New America Foundation

Asset building Program

The Family Independence Initiative

A New Approach to Help Families Exit Poverty

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Our nation's safety net programs are in a double bind. Demand for them is spiking. More Americans are now living in poverty than at any point since our country started measuring it.[1] Many families are entering poverty for the first time, after falling from the security of the middle class. Millions more had been teetering on poverty's edge. At the same time, government officials at the federal, state, and local levels are facing a fiscal crisis, moving to curtail spending on many social programs in the face of a weakened economy and reduced tax revenues.

Given the competing pressures of increased demand and depleted resources, the time is right to examine cost effective antipoverty approaches with potential to do more with less—to help families get on their feet and climb the economic ladder, but at a lower cost than traditional programs.

The Family Independence Initiative (FII) offers a way to re-imagine how to support struggling families.

The Family Independence Initiative is a nonprofit, community-based organization that is considered an on-the-ground social laboratory for new strategies to tackle poverty. At its core, the Family Independence Initiative approach is both radical and as old as our republic. Their philosophy is that low-income people can advance together if we re-ignite the resource sharing, mutual support, and role modeling that has historically helped immigrant families leave poverty behind. They model new policies that reward strength and initiative (as opposed to need) and are led by the families themselves, rather than programs or professional caseworkers.

As part of the Family Independence Initiative, working poor families self-organize into peer support groups. They set personal goals for their families and obtain cash payments for reporting monthly progress, such as raising children's grades, improving their credit score, or building their savings. Every month, participating families log onto an online reporting system to record what actions they took. They also meet monthly with their peer group to discuss their challenges and successes. Proponents of FII's approach cite this combination of supportive social networks, consistent benchmarking of progress, and—most importantly—personalized paths out of poverty designed by the families themselves, as the key ingredients of the approach's success.

In each of the Family Independence Initiative's community demonstrations, participating families have made impressive strides. The Initiative's leadership asserts that their approach is less costly than some traditional anti-poverty approaches, in part because most resources go directly to participating families rather than professional staff and overhead. At the outset, the total cost was $207 per person per month according to an external evaluation; now that the project is up and running, the per person monthly cost has declined to approximately $54.

While research on the Family Independence Initiative is limited, the initial findings compel policy makers and advocates to examine its philosophical underpinnings and its approaches, and consider how similar models could be implemented into state or national programs.

There are two parts to this issue brief. First, we describe the origins and thinking behind the Family Independence Initiative, and summarize their reported results. Second, we extract the key principles that guide their work and put forward potentially promising policy directions that merit further exploration. This issue brief is a sister paper to an essay, "The Uphill Battle to Scale an Innovative Antipoverty Approach: The Experience of the Family Independence Initiative," written by Maurice Lim Miller, founder of the Family Independence Initiative.

Section One: A New Approach to Ending the Cycle of Poverty

Inspiration and Origins

The Family Independence Initiative was formed to test a theory that low-income people can advance together by re-igniting the resource sharing, mutual support, and role modeling that historically has helped immigrant and socially excluded minority families exit poverty.

Maurice Lim Miller, founder of the Family Independence Initiative, grew disillusioned after a long career in the nonprofit sector. For 22 years he led Asian Neighborhood Design, a San Francisco nonprofit lauded for its work offering affordable housing, job training, and counseling. President Bill Clinton even invited Miller to sit in his box at the 1999 State of Union address.

Despite such recognition and praise, Miller says he rarely saw anyone truly exit poverty and make it into the middle class. What bothered Miller most was when his clients' children grew up and started showing up for services themselves.

Miller thought about how his own family and other immigrants he'd grown up with had left poverty for good. They'd done it by relying on each other, sharing skills and connections. They pooled money and loaned it to each other for things like starting small businesses, a common technique in low-income ethnic communities.

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Miller's mother had only a third-grade education when she came to the United States from Mexico. She worked hard as a file clerk and book keeper to make sure Miller succeeded. Miller thought it might be more promising to empower mothers like her, rather than make them reliant on professionals or outside services, he said.

Miller decided to develop an action research project that would answer two questions:

1) What would happen if low-income families of all backgrounds had access to some of the funds traditionally spent on professionals to help the families? And;

2) What would the result be if families were instead encouraged to turn to friends and social networks for help and direction?

Miller started by sketching out a plan to re-ignite methods used by immigrants to build better lives. He wanted to challenge families to take actions they thought would lift them out of poverty—whether that was by improving children's grades, saving more, starting a business, investing in new skills, finding a new job, or even helping a friend find a new job. They could then earn small amounts of money for self-reporting their progress. Instead of hiring staff to monitor progress or run meetings, Miller devised a way to pay the families to do that at a fraction of the cost.

Contending that no one gets out of poverty alone, Miller wanted to enroll families in groups so that they could turn to each other for help, instead of to a caseworker or a program.

In the fall of 2000, Miller left his job as the executive director of Asian Neighborhood Design to start the Family Independence Initiative.

How it Works

There are three main pillars of the Family Independence Initiative's approach:

1. Reliance on social networks rather than professional staff.

The Family Independence Initiative will not work with individuals directly. A family that wants to join must recruit six to eight other families who want to make improvements in their lives and self-organize into a peer support group. Typically, the families know each other through different social institutions; the Family Independence Initiative has worked with African American families living in the same neighborhoods, Salvadoran families working at the same restaurant, and Mien families who know each other through attending the same temple. Families then turn to each other for help, support, and inspiration, instead of caseworkers or programs. While the families represent a variety of different groups, the Family Independence Initiative specifically targets working poor families.

Targeting Working Poor Families

At Family Independence Initiative pilot sites operating in San Francisco and Boston the median household income for participating families is $28,800 with a median household size of five members. For comparison, the American Community Survey reports that in the city of San Francisco, the median household size is 2.41 people and the median household income is $70,040. In the city of Boston, the median household size is 2.47 and the median household income $52,433. In the US the median household size is 2.6 and the US median household income is $51,425.

2. Cash payments for reporting progress.

The Family Independence Initiative challenges families to take actions they think will lift them out of poverty—whether that is improving children's grades, saving more, starting a business, or even improving their health through weight loss. Small amounts of money can be earned when families report the actions they take. They receive about $25 to $30 in return for a range of about 50 actions they can document. The maximum that can be earned is $600 per quarter and the wide variety of actions allowed do not dictate families follow any preprogrammed path. The small amounts of capital earned can then be invested to continue their progress as they see fit. Participants receive payments for making progress in a number of categories, including those shown below:

Family Actions for Quarterly Payments

Income & Balance Sheet Improvements	Sources of income, Checking & Savings balance, Business ownership, Retirement accounts, Credit card payments/balance, Rent/Mortgage payments, Outstanding mortgage
Education & Skill building	**Youth** Grade improvement, Attendance, Tutoring, After school program, Graduation **Adults** Classes, Continuing education, Graduation
Health & Housing improvements	Insurance coverage, Preventative care -Checkups or Immunizations Behavioral changes/outcomes -Weight loss or Quits smoking Improved housing, Homeownership
Leadership & Initiative	Attends trainings, Shares their training, Involved/leads civic activities, Attends leadership workshops, Becomes fellow and leads activities
Networking & Helping	Expands job networks, Refers friend to job, Helps others in starting businesses, etc., Refers friend to services/resources, Helps those in crisis, Recruits, orients new families

Note: Information provided by the Family Independence Initiative

3. Monthly feedback and reflection.

Every month, the families report on the steps they took that month to improve their lives and enter their actions into an online reporting system using a computer provided from FII. This enables families to track their progress month to month. According to FII, families report that consistently charting their progress—and sharing that progress with the families in their monthly support group meetings—keeps them focused on making changes and moving forward. The monthly meetings are run by the families themselves—FII staff is not allowed to provide any leadership or direction to the groups. Typically, participants use the meetings as an opportunity to share resources and ideas, talk about how their children are doing in school, their financial situations, and plans for the future.

Results

Over a two-year period, according to the Family Independence Initiative, participating families of all ethnicities in the Oakland, CA demonstration who completed the initiative increased their incomes by 27 percent on average. 40 percent bought homes within three years.

The Family Independence Initiative has also reported similar results in San Francisco. In two years, among the San Francisco cohort, the Family Independence Initiative reports that households increased their income by an average of 20 percent, half the school-age children improved their school performance, three out of five households reduced their debt, and three out of four increased their savings, from an average of $437 to $1,433. A recent evaluation indicates that despite the economic downturn families in the San Francisco pilot continued improving their finances through 2008 and 2009.

Section Two: Key Principles and Implications for Social Policy

Guiding Principles

Although further evaluation is needed to determine the true impact of the Family Independence Initiative, its guiding principles may interest advocates and policymakers who want to experiment with new ways to help people exit poverty. Below we list five guiding principles of the Family Independence Initiative that could be integrated into social mobility programs.

Principle 1: Mutuality: Encourage families to turn to each other for support and inspiration, rather than professional staff.

In many programs, participating families are expected to rely on professional staff or caseworkers for support and expertise. FII creates ways and expectations for families to rely on social networks and neighbors for inspiration and support, rather than professional staff or caseworkers. For example, in FII's demonstration pilots, families have helped each other get jobs, navigate the home buying process, share childcare, buy groceries in bulk, and share information on how to get out of debt or improve their credit scores. To encourage family leadership and collaboration, FII keeps professional staffing to a minimum and limits their role.

Principle 2: Fund families, in addition to programs.

Frequently, most or all funding for programs is spent on staff and administration. There may be ways to provide stipends, fellowships, or financial incentives directly to families. For instance, graduates of training programs could mentor incoming trainees, individuals who've gone through a home ownership program and purchased homes could mentor people who are starting the course. In FII, people who've participated for a while can apply to become a fellow or family liaison, to recruit other groups of families, orient them to FII, and serve as a connector and mentor to help them achieve their goals. In other programs, this approach has potential to reduce professional staffing and help stretch limited funds.

Principle 3: Focus on family strengths, not needs.

Programs are sometimes structured to fill needs or deficiencies. To qualify, you must prove you are homeless, a single mother, or low income. Often the needier you are, the more resources you receive. The better you do, the more resources recede. FII rewards successes, strengths, and actions that move families forward. The more steps people take to improve their lives, the more financial payments they earn for reporting their progress.

Principle 4: Give families choice and control.

Too often, programs take a "one size fits all" approach. They are offered one program that has strict guidelines that dictate family actions. The Family Independence Initiative aims to give families options and choices to determine their pathway out of poverty. What works for one family, won't work for another, they contend. Since there are over 50 activities that families can undertake and report, families have a lot of flexibility.

Principle 5: Provide ways for users of programs to provide feedback and hold programs accountable.

Too often programs are more accountable to funding sources than the people they serve. With businesses, if customers don't use them, they go under. This isn't the case with many social programs. Programs should be evaluated with feedback from people who use them. The Family Independence Initiative has created an online rating system so that the users of various social service programs can rate them. This approach is modeled after online rating systems for local businesses, such as Yelp and CitySearch. Families can then share and see feedback on local programs and services.

Lessons for Social Policy

There are many policy and program innovations that grow out of the guiding principles listed above and warrant further exploration. Below we break these ideas into three categories:

1) Promising innovations for social mobility programs that aim to empower families; shift responsibility from program staff to participating families; and could potentially be more cost effective than existing approaches

2) Expansions of existing policies that effectively reward initiative, work, and mutuality with targeted incentives

3) New policies that provide low-income families with access to the financial tools and incentives that have helped middle and upper income people build savings and wealth

Innovations for Social Mobility Programs

Rethink case management approaches to encourage mutuality amongst families.

Many programs to assist low-income families rely on case managers or other professionals to guide and instruct participating individuals. This is true for many programs focused on job training, housing, and education, as well as welfare. Often programs close their doors because they lack the money to pay professional staff. There may be ways to make limited program dollars go further by encouraging program participants to rely on each other for support, guidance and inspiration, or on "graduates" who've successfully completed programs. These approaches could potentially reduce staff costs. The goal would be to maintain or even enhance program outcomes and efficiency.

For example, HUD runs a program called the Family Self Sufficiency (FSS) Program, an employment and savings incentive program for low-income families that have Section 8 vouchers or live in public housing. Created in 1990, the program combines access to an escrow account and case management services. Typically, rent for housing assistance recipients is calculated at 30 percent of their income. When earnings increase, so does the rent. With the Family Self Sufficiency Program, if a family begins to earn more, their increased rental payments go into an escrow account for up to five years. If the family is meeting their goals established in consultation with their case managers, they can eventually access the resources in their account. The FSS Program is popular with affordable housing residents and has shown strong results at helping people earn more and move on from public housing. However, local housing authorities are often unable to offer the program because they can't afford the extra case management costs. Reforming the FSS program with insights from the Family Independence Initiative could help lower the costs of providing support to participating families. By requiring families to form peer support groups and offering a small stipend to participating families, the barrier to paying for case management services could be overcome. People who've used their accumulated funds to buy a house or move off of public housing could mentor other families and help them pursue this promising pathway forward.

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Experiment with providing stipends and incentives to families to perform functions usually performed by professional staff.

Many program administrators are likely getting their budgets cut. There may be ways to examine an overall program, and determine ways to provide small stipends or incentives to program participants who take on leadership roles, conduct outreach, or mentor people who are just starting the program. The goal would be to determine if these approaches could save money while maintaining and hopefully strengthening program outcomes.

Recruit low-income residents for participation in public volunteer programs.

Often times, volunteerism programs such as AmeriCorps or VISTA recruit talented young people to perform service in lower income communities. There are always people with talent, initiative, and community connections, and ideas within low income communities that may not know about these volunteer programs, but would make effective volunteers. AmeriCorps could start an "urban heroes" program, to train and recruit people with solutions and ideas to strengthen their neighborhoods.

Make funding for programs contingent on overall favorable reviews and documented feedback by program users.

As described in the previous section, sometimes programs are more accountable to the people who fund them than the people who use them. For any program to be funded by public dollars, they should: 1) have easily accessible ways for people who use them to provide public feedback, such as listing their program on online local rating systems like Yelp or City Search; 2) encourage program participants to comment on these sites, in prominent places in program materials and offices; 3) use other methods to survey program participants about their experience, what worked and didn't, and how programs can be improved. Doing so will help develop a process of continuous improvement for programs, make them more accountable to their users, and will help people make choices about what program—e.g. financial literacy or job training class—is right for them (in the same way people use Yelp to pick what restaurant to go to or avoid).

Expand Policies that Reward Initiative, Work, and Mutuality with Targeted Incentives

To provide direct financial incentives that reward work and initiative, expand the Earned Income Tax Credit up the wage scale to benefit middle income Americans.

The EITC is designed to reward work and promote economic stability by allowing families to retain a greater percentage of their take-home pay. More than $49 billion in tax refunds was issued in 2009 to low- and moderate-income families; the average refund for those eligible for the EITC was just over $2000. University of California, Berkeley professor Robert Reich has proposed expanding the EITC up through the middle class. Doing so would allow families to keep more of the money they earn and would pack a powerful stimulus punch, since lower and moderate income families are likely to spend their tax windfalls immediately. Studies show that every dollar of federal benefits generates more than a dollar's worth of revenue for local communities—further promoting economic growth. The EITC is considered by many to be our nation's most effective antipoverty tool, and has lifted more children out of poverty than any federal program.

Expanding the EITC is of the same spirit as the Family Independence Initiative in that it rewards work and initiative, and provides a direct cash benefit to families.

Explore ways to allow families to jointly buy homes and save.

Many low-income families manage to buy homes by combining their money. Almost every FII family who bought a home did so with the help of family and friends. Mortgage instruments are typically only for one household. Would more families be able to purchase and hold onto homes if financial products and public home ownership programs allowed for joint financing? There may be ways that city and state homeownership programs could explore ways to allow families to jointly finance homes. There are some experiments in the nonprofit sector that allow multiple people—family members or neighbors—to pool money or save together, but no public policies we're aware of that allow people to jointly finance homes. The growing experience of shared equity homeownership and limited equity cooperatives may be a particularly valuable model to build upon. A variety of models are proliferating across the country, but the basic features involve the use of public resources to lower the purchasing price in exchange for limits on equity appreciation. This can create a viable path to meet the needs of families that aspire to own their own homes, and help families chart a path to stability, community, and long-term wealth building opportunities. Sharing ownership in exchange for limits on equity appreciation can mitigate the risks of homeownership as well as provide an attractive balance of affordability, access, and wealth creation.

New Policies that Provide Low-Income Families with Access to the Financial Tools and Incentives that have Helped Middle- and Upper-Income People Build Savings and Wealth

Encourage off-the-books entrepreneurs to formalize their businesses.

Amongst the Family Independence Initiative participants in San Francisco, 24 percent have some form of informal income. Their business activities include food vending, reselling of merchandise, cleaning homes, painting homes, cutting hair, recycling, selling at flea markets, and repairing cars. Like San Francisco, many urban areas have large informal economies with entrepreneurs who work off the books for any number of reasons. Tax incentives and deductions should be explored that encourage these businesses to formalize, so they can become taxpaying entities that are better poised to grow and fuel the economy. CFED has proposed a "New Entrepreneur Tax Credit" that is worth considering here.[2]

Extend savings and investment incentives to lower income Americans.

People don't spend their way out of poverty. They save and invest their way out. But policies to encourage saving and wealth accumulation mainly benefit the upper half of earners. To help people permanently exit poverty, they need access to the financial tools and incentives that have helped middle and upper income people build savings and wealth. Doing so will broaden the middle class—so all Americans have the means to get ahead and a real stake in the economy.

The Asset Building Program at the New America Foundation has developed an agenda to broaden savings and asset ownership opportunities for people who have limited resources at their disposal.[3] The agenda aims to highlight the potential of new forms of incentives, institutional support structures, and delivery mechanisms that can be created to support the savings and asset development process.

The agenda, which builds on the work of many partners, calls for new structures and policies at the federal level, as well as changes to existing tax systems, government programs, and financial products. The agenda puts forward policy recommendations in areas such as savings policy, access to financial services, housing and homeownership, entrepreneurship, and financial education.

Remaining Questions and Avenues for Research

Although much has been learned from the experience of the Family Independence Initiative, there remain a number of outstanding questions that must be answered in order to fully understand the mechanisms at work in this approach. The answers to these questions will help inform not only how FII can best bring its approach to scale but also how findings from FII can best inform social policy more generally:

What types of families are best suited for FII's approach?

According to Miller, FII is often accused of "creaming," or of targeting families that would have advanced whether or not they joined FII. Miller, however, counters that FII targets families who are "stuck," living often just beyond eligibility levels for social supports but unable to break out of what he describes as a "working poor treadmill." Researchers should more precisely examine what families excel in FII and why.

What draws families to participate?

Do families join for the chance to earn payments when they report their progress? Or work with their neighbors? Or maybe they join for one reason but stay for another? Answers to these questions would help inform program leaders who want to explore similar approaches.

What sparks families to change?

What aspects of FII are the most important in spurring families to make improvements in their lives? Is it the cash payments? The peer support? The monthly feedback and reflection?

Is FII more cost effective than alternative programs?

FII's leadership contends that its approaches are less expensive than traditional antipoverty approaches. FII states that their costs, estimated to be approximately $650 per family member annually (after the start up phase), are lower than those of other programs. While these costs have been reviewed by an outside evaluator, researchers should further examine this question and evaluate the programs' costs in relation to other more traditional social service and intervention programs.

Can FII's approaches be scaled? How?

FII's work has been piloted with a few hundred people in three community demonstrations. More work needs to be done to examine how FII's approaches could be expanded at the municipal, state, and federal levels.

Conclusion

The Family Independence Initiative approach is not a silver bullet that will solve our country's vexing and growing poverty problem. Nor should FII-like approaches replace existing programs. However, at this writing, one in five children in the United States lives in poverty, a disgraceful statistic for the wealthiest country in the world. The approaches put forward here should be further examined and contemplated by people who care about helping vulnerable families climb the economic ladder. There is latent potential and millions of working poor men and women throughout our nation, who, when supported by neighbors and community members, and with incentives like ones that have long benefitted the middle class, can climb the economic ladder and become full contributors to a more robust economy.

Endnotes

1 U.S. Census, "Income, Poverty, and Health Insurance Coverage in the United States: 2009," September 2010, 13.

2 CFED, *Policy Innovation: New Entrepreneur Tax Credit*, (Washington, DC, CFED, 2010).

3 Reid Cramer, Alejandra Lopez-Fernandini, Lindsay Guge, Justin King, and Jamie Zimmerman, *The Assets Agenda 2011*, (Washington, DC, New America Foundation, 2010).

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