

PISA 2012 Field Test: Financial Literacy Non-Cognitive Items

As described in the original clearance request, in 2012 PISA will include for the first time an assessment of students' financial literacy. The United States will field-test this component and depending on the outcome of the field test and availability of funding, may participate in this component in the main study. In the field test there will be two test booklets that include, at the end, after the cognitive items, 5 minutes of non-cognitive items (accounted for in burden estimates provided in the original clearance). Each booklet will include a different set of non-cognitive items that address some combination of the following issues related to students' financial literacy: access to information and education; access to money and financial products; attitudes towards and confidence about financial matters; and spending and saving behaviour. Students who take a financial literacy test booklet will also complete the normal PISA student questionnaire.

The U.S. versions of the financial literacy non-cognitive items, which have been approved by the PISA international consortium, are attached. Below, are excerpts from the *PISA 2012 Financial Literacy Framework* (ED/PISA/GB(2010)21), which describe in more detail the non-cognitive factors that will be addressed through these items.

Excerpts from the *PISA 2012 Financial Literacy Framework* (ED/PISA/GB(2010)21):

Non-cognitive factors

1. The PISA working definition of financial literacy includes the non-cognitive terms *motivation* and *confidence*, attitudes which, according to some, have a great influence on money management behaviour (Johnson & Staten, 2010). PISA conceives of financial attitudes and experiences as indicators of financial literacy in their own right. Attitudes and behaviour are also of interest in terms of their interactions with the cognitive elements of financial literacy. Further, information collected about the financial attitudes and behaviour of 15-year-olds will also potentially constitute useful baseline data for any longitudinal investigation of the financial literacy and financial behaviour of adults.

2. The financial literacy expert group identified four non-cognitive factors for focused attention: access to information and education; access to money and financial products; attitudes towards and confidence about financial matters; and spending and saving behaviour.

Access to information and education

3. There are various sources of financial information available to students, including friends, parents or other family members, the media and financial institutions. It is useful for policy makers to know which sources of information are accessed most frequently and to ascertain whether higher levels of financial literacy are associated with particular sources of information. Policy makers can also use this information to ascertain how well messages about financial issues are being communicated, and where to target new interventions.

4. The education and training received by students also varies within and across countries. The extent to which there is a link between levels of financial literacy and financial education inside and outside schools is likely to be particularly useful in shaping policy for improving financial literacy.

Access to money and financial products

5. Students who have had greater personal experience dealing with financial matters might be expected to perform better on the cognitive assessment. Those who regularly make decisions about how to manage their own money are likely to know more about financial matters, even if they have not had specific instruction, than those who do not. That experience may come from earning money, from using financial products such as credit and debit cards, and from dealing with the banking system. A key policy question in this area is, "To what extent do real-life experiences of the financial world influence young people's financial literacy?"

Attitudes towards and confidence about financial matters

6. Attitudes are considered important constituents of financial literacy. Moreover, individual preferences are important determinants of financial behaviour and can interact with financial literacy. It is hypothesised that research from behavioural psychology may yield interesting results with regard to financial literacy, and better inform policy makers trying to improve the efficiency of programmes. The following areas in particular have been identified for investigation:

- Risk tolerance: willingness to accept the possibility of a loss in order to achieve greater gain (Barsky, Juster, Kimball, & Shapiro, 1997; Holt & Laury, 2002);
- Time sensitivity: willingness to trade immediate reward for greater gain at a future date (Barsky, *et al.*, 1997; Holt & Laury, 2002);
- Locus of control: belief that the individuals are in control of matters that affect them (Rotter, 1966);
- Fatalism: belief that bad things are more likely to happen to oneself than to others; and
- General confidence in financial matters: belief that the individual has enough knowledge and understanding to carry out financial transactions successfully.

Spending and saving behaviour

7. While items on the cognitive assessment will test students' ability to make particular spending and savings decisions, it is also useful to have some measure of what their actual behaviour is: that is, how students save and spend in practice. PISA financial literacy could provide important evidence on the relationship between financial literacy knowledge and financial behaviour, by looking at the relationship between 15-year-olds' reported behaviour and their results on the cognitive financial literacy assessment.

Collecting data about financial attitudes and experience

8. Information about non-cognitive factors related to financial literacy will be collected in a short student questionnaire at the end of the cognitive assessment of financial literacy. Items will address the four key areas identified for inclusion by the financial literacy expert group: *access to information and education*; *access to money and financial products*; *attitudes towards and confidence about financial matters*; and *spending and saving behaviour*. The questionnaire will comprise a small set of questions that explore the range and types of students' interest in and experience with financial matters.

9. The questions for the short questionnaire will be based on existing national surveys of financial literacy, and will also include some questions adapted from recognised protocols for attitudes and behaviours from behavioural psychology. Additional information that is pertinent to understanding the distribution of financial literacy will be drawn from the standard PISA background questionnaires. In particular, data about the student's home situation (family socio-economic status in particular) and school experience may be relevant to understanding the financial literacy results.

**Financial Literacy Booklet 1:
Questions about your experience with financial issues**

Q1 Have you ever learned how to manage money in a class?

FQ001Q01

(Please check one box in each row.)

Yes No

- | | | |
|--|---------------------------------------|---------------------------------------|
| a) At school, in a subject or course specifically about managing money | <input type="checkbox"/> ₁ | <input type="checkbox"/> ₂ |
| b) At school as part of another subject or class | <input type="checkbox"/> ₁ | <input type="checkbox"/> ₂ |
| c) In an activity outside school | <input type="checkbox"/> ₁ | <input type="checkbox"/> ₂ |

Q2 How often do you discuss money (e.g. talk about spending, saving, banking, investment) with these people?

FQ001Q02

(Please check one box in each row.)

	<i>Never or hardly ever</i>	<i>Once or twice a month</i>	<i>Once or twice a week</i>	<i>Almost every day</i>
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- | | | | | |
|--|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| a) Parents/guardians or other adult relations | <input type="checkbox"/> ₁ | <input type="checkbox"/> ₂ | <input type="checkbox"/> ₃ | <input type="checkbox"/> ₄ |
| b) Brothers or sisters (including step-brothers and sisters) | <input type="checkbox"/> ₁ | <input type="checkbox"/> ₂ | <input type="checkbox"/> ₃ | <input type="checkbox"/> ₄ |
| c) Friends | <input type="checkbox"/> ₁ | <input type="checkbox"/> ₂ | <input type="checkbox"/> ₃ | <input type="checkbox"/> ₄ |

Q3 If you don't have enough money to buy something you really want (e.g. an item of clothing, sports equipment), what are you most likely to do?

FQ001Q11

(Please check only one box.)

- | | |
|--|---------------------------------------|
| a) Buy it with money that really should be used for something else | <input type="checkbox"/> ₁ |
| b) Try to borrow money from a family member | <input type="checkbox"/> ₂ |
| c) Try to borrow money from a friend | <input type="checkbox"/> ₃ |
| d) Save up to buy it | <input type="checkbox"/> ₄ |
| e) Not buy it | <input type="checkbox"/> ₅ |

**Financial Literacy Booklet 2:
Questions about your experience with financial issues**

Q1 Do you get money from any of these sources?

FQ001Q04

(Please check one box in each row.)

- | | <i>Yes</i> | <i>No</i> |
|--|---------------------------------------|---------------------------------------|
| a) My parents/guardians, as a regular allowance or spending money | <input type="checkbox"/> ₁ | <input type="checkbox"/> ₂ |
| b) My parents/guardians, from time to time | <input type="checkbox"/> ₁ | <input type="checkbox"/> ₂ |
| c) A regular part-time job outside school hours | <input type="checkbox"/> ₁ | <input type="checkbox"/> ₂ |
| d) A job during school vacations or a summer job | <input type="checkbox"/> ₁ | <input type="checkbox"/> ₂ |
| e) Working in a family business | <input type="checkbox"/> ₁ | <input type="checkbox"/> ₂ |
| f) Occasional jobs outside home (e.g. babysitting or gardening) | <input type="checkbox"/> ₁ | <input type="checkbox"/> ₂ |
| g) Gifts of money from friends or relatives | <input type="checkbox"/> ₁ | <input type="checkbox"/> ₂ |
| h) Selling things (e.g. at local markets , on eBay, or Craig’s List) | <input type="checkbox"/> ₁ | <input type="checkbox"/> ₂ |

Q2 Which of these statements about saving money best applies to you?

FQ001Q10

(Please check only one box.)

- | | | |
|--|--|---------------------------------------|
| a) I save the same amount of money each week or month | | <input type="checkbox"/> ₁ |
| b) I save some money each week or month, but the amount varies | | <input type="checkbox"/> ₂ |
| c) I save money only when I have some to spare | | <input type="checkbox"/> ₃ |
| d) I save money only when I want to buy something | | <input type="checkbox"/> ₄ |
| e) I do not save any money | | <input type="checkbox"/> ₅ |
| f) I have no money so I do not save | | <input type="checkbox"/> ₆ |

Q3 Do you have any of the following?

FQ001Q06

(Please check one box in each row.)

- | | <i>Yes</i> | <i>No</i> | <i>I don't
know
what it
is</i> |
|--|---------------------------------------|---------------------------------------|--|
| a) Bank account | <input type="checkbox"/> ₁ | <input type="checkbox"/> ₂ | <input type="checkbox"/> ₃ |
| b) Pre-paid debit card | <input type="checkbox"/> ₁ | <input type="checkbox"/> ₂ | <input type="checkbox"/> ₃ |
| c) A way of saving money at home (e.g. a piggy bank) | <input type="checkbox"/> ₁ | <input type="checkbox"/> ₂ | <input type="checkbox"/> ₃ |