Starting Financial Education Early and at School: Importance, Challenges and International Guidance

BI-OECD Regional Asian Seminar on Financial Literacy
27 June 2011

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I. The focus on Financial Literacy for young people and in schools: Rationale

- **Increasing needs:**
  - New generations have increased access to financial products which they are not familiar with.
  - They will bear more financial risks than previous generations and products are becoming more complex.
  - Students make important financial decisions at younger age.
  - Young generations are less financially capable than their elders.
  - Parents are not necessarily well equipped to develop appropriate financial skills of their offsprings.
  - Financial literacy levels are correlated with socio economic status: inequalities are reproduced and amplified overtime.
I. Rationale (cont.)

• **Benefits of FE in schools:**
  - Fair and *quasi* nationwide delivery
  - Start early + teachable moment + appropriate methods
    - potential stronger impact on behaviours
  - Potential positive spill-over effects to other generations and the wider community

• **Challenges:**
  - Lack of policy makers/education systems’ awareness and long term commitment
  - Pressure on curricula
  - Teachers competencies and interest in this field
  - Attractiveness of the issue for students?
  - Resources!
OECD 2005 Recommendation:
“Financial education should start at school”

- 2008: Creation of an INFE subgroup on financial education in schools
- Broad stock take exercise 2008/2010 – **37 countries**
- Series of outputs **approved by the OECD and its INFE:**
  - PISA Financial Literacy Assessment
  - Guidelines on Financial Education in schools
  - Guidance on Learning Framework
  - Background documents and resources available on the INFE website:
    - Case study report
    - Comparison on learning frameworks
    - Comparative tables and e-sharing/discussion space
III- Building evidence of youth financial literacy: Programme for International Student Assessment

- **PISA** is an OECD managed initiative
- Assess the level of literacy of 15 year old students among 70 countries every 3 years since 2000 (reading, math, science)
- **NEW!** Financial Literacy international option in PISA 2012
- **First international benchmark on financial literacy of young generations**
- **Address the gap on evidence on young people needs in terms of financial literacy**
- 18 countries participating
- **Measure**: applied financial knowledge and skills of 15 year old
- **Trial phase in 2011**
- **Results in 2012/2013**
IV- Main policy outputs:
Guidelines on financial education at school

- Objective: high level international guidance for policymakers interested in introducing financial education in schools
- Complement 2005 OECD Recommendation
- Aim to be flexible and to take into account countries’ particularities
- 3 parts:
  1. **Framework and modalities** of the introduction of financial education in schools: importance of MoE, flexible approach and policy options, focus on evaluation
  2. **Involvement of various stakeholders**: importance of MoE and teachers’ involvement as well as parents and the community
  3. **Development of adequate means and tools**
IV- Main policy outputs: Guidance on Learning Framework

- Complement the guidelines
- Based on a comparison of existing learning framework on financial education
- Benefited from the work undertaken for the development of the PISA Financial literacy Assessment (and vice versa)
- Provides guidance on learning framework on financial education:
  - Definition of scope
  - Objectives
  - Outcomes
  - Content and length
V. Main Findings from the stock take and analysis

**Rapid growth** in number and range of financial education programmes at school – **24 countries**

**But uneven**, both within and between countries:
- Well established in some countries (US in some states, UK, Korea, Japan, Malaysia) more recent in others but fast developing (Australia, Czech Republic)

**Compulsory** in 10 countries; **standalone** in 5 countries – **not the same**!

Full fledged **Learning frameworks are scarce** (11)

**Length**: one hour per week on average—8 countries teach throughout school (age 5-18)

Most programmes for students are for **schoolchildren**

Far fewer programmes aimed at students in formal post-school education
V. Main Findings (cont.)

Few evaluations

- Canada British Colombia – evaluation of teaching tools provided to teachers
- NZ – framework for financial education programmes in schools has been trialled
- Netherlands – evaluation of teaching methodologies
- Scotland
- Brazil - ongoing
VI. Highlights of the OECD/INFE international guidelines

**FRAMEWORK**

Financial Education (FE) for students should form part of an overall national strategy to financially empower individuals.

- In 12 countries of the stock take: Australia, Czech Republic, Hungary, Japan, Korea, Malaysia, Netherlands, New Zealand, Singapore, South Africa, UK and US.

**Clear leadership and coordination** at national level either ministry of education and/or financial regulator.

- Examples at national level include NZ Retirement Commission, Bank Negara Malaysia, Australian ASIC, UK's CFEB, Ministry of Finance Czech Republic, Ministry of Education in Korea.
VI. Highlights of OECD/INFE Guidelines: FRAMEWORK (cont.)

Financial education at school should:

- Be developed through a planned, sustainable coherent and comprehensive programme
- Involve closely the Ministry of Education and its main stakeholders
- Be adequately resourced
- Involve from the beginning rigorous evaluation and monitoring of programmes and curricula
- Be developed through more limited pilot exercise in an initial phase if relevant
VI. Highlights of OECD/INFE Guidelines: MODALITIES (cont.)

Financial education at schools should preferably:

- **Start early and be ongoing**

- **Be compulsory stand-alone or incorporated through a cross curricular approach**

- **Focus on**
  - financial awareness and knowledge
  - financial attitudes and behaviours
Concerned teachers should benefit from initial, dedicated and ongoing training.

Schools staff and parents should be involved as much as possible.

Involvement of technical experts and private sector can support teachers and reinforce their ability (resources, expertise).

BUT conflicts of interest should be monitored.
VI. Highlights of the OECD/INFE Guidelines: TOOLS

Teaching material should be objective, high quality and easily as well as widely available.

- **Jump$tart's** Clearinghouse of financial educational tools lists around 700 resources, including printed materials, on-line resources, CDs, DVDs and games.

- **pfeg** website lists around 150 resources, the majority of which have been awarded the pfeg quality mark.

- **Australia** - ASIC has a quality assurance process in place to support development of resources that are high quality, suitable and relevant for use in schools.

- **Hungary** - Co-operation forum on financial education launched in 2006.
VI. Highlights of OECD/INFE Guidelines

TOOLS (cont.)

Importance of relevant and engaging ways to teach:

Relevant to the student and the school curricula, interactive, experiential and tailored to students’ abilities

- Cross curricular approach: relevance with the subject
- Games
- National Competition
- Role playing and simulation
- Use of real documents and first hand reports
- Links with local facilities
- Part of final examination
THANK YOU!

Questions? Comments?

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