The Bridgespan Group

Photo: porcorex/Getty Images

# "Billion Dollar Bets" to Create Economic Opportunity for Every American

By Debby Bielak, Devin Murphy, and Jim Shelton

Collaborating to accelerate social impact

May 2016

# Table of Contents

A Broken Promise ........ 3
A Unique Moment for Social Change ........ 6
A Critical Role for Philanthropy ........ 7
Four Areas of Investment to Bring Economic Opportunity to Low-Income Americans ........ 9
Build Skills and Assets ........ 9
Confront Cultural and Structural Inhibitors ........ 9
Transform Communities ........ 9
Build the Infrastructure to Implement and Scale "What Works" ........ 10
Fifteen Big Bets ........ 11
**$1 Billion Bets for Social Mobility** ........ 12
A Closer Look at Six Big Bets ........ 15
**Summary of Six Investment Roadmaps** ........ 16
Area of Investment: Build Skills and Assets ........ 16
Area of Investment: Confront Cultural and Structural Inhibitors ........ 18
Area of Investment: Transform Communities ........ 19
Area of Investment: Build the Infrastructure to Implement and Scale "What Works" ........ 20
The Six Bets' Potential ROIs ........ 21
Reflections ........ 24
Appendix ........ 25
**Establishing a Roadmap for Investment: Notes on Our Approach** ........ 25
**Here's What the Research Tells Us about "What Matters" for Improving Social Mobility** ........ 27
Milestones to the Middle Class ........ 27
Obstacles to the Middle Class ........ 28
The Consequences of Concentrated Poverty ........ 28
Initiatives to Spark Upward Mobility ........ 29
**Tools for Philanthropists Who Aim to Bet Big** ........ 29
**Differing Investment Approaches for Philanthropists** ........ 30
Acknowledgments ........ 33

*"The facts are clear. We have a robust and growing economy for high-income Americans. But for those at the bottom, the opportunity to work, rise, and earn success is disappearing."*

—ARTHUR BROOKS, *THE CONSERVATIVE HEART*

*"America has become the advanced country not only with the highest level of inequality, but is among those with the least equality of opportunity—the statistics show that the American dream is a myth..."*

—JOSEPH E. STIGLITZ, *THE PRICE OF INEQUALITY*

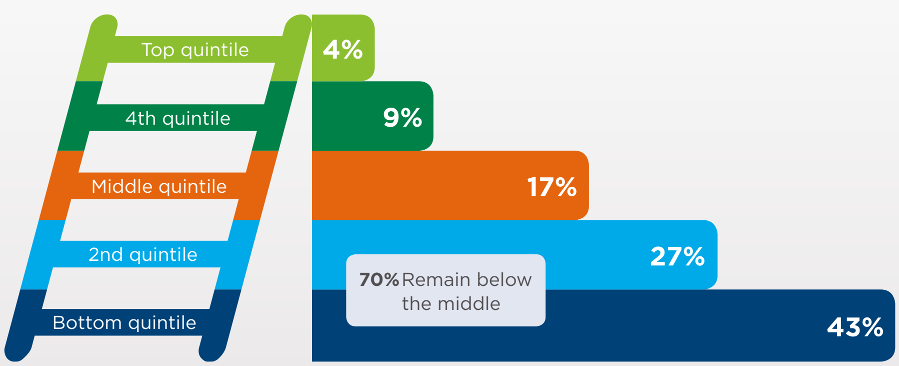
# A Broken Promise

In the United States today, the strongest predictors of your life's trajectory are where you are born, your race, and your parents' income. For far too many Americans, our nation's promise—that hard work and individual merit will determine your success in life—is broken. The notion that you get out of the economy what you put into it no longer holds. This is especially true for those who live in low-income communities and for people of color.

A child born into the bottom 20 percent of the US income distribution has just a one in ten chance of making it into the top 20 percent of the distribution—less than half the likelihood in European countries like Denmark.[1] Despite decades of public and private investment to secure the American Dream for far more of the country's citizens, nearly 70 percent of individuals who are born to parents in the bottom 40 percent of incomes will never make it to the middle class.[2]

**Figure 1: Most Americans born at the bottom of the income ladder never reach the middle rung**

Percent of Americans raised in the bottom income quintile who stay put or move up as adults



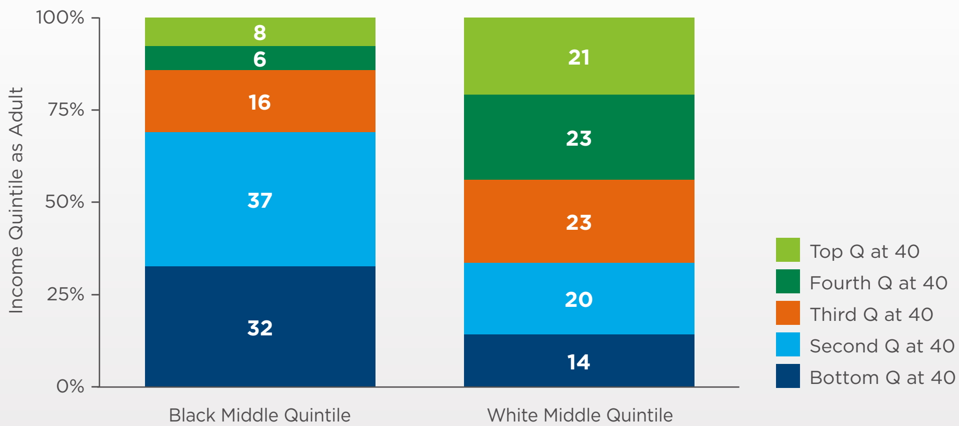

Source: The Pew Charitable Trusts, "Pursuing the American Dream," 2012.

1 "Mobility Measured," *The Economist*, February 1, 2014, http://www.economist.com/news/united-states/21595437-america-no-less-socially-mobile-it-was-generation-ago-mobility-measured.

2 Richard V. Reeves, "Saving Horatio Alger—Equality, Opportunity, and the American Dream," *The Brookings Essay*, August 20, 2014, http://www.brookings.edu/research/essays/2014/saving-horatio-alger.

For historically marginalized people of color—particularly African Americans—the story is even bleaker. Nearly seven out of 10 black Americans born into the middle-income quintile fall into one of the bottom two quintiles as adults.[3] In many ways, this statistic is even more dispiriting than the poor rates of upward income mobility overall, as it makes clear that even for hardworking African-American families that climb into the middle class, it's more than likely that their children will fall back down the ladder.

**Figure 2: Most black middle-class kids are downwardly mobile**

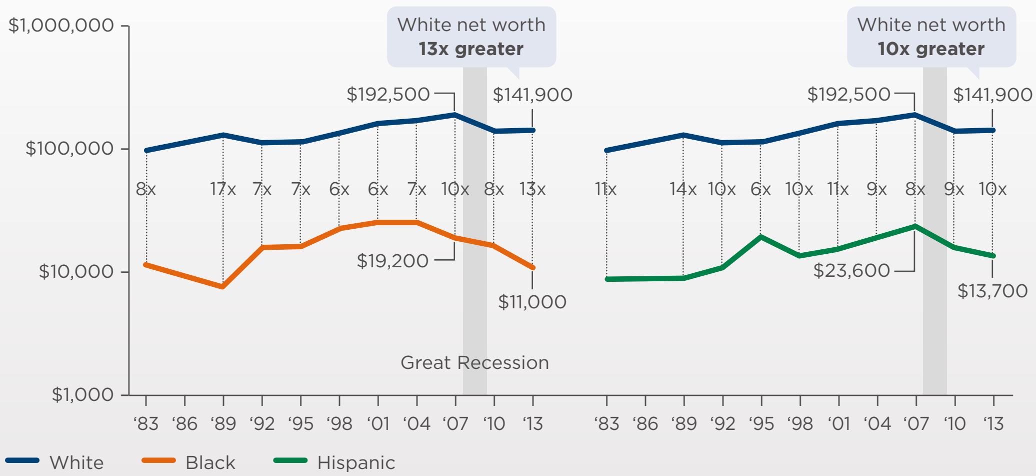



Source: Tabulations by Joanna Venator of Social Genome Model data, based on National Longitudinal Survey of Youth 1979 and 1997 data; Brookings Institution.

Though Hispanic families have fared better than black families on average, they face similarly challenging circumstances, with levels of poverty at near parity to black families. In 2013, the median net worth of white households was $141,900, whereas the median net worth of black and Hispanic households was $11,000 and $13,700, respectively, as seen in the graph on the next page.

3 Richard V. Reeves and Edward Rodrigue, "Five Bleak Facts on Black Opportunity," (Brookings Institution, January 15, 2015), http://www.brookings.edu/blogs/social-mobility-memos/posts/2015/01/15-mlk-black-opportunity-reeves.

**Figure 3: Racial, ethnic wealth gaps have grown since Great Recession**
Median net worth of households, in 2013 dollars




Notes: Blacks and whites include only non-Hispanics. The category "Hispanic" represents all those identifying as Hispanic, regardless of race. Chart scale is logarithmic; each gridline is 10 times greater than the gridline below it. Great Recession began December '07 and ended June '09.

Source: Pew Research Center tabulations of Survey of Consumer Finances public-use data.

The staggering gap in wealth between white households and black and Hispanic households is alarming, but it's not the whole story. For the past several decades, social mobility has been stuck in neutral.[4] At the same time, income inequality, especially among the top 1 percent, has accelerated dramatically. The result is that the uppermost part of the top rung on the income distribution ladder has grown further apart from *all* the lower rungs. For those at the very bottom of the income distribution, stagnating social mobility means they're far more likely to stay stuck. At the same time, soaring income inequality means that making it to the very top is almost an impossible dream.

The combination of almost dormant social mobility for most of the country and declining mobility for some ethnic minorities poses significant challenges for the future viability of the American economy, as well as the children and families who aspire to its promise of meritocracy and opportunity for all.

4 Raj Chetty, Nathaniel Hendren, Patrick Kline, Emmanuel Saez, and Nicholas Turner, "Is the United States Still a Land of Opportunity? Recent Trends in Intergenerational Mobility," *The National Bureau of Economic Research*, no. W19844 (January 2014): 1-36.

# A Unique Moment for Social Change

Although America's economic sclerosis is reason for alarm, we believe this is a unique moment for large-scale social change. Public outcry is translating into social movements. Decision makers are investing social and financial capital in making progress. Politicians at the opposite ends of the ideological spectrum have made inequality and the loss of opportunity the focal point of political debate and policy proposals. And an increasing number of innovative approaches are directing resources to support "what works" for improving outcomes for low-income populations.

For some time now, many policymakers, practitioners, and philanthropists have sought to put more low-income Americans on an upwardly mobile trajectory. With new research on the drivers of social mobility coming from the Equality of Opportunity Project, the Pew Charitable Trusts, the Brookings Institution, and the Urban Institute—if only to name a few—we now have a much clearer idea of what it takes to help low-income people build pathways and overcome the obstacles to the middle class.

As we highlight further down in this report, we estimate that targeted investments in on-the-ground programs and policies that are already working—as well as in emerging concepts and innovations that have a high probability of succeeding—can potentially deliver returns of $3 to $15 for every $1 invested. (To learn how we arrived at these estimates, see "Overview of Estimated Returns on Six Big Investments and Their Impacts on Lifetime Earnings.") Yes, these returns span a wide range. But to achieve even the low end of the range, we can no longer think in terms of "either/or" interventions—for example, either we innovate better ways to help low-income, very young children develop *or* we help low-income teenagers build the job skills that employers most need. We've got to attack the challenge on multiple fronts. To move social mobility in the right direction, we need lots of coordinated interventions throughout people's lifetimes.

So who among us has the capacity to think, act, and invest holistically?

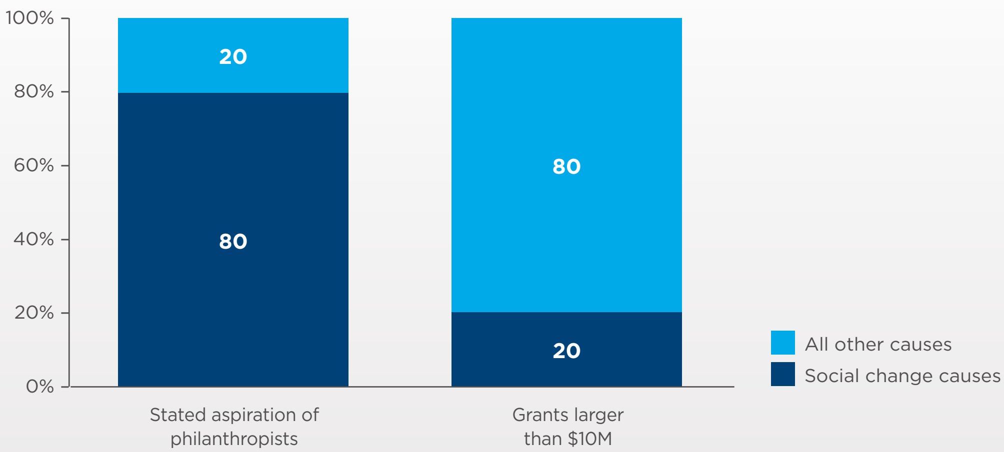
As many others have noted before us, a range of players, including government, social sector actors, and private industry need to act boldly to ensure that all Americans—especially the poorest and most disadvantaged—can achieve their full potential. These institutions will need to focus on understanding the macroeconomic trends that impact income distribution, on addressing market failures, and on creating systemic change. We believe philanthropy—with access to capital that is flexible, adaptive, and risk tolerant—has a critical role to play in catalyzing change and restoring economic opportunity to all Americans.

# A Critical Role for Philanthropy

Many philanthropists care passionately about putting far more Americans on the upside of the social mobility curve. When millions of low-income Americans, no matter how hard they work, are destined to inherit their parents' and grand-parents' poverty, building pathways to economic opportunity becomes a moral imperative. Stagnant social mobility not only leaches the American Dream, it wastes human capital and ultimately affects us all.

However, even though roughly 80 percent of the largest donors publicly aspire to impel social change, only 20 percent of philanthropic investments above $10 million went to social change organizations between 2000 and 2012.[5] When asked, philanthropists say that the dearth of larger investments is due in no small part to the problem's complexity. Because the root causes of poverty are inter-woven and systemic, donors struggle to identify the right structure and focus for sizable investments. "Shovel-ready" opportunities for funding are scarce and there are few clear roadmaps for moving people up the income ladder. As a result, investments to address these daunting challenges have only been incremental.

**Figure 4: Large gap between stated aspirations and actual big-bet grantmaking for social change causes**




Source: William Foster, Gail Perreault, Alison Powell, and Chris Addy, "Making Big Bets for Social Change," *The Stanford Social Innovation Review*, Winter 2016.

Although there are many academic papers, think tank reports, and policy briefs on social mobility, these studies are generally too theoretical and too narrowly focused to be useful to donors and stakeholders who want to spark transformative change across large populations. Hence, this project's purpose: to better connect those who aspire to return the meritocratic ideal to every American with

5 William Foster, Gail Perreault, Alison Powell, and Chris Addy, "Making Big Bets for Social Change," *Stanford Social Innovation Review*, Winter 2016, 26–35, http://ssir.org/articles/entry/making_big_bets_for_social_change.

opportunities to invest in bold and innovative ways. Our framing is also relevant to policy makers, advocates, and program leaders. To unlock philanthropy's full potential, there must be a shared understanding among all of these stakeholders.

For donors seeking to give big to catalyze greater levels of social mobility and build sustainable pathways out of poverty for low-income Americans, this paper aims to:

- Provide a draft frame of "what matters most" to help an individual attain social mobility (or be "middle class by middle age"). This overview is backed by an extensive research base. While it is by no means a definitive source, we intend to provide a sound starting point for donors and stakeholders alike.
- Highlight ways that philanthropists can use a broad set of tools—beyond funding nonprofits—to support enduring impact.
- Develop an illustrative set of 15 investment opportunities ("bets") that map out how to spend $1 billion to drive change at scale.
- Provide preliminary estimates of the potential return on investment for six of the $1 billion bets.

Betting big pushed our team and the experts we partnered with to think big. Although big bets don't always yield big advances, small bets rarely do. Because we worked with a defined budget of $1 billion, we could leverage a balanced, consistent way to assess different investment strategies and better estimate where a big bet might have the most impact. The framework also forced us to push our assumptions of how far we could stretch a $1 billion investment. Even as we looked for ways to scale programs that are already producing results, we also sought to identify investment opportunities that might transform public systems, shift market incentives, and change behaviors. (See "Establishing a Roadmap for Investment: Notes on Our Approach" in the Appendix.)

To develop the full set of bets and detailed investment roadmaps, we:

- Convened an advisory board of nationally renowned philanthropic leaders, researchers, policy advocates, and practitioners who supported the development and vetting of our framework and specific bets.
- Appealed to the public for ideas and received nearly 50 submissions from leaders of nationally prominent research organizations, think tanks, and intermediaries.
- Engaged with the Urban Institute as a thought partner throughout the project, especially in regard to estimating our investment roadmaps' potential impact on individuals' lifetime earnings.

This work is part of a larger set of conversations on how philanthropic capital can better deliver potent results. This paper is intended for philanthropists and foundation staff who are interested in understanding not only which issues and interventions might put many more low-income people on an upward trajectory, but also how private donors can use their dollars, networks, and voices to achieve systemic change.

# Four Areas of Investment to Bring Economic Opportunity to Low-Income Americans

Based on our review of the research on social mobility, we identified four sprawling opportunities for philanthropic investors to help ensure that far more Americans have a chance to reach their full potential. (For more on what we learned from the vast body of research on social mobility, see "Here's What the Research Tells Us About 'What Matters' for Social Mobility" in the Appendix.) The first two areas of investment aim to help individuals build skills and assets, and surmount the obstacles that hinder progress. The second two investment areas seek to transform communities where poverty is concentrated and build the foundations for scaling "what works."

Keep in mind that none of these four areas of investment stands alone. Rather, they are deeply interconnected. By focusing within each space, investors will of course help individuals and families move out of poverty. However, simply attending to one area in isolation won't ensure success for large numbers of low-income individuals. A systemic problem like stagnating social mobility demands a comprehensive approach that leverages all four areas of investment.

### Build Skills and Assets

The research tells us that to attain a middle-class family income by age 40, individuals must surpass a series of critical benchmarks as they move from childhood to adulthood. So our first area of investment aims to help people acquire the skills and assets that will allow them to develop through early childhood, graduate from high school, prepare for college or a career, create a pathway to a career, and build wealth. If people surpass most of those milestones, they dramatically increase the odds that they will make it to the middle class.

### Confront Cultural and Structural Inhibitors

The research also tells us there are a number of obstacles that at best impede progress toward the middle class and at worst drive people deeper into poverty. That inescapable fact pushed us to identify initiatives that help people surmount some of the looming cultural and structural barriers to upward mobility. We have intentionally included investments that seek to address symptoms of exclusion (e.g., higher incarceration rates and divisive policies regarding immigrants), as well as the underlying mindsets that produce inhibitors (i.e., assumptions about people in poverty, the racialization of interventions designed to alleviate poverty, and general misinformation on what actually improves social mobility outcomes).

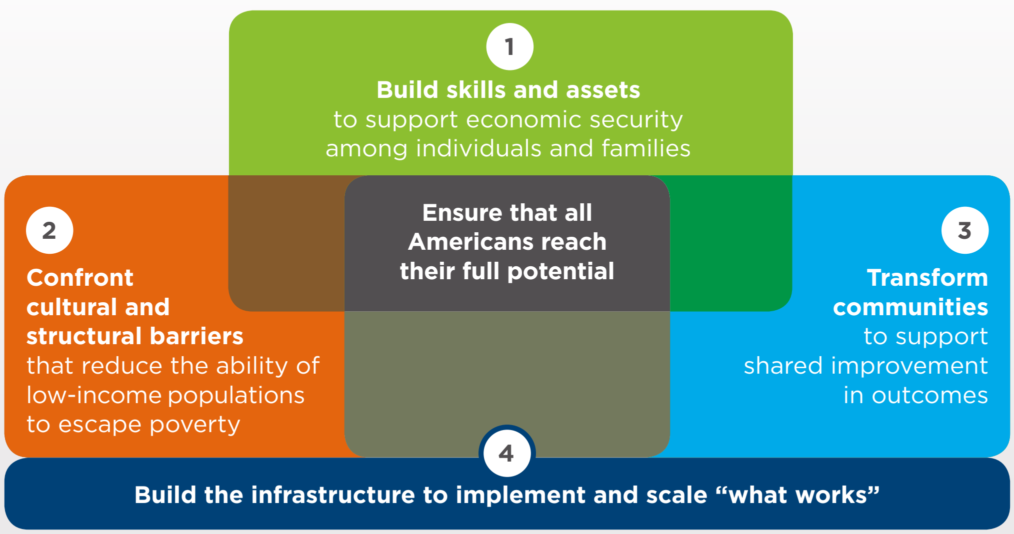
### Transform Communities

Our third line of inquiry into the research underlined the fact that racially segregated communities with high concentrations of poverty are amplifiers of *downward* mobility. We have reflected on the historical legacy in which low-income (often minority) communities have been systematically barred from access to social, economic, and cultural opportunities. We also have thought through the consequences that arise from exclusion. Therefore, our third area of investment aims to bring vital support systems to historically marginalized neighborhoods. It also seeks to build healthy, empowered communities that have access to basic resources. At the same time, the investment seeks to give people living in concentrated poverty the opportunity to move to neighborhoods that are more socially and economically diverse.

### Build the Infrastructure to Implement and Scale "What Works"

Even as we identify alternative investment strategies, we still must improve and scale programs and policies that are already working and have a high probability of accomplishing far more. That means building the capacity to identify and ramp up efforts that are far more efficient and impactful than anything we are doing today. To scale "what works," we have proposed initiatives that aim to deepen our understanding of the root causes of social mobility, invest in grassroots solutions, build our capacity to bring the "learning genome" framework to the social mobility challenge, and continuously improve on past successes.

**Figure 5: Research highlights four general areas of investment to improve social mobility**



# Fifteen Big Bets

Using the frame of a philanthropist investing $1 billion, we have constructed a set of 15 big bets across each of the four general investment areas. The bets consider specifically how a philanthropist—as opposed to government officials or private sector companies—could support efforts to improve outcomes for low-income populations across race, gender, and geographic differences. The bets emphasize approaches that benefit from the unique attributes of philanthropic capital (i.e., flexibility, an emphasis on catalyzing action beyond the investment, and the capacity to take on higher levels of risk).

Just as we did with our four areas of investment, we must continue to keep in mind that to crack the social mobility conundrum, one-off interventions are often insufficient. Instead, many approaches are required. For example, even though investing in early childhood education increases the odds that children will develop the learning tools that will help them succeed in later life, that investment won't inoculate them from poorly run high schools. If our $1 billion bets are going to make a big dent in the social mobility challenge, each bet must build off of the other bets. Even as we pursue each individual bet, we still must take a holistic approach to the overarching challenge.

What follows is hardly a comprehensive list of potential bets. Rather, our list reflects the emerging consensus around promising opportunities for investment. In each of these areas, a billion dollars of philanthropic capital has a high probability of improving social mobility outcomes for many low-income individuals and families.

## $1 Billion Bets for Social Mobility

| Build skills and assets |
|---|
| 1. **Use technology to improve early childhood development and the life trajectories of the 5.8 million kids who will enter kindergarten without basic learning skills.**[6] Help parents, informal caregivers, daycare center providers, and pre-K instructors acquire evidence-based text and mobile applications to support healthier child development. |
| 2. **Reform K-12 school districts to help a greater share of students enroll in and complete college**. Work with local districts to attract and retain high-quality teachers, reform curricula, and enhance student advising to improve attendance, behavior, and academic outcomes. Engage the community to win support from parents and community organizations for district reforms. |
| 3. **Create charter school alternatives or school turnaround models for the 1,200 "dropout factories" that represent just 10 percent of schools but produce nearly 20 percent of black and 15 percent of Hispanic high school dropouts**.[7] Provide capital to the most effective school turnaround providers and charter operators that support students; cultivate public support for closing schools with graduation rates lower than 60 percent. |
| 4. **Establish clear and viable pathways to careers by realigning the objectives of education and training programs with the needs of employers.** Help employers define and communicate the skills they need; expand job-specific training opportunities (e.g., internships/ apprenticeships); and scale skill development programs (e.g., the tech industry's boot camps for coders) in industries where there is abundant opportunity for job growth. |
| 5. **Deepen our understanding of the developmentally appropriate skills required over the course of an individual's life and the range of tools that best support learning those skills.** Invest in a network of researchers to gain a clear understanding of the skills people need at every stage of development from early childhood to moving into careers, and support efforts that design, test, and refine learning experiences that enable people to develop these skills. |
| 6. **Expand access to financial institutions for the 106 million individuals who lack credit history or who underutilize banks**.[8] Develop credit and savings programs targeting low-income communities and advocate for consumer protection laws and tax approaches that incentivize work as well as opportunities to save (e.g., expand Earned Income Tax Credits for low-income workers without families). |

6 The number of low-income children in 2012 is based on the American Community Survey (US Census Bureau, 2012). According to the Early Childhood Longitudinal Study—Birth (ECLS-B) Cohort data, Bridgespan has estimated that close to half (49 percent) of low-income children currently under age of 5 are at risk of not being fully ready for kindergarten when they enter. See: *Achieving Kindergarten Readiness for All Our Children: A Funder's Guide to Early Childhood Development from Birth to Five*, Bridgespan.org, October 20, 2015, http://www.bridgespan.org/Publications-and-Tools/Youth-Development/early-childhood-funder-guide-2015.aspx.

7 Based on estimates of overrepresentation of black (19 percent) and Hispanic (12 percent) in schools labeled as dropout factories from *Building a Grad Nation: Progress and Challenge in Ending the High School Dropout Epidemic* (Civic Enterprises and Everyone Graduates Center at the School of Education at John Hopkins University, 2015).

8 Based on estimates from the 2013 FDIC "National Survey of Unbanked and Underbanked Households," (FDIC, 2014), https://www.fdic.gov/householdsurvey/2013report.pdf.

| Confront cultural and structural barriers |
|---|
| 7. **Reform the criminal justice system to decrease the rates of conviction and incarceration (2.3 million are incarcerated; almost 11 million cycle through jail yearly).**[9] Fund a grant-based competition to encourage states (in collaboration with local jurisdictions) to develop comprehensive plans for reducing incarceration of black and Latino youth (particularly for misdemeanor offenses); for reducing recidivism; and for lowering crime rates. *Note: While many states want to improve the criminal justice system, they have limited funds to experiment with programs. There also is a growing need for a renewed focus on jails, where over 30 percent of inmates are held for misdemeanors and others are held because they are too poor to make bail.*[10] |
| 8. **Increase access to long-acting contraceptives and fund awareness campaigns so as to reduce the 1.5 million annual unintended pregnancies.**[11] Train healthcare providers to offer the most effective forms of contraception—including long-acting reversible contraceptives—support community health centers in providing reproductive health counseling, and launch a media campaign supporting greater awareness of long-acting reversible contraceptives among teenagers and young adults. |
| 9. **Create economically secure careers for the nearly 60 million working-class Americans**.[12] Advocate for appropriate leave time (e.g., family medical leave, vacation time), test policy innovations aimed at ensuring stable employment (e.g., job sharing, using unemployment insurance to subsidize salaries), and promote public investments that create jobs and improve communities (e.g., improve urban infrastructure and transportation systems). |
| 10. **Integrate the 12.6 million "likely unauthorized" immigrants and their families into the American labor market and society**.[13] Advocate for comprehensive immigration reform, invest in community-based organizations to build civic engagement, and increase access to local, multilingual resources for immigrants. |
| 11. **Fund a national campaign to change beliefs about people who live in poverty**. Change the perception of the general public about people who live in poverty—and the circumstances that led and keep them there—with policy campaigns focused on moving people to address systemic poverty. |

9 Based on estimates from Peter Wagner and Bernadette Rabuy's report, *Mass Incarceration: The Whole Pie* (Prison Policy Initiative, 2015), http://www.prisonpolicy.org/reports/pie2015.html.

10 Ibid.

11 Adam Sanfield and Kathryn Kost, *Public Costs from Unintended Pregnancies and the Role of Public Insurance Programs in Paying for Pregnancy-Related Care: National and State Estimates for 2010* (New York: Guttmacher Institute, 2015).

12 Based on estimates of the population that are within 100 percent to 199 percent of the federal poverty line. For more information, see the *Distribution of Total Population by Federal Poverty Line* (The Kaiser Family Foundation, 2014), http://kff.org/other/state-indicator/distribution-by-fpl/.

13 Estimates based on Robert Warren, "Democratizing Data about Unauthorized Residents in the United States: Estimates and Public-Use Data, 2010 to 2013," *Journal on Migration and Human Security* 2, no. 4 (2014): 305–328.

| Transform communities |
|---|
| 12. **Support regional approaches to changing the lives of the 13.8 million people trapped in distressed neighborhoods (i.e., poverty rates exceed 40 percent).**[14] Expand housing vouchers to encourage families to move to neighborhoods with more high-quality jobs, better schools, and stronger health systems. At the same time, make direct investments in distressed neighborhoods to provide greater social services, fund small business development, and subsidize mixed income residential housing. |

| Build the infrastructure to implement and scale "what works" |
|---|
| 13. **Support major research into programs that enhance social mobility**. Provide funding for academic research institutes and think tanks that are conducting research on the drivers of social mobility. Support the evaluation of programs linked to improved social mobility. Fund the development and pursuit of policy solutions. |
| 14. **Fund development fellowships for leaders of community-based organizations**, **with a focus on leaders of color.** Teach organizational management, strategic communication, and advocacy skills to high potential leaders of color. *Note: These organizations run many public programs; they need stronger support to be more effective.* |
| 15. **Use data tracking and incentives to improve the efficacy of the nearly $1 trillion annually spent on means-tested poverty alleviation programs.**[15] Create systems to collect data on existing services, link the data to outcomes, and rebuild the services so they can adapt easily to different regions. Support training on the use of data to inform decision making for frontline practitioners and policymakers. Advocate for public funding for programs that are delivering proven results. |

14 Paul A. Jargowsky, "Architecture of Segregation: Civil Unrest, the Concentration of Poverty, and Public Policy," (The Century Foundation, August 7, 2015).

15 Based on estimates from Michael D. Tanner, "The American Welfare State: How We Spend Nearly $1 Trillion a Year Fighting Poverty—And Fail," Policy Analysis, no. 694 (Cato Institute, April 11, 2012).

# A Closer Look at Six Big Bets

To get a better understanding of the promise and the pitfalls that come with any attempt to take on the social mobility challenge, we took a deeper dive into six of our proposed bets:

- Improve early childhood development
- Establish clear and viable pathways to careers
- Decrease rates of conviction and incarceration
- Reduce unintended pregnancies
- Reduce the effects of concentrated poverty on the lives of people living in distressed neighborhoods
- Improve the performance of public systems that administer and oversee social services

Philanthropy is deeply personal. Individuals and organizations bring values, philosophies for investing, and unique assets to bear. So when we decided to develop six bets in greater detail, we chose those that collectively reflect a range of ways to invest. These are not necessarily the “best” bets. Rather, they are useful illustrations that aim to help philanthropists consider a variety of available options.

Working with experts within each topic area, we developed an investment roadmap for each bet. The roadmaps estimate the corresponding costs and the potential impact of each $1 billion investment, as well as differing contexts for the size and scope of the challenge, critical barriers to success, opportunities for impact, feasibility, levels of risk, and different approaches that philanthropists might take (such as collaborating with public agencies or pursuing a technology-driven solution). We believe these investments have a high potential to deliver outsized results, so long as funders take into account the challenges and risks that accompany each opportunity.

# Summary of Six Investment Roadmaps

## Area of Investment: Build Skills and Assets

**Proposed bet: Improve early childhood development**

Nationwide, approximately 5.8 million low-income, very young children are unprepared for kindergarten.[16] The problem: many caregivers don't know what children need to develop. As a result, such children lack the cognitive skills, the physical development, the social and emotional development, the language literacy, and/or the learning mindset to succeed in a formal educational environment. These kids find themselves in a double bind: they are already behind their age-group peers when they enter kindergarten, and they lack the skills to catch up and stay "on track."

Although there are an array of support services for very young children and their families, too many programs perform poorly, they're not well integrated, and/or they're not attuned to the specific needs of children who are in the early stages of learning and development. But thanks to a surge of new research, it is now widely accepted that success in early childhood greatly increases the odds of achieving success in later life. This research, which also highlights initiatives and programs that hold the most promise, has created a unique opportunity to capitalize on what works and scale it.

Here's what success would look like: all children in the United States, particularly those who are most at risk, have access to experiences that dramatically increase the likelihood that they are developmentally prepared for kindergarten and are reading at grade-level by the third grade. For that to happen, all adult-child relationships (parents, friends/family, neighbors, daycare centers, and pre-K instructors) would help foster holistic child development.

### Focus of Bet

Create and scale a suite of tech-enabled tools that parents, informal caregivers, daycare center providers, and instructors can use to support the healthy development of children.

Unfortunately, caregivers often lack the knowledge and skills to engage very young children in ways that set them up for success. Teaching such skills to adults, and ensuring that they use them regularly, can require significant behavioral changes, which is challenging in any context. However, early research has shown that lower-touch interventions have the potential to support caregivers and achieve positive results for children.

Hence, the focus of this bet: create and scale a suite of tech-enabled tools that parents, informal caregivers, daycare center providers, and instructors can use

16 "Ready for kindergarten" is measured relative to peer performance and is not an absolute measure. The number of low-income children in 2012 is based on the American Community Survey (2012). According to ECLS-B data, Bridgespan has estimated that close to half (49 percent) of low-income children are at risk of not being fully ready for kindergarten when they enter.

to support the healthy development of children. First-step efforts in this area include tech-driven solutions like Text4baby (where pregnant women and new moms get texts on how to have a healthy pregnancy and a heathy baby); UPSTART (a computer-based, pre-school learning program developed by the Waterford Institute); and Ready4K (where parents receive texts on important kindergarten readiness skills).

The risks that come with a bet of this nature are threefold: existing programs are still in the early stages of their evolution, so it's unclear whether these programs will scale. It is also unclear whether low-income families could provide sufficient market demand to sustain the R&D costs for these products. Finally, for these programs to have a lasting impact, many more caregivers—beyond parents and teachers—will have to adopt them.

**Proposed bet: Establish clear and viable pathways to careers**
Many low-income individuals encounter significant obstacles when they try to find economically sustainable careers. The reasons: education and training providers aren't helping students develop the skills to succeed in various careers, in no small part because employers haven't clearly defined the skills they need. Equally problematic, students and job seekers lack sufficient information to choose the most promising career pathways.

So what would an ideal world look like? One where low-income young people are aware of the education and training options that are available to them and learning institutions fully prepare candidates for the job market's demands. For their part, employers understand the skills that candidates from diverse backgrounds bring to the table and they hire based on the candidate's specific competencies.

### Focus of Bet

Support, on a large scale, the efforts of employers to clearly articulate (and disseminate) the skills that are necessary to succeed in a given career.

This bet aims to support, on a large scale, the efforts of employers to clearly articulate (and disseminate) the skills that are necessary to succeed in a given career. The bet targets respected providers and/or employer trainer partnerships that aim to shift the overall labor market toward greater levels of competency-based learning. Companies like IBM and Applied Software, via their technical workshops (dubbed "boot camps") for aspiring developers and high-tech consultants, are already demonstrating that it's desirable to hire based on competencies, not just credentials. This bet seeks to encourage many more employers to follow suit.

The bet runs the risk that reforming traditional institutions of higher education will prove too challenging. There's also the risk that these programs will meet short-term labor market needs, but they won't provide long-term pathways to careers. And then there's the risk that any new model won't exert enough pressure to push employers to put a higher premium on candidates' skills.

### Area of Investment: Confront Cultural and Structural Inhibitors

**Proposed bet: Decrease rates of conviction and incarceration**
The United States has the highest incarceration rates of any country in the world. Over-criminalization substantially reduces people's chances of making it to the middle class by middle age. A criminal record too often bars people—especially young black men—from developing the skills that lead to better-paying jobs.[17]

Many laws and policing practices have contributed to overly punitive measures. The over-escalation of policing in low-income neighborhoods inflicts reverberating damage on those communities; regressive incarceration practices too often fail to rehabilitate ex-offenders. The good news: the problem has hit a tipping point, as both sides of the political aisle have pushed hard for criminal-justice reform.

#### Focus of Bet

Support shifts in policies and practices that significantly reduce the number of individuals who come into contact with the criminal justice system and/or serve a punitive sentence, aiming for reforms that are rehabilitative rather than punitive.

Our aspirational vision is to establish laws and norms that support the appropriate treatment, intervention, and rehabilitation of individuals who have served their time; such laws and norms should be consistent across race and class, and they should be based on the specific behaviors and supports that help former inmates become productive members of society.

The best way to improve the system is to help people avoid it entirely. Thus, this bet's focus is to support shifts in policies and practices that significantly reduce the number of individuals who come into contact with the criminal justice system and/or serve a punitive sentence. We aim to push for reforms that are rehabilitative rather than punitive.

Despite political momentum around this issue, changes to policies and practices will require buy-in and support from many stakeholders. Some may hesitate to accept change. In fact, entrenched political forces that benefit from the current system (correctional officers, bail bond operators, etc.) will actively resist change. For this bet to succeed within different states, disparate agencies that do not often work together will have to learn to partner effectively.

**Proposed bet: Reduce unintended pregnancies**
In 2011 alone, 1.6 million unplanned babies were born in the United States.[18] Unplanned births lead to poor early childhood health outcomes and constrained mobility options for parents and families.[19] Although the overall number of unintended pregnancies is on the decline, they haven't lost their capacity to push low-income women off the path to the middle class.

---

17 Tyjen Tsai and Paola Scommegna, "U.S. Has World's Highest Incarceration Rate," (Population Reference Bureau, August 2012),http://www.prb.org/Publications/Articles/2012/us-incarceration.aspx.

18 *Unintended Pregnancy in the United States*, (Guttmacher Institute, March 2016), https://www.guttmacher.org/fact-sheet/unintended-pregnancy-united-states.

19 Isabel Sawhill, Quentin Karpilow, and Joanna Venator, *The Impact of Unintended Childbearing on Future Generations*, Brookings Institution (September 2014): 7-9.

There is a highly effective and low-cost solution for preventing unintended pregnancies—long-acting reversible contraception (LARCs)—but many young people don't know about LARCs and they're not always accessible. Due to a lack of training, many healthcare facilities are ill-equipped to provide effective family counseling services. Thus, demand for these products remains low.

Our aspirational vision is to ensure that all teenagers and young adults have access to and ultimately take up reproductive health options that give them a choice over when (and under what circumstances) they become parents. So this bet's focus is to shift market behaviors among healthcare providers and policymakers to support greater access and uptake of effective contraceptive options.

### Focus of Bet

Shift market behaviors among healthcare providers and policymakers to support greater access and uptake of effective contraceptive options.

However, there's a significant risk of political and social opposition to any effort that seeks to support greater access to contraceptives. Young women and others supporting their welfare could perceive campaigns to increase the use of LARCs and other forms of contraception as coercive; anti-abortion activists who view LARCs as abortion agents will probably challenge them. Even with a referral or a script in hand, people could still decline family-planning services; physicians may choose not to provide counselling.

## Area of Investment: Transform Communities

**Proposed bet: Reduce effects of concentrated poverty on the lives of people living in distressed neighborhoods**

Low-income individuals and families are increasingly living in neighborhoods where poverty is concentrated. These communities usually lack access to key resources that are essential to becoming upwardly mobile. They are notorious for their substandard schools, healthcare, housing, and other essential services.

Decentralized regional planning and economic development, historical legacies of racist urban development (e.g., white flight, redlining), as well as more recent patterns of migration and urbanization have created deep pockets of poverty—as well as increasing levels of racial and economic segregation—in cities and regions across the country. The goal, then, is to ensure that all individuals have access to the required resources, regardless of the person's zip code or race.

We know that people who live in distressed neighborhoods are far less likely to climb out of poverty. So this bet's focus is to break poverty apart, by supporting people who want to "move to opportunity"—that is, to economically diverse neighborhoods where

### Focus of Bet

Break poverty apart by supporting people who want to move to economically diverse neighborhoods where there are more resources *and* by supporting those who want to stay put and push for improvements.

there are more resources—*and* by supporting those who want to stay put and push for improvements. Specifically, this bet will establish a proof point that demonstrates the benefits of racial and socio-economic integration, by building the infrastructure and services that support far greater access to economic opportunity in five regional areas.

Two key risks confront this bet. There's the risk that comes with implementing a regional strategy: It's difficult to coordinate a strategy that spans multiple communities, and government and market leaders could decline to fund initiatives that seek to transform distressed neighborhoods. There's also the risk that the use of affirmative fair housing policies and efforts to integrate more affluent neighborhoods could spark a political backlash.

### Area of Investment: Build the Infrastructure to Implement and Scale "What Works"

**Proposed bet: Improve the performance of public systems that administer and oversee social services**

Overall, social-sector programs that attempt to increase upward mobility come with too high a cost for too low a benefit. Many public agencies deliver interventions that are ineffective, cost-prohibitive, or only provide modestly effective outcomes for low-income and marginalized populations.

The underlying problem is that misaligned incentives and funding impede social-service programs from delivering against a clear set of outcomes for low-income individuals, families, and communities. As a result, hundreds of billions of dollars have been spent on subpar programs, further eroding the public's trust in government. But therein lies an opportunity to experiment and strive for higher impact, lower-cost solutions. Using all those dollars in ways that are even marginally more effective would have an exponential effect on low-income people. That's why our aim is to build the capacity of all social service agencies to rigorously pursue improved outcomes over time.

#### Focus of Bet

Build the infrastructure to support the use of data for continuous improvement in 15 localities across the nation, using the localities as proof points to serve as a learning model for the rest of the country.

This bet's goal is to deeply understand what's working and what's not. The bet seeks to gauge the impact of ongoing programs (which requires data), as well as the willingness of federal and state governments to fund programs that are producing results—and also incentivize new, higher-impact programs. Specifically, the bet seeks to build the infrastructure to support the use of data for continuous improvement in 15 localities across the nation. Taken together, these 15 proof points would serve as a learning model for the rest of the country.

Given that this bet is an ambitious, long-term play, there are two looming risks: Because of policies that prevent information sharing, data privacy issues may be too cumbersome to address. Additionally, administrators and employees who support specific programs might resist efforts to determine whether “their” programs are really effective.

## The Six Bets’ Potential ROIs

What follows is a high-level assessment of the potential returns for each of the six, $1 billion investments we’ve highlighted. We collected a range of literature that helped us evaluate the risks and rewards for each of the six investments and estimate the size of the populations that would ultimately benefit from the interventions. To develop estimates of each bet’s impact on the lifetime earnings of low-income individuals and families, we worked in partnership with the Urban Institute to develop estimates from the Social Genome Model, which identifies the factors, from birth to adulthood, that promote and impede progress to the middle class. For the bet on transforming high-poverty neighborhoods, we used estimates from the Moving to Opportunity initiative, which traced the economic impact on children whose families moved from high-poverty to low-poverty neighborhoods.

Using the conceit of $1 billion as the full limit of investment, each of the six concepts seeks to outline opportunities for scaling service organizations that are delivering results and also identify emerging approaches that go beyond scaling. These approaches include:

- Support the scaling of low-cost technology applications to help very young children develop their cognitive, behavioral, and emotional skills.
- Use market-based incentives to correct the supply-and-demand gap for trained workers, to help employers communicate their needs, and to help educators streamline their course offerings so as to better meet employers’ needs.
- Incent government behavior through a grant competition to reduce conviction and incarceration rates.
- Influence existing funding flows and healthcare delivery by expanding access to long-acting reversible contraceptives (LARCS) and by increasing the number of primary care providers who offer counselling on LARCs.
- Support greater economic integration of communities by buttressing housing-choice voucher programs with additional mobility assistance supports and by revitalizing distressed neighborhoods.
- Ensure that government oversight and funding are aligned with social mobility policies and programs that are demonstrably delivering results.

To estimate each bet's return on investment (ROI), we developed a simple formula:

**Maximum Potential Reach x Proportion Achieving Impact x Direct Economic Impact = ROI**

Here's how we filled in each piece of the formula:

**First**, we consulted various experts and resources to estimate the maximum population that each investment could potentially reach. So for example, for the investment in early childhood development, the maximum population is 10 million low-income children who are not on track to be kindergarten ready over the course of five years.

**Second**, we multiplied the maximum population by the portion of the population that would fully benefit from the intervention—for early childhood, about 3.5 percent to 7 percent, which works out to 350,000 to 700,000 children.

**Third**, we estimated the intervention's direct economic impact—that is, the improved lifetime family earnings of low-income kids who are prepared for kindergarten (about $15,800).

**Finally**, to calculate the ROI, we multiplied the direct economic impact by the portion of the population that would fully benefit. For early childhood, the ROI works out to $5.5 billion to $11 billion. (The document "Overview of Estimated Returns on Six Big Investments and Their Impacts on Lifetime Earnings" provides greater detail on how we calculated the ROIs for the six bets. Please also see the Urban Institute's technical paper, "Social Genome Model Analysis of The Bridgespan Group's Billion-Dollar Bets to Improve Social Mobility".)

Each bet rests on a series of assumptions on what $1 billion in spending could achieve. For example, the early childhood bet assumes that technology platforms will scale enough to reach the previously cited maximum population of 10 million, which makes this investment a "low-cost-per-individual" play. At the same time, we estimate that just a fraction of those reached—350,000 to 700,000 very young children—would fully benefit from the intervention.

The bet on reducing concentrated poverty works from a very different set of assumptions. It targets a much smaller population—under 200,000 low-income people—which makes it a "high-cost-per-individual" play. Then again, we estimate that a much higher portion of that population—25 percent to 47 percent—would fully benefit.

Although each of these approaches takes a different tack, we expect—based on our consultations with experts in each area—that both investments will achieve more than previous efforts and will ultimately yield higher returns.

Part of our intent in developing the six detailed concepts is to provide (as best as possible) an apples-to-apples comparison of the potential ROI that could be achieved through innovative infusions of philanthropic capital. Even as we consider the potential ROIs for each bet, we should keep in mind that to achieve its full potential, each bet must overcome a range of risks. Given the fact that the bets rely on predictions of future shifts in private markets, public policy, or government funding, these estimates are by no means precise. Rather, they are designed to provide a sense of what's possible when investments on the order of $1 billion aim to bring transformative change to larger public systems, markets, and collective behavior.

Here are the results of our analysis and some of the key risks that accompany each bet.

| Bet | Potential returns | Risks involved |
|---|---|---|
| Increase early childhood development | **$5.5B to $11B** in increased lifetime earnings of children who are kindergarten ready | • **Innovation failure:** inability to develop effective tech-enabled tools<br>• **Adoption failure:** insufficient demand for tools |
| Establish clear and viable pathways to careers | **$7.3B to $14.7B** in increased lifetime earnings of young people who enter career pathways with new credentials | • **Insufficient incentives:** new models do not provide sufficient pressure to shift focus to competency-based credentials |
| Decrease rates of over-criminalization and over-incarceration | **$4.3B to $8.6B** in increased lifetime earnings of young people who will be diverted from criminal convictions | • **Implementation and political risks:** entrenched political forces do not support shifts in policies or alternatives to incarceration |
| Reduce unintended pregnancies | **$3.2B to $6.4B** in increased lifetime earnings of children born at the appropriate time for healthy family formation | • **Political backlash:** significant risk of political opposition |
| Create place-based strategies to ensure access to opportunity across regions | **$4.5B to $8.5B** in increased lifetime earnings of children who move to a new neighborhood with greater economic and educational opportunities | • **Implementation risk:** becomes difficult to implement coordinated strategies across regions<br>• **Political backlash:** residents fight against integration of neighborhoods |
| Build the continuous learning and improvement capacity of social service delivery | **$3B to $6.1B** in increased lifetime earnings of children improving academic and behavioral outcomes *(illustrative)* | • **Implementation risk:** participating organizations are unable to overcome challenges to sharing data<br>• **Political backlash:** pushback against evaluating programs based on efficacy (i.e., politicians' pet programs) |

These investment concepts are meant to show what can be done when we use the lens of a $1 billion bet to survey and assess opportunities to put many more Americans on an upwardly mobile trajectory. Each bet comes with varying levels of risk; each would inevitably encounter obstacles that could cut deeply into its ROI. However, even the lowest estimates show there are promising opportunities to triple the return on a $1 billion investment towards increasing social mobility for millions of low-income Americans. With a payoff like that, how can we not try?

## Reflections

This project's intent is to identify on-the-ground initiatives and policies that have a high probability of bringing economic opportunity to large numbers of low-income individuals and families. We also sought to provide tangible illustrations of how philanthropists can invest in what's working and thereby restore the American Dream to many of our fellow citizens. We close with questions for reflection:

- In your own giving, how have you thought about opportunities to reduce poverty in the United States and help low-income individuals and families become upwardly mobile?
- What are the strategies and tactics you are pursuing that seek to increase social mobility for low-income individuals and families?
- In your view, what are the emerging opportunities for catalyzing change?
- And finally, which of those opportunities have the highest potential for large-scale investments to make a significant impact?

# Appendix

## Establishing a Roadmap for Investment: Notes on Our Approach

"How could a philanthropic investment of $1 billion dramatically increase upward social mobility for low-income individuals and families?" We used this question to help us translate the extensive body of research on social mobility into a set of actionable philanthropic investment opportunities.

While we realize that very few gifts of this size—particularly for social change issues—have ever been made, this order of magnitude gave our team and the experts we engaged the license to think far more expansively about strategies for population-level change.

Of course, even with the freedom to think big, the frame of $1 billion also caused us to work within limits. Even though $1 billion is a tremendous amount of philanthropic capital, it is a pittance compared to the hundreds of billions of dollars that have gone to government services that seek to assist those who are stuck at the bottom of the economic pyramid.

With both the limits and the possibilities of a billion dollar investment in mind, we sought to create a roadmap that aligns philanthropic investments with the following principles:

- Focus on large-scale, **systemic impact** that shifts outcomes for whole populations.
- Leverage the **unique ability of philanthropists** to provide flexible capital that is unencumbered by the requirements of private capital or public funding streams.
- Pursue **catalytic activities**—e.g., unlocking significant and sustained resources and efforts, offering bold, even audacious innovations to ongoing initiatives that push large public agencies and non-governmental organizations to reimagine the status quo approach to social mobility.
- Offer **concrete and tangible investments** that deliver results within the next five to ten years.
- Outline a **credible pathway to sustainability,** beyond the billion dollar investment, which takes into account a broad array of options, including unlocking public resources, leveraging private markets and profit potential, and shifting social behaviors.

To varying degrees, each of the 15 bets meet these principles. That said, we fully recognize that broad macroeconomic trends, emergent social movements, and precarious political contexts add a layer of uncertainty as to whether any single strategy will succeed. Given that reality, the 15 bets we've identified and the six we've developed in greater detail are meant to be conversation starters. To take the next step, philanthropists will have to tailor their investments to their own specific interests, context, and attributes.

Although there are innumerable variables that could be considered, our research surfaced several overarching trends that every would-be donor should recognize. Each of our bets, either directly or indirectly, addresses those trends.

**First, over the past three decades, the US economy has undergone several fundamental shifts with regard to economic opportunity and the use of public funding.** Given the global economy's increasing pressure on the US economy and labor, and the fact that federal and state governments are tilting toward lower levels of spending, our proposed bets must confront a world in which economic opportunities have at best been fundamentally reconfigured and at worst have vanished for many individuals. The once-expected promise that individuals and families could rely on the "company job" for the long haul is long gone.

As states and municipalities confront the changing nature of the US economy, they must evolve their approaches to how they shepherd public resources for the common good. For this reason, we need to consider how our systems of education, training, and development can support a broader and more flexible set of skills that meet twenty-first century needs. We must also reckon with how our public systems—through targeted investments in infrastructure—can better direct limited public resources to the strongest outcomes for society. There is an outsized opportunity for private philanthropy to partner with public entities so as to help low-income individuals build the skills that will make them fit for a challenging future.

**Second, developments in information technology—both direct to consumer and broader enterprise systems—are creating opportunities that would not have even been imaginable 10 to 15 years ago.** We wove two specific opportunities throughout our set of bets.

- The first opportunity is to use "big data" to radically improve the social sector's capacity for research, evaluation, and experimentation. With advances in data science, easier access to data through information logged on mobile devices, and venture philanthropy taking an increasing interest in this area (see the Skoll World Forum on Social Entrepreneurship and the Knight Foundation publications), there are new ways to collect and assess data so as to reveal those interventions that can lead to better results. That's why, in developing our bets, we have emphasized the need to better track and manage data. We have also developed a bet that specifically aims to improve the ability of social service agencies to collect, analyze, and innovate around data. It is almost inevitable that information technology and data science will play a large role in any attempt to address social mobility.
- The second opportunity is to utilize new business models that focus on consumer applications via smart phones. With nearly two-thirds of American adults using smartphones, there are new opportunities to leverage mobile technology so as to disseminate helpful tools and information.

**Lastly, America's demographic composition is changing dramatically.** Much of the data on social mobility reflects a country that (for the past three to four decades) has largely been a melting pot for immigrants from western, southern, and eastern European countries. That reality, however, will change in the coming years, as many states face waves of immigration from Mexico, China, India, the Phillipines, and broader Latin America. In 2015, minorities comprised a majority of new births in the United States. By 2044, America will be a majority minority country.[20] While the sociological, cultural, and political ramifications of this shift are unpredictable at this point, any bets that focus on social mobility should take into account a couple of demographic realities.

First, this is a critical opportunity to break apart historical legacies of racism that have hampered progress for African-American and Hispanic populations. Second, to support the American Dream for all individuals, we will need to summon greater levels of cultural competency and knowledge. Because demographics—as well as this nation's approach to the issue of race, gender, and culture—do indeed matter and will continue to matter into the future, we elevated structural and cultural inhibitors as a separate category of bets.

## Here's What the Research Tells Us about "What Matters" for Improving Social Mobility[21]

We began this project by exploring research that seeks to uncover why some Americans do better than others and what it would take to create more opportunities for all Americans, regardless of the circumstances into which they were born. In so doing, we identified four lines of inquiry that highlight the complicated relationship between individual and family mobility, the larger systemic and structural circumstances into which children are born, and the underwhelming performance of programs that attempt to help low-income people move into the middle class.

### Milestones to the Middle Class

The first area we explored—reflected most explicitly through the Social Genome Project led by the Brookings Institution, the Urban Institute, and Child Trends—emphasizes the critical milestones that indicate successful progress to economic mobility across an individual's life stages.[22] Using longitudinal studies of outcomes for differing cohorts of individuals, this body of work has deepened the field's knowledge of the factors that put people on a trajectory toward middle class financial security.

---

20 Sandra L. Colby and Jennifer M. Ortman, "Projections of the Size and Composition of the US Population: 2014 to 2016," (US Census Bureau, March 2015).

21 Established researchers have written extensively about this topic; the synthesis we present is a simplified overview that attempts to capture some of the most essential points.

22 We used the Social Genome Project hosted by the Brookings Institution, Urban Institute, and Child Trends as an anchoring body of research to inform our work. The overall project and the Social Genome Model provided the basis for our assessment of the impact of potential interventions and bets.

This research makes a powerful case that to climb out of the economy's basement, people must surpass a series of critical benchmarks as they move through life. These make-or-break milestones include: acceptable early literacy skills, number and pattern recognition, and school-appropriate behavior in early childhood; basic reading, math, and social skills by middle childhood; a high school diploma by late adolescence; and a college degree, independent living, and family income that's at least 250 percent above the federal poverty level by early adulthood. Do those things, and you dramatically increase the chances that by the time you hit middle age, you will break into the middle class (defined as family income that's at least 300 percent of above federal poverty level).

### Obstacles to the Middle Class

Our second line of inquiry revealed that even when people do the things in early life that put them on an upward trajectory, they won't necessarily achieve financial stability in mid-life. There are many obstacles that can foil progress. These cultural and structural obstructions, such as restrictions on immigration status, the heightened policing of African-American neighborhoods, and restrictions on access to healthcare, particularly effective contraception options to avoid unintended pregnancy, impede those who seek navigable pathways out of poverty.[23] For individuals from low-income families, often a single setback can irreversibly derail them.

### The Consequences of Concentrated Poverty

In parallel to focusing on individual efforts to become upwardly mobile, researchers have looked into the unique challenges that people confront when they live in areas where poverty is concentrated. This literature, which is most prominently represented in the work of Raj Chetty, Nathaniel Hendren, Patrick Kline, Emmanuel Saez, and Nicholas Turner and the Equality of Opportunity Project, points to ways in which the geography of poverty—e.g., concentrations of poverty, economic and racial segregation, limited social capital, unhealthy/polluted environments—further restrict opportunities for low-income individuals and families.[24] This research demonstrates that geography does more than separate rich from poor. It plays a prominent part in determining which low-income children make it to the middle class.

---

23 For an example of the factors inhibiting the pathways to success for low-income individuals and families, see Catherine Le Maistre and Anthony Paré, "Whatever It Takes: How Beginning Teachers Learn to Survive," *Teaching and Teacher Education: An International Journal of Research and Studies*, 26, n3 (April 2010): 559-564.

24 For more detail on the place-based factors inhibiting pathways to success for low-income individuals and families, see Chetty et al *Equality of Opportunity Project*; Margaret Austin Turner, Peter Edelman, Erika Poethig, Laudan Aron, Matthew Rodgers, and Christopher Lowenstein, *Tackling Persistent Poverty in Distressed Urban Neighborhoods* (Urban Institute, July 2014).

### Initiatives to Spark Upward Mobility

Our investigation into the research on social mobility also led us to consider past and current efforts to bring economic opportunity to every American. Given the fact that the American Dream is stagnant for most and vanishing for many Americans—especially for low-income black and some Hispanic families—it's clear that past approaches haven't lived up to expectations.

There is an emerging consensus that many ongoing efforts—even if scaled to reach everyone in poverty—will still fall short. The reasons are twofold: first, too many initiatives focus on just one factor associated with social mobility. Trouble is, success at one stage in life does not guarantee success at future stages. Second, many of the existing, evidence-based programs are making incremental progress, but they too often then fail to fundamentally change the trajectory of those who are trapped in poverty. What is required is an ambitious learning agenda that moves beyond today's "best practices" and helps us discover what might work tomorrow. Or, as Scott Winship of the Manhattan Institute for Policy Research puts it, "a successful program for improving opportunity will take seriously how little we know about how to achieve that goal."

## Tools for Philanthropists Who Aim to Bet Big

To achieve the goals that we have targeted—focus on systemic impact, leverage the capacity of philanthropists to provide flexible capital, pursue catalytic activities, offer concrete and tangible investments, and outline a credible pathway to sustainability—we know that scaling ongoing interventions will not be enough. Different challenges call for a diverse range of investments—spurring innovation, funding capacity, rigorously researching what practices and programs have made real changes in people's lives, catalyzing public will and policy changes, as well as sparking personal behavior changes. We also have to keep in mind that philanthropists often leverage social impact bonds to advocate for policy changes, forge relationships with government, or drive market forces. Therefore, we have also highlighted a range of tools for philanthropists who want to think expansively and bet big.

## Differing Investment Approaches for Philanthropists

| Approach | Context | Illustrative investment activities |
|---|---|---|
| **Spur innovation** | • Cost effective, high-impact approaches or solutions do not exist | • Sponsor grants to "solve" a specific problem<br>• Subsidize early innovation to develop and pilot solutions and attract capital<br>• Identify, connect, and train new generations of leaders<br>• Support the testing of policy innovations in different regions |
| **Hone promising ideas and programs and help them grow** | • Promising programs, policies, or practices exist, but may not be ready for growth (e.g., not fully proven in multiple contexts)<br>• Realistic pathways for growth may not exist | • Incubate fledgling programs<br>• Support existing nonprofits, public institutions (e.g., K-12 or post-secondary education) corporations, and systems to develop proof of concept and scale (including growth capital for capacity building)<br>• Promote "seals of approval" or other ways to signal quality and evidence<br>• Identify and pioneer innovative growth plans (e.g., networks/ platforms, unbundling)<br>• Fund social impact bonds<br>• Fund action research organizations<br>• Conduct comparative research on policy impact |

| Approach | Context | Illustrative investment activities |
| --- | --- | --- |
| **Shift incentives** | • Promising programs, policies, or practices exist, but there is not sufficient demand or funding<br>– "What works" may not be differentiated from what doesn't (leading to funding inferior solutions)<br>– Policy and/or other incentives not aligned with or actively aligned against what works | • Advocate for shifts in public funding and/or regulations<br>– Fund grassroots organizations, policy coalitions, direct lobbying, etc.<br>– Use voice as institutional leader or influential individual in the field<br>• Support expanded use of existing policy tools to shift regulations<br>– Use open deliberation on rules to change outcomes<br>– Support technical assistance to administrators on options within the confines of policies (e.g., waivers)<br>• Support shifts in cultural norms<br>– Fund social marketing campaigns to shift behaviors and/or build demand<br>• Use endowments as a tool to drive market behavior<br>– Fund program-related investments (PRIs)<br>– Use activist investing techniques to influence market behavior<br>• Invest in market infrastructure or financial tools to aggregate capital (e.g., social impact bonds) |

| Approach | Context | Illustrative investment activities |
| --- | --- | --- |
| **Invest in field infra-structure** | • Promising programs, policies, or practices exist, but are not at full potential due to lack of a strong field (e.g., insufficient collaboration, shared knowledge of "what works" and key barriers, training, leadership development) | • Invest in anchor/backbone organizations<br>• Invest in up-to-date databases of practice and outcomes<br>• Create quality assurance mechanisms<br>• Invest in systems to develop high quality training and leadership development<br>• Support leadership pipelines<br>• Fund creation of technical assistance organizations<br>• Invest in hubs (national, state, regional) to gather and share knowledge, aggregate funding, and coordinate stakeholders<br>• Fund government capacity to incorporate data and evidence into decision making |

## Acknowledgments

We join countless others in considering questions of how to move the needle on social mobility. We fully recognize there are many hard-won lessons based on field practice, research, and investments. To ensure this work represents a range of perspectives, we have actively sought expertise and counsel from a wide array of sources. Internal experts, an advisory board of a diverse set of leaders of major private and corporate philanthropies, key research institutions, and field practitioners have all provided guidance in group conversations and individual interviews. What's more, a public solicitation for ideas brought in nearly 50 submissions from leaders of former clients, Bridgespan alumni, and many organizations we had never reached before. We share our thanks to all those who contributed directly, and through their research. We would also like to thank the team members who contributed to the research for this white paper: Michelle Boyd, Reilly Kiernan, Rose Martin, and Michaela Ross.

*Debby Bielak is a partner in The Bridgespan Group's San Francisco office. Devin Murphy is a manager in the same office. Formerly the deputy secretary at the US Department of Education, Jim Shelton is the president and chief impact officer of Landover, Maryland-based 2U. He was a Bridgespan Fellow in 2015.*



**THE BRIDGESPAN GROUP**

**BOSTON** 2 Copley Place, 7th Floor, Suite 3700B, Boston, MA 02116 USA. Tel: +1 617 572 2833

**NEW YORK** 112 West 34th St., Ste. 1510, New York, NY 10120 USA. Tel: +1 646 562 8900

**SAN FRANCISCO** 465 California St., 11th Floor, San Francisco, CA 94104 USA. Tel: +1 415 627 1100

**MUMBAI** Bridgespan India Private Limited Company, 1086, Regus, Level 1, Trade Centre, Bandra Kurla Complex, Bandra East, Mumbai, 400051 Maharashtra, India. Tel: +91 2266289639, Email: contactmumbai@bridgespan.org

**www.bridgespan.org**