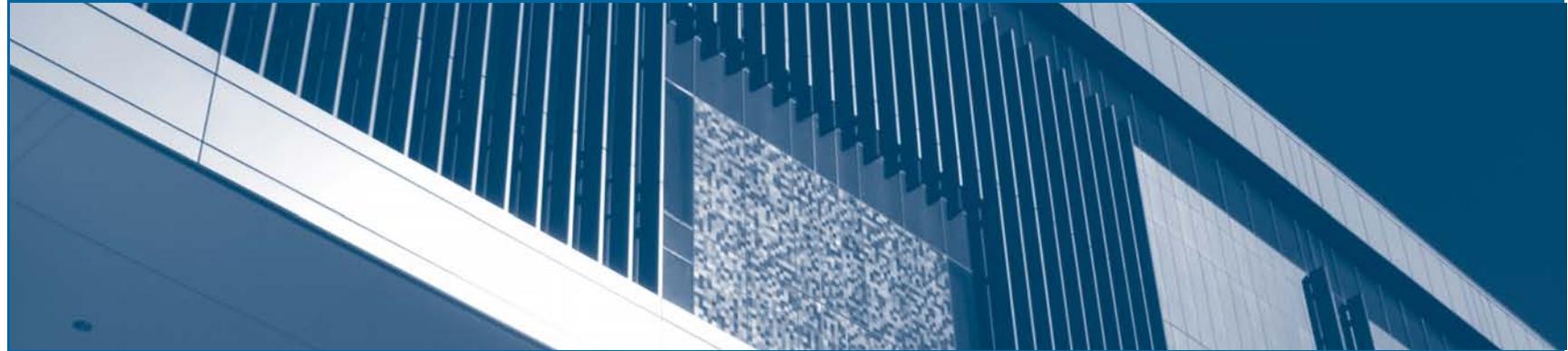


CHAPTER 13

The Role of Economic Development in Ending Poverty

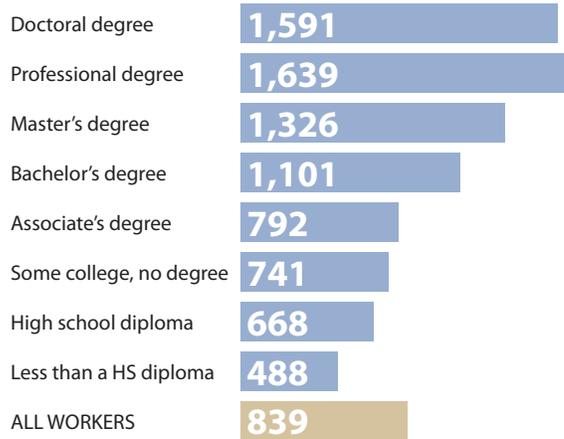


Economic development requires investment in our infrastructure. Infrastructure includes more than roads, bridges, airports and rail lines; it also includes human capital. As an economic development issue, poverty – the lack of resources to deal with problems – keeps people trapped in crisis and drains resources from our economic engine.

Poverty is frequently considered a humanitarian issue and traditional approaches focus on individual behavior and choice; often overlooking structural causes. For many years, Pima County and its community partners have been providing a range of services intended to combat and mitigate poverty within this framework. These efforts often amount to managing – rather than ending – poverty. In fact, the percentage of

Education Attainment

Median weekly earnings



Note: Data are for persons age 25 and over. Earnings are for full-time wage and salary workers. Source: Current Population Survey, U.S. Department of Labor, U.S. Bureau of Labor Statistics

By changing our perspective and our actions, we can look at each person caught in poverty as a potential asset in the economic development of our region and move from managing poverty to ending it.

Pima County residents with incomes below the poverty level rose from 14.7 percent to 19.2 percent between 2000 and 2013. As of 2013, one of every four people in the City of Tucson – and one of every three children – is living below the federal poverty level.

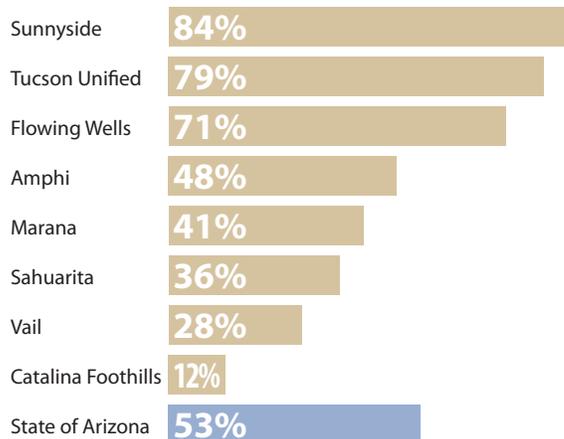
By changing our perspective and our actions, we can look at each person caught in poverty as a potential asset in the economic development of our region and move from managing poverty to ending it. Ending Poverty Now is a framework in which County Departments, community-based organizations, grassroots groups and for-profit businesses join together to make a collective impact by applying and coordinating strategies proven effective in building greater economic prosperity. It focuses on breaking the cycle of poverty by empowering people to get ahead instead of just get by, and has the following components:

- *Championing employment retention and career advancement through County-business partnerships.*

Free and Reduced Lunch

The percentage of students in a school or school district qualifying for federal nutrition assistance – Free and Reduced Lunch – is often used as an indicator of a community's overall level of poverty.

Pima County's Largest School Districts' Free and Reduced Price Lunch Rates



Source: Arizona Department of Education, 2014 FRL database

- ❑ *Engaging and empowering under-resourced people through Getting Ahead workshops, Bridges Out of Poverty tactics, and other positive, anti-poverty activities.*
- ❑ *Employing a cross-sector strategy to address poverty – “Ending Poverty is Everyone’s Business.”*
- ❑ *Coordinating and bundling resources in support of people moving out of poverty.*

A. Poverty is an Economic Issue

Poverty keeps people trapped in crisis and unable to realize a better future. It is an economic development issue because it is expensive. It drains community resources, wastes human potential and holds back future generations. Under-resourced lives are full of instability and are unpredictable and stressful. In survival mode, concrete problem-solving focused on the moment at hand is more important than abstract planning for a better future. These “just getting by” behaviors are outside the norm of institutions and employers that expect people to be stable, predictable, future-focused, and achievement oriented.

Poverty is directly correlated to low educational achievement. Research shows that children who spend a year or more in poverty account for 70 percent of all children who do not graduate from high school. Educa-



Pima County OneStop Career Centers are a key component of the Ending Poverty Now Initiative.

tional achievement, in turn, is closely tied to earning power. In 2012, the Bureau of Labor statistics reported that people with less than a high school diploma were nearly three times more likely to be unemployed than someone with a bachelor’s degree. Those persons who did have jobs earned less than half (44 percent), on average, than those with a bachelor’s degree.

A June 2015 forecast by The University of Arizona Eller College of Management’s Economic and Business Research Center indicates Arizona is falling behind national rates for four-year college attainment. In 2013, the state’s rates were lower than the national average in nearly all age groups. Nationally, 29.1 percent of those over age 25 have earned a bachelor’s degree or higher. In Arizona, that percentage is 27.2, which is lower than Arizona’s 1990 college attainment rate. This decreasing college attainment rate is contributing to an expanding income gap, which is expected to have a negative effect on the state’s economic development growth.

When poverty reaches a point of critical mass in a community, the people with the most resources tend to move out of the community, leaving behind enclaves of poverty. Research shows that when a community has more than 40 percent of families eligible for the Federal Free or Reduced Lunch Program, it reaches a tipping point, beyond which it becomes ever-more unstable and unsustainable, creating a downward spiral. Tucson Unified School District, the largest

Benefits Cliff

The Benefits Cliff is often used to illustrate the disparity between the total household income generally accepted as necessary for self-sufficiency and the maximum household income level federal or state governments use to cap qualifying for public assistance such as food stamps.

<div style="background-color: #c08040; color: white; padding: 10px; font-size: 24px; font-weight: bold;">\$46,814</div> <p>Estimated household income necessary for a 3-person household self sufficiency.</p>	<div style="background-color: #4a7ebb; color: white; padding: 10px; font-size: 24px; font-weight: bold;">\$19,970</div> <p>Poverty Line cutoff for federal and state benefits for same 3-person household.</p>
--	--

school district in Pima County, currently has 59.8 percent of its students eligible for Free or Reduced Lunch.

Poverty does not end when you get a job, unless that job pays much more than the federal threshold for poverty, which is \$19,790 annually for a household of three. In fact, many entry-level workers often face the same or increased expenses on a reduced income once hired due to the “benefits cliff,” which refers to the loss of benefits such as food stamps or housing subsidies when a person or family reaches an income above the poverty threshold. In Pima County, a single parent with two children needs to earn \$46,814 per year, or \$22.17 per hour, to cover basic expenses.

B. The Direct Financial Impact of Poverty on the County Budget

Pima County funds many services across various departments that combat and mitigate poverty, including the:

- ❑ *Community Action Agency, which assists between 6,000 and 8,000 households annually to avert financial crisis and homelessness.*
- ❑ *Pima County OneStop, which offers employment and training services to under-resourced persons.*
- ❑ *Health Department, which provides nutrition assistance, nurse home visitations, access to clinical services, health insurance support, coordinated school health programming and chronic disease self-management.*



It is not enough for someone to get a job. Just as important is keeping that job and getting promoted.

- ❑ *Public Works, which provides subsidized employment opportunities and a discount program for needy utility customers.*

A preliminary analysis produced a conservative estimate that at least \$28 million, or 15 percent, of the sum of the budgets of the units mentioned above could be saved if poverty were eliminated in Pima County. Part of these funds could be repurposed to help fund aspects of Ending Poverty Now, but some could result in a reduced county budget and levied property taxes. This analysis is the first step to study the effect poverty has on Pima County’s budget. A more comprehensive methodology may be gleaned from reviewing poverty research conducted by other governmental units, such as Pinellas county in Florida or the Province of Alberta, Canada.

C. The Indirect Financial Impact of Poverty on the County Budget

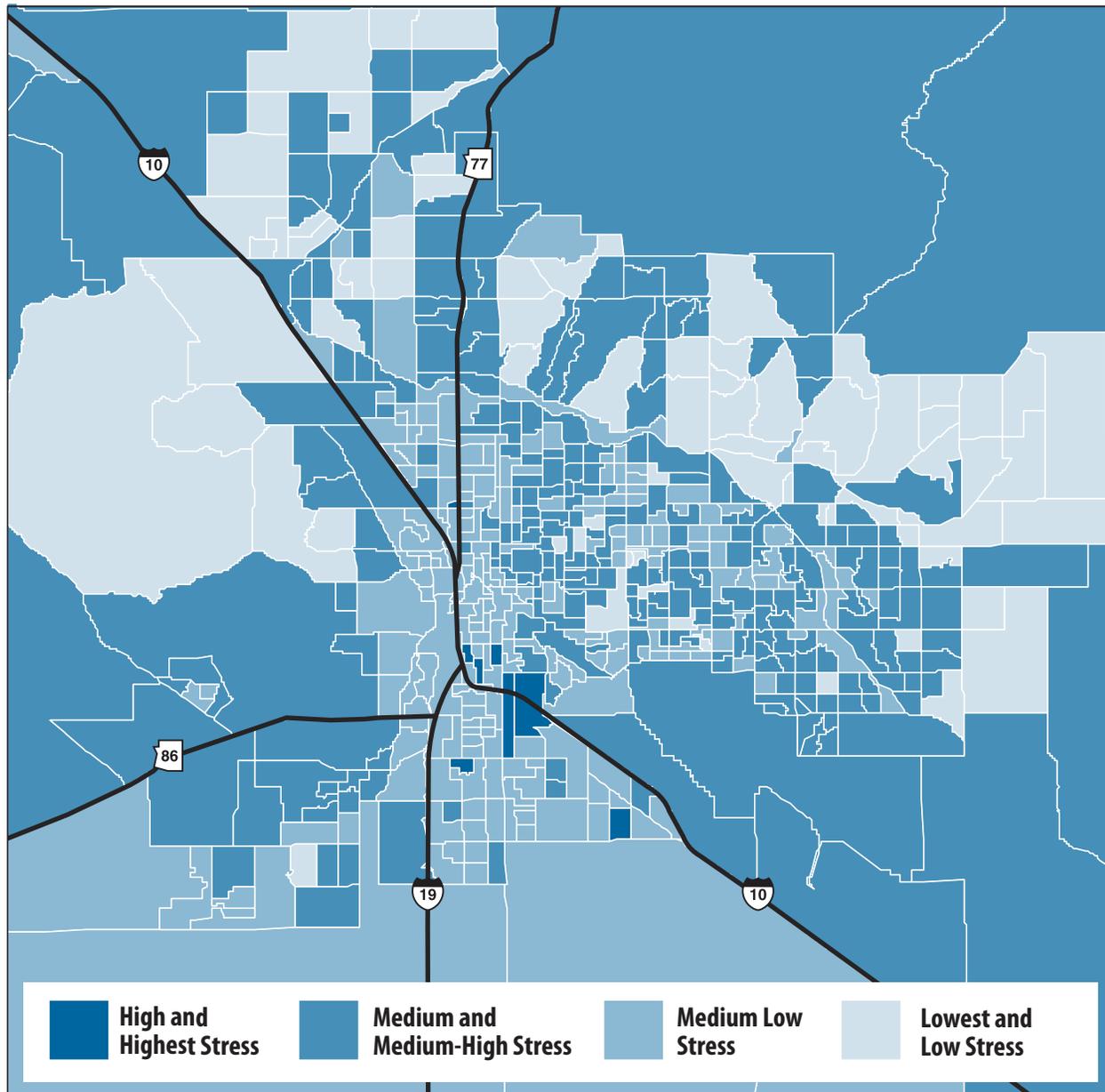
A very large component of the county budget, as much as \$230 million, is spent as a direct result of poverty. The best example is the funds the county spends in the area of public defense. Financial eligibility standards are imposed by the Courts and County on the defendants in various actions from criminal to child dependency. Where possible, criminal defendants and others are required to pay for their own defense or a portion thereof. More than 80 percent of felony defendants in Pima County Superior Court typically are represented by attorneys provided at county expense. The fact the County spends \$31 million in the area of public defense attests to the indirect cost of poverty.

On any given day, the population of criminal defendants in the Pima County Adult Detention Center (PCADC), or jail, is in the range of 1,800 to 1,900. Of these, 46 percent were found in a recent study to be eligible for Medicaid coverage, which means their income was at or below 138 percent of the federal poverty level. There is a direct correlation between the incidence of certain types of crime and pover-

ty. PCADC costs over \$60 million to operate each year; hence; another \$28 million of the County’s budget can be correlated to poverty for just detention costs. If we assume the same proportion of expenses is related to prosecution of crime by the County Attorney or the adjudication process conducted by the Courts, the indirect cost of poverty to the County’s budget for the criminal justice system rises to over \$150 million.

ENDING POVERTY NOW

Poverty is intertwined with the criminal justice system, and incarceration in particular has far-reaching economic impacts on inmates and their families. An individual who is incarcerated even for a short time will likely lose his or her job and have difficulty finding a new one. Housing may also be difficult to obtain. A national



When it comes to poverty, we’re mostly stressed

Using the criteria of high crime, low income, high poverty rates, low educational attainment and few housing options, the county maps the amount of “stress” areas of the county are under. The city’s urban core is mostly medium to medium-high stress with pockets of high stress.

study conducted by the Pew Charitable Trusts in 2010 showed that incarceration reduces hourly wages for men by approximately 11 percent, annual employment from 48 weeks to 39 weeks, and annual earnings by 40 percent (from \$39,100 to \$23,500). Of former inmates who were in the lowest fifth of the male earnings distribution in 1986, two-thirds remained in the lowest fifth in 2006, twice the number of those who were not incarcerated.

The Pew study also showed that nationally 54 percent of inmates are parents with minor children and those children are seriously impacted by the parent's incarceration. Children with fathers who have been incarcerated are significantly more likely to be expelled or suspended from school (23 percent compared with 4 percent), and family income while a father is incarcerated is 22 percent lower than family income was the year before the father was incarcerated and remains 15 percent lower after he is released. In addition to these impacts, many former inmates are deeply in debt due to financial obligations that have accumulated during incarceration, such as child support, restitution and court-related fees.

Pima County is engaged in examining more closely how we can reduce both the direct cost of incarceration to the county and the larger indirect impact of incarceration on the economic wellbeing of the community. The county has recently been awarded a grant from the MacArthur Foundation's Safety and Justice Challenge that will fund an in-depth planning process aimed at safely diverting low-risk offenders from jail, improving treatment for substance abuse and mental health problems, and improving the transition of former inmates to the community through education and training, job placement and other services.

Spending public funds to help reduce the current poverty rate is a cost effective strategy to reduce the cost of county government for the taxpaying public. It makes good economic sense.

Losing Ground in Health: Life Expectancy

In 1980, the United States ranked 15th among affluent countries in life expectancy (LE) at birth. By 2009, it had slipped to 27th.

1980	Rank	2009
LE = 76.7 Iceland	1	Japan LE = 83.0
Japan	2	Switzerland
Netherlands	3	Italy
Norway	4	Spain
Sweden	5	Australia
Switzerland	6	Iceland
Spain	7	Israel
Canada	8	Sweden
Greece	9	France*
Australia	10	Norway
Denmark	11	Canada**
France	12	New Zealand
Italy	13	Luxembourg
Israel	14	Netherlands
LE = 73.7 United States	15	Austria
Finland	16	Korea
Belgium	17	United Kingdom
New Zealand	18	Germany
United Kingdom	19	Greece
Germany	20	Belgium
Ireland	21	Finland
Luxembourg	22	Ireland
Austria	23	Portugal
Portugal	24	Denmark
Slovenia	25	Slovenia
Slovak Republic	26	Chile
Czech Republic	27	United States LE = 78.5
Poland	28	Czech Republic
Chile	29	Poland
Estonia	30	Mexico
Hungary	31	Estonia
Mexico	32	Slovak Republic
Korea	33	Hungary
Turkey	34	Turkey

* Estimate

** Latest year available for Canada is 2008

D. Our Solution: Ending Poverty Now Initiative

Ending poverty will require an articulate set of core public policies related to 1) affordable housing, 2) food security, 3) transportation, 4) education/training and skills enhancement, 5) parenting and childcare, 6) health-

care and medical services, 7) early childhood development, 8) income security and 9) asset preservation.

Without very clear public policy strategies in each of these areas, ending poverty will be difficult. It is important that community dialog across all sectors of the community articulate and agree upon these core public policy principles that will become important in reducing poverty, ending poverty and preventing individuals in the community from becoming trapped in inter-generational poverty.

Breaking the cycle of poverty requires every segment of the county community to participate, including schools, public safety and healthcare institutions, government, and especially industry. Expecting behavioral

We need to empower and equip people so they can move from dishwasher to electronics technician to electrical engineer to manager.

As an employer of over 7,000 people, Pima County has a role to play in championing and modeling practices that foster employee retention and career advancement. In Fiscal Year 2015/16, Pima County Human Resources will form an interdepartmental committee to develop recommendations to the county Administrator and Board of Supervisors on needed policy changes and internal employee-development programs.

Additionally, the county will partner with local businesses to create programs delivered in the workplace aimed at improving retention and upward mobility for entry-level employees. This partnership will include current Pima

People who struggle to get by may represent 50 percent of the population of Pima County, based on statistics from the free and reduced school lunch program.

changes from people in poverty is only part of the solution; we also need economic leadership from all employers.

Pima County must use a sector-based strategy with employers focused on the economic potential of a stable and upwardly-mobile workforce and a stronger tax base. Additionally, the county must engage under-resourced people as drivers of change that is systemic and structural. These are key to the success of the Ending Poverty Now initiative, which includes the following four components:

1. Establishing County/Business Partnerships

Businesses and employers are fundamental stakeholders in the effort to end poverty. It is not enough for someone to get a job. Just as important, if not more so, is keeping that job and doing well enough that you can be promoted or use that job as a stepping-stone to another.

County programs such as On-the-Job training, the New Employee Transition Program, and the Incumbent Worker Training Program. Additionally, the County will encourage businesses to implement the following strategies:

- Employer Resource Networks, industry-sponsored programs that will employ a Resource Navigator to work with employees to address problems that would otherwise pose a barrier to employment. The Resource Navigator meets with employees at a time and place convenient for both workers and the business operation – for example, at the plant during shift change – and connects those employees to a wide variety of community services and benefits through information, advocacy and referral.*
- Expanding and improving utilization rates of Employee Assistance Programs, which offer employees confidential counseling services at no cost.*
- Payroll-advance programs and emergency loan funds for employees who meet certain eligibility requirements, addressing or averting emergencies that*

might otherwise cause an employee to miss work or lose their employment.

❑ *Time and attendance polices may be crafted to balance sensitivity to challenges faced by low-wage workers with the needs of the business operation.*

❑ *Adoption of a minimum compensation package to ensure employees meet basic needs, thus stabilizing a company's workforce and helping the company become an "employer of choice" in the county.*

2. Engaging and Empowering Under-resourced People

People who struggle to get by – both those with incomes below the official poverty line and low-wage workers who do not earn enough income to meet basic needs – may represent 50 percent of the population of Pima County, based on statistics from the free and reduced school lunch program mentioned above.

Getting Ahead in a Just-Gettin'-By-World is a 45-hour curriculum that provides people in poverty access to a participatory process in which people investigate their own experience of poverty. Participants explore issues in the community that impact poverty – banking, housing, jobs – providing critical information to take action to improve their own situation. They also make an assessment of their own resources and how to build those resources as part of their move to self-sufficiency.

Pima County views this type of engagement as a critical component of an effective community anti-poverty strategy. Ending Poverty Now will support expansion of Getting Ahead and other programs that engage low-income people in exploration of causes of poverty and resource-building to help them move from poverty to sustained self-sufficiency.

As Getting Ahead workshops engage more people, Pima County will encourage the formation of "Investigative Teams" in which graduates from the program meet monthly in groups with supporters of the program such as social-service practitioners, business

people or volunteers. As participants report on their progress and identify barriers to success, these Team meetings will create a feedback loop and longitudinal data-source for policy-makers, even as they offer ongoing concrete problem-solving support on a potentially larger scale than is currently possible through traditional case management approaches. Ultimately, a significant long-term dividend is the leadership and insight people in poverty can provide toward building long-term solutions for Ending Poverty Now.

3. Employing a Cross-sector Strategy – Ending Poverty is Everyone's Business

With Ending Poverty Now, Pima County rejects the notion that poverty is inevitable or a necessary evil and recognizes it is complex and evolves over generations. It will require a sustained, multiyear commitment by business and industry, the nonprofit sector, government, healthcare, faith-based communities, and educational institutions to break the cycle. A flexible approach is needed to shift strategies, link related efforts across different systems, and unite diverse leaders in collective impact.

Pima County established an Addressing Poverty Work Group that may expand into a wider forum for communication between partners and the organization of a resource-coordinating network that will be available to people participating in Employer Resource Networks or attending Getting Ahead Workshops.

One goal will be to develop a simple platform to identify and track resources that can assist people in building resources and pursuing economic goals. The second goal will be to establish common evaluation tools and data elements to track across allied programs and services to measure impact over time.

4. Resource Coordination and Bundling

A final element of Ending Poverty Now will build on the successes of Pima County's

robust OneStop workforce system and other partnerships that streamline multiple services into a single solution, resulting in greater effectiveness than any one service would have in isolation.

To make this happen, partners do not have to be co-located, but they must agree to coordinate resources. Each partner identifies resources it can offer and assigns a point of contact for each service. Subsequently, partners work as part of an interagency team with accountability for service delivery. Such teams combine varied expertise so that no one organization must attempt to be all things to all people. The results are enhanced customer service due to richer service menus, streamlined access, team approaches and strengthened institutions due to leveraged resources, mutually reinforcing effort, better outcomes and greater impact.

Pima County will work with outside organizations and across its own departments to identify opportunities to expand coordination and bundling. Additionally, the county will explore ways to build support for these approaches with its private and intergovernmental partners. Possible supports could include scholarships from institutions of higher education, paid internships within County departments, work-release time for employees participating as mentors and employee donation programs.

The Pima County Health Department will utilize this approach in Women, Infants and Children (WIC), Nurse Family Partnership, Healthy Start, and other Health Department programs as appropriate. Individuals participating in these services will be able to participate in the Getting Ahead curriculum, as well as other Health Department classes; offered health insurance assistance; offered support through the Pima County Public Library and Pima County OneStop, including financial management classes; offered remedial education courses, assistance with GED/High School Equivalency attainment and post-secondary education; given access to Pima County Housing Center resources and classes; and offered mentors

and the opportunity to participate in investigative teams. This will provide the county with long-term data to track the outcomes of the Ending Poverty Now initiative.

E. The Role of the Faith-Based Community in Ending Poverty

Over a decade ago, Pima County was an early proponent of efforts initiated by President George W. Bush to actively solicit partnerships with faith-based organizations. As unique and trusted partners, faith-based groups play an important role in ending poverty by connecting disconnected or disadvantaged job seekers to key training programs and, ultimately, jobs.

Recognizing that faith-based groups can be an effective, and are frequently the only avenue, to reach individuals in poverty, Pima County's Office of Faith Based Initiatives assists community residents by encouraging collaborations between faith-based groups, community serving organizations and the private sector. This ongoing initiative provides grant writing, capacity building, and leadership training to help ensure that all individuals have access to employment and training opportunities.

In addition to assisting with training and job placement, faith-based organizations are at the forefront of income enhancing efforts and programs that fill emergency needs. Gaps in income, food and shelter that may lead to poverty can be addressed effectively by these groups.

Action Items

13.1 Forge a homegrown model to be used as a template for county and community-based programs that have the goal of bringing about economic sustainability for people living in poverty.

13.2 Become an “Employer of Choice” by establishing Employer Resource Networks in County departments and bundling County OneStop, Library, and Health Department services to clients.

13.3 Engage businesses as partners in the Ending Poverty Now initiative to establish Employer Resource Networks that:

- A. Provide employers with resources to help employees deal with immediate poverty-related issues.
- B. Help new employees understand and meet employer expectations.
- C. Provide training and career path opportunities.

13.4 Develop community consensus on core public policies related to 1) affordable housing, 2) food security, 3) transportation, 4) education/training and skills enhancement, 5) parenting and childcare, 6) healthcare and medical services, 7) early childhood development, 8) income security and 9) asset preservation to reduce and/or end poverty.

13.5 Partner with United Way of Tucson and Southern Arizona to align the County’s Employee Combined Appeal Campaign with the initiative to address poverty and educate County employees about the poverty initiative.

13.6 Support faith-based partnerships as a means to fill gaps in providing essential services for low-income families and individuals.

13.7 Support partnerships between education and training programs and institutions and faith-based organizations to better serve job-seekers.

13.8 Encourage collaboration between faith-based organizations and the private sector on strategies to combat poverty.