

Stanford SOCIAL INNOVATION REVIEW

What's Next **Giving Smarter** By Suzie Boss

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nonprofit with forward-looking ideas, FECS announced the launch of Center4 in July and planned to have the space operating by the end of this year. Raising cross-sector conversations about improving social services is just one goal. Center4 also will be an active development space where technologists can design new tools, or repurpose existing technologies, to improve service delivery. Potential investors will be able to get an early look at tech tools that promise to deliver social good. FECS, too, may find technologies to invest in at Center4 through its for-profit subsidiary, All Sector Technology Group.

Serving some 110,000 clients annually through a wide range of health and human service programs, FECS sees an urgent need for New York City's 42,000 nonprofits to create efficiencies and use technology in new ways. Through its tech subsidiary, FECS has been able to invest in tools that build nonprofit capacity, such as an integrated case management app for service providers.

At Center4, named for the emerging fourth sector, small organizations will be able to pool their problem-solving strategies and resources to incubate new solutions. For example, 10 foster care organizations might come together around an idea for a technology tool that could improve their capacity for serving clients. "Watch what could happen in Center4," Machowsky predicts, "if they share an investment so the cost to each agency is lower. That would be an incredible outcome of this center."

Similarly, service providers may have an idea that's practical but technically primitive. "If a technology entrepreneur or investor saw it, they could take

this to the next level to meet a specific market need," says Machowsky.

He anticipates rapid technology development in health care and social services in the coming years, as developers dig into the many issues awaiting better solutions. Telehealth services are still in their infancy, for example, yet could be the key to reducing costs for in-home health care. Similarly, online virtual systems could allow for better case management for everyone from the elderly to people with developmental disabilities. "It's an enormous market for innovation," Machowsky says.

Budding entrepreneurs with a desire to do social good will get a warm welcome at the new incubator. "We hope to inspire young entrepreneurs whose ideas will be philanthropically supported," Machowsky says.

Even before the doors opened, Center4 had attracted a high-powered team of advisors, including Brian Cohen, chairman of the New York Angels, and Lee Barba, an active venture investor. Advisory board member Lisa Philp, vice president of strategic philanthropy and director of GrantCraft for the Foundation Center, says Center4 "has the potential to facilitate a range of partnerships among funders, social investors and entrepreneurs,

government, technologists, and health and human service nonprofits." In the current landscape, Philp sees nonprofits at various stages of technology adoption, "from those that don't have a website to others that are using mobile apps to connect with their clients, and everywhere in between. I'm excited about the opportunity for people to come together to figure out ways to apply existing technology to nonprofit challenges and to develop new approaches." ■

PHILANTHROPY

Giving Smarter

► The launch of the Center for Disaster Philanthropy, timed to coincide with the seventh anniversary of Hurricane Katrina, took an unexpected turn when Hurricane Isaac barreled toward the Gulf Coast in August. Isaac turned out to be far less destructive than the 2005 storm, but left those in its wake with a powerful reminder that disasters are inevitable. So is the need for donations to respond to them.

Helping donors make better informed, smarter decisions about disaster philanthropy

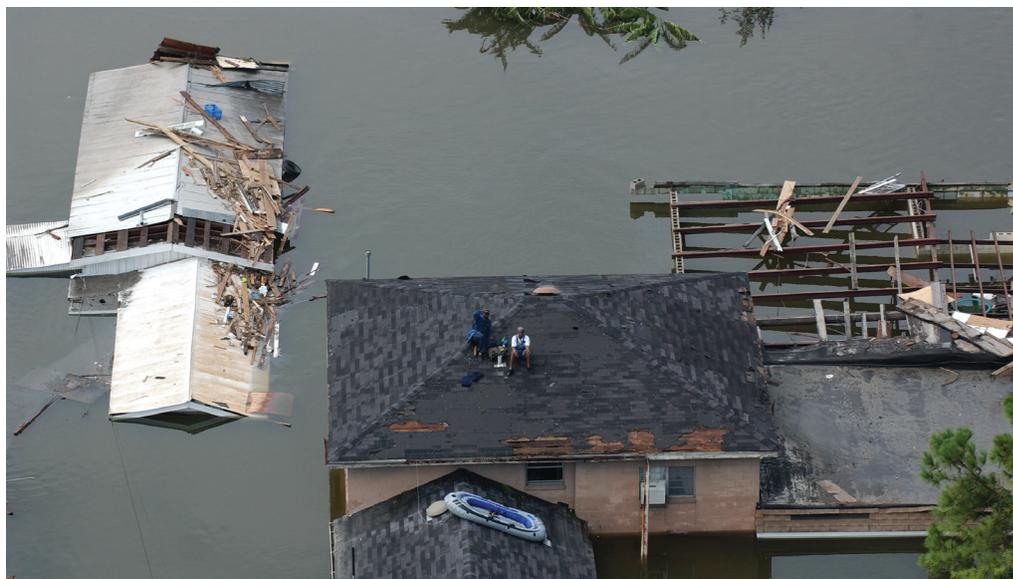
The Center for Disaster Philanthropy aims to better funnel relief after events like the devastation of New Orleans.

worldwide is the goal of the new center, based in Washington, D.C.

"We want to encourage people to focus on helping across the entire life cycle of a disaster," says director Robert Ottenhoff, "not just in the immediacy of the event." Money that's given "in the passion of the day," he adds, "is not always well spent." By helping donors leverage their support to fund disaster mitigation, preparation, and long-term recovery, he adds, "we think we can really increase our impact."

Foundation directors from the Gulf Coast region were the first to suggest a new center focused specifically on disaster philanthropy. "Katrina was the defining experience for them," says Ottenhoff. Some local charities were overwhelmed by the flood of compassion that the storm unleashed, and turned away would-be donors. "We want to make sure we have the plans in place so nobody will have to ask that question again," Ottenhoff says. He became the first executive director of the Center for Disaster Philanthropy in July after a decade at the helm of GuideStar, which provides research and analysis about nonprofits.

As the new center ramps up, Ottenhoff expects it to focus on three areas. As a knowledge



center, it will compile and share research and resources about disaster philanthropy. The center also will create new funds to allow donors to pool resources and work collectively. Third, it will offer advisory services to foundations and private donors.

A parallel effort to educate potential donors about disaster response was launched in late summer by the National Voluntary Organizations Active in Disaster, a coalition of more than 100 charities. Their message in a TV and radio campaign: "Give responsibly." Along with educating potential donors, the coalition is encouraging charitable organizations to have fundraising plans in place in case disaster strikes.

Nonprofits that provide direct services to disaster victims are looking to the new center to help advance their mission. Mercy Corps, a global humanitarian agency that works in conflict zones as well as in regions hit by natural disasters, sees "a ton of potential value" in the Center for Disaster Philanthropy, says Jeremy Barnicle, chief development and communications officer for Mercy Corps. "It would be very helpful for donors to have a better appreciation for the benefits of disaster preparedness, which can greatly reduce the vulnerability of people to inevitable natural disasters. It would also be great if more donors understood the importance of long-term recovery after disasters."

Patience is another message that donors might need to hear. Those who open their wallets after a disaster, with the best of intentions, can sometimes apply pressure "to spend disaster dollars fast, and yet that's not always the best thing for those most affected by the disaster," Barnicle adds.

From his work at GuideStar, Ottenhoff understands the value

of providing donors with data and information. He also understands that not all donors are the same. "It sounds simplistic," he adds, "but we need to find out what kind of services donors need and then meet those needs." By providing donors with information tailored to their interests, Ottenhoff hopes they will "have more confidence, ultimately giving more money to disaster relief." ■

ECONOMIC DEVELOPMENT

New Option for Retirees

▶ Working for a small business offers employees certain intangibles, such as the family-like atmosphere that often comes with a small shop. It can be a different story, though, when it's time to retire. Because few small businesses offer pensions, many employees face less-than-golden years when they stop working.

"Retirement insecurity," the polite term for the prospect of poverty in old age, is an increasing likelihood for more than 80 percent of US workers in the bottom quarter of the wage scale who don't take part in retirement plans. At upper-income levels, retirees "may have four or five substantial income sources," according to a 2011 report from the University of California, Berkeley's Center for Labor Research and Education. Retirees who earned lower wages tend to depend only on Social Security, which averages \$14,000 annually. Even if lower-income workers manage to save on their own, they may lack expertise to make investment decisions.

Low-wage workers are the demographic group that has the most to gain from a new model of state-sponsored pensions for private sector employees. The National Conference on Public

Employee Retirement Systems (NCPERS) is advocating adoption of what it calls Secure Choice Pensions. Hank Kim, executive director and counsel for NCPERS, says the idea is to create statewide plans that emphasize simplicity, portability, and sustainability. "The only thing employers would have to do is give their employees the option of participating through payroll deductions," he says, "and give themselves the option of contributing."

Kim doesn't want to place new burdens on small businesses "that are focusing on a daily basis to make sure their business continues. To ask them to take their eyes off that and become a human resources center is not going to happen." Instead, NCPERS envisions individual states taking on the administrative and fiduciary burdens of the new plans, just as they do with public pensions.

The predictability of defined benefits is another feature of Secure Choice Pensions. That's a distinction from defined contribution plans, which fluctuate in value with market changes. During the recent recession, Kim estimates that baby boomers saw their assets "essentially cut in half. Individual investors, particularly those who rely on 401(k) plans almost exclusively for retirement savings, are facing significant issues if they plan to retire within the next 10 to 15 years."

By creating large risk pools, the new plans would—in theory—be able to cover payouts and keep management costs low. "We would look to the insurance market to backstop any shortfall," Kim says, insisting that the new plans would create "no taxpayer liability."

Nonetheless, the possibility of shortfall raises alarms for skeptics

and small-government advocates. In California, the first state to pass legislation to establish a state-sponsored plan, local chambers of commerce have been vocal critics of state involvement in any new pension products. The Orange County Business Council, pointing to California's unfunded *public* pension liability, questioned why the state should consider entering the private pension business.

Kim expects more states to take up the idea in 2013. Meanwhile, his organization is advocating changes in the federal tax code, "lifting fiduciary and administrative burdens off the employers and placing it on the plan."

Karen Friedman, executive vice president and policy director for the Pension Rights Center, predicts the plans will be "win-wins for both employees and businesses. State-based models for pension expansion could become the incubator for a comprehensive national solution."

Because the proposed plans would operate separately from public retirement systems, Friedman adds, "they will not add to state budget deficits or add to the liabilities of the state systems."

Although plans would have a state oversight board, the investment and management functions would likely be contracted out to the private sector. That means the plans "could provide new business opportunities to the private sector," Friedman adds.

Kim expects criticism to fade as states develop their own versions of Secure Choice plans. "We're going after a market that hasn't been served by the current set of retirement options out there," he says. "I don't think we're stepping on anybody's toes." ■