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What Works

Sticking Together **A California mayor's challenge leads to an** **innovative resource-pooling strategy**

By Anne Stuhldreher

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NEW IDEAS

Sticking Together

A California mayor's challenge leads to an innovative resource-pooling strategy by Anne Stuhldreher

Veteran antipoverty activist Maurice Lim Miller had never met Oakland Mayor Jerry Brown. So when Miller's home phone rang late one night in 2000, he was surprised to find one of America's best-known municipal leaders on the line.

Brown was fuming. Oakland's programs to help its poor become more economically self-sufficient weren't working. A recent city department request for \$10 million looked to him like "poverty pimping," creating 125 jobs for City Hall bureaucrats but barely benefiting the youth it was supposed to help. Frustrated, Brown dialed information to find Miller, the longtime executive director of Asian Neighborhood Design (AND), founded to help improve housing standards in San Francisco's overcrowded Chinatown and other Asian enclaves. Miller's antipoverty strategies were so successful that President Bill Clinton praised them in his 1999 State of the Union address. The mayor issued a challenge: If Miller didn't have to play by the existing rules, could he do better? Could he craft a strategy that would truly help people permanently exit poverty?

Miller accepted Brown's challenge, but he didn't look to AND or other established programs. "Most programs, including ones I ran, don't help families permanently leave poverty," he said bluntly. "If anything, they only make the conditions of poverty more acceptable." Instead, Miller reflected on how first-generation 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'd also pooled money and loaned it to one another to start small businesses, a technique common in low-income ethnic communities whose members can't borrow from mainstream financial institutions. The revolving loan funds are called "kyes" in Korean and "tandas" in Spanish.

A month after Brown's call, Miller had an answer for the mayor: the nonprofit Family Independence Initiative (FII). This experiment, now finishing its second year, is based on the simple but novel idea that social service programs should mimic the successful methods of immigrant families that manage to escape poverty. FII works with groups of families and encourages them to rely on each other and only occasionally come to FII for help. The organization rewards families' successes with small amounts of money. "We play the role of a well-connected relative," said Miller.



A Laotian couple celebrate their purchase of a new home in Oakland. The couple bought the home with assistance from the Family Independence Initiative.

Unlike most welfare programs, FII does not work with individuals, but only with families in their natural communities. Miller said every community has dormant self-help networks that can help families avert crises and move up the economic ladder. The FII program has no caseworkers to "solve" families' problems. Instead, when a family member approaches FII for help – to repair their credit rating, for example – a staffer gives encouragement but connects them with a neighbor or friend who has successfully fixed their own credit rating.

Launched in 2001, the program initially involved 140 people in 25 African-American, Salvadoran, and Laotian families. In just two years, the economic successes of these families have caused jaws to drop in the antipoverty community. Household incomes jumped an average of 26 percent over an 18-month period from 2001 to 2003, a time of recession in the Bay Area. The families' net worth and savings nearly doubled in that same period, according to FII. Because the groups pooled their money to help each other make down payments, nine of the 25 families have become homeowners in the pricey Bay Area real estate market.

"This is clearly one of the best grants we've ever made,"

what works

Strategies, Approaches, Developments



said East Bay Community Foundation CEO Michael Howe. “We’ve never seen families come so far so quickly.”

Based on this track record, FII is partnering with the Alameda County Social Services Agency to test the Initiative’s approach with 75 more families. FII’s budget this year is \$840,000, provided by local and national foundations including the Annie E. Casey Foundation, the East Bay Community Foundation, and the San Francisco Foundation.

Among FII’s participants is Dishonne Muhammad, an African-American single mother of two. Once struggling to make ends meet on her own, Muhammad is now connected to six other black families that share childcare and buy groceries in bulk. The families – not FII staff – come up with these and other strategies to cut costs and improve their lots. The families share encouragement as well as resources: Someone who gets a better job inspires someone else to do the same. Muhammad said the Initiative builds on the mutual assistance that naturally occurs in the community. “You can achieve so much more when you’re cooperating with other families,” she said. “You cut costs tremendously.”

Most social welfare programs give people money if they fall into categories based on need, such as “single mother,” “homeless,” or “at-risk youth.” By contrast, FII rewards concrete successes. Families can earn up to \$3,000 a year for actions that help improve their economic standing – \$25 for improving their kids’ grades, \$50 for taking a class, \$50 for improving a credit score, or \$100 for enrolling in a health insurance program.

The Zavalas were the first FII family to purchase a home. With the Initiative’s encouragement, they found a \$235,000 three-bedroom fixer-upper in East Oakland. FII staffers pointed the Zavalas to a financial management class, urged them to raise the \$40,000 down payment from family and friends, and then assisted them during the closing and signing of the loan papers. FII also provided \$4,000 in a 2-for-1 match of the \$2,000 that the family invested in an individual development account, a restricted savings account pioneered by community-development nonprofits to help lower-income families build wealth. Relatives and friends who work as bricklayers, landscapers, and construction workers pitched in to repair the house, which has already appreciated \$100,000.

Once one family bought a house, the others were eager to keep up with the Joneses. The savings of the other FII families immediately shot up, and five of the six Salvadoran families have since purchased homes. “People get excited when they see someone they can relate to succeed,” said Marisa Castuera, FII’s executive director.

Yet some social service professionals remain skeptical

about FII, said Miller. “They can be very paternalistic. There’s a sentiment that low-income people need trained professionals more than they need each other.”

Some foundation and social service experts thought the program wouldn’t work with nonimmigrants, said Miller. “But the African-American families have made by far the biggest gains in income, savings, and net worth,” he said. The African-Americans may have more earning potential, speculated Castuera, because they’re more educated than their Laotian and Salvadoran counterparts. All of the African-American participants have high school degrees, whereas none of the Laotian and Salvadoran families do. Also, immigrant families are more likely to spend their savings to send their children to parochial schools, while African-Americans are more likely to use cash reserves to start businesses. “The Mien [ethnic Laotian] and Salvadoran groups are more focused on their children as their way out of poverty,” Castuera said.

The families making the least progress are the ones receiving public assistance. “When families are transitioning to independence, they are cut off from help when they need it most,” Castuera said. People lose eligibility for certain welfare benefits when they save too much money. If they accumulate more than \$3,500, families lose their Medicare and welfare, so many are wary about putting away money. To overcome this problem, FII received a state waiver ensuring that families in the program will not lose benefits as they increase savings.

FII doesn’t work for everyone who is poor, Miller said. People in crisis need the current safety net of subsidies and professional services. “But if people are ready to move on and improve their lives, we need an alternative system that currently does not exist,” he said.

As Alameda County starts to adopt FII’s alternative approach, social policy experts nationwide will be watching. Some think the Initiative’s early success may be due to “creaming,” or handpicking those individuals most ready to raise their economic status, a charge Castuera denied. “There’s a stereotypical assumption behind the creaming charge that some low-income families can and some cannot make it,” she said. In selecting its participants, FII approached Oakland community organizations including the Laotian Mien Cultural Association and Catholic Worker to steer them to families that seemed stuck in poverty. “These families are people who were receiving the typical cocktail of social services and still not making it,” said Castuera. “We thought these peoples’ success would be the most inspirational to their peers.” □