ADAM: Good afternoon, ladies and gentlemen. I’m Adam Meyerson, president of the Philanthropy Roundtable and I’m delighted to welcome you to our 28th annual meeting. You know, my staff colleagues have put together a great lineup of World Series caliber speakers. And my job at this conference is be in charge of the weather. So if anybody has any complaints about the sunshine, please see me.

We’re hearing a lot of criticism of privilege these days as if privilege is a bad thing. Well, all of us in this room have the extraordinary privilege of living in a free country that has given us so much opportunity. We are grateful for that privilege and we want to share it with others. And at the Philanthropy Roundtable, we are building a movement of donors and foundations who are committed to strengthening our free society, expanding opportunity for Americans of all racial, ethnic and economic backgrounds and preserving the blessings of liberty for future generations. This means protecting and building on America’s long traditional as the most charitable country on Earth. No other country comes close to the generosity of the American people. Voluntary private giving is central to our character as a nation and it is central to American greatness. There are three reasons why we are such a charitable country. First, we are the most religious people of any leading modern economy. The single most important determinant of charitable giving is active religious faith and observance. Americans who regularly attend church or synagogue or another form of worship, give more than twice as much to charity as those who rarely attend religious services. One third of all charitable giving in this country, over $125 billion a year, goes to religion and giving by regular religious worshipers is not limited to their own churches. They also give more to secular charities than do those who never or rarely attend religious services.

A second reason we are so charitable in America is that we respect the freedom and the ability of individuals and associations of individuals to make a difference. American’s don’t wait for government to solve our problems. On issue after issue, social entrepreneurs and the donors who support them are finding solutions for America’s greatest challenges and pointing the way to reform of our dysfunctional public systems. Examples include charter schools where low income children excel. Mental health clinics for veterans who can’t get the treatment they need in the VA and apprenticeships and credentialing programs that train people for mid-skill jobs.

The third reason focus reason for America’s extraordinary charity is that philanthropy is such an important part of our nation’s business culture. Wealth creation and philanthropy have always gone together in America. They are reflections of the creativity and the can-do spirit of a free society. From Ben Franklin who founded the first volunteer fire department to Leland Stanford who created one of California’s many exceptional universities to Bill Gates who is seeking to eradicate malaria and polio worldwide, great business entrepreneurs have also sought to be great philanthropists. It’s not just because they have the money. It’s because they have the leadership and the passion to innovate and to build institutions and the analytical skills to assess what works. As my colleague Karl Zinsmeister has written, this priceless American innovation of voluntary private giving is now under ferocious concerted, coordinated attack. Wealthy givers are maligned in the media for the rebuilding of Notre Dame Cathedral and for paying off the
student loans of Morehouse University graduates. The vice chairman of the Whitney Museum felt compelled to resign from the board after months of protests from activists who disapproved of his company’s products and also the color of his skin. A New York Times editorial even criticized Andrew Carnegie for funding the building of over 1,600 public libraries across the country. Rather than a great achievement the Times editorialized Carnegie’s philanthropic leadership represented a public policy failure. The assault on private generosity is an assault on voluntary action on the American tradition of problem solving outside of government. Ultimately, it is an assault on the free society. Throughout American history, donors and foundations have enjoyed the freedom to make their own charitable decisions. Unlike elected leaders, they are not accountable to the voters. Unlike businesses, they do not have to meet a market test. And this independence has enabled them to support bold, sometimes unpopular, sometimes unconventional initiatives. The opponents of philanthropy contend that donors would do more for humanity if they transferred their assets to government through higher taxes rather than donating to their favorite causes. But if the Julius Rosenwald Fund had been accountable to voters, it would not have been able to finance the construction of 5,000 schools for African American children in the Jim Crow South. The John M Olin Foundation would’ve not been able to help create the Federalist Society. The Pugh, Hewlett and Packard Foundations would not have been able to alert society and government to the dangers they see in climate change. Independent private giving is absolutely fundamental for religious and intellectual liberty. It sustains our churches and synagogues, our colleges and universities, our museums and laboratories, our great think tanks of right, left and center and it enables them to make their own independent decisions. And this is why the Philanthropy Roundtable and our legislative arm, the Alliance for Charitable reform fight so ferociously to protect philanthropic freedom. The freedom to decide where and how to give away one’s charitable assets. It is why we are resisting actions by state attorney generals and legislatures to take away the First Amendment right of donors to make anonymous charitable contributions. It is why we resist any effort by politicians to pick and choose which kinds of charitable giving get favorable tax treatment. Presidential candidate Beto O’Rourke recently called for removing the tax exemption of churches, mosques and other organizations with positions on sexuality he disagrees with. This kind of suppression of opposing views has no place in a free society. It is why we fight against unnecessary regulation of donor advised funds that would destroy the growth, efficiency and flexibility of this extraordinarily valuable innovation in philanthropy. And it is why we are fighting to make the charitable deduction available to all Americans, not just rich people. The charitable deduction is an indispensable guardrail against the intrusion of government into our lives and our communities because the deduction tells political leaders that money give to charity is not theirs, it belongs to civil society. And this is also why we will resist any government mandate of demographic standards for foundation board and staff composition. Last year, the state of California mandated quotas for women on corporate boards. We will fight any comparable restriction on independent decision making in philanthropy. We celebrate the pluralism of philanthropy where donors with different worldviews, different passions and different strategies channel their energy and resources into different organizations. This represents diversity at its best and the Roundtable is committed to protecting the philanthropic freedom that makes this diversity possible.
This is my 19th and will likely by my final annual meeting as president of the Philanthropy Roundtable. The roundtable has ambitious growth plans and its best days are yet to come. And in the meantime, I want to say a few thank yous. A thank you first to my great staff colleagues. We have a fantastic team at the Roundtable and I frequently get the credit for their outstanding work. Thank you to our board which has been so generous with its careful oversight, its financial support and its wise and strategic guidance. And I mentioned the work privilege before. It has been an extraordinary privilege. I am so grateful for this privilege of serving our members and those who thinking of becoming our members. I would like to thank each of you individually at this conference. If I don’t come over to you, please come over to me so I can thank you personally.

Our opening session focuses on one of the greatest challenges facing our country; preserving and strengthening America’s extraordinary tradition of upward mobility. And to lead this discussion, we are honored to feature one of the four most authorities on the public policies and cultural conditions that enable people to rise from poverty. Robert Doar served as commissioner for social services for New York State. Then in New York City under Blumberg, he administered 12 public assistance programs, overseeing a 25% reduction in the cash welfare caseload and moving hundreds of thousands of people to work. Earlier this year, after serving as a scholar there for a number of years, Robert was elected as the new president of the American Enterprise Institute. As Robert and his panel make their way to the stage, I’d like to remind everyone to download the conference app if you haven’t already done so. We are paperless this year and the app is the only place to see all information including agendas, room locations and participant lists. And during Robert’s session, you can submit questions through our app. The instructions are on the screens. If you need assistance, please stop by our app booth in the grand promenade just outside the grand foyer. And now ladies and gentlemen, please join me in welcoming our opening panel.

ROBERT: Thank you, Adam. That was a very kind and generous introduction. I greatly appreciate it. And I think, I love being a moderator because that means I don’t have to talk that much, especially when I have such great panelists. I would like to make a couple introductory remarks and also sort of alert you to a change in the program that is apparent and that is that Michael Strain who was supposed to be our participant, the head of economic policy at AEI is sick at home in Washington and being AEI, the American Enterprise Institute, we happen to have another scholar from AEI in town, John Daily, backup and he’s going to address the issues he focuses on which I’ll get to in a minute. I also want to thank the Philanthropy Roundtable and also a little bit of a just can’t resist the need to say this, but coming down here, I was in Los Angeles last night and I came down this morning and all I could think of were those great words, I know a pretty little place in Southern California, down San Diego way. Of course, is the great Bruce Springsteen. And Michael Strain is a great lover of Bruce Springsteen so I’m getting him with that by getting him in.

So we have a great panel and the topic is upward mobility and as Adam said, I have some strong views about this, having spent 20 years working in the public side on helping people move up and out of poverty and off of public assistance into work in New York State and New
York City. And I want to be clear that in all those years and all that time I was very conscience of the importance of the nonpublic side of helping people get off of assistance and out of poverty and I relied on the work of faith based institutions and not for profits, every day that I was in those jobs. But that’s the world I come from and as we go through the dialogue, I’m going to pipe in with various points and commentary that gives you my sense of public assistance. But I want to get to our panelists rapidly and we have a really great group. And the first of those is Scott Cook who is over there in the other chair. Scott Cook is the cofounder of Intuit and together with his wife, he founded Valhalla Charitable Foundation in 2003. And the foundation has provided support for educational ventures around the world with an emphasis on supporting policies with established potential for progress. Valhalla’s investments in programs related to better parenting and technology have yielded better outcomes for children everywhere. Scott is also director of eBay and Proctor and Gamble.

Also with us is my old friend Carla Javits. When I first came to AEI, Arthur introduced me, before I was even there, he said, you need to know Carla Javits who is the president and CEO of REDF, Roberts Enterprise Development Fund. Her work helps the fund provide assistance and investments to social enterprises that help people to overcome barriers to work. So where we’re going here from, Scott is going to be focused on early learning, children at the very beginning of their lives. Carla works on issues concerning adults who have faced really difficult situations in their lives and need to get back into the work. And her efforts have been rewarded with a Federal Social Innovation Fund grant and she herself was recognized as an Innovated Bay Area Philanthropist by the San Francisco Magazine. Congratulations, Carla and we’re glad to have you.

And then finally, we have John Bailey who is a visiting fellow, a resident fellow at AEI. He specializes in the changing nature of the workplace. He is someone who is conscious that robots are replacing all the jobs but also dealing, working on the solution to the extent to which the workplace changes by focusing on skills improvement and helping people adjust to the changing workplace. And so John, we’re going to come to you last.

But I do want to say one thing about Scott before I turn to him. Scott is someone who goes at these issues, as does Carla and John and myself as well, with an extreme attention to outcome, to results, to impact and not so much just the benefit of feeling as if you supported something that’s making an effort. And he’s also focused, it seems to me, on an area that’s been under appreciated in the long history of social policy. It’s getting greater attention now and that is children between zero and three, the early years. And I want to start out with you, Scott, on that. What it is about those early years, what is it about early learning that you think is so important and why have you turned your attention there?

SCOTT: Well, we started our education work in college and K-12. But we sat back about four years ago to say, where are we getting the greatest impact, where can we get the greatest impact from our time, our energy and our dollars? So working with Bridgespan, a consulting firm, we spun up a team and looking at the research, it really led us to early childhood. There’s a vast number of studies on the importance of early childhood because learning and habits are cumulative to all that happens afterwards and to upper mobility. Work from James Heckman
who’s a Nobel Laureate was one of the many persuasive ones where longitudinal studies of intensive early childhood interventions from age zero through five were one of the most economically effective ways of driving upward mobility. In fact, one of the finding were that they calculated a seven to one return. On every dollar spent and gave $7 of increased work time income and lower social costs from having people move up the ladder who would not have otherwise. And this is among low income. So while the gains were large, we also knew that many kids start behind. Half of low income kids are not ready for kindergarten when they get to kindergarten. Half. And many of those are a year behind. And when you’re five, a year gap is a really big deal. And these gaps only tend to widen and harden, in most cases. Catching people up later is much harder, if possible at all.

So while the need was great, our question was, are there solutions that actually work at scale with people so young. So the Bridgespan team then went out and did a national search for what were the programs that fit the two criteria we were looking for; impact and scale. On impact, where were programs that made dramatic increase in the drivers of upward mobility as confirmed in controlled experiment, rigorous controlled experiments. And then secondly, scale. Where could philanthropy trigger the kind of broad scale deployment that could reach and affect hundreds of thousands of those in need, because there’s about 2.2 million children in the United States, four year olds who are not in any formal government sponsored pre-K. So the demand is in the millions. So those were the two criteria, impact and scale. They examined 70 organizations nationally and after the diligence, there were four that passed both criteria.

So I’ll give two as examples. One is a program found in Salt Lake City from the Waterford Institute; a program called UPSTART. And what surprised us from the beginning was the dramatic improvement in the educational outcomes that the UPSTART program delivered. Three rigorous studies, one RCT, showed that 90% of the kids who went through the UPSTART program reached kindergarten ready for kindergarten. Now, when we ran into them, they were a program supporting 6,000 families in one state, Utah, with one pilot test somewhere else. And they had great desire to grow. But first we had to understand, how could they produce such a surprising result and would that result work in other states, other than Utah, with different demographics and with other decision makers in state and communities decide to back it the way they had in Utah. So here’s how the program works; it’s a combination of pairing of parent and child. Coaching for the parents and these are parents of four year olds and online curriculum for the child. And with the coaching, the parents work with the child to get the child to use the curriculum 15 minutes a day, five days a week while they are four year olds. And that’s what produces very high results because it’s a pairing of both, with coaching for the parents. So we had out two questions. So we helped them run pilot tests in adjacent states and progress has been delightful. Now, three years later, we have 22,000 students so growth over 3X, students, kids in the program. Now government funded in five states with pilot tests in additional ten that all confirm that the UPSTART program produces the same gains for kids of any demographic group in every geography that we’ve tested. And now they are continuing to drive growth using philanthropy to trigger the state involvement that ultimately then pays for the economics of the program.
Now, briefly on the second program I’ll highlight which is Centering Healthcare Initiative, a program out of Boston, Massachusetts. The problem they targeted was premature birth. Death rates from premature birth in the United States, are three times higher than those in peer countries. Plus, those kids who survive, approach life with disabilities or at least delays. Centering is a program that makes dramatic improvements reducing preterm birth by 1/3 to ½. And essentially erasing the racial divide in preterm birth. So how does it work? Pretty simple idea; you take those doctor woman visits that happen in the months leading up to birth and instead of doing them quickly in a one on one scenario, they become group sessions with ten to 20 moms and the doc. Now, this allows these group sessions to be two hours long plus they are done with peers. So you have much more support for the mom, much more depth of contact with the doctor and it produces a much better outcome, vastly better outcomes. In fact, so much of an improvement in preterm birth outcomes that it’s economically efficient for health plans, insurance and Medicaid, to pay for it. Now, they’re growing dramatically. They’ve doubled in the last two years to 100,000 families. And they want to double again in the next two years and this takes philanthropy because it takes philanthropy to do the startup funding which then gets picked up, once it’s running, by the insurance industry and Medicaid. So together, this shows that there are the kinds of inventions that produce dramatic improvement in the outcomes that matter most for mobility. And are scalable and economically fundable to reach hundreds of thousands of those in need. So that’s why we’re an optimist for the ability of early childhood to really move the needle on upward mobility.

ROBERT: So Scott, I’m glad you started with that. When I looked at this before with scholars around the country, we’ve talked about three spheres that play a role in helping people move up economically, who start in difficult circumstances. One is work. One is education and one is family. And it seems to me that what you are talking about in early learning sometimes may be used as an education initiative. But it’s just as much a family initiative that you’re intervening in a very personal and intense way that isn’t really like a school. It’s more like supplementing and given the fact that some of these issues are often related to the extent to which children are born in households without two active involved parents, you’re kind of addressing a problem in a way that doesn’t wish it away or say, if we could only just get everybody married but says, we may wish that but it isn’t the way it is, let’s address a way to mitigate the downside consequences. So that’s family. And I’m going to come back to education. Now I want to turn to work.

So, Carla, you run these social enterprises all over the country. You can go anywhere in the country and find a REDF funded social enterprise. What are they and how do they work?

CARLA: Thank you. It’s great to be here with you. Great to be here with everybody. I especially admire and learned so much from you, Robert. So it’s a pleasure. And your scholarship and it’s wonderful to hear about the great work that you’re doing. I would suggest that including more people in our economy is good for America. It’s good for the economy because then you have the talents and attributes of more people contributing to our prosperity. I was reflecting on this morning’s discussion, some of you were there, on civic engagement. It has spillover effects for civic engagement because if you’re working and contributing to the
economy, you tend to be more of an engaged citizen, in a positive way. And I think it also links to the kind of work you’re doing in that we have to do as much as we possibly can for young children, for very small children. But obviously, what’s happening in the life of their family is a critical component and it’s very devilishly hard to get at that and you’re trying to get at it in a specific way. But I would argue that people working is part of what they need to be able to productively participate in the kind of activities that you are suggesting. So what I’d like to do is describe an evidence backed approach that kind of solves a conundrum which really, the American Enterprise Institute helped us define by telling us that millions of people, as many as 9 million people in our country are outside of the workforce but would like to get in. But they’re not in. And this is something I know you struggled with in New York. And so how do we get them in? So what we’ve discovered is, there’s a special kind of business. It’s actually documented pretty heavily in a study by the Philanthropy Roundtable outside. As you said, there are many of these across the country. But you may know of a few of them but you don’t think of them as part of a single field. And we use a name, maybe it’s a clunky name. It’s not a catchy name but we call them employment social enterprises. So these are businesses. They’re regular businesses in that they sell a product or service to the market, just like any other business. They create jobs, just like any other business. But then they have a special social mission. And that is to provide jobs, paid employment, to young people who are not working and not in school and never benefitted from the kinds of programs you’ve discussed. People who have ended up incarcerated or homeless and are not employed. They provide them with paid employment in a supportive work environment where the managers know something about the issues that these individuals have struggled with, and access to the kinds of services that they might need to deal with the traumas that they’ve experienced in the past. A good example of that, I just wanted to offer to paint a picture for you, is a company called More Than Words. It’s a company in Boston. They employ young people, many of whom not working, not in school. Some have been involved in the criminal justice system. Some have been homeless. And the young people really operate a business that takes book donations. They have a beautiful warehouse. They organize all the books. It’s kind of complicated to do that. And then they sell them on online platforms. Many of you may have bought books from this company before, through the online services you may use to buy books. And then they’ve opened up a beautiful space in Boston. I urge you to go visit. That’s a bookstore and they sell products, actually from other social enterprises. And they rent it for local events and things like that. So the business is generating revenue. They young people are getting the experience of being entrepreneurs and workers and they’re getting the kind of supportive work environment that’s helping them get through school and move on and move up.

It addresses a gap in the market; employer point of view. Businesses need well prepared workers. But there are a lot of people who haven’t had the benefit of a quality education, have experienced trauma. From an employer perspective, this derisks the hiring. From a citizen point of view, the US needs to interrupt these cycles of homelessness and incarceration. We don’t have a real answer for that. If people go to work, we find from the data that that does interrupt that cycle and is obviously very costly when we don’t. And then from the individual’s point of view, you know, there are moments in our lives when we decide, you know, we really need to make a change. Or we’ve always wanted to make a change but it’s very hard to find our way in. We may not have had the education or connections to get in. So it’s tough to get into the workforce if you
don’t have experience gaining the skills and attributes you need to navigate the workforce; communicate, collaborate, work with others in the right way. And other skills may have served you well when you were out on the streets. And then it’s hard to participate in a lot of existing training programs because you need to be paid. You need a paycheck. You’re very poor. You need income while you participate in training and you may not have the confidence to get into training.

And from a philanthropic point of view, companies that generate revenue mean that we don’t have to fully fund those just through philanthropy or certainly only through government. So founded by George Roberts, who some of you may know. He’s the cochairman of KKR. About 20 years ago, REDF really set out to back these kinds of enterprises, providing them with the funding and advisory services they needed. We set a goal for the current period of helping 50,000 people go to work by the end of 2020. We’ve almost hit that goal a year early, which is very exciting. We’ve worked with more than 150 of these social enterprises across the United States. In addition to just having a job, almost all of these enterprises help people get their high school diploma or equivalency and then they give them training in things like forklift driving or commercial truck driving, practical skills, workplace safety, things like that. The data is that upon graduation, people are overall making 120% of minimum wage ranging from $7.25 an hour to as much as $32 an hour depending on the kind of training that they’ve gotten and sort of their own attributes. Wages have gone up 91% a month. I can give you some more data in a little bit.

I would just end this section just maybe with a story which I think is illustrative. If you’re interested, we do have a great website; REDF.org and there are lots of these stories on there. But there’s a young man name Pablo, grew up in San Jose out here in California, gang involved, parents not in the home, really tough life. If you look at the video, you’ll see this gentleman. You might have crossed the street had you seen him coming down the street in the past. He had one adult in his life who cared. Somehow that gave him enough to get a job in a social enterprise. Fast forward, he’s been promoted four times. He’s now leading the big team there that runs the social enterprise. He’s a mentor to his daughter. He’s a mentor to the young men and women who are coming through the program and he’s participating in various civic bodies that are trying to do something about incarceration.

ROBERT: So Carla, you talked a little bit about the labor market and people outside the labor market, not in the labor market. And one of the great things that has happened in the last couple of years is that that number of people outside the labor market has dropped as the economy has gotten stronger and stronger. And I think that one of the great things I love about REDF and the social enterprises is that they’re not actually that much different than just a strong economy and a reaching, stretching employer community that needs workers and will go the extra mile to bring them in and train them and to nurture them and to raise their wages in order to keep them. And that’s happening all over America right now. It really is. In a way that it hadn’t happened in a long time. And I have to make that point because they don’t do everything and they don’t necessarily always reach to the people who are facing deep challenges. But it needs to be pointed out that it’s really not that complicated. It’s a job and it’s not necessarily going to get you all the way to middle class but it will get you a start and it will get you a ladder. It will get
you a path. And it’s always better, at least globally, for the country, to be in a situation where wages are now rising faster at the bottom than they have in the middle and the way in the past. And there are just a lot more opportunities. So I needed to point that out partly because I want to put it in context. I also need to say that are there often situations where individuals, even with that good environment still need a little extra. I mean, I partnered and contracted with CEO, one of your social enterprises that was expert at taking people who were coming home from prison and getting them into employment rapidly. And of course, the thing you mentioned, I cannot emphasize enough that while someone is in training or getting a start, they really would like to have a wage. If you don’t have a wage while that’s going on, it just becomes much harder for individuals to stick with it. So that’s a key component. But we’re going to come back to metrics and we’re going to come back to family versus education in a minute. But I want to turn to you, John, because you’re focused on, it seems to me, the changing economic job terrain for people with a high school degree but maybe not anymore. And what are you seeing out there and how much faith do you put in place based initiatives and what do you think is happening with regard to skills development?

JOHN: Great, thank you. It’s always good to stand in for Dr. Michael Strain. A couple of things we’re looking at. One is just how automation is changing the workforce. And it’s changing the workforce in a couple different ways. Far from sort of the Armageddon that often you will sort of read from McKinsey and others that always talk about millions of jobs that are going to be destroyed. And what we’re seeing is that is partially true. But automation is actually changing jobs in a couple fundamentally different ways. But first, before we even get into that, it’s just important to understand why is automation scaring so many executive and CEOs out in Silicon Valley when we can’t get Siri to work on our phone or Alexa doesn’t understand that we’re asking for the weather not changing the channel? It’s because again, so many of the Silicon Valley CEOs are seeing exponential growth in the way that machines are able to learn and the way machines are getting smarter, in the way that machines are slowly entering into the labor force. So a good example of this is the port of Shanghai is the largest port in the entire world and it’s at a fully automated port meaning that the cranes that are unloading the containers and the containers that go onto autonomous driving trucks that move it onto other trucks, it means they can do a single shipment that used to take 60 people now only takes nine people. You’re seeing this in the best example I know, in Napa Valley with cabernet. Did anyone know Kathryn Hall Wines? A few. So they have this machine that helps sort the grapes. So what they do is, the way every single Napa vineyard does is that the master wine maker decides today is the day of the harvest and they all go out and they harvest the grapes. And he finds 100 of the best grapes to make the Kathryn Hall cab that he thinks best represents the grapes that they need for the cab from that particular harvest. And what used to take a group of 30 workers for most of the afternoon to sort two tons of grapes, now is done without any workers in a matter of 12 minutes. And it’s all done through an optical sorting machine. So that master wine maker takes 100 of the grapes, gives it to the machine. It analyzes the grapes in a whole bunch of different ways, with light, with texture, with size. And then it sorts it at the rate of 3,000 grapes per second. Now these are all the types of jobs being automated that we’re used to hearing about. They’re low skill jobs to some degree. They’re manual labor jobs to some degree. But what we’re beginning to see is that automation is creeping up that skills ladder. And so that’s one of the first things that we’re
seeing about the labor force is that again, it’s not just low skill jobs. It’s going up the skills ladder. So now what used to be is when you went into the hospital and you got an MRI, you got a CT-scan, you got an X-ray, that went to a radiologist. A radiologist who has a PhD. Now there are companies that actually have machine learning algorithms that can analyze the X-rays and PET-scans and the CT-scans with a faster rate, higher accuracy rate and lower false positive rate than these doctors. So you’ve got PhDs getting displaced now as a result of automation. So I don’t think this is a doom and gloom. What worries me isn’t about the jobs that AI is going to destroy. It’s about whether or not we have a workforce system helping workers adjust for the new jobs AI is going to create. And that’s one of the most fundamental things. We work with a great group in Boston called Burning Glass that analyzes every single job posting. So what are the skills that are required in jobs as well as people’s resumes and are able to identify these skills gaps. One of the fastest growing job categories is something called hybrid jobs which sort of makes sense, an intuitive sense. But this is something that takes a traditional domain, something like marketing and combines it with some level of technology. Think digital. And what do you get from that? Digital marketing. That’s where we get all of our social media marketing with SEO optimizers and whatnot. It turns out these hybrid jobs are growing at a faster pace than a lot of other jobs. And so you need a domain. You need a content domain but you need some digital skills that are going with it. It turns out the technology and automation is also creating brand new jobs. Jobs that we haven’t even anticipated or thought. The iPhone is just ten years old. Think about all the jobs it has created with apps and the app ecosystem and with other folks supporting that. We have no idea what new jobs are going to be created as a result of some of this technology and automation. What worries me is we don’t have an education and a workforce system that’s able to keep pace with that. So even put aside K-12. When you get to higher education, higher education is not able to keep pace with a lot of the demands from the workforce. Even if they could, we have this sort of unknown crisis in American higher education right now which is a dropout crisis. We now have 32 million people in the country with some college but no degree. That’s just a waste of human capital, often with some student debt burden that goes along with it that is just holding back those people often climbing up the economic ladder but also holding back a lot of American businesses who at any given month have 6 million to 7 million unfilled jobs because they can’t find people with the right skills. If you look back, it was just like a week ago with the democrats on stage at the one college, they were all talking about free college. They don’t talk about better college. At the college they were literally debating this on, if you look at their completion rates, the six year completion rates for all their students was just 60%. If you look at African Americans, it was 32% after six years. If you’re an African American going to that school, the chances of you graduating and completing with a degree are very, very low. You would think that’s the exception, it’s actually the general rule. I think one of the reasons we have for this is it’s a misaligned incentive problem. And the quickest way I’ll explain this is a little unusual but it’s with an economist who worked with the British government back in the 1800s. He was a contemporary of Adam Smith. The British government had this problem; they were transporting prisoners from England to a penal colony but the problem is, only 50% of the prisoners survived. So government responded in a way that most governments do and our government does today. They mandated lots of things. They mandated that you pay the ship captains more, the survivor rates are going to go up. They mandated that
there’s a doctor on every ship, survivor rate is going to go up. Then Chadwick came in and said, you have an incentives problem. You’re paying every captain for every prisoner that boards the ship, not every prisoner that leaves the ship. Once they flipped the payment scheme, survivor rates went up to 98%. We have the exact same misaligned incentive in our higher education and our workforce programs; we pay people to go into college but we don’t reward institutions for completing them. One great program uses a lot of free market mechanisms and it adopts this [inaudible] Chadwick sort of insight. So income share agreements, just aligns the payment to whether or not the student completes the program and then once they get above a minimum income threshold, they pay a percentage of their income. It completely aligns the incentives so that the institution is bearing some of the risk in game.

ROBERT: So okay, but these are different realms. They’re all important. They have different populations but that doesn’t mean they don’t all fit together with the same objective with upward mobility. But the question I wanted to follow up with you, Scott, it seemed to me that there was a little bit of, you observed the changes in education policy and education initiatives over the years. And did you become frustrated or are you hopeful and is that what led you to move toward sort of pre-K or early learning or prior to school? What’s your view of the education space?

SCOTT: I’d say I’m more struck with hopefulness. And maybe it’s because of the early education space. None of this is easy, driving social change of this magnitude. But we’re seeing really hopeful signs in early education. Something like half the governors have announced major commitments to early education. Currently, the federal spending on early childhood has gone up in the last decade 62% and no other form of education has had an increase like that. Most of the presidential candidates now have some plank in their platform on early education. Some make it large. That’s another example we lived through was there is a large education conference every April. Somebody put a popup booth in the education conference on early childhood. It was so mobbed they had to call the fire marshals to orchestrate the line of people waiting to get into the early childhood popup. And I’d say that because of that, there’s a group of philanthropic funders who we get to work with, our fellow travelers, who we’ve learned a lot from. And I think we’re filled with a degree of a feeling of momentum and that this is a special time when there’s a clear recognition and consensus on the role of early childhood. So that just feeds a lot of optimism.

ROBERT: What about targeted at particularly vulnerable families versus universal? Do you have a view of that? How do you see that, based on either your experience with specific programs that may have been targeted or were universal, I don’t know. How do you balance that?

SCOTT: I think most of the work we do is targeted to the more vulnerable. If you don’t make that focus, it might not happen and so we’re really trying to move the needle on the most vulnerable. On the other hand, if a program expands to cover everyone and every child learns faster, gets a faster start, is better equipped in the kinds of development or the foundational skills that are needed for modern employment, well that’s only going to help our economy.

ROBERT: The one experience I found in the National Academy of Science is to look at interventions and found that interventions in early childhood programs that were targeted had
great potential but those that were universal, if you’re looking at cost effectiveness, because the cost goes up so much higher, the ability to sort of have a return on investment, if you’re really thinking in the cold hearted way, it’s just harder. It’s much harder. But there isn’t a question that there are families in the United States that are in desperate need of this kind of early intervention. And in my experience in New York City and across the country with Nurse-Family Partnership is another form of very intensive involvement in families. And again, my view of this is that it’s a recognition of a weakness, not in the educational system but in the family dynamic and which people recognize. The parents themselves recognize the need for additional attention.

SCOTT: To build on your point, our efforts span things from play space and school and pre-K. So we work across the spectrum. But one thing you can count on is that the mom of the child, in almost every case, wants to do right by the child. That’s a reservoir of phenomenal passion and energy and a lot of it is equipping these people. My mom didn’t know what to do. She admitted as we got older than she didn’t really know what to do with us when we were younger.

ROBERT: My mother definitely didn’t know what to do.

SCOTT: And yet, she would’ve loved these things because it would’ve given her the scaffolding to be confident about what to do to help her child rise to be as great as they could be.

ROBERT: So now, Carla, the question about the social enterprise that I get when I laud them and I want to give to you and it has to do with metric for success. You know I’m going to ask you that question but I’m also interested in the effective mission creep. So we’re dealing with people with barriers. They come into the workplace. They have no income. They are in deep poverty. They’re really struggling. Social enterprise gets them, $10 an hour. Gets them a job. Gets them a feeling of dignity of work. We were just talking about the cost of living in California and what people judge as success. Do you get the charge that, oh come on, that’s not really success, you’ve got to get all the way to the middle class?

CARLA: Yeah. No, I really appreciate the question. I mean, I guess, and I wanted to reflect on the earlier point you made about the mainstream economy and I think maybe they are somewhat related points. We do get that question a lot. And I would say we are doing a lot as are the social enterprises on the skill development side to try to address that. I mean, you’ve made the obvious point, the jobs of the future, any job, is going to require some computer literacy. Any job; retail, take your pick. So you need computer literacy and imagine if you’d been in prison for ten years, you don’t have access to a phone, a computer or anything else. So skill building becomes very important so that you can move up and exposing people to education and getting people as far as they can educationally, that’s embedded with a lot of these programs. So I think you’re correct in that, you know, you can’t do everything for somebody when they’re first starting out. For all of us, once we hit the economy, we have to deal with the economy as it is and many people do move up and some people stay at a certain level and make a good life for themselves. So I think there has to be some recognition of that but we’re certainly doing all we can to reach deeper into the kinds of jobs and skill building that can get people better paid.
ROBERT: A comment on that. I think, look at it as a hand off because if you take it as, you’re dealing with really difficult circumstances. You get them to a certain point, hand them over to this guy. He’s got the adult education world which is kind of a mess. And if he could get his world cleaned up, you don’t have to solve that for him. You just have to get someone up to the point where they’re ready to go to the next step.

CARLA: Absolutely. And a lot of people don’t get that first chance and they don’t get a solid footing when they get that first chance. And I just wanted to reflect on that with the earlier comment you made about the economy, maybe just to say yes, the picture you painted is great and we’re happy we have a thriving economy. That is critical and essential for people’s wellbeing. And the fact is still, for some people, it’s a hard economy to hit. I mean, I would cite, I think this is correct. If you’re an African American with college, you have less likelihood of being called in for a job interview than a white person with a record of incarceration. So there’s still issues in the economy.

Second, I would say on the point you made, in mainstream employment, and I think this is an important call to employers, there’s not still the kind of investment we used to see maybe 30, 40 years ago, in worker training. Particularly for low wage workers. And given the changes in the economy, I think that might be a call to action. And then I do think still, unfortunately, even with a better economy, there’s a lot of churn at that front line level because somebody comes to the job and they’re not quite fully prepared for it. And that, I think, is the crucial answer to your question. If you’re well prepared, you’re confident, you have the right attributes, you know how to work and show up on time and put in full effort and eager to learn, chances are much better that once you get over that first rung, you’re going to have a chance to move up the rungs, just as the economy as it is. But getting that first start, just like you’re doing at the early end, getting a good start, that’s kind of the most critical thing. So I mean, on impact, I would say we look at lives changed. So we do look at job retention, income levels, reduced use of public benefits which as you know is a benefit of this. For the enterprises themselves, we want to see that they’re doing a good job with people they’re employing, generating revenue and of course, in the long run, maybe this is worth saying, people are always curious. One thing they do ask us a lot about is, so long term, what happens to people, do their incomes go up, where do they end up. And we always say, we kind of wring our hands and say, look, research is incredibly expensive, it’s hard to find these people years later and track them. So what you need is what we call administrative data which you’re familiar with, obviously, from the big systems. And we happened to get a hold of administrative data for about 10,000 people who worked in social enterprises in California. And I just would share kind of two findings that were really exciting, we thought. For people who stay employed, wage earnings went up starting with when they got that social enterprise job, persisted for two years and they were earning more every quarter, two years after social enterprise than they had in any quarter prior, ever in their lives. And the year before they got a job in social enterprise, maybe 20% of them had worked at all. And two years after the intervention, that was almost tripled. So it was nice to at least be able to start to get a look down the road at what happens to people.
ROBERT: So, John, you gave us those distressing dropout rates. And sometimes when people give dropout rates, at least this is the way I used to feel about it is it’s an indictment of the kids. There’s something about the social capital or the families or the backgrounds that led them to drop out and pass up this opportunity for education. But I actually don’t think that was the point you were making. I think the point you were making was that the educational institutions need to change. And I guess the question I really want you to address is are they? Is adult education, is higher education adjusting to provide more certificates, more credentials that lead to real jobs in the changing economy and don’t put all this emphasis on a four year bachelor’s degree?

JOHN: Yeah, and are colleges adjusting to the needs of students that they are serving. Because I think again, that’s part of what we’re seeing with so much of the dropouts in higher education. If you talk to one university system that serves New York, it turns out students don’t just one day drop out. It’s a very slow process. And what started the process for so many students in New York was just that they ran out of their NTA benefits. It literally was just $100 a month transportation benefit was whether or not they would come to class or not be able to come to class. And so right now, again, systems aren’t incentivized to start thinking about those types of student needs. The moment you create the incentives to say, you’re only going to get paid when that student completes your program, it totally reorients everything. You spend more money on academic counseling. You start trying to figure out the optimal way to offer the classes versus what happens right now which is classes are offered at the convenience of the instructor and not necessarily the students; starts making you think about these sort of secondary things. We do this in healthcare now. The way, the shift in healthcare payments to value base pricing has created a greater focus on these things we call social determinates of health. These are all the things that are outside of a healthcare system but that we know impacts healthcare outcomes, healthcare quality. And as a result, you have hospitals paying for Uber rides so the patients show up for their checkups. You have hospitals paying for people to go to the patients’ homes to change the bandages on the wounds and do some follow-ups there. It’s all because of the change to the financial incentives. We don’t have that in higher education. We definitely don’t have that in the workforce systems. The reason why I’m so convinced that ISAs are on to something here. I’m not sure if that’s the only mechanism but it aligns the institution’s success and finances to that student’s success. And I think the moment we get incentives right, we’ll start seeing some other impact.

ROBERT: I think, again, we had programs that provided much more intensive mentoring and preparation, remedial activity prior to the starting of community college or college in New York City for targeted audiences. And I think that was partly a result of this incentive and results going. But I also, I sort of think you didn’t give the answer I really wanted there which was that what I’ve learned and what I’ve seen is that there is a desire and a recognition that people actually aren’t interesting in a four year degree or would do better if they focused on credentials and certificates in a trade or discipline that led to a job that paid well above minimum wage. And that’s also out there.
JOHN: I was just thinking that. No, we’ve just come off a decade where it was like a college for all. That if you didn’t go to college, there was no sort of economic pathway for you. and I think what we’re finding now is there are lots of different pathways for students; apprenticeships, two-year degree programs, different types of industry certificates that can be offered as early as high school but often can be a great substitute to college. The point here is giving students a lot of flexible options but also creating a financial aid system that’s flexible to address all of that, too. Right now you have Pell Grants that can go to some of these options but not all of those options. And that needs to be broadened and made a little bit more flexible, too.

ROBERT: So Scott and Carla, now we’re going to get into maybe a process question and not as thrilling but really important to people who are in this room which is, how do you know what you’re looking at is working and is worthy of an investment? What is the method that you accept and would demand of an organization that’s got intervention that they say is great then you would need to do or how would you do it to determine whether they’re actually telling the truth?

CARLA: So one principle I’ve really seen in operation that works is if you can, it’s sort of try before you buy. It’s one thing to get a grant application from an organization. It’s another thing to actually work with that organization day to day and send them an email and ask them for their financials and it takes three months to get it. Or are they responsive? Can they stand behind the things they were so good at writing in the application? So one thing we’ve tried to do is structure in opportunities to actually work in a smaller way with a company before we’ll make a long-term or larger investment. I would say aside from that, some of the things that we look at are leadership. This is what our board emphasizes all the time. Leadership is critical. The people that run an organization, the board of the organization, is there alignment, do they all agree more or less on what they’re doing and how they are doing it, do they have the skills, do they have the experience. We do look at the business plan. In our case, we’re looking for businesses that have enough of a margin that can create a lot of jobs, that they are these kinds of jobs, things like that. And then do they understand on the business side, their market, how to grow the business. And then on the social support side, do they really understand the nature of the problems that are being faced by the individuals they are trying to employ. In this case, just about universally, everybody has experienced some kind of trauma so trauma informed service is something that we look for just so people actually have an understanding. We want to see clarity of purpose and metrics that align with the purpose. So you were emphasizing that earlier. I mean, the incentives are all around, I’ve set this goal, is my organization lined up to meet that goal and is that goal in sync with what it is you wish to achieve.

ROBERT: What about independent? So the world I come from, the benefit of an independent evaluator, MDRC or Leo Lab at Notre Dame, coming in and doing either one, a randomized controlled experiment or some sort of outcome based analysis. Is that necessary?

CARLA: Yeah. I guess I’d say a few things about that. First of all, to prove out a model, like a whole approach, is it good to provide a certain kind of early childhood education, does it work or not. For that, you need that kind of evaluation and you need to compare the people who got the intervention to people who don’t just so you know overall, does that work. I would say in terms of then implementing day to day, can the organization that you’re looking at actually carry
that out. There are other ways of doing data collection and kind of AB testing that’s a little bit less costly than that that can show you whether or not that company is actually capable of carrying out a model that’s already been proven by the data. So I think that’s how we would look at it.

ROBERT: In my experience with employment programs, which was long, the key ingredients were of the people, how many have a pay stub at some point, how many have a pay stub from the same employer six months later and how many have their wages rising 12 months later. And these are hard. These are hard challenges because it’s both the placement, proven by the pay stub plus the retention and then the wage increase. And I guess I would, so let’s just say, let’s put a number out there and Carla, I hope I’m not pressing you. But of people who start in a social enterprise, what’s a good number to be retained in work a year later?

CARLA: 60% or so.

ROBERT: That’s a very good number.

CARLA: Yeah.

ROBERT: That’s a little higher than I would’ve even thought, 45%. That this work is hard and success is not necessarily going to be 100% and you just have to face up to that.

CARLA: Yeah, there’s no question about that. It is really hard. But I would say setting the right incentives and providing the evidence of models that do work and then holding people accountable through the data. And I know you know this, I mean, in the field now, what’s really, and coming before is, sometimes we’ve used data, as you know, Robert, we do an evaluation and maybe we read about the evaluation and we fund accordingly. But often it’s the people who are actually delivering the service on the ground, they don’t get the data. So the case manager or manager A who is trying to place people in jobs and support them and manager B may be doing a vastly different job and they never learn who’s doing better, who’s doing worse. So a lot of this is about feeding back the data, setting the metrics properly and learning from it.

ROBERT: Now it’s time for you to ask your questions. Scott, this one is for you. Where do low income children get access to online curriculum at an UPSTART center?

SCOTT: Yes, there are no UPSTART centers. The way it works is with outreach usually sponsored by community or state organizations or school districts to go out into the community and recruit the kids who are not in some form yet of early education. They bring the kids and the parents together. It could be at a church or community center for one meeting. That’s when the kids get a pretest and the parents get their initial coaching on their role and that’s where if you find out they don’t have a computer with internet access in the home, that’s where they get supplied with a device and internet access. And that’s the only physical need.

ROBERT: That’s amazing.

SCOTT: That means you can run it virtually. That’s one mode of deploy and some other states we’re seeing it deployed as a add on to existing pre-K systems. So where their cognitive
achievements may not be as high as I’d like, they’ll say, okay, we’ll do pre-K during the day and UPSTART at home at night. So that’s another way of deployment.

ROBERT: John, can you talk about the types of new jobs that artificial intelligence is creating? What skills will be necessary to fill these new positions?

JOHN: There’s a number of different areas. Data science is a huge one. You need data science to sort of power these AI systems but also to make sense of the data that’s coming from it. I’ve seen a couple different liberal arts colleges that that’s the way they are marrying liberal arts curriculum is to add sort of a data analysis, data science sort of component to it. That’s a big one. They’re also just sort of industries that are getting created that are built upon sort of artificial intelligence or other forms of technology. So 3D printing used to be just in sort of like a hobbyist type of thing. You would 3D print a little car or something. Now there’s like industrialized 3D printing that actually manufactures parts that are used in some airplanes. And that’s going to bring back manufacturing to some parts of small towns of America in many different ways. So again, there’s going to be new industries created in all these different areas.

CARLA: I’m sitting on the Future of Work Commission in California and we’ve been getting a lot of really interesting testimony about exactly this subject like, what are the jobs of the future and what’s really going to happen. And some of the things we’ve been learning are that critical skills are going to be communication skills, interpersonal skills as well as technology because that’s going to be required for everything. And that the jobs are requiring more human attributes that require more flexibility, decision making, things like that. there are going to be more of those jobs. Less, and this is across the income spectrum, of the kind of jobs that are governed by rules and regulations because then you can program machines to actually do those jobs.

ROBERT: That’s right. You know, I’ve spent some time in this area and so I worry and have worked on helping people move up economically and the result of that is, is that if I were thinking about the spheres that I would focus on most to help people move out of the lowest quintile to the second, third or fourth and have their children have greater futures, it would be early learning. It would be social enterprises, employment for people who have struggled in the employment world and it would be better higher education alternatives to college. So the fourth one would be in promoting a strong economy which was Michael Strain’s role to say that really, what matters most of all is to have the economy going strong. So there was a purpose to this panel that in my judgment, I’m trying to send a message that these are the things we are weakest at. I happen to think that Scott, in your case, it really is a way to both address the inadequacies of the educational system, the K-12 educationally system. It can’t really make up for lost ground when someone comes that’s a year behind. And also recognizes the important role of family. When family is not there, you have to step in with something else. So I just wanted to make that clear.

SCOTT: Or to step in with something that helps the family do the things that by strong desire, they wish to do.
ROBERT: That’s exactly right. There’s no question, everybody recognizes the desire to help their children get off to a fast start. So last question, what ideas do you have to enable 22 million with disabilities to get the education and jobs they want to become independent? So I’m going to start with one answer if that’s okay with you guys. So when I was in this business, I worked with the [inaudible] program, the SNAP program, the Medicaid program and then there’s this very large disability assistance program in the United States. It’s the one program that’s run entirely by the federal government and it’s also the one program that I think is the most broken. And the reason for that is that it does really very little to help people get into jobs education. It is an income maintenance program that provides a minimum amount of assistance because they cannot work and there are real, I’m not questioning the disability but people in that circumstance don’t just want that. They really do want to get into work and our programs are not designed to do that at all. And so, I do think that there is some potential for reform in SSA but we’ve got a long way to go. It’s a very broken federal system that basically, maintains people at an income level that is pretty low and not providing dignity or respect that comes from work and that’s a tragedy.

CARLA: Interestingly, there’s a much smaller federal program that is not really a money program per se, it’s more of an incentive called AbilityOne that essentially, the federal government to purchase goods and services from businesses that employ large numbers of people with disabilities. And that system has existed for a long time. Some of it is a bit like, you may be familiar with the term sheltered workshop and people don’t make a lot of money but that’s actually not true of about 90% of people who work in those companies. They’re making good wages, sometimes prevailing wages and that whole, the groups that have been involved with that across the country, there’s about 500 businesses that are sort of part of that network, have just done a huge future of work reimagining process. And I think a lot is going to come out of that so whoever asked the question, I would urge you to get onto the Source America is the name of the mediary involved there, website and watch because they’ve been producing a lot of interesting papers on how to recreate a better system for employment of people with disabilities.

JOHN: I’d add just one button on that. This is where the advent of computerization can be really helpful, to enable people who are physically unable to get to a workplace to have meaningful rich work with other humans from their home and at a schedule that they choose. We do a lot of live customer service with tax experts who can pick their schedule, work from their location, fit around whether they have children or elderly to take care of whether they are a pace of work, they chose their pace of work and their place of work and it’s a wonderful thing that we can now do that, do that easily thanks to this foundation bedrock of computing capability we have across the company and across the world.

ROBERT: And with that, I want to thank our panelists and thank you for listening.

[End of recording]