

# **NEW OPPORTUNITIES**

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**The Annie E. Casey Foundation  
Family Economic Success (FES)**

## NEW OPPORTUNITIES

### Overview

As part of the 2008-2009 Casey strategic realignment process, the Family Economic Success unit (FES) has begun a focused discussion about the future. With the unit maturing and becoming a leader in the field, FES is undertaking a long-range analysis to consider how it will best meet its goal of improving the well-being of vulnerable families leading up to the year 2025.

The goal of this process is to identify the most promising ideas and areas of concentration and incorporate them into FES's grant-making and advisory activities. FES has four goals in this process:

1. Further integrating the portfolios of FES and Vulnerable Families;
2. Developing new ways to increase the influence of FES and FES Advisory Services;
3. Identifying over-the-horizon FES opportunities and challenges;
4. Realigning FES grant-making and staff, as appropriate.

To achieve these goals, staff has launched five short-term, action-oriented workgroups that involved staff from FES, Vulnerable Families and other units of the foundation. One of the workgroups, FES New Opportunities, is identifying key issues and opportunities. To prepare this report, staff members interviewed colleagues about future trends and opportunities and how these trends might affect the work of FES and Casey on behalf of children and families, as well as the larger philanthropic community. A consultant did additional interviews and compiled a broad collection of ideas, trends and opportunities from recent publications, including reports, policy briefs and media accounts.

In all, interviews were conducted with more than three dozen colleagues. Many of them are partners of the Casey Foundation and have experience in some aspect of the foundation's work. The interviewees include economists, scholars, practitioners, policymakers and community activists. Each was asked about emerging trends, how those trends will affect vulnerable families and what opportunities may develop.

This report summarizes key findings obtained during this process, describes some key issues and trends, and explores how these are likely to affect vulnerable children and families. The report also outlines a number of strategies that both Casey and the broader philanthropic community might consider in the years ahead.

## Trends to Consider

### 1. Economic Changes: Vulnerable families face steep challenges in a troubled economy.

The American economy may be descending into a possibly deep recession, which could carry major consequences for the nation and particularly for low-wage workers and their families.

At the same time, the credit crunch and foreclosure crisis are hurting low-income families – as well as many better-off families. Exacerbating the situation, the “credit binge” of the past few years has led to unaffordable debt for families of all income levels.

Looking ahead, we can expect to see a more pronounced economic inequality, with wages failing to keep pace with inflation, lowering the standard of living for many working families. Today, fewer working families enjoy a financial cushion against unexpected expenses or income interruptions. More working families will be vulnerable to a single setback – an illness, a sick child, a broken-down car – that will be economically catastrophic. This is happening even as costs of healthcare, food, education, energy and insurance are climbing, creating difficulty for families to make ends meet. The price of milk, for example, increased 26 percent in the past year, while egg prices climbed 40 percent.

The quality of jobs will be a major concern in this economic climate. Along with inadequate pay, the workplace is increasingly providing fewer – and lesser – benefits to workers. And while some higher-wage jobs give workers more flexibility to deal with family issues, that generally is not true for low-wage workers. We are also seeing families being forced to take responsibility for healthcare and retirement benefits that were previously provided by employers and the government.

The bottom line is that working in a good job that provides the pay and benefits that allow a breadwinner to support a family, own a home, and build financial assets is moving increasingly out of reach for many Americans.

Any response to this critical problem will be complicated by the projected federal deficits and anticipated competition for public revenues. This may force individuals and families to take on yet greater responsibility for paying for health care and preparing for retirement. Many working families are ill-equipped to do that.

### 2. Globalization: A “flat” world poses economic challenges to American workers

The rapid acceleration of globalization, coupled with continuing advances in technology, carry important consequences for our economy – affecting job quality, particularly regarding pay and benefits and the skills needed to secure and hold onto jobs.

Increased international competition and technological advances have made it easier for jobs to go overseas – not just lower-skilled jobs in manufacturing, but increasingly higher-skilled jobs in technology (e.g., China’s rapid expansion in electronics), the service sector (such as information technology customer support centers in India), and the financial services sector.

Employers around the world and in America need more skilled and technologically proficient workers, but American workers are falling behind other developed countries. American high school students, for example, trailed those in 27 other countries on a standardized mathematics exam and students in 17 countries in reading, according to results reported by the Organization for Economic Cooperation and Development. And a high number of students drop out without the most basic academic credential, a high school diploma, and many graduates are ill-prepared for post-secondary education or training.

A continued decline in manufacturing will likely mean that the availability of good jobs for workers without skills will also continue to decline.

### **3. The financial sector: New products emerging**

Low-income communities will continue to need better access to credit, particularly for higher education and training or to launch and sustain businesses. At the same time, we will see continuing change in the financial services sector that may hamper such access.

For example, there will be continued consolidation, leading to a small number of very large national institutions and fewer small community banks and credit unions. Along with that, we can expect to see more non-bank institutions in the field, leading to new, innovative products becoming available, carrying the potential to both help and harm consumers, especially those with low and moderate incomes.

The foreclosure crisis could lead to major changes in the regulation of financial institutions, which will affect the types and cost of financial products available to consumers.

Among the emerging opportunities are new kinds of banking, such as peer-to-peer lending and a new focus on environmentally sensitive investing. The rise of “ethical banking” practices also offers potential assistance to vulnerable families.

### **4. Demographic change: A new America brings new challenges**

The U.S. is undergoing a major demographic change, becoming more racially and ethnically diverse.

Among America’s children, immigrants will account for the most growth. Today, one in five children is an immigrant or the child of immigrants. That figure is expected to

grow to one in three by 2040. The proportion of Latino children is growing fastest – one in six children born today is Latino.

Linguistic diversity is great and also growing. For instance, more than 90 languages are represented in Los Angeles' public schools, and 100 in NYC's schools.

At the same time, the native-born population is aging as Baby Boomers near retirement and fertility rates decline.

These changes pose significant policy issues. How will schools and higher education institutions cope with the increased needs of the populace? And the aging of the population will significantly increase the demand on public spending for healthcare and Social Security, creating tension with advocates for other government programs. Policymakers will have to deal with a potential Medicare-versus-childcare dilemma. That and other potential conflicts over government resources could have enormous implications for vulnerable families.

There are broader issues related to racial and ethnic disparities and inequities. Of particular concern are the obstacles confronting many in the African American community. One troubling statistic: one in nine African American men between the ages of 20 and 34 is incarcerated. And a disproportionate number of African American families live in poverty. Improving these conditions will require a more focused and intentional response by nonprofits, foundations and the public sector.

We can expect to see growing racial and ethnic tensions, such as white vs. African American, Hispanic vs. African American, native born vs. immigrant, particularly in certain regions of the country.

## **5. Place: Changes in how American communities look**

We will continue to see significant differences in the look and makeup of American places. Urban areas will continue to grow, and both cities and suburbs are becoming more diverse, fueled in part by changing immigration patterns. Newly arriving immigrants are, unlike previous generations, opting in large numbers to settle in suburbs rather than inner cities, changing the face of many communities.

It is important to recognize that poverty and economic hardship are becoming more pronounced in inner ring suburbs. A loss of well-paying jobs in manufacturing and other fields is contributing to this trend. Struggling families in these areas will be hamstrung by certain place-based factors, including a lack of adequate public transportation and poor access to social support services.

Rural areas also face other major challenges – such as a lack of medical facilities, inadequate communications systems, and a lack of family-supporting jobs and industries.

The nonprofit sector will be increasingly challenged to look beyond urban centers and provide new opportunities in outlying communities.

## **6. Education: Forging a better pathway to economic success**

Americans are becoming less literate – in part because of an influx of relatively less-educated immigrants – even at a time when higher-order skills are becoming increasingly necessary in the workplace. Responding to this problem will be complicated by an expected shortage of qualified teachers.

Providing low-income Americans with affordable opportunities for education will be a key challenge. However, online education is expected to grow, which will provide new ways for low-income people, including working adults who need flexible educational offerings, to earn postgraduate credentials and improve their economic prospects.

We will likely see a new focus on recruiting students based on socioeconomic status, not race. This will become increasingly necessary to counteract a continued rise in the cost of higher education.

We will also see an enhanced focus on personalized learning suited to an individual's learning style, relying in large part on new technology. This has the potential to provide benefits to low-income people by making education and training more effective.

## **7. Technology: Reshaping lives**

Technology continues to evolve rapidly, and innovations will provide significant opportunities for improving the lives of low-income Americans and others.

Hand-held communications devices are growing cheaper and more prevalent, making constant communication a reality. And the "digital divide" is receding, making access to computers and the Internet more readily available. As of the end of 2007, nearly 72 percent of Americans reported that they used the Internet.

Many of the opportunities created by technological change carry important implications for low-income Americans. For example, we will see innovations in education, training and the delivery of services and new, more flexible methods for reaching people. Technology will give people better access to needed services and will promote easier involvement in social organizations and movements, and will lead to more information being available to individuals and communities.

New information technology will give people more tools to solve problems and will lead to better e-government. Technological progress will lead to more sophisticated consumer financial products and services. And electronic and wireless access to financial products and services carry implications for the ways that consumers manage their cash flow and bills.

New communication tools also could facilitate development of businesses and new opportunities for community building.

Finally, new technology offers opportunities for localized energy generation, particularly in rural areas.

In all of these areas, a key challenge will be translating technological gains into benefits for vulnerable families.

### **8. Healthcare: Rising costs and lack of access contribute to the financial stress of low-income Americans**

America will continue to experience a healthcare crisis as millions of people go without health insurance – leading to inefficient delivery of care and poor health outcomes. Costs for health care will continue to rise, fueled by the aging of the population. Such costs will fall particularly hard on low-income Americans, who often lack access to affordable health care.

At the same time, the healthcare industry continues to experience a technology revolution that will lead to better screening of patients and better treatment. In particular, neuroscience advancements are leading to better treatments, including for children. One key challenge will be making sure all Americans, no matter their income or work status, are able to take advantage of this medical progress.

### **9. Climate change: Challenges and opportunities**

Climate change remains one of the key global challenges of our time. In the long term, climate change will have potentially major impacts on the economy and how we live. New living patterns may be needed in certain areas; the agricultural industry could undergo major changes; and resource issues, such as a lack of drinking water, could become more severe.

One concern is that low-income people could get pushed out of their communities over conflicts about space and resources. Rising energy costs will fall especially hard on this population.

But climate change brings with it new opportunities. Among them is the possibility of creating a “green” economy that would provide eco-friendly jobs, including many for people with low skills. There is also an opportunity to retool educational entities to provide training and instruction geared to a new green economy.

Climate change may generate new attention to co-location and smarter planning in densely populated areas. Regions are rethinking ways to integrate affordable housing, jobs and livable communities with easy access to work, school, transportation and other amenities.

## **10. Citizenship and civic engagement: Rekindling faith in institutions that serve vulnerable populations**

The public's confidence in and support of public and civic institutions is declining. Americans are losing faith in the ability of government to solve problems – such as the health insurance issue or the national infrastructure crisis.

Similarly, institutions that were important and successful in the 20<sup>th</sup> Century—labor unions, religious congregations, and others – appear to be becoming less influential, less popular, and, in some cases, on the decline.

One aspect of this development is the fact that the federal government continues to step back from addressing key issues, deferring action instead to the states.

At the same time, more people are accepting the notion that Big Solutions are needed. Foundations should be looking for ways to capitalize on this emerging notion.

Moving ahead on major issues, there is a growing need and opportunity to create new partnerships that span key sectors – public, private, non-profit, and philanthropic – to meet some emerging challenges.

Related to the issue of civic engagement, the philanthropic sector should recognize the major restructuring taking place in the media. Newspapers and traditional media outlets are losing customers and revenue, while new entities and information-sharing systems are emerging. This ongoing transformation will affect the way Americans obtain news and information about their communities. This change provides an opportunity to promote new nonprofit media outlets to serve disadvantaged communities. And new technology has the potential to increase political participation among sometimes hard-to-reach constituencies, including young people and minorities.

## **11. Changes in the Nonprofit Sector: Preparing for the challenges ahead**

The nonprofit sector is facing significant challenges – at a time when the federal government may be doing less to help struggling Americans.

We can expect to see many nonprofits experiencing more financial stress. This will be coupled with an expectation that nonprofits will increasingly embrace business models, with a stronger focus on outcomes, program impacts and accountability.

At the same time, many nonprofits are facing a leadership crisis as boomer-generation leaders retire, and many lack leaders with adequate business and management skills. Moving forward, low salaries and meager benefits will hamper the nonprofit sector's ability to grow and thrive.

There are opportunities to support the sector – through more flexible grants to help nonprofits move more nimbly. And there may be benefits if poorly performing nonprofits close their doors.

There may be ways to help nonprofits diversify their income streams, through, for example, the aggregation of micro-contributions. And venture philanthropy is on the rise, creating new opportunities to help nonprofits.

Finally, new information technology will help nonprofits deliver services, information and referrals more efficiently.

## Looking Ahead

Reflecting on the range of trends, we see that the American Dream is moving out of reach for many Americans, especially the vulnerable populations Casey and many foundations are most concerned about—low-income families, immigrants, youth, ex-offenders, and others.

Families are struggling to make ends meet—to get (and keep) jobs with good wages and benefits, rent (or own) a home in a safe and stable neighborhood, pay their bills, and go to school—let alone trying to advance.

At the same time, the wealth gap has never been larger, and racial disparities are increasing. America, long the land of opportunity, is now characterized by major barriers for working families trying to get ahead: high prices, limited access to fairly priced goods and services (including access to capital), racial discrimination, language barriers, and limited social networks.

These barriers affect more families than ever and reach up the income scale to previously “secure” families, creating the need for a broader, more inclusive dialogue about income and wealth inequities and the need for America to get back to basics and invest in its people.

Public, private, nonprofit, and philanthropic partners need to work together, seeking innovations and new solutions as well as leadership capacity to develop and implement the work.

## Potential Impact on Philanthropic Strategies

The trends outlined above suggest a number of strategies for philanthropic organizations to consider in the years ahead. .

### 1. Address economic insecurity that is increasing and broadening.

Such a strategy could focus on addressing economic insecurity brought on by a lack of benefits, stagnating wages, a lack of accessible career pathways, and other critical challenges. It would also help participants gain access to and understand sophisticated financial products that can strengthen their economic standing and nurture long-term assets. And it can take advantage of new technologies to offer new

delivery channels for training that enhance workers' skills and provide much-needed financial education.

This effort would also help workers identify, apply for, and receive the work supports to which they are entitled – including unemployment insurance, wage insurance, and income supports that encourage people to stay in school, graduate, and work. Such an effort can be made more efficient and flexible by taking advantage of new and emerging changes in technology.

Foundations can continue to play an important role in researching and promoting critical and time-tested supports such as the earned income tax credit.

Such strategies should acknowledge that a broader spectrum of Americans are facing economic insecurity and will need help connecting to work supports in challenging economic times.

- What are the key lessons to keep in mind in exploring the creation of new labor market institutions?
- Which philanthropies are best suited to be a part of such efforts?

## **2. Make education more accessible and attainable for everyone, especially vulnerable populations.**

With new delivery channels such as online courses supplementing traditional methods, education and training opportunities will be more widely available. Foundations can help provide incentives to pursue education that will lead to financial progress – by offering financial aid, educational supports and coaching for both youth and adults.

Because of the deep and complicated intergenerational relationship between educational attainment and income, low-income youth need more supports, social networks and pathways to be successful in school. Foundations can help identify best practice opportunities for success, suggest indicators of progress, and broker collaboration between key national partners. In many cases, such efforts are already underway, led, for example, by Gates, Lumina (community colleges) and Atlantic (K-12). A future strategy could include a sharp focus on the work of community colleges and nonprofits organizations in helping low-income adults build skills.

Educational institutions are not responding adequately to the changing needs of students with limited English proficiency or poor reading skills. Educational institutions need to offer more social supports and become more culturally competent in service delivery. Prison populations are comprised of a disproportionate number of high school dropouts, creating the need for classes to be delivered behind the fence and then in the community at the time of re-entry. Employers need to support lifelong learning by giving workers more time and incentives to develop their skills.

Foundations can also find new ways to make sure all Americans, no matter their income, have access to higher education. Learning English should be a priority, both in school and in skills training; support for such efforts would fill an important gap in the

nation's educational offerings as the number of immigrants continues to rise across the country.

- What are the best ways to create realistic incentives for people to pursue educational opportunities?
- How can philanthropies help make it more practical for working adults to mesh education, work and building a better life?

### **3. Create new jobs and career opportunities in high-growth employment sectors.**

The recession has only exacerbated the need to respond to low labor force participation rates in low-income communities, through new job pipeline initiatives.

Given the vast need to rebuild and replace the aging infrastructure in cities across the country, an “infrastructure corps” could put millions of youth and adults to work across the country. Similarly, “green” jobs and conservation programs could provide new economic opportunities for struggling communities.

Such efforts must be tied to local and state policies that create the demand for those jobs – e.g., new housing policies and codes that require homes to be more energy efficient, use greener products and address weatherization issues. The Second Chance Act could also help make these jobs available to ex-inmates. Another opportunity lies in urban planning that makes it a priority to co-locate affordable housing with thriving employers in urban areas – a strategy that is environmentally sound and will create job opportunities.

Given the continuing globalization effect from technology and the outsourcing of some jobs, it will make sense to focus investments in this area in sectors that cannot go offshore – among them healthcare and hospitals, utilities, construction trades and local government.

- What role can foundations play in implementing a “green” economic development strategy?
- What is the right strategy for developing support for an “infrastructure corps” concept?

### **4. Identify place-based and regional economic development strategies.**

Moving ahead, economic and workforce development strategies must be closely tied to a specific place – to respond to the economic realities of that community or region and take advantage of that area's assets, whether it's strong nonprofits, specific high-growth job sectors or others.

Implementing such coordinated strategies is challenging, and the nonprofit sector has a limited ability to deliver results. Success will require connecting national institutions to community-based organizations that reflect grass-roots needs; using

market-driven approaches to achieve successful results; and employing new, creative models of delivery. (Examples include peer production models like creating “do-it-yourself” public goods in Portland, to self-help credit unions and self-financed utilities that retrofit low-income homes in poor neighborhoods.) These kinds of creative strategies will require social investment and a pipeline of entrepreneurs.

- Are there new ways to co-locate jobs, affordable housing, and public transportation in order to promote regional growth?
- How can foundations promote responsible development of low-income communities that provide livable communities and strengthen education and job pipelines while also focusing on economic development strategies?

### **5. Collaborate across sectors and harness the strengths, innovations and market incentives of the private sector.**

There is a lack of faith in the ability of government, public agencies and the nonprofit sector to produce strong outcomes and results for low-income families despite obvious good intentions. This places increasing pressure on these entities and sectors to improve their responses to community challenges.

Moving ahead, the philanthropic community should find ways to effectively bridge various sectors to create new collaborations and partnerships. In doing so, we can require innovations and accountability, including specific goals and benchmarks, as the private sector does.

These new entities will also need to be nimble and flexible (more like the private sector) and draw on the resources, experiences and influence of the public, nonprofit and philanthropic sectors. There may be an opportunity for thoughtful and creative responses to cross-cutting issues. For example, a new national response to the infrastructure crisis may pave the way for a dialogue about inclusion and access to affordable housing, new jobs and assets.

Moving forward, foundations can do more to let the government and private sectors know about what works – and what doesn't.

Additionally, the philanthropic community can do more to develop the professionalism and management skills of those working in the civic sector. And, plans need to be made now for nurturing a diverse next generation of nonprofit leaders. The opportunities for working collectively on these issues appear to be there – from advances in technology, to innovative financial services products and new types of partnerships. But achieving ambitious cross-sector goals will require strong leaders who have a rich variety of experiences and skills.

At the same time, all levels of government – including local, state and federal – must find ways to work together more effectively, by tearing down bureaucratic silos and ending policies and spending practices that stifle progress for vulnerable Americans and communities. The philanthropic community can help bridge these gaps through various roles, including highlighting policies that work and those that don't.

- How can foundations facilitate dialogues between the public and private sectors that leverage the results-oriented approaches in the private sector to the benefit of the greater good?
- Are there ways to get higher education and industry to focus more on moving people into the nonprofit sector?

### Other questions to address:

- Should more foundations consider taking on a broader role in major global issues that affect vulnerable families – trade, education, infrastructure and technology – along with the ongoing (but still inadequate) attention to poverty?
- How can foundations focus more attention on states and local governments, where policy innovations are underway? For example, various mayoral responses to global warming have raised awareness and helped fuel the national debate.
- What is an effective way for foundations to foster dialogue between private, public and nonprofit sectors with a goal of increasing the professionalism of the nonprofit sector?

### Interviewees:

Diane Baillargeon, Chief Executive Officer, Seedco

Ray Boshara, Vice President for Domestic Policy Programs, New America Foundation

Tony Carnevale, Professor of Economics, Georgetown University

Ernie Cortes, Director, Southwest Industrial Area Foundation

Brian Dabson, Executive Director, Rural Policy and Research Institute

David Dodson, President, MDC

Phyllis Eisen, Former President of the National Association of Manufacturers

Denise Fairchild, Chief Executive Officer, CDTech

Mary Fairchild, Senior Fellow, National Conference of State Legislatures

Henry Holzer, Professor of Economics, Georgetown University

Craig Howard, Director of Community and Economic Development, John T. and

Catherine T. MacArthur Foundation

Jim Jacobs, Associate Director of Community College Research Centre

Alan Jenkins, Executive Director of a strategic communications firm

Bruce Katz, Vice President and Founding Director of the Metropolitan Policy Program,

Brookings Institution

Jeffrey Lubell, Executive Director, Center for Housing Policy

George McCarthy, Economist, Program Officer, Ford Foundation

Signe-Mary McKernan, Senior Research Associate/Economist, Urban Institute

Frieda Molina, Senior Operations Associate, MDRC  
Cecelia Munoz, Vice President of Policy, National Council of La Raza  
Neil Nicoll, Chief Executive Officer, YMCA  
Jeremy Nowak, Founder and CEO, The Reinvestment Fund  
Manuel Pastor, Professor of Geography and American Studies and Ethnicity at USC-LA  
Hilary Pennington, Director of Economic Opportunity Portfolio, Gates Foundation  
Joel Rogers, Professor of Law, Sociology, and Political Science,  
University of Wisconsin at Madison  
Juan Salgado, Executive Director of Instituto del Progreso Latino  
Ellen Seidman, Director, Financial Services and Education Project and Asset Building  
Program, New America Foundation  
Gene Steuerle, Senior Fellow, Urban Institute  
Marcelo Suarez-Orozco, scholar of immigration integration  
Andrea Taylor, Director of Community Affairs, Microsoft Corporation  
Jennifer Tescher, Center for Financial Services Innovation  
Peter Tufano, Professor of Financial Management, Harvard University  
Chantel Walker, Vice President, Insight  
David Warnock, founder and partner of venture capital firm (focused on education)  
Orson Watson, Jobs for the Future  
Bob Weissbourd, Chief Executive Officer, RW Ventures