

EXPLORING THE ROLE OF SELF-CONFIDENCE IN FINANCIAL DECISION-MAKING

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Overview and Rationale

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Social Research and Demonstration Corporation (SRDC)

SRDC is a non-profit policy research organization, established in 1991

Specialize in evaluating programs and new policy ideas “at scale” in “real-world” settings

Pioneers in the design and implementation of demonstration projects and social experiments using randomized control trials (RCTs)

Implemented studies in every province, in over 75 communities, and have recruited and randomly assigned over 70,000 participants in our studies

UPSKILL – literacy training in the workplace

Pan-Canadian demonstration project measuring the effects of workplace literacy training

Large scale intervention, implemented in 8 provinces with 110 firms and 1,500 workers

Randomized control trial (RCT) - provides the most rigorous estimates of impacts of training on *literacy, technical skills, job performance and business outcomes for firms*

Main study was sponsored by Employment and Social Development Canada (ESDC)

We also partnered with the Financial Consumer Agency of Canada (FCAC) to explore the effects of literacy training on financial capability

- Added a special module to all participant surveys with *key indicators from the CFCS*

Large positive impacts on literacy skills, employment, and earnings....

Observed large gains in literacy and numeracy from a modest 20-hours of training

- Literacy scores increased 23 points relative to the control group
- 12 percentage point increase in industry certification rates

Accompanying impacts on job retention, employment rates, and earnings

- Job retention up 8.5 percentage points
- Unemployment reduced by 6 percentage points

Substantial benefits for firms with positive ROI

- 23 percent return on investment for firms within only 12 months

....but little impact on financial capability or financial behaviours

Little to no impact of increased literacy levels on key domains of financial capability

- No effects on *“keeping track of money”*
- No effects on *“planning ahead”*
- Small negative effect on *“making ends meet”*

Similarly, little effect on financial behaviours

- No effects on budgeting
- No effects on savings behavior
- No effects on retirement preparation

WHY?

Why financial capability may not improve following increased literacy

CONTEXT for training is critical to outcomes

- For UPSKILL training, literacy gains were applied in context of OCCUPATIONAL tasks
- The application of newly acquired skills to a new context is not automatic
- “Learning transfer” is facilitated by several factors

Correlation analysis confirms

- Numeracy was only loosely correlated with financial capability and behaviours
- Stronger correlations observed with psychosocial factors
 - Self-confidence, self-efficacy
 - Engagement in the workplace and community
 - Social networks

Exploring the role of self-confidence in financial-decision making

With support from FCAC, SRDC is undertaking further analyses of the first of these critical factors – exploring the role of self-confidence

Presenting interim results of two papers today:

- 1) The role of financial literacy in financial decisions and retirement preparedness among seniors and older adults
- 2) The link between self-confidence and financial outcomes among working-aged Canadians with different levels of financial knowledge