



CPF
Centre for Personal
Financial Wellbeing

Local Deprivation and Personal Financial Wellbeing

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Motivation

- Previous studies have primarily focused on examining the influence of **individual-** and **household-level** factors on personal financial wellbeing and financial behaviours.

(e.g., Brüggem et al., 2017; Piumatti, 2017; Kleimeier, 2023).

- Limited attention to understanding the role of **local-level factors** in shaping personal financial wellbeing.

- Existing literature suggests that neighbourhood deprivation **negatively** affects subjective wellbeing

(e.g., Shields et al., 2009; Knies et al., 2021; Bonomi Bezzo et al., 2021).

- Knowledge gap regarding the extent to which **financial wellbeing** varies between more and less deprived areas.

Key Objectives

- Effectiveness of nationwide policies for all individuals.
- Potential value of adopting a different FWB improving strategy at local level
 - e.g. better targeting individuals living in the most deprived areas.
- What interventions likely to have most effect?
 - income-related rather than attitudinal aspects of FWB.

Research questions

1. How does personal financial wellbeing (FWB) vary across different local deprivation quintiles?
2. What is the relationship between local deprivation and personal FWB, holding other factors constant?
3. Is *the relationship* driven by attitudinal elements or income-related elements of FWB?
4. Is *the relationship* driven by specific domains of local deprivation?
5. How does *the relationship* differ across cohorts?

Data

The Money and Pensions Service (MaPS) Adult Financial Wellbeing Survey 2021

- A nationally representative survey of over 10,000 adults living in the UK, covering over 7,200 residents in England and over 1,000 in each of Scotland, Wales and Northern Ireland.
- Detailed information on :
 - Financial resilience and security;
 - Day-to-day financial and planning behaviours;
 - Financial satisfaction, confidence and financial numeracy;
 - Socio-demographics (i.e., age, gender, ethnicity, marital status, education attainment, employment status, household income, number of adults and dependent children in the household, mental health, and urbanity);
 - Lower Super Output Area (LSOA)

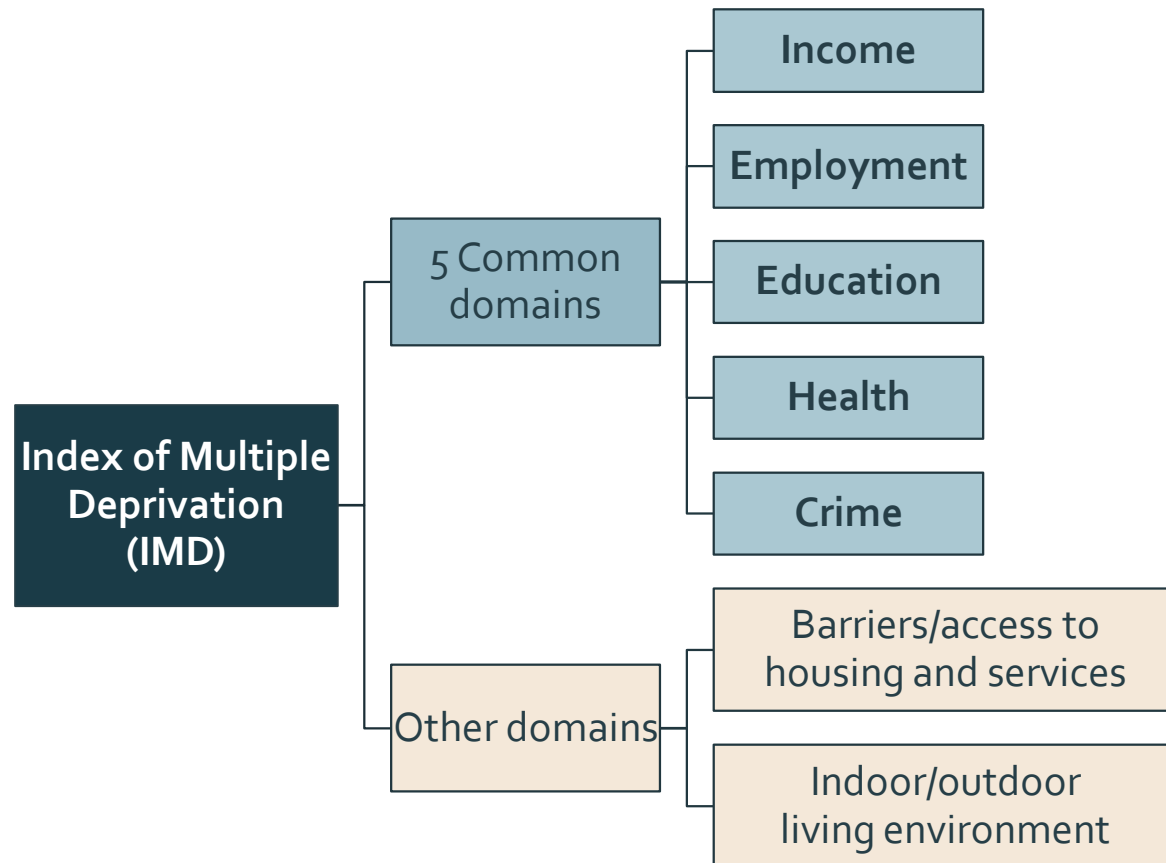
Methods - Measures of Personal Financial Wellbeing (FWB)

- The MaPS identified **9 questions** that are important for measuring personal financial wellbeing:

1. Overall, how satisfied are you with your financial circumstances?	2. How confident are you at managing your money?	3. How well are you keeping up with your bills and credit commitments at the moment?
4. What is the biggest unexpected bill that you could pay?	5. How often do you save ?	6. How often do you have to use a credit card, overdraft or borrow money to buy food or pay bills, because you've run out of money?
7. How long could you last without borrowing if lost main source of income?	8. To what extent do you agree that you understand enough to make decisions about retirement ?	9. How much of a plan do you have for retirement finances?

- An **aggregate score (FWB score)** has been created based on 9 questions, ranging from 0 to 100.

Methods - Measures of Local Deprivation (IMD)



- **Index of Multiple Deprivation (IMD)** at the LSOA level.
 - **IMD ranks** the LSOAs from the most deprived (rank of 1) to the least deprived (highest rank) in the nation.
 - **IMD quintiles:** from the 1st quintile (the most deprived) to the 5th quintile (the least deprived).
- Each UK nation has its own set of domains used to calculate IMD:
 - 5 common domains.
 - A differing mixture of 3 other domains (housing, service and environment).

Results -

People living in the most deprived quintiles have lower financial wellbeing scores than those living in less deprived areas.

On average, across the UK, people living in the 20% **least deprived areas** can expect a **financial wellbeing score of 60**.

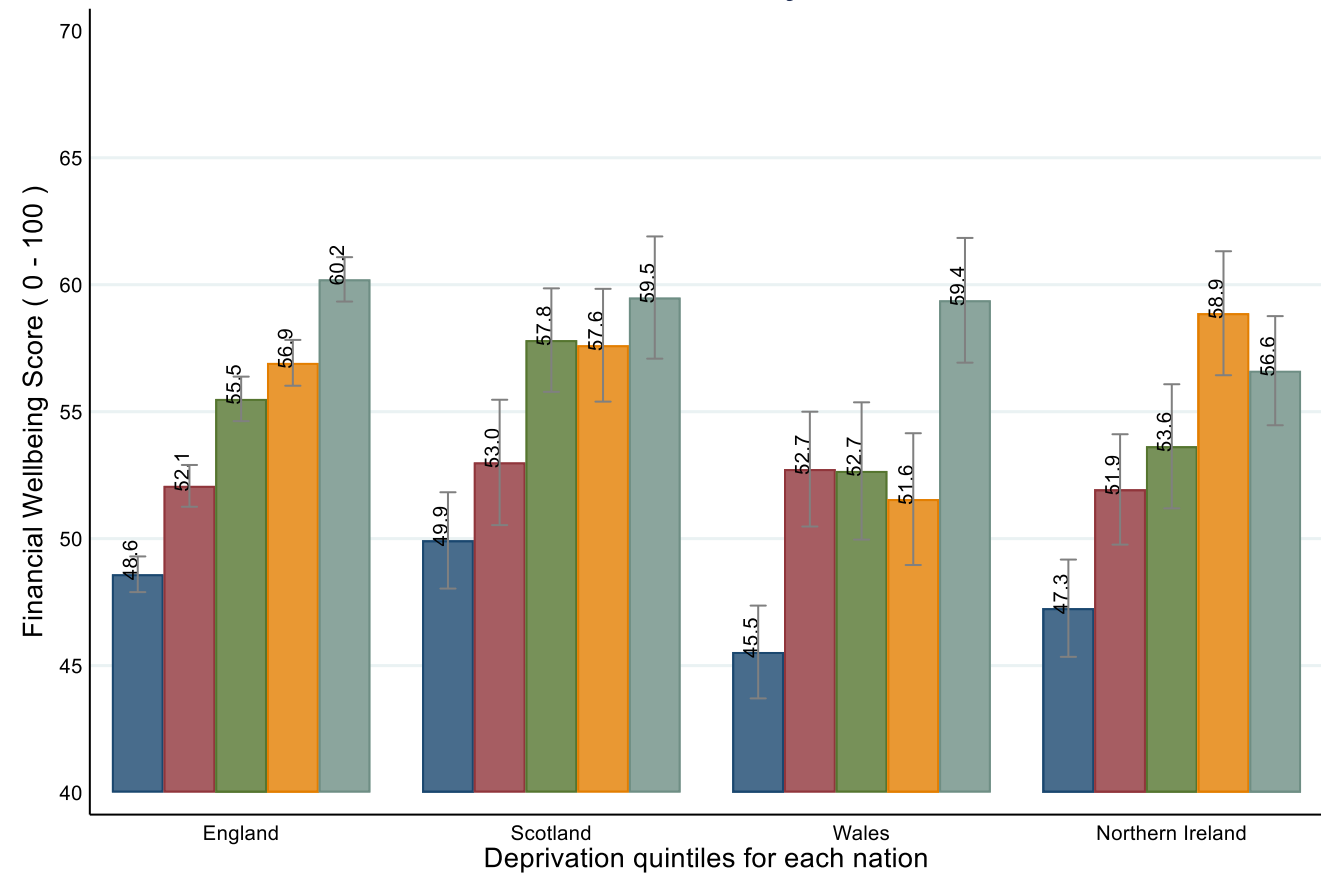
However, for those living in the **20% most deprived areas**, their **average financial wellbeing score is 48.5**.

Question topic (variation in individual scores)	Most deprived quintile in UK	Least deprived quintile in UK
Financial satisfaction (where 10 is completely satisfied)	6.6	7.5
Financial confidence (where 10 is very confident)	7.7	8.7
Have difficulties keeping up with bills	63%	35%
Cannot pay any unexpected bill	18%	6%
Save every month	32%	46%
Borrow money to pay for essentials (very / fairly often)	22%	13%
Could last no more than a month without borrowing if they lost their main income	35%	14%
Understand enough to make decisions about saving for retirement	39%	51%
Have a rough or clear plan for retirement	37%	58%

Results - FWB Score by IMD quintiles

- Overall, FWB score is higher in less deprived areas, with some exceptions in Scotland, Wales and Northern Ireland.
- We find the same trends for each of the nine FWB questions.

FWB score by IMD



Results - Overall relationship between FWB score and IMD

Baseline Model

- **Multivariate linear regression** using **FWB score** as the dependent variable and **log(IMD rank)** as the key independent variable.
- Controlling for *age, gender, ethnicity, marital status, educational attainment, household income, employment status, number of adults and dependent children in the household, health status, and level of financial literacy.*

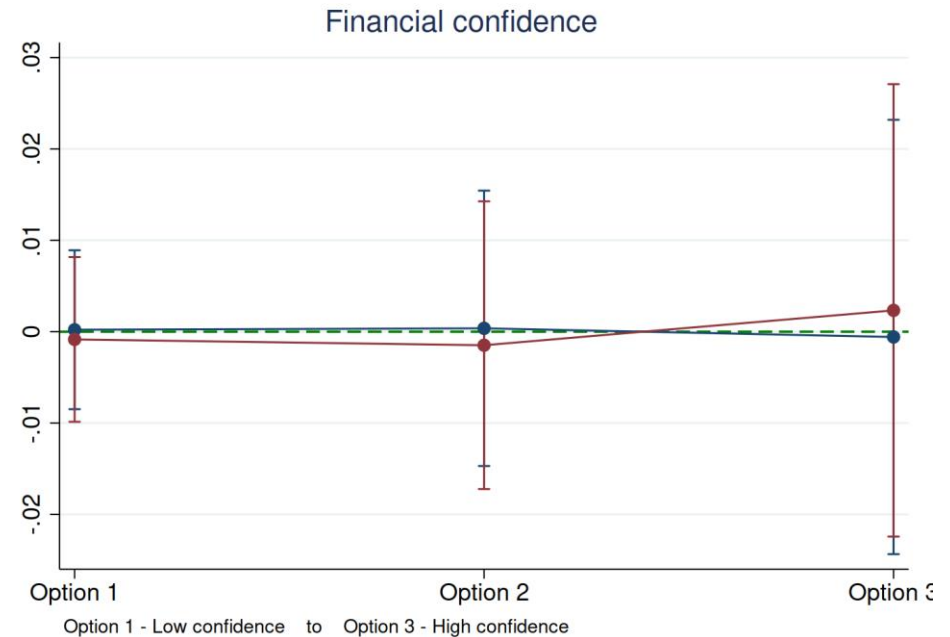
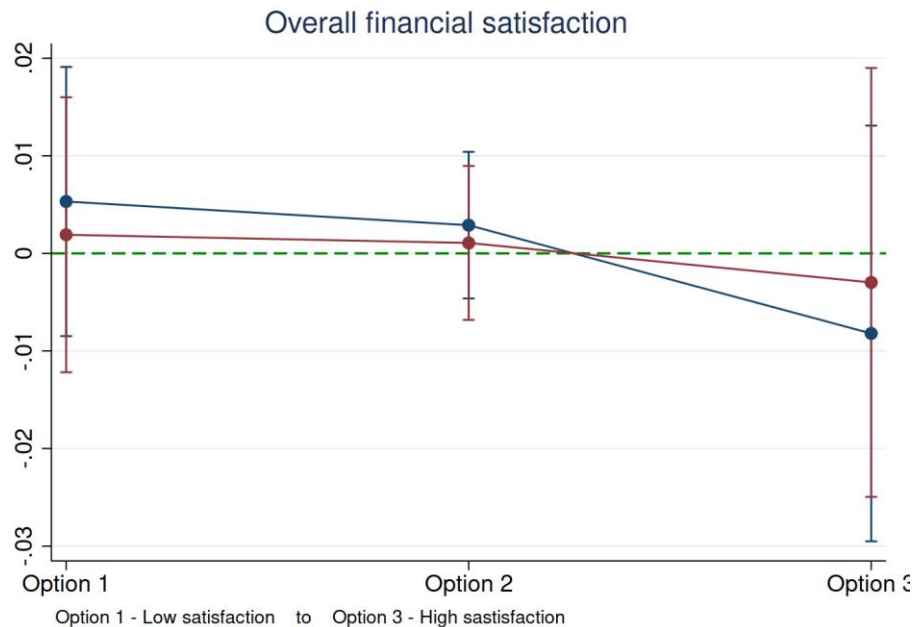
	(1)	(2)	(3)	(4)
	England	NI	Scotland	Wales
Log(IMD rank)	0.786***	1.457**	0.909*	0.147
	(0.209)	(0.585)	(0.504)	(0.592)

Findings

- There is a **negative** association between deprivation and financial wellbeing
- Holding other factors constant, residents living in more deprived areas have lower FWB score.

Results - The *Relationship* is driven by specific elements of FWB

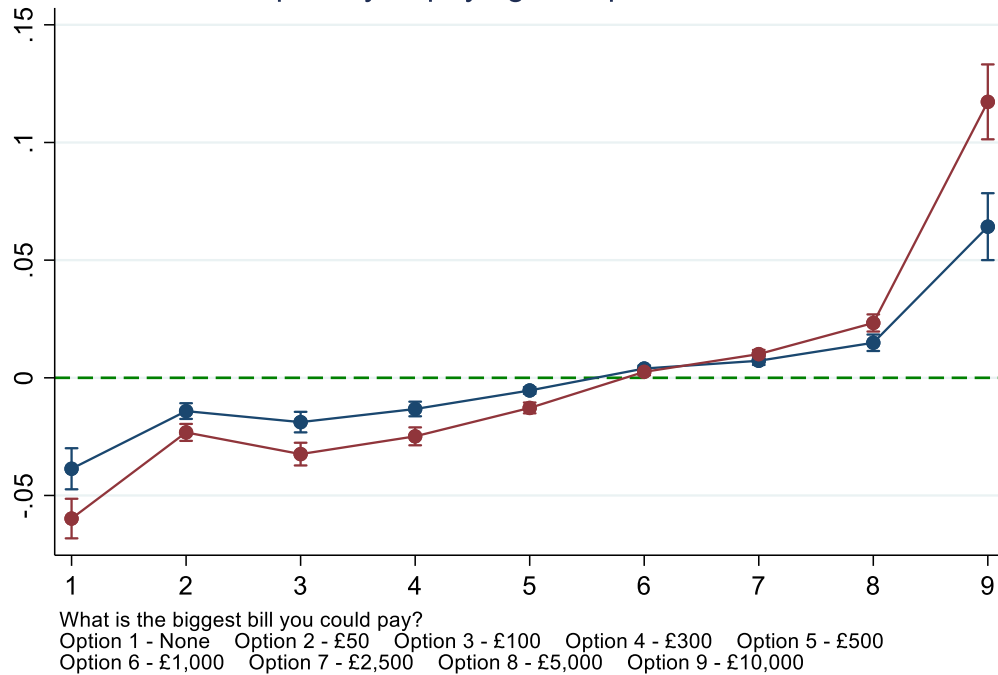
- The relationship between deprivation and financial wellbeing is primarily driven by income-related elements, rather than attitudinal elements, of financial wellbeing.
- Attitudinal elements



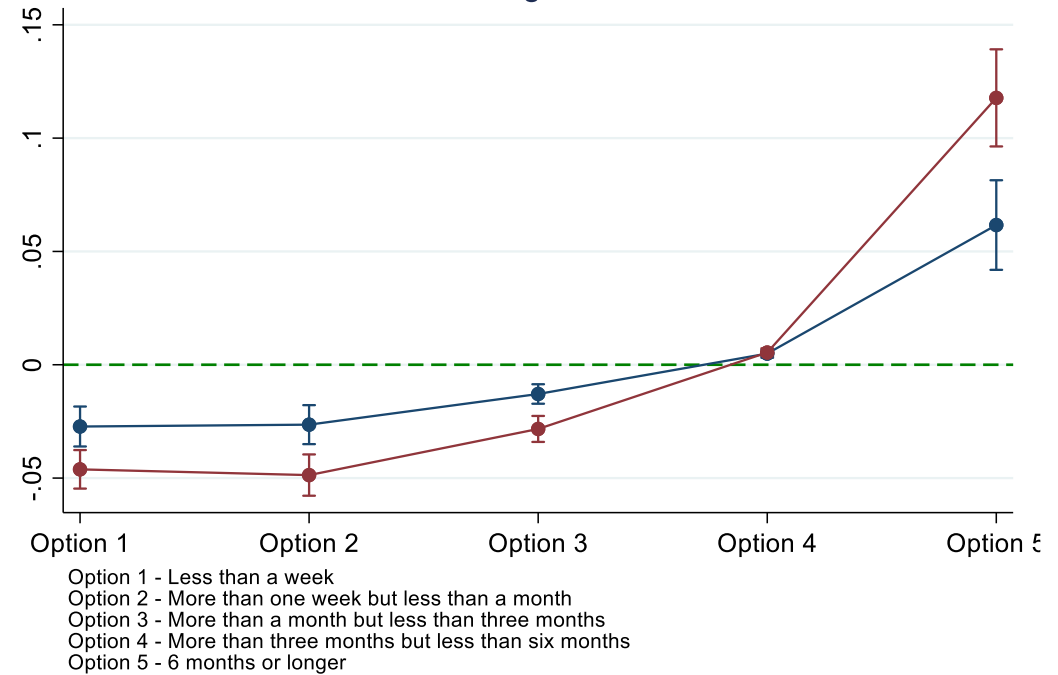
Results - The *Relationship* is driven by specific elements of FWB

Income-related elements

Capability of paying unexpected bills



Resilience in case of losing main source of income



Results - The *Relationship* is driven by specific domains of IMD

- The relationship is primarily driven by the **income, employment, health and education** domains of deprivation.
 - Deprivation in these domains is related to lower levels of FWB of the residents.
- For **other domains (i.e., crime, housing barriers)**, we find **no** evidence that deprivation is related to FWB score.

Domain of deprivation	England	Scotland	Wales	Northern Ireland
Income (Difference between highest and lowest quintile in the nation)	3.2 6.3%	4.3 9.0%	X No relationship	4.0 8.0%
Employment (Difference between highest and lowest quintile in the nation)	2.1 4.0%	X No relationship	X No relationship	5.0 9.5%
Health (Difference between 4 th and most deprived quintile)	2.1 5.6%	4.7 12.3%	X No relationship	5.1 13.5%
Education (Difference between the two least deprived quintiles and the most deprived)	2.0 5%	3.9 14.1%	X No relationship	5.2 10.8%
Crime	X No relationship	3.7 11.6%	X No relationship	X No relationship

Results - The *Relationship* is stronger for specific cohorts

- The association between financial wellbeing and deprivation exhibits varying degrees of strength across different demographic groups.
- The impact of neighbourhood deprivation on financial wellbeing is more pronounced among:
 - Older people
 - White people
 - People with good mental health
 - People having lower levels of education
- These groups are more susceptible to the effects of neighbourhood deprivation on their financial wellbeing.

Conclusions

- Lower IMDs are associated with lower FWB scores, holding other factors constant.
 - **A differentiated approach to those living in the lowest quintiles should be justified for a different FWB improving strategy.**
- The relationship is mainly driven by the **income-related** rather than **attitudinal** components of FWB.
 - **Where resources are limited to apply across all areas or groupings, the scale of possible positive FWB impacts, if so targeted, could create larger gains in lower IMD areas in several key ways, particularly around addressing improvements in income-related FWB measures and specific domains of deprivation.**

Questions?

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