

Improving Financial Literacy

Adele Atkinson, PhD

Policy Analyst

Financial Education and Consumer Protection Unit

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Overview of presentation

- Definitions
- The work of the OECD
- An overview of current approaches to financial education, focusing on:
 - Strategies at a national level
 - Financial education in schools
 - Workplace financial education

Financial education is the process by which

“financial consumers improve their **understanding** of financial products and concepts; and through **information, instruction** and/or objective **advice** develop the **skills** and **confidence** to become more **aware of financial risks and opportunities to make informed choices, to know where to go for help, and take other effective actions** to improve their financial well-being and protection”.

Financial literacy is:

- ‘a combination of **awareness, knowledge, skill, attitude and behaviour** necessary to make sound financial decisions and ultimately achieve individual financial wellbeing.’
- Financial literacy is a complement to adequate consumer protection and sound regulation

The OECD and Financial Education

- International leadership
- G20 mandate: Seoul 2010; Paris 2011 Consumer protection and financial education
- IGFE global clearinghouse sharing resources, data, good practice guidelines
- INFE network of experts from over 80 countries
- Expert subgroups addressing a range of issues and sharing findings at regular meetings
- Secure, members-only online discussion portal

Common Principles; Good Practices

International methodologies on:

- FinLit Measurement – adults and 15 year olds (PISA)
- Evaluation

Dedicated programmes on financial education and:

- Schools
- National strategies
- Financial inclusion
- Women

Studies and research into financial education and:

- Credit
- Saving and investment
- Pensions issues
- Behavioral economics
- Social marketing and communication strategies
- Financial consumer protection

Developing a nationwide approach

A coordinated approach to financial education is possible. It requires a lead organisation to:

- Build **trust** amongst stakeholders (including the public) and providers
- **Research** existing provision: review evaluation literature, identify current activities
- **Collect data** on strengths and weaknesses to identify key policy priorities and target groups
- **Identify financing** and in-kind provision to ensure programme longevity
- **Gather materials**, tools and delivery partners

Some examples

Building trust:

- Organise national and international conferences to create dialogue and share good practice (Canada, Colombia, **Iceland**, Jamaica, Turkey ..)
- Create a cross-stakeholder taskforce to research the issues and make recommendations (Can)
- Combine forces: work on co-ordinated projects to also improve related factors: e.g. financial inclusion (Mexico, India), consumer protection (Russia).
- Identify benefits to consolidation (Ireland, Estonia)

Collecting data

- Use OECD Financial Literacy Survey
- Take part in PISA option
- Create national survey to capture financial literacy (Netherlands, Portugal, UK, Sweden...)
- Consumer complaints data (India, Lebanon...)
- Opinion polls (Czech Republic, Peru...)
- Surveys of providers (Colombia, Malaysia...)
- It is also possible to draw on findings from surveys undertaken in similar countries, or surveys undertaking on related topics, such as wealth or over-indebtedness

Reaching the population

- **Build capacity** - train the trainers
- **Make it fun** – games, edutainment, events
- **Blanket coverage**- websites, social marketing & media based approaches are all widespread
- More **targeted coverage**- schools, workplaces, social groups, health centres..etc etc
- Get into the **rural areas** - roadshows, information buses
- **Incentivise participation**– offer a free drink, provide a mobile bank agency, arrange childcare

Targeted coverage: schools

Financial education is one of many subjects that could be taught in schools. It needs to be promoted amongst key stakeholders.

- Work with the Ministry of Education (NZ, UK)
- Get education ministers/jurisdictions to work together to develop a framework (Aus)
- Survey the school population (UK)
- Identify where it fits into the curriculum to help it become mainstream (UK)

Introducing the subject in school

- Trial and evaluate an education framework (NZ)
- Support teachers trying to integrate financial education into their subject (NZ)
- Try to introduce it progressively as kids move through school (e.g starting as part of maths NI)
- Integrate it, use it to develop cross curricular study (NZ, NI)
- Consider making it compulsory (NI)
- Teachers don't like extra-curricular activities (SA) but can work with external trainers (UK)

Teach training and support

Surveys and evaluations show that teachers are not confident teaching financial education

- Provide comprehensive teacher resources (Can, Aus)
- Provide training online, at conferences, workshops (Can, Japan)
- Train expert consultants to provide tailor made responses (UK)
- Make it part of professional development (UK, Can)
- Draw on experts from financial services (UK, Japan)
- Give teachers case studies and examples (NZ, UK)

Pedagogic Materials

Are there sufficient teaching materials available for schools to integrate financial education successfully?

- Identify and adapt existing materials (Can)
- Get teachers to review materials (SA)
- Align resources with learning outcomes and assessment standards (Can, SA)
- Develop a mark of quality /accreditation (UK)
- Provide the teaching materials for free (Japan)
- Make access straightforward (UK, US websites)

Resources

It is essential to identify diverse funding, to ensure continuity.

- Funding may come from central banks, regulators and other areas of Government (Malaysia, UK)
- Private sector can bring new funds and in-kind support or expertise (which may be easier than trying to divert existing education spending)
- Effective monitoring and standard setting can eliminate (perceived) conflicts of interest (UK, US, Czech Republic)

Evaluate provision

Evaluation is an essential component, looking at:

- Teacher, headteacher and pupil perspectives – identifying barriers to incorporating financial education and effective delivery (Scotland, England)
- Impact on knowledge and attitudes (England)
- Use of financial literacy website (Can)
- Performance before and after a workshop (Malaysia)
- Changes in behaviour (Brazil)

Targeted coverage: workplace

Financial education for **employees**

- **Why?** Groups of staff will have similar needs: e.g. retirement planning, tax preparation, or income smoothing. Some will have financial problems – costing time, reducing productivity
- **What are the benefits?** Reduced stress, behaviour change: increased funds in pension schemes, improved recruitment and retention, more saving for unexpected events
- **How do you deliver it?** Information fairs, regular support, financial planning software

Conclusions

- Financial education is an important complement to consumer protection and regulation.
- There is much good practice that can be drawn on when developing a strategy
- There is an urgent need for more measurement and evaluation evidence

Thank you!

Comments and questions are welcome

adele.atkinson@oecd.org

www.financial-education.org