

## CONSUMER EDUCATION

**In November 2000, the Committee for Consumer Affairs (CCA) issued a report on consumer education. The report was addressed to the State Secretary for Economic Affairs, the person primarily responsible for consumer policy in the Netherlands, and also to the Minister and State Secretary of Education, Culture and Science. In June 2002 the State Secretary for Economic Affairs published a response to the CCA report. Abstracts of the report and the State Secretary's response to it (printed in italics) are given below.**

**The CCA has functioned for nearly forty years as the main consultative body for consumer policy in the Netherlands. It is a tripartite body made up of key business organisations, the Dutch Consumers Association and independent members. The CCA is one of the committees of the Social and Economic Council (SER), which advises the Dutch government and parliament on social and economic affairs.**

### 1. Introduction

According to the CCA, there are gaps in the system of consumer education, calling into question whether consumers are sufficiently equipped with the know-how, attitudes and skills they require with respect to matters of importance to them. In its report, the CCA takes the position that it is government's responsibility to ensure that pupils in initial and adult basic education acquire an elementary level of general competence (in consumer matters). It is one of the main responsibilities of the market parties to raise the topic of social and economic trends and to consider their impact on consumers in general and specific target groups in particular.

What prompted the report was a previous opinion expressed by the CCA that "the increased heterogeneity of consumers and the creation of complex new markets are making consumer education more important in terms of enabling consumers to stand up for themselves and at the same time enabling markets to develop in a balanced way. It sees an encouraging and supporting role for government, especially with regard to vulnerable groups." In order to flesh out this view, the CCA carried out a survey to ascertain where the gaps are in consumer education and how responsibilities are to be divided between government, the business community and consumer organisations. You can read the answer to these questions in Section 6. In order to arrive at this answer, we first discuss what exactly consumer education is (Section 2) and why it has to be part of consumer policy (Section 3). We also look at how knowledgeable the Dutch are about consumer issues (Section 4) and what the various players are already doing by way of consumer education (Section 5).

*The State Secretary for Economic Affairs stressed in his reaction the importance of consumer education. Dutch consumer policy presupposes an articulate consumer occupying a powerful position in markets. His message is that we in the Netherlands have to keep working towards strengthening the consumer's position; consumer*

*education is an important means of doing so. The State Secretary regards consumer education as a task for all ministries, businesses, consumer organisations and individual market players. The Ministry of Economic Affairs has a clear role in highlighting issues, which it can bring to the attention of these players.*

## **2. What is consumer education?**

Consumer education is about equipping consumers with knowledge, attitudes and skills concerning matters which are relevant to them and ways of managing this knowledge and these attitudes and skills. Consumer education is one of the tools for influencing consumer behaviour:

- it can help consumers to choose products or services they intend to purchase;
- it can improve consumers' ability to handle information selectively and ask the right questions;
- it can result in changes to consumers' behaviour, including as regards the external effects of their consumption.

Consumer education is provided in different ways: through education and instruction and through information in its widest sense. Different players are involved: government, business people and general or single-issue (consumer) organisations.

Consumer education can be divided analytically into three levels of qualification:

1. At the first level are general competences (knowledge, attitudes and skills) required to be able to play the part of consumer. These are the basic qualifications such as reading, writing and arithmetic;
2. The second level contains general consumer competences, including elementary notions of the consumer's rights and duties;
3. At the third level there are the product- and service-related competences.

The way in which consumer education is provided, the division of responsibilities between the players involved and the importance of the three levels of qualification are elements that recur time and again in the report as fixed anchor points.

## **3. An analytical framework for consumer education**

The question as to the place consumer education should have in consumer policy can be viewed from three viewpoints. Each viewpoint can also be used to determine the level (of qualification) at which the education should be pitched and also the player(s) which have a responsibility for consumer education. These three viewpoints are:

- a. consumer protection;
- b. market forces and
- c. protecting the public interest.

However, the first responsibility for consumer education rests with the consumers themselves; consumers must make an effort to avail themselves of the existing consumer education on offer in order to be fully equipped to play their part as a consumer in the real world.

*Re a. Consumer protection*

This approach, originally the primary viewpoint of the consumer policy pursued by the Dutch government, is also based on “basic consumer rights”, including the right to information and education, as formulated by the Council of the European Communities in 1975. This approach is also clearly discernible in the new EC Treaty. This is a specific responsibility both of the European Communities and of our national government, which can also call in civil society and intermediary organisations for that matter. As far as policy is concerned, the government put consumer protection into practice in the Netherlands in the 1980s and 1990s by passing a large number of laws (some of them originating from European legislation. If there is a sound basis in legislation, consumer education can be confined to the first and second level of qualification. As, in this approach, consumer education is mainly a function of consumer protection, which is essentially a task of government, consumer education will be first and foremost a government responsibility in this respect.

*Re b. Market forces*

A well-developed demand side is of essential importance for ensuring that the market for products and services operates properly, not only in terms of quantity, i.e. purchasing power, but also in terms of quality, i.e. consumers who know what is available to buy. Matters such as market structure and market transparency, negotiating power and the transaction are key elements of consumer policy. In this approach, consumer policy is regarded as an integral part of the policy to stimulate market forces. In the Netherlands, the consumer policy pursued by the government developed in this direction throughout the 1990s.

Information, both general and specific, and the accessibility and availability of information are essential in this viewpoint. Consumer education can therefore serve the interests both of market players and of government (in line with its responsibility for ensuring the efficient operation of markets).

*Re c. Protecting the public interest*

In this third viewpoint, the emphasis is not on the individual consumer (as in the first case) or on the consumer as a market player (as in the second case), but on the external effects of consumer behaviour. This is not about the specific interests of the consumer, but about the public interest. The idea is that the principle of the consumer’s individual freedom of choice should be honoured, but freedom of choice has its limitations and boundaries, which manifest themselves in the negative external effects of consumer behaviour on the environment, public health and public order. In this viewpoint, consumer education must be used to equip the consumer with the necessary knowledge and has an urgent role to play at all three levels of qualification. As the protector of the public interest, the government has primary responsibility for providing consumer education but civil society organisations will feel called upon to play a part in terms of consumer education.

### *Conclusions*

Justification can be found for the idea that consumer education is important from various different perspectives. Its practical implementation depends on the chosen perspective.

Furthermore, consumer education does not have to be directed at all consumers in depth to the same extent. The options for meeting a specific responsibility for consumer education may differ from consumer to consumer because one consumer may have more competences and interests than the other. Certain forms and components of consumer education will therefore have to be targeted at certain groups of consumers.

This paints a fairly diffuse and subtle picture in terms of the function, content, responsibility and target group of consumer education. More colour will be added to this picture below by ascertaining first how well equipped with knowledge and skills consumers in the Netherlands are (Section 4), and then how the different players put their responsibility into practice with regard to consumer education (Section 5).

## **4. The state of knowledge on consumer issues**

Little research has been conducted up till now into the level of consumer knowledge in the Netherlands. The only studies to have been carried out were among secondary school pupils and students in adult education and in sectors such as financial services.

### *Educational studies*

A 1985 study showed that only six percent of pupils at secondary schools met the criterion of “eighty percent right answers”. In the case of adults, that figure was about thirty percent for the basic questionnaire but only ten for the supplementary questionnaire. Knowledge of the legal aspects of the consumer’s role scored particularly badly.

A follow-up study in 1995 confirmed this worrying picture. Although “sixty percent right answers” was now taken as the criterion, only a quarter to forty percent of pupils met that criterion, depending on the type of school involved. On this occasion too, knowledge of consumer rights was almost completely non-existent.

In 1993 an educational reform was carried out in secondary schools in the Netherlands, whereby “consumption” was introduced as part of the subject of economics. An initial evaluation of this reform showed that, despite the fact that pupils spend a relatively large amount of time on “consumption”, the performance of most in that subject was below standard.

### *Financial services*

A study into the market transparency of financial services has shown that a little less than half of all respondents had a good to very good knowledge of savings, but their knowledge of investment and single-premium insurance policies was many times poorer. The fact that over half of all respondents never compared financial products was described by researchers as “shocking”.

### *Conclusion*

School pupils' knowledge of consumer issues is scanty. There is therefore a danger that as consumers they will be taking risks now and in future when dealing with financial, legal and health matters. This means that the teaching provided must relate more closely to what concerns students in real life. To minimise the risks facing current and future consumers it will also be necessary to equip them with knowledge and skills by means of consumer education in schools and adult education.

This is also borne out by the results of studies into the knowledge and attitudes of consumers in respect of financial services. Fortunately, steps have been taken by various players to provide consumers with clearer and more relevant information (e.g. the Return and Risk Code (*Code Rendement en Risico*) and the Financial Information Leaflet (*Financiële Bijsluiter*).

*In his response to the CCA Report, the State Secretary pointed out that a recent study by the Ministry of Economic Affairs confirms that many consumers (and suppliers) are not aware of their general rights and duties.*

## **5. Consumer education in the Netherlands, a review**

Education, training and information are the tools of consumer education. They are used by government, the business community and consumer organisations.

### *Government*

Central government is a major player in consumer education, as is evident from its task and responsibility for initial education and for consumer education in policy areas such as the environment and public health.

In primary education (up to twelve years of age) children are taught aspects such as how to handle money and sales promotion techniques, how to use information on the composition and use of a product and how to compare prices and quality. In basic education (twelve to sixteen years of age), attention is focused on the relationship between human beings and nature and the concept of sustainable development. Practical knowledge and skills are also imparted to enable young people to act as consumers and citizens in relation to labour and production. In adult education, which also includes citizenship courses for newcomers, subjects such as money matters, shopping and consumer rights and duties are covered. Specific knowledge of, for example, insurance companies and utility companies is also imparted.

Moreover, government is involved in providing information on the environment and health. In the case of the environment, the last few years have seen a shift in emphasis in the environmental information provided by the Ministry of Housing, Spatial Planning and the Environment (VROM) from "knowing" to "doing". Now that environmental policy is increasingly entering an implementation phase, other official bodies, the business community and intermediary organisations are starting to provide more information themselves, encouraged and subsidised by VROM.

As far as public health is concerned, the consumer's right to be informed and the doctor's duty to inform have recently been enshrined in law. In the area of food labelling, the Netherlands Nutrition Centre has been in operation since 1998 to ensure

that the information supplied to the consumer is as unambiguous as possible. Another task of the Netherlands Nutrition Centre is to prevent consumers from being bombarded with confusing and contradictory messages.

#### *The business community*

The business community has the responsibility for providing consumers with suitable information on the products and services they offer. The way in which this is done and the amount of detail provided also depends on the type of product or service concerned. It will often take the form of product information. Sometimes the information provided is based on European or other legislation.

#### *Consumer organisations*

The Dutch Consumers Association has set itself the goal of enabling consumers to defend themselves in a general sense. This is based on the consumer's freedom of choice, but consumers do have to realise the consequences of their consumption for themselves and for others. The activities of the Dutch Consumers Association include producing teaching and information material for schools, writing consumer columns for magazines aimed at young people and publishing books and leaflets (including for ethnic minorities).

## **6. Concluding observations**

### **6.1 Players' responsibilities for consumer education**

An increased emphasis on the operation of the market is noticeable in the Dutch government's consumer policy. A full raft of basic consumer legislation has also been passed. Government policy is based on the articulate consumer for whom further protection is no longer necessary.

It is also possible to identify a tendency in government policy towards privatising the social security system, with consumers having to bear greater responsibility for their own financial position. Major new banking and insurance products have been created in the private sector, particularly in the area of financial services. Finally, important trends for consumers in the past decade are the advent of information and communication technology (ICT), the continued expansion of the European market and the globalisation of international economies.

Consumers will therefore increasingly have to weigh up for themselves the advantages and disadvantages of products and services. This will require information on price, quality and terms and conditions *and*, in addition, consumers will have to know how to treat this information. This is where consumer education comes to the fore as a tool for answering the questions: how can consumers be equipped with knowledge, attitudes and skills concerning matters that are relevant to them and how are consumers to deal with them?

On the basis of the – limited and in some cases out-of-date – empirical material, it may be doubted whether consumers have sufficient general (consumer) competences (the first and second level of qualification) to evaluate the information provided.

Consequently, we must question the effectiveness of the multitude of initiatives in the realm of product- and service-related competences (the third level of qualification). It also means that the existence of an adequate amount of basic legislation is almost irrelevant if consumers' legal capacity and knowledge in respect of this basic legislation are to be regarded as insufficient. Insufficient knowledge and legal capacity in respect of their basic rights and duties will also be a hindrance to consumers in terms of their behaviour in new and often complex markets.

The general conclusion is therefore that there are gaps in parts of consumer education. Thus, the question is whether consumers have been and are being equipped to a satisfactory extent with knowledge, attitudes and skills concerning matters that are relevant to them. What role do the government and market players have in improving the situation?

The responsibilities of players at each of the three levels of qualification are shown in the table below:

*Players' responsibilities for consumer education for each level of qualification*

<b>Levels</b>	<b>Government</b>	<b>Civil society organisations</b>	<b>Business community</b>
<b>1. General competences</b>	Education and information	None	None
<b>2. General consumer competences</b>	Education and information	Information	None
<b>3. Product- and service-related competences</b>	Information	Information (comparative testing)	Product information (self-regulation)

## **6.2 Government responsibilities**

In general, the CCA advocates an encouraging and supporting role for government, especially with regard to vulnerable groups (older people, people with a poor educational background and ethnic minorities). In particular, this can be achieved as follows.

- Government should be expected to provide a basic level of general (consumer) competences through primary and secondary education.
- Government must provide information, for which various channels are suitable.
- Government should be expected to devote special attention to monitoring efforts in the realm of consumer education during a “transitional phase” when public and quasi-public tasks are placed under a regime in which market forces operate.
- Government should also be expected to ensure that consumer education accompanies the use of government instruments (legislation and financial

instruments), especially where the promotion of ICT and environmentally aware behaviour is involved.

- Finally, government has a monitoring role, both in terms of the regular evaluation of the consumer's position and in terms of the effectiveness of government policy with regard to consumer education.

These responsibilities of government manifest themselves to a greater or lesser degree, depending on which part of consumer education is at issue and depending on economic and social trends. For example, there seems to be specific government responsibility in basic education; the CCA considers it of great importance that full use of consumer education should be made precisely at the lower end of society. The problems are considerable and are generally recognised but not enough work has been done on finding solutions.

*In his response to the CCA Report, the State Secretary noted that most problems seem to arise in the area of consumers' knowledge of their rights and duties (second level of qualification). To improve the situation he announced two initiatives: first, an electronic portal to answer questions on consumers' rights and duties and to provide information on quality marks and the settlement of disputes; second, dismantling the considerable barrier to letting the courts settle disputes, so that it is easier for consumers to obtain justice.*

*To improve consumers' product- and service-related competences (third level of qualification) as well, various ministries have put a number of actions in motion, including a database of notaries' fees, a "health kiosk" (a portal providing health information) and a fare indication on taxis.*

*As far as government's monitoring role is concerned, the State Secretary pointed to the development of a consumer market test to map out obstacles in possible problem markets and the degree of consumer satisfaction in these markets.*

### **6.3 The responsibilities of market players**

Market players – the business community and consumer organisations – have a general responsibility for highlighting socio-economic and social trends and assessing how their consequences will impact on the consumer's position in general. Where they believe these consequences to be of such a nature and extent that policy efforts are desirable, it will have to be ascertained whose domain and area of responsibility are involved. This does not rule out a common approach to finding a solution.

Besides this highlighting role, market players have a responsibility in terms of self-regulation. Where government does not assume its responsibility in the area of consumer education adequately or at all, the market players must consider whether they themselves are willing and able to do so. For example, self-regulation is the key word as far as product information is concerned (information on or accompanying the product, comparative product research and quality marks). Government will be able to make a contribution to this in particular cases as part of its responsibility for promoting market transparency by assuming a facilitating and encouraging role. As part of their responsibility for their product and communication with their customers, manufacturers

will where necessary or possible provide the fullest possible product information on the main features of their product. Finally, consumer organisations can conduct comparative research into products and services to help consumers take the right purchasing decisions based on adequate price and quality information.

*The State Secretary believes that the CCA is outlining too modest a role for market players. He also sees a role for market players in providing members of the organisations with information on rights and duties, transparency in markets and standard terms and conditions. He also regards it as a task of businesses to ensure that they and/or their staff can provide adequate information on the product and answer elementary questions on rights and duties (e.g. the warranty period, the possibilities of an exchange).<sup>1</sup>*

#### **6.4 ICT and Europe**

Because, increasingly, consumer information is provided over the Internet it is important that, even outside the educational system, vulnerable groups in society are given the opportunity to acquire ICT skills. In this area there seems to be a task both for government and for market players. Because at present these groups cannot yet be reached efficiently if at all by means of ICT, the CCA recommends using another method to communicate with them, i.e. counselling. Tasks in the area of consumer education such as providing information and arranging courses, can be added to those of existing agencies, including town halls, social services departments, legal advice centres or imams.

*In his response, the State Secretary announced a study into ways of giving “non-internetting” consumers access to relevant information on their rights and duties. This study is due to be completed by the end of 2002.*

As far as the European dimension is concerned, the CCA would point to the Action Plan for European Consumer Policy 1999-2001, which envisages closer cooperation between the European Commission and the member states in the area of consumer education. In this connection, the CCA advocates government having a role in equipping consumers, especially the vulnerable ones, to enable them to take note of the main national and European statutory rules for e-commerce.

*In his response, the State Secretary supports the need for consumer education to accompany the introduction of European rules implemented in national rules. He believes that the various ministries have their own responsibility in this area.*

*Previously, in his response to the Green Paper on consumer protection in the European Union of December 2001, the State Secretary stressed the importance of providing consumers and the business community with reliable information on their*

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<sup>1</sup> This gauntlet was picked up in October 2002 by the Dutch Association of Suppliers of Household Appliances (VLEHAN), which has produced a practical manual for sales staff in shops selling electrical and electronic domestic appliances.

*national and European rights and duties, including at European level. In this context, it is worthy of note that in its Consumer Policy Strategy 2002-2006 the European Commission advances the principle of subsidiarity, which means that a great deal of the responsibility for consumer information and education rests with national, regional and local governments.*