

Metrics Matter: A Human Development Approach to Measuring Social Impact

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I would not give a fig for the simplicity on this side of complexity, but I would give my life for the simplicity on the other side of complexity.

—Oliver Wendell Holmes

The Community Reinvestment Act of 1977 sprang from the federal government’s commitment to end discrimination in lending and redress its enduring effects by requiring that banks support sustainable community revitalization in low-income communities. The bill’s sponsors hoped that ending the redlining practices that kept low-income minority communities from enjoying the range of financial services, particularly credit, available to whites and pushing banks to invest in communities of color would bring the American Dream within reach of those historically excluded from its promise.

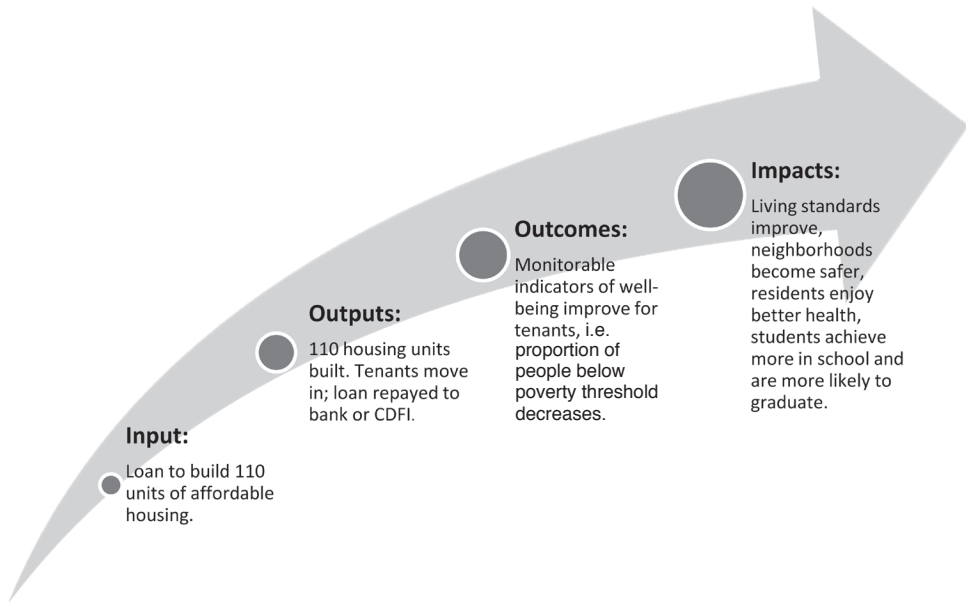
In addition to the federal government, a diverse range of actors—from local governments to faith-based organizations to private equity firms and social entrepreneurs—are engaged in community development financing. These actors have different motivations, use different methods, and focus on different sectors, but on the whole, they seek to contribute to the same broad goal: to reduce poverty and expand economic opportunity in low- and moderate-income neighborhoods.

Recently, members of this varied community have increasingly focused on measuring social impact. Social impact is the end of a process that starts with a loan or grant (input) for an organization or individual to engage in certain activities that result in direct short-term results (outputs). These outputs ideally contribute to observable changes (outcomes) that, in turn, contribute to sustainable improvements in people’s lives (impacts). Inputs and outputs relate directly to the specific activities of a project; outcomes and, especially, impacts require a longer time frame and the involvement of other actors. Figure 1 charts this progression for a hypothetical investment in affordable housing.

A review of efforts to measure social impact in the U.S. reveals that little such measuring occurs. At best, those active in community development financing examine inputs and outputs. Tracking information on inputs and outputs is fundamental to assessing the degree to which community development financial institutions (CDFIs) or CRA-motivated banks are meeting their obligations to provide services to people living in low- and moderate-income neighborhoods. But a focus on inputs and outputs, while necessary, is not sufficient for assessing social impact as it leaves unasked and unanswered the most important question: what difference did these discrete actions actually make in people’s lives? As a result of loans

made and housing units built, for instance, were fewer families homeless or doubled-up with relatives? Did the improvement in housing quality reduce asthma rates, or did greater housing stability diminish stress and enhance mental health? Did the overall quality of life in a neighborhood improve? These questions cannot be answered by looking only at inputs and outputs. Yet surely they are the questions that must be answered if we are to learn not just whether banks and other lenders are meeting their obligations under the CRA, but also what those services are yielding in terms of human well-being.

Figure 1. Social Impact Progression in Affordable Housing



Knowing which of these impact-related questions to ask also depends on what goals the lender was seeking to advance in making the loan. “Community development” is a broad term, meaning different things to different people. It may mean spurring a viable local economy. It may mean generating greater community solidarity, trust, and social capital. It may mean creating an environment more conducive to good physical health. It may mean supporting residential stability by stemming foreclosures or expanding homeownership. It may mean all, or none, of these things.

In contrast to the U.S. community development industry, the international development field has a long history in measuring impacts. Government aid agencies in affluent democracies have created sophisticated measurement tools to make sure the aid they give to poor countries (using taxpayer dollars) is being used efficiently and effectively. Multilateral organizations, such as the World Bank and the United Nations, are increasingly focused on results to ensure they are moving toward their poverty-reduction goals, and they have developed shared tools and targets all nations can rally around. The most high-profile of these efforts is

the Millennium Development Goals (MDGs), a set of eight goals, each with concrete, time-bound targets, to reduce poverty and hunger, child and maternal deaths, and the prevalence of diseases such as malaria and HIV, and to increase school enrollment, women's equality, and environmental sustainability.

The experience of the international community with the MDGs has been overwhelmingly positive. Despite the significant challenges of data collection in poor countries, where statistical systems are often weak, the MDGs have galvanized resources and aligned the actions of an extremely disparate group of actors. Although not perfect, the goals have focused the international development agenda, improved the process of policymaking, and instituted accountability for human progress that in many cases was previously nonexistent.¹ Although not every country will achieve every MDG goal by 2015, many have a shot, and others are far closer than they would have been without this highly visible campaign of quantifiable targets. Moreover, the theory that these social goals might come at the expense of economic growth has been tested and discarded.

Below we introduce a dashboard of impact indicators derived from a well-honed, internationally accepted methodology: the human development approach. Human development is the process of improving people's well-being and expanding the range of opportunities and choices open to them. It is about the real freedom ordinary people have to decide whom to be, what to do, and how to live.

The dashboard is intended to gauge the degree to which inputs lead to outputs that contribute to impacts, in this case desired community improvements such as better health, increased levels of education, or less crime. Each of these improvements, and particularly several in combination, is a critical ingredient for a more competitive, productive workforce; greater economic security; and increased likelihood that children will grow up to become financially stable adults, active consumers, and contributors to vibrant communities. All of these are critical ingredients for future growth, business productivity, and profit. Though only proxies for a complex reality, the rich conceptual framework and simple measures provided by the human development approach offer the community development sector a deep and tested well from which to draw.

The argument for focusing on human development was initially broached by economists who believed that existing economic measures of human progress, particularly "gross domestic product," failed to account fully for the true purpose of development: to improve people's lives. The United Nations, in its inaugural Human Development Report in 1990, introduced this idea and a way to measure it—the "Human Development Index." The report has been produced annually for two decades, and the model, which has been replicated in more than 160 countries, is now viewed as the global gold standard for assessing the well-being of populations.

1 Sakiko Fukuda-Parr. "Millennium Development Goals: Why They Matter," *Global Governance: A Review of Multilateralism and International Organizations*, 10(4) (2004): pp. 395-402.

We have adapted the U.N. index to create the American Human Development Index and have applied the approach in our Measure of America series.² Our research shows that even in the most basic areas of human life, huge disparities exist. While the existence of disparities in income is common knowledge, the size of the income gaps as well as the extent of gaps in other areas are surprising to many. Some Americans have life spans, education levels, and incomes that characterized life in the United States 40 or 50 years ago, while others enjoy some of the highest levels of well-being in the world today. For instance, Asian Americans in New Jersey have a life expectancy 26 years longer than Native Americans in South Dakota.³ The American Human Development Index allows for apple-to-apples comparisons of well-being, down to the county and even neighborhood levels, and it empowers its users to track progress, or lack thereof, over time.

Central to the human development approach is the capabilities framework, the brain-child of Nobel Laureate and Harvard economist Amartya Sen. Capabilities—which define what people can do and what they can become—are the equipment one has to pursue a life of value. Basic capabilities valued by virtually everyone include good health, access to knowledge, and a decent material standard of living; these are the three areas measured by the Human Development Index. Other capabilities central to a fulfilling life include participating in the decisions that affect one’s life, having control over one’s living environment, enjoying freedom from violence, having societal respect, and relaxing and having fun.

Individuals’ capabilities are expanded (or constrained) by their own efforts and by societal institutions and conditions. People with extensive, well-developed capabilities have the tools they need to make their vision of “a good life” a reality. Those poor in capabilities are less able to chart their own course and to seize opportunities. Without basic capabilities, human potential remains unfulfilled.

We essentially extend this notion to the CRA and to how its goals relate to the larger and longer-term objectives of community development. Much of the discussion about community development sees mortgages for first-time homebuyers or credit counseling for families as ends in themselves (and thus the metrics that have been developed focus on whether those activities have been carried out). Yet these activities are instead a means to an end. The end is to enlarge people’s freedoms and opportunities and improve their well-being. Any effort to improve community development must for its own success do its part to contribute to a greater goal of human development progress. In fact, research in housing, education, health, early childhood, and other areas has changed our understanding of poverty and community development’s role in alleviating it by investing in people and place, in community, and human development.⁴

2 See <http://www.measureofamerica.org/> for more information on the “Measure of America” series and the American Human Development Project.

3 Kristen Lewis and Sarah Burd-Sharps, “A Century Apart: New Measures of Well-being for U.S. Racial and Ethnic Groups.” 2010. Available at <http://www.measureofamerica.org/acenturyapart>.

4 Nancy O. Andrews and Christopher Kramer. “Coming Out as a Human Capitalist: Community Development at the Nexus of People and Place.” *Community Development Investment Review*, 5 (3)(2009): 47-65.

Of course, an approach that focuses on outcomes and impacts rather than inputs and outputs can seem daunting, even unrealistic. Inputs and outputs are largely within the control of an executing agency. Outcomes and impacts, on the other hand, are influenced by a host of additional factors outside an organization's control. A CDFI may provide financial counseling to 100 people (input), but the degree to which these 100 people are able to make use of this counseling to better manage their finances is beyond the control of the CDFI. Banks and others are understandably reluctant to be held accountable for outcomes that depend on the actions of others, and indeed no one actor should be held solely accountable for moving the dial on a range of social outcomes; building thriving, viable, healthy communities is not a task for any one organization alone. Nor should lenders abandon their efforts to track inputs and outputs. However, without clear, long-term goals, it is impossible to know if and how the actions of community development actors are making headway on the big problems faced by low-income communities.

The good news is that the international experience in measuring social impact is mature and positive, offering many models for what can work. Experience shows that establishing a baseline and setting targets create a rallying point around which diverse actors can come together. These two actions also assist in mobilizing resources, galvanize public support for action, create a mechanism for prioritizing resources, and introduce accountability.⁵ Unlike many parts of the world, the United States is a data-rich country, offering a varied menu of metrics from which to choose. What follows is a possible approach, based in the human development conceptual framework, to place-based measurement of social impact. It requires no major investment or highly skilled statistical expertise because it uses publicly available data sets.

The indicators represented in the “Dashboard of Community Impact” (Figure 2) are those that serve as robust proxies for outcomes in the particular area(s) of community investment under discussion. In the example below, the eight-indicator dashboard is meant as a model for gauging the medium- and long-term impacts of large-scale investments in affordable housing. Ideally, the selection of these indicators would emerge from a collaborative goal-setting process at the community level, and community development actors would align their activities around them. The goal would be to make measurable improvements on these indicators over a period of three to ten years. Values presented for these indicators in the table below present a snapshot of the most recent data available for four metropolitan areas. Were community development actors in these four cities to embark upon a collective effort to improve these indicators, these values would establish a baseline against which to measure future progress.

5 Jeff Waage, Rukmini Banerji, Oona Campbell, Ephraim Chirwa, Guy Collender, Veerle Dieltiens, Andrew Dorward, Peter Godfrey-Faussett, Piya Hanvoravongchai, Geeta Kingdon, Angela Little, Anne Mills, Kim Mulholland, Alwyn Mwinga, Amy North, Walaiporn Patcharanarumol, Colin Poulton, Viroj Tangcharoensathien, Elaine Unterhalter, “The Millennium Development Goals: a cross-sectoral analysis and principles for goal setting after 2015,” *Lancet and London International Development Centre Commission*, (September, 2010). Available at: <http://download.thelancet.com/flatcontentassets/pdfs/S0140673610611968.pdf>.

Figure 2. Dashboard of Community Impact: Housing

IMPACT	PROXY INDICATORS	METROPOLITAN AREAS			
		Austin, TX	Cleveland, OH	Fresno, CA	Philadelphia, PA
Better Living Standards	Poverty Rate (% below federal poverty threshold) 2009 ^a	16	18.9	21.5	24.5
Safer Neighborhoods	Violent Crime Rate (per 100,000) 2009 ^b	523.3	1,395.5	609.3	1,238.2
	Property Crime Rate (per 100,000) 2009 ^c	6,245.5	5,621.1	4,368.8	3,611.3
Better Health	Adult Asthma Rate (%) 2009 ^d	12.6	13.6	NA	20.1
	Adult Self-Reported Poor Mental Health Status (avg. days/mo.) 2003-2009 ^e	3.2	3.8	3.6	4.4
	Consuming Five or More Servings of Fruits or Vegetables per Day (% of adults) 2009 ^f	34.9	22.3	NA	27.0
Improved School Performance	Fourth Grade Reading Levels, (% reading at or above proficient) 2009 ^g	32.0	8.1	12.0	11.0
	On-Time High School Graduation Rate (% of freshmen) 2008-2009 ^h	68.6	42.3	NA	53.5

- a. U.S. Census Bureau, "Small Area Income and Poverty Estimates," available at www.census.gov/did/www/saipe/index.html (accessed August 11, 2011). Statistics are for Travis County, TX; Cuyahoga County, OH; Fresno County, CA; and Philadelphia County, PA.
- b. Federal Bureau of Investigation, "Violent Crime and Property Crime Rates: FBI Uniform Crime Reporting Statistics," available at www.ucrdatatool.gov/index.cfm (accessed August 11, 2011). Statistics are based on data reported by the Austin, Cleveland, Fresno, and Philadelphia police departments.
- c. Ibid.
- d. The asthma rate is the percentage of adults who have ever been told they have asthma. Centers for Disease Control and Prevention, "Behavioral Risk Factor Surveillance System," available at www.cdc.gov/brfss/index.htm (accessed August 11, 2011). Statistics are for Travis County, TX; Cuyahoga County, OH; and Philadelphia County, PA.
- e. "County Health Rankings 2011," available at www.countyhealthrankings.org/ (accessed August 11, 2011). Statistics are for Travis County, TX; Cuyahoga County, OH; Fresno County, CA; and Philadelphia County, PA.
- f. Centers for Disease Control and Prevention, "Behavioral Risk Factor Surveillance System," available at www.cdc.gov/brfss/index.htm (accessed August 11, 2011).
- g. National Center for Education Statistics, "NAEP Data Explorer," available at <http://nces.ed.gov/nationsreportcard/naepdata/> (accessed August 11, 2011). Statistics are for fourth graders in the Austin Independent School District, the Cleveland Independent School District, the Fresno United School District, and the School District of Philadelphia.
- h. R. Stillwell, A.M. Noel, C. Plotts, and J. Sable, "NCES Common Core of Data Public-Use Local Education Agency Dropout and Completion Data File: School Year 2008-09" (NCES 2011-314) (Washington, DC: U.S. Department of Education, 2011), available at <http://nces.ed.gov/pubsearch> (accessed August 8, 2011). Statistics are for the Austin Independent School District, Cleveland City School District, and the Philadelphia School District.

What do these indicators measure?

- The **poverty rate** is an intuitive proxy for material and social hardship. While the poverty rate is criticized¹ for being based on outdated assumptions about household purchasing patterns, this indicator remains a widely available, and thus widely used, barometer of economic well-being in communities.
- **Violent and property crime rates** together compose indicators of neighborhood safety; these indicators are relatively sensitive to short-term policy changes and community investments.
- **Asthma rates** track the prevalence of this chronic disease, which is associated with environmental triggers that abound in dilapidated housing (for example, cockroaches, mold, and rodents) and in neighborhoods with a disproportionate share of toxic industries (such as garbage transfer stations, bus depots, etc.)
- The mean number of days per month of **poor mental health** among adults can be influenced by the stress of living in substandard housing, overcrowded conditions, or from moving multiple times in a short period of time.²
- **Daily fresh fruit and vegetables** is a proxy indicator for a healthy diet and food security. Families experiencing housing insecurity are often at high risk for food insecurity as well, which has a particularly damaging impact on growing brains and bodies.³ Inadequate household income can result in an inability to pay for relatively more costly fresh produce. Furthermore, some low-income areas are “food deserts,” meaning that they lack full-service grocery stores and have a surfeit of fast food outlets and corner stores, conditions associated with obesity and diabetes.⁴
- An important measure of student achievement is the percentage of fourth graders not demonstrating **reading proficiency** on the National Assessment of Educational Progress test. Reading proficiency is a strong predictor of school success, and housing insecurity in early childhood is associated with inhibited cognitive and social development and poor school performance.⁵
- Students who do not **graduate from high school on time** are at a higher risk of never graduating, not going on to higher education, and neither working nor attending school in early adulthood than those who graduate on time. A lack of housing security during adolescence has been linked to a greater risk of not completing high school.⁶

1 For an in-depth review of the shortcomings of the current poverty measure and suggestions for its improvement, see Constance F. Citro and Robert T. Michael, eds., *Measuring Poverty: A New Approach*. (Washington, DC: National Research Council, 1995).

2 W.R. Gove, M. Hughes, and O.R. Galle, “Overcrowding in the Home: An Empirical Investigation of Its Possible Pathological Consequences,” *American Sociological Review*, 44(1)(1979):59–80; S.E. Gilman, I. Kawachi, G. M. Fitzmaurice, and L. Buka, “Socio-economic Status, Family Disruption, and Residential Stability in Childhood: Relation to Onset, Recurrence and Remission of Major Depression,” *Psychological Medicine*, 33(8) (2003): 1341–55.

3 Mark Nord, “Food Insecurity in Households with Children: Prevalence, Severity, and Household Characteristics” (EIB-56) (Washington, DC: U.S. Department of Agriculture, Economic Research Service, September 2009).

4 Nancy Adler and Ichiro Kawachi, “Reaching for a Healthier Life: Facts on Socioeconomic Status and Health in the U.S.” Presentation to the National Health Policy Forum, Washington, DC, March 14, 2008.

5 Cutts et al., “US Housing Insecurity and the Health of Very Young Children.”

6 R. W. Rumberger, “The Causes and Consequences of Student Mobility,” *Journal of Negro Education*, 72(1) (2003):6–21.

For the purposes of this example, we chose a limited set of indicators on the contribution of safe, affordable housing to a range of well-being outcomes, particularly living standards, neighborhood safety, health, and educational achievement. A considerable body of research has demonstrated that the impact of high housing costs on low-income families can be both severe and long-lasting, particularly for young children. High housing costs, for example, can force families to make nearly impossible choices between paying rent or paying for food, medical care, heat, or other essentials. Unaffordable housing can also result in stressful overcrowding, or compel families to remain in areas with poor schools, high crime rates, few healthy food options, and limited transportation. Finally, housing instability can harm children’s healthy development, both physical and psychological.⁶

Conclusion

Measuring social impact appears daunting. Many CRA-obligated institutions are trying to comply with regulations that they provide banking services (beyond deposit) to low-and middle-income communities. Few want to be held accountable for outcomes beyond their control when they are contributing just one piece to a larger effort, and most lack the capacity to assess social impacts in a meaningful way on their own. Yet although the reluctance of CRA-obligated institutions to wade into this area is understandable, business as usual—that is, calling lending “impact investing” without targeting or measuring impacts—is not a particularly defensible option.

Fortunately, there is no need to reinvent the wheel when it comes to data collection; reliable data already exist in user-friendly formats. There remains, however, a need for all actors to engage in a more systematic and deliberate multi-stakeholder process of setting goals for community development investing and tracking progress against those goals. Such a collaborative process would address some of CRA-obligated institutions’ accountability and capacity concerns.

The rhetoric of “social impact” that pervades the community development conversation is evidence of a widespread agreement that these discrete interventions are in the service of a larger goal; namely, ensuring that all people have the capabilities and conditions they need to invest in themselves and their families and to be productive members of society. If that is indeed the goal, then the field needs processes, targets, and measurements that can identify when we are succeeding.

6 W.R. Gove, M. Hughes, and O.R. Galle, “Overcrowding in the Home: An Empirical Investigation of Its Possible Pathological Consequences,” *American Sociological Review*, 44(1)(1979):59–80; S.E. Gilman, I. Kawachi, G. M. Fitzmaurice, and L. Buka, “Socio-economic Status, Family Disruption, and Residential Stability in Childhood: Relation to Onset, Recurrence and Remission of Major Depression,” *Psychological Medicine*, 33(8)(2003): 1341–55.

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