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Developing the Financial Capability of America's Young Workers

Key Insights from the 2017 Youth Employment Success Roundtable



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Executive Summary

In 2013, the Consumer Financial Protection Bureau (CFPB) launched the Youth Employment Success (YES) initiative, as a pilot, to help youth employment programs, funded from a variety of sources, develop and implement financial capability opportunities for their participants. In 2014, CFPB supported the work of four summer youth employment programs. In 2015, the CFPB, in collaboration with the US Department of Labor (DOL), expanded its YES initiative partners to 23 municipal youth employment programs, including those that offer year-round workforce support. This allowed the initiative to support DOL's programs funded under the Workforce Innovation and Opportunity Act (WIOA)¹. WIOA required local youth programs to offer financial literacy to participants. In program year 2015, approximately 157,000 youth participated in the WIOA youth formula programs.² The YES initiative helps youth employment programs develop and deliver services such as financial literacy training and access to safe and affordable accounts. Prosperity Now, under a competitively awarded contract with the CFPB, has provided YES sites with training and technical assistance to help determine strategies for strengthening financial capability among young people. In addition, five of the workforce programs have received more intensive, tailored technical assistance to integrate financial knowledge and skills-building services into their existing year-round youth employment and

¹ P.L. 113-128, 128 Stat. 1425, 29 U.S.C. §3101, et.seq. (July 22, 2014). To learn more about the Workforce Innovation and Opportunity Act, visit <https://www.dolleta.gov/wioa/>.

² PY 2015 WIOA Annual Report data. National Summary of Annual Performance Data [Excel]. https://www.dolleta.gov/performance/results/pdf/WIA_Annual_Report_PY_2015_5OCT2016.xlsx.

training programs. Since 2015, these five workforce programs have provided financial capability services to over 11,000 young people. In the future, the CFPB will publish a report on the broader findings of the YES initiative.

In February of 2017 the CFPB hosted the *Youth Employment Success Roundtable: Setting up America's Young Workers for Success*. The roundtable convened federal agencies, leaders of municipal workforce programs that participate in the YES initiative, and other stakeholders to discuss best practices and next steps for integrating financial capability services into youth employment programs. This report highlights and identifies potential next steps generated during the roundtable. Key insights include:

- In recent years, more youth employment programs have expressed an interest in increasing access to financial capability services and are using a variety of methods to deliver financial education.
- Many programs still need support in training staff and developing buy-in across stakeholders to ensure the delivery of quality financial capability services.
- Programs are looking for financial literacy tools and resources that are easy to use and that are tailored to their young adult participants.
- Programs see the value in partnering with financial institutions to provide participating young people with access to safe and affordable accounts, but developing these partnerships is challenging.

Introduction

The success of young workers in America is critical to the strength of our economy. Millions of young people enter the workforce every year. The financial decisions they make in the beginning of their working lives can have lasting effects on their futures. Developing healthy financial habits early helps young people access services and products that can help them save, invest, and achieve their life goals.

As of July 2017, 20.9 million young people ages 16 to 24 were employed.³ According to the Federal Deposit Insurance Corporation (FDIC), in 2015 almost 50 percent of youth 15 to 24 were unbanked or underbanked.⁴ Youth employment programs offered in local communities present a powerful opportunity to increase youth financial capability—the capacity, based on knowledge, skills, and access, to manage financial resources effectively.⁵ Many of these programs leverage the key milestone of a first paid job to introduce timely information and skills around responsible money management and financial decision making.

³ Data from the Bureau of Labor Statistics news release, Employment and Unemployment Among Youth Summary, August 16, 2017. <https://www.bls.gov/news.release/youth.nr0.htm>.

⁴ 2015 FDIC National Survey of Unbanked and Underbanked Households, Federal Deposit Insurance Corporation, <https://www.fdic.gov/householdsurvey/2015/2015report.pdf>.

⁵ United States Department of the Treasury. Amended Charter: President's Advisory Council on Financial Capability. Washington, DC: Department of the Treasury, 2010. Available at: <https://www.treasury.gov/resource-center/financial-education/Documents/PACFC%202010%20Amended%20Charter.pdf>.

In February of 2017, the CFPB held the *Youth Employment Success Roundtable: Setting up America's Young Workers for Success*, to give participating youth employment programs the opportunity to share their learning, articulate the challenges they experience in delivering financial knowledge and skills to young workers, and to develop a path forward for the YES initiative. The Roundtable convened federal agencies, leaders of municipal workforce programs, and other stakeholders who work at the intersection of youth employment programming and financial capability. Participants highlighted promising models for financial capability services and opportunities for scale, drafted a list of proposed solutions to address shared challenges, and determined opportunities for collaboration and coordination among service partners and agencies. This report summarizes key insights and potential next steps generated during the roundtable.

Roundtable overview

The Roundtable brought together a cross-section of stakeholders involved in both youth employment programs and financial capability products and services. The event was designed to facilitate a dialogue around the financial capability needs of programs serving young workers and to propose solutions to help the wider workforce system improve young people's financial lives. Participants discussed the following topics which this report will review:

- The current state of youth employment programs
- Progress in implementing financial capability services
- Measuring financial capability
- Promising partnerships with financial institutions
- Next steps for expanding the delivery of financial capability services to young workers

The current state of youth employment programs

Roundtable participants reflected on the current youth employment field from the labor market and workforce development perspectives. Speakers from federal and local agencies shared information about the youth labor force, successes of youth employment programs, and key issues facing young workers.

Youth employment programs provide practical, early work experiences for young people who usually have limited employment histories and lack specific skills. Youth can gain experience with the norms of the working world, and learn how to self-advocate and drive their careers forward. Youth employment programs also often partner with employers in high-growth sectors of the local economy. This allows the programs to offer young people with opportunities to gain knowledge and skills to succeed in sectors with expanding opportunities. It is important to note that a year-round youth employment programs are not focused solely on a first job, but rather the first step on a career path.

The biggest gap identified by participants is serving hardest to reach youth. The gap in service is partly due to need for out-of-school, out-of-work youth to engage with workforce programs for longer time frames than most youth employment programs are able to provide. These young people often need multiple pathways to enter a youth employment program, and ways to reenter a relationship with the program when needed. There are not many funding streams that support this type of multi-year programming.

Participants also discussed different ways that some programs have developed longer term relationships with youth, training needs for coaches and mentors in youth employment programs, and examples of innovative ways to integrate financial capability services, such as through increased use of technology and mobile applications. Programs continue to focus on

developing and scaling best practices to implement financial capability services and measure their impact, and on building relationships with financial institutions.

Progress in implementing financial capability services

Participants explored promising practices for embedding financial capability services into youth employment programs. Participants highlighted the need to work more closely with youth to determine which financial education topics are most critical and relevant. When delivering training and information, programs found it valuable to tie financial education to youths' current life situations and provide opportunities for youth to take action. For example, participants encouraged young people to set a savings goal, open a savings account, or start automatic saving through direct deposit arrangements with their new employer.

YES program participants found that online delivery of financial training and education has also helped to relieve the burden on staff to be financial experts. Instead, direct service staff can focus on building relationships with youth and following-up on youth-defined financial goals. Also, some programs have noted that using peer educators helps gain buy-in from youth.

Participants also shared the importance of local-level coordination. In particular, partnerships between Mayor's offices and Workforce Investment Boards have proven to foster additional buy-in and City resources for youth employment programs and can ultimately help to increase the impact of these efforts.

Measuring financial capability

Although there have been recent studies and national surveys of the knowledge, skills, and attitudes that predict adult financial well-being⁶, researchers are just beginning to study what this means for young people. Participants discussed current efforts to measure financial capability in youth employment programs and how to build this body of knowledge.

Programs shared that they currently define financial security for youth similarly to how it is defined for adults, for example, by achieving an action-oriented goal, saving consistently, or improving a credit score. For young people, longer-term indicators of financial well-being are harder to measure. The youth employment programs that do track financial capability indicators focus on tracking short-term indicators such as opening a financial account, setting up direct deposit, or saving regularly. Youth employment programs most commonly track this information through pre- and post-surveys of youth participants.

After identifying the need to improve measurement of financial capability in youth employment programs, participants recommended the following steps to improve measurement in the future:

- Programs can negotiate data-sharing agreements with financial institutions where youth hold accounts to track higher-quality data such as whether the account remains open.
 - Local and national funders can support a longitudinal study on the impacts of financial education and financial capability services in youth employment programs on long-term financial well-being. Such a study should also focus on how the development of financial capability can change workforce development outcomes.
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⁶ Access a report on the results of the CFPB's national survey, Financial well-being in America, 2017, <https://www.consumerfinance.gov/data-research/research-reports/financial-well-being-america/>.

Some participants also shared strategies that can help workforce programs collect data on financial capability outcomes. These strategies include conducting follow ups with youth participants and improving data management platforms and systems.

Financial institutions: promising partnerships

This session explored how youth workforce programs can partner with financial institutions, and what it takes to offer access to youth-friendly products. Speakers shared insights on these partnerships, and participants reflected on the distinction between real and perceived risks of offering transactional accounts to youth.

Participants spoke to the value of developing these partnerships. In the experience of participants, financial education is more effective in transforming behavior when youth are connected to financial products. An opportunity to streamline this collaboration exists for many programs that can build upon existing banking relationships that a municipality has with financial institution to more easily engage youth with the financial system.

Important features of youth-friendly accounts have been identified by many stakeholders. These features include non-custodial accounts that the young person can get in his or her own name, no minimum balances, no low balance fees, no overdraft capability, no dormancy/inactivity fees, unrestricted access to all member services, and innovative delivery methods. The Federal Deposit Insurance Corporation's (FDIC) guidelines for safe, affordable accounts for insured institutions also reference similar features.⁷

⁷ Learn more and download the FDIC Model Safe Accounts Template here:
<https://www.fdic.gov/consumers/template/template.pdf>.

Guidance exists on the topic of Youth Accounts, such as the FLEC Resource Guide for Financial Institutions⁸ and the FLEC Resource Guide for Youth Employment Programs.⁹ However, participants noted that programs continue to have challenges partnering with financial institutions to offer youth accounts in their own names (non-custodial youth accounts). Facilitating these partnerships is a key area of interest for future efforts to integrate financial capability services into youth employment programs.

⁸ FLEC Resource Guide for Financial Institutions, https://www.treasury.gov/resource-center/financial-education/Documents/FLEC%20Resource%20Guide%20for%20Financial%20Institutions_January%202017%20FINAL.pdf.

⁹ FLEC Resource Guide for Youth Employment Programs, https://www.treasury.gov/resource-center/financial-education/Documents/FLEC%20Resource%20Guide%20for%20Youth%20Employment%20Programs_January%202017.pdf.

Next steps to improve services for young workers

To conclude the Roundtable, participants generated strategies to address the needs of youth employment programs in order to turn the ideas that surfaced throughout the day into action. Participants outlined a list of potential resources to help municipal youth employment programs offer financial capability services to help young people establish sound financial footing at an early age. Robust conversations throughout the Roundtable yielded ideas for how partners can come together to address the needs of youth workforce programs that provide financial capability services. Roundtable participants highlighted solutions that focused on how to: prepare youth employment programs to implement financial education programming, improve access and quality of financial literacy tools and resources for these programs, and facilitate partnerships with financial institutions.

Preparing programs to implement financial capability services

The workforce field recognizes the value of offering financial capability services for youth at the critical moment when they are receiving paychecks. Additional guidance is needed on how to support local workforce system to provide quality financial education training and financial capability to young workers. The following next steps were presented by Roundtable participants:

- Coordinate case making efforts to help workforce programs improve financial education offerings with services that help young people develop financial skills (e.g., financial coaching, access to accounts, savings programs, etc.).

- Implement additional capacity building and training for front line staff of youth employment programs that face challenges communicating with youth about financial topics and providing financial capability services. For example, staff of youth employment programs engaged in the YES initiative expressed discomfort with discussing financial content with youth due to their own challenges with their personal finances. Staff may benefit from training and services to build their own financial capability and confidence to discuss these topics.
- Facilitate intergovernmental partnerships to create buy-in and leverage resources. As previously noted, cities where the Mayor's office and WIOA-funded programs have partnered seem to gain more traction. Mayors' offices can spur systems-level changes such as support of payment processes, including direct deposit and development of partnerships with financial institutions.
- Develop effective business case for workforce agencies to help explain the value and benefits of financial capability services for youth, and connect financial capability to workforce development language and outcomes.
- Convene a community of contacts, or case studies, of municipal youth employment programs that have successfully integrated financial capability services to encourage peer learning, trouble shooting, and replication.

Improving tools and resources for financial literacy

An abundance of financial education resources currently exists, but programs noted a need for clarity on which content is most critical and relevant for youth, as well as a need for information about effective financial education delivery methods. Participants noted the development of the following tools and resources can help programs improve appropriate financial literacy trainings:

- A comprehensive portal for vetted financial education resources to help programs navigate and assess the quality of the numerous curricula available.
- A checklist of the most critical financial literacy content for youth.

- A series of recommendations on what financial capability services to offer youth and when those services would have the greatest impact, given the various timelines and engagement opportunities throughout the service flow of different municipal youth employment programs.
- Guidance around emancipation of minors for Free Application for Federal Student Aid (FAFSA), to better equip municipal youth employment programs to assist youth who cannot get a parent or guardian to provide financial information.

Facilitating partnerships with financial institutions

Providing access to safe and affordable checking and savings accounts for young people participating in youth employment programs is critical, particularly for youth under the age of 18. Continuing to uncover and clarify the distinctions between real and perceived risks of providing such accounts for financial institutions is critical for relationship building between youth workforce service providers and financial institutions. Participants suggested partners in this work take the following steps:

- Continue to educate financial institutions about existing guidance around youth accounts.
- Provide municipalities with practical tools to establish financial institution partnerships and help youth navigate nuances and vocabulary pertaining to account options. Participants noted that one-on-one coaching may be an effective way to impart financial knowledge in youth employment programs, especially with a peer-to-peer component.
- Develop a suite of practical tools to help municipal youth employment programs establish financial institution partnerships, such as:
 - A Request for Qualifications template to find potential financial institution partners who meet the youth employment program's desired criteria for offering safe and affordable financial accounts for youth.

- A list of local or regional federal agency contacts to help municipal youth employment programs find financial institution partners, as well as recommendations for engaging those contacts.
- A best practices guide for how to engage financial institution partners.
- Data analysis on the risk of fraud by young people compared to similarly-situated adults to address concerns that a financial institution may raise about providing non-custodial accounts for youth.

Conclusion

Youth employment programs engage with young people at a critical and unique moment—the key financial milestone of paid employment. This can be an opportune time for workforce development programs to introduce new information and skills around responsible money management and financial decision making that can help set youth workers up for success. Throughout the Youth Employment Success Roundtable, participants explored the importance of this work, shared successes and challenges of delivering financial capability services in youth employment programs, and highlighted promising models and opportunities for scale. The best practices and proposed solutions identified by Roundtable participants could help youth employment programs and their partners integrate financial capability services into their work, and ultimately improve the path to success for more young workers.