

Why businesses should seriously consider offering financial education to their staff



[\(/profile/mu-oubs-pufin-16\)](#) [Martin Upton \(/profile/mu-oubs-pufin-16\)](#).

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Helping employees to understand and manage their finances makes good business sense. So why aren't more organisations doing it?

Just how far should businesses go in offering financial education to their staff? The question is increasingly being asked in the wake of the clear evidence about the poor level of financial capability among adults in the UK.

Research undertaken by Second Sight

(<https://www.businesswire.com/news/home/20141007005466/en/SecondSight-Research-Highlights-UK-Companies-Provide-Financial#.VgUrhOuFODY>) found that 67% of the working population receive no financial education from their employers. Only 20% of employees had a coherent financial plan and a third claimed to have only a vague idea about money management. Half of employers surveyed said that their staff had asked for help with financial education.

Further research by the Open University (<http://www.open.ac.uk/business-school-research/pufin/sites/www.open.ac.uk.business-school-research.pufin/files/files/PUFin-FAMR-cfi-response-Dec15.pdf>) has reinforced these findings with 81% of employees surveyed saying they would value workplace personal finance learning, but with only 7% reporting that they received this support from their employer.

Clearly there is a financial education gap that needs filling. But why should this be the responsibility of businesses, particularly as personal finance is now on the school curriculum across the UK?

Changes to our Privacy Policy

We have made some changes to our Privacy Policy in line with the new data privacy laws

Enhancing engagement

One good reason is that offering education to staff is likely to be good for morale in the workplace by enhancing employee engagement. This arises when there is a two-way commitment between employer and employee to what matters to each other.

Supporting employees understanding of their personal finances offers significant benefits at a modest cost to the employer.

Engaging with staff with financial education can be viewed as a logical follow-up to the rolling out of auto-enrolment workplace pensions - with all employers now required to offer such schemes to their staff.

Pensions and savings

With this should come guidance on the schemes offered and on the need for employees to augment their state pensions – particularly with the state pension age increasing. Supplementing pension provision with workplace savings schemes is a logical further development employers should consider.

Additionally, the process of providing guidance on pensions and savings feeds through to other aspects of financial education. Assessing how much income is needed in retirement requires budgeting skills and an understanding of taxation. In effect access to pension schemes and the related pension guidance is a stepping stone to wider financial education.

“ In a difficult economic climate, financial risks to employees increase. Financial education and counselling can help fix such problems early.

Providing financial education is clearly good citizenship but it makes good business sense too. Money worries are one of the most common causes of keeping people awake at night.

Boosting morale and retention

Certainly, financial competence reduces the risk of getting into money problems and is therefore conducive to greater productivity by reducing stress levels.

Research by the University of Warwick

(https://wrap.warwick.ac.uk/63228/7/WRAP_Oswald_681096.pdf) shows that happy employees are 12% more productive than the 'average' employee.

This link between happy staff and successful businesses with growing shareholder value has been supported by research undertaken at the London Business School (<https://voxeu.org/article/employee-satisfaction-and-firm-value>).

There are other potential benefits. Providing financial education is perceived as an employee benefit and can help with employee retention. Additionally, assisting with pension planning will help the transition to retirement of older employees.

This would help with succession planning by providing further options for younger employees that might otherwise not be available given that the compulsory retirement age has been abolished.

Addressing anxieties

Financial education can also reduce risks of employee crime. A frequent factor in theft from employers is employee indebtedness and despair about finding a way out. In a difficult economic climate, financial risks to employees increase.

Financial education and counselling can help fix such problems early. (See also

How employers can help employees improve their credit scores

(<https://www.trainingzone.co.uk/deliver/training/credit-scores-how-employers-can-help-employees-improve-it>)).

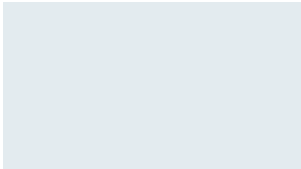
Although most employers do not have the resources and skills to provide financial education there are freely available services to help provide support. The Money Advice Service, Citizens Advice and Age UK provide guidance and simple and easy to use online financial tools.

Good personal finance education is not just about facts and figures, it is about addressing our anxieties, fears, hopes and dreams. Employers should therefore think positively about the social benefits and the business sense of bringing financial education into their workplaces.

Want to learn more about employee finances? Read [How HR can help close the gender savings gap](https://www.trainingzone.co.uk/lead/culture/how-hr-can-help-close-the-gender-savings-gap). (<https://www.trainingzone.co.uk/lead/culture/how-hr-can-help-close-the-gender-savings-gap>)

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About Martin Upton



[\(/profile/mu-oubs-pufin-16\)](/profile/mu-oubs-pufin-16)

Martin Upton is senior lecturer at the [Open University Business School](http://www.open.ac.uk/people/mu2) (<http://www.open.ac.uk/people/mu2>).

Martin Upton and Professor Mark Fenton O’Creevy: The True Potential Centre for the Public Understanding of Finance (True Potential PUFIn) at The Open University Business School. Currently two courses, 'Managing My Money' and 'Managing My Investments' are available on the Open University’s social learning platform OpenLearn, and are regularly presented on FutureLearn.

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