

2015 AIGM Grantmaking in Australia Conference Keynote Presentation:

*Show me the Numbers: Applying a Numbers-
Focussed Approach to your Grantmaking*

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Let me take some time to describe what Robin Hood does and why we do it, and I hope that once we're done I've convinced you that measurement and metrics evaluation in the non-profit world is not only feasible, not only helpful, but it's doable.

So let me start at the beginning. Robin Hood Foundation is a bit of a misnomer – we are a charity, which means that every dollar that's committed into us this year, this calendar year, will be spent to fight poverty in New York City next year.

That's our mission – to fight poverty in the five boroughs of New York City.

New York City has eight million people, it's the largest city in the United States, it's got by far the largest number of poor people in the United States and at last count that number was at least two million.

And so we raise about \$US180 million a year and we spend that money fighting poverty.

Just as a side note, to get a sense of what this is all about, any funding that's given to us by a donor who is not a member of our board of trustees – so any external dollar that's donated to us – goes out the door to fight poverty.



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Another way of saying that is our board of trustees pays 100% of the cost of running Robin Hood; my salary, my staff's salary, the electricity, the phone bill, everything else is covered by the board.

That turns out to be far more important a statement than it might sound to those of you who are listening.

Because the board places nearly no restriction of how staff spend the dollars or donations to Robin Hood, we're not told to put a certain amount in education, or put a certain amount towards helping women or a certain amount in helping immigrants.

We have no such restrictions, no set rules or regulations.

Every dollar of the \$150 to \$180 million that's donated to us is used to fight poverty in any way the staff deems correct. And once the staff has made its decision (on what to fund), we then pass it on to the board to approve.

And because the board imposes no restrictions on the staff, that means we've had to come up with a methodology that allows staff to compare any use of dollars versus any other use of the dollars.

We're really in the economist's daydream of having all tradeoffs before us and no restrictions that arbitrarily guide us in one direction versus another.

So as I think I heard it once said – Robin Hood does a full menu of anti-poverty activities.

We fund kindergarten through 12 schools, we fund pre-kindergarten programs, we fund domestic violence shelters for women who are the victims of domestic abuse.

We fund micro lending and micro loan programs, we fund food pantries, soup kitchens, shelters for homeless, low income housing. We do a lot of health programs, anti-obesity programs, anti-asthma programs.

We have Hepatitis C screening, because immigrant communities are often plagued by particular diseases or viruses. Hepatitis C affects Chinese immigrant communities far more frequently than it does other poor populations in New York.

So with this variety and range of work, we are sometimes left with the question of – OK, which way of fighting poverty is better than the other ways?

So let me get a little more granular about this. I regard it as unconscionable if we were to waste the dollars of our donors, because wasting dollars means that we're spending them in the wrong place and we can help poor people more if we spend these dollars more wisely.

And so to prevent that kind of unconscionable, lazy, wrong behaviour, we had to come up with a methodology that tells us which uses of our dollar are better than other uses.

So let me perceive an example. We've got to spend \$150 million, we're going to spend that money in one year, we're going to spend that money on any way that could help poor people the most.

Take it as face value that all the proposals that we process, all the proposals that we review, all of them do good. There's almost no such thing as a proposal that does bad things to people we're supposed to help.

So the question is not how to fund things that do good, it's how to fund activities that do the most good – that are better than the other alternatives.

So I'm going to present you with a few bullet points – I'm going to give you five reasons why we use the methodology we do, which is very sophisticated, a very strict regimen. And we do it for five reasons.

The first point I want to make is the methodology turns vector into scalar. It can be used to compare any two programs no matter how different they are.

We can compare how much good we're doing by giving a low-income woman a lawyer to fight a custody case for her kid versus using that same money on a middle school program designed to improve literacy.

Wildly different interventions, yet we will assign a dollar value into those that we compare.

So the first thing our metrics does is allow an “apples to oranges” comparison. Give me the two proposals and I’ll be able to tell you which one works better.

The second feature of our methodology is that it takes full account of counterfactuals. That is to say that we make explicit estimate of how much success the poor people we served would have even if Robin Hood never intervened.

The reason we're taking account of counterfactuals, the reason we obsess about it and spend so much time worrying about counterfactuals is that if we don't worry about them it has the impact of taking credit for things we didn't truly do.

We will exaggerate the impact of our plans if we don't take full account of counterfactuals.

The third feature of our methodology is that it takes account as best we can of displacement. Displacement is when the person we're helping gains at the expense of someone we're not helping.

It means that we're not doing a net good, we're just picking winners. I'll come back to that feature in a little while.

And fourth thing the methodology produces is a rate of return measured in poverty fighting that we can estimate for any brand and compare it to any other brand.

And then the fifth feature that I want to share with you is that this entire methodology does rank grants in order of power, but it also does something far more important than that. It gives us a diagnostic tool for figuring out why some grants are powerful, why other grants are not so powerful and what to do if you're trying to make the less powerful grants better than they currently are.

So that's the methodology as five characteristics – it allows for “apples to oranges” comparison, takes account of counterfactuals, takes account of displacement, estimates a rate of return, and provides what I call “nifty diagnostics”.

So I'm going to turn to them one at a time.

Number one, vector to scalar; “apples to oranges”.

Let me ask you to scribble on a piece of paper these three alternatives for spending anti-poverty money. Our donors give us this money and we're thinking of one of three different uses of that money.

The first use is that we're going to train 20 chronically unemployed women to become licensed carpenters. That's one thing we can do with the money.

A second thing we can do with the money is to give it to these middle schools that are dealing with sixth graders, seventh graders and eighth graders. And we're going to so improve the academic skills of those middle school students that it's going to increase the number of them that graduate high school four years later; four years after they leave the middle school.

So I ask you to scribble down the second alternative, which is graduate 45 additional students from high school, because of a grant we're making through a middle school.

And then the third alternative I'm going to ask you to jot down, we are going to screen immigrant community for Hepatitis C virus.

Hepatitis virus can be fatal, it's certainly physically damaging, so when we screen and treat for Hepatitis C, you can greatly improve the number of people who can recover.

So – I can train 20 carpenters in option number one. I can graduate extra 45 students from high school in option number two. Or I can screen 200 individuals for Hepatitis C and once screened and diagnosed I can then treat them.

I'm going to ask you to assume that the cost of these three options are identical, so that I don't need to worry that some of these options are going to cost more than others. And I am going to ask you to assume we're only going to fund one of them.

So that's the “apples to oranges”. These are the three very different programs, it's not obvious which are the best to fund, so now I'm going to share with you the way we go about dealing with that.

To the second characteristic of our methodology – counterfactuals. Let me show you the power of this term by giving you now a fourth example of what we do, one that particularly pertains to the issue of counterfactuals.

Robin Hood has sites all across New York City that fill out federal tax forms of low paid individuals.

So if you're a low paid individual earning US\$10,000 in a year, or \$US8000, or \$US4000 or maybe \$US12,000 – relatively low amounts of money assuming you're a family of four.



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Now, given that a family of four in New York can easily spend \$US12,000 a year on nothing other than an apartment that's clean and safe and good enough to house four people, a salaried job that brings you \$US10,000, \$US12,000, \$US8000 a year is not putting you in very good shape to afford things you need to buy.

So one of the things we do is fill out tax forms for low paid workers in New York, because there are very generous tax refunds available through the Federal and State tax systems. So if you are low paid the government gives you a cheque instead of you sending the government a cheque.

Let me give you some real numbers. Robin Hood fills out the tax forms for about 60,000 households. It's a pretty gigantic program I hope you can see.

We're filling out 60,000 tax forms and we collect on behalf of those families – that's \$US125 million of refunds. This is gigantic by any standard.

When I report what Robin Hood has accomplished to my board, I do not report \$US125 million, instead I report the number \$US40 million, less than a third of the total, because my staff estimates that \$US85 million of \$US125 million would have gone to these families even if Robin Hood had never filed their tax form.

That these individuals might have gone to a commercial tax preparer, I don't know whether you've heard of H&R Block, but a commercial tax preparer that would charge these families \$US100 and fill out their taxes and then recover their refund.

We think that \$US85 million would have come back to these families if they had gone to H&R Block, or they had gone to a family member to fill out their tax form, or they would have asked some friend or cousin to fill out the tax form.

\$US85 million of the refund would have been sent out to these families even if Robin Hood went to sleep for the year. And therefore the true impact is \$US40 million.

Therefore any proposal that comes to us for funding, when we review it, one of the first things we do is make a thorough analysis of what would happen to families that are treated if Robin Hood didn't enter the game.

And as you can see from the example I'm giving you, that even though we do tax filing – and it's an important thing to do – most of the seeming benefit really would have happened even without us.

So for a benefit of \$US40 million, Robin Hood only spent \$US3 million to do all these tax forms. That's still a terrific rate of return, a terrific use of the dollars to fill out the tax forms of low paid New Yorkers.

It's just not as great as it seems or the way other foundations, the way other non-profits measure themselves. I don't know of another non-profit in the United States that measures the impact correctly, that measures counterfactuals and nets that out.

So the third characteristic of our methodology I told you was that it handles displacement. Let me talk about that and let me give you an example.

We make micro loan. We loan a struggling family \$US1000 or \$US1500 to set up their own business. Let's assume we've made the loan to a woman – and usually it almost always women.

We set up a business in their basement to cut hair of their neighbours, they go into the hairstyling business or the hair cutting business.

And we give the loan to Mary to set up this business in her basement to cut her neighbour's hair and she does very well. Compared to what she was earning without the loan, she's doing much better.

So even after taking into account counterfactuals, Mary's doing better. In fact she hires a couple of employees, she expands her business, she's cutting a lot of people's hair.

But what if I told you that another poor person in the neighbourhood – a person whose name is Todd – was already cutting hair of women in the neighbourhood.

And now all his customers are lost; they've all gone to Mary.

That's called displacement and when we collect evidence from the neighbourhood, we have to look at how many pre-existing hair cutters are now going out of business or have lost customers?

We often will convince ourselves that a micro loan to Mary was useful for fighting poverty. But all her customers came from some other equally poor part of New York; equally poor neighbour, who has received no poverty funding at all.

Where Mary was once unemployed and Todd was employed, Mary now has employment and customers, while Todd has lost his. And we haven't accomplished poverty fighting at all.

Now (looking at) displacement means that Robin Hood is taking into account a very important factor that, when it is taken into account, makes our brands look less powerful than the way they'd look if we didn't take displacement into account.

Take any job training program, they are plagued by displacement.

If you pay a non-profit to train these women to become carpenters – my first example mentioned earlier – it is often true that the new carpenter will take business away from equally poor carpenters.

Therefore the gain in carpenters or carpentry might be offset by the loss of opportunities for equally poor people who we didn't fund.

Something that we worry about is that it is very hard to measure displacement. There are no established rules for doing so – one has to collect a lot of information and then form some judgements.

So now let me walk you through this example (referring to Slide 7 of the Powerpoint presentation).

In that second example I gave you, we help a school to teach better so that more students graduate at school.

I can't speak for where you are, but in the United States the most important step that anybody takes to get out of poverty is to get their high school diploma.

High school graduates are the most likely not to be poor and so it's important for Robin Hood that we maximise the number of students who finish high school and graduate. This helps us fight poverty.

So bear with me for a minute and jot down a few numbers.

Assume that 45 additional students are going to graduate from high school, because of the improved training they got in middle school.

Then we go to the literature, and what we do at Robin Hood is go to the literature to answer what the impact of that high school diploma is – how “less poor” did it make the graduate?

And when we find the literature, we look at the comparison, we compare two people – same gender, same religion, same socioeconomic status, same IQ ... one of them gets their high school diploma, one of them does not.

The literature tells me that in the United States that a graduate from high school will earn about \$US6500 additional a year compared to non graduate – year in, year out.

Ok how much additional income is that over a lifetime?

You can calculate the value of the earnings boost (over and) above the counterfactual – \$6500 a year over 20 years. That's the poverty fighting impact so far of this grant to one student.

If we factor in 45 more kids graduating, each earned \$US6500 extra per year for 20 years, that's a big impact, a big poverty-fighting benefit.

But here's where Robin Hood's methodology gets less obvious. We also take from the academic literature the fact that high school graduates compared to a non-graduate lived longer, healthier lives.

I think that's a very important factor – the wellbeing of this person. Of course health matters. So we take from the literature the fact that graduates compared to non-graduates live an extra two years in good health.

Now I've got a problem. I've got one benefit of this middle school grant leading to an income benefit of thousands of dollars, I've got another benefit of graduating high school being extra years of good health.

I don't know how to define years of good health to US dollars, so I need to be able to convert these years, these two extra years, into a dollar equivalent.

Now in the United States, economists do this all the time, that's why people love to hate them. It's standard practise for economists to assign a dollar value to health and indeed every time the US Government builds a highway and has to decide how safe to make that highway, they're implicitly or explicitly assigning a dollar value to safety measures.

They can make the highways twice as wide, they can make the speed limit half as fast, they can do all kinds of things. They can insist that you drive only a tank and not a car!

But really these things don't work like that. We make cars that drive more than five miles an hour. We don't require spending tonnes of money to cover the cost of building the tank. And we don't build highways with lanes that are a mile wide.

We are implicitly causing our deaths because the dollar value placed on safety measures is not high enough to cover for the speed limit being higher than five miles an hour, that the lanes aren't going to be a mile wide and that we drive cars and not tanks.

So assigning dollar values is not weird.

At Robin Hood we assign a value of \$50,000 for every poor person whose life is extended by being in good health. And we give you a reason for that.

If you look at the British health service (the NHS) or the US National Institute for Health and Care Excellence (NICE) rules and regulations they are basically saying that the health intervention that the British government will pay for should cost no more than about US\$50,000 per extra year compared to death.

(Note: more information on cost-utility analysis and health economics can be found here:

http://en.wikipedia.org/wiki/Cost%E2%80%93utility_analysis)

Now (referring to Slide 8 in the Powerpoint presentation) let me wrap this up in terms of the arithmetic to say that when we look at the full poverty-fighting benefits of this grant to graduate middle school students, we take the 45 additional graduates, we multiply each by the (previously discussed) value \$US6500 extra per year for 20 years.

We add that to \$US100,000 of the value we place on living the two extra years compared to those who don't graduate, then we factor in the staff estimate of 0.6 and what happens is we come to a total of about \$US5.2 million.

Robin Hood spend about \$US800,000 on this grant, if you divide \$US5.2 million by \$US800,000 you get a benefit-cost ratio of around 7:1.

And let me pause here and talk about that a moment.

So each grant proposal that we analyse, we analyse in just the same way – we look at income impact, we look at the health benefit impact and we look at other impacts I'll describe in a moment. But those are the big ones.

And we add them up, and then we look at the ratio of the benefit we create in comparison to the cost. In this case we've got a 7:1 ratio and in other cases a 3:1 ratio. Or 1:1 ratio, or 50:1 ratio, a 70:1 ratio.

Now, what does ratio mean here? Very, very simple.

It tells you that for every dollar Robin Hood spends on this proposal, on this grant – this grant to the middle school – the collective living standard, collective wellbeing, the collective income and health benefits compared to all low income people is raised by seven.

And so it's not difficult to figure out which grant proposal we are going to fund by following our noses, by backing those grants that generate the highest benefit/cost ratio.

So now I want to say something that I have repeated many many times. Despite all the arithmetic I just threw at you, Robin Hood never makes a grant on the basis of arithmetic alone.

We don't just look at different cost-benefit ratios alone. We know a lot about the proposals we fund or won't fund. We know a lot about the groups that are behind those proposals.

It is just like Harvard or MIT doesn't accept students solely on the basis of SAT scores, test scores.

At MIT they would look at the test scores as useful, as an interesting piece of information that we took seriously and could be used to diagnose whether this student would be likely to be able to perform at an MIT level or not.

So the test scores are used for diagnostic purposes in many ways rather than a single stand-alone measure. (In the same way), arithmetic is not the single determinant of whether we fund a grant proposal or not.

I want to wrap this up, but in doing so I want you to think about the following (referring to Slide 11 in the Powerpoint presentation):

If you think about the early childhood proposal, proposal for children under age five – before they get to kindergarten in the United States.

I want to just indicate to you how complex this methodology I share with you can be, and I'm going to hide that fact, it's not obvious and it's not quick.

So when you think about early childhood program, what does Robin Hood think are outcomes that are relevant to poor New Yorkers?

Well we know from longitudinal studies that have been going over 40-50 years that really high-quality early childhood programs increase the probability at those children will eventually go on and graduate from high school.

Bingo that's a health benefit for the children.

We know that early childhood programs, when done well, will cut down the amount of criminal activity engaged by those children as they grow into adolescence.

Bingo that's a benefit for the family.

We know that the early childhood program will reduce child abuse. We know early childhood program will teach parents better skills, better parenting skills and so on.

And so at Robin Hood we then work to monetise each of those impacts – the high school graduation impact, juvenile delinquency impact, child abuse, parental skills and earnings.

All those have to be monetised and that is based on studies, experiments, our own experience and our academic literature.

And then here (referring to Slides 12-22 in the PowerPoint presentation) I have to show you a number of charts that explain the monetary benefit.

All doable – all it takes is some perspiration and some inspiration, it just takes dedication to want to put a value on the impact of these factors.

One last point. I think of Robin Hood as a market.

I think this market comes out of ideas. And these ideas come from the experience that people have had in their past.

Some of these ideas come out of the heads of my program officers. Some of these ideas come out of experience of State, local, Federal Governments of the United States. Some of these ideas come out of experiences of work we and others have done.

So we get ideas from all kinds of places. Obviously people in the non-profit field come up with ideas.

What I have described for you – no matter what the proposal is or the program that is put forward, we have a methodology that helps us put a rough guess as to beneficial impact on poor New Yorkers and therefore the benefit/cost in terms of the best way to spend the dollars that our donors give us to maximise the wellbeing of poor New Yorkers.

And that example of the middle school program was to show you how do that. I hope what it showed you is that we have a framework –

using a benefit/cost analysis and using economics – by which to judge the impact of different ways of helping poor people.

It would be equally valid, effectual framework in a number of areas. What you do might have nothing to do with poverty – (but) what the framework does is to match outcomes that monetise to the mission you have been given.

Everything I've talked about is seen through the eyes of poverty fighting in New York City.

Take your mission – they'll all be different – and the outcomes that are directly related to your mission, and then look at the extra gains of monetising the impact; on turning those outcomes into a monetised measure.

Thank you.