

HOW COMMUNITY ECONOMIC DEVELOPMENT IS REDUCING POVERTY IN CANADA: AND HOW IT COULD BE DOING MORE!

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Abstract:

This paper describes the research and learning resulting from the Canadian Community Economic Development Network's recent Place-Based Poverty Reduction initiative (PBPR). This project used a case study approach to document innovative locally-based Community Economic Development (CED) approaches to poverty reduction. Based on the work of four partner organizations from diverse communities across Canada, it describes their communities, their organizational approaches and the quantitative methods each partner uses to assess the impact of their work on the lives of individuals and their communities.

This paper makes the case that CED approaches to poverty reduction have positive impacts in communities and that these impacts can be measured. Our research and learning highlight the benefits and challenges of various approaches to impact measurement and the substantial effect the process of evaluation can have on the way programs and services are delivered.

PBPR also brought together a national learning network which shared learning and identified a series of related public policy challenges. They described, for example, the undermining effects of current labour market and human capital development policies that are designed around individual circumstances and single-issue supports.

The work of the PBPR initiative demonstrates that, while policy and program barriers remain significant challenges, CED organizations provide excellent examples of innovative and effective strategies for community-based poverty reduction. It shows how they are uniquely positioned to provide the balance and flexibility of both people- and place-based approaches to assist individuals and their communities in lifting themselves out of poverty. If the policy recommendations identified here were implemented, it would enable CED organizations to greatly increase these impacts.

Introduction:

The gap between the rich and the poor in Canada has widened dramatically over the last two decades and the depth and duration of poverty have increased. Over 3 million Canadians are living in poverty.¹ Children, women, lone parents, older

¹ Income Statistics Division. *Low Income Cut-Offs for 2006*. Income Series Research Papers, Statistics Canada. 2007.

adults, recent immigrants, those who are differently-abled and racialized groups are all disproportionately affected. One in four First Nations children grow up in poverty². Increasingly governments at all levels are beginning to develop policies and strategies to reduce poverty.

The current economic crisis has a large number of good jobs disappearing - most in the manufacturing and resource sectors. 387,000 were lost by the end of April³. The need for community-based economic planning and place-based approaches to employment creation and poverty reduction has never been greater. Communities are looking for ways to revitalize themselves and fill the gaps left by the withdrawal of industry and policy makers are looking for strategies to meet poverty reduction targets. By demonstrating the impacts of community-based approaches to poverty reduction in numeric and monetary terms, CED practitioners can make their case for investment and for policy changes. These policy changes would create an environment that facilitates scaling up their work, particularly the development of cooperatives and social enterprises which create jobs.

The PBPR initiative is based on the understanding that poverty results from multiple, complex, inter-related factors that need to be addressed through comprehensive, holistic and integrated approaches.

Community Economic Development is an approach that is working effectively to reduce poverty in many different communities across the country. CED is proven to build wealth, create jobs, foster innovation and productivity, and improve social well-being. Through holistic, participatory development, CED enables communities to reduce poverty and become attractive places to live and work.

This current paper summarizes a more extensive report of the initiative (available for download on our website). The report also includes an annotated bibliography and literature review of key relevant articles which confirm the value of place-based approaches and the strength of CED in holistically addressing the complexities of poverty. The report also includes logic models of the four partner organizations. These capture the comprehensiveness of each organization's multiple programs, services and supports and reflect their holistic approaches.

Describing our Impacts

The harsh reality of poverty cannot be fully understood through community profiles and numbers alone. To have a true picture, we need to understand the impact of poverty on individual lives, person by person, life by life, story by story. Similarly, to understand the impact of CED on reducing poverty, we need to know

² Assembly of First Nations. (2006). *Make Poverty History for First Nations*; First Nations Centre, National Aboriginal Health Organization. (2005). *First Nations Regional Longitudinal Health Survey (2002 – 2003)*. Ottawa: National Aboriginal Health Organization.

³ *Exposed: Revealing Truths About Canada's Recession*, Amine Yalnizyan, Senior Economist, Canadian Centre for Policy Alternatives www.policyalternatives.ca

the stories of real people and the impacts this approach has had in assisting their journeys out of poverty. These stories often best describe the qualitative impacts of a CED approach and a number of these testimonials have been included in the report.

Most CED practitioners know from personal observation and from anecdotes told by those they work with that CED helps improve the lives of those in poverty. Some people gain regular employment, some work in a social enterprise or start their own businesses. We see people improving in health –both mentally and physically, we see them reducing dependence on government assistance, gaining independence and sustaining themselves and their families. They build support networks and become more engaged with their communities.

So when someone asks us to describe the impact of our work, we usually tell them success stories. These are stories of personal courage and determination and stories of community, stories of people who connect with a local CED organization that helps them to build their skills, to connect with others in their community, to earn an income and rebuild their lives.

Measuring CED Impacts

Important as these stories are, more and more we are being asked for results that are quantifiable. The PBPR research initiative put most of its focus on measurable numerical evaluative approaches. To demonstrate results in quantitative terms, our partners used a variety of approaches to measure impacts on a selected group of constituents:

- Social Return On Investment indicators - estimates of saved costs in government assistance, health services, and incarceration etc.
- the Sustainable Livelihoods Model
- measures of Value Added, which monetize the contribution of such goods and services as volunteer labour, donations and skill development.⁴

What follows provides a glimpse into the processes and work of our partners. The stories describe the communities in which they work, what kind of organization each is, the way they collected this data, and what they discovered. Together, they reveal a complex and sometimes expensive process with plenty of room for error in both the design of measures and in their interpretation. For all that, these stories also tell of an approach to program assessment that is invaluable to CED organizations and the populations they serve, as well as to our funding partners.

⁴ See Laurie Mook, "Expanded Value Added Statement Toolkit," *Concern for Community*, Winter 2003). 19 February 2008 <<http://www.coopscanada.coop/newsletter/csr/winter2003/toolkit>>.

The Learning Enrichment Foundation (LEF)

LEF works in southwest Toronto in what was once the city of York, an area in which de-industrialization has resulted in increasing concentrations of poverty. In the last five years alone, this area has suffered a 50% loss of the total available jobs. Immigrants comprise over half the local population, one of the highest percentages in Toronto.

LEF fosters social and economic development through a broad program mix relevant to new Canadians: youth settlement and entrepreneurship, childcare provision and training, ESL and literacy, employment supports as well as training in food preparation, industrial and construction skills and computer technology.

For the PBPR initiative, LEF analyzed data from the past 3 years for 211 employment program participants who transitioned from social assistance to full-time employment. The data was derived from client registration forms, Toronto Social Services-Ontario Works social assistance data, Statistics Canada, and LEF client files. Only participants who were also clients of the Ontario Works program were included. While they represented only a portion of training graduates and successfully employed participants, this group had unique data sets that were crucial to calculating quantitative impacts. Benefit levels based on marital status and dependents, and the last year of reported earned income, when compared to Low Income Cut-Offs enabled us to establish pre-intervention baselines in terms of income and depth of poverty.

While not exact, this data made it possible to reasonably demonstrate that these individuals had income levels below established measures of poverty when they entered LEF. The data also allowed us to quantify in terms of employment income the transition of individuals out of poverty.

LEF: Earnings Before & After Intervention	
Starting Wages compared with corresponding before tax LICO	
(Assuming starting wages for all 211 full-time employed was sustained)	
Before interventions	After interventions
65% earnings below 34% of the corresponding LICO	
100% earnings below 50% of the corresponding LICO	97% earnings above 50% of the corresponding LICO:
	85% earnings above 80% of the corresponding LICO
	63% earnings above 100% the corresponding LICO

The data showed that over 99% of participants enjoyed higher before-tax income after their involvement with LEF. The increase ranged from 24% to 616%, with a median of 199%.

Économie communautaire de Francheville (ÉCOF)

ÉCOF is a CED corporation in the old part of Trois Rivières, a city of 126,000 halfway between Montréal and Québec City. Close to 50% of the population in these historic districts are unemployed and dependent on social assistance. Education levels are low. ÉCOF works to revitalize these distressed neighbourhoods by an integrated strategy of collective and small enterprise development, employment assistance, local ownership, housing restoration, and public participation.

ÉCOF, like LEF, has individual participant data based on the interviews and data collection that are part of their regular intake, support, and monitoring process (and a requirement for government funding). Data on the duration of unemployment, receipt of government assistance, education levels, and parental status are collected, as well as the results of the support provided – training, education, employment, and earned income.

ÉCOF had hoped to be able to create a picture of change in the community by comparing data from the 1996 and 2001 Statistics Canada censuses. In November 2000, ÉCOF and their community partners created a socio-economic picture of several high needs neighbourhoods using 1996 data. They used 2001 census data to update that picture under the themes of housing, family, education and employment. For Caroline Lachance, ÉCOF's Executive Co-ordinator, the results were disappointing. In each case, data was broken down by district, but because of the different methodology Statistics Canada used for data collection in each census, as well as the prohibitive costs of accessing some of the data, it proved to be difficult to derive meaningful comparative material.

Data analysis under the PBPR focused on 63 participants who transitioned from government assistance to full-time employment over a 3-year period. Based on the 6-month retention period after employment for which they collect statistics, ÉCOF estimates reductions in social assistance payments reached \$303,000. Gross wages in that same period totaled \$688,000. This added \$385,000 income to the local economy and had an overall financial impact of \$991,000. (Note for ease of reading, all numbers have been rounded off)

Greater Trail Community Skills Centre (CSC)

Working in a rural community surrounding a shrinking one industry town, Trail CSC uses four parallel approaches to poverty reduction: enterprise, training, employment, and community solutions.

For this project the Centre focused on participants of The Right Stuff, a social enterprise that provides collating and delivery services for the local daily newspaper. Since 2002, without any government funding, The Right Stuff has provided a supportive environment in which at-risk youth can gain paid employment experience and access to an employment and lifeskills counsellor.

The systems for tracking the socio-economic impact of the Right Stuff are fairly simple and rely heavily on effective communication with the participants. During the hiring and orientation process the employee, interview panel, and frontline supervisor all complete detailed checklists. The counsellor also works with employees on-site to develop and monitor a Personal Growth Plan. When an employee leaves an exit interview is conducted and s/he is contacted by staff at 3-month intervals for up to a year.

The Right Stuff's social return on investment was quantified in six ways.

1. Annual Income & Cost Savings to Income Assistance (IA) Budget

Wages earned by RS workers 2002-2003	Total Income Assistance RS workers would have rec'd over a similar period	Aggregate increase in income to community for this year*
\$60,000	\$50,000	\$10,000

* All RS employees were receiving IA in the first year but not since then because of changes in BC eligibility criteria

2. Annual Benefit of Additional Consumer Spending

There is a lot of research on the Economic Multiplier or Local Multiplier Effect. The local Chamber of Commerce uses a multiplier of three, estimating that each dollar paid to local merchants for rent, utilities, new clothes or electronic equipment, and discretionary items (e.g., video games, take-out) helps supply buying power for two more local purchases. In other words, if spent in town, the wages of Right Stuff participants could have an impact on Trail's economy that is triple their face value.

Total annual wages by 3 RS workers 2006	Estimated impact on the community economy in one year	Estimated impact on the community economy in three years
\$50,000	\$150,000	3 years = \$450,000

3. Cost of a Single Parent & Child on Income Assistance

Cost of supporting 8 single parents on income assistance with one child under the age of 3 for 1 year 8 X \$11,350 = \$90,800	For 3 years = \$272,400
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4. Cost to Health System

41% of youth-at-risk hired have undiagnosed mental illness. Work helps to stabilize their lives, intermittent stays in the psychiatric ward would cost:

Cost of supporting 1 individual in a hospital facility for one day = \$1,000	4 individuals for 1 day = \$4,000	For 10 days* = \$40,000
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(* average hospitalization time)

5. Cost of incarceration

Employment reduces criminal activity. For example, because of a job at the Right Stuff, one program participant was allowed to be in the community weekdays, rather than in jail.

Cost of supporting 1 individual in a federal prison for one year = \$85,000	4 individuals = \$340,000
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6. Value of volunteer work

One program participant chose to volunteer for the local ski patrol and worked 11 full days over the ski-season. Three seasons is the average length of time that volunteers dedicate to such commitments. This also has significant value to the community.

Value of one ski patrols volunteer work per season (\$11/hr) = \$1,000	For 3 seasons = \$3,000
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Summary of annual financial impact on community

Additional employment income (with LME)	\$150,000
Savings to Government (based on above metrics)	\$ 300,000
Total impact	\$ 450,000

PARO Centre for Women's Enterprise

PARO provides programs for rural, northern, aboriginal, immigrant, and francophone women, who live on low incomes, have experienced violence, or are differently-abled. It provides a wide range of entrepreneurial development supports for individuals and collective enterprises, principally through its Business Accelerator program. By means of the internet and a van ("PARO on Wheels"), the organization brings its programs to towns and reserves throughout Northern Ontario.

Working with the Canadian Women's Foundation and Eko Nomos CED consultants, PARO has implemented the Sustainable Livelihoods Model. This

model tracks changes in five asset areas identified as key to a balanced livelihood (financial, social, personal, human, and physical) in the recognition that financial assets alone do not determine one's quality of life or chances of achieving success. The Sustainable Livelihoods Model provides a way to quantify qualitative changes in people's lives.

Research over a two year period tracked ten Business Accelerator participants. Using baseline intake statistics staff interviewed participants on all five asset areas to measure annual progress. Qualitative descriptions of change are supported quantitatively by participants rating themselves on a scale from 1 to 5. The outcomes were positive and substantial. All participants reported an increase in all asset areas:

- Financial (financial planning, ability to increase revenues and profits) -
- 30%
- Personal (self esteem, independence, motivation and resilience)
- 26%
- Social Network (business and personal networks and supports)
- 25%
- Human (skills, knowledge and ability, work-home balance)
- 12%
- Physical (housing, food, child/elder care, transportation)
- 11%

"Although this followed only the Business Accelerator participants," suggests Roz Lockyer, PARO's Executive Director, "in light of the integration of all of PARO's programming and the level of interaction by participants between programs, these results are significant for the whole organization."

To further evaluate and quantify its holistic approach to CED (e.g. volunteer contributions and social outputs), PARO has also used an Expanded Value Added Statement to quantify some of the impacts of PARO on the community. The report states, "In comparing the \$386,999 of combined social value added in this 11-month period to the \$254,364 of value added based on the audited financial statements, we can see that PARO created at least \$132,635 in additional social value. This additional social value would not normally be recognized in financial statements, but it is a more accurate reflection of the value PARO creates with the resources available to it. It is estimated that the organization generated \$2.09 for every dollar spent on goods and services. The social value added component of this was \$0.72, indicating a large contribution of social value added for every dollar received by PARO from grants and other sources".⁵

⁵ Kelly Babcock, "PARO Centre for Women's Enterprise: Measuring Social Impact," prepared for CEDTAP of under the direction of Dr. Ted Jackson, (Ottawa: Carleton University). Available from www.paro.ca

Challenges

Whichever approach is used, measuring impacts is obviously not without challenges. Michele Cherot at Trail CSC describes the years it has taken to develop a system that measures the personal successes of youth at the Right Stuff. They tried numerous renditions of a Personal Growth Plan, which ultimately measured and highlighted the participants' failures rather than their successes, a system that doesn't benefit anyone. Then there are the "un-measurable successes." For example, when three program participants took part in a day-long walk-a-thon fundraiser for cancer research, this was the first time any of them had been involved in a community event. The impact on them was significant but it is hard to quantify that kind of success.

There is also the fact that development patterns involve both progress and regression in a participant's life. It can be very difficult to pull out the positives when the setbacks tend to dominate the perception of what is happening in their lives.

With the Sustainable Livelihoods Model, by contrast, data collection becomes integral to the work of staff and participants. Trail CSC is beginning to use the Model. The youth identified their success indicators in each of the five asset categories which involved them in the actual design of the process and consequently they were very receptive to the process.

PARO reports that it has incorporated Sustainable Livelihoods at every level of the organization, from strategic planning sessions to program curriculum. All participants attribute their asset increases to the program's ability to make them aware of their full range of assets and to provide them with the knowledge of how to define success in their own terms. One Accelerator participant uses the model for everything in her life

This reveals that the ability to measure program results is important not just for funding partners. The participants themselves want a quantifiable way to assess how their lives are changing. When participants can see measurable results it gives them the confidence to continue with their new choices and lifestyles.

The Balance

Our PBPR partners and our broader learning network had many debates about the relative merits of these methods of quantitative measurement: the accuracy, challenges, and shortcomings of each and of other methods, individually-based or community-wide; the need for better access to community-wide data; and the pros and cons of the whole endeavour.

LEF found that embedded data collection procedures ensured ongoing quantitative measurement that is relatively painless. However, the data is based on individual program targets, as defined by the funder, and focuses primarily on

post-intervention outcomes. Unfortunately the pre-intervention indicators required the establishment of appropriate baselines (e.g. income is absent except for those in receipt of social assistance). For Joe Valvasori at LEF, the PBPR project has highlighted the need to create and implement quantitative indicators and data collection methods focused on poverty reduction. Accordingly, they have established a 'poverty lens' that is applied across the organization to measure impacts and guide its work.

The research initiative also highlighted how the single-issue focus of many funded programs not only fails to adequately address the complex and interrelated issues of poverty, but also acts as a disincentive to service providers to focus efforts on the problem. For example, when the number of people gaining employment is the single measure of a program's value, organizations can feel pressured both to "cream" intake for the most readily employable clients and to encourage them to take low paying, shorter term employment. A broader focus that accommodated the real complexity of poverty would make it clear that the goal is to attain sustainable employment income, and that steps towards that goal need acknowledgment.

Finally, PBPR demonstrated how important it is for communities to create, modify, and adapt strategies to reduce local poverty, filling the gap left by government policies and programs with community-based approaches.

To summarize how the advantages and disadvantages of quantitative measurement balance out. On the negative side of the balance there is:

- The time and cost of collecting and analyzing the data. It all takes away from the resources available for direct CED work.
- The intrusion on participants' lives when additional information is requested. This is especially the case for social assistance recipients who fear their benefits may be affected by the supplementary self-employment or part-time income they earn.
- The temptation to invest more effort in things that are more easily quantified or monetized, to the detriment of programs that generate important qualitative results. Even among programs that do offer quantifiable results, the ones with the "most spectacular numbers" may become favoured for resources on that basis alone.

On the positive side of the balance:

- Quantitative assessment enables us to "make our case" more concretely to policy-makers, funders, and other investors.
- We can speak with increased confidence of the effectiveness of the CED approach to poverty reduction.

- Depending on the methodology, program participants can track their own progress more easily and assume more responsibility in the development process.

Policy Recommendations

While there are many challenges in evaluating impacts of CED in poverty reduction, even more challenging are the barriers to the work itself. Our four partners, together with members of the broader Learning Network, described a wide range of challenges and barriers they and their communities face. Unsurprisingly, many of these related directly to policy and program issues at various levels of government. They recommended a number of policy changes in areas that relate directly to individuals surviving on inadequate incomes and they also made policy recommendations relating to barriers they face as organizations involved in CED and service delivery.

Highlights include income support and labour market policies that directly affect individuals - such as living wages and support in transitioning from assistance to employment, as well as policies that affect CED organizations in their poverty reduction work such as setting targets for poverty reduction and ensuring CED strategies for poverty reduction are supported.

Policies that address the barriers faced by low income individuals included recommendations to:

- Shift tax structures to benefit low-income Canadians
- increase the minimum wage
- Reform Federal Child Benefits, EI, and Pension programs
- Increase income assistance levels and provide incentives for people to transition to sustainable employment
- Develop a national childcare policy and increase support for non-profit and co-operative childcare
- Improve accreditation for foreign-trained professionals and ensure funding for Adult ESL

Unsurprisingly these recommendations coincide with those of most of the anti-poverty coalitions across the country.

Recommendations based on barriers CED organizations face were in two broad categories.

Firstly, a proposal **to shift to labour development policies that focus on reducing poverty and social exclusion**, specifically to:

- Recognize local CED organizations as full partners
- Provide stable core funding

- Support efforts to build multi-sectoral networks
- Coordinate and integrate all government labour force development programs (moving away from funding program silos, from “cookie cutter” template services that ignore local context and from programs that encourage competition rather than collaboration)

Secondly, a proposal **to recognize CED and social enterprise development as an effective strategy for poverty reduction**, specifically to:

- Invest in a long-term patient capital loan fund for social enterprise
- Create a program to support start-up and technical assistance for co-ops and social enterprises
- Implement federal and provincial CED Tax Credits
- Support local procurement policies
- Create a national action plan on homelessness developed by all three levels of government with input from community organizations

These policy priorities that come out of the Learning Network analysis are very much in line with the Canadian CED Network’s **Communities Agenda** (available at www.ccednet-rcdec.ca) and have implications for all levels of government.

If implemented they would increase the effectiveness of this CED approach and would facilitate scaling up its ability to reduce poverty in communities.

Conclusions

While policy and program barriers remain significant challenges, CED organizations have provided numerous examples of how the sector has developed and implemented innovative and effective strategies for community-based poverty reduction and how they are uniquely positioned to provide the balance and flexibility that assist individuals and their communities in lifting themselves out of poverty.

Community organizations continue to look for ways to better evaluate and demonstrate the real social and economic value and impact of their work in a way that government, funders and the public will understand. This project provides case studies that demonstrate their impacts in numerical terms. In putting this quantitative data alongside the more qualitative information we are better able to tell the real story of our successes and our challenges.

The Canadian CED Network’s Place-based Poverty Reduction initiative provides the evidence that governments and other potential investors need to see that CED place-based approaches are effective in reducing poverty and that this approach needs to be one of the key components in any poverty reduction strategy. It also points the way to some key policy changes through which the work could be scaled up and the results multiplied to have a major impact on reducing poverty.