

Issue Briefs

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Family Financial Education

Employer and Workplace-based Financial Education

Financial education programs often target employers and workplaces as a venue to delivering workshops and other programming. While some education is employer-provided, especially related to participation in 401(k) savings and related defined contribution retirement programs, community based education partners may provide services at worksites on a range of topics. This brief describes more recent research on workplace-based financial education delivered by or with community based educators. The goal of this review is to inform educators and encourage dialogue with local partners.

Why Workplace Education?

Employers nationally and in Wisconsin maintain a strong interest in offering some form of financial education to their employees, although there is great diversity in the intensity and format of information delivered.¹ People may especially be motivated to seek information when they first start with an employer, at tax time, periods of pay cuts or layoffs or as part of transitions to a new position or pay raise. Since employees earn paychecks and manage benefits through their employer, workplaces are a logical target for programs to deliver general personal financial content.

When workplace financial programs first began a generation ago, firms were motivated by new employee stock ownership plans, and later by the conversion of retirement plans from defined pensions to defined contribution plans. One motivation for employers for a focus on retirement planning is the fiduciary duty standards of the Employee Retirement Income Security Act (ERISA) and to attempt to promote broad employee participation in retirement plans (hopefully avoiding being viewed as discriminatory under the law).²

Employers may be motivated to provide more than just retirement education, however, using a variety of formats (seminars, informational fairs, one-one counseling and written documents/self-study). Employers may also see value in partnering with local organizations, financial providers, credit unions and other experts on financial topics to deliver information in a cost effective manner. But employers may worry about external providers who are biased to promote financial products or services that are self-serving rather than well-suited to employees. The goal of providing objective, third-party information may motivate some employers to value community-based educational institutions and



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nonprofit organizations. But working with employers requires an understanding of how businesses operate and how education can have positive effects on firms and employees.

What Are the Benefits of Financial Programs for Employers and Employees?

Studies of workplace based retirement education date back a decade or more.³ Early studies found workshops were associated with increased savings in 401(k) retirement plans, especially for lower-paid employees less familiar with retirement planning. The effects of workshops on retirement savings plan participation among higher wage employees is negligible—these employees are already fully-informed and participating or have made deliberate choices not to take part in the firm’s retirement plan. Only formal seminars had an effect; written materials, even high quality materials, had little effect. Workshops may simply focus behavior and help people to take actions they otherwise put off to later. More recent studies show that financial education in the workplace is related to fewer early withdrawals or loans from retirement accounts (in addition to more contributions) as well as financial satisfaction and reduced financial stress.⁴ Further claims are that highly intensive one-on-one counseling on retirement planning and overall financial management have even stronger effects, for example, by increasing the rate at which employees sign up for automatic deposit and annual increases in retirement deferrals.⁵

These studies are often debated, however. The focus on retirement program participation and savings levels may distract from more fundamental planning issues people need to deal with, including budgeting, credit defaults and managing cash flow. Studies often lack control groups or randomized experiments, raising the possibility that highly-motivate people who are destined to engage in positive financial behaviors are the same ones motivated to attend workshops or other programs.

There is some rigorous evidence in the public health literature which supports employer-based interventions, however.⁶ People can be targeted at workplaces, gain knowledge and then be supported to act on that knowledge. More experimental field studies are needed for workplace-based financial education to define the magnitude of effects and

optimal modes of delivery, as well as to rule out contexts and approaches that simply do not work.

Beyond financial outcomes, there are other benefits for employees and employers that may make workplace programs valuable even in the absence of impacts on retirement planning. Several studies describe how employees may show lowered stress levels after getting help in learning how to better manage their finances. This in turn can reduce workplace distractions, missed deadlines and absenteeism. Firms could benefit from reduced conflicts at work and increased worker productivity. People may even have greater job satisfaction and even lower turnover levels related to employers offering services such as financial counseling or education in the workplace.⁷ The evidence of these effects is not robust, yet this remains a compelling narrative for employers to support such services.

How Can Programs Best Be Designed?

Given the still developing stage of research in this field it may be tempting to take a “wait and see” approach to financial education partnerships with employers. Yet this might not be warranted. Many companies have experimented with variations of workshops, seminars, websites and counseling with promising results.⁸ Indeed, a recent report from the UK provides a guide for employers in hopes of encouraging more workplace-based programming.⁹ These experiences and others offer several insights for educators and employer partners:

- Unless the program is mandatory, consider which employees are most and least likely to take part voluntarily. Consider incentives to target groups viewed as primary targets.
- Offering programs on paid time will result in much higher participation rates than programs offered after hours.
- Lunchtime programs can be effective but may work best as a regular “series” of short sessions.
- Online and phone based programs can serve as a follow up to face-to-face sessions, or be used to recruit people for group or one-to-one sessions. Online or blended methods may work well for younger audiences, or those who are highly mobile.
- Employees will often share their experiences—

recruiting more participants by word of mouth.

- Focus on trigger events: promotions, life changes (marriage, divorce, new child), homebuying, retirement, health care coverage choices, tax filing, etc.
- Facilitate taking action: offer immediate opportunities to change benefits or take other actions at the workplace. Otherwise people will procrastinate.
- One size will not fit all. Offer a targeted message to a targeted audience.
- You don't have to be an expert or answer every question. Make referrals or help people to evaluate other sources of information.
- Engage management. Employees will notice who attends and be more likely to attend if the program is well viewed by higher level staff. Programs should not just be for the lowest level employee. Develop "champions" who promote the program internally.
- Exploring different modes of delivering financial education including using technology to follow up after sessions or prepare learners before.
- Don't Recycle. Make sure materials and examples are "fresh" so that employees feel like new content is being delivered each time.
- Be sure to understand the company's motivation: worker financial stress would suggest a more focused approach on credit management and budgeting. Retirement plan participation would suggest a very different set of approaches. Begin with the end in mind.

Conclusions

Employers are often eager to align with community-based financial educators. But workplace based education is different from programming in schools or in public programs. The needs of employees and employers are central, and time and logistics maybe limited. Yet the context or employers has the potential to target people at key times in an efficient manner. Workplaces may provide a core avenue to serving the financial education needs of communities.

End Notes:

1 Research Brief 2013-2.1 Employer-based Financial Education in Wisconsin – Survey Findings http://www.cfs.wisc.edu/briefs/CFS_Research_Brief_2013-2.1.pdf

2 Mandell, Lewis "Financial Education in the Workplace: Motivations, Methods and Barriers" November 2008 | New America Foundation http://www.newamerica.net/publications/policy/financial_education_workplace

3 Bernheim, B. Douglas and Daniel M. Garrett. "The Effects Of Financial Education In The Workplace: Evidence From A Survey Of Households," *Journal of Public Economics*, 2003, v87(7-8, Aug), 1487-1519. <http://www.pfeef.org/research/fle/Evidence-from--Survey-of-Households.pdf>

4 Edmiston, K., Gillett-Fisher, M., & McGrath, M. (2009). *Weighing the Effects of Financial Education in the Workplace*. Kansas City, MO: Federal Reserve Bank of Kansas City. <https://kansascityfed.org/publicat/cap/carwp09-01.pdf>

5 Kadlec, Dan. "Proof That Workplace Financial Education Works" July 19, 2012. <http://business.time.com/2012/07/19/new-evidence-says-workplace-financial-education-effective/>

6 For example, see Morgan, P. J., Collins, C. E., Plotnikoff, R. C., Cook, A. T., Berthon, B., Mitchell, S., & Callister, R. (2011). Efficacy of a workplace-based weight loss program for overweight male shift workers. *Preventive medicine*, 52(5), 317-325. <http://www.ncbi.nlm.nih.gov/pubmed/21300083>

7. Joo, So-hyun and E. Thomas Garman "The Potential Effects of Workplace Financial Education Based on the Relationship between Personal Financial Wellness and Worker Job Productivity" 1998 <http://www.faircreditfoundation.org/files/58.pdf>

8 Arnone, William J. and Dara Duguay "Making financial education work in the workplace: The Citigroup experience" April 2011 *Community Dividend* http://www.minneapolisfed.org/publications_papers/pub_display.cfm?id=4630

9 Cotton, Charles and Janice McNair "Workplace Financial Education" *Chartered Institute of Personnel and Development*, London (UK) August 2012 <http://www.iftdo.net/Articles/Financial.pdf>

Further Resources:

Benefits of Workplace Comprehensive Financial Education - University of Minnesota Extension
<http://www.extension.umn.edu/family/personal-finance/about/benefits/>

Personal Finance Employee Education Foundation (PFEFF) <http://www.personalfinancefoundation.org/>

Workplace Financial Fitness Toolkit- NYSE <https://nyse.nyx.com/education/financial-fitness>

President's Advisory Council on Financial Capability- Workplace Financial Capability Framework <http://www.treasury.gov/resource-center/financial-education/Documents/PACFC%20Financial%20Capability%20at%20Work.pdf>

Evaluating Employer-Provided Financial Education Programs for Pre-Retirees - FINRA Investor Education Foundation <http://www.finrafoundation.org/web/groups/foundation/@foundation/documents/foundation/p124011.pdf>

What Works in the Workplace: Helping Employers Provide Financial Education to Their Staff- FDIC Money Smart <http://www.fdic.gov/consumers/consumer/moneysmart/newsletter/sum2009/stories.html>

Tips for New Programs

1. Focus on Basics: savings, credit management, mortgages, and retirement planning (materials already exist)
2. Target Your Audience: age, education and experience levels
3. Focus on Local Distribution: make use of community resources
4. Time Around Major Financial Decisions: signing up for benefits or tax time
5. Reminders and Follow Up: reinforce content and provide opportunities to take action
6. Focus on Goals: Learners should be asked to set their own goals and asked to report (even anonymously) on progress toward meeting those goals
7. Document Impact: use pre- post- test, as well as follow up surveys and employer-provided information to demonstrate a changes in participant attitudes, knowledge, and actions



The University of Wisconsin-Extension (UWEX) Cooperative Extension's mission extends the knowledge and resources of the University of Wisconsin to people where they live and work. Issue Briefs are an ongoing series of the Family Financial Education Team. This brief was drafted by J. Michael Collins, Assistant Professor in Consumer Finance and Extension State Specialist, Center for Financial Security© 2014 Board of Regents of the University of Wisconsin System.