



Response to Financial Capability Strategy issued by the Department for Enterprise, Trade and Investment

Women's Resource and Development Agency
6 Mount Charles
Belfast
Co. Antrim
BT7 1NZ

Tel No: 028 9023 0212
Fax No: 028 9024 4363
Email: info@wrda.net

INTRODUCTION

The Women's Resource and Development Agency (WRDA) is a regional organisation operating across Northern Ireland, with a mission to 'advance women's equality and participation in society by working to transform political, economic, social and cultural conditions. The organisation was established in 1983 and continues its focus on working with women and community organisations located in disadvantaged areas. WRDA is a membership organisation with over 190 members comprised of women's groups, organizations and individual members.

WRDA delivers a large number of programmes to women from disadvantaged and rural areas. Included within our programmes is one on Money Management. Our experience in developing and delivering this programme has helped to inform our response to this consultation. In addition, our response is informed by feedback provided by a survey response completed by 90 women located across Northern Ireland.

In developing the Financial Capability Strategy WRDA would also urge DETI to consider our report '**The Northern Ireland Economy: Women on the Edge? – a comprehensive analysis of the Impacts of the Financial Crisis**'. This report provides very useful baseline information on women's economic position and participation in NI. We would particularly recommend that the following sections of the report be considered to inform and bring a gendered perspective to strategy:

- ***Welfare and Welfare Reform***¹
- ***Debt and Credit***²
- ***Housing and Energy Debt***³

¹ <http://www.wrda.net/Documents/Women%20and%20the%20Economy%20Section%2010%20-%20Welfare%20and%20Welfare%20Reform.pdf>

² <http://www.wrda.net/Documents/Women%20and%20the%20Economy%20Section%2011%20-%20Debt%20and%20Credit.pdf>

³ <http://www.wrda.net/Documents/Women%20and%20the%20Economy%20Section%2012%20-%20%20Housing%20and%20Energy%20Debt.pdf>

GENDER NEUTRAL POLICY MAKING

The current economic crisis has revealed why financial knowledge and understanding is so important to the economic stability of households. Without financial knowledge and understanding in some form, job loss, cuts to household incomes or an unexpected financial emergency can immediately threaten the economic stability of a household.

As the current crisis continues to unfold, it has become all too clear that it is not just those on low incomes who are losing their jobs and homes in record numbers; even households with some wealth found that they did not have the financial foundation to ride out the economic downturn. Financial capability is also tied to the well-being of the next generation, as it enables parents to empower their children with the necessary financial knowledge and tools which can be passed down from generation to generation.

The detrimental impact of ‘gender-neutral policy making’ has become an important area of focus for our organisation. In a country like Northern Ireland, where economic, social and gender inequalities persist, and where social policy development is increasingly gender-neutral, the differential impact of such policies on women remains invisible. It is unfortunate that this strategy persists with a gender neutral analysis, thus ignoring the specific needs of women in relation to developing a Financial Capability Strategy.

It is crucial that the gender dimensions of financial capability policies are recognised. Research shows that it is most likely women who budget in low income households. Women primarily budget and spend money on children and the needs of households. Moreover, women’s ownership of physical and financial assets is limited in comparison to men. It is also worth noting that employment within the Financial Services Sector has a low proportion of women and where there are women in post, they are located in low paid administrative roles.

Evidence clearly indicates that on average women have lower levels of financial knowledge than men; it also points to a gap in the financial skill levels of women.

WRDA would therefore urge that this strategy is revised to include 'gender specific' interventions designed specifically for women. Gender neutral policy making does not have a neutral impact, but rather, a negative impact. This strategy would be greatly enhanced by a gendered analysis of financial capabilities, particularly in households with dependents. If we refuse to acknowledge gender differences within financial capability, the strategy will lack effectiveness.

ITS MORE THAN MANAGING MONEY BETTER

The Strategy defines financial capability as ‘having the skills and confidence to make informed choices around budgeting, savings and banking products available. It means knowing how to budget, being prepared for a rainy day, saving or working toward saving in a safe place, maximising your income by getting all the financial help to which you are entitled, having the appropriate insurance cover, being prepared for your retirement and knowing how to get the right financial or debt advice when it is needed.’

While we agree in principle to this definition, we would also raise the issue of those determinants outside our control. WRDA recommends that the attributes outlined in ‘Money Lives’, the largest ethnographic study into financial capability carried out by The Money Advice Service are used. This incorporates:

Skills: the emotional, cognitive and/or behavioural skills and capacity to engage in the necessary thought processes for financial management.

Knowledge: the level of knowledge and awareness needed to find, understand and evaluate information in order to make financial decisions.

Opportunity: factors that lie outside individuals that either prompt their behaviour around finances or make it possible. This can refer to social opportunity (such as the networks people have), or physical opportunity (such as the location people live in).

Attitude: an expression of underlying beliefs that may influence behavioural intention and may be influenced by social norms.

Motivation: brain processes that energize and direct behaviour, which includes reflective (conscious) and automatic (unconscious) mechanisms.

We further recommend expanding the scope of the financial capability strategy to acknowledge the external environment that also impacts upon women’s financial inclusion such as the acquisition of material wealth and the impact of welfare reform.

To inform this response, we surveyed 90 women across Northern Ireland. The breakdown of the participants are:

<i>Area in which they live</i>	
Co Antrim	62.07%
Co Armagh	3.45%
Co Down	24.14%
Co Fermanagh	1.15%
Co L/Derry	8.05%

<i>Employment Status</i>	
Employed, working full time	70%
Employed, working part time	16.67%
Not employed, but looking for work	0%
Not employed, NOT looking for work	3.33%
Retired	6.67%
Disabled, not able to work	3.33%

<i>Household Income Range</i>	
Up to £5,199	4.49%
£5,200 and up to £10,399	4.49%
£10,400 and up to £15,599	6.74%
£15,600 and up to £20,799	7.87%
£20,800 and up to £25,999	15.73%
£26,000 and up to £31,199	11.24%
£31,200 and up to £36,399	12.36%

£36,400 and up to £51,999	13.48%
£41,600 and up to £46,799	2.25%
£46,800 and up to £51,999	5.62%
£52,000 and above	15.73%

We wanted to ascertain if women found their income did not quite cover their living costs in the last 12 months. A staggering 73.4% of respondents to our survey found this to be the case. The table below shows the breakdown of the methods used to make ends meet. It is worth noting that while some may have used savings or existing resources, a high proportion used their credit card or overdraft. Over 30% of women often did without to make ends meet. This is a worrying trend. A report by Save the Children looked at 5,000 families with incomes of up to £30,000 a year and found that to ensure their children get enough food to eat, nearly two-thirds of parents skip meals, go into debt, avoid paying bills, and put off replacing worn-out clothing (Save the Children 2012). Despite Britain being the seventh richest country in the world people are going hungry. It is estimated that some food banks are feeding upwards of 36,000 vulnerable people every day.

SOMETIMES PEOPLE FIND THAT THEIR INCOME DOES NOT QUITE COVER THEIR LIVING COSTS. HAS THIS HAPPENED TO YOU IN THE LAST 12 MONTHS? IF SO, PLEASE DETAIL HOW YOU MADE ENDS MEET.

Methods used to make ends meet	Percentage
Used existing resources such as savings	40.45%
Borrowed from family	26.97%
Cut back on spending	41.57%
Did without	31.46%
Sold something	6.74%
Worked overtime	10.11%
Pawned something	2.25%
Took out a loan	10.11%
Used overdraft	24.72%

Used payday loan	3.37%
Credit card	31.46%
Missed payment	6.74%
Did not happen	26.6%

When income does not match outgoings it has serious implications, not least the potential for over-indebtedness, which can also lead to further problems. A report commissioned by Your Money Garden Financial Education Project highlighted that debt had created a serious downward pressure on the quality of life for women, including marriage and relationship break-up, mental health problems and domestic violence (Your Money Garden, 2011).

In order to further explore the financial capability of women, our survey asked women pertinent questions regarding their levels of financial awareness and practice:

Questions	Yes	No	N/A
1. I have a written spending plan (budget) to plan income and expenses	29.07%	68.60%	2.33%
2. I save money regularly (at least once a month)	60.67%	38.20%	1.12%
3. I pay my bills (rent/mortgage/electric) on time	93.26%	6.74%	0%
4. I use direct debits to pay my bills	84.27%	13.48%	2.25%
5. I usually shop around before buying something	92.05%	7.95%	0%
6. I feel knowledgeable and in control about managing my money	73.86%	26.14%	0%
7. I have money set aside for emergencies	55.68%	43.18%	1.14%
8. I talk to my children/grandchildren about money and/or teach them money management	45.45%	18.18%	36.36%
9. I pay more than the minimum payment due monthly on credit cards	56.32%	28.74%	14.94%
10. I know how much I owe on all my outstanding debts	77.27%	14.77%	7.95%
11. I have written financial goals with a specific date	12.79%	81.40%	5.81%
12. I consider myself a frugal person who has learned to 'live on a shoestring'.	33.33%	57.47%	9.20%
13. I want to learn more about ways to stretch my money and make it grow	80.46%	13.79%	5.75%
14. I spend my money on needs (basic necessities) before wants (optional expenses).	86.52%	10.11%	3.37%
15. I know where to go for information and advice on money issues, including advice and managing debt	71.91%	25.84%	2.25%

16. Would you say you are able to access the household resources to purchase what you need	80.90%	17.98%	1.12%
17. Would you say you have enough money to buy what you consider to be essential items	87.64%	12.36%	0%
18. Would you say you have enough money to buy what you consider luxury items when you want	32.58%	67.42%	0%

While 71% of respondents knew where to go for information and advice on managing debt, 80% of women wanted to learn more ways to stretch their money and make it go further. This illustrates there is particular need among women for money management and budgeting workshops. 68% of women indicated they did not work to a budget to plan their income and outgoings.

We are concerned that women are still not utilising Direct Debits as a method for paying bills. Nearly 14% of respondents indicated they did not use Direct Debits. This could be for a variety of reasons, such as Post Office Accounts not supporting the use of Direct Debits. In fact, a recent report by the Consumer Council highlighted that 13% of households in Northern Ireland do not have a current account and could be missing out on access to discounts, the ability to keep track of their money more easily and the convenience of choosing how to pay (Consumer Council, 2013). Those who do not operate Direct Debits are also being charged more; we would strongly advocate for DETI to work with banks to encourage those 13% of households to open bank accounts and start to operate direct debits. We also recommend working alongside the utility regulator to encourage better practices to ensure low income households are no longer charged an administration fee when paying bills with cash.

WOMEN AND ENTREPRENEURSHIP SKILLS

We continue to see the gender economic disparities and the daunting economic reality faced by women who continue to experience compounding negative economic effects with job losses, a reduction in hours and the recent and impending changes to welfare reform. Women are over-represented in disadvantaged groups, so it is not surprising that to find that they are generally lower paid than men and have lower levels of retirement savings than men. This Strategy fails to look at ways of investing in programmes and policies that could create asset building opportunities to address this gendered disparity. This should be reversed. A gendered perspective in this Strategy would bring economic security to a greater number of families and expand our economy through addressing the disproportionate experience of budgeting on low incomes faced by women (as opposed to men).

Focusing on avoiding debt and managing finances alone will not solve the issues surrounding the problems women face with financial capability. What is needed is the promotion of entrepreneurial programmes that support women's economic participation outside the home. A successful example of programmes such as those in microfinance have successfully increased women's empowerment and increased the entrepreneurship skills of women (Van Leeuwen, 2003; Lee, 2004) leading to many new businesses being established. Evidence also shows that women are less likely to become entrepreneurs than men. While there is insufficient evidence to suggest why this is the case, some cite the discriminatory limitations in accessing finance and unsuitable training programmes (Kevane and Wydick, 2001).

We strongly recommend DETI develops programmes to encourage more women to start their own businesses. The programmes must be cognisant of and address the additional barriers faced by women including childcare. Promoting and supporting start up business programmes in a community based setting such as Women's Centres could have the potential to encourage more women in areas of disadvantage to increase their skills and become active in the economy.

IMBALANCE OF ECONOMIC POWER

WRDA believe that to ensure this Strategy can deal with financial capability issues for women, it must look to mitigate the potentially devastating impact welfare reform will have on women and children. The power of the purse must not be underestimated. Women and men clearly demonstrate different spending priorities. Women are notably more likely to buy items that improve the welfare of the family, particularly children. This spending is of significant benefit to the economy, particularly the food and clothing sectors. A study in the Philippines (Kelly, 2011) reported that when women have control over a couple's savings accounts, expenditures shift towards the purchase of family-targeted durable goods, such as washing machines, kitchen appliances and children's clothing. Further research by the OECD confirmed similar patterns within the United Kingdom, highlighting that when women in the UK have responsibility for household expenditure, three-quarters of it goes on childcare, food and education.

It cannot therefore be assumed that adults within households have equitable access to resources. It is often the case that the main earner has more control of/ access to household finances. An extremely concerning proposal of Welfare Reform is that Universal Credit will be paid to 'a nominated person in each household'. The nominated person is likely to be the main earner and therefore likely to be the male. WRDA believe this will have a regressive impact on women's economic equality, driving households back in time to when there was a 'male head of household'. This proposal, if agreed by our NI Executive, will result in a substantial transfer of resources from the purse to the wallet. As independent studies show (Stotsky, 2007), men spend more of their income on their own consumption. This proposal will therefore impact on women's financial capability as it will reduce women's access to resources, with dire consequences for her economic independence and rights and the needs of her children.

This strategy must deal with this severe and unnecessary impact on women and work to ensure women have direct access to financial resources under Universal Credit. WRDA have

been lobbying for some time to ensure that at an individual level, Universal Credit is paid to the main carer within the household and is split in non dependent households. It must be emphasised that this Financial Capability Strategy will not work if women no longer have access to household resources. DETI must better understand the causes and consequences of gender differences, not only in financial education, but also in how women access financial resources in the first instance.

WOMEN AND THEIR LEARNING ENVIRONMENT

WRDA are disappointed that a holistic approach to financial education has not been taken. If the Department wants to increase women's financial skills and knowledge then it has to recognise that women's access to learning is hampered by a number of barriers. We would like to see actions outlined within the strategy that will deal with removing these barriers.

Research conducted by the Women's Centres Regional Partnership (McLaughlin, 2009) illustrated the many barriers faced by women from disadvantaged backgrounds which lead to social and financial exclusion. These include lack of access to adequate and affordable childcare, limited skills, qualifications and experience and confidence which can impede women entering education, training and employment.

There are approaches to learning that work particularly well for women, for example, the holistic approach taken by Women's Centres and Groups. The idea behind holistic provision is one where a wraparound service is provided, based on the individual need and empowerment of the woman. Women's Centres and Groups have found success in this way of educating and helping women.

WRDA would therefore recommend that a holistic approach to financial education be advanced, and that DETI bring education on financial capability and management to local areas and communities, particularly targeting women. Women's organizations understand the problem in this wider context, often broadening the scope of financial education and awareness by also including root causes of poverty and material disadvantage.

WOMEN AND EMPLOYMENT

Women's employment is clustered within lower paid jobs and less productive sectors. The wage gap continues despite the many legislative measures aimed at eliminating the gender pay gap. Research by the Office of National Statistics reported that more women work in part-time jobs, which tend to have lower rates of pay, causing the overall gender pay gap to remain high - at 19.7% in 2012.

In relation to Welfare Reform, the premise behind the changes is that work should pay. However modelling work carried out on behalf of Save the Children shows that Universal Credit could have negative impacts on work incentives for many low-income families, especially lone mothers working over 16 hours, and second earners (Whitham, 2011). The UK government's own impact assessment concludes that 2 million households (including 1.1 million with children) will have lower entitlements (DWP, 2011). Save the Children research also found that a single parent with two children, working full-time on or around the minimum wage, could be as much as £2,500 a year worse off under the new system (Whitham, 2011).

Research by Martina Monteith et al (2005) shows that living on benefits for even one year significantly increased the likelihood of families being in poverty. With the upcoming Welfare Reform changes it is important that the necessary systems and infrastructure are put in place to enable women to enter or re-enter employment, which will help tackle child poverty. Most importantly, in providing additional resources to lone mothers – especially since the percentage of families headed by a lone mother has tripled over the past 30 years.

WRDA would urge DETI to look at how this strategy can be linked to the economic strategy and encourage employers to pay the living wage. Moreover, actions must be included that ensure DETI works alongside DSD to ensure Universal Credit is paid to the main carer in a household (likely to be the mother), and to enable the carer to keep more money before benefits are withdrawn (when they move into employment). DETI should also work with OFMDFM to progress affordable childcare provision across NI.

WOMEN AND DEBT

Children living in Northern Ireland are more likely to be nutritionally deprived than their counterparts in GB (DWP Select Committee 2003-2004). We would like to see a concerted effort by DETI to bring on board leaders in the business sector to reduce the cost of food and fuel in Northern Ireland. These costs are more expensive than in mainland GB (Monteith and McLaughlin 2005). This leads to further financial hardship for families.

Tackling financial exclusion is an important element in tackling child poverty. Research has shown many severely poor children have parents who do not have any money left over to save for one-off unexpected expenses. This could lead to over-indebtedness, with a large proportion of their benefits or income going to service these debts. We strongly advocate financial capability lessons as a compulsory element in schools for all children and young people. Similar education should be available for parents in local community settings. Financial education is an important preventative measure - an Ulster Bank survey showed that 69% of adults who responded felt that having money management lessons at school would have better equipped them to deal with the financial challenges of modern life.

Several reports have highlighted the issue of extortionate lending, in particular doorstep lending, where some agencies charged 160% – 800% interest on loans (Sharma, 2007). WRDA would urge the NI Assembly to lobby for a cap on the maximum Annual Percentage Rate charged by these lenders to help families reduce the amount of debt they find themselves in.

WOMEN-ONLY ADVICE SERVICES

“While a woman may initially come in looking for advice on benefits, she may end up on one of our courses, to gain new skills. You need to unwrap the various problems and deal with them in a holistic way.” Advice worker.

Women’s Centres are able to provide a holistic needs based approach to debt and benefit advice. The advice workers are able to respond to the individual needs of women by putting in place a tailored response. Advice and support given by Women’s Centres is related to empowerment through information. The empowerment of a woman manifests itself in greater self-confidence and a greater ability to articulate their needs and better deal with issues such as debt. (Womens’ Support Network, *‘Lifeline for Women - Empowerment through advice, support and advocacy’*, Belfast, 2013.)

It is without doubt that women-only advice services play a critical role for individual women, their families and the community. Positive impacts of the advice and support given include benefit uptake and help with debt, resulting in improved mental and physical health, better job prospects through training, increased confidence and self- esteem and increased confidence in their parenting skills. The impact of the advice and education offered to women from a Women’s Centre cannot be underestimated for their families and communities.

The advice provided within a women-only environment not only improves the life of an individual woman but it also improves the life of her family, particularly children. In addition there are many examples of women becoming more active in their communities to make them a better place to live.

Many Women’s Centres are frequently asked to justify why they argue for a women-only service. A women only space is a safe place where women can discuss their needs in confidence. Women can share their experiences and meet other women for support and encouragement. It is space to give women the opportunity to develop a positive self-image. Those who use Women’s Centres describe the woman-only space as crucial and extremely important.

“It is very important that women who enter our centre feel secure and safe. They have complex issues; they need a lot of support. That would not be possible with other advice providers.” Women’s Centre Advice Worker

CONCLUSION

At many levels there are consequences regarding the lack of specific financial awareness and education for women. Women's needs are both different and – as has been demonstrated - more pressing, in terms of the development of a Financial Capability Strategy. While evidence shows that women are more likely to look after the finances on a day to day basis, they have a shorter earning span (than men) due to juggling paid work with childbearing and rearing. This makes the prospect of poverty in old age more likely.

A range of policies are needed as well as financial education. DETI must ask the question 'Where do women go to learn?' In this case, we have recommended funding for money management, financial awareness and starting your own business courses, aimed at Women's Centres and Groups across Northern Ireland.

The language and approach of the financial services sector in general needs to take account of the different needs of women; it is evident that currently language and approach is very 'male oriented'.

There are many aspects to finding a solution to the lack of financial capability. While some can be addressed through financial education, it is clear that further policies are needed. It is important that this strategy links with others to ensure a holistic approach. WRDA agree that an effective Financial Capability Strategy requires 'a joined up approach' - not just from within the public, private, community and voluntary sectors, but also from within and between Government Departments. Financial capability cannot be looked at in isolation, nor can a financial capability strategy neatly begin and end along the lines of departmental portfolios. There is an urgent need for better collaboration and co-ordination to improve the manner in which actions emanating from this strategy take place.

It is clear that for future generations, the work that is currently underway in schools will indeed provide every child the opportunity to gain knowledge, skills and confidence to manage their money, however this type of provision must be replicated for women, particularly in areas of disadvantage, in order to increase their knowledge and understand their own motivations and attitudes towards financial capability.

We appreciate the opportunity to respond to this important strategy. Please do not hesitate to contact us if you wish to discuss any of the issues we have raised.

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