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WORKPLACE FINANCIAL EDUCATION PROGRAM: DOES IT HAVE AN IMPACT ON EMPLOYEES' PERSONAL FINANCES?

Abstract

This study examines the impacts of a Cooperative Extension workplace financial education program on a selected group of university employees. The study examined the influences of the program on university employees' self-assessed financial knowledge, financial behaviors, and perceived financial well-being. A pre- and post-assessment found that participants made significant improvements in financial knowledge, financial behaviors, and perceived financial well-being as a result of an eight-hour workplace financial education program.

Many Americans experience financial strains at some point in their lives. A recent national survey found that 60% of working Americans were experiencing moderate to high levels of financial stress (American Express Retirement Services, 2004). Individuals' financial stress often spills over into the workplace and has been associated with productivity at the workplace (Garman, Leech, & Grable, 1996; Hira & Loibl, 2005; Kim, 2000). APA presents multiple citations in alphabetic order (corrected) In recent years, employers have provided workplace financial education programs to help employees better manage their personal finances and improve their financial well-being (Helman & Paladino, 2004).

A critical question is whether workplace financial education programs are effective in improving participants' personal finances. A few studies have found that workplace financial education programs increased financial literacy, increased retirement savings, and improved some financial management practices (Bernheim & Garrett, 2003; Clark & d'Ambrosio, 2003). Many studies report on programs offered, limiting them primarily to retirement seminars on investments or retirement savings. Further, very few studies employ pre-and post-assessment designs with comprehensive financial education to assess the impact of workplace financial education on personal finances. It has been suggested that a more comprehensive workplace financial education programs are needed to measure the effectiveness of workplace financial education on personal finances (Hira & Loibl, 2005; Kim, 2000).

The present study used the Human Behavior model of Ajzen and Fishbein (1980) where knowledge and attitudes are related to individual's beliefs, and changes in beliefs are reflected in behaviors. Based on Ajzen and Fishbein's model, Kim (2000) developed a framework conceptualizing that workplace financial education could positively change financial knowledge and financial behaviors, which in turn could improve financial well-being. Further, workplace financial education could impact employees' absenteeism and job satisfaction by improving their financial well-being.

Cooperative Extension provides a variety of financial literacy education programs for the public (Vitt, et al., 2000). In addition, Family and Consumer Sciences Extension

programs are provided for employees and are requested or paid for by employers at the workplace. Although a great majority of current workplace financial education programs focus on retirement, Extension programs often include comprehensive financial management programs such as budgeting and credit management as well as retirement planning.

To date, limited research has been published on the impacts of Extension workplace financial education programs on employees' personal finances. The purpose of this study is to examine the impacts of the Cooperative Extension financial education program on university employees' financial knowledge, financial behaviors, and perceived financial well-being with pre- and post- surveys.

Methodology

A pre- and post- survey design was used. The University of Maryland Cooperative Extension offered four two-hour workshops for 97 University employees from the summer and fall of 2002 to the spring and fall of 2003. The workshops were advertised to all employees on campus, with the number of participants limited to 20-25 per class. Participants included administrative/clerical staff, facilities management workers, health care professionals, and faculty. Before the workshops started, participants filled out pre-surveys. Post-surveys were mailed to the participants about three months after the workshops. The post data collection followed Dillman's (1978) strategy of an initial mailing, a first follow-up (a post card, one week after the initial mailing), and a second follow-up (survey packet, two weeks later). Financial workbooks were provided in the packets as incentives. Participants were asked to give the last four digits of their social security numbers for identification purpose on both surveys. While 93 pre-surveys and 48 post-surveys were returned, 36 were matched pairs of pre-and post-surveys available for data analysis. Others had missing identification numbers. With a low response rate in post-surveys (52%), data analyses using t-tests and chi-square analyses were conducted to investigate whether there was a significant difference in the demographic characteristics between those who completed both pre-and post-surveys ($n = 57$) and those who completed pre-surveys only ($n = 36$). No significant differences were found between the two groups.

The workshops came from Prescription for Financial Wellness, a University of Maryland Cooperative Extension financial education program (Hamilton, Little, Morris, & Stuart, 2001). The workshop curriculum of eight modules includes financial decision making/goal setting, financial record organization, cash management, credit management, risk management, investment, retirement planning, and estate planning.

The instruments included a questionnaire of demographics identifying gender, race/ethnicity, age, education, household income, job title, and job tenure of participants. Financial knowledge was measured with the self-assessment of "how would you rate your financial knowledge?" from Kim (2000), and the responses were coded on a 7-point scale (beginner = 1 to expert = 7). The financial behavior index was a 16-item scale on a 5-point scale (strongly disagree = 1, disagree = 2, neutral = 3, agree = 4, strongly agree = 5), created from Fitzsimmons, Hira, Bauer, and Hafstrom (1993). The perceived financial well-being index was created from a five-item questionnaire from Garman, Kim, Kratzer, Brunson, and Joo (1999). Questions addressed general perceived financial well-being,

feelings about current financial situation, financial stress, retirement income security, and satisfaction with present financial situation. Responses were coded on five-point scales (e.g., not at all secure = 1, very secure = 5).

Cronbach's alpha coefficients showed high reliability for both the financial behavior index (.86) and financial well-being index (.82). Descriptive statistics, reliability analyses, and paired t-tests were conducted to assess the impacts of the program on university employees' financial knowledge, financial behaviors, and perceived financial well-being.

Findings

Participants in the study were predominantly female (78%) and white (69%). The average household size was 2.86, while the average age was 45.1 years. Of the 36 participants, 41% had graduate degrees, 24% had bachelor's degree and 35% had less than a 4-year college degree. Three-fifths (61%) were remarried while 17% were never married, and 14% were separated or divorced. Only 6% were in their first marriage. On average, participants have been with the University for 5.5 years, and 36% worked there more than 10 years. About one-fifth (19%) reported less than \$50,000 household income per year, while more than half had annual household incomes of \$50,000 to \$100,000 and 25% reported more than \$100,000.

Paired t-test results between pre- and post-surveys found that three months after the workshops, financial knowledge had increased significantly ($M = 3.08$ in pre, $M = 4.17$ in post, $p < .001$). The financial behavior index also significantly improved ($M = 47.47$ in pre, $M = 56.26$ in post, $p < .001$). The paired t-test results revealed that 11 financial behavior items, such as "I have a weekly or monthly budget that I follow" and "I evaluate my risk management (insurance) strategies" showed significant improvement in mean scores at the $p < .05$ level of significance (see Table 1). Three items, "I regularly set aside money for saving," "I write down where money is spent," and "I get myself into more debt each year," showed significant improvement at the $p < .10$ level of significance. Two items, "I set aside money for retirement" and "I usually pay the credit card bills in full" did not show any significant changes (see Table 1).

The perceived financial well-being index also significantly improved ($M = 12.47$ in pre, $M = 13.94$ in post, $p < .001$). Three of the five perceived financial well-being questions, "how well off are you financially? ($p = .027$)", "how stressed do you feel about your personal finances? ($p = .030$)" and "how secure do you feel about your personal finances for retirement? ($p = .001$)" showed significant improvement in the paired t-test analyses. Two items, "how do you feel about your current financial situation?" and "how satisfied are you with your present financial situation?" were not found to be significant.

Discussion

Results showed that participants' financial knowledge and financial behavior improved, which in turn could affect their perceived financial well-being as Kim's model conceptualized (Hira & Loibl, 2005; Kim, 2000). However, two of 16 financial behaviors, "saving for retirement" and "paying credit card bills in full" did not improve three months after the workshops. To implement these two financial behaviors a longer period of time than three months may be needed. For example, if an individual carries credit card debt, it may not be possible to pay all the debt in three months, but may require an extended time.

Overall, participants perceived that their financial well-being improved as a result of the workshops, which is similar to Hira and Loibl's (2005) study. Although the mean scores for saving for retirement in the financial behavior scale did not change, people felt more secure about their personal finances for retirement after the workshops. Perhaps participants felt better about their financial well-being because they recognized they now had the knowledge to make changes and felt they could in the future. Further, although satisfaction with their current financial situations did not change significantly, their financial stress decreased, and their feelings of retirement security and general perceived financial well-being improved. One explanation could be that although one's current financial situation may not change significantly in three months, developing financial strategies could positively enhance feelings regarding retirement security, financial stress, and general perceived financial well-being. Taking the initial steps of setting goals, budgeting, and evaluating one's financial situation could make one feel more in control, less stressed, and generally better off.

Conclusions and Recommendations

The present study has a number of limitations. A small sample size, with university employees limits the generalizability of findings. Samples from different workplaces could be useful to further investigate the impacts of financial education on various populations. In addition, there could be self selection bias due to voluntary participation and without a control group in the design. Future studies are recommended to employ more rigorous experimental designs using a control group and a larger sample. However, this study contributes to the literature for Family and Consumer Sciences. Specifically, the research empirically evaluated an Extension workplace financial education program and added evidence on the positive impacts of workplace financial education on financial knowledge, financial behavior, and perceived financial well-being.

The study also provides important information for financial educators, counselors, and employers. The results suggest that workplace financial education not only impacts retirement planning, but also perceived financial well-being. Studies have found that employees' subjective financial well-being influences their absenteeism, job satisfaction, and organizational commitment (Hira & Loibl, 2005; Kim, 2000). Employers who provide workplace financial education might improve their productivity by enhancing employees' perceived financial well-being. This study adds knowledge about the benefits of workplace financial education for employees and employers.

The results support that a comprehensive workplace financial education program was effective in improving perceptions of personal finances. Personal finances are complex and consist of different aspects such as debt management, retirement planning, insurance, and estate planning. It has been argued that workplace financial education should be comprehensive to help employees manage their finances more effectively and improve their financial well-being (Hira & Loibl, 2005; Kim, 2000). Currently, many financial education workshops sponsored by employers focus on retirement planning. However, some employees may need debt management or financial information on buying a home prior to their receptiveness to retirement planning.

It is recommended that future studies employ longer term follow-ups of one or two years to capture changes in financial behaviors and well-being which may not take place in

three months. Understanding how changes in financial behaviors and financial well-being take place over time would be very helpful for future financial education programs. Findings also suggest that financial educators should emphasize certain financial management practices such as debt management and retirement saving in their workshops.

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Table 1.

Paired T-test results of pre- and post-assessment on financial behaviors (N = 36)

Financial Behavior	Assessment	Mean	SD	T-Value	P-value
I have a weekly or monthly budget that I follow	Pre Post	2.69 3.19	1.12 1.14	2.72	.009
I review and evaluate spending on a regular basis	Pre Post	3.03 3.66	1.20 1.01	3.33	.002
I live from paycheck to paycheck ^a	Pre Post	2.83 3.16	1.46 1.23	2.16	.038
I regularly set aside money for saving	Pre Post	3.69 4.00	1.43 .89	1.77	.086
I write down where money is spent	Pre Post	2.55 3.02	1.36 1.29	1.96	.058
I estimate household net worth	Pre Post	2.80 3.36	1.23 1.04	2.45	.020
I set aside money for retirement	Pre Post	4.25 4.11	1.02 .97	-.77	.443
I create financial goals	Pre Post	2.55 3.78	1.02 .98	5.89	<.001
I make plans on how to reach my financial goals	Pre Post	2.72 3.66	1.03 .98	5.30	<.001
I develop a plan for my financial future	Pre Post	2.72 3.50	1.14 1.05	4.58	<.001
I regularly review my total financial situation	Pre Post	3.03 3.52	1.15 1.02	3.00	.005
I often spend more money than I have ^a	Pre Post	2.69 3.25	1.36 1.20	2.19	.035
I usually pay the credit card bills in full	Pre Post	2.94 3.05	1.64 1.41	.73	.473
I get myself into more debt each year ^a	Pre Post	3.41 3.78	1.29 1.07	1.71	.096
I compare my credit card receipts with monthly statements	Pre Post	3.11 3.72	1.36 1.13	3.18	.003
I evaluate my risk management (insurance) strategies	Pre Post	2.42 3.33	1.20 .93	3.62	.001

^a These questions were reverse-coded. Higher scores mean more positive financial behaviors.

Reformat table so that every column has a heading, The behaviors' column can be narrower using the 2 lines for the behavior giving more room for a column for the Standard Deviations, Also add columns with the actual p values, and the Effect sizes (See APA—5th edition, p. 25-26 to reflect magnitude of the differences. => The effect sizes for the t-test were not calculated.

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