



# Chapter I: Values

## Criterion I: Values — At A Glance

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A grantmaker practicing Philanthropy at Its Best serves the public good by contributing to a strong, participatory democracy that engages all communities.

- a) Provides at least 50 percent of its grant dollars to benefit lower-income communities, communities of color and other marginalized groups, broadly defined
- b) Provides at least 25 percent of its grant dollars for advocacy, organizing and civic engagement to promote equity, opportunity and justice in our society

- > Philanthropic support for people and communities that historically have been marginalized is extremely low. Although serving disadvantaged communities is not the only purpose of philanthropy, it should be a much higher priority than it is. In the aggregate, only 33 percent of grant dollars can be classified as benefitting marginalized communities, even very broadly defined.<sup>1</sup> This is cause for concern in spite of the fact that philanthropy and the charitable sector are not a substitute for public programs; the government has an obligation to assist the country's underserved populations.
- > By intentionally elevating vulnerable populations in their grantmaking, foundations benefit society and strengthen our democracy. Prioritizing marginalized communities brings about positive benefits for the public good. "Targeted universalism" is one of the most effective strategies for doing this.
- > Income and wealth inequality impact the entire U.S. economy negatively. Grantmakers that pursue social inclusion for the economically disadvantaged help not only the poor, but broader society as well. Race persists as a significant barrier to social inclusion and to achieving the American Dream. Grantmakers that prioritize racial and ethnic minorities see benefits accrue to people of all races.
- > Overcoming social problems for any marginalized group is complicated and multifaceted. Grantmakers that use systems thinking to guide their work recognize this and are leading the way, helping philanthropy be more relevant in addressing pressing social needs.
- > Advocacy, community organizing and civic engagement have played essential roles in the development of our society and our democracy. They are among the most effective strategies for implementing a systems approach and for achieving a significant, measurable impact on a variety of issues. These efforts advance democratic renewal and enhance civic engagement.
- > Leading the field, 108 foundations (13.35 percent of our sample) provided at least 50 percent of their grant dollars for the intended benefit of marginalized communities. Also noteworthy, 56 foundations (6.9 percent) provided at least 25 percent of their grant dollars for social justice. These are the benchmarks for Philanthropy at Its Best.

# Chapter I: Values

Social inclusion is based on the belief that we all fare better when no one is left to fall too far behind and the economy works for everyone. Social inclusion simultaneously incorporates multiple dimensions of well-being. It is achieved when all have the opportunity and resources necessary to participate fully in economic, social and cultural activities which are considered the societal norm.

– Heather Boushey et al.,  
Center for Economic and Policy Research & Inclusion<sup>2</sup>

Many foundations play an extremely important role in the civil society sector by prioritizing marginalized communities in their grantmaking and thus enhancing substantive, participatory democracy. Contributing to the public good in this way is in keeping with what Alexis de Tocqueville identified in the 19th century as the feature that distinguishes the United States from Europe. Citing the power of the “voluntary association” he observed during his travels throughout the country, he contended that the freedom of U.S. citizens coming together united by a common purpose would connect them to civil and political society in which they shared common democratic values.<sup>3</sup> Tocqueville argued that such connections made U.S. democracy truly participatory and inclusive, identifying the relationships between social equality and democracy and between that equality and voluntary association.<sup>4</sup>

By focusing intentionally on the most marginal in their grantmaking, foundations can promote greater equality and enhance the ability of underserved populations to contribute meaningfully to the democratic process and improve social capital nationwide. Importantly, by elevating vulnerable populations in

philanthropy, everyone in society benefits and our inclusive democracy is strengthened, with positive benefits that extend well beyond marginalized communities. Unfortunately, too few foundations take advantage of their independence and accumulated wealth to enhance the common good in this way. Instead, they often practice patronage giving by providing grants to large educational or cultural institutions that primarily serve the elite, eschewing the needs of the most vulnerable in our society.

Philanthropic support for people and communities that historically have been marginalized is extremely low. Although serving disadvantaged communities is not the only purpose of philanthropy, it should be a much higher priority than it is. NCRP acknowledges that grants to promote the eradication of disease, to advance higher learning, to promote excellence in the arts, or to protect the environment often have substantial benefit for all people, including those who historically are or have been marginalized. Yet, there are many reasons for foundations and institutional grantmakers to prioritize giving for struggling communities in their grantmaking. Many of the great American philanthropists have used their surplus wealth to ben-

efit underserved populations and groups that are marginalized; indeed, focusing on underrepresented populations is an important part of the American philanthropic tradition. The belief that philanthropy ought to give precedence to the economically disadvantaged persists today among some modern-day U.S. grantmaking institutions. Disappointingly, the vast majority of foundations do not prioritize underserved communities in this way.

This chapter provides background and rationale for why every foundation has an obligation to direct some of its funding to benefit those with the least wealth, opportunity and power. A brief overview of the evolution of institutionalized grantmaking in the United States grounds this analysis, and human development and social inclusion offer persuasive reasons for philanthropy to rethink economic well-being. Next, a review of the macroeconomic effects of income and wealth inequality makes the case for philanthropy's special role in focusing on the economically disadvantaged. Race persists as a significant barrier to equality of achievement in the United States, compelling philanthropy to lead by example by prioritizing racial and ethnic minorities in grantmaking. Finally, advocacy, community organizing and civic engagement are presented as important ways to see an inclusive, participatory democracy in action. They are demonstrated as among the most effective strategies to address the special needs of vulnerable communities. Importantly, adopting this criterion and elevating marginalized populations in grantmaking results in broad community-wide benefits. This increases the impact of philanthropic giving, maximizing the return on investment and generating sustainable benefits enjoyed by all members of our society.

I believe that with great wealth comes great responsibility, a responsibility to give back to society, a responsibility to see that those resources are put to work in the best possible way to help those most in need.

– Bill Gates, Founder, Bill and Melinda Gates Foundation<sup>7</sup>

NCRP strongly believes that philanthropy and the charitable sector are not a substitute for public programs; the government has many obligations to pro-

vide services to underserved populations. But philanthropy has a special responsibility to nurture and strengthen democracy, and the nonprofit sector is positioned uniquely to promote the health of our pluralistic and diverse society. By enhancing the voice of the disenfranchised in decision making, removing barriers to civic participation and addressing the imbalances of power created by our free enterprise system, institutional grantmaking can make important contributions to advancing equity for all Americans.

While recognizing the disempowering potential of the phrase “marginalized communities,”<sup>5</sup> the latter part of this chapter provides the rationale for why foundations should prioritize economic and racial justice as two important mechanisms for maximizing the public benefit from philanthropy. In the words of Dr. Martin Luther King Jr., “Philanthropy is commendable, but it must not cause the philanthropist to overlook the circumstances of economic injustice that make the philanthropy necessary.”<sup>6</sup>

## PRECEDENTS AND RATIONALES FOR PHILANTHROPY THAT BENEFITS MARGINALIZED COMMUNITIES

Historical, religious, philosophical and economic precedents have motivated many American grantmakers to prioritize vulnerable populations in institutional philanthropy.

### The roots of American philanthropy: from Carnegie to Gates

Andrew Carnegie, the Scottish immigrant and steel magnate, often is cited as one of the first American philanthropists. In 1901, Carnegie established major philanthropic institutions and was engaged in charitable giving until his death in 1911. In his seminal 1889 text, *The Gospel of Wealth*, Carnegie addressed capitalism and its impact on the distribution of wealth and resources. His awareness of the inequities of wealth created by this system guided his philanthropic giving later on. Carnegie believed that

capitalism promotes the “best interests of the race ... but ... inevitably gives wealth to the few.” Carnegie saw the millionaire as the “trustee for the poor, intrusted [sic] for a season with a great part of the increased wealth of the community.”<sup>8</sup> Despite the paternalistic tone of much of his writing in *Gospel*, Carnegie recognized that the wealthy owed their largesse, in no small part, to the poor people who worked for them and helped create their wealth. Thus, he prioritized improving the community and gave precedence in his charitable work to those who suffered from deep wealth inequality.

The Gates Foundation’s focus on improving global health by tackling HIV/AIDS and malaria provides one example of modern day philanthropy that reflects Carnegie’s values. Gates, like Carnegie, sees a moral obligation to prioritize the needs of disadvantaged communities because the free enterprise system has worked tremendously to his benefit. Gates wants his foundation, which now accounts for one of every ten foundation dollars provided to nonprofits, to focus on the economically disadvantaged.<sup>9</sup>

In fact, Gates reiterated his rationale for prioritizing marginalized groups in his first annual letter about the Gates Foundation posted on its website in January 2009. Gates said, “Foundations provide something unique when they work on behalf of the poor, who have no market power, or when they work in areas like health or education, where the market doesn’t naturally work toward the right goals and where the innovation requires long-term investments. These investments are high-risk and high-reward. But the reward isn’t measured by financial gain, it’s measured by the number of lives saved or people lifted out of poverty.”<sup>10</sup>

Hundreds of other large and small grantmaking institutions of all types, independent, family, community and corporate, also elevate the economically disadvantaged or other marginalized communities in their work. These foundations, while too few in number, are too numerous to name here and are an important part of the American philanthropic tradition.

### The religious grounding of Western philanthropy

Institutional philanthropy in the West is premised on ethical values articulated in the Judeo-Christian traditions.<sup>11</sup> The faith-based motivations of early and modern day philanthropists are part of the rationale for why foundations should prioritize those with the least wealth and opportunity. Importantly, philan-

thropy and acts of charitable giving to help the needy and the poor are not the exclusive realm of western religious traditions. Islam, Buddhism, Hinduism, Sikhism and the Greco-Roman “pagan” religions each prioritize the needs of those who are most marginalized and provide guidance on how individual charity and institutional philanthropy can work to improve the lot of those who are most in need. The ethics and values that ground philanthropy and charity across the world draw extensively from the native religious traditions from which each evolved. A common theme across faiths is the appropriate redistribution of excess wealth by redistributing resources to those who are marginalized or lack opportunity. It is on the basis of these moral principles that exemplary philanthropy defensibly can be argued, by necessity and definition, to focus on those with the least wealth, opportunity and power.

### Philosophical arguments for prioritizing marginalized communities

Harvard political philosopher John Rawls, among the most prominent 20th century American thinkers, is perhaps best known for his contribution regarding how a just and fair welfare state ought to be designed. In *A Theory of Justice*, Rawls articulated his now famous and often cited principles of distributive justice. The first principle calls for all people to have “equal rights to the most extensive system of basic civil liberties.” The second principle, also called the “distributive justice principle,” states that the socio-economic inequalities inherent in the free market system are morally justifiable if they “work to the benefit of the least advantaged”<sup>12</sup> in our society. Rawls sought to ensure justice and fairness, with an emphasis on redistributive justice in the welfare state. Rawls asserted that all wealth in society is made by the cooperation of all the members of society in the context of the arrangements of basic institutions. He stated that there are two types of societies: a capitalist welfare society and a democratic property owning society. The first is concerned with order and will support welfare for the purpose of maintaining order and serving capital. The latter will arrange institutions and norms to support democracy and welfare to secure membership. Capital will be arranged to support democracy and people.<sup>13</sup> In 1999, President Bill Clinton acknowledged Rawls’ important contributions by awarding him the National Medal of the Arts and the National

Humanities Medal. Clinton described Rawls as “perhaps the greatest political philosopher of the 20th century. In 1971, when Hillary and I were in law school, we were among the millions moved by a remarkable book he wrote, *A Theory of Justice*, that placed our rights to liberty and justice upon a strong and brilliant new foundation of reason.”<sup>14</sup>

Unlike Michael Walzer, who calls for “simple equality,”<sup>15</sup> Rawls believed that inequality must be arranged to serve larger societal goals. In other words, recognizing the implicit power imbalances inherent in the free market system, he argued that inequality could be justified only if the needs of the most disadvantaged are prioritized in the welfare state. Rawls’s principles of distributive justice easily are adaptable to philanthropy, with the caveat that charitable organizations are supplementing or complementing, not substituting for, public services. As NCRP’s previous work on using Rawls’s principles to increase philanthropy’s impact stated, “There is a simple elegance in resting social justice philanthropy on these two Rawlsian principles. It requires philanthropy ... to direct its attention to those populations that are most disadvantaged.”<sup>16</sup> Foundations can play a critical role in democracy by engaging in grantmaking to support membership in society. Philanthropy can increase its impact substantially by directing a significant portion of its resources to those with the least wealth, opportunity and power, to mitigate differences created by our normalized free enterprise socio-economic system that is predicated on inequality.

Great levels of disparity undermine human dignity and our democracy, disallowing the economically marginalized from fully engaging in participatory democracy or realizing their human capabilities and freedoms.

### Social inclusion and human development

As Nobel-laureate economist Amartya Sen highlights, poverty is more than the lack of income or wealth. Poverty is the deprivation of basic human freedoms and capabilities. Emphasizing the historical concern of the social sciences with empowering the lives and capabilities of ordinary citizens, Sen cites the work of free market economists and the Greek philosophers to describe wealth as a means to accomplish something else. “We have to judge the success of a society, including its economy, not just in terms of national wealth or the ubiquitous GNP [Gross National Product], but in terms of the freedoms and capabilities that people enjoy to live as they would value living.”<sup>17</sup>

The concept of human development is attributable to Mahbub ul Haq, former finance minister of Pakistan and a pioneering economist of the 20th century. He contended that human progress indicators in developing countries were deficient: they did not present an accurate representation of the real purpose of development, i.e., to improve peoples’ lives. Working with Sen and other economists, in 1990, Dr. Haq oversaw production of the first United Nations (U.N.) *Human Development Report*; more than 500 regional and national reports produced since then have sparked important public debates and political engagement.<sup>18</sup> Sen defines human development as “concerned with what I take to be the basic development idea: namely, advancing the richness of human life, rather than the richness of the economy in which human beings live, which is only a part of it.” His focus on human development and individuals’ ability to exercise their freedoms and capabilities bolsters economic arguments in support of increasing philanthropic resources to benefit the poor.<sup>19</sup>

Sen posits that economic theory lends credence to addressing the needs of those most disadvantaged by the inequities generated by the free enterprise system. Linking human development in the context of economic mobility and an understanding of the connectivity between the two provides institutional grantmaking with a salient rationale to work toward an inclusive poverty paradigm that looks beyond the base measures of economic inequality. In the United States, this leads to an analysis of structural barriers that work to exclude vulnerable populations from equally enjoying the socio-political freedoms and benefits of democratic participation. The United States, however, never had applied a human development approach to well-being in assessing the country’s health until 2008.

Rigorous research informed by lessons learned from international development work led to the American Human Development Report, *The Measure of America*. Researchers developed a first-ever American Human Development Index (HDI) that combines human-focused indicators into a single measure of progress and well-being.<sup>20</sup> An important feature of the HDI is that it addresses explicitly human capabilities or the potential for what individuals are or could become. The U.S. HDI was built by analyzing society, which determines the extent to which capabilities can be exercised. Next, three dimensions of capabilities that can be measured—

longevity, access to knowledge and a decent standard of living—were added. Researchers then used geography, gender and race/ethnicity to assess variations among groups resulting in three indices (health, education and income), which then culminate in a composite American HDI. While the dimensions are the same as those used in the U.N.'s standard HDI, the American HDI uses different indicators.<sup>21</sup> Linking human development with social inclusion provides a unique opportunity to advance American well-being on multiple dimensions: economic, social, political, religious, environmental and more.

Inequality is associated with negative outcomes for all society and base measures such as the income gap fail to capture these ripple effects. Contextualizing poverty as both an outcome and root cause of social exclusion is the fundamental premise of moving to social inclusion. Heather Boushey et al. explain social inclusion as “based on the belief that we all fare better when no one is left to fall too far behind and the economy works for everyone.”<sup>22</sup>

Similar to the HDI, indicators in a social inclusion paradigm would “assess the extent to which low-paid workers fall behind the rest of the workforce, not only in terms of wages and income, but in a variety of dimensions, including health, education, housing, skills, advancement, and opportunity.”<sup>23</sup> For example, in the United Kingdom and Europe, poverty is viewed in this multifaceted way. Poverty is not measured simply as the lack of adequate income; rather, it reflects measures of economic mobility, life opportunities—access to housing, financial and health services—and inclusion. Just as poverty has the potential to divide us, social inclusion offers the opportunity to unite us, with broad society-wide understanding of the reasons for inequality and how improving conditions for the most marginal benefits us all.<sup>24</sup>

Human development and social inclusion provide compelling reasons for institutional grantmakers to contribute to the public good by supporting policies that seek to create a more level playing field. By prioritizing the marginalized communities in grantmaking, philanthropy has the opportunity to maximize the

impact of its giving by looking beyond economic indicators to assess the health of people and society on multiple dimensions of well-being. Human development, the capabilities approach and social inclusion provide three tangible ways to reshape how our society conceives of poverty, with better outcomes seen by all communities nationwide.

## INCOME AND WEALTH INEQUALITY

Research demonstrates consistently that the gap between the rich and the poor is the most significant predictor of the health of a country.<sup>26</sup> An analysis of data from the Census Bureau and the Federal Reserve Bank shows that between 1975 and 2005, U.S. households in the bottom 80 percent of the income

Although we Americans strive to provide equality of economic opportunity, we do not guarantee equality of economic outcomes, nor should we. That said, we also believe that no one should be allowed to slip too far down the economic ladder.

– Ben Bernanke, Chairman, Federal Reserve<sup>25</sup>

distribution saw their proportion of national income decline. Similarly, households in the bottom 40 percent of the income bracket witnessed a drop in income when adjusted for inflation, while the top 20 percent of households in the U.S. saw an increase in their income share, with the lion's share of the increases going to the top 5 percent of households measured by income. Households in the top one-fifth of the income bracket earned about half of the country's income and controlled more than 80 percent of national wealth.<sup>27</sup>

Income inequality in the United States remains a significant barrier to improving one's quality of life and data suggest that income inequality has been exacerbated in recent years. As noted in *The Measure of America*, while real mean income is more than twice what it was in 1947, the income distribution shows extreme concentration among the top quintile of the population. For example, the richest 20 percent of U.S. households earned 50.5 percent of total income in 2006, compared to 3.4 percent earned by the bottom 20 percent.<sup>29</sup> Income inequality in the United

**TABLE 1.1 INCOME INEQUALITY OVER TIME:  
SHARE OF HOUSEHOLD INCOME<sup>28</sup>**

YEAR	HIGHEST QUINTILE	MIDDLE QUINTILE	LOWEST QUINTILE
1975	43.6	17.0	4.3
1985	45.6	16.2	3.9
1995	48.7	15.2	3.7
2005	50.4	14.6	3.4

**TABLE 1.2 INCOME INEQUALITY:  
GINI INDEX OVER TIME<sup>33</sup>**

YEAR	GINI INDEX
1975	0.397
1985	0.419
1995	0.450
2005	0.469

**TABLE 1.3 CONCENTRATED POVERTY RATES  
IN URBAN AREAS<sup>35</sup>**

CITY	PERCENT
Fresno, CA	43.5
New Orleans, LA	37.7
Louisville, KY	36.7
Miami, FL	36.4
Atlanta, GA	35.8
Long Beach, CA	30.7
Cleveland, OH	29.8
Philadelphia, PA	27.9
Milwaukee, WI	27.0
New York, NY	25.9

**TABLE 1.4 POVERTY RATES IN RURAL AREAS<sup>36</sup>**

AREA	PERCENT
McKinley County, NM	45.6
Holmes County, MS	41.1
McDowell County, WV	37.7
Martin County, KY	37.0
Blackfeet Reservation, MT	33.8

States is similar to the levels observed in developing countries, as seen in Table 1.2.<sup>30</sup> According to the Census Bureau's 2007 American Community Survey (ACS), the Gini index for the United States stood at 0.464, ranging from a high value of 0.537 in the District of Columbia to a low of 0.410 in Utah; most developed countries have Gini indices ranging from 0.23 to well-below that of the United States.<sup>31</sup> The ACS notes that based on 2006 income data, fully 13.3 percent of the U.S. population was living in poverty. Moreover, as several economists and policymakers have noted, the current federal poverty measure depresses the actual level of poverty because it fails to account, for example, for regional variation in the cost of living. According to the Department of Health and Human Services, in 2006, the federal poverty level (FPL) was \$9,800 for an individual and \$20,000 for family of four.<sup>32</sup> Proposed alternate poverty measures account for basic costs of living such as shelter and food. In contrast, the FPL was established in 1969 and is based primarily on a household's pre-tax income that is spent on food consumption. Rethinking how poverty is measured and defined in the context of human development and capabilities provides a more comprehensive measure of economic well-being. As noted earlier, in the United Kingdom, poverty measures account for access to quality health and education services. Poverty thus is both a root cause and an outcome of social exclusion.

#### Urban and rural poverty

Concentrated poverty refers to areas in which the poverty rate exceeds 40 percent for residents of these communities. In 2005, 10.3 percent of the United States population in the 50 largest cities lived in these impoverished, often racially segregated, neighborhoods.<sup>34</sup> Disaggregated data show disproportionately high levels of concentrated poverty in urban areas.

Rural areas also are disproportionately poor. Lack of infrastructure in rural communities often is attributed to disinvestment by public and private entities in these marginal areas. However, private and government investment in rural areas does not always serve the public interest or advance the economic well-being of these communities. As the ACS notes, Utah's Gini is not statistically different than the indices for Alaska, New Hampshire, Vermont or Wyoming. Table 1.4 demonstrates recent trends in rural poverty.

These data demonstrate how rural and inner city populations remain economically marginalized and

the lack of voice afforded these communities in decision making that directly impacts their lives and the state of their communities. States such as California, for example, demonstrate how aggregated income data often obscure the variation within states that, on a cursory look, appear to be doing well. Median income in California was close to \$56,000, placing it among the ten richest states; yet, the concentrated poverty statistics from Fresno and Long Beach show the persistence of high intra-state income inequality.

It is particularly important for foundations that want to prioritize the economically disadvantaged in grantmaking to analyze disaggregated data to maximize the impact of their grantmaking. A foundation should thus adopt nuanced lenses to determine which communities are historically and persistently denied economic gains seen by neighboring communities within and across states. Importantly, income data provide only a partial representation of poverty in the United States; when analyses of wealth are added to income, the gap between the rich and the poor increases significantly.

### Wealth versus income as a gauge of economic well-being

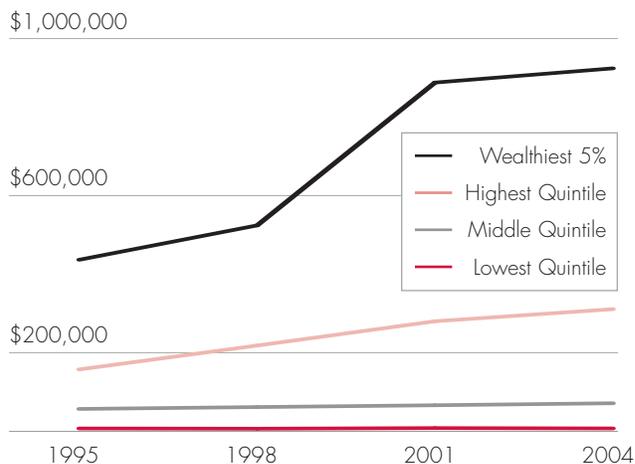
Since the 1990s, many analyses of economic well-being have shifted their focus from income inequality to wealth inequality. Numerous advantages are correlated with wealth acquisition, including the potential to break the intergenerational transmission of poverty by investing in human capital.<sup>37</sup> These advantages cannot be capitalized on by gains in income alone. The potential to accumulate private wealth reflects institutional arrangements; thus, such analyses speak directly to the role of public policies in fostering and perpetuating how these arrangements work. Moreover, the correlation between income and wealth holdings is surprisingly weak.<sup>38</sup> As Supreme Court Justice Louis Brandeis said, “We can have a democratic society or we can have great concentration of wealth in the hands of a few. We cannot have both.”<sup>39</sup>

Wealth provides a more comprehensive understanding of economic disparities for four reasons: liquid assets that can be converted into money are a source of consumption funds independent of current income; homeownership provides more fiscal options to the owner; times of economic crisis can be managed more easily by households with access to liquid assets; and there is a relationship between the distribution of power and wealth distribution.<sup>40</sup> Moreover,

deep wealth inequality leads to macroeconomic conditions that take a serious toll on all Americans of limited financial means. The 2004 Survey of Consumer Finances shows that the wealthiest 5 percent of the population had a median net worth of \$924,100 compared to \$7,500 for the bottom 20 percent of the population.<sup>41</sup> Graph 1.1 below demonstrates wealth inequality over time measured in 2004 dollars; these data show that wealth inequality has increased. The top 5 percent in particular show a consistent upward trend while wealth for the lowest quintile remains stagnant and extremely low.

Income and wealth inequality negatively affect the entire U.S. economy. Highly concentrated wealth is correlated with concentrated power; this power directly influences the macroeconomic environment, health outcomes, civic engagement and democratic participation. As Chuck Collins notes, high levels of inequality undermine the economic health and well-being of the entire country because as wages fail to keep up with the rising costs of living, the average household’s purchasing power is diminished, despite having to work more and often accumulating additional debt simply to stay afloat. Because these trends are not sustainable in the long term, they destabilize the entire economy.<sup>42</sup> Moreover, wealth inequality has a disproportionate negative impact on several special population groups. For example, female-headed households with children had a mean net

**GRAPH 1.1 WEALTH INEQUALITY: MEDIAN NET WORTH 1995–2004**



SOURCE: Brian K. Bucks et al., “Recent Changes in U.S. Family Finances: Evidence from the 2001 and 2004 Survey of Consumer Finances,” Federal Reserve Bulletin (2006): A8

worth of \$61,200 compared to married couple-headed households, which had \$370,300, placing female single-parents at a severe disadvantage in being able to deal with financial crises or unforeseen economic hardship.<sup>43</sup> Quantitative analysis further demonstrates the alarming levels of inequality: the richest 1 percent of the U.S. population holds close to one-third of all private wealth.<sup>44</sup> In contrast, the bottom 90 percent of the population accounts for nearly 75 percent of all debts and liabilities.<sup>45</sup> NCRP's analysis of Foundation Center data on special population groups indicates that in the aggregate, just above 20 percent of grant dollars is given for the intended benefit of the economically disadvantaged.<sup>46</sup> This figure is disappointingly low in light of the preceding analysis.

### A socially inclusive poverty paradigm

A reconception of poverty offers a powerful framework to change the economic policy paradigm. The lenses of human development and social inclusion shift the focus from individual poverty to a model of

all communities. Third, and perhaps most importantly for philanthropy to elevate marginalized groups in grantmaking, social inclusion posits a discursive and paradigmatic shift in how poverty is viewed, one that is consistent with deep-seated moral values that aim to empower and improve the life opportunities for all individuals and communities. As Boushey et al. note, "From a *values* perspective, a poverty framework is counterproductive because Americans attribute poverty to individual characteristics—such as a lack of a work ethic. The concept of social inclusion has the advantage of situating individuals in a social and relational context. Moreover, the experience of exclusion of some sort, unlike the experience of poverty or discrimination, is nearly universal."<sup>49</sup>

### RACIAL INEQUALITY AND STRUCTURAL RACIALIZATION

Race persists as a significant barrier to social inclusion and to realizing the American Dream. As with income and wealth inequality, philanthropic inter-

To be clear, our grantmaking has never been, and will never become, a welfare program. And because we will not turn away from the reality that structural and institutional racism continue to undermine our effectiveness, it does not mean that we intend to become a civil rights advocacy organization. [...] To move the Kellogg Foundation forward, to move from "better to best" as we "Connect our Legacy to the Future," we are committed to dealing head-on with the truth that racial inequality is a root problem that must be eliminated if we value the potential in all of our children and their families.

– Joseph Stewart, Chair, Board of Trustees, W.K. Kellogg Foundation<sup>50</sup>

ventions to address explicitly the unequal playing field because of race provides philanthropy with an opportunity to improve the overall health of American democracy and to directly confront this country's history of racial discrimination. The analysis presents a transformative approach to identifying and discussing race. The benefit of philanthropy that addresses race-based exclusion can generate positive outcomes that extend far beyond the beneficiaries of grants that work toward racial justice.

social inclusion. Because Americans tend to view poverty as failure at the individual level, economic mobility must be reframed in a community-based model, one in which poverty is seen as the outcome of structures and policy.<sup>47</sup> Connecting the theoretical model of social inclusion approach to poverty accomplishes several objectives. First, it recognizes implicitly the historical impact of structural barriers to wealth accumulation today, addressing the complexities of quantifying its impact.<sup>48</sup> Second, by moving away from traditional conceptions of poverty as failures at the individual level, it provides a more inclusive means to reposition poverty as an issue of concern for

Income, wealth inequality and race

Income inequality is a substantial barrier to economic justice; when the data are disaggregated by race, it is clear that racialized poverty persists as a problem today. Census data suggest that racial income inequality has remained at consistent levels over time, with white households clearly earning more than black or Hispanic households.

**TABLE 1.5: INCOME INEQUALITY BY RACE: MEDIAN HOUSEHOLD INCOME<sup>51</sup>**

YEAR	WHITE	BLACK	HISPANIC
2005	\$53,937	\$32,774	\$38,200
1995	\$50,225	\$30,251	\$30,882
1985	\$46,801	\$27,232	\$32,095
1975	\$43,566	\$25,958	\$31,063

Data suggest that wealth remains highly concentrated in the hands of a disproportionately small percentage of the population. Recent statistics on wealth and race drawn from the 2004 Survey of Consumer Finances by the Federal Reserve paint a bleak picture of the racial distribution of U.S. wealth.

The ratio of wealth holdings by race has remained relatively constant, despite absolute gains in wealth for all. More than 24 percent of white households received an inheritance with the average transfer amount equaling \$115,000. In contrast, only 11 percent of black households reported receiving inheritance monies and the mean value of the inheritance was \$32,000.<sup>52</sup> This analysis highlights the disadvantaged position of African Americans in the intergenerational transmission of wealth. It also identifies the biggest inheritance deficit among African Americans in the bottom quintile of wealth distribution in the United States.<sup>53</sup> Analysis of old-age poverty and race based on data from the 2004 Health and Retirement Study shows that while less than 10 percent of adults over the age of 65 live in poverty, the rates are double for elderly Hispanics and triple for older African Americans. Adding wealth measures to this analysis reveals greater resource deficiency for elder communities of color. African Americans were 6.4 times more likely than their white counterparts to be asset-poor while older Hispanics were 8.1 times more likely to be poor.<sup>54</sup> The relevant question to ask then is: *why do racialized wealth disparities persist?*

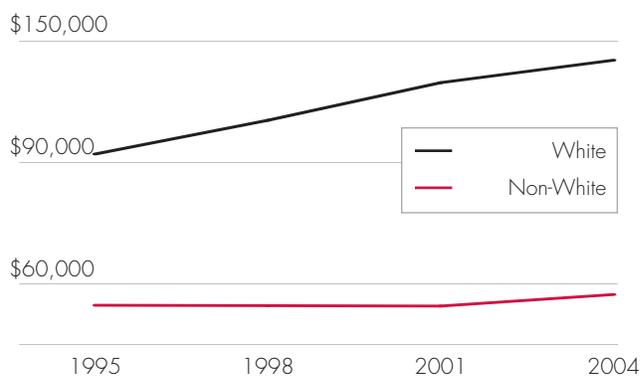
Complementing the rationale for philanthropy that benefits those with the least opportunity leads naturally to a frank discussion of race in the United States. NCRP sees inclusive racial equity efforts as extremely important: emphasizing racial justice is the entry point for foundations to address broader issues of equity for special population groups including but not limited to the elderly, the disabled, immigrants, crime or abuse victims, offenders and ex-offenders, LGBTQ

populations, refugees and women and girls. Just as income and wealth inequality have negative spillover effects on the broader society, racial inequality and injustice negatively impacts all of us. Shifting how we view race creates positive opportunities to advance our diverse and pluralistic society by addressing structural barriers to social inclusion.

**Structural barriers to race, gender and class equality**

Despite progress, exclusion caused by discrimination persists as a barrier toward realizing social inclusion. An analysis of metropolitan housing markets conducted by the U.S. Department of Housing and Urban Development (HUD) using 2000 data from the Urban Institute found persistent racial discrimination in both the rental and homeownership markets. The baseline data are drawn from 1977 and 1989 when HUD and Urban conducted two similar matched-pairs testing studies to determine whether racial bias is evident in the housing market. In both studies, two individuals, one white and one non-white, with identical socio-economic backgrounds, credit histories and other financial characteristics approach real estate or rental agencies to explore their options. Differential treatment can be attributed to racial discrimination because other factors that would influence outcomes, such as income and age, are controlled for. Overall, the findings of the 2000 analysis indicated persistent housing discrimination against Hispanics and African Americans compared to whites, despite progress in some areas.<sup>55</sup>

**GRAPH 1.2 WEALTH INEQUALITY BY RACE: MEDIAN NET WORTH 1995–2004**



SOURCE: Brian K. Bucks, Arthur B. Kennickell, and Kevin B. Moore, "Recent Changes in U.S. Family Finances: Evidence from the 2001 and 2004 Survey of Consumer Finances," Federal Reserve Bulletin (2006) A8

The dominant diversity framework focuses on individual level racism; it presumes an individual actor, a racist, and an individual act, racism. While racism undeniably persists in the United States, the diversity frame often obscures deeper and more entrenched structures or barriers to achieving racial justice. For philanthropy to benefit most effectively those who are most disadvantaged requires a shift toward a more racially inclusive paradigm. This paradigm explicitly identifies the dominant power of race in determining life chances and outcomes. Once we identify the numerous ways in which race works to exclude groups, we can identify positive spaces created to have honest dialogue about race. Social inclusion, systems thinking and a transformational approach to discussions of race provide important tools to advance philanthropy's impact.

In philanthropy, and American society as a whole, diversity is frequently a euphemism for race and gender differences. Moreover, class seemingly is a verboten term that cannot even enter the discussion. Thus, foundations, and our public discourse, often use proxy terms such as "at-risk youth" or provide grants to tackle poverty that really seek to benefit communities of color. The problem with this use of "diversity" is that it often is decontextualized. Because diversity discourse tends to focus on individual-level racism, it adheres to or reifies existing norms of institutions and power relations. Institutional grant-making can contribute to strengthening democracy by rethinking race in this way.

Many would contend that since the eradication of Jim Crow laws and the passage of the Civil Rights Act, all Americans have equal access to the same life opportunities. It is incontrovertible that the United

States has made significant progress in addressing race and racial inequality as exemplified by the fact that we are a more racially and ethnically diverse society than we ever have been. Indeed, the Census Bureau projects non-white populations will become the racial majority in the coming decades. Moreover, women and members of traditionally marginalized racial groups have made notable advances in various professions, with the most prominent recent example being the election of the United States' first African American president, Barack Obama. But the presumption of race neutrality allows the perpetuation of implicitly racialized systems and structures that impact groups differently based on race.

The decontextualization of race and power leads to what Dr. John A. Powell terms a distributive or transactional model. As in economics, people are presumed to be rational actors, making logical choices that best suit their individual preferences subject to their budget constraints. However, as in economics, this approach has several limitations. It assumes equal access to knowledge, shared or mutual understanding of power and privilege, and a neutral set of systems and institutions. In the transactional model, the assumption is that the institutions themselves are appropriately established; disparate outcomes are the result of how an individual fares while negotiating those systems and institutions. In short, success or failure is ascribed to an individual's ability to negotiate a presumed race-neutral system that provides equal opportunities to improve one's life.

### Structural racism and structural racialization

Institutional racism identifies the norms in institutions that lead to racialized outcomes. As Andrew Grant-

## THE PERSISTENCE OF RACE AS A BARRIER TO SOCIAL INCLUSION IN THE UNITED STATES

- > Native American women experience infant mortality rates 20 percent higher than those in other races in the U.S.<sup>56</sup>
- > African American infants in the U.S. are two and a half times as likely as white infants to die before the age of one.<sup>57</sup>
- > It will take 1,664 years or 55 generations for African American homeownership to equate to white home ownership in America.<sup>58</sup>
- > Children of color living in just 10 of New York's neighborhoods have 90 percent of all lead poisoning in all of New York.<sup>59</sup>
- > Minority children are clustered in major urban public school systems that are more educationally segregated today than two decades ago: Detroit, with 96 percent black and Latino; Baltimore with 89 percent black and Latino; Washington, D.C., with 94 percent black and Latino.<sup>60</sup>

Thomas and John A. Powell note, “The institutional racism framework reflects a broader recognition of the forms through which racialized power is deployed, dispersed, and entrenched.”<sup>62</sup> A fundamental distinction between institutional and structural racism is identifying the inter-institutional power dynamics and identifying the fundamental root causes of why normative hierarchies exist. The focus is on the *relationships* among the various institutions and practices. These relationships can produce results not captured by analyzing a single institution. These dynamics also can help shape the practices in a single institution. When engaging institutions or structures, practices can be either transactional or transformative. The problem with an institution is that unlike an individual, it lacks a personality; does one bring people in to transform an institution or to adhere to its established normative and cultural values? For example, simply increasing the number of female lawyers or attorneys of color does not transform the norms or culture at the institution of a law firm. The institution is assumed to be neutral but this never is the case. Structures reflect and promote norms and values that benefit some and burden others. This is the power of structural racialization: it identifies substantive power relations that are embedded in the institution and disallows racial, gender and other forms of marginalization to continue by addressing the deeper values it conveys.<sup>63</sup>

The structural racism framework easily is extended and applied to other marginalized communities. The Center for Social Inclusion underscores the importance of adopting a structural racism lens in addressing social problems: higher rates of poverty and worse health and education outcomes for communities of color “are the symptoms of our collective illness – structural racism. Whether its [sic] education reform, the environment, the workplace, urban planning and development, affordable housing or health care, we must make the role of race visible and understand the structures our institutions construct so that we may rebuild them to create opportunities for us all.”<sup>64</sup> Structural racism addresses the cumulative impact of multiple institutions and structures working together to reify racialized power.

Positive externalities generated by programs that target race and gender bias explicitly in systems or structures are shared by the broader public as well. Philanthropy should adopt a long-term vision of raising awareness among the American public about the

**TABLE 1.6 PROJECTED DEMOGRAPHIC CHANGES IN THE UNITED STATES<sup>61</sup>**

YEAR	WHITE	BLACK	HISPANIC	ASIAN	OTHER
2000	69.4	12.7	12.6	3.8	2.5
2010	65.1	13.1	15.5	4.6	3
2020	61.3	13.5	17.8	5.4	3.5
2030	57.5	13.9	20.1	6.2	4.1
2040	53.7	14.3	22.3	7.1	4.7
2050	50.1	14.6	24.4	8	5.3

persistence of barriers to race and gender equality and, thus, enhance support for overtly race- and gender-conscious work. Without this intentional identification of race, sexual orientation, immigrant status, class or any of the other categories included in NCRP’s definition of marginalized groups, foundations risk perpetuating a system in which advantaged individuals, through no mal-intent, are unable to see the need to explicitly identify barriers to full democratic participation. Discussions about “the un-discussable,” such as class, must be framed by local context and positioned as beneficial for society as a whole. This will help move the United States to a more socially inclusive space where demographics do not dictate life opportunities.

Racial justice and equity work provide some concrete examples to understand better this new approach to improve philanthropy. The role of historical precedents and cross-cutting policies<sup>65</sup> demonstrates the limitations of working to address problems in isolation. For example, many African Americans initially were denied access to the New Deal era programs ranging from government subsidized mortgages provided via the Homeowners Loan Corporation and the Federal Housing Administration to Social Security benefits. Another example of the limitations of not adopting an approach that sees the interconnectivity of issues comes directly from the actions of the Supreme Court. With the *Brown* decision, the court mandated integrating previously all-white schools, ostensibly opening up educational opportunities for children of color. However, because the court took a singular approach to its analysis, it was unable to see the *connections* of school policy with housing and transportation policies, and with the disinvestment of private resources in impoverished neighborhoods.

### Structural racialization and choice

The distinction between structural racialization and structural racism is subtle but important. The term “racialization” describes a more comprehensive process than racism. As noted, a limitation of the word racism is that it is strongly associated with conscious individual acts. This is not merely a case of semantics: if foundations and the people working in them unconsciously associate the term “racism” with discriminatory behavior, it is likely that they will miss the role of inter-institutional relationships that work to keep certain groups marginalized. Structural racialization posits that racial hierarchy is perpetuated by institutions, the values and norms that are embedded in them, their relationship to each other and their dynamic role.

An important element of working in this framework is recognizing that choice always is structural, relational, socially constrained and influenced. Racial meaning itself is socially produced and constrained. In light of racial progress, many would argue that the roles of individual choice and personal responsibility account for why communities of color remain marginalized. If communities of color are not fully integrated in the suburbs, if non-white children have theoretical

access to good public schools, then any failure to achieve or realize progress is viewed as an individual failure. Choice is constrained by our social relations and institutions regardless of socio-economic status or class. For example, although a wealthy person can afford health care, there are a limited number of doctors and hospitals to select from. For a poor person, the initial constraint is economic, but constraints extend beyond the economic realm to social phenomena that create life opportunities for people. When they do so in a racialized way that works better for some and not for others in a cumulative fashion, it is a manifestation of structural racialization.<sup>68</sup>

The fact that institutions are in relationships with each other and are themselves constantly changing and adapting leads to the applicability of a systems approach that addresses racial inequality in an inclusive and transformative way. We all live in structures but in different locations within these structures. A society where structures are racialized affects all of us. It is not just people of color who feel the effects of housing, school and credit segregation. These arrangements define all of us and often depress the outcomes for the entire society.

## FOUNDATIONS AND RACIAL EQUITY – APPLYING LESSONS LEARNED TO ADVANCE A FAIRER SOCIETY

Some grantmakers have recognized the historical legacy of policies and practice that continue to perpetuate racial inequality and lead to disparate life opportunities because of race for communities of color. Several foundations, including the Charles Stewart Mott, Ford and Tides foundations, recognize the problems of structural racism and provide funds for important work to groups, including the Applied Research Center, the Center for Social Inclusion and the Philanthropic Initiative for Racial Equality, that use the structural racism framework to inform their programs. The Kirwan Institute convened a Structural

Racism Caucus that seeks to “unite policymakers, advocates, academics and grassroots organizations to define structural racism, understand the ways in which it operates, and ultimately to dismantle it.”

Deborah Harrington, current president of the Woods Fund of Chicago, identifies the problem succinctly with implicit versus explicit racial justice language: “[racial justice is] implicit in our guidelines and mission statement, [however] the lens is poverty, not race, and by addressing poverty, we are generally looking at people of color but not saying it directly.”<sup>66</sup> Indeed, applying a

racial justice lens to grantmaking allows foundations to make sustainable long-term differences that benefit all Americans. “Racial equity is shaped by multiple issues; the intent ... [is] to highlight racial equity as a starting point for addressing widespread equity.”<sup>67</sup> This quote captures concisely the potential systems-wide impact that adopting a racial equity lens can have on broader issues of social equity. It is the starting point for foundations to begin identifying areas of overlap in programs to address them more systemically and increase foundation impact on the public good.

## SYSTEMS THINKING

Systems theory is viewed better as a set of principles that help us understand how complex structures and systems work in relationship to each other. It involves a better understanding of mutual causation. If cause and effect are not easily separated out in a linear form, philanthropic interventions that function in a linear model will fail to address the dynamics that perpetuate racial inequality. Diagram 1.1 helps elucidate the differences between the two approaches.

Moreover, just as individuals struggle to make sense of a world in which linearity is challenged, foundations inevitably will encounter the same issues when they employ a systems approach in their grant-making. Changing the actual interactions of our institutions is no small task, but neither is change impossible. In fact, a systems approach supports the idea that the only constant is change. There is an inherent element of uncertainty in the systems approach: because an intervention does not necessarily lead to a predetermined outcome, it is impossible to predict accurately the outcome of a given philanthropic initiative. Different elements of the systems are in a state of constant flux so isolating cause and effect is nearly impossible. Foundations working in relationship with each other see the collective *impact* of their funds rather than seeking to connect program outcomes causally with their individual grants.

Because we live in an increasingly interconnected world, what happens in one part of the world has an unanticipated ripple effect in another. Systems thinking challenges mechanical Newtonian models of thought and acknowledges the role of influence and power in everything.<sup>71</sup>

Systems and policies are interactive and mutually constitutive, and there often is a time delay after an intervention before its effect is manifested fully.

Feedback loops emerge: negative feedback comprises interventions that get absorbed by the system without really changing it, keeping the status quo, while positive feedback affects change at the systemic level by affecting the institutions and structures themselves. In the framework of a systems approach, when a small

Our dominant mode of thinking is Newtonian: we think that there is a single cause and a predictable effect that is mechanical and unidirectional. So A causes B, and B causes C. The knower, the observer, is largely unaffected by this so, in a sense, seems inert or neutral to these systems. There was a period of time where people thought that we eventually would know everything about the universe because it was a mechanical system. It also was based on the notion that if you see something really complex, you could break it down into its constituent parts and understand it, that the whole and the sum of its parts are exactly the same. This paradigm implied certainty. The uncertainty in a systems approach challenges this notion of causation. It's not linear or additive but mutual and cumulative.<sup>69</sup>

— Dr. John A. Powell, Executive Director  
Kirwan Institute for the Study of Race and Ethnicity  
at The Ohio State University

event or intervention has a large impact that transforms the system, it is a “catalytic change.” This approach recognizes the relationships among institutions and structures, allowing philanthropic initiatives to positively influence a seemingly unrelated component of the system because of their connectivity.

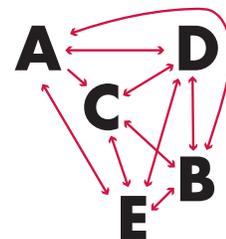
### DIAGRAM 1.1 NEWTONIAN PERSPECTIVE VS. SYSTEMS THINKING

The Newtonian Perspective



Social phenomena may be understood by breaking down the sum of the constituent parts.

Systems Thinking



Causation is reciprocal, mutual, and cumulative.

### Philanthropy and transformative change

Transformative change is understood best by contrasting it with transactional or distributive change. The transactional approach to change focuses on the individual and continues seeking change in a linear fashion while leaving the institutional arrangement undisturbed. In institutional philanthropy focused on a single issue such as health care, grant A will result in better outcomes for group A, while grant B will result in better health outcomes for group B. As Dr. Powell states, “Small problems hurt us by enticing us to see things as separate, while big problems are more likely to be seen relationally. ... It is important for foundations and communities not only to do multi-issue work, but to see issues in relationship.”<sup>72</sup>

Foundations that adopt a transformative change approach in their grantmaking are more comfortable with the possibility of a time delay to see the impact of a philanthropic intervention. They do not expect a logical series of interventions and outputs as defined linearly. They enhance equity for all marginalized groups by addressing the issues in a holistic way. Philanthropy also should identify clearly those grants intended for social justice work. In a systems approach, intentional identification of structural barriers allows grantmakers and their grantees to start the process of transformative change. It also is important for grantmakers that adopt a systems approach to support grantees that work in relationship with each other.

There is rich literature and analysis of cognitive framing, inter- and intra-group identity, self-identity and other issues salient to a transformational agenda. A transformative agenda that moves us closer to the end goal of a more inclusive and equitable society must be informed by a relational analysis. Drew Westen recently posited that at a societal level, unconscious racist attitudes will persist unless “strategically framed messages on race that appeal to the conscious mental process” are adopted.<sup>73</sup> Foundations that adopt systems theory and tools to implement transformational grantmaking to address inequality will benefit from acknowledging the role of individual frames and cognitive schemas. Each person, grantee organization and foundation brings personal frames<sup>74</sup> to the table, and this will affect how information is processed and applied.

### Applying lessons from social justice grantmaking to adopt transformational change

As NCRP has noted previously, conservative and progressive philanthropy have contributed actively to social change efforts.<sup>75</sup> In fact, the Foundation Center and Independent Sector’s 2005 report on Social Justice Grantmaking adapted NCRP’s definition of social justice funding for its analysis of foundation giving trends. Noting that organizations ranging from the Heritage Foundation to the Mexican American Legal Defense and Educational Fund were established during the 1960s, funded primarily by philanthropic monies, NCRP provided a concise definition of social justice philanthropy:

*Social justice philanthropy is the practice of making contributions to nonprofit organizations that work for structural change and increase the opportunity of those who are less well off politically, economically and socially.*<sup>76</sup>

Importantly, NCRP, the Foundation Center and Independent Sector emphasize that this definition is not intended to convey or support any specific ideological or political position. Rather, it is a strategy for philanthropy to address root causes of systemic political and socio-economic divisions. More than a decade of research by NCRP has documented the strategic philanthropy of conservative foundations and their success at moving public policies by funding think tanks, impacting education curricula and providing flexible funds to grantees, enabling them to be more effective.<sup>77</sup> NCRP does not believe that “progressive” funders should mirror the behavior of “conservative” counterparts. The emphasis is on learning lessons for holistic change, regardless of ideological leaning.

Several studies of seemingly neutral universalist programs conclude that without an explicit recognition of barriers to equality in grantmaking, such initiatives can serve to reify deeply entrenched structures of privilege and hierarchy, no matter how well-intentioned. Universalist programs can and do result in gains for targeted beneficiaries;<sup>78</sup> but the unconscious reifying of existing racialized structures that lead to disparate outcomes are a cause for concern. Grantmaking that presumes systemic neutrality would achieve their objectives more effectively if they respond to who benefits and apply “targeted universalism,” an approach that is targeted to benefit the most marginal, but benefits all in the long run.<sup>79</sup>

## ADVOCACY, ORGANIZING, AND CIVIC ENGAGEMENT: PRACTICAL STRATEGIES FOR A SYSTEMS APPROACH

Advocacy, organizing and civic engagement have played essential roles in the development of our society. Moreover, they are among the most effective strategies for implementing a systems approach and for achieving significant impact on a variety of issues. As stated by the Aspen Institute's Nonprofit Sector Strategy Group, "Nonprofit organizations have long had a special role to play in keeping American democracy vibrant and responsive. Most of the major social movements of the past century have taken shape within this sector and this set of institutions has been a seedbed as well for major policy changes."<sup>81</sup>

Historically, the right of nonprofit groups to organize and advocate was exercised to protest the relocation of Native Americans, seek the abolition of slavery, and secure civil rights for women and African Americans. Today, nonprofit organizations have made groundbreaking strides to develop policies and programs that continue this role, exemplified by efforts to advance the living wage movement, community-driven school reform and faith-based community organizing. In 2000, the Aspen Institute formed the Nonprofit Sector Strategy Group to explore the role of nonprofits in civic participation and advocacy. Stating that "nonprofit participation in the policy process takes advantage of the special insights, competencies, and perspectives that nonprofit organizations have by virtue of their involvement with important societal issues and their ties to a wide range of different social groups,"<sup>82</sup> the ideologically diverse Strategy Group unanimously agreed that advocacy is a fundamental function of the nonprofit sector and one that must be encouraged in the future.

One of the principal reasons indicated by foundation practice to invest in advocacy is the fact that many foundations' missions are meant to support structural or systemic change. As Emmett D. Carson notes, any foundation that has a change-oriented mission must fund public policy work. Failure to do so is a disservice to the founding members' vision of that foundation's

contribution to society.<sup>83</sup> Advocacy and organizing are the most effective strategies that allow such goals to be met and have significant measurable impacts.

A growing number of nonprofits and grantmakers are becoming more aware of the measurable impacts of these strategies and the longer time-horizon needed for this work to culminate in the original stated goals. Moreover, funders are seeing the potential for broader sustainable changes over time by adopting multi-strategy approaches in their programs. Human rights is one of the lenses through which this systemic

Funding advocacy and advocates is the most direct route to supporting enduring social change for the poor, the disenfranchised and the most vulnerable among us, including the youngest and oldest in our communities.

– Gara LaMarche, President, the Atlantic Philanthropies<sup>80</sup>

change has been observed. According to the Ford Foundation, human rights "places the affirmation of human dignity and equality at the center of domestic and foreign policy and counters unilateral tendencies with multilateral commitments, shared with other countries, to promote social and economic justice on a global scale."<sup>84</sup> Among foundations that have added a human rights lens to their decision making are the JEHT Foundation, the Atlantic Philanthropies, the Ford Foundation, the Shaler Adams Foundation and the California Women's Foundation.<sup>85</sup>

Civic engagement and social capital have made important contributions to enhanced participatory democracy and policy innovations. Historically, nonprofit organizations and other voluntary associations built bridges across race, class and religion, and were highly effective at fostering public discussion and mobilizing millions of people to achieve significant national policy outcomes. Social capital appears to have declined over the last quarter century, and many researchers have blamed this decline on a shift away from grassroots mobilization and advocacy strategies intended for the most marginalized groups of society. Researchers such as Theda Skocpol describe a shift from voluntary associations to agile, professional advocacy organizations during the social movements of the 1960s and 1970s that came to rely more on

“inside the beltway” lobbying and media work than on mobilizing a membership base to achieve their goals. She argues that the new civic landscape became “oligarchic” because foundation grants favored professional groups over grassroots ones. Advocacy groups had no impetus to appeal to or mobilize a mass base, and there was little bridge-building across class. As a result, bottom-up policies benefiting working-class and poor constituencies were drowned out in the legislatures. Yet, Skocpol notes that nonprofits and foundations that continue to work with these strategies have resurrected social capital and seen positive outcomes through sustained, long-term initiatives. She states, “Taking longer and asking for a greater commitment may result in greater payoff. ... It takes time to connect leaders and members to one another across places and institutions, yet, this is the only way to draw large numbers of people into a movement and the best way to generate sustained leverage to make a difference beyond one issue, battle or election.”<sup>86</sup>

Skocpol’s work is important for understanding civic engagement and participatory democracy, but her analysis merits an important caveat. While advocacy and organizing work informed by communities is integral to advancing the needs and voices of those marginalized by our institutions and structures, centralized advocacy work informed by the needs of local communities also is effective. Systemic change in any form that challenges existing power structures and arrangements that lead to inequality are important to achieving long-term, sustainable improvements in a holistic socio-economic paradigm. As Gara LaMarche notes, “In the interdependent ecosystem of advocacy and social change, elite voices play an important part, too, and they always have.”<sup>87</sup>

There are several resources available to foundations that either want to begin or increase their funding of advocacy and organizing, specifically, policy work. Many foundations do not fund these vital areas of work because they lack the in-house knowledge or capacity to understand what role community organizing and advocacy can play in advancing their mission and promoting sustainable, participatory democracy. Some foundations might have knowledgeable staff that can help educate their boards but the majority of foundations do not employ staff. “Policy experts”<sup>88</sup> outside of the foundation world can offer important guidance and tools for developing a legally sound (process-related) and well-informed (substance-relat-

ed) public policy strategy. Often, the best advice can come from informed but neutral third-party experts who have a better understanding of the policy process. These experts should be used as appropriate and necessary by foundations to build their knowledge and understanding of the world of policy advocacy, and the important role that this, together with organizing and civic engagement, plays in moving policy agendas. Grantees can benefit from policy advice as well; many nonprofits do not engage in advocacy or lobbying because they do not have the right information or appropriate human resources to devote to this work. It is, thus, important for foundations to invest in the capacity of their grantees to engage substantively in policymaking on Capitol Hill and in local communities.

### Investing in advocacy, community organizing and civic engagement: contributing to our pluralistic democracy

When a grantmaking institution adopts a socially inclusive systems approach that includes advocacy, organizing and building multi-issue alliances, it has the potential to increase and unite the voices of those who historically are marginalized and improve their lives. Indeed, the Center for Social Inclusion identified *fundors* as a crucial component of successful multiracial coalition work in rebuilding the City of New Orleans. As the center noted, the key is finding the appropriate balance between the paradigms of racialism and inclusiveness. With more fundors adopting inclusion in their grantmaking, there is hope for advancing a more level playing field for all.

Andrew Friedman, co-director of Make the Road by Walking, an African American and Latino-led community organization in Brooklyn, summarized the importance and expanded impact of using a racial justice approach to the organization’s language discrimination work: “[A] civil rights framework has been important. If we had just framed our work as poor people’s issues, we would not have gotten the support from the broader civil rights, African American, and Latino communities.”<sup>89</sup> Friedman’s movement building was strengthened by building alliances using civil rights as the framework. This example demonstrates that sustainable, long-term impact is best achieved when foundations and groups take a holistic rather than a single-issue approach to their work.

The recognition of multi-issue and integrated approaches to address persistent discrimination is evident in the work of several foundations and non-profits. For example, the National Funders for Lesbian and Gay issues adopted a racial equity lens in 2008 following recognition of the fact that the experience of discrimination as an LGBTQ person of color synthesizes sexual orientation and racial dimensions. Similarly, acknowledging the crossover of environmental protection with workers rights informed by race and gender discrimination is a more powerful movement building strategy that allows single-issue focused groups to develop integrated approaches across organizations by identifying areas of common interest. Several legal practitioners have begun to realize the power of international law and rights. Groups working in the environmental justice movement, civil rights and prisoners rights find the broad and binding nature of U.N. human rights law as less subject to interpretation and thus more useful in highlighting U.S. exceptionalism exemplified by disparities in our criminal justice system. The United States accounts for 5 percent of the world's population but 24 percent of the world's prisoners and, as a nation, we incarcerate people at a significantly higher rate than our peer countries, resulting in 7 of every 1,000 of our residents in prisons.<sup>90</sup>

### Why foundations should support advocacy, public policy and community organizing

Organizations working on policy advocacy, organizing and civic engagement offer a powerful real-world example of systems thinking and theory in action. This work enhances our pluralistic democracy, provides voice to communities that would otherwise not be heard, demonstrates an understanding of systemic reform and results in tremendous impact.

With several notable exceptions, civic engagement, advocacy and organizing are under-funded by foundations, and community groups struggle to raise the resources needed to engage in this important work. Many foundations avoid advocacy funding for a variety of reasons, including several misperceptions: that funding advocacy and organizing might be "risky"; that outcome measurement is transferable more easily to direct services; and that lobbying is the same as advocacy or organizing. Research indicates that advocacy across the nonprofit sector is inconsistent, focuses on crisis situations, and does not sustain ongoing, consistent efforts. Some of the barriers to advocacy include limited resources, restricted and inconsistent funding by foundations, and a misunderstanding of tax regulations.<sup>91</sup>

Michael Edwards<sup>92</sup> posits that foundation boards find it difficult to calculate the "social rate of return" from investments in citizen action, leaving them to

## ADVOCACY AND ORGANIZING IN ACTION: LIVING WAGES

Economic security and the fight for living wages are persistent issues addressed by advocates and community organizers nationwide, often with notable success. In 1994, Baltimoreans United in Leadership Development (BUILD) led a coalition that secured passage of the first living wage ordinance in the country, triggering a national movement. Since then, organizing and advocacy groups have formed coalitions and succeeded in passing at least 123 living wage ordinances that provide more than 250,000 workers with

\$750 million in additional wages annually. Studies of living wage ordinances find that they benefit primarily lower-income adults working full time and positively impact communities of color. They also benefit employers by reducing turnover rates and improving productivity.<sup>112</sup> Coalitions also secured local and state minimum wage boosts benefiting millions of workers. Economists estimate that minimum wage increases enacted in Massachusetts, San Francisco, Illinois, Florida and New York between 2001 and 2005 benefit

more than 3.2 million workers and resulted in more than \$2.5 billion in new annual wages.<sup>113</sup> In 2007, this movement finally compelled Congress to increase the federal minimum wage to \$7.25 an hour in three phases, after it stagnated for 10 years at \$5.15 an hour. Significantly, the living wage movement has marshaled a broad base of support for the idea that people who work full time should be able to earn enough to meet their basic needs and those of their families.

rely on “business metrics and measures of success, privilege, size, growth and market share as opposed to the quality of interactions between people in civil society.” Arguing that quantifiable outcomes are not the exclusive or best metrics for structural change, he states that “in civil society processes of engagement with other institutions and constituencies may be more important as a measure of impact than tangible outputs. ... Social transformation requires humility and patience, a mirror image of the impatience and short-term thinking that drives most markets and entrepreneurs.”

Similarly, Prudence Brown notes that “foundations’ quest for greater impact is not usually accompanied by an increased tolerance for conflict or risk.”<sup>93</sup> Many foundations display risk-aversion in their grantmaking, funding “safe” direct services or practicing “patronage” philanthropy in support of elite interests. Funders that support advocacy grants tend to do so with timeframes too abbreviated to demonstrate measurable, community-level impact. A survey conducted by the Johns Hopkins University found that while nearly three-quarters of nonprofits engage in advocacy and lobbying work, 85 percent of respondents devoted minimal resources to either type of activity. Citing lack of human and financial resources, 68 percent of respondents said that they

could do more advocacy work if they had funds to hire a policy specialist, while 65 percent identified unrestricted funding as essential to being able to expand their work in this area. Nonprofits that received private support from foundations and individuals are significantly less likely to engage in advocacy than those groups that receive government funding. Advocacy and policy work are integral to the country’s nonprofits’ role of providing a “voice to the voiceless,”<sup>94</sup> making this work all the more resonant for many institutional grantmakers that seek to impact the structures and systems that can move American society closer to equality of achievement.

### Quantifying the impact of a foundation’s support of advocacy, organizing and civic engagement and measuring and evaluating outcomes

Foundations that support organizing have sought to quantify the impact of their grantees’ work. Some have estimated a return on investment to demonstrate impact by analyzing the foundation’s contributions. The Jewish Funds for Justice (JFJ), the Needmor Fund, and the Solidago Fund all undertook analyses that aggregated the quantifiable successes of a set of grantees and then calculated a return on investment based on their support of those grantees. JFJ estimated conservatively that 5 million people benefited

## ADVOCACY AND LOBBYING: A CRITICAL DISTINCTION

A persistent barrier to funding and engaging in policy advocacy is the flawed perception that advocacy and lobbying are synonymous. This is a cause of concern in the nonprofit sector because the word “lobbying” has undeservedly taken on negative connotations among some charitable organizations. Many nonprofit leaders believe that receiving government money precludes lobbying; in fact, an analysis of nonprofit advocacy found that nonprofits that receive government funding are significantly more likely than those that receive

only private funding to conduct advocacy work.<sup>104</sup> Although lobbying can be utilized as an advocacy strategy, advocacy does not necessarily have to involve lobbying. This is a critical distinction. Federal law governs how much lobbying a nonprofit organization can undertake, but there are no limits on how much a nonprofit can engage in other types of advocacy. Neglecting advocacy ultimately has a negative impact on society because advocacy allows the nonprofit sector to share its valuable knowledge with key decision makers and ultimate-

ly advance the public interest. Nonprofit policy participation is in the public interest, regardless of whether it is in the pursuit of conservative, liberal or non-ideological objectives.<sup>105</sup> As Hodding Carter III, former president and CEO of the John S. and James L. Knight Foundation, said, “All voices, all points of view should be heard. A full, unfiltered and unfettered debate is the prerequisite for good policy. Those who are most affected by policy decisions should have at least as much opportunity to influence them as everyone else.”<sup>106</sup>

from all of its grantees' victories and that its distribution of \$5 million in grants over five years contributed to \$2 billion in benefits, or a ratio of \$1 to \$500. When outliers were removed, the return on investment was more modest but still impressive— \$1 to \$50.<sup>95</sup> The aggregate dollar amount of 18 Needmor grantees' wins totaled more than \$1.37 billion. Needmor's investment generated a return on investment of \$1 to \$512—very close to the figure calculated independently by JFJ.<sup>96</sup> Solidago refined the methodology to discount the value of the grantee victories based on whether the group deserved full or shared credit for the win and to discount the foundation's contribution based on what proportion of the group's budget Solidago's grant represented. The Solidago return on investment was \$1 to \$59—close to the more conservative return on investment that JFJ calculated.<sup>97</sup> All three foundations provide demonstrable examples of impact resulting from investments in organizing and advocacy.

Recent multi-year efforts by funders to invest in and evaluate the impacts of community organizing also have helped to demonstrate the effectiveness of this strategy in creating significant change. The Ford Foundation commissioned an evaluation of its Community Organizing Initiative, which provided resources to local community organizing groups through local and regional funders in five communities.<sup>98</sup> The Charles Stewart Mott Foundation commissioned a six-year study to measure the impact of community organizing for school reform on student outcomes in seven sites.<sup>99</sup> The Cross City Campaign for Urban School Reform also showed the value of organizing for school reform in its study of five organizing groups.<sup>100</sup> All of these evaluation efforts documented significant returns. Notably, organizing for school reform was found to be critical to improving student performance and developing youth and parent leadership.

Recent research has demonstrated the tremendous strides made in the field of advocacy evaluation. There has been a proliferation of reports, guides and tools to help funders understand what advocacy is, what their grantees legally can do to engage in and support advocacy, and how to evaluate its success. Under its Grantmaking for Community Impact Project,<sup>101</sup> NCRP is producing a series of reports, *Strengthening Communities*, *Increasing Opportunities*, that documents the positive impacts of advocacy, organizing and civic engagement work in different

parts of the United States. The first report conducted in New Mexico found a high return on philanthropic investments that funded this work: every dollar dedicated to advocacy and organizing yielded \$157 in community-wide benefits.

The Association of Community Organizations for Reform Now (ACORN) sought to demonstrate its impact by quantifying in dollars as many of its campaign victories as possible over a ten-year period. The cumulative impacts were impressive—more than \$15 billion in benefits to lower and moderate income residents between 1995 and 2004.<sup>102</sup>

Whatever the benchmarks or methods of measurement, researchers agree that the context for engaging in organizing and advocacy must be considered when gauging success. In assessing impact, it is crucial that funders and advocacy groups seek to understand their contribution to policy change, rather than try to make a causal link between one grant or one group's work and the policy outcome. Increasing flexible grant dollars for advocacy and organizing is an important and practical tool for grantmakers working in a systems approach. The W.K. Kellogg Foundation has developed a tool to help its program staff and evaluators assess social change efforts guided by a systems approach, contributing an important resource for foundations that adopt this approach.<sup>103</sup> In short, although evaluation of social change initiatives in a systems approach appears challenging because it is non-linear, there are tools available to help institutional philanthropy make this important paradigm change in their approach to grantmaking.

### Resources for grantmakers to support advocacy, organizing and civic engagement

In 2004, the Alliance for Justice published a guide for funders interested in supporting advocacy. The alliance states that "advocacy" encompasses a broad range of activities that can influence public policy, including research, policy analysis, public education, lobbying, and voter engagement.<sup>107</sup> The guidebook also includes detailed benchmarks for evaluating the success of advocacy efforts. It makes the important point that even if a policy goal is not achieved, there are many outcomes that are important to measure, such as increased knowledge of the political process, awareness-raising around an issue, and leadership development. These outcomes build the capacity of organizations and increase their likelihood of suc-

## ADVOCACY AND ORGANIZING IN ACTION: AFFORDABLE HOUSING

Affordable housing is an important priority for many community organizing and advocacy groups. The Housing Trust Fund movement has been especially effective. A housing trust fund is an innovative policy solution to address the limited resources for affordable housing. These funds are established at the state or local level, usually with a dedicated public revenue source. Local decision makers have the discretion to decide how the funds can best serve diverse housing needs. As federal housing budgets have been reduced over the last few decades, the number of housing trust funds has grown dramatically, from less than 25 in 1985 to nearly 600 in at least 43 states today. As of 2006, local and state housing trust funds were generating \$1.6 billion annually for affordable housing across the country—more than double the amount produced by funds just five years earlier.<sup>114</sup> The vast majority of funds or the legislation that enables them was secured through organizing and advocacy. Many of them depend on these strategies to maintain and increase revenue for affordable housing. For example, in 2008, the George Gund Foundation partnered with The Coalition on Homelessness and Housing in Ohio to increase resources for the Ohio Housing Trust Fund, which serves more than 87,000 families each year.<sup>115</sup>

ceeding in the next advocacy effort. Thus, losing an advocacy campaign the first time should not be viewed narrowly as a “failure.” The alliance groups advocacy evaluation benchmarks as follows: outcome benchmarks (a policy result achieved and improvements made in programs or services); progress benchmarks (key activities accomplished and incremental results obtained); and capacity-building benchmarks (activities that strengthen an organization’s ability to advocate).

The ensuing years have seen some positive collaborations between foundations and advocacy and organizing groups, such as Blueprint R&D, the California Endowment, GrantCraft, the Ford Foundation, the Harvard Family Research Project, the James Irvine Foundation, the Annie E. Casey

Foundation, Innovation Network, and Continuous Progress. This growing literature offers several innovative methods for evaluating advocacy. More recently, GrantCraft and the Center for Community Change’s Linchpin Campaign published a useful guide for funders on community organizing.<sup>108</sup> Many experts agree that funders and grantees each should have a theory of change or logic model that lays out what they hope to accomplish and how to get there. There is a clear consensus around the value of tracking outcomes and interim and capacity-building benchmarks. There is a range of models for developing outcome measures related to the stages of a policy campaign. The number and types of stages vary by model but typically include things such as public awareness, base- and alliance-building, policy change and implementation, and the direct impact of policy on individuals and communities.<sup>109</sup>

Recent efforts to measure leadership development and the skills gained by citizens who participate in community organizing are important as well, bringing rigor to an area that is often viewed as intangible. For People Improving Communities through Organizing (PICO), a faith-based network, Paul Speer devised and implemented a methodology to measure the public policy leadership skills of PICO leaders in California. Speer found a statistically significant difference in policy skills, knowledge and experience between PICO leaders and ordinary residents.<sup>110</sup> Heidi Swarts measured leadership capacity and political efficacy for her comparative study of faith-based and secular organizing groups. She found that leaders had developed specific skills such as chairing meetings, conducting research and public speaking. Groups had a greater sense of empowerment after becoming involved in the organization.<sup>111</sup>

Advocacy, community organizing and civic engagement are effective strategies with demonstrable impact that promote social inclusion and build social capital, especially for marginalized populations. Some funders are growing increasingly comfortable with supporting this work because they do have measurable impact, especially when considered over a longer time horizon. These strategies are tools to promote long-term systemic changes that challenge the norms and values carried by our institutions. As more funders take on this work, there are numerous existing resources for them to build their understanding of the critical role this work plays in advancing participatory democracy.

## SETTING THE BAR FOR PHILANTHROPY AT ITS BEST

To ensure that our *Criteria for Philanthropy at Its Best* are informed by current practice, NCRP worked with the Foundation Center to produce a custom dataset on marginalized communities. The dataset reported disaggregated foundation giving by eleven intended beneficiary groups for a three-year period from 2004–2006. NCRP used the three-year mean to avoid the potential influence of high or low outliers that can sometimes be generated in a single year by unusual grants. The resulting data present a reasonably reliable picture of the percentage of grants or grant dollars each foundation gave based on the eleven intended beneficiary groups NCRP identified as marginalized or vulnerable.<sup>116</sup>

There were 809 large foundations in Foundation Center’s database<sup>117</sup> with sufficient data to be included in NCRP’s analysis of intended beneficiaries. While there now are approximately 1,200 foundations in the database, some could not be included in the analysis because they did not provide data for all three years. Total average grant dollars awarded by these 809 grantmakers was \$14,926,350,872 for the time period analyzed.<sup>118</sup> Although some grants are coded for multiple intended beneficiary groups, the total amounts of grantmaking intended to benefit specific populations are not double-counted in the total giving numbers. NCRP also used aggregate statistics from the Foundation Center’s annual reports for 1998–2006 as a broader frame in which to analyze our custom dataset. NCRP believes that the three year combined dataset provides the best indicator of current trends in the field.

Within the 2004–2006 time period from which the NCRP dataset was drawn, in the aggregate, 33.2 percent of all grant dollars were provided for all 11 intended beneficiary groups.<sup>119</sup> That means that approximately \$1 out of every \$3 granted by larger foundations was intended to benefit communities with the least wealth, opportunity or power and that \$2 out of every \$3 granted could not be classified as benefiting those communities. The median for the proportion of grant dollars intended to benefit vulnerable communities was 20.9 percent for all 794 foundations that made at least one such grant. To set a standard metric for *Philanthropy at Its Best*, NCRP examined individual foundation grantmaking intended to benefit marginalized communities. The 80 foundations that provided the highest proportion of their grant dollars gave at least 56 percent of their grant dollars to benefit vulner-

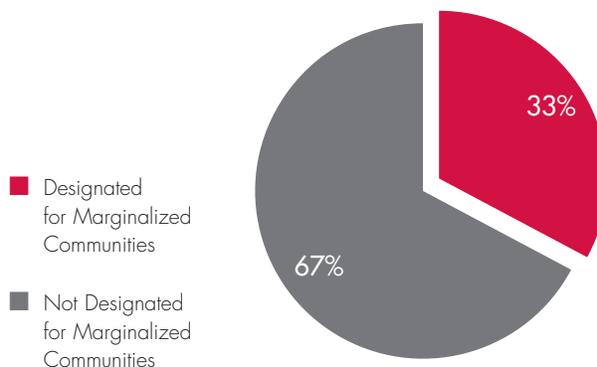
able groups. These grantmakers comprise approximately 10 percent of the total NCRP sample. There likely are many more foundations that prioritize special populations in their grantmaking but either do not provide data to the Foundation Center or might not have done so consistently in the timeframe from which the NCRP sample was drawn. In other words, being excluded from this sample does not imply that an individual grantmaking institution is not providing this important type of support.

A quartile analysis of the data shows that the top 25 percent of our sample provided between 36–100 percent of all grant dollars to benefit disadvantaged communities; the second quartile had a range of 20.3–35.6; the third quartile had a range of 8.5–20.2, and; the bottom quartile’s range was 0.0–8.5 percent. As the quartile ranges show, an exceptionally large proportion of our sample for grantmaking intended to benefit marginalized communities does so at disappointingly low levels: 71.32 percent of foundations in our sample provided less than \$1 out of every \$3 granted for the intended benefit of marginalized communities. Dropping the threshold to 20 percent of grant dollars intended to benefit marginalized groups, or \$1 out of every \$5 granted, 49.44 percent of foundations fell below that mark; 50.56 percent of the sample provided at least that much or more in such grants.

These figures are even more disturbing when taking into account that the data analysis includes only large foundations. Previous NCRP research has suggested that smaller foundations provide significantly lower percentages of their grant dollars for the intended benefit of vulnerable communities than do larger foundations.<sup>120</sup>

**Leading the field, 108 foundations, or about 13.35 percent of our sample, provided at least 50**

GRAPH 1.3 FOUNDATION SUPPORT FOR MARGINALIZED COMMUNITIES, BROADLY DEFINED



**percent of their grant dollars for the intended benefit of marginalized communities. This is the benchmark for Philanthropy at Its Best. A list of all 108 foundations that currently meet or exceed this benchmark can be found in the Data Appendix.**

In a 2005 report, the Independent Sector and the Foundation Center found that grantmaking for structural change efforts (using “social justice philanthropy” as proxy) comprised a meager 11.8 percent of total grants in 1998 and fell to 11 percent in 2002.<sup>121</sup> This quantitative analysis was the first attempt to establish a consistent benchmark and provide insight into the state of social justice philanthropy. In the 2009 report, which analyzed grants made in 2006, this figure rose by a muted 1 percent to 12 percent.<sup>122</sup> Michael Edwards advocates that foundations demonstrate their commitment to addressing systemic and structural change by allocating at least 50 percent of their annual payout for social justice initiatives.<sup>123</sup>

To look more closely at current giving in this arena, NCRP analyzed disaggregated data in social justice grantmaking. Grants that meet the social justice definition described in this chapter and in the Foundation Center’s publications on social justice grantmaking are included. Because the Center tracks only larger foundations, there very likely are many more foundations—such as the Woods Fund of Chicago and the Liberty Hill Foundation of Los Angeles—that fund social justice work that are not included in our sample. The list drew the leading social justice grantmakers from the Foundation Center’s database<sup>124</sup> with sufficient data to be included in our analysis of systems or structural change grants. Some foundations could not be included in the analysis because they did not provide data for all three years.

NCRP’s analysis of social justice grantmaking as a share of overall grantmaking demonstrates great variability among the leading U.S. social justice grantmakers. In the aggregate, 682 of our total sample of 809 foundations, or 84 percent of the sample, made at least one social justice-related grant during the three-year time period; average giving over three years was \$1,549,135,953 comprising 11,958 grants.

In spite of 84 percent of the sample having made at least one social justice grant in the time period analyzed, many did so at very low levels. There is high variability even among the top 25 social justice grantmakers; the range is 43–81 percent of this type of grantmaking as a share of overall giving.<sup>125</sup>

**Leading the field, 56 foundations, or about 6.9**

**percent of our sample, provided at least 25 percent of their grant dollars for social justice. This is the benchmark for Philanthropy at Its Best.<sup>126</sup> A list of all 56 foundations that currently meet or exceed this benchmark can be found in the Data Appendix.**

## CONCLUSION

All foundations should prioritize those with the least wealth, opportunity and power in their grantmaking. Regardless of a foundation’s mission, investing in organizations and programs that focus on special population groups benefits our pluralistic society. It also advances substantive democracy and moves the United States closer to a truly inclusive society with equal opportunities for life achievements for all its residents.

A significant body of research demonstrates the effectiveness of advocacy, organizing and civic engagement as sophisticated strategies to promote long-term change. Funding for these strategies remains limited because of misperceptions of the risks and rewards. As the snapshots of advocacy and organizing groups, and the legal definitions and resources provided in this chapter demonstrate, some exemplary institutional grantmakers are currently funding this important work and are able to see returns on their investments.

NCRP acknowledges that certain foundations have missions that make it implausible for them to prioritize marginalized communities at the 50 percent level. But all grantmakers, regardless of mission, can see benefits from prioritizing the most vulnerable in their grantmaking. For example, a foundation that focuses on the arts might find benefit from directing some of its funding to special population groups such as the disabled, single parents, and people with HIV/AIDS. Arts organizations sometimes have difficulty securing support from policy makers because they are perceived as serving only elite interests. A strategic effort by arts funders to intentionally include marginalized communities could yield important community and public policy benefits. Premised on philanthropy’s special role to nurture our pluralistic democracy, NCRP advocates that all grantmakers make marginalized communities a high priority in their giving. Just over half of all foundations analyzed meet or exceed a 20 percent threshold for giving to benefit marginalized communities. NCRP views this as a bare minimum standard for exemplary philanthropy. We challenge grantmakers whose missions seem on the surface to be unrelated to these issues to reexamine those assumptions in light of the arguments presented in this chapter.

# Criterion I: Values

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A grantmaker practicing Philanthropy at Its Best serves the public good by contributing to a strong, participatory democracy that engages all communities.

- a) Provides at least 50 percent of its grant dollars to benefit lower-income communities, communities of color and other marginalized groups, broadly defined
  
  - b) Provides at least 25 percent of its grant dollars for advocacy, organizing and civic engagement to promote equity, opportunity and justice in our society
- 

## DISCUSSION QUESTIONS

NCRP encourages staff and trustees of foundations and other grantmakers to engage in serious discussions about each criterion and the chapter that elaborates on the criterion. Sample discussion questions are provided here to help get you started.

- > Which parts of the chapter did you like the most? Why?
- > Which parts did you like the least? Why?
- > Do you agree that it's important to contribute to a strong, participatory democracy and to support marginalized communities? Why or why not?
- > How do we define marginalized communities in the context of our mission? Have we ever thought about how increasing our giving to marginalized communities might align with our mission?
- > What percentage of our foundation's grant dollars do we estimate are intended to benefit marginalized communities, broadly defined? Are we satisfied with that percentage? Why or why not? How did we establish our current position?
- > How is advocacy, community organizing and civic engagement relevant to our current grantmaking or programmatic work? Have we ever considered how these strategies might align with our mission?
- > What percentage of our foundation's grant dollars do we estimate are for advocacy, community organizing and civic engagement? Are we satisfied with that percentage? Why or why not? How did we establish our current position?
- > What else from this chapter should inform our current grantmaking priorities?
- > If we want to make any changes based on this discussion, what will need to happen in order to make those changes? What are the next steps?

## NOTES FOR CHAPTER I: VALUES

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69. Adapted from interview and discussion by Niki Jagpal with Dr. John a. Powell, July 9, 2008.
70. John a. Powell. “Structural Approaches to Produce Schools that Work for Everyone” (presentation, Grantmakers for Education annual conference, Baltimore, MD, October 20, 2008).
71. For a fuller discussion of this interview and corresponding analysis, please see Jagpal 2008, Op. cit.
72. Jagpal 2008, Op. cit.
73. Drew Westen. *The Political Brain; The Role of Emotion in Deciding The Face of the Nation* (New York, NY: Public Affairs, 2007); John a. Powell. “Addressing 21st Century Poverty: Transformational strategies for talking, thinking and acting on issues of poverty,” (presentation at Northwest Area Foundation Public Policy Roundtable, St. Paul, MN, July, 2008).

74. A simple way to think of cognitive frames is as a mental “filing system” that we all use to make sense of the world.
75. The National Committee for Responsive Philanthropy. *Social Justice Philanthropy: The latest Trend or a lasting lens for grantmaking?* (Washington, D.C.: The National Committee for Responsive Philanthropy, 2005).
76. For a fuller definition, see Ibid. or Steven Lawrence, ed. *Social Justice Grantmaking: A report on Foundation Trends*, (New York, NY: Independent Sector & The Foundation Center, 2005).
77. Sally Covington. *Moving a Public Policy Agenda: The strategic philanthropy of conservative foundations*. (Washington, D.C.: The National Committee for Responsive Philanthropy, 1997, 2004); Jeff Krehely et al. *Axis of Ideology: Conservative foundations and Public Policy*. (Washington, D.C.: The National Committee for Responsive Philanthropy, 2004).
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79. Powell July 2008, Op. cit.
80. The Atlantic Philanthropies. *Why Supporting Advocacy Makes Sense for Foundations - Atlantic Reports: Investing in Change* (New York, NY: The Atlantic Philanthropies, 2008).
81. Nonprofit Sector Strategy Group. *The Nonprofit Contribution to Civic Participation and Advocacy*, (Washington, D.C.: The Aspen Institute, Fall 2000), 12, [http://www.nonprofitresearch.org/usr\\_doc/Advocacy.pdf](http://www.nonprofitresearch.org/usr_doc/Advocacy.pdf).
82. Ibid., p. 5.
83. Emmett D. Carson. “On Foundations and Public Policy: Why the Words Don’t Match the Behavior,” in *Power in Policy: A Funder’s Guide to Advocacy and Civic Participation*, ed. David F. Arons (St. Paul, MN: Fieldstone Alliance, 2007), 14.
84. Larry Cox and Dorothy Q. Thomas, ed. *Close to Home: Case Studies of Human Rights Work in the United States* (New York, NY: Ford Foundation, 2004), 6.
85. Cox and Thomas, Op. cit.
86. Theda Skocpol. *Diminished Democracy: From Membership to Management in American Civic Life* (Norman, OK: University of Oklahoma Press, 2003) 273–274.
87. Gara LaMarche. “When Foundations Should Lead – and When They Should Get Out of the Way,” in *Power in Policy: A Funder’s Guide to Advocacy and Civic Participation*, ed. David F. Arons (St. Paul, MN: Fieldstone Alliance, 2007).
88. E.g., The Center for Lobbying in the Public Interest, the Alliance for Justice. For additional resources, please see NCRP’s *Resource List for Funding Advocacy, Organizing and Civic Engagement*, <http://www.ncrp.org/campaigns-research-policy/communities/gcip/gcip-resources>.
89. Quoted in Pittz and Sen, Op. cit., p. 13.
90. Burd-Sharps, Lewis and Martins, Op. cit, p. 142
91. Gary D. Bass et al. *Seen but not Heard: Strengthening Nonprofit Advocacy* (Washington, D.C.: The Aspen Institute, 2007).
92. Michael Edwards. *Just Another Emperor? The Myths and Realities of Philanthrocapitalism* (New York, NY: Demos: A Network for Ideas & Action, 2008).
93. Prudence Brown, et al. *Toward Greater Effectiveness in Community Change: Challenges and Responses for Philanthropy*, (New York, NY: The Foundation Center, September 2003), 20.
94. Lester M. Salamon & Stephanie Lessans Geller 2008. *Nonprofit America: A Force for Democracy?* (Johns Hopkins University Listening Post Project, Communiqué #9: Nonprofit Advocacy and Lobbying, 2008), <http://www.jhu.edu/listening-post/news/pdf/advocacy9.pdf>.
95. See *Report on Outcomes of JFJ Grantmaking 1996–2001*, (unpublished report, Jewish Funds for Justice, May 2003).
96. See Lisa Ranghelli. *Program Assessment Executive Summary* (Toledo, OH: Needmor Fund, 2004), [http://www.needmorfund.org/special\\_report.htm](http://www.needmorfund.org/special_report.htm).
97. See *Community Benefits Report Brief* (Northampton, MA: Solidago Foundation, 2008), <http://www.solidago.org/>.
98. Marilyn Gittell, Barbara Ferman, and Charles Price. *Assessing Community: An Evaluation of the Ford Foundation’s Community Organizing Initiative, Volume II (2004–2007)* (New York, NY: Howard Samuels Center, 2007).
99. Kavitha Mediratta et al. *Organized Communities, Stronger Schools: a Preview of Research Findings*. (Providence, RI: Annenberg Institute for School Reform, Brown University, March 2008).
100. Eva Gold, Elaine Simon and Chris Brown. *Successful Community Organizing for School Reform Strong Neighborhoods, Strong Schools: The Indicators Project on Education Organizing* (Chicago, IL: Cross City Campaign for Urban School Reform, March 2002).
101. The Grantmaking for Community Impact Project analyzes advocacy and organizing wins through the lens of the groups sampled to deconstruct the persistent myth that funding such work does not provide donors with quantifiable returns.
102. Lisa Ranghelli. *The Monetary Impact of ACORN Campaigns: A Ten Year Retrospective, 1995–2004* (New Orleans, LA: Association of Community Organizations for Reform Now, November 2006).
103. The W.K. Kellogg Foundation. *Designing Initiative Evaluation: A Systems Oriented framework for Evaluating Social Change Efforts*. (The W.K. Kellogg Foundation, September, 2007), [http://www.wkcf.org/DesktopModules/WKF.00\\_DmaSupport/ViewDoc.aspx?fld=PDFFile&CID=281&ListID=28&ItemID=5000521&LanguageID=0](http://www.wkcf.org/DesktopModules/WKF.00_DmaSupport/ViewDoc.aspx?fld=PDFFile&CID=281&ListID=28&ItemID=5000521&LanguageID=0).
104. Salamon & Lessans Gellar, Op. cit.
105. Adapted from Bass et al., Op. cit.
106. Hodding Carter III. foreword to *Power in Policy: A Funder’s Guide to Advocacy and Civic Participation*, ed. David F. Arons (St. Paul, MN: Fieldstone Alliance, 2007).
107. Alliance for Justice. *Investing in Change: A Funder’s Guide to Supporting Advocacy*. (Washington, D.C.: Alliance for Justice, 2004).
108. Craig McGarvey and Anne Mackinnon. *Funding Community Organizing: Social Change Through Civic Participation*, (New York, NY: GrantCraft and the Linchpin Campaign, 2009).
109. For additional resources, please see NCRP’s *Resource List for Funding Advocacy, Organizing and Civic Engagement*, <http://www.ncrp.org/GCIPresources.asp>.
110. Paul W. Speer. *Evaluation Report – People Making Public Policy in California: The PICO California Project*. (Human and Organizational Development, Peabody College, Vanderbilt University, May 2002).
111. Heidi J. Swarts. *Organizing Urban America: Secular and Faith-Based Progressive Movements* (Minneapolis, MN: University of Minnesota Press, 2008).

112. Jeff Thompson and Jeff Chapman. *The economic impact of local living wages*, briefing paper 170 (Economic Policy Institute, February 16, 2006), <http://www.epi.org/content.cfm/bp170>.
113. Ranghelli November 2006, Op. cit.
114. *Housing Trust Fund Progress Report 2002* and Mary E. Brooks *Housing Trust Fund Progress Report 2007* (Frazier Park, CA: Housing Trust Fund Project, Center for Community Change 2002 & 2007). Examples of campaigns can be found in the *Housing Trust Fund Project News*, a newsletter of the Center for Community Change.
115. The Atlantic Philanthropies, Op. cit.
116. The eleven groups are: economically disadvantaged, racial or ethnic minorities, women and girls, people with AIDS, people with disabilities, aging, elderly, and senior citizens, immigrants and refugees, crime/abuse victims, offenders and ex-offenders, single parents, and LGBTQ citizens.
117. The search set is based on the Foundation Center's grants sample database, which includes all of the grants of \$10,000 or more awarded to organizations by a sample of 1,172 larger foundations for circa 2004, 1,154 for circa 2005, and 1,263 for circa 2006. For community foundations, only discretionary grants are included. Grants to individuals are not included in the file.
118. This figure is the denominator used in NCRP's calculations; if analyzed within giving sub-samples, these figures would be higher and likely overstate the current giving trends. Using the full samples average total giving provides a more comprehensive framework for analyzing the different types of grants.
119. Please see the data appendix for further details.
120. NCRP compared 2005 giving for the intended benefit of economically disadvantaged groups and for racial minorities by larger and smaller Minnesota foundations using data from the Foundation Center and from the MN Council on Foundations and found that the larger foundations provided support for vulnerable populations at much higher levels than the smaller foundations did. The methodologies used to create the data sets are extremely similar but not identical, resulting in our statement that there is a strong indication, but not proof, that smaller foundations are less supportive of vulnerable communities than are larger foundations.
121. Lawrence, Op. Cit. 9, Table 2.
122. Foundation Center. *Social Justice Grantmaking II* (New York, NY: Foundation Center, 2009).
123. Edwards 2008, Op. Cit. p. 88-89.
124. The search set is based on the Foundation Center's grants sample database, which includes all of the grants of \$10,000 or more awarded to organizations by a sample of 1,172 larger foundations for circa 2004, 1,154 for circa 2005, and 1,263 for circa 2006. For community foundations, only discretionary grants are included. Grants to individuals are not included in the file.
125. Please see the data appendix for a list of the top 25 social justice grantmakers and the proportion of each foundation's overall giving that this type of grant comprised.
126. The two metrics described in this criterion are not additive. It is assumed that the 25 percent of grant dollars going for advocacy and organizing work will be a subset of the 50 percent of grant dollars going for the intended benefit of marginalized communities.