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Credit-Building Services for Employees: An Assessment of Engagement and Outcomes

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Introduction

Employee financial wellness programs (EFWPs) are gaining in popularity as a strategy to address workers' financial challenges and goals beyond offering health and retirement benefits. Most workers say they are stressed about their finances[1] and a third are less productive at work because of this stress.[2] Although employers are increasingly interested in offering EFWPs, little research has been conducted concerning these workplace financial products and services.

With generous support from the W.K. Kellogg Foundation, the Social Policy Institute (SPI) at Washington University in St. Louis launched the Employee Financial Wellness Programs Project in 2017 to conduct mixed-methods pilot studies of three types of EFWPs among low- and moderate-income (LMI) employees:

1. Workplace financial counseling
2. Workplace credit building
3. Employer-sponsored small-dollar loans

Through these studies, SPI sought to understand the experiences of both employees and employers concerning EFWPs, analyzing data from surveys, provider administrative data, and interviews to assess:

- EFWP take-up and satisfaction,
- Implementation challenges and successes, and
- Workers' financial well-being outcomes.

SPI is especially interested in the experiences and outcomes of LMI workers because of their economic vulnerability. The proportion of LMI workers who lack emergency savings and say it is difficult to cover their usual monthly expenses is 69%, which is 60% greater than higher paid workers.[3]

Current Study

This is one research brief in a series of five completed through the Employee Financial Wellness Programs Project. In this study, we examine administrative data for national nonprofit Working Credit's employee benefit, which combines credit building education, one-on-one counseling, and access to financial products to help workers establish good credit.

Working Credit's Employee Benefit

Good credit expands access to housing and employment opportunities and enables workers to access safe and affordable sources of credit to cope with and recover more quickly from financial emergencies and avoid predatory and high-cost credit such as payday loans. Working Credit's vision is to establish credit building as a valued service and part of the standard benefits package offered to workers in the U.S.

Working Credit's employee benefit begins with a credit building workshop at the workplace, where employees learn rules of thumb to improve credit scores. Following the workshop, employees can sign up for 18 months of individualized credit building support. At the first meeting, counselors work with employees to create a budget, review an employee's credit report and score, and create a Credit Action

Plan – an individualized road map for improving the participant's credit health in relation to their financial goals.

Counselors pull subsequent credit reports and scores 6, 12, and 18 months after the first appointment to prepare personalized reports that explain what has changed since the last credit pull, why it has changed, how the employee can continue to build credit. Reports are also used to nudge employees who achieve a prime score to take action, e.g., replacing a predatory credit product, looking for improved rental housing, or beginning the homeownership process (all guidance is based on steps included in the employee's Credit Action Plan). Pulling credit reports and scores at multiple time points allows Working Credit to track credit outcomes using longitudinal data.

Study Purpose and Research Questions

The purpose of this study was to examine engagement in, and credit outcomes associated with a workplace credit building program among mostly LMI employees. Research questions included:

1. What are the demographic and financial characteristics of employees who engaged in workplace credit building?
2. Does engagement in services vary based on employees' demographic and baseline credit characteristics?
3. What changes in credit health did employees experience after receiving services? Did changes in credit health vary based on levels of engagement in services and/or employees' demographic and baseline credit characteristics?

Methods

The analytic sample included 347 LMI employees with 18 different companies or organizations[4] who received credit building services from Working Credit (WC) from February 2015 to December 2017 and were tracked for a period of 18 months. Data used for this study come from WC's administrative database, were fully anonymized for analysis, and included employee demographic characteristics, employment information, services received, and credit report characteristics (e.g., credit score, currently delinquent and collections accounts).

The following dependent variables were analyzed to assess engagement and credit-related outcomes:

Engagement

Engagement was measured by the total number of successful[5] contacts between employees and counselors initiated by either party. Contact methods included in-person, email, mail, text, and phone contacts. Total contacts were categorized as 1, 2, and 3 or more contacts in data analyses.

Credit

1. **Credit score change:** The baseline to 18-month follow-up difference in an employee's credit score.
2. **Prime credit score:** Whether the employee increased their score to 660 or higher from baseline to 18-month follow-up.
3. **Change in delinquency:** The baseline to 18-month follow-up difference in the number of accounts that were delinquent (30, 60, 90, or 120 days past due) at the time the credit report was pulled.
4. **Change in collections:** The baseline to 18-month follow-up difference in the number of collection accounts with an outstanding balance that appeared on an employee's credit report. Collections occur when a creditor gives up on being paid by the customer, and sells the outstanding debt

to a collection agency. Collection agencies typically report these debts to credit bureaus every month.

5. **Become credit scored:** Whether employees without a baseline credit score had a credit score at 18-month follow-up.

For multivariate analyses, regression models included the following covariates:

- **Demographic characteristics:** Age, gender, race, ethnicity, language, educational attainment, marital status, family size, number of children under 17, and employment status.
- **Baseline financial characteristics:** Baseline credit score and hourly wage.
- **Control variables:** Employer, union position (yes/no), state of residence.

Data were analyzed using bivariate and multivariate statistics. Bivariate analysis was used to examine the relationship between a dependent variable (outcome) and a covariate, such as gender and credit score change. Multivariate analysis was used to examine the relationship between two variables while holding several other variables constant. For example, if credit score change is related to gender (bivariate analysis), multivariate analysis determines whether this relationship remains after accounting for several other factors like age and marital status.

For credit outcomes, this study used total successful contacts as the predictor variable of primary interest, focusing on whether a higher number of successful contacts (i.e., greater engagement in services) was associated with better credit outcomes, while controlling for other factors, such as age, gender, education, and employer.

Results

Employee Characteristics

Most employees were female and single with an average age of 35. Roughly equal proportions of employees were white (37%) and African American (44%), and 27% also identified as Hispanic. Seventy

Table 1. Sample Characteristics (N = 347)

	% or Mean (SD)	% missing
Age	35.25 (12.48)	0
Hourly Wage	17.96 (7.71)	11
Gender		0
Female	68	
Male	32	
Race		<1
White	37	
African American	44	
Other	19	
Ethnicity		0
Hispanic	27	
Non-Hispanic	73	
Marital Status		12
Single[1]	77	
Married[2]	23	
# Kids under 17		3
0	60	
1	20	
2 or more	20	
Education Attainment		14
High School or Less	30	
Some College	30	
Bachelor's Degree	31	
Master's Degree or Above	9	
Language		34
Non-English	18	
English	82	
Employment		4
Full-Time	87	
Part-Time	13	

Note: [1]Includes divorced and separated. [2]Includes living with a partner and widowed.

percent of employees had at least some college education, and 40% of them had a bachelor's degree or higher. Most employees were English speakers (82%) and full-time workers (87%). The average hourly wage was $18. Sixty percent of employees had no child. The range of missing data was 0 to 34%.

Financial Characteristics of Employees

Starting with a baseline credit report, Working Credit retrieved employees' credit reports every six months. The average baseline credit score was 641 (SD = 88.40) – 58 points lower than the national average. Table 2 lists additional credit characteristics of the study sample, many of which are compared to national figures.

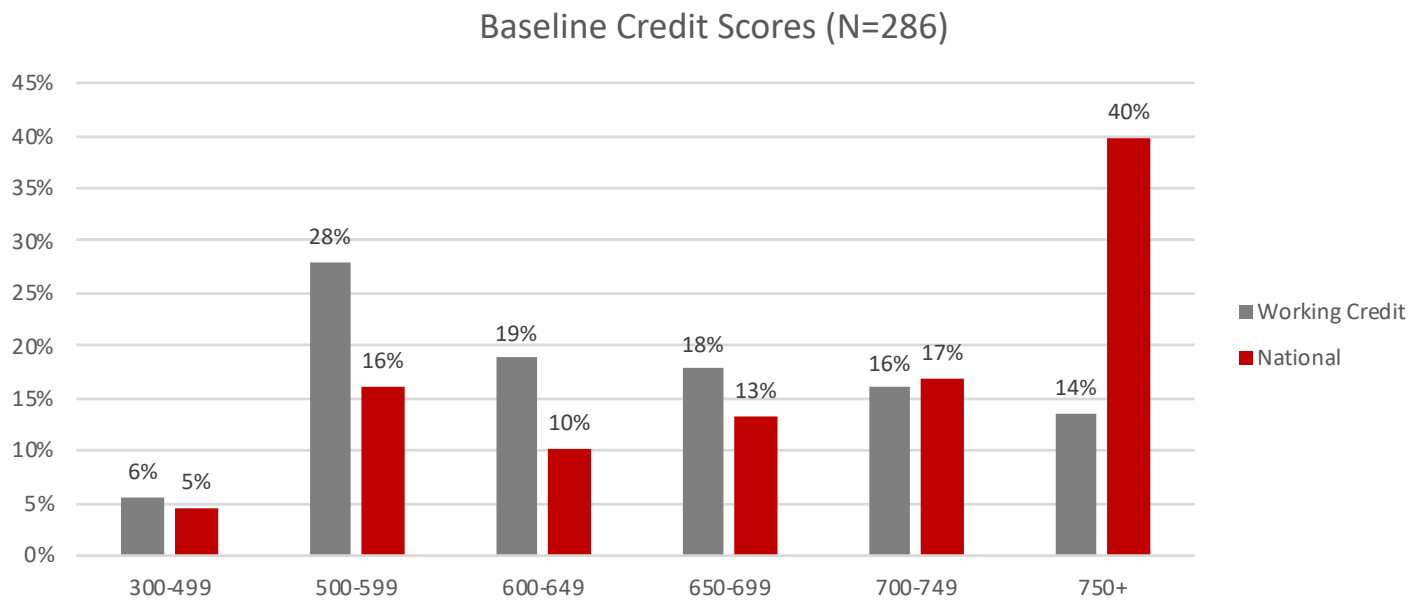
Nearly a fifth (17%) of employees did not have a credit score, which was similar to the national figure.[6] Lacking a credit score means having no credit file at all, or having a credit file that is outdated or lacks enough data for credit reporting agencies to produce a score. Options for applying for credit are greatly limited for persons without a credit score, such as a secured (cash deposit

Table 2. Baseline Financial Characteristics (N = 347)

	% or Mean (SD)	N	National Figure
Credit Score	641 (88.40)	286	699[10]
Credit Score Ranges			
650 or higher	48		69
600 – 650	19		10
Under 600	34		21
Prime*	43		
Sub-prime	57		
No Credit Score	17	58	19[11]
1 or more accounts in collections	47		32[12]
1 or more accounts currently delinquent	14		5[13]
# of Outstanding Collections	1.60 (2.68)	347	
# of Delinquent Accounts	.30 (1.01)	347	

*Note: This study used 660 as the cutoff between prime and sub-prime credit score.

Figure 1. FICO 04 Score Distribution at Baseline (N = 286)



required) credit card[7] with a high interest rate (up to 36% APR[8]) and low credit limit, or payday loans, which are short-term loans with interest rates that approach 400% APR.[9] Nearly half (47%) of employees had at least 1 account in collections and 14% had at least 1 account that was currently delinquent at baseline, both of which were higher than the national average.

Figure 1 displays the distribution of employee baseline credit scores relative to national averages. Over half (57%) of employees with a baseline credit score had a score in the near prime or subprime range (<660). The median score was 642 – very close to the mean score of 640.

Employee Engagement in Services

Employees had an average of 5 successful contacts with their counselors, most of which were by email. Mail, phone, and text[14] contacts were less common than in-person[15] and email contacts. More than half of employees had 3 or more contacts with their counselors.

Table 3 displays the results of multivariate analyses used to determine if engagement varied by employees' demographic and/or financial characteristics. Values in the table represent model-predicted number of contacts. Statistically significant findings are denoted by asterisks.

Table 3. Program Engagement (N = 347)

	% or Mean (SD)
# of Total Successful Contacts	5.32 (6.17)
# of Total Successful Contacts	
1 Contact	27
2 Contacts	17
3 or More Contacts	56
# of Contacts (By Contact Methods)	
In-person	1.16 (.71)
Email	3.11 (4.57)
Mail	.01 (.08)
Phone	.70 (1.35)
Text	.34 (1.12)

Employee demographic and financial characteristics were generally unrelated to level of engagement with two exceptions. First, part-time employees had a greater number of total contacts and email contacts than full-time employees ($p < .001$). Second, higher levels of education (some college and above) were associated with fewer total, phone, and text contacts with counselors.

Employee Credit Outcomes

Credit scores are used by financial institutions to evaluate the likelihood a consumer will repay a loan or other form of credit. One can leverage higher scores into lower-interest car loans and credit cards. In contrast, lack of a credit score or a low score consigns consumers into more expensive credit options, including high-cost and risky payday and auto title loans. Therefore, building a healthy credit profile is an important goal for achieving financial health.

Nearly two-thirds of employees (64%) experienced an increase in their credit scores and 23% of those with a subprime (under 620) or near prime (620-659) credit score at baseline achieved a prime score 18 months later. The average change in credit scores was an increase of 13 points, yet there was considerable variation – from a decrease of 244 points to an increase of 139 points, with a standard deviation of 53 points. The median change in credit scores was an 18 point increase. Table 5 identifies change from baseline to 18 months for various aspects of employee credit health.

There was a 69% reduction in the number of employees lacking a credit score. Among the 40 employees who went from being unscored to scored, half achieved prime scores at 18 months.

Concerning adverse credit items, 14% of employees had at least one account that was delinquent at

Table 4. Engagement Outcomes: Multivariate Results – Model Predicted Outcomes (N=177)1

	Total Contacts	In-person Contacts2	Email Contacts	Phone Contacts	Text Contacts
Total	4.58	1.10	2.68	0.65	0.33
Age					
18 to 34 (REF)	5.08	1.06	3.38	0.62	0.26
35 to 54	4.08	1.14	1.85*	0.70	0.47
55+	3.93	1.09	1.98	0.60	0.39
Race					
African American (REF)	4.81	1.04	2.61	1.06	0.23
White	3.82	1.23	2.28	0.27***	0.15
Other	5.62	0.94	3.58	0.99	2.09*
Ethnicity					
Non-Hispanic (REF)	4.51	1.14	2.78	0.51	0.28
Hispanic	4.77	0.98	2.41	1.48**	0.65
Gender					
Female (REF)	4.61	1.08	2.70	0.67	0.29
Male	4.46	1.16	2.60	0.57	0.46
Education Attainment					
HS or Less (REF)	5.78	1.15	3.13	1.10	0.78
Some College	4.74	1.18	3.01	0.58*	0.22*
Bachelor's Degree	3.47*	1.01	2.04	0.33**	0.09*
Master's and Above	2.77**	0.88	1.60	0.26**	0.00**
Marital Status					
Single[1] (REF)	4.67	1.15	2.66	0.64	0.33
Married[2]	4.33	0.98	2.73	0.66	0.30
Language					
Non-English (REF)	3.85	1.12	2.04	0.54	0.19
English	4.73	1.09	2.79	0.68	0.35
Family Size					
1	4.95	1.09	2.92	1.07	0.13
2	5.33	1.20	2.91	1.06	0.43
3	4.76	1.01	3.19	0.61	0.40
4 or more	3.89	1.07	2.23	0.40**	0.24
# of Kids					
0 (REF)	4.00	1.01	2.11	0.51	0.64
1	4.43	1.24	2.41	0.78	0.07**
2 or more	5.95	1.14	4.46	0.87	0.22

Employment					
Full-Time	3.96***	1.08	2.09***	0.63	0.31
Part-Time (REF)	9.61	1.28	7.51	0.76	0.63
Union Position					
Yes	5.44	1.07	2.99	1.29*	0.73
No (REF)	4.41	1.10	2.62	0.55	0.26

Note: [1]Includes divorced and separated. [2]Includes living with a partner and widowed.* $p < .05$; ** $p < .01$; *** $p < .001$. Results are model predicted outcomes calculated at covariate means. Additional covariates included wage, employer, and state. (REF) indicates the reference group for Z tests to determine statistical significance. [1]Negative binomial regression modeling. [2]Poisson regression modeling

baseline; at 18 months, this decreased to 11% of employees. Almost half (47%) of employees had at least one account in collections at baseline; at 18 months, this decreased to 41%. Over a quarter (27%) and 11% of employees experienced a reduction in the number of collections and delinquent accounts, respectively. The average number of delinquent accounts and collections decreased by 0.10 and 0.31 from baseline to 18 months, respectively.

Results of bivariate analyses indicate that various factors help explain statistically significant differences in credit outcomes among employees, including engagement in services and credit characteristics.

Engagement: Compared to having only 1 contact with counselors, having 3 or more contacts was associated with the following changes after 18 months:

- an 8 point higher credit score change;
- a 167% greater likelihood of achieving a prime score;
- a 178% greater likelihood of becoming scored; and
- a 117% greater decrease in collection accounts.

The decrease in the number of delinquent accounts was less dramatic among employees with 3 or more contacts compared to employees with just 1 contact.

Credit health:

- Employees with subprime credit scores at baseline experienced a 24 point increase in credit scores at 18 months compared to a 1 point decrease among employees with prime scores at baseline.
- Employees without any accounts on their credit reports that were currently delinquent at baseline had a 24 point increase in credit score from baseline to 18 months compared to an 11 point increase among employees with at least one delinquent account. Similarly, 25% of employees with a subprime credit score at baseline but no delinquent accounts achieved a prime score at 18 months compared to 18% of those with at least one delinquent account.

Table 5. Credit Health Change Baseline to 18 months (N=347)

Outcome	Baseline	18 months	% change
Prime credit score	43%	51%	+19%
Unscored	17%	5%	-69%
# of accounts currently delinquent	0.30	0.20	-33%
# of accounts in collections	1.60	1.28	-24%

Table 6. Credit Outcomes: Multivariate Results – Model Predicted Outcomes

	Score Change[1]	Delinq. Change[1]	Collect. Change[1]	Achieved Prime Score[2]
Total	11.96	-.25	-0.51	.20
# of contacts				
1 (REF)	7.30	-0.03	-0.57	.12
2	8.98	-0.71	-0.01	.24
3 or more	17.59	-0.16	-0.75	.25
Age				
18 to 34 (REF)	9.53	0.26	-0.97	.24
35 to 54	17.86	-0.63**	-0.18	.17
55+	4.05	-0.59*	-0.17	-
Gender				
Female (REF)	12.08	-0.26	-0.50	.21
Male	11.57	-0.23	-0.53	.16
Race				
White	21.96	-0.38	-1.07*	.31
African American (REF)	7.46	-0.14	-0.09	.12
Other	-3.82	-0.19	-0.11	-
Ethnicity				
Non-Hispanic (REF)	17.02	-0.21	-0.65	.19
Hispanic	-2.11	-0.38	-0.11	.21
Education Attainment				
HS or Less (REF)	12.25	0.14	-1.41	.17
Some College	16.27	-0.02	-0.88	.20
Bachelor's Degree	7.14	-0.49	0.36**	.19
Master's and Above	15.93	-1.33	0.47*	.36
Marital Status				
Single[1] (REF)	9.85	-0.31	-0.72	.19
Married[2]	15.80	-0.14	-0.12	.21
Language				
English	5.83*	-0.27	-0.39	.10***
Non-English (REF)	43.82	-0.14	-1.12	.58
Family Size				
1 (REF)	13.84	-0.23	0.42	.06
2	9.13	-0.10	-0.70	.08
3	8.76	-0.66	-0.75	.37
4 or more	14.79	-0.14	-0.81	.23

# of Kids				
0 (REF)	16.47	-0.41	-1.12	.14
1	11.38	0.34	-0.15	.18
2 or more	3.86	-0.42	0.37*	.31
Employment				
Full-Time	13.59	-0.26	-0.56	.20
Part-Time (REF)	-11.61	-0.07	0.22	.07
Union Position				
Yes	-5.55	-0.52	-0.00	.17
No (REF)	15.17	-0.20	-0.60	.21
Baseline Credit Score				
1st Quartile (434-567)	35.69	-0.58	-1.39	.04
2nd Quartile (569-642)	2.24*	-0.14	-0.16*	.32***
3rd Quartile (643-705)	-5.33**	-0.01	-0.22*	.33***
4th Quartile (706-815)	3.59*	-0.12	0.16*	-
N	155	155	155	81

Note: [1]Includes divorced and separated. [2]Includes living with a partner and widowed. * $p < .05$; ** $p < .01$; *** $p < .001$. Results are model predicted outcomes calculated at covariate means. Additional covariates included wage, employer, and state. (REF) indicates the reference group for F/Z tests to determine statistical significance. [1]Ordinary least squares regression using robust standard error. [2]Linear probability modeling.

- Employees with one or more collection accounts at baseline experienced a 21 point increase in credit scores compared to a 6 point increase among employees without collections accounts. However, 18% of those with at least one account in collections at baseline achieved a prime score compared to 41% of those with no accounts in collection.

Multivariate Results

Table 6 displays results from multivariate analyses using regression models, which offer more precise and accurate outcome estimates than reflected in bivariate results described above. The results provide information about which factors are associated with credit outcomes, while holding other factors like age and wage constant.

Multivariate results indicate that the number of contacts had a positive, but not statistically significant association with credit score change and the likelihood of becoming scored. However, baseline credit characteristics were strongly associated with credit outcomes. Employees with the lowest baseline credit scores (25% lowest scores) experienced the largest change in scores at 18 months – an increase of 36 points, compared to increases of only 2 and 4 points in the 2nd and 4th quartile, and a decrease of 5 points in the 3rd quartile. Similarly, employees with the lowest scores experienced the largest decrease in the number of collections accounts.

Some demographic characteristics were associated with credit outcomes. For example, older employees experienced larger decreases in delinquent accounts than young employees. Non-English speakers had a greater average increase in credit score ($p<.05$) and were more likely to achieve prime scores ($p<.001$). Employees with lower levels of education experienced greater reductions in collections accounts.

Table 7. Credit Score Change: Subgroup Analysis by Baseline Credit Characteristics[1]

	Credit Score		Collection Accounts		Delinquent Accounts		Credit Utilization Ratio[2]	
Variable	Sub-prime	Prime	Yes	No	Yes	No	High	Low
Total	**18.50**	**-.62**	**15.52**	**6.76**	**21.25**	**9.15**	**7.83**	**17.25**
# of contacts								
1 (REF)	5.52	13.62	7.91	0.94	34.25	7.46	5.26	-0.37
2	20.52	-3.24	14.69	1.65	29.57	15.09	11.13	15.24
3 or more	28.02	-11.13	22.23	14.63	-5.53	7.94	8.29	31.26
Baseline Credit Score								
1st Quartile (REF)	37.41	-	31.54	38.47	30.86	42.73	37.57	36.15
2nd Quartile	-0.56**	-	4.84	6.24	3.99	--3.29**	-16.57*	28.19
3rd Quartile	0.17**	-5.53	-12.70*	2.83	35.80	-0.99**	-1.22*	-59.13**
4th Quartile	-	2.60	-	4.15	-141.75	3.73*	15.25	11.43
N	102	53	92	63	36	119	87	68

Note: * $p < .05$; ** $p < .01$; *** $p < .001$. Results are model predicted outcomes calculated at covariate means. Covariates include demographic and financial characteristics. [1]Ordinary least squares regression using robust standard error. [2]Low and high ratios were below and at/above the median of 11%.

Sub-Group Analysis of Credit Outcomes

We examined credit score changes based on engagement comparing sub-groups of employees with different baseline credit characteristics. Results of these analyses are displayed in Table 7. Results confirm that engagement and baseline credit characteristics were strongly associated with credit outcomes.

- Employees with worse baseline credit characteristics experience larger credit score increases compared to employees with better credit characteristics, except for credit utilization ratio. For example:
  - Employees with sub-prime baseline credit scores experienced a score increase of 19 points compared to a 1 point decrease among employees with prime scores.
  - Employees with one or more collection accounts at baseline had an increase of 16 points in credit score compared to 7 points among employees without a collection account.
  - Having 3 or more contacts was associated with greater positive change in credit scores and collection accounts for employees with subprime scores and at least one account in collections, but these differences were not statistically significant.

To gain a better understanding of employees who were unscored at baseline, but became scored at 18 months, we compared these employees with those who were scored at baseline on demographic and financial characteristics. Table 8 indicates that scored employees were 10 years older than unscored employees ($p < .001$). Scored employees were also more likely to be female ($p < .05$), white and non-Hispanic ($p < .05$), have higher educational attainment ($p < .001$), and be employed full-time ($p < .05$). No significant differences were found by race, language, and wage.

Table 8. Scored and Unscored Employee Comparison

	Scored at Baseline	Became Scored at 18 Mos.	
	M or %	M or %	*p*
N	286	40	
Age	36.9	26.47	***
Gender			
Female	71	55	*
Male	29	45	
Race			*
African American	43	40	
White	40	25	
Other	17	35	
Ethnicity			*
Non-Hispanic	75	60	
Hispanic	25	40	
Language			ns
English	82	81	
Non-English	18	19	
Education			***
HS or Less	24	50	
Some College	28	39	
Bachelor's Degree	37	8	
Master's and Above	11	3	
Fulltime			*
Yes	89	78	
No	11	22	
Wage	18.36	16.58	ns

Note: * $p < .05$; ** $p < .01$; *** $p < .001$; ns = not statistically significant.

Lastly, we compared employees in the first (434-567) and second quartile (569-642) of baseline credit score to assess differences in demographic characteristics (see Table 9 below). No significant differences were found between the two groups except language; a greater proportion of employees in the 2nd quartile (21%) were non-English speakers than in the 1st quartile (8%).

Discussion

In this brief, we present results of an assessment of engagement and financial outcomes among LMI employees who received workplace credit building services through the national nonprofit, Working Credit. From our findings, we arrive at three broad conclusions.

First, engagement in services was generally consistent based on employee demographic and financial characteristics. The number of total and specific types of contacts varied little based on factors such as gender, age, or baseline credit scores. These findings suggest that employees enjoyed equal access to and engagement in credit building services, though fulltime workers were less engaged than part-time workers. Also, employees with at least some college had fewer contacts than employees with less education. Employees with higher educational attainment might feel more comfortable seeking information on their own and/or might have prior knowledge that lessened the degree of contact they sought with counselors. More educated employees might also gain much, if not all, of the information they need to improve their credit health from the workshop and first counseling session.

Regarding types of engagement, email was the most frequently used contact method following initial in-person sessions and there were no major differences in types of contact with counselors across employee characteristics. Email may be preferred over phone and text to remain in contact with counselors because it is easier to document and track action

Table 9. Comparison between 1st and 2nd Score Quartiles

	1st Q Score (434-567)	2nd Q Score (569-642)	
	M of %	M or %	*p*
N	72	72	
Age	38.43	37.13	ns
Gender			ns
Female	79	78	
Male	21	22	
Ethnicity			ns
Hispanic	24	22	
Non-Hispanic	76	78	
Race			ns
African American	64	58	
White	24	38	
Other	13	4	
Education			ns
HS or Less	36	30	
Some College	32	32	
Bachelor's	24	25	
Master's +	8	13	
Language			*
English	92	79	
Non-English	8	21	
Fulltime			ns
Yes	90	94	
No	10	6	
Wage	16.13	18.03	ns

Note: * p < .05; ** p < .01; *** p < .001. 1African American. The differences were tested by t-test, ANOVA, and chi-square, which yielded t-value, F-value, and X2, respectively. Numbers under the two groups are mean (SD) and percentage.

steps employees are taking to improve their credit health. An alternative method of communication might be a digital platform or app which may keep communications better organized than via email and store credit reports for easy reference.

Second, employees made progress in improving their credit health. Improvement was seen in all areas of credit health we assessed. Nearly two-thirds of all employees increased their credit scores, though the overall increase in credit scores was modest (13 points). Nonetheless, notable progress was made with respect to prime scores and becoming scored. Nearly a quarter of those with sub-prime scores at baseline crossed the prime score threshold 18 months later, and there was a 69% reduction in the number of employees without a credit score. Among those who became scored, half had prime scores at 18 months. Migrating from a subprime to prime score means saving significant sums of money in lower interest rates and fees on credit cards and loans.

Third, employees with the lowest baseline credit scores made the most progress in increasing their scores and reducing adverse credit items. This finding suggests that counselors were successful in engaging employees with severely damaged credit to take action to improve their credit health. Outreach and engagement might be prioritized for employees with subprime credit scores and adverse credit items who may have more to gain from credit building services.

Evidence was mixed concerning whether credit outcomes were associated with a greater number of contacts. Credit score changes were higher among employees with 3 or more contacts compared to just 1 or 2 contacts, but these differences were not statistically significant. Other credit outcomes were not associated with the number of contacts. It may be the quality of the advice and guidance offered by counselors that makes a difference, not just the number of times contact between employees and counselors is established. Some employees might have received all they needed from the information they gained from the workshop and initial counseling session.

In addition, understanding whether the number of contacts is associated with credit outcomes may depend on the degree of complexity of an

employee's Credit Action Plan. An employee with a relatively simple plan might get all they need from the workshop and initial counseling session. This lack of precision in using number of contacts as an indicator of service engagement may underly our findings. These limitations raise important questions for future research. Which employees can achieve meaningful credit outcomes by attending just the initial workshop and counseling session? Which employees need more than one session to receive guidance and support in taking certain actions to improve their credit health?

There are three important limitations to note about this study. First, we are unable to make any causal claims due to the absence of a control or comparison group of employees who did not receive credit building services. Employees who chose to engage in services through Working Credit might have been more motivated to improve their credit health than employees who did not enroll in services. Thus, outcomes we report may at least in part be due to employee motivation.

Second, credit reports and scores offer an incomplete picture of employees' financial health. While rent payment information can be collected by the three credit bureaus, rent payments are seldom reported.[16] Similarly, utility and cell phone companies typically do not report payments to credit bureaus, though these bills can end up as collections, which do appear on an employee's credit report and damage their score. Thus, on time rent, utility, and cell phone payments were not captured in credit reports and did not influence credit scores measured in this study.[17] Also, adverse credit items that continue to drag scores down – despite employees' best efforts - may be more a reflection of economic disadvantage, misfortune (e.g., medical debt), and/or structural inequality than employees' efforts to use credit responsibly.

Third, some factors that we were not able to measure may have affected outcomes. For example, we were unable to include total household income, household liquid assets, and whether employees had recently experienced income volatility or expense shocks in analyses.

Working Credit offers credit-building services targeting groups of employees who can improve their financial health by improving their credit health. In accessing credit cards and loans, the difference in interest rates and fees between having a subprime and prime credit score is substantial. And helping the unscored enter the financial mainstream means accessing credit that was previously unavailable. This could mean the difference between getting a car loan to access better job opportunities and being consigned to the same low-paying job. We find evidence that Working Credit helps employees in both respects – moving from subprime to prime, and becoming credit scored. We also find that Working Credit helps employees with the lowest credit scores make the greatest strides in improving these scores.

Technical Appendix

STATA version 14.0 was used for all data analyses. For models predicting engagement outcomes which were discrete counts of events (e.g., # of total contacts), negative binomial regression was used when the data were over-dispersed – when the variance was larger than the mean. Otherwise, Poisson regression was used (e.g., # of in-person contacts). For credit outcomes, Ordinary Least Squares regression was used for baseline to 18 month differences in credit scores and the number of collections and delinquent accounts. Though the collections and delinquent account change variables represent counts, Poisson and negative binomial distributions do not include negative values, whereas changes in the number of accounts from baseline to follow-up could be negative (e.g., an employee whose number of collection accounts increased).

Linear probability modeling was used for whether employees become credit scored and achieved a

prime score. Robust standard errors were used with all regression models to adjust for non-constant variance in error terms. Each value in the table is the model-predicted outcome using the "margins" post-hoc command. In all multivariate models, listwise deletion was used. This means that observations (employees) were dropped from the analysis if they had missing data on any of the variables in the model (e.g., age, education), which results in reduced sample size.

Statistically significant differences denoted in tables are based on model results relative to the reference value for each categorical indicator. Statistical significance indicates the probability that the difference found was due to chance. For example, a difference that was statistically significant at the $p < .01$ level means there was a less than 1% probability that the difference occurred by chance.

References & Endnotes

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3. Based on authors' calculations using data from the FINRA Foundation 2015 National Financial Capability Study.

4. Employees included those who were enrolled in a municipal youth employment program.

5. A successful contact means the employee successfully reached the counselor by email, text, phone call, mail, or an in-person meeting.

6. National data are based on FICO® 8 scores, which are used for auto and bankcard lending and are similar to but not precisely the same as FICO® 4 scores used in the study. FICO ® 4 scores are widely used in the mortgage industry.

7. Secured credit cards are generally intended to help individuals with poor or no credit scores establish a score, and eventually access credit on more favorable terms.

8. See https://wallethub.com/answers/cc/highest-credit-card-interest-rate-2140660307/

9. See https://www.consumerfinance.gov/ask-cfpb/what-is-a-payday-loan-en-1567/

10. Figure of 699 was the average FICO score in the US as of April 2016 and October 2016, roughly the median date for baseline scores among the study sample. See: https://www.fico.com/blogs/risk-compliance/average-u-s-fico-score-hits-new-high/

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14. In early 2018 Working Credit integrated a texting app (Mogli) into Salesforce. Before that – and corresponding to the study period – Working Credit used Google voice to text.

15. By design, most initial appointments are completed in person and subsequent communication occurs via phone, email, and text.

16. There is no legal requirement for landlords to report rent payments to credit bureaus. Tenants can ask landlords to report their rent payments and if they refuse, tenants can pay a fee to a rent reporting service.

17. Alternative credit scoring models like FICO XD use utility and cell phone payment data but are not widely used by lenders.

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5. Zeng, Y. & Despard, M. (2019). *Credit-building services for employees: An assessment of engagement and outcomes.* (SPI Research Brief No. 19-07). St. Louis, MO: Washington University, Social Policy Institute.

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