

AUSTRALIA

The PISA 2015 assessment of financial literacy was the second of its kind. The results show the extent to which 15-year-old students have the financial knowledge and skills needed to make a successful transition from compulsory schooling into higher education, employment or entrepreneurship. For many 15-year-olds, finance is part of everyday life, as they are already consumers of financial services, such as bank accounts, and earn money from formal or informal small jobs. As they near the end of compulsory education, students will face complex and challenging financial choices, including whether to continue with formal education and, if so, how to finance such study.

Students in Australia score above the average of the 10 OECD countries and economies that were assessed in financial literacy in 2015 [Figure IV.3.2].

Some 20% of students in Australia do not reach the baseline level of proficiency (Level 2) in financial literacy (compared to 22% on average across participating OECD countries and economies) [Table IV.3.2]. At best, these students can identify common financial products and terms, recognise the difference between needs and wants, and make simple decisions on everyday spending in contexts that they are likely to have experienced personally. For instance, students performing below Level 2 in financial literacy can, at best, answer a question like INVOICE – Question 1 (available at <http://www.oecd.org/pisa/test>), which asks them to recognise the purpose of an everyday financial document, such as an invoice.

Some 15% of students in Australia are top performers in financial literacy [Table IV.3.2], meaning that they are proficient at Level 5 (compared to 12% on average across participating OECD countries and economies). These students can analyse complex financial products, solve non-routine financial problems and show an understanding of the wider financial landscape. For instance, students performing at Level 5 are able to answer a question like BANK ERROR – Question 1 (available at <http://www.oecd.org/pisa/test>), which asks them to identify and respond appropriately to a financial scam e-mail message.

In Australia, the relationship between student performance and socio-economic status is stronger than average, with 12% of the variation in student performance in financial literacy associated with socio-economic status [Figure IV.4.7].

Some 79% of 15-year-old students in Australia have a bank account. These students score 26 points higher in financial literacy than students of similar socio-economic status who do not hold a bank account [Table IV.5.8 and Table IV.5.13].

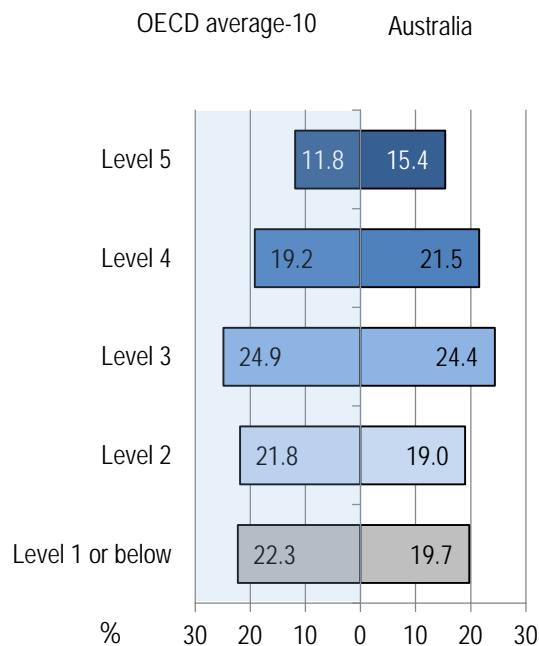
In Australia, students' financial literacy is associated with understanding the value of saving money. Students in Australia who perform at Level 4 or 5 were more than three times as likely as students who perform at or below Level 1 to report that they would save to buy an item if they did not have enough money rather than to report that they would buy the item anyway, after accounting for student characteristics and performance in mathematics and reading [Table IV.6.3].

Financial literacy is also associated with understanding the importance of investing in human capital. Top-performing students in Australia were more likely than low-performing students to report that they expect to complete university education, after accounting for student characteristics and performance in mathematics and reading [Table IV.6.9].

PISA defines financial literacy as “...knowledge and understanding of financial concepts and risks, and the skills, motivation and confidence to apply such knowledge and understanding in order to make effective decisions across a range of financial contexts, to improve the financial well-being of individuals and society, and to enable participation in economic life”. For a full explanation, see the [PISA 2015 Assessment and Analytical Framework](#).

Performance in financial literacy

Students at each level of proficiency in financial literacy



Source: OECD, PISA 2015 Database, Table IV.3.2.

	Mean performance in financial literacy			
	Mean score	Range of ranks	Percentage of students Below Level 2	Level 5
OECD avg-10	489		22.3	11.8
B-S-J-G (China)	566	1 - 1	9.4	33.4
Belgium (Flemish)	541	2 - 3	12.0	24.0
Canadian provinces	533	2 - 3	12.7	21.8
Russia	512	4 - 5	10.9	10.5
Netherlands	509	4 - 6	19.2	17.5
Australia	504	5 - 6	19.7	15.4
United States	487	7 - 9	21.6	10.2
Poland	485	7 - 9	20.1	8.0
Italy	483	7 - 9	19.8	6.5
Spain	469	10 - 10	24.7	5.6
Lithuania	449	11 - 12	31.5	3.7
Slovak Republic	445	11 - 12	34.7	6.3
Chile	432	13 - 13	38.1	3.1
Peru	403	14 - 14	48.2	1.2
Brazil	393	15 - 15	53.3	2.6

Source: OECD, PISA 2015 Database, Figure IV.3.3 and Table IV.3.2.

Notes: Partner countries and economies are marked in blue.

"Canadian provinces" refers to the seven provinces in Canada that participated in the PISA 2015 financial literacy assessment: British Columbia, Manitoba, New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario and Prince Edward Island.

B-S-J-G (China) refers to the four PISA-participating China provinces and municipalities: Beijing, Shanghai, Jiangsu and Guangdong.

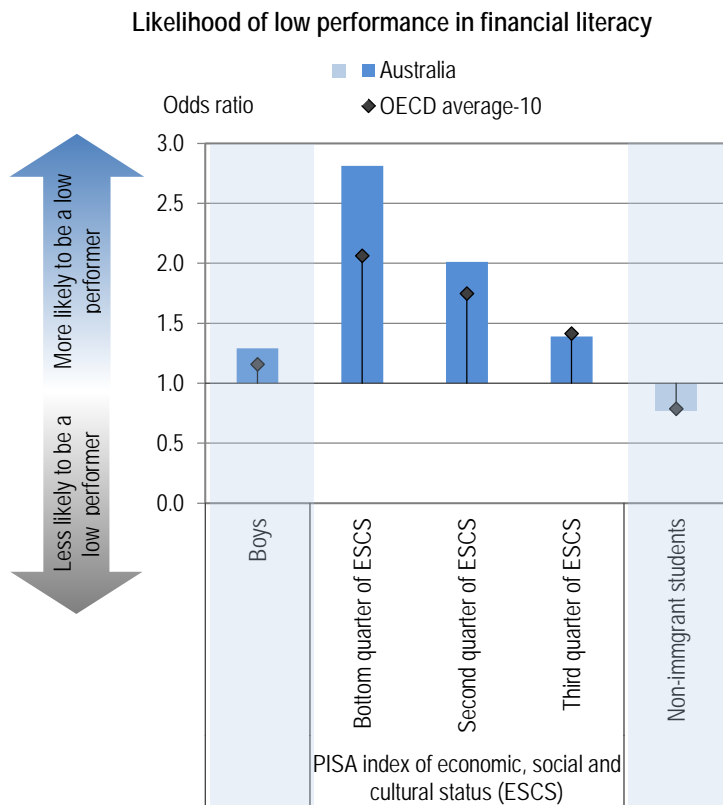
Countries and economies are ranked in descending order of mean score.

- Students in Australia score above the average of the 10 OECD countries and economies that were assessed in financial literacy in 2015 [Figure IV.3.2]. With a mean score of 504 points, Australia ranks between 5th and 6th among all 15 participating countries and economies [Figure IV.3.3].
- Average performance in Australia in 2015 is not significantly different from the average performance in the Netherlands [Figure IV.3.2].
- Australia declined somewhat in mean performance between 2012 and 2015 (with a mean score of 526 in 2012) [Table IV.3.1]. During the same period, the share of students who score below Level 2 grew by 9 percentage points [Table IV.3.6]. However, changes in financial literacy performance over time should be interpreted with caution due to changes in test administration.

Student performance in financial literacy in comparison with performance in reading and mathematics

- In Australia, financial literacy is strongly correlated with mathematics and reading performance. Around 71% of the financial literacy score reflects skills that can be measured in the mathematics and/or reading assessments (the OECD average is 62%), while 29% of the score reflects factors that are uniquely captured by the financial literacy assessment [Table IV.3.10a].
- Students in Australia perform slightly worse in financial literacy than students around the world who perform similarly in mathematics and reading. This suggests that students could be helped in using the skills widely taught in school to attain higher levels of financial literacy [Table IV.3.11].

How performance varies across student characteristics



Notes: After accounting for student characteristics and performance in mathematics and reading. Odds ratios that are statistically significant are marked in a darker tone.
Source: OECD, PISA 2015 Database, Table IV.4.25a.

- In Australia, girls perform better than boys in financial literacy, on average [Table IV.4.5], and there are more boys than girls among low performers [Table IV.4.7].
- Some 12% of the variation in student performance in financial literacy in Australia is associated with socio-economic status. This is higher than the average across OECD countries and economies (10%) [Table IV.4.12].
- Socio-economically advantaged students (those in the highest 25% of socio-economic status) score 107 points higher in financial literacy than disadvantaged students (those in the lowest 25% of socio-economic status) (OECD average difference: 89 score points) [Table IV.4.11].
- Disadvantaged students in Australia are more than twice as likely as advantaged students to perform below Level 2 in financial literacy, after accounting for student characteristics and performance in mathematics and reading [Table IV.4.25a].

- In Australia, students who attend schools in cities perform better in financial literacy by 25 score points than students of similar socio-economic status and at the same level of education who attend schools in rural areas [Table IV.4.15].

Formal financial education

- The teaching of financial education in Australian schools was guided by the National Consumer and Financial Literacy Framework (2011), which informed the development of the Australian Curriculum. States and territories began a phased approach to implementing the Australian Curriculum in 2012.
- Financial literacy has been included in the Australian curriculum in primary and secondary education predominantly in the learning areas of mathematics, humanities and social sciences, and the general capability of numeracy. Although financial education is part of the national curriculum, Australian states and territories manage schools and determine the curriculum within their jurisdiction based on the national curriculum.
- In 2012, the Australian Securities and Investments Commission introduced the MoneySmart Teaching programme (www.moneysmart.gov.au). The programme contains specific professional development modules in financial literacy for teachers, aligned with the Australian Professional Standards for Teachers, as well as resources to support teachers in the classroom, aligned with the Australian Curriculum. This programme is freely available nationally.

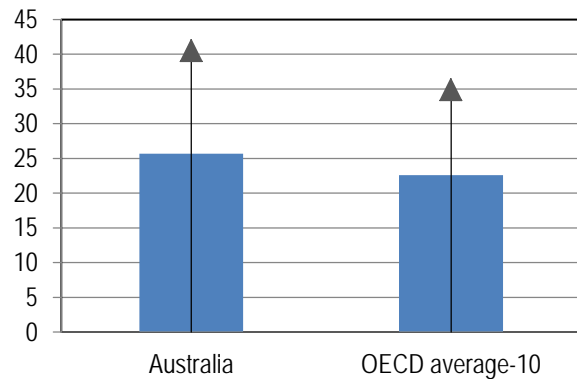
Students' experience with money and their financial literacy

Basic financial products

- In Australia, 79% of 15-year-old students have a bank account [Table IV.5.8].
- The prevalence of holding a basic financial product is in line with the wide access to financial products and services in the population more generally (95% of 15-24 year-olds and 99.5% of 25-64 year-olds have an account at a formal financial institution) [Table IV.3.12].
- Students in Australia who hold a bank account score 41 points higher in financial literacy than students who do not, and 26 points higher after accounting for socio-economic status [Table IV.5.13].
- In Australia, socio-economically advantaged students are more than twice as likely as disadvantaged students to hold a bank account [Table IV.5.11].

Score-point difference between students who hold a bank account and students who do not

Score-point difference ■ After accounting for socio-economic status ▲ Before accounting for socio-economic status



Note: All differences in this figure are statistically significant.
Source: OECD, PISA 2015 Database, Figure IV.5.5.

Money sources

- Some 88% of students in Australia receive gifts of money from friends or relatives, 71% receive pocket money, 52% earn money from working outside school hours (e.g. a holiday job or part-time work) and 44% earn money from occasional informal jobs, such as babysitting or gardening [Table IV.5.15].
- In Australia, students who receive money as a gift score higher in financial literacy than students of similar characteristics and performance in mathematics and reading who do not receive gifts of money [Table IV.5.18].
- Socio-economically advantaged students in Australia are 40% more likely than disadvantaged students to earn money from occasional informal jobs (e.g. babysitting or gardening) and 18% less likely than disadvantaged students to earn money from working outside school hours (e.g. a holiday job, part-time work) [Tables IV.5.16c and IV.5.16e].
- Across all participating countries and economies, only students performing at Level 4 or above can answer a question like **PAY SLIP** – Question 1 (available at <http://www.oecd.org/pisa/test>), which asks them to identify the net salary on a pay slip.

Discussing money matters with parents

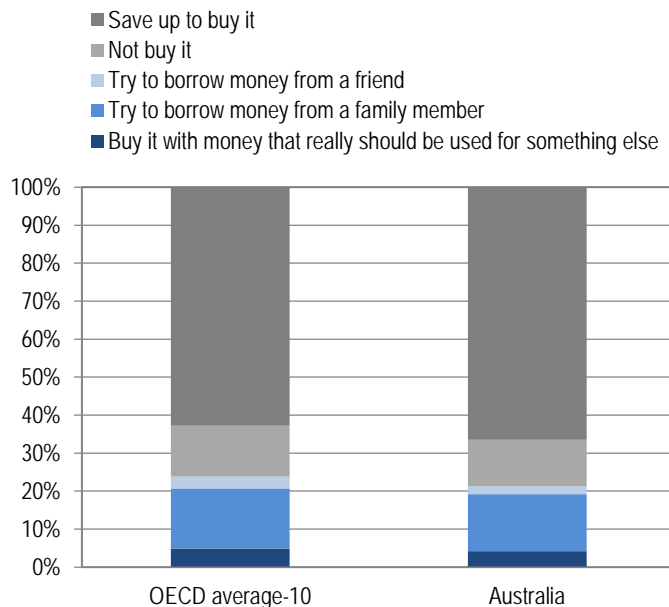
- More than eight in ten students in Australia (84%) discuss money matters with their parents at least once a month [Table IV.5.1].
- In Australia, discussing money matters with parents at least sometimes is associated with higher financial literacy than never discussing the subject, after accounting for students' socio-economic status [Table IV.5.5].

Legal framework for young people's access to financial products

- In all Australian states and territories, minors can enter into contracts with financial institutions; but banking institutions may apply additional requirements (which may vary, depending on the age of the young person), such as joint account ownership with a parent or guardian.
- Minors in Australia may hold prepaid and debit cards; but credit cards are not issued to minors.

Students' financial literacy, behaviour and expectations

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?



Source : OECD, PISA 2015 Database, Figure IV.6.1.

- In Australia, 67% of students reported that they would save if they want to buy something for which they do not have enough money (OECD average: 63%) [Table IV.6.1].
- Some 57% of students in Australia reported that they save each week or month, 16% save only when they have money to spare, and 17% save only when they want to buy something. Few students (4%) reported that they do not save any money [Table IV.6.4].
- Students in Australia who score at Level 4 or 5 were more than three times as likely as students who score at or below Level 1 to report that they would save to buy an item that they do not have enough money for rather than to report that they would buy the item anyway, after accounting for student characteristics and performance in mathematics and reading [Table IV.6.3].
- Students in Australia who perform at Level 5 were more than three times as likely as students performing at or below Level 1 to report that they expect to complete university education, after accounting student characteristics and performance in mathematics and reading [Table IV.6.9].
- Students in Australia who perform at Level 5 were about 80% more likely than students performing at or below Level 1 to report that they expect to have a high-skilled occupation when they are 30 years old, after accounting for student characteristics and performance in mathematics and reading [Table IV.6.11].

What results from the PISA 2015 financial literacy assessment imply for policy

From buying mobile phone credit to deciding how to spend pocket money, young people commonly make financial decisions. Fifteen-year-olds are starting to encounter situations where they need to set their spending priorities, be aware of ongoing costs, and be alert to potential scam. They will soon have to make decisions with long-term financial consequences.

The PISA 2015 financial literacy assessment highlights some general policy suggestions for all the countries and economies participating in PISA, including:

- Address the needs of low-performing students.
- Tackle socio-economic inequalities early on.
- Provide equal opportunities for learning to boys and girls.
- Help students make the most of available learning opportunities at school.
- Target parents at the same time as young people.
- Provide young people with safe opportunities to learn by experience outside of school.
- Evaluate the impact of initiatives in and outside of school.

What is PISA?

The Programme for International Student Assessment (PISA) is a triennial survey that assesses the readiness of 15-year-old students for life beyond compulsory education by collecting and analysing test and questionnaire data about students' knowledge, skills and the context in which they live and learn. It thus provides a comprehensive set of cross-country comparative data that policy makers and other stakeholders can use to make evidence-based decisions.

Key features of the PISA 2015 assessment of financial literacy

The PISA 2015 assessment of financial literacy was the second of its kind. Fifteen countries and economies participated in the 2015 assessment, including 10 OECD countries and economies: Australia, the Flemish Community of Belgium, seven provinces in Canada (British Columbia, Manitoba, New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario and Prince Edward Island), Chile, Italy, the Netherlands, Poland, the Slovak Republic, Spain and the United States; and five partner countries and economies: Brazil, four provinces/municipalities in China (Beijing, Shanghai, Jiangsu, Guangdong), Lithuania, Peru and the Russian Federation. Eight countries/economies participated in both the 2012 and 2015 assessments: Australia, the Flemish Community of Belgium, Italy, Poland, the Russian Federation, the Slovak Republic, Spain and the United States.

The assessment

- Financial literacy was assessed through a computer-based test. Students assessed in financial literacy also completed the assessments of mathematics, reading and science.
- Test questions were a mixture of multiple-choice questions and those requiring students to construct their own responses. The items were organised in groups based on a passage setting out a real-life situation. Sample items can be explored on-line at <http://www.oecd.org/pisa/test>.
- Students who sat the assessment of financial literacy also answered questions about their experience with money, as well as the PISA student questionnaire about themselves, their homes, and their school and learning experiences. School principals completed a questionnaire that covered the school system and the learning environment.

The students

- Among the students who participated in the core PISA 2015 assessment of science, reading and mathematics, a subsample of students was randomly selected to sit the financial literacy test. In general, about 11 students were chosen at random in each participating school to sit the financial literacy assessment; the financial literacy assessment was conducted in a separate session after the core assessment. This is different from the sample design adopted in 2012, when, in sampled schools, two separate student samples sat the financial literacy test and the core PISA assessment.
- Around 48 000 students were assessed in financial literacy in 2015, representing about 12 million 15-year-olds in the schools of the 15 participating countries and economies.
- In Australia, 14 530 students completed the PISA 2015 assessment; they were all assessed in financial literacy.

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For more information on PISA and to access the full set of PISA 2015 results, visit: www.oecd.org/pisa
For more information on the OECD work on financial education, visit: www.financial-education.org