

East of England Financial Capability and Inclusion Project Briefing 2 – Increasing employability



With funding from the European Social Fund, Citizens Advice in partnership with a network of community providers have been delivering financial capability training across the East of England. Based on our experience and related research, this briefing highlights the importance of integrating financial capability within employment support, including:

- How money problems affect job seeking
- Financial capability as a core employability skill
- Effectiveness in engaging more hard to reach people and changing behaviours
- Impact and relevance across the employment pathway
- Financial benefits for individuals and the local economy

Money problems affect job seeking

Recent research* by The Centre for Responsible Credit identified four key ways in which financial problems can pose a barrier to employment:

- **Distracting people from job search** (less time and energy, increased anxiety, loss of confidence)
- **Constraining job search activity** (limited funds for costs associated with job search – transport, phone calls, postage)
- **Creating disincentives to work** (perception that return to work could affect agreed repayment programmes)
- **Reducing the chances of sustainable employment** (debt problems leading people to work longer hours with consequent impact on their health)

In addition the longer term unemployed often face an additional “poverty premium” caused by their exclusion from mainstream / affordable financial services. (**Out of Work and Out of Money*, May 2010)

Financial capability is a core skill

The 2011/12 Skills Priorities Statement for the East identified financial capability as an essential skill within longer term unemployment support packages alongside literacy, numeracy, basic IT and ESOL. Additionally, financial capability was identified as a priority for interventions that focus on disadvantaged areas and groups.

Definition

A financially capable person can deal effectively and confidently with:

- *Day to day management of their finances*
- *Planning ahead*
- *Selecting appropriate financial products*
- *Seeking financial advice*

AND, has the motivation to manage their finances and effect change.

Financial Exclusion in the East

Research commissioned in 2008 by EEDA covering all six counties of the East of England revealed:

- 205,000 (4%) have no bank account
- 1,293,000 (28%) have no savings account
- 1,332,000 (29%) have no home contents insurance
- 2,184,000 (47%) have no credit card

Financial exclusion was strongly correlated with areas of multiple deprivation, high benefit claimants, migrant workers and tenants in rented accommodation

Did you know?

- *Becoming unemployed increases financial problems by 63% (FSA Paper 79, using 2006 British Household Panel Survey)*
- *People with mental health problems are 5x more likely to experience a debt crisis (MSE Debt and Mental Health, Feb 2011)*
- *4 out of 5 people do not know what benefits and entitlements they can get (Learn Direct poll Feb 2011)*

What training is needed?

Budgeting – *Managing on a limited income and planning a return to work.*

Getting a job - *Understanding tax, NI and payslips*

Banking – *Choosing and opening an account for wages to be paid into*

Credit – *Understanding and comparing the cost of borrowing, including costs related to starting back at work*

Debt – *Understanding priority debts and how to protect against homelessness. Where to go for free advice.*

Saving – *Encouraging a saving habit to support through unexpected change and help increase chances of sustaining employment.*

Engaging more vulnerable groups

This project achieved considerable success in reaching those 'further away' from employment by:

- Delivering training in trusted community settings
- Tailoring learning to individual needs
- Providing accessible information
- Using skilled and financially confident trainers

Of the 930 individuals out of work accessing training:

44% disabled	22% lone parents	28% over 50	15% BAME communities
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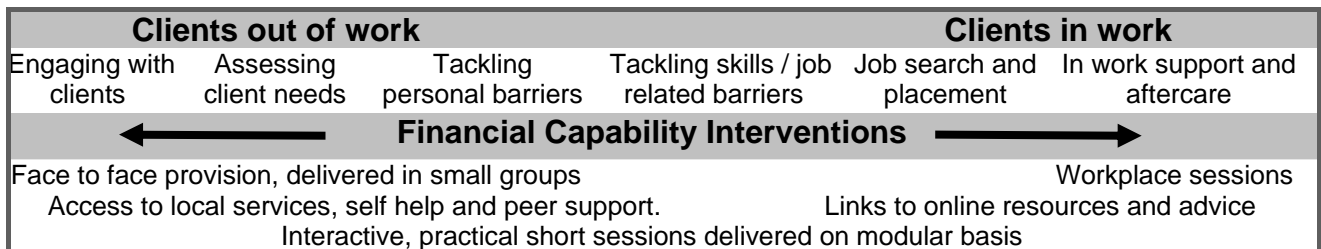
Building confidence / changing behaviours

Follow up interviews with a 10% sample revealed

- *75% had made changes to their money management since attending training*
- *83% said the changes they had made were due to the training*
- *85% said they had experienced reduced stress since attending.*

Financial Capability and the Employment Pathway

Building confidence and motivation to take real action to effect change in your financial circumstances can be a first step to engagement on the employment pathway, but interventions are relevant at all stages:



The economic benefits of financial capability

In addition to improving employability and well being, real gains* can accrue for the individual, e.g.:

- Reducing interest costs through cheaper borrowing
- Shopping around for better energy and insurance deals
- Opening an account and avoiding cheque- cashing fees

*POTENTIAL SAVING PER ANNUM £1000

(from economic impact model developed by Rocket Science March 2011)

This briefing summarises the learning of the partnership of community organisations who delivered financial capability to people out of paid work across the East of England between May 2009 – January 2011. For fuller information about the project go to www.financialskillsforlife.org.uk Projects – East of England

Financial Capability for frontline workers

This was a key and very popular strand of our project, particularly with employment support agencies. Of 590+ workers participating, vast majority said the training helped them offer more timely and confident support for clients and increased their knowledge of local support services including Credit unions and debt advice.