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Testimony of
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Before the
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Committee on Community Development

Oversight – New York City Poverty 2010: A Look at the Impact of the Recession on Communities, People and the Administration’s Poverty Reduction Plan

New York City

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Good morning, my name is James Parrott, Deputy Director and Chief Economist of the Fiscal Policy Institute (FPI). The Fiscal Policy Institute is a nonpartisan research and education organization that focuses on the broad range of tax, budget, economic and related public policy issues that affect the quality of life and the economic well-being of New York City and State residents. FPI regularly prepares reports on the state of the New York City economy and the economic condition of workers and their families, and on city budget and tax policy issues. Thank you for the opportunity to testify today.

The U.S. has made little progress since the mid-1960s in reducing poverty. This was true before the Great Recession engulfed our nation in 2008. That was before 2009, when the poverty rate rose from 13.2 percent to 14.3 percent, the second greatest one-year poverty increase in the 50 years of federal poverty estimates.

Among the factors accounting for this dismal record over the past four and a half decades are stagnant real wages for most workers, a dramatic increase in the working poor, and the corollary of these two trends in the fact that the benefits of the considerable increase in the nation’s productivity over the past 40 years have been captured by those at the top of the nation’s income pyramid. The share of total national income going to the wealthiest one percent of the population is now at its highest level since right before the 1929 stock market crash.

As it has been carried out over the past decade and a half, “welfare reform” has dramatically reduced the number of people receiving public assistance, but at the same time it has pushed

more and more people into working poverty. Welfare reform has not reduced poverty. Those who work but remain poor are striving to lift their families out of poverty, but the deck is stacked against them unless we have the economic and labor market policies that allow them to advance up the earnings ladder.

New York's poverty rate remains about one-and-a-half times the national poverty rate and the city has reflected many of these same broad trends. During the 1980s and 1990s, New York City poverty remained high with the biggest factor driving persistently high poverty rates being declining real wages for low-income workers. Even with rising overall educational attainment among the city's population, low wages kept poverty high. Educational attainment continued to rise in the most recent decade, but so did the cost of housing, and real wages failed to rise. In fact, for most New York workers, real wages were lower at the end of the most recent expansion than they were nearly twenty years ago at the end of the 1980s expansion. Real median hourly wages fell by 11.4 percent in New York City over this period.¹

Even before the onset of the Great Recession, which did not start to hit New York City until the middle of 2008, high and persistent poverty prevailed.

Some of the salient features of poverty in the city at the peak of the latest expansion include:

- Using the alternative poverty measure developed by the Mayor's Center for Economic Opportunity (CEO) following the recommendations of the National Academy of Sciences, poverty was estimated to be 22 percent in New York City in 2008, before the recession started in earnest. Twenty-six percent of the city's children lived in poverty.²
- According to CEO's estimates for 2008, Blacks, Hispanics and Asians endured poverty rates ranging from 25 to nearly 29 percent, about twice the 13.7 percent poverty rate for non-Hispanic whites in New York City.
- Poverty among single parent households was over 40 percent.
- Families with at least one full-time, year-round worker constitute one in every four families in the city and 20 percent of such families lived in poverty in 2008 despite this considerable work effort.

Poverty is very unevenly experienced among the New York City's many neighborhoods. Bronx has a poverty rate one-and-a-half times the city's overall poverty rate, while poverty in Staten Island is about half the citywide average. As the attached table indicates, four of the five neighborhoods with the highest poverty rates in the city are in the Bronx, and fifteen of the 20 neighborhoods that have the highest poverty rates—poverty rates ranging from 22 to 43

¹ Fiscal Policy Institute analysis of Current Population Survey data.

² *The CEO Poverty Measure, 2005-2008*. A Working Paper by the New York City Center for Economic Opportunity, March 2010. The 2008 poverty estimates in the bullets in this section are all from the CEO report. See the attached table.

percent—are located in the Bronx and in Brooklyn. Child poverty in these neighborhoods ranges from 26 to 56 percent.³

New York City in the Great Recession

Much has been made of the fact that New York City has suffered a smaller payroll job decline (5.2 percent) in this recession than the nation as a whole (7.2 percent). And that the city's job decline during this Great Recession was less than the 6 percent job loss suffered from 2001 to 2003, or the nearly 10 percent job decline from 1989 to 1992.

Despite this comparatively less horrendous degree of job loss, we have suffered a very horrendous degree of job loss, as well as a much steeper wage loss and more prevalent long-term unemployment than during the previous two recessions in New York City.⁴

The salient facts are these:

- To a much greater degree than during the two prior recessions, job losses have been concentrated among city residents as opposed to commuters.
- Unemployment soared as the recession swept across the city, doubling from early 2008 to 10 percent at the end of 2009.
- Total wages declined much more than in prior recessions, and among non-managerial/non-professional workers, real weekly earnings fell by 4.3 percent from 2007 to 2010. Professional and managerial workers on the other hand, increased by 9.5 percent.⁵
- Unemployment has been felt very unevenly across the city, with poor neighborhoods experiencing the highest unemployment rates and unemployment being much higher for blacks and Hispanics.⁶
- When discouraged workers and the under-employed are factored in, the city's underemployment rate was 16.2 percent during the first half of 2010, much higher than the official published unemployment rate of 9.8 percent. This means that 700,000 New Yorkers are unemployed, under-employed or so discouraged about the prospects of finding work that they have given up looking.

Not surprisingly, poverty usually rises during economic downturns. Family income from wages drops when people lose their jobs or have their hours cut back. The recession pushed an additional 100,000 New Yorkers into poverty in 2009 as the city's poverty rate (as measured by the official Current Population Survey) rose from 20.1 percent in 2008 to 21.3 percent in 2009,

³ Data in this paragraph are from the American Community Survey (ACS), 2006-2008. The ACS data has a much larger sample size, permitting analysis of poverty trends at a neighborhood level.

⁴ For an in-depth look at the effects of the Great Recession in New York City, see Fiscal Policy Institute, [The Great Recession Lingers in New York City and Its Neighborhoods](http://fiscalspolicy.org/FPI_Presentation_RecessionLingersInNYC_Sept%202010.pdf), September 2010.

⁵ FPI analysis of the Current Population Survey.

⁶ FPI, [New York City in the Great Recession: Divergent Fates by Neighborhood and Race and Ethnicity](#), December 2009.

according to FPI estimates.⁷ Last year, 1.8 million city residents lived below the poverty threshold, and half of that number had incomes below 50 percent of the poverty threshold.

The federal government pegs the poverty threshold for a four-person family at slightly under \$22,000 (\$21,954) for 2009. More adequately measuring poverty would undoubtedly put the rate higher than 21.3 percent in New York City since the current federal poverty measure does not adjust for regional cost of living differences nor has it been adjusted for changes in household spending patterns over the past 50 years. Housing costs in the city, for example, are much higher than the national average, and families today spend a much greater share of their income on child care and health care than they did in 1960.

Poverty would have increased even more were it not for various provisions of the American Recovery and Reinvestment Act (the Recovery Act.) In an analysis prepared for FPI by the Center for Budget and Policy Priorities, it is estimated that the Recovery Act kept over 250,000 New Yorkers out of poverty in 2009. The Center's analysis focused on the effects of various funding streams directed to individuals, including extended and supplemental unemployment benefits, an increase in the monthly food stamp benefit, the \$250 one-time payment to seniors, veterans and people with disabilities, the Making Work Pay Tax Credit, and expansions of the Earned Income Tax Credit and the Child Tax Credit.

In addition, various other Recovery Act programs including fiscal relief to states, infrastructure spending and things like biomedical research grants helped save or create tens of thousands of jobs in New York City, and thus further moderated the poverty increase.

With Recovery Act spending winding down, and consumer spending and business investment remaining subdued, the prospect at present is for continued high unemployment for many more months. The Blue Chip Consensus forecast indicates that the national unemployment rate will average 9.3 percent in 2011 and that the increase in Gross Domestic Product will come in at a very modest 2.5 percent for all of next year. This is not enough growth to bring down the unemployment rate in a sustained manner.

While New York City's job growth during the first several months of 2010 surpassed the nation's growth pace, it is not clear how long job growth locally can outperform the nation in the absence of a more broadly based recovery.

One of the most telling indicators of the local labor market is the weekly data on initial unemployment claims which indicates the extent to which people continue to lose jobs. Here we

⁷ According to the American Community Survey (ACS), which is also used to gauge poverty trends, the increase in poverty in 2009 was less than 0.5 percent. However, due to differences in the timing for the ACS compared to the CPS, the CPS provides a much better window into the effects of the recent recession on poverty and family incomes in New York City than does the ACS. The ACS reported for 2009 is the compilation of monthly surveys, each of which asks respondents for their income over the prior twelve months. The March CPS (formally known as the CPS Annual Social and Economic Supplement) asks respondents for their income for calendar year 2009. Thus, the ACS is reflecting incomes spanning the period from January 2008 to November 2009, with a midpoint of December 2008, while the CPS is reflecting incomes for 2009. Considering that the recession did not begin in earnest in New York City until August 2008, the 2009 CPS provides a clearer sense of the effects of the recession during 2009 than the ACS surveys for 2009.

are more than two years since the recession began and initial unemployment claims in New York City are still averaging 10,000 a week, 25 percent greater than before the recession.

It is appropriate to ask how our safety net is performing during this downturn. Over the decades various programs have been put in place to cushion the effects of involuntary job, earnings and benefits loss during downturns. The record is very mixed.

- Food stamp rolls have been the most responsive, increasing by 50 percent since December 2007.
- Medicaid rolls have also grown considerably which is fortunate since one million New Yorkers statewide lost employer-provided health insurance in 2009.
- While an average of 120,000 city residents received unemployment insurance a month during 2009, that number has declined in 2010. The number unemployed averaged 400,000 for most of 2009. Moreover, unemployment compensation provides a benefit of half of the recipient's wages up to a maximum weekly benefit of \$405, a maximum that has not been raised in 12 years even though the cost of living has increased by 40 percent over that time period.
- Most discouraging is the fact that the temporary cash assistance program has not responded at all to dramatically higher levels of hardship; there has been no significant increase in the number of people receiving temporary assistance over the past two years.

It is clear that unemployment will stay very high for the foreseeable future in New York City and that the safety net will be challenged more than ever before. Poverty very likely will increase even more in 2010, and like 2009, much of that increase will occur among those in “deep poverty”, less than half of the poverty threshold income level.

The City needs to be a lot more aggressive in responding to the hardships posed by the lingering recession. This will require different approaches when it comes to the budget rather than cutting programs serving those in need and those that provide essential supports to the working poor. It is long overdue for the city to re-think its “work first” approach to public assistance, particularly given the prospect of relatively slow job growth in the context of very high unemployment levels with much of that of long duration. We also need to re-think labor market and economic policies—like living wage and minimum wage—that have kept wages so low that many more people are working but not able to rise out of poverty.

Thank you for the opportunity to testify today.

New York City poverty rates, 2008, as estimated by the Center for Economic Opportunities

Total NYC	22.0%	
Under 18 years	26.0%	
18 to 64 years	19.3%	
65 years and over	28.5%	
CHILDREN UNDER 18 (BY PRESENCE OF A PARENT)		
One parent	40.7%	
Two parents	17.2%	
GENDER		
Male	20.7%	
Female	23.1%	
RACE AND HISPANIC OR LATINO ORIGIN		
Non-Hispanic white	13.7%	
Non-Hispanic black	25.1%	
Non-Hispanic Asian	25.3%	
Hispanic, any race	28.6%	
NATIVITY/CITIZENSHIP		
Citizen by birth	20.8%	
Naturalized citizen	20.8%	
Not a citizen	27.2%	
PERSONS LIVING IN VARIOUS FAMILY TYPES		
Wife Husband/unmarried partner (with children under 18)	16.2%	
Single Head of Household (with children under 18)	35.9%	
Single Mother Family (with children under 18)	38.4%	
	poverty rate	Group share of 2008 pop.
WORKING AGE ADULTS (18 - 64), BY EDUC. ATTAINMENT		
Less than high school	34.5%	18.4%
High school degree	22.9%	24.0%
Some college	18.5%	24.6%
Bachelor's Degree or higher	9.2%	33.0%
WORKING AGE ADULTS (18-64), BY WORK EXPERIENCE IN PAST 12 MOS.		
Full-time, year round	8.0%	53.6%
Some work	24.8%	23.0%
No work	39.7%	23.5%
WORK EXPERIENCE OF THE FAMILY		
Two full-time, year round workers	4.9%	34.8%
One full-time, year round, one part-time worker	15.0%	16.1%
One full-time, year round worker	20.1%	25.1%
Less than one full-time, year round worker	48.4%	10.3%
No worker	57.1%	13.6%

Source: The CEO Poverty Measure, 2005-2008. A Working Paper by the NYC Center for Economic Opportunity, March 2010.

The twenty New York City neighborhoods with the highest poverty and child poverty rates, American Community Survey, 2006-08

		Poverty rate	Child poverty rate
Mott Haven/Hunts Point	Bronx	43%	56%
Morrisania/Belmont	Bronx	43%	54%
University Hts/Fordham	Bronx	38%	51%
Highbridge/South Concourse	Bronx	38%	50%
Brownsville/Ocean Hill	Brooklyn	36%	47%
Bedford-Stuyvesant	Brooklyn	34%	49%
Kingsbridge Hts/Mosholu	Bronx	32%	44%
East Harlem	Manhattan	31%	39%
Bushwick	Brooklyn	31%	42%
Williamsburg/Greenpoint	Brooklyn	30%	49%
Central Harlem	Manhattan	29%	37%
East New York/Starrett City	Brooklyn	28%	35%
Borough Park	Brooklyn	27%	37%
Washington Hts/Inwood	Manhattan	26%	39%
Lower East Side/Chinatown	Manhattan	26%	39%
Morningside Hts/Hamilton Hts	Manhattan	26%	36%
North Crown Hts/Prospect Hts	Brooklyn	25%	37%
Soundview/Parkchester	Bronx	24%	33%
Sunset Park	Brooklyn	23%	31%
Coney Island	Brooklyn	22%	26%
New York City		19%	27%

Fiscal Policy Institute analysis of 2006-2008 American Community Survey data via American Fact Finder, tables S1701