Consumer Financial Capability: A Comparison of the UK and Ireland

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Non-Technical Summary

Financial capability refers to the study of a person's knowledge of financial products, their understanding of their own financial position and their ability to choose products appropriate to that position along with their ability to plan ahead financially and to seek and act on appropriate advice when necessary. It has been argued that the related issue of financial literacy is a narrower concept, more focused on knowledge and skills and lacking the important behavioural element of financial capability (Dixon, 2006).

Financial capability and financial literacy are becoming increasingly important in a world of changing financial markets and products, increased life expectancy and changing pension arrangements (see e.g. OECD 2005, Orton, 2007). Given the proliferation of new financial products, unavailable in previous generations, ordinary people are required to navigate their way through an array of complex financial instruments in order to undertake once relatively straightforward but now increasingly complex transactions such as saving for retirement or buying a house. The scope for the general public to make costly mistakes in assessing and choosing fairly standard financial services, such as pensions or mortgages, has increased considerably.

Financial capability and financial literacy are important not just to the consumer - consumer knowledge of financial products and adequate financial planning is clearly of increasing concern to policymakers and regulatory bodies. Several countries have sought to investigate the degree of financial literacy among the general population. A major study of financial capability was undertaken in the UK by the FSA (Atkinson et al, 2006).

The first substantial evidence on financial capability in Ireland using a survey dataset designed for the specific purpose of measuring financial capability in Ireland was recently described in O’Donnell and Keeney (2009). Just over 1,500 households were surveyed in late 2007 and early 2008. Each household was asked up to 350 questions (depending on the diversity of their financial interests). The Irish survey closely followed the FSA UK survey and this makes it possible to compare and contrast responses and results across the two countries, which is the topic of this paper.
Results are compared and contrasted across seven questions or indicators, exploring similarities and differences in consumer financial behaviour across the two countries. The measures considered were as follows: (1) degree of difficulty in keeping up with bills and credit commitments, (2) knowledge of balance in account used for day to day money management, (3) whether respondents had experienced a large and unexpected drop in income in the previous three years, ownership of (4) pensions, (5) current accounts, (6) savings accounts, (7) how important respondents considered it was to keep up with the economy and the financial services sector generally.

For several of the questions considered, the Irish and UK results are strikingly similar. This is the case for ‘keeping up with bills and credit commitments’, ‘knowledge of balances in account used for day-to-day spending’ and ‘whether respondents had experienced a large and unexpected drop in income.’ Respondents in both countries were doing well at keeping up with bills and credit commitments. A review of responses to the second indicator, keeping track of balances, shows that those who performed less well at keeping up with bills and credit commitments, e.g., lone parents, in many cases had a high level of knowledge of their balances. This suggests that those who had difficulties in making ends meet were driven to be more aware of their financial situation than those who had no difficulties in dealing with bills and commitments, such as the highly-educated and those in the higher income quintiles.

Overall, a quite high proportion of respondents in both countries at around one-quarter in Ireland and 28% in the UK had experienced a large and unexpected drop in income in the previous three years. The similarity of responses on these issues may reflect the fact that both countries had been experiencing broadly similar macro-economic conditions at the time the surveys were undertaken. This raises the issue that were the surveys to be repeated in the current much more difficult economic climate, the responses to the above questions would be very different to those described above. In particular, it is likely that much greater numbers would have experienced a drop in income due to unemployment and would be experiencing difficulty in keeping up with bills and commitments.

Differences were apparent between Ireland and the UK when it came to the issues of pension coverage, in particular, but also holdings of current accounts and savings.
Given the variations between the pension schemes in the two countries, it is, perhaps, not surprising that differences arise. Bearing in mind the similarities in the retail banking environment between Ireland and the UK, it is surprising that differences arise in the rates of current account and savings account holdings. As current account and savings account holdings are important elements of financial exclusion, it would be of interest to broaden this descriptive analysis into a more comprehensive comparison of financial exclusion between the two countries.

Considering the higher rates of pension, current account and savings account holdings in the UK than in Ireland, it should probably be no surprise that UK respondents were more inclined to feel that keeping up with financial matters generally, such as the economy and the financial services sector was very or quite important at 70% in the UK compared with 60% in Ireland. The Irish rate was particularly low for the youngest age-group and students, suggesting a degree of detachment of the younger population from the economy and financial matters, at the time the survey was undertaken.
Consumer Financial Capability: A Comparison of the UK and Ireland

1.1: Introduction
Financial capability refers to the study of a person’s knowledge of financial products, their understanding of their own financial position and their ability to choose products appropriate to that position along with their ability to plan ahead financially and to seek and act on appropriate advice when necessary. It has been argued that the related issue of financial literacy is a narrower concept, more focused on knowledge and skills and lacking the important behavioural element of financial capability (Dixon, 2006).

Financial capability and financial literacy are becoming increasingly important in a world of changing financial markets and products, increased life expectancy and changing pension arrangements (see e.g. OECD 2005, Orton, 2007). Given the proliferation of new financial products, unavailable in previous generations, ordinary people are required to navigate their way through an array of complex financial instruments in order to undertake once relatively straightforward but now increasingly complex transactions such as saving for retirement or buying a house.

The scope for the general public to make costly mistakes in assessing and choosing fairly standard financial services has increased considerably. In particular, workers have to increasingly take responsibility for their income in retirement with moves towards defined contribution rather than defined benefit pension schemes. Increasingly, the risks associated with financial planning and products are being transferred from the state, financial institutions and firms to the individual consumer. Increasing life expectancy means that workers spend longer in retirement than previous generations. Evidence from the US, shows that there is a link between levels of financial literacy and individual economic well-being in retirement. The importance of financial literacy and capability is clear and becomes ever more critical in this environment. Lusardi (2008) suggests that “as it was impossible to live and operate in the past without being literate, i.e., knowing how to read and write, so it is very hard to live and operate efficiently today without being financially literate” (pg.
Given the uncertainty originating from the recent international financial turmoil, the financial capability of consumers will be severely tested.

Financial capability and financial literacy are important not just to the consumer - consumer knowledge of financial products and adequate financial planning is clearly of increasing concern to policymakers and regulatory bodies. Several countries have sought to investigate the degree of financial literacy among the general population. A major study of financial capability was undertaken in the UK by the FSA (Atkinson et al., 2006). A study has also been completed recently in Italy and work is underway on studies in the US and in Canada. Financial literacy has been studied in the US and elsewhere – including Australia, New Zealand, Japan and Korea - for several years now (see, e.g., OECD (2005) and Lusardi and Mitchell (2007a) for overviews).

The first substantial evidence on financial capability in Ireland using a survey dataset designed for the specific purpose of measuring financial capability in Ireland was recently described in O’Donnell and Keeney (2009). Just over 1,500 households were surveyed in late 2007 and early 2008. Each household was asked up to 350 questions (depending on the diversity of their financial interests). The Irish survey closely followed the FSA UK survey and this makes it possible to compare and contrast responses and results across the two countries, which is the topic of this paper. The paper is organised as follows: the remainder of this section provides an overview of the two surveys and the results of existing analyses of the survey datasets. The following section compares and contrasts results across seven questions or indicators, exploring similarities and differences in consumer financial behaviour across the two countries. Section three discusses the issues raised and concludes.

1.2: Irish and UK Surveys – A Broad Overview

As noted above, the Financial Services Authority (FSA) recently undertook a major study of financial capability in the UK which is also the blueprint for the Irish study, commissioned by the Irish Financial Regulator. The UK and Ireland share many features which are likely to affect financial capability in each country, such as a common language as well as cultural and institutional similarities. In addition, there is a high degree of mobility between Ireland and the UK. Perhaps most significantly,
both countries share the Anglo-Saxon banking culture and several of the major UK banks have a retail presence in Ireland. The Irish financial capability survey closely resembles the earlier UK survey. This means that results across the two countries can be compared and contrasted in order to establish what lessons can be learned from similarities or differences that arise.

Another important feature of the surveys is that both countries had been experiencing broadly similar macro-economic conditions of strong economic growth in the period preceding the respective surveys and around the time the surveys were undertaken. The UK economy recorded quarter-on-quarter real GDP growth of about 0.5% throughout 2005. Considering over a longer period, real GPP per capita grew by over 25% in the decade to the end of 2007. While growth was beginning to slow in Ireland in late 2007/early 2008 from the heights of the ‘Celtic Tiger’ era and unemployment was beginning to rise, the full effects of the global recession and the domestic property market crash were some months off. The unemployment rate in each country was in the 4%-5% region at the time each survey was conducted.

Given these similarities described above, does this lead to similar results in the financial capability sphere or are some country-specific factors still influential? Where differences arise, what are these due to – e.g., differences in institutions or in the banking environment? It will become clear that many similarities will arise in the comparison of results across the two countries. However, there are some important differences, particularly with regard to product holdings, notably pensions.

As noted above, the surveys were conducted while buoyant economic conditions prevailed. It is important to bear in mind that were the surveys to be repeated in the current much more difficult economic climate in both countries, some responses may be different to those described below.

The Surveys
The 2006 UK study was based on a survey of approximately 5,300 people across the UK, conducted in the summer of 2005. It forms part of a national strategy for financial capability launched in the UK in 2003. Four domains of financial capability were covered in both the Irish and UK questionnaires. These are as follows:
managing money, planning ahead, choosing products and staying informed. The managing money domain assessed the extent to which people were able to make ends meet and keep track of their finances. It was considered necessary to include both elements as the better-off may generally be able to make ends meet regardless of their money management skills. Consideration of the two elements gives a more rounded picture of money management skills. The planning ahead domain considered whether people have prepared for substantial future financial commitments, in particular, the implications of retirement. Provision for unexpected events with financial implications was also assessed. The choosing products area covered choice and purchase of financial products, covering knowledge of both of these and behaviour and confidence in selecting products. This section focused on products purchased in the five years preceding the survey. The staying informed section considered whether and how often respondents monitored financial topics and their behaviour in dealing with complaints, e.g., to financial services firms, where relevant. Applied financial literacy questions were also included in the UK study only, not in the Irish study, covering mental arithmetic, understanding information presented in graphical form and knowledge of particular mortgage and savings products.

1.2.1: Overview of Results

Factor analysis was used to derive a financial capability score for each of the four domains in each country study, with each domain treated separately. In the UK study, most people were making ends meet but quite a few were struggling to do so and some were doing quite badly. A broad spread of scores was evident for keeping track of finances with most people emerging as being reasonably capable. With regard to planning ahead, it was almost equally common for respondents to achieve low, medium or high scores. Results for the choosing products domain showed a substantial proportion of the population achieving relatively low scores with few scoring extremely high. For staying informed, the vast majority of people scored in the middle of the distribution.

In the Irish study, overall, respondents seemed to be doing quite well at making ends meet. The picture with regard to keeping track was less positive with many respondents performing poorly. However, those who performed poorly on keeping track generally did well on making ends meet. The score for the planning ahead
domain was quite widely distributed among respondents with responses to some of the individual questions giving cause for concern, particularly in relation to pension provision. This will be discussed in more detail in section two below. In the choosing products domain, the levels of capability were concentrated in the middle of the distribution and were generally not high. In the staying informed domain, the majority of respondents were again concentrated in the middle of the distribution but quite a substantial proportion had very low scores.

Performance on the applied literacy questions in the UK was generally strong with around one-fifth of respondents answering almost all questions correctly and two-thirds scoring 75 per cent or more. As this contrasts with the factor score results, the authors note that these type of applied financial literacy studies ‘measure something that is rather different’ from the four main domains of the financial capability survey (Atkinson et al, 2006, pg. 5).

2. Comparison of Responses in UK and Irish Survey

In this section, the focus is on responses to the raw questions, rather than the factor scores. This yields a more detailed, meaningful comparison between consumers in Ireland and the UK. Similarities or differences which arise through comparison of the factor scores could be as a result of similarities or differences on lots of questions making up each factor score or alternatively on a few questions which carried a large weight in the factor analysis. Focusing on the raw questions overcomes this problem. It also may illustrate areas where lessons can be learned through differences in the results between the two countries.

The responses to seven questions are compared and contrasted across the UK and Ireland. Questions are selected from each of the four domains of the surveys in order to represent all the behaviours important to financial capability. Within each domain, the particular question or questions analysed were chosen because they were important to the assessment of financial capability within that domain or illustrative of consumer experience in each country\(^2\). In the case of the ‘choosing products’ domain, two fairly basic products, namely savings accounts and current accounts were chosen in order to establish what, if any, differences arose in these perhaps ‘run-of-the-mill’
products but which nevertheless, attitudes to and behaviour in regard of are critical to financial capability.

Responses are compared along the six dimensions of income, age, education, gender, family type and work status, bearing in mind that there will obviously be interactions among these groupings.

2.1: Managing Money

2.1.1: Keeping up with bills and commitments

The first question chosen for comparison from the managing money domain probed how much difficulty respondents had in keeping up with bills and commitments. The results are strikingly similar across the two countries (see Figure 2.1 below).

![Figure 2.1: Keeping Up With Bills and Credit Commitments, Ireland and UK, per cent](image)

A majority of respondents in both countries had no difficulties in keeping up with bills and credit commitments at 60% in Ireland and 64% in the UK. Around a quarter were struggling from time to time while those keeping up with a constant struggle accounted for 6%-7% of respondents. Only a small fraction in each country were falling behind or having real financial problems.

As would be expected, these figures varied by socio-economic and demographic characteristics (see figures 2.2 to 2.6). Women in both countries were more likely
than men to be struggling from time to time, or constantly. They were also more likely to be falling behind with some bills or commitments and having real financial problems although the numbers in the latter two categories were small. Overall, those most likely to report no difficulties were couples with dependent children, those aged 60+, the highly-educated, the better-off and the retired. Indeed, the proportions doing well at keeping up with their bills and commitments were increasing by age, by educational attainment from the lower secondary / ‘O-level’ category and by income quintile.

A few features of these responses stand out as follows. Around one-third of those in the 20-49 age groups were struggling from time to time in Ireland and the UK, the highest such proportion across all the agegroups, reflecting the financial burden of mortgages and child-rearing in these years. Interestingly, those with just primary education in Ireland had a greater proportion experiencing no difficulties than those with either lower or upper secondary education or non-degree further education, most likely reflecting the older age-profile of those with just primary education. The lowest income quintile in the UK appeared to be in a much more comfortable position than the lowest quintile in Ireland with almost two-thirds in the lowest quintile experiencing no difficulties in the UK. However, some 6% of Irish respondents in this quintile answer that they do not have any bills or credit commitments, an option that was not available in the UK survey.

Those performing less well were in particular, lone parents (see table 2.1), those with lower secondary / ‘O-level’ equivalent education in Ireland, the lowest income quintile in Ireland, the unemployed and those unable to work due to illness or disability.
Table 2.1: Keeping up with bills and commitments by family type, per cent, Ireland and UK, selected figures

<table>
<thead>
<tr>
<th></th>
<th>Couple, no dependent children</th>
<th>Lone Parents</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Ireland</td>
<td>UK</td>
<td>Ireland</td>
</tr>
<tr>
<td>No difficulties</td>
<td>74.2</td>
<td>76.7</td>
<td>42.2</td>
</tr>
<tr>
<td>Struggling from time to time</td>
<td>22.7</td>
<td>18.4</td>
<td>39.2</td>
</tr>
<tr>
<td>keeping up with a constant struggle</td>
<td>2.5</td>
<td>3.5</td>
<td>14.2</td>
</tr>
<tr>
<td>Falling behind with some bills or credit commitments</td>
<td>0.2</td>
<td>1.1</td>
<td>3.1</td>
</tr>
<tr>
<td>having real financial problems &amp; have fallen behind with many bills or credit commitments</td>
<td>0.0</td>
<td>0.3</td>
<td>1.4</td>
</tr>
</tbody>
</table>
Figure 2.5: No difficulties by income quintile, per cent, Ireland and UK

Figure 2.6: No difficulties by work status, per cent, Ireland and UK
Of all categories considered, that which recorded the highest proportion of those having real financial problems was those unable to work due to illness or disability at 4% in the UK and 2% in Ireland. However, these were small groups in each country. Clearly, there are overlaps among these groups doing well and badly.

2.1.2: Knowledge of balances in account used for day-to-day spending
The next question considered for comparison, again from the managing money domain, was how accurately respondents knew the balance in the account they used for day to day spending. In the UK, this was specified to be a current account while in Ireland it could refer to a current, deposit, credit union or An Post (post office) account. Respondents could indicate that they had no idea of the balance or that they knew it within a euro (pound in the UK) or two. In between, there were five monetary ranges to choose from such as “I know within €20 / £10.”

Again, the results across the two countries were strikingly similar with 6% in each having no idea at all and 17%-18% knowing within a euro / pound or two (see Figures 2.7 and 2.8 below).
Figure 2.7: Knowledge of balances in account used for day to day money management, per cent, Ireland

Figure 2.8: Knowledge of balances in account used for day to day money management, per cent, UK
The results were very similar by gender in Ireland. In the UK, women were slightly more likely to report that they had a very accurate idea of their balance than men.

By age-group, in Ireland the youngest respondents aged 18-19 were most likely to report that they had no idea at all at 16%. However, those under 30 and the 70 years plus age group, had the highest proportions (around one-half) answering that they knew their balance within €1 / €2 - €20 compared with proportions in the 30% - 37% range for the other groups (see Table 2.2 below). Thus, there was great variety of knowledge amongst the youngest age group in Ireland.

In the UK, just over half of the youngest age group knew their balance within £1 /£2 - £10 compared to proportions in the thirties for all other age groups. It should be easier for younger age groups to have an accurate idea of their balances as they are less likely to have bills to pay and to own a large number of financial products which require transactions such as mortgage repayments etc.

Table 2.2: Knowledge of balances by agegroup, per cent, Ireland and UK

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Ireland</th>
<th>18-19</th>
<th>20-29</th>
<th>30-39</th>
<th>40-49</th>
<th>50-59</th>
<th>60-69</th>
<th>70+</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>I have no idea at all</td>
<td>16.3</td>
<td>5.2</td>
<td>6.0</td>
<td>5.8</td>
<td>7.1</td>
<td>4.8</td>
<td>1.8</td>
<td>5.9</td>
<td></td>
</tr>
<tr>
<td>€1-€20</td>
<td>48.0</td>
<td>50.1</td>
<td>36.4</td>
<td>36.7</td>
<td>30.2</td>
<td>33.4</td>
<td>45.7</td>
<td>39.6</td>
<td></td>
</tr>
<tr>
<td>€1-€75</td>
<td>68.8</td>
<td>66.7</td>
<td>53.1</td>
<td>48.2</td>
<td>53.9</td>
<td>52.8</td>
<td>64.1</td>
<td>56.7</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Age Group</th>
<th>UK</th>
<th>18-19</th>
<th>20-29</th>
<th>30-39</th>
<th>40-49</th>
<th>50-59</th>
<th>60-69</th>
<th>70+</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>I have no idea at all</td>
<td>4.9</td>
<td>4.7</td>
<td>5.8</td>
<td>5.3</td>
<td>7.6</td>
<td>5.9</td>
<td>4.3</td>
<td>5.6</td>
<td></td>
</tr>
<tr>
<td>€1-£10</td>
<td>51.2</td>
<td>34.0</td>
<td>34.1</td>
<td>33.7</td>
<td>32.7</td>
<td>37.6</td>
<td>38.9</td>
<td>35.5</td>
<td></td>
</tr>
<tr>
<td>€1-£50</td>
<td>66.7</td>
<td>58.1</td>
<td>50.7</td>
<td>51.9</td>
<td>49.0</td>
<td>56.3</td>
<td>54.9</td>
<td>53.7</td>
<td></td>
</tr>
</tbody>
</table>

Considering respondents by family type, lone parents with dependent children in Ireland were least likely to have no idea of their balances and most likely, along with the ‘other’ grouping to know their balance within €1 - €20 or €1 - €75 (see Table 2.3 below). Couples, whether with or without dependent children, were least likely to know their balances within these amounts. In the UK, the highest proportions knowing their balances within £1 - £10 or £1 - £50 were again lone parents. This is a very interesting result as previously we have found that lone parents were among
those performing relatively poorly at keeping up with bills. Thus, the difficulty this group has in meeting its bills would appear to lead lone parents to be acutely aware of their bank account balances.

Table 2.3: Knowledge of balances by family type, per cent, Ireland and UK

<table>
<thead>
<tr>
<th></th>
<th>single adult</th>
<th>couple no dependent children</th>
<th>lone parent</th>
<th>couple with dependent children</th>
<th>other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ireland</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>i have no idea at all</td>
<td>6.4</td>
<td>5.4</td>
<td>4.2</td>
<td>8.2</td>
<td>5.9</td>
<td>5.9</td>
</tr>
<tr>
<td>€1-€20</td>
<td>38.1</td>
<td>33.1</td>
<td>46.5</td>
<td>35.3</td>
<td>47.1</td>
<td>39.6</td>
</tr>
<tr>
<td>€1-€75</td>
<td>55.8</td>
<td>53.8</td>
<td>62.5</td>
<td>48.2</td>
<td>62.8</td>
<td>56.7</td>
</tr>
<tr>
<td>UK</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>i have no idea at all</td>
<td>4.2</td>
<td>6.7</td>
<td>4.8</td>
<td>5.8</td>
<td>5.9</td>
<td>5.6</td>
</tr>
<tr>
<td>€1-€10</td>
<td>38.3</td>
<td>33.0</td>
<td>43.4</td>
<td>30.9</td>
<td>37.1</td>
<td>35.4</td>
</tr>
<tr>
<td>€1-€50</td>
<td>53.8</td>
<td>52.0</td>
<td>59.8</td>
<td>51.0</td>
<td>56.0</td>
<td>53.7</td>
</tr>
</tbody>
</table>

By educational attainment, those with the equivalent of lower secondary / ‘O’ level qualifications in both countries were most likely to know their balances within the narrowest ranges while those at the opposite end of the educational spectrum with post-graduate degrees/PhDs were least likely (see Table 2.4 below). Again, this contrasts with the findings on keeping up with bills and commitments.

Table 2.4: Knowledge of balances by educational attainment, per cent, Ireland and UK

<table>
<thead>
<tr>
<th></th>
<th>primary</th>
<th>lower secondary/</th>
<th>A-levels, apprenticeships,</th>
<th>non-degree further education</th>
<th>primary degree,</th>
<th>postgrad degree, PhD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ireland</td>
<td></td>
<td>o-levels</td>
<td>upper secondary</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>i have no idea at all</td>
<td>9.9</td>
<td>6.4</td>
<td>6.8</td>
<td>3.5</td>
<td>3.2</td>
<td>2.6</td>
</tr>
<tr>
<td>€1-€20</td>
<td>39.3</td>
<td>47.2</td>
<td>39.4</td>
<td>41.0</td>
<td>34.5</td>
<td>30.1</td>
</tr>
<tr>
<td>€1-€75</td>
<td>54.5</td>
<td>64.8</td>
<td>57.6</td>
<td>59.7</td>
<td>49.8</td>
<td>44.6</td>
</tr>
<tr>
<td>UK</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>i have no idea at all</td>
<td>6.5</td>
<td>5.6</td>
<td>4.0</td>
<td>2.3</td>
<td>7.2</td>
<td></td>
</tr>
<tr>
<td>€1-€10</td>
<td>40.9</td>
<td>35.1</td>
<td>32.9</td>
<td>25.9</td>
<td>19.3</td>
<td></td>
</tr>
<tr>
<td>€1-€50</td>
<td>58.5</td>
<td>53.2</td>
<td>54.6</td>
<td>47.3</td>
<td>37.0</td>
<td></td>
</tr>
</tbody>
</table>
By income quintile, in Ireland and the UK, the numbers knowing their balances within the two amounts we have focused on were declining from quintile two onwards (see Table 2.5 below). Thus, only around one-in-four of those in quintile five in both countries knew their balance within €1 - €75 / £1-£50 compared with two-thirds of those in quintile two in Ireland and 61% in the UK.

Table 2.5: Knowledge of balances by income quintile, per cent, Ireland and UK

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ireland</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>i have no idea at all</td>
<td>7.1</td>
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Considering respondents by their work status, in Ireland, the unemployed and those in full-time education had the highest proportion of those who knew their balance within €1 - €20 (Table 2.6 below). In the UK, those unable to work due to illness or disability, the unemployed and those looking after a home or family were most knowledgeable in the £1 - £10 and also £1 - £50 ranges.

This second aspect of managing money that we have looked at has yielded a very interesting insight, namely, that those in both countries who performed less well at keeping up with bills and credit commitments in many cases had a high level of knowledge of their balances, suggesting that their difficulties in making ends meet drove them to be more aware of their financial situation than those who had no difficulties in dealing with bills and commitments.
Table 2.6: Knowledge of balances by work status, per cent, Ireland and UK

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2.2: Planning Ahead

2.2.1: Income Drop
The second domain considered for comparison was the planning ahead domain. From the planning ahead domain, one of the most interesting questions was whether respondents had experienced a large and unexpected drop in income in the previous three years. Again, the responses were extremely similar. In Ireland, one-quarter of respondents answered that they had while the UK figure was 28%. Slightly more women than men had experienced such a drop in both countries. The most common reason for such a drop in Ireland was the general category of redundancy or accident or illness or pregnancy or childbirth. In the UK, the most common reason selected was redundancy or job loss.

By age-group, 20 – 39 year olds were most likely to have experienced such a drop in Ireland at around 30% while those at the extreme ends of the age spectrum, 18-19 year olds and those aged 70+ were the least likely at around 7% (Figure 2.9 below). In the UK, the experience of such a drop varied little across the 20 – 59 years age brackets at 32% - 36%, higher than the UK average, while the rate for 18-19 year olds was much higher than in Ireland at 17.5% (see figure 2.9 below).
Figure 2.12: Income drop by education, per cent, Ireland and UK

Figure 2.13: Income drop by income quintile, per cent, Ireland and UK
Looking at family type, again lone parents suffered disproportionately on this front with 42% experiencing such a drop in Ireland and 36% in the UK, much higher than the average in each country (figure 2.10 above). Single adults, couples with no dependent children and the ‘other’ grouping were least likely to have had such a drop in both countries.

By work status, the proportion of the unemployed in both countries who had faced such a drop far exceeded those of other groupings (figure 2.11 above). This is to be expected as the most common reason selected for such a drop covered redundancy and job loss. 51% of the unemployed in the UK had experienced such a drop compared with 45% in Ireland. The proportion also exceeded the average for those looking after home / family and those unable to work due to illness / disability in both countries. Those least likely to have dealt with such a drop were students and the retired.

By education category, the highest proportions with such an experience in Ireland and the UK were those with lower secondary / O-level qualifications, those with non-degree further education (both at around one-third) and those with upper-secondary / A-level qualifications (around one-quarter) (figure 2.12 above). A much lower proportion of those with postgraduate qualifications in Ireland had had such a drop, 12.5% compared to the average of 26%\(^5\). Interestingly, in the UK, the figure for postgraduates was 23%, the same as that for those with a primary degree, much closer to the average of 28%.

Considering respondents by income quintile, a fairly narrow range of experiences were evident with only a fifth of the highest quintile in Ireland having had such a drop compared with around 30% in quintiles one and three and around 23% in quintiles two and four (figure 2.13 above). In the UK, the experience of quintiles 1 – 4 was fairly uniform at 28 – 30% while only 22% of the highest quintile had dealt with such a drop.

Overall, a quite high proportion of respondents in both countries at around one-quarter in Ireland and 28% in the UK had experienced a large and unexpected drop in income in the previous three years. Lone parents had fared particularly badly with
over one-in-four having experienced such a drop in Ireland and over one-in-three in the UK.

2.2.2: Pensions
The second indicator compared in the planning ahead domain was the critically important issue of pension coverage. Some differences were evident between Ireland and the UK when it came to this issue of retirement planning and pensions. There are differences between the pension schemes in the two countries. In Ireland, the public pension scheme is a basic scheme which pays a flat rate to those meeting the contribution conditions. A means-tested scheme also exists as a safety net for the low-income elderly. Voluntary occupational pension schemes, which are encouraged through tax incentives, have coverage of about half of employees. By contrast, the UK has a two-tier public scheme alongside private provision. The public scheme is comprised of a flat-rate basic pension and an earnings-related additional pension, which are complemented by a large voluntary private pension sector. The majority of employee contributors opt out of the state second tier into various types of private pensions.

All Respondents
Of all respondents, regardless of work status, who had not retired at the time of the survey, only 42% in the UK had a personal or occupational pension. The figure was even lower in Ireland at 32% (see figure 2.14 below). While 28% of this group in the UK had a pension that they had paid into in the past, the figure was even lower for Ireland at 12%. Thus, it seems that pensions are one area where different institutional arrangements between Ireland and the UK are leading to different rates of coverage.

The most common reasons given for such low pensions holding were not being able to afford it, which was given as a reason by about one-quarter in each country, while not having thought about it or got around to it was stated as a reason by one-third of those in Ireland and one-quarter in the UK. Almost 30% in the UK and one-in-five in Ireland stated they hadn’t had a job or hadn’t worked for long enough. Of those who had already reached retirement age, 65% in the UK had their own occupational or personal pension compared with just 46% in Ireland (figure 2.14 below).
Of those who had not yet retired and were working\textsuperscript{7}, the rate of coverage in Ireland for personal / occupations schemes was 46\%, broadly comparable with the OECD figure, and 58\% in the UK (figure 2.14 below). This contrasts with coverage of greater than ninety per cent in the Scandinavian countries and countries such as Australia, the Netherlands and Switzerland where membership of a private pension scheme is mandatory.
Considering all those who have not retired, what groups are driving these low figures? The rate of pension coverage amongst women was just one-quarter in Ireland, compared with 41% for men. In the UK, the female rate was 37% compared with a male rate of 49%. For those at work, the gap between the female and male rate in Ireland was narrower.

Of those not yet retired, the figures for those at the lower end of the educational spectrum were particularly low in Ireland at just 16% for those with just primary education and 20% for those with lower secondary / ‘O-level’ equivalent. The proportions rose by educational level to 63% of the small group with a postgraduate degree / PhD (figure 2.16 below).
Figure 2.19: Pension coverage by age group, Not Retired, per cent, Ireland and UK

- Ireland
- UK
The figures also rose by educational level in the UK from around one-third for the lower secondary / ‘O-level’ equivalent group to just over one in six for the postgraduate/PhD group (figure 2.16 above).

By family type, the highest rates of pension ownership in Ireland were among single adults and couples whether with or without children at 39%-41% and among couples in the UK with rates of around 52% (figure 2.17 above). Lone parents had the lowest rate in the UK at one-quarter, much lower than the overall UK figure but comparable to the Irish rate for lone parents.

The figures were also rising by income quintile in both countries and were below the average in each country for quintiles one through three (figure 2.18 above). The rate stood at 61% for the highest quintile in Ireland and 69% in the UK, compared with just 5% and just over 10% for the lowest quintiles respectively.

The rate of pension coverage was increasing by agegroup in the UK - being below average for 20-29 year olds - and until age 40-49 in Ireland, where it was below average for 20-29 and 60-69 year olds (figure 2.19 above). In both countries the highest rate of pension ownership was among 40-49 year olds at 46% in Ireland and 57% in the UK. The rate for 50-59 year olds in Ireland was a worryingly low 35%. The difference in coverage rates among the two countries was increasing by age with just 28% of those aged 60-69 in Ireland who were not retired having an occupational or personal pension compared with 47% in the UK.

So it appears that the low rates of pension coverage overall are driven by low rates among women, particularly in Ireland, along with those with low levels of educational attainment, those aged 20-29 and those in the low income groups. However, it is noteworthy that even among the – by definition – middle-income third quintile, the rates of pension coverage in both countries was below average. The rate of just 35% among those aged 50-59 in Ireland is particularly worrying.

Retired Respondents
Turning now to those who had already retired, just 46% in Ireland had an occupational or personal pension or a PRSA (Personal Retirement Savings Account)
compared with 65% in the UK (figure 2.14 above). Just one-third of retired women in Ireland had such a pension compared with 52% of retired Irish men while the figure for women in the UK was 47% (figure 2.15 above). The figure for men in the UK was 82%, much higher than the Irish figure.
Figure 2.20: Pension coverage by income quintile, Retired, per cent, Ireland and UK

Figure 2.21: Pension coverage by family type, Retired, per cent, Ireland and UK

Figure 2.22: Pension coverage by education category, Retired, per cent, Ireland and UK
Figure 2.23: Pension coverage by age group, Retired, per cent, Ireland and UK

[Bar chart showing pension coverage by age group for Ireland and UK]
By income level, the link between holding such a pension and income is clear with just over 89% of the highest income quintile in the UK having such a pension compared with 63% in the lowest quintile and 54% in the second quintile from which point the figures are increasing by quintile (figure 2.20 above). In Ireland, 87% of the top income quintile had such a pension compared with just under half of the lowest income quintile and just over one-third of the second highest quintile. Thus, this seems to concur with Lusardi and Mitchell (2007b) who found that respondents in the US Health and Retirement Survey (HRS) who were close to retirement and reported that they had an effective retirement income plan had much higher wealth levels than those who did not have such a plan when they were close to retirement. The relationship between planning and wealth held after controlling for socio-demographic factors.

Pension holdings were not increasing by income quintile in Ireland with quintiles one and four having about the same level of holdings and quintile three holdings exceeding all except the highest quintile. However, there were just over 50 respondents in the top three income quintiles in this retired subgroup in Ireland so these findings should be treated with caution.

By family type, in Ireland, just over half of couples had a pension compared with just over a third of single adults. In the UK, the same pattern was evident with three-quarters of those in couples having a pension compared with 56% of single adults (figure 2.21 above). There were only a handful of respondents in the other family type categories for this retired sub-group.

By education, pension holdings were increasing by educational qualifications in the UK from the lower secondary / ‘O’ level category onwards at 66% compared to 92% of those with a post-graduate degree or PhD (figure 2.22 above). In Ireland, just one-third of those with lower secondary / ‘O’ level qualifications had a pension (a similar proportion to those with just primary education) compared with 100% of those with a postgraduate / PhD qualification, three-quarters of those with a primary degree and nearly 90% of those with a non-degree qualification. However, the number of retirees with these high-level qualifications was very small in the Irish survey, reflecting the low average educational attainment of the older population.
By agegroup, in Ireland, around 45% of those aged 60-69 and those aged 70+ who were retired had an occupational or personal pension or PRSA\textsuperscript{12} (figure 2.23 above). In the UK, the differences by agegroup were sizeable with 79% of those in 50-59 age group with such a pension compared with 69% of the 60-69 age group and 61% of the 70+ agegroup.

Thus, the rates of pension coverage among the retired were particularly low and especially so in Ireland, for women and those in the lower income quintiles, those with low levels of educational attainment and single adults. These low rates are worrying but in the current climate of poor stock market performance and the collapse of several occupational pension schemes, it may be an uphill task to encourage broader take-up.

2.3: Choosing Products

2.3.1: Current Accounts
The third domain compared was that of ‘Choosing Products’. Within this area, the holding of current accounts are now compared across the two countries. Current accounts are chosen for examination as they are important in the context of financial exclusion, being central to the effective management of money, bill payment and access to cash and are often held to be a gateway to other financial products\textsuperscript{13}. 81.5% of respondents in Ireland (or their spouse / partner) used a current account for managing money on a daily basis while 83% held a current account, either in their own name or jointly with someone else, implying that 17% did not\textsuperscript{14}. 84% in the UK used a current account in their own name or in joint names for day to day money management while 89% held a current account, either in their own names or jointly. This section focuses on those who held a current account rather than those who used it for day to day money management.

No major differences were evident by gender in either country. By agegroup, only around two-thirds of those aged 70+ in Ireland and around three-quarters of those aged 60-69 had a current account compared with around 90% of these age-groups in
the UK (see figure 2.24 below). The figures for all other agegroups in Ireland ranged from 78% to 88% while in the UK the figures ranged from 85% to 92%.
Figure 2.24: Current account holding by age group, per cent, Ireland and UK

Figure 2.25: Current account holding by family type, per cent, Ireland and UK

Figure 2.26: Current account holding by education, per cent, Ireland and UK
Figure 2.27: Current account holding by income, per cent, Ireland and UK

Figure 2.28: Current account holding by work status, per cent, Ireland and UK
By family type, the lowest rate of current account holding in Ireland was for single adults at just under three-quarters while the rates for all other groups were equal to or greater than the average, including that for lone parents. This group, lone parents, had the lowest rate in the UK at 84% less than the 89% average there (figure 2.25 above).

By education level, just 57% of those with just primary education in Ireland had a current account (figure 2.26 above). This reflects the age profile of this group as we have seen above that older people were less likely to have a current account. Those with just lower secondary / ‘O-level’ equivalent qualifications also had a rate much lower than other education groups at around three-quarters, compared with an average of just over 90% for the better educated groups. In the UK, the current account holding rate was close to this figure for those with just lower secondary / ‘O-level’ equivalent qualifications compared with an average of 95% for the better qualified. Thus, there was much more diversity by qualification level in Ireland.

The rate of current account holding was increasing by income quintile in the UK and from quintile two onwards in Ireland (figure 2.27 above). In both countries the rate for the bottom two income quintiles was below average but higher in the UK than Ireland at 69% in Ireland compared with 82% in the UK. The rate for the highest quintile in Ireland was 94% compared with 98% in the UK.

By work status, in Ireland, the rate for those working either part or full-time was 92% much greater than the average while the rates for all other groups were below average particularly so for the unemployed and those ill/disabled at two-thirds for the unemployed and under 60% of those unable to work due to illness / disability (figure 2.28 above). In the UK, the rates for these groups were also below average but much higher than the Irish rate at around three-quarters for each group. The rate for those looking after home / family was also below average in the UK.

So, there was much more variation in the rates of current account holding evident in Ireland than the UK with particularly low Irish rates for the older age groups and those with lower levels of educational attainment which in many instances are one and the same individuals.
2.3.2: Savings Accounts
The second product chosen for comparison was savings accounts. Again, savings accounts are an important element of financial exclusion. Savings provide a means for dealing with financial emergencies and allay fears and insecurities over the proverbial ‘rainy day’. Of course, not all those who do not have savings are suffering from financial exclusion; lack of a savings account may reflect a host of choices made rather than lack of income or means.

Again, there were some slight differences between Ireland and the UK with 64% in Ireland having some savings products compared to 69% in the UK. There were no major differences by gender in either country. The rates were increasing by age group in the UK until those aged 60-69 ranging from a low of just under one-half among those aged 18-19 to a high of just over three-quarters for those aged 60-69 (figure 2.29 below). In Ireland the numbers increased by age until the 50-59 age group and ranged from just 40% among those aged 18-19 to just over two-thirds among the 50-59 age group. The rate in Ireland was less than in the UK for all groups except those aged 20-29 where it stood at 61% in Ireland greater than the 53% in the UK.
Figure 2.32: Savings products by income quintile, per cent, Ireland and UK

Figure 2.33: Savings products by work status, per cent, Ireland and UK
By family type, lone parents had the worst rates in the UK at just over one half compared to the highest rate of almost 80% for couples with no dependent children (figure 2.30 above). Surprisingly in Ireland the rate among lone parents at slightly over one-in-seven was greater than that for couples with no dependent children at two-thirds. The ‘other’ category and single adult grouping had the lowest rate at under 60%. However, for those who held a savings account, the average total amount saved by single adults exceeded that of couples with no dependent children which in turn exceeded that of lone parents. The UK rate of savings account holding was greater than the Irish rate for every category except single adult.

By education category, the proportions holding savings products were increasing in the UK from those with lower secondary / ‘O-level’ qualifications onwards at 63% to 87% for those with a postgraduate / PhD qualification (figure 2.31 above). This was not the case in Ireland where the rate for those with just primary education exceeded that for those with lower secondary / ‘O-level’ equivalent and that for those with a primary degree was less than that for those with a non-degree qualification. Some of these rates were very low – just 58% for those with just primary education and 55% for those with lower secondary education. Nevertheless, the UK rate was greater than the Irish rate at all levels, for example, the rate amongst those with a postgraduate / PhD qualification in Ireland was 80% compared with the UK rate of 87% and in the much larger category of those with a primary degree, the respective rates were three-quarters and 83%.

The proportions with a savings product in Ireland were increasing by income quintile from a low of 52% in the lowest quintile to a high of around three-quarters in the highest quintile (figure 2.32 above). The same was also true in the UK although the proportions were generally higher, particularly so for the top two quintiles, 77% in the UK compared with 68% in Ireland for quintile four and 88% in the UK compared with 75% in Ireland for quintile five.

By work status, the rate was highest in the UK for those at work and the retired at around three quarters compared with one-third for the unemployed (figure 2.33 above). In Ireland, again the rate was highest at around 66% for those working, the retired and surprisingly the ill / disabled. The rate for the unemployed at just under
50% while the lowest in Ireland was much higher than the UK rate for the same group at around one-third. Thus, the Irish rate was higher than the UK rate for those unemployed, looking after a home/family and those ill or disabled.

Thus, the UK rate of savings account holding was greater than the Irish rate for the majority of the sub-groups considered with a few exceptions including the unemployed, those unable to work due to illness/disability and those looking after a home/family. This may reflect the impact of the Special Savings Incentive Account (SSIA) scheme in Ireland. The SSIA scheme was introduced in 2001 at a time of rapid economic growth to reduce demand pressure by encouraging regular saving habits and increasing aggregate savings. Entrants to the scheme could open accounts between May 1st 2001 and April 30th 2002 for a term of five years. Thus, the accounts matured between May 2006 and April 2007, depending on their start-up date. Generous incentives were provided to encourage uptake: the Government topped up saving into the accounts by 25 per cent of the value of subscriptions made each month up to a maximum of €254. In order to avail of the top-up, the account must have been held for five years from the date of the first subscription.

While only 8% of the unemployed and 14% of those ill/disabled answered that they had had an SSIA account, this figure was close to 30% for those looking after home/family. Of those who held at least one savings product, around 55% of the unemployed and those looking after home/family answered that some of their SSIA balances were included in the money in their savings product. The figure for those ill/disabled was much lower at one-quarter.

2.4 Staying Informed
The final indicator considered for comparison purposes was how respondents answered a question asking them how important it was for them to keep up to date “with financial matters generally, such as the economy and the financial services sector?.” In the UK, just over 70% answered that it was very or quite important compared with just over 60% in Ireland. A greater proportion of men than women answered this way in both countries, 74% versus 70% in the UK and 64% versus 59% in Ireland (figure 2.34 below). By agegroup, the greatest proportions answering that it was quite or very important were to be found in the 30-59 agebands in both countries.
The UK figures were greater than the Irish figures at all age groups. Interestingly, two-thirds of 18-19 year olds in the UK gave this answer compared with around one-third in Ireland.

By education level, in the UK, the proportions answering that it was important to stay up to date averaged 80% plus for those with any form of third level education compared with an average of around three quarters for the same subgroups in Ireland (figure 2.36 below). For those with lower levels of educational attainment, the figures were similar to the average or slightly below in the UK. For those with just primary education in Ireland, the proportion answering that it was important to stay up to date was just over 40% but was similar to or exceeded the average for all other educational groupings.
Figure 2.37: Staying informed by family type, per cent, Ireland and UK

Figure 2.38: Staying informed by work status, per cent, Ireland and UK

Figure 2.39: Staying informed by income, per cent, Ireland and UK
By family type, in the UK, couples whether with or without dependent children were most likely at three quarters to report that it was important for them to keep in touch, with the other groups close to the average or below (figure 2.37 above). The leading groups in Ireland were also couples and lone parents. The Irish proportions were again less than their UK counterparts for every group.

By work status, in the UK, the highest rates were recorded for those at work and students at around three quarters for both groups with the lowest rate at around 55% for those unable to work due to illness disability (figure 2.38 above). The rate for the retired was close to the average and for those unemployed and looking after home/family close to two-thirds. By contrast, in Ireland, the ill/disabled and students had the lowest rate at under 50%, indicating a degree of detachment of the younger population from the economy and financial matters, mirroring the rate found for 18-19 year olds, discussed above. The highest rate in Ireland at two-thirds was recorded for those at work. The proportions were also close to the average for the retired and those looking after home/family. Again, the UK proportions were greater than the Irish proportions for every subgroup.

By income quintile, the proportions feeling it was important to keep in touch with financial/economic matters were increasing by income quintile in Ireland from a low of one-half in the lowest quintile to a high of three-quarters in the highest quintile (figure 2.39 above). This was also more or less the case in the UK where the rates were greater than the Irish rates for every subgroup, ranging from a low of two-thirds at the lowest quintile to a high of 82% for the top quintile.

So overall, the rate was lower in Ireland than in the UK for most subgroups considered especially so for the young, students, those with low levels of educational attainment and those at the lower end of the income distribution.

3. Discussion

It is clear that for several of the questions considered, the Irish and UK results are strikingly similar. This is the case for ‘keeping up with bills and credit commitments’, ‘knowledge of balances in account used for day-to-day spending’ and ‘whether respondents had experienced a large and unexpected drop in income.’
Respondents in both countries were doing well at keeping up with bills and credit commitments. The proportions doing so were increasing by age, by educational attainment from the lower secondary category and by income quintile. By specific sub-groups, those performing less well were in particular, lone parents, those with lower secondary / O–level equivalent education in Ireland, the lowest income quintile in Ireland, the unemployed and those unable to work due to illness or disability. A review of responses to the second indicator, keeping track of balances, shows that those who performed less well at keeping up with bills and credit commitments, e.g., lone parents, in many cases had a high level of knowledge of their balances. This suggests that those who had difficulties in making ends meet were driven to be more aware of their financial situation than those who had no difficulties in dealing with bills and commitments, such as the highly-educated and those in the higher income quintiles.

Overall, a quite high proportion of respondents in both countries at around one-quarter in Ireland and 28% in the UK had experienced a large and unexpected drop in income in the previous three years. Lone parents had fared particularly badly with over one-in-four having experienced such a drop in Ireland and over one-in-three in the UK. Other groups who had also been affected disproportionately were the unemployed, those looking after home/family and those unable to work due to illness/disability. Indeed, the vulnerability of lone parents on many of the indicators considered is stark.

The similarity of responses on these issues may reflect the fact that both countries had been experiencing broadly similar macro-economic conditions at the time the surveys were undertaken. The UK economy recorded quarter-on-quarter real GDP growth of about 0.5% throughout 2005. While growth was beginning to slow in Ireland in late 2007/early 2008 and unemployment beginning to rise, the full effects of the global recession and the domestic property market crash were some months off. The unemployment rate in each country was in the 4-5% region at the time each survey was conducted. It is likely that had one country been in the midst of a recession and the other growing strongly that the responses to such questions as ease of keeping up with bills and commitments and whether a large drop in income had been experienced
would be very different. This raises the issue that were the surveys to be repeated in the current much more difficult economic climate, the responses to the above questions would be very different to those described above. In particular, it is likely that much greater numbers would have experienced a drop in income due to unemployment and would be experiencing difficulty in keeping up with bills and commitments.

Differences were apparent between Ireland and the UK when it came to the issues of pension coverage, in particular, but also holdings of current accounts and savings. Of those not retired at the time of the surveys, only 42% in the UK had a personal or occupational pension and only 32% in Ireland. Considering only by those at work, the rate of coverage in Ireland was 46% compared with 58% in the UK. Of those already retired, just 46% in Ireland had an occupational or personal pension compared with 65% in the UK. For those not yet retired, the rates were particularly low for women, particularly in Ireland, along with those with low levels of educational attainment, those aged 20-29 and those in the low income groups. For those who had retired, the rates of coverage were particularly low and especially so in Ireland, for women and those in the lower income quintiles, those with low levels of educational attainment and single adults. Given the variations between the pension schemes in the two countries, it is, perhaps, not surprising that differences arise. However, in the current financial and economic climate, it may be extremely difficult to induce a broader take-up of occupational pension schemes.

Bearing in mind the similarities in the retail banking environment between Ireland and the UK, it is surprising that differences arise in the rates of current account and savings account holdings. However, these differences are not as pronounced as for pension coverage. The rates for savings account holdings were 64% in Ireland and 69% in the UK. The Irish rate was particularly low for those with low levels of educational attainment, single adults, the unemployed, students and those looking after home / family. The UK rate was low for the younger age groups, lone parents, those on low incomes and in particular, the unemployed. As current account and savings account holdings are important elements of financial exclusion, it would be of interest to broaden this descriptive analysis into a more comprehensive comparison of financial exclusion between the two countries.
Considering the higher rates of pension, current account and savings account holdings in the UK than Ireland, it should probably be no surprise that UK respondents were more inclined to feel that keeping up with financial matters generally, such as the economy and the financial services sector was very or quite important at 70% in the UK compared with 60% in Ireland. The Irish rate was particularly low for the youngest age-group and students, suggesting a degree of detachment of the younger population from the economy and financial matters, at the time the survey was undertaken. It is important that this group become more aware of developments in the economy and the financial services sector generally as they get older and before they embark on major financial decisions such as taking out a mortgage.
References


Questions which were specific to the UK were removed from the questionnaire while others were inserted to reflect particular Irish circumstances.

This is the case with the question on whether consumers had ever experienced a large and unexpected drop in income, see section 2.2

Monthly equivalised household income, OECD equivalence scale.

Only, the Irish survey gave respondents the option of selecting that they didn’t have any bills or credit commitments. This was primarily chosen by those aged 18-19 and students, groups that would overlap in many instances.

Bearing in mind this was a small group in Ireland.

See OECD (2007) for a comparison of pension schemes in member countries.

Excluding the unemployed, students, those engaged in home / family duties and those unable to work due to illness / disability.

The problem of small cell sizes among some subgroups arises, particularly for the Irish data.

Of course, causality can not be established from the simple cross-tabulations carried out here.

However, there were just two retired respondents with a postgraduate / PhD qualification in Ireland.

45% of those aged 60+ had primary education as the highest level of educational attainment. Just 35 respondents in the retired subgroup in Ireland fell into the three highest educational qualification categories.

The figure for the 50-59 age-group was much higher at around three-quarters. This is to be expected as it is likely that only those who had such a pension could afford to retire in the younger 50-59 agegroup. However, there were only 12 respondents in Ireland aged 50-59 who had already retired.

The cluster analysis in O’Donnell and Keeney (2009) illustrates that current account usage varied from close to 100% among those with no weak areas in the financial capability domains to just 32% for those who performed poorly in all areas of financial capability.

This figure is slightly lower than that reported by the Combat Poverty Agency (2008) that over one-fifth (22.8%) of households had no current account based on the 2005 Household Budget Survey.