



Financial competence framework for adults in the European Union: We need a coordinated, comprehensive and inclusive approach

EAEA's statement April 2022

The European Commission and the OECD jointly presented the [Financial competence framework for adults in the European Union](#) in January 2022, as part of objective 2 of the [Capital Markets Union \(CMU\) action plan](#) of the EU. EAEA welcomes this initiative as **a positive first step towards the promotion of financial literacy**, appreciating both the detailed account of the competences presented and the opportunity to develop targeted programmes based on the most relevant competences for certain learners. Overall, **a comprehensive, integrated and holistic approach to life skills for adults in the EU is needed**. Moreover, guidance tools - as competence frameworks – **should be more inclusive** and take into account the condition, needs and potential of everyone.

Competences related to financial literacy have a direct impact on the everyday lives of Europeans: healthy financial behaviours can empower people to reduce stress, live healthier lives and become active citizens, thus promoting well-being. It can provide a path toward social inclusion, reinforcing both the self-confidence of people and their trust in institutions. **Financial literacy, therefore, includes essential competences that are fundamental to building resilient communities, inclusive societies and robust democracies**. In this process, the learner needs to be put at the centre. To make financial literacy learning effective and relevant for learners, financial literacy programmes need to start from the learner's perspective rather than the one of banking and financial institutions or governments, since the latter may at times prioritise their own interests or present a biased account of facts.

Financial literacy programmes should value the financial knowledge and skills that adults already possess, as starting point of their learning journey. For example, low-income households may be highly skilled in managing a small budget, while middle-income households may face difficulties especially regarding saving for larger unexpected expenses and financial problem-solving strategies – which can be connected to different individual and societal expectations in terms of lifestyle, such as owning a car or buying property.

The current economic crisis and rising living costs, however, lead to a loss of financial leeway for more and more people, putting households with lower and middle incomes at greater risk of poverty and financial vulnerability. Since the Covid-19 pandemic and the war in Ukraine, prices are rising very fast everywhere in Europe. However, wages, pensions and social benefits are not matching inflation, leaving gaps in household budgets. Improving financial literacy skills can help people to cope with these situations: e.g. it can empower people to develop healthier financial habits, enable them to identify and make use promptly of the appropriate help and support mechanisms – and give them the tools to critically reflect on collective financial issues and potential solutions. However,



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other complementary measures are essential to promote financial well-being for everyone, including financial regulation, surveillance and support. **Financial literacy should, therefore, be accompanied by other interventions to guarantee decent working conditions, fair wages and effective social policies.**

EAEA suggests the following recommendations for the implementation of the Financial Competence framework for adults. These recommendations can also inform strategies and future initiatives in the field of adult learning and financial literacy.

Recommendations for European, national and local policymakers

1. **Develop a coordinated, comprehensive and holistic approach to adult education and life skills, enabling effective cooperation and cross-sectoral collaborations at the European, national and local level.**¹ As emphasized in both the [European Framework for Personal, Social and Learning to Learn Key Competence](#) and in the EAEA's [Erasmus+ project 'Life Skills for Europe'](#),² (financial) skills do not develop in a vacuum: policy-makers and practitioners from different policy areas and backgrounds must work together to design and implement fully-integrated and coherent initiatives, competence frameworks, strategies and programmes on life skills. A concerted effort by policymakers and practitioners is key to empowering learners to create their learning path, combining the acquisition and reinforcement of relevant skills - also if pertaining to different domains. For example, to acquire certain financial competences, some learners may need to strengthen their digital skills and/or digital literacy. Accordingly, policy-makers should allocate adequate resources and funding to the integrated development of life skills.
2. **Provide learning opportunities to acquire and reinforce numeracy skills in financial education.** [Studies](#) have shown the correlation between numeracy and financial literacy, as well as the positive impact of self-confidence in mathematics on financial choices.³ Additionally, [recent research](#) has demonstrated the benefits of combining financial education with mathematics, also on learners' motivation.⁴ For the same reasons, the study of financial mathematics and the application of mathematics to financial problems should be encouraged in numeracy programmes, to keep learning relevant for adult learners.
3. **Differentiate between the depth of competences, while valuing the whole spectrum of competences, for all learners.** Financial literacy encompasses a great variety of competences, ranging from managing a household budget or executing a bank transfer to book-keeping skills and knowledge about the mechanisms of international trade markets. Policy makers should develop a categorisation of competences according to complexity and

¹ https://eaea.org/wp-content/uploads/2020/01/Life-skills-and-participation-in-adult-learning_December-2019.pdf

² <https://publications.jrc.ec.europa.eu/repository/handle/JRC120911>; <https://eaea.org/project/life-skills-for-europe-lse/?pid=10731>

³ <https://halshs.archives-ouvertes.fr/halshs-03461252/document>

⁴ <https://files.eric.ed.gov/fulltext/EJ1241034.pdf>



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relevance for the individual learner, to facilitate prioritisation, progression, (self) assessment and recognition of learning along a spectrum of learning objectives. Self-assessment should be preferred, so that adult learners can better follow and understand their own learning progress and learning needs. Recognition and validation systems can help learners to get their knowledge and skills validated and to build on them. Different levels of proficiency should not lead to a reinforcement of 'teaching to the test' approaches, but should recognise skills along a continuum of competences.

4. **Make funding available for all levels of financial literacy learning.** [International studies](#) report that most persons – including those with higher educational attainments – do not master basic financial concepts: in the project '[Financial Literacy around the World](#)', only around 30% of respondents were able to answer correctly to three simple questions on interest rates, inflation and risk diversification.⁵ Moreover, [research](#) has demonstrated that improving financial literacy can remove barriers to stock market participation, leading to wealth-maximizing investments.⁶ Everyone should be able to benefit from financial literacy learning. Funding must not be limited to the most basic levels of financial literacy learning.
5. **Critical thinking, global and sustainability skills need to be included in all financial literacy programmes as a central component.** Critical thinking skills are pivotal so that learners can best determine for themselves how to invest their money and understand the consequences of their decisions. Wise financial decision-making also means understanding the links between individual financial decisions and the overall economic, social and environmental impact. Particularly in parts of financial literacy that deal with investments, global and sustainability skills play a central role in order to understand, for example, what banks do with the money invested – and in which areas of the economy they invest in order to get the largest profits for their clients, what energy resources are needed to mine crypto currencies, etc.
6. **Develop inclusive routes for learning that can guide every adult in building, developing and progressing of their financial education.** Accessible learning pathways should be envisaged, in particular, for persons from disadvantaged socio-economic backgrounds. When designing and implementing policies and programmes, policymakers and practitioners should take into account the impact of other relevant factors and conditions of vulnerability, e.g. exclusion from the formal economy and the labour market, lack of access to (digital) financial services, lack of language skills and familiarity with the local financial system.
7. **Embed financial literacy in strategies and programmes for social inclusion** at the European, national and local levels. Financial literacy should be included in adult learning programmes as a cross-cutting issue. Furthermore, specific financial education initiatives should be paired in a timely manner with relevant public programmes, including the provision of study grants/loans, unemployment benefits and pensions, and the submission of (online) tax declarations. At the European level, Erasmus+ mobility pathways could include a financial education component, allowing participants to assess and reinforce their financial literacy as already envisaged for foreign language skills. Financial literacy skills may be reinforced in informal contexts e.g. through participation in an Erasmus+ mobility, thus targeted self-

⁵ <https://sjes.springeropen.com/track/pdf/10.1186/s41937-019-0027-5.pdf>; https://gflec.org/wp-content/uploads/2015/11/3313-Finlit_Report_FINAL-5.11.16.pdf

⁶ https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3056562



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assessment tools may help learners to reflect on their prior learning and identify areas for improvement.

8. **Make the framework and its implementation more inclusive**, considering the condition, (learning) needs and potential of disadvantaged groups, e.g. knowledge of accessibility rights in banking for persons with disabilities. Policy makers should enable effective cooperation between all policy fields and all stakeholders concerned with financial literacy, including learners, policy-makers, social partners, social services, and other actors involved in inclusive education.
9. **Close the gender gap in financial literacy and develop gender-sensitive financial education.** [Recent studies](#) have found a significant gender gap in financial literacy in a number of countries.⁷ Financial education should also acknowledge, and address, the impact of gender on financial behaviours, e.g. in [salary negotiations](#).⁸ This means that financial literacy needs to be embedded in broader frameworks that address societal expectations on financial literacy according to gender and empower learners to build resilience. Adult education may also need to develop programmes to compensate for gender learning gaps in the formal education sector.
10. **Address the behavioural, psychosocial and social components of financial literacy**, including the possible lack of self-confidence, fears and distrust of adult learners towards the system and institutions. Evidence suggests that, in addition to financial knowledge and attitudes, [psychosocial factors](#) and [behavioural biases](#) play an important role in financial behaviour.⁹ Effective financial education strategies and programmes need to take these aspects into account. Financial education should empower learners, fostering their resilience, self-confidence and open mind-set. Furthermore, by enabling learners to develop a critical understanding of the financial, regulatory and institutional framework, adult education has a proven [potential to reduce mistrust toward the system](#) and [to make citizens participate meaningfully in society and politics](#).¹⁰ In fact, [academic studies](#) have found that “financial literacy has a positive effect on electoral participation”, as it equips voters with the skills necessary to engage with relevant policy agendas and developments.¹¹
11. **Provide further training opportunities in financial literacy for trainers and adult educators, include the family learning dimension of financial literacy in the training of all school teachers and professionals working with families, and mainstream financial literacy throughout initial and continuous teacher and adult educator training.** Empower all teachers, trainers and educators in formal and non-formal learning, from primary school to adult education, and professionals working with families, with actionable tools and

⁷ <https://gflec.org/research/?item=26365>

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https://econ.au.dk/fileadmin/Economics_Business/Research/Seminars/Economic_Seminars_Series/2017/Gender_gaps_in_Salary_Negotiations_NOV2016.pdf

⁹ https://born05-thinkforward-initiative-axaxzmkc.netdna-ssl.com/development/downloads/Beyond-financial-literacy_The-psychological-dimensions-of-financial-capability_Technical-report.pdf;

<https://www.g53network.org/wp-content/uploads/2022/03/G53-Working-Paper-2022-2-Pitthan-De-Witte-1.pdf>

¹⁰ <https://eaea.org/why-adult-education-2/active-citizenship-democracy-and-participation/>; http://www.bell-project.eu/cms/indexcdf1.html?page_id=10

¹¹ http://quellocheconta.gov.it/export/sites/sitopef/modules/quaderni_ricerca/Quaderno-di-ricerca_n12.pdf



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methodologies to engage students and learners in financial literacy learning. The family learning dimension as well as intergenerational learning play a central role in financial literacy: In the [2018 PISA financial literacy assessment](#), the OECD found that 94% of students in initial education ‘get information about money matters from their parents’.¹² It is, therefore, essential to involve parents – as adult learners – in financial education programmes.

12. **Fund and support academic and scientific research on financial education for adults**, and evaluations on financial education frameworks, strategies and programmes, promoting evidence-based policymaking and effective financial literacy initiatives. Ensure that the learners’ voice is considered in research on financial literacy, to make financial literacy learning more effective and relevant for learners.

For more information

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The European Association for the Education of Adults (EAEA) is the voice of non-formal adult education in Europe. EAEA is a European NGO with 120 member organisations in 43 countries and represents more than 60 million learners Europe-wide.

¹² <https://www.oecd.org/daf/pisa-2018-results-volume-iv-48ebd1ba-en.htm>