

Response to Education Select Committee Inquiry into Strengthening Financial Education

Association of Accounting Technicians (AAT)

Date of submission: 15 December 2023

About AAT

- AAT is the UK's leading qualification and professional body for technical accountants and bookkeepers. We have around 51,000 members in over 100 countries and approximately 75,000 students studying our qualifications.
- Founded in 1980, AAT is a registered charity committed to increasing the availability of high-quality accountancy education and raising professional standards. We aim to advance public education, promote the study of accountancy, prevent crime, and promote and enforce standards of professional conduct for accountants.
- Over 600,000 small businesses are supported by more than 6,000 AAT licensed members to help build the businesses' financial capabilities.
- Our suite of qualifications is highly regarded across the profession and open to all. We help school leavers take their first steps in their career as well as thousands of career changers gain and develop new skills to equip them for careers in finance.

Introduction

AAT welcomes the committee's inquiry into strengthening financial education and is pleased to provide this submission setting out the importance of robust financial education, particularly for SMEs and the next generation of entrepreneurs, as well as to share findings of recent AAT research that highlights the shortcomings apparent within the finance sector in particular, with potentially serious consequences for the accountancy and financial services professions if financial literacy is not better embedded within the future skills landscape.

This response addresses generally some of the themes set out in the Terms of Reference, which we hope is of interest to the committee at its members. If the committee would like any further information on the themes raised, please contact adam.harper@aat.org.uk

Financial literacy education needs more support

- The APPG on Financial Education for Young People issued a report¹ earlier in the year that identified that *"there are large numbers of young people who lack the knowledge, skills and behaviours to manage their money well"*.
- The report identified that two-fifths of teachers who have a statutory duty to deliver financial education aren't aware that it is on the curriculum, whilst three-fifths of those currently teaching the subject do so because they believe in its importance for the future of young people.
- Amongst the recommendations contained in the APPG report was delivering an improvement to the availability and accessibility of financial education training to all teachers, and for this to be resourced by the Department for Education.
- In addition to developing this support for school teachers, there is a wealth of expertise in the private sector that should be encouraged to work in partnership in developing access to tools and resources to further enhance the learning experience of young people.

¹ [Building-Beyond-Barriers---A-roadmap-for-enhancing-financial-education-in-schools-Executive-Summary-and-recommendations.pdf](https://www.young-enterprise.org.uk/wp-content/uploads/2019/07/Building-Beyond-Barriers---A-roadmap-for-enhancing-financial-education-in-schools-Executive-Summary-and-recommendations.pdf) ([young-enterprise.org.uk](https://www.young-enterprise.org.uk))

Financial literacy as an essential workplace skill

- Basic levels of financial literacy and understanding are skills which need to sit at the heart of any modern workplace. This is particularly the case for the accountancy and financial services sectors where the consequences of error can be significant.
- There is evidence that finance workers are struggling to understand basic financial terminology, with AAT research published in October 2023 finding that half of specialised finance workers in the UK saying were confused by financial terminology at least once a week.²
- Specifically, the research found that almost half (47%) are worried that their lack of knowledge will put their job at risk. More than half (57%) said that they wished it was easier to discuss gaps in financial knowledge with their colleagues or managers; 54% wished their workplaces provided better/more educative resources, and 50% said they felt their workplace lacks training.
- Alarming, nearly half (45%) said that they had witnessed serious errors in their workplace as a result of misunderstanding financial terminology.
- AAT's research also found that two out of five (42%) of UK finance workers are embarrassed to admit they don't understand financial terminology at work, with many instead relying on the internet or technology rather than asking colleagues. Specifically, roughly two-thirds (63%) used Google and just under half (45%) used AI/ChatGPT for answers, finding it faster and less embarrassing than asking colleagues. 24% said that they regularly simply pretended to understand.
- More generally, workers in other sectors also say that they struggle with the financial elements of their jobs. In particular, a third (37%) of those surveyed said that they find budgeting at work extremely stressful, and half (49%) wished their workplaces provided better resources to help them understand financial terminology. Like those in finance sectors, the overwhelming majority (86%) believe it is important to learn and understand workplace financial terminology.
- It is clear from these findings that financial skills are significantly lacking across the UK workforce, potentially posing a significant consumer risk in the event of error, and that the consequences of inadequate provision until recent years is having a material impact across the UK skills base and the wider economy.
- Indeed, there is real demand by both employers and employees for greater upskilling and training in this area. Better and more consistently delivered financial education both pre- and post-16 is essential to addressing the heart of this issue, however there is also a crucial role for employers with respect to equipping their teams with the appropriate level of financial skills.
- Moreover, with financial education having only been part of the secondary school curriculum since 2014, there is inevitably a significant lag until those students then enter the world of work, and it will take decades for the benefits of this welcome addition to the curriculum to be felt across the workforce more widely. It is essential therefore that the focus is not just on the formal teaching of these skills within school and post-16 settings, but on wider financial upskilling across the economy to address gaps in financial knowledge and minimise risk to businesses and consumers.
- The committee has asked if the Government's proposals for maths education up until the age of 18 should include financial education. AAT is supportive of this. The London Institute of Banking & Finance polled 2,000 young people between the ages of 15 and 18 in 2022/23, and found that 83% of 17- to 18-year-olds were anxious about money.³ This result was observed alongside a simultaneous confirmation that the same age groups were among the least likely to have access to financial education (58%). It is important that such education incorporates real-world experiences, such as budgeting and debt management, to enable people to apply those skills to relatable sets of

² [Do your employees understand basic financial terminology? - AAT Comment](#)

³ [Young Persons' Money Index | LIBF](#)

circumstances and to help solidify understanding of the functions and value of accountants and other finance professionals.

- It is also unclear whether the quality of financial education provision currently is sufficient to address the current challenges or meet the evolving demands of the future world of work. The committee has already noted the findings from the Bank of England's survey that found two-thirds of teachers thought there wasn't the time or resources to fit the teaching of financial education into the school year. In addition, further surveys into this issue have identified that training is an issue with teachers identifying that their own lack of subject expertise is a further barrier.
- We would also note the findings of the Money and Pensions Service Financial Wellbeing Survey in June 2023, which found that less than half (47%) of children and young people had received a meaningful financial education.⁴ Of further relevance is the MyBNK and Compare the Market report on secondary financial education in May 2023 which found that nearly two-thirds (61%) of young people did not remember receiving any financial education at school, and that those who did, on average, received less than an hour of such education each month.⁵
- Research undertaken by gohenry (financial service helping 6-18 year olds manage their money) in partnership with Censuswide and Development Economics⁶ identified that 77% of adults earning between £55k -£65k per year received financial education as a child whereas 46% of those that didn't are earning less than £15k per annum. Furthermore, the research identified that those who received financial education as children are 44% more likely to put more into their pension each month and that 51% of them have up to £5k in cash savings.
- The gohenry research also identified that by prioritising financial education could have a positive impact on the economy by supporting the scope for new businesses to be formed creating more jobs, reducing unemployment and adding much needed growth to the UK economy.

Equipping entrepreneurs and the self-employed

- AAT members are the lifeblood of small businesses. Over 600,000 small businesses are supported by AAT licensed members to help build the businesses' financial capabilities. SMEs are the engine-room of the UK economy, and it is critical that the next generation of entrepreneurs and small business-owners feel financially equipped to go it alone.
- Passion, creativity and determination are all essential to small business success, but so is cash flow, invoicing, management and profit and loss. In 2016, AAT launched its own free platform, Informi, to provide financial tools, guidance and advice for established and aspiring entrepreneurs. In 2021/22, the website attracted over 675,000 individual sessions and nearly 2.5 million visitors have visited the site since its launch in 2016.
- The more formally taught and vocational financial education is an essential foundation to building a financially future-fit workforce, however there is also a role for the private sector and professional bodies particularly in terms of developing innovative solutions to ensure their communities have the skills needed to build successful businesses and reverse the currently poor figures of SME success rates.
- The Government should do more to encourage and incentivise the private sector, membership bodies and other organisations to develop accessible tools and information to foster the next generation of financially confident business leaders. It is essential that a more holistic approach is taken to improving financial literacy at all levels of business and industry, with business upskilling,

⁴ Money and Pensions Service, UK Children and Young People's Financial Wellbeing Survey: Financial Foundations, 14 June 2023

⁵ MyBNK and Compare the Market, Financial Education in Secondary Schools in the UK: Summary of findings, May 2023

⁶ [Financial education could double your child's earning power | GoHenry](#)

employee resources and professional development all essential in complementing the provision provided in school and other educational settings.