Local Wellness Funds
*Advancing the Practice*

Ei
Economic instability

# Innovations to Address Economic Instability: Examples From Across the Nation

Policies promoting economic equity may have broad health effects. The federal COVID-19 recovery funds provide cities a chance to support residents' basic needs and develop innovative solutions for residents to thrive economically for the long-term, ultimately achieving greater equity and more resiliency in communities.

There is strong evidence[1] showing a relationship between income, socioeconomic status, and health outcomes, including increased risk for chronic disease, adverse behavioral effects, and shorter life expectancy.

To address income inequality and related health disparities, cities and states are undertaking many initiatives to improve economic stability and mobility, especially for people of color, including direct cash assistance, workforce development and training, wealth-generating programs, expanded entrepreneurial opportunities, and shared equity housing models.

If economic vitality and financial security are prioritized as uses, local wellness funds can use these national examples as innovations that may be replicable or adaptable to their local context.

## Direct Cash Assistance: Guaranteed Income

Research shows that direct cash assistance can not only alleviate poverty, but can also improve educational, behavioral, health, and development outcomes for both the adults receiving the cash transfer payments and their children.[2] Direct payments essentially raise income of recipients, both reducing daily financial struggles and over the longer term poverty.

Mayor Michael D. Tubbs (Stockton, Calif.) and the Economic Security Project founded Mayors for a Guaranteed Income in June 2020. The movement is based on Tubbs' Stockton Economic Empowerment Demonstration (SEED), which gave 125 residents $500 per month for 24 months starting in February 2019. SEED evaluation findings showed that the guaranteed income reduced month-to-month income volatility and recipients reported less depression and anxiety and enhanced well-being.[3] Receipt of guaranteed income also was associated with greater growth in full-time employment. Recipients reported the cash allowed them

Georgia Health Policy Center

Robert Wood Johnson Foundation

to reduce the number of part-time shifts or gig work in order to apply for stronger positions, and allowed for completion of internships, training, or coursework that lead to full-time employment or promotions. Today, more than 57 mayors have enacted guaranteed income pilots, with the recognition that guaranteeing income — direct, recurring cash payments — lifts entire communities.

## Wealth-Generating Programs: Individual Development Accounts

A substantial wealth gap exists in United States, with white families have accumulated, on average, 10 times the wealth of Black families.[4] Individual development accounts (IDAs) are one strategy to reduce poverty and build generational wealth.

According to the U.S. Office of the Comptroller of the Currency, IDAs are matched savings accounts that enable low-income and low-wealth individuals to save for specified goals within defined timeframes, with limitations on withdrawals. IDA programs have existed since 1990 and are similar in concept to matched 401(k) plans. Typical partnerships behind IDA programs include sponsoring organizations (often community-based organizations, nonprofits, or state or local government agencies), as well as a financial institution or intermediary. However, depending on the structure, donations can come from government, grants, philanthropies, individuals, or businesses.

The Oregon IDA Initiative was created in 1999 by the state legislature. Today, the initiative is led by Oregon Housing and Community Services Department and the Oregon Department of Revenue, managed by the nonprofit Neighborhood Partnerships, and relies on 10 partner organizations serving as fiduciary organizations throughout the state to work directly with clients. Clients set a specific savings goal with a financial advisor. Neighborhood Partnerships raises funds from individuals and businesses (using available state tax credits), as well as from financial institutions and community networks.

To date, more than 15,000 Oregonians have participated collectively saving $28 million with $47 million in matching funds distributed. Top saving goals include a home purchase (34%), education (29%), microenterprise (20%), and a vehicle (10%). Follow-up data suggests that IDA savers generate continued economic returns with 97% of home buyers making all mortgage payments in the year after purchase, 91% of IDA-supported businesses still operational after one year, and 79% of education savers successfully completed or still enrolled in postsecondary education.

## Expanding Employment and Entrepreneurship: Microfinance

Microfinance has been lauded for decades as a means to increase entrepreneurship and personal income by providing small, startup loans to disadvantaged individuals to launch or expand small businesses. The strategy has been more well studied internationally, most notably with the launch of the Grameen Bank program in Bangladesh in the late 1970s. More recently, Grameen America launched in the United States and has invested over $1.5 billion in more than 132,400 low-income U.S. women entrepreneurs since January 2008.

Grameen America employs a group-lending model that requires potential borrowers to form a loan group of five women who live near and know each other. The group is required to participate in five days of Continuous Group Training, at which time they learn about the terms and conditions of the Grameen America loan, the rules of the program, and their responsibilities as borrowers. Once completed, the five-member loan groups are officially enrolled in the program and each member receives her first microloan — typically between $500 and $1,500, and with an interest rate of 15% to 18%. The average term of a Grameen America loan is 25 weeks.

An evaluation of a Grameen America pilot program was recently published. The 18-month study, which was funded by the nonprofit Robin Hood, studied 1,492 women in 300 loan groups who applied to the Grameen America microlending program in Union City, NJ. Using a randomized controlled trial design, the pilot found that the microloans resulted in a significant reduction of measures of material hardship and an increase of credit scores and business ownership. While the program boosted business earnings, there was no effect in the first 18 months on overall net income. The microlending program also improved participants' feelings of overall financial well-being and increased nonretirement savings.

## Shared Equity Housing: Community Land Trusts

Community land trusts are a strategy to provide long-term affordable home ownership opportunities to low- and middle-income families with the goal of helping these families build wealth while stabilizing communities and stewarding the land for future owners. Community land trusts are nonprofit organizations that acquire, own, and steward land, most often for affordable housing. One-time public or private investment is used to acquire or build a home. The home is sold to a low- or middle-income buyer, while the trust retains ownership of the land, which is kept in trust for future home buyers. In the future, the community land trust manages future sales of the home ensuring that the home is sold at an affordable rate to a future family, while realizing some wealth gain from the proceeds of the sale.

According to Community-Wealth.org there are 277 community land trusts operating across the United States. See their website for tools, examples, and policies for leveraging resources and establishing a community land trust.

## References


[1] Khullar, D., Chokshi, D. (2018). Health, income, & poverty: Where we are & what could help. *Health Affairs*. https://www.healthaffairs.org/do/10.1377/hpb20180817.901935/full/

[2] Shapiro, T., Meschede, T., Pugh, J., Morgan, J., et al. (2020). *Accelerating equity and justice: Basic income and generational wealth* [PowerPoint slides]. https://heller.brandeis.edu/iere/pdfs/racial-wealth-equity/racial-wealth-gap/accelerating-equity-and-justice.pdf

[3] West, S., Castro Baker, A., Samra, S., Coltrera, E., et al. (n.d.). *Stockton economic empowerment demonstration: Preliminary analysis: SEED's first year*. Stockton Demonstration. https://static1.squarespace.com/static/6039d612b17d055cac14070f/t/6050294a1212aa40fdaf773a/1615866187890/SEED_Preliminary+Analysis-SEEDs+First+Year_Final+Report_Individual+Pages+.pdf

[4] McIntosh, K., Moss, E., Nunn, R., Shambaugh, J. (2020). Examining the Black-white wealth gap. *Brookings*. https://www.brookings.edu/blog/up-front/2020/02/27/examining-the-black-white-wealth-gap/



GEORGIA HEALTH POLICY CENTER

*Andrew Young School of Policy Studies*

GEORGIA STATE UNIVERSITY

55 Park Place NE, 8th Floor . Atlanta, Georgia 30303

404.413.0314