Growing Together:
New Poverty Policy for New Times

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Manuel Pastor
Program for Environmental and Regional Equity
University of Southern California

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Contact Information:
Manuel Pastor, Jr.
Professor of Latin American and Latino Studies
Department of Geography
University of Southern California
3620 S. Vermont Ave. KAP 416
Los Angeles, California 90089-0255
213-740-5604
213-740-6056 (Fax)
mpastor@usc.edu

Introduction

Each of the authors Mott has asked to address the issue of poverty reduction is deeply involved in the issue analytically and often politically. We all care about the poor, we have all conducted investigations about poverty, and some of us, myself included, grew up below or near the level of income and resources that marks one as a member of that class. We are, in short, committed and engaged researchers and our personal values and concerns about poverty have driven at least part of our scholarship.

So let me suggest something a bit controversial: at least some of our policy to help the poor ought not be directly aimed at the poor at all.

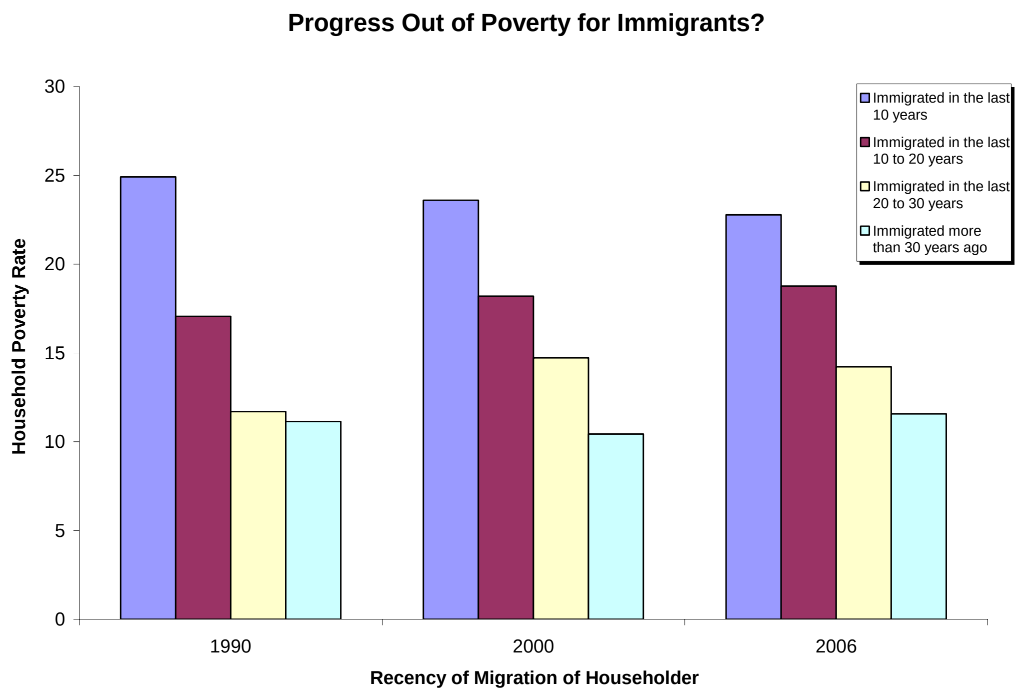
This is not to say that none of our policy should be: like others, I support increasing the Earned Income Tax Credit, extending the social safety net, and providing much wider coverage of health care. I firmly believe that early childhood education is important, keeping families together is critical, and being stingy about supporting those who cannot work is a sign of a failed society. And I may be in agreement with some and in disagreement with others when I insist on supporting policies and investments that make unionization easier, facilitate the development of community benefits agreements, and generally shore up the progressive organizing that both empowers communities and improves income.

But part – and maybe a large part – of our efforts should be aimed at helping the economy grow in a way that allows both the poor and the near-poor to step up to the middle class. This is partly for pragmatic reasons: it is best to move individuals and families more permanently out of harm's way. It is partly for political reasons: a staircase that extends upward can build political consensus by giving an insecure middle class a way to understand that they too will be helped when they need it. But it is mostly for analytical reasons: those who are concerned about poverty need to be engaged in broader debates about the economy and the sort of jobs and opportunities that set the context for advancement.

What does this imply for policy? I would argue that the first step involves framing. In this regard, we need to create and/or fortify a new set of constituencies, particularly in business, that understand that leaving a large share of the population behind is actually bad for economic growth. We also need to have a frank conversation about race, ethnicity and generational change in America and the impact that this has had on the public will needed to make poverty history. As part of this, we need to face squarely the challenges of immigrant integration in an increasing diverse society.

Of course, this leaves policy *per se*. In this regard, I will stress engaging in debates about overall growth strategies in order to highlight their effects on opportunities for low-skill and low-income workers; focusing on “second chance” strategies that will allow adults slipping in the labor market, including immigrants who often enter at the bottom and young people stranded in poorly performing high schools, a way to retrain and reenter; and adopting a new metropolitan approach that understands the changing geography of poverty and the challenges and opportunities this presents. I do not contend these are the only policy arenas that should be considered – or maybe even the most important. I simply hope here to provide some policy ideas that may be less likely to surface in the usual debates and might therefore complement the ideas of other authors in this project – and I aim my prescriptions at both what government can do at what foundations, including Mott, can do.

What's Changed?



The changing nature of poverty should inform new framing and new strategy. Among the salient facts for this analysis is that the share of the poor who are working has risen over the last two decades, partly because welfare reform forced single mothers and others into the workforce, but also because of deteriorating employment quality and the experience of immigrants. A second key trend, at least for this analysis, is that the progress of immigrants seems to have slowed: while poverty rates generally fall with time in county, an analysis of arrival cohorts using the 1990 and 2000 Census and the 2006 American Community Survey suggests that the rate of improvement has slipped dramatically. This stall has impacts on the next generation as recent research has suggested that poorer immigrant families disadvantage the second generation as well – and up to a quarter of all children in the U.S. are children of immigrants (in my own Los Angeles County, two-thirds of all our children are the children of immigrants, with ninety percent of those U.S.-born). Helping these kids is critical but this necessarily involves helping those parents.

How should this be done? Those who focus less on poverty and more on the macroeconomy have typically argued for pumping up growth through traditional stimuli. The boom of the 1990s did help – but the labor market was especially tight then and the era was also marked by a range of other pro-poor policies, including expansion of the earned income tax credit and some modest attempts at deconcentrating poverty. Moreover, many researchers have noted the weakening relationship between aggregate growth and poverty reduction. In an analysis of the top 100 U.S. metropolitan areas, for example, I found that in the 1970s, employment growth had a much larger dampening effect on poverty rates than did growth in earnings per worker, but in the 1980s and 1990s the impacts of earnings dominated. Job quality had become more important than job quantity.

To tackle both job growth and job quality, we must understand that the economic performance of our metropolitan areas is increasingly heterogeneous. For example, the rate of convergence – the speed with which regions move to average national performance – fell by nearly half between the 1980s and the 1990s. Similarly, the dispersion of economic performance – the difference between metro areas at any given time, particularly in terms of real earnings for workers – rose between 1980 and 2000. This has led to an increasing focus on firm clusters and specific industries as the economic drivers for metros and a notion that metropolitan economies are the real unit for economic analysis and growth promotion, with some new business-led groupings, like Joint Venture: Silicon Valley Network, eagerly picking up this call.

Interestingly, this regional focus has also begun to slowly shift the public understanding of the relationship between competitiveness and inclusion. The traditional view is that reducing wages can reduce costs and expand production – that there is a distinct equity-efficiency trade-off. But new studies are suggesting that in a regionalized world, poverty and inequality might actually damage economic performance. In results parallel to those explaining the growth of East Asian economies, several authors have reported that metro regions that are more unequal, more segregated, and exhibit higher poverty actually tend to post lower levels of economic performance – even when you control for the other factors that predict growth, account for the feedback effect of growth on poverty, or confine one's attention to "weak market" areas where the usual argument is that working for equity is an ill-advised luxury. The reasons why remain murky—it may be that less equal areas tend to underinvest in human capital and also experience the sort of distributional conflicts that make it hard to agree on growth – but the message that doing well and doing good may be compatible is of great interest.

What is to be Framed?

The analysis above has implications for framing as well as policy – and because policy adoption and success depends partly on framing, I think it is important to lift up the framing aspects as well. Morover, since investing in framing is, of course, the role of both foundations and political leaders, this may be a policy all on its own!

First, we need to construct an argument for reducing poverty beyond simple good will. This may best occur at the regional level, the scale at which the shift in the economy-equity relationship has become increasingly clear, both econometrically and politically. We are already seeing examples of business "getting it": Chicago Metropolis

2020 has pushed for affordable housing as part of its business attraction strategy, the Fund for Our Economic Future in Northeast Ohio has stressed the need to tackle poverty and segregation as part of competitiveness, and Joint Venture: Silicon Valley Network has measured distress for low-income families as part of its annual index of indicators.

These efforts are actually quite modest at this point but they could be supported through both foundation investments and federal initiatives. For example, metropolitan planning organizations could be given more power with regard to allocating transportation and infrastructure dollars, and regions could be awarded extra incentives for interjurisdictional cooperation. It may seem a small point but regions that collaborate (or are able to force collaboration through the annexation powers of the metro's central city) do tend to boast better performances on equity measures, partly because an internalization of the costs of poverty seems to makes such costs acceptable.

The second framing shift is more difficult: we need to deal explicitly with the implications of race, immigration, and shifting demographics. In a fascinating econometric exploration, Harvard economists Alberto Alesina and Edward Glaeser have suggested that about half of the differences in social welfare spending between Europe and the U.S. is due to institutional differences and much of the rest is due to a racial diversity that prevents some taxpayers from seeing their common fate with the minority poor. Deborah Reed of the Public Policy Institute and I have looked at state-level capital spending – that is, public investment for the future – and found that those states with a larger demographic difference between the old and the young tend to invest less (even controlling for per capita state income).

This is not a surprise in America, of course, although econometric confirmation of it is comforting and disquieting all at the same time. One approach to the politics of this is to stress universal issues but the challenge is that some of what we need to do – provide better integrative paths for immigrants, focus on reentry issues for formerly incarcerated African American males, and further along the deconcentration of poverty – are quickly revealed as being racially nuanced or sensitive to even the least insightful observer. A different approach would be to stress the need for a conversation about race, something that may occur best (albeit also difficult) on a more local and regional level. Foundations can help by not avoiding race and by funding productive and difficult conversations.

What is to be Done?

If framing tees us up for change, policy can get it done. Again, colleagues in this project will stress a variety of policies specifically focused on the poor and there are numerous examples of comprehensive approaches, including those suggested in the Center for American Progress's 2007 comprehensive report, *From Poverty to Prosperity: A National Strategy to Cut Poverty in Half*. I try to add value here by discussing three policy approaches, many of which would be effected through non-traditional agencies and would seem at first glance only indirectly aimed at the poor.

Policy 1. Encourage growth in sectors that have demonstrable opportunities for low-skill and low-income workers.

Given the research above on the diminished impact of aggregate growth on poverty, we need to shift from a hope that growth will lift all boats to an approach that determines which sectors to encourage and skills to develop. This may strike some as unfashionable industrial policy but the truth is that the regionalization of the U.S.

economy has made such targeting more salient and a significant number of regional public-private collaboratives tend to stress investing in key “clusters” of industries.

In an informative study of the San Diego economy, the labor-based Center for Policy Initiatives demonstrated that a typical cluster approach in that economy – invest in creating conditions for high-growth gazelles – would actually contribute to worsening inequality given the wage and opportunity structures in those industries. To understand this, consider the extreme example of the Silicon Valley – if you focus just on promoting software innovation, you are likely to miss many low-skill and low-income workers. Of course, you need some regional specialties and some focus on external-serving or driving industries – but sectors can be promoted that maximize the possibility that lower-income individuals will connect to pathways out of poverty.

Among the most promising sectors in this regard is the “green economy” – but only if we focus on the blue-collar jobs that will be generated from retrofitting, say, heating, venting and air conditioning, and not simply the higher tech engineering that will yield more efficient solar panels. We also need to have the sort of neighborhood-based delivery systems that will insure the disadvantaged are actually able access this employment; examples here from my own Los Angeles include the efforts of Workplace Hollywood, an attempt to connect workers from low-income zip codes with the dynamic entertainment industry. The central point, however, is simple: poverty advocates, including foundations, need to think about policies that are more generally economic and industrial in focus and might be located in the Departments of Commerce, Labor, Transportation, and the U.S. Environmental Protection Agency.

Policy 2. Promote "second chance" strategies that allow low-income workers to retrain and reenter.

The American mythos is concerned with mobility – we all hope to rise to economic heights that exceed those of our parents. Unfortunately, our workforce development systems are not designed with mobility in mind – we have tended to create an educational system and workforce system in which it is assumed that one is trained, then works. But mobility has changed in two ways – it is less likely that your income will rise over time and it is more likely that you will move between jobs. Both mean that it is more important that we provide training and retraining opportunities for adults.

Indeed, the fact of working poverty suggests that, at least for some, the challenge of attaching to the labor market is not the issue; rising within it is. Reworking our training systems so that they allow for continuing opportunities to train is especially critical to immigrants, given that they are a disproportionate share of the working poor; in California, for example, Latino immigrants are only 16 percent of all households but they are 52 percent of those households classed as working poor. An immigrant-sensitive approach is key to insuring that immigrant families fare well, passing on the base of economic and social stability necessary for second generation progress.

Such a "second chance" system would have many different elements to it, including a massive expansion of English as a Second Language Classes, strengthening the incentives for regional collaboration by Workforce Investment Boards, and reworking training systems so that there are more evening training activities available to working adults (along with appropriate support like childcare). The ESL piece is particularly important; research consistently demonstrates that English acquisition can raise worker wages significantly as well as promote civic and parental engagement.

The “second chance” framing is something that would also provide a safety net for mid-skill workers affected by rising insecurity and displacement in the U.S. economy. It would also allow a policy opening for more effective prison reentry programs, a significant workforce problem for African American males (and some second generation Latinos and others). And it opens the way for a rethinking of our educational system as well, particularly around the notion of “multiple pathways.”

The latter concept is straightforward: college prep and technical educational have been posed as diverging paths (with federal legislation codifying this, and the recent emphasis on standardized tests to measure performance adding to the mix), and many inner city parents, worried that their children are being shunted into shop, have rightly lobbied their schools to offer college-oriented rather than vocational courses. The problem is that youth in high poverty neighborhoods and low-performing schools then encounter either a morass of abstract and unengaging courses that are not as good at college preparation as those in higher-income areas, or an undernourished career training system that has weak ties to actual industries and jobs. Multiple pathways advocates have suggested combining career and college prep: a student will learn both accounting skills and college prep algebra, for example, and choose from among a few “pathways” offered at their school such as business services or entertainment, taking courses that apply academic material to real-world skills and connect them with local professionals.

In Los Angeles, for example, Locke High School’s newly developed Construction Academy prepares students for the building trades but also includes paths for a career in architecture. The Los Angeles Infrastructure Academy is an after-school program that trains entry-level plumbers and electricians for jobs at the Department of Water and

Power, an employer with heralded career ladders. The direct connection with employment possibilities in both these efforts has elevated interest and involvement: with an aging workforce, both construction firms and unions are worried about cultivating a new generation. And because the students are acquiring both concrete skills and college prep, they can "drop back in" (rather than "drop out early") to the community college system later as needed for additional training.

The community college system is, of course, the next step for many of these young adults – and critical as well for those immigrant workers who may learn English, then want to step up in their training and education. Overall, community colleges are underfunded relative to need and the role they can occupy – and their clientele is disproportionately low-income and minority. They are clearly the new platform for success, with studies of economically successful regions, including the Silicon Valley, stressing the important role of community colleges in training the mid-skill professionals and technicians that drive economic growth.

This discussion suggests a wide range of policies: dramatically enhanced federal funding for ESL, perhaps as part of a broader immigrant integration initiative; reworking of the federal regulations and partitioned funding streams that stand in the way of combining college prep and career training; new federal, state and foundation support for community college systems; special attention to neighborhood-based delivery systems for job training, including for the reentry population; and business engagement in setting the training standards and needs along the way. Government has a big role to play, business should be involved, and foundations can help steer the dialogue in all these areas, particularly around investing in immigrant integration, in a more productive direction.

Policy 3. Promote strategies that understand and tackle the new geography of poverty, particularly in metropolitan areas.

Being poor is bad – and being poor in areas of concentrated poverty is worse. Study after study suggests that living costs (especially because of limited financial services) are higher and opportunities for economic progress (especially because of limited social networks) are lower. The traditional debate in this arena has revolved around whether to infuse the neighborhood with development, especially housing, or to create paths for residential mobility for residents, through vehicles like the Moving To Opportunity program launched in experimental form under President Clinton.

It is an old debate that is being reshaped by "regional equity" proponents who are attempting to address both pockets of poverty and the overall landscape of metropolitan opportunity. Strategies they recommend include inclusionary zoning, fair share housing, and improved public transit to jobs-rich suburbs. Federal policy, particularly with regard to the tax credits for building low-income housing outside of central cities, mandates around transportation equity, and increases in community development block grants could help the cause. At the neighborhood level, many point to comprehensive programs like the Harlem's Children's Zone, partly because, as Rebecca Blank notes, the physical and social neighborhood environment surrounding kids has a big impact on how they do in school. The Obama campaign, whose urban policy initiatives have gone largely underreported, has discussed using federal funding to create twenty "Promise Neighborhoods" following the Harlem model, and it is an idea that could appeal to both sides of the political aisle.

In tackling the geographic aspects of poverty, however, it is important to keep in mind the suburbanization of the poor, partly through inner city move-out but also because distress has spread beyond central cities to the inner-ring suburbs that directly adjoin them. According to Alan Berube of Brookings, 31 percent of America's poor live in large metropolitan suburbs, topping the 30 percent from large central cities. In Los Angeles County, for example, the suburbs adjacent (or nearly adjacent) to the City of Los Angeles are actually poorer and more minority than the City itself. Many of these suburbs lack independent fiscal capacity and are short on the institutional infrastructure around social services, community development, or workforce training that sometimes exists in central cities. Moreover, suburban poverty is generally less geographically concentrated at the neighborhood level; while that has a few pluses, it presents another problem for service delivery. Still, a new effort to understand and address the needs of the suburban poor is in order.

Shifting the political calculus and investment strategies with regard to the geography of poverty might require a bit of a sidestep based on the emerging relationship between equity and growth at a regional level – that is, stress a metropolitan agenda for the feds and infuse this with as much concern for local solutions to poverty as possible. The Brookings Institution's 2008 *MetroPolicy* report points the way to a metropolitan agenda with a focus on a federal cluster-development grant program, incentives to reward regional coordination, and other "new regionalist" policies. These should be supplemented by building on the hints of ideas in PolicyLink's recent report on "regional equity." The problem is that these are but hints – and regional equity and community organizers have been so frustrated by the stalemate in Washington that they have devoted scant time or resources to imagining what federal help might look like. Foundations could help by supporting the research and policy development in this arena, one that hold great promise, has stirred great enthusiasm, and has the potential to build new coalitions.

Looking Ahead

When all is said and done, there are essentially three ways to reduce poverty: grow the economy, with special attention to connecting the poor to work; improve mobility, with special attention to education and retraining; and establish a social floor, with special attention to boosting low-skill wages through minimum wage hikes or tax credits, and strengthening the safety net, especially around health insurance, disability compensation, and family security.

The usual approach to poverty focuses on the last of these; I have chosen to spend my time here on the first two, economic growth and mobility. As noted in the intro, none of what I've said should be taken to mean that I think these are the only – or even the most important – strategies available to us. Moreover, I've spent little time directly on children – and we are all convinced that early childhood education, healthy neighborhoods, and good elementary schools are key to lifelong achievement.

I am convinced, however, that the policy ideas above can be useful complements to the other fine ideas sure to emerge in this process. They reach into areas of the federal government not usually focused on the poor. They attempt to build constituencies with groups, especially business, not usually concerned with low-income communities. And they focus on the immigrant and adult workers not usually emphasized in child-oriented policies deemed more politically palatable.

But a new sort of economy and improved mobility for poor adults can actually help set the stage for children, particularly of immigrants, to prosper. We face a unique opportunity to refocus attention on poverty and related issues: the economic insecurity confronting many Americans renews the idea of connection and the high cost of low human capital restores an economic logic for investment. Mott is to be commended for its leadership – and it should challenge itself to round up the unusual suspects, forge the unlikely alliances, and support the unexpected strategies that will break the policy deadlock and begin to more firmly move the needle on poverty in America.

Further Readings:

On the changing relationship between equity and growth at the regional level:

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