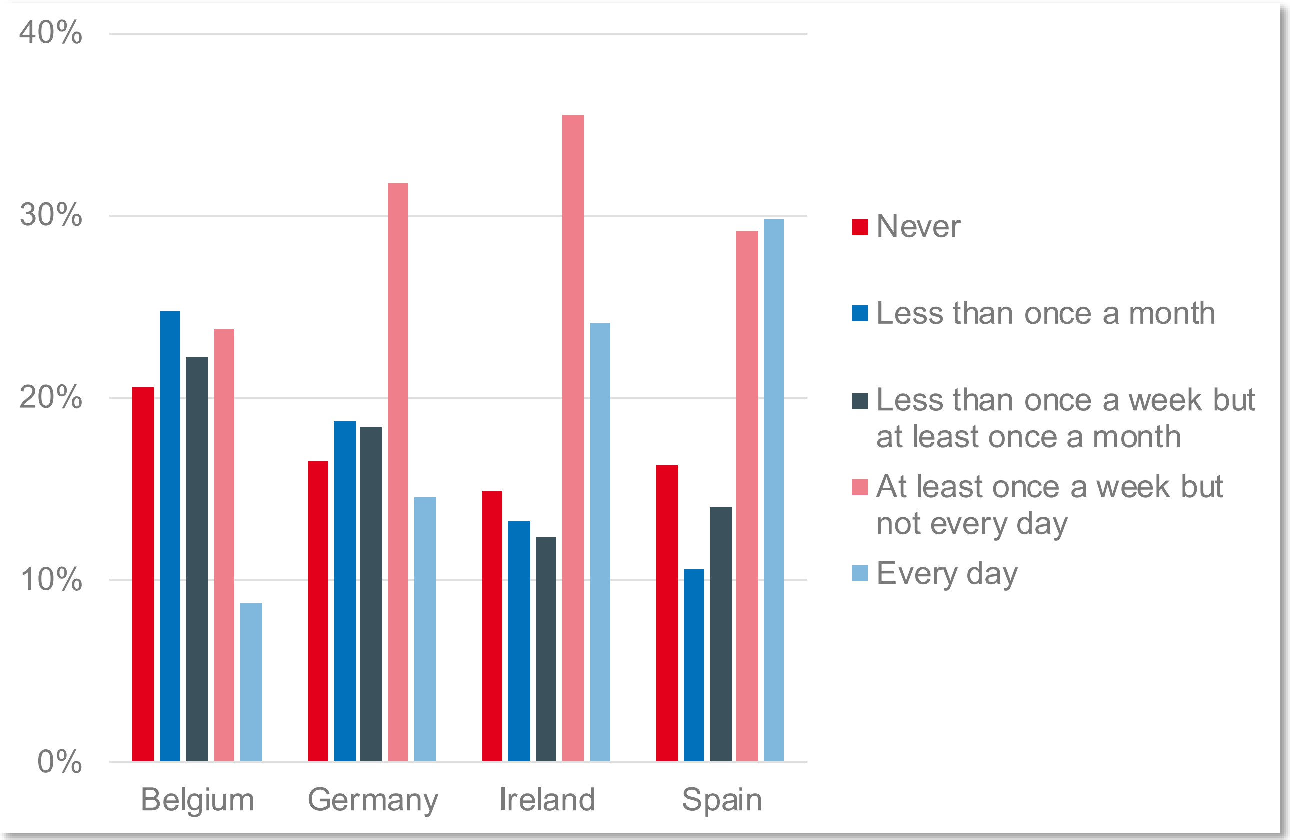
Country comparison

How often do you undertake calculations in your everyday life?



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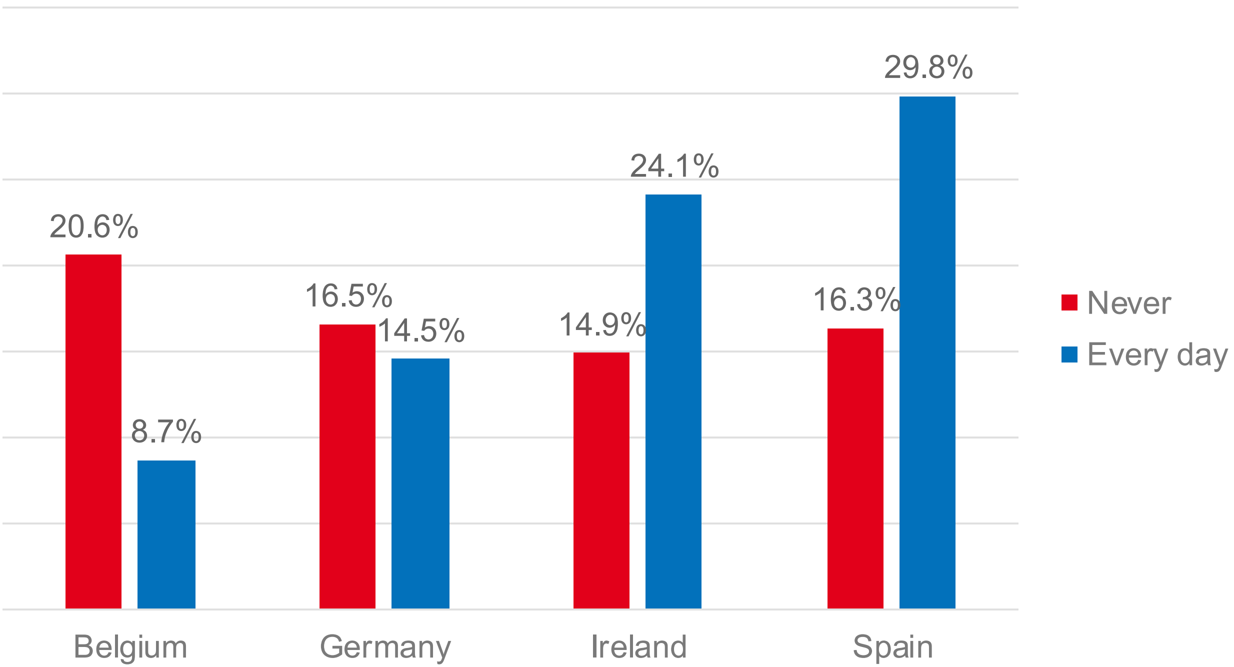

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