



## BREAKING THE CYCLE OF POVERTY Social Return on Investment

In the **CYCLE OF POVERTY** children are born into poverty, live life in poverty, and bear children in poverty. The cycle of poverty is **EXPENSIVE**: The cost of **each year's cohort** of US children born into poverty is estimated to be **\$500 billion over their lifetimes.** <sup>i</sup> **BREAKING THE CYCLE** means helping children gain the skills needed to become productive members of society and avoid the traps that will keep them in poverty.

# FR1ENDS of the CH1LDREN

### HOW FRIENDS OF THE CHILDREN BREAKS THE CYCLE OF POVERTY

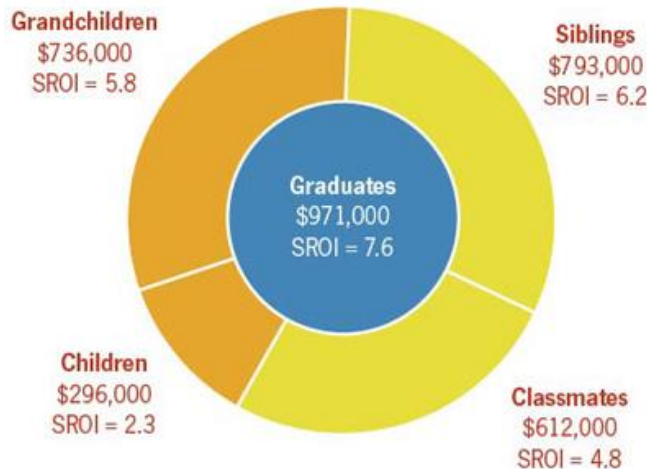
Highly at-risk children who receive 12 ½ years of intensive, professional mentoring through Friends of the Children (FOTC) achieve impressive and measurable results relative to similar children not served by FOTC.

**For every 100 FOTC graduates, society gains:**

- 24 more high-school or college graduates;
- 59 fewer teen parents;
- 30 fewer people getting an early start in prison and correspondingly fewer victims of the crimes they would have committed.

Members of the Harvard Business School Association of Oregon conducted a pro bono analysis to quantify FOTC's effects on the cycle of poverty. We looked at three groups: 1) FOTC graduates, 2) their siblings and classmates, and 3) their children and grandchildren. The social return on investment (SROI) was estimated by comparing the benefits of those effects to the cost of the FOTC program.

CHILDREN & GRANDCHILDREN	GRADUATES	SIBLINGS & CLASSMATES
We combined data on poverty and birth rates with the effects on FOTC graduates to estimate how many children and grandchildren would escape poverty and how big the benefit would be.	We estimated a lifetime benefit per FOTC graduate of \$971,000. Of that, 33% is due to education, 35% from avoiding the justice system, 26% from avoiding teen parenting, and 6% from lower health care costs. <sup>ii</sup>	We surveyed Friends and teachers to gauge the effect of Friends' interactions with program youths' siblings and classmates. The effects are smaller than for graduates but they apply to multiple children.
<b>We estimate, in total, \$3.4 million in social benefit due to mentoring each FOTC graduate. The social return on investment (SROI) is 26.8 times the cost of the FOTC program.<sup>iii</sup></b>		



## THE 26.8 SOCIAL ROI IN CONTEXT

FOTC graduates experience greater educational achievement as well as decreased involvement in the justice system and teen parenting compared to similar youth that do not have access to the program. These achievements relate directly to the ability to escape the cycle of poverty. The poverty rate amongst FOTC graduates is roughly 20 percentage points below what would have been otherwise. For every 100 FOTC graduates we, as a society, would spend \$5.4 million less on health costs. We would get siblings, classmates, and descendants with better role models and better lives. For every 100 FOTC graduates we produce we gain over \$340 million.

For every 100 FOTC graduates we *don't* produce society forfeits \$340 million in benefits we could have had.

## FREQUENTLY ASKED QUESTIONS

### Where did your data come from?

- Our analysis of the cycle of poverty relied on government statistics and academic research. Some data came from our surveys of Friends, teachers, and school principals. All are documented in our full report.
- We used results from our 2010 SROI analysis of FOTC, which in turn used government statistics and academic research for its calculations of the benefits of education, avoiding the juvenile justice system, and avoiding teen parenting. It used FOTC measurements on the success of its graduates in those areas.

### You're covering a lot of years. When do the impacts come? At what age?

- FOTC's benefits exceed its costs by age 19 for FOTC graduates, accounting for 29% of the \$3.4 million total benefit. That's because big benefits – avoiding crime and teen parenting – come early in the graduate's life. Additional benefits, including higher earnings due to education, accrue over the graduate's life.
- Sibling benefits (about 23% of the total social ROI) will mirror the FOTC graduate's, offset a few years in either direction. Classmate benefits (about 18% of the total impact) come slightly later because we looked only at their education-based benefits. Descendant benefits (about 30%), obviously, come later.
- The large majority of the total benefits (over 70%) occur within the graduate's lifetime.

### What makes your numbers “conservative”?

- We used multiple methods to calculate numbers when we could. We chose to use numbers at or near the bottom of the ranges that we found.
- We didn't do anything based on speculation. For example, it's likely that there are positive effects of FOTC through parents, lower spending on special-education programs, impacts on mental health and substance abuse, and so on. If analyzed they would almost certainly add to FOTC's social benefit.

## ABOUT THE STUDY, THE AUTHORS, AND THE ORGANIZATION

The study was conducted pro bono by members of the HBSAO Community Partners program. Listed alphabetically, the authors are Bruce Hamilton, Christine Cruver, John “Spike” Symonds, Jon Down, Mark Chussil, and Sara Crate.

You can contact FOTC at [FOTCinfo@friendsofthechildren.org](mailto:FOTCinfo@friendsofthechildren.org) and HBSAO at [TakeAction@hbsao.org](mailto:TakeAction@hbsao.org).

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<sup>i</sup> Holzer, H., et al., 2007. “The Economic costs of Poverty in the United States: Subsequent Effects on Children Growing up Poor.” Institute for Research on Poverty, Discussion Paper 1327-07.

<sup>ii</sup> Based on updates to the 2010 Social ROI analysis by the HBSAO. Health costs derived from Holzer et al. 2007.

<sup>iii</sup> Details of all HBSAO calculations are available in our full report