



# SCALING FINANCIAL DEVELOPMENT: IMPROVING OUTCOMES AND INFLUENCING IMPACT

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By Rebecca Smith, Mae Watson Grote and Karina Ron • February 2011

## ACKNOWLEDGEMENTS

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## INTRODUCTION

High-performing anti-poverty public sector programs and nonprofits are constantly improving their services that address challenges faced by our nation's poor and vulnerable populations. From volume-driven workforce development services to case management-based domestic violence prevention programs, quality programs often examine their results against the investment they are making to achieve their missions.

Given the importance of financial security to a wide range of customers and issues and the cost of delivering those services, we at The Financial Clinic asked ourselves: can financial development services be embedded into established social service delivery models to create scale? And, can financial development services facilitate the attainment of other organizations' missions and outcomes?

**“[A]sset building is the ‘super vitamin’ that makes traditional anti-poverty efforts more successful.”**

*Jonathan Mintz, NYC Department of Consumer Affairs, at the CFED Assets Learning Conference, The Scale Moment Plenary, September 24, 2010.*

Within a few years of its founding, The Financial Clinic (the “Clinic”) formulated a theory of change: scale and impact are achievable by integrating a financial development framework into various social service delivery models. After dozens of projects, we have sufficient data to conclude that incorporating financial development into the fabric of preexisting social service missions addresses customers' needs holistically and enhances outcomes.

The Clinic, a New York City-based nonprofit organization, exists to build the financial security of working-poor people. It has provided financial development services to over 6,000 individuals across all five boroughs of New York City. The Clinic coined the phrase “financial development” to refer to the wide spectrum of services that can move an individual from financial insecurity to security

and eventually to mobility. Financial development encompasses the need for financial education while promoting behavior change through financial coaching and support from legal services.

### **FINANCIAL DEVELOPMENT:**

The full range of educational, coaching and legal services that seek to improve working poor families' financial security.

The purpose of this report is to demonstrate how the integration of financial development into existing social services can be accomplished and why it is so powerful. We call on policy makers nationally to arm themselves with this strategy to simultaneously create scale and influence impact.

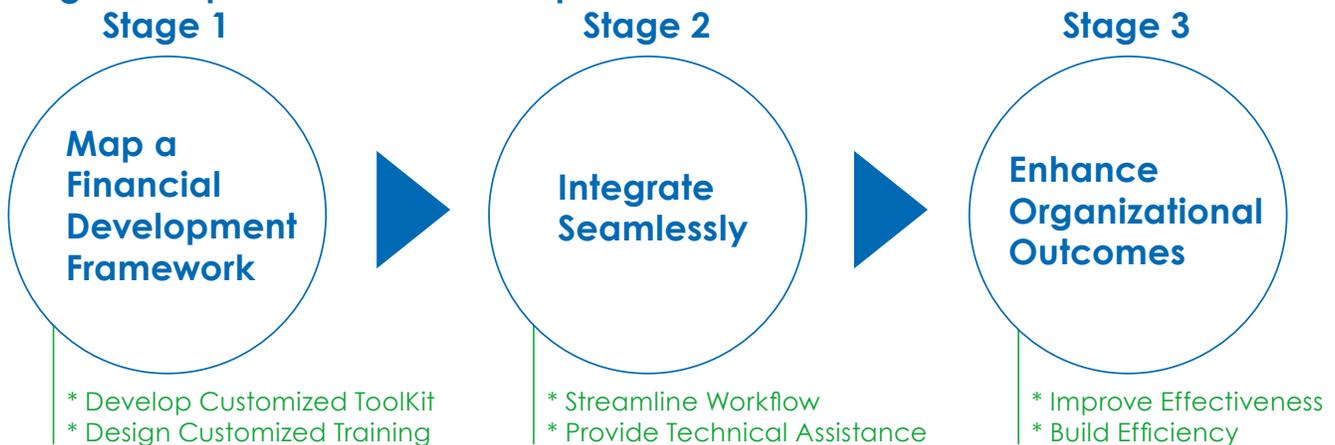
## SCALE AND IMPACT

The Clinic's approach for scale and impact is integration: by embedding a financial development framework into a wide range of social service delivery models, we can build financial security across a broad population. The Clinic not only helps to facilitate more savings, less debt, and greater uptake of banking products and services, but most critically, improves the outcomes of the partner organization as well.

To foster financial security among working poor people, the Clinic works with a variety of antipoverty organizations to design and implement new program components in order to build capacity. The ability to do so requires a nuanced understanding of what financial security means for different groups of people. Survivors of domestic violence, for example, need to work on a different set of action steps than tax filers at a free tax preparation site. This process is captured in the diagram below:

**B2B SERVICES:** The Clinic's capacity-building B2B services include three interlocking components: **Technical Assistance** to bolster an organization's development and capacity, **ToolKit** design to develop an outcomes framework, and **Training** to successfully implement new services.

### Stage 1: Map A Financial Development Framework.



Working in close consultation with a partner organization, the Clinic designs a customized program that not only closes financial education gaps, but also hones in on a set of concrete and practical action steps that support a greater impact. The recommended strategies may resemble milestones (e.g., download and review a credit report) or outcomes (e.g., improve a credit score), depending on the specifics of the organization's program and mission. Through this process, the Clinic gains a deep understanding of an organization's programs and mission as well as its culture and constituents.

This new framework is supported by a ToolKit (a roadmap for the Clinic’s step-by-step approach to financial coaching) and staff training (that emphasizes goal-setting, experiential learning and self-advocacy).

## **Stage 2: Integrate Seamlessly.**

After assessing the partner organization’s services and customer flow, the Clinic proposes an implementation strategy that is designed to seamlessly integrate the new financial development services into the organization’s programming. Whether the partner organization successfully adopts these new strategies depends on how well the services are embedded. As such, the Clinic focuses on working with the management team to streamline the frontline staff’s workflow, thus maximizing natural integration points.

## **Stage 3: Enhance Organizational Outcomes.**

As staff become empowered with financial knowledge and equipped with a supportive learning community, they improve program effectiveness and build systems efficiency. The Clinic’s capacity-building shifts its focus towards cross-program synchronization and staff coordination to effectively engage and motivate customers to commit to achieving organizational outcomes.

The Clinic has applied this process to dozens of nonprofit organizations and public sector entities, both locally and nationally, including:

- ▶ Supportive housing services in Boston and Chicago;
- ▶ Community colleges in San Francisco; and
- ▶ Domestic violence shelters in New York City.

The wide range of these experiences has helped us confirm that our financial development framework—encompassing financial education and coaching—is nimble enough to be effective in any context. As a result, we are committed to adapting the Clinic’s capacity-building services across a spectrum of social services (from prison re-entry to youth development) and for any population (from microentrepreneurs to people with disabilities).

# THEORY OF CHANGE REALIZED

In 2008, the New York City’s Department of Small Business Services (“SBS”), the agency responsible for the City’s adult workforce services, hired the Clinic to design and integrate program elements that would improve financial security for low earners. Targeting its Advance at Work program, the Clinic created and calibrated a set of financial security milestones designed to promote customers’ career advancement:

The Clinic’s Theory of Change	Career Coaches’ New Financial Development Strategies
Financial goals can be a critical impetus to retention in low-wage, survival jobs as they give purpose and context to long-term career planning.	Set action-driven, passionately-held financial goals.
Work supports are proven tools that reduce welfare recidivism and improve job retention.	Secure work supports.
Asset-building pushes workforce development services from poverty alleviation to financial mobility.	Establish consistent savings through an auto-deduct feature.
Becoming “banked” and maximizing financial services supports the career advancement process.	Sign up for direct deposit, with a new bank account if necessary.
A weak credit history is a barrier to employment as more employers use credit reports as a screening tool.	Download and review a credit report.

The Clinic then designed program elements that supported the new framework and assisted in knitting the elements into SBS’s day-to-day career advancement work.

In only nineteen months after the first training, dozens of Career Coaches successfully assisted customers in downloading over 2,000 credit reports, opening more than 650 bank accounts, and adding over 500 automatic savings features. Despite their dedicated mission, in the same period of time a smaller cadre of Clinic Financial Coaches were able to accomplish only a fraction of similar milestones. Our conclusion was that an agency with the size and reach of SBS can provide financial development services on a larger scale.

Moreover, our analysis of SBS’s data revealed a positive relationship between achieving financial security milestones and workforce development outcomes. We studied data from over 1,200 people who worked with Career Coaches after the Clinic’s engagement. At baseline, participants obtained employment, second jobs or promotions in connection to their work with a Career Coach. However, the data demonstrates significantly higher employment and income improvements among participants who achieved financial security milestones than those who did not.

SBS customers who did not complete a financial security milestone secured, on average, nine more hours of employment each week, and earned an additional \$173 each week, than before they worked with a Career Coach (see chart on page 5). However, when the Career Coach incorporated financial development strategies into their work, average hours worked and average income increased significantly. Further, the more Career Coaches helped build financial security, the better the outcomes were: participants who achieved two milestones had even better outcomes than those who achieved one. Customers who achieved two financial security milestones worked 12 more hours and earned \$224 more each week. Those who achieved three financial development milestones worked an additional 15 hours and earned an additional \$219 weekly compared to baseline.

## FINANCIAL SECURITY MILESTONES IMPACT ON WORKFORCE DEVELOPMENT OUTCOMES

Number of Financial Security Milestones Achieved	Additional Hours Worked*	Percent Change	Additional Income Earned*	Percent Change
None (baseline)	9	-	\$173	-
One	10	11%	\$172	(1%)
Two	12	33%	\$224	29%
Three	15	67%	\$219	27%

\*Figures are rounded to the nearest whole number

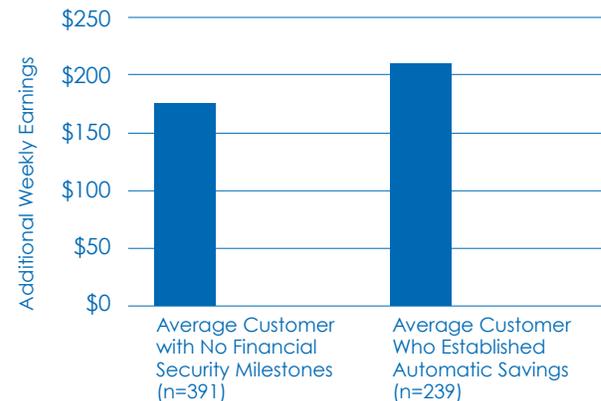
Results were similar when we examined specific financial development strategies. For example, customers who opened up a checking or savings account secured 12 additional hours of work per week (33% higher results than baseline).

Similarly, customers establishing automatic deposits to create savings earned an average of \$227 more each week (31% higher results than baseline).

### IMPACT: OPENING A BANK ACCOUNT AND WEEKLY HOURS WORKED



### IMPACT: AUTOSAVINGS AND WEEKLY INCOME



These data demonstrate that, through careful customization and integration of financial security milestones, the Clinic's B2B services went beyond simply supporting SBS's career outcomes and actually contributed to higher than average impact.

In addition to our own analysis of SBS data and supporting conclusions, an independent, third-party evaluation of 2,277 SBS customers similarly revealed that customers who achieved financial security milestones were more likely to receive a promotion or be placed in a new job than those who did not.<sup>1</sup>

Although both analyses are correlational and do not demonstrate causation, the consistent results across different studies demonstrate that the achievement of financial security milestones is strongly associated with workforce outcomes. These results provide a solid analytical foundation for future evaluation.

## FUTURE CONSIDERATIONS

Financial development is a strategy that can be adopted across programs, constituents and sectors and our work is constantly being shaped and refined. The Clinic executes a variety of integration models. We also develop the institutional knowledge of partner organizations to make effective in-house referrals to on-site Clinic Financial Coaches. As mentioned previously, the right approach in this range of integration strategies depends on the culture and constituents of the partnering organization.

As such, we are seriously examining the following issues, which we hope will inform our future capacity-building work:

- ▶ What are other social service contexts—services for ex-offenders or foster care youth—in which the impact of integration can be wider in reach or deeper in scope?
- ▶ We have observed the unintended and positive impact of our work on front-line staff at social services organizations, who have benefited from this work to improve their own financial security. Given that many are one paycheck from the people they assist, should financial coaching for case managers and other staff be a requisite first step of the capacity-building process?
- ▶ Finally, how well integrated do financial development services need to be in order to be effective? Is it enough to build the capacity and knowledge base of one key person in each program, or must the organization be the driving change agent?

Now that we have confirmed that integrating financial development strategies into other social service delivery systems can not only build scale, but also improve impact, the Clinic is committed to adapting its model to be effective in any context. Ultimately, our collective purpose is to empower working-poor customers to be savvy consumers who demand high-quality services that will enable them to move from insecurity to permanent and lasting security.

## ENDNOTE

<sup>1</sup>Henderson, Kathryn, Crystal Karakus, and Mustafa Karakus. Rep. Workforce Innovations: Outcome Analysis of Outreach, Career Advancement and Sector-Focused Programs. New York City Center for Economic Opportunity, Jan. 2010. Web. 3 Dec. 2010.



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