CSW
Corporation for a Skilled Workforce
Good Jobs. Thriving Communities.

THE FINANCIAL CLINIC℠ Creators of Change Machine

When Is More Not Extra?
Effective Strategies for Financial Security

ISSUE BRIEF 1 ▸ **Why should we integrate?**

How workforce development organizations have made the case for integrating financial security practices

Through a four-part Issue Brief series, Corporation for a Skilled Workforce (CSW) and The Financial Clinic (the Clinic) have partnered to better understand the impacts of financial security services on workforce development programs. Each Issue Brief explores a distinct theme on why and how integrating financial security services into workforce development programs can achieve more impact without requiring significantly extra cost and time.

CSW is a national nonprofit organization that partners with government, business, and community leaders nationwide to develop good jobs and the skilled workers to fill them. Specifically, CSW's Workforce Benchmarking Network initiative collects data from community-based organizations around the country that provide workforce development services, to understand the outcomes of programs that offer different types of services or serve various populations. The current Benchmarking dataset includes information from 259 programs; additional Benchmarking activities include strengthening workforce programs' use of data for continuous improvement, sharing a framework of effective practices (called the "Success Drivers"), and helping funders work toward shared outcome measures. **For more info, see http://benchmarking.skilledwork.org**

The Clinic has demonstrated a "gold standard" model for building financial security for working poor families. A high-performing organization with a focus on results, the Clinic has put over $70 million back in the pockets of more than 47,000 customers, supported more than 420 organizations in 38 states and districts embed financial security actions into their program models, and successfully launched several policy campaigns in support of working poor families. **For more info, visit thefinancialclinic.org**

Many workforce development programs have already begun to implement financial education tools and curricula. Taking these efforts a few steps further to support job seekers toward *specific actions* can be a low-cost investment with potentially large payoffs. Incorporating financial security strategies into workforce development programs contributes to more effective outcomes at every stage of a job seeker's journey. Workforce development participants can gain financial skills and knowledge to not only find employment, but to retain jobs long-term. More impact can be realized by integrating some basic, low-cost financial security practices into existing programming. In other words, *more* may not be *extra*.

Programs that have integrated financial security strategies into their core services have higher rates of achieving workforce outcomes than programs that did not offer financial services. To illustrate that efficacy, the table below shows results from CSW's most recent national Benchmarking survey.[1]

Workforce Outcomes	Financial literacy/counseling **offered** to most or all	Financial literacy/counseling **not offered** consistently
Program completers' job placement	**76%**	**69%**
Full-time employment	**76%**	**58%**
Jobs with health benefits	**48%**	**23%**
Job retention at 6 months	**68%**	**56%**

*CSW National Benchmarking Survey Results (January 2016 report). Seventy-three out of 259 total workforce development programs reported that they provided financial literacy training or counseling services for most or all participants.

Leading workforce development programs have a strong history of providing financial security services to their program participants, and our research builds on other existing research that also points to a connection between these services and improved workforce outcomes. For example, a study titled "First Steps on the Road to Financial Well-Being," conducted by the Economic Mobility Corporation, suggests that people who participated in Financial Opportunity Center (FOC) programs demonstrated greater employment stability than members of a comparison group.[2] By incorporating time and resources toward addressing credit, debt, and banking issues, workforce development programs can improve program completion, job placement, and job retention rates—putting participants in a better position to get better job offers and advance on a career path.[3]

Workforce development program participants typically face significant financial challenges. For example, workforce development program participants who received financial coaching from users of the Clinic's Change Machine:[4]

- Had an average credit score of 589, a "Poor" credit rating per MyFICO[5], the consumer division of FICO.
- Nearly half (45%) were either "credit invisible" or "credit unscorable," meaning they do not have a credit history with a nationwide credit reporting company or their file has insufficient recent credit history,[6] respectively.
- Had a median debt of $1,010 and $0 in savings.[7]

In many instances, participants found themselves in what seems like an impossible situation: unemployed, facing debt with mounting interest, and having no savings nor credit to get by as they sought employment and attempted to better their situation. Such financial challenges can significantly hamper an individual's ability to find and retain employment.

Why Integrate?

Financial insecurity can be a barrier to program completion and job placement:	**Poor credit can disqualify a person from obtaining a job because employers may use credit reports as a way to screen job applicants.** As of February 2017, only 11 states have laws banning the use of credit scores to screen applicants. Even in these states, enforcement is difficult to carry out in practice, and there is limited public awareness of the right to be employed without a credit check. Laws on credit checks are undermined by significant exemptions.[8] For example, if a prospective employee handles cash or goods, he or she could still be required to show a credit history.
	Lack of emergency savings for financial emergencies may mean less time is available for job searching and skill development. According to the Pew Charitable Trusts, 60% of United States households experienced at least one financial shock during a 12-month period. Additionally, one in three American families do not have any savings, and nearly half of all Americans would struggle to come up with $400 dollars to cover an emergency.[9] For job seekers, a car breaking down, a high utility bill, or a surprise medical issue can quickly sidetrack energy and attention away from skill building and job searching.
Financial insecurity can be a barrier to job retention:	**Participants may have unaddressed wage garnishments.** According to the ADP Research Institute, approximately 7% of all U.S. employees undergo "wage garnishment." A wage garnishment is a deduction from an employee's monetary compensation due to debt owed to another party, and it may continue until the employee's debt is paid off. Unaddressed wage garnishments not only reduce pay—they also diminish the value of staying employed, especially if the wage garnishment is a surprise.[10]
	Participants without a bank account may have difficulty receiving paychecks from employers. Seven percent of Change Machine participants (reflecting the same 7% according to the 2015 FDIC's National Survey of Unbanked and Underbanked Households) do not have a bank account; however in 2016, 82% of U.S. workers received paychecks through direct deposit.[11]
	Lack of financial security leads to greater stress, lower productivity, and higher rates of absenteeism. The Consumer Financial Protection Bureau reports that 70% of American workers say financial strain is their most common cause of stress. Across workers of all generations, 24% admit their personal finances have been a source of distraction while at work. Of these workers, 39% spend at least three hours each week at work either thinking about or dealing with financial problems.[12]

These facts and figures highlight the significant potential impact of financial insecurity on employment outcomes. Embedding financial security building strategies into workforce development programs can help reduce the frequency and degree of these hardships.

Next Issue Brief: "How can you do it?" *How workforce development organizations actually integrate financial security practices*

ACKNOWLEDGEMENTS

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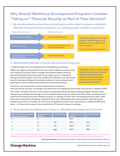
RESOURCES

See below for additional resources related to financial security and workforce development program work.



https://thefinancialclinic.org/wp-content/uploads/2016/12/CM-workforce-14.pdf


SCALING FINANCIAL DEVELOPMENT: IMPROVING OUTCOMES AND INFLUENCING IMPACT

https://thefinancialclinic.org/wp-content/uploads/2015/04/scaling-financial-development.pdf

ENDNOTES

[1] The most recent national Workforce Benchmarking Network survey collected aggregate data on demographics, services and outcomes from 259 workforce development programs operated primarily by community based organizations. See http://skilledwork.org/wp-content/uploads/2016/05/A2A-update-full-report-FINALMay102016.pdf.

[2] The study reports, "The percent of FOC participants who were employed year-round increased by 21-percentage points from the year before program entry to the second year after. This change was significantly greater than that found among comparison group members." Economic Mobility Corporation, First Steps on the Road to Financial Well-Being, September 2016, available at http://economicmobilitycorp.org/uploads/16024%20First%20Steps_R5-REPORT-web.pdf.

[3] The network of Financial Opportunity Centers—coordinated through Local Initiatives Support Corporation (LISC)—offers integrated services consisting of employment and career counseling, one-on-one financial coaching, and access to low-cost products to build credit, savings and assets.

[4] The Financial Clinic's online financial coaching platform that collects data related to each participant's financial behavior and outcomes.

[5] Understanding FICO Scores. FICO, 2017, www.myfico.com/downloads/files/myfico_uyfs_booklet.pdf.

[6] Definitions of "Credit Invisible" and "Credit Unscorable" by Consumer Financial Protection Bureau. "Who are the credit invisibles?: How to help people with limited credit histories". December, 2016 https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/201612_cfpb_credit_invisible_policy_report.pdf.

[7] Change Machine customers who are participants in workforce development programs served since January 1, 2016.

[8] Traub, Amy, and Sean Mcelwee. "Bad Credit Shouldn't Block Employment ." Demos , Feb. 2016.

[9] The Pew Charitable Trusts, The Role of Emergency Savings in Family Financial Security: How Do Families Cope with Financial Shocks? (Brief—October 2015).

[10] "ADP Garnishment Report." ADP Garnishment Report - ProPublica, www.propublica.org/documents/item/1301187-adp-garnishment-report.html. Accessed 2017.

[11] Nacha.org. (2017). New NACHA Survey Shows Adoption and Awareness of Direct Deposit via ACH Continues to Build | NACHA. [online] Available at: https://www.nacha.org/news/new-nacha-survey-shows-adoption-and-awareness-direct-deposit-ach-continues-build.

[12] "Financial Wellness at Work." Consumer Financial Protection Bureau. August 2014. Web.