

Show Me The Money!

An Assessment of the
Financial Empowerment Project

For the Center for Economic Progress
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OVERVIEW

Through an array of community-based programs, the Center for Economic Progress (CEP) is working to build the assets and increase the economic prosperity of working families and individuals throughout Illinois and across the nation. CEP's urban focus began in 1994 with four original sites at homeless centers in Chicago. Since that time, it has grown to become the nation's largest free statewide tax preparation service. One of CEP's programs, developed in more recent years, seeks to promote these goals through intervention at the workplace. The program is known as the **Financial Empowerment Project** (FEP). In today's ever-tightening economy, human resources staff and employee benefits have decreased dramatically, particularly for the working poor. They struggle to understand tax obligations and benefits; the "fine print" of financial and credit transactions; and personal accounting, such as balancing a checkbook. Working closely with the North Side Community Federal Credit Union, FEP recruits local employers to participate in programs to help their lower wage employees achieve financial health and stability. Mari Gallagher Research and Consulting Group was retained by the Center for Economic Progress to conduct an assessment of FEP, which took place in late winter and early Spring of 2007. We call this report ***Show Me The Money*** because employers and others routinely asked for proof that FEP creates financial returns for both the employee and the employer.

Table of Contents

	Page
Overview	2
How FEP Works	2
Strategic Questions	3
Methods	3
Original and revised scope	3-4
Summary of Findings	4-8

How FEP Works

Five employers are currently enrolled in FEP:

1. Advocate Illinois Masonic Medical Center
2. Mercy Housing Lakefront
3. Weiss Memorial Hospital
4. Illinois Action for Children
5. Somerset Place

As part of this engagement, the Credit Union attempts to recruit employees from these five companies, in order to encourage participation in special FEP workshops and services. The details of how FEP is carried out differ from company to company. Company interest in one case was based on a personal relationship. Because of staff turnover, the company became less engaged and responsive. In another case, the company philosophy of helping people was the key to involvement. FEP representatives spend considerable time at some companies, promoting the benefits of joining the



Credit Union or participating in FEP-type workshops. With less-engaged companies, interaction between FEP representatives and employees is more limited. Each company has its own history, length of time in the program, and methods of incorporating FEP into its activities and culture.

Strategic Questions

This assessment addressed these strategic questions:

1. What worked well with the Financial Empowerment Project? Why?
2. What didn't work well? Why?
3. Based on market dynamics and private sector needs and interests, in what types of "financial empowerment" programs would employers be most interested? What might they be willing to support or contribute to? Are there services, compatible with CEP's mission, for which employers would be willing to pay a fee?
4. How might the foundation community be reengaged with such workplace intervention programs? What might they be willing to support, either in full or as a match? What are their short- and long-term interests in supporting these programs? What other ideas do they have concerning the financial literacy needs of low-wage workers?
5. What insights do other experts have regarding new workplace-focused intervention opportunities?
6. Is workplace-focused program continuation viable for CEP? If so, who would likely be the private and philanthropic partners, and what would an effective program look like?

Methods

Originally, the scope of services was based solely on qualitative methods, namely to:

1. Review general background and field literature.
2. Review background literature on specific employers (particularly new employer targets).
3. Design key informant interview template.
4. Conduct face-to-face confidential interviews with employers when possible. Conduct other known (to CEP) and blind (unknown to CEP) interviews in person or by phone, including key staff from North Side Community Federal Credit

Union, funders, non-participating employers, and other experts and interested parties.

5. Develop qualitative report (this document).

Revised Scope:

Key informants routinely expressed these sentiments and questions:

1. Does FEP indeed help lower-wage employee participants, aside from providing assistance at tax time? Some hoped and generally believed that it did, while others were hopeful but skeptical. But all were interested in quantitative data (proof) as to how and to what extent.
2. Do employers also benefit from FEP? The program is promoted as a bottom-line benefit to employers. But, again, quantitative data were desired. Would employees who participated in FEP be more productive and loyal? Employers and other informants were not sure. Here is where the *Show Me The Money* mentality was most apparent.

One of the project employer participants – Illinois Action for Children – agreed to work with our firm on the administration of a survey, namely to:

1. Quantitatively assess employee knowledge of the Credit Union and FEP, and engagement in FEP workshops and services;
2. Develop individual-level data by linking FEP participation and non-participation data (via the survey) with other employee characteristics (via employer data), such as income and proxies for work productivity and loyalty; and
3. Begin to identify and collect data and develop methods to assess if and how interventions at the workplace impact the financial stability and advancement of lower-wage workers, as well as financial and other valued benefits to the employer.

The survey was administered by our firm by email, in late February of 2007. All employees have a “work” email account, and email is used as a regular method of company communication. All employees were invited and encouraged to participate and assured that the survey was confidential; individual-level employee data would never be shared with the employer. As an incentive to participate, employees were offered free entry into a lottery. There were three \$25 cash prizes.

Survey and overall project resources, as well as sampling and survey recruitment, were limited. **The survey and overall assessment is suggestive and provides insights. It is not conclusive.** Despite scope revisions, we were able to achieve 15 high-quality key informant interviews. Although CEP assisted with key informant identification, some



interviews were blind. In order to meet our strict commitment of confidentiality, we do not name the informants in the report. Key informant quotes are provided in italics.

SUMMARY OF FINDINGS

1. Employers (FEP and non-FEP participants) generally want quantifiable proof about the benefits of participating in FEP programs. They have a *Show Me The Money* mentality.

Generally, such programs make them “feel good” to varying degrees, but, ultimately, it is a bottom-line issue. They want to know why they should participate. Does FEP increase worker productivity, retention, or general loyalty? They are interested but unsure.

First, I don't want them to leave tax money on the table if it's theirs. That's something that I can relate to. But does it [FEP] help me [my company] otherwise? I don't know.

Employer

Some employers allow FEP to be introduced during new employee orientation, which is paid work time. However, employers pushed back when asked if they might consider 1) allowing employees to participate in FEP programs at other times during the paid work day or 2) contributing to the costs of FEP, such as through a match with foundations. Their *Show Me The Money* response shines through here. Employers want to know if, how, and to what extent such allowances and contributions would help them, the employer, before considering extending their commitment through either method. Employers assume that FEP does help the employee, although they are uncertain about the “sticking power” of FEP workshops and services. This is another area where they would like more concrete information – not anecdotes.

FEP representatives assume that, the more engaged the company, the more engaged the employees will be in FEP, and the greater the positive impact FEP will have on those employees. We need to know more to substantiate this, given that some companies will actively promote FEP and others will not. Just as some companies “feel good” about FEP and want to believe it provides benefits, companies that are receptive to FEP staff might impart the same feeling and interpretation. We need to know more about actual employee impact and points of influence, keeping in mind that much depends on interest level, motivation, and ability to take advantage of and apply FEP in real life circumstances. We hear that word of mouth about FEP influences participation, as does company endorsement, but we have not been able to collect firm evidence on these factors. We also need to know more about the *cost* of FEP in relation to the *benefit* of FEP *for distinct employee types*, and how to maximize FEP investment. For example, single mothers, ex-offenders, immigrants, and other

subpopulations will likely have distinct needs, interests, and motivations. Lower-wage workers are diverse and the industries they work in are diverse.

2. FEP employers, already engaged in the project, have varying levels of engagement and interest. But they do not reflect the larger employer universe. For an FEP program to be meaningful and sustainable, a stronger business focus is likely needed.

The details of how FEP is carried out differ company to company. Company interest in one case was based on a personal relationship. With staff turnover, the company became less engaged and responsive. In another case, the company philosophy of helping people was the key to involvement. FEP representatives at some companies spend considerable time promoting the benefits of joining the Credit Union or participating in FEP-type workshops. With less-engaged companies, interaction between FEP representatives and employees is more limited.

Honestly, I'm not sure why we participate in this program. It was here when I got here. We have our own credit union so I don't know why we should promote another credit union.

Employer

I'm really interested in this [FEP]. Sometimes I don't respond [to FEP representatives] because I'm busy but I tell them to keep bugging me.

Employer

If FEP-type programs continue and are expanded, the concept of “scale” will need to be flexible. It is unlikely that one uniform method of delivering FEP and collecting data would be accepted by participating companies. Evaluation measures that adjust for these differences will be needed. Companies will have their own personalities, interests, cultures, and data systems.

I don't like the “low wage worker” language. You should find something else to call them.

Business Expert

3. Even if tangible bottom-line benefits to participating FEP employers are demonstrated, some employers will likely have a “free rider” attitude, due to the perceived transient or mobile nature of employees. In such cases, other interested parties, such as labor unions and organizations that represent or care about increased financial stability among lower wage laborers, might be willing to provide financial support or “step up to the plate” in some other way.

We run through a lot of employees, so why should we invest in them?

Employer

This is what they think [employers]: You work for us. We pay you. That's the arrangement.

Workforce Expert

4. Despite the potential “free-rider factor” among some companies, there might be a strong contingent of employers or their representatives who would participate in FEP. But tangible benefits must be demonstrated. If these FEP employers lead by example, they might create a sense of pressure, competition, or interest among non-participating employers.

FEP could help with retention. That's a big issue for some companies. They are just starting to really talk about it.

Workforce Expert

5. Based on the survey with Illinois Action for Children – which is highly suggestive and not conclusive – those that participated in FEP overwhelmingly found it worth their time. Those who participated in survey questions were highly engaged in providing answers, demonstrated by long and thoughtful verbatims. Only one person who participated in a workshop said it wasn't worth the time. Furthermore:
 - a. 47% stated that, if their employer offered an opportunity to attend a financial education workshop, it would make them like their job more.
 - b. 82% said that they sometimes spend time at work worrying about bills or dealing with personal financial problems.
 - c. 47% said that if they found another job that paid just a little bit more, they would definitely take it.
 - d. 54% said that it is generally hard to save money.
 - e. 50% said that they usually do not have enough money or savings in order to deal with unexpected expenses and emergencies.
6. Because there were so few survey responses to analyze (39) we are even more cautious about crosstabulations, and the linking survey data with employer's employee data. The survey was not designed (either with time or resources) to achieve this outcome (linking data in a way that was conclusive rather than merely suggestive), so we are not surprised. However, we did meet a key survey objective by successfully linking employer data with survey data. We found that

not all employee data that we were given was relevant or could be cross-compared. There were differences between exempt and non-exempt employees, which suggest they should be analyzed separately moving forward. For these and other reasons, future study pools should be much larger. We also need to identify employer data sets and proxies for indicators when employer data is lacking.

7. Foundation representatives are also interested in FEP. Although they will likely have different values or goals than employers, they appear to have very similar questions regarding demonstrated tangible benefits to both the employee and the employer. Much of the discussion focused on the many factors that can influence the loss or retention of employment. For example, if a worker's car breaks down and there are no savings set aside for repairs, it might be difficult to get to work. Lack of health insurance, or a sick child that requires care at home, can also disrupt work. Hourly workers often like the possibility of overtime, especially when it pays an amount above their regular rate. Overtime is not provided through salaried positions. It is hard for some workers to see the long-term benefits of slightly higher-level, and more mobile, salaried positions.

Life is difficult for some people. There's the mentality of spend today and die tomorrow. There are personal problems too. Like drugs. What can the employer do to combat that?

Foundation Representative

Funders sometimes feel frustrated if they only receive information on FEP or another type of program when they are providing a grant. They are interested in updates even if they are not currently funding a particular project. FEP would benefit from improved communications with funders. We recommend that a diverse funders' advisory group be convened at the start and completion of any new phases of FEP.

8. Given the paucity of research in this area, such new work could potentially be groundbreaking. We recommend structuring the new study in a way that accommodates some type of public report or briefing, provided that confidential employer and employee data is strictly protected at all times. We are also hopeful that future studies could take advantage of CEP's robust tax center database. This would make individual-level trend analysis possible, as FEP-type participants are also likely recipients of free tax services at tax time.

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