

**As I See It: Overlooked approach to reducing poverty**

**By Matthew E. Wally**

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Worcester's designation as a Gateway City has resulted in specific benefits from the state in the form of both public funding and regulatory policy changes designed to remove many of the social and economic barriers inherent to the state's midsize urban centers whose manufacturing jobs slowly disappeared over the past several decades. This government intervention is leading to an increase of investments from the private sector that is contributing to a level of the economic activity within the central business district that hasn't been seen in generations. But as important as these efforts are to the sustained economic growth of Worcester there is one critical statistic that is impeding the city from realizing its full economic potential. According to the most recent census, 22.4 percent of all Worcester residents live below the poverty line. More concerning, 31.5 percent of Worcester's children are living below the poverty line.

Both the individual and communal economic consequences of concentrated poverty are well documented in social science research.

Financial vulnerability can threaten the stability of families, create blighted neighborhoods, jeopardize public safety, and erode economic development progress.

Studies have shown that when a neighborhood's poverty rate exceeds 10 percent, housing values and rents decline rapidly; and when a neighborhood's poverty rate exceeds 20 percent, crime and delinquency grow rapidly. Both of these occurrences negatively affect the long-term growth and development of cities like Worcester.

Concentrated poverty increases the costs associated with city services that can lead to both an increase in taxes and a reduction in those services. But in a city like Worcester the burden is even greater. Because an ever-increasing reliance on property taxes is layered over a city in which almost 30 percent of the land is owned by tax-exempt entities, residents and businesses are sharing a greater tax burden than those residents and businesses in the surrounding towns.

Although personal responsibility, self-sacrifice and individual life choices are ultimately the most self-sustaining path to improving one's social and economic position, it is helpful to live in a city that provides the right opportunities for advancement. These opportunities include the existence of a strong school system, available training programs that can provide the skills to meet the needs of local employers, and the presence of a strong business sector offering well-paying jobs.

There is an additional factor, often overlooked, that has proven to be transformative for households stuck in poverty.

The opportunity for all households, as well as business owners, to access and effectively use regulated banking services has been proven to reduce poverty, foster entrepreneurship, and provide overall greater financial stability. Access to a bank or credit union account is often the first step in saving, planning for the future, building credit and climbing the economic ladder. Financial inclusion helps individuals start and grow businesses, invest in their education and health, grow assets, and pass on those lessons and practices to their children.

Unfortunately, according to estimates using data from a 2013 FDIC survey, 11.5 percent of Worcester households are "unbanked," meaning they have neither a checking nor savings account. And an additional 18.5 percent of Worcester households are "underbanked," meaning they have a mainstream account but use alternative and often costly financial services for basic transaction and credit needs. The two estimates add up to about 30 percent of the city's households. Without banking services, many turn to payday lenders, pawn shops, and even keeping cash savings at home under the proverbial mattress. Both unbanked and underbanked households are more susceptible to loss or theft, are not focused on building a personal emergency fund, have difficulty putting savings into important needs for their security and future, and are not able to build a credit history compared to households using typical banking services.

Fortunately, people can change their situations and their lives. More than twenty different banks and credit unions offer services in Worcester. These financial institutions manage more than 50 individual branches and offer the opportunity for both the unbanked and underbanked to access safe, sound, and affordable financial services. Local banks and credit unions understand and can help those coming to them looking for help in getting started.

Financial inclusion has become a priority for policymakers across the country. Numerous cities have had success with the "Bank On" initiative. Modeled after the City of San Francisco's successful "Bank On San Francisco" program, the initiative involves a partnership between local government, private financial institutions and community-based organizations. "Bank On" programs raise public awareness, facilitate access to mainstream financial services, and expand opportunities for financial education that can include developing a household budget, balancing a checkbook, and even how to open a savings or checking account. Successful "Bank On" campaigns have been implemented across the country in cities such as Boston, Houston, Los Angeles, Miami, New York, Providence, and Denver.

Increasing access to mainstream banking relationships and financially educating those who need it most will not suddenly reverse the trend of the shrinking middle class nor will it provide for the basic needs of our most impoverished and vulnerable citizens who can't afford necessities such as food and shelter. But for those beneath the poverty line who are in a more stable situation, financial inclusion is a key enabler to a better life as it also reduces poverty and boosts prosperity in a community. It can be an important tool to help Worcester reach its economic potential and become the best mid-sized city in the country.

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