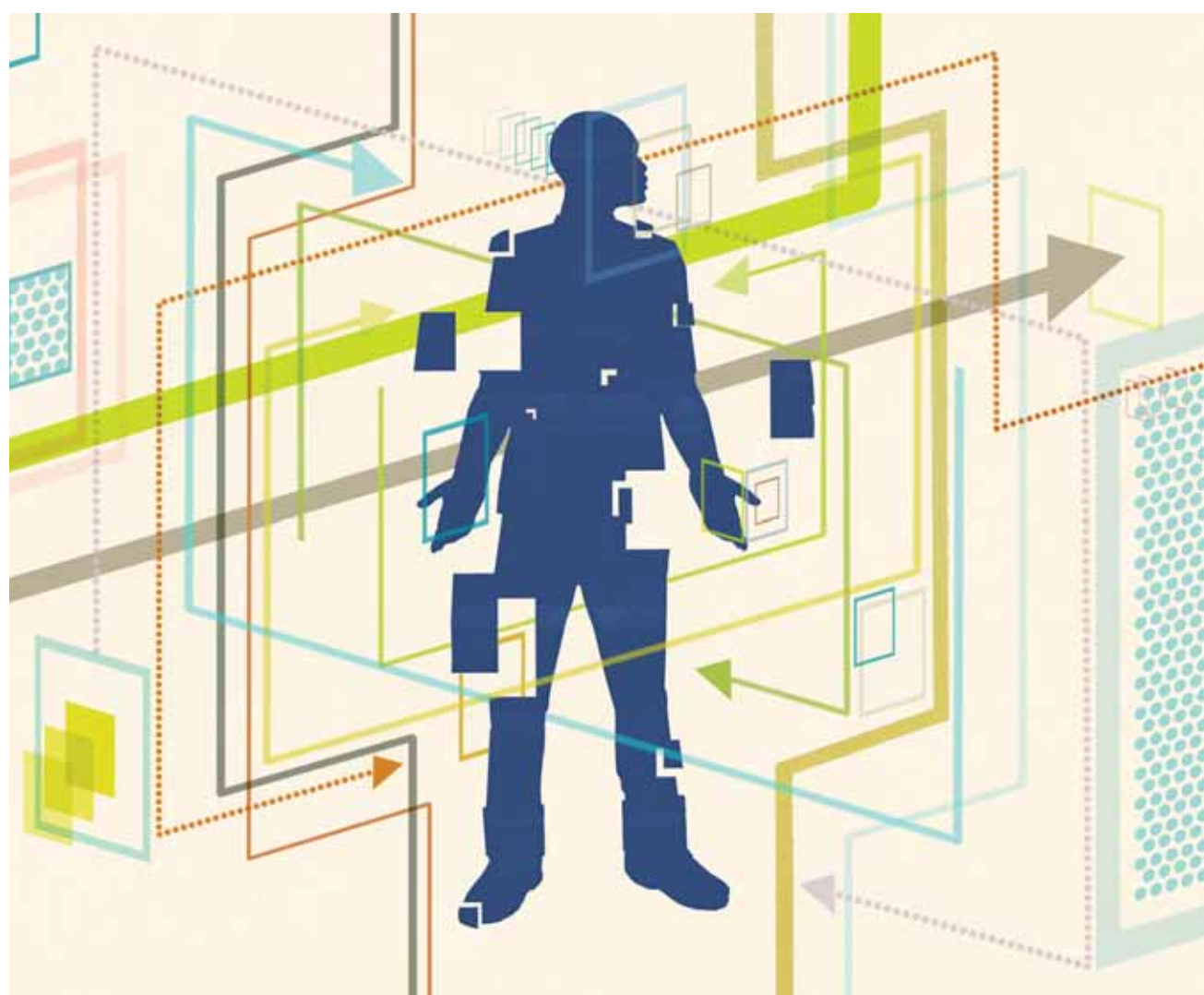


FAMILY ECONOMIC SECURITY



MARK ALLEN MILLER

FAMILIES CAN SAVE MORE THAN MONEY AN INTERVIEW WITH HANK HUBBARD, PRESIDENT, COMMUNICATING ARTS CREDIT UNION, DETROIT

Economic insecurity. It seems the most intractable of challenges facing vulnerable families.

“The people we serve rely on check cashers, payday lenders and corner lots that charge 25 percent for a car loan,” according to Hank Hubbard, president of the Communicating Arts Credit Union in Detroit and Highland Park, Mich.

“What we’re trying to do is show our members that a savings habit is not as painful as they think.”

Over 20 years, the credit union has built nationally recognized expertise in working with people with low income and credit scores. For example, it was one of the original eight credit unions – and the only one focused on low- to moderate-income people – to pilot the Doorway to Dreams Fund’s “Save to Win” program. “Save to Win” is based on a prize-linked savings concept championed by Harvard Business School Professor Peter Tufano, which seeks to motivate new savings.

“We had an extraordinary takeup in the first year,” said Hubbard. “About 14 percent of our members started an account.”

Yet two years later, enrollment is down to about seven percent, reflecting the daily reality of the people the credit union serves. “It’s expensive to be poor,” said Hubbard.

“Save to Win” is just one of the techniques the credit union employs. Others are homegrown, and include customer counseling, community and student education efforts.

“I’m haunted by the fact that I can’t get people to put something away,” Hubbard said. “So we created a certificate program to entice people to save, with a 10 percent rate. The board thought I was crazy, and wanted to put all kinds of limits on eligibility.”

As it turned out, over-enrollment was not a problem.

“We have fewer than 200 people enrolled. Our customers can’t scrape together \$500. And if they could, their reaction is, ‘Why should I lock my money up for a year for \$50? Fifty dollars is nothing.’”

Hubbard paints a picture of success in which even a rudimentary savings habit increases stability and security:

“The hot water heater goes out. Someone who’s built \$700 in a “Save to Win” account can apply that money to a replacement. They don’t have to go to a payday lender loaning at 300 percent, forcing them to renew the loan over and over again and maybe never catch up.”

But he acknowledges that success is complicated by the reality, as he puts it, that “Low income people spend as much as they bring in. If they’re lucky.”

Communicating Arts Credit Union is a partner with the Doorways to Dreams Fund, a W.K. Kellogg Foundation grantee.

VULNERABILITY CAN LEAD TO STRENGTH

By Tyrone Williams, Fresh Start graduate, Baltimore

My mom was and still is battling with substance abuse, and my dad was just not in the picture. At age 11, I was introduced to the drug trade. I became a runner for the older drug dealers, making as much as \$500 a week depending on how jamming it was. I used the money to support myself and help out my mom.

I caught my first serious drug charge at 13, when I was caught with 80 bags of dope. I attended school once a week and even passed to high school. My son was born when I was 15. Money became more important, so I stopped going to school and started grinding even more. I got locked up again at 16 and was placed into the drug court program and then referred to Living Classrooms Foundation’s Fresh Start program.

When I first enrolled in Fresh Start I did not trust the program or staff. Also, I did not like my drug court probation officers or the drug court requirements. I was constantly getting suspended from Fresh Start for not attending or for my behavior. But for some strange reason, Fresh Start kept believing in me and encouraging me. I started to realize that these two organizations really cared about me. I looked at Fresh Start as being the motivator and drug court as being the disciplinarian, and this formula kept me focused.

While at Fresh Start I was able to get my high school diploma (GED), obtain an ID and learner’s permit, attend driving school and obtain a job. While at drug court I learned how drugs are destroying my community, including my mother, and how in essence I was partic-

ipating in the destruction of my mother. If it was not for the encouragement of Fresh Start and their staff showing me that I am much more than an eight-ball, I would be dead or locked up.

The key to success for struggling youths like me is a good support network of people they can talk to, who can encourage them not to give up. Even though I have graduated from Fresh Start, I still keep in contact with them, at least every two weeks. I need that burst of inspiration they give me to keep moving.

I am 18 now. I go to work everyday on time. I complete everything that my supervisor asks of me, and I have a smile on my face most days.

I think any youth who has been through the same things I have also gains some unrecognized skills, like commitment, compassion, tenacity and reliability. You need those when your family is relying on you to find something to eat every night. But if my supervisor had met me three years ago, he might have had a different opinion of my skills.

My goals include working to provide for my son, attending a trade school and providing a positive and healthy support structure for my son. If it was not for the support system that Fresh Start is still providing for me, I would not be thinking about a future right now.

Tyrone Williams is a graduate of Fresh Start, a job skills training program run by Living Classrooms, a W.K. Kellogg Foundation New Options Project anchor organization in Baltimore and Washington, D.C.

STRESS IMPACTS GOOD PARENTING THE BEHAVIORAL ECONOMISTS’ PERSPECTIVE

By Sendhil Mullainathan, professor of economics, Harvard University, and scientific director and founder, ideas42 and Saugato Datta, vice president, ideas42, Cambridge, Mass.

Should parents be strict or permissive? Do “tiger moms” and “helicopter parents” raise more successful, happier, well-adjusted children than “slacker parents” do? These kinds of debates regularly litter popular magazines, parenting books and even the scientific literature. There is no formula for how to raise children well, and likely there never will be. Yet the science does tell us how not to raise children. Don’t be inattentive. Don’t be inconsistent. Don’t be disengaged. Don’t place them in intellectually pallid environments.

The science doesn’t just agree on what not to do. Sadly it agrees on something else: low-income parents are much more likely to do these things. We know children born to low-income families do poorly on average. And one culprit seems to be the behavior of low-income parents.

While there is agreement on the behavior, there is little agreement on why. Why are low-income parents not giving their children as much attention, help and encouragement as they need? Different ends of the political spectrum point in different directions. The left tends to see a lack of parenting skills. They look for solutions that emphasize improving these skills. The right tends to see more personal failures. They look for solutions that emphasize getting parents to take more responsibility.

As behavioral economists, we believe something else is going on.

Picture this: you have a deadline looming over you for an important project. Missing it or cutting corners is simply not an option. As you head out the door to go home, you realize one of your team members has made a big mistake, putting the deadline at serious risk. That night, only a part of you is at home. The other part is still ruminating on the deadline. Your child makes a small, innocuous mistake that evening; maybe she knocks her glass off the table while playing with her food. Annoyed, you snap at her. You are all too loud and needlessly send her to her room. Later that night, you regret it.

Being a good parent, even when you know what to do, is hard. It requires constant attention, effort and stead-

fastness. Children need to be motivated to do things they dislike (like homework or learning their tables); appointments have to be kept; activities chosen and planned; children ferried to classes and games. Teachers have to be met; their feedback incorporated; tutoring or extra help provided or procured. Children’s social lives and how they spend their spare time has to be kept track of.

Good parenting requires psychic resources. Complex decisions must be made. Sacrifices must be made in the moment. This is hard for anyone, whatever their income: we all have limited reserves of self-control, and attention and other psychic resources. In that moment, fretting about the deadline, your psychic resources were depleted. Facing pressure at work, you did not have the freedom of mind needed to exercise patience, prioritize and do what you knew to be right. To an outsider, in that moment, you would look like a bad parent.

Low-income parents, however, also face a tax on their psychic resources. Many things that are trifling and routine to the well-off give sleepless nights to those less fortunate. To take a simple example, everyone may face the same bank overdraft fees – but steering clear of them is pretty easy for the well-off, while for the poor it requires constant attention, steely resolve and enormous amounts of self-control. For the well-off, monthly bills are automatically deducted and there is still some slack left over. For those with less income, finding ways to ensure that rent, utilities and phone bills are paid for out of small, irregular paychecks is an act of complicated financial juggling.

Shocks get magnified. For the well-off, a broken-down car is little more than a temporary annoyance; if needed, they can “just take a cab.” For those with less income, it necessitates real, meaningful trade-offs and painful sacrifices. If taking a cab becomes unavoidable, it may mean having to spend less on groceries. It may mean cutting back on the time spent with a child on account of having to work extra hours to make up for the unexpected expense. Equally, trying to avoid shelling out the cab fare may mean taking an extra couple of

hours to get to work, with less time and energy left over for other things, not least supervising a child’s school-work and keeping tabs on his social life.

When cash is tight, that feeling you have when that deadline was looming, becomes a constant mental state. Well-off people have the luxury of freedom of mind. Their psychic resources are reserved for “difficult,” “important” things that have a big impact on their well-being in the long run. But those with less income are not as fortunate. They have the same (limited) capacity for self-control and attention – but are forced to expend a large fraction of it on dealing with the ups and downs of everyday life. Simply managing the basics of life uses psychic resources.

This leaves less psychic resources for the important things in life. Part of the mind is constantly fretting about putting food on the table. Put in this light, is it any surprise that low-income parents look like worse parents?

This has dramatic implications for policy. For instance, many standard policies that aim to improve outcomes for children from low-income families impose additional conditions – take your child to an additional program, monitor his progress, attend regular meetings – that amount to a further tax on already limited available mental bandwidth. Behavioral science thus suggests that such policies by themselves are unlikely to be as successful as one might hope.

Instead, a very good parenting program may not look like one at all. Deal with the economic instability that taxes psychic resources. For example, stabilize incomes, provide low-income credit alternatives to deal with the ups and downs of life, or ensure stable housing. These may not be “parenting” programs in the conventional sense of the term. But by freeing up psychic resources they allow people to be the parents they want to be. They allow more traditional parental skills programs to be more successful.

So, what does it take to be a good parent? Freedom of mind. And that is a luxury low-income parents often cannot afford.

Supported by the W.K. Kellogg Foundation, ideas42 is a social science research and development laboratory at Harvard University that uses scientific insights to design innovative policies and products, domestically and internationally.