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Communities & Banking

Supporting the Economic Strength of Lower-Income Communities

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WHAT UNIVERSAL PRESCHOOL COULD SOLVE

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Communities & Banking

Communities & Banking magazine aims to be the central forum for the sharing of information about low- and moderate-income issues in New England.

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LETTER FROM THE EDITOR

Communities & Banking is turning 25! Check the website to see how basic the older versions looked: www.bostonfed.org/commdev/c&b/1991/summer91.pdf.

Back then, C&B was a newsletter featuring a few community development stories and a lot of press releases and bank news. Since we tightened the focus on lower-income issues, bank-oriented articles have tended to be about the creative efforts many banks pursue as part of their Community Reinvestment Act responsibilities.

Today, we solicit many articles from outside the Fed, offering readers the latest research affecting lower-income communities—and sharing tested community development concepts and techniques. To our knowledge, C&B is the only publication in New England that focuses on the economic concerns of low- and moderate-income constituencies and those who serve them. There is no other such regionwide public forum.

As C&B's content has evolved, so too has the design, gradually incorporating better photographs and, starting about seven years ago, tapping the talents of illustrators. The most striking changes to the layout and design have come under Rachel Bissett, who attends C&B editorial board meetings and takes comments seriously. Meanwhile, board member Tom DeCoff has upgraded our Web presence, moving from pdfs alone to both html and pdf formats. Additionally, we now post online the data behind our maps and are increasingly testing interactive enhancements. Everything gets tweeted by Denae Thibault @BostonFed, and we blog about C&B articles and related topics at www.thecentralpremise.org.

Engage with us. We'll take your suggestions seriously, too, as together we embrace the possibilities of the next 25 years.

Best,

Caroline Ellis
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Managing Editor

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UNIVERSALLY AVAILABLE, PUBLICLY FUNDED EARLY EDUCATION

Arthur MacEwan
UNIVERSITY OF MASSACHUSETTS, BOSTON

Universally available, publically funded early childhood education would be a benefit not only to children and their families, but to society.

The United States provides free public education for children from kindergarten through high school.[1] So why do we require that parents of younger children either pay for early education programs or apply for government programs targeted at the poor?

The gains from early childhood education programs are well established: the best studies suggest that they have substantial economic returns to both the children and society.[2] The benefits that can be traced to high-quality early education show up in the higher salaries that children earn as grown-ups, the greater contribution to society that their salaries reflect, and the higher tax receipts garnered. Elevated high school graduation rates and college-going rates are also correlated with early education, as well better health outcomes, fewer incidences of repeating a grade or needing special education, reduced reliance on social support programs, and less engagement with the criminal justice system.

The foundations of such benefits are summed up in a 2000 volume published by the National Research Council and Institute of Medicine: "From birth to age 5, children rapidly develop foundational capabilities on which subsequent development builds. In addition to their remarkable linguistic and cognitive gains, they exhibit dramatic progress in their emotional, social, regulatory, and moral capacities. All of these critical dimensions of early development are intertwined, and each requires focused attention."[3]

Despite the research, neither the federal government nor the states have allotted sufficient funding to allow a significant expansion of such programs. Whenever it is promoted, it is almost always targeted at children from low-income families. The logic of targeted programs is, first, that resources are scarce, and second, that the payoff of early childhood education is largest for children from low-income families. It seems to follow that available funds should go where they would get the highest return—not to mention that the approach seems likely to make the greatest contribution to equal opportunity.[4]

The targeting argument is built, however, upon the assumption that government funds for social programs are inherently limited. Costs and benefits are not weighed.

Children and Families

Ideally, budget decisions would be based on a clear understanding of the costs and benefits of each program vying for the funds. The total amount of funding—federal and state—for child care would thus remain an open question, and decisions about targeted versus universal programs would be based on an assessment of the gains from and problems of each option.

The Gains to the Children

Although there is substantial evidence that children from low-income families gain the most, there is also substantial evidence that the gains for children from low-income families are greater in programs that are diverse in terms of the income levels of the children's families than in programs targeted just at children from low-income families.

A 2007 study compared two groups of children from low-income families, one entering economically diverse preschools and the other entering preschools for low-income families. The study found significantly greater improvement in the language scores of the former group. In fact, for the children in the diverse preschools, test scores over the year were not significantly different from those of the more affluent children in the programs. A 2007 Georgia study found that the ability level of the peers in a child's classroom has direct and positive effects on the child's cognitive skills, prereading skills, and expressive language skills. And a 2009 study, involving almost 2,000 children in 11 states, found similar positive effects of peers on language skills. (Further study is needed to ascertain what happens to the skills of higher-income children in the economically integrated programs.)[5]

Gains for children from low-income families are greater in programs that are diverse in terms of the income levels of the children's families.

The Burdens on Families

Targeting publicly funded early childhood education at low-income families is based on assumptions about a neat divide between families who can and families who cannot afford to pay. Yet the costs are a severe, perhaps prohibitive, burden on many families who are not classified as low-income.

In New England, at the median income of single-mother families, the cost for a four-year-old in a center ranges from 33.2 percent of income (New Hampshire) to 44.8 percent (Massachusetts)—more than the typical cost of housing. Many single-mother families would be eligible for some form of support through existing targeted programs, but those at the median-income level would not. Even for two-member families (a mother and one child) with incomes twice the poverty level, the cost of center care in New England ranges from 26.9 percent of income (Maine) to 39.7 percent (Massachusetts). Similarly, for three-person families (two parents and a child) with incomes at twice the poverty level, costs range from 21.3 percent of income (Maine) to 31.5 percent (Massachusetts).

Even for families with the state median household income, the cost as a share of income ranges from 14.8 percent to 17.7 percent. For families with an infant or more than one child of pre-K age, the percentage cost is higher.[6]

The Perverse Impact of Targeted Programs

Targeted, or means-tested, social programs have perverse impacts that do not encumber public K–12 programs. Targeted programs create a disincentive for families to earn more. For families receiving support from targeted social welfare programs (child care, housing, and the like), efforts to earn more are likely to be self-defeating since income gains would be offset by loss of eligibility for support programs. A 2008 Boston study illustrates the problem. A single mother with two children, ages 8 and 3, who could obtain training and move from an $11-an-hour job to a $16-an-hour job would gain $833 per month in wages but would suffer a $863 loss in monthly supports.[7]

A second perverse impact is that moderate-income families also find child-care expenses burdensome. No matter where the cutoff point is, those above the cutoff point—especially those close to the cutoff point—would feel that they were being treated unfairly. The problem becomes especially acute when the division is, or is perceived as being, along racial lines.

In addition, experience with K–12 schooling has demonstrated that separation of programs by income levels generally yields poor schooling for children from low-income families. If schooling—at any level—is to contribute to economic and social equality, the schooling itself needs to be equal in quality. Universal programs do not guarantee economic integration, as we know from K–12 experience, but they can make a difference.

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Half of the three- and four-year-olds nationwide (and many younger children) are already enrolled in day-care programs, and more would be but for parents' financial constraints. Greater public funding for early childhood education targeted at children from low-income families would be a step forward, but not a big step forward.

After all, we fund K–12 schools through our taxes. We don't fund the K–12 schools simply for kids from low-income families. We don't have a sliding scale. We treat everyone the same. A "common school," with all its warts, has been one of the great social and economic accomplishments of our society. We should recognize that and provide the same for education in the formative years of cognitive and social development.

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Endnotes

1 This article draws on Arthur MacEwan, "Early Childhood Education as an Essential Component of Economic Development, with Reference to the New England States" (white paper, Political Economy Research Institute, University of Massachusetts, Amherst, January 2013), http://www.peri.umass.edu/fileadmin/pdf/published_study/ECE_MacEwan_PERI_Dec24.pdf.

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3 Committee on Integrating the Science of Early Childhood Development, *From Neurons to Neighborhoods: The Science of Early Childhood Development*, Jack P. Shonkoff and Deborah A. Phillips, eds. (Washington, DC: National Academy Press, 2000), 5.

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HOW MASS IMPRISONMENT *HAS—AND HAS NOT—* SHAPED CHILDHOOD INEQUALITY

Christopher Wildeman
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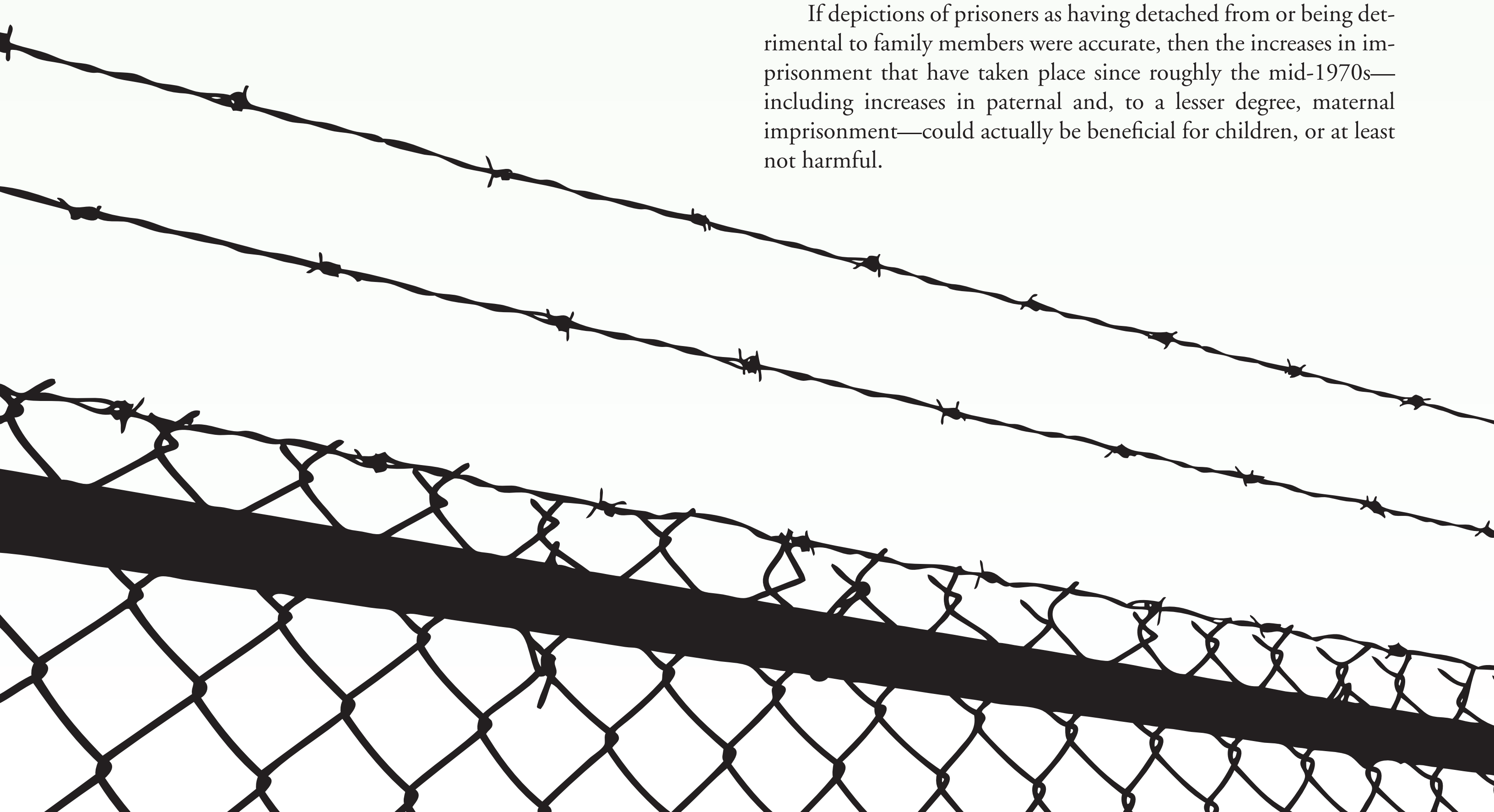
Dramatic increases in paternal imprisonment have fundamentally altered racial inequality in child well-being.

Media accounts of the people who cycle through prisons and jails tend to paint these men and women as either distant from their families or doing incredible damage to them because of some combination of their chronic joblessness, poor impulse control, mental health problems, or struggles with addiction.

If depictions of prisoners as having detached from or being detrimental to family members were accurate, then the increases in imprisonment that have taken place since roughly the mid-1970s—including increases in paternal and, to a lesser degree, maternal imprisonment—could actually be beneficial for children, or at least not harmful.



However, an overview of research on the prevalence and consequences of paternal and maternal imprisonment shows that mass imprisonment—the tremendous, highly concentrated rates of imprisonment that now characterize American society—may have a greater variety of effects on children and particularly on inequality of black and white children.

Prevalence

There are two ways to think about the prevalence of parental imprisonment. The first and by far the most commonly used method estimates what share of children have a parent imprisoned on any given day.[1] Another method for considering the prevalence of parental imprisonment asks not what proportion of children will have their mother or father imprisoned on any given day, but what share of them will ever have their mother or father imprisoned.

Although the first method—the daily parental incarceration rate method—shows huge shifts in the proportion of children with a parent incarcerated since the onset of the prison boom, shifts in the cumulative risk of paternal and maternal imprisonment are even more pronounced.[2] According to estimates of the risk of ever having a parent imprisoned between birth and age 14, the percentage of black children experiencing paternal imprisonment at any point increased from just under 14 percent to just over 25 percent from 1978 to 1990.

White children also experienced increases in the risk of paternal imprisonment, but absolute changes were far smaller, increasing from just over 2 percent in 1978 to just under 4 percent in 1990. Thinking beyond just race to also consider class demonstrates just how much mass imprisonment has reshaped the life course of the most marginalized black children, as over half of black children whose fathers dropped out of high school had their father experience prison.

Changes in the risk of maternal imprisonment were more muted and, with just 1 in 200 white children experiencing maternal imprisonment now, those risks barely even merit a mention for white children. The risk of maternal imprisonment was somewhat more pronounced for black children by 1990, with just over 3 percent of these children experiencing it. For children of black mothers who didn't finish high school, the risk was closer to 5 percent.

Paternal vs. Maternal Incarceration

Although theoretically parental imprisonment could be common and still have minimal effects on individual children or on inequality among children, key studies indicate that the effects are in fact significant, depending to a great extent on whether it is the mother or the father who is incarcerated.

The consequences of paternal imprisonment have received the most attention. Research has yet to provide solid evidence to pin-

point whether it is the increasing material hardship, mental health problems, or the drop-offs in paternal involvement that mothers face when the father of their children is incarcerated that drive the effects of paternal incarceration on children. But the fact remains that the incarceration of a father appears to have negative consequences for children's well-being not only across a host of vital behavioral dimensions, such as increases in children's physically aggressive, externalizing, internalizing, and overall behaviors, but also across a range of outcomes that include homelessness and infant mortality.[3] In some cases, moreover, the effects are quite large. Paternal incarceration increases the physical aggression of young boys by nearly one-third. The consequences of paternal incarceration for children are thus well established at this point.

If the consequences of paternal incarceration have been consistent and negative, the same is not true of maternal incarceration. A series of influential and methodologically rigorous qualitative and quantitative studies link maternal incarceration with significant harm to children.[4] Yet at the same time, other qualitative and quantitative studies link maternal incarceration with no discernible child harm—and note positive consequences for children in some instances.[5] The difficulties these mothers faced even before their incarceration may explain that outcome.

Those difficulties include poverty and material hardship, domestic violence, drug and alcohol abuse, and housing instability. Often their children had lived part of the time away from the mothers even before their incarceration. The one exception to the uncertainty surrounding the consequences of maternal imprisonment for child well-being has to do with foster care. Although individual-level tests of this relationship are sparse, macro-level research using states as the unit of analysis shows that increases in maternal imprisonment explain about 30 percent of the doubling of foster-care caseloads in the United States between 1985 and 2000.[6]

Effects on Childhood Inequality

Meanwhile, what should we make of the consequences of mass imprisonment for inequality among children? On the one hand, we have the cumulative risks of paternal imprisonment among black children in the 25 percent range and substantial, well-documented negative effects. Those results suggest that mass paternal imprisonment has substantially increased racial inequality in child well-being. Indeed, as Sara Wakefield and I suggest in *Children of the Prison Boom*, the effects of mass paternal imprisonment on inequality among children are so large that they trump even the consequences of mass imprisonment for inequality among adult men.

On the other hand, the consequences of mass maternal imprisonment are less clear-cut for two reasons. In the first place, thinking of maternal imprisonment as anything happening *en masse* is difficult because even for the most marginalized children—black children whose mothers did not complete high school—the risk of ever having a mother imprisoned is still just 1 in 20. Second, for increases in maternal imprisonment to have effects on inequality, it must not only be increasingly racially disparate, but also exert negative effects on children.

There is, to be sure, some evidence that maternal imprisonment harms children. Yet at this point, the evidence in favor of null or positive effects of maternal imprisonment trumps the evidence in favor of harmful effects, suggesting that the prison boom—and the attendant increases in the share of children whose mother is imprisoned at some point—changed childhood inequality little.

Convincing though the research in this area is, we still lack studies that make the causal case airtight. If the next wave of research strengthens the finding that the effects are causal, we must consider mass imprisonment alongside other major American institutions of social stratification.

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Endnotes

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GREENING THE CITY FOR HEALTH

Kathleen L. Wolf
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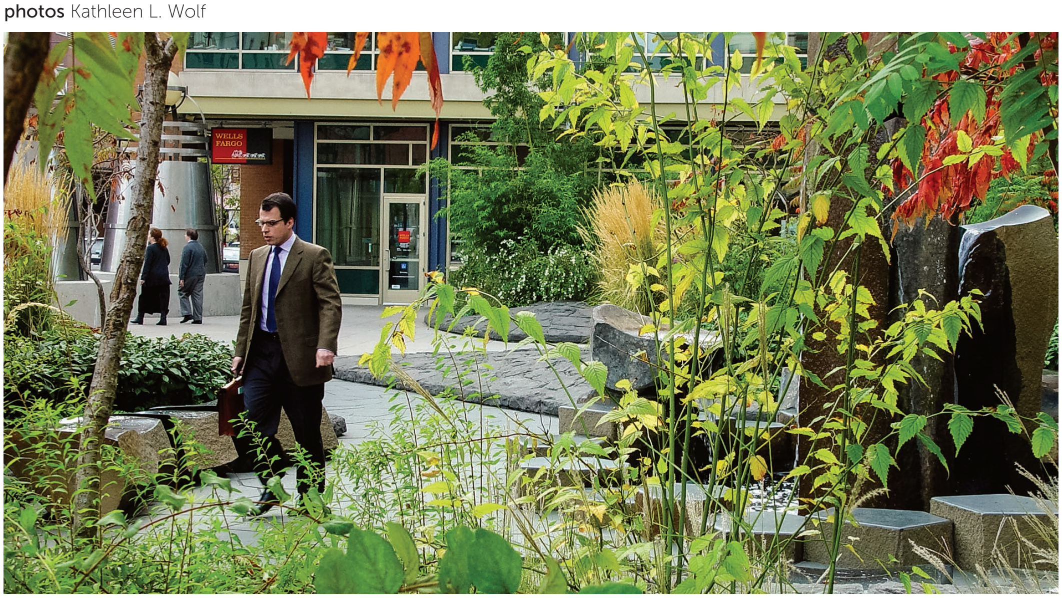
Parks, trees, and green spaces boost human health and well-being in ways that support urban revitalization and quality of life for all.

Across the nation, communities are working to build strong local economies and what is often called "a sense of place." Successful, resurgent cities have leaders and organizations that collaborate to restore economic foundations, energize residents, and attract new businesses. They recognize, too, that part of the redevelopment equation is *urban greening*: city parks, trees, and green spaces.

Today more and more studies are confirming the common perception that natural amenities not only add beauty to communities, but also boost renewal. And smart reinvestment includes green features distributed fairly. Everyone benefits when the amenities are in neighborhoods of all income levels.

photos Kathleen L. Wolf



Special Kinds of Cities

Many formerly thriving industrial cities experienced a decline in recent decades. They seemed to lose their way as manufacturing departed and employment, income, and population plummeted. The Boston Fed calls them "Working Cities." Others call them "gateway cities," "secondary cities," or "legacy cities."[1] They may have challenges, but they also have assets. Today these cities are building on their assets and working toward rebirth.

The older cities that reemerge as vital, vibrant places are likely to do so through communitywide action and shared purpose. Key actors develop a vision, set priorities, determine both the industries and the areas of the city to focus on for growth, then commit themselves to a plan that provides guidance as opportunities and resources emerge. Areas where such transformations are occurring today include Utica in New York, Chattanooga in Tennessee, and neighborhoods within Baltimore.

Community renaissance works best when everyone is involved, including the minorities, immigrants, and lower-income residents who in the past were often overlooked. Organizations may be the administrative agents of change, but the long-term work is dependent on dedicated individuals. Having a broad array of community members on board can keep the efforts moving along. Business leaders have a role, too, and can help attract new industries and business services.

What Nature Offers

Parks, trees, and open space are widely appreciated not only for their beauty but for their connection to better health. Early city beautification programs focused on quality of life and generating a harmonious social order within crowded industrial cities. Today, incorporating nature is seen as important for an additional reason—the effect on revitalization efforts. Cities with amenities are more desirable, and people who are healthy and have a good quality of life may also be better able to work toward change.

General Health Benefits

Studies show a positive relationship between access to everyday natural environments and people's perception of their mental health, physical health, and social health.[2] Survey respondents appreciate how parks provide opportunities for exercise, and they report that easy access contributes to their increased physical activity. Having neighborhood parks is especially important for lower-income communities, where there may be higher rates of obesity.

While parks are the green hubs of a nature network, trees form the connective corridors in neighborhoods and along streets. Both parks and trees play a role in the overall livability of neighborhoods, providing constant—but often unnoticed—benefits. For instance, interviewees say that merely looking at trees tends to reduce mental and physical stress. A walkable green environment is also thought to increase life satisfaction in later life and even longevity.[3] The presence of trees may influence people's behaviors, too, as streets with more canopy encourage children to walk to school, and greenways motivate people to choose walking or bicycling over driving.

Mental Health

The evidence is strong for positive associations between natural environments and mental health.[4] Parks are used by people for relaxation and revitalization, which are conducive to mental well-being. Contact with natural environments promotes psychological restoration, improved mood, improved attention, and reduced stress and anxiety. Research conducted in public housing settings, for example, has consistently shown the benefit of green space for cognitive restoration, reduced aggression, reduced crime, and improved self-discipline.

Having greenery nearby has been shown to moderate mental fatigue, too. Attention restoration theory (ART) addresses how exposure to nature can have a restorative effect on the brain's ability to focus. Today's lifestyles require constant attention to many inputs in work and school—and in navigating the daily demands of commuting, shopping, and household chores. A person must consciously focus on the task at hand, even though it may not be interesting. In order to do all we do, we suppress the urge to pay attention to distractions. After prolonged use, this capability can become fatigued, leading to difficulties in concentrating and irritability.

ART suggests that nature is uniquely and inherently fascinating (flower color, leaf patterns, or wildlife behavior) and interactions are involuntary, giving our minds a chance to rest and restore. The result is that attentional reserves replenish, which can mean better performance on other tasks, gratification delay, and perhaps even reduced levels of stress. These are important considerations for everyone. Fortunately, today there is increased recognition that greening initiatives should encompass the neighborhoods of lower-income or disadvantaged people as much as they have other neighborhoods in the past.

Community and Social Connections

Behavior studies in business and economics indicate that social cohesion contributes to economic development.[5] A socially stable community where there are strong networks, a sense of trust, and comfort in relationships is a favorable environment for business. People who have a general sense of well-being and confidence that interactions with other people will be positive are more likely to commit to communitywide programs of economic development. It has even been suggested that more-social cities breed more creativity and that a rapid exchange of ideas flows in such cities from both dense interactions and loose connections among residents.[6]

Urban parks and greening projects can help create the environments that facilitate social contacts and community attachment. Easy access to nature, opportunities to visit natural areas, having a view of nature from one's home, and plentiful tree cover are all associated with higher levels of neighborhood satisfaction. In contrast, negative perceptions of the nearby physical environment, including

Research conducted in public housing settings has consistently shown the benefit of green space for cognitive restoration, reduced aggression, and reduced crime.

lack of green space, are associated with expectations of higher crime rates and reduced mental health.

Most important, the availability of green public areas facilitates informal social interactions. Residential common spaces with more trees and vegetation are associated with more use of common spaces and stronger neighborhood social ties. Moreover, urban green areas (parks, playgrounds, and forests) have been found to encourage children and adolescents in making cross-cultural contacts and friendships.[7] In sum, natural features contribute to more walkable neighborhoods, and people living in them are more likely to engage in informal contacts and to know their neighbors.

Environmental Equity

Research confirms that convenient access to green space and tree canopies in neighborhoods provides substantial psychological and physical benefits to everyone.[8] However, such amenities are often unevenly distributed between white and racial/ethnic minority residents. There is evidence of historic disparities in many cities. Equitable access to nature for all of a city's residents is an environmental justice concern.

But the reasons for including all neighborhoods and sectors of a city in planning and programs for trees and parks go beyond ethical concerns. New urban greening initiatives can help create a "sense of place" for a community by acknowledging and integrating the unique gardens or landscape styles of diverse cultural groups. Restoring a vibrant economy requires participation by a majority of the people in a community. Equitable distribution of high-quality human habitat can motivate people to learn new skills and dig into the hard work of revitalization.

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Resurgent communities face many challenges on the road to recovery. Developing plans, building new places, and supporting new businesses are efforts dependent on the energy and commitment of individuals who bring their particular talents and passions to bear. As the local economy grows, the founders and employees of new businesses must sustain themselves as they work to build their enterprises. The natural environment can make a difference in such entrepreneurial activity.

Many minor but nonetheless significant episodes of contact with the natural environment on a daily basis are shown to produce an array of benefits, and the evidence that has emerged over four decades and is now being published at an accelerating pace.[9]

People need to be at the top of their game to succeed individually and as a community. Past attention to the natural environment that focused on the potential presence of toxins or reduced environmental quality as sources of health risks had significant value. But the science presented here offers another perspective. The parks, green spaces, and trees that were mainly regarded as nice-to-have beautification projects are actually profoundly important as the sources of positive human health and well-being and prospering communities.

Kathleen Wolf, PhD, *is a research social scientist at the University of Washington, Seattle. Her work is based on principles of environmental psychology and focuses on the human dimensions of urban forests and ecosystems. Contact her at kwolf@uw.edu.*

Endnotes

1 See http://www.bostonfed.org/workingcities to learn about a competition in Massachusetts for economic transformation called the Working Cities Challenge.

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9 Additional information about urban greening research may be found at www.naturewithin.info.

The Success Boston Initiative

COLLEGE ENROLLMENT, PERSISTENCE, AND GRADUATION EXPERIENCES

of Boston Public School Graduates

Andrew Sum, Ishwar Khatiwada, and Sheila Palma
CENTER FOR LABOR MARKET STUDIES

The Success Boston Initiative is making headway in ensuring that Boston Public School graduates build on their improved college enrollment rates by bringing college graduation rates up, too.

Many political leaders have highlighted the importance of formal schooling to achieve both national and local goals. Boston's Mayor Thomas M. Menino, for one, has called upon public schools to improve both high school graduation rates and college graduation rates. He also has helped to establish the Success Boston Initiative, a coalition that includes the city, the Boston Public Schools (BPS), the Boston Foundation, and nearly 30 colleges and universities. The goal: to substantially boost college graduation rates of BPS graduates.

Benefits from College Completion

Graduation is what matters, not just enrollment. There are substantial economic benefits from achieving associate's and bachelor's degrees. For example, the mean lifetime earnings of Massachusetts adults from ages 22 to 64 rise considerably with educational attainment.

Mean Lifetime Earnings of Massachusetts 22-to-64-Year-Olds

Educational group	Earnings
High school graduate, no postsecondary schooling	$1,249,700
Some postsecondary schooling but no degree	1,542,800
Associate's degree	1,734,500
Bachelor's degree	2,586,400

Source: American Community Surveys, 2007–2011. Tabulations by authors (in 2011 dollars).

Findings on mean lifetime earnings reveal that an adult obtaining a high school diploma but failing to complete any postsecondary schooling would be expected to earn about $1.250 million between ages 22 and 64. (See "Mean Lifetime Earnings.") Those who completed some postsecondary schooling but received no degree would be expected to earn about $1.543 million, or nearly $300,000 more. Associate's degree holders have mean lifetime earnings of $1.735 million, while bachelor's degree holders have mean lifetime earnings of $2.586 million.

Such large differences in mean lifetime earnings between associate's degree holders and high school graduates (nearly $500,000) and between bachelor's holders and high school graduates ($1.337 million) also prevail among both men and women and among Asians, Blacks, Hispanics, and Whites.

The higher lifetime earnings yield greater lifetime tax payments to national, state, and local governments, and the individuals are less likely to need benefits from safety-net programs.

College Enrollment Trends

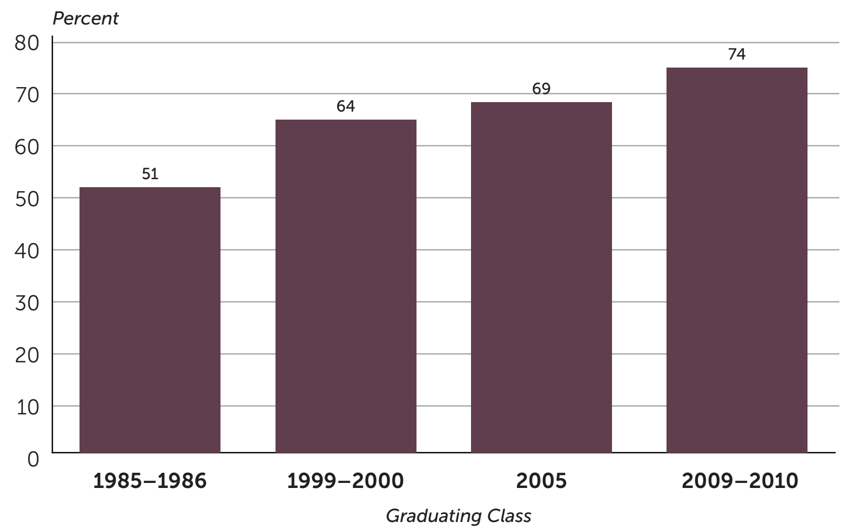
Knowledge of the college enrollment behavior of Boston Public School graduates in the first year following graduation from high school has been available since the mid-1980s. An annual follow-up survey sponsored by the Private Industry Council has been used to track their employment, college enrollment, and training-program enrollment status in the late winter–spring of the year following graduation from high school. In more recent years, data from the National Student Clearinghouse (NSC) has been used to track their college enrollment, persistence, and graduation outcomes.

The Private Industry Council survey data show that in the mid-1980s, only 51 percent of BPS graduates were enrolled in college in the first year following graduation from high school. By the end of the 1990s, the college enrollment rate had risen to 64 percent and had reached an average of 74 percent for the classes of 2009 and 2010, about 5 percentage points higher than for all U.S. high school graduates from the same two classes. (See "Trends in College Enrollment.")

National Student Clearinghouse data also show increases in first-year enrollment rates for BPS students graduating between 2005 and 2010 from 61 percent to nearly 70 percent. The Clearinghouse data track college enrollments over time rather than at only one point in time. For example, for the BPS Class of 2009, the NSC data reveal a 60 percent to 61 percent college enrollment rate in the fall following graduation from high school, rising to 67 percent for the late spring of 2010 and to nearly 76 percent three years after graduation from high school.

First-year college attendance rates have improved across the board for the three graduating classes from 2007 to 2009 and for both gender groups and each race and ethnic group. However, for Class of 2009 graduates, important differences in college enrollment rates remained across gender and race, with women outpacing men (71 percent vs. 63 percent), and Asians (83 percent) and Whites (77 percent) exceeding Blacks (64 percent) and Hispanics (59 percent).

Trends in College Enrollment of Boston Public School Graduates



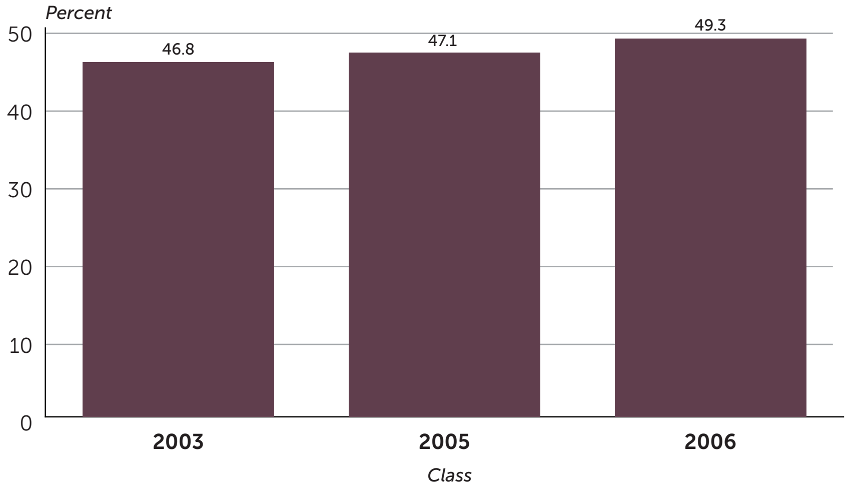
Source: Boston Private Industry Council Surveys, tabulations by authors.

Class of 2009 College Persistence Rates

Achieving the college graduation goals of Success Boston will require keeping students continuously enrolled in college through graduation. Over the past few years, a number of efforts have been implemented by community colleges nationwide to improve the academic preparation, classroom performance, course enrollment, college persistence, and graduation rates of their students. These demonstration efforts have included a variety of approaches, including innovative academic remediation, student learning communities, and incentive scholarships. Unfortunately, the results are mixed, with the most favorable outcomes involving increased short-term enrollment, summer enrollment, and more academic credits, with little effect on long-term persistence or graduation.

As part of the Success Boston initiative, an intervention involving the assignment of case managers and coaches to individual college students has been implemented by providers including the Boston Private Industry Council and community-service organizations. Center for Labor Market Studies (CLMS) researchers have been working with the Boston Foundation to assess outcomes and impacts. For the Class of 2009, CLMS matched Success Boston coaching participants at seven local colleges and universities with a comparison group of nonparticipants from the city's nonexam high schools attending the same colleges. The seven colleges and universities included two local community colleges and five different four-year colleges and universities, four of which were located in Boston.[1]

Six-Year College Graduation Rates of Boston Public School Graduates, Selected Graduating Classes



Source: National Student Clearinghouse and individual college reports.

Success Boston vs. Comparison Groups' Persistence in College, Class of 2009

Group	Enrolled in Sucess Boston		Not in Sucess Boston		Absolute difference (in percentage points)	
	One-year persistence rate %	Two-year persistence rate %	One-year persistence rate %	Two-year persistence rate %	One-year persistence rate %	Two-year persistence rate %
All	86.4	73.4	66.0	49.9	+20.4	+23.5
Male	83.3	66.7	62.5	46.6	+20.9	+20.1
Female	88.1	77.1	70.0	53.6	+18.1	+23.5
Black	90.3	77.4	64.8	49.6	+25.6	+27.8
Hispanic	82.6	66.3	58.6	42.7	+24.0	+23.6

Source: Authors' calculations based on National Student Clearinghouse data.

The one-year college persistence rate of Success Boston participants exceeded that of the comparison group by 20 percentage points. (See "Success Boston vs. Comparison Groups.") The regression-adjusted gap was nearly 17 percentage points. The gap in two-year persistence rates was 23 to 24 percentage points. Among both men and women, the unadjusted gap in two-year college persistence rates was more than 20 percentage points and was in the 23-to-28-percentage-point range for both Blacks and Hispanics. The preliminary unadjusted findings for year three are in the 21-percentage-point range.

College Graduation in Recent Years

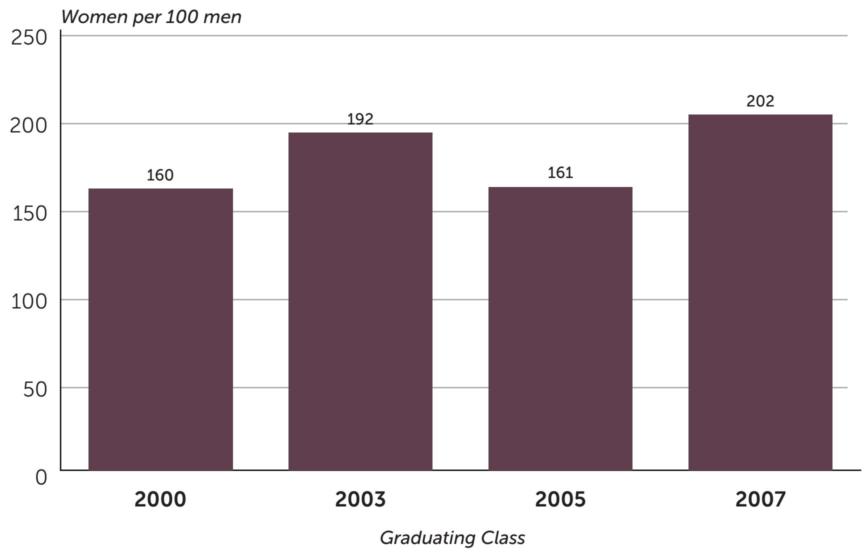
A primary goal of the Success Boston Initiative is to increase the six-year college completion rate for BPS college enrollees to 52 percent for the Class of 2009 and to 70 percent for the Class of 2011. Over the past few years, the six-year college graduation rates of those BPS graduates enrolled in college in the first year following graduation have been modestly improving. (See "Six-Year College Graduation Rates.") For the Class of 2006, the graduation rate increased to 49.3 percent, only three percentage points shy of the 52 percent goal set for the Class of 2009.

College graduation rates, however, varied widely across gender, race/ethnic, and academic achievement groups as well as by type of college attended. For the Class of 2006, college graduation rates varied from a low of 33 percent for Black men to highs of 77 percent for White and Asian women. For Class of 2005 BPS graduates, graduation rates as of late spring 2012 ranged from a low of 14 percent for those attending two-year public colleges to 66 percent for those attending four-year institutions.

Gender Disparities in College Degree Attainment

The gender disparity observed in college graduation rates is reflected even more markedly in the comparative number of college degrees received by male and female graduates from selected BPS graduating classes from 2000 to 2007. (See "Gender Disparities in College

Gender Disparities in College Graduates, Selected Boston Public School Graduating Classes



Source: Analysis of National Student Clearinghouse and Boston Public School data by the Center for Labor Market Studies.

Graduates.") For each of the four classes, the number of BPS female graduates with college degrees per 100 men ranged from 160 to a high of 202 for the Class of 2007. These ratios are considerably above both the state and national averages. In the 2011–2012 school year, the total number of degrees from associate's degrees to PhDs awarded to female graduates in the United States exceeded that of men by about 42 percent.

Of the nearly 800 college degrees received by Class of 2007 BPS graduates through the end of calendar year 2012, women earned more than twice as many degrees as men. The relative size of these gender gaps in college degree attainment varied widely across the four major race/ethnic groups. They ranged from a low of 116 for Asians to over 190 for White non-Hispanics to highs of 253 to 268 among Hispanics and Blacks. Such gender gaps reflect the outcomes of an array of behaviors, including higher rates of high school graduation among women than men, a higher rate of college enrollment among female high school graduates, and stronger college persistence rates among women. A better understanding of the educational, cultural, and social forces driving the gender gaps in degree attainment is needed. There are no current initiatives aimed at addressing gender imbalances.

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Endnote

[1] The enrollees were recruited by the staff of local service providers. There was no random assignment of graduates to the treatment or control group. In 2011, CLMS staff worked with Boston Foundation staff to develop a comparison group of similar BPS graduates attending seven selected colleges. The matching was done by student MCAS score, gender, and race, and involved the use of regression analysis to estimate impacts.

photos Melita Podesta

Bringing Wealth Creation Closer to Low-Income Communities

Fred Rose
UNIVERSITY OF MASSACHUSETTS, AMHERST

An unusual multisector collaboration is focused on providing job training and employment for the unemployed and underemployed in Springfield, Massachusetts.

In the fall of 2013, the Wellspring Upholstery Cooperative (WUC) opened in Springfield, Massachusetts. It was the first of a planned network of worker-owned companies developed by the Wellspring Collaborative to provide entry-level jobs for some of the hardest-to-employ residents in the area.

The Wellspring Collaborative is modeled after the Mondragon Cooperatives in Spain (110 cooperatives employing 80,321 people in 2012) and the Evergreen cooperatives in Cleveland (a network of four worker-owned companies).[1] Evergreen uses the purchasing power of large anchor institutions to provide a stable market for new place-based, worker-owned companies and has received national attention for its potential to revitalize blighted neighborhoods.[2]

The Role of Anchor Institutions

The Springfield Armory, the anchor institution of its day, served as an engine for innovation and job creation until it was closed in 1968. Today the network of large and small machining and manufacturing companies that grew up around the Springfield Armory are mostly gone, along with their organizational and financial capacity and their skilled workforce.

What remains are the hospitals, colleges, and universities that are now the region's largest employers. These place-based institutions have large infrastructure investments and educational and health missions that make it unlikely they would ever leave the community. Their annual purchases of more than $1.5 billion of goods and services could provide an engine for local job creation and innovation. Yet less than 10 percent of their purchasing power is spent within Springfield, and very little of their money circulates in the low-income neighborhoods that surround them.

Wellspring is carrying out detailed business plans to study goods and services that anchor institutions import from outside the area and to identify those that could be profitably produced locally. The goal is to develop worker-owned businesses that can provide entry-level jobs and job training that will serve the urban population—mostly low-income people of color and new immigrants with limited formal education.

The initiative favors worker-owned companies because they tend to stay in the neighborhoods where employees live and because they provide workers with a share of the profits. According to current growth projections, each Wellspring employee could accumulate $50,000 through profit sharing over 10 years—money that is likely to be invested in homes, education, or other necessary assets.

Wellspring has brought together a diverse partnership to implement its economic development strategy. Anchor partners include Baystate Health, the University of Massachusetts at Amherst, Springfield Technical Community College, Western New England University, and Sisters of Providence Health System. Community and labor organizations include Jobs with Justice, New North Citizens Council, the Center for Popular Economics, Partners for a Healthier Community, GreenWorks, and the Pioneer Valley Project. Development agencies include the Hampden County Regional Employment Board, Springfield Neighborhood Housing Services, the Cooperative Fund of New England, MassMutual Financial Group, and United Way of Pioneer Valley. The work is supported by research from the Center for Public Policy and Administration at the University of Massachusetts.

Worker-Owned Companies

Worker-owned companies add resilience to local economies. As the Mondragon cooperatives in Spain's Basque region have demonstrated, they are able to adapt to changing economic conditions by moving workers, reducing wages, and distributing costs among businesses to maintain employment in a downturn.[3] During the 1980s, when unemployment in the Spanish economy reached 27 percent, Mondragon's unemployment rate was below 1 percent. In 2012, when Spain's overall unemployment rate was 24 percent, the Basque region's was only 12 percent, and the Mondragon cooperatives did not lay off any workers.

Wellspring Upholstery Cooperative, Springfield Massachusetts

Mondragon's worker cooperatives grew to scale in the protected economy of the 1950s. Similar initiatives in more competitive economies, however, have remained small. That does not discount the history of consumer cooperatives for electricity, utilities, health care, or large marketing, supply, and servicing agricultural cooperatives. But the Evergreen cooperatives' use of anchor institutions and the focus on building a network of cooperatives represent innovative thinking that has the potential to revitalize a region's economy.

Wellspring has its own version of the Evergreen model. In particular, it is obtaining production expertise not by hiring entrepreneurs early in the development process, but by partnering with successful businesses in the community. It is also developing smaller start-up businesses that require less capital up front. That enables Wellspring to hire workers earlier in the development process so they can help shape the businesses they will eventually run.

Wellspring has established a relationship with the local regional employment board so that qualified employees can use on-the-job training funds to learn both technical skills and co-op management skills. The co-op management training curriculum has been developed in collaboration with other worker cooperative organizations in the region.

Wellspring's First Company

Wellspring Upholstery plans to provide institutional upholstery services to colleges and public schools across New England. It is working closely with the Hampden County Sheriff's Department, which has 25 years of experience teaching upholstery skills in its jail, and Alliance Upholstery, a skilled upholstery business with 40 years of experience in Springfield. Alliance Upholstery and its affiliated company, Corporate Design NE, are heirs to Springfield's prestigious Bottaro-Skolnick furniture company, known for doing fine upholstery work since the 1930s.

Wellspring decided to create an upholstery cooperative as its first business for a number of reasons. The Hampden County Sheriff's Department provides a pool of employee candidates with some initial upholstery training and a well-established support system to address social needs after incarceration. Wellspring is providing long-term employment for ex-offenders who otherwise face limited employment opportunities.[4] A modest-sized, low-capital-intensive business like upholstery is useful as a learning experience for Wellspring itself. WUC will employ six low-income Springfield residents during its first year of operation and expects to double the number within six years.

Wellspring Upholstery has established a production workshop for institutional seating within the established workshop of Alliance Upholstery, which continues to carry out high-end upholstery work at a reduced scale. Experienced upholsterers from Alliance were hired to manage WUC's business and train new workers. Alliance brings great skill and capacity to the cooperative, and at the same time, Wellspring provides access to a new generation of upholsterers and the potential for a business succession plan in the future.

Corporate Design NE's owner, David Rothenberg, notes the need: "Upholstery is an immigrant business. My father and grandfather did it, but our kids aren't taking over. The old upholsterers are retiring, and there aren't new people coming up."

Many upholstery shops are closing as their owners retire because they haven't built bridges to the newer communities in the city. By partnering with Wellspring, Alliance Upholstery is helping to train the next generation to carry on the craft.

> Wellspring is studying goods and services that anchor institutions import from outside the area, with the goal of identifying those that could be profitably produced locally.

New Thinking

Wellspring's development work is one of the first 12 projects nationwide to be funded by a Robert Wood Johnson Foundation Roadmaps to Health grant. The grants represent a shift in focus for the foundation from narrowly targeted public health projects, to multi-stakeholder, multi-issue projects that recognize how individual health is tied to the social and economic conditions where people live.

Wellspring's development work asks our institutional partners and community members to see their interests as intertwined. Purchasing outside the community comes at a cost for local anchor institutions because the accompanying poverty, poor health, and blight can hurt core operations and the bottom line. Jobs and wealth creation for inner-city families tend to reduce crime and recidivism and improve neighborhoods. That will help colleges and hospitals attract more students, patients, and professional staff. Detailed business planning that has community partners on board can highlight the advantages of shopping locally for some of the products and services that anchor institutions need.

Meanwhile, Wellspring's experience has lessons for the growing number of communities interested in using the purchasing power of anchor institutions to drive wealth accumulation and job creation in low-income neighborhoods.

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Endnotes

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SCIENCE, TECHNOLOGY, ENGINEERING, AND MATH

Reaching Target Audiences in Middle School

Susan H. Palisano
CONNECTICUT CENTER FOR ADVANCED TECHNOLOGY INC.

With an eye to maintaining its competitive edge in the global economy, Connecticut is working to increase the pipeline of interested and competent science, technology, engineering, and mathematics students.

A rich tradition of invention and entrepreneurship has been critical to Connecticut's economic success since Colonial times. Today, the state is a leader in industries such as aerospace, hydrogen fuel cells, signal processing, advanced propulsion, medical devices, and biotechnology. Manufacturing accounts for over $24 billion of the state's gross product.[1] With almost 4,400 manufacturers employing over 150,000 workers, manufacturing companies pay nearly $10 billion in wages per year. Workers in the state's manufacturing sector receive an average of almost $64,000 in annual total compensation.[2]

Given the importance of manufacturing to the state, many observers have expressed concern about the persistent achievement gaps in math and science in Connecticut public schools—including marked achievement differences between whites and minorities, and between boys and girls. Although Connecticut's colleges and universities are recognized for their contributions to applied research, undergraduate enrollment in STEM (science, technology, engineering, and mathematics) is modest at best. And it is worth noting that nationwide, women account for only 24 percent of STEM jobs.[3]

Advanced Skills Needed

With nearly half of the 60 fastest-growing occupations identified by the Connecticut Department of Labor classified as having a reliance on solid math and science—and with the proportion of Connecticut workers over the age of 55 seventh-highest in the nation—we need to engage more students in STEM learning early. Of particular concern is the fact that compared with their male counterparts, fewer young women are choosing to pursue higher-level studies in STEM areas. Like the rest of the country, the state is not succeeding in attracting and preparing students—particularly girls and urban youth—to enter the skilled workforce. And since manufacturing and many other sectors today require technology literacy, reasoning, and problem-solving proficiency, we need to convey to students that academic achievement in STEM is important. In Connecticut, the focus is on being able to sustain advanced manufacturing.[4]

Despite the clear imperative to inspire more young people to pursue STEM-related educational and career pathways, a recent survey by the American Society for Quality revealed that more than 85 percent of students today are not considering STEM-related careers—and that parents are more likely to encourage their daughters to become actresses than engineers. In the same survey, 44 percent of respondents cited a lack of knowledge about STEM careers as the top reason they would not pursue such jobs.[5]

Adding to the problem, society as a whole has negative attitudes about manufacturing jobs. Although advanced manufacturing is creating opportunities for a well-educated workforce, one of the main reasons companies struggle to find employees is that public perception has not evolved at the same rate that the field has. A common but outdated perception is that manufacturing entails dirty and dangerous assembly lines and that such jobs are male dominated, low skilled, and poorly paid. In reality, U.S. manufacturing now takes place in high-tech facilities, offering opportunities for young men and women with the right skills to earn top wages in careers that stress innovation, creativity, and entrepreneurship.

The Connecticut Center for Advanced Technology Inc. (CCAT) in East Hartford is finding ways to reach students—especially girls and students from underserved communities—to get them excited about STEM early. The Center has developed an educational program that emphasizes hands-on learning of contemporary manufacturing skills, informed by authentic industry experiences, so that students can make real-world connections and see concrete examples of rewarding careers.

Starting Young

CCAT's education programs provide middle school students with both formal and informal learning opportunities designed to retain their interest in STEM as they move through secondary education into a career pipeline. The programs use advanced manufacturing as context and provide opportunities for students to experience first-hand a range of high-wage, interesting jobs.

One such program is CCAT's "Young Manufacturers Summer Academy" (YMSA), a two-week experiential-learning opportunity for boys and girls entering grades 7 to 9. The primary goal is to build the manufacturing workforce pipeline in the middle grades, a critical juncture in need of attention. At the core of the program is a gender-neutral focus on those 21st century skills that support innovation and entrepreneurship. From the first day, students engage in realistic manufacturing scenarios that highlight the importance of leadership, problem solving, critical thinking, creativity, efficiency, competition, collaboration, customer service, and the like.

The students are asked, for example, not only to create product designs that meet stringent criteria, but also to pay for equipment, supplies, and labor out of provided budgets. They manufacture products by hand, virtually, or with 3-D printers. They must compete for customers and find ways to maximize productivity and quality. Manufacturers and engineers of diverse backgrounds and working in a variety of positions and companies speak to about their own on-the-job struggles and triumphs—and about how an entrepreneurial mind-set contributes to their success. Students engage in mock interviews for jobs with real manufacturers. Along the way, they compile a portfolio of completed engineering and manufacturing projects. Throughout, students discover their strengths and interests and develop a personalized education and career plan.

The Academy begins with a series of STEM team-building activities to establish a collaborative environment. As the program progresses, students learn how manufacturing has changed over the years into a high-skill, high-tech industry. In addition to gaining machine-shop floor experience, students participate in workshops that demonstrate the real-world application of math concepts such as the Cartesian coordinate system and virtual machining environments. They use industry tools and computer-aided-design software to build their own virtual race cars. They apply scientific concepts such as the laws of gravity and friction within an engineering framework. And they design products from digital models and produce them using 3-D printers.

Students apply scientific concepts such as the laws of gravity and friction within an engineering framework.

Throughout the program, Lunch and Learn events allow students to further explore educational and career pathways by interacting with manufacturing employees in a round-table environment. Visits to local companies provide firsthand exposure to manufacturing facilities and allow students to speak with engineers and other professionals who help to dispel negative stereotypes about the manufacturing workplace. The program's culminating event is a mock career fair, where students present their résumés and portfolios during conversations with real manufacturers, and parents and families have an opportunity to see program outcomes.

A Sector's Image

YMSA has been highly successful at raising student and family awareness of manufacturing-related careers and of the educational pathways leading to such careers. The Academy has resulted in improved student confidence—especially among girls and minorities—in their ability to succeed in STEM courses and manufacturing careers. It also has developed students' 21st century job-acquisition skills and has improved manufacturing-related STEM content knowledge.

The program model is based on research and on evidence from four years of successful implementation. According to evaluation data, 86 percent of all students who completed the YMSA program acknowledged the importance of doing well in both math and science. An amazing 91 percent admitted the program made them think about a career in manufacturing. In addition to increasing students' awareness about manufacturing, the program improved career awareness, skills, and interest in STEM. YMSA has been a primary contributor to increased enrollment in manufacturing technology programs at Connecticut technical high schools. In fact, since YMSA was launched, some schools have shown more than 50 percent growth in enrollment in manufacturing programs. The number of females enrolled increased by 45 percent, reinforcing the success of the program in attracting interest in manufacturing among young women.

The Academy is part of "Connecticut. Dream It. Do It."—a statewide initiative operated and administered by CCAT to promote a positive image of manufacturing, to educate Connecticut residents about rewarding career pathways in manufacturing, and to align educational systems with industry needs.

The national "Dream It. Do It."—sponsored by the Manufacturing Institute, the nonprofit subsidiary of the National Association of Manufacturers—supports national and local activities to engage, educate, and employ the next generation of skilled manufacturing talent. The initiative, in combination with YMSA and CCAT, also engages regularly with the Connecticut Women's Education and Legal Fund's "Girls and STEM Expos," delivering to middle school girls across the state a hands-on workshop that is based on a factory-floor simulation model.

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Acknowledgments

The Connecticut Center for Advanced Technology, Inc. (CCAT), an economic development organization headquartered in East Hartford, Conn., leads partnerships between industry, academia, and government, creating a collaborative framework for tackling today's economic challenges. CCAT combines expertise in cutting-edge manufacturing and information technology with specialized centers of excellence in education and workforce development and alternative energy solutions to help organizations increase efficiencies, compete, and succeed.

Endnotes

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Reporting rental payments offers low-income renters an opportunity to build credit as a financial asset. Mission-driven affordable-housing organizations are poised to help them.

Building Credit through Rent Reporting

Sarah Chenven
CREDIT BUILDERS ALLIANCE

As many as 64 million U.S. households are excluded from the mainstream credit system because they have thin credit histories or none at all. One reason is that so many people live in rental housing—approximately 100 million individuals, or 39 million households. And although making late housing payments can damage the credit of people who own their home just as much as it damages the credit of renters, historically only homeowners have been able to build positive credit histories when they pay on time. Credit reports and credit scores that do not recognize on-time rental payments as creditworthy behavior present an incomplete and negatively skewed assessment of the credit risk many renters pose.

That matters. The credit report that consumers can provide increasingly defines who will do business with them and under what terms and conditions. Low-income individuals, who are often renters, are more likely than their higher-income counterparts to have no credit or poor credit.

According to the 2012 Current Population Survey, 63 percent of U.S. renters earn less than $35,000 annually, and 41 percent earn less than $20,000 annually. Renters with few assets or savings often become susceptible to predatory financial service providers. Too many unscrupulous companies market expensive, asset-stripping, short-term credit as an option for making ends meet but have no intention of reporting their customers' on-time payments to the major credit bureaus.

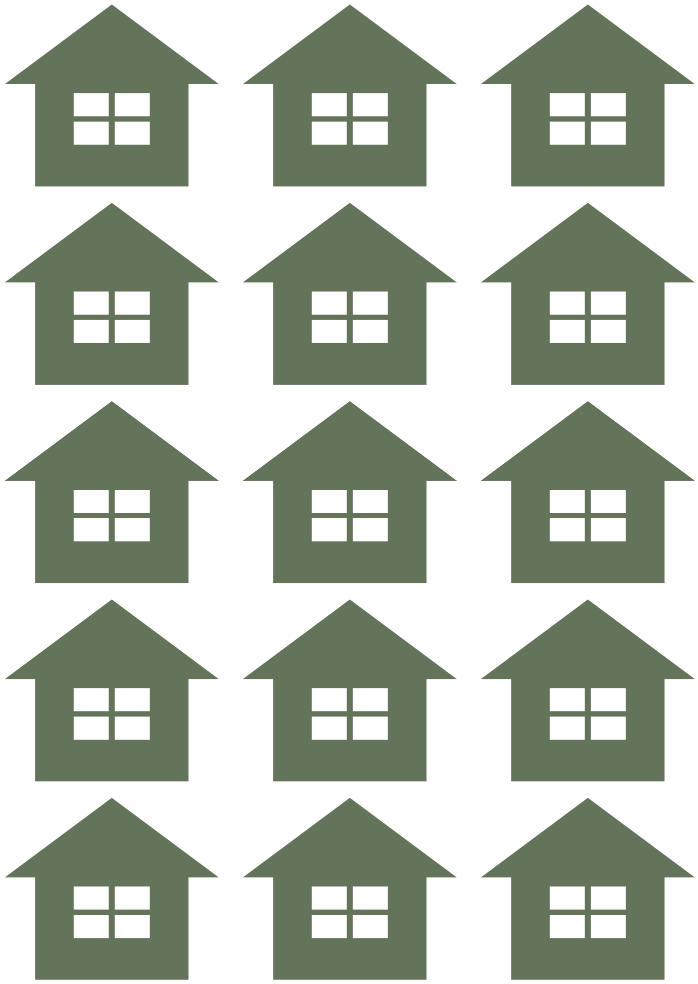
With little opportunity to build credit, many low-income renters face barriers to financial stability that are hard to overcome. Lack of good credit may mean that borrowers must make hefty deposits, pay higher insurance premiums, or be denied employment. Lack of credit also impedes access to, or dramatically increases, the cost of asset-building products such as mortgages, small business loans, and education loans—any of which might otherwise present a pathway out of poverty.

Is Rent Reporting Viable?

Fortunately, there is a way for low-income renters to overcome such barriers. Landlords and online rental-payment-services companies that undergo a rigorous credentialing process may now report rental-payment data directly to at least one of the three major credit bureaus. The emergence of this new opportunity could provide millions of low-income renters with the chance to build credit histories without taking on additional debt or incurring the burden and risk of an additional monthly expense.

> *I pulled my reports and it was then I realized Experian's credit score was 71 points higher. … The only difference? Experian includes my rental-payment history. In the long run, having a two-year excellent credit line for my rental payments will add value by helping me to potentially receive lower interest rates on a mortgage and car and consumer loans. I may even get a better rate on insurance premiums.*
>
> –Anonymous Renter

Responsible reporting of alternative credit data such as rental and utility payments finally offers those who make on-time payments an opportunity to benefit from the mainstream credit system. Recent studies by the Policy and Economic Research Council and the Brookings Institution on alternative credit data show that reporting on-time utility and telecom payments enabled 40 percent of individuals who previously had no score to access prime credit.



APPROX. 100 MILLION PEOPLE LIVE IN RENTAL HOUSING

Consider the extent to which alternative credit reporting has already increased access for individuals:

- by 14 percent for African Americans and 10 percent for Hispanics;
- by 15 percent for youth under 25 and 11 percent for Americans 66 years and older; and
- by 21 percent for those earning less than $20,000 annually and 15 percent for those earning between $20,000 and $29,000 annually.

For every individual consumer in the lowest household income category who experienced a reduced credit standing from moderately late payments, 27 gained access to mainstream credit.

One organization working to move this process along is the nonprofit Credit Builders Alliance (CBA). Founded in 2006 by and for nonprofit lenders, financial educators, and asset builders to catalyze their credit-building efforts, CBA now empowers a growing network of more than 350 members to help their low-income and underserved clients build credit and other financial assets.[1] CBA's philosophy—namely, that good credit is a financial asset—has been adopted by mission-driven entities across the spectrum. Among them are nonprofit and public affordable housing organizations, which are well positioned to help lower-income residents harness the power of responsible rent reporting by pairing it with meaningful financial education.

With financial support from the Citi Foundation, CBA is building on groundwork begun in 2012 to pilot a rent-reporting program with affordable-housing organizations and help several thousand low-income residents build credit histories. The pilot's goal is to combine rent reporting with credit education and identify impactful, replicable, and scalable strategies that maximize credit outcomes for low-income tenants. At the same time, the nonprofit is nurturing a learning community of practitioners who work in affordable housing. The learning community is now documenting and sharing rent-reporting models, experiences, and best practices in order to improve and strengthen their own organizations and move the credit-building needle for low-income renters generally.

Challenges and Successes

With every opportunity come challenges. Some in the affordable housing industry have raised legitimate concerns about the possibility of negative consequences for low-income residents who cannot pay their rent on time because of issues beyond their control. Nonetheless, many practitioners agree that the affordable housing residents who consistently pay their rent on time should be allowed to benefit from having those payments build their credit history.

> *Rent reporting is an excellent way to engage credit building and treating credit as an asset for our tenants. It allows them access to better jobs, better service costs, and lower borrowing rates. They should have the same opportunity for credit building as a homeowner would.*
>
> –Affordable Housing and Education Development
> Littleton, New Hampshire

Renters, too, are eager to leverage the opportunity. Although only 39 percent of residents in CBA's pilot program indicated that they had reviewed their credit report in the last 12 months, 96 percent stated that having good credit is important to them, 75 percent plan to take action to build their credit in the next three to six months, and 97 percent believe that reporting rental payments is a good way for them to do so.

CBA is collaborating with Experian on the pilot, the first and only major credit reporting agency to incorporate positive rental data into the traditional credit file. Experian's Rent Bureau division database receives rental-payment histories from property management companies and online rental-payment services and currently covers more than 9 million residents nationwide. Property management companies contribute their rental data to RentBureau directly and automatically from their property management software. Experian currently includes rental payments on its credit reports.

Experian RentBureau manages rental data in compliance with the Fair Credit Reporting Act (consumers may request free annual reports and may dispute errors), works closely with each property manager to understand its particular business rules to ensure accurate data flow, and also provides education materials to help rental data furnishers meet their responsibilities and legal obligations as well as educate their residents.

Through this pilot, CBA is providing a solution to a gap in the financial system that currently penalizes renters. Rent reporting also presents the affordable-housing industry with an opportunity to effect systemic change.

Through its signature services, Reporter and Access, CBA enables hundreds of nonprofit lenders to report their low-income borrowers' loans to the major consumer and business credit bureaus and to pull client credit reports for underwriting, financial counseling, and outcome tracking. As of this writing, CBA members report in aggregate more than 20,000 nontraditional loans worth half a billion dollars to the credit bureaus each month and pull more than 60,000 credit reports annually. CBA also has developed a unique training program that provides financial coaches, educators, and program managers with the knowledge and tools necessary to design, implement, and evaluate an asset-based credit building program.

In cooperation with its member nonprofits, CBA will continue to advance the understanding and use of credit building as a tool for asset building and financial capability among low-income and vulnerable populations.

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Endnote

[1] See www.creditbuildersalliance.org.

Mapping New England

People per Financial Institution Branch, by County

Kaili Mauricio
FEDERAL RESERVE BANK OF BOSTON

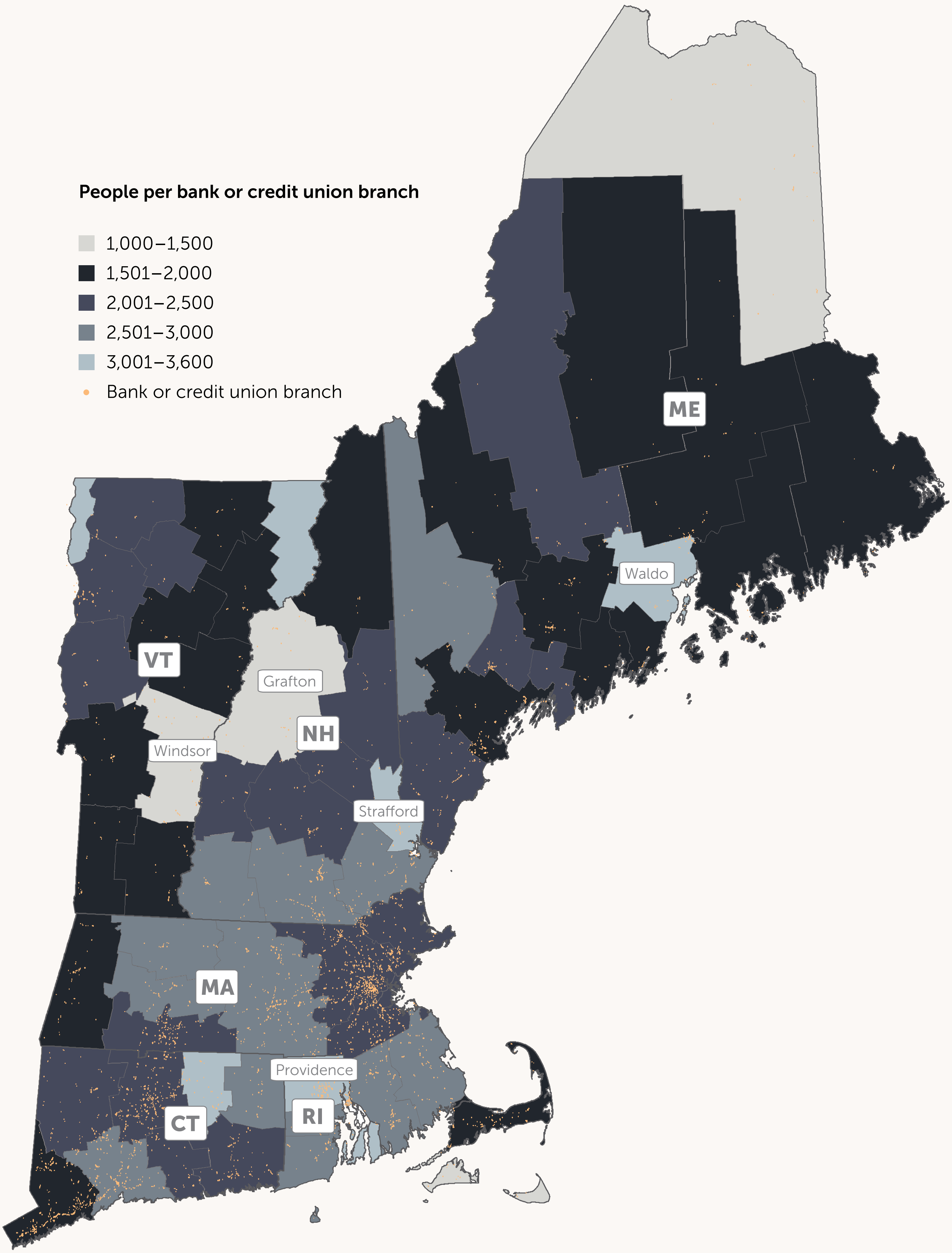
According to the National Credit Union Administration (NCUA) and the Federal Deposit Insurance Corporation (FDIC), there are more than 6,000 bank or credit union branches in New England. That works out to almost four branches for every town. The branches are not evenly distributed, however, with some areas clearly having higher concentrations than others.

There is no optimal number of people per branch, but it is noteworthy that in densely populated places like Middlesex County and Boston, there are fewer people per branch than in some sparsely populated rural counties.[1]

Some rural counties account for some of the highest numbers of people per branch in New England; others account for some of the lowest. The neighboring counties of Windsor in Vermont and Grafton in New Hampshire had low numbers—fewer than 1,500 people per branch. On the other end of the spectrum, Waldo County in Maine and Strafford County in New Hampshire both had over 3,000 people per branch, more than twice as many people per branch as the low-people-per-branch counties. With the exception of Providence County, most urban or suburban counties fell into the middle ranges.

[1] In reality, less than 3% of the over 7,000 blocks in Boston have a bank or credit union branch.

Sources: NCUA, FDIC Summary of Deposits, 2007–2011, American Community Survey.


People per bank or credit union branch
1,000–1,500
1,501–2,000
2,001–2,500
2,501–3,000
3,001–3,600
Bank or credit union branch
ME
Waldo
VT
Grafton
NH
Windsor
Strafford
MA
Providence
RI
CT

MAKING FINANCIAL CAPABILITY ACCESSIBLE

Sheryl Horowitz and Maritza Valentin
CONNECTICUT ASSOCIATION FOR HUMAN SERVICES

Preliminary results suggest that a Connecticut financial-capability coaching program is helping clients become better at dealing with money.

The goal of many state and federal programs that people turn to when they are vulnerable is to deliver the services and then transition applicants back to self-sufficiency. But sometimes the lack of basic skills creates a barrier to self-sufficiency. Participants in Temporary Aid to Needy Families (TANF) or Money Follows the Person (MFP, a program for seniors and adults with disabilities leaving nursing homes for community living), for example, often face such barriers at the same time that they are dealing with more immediate tasks, like finding a job or a place to live.

That is why the Connecticut Association for Human Services (CAHS) approached the Department of Social Services (DSS) with a proposition about partnering with the Connecticut Money School (CTMS) to work one-on-one with clients. Although the CTMS began life in 2006 as a free financial education program covering numerous topics, evidence from countries such as England and Canada was accumulating that "one and done" lessons could not reshape ingrained thoughts and actions or make complex concepts meaningful.

So CTMS evolved to include counseling and coaching to take people beyond financial literacy to *financial capability*. The deeper learning is important because people who are financially capable plan ahead, find and use information, know when to seek advice, and are able to act on advice.[1]

We proposed a pilot project to test the feasibility and efficacy of integrating a financial-capability component into ongoing programs. We wondered if it would be possible to identify individuals most likely to benefit from the one-on-one interactions and small classes of financial coaching and counseling. Would enough people be interested and motivated to participate? Would participants and staff have the honest and open interactions necessary to internalizing new attitudes and productive behaviors? Would participants stay long enough for the program to make a difference?

The Model

Drawing from evidence-based financial counseling and coaching efforts in low-income communities throughout the country, the program first assesses client status and attitudes relative to finances. Counselors and clients partner to develop strategies that allow participants to move at their own pace toward behaviors that can be incorporated into their daily activities—and maintained. The coaches help clients develop realistic, achievable plans. Meanwhile, the integration of financial sessions with other services helps to keep unrelated issues from getting in the way of solving financial challenges.

The entry point for both groups of participants is a case manager who assists clients through the process. Case managers preselect and steer appropriate clients to the program. As gatekeepers, they act as either a filter or a motivator for enrollment. For the MFP group transitioning from institutionalized care into a home setting, the transition coordinators identify candidates who would benefit from improved financial capability. They might have medical debt or lack a conservator. Perhaps they did not have the ability to control their finances while in the nursing home.

The gatekeeper for the TANF clients is the person who helps them comply with federal and state requirements for receiving cash benefits. Financial-capability sessions are counted toward the TANF requirements for work-related activities. Depending on candidates' situations, the Jobs First Employment Services (JFES) specialist refers them to an orientation in which a financial counselor discusses the program's value. JFES staff choose which individuals to refer, but since there are other options to fulfill the work-related requirements, the TANF client must be motivated enough to select financial-capability training. There are stiff penalties for choosing an option and not carrying through. We actually had to change the enrollment strategy a number of times to generate interest, and we settled on a strategy of meeting with qualifying candidates prior to program entry, providing an orientation next, and following it quickly with individual sessions.

For both the TANF and the MFP groups, the focus is on activities related to values and goals, needs and wants, and making decisions about areas that are relevant to the individual. Coaches go through modules that apply basic financial principles to the person's situation. Relevant activities are then generated and become the basis of actions that the counselor uses to determine whether to proceed.

Evaluating

Following the direct learning and practice phase, the client is contacted at one-month intervals for three months to assess whether the new behaviors are still in play and whether there has been progress or achievement of goals. We incentivized the follow-up sessions to encourage clients to return and share their accomplishments.

What we have found so far is that gatekeepers are the key to programs like these. Getting financial counseling is not an idea that immediately attracts interest from those who need it, and if the MFP or TANF staff do not have strong, insightful relationships with their clients, the people they choose may not complete the program. In the small sample we have at this point, we are finding that, especially in the TANF group, those who begin the program are likely to finish and achieve the small successes that they set as goals.

A Senior in Transition

An 85-year-old woman transitioned from a nursing home to an apartment in senior housing. She lives alone with no immediate family but is very involved in and generous to her church. She was assessed as needing financial literacy skills because of overspending her budget. She completed five modules with the financial counselor. The counselor went with her to help her open a bank account. However, she continued to overspend. The counselor worked with her to track her receipts, monitor spending, and ensure that essential bills were paid.

Initially resistant to suggestions, she began to realize as the counselor-client relationship grew that a plan for expenses could help her. The amount of money given to the church was never made an issue, but together the client and her counselor went over spending patterns. When the woman understood that she was spending a significant amount taking people out to lunch, she was able to modify her behavior. And she set a goal of buying some "nice furniture" for herself.

As she began to see results, she improved her spending patterns even more, while keeping church giving as her first priority. The client is now managing her own accounts, paying her bills on time, and depositing money into savings.

Family Self-Sufficiency

Mr. and Mrs. L. Are part of the TANF program. Both have gone through the budgeting module. At the time of their initial assessment, Mr. L. was employed per diem, working about 35 hours per week. Mrs. L. is unemployed because of a medical issue.

The family's goal was to become current with their bills and mortgage. The activity chosen after class completion was to log all their expenses for a month to be able to analyze their spending and saving patterns. After one month, Mrs. L. asked for a check-in. When she arrived, it became clear that she needed additional help. The financial coach went through her envelope of receipts one by one and created categories. It was the beginning of the kind of trusting relationship that could help Mrs. L. succeed.

Mrs. L. expressed her determination to continue budgeting and felt confident that she would now be able to save. At their one month follow-up, Mrs. L. indicated that she was doing well, putting needs before wants and getting current with back payments. She was determined to continue, despite the fact that her husband had lost his job and they were back to square one. In addition, she recently received a foreclosure notice and was seeking assistance on that. The financial counselor scheduled another meeting with the couple to reorganize and advise them on foreclosure-prevention options.

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The integration of financial services has been more complex than anticipated. As in the case of Mr. and Mrs. L., urgent issues sometimes take precedence over program goals. But although it is too soon to say that the program is a clear success, lessons have been learned about working with intermediaries. Two other useful takeaways are that once a participant is in the program, the reasons for dropping out have more to do with the complexity of the participant's life than the program itself, and even small goals are important for keeping participants' interest, strengthening their confidence, and keeping attrition low.

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Endnote

1 See Margaret S. Sherraden, "Financial Capability: What Is It, and How Can It Be Created?" (Center for Social Development Working Paper no. 10-17, 2010), http://csd.wustl.edu/Publications/Documents/WP10-17.pdf. Successful programs include the Financial Capability Demonstration Project, a partnership of CITI Foundation, NeighborWorks America, and Success Measures (www.nw.org/FinCoaching13), EARN (www.earn.org), and the financial opportunity centers of Local Initiatives Support Corporation.

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