Financial Capability and Young Workers Report

Royal Bank of Scotland

Contents

Foreword

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At the Royal Bank of Scotland we have been supporting future generations to learn about managing money for more than 24 years, through our MoneySense programme. It's an important role that we, as a bank, take very seriously.

A clear understanding of money, how to manage it and how to use financial services are key to ensuring people are equipped to make the best financial decisions in life.

MoneySense currently runs in more than 90% of secondary schools across Scotland, yet we know that too many young people still reach adulthood without the skills and understanding to manage money and make sound financial decisions. This is then a blocker to budgeting and creates a further barrier to getting on the housing ladder.

If young people miss money management at school, we should ensure we catch them at the next transition: as they enter college, university, an apprenticeship or the workplace.

The expansion of apprenticeships means that more young people have the opportunity to earn and learn, making the workplace an environment in which young people can and should learn how to manage their money well. While we recognise that apprentices can be of all ages, the focus of our report is those aged 16–25. For many in this age bracket, this is the first time they are eligible for overdrafts, loans and credit cards, or able to build a credit rating, rent property and make plans for buying their first home.

Our report highlights that more can be done to ensure our growing apprentice population is equipped not only with technical skills, but with essential life skills, such as financial capability. Our research provides insight into the attitudes, behaviours and ongoing financial challenges young apprentices face as they enter the workplace. Importantly, this report also identifies opportunities for influencing apprentices positively via their workplace. Good advice and support at any stage in life can make a positive difference to an individual's long-term financial future. It is clear from this report that it is essential those starting apprenticeships benefit from such advice.

By the end of this year we will have more than 600 apprentices in posts across RBS, making this report important for us an employer. But our aim is to share this report as widely and freely as possible to help policy makers, employers and training providers recognise and respond to the opportunity we have between us all to provide those on apprenticeships with the skills and understanding of finances that will serve them well in society, in their workplace and for their futures.

Executive summary

Young workers, managing money and financial confidence

Our research identified that financial capability is low among young workers across the UK with managing money regarded as one of apprentices' top three concerns. Almost half (44%) of apprentices say they struggle to keep up with bills and other commitments, with 23% finding it hard to stick to a budget. There are some gender and age differences in financial confidence scores, with young men more likely to feel confident than young women and those aged 18 to 24 less confident than those aged 25 to 34. Over two-thirds (68%) of apprentices are concerned about short-term saving, with 36% worried about saving for a home.

Seeking advice and support

When starting work, 76% of respondents said they sought some help or advice from friends and family, with 47% turning to them for advice on taking out a loan or credit card. They are the most popular source of support, followed by banks (34%), social media (29%) and online (26%). Given relatively low levels of financial capability across the UK population as a whole, and with very few households talking about money at home, this dependence on the advice of family and friends could be a cause for concern. Access to consistent quality advice at key life stages is therefore very important, as poor financial decisions can have a long-lasting impact.

Alternative sources that young workers access for advice and information include colleges and universities. Apprentices will attend these establishments as part of their training. If these young workers have not received financial education at school, the delivery of financial capability in a post-16 setting becomes even more important. At this stage apprentices require support in preparing for work, as well as understanding their rights and responsibilities as an employee. Crucially this will include knowing how much they should be paid for their apprenticeship level, as evidence suggests that some apprentices are not receiving what they are entitled to.

The employer's role in improving young workers' financial management skills

Our research has highlighted a number of important issues, including the vital role that employers and the workplace play in supporting young adults to develop effective financial management strategies as they enter the workplace for the first time. The majority (90%) of employers in our survey agree they should play some role in their employees' money management skills, with 57% of employers stating they have a key role to play as it is 'the right thing to do'. Over half of employers (55%) say they have come across young workers or apprentices in financial difficulty, while 45% of employers say employees have approached them having experienced financial difficulty. The root causes of financial difficulty can be complex, but in simple terms it often boils down to two key issues – poor financial skills and knowledge or low levels of income. It is therefore vital that employers are aware of the correct levels of pay for apprentices, in order to ensure that these young employees are not financially disadvantaged.

The role of further and higher education, training providers, employers and policymakers

Therefore, there is a need for post-16 providers, universities and employers to consider how they can learn from and adopt best practice (as laid out in a series of employer focus boxes throughout this report), in order to provide effective financial capability training during citizenship, induction and apprenticeship training programmes.

The role of training providers in delivering financial management training would particularly benefit smaller employers, who report being less likely (66%) than larger employers (87%) to be successful at supporting young employees with financial management. In addition, this report highlights how the Scottish Apprenticeships Advisory Board Frameworks and Standards Group (employers working together to design apprenticeship standards for their sector), policymakers and those with responsibility for developing the curriculum for and regulating the introduction of apprenticeship frameworks and standards could and should embed financial capability within their frameworks.

Apprenticeships and financial capability – an opportunity?

The Scottish Government target of 30,000 apprenticeships by 2020 has put apprenticeships at the heart of the debate on productivity, skills, education and training.

Just as apprenticeships are seen as crucial to the future of the Scottish economy, so is the discussion of the importance of improving financial capability across Scotland. The transition into work has been identified by others as offering an opportunity for young workers to learn vital life skills that can contribute to improving their productivity at work.

The Money Advice Service (MAS) Young Adults Steering Group, part of the MAS Financial Capability Strategy, has identified the transition from school to college or university; from living at home to independent living; and from job seeking into a first job as key teachable moments for these young workers to learn financial management skills. However, despite positive steps to include financial capability training in to the Curriculum for Excellence, many of the young workers entering the workplace today may not have received financial education at home or school, which is where positive, lifelong financial habits need to begin.

90% of employers agree they should play a role in employee money management

Our recommendations

The Royal Bank of Scotland is a member of the MAS Young Adults Steering Group and this report recommends ways to enhance the financial capability of apprentices across the UK. Assisting them with financial capability helps employees help themselves to become financially fit and resilient. It can also improve physical and mental wellbeing. This in turn can increase productivity and therefore have a positive impact on business output and contribute to the UK economy.

1. Financial capability support, training and education should be delivered across all post-16 settings, via colleges, training providers and universities.
2. Employers should include financial capability training and support as part of their employee induction process.
3. Financial capability training could become a core skill within the Scottish apprenticeship framework or offered as an optional enhancement to Scottish apprenticeships.
4. Government and business groups should proactively communicate apprentice pay rules to employers, with training providers supporting apprentices to understand their rights and responsibilities with regard to apprenticeship pay.

Key findings on financial capability and young workers

As they enter the workplace for the first time, many young adults are already experiencing financial difficulties. While some will have benefited from financial capability training at home or school, others are entering the workplace with little or no financial resilience or confidence. But help is at hand, as more employers recognise the wellbeing and productivity benefits of stronger personal financial skills among their employees.

Young workers and money

It is clear from existing research that young people face considerable financial challenges as they reach adulthood and enter the workplace. They are often managing finances from student loans or other income while studying and find themselves as inexperienced and unconfident consumers of financial products, paying household bills for the first time.

Our study supports the findings of previous reports, highlighting that despite being able to earn and learn at the same time, young apprentices are not immune from the pressures faced by other young adults.

Our report identifies several factors, other than age and experience, that affect young workers' financial confidence. Confidence and skill varies by their gender and depends on the sector they are employed in. Young men are more likely to be confident than young women, while those aged 18 to 24 are less confident than those aged 25 to 34. Young women demonstrate better financial management skills than young men. Young workers in financial services or construction are more positive about their skills than those working in public services and social work.

One concern identified is that students and apprentices are more likely to find it difficult to stick to a budget, highlighting the challenges of managing on low incomes or budgeting habits that have yet to be formed. Almost a quarter (23%) of apprentices (compared to a national population average of 17%) admit to finding it tough to stick to a budget, with 12% admitting they struggle to keep on top of their income and outgoings every month (against a national population average of 8%).

As one respondent explained, 'Because we have some debt, we are finding it hard to get the right balance between paying off debt, paying bills and eating well… the debts are going down slowly. I'm also aware that we need to find a way to save a little for emergencies.'

Apprentices are also the most likely to struggle to keep up with financial commitments, with 44% agreeing with the statement that, while they are keeping up with all bills and commitments, it is a constant struggle (national population average 33%). A number of statements show the pressure apprentices experience, with one claiming, 'I always make wrong decisions and it ends up worse.' Meanwhile, another said simply, 'I have less income than expenses.'

Where do they turn for help and advice?

Apprentices will have the same goals and plans, making starting their career or higher education a prime teachable moment for a money management intervention from family, friends and other influencers. At the point young adults start their first job, they are seeking support in a number of key financial areas, such as budgeting, saving for the short term, and moving out of the family home – either into rented accommodation or to buy a first home.

When starting an apprenticeship 69% of respondents say they sought help or advice, with friends and family the most popular source of support (47%), followed by financial services (34%), social media and online (29% and 26% respectively).

The timing of advice and support is vital. Six out of ten apprentices said they needed most support in the year leading up to starting an apprenticeship, which shows the need for financial education at home, school and in other post-16 settings.

While financial education was introduced as part of the Curriculum for Excellence in 2010, there remains an opportunity for young adults to gain or further these vital skills in post-16 settings and beyond. For many the transition to work provides the first opportunity to experience financial independence, and decisions made based on poor information or a lack of understanding can have long-lasting implications.

Recommendation 1: Financial capability support, training and education should be delivered across all post-16 settings, via colleges, training providers and universities

Colleges and universities already work in a broad, holistic sense to help young adults mature once they have left school and before they enter the labour market. This is what makes them effective potential influencers of financial capability at this stage. They can also have a positive impact through their role as a training provider. When starting an apprenticeship, many young adults who have not achieved a maths qualification at school are taught numeracy as part of the core skills element of their training. This doesn't, at the moment, include a focus on financial management, but it is a prime opportunity to do so.

Help from the Royal Bank of Scotland

MoneySense from the Royal Bank of Scotland is a free and impartial financial education programme for 5–18-year-olds. MoneySense has helped more than 6 million young people learn about money over the last 24 years.

MoneySense equips and prepares young people for real life by helping them to develop the skills, knowledge, behaviours and confidence needed to manage their own money.

Easy to use, interactive and fun, MoneySense teaches young people about managing finances in a way that's relevant to their lives. Money management is an essential life skill which can have positive outcomes for communities and wider society, as well as the young people themselves.

Our resources for young people work on developing their confidence to use money responsibly and take control of their future, including topics on how to keep finances secure, understanding financial risks and rewards, saving, investing and borrowing.

Further help and information is available online at The Royal Bank of Scotland's Life Moments. This includes specific sections on preparing for student life, living away from home and banking and budgeting.

Recommendation 2: Employers, as a minimum, should include financial capability training and support as a standard part of their employee induction process

Employers' view – supporting young workers with financial management

The vast majority (90%) of employers in our survey agree they should play some role in their employees' money management skills, with 57% of employers feeling they have a key role to play. Their view varies depending on size of business, with 71% of those in companies with more than 250 employees thinking they play a key role (this number drops in smaller companies, with 55% of those with 50 to 249 employees and 45% of those with fewer than 50 employees agreeing).

When asked why they should invest in young workers' financial management skills, anecdotal feedback included that they should have a duty of care to their employees; that 'it encourages employees to feel that their employer takes a proactive role'; and that 'this matters because most apprenticeships are offered to younger people with less experience of managing money'.

Employers state that responsibility for assisting young adults with their financial capability also lies with a number of people, with 43% agreeing schools should contribute. Just over a third (34%) think the banks play a key part.

Employers can, and many do, play a role in helping young adults become more financially mature and confident. However, provision needs to be a consistent and collaborative effort, starting with financial education at home, through to school, further education and into the workplace. And it also needs to be supplemented by other trustworthy and credible sources, such as the Money Adice Service (or the new Single Financial Guidance Body from Autumn 2018).

How can employers provide support with financial management?

A key finding from the 2017 study by the Chartered Institute of Personnel and Development, *Financial Well-Being: The Employee View*, was that 'any financial wellbeing programme should consider the needs of young employees earning less than £25,000 who have recently started employment'. This supports the findings from this research that any financial capability programme must consider the needs of young workers.

Some employers, such as Starbucks and Scottish Rugby (both featured in this report) have begun to consider how this can be achieved and have developed schemes, either at induction or as part of ongoing professional development, to teach employees about the basics of money management.

Both agree that they take the time to listen and to provide support and help, and do all they can to help, including sorting out money problems. Another employer with a good record in this area is Capgemini, which is combining data, technology and behavioural economics to nudge its employees to develop positive habits.

The more employers that offer these schemes at the start and throughout an apprenticeship and subsequent career, the better the opportunity for them to learn this important life skill. What is now clear is that a range or mix of interventions, targeting specific challenges that young employees face throughout their career, will ensure good financial management skills are embedded for the short, medium and long term.

Employer focus: Starbucks

Around 50% of employees at Starbucks (known within the business as partners) are under 25. All partners are paid at least the National Living Wage, whether they're an apprentice, trainee or barista. In an industry with high employee turnover rates, Starbucks has developed a range of financial capability interventions tailored to their partners' needs.

This includes English and Maths qualifications for partners, with the vast majority of its apprentices undertaking English and Maths qualifications as part of their apprenticeship.

At the start of 2018, in partnership with the Money Advice Service and Starbucks' Global Academy platform host, the Arizona State University, free financial education resources were made available, enabling partners to access free money resources and tools to help with their money management and future planning.

Home Sweet Loan was the first scheme of its kind by a private company in the UK, developed in partnership with Shelter and Generation Rent and launched in September 2015. The scheme enables partners to receive a contribution towards a rental deposit in the form of an interest-free loan. The loan is paid back over 12 months and aims to help partners, particularly those under 25, to cope with living costs.

When it comes to more long-term financial support, eligible partners are granted Bean Stock restricted stock units (RSUs), which turn into shares of Starbucks stock over two years. This is available to partners, including apprentices, continuously employed during the vesting period.

Working in partnership

Smaller employers (both SMEs and sole traders) felt less able or well equipped to support employees with their finances and were the least likely to report that they were doing this effectively. Only 66% of firms with fewer than 50 employees reported being successful at it, compared with 87% of organisations employing 50–249 individuals and 88% for those employing over 250 staff.

But there are schemes available for small firms, who could signpost young workers to existing support (such as the Money Advice Service or the Royal Bank of Scotland Life Moments) as well as encouraging peer-to-peer mentoring between employees or external 'buddies'. Third-sector initiatives, such as Young Scot's Save Study Spend programme, have also been developed. Additionally, apprentice training providers could facilitate the provision of this much-needed training, removing the burden from SMEs (see our Recommendation 1).

'It is great to see young people learning the basics of money management'

Case Study: Young Scot Save Study Spend

SaveStudySpend was a Scotland-wide, student-led investigation funded by the Money Advice Service and delivered by Young Scot to identify what financial capability support currently exists for further and higher education students. This co-design project ran from early 2017 to March 2018 with a Student Investigation Panel (SIP) central to all aspects including planning, delivery and evaluation. Young Scot's co-design process involves young people systematically creating, designing and delivering solutions, which has a radical impact on service innovation. The SIP was a group of students aged 17 to 23 from across Scotland who researched what financial capability support services exist, explored how these could be improved, identified gaps and created ideas, solutions and recommendations to address them.

The SIP's initial ideas were tested with 80 students from North East Scotland College, exploring how students from different backgrounds use the support, as well as validating new ideas. SIP then tailored the ideas and recommendations, ensuring they were relevant and appropriate for a wide audience.

The SIP identified five key themes in addressing these issues, with recommendations for each: services and information; food and socialising; mental health; bills and livings costs; and low-income students. They also identified overall recommendations to address the barriers and gaps identified.

1. Clearer financial capability information that is promoted to students effectively.
2. Provide a minimum standard of financial capability support across Scotland.
3. Instant access to jargon-free support online and face-to-face.
4. Flexibility and sensitivity in the financial support system.
5. Provide advice on how to manage their money for the future and day to day.
6. Financial capability support focussed on the need of the individual.
7. Information and support to help with managing with rent, bills and other associated living costs.
8. Low-income students made aware of the specific support available to them as individuals.

Three ideas were developed from the SIP's recommendations:

1. Myth busters – short videos which aim to 'bust the myths' surrounding financial capability.
2. Personal record for each student – a personal database record for students which would record all relevant information and circumstances of the individual students to enable better support.
3. Financial capability workshops delivered at universities and colleges throughout Scotland.

The SIP members had an improved understanding of financial capability and a clear understanding of the use and provision of financial capability services in Scotland. They developed new skills and the opportunity to generate ideas and solutions that reflect the reality of young people's experience. 'As students we need all the support we can get and knowing where you can get it or who can help you is really important' (SIP member).

The SIP developed these solutions and recommendations, as services they would make use of, ensuring they are relevant and attuned to the needs of students. Although the target audience of 16+ students in Scotland can mean competing with other commitments and priorities, these ideas are designed to fit in with their current lives, building an awareness of services, improving services and allowing students to make the most of the opportunities available to them.

Employer focus: Scottish Rugby

Scottish Rugby is committed to supporting their 113 professional players on and off the pitch. Through the game of rugby and the experience of being a part of a global sport, players have varied opportunities to develop valuable skills that are transferable into many walks of life.

Rugby for Life is a Scottish Rugby programme designed to help players transition through the various stages of their career. This includes supporting them as they join the Academy, progress to a professional contract, through injury and the challenges of being a professional athlete, and through to their next career when playing professional rugby is no longer an option.

During the 2017/18 rugby season, Scottish Rugby had a clear focus on supporting young players develop skills and competencies which would help them transfer into the professional game – or towards another career, should they not be successful in gaining a professional contract*. The Academy players are aged 17–24 – an important stage in their lives to learn about managing their own finances. When the players move into the professional game their annual earnings can potentially more than double overnight. In every elite sport, a professional sporting career can be short lived, particularly should a player become injured. Therefore, Scottish Rugby were keen to develop the financial awareness of their young players to help them make sensible financial decisions now and in the future.

In conjunction with the Rugby for Life programme, Academy players attended the Royal Bank of Scotland Money and Me workshop. This aimed to help the players reflect on their own values and how these impact their spending and saving, along with exploring the impact money has on their community and their attitude to risk.

The feedback has been extremely positive from the players. They enjoyed how interactive the day was and appreciated that it made them think about their finances in a fun and engaging way. A few months on from the workshop, Academy player Dan York stated, 'I'm a spender, but I am definitely saving more and putting money away now.' George Taylor, who has since signed his first professional contract with Edinburgh Rugby, commented, 'The part of the day that stuck with me the most was about taking risks. Ever since the workshop I have been more careful with my money when spending it. I have taken into account the benefits and precautions of spending and only spent if I really need to. The workshop made me think more about the purchases I made and if spending that money was really going to affect me.'

George is also a young entrepreneur and was able to use the workshop to build contacts to help his business, saying 'the staff were also interested in what we were doing outside of rugby and offered help where they could'.

**Over the last nine seasons, around 67% of Scottish Rugby Stage 3 Academy players have graduated to professional contracts.*

Key findings at a glance

Financial concerns

23% of apprentices find it difficult to keep to a budget (national average 17%).

12% of apprentices struggle to keep on top of money each month (national average 8%).

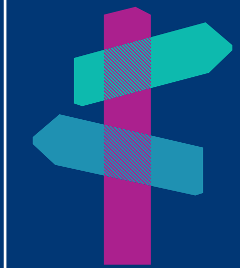
68% of students are concerned about saving for the short term (68% apprentices, 71% young workers).

Retirement is a concern for **42%** of young workers, while saving for a first home is a worry for 44% of young workers and 36% of apprentices.

Taking a loan or credit card

47%
of young adults turn to friends and family before taking out a loan or credit card.

Starting an apprenticeship



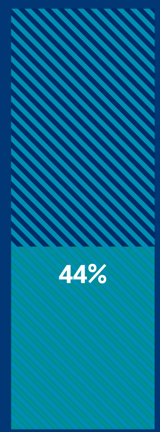
69% of apprentices seek help before starting (34% turn to friends and family, 29% social media, and 26% online).

60% seek support in the year leading up to work.

3rd **biggest** concern when starting an apprenticeship is 'managing money'.

Financial attitudes and behaviors

44%
of apprentices admitted that they struggle to keep up with financial commitments.



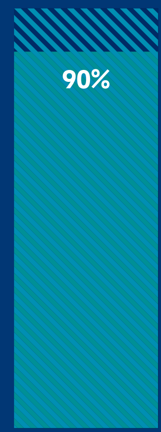
Home sweet home

76%
of young adults (against a national average of 64%) turn to friends and family for help and information before moving into rented accommodation.

48%
of young adults turn to banks for help with a mortgage.

Who plays a role?

90%
of employers agree they have a role to play in helping improve their employees' money management skills.

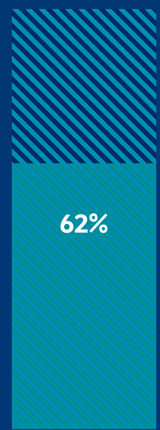


Why should employers help employees with money?

57% believe that:

- it is the right thing to do
- younger employees have less experience of managing money
- it gives the right impression to employees.

With whom does responsibility lie for teaching financial capability?



71%
the employees' responsibility
57% employers
43% schools
34% banks

62%
of large employers (with 250+ employees) feel that families and friends have a major role to play, versus **39%** of companies with fewer than 50 employees.

Staff experiencing difficulties

55%
have come across young workers or apprentices in financial difficulty.

45%
say employees have approached them having experienced financial difficulty.

Methodology

This report is based on qualitative research commissioned by the Royal Bank of Scotland to understand the financial attitude and behaviours of young workers and the view of employers towards financial capability at work.

BDRC was commissioned to conduct the research and started with an online survey among 1,419 UK consumers and 100 UK employers in early October 2017. The average survey length was 11 minutes.

The firm conducted a further 910 interviews with a national representative sample of UK adults of working age, with boosts to include 449 young workers, 124 apprentices and 224 students.

This report compares results among these groups to those of the national representative population to better understand the behaviours, attitudes and needs of these audiences.

The bigger picture requires policy change

While apprentices and employers can take responsibility for improving financial capability, there is also a major role for fresh thinking on the policy that sets the context for individual action.

Recommendation 3: Financial capability training could be become a core skill within the Scottish apprenticeship framework or offered as an optional enhancement to Scottish apprenticeships.

The role of policymakers

This report identifies that further and higher education establishments and employers have an important role to play in the financial education of young people, including apprentices.

Training needs to be seen as a priority and should meet an agreed standard. At present there is no requirement on those designing or delivering apprenticeships to include any financial capability training or support.

As new apprenticeship frameworks are being developed, and previous ones being reviewed and renewed, there is an opportunity for the Scottish Ministers and employers' groups to include financial management alongside numeracy as a core skill in the Scottish apprenticeships frameworks.

The UCL/Sutton Trust report, *Better Apprenticeships*, identifies that 'good quality apprenticeships lead to improved employment and pay prospects, and enable apprentices to progress further in their careers and education', and recommends that 'apprenticeships should all be of good quality and give apprentices the expertise and capability to adapt to changes in the labour market, rather than merely the accreditation of current skills'.

Our research supports the assertion that the right set of skills, knowledge and behaviors are key to financial resilience. This can result in positive social outcomes for apprentices, particularly those from more disadvantaged backgrounds. It is also clear that employees with lower financial stress and improved wellbeing are more productive. The same is true for apprentices. If apprentices are to deliver the most they can for Scotland and live up to the expectations of a broad range of policymakers, it is important they are well prepared for working life.

Managing questions about pay

While providing apprentices and young workers with skills to manage their money is key to improving financial capability, for those that state that they don't have enough income to cover their outgoings, ensuring they are receiving the right levels of pay is equally important. In their report *Apprentice Pay: Sticking to the Rules*, the Learning and Work Institute recommends that employers and training providers take greater responsibility in ensuring awareness of the rules and how entitlements change through the apprenticeship. Its findings show a minority of employers are unsure of the rules – 22% of employers had not heard of the Minimum Wage for apprentices and 41% did not know minimum pay for apprentices aged over 19 increases in the second year of their apprenticeship.

In Scotland, work is currently being delivered by Skills Development Scotland (SDS) to ensure that apprentices are aware of their wage entitlement. From October 2018, they will be writing to all apprentices who started in the financial year 2018/19 and onwards, to ensure they know where they go to get information about advice and pay. This is clearly a positive move as helping apprentices understand their rights, responsibilities and the ability to deal with workplace challenges are important life skills that all employees need to learn, and they will need workplace advocates to support them.

Only then can young workers feel able to make key decisions about their financial future, including saving for a pension.

Apprentice case study

Natasha Gill is a graduate in the Royal Bank of Scotland HR policy and proposition team, and when the opportunity came up to participate in and facilitate financial wellbeing workshops for colleagues and community organisations, she was keen to get involved as it was a side of wellbeing she hadn't explored in her role.

'A few months on and my relationship with money has changed. Firstly, I have undergone a 'Financial Health Check'; changed my big monthly outgoings to come out on payday; consolidated my accounts into one easy-to-use Royal Bank of Scotland Reward account; opened a savings account and a Help to Buy ISA into which I pay monthly installments. Through the banking app, I am able to see how much money I have left at the end of the month and transfer any surplus into my savings account. I've begun saving and it seems effortless.

'The workshop didn't tell me what I should and shouldn't do, but it did challenge my old financial habits. It forced me to consider what money I have, what I spend and what I could save, letting me plan better for my future. I'm now thinking about my pension and retirement and, once I've bought my house, where my Help to Buy monthly Direct Debit will go instead.'

Recommendation 4: Both employers and young workers must be made aware of the right levels of pay for apprenticeships, with young workers given additional support in the workplace to understand their rights and responsibilities and ensure they receive the correct level of pay.

Why invest in young workers' financial capability?

While it might seem that setting up some form of financial capability training for apprentices will mean additional expense for many businesses, in fact not only is it the right thing to do, it is also an investment that can pay dividends in a surprisingly short time.

The impact on business and employee wellbeing

Most employers in our survey recognise that apprentices are younger and have less financial experience. Over half of employers (55%) say they have come across young workers or apprentices in financial difficulty, while 45% report that employees have approached them with financial difficulty. When one considers the impact of employee financial stress on business, with £121bn and 18 million working hours in time off each year, the business benefits speak for themselves.

In its report, *Financial Well-being in the Workplace: A Way Forward*, produced for HM Treasury and the Financial Conduct Authority, the Financial Advice Working Group concluded that not only do employees need help with financial wellbeing, but there is also a clear link between wellbeing and employee productivity.

There is a clear link between financial wellbeing and productivity

This point is supported by our research, with employers identifying that helping all young workers better manage their finances and develop financial capability helped boost productivity and employee wellbeing, added skills to employees' work and resulted in higher levels of staff retention.

'They remain at a company longer and are more productive knowing that they are financially secure,' said one respondent. 'Because if they manage their money they won't drop out halfway through.'

Among employers who appear most willing to help, the reasons are driven by hard business benefits and softer reasons (because it is the right thing to do or because it is good for the organisation's reputation among young staff). The research also found most employers understand this link and are willing to do more to help employees, but need guidance on what they can do.

At The Royal Bank of Scotland, we work with corporate clients to understand employees' financial capability needs. At Holt's Military Banking, our partnership with the Ministry of Defence ensures young customers are developing savings habits that last a lifetime (see Holt's case study on page 17).

Holt's Military Banking

RBS Holt's Military Banking has been an official agent to the military since 1809. The bank has a long history of serving the needs of the UK's armed service personnel and holds accounts for most Army regiments, as well as Navy ships and RAF stations.

Holt's aims to provide a financial awareness service for junior soldiers and officer cadets through to the most senior serving officers and veterans.

It works closely with the military in order to understand the impact military life has on everyday banking. This relationship includes an 'introduction to finances' presentation to recruits at the Harrogate Army Development College during their induction and to officer cadets at the Royal Military Academy Sandhurst.

Sessions cover financial awareness, fraud and security and the merits of savings, and allow the opportunity to open a savings account. Officer cadets and recruits are supported by a weekly visit from a Holt's representative available to conduct Financial Health Checks and answer questions. If agreed with the customer, a regular amount called an allotment is deposited from their salary each month by the Ministry of Defence.

Customer analysis has shown young Holt's customers are more engaged in savings accounts than the equivalent bank population; 58% of customers who opened savings account currently have £100 deposited and 39% have increased their savings in the last two months.

Anecdotal evidence has shown that some recruits increase their savings amount each month, above the level deposited for them by the Ministry of Defence.

Conclusion

As this report demonstrates, the financial capability of young workers, and in particular apprentices, is important on many levels. We believe that enhanced financial capability could make an important contribution to improving the social mobility and wider prospects of young apprentices and workers from more disadvantaged backgrounds.

Financial capability contributes to improved workplace retention and employee wellbeing, resulting in reduced workplace stress and improvements in business productivity. And for apprentices, financial wellbeing can be a significant contributory factor determining whether they complete their apprenticeship.

This report has made a number of recommendations for further and higher education establishments, training providers, employers and policymakers and it is important that they all play a part. It is only through the collective impact of these key influencers that we can bring about significant, sustainable change in young workers' ability to manage money throughout their lives.

Sources and further reading

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- *Young Adults' Financial Capability,* University of Edinburgh/Money Advice Service, August 2016
- *Borrowed Years – Young People, Credit Debt,* Money Advice Trust, August 2016
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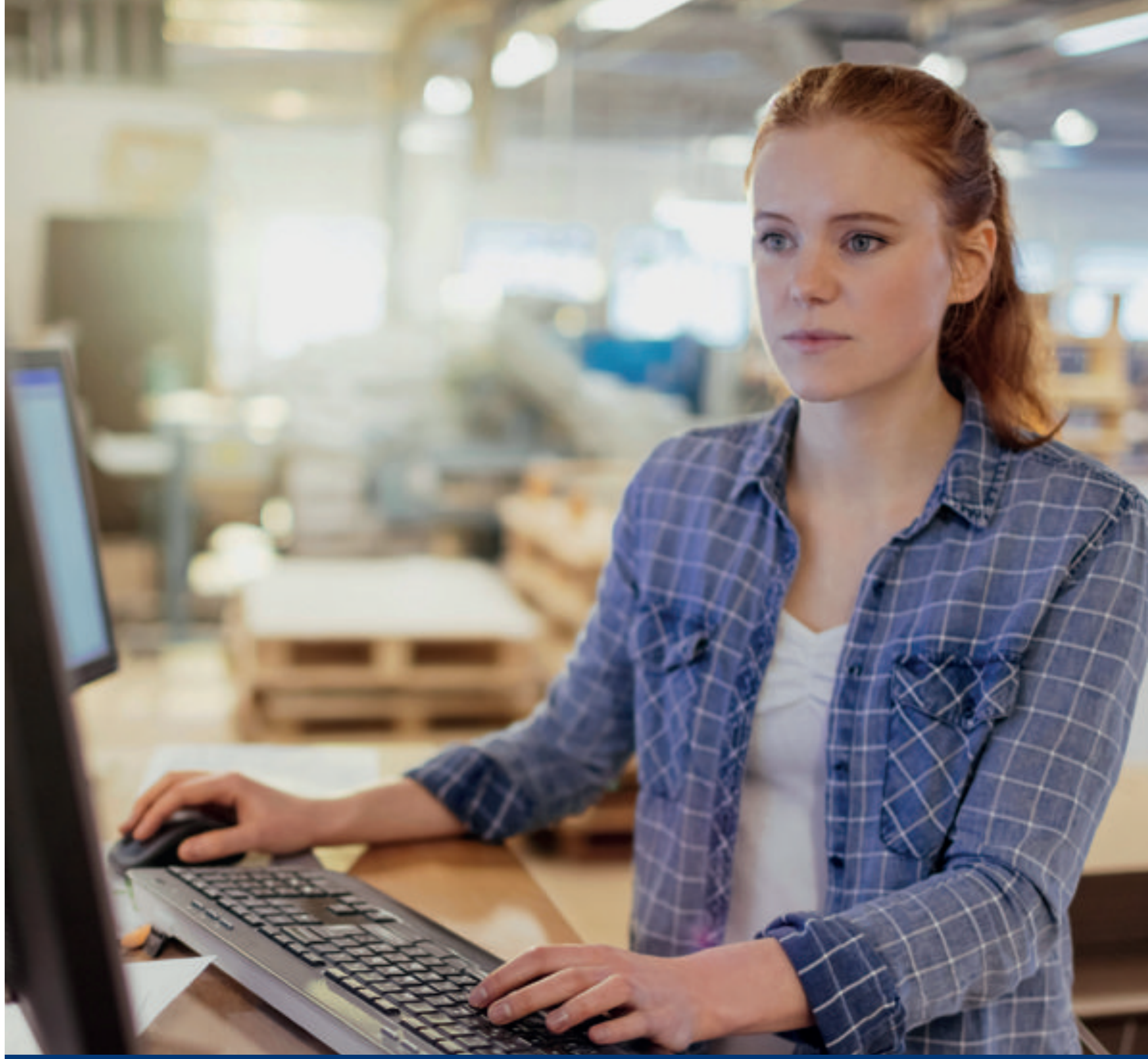

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