

Financially Educating The Workforce

For a number of years now the government has been very aware that the much of the British population is capable at making ends meet and keeping track of its finances, however, many people, from all sections of society, are not taking the basic steps necessary to plan ahead, such as saving sufficiently for their retirement or putting money aside for a rainy day. Many people are taking on financial risks without realising it, because they struggle to choose products that truly meet their needs. Credit without the consequences has also become a way of life for many.

According to the government, there is an urgent need in particular to help the young. The ability to manage money grows with age and experience. However, rapidly changing economic and social trends mean that today's young people are faced with greater challenges than were faced by previous generations. They have greater access to credit and are becoming consumers at an earlier age. On top of that, the costs of higher education and of retirement are being increasingly borne by individuals rather than the state or employers. This combination of pressures means that the cost of not having the necessary skills to make sound financial decisions is becoming of concern.

To provide a long term solution to this problem the aim is to develop initiatives both in schools and with businesses to improve this matter which is of great economic concern and evidenced by spiralling personal debt and business insolvency.

Boosting personal finance skills and confidence in financial matters, as well as establishing long lasting behavioural change are key. Financial education is vital not only as a safeguard against debt but also for the competitiveness, enterprise and entrepreneurial culture of the UK.

The types of issues which could be covered with financial education are components/value of salary and benefit packages both financial and non-financial, pension scheme explanation, debt counselling, availability of state benefits, retirement plans, financial planning, financial capability and awareness (managing money; planning and keeping track of finances, choosing financial products) whereby key terms and how the application of financial awareness applies to all areas of life.

The type of financial education required will depend on how the information should be delivered. This can include provision of total reward statements (both in paper form or online), leaflets, seminars, workshops, 1:1 sessions and counselling.

Employers can offer financial education as part of an employee assistance programme which could deliver advice on behalf of employers and could organise staff open days and drop-in centres or make a free telephone advice line available.

Examples of initiatives which some employers have introduced are:

Barnados have introduced 'Learnaboutmoney', the scheme saw the organisation produce a workbook for employees with information about money management, borrowing, investment, taxation and saving for retirement. This has helped with employees' ability to understand financial concepts, particularly in respect to changes to the final salary pension plan.

First Group has established a financial advice centre for employees and set up a credit union to encourage responsible saving. The credit union works by transferring money from an employee's wage into a saving account each month.

The FSA has introduced an initiative called Financial Capability where FSA representatives are available to attend a seminar on an employer's premises and take questions from employees on a range of day-to-day money issues.

If an employer is considering introducing a financial education scheme there are various stages to consider. The first being asking the question "is there a need?". This could be established by surveying staff and analysing the take up of benefits.

The second most important action to take is to establish a business case and decide whether a financial education programme would support the HR and reward strategies. Clear objectives are required so that measurements to judge success can be made.

Careful planning is required and perhaps a pilot could be organized.

The needs of the target audience need to be considered tailoring communication accordingly.

Having perhaps organized a successful pilot a roll out can then be planned with effective marketing done to sell the benefits to employees.

Finally evaluation of the financial education programme needs to be done to ensure it has met its original objectives with changes implemented where necessary.

The benefits of financial education to employers include: a reduction in stress or poor performance caused by employees' non-work-related money worries; a better appreciation among employees of the true value of the benefits package provided by their employer; and employees being more able to make an informed contribution to improving the organisation's financial performance.

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