City Poverty Rate Jumped as the Economy Slumped

by James Parrott
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Photo courtesy of Library of Congress Poverty continues to persist in New York more than 100 years after this picture of a family struggling to make ends meet was taken on Monroe Street.

The recession pushed an additional 100,000 people into poverty in New York City in 2009. This number would have been about three times as great had it not been for the relief provided by President Barak Obama's economic stimulus package.

New York City's poverty rate rose by 1.2 percent in 2009, increasing from 20.1 percent in 2008 to 21.3 percent in 2009, according to estimates by the Fiscal Policy Institute . 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.

Despite the fact that the city lost proportionately fewer payroll jobs than the nation in 2009, the poverty increase in the city easily matched the national poverty rise. For the nation as a whole, poverty rose from 13.2 percent in 2008 to 14.3 percent in 2009). In the 50-year history of the federal poverty estimates, there was only one year (1980) when the U.S. poverty rate increased

by more than it did in 2009. The city's poverty rate remains about one and a half times the national rate.

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.

Using an alternative methodology recommended by the National Academy of Sciences that addresses these and other shortcomings, the city's Center for Economic Opportunity figured that the New York City poverty rate for 2008 was 22.0 percent. The city has not yet estimated the poverty rate for 2009 using this alternative method.

The 2009 poverty rate for the city estimated by the Fiscal Policy Institute uses the Current Population Survey's Annual Social and Economic Supplement released earlier this month. The population survey is the source of the official poverty rates.

The Census Bureau will release poverty, demographic and other data based on a different survey on Sept. 28. These poverty numbers will utilize the same method that has been used for 50 years, but applied to a different survey, the American Community Survey. The Census Bureau has been phasing in the community survey to provide communities with more timely social and economic data, and the numbers may differ from the population survey's poverty estimates. The year-to-year changes likely will be very similar.

Rising Unemployment, Rising Poverty

Not surprisingly, poverty usually rises during economic downturns. Family income from wages drops when people lose their jobs or have their hours cut back when the economy falters.

Unemployment soared as the recession swept across New York City, rising from 5.4 percent on average in 2008 to 9.5 percent in 2009. This meant an additional 163,000 New Yorkers were without work. This unemployment jump far exceeds any previous one-year increase in a data series dating to 1976. Moreover, total wages paid in the city fell by 5.5 percent in 2009, a drop of $9.4 billion. Because Wall Street compensation levels frequently swing wildly from year-to-year, these figures exclude the extremely highly paid financial sector to provide a clearer picture of the recession's impact on typical New York workers.

Some of the unemployed receive unemployment insurance benefits, but those make up for only a portion of their lost income. In New York state, unemployment insurance pays a benefit of half the recipient's wages up to a maximum weekly benefit of $405. The state has not raised that maximum level since 1999 although since then consumer inflation has risen by one third and the cost of living, as measured by the change in typical family budgets , has increased by 40 percent.

The Obama Recovery Act provided a $25 weekly supplement, and the federal government has funded extended unemployment benefits beyond the 26 weeks provided by state unemployment programs.

The Effects of the Recovery Act

The unemployment insurance supplement and extended benefits were among a number of key public benefits programs and the expansions made to them under Obama's American Recovery and Reinvestment Act (Recovery Act). Poverty rates across the country would have risen much more had it not been for these measures. The official poverty measure reflects the impact of some benefit programs that the act temporarily expanded, such as unemployment insurance, but not other programs, such as food stamps and tax credits.

Using the broader measure of poverty recommended by the National Academy of Sciences, several Recovery Act programs kept over 250,000 city residents out of poverty in 2009, according to an analysis prepared for the Fiscal Policy Institute by the Center on Budget and Policy Priorities . In addition to the extended and supplemental unemployment insurance benefits mentioned earlier, these programs include the Making Work Pay Tax Credit ; an expansion of the Child Tax Credit

; an expansion of the
Earned Income Tax Credit
for people with low incomes; an increase in the monthly food stamp benefit; and a one-time $250 payment to seniors, veterans and people with disabilities.

Various other Recovery Act programs, including fiscal relief to states to avert more damaging budget cuts, infrastructure spending and things like biomedical research grants, also helped save or create tens of thousands of jobs in New York City, and thus further moderated the poverty increase. Following the method utilized by the President's Council of Economic Advisors to estimate the act's state-by-state employment impact, the Fiscal Policy Institute estimates
that the Recovery Act saved or created over 88,000 jobs in New York City. The Center on Budget and Policy Priorities' estimate of 250,000 New Yorkers kept out of poverty by certain Recovery Act programs does not fully reflect the total employment impact of the wide range of the act's programs.

More 'Deep' Poverty

Despite the act, though, the recession in 2009 had a devastating effect on many New Yorkers. Not only did poverty increase rapidly in 2009, but more and more of those below the poverty threshold fell further, into "deep" poverty. People in deep poverty have incomes that are less than one half the poverty threshold -- that is, less than $10,500 for a family of four. New York City's deep poverty rate rose from 9.0 percent in 2008 to 10.5 percent in 2009. This means that nearly half of the 1.8 million New Yorkers enduring poverty in 2009 were below 50 percent of poverty.

Deep poverty rose much faster in the city than in the nation last year. For the U.S. overall, deep poverty rose from 5.7 percent in 2008 to 6.3 percent in 2009.

The State Rate

New York's statewide poverty rate increased even faster than the nation's overall or New York City's alone. Poverty rose from 14.2 percent in 2008 to 15.8 percent in 2009. The number of New York state residents in poverty jumped by 284,000 to a little over 3 million. Only once since 1980 -- from 1989 to 1990 -- has New York state's poverty rate risen more than it did in 2009.

Poverty in the Empire State was the 12th highest among all states in 2009, and the highest

among Northeastern states. The 10 states with the highest poverty rates are all Southern or Southwestern states. New York had a poverty rate slightly lower than Indiana's and slightly higher than West Virginia's.

The Uninsured

As people in the city and state lost their jobs, many also lost their health insurance. The recently released census data show that the percent of New York state's population without health insurance rose from 14.1 percent to 14.8 percent. The uninsured rate rose faster for the nation overall, reaching 16.7 percent in 2009. Over 2.8 million New Yorkers lacked health coverage in 2009, the most since 2002.

New York state was able to keep its uninsured rate from rising faster by significantly increasing the number of people covered by Medicaid. The percent of New Yorkers with employer-provided health coverage dropped from 58.7 percent to 53.7 percent in 2009, while the portion covered by Medicaid rose from 19.3 percent in 2008 to 22.2 percent in 2009. One million New Yorkers lost private employer-provided health insurance while Medicaid rolls grew by 500,000 in 2009.

New York's children were among the main beneficiaries of expanded Medicaid coverage. The Medicaid coverage of children rose by almost four percentage points since 2008 to over 40 percent.

While the recession has been declared to have officially ended in June 2009, and the city has begun to experience some job growth, most economic forecasts expect the unemployment rate to stay far above pre-recession levels at least through 2012. This means that it is unlikely that the city's poverty rate can be expected to ease much from its current level of over 21 percent anytime soon.

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