



# EntreComp Certificate

## Learning resource

Resources:

**Financial and Economic Literacy**

**Develop financial and economic know how**

This project has been funded with support from the European Commission. This communication reflects the views only of the author, and the Commission cannot be held responsible for any use which may be made of the information contained therein.

Submission Number: 2019-UK01-KA201-062076

Co-funded by the  
Erasmus+ Programme  
of the European Union





## Table of Contents

Ethical and sustainable thinking – what is it all about? .....	4
Corporate Social Responsibility_ .....	<b>Error! Bookmark not defined.</b>
<b>Corporate Social Responsibility Case study 1: Boots UK</b> .....	11
<b>Corporate Social Responsibility Case Study 2: Greggs UK</b> .....	<b>Error! Bookmark not defined.</b>
Sustainable Development Goals .....	8
Potential Interview Questions linked to this competency .....	9
How can I prove competence in Ethical and Sustainable Thinking? .....	9
Want to find out more?.....	17
Quiz .....	11



## FINANCIAL AND ECONOMIC LITERACY

### *Develop financial and economic know how*

- Estimate the cost of turning an idea into a value-creating activity
- Plan, put in place and evaluate financial decisions over time
- Manage financing to make sure my value-creating activity can last over the long term

*Economics is the study of humankind in the ordinary business of life. It enquires how people get their income and how they use it.*

#### **Foundation Level**

Learners can draw up the budget for a simple activity.

#### **Intermediate Level**

Learners can find funding options and manage a budget for their value-creating activity.

#### **Advanced Level**

Learners can make a plan for the financial sustainability of a value-creating activity.

‘Economic literacy is crucial because it is a measure of whether people understand the forces that significantly affect the quality of their lives’. (Gary Stern, Economist)



It's counterproductive to teach complex calculus while neglecting the economic basics of daily living

REGGIE D FORD



# Financial and Economic Literacy – what is it all about?

**This competency is all about confidence in dealing with money, on an individual to a global scale.**

**When you apply for a job, learn a skill, buy a drink or go on a trip, you're making decisions which are shaping the economy around you. So is everybody else.**

## **Financial Literacy**

Financial literacy is the knowledge, skills and attitudes to make sound financial decisions and ultimately achieve individual financial wellbeing for you and/or your business. Personal finance includes:

- Saving (interest, bank accounts, compounding)
- Making the most of your money (spending, budgeting, value for money, consumer rights)
- Borrowing (mortgages, APR, loans, credit cards, overdrafts, hire purchase, payday lenders)
- The world of work (student finance, payslips, tax and national insurance, pensions)
- Risk and reward (assessing risk, investments, gambling, insurance, stockmarket)
- Security and fraud (identity theft, online security)

## **Economic Literacy**

Economics is at the **centre of public life**. It covers everything from healthcare, to immigration, to the arts. Having the **knowledge and confidence to engage in informed conversation about the economy** is an essential skill for life. It is known as economic literacy.

As individuals, we can use economic knowledge to inform **many important decisions in life**, increasing and exercising our influence. For societies, economic literacy is a **foundation for democracy and healthy public debate about our collective future**.

Economic literacy helps us to understand '**how the world works**', revealing just how much economic institutions and forces play a role in all our lives. Understanding how the economy works will improve your economic well-being for yourself and/or for your business.

Economic literacy goes alongside financial literacy. Economic literacy doesn't explicitly seek to help you understand how to manage your personal or business finances. But it does illuminate where your choices fit into the bigger picture, creates awareness of your money's impact in broader society, and gives you information to help you identify how you can invest in your future. For example, it will help you understand the role banks play in society, how the Government tries to track what's called 'the cost of living' and why any of that matters for you. Understanding the bigger picture of how we collectively manage resources can also inspire you to take action in your 'personal or business economy'. It offers you a foundational understanding of where your choices and resources fit into the world, linking this to issues you care about.

**(Adapted from <https://www.ecnmy.org/wp-content/uploads/2018/10/The-Case-for-Economics-for-Everyone-Online.pdf>)**



## Financial and Economic Literacy – how does it apply to me?

No matter whether you have aspirations of running your own business or working for a company which provides a good pension, you need to be able to manage your finances. Understanding how much money comes into your account every month and how much will be going out is crucial for your long-term economic well-being. Although the well-known phrase ‘money can’t buy happiness’ is true, it is also true that having a certain amount of money certainly makes your life easier and gives you more choices. The Greek philosopher Epictetus once wrote, “wealth consists not in having great possessions, but in having few wants.”

Understanding how the economy works and how to manage your personal and business finances is crucial to your future.

### Some easy tasks to get you started:

1. Write a budget for your current situation: how much money do you receive each month (from parents, P/T job etc) and how much do you spend?
2. Take these fun quizzes to see what your attitude to money is:
  - a. <https://www.bbc.co.uk/teach/the-test-what-does-your-attitude-to-money-say-about-you/zk4292p>
  - b. <https://barclayslifeskills.com/i-want-to-get-to-grips-with-money-and-my-payslip/school/money-personality-quiz/>
3. Write down your material aspirations for the future and work out what income you will need to achieve them!!
4. Think about your values regarding money:
  - Is money important to you?
  - Do you care how it is spent?
  - Are you a saver or a spender?
  - Do you consider ethical issues when spending?
  - What is your attitude to tax?



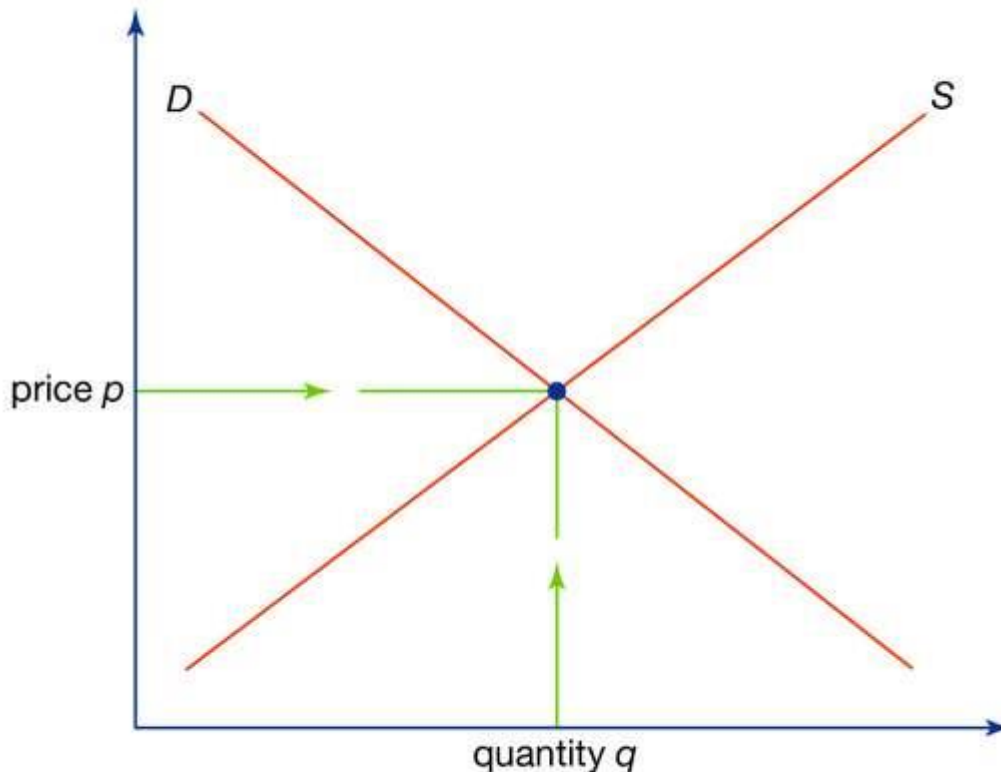


## Economic Literacy – Key Definitions

### Supply and demand

This is the relationship between the quantity of a commodity that producers wish to sell at various prices and the quantity that consumers wish to buy. It is the main model of pricing used in economic theory. The price of a commodity is determined by the interaction of supply and demand in a market. The resulting price is referred to as the equilibrium price and represents an agreement between producers and consumers of the good. In equilibrium the quantity of a good supplied by producers equals the quantity demanded by consumers. Put simply, if the price of an item is too high, no-one will buy it. If the price is too low, there will be so much demand on it that supplying it will be impossible.

### Supply and demand



© 2013 Encyclopædia Britannica, Inc.

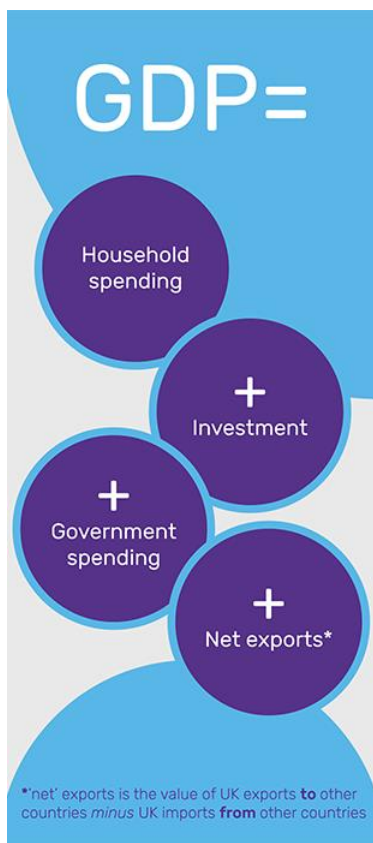


## GDP

Gross domestic product or GDP is a measure of the size and health of a country's economy over a period of time (usually one quarter or one year). It is also used to compare the size of different economies at a different point in time.

- Gross Domestic Product (GDP) is the monetary value of all finished goods and services made within a country during a specific period.
- GDP provides an economic snapshot of a country, used to estimate the size of an economy and growth rate.
- GDP can be calculated in three ways, using expenditures, production, or incomes. It can be adjusted for inflation and population to provide deeper insights.

Though it has limitations, GDP is a key tool to guide policymakers, investors, and businesses in strategic decision making.



## Unemployment

The unemployment rate is the number of unemployed people as a percentage of the labour force. Unemployed people are those who report that they are without work, that they are available for work and that they have taken active steps to find work in the last four weeks. Sadly, corona virus has led to greater unemployment across Europe.



## **Inflation**

The rate of inflation is the change in prices for goods and services over time. Inflation rates are currently very low. Measures of inflation and prices in the UK include consumer price inflation, producer price inflation and the House Price Index.

## **Interest Rates**

An interest rate is a percentage charged on the total amount you borrow or save. Even a small change in interest rates can have a big impact on repayments or on the value of savings. Typically, mortgages are a commodity that rising or falling interest rates will result in a big impact on the consumer.

## **Market failure and regulation**

A market failure is a situation where free markets fail to allocate resources efficiently. Following the corona virus economic lockdown, many businesses have suffered market failure. To overcome market failure, the government may place laws and regulations which prohibit certain behaviour and actions. Regulations can limit or prevent:

- Demerit goods (alcohol, drugs, smoking)
- Goods with negative externalities (burning of coal)
- Abuse of monopoly power.
- Exploitation of labour.

## **Exchange rates**

Exchange rate is the value of one currency for the purpose of conversion to another. It is also regarded as the value of one country's currency in relation to another currency.

## **National debt**

National Debt is the total quantity of money borrowed by a government at any time.

Following the corona virus epidemic and the governments' economic responses such as protecting workers' pay and providing subsidies and loans to industries, the national debt of most countries has risen significantly.

## **National deficit**

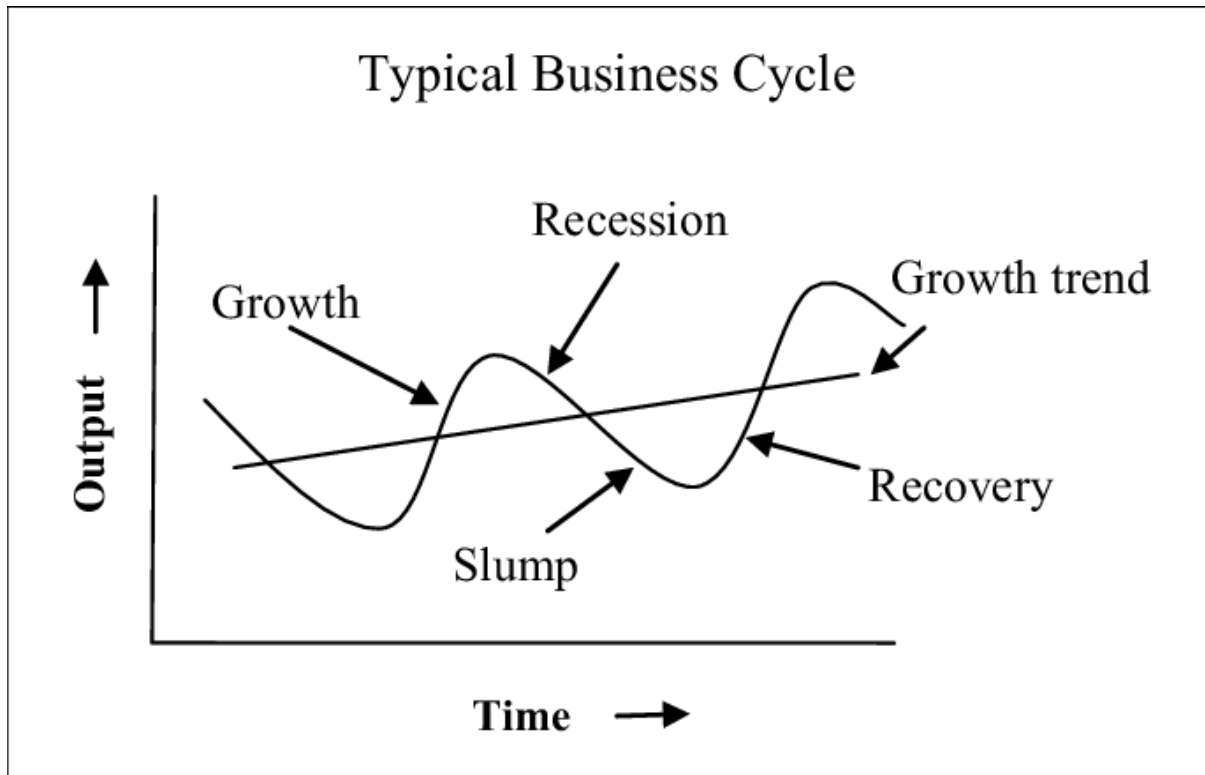
This is the difference between a country's spending and income over the course of one year.

Again, the corona virus has had a big impact on the national deficit of most governments.





## The business cycle



The business cycle describes the rise and fall in production output of goods and services in an economy. Business cycles are generally measured using the rise and fall in the real gross domestic product (GDP) or the GDP adjusted for inflation.

The average UK business cycle, from peak to peak or trough to trough, lasts 62 months, with a standard error of 28 months.

### ONS Data

This is the Office for National Statistics and is a brilliant website to find out any statistics you need concerning Economic or Financial Literacy.

<https://www.ons.gov.uk/>



## Financial Literacy – Key Definitions

### Saving

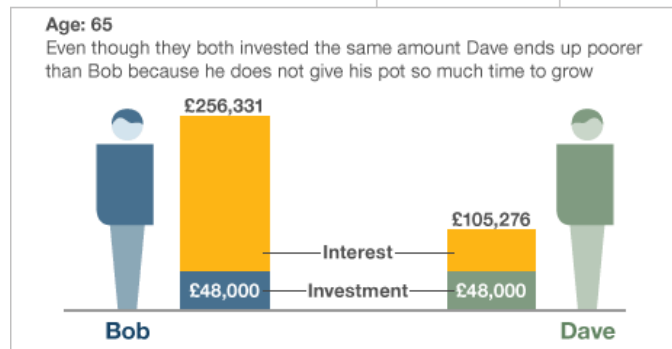
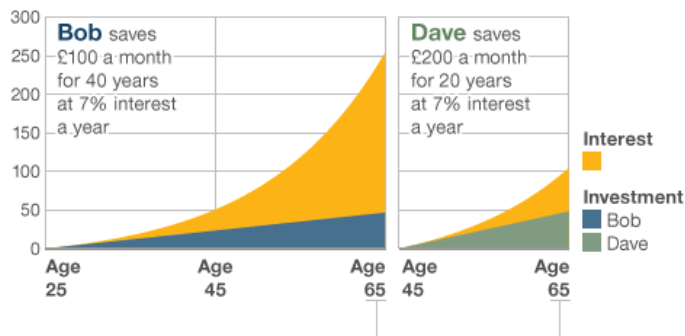
Keeping a portion of your money unspent every month so that you are covered in times of crisis and can save up for something like a house deposit, car or holiday. Financiers recommend that you use the 50:30:20 rule (50% spent on essentials, 30% spent on luxuries, 20% saved).

### Compounding

This is a way of saving which generates the biggest return over a long period of time. As interest is added to the monthly saving, over time the value of the saving grows exponentially.

#### Compound interest

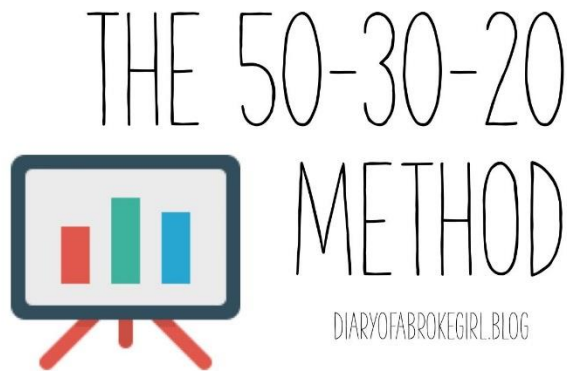
Total savings over time  
£ thousand





## Budgeting

This is keeping a careful track on your incomings and outgoings so that they are balanced. The 50:30:20 rule is helpful for this. Budgeting is an important skill for personal and business finance.



## Borrowing

This is where money is borrowed in order to pay for something which would be unobtainable otherwise. Typically, these are purchases such as a house (mortgage), car (loan or hire purchase), furniture (loan). It is also possible to borrow money from your bank through an overdraft facility, or from companies which offer loans in a lump sum or through credit cards. All loans must be paid back and all charge interest so you pay back more than you borrowed.



## The world of work

Here is a typical pay slip

123456		Mr John Smith		Pay Day 01/01/2016	
Company Name Ltd		Tax Week 12		CNPayroll	
<b>Earnings</b>	<b>Units</b>	<b>Rate</b>	<b>Amount</b>	<b>Deductions</b>	<b>Amount</b>
Basic Pay			2,008.33	Tax (code 4321A)	233.33
				NI (category A)	169.40
				Pension	50.00
				Student Loan Plan X	10.00
<b>Total</b>		<b>Earnings</b>	<b>2,008.33</b>	<b>Total</b>	<b>Deductions 442.73</b>
<b>Running Totals</b>			<b>Amount Paid</b>		
<b>Tax Year to Date</b>		<b>Accumulations</b>		Earnings 2,500.00	
Gross Pay	25,000.00	Basic Pay	25,000.00	Deductions	452.73
Taxable Pay	14,000.00	Exs Pension FL	50.00	Net Pay	1,620.60
Tax	2799.96			B/Forward	
<b>This Employment</b>				Amount Paid	1,620.60
Gross Pay	25,000.00			C/forward	
Taxable Pay	14,000.00			Payment method	BACS
Tax	2799.96			<b>Employer's Contributions</b>	
Employee's NI	169.40			NI (category A)	
Employer's NI				100	
<b>Previous Employment</b>				<b>Annual Salary</b>	
Taxable Pay				25,000.00	
Tax				<b>NI Number</b>	
				AB 12 34 56 C	
				<b>Amount Paid</b>	
				1,620.60	

If you are a salaried worker, your employer is responsible for administering your pay and the deductions from that pay each month. Taken from your salary will be national insurance and income tax (in the UK), your pension contribution and any student loans you may have taken on.

If you run your own business then it is you who is responsible for tax and national insurance contributions as well as providing for your own pension.

## Risk and Reward

All business ventures carry risk and reward. A business must make calculated decisions all the time such as whether to invest in new equipment, whether to expand, whether to recruit more staff. Individuals also make decisions based on risk and reward all the time: whether to spend a lot of money on a holiday, whether to take on a mortgage, whether to buy a new car, whether to invest in a bank or the stock market. Deciding on whether insurance is necessary on goods/health/pets/life is also a risk to be considered. Some people can get addicted to risk and reward, through gambling or stocks and shares. It is important to have a healthy relationship with risk and reward, accepting that risk is sometimes necessary in life in order to meet challenges, but it does not always bear reward.



## Security and Fraud

In our modern based world where most monetary transactions are carried out electronically, we must be wary of the dangers of online fraud and identity theft.

### TOP 10 TIPS TO KEEP YOU SAFE ONLINE

- 1 CHECK THE URL**  
The URL might look okay in a message or email but might take you to a page set up to extract personal information. It is best to type a URL into a web page instead of clicking on a link.
- 2 OUTSMART "PHISHING" ATTEMPTS**  
Never provide your personal & financial information to an unsolicited email, SMS, phone call or website even if they appear to be legitimate. If you are unsure, contact the company directly to see if they sent the message.
- 3 ALWAYS CHECK THE SENDER'S EMAIL ADDRESS**  
Misspellings and other typos that could indicate that they are not the real senders.
- 4 LEARN TO SPOT TELL-TALE SIGNS OF A SECURE SITE**  
Secured sites have URLs that start with https:// and it should have a padlock icon in the browser frame. Sites that use Extended Validation (EV) SSL show a green highlight in the address bar.
- 5 SHOP SAFELY WITH REPUTABLE ONLINE RETAILERS AND MARKETPLACES**  
Online shoppers should feel empowered to do their research about the products and sellers before making a purchase. Online shoppers can learn about a retailer or a seller's reputation from referral through friends or from reviews and comments left by other shoppers found online.
- 6 USE A SAFE AND TRUSTED PAYMENT METHOD WHEN SHOPPING ONLINE**  
For additional security, choose to pay with a payment service that has programs to protect you. Beware of online merchants that only accept unusual requests such as cash-in-mail payment.
- 7 USE PRIVACY SETTINGS AND SHARING CONTROLS**  
Social media platforms offer privacy settings and controls that help you decide who can see your content before you post it. Refrain from posting personal details about family or friends private.
- 8 PROTECTING YOUR DEVICES**  
Protect your devices by locking devices and your screens. Leaving screens unlocked could result in unwanted account hacking.
- 9 USE A LONG, UNIQUE PASSWORD**  
Choose a password that is hard to guess, made up of numbers, letters and symbols for each of your important accounts like email and online banking.
- 10 THINK BEFORE YOU REVEAL**  
Think twice before you post something that could damage your reputation and that someone could use to embarrass or hurt you.

For more information, please head to <http://www.asiainternetcoalition.org/>

## Economic Literacy - Case study 1: HS2 (High Speed rail link in UK)



In February 2020, Prime Minister Boris Johnson gave the go-ahead to HS2, the high-speed rail link connecting London to Birmingham, Manchester and Leeds. The programme originally began in 2009. It is the second High Speed rail project after High Speed 1, which links St Pancras International and the Channel Tunnel, and opened in 2003. The infrastructure project, currently the largest in Europe, has been delayed and faced mounting concerns over the exact route and spiralling costs. While the whole line will be built, the government is set to review spend on the project to find savings.

### What is the HS2 route?

The new railway line running between London and the West Midlands will carry 400m-long (1,300ft) trains with as many as 1,100 seats per train. The line will enable trains to reach speeds of up to 250mph and will run as often as 14 times an hour in each direction. A V-shaped second phase will run services from Birmingham to Manchester and Leeds. The Department for Transport has said that the project will triple the capacity of trains across the entire route.

### When will HS2 open?

The first phase of the railway - between London and Birmingham - was due to open at the end of 2026. But Transport Secretary Grant Shapps said in a written statement to Parliament in September 2019 that it could now be 2028-2031 before the first trains run on the route.

The second phase to Manchester and Leeds was due to open in 2032-33, but that has been pushed back to 2035-2040.



### How much will HS2 cost?

The government launched a review of the high-speed rail network in August 2019 to consider whether and how the project should proceed due to its spiralling costs. The official price tag for HS2 was set out in the 2015 Budget and came in at just under £56bn. However, the government estimate for the project has since almost doubled, with the latest figure rising to £106bn, according to an official review leaked to the Financial Times in January.



Management issues and unrealistic land valuations have caused the cost of HS2 to spiral. HS2 will cut through a crowded landscape. The initial stretch from London Euston to west London will be through a giant tunnel underneath central London. Former executive Doug Thornton previously told BBC Panorama that initial estimates for acquiring property and land were "enormously wrong". A 2019 freedom of information request revealed that property costs are forecast to reach £5bn, compared to the original £1.1bn estimate. HS2 also failed to carry out extensive soil surveys, which has caused problems for digging and excavation, according to the project's current chairman, Allan Cook.

### Benefits of HS2

- The Department for Transport says the project will cut Birmingham to London journey times from one hour 21 minutes to 52 minutes.
- Once the second phase is complete, Manchester to London journeys would take one hour seven minutes (down from two hours seven minutes), and Birmingham to Leeds 49 minutes (down from two hours).
- The government hopes it will free up capacity on overcrowded commuter routes.
- Some MPs argued that the construction of HS2 would create thousands of jobs.
- Others believe that it could be a catalyst for economic growth and could help rebalance the economy between the North and South.

### Opposition to HS2

- HS2 will pass through about 70 parliamentary constituencies, and local groups opposed to the scheme have lobbied their MPs to vote against the plans.
- Some recently-elected Conservative MPs, representing seats in the north and the Midlands, are also against the project on the grounds that the money would be better spent improving local transport links.
- Pressure group Stop HS2 believes that the operation of the line will cause increasing carbon emissions, as well as damage to areas of natural beauty and the ecosystems they support.
- HS2 Action Alliance has previously argued that it believes a disproportionate number of the 30,000 jobs created around HS2 stations in phase one will be in London.



<https://www.bbc.com/news/uk-16473296>

## Financial Literacy – Case Study 2 – Abby and Paul

Abby and Paul live together and both have a job. Abby is a gym instructor and Paul is a teacher. They both earn below the UK national average salary of £35,000 but they find that their joint income is enough to cover their rent, bills, council tax and monthly outgoings such as car, insurance, groceries and communications. They were both surprised at how much their take home pay (Net income) was



different to their gross pay after National Insurance, Income tax, pensions and student finance were applied.

Abby and Paul were planning a holiday of a lifetime, travelling in the Far East for two months. However, when they worked out the costs, they realised that this was unrealistic at the present time. They decided instead to start saving up for a deposit for a house of their own. They had a big discussion over whether they could afford to get a pet dog. They considered the costs of food, vet bills and pet insurance per month and weighed up the decision against saving for the mortgage.

**Here are the figures for their incomings and outgoings every month**

**Incomings per month**

Abby's gross salary: £1900

Paul's gross salary: £2300

After deductions for NI, Income tax, pensions and

Student finance, Net joint income: 2730

**Outgoings per month**

Rent 750

Utility bills 200

Council tax 100

Contents insurance 50

Car insurance 300

Car tax/fuel/maintenance/loan 400

Groceries 250

Communications 100

Pet insurance/vet bills/food 50

Leisure/entertainment 250

**Tasks:**

How much are Abby and Paul able to save each week?

Bearing in mind the average deposit needed for a first-time buyer's house in the UK is 33,000, how long will it take Abby and Paul to save for a deposit?

Would you recommend that Abby and Paul purchase a pet dog?

Would you recommend that Abby and Paul can go on holiday every year?

Are there any extra savings that you think Abby and Paul could make?

**Potential Interview Questions linked to this competency:**

- How do you budget responsibly?
- What is your attitude to debt?





- What is your attitude to risk?
- Why is financial literacy important?
- Why is economic literacy important?
- How would you go about choosing a mortgage?
- What is the best way of saving?



### How can I prove competence in 'Financial and Economic Literacy'?

**Demonstrate financial and economic literacy in any of the following:**

- Overseas experience e.g. World Challenge/cultural exchange/volunteer programme – budgeting and fundraising
- Charity work/fundraising
- Assisting with finances for sports team/youth group/Guides/Scouts/religious organisation
- Planning your future e.g. student finance/apprenticeship scheme/living costs/budgeting
- Enterprise/Business competition requiring money management
- Organising events: budgeting/costs/revenue
- Completing an online business/finance/accounting/economics course
- Studying Business/Economics at A level/GCSE

## Key Reflections on Financial and Economic Literacy



When have you needed to budget for something?

When have you created and stuck to financial plans?

Are you a spender or a saver?

What is the next financial hurdle in your life? e.g. student finance/gap year/starting a job/starting a business

What is your ultimate aim financially?



Want to find out more?

**Ideas for further research**



### **Books**

DeRooy, J. *Economic Literacy: What Everyone Needs to Know About Money and Markets* (Three Rivers) 1997

Lewis, M. *Your Money Matters* (Young Money) 2018

Richards, C. *The Behavior Gap* (Portfolio) 2012

### **Online Articles**

Norrish, A. *What is 'economic literacy'?* (2017) <https://blog.ecnmy.org/what-is-economic-literacy-577e05c378b6>

### **Video clips**

Entrepreneurship is about financial and economic literacy

[https://www.youtube.com/watch?v=7\\_NydIHsmLY](https://www.youtube.com/watch?v=7_NydIHsmLY)

Inflation explained <https://www.theguardian.com/business/video/2015/dec/15/what-is-inflation-economics-explained-video>

### **Websites**

<https://www.ecnmy.org/schools/>

<https://www.councilforeconed.org/news-information/economic-literacy-quiz/>

<https://www.moneymakesense.co.uk>

<https://www.young-enterprise.org.uk/>

<https://www.mybnk.org/>

<https://www.ft.com>

<https://personalfinanceprogramme.eu/>

<https://data.oecd.org/>

<https://www.barclayslifeskills.com>

## Quiz



Now do this Quiz:

<https://www.surveymonkey.co.uk/r/JCWJ3NN>

Here is another quiz developed by the Council for Economic Education (US)

<https://www.councilforeconed.org/news-information/economic-literacy-quiz/>