On Getting Out – and Staying Out – of Poverty

The Complex Causes of and Responses to Poverty in the Northwest
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December 2004

Prepared for the Northwest Area Foundation
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EXECUTIVE SUMMARY

To find lasting solutions to chronic conditions, these conditions must be fully described and well understood. This is a major challenge when a condition is so desperately entrenched in our society: poverty.

How can we alleviate poverty in the Northwest area of the United States? If the goal is for communities to achieve lasting gains, we must first ask, “What is the nature and extent of poverty in this area?” and, “What causes this poverty?” We can then ask “How can we reduce poverty for the long term?”

These are the questions explored and addressed in On Getting Out – and Staying Out – of Poverty: The Complex Causes of and Responses to Poverty in the Northwest. This study focuses on the eight-state region which includes Minnesota, Iowa, North and South Dakota, Montana, Idaho, Washington and Oregon. The ideas proposed here come from an examination of federal and state information, including:

- U.S. Census Bureau data
- Federal processes for measuring poverty
- Descriptions of alternative poverty measures
- Identification of causes of poverty
- Governmental approaches

Analyses are presented on two levels: as a region compared to the nation, and state-by-state within the region. While the findings often are intricate, the overarching premise is both stark and fundamental: Poverty is complex and multi-layered, therefore solutions must be multi-dimensional and integrated if they are to succeed for the long term.

An initial examination of poverty in this region reveals differences to other parts of the country:

- The Northwest area pattern varies somewhat from that of the rest of the nation. In the Northwest, poverty in central cities is lower, and poverty in suburban areas is higher, than the national average. Higher urban property values have sent people who are poor on a search for lower cost housing in outlying areas.

- The poverty rate in the Northwest is highest in the mostly rural states of Montana, North Dakota and South Dakota; it is lowest in Iowa, Minnesota and Washington. Oregon and Idaho fall in between.

By continuing to probe the nature and extent of poverty in this region, this report finds:

- That people and place – viewed together and separately – are indispensable lenses through which to view all poverty’s dimensions.

- The current Federal Poverty Level standard contains severe limitations and does not accurately calculate the number of people who are poor. Alternative measures suggest that a more accurate gauge would double the current estimate of the poverty level.

- In addition to being multi-dimensional and integrated, poverty reduction strategies must at once be creative, results-oriented, empowering and self-examining.

Ultimately, this report describes how governments and nonprofit organizations in this region can have greater and longer-lasting impact on alleviating poverty, thereby helping the region avoid the loss of economic opportunity and the loss of human opportunity.
PREFACE

On Getting Out – and Staying Out – of Poverty: The Complex Causes of and Responses to Poverty in the Northwest stresses that governments and nonprofit organizations must carefully align their interventions to address the multiple factors that create or define poverty.

The introductory section, “The Challenge of Poverty’s Complexity,” emphasizes that to understand poverty, it is critical to look at both people who live in poverty, and at the places where people (who are poor) live. “People” and “place,” assessed together and separately, provide indispensable lenses through which to view all of poverty’s dimensions. Other dimensions that shape poverty include changes in the economy and labor market, human capital, discrimination and social capital.

This section also introduces promising community efforts to alleviate poverty. In addition, it argues for a changing approach in which governments and nonprofit organizations must work together to deal with the poverty of people and place. It seeks to define the specific steps of such collaboration.

In “Faulty Formulas, Inaccurate Definitions,” the report outlines methods of measuring poverty. It describes the severe limitations of the Federal Poverty Level standard, which does not accurately calculate the number of people who are poor. This section examines alternative measurement methods that suggest a more accurate gauge would double the current estimate of the poverty level.

“The U.S. Below the Poverty Threshold” describes the 35.9 million Americans living below the Federal Poverty Level. It examines the higher than average poverty levels among children, households headed by a single female parent and people of color. “Poverty in the Northwest” focuses on the nature of poverty in the eight states of the Northwest area, relying on U.S. Census data. The poverty rate in the Northwest region is highest in the mostly rural states of Montana, North Dakota and South Dakota; it is lowest in Iowa, Minnesota and Washington. Oregon and Idaho fall in between.

An estimated 2 million people live in poverty in the Northwest. More than 900,000 of these people are severely poor. The pattern of poverty in the Northwest area varies from the rest of the nation, in which poverty levels are highest in central cities, high in rural areas and lower in suburbs. Compared to the national average, in the Northwest region poverty in central cities is lower and poverty in suburban areas is higher, reflecting higher urban property values that have sent people who are poor searching for lower cost housing in outlying areas.

The section “Causes of Poverty” explores the multiple causes of poverty that must be taken into account in devising poverty alleviation strategies. These include:

- **Economy and Labor Market** examines economic change and attributes significant poverty levels to the continued loss of higher paying jobs for less skilled, less educated people who were previously employed in the natural resource and manufacturing sectors.

- **Human Capital** reviews the extent to which education, training and related systems are preparing Americans for the changing economy. It also explores gaps in knowledge and skills that reduce opportunities for people.

- **Discrimination** focuses on the higher levels of poverty among people of color, women and people from low-income backgrounds, and demonstrates how past and present discrimination interferes with poverty alleviation efforts.

- **Social Capital** examines the significance of lack of social support and social leverage within neighborhoods and communities.

- **Geography** demonstrates how the inability or failure to invest in a community bears upon itself, leading to higher concentrations of poverty.
In the final section, “Moving from Silos to Integrated Solutions,” the report defines and endorses promising approaches to all of these contributing factors. It stresses that poverty alleviation strategies must at once be creative, multi-dimensional, integrated, results-oriented, empowering and self-examining.

- **Economic Strategies and the Macro-Economy** finds promising local and state strategies that focus on specific business sectors and clusters of companies. These strategies are much more likely to be centered on what companies need to grow family-wage jobs, and much more likely to be targeted to gain the maximum advantage from public investment.

- **Labor Market Interventions** examines efforts aimed at modifying structural elements of the labor market to improve outcomes for people who are poor.

- **Human Capital Initiatives** underscores increased “human capital” efforts on several fronts including: K-12 education reform, increasing the quality of early childhood education and expanding efforts to bring specific job skills to low-income populations.

- **Effective Land Use** examines how some communities employ land-use actions to guarantee that the location of new jobs is proximate to poor neighborhoods.

- **Social Capital Initiatives** reviews promising efforts to change the ways in which communities assemble and expand their own sustainable initiatives to combat poverty.

The report concludes with a reminder: As difficult as it is for communities to address poverty, its ravages are not inevitable. If governments and nonprofit organizations collaborate, successful poverty fighting efforts could grow and provide opportunities for many more of the millions of Americans who need them.
UNDERSTANDING POVERTY'S MULTIPLE DIMENSIONS

About 35.9 million Americans live in poverty, about 2 million of whom live in the Northwest area. The most telling characteristic of poverty in the Northwest area and throughout the United States is its multiple dimensions. At once, poverty is both structural and incidental, resulting from underlying conditions of the economy and from changing events in people's lives. It is absolute and relative, reflecting both people's immediate needs (such as food), and people's resources compared to others. Most frustrating, it is both persistent and responsive, in one circumstance defying interventions (however robust and clever) and in another circumstance rewarding even modest efforts. Artificially simplifying these dimensions, or imposing an order to this complex condition, can lead to responses that are incomplete and thus deficient.

In addition to these characteristics, poverty must be analyzed on numerous planes, all of which intersect, but not always in predictable ways. These are paramount:

• Poverty of place, where neighborhoods, communities and regions struggle for decades to secure the economic opportunities that seem to come readily to others: Lack of employment can feed upon itself. It can cause community assets to decrease, making a community less able to invest in itself and its citizens, and making it less attractive to enterprise. Persistent poverty within a geographic area can eliminate economic incentives that cause individuals to increase their personal strengths.

• Poverty related to people, where individuals are the focus: Demographic characteristics such as family status, race, ethnicity, gender, age and disability can be predictors of poverty. A demographic approach centering on individuals is not in conflict with a geographic focus on the places in which those individuals are more likely to have poverty beset them. In fact, the two are often intertwined.

People and place (together and separately) become the indispensable lenses through which advocates, community leaders and policy makers address all other dimensions of poverty. For instance, the prevalence of single mothers with children in urban area is associated with an increase in poverty, as is an aging population in a rural community. These geographic and demographic lenses also add more intensive focus on these and other dimensions, which give poverty its final shape.
These additional dimensions deserve attention:

- Domestic and global economic structure, where labor and capital play an ever changing role in creating wealth and in which downturns inhibit poorer people from gaining opportunities that might otherwise be available to them. Many communities have seen a shift from higher wage jobs in the manufacturing sector to lower wage service sector jobs. Economic structure and conditions contribute greatly to the nature of the labor market and the real (inflation-adjusted) increase in wages and buying power of people who are poor.

- Related economic issues, especially income inequality, and the governmental systems that exist for influencing distribution of wealth and as wealth is created. This includes all forms of local, state and federal taxation (and its progressivity or regressivity) and laws covering such issues as minimum wages, living wages, government contracting and economic development strategies.

- The assets, or deficiencies, people have in seeking an improvement in their circumstances, such as their educational level or the extent to which they have marketable skills.

- The presence, or absence, of discriminatory policies and practices that limit opportunities for people of color, women, and people who are poor.

- The abilities of people and communities to gain social supports that help them extricate themselves from poverty.

The lenses of people and place are paramount in assessing the impact of each of these factors, reinforcing that both poverty and its study are intrinsically multidimensional. Thus, the analyst, grantmaker or policymaker seeking to understand poverty must begin by disrupting or even rejecting many of the most prevalent single-dimensional definitions and notions. For instance, a person is never poor solely because they live in a certain rural community where the mill has recently closed, or because they dropped out of high school after getting pregnant, or even because they have a significant disability that precludes many employment opportunities, even though each of these circumstances can be significant.

Using a single characteristic to describe a tendency toward poverty can be misleading. In the case of the mill closure, the closure might have had only modest impact on wage earners in the rural community if education and skill levels had been higher, making them eligible for other opportunities. Confronting one condition (changes in local economic structure) without the other (shortage of human capital) can be dangerously limiting.

The multiple dimensions of poverty are also evident when one considers that single-parent families are more likely to be poor. Since poverty does not affect all single parents, additional distinctions are critical. Home ownership may help some avoid poverty by giving them assets to weather difficult times. Similarly, the absence of discriminatory practices in the workforce may help others. For still others, the presence of family-wage jobs in the local economy, or the presence of daycare options, may be factors that prevent people from sliding into poverty.

Simultaneously understanding and addressing the multiple dimensions of poverty also requires either the rejection of a single poverty measure or extreme care in its utilization. The Federal Poverty Level standard defines a family of four as poor if their income is lower than $18,810 per year. As described below, this measurement contains serious flaws and causes a significant understatement of poverty in America. Beyond these important flaws, focusing on any single standard (however high or low) wrongly decreases attention to poverty's multiple dimensions and can lead policymakers to inaccurately define poverty.

THE PROMISE OF COMMUNITY EFFORTS

The response (to the continued existence of poverty in one of the wealthiest nations in the world) has gone through many phases at each level of government. Federal-state approaches such as Medicaid, Temporary Assistance to Needy Families (TANF), the Earned Income Tax Credit (EITC), Unemployment Insurance (UI) and food stamps can have enormous influence upon the daily life of people who are poor. Social Security payments, however low, have provided essential income to countless senior citizens. In fact, the drop in poverty levels among senior citizens is one of the great successes of the poverty alleviation battle over the past four decades.

Given the sheer number of programs, it is easy to imagine a consistency in government approach, but that is not the case—programs are disparate in their approaches and not sufficiently integrated with each other. Federal government programs have expanded since the 1960s in their provision of housing assistance, healthcare, income support and assistance to education. In many cases, states and cities supplemented this federal approach with their own programs and added their own special programs in the areas of job training, neighborhood revitalization and economic development. Though there is a safety net of sorts, the absence of integrated programs that match the most needy people to available resources remains problematic. It is difficult for people seeking services to determine their eligibility or where services are being offered.

Federal interventions began to slow in the 1980s through major tax cuts and increases in the relative share of defense expenditures. In the 1990s, the pace slowed even further, most notably through termination of Aid to Families with Dependent Children (AFDC).
Together, the economic instability of the new decade, growing federal deficits and increased healthcare costs have ended the era of poverty program expansion. With the passage of the latest tax cuts and with this year's federal deficit increasing to $400 billion, increases in federal investment are unlikely. More likely, state budget cuts will further decrease access or benefits for many people living in poverty.

The significant new governmental interventions in addressing poverty have come at the state and local level. The efforts of some states are notable, especially efforts to better integrate job development and income assistance strategies, and cities' experiments with home ownership and other asset building programs. Some states and cities have paid greater attention to the abilities of nonprofit organizations serving people who are poor, attempting to make sustainable improvements that leverage private dollars.

Specific governmental approaches to poverty alleviation will be discussed later in this report. The first stage of each of these approaches is to recognize that the multidimensional nature of poverty requires a coordinated, multi-dimensional response. A single state or local governmental agency, or a nonprofit organization, rarely addresses even the bulk of the spatial and demographic dimensions of poverty. Commonly, city planning and community development departments focus on neighborhood revitalization and a regional office of the state social services agency provides income assistance. Separate school districts or community colleges carry out education for low-income people. Public housing authorities deliver housing assistance. The multitude of agencies means that coordination is difficult, and the likelihood of "disconnections" in responding to client needs is increased.

A similar picture emerges of assistance from nonprofit social service providers. Rarely do organizations combating poverty pay sufficient attention to how or whether all of the service pieces fit together. The complexities are often bewildering to service providers, and even more bewildering to clients. Matching existing capacity and new programs to gaps in the service structure is rare. That is the promise of intensive community-focused, community-driven initiatives. These initiatives recognize the fundamental need to deal both with people and place, rather than divorcing one from the other. Sponsors (of these initiatives) assemble resources that respond to poverty of people in the community in the complex, messy, multidimensional way that it exists, rather than trying to force it into a box that gives insufficient attention to some elements and thus dooms interventions to failure.

A CHANGING APPROACH

The central issue in responding to poverty is whether public and nonprofit efforts recognize its multidimensional nature, and are equipped to deal with the poverty of people and place in concert. Since multiple, overlapping factors explain why nearly 36 million persons are poor in the U.S., responses must be similarly interwoven. Consider an ideal situation in building societal capacity to respond to poverty:

- State and federal resources would blend to establish a true safety net. Society would set and meet minimum standards with regard to access to housing, food, education, healthcare and employment. Meeting these standards, creating equality of opportunity through education, training and other human capital investments and preventing deprivation would become central societal goals.

- Local governments and nonprofit organizations would be poised to make certain that state and federal resources are skillfully applied, and would bring additional resources (financial and otherwise) to the table. Together they would evaluate the extent and nature of poverty within their service area, probing deeply into its many dimensions and understanding the special challenges in their area.

- Governments would work with the private sector to carry out economic policies that achieve sustainable economic vitality, generating employment opportunities that permit workers to earn wages sufficient to support them and their families.

- Similarly, nonprofit organizations and governments would identify, and build upon, the assets a community possesses. They would understand that an indispensable way to respond to the poverty of individual people who are living in places that breed poverty is to relentlessly build communities.

- Nonprofit organization managers and elected officials from the same local areas would be intent on improving the service delivery structure to better meet each of the needs of the poor. They would be committed to developing an integrated, multi-dimensional, comprehensive, intensive response to the poverty that exists. They would act as advocates to ensure that federal and state entities join community-based organizations as aggressive partners in meeting this challenge.

Strengthening the capacity to respond to poverty within the region depends in part on understanding each of poverty's dimensions in the context of both the people and places affected. A first step in gaining that understanding is reviewing how poverty levels have changed over time.
FAULTY FORMULAS, INACCURATE DEFINITIONS

There are huge limitations in assessing who and how many Americans are poor. As of 2003, the U.S. Census Bureau set the Federal Poverty Level for a four-person household at $18,810. The Census bureau annually adjusts the Federal Poverty Level for inflation and thus seeks to chart the changes in real spending power of low-income households over the decades. The practice of setting eligibility levels for such governmental assistance programs as free school lunches, food stamps and subsidized housing is an implicit recognition that the Federal Poverty Level inadequately captures who is poor.

<table>
<thead>
<tr>
<th>Family Type</th>
<th>Poverty Threshold</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Person</td>
<td>$9,393</td>
</tr>
<tr>
<td>2 Persons</td>
<td>$12,015</td>
</tr>
<tr>
<td>3 Persons</td>
<td>$14,860</td>
</tr>
<tr>
<td>4 Persons</td>
<td>$18,810</td>
</tr>
</tbody>
</table>

Source: U.S. Census Bureau, Current Population Survey

The Federal Poverty Level measure has multiple flaws. The greatest of these is its failure to adequately count the number of people who are poor. It clearly does not.

The flaws of the official measure of poverty were assessed in 1995 by the National Research Council’s (NRC) Panel on Poverty and Family Assistance in their report Measuring Poverty: A New Approach. Among other problems, the measure assumes that a family spends one-third of its after-tax income on food. However, because of changes in relative prices, families spend as little as one-fifth of their incomes on food and increasing amounts on housing, healthcare, childcare and transportation. The NRC panel notes that if this change in relative amounts spent on food versus other necessities alone were taken into account, poverty thresholds would increase significantly.

Measurement of healthcare costs is even more daunting than amounts spent on food. The poverty measure overestimates the well being of people struck with illness who are without healthcare. It underestimates the well being of those otherwise living in poverty but with access to healthcare. With regard to income, health benefits are not fungible, so simply adding their value on that side of the ledger would make the sick and elderly look better off than they are.
Other experts have argued that healthcare coverage frees up resources that would otherwise be spent on necessary medical care, and therefore should be considered a fungible income source.

In addition to the relative price of these commodities and their weighted cost in overall consumption, the Federal Poverty Level also does not reflect other changes since the 1960s, including household/family composition and labor market changes. On the income side, it does not account for non-cash income such as food stamps or tax benefits such as the Earned Income Tax Credit, each of which accrue to some poor people. The NRC recommended numerous changes, including a more accurate definition of family resources and much greater attention to the measurement of healthcare costs. The Census Bureau’s Experimental Poverty Measures have incorporated many of the recommendations, but few recommendations have been adopted on a broader scale.

Analysts have also pointed out several problems related to the measurement of housing costs, which are especially relevant to the Northwest area, with its mix of very large metropolitan areas and scores of rural counties with very low population density. The Census Bureau measure does not account for any of the large geographic differences in the cost of living, which may underestimate urban poverty. In addition, it does not account for any differences between owning and renting housing.

Several research projects have gone beyond methodological discussion to describe the resources a family needs to achieve economic self-sufficiency. Most have found economic self-sufficiency equal to about 200 percent of the Federal Poverty Level.

The Northwest Policy Center’s Northwest Job Gap Study defined a living wage as “a wage that allows families to meet their basic needs without resorting to public assistance and provides them some ability to deal with emergencies and plan ahead.” Living wages were calculated on the basis of family budgets, which included basic necessities (such as food, housing and utilities, transportation, healthcare, childcare, and household, clothing and personal items); state, local, and federal taxes; and savings. Annual living wage figures for Idaho, Montana, Oregon and Washington are shown in the following table.

<table>
<thead>
<tr>
<th></th>
<th>Living Wage for a Single Adult</th>
<th>Living Wage for a Single Adult with Two Children</th>
</tr>
</thead>
<tbody>
<tr>
<td>Idaho</td>
<td>$21,037</td>
<td>$32,920</td>
</tr>
<tr>
<td>Montana</td>
<td>$20,589</td>
<td>$32,786</td>
</tr>
<tr>
<td>Oregon</td>
<td>$22,985</td>
<td>$37,236</td>
</tr>
<tr>
<td>Washington</td>
<td>$23,407</td>
<td>$38,500</td>
</tr>
</tbody>
</table>

Source: Northwest Policy Center, Northwest Job Gap Study, 2001

Similarly, the Economic Policy Institute developed a measure called “basic family budgets,” individualized for communities across the nation and type of family. Under this measure, a two-adult, two-child family needed $27,005 to $52,114 per year. The self-sufficiency standard of Wider Opportunities for Women also incorporates a number of items excluded from Federal Poverty Level calculations as well as geographic variations. The self-sufficiency standard requires a family of four in the Seattle area to have $46,669 annually to achieve self-sufficiency, while a family in more rural Chelan County requires $33,374.

Many experts have questioned the accuracy and relevance of any absolute poverty measure. Poverty, even when measured through an absolute minimum standard, undeniably reflects a certain standard of living relative to the surrounding society. As a result, some have recommended that the poverty level be set to a certain percentage of median family income. This relative measure, in contrast to the current absolute standard, ties poverty to changes in the standard of living of a society. Support for a relative measure stems from the fact that particular societies differently define what is a necessity.

For example, in Western countries, indoor plumbing, a telephone and electricity are seen as necessities while this is not necessarily the case in developing nations. A relative measure of this sort is easier to calculate. However, researchers have criticized it because it can leave the percentage of the population that is poor constant over time. Thus, a relative measure does not help policymakers gauge the relative effectiveness of their efforts.

The analytical solution to poverty measurement is to resist the inclination to enshrine any single standard for counting poor persons. Each can be used with care, to ascertain the changes over time in the specific conditions it seeks to capture. Each underscores the need for the even more intensive and illuminating effort to study all of the elements of poverty, including those associated with individual people or related to specific places.
THE U.S. BELOW THE POVERTY THRESHOLD

About 35.9 million Americans were living below the Federal Poverty Level in 2003, equal to 12.5 percent of the total population.³ From 1959 to 1969, poverty levels decreased significantly from 22.4 percent to 12.1 percent, as shown in the chart below. These decreases were due to a strong economy and increased federal interventions, among other causes. Since that time, poverty levels have fluctuated with the business cycle but have not fallen below 11.1 percent, giving credence to the notions of "persistent poverty" and/or "structural poverty." The eradication of persistent poverty and structural poverty requires even more concerted efforts than other poverty reduction initiatives.

![Number in Poverty & Poverty Rate, 1959-2003](chart_image)

In 2003, 36.3 percent of those who were poor and of working age—or almost 9 million people—worked, either full time or part time, at some point during the year. An estimated 10.9 percent of people who were poor and of working age worked full time, year round. An estimated 5.8 percent of all workers lived in poverty.

Particularly troubling, given the nation's wealth, is the level of severe poverty, which is defined as people whose incomes fall below 50 percent of their poverty threshold. In 2003, 5.3 percent of the total population—equal to about 15 million people or 42.6 percent of people living in poverty—was severely poor, with incomes of $9,405 or less per year for a family of four. As shown in the chart on page 20, rates of severe poverty rose during the late 1970s, the early 1980s and the early 1990s, reaching more than 6 percent.

More than 89 million people in 2003—or 31.1 percent of the total population—had incomes below 200 percent of the poverty threshold ($37,620 or less per year for a family of four), a rough measure of economic self-sufficiency.
Some demographic conditions are starkly associated with poverty levels. For example, 35.3 percent of female-headed households with children under 18 years of age lived in poverty in 2003, compared to 7 percent for married couples and 19.1 percent of male-headed households, as shown in the chart above.

In 2003, female-headed households made up 18.1 percent of all families, but made up 50.7 percent of all poor families.

Race is another demographic measure associated with poverty, as the likelihood of poverty was higher for people of color. Compared to an overall poverty rate of 12.5 percent, about 24 percent of Blacks were poor in 2003, as shown in the table on the following page. For Hispanics, the figure was about 22 percent, and for Asians, the figure was 12 percent. This compared to a poverty rate of 8 percent to 10 percent for whites.

However, in total numbers, there were more poor white Americans in 2003 than any other race, as non-Hispanic whites made up about 44 percent of the poor.

### Number in Poverty and Poverty Rates by Race/Ethnicity, 2003

<table>
<thead>
<tr>
<th>Race/Ethnicity</th>
<th>Number</th>
<th>Poverty Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Races</td>
<td>35,861,000</td>
<td>12.5%</td>
</tr>
<tr>
<td>White alone or in combination</td>
<td>24,950,000</td>
<td>10.6%</td>
</tr>
<tr>
<td>White alone, not Hispanic</td>
<td>15,902,000</td>
<td>8.2%</td>
</tr>
<tr>
<td>Black alone or in combination</td>
<td>9,108,000</td>
<td>24.3%</td>
</tr>
<tr>
<td>Black alone</td>
<td>8,781,000</td>
<td>24.4%</td>
</tr>
<tr>
<td>Asian alone or in combination</td>
<td>1,527,000</td>
<td>11.8%</td>
</tr>
<tr>
<td>Asian alone</td>
<td>1,401,000</td>
<td>11.8%</td>
</tr>
<tr>
<td>Hispanic (of any race)</td>
<td>9,051,000</td>
<td>22.5%</td>
</tr>
</tbody>
</table>

Poverty rates also varied by nativity. People who were not citizens, such as recent immigrants, had a poverty rate of 21.7 percent in 2003; this compares to 11.8 percent for native-born Americans and 10 percent for foreign-born, naturalized citizens.

Poverty also was more likely to be borne by the young. In 2003, almost 13 million children were living in poverty, equal to 17.6 percent of the population under 18 years of age, as shown in the chart on the following page. This compares to a 10.8 percent poverty rate for those 18 to 64 years of age and 10.2 percent for those over 65 years of age. People under age 18 made up more than one-third of people living in poverty, compared to about one-quarter of the total population.

For related children under 6 years of age, the poverty rate was 19.8 percent.
POVERTY IN THE NORTHWEST

All of the conditions reported above pertain to the Northwest area, but this region has its special characteristics—in terms of both people and place—that deserve attention.

About 2.1 million people in the Northwest—or 10.3 percent of the population (according to the 2000 Census)—lived in poverty, as shown in the table below. Almost 900,000 of people living in poverty—or about 4.3 percent—were severely poor, with incomes at or below 50 percent of their poverty threshold.

In addition, about 5.5 million people—or 27.1 percent of the population—had income below 200 percent of the Federal Poverty Level.

<table>
<thead>
<tr>
<th>Poverty Levels in the Northwest &amp; US</th>
<th>Severely Poor</th>
<th>Federal Poverty Level</th>
<th>Below 200% of Poverty</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>5.6%</td>
<td>12.4%</td>
<td>29.6%</td>
</tr>
<tr>
<td>NORTHWEST</td>
<td>4.3%</td>
<td>10.3%</td>
<td>27.1%</td>
</tr>
<tr>
<td>Idaho</td>
<td>4.6%</td>
<td>11.8%</td>
<td>33.9%</td>
</tr>
<tr>
<td>Iowa</td>
<td>3.8%</td>
<td>9.1%</td>
<td>26.3%</td>
</tr>
<tr>
<td>Minnesota</td>
<td>3.2%</td>
<td>7.9%</td>
<td>22.2%</td>
</tr>
<tr>
<td>Montana</td>
<td>5.6%</td>
<td>14.6%</td>
<td>37.1%</td>
</tr>
<tr>
<td>North Dakota</td>
<td>4.9%</td>
<td>11.9%</td>
<td>31.5%</td>
</tr>
<tr>
<td>Oregon</td>
<td>5.0%</td>
<td>11.6%</td>
<td>29.6%</td>
</tr>
<tr>
<td>South Dakota</td>
<td>5.6%</td>
<td>13.2%</td>
<td>33.1%</td>
</tr>
<tr>
<td>Washington</td>
<td>4.6%</td>
<td>10.6%</td>
<td>25.9%</td>
</tr>
</tbody>
</table>

Source: U.S. Census Bureau, 2000 Census

Poverty rates by state ranged from a low of 7.9 percent in Minnesota to a high of 14.6 percent in Montana. This compared to the national average of 12.4 percent. And in the three states—Idaho, Montana, and South Dakota—at least one-third of population had incomes below 200 percent of the Federal Poverty Level.

Since 2000, poverty rates have risen in at least two Northwest states—Idaho and Minnesota—as shown in the following table. In 2003, Montana had the region’s highest estimated poverty rate, 14.2 percent, ranking it 12th among the 50 states and the District of Columbia. Oregon was next at 13.9 percent (ranking it 15th nationally), followed by Idaho, 13.8 percent (16th nationally); North Dakota, 11.7 percent (23rd nationally); South Dakota, 11.1 percent (29th nationally); Washington, 11.0 percent (30th nationally); Iowa, 10.1 percent (39th nationally); and Minnesota, 7.8 percent (50th nationally).
### Poverty Rates in the Northwest, 2000-2003

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>12.7%</td>
<td>12.4%</td>
<td>12.1%</td>
<td>12.2%</td>
</tr>
<tr>
<td>Idaho</td>
<td>13.8%</td>
<td>13.8%</td>
<td>12.0%</td>
<td>11.4%</td>
</tr>
<tr>
<td>Iowa</td>
<td>10.1%</td>
<td>11.2%</td>
<td>9.7%</td>
<td>10.0%</td>
</tr>
<tr>
<td>Minnesota</td>
<td>7.8%</td>
<td>6.5%</td>
<td>7.8%</td>
<td>6.9%</td>
</tr>
<tr>
<td>Montana</td>
<td>14.2%</td>
<td>14.5%</td>
<td>14.6%</td>
<td>13.4%</td>
</tr>
<tr>
<td>North Dakota</td>
<td>11.7%</td>
<td>12.5%</td>
<td>12.1%</td>
<td>11.6%</td>
</tr>
<tr>
<td>Oregon</td>
<td>13.9%</td>
<td>13.2%</td>
<td>13.4%</td>
<td>13.2%</td>
</tr>
<tr>
<td>South Dakota</td>
<td>11.1%</td>
<td>11.4%</td>
<td>11.6%</td>
<td>11.5%</td>
</tr>
<tr>
<td>Washington</td>
<td>11.0%</td>
<td>11.4%</td>
<td>10.8%</td>
<td>11.5%</td>
</tr>
</tbody>
</table>

Source: U.S. Census Bureau, American Community Survey, 2001-2004

* Data followed by an * indicates a significant difference at the 90 percent level between the data and the data from the most recent year.

In terms of race and ethnicity, about 65 percent of people living in poverty in the Northwest area were white, as shown in the table below. This compared to about 40 percent nationally. Another 11 percent are Hispanic or Latino, followed by Native Hawaiian/Alaska Native (5 percent); black or African American (5 percent); two or more races (4 percent); Asian (4 percent); and Native Hawaiian/Pacific Islander (less than 1 percent). Other races constituted another 6 percent.

### Proportion of People Living in Poverty by Race in the Northwest & US

<table>
<thead>
<tr>
<th>Region</th>
<th>White</th>
<th>Hispanic/Latino</th>
<th>Black/African American</th>
<th>American/Indians</th>
<th>Native Hawaiian/Alaska Native</th>
<th>Other Race</th>
<th>Two or More</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>40.3%</td>
<td>20.4%</td>
<td>21.3%</td>
<td>1.6%</td>
<td>0.2%</td>
<td>3.2%</td>
<td>9.6%</td>
</tr>
<tr>
<td>NORTHWEST</td>
<td>64.2%</td>
<td>11.1%</td>
<td>4.9%</td>
<td>5.0%</td>
<td>0.2%</td>
<td>3.6%</td>
<td>6.1%</td>
</tr>
<tr>
<td>Idaho</td>
<td>70.8%</td>
<td>14.5%</td>
<td>0.5%</td>
<td>2.6%</td>
<td>0.1%</td>
<td>7.9%</td>
<td>3.8%</td>
</tr>
<tr>
<td>Iowa</td>
<td>79.2%</td>
<td>5.9%</td>
<td>6.6%</td>
<td>0.8%</td>
<td>0.1%</td>
<td>1.8%</td>
<td>2.1%</td>
</tr>
<tr>
<td>Minnesota</td>
<td>64.2%</td>
<td>7.0%</td>
<td>10.9%</td>
<td>3.7%</td>
<td>0.0%</td>
<td>6.5%</td>
<td>3.4%</td>
</tr>
<tr>
<td>Montana</td>
<td>76.0%</td>
<td>3.2%</td>
<td>0.4%</td>
<td>15.6%</td>
<td>0.0%</td>
<td>0.7%</td>
<td>1.0%</td>
</tr>
<tr>
<td>North Dakota</td>
<td>77.5%</td>
<td>2.0%</td>
<td>0.9%</td>
<td>15.8%</td>
<td>0.0%</td>
<td>0.6%</td>
<td>0.7%</td>
</tr>
<tr>
<td>Oregon</td>
<td>63.1%</td>
<td>15.4%</td>
<td>2.8%</td>
<td>2.1%</td>
<td>0.3%</td>
<td>2.8%</td>
<td>8.9%</td>
</tr>
<tr>
<td>South Dakota</td>
<td>64.1%</td>
<td>2.3%</td>
<td>0.9%</td>
<td>28.9%</td>
<td>0.1%</td>
<td>0.5%</td>
<td>0.7%</td>
</tr>
<tr>
<td>Washington</td>
<td>55.6%</td>
<td>15.6%</td>
<td>4.9%</td>
<td>3.1%</td>
<td>0.5%</td>
<td>5.9%</td>
<td>9.0%</td>
</tr>
</tbody>
</table>

Source: U.S. Census Bureau, 2000 Census

### Poverty Rates by Race in the Northwest & US

<table>
<thead>
<tr>
<th>Region</th>
<th>White</th>
<th>Hispanic/Latino</th>
<th>Black/African American</th>
<th>American/Indians</th>
<th>Native Hawaiian/Alaska Native</th>
<th>Asian</th>
<th>Other Race</th>
<th>Two or More</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>8.1%</td>
<td>22.6%</td>
<td>24.9%</td>
<td>25.7%</td>
<td>17.7%</td>
<td>12.6%</td>
<td>24.4%</td>
<td>18.2%</td>
</tr>
<tr>
<td>NORTHWEST</td>
<td>8.4%</td>
<td>23.1%</td>
<td>24.1%</td>
<td>32.1%</td>
<td>16.3%</td>
<td>14.3%</td>
<td>25.7%</td>
<td>18.2%</td>
</tr>
<tr>
<td>Idaho</td>
<td>10.4%</td>
<td>23.9%</td>
<td>18.1%</td>
<td>25.2%</td>
<td>20.4%</td>
<td>10.6%</td>
<td>23.9%</td>
<td>17.6%</td>
</tr>
<tr>
<td>Iowa</td>
<td>8.1%</td>
<td>20.2%</td>
<td>31.6%</td>
<td>25.5%</td>
<td>19.5%</td>
<td>14.2%</td>
<td>22.2%</td>
<td>21.1%</td>
</tr>
<tr>
<td>Minnesota</td>
<td>6.0%</td>
<td>20.1%</td>
<td>27.1%</td>
<td>28.6%</td>
<td>12.5%</td>
<td>19.0%</td>
<td>21.4%</td>
<td>19.7%</td>
</tr>
<tr>
<td>Montana</td>
<td>12.6%</td>
<td>23.6%</td>
<td>26.9%</td>
<td>38.4%</td>
<td>14.6%</td>
<td>20.3%</td>
<td>27.6%</td>
<td>23.4%</td>
</tr>
<tr>
<td>North Dakota</td>
<td>10.1%</td>
<td>21.0%</td>
<td>20.6%</td>
<td>39.0%</td>
<td>2.3%</td>
<td>14.5%</td>
<td>21.6%</td>
<td>25.2%</td>
</tr>
<tr>
<td>Oregon</td>
<td>9.8%</td>
<td>24.9%</td>
<td>24.1%</td>
<td>22.2%</td>
<td>18.2%</td>
<td>12.5%</td>
<td>26.8%</td>
<td>18.1%</td>
</tr>
<tr>
<td>South Dakota</td>
<td>9.7%</td>
<td>22.7%</td>
<td>22.9%</td>
<td>48.0%</td>
<td>28.2%</td>
<td>12.0%</td>
<td>21.0%</td>
<td>24.0%</td>
</tr>
<tr>
<td>Washington</td>
<td>8.3%</td>
<td>24.9%</td>
<td>19.2%</td>
<td>23.8%</td>
<td>15.5%</td>
<td>12.8%</td>
<td>27.4%</td>
<td>16.3%</td>
</tr>
</tbody>
</table>

Source: U.S. Census Bureau, 2000 Census

There were, however, state differences. Iowa had the highest proportion of people living in poverty who are white (79 percent); Washington has the lowest (66 percent). Almost one-third of people living in poverty in South Dakota were American/Indian/Alaska Native.

Although whites made up a majority of people living in poverty in the Northwest area, the actual rate of poverty was lowest among whites, at 8 percent, as shown in the table below. American/Indians/Alaska Natives had the highest rate of poverty (32 percent), followed by blacks or African Americans (24 percent); Hispanics or Latinos (24 percent); two or more races (18 percent); Native Hawaiians/Pacific Islanders (16 percent); and Asians (14 percent). The figure for other races was 26 percent.

In terms of age, children were over-represented among people living in poverty in the Northwest area. Children under 18 years of age made up slightly more than one-quarter of the total population, but about one-third of all people living in poverty, as shown in the table below.

### Proportion of People Living in Poverty by Age in the Northwest & US

<table>
<thead>
<tr>
<th>Region</th>
<th>Under 18</th>
<th>18 to 24</th>
<th>25 to 34</th>
<th>35 to 44</th>
<th>45 to 54</th>
<th>55 to 64</th>
<th>65 and Over</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>34.7%</td>
<td>15.0%</td>
<td>13.4%</td>
<td>12.5%</td>
<td>8.3%</td>
<td>6.4%</td>
<td>9.7%</td>
</tr>
<tr>
<td>NORTHWEST</td>
<td>32.4%</td>
<td>18.3%</td>
<td>12.2%</td>
<td>12.1%</td>
<td>8.4%</td>
<td>6.1%</td>
<td>9.6%</td>
</tr>
<tr>
<td>Idaho</td>
<td>34.9%</td>
<td>20.2%</td>
<td>12.7%</td>
<td>11.0%</td>
<td>7.8%</td>
<td>5.6%</td>
<td>7.8%</td>
</tr>
<tr>
<td>Iowa</td>
<td>30.7%</td>
<td>20.3%</td>
<td>12.2%</td>
<td>11.0%</td>
<td>7.4%</td>
<td>6.3%</td>
<td>12.1%</td>
</tr>
<tr>
<td>Minnesota</td>
<td>32.0%</td>
<td>18.5%</td>
<td>12.3%</td>
<td>11.5%</td>
<td>7.5%</td>
<td>6.1%</td>
<td>11.9%</td>
</tr>
<tr>
<td>Montana</td>
<td>33.4%</td>
<td>17.2%</td>
<td>12.2%</td>
<td>12.8%</td>
<td>9.6%</td>
<td>6.7%</td>
<td>8.1%</td>
</tr>
<tr>
<td>North Dakota</td>
<td>30.2%</td>
<td>20.8%</td>
<td>10.6%</td>
<td>10.7%</td>
<td>7.3%</td>
<td>6.5%</td>
<td>13.2%</td>
</tr>
<tr>
<td>Oregon</td>
<td>31.2%</td>
<td>17.9%</td>
<td>14.5%</td>
<td>12.7%</td>
<td>9.1%</td>
<td>6.3%</td>
<td>8.3%</td>
</tr>
<tr>
<td>South Dakota</td>
<td>35.4%</td>
<td>17.0%</td>
<td>10.8%</td>
<td>11.4%</td>
<td>7.7%</td>
<td>6.0%</td>
<td>11.7%</td>
</tr>
<tr>
<td>Washington</td>
<td>33.1%</td>
<td>17.2%</td>
<td>14.2%</td>
<td>12.8%</td>
<td>8.8%</td>
<td>5.9%</td>
<td>7.8%</td>
</tr>
</tbody>
</table>

Source: U.S. Census Bureau, 2000 Census
In terms of family composition, female-headed households made up about 45 percent of all households in poverty in the Northwest area, compared to about 50 percent nationally, as shown in the table below.

| Proportion of People Living in Poverty by Family Composition in the Northwest & US |
|----------------------------------------|---------|--------|---------|
|                                       | Female Householder | Married Couple | Male Householder |
| US                                    | 50.1%   | 41.1%  | 8.9%    |
| NORTHWEST                             | 45.9%   | 44.7%  | 9.5%    |
| Idaho                                 | 39.0%   | 52.8%  | 8.2%    |
| Iowa                                  | 47.2%   | 43.8%  | 9.0%    |
| Minnesota                             | 48.7%   | 42.1%  | 9.3%    |
| Montana                               | 41.4%   | 40.5%  | 9.1%    |
| North Dakota                          | 43.1%   | 47.5%  | 9.4%    |
| Oregon                                | 46.1%   | 44.3%  | 9.6%    |
| South Dakota                          | 42.4%   | 46.2%  | 11.5%   |
| Washington                            | 47.3%   | 42.9%  | 9.8%    |

Source: U.S. Census Bureau, 2000 Census

Though present, this geographic pattern was less pronounced in the Northwest area. Levels of poverty were high in the central cities, but not nearly as high as the national average. This can be attributed to the fact that Seattle, Boise, Des Moines, Portland and Minneapolis/St. Paul have higher rates of home ownership (allowing some low-income people an appreciating asset) and lower numbers of deteriorating housing stock than many eastern cities. Lower central city poverty rates in Montana, North Dakota and South Dakota may have been because their principal cities were smaller and the urban and suburban areas were less distinct from each other.

| Poverty Rates by Residence in the Northwest & US |
|----------------------------------------|---------|---------|---------|
|                                       | Central City | Suburban | Non Metro Area |
| US                                    | 17.6%    | 4.0%    | 14.6%    |
| Idaho                                 | 10.6%    | 8.8%    | 13.1%    |
| Iowa                                  | 12.1%    | 5.0%    | 6.1%     |
| Minnesota                             | 15.3%    | 4.4%    | 9.6%     |
| Montana                               | 14.8%    | 9.1%    | 15.5%    |
| North Dakota                          | 11.5%    | 6.7%    | 13.3%    |
| Oregon                                | 14.7%    | 8.7%    | 13.2%    |
| South Dakota                          | 9.8%     | 5.9%    | 15.6%    |
| Washington                            | 13.6%    | 7.8%    | 14.9%    |

Source: U.S. Census Bureau, 2000 Census

Perhaps the greatest distinction between poverty in the Northwest area and that of the rest of the nation was its distribution among communities. For decades, analyses of national poverty levels have revealed dramatic differences between the highest levels of poverty in central cities, high levels in rural areas, and far lower than average levels in the suburbs circling the central cities.

In the Northwest area, poverty in suburban areas was higher than the national average. This was likely due to rising housing prices in gentrifying urban neighborhoods forcing people with lower incomes to find new housing options, as was the case in the movement of the poor to lower income communities immediately south of Seattle.

Finally, rural poverty was considerably lower (than the national average) in Iowa and Minnesota and somewhat lower in Idaho. Various types of farm communities, or the extent to which some rural communities have been able to reduce their dependence on the maturing, resource-based economy, may explain some of these differences.
The maps on the following pages further illustrate the interaction of people, place and poverty in the Northwest area.

The first map shows poverty rates for the eight states of the Northwest area, at the county level. Statewide poverty rates range from a low of 7.9 percent in Minnesota to a high of 14.6 percent in Montana. However, statewide rates obscure county level differences. For example, South Dakota has a poverty rate of 13.2 percent, but four of its counties have poverty rates of 50 percent or higher.

The second map shows rates of severe poverty (those with incomes at or below 50 percent of the poverty threshold) at the county level. The rates of severe poverty at the state level range from a low of 3.2 percent in Minnesota to a high of 5.8 percent in both Montana and South Dakota. As with overall poverty, statewide rates of severe poverty obscure county level differences. For example, nine counties in Montana have double-digit severe poverty rates; in South Dakota, there are 15 counties, with five having severe poverty rates of 25 percent or higher.
The third and fourth maps show poverty rates for whites and people of color. About 8 percent of whites in the Northwest area live in poverty; this compares to 22 percent of people of color. Throughout the eight Northwest area states, six counties have poverty rates for whites of 25 percent or higher, while 230 counties have poverty rates as high for people of color. In addition, 18 counties have poverty rates of 50 percent or higher for people of color.

**Poverty Rates for People of Color in the Northwest area**

**Poverty Rates for Whites in the Northwest area**

An understanding of who is poor and where poverty exists is an important beginning. In the next section, the underlying causes of poverty are explored.
CAUSES OF POVERTY

Poverty's multiple dimensions provide the critical backdrop for every effort to alleviate it. Each of these dimensions separately offers signals to policymakers as to which condition might be most compelling and which intervention might be most effective. However, the signals can cause misdirection unless all of the dimensions are fully in view.

ECONOMY AND LABOR MARKET

Without question, economic growth reduces poverty. Robert Piotnick, Eugene Smeliansky, Erik Evenhouse and Siobhan Reilly, in “The Twentieth Century Record of Inequality and Poverty in the United States,” evaluate the impact of economic conditions on poverty over time and note that “economic growth is of primary importance in determining poverty trends.”

From 1965 to 1973 real median income growth was rapid, the labor market was unusually tight and inflation moderate. From 1973 to 1982, growth was negligible, unemployment high, and inflation explosive. From 1982 to 1989, growth and inflation were both modest and unemployment declined from its 1982 peak. Following a recession in the early 1990s, by 1995 unemployment was nearly identical to its 1989 level yet median income had not recovered. From these facts alone, we would expect the poverty rate to fall during the first period, rise during the second, fall during the third, and rise during the fourth. And it did.

However, a rising tide does not lift all boats. Poverty rates have remained above 19 percent even in good economic times.

Several interrelated economic and labor market forces impact poverty. Growing wage inequality, especially among less skilled workers, is key among these. As Rebecca Blank emphasizes in It Takes A Nation: A New Agenda for Fighting Poverty, falling real wages is the principal culprit for countless individuals:

The nature of the jobs available to less skilled workers has substantially worsened. Among the least skilled men, wages have fallen more than 20 percent in the past fifteen years. Fringe benefits and career opportunities have become more limited. Among the least skilled women, wages have fallen slightly but remain far below those of their counterparts. More skilled women and men have experienced substantial wage increases over these. There is no reason to believe that these trends are likely to reverse themselves in the near future. If anything, wages for less skilled workers are likely to fall even further.
Plotnick et al. identify a number of basic economic and social factors that have increased wage inequality. They emphasize changes in the relative supply of skilled versus unskilled workers—and the demand for each. The composition of output has changed, evidenced by an increase in the size of the service economy and a related increase in the percentage of jobs with higher skill requirements. There has been a sharp decline in the percentage of higher-wage jobs for people with high school diplomas. This is a trend as dominant in the northwest area as any of the country's regions. Maturing resource-based industries such as agriculture, fisheries and wood products simply do not play as large a role in local economies (especially rural economies) as they did previously. Aerospace and other manufacturers have experienced similar changes, and their previous role in decreasing wage inequality has diminished. Plotnick et al. note that manufacturing industries that are growing have higher skill requirements.

International competition and the expansion of global markets have affected the ability (and willingness) of domestic producers to pay increased wages to less-skilled workers. Technology that creates new companies, and modifies the practices of existing companies, is dependent on skilled labor. These forces have also further diminished the relationship between Gross Domestic Product Increases and employment growth. Both World Wars increased the relative demand for unskilled labor, contributing to declines in wage inequality during that era. There has been no such influence on unskilled labor demand since. While unions have reduced wage inequality, today a lower percentage of the workforce is unionized.

Not only are there fewer higher-wage jobs for lower-skilled workers, there are also labor market constraints that impede the wage progress of these workers. The decline in internal labor markets has made it more difficult for lower-wage workers to move up "job ladders" into higher-wage jobs. The significant changes in the strength of selected sectors, including downsizing at many major manufacturing companies, have weakened whatever "social contract" existed between employers and employees. In much of the economy, workers traditionally received career advancement and training opportunities, earnings growth, employee benefits and lifetime job security in exchange for their long-term commitment to their employer.

There is also a mismatch between where job growth is occurring, and where people in poverty tend to live. In Understanding Poverty, Sheldon Danziger and Robert Haveman note that, "the movement of jobs from the central cities to the suburbs" is an additional factor "making it harder for the less skilled to earn their way out of poverty." Much of the job growth in the larger cities of the Northwest area (Minneapolis/St. Paul, Des Moines, Seattle and Portland) has taken place on the urban perimeter.

**HUMAN CAPITAL**

The increase in the percentage of better-paying jobs reserved for workers with higher skills has resulted in greater focus on the supply side of the equation—the education, training and related skills of people living in poverty. It has also focused attention on the large concentrations of workers with lower skills in communities buffeted by economic restructuring.

From an economic perspective, people with higher skills are assumed to be more productive and, as a result, are paid higher wages. It is also assumed that, for people to invest the time and resources required to obtain education and training, there must be a return on investment.

Along with education and training comes access to higher wage job opportunities. For example, the Northwest Policy Center's Northwest Job Gap Study found that people with some post-secondary education and training are more likely to earn a living wage. In addition, most jobs that pay a living wage require some post-secondary education and training. However, access to education and training is not equal, with opportunities affected by race, ethnicity, gender and class.

In addition, a supply of highly educated and skilled persons does not automatically create additional higher wage jobs. Skill levels for many [but not all] jobs are increasing. The economy creates low-skill, low-wage jobs as well. Investing in human capital can be a way out of poverty for individuals, but it does not immediately address broader economic and labor market forces and their impact on poverty.

Nonetheless, the impact of human capital can be significant. A study prepared for the Washington Workforce Training and Education Coordinating Board by the W.E. Upjohn Institute for Employment Research underscored the benefits to the trainee and to society of longer-term technical training programs, most typically offered at community and technical colleges.
Deficiencies in human capital investment that contribute to poverty have been identified at all levels, including early childhood education, primary and secondary schooling (K-12), higher education (including community and technical colleges), and adult education and workforce training. Even though there are limitations to the extent human capital drives economic change (and resultant poverty alleviation), the case for human capital investment remains strong. The National Science Foundation’s Investing in Human Resources: A Strategic Plan for the Human Capital Initiative outlines human capital values:

The human capital of a nation is a primary determinant of its strength. A productive and educated workforce is a necessity for long-term economic growth. Worker productivity depends on the effective use and development of the human capital of all citizens, which means that schools, families and neighborhoods must function effectively. Unfortunately, there is substantial evidence that the United States is not developing or using the skills of its citizens as fully as possible. Only if the United States invests wisely in its human resources will it be able to maintain its place in a global economy where human creativity and human skill are increasingly more important than raw materials or physical infrastructure.

Those who analyze human capital do so in part because they believe the fundamental thrust of increasing income or consumption is too limited. According to researcher Melvin Oliver, that approach “ignores key causes of inequality, overlooks the consequences of low asset accumulation, and fails to address long term stability and security for individuals, families and communities.”

The case stressing under-investment in persons has been developed at all age, educational and skill levels. With respect to poverty, the argument emphasizes that undereducated or under-skilled persons are unable to demonstrate sufficient skills to gain an initial job, or to perform that job adequately, or to secure increased responsibility or compensation.

Such education and skills deficiencies are seen not only as limitations on personal opportunity, but also as a damper on the competitiveness of enterprises. For instance, the Washington Workforce Training and Education Coordinating Board (WTECB) reported in 2002 that 60 percent of all employers hiring new employees had difficulties finding applicants at the skill level that was sought. The WTECB study notes this shortage of skilled applicants harmed these companies due to lost orders, declining market share or foregone economic opportunity.

Several economic “opportunity gaps” are in question. The “job gap” refers to the gap between the number of living wage jobs being created in the economy and the number of people needing living wage jobs. The workforce “skills gap” has three aspects:

- The gap between the number of skilled workers existing companies are seeking and the number of workers who have the skills that are sought.
- The gap between the number of individuals who would prefer to increase their education or skills and the capacity of the education and training system to meet that present and potential demand.
- The gap between the number of individuals being educated and trained and the number of people who would need to be educated and trained to meet the projected demands of the changing economy, where many growth sectors place a greater premium on skills and knowledge.

At all educational levels, the identified gaps result from the interrelated problems of the quality of education and training being provided, and the access to that education and training (and the opportunity it helps create) for those people with low incomes. Children from lower-income families are less likely to be enrolled in daycare programs that are attentive to early childhood development. They are more likely to drop out of high school and less likely to attend or graduate from college. Even though each of these disparities has narrowed over time, they still continue, and they are still a factor in the intergenerational extension of poverty.

It is a problem of both people and place, because concentrations of people with low educational levels make it more difficult for a community to shape its own future. In “Investing in Children: What Do We Know? What Should We Do?,” Sheldon Danziger and Jane Waldfogel argue that the high rate of child poverty and persistent residential segregation restrict investment in poor children and racial and ethnic minority children:

These children face greater than average developmental obstacles, yet we tend to invest fewer than average resources in them...Increasing or even maintaining public spending on cash transfers for the disadvantaged is more difficult than increasing spending on educational, nutritional or medical care programs on their behalf.

Investment patterns do not necessarily gravitate to the area of greatest impact or reward. The insufficiency of local education-related investments is particularly surprising given their cost effectiveness, especially at an early age. However, promulgating the results, it is especially difficult for lower income communities to muster the resources to make certain these investments make their mark over time.

Given labor market changes, employers are more dissatisfied with the knowledge and skills possessed by high school graduates than they have been in the past.
However, it isn't just a matter of investing in the schools themselves. Lisa Lynch maintains that the fault lies not just with the schools, but with the environments in which children are growing up, where parents are less able to spend less time on their child's learning.\textsuperscript{xvi}

In the area of human capital, there is a strong link between schools and communities. That link can be a negative one. In "Promoting Positive Outcomes for Youth," Margaret Beale Spencer and Dena Phillips Svanson focus on barriers to human development for adolescents, particularly African American youth who grow up in poor families in poor neighborhoods.\textsuperscript{XVIII} They argue that racial and economic inequalities compromise school adjustment and that perceptions of limited opportunities lead some disadvantaged individuals, especially African American males, to react negatively to outcomes valued by the mainstream. They stress that "poor and minority parents thus need even greater school and neighborhood supports for socializing their children than do non-poor and majority parents; however, they have less access to them."\textsuperscript{xix}

Debra Donohoe and Marta Tienda demonstrate that these barriers to human development are a key factor at the point of the employer's demand for skilled graduates.\textsuperscript{xX} In "The Transition from School to Work: Is there a Crisis?" they maintain:

Although basic and vocational skill levels among youth have not declined in absolute terms, they have not kept pace with the increasing employer demand for skills. This skills mismatch is a growing problem among poor urban youth and ethnic minorities, especially among Hispanics, who have the lowest rate of graduation from high school. Most youth find a stable job by the early twenties. However, youth who do not finish high school, and black youth in general, have difficulty finding stable work.

Unemployment is especially severe for black young men, and low wages are a problem for all youth with less than a high school degree.\textsuperscript{xXI}

\textbf{DISCRIMINATION}

Labor market participation and human capital investment are key determinants of whether people live in poverty. Are opportunities to participate in the labor market and invest in human capital equal among all Americans? Or, are they restricted because of discrimination based on race, ethnicity, gender or class?\textsuperscript{xxi}
People of color and women are also less likely to earn a living wage, as shown in the following table.

<table>
<thead>
<tr>
<th>PROPORTION OF PEOPLE EARNING A LIVING WAGE BY RACE/ETHNICITY &amp; GENDER</th>
<th>Percent Earning Living Wage for Single Adult*</th>
<th>Percent Earning Living Wage for Single Adult with Two Children**</th>
</tr>
</thead>
<tbody>
<tr>
<td>Idaho</td>
<td></td>
<td></td>
</tr>
<tr>
<td>People of Color</td>
<td>33%</td>
<td>13%</td>
</tr>
<tr>
<td>Whites</td>
<td>57%</td>
<td>31%</td>
</tr>
<tr>
<td>Women</td>
<td>45%</td>
<td>19%</td>
</tr>
<tr>
<td>Men</td>
<td>61%</td>
<td>36%</td>
</tr>
<tr>
<td>Montana</td>
<td></td>
<td></td>
</tr>
<tr>
<td>People of Color</td>
<td>39%</td>
<td>16%</td>
</tr>
<tr>
<td>Whites</td>
<td>55%</td>
<td>28%</td>
</tr>
<tr>
<td>Women</td>
<td>42%</td>
<td>17%</td>
</tr>
<tr>
<td>Men</td>
<td>61%</td>
<td>35%</td>
</tr>
<tr>
<td>Oregon</td>
<td></td>
<td></td>
</tr>
<tr>
<td>People of Color</td>
<td>35%</td>
<td>15%</td>
</tr>
<tr>
<td>Whites</td>
<td>56%</td>
<td>32%</td>
</tr>
<tr>
<td>Women</td>
<td>41%</td>
<td>17%</td>
</tr>
<tr>
<td>Men</td>
<td>61%</td>
<td>39%</td>
</tr>
<tr>
<td>Washington</td>
<td></td>
<td></td>
</tr>
<tr>
<td>People of Color</td>
<td>49%</td>
<td>23%</td>
</tr>
<tr>
<td>Whites</td>
<td>62%</td>
<td>36%</td>
</tr>
<tr>
<td>Women</td>
<td>51%</td>
<td>22%</td>
</tr>
<tr>
<td>Men</td>
<td>66%</td>
<td>43%</td>
</tr>
</tbody>
</table>

Large differences in education levels exist based on race and ethnicity. Eighty-four percent of whites have completed high school or more education, as shown in the table below. This compares to 52 percent of Hispanics or Latinos, 72 percent of blacks or African Americans, and 71 percent of American Indians/Alaska Natives. Thirty-six percent of whites have at least four years of college, compared to 14 percent of Hispanics or Latinos, 19 percent of blacks or African Americans, and 15 percent of American Indians/Alaska Natives.

<table>
<thead>
<tr>
<th>EDUCATION LEVELS BY RACE/ETHNICITY</th>
<th>High School Graduate or More</th>
<th>Some College or More</th>
<th>Bachelor's Degree of More</th>
<th>Advanced Degree</th>
</tr>
</thead>
<tbody>
<tr>
<td>White</td>
<td>83.6%</td>
<td>54.1%</td>
<td>26.1%</td>
<td>9.5%</td>
</tr>
<tr>
<td>Hispanic/Latino</td>
<td>52.4%</td>
<td>30.3%</td>
<td>10.4%</td>
<td>3.8%</td>
</tr>
<tr>
<td>Black/African American</td>
<td>72.3%</td>
<td>42.5%</td>
<td>14.3%</td>
<td>4.8%</td>
</tr>
<tr>
<td>American Indian/Alaska Native</td>
<td>70.9%</td>
<td>41.7%</td>
<td>11.5%</td>
<td>3.9%</td>
</tr>
<tr>
<td>Native Hawaiian/Pacific Islander</td>
<td>78.3%</td>
<td>44.6%</td>
<td>13.8%</td>
<td>4.1%</td>
</tr>
<tr>
<td>Asian</td>
<td>80.4%</td>
<td>64.6%</td>
<td>44.1%</td>
<td>17.4%</td>
</tr>
<tr>
<td>Other Race</td>
<td>46.8%</td>
<td>25.0%</td>
<td>7.3%</td>
<td>2.3%</td>
</tr>
<tr>
<td>Two or More</td>
<td>73.3%</td>
<td>48.1%</td>
<td>19.6%</td>
<td>7.0%</td>
</tr>
</tbody>
</table>

Different types of discrimination affect labor market participation and human capital investment: intentional discrimination, which focuses on actions or behaviors that have a discriminatory intent, and institutionalized or systemic discrimination, which focuses on patterns and practices that have a disparate impact, regardless of intent.

In the schools, discrimination takes many forms, including segregation (which increased during the 1990s), ability grouping or tracking, unequal facilities and unequal finances. As noted by Bradley Schiller in The Economics of Poverty and Discrimination,

Because educational attainments are a prime determinant of the distribution of poverty, those discriminated against in the schools are most likely to be among the poor. For whatever level of aggregate poverty exists, the children of yesterday's poor, minority households, and female headed families will be over-represented in the poverty statistics.\textsuperscript{xxiii}

The effect of pre-labor market discrimination (such as that found in the schools) carries over into the labor market. It is compounded by past, as well as current, labor market discrimination.
This discrimination takes many forms, including exclusionary employment practices such as word-of-mouth recruitment (which excludes people who do not have access to employers' informal hiring networks), education credentials, and employment tests that disproportionately exclude women and people of color. These exclusionary practices are not job related; they result in occupational segregation, with people of color and women over-represented in low-wage jobs. As noted by Schiller:

Minority racial groups, women, and the poor generally start out in the labor market at a distinct competitive disadvantage, largely as a result of discrimination in the educational system. Their handicaps do not end there, however. In the labor market itself, these groups do not have equal opportunity to make the best of their disadvantaged beginnings. Prejudice and institutional employment practices combine to handicap them still further. xxiv

The result: people of color, women, and people from low-income backgrounds are more likely to live in poverty.

Here, too, poverty is a condition of place as well as people. In “Housing Discrimination and Residential Segregation as Causes of Poverty,” John Yinger identifies housing discrimination and residential segregation as significant factors in causing disparities between African Americans and Hispanics or Latinsos, and whites. Yinger argues that employment, education, health, crime, and welfare problems are all magnified by housing discrimination and residential segregation. Communities affected by these problems are rarely targeted for new job creation. Moreover, residential segregation can lead to school segregation, lack of access to reasonably priced goods and services and to lack of access to capital. XXv

SOCIAL CAPITAL

Poverty can also be explored and explained in context of the presence and absence of social capital for individuals, neighborhoods and communities. Within this perspective, people who fall into poverty or have difficulty extricating themselves from it, may be lacking in the social support or social leverage possessed by others. This social support or leverage is seen as “capital” in that it can be used to invest in future outcomes.

Shortages in social capital are seen as the central connection between poverty of individual people and poverty of place. These shortages are a primary missing link in the ability of neighborhoods and communities to change their circumstances. Researchers believe communities will be deficient if they fail to contend with this element that so strongly influences how a community functions. Other resources (such as funding) can be externally provided, but they are less likely to accomplish their desired aim without the social capital needed for community structure and self-empowerment.

In “Brown Kids in White Suburbs: Housing Mobility and the Many Faces of Social Capital,” Xavier De Souza Briggs notes that social capital is easiest to “see” in its individual guise, as a resource for individual action that is stored in human relationships. It is what we draw on when we get others (including acquaintances, friends or relatives) to help us solve problems, seize opportunities and accomplish other aims that matter to us. XXVI

For Briggs, the distinction between social capital and social leverage is critical:

- Social support helps people cope. Examples are getting a small cash loan in an emergency, transportation, or being able to confide in someone. These forms of social capital are often emotional and not material, and are especially vital for the chronically poor since they can substitute for things that money would otherwise buy.
- Social leverage is social capital that helps people “get ahead” or changes people’s range of opportunities through access to job information, job openings or scholarships. These forms of social capital are characterized by clout and influence.

Social support often comes from strong ties to family and friends. However, social leverage, at least for the poor, is more likely to come from weak ties to a wider circle of acquaintances. As noted by Briggs:

If I am a poor person in America, the latter kind of leverage may not be available in my network of kin or close friends, who are likely to be similarly situated in the opportunity structure. In this example, I am more likely to have the leverage I need to get ahead if I have a few social ties to people who are quite unlike me. In fact, if I am among the chronically poor in America, those who help me get by can sometimes do relatively little to help me get ahead. XXVII

Poverty concentration may make social ties denser. But such concentration also makes such ties more strictly local. Thus, poverty tends to breed social isolation and decreases participation in organizations that go beyond the neighborhood. According to Briggs, this has especially significant implications for employment situations:
Because labor markets are socially organized, there are strong links among the social type of a job contact (friend, relative, other), race/ethnicity of job seeker, race/ethnicity make up of workplace, and job quality (wages, benefits, conditions). In general, the poor appear to be more likely than the non-poor to rely on friends and relatives to get jobs. In addition, segregated networks may be a quick route to bad jobs. xxviii

In "Community Revitalization, Jobs and the Well-being of the Inner City Poor," Ronald Ferguson extends the argument further. He stresses that norms and information transmitted through social ties affect a person's preparation for employment as well as access to particular jobs:

The same social network relations that determine whether a person finds out about a job and gets hired into it can affect her prospects for learning how to do the job and retaining it. In short, social ties affect job preparation, job matching and job retention... When a person's social networks are isolated from mainstream opportunities for work, local initiatives can supplement them in order to improve her employment outcomes. xxix

At the community level, there are also two types of social capital:

- "Bonding" capital, which builds stronger internal ties and capacity in low-income communities; and

- "Bridging" capital, which fosters new relations between low-income communities and larger metro areas, as a way to link to outside resources and opportunities.

Both types of social capital are important in community building. Many low-income communities lack both types of social capital.

In "The Role of Social Capital In Combating Poverty," Mark Warren, J. Philip Thompson and Susan Saegert see social capital as a "collective asset" of communities. They note that bonding capital "provides the foundation" to address poverty and rebuild communities. xxx But they emphasize that bridging capital is essential:

Poor communities cannot address the problems of poverty simply by building internal social capital... At their best, strong local institutions provide a foundation for binding individuals together and directly them toward the pursuit of collective needs and aspirations. To the extent that poor communities lack broader connections, however, they remain isolated and weak. 'Bridging' ties can help bring greater resources and opportunities into poor communities. xxxi

**GEOGRAPHY**

There is a poverty of place in America. Poverty's geographic dimensions are themselves multi-dimensional. Many relate directly to the other economic, human and social capital influences of poverty that are described previously.

The extent to which communities face economic change varies widely. Much depends upon a community's economic sectoral strengths as economic changes unfold. Fluctuations in commodity prices or availability of certain markets can throw a farming community into a tailspin, as can a mill closure in a long-time timber community. Even in a larger city, the downsizing of a single employer can dramatically change the economic landscape and significantly increase poverty levels over time. People with little savings are the most vulnerable to such dislocations and can quickly go from tax-paying wage earners to welfare recipients with few options. Since these people also have less mobility, over time their concentration in the community will increase.

This increase in poverty feeds upon itself. As the concentration of poverty grows, the ability of communities to secure sufficient revenue to cover city services diminishes. Infrastructure that is essential for the efficient movement of goods and services deteriorates. Even though communities in economic trouble are in greatest need for investments in education and training, the resources to do so are limited. In some cases, financial capital for new ventures is unavailable.

The enterprises that can shift economic fortunes are almost never interested in communities that are in economic trouble. More than at any time in the nation's history, companies are not "place bound." As more and more goods and services are sold into regional, national and international markets, manufacturing and other companies have more choices about where to locate while still maintaining market proximity. Products are lighter and the cost of shipping has become a reduced part of the equation.

Since enterprises that are growing have more choices, they look for communities that have amenities, high quality of life, good educational programs and a strong tax base. These characteristics are often absent in poorer communities. Communities with more resources resist tax equalization, targeted investment or other schemes that would balance economic prospects and give poorer communities hope.
As enterprises and jobs emerge on the urban periphery, the urban poor do not seize upon prospects. This can be because of skill gaps, and is often due to distances and transportation problems as well. The longer these circumstances continue, the less likely there will be the community institutions and social networks that make improvements.

John Kasarda, in “Urban Change and Minority Opportunities,” underscores these “spatially conflicting industrial and demographic transformations.” On the one hand are the changing compositions and educational requisites of the metropolitan employment base. On the other hand are the changing demographic composition and educational attainment of residents.

In Worlds Apart: Why Poverty Persists in Rural America, Cynthia Duncan investigates the social and political dynamics of specific communities. In communities that have become impoverished, the “have” and “have nots” are clearly divided. The have nots live worlds outside the haves, socially isolated and out of the mainstream. The poor are stigmatized, blamed for their poverty and blocked from opportunities; they don’t develop the skills and habits needed to make it in the mainstream. Often, class or race segregate schools and churches. Schools are ineffective. Inequality erodes the community’s social fabric and undermines its institutions. In contrast, many communities that are not impoverished maintain a rich civic culture with inclusive institutions that help those who are ready to leave poverty behind.

William Julius Wilson speaks similarly of urban poverty. He says that inner city poverty was exacerbated when work disappeared from communities and the poor became more isolated from the mainstream. As good jobs are lost to the suburbs or overseas, middle class families move out. With fewer people working, there are fewer connections for getting good jobs and fewer positive role models. Community institutions, like schools that depend upon resources provided by workers and middle class residents, decline. Depressed conditions and disorganized neighborhoods mean poor children are more vulnerable to gangs and drugs, and are more likely to drop out of school and have children out of wedlock.

Wilson emphasizes:

Social isolation deprives residents of inner city neighborhoods not only of resources and conventional role models, whose former presence buffered the effects of neighborhood joblessness, but also of the kind of cultural learning from mainstream social networks that facilitates social and economic advancement in modern industrial society. The lack of neighborhood material resources, the relative absence of conventional role models, and the circumscribed cultural learning produce outcomes...that restrict social mobility.

Duncan describes a similar situation in rural communities, where poor people never acquire the “cultural tool kit and social contacts” that permit them to find steady work and stable families. Instead, Duncan argues, “the poverty of the have nots is inseparable from the privilege of the haves.” Upper class families control resources and participate in mainstream economic and political life; lower class families are powerless, dependent and do not participate.
MOVING FROM SILOS TO INTEGRATED SOLUTIONS

In determining the appropriate response to poverty in the Northwest area, consider two hazardous assumptions: that every conceivable approach has been tried and, that public and nonprofit responses to poverty are chronically deficient.

Public and nonprofit efforts to diminish poverty levels are considerable, and have been at least since the 1960s. Unquestionably, programs ranging from Medicaid and food stamps to Community Development Corporations and school reform initiatives have significantly impacted the number of poor persons and their quality of life.

The question is how to do better. Even though we are climbing out of a recession, we are a nation of plenty. Given existing federal and state budget deficit levels (and recent federal tax cuts that will diminish revenue streams far into the future), governmental programs to combat poverty are unlikely to increase sharply. This reality requires that existing government efforts meet the highest possible standards. They must be:

• Creative, drawing on the tested, successful initiatives of others in whatever state or nation they are exhibited.

• Multi-dimensional, always understanding the economic, demographic, geographic, human capital and social capital origins and implications of poverty and never, focusing only on a single dimension or response.

• Programmatically integrated, blending the best efforts of governments and nonprofit organizations into a seamless, service delivery system that connects people who are poor to available services rather than bewildering them.

• Results-oriented, always focusing on real and lasting impacts for people in need.

• Empowering, always strengthening the ability of poor people and communities to expand their own opportunities wherever possible.

• Self-examining, reviewing programs in progress to determine how their modification could improve their impact.
The increased investment by nonprofit organizations and foundations in response to ongoing unacceptable levels of poverty creates an additional challenge both for nonprofit organizations and for local, state, and federal government. Not only must government efforts connect with each other to be most effective, so must nonprofit and foundation efforts connect to each other and to the efforts of government. By collaborating, the combined response (to forces creating poverty) will be stronger and the financial resources will be greater.

By integrating efforts and finite resources, the whole becomes greater than the sum of the parts, creating a sustainable system to address poverty within a community, rather than individual programs with vulnerable, independent budgets. Integrated community initiatives have been proven on a small scale across the Northwest. The following insights regarding poverty alleviation efforts that are especially promising were derived from a forum held with 10 University of Washington faculty members, who have researched various elements of poverty and programmatic responses.

ECONOMIC STRATEGIES AND THE MACRO-ECONOMY

The states of the Northwest area have struggled to respond to the forces of economic change and the income disparities those economic changes have caused. In smaller communities, the maturing, resource-based economy has caused a decline in the number of medium- to high-wage jobs, and an even greater decline in the percentage of such jobs available to workers with lower skills. The region’s larger cities have not been exempt from these changes. Manufacturing jobs have either declined or moved offshore. Even though manufacturing will play a key role in providing good jobs for Northwesterners for years to come, its potential in reducing present poverty levels is limited.

Local areas and states have limited tools to respond to changes that are brought on by such forces as globalization, trade policy, monetary policy and the fluctuations in financial markets. Nonetheless, their efforts could be even more significant in these areas:

Cluster Strategies
Economic sectoral or cluster strategies have continued to strengthen. These strategies focus investments around a group of promising companies where growth potential is clear and where the need for government assistance has been identified. Prior to the emergence of cluster strategies, state and local economic development efforts were more generic, focusing on existing companies’ needs for sufficient access to capital, expanding markets, sufficient land or an able workforce.

This broader focus prevented efforts from being as powerful as they could have been. Recent, more targeted efforts are advantageous because it is easier for government to gain a positive impact from its investment. Focused strategies enable government to enlist corporate and labor leaders to ensure that efforts are responsive to the real needs of the companies and their workers. As each need is defined, the corporate-labor partnership is better able to respond with a targeted strategy than would be the case if the effort were focused on a broader range of companies. Finally, partnerships are sought in sectors where regions already have benefited from a concentration of companies, providing a stronger base for additional growth.

The cluster approach also permits local and state government to pursue a higher-wage strategy critical to poverty alleviation. Companies in stronger sectors are less vulnerable to global market shifts, more able to incorporate advancing technology, and more likely to be able to create a job ladder that enables entry-level workers to grow in wages and responsibilities. Researchers are concerned about the perils of government choosing “promising sectors,” and are more attracted to government building upon a region’s existing sectoral activity.

The sectoral approach provides an excellent opportunity to underscore the multi-dimensional aspect not only of poverty itself, but also of successful policies and practices aimed at alleviating it. To make certain that people living in poverty have access to job opportunities, human capital investments (such as workforce training), and such social capital investments (such as gaining access to informal hiring networks) are required. These investments require the targeting of resources to specific communities and sectors that often has met resistance in state government. However, given the potential for positive results, perhaps the resistance will be overcome.

Community-Based Efforts
Community-based economic development efforts continue to be uneven. At their strongest, these efforts connect to the above sectoral approach and build the economic base of a region. At their weakest, they avoid partnerships with neighboring areas or focus on ideas that are unrealistic in the face of local assets.

Several community-based efforts in the Northwest area (such as food processing initiatives in Washington’s Yakima Valley) have sought to move local enterprises toward secondary processing that adds greater value to raw materials. Secondary processing enables (in some cases) higher margins, more reliable markets and (where advanced skills are required) higher wages. Coalitions have been formed to advance these efforts, but have suffered from lack of ongoing funding.
Access to Capital
Several initiatives that tie sectoral or community-based economic development efforts to access to capital have shown promise. These include ShoreBank’s chartering of a Northwest bank to spur enterprises in rural communities and Program Related Investments (PRIs) of foundations. In addition, some entities have formed community loan funds and revolving loan funds, and lending institutions seeking to comply with the Community Reinvestment Act have played an important role.

Tax as a Tool
States have used taxation as an economic development tool, but they have been far less likely to target tax tools to gain specific economic opportunities for low-income populations. This could require altering the regressivity of tax structure. In Washington, a proposal spearheaded by William Gates Sr. to permit state taxation on incomes and to lower sales taxes would have decreased the tax share paid by low-income citizens, but it is unlikely to become law.

The federal government’s provision of an Earned Income Tax Credit (EITC) is more promising and earns high marks for directly affecting incomes of the poor. Educational campaigns can increase the extent to which low-income taxpayers claim the EITC and other tax credits, such as the Lifelong Learning Tax Credit, which is much more heavily claimed by middle class taxpayers.

LABOR MARKET INTERVENTIONS
Initiatives to adjust the way the labor market works (rather than the skills of the individual worker) have been applied even less consistently than the economic development strategies defined above. Like the macro-economy, the forces defining the structure of the labor market are huge and thus are difficult for states and communities to address. Labor market interventions significantly modify structural elements to help people who are poor; for example:

Unemployment Insurance
Unemployment Insurance (UI) is designed around traditional work arrangements and primarily assists males, such as middle aged, middle class workers laid off from manufacturing jobs. Depending upon their state of residence and the availability of federal Extended Benefits, laid-off workers can receive a weekly payment of up to $490 a month for about one year. At best, this enables some recipients to find another decent paying job and others to seek retraining and new skills.

In most states, UI includes eligibility standards related to earnings or hours worked, which makes it more difficult for low-income workers to qualify. The work patterns of many women are also disqualifying, such as their participation in temporary jobs or their movement in and out of the workforce because of family demands.

Minimum Wage
Because it is set so low, the minimum wage is not as effective in helping lift people out of poverty as it might be. Significant increases would generate a bigger impact on poverty levels. Research has begun to verify the greater effectiveness of living-wage ordinances in raising the wages of people at the bottom of the pay scale. These ordinances require that higher wages be paid by firms selling goods and services to the city or county in question. Such ordinances have been passed in cities and counties across the country, and more limited forms (various contracting schemes) have been embraced by even more local governments.

Labor Market Intermediaries
Governments and foundations have created “labor market intermediaries” to help connect low-income community residents to living wage jobs. Labor market intermediaries are people who help connect low-income community residents to living wage jobs by actively working with networks of community-based organizations, industry brokers, employers, unions and training providers. The combined effort (of training, access to jobs, human services and follow up support) has proven successful for low-income workers.

Childcare
Perhaps the most significant labor market intervention is the considerable effort by foundations and state and local governments to eliminate a roadblock for many women and low-income persons seeking career growth and higher wages—the shortage of high quality, affordable childcare. In the past decade, childcare has become a staple of multi-dimensional efforts to combat poverty.

Combating poverty through childcare presents several difficulties. The childcare market dwarfs the limited investment most foundations and governments are able to make. Increasing childcare quality (in part by boosting the wages of childcare workers), and increasing childcare access, drives costs upward. It is hard to see how this initiative could grow to the level its advocates seek. They aspire to an access and quality level similar to public universities, where need-based aid, such as Pell Grants, is available to people eligible to attend.
HUMAN CAPITAL INITIATIVES

Led by efforts to improve K-12 education, investments in human capital have grown. Achieving higher levels of knowledge or greater skills is seen as directly related to economic opportunity. The higher skill requirements of such sectors as healthcare, information technology, biotechnology and advanced manufacturing underscore this message.

Head Start
Given the indispensable role of education, the relative absence until recently of early childhood interventions is surprising. As described above, foundations, nonprofits and local and state governments have increased their interest in access to childcare and its quality.

However, the intensive, low-income focused, proven model—the Head Start program—continues to suffer from under-investment and even program cuts. Head Start and similar programs cannot demonstrate immediate results, but they are proven long-term strategies. As established in a seven-year Mathematica Research study, Head Start has a positive effect on children’s cognitive and language skills and social-emotional development, and demonstrable impacts on parenting as well. XXXIII

Other promising early interventions include programs to improve the health of women of childbearing age, and after-school and mentoring programs for school age children.

Improved K-12 Schools
The role of nonprofit organizations and foundations in influencing K-12 education is much less clear, but there is at least one warning sign that bears attention. State assessment structures and the new federal No Child Left Behind Act seek to identify and change lower-performing schools, which often serve low-income populations.

The issue of how to improve lower-performing schools is unresolved. Will the “stick” of state or federal takeover of under-performing schools be most influential, or will the “carrot” of new investment bring schools to a higher standard? How new assessment programs are married with investment strategies will greatly influence whether the gap in education for poorer children will be reduced. This may be the most significant issue in determining whether disparate wage levels between white and black populations will be further narrowed.

Job Training
Governments and non-profit organizations have sought to provide low-income people with the training required for living wage jobs, along with the income support and support services (such as childcare and transportation assistance) needed to participate in training. Business and labor participation in training is critical. Additional key features of effective training include:

- Targeting training to living wage jobs in demand in the regional economy.
- Developing training that provides the skills required by employers.
- Replicating the work environment.
- Integrating basic and soft-skills training with job-skills training.
- Structuring training in a way that is flexible, competency based, and open entry, open exit, so that it is easy to access.
- Combining classroom instruction with work-based learning.
- Focusing on living wage employment as the outcome.

Welfare
The research community continues to be concerned about the impact of welfare reform and its Temporary Assistance to Needy Families (TANF). Low-income women with children (covered by TANF) need lengthier, more effective training than is available under TANF, since education and training are not endorsed “work related activity.” Even those dislocated workers covered by the Workforce Investment Act or Trade Adjustment Assistance find that periods of eligibility rarely match the period of time needed to gain occupation-changing levels of training.

Here, the challenge for foundations and the nonprofit community is to integrate with federal and state investments focused on unemployed workers and welfare clients. These additional actions could make certain the entire range of needs of these low-income individuals is addressed, ranging from childcare to healthcare to transportation. In addition to the childcare programs described above, some nonprofits in larger communities have even established programs that provide very low cost automobiles to the working poor.
EFFECTIVE LAND USE

States that are involved in comprehensive land-use planning have an additional tool with which to address the poverty of place. Virtually all land-use planning identifies:

- Parcels that are eligible for business location.

- Infrastructure improvements that are necessary to advance quality of life and assure the movement of goods and services to market.

- Neighborhoods in need of physical revitalization.

Spurred by the efforts of nonprofit organizations, some governments have adjusted land-use plans to accommodate the location of low-income neighborhoods relative to areas of job growth. The location of new enterprises thus becomes a key element of poverty alleviation, as are housing or transportation strategies that guarantee low-income people have access to the urban periphery where many new jobs are located. These strategies are particularly relevant in decreasing the disparities in income levels based upon race.

SOCIAL CAPITAL INITIATIVES

Efforts to increase individual and community social capital are both consistent with and build upon the economic, labor market and human capital programs described above. They can accomplish permanent change in how people use and benefit from information and networks. And at the community level, they can strengthen existing institutions, or create new ones that are not fully dependent upon government and which are ready to tackle poverty in a concentrated and comprehensive manner.

A number of community building structures have emerged:

CCDs

Community Development Corporations (CCDs) date back to the War on Poverty. They are best known for their production of housing for low-income people, but many have engaged in job-creating projects. Others have started after-school programs, employment training and weatherization programs; other CCDs have served as advocates or tried to leverage additional support for their communities. Some states and communities proactively charter CCDs to provide them resources to expand their growth.

Empowerment Zones

In seeking to revitalize local areas, the federal government has initiated Federal Empowerment Zones and Enterprise Communities. In many cases, however, they have been insufficiently connected to other federal efforts or to initiatives sponsored at the local level.

CCIs

Comprehensive Community Initiatives (CCIs) take an even broader approach to community building than do many Community Development Corporations. They seek complete transformation of their area, delving into nearly every public aspect of neighborhood life, including school quality, physical revitalization and safety. CCI proponents rightly argue that all of these dimensions of poverty alleviation are interrelated.

For region-wide impact, the challenge for CDCs and CCIs is to gain sufficient scale to significantly change conditions for poor persons. One way to gain additional impact (given the limited resources of the sponsor) is for local and state governments to better organize their resources into integrated services, and to better provide core services from which CCIs and CCIs can serve communities.

Governments and nonprofit organizations that serve communities share in the obligation to significantly reduce poverty and can seize opportunities to do so. The alternative is unthinkable: The results of inadequate efforts to alleviate poverty are measured in human wreckage and loss of potential.

Summary

But, the human wreckage is not inevitable. The circumstances of individual people can be changed. Aggregate levels of poverty have been significantly reduced to the extent which governments and nonprofit organizations have demonstrated the innovation, investment and intensity of effort to reduce them.

At this stage, the primary question is whether those governments and nonprofit organizations will demonstrate those characteristics in the longer term, or shy away from the enormity of the challenge. Will organizations that intervene recognize that the multi-dimensional nature of poverty requires a multi-dimensional response from those seeking to alleviate it?

Action based upon this realization is just a first step. Society's ability to respond depends on governments and nonprofit organizations collaborating in ways that have not been common to this point. Through such partnerships—through a results-oriented, community-focused approach that addresses each of poverty's dimensions—communities will find the means to improve the lives of people living in poverty.
ABOUT NORTHWEST AREA FOUNDATION

The Northwest Area Foundation, headquartered in St. Paul, Minn., helps communities reduce poverty in its eight-state region: Minnesota, Iowa, North Dakota, South Dakota, Montana, Idaho, Oregon and Washington. The Foundation brings technical assistance and financial resources that help identify, share and advocate for community-focused strategies that reduce poverty for the long term. The Foundation does this by working directly with communities in the region through its three programs: Ventures, Horizons, and Connections. The Foundation also cooperates with other foundations, nonprofits and communities to gather and share practical and effective knowledge.

The Foundation’s region comprises the states that were served by the Great Northern Railway, founded by James J. Hill. In 1934, Hill’s son, Louis W. Hill established the Northwest Area Foundation, which now has approximately $437.8 million in assets (as of March 31, 2004). For additional information, see www.nwaf.org.
SOURCES


iv More information on Widder Opportunities for Women and its self-sufficiency project can be found at http://www.widderstrategies.org/widderstrategies/selfsufficiencystandard.cfm.

v Data in this section are drawn from the U.S. Census Bureau and its Current Population Survey, as reported in its annual Poverty in the United States report and historical poverty tables, which can be found at http://www.census.gov/hhes/poverty/hlthpov/.

vi Estimates of 2000-2003 poverty rates are based on U.S. Census Bureau American Community Survey (ACS) data, which can be found at http://www.census.gov/acs/www/. Year to year differences are not statistically significant, unless noted in the "Poverty Rates in the Northwest, 2000-2003" table. In addition, because 2000-2003 poverty estimates are based on ACS data, comparisons to other figures in this section, which are drawn from other data sources, primarily the 2000 Census, are not possible.


viii Ibid., p. 269.


xiv Oliver, Melvin, Forward to Danziger and Waldfogel, Securing the Future: Investing in Children from Birth to College, p. xii.


xvi Danziger and Waldfogel, "Investing in Children: What Do We Know? What Should We Do?", pp. 2-3.


xviii Spencer, Margaret Beale and Dena Phillips Swanson, "Promoting Positive Outcomes for Youth: Resourceful Families and Communities, in Danziger and Waldfogel, Securing the Future: Investing in Children from Birth to College, pp. 182-204.


xxi Danziger and Waldfogel, "Investing in Children: What Do We Know? What Should We Do?", p. 9.


xxiii Ibid., p. 188.

xxiv Ibid., p. 207.

xxv Yingler, John, "Housing Discrimination and Residential Segregation as Causes of Poverty," in Danziger and Haveman, Understanding Poverty, pp. 359-391.

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Ibid., p. 192.

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