

**Using the Human Capital we have to create the Social Capital we don't –
Local Philanthropy and Early Childhood**
By Gerry F. Roll

Human capital – the individual and collective health, skills, capacity, and knowledge of people – is the foundation on which all other progress is based. Healthy and well-educated citizens who are given a political voice and access to opportunity play an essential role in alleviating poverty, promoting good governance, and ensuring a more secure and prosperous future for themselves, their families, their communities, and their countries. Investing in human capital is both a humanitarian imperative and a driver of economic vitality, technological progress, and political stability. It gives people dignity, as well as the necessary skills to be productive workers, creative innovators, and active citizens at every level of society – from local communities and grassroots organizations to international corporations and institutions. In the face of a global economic downturn, demographic shifts, climate change, growing humanitarian crises from natural and manmade causes, and high levels of poverty, developing human capital and creating and sustaining good jobs will be more difficult – and more important – than ever. It is a joint challenge for both the public and the private sector, and a priority across the globe. For the governments, companies, philanthropists, and civic leaders who are willing to work together in new alliances that leverage scarce resources and innovative technologies, the opportunity to make a difference through building human capital is immense. – Clinton Global Initiative / Annual Meeting 2009¹

Our Challenge: Helplessness and Hopelessness

From the legendary hierarchal history of coal to a half century of the war on poverty, there has been much effort expended to provide for the perceived well-being of the people of central Appalachia. But while the patronizing employment of the early coal industry, the large scale entitlement programs of Lyndon Johnson and beyond, and the rampant commercialized charity directed at the region have been good at keeping people from starving or living outside, they have done little for long term improvement of the conditions that make central Appalachia the most persistent poverty region in the nation. Instead, great strides have been made towards stripping away any remnant of a nostalgic heritage and replacing it with a learned culture of helplessness that, if not checked, will surely see our people diminish as fast as or even faster than the coal industry.

In addition to this learned culture of helplessness, we are also at a juncture dangerously close to hopelessness. One recent national survey ranked the fifth Congressional district of Kentucky as the least healthy and most unhappy place in the nation.² The fifth district contains more distressed counties than any other part of the entire Appalachian region. While common indicators such as poverty rates, unemployment, and educational attainment point to the traditional symptoms of a distressed region, perhaps the urgency of our plight is best illustrated by this most rapidly declining ranking of all, our physical and emotional health as a people. The growing rates of chronic disease, mental illness and substance abuse – most of which can be attributed to lifestyle and education – are a far bigger threat to our economic transition than any other barrier, and creating the individual and political will to affect the level of change needed will require bold action. Change in Appalachian communities, just like everywhere else, will require engaging people in their own health and well-being as well as the health of their community.

Healthy people and healthy places are inextricably linked. But neither healthy people nor healthy places are abundant in central Appalachia, nor do we seemingly have enough capacity to increase one in order to ensure the other. Moving beyond helplessness and stepping back from the precarious brink of hopelessness will require the creation of a kind of social capital not present in the Appalachia of today. A kind of inherent social capital that was lost to the region so long ago that it must be recreated with intense efforts that go beyond building, to actually birthing, *human*

capital. Two practices hold promise for fostering the relatively little human capital that still exists in the region and using it to create new, redefined human capital – rural development philanthropy and early childhood education.

Our History: *Paradise and Pariah*

Central Appalachia is a beautiful land. The mountains, creeks and streams surround enclaves of homesteads full of people that are almost tribal in nature. Wildlife is abundant for hunting and viewing pleasure. Gardening has not become obsolete. Neighbors still care for and about each other and people still go to churches that center their communities. People are rugged and strong-willed – set in their ways but content with their life. This reputed paradise is an Appalachia that still exists, not just in the hearts and minds of those who have long moved away, but in the very real life of some who still remain in the region.

To others, some local but particularly those whose roots come from outside the coalfields, central Appalachia is often compared to a third world country. A region that is scarred by years of strip mining and abused by absentee land owners who care only about the coal to be extracted and the people to be exploited for it. Corrupt government is seen as intrinsic and insurmountable, poverty is intractable. This Appalachia, often seen as the pariah of what our nation professes to be, is also very real – in the throes of active or recent mine sites, for people who live in homes where water is not drinkable and without the economic wherewithal required for even a simple standard of living. It exists when buildings and homes slip, slide and subside on ground made unstable by the extraction of coal.

In the 21st century, the reality is still clearly at both of these extremes. But for most who live here and plan to stay and for others who might come, there is weariness in the battle. The Appalachian region has provided the rest of the nation with much of its electricity for almost a century and will continue to do so for a long time. It is time to acknowledge, with both apologetic lament and due honor, that controversial history and move on. It is time for all of us to let go of hostile debates that quickly overcome progress in exchange for developing processes that encourage acceptance and tolerance of the engrained friction among our people.

But we need help. In light of the contributions and sacrifices the region has made, as we prepare to move to a new era in energy, technology, economy and sustainability it is incumbent upon the rest of the nation to support development efforts that are honest, inclusive and smart. But that support must be targeted at more than economic poverty. The government and/or the market cannot solve the poverty of helplessness and hopelessness. That learned culture, wherever its roots, has to change for the economy in Appalachia to change. And that will be up to local people.

Our Opportunity: *Consumers to Investors*

There are few places in the United States where “entitlement” programs are more needed, more utilized, or more exploited than in central Appalachia. In addition to government benefit programs like Temporary Assistance for Needy Families, Supplemental Nutrition Assistance Program, and the Section 8 Housing Assistance Program, many charities and quasi-governmental agencies have become self-perpetuating commercialized industries that indoctrinate our children almost from birth with the notion that exploiting your poverty will bring just rewards.

Entitlements are good when they provide a means to solve the immediate problem. Money for groceries or rent today, maybe even subsistence for a lifetime. But subsistence can't be the end goal. Unfortunately, it has been seen as enough by too many for too long. So long in fact, that the balance between community consumers – those who take what is freely given without the opportunity or experience to participate – and community investors – those who take ownership and participate in building and shaping the community where they live – is dangerously skewed. It is imperative that we work within our own communities to develop a sense of investment. However, traditional efforts aimed at shifting a culture of adults hard-wired to consume and subsist has not proven successful for the central Appalachian region.

One of those efforts, created in the 1960s with the purpose of engaging local people, is Community Action Agencies (CAA). Intended to serve as the vehicles for quickly and directly channeling federal funds into local neighborhoods, to prioritize community needs and receive grants for a wide range of education and cultural enrichment projects, including adult literacy, health services, legal aid for the poor, and Head Start. The act creating CAAs also created a volunteer service corps, VISTA, to assist in organizing projects and delivering services.³ But it didn't take long for the CAAs to become mired in politics, delivering services to be consumed and providing little or no change in the status quo.

Another strategy, the Workforce Investment Act (WIA) has provided millions of dollars to the region for adult education and job training. Too often though, those who manage to qualify and avail themselves of the services are “trained” for jobs that simply don't exist. Yet we are complacent and satisfied to continue to embrace the one-size-fits-all methodology and perpetuate the myth that people simply don't want to work. The fact is poor people in central Appalachia were left behind long ago ill-equipped to participate, *to invest in*, their own community's growth and sustainability.

Other charities' projects, like Save the Children Foundation's sponsor a child in Appalachia or the Christian Appalachian Project's administration heavy humanitarian missions, have stayed on auto-pilot for decades continuing to allow misguided outsiders to pour money into work that exploits the wrong issues and ultimately exacerbates our problems.

There may well be examples of and opportunities for some of these or other existing initiatives to demonstrate success in lifting some people out of poverty. None of them have what it will take to lift enough people to lift the region out of persistent poverty. As long as people see themselves and are seen as consumers of community services we will continue to have and tell a few stories of success. When people begin to feel like and be considered investors in community building, we will begin to see our region transform.

Our Work: *Audacity and Humility*

We are fast running out of time. Too many have learned helplessness and hopelessness. We are at odds with each other and the world as two camps firmly planted on the extremes of living in a paradise and being seen as an embarrassing pariah. Those consuming precious resources are beginning to outnumber those who are invested in our communities. The challenges are enormous and our solutions to date have been small and safe. If real transformation is going to happen, it will be because we have the audacity to trust those with a lifetime of bleak experience to look with higher expectations toward what is possible and then allow them to become investors too. Those of us with a different experience, who have long held high expectations and strong investments, will require a healthy dose of humility in order to allow that to happen.

The three critical components that must exist for a sustainable transformation in central Appalachia to begin to take shape are community, capacity and flexible financial resources. In order to produce results, all three must come from within the region, promote over-arching values, and tolerate inevitable conflict. Key to developing and building these three areas is also an inherent necessity to weave them together – excelling in one area while lagging in another will not get us where we need to go. First and foremost, we should engage in local philanthropy as an impetus and vehicle for community development and personal investments, providing optimum opportunity to create all three – community, capacity and resources – while building on the limited human capacity that currently exists in the region. Second, we must do a better job of educating our very young children from birth to create a larger base of human capital and future leadership, birthing and raising up the human capital we don't have.

The image that most Americans have of philanthropy is that it is something that wealthy people do to share their good fortune, give back to the community and leave a legacy that improves society or, in the case of Appalachia, investments from large national foundations into programs in the poorest regions. For the past several years, there has been a growing movement in Rural Development Philanthropy (RDP) – expanding the geographic focus of philanthropy to include rural areas that were not typically the focus of early philanthropic endeavors. It also expands the traditional image of who fills the role of philanthropist. RDP focuses on philanthropy as a community development activity, where anyone can become a donor, not just wealthy citizens.⁴

Improving the level of educational attainment in central Appalachia typically brings remedial adult education, community college or improving high school graduation rates to mind. What we know now is most of what a child knows and the basis for lifetime learning is well established before school is even thought of. For the central Appalachian region, this means shifting massive levels of funding from disjointed and ill-conceived reparative projects to well funded and strategically integrated early childhood experiences for all children born in the region.

Our Action: *Building and Birthing* – Specific strategies for building the human capital we have and creating what we don't.

Use Rural Development Philanthropy to *Build Human Capital* – Though the movement in defining and refining Rural Development Philanthropy began early in this decade, practical application of the principles of RDP in central Appalachia only recently started to take root and we have learned some valuable lessons as well as drawn additional insights from prior work in local communities. This evolution of building community, capacity and financial resources through unrestricted endowments holds tremendous promise in bringing the region to a new level of participation in a new era for our world.

Many would claim to have done some very hard work over the past half century to help “lift Appalachian people up”, some with the religious fervor of being “called” to help, others with the social work mentality of personal empowerment, and even more looking to win the economic development lottery of that one major employer. That may seem difficult enough, but it is typically done by connecting people with similar goals and similar identities; creating social capital by *bonding* like human capital. It is far more challenging, and therefore rarely done, to build social capital by *bridging* human capital – pulling together those with social differences towards a common goal.⁵ Using tools of the evolving strategies in Rural Development Philanthropy coupled with some other

promising models in the region create the opportunity for us to go beyond our benevolent bonding to true philanthropic bridging.

- *RDP resources are invested in the people, strategies and organizations that will make rural places better for living and working. The work of RDP helps to raise the expectations of rural communities, to reduce their dependency on outside funding, and produce outcomes that strengthen rural places and families.*⁶

People cannot begin to imagine their lives any differently if they never have the opportunity to do or experience anything different. In Perry County Kentucky, the community has begun to come together to create a new, more evolved and collective rendition of the work that's been done over the past 20 years and goes beyond building personal and organizational assets to building community assets of engaged people and values that are demonstrated in multiple functioning systems with flexible, dispersed leadership. The creation of a local community foundation was the impetus for creating a common vision, a community wide strategic framework and a vehicle to raise local funds for implementing and maintaining local development.

Acting as a catalyst, a local organization like a community foundation has the necessary capacity to gather information, take risk, leverage resources, pull together partners and develop projects that communities need such as child care centers, housing and health centers. Then, rather than becoming the Wal-Mart of the non-profit world like many CAAs and other mega non-profits have morphed into, the community foundation should let the project go to flourish as an independent entity. This model allows smaller, focused non-profit businesses to grow leaders through multiple boards, to deliver one or two products or services extremely well, and to employ more people in leadership roles. The community foundation's role as a bridger continues through collaborated funding and facilitating future cross-sector projects.

- *Rural Development Philanthropy is the process and practice of creating and strengthening locally controlled endowment, grantmaking and community programs to improve rural livelihoods, economies and community vitality.*⁷

As in most of rural America, there is much wealth in Appalachia. Intergenerational Transfer of Wealth analyses by the RUPRI Center for Rural Entrepreneurship have been conducted for many rural regions. In every case, we find millions of dollars are still held in communities, money and assets that will transfer to the next generation in the next 10-50 years. The problem is the next generation – those poised to inherit this wealth, mostly do not live in those communities. Without the vehicle and capacity that can provide opportunities for families to consider leaving a portion of their estate, or to provide a living legacy to their hometown, this money will be lost. In addition to the assets that remain in the mountains, there is much that was made here through natural resources such as coal and timber or services to those industries like banking and transport, which remains with people who no longer reside here physically, but whose hearts remain. Having infrastructure in place to be good stewards of resources left for a community can entice those expatriates to consider leaving a portion of their estates to the community they remember.

Though financial wealth is present in the coalfields, the amount of individual financial investment is not nearly as important as the investment itself. Being smarter about how we use the resources we have as leverage will be key to building meaningful unrestricted endowments in central Appalachia. Coal severance taxes, Appalachian Regional Commission funds, tobacco settlement dollars and gaming tax revenue to non-gaming counties are all potential sources of leverage that heretofore have been spent with little regard for the future financial needs of the region.

- *RDP engages community foundation staff, boards, grantees, donors, partner organizations, volunteers and their communities, embracing local people and cultures of all incomes, ethnicity and professions, to capitalize on local charitable traditions, organize and build local philanthropic capacity.*⁸

A local community foundation is a neutral facilitator of work that is strategically framed around common vision and common values. With a neutral partner working in the background, and bringing resources, such work has the propensity to bring together non-traditional partners. This type of work done intentionally and repeatedly will eventually become organic – rebuilding the human capital required to shore up the level of social capital needed to create a vibrant, sustainable economy.

Recommendations:

- Federal and state governments should enact legislation to establish ***County Endowment Funds*** to build the community foundation infrastructure in local communities and to ultimately encourage additional philanthropy throughout the region. Specifically, legislation enacted should provide capacity building and/or administrative grants to qualifying community foundations and affiliate community foundations. Qualifying community foundations means a community foundation or geographic component affiliated with such an entity organized or operating in the state that complies with the national standards established by the National Council on Foundations.
- Federal and state governments, as well as national foundations, should provide challenge grants to qualifying community foundations and affiliate community foundations to build community based unrestricted endowment funds to benefit one or more economically distressed counties. Grants should be matched at least 2:1 with outright cash gifts or irrevocable planned gifts by people in the community for permanent unrestricted endowment in order to maximize local investment.
- Federal and state governments should create an ***Endowment Tax Credit*** to provide taxpayers (individuals or businesses) that donate to a permanent endowment fund at qualified community foundations or community affiliate organizations.

Use Early Childhood Development Programs to Birth Human Capital – Though local philanthropy can build on limited human capital that exists, there remains a dearth of young children and youth emerging as potential leaders and community builders. So much of our time, energy and resources are spent in remediation, rehabilitation, re-entry and recourse there is little left to invest in preparing our children to manage their own future, much less take care of ours.

As the old adage says, it is always better to build strong children than to repair adults. Before entering kindergarten, the average cognitive scores of preschool age children in the highest socioeconomic group are 60 percent above the average scores of children in the lowest socioeconomic group. At 4 years of age, children who live below the poverty line are 18 months

below what is normal for their age group; that gap is still present by age 10. The gap is even larger for children living in the poorest families. By the time children from middle-income families with well-educated parents are in the third grade, they know about 12,000 words. Third-grade children from low-income families with under-educated parents who don't talk to them very much have vocabularies of about 4,000 words.⁹ There is a plethora of similar research to document that a child's life experience from birth to age five pretty well sets the path for their future. Clearly, unless we address the gaping deficit in quality early childhood learning, the path for the future of the region is just as bleak.

The high levels of persistent poverty in central Appalachia will require a multi-generational approach of consistent and intense investment in the education of our youngest children. This is not likely to happen, nor should it, just through traditional public school systems or simply through current Head Start initiatives designed decades ago to address this very issue. The multi-generational problems of the region have far surpassed the capacity of any one local, state or federal program.

Individual communities – perhaps with the leadership of viable community foundations – will need to pool the resources of multiple and disjointed systems to create seamless opportunities that support both working and non-working families with an intense focus on children from birth to age five.

In order to promote collaborative delivery models for the expansion of support systems for infants, very young children and their families, grants and technical assistance needs to be available to provide incentives for community agencies to partner with each other. Effective partnerships would provide communities and policy makers with best practice models to guide state and local policy development. It will also provide local program directors and school administrators with examples of ways to blend programs, services and funds to better serve children and families. Assessing and blending existing resources to maximize the development and education of children from zero to five while supporting working families would help more children participate in quality child care and preschool experiences.¹⁰

Current levels of funding for adult education, rehabilitation and remediation far outpaces any investments made in or available for early care and education.

Recommendations:

- Provide high quality preschool experiences to more children in ways that meet the unique needs of individuals, families and communities.
- Ensure that all federal, state and local policies, particularly funding, allow flexibility and local control at the individual community and program level. Common goals may need to be achieved with different strategies.
- Raise standards for all early care and education program directors, teachers and staff to ensure competencies in child development, regulations and laws, ethics, programming for families and children, staff development, health and safety, financial management and marketing, as well as community development and resource management.

The future of the central Appalachian region is indeed up to the people who live there. But self-sufficiency, whether talking about individuals, families or communities, is a myth. We are all interdependent in what has now become an even more complex global community. Instilling awareness of that interdependency in our children while building their individual capacities of strength and resilience will require adults with the audacity to let go of the past and the humility to allow one another to take bold steps in the present. That, with patience, will ensure our future.

¹ Clinton Global Initiative. New York, NY. 2009.

http://www.clintonglobalinitiative.org/OurMeetings/meeting_2009_annual_actionareas.asp?Section=OurMeetings&PageTitle=Actions%20Areas&Action_Area=Human_Capital

² Gallup-Healthways Well-Being Index. Copyright © 2009 Gallup, Inc. and Healthways, Inc. All rights reserved. March 2009.

www.well-beingindex.com/ <http://www.ahiphewire.org/WellBeing/Tools/Map.aspx>

³ Eller, Ronald D. *Uneven Ground Appalachia Since 1945*. Lexington, KY: University of Kentucky Press. 2008

⁴ Rural Development Philanthropy Learning Network. The Aspen Institute. Washington DC www.aspen.org/rdp

⁵ Nelson, Barbara J., Kaboolian, Linda, Carver, Katharine A. *The Concord Handbook: How to Build Social Capital Across Communities*. Los Angeles, CA. UCLA School of Public Policy and Social Research. 2003. <http://concord.spsr.ucla.edu>

⁶ Rural Development Philanthropy Learning Network. The Aspen Institute. Washington DC www.aspen.org/rdp

⁷ Ibid.

⁸ Ibid.

⁹ National Center for Children in Poverty. New York, NY. 2008. www.nccp.org

¹⁰ Strong Start Kentucky: Investing in Quality Early Care & Education to Ensure Future Success. Prichard Committee for Academic Excellence. Lexington, KY. 2007. www.prichardcommittee.org