

# **Building Strong Financial Futures for Families and Communities:** A Framework for Family Economic Success



The Annie E. Casey Foundation, Baltimore, MD

## Introduction

The Annie E. Casey Foundation has worked for more than 50 years to improve the futures of this nation's most vulnerable, most at-risk children. Despite an extended period of national prosperity in the 1990s, there still are about 10 million children in the United States today who remain at great risk of being left behind. Their chances for sharing in the American Dream look bleak at best.

These children are disproportionately city kids, the disadvantaged children of urban mothers and fathers who are poor. Their parents generally have limited work experience, low earnings, no savings, little credit, and very little hope for future economic success. They and their children live in declining, disinvested and troubled neighborhoods, which are isolated from the metropolitan area.

These families remain disconnected from the mainstream economy, and their isolation is both social and economic. They struggle to make ends meet and to support their needs now and for the future. At the same time, their neighborhoods are shunned by potential homebuyers and investors because of poor schools, inadequate safety and the perception that the neighborhood is not a viable market. The community's potential vibrancy and energy has been stifled by cycles of poverty and hopelessness.

The pattern is clear to see, and it is repeated across the country: The children who are in the greatest trouble today are those whose parents do not have the earnings, assets, services, or social support systems to consistently meet the needs of their family. They are raising their children in neighborhoods where economic opportunity is scarce and family supporting systems like day care, education, youth programming and housing are weak.

The Casey Foundation has concluded that we need to find practical ways to help low-income parents achieve economic stability, and to assist high poverty neighborhoods to become more supportive environments for low-income working families.

The Foundation recognizes that serious obstacles impede the achievement of family economic success in many neighborhoods. Barriers include racial discrimination and lack of job readiness, lack of English proficiency, ex-offender status, the dearth of family-supporting jobs, and the lack of appropriate policies and access to support family economic success.

The Foundation believes that establishing durable connections between families and neighborhoods and the mainstream economy is one of the most important building blocks for family strengthening and neighborhood transformation. Our hypothesis is that isolated families have the best opportunity to secure adequate incomes, accumulate savings, and live in economically viable neighborhoods through a

combination of workforce development, family economic supports, and community investment strategies. The most effective strategies are comprehensive, results-oriented, and sustainable.

The Annie E. Casey Foundation is catalyzing a broad range of partnerships in its 22 *Making Connections* (MC) sites across the country, to put their expertise, experience and local resources to work in building Family Economic Success (FES). Over the next ten years, the Casey Foundation and its local partners will invest in results-driven FES strategies and in social supports, networks, and access to effective and trusted services. Investments will include grants for seeding, capacity building, established models, technical assistance, program-related investments, and the provision of helpful data and information. Successful investments will leverage other public and private resources, engage serious partners and co-investors, and contribute to agreed-upon short- and long-term results.

This framework document will define and discuss what we mean by *Family Economic Success* and describe a range of strategies and pathways for achieving and sustaining economic well-being. It will provide background information on the need for the FES approach, and illustrate what family economic success can look like. It will describe desirable outcomes, and the milestones and benchmarks that mark progress on the way to achieving those outcomes. The importance of customizing FES strategies to the needs of individual neighborhoods and families is discussed, with examples provided of the realities faced in the *Making Connections* sites.

The three strategic areas of FES – *workforce development, family economic supports, and community investments* – are explained, as well as the powerful synergy that can result when those strategies are linked. Policies that will support family economic success also are reviewed.

The paper concludes with an overview, and observations on the critical importance of building economic success and stability for families and their neighborhoods.

## Background

Families in the toughest neighborhoods are all too often isolated from the economic mainstream and unable to build a sustainable base of economic security for themselves, their children, and their communities. This family disconnection and isolation has occurred because of changes in the types and locations of jobs in metropolitan areas, the discriminatory practices of employers and mortgage lenders, the disinvestment practices of many financial and commercial institutions, the breakdown of informal networks and supports due to economic distress and geographic mobility, massive suburbanization, inadequate public transportation systems, and misdirected or poorly integrated public policies geared toward the disadvantaged and working poor. Immigrant and refugee populations often have language and cultural barriers that add to their isolation.

Too many families still do not have jobs, earned income, or assets. Typically, those who are among the “working poor” face increasing debt and have a tenuous hold on jobs that do not provide sufficient income, security, benefits, or career options. Transportation, healthcare, and childcare challenges exacerbate their instability.

These families are vulnerable to more than just the downturns in national and regional labor markets that beset inner-city neighborhoods. They are vulnerable to unfairly priced financial services, such as check cashing, consumer credit, money orders, and for tax filing for the earned income tax credit (EITC). High cost credit can also be seen in above-market-rate loans, insurance, and home mortgages. Disconnection from financial institutions has left residents prey to wealth-stripping practices and deeply indebted, preventing many families from accessing asset-building loans for education and homeownership.

At the same time, many low-income and working poor families reside in neighborhoods that have been left behind, in times of economic prosperity. In disinvested neighborhoods, employers, supermarkets, and other anchor institutions have frequently relocated out of the area, overlooking the potential assets of the inner city's existing labor force, consumer market, and transportation network. The dwindling supply of quality affordable housing in many metropolitan markets also has created increasing hardship for low-income families. Other neighborhoods have skyrocketed in price to make them unaffordable to families with modest incomes. In the case of gentrifying neighborhoods, working poor families are pushed to the margins, unable to remain in places where they have built up networks of social support and have access to trusted services.

Family stories underscore the problem of achieving sustained, comprehensive connections:

- Workforce development programs sometimes train adults for non-existent jobs or for jobs that have no opportunities for advancement.
- Good training programs are often not connected on a long-term basis to support services and case management.
- Working poor families who are moving ahead suddenly become ineligible for the child care, health insurance, income supplements, and other critical services they require.
- Families gaining a foothold of economic security lose ground because of expensive financial services and consumer goods.
- Good jobs are located outside of central cities, so that employed adults face long, expensive commutes if they lack reliable transportation.
- Families who qualify for the EITC either do not access it or lose a large percentage of its value in transaction costs.
- Families moving ahead relocate from their neighborhood because of safety concerns, poor schools, and few homeownership opportunities.
- Credit problems resulting from consumer debt, child support payments, medical problems, and predatory loans keep families from moving ahead.
- Financial institutions do not locate in neighborhoods that appear to have no market opportunity.

Real economic success for families will only be achieved when families are able to build a foundation of financial security that leads to self-sufficiency, and have options to stay in their community as they move up the economic ladder. A long-term commitment is required to help them create durable connections to the mainstream economy. Effective, comprehensive, mutually reinforcing strategies and investments in workforce development, family economic support, and community investment must be linked and sequenced to achieve optimal success.

Our conception of family economic success represents a new combination of strategies aimed at alleviating poverty in neighborhoods. As we move towards implementing this agenda, we must recognize and manage a set of tensions:

- Markets are larger than neighborhoods. We must determine how to get place-based results while also connecting to the regional economy and economic engines of growth.
- Traditionally, families have moved out of their neighborhoods as they have moved up. We must make our neighborhoods good choices for families to raise children and grow assets.
- Family Economic Success strategies require new forms of access for residents and families—through the Internet as well as through family-friendly neighborhood institutions.
- Comprehensive policy changes are needed that are place based, whereas most policies are population based and aimed at broad jurisdictions.

## Defining Family Economic Success Terms

What is an adequate family income? How much should a family save? What is an economically viable neighborhood? An understanding of the following terms may be helpful in discussing Family Economic Success targets and indicators:

- Adequate family income may be defined by using the Wider Opportunity for Women's Family Self Sufficiency Index or other appropriate measure. The Self-Sufficiency Index calculates how much money families need to meet their basic needs.
- The family balance sheet is a way of measuring the positive net worth of families and their potential to leverage assets.
- Fair and competitively priced goods and services (for mortgages, insurance, consumer loans, short and long-term savings and investment opportunities) are prices and rates that are average for the region.
- An employment-focused neighborhood is one in which the unemployment rate is the same as the metropolitan area.
- A savings-minded neighborhood is one in which most residents are on the road toward saving and in which the homeownership rate is increased relative to housing stock and regional trends.
- An asset-building neighborhood supports the accumulation of assets by families while the neighborhood remains affordable.
- An economically viable neighborhood has an increasing tax base, contains financial institutions, and provides access to fairly priced goods and services.

## Measuring Progress

Defining where we are going and identifying the pathways to that destination are important first steps of FES strategic planning. Multiple strategies and investments are required to reach targets, and indicators

measure progress towards achieving these targets. For example, an increased level of family assets is a target that can be achieved by investments that expand access to financial services and income supports. An increased number of neighborhood families claiming the Earned Income Tax Credit is an indicator toward achieving the target of increased family income.

We believe that using an outcomes approach is key to evaluating FES progress:

- *Targets* represent significant changes in family and neighborhood quality of life brought about over time through FES activities at the Making Connections neighborhood level.
- *Indicators* are markers of progress that identify significant levels of achievement towards these outcomes.
- *Strategies* are the high-leverage activities that sites will pursue to bring about change.

Family Economic Success for *Making Connections* sites can be defined in terms of both *family outcomes* and *neighborhood outcomes*.

## Targets and Indicators for Family Economic Success

**Family Economic Success** can be defined as *the presence of sufficient and predictable resources and connections available to meet basic family needs, aspirations for improving quality of life, and emergencies; ongoing investments in lifelong learning for the entire family; and assets that grow with the family over time, such as homeownership and retirement accounts.*

Family economic success does not come in one package. There is no “one size fits all.” Nor is it ever finished. Work is at the center; hopefully a family-supporting job with benefits. Healthcare benefits are particularly critical. These jobs will be achieved over time, through hard work, appropriate training, and life-long learning.

Supports in the workplace, as well as from family and friends, help working parents deal with unexpected challenges and important decisions about switching jobs or asking for higher wages. Supports from the faith community and neighbors help working parents figure out how to balance work and family pressures, as well as providing a ready source of information about services, job openings, and babysitters.

Finding and keeping a good job requires motivation and persistence, job readiness skills, work experience in lesser jobs (as well as other valuable work-related experiences like volunteering), and supports like the EITC, childcare, and transportation. When those elements are in place, job stability can follow. Stable work can lead to resolving past credit problems, building credit worthiness, learning more about financial budgeting, and setting money aside for emergencies. Soon, families are able to establish checking accounts at local banks and begin learning more about saving and investing. Homeownership is a natural next step, and it signals that families are becoming self-sufficient.

## Common Ground Outcomes

Our vision, through *Making Connections*, is to make meaningful, measurable, and sustainable improvements in outcomes for the children and families in America who are least likely to succeed. Over the next ten years, we believe that the cities participating with us in *Making Connections* can improve the lives of children and families living in designated neighborhoods on core results of the initiative. The following two core results are part of a larger outcomes framework that also includes social networks and access to trusted, effective services.

**Target:** Families have increased earnings and income.

**Indicator:** More parents and young adults are employed.

**Indicator:** More parents are employed in jobs that provide family supporting wages, benefits, and career advancement possibilities.

**Indicator:** Increase in levels of family income and earnings.

**Indicator:** Increase in the stable labor force attachment of parents.

**Target:** Families have increased levels of assets.

**Indicator:** Increase in levels of family savings and increase in number of families that save.

**Indicator:** More families own their own homes and other assets, such as cars.

**Indicator:** More eligible families file for the EITC & Child Tax Credit.

**Indicator:** Increase in family access to reasonably prices housing, consumer goods, and financial services.

**Indicator:** Fewer families have payment disruptions in housing status and living conditions, such as utility shut-offs and foreclosures.

## Targets and Indicators for Neighborhood Economic Success

*Neighborhood economic success* is when *families with adequate incomes are prevalent, community institutions start-up and grow, residents spend their money in the neighborhood, and there is a sense of neighborhood optimism and willingness to look out for each other.* This is likely to occur when more adults are working, homeownership is on the rise, fairly priced goods and services are available at a reasonable distance, and public and private investors are paying attention to the neighborhood.

Neighborhood economic success is a delicate balancing act. Families must improve their economic well being at the same time as optimism grows that a future can be made in that particular neighborhood. It takes time to build this confidence. Residents need to feel safe, to see local schools improving, and to see other residents investing in their homes. Private businesses and investors need to perceive the neighborhood as a profitable place in which to sell goods and services.

There are many signs of neighborhood change. For example, more people are working, fixing up their homes, and owning cars. Important services like childcare centers, after school programs, and one-stop shopping for help with employment, low-cost or free tax preparation, and financial services are more readily

available in or around the neighborhood. Fewer people are moving out, and there is a “buzz” that this neighborhood is a good place for families to raise children and move up the economic ladder. People still move because they need larger homes or to be closer to their jobs, but their houses are then sold quickly to other families, many of whom belong to the extended families and networks of existing residents.

Neighborhood economic success includes a growing ability of neighborhood residents to chart their own future through community participation in politics and membership in neighborhood associations. Oftentimes a community development corporation (CDC) will be making new investments in affordable housing and commercial development.

## Community Outcomes

*Making Connections* has put forth important family outcomes relating to income, assets, and social connectness. There is an additional set of performance measures that addresses success for the community as a whole.

**Target:** Community has increased level of assets.

**Indicator:** Increase in the services provided by formal financial institutions and depository financial institutions.

**Indicator:** Increase in the number of employers who look to the neighborhood for employee recruitment.

**Indicator:** Increase in the outlets and opportunities for reasonably priced housing, goods and services.

**Indicator:** Increase in the availability and quality of neighborhood-based services and supports.

**Indicator:** Increase in private investments in the neighborhood.

**Indicator:** Increase of public resources committed to the neighborhood infrastructure.

## Meeting Needs: Place By Place, Family By Family

The FES approach represents *a combination of new and established economic opportunity strategies brought together with a focus on families and neighborhoods. These strategies are most powerful when they are linked, and when they include social networks and access to effective services.* In contrast, most traditional economic opportunity strategies do not focus on neighborhood saturation. Most of these efforts are designed to be population based, citywide or regional.

Each *Making Connections* (MC) neighborhood is unique, in terms of population (specifically ethnic group and legal status), neighborhood dynamics, economic context, and policy environment. And each *Making Connections* neighborhood includes families that differ from each other in economic well-being, resources, and assets. For example, neighborhoods may contain working families who are homeowners as well as low-income unemployed renters. Each group represents a different market niche. Each MC site requires different investments to influence the FES targets and outcomes for specific target groups. There is no one model.

The policy and economic environments in which MC neighborhoods exist also vary. Cities and regions may have differing municipal or state policies, which will determine how neighborhood investments are made. For example, if regional workforce intermediaries or employment brokers do not exist, citywide or regional investments may be appropriate. There is an inherent tension between the social service focus and market-driven strategies of FES. We recognize this tension and the necessity of constantly evaluating desired social impacts. Neighborhood renewal takes time. It is not linear. Therefore, MC sites require different strategies with both short- and long-term expectations for results.

As we have noted, MC neighborhoods vary widely in their population, demographic, economic and physical characteristics, and their organizational capacities. Consequently, they require different strategies, at different times, to meet local requirements. We expect that each MC neighborhood will engage in a strategic planning process by which they will identify neighborhood assets, identify gaps and opportunities, and prioritize appropriate FES strategies. As time goes on, it will be increasingly important to engage the private sector and identify local and regional economic engines.

Specific FES “best practice” examples and resources will become available as the *Making Connections* sites move forward with their individualized approach. In the meantime, FES strategies may be grouped for easier consideration.

## FES Strategies

Family Economic Success strategies fall within three broad, and sometimes overlapping areas: *workforce development*, *family economic support*, and *community investment*. Each one of these major areas encompasses many individual strategies that can be combined with others, within or across the three areas. FES can be envisioned as a triangle, with each side representing one of these categories of strategies.

### (1) Workforce Strategies

A central component of family economic success is connecting people to jobs that pay family-supporting wages and provide opportunities for advancement. An important lesson learned over the past ten years is that workforce development strategies must focus on regional labor markets—whether programs are job readiness and job search, or short- and long-term training. At the same time, many workforce programs have had difficulties in recruiting participants, achieving retention, and promoting job advancement. There are many reasons for this, but developing neighborhood-based employment approaches that provide case management, assessment, support, and basic education may alleviate this situation.

The saturation of employment in neighborhoods leads to important community and individual outcomes, creating social rhythms and role models of work. Childcare, healthcare, and transportation are key issues to address with any work-related effort. Workforce strategies integrate long-term retention, careers, family-supporting jobs, social supports, income supports, and access to other services. Neighborhood-based employment strategies include mechanisms that build close relationships with employers as customers.

Examples of effective workforce strategies are as follows:

- Residents are offered multiple options to pursue career advancement—volunteering, time

dollar, part time jobs, transitional jobs, basic skills/ESL, skills training, advancement, and post-placement supports.

- Single or multiple organizations, which serve the neighborhood or a broader area, create comfortable home bases while providing effective and durable linkages to the economy and other programs.
- Anchor institutions (e.g., a hospital or university) are identified and small businesses are created to serve the institution.
- Family assets are identified that can be exported outside the neighborhood, i.e. microenterprise.

## (2) Family Economic Support Strategies

Family economic support strategies consist of enhancing people's ability to increase their personal and family income and to build their asset base. These strategies include access to tax credits, consumer financial services, credit repair/debt reduction, and asset-building tools such as individual development accounts (IDAs) and homeownership. The increasing centralization of the financial services industry has exacerbated the problem of access for moderate and low-income families in inner-city neighborhoods. Families often have no options to build credit or assets in fringe financial services. They are not able to access mainstream financial services due to damaged credit from predatory loans, credit score miscalculations, and consumer debt. Additionally, the segregation of neighborhoods and metropolitan areas, and the dramatic differences in wealth accumulation by race and ethnicity, point to deeper issues related to access.

As with workforce development, there is a developmental sequence of family economic supports that moves from the EITC, to bank accounts, to retirement accounts. The EITC can be a good starting point to get families moving toward improving their level of wealth. It also can serve as a "legitimizing" tool for families in debt, parents owing child support, and families who may want to formalize their legal status. Location, efficiency, hours of operation, childcare and transportation options are key issues in providing low-cost, high quality financial services.

Examples of effective asset development strategies are as follows:

- Multiple, low-cost or free tax preparation options are created for residents, such as community coalition tax preparation sites, or Volunteer Income Tax Assistance (VITA) sites.
- Information on financial planning, tax planning and preparation, credit repair, IDAs, checking accounts, and other financial products and services are provided at VITA sites to reduce the cost of financial transactions and help educate consumers.
- Links to mainstream financial services are developed to help reduce the level of monetary "leakage" from low-income areas.
- Advocacy is undertaken at both state and federal levels to promote consistent state debt forgiveness, community education, and accessible legal assistance.

## (3) Community Investment Strategies

Community investment can involve housing, business development, or facilities development. Effective community investments are synergistic and provide substantial neighborhood multipliers. Community

investments can spur additional development and usually are significant enough to improve the perceived quality of the neighborhood for residents and potential investors.

This third strategy area of FES can utilize an AECF investment instrument, called Program Related Investments (PRIs), in the arena of neighborhood economic development. The Foundation's hope is that place-based PRIs will support achievement of FES outcomes, leverage other financial resources, produce financial returns, and support the capacity building of investment intermediaries, credit unions, and banks. Capable, specialized intermediaries, and technical assistance capacity, are required to make PRIs successful.

Effective community investment strategies include:

- Conducting strategic assessments of neighborhood strengths and investment opportunities and then identifying promising investment areas.
- Supporting new retail development that provides local employment opportunities and financial services.
- Investing in improvements in safety, schools, and model blocks.
- Collaborating with a variety of partners, co-investing to create a more sizable impact.
- Building the capacity of neighborhood partners, as planners and implementers.

## Policies That Support FES Goals

Family economic success *requires a set of policies that support strategies that lead to family self-sufficiency.* Achieving FES policy success means that family strengthening and neighborhood transformation are key guiding principles for public and private policymakers when they are designing policy, making investment decisions, and administering delivery systems. Policymakers must focus and integrate their resources to support a critical number of families who are moving up the economic ladder.

Three types of policies contribute to family economic success:

- Policies that support access to family supporting jobs, wage progression, income and asset supports, neighborhood development, and provide protections against predatory lending and disinvestments.
- Policies that focus on regional cooperation, tax sharing, and co-investment, thus supporting low-income families and neighborhoods.
- Policies that integrate a range of public and private resource streams to focus on place-based family strengthening. These integrated policies can demonstrate how multiple strategies can create tremendous synergy for neighborhood change.

## The Power of Synergy

Low-income families face multiple legal, economic and societal barriers, which differ from family to family, and community to community. FES applies a new, synergistic approach to these issues. By utilizing and linking a broad range of mutually reinforcing strategies and investments, FES can create a synergy that leads to permanent, positive change.

Families who need jobs also need a range of economic supports and neighborhoods that are economically viable. By combining workforce, family economic supports, and community investment, we can maximize the synergy of FES strategies. This approach recognizes that putting together the pieces is what can shape powerful change. Aligning and balancing these three strategy areas will pose significant challenges; it would be easy to lose focus on the individuals who are the ultimate consumers of our work. FES strategies also need to be balanced with building social networks and access to trusted, effective services.

A neighborhood facility, information network, membership association, or other organization may be the impetus for making these crosscutting strategies work. Facilities and community institutions, along with their members, clients, or customers, can create hubs for initiating and integrating multiple strategies. Significant neighborhood change can result from groups of families moving up together, supported by strategies that increase their incomes and assets while also providing opportunities to stay in their neighborhood.

The Foundation is exploring a new piece of work that embodies FES synergy. Centers (Resources) for Working Families seek to provide a supportive and resource-rich environment where families can gain access to employment services, family economic supports, consumer financial services, community connections, and other trusted and high quality services in a convenient location. Centers (Resources) for Working Families build off existing capacity and partnerships and leverage additional resources.

Below are examples of what an integrated FES strategy could achieve:

- A newly built neighborhood childcare center that provides local jobs, career opportunities, and adult education for parents, at the same time as it provides quality childcare and school readiness for children. Parents, as well as childcare workers, could access the EITC, financial literacy training, and other supports through programs held at the center.
- A community school that focuses on improving educational results as it engages parents, serves as a hub for social services, and operates a community-learning center for adults. A strong focus could be placed on ESL, financial literacy, and workplace learning.
- A local church that operates a credit union for members, as well as for the nearby community, providing important family economic supports, financial literacy training, and small loans. The church also could operate a community development corporation that would promote homeownership in the area.
- A new neighborhood shopping center could be built by a partnership between a private developer and local CDC. It could include a unique family economic support center that provides mail services, check cashing, a VITA site, Internet access, and connections to financial institutions for low-interest emergency and home purchase loans.
- A local CDC could provide affordable housing development, job readiness, and life skills training for neighborhood residents. The CDC could provide financial literacy training, IDAs, and other economic supports, while also providing employment training opportunities to ex-offenders through a partnership with employers.

## Conclusion

The three sides of the family economic success triangle — workforce development, family economic supports, and community investment — can be combined in powerful ways to help families and neighborhoods achieve economic prosperity. Strengthening families and transforming neighborhoods is a long-term process, and building family economic success is the central strategy for reaching this goal.

Real economic success for families will only be achieved when families are able to build a foundation of financial security that leads to self-sufficiency, and have options to stay in their community as they move up the economic ladder. They must have access to effective and trusted services, and must be able to count on the support and security provided by positive social networks.

A long-term commitment is required to help families create durable connections to the mainstream economy. Effective, comprehensive, mutually reinforcing strategies and investments in workforce development, family economic support, and community investment must be determined by the needs of individual families and communities and should be linked and sequenced to achieve optimal success.

Our conception of family economic success represents a new combination of strategies aimed at alleviating poverty in neighborhoods. As we move towards implementing this agenda, we must recognize and manage a set of tensions and conflicts related to markets, families, policies, and institutions:

- Markets are larger than neighborhoods. We must determine how to get place-based results while also connecting to the regional economy and economic engines of growth.
- Traditionally, families have moved out of their neighborhoods as they have moved up. We must make our neighborhoods good choices for families to raise children and grow assets.
- Family economic success strategies require new forms of access for residents and families— through the Internet as well as through family-friendly neighborhood institutions.
- Comprehensive policy changes are needed that are place-based, whereas most current policies are population based and aimed at broad jurisdictions.

Building family economic success requires an individualized approach to meeting the numerous barriers low-income families face every day. It requires a case-by-case, community-by-community, creative linking of a broad range of workforce development, family economic support and community investment strategies. It also requires a commitment and working partnership among non-profit and advocacy organizations, the faith-based community, and the public and private sector. The challenges are daunting. But building family economic success may be the single most important thing we can do for the welfare of America's children and the future health and prosperity of America's cities.