

FINANCIAL EDUCATION IN THE WORKPLACE: RESULTS OF A RESEARCH STUDY^a

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EXECUTIVE SUMMARY

As financial education becomes more popular with employers, they need to know if they are reaching the employees who need the information and if the education is effective. A study was conducted at a chemical production company to investigate the effectiveness of workplace financial education. Since participating in the workshops, most workers reported that they make better financial decisions, have increased confidence when making investment decisions, changed their investment strategy by appropriately diversifying or being more aggressive in their investment choices, and have an improved financial situation. Most workshop participants took positive actions to improve their financial well being. Workers were interested in attending more workshops on a variety of topics.

INTRODUCTION

More employers are offering financial education in the workplace for their employees as part of their benefits program. This is partly in response to employee needs and partly due to Department of Labor guidelines on retirement plan sponsors' responsibilities for employee education. Research has indicated that participants in financial education gain confidence in making financial decisions and make changes related to savings and investments.¹ Other research findings have related financial stress to lower job productivity,² and calculations have been made that estimate a positive return on investment for employers who provide workplace financial education.³ Reasons employers give for offering financial education to employees include:

- To increase participation in 401(k) plans;
- To increase 401(k) contributions;
- To help workers remove obstacles to fully funding their retirement plans;
- To help workers improve their personal financial wellness;
- To increase employee loyalty and morale;
- To reduce stress and increase job productivity;
- To improve workers' chances to retire early or on time;
- To reduce the incidence of employee theft;
- To satisfy ERISA 404(c) regulations;
- To remove limits on tax-deferred savings for highly compensated employees; and
- To help employers avoid lawsuits.

Employers also are aware that a broad approach to financial education rather than a focus on retirement education is necessary to fit the needs of the workers. Experts recommend that comprehensive workplace financial education programs include information on selection of employer-provided fringe benefits, making personal assessments about credit and money management, and how to use consumer protection laws to one's benefit.

STUDY OBJECTIVES AND METHODOLOGY

A study was undertaken to obtain insights into participation in workplace financial education at Southeastern Chemical Producer, Incorporated (not the real name of the company). The specific purposes were to:

- *Determine why some employees of Southeastern Chemical Producer took advantage of workplace financial education workshops while others did not;
- *Determine how workers evaluated the educational workshops presented to employees by The EDSA Group (Baton Rouge, Louisiana);
- *Measure the impacts of workplace financial education workers' personal financial behaviors;
- *Obtain information about worker participation in Southeastern Chemical Producer's 401(k) retirement plan;
- *Ascertain workers' financial wellness and personal financial behaviors;
- *Determine what, if any, additional financial education workshops workers might desire in the future; and
- *Examine self-reported measures of health, worker productivity, and job performance ratings.

A mail survey questionnaire was developed to collect the data for Southeastern Chemical Producer. This questionnaire was created by the staff of Virginia Tech's Personal Finance Employee Education outreach effort and other Virginia Tech faculty. Input was provided by representatives from Southeastern Chemical Producer, the employer sponsoring the research, and The EDSA Group, the employer's financial education provider. The survey instrument and a cover letter were mailed to the home addresses of all 300 employees who worked at one of the several plants owned by Southeastern Chemical Producer. Two follow-ups were also mailed. To assure confidentiality, questionnaires were mailed back to the Virginia Tech researchers, not the employer.

As an incentive to participate, two drawings for a \$100 prize were provided; one for those who had participated in the financial education workshops and one for those who had not participated. This technique was used to help increase the overall return rate as well as obtain a satisfactory return from those workers who had not participated in previously offered workshops. The questionnaire asked workers the title of the financial education workshops in which they participated and their reasons for participation. They also were asked what changes were made as a result of the education. Those who did not attend financial education programs were asked why they did not participate. Workers also were asked what additional financial education was desired, if any. The questionnaire further sought information on financial well being, financial behavior and attitudes, financial stress, and self-reported measures of workplace productivity.

Statistical tests, such as t-test, analysis of variance, and chi-squares, were utilized in examining the data. The standard for the statistical level of significance was established at or beyond the 0.05 level, a common threshold for social science research of this type. Statistically significant findings are reported here only when they were found. Thus, when data are reported as similar, the reader can correctly assume that even though they may appear to differ, they are not statistically different.

Since a pre- and post-test research procedure was not utilized, this research cannot actually attribute any differences specifically to the financial education workshops. However, workers who participated in the financial education workshops did report positive changes in their financial behaviors.

Additional research with those who had not participated in workshops at the time of this survey after they received financial education would further assist in understanding the impact and value of financial education in the workplace. However, it is clear from this research that the workshop participants highly valued the financial education, and they personally attribute changes in their financial behaviors to their workshop attendance.

RESULTS

There were 181 responses to the 300 surveys, for a response rate of 60 percent, which is a good return rate. Of the 178 surveys that were usable for the study, 100 (56 percent) respondents attended one or more of the workplace financial education workshops, and 78 (44 percent) did not participate in the financial education workshops.

The study looked for differences and similarities between those who attended the financial education workshops, called participants, and those who did not attend the workshops, called nonparticipants. The household income, educational level, household size, and ethnicity of participants and nonparticipants were similar.

The EDSA Group provided the workplace financial education workshops. The EDSA Group's Money Basics (also called The EDSA Group's Money 101) was the workshop attended by the most participants. Of the 100 that participated in workplace financial education, 57 attended one workshop, 32 attended two workshops, 3 attended three workshops, and 5 attended all four of the workshops. Three individuals did not indicate which workshop was attended.

Workshop attendance. Almost all of the participants gave as their reason for attending the workshops "to learn more about financial topics." The most frequent reason (51 percent) for not participating in any workshop or in more workshops was "the time conflicted with my schedule." The next two reasons given were "I already had enough information on personal finance" (10 percent) and "not interested in the information" (10 percent). The longer a person had been employed at Southeastern Chemical Producer, the more likely that he or she participated in the financial education workshops.

Interest in workshops. Older workers were more interested than were younger workers in participating in the workplace financial education workshops. Married workers were more interested than unmarried workers were in participating in the workshops. Workers closer to retirement were more interested than were younger workers in participating in the workshops.

401(k) participation. Over 91 percent of the workers who responded to the survey were contributing to the 401(k) plan; only 17 workers were not contributing. Those with more years of service at Southeastern Chemical Producer had a higher rate of participation in

the 401(k) plan. Financial education workshop participants reported greater contributions to the retirement plan than did nonparticipants. More workshop participants were contributing the maximum amount allowed to the 401(k) plan than were nonparticipants. For the 17 workers who were not participating in the 401(k) plan, the most popular reason for not contributing was "I do not have enough money." Most workshop participants expected to retire in 15 years or less, and those who were farther away from planned retirement were less likely to participate. Half the workshop participants reported that they planned to retire in 10 years or less. The participants and non-participants were similar in expected retirement age.

Financial wellness. Compared to the nonparticipants, the workshop participants reported:

- Better than average financial wellness;
- Greater satisfaction with the amount of money they are able to save;
- Better health;
- Fewer financially stressful events during the past year;
- Higher rate of setting money aside for savings; and
- Higher rate of putting money away for retirement.

Compared to workshop participants, nonparticipants reported:

- Having greater difficulty living on their income;
- More worry about being able to pay monthly living expenses;
- Greater likelihood of having had to cut living expenses;
- More worry about the amount of money they owed;
- Greater likelihood of having reached the maximum limit on a credit card;
- Greater likelihood of having to use a credit card because of a lack of money in the bank or cash available;
- Less confidence about saving for a comfortable retirement; and
- Greater belief that they will not have enough income to live comfortably throughout retirement.

Overall, the responding workers had a higher level of financial wellness than has been found for workers in other PFEE research studies. Further, their financial wellness was higher than the national averages.

Satisfaction with provider. It is clear from the findings that the financial education provider, The EDSA Group, is highly appreciated by the workers at Southeastern Chemical Producer who participated in the workshops. The workshop participants gave The EDSA Group outstanding evaluation scores in the two key areas of provision of appropriate information and satisfaction with the workshop.

Type of workshops requested. Additional financial education workshops were requested by 80 percent of the workers, including both workshop participants and nonparticipants. The eight most frequently desired additional workshops were, in descending order, retirement planning, investing, understanding benefits, Roth IRAs, tax planning, estate planning, budgeting, and college planning.

Changes in financial behavior. The workshop participants reported making the following personal financial behavioral changes as a result of the education received:

- Made better financial decisions (75 percent);
- More confident in making investment decisions (75 percent);
- Changed their investment strategy by appropriately diversifying or being more aggressive in their investment choices (70 percent);
- Improvement in their financial situation because of the financial education (56 percent);
- Increased the amount of contribution to the 401(k) plan (45 percent); and
- Started contributing to the 401(k) plan (34 percent).

While the great majority of workers (both workshop participants and nonparticipants) had experienced a number of positive financial behaviors, a substantive number have some money problems. About one-quarter of the workers are dissatisfied with the amount of money they save, worry about how much money they owe, and have difficulty living on their income.

Job performance. Workers were asked to self-report on the performance rating they received for the past year from their supervisors. Over 90 percent of the workers reported that the performance rating was above average. When asked to self-report on job productivity for the past year, half reported an increase in job productivity, nearly half reported no change, and less than 5 percent reported a decline in job productivity.

Physical health. For all workers, financial wellness was correlated with better health, and this correlation was statistically significant.

CONCLUSIONS

This research study found strong evidence that workplace financial education is extremely effective because it resulted in better financial wellness for workers. It was concluded that Southeastern Chemical Producer has an exemplary financial education program that has made enormous contributions to the financial wellness of workers who have participated in The EDSA Group's workshops.

Most of the workers report that since their participation in the financial education workshops, they make better financial decisions, have increased confidence when making investment decisions, changed their investment strategy by appropriately diversifying or being more aggressive in their investment choices, and have an improved financial situation. Most workshop participants took positive actions to improve their financial well being. Indications are that most workers at Southeastern Chemical Producer are experiencing good financial wellness and are making good progress toward a financially secure retirement.

Because some workers are experiencing money problems, it would be useful for Southeastern Chemical Producer to offer workplace financial education on the topics of credit management, budgeting, and consumer protection laws. Since other research has demonstrated that lower job productivity is associated with workers' money problems,⁴

Southeastern Chemical Producer may find that as the financial wellness of these workers increases productivity might rise as well.

To increase participation at future workplace financial education workshops, Southeastern Chemical Producer might consider offering the programs on company time and/or making attendance mandatory.

NOTES

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4. Ibid.

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^bKratzer, C. Y., Brunson, B. H., Garman, E. T., Kim, J, & Joo, S. (1998, November/December). Financial education in the workplace: Results of a research study. *Journal of Compensation and Benefits*, Volume 14, Number 3, pp. 24-27.