

# Consortium seeks to address recidivism through financial literacy

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Credit: Arkansas Department of Community Corrections

Recently released data from a Arkansas Department of Correction survey reveals that the level of financial literacy among inmates is even lower than that of the typical American consumer.

The consortium of University of Arkansas at Little Rock faculty behind the year-long project, which was funded by the UALR Institute on Race and Ethnicity, agree that the findings are extremely relevant as the state grapples with ways to reduce chronically high rates of recidivism.

At least half of the 600,000 prisoners released into society in the U.S. each year are reincarcerated within three years, and many return to inner-city neighborhoods where income levels are low, jobs are scarce, and

crime rates are high.

Yet there is no comprehensive program to address the basics of [financial literacy](#), a serious liability for former inmates seeking to avoid relapse, say project leaders.

The project's goal is to use the collected information to design a financial literacy program for those about to be released from penal institutions so that ex-offenders are not set up for failure upon their release, according to UALR Professor Ken Galchus.

"Nobody has done anything like this, as far as I've been able to determine," Galchus said.

Galchus is part of the collaborative effort between UALR's Departments of Economics and Finance and Criminal Justice to include Professors Andy Terry, Mark Funk, Tim Brown, and David Montague, and graduate student Marc Glidden, who also contributed to the project.

Galchus said through his interactions with prisoners enrolled in financial literacy workshops at a minimum security facility, he realized how few knew such financial basics as how to balance a checkbook or why a credit report matters, among other things.

A year ago, he and the other faculty members approached the Institute on Race and Ethnicity for grant funding to study the problem on a broader scale.

The survey was implemented as part of a competitive and voluntary re-entry program in three central Arkansas penal institutions. The prisoners provided a 99 percent response rate to the survey questions and engaged in follow-up workshops held in the prisons.



Former inmate, David Jones, is now an honor student. He agrees more is needed to educate prisoners about money.

"Their enthusiasm didn't surprise me as much as the breathe of their questions—from what a credit score is to how someone can work to get it higher," said Dr. Brown.

The findings also do not surprise UALR student and former inmate, David Jones, who spent almost seven years in correctional facilities around the state before enrolling at UALR in early 2013.

"It truly is amazing how financially illiterate the majority of the prison population is," Jones said.

"I was blessed to have family support throughout my incarceration as well as throughout the release process. I was the exception though," he said.

Jones, who was released just after Thanksgiving in 2012, was recently awarded the Charles M. Taylor II Scholarship and a Harper W. Boyd Scholarships in the College of Business for 2014-15 academic year. He hopes to graduate by December 2015.

But Jones realizes how fortunate—and unusual—his case is. That is one reason he is open to participating in the financial literacy workshops taught by Galchus every four months in the low security facility in Little Rock.

Overall, based on the 43-question survey of nearly 300 incarcerated adult males, less than 35 percent knew how to correctly calculate interest on \$100 at the end of the year if placed in a bank account paying 5 percent interest per year.

In other sections of the survey, less than half of total prisoners questioned knew the answer to a basic question related to the cost of inflation, and many were victims of predatory lending practices.

However, attention was given in the survey not just to how Arkansas male prisoners fared compared to the state's general population of males, but also to how incarcerated ethnic minorities fared compared to ethnic majorities. The result was that researchers found statistically significant differences in the financial literacy of whites versus non-whites.

For example, nearly 20 percent fewer non-whites had ever opened a checking account compared to whites, and non-white prisoners failed the question on interest rate computation more than double the rate of white prisoners.

Galchus said that although having a source of income is obviously helpful, income only helps meet the short-term needs of ex-offenders and does nothing to tackle the root issue.

"If, for example, a former inmate is laid off during an economic crisis or suffers a serious health issue, then income is significantly reduced or entirely lost," he said.

Instead, the wider focus should also include ways to assist the individual with the skills needed for asset or wealth accumulation, since it is those skills that help meet his or her long-term needs and tide that person over in a crisis, according to Galchus.

Perhaps more importantly, asset accumulation has been shown to be connected with a number of positive social outcomes, which is another contributing factor to reducing recidivism, Galchus added.

The survey findings have already been presented at the Academy of Criminal Justice Sciences and will be presented this fall at the American Society of Criminology in San Francisco.

"There is a wealth of information to glean about this subject. We are only just beginning to scratch the surface," said Brown.

Provided by University of Arkansas at Little Rock

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