

NEETs Inquiry: Response to consultation for the Inquiry into young people not in education, employment or training

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Contents

1	Introduction to MyBnk and Report Themes	3
2	MyBnk's History and Aims.....	4
3	Why we support Financial Education.....	5
4	Our involvement at the Pre-NEET stage.....	7
5	Our involvement with NEETs.....	8
6	Our Research.....	9
7	Recommendations	11
8	The Wider Impact of Financial Education	12
9	Conclusion	13



1 Introduction to MyBnk and Report Themes

- I. MyBnk is an award-winning UK educational charity which has reached 20,000 young people over the last three years, working with fifty schools, colleges and youth clubs across London and South East England.
- II. This report will begin by outlining the work of the organisation. We will then detail the experience we possess in dealing with young adults, including NEETs (those Not in Education, Employment or Training), through the provision of our finance and enterprise programmes. The report will then go on to explain MyBnk's aims, outline the current state of financial education provision on offer to NEETs and present the findings of a recent qualitative survey we conducted on the relationship that young people have with money.
- III. At this point we believe it is important to differentiate our work on the subject of NEETS into three main areas; Pre-NEETs, NEETs and NEETs employment. This document will focus primarily on Pre-NEETs and NEETs. After we have established our approach in each area, we explore the isolating effects that a lack of financial capability can have on young people particularly between the ages of 16 and 18 as they make the transition between leaving school and independent living.
- IV. We will then put forward a number of recommendations that we hope that The Children, Schools and Families Committee will consider during their inquiry. We hope that the ideas we suggest at this juncture demonstrate the importance of financial education provision not just within the curriculum but as part of a wider agenda.
- V. Although the government has taken some steps to addressing this issue through one of the five core outcomes to the "Every Child Matters" structure and refining the PSHE curriculum we will argue that more needs to be done in this area.

VI. Finally, we will cite the Thoresen Review as an example of quantifying the macroeconomic benefits of improving the financial capability of all citizens and not just NEETs. The wider impact and implications of our recommendations on financial education such as improvements in social mobility and positive contributions to national finances will be covered further and substantiated in this section. This will mark the conclusion to this report.

2 MyBnk's History and Aims

- VII. MyBnk was founded by Lily Lapenna in January 2007. She was inspired by her work in Bangladesh, where she found that finance and enterprise education could empower young people, giving them greater control over their lives and the realisation of their ambitions. Following the initial successes of MyBnk, which has continued to reach more and more young people, she was awarded the New Statesman Young Social Entrepreneur of the Year Award in 2008.
- VIII. The aim of our organisation is to enable young people to build the knowledge, skills and confidence necessary in order to become financially capable and manage money effectively. We achieve this by empowering young people to approach money management issues with the confidence. You can access further information regarding the workshops and assemblies that we deliver via our website¹.
- IX. In March 2008, a MoneySense Research Panel Report stated that 90% of British adults have never been taught how to manage their money. Given this startling figure, one can understand the importance of informing the next generation about the perils of debt. Ensuring that all young people become financially capable is integral to preventing a repeat of the financial crash and we believe that

¹ www.mybnk.org

momentum is building behind creating a new generation of informed financial consumers. Furthermore, we feel financial capability also has the potential to play a much broader role in helping governments to build economic stability in the future.

3 Why we support Financial Education

- X. Earlier this year, MyBnk conducted qualitative research in the Brighton & Hove region of South East England in conjunction with The Aldridge Foundation, a charity that uses education and entrepreneurship to improve the lives of disadvantaged young people and the communities in which they live. Details of this report can be found on the Aldridge Foundation website².
- XI. The objective was to find out more about financial education needs in the area and initiate discussion on how to tackle these needs for the benefit of young people. One of the most powerful findings of this study was that many older participants stated explicitly that if they had possessed the skills necessary to manage their personal finances when they were younger, it would have encouraged them to aspire to greater educational goals. Some people even went as far as saying that they would have gone to university if they had been equipped with this financial knowledge.
- XII. Despite the prospective benefits of improving financial capability standards, we have found that there are certain short comings in the provision of appropriate educational programmes for young people in a British context, from which important policy lessons can potentially be learned. The research that MyBnk conducted in Brighton and Hove revealed that none of the participants had

² http://www.aldridgefoundation.com/article_publication_item.php?pageID=247 It all adds up or does it? 18/11/09

received specific training on personal money management. Instead, their experiences of learning about money in school had primarily been channelled through a business focus. Some also directly associated financial capability with mathematics, suggesting for instance that “I was bad at maths so I am bad with money”. Lacking confidence in mathematics made such participants underestimate their capacity to manage money. All those we spoke to expressed a desire to learn about personal money management in a more comprehensive and exclusive way.

XIII. Furthermore, we found a distinct lack of provision for young people living in support settings such as housing associations. These young people admitted to struggling with budgeting, saving and dealing with new payments such as taxes after entering employment. Many also reported that their views of banks were affected by previous bad experiences and these young people are those who are often most in need of clear and relevant financial capability programmes, yet are unable to access them through the traditional education system. Rather than being taught how to shop around for the products that would enable them to make the most of their money, there is a risk that individuals such as NEETs are at risk of becoming completely disengaged from the financial system in a similar way. A real and urgent gap exists in the provision of financial capability programmes and this is an issue that needs to be addressed.

XIV. In our research in the Brighton and Hove area we found financial education is currently provided mainly in primary and secondary schools and the Local Authority is currently in the “early stages” of developing a schools strategy around financial capability. However, few programmes are currently delivered directly to young people, and support is mainly aimed at teachers. We discovered that whilst interesting partnerships between external providers, the Local Authority and the community are being explored, at this stage initiatives are relatively disjointed and characterised by both a lack of communication between providers

and a lack of awareness around different services and initiatives. Our interviews with providers demonstrated a strong desire from their perspective to work in greater synergy, communicate more and to have the role of each provider clearly mapped out.

4 Our involvement at the Pre-NEET stage

- XV. MyBnk's flagship project MyBnk-in-a-Box is the first FSA approved youth led banking scheme run by young people for young people allowing them to save regularly and take out interest free loans to setup enterprises. The scheme has developed to such an extent that we have recently implemented a new online banking element that gives young people the chance to view their accounts online in much the same way as you would expect from a typical bank. This also allows the charity to reach even more young people with the aim of working with 200 more schools over the next 2 years.
- XVI. We have also worked with The Princes Trust at the Pre-NEET stage by helping to deliver an alternative curriculum as part of their 'XL Club' scheme and equipping disengaged pupils with transferable skills in leadership and communication. In addition to this, we are also engaged in supporting their 'Team Programmes' that provide a stepping stone for young people into either education or employment. Another area of Pre-NEET financial education provision where we are involved is Pupil Referral Units (PRUs). The pupils who have been referred to these units display similar characteristics and attitudes as people from other youth groups that we work with.

5 Our involvement with NEETs

- XVII. After conducting research with the Foyer Federation³ in order to investigate the financial needs and enterprise potential of young homeless people residing at Foyer locations and how disadvantaged young people experience financial exclusion, we developed a series of workshops entitled Money Works aimed specifically at young people who are moving into independent living. We also help hostel residents, job seekers and young housing association tenants to develop personal money management skills through this Money Works programme which focuses on attitudes to money, banking, budgeting and dealing with debt.
- XVIII. In addition to this joint report we conducted further research and found some startling figures:
- 77% of young people are in debt by the time they are 21, a figure that rises to 85% amongst the homeless
 - 68% of 16 to 24-year-olds had been encouraged to take out credit that they did not want or could not afford
 - 48% of 16 to 24-year-olds ranked debt as their biggest fear for the future
 - 25% of 16 to 24-year-olds have suffered mental health problems because of their finances
- XIX. In terms of NEETs and the final statistic regarding mental health, we discovered a major cause of this money stress was linked to attempting to live on very low incomes, namely benefits. We found in some that young people had pre-existing poor personal money habits so that when they started claiming benefits any

³ <http://www.foyer.net/>

money they received was spent on ‘wants’ such as socialising, cigarettes and even drugs, rather than ‘needs’ including food and rent. Consequently, these disadvantaged young people incurred greater debts and more stress as a result of this inability to prioritise their spending and debts.

- XX. Throughout the Money Works programme that we deliver to NEETs, participants are encouraged to confront their money worries and form new personal money habits with a greater confidence. Alongside this, they gain the knowledge and skills required to gain financial control, for example by learning to distinguish between a need and a want.

6 Our Research

- XXI. If we look back at the research we carried out with The Aldridge Foundation in Brighton it would appear that as young adults become disengaged from the education system, they also lose confidence in the financial system leaving them feeling isolated from society. This is exemplified in the statements we received reporting a lack of trusts in banks; “I don’t take them seriously, I just ignore them” represented the general consensus. Residents of StopOver, a 24-hour access, emergency accommodation facility for vulnerable young people aged 16 – 21 who are homeless or at risk, professed a resistance to organised structures and a preference for personalised advice. There was equally a low opinion of advice offered by job centres and furthermore the Citizens’ Advice Bureau (CAB) was not regarded as a key reference point for financial advice. In contrast, residents had a particularly high regard for social and key workers, mentioning the friendly services they were provided with at StopOver. They would have liked access to training and workshops around money management. At present, it seems that no external provider offers this. The value of youth led initiatives outside school was also deemed highly valuable. A number of Connexions participants stressed how

useful a local Youth Bank project had been in increasing their confidence around money.

XXII. In the same study we discovered that none of the focus group participants had received any specific teaching on personal financial management at school.

Those school courses that they had taken part in were primarily orientated towards business money management and the young people involved felt it was necessary to learn about personal money management more comprehensively, placing an emphasis on budgeting and saving. There was an overall lack of knowledge and confidence preventing participants from dealing effectively with financial services. StopOver residents admitted they did not easily understand banking jargon and terms and conditions. While levels of understanding were higher at the Connexions Centre, there was a lack of awareness about different banking options to such a degree that not one person knew what a Credit Union was. In general, young people spoke negatively about their relationship with money, highlighting its stressful and disorientating nature. For example, one participant felt as if “My money falls through a black hole and I never see it” indicating young people need to develop the skills to become active in this relationship.

XXIII. Young people are particularly vulnerable during the transition period between leaving school and independent living. Participants in the survey reported that spending increased when they started further education due to the cost of socialising, travelling and books and expressed dissatisfaction at not having been taught about this earlier. Some had unrealistic expectations around the Education Maintenance Allowance (EMA) and no-one had explained how to maximise the benefit of this facet of financial assistance to them. For example, in order to receive the EMA you need to have a bank account and therefore it is assumed you have a certain degree of financial capability. In instances where we found young people had found jobs, they were facing other difficulties with respect to

managing money as it entailed new payments such as taxes. Although they were aware of the difficulty of controlling expenditure it seemed they did not have real budgeting habits.

7 Recommendations

XXIV. The recommendations that we believe The Children, Schools and Families Select Committee should take into account when undertaking their NEET inquiry and advising on future education policy are based on information ascertained from our study with The Aldridge Foundation and our wider held beliefs regarding financial capability:

- Greater focus on personal finance should be developed at all levels with particular focus on skills such as budgeting and saving
- More support should be provided to young people especially NEET groups enabling them to seize financial education opportunities and deal with entry to employment and other periods of transition
- Communication between external providers, local authorities and communities should be increased to ensure initiatives are less disjointed
- Further access to financial education programmes and awareness of services like the Citizen's Advice Bureau for those most in need for example NEETs, users of housing associations, foyers and youth groups
- Greater focus on identifying and successfully engaging with vulnerable young people who are at risk of becoming NEETs and preventing them from falling into this category by equipping them with practical skills for real life

- XXV. We are pleased that the government has begun to recognise the importance of personal finance and has started taken some concrete action with regard to young peoples' financial capability. One of the five core outcomes of the overarching "Every Child Matters" structure which underpins services for all young people up to the age of 19 is "Achieving Economic Wellbeing". Furthermore, an economic strand has also been added to the Personal, Social and Health Education curriculum which will be curriculum statutory by September 2011.
- XXVI. Our research and the work that we have carried out that in London and the South East of England with schools, colleges and youth organisations have demonstrated that these initial steps need to be built on. For teaching to be fully effective, care needs to be taken to ensure that personal money management in particular is treated as a topic in its own right, rather than subsumed in wider frameworks such as business education or practical mathematics. The government should also be wary of focusing on providing financial education solely through the National Curriculum in schools. By adopting this approach there is a potential risk of isolating NEET groups and excluding other young people who have recently made the transition into independent living, for example those supported by housing associations.

8 The Wider Impact of Financial Education

- XXVII. The benefits of financial capability and education are not limited solely to the individual but can also have an affect on society and government. A strong argument can be made that an improvement in the financial capability of citizens can have a substantial impact at the macroeconomic level and therefore this should be a central concern for policy makers. Indeed, the UK Government have looked into this and commissioned Otto Thoresen to examine the potential benefits of a generic financial advice scheme for adults called Money Guidance.

XXVIII. The Thoresen Review was published in March 2008 and estimated that the quantifiable benefits of such a scheme over the period 2009 to 2060 could be up to £6bn. This included:

- £2.6bn through savings on payments of pension credits
- £1.6bn through VAT receipts as aggregate consumer spending rises
- Between £450m and £1.8bn from tax receipts on interest payments as consumer savings increase

XXIX. A number of significant but unquantifiable benefits were also identified, such as the increases in productivity which would come from reducing workers' stress about their financial circumstances and additional tax receipts from the growth of the financial services sector.

XXX. While focusing on a single scheme targeted primarily at adults and examining results over the very long-term, The Thoresen Review reinforces the view that financial capability programmes can provide definite material benefits to national economies. The advantages of ensuring that future generations become financially capable from a young age therefore seem clear. One could infer that a group of NEETs in a similar scenario could also become empowered and re-engage not only with society but equally the financial system as we discovered in our report. With new found self-confidence on the issues of money management, NEETs in the future could help the government build economic stability by being more socially mobile and making positive contributions to national finances.

9 Conclusion

XXXI. Promoting the development of financially capable populations who can make informed financial decisions has the potential to create huge benefits for economies throughout the world in the future and we feel that the best way to achieve this objective is to engage young people in an active learning context through teamwork encouraging participation. From a NEETs perspective we

appreciate that this is a wide ranging challenge. However, it is our belief that by concentrating on pre-NEETs through preventative longer term programmes, the poor personal money management habits associated with those young people who are classified as NEETs can be avoided.

XXXII. The third sector and organisations including MyBnk can provide specialist expertise and experience in this respect and through our creative youth led programmes we feel we are well placed to add value to the provision of financial and enterprise capability education, particularly to hard-to-reach groups as NEETs by equipping them with the knowledge and financial skills to get to grips with their finances which is proving ever more important in the current economic climate.

XXXIII. We would be delighted to play a role in supporting the committee and the government to formulate strategies and ideas to achieve this objective.