WORKFORCE DEVELOPMENT AND CREDIT
CBA TIP SHEET

Credit Histories Impact Employment

As a workforce development practitioner it is your goal to help clients move into a successful employment opportunity or a new career path. Workforce development requires working with clients long-term. You build a trusted relationship with your clients, and you support them in their efforts to become more self sufficient and secure.

Your clients share financial information so you can help them identify the right employment opportunities to meet their income needs and asset building goals. Although debt and credit may be a huge obstacle for them, a referral to a community credit counseling partner may be unsuitable, unavailable, inconvenient or scary for your client. Furthermore, once the job is secured, you may continue to work with them to ensure that they have the financial and personal stability to keep and succeed in the job. For example, do they have the mobility to get to work every day? Do they have the money management skills to balance income with expenses and debt obligations so that financial emergencies do not impact professional lives and job productivity?

You realize you need to bring credit building to them.

At CBA, we know that workforce development is more than helping someone secure a job. It includes a broad range of other success factors such as: attaining financial security, acquiring money management skills, starting to save for emergencies, and having access to transportation.

You do not need to know everything about credit to help build credit!

Here's what you need to know about how credit building can be integrated into your workforce development program to make it even stronger:

1. Employers often pull credit reports as part of the hiring or promotion process

Keeping your financial record clean could mean the difference between getting hired or promoted or not. Although some states have begun to restrict this practice, an increasing number of employers are using credit reports as an evaluation tool during the application process. Some studies have shown as many one in 4 employers run a credit check on job applicants. Understanding the basics of credit and its interaction with workforce development can help you feel confident addressing the credit issues impacting your clients.

Why might employers pull credit reports?

- To assess accountability and responsibility. Employers may draw conclusions about an applicant's ability to accept responsibility on the job based on the applicant's management of their personal finances. They look for stability in the applicant's employment history in an attempt to judge their likelihood of staying on the job. They may connect an applicant's ability to manage their finances and meet their fiscal responsibilities as a measure of how well they will perform their job responsibilities.

- To check for fraud or other dishonest financial behavior. Employers use a report to predict if an employee will commit fraud or theft. This is especially common for positions in finance, accounting, or other jobs that require access to sensitive information.

- To verify application information. Employers may use credit reports to verify employment history or social security number.

What do employers see (or NOT see) when they pull a credit report?

The credit bureaus have designed special employer credit reports. These reports provide most information on a traditional credit report such as active and derogatory credit account history and employment history. The following information, however, is EXCLUDED from credit reports designed specifically for employers:

- Information that employers are prohibited from asking under the Equal Employment Opportunity Act such as, but not limited to, date of birth and marital status.

- Account numbers associated with different credit cards, bank accounts and lines of credit.

- Credit scores, which are calculated to predict future credit risk and not to be used as a pre-employment screening tool.

What are an applicant's rights when employers pull credit reports?

- Job applicants must provide written consent before an employer can pull their credit report. Job applicants should be cautious when signing documents during an application process. Many applications have a section that gives consent to the prospective employer to obtain any information they want about you in making their decision. The general consent language may not specify a credit check. It is important to note that applicants may not always have a lot of choice in this matter, since a refusal to authorize a credit report check may result in being removed from the applicant pool.

- Job applicants have the right to a free credit report if an employer decision is based on information in a credit report. If an employer denies an applicant employment (or fires or denies promotion to an existing employee) because of information on a credit report, they are required to provide written explanation to the candidate or employee of what information led to the decision and resources on how to contact the credit reporting agency that provided the information. The applicant may use this information to request a free copy of his or her credit report, separate from the free annual report for which all consumers are eligible: https://www.annualcreditreport.com.

TIP: Help your client know what an employer will see

- ***Reviewing credit reports with your clients at intake helps you understand their financial needs, shows them what an employer will see, and helps them make the best short-term employment decisions, and also plan for the future.***

- ***Pulling reports at least 6 months before applying for a job provides time to build credit and correct and update information.***

2. Credit building matters beyond the job application process

Jobs may require a reliable car to get to work
The ability to secure and hold a job is often linked to car ownership. Does your client own a reliable car or need to buy one? Is expensive car financing and payday lending keeping them from moving ahead financially? Would car repairs and expenses disrupt their ability to get to work and accomplish their job?

Income needs to cover expenses
Helping your clients build credit through basic budgeting and safe credit relationships can help them save, re-finance and build assets. Is your client looking for new or additional work to pay existing debt burdens? Paying back short-term and long-term debt may be a significant portion of their family's expenses. It may also be the direct motivation for seeking new employment – and diverting them from seeking a job compatible with their interests to one that's compatible with their financial needs!

Employees may need a corporate credit card
Many employers need employees to use a corporate credit card to cover expenses associated with the position. A salesperson may need a credit card to pay for travel expenses; an administrative assistant may need to purchase supplies. A credit check is usually required before an employer will provide a corporate credit card to an employee.

3. Job advancement or career changes may require training or advanced education

Many adult students have less access to affordable, subsidized student loans – their loans will be priced on the market based on their credit score. If a client needs or wishes to acquire advanced education or training to increase their earning potential or maintain an upward career momentum, will credit stand in their way?

4. Starting a small business might best suit your client's skills and situation

If self-employment or entrepreneurship is your client's goal, helping them build credit to access business capital may be the key to their future success.

5. A new job might be the means to achieve a larger goal

Is your client looking to improve their career and employment options for a bigger goal? Maybe they are looking to buy a home, save for their children's education, or for retirement. These goals require higher and more stable income, but also require good credit.

Building credit improves options

While debt will not disappear overnight, good credit behavior can start today!

- Financial education and credit building are good complements to other workforce development activities. Financial issues are often one of the top stressors for families. Compounding this stress is the fact that unemployment and job transitions are also inherently stressful.

- Credit building can improve self-esteem and lead to positive behavior change and new skills towards better work productivity.

- Helping clients budget and save can reduce the number of family financial crises and result in more time for productive employment searches.

- Connecting clients to financial relationships with trusted financial institutions can provide short and long-term strategies for dealing with emergencies, saving, building credit and reducing debt.

- Encouraging clients to make on-time monthly payments with at least one active line of credit will have the most impact on their credit score. This is because the most heavily weighted factor in determining a credit score is the ability to make on-time payments consistently.

- Measured achievements such as an improved credit score can help clients feel more confident while seeking a job. Added confidence can improve their interview performance.

TIP: Reducing debt reduces stress

The beginning of new employment -- and income -- is a good opportunity to re-evaluate how to escape wealth-stripping debt.

- ***Direct deposit of paychecks can build a relationship with a mainstream bank or credit union and avoid check cashing fees.***

- ***Setting aside a small portion of each paycheck into a savings account can help clients pursue asset goals and deal with emergencies.***

- ***Could a new bank or credit union relationship help to refinance sub-prime auto financing?***

- ***Are your clients aware of free tax preparation sites in the community? For those who qualify, the Earned Income Tax Credit (EITC) is a valuable strategy to plan ahead and alleviate debt.***