



National Research and Development Centre  
for adult literacy and numeracy

# Research report

## Financial literacy education and *Skills for Life*

Diana Coben, Margaret Dawes and Nirmala Lee  
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# Financial literacy education and *Skills for Life*

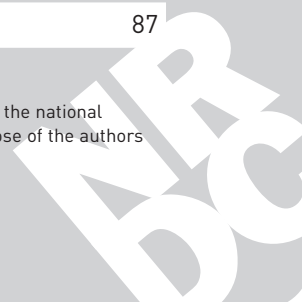
Diana Coben, Margaret Dawes and Nirmala Lee

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### **Peer review**

This report was critically read and peer reviewed.

# Executive summary and recommendations for policy makers

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## Overview

This report presents a review of the provision and accreditation of financial literacy education in England at the levels covered by *Skills for Life* (i.e. up to and including Level 2), not including financial advice and information. It is based upon data collected in the first half of 2004. Financial literacy education provision is mapped against the broad areas identified by the Financial Services Authority and the Basic Skills Agency (BSA) in the Adult Financial Capability Framework (FSA/BSA 2003). This is thought to be the first such attempt.

## Definitions

For the purposes of this study, financial literacy is defined as the ability to make informed judgements and to take effective decisions regarding the use and management of money; financial literacy education is education designed to enable learners to acquire this ability (for this study: at *Skills for Life* levels).

Definitions are somewhat fluid in this fast-developing field; it is therefore important that the level of financial literacy is specified in discussion since the term is used to encompass all levels of financial capability.

Levels of financial literacy are not necessarily aligned with literacy, numeracy and ESOL (English for Speakers of Other Languages) skills levels, for example, it is possible to be highly literate and yet have extremely poor financial knowledge and understanding and limited financial management skills. While there is a close link between low levels of basic skills and effective access to financial products and services, the interplay of these skills in financial literacy is as yet poorly understood.

Financial literacy education may be embedded in work and everyday activities and other teaching and learning; some Financial literacy education provision is the result of collaboration between institutions. The collaborative and embedded nature of much Financial literacy education provision emerges as a key feature and complicates the reporting of our findings.

## Aim

The aim of the study was to indicate the range and scale of provision of the various types of financial literacy education that are currently available to adults in England, including formal and informal provision, financial literacy teaching as part of adult basic skills provision, and provision geared to formal accreditation.

## Background

The report of the Advisory Group on Financial Literacy (AdFLAG) demonstrates the strong link between poor financial understanding and awareness, poor basic literacy and numeracy, and social exclusion.

There is growing concern about financial exclusion, especially in disadvantaged areas.

Debts owed by individuals and households have increased sharply; this is an ongoing concern to the Citizens Advice Bureaux (CABx) and other agencies dealing with people struggling with debt.

The Davies Review of enterprise and the economy in education identifies financial literacy as an essential ingredient of employability.

Complex charging structures for financial products and lack of transparency in financial services have been highlighted in the Sandler Review of *Medium and Long-Term Retail Savings in the UK*.

The Financial Services Authority (FSA) has launched a national strategy for financial capability.

The FSA, together with the BSA, has produced the *Adult Financial Capability Framework* (AFCaF). AFCaF is intended for all those involved in financial capability education to plan their work with adults or to help them to understand the needs of the people who have come to them for help and who may also need to improve their literacy and/or numeracy. The framework is linked to the adult basic skills core curricula. In line with AFCaF, the BSA is working with the Qualifications and Curriculum Authority (QCA) and the National Open College Network (NOCN) to provide accreditation in financial literacy, mapped to the national standards.

The Community Finance and Learning Initiative (CFLI) was a partnership led by the DfES, of HM Treasury, local community-based organisations, including community-based financial institutions, development trusts, credit unions, CABx, social housing providers and others. The CFLI was targeted around basic skills levels and aimed to engage those excluded from mainstream financial services and learning and to encourage the take up of learning opportunities to raise skills and employability and the take up of appropriate financial products.

## Methods

Provision and accreditation of financial literacy education in the education, community and private/commercial sectors were investigated and analysed using qualitative and quantitative methods. A questionnaire was administered primarily to a range of institutions and individuals in the education and community sectors via telephone and email. In-depth interviews were conducted in the private/commercial sector.

## Findings

The financial literacy education field is characterised by considerable diversity in both the public and private sectors, with adults studying financial literacy education in the context of family provision, in community settings, in the workplace, online and in colleges. Arguably, all these educational channels have a significant role to play in raising the financial literacy capacity of particular groups and of the public in general.

Financial literacy education is found to be often collaborative in nature with organisations

from different sectors – national and local government, and the education, community and commercial sectors – co-operating together to enable delivery.

#### **Financial literacy education in the education and community sectors**

- Despite expansion in financial literacy education provision in the education and community sectors recently, and important developments in accreditation, the extent of both provision and accreditation available to adults in England is patchy and piecemeal.
- Financial literacy education in the education and community sectors at **Skills for Life** levels is offered in both formal and informal modes; face-to-face and through distance education; as discrete units and embedded within numeracy, ESOL and literacy programmes; most providers offer financial literacy education embedded within numeracy and other programmes or in conjunction with other services e.g. in the course of setting up a bank account or obtaining a loan from a credit union.
- Provision is often linked to basic skills: sometimes financial literacy education is used to support basic skills; at other times it is supported by basic skills.
- Numeracy is perceived to be a critical component of financial literacy.
- Financial literacy education is often provided via a partnership of organisations. Some stand-alone financial literacy education courses are being offered.
- Most of the formal financial literacy education programmes reported were delivered as a context for learning or as a response to a perceived need e.g. financial exclusion, social deprivation and/or debt problems.
- Financial literacy education is regarded as more significant in the context of deprivation, vulnerability and poverty than in the context of high earnings.
- There is no evidence of any consistent accreditation of financial literacy education programmes.
- Most respondents did not identify progression routes for learners in financial literacy education.
- Numbers of learners reported generally varied between five and 500. The figure of 3,500 for those who have undertaken Ufl/learndirect Cash Crescent programme since 2003 puts it in a separate league.
- The lack of relevant qualifications of many of those teaching financial literacy education is a cause for concern.
- There appears to be considerable interest in financial literacy within organisations surveyed in the community and education sectors.
- In recent years there have been many new initiatives in financial literacy education provision, albeit many of them on a small scale. The BSA and NIACE have been key drivers of many of these initiatives. Increasingly the FSA is becoming a key driver in relation to financial capability.
- Financial literacy education provision appears to be concentrated in urban rather than rural areas, although a much larger scale survey would be required to confirm this finding.
- It is also relevant to note the recent drive by the BSA and local LSCs to train the trainers.

#### **Financial literacy education in the commercial/private sector**

- We found little formal personal financial education for adults in our survey.
- Employers and trades unions generally do not provide or support personal financial education courses for employees, an exception being courses to prepare employees for retirement. However, some informal education for employees occurs in most companies and several employers and trade unions also provided access to confidential help lines.
- Employers are wary of providing authorised financial advice (i.e. advice regulated by the FSA) inadvertently; some organisations have taken out indemnity insurance to cover this



eventuality. This issue has been noted in the current Treasury review of the FSA and ways are being sought of clarifying the situation.

- Employers are also wary of seeming to intrude into the private lives of employees, and of being regarded as patronising by their employees.
- Several interviewees questioned whether it was appropriate for companies to provide personal financial education beyond that relating directly to employment matters.
- Many employees increase their financial literacy capability as a by-product of doing their job, attending in-house courses and learning for professional examinations. Interviewees from the financial sector referred to using information, marketing leaflets and courses produced for customers.
- We found evidence of substantial campaigning and educational initiatives by consumer and other community groups and of educational initiatives by trade bodies connected to the financial sector.
- Counselling services, help lines, the web, newspapers, magazines, books, radio and television are significant sources of information, education and guidance, as are information leaflets produced by the Inland Revenue and other government departments.
- Some difficult topics such as pensions, the new tax credits, benefits, the investment of savings, selling investments, asset allocation, spreading risk, evaluating information and making decisions, evaluating performance and reinvesting in the light of changed circumstances, and the financial impact of redundancy are not usually covered in sufficient detail in general information and 'advice' available; it is likely that many employees do not have sufficient information or guidance to make well-informed decisions. No interviewee mentioned discussions with employees relating to the financial implications of parenthood and working part-time and only one mentioned welfare and tax benefits.
- Research by the FSA shows that family and friends are the first port of call for guidance and help in financial matters and suggest that competence at decision-making may be built through practice.

***(Issues not dealt with – general and specific demand, debt and inappropriateness of deficit model).***

### **Recommendations for Policy**

There is a need for a national strategy for financial literacy at *Skills for Life* levels, linked to the FSA National Strategy for Financial Capability and bringing together the various threads of the financial literacy education offering in the public sector in a consistent and recognisable manner. The strategy should build on the work of the BSA, FSA, National Institute for Adult Continuing Education (NIACE), and others in the field.

Financial literacy education should be identified as a specific reporting stream in LSC-funded provision, with clear identification of those engaged in and responsible for financial literacy education in local Learning and Skills Councils (LLSCs) and Local Education Authorities (LEAs).

Further work on establishing a framework for professional development in financial literacy education at all levels is required, building on the work of the FSA and BSA.

Financial literacy education should be included in revised Subject Specifications for adult literacy, numeracy and ESOL and teacher training and professional development programmes should include key aspects of financial literacy education, since much financial literacy

education is embedded within adult literacy, numeracy and ESOL provision.

The legal and regulatory implications of any expansion of financial literacy education need to be further considered since there is a risk that financial literacy education teachers may unwittingly stray into giving FSA-regulated authorised financial advice.

Little is known about which are the preferred sources of information, education and advice for adult learners, which are widely used, which are effective and which produce the best quality information, education and guidance. An evaluation of informal sources of financial information, advice and guidance, including use of the Ufl/learnirect national learning advice service with respect to enquiries on financial literacy matters, would be useful here.

Improving and adapting all educational avenues to financial literacy may offer better prospects of increasing the financial literacy capability of members of the public than educational provision through courses alone.

The relationships between literacy, numeracy and ESOL skills, knowledge and understanding and financial literacy are poorly understood, and the nature and implications of these relationships for financial literacy education, and for teacher training and professional development in financial literacy education need to be drawn out through appropriate research and development.

Further work is needed on the presentation of financial information to make it more transparent, accessible and understandable by non-specialists, building on work already underway by government, the FSA, financial institutions and others.

Fundamental questions about the nature of financial literacy education remain and a wider debate would be helpful and healthy in this developing field. Is financial literacy education concerned with educating people to manage their money (household budgeting, planning for the future, etc.); or is it about knowledge and understanding of financial products and related risks? Is it possible to be financially literate without both of these elements? What form should financial literacy education take? Should formal education be primarily for the financially excluded as others will learn elsewhere? Should financial literacy education be partially structured around life events and if so how should it be organised? And finally how can the power of the internet be used to deliver for each and every individual?

Financial exclusion and poor basic skills are part of the picture, but arguably, financial education, advice and guidance are needed more generally for the population at large.

# 1 Introduction

---

## 1.1 Background

There is growing concern about financial exclusion (FSA 2000a), especially in disadvantaged areas:

*Despite a steady increase both in the numbers of households using financial services and in the range of products they use, 1.5m households in Britain (7 per cent) lack any financial products at all. A further 4.4m (20 per cent) are on the margins of financial services, with little more than a bank or building society account that is not much used. These households are heavily concentrated in areas of high deprivation. (Collard, Kempson & Whyley 2001).*

The Report of the Advisory Group on Financial Literacy (AdFLAG) (2002) demonstrates the strong link between poor financial understanding and awareness, poor basic literacy and numeracy, and social exclusion. Nevertheless borrowing is a fact of life for many people on low incomes; however they are likely to have access to a very limited range of credit through moneylenders, mail order catalogues and the Social Fund. The rapid increase in the number of individuals and households struggling to cope with debt has been highlighted by Mannion (1992) and is an ongoing concern to the Citizens Advice Bureaux (CABx) and other agencies dealing with those struggling with debt (CA 2000; Kempson, 1995). However, as the authors of a recent report on adult financial literacy education point out.

*While it is necessary to provide help for people already in difficulty, it is also important, in the longer term, to equip people with the skills which might help them to avoid problems of this kind. (McMeeking et al. 2002:1).*

Many other factors contribute to financial exclusion. Complex charging structures and lack of transparency in financial services have been highlighted in the Sandler Review (2002). Interest-based financial products are not acceptable to everyone, for example, they do not comply with the teachings of Islam; some banks are beginning to respond to this situation by developing services that are compliant with Sharia Law. The Davies Review of enterprise and the economy in education (2002) identifies financial literacy as an essential ingredient of employability and recommends that the Government should make a clear statement of policy setting out a national agenda for building enterprise capability, economic and business understanding, and financial literacy in all young people.

## 1.2 Aims, scope and research questions

Against this background, this report is of a strategic scoping study aiming to map the provision and accreditation of financial literacy education at the levels covered in *Skills for Life* (i.e. up to and including Level 2). The report indicates something of the range and scale of provision of education in financial literacy that are currently available to adults in England, including formal and informal provision, financial literacy teaching as part of adult basic skills provision, and provision geared to formal accreditation. It does not pretend to be exhaustive, instead the intention is to provide a 'sketch map' outlining the main features of current provision of financial literacy education in England. This is the first such attempt in England.

Specifically, this project aimed to identify:

- What provision is available and what are its main features (including whether accredited or not).
- Which organisations are offering financial literacy education.
- How provision is being delivered (including context and settings).

We did not review financial information generally available to the public: educational leaflets, books, the print and broadcast media; marketing literature and advertising were outside our remit, as was the provision of financial advice<sup>1</sup>.

The key research questions of this study, all of which relate to education at the levels covered in **Skills for Life**, are:

#### *Programmes*

- What LSC-funded organisations are involved in delivering financial literacy education?
- What non-LSC-funded organisations are involved in delivering financial literacy education?
- What types of financial literacy education programmes exist and what are their key characteristics?
- In what contexts/settings does financial literacy education take place?
- What were the reasons for the development of these programmes?
- What progression routes exist for learners on these programmes?
- What is the scale of financial literacy provision compared to total **Skills for Life** activity?

#### *Capacity*

- What is the current capacity and planned growth in numbers of learners to be reached?
- How many staff deliver financial literacy education and what are their characteristics (e.g., part-time/full-time/volunteer; qualifications, etc.)?

#### *Accreditation*

- What accredited programmes are available?
- What forms of accreditation are used?
- What is the extent of take-up, by whom and for what purposes?

#### **Location of this study within NRDC's programme**

This project relates directly to the strategy for NRDC Programme five, the infrastructure of provision. It contributes to the overall aim of Programme Five: "to increase understanding of how the policies, systems and structures through which learning is planned, delivered and evaluated impact upon learning for different groups of learners" (*NRDC Strategy 2003–07*). It provides information about provision and accreditation in financial literacy education at the levels covered in **Skills for Life** which is not otherwise available, thereby providing a basis for further research and development, including policy development of the **Skills for Life** strategy.

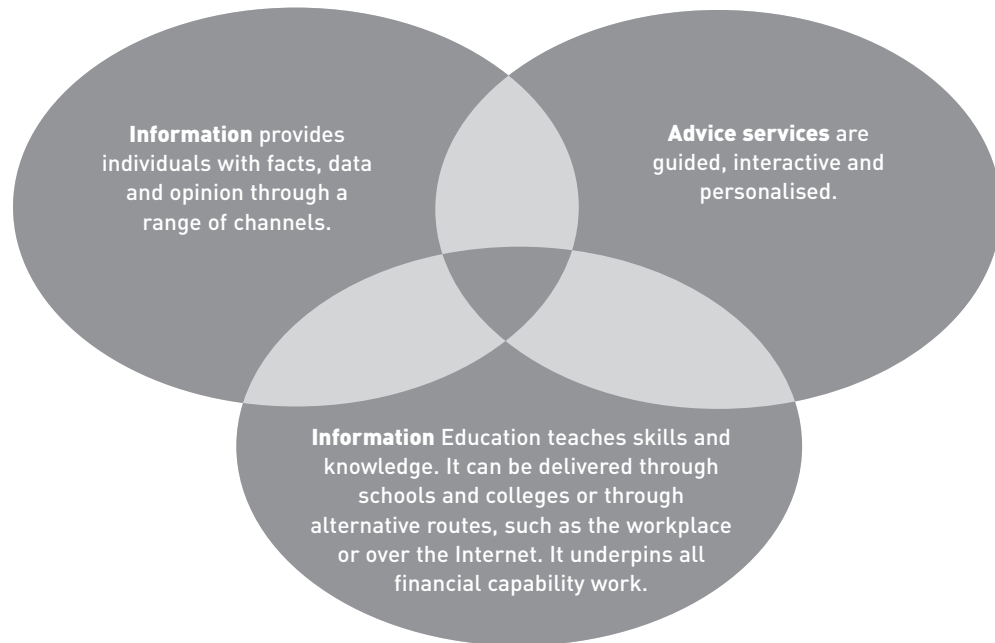
### **1.3 What is financial literacy education?**

The focus of this report is on the provision and accreditation of financial education at the levels covered by the **Skills for Life** strategy (henceforth: financial literacy education or

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<sup>1</sup> Financial advice may take various forms, including: debt counselling for individuals in financial crisis; authorised financial advice, such as investment advice, regulated by the FSA; generic financial advice, as distinct from authorised financial advice.

financial literacy education). The focus of this study is on education, i.e. structured learning provision, not authorised financial advice (which is regulated by the FSA) or financial information. However, there is some overlap between these areas, as shown in the following diagram from the FSA (FSA 2004a:3).



For the purposes of this report, financial literacy is defined as “The ability to make informed judgements and to take effective decisions regarding the use and management of money” (Noctor, Stoney et al. 1992); financial literacy education as education designed to enable learners to acquire this ability at the levels covered by the *Skills for Life* strategy.

Financial literacy education may be seen as a relatively distinct part of the emerging discipline of personal financial education, which is designed to encourage financial capability in the general population. However, financial literacy education is also used in a broad sense to encompass both lower and higher skills levels and to refer to what is also called financial capability. In the literature on financial capability, personal financial education tends to refer to the higher levels, rather than those covered by *Skills for Life*, where the term financial literacy education is more commonly used. Accreditation in PFE is expected to be available soon to learners up to Levels 3/4 (see appendix 1). The crucial issue of the level of skills, knowledge and understanding implied by the term ‘financial literacy’ is unresolved and future researchers in this area should be careful to state to what levels of financial capability they refer.

In terms of provision, at least three relatively distinct areas may be discerned: personal financial education; financial literacy education; and contextualised language, literacy and numeracy (LLN) education which includes an element of financial literacy education alongside other issues and concerns of interest to adult LLN learners. Our data include references by respondents to all three types, poorly differentiated, since terminology is somewhat fluid in this fast-developing area.

It should be remembered that levels of financial literacy are not necessarily aligned with literacy, numeracy and ESOL (English for Speakers of Other Languages) skills levels, for example, it is possible to be highly literate and numerate and yet have poor financial knowledge and understanding and very limited financial management skills. The interplay of these skills in financial literacy is as yet poorly understood.

## 2 Research design and methodology

We used a range of techniques: interview; questionnaire; and desktop research; to find out what financial literacy education provision and accreditation is available for adults at **Skills for Life** levels in England.

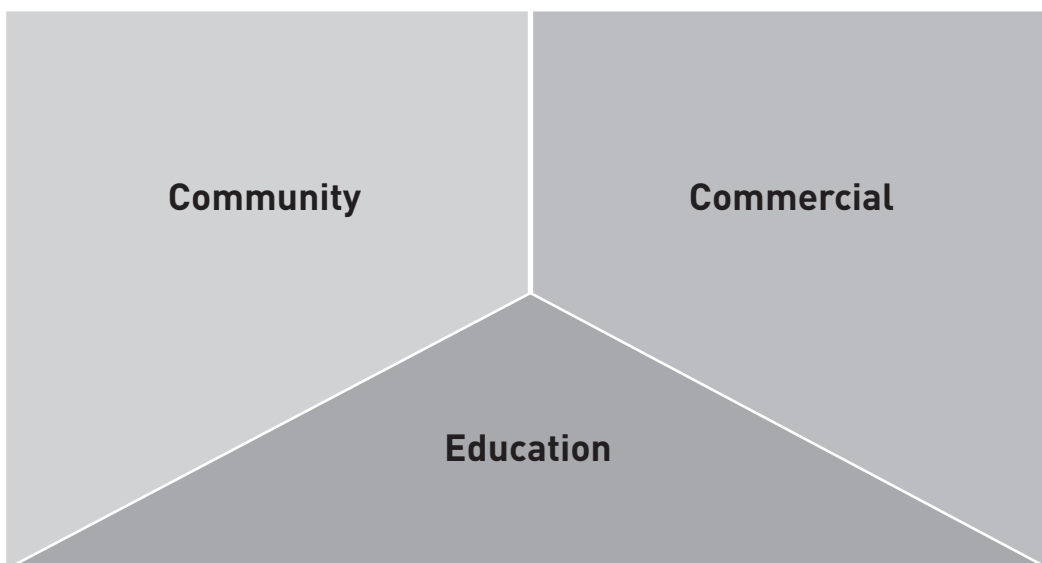
Specific research methods used include:

- A literature search.
- Consultation with bodies and individuals active in the field of financial literacy to determine the scope of the study.
- Consultation with experienced practitioners from NRDC consortium institutions, members of the NRDC Numeracy Advisory Group and others with relevant expertise and experience, to provide advice on sources and sites of provision, sampling frames, etc.
- Survey of providers through:
  - self-completion questionnaire sent by email and/or post as appropriate;
  - telephone survey; and
  - review of relevant documents (prospectuses, etc.) and websites.

Data were collected between January and March 2004. Emerging findings were presented at a workshop for participants at the NRDC International Conference in March 2004.

### 2.1 Classification of financial literacy education provision by sector

For the purposes of this report we follow the classification adopted by the BSA in relation to their partners in financial literacy projects: the education sector, the community sector and the commercial sector, illustrated in figure 1, on the following page. It should be noted that this is a classification of financial literacy education provision; some organisations mentioned in this report, including the FSA, do not provide financial literacy education and hence are not included in this classification.



**Figure 1. Sector classification of financial literacy education provision (adopted from the Basic Skills Agency).**

Starting from this three-fold division we grouped the community and education sectors together, giving us a basic working distinction between the public (community and education) and private (commercial) sectors. Here the term 'public' includes prisons and the voluntary sector, and 'private' covers the commercial world of work and consumer and investor groups respectively. There is inevitable overlap between the two sectors; for example, the Learning and Skills Councils (LSCs) fund some post-16 education which is provided or supported by companies that operate on a commercial basis and many large quoted companies are significant contributors to the community and education sectors. We sought to limit the overlap by approaching what we call the public sector through education and the private sector via the workplace of commercial enterprises and organisations that represent the interests of consumers and investors.

## 2.2 Methods used in each sector

We used different methods in researching the public and private sectors. We established that there is no public sector reporting mechanism specifically for financial literacy education at *Skills for Life* levels, so the required information for this sector could not be gathered from a single source. Initially we intended to use a single questionnaire with some follow-up interviews and to that purpose we designed a questionnaire which could, with minor adaptations, be used for organisations in both the private and public sectors. After initial trialling, we decided to use the revised questionnaire only for data collection from the education and community sectors. Desktop research and interviews were primarily used with private sector institutions as respondents' initial responses to the questionnaire were often along the lines of "I'm very sorry I cannot help you with this. We are not involved in financial literacy education". However, when we dug deeper, we found that this was not always the case. The questionnaire formed the starting point for the open-ended interviews.

Our findings are therefore based primarily upon an analysis of the answers to questionnaires from public sector participants and of the desktop research and interviews for the private sector participants. We discuss strand-specific methodological issues and report the results of the two strands separately in Part I (education and community sectors/public sector) and Part II (commercial/private sector) of this report, cross-referencing overlaps as appropriate.

Some financial literacy education provision is the result of collaborative working between several institutions e.g. policy makers, government departments and related agencies, funders and providers. Also, the institutions involved in a single programme may span the public and private sectors. The nature of an institution's contribution to programmes may also vary across programmes. Furthermore, financial literacy education may be embedded in work and everyday activities and other teaching and learning. This collaborative aspect of financial literacy education provision emerges as a key feature and complicates the reporting of our findings.

## 3 Review of Literature

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The outline survey of relevant literature undertaken for this study may be broadly classified under the following categories:

- Professional publications.
- Scholarly research publications.
- Policy publications.

These are reviewed briefly in this section.

### 3.1 Professional publications

Business magazines and other publications aimed at professionals (and the general public) contain articles about the public's perceived levels of financial literacy. For example, the *Financial World*, aimed at British bankers, has featured some articles relevant to this study. Frances Higney (2002) reports on the limited understanding of financial products displayed by customers; Hoare (2003) is concerned about the low rate of financial literacy in the UK and is of the opinion that the 14 -19 generation should be encouraged to take numeracy seriously. Some other relevant examples include: Mitchel's (2003) 'Should you improve consumers' financial literacy?' and Stillwell's (2003) 'Financial Education Partnership: Financial literacy should last beyond school years'. There is interest in financial literacy also at senior levels in the USA, as evidenced by Alan Greenspan's article entitled 'Financial Literacy: a Tool for Economic Progress' (Greenspan 2002) and Vitt et al.'s (2000) report *Personal Finance and the Rush to Competence: Financial Literacy in the US Barron's - National Business and Financial Weekly*, a US publication, also features an article with the self explanatory title 'Child's Play - The odds are your kids don't know much about money other than how to spend it. 'Thus, the new buzzwords: 'Financial literacy'' (Blumenthal 1998).

These publications reflect the growing awareness of the importance of financial literacy among financial institutions and the general public, and give an insight into industry-sponsored activity in financial literacy programmes. See also 5.4.5.

### 3.2 Scholarly research publications

There is a growing research literature on financial literacy which may be classified under the following headings:

- Research on initiatives designed to develop financial literacy;
- Research investigating the financial literacy of young people;
- Research investigating the financial literacy of adults.

FSA research publications are discussed under these headings, as appropriate.

#### Research on initiatives designed to develop financial literacy

Researchers such as Hilton (1995), Sykes (2003), Varcoe and Fitch (2002; 2003) and Boucher and Bond (2000), have explored methods of developing financial literacy. In the UK, evaluations of the community development programme in adult financial literacy and basic skills have been undertaken by a team from the National Foundation for Educational Research (NFER)



(McMeeking et al. 2002); these are discussed under the heading of policy publications, below. Schagen and others (Schagen & Lines 1996; Schagen & MacDonald 1997) have evaluated the NatWest Bank's 'Face 2 Face With Finance' programme in UK schools. Studies of financial literacy education initiatives in the school curriculum have been undertaken in the USA by Varcoe and Fitch (2003) and others.

#### **Research on the financial literacy of young people**

The FSA<sup>2</sup> has undertaken a baseline survey of work in financial education in schools (FSA 2003b) and undertaken studies of the needs of children from financially excluded homes and on the needs of young people (FSA 2004b; FSA 2004c; FSA 2003). Many studies documenting the financial literacy of the young focus on ways in which young people can "take control of their lives" (see, for example, Evans, Behrens et al. 2001). Some concentrate on teenagers and others on specific educational groups, such as high school pupils, college students and university students (Tennyson and Nguyen 2001; Chen and Volpe 1998; Chen and Volpe 2002; Beal and Delpachitra 2003; Varcoe 2002; Varcoe and Fitch 2003).

#### **Research on the financial literacy of adults**

Studies focusing on the financial literacy of adults focus on conceptualising financial literacy and the implications of financial literacy (or the lack of it) for adults. Mason and Wilson consider literacy or meaning making as a prerequisite for the achievement of desired outcomes or objectives; with financial literacy working out financial outcomes becomes possible. They define financial literacy as "an individual's ability to obtain, understand and evaluate the relevant information necessary to make decisions with financial consequences" (Mason & Wilson 2000; Mason & Wilson 2002). Leyshon et al. (1998) discuss the impact of financial literacy, or the lack of it, on adults' decision-making processes.

Some studies approach the issue of financial literacy as an issue of consumer education, for example, research for the FSA detailed in *A Guide to the Provision of Financial Services Education for Consumers* (Vass 1998); the report includes a directory of financial education programmes for consumers and a section on 'Investor education for adults: Gaps in provision'. The FSA has also published a report on *What consumers know about financial regulation* (FSA 2004d) and a review of literature and research on exclusion (FSA 2000a). The Financial Services Research Forum, based at the University of Nottingham Business School, which brings together leading financial services organisations and academics to research in the area of financial services strategy and management, has produced a report detailing *Developments in Consumer Financial Education* (Noble & Knights 2003).

Other studies focus on specific adult groups, such as older people (NIACE 2002; Knights & Noble 2000), benefit claimants who seek to transfer to waged work (Bond 1998; 2000), mutual fund investors (Alexander, Jones et al. 1997; 1998; 2001), marketing staff (Nil 1996), black women (Lewis 2002) and members of non-profit boards (Saunders, Cleary et al. 2002). Whatever the demographic segment, financial literacy is found to be not up to 'required' standards. Many individuals show limited interest, make little effort to evaluate alternatives and some even purchase financial services which may be detrimental to their long-term interests (Devlin 2003). Against this background the need to map the extent of financial literacy education provision and accreditation assumes urgency.

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<sup>2</sup> FSA publications are available in pdf form on the FSA website: <http://www.fsa.gov.uk/pubs/consumer-research/>

### 3.3 Policy publications

In response to increasing concern about financial exclusion and low levels of adult financial literacy, a range of policy initiatives has been established by various governmental departments and agencies and non-governmental organisations and a corresponding number of reports have been published, providing key information about financial exclusion and various aspects of adult financial literacy.

Following a Treasury Report on access to financial services in November 1999 (HMT 1999), the DfEE Adult Financial Literacy Group reported further in 2000. The report's appendix (2) on 'The Nature and Size of Financial Exclusion' estimated that:

*Approximately, 1.5 million households do not use any financial products at all. In addition, a further 4.4 million use only one or two financial products such as a bank or building society account or contents insurance. People without financial products do not form a single homogeneous group and there are many reasons for the existence of financial exclusion. In the main, the reasons stem from poverty and wider social exclusion. However, for those not using financial services a significant factor in not using a bank account, often the gateway to other financial services, is that cash represents the best way of controlling their finances. Also, the group is not static with many people opting to suspend their use of financial services due to particular circumstances, for example, job loss or retirement. The complex and dynamic nature of the group means there is no one single solution. (AdFLAG 2000:39).*

The AdFLAG report's findings include the following points which are relevant to this project:

- *Education for adult financial literacy has never been systematically addressed. There is no defined curriculum or set of learning objectives. Work needs to be done to set out what financial literacy means for adults, especially those at risk of financial exclusion, and progress measured.*
- *There is a vast range of initiatives with either a primary or secondary objective to deliver financial literacy. However, there needs to be a systematic approach to content, delivery, co-ordinating activity and spreading good practice.*
- *There is a close link between levels of basic skills and the use of financial products and services. (AdFLAG 2000:3).*

A MORI survey, commissioned by the BSA in 2001, shows that those with poor basic skills do not own financial products and may need appropriate help from institutions; it also establishes a link between poor basic skills and financial exclusion (BSA 2001a).

Progress on the achievement of the AdFLAG recommendations has been reviewed in a report by the consultancy firm PKF, commissioned by the Adult Basic Skills Strategy Unit (ABSSU) and published in January 2003. The PKF report found a significant amount of work addressing the financial literacy needs of adults: over 50 different initiatives were identified involving those in the financial services industry, government, the education field and the voluntary and community sector. The report noted that financial literacy is not simply a basic skills issue and called for a financial literacy strategy which would "set the overall direction and articulate the *what, why, how, who* and *when* of the proposed future approach to financial

literacy” (PKF 2003:5). The report also noted that the AdFLAG report had a low profile when published and was not widely disseminated (PKF 2003:10). Also, the report notes that while much *ad hoc* research is being carried out across government and industry, comprising elements of financial literacy needs, skills, education and advice, these need to be linked and brought together to better inform future developments in financial literacy (PKF 2003:3). The review also identified two key initiatives which the authors believe may have a major impact on informing future financial literacy standards and practices in the future: the Adult Financial Capability Framework; and the Community Finance and Learning Initiative (CFLI) (PKF 2003:3); both these initiatives are discussed below.

Across government, departments including the DfES, DTI, DWP and HMT are all committed to a vision of the UK population as financially well-informed and responsible. The emphasis varies between government departments from initiatives building consumer awareness such as the DWP’s *Informed Choice* strategy to the education and skills focused approach of the DfES.

The DfES has established the Financial Literacy Steering Group; this targets the post-16 age group, and has links with PSHE Curriculum group, which focuses on the pre-16 age group. Included in the initiatives listed in appendix 3 of the PKF report (PKF 2003) is a key initiative: the Adult Financial Capability Framework (AFCaF), developed by the FSA with the BSA (FSA/BSA 2003). The framework covers a broad range of money management and consumer issues. AFCaF is intended for all those involved in financial capability education, including money advisers, teachers, trainers, and helpers interested in improving financial capability skill, to plan their work with adults or to help them to understand the needs of the people who have come to them for help and who may also need to improve their literacy and/or numeracy. The framework is linked to the adult basic skills core curricula both to indicate the level of basic skills required to take financial decisions and make informed choices and, also to assist basic skills specialists to see where financial capability education can be used to deliver literacy and numeracy objectives. In line with AFCaF, the BSA is working with the Qualifications and Curriculum Authority (QCA) and the National Open College Network (NOCN) to provide accreditation in financial literacy, mapped to the national standards.

In response to the AdFLAG Report, the BSA developed a programme which aimed to reach socially excluded adults. One part of the programme focused on 15 community projects in disadvantaged areas which developed and piloted models of delivery aimed at improving both financial literacy and basic skills. These projects were developed in partnership with Citizens Advice (CA), Credit Unions (CU), and Local Education Authorities (LEA). A team from the National Foundation for Educational Research (NFER) has evaluated the Community Development Programme in Financial Literacy and Basic Skills and found that most tutors in that programme had a background in either basic skills or financial literacy, not both, and that some providers found it difficult to recruit learners. NFER stressed the importance of having an appropriate venue for provision, the need for the course to be appropriate for the target audience, and for those with responsibility for marketing to have a clear picture of what the course involves (McMeeking et al. 2002). The NFER report also pointed out the clear two-way links between financial literacy and basic skills, citing Schagen (1996) and noted that:

*Basic numeracy and literacy are prerequisites for financial literacy; at the same time, dealing with finance-related topics can provide a useful and realistic context for practising basic skills.* (McMeeking et al. 2002:1).

The FSA is a key player in making the government's vision of the UK population as financially well-informed and responsible a reality in line with the Authority's statutory duty to promote public understanding of the financial system, to protect consumers and to maintain market confidence. The Authority is currently spending almost £4 million a year on financial capability (FSA 2004a:12), although some of this is being spent on financial capability initiatives with children in schools rather than on adult-focused initiatives. Also, as previously noted in section 1.3, financial capability is not the same as financial literacy at *Skills for Life* levels, the focus of this report. For the FSA, a financially capable population is composed of "better informed, educated and more confident citizens, able to take greater responsibility for their financial affairs and play a more active role in the market for financial services" (FSA 2004:12). The FSA greets government initiatives to raise national standards of literacy and numeracy as "a welcome and important foundation for efforts to improve financial capability" (FSA 2004a:2). The FSA launched the national strategy for financial capability in November 2003 (FSA 2003b) coordinated through the FSA's Financial Capability Steering Group. The strategy has seven priorities set out in its report, *Building Financial Capability in the UK* (FSA 2004a): schools; young adults; work; families; borrowing; retirement; and generic advice. The FSA is establishing projects in each of these priority areas (for more information, see [www.fsa.gov.uk/financial\\_capability](http://www.fsa.gov.uk/financial_capability)).

The National Institute for Adult Continuing Education (NIACE) has undertaken the Financial Literacy and Older People (FLOP) project (NIACE 2002) and produced a discussion paper on policy and practice in relation to the need for better financial knowledge, understanding and skills, especially for older people (Carlton, Soulsby et al. 2002). The Learning and Skills Development Agency (LSDA) has a project on Saving for Learning (Biggar & Butterworth 2002). Resources, including the 'Money-Go-Round' ([www.moneygoround.org.uk](http://www.moneygoround.org.uk)) and 'MoneyPower'. ([www.moneypower.org.uk](http://www.moneypower.org.uk)) CDROMs, have been produced (BSA 2002).

Various other bodies such as the CABx the latter having considerable experience in debt counselling, are active in the financial literacy education field (see, for example: Lord, 2001). A key initiative drawing on this experience, the Community Finance and Learning Initiative (CFLI), began work in early 2002 and ran until December 2003. The CFLI is a partnership led by the DfES, of HM Treasury, local community-based organisations, including community-based financial institutions, development trusts, credit unions, CABx, social housing providers and others. The CFLI is targeted around basic skills levels and aims to engage those excluded from mainstream financial services and learning and to encourage take up of learning opportunities to raise skills and employability and the take up of appropriate financial products.

Meanwhile, the Sandler Review: *Medium and Long-Term Retail Savings in the UK* was established by the government in 2001 in response to a recommendation of the Myners Review (HMT 2000), which investigated possible distortions in investment decision-making by institutional investors. The Myners Review was concerned that investment decision-making was poor because competition in these markets was being distorted by, amongst other things, the end consumer's lack of understanding of the issues. The Sandler Review's remit was to: "identify the competitive forces and incentives that drive the industries concerned, in particular in relation to their approaches to investment, and, where necessary, to suggest policy responses to ensure that consumers are well served" (Sandler 2002). The Sandler Review identified what a well-functioning market for retail savings might look like; it is one in which:

- consumers have a reasonable understanding of retail savings products;
- there is a properly functioning market for advice, with clear pressures on price and quality;
- the incentives of advisers are aligned with those of consumers;
- products are simple and straightforward, with differentiation occurring only when it adds value to consumers;
- there is a strong focus on asset allocation;
- investment performance is assessed over appropriately lengthy timescales;
- there is strong downward pressure on price and upward pressure on quality, with more expensive products delivering demonstrable additional benefits;
- specifically, the prices of the elements of investment, protection and advice are clearly and separately identifiable; and
- consumers, particularly those from low/middle income groups, can reasonably easily access the markets for products or advice.

The Review developed a series of recommendations to achieve this vision, including a recommendation that the FSA should establish a long-term plan for delivering clearly specified education objectives (Sandler 2002:Summary#145). The Review also recommends the introduction of a suite of simple and comprehensible financial products, which would be sufficiently tightly regulated to ensure that, with appropriate safeguards they could be purchased safely without regulated advice (Sandler 2002:Summary#128). Further recommendations state that the sales process should begin with 'plain English' warnings to the consumer, who would then certify that these had been received and understood (Sandler 2002:Summary#137).

### **3.4 Concluding remarks on the literature surveyed**

It remains to be seen how successful the national strategy and associated initiatives will be in raising levels of financial capability. The present alignment in the national strategy for financial capability of a campaign and educational initiatives geared to adults with literacy and numeracy needs seems a positive way forward. Nevertheless, the underlying logic of much of the work on financial literacy appears to be remedial. In this model, some adults are seen as unable to manage their finances and education is seen as being able to assist them in becoming more financially literate, capable, and hence, it is assumed, better able to become and remain financially stable and solvent. An alternative logic would lead to research into the ways that adults do manage their money, the constraints on them and the artefacts they use, with a view to learning especially from people who manage to survive in difficult circumstances and to working with them to devise more effective ways of surviving. Ironically, a great deal of research on what people actually do in terms of financial management of their affairs is done within the financial services industry but it is not published as it is deemed to be commercially sensitive. There is some academic interest in financial capability, including research on financial exclusion and research aimed at informing social policy. For example, researchers in the Personal Finance Research Centre at the University of Bristol are undertaking development work for a baseline survey of adult financial capability being commissioned by the FSA in 2005/06. Also, the Centre for Research in Social Policy (CRSP) at Loughborough University has undertaken research on financial exclusion as one of its four main themes relating to poverty and social exclusion (see <http://www.lboro.ac.uk/departments/ss/centres/crsp/index.htm>). Research on adults' approaches to risk is also relevant (see, for example, Chater, Oaksford, Nakisa & Redington 2003).

Wider debate and further research on financial literacy at **Skills for Life** levels is needed, building on the AdFLAG initiative and the AFCaF and drawing on, for example, Lave's work on the Adult Math Project (Lave 1988) and Hoyles, Noss and Pozzi's research with investment bankers, nurses and pilots, which investigated how they 'mathematised' in practice (Noss and Hoyles 1996; Noss, Hoyles et al. 1998; Hoyles, Noss et al. 1999).

Further work is also needed on the part of government, financial institutions and others on the presentation of financial information to make it more transparent, accessible and understandable by non-specialists. The Treasury report on the modernisation of Britain's tax and benefit system (HMT 2001) details what the government is doing to improve matters in these crucial areas. The FSA has published guidelines with respect to financial promotion and is working on the transparency of financial documentation. As the Chief Executive of the FSA, John Tiner, states in the Introduction to *Building Financial Capability in the UK*:

*Of course, making the retail financial services market work better is not all down to consumers. Firms need to play their part, accepting responsibility and treating their customers fairly. (FSA 2004a:1).*

## 4

## Part 1

## Financial literacy education in the education and community sectors

### 4.1 Methods

Through our prior knowledge, confirmed by initial soundings with those active in the field, we expected to find that financial literacy education at *Skills for Life* levels in the community and education sectors is offered by a range of diverse organisations (we were not disappointed). In anticipation of this diversity, we decided to use a cross-sectional survey to map financial literacy education provision and accreditation in these two sectors. It is recognised that such a survey has disadvantages: group sizes are unequal, respondents are unequally distributed and bias may arise because of selection into or out of the study population. Associations derived from the data must therefore be interpreted with caution.

The questionnaire in appendix 5 was designed primarily for the education and community sectors. The sample population was identified through discussions, interviews and web searches, and suggestions from recipients of the questionnaire, particularly the local Learning and Skills Councils (LLSC). The questionnaire was sent by email to approximately 150 organisations in those sectors (including the 47 LLSCs). 65 organisations responded, giving a participant rate of approximately 40 per cent. Responses were clarified through further emails or telephone conversations. The data used to map financial literacy education provision were derived primarily from the questionnaires.

Three completed questionnaires were excluded as two of them fell outside the geographical remit: one was from Guernsey and the other from Wales, and the third was received without precise information as to which organisation had sent it. Responses to the survey may be classified according to organisation type, as shown in table 1, below.

**Table 1. Classification of respondents in the community and education sectors according to sector and organisation type**

Organisation type		Frequency	Per cent
Sector	Organisation		
Community	CAB	16	24.6
Education	College	12	18.5
Community	Credit Union (ABCUL)	1	1.5
Community	HA	2	3.1
Education	LA	7	10.8
Education	LSC	8	12.3
Community	Prison	3	4.6
Community	Work-Based Learning Provider	4	6.2
Community	Voluntary/Charity	6	9.2
Commercial	Trade Association	2	3.1
Education & Commercial	PPP	2	3.1
Education	National government	2	3.1
<b>Total Number of respondents</b>		<b>65</b>	<b>100.1</b>

Categorisation was not always straightforward. NIACE and the BSA have been classified under voluntary/charity, while the University for Industry (Ufi) has been described as a Public Private Partnership (PPP); Connexions and New Deal have been categorised as part of the national government; the Association of British Credit Unions Ltd (ABCUL) has been categorised as a credit union. Work-based learning (WBL) training providers were categorised as such by the relevant LLSCs and we have adopted this categorisation. Table 1, also highlights a recurrent problem in displaying our data: the disparity in both the nature of the organisations that responded to our survey and the scale of their operations. For example, Ufi features as one organisation, yet it is the umbrella organisation for learndirect, which has 2,000 centres.

Also, with hindsight, the first question in the survey instrument, instead of asking respondents to decide whether they offered financial literacy education or not, should have offered them a choice among various options such as discrete, embedded or informal provision, since this would have made it clear that we were interested in all these types of provision, and would probably have resulted in more complete answers.

The data were analysed using a combination of qualitative techniques and quantitative research software.

Of the 65 organisations which responded to the question as to whether they offered/supported financial literacy education to the general public at a **Skills for Life** level, 42 responded in the affirmative, the rest stated that they did not do so.

In section 4.2, below, we discuss provision and accreditation in the education sector, in section 4.3 the community sector and in the remaining sections of 4 we analyse and discuss the detailed results of the survey, supplemented by published information and information from experts in the field.

## 4.2 The education sector

### 4.2.1 Organisations involved primarily with Policy and the Development of financial literacy education

#### 4.2.1.1 Skills for Life Strategy Unit (SfLSU), formerly known as the Adult Basic Skills Strategy Unit (ABSSU)

SfLSU has overall responsibility for coordinating **Skills for Life**, the national strategy for improving adult literacy and numeracy skills in England. SfLSU supports financial literacy education in the context of **Skills for Life** through research and development work undertaken by organisations such as the BSA and NRDC.

#### 4.2.1.2 Offenders' Learning and Skills Unit

The role of the Offenders' Learning and Skills Unit (OLSU) is to support a strategic partnership between the DfES and the Offender Management Service (which includes what was formerly the Prison Service) responsible for providing education in prisons. From April 2004, OLSU also has responsibility for policy and funding of learning and skills for offenders under supervision in the community.

#### 4.2.1.3 Basic Skills Agency (BSA)

BSA is the national development agency for adult literacy and numeracy. It is an independent not-for-profit charity, funded by government grants, which works across sectors and age



groups to develop effective approaches for improving basic skills. It has a number of programmes of work, which are usually developed in partnership with other organisations. A key programme in the post-16 sector with regard to this study is that on financial literacy, established in 2000 to improve the financial literacy of adults. The Agency works with practitioners supporting financial literacy education rather than delivering financial literacy education directly to the public. Through funding from the SFLSU, the Agency funds pilot initiatives in a variety of areas, including work with the community, the voluntary sector, the workplace and family programmes; the latter are discussed in section 4.2.3.1. Agency funding has also enabled resources such as the CDRoms, 'Money-go-round' and 'MoneyPower', to be created and distributed to financial literacy education practitioners. Financial literacy resources and links to useful websites are listed on the Agency website of that name ([www.money-bsa.org.uk](http://www.money-bsa.org.uk)).

#### 4.2.1.4 National Institute of Adult Continuing Education (NIACE)

NIACE is a non-governmental membership organisation with membership drawn from the full range of policy makers, providers and users of adult learning opportunities (e.g. all LEAs, many universities and colleges, the TUC and the Ministry of Defence). NIACE's objective is "to promote the study and general advancement of adult continuing education". In particular, it aims to promote the widening of access to learning opportunities for groups currently under-represented and/or in danger from exclusion from education and training. NIACE is actively involved in promoting financial education and is planning to appoint permanent staff on the subject at a senior level. It is conducting a literature search in order to establish the scope of financial literacy work being done in the UK at this time. That review is expected to be complementary to this report.

One strand of NIACE's involvement is the Financial Literacy and Older People (FLOP) project. The NIACE briefing paper *Financial Literacy and Older People – moving on* (NIACE 2002) uses information from the FLOP project, *It Doesn't Add Up* and the FLOP provider survey and includes a picture of financial literacy education provision. As part of the FLOP project, NIACE has created learning materials in consultation with older people in Canvey Island, Oxford and Coventry. These are intended to help older adults and those who work with them to make better sense of the financial world around them.

NIACE also leads the UK part of the European 'Development of Online Consumer Education Tools for Adults' (DOLCETA) project. This aims to:

- Assist in raising the level of awareness and understanding of European consumer rights among adults in member states;
- Develop interactive web-based tools for consumer education to be used primarily by teachers, trainers and adult educators in educational institutions, government bodies with consumer responsibilities, consumer associations, etc.

The objective is to develop interactive web-based modules of consumer education on two topics:

- A generic module on basic consumer rights – the advantages of the internal market and redress.
- A specialised module on financial services.

Also, with support from Prudential plc., NIACE has created the 'moneymatterstome' website, a practical guide to family finance ([www.moneymatterstome.co.uk](http://www.moneymatterstome.co.uk)).

## 4.2.2 Organisations funding financial literacy education in the public sector

### 4.2.2.1 Learning and Skills Council (LSC)

LSC is responsible for funding and planning education and training for 16 year-olds and above in England and is a key partner in ensuring the delivery of **Skills for Life**. The LSC operates through 47 local LSCs. Most of the publicly-funded financial literacy education for the post-16 age group is funded through the local LSCs, although it is 'hidden' within **Skills for Life** and other reporting streams. All local LSCs have produced **Skills for Life** development plans for their areas and we know from the Head of the BSA's financial literacy project, Paul Worrall, that of the 20 local LSCs visited as part of the Agency work programme in 2003/04, most were aware of financial literacy being delivered as part of **Skills for Life**, some were funding financial literacy with local initiative funding and some were providing support for tutors. (The remaining 27 local LSCs are to be visited in 2004/05 and a similar picture is expected).

We expected that those dealing with basic skills in the local LSCs would know most about the provision of financial literacy education at **Skills for Life** levels within their areas. A list of basic skills contacts operating at local LSCs was obtained and these were individually contacted via email. It is interesting to note the wide variations in the manner in which the contacts for basic skills are designated and organised, as the table below indicates.

**Table 2. Basic skills contacts at local Learning and Skills Councils**

Local LSC	Title	Team
Bedfordshire and Luton	Head of Lifelong Learning	Social Inclusion Division
Berkshire	Basic Skills and Lifelong Learning Executive	Strategy & Planning
Birmingham and Solihull	Core Skills Co-ordinator	Access Participation & Equal Opportunities
Bournemouth, Dorset & Poole	Basic Skills Co-ordinator Basic Skills Contract Manager	Work Force Development
Cambridgeshire	Learning Co-ordinator Adult Skills, Widening Participation Manager	Strategic Planning & Resources
Cheshire and Warrington	Basic Skills Strategy Manager	Widening Participation & Social Inclusion
County Durham	Basic Skills Co-ordinator	Policy & Planning
Coventry & Warwickshire	Basic Skills Co-ordinator	Planning & Development
Cumbria	Head of Education and Quality Improvement/Basic Skills Manager	Education and Quality Improvement Division
Derbyshire	Head of Innovations & Development	Innovations & Development
Devon and Cornwall	Lifelong Learning Manager	N/A
Essex	Basic Skills Manager	Lifelong Learning & Basic Skills
Gloucestershire	Basic Skills Co-ordinator	Access & Inclusion
Greater Manchester	Area Manager BS Lead	Lifelong Learning
Greater Merseyside	Equal Opportunities Co-ordinator/Equal Opportunities and Social Inclusion Manager	Development Team

Local LSC	Title	Team
Hampshire and the Isle of Wight	Planning Officer	Widening Participation
Herefordshire & Worcestershire	Adult Access Advisor	Learning Access & Participation
Hertfordshire	Director of Adult Learning	Adult Learning
Humberside	Basic Skills Manager	Social Inclusion
Kent and Medway	Development Manager/ Professional Development Centres Co-ordinator	Operations & Quality
Lancashire	Basic Skills Manager	Development & Quality
Leicestershire	Learning & Development Manager	Operations Division
Lincolnshire and Rutland	Learning Development Manager	Lifelong Development
London Central	Head of Strategic Partnerships and Social Inclusion	Equal Opportunities & Diversity
London East	Director of Strategic Development & Quality	Programmes Development
London North	Learning Development Officer	Learning Development
London South	Head of Development	Policy & Planning
London West	Head of Adult & Community Education	Adult & Community Education
Milton Keynes, Oxfordshire and Buckinghamshire	Partnership Manager	Learning for Life Team
Norfolk		Strategy & Development
North Yorkshire	Basic Skills Manager	Life Long Learning Team
Northamptonshire	Basic Skills Manager, Inclusive Learning Manager	Adult learning Operations
Northumberland	Basic Skills/Community Development Manager	Policy & Planning: Widening Participation
Nottinghamshire	Access & Equality Manager	Learning & Programmes
Shropshire	Lifelong Learning & Widening Participation Manager	Lifelong Learning & Workforce Development
Somerset	Learner Support Manager (Basic Skills)	Access, Equal Opportunities & Inclusion
South Yorkshire	Adult Basic Skills Manager; Basic Skills Contract, Research Manager	Widening Participation
Staffordshire	Basic Skills Manager	Access & Participation
Suffolk	Basic Skills Co-ordinator	Workforce Development
Surrey	Basic Skills Manager	Quality & inclusion
Sussex	Adult & Community Development Manager/ Education Officer	Operations Directorate
Tees Valley	Opportunities Development Adviser; Director of Learning for all, Senior Contract Manager	Learning for All
The Black Country	Senior Manager Adult Strategy	Strategy & Access
Tyne and Wear	Literacy & Numeracy Manager	Strategy & Access
West of England	Basic Skills Manager	Community Development Team
West Yorkshire	Basic Skills Manager	Programmes
Wiltshire & Swindon	Social Inclusion Manager, Basic Skills Advisor	Planning & Development Directorate

Eight of the 47 local LSCs contacted responded to the survey and confirmed that they supported financial literacy education through their provider base. Several local LSCs provided details of basic skills providers in their areas. Colleges, County Councils and a host of small private providers across the region were cited as possible providers of financial literacy education.

Alongside their role as funders of financial literacy education provision, a number of local LSCs are currently playing a direct role in financial literacy education by equipping tutors with the resources, skills and knowledge that will enable them to teach financial literacy to adult basic skills learners. This is part of an initiative in partnership with the BSA whereby the Agency has met with 20 local LSCs and is meeting with the remaining 27 during 2004/05. The BSA reported that in general, local LSCs have been interested in organising training events for tutors and community workers: raising awareness and showcasing materials with training on the use of the Agency's CDROMs 'Money-go-round' and 'MoneyPower'. One local LSC which responded to our survey stated that they were running two workshops that month, both over-subscribed, to train tutors, using a BSA expert as the trainer; they felt that they needed to upskill tutors in their area before they could provide training. Some other local LSCs (Devon and Cornwall, Kent, Hampshire and Isle of Wight, and West of England) stated that they are also interested in arranging some training in financial literacy for their tutors, though they had not been able to do so by March 2004. Some local LSCs have established Learning and Skills Partnerships (LLSPs) to facilitate work at a more local level within their local LSC areas.

#### 4.2.2.2 Local Education Authorities

All Local Education Authorities (LEAs) contribute to the implementation of the government's **Skills for Life** strategy. LEAs support financial literacy education via adult education and schools and through community programmes. Some LEAs have taken an active role in promoting financial literacy education. For example, four LEAs: Coventry; Warwickshire; Northamptonshire; and Derbyshire; piloted the 'My Money, My Life' course (McMeeking et al. 2002). In their response to our survey, NIACE reported that eleven other LEAs have developed curriculum materials for use in financial literacy education (NIACE 2002).

The Adult Basic Skills Co-ordinator in a London borough which responded to our survey confirmed that financial literacy education is offered in the borough, but qualified this by saying that the Borough Council provides support not as provider but by way of partnership work with the provider, which is an adult college. In a similar manner, Northumberland County Council confirmed the offering of financial literacy education. Another London borough council indicated in its response to the survey that it runs courses in money management skills and that emphasis is placed upon understanding different types of financial issues and handling personal finances. A third London borough indicated that it secures its adult learning through two main providers, but did not specify financial literacy education provision.

### 4.2.3 Financial literacy education provision and accreditation in the education sector

#### 4.2.3.1 Financial literacy education for families

Financial literacy education for families in the context of **Skills for Life** is offered in a variety of settings in the education and community sectors, including Sure Start programmes and through family literacy and numeracy projects organised as part of LSC-funded 'Keeping Up with the Children' programmes. The BSA has initiated and supported family language, literacy

and numeracy since 1994. The Agency ran financial literacy education pilots in conjunction with Skills for Families, a joint initiative between the ABSSU and LSCs, delivered by a consortium led by the BSA and aiming to develop a coherent, cross-agency approach to area-wide programmes for families, including the development of programmes designed to improve the literacy, language and numeracy skills of parents or carers and their children; 11 of these pilot projects want to continue. The LSC has agreed that from April 2004 family finance provision is fundable by local LSCs as a short programme under the heading of Family Language, Literacy and Numeracy (LSC 2004:16). In other words, financial literacy education has been brought into the main funding stream for post-16 education in the public sector. This means that future researchers will be able to find instances of family finance provision much more easily since it will be reported as such to the local LSCs. Family finance is a short course designed to develop parents' literacy, language and numeracy skills and their knowledge of everyday financial matters. The course provides the opportunity for parents and school age children to develop financial literacy skills. The scope and range of LSC-funded family LLN courses available in 2004/05, including Family Finance, are listed in the DfES publication, *Family Literacy, Language and Numeracy: A guide for policy makers* (DfES 2004:15–16).

Schools were not included in our survey as we were focusing on financial literacy education provision and accreditation for adults but the London Borough of Harrow's Canons Cluster Project (CCP), which responded to our survey, is worth mentioning. The project, which started in January 2004 and aims to expand rapidly, is a partnership between local services and schools in the Canons area of Harrow. It is part of the New Harrow Project (<http://www.harrow.gov.uk/ccm/navigation/news-and-events/new-harrow-project/>) through which the schools are put at the centre of the community in order to provide better support for families who are at risk or vulnerable. The approach is based on bringing together the range of services that currently support these families in a more co-ordinated and cohesive manner. Financial literacy education in the form of general handling of cash is embedded in ESOL provision. The Community Learning Co-ordinator for the project said that she aims in the future to provide budgeting and basic skills as part of the project. As our research came to an end we learned of Suffolk Family Learning programme's work in financial literacy education and there are no doubt other similar initiatives.

#### 4.2.3.2 Colleges

FE colleges are major providers of basic skills and *Skills for Life* education. For example they cater for around 20 per cent of all young people in work-based learning (here, this means learning where there are contracts with an LSC or JobCentre Plus) and they provide off-the-job training for many more. On the other hand they do not offer many New Deal options or foundation programmes for work-based learners. They are also responsible for most education in prisons and young offenders institutions.

12 colleges responded to our survey. The colleges surveyed were equally divided in their responses: four said they offered financial literacy education and four did not; the remaining four did not give an indication either way. Colleges which offer financial literacy education are collaborating with many of the other types of organisations included in this survey. For example, Tower Hamlets College, the first to respond to the survey, stated that financial literacy education is offered as part of ESOL provision; it also works in partnership with Toynbee Hall on financial literacy education. Another college, Gloucestershire College of Arts and Technology (Gloscat), has developed and run for the first time in 2003/04, modular financial literacy education courses entitled 'Money Matters', leading to the Level 1 and 2

National Tests in numeracy. Gloscat reported that the provision varies. There are basic skills courses designed specifically for the client, focusing on their exact requirements. This usually includes completion of forms, handling the basics of money, such as handling change, completing cheques, understanding statements, etc. It also provides more general courses, such as the 'Beginner's Guide to the Stock Market', which introduce the individual to how to invest. Gloscat reported that all provision has to be relevant to real-life situations to which the client can easily relate.

#### *4.2.3.3 Universities*

Universities were not included in the survey because in general their educational provision is at Level 3 or above. However some universities do contribute to financial literacy education by way of their extra-mural provision promoting learning activity in communities. Universities such as Bristol, Cranfield, Cambridge, Loughborough, Salford, Nottingham and Warwick are reported to be engaged in such provision and also in research which focuses on financial exclusion and financial literacy capability. The 'support4learning' website, developed with funding from HERO (Higher Education and Research Opportunities in the UK), contains excellent web address lists relating to both money management and personal financial education ([www.support4learning.org.uk/money/financial\\_education.htm](http://www.support4learning.org.uk/money/financial_education.htm)).

#### *4.2.3.4 University for Industry (Ufi)/learndirect*

Ufi is, a public-private partnership in England, Wales and Northern Ireland, works to improve the employability and career prospects of individuals and to boost business competitiveness. Ufi's courses are delivered through 2,000 learndirect centres, over 80 per cent of which are on-line (see [www.learndirect.co.uk](http://www.learndirect.co.uk)). Learndirect centres are located in places that are easily accessible, such as sports clubs, leisure and community centres, churches, libraries, university campuses and railway stations. Ufi/learndirect adopts a partnership approach in engaging learners from various sectors of the community and the workforce. It works with the SfLSU and with Awarding Bodies to offer the National Certificate in Adult Literacy and Numeracy through online tests in selected learndirect centres. It also works with small and medium sized enterprises and with large employers such as Nissan and Asda, to identify training needs and deliver solutions.

Many learndirect centres provide financial literacy centre as part of their literacy and numeracy courses. Scunthorpe Learning Centre, which responded to the questionnaire survey, mentioned the Ufi's 15-hour computer-based Cash Crescent programme: "bank account, interest, good deals, finance, different family situations", as comprising the content of financial literacy education that they provided. Ufi reported that 3,500 learners in a variety of centres nationally have used Cash Crescent since its launch in 2003. Cash Crescent features a group of characters who live in 'Cash Crescent'. They all have different money worries, and by helping them to solve their problems, learners will, it is hoped, improve their money and number skills. Cash Crescent is mapped to the Adult Numeracy Core Curriculum (BSA 2001b), covering elements from Entry 2 to Level 1. It is currently one of Ufi's fastest growing courses in terms of enrolment. A successor programme, Cash Crescent – Next Steps, is to be launched shortly. This will tackle more difficult financial products such as mortgages, pensions and life assurance and map to Levels 1 and 2 of the adult numeracy curriculum. Ufi's approach has been to tackle numeracy through engagement with everyday financial activities such as opening and using a bank account and getting best value on loans. Because learners are tackling numeracy they can be funded for these courses. Ufi are currently involved in a research pilot with the BSA to look at how well Cash Crescent tackles the needs of some key target groups.

Ufl also contributes to improving the adult population's financial literacy through the learndirect national learning advice service. Since it was established in 1998 the service has handled over 5.5 million telephone enquiries and over 10.5 million web enquiries but it is not known how many of these related to financial literacy.

#### 4.2.3.5 Prison education

After discussion with the DfES and HM Inspectorate of Prisons, we reviewed the 2003 themed inspectorate report *Literacy, numeracy and English for speakers of other languages: a survey of current practice in post-16 and adult provision*, published jointly by Ofsted and the Adult Learning Inspectorate (ALI) (ALI & Ofsted 2003) and five inspection reports on education in prisons published by ALI in early 2004. We also referred to *Time to Learn*, a report published by the Prison Reform Trust in 2003, on prisoners' views on the education they receive (Prison Reform Trust 2003). These reports, from different perspectives, highlight concerns and problems with education in prisons. Over the last few years there has been a shift in emphasis in prison education for adults to basic skills in literacy, numeracy and ICT and vocational qualifications. We note that the main provision at foundation level discussed in these inspection reports is basic skills training in ICT, literacy and numeracy, with little specific education relating to financial literacy. One prison has a business start-up course. Four have courses covering social and life skills including citizenship and preparation for work; these cover aspects of personal financial education. The other report was silent on the nature of the foundation programmes. The reports did not indicate how many prisoners participated in the social and life skills courses.

Three prisons took part in the survey, two of which confirmed that they offered financial literacy education.

One prison said that it offers basic skills numeracy and literacy for those below Level 2 taught by staff from Norwich City College.

Another prison said that it was attaching its reply despite the fact that they did not offer financial literacy education as such at the moment as they are just embarking on discussions to deliver financial literacy education in the very near future and planned to deliver financial literacy education in 2004/05. Debt had been recognised as a factor in offending and the need for financial literacy education had been identified but not yet addressed, except within existing basic skills and social/life skills programmes. When financial literacy education is delivered, it will be within the context of learning and skills for juveniles, young offenders and adult female prisoners, on a face-to-face basis.

Elsewhere in the survey, Shropshire LLSC mentioned that they were aware of a particular financial literacy project aimed at offenders delivered by Shrewsbury College. One college confirmed delivery of financial literacy education in the context of probation, care and community. Connexions Suffolk mentioned their partner, Anglia Care Trust, as offering a range of services to offenders and ex-offenders including *Skills for Life* and money and debt advice.

### 4.3 The community sector

#### 4.3.1 Policy and new initiatives in financial literacy education in the community sector

Over the last few years, the government, the FSA and other policy makers have facilitated the introduction of many initiatives aimed directly or indirectly at improving the general public's

financial literacy. Many of the programmes introduced are on a relatively small scale as befits their pilot status in what is still a new field. Some initiatives are aimed at providing better information about benefits and financial products and others at improving consumers' general knowledge about their financial affairs. They are often combined with efforts to introduce financial products to the financially excluded (e.g. the Savings Gateway), or for those who cannot afford independent financial advice on issues such as stakeholder pensions. This report does not provide a comprehensive survey of these initiatives. As financial literacy education provision plays a role in some of the initiatives, we describe those which are of particular relevance to our findings.

In this section we refer to debt advice, basic bank accounts, the New Deal for Communities, Community Finance and Learning Initiative and The Savings Gateway, and Community Development Finance Institutions in addition to the initiatives relating to the promotion of financial literacy and to a wide variety of community organisations and their involvement in financial literacy education.

#### *4.3.1.1 Community finance and learning initiative*

The Community Finance and Learning Initiative (CFLI) was led by the DfES and aimed to help people improve their basic financial literacy and access financial services such as bank accounts and debt management. The CFLI supported pilot schemes, over two years (2001–2003) in different parts of the country, working through local partnerships of existing community-based organisations such as theCABx, Credit Unions and Housing Associations. Each scheme provided a one-stop-shop to help financially excluded people deal with their finances and manage their debts. In particular, each pilot scheme:

- helped people access free basic skills training in literacy and numeracy;
- helped people understand how best to manage their finances, get on top of their debts and begin to think about saving;
- acted as a bridge into basic financial services such as basic bank accounts by providing advice and links to other services such as high street banks, the Post Office and credit unions; and
- promoted access to finance to encourage business start ups or helped existing micro-businesses to organise and reschedule their debts. (<http://www.o2.org.uk/cfli/cflimain.htm>).

Some of the CFLI projects also organize the Savings Gateway, a Treasury initiative which encourages families earning less than £15,000 and single people earning less than £11,000 a year to begin or continue saving by matching their savings within scheme limits (the maximum matching sum is £375) over an 18-month period. Five Savings Gateway scheme pilots, including one run by SAFE at Toynbee Hall, London, were launched by HM Treasury in August 2002.

#### *4.3.1.2 New Deal for Communities*

New Deal for Communities (NDfC) is a key programme in the government's strategy to tackle deprivation in the most deprived neighbourhoods in the country and involves giving some of the poorest communities the resources needed to tackle their problems. NDfC applies to neighbourhoods which typically cover between one and four thousand households and not to the whole of a local authority area. While the problems of each NDfC neighbourhood are unique, all NDfC partnerships are tackling five key themes of: poor job prospects; high levels of crime; educational under-achievement; poor health; and problems with housing and the physical environment. The programme is delivered through partnerships formed between local people, community and voluntary organisations, public agencies, local authorities and



businesses. Raising educational achievement is often closely linked to adult basic skills, which are likely to be a key issue for many partnerships.

The *Skills for Life* Co-ordinator at the Manchester City Council NDfC, who responded to our survey, confirmed that the NDfC programme had developed courses that integrated basic skills and financial knowledge, including modules looking at credit, card services, introduction to banking and mortgages. He stated that the programmes that he has developed are new, that they have been piloted very successfully and that they are now beginning to roll them out across East Manchester.

The National Strategy for Neighbourhood Renewal has a Skills and Knowledge Programme, which is committed to bringing about 'a step-change' in the skills and knowledge of those involved in neighbourhood renewal. The Learning Curve is the vehicle that has strategic responsibility for the learning and development within this programme.

#### 4.3.2 Financial literacy education provision and accreditation in the community sector

##### 4.3.2.1 Citizens Advice

The Citizens Advice (CA) service offers free, confidential, and independent advice on matters central to people's lives including debt and consumer issues and benefits, through over 2000 local outlets (see [www.citizensadvice.org.uk](http://www.citizensadvice.org.uk)). CABx do not provide financial advice, which can be problematic when help is sought with financial products, such as mortgage endowment policies. The Citizens Advice service is actively involved in promoting financial literacy both through, amongst other things, campaigns and the provision of financial literacy education, including:

- a directory of the 65 CABx working in financial literacy education which distinguishes between CABx delivering to schools or adults or both (Taylor and Bell 2003);
- a report, *Summing Up – Bridging the Financial Literacy Divide* (Citizens Advice 2001) on the consequences of lack of financial literacy;
- a programme involving five CABx located in the Midlands was one of the strands in the Community Development Programme in Financial Literacy and Basic Skills;
- Citizens Advice is working in partnership with the Basic Skills Agency in the Financial Skills for Life project. Nine CABx, including Islington and DAWN, which replied to our survey, are working with other partners;
- Ellesmere Port and Neston CAB was a partner in the CFLI; and
- Prudential plc and Citizens Advice have entered a three-year partnership to enable CABx to build capacity for adult financial literacy initiatives.

Of the 16 CABx who took part in the survey, 12 said that they offered financial literacy education. Many CABx are enthusiastic about financial literacy education and see it as a partial solution to debt management problems. Islington CAB (part of 3, above) mentioned financial literacy education in terms of money management with emphasis on debt control, understanding credit, banking, budgeting, feedback forms, etc. Some CABx offer tailor-made courses in financial literacy education. Warrington CAB enclosed their leaflet 'The CABx' Financial Literacy project', offering two training options to individuals/organisations: option one comprises a free financial literacy awareness session and option two consists of financial literacy training. It offers financial literacy education both as part of basic skills provision and as stand-alone courses.

#### 4.3.2.2 *Housing Associations*

Housing Associations (HAs) are not-for-profit companies whose main business is the provision of social housing. Most HAs have homes in deprived areas and many housing association tenants suffer from disadvantage and/or are financially excluded. In the course of our work we identified that housing associations were often actively involved in programmes that deal with financial exclusion, sometimes in partnership with People for Action (PfA), the national network of housing and regeneration organisations in England and Wales. Examples of HAs' work involving financial literacy education provision are:

- four HAs were involved with PfA and Woolwich plc in the pilot project, 'Open Plan for Everyone', aimed at counteracting relative social exclusion. The Woolwich could offer a current account with saving facilities called Open Plan to tenants via the HAs. financial literacy education was embedded into the project as the HA staff were provided with the knowledge and skills to help tenants open accounts and they in turn helped tenants;
- five HAs, including three which were partners in 'Open Plan for Everyone', were lead partners in five of the nine pilots of the Community Finance and Learning Initiative; and
- four HAs were involved in the CHANGE pilot and between ten to 12 have been recruited for phase 2 (see below).

In 2002 the London and Quadrant Housing Trust (L&Q) commissioned research to assess the degree to which households in the social housing sector in London were financially excluded. This (unpublished) research found that 70 per cent of households had weekly incomes of under £200, 56 per cent had no savings at all, many households depended on expensive forms of credit such as catalogues, and 24 per cent did not have a bank or building society account. Following this research, L&Q, in partnership with a number of organisations, including local credit unions, high street banks and other housing associations launched four pilot projects through CHANGE to tackle issues of financial exclusion among social housing communities. For more details see section 4.4.6, pg66 - 68. The CHANGE Project Officer from L&Q participated in the survey. L&Q provides a financial literacy course for its tenants in Edmonton, London.

#### 4.3.2.3 *Credit unions*

Credit unions are financial co-operatives owned and controlled by their members. They offer savings and loans to their members. Eligibility for membership of a credit union depends upon a common bond, e.g. membership of a union or residence in a particular area. Section 3(d) of the Credit Unions Act 1979 stipulates that one of the other objects of a credit union is: "the training and education of the members in the wise use of money and in the management of their financial affairs". Credit unions are actively involved on a day-to-day basis in improving the financial literacy of their members, even though in the majority of cases there is not a structured programme. While seminars and short courses are organised, a lot of the work is on an informal basis and as such is not well documented. Credit unions participated as one of the three strands in The Community Development Programme in Financial Literacy and Basic Skills and in the CHANGE pilot programme.

The Association of British Credit Unions Ltd (ABCUL), the membership organisation for over 85 per cent of credit unions, is a member of AdFLAG, established by the Department for Education and Employment (DfEE) in 2000 to advise on ways to improve the financial literacy of the adult population. Credit unions are commercial organisations with a duty to provide education and in order to fulfil this duty ABCUL has worked in partnership with other organisations such as the Basic Skills Agency and the FSA to develop financial education

training programmes which can be made available to members of credit unions. ABCUL was funded by the Basic Skills Agency to produce member education leaflets for distribution by credit unions to their members. ABCUL is a member of the Personal Finance Education Group (pfeg), a voluntary organisation which promotes and facilitates the education of school children about financial matters and publishes a directory of materials produced by a variety of organisations ([www.pfeg.org](http://www.pfeg.org)) (see also section 5.4.5).

In their response to the survey, ABCUL indicated that some of the areas in which credit unions work in improving financial literacy are: debt management; financial management; budget planning; seminars/short courses; and partnerships with other organisations. Credit unions build local partnerships with other local money advice and debt counselling agencies, as well as disseminate generic financial educational material produced by other organisations. The ABCUL website has good links on financial literacy education ([www.abc.ul.coop](http://www.abc.ul.coop)).

#### *4.3.2.4 Community Development Finance Institutions (CDFIs)*

The Community Development Finance Association (cdfa), which was launched in April 2002, is the trade association for CDFIs. CDFIs are independent financial institutions that provide financial services with two aims: to generate social and financial returns. They lend and invest in deprived areas and underserved markets that cannot easily access mainstream finance.

The representative of the cdfa who responded to our survey described CDFIs as organisations which bring financial services to disadvantaged communities, individuals and underserved markets. Typically they are charities or social businesses. While not able to answer the questionnaire herself, she directed attention to the cdfa website and to the activities of cdfa members. The website in turn provided information about Sandwell Advice and Moneylink (SAM), a CDFI with a mission to eradicate financial exclusion in the Greets Green community through the NDfC. SAM, which is in the development phase, will make loans to individuals and small businesses unable to access mainstream lenders. It provides advice on various aspects relating to borrowing money or planning a budget, either through its own staff or through networking arrangements with existing support agencies. SAM also plans to promote initiatives designed to improve financial literacy in the community.

Both the Prince's Trust and CHANGE are members of the cdfa – see section 5.4.6.

#### *4.3.2.5 Work-Based Learning providers*

There is a wide range of work-based learning providers: some are private companies; some form part of charitable businesses; and some are managed by local authorities. By work-based learning we mean learning which occurs where there are contracts with an LSC or Jobcentre Plus. In this section we deal with the providers who are not dealt with elsewhere; they are mostly training companies.

We had four responses from work-based learning (WBL) providers not otherwise dealt with in the commentary in this part of the report. Two out of four provide some form of financial literacy education. The responses to this survey were mixed. Harambee Training in Suffolk reported that their programme includes financial literacy education. On the other hand, Key Training, also in the training business leading to NVQ qualifications, reported that it does not “provide the support identified here”, but added that it works with Modern Apprentices who may require support in basic skills to do with their NVQ and KeySkills; the support provided is to do with Modern Apprenticeships and not about financial management; the support might

touch on numerical skills as part of their Application of Number (AON) Key Skills but only to complete tasks to show competence in number skills. Here one begins to recognise the difficulty of clearly identifying financial literacy education: two similar organisations in similar areas of training have differing views as to what constitutes financial literacy education.

YMCAs in England are Christian charities belonging to a national and worldwide movement. Their central purpose is to meet the needs of young people, particularly at times of need and regardless of their gender, race, ability or faith. Training programmes are delivered by autonomous local YMCA associations (local YMCAs), which affiliate to the National Council of YMCAs (YMCA England). Stowmarket YMCA Training, which is one of the survey respondents, indicates that they deliver financial literacy education to individual learners, depending on need, on an informal basis.

#### *4.3.2.6 Other voluntary organisations and charities*

NACRO, an independent charity, has been working since 1966 to give excluded young people and adults, ex-offenders, disadvantaged people and deprived communities help to improve their prospects for the future. NACRO runs pre-vocational and vocational training courses for 16 to 18 year olds, helping them develop skills and gain nationally recognised qualifications to improve their chances of getting a job. Most of their courses include a mixture of in-house training, work experience placements with local employers and help with key skills, such as literacy, numeracy and communication, depending on individual needs. In its response to the survey, NACRO in Suffolk said that its remit was to enable young people to be more independent. Its clients are 15 to 19 years old, who have to manage on a £40 per week training allowance and who are “mainly male, mainly disaffected... disinterested, difficult and demanding” but yet stand to benefit from financial literacy education that will enable them to be more independent and manage their lives better.

Some of the other voluntary/community organisations which reported that they deliver financial literacy education are settlements which are members of the British Association of Settlements and Social Action Centres (bassac), a membership network of multi-purpose community organisations.

The Royal National Institute for Deaf People (RNID) is a registered charity representing the nine million deaf and hard of hearing people in the UK. It reported that it has developed curriculum resources on financial literacy and number skills. The development project was partially funded by the BSA through the Adult Community Learning Fund (ACLF). The materials and packs are designed to be inclusive and accessible for deaf and hard of hearing adults. They can be used to teach discrete courses, used on a modular basis and used to supplement other teaching programmes. The materials map to the Adult Numeracy Core Curriculum (ANCC) (BSA 2001b) and the Adult Financial Capability Framework (AFCaF).

#### *4.3.2.7 Trades Unions*

The Southern and Eastern Region Trades Union Council Learning Services participated in the survey. They stated that they worked with about 25 providers who offer financial literacy education. The TUC is a member of the Workplace Basic Skills Network ([www.lancs.ac.uk/wbsnet/](http://www.lancs.ac.uk/wbsnet/)) and TUC Regional Education Officers organise a programme of accredited courses for trade union representatives. The TUC Learning Services provides advice and guidance for representatives and members. For further discussion, see section 5.4.2.

#### 4.4 Mapping financial literacy in the education and community sectors

#### 4.5 Introduction

The analysis below is based upon the responses to the questionnaire. 42 out of the 65 respondents stated that they offered financial literacy education. Related items in the questionnaire have been grouped and considered under separate sub-sections.

#### 4.6 The characteristics and types of programmes offered

Financial literacy education is offered directly by the various providers and indirectly in the form of support, by organisations such as the LSC, the BSA, NIACE, etc. Direct providers may be classified as relating to the education sector (e.g., colleges), community sector (e.g. CABx) and commercial sector (discussed in Part II). Types of directly offered financial literacy education have also been classified as either formal or informal. Formal provision may be either in the form of discrete taught programmes or embedded or integrated within another programme. The classifications have been made on the basis of inferences drawn from general comments made by respondents in respect of types, key characteristics and contexts of financial literacy education provided.

**Table 3. Types of financial literacy education programmes offered by organisations: derived from survey**

Sector	Direct Provision			Support **
	Formal		Informal	
	Discrete	Embedded		
<b>Education Sector</b>	Colleges	Colleges	Colleges	DfES
	Local Authorities	Local Authorities		HM treasury /DWP
	Councils	Councils		ABSSU
	learnirect –	School		Basic Skills
	Cash Cresnet			Agency FSA NIACE LSC/LLSC LEA
<b>Community Sector</b>	CABx	CABx	CABx	OLSU
	Credit Unions	Credit Unions	Credit Unions	Trade Unions
	Housing	Housing	some CDFIs	RNID
	Associations	Associations	YMCA's	
		NDfC	other	
		WBL Trainers	Voluntary/	
		Voluntary/ Charity Prisons	Charity	

\*\* Support includes development of policy, development of programmes and curriculum resources, research, training and funding.

Financial literacy education was most commonly reported as being embedded in other educational programmes. Stand alone/discrete provision came second, with informal being reported the least frequently. The frequency of informal provision specifically reported appears low when account is taken of references to informal provision in answers to other questions.

**Table 4. Types of financial literacy education programmes offered**

	Frequency	Percent
Discrete	17	31.8
Embedded	32	58.9
Informal	5	9.3
<b>Total</b>	<b>54</b>	<b>100</b>

Some of the CABx reported offering all three varieties. Some colleges and Local Authorities offered both discrete and embedded education. Other CABx and some of the colleges, councils, training providers, charities and prisons reported embedded versions only. One charity and a college each indicated provision on an informal basis. ABCUL reported that its members, i.e. credit unions, all offered financial literacy education informally as part of their lending activities and some offered formal provision. The results are mixed. However, most providers in the education and community sectors, seem to offer financial literacy education embedded within the delivery of numeracy and other programmes, rather than as separate programmes in their own right.

Using the questionnaire responses we have mapped financial education provided against the broad areas identified by the FSA and the BSA in the Adult Financial Capability Framework (FSA/BSA 2003). This is thought to be the first such attempt.

With the exception of two respondents, all those who said they provided financial literacy education furnished details of areas covered. The areas covered by the 40 respondents are set out below.

**Table 5. Areas covered in financial literacy education provision (FSA/BSA's Financial Knowledge and Understanding Component)**

Responses	Different types of money/payments (e.g. cheques, credit cards)		Income generation (e.g. benefits, pensions)		Income disposal (e.g. expenditure, tax)	
	Area 1		Area 2		Area 3	
	Frequency	Valid %	Frequency	Valid %	Frequency	Valid %
No	6	15.0	11	27.5	7	17.5
Yes	34	85.0	29	72.5	33	82.5
<b>Total</b>	<b>40</b>	<b>100.0</b>	<b>40</b>	<b>100.0</b>	<b>40</b>	<b>100.0</b>

**Table 6. Areas covered in financial literacy education Provision (FSA/BSA's Financial Skills and Competence Component)**

Responses	Gathering financial information and record-keeping (e.g. bank statements)		Financial planning – saving, spending budgeting		Risk and return (interest rates, insurance)	
	Area 4		Area 5		Area 6	
	Frequency	Valid %	Frequency	Valid %	Frequency	Valid %
No	9	22.5	3	7.5	20	50.0
Yes	31	77.5	37	92.5	20	50.0
<b>Total</b>	<b>40</b>	<b>100.0</b>	<b>40</b>	<b>100.0</b>	<b>40</b>	<b>100.0</b>

**Table 7. Areas covered in financial literacy education provision (FSA/BSA's financial responsibility component)**

Responses	Personal choices & the financial implications (e.g. debt management)		Consumer rights, responsibilities & sources of advice		Implications of finance (e.g. regulation, financial institutions)	
	Area 7		Area 8		Area 9	
	Frequency	Valid %	Frequency	Valid %	Frequency	Valid %
No	12	30.0	13	32.5	30	75.0
Yes	28	70.0	27	67.5	10	25.0
<b>Total</b>	<b>40</b>	<b>100.0</b>	<b>40</b>	<b>100.0</b>	<b>40</b>	<b>100.0</b>

The coverage can be broken into three distinctive groups:

Relating to	Areas <sup>3</sup>	%
Personal expenditure	1,3 and 5	> 80
Personal investment	2,7 and 8	65 < % < 75
Evaluation of product and market knowledge	6 and 9	< 50

A number of CABx felt their provision covered all the areas identified by the framework. Some of the main subjects covered by them are budgeting skills, consumer rights and responsibilities, understanding of money awareness, prioritising, debt management, understanding benefits and rights of shoppers. NACRO cites individual budgeting and independent living skills as key subject areas.

Northumberland County Council said that they provide an essential skills service to the people of Northumberland and that financial literacy courses are one aspect of the learning opportunities provided. A HA said that their training is firstly offered to their residents but is also open to the general public; it is not restricted to basic skills levels, as they do not undertake a basic skills assessment, but they work in a deprived area where basic skills levels are low. They cite key characteristics of financial literacy education as budgeting and managing money on a tight budget, debt management, income maximisation, using and opening bank accounts. Interestingly, they add that even though many people might have low basic skills levels they will often have a lot of savvy/common-sense in order to have 'got by' so far. ABCUL, the Association of British Credit Unions Ltd., felt that the procedures of each credit union "when loan granting, include significant elements of financial literacy education".

#### **4.7 The contexts/settings and types of delivery of financial literacy education in the education and community sectors**

##### **Contexts**

47 respondents furnished information on the contexts in which financial literacy education is being delivered. Some organisations gave more than one answer. Since this was an open question with no options to choose from, there was a wide range of responses and many different answers could have been given to this question. For example, many courses might be

<sup>3</sup> Area 4 is not included because it applies across all three categories

in classroom settings though only two respondents specifically mentioned the classroom. Small groups were specifically mentioned by five, though this is likely to be an underestimate. The analysis below differentiates between location, method of delivery, programmes and category of learner.

**Table 8. Contexts/settings within which financial literacy education is delivered**

Context		Frequency
<b>Location</b>	Community centre/setting	16
	School	4
	Job Centres	3
	Work-based	3
	Business premises	2
	Classroom	2
	FE	2
	Residential care settings	1
	CAB	1
	Home	1
	Other organisations	1
	<b>Delivery</b>	One to one/individual
Small groups		5
Family learning within schools		4
Informal		4
Online		2
<b>Programme</b>	Basic Skills/Essential skills/Lifelong learning	3
	English for Speakers of Other Languages (ESOL)	3
	Learning and skills programmes for juveniles, young offenders and adult female prisoners, probation	2
	SureStart programme	2
	Part of FMA programme	1
	Part of NVQ	1
	Youth Service Programme such as 'Moving into the world of work', Rathbone Training Programme for young people	1
<b>Category of Learner</b>	Drug Action Team Areas	1
	RNID deaf learners	1
	Trade Union	1
<b>Total number of citations of settings</b>		<b>74</b>

#### Location and mode of delivery of financial literacy education

It is clear that the bulk of financial literacy education provision is face-to-face, which is divided equally between own premises and other premises. Other premises include sites located in schools, voluntary organisations, community centres, residential care premises, etc. Beswick NDfC mentioned community venues as well as links to job centres and sheltered housing. Only five respondents stated that they offered financial literacy education via computers. However, Ufl/learndirect accounts for a large number of the numbers of learners reported by respondents (see section 4.8, below) and a learndirect centre was the most enthusiastic about electronic provision, mentioning that financial literacy education could take place "anywhere there is a PC with internet".

Colleges, CABx, ABCUL, councils, WBL training providers, housing association, prisons and trade unions all indicated face-to-face provision. The RNID mentioned one-to-one and small groups. One council indicated that it took care to deliver programmes within a venue that is comfortable for the learner, with support being provided to groups with differentiated learning and teaching requirements.



### Programmes and category of learners

A training organisation offered financial literacy education as part of its NVQ programme. One college said that it offered financial literacy education to individuals through the Essential Skills route. A housing association felt that courses tend to work best if run in partnership with, for example, Sure Start or a FE college. NACRO mentioned *Skills for Life*/Basic Skills sessions, and the Southern and Eastern Region TUC Learning Services said they worked with providers and Union Learning Representatives to encourage workers to engage with *Skills for Life* learning, of which financial literacy education is one aspect.

CAB Oldham offered financial literacy education within the context of Youth Service programmes such as Moving into the World of Work, the Rathbone training programme for young people. CAB Oldham mentioned that it was working on a three-year financial literacy project for young people in deprived areas. Another CAB offered financial literacy education in small groups of six or seven in community centres for pensioners, disabled persons, etc. Generally the CABx felt their own premises to be too small to deliver financial literacy education, which was therefore offered in local secondary schools, community centres and business premises. A college offered the education in probation service premises/residential care settings for people dealing with substance abuse. The Racing School offered financial literacy education as part of the Foundation Modern Apprenticeships (FMA) programme to young professional jockeys: the course discussed money management and the requirements of the Inland Revenue.

## 4.8 Learner numbers, progression, accreditation and qualifications

### Learner numbers

Some of the respondents gave vague answers indicating only that numbers varied. Twenty-three respondents provided student numbers which generally varied between five and five hundred. Unequal/relatively small group sizes preclude any sector-wise generalisations, though the analysis does suggest that community organisations seem to be significant players. Generally CABx quoted numbers over one hundred, whereas colleges and training providers reported figures below 50. This may reflect the difference between formal and informal provision. The figure of 3,500 reported by Ufl/learndirect for those who have undertaken its Cash Crescent programme since 2003 puts Ufl/learndirect in a separate league.

**Table 9. Number of people taking part in financial literacy education**

Learner Numbers	Frequency
5	2
10	1
20	3
27	1
30	2
35	2
40	1
50	1
80	1
100	1
150	3
200	1
400	1
500	2
3,500	1
<b>Total</b>	<b>23</b>

### Progression

There was a wide range of responses to the question on progression routes for learners on financial literacy education programmes and the analysis below is therefore approximate rather than exact. 38 respondents answered the question relating to progression routes that existed for learners on the financial literacy education programmes. Of these, 11 said that no progression was available. Some of the progression routes identified by the other respondents are set out below.

**Table 10. Progression routes for learners on financial literacy education programmes**

Progression Route	Frequency
A-Level/College/Access	12
Basic Skills/Key Skills/Literacy & Numeracy/Levels 2/3/4	9
National Tests/Certificates	7
National Vocational Qualification (NVQ)	2
GCSE	1
Links to voluntary sector groups	1
Out into work	1
Repeat subjects of interest	1
Vocational qualifications for employment in financial services	1
<b>Total citations</b>	<b>35</b>

A-Level (GCE)/College/Access together constituted the most frequent response, followed by Basic Skills and National Tests. However, if the second and third categories of basic and other skills and national tests were to be combined, this would comprise the highest frequency. One of the respondents mentioned “further basic skills courses and post-basic skills financial literacy”, giving an indication of how financial literacy courses could perhaps be structured in the future. The most moving response was “out into work”: what greater progression than the ability to get out of prison or young offenders’ institution into gainful employment – from custody to community?

### Accreditation

Just 12 respondents indicated that there was some form of accreditation or qualification awarded for the financial literacy education course. 64 per cent of those respondents who offered financial literacy education did not indicate any accreditation, as shown in the table below.

**Table 11. Accreditation/qualification of financial literacy education programmes: availability**

Responses	Frequency	Valid %
No	21	63.6
Yes	12	35.4
<b>Total</b>	<b>33</b>	<b>99</b>

An outline analysis of the responses is furnished below.

**Table 12. Accreditation/qualifications available through studying financial literacy education**

Forms of accreditation/qualification	Frequency
National Test	6
Open College Network (OCN)	5
City and Guilds (C&G) [e.g., Entry Level learners C&G 3792]	4
Adult Basic Education/Basic Skills Qualification/Basic Skills Agency	3
College Certificate	3
NVQ	1
<b>Total citings</b>	<b>22</b>

The most frequent reference was to National Tests for Adult Literacy and Numeracy launched by the DfES/ABSSU with the purpose of enabling learners, tutors and employers to gain a clear understanding of standards in adult literacy and numeracy.

The second most frequent reference was to OCN (Open College Networks); though not specified, there is an implied reference to the National Open College Network which is the central organisation for the OCNs and provides accreditation services for adult learning.

One college and one prison referred to Adult Basic Education (ABE) accreditation via AQA (Assessment and Qualifications Alliance) and OCR (Oxford and Cambridge RSA Examination Board).

One FE college, Gloscat, responded with respect to accreditation: "Varies – but specifically in financial literacy education, no. A qualification that meets the needs of this client group is needed – key consideration is assessment – must be suitable and not engendering a fear of assessment or failure". As indicated by Gloscat "there appears to be a desire from the public at this level to learn more – but assessment and fear of numeracy a blockage. A suitable, vocationally relevant, qualification needs producing".

Whilst accreditation and awards are present for funding purposes this is not necessarily a key requirement of the client. Indeed the process of assessment may deter some clients from attending.

### Qualifications for learners

Just 25 per cent of the respondents to the question on learner qualifications answered in the affirmative.

**Table 13. Whether learners gained a qualification as a result of financial literacy education provision**

Responses	Frequency	%
No	24	75.0
Yes	8	25.0
<b>Total</b>	<b>32</b>	<b>100.0</b>

The eight organisations that responded positively to the question about the number of people who gained a qualification as a result of financial literacy education provision/support included Harambee Training, NACRO, one College and two prisons, and the numbers are furnished below.

**Table 14. Number of learners who gained a qualification as a result of financial literacy education provision**

Organization type	Frequency	Number of people reported as having gained a qualification (not necessarily in financial literacy education)
Local Authority	1	400
Prison	1	40
Voluntary/Charity	1	32
WBL Provider	1	30
College	1	17
College	2	10
Prison	1	All prisoners

Question 16 in the questionnaire asked whether there was any form of accreditation or qualification awarded for the course, and question 17 asked how many people gained a qualification as a result of the further literacy education provision or support. Questions 16 and 17 are thus linked and one would have expected the positive and negative responses to be similar. 12 respondents said they offered accreditation for courses while eight reported on those who had gained qualifications. One reason for the reduced positive responses in respect of question 17 appears to be that accreditation had just been put in place or was in the planning stage, resulting in a positive response for accreditation and a negative response for the number of learners who have actually received qualifications. One college, for instance, commented that this would be the first full year that they had offered accreditation across the board, on account of which they were unable to offer any comment.

It may be relevant here to mention the Institute of Financial Services (IFS) Certificate in Financial Studies (CeFS) which is a qualification accredited by the QCA in England and incorporated into the National Qualification Framework as a qualification at Level 3. It therefore qualifies for LSC funding. The IFS is piloting the qualification in schools with sixth forms and colleges. The CeFS, which aims to boost financial literacy levels of learners, could be considered as a progression route, though none of the respondents mentioned this possibility.

A table of currently available qualifications for learners in personal financial education is given in appendix 1.

#### 4.9 Staff who deliver financial literacy education: numbers, types and qualifications

##### Number of staff engaged in delivering financial literacy education

Not all respondents were able to furnish numbers and the data from those that did so should be interpreted with caution, given the small number of respondents and the diversity of scale and nature of the organisations responding to the survey. 34 of the 42 organisations which reported that they delivered financial literacy education gave staff numbers; most often one or two members of staff were reported. Few reported more than five. 500, the highest number by far, was quoted by the University for Industry, referring to those delivering financial literacy education in its learndirect centres. One of the colleges and one of the CABx referred to seven people each; a prison indicated 22 local authorities cited 15 and 50 respectively and one of the local authorities mentioned an indeterminate number of “sessional workers”.

##### Time spent delivering financial literacy education

How much time *per annum* is spent delivering financial literacy education per annum? Unfortunately, this question did not specify whether the answers should be given in hours, days or weeks, and so the answers varied, as shown in table 15, below. No definite conclusions can be drawn, given the variation and range in the manner of reporting.

**Table 15. Time spent *per annum* delivering financial literacy education**

Time spent per annum	Frequency
(in hours if not otherwise specified)	
1 course only	1
1 Full Time Staff member	1
1 week	1
100	1
104	1
20	1
200	1
2 days a week	1
30	3
38 hours per week	1
5 hours per week	1
60	2
63	1
90	1
No response	38
<b>Total</b>	<b>55</b>

##### Categories of staff who deliver financial literacy education in organisations

The questionnaire asked respondents to classify the type of staff employed for the delivery of financial literacy education as part-time, full-time and voluntary. The same organisation might use more than one type of staff. Details of staff types furnished by respondents are given below.

**Table 16. Categories of staff who deliver financial literacy education in organisations**

Responses	Part-time		Full-time		Voluntary	
	Frequency	Valid percent	Frequency	Valid percent	Frequency	Valid percent
No	13	33.3	14	35.9	33	84.6
Yes	26	66.7	25	64.1	6	15.4
<b>Total</b>	<b>39</b>	<b>100.0</b>	<b>39</b>	<b>100.0</b>	<b>39</b>	<b>100.0</b>

Analysis of the survey data shows that voluntary staff are rarely used for financial literacy education provision, although DAWN reported that financial literacy education was delivered by volunteer peer educators. Most organisations use full- or part-time staff. Full-time posts, however, are not necessarily permanent. Harrow, for instance, has appointed a full-time co-ordinator for the CCP but the position is a short-term contract with the LEA.

#### Qualifications of staff

Some respondents indicated that their staff had no qualifications and others remained silent on the issue. 37 respondents indicated some kind of qualification: “experience”, “advice background” and even “money worries” were quoted as qualifications for providing financial literacy education. The list below gives an idea of the widely divergent combination of qualifications cited by different organisations: from “none at all” to “qualified chartered accountants”.

**Table 17. Experience and qualifications reported by respondents for those delivering financial literacy education in their organisation**

<b>Advice background</b>	Advice background, Degree, Banking background
	BA Econ, CAB experience
	Background in money advice
	CAB debt advice training
	Debt case experience, MEd in Curriculum Design, TDLB qualifications
	Training Experience
	Qualified Chartered Accountants
	RSA Dip in Teaching & Learning Basic Skills, Experience in Adult Education, Community Development and CAB training, Experience of money worries
<b>Qualifications</b>	Banking qualifications/experience, Level 4 Basic Skills Training
	Basic Skills levels 2, 3 & 4
	Basic Maths/English Experience, City & Guilds 7404, level 4
	BEd, City & Guilds 9281, 9283, Courses on the use of FL resources
	<i>Money Go Round</i> and <i>Moneymatterstome</i>
	Cert Ed
	Cert Ed, MA English, PGCE Maths
	City & Guilds 9281, 9295, 9285, Cert. Ed, GCSE Maths
	SVUK <sup>4</sup> Level 2, 3 and 4
	FE teaching qualifications e.g., 7307/Cert Ed plus qualifications in teaching numeracy & literacy
	FPC3
	PGCert, PGCE, CEFET
	GCSE, A-Level, Numeracy, ABE, General Teaching
	Level 2 Numeracy, DipTMHA (Diploma in Teaching Mentally Handicapped Adults)
	Level 4, C&G 9295
	Level 4, C&G 9295, 9281, 9285, Cert Ed, 7406, BA
	Numeracy

	Numeracy, ESOL
	NVQ4, FPC3
	PGCE, Cert Ed
	PGCE Basic Skills Money Advice
	Qualified teacher and Level 4 subject specialist in numeracy
	Qualified basic skills tutors in numeracy and literacy – use Adult Financial Capability Framework
<b>Management</b>	Experience of managing Early Years and Youth Units for Councils
	Experience of managing for Councils
	Experience running workshops and presentations
<b>Other</b>	Appointing a research fellow
	None at all
	Vocational

One Local Authority indicated elsewhere that all courses provided are delivered by qualified and experienced essential skills tutors and are designed based on the individual learning plan. The qualifications required of essential skills tutors are set out in appendix 2. It will be observed that some of the qualifications listed above meet with the requirements for essential skills tutors as well as full-time or associate lecturer posts in Further Education, while others do not. The findings are thus mixed. Lists of currently available accreditation for trainers and tutors wishing to improve their knowledge base in personal finance and qualifications for trainers/tutors wishing to improve their practice in personal finance education are listed in appendices 3 and 4 respectively.

#### 4.10 Funding and contribution

##### Funding

The questionnaire gave respondents four options: LSC-funded; non-LSC funded; voluntary/charity; or any other. Some respondents noted that they received more than one type of funding. 60 per cent of respondents received some LSC funding.

**Table 18: Funding**

Responses	LSC		Non-LSC		Voluntary	
	Frequency	Valid %	Frequency	Valid %	Frequency	Valid %
<b>No</b>	16	40.0	29	72.5	34	85.0
<b>Yes</b>	24	60.0	11	27.5	6	15.0
<b>Total</b>	<b>40</b>	<b>100.0</b>	<b>40</b>	<b>100.0</b>	<b>40</b>	<b>100.0</b>

##### Recipients of funding

All the colleges, WBL providers, and PPPs surveyed were in receipt of LSC funding, whereas credit unions and prisons were not. Prisons are “funded through a ring-fenced budget from DfES” via the Offenders Learning and Skills Unit(OLSU). Six of CABx, one HAs, five out of seven LAs and one voluntary/charitable institutions received such funding.

Differences were to be found within the same organisation type. For example, Basildon CAB receives LSC funding, Havant and District CAB cover the costs themselves, but are looking

4 Standards Verification UK (SVUK) is a wholly owned subsidiary of LLUK. SVUK will continue the endorsement and approval of initial teacher training, formerly undertaken by FENTO (see ). Lifelong Learning UK (LLUK) is the sector skills council (SSC) established by the sector’s employers to lead the professional development of all those who work in the field of lifelong learning (see <http://www.lifelonglearninguk.org/>).

for funding, whereas Oldham CAB say they receive part-funding from the Legal Services Commission. This last response reveals an unanticipated flaw in the questionnaire design: LSC could stand for Learning and Skills Council as well as Legal Services Commission; this is unlikely to have caused problems for most organisations, but might have done so in the case of CABx. DAWN, Northumberland, mentioned funding by the Citizens Advice Financial Skills for Life programme, itself funded by the Prudential plc.

Training centres have a combination of LSC funding and other resources. Harambee Training, for example, said it had LSC funding plus a contribution from employers. They say that as a company they are moving away from LSC-funded programmes due to the small size of the numbers of learners they work with on an annual basis, and the increasing burden of managing the LSC contract.

The learndirect centre which responded to the survey mentioned European Social Fund (ESF) projects in addition to LSC funding. The London and Quadrant Housing Association pilot is self-funded but stated that they feel the need to gain other funding (preferably from the local LSC) in order to sustain this project.

One of the colleges, Gloscat, said funding varied with the course. Another college referred to college funding of staff and development and to learners themselves who bring down core funding.

These results need to be interpreted with caution, given the diversity of response within each category of organisation.

### **Providers of funding**

The Adult and Community Learning Fund, set up in 1998, is designed to reach out to new sectors of the community which lie outside the reach of traditional educational organisations. The Head of ACLF at the BSA referred to the funding made available to deaf learners. ACLF-funded projects work with a wide range of project participants including individuals with learning difficulties or disabilities, ethnic minority learners. RNID was given the ACLF funding to develop financial literacy materials specifically for deaf learners. These materials have been piloted with a number of college partners across England. In its own response RNID affirmed that the current funding is non-LSC and usually short-term (two-three years) and so changes take place from time to time.

Other funding sources mentioned were the local network family fund as part of learning programmes and funding provided through an LEA as part of LPSA agreements. Specific funding was available through the NDfC programme for projects benefiting a specific neighbourhood with specific outcomes.

Some of the funders who responded to the survey are the BSA, NIACE and the local LSCs.

For funding in the private sector see section 5.4.6.

### **Contribution towards financial literacy education**

Twenty-nine respondents said that they contributed (financially or otherwise) towards the provision of financial literacy education. While some respondents who had confirmed that they provided financial literacy education said they did not contribute themselves, others said that they contributed towards financial literacy education. LSCs would also fall into the category of



organisations that do not offer financial literacy education themselves but contribute towards such an offering. With hindsight, there is a certain vagueness about the term 'contribute' in the questionnaire; a more elaborate question (e.g. contribute staff, contribute premises, etc.) might have elicited more precise responses, especially as 'funding' forms a separate question in the questionnaire. Prisons said that the prisoners are paid for attendance at education classes, and also that the prison service pays for the contract with local colleges towards administration and teaching costs, provision of staffrooms, telephones, computers, etc. The RNID said they contribute towards tutor and venue costs.

#### 4.11 The reasons for developing financial literacy education

There were 36 responses giving reasons for developing financial literacy education programmes. These are displayed below.

**Table 19. Reasons given for developing financial literacy education programmes**

Reasons	Frequency	
<b>Managing debt</b>	Assist with managing debt	7
<b>Building</b>	Address the poor financial capability of people in today's economy	1
<b>Financial</b>	Enhance adult FL while using ICT and to provide a motivating experience	1
<b>Capability</b>	Independence, manage life better	1
	Need, interest; need identification	2
	Part of CFLI & Savings Gateway pilot	1
	Partnership with Older & Bolder (NIACE project)	1
	Request from prisoner; prevents re-offending	1
	Short courses developed in conjunction with local CABs and community groups	1
	Tackle financial exclusion	1
	Learner led	1
<b>Building Confidence</b>	Confidence, understanding, recognised need (research done via Credit Union) improve, encourage learners	2
	Raise awareness, understanding, confidence, involvement	1
	Empowerment in the community	1
<b>Part of Other Educational Programme</b>	Meet targets for numeracy/literacy participation	1
	Develop life skills; part of life-skills and professional training	3
	Engage people back into learning – basic skills sessions seem to carry a stigma	1
	Expand basic skills	1
	High level of illiteracy in the community; schools need support	1
	Learning in context	1
	Part of Essential Skills learning opportunity	1
<b>Perceived Need</b>	Demand for this type of course; demand from community partners and general public; asked by professionals to deliver in their centres	3
	Local employer need	1
<b>Social Programme</b>	Support financial regeneration	1
<b>Other</b>	Innovation	1

Building financial capacity and confidence through raising awareness and understanding, and enabling participants to make decisions and have informed knowledge of money management

were key themes. Debt prevention was a recurrent theme, especially among the CABx. Financial literacy was frequently used as a context for learning in many courses at the **Skills for Life** levels. One college felt that there was a need to expand provision across areas that may engage people and bring them back into learning without making such learning appear to be 'basic skills' which seemed to carry a stigma. Explicitly and implicitly, deprivation, vulnerability and financial exclusion were also indicated as reasons for developing financial literacy education programmes. The London and Quadrant Housing Association reported that they believe financial literacy education to be the key to tackling financial exclusion. Need and demand for financial literacy education were mentioned as having been identified by several respondents. Gloscat mentioned response to client need and media interest in the area; they felt that in the past getting anyone interested in pensions was difficult but that now there was much more interest. HMP Edmunds Hill Suffolk had requests from prisoners for more information on how to manage their money. Better money management by ex-offenders is perceived to be a key way of enabling them to avoid re-offending.

#### Respondents' perceptions of learners' reasons for undertaking financial literacy education

This was an open-ended question and the answers varied. Common themes are extracted and summarised below.

**Table 20. Respondents' perceptions of learners' reasons for undertaking financial literacy education**

Reasons		Frequency
<b>Managing debt</b>	Avoid debt trouble/help with managing debt	6
<b>Building</b>	Budgeting/planning	8
<b>Financial</b>	Understanding/jargon	7
<b>Capability</b>	Awareness/knowledge	4
	Information on money management	3
	Opening bank accounts	2
	Need to open a current account for benefit payments	1
	Young learners with no parental support welcome the information and ICT support	1
<b>Building</b>	Confidence	8
<b>Confidence</b>	Choices	4
	Involvement with other people	2
	Keep up with children	2
	Help with children's homework	1
<b>Improving</b>	Skills	6
<b>Employability</b>	Employability	3
	Career, higher earnings	1
	To help me get on/problem-solving	1
<b>Part of Other</b>	Improving literacy and numeracy skills	2
<b>Educational</b>	Part of FAM programme	1
<b>Programme</b>	Part of PHSE lessons	1
<b>Perceived Need</b>	Need identified via school Head Teachers	2
	Deaf learners' need	1
	Disadvantaged background	1
	Encouragement from trade union representatives	1
<b>Other</b>	Hobby	1
	Initial assessment process	1
	Value	1

Developing financial capability and improving confidence were the most commonly cited factors for learners undertaking financial literacy education. Interestingly, a council and college both mentioned response to children out-pacing their elders as a reason for taking up financial literacy education, an impetus which the BSA's 'Keeping Up with the Children' family learning programmes are designed to satisfy. Avoiding debt and improving employability were also frequent themes. A WBL provider mentioned the increased opportunity of higher earnings. One of the prisons indicated that a Level 1 qualification would enable prisoners to be employed in prison workshops where they could get a higher rate of pay; it was also perceived as being helpful in avoiding debt and staying out of trouble with the law. RNID referred to those going into work or new to the country. The Stock Exchange and shares were mentioned as encouraging "hobby provision".

While analysing the probable reasons for undertaking financial literacy education courses, it should of borne in mind that these reasons were furnished by respondents who were providers of financial literacy education, and not by financial literacy education learners themselves.

#### 4.12 Future plans

Thirty-six respondents confirmed that they had future plans in relation to the development of financial literacy education.

**Table 21. Future Plans regarding financial literacy education**

Responses		Frequency	%
Valid	No	8	18.2
	Yes	36	81.8
<b>Total</b>		<b>44</b>	<b>100.0</b>

Colleges which responded to the survey were generally enthusiastic about financial literacy provision. Tower Hamlets College said that they would like to extend provision in the future and that they found financial literacy "rewarding to teach and useful for the students". Norton Radstock College said that they were "very excited" about financial literacy and were "planning a huge promotion for courses to start in the autumn", although they did not have any courses running at the moment. Similarly, City College Manchester is "about to launch financial literacy programmes". The Isle of Wight College had no financial literacy education in place, but stated that it is their intention to start financial literacy education provision. Gloscat would like to produce an interactive CD for distribution. One college would like to offer more financial literacy education tasters, and another college intends to develop further courses within community settings and plans an increase in numbers in 2004/05. Some colleges stated that they did not offer financial literacy education.

The London and Quadrant Housing Association stated that it hopes to work with an FE college in the near future. They hope that their CHANGE programme will eventually be able to offer its services across London.

Some of the CABx are also enthusiastic. Havant CAB hopes to expand in future if financially assisted. CAB Salford is "working on developing" financial literacy education provision. Wythenshaw CAB in Manchester is planning to start a financial literacy education project in Manchester district; they have set up a 15-member financial literacy education strategy

group which is a mixture of volunteers and paid staff, and hope to get funding for one paid worker to deliver financial literacy education. Islington CAB also mentioned that further funding was required for a financial literacy education project.

One LEA indicates that they are considering financial literacy as part of their Family Learning programmes, which are being delivered in partnership with schools. A NDfC said that a trainer is being funded to recruit learners. They add that as the programme is being developed further modules will be written: the Internet and finance and insurance have been proposed. Their module will reflect demand.

Bullwood Prison does not offer financial literacy education at present but plans to do so in the near future. They intend to link this with basic skills programme and are about to trial a CD Rom on financial literacy with the BSA.

#### 4.13 Collaboration in provision

The provision of financial literacy education is found to be often collaborative in nature. Key participants may be classified under national and local government and the education, community and commercial sectors as follows.

**Table 22. Key participants in financial literacy education provision**

National and local government	The education sector
Department for Education and Skills	Basic Skills Agency
Offenders' Learning and Skills Unit	National Institute for Adult Continuing Education
Department for Work and Pensions	University for Industry /learndirect
Learning and Skills Council	Colleges
Local Authorities	Schools
	Universities
	The Institute of Financial Services
The community sector	The commercial sector
CABx and other debt advisers	Financial Services Authority
Consumer organisations: Consumers' Financial Association, Child Action Poverty Group etc.	Financial institutions: banks, building societies, insurance companies and associated Trade Associations: BBA, Building Societies Association, ABI
Credit Unions	Other Trade Associations
Housing Associations	Non-financial commercial organisations
Community Development Finance Institutions	Trade Unions
pfeg	
Other Charities and Voluntary organisations	

The Community Finance and Learning Initiative partnership led by the DfES, for instance, involves community-based organisations such as CABx, Credit Unions and HAs as well as Colleges, in the delivery of financial literacy education.

#### 4.14 Summary and discussion

There appears to be considerable interest in financial literacy within the organisations in the community and education sectors which responded to our survey but overall the extent of

financial literacy education is patchy. It seems to be patchy within regions as well, with financial literacy education apparently concentrated in urban rather than rural areas, although a much larger scale survey would be required to confirm this finding. Financial literacy education in the education and community sectors is often linked to basic skills: sometimes it is used to support basic skills; at other times it is supported by basic skills. The numeracy aspect of basic skills is perceived by respondents to be a critical component of financial literacy: in order to be financially literate people need to be numerate. Financial literacy is also seen by respondents to be more significant in the context of poverty deprivation and vulnerability (particularly that caused through financial exclusion and debt problems) than in the context of high earnings.

Over the last three to four years there have been many new initiatives in financial literacy education provision, albeit many of them on a small scale. The BSA and NIACE have been key drivers of many of these initiatives. Increasingly the FSA is becoming a key driver in relation to financial capability. Some HAs and PfA nationally, trade associations, some CABx and Citizens Advice nationally, some individual Credit Unions and ABCUL nationally, some CDFIs and cfda, and a number of other voluntary/charitable organisations, have all become actively involved in providing financial literacy education. From our data it appears that financial literacy education is often provided via a partnership of organisations. Some stand-alone financial literacy education courses are being offered. The large numbers of learners reported by Ufl as having undertaken its Cash Crescent programme stand out here. However, elsewhere, financial literacy education appears most often to be offered embedded in other educational provision or in conjunction with other services e.g. in the course of setting up a bank account or obtaining a loan from a credit union. Of formal financial literacy education programmes reported, two thirds were delivered as a context for learning or as a response to a perceived need e.g. financial exclusion, social deprivation and/or debt problems. The findings here raises questions about the nature of the supply and demand for financial literacy education. This issue is considered in the discussion of our findings for the private sector.

There is no evidence of any consistent accreditation of financial literacy education programmes. The offering is seen to be patchy and piecemeal.

It is also relevant to note the recent drive by the BSA and local LSCs to train the trainers. Charts showing accreditation currently available to trainers and tutors are included as appendices 3 and 4.

# 5

## Part 2

# Provision of financial literacy education in the commercial/private sector

## 5.1 Introduction

In this part of the report we discuss the qualitative study we undertook of the provision of financial literacy education by and through the private organisations. It mostly covers trading companies, trade associations and voluntary organisations that were not primarily engaged in education and training. We decided in the time available to focus on the private sector workplace and on consumer organisations and to obtain answers to about 30 questionnaires using mainly telephone interviews.

## 5.2 Selecting the sample and undertaking the research

This part of the report covers 43 organisations – 20 trading operations and 23 trade/voluntary organisations. Selection was determined using the following principles: to avoid duplication with our work relating to the public sector, we excluded organisations engaged primarily in education or training; many of these Basic Skills/*Skills for Life* courses will in any case be funded by the local LSCs.

The interviews with trading groups were split between financial and non-financial sector businesses. In the case of the non-financial commercial sector businesses, we mainly chose companies that had substantial non-graduate workforces, the two exceptions being a professional services firm and a pharmaceutical company.

Initially we decided to cover separately trade associations associated with the financial sector, those associated with the non-financial sector, the trades unions, and private charities likely to be associated with financial literacy education. Our work drove the reclassification set out below; this classification is determined by our findings.

The participants in the survey, with four exceptions, were taken from lists we compiled and modified, and then further modified following a discussion with John May, Director of the UK Career Academy and formerly Education Director of Business in the Community. Two of the four exceptions were identified as good contacts by interviewees, one from web searches and one from personal knowledge.

The following institutions are included in this part of our survey:

### *Private sector businesses*

We approached 18 companies, only two of which refused to take part in the interview process. Of the 16 which took part, six were financial sector companies, ten non-financial sector companies (including a house builder, manufacturing and industrial companies, retailers and service providers). We included three small companies, one being a service provider in the financial sector. Two other companies, which wanted to contribute, were not able to due to our time constraints.

*Trades unions*

We carried out a desk-top review of the websites of the TUC, UNISON, Amicus, and the RMT and we also talked briefly to UNISON.

*Members organisations in the trade and voluntary sector*

We spoke to 11 organisations outside the financial sector and five connected with the financial sector. None of the organisations approached refused to take part in the interview process.

*Charities and organisations actively engaged in providing financial literacy education.*

We talked to the Prince's Trust, Toynbee Hall and London and Quadrant Housing Association (the latter also responded to the questionnaire survey, as indicated in part I).

The selection is in no way representative; in fact it is highly selective. We sought to achieve a fairly wide coverage of a number of differing institutions but to have sufficient overlap to enable a tentative mapping of current provision of financial literacy education in each area. Our purpose is to start sketching an outline of a map of what is available.

Reflection upon our findings suggest that this survey should be extended to cover the following institutions:

- HAs.
- Organisations providing guidance to students in relation to money management.
- Welfare rights organisations.
- Money Advice Centres and Credit Unions.
- Private education and training establishments.

**5.2.1 Private sector businesses***Sampling frame*

We reviewed a list of the 200 largest quoted companies and selected a number of companies. Two principles underlay this selection; first, to ensure inclusion of a small sample of companies representative of the financial sector and second, to create a list representative of the broad spectrum of large quoted companies. This list was refined following discussions with John May; this led to the inclusion of three large UK subsidiaries of US companies and the reduction in the number of companies in the provisional list. This list was further modified to include a building society and to ensure that we included some small companies. Once we had a few good responses from each category of company we did not seek to approach others within that category.

To a minor extent our work was hindered by the fact that much of the field work was carried out during the annual reporting season for companies and our initial approach to large corporates was mainly through main board directors or the departments that deal with the corporate community affairs programmes. In particular, two respondents provided very brief answers to our questions, which we believe, on the basis of public information and other responses, do not provide an adequate picture of what they do. All but two representatives of the organisations approached agreed to be interviewed. This is probably because in most cases we sought initially to speak to senior executives using introductions.

**5.2.2 Trades unions**

Information relating to trades unions was obtained mostly from a review of public information.

### 5.2.3 Members' organisations in the trade and voluntary sectors

These have been divided into three groups: those whose objectives are not directly or indirectly related to consumer groups; those whose members are consumer groups or who campaign on financial matters directly or indirectly on behalf of consumer groups; and those directly related to the financial services industry. The split was determined by the findings generated through initial discussions and the first few interviews.

### 5.2.4 Other voluntary organisations

In the course of doing our research we talked to three not-for-profit organisations actively engaged in providing financial literacy education and have identified a few others that may do so. The three we talked to were identified using prior knowledge, from the results of web searches and via discussion with knowledgeable individuals.

## 5.3 Data collection methodology in practice

Based upon one of the researchers' experience of working in the City of London as an adviser to companies, we decided to approach about 20 trading groups and some of the voluntary sector organisations using wherever possible introductions to facilitate interviews. We would like to thank in particular John May of the UK Career Academy and Ian Barlow of the London Business Board and KPMG for their help with introductions.

As noted in section 4, we developed a questionnaire which was aimed primarily at public sector educational providers (appendix 5). This was modified to make it relevant for private sector companies and organisations. After six introductions and interviews, it was found that the questionnaire was not really relevant, except to the extent that it helped to effect introductions and to provide a focus for telephone interviews or web searches. Consequently we further modified our approach to data collection and used a combination of interview, web searches and desktop research – the techniques again were slightly different for the two subgroups. In almost all cases we carried out a web search prior to conducting an interview. The initial interviews with companies followed the agenda set by the questionnaire. As we accumulated findings, the form of the telephone interviews changed somewhat and became more wide ranging in that they took account of lines of enquiry suggested by earlier interviews. In the case of the voluntary sector organisations the method was slightly different. It took the form of desktop research, data coming primarily from web searches followed by interviews for discussion or clarification. We spoke to representatives of fifteen out of the twenty-three organisations covered. In the other cases we did not do so because we were able to get enough information from their web sites and other web searches. The focus of our interviews was to sketch out a picture of what each type of organisation does – most of the activity being of an informal nature.

We also concentrated on trying to establish provision at a level equivalent to that at the levels covered in *Skills for Life*; in particular we did not ask many questions about educational provision leading to professional qualifications, as these would normally be at a higher level.

The private sector companies and organisations in this study did not generally provide formal personal financial educational for their employees, their customers, client groups or the general public. However, many companies do provide informal financial education. Similarly, voluntary organisations that represent the interests of various consumer or client groups contribute substantially to enabling financial literacy but not through financial literacy education courses as such. These findings started to emerge after a few interviews and led us



to modify our research focus with respect to the private sector. In addition to identifying formal provision, we sought to identify the nature of informal financial education in the workplace and other educational initiatives by which individual financial literacy capacity is built.

## 5.4 Findings

We reviewed and analysed our desktop research and interview notes and our findings are reported under the following headings:

- The corporate sector: large non-financial companies, financial sector companies and small companies.
- Trades unions.
- Trade and voluntary organisations whose main objectives do not include representing consumer groups or financial sector interests as such.
- Voluntary groups that directly or indirectly represent groups of consumers.
- Trade and voluntary organisations connected with financial sector interests.
- Non-financial organisations that have become actively involved in personal financial education for the disadvantaged.

### 5.4.1 The corporate sector

Here the findings are presented under three headings: personal finance education for employees in their capacity as employees; learning connected with the workplace; and provision for customers and the community.

#### *Personal financial education for employees of companies*

There are some interesting general findings that can be drawn from interviews with the sixteen private sector organisations regarding the provision of personal financial education for their employees.

In general, the private sector companies do not provide courses covering financial literacy for their employees. Two of the companies/groups interviewed provide access to personal financial education courses for their employees. One allows employees of its UK insurance operations to take a day off each year to attend or undertake financial literacy education. The group has developed an e-learning course on personal finance and its employees can use this course on their learning day. The group may, in due course, offer the course to employees of other organisations. The other company provides access through an open learning centre, the latter being via on-line courses. Another company is introducing a modular personal development course, which includes one module on personal finance. One group with many employee shareholders did offer personal financial education to its employees in the past and is considering whether it should do so again.

On the other hand, 14 out of 16 of the organisations interviewed provide some informal personal financial education, beyond dealing with employee queries relating to payslips. Generally, more is provided for financial sector employees. We identified eight situations where this education takes place, other than in the normal course of doing one's job: on induction courses; in dealing with queries relating to pay and benefits; prior to joining 'company' pension schemes; through counselling help lines; access to financial health checks; on redundancy; through pre-retirement courses; and through in-house training courses. On-the-job learning and courses are dealt with in the next section.

### *Induction courses*

All the large companies provide induction courses for new employees – in the case of two financial sector companies some induction training lasted for four to six weeks. The induction process in the small companies is informal. The main purpose of these courses is to introduce new employees to the company and their work. In the ten cases where the content of the courses was discussed, seven make some reference to arrangements relating to pay, benefits and/or pensions while three do not. In two cases, personnel managers of divisions of large industrial companies mentioned that, if a new joiner (usually a school leaver) does not have a bank account, a manager provides some guidance and help in setting up a bank account.

### *Pay and benefits*

All respondents who took part in detailed interviews said that the companies deal with employees' queries relating to pay. These are either dealt with directly by Human Resource or Payroll Departments or first by line managers and shop stewards and then by Human Resource or Payroll Departments, the latter approach being more common in factories and shops.

### *Paying into a pension scheme*

The position relating to providing information and education on joining pension schemes varies widely, from no help to a one-to-one educational meeting with an independent financial adviser (IFA). The access provided for new joiners by the majority of the respondents is to money purchase type schemes, i.e. not defined benefit schemes. Evaluating whether or not to join such a scheme is sensible is often left to individual employees; it is up to the employee to seek advice. All employers provide new employees with details of the firms' scheme. Some employees are entitled to a meeting with a personnel or pensions manager and others to clarification of details on request – this might be via a telephone conversation or an email help line. All respondents stressed the importance of not inadvertently providing advice. Some respondents stressed the need to err on the side of caution in this respect. Five interviewees talked about further arrangements which their companies have put in place to enable their employees to be better informed.

These are as follows:

**Blagdon Pump**, a small engineering company, has a stakeholder pension scheme and arranges for every new employee to have a one hour meeting with an independent financial adviser on the company's premises. The purpose of the meeting is educational; it is to explain how stakeholder pensions work, go through details of the company's scheme and other related questions raised by the employee. Other employees are also allowed to see the adviser to discuss whether or not they would like to change their existing arrangements. All of the employees employed at the time of the interview had taken out a stakeholder pension.

Two large organisations recognise the complexity of the pension choices facing their employees and through the provision of on-line application forms seek to structure the decision making process to assist employees. Both companies provide help with employee queries; if a query goes beyond providing information then the employee is advised to get help from an independent financial adviser. Four of the five, including Blagdon Pump, provide some access to an independent financial adviser to deal with queries. In all these cases if employees decide that they want further specific advice then it was up to them to get that for

themselves, using either the IFA introduced through their employer or via another adviser. Other employers tell their employees if they want advice on whether or not to join the firms' scheme they should obtain independent advice.

#### *Help lines*

Nine groups of companies provide counselling help lines/services, seven being independent. In only one case is help restricted to work related matters.

A large pharmaceutical firm not only provides access to a confidential counselling service, it also provides access to the CABx and the National Debtline via a site on its intranet. The intranet site indicates that CABx will provide help with relationship breakdown, debt and finance. The company also has a number of educational leaflets on its intranet, including one dealing with how to create a comprehensive personal budget. This leaflet was developed and written by the internal education and training department. It is to be noted that the group's workforce is relatively highly educated.

A large professional services firm provides a confidential counselling service for employees and their families. The firm receives an annual analysis of the nature of the queries raised; personal financial problems are the most commonly discussed.

#### *Financial health checks*

One financial sector company provides financial health checks for their employees and another proposes to introduce a scheme where employees will be able to discuss their finances with an in-house adviser once a year.

A building society allows its employees to go through a financial health check with its in-house independent financial advisers; the health check allows employees to understand their financial needs. The Personnel Director stressed that although this health check constitutes the provision of financial advice, there is an understanding that employees can undertake it solely to find out what their financial needs are, and not in order to get advice on how to satisfy those needs.

#### *Redundancy*

Redundancy is recognised as a sensitive area as far as helping employees is concerned. It came up in seven interviews. All seven provide help, mostly out-sourced to independent consultants. Generally the main purpose of the service is to help finding another job, rather than to help in understanding the financial consequences of redundancy. Two other respondents commented that such discussions would not be appropriate in the circumstances.

A large insurance company provides employees with access to services of an independent out-placement service on redundancy. The employee has access not only to standard services such as help with job hunting, CVs and interview skills, but also to other services. An employee can use part of their entitlement to go on courses and to obtain advice. Amongst other things, this provision gives access to financial planning and tax advice, and to consultancy services e.g. it has been used by an employee who wanted to set up his own business.

#### *Retirement*

13 of the companies that took part in detailed interviews have or provide access to pre-

retirement courses – in two cases the courses were also available to the employees' partners. One other company had done so in the past and two other interviewees thought that their companies did not currently have them. The courses cover the financial implications of retirement. Companies with an 'in-house' pension scheme provide an employee with details of the pension arrangements which will arise on retirement and many arrange a discussion with a pension or human resources manager. As with joining a scheme, an employee is advised that if they want advice on what to do they should obtain it from an independent adviser. (See also information on the Pre-Retirement Association, below).

*Learning connected to the workplace – the impact of in-house courses, studying for professional qualifications and on-the-job learning*

A certain amount of personal financial education arises as a by-product of working within the workplace, in-house training, and studying for professional qualifications. During the course of the interviews, several respondents questioned whether personal financial education should be specifically provided for employees. One major financial institution's response to being asked whether the institution provided personal financial education for its employees was: "We do not offer [such] education to our staff. We like to treat them as customers, rather than as staff. We do not like to mollycoddle our staff. Other than pre-retirement seminars we do not provide anything". Two divisional managers of industrial concerns commented that many employees would regard specific provision of financial education as patronising. The independent financial adviser we interviewed reported that some employees of their clients were suspicious of the reasons why benefits were provided by employers, particularly where the employee had to make a contribution to the cost. The Personnel Director of a banking institution said that they encouraged employees to discuss debt problems with Human Resources so that where possible the institution could help employees to deal with their problems; the Director recognised that many employees would not want to do this. The Director of the small engineering company felt that on the whole its employees were financially aware. All these comments were volunteered in the course of interviews without prompting and do raise the issue of whether the workplace is an appropriate venue for formal personal financial education unrelated to employment matters.

Consideration here needs to be split between non-financial sector companies and financial sector companies. It is to be noted that the comments in this section do not cover either employees who work specifically in finance or accounts departments and specialists in Human Resource departments; for many of these, their training and work is likely to impact significantly on their financial literacy capacity.

*Non-financial commercial sector companies*

All the large companies interviewed have in-house courses, some of which may be out-sourced; generally these courses provide knowledge and skills that will assist employees with their jobs. All provide support to employees to gain relevant professional qualifications. Our questions were geared to finding out which courses directly covered personal financial education at a 'basic skills' level or where such learning was a by-product. In the course of the interviews we identified only two companies that provided personal financial literacy education as such through their courses. A large retailer is introducing a course on personal development which is accredited and will lead to an NVQ if completed successfully; the course contains a module on personal financial education. A large engineering company provides access to on-line financial literacy courses through its open learning centre. In the latter case, not many choose to do these courses. Five companies including the large engineering company ran introductory ICT courses, most of which were online tutored courses. Other

basic/key skills education is provided, as is illustrated by the following examples:

Every apprentice employed by the house building company goes through a 3-year course which leads to a trade qualification. The courses cover basic numeracy and literacy and lead to a NVQ – the highest being at Level 3. In 2004 the company will have between twenty-five and thirty apprentices who will attend courses.

All school-leavers who join the pharmaceutical company follow the modern apprenticeship scheme. There are about 20 a year. Those who do the science or engineering programme are usually required to have A\*-C GCSE passes in Mathematics, English and Double Science or the equivalent, while the others who do the office and secretarial or catering programmes are required to have “reasonable” literacy and numeracy.

We found that virtually no personal financial education takes place through formal learning in the workplace of companies in the non-financial sector.

#### *Financial sector companies*

These companies generally have comprehensive programmes of in-house courses, which amongst other things familiarise front office staff (including those in call centres) with knowledge of the products that the companies sell (including when they might be suitable for particular customers). They also require and support staff to acquire relevant professional qualifications. Through their work many employees gain knowledge of financial products and related matters. As a by-product, their financial literacy is improved. For example:

Within the building society which we interviewed all the branch staff have to familiarise themselves with all the products the society sells because they have to be able to deal either with queries relating to a product or to create and/or pass on sales leads for other products to other in-house sales staff who are suitably qualified.

Part of the induction course and other basic training materials of a large fund management company are structured as e-learning courses with feedback via the company’s intranet. These courses are modular. Some modules are mandatory for different categories of staff depending on their jobs but all are encouraged to do part or all of suitable courses. The induction course has basic modules on finance and fund management. These cover aspects of personal financial education. The firm also supports staff in acquiring relevant professional qualifications. In particular, staff in call centres and human resources are encouraged to study for a qualification in investment administration. IT staff are also supported if they wish to acquire this qualification. This course has little financial literacy content.

Much formal training at a basic skills level provided for employees involved in selling financial products provides little or no personal financial education as a by-product.

In the large general insurance company which we interviewed, new joiners in the call centre go on a four-week induction course where they learn about the insurance business, motor insurance and the firm’s products so they can deal with customer queries. After a period of time they may receive training in other types of insurance so that they become multi-skilled. The head of training felt the courses provided little indirect personal financial education outside learning about specific types of

insurance. The company encourages all staff in call centres to study for a NVQ, Customer Service (at Level 2/3), and for appropriate staff to study for a NVQ, Supervision in Call Centres (Level 3). The courses take between 12/18 months to complete. LSC funding is available and hundreds go through the qualifications each year. There is no financial literacy content in these courses.

As reported above, the employees of the UK insurance operations of a financial services firm are entitled to attend/undertake a one-day course on personal finance each year.

#### *The 'ripple' effect*

The Director of regulation and compliance of the small firm of financial advisers made an important observation when asked towards the end of his interview "Does any other informal learning with respect to personal financial education happened in the workplace?". He said that in addition to specific learning on-the-job there was the 'ripple effect'. When asked to explain what he meant, he said that the more closely administrators within the firm work with the IFAs, the more information and knowledge they gather about personal financial matters and hence indirectly build their own financial capacity. This process is further enhanced as the atmosphere of the firm is such that any employee is free to walk into the IFAs' department at any suitable time to ask questions about anything. The interviewees from the pharmaceutical company, two banking institutions and the asset management company also subscribe to the existence of the 'ripple effect' when it was specifically mentioned to them. The head of training of the general insurance company was sceptical about the existence of this effect.

#### *Provision for customers and the community*

##### *Customers*

Generally the companies we interviewed did not provide courses for customers. The fund management company provides courses, which include aspects of financial literacy education, for their customers, who include pension fund trustees and independent financial advisers. These courses not only cover marketing of the firm's products, they also cover background information regarding the investment environment, the nature of different types of products and whom those products might suit and why. The private banking arm of a retail bank provides occasional courses for its private banking customers, who are mainly high net worth individuals; these courses have a strong marketing focus but they do include some financial education through lectures.

##### *Community programmes*

All the large companies we spoke to have a community programme. Many include education programmes; these however generally have schools as their focus. Four out of the six financial sector companies interviewed actively support financial literacy education in schools through pfeq and other initiatives. Only one company, which operates in the financial sector, has personal financial education of the public/consumer (adults as well as young people in schools) as the focus for its community programmes: amongst other things, it supports the CABx Financial Skills for Life initiative, NIACE's website 'moneymatterstome' and pfeq.

### 5.4.2 Trades Unions

We looked at the websites of the TUC, UNISON, Amicus and the RMT.

All these unions have active education programmes. Most of the courses run by the TUC (but see section 4.3.2.7 for a questionnaire response from a regional TU Council), Amicus and the RMT and some run by UNISON, relate to being a shop steward or other union representative, or to union membership. UNISON, through its Open College, offers a wide range of courses from essential skills to entry into higher education. We have reviewed the list of the courses offered and there are none listed on the website/in the Open College brochure that primarily cover personal financial education. However, the union has a free debt advice help line for members and its website also contains articles about managing money and debt; these include detailed, practical suggestions.

The TUC campaigns on personal financial matters e.g. pensions, and on improving the basic skills of the UK workforce in literacy and numeracy.

### 5.4.3 Trade and consumer voluntary organisations

We deal with these under our three headings: business organisations not connected with the financial sector, consumer campaigning organisations and organisations connected with the financial sector.

#### *Organisations linked to business but not specifically to financial sector businesses*

We talked to five organisations linked to business, none of which specifically represent the interests of financial services companies/businesses. As a consequence, campaigning or supporting personal financial education of adults does not form a campaigning or educational focus for them. This does not mean that they are not concerned about financial and education issues. Often they campaign about financial and educational issues as they affect their members. For example, improving basic skills in numeracy and literacy is a key campaign focus for the CBI but financial literacy is not a particular focus. London First campaigns for London but also supports, promotes and organises a number of education initiatives, mostly relating to schools; again, financial literacy is not a focus.

### 5.4.4 Consumer campaigning organisations

These organisations campaign actively on consumer issues and have consumer education programmes, relating amongst other things to personal financial education/capability. We looked at the websites of the Consumers' Association, the Child Poverty Action Group, Age Concern, Help the Aged, Gingerbread and the Pre-Retirement Association. They campaign actively on issues of relevance to their members and related client groups and provide substantial information and help relating to personal financial matters. All but the Consumers' Association provide courses but few of the courses have any personal finance focus. Each organisation has a distinctive agenda but arguably each has a similar approach to financial education with respect to delivery. Relevant key features of each organisation are as follows:

The **Consumers' Association**. It has two roles with respect to financial literacy education. It campaigns on consumer issues, including on how financial advice should be provided and the mis-selling of financial products. It also provides information and education on all aspects of personal financial matters through its magazines and books – it publishes a book *Be your own financial adviser*. It does not however provide tutored education either through face-to-face courses or on-line.

The **Child Poverty Action Group** campaigns on all matters relating to the provision of benefits, tax allowances and other matters that will alleviate child poverty. It provides a large number of courses for those who work with benefit claimants. It produces publications on the welfare system of benefits and other matters – these are produced mainly for advisers but are available to members of the public. Experience of advising on legislation or the equivalent is probably necessary to be able to use them satisfactorily. The CPAG's Citizens' Rights Office provides a free telephone and letter advice service to welfare rights advisers so that they are better able to help their clients.

**Age Concern** supports people over 50 in the UK. It campaigns on issues like age discrimination and pensions. Age Concern Training is a substantial training enterprise that provides many courses, including courses on welfare benefits for advisers and pre-retirement courses. Although it offers a wide range of NVQs, none of these appear to have a significant financial education element. Age Concern also produce Age Concern's Annual Tax and Savings guide, and Factsheets and Information Sheets on a range of subjects for those who wish to help themselves and guidance for those whose work helps older people. Age Concern has a will writing service and an insurance broking arm – both of these are commercial ventures. Some Local Age Concerns may be directly involved in providing financial literacy education, as well as providing specific advice on benefits and advocacy.

**Help the Aged** has an information and advice service. It produces advice leaflets and information sheets, which offer comprehensive free advice on pensions, residential care, health issues and other essential issues. The top five advice leaflets include two on financial literacy education, namely paying for residential care and 'Can you claim it? welfare benefits advice'. Through its free telephone advice service, SeniorLine, it provides more detailed advice for consumers. The Help the Aged website has answers to the ten most frequently asked questions – seven of these deal with financial matters. It does not appear to run courses.

**Gingerbread** is a membership organisation for lone parents. It has an advice line and produces factsheets and publications. Many of the latter deal with financial matters. They are written in plain English, are clear and fairly easy to understand and are reasonably comprehensive. Gingerbread runs courses for its lone parent groups. If a group asks for a money management course then Gingerbread will put on a course for the group. Not many money management courses are run.

**The Pre-Retirement Association (PRA)** works with companies and individuals to enable people to manage change from mid-life onwards and acts as the national focus for this activity. The PRA undertakes direct activities with and for (pre) retirees and works with agencies who assist retirees, including Human Resources departments of companies. The Association also aims to influence the climate concerning the post paid work environment. The Association provides: information, publications and advice; courses for mid-career and retirement planning; training for professional development; membership; and research. The PRA website (<http://www.pra.uk.com/enter.html>) also has a link to interactive materials dedicated to 'making money simple' (<http://www.learnaboutmoney.org/>).

All the above organisations are closely involved in educating, empowering and helping



consumers on financial matters. Although they do not provide many financial literacy courses for members of the public, they do seek, as part of their primary objectives, to make a substantial contribution to the financial literacy capacity of ordinary consumers.

#### 5.4.5 Trade and voluntary organisations connected with financial sector interests

The report *Promoting Financial Inclusion: The Way Forward* published by the British Bankers Association in April 2000 (BBA 2000), provides a comprehensive summary of large retail banks' community initiatives. This shows that banks have been actively involved in supporting money advice agencies, micro-credit schemes and financial education in schools. On financial education for adults the report states "less work has been done by all organisations, including banks, on developing financial literacy amongst adults". The British Bankers Association 2002 report shows that banks have, however, expanded their public education role to being involved in creating and piloting some curriculum materials for financial literacy education for adults (BBA 2002). As noted in section 3.3, part of the FSA's remit is to improve consumers' financial literacy capability. In September 2003, John Tiner, the Chief Executive, publicly stated that this is currently a high priority for the FSA and announced the setting up of an Advisory Group whose task is to establish the best way forward: "We think there needs to be a major step change in activity to educate and inform the consumer and that the admirable, but patchy, efforts, of many private and public sector bodies working in this area need to coalesce around a national strategy for financial capability". As we have seen, the national strategy is currently underway, co-ordinated by the FSA (FSA 2003; FSA 2004). In the course of our work several contacts and interviewees who work in the financial sector indicated that financial literacy education initiatives have become a higher priority for them in the last 12 months.

We looked at the websites of and/or talked to the British Bankers Association, the Association of British Insurers and the Investment Management Association, which represents fund management groups. Apart from representing the interests of their members, they are actively involved in supporting consumer education. They do two things for consumers in relation to financial education: provide information and factsheets about personal finance, investment and financial products and represent the industry on bodies that are actively trying to improve consumer education.

ProShare and pfeg are organisations that are actively involved in consumer education. Both receive substantial sponsorship from private sector companies either directly or via trade associations, and for that reason are dealt with here.

**pfeg**, the personal finance education group, is an education charity whose mission is for all young people to leave school with the confidence, skills and knowledge they need in financial matters so that they can participate fully in society. pfeg produces curriculum resources on financial education for use in schools. It receives support from the education, business and government and is working within schools across the UK at a strategic level to promote the development of financial capability ([www.pfeg.org/](http://www.pfeg.org/)).

**ProShare** is an independent, not-for-profit organisation that promotes wider share ownership and financial education. Its education initiatives are mainly directed at schools. However ProShare has joined forces with Edinburgh-based Training for Profit to offer private investors the Complete Investor Course. This is designed specifically for private investors and is a modular course which aims to teach investors about the stock market and investing successfully. The course is an on-line distance learning

course with live tutor support via email. ProShare also produces Investor Factsheets and an investor handbook ([www.proshare.org/](http://www.proshare.org/)).

#### 5.4.6 Promoting financial inclusion

Here we discuss some findings relating to non-financial organisations that have actively become involved in personal financial education for the disadvantaged. In the course of our research we spoke to three organisations: two charities and one housing association that are actively involved in financial literacy education for disadvantaged adults. These are the Prince's Trust, Toynbee Hall and London and Quadrant Housing Trust; their involvement is discussed below. On the basis of these interviews we have established that several housing associations are actively involved in financial literacy programmes. Furthermore SAFE (Services Against Financial Exclusion) at Toynbee Hall has substantial links with community organisations.

The nature of the education provided by our interviewees is varied and is substantially determined by their clients' specific needs:

##### **The London Region of the Prince's Trust**

The region, like all other regions, runs a business start-up scheme for those aged 18–30. Those eligible for help include:

- Underachievers.
- Long-term unemployed.
- Ex-offenders.
- Care leavers.

In 2003 the London region of the Trust helped between three hundred and 350 young people.

At the beginning of most candidates' relationship with the Trust (i.e. prior to their project being assessed for support), an assessment is made of a candidate's ability to write a business plan to determine the sort of help the candidate will need. If his/her skills are weak he/she will receive one-to-one training from a qualified business person, who has both training skills and the necessary qualifications. The help can cover help with marketing, cash flows and sales/costs. The help typically will involve one hour a week and last for up to a year. The training is provided mainly by private organisations and the funding comes from government or EU sources. The costs of learning are zero for the young person concerned.

##### **Toynbee Hall.**

SAFE (Services Against Financial Exclusion) at Toynbee Hall, East London, is dedicated to providing practical services to promote financial inclusion for all. SAFE has four main streams of work, each of which includes an aspect of financial literacy as part of its aim to increase financial capability.

One stream is dedicated to financial education: SAFE is currently supporting participants in the Saving Gateway (a government pilot which incentivises people on low incomes to save by matching their savings on a pound for pound basis) by providing one-to-one information and education about continuing to save. A typical

session includes a step-by-step guide to saving, questions to ask oneself before opening a savings account, understanding interest rates and shopping around. SAFE also provides additional seminars which are held at Toynbee Hall primarily, but not exclusively, for Saving Gateway clients. These are one-off seminars covering topics like 'buying your own home', 'dealing with credit cards and loans', etc.

SAFE also helps people open bank accounts. A significant part of this work is in providing one-to-one information and education about the types and features of the accounts available. SAFE uses the BSA Money-Go-Round CDROM to introduce clients to using a cash and/or deposit machine, so that they are better prepared to use their account once it is activated.

In conjunction with the Toynbee Hall Free Legal Advice Service, SAFE offers debt advice and debt prevention guidance to the general public. It has recently begun a volunteer led piece of work looking at ways of incorporating financial literacy into the debt management process once the initial crisis situation has been dealt with.

Alongside this work, SAFE also provides financial literacy in other educational settings. To this end, SAFE offers a range of workshop and seminar sessions on money matters. SAFE works with a range of partners, including housing associations, supported housing projects, community based training providers, advice providers and the local college. Typical examples of SAFE's work include:

- offering modules on money management as part of existing courses, e.g. on a resettlement programme or on a course helping people to get back into work;
- embedding financial literacy into existing programmes, e.g. using money based exercises as part of a wider computer of course in Excel; and
- incorporating financial literacy into other learning programmes e.g. teaching financial literacy as part of a Basic Skills literacy programme at a local college.

As part of its wider work, SAFE takes part in a number of community events where it provides financial information about basic financial management and opening bank accounts. It also provides further information/training for organisations around financial inclusion and financial capability.

SAFE currently has two full-time staff dedicated to delivering the services described above, building new partnerships, raising funding, developing new service provision and administration (including evaluation).

SAFE uses the Adult Financial Capability Framework (AFCaF) developed by the Financial Services Authority with the Basic Skills Agency (FSA/BSA 2003) to plan its financial education work. It uses a wide range of existing resources (provided by organisations such as the Basic Skills Agency and FSA), as well as its own in-house resources. The programme for each course varies depending upon the needs and size of the group e.g. courses for young people may differ significantly from those for the elderly.

#### *Client Groups*

SAFE delivers group based education primarily through partner organisations. The Toynbee Hall workshops and seminars are for its existing client base and the general

public. SAFE provide information and education to clients on an individual basis as described above. SAFE's clients are referred to it by other organisations or are members of the general public.

### **London and Quadrant Housing Trust – CHANGE**

CHANGE is a major project that aims to offer a range of services to London's financially excluded communities and individuals. L&Q lead the programme and have committed £1m to it. It was launched in 2003. Currently there are four pilots running:

- The Edmonton project covers financial literacy run with Metropolitan Housing Trust (see commentary in section 4.3.2.2).
- The Newham project covers debt advice.
- The Southwark project covers Credit Unions.
- The Leytonstone/Waltham Forest project covers micro businesses (this programme is similar to the Prince's Trust's business start-up scheme).

The client groups are social housing tenants excluded from the mainstream. It is estimated that during the 2003/04 pilots, which will end in the early summer of 2004, about three hundred tenants will have received help – a substantial part of the provision being on a one-to-one basis.

In late Autumn 2004, two or three prototype programmes are to be rolled out. Between ten and twelve housing associations are now partners in the project. This coalition, together with external funding, which was being sought at the time of the interview, is considered to be key to the project's long-term sustainability.

## **5.5 Summary and discussion**

In this section we summarise and discuss our findings on the nature and extent of personal financial education that occurs in and through the commercial world of work and for the consumer through campaigning organisations, and related efforts to promote financial inclusion. It is important to remember that our sample was limited and highly selective because of time constraints; we sought to achieve a fairly wide coverage of a number of differing institutions but at the same time to have sufficient findings in any one area to enable a tentative mapping of current provision of financial literacy education in that area. In particular, private educational institutions were not covered in this research.

We found little formal personal financial education for adults in our survey. Currently the community educational initiatives of companies in our survey relating to financial literacy are, with one notable exception which is discussed above, mostly directed towards schools. We understand from several interviewees who work in financial sector that this may change as a result of current initiatives led by the FSA. The provision found for adults, other than in their capacity as employees or customers, is as follows:

- Projects aimed at ameliorating relative financial exclusion, such as those run by the Prince's Trust, SAFE at Toynbee Hall and CHANGE led by the London and Quadrant Housing Trust. All these are discussed above.
- Occasional money management courses run by Gingerbread for lone parent groups.
- Pre-retirement courses run by Age Concern and the Pre-Retirement Association.
- The Complete Investor Course offered via Proshare.

An interviewee said that tenants wanted debt advice and help with bank accounts as distinct from basic financial literacy education and that a lot of tenants “are savvy at managing on limited incomes but they are not streetwise on how to get better deals and they are not particularly well informed”. He felt that much of current provision in financial literacy was not hitting the target. In particular he felt some of the material was patronising e.g. refugees’ and asylum seekers’ problems are often caused by language and unfamiliarity with UK systems, rather than by low educational or financial literacy skills. He also noted that FSA leaflets did not get picked up by tenants; he felt they were rather dry and hard for tenants to understand<sup>5</sup>.

We found that as a general rule employers and trades unions do not provide or support personal financial education courses for employees. A few employers support courses. Within our sample three do. Employees of the UK insurance division of a financial services firm are allowed to take off one day a year to attend a course on personal financial education. A retailer has developed a personal development course, which is accredited and will lead to an NVQ in personal development if successfully completed; this contains a module on personal financial education. A large engineering company, through its open learning centre, provides access to financial literacy courses; the courses are not particularly popular.

Some informal education occurs in most companies for employees in their capacity as employees – see above. This is mostly on a ‘just in time’ basis. What is interesting here is what is not provided. Employers to a greater or lesser extent are wary of providing financial advice inadvertently; there is a risk that they might be sued if they stray into giving unauthorised financial advice; some have taken out indemnity insurance against this eventuality (this is a concern for the CABx as well). This issue has been noted in the current Treasury review of the FSA and ways are being sought of clarifying the situation. Given that most new employees only have access to money purchase pension schemes, it is likely that many of these employees are not party to discussions that provide them with sufficient information/guidance to make well-informed decisions. There also appears to be little education relating to the financial impact of redundancy; it is doubtful if the employing company should directly provide this education on a ‘just in time’ basis. In retrospect, we realised that no interviewee mentioned discussions with employees relating to the financial implications of parenthood and working part-time and only one mentioned welfare and tax benefits. Several interviewees questioned whether it was appropriate for companies to provide personal financial education beyond that relating directly to employment matters. Employers’ objections cover apparent intrusion into the private lives of employees, and the perception that employees would regard it as patronising. We also consider that it may not be within many companies’ expertise and it might divert them away from their main objective – running their businesses.

On the other hand a review of interview notes and our desktop research show that over 50 per cent of the organisations on which we are specifically reporting are actively involved in providing or supporting advice on debt problems and debt prevention. This replicates comparable findings through the survey of the education and commercial sectors. Given that our research was not specifically directed towards finding out about debt advice services, we consider that this is a significant finding, indicating that people want/need help when they are in trouble and possibly do not want it before they are in trouble.

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<sup>5</sup> FSA’s publications are rather more substantial than leaflets and many are technical in nature (see [www.fsa.gov.uk/pubs/](http://www.fsa.gov.uk/pubs/)).

It is clear that many employees increase their financial literacy capability as a by-product of doing their job, attending in-house courses and learning for professional examinations. This is particularly the case for those who work in finance and the financial services industry. It is also possible that the 'ripple effect' described above also increases capacity. Again it is likely to be true particularly for those who work in financial sector companies and in finance and Human Resource departments.

We found that two financial management companies provide courses for customers which include some financial literacy education, in addition to marketing and product information.

The main other provision of personal financial education identified, aside from that provided via the FSA website, is via voluntary organisations whose members are primarily consumers and/or which campaign actively on behalf of particular consumer groups and trade and voluntary associations closely associated with financial sector companies. Age Concern Training, Gingerbread and Proshare provide a few courses but otherwise provision is mainly via campaigns, factsheets and books, and help lines. We did not assess the quality and 'fitness for purpose' of this provision with respect to consumers' needs but note that it shows considerable variability as to completeness and accessibility.

#### **5.5.1 Employee, consumer and investor perspectives**

The results of our review of private sector organisations provide a different picture from that in the education and community sectors. We do not think that we have captured more than an outline of what is happening in the private sector; neither time nor access was sufficient to do more. From our very limited discussions it is clear that financial literacy education is topical and that many new financial literacy educational projects for adults are likely to start or to be expanded within the next couple of years. However, our research highlights a paucity of formal provision, other than possibly through housing associations and some charities, and in doing so raises questions about how members of the general public become financially literate, how learning about financial matters occurs, and how and what should be covered in specific educational initiatives. Reflection upon and research into these questions may radically alter policy approaches and educational provision.

We did not find much provision of financial literacy courses for consumers within the private sector; we found some provision for disadvantaged groups provided by charities and housing associations, and for the investing public by Proshare and for customers by two companies. One employer provides time off to go on a course and has created a course which its employees can use if they so wish, and two companies provide access to courses. We believe we would have found more projects if we had had time to follow up all the contacts suggested to us by our interviewees and our survey had been more extensive, but we tentatively suggest that there are not many courses for the general public, let alone disadvantaged groups.

Is formal provision so limited because there is, or there has been, no effective demand for it? Or is it because there are insufficient suitable courses both to meet and to create demand? Here we believe it is necessary to distinguish between need, perceived need and effective demand. Is there little demand because there are not many suitable courses? Is there little provision because consumers, taxpayers and benefit claimants do not see much need for such education, or may see the need but still not want to enrol for courses? No-one we spoke to suggested that there was a substantial unmet demand of employees, tenants or consumers to attend financial literacy courses, as such. The almost total absence of provision for ordinary consumers raises further questions. Do consumers and investors prefer to inform

themselves through different channels? Is the demand for guidance and help rather than for education as such? Our finding that more than 50 per cent of the organisations included in the private sector survey provide access to debt counselling suggests that this is the case, as do comments that in the CHANGE pilots tenants wanted debt advice and help with bank accounts rather than financial literacy education *per se*. More financial education is needed; over the last ten years the complexity of financial decision making for individuals has increased and radical changes have occurred with respect to the funding of post-16 education, pension regimes, the tax and benefits systems and the financial and investment markets. But the key question is, what form should it take?

An important issue surfacing from this research is that financial literacy capacity may be built in many ways, formal education probably being a relatively minor route. Most companies provide some informal education for employees, both in their capacity as employees and as a by-product of doing their job, in-house courses and studying for professional qualifications. This appears to be quite significant for many of those who work in the financial sector and in finance and human resources departments, some being at the **Skills for Life** level, for example, in the branches and call centres of a banking institution.

We found evidence of substantial campaigning and educational initiatives by consumer groups and of educational initiatives by trade bodies connected to the financial sector. The efforts of these organisations through the web and other outlets may be a major provider of financial education. Although there are links between some websites, accessing useful websites and the material requires patience and resilience and the accessibility of and quality of the material is variable. Some difficult topics, such as pensions, the new tax credits, benefits, the investment of savings, selling investments, asset allocation and spreading risk are often not dealt with adequately. Also, little guidance is available with respect to evaluating information and making decisions, and such matters as evaluating performance and reinvesting in the light of changed circumstances are not usually covered. Improving and adapting these educational avenues may offer better prospects of increasing the financial literacy capability of members of the public than educational provision through courses alone. This presupposes that education dealing with how to use computers and financial information are available.

Counselling services and help lines are important sources of both information and help, as are information leaflets produced by the Inland Revenue and other Government departments.

Interviewees from the financial sector also referred to their use of information and marketing leaflets produced for customers and courses for customers. These together with the web, newspapers, magazines, books, radio and television are also significant sources of information, education and guidance.

Finally, other research shows that family and friends are the first port of call for guidance and help in financial matters (FSA 2000b) and suggest that competence at decision-making may be built through practice.

## 6 Final comments: implications for policy

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From this review it is evident that the financial literacy education field is characterised by considerable diversity in both the public and private sectors, with adults studying financial literacy education in the context of family provision, in community settings, in the workplace, on-line and in colleges. It is arguable that all of these educational channels have a significant role to play in raising the financial literacy capacity of particular groups and of the public in general.

Fundamental questions about the nature of financial literacy education remain and a wider debate would be helpful and healthy in this developing field. For example, is financial literacy education concerned with educating people to manage their money (household budgeting, planning for the future, etc.); or is it about knowledge and understanding of financial products? The FSA's National Strategy (FSA 2003a) focuses mainly on the latter and it must surely be difficult to be fully 'financially literate' without the ability to both manage one's finances and make sensible, informed decisions about which financial products to buy.

Despite significant expansion in financial literacy education provision in the education and community sectors recently, and important developments in accreditation, the extent of both provision and accreditation available to adults in England seems to be patchy and piecemeal.

There is a need for a national strategy for financial literacy at **Skills for Life** levels, linked to the FSA National Strategy for financial capability and bringing together the various threads of the financial literacy education offering in the public sector a consistent and recognisable manner. The strategy should build on the work of the BSA, FSA, NIACE, and others in the field.

The legal and regulatory implications of any expansion of financial literacy education need to be further considered since there is a risk that financial literacy education teachers may unwittingly stray into giving authorised financial advice (i.e. advice that is regulated by the FSA).

The lack of relevant qualifications of many of those teaching financial education is a cause for concern. Further work on establishing a framework for professional development in Financial literacy education at all levels is required, building on the work of the FSA and BSA. The criteria for becoming a financial literacy teacher are to be included in the National Register of teacher trainers being established by the LSC **Skills for Life** Quality Initiative and this is a welcome step.

Financial literacy education should be included in revised SVUK Subject Specifications for adult literacy, numeracy and ESOL and teacher training and professional development programmes should include key aspects of financial literacy education, since much financial literacy education is embedded within adult literacy, numeracy and ESOL provision. A Level 4 professional development module in financial literacy education is currently under development by the BSA; this could be included within the offer of awarding institutions through the **Skills for Life** Quality Initiative.

Research is needed on the relationship between literacy, numeracy and ESOL skills,



knowledge and understanding and financial literacy, and the implications for financial literacy education and teacher training and professional development in financial literacy education.

Financial literacy education should be identified as a specific reporting stream in the public sector, with clear identification of those engaged in and responsible for financial literacy education in local LSCs and LEAs.

The availability of financial literacy education and/or financial advice and guidance for all adults is desirable, as in practice few people, especially in disadvantaged areas, have access to independent financial advice (other than debt counselling) outside family and friends and many are facing troublesome financial issues, for example, on how to claim benefits, how to get fair deals from financial companies and other retailers, how to deal with debt, how to deal with endowment shortfalls, how to provide for pensions, and how to finance the cost of tertiary education for themselves or their children. With the decline of defined benefit pension schemes for those who work outside the public sector, the change in the funding of higher education and means testing of many benefits and tax credits, individuals and households have more direct responsibility for the management of their finances. Many individuals will require knowledge and understanding of the management of financial assets and related risks over their lifetimes to enable them to manage their affairs effectively. We found little at the *Skills for Life* levels that even begin to satisfy these needs. Financial exclusion and poor basic skills are only part of the picture. Financial literacy education is needed more generally for the population at large.

Research needs to be conducted to find out which are the preferred sources of information, education and advice for adult learners, which are widely used, which are effective and which produce the best quality information, education and guidance. An evaluation of use of the Ufl/learn direct national learning advice service with respect to enquiries on financial literacy matters, and of other informal sources of financial information, advice and guidance, would be useful.

An analogy with health may be helpful here. Should financial literacy education be tailored to meet the needs of the acutely ill; those who are accident victims; the chronically ill; those who are ill but symptom-free; the worried well; the healthy; and the reckless? To what extent is financial 'health' the responsibility of the individual and to what extent is it the responsibility of government, financial institutions and society at large? What degree and kinds of regulation are needed in the market and is it realistic to predicate regulation on the notion of the informed consumer of financial products?

Consideration of these questions may help policy makers in the development of a strategy for financial literacy education, providing guidance for existing and potential providers, and also assisting learners in obtaining better access to relevant financial literacy education.

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## Appendix 1.

### Post-14 accreditation for learners: current and planned

Levels	Award	Provider	Target market	Notional learning hours
<b>Entry Level</b>	NOCN Personal Finance	BSA	adults	5 x 30
	NOCN Personal Finance in the context of basic skills	BSA	adults	6 x 30
	NCFE Personal Finance in the context of basic skills	NCFE	16+	depends on candidate
<b>Level 1</b>	NOCN Personal Finance	BSA	adults	5 x 30
	Personal Money Management	NCFE	14+	20 – 30
	Managing Money	AQA	16 – 18	10 – 15
<b>Level 2</b>	Customised awards	NCFE	adults	approx 12
	Personal Finance	AQA	16 – 18	10 – 15
	GCSE in Personal Finance	EdExcel		
<b>Level 3</b>	CeFS (Certificate in Financial Services)	IFS	16 – 19	135
	DipFS (Diploma in Financial Services)	IFS	16 – 19	135
<b>Level 3/4</b>	Money/Personal Finance	OU	adults, 18+	3 x 80

(adapted from an original unpublished chart developed by Paul Worrall and Gill Hind)

## Appendix 2.

# Current qualifications for essential skills tutors

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### Essential Skills Circular ES01/03 - Addendum No 1

#### 1. Qualifications for new and existing tutors

Circular ES 01/03 states that newly qualified applicants for Essential Skills posts must have a GCSE grade A-C in English and Mathematics or key skills Level 2 in Communications and Application of Number. The Circular has been amended to take account of Circular 2001/18 issued by the Department of Education which allows a mixing of GCSE and Key Skills to achieve the requirements and also gives consideration to equivalent qualifications.

#### *New tutors*

Tutors appointed on or after 1 September 2003 are required to have the following minimum qualifications to be eligible to teach Essential Skills in a Further Education College, Training Organization or any DEL funded Essential Skills programme, regardless of the number of hours for which they are appointed.

- I. a GCSE in English Language (at least Grade C), or Key Skill Level 2 or higher in Communication; and a GCSE in Mathematics (at least at Grade C), or Key Skill Level 2 or higher in Application of Number, or a Higher Education Access qualification in Mathematics.

The Department will consider qualifications equivalent to those listed above.

- II. A qualification that meets the Further Education National Training Organization (FENTO) subject specifications at Level 4 in either literacy or numeracy.

Tutors who are appointed to a full-time or associate lecturer post in Further Education will be required (under the Department of Education Circular 2001/18) to complete the Post Graduate Certificate in Further and Higher Education (PGCFHE) within three years of their appointment, if they do not already have a recognised teaching qualification, usually a Post Graduate Certificate in Education (PGCE).

Applicants should note that the above represents the **minimum** qualification for eligibility **to teach**. Employers can require qualifications above the minimum level.

#### *Existing tutors*

Tutors qualified or in post before 1 September 2003 and who have the following minimum qualifications will continue to be eligible **to teach** Essential Skills.

- I. a GCSE in English Language (at least Grade C), or Key Skill Level 2 or higher in Communication; and a GCSE in Mathematics (at least at Grade C), or Key Skill Level 2 or higher in Application of Number, or a Higher Education Access qualification in Mathematics.

The Department will consider qualifications equivalent to those listed above.



II. A City and Guilds 9285 Level 3 or 4 or RSA Diploma in Teaching Adult Basic Skills.

In addition, literacy tutors should also have completed awareness training in the Adult Literacy Core Curriculum and numeracy tutors should have attended awareness training in the Adult Numeracy Core Curriculum.

As with all tutors, those who wish to achieve qualified teacher status in Further Education require a specific qualification laid out in DE circular 2001/18.

### **2. English Language and Mathematics qualifications**

Existing tutors who do not currently hold the specified English Language and Mathematics qualifications should obtain these by 31 August 2004.

### **3. Current participants on City and Guilds 9285 courses 9285 courses**

Participants who are currently registered and have commenced City and Guilds 9285 courses will have the opportunity to complete by 31 August 2004 and subsequently qualify as existing tutors.

## Appendix 3

### Accreditation for trainers/tutors wishing to improve their knowledge-base in personal finance: current and planned

Levels	Award	Provider	Target market	Notional learning hours
<b>Level 3</b>	CeFS (Certificate in Financial Services)	IFS	16–19	135
	FPC 1 (Financial Planning Certificate)	CII and others	adults	variable
<b>Level 3/4</b>	Money/Personal Finance	OU	adults, 18+	3 x 80
	FPC 2/3 (Financial Planning Certificate)	CII and others	adults	variable

(adapted from an original unpublished chart developed by Paul Worrall and Gill Hind)

## Appendix 4

### Accreditation for trainers/tutors wishing to improve their practice in personal finance education: current and planned

Levels	Award	Provider	Target market	Notional learning hours
<b>Level 3/4</b>	Basic skills delivered in a personal finance context	BSA	Basic skills tutors	30

(adapted from an original unpublished chart developed by Paul Worrall and Gill Hind)

## Appendix 5. Survey

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The DfES National Research and Development Centre for Adult Literacy and Numeracy (NRDC) is undertaking a scoping project to map the extent and types of education in financial literacy at the basic skills level - at or below GCSE equivalent (not financial advice) as part of the national **Skills for Life** strategy to improve adult basic skills in England. The aim of the study is to identify the scale and range of provision of the various types of financial literacy education (financial literacy education) that are currently available to adults in England, including: formal and informal provision; financial literacy teaching as part of adult basic skills provision; and provision geared to formal accreditation. Financial literacy is defined as the ability to make informed judgements and to take effective decisions regarding the use and management of money.

Name of your organisation:

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Please copy and paste this symbol - ✓ in the relevant text box whenever you agree. Please also furnish any additional comments. Please use additional sheets if required.

**1. Do you offer/support financial literacy education (financial literacy education) to the general public at basic skills level (at or below GCSE level)?**

Yes  No  Do not know

Any comments:

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**2. What types of financial literacy education programmes are offered and what are their key characteristics?**

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**3. What areas are covered in this financial literacy education provision? (please send us copies of course outlines)**

Different types of money/pay-ments (e.g. cheques, credit cards)

Income generation (e.g. benefits, pensions)

Income disposal (e.g. expenditure, taxes)

Gathering financial information & record keeping (e.g. bank statements)

Financial planning – saving, spending, budgeting

Risk and return (interest rates, insurance)

Personal choices & the financial implications (e.g., debt management)

Consumer rights, responsibilities & sources of advice

Implications of finance (e.g. regulation, financial institutions)

**4. What are the contexts/settings within which financial literacy education is delivered?**

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**5. What progression routes exist for learners on these programmes?**

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**6. Where does the education take place?**

Own premises

Other premises

Electronic

Any other (Please specify)

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**7. How is the education delivered?**

Face-to-face

Distance Learning

Online

Any other (Please specify)

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**8. Do you contribute (financially or otherwise) to such education?**

Yes  No  Do not know

Any comments:

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**9. How is the financial literacy education funded?**

LSC- funded

Non-LSC funded

**10. How many people take part in some form of financial literacy education supported by your organisation in a year?**

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**11. What are the reasons given by people for undertaking financial literacy education? (e.g., from written student feedback)**

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**12. How many people are engaged in delivering financial literacy education in or for your organisation?**

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**13. What types of people deliver financial literacy education in your organisation?**

Part-time

Full-time

Volunteer

Any comments:

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**14. What qualifications, if any, do these people possess for delivering financial literacy education programmes?**

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**15. How much of their time is spent delivering financial literacy education per annum?**

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**16. Is any form of accreditation or qualifications awarded for the course? If so, what forms of accreditation are used?**

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**17. How many people gain a qualification as a result of your financial literacy education provision or support?**

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**18. What are the reasons for the development of these financial literacy education programmes?**

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**19. Are there any future plans regarding the growth in numbers of learners to be reached, development of financial literacy education programmes, etc?**

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**20. Can you suggest the names of any other organisations operating in the public sector that provide financial literacy education programmes?**

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**21. Any other comments?**

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It is our intention to use comments expressed within the final report. If you wish your comments to be unattributable, please tick this box.

Please enclose any literature or publications which you consider relevant to the purposes of this research.

Contact name:

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Address:

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Telephone number:

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Email:

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Please email the completed questionnaire back to: [n.lee@londonmet.ac.uk](mailto:n.lee@londonmet.ac.uk). Alternatively please print and mail to: N. Lee, Senior Lecturer, London Metropolitan University, ABFS Dept., 84 Moorgate, London EC2M 6SQ (Tel: 020 7320 1673; Fax: 020 7320 1557).

## Abbreviations

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ABCUL	Association of British Credit Unions Limited
ABE	Adult Basic Education
ABI	The Association of British Insurers
ABSSU	Adult Basic Skills Strategy Unit
ACLF	Adult and Community Learning Fund
AdFLAG	Adult Financial Literacy Advisory Group
AFCaF	Adult Financial Capability Framework
ALI	Adult Learning Inspectorate (ALI)
ANCC	Adult Numeracy Core Curriculum
AON	Application of Number (Key Skills qualification)
AQA	Assessment and Qualifications Alliance
bassac	British Association of Settlements and Social Action Centres
BBA	British Bankers' Association
BSA	Basic Skills Agency; Building Societies Association
C&G	City & Guilds
CA	Citizens' Advice
CAB(x)	Citizens' Advice Bureau(x)
CCP	Harrow Canons Cluster Project
cdfa	Community Development Finance Association
CDFI	Community Development Finance Institution
CeFS	Certificate in Financial Studies
CFLI	Community Finance and Learning Initiative
CU	Credit Union
DfEE	Department for Education and Employment
DfES	Department for Education and Skills
DTI	Department for Trade and Industry
DWP	Department for Work and Pensions
ESF	European Social Fund
ESOL	English for Speakers of Other Languages
FE	Further Education
FENTO	Further Education National Training Organization
FL	Financial Literacy
FLE	Financial literacy education
FLOP	Financial Literacy and Older People
FMA	Foundation Modern Apprenticeships
FPC	Financial Planning Certificate
FSA	Financial Services Authority
Gloscat	Gloucestershire College of Arts and Technology
HA	Housing Association
HERO	Higher Education and Research Opportunities in the United Kingdom
HMT	Her Majesty's Treasury
ICT	Information and Communication Technology
IFA	Independent Financial Adviser
IFS	Institute of Financial Services
L&Q	London and Quadrant housing Trust
LA	Local Authority
LEA	Local Education Authority

LLN	Language, literacy and numeracy
LLSC	Local Learning and Skills Council
LLSP	Learning and Skills Partnership
LPSA	Local Public Service Agreement
LSC	Learning and Skills Council; Legal Services Commission
LSDA	Learning and Skills Development Agency
NACRO	National Association for the Care and Resettlement of Offenders
NDfC	New Deal for Communities
NFER	National Foundation for Educational Research
NIACE	National Institute for Adult Continuing Education
NOCN	National Open College Network
NRDC	National Research and Development Centre for adult literacy and numeracy
NRU?	Neighbourhood Renewal Unit
NT	National Test for Adult Literacy and Numeracy
NVQ	National Vocational Qualification
OCN	Open College Network
OCR	Oxford and Cambridge RSA Examination Board
Ofsted	Office for Standards in Education
OLSU	Offenders' Learning and Skills Unit
PfA	People for Action
PFE	Personal Financial Education
pfeg	Personal Finance Education Group
PGCE	Post Graduate Certificate in Education
PHSE	Personal, social and health education
PPP	Public Private Partnership
PRA	Pre-Retirement Association
QCA	Qualifications and Curriculum Authority
RNID	The Royal National Institute for Deaf People
RSA	Royal Society of Arts
SAM	Sandwell Advice and Moneylink
SfL	Skills for Life
SVUK	Standards Verification UK
TUC	Trades Union Council
Ufi	University for Industry
WBL	Work Based Learning











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[www.nrdc.org.uk](http://www.nrdc.org.uk)

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NRDC is a consortium of partners led by the Institute of Education, University of London with:

- Lancaster University
- The University of Nottingham
- The University of Sheffield
- East London Pathfinder
- Liverpool Lifelong Learning Partnership

- Basic Skills Agency
- Learning and Skills Development Agency
- LLU+, London South Bank University
- National Institute of Adult Continuing Education
- King's College London
- University of Leeds

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