

A new study from the Economic Mobility Corporation shows that LISC's Financial Opportunity Centers are uniquely successful in getting clients on the path to stability

Mapping a Road to Financial Wellbeing

LISC

No single strategy combats all the complex and deeply-rooted factors of poverty. This holds true for revitalizing neighborhoods, and it's true for individual people struggling to balance a household budget.

To improve the financial wellbeing of low-income families, LISC has adopted a multi-pronged approach. Through our network of 80 Financial Opportunity Centers (FOCs) in more than 30 cities across the country, we help people get steady, living-wage employment, boost their credit rating and increase net income and net worth. FOCs do this by offering three main services, bundled together: one-on-one financial counseling, employment assistance, and help accessing public benefits that supplement income from work.

Now, we have promising new evidence that this strategy works: An independent study by the Economic Mobility Corporation (Mobility) has found that FOC participants have greater success in meeting their financial goals than do people in programs offering employment assistance alone.

FOC clients are more likely to be employed year-round, to reduce non-asset related debt and to build positive credit histories than comparison group participants.

To reach its conclusions, the Mobility study, which was made possible by a grant from the Social Innovation Fund, compared data from five FOCs and five publicly-funded workforce centers in Chicago. Researchers looked at outcomes for FOC clients who had been involved with the program for two years, and contrasted them with a similar group of job seekers who sought services from the city's workforce centers over a comparable time period.

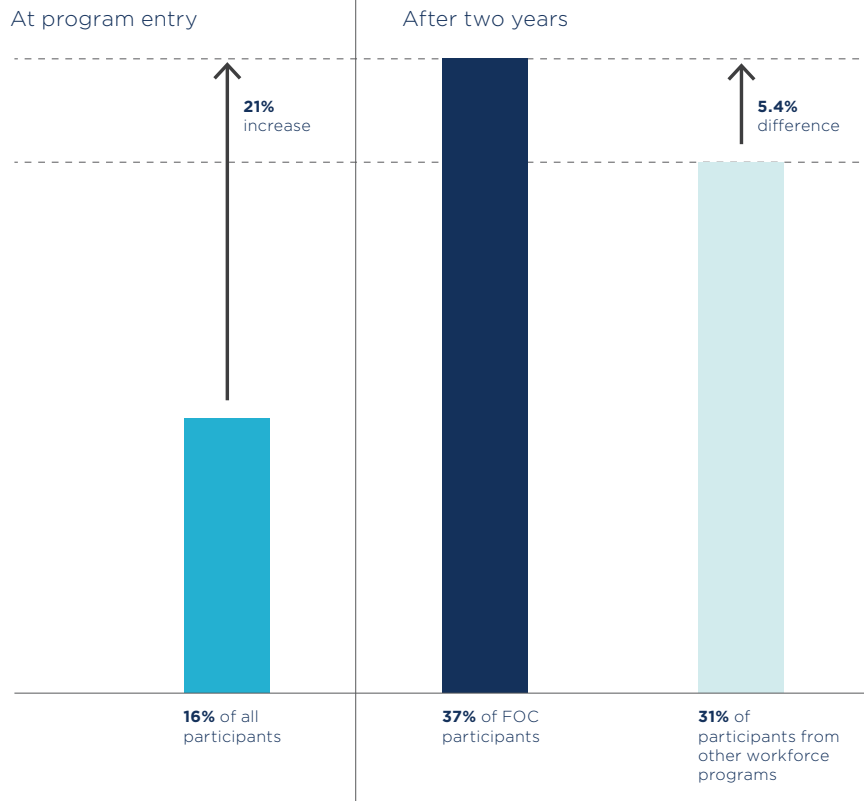
Data have driven the development and implementation of the FOC model from the beginning. **This study raises the bar for our work, giving us more rigorous evidence of the impact of FOCs, and greater insight into how to continue refining them.**

While both groups increased their chances of landing a job and making more money, FOC clients showed other remarkable gains.



Financial coaching at Greater Southwest Development Corp.'s Reach Center, Chicago

Percent Employed Year-round



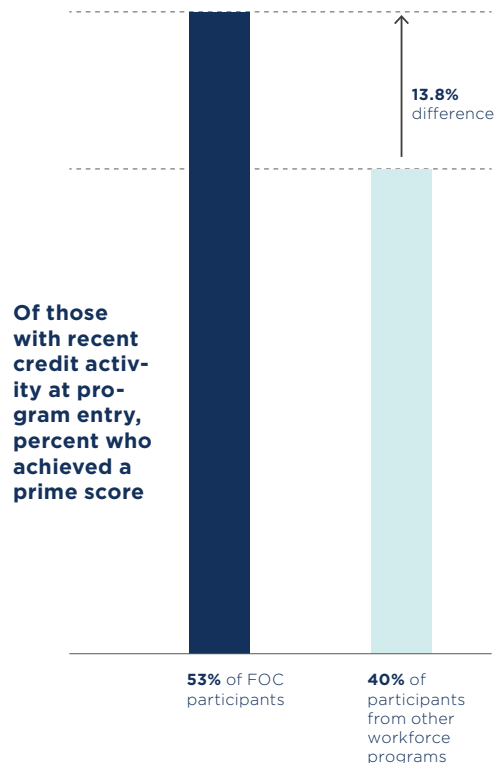
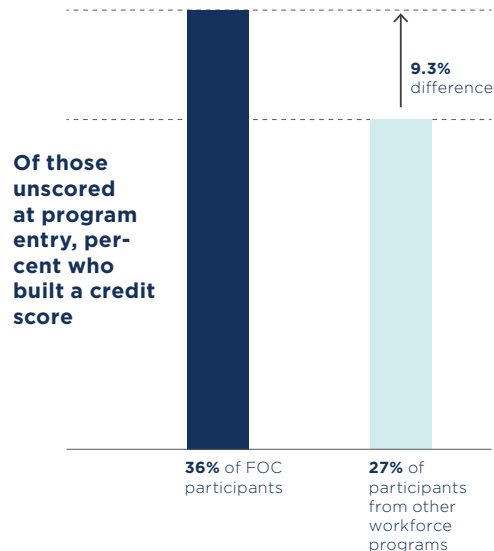
Stable employment

The number of FOC members who were employed year-round increased 21 percentage points between the year before program entry and the second year after entry—a significantly greater increase than that found among comparison group members. (Both groups experienced about a 15 percentage point increase in the likelihood of being employed at all, and an average \$2000 increase in annual earnings.)

Growing credit

Among clients who had no credit score at program entry, FOC members were significantly more likely to have a score after two years—a 9.3 percentage point difference. And for those with recent credit activity at program entry, the percentage of people who achieved prime scores (620 or more) was 13.8 points higher for FOC clients than for their counterparts in the comparison group.

Overall, FOC clients showed more positive activity on their credit reports from on-time payments of loans, credit cards and other lines of credit. They were also less likely than people in the comparison group to end the study with debts unrelated to asset accumulation, such as medical or legal debts, child support arrears or back taxes.



Consistency and pay-off

Sticking with FOC services and coaching is absolutely key for client success. Thirty-seven percent of FOC participants had at least two meetings with financial and employment coaches, and those clients reaped additional benefits: they earned \$436 more and worked 132 hours more than people in the comparison group, and were 6.4 percentage points more likely to have a prime credit score after two years.



An FOC client at the Jane Adams Resource Corp. in Chicago

A complicated financial picture

Beyond the statistically compelling findings of the study, there are more nuanced lessons to be drawn. After program entry, for instance, FOC participants' earnings increased, but financial support from family and friends decreased, as did reliance on unemployment benefits. At the same time, they spent more on basics like rent, utilities and food. So while clients did not experience significant changes in their net incomes, we can see that this is due, in part, to the fact that their expenses before program entry were artificially low.

The evaluation also pointed up the challenges clients face in an unpredictable and shifting financial situation. The evidence shows us that they can and do make progress towards financial health by stabilizing their credit and employment, but there is only so much they can do without wage growth.

For most FOC clients, poverty hasn't taken root overnight and it doesn't get eradicated quickly, either. While Mobility's findings are extremely encouraging, and tell us we're backing the right approach, they also suggest that two years is too little to show dramatic changes. And while job retention is crucial, wages for workers with minimal

or newly acquired skills are usually too low to bump them out of privation and onto a financial cushion right away.

As the study's authors write, "Given the FOC participants' limited recent attachment to the labor market, lack of assets, and level of debt when they entered the programs, it is not surprising that helping them achieve financial security and mobility requires a long-term strategy."

Looking ahead

Clients need to be engaged and coached over the long term, and that requires on-going policy and funding support for bundled service strategies like FOCs. Clients also need access to higher quality jobs: higher wages, better benefits, steady employment and opportunities for advancement. We will shore up this approach with our Bridges to Career Opportunities program, which connects FOC participants to education, better jobs and greater economic opportunities. The study results demonstrate that, with the right tools, people can take the small, determined steps that turn into solid financial footing.

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