Pathways to Financial Success

Findings of the Financial Progress Study of Center for Working Families Participants

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Introduction

The Center for Working Families (CWF) is built on the premise that many barriers prevent low-income working families from improving their incomes, building their assets, and achieving economic security. As such, CWF sites have adopted a comprehensive service model that emphasizes three areas: employment and education services, income and work supports, and financial education and asset-building services. "Coaching" support is provided to participants by program staff who serve as financial guidance counselors or case managers.

Different from counseling, coaching differs in that it helps a client change his or her behavior to achieve self-defined goals, while counseling tends to be more therapeutic in nature. Elements of coaching include a focus on long-term outcomes; an ongoing, systematic, collaborative process for behavioral change; support to practice new behaviors; and teaching skills based on the client's needs and goals.[1]

This study assesses whether CWF families experience income growth and other financial achievements – both behavioral and monetary – over the course of their participation in the program. Participants at three CWF sites are included in this study: Bon Secours of Maryland Foundation in Baltimore, Maryland; Central New Mexico Community College in Albuquerque, New Mexico; and the St. Louis Metropolitan Education and Training, or MET Center, in Missouri. A previous work established and analyzed participants' baseline circumstances.[2] This brief builds on that study by incorporating data from a follow-up survey completed about a year after the initial survey[3] as well as credit

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1 Collins, J. Michael, Christi Baker, Rochelle Gorey. *Financial Coaching: A New Approach for Asset Building?*, November 2007, p.1. Accessed 5/29/09 at http://www.aecf.org/~/media/Pubs/Topics/Economic%20Security/Other/FinancialCoachingANewApproachforAssetBuilding/financial_coaching_nov20.pdf.

2 Burnett, K., C. Herbert, A. St George, and M. Vandawalker, "Pathways to Financial Success: Initial Findings of the Financial Progress Study of Center for Working Family (CWF) Participants," Abt Associates, 2009.

3 The length of time between the initial and follow-up survey ranged from five months to two years. About 15 percent of participants completed a follow-up survey less than a year after the initial survey; 55 percent completed it between 12 months and 18 months after the initial survey; and 30 percent completed a follow-up survey between 18 months and two years after the initial survey.

reports, administrative data from each of the sites, and other sources of information to measure participants' progress over time by addressing several questions:

- *What changes in financial stability have participants experienced?* The study examines participants' employment levels, earned and supplemental income, their financial assets, and access to health insurance.
- *What changes in financial behavior are participants demonstrating?* Changes in spending patterns, and specific behaviors such as saving, tracking expenses, and comparison shopping are analyzed. Changes in credit scores are also analyzed.
- *How does financial progress vary with receipt of services?* This section presents the relationship between financial coaching on participants' financial habits, ability to pay off debt, and their credit scores.
- *What are the non-financial impacts of work on participants and their families?* This section describes the effects of work on participants' children, their involvement in the community, their health, and their self-confidence, as reported by participants themselves.

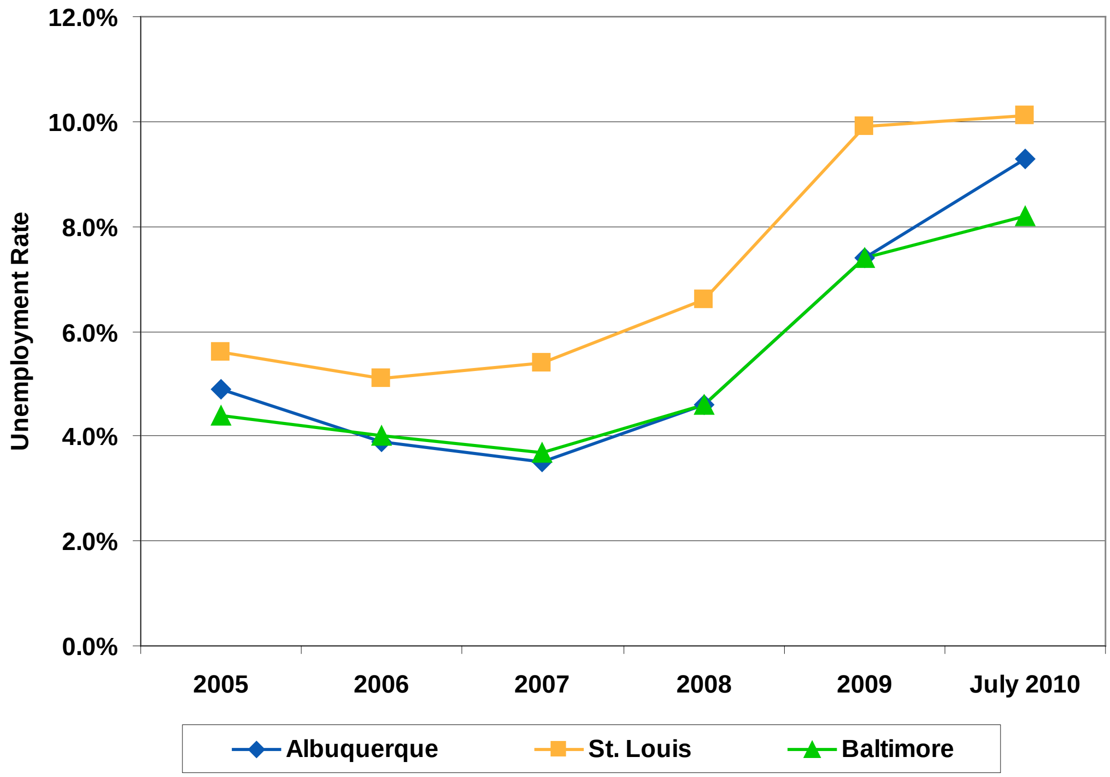
This study draws on a range of data sources that allow us to examine participants' financial progress over a period of up to five years. There are several limitations to the data, however, including the lack of a control group, small sample size, and some inconsistency in the data across sites and over time (see the appendix for a detailed discussion). These limitations prevent us from being able to attribute participant outcomes to the program.

The report is laid out as follows. First, background information is presented to provide context for examining our results. This includes a brief discussion of the recent economy and its likely impact on CWF participants, followed by a description of the study participants. The remainder of the report presents our findings related to the research questions listed above.

Impact of the Economy on CWF Participants

The financial progress study was conducted amidst the worst economic downturn since the Great Depression, which has undoubtedly affected participants' ability to find jobs and keep them. As shown in Exhibit 1, the unemployment rate in each of the cities where CWF study sites are located has nearly doubled over the course of participants' activity in the CWF Initiative. For example, the unemployment rate in St. Louis went from 5.6 percent in 2005 to almost 10 percent in 2009. The patterns in Baltimore and Albuquerque were very similar, increasing from roughly 4.5 percent in 2005 to about 7.5 percent in 2009. In all three cities, unemployment has continued to rise in 2010.

Exhibit 1. Trends in Unemployment Rates



Source: Bureau of Labor Statistics.

The scarcity of jobs has hit low-income workers particularly hard. A recent study shows that workers in the two lowest income deciles – those with household incomes of under $12,500 and those with incomes from $12,500 to $20,000 – have the highest unemployment rates. In the lowest decile, the unemployment rate is 30.8 percent; in the range from $12,500 to $20,000, which includes many CWF participants, it is 19.1 percent. Those in the third income decile – with incomes from $20,000 to $30,000 – have not fared much better, with an unemployment rate in the fourth quarter of 2009 of 15.3 percent. Of those employed in these three income ranges, rates of *under*employment – those working part-time although full-time work is preferred – are also high, at 20.7 percent, 17.2 percent, and 12.7 percent respectively.[4]

Financial progress rests firmly on the foundation of employment. Without jobs, all other financial goals – from improving credit scores to saving money or buying a house – are virtually impossible to achieve. As discussed later, the decreased likelihood that participants are employed between the initial and follow-up surveys was probably partly attributable to the Great Recession.

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4 Sum, Andrew and Ishwar Khatiwada, "Labor Underutilization Problems of U.S. Workers across Household Income Groups at the End of the Great Recession: A Truly Great Depression among the Nation's Low-Income Workers Amidst Full Employment among the Most Affluent." Center for Labor Market Studies, Northeastern University, Prepared for C.S. Mott Foundation. February 2010.

Study Participants

The participants in the financial progress study – those who completed both an initial and a follow-up survey – are predominantly female, Black or African-American and single (see Exhibit 2). They differ somewhat from the broader population of CWF participants at Bon Secours, CNM, and the MET Center in several respects. They are less likely to have children (64 percent compared to 74 percent of all participants), less likely to be Black or African-American (66 percent compared to 82 percent of all participants), less likely to be single (67 percent compared to 77 percent of all participants) and somewhat more likely to have at least a high school diploma (73 percent compared to 64 percent of all participants).

According to previous analysis, these differences in demographic characteristics generally do not affect the likelihood that a participant will make major advancements in his or her income or asset situation, such as significant debt reduction or substantially increased earnings capacity (through completion of a certificate or educational program that leads to higher wages, for example). Men were found to be slightly more likely than women to make major economic advances, as were those with at least a high school diploma. The presence of children, marital status, and race/ethnicity were not found to have an impact on the likelihood of achieving a major economic advancement.[5]

The lack of correlation between race/ethnicity and the presence of children found previously suggest that although the financial progress study sample is not fully representative of the entire CWF population, there is no *a priori* reason to expect that this sample is either much more or less inclined to demonstrate financial progress than the CWF population.

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[5] Burnett, K., A. St George, B. Kaul, and G. Mills, "Pathways to Success: An Interim Analysis of Services and Outcomes in Three Programs," Abt Associates, 2009.

Exhibit 2. Demographics of Financial Progress Study Participants

	Financial Progress Study Participants		All CWF participants at Bon Secours, MET Center, and CNM	
Gender	N	%	N	%
Missing	6		814	
Female	114	70%	6,471	70%
Male	49	30%	2,755	30%
Total	169	100%	10,040	100%
Race/ethnicity				
Missing	6		816	
Black or African-American	107	66%	7,557	82%
Caucasian	21	13%	689	7%
Hispanic	27	17%	555	6%
Other	8	5%	423	5%
Total	169	100%	10,040	100%
Marital status				
Missing	8		822	
Married (living with a domestic partner, common law)	31	19%	1,451	16%
Divorced, Separated, Widowed	22	14%	676	7%
Single	108	67%	7,091	77%
Total	169	100%	10,040	100%
Have children				
Missing	15		931	
With children	99	64%	6,868	75%
With no children	55	36%	2,241	25%
Total	169	100%	10,040	100%
Education				
Missing	8		74	
Less than high-school diploma	44	27%	3,601	36%
High school diploma or higher (includes GED)	117	73%	6,365	64%
Total	169	100%	10,040	100%

Source: Site MIS systems.

What Changes in Financial Stability Have Participants Experienced?

Changes in participants' financial stability have been mixed. This section examines the correlation between participants' wages and their enrollment in the CWF initiative, employment status and wages, supplemental income, assets, and the amount and composition of debt.

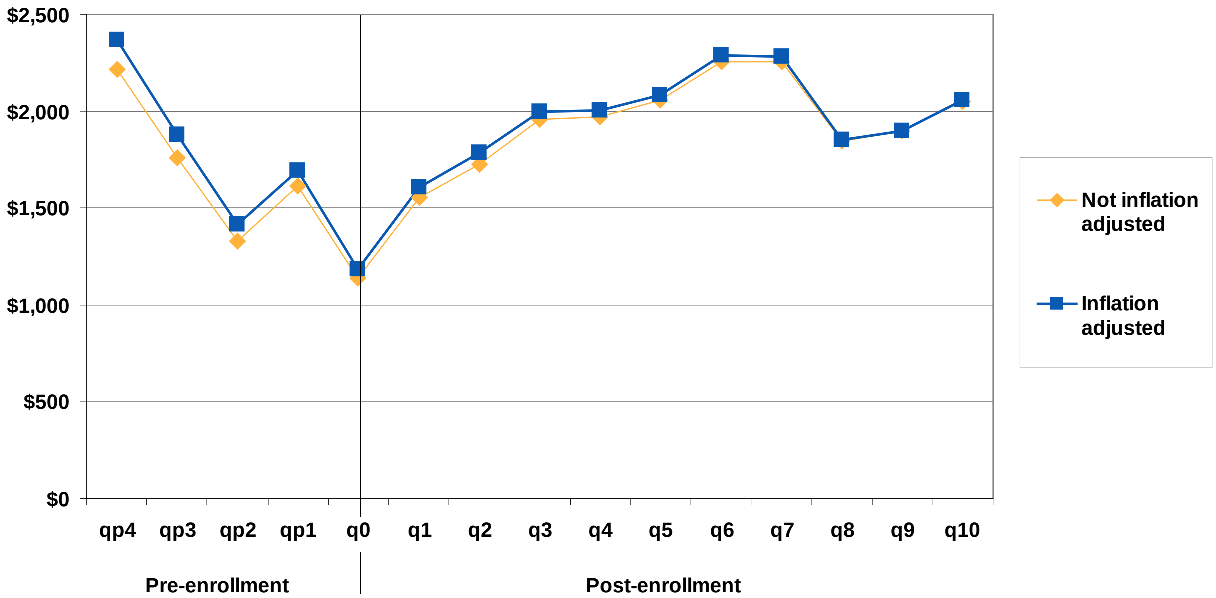
Enrollment in the CWF Initiative is Correlated with Increased Earnings

Unemployment Insurance data, which includes wage information reported by employers, is available for Bon Secours' participants. These data suggest that, in general, participants' incomes increased after their enrollment in the CWF site. Exhibit 3 shows average quarterly wages for Bon Secours participants in the four quarters before their enrollment, in the quarter during enrollment, and in the 10 quarters after enrollment. Although the sample size (55 participants for most quarters) is small, the trend is encouraging.

In the quarters prior to enrollment, participants' quarterly wages show a steep decline, perhaps prompting their decision to enroll at the Bon Secours CWF site in Baltimore. Quarterly wages bottom out in the quarter during enrollment, and then generally trend upward thereafter. The data include wages for participants who join at different times, from 2005 to 2008, so the sample size declines after the seventh post-enrollment quarter (participants who enrolled in 2008 have not yet experienced eight quarters post-enrollment as of spring 2010, when these tabulations were done).[6]

[6] The sample size reaches a low of 30 participants in the tenth quarter after enrollment.

Exhibit 3. Trend in Quarterly Wages, Pre- and Post-Enrollment, Bon Secours Participants



Source: Unemployment Insurance data.

Participant Employment Levels Have Dropped

Despite the generally positive correlation between enrollment at the Bon Secours CWF site and quarterly wages, the most recent wages reported by participants at all sites were unchanged from the initial survey. Of greater concern, employment levels were lower, a result that is statistically significant. Both of these may at least in part be a result of deteriorating economic conditions nationwide.

In contrast to the wage trends for Bon Secours participants shown above, Exhibit 4 shows average hourly wage and weekly hours worked among participants at all three sites for either a current job *or* for a recent job, for participants who are not currently employed.[7] These data show that average hourly wages reported are not significantly different between the initial and follow-up survey, nor are weekly hours worked.

There is, however, a statistically significant difference between the number of participants reporting about a current job compared with a recent job, indicating a drop

7 The hourly wages reported for current jobs was higher than those reported for recent jobs ($10.73 compared with $8.51 in the initial survey and $11.38 compared with $8.85 in the follow-up survey).

in employment levels among participants. As shown in Exhibit 4, the number of participants reporting on a current job dropped from 45 in the initial survey to 38 in the follow-up survey. Participants were also asked specifically whether they were currently employed. In the follow-up survey, 51 percent of respondents reported being currently employed compared with 59 percent in the initial survey, a statistically significant difference.

Exhibit 4. Initial and follow-up earnings, current or recent job

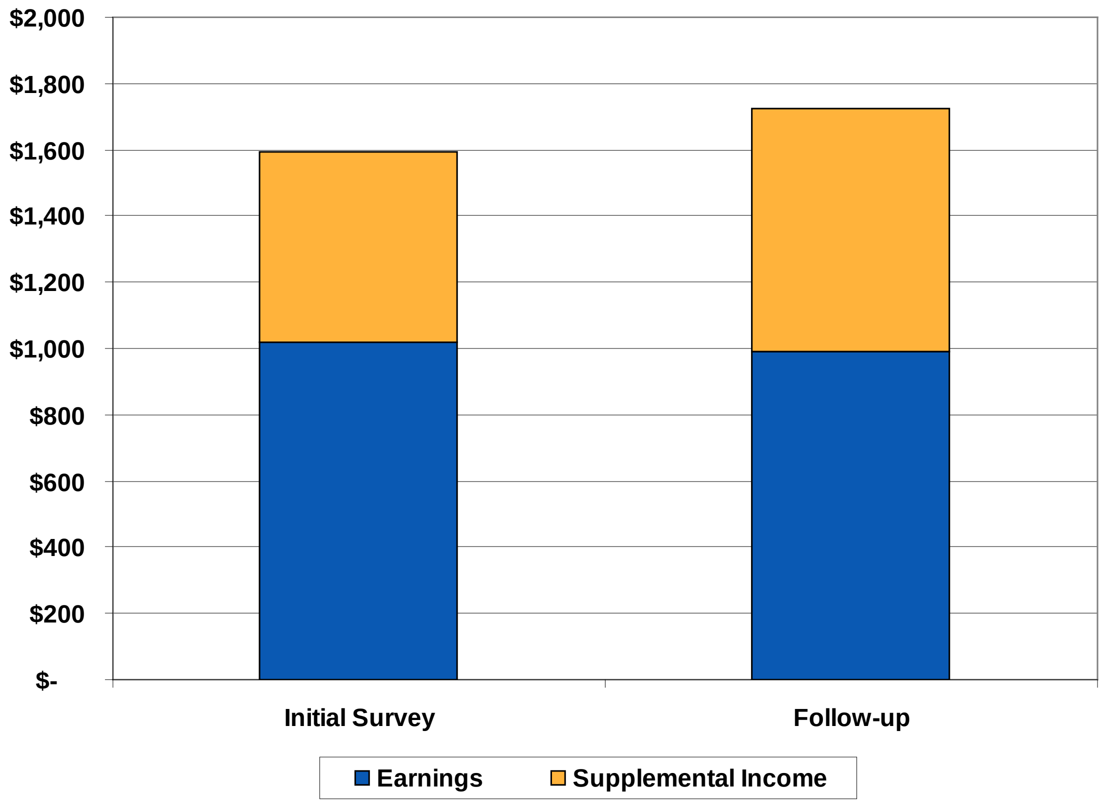
	Initial Survey	Follow-up Survey
Participants Reporting on a Current Job	45	38
Participants Reporting on a Recent Job	25	32
Average Hourly Wage	$9.94	$10.22
Average Weekly Hours Worked	32.4	31.8
Average Weekly Earnings	$322	$325
Average Gross Yearly Earnings	$16,744	$16,900

Source: Initial and follow-up financial progress surveys. Differences in hourly wage and weekly hours worked between the initial and follow-up survey are not statistically significant.

Increases in Supplemental Income Offset Declines in Earned Income

These findings from the follow-up survey are consistent with monthly earnings reported in the Beehive Family Budget Tool, which also shows that changes in earnings were not significant (see Exhibit 5). However, increases in supplemental income including work supports helped participants offset slight decreases in their monthly earnings. As shown in Exhibit 5, total monthly income in the initial survey were $1,592; in the follow-up survey this increased to $1,722 due entirely to increases in supplemental income.

Exhibit 5. Participants' Total Monthly Income



Source: Initial and follow-up Beehive Family Budget surveys. The difference in supplemental income in the initial and follow-up survey is statistically significant.

The share of participants receiving supplemental income increased, from 80 percent to 85 percent. Average *amounts* of supplemental income for participants receiving supplemental income also went up, from $666 to $823 per month.

The most common sources of supplemental income are government benefits such as TANF, food stamps, Social Security disability benefits, and housing assistance; EITC; and financial aid. Exhibit 6 shows the share of participants[8] receiving each type of supplemental income.

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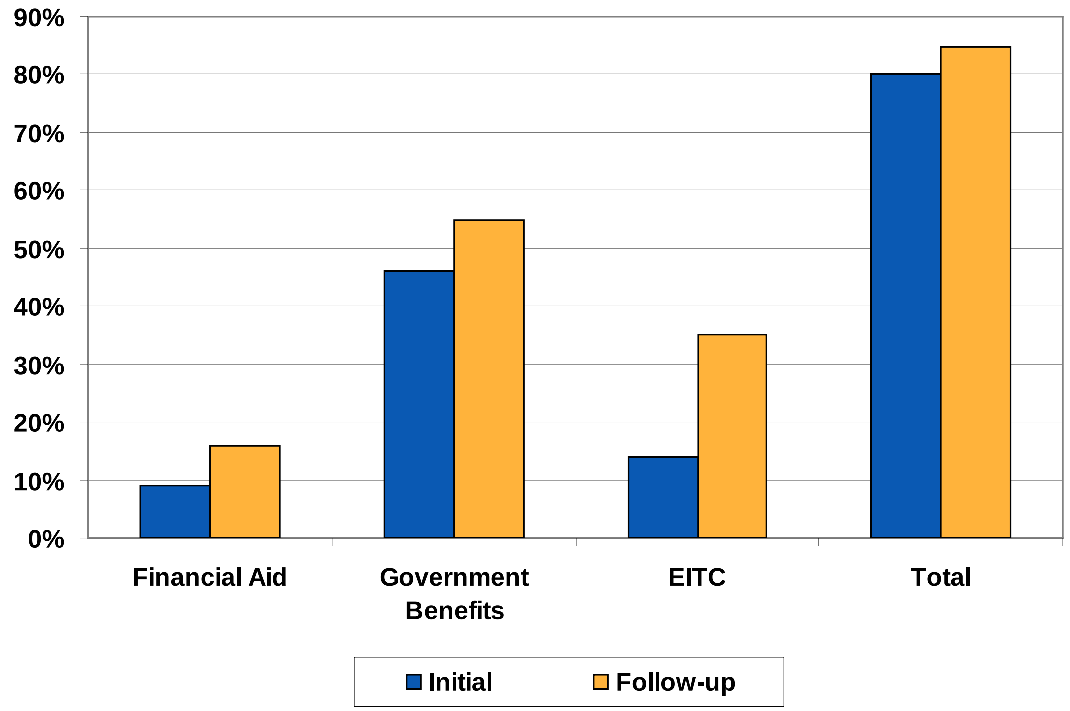
[8] The share of participants receiving each type of supplemental income is calculated as a percentage of those with non-missing information about supplemental income, or 85 out of 101 total survey respondents.

Exhibit 6. Share of Participants Receiving Supplemental Income by Source of Income



Source: Initial and follow-up Beehive Family Budget surveys.

Although financial aid is a form of supplemental income, because it cannot always be used to pay for living expenses, we also calculated participants' supplemental income excluding financial aid. With this exclusion, which primarily affected CNM's participants, the share of participants receiving supplemental income was essentially flat from the base survey to the follow-up survey, at about 80 percent of all participants. The increase in the average amount of supplemental income for all participants (not just those receiving supplemental income) was still significant: average supplemental income rose from $516 per month in the initial survey to $651 at follow-up.

The differences in total amounts of supplemental income were driven primarily by participants receiving additional types of supplemental income – primarily EITC, financial aid, and government benefits – not by increases in the amounts. The share of participants receiving EITC, for example, increased from 16 percent to 41 percent. Likewise, the share of participants receiving government benefits increased from 55 percent to 66 percent.

On the other hand, differences in the amount of each type of supplemental income between the initial and follow-up survey were very small. For example, the average amount of government benefits rose from $690 to $698 per month, and the average EITC tax refund increased from $142 to $151. All types of supplemental income increased except for child support/alimony (down $66 per month) and investment income (down $29 per month).

Participants Saw Decreases in the Amount of Debt Used to Cover Living Expenses

Participants also made some positive changes in the composition of their debt. While total debt rose slightly, the average amount of debt to cover living expenses fell by more than two-thirds (see Exhibit 7).[9] Rather, participants were making more use of "asset-building debt" which includes student loans and home loans, and the average amount of that type of debt went up by about a third.

Exhibit 7. Participants with Debt, by Type of Debt

	% of Participants with Debt		Average Debt, Participants with Debt	
	Initial Survey	Follow-up	Initial Survey	Follow-up
Total debt	77%	78%	$19,334	$20,318
Debt for living expenses	32%	30%	$8,675	$3,024
Asset-building debt	31%	34%	$25,999	$34,807
Auto loans	15%	16%	$6,705	$8,180
Medical debt	28%	30%	$1,653	$3,437

Source: Initial and follow-up Beehive Family Budget surveys.

At the same time, however, the average amount of unpaid medical bills doubled, and the average outstanding debt for a vehicle increased by about 20 percent. Roughly

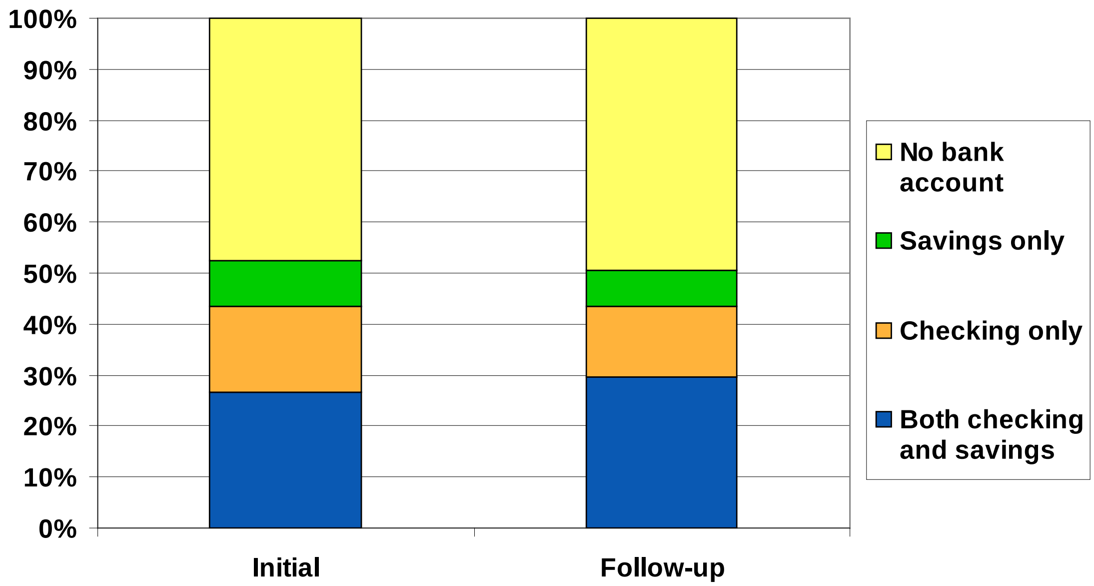
[9] Debt to cover living expenses includes all credit card debt, which may slightly overestimate debt to cover living expenses. Although we do not have details about the composition of credit card debt, it is classified as debt to cover living expenses because credit cards are not typically used to finance education or purchase vehicles or homes because less expensive forms of finance are often available for these investments. However, it is possible that credit cards are being used to finance tuition, a car purchase, or even mortgage debt. Credit cards could also be used to finance medical debt.

similar shares of participants reported having these debts in the initial and follow-up surveys.

Participants' Use of Checking and Savings Accounts was Unchanged

Although participants showed financial progress in several areas, the share of participants with a checking or savings account was unchanged. As shown in Exhibit 8, roughly 50 percent of participants had neither a checking nor a savings account in both the initial and follow-up surveys.

Exhibit 8. Participants with Bank Accounts



Source: Initial and follow-up financial progress surveys. Differences in the share of participants with bank accounts between the initial and follow-up survey are not statistically significant.

Some participants had other types of financial vehicles such as retirement accounts, money market accounts, and certificates of deposits. These participants generally saw increases in the value of their investments from the initial survey to the follow-up survey, but the share of participants with these types of accounts was quite small (about 15 percent in the initial survey and 18 percent in the follow-up survey), so the gains were concentrated among a small group of participants. Most of the gains were in retirement accounts, so increases may be a result of participants' consistent contributions to these accounts rather than stock market performance, which was poor during this period. Further, average balances in these retirement accounts remained modest, at less than $10,000. Nationwide, the median retirement savings among households with at least one retirement account was $45,000 in 2007.[10]

Many Participants' Credit Standing Improved

From 2008-2010, many participants improved their credit standing, either by raising their credit score or by establishing a credit history for the first time. In the first half of the period, between 2008 and 2009, 56 percent of participants had some improvement in their credit standing, compared with 29 percent who had some kind of decline as shown in Exhibit 9. About 15 percent of participants had no credit score in either year, likely a result of a "thin" credit file, or one with too few accounts for a credit score to be calculated. Also shown, about 11 percent of participants developed a sufficient credit history to have a credit score between 2008 and 2009. This can be a positive financial development because many conventional sources of financing are unavailable to people without a credit score.

Exhibit 9. Changes in Credit Standing, 2008-2010

	2008-2009	2009-2010
Improvement in credit score	45%	39%
New credit score and/or history	11%	4%
Decline in credit score	26%	33%
Score in initial year, but not ending year	3%	10%

Source: Participants' credit reports. Note that 15 percent of participants in 2008-2009 and 14 percent of participants in 2009-2010 did not have a credit score in either year.

The picture was not quite as positive in 2009-2010, when roughly the same share of participants who had some improvement in credit standing had a decline. During this period, about 14 percent of participants had no credit score in either year. The difference between the two periods may have been related to the effects of the recession and lower employment levels among participants.

[10] Purcell, Patrick, "Retirement Savings and Household Wealth in 2007," Congressional Research Service, 7-5700, April 2009.

Credit scores are generally grouped in three categories according to the level of risk an individual represents based on her credit history. Borrowers with subprime credit are those with credit scores below approximately 620; borrowers with credit scores from 620 to about 680 are considered A minus (less than prime but not subprime); and credit scores above 680 are generally considered prime.

These categories are not hard-and-fast definitions, but are generally accepted industry standards. That is, in general, borrowers with scores over 680 points are most likely to qualify for a loan and the lowest interest rates. Recently, however, many lenders have tightened credit standards in the wake of the subprime mortgage crisis, meaning that loan approval and the lowest interest rates are reserved for borrowers with credit scores above 700 or even higher.

At the same time that credit scores were improving for many financial progress study participants, credit scores nationwide fell. Americans' median credit score dropped about 1 percent between March 2008 and March 2009.[11] They continued their decline into 2010, with the share of consumers in the highest credit score range dropping from about 19 percent to about 18 percent, and the share of those in the lowest credit score range increasing from 8 percent of all consumers to 9 percent by April 2010.[12]

In general, the changes in credit scores participants achieved were modest. As shown in Exhibit 10, the large majority of participants with improvements in their credit scores saw increases of less than 50 points (83 percent in 2008-2009, and 89 percent in 2009-2010). Similarly, most participants who experienced an improvement in credit scores remained in the same credit risk category (primarily subprime). In general, credit scores are intended to provide a summary of an individual's demonstrated creditworthiness over a period of time, so significant changes in credit scores often take two or more years to achieve, unless erroneous information is corrected that was having an important impact on the credit score.

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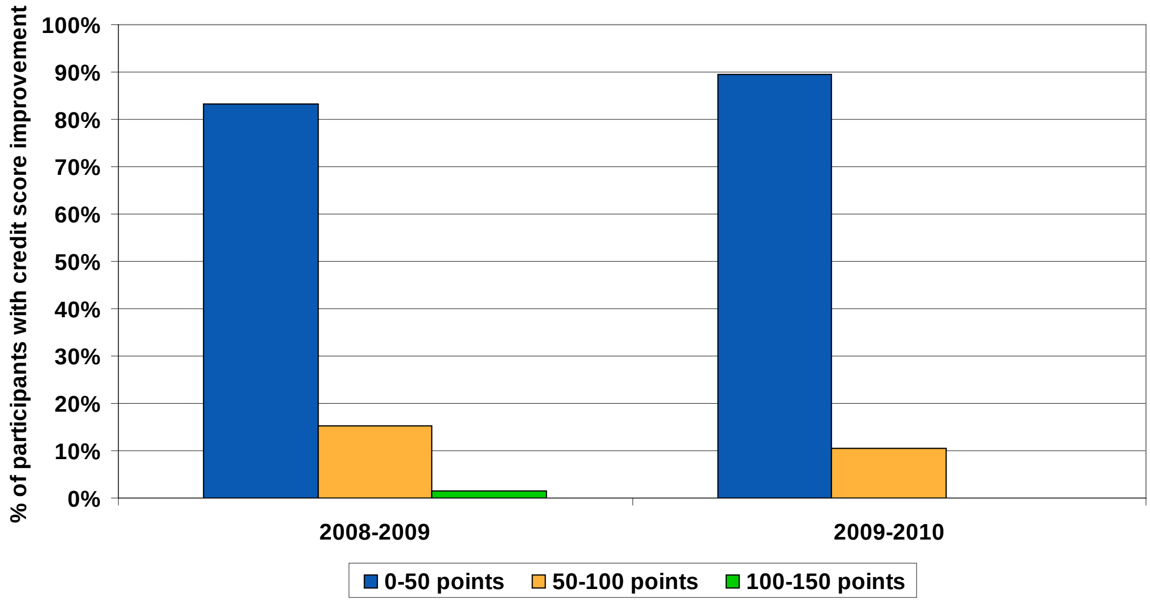
11 Gopal, Prashant, "Rating Agencies: Credit Scores Will Keep Dropping," Bloomberg Businessweek, July 14, 2009.

12 Quinn, Tom, "FICO Scores Drift Downward," FICO Banking Analytics Blog, July 13, 2010.

Exhibit 10. Changes in Credit Scores among Study Participants with Improvements in Score



Source: Participants' credit reports.

Looking in more detail at some of the components of participants' credit history between 2008 and 2010, progress was mixed. On the negative side:

- More participants had increases in the number of accounts that were late than had decreases.

In the neutral category:

- About the same number of participants had an increase in the total amount due (to all creditors) reported on credit reports as had a decrease or no change.

On the positive side:

- Fewer participants had public records[13] – which may be considered "major derogatory credit" and have a significant negative impact on credit scores – in 2010 than in 2008.

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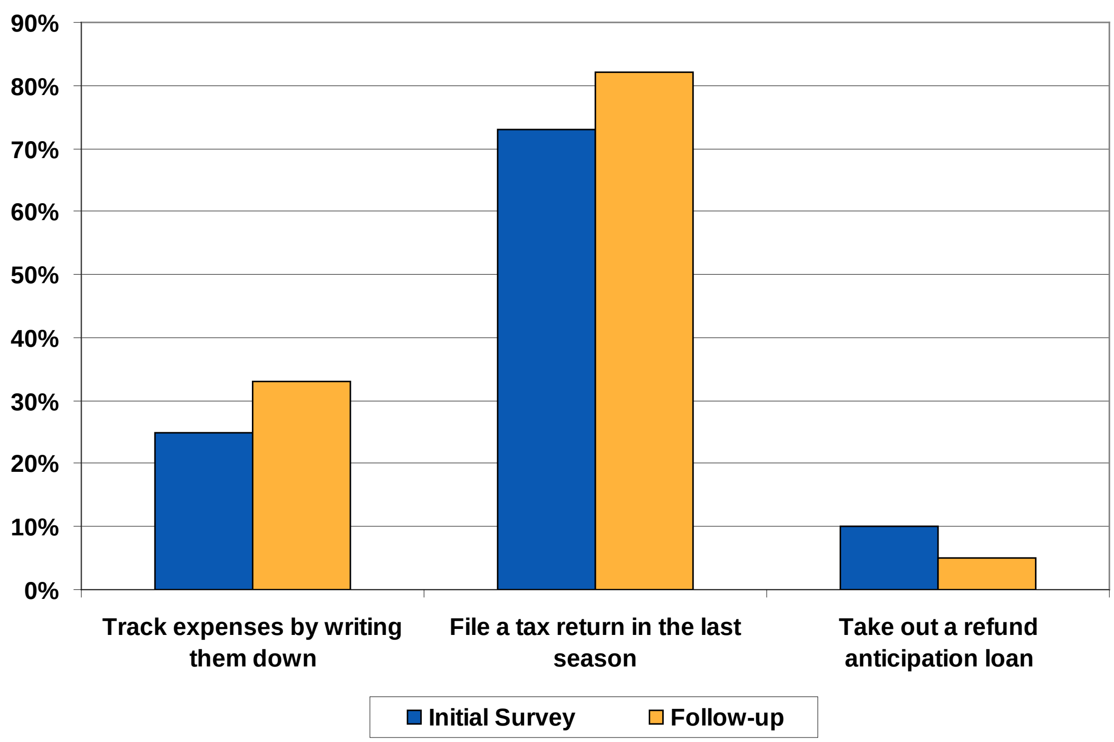
13 Public records are information reported by county, state, and federal courts to credit bureaus and include judgments, foreclosures, suits, bankruptcies, state and federal tax liens, and past-due child support.

What Changes in Financial Behavior Have Participants Experienced?

Financial progress study participants demonstrated a number of improvements in their financial behavior in the follow-up survey. As shown in Exhibit 11, they were significantly more likely to report that they track their expenses by writing them down (33 percent compared with 25 percent in the initial survey); more likely to report filing a tax return for the previous tax year (82 percent compared with 73 percent); and less likely to take out a refund anticipation loan, a high-cost source of credit (5 percent compared with 10 percent).

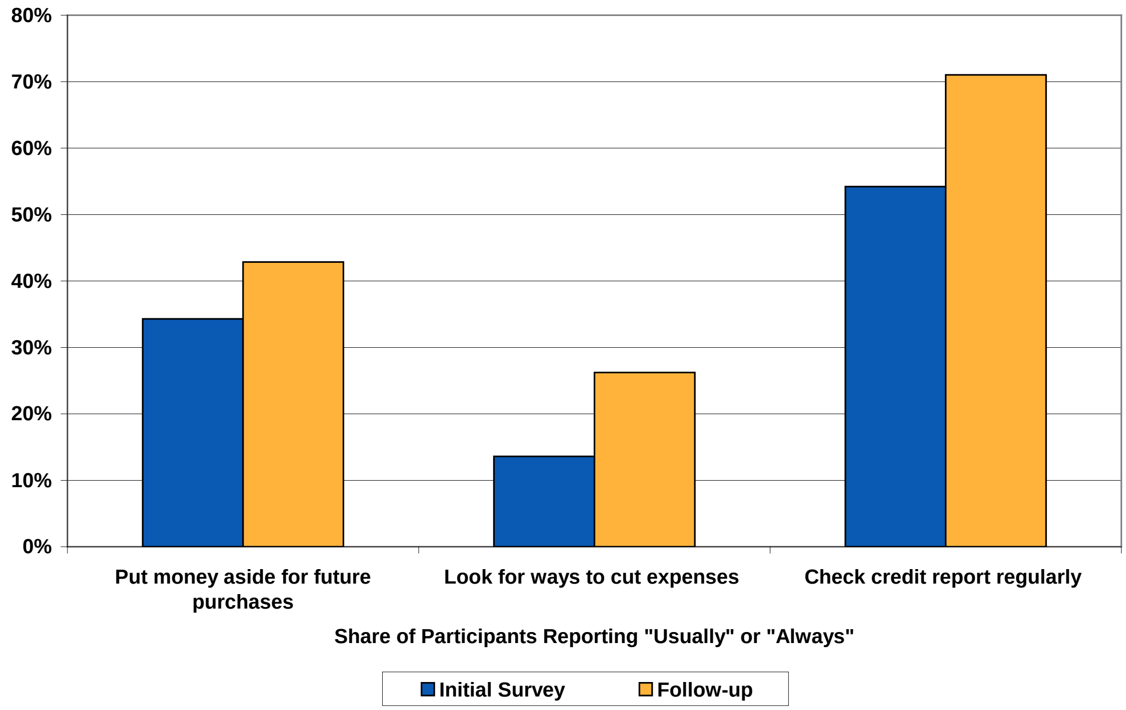
Exhibit 11. Improvements in Financial Behavior, as % of Study Participants



Source: Initial and follow-up financial progress surveys. Differences in behavior between the initial and follow-up survey are statistically significant.

As shown in Exhibit 12, participants were also significantly more likely to report that they "usually" or "always" put money aside for future purchases or emergencies (43 percent in the follow-up survey compared with 34 percent in the initial survey), usually or always look for ways to cut expenses (26 percent in the follow-up survey compared with 15 percent in the initial survey), and usually or always check their credit report regularly (71 percent in the follow-up survey compared with 54 percent in the initial survey).

Exhibit 12. Improvements in Financial Behavior



Source: Initial and follow-up financial progress surveys. Differences in behavior between the initial and follow-up survey are statistically significant.[14]

There were however, also a number of areas in which we found no significant change in participants' financial behavior between the initial and the follow-up survey. For example, participants were no more or less likely to report comparison shopping or buying things on sale; paying at least the minimum balance due on credit cards or other

14 Determined using a McNemar's Test.

bills; paying bills on time; or look for ways to increase income such as by working toward getting a promotion or a job that pays more or offers better benefits.

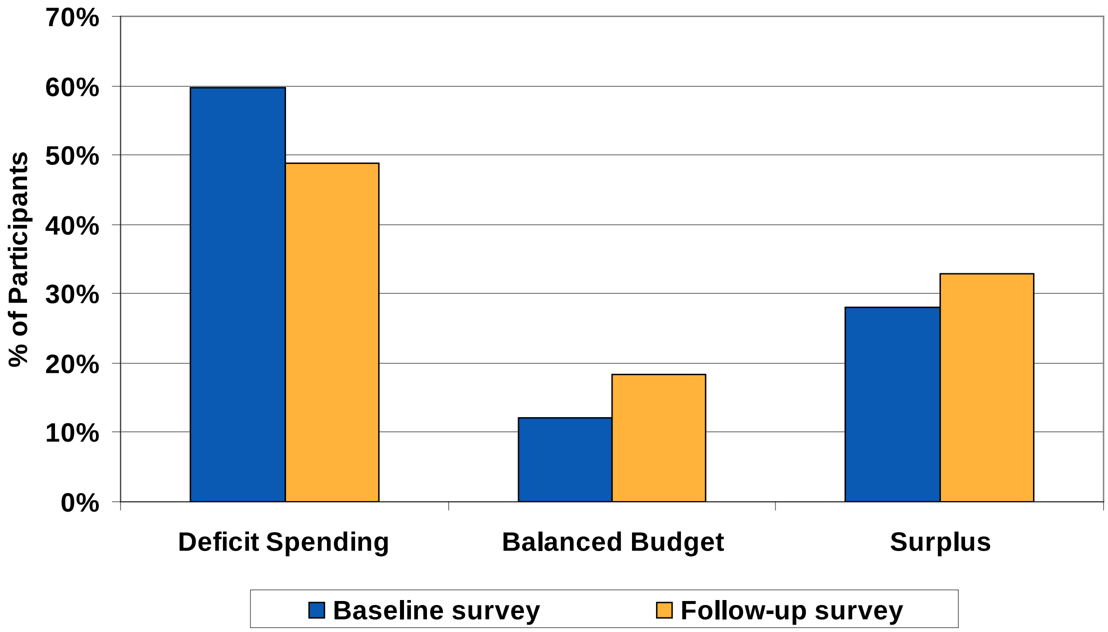
We also did not find a statistically difference in self-reported control over money matters, confidence in handling money and financial matters, and knowledge about managing personal finances.

Participants showed improvement in their spending patterns. In assessing these changes we examined whether participants had moved from "deficit" spending to either a balanced budget (spending about the same as their income) or a surplus (spending less than their income). In addition, we examined whether participants who did not change spending categories showed some kind of improvement in their spending patterns, for example, by reporting a smaller monthly deficit.

We found that 56 percent of participants showed some kind of improvement, 2 percent stayed the same, and 41 percent of participants' spending patterns deteriorated. Factors behind deteriorating spending patterns would be a useful area for further research; our initial explorations did not produce an explanation.

As shown in Exhibit 13, deficit spending declined from 58 percent of participants in the initial survey to 47 percent in the follow-up survey; the share of participants who had a balanced budget rose from 10 percent to 18 percent; and 35 percent of participants had surplus income in the follow-up survey compared with 32 percent in the initial survey.

Exhibit 13. Changes in Spending Patterns



Source: Initial and follow-up Beehive Family Budget surveys.

How Does Financial Progress Vary with Receipt of Services?

Data on the services participants received and their financial progress, such as level of income and employment status, were used to assess whether there was any correlation between receipt of specific services and outcomes. In general, we did not find statistically significant relationships between receipt of hard or soft skills and financial literacy coursework and outcomes such as job placement, earned income, and ownership of a checking or savings account.

One of the reasons for the lack of significant relationships may be that some services are virtually ubiquitous at some sites. For example, all participants at CNM received financial literacy classes, and all participants at the MET Center except one received soft skills training, and nearly all Bon Secours participants received soft skills/job readiness and financial literacy training. As a result, there is no variation in receipt of these services with which to examine relationships with outcomes. Sample sizes are also small, which makes it harder to find statistically significant relationships even in services for which there is variation.

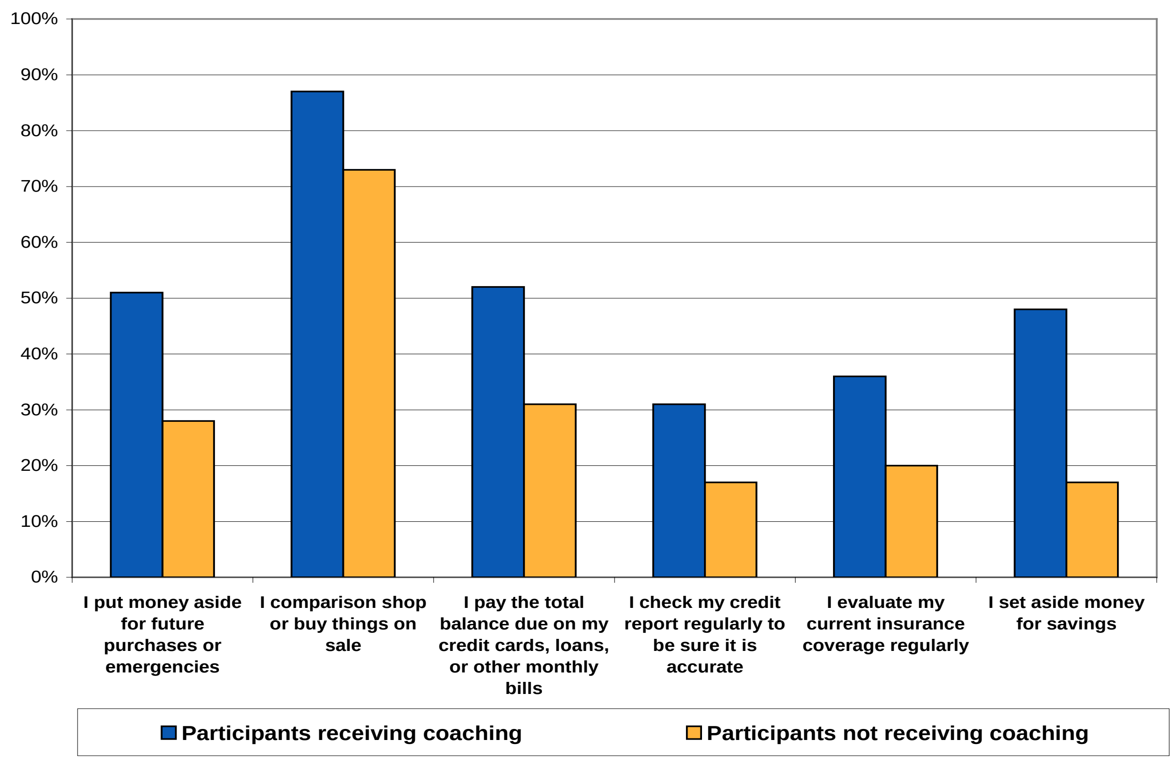
However, we found several significant relationships between financial coaching and specific financial habits. We did not find any relationship between the intensity of coaching (three or more financial coaching sessions) and behaviors among participants who received financial coaching.

Coaching Is Associated With Some Positive Financial Behaviors

Compared with participants who did not receive coaching, participants who reported ever having met with a coach (in either the initial or follow-up survey) were significantly more likely to have several positive financial habits, shown in Exhibits 14 and 15.

Exhibit 14 shows participants' responses to questions in the follow-up survey about their financial behaviors. Participants ranked their behavior on a scale from one to five (where one is "never," two is "rarely," three is "sometimes," four is "usually," and five is "always"); the exhibit shows the share of participants reporting either "usually" or "always." Participants who reported receiving coaching on either the initial or follow-up survey were more likely to say they usually or always put aside money for future purchases or emergencies, comparison shop or buy things on sale, pay the total balance due on monthly bills, check their credit report regularly, evaluate insurance coverage, and save money. Behaviors shown are those reported in the follow-up survey, a year or more after much of the coaching was received. This lag between the receipt of coaching and impact on behavior suggests that these impacts – all statistically significant – are not just short-term behavioral changes that are soon forgotten, but may be longer-lasting effects of coaching.

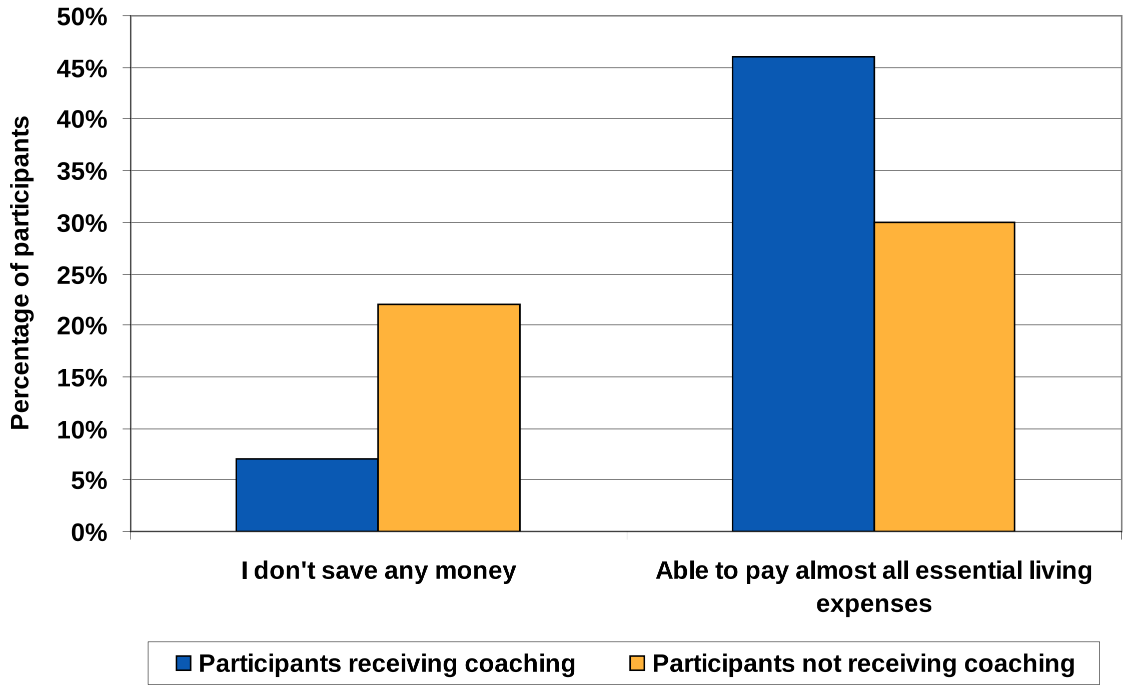
Exhibit 14. Comparison of Participants who Usually or Always Engage in Financial Habits



Source: Participants reporting having received coaching on the initial and/or follow-up financial progress survey. Differences in behavior between participants receiving financial coaching and those not receiving coaching are statistically significant.

Exhibit 15 shows that participants who were coached (reported on either the initial or follow-up survey) were *less* likely to report that they do not save any money and more likely to report on the follow-up survey being able to pay almost all essential living expenses than participants who were not coached.

Exhibit 15. Ability to Pay Debt and Negative Financial Status or Events as a Share of Participants



Source: Participants reporting having received coaching on the initial and/or follow-up financial progress surveys. Differences in behavior/financial status between participants receiving financial coaching and those not receiving coaching are statistically significant.

We found no relationship between financial coaching and changes in participants' credit scores.

Work has Non-Financial Impacts on Participants

Survey respondents report a number of positive effects of working on different aspects of family life. Exhibit 16 shows the reported effects of working on participants' children. Participants report that when they are working, their child(ren)'s health and well-being improves (59 percent) along with their performance in school (60 percent) and their general behavior (57 percent).

Most of the remainder of participants reported that these measures of their childrens' well being stay the same when they are working. Importantly, very few participants reported that their children are worse off in terms of health and well-being, performance in school, and general behavior when they are working (4 percent in each case).

Parents were more likely to report negative impacts on their children in terms of the amount of time they have available to spend with them when they are working. Surprisingly, however, 46 percent still reported that work improved the amount of time they have to spend with their children and be involved in their education. Specifically, 46 percent of participants reported having more ability to spend time with their children when they are working. Many parents reported an improved ability to go to school conferences or PTA meetings (43 percent), as did their time to oversee their children's homework (43 percent).

Exhibit 16. Effects of work on ...

	Gets Better	Stays the Same	Gets Worse	Don't Know	Total
Your child(ren)'s health and well-being	59%	35%	4%	2%	100%
Your child(ren)'s performance in school	60%	36%	4%	0%	100%
The general behavior of your child(ren)	57%	39%	4%	0%	100%
Your ability to spend more time with your child(ren)	46%	37%	15%	2%	100%
Your ability to go to school conferences or PTA meetings	43%	40%	17%	0%	100%
Your time to oversee your child(ren)'s homework	43%	46%	11%	0%	100%

Source: Follow-up financial progress survey.

Exhibit 17 shows the effects of work on other aspects of participants' lives. More than half (58 percent) of participants report that when they are working their self-confidence gets better, and another 30 percent report that it stays the same. Participants were less likely to report positive impacts from working on other aspects of their lives, but relatively small percentages reported detrimental impacts of work.

Specifically, 39 percent of participants reported that their ability to travel or go on trips with their family gets better when they are working. Forty-one percent also reported that when they are working their involvement in their community gets better. An even larger share – 45 percent – report that their relationship with family members gets better when they are working. Similarly, 35 percent report that their health improves when they are working.

Exhibit 17. Effects of work on ...

	Gets Better	Stays the Same	Gets Worse	Don't Know	Total
Your being able to travel or go on trips with your family	39%	39%	18%	3%	100%
Your involvement in your community and neighborhood	41%	44%	13%	1%	100%
Your relationship with family members	45%	49%	5%	0%	100%
Your health	35%	52%	11%	2%	100%
Your self-confidence	58%	30%	12%	0%	100%

Source: Follow-up financial progress survey.

It is important to note that the sample of participants is small. Regardless, the results suggest that work has a number of positive impacts for participants and their children beyond improvements in financial stability. Importantly, for the large majority of participants, work does not appear to have a detrimental effect on their children, their relationships, their health, or their involvement in their community.

Summary and Conclusions

The economic conditions of the past two years created unusual challenges for participants trying to make progress toward attaining family economic success. And yet, we found evidence that they did make progress. We found improvements in credit scores, more use of "good" debt (for asset building and education) and less use of "bad" debt (for living expenses), as well as improvements in financial habits including putting money aside for future purchases, looking for ways to cut expenses, and checking their credit report regularly.

Participants also suffered setbacks, primarily in their likelihood of being employed and their earned income. On the positive side, participants were able to access the social safety net to offset earnings declines. Although we do not know for certain that increases in supplemental income were a direct result of the sites' efforts, program staff do make concerted efforts to connect people with government benefits, the Earned Income Tax Credit, and other forms of supplemental income.

Although our data do not allow us to demonstrate causation, we also found evidence that financial coaching provided by CWF sites is correlated with participants' positive behaviors and financial progress. For example, participants who received coaching were more likely to report being able to pay almost all essential living expenses, and they were less likely to say that don't save any money than participants who did not receive coaching.

We also found that work has a number of positive impacts for participants and their children in addition to improvements in financial stability. Participants report that work has a positive effect on their health and self confidence as well as their children's health, well being, behavior, and performance in school.

Appendix: Study Approach

We collected data from a variety of sources to examine participants' progress in terms of employment and income, monthly expenditures, asset accumulation, debt burden, as well as participants' actions to improve their financial situation. These include initial and follow-up surveys filled out by participants, credit reports,[15] Unemployment Insurance data for Bon Secours participants,[16] data from a household budget tool (the Beehive Family Budget Survey), and sites' Efforts to Outcomes (ETO) and other MIS systems.

Data Description

Information was collected on a sample of CWF participants purposively selected from two different cohorts for the Financial Progress study. Selection of participants from different enrollment cohorts (2005-2006 and 2007-2008) was intended to allow examination of variations in financial progress over a range of time frames.[17] Collection of the participant and budget survey information began in the fall of 2007, which for some individuals was after they enrolled in the CWF program and, therefore, is not always considered to be true baseline data.

The exhibit below identifies each data source used to inform the findings of this analysis.

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15 Credit reports with information from all three credit reporting bureaus, called a tri-merged report, were obtained for CNM and the MET Center. Bon Secours had an existing relationship with Equifax, who could not provide a tri-merged report, so Equifax credit reports were obtained for these participants

16 Quarterly earnings for participants was provided by the Jacob France Institute of the University of Baltimore and its partners: the Maryland Department of Labor, Licensing, and Regulation, and the District of Columbia, New Jersey, Ohio, Pennsylvania, Virginia, and West Virginia state wage records, and the Federal Office of Personnel Management civilian employee wage records. The time period covered is from the first quarter of 2004 through the last quarter of 2009.

17 17 percent of the sample was from the 2005-2006 cohort; the remaining 83 percent enrolled in 2007-2008.

Data Sources and Collection Period for the Financial Progress Study

Data Source	Data Collection Period
Demographic data and service and outcomes information	Data through January 2010 provided by the three CWF sites' MIS systems
Participant Financial Progress Survey	Initial survey administered in November 2007 for Bon Secours and CNM; April 2008 for the MET Center; follow-up survey administered from November 2008-April 2010
Beehive Family Budget Survey[18]	Initial survey administered in November 2007 for Bon Secours and CNM; April 2008 for the MET Center; follow-up survey administered from November 2008-April 2010
Credit reports	March 2008 – May 2010

Data Limitations

This study draws on a range of data sources that allow us to examine the services participants have received, their achievements, and changes in some of their behaviors over a period of up to five years. Despite the richness of these data, several limitations should be noted.

Lack of control group

Perhaps the most important limitation of the study is the absence of a control group. While we can quantify participants' financial progress and demonstrate correlations between CWF participation and key outcomes, we are unable to definitively establish causality without a control group.

Length of time period

Although the data cover a period of up to five years, many enrollees are relatively recent, with less than two years over which to observe them. In some cases they may not have had enough time to achieve important outcomes like 12 months retention in a job or completion of a degree.

Varying time periods

As shown in the exhibit, the data collected for this study are from several different sources and are collected at different points in time. For example, the follow-up

[18] The One Economy Corporation's Beehive system is a household budget tool that asks a series of questions about an individual's (and their family's) annual or monthly income and expenses, as well as questions about the family's assets and debt. In this report, we refer to this as the Beehive Family Budget Survey.

Participant Financial Progress Survey was conducted over a period of about 17 months, so the time between the initial and follow-up survey ranges from five months to two years. The median is 14 months.[19] A second source of data is the CWF sites, which provide baseline data from when participants enroll in the CWF program as well as regularly updated demographic, service, and outcome data about participants from their MIS systems through January 2010. Credit reports were collected annually and are as of spring 2008, 2009, and 2010.

Sample size

Of the 169 participants who completed an initial Participant Financial Progress Survey, we were able to collect a follow-up survey for 108. This small sample does constrain our overall capacity to generalize the results of the study.[20]

Data quality

As noted above, some information, such as from the Participant Financial Progress and Beehive Family Budget Surveys, is reported by participants themselves, and may be subject to recall error. Other data are also subject to data quality limitations. For example, errors on credit reports are not uncommon.[21] In addition, although the CWF sites try to accurately report data on participants' demographics, services, and outcomes, reporting errors are not uncommon.

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19 We found no significant differences in responses between participants with shorter and longer periods between the initial and follow-up surveys.

20 The response rate to the financial progress survey, 64 percent, met our expectations for this highly mobile population. With a few minor exceptions, the respondent population was quite similar to the cohort of participants who did not complete the follow-up survey, suggesting that there is not response bias. Demographically, respondents are somewhat more likely than non-respondents to be single and to have completed college. However, with respect to critical indicators of financial stability the two groups were equally likely to be employed, have a checking or savings account, and save money.

21 The credit reports available for each participant also varied. Many participants have a credit report from only one of the three major credit reporting bureaus (TransUnion, Equifax, and Experian), and in other cases we used a tri-merged report, which combines information from all three agencies. Although similar information is included in the reports from each company, the definitions and completeness of the information varies, limiting the comparisons we could make.