It’s Time for a Comprehensive Approach to Fighting Concentrated Poverty

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The problem of concentrated poverty, long neglected by many government and business leaders, is poised to re-emerge as a national priority. The coronavirus crisis is hitting low-income communities especially hard. The Black Lives Matter movement has drawn attention not only to police violence against Black people but also to other forms of systemic racism, among which are the forces that create and sustain concentrations of poverty in communities that are disproportionately Black. A growing body of evidence shows that children who grow up in places of concentrated poverty pay a lifelong income penalty and are likely to live in similar places as adults. As ICIC’s new report The New Face of Under-Resourced Communities shows, concentrated poverty in America’s metropolitan areas is not only a problem of big cities; large under-resourced communities of high poverty and low income exist in many suburbs and smaller cities, too. Growing need and growing national awareness of the problem make a renewed national effort to fight concentrated poverty more timely than it has been for at least a generation.

Many under-resourced communities, especially those with large Black populations, became that way, in important part, because of historic redlining and ongoing exclusionary zoning and land use policies. Systemic racism in such institutions as lending and investing, real estate brokerage, employment, health care, and policing and criminal justice has reinforced the impacts of these exclusionary policies. Public policy has made little progress against systemic racism in recent years, in part because of the increasingly dysfunctional nature of our political system. As a result, people of color have been unable to accumulate wealth despite their resistance to racist policies and practices. More broadly, systemic racism is responsible for the United States’ low ranking (100th out of 149 countries) on discrimination and violence against minorities, as measured by this year’s Social Progress Index, the most comprehensive international quality-of-life index. Any serious attempt to address the problem of concentrated poverty in metropolitan America must include dismantling institutionalized forms of racism and compensating for their long-term effects.

Yet even this is not enough. Place, as well as race, keeps poor neighborhoods poor. Tackling the challenge of concentrated poverty today requires comprehensive community development strategies that address the complex, interconnected forces that perpetuate poverty in particular places. Such strategies must deal simultaneously with the intertwined, mutually reinforcing problems of housing, education, employment, business creation and growth, health care, and policing and criminal justice, among other institutions. Each of these problems has both an economic and a social component and both components must be addressed together. Because these problems won’t be solved overnight, comprehensive strategies should be long-term strategies even as they also deliver some immediate results.

In the past, comprehensive strategies to eliminate poverty yielded mixed results at best. None succeeded in eliminating concentrated poverty from a community, although some did improve residents’ lives in tangible ways. In designing and implementing the next generation of comprehensive strategies, we can learn from those results, building on past successes and avoiding past failures. The remainder of this policy brief presents five key principles that comprehensive strategies should follow to make that possible.
One.
Combine people- and place-based efforts.

The goal of a comprehensive community development strategy in an under-resourced community should be to improve the lives of the low-income people who currently live in that community. Doing this will usually involve combining place-based efforts to encourage investments in assets that are physically located in that community with people-based efforts that make residents better off independently of where they live. Margery Austin Turner calls such combined efforts “place-conscious.”

Neither place-based nor people-based strategies are likely to be sufficient by themselves. Place-based investments that improve community amenities are likely to increase housing prices, fueling gentrification and displacement in communities that are located in areas with strong real estate markets. Large-scale strategies to prevent or mitigate displacement, such as preservation of public housing or creation of community land trusts, are not always feasible. Even if current residents are not displaced, place-based investment incentive programs typically do not reduce poverty or provide jobs for them, although local hiring requirements may mitigate this problem. Moreover, place-based investment incentives are often poorly targeted, so that investments don’t occur where they are most needed. Although it is possible to mitigate many of the risks I have described here, it is not always possible to do so, and previous place-based programs have typically not done so. As I have previously argued, the Opportunity Zone program, the most recent and most ambitious place-based investment incentive program, continues this historic pattern; because it lacks safeguards to address risks such as these, its successes will rely on the voluntary actions of impact investors.

Yet assisting people alone without regard to place (even in economically productive ways such as helping them improve their job skills or subsidizing them to move to neighborhoods that offer better economic opportunities), carries its own risks. Policies and strategies that focus only on people, unless accompanied by those that focus on place, can enable at least some people to leave under-resourced communities. That’s good for those who are able to move out. But not everyone will want or be able to move out, and no one should be forced to do so. Helping people leave, by itself, can drain the community of residents and their purchasing power, skills, and social ties, leaving those who remain worse off than they were before. For example, there may be fewer local stores, local schools may be at greater risk of closure because of declining enrollments, and the community may lose political influence as its population declines. Of course, not all people-based investments carry these risks. Child-focused investments, such as those in early childhood, elementary, and secondary education, do not put under-resourced communities at risk for the kinds of short-term population declines that can result from some adult-focused investments.

Striking the right balance between these strategies can be challenging. The right balance itself will differ according to local economic conditions and community needs. In communities at risk of gentrification and displacement, for example, the balance should probably tilt toward people-based strategies. Moreover, the balance may need to be adjusted over time as local conditions change, so long-term comprehensive strategies must allow room for change in the people-place mix.
Two.

Ensure that strategies reflect community priorities and that residents are involved in decisionmaking.

Market conditions help shape the ways in which low-income communities can develop but they rarely dictate a single path of development. Community residents should be involved in creating a comprehensive strategy and the strategy should reflect their priorities. The next generation of comprehensive strategies should not duplicate the failures of 1950s and 1960s urban renewal projects, which intentionally displaced low-income residents and destroyed neighborhoods outright.\(^\text{12}\)

Resident involvement in community development decisionmaking has come a long way since the Community Action Program of the 1960s and 1970s, which required the "maximum feasible participation of the poor" in community development efforts. As implemented at that time, this requirement did not create a well-defined structure for resident participation.\(^\text{13}\) Over the last four decades, though, more sophisticated forms of community participation in community development planning have been developed.

Requiring the involvement of existing community organizations in developing and implementing a comprehensive strategy is one attractive approach. Existing organizations are more likely than individual residents to have the knowledge and resources to represent community priorities effectively while working with other stakeholders. They also have the ability to monitor comprehensive strategies’ processes and outcomes over time to ensure that they continue to meet residents’ priorities. The main drawback of relying on existing organizations is that they may not fully represent community priorities but only those of the best-organized groups. Some under-resourced communities have weak community organizations or none at all. Comprehensive strategies that rely only on existing organizations will leave out the residents of those communities.\(^\text{14}\)

The Boston Ujima Project has developed a promising method of involving low-income community residents in community development planning. Ujima is a cooperative that operates an investment fund. Voting membership is open to Boston residents who identify as working class and/or people of color. Every member contributes an amount that can be as low as $25 and is eligible to vote on the organization’s investment priorities.\(^\text{15}\) Like other community organizations, Ujima may not be fully representative of the communities where its members live. However, its combination of relatively open membership and member voting makes it an attractive model that could be replicated elsewhere.

Surveys and focus groups of community residents can help compensate for the limitations in the representativeness of existing community organizations,\(^\text{16}\) although they have their own well-known limitations. Because participation is voluntary, they may not fully represent residents’ views. Their findings, as well as residents’ willingness to participate, can depend on the organizations and individuals who are conducting and interpreting them. They provide only a snapshot of residents’ views at a point in time. They do not provide any means for residents to monitor the progress of a community development initiative over time.

Because each of these approaches to community participation has its own strengths and limitations, comprehensive initiatives should use multiple approaches to the extent feasible. They should also include local governments (which have their own advantages and drawbacks in representing under-resourced communities) in planning and implementation.
Three.
Include public, private, and nonprofit organizations in planning and implementation.

Since at least the 1970s, organizations specializing in particular aspects of community development have proliferated. Separate public, private, and nonprofit organizations are devoted to housing, education, workforce development, lending, small business technical assistance, and other issues. This specialization has enabled organizations to develop expertise in their own fields. However, because the problems of under-resourced communities are multi-faceted and intertwined, no single type of intervention is sufficient. Specialized organizations must come together to solve those problems, with each contributing its own expertise.

In addition to contributing their substantive expertise, public, private, and nonprofit organizations each have unique roles to play in comprehensive community development strategies. The public sector provides democratic accountability. The federal government is among the few organizations with the resources to be a major funder of comprehensive efforts nationwide. Businesses can contribute a results-oriented mindset and an on-the-ground knowledge of how specific industries operate. Larger businesses may be able to contribute significant funding. Businesses also have the capacity to contribute to community development initiatives in a way that simultaneously benefits them organizationally and benefits the residents of under-resourced communities; this “shared value” approach harnesses the profit motive in the service of broader social goals. Nonprofit organizations, including foundations, can enhance trust among other organizational participants, build or strengthen networks, and represent community voices. Foundations can also be a source of funding as well as of knowledge about how to bring organizations together in pursuit of a social goal.

This multi-organizational, multi-sector approach, often called “collective impact,” is well accepted in the philanthropic and nonprofit communities as a means of addressing complex social problems. In the past decade, it has been used in comprehensive community development initiatives led by both government and business. It is challenging to implement. The approach requires multiple organizations to work together. Those organizations must develop goals and methods of measuring the initiative’s impact, a governance structure, and methods of continuous interorganizational communication. A single “backbone” organization must coordinate the entire effort. To ensure that the initiative aligns with the priorities of low-income community residents, the participating organizations should include community organizations if they exist. Other methods of eliciting residents’ priorities, described above, should also be used to the extent feasible.

Different organizations may participate in different ways. Only one can be the “backbone” organization. A relatively small number of organizations can be high-level planners (so that the planning process does not become unwieldy) but they must consult with a variety of other organizations. Many organizations can help implement the strategy according to their expertise. Because comprehensive strategies are expensive, it is likely that multiple organizations (governments, businesses, and foundations) will need to contribute funding.
Four.

Build on community strengths to address community problems.

Even the most under-resourced communities have strengths, both economic and non-economic. Every community that has any businesses has industry clusters and occupations in which it specializes. Many low-income communities have anchor institutions, such as universities, hospitals, arts and culture institutions, and large for-profit companies, located in or near them. Some are home to major transportation hubs, such as airports, railroad stations, and ports. Some have unique architecture or historic sites. Some are located in or near rapidly growing metropolitan areas, whose regional economic strengths can be assets for their under-resourced communities. Local foundations are often especially interested in low-income communities that are located in the regions they serve. Comprehensive community development strategies should leverage these and other community strengths to address the community’s problems.

There is no one way to accomplish this goal. Communities differ in their strengths, their problems, and their residents’ community development priorities. However, certain kinds of strengths can be especially useful in addressing certain kinds of problems.

In ICIC’s experience, the industry clusters in which an under-resourced community specializes are a key starting point for creating new jobs and businesses in the community. These “strong” clusters represent a competitive advantage for the community. Research has shown that strong clusters typically are sources of growth in jobs, wages, innovation, and new businesses in a community. This suggests that strong clusters are potentially a high-impact focus area for future economic development. However, these clusters should be included as part of a comprehensive strategy only after further planning that assesses their recent and potential future growth, local workforce skills, accessibility of jobs, wages and benefits, and ability to meet other goals of community residents. It is also important to note that communities are not prisoners of their existing industries. It is possible to encourage the development of new industry clusters that share such features as technologies and workforce skills with the clusters that are currently strong. Although more difficult, it is also possible to encourage the development of completely unrelated clusters. In all cases, though, an understanding of existing strengths is essential.

ICIC also pioneered the idea that anchor institutions can be part of a community development strategy for under-resourced communities. Following the examples of such institutions as the University of Pennsylvania and the Cleveland Clinic, an anchor institution can employ community residents, spur the growth of local businesses by purchasing goods and services from them, help address the workforce needs of the community’s industry clusters, stimulate the growth of related businesses and other institutions in the community, build needed physical infrastructure, contribute to community development through its own real estate development, and/or tailor its own products or services to meet residents’ needs. Anchor institutions can, therefore, be important participants in as well as assets for a comprehensive community development strategy.
Five.

Include job and business growth in the strategy.

Although transfer payments can lift people out of poverty, better housing can improve quality of life, and investments in education can raise incomes over the long term, creating more and better jobs is the best route to making the residents of under-resourced communities better off. Encouraging the formation of startups and the growth of existing businesses in under-resourced communities are means of creating more jobs in those communities. Improving the productivity of those businesses can make it possible for them to offer higher wages. Other interventions can also increase the number and quality of jobs available to community residents regardless of whether those jobs are located within or outside of the community. These include improving residents’ job skills through workforce development programs, linking residents with employers, directly raising the wages of low-wage jobs, creating job ladders to enable residents to move from low-wage jobs to better jobs, improving the accessibility of jobs through better transportation options, and encouraging businesses to increase their hiring of community residents. Although specific needs may differ from one under-resourced community to the next, interventions such as these should be part of any comprehensive community development strategy.

In addition to providing jobs for local residents, local businesses can benefit under-resourced communities in other ways. For example, they can provide accessible shopping options, create wealth for business owners who live in the community, advocate effectively for improvements in community amenities, and provide entrepreneurial role models for young people. Thus, interventions that strengthen local businesses can be valuable parts of comprehensive strategies even if they do not create or improve jobs.

Because jobs and businesses do not automatically follow from other community development interventions, comprehensive strategies should include interventions that create and improve them directly. Yet comprehensive strategies have often failed to prioritize these types of interventions. Even those that included job creation fell short. For example, Baltimore’s Sandtown-Winchester Neighborhood Transformation Initiative of the 1990s had a jobs component that was not geared toward higher-wage jobs or strong industry clusters. Relying on neighborhood-based nonprofit organizations to hire and provide job readiness services to local residents and federal Empowerment Zone incentives to bring new jobs to the neighborhood, it did have some long-term impact on residents’ employment but did not reduce poverty in the neighborhood.

The next generation of comprehensive strategies must do better. Those strategies should take the same kind of systemic approach to job and business creation that they take to other interconnected community development issues. Small businesses, in particular, need a combination of different types of technical assistance, including assistance in accessing capital, as well as a community of other businesses located nearby. Developing a sustainable combination of assistance providers and other businesses—often referred to as a sustainable small business ecosystem—should be a priority for the next generation of comprehensive strategies. To ensure that jobs and businesses receive the attention they deserve, comprehensive strategies should include some combination of community-based and regional business associations, local lenders, less conventional providers of capital to small businesses (such as community development financial institutions, impact investors, community foundations, and family offices), larger businesses, anchor institutions, local economic development organizations, unions, effective workforce development organizations, and other relevant organizations as participants.
Conclusion

The comprehensive community development strategies of the past received criticism, some of it justified, from across the political spectrum. Conservatives were critical of these efforts, especially those that came out of the Great Society, on the grounds that they were based on misconceived social engineering goals, too driven by the federal government, and unsuccessful in achieving their objectives. The progressive critique was that these programs often functioned as covert means of removing poor people and people of color from their neighborhoods, ignored neighborhood residents’ priorities (especially the priorities of residents who weren’t politically well organized), and weren’t sufficiently funded.

If comprehensive strategies follow the principles I have laid out here, they can avoid or at least mitigate these criticisms. Although a strong federal framework and federal funding can be important, the next generation of comprehensive strategies will not be exclusively driven by the federal government. It will benefit from strong long-term planning and organization and multiple funding sources within a collective action framework. It will include local government and business voices and follow the priorities of community residents.

No comprehensive strategy has yet followed all the principles I have laid out. That is why past strategies have fallen short. But we now know enough to try again and achieve better results. Both the consequences of concentrated poverty and public awareness of those consequences are at levels not seen for decades. What is lacking is commitment on the part of government, business, and nonprofit leaders. It’s time for a new generation of comprehensive strategies to fight concentrated poverty.

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Endnotes


2 Peter Eberhardt, Howard Wial, and Devon Yee, The New Face of Under-Resourced Communities (Boston: Initiative for a Competitive Inner City, 2020).


5 See the U.S. Social Progress Index scorecard at https://www.socialprogress.org/?tab=2&code=USA.

6 For a similar viewpoint and recommendations that complement those provided in this policy brief, see Margery Austin Turner et al., Tackling Persistent Poverty in Distressed Urban Neighborhoods (Washington: Urban Institute, 2014), https://www.urban.org/sites/default/files/publication/22767/41379-tackling-persistent-poverty-in-distressed-urban-neighborhoods_0.pdf.


8 David Neumark and Timothy Young, “Enterprise Zones, Poverty, and Labor Market Outcomes: Resolving Conflicting Evidence,” Regional Science and Urban Economics, vol. 78 (2019), article 103462, provides evidence on state and federal enterprise zones, the most common type of place-based program, but also finds some limited evidence that federal Empowerment Zones are effective.


10 Howard Wial, “What It Will Take for Opportunity Zones to Create Real Opportunity in America’s Economically Distressed Areas” (Boston: Initiative for a Competitive Inner City, 2019).


12 Turner et al., Tackling, p. 5.


14 For example, a Portland, OR, program of resident involvement in the urban planning process that relied on neighborhood associations to represent residents’ views was generally successful except where associations were weak. Sy Adler and Gerald F. Blake, “The Effects of a Formal Citizen Participation Program on Involvement in the Planning Process: A Case Study of Portland, Oregon,” State & Local Government Review, vol. 22 (1990), pp. 37-43.

15 See Boston Ujima Fund website: https://www.ujimaboston.com. Investors may but need not be members.

16 The American City Coalition and ICIC used surveys and focus groups of residents, businesses, and employees, as well as interviews with representatives of community organizations, in developing their recommendations to revitalize the retail district of Boston’s Nubian Square neighborhood. See The American City Coalition, Nubian Square Market Analysis (Boston, 2020), https://tamcc.org/wp-content/uploads/2020/05/Nubian-Square-Market-Analysis_Full-Report.pdf.


19 The federal Promise Zone program (https://www.hudexchange.info/programs/promise-zones/#designees) solicited comprehensive community development program proposals from self-organized multi-organization collaboratives working within particular cities or metropolitan areas. Although it did not have its own dedicated funding, it is perhaps the leading public sector example of a collective impact approach to comprehensive community development planning. JPMorgan Chase’s AdvancingCities Challenge (https://institute.jpmorganchase.com/impact/comunities/advancingcities/advancingcities-challenge) is a leading privately funded example of this approach. In both cases, the funder selected proposals on a competitive basis using predefined, publicized criteria.
Endnotes (cont.)

20 Annie E. Casey Foundation, “Laying the Groundwork.”


22 Derek Douglas, vice president of civic engagement and external affairs at the University of Chicago and former special assistant to President Obama, cites cost (“multiples” of $20 million) and failure to integrate community priorities into planning and implementation as major reasons why previous comprehensive strategies fell short of achieving their goals. Quoted in Steve Dubb, “A Pandemic Pivot: The University of Chicago and the City,” Nonprofit Quarterly, September 2, 2020, https://nonprofitquarterly.org/a-pandemic-pivot-the-university-of-chicago-and-the-city.


26 For example, the American City Coalition, with ICIC’s assistance, recommended a strategy to revitalize industry clusters that were not strong because the development of those clusters was a major goal of local residents, business owners, and employees. See The American City Coalition, Nubian Square Market Analysis.


30 Porter, “New Strategies.”
