

Finding A Yardstick: Financial Capability Outcome Measures

Center for
Financial Security 

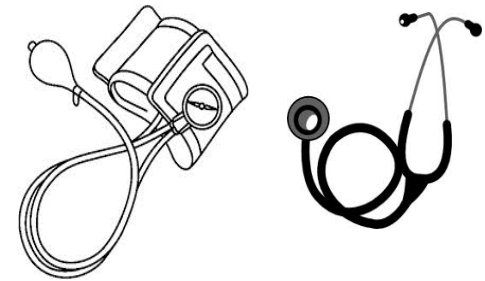
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Field (broadly defined) is Maturing

- All fields develop standardized measures
 - Health care, public health, nutrition
 - Ex. Outcomes per health care expenditure



- This “Field” is not there yet...
 - Programs that include a personal financial component or share goals related to economic outcomes
- Having “yardsticks” will help define what this field is...and what it does

How Will Better Measures Help?

- **Diagnosis**
 - triaging
 - matching to appropriate resources
- **Advocacy / Collaboration**
 - document common characteristics
 - coordinate strategies
- **Outcome Assessment**
 - demonstrate biggest bang for buck



Begin With the End in Mind

- We measure different things depending on our goals...
Management ≠ Evaluation ≠ Post award reporting ≠ Public relations

| Goal | Frequency | Precision | Cost | Communication Value |
|---------------------------------|------------------------------|-----------|--------|---------------------|
| Performance Management | Ongoing (contractual) | Medium | Medium | Low |
| Research / Evaluation | Rare / sporadic | High | High | Low |
| Funder Reporting | Periodic (quasi-contractual) | Medium | Lower | Higher |
| Fundraising / Media (PR) | Sporadic | Low | Low | Very High |

Measuring as a Task

1. Measures we use all the time

– Weight or blood pressure

- Weight for monitoring heart function
- Weight for competing in diet competition



2. Tests - use only sometimes

– MRI or blood draw



• Both are important, but different purposes and uses

– Likely we are more focused on frequent “all the time” type measures



Baseline

Activity

Outcome

- I. Compared to self (changes)
- II. Compared to others
- III. Combination of I. & II.

Rarely can we directly measure:
Need a **Proxy**

The “Right” Measures Trap



- Smoking is bad
 - What is the financial equivalent of smoking?
 - A behavior that is just “never a good idea”
 - Ex: A payday loan maybe better than eviction.
- Caution: putting qualitative value on certain outcomes or behaviors as “good” or “bad”
- Respect differences in preferences, culture, context
 - Measurements often reflect the values of the measurer
- **Goal: measure generalized “constructs”**



Picking Measures



- **Feasibility**— easy to use; use in field (e.g. Cortisol in saliva; DNA swabs)
- **Quality**— users can use it correctly (fidelity)
- **Cost** – time, expertise, recording, storing
- **Accuracy** –valid measure with minimal error
 - Observed Measure = True score + *Error*

Searching for Truth



- **Face Validity** – “sniff” test. Appropriateness.
- **Predictive Validity** –measure of trajectory
- **Concurrent Validity** – measure *correlates* with other measures (behaviors)

Many Potential Measures Related to Personal Financial Condition

- **Subjective**—feeling, perceptions
- **Objective**—dollars
- **Behavior**—actions
- **Attitude**—positive/negative

*Also many different **modes** for collecting these measures...*

Quality of Measures



- Many measures we take for granted are measured with a lot of “noise”
- Worse in small numbers. Examples:
 - Savings
 - Debt Levels
 - Weekly Income
- Are these worth collecting? Maybe.
 - Often need administrative data or means to validate measures. *Have to think ahead.*

Pros**Cons****Self Reported Survey**

Can be collected in service delivery

Self-report bias; lack of cooperation, especially for follow-up—need incentives.

Credit report/score

Widely used

Proprietary ; 'thin' files; slow to change.

Account balances

Directly observe behavior; validity

Very “noisy” snapshot; requires client consent

Public records

Accessible

Low probability events; uneven reporting.

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Handbook of Marketing Scales



Multi-Item Measures for Marketing
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Example 1: Financial Capability Scale

1. Over the last 3 months, have you followed a personal budget, spending plan, or financial plan?
2. How confident are you in your ability to achieve a financial goal you set for yourself today?
3. Have you set aside funds that would cover your expenses for 3 months if you or someone in your family lost a job, got sick or had another other emergency?
4. Do you currently have an automatic deposit or electronic transfer set up to put money away for a future use such as saving for retirement or education?
5. Over the past 3 months, would you say your household's spending on living expenses was less than its total income?
6. In the last 3 months, have you avoided any late fees on your loans and bills?

Example 2: Credit Report

1. Credit score
2. # 30 day delinquencies
3. # items in collections
4. # judgments (public records section)
5. \$ revolving credit limit
6. \$ revolving credit outstanding
7. Ratio: #5 to #6

Beware of Bottlenecks

1. Is the data collection process too much of a burden for clients?
2. Can data be collected and entered into a database in a timely and accurate way?
3. Can people be followed or tracked over time?
4. Is there a clearly defined audience for the analysis?
5. Is time frame for follow-up long enough to detect effects?
6. **Are the benefits from using the data greater than the cost?**

'Field' Needs Leadership...

1. Building Capacity

- Training & education
- Developing systems

2. Technology

- Software, web-based services

3. Fidelity & Consistency & Quality

- Need “rules” (and enforcement)
- Context/process, wording, mode, timing

4. Standardization & Aggregation

- Across time, program and geography

Moving Forward



- No measure is perfect
 - Some measures are better than none
 - *Don't let the perfect be the enemy of the good.*
- Balancing strategies for collecting data
 - Self reported data
 - Administrative data
- Not about 'Winners' and 'Losers' (*mine vs. yours*)
 - Complements not substitutes
 - Constant improvements and refinements

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