

# CONTRIBUTION TO THORESEN REVIEW OF FINANCIAL ADVICE

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## Introduction

The information below is derived from a recent employee survey and may be of use to the Review. This information is relevant to heading AS5.

### **Q. Who takes up voluntary workplace financial education when it is offered?**

Analysis of 800 employees in a firm with a voluntary programme of financial education (workplace presentations and seminars) finds that there are no significant demographic factors associated with take-up. Sex, age, and income are not generally associated with a higher probability of participating in the financial education programme. However, the highest earners in the study are significantly less likely to participate. **The largest and most significant effect on the propensity to participate is participation in financial education offered by a previous employer.** This implies that once employees have received some financial education they are amenable to further financial education. The challenge is to 'kick-start' them into initial participation in financial education.

### **Q. What do employees think about the financial education they have received?.**

Of those employees who participated in financial education, 31 per cent rated it as 'very useful' and 59 per cent as 'useful'. Only 10 per cent had a negative evaluation of it.

73 per cent say that they would like their employer to provide more financial education.

### **Q. Does workplace financial education influence the type of savings and investments made by employees?**

Respondents were asked whether they had various savings products. The influence of demographic factors and participation in financial education on the probability of having these was assessed. Financial education by a previous employer is associated with a significantly higher probability of having a cash ISA and a personal pension plan but not other products (eg TESSA, shares ISA).

### **Q. Do those who have received workplace financial education rely more (or less) on other sources of financial information and advice?**

Those receiving financial education from their current employer are significantly less likely to rely on friends for financial information and advice (controlling for age, sex, and income).

Those receiving financial education from their current employer are significantly less likely to rely on family members (controls as above).

Those who have received financial education from a previous employer are significantly more likely to make current use of an independent financial advisor. Those currently receiving financial education from their current employer are slightly less likely to use an IFA but this is not statistically significant. This latter result is to be expected: some of those receiving education will see less need to use alternative sources of information and advice, such as IFAs, whilst others will want more advice as a result of their employer education (controls as above).

### **Methodological note**

These findings are based on a random questionnaire survey of employees in three large UK companies during 2005 conducted in conjunction with HBOS Employee Equity Solutions. The primary objective of the survey was to collect information on participation in employee share ownership plans but a component of the questionnaire asked about financial education and advice. The number of respondents was 1820, and the response rate 20.2 per cent. All three companies had some provision for financial education and advice, for some employees. A limitation of the survey is limited information on the character of financial education.

### **Biographical note**

Andrew Pendleton (BA Oxon; PhD Bath) is Professor of Human Resource Management at the University of York Management School. He is an expert on employee share ownership plans, and has published widely on this subject. He was a member of the Inland Revenue Advisory Group that developed recent legislation to promote employee share ownership (Finance Act 2000). He is about to submit a bid to the Economic and Social Research Council for funds to conduct a major survey of workplace financial education.