

ELSA Wave 5 Risk Module (P2996)

Why Introduce the Risk Module?

Amongst academics, there is a large amount of interest in measuring attitudes towards risk and levels of deferred gratification (the willingness to wait in order to receive a greater reward than would otherwise have been the case). The government is also interested in learning more about the UK population's attitude towards risk and deferred gratification, in order to assist policy formation in certain areas. For example, pension reform.

The risk and deferred gratification preferences of the over 50 population in the UK will be documented using data from the ELSA risk module. It will be possible to see how attitudes towards risk differ across age groups and across other characteristics, such as single people versus married people and working people versus retired people.

Economists and psychologists have developed methods for measuring risk tolerance and people's willingness to wait in order to receive greater rewards. These methods involve participants making choices in "games" involving small but real prize money. These games can easily be played using a CAPI system.

The use of real prize money is thought to be a better test of people's attitudes and behaviours than presenting hypothetical choices or questions.

Most experiments in this area have been conducted in laboratory conditions with a small number of selected participants (usually students). By conducting the experiments in a large scale social survey, such as ELSA, risk attitudes and behaviour can be measured among a much larger and more representative sample. It is the first time this type of data has been collected in this way in the UK.

ELSA has collected and will continue to collect details of financial choices and outcomes for participating households. Therefore, it will be possible to compare the experimental measures of risk and deferred gratification (the "games") with the actual economic choices and outcomes of respondents.

In addition, there is emerging evidence that there may be connections between cognitive ability (intelligence) and attitudes towards risk and deferred gratification. ELSA collects detailed information about cognitive ability, so adding measures of risk and deferred gratification will also allow these connections to be explored further.