

Poverty's Enduring Tradition in Rural North Carolina:

How Do We Respond?

Billy Ray Hall



STEVEN GAI

Situated on a quiet peninsula flanked by the Albemarle and Pamlico sounds in northeastern North Carolina, Tyrrell County once was called Place of the Sweet Bay Tree by local Indians. Today it is home to protected wildlife sanctuaries, fertile farmland—and one of the highest poverty rates in the state. For generations of families, poverty has come to be a devastating, disheartening way of life, permeating nearly every segment of the community and leaving an indelible mark not only on the 23 percent

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of county residents who live in poverty but on everyone else as well.

“Poverty, unfortunately, is something we all live with, day in and day out, here in Tyrrell County,” says Mavis Hill, executive director of the Tyrrell County Community Development Corporation. “We’re a small county of about 4,100 people, so when you have nearly a quarter of your population living in poverty, the impact of that is far-reaching.”

A major part of the problem is jobs, or rather, the lack of jobs in a county that still relies heavily on traditional farming, fishing, and forestry trades while the world increasingly becomes more technology driven. With virtually no industry except a seafood processing company in Columbia, nearly 38 percent of Tyrrell County workers commute each day to jobs in neighboring counties.

Graduating high school seniors searching for job opportunities often choose to relocate, making it all the more unlikely that potential business investors will find Tyrrell County attractive.

“When you talk about the cycle of poverty, this is what you’re talking about—not just the cycle within families but the cycle within the community,” Hill said. “Over time, not being able to get out of poverty makes the whole community lose hope, so our first task, as community developers, is to knock down those walls and build some hope for these people, layer upon layer.”

The poverty rate in the county is even higher among young people—about 31 percent—so much of Hill’s work at the community development corporation focuses on job skills training for teenagers in the predominately minority

community of Columbia, the county seat. The corporation's highly successful Youth Corps gives young people training in conservancy by putting them to work in the nature preserves along the Albemarle Sound. Other programs offer help in managing responsibility and resolving conflicts.

For the people of Tyrrell County and more than 900,000 other North Carolinians throughout the state struggling to break free from the cycle of poverty, hope is hard to hold onto. For state lawmakers, local government officials, and community leaders grappling with the issue, finding an effective means of fighting poverty is no easy endeavor. What will it take to loosen poverty's firm grip on North Carolina's rural communities and families? A better public school education? More lucrative business incentives? More effective regional economic development partnerships? As North Carolina moves into the twenty-first century, making strides against the state's enduring tradition of poverty will no doubt be one of its greatest challenges. This article suggests actions that state and local leaders can take to counter that tradition. (For a profile of what one foundation leader is doing, see the sidebar, opposite.)

The Rural Face of Poverty in North Carolina

Until fairly recently, North Carolina seemed to be gaining ground in the fight against poverty: census figures over the last three decades showed a modest drop in the number of state residents living in poverty. Today, though, the number is on the rise. According to the 2000 Census, North Carolina's current poverty rate is 12.3 percent. Only eighteen states have higher rates.

Poverty is an especially poignant issue in rural North Carolina, where about 14 percent of the population, more than 15 percent of the elderly, and more than 18 percent of children wake up each day to poverty. The North Carolina Rural Economic Development Center (hereinafter Rural Center), a nonprofit organization serving the state's eighty-five rural counties, defines "rural" as having a

density of fewer than 200 people per square mile based on the 1990 U.S. Census. More rural North Carolinians than urban residents live in poverty. With fewer employment and educational opportunities, rural people and families are more likely to get caught up in a cycle of poverty. "Persistent poverty," defined as a countywide poverty rate of more than 18 percent for three consecutive decades, is an exclusively rural problem in North Carolina. All twenty counties in the state experiencing this phenomenon are rural. An analysis of 2000 U.S. Census data by the Rural Center reveals striking figures on rural poverty in North Carolina:

- Geographically, the counties with the highest rates of poverty are located in the coastal plain and the mountains, which are almost entirely rural.
- Rural people and families are likely to earn much less than their urban counterparts. The per capita income for rural counties is \$17,579, compared with \$23,162 for urban counties.
- Minorities are more likely to live in poverty than whites, especially in rural counties.
- The poverty rate for female-headed households is higher in rural counties than in urban ones, 31 percent versus 23 percent.

Exacerbation of Poverty by Natural Disasters, Rising Unemployment, and Manufacturing Losses

Poverty is not just a social issue affecting a segment of North Carolina's population. It is an economic issue affecting the whole state. The unemployed and the underemployed represent lost productivity for the North Carolina economy and higher expenditures for all levels of government. Children who grow up in poverty are

less likely to secure adequate jobs as adults and are more likely to engage in crime during their lifetime.¹ Further, although welfare rolls have declined significantly since Work First (the state's welfare reform initiative) was implemented eight years ago,² the number of low-income families needing assistance through food stamps, Medicaid, and unemployment benefits is increasing.³

Recent statewide events have weakened the economy, placing further

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burdens on poor families and communities. Hurricanes Fran and Floyd, which together caused about \$12 billion in losses to North Carolina businesses and agriculture, drained state and local budgets while creating enormous needs for housing development, public health initiatives, and assistance

for families and communities in eastern North Carolina that already were struggling. The state's four-year-long drought took an extreme turn during summer 2002, causing another \$1 billion in losses.

Meanwhile, general economic conditions are creating a disaster of another sort. Short-term effects of the 1998 tobacco settlement and an economic downturn that began in early 2000, along with long-term global economic restructuring, have led to large-scale job losses. Manufacturing closings accelerated in the late 1990s because of changes in U.S. trade policies, leaving tens of thousands of low-skilled workers without higher-wage jobs, a majority of them in rural communities. A Rural Center analysis of the North Carolina Employment Security Commission annual unemployment data shows that unemployment in rural North Carolina in 2002 was 7.6 percent, with 150,701 rural North Carolinians out of work.

In this time of economic restructuring, the issue for state and local leaders is what they can do to address the needs of low-resource communities.

Valeria Lee: From Farmer to Foundation Builder

The mandate of North Carolina's Golden LEAF—to respond to the changing economies of tobacco-dependent and economically distressed communities—is almost as vast as the tobacco-settlement money that supports it. Since 1999, Golden LEAF (Long-term Economic Advancement Foundation) has given out more than \$32 million in such disparate areas as office park expansion, a steeplechase park in Hoke County, and tobacco processing.

Yet for Valeria Lee, the foundation's president, the charge is specific and urgent: to prepare people to take advantage of opportunities, and to make sure the opportunities are there. A native of rural Halifax County in eastern North Carolina, Lee knows firsthand the social and economic divide between the state's rural and urban areas. She also knows a bit about making the most of opportunities. Like a lot of families in Halifax County, hers depended on tobacco for its livelihood. Tobacco was the main cash crop on the family farm and was

a family endeavor that included Lee, her three sisters, her grandparents, and other relatives. Growing up, she was "involved in the production, from planting to tilling, harvesting to curing, and grading to marketing," Lee recalled recently, adding that tobacco income was the basis of her college education.

After earning a bachelor's degree and two master's degrees, Lee joined the Z. Smith Reynolds Foundation in Winston-Salem, North Carolina, where she was program officer for fifteen years. Other credits include founding a noncommercial public radio station, helping organize the North Carolina Rural Economic Development Center, and running for secretary of state.

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Since taking on the leadership of Golden LEAF in 2000, she has worked hard to spread opportunity—and the training to take advantage of it—throughout the sixty-one targeted counties.

So in Wilson, low-skilled farm and factory workers, who typically make \$6.75 an hour, learn to install and maintain industrial equipment for \$17.50 per hour. In Johnston County, workers laid off when a tobacco plant closed are targeted individually by case managers for training and referrals. In Greene County a literacy program motivates parents to get basic academic skills and encourages their children to stay in school. And in Rocky Mount a call center uses telephone technology and a sophisticated database of jobs, training opportunities, day care services, and transportation resources to help the hardcore underemployed in twenty eastern North Carolina counties find a job and keep it.

"We're looking at training opportunities for specific industries and companies so those who most need employment can get it," Lee explains. "But we're also helping some people move into jobs where the skill level and academic requirements are not so high." Grants through the state's college system are training electric line workers, truck drivers, mid-level managers, teachers, and workers in hospitality, tourism, and the state's growing wine industry—and providing scholarships for enrollees.

Another major thrust of the foundation is to help small farmers have more agricultural options. "For many people, the farm is not the main source of income," Lee acknowledges, "but we are trying to use much of our grant making to help them at least supplement the



family income." Consequently, grants are funding research, development, and marketing for everything from soybeans, Christmas trees, and sweet potatoes to goat cheese, bloodroot, and exotic mushrooms—with results not necessarily limited to small farmers. "Someone farming ten acres might be able to grow hot peppers, but we know large corporate farmers can grow them as well and may then have a job for someone who is not a farmer," Lee adds.

"It's that mix we are always mindful of: job opportunities, small business opportunities, farming opportunities, and overall economic development opportunities. The new economy is very much knowledge-based and technical and global, and it can be as applicable to the most depressed areas of eastern North Carolina and the mountains as to the cities. In my mind, if we don't make it the economy of *all* of North Carolina, we will continue to have disparities."

—Eleanor Howe

A Comprehensive, Coordinated Strategy at the State Level

Given the current economic troubles, policy makers may be tempted to give a low priority to combating poverty. In my view that would be a crucial error. What is needed is a plan that focuses on poverty, is comprehensive, and integrates strategies across sectors—health, education and job training, welfare, housing, business, finance, and others. While protecting current investments, state policy makers could start laying the foundation for future initiatives that more aggressively attack poverty and improve economic opportunity. The following recommendations may offer a starting place.

Recommendation 1: Establish a job creation strategy that targets rural, low-income communities.

Rural North Carolina needs jobs that can help people living in poverty earn a living wage. As a result of dramatic change brought about by economic restructuring, recession, and large-scale disasters, North Carolina should consider adopting a comprehensive jobs-development strategy that bolsters existing businesses and fosters new growth. To address the growing income gap between the rich and the poor, especially in rural areas, strategies would create opportunities for self-employment, small business development, and access to capital. State leaders might consider the following possibilities:

- Balance large-scale recruitment efforts with a strategy of small business development and retention. Small business has been a mainstay of North Carolina's rural economy for more than a century. Its importance, however, has increased in the last fifteen to twenty years as major employers, particularly in agriculture and traditional manufacturing, have suffered severe job losses. In rural North Carolina, 76 percent of firms have fewer than ten employees, and a significant percentage of those firms are "microenterprises"—that is, businesses with one to four

employees.⁴ North Carolina should consider bringing its resources to bear on start-up and expansion of small businesses, including incentives and support for business planning, training, and capital resources.

- Support innovative financing options that target low-income entrepreneurs. Access to business capital is crucial for start-ups and expansions, yet it is not readily available for people who have sound ideas but do not qualify for traditional bank loans. Strategies such as providing low-income entrepreneurs with access to capital and lending money to microenterprises offer people assistance in putting their ideas to work. For example, the Rural Center's Capital Access Program provides a reserve fund that protects North Carolina's financial institutions against losses from loans made under the program. The protection enables these institutions to increase lending for business start-ups, expansions, and modernization. North Carolina needs to continue supporting microenterprise lending and capital access programming and investigate other financing options, including grant and loan combinations.

Recommendation 2: Ensure that the education and workforce development needs of low-income children and adults are met.

To compete for good jobs and live well in an increasingly complex world, North Carolina's children and youth must have a sound basic education. However, rural educational achievement continues to lag, leaving many rural children and youth ill prepared to become part of the workforce. Promoting achievement for all students will require a strategic, multilevel approach that builds on best practices in rural education. For those living in poverty, additional supports may be necessary, as many youth and adults find that current jobs require advanced skill levels. For those who find that their skills are no longer needed when jobs are lost, strategies must be in place to retrain them. For example:

- **Create a school funding model that serves students in poor communities.** With adequate resources, students who live in poverty can achieve at high levels. Adequate resources would support special services and programs that can improve a complex assortment of difficulties underlying low achievement: inadequate school facilities, out-of-date materials, noncompetitive teacher salary supplements, and insufficient technology. Many schools do not have adequate resources because the community in which they are located cannot afford to pay. North Carolina should consider establishing a funding formula ensuring that students in low-income rural communities have access to a high-quality education. Models that provide dollars to school districts based on the number of students receiving subsidized lunches offer promise.
- **Invest in early childhood or early elementary education programs.** Programs such as Smart Start, Head Start, and family literacy are demonstrating success in helping children enter kindergarten ready to succeed. More at Four (a program that funds classrooms that target at-risk four-year-olds not being served by other high-quality early childhood programs) shows similar promise. Gains from these programs, however, can be lost once children begin elementary school. North Carolina should consider establishing an academic transition program to build on gains from preschool programs. It also should continue to place high priority on early reading intervention to ensure that students are reading at grade level by the end of the third grade.
- **Provide low-skilled workers with full access to literacy and basic skills training.** Only by improving their skill levels can lower-paid workers improve their job prospects. North Carolina should consider mobilizing its forces to ensure that every working adult is aware of and has ready access to basic skills and literacy programs. These programs will need to include instruction in English as a second language.



- **Provide dislocated workers with opportunities for retraining and job counseling.** As manufacturing jobs disappear in rural communities, low-skilled workers will have increasing difficulty finding jobs of comparable skill level. North Carolina might work to ensure that retraining opportunities coupled with job counseling are available. These programs need to be particularly sensitive to the needs of low-income workers.

Recommendation 3: Provide resources to low-income workers to remove barriers to work.

North Carolina should consider ensuring that rural residents—especially the working poor—can work. Families

should be well informed about their options and the services that can make a difference in getting and keeping a job. Here are some possibilities:

- **Equip low-income workers with the skills and support base necessary to succeed on the job.** North Carolina might expand its programs of job readiness and development to ensure that low-income workers new to the workforce acquire strong job skills. The state also might encourage the sorts of one-on-one coaching, mentoring, and personal support efforts that now are being demonstrated through innovative faith-based initiatives.

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For example, Asheville-Buncombe Community Christian Ministry provides job-readiness instruction, case management, and transportation services to clients moving from welfare to work.

Truth in Youth and Family Services, in Brunswick County, couples life-skill classes with apprenticeships in local businesses.

- **Provide high-quality, accessible child care for low-income workers.** Safe, reliable, affordable child care is critical to working parents. Because quality child care makes for better outcomes for poor children, North Carolina might consider expanding its program of subsidized child care.

Recommendation 4: Establish strategies that move low-income workers toward economic stability.

Many people with limited incomes do not accumulate the financial assets that can help them become more stable. Some families may not have enough income just to cover their needs, but other families may be hampered by policies and practices, like lack of incentives and high-cost lending, that reduce their ability to save. North Carolina should consider removing obstacles to wealth accumulation and support innovative practices that lead to economic stability. Strategies that might accomplish these goals are as follows:

- **Establish a state earned income tax credit.** The earned income tax credit adds to the after-tax earnings of low- to moderate-income people. The credit acts as a supplement to wages after payroll taxes. Sixteen states have adopted such a tax credit, using it in a variety of ways to reduce child poverty and increase savings and disposable income.⁵ North Carolina should consider establishing an earned income tax credit. If the tax credit were set at 15 percent of the federal calculation, a family receiving a federal credit of \$2,000 would receive a state credit of \$300.
- **Continue implementation of individual development accounts (IDAs).** IDAs are savings and investment accounts, similar to IRAs, designed for the working poor. Participants receive financial planning advice and assistance in setting up the accounts, and their investments are matched by an IDA program provider up to a 2 to 1 ratio. Results from an evaluation of the two state-sponsored IDA demonstrations in North Carolina indicate that IDAs have enabled low-income people to save successfully for the purchase of a home.⁶ However, to sustain and expand IDA programs, additional dollars will be needed for program administration. During the demonstration phase, funds were used primarily for account matching. North Carolina

should continue implementation of its program and reconsider funding local program administration.

- **Enforce a policy that combats predatory lending.** Easy access to credit can begin a cycle in which those with poor credit look to high-interest, high-cost cash-advancing options or borrow money through other high-interest lenders. North Carolina needs to continue aggressively combating predatory lending practices, including unscrupulous mortgage brokering and payday lending.

Strategic Investment at the Local Level

Local leaders also need to develop and invest in a comprehensive set of strategies that build wealth and remove barriers to education and work. What is required to develop a plan for such investment is action that addresses immediate needs, supports development of financial assets for future stability, and maximizes resources.

Recommendation 1: Focus resources on helping low-income workers build financial assets.

Rural leaders have long recognized that entrepreneurship can help solve many of the economic difficulties of rural communities. Local leaders across the state have successfully planned for small business development by building on community assets and resources. In low-income communities, support structures need to be in place to help potential entrepreneurs and current small business owners move ideas to reality. Strategies might include a variety of support and information services:

- **Develop the capacity for entrepreneurship and business ownership.** Business ownership and entrepreneurship flourish in environments that support the various needs that come with owning one's own business. Local leaders need to be encouraged to develop ways to link prospective business owners to business planning resources, and to promote the development of support services that help small businesses

gain access to telecommunications, computer services, financial services, and marketing resources. Local leaders also need to be encouraged to promote entrepreneurship education for both adults and youth. Such programs as NC REAL (Rural Entrepreneurship through Action Learning) and the Teen Entrepreneurship Program of the Adolescent Pregnancy Prevention Coalition of North Carolina have shown positive outcomes through hands-on entrepreneurship experiences.

- **Provide information on the full range of financing opportunities available to low-income entrepreneurs.** For those who have had difficulty entering the marketplace, access to capital for start-ups and expansions is crucial. Local leaders can help small business owners get access to capital by providing them with information on program options.
- **Create opportunities for financial literacy training and credit counseling.** Understanding how banks operate, how to manage credit, and how to prioritize expenses and income for maximum return on investment helps small business owners increase their probability of success. Frequently, poor credit is the biggest hindrance to people looking to move out of poverty and gain economic self-sufficiency. Credit counseling services often are part of larger community-based programs or packages of services affiliated with housing, small business, family self-sufficiency, faith-based strategies, and IDA programs looking to create positive economic outcomes for families. Local leaders should consider encouraging the development of financial literacy programs in the community.

Recommendation 2: Expand affordable homeownership opportunities for low-income families.

Home equity constitutes 60 percent of family wealth. However, fewer than 49 percent of rural North Carolinians are homeowners. Affordable housing is a

critical need in rural North Carolina. In many poor rural communities, lack of housing stock and housing in need of rehabilitation are key issues. Additionally, homeownership often is hindered by debt and poor credit. Local strategies include housing development and home buyer education programs:



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- **Develop affordable-housing initiatives.**

Private and public partnerships can be found throughout the state to increase the stock of affordable housing. Local leaders can advocate for affordable-housing strategies and encourage the development of policies that support affordable-housing projects.

- **Establish home buyer education programs.** Home buyer education, which may include training both before and after a purchase, provides first-time home buyers with financial and home-maintenance information critical to purchasing a home and preserving their new asset. This strategy has been effective in lowering delinquency rates.

- **Create mechanisms like IDAs that help people save for homeownership.** Local leaders who do not currently have such a program in their area might investigate this strategy as a means of supporting low-income prospective homeowners. An IDA also can be used to save for a business or for educational expenses.

Recommendation 3: Strengthen partnerships with community and faith-based organizations.

Since the late 1980s, the North Carolina Rural Economic Development Center has administered an economic development grants program to spur activity by minority-controlled community development corporations in low-wealth communities. These organizations offer a host of programs and

services that build assets, from business services to small-business incubators, business planning to lending, housing counseling to construction, job counseling to training, child care to after-school tutorials, and health awareness campaigns to health screenings. Faith-based organizations also have a part to play and are receiving

increased attention not only for their service role but also for their role in economic development. Following are some possible strategies for local leaders:

- **Partner with community development corporations and other nonprofit organizations to develop strategies for economic development.** Community development often is a shared objective across organizations and institutions. Active community organizations are essential to building strength in rural North Carolina, and in many low-income and minority communities, these organizations stimulate economic development and provide support services for rural workers and families.

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- **Partner with churches and other faith-based organizations to meet critical needs in rural areas.** A decade ago the North Carolina Rural Economic Development Center launched the Church Child Care Initiative to stimulate faith-based activity in meeting the child care needs of working families. As this activity grew, so did the expectation that faith-based organizations would serve other roles in rural communities. As welfare reform moved rural people from welfare to work, rural churches provided job readiness and skills training, job counseling and crisis management, transportation, and other support services. Local leaders need to encourage such faith-based initiatives and link them to government services.

Conclusion

State and local leaders need to act with resolve in establishing policies and practices that will enable North Carolina's rural families to build assets leading them to self-sufficiency. The first step is for the state to develop a plan focused on poverty and integrating strategies across the various services that must contribute to solutions. Building on current initiatives, such a plan would attack poverty more aggressively and improve economic opportunities for low-income rural people. Solutions do not rest with approaches that deal with income alone. They must include those that provide and protect assets.

Notes

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3. See EMILY GERSEMA, *AS TIMES GET TOUGHER, MORE GET FOOD STAMPS*, Associated Press, Nov. 3, 2002, disseminated by the Covenant with North Carolina's Children, InfoNet; Centers for Medicare and Medicaid Services, U.S. Dep't of Health and Human Servs., *Medicaid Enrollment, North Carolina 1996-2002*, available at www.cms.hhs.gov/medicaid/managedcare/enrolstats.asp; Lanier Cansler, *Medicaid: The Aid N.C. Needs*, available at www.ncpharmacists.org/viewpoints2.html; EMPLOYMENT SECURITY COMM'N, *ESC MEASURES ASSIST UNEMPLOYED NORTH CAROLINIANS* [press release], Dec. 20, 2002.

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