

# RESPONSE

## APPG ON FINANCIAL EDUCATION FOR YOUNG PEOPLE

## THE IMPACT AND EFFECTIVENESS OF FINANCIAL EDUCATION IN SCHOOLS ACROSS THE UK

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## **About Money Advice Scotland**

Money Advice Scotland is the national umbrella organisation in Scotland which promotes and champions financial inclusion and the development of free, independent, impartial, confidential money advice.

A registered charity, Money Advice Scotland was set up in 1989 and provides the following services to its members:

- Standards and quality framework development
- Qualifications
- Training
- Financial Capability programme
- Research and policy input
- Annual Conference
- Seminars and other events
- Publications
- Consultancy
- Organisational audit

In terms of standards and quality framework development, Money Advice Scotland has been at the forefront of raising standards in Scotland and beyond. The organisation was involved in developing a framework which underpinned the Debt Arrangement Scheme Regulations, and gave assurance that the advice being given to clients was of quality. The framework which was in place until 2011, the casework of which was assessed by competent advisers who were also approved advisers under the Statutory Debt Arrangement scheme. Due to a change in government policy the scheme was changed.

Money Advice Scotland is an approved Centre for the delivery of Scottish Vocational Qualifications in Advice and Guidance. It is currently working with the Institute of Money Advisers in England and Wales and has developed the Scottish version of the Certificate in Money Advice Practice. Money Advice Scotland is also working closely with the Money Advice Service in terms of the development of a national money advice quality framework.

With regard to training of money advisers, the organisation has been using standards to underpin its training for almost 20 years. In more recent times, the Scottish Government in conjunction with the advice sector has developed the Scottish National Standards in Information and Advice (SNS). Money Advice Scotland was a pivotal player in their development. These standards are enshrined in current training and also help shape the Certificate in Money Advice Practice, together with the National Occupational Standards in Advice and Guidance.

Since November 2014, Money Advice Scotland has been responsible for the roll-out of the Scottish Government's Financial Capability programme which administers financial education through a combination of workshops, training and e-learning. The necessity for financial education of individuals experiencing debt problems is recognised in the Bankruptcy and Debt Advice (Scotland) Act 2014.

In January 2015, Money Advice Scotland also launched the Scottish Financial Health Service helpline in collaboration with the Scottish Government.

## **Introduction**

Money Advice Scotland welcomes the opportunity to respond to the inquiry by the APPG on Financial Education into the impact and effectiveness of financial education in schools across the UK.

Financial education is re-emerging on the policy agenda at a time when personal debt continues to climb towards pre-recession peak levels and savings fall to levels not seen since 1963. In this environment, it will be imperative that young people have the skills and knowledge necessary to make the right financial decisions throughout their lives.

An important proviso, however, must be made from the very outset and throughout any discussion of financial education. The decline in savings and rise in debt is not simply a symptom of a lack of education. The Joseph Rowntree Foundation, for example, recently reported that under 35s cited debts including student loans, and high rents as obstacles to saving<sup>1</sup> and these are the realities we must remain mindful of. Whilst the renewed focus on education is to be welcomed, we would urge policymakers to view this as part of a fuller picture of what constitutes a young person's financial wellbeing.

### **1. How does your organisation support financial education for young people, in particular within schools?**

Since November 2014, Money Advice Scotland has been responsible for the roll-out of the Scottish Government's financial capability programme which delivers financial education through a combination of workshops, training sessions and e-learning.

The financial capability project was initially set up in response to the Bankruptcy and Debt Advice (Scotland) Act 2014, where the requirement for a debtor to undertake financial education was enshrined in legislation. The remit of the project was soon expanded, with workshops undertaken for employability programmes and other groups, often dealing with vulnerable young people.

More recently, an increasing focus of its work takes place within schools. The financial capability team have reached out to 62 schools across Scotland in the last six months alone with the sessions normally taking the form of an initial workshop session followed by pupils accessing the e-learning module. The team will then conduct a follow-up visit to check on the progress made by pupils.

Money Advice Scotland has also been working closely with Education Scotland with the intention of making the e-learning module available to all school pupils and teachers across Scotland. The module comprises eight components: budgeting, saving, borrowing, insurances, understanding tax, setting up home, having a baby and redundancy. Learning is designed to be flexible; for example, if someone only wants to know about budgeting they can complete that single module.

### **2. Has the need for young people to understand how to handle money changed over the past four years?**

In recent years, we have witnessed a worrying upwards trend in the debt burden on young people. The latest available statistics from the Office for National Statistics show that from

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<sup>1</sup> Joseph Rowntree Foundation, *Preparing for later life: working longer and saving more*, January 2016

2008 to 2012, the median financial debt for 16-24 year olds increased from £1,540 to £3,000. Neither the ONS or the Bank of England break down lending activity by age, but we know from research by Citizens Advice that young people are also more likely to turn to high cost credit.<sup>2</sup>

The upsurge in young people in debt is perhaps unsurprising given that young people were hit hardest following the financial crisis. Wage growth since the recession has been at its very weakest in the youngest age group and there are now 1.7 million people aged 16-24 in poverty – 400,000 more than a decade ago.

The Institute for Fiscal Studies recently reported that younger people are set to be poorer than their parents at every stage of their lives.<sup>3</sup> This in itself will present challenges and suggests that the current generation of young people will have to make tough decisions about how they handle money throughout their lives. Perhaps it is important to also note that these difficulties may come sooner rather than later, with a generation of young homeowners facing the prospect of a rise in mortgage interest rates for the first time in the near future.

### **3. How effective is current financial education provision in schools across the UK in providing young people with the necessary money management skills required for later life?**

In Scotland, financial education has been part of the national curriculum since 2008. The Curriculum for Excellence sets out four main aspects of financial capability that it commits to developing in young people: understanding, competence, responsibility and enterprise.

A Scottish Government evaluation into the effectiveness of financial education was published in 2009. It is certainly the case that more research will need to be undertaken to measure the effectiveness of financial education in Scotland and across the UK.

Money Advice Scotland is currently collaborating with the Money Advice Service in the pilot of the Common Evaluation Toolkit that is designed to ensure consistency in standards across the sector by measuring the improvement and behavioural changes following financial capability interventions. In future, this resource may prove useful in monitoring the effectiveness of financial education provision undertaken by third-party organisations in schools. It is also worth pointing out, however, that the outcomes of evaluating the effectiveness of financial education may take generations to fully assess given the different types of problems that people will encounter at various life stages.

### **4. What are the most effective and engaging methods of teaching financial education at primary and secondary level that you have been involved in?**

The e-learning feature has been described in feedback from schools as the element that sets our financial capability project apart from other organisations providing similar activities in schools. This is described as providing an engaging and interactive platform which makes the programme more engaging for pupils.

The e-learning module was developed in collaboration with the Scottish Government and can be accessed via our website.<sup>4</sup>

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<sup>2</sup> Citizens Advice Service, *Generation Y turning to high-cost credit*, 16 October 2014

<sup>3</sup> Institute for Fiscal Studies, *The Evolution of Wealth in Great Britain: 2006-08 to 2010-12*, November 2015

<sup>4</sup> <http://www.moneyadvicescotland.org.uk/content/financial-capability-register>

## **5. What impact has the introduction of statutory financial education at secondary level since September 2014 in England had on the amount and impact of teaching in this area?**

No comments.

## **6. How can teachers be best supported in delivering engaging and effective financial education in schools?**

A consistent theme in the discussion of the provision of financial education in schools is that teachers often do not have enough time available alongside existing workloads. In Scotland, the Curriculum for Excellence brings opportunities for financial education given its relevance across disciplines, although concerns have been raised about the implications for teachers' workloads. According to a survey by the Educational Institute of Scotland (EIS), teachers in Scotland are currently working an additional 11 hours each week.<sup>5</sup> In our view, this is where third-party organisations have a valuable role to play.

The Scottish Government's *Evaluation of Financial Education Scottish Primary and Secondary Schools* found that some teachers lack confidence in delivering financial education and welcome any support that was available.<sup>6</sup> The involvement of external organisations – and particularly those with a non-commercial background – is an effective way to offer support to teachers in delivering financial education. Feedback from our workshop sessions indicates that teachers consider third-party interventions to be a valuable supplement to the existing curriculum. The interactive nature of the e-learning modules, in particular, offers an innovative and alternative method to engage with pupils.

## **7. Should primary schools place as much a focus on financial education as secondary schools?**

Research from the Money Advice Service suggests that attitudes to money are already set by the time a child reaches the age of seven.<sup>7</sup> That is not say that this is the best time for intervention, however, and in our experience financial education can be most effective when focused at young people who are about to begin making decisions about their finances. This type of intervention – referred to as 'just in time' – was found to be the most effective method of delivering financial education in a recent academic study.<sup>8</sup>

The Money Advice Service also note that 'interventions tend to be more successful if tailored to the needs of specific groups or individuals, rather than a generalised catch-all.' Our e-learning, for example, is in part based upon specific life events including setting up home and having a baby. Again, these are likely to hold more relevance for secondary school pupils making the transition into young adulthood.

## **8. How do we ensure that all young people – regardless of social, economic or cultural background – leave education with the ability to understand how to budget?**

The introduction of financial education as a compulsory part of the curriculum in Scotland and the other UK nations was an important part of encouraging young people to start

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<sup>5</sup> <http://www.bbc.co.uk/news/uk-scotland-32926585>

<sup>6</sup> Scottish Government, *Evaluation of Financial Education Scottish Primary and Secondary Schools*, 2009

<sup>7</sup> Money Advice Service, *Habit Formation and Learning in Young Children*, 2013

<sup>8</sup> Fernandes, Lynch and Netemeyer, *The Effect of Financial Literacy and Financial Education on Downstream Financial Behaviors*, 2013

thinking about budgeting from an early age. In our view, the natural next step would be to make the involvement of third-party organisations – and particularly non-commercial organisations – more prescriptive in each respective national curriculum. Agencies in the voluntary sector such as Money Advice Scotland have the knowledge and the experienced trainers required to make the delivery of these sessions a success.

In 2014, Money Advice Scotland commissioned research to determine the levels of financial inclusion activity across Scotland. This type of work is also valuable in highlighting the gaps in existing provision, particularly in areas of multiple deprivation, so that financial capability interventions can be targeted more specifically at those who may need it most.

### **9. Do you have suggestions for how government policy could help ensure that all young people leave education financially capable?**

In addition to reinforcing the involvement of third-party organisations in schools, government policy can also support and encourage young people to study to attain qualifications in financial education.

Money Advice Scotland is accredited to deliver the Scottish Qualification Authority's Personal Finance award at SCQF level 4.<sup>9</sup> This award consists of two modules (Money Management and Principles of Money) and provides young people with a more comprehensive understanding of financial capability, covering topics such as the costs of borrowing money and long-term financial planning.

### **10. What is the impact of financial education on later life and ability of young people to fulfil their potential?**

At the Parliamentary launch of the Financial Capability Strategy for Scotland, the success of St Catherine's Primary School in Glasgow was held up as an example of good practice. Pupils at the school held a 'Financial Trade Fortnight' event with the findings showing that the lessons learned by young people went on to influence the behaviours of peers and parents.<sup>10</sup>

As outlined in response to Q3, however, in addition to examples of best practice and other anecdotal evidence, much more work needs to be undertaken to examine the lasting effectiveness of financial education of young people.

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<sup>9</sup> Details of the Personal Finance award can be found here <http://www.sqa.org.uk/sqa/36556.html>

<sup>10</sup> Financial Capability Strategy for Scotland, January 2016