THROUGH A DIFFERENT LENS:

THE WAR ON POVERTY AND A NEW VISION FOR THE FUTURE

Family Independence Initiative

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PERSPECTIVE MATTERS

Francia Peguero is many things, depending upon your perspective. She is a single mother of three who lives in subsidized housing in Boston. She has only a high school diploma, a damaging credit score, and a pile of debt. Seen through this lens, a government or nonprofit caseworker might assume that Francia needs job training, childcare, and financial literacy training.

Similar assumptions might be made of Maria and Sergio Perez of San Francisco. Sergio is employed in retail. With seven children between the ages of two and fourteen, no savings, and only one wage earner in the family, it might seem that the Perezes should apply for food stamps and get career counseling.

Jolly Bugari of San Francisco, a Ugandan immigrant, is also poor and unemployed, struggling to support herself while pursuing a master's degree in health. Her dream is to start a business, but given her financial circumstances, a social worker might counsel her that going for a master's or starting a business would not be the most practical next steps. A social worker might offer her a training program to become a paraprofessional in the health care field.

Today, as we mark the 50th anniversary of President Lyndon B. Johnson's declaration of a war on poverty, we know that the poverty rate in America has barely budged.[1] Aside from the staggering challenge of almost 50 million people living in poverty, and millions more living only slightly above the poverty line, we face an even more fundamental problem. People like Francia, Maria and Sergio, and Jolly are not viewed as assets; they're viewed as liabilities. And the number of families like them doesn't seem to decrease. Given their plight, one might assume they are not resourceful or practical in how they run their lives. They may even be dismissed as lazy, helpless, or even hopeless.

Digging deeper, however–past the perceived neediness–we will find a different story of resourcefulness and drive. And if we as a society were to focus on this resourcefulness, initiative, and capacity, we'd likely see a very different reality.

SEEING STRENGTHS

While Francia may have been seen by many as a needy single mom, this did not define her. In fact, within two years of Francia's partnership with the Family Independence Initiative (FII),[2] we saw a very different woman. We saw a woman who–in an environment in which she was encouraged to turn to her friends instead of social sector professionals–bought a duplex using FII's IDA (a match to savings) and leveraged FII's character loan to do repairs on a second unit so she could rent it out. She also organized a peer-to-peer lending pool, in which participants contribute money monthly and take turns accessing the pot. Instead of looking to professionals, Francia became the supporter, trainer, counselor, and inspiration to many of her friends and family.

Like many parents, Maria and Sergio prioritize their children's educations. Some may have viewed their lack of effort to pursue better careers or access food stamps as lazy or irresponsible. Five years ago, this family began reporting to FII what they were doing each month to build their life. They worked hard to get their children scholarships to Catholic schools, and they got their daughter–who has cerebral palsy–into a school that caters to her special needs. Their oldest daughter, Sophia, is now in college and has obtained financing for her education. The family has moved from subsidized housing to market rate housing. Today, their children–now teenagers–are all earning income and contributing to supporting the family. Maria and Sergio have also now become a support system for many others, providing the kind of counsel that a social worker or case manager can't match.

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When Jolly reached out to her friends rather than to a social sector professional, her friends encouraged her to go after the things that inspired her. As a result, she started her own business as a lactation consultant. Through Kiva Zip,[3] she successfully crowd-sourced a loan for a car that allowed her to expand her business territory. She also completed classes that allowed her to qualify to be paid with clients' insurance. With the support of friends and access to capital when she wanted it, Jolly was able to move herself forward on the path she chose. Others in her community now ask Jolly how she did it, and she is happy to encourage them to follow their dreams.

These people are only a few of the nearly 1,000 families FII has partnered with and learned from for more than a decade. Since 2001, FII has innovated and tested new approaches to economic and social mobility that demonstrate that ordinary low-income families have the initiative and capacity to move themselves and their communities out of poverty. Rather than providing social workers, services, and top-down direction, FII partners with low-income families to create an environment where families can come together and improve their lives in their own way. It's not a matter of imposing solutions from the top down. It's a matter of uncovering and fueling the solutions and strategies families and communities develop for themselves. An ounce of self-determination is worth a pound of external guidance.

Despite half a century of trying, the social sector—policy makers, the government safety-net system, philanthropists, nonprofits, and others—has not come up with a universal solution that curbs poverty and rebuilds the middle class. But given an environment of trust, the support of peers, and access to resources, communities will come up with the solutions that work for them.

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Not all low-income families know where to start. But when someone in similar circumstances to Francia or Maria develops solutions and demonstrates success, this can inspire friends and neighbors to also be creative about improving their own lives.[4, 5] America's future hinges on better understanding and building upon the initiative, entrepreneurship, and ingenuity of low-income families. They are the experts of their own lives and of their own communities. We need to see them through a different lens: one that focuses on their initiative, capacity, and resourcefulness. In response to all those strengths, we need to follow their lead.

MAKING POVERTY TOLERABLE IS NOT ENOUGH

The war on poverty, which President Johnson introduced in his State of the Union address on January 8, 1964, was intended to help people move beyond poverty. But in reality, America has created a system of programs and services run by professional helpers who mean well, but who most often just make living at or near poverty more tolerable.

The safety net is essential, and should not be dismantled. It is necessary to ensure that children are fed, that there is some affordable housing, and that crisis counseling is available for families in extreme circumstances. We can thank the war on poverty for keeping the bottom from dropping out for millions of families over the last 50 years. But while the safety net is necessary, it is not sufficient to restart America's stagnant social and economic mobility, which currently ranks among the lowest in the developed world.[6, 7]

Without sufficient drivers of economic mobility beyond the safety net, lower-income Americans work very hard to get above the poverty level, only to find that the next rung of the ladder is too far out of reach. The vast majority of people living below the poverty line manage to get above it in three years; however, after another three years, 30 percent fall back into poverty.[8] After five years, 50 percent find themselves back where they started.[9] The constant churn of families moving in and out of poverty shows the fragility of economic progress at the lowest income levels. Common events—a car breaking down, a child getting sick, or a reduction in hours at work, for example—can instantly erase hard-earned gains.

In a *New York Times* op-ed,[10] Peter Buffet, son of Warren Buffet, pointed out that between 2001 and 2012, philanthropy and the nonprofit sector became a "massive business, with approximately $316 billion given away in 2012 in the

United States alone and more than 9.4 million employed. Yet for all the new jobs, conferences and focus on return on investment for today's philanthropic dollar, the existing structure of inequality remains in place." Buffett summed up the challenge: "It's time for a new operating system. Not a 2.0 or a 3.0, but something built from the ground up. New code."

America needs a change in perspective. If we are ever to see how our country can benefit from the energy and ingenuity of people like Francia, Maria and Sergio, and Jolly, we need to ask them a different set of questions. The very families the social sector seeks to help can set new expectations about what's possible in their communities. Programs and professionals can't do this the way peers can.[11] These families will counsel, give advice, and share information with each other, instead of social sector professionals. They will add jobs to the economy, make their communities healthier, and improve their children's graduation rates. They will participate more fully in civic life, make their neighborhoods safer and cleaner, and help care for children and elders. These families just need some of the $316 billion spent trying to help them, and they need the professional helpers to step back and let them take the lead.

If those in the social sector want to be useful, they have to become better at following.

THE PROMISE OF INVESTING IN INITIATIVE

The very charitable nature of Americans is problematic. When we see a problem, we want to step up and solve it. In order to be most helpful, we look for needs that we can fill. But that focus on needs leaves out valuable information about what people like Francia and Jolly can do themselves, and about how they can help their neighbors and peers. Their initiative reduces an outsider's role as a leader of the change. Indeed, some in the social sector are resistant to this change in leadership.

It's not that outside help and resources, like government and philanthropic dollars, aren't needed. They are needed–badly. But those resources must be structured to follow the lead set by low-income families and communities themselves.

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It's time to stop our myopic focus on only where people are struggling, and invest in the initiative people are taking to get ahead. We must allocate a meaningful portion of philanthropic and government funding to invest in the solutions low-income families and communities are putting to work every day. To do that, we need to collect a new set of data so we can uncover and analyze the initiative and strengths of those we seek to help. This is what FII did in its engagements with Francia, Maria and Sergio, and Jolly. We trusted them to develop or find their own solutions. Our role was to collect and analyze data about the initiative they took to move themselves forward. From this analysis, we designed new systems, tools, and technology, allowing them to choose resources as they wanted them.

It is an ongoing, iterative process. Just as Amazon refines and shifts a buyer's recommendations based on his or her growing purchasing history, FII responds to ever-changing data from families to meet their demand.

The successes of Francia, Maria and Sergio, and Jolly are not exceptions. Through working in partnership with hundreds of families, FII has consistently seen incomes jump over 20 percent in two years, debt go down, businesses start up, and kids do better in school. But what has been most enlightening is to see people turning to and helping one another. Collective action has been the strongest driver of change.

The data and stories FII has collected on families' innovation, ingenuity, and capacity harkens back to historic examples of families and communities in America creating economic and social mobility. This capacity is what built Black townships before and after slavery, led to the emergence of Chinatowns in cities across the country, and transitioned entire generations of Irish and Italian Americans from poverty to the middle class. A more recent example includes Cambodian refugees who dominated the donut industry in California in the late 80s and early 90s.[12] Their successes were traced back to one family who supported others by investing in them and teaching them the trade.[13] America has a tremendous tradition of people working together to get ahead.

Now, America's call for individualism, as well as the war on poverty, has inadvertently replaced the call for neighbors to turn to one another. Our society as a whole has been losing its sense of community, as Robert Putnam[14] and others have documented. Yet when FII has encouraged the rebuilding of interdependent social ties, families have responded.

CONNECTIONS IN ACTION:

When partner families wanted a way to connect with each other across the country, FII developed UpTogether, a community-building social networking website, to facilitate maintaining and developing new connections. Through UpTogether, members are able to offer and ask for support to move their lives forward, reach goals, and improve their well being.

THE FUNDAMENTALS OF MOBILITY: CONNECTIONS, CHOICE, AND CAPITAL

What FII has learned from families is that, if our country is to look at rebuilding social and economic mobility through a different lens, the following three elements are critical:

- **CONNECTIONS.** Despite the persistent myth of the self-made man, no one makes it alone. Family, friends, and colleagues who provide support, information, advice, resources, and a sense of accountability are both a safety net and a springboard forward. From our peers, we find role models who shape our expectations of what is possible—and what is not. Social sector professionals cannot replace the value and power of mutual support within a community. Peer-to-peer supportive relationships can do more to provide relevant information, advice, and inspiration to move people forward.

- **CHOICE.** Everyone needs to have a range of options and the ability to exercise those options, whether they are related to finances, housing, health, education, or other opportunities for well being. Choice means having an array of self-directed options for moving ahead. Rather than being directed or controlled, families must have control over their own choices to succeed.

- **CAPITAL.** The biggest difference between low-income families and upper-income families is money—not smarts or resourcefulness. Access to financial capital that allows families to leverage their initiative accelerates their mobility. Financial capital is what the well-off use to assure they have the choices they need. Access to capital would also allow low-income families to exercise choice and thus get some control over improving their lives.

Research supports what families already know: community is our most vital source of support,[15] self-determination is the energy that drives people forward,[16] and working capital is essential.[17] It's time to build a system for economic mobility based on everything we've learned and observed about how humans actually work. Connect people with each other, let them make their own choices, and provide access to the resources they need to fuel their ideas and aspirations.

AMERICA ALREADY HAS A WAY FORWARD; WE JUST HAVE TO SEE IT

As we mark the 50th anniversary of the declaration of war on poverty, there will be much talk in boardrooms and living rooms across the country about what America can do to re-establish itself as the most upwardly mobile country in the world. Do we continue along our current path divided along the right and left, debating handouts versus bootstraps? Or do we recognize that we have a third option: to trust, count on, and invest in the strengths, capacities, and initiative of low-income families and communities, so we can fuel the social and economic mobility that enables everyone to have a shot at creating a life of security and well-being?

CHOICE IN ACTION:

To create a wide range of choices for families, FII built a Resource Bank to house resources families can access to move themselves forward in the ways they determine. FII knows that families need to access resources when they want, and for what they want. Whether it's accessing education, starting a business, improving health, buying a home, spending more time with children, helping others, or managing stress, the resources FII offers are tailored specifically by what we learn when families report the initiatives they are taking.

CAPITAL IN ACTION:

To create capital access, FII analyzes the data it collects to identify trends and develop flexible resources in response to those trends. FII has developed resources families can use to build credit, track finances, and qualify for loans or scholarship funds. FII then analyzes that data for insight into the tools that families actually need to succeed. For example, when FII saw that families were unable to access loan capital and had few options other than payday lenders, we worked with families to develop underwriting criteria that broaden the factors considered for a loan and also predict the reliability of payback.

ENDNOTES

1. Drum, Kevin. "New Study Says Poverty Rate Hasn't Budged for 40 Years" (blog), *Mother Jones,* December 9, 2013, http://www.motherjones.com/kevin-drum/2013/12/new-study-says-poverty-rate-hasnt-budged-40-years.
2. Francia, Maria and Sergio, and Jolly are part of the demonstration projects FII has launched in cities across the country. Families partner with FII by sharing data and stories about the initiative they are taking to move their lives forward. Without the direction of professionals, families are encouraged to turn to each other for support. From the data FII collects, we develop resources that families can access to leverage their initiative. This enables them to move forward faster.
3. Kiva Zip is a platform that allows entrepreneurs to crowd-source loans for their businesses. For more information, visit https://zip.kiva.org.
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17. Russell Sage Foundation. *Financing Low-Income Communities: Models, Obstacles, and Future Directions.* 2007.

Family Independence Initiative

Family Independence Initiative (FII) leverages the power of information to illuminate and accelerate the initiative low-income families are taking to improve their lives. Using hard data and compelling stories, we are sparking a movement to transform the stereotypes, beliefs, practices, and policies that undermine families' efforts to get ahead.

1203 Preservation Park Way, Suite 100
Oakland, CA 94612
Phone: 510.452.9341
www.fii.org

www.facebook.com/FamilyIndependenceInitiative

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