Bloomberg Poverty Policies Cut the Public, Boost the Private

by {ga=grobinson}
Tuesday, July 19, 2011 12:00 AM

Photo by World Bank Philippines This mother in the Philippines received money â€“ known as a conditional cash transfer â€“ to keep her children in school and healthy. Mayor Michael Bloomberg has launched efforts to try a similar program in New York, but it's unclear whether the attempts have done anything to reduce poverty.

In early May, the Bloomberg administration held a kick-off event to celebrate a five-year, $100 million expansion of the mayor's anti-poverty pilots, now called the Social Innovation Fund Learning Network.

Less than two months later, Mayor Michael Bloomberg and the City Council agreed on a budget for fiscal year 2012 that included the 10th consecutive cutback of anti-poverty agencies.

The two events highlight the unreal nature of the Bloomberg administration's approach to fighting poverty. As the mayor continues to expand his privately-funded anti-poverty pilot program , begun in 2006 to other cities, he steadily cuts the budgets of the city's own anti-poverty agencies.

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With this article, Gotham Gazette launches a series on what government is -- and is not â€“ doing to combat poverty in the city. Some 1.8 million New Yorkers â€“- about one in five â€“- lives at or below the poverty level, with 10.5 percent trying to scrape by in deep poverty -- with incomes less than half the poverty level, or below $10,500 for a family of four.

Over the past five years, the poverty level has remained largely unchanged. Meanwhile, the wealthy in our city have gotten richer â€“- some 58 billionaires now reportedly call New York home â€“- and New York has the widest income divide of any major city in the country.

Against this backdrop, all levels of government have sought to cut spending, reducing programs for the poor and raising fees for public college tuition, transit, subsidized daycare and more. All of this has tattered a social safety net that, even in the best of times, had gaps and tears.

In the coming weeks, we will look at specific problems and programs and how our poverty policies work, or don't work.

His much-heralded private efforts have had little to no effect on poverty in New York and seem unlikely to have any significant impact in the future. Many are modeled on programs in developing countries like Mexico, Colombia, and Bangladesh and involve giving cash to poor people in return for certain behaviors, making sure their children go to school, for example, or taking them to a doctor. While these efforts -- called conditional cash transfers -- have been extensively researched, two recent surveys offer little evidence that such tactics might help the poor in urban America.

The weak premise that cash-incentive, self-help pilot programs will alleviate poverty in New York City has effectively obscured the real conditions of poverty in the city: unemployment, limited childcare, poor schools and job training, etc.

Certainly the poverty rate shows no signs of abating. After largely neglecting poverty for his first

term, Bloomberg announced an anti-poverty initiative in 2006. In the time since, the poverty rate has remained virtually unchanged , with about 20 percent of city residents classified as poor. In 2009, 10.5 percent of New Yorkers lived in deep poverty -- with incomes less than half the poverty level, or below $10,500 for a family of four. At the same time, the wealthiest New Yorkers have become ever richer, giving New York the greatest gap between rich and poor of any major city in the county.

Cutting Public Programs

While the number of poor people has not decreased since the mayor announced his anti-poverty initiative, the funding to get them out of poverty has. The 2012 budget agreed to by the City Council and mayor is, at $66 billion, about $5.2 billion smaller than it would be without those cuts. The city faces real budget problems, but anti-poverty programs are not only not a priority; they are a target.

Determining the impact of these cuts on anti-poverty programs is difficult. The Mayor's Management Report , intended to provides a measure of the effects of such cuts, offers no help. But a simple analysis of cutbacks in the city workforce since the budget reduction began offers some clues.

Agencies that provide basic city services to poor and working class New Yorkers, including education, child care, health, homeless services, housing and parks, have lost a disproportionate number of workers -- 6 percent to more than 26 percent of their staffs. Yet the police department, in contrast, has lost fewer than 3 percent of its uniformed officers, and the corrections department has actually increased its uniformed staffing by over 2 percent.

Changing Headcounts

Uniformed Officers

Agency

Headcount

May 2008

Headcount
(projected)
June 2012

Change

Percent Change

Corrections

8,225

8,404

+179

+2.2%

Police

35,284

34,309

-975

-2.8%

Fire

11,618

10,779

-839

-7.2%

Sanitation

7,580

6,822

-758

-10.0%

Other City Services

Agency

Headcount
May 2008

Headcount
(projected)
June 2012

Change

Percent Change

Education
(Teachers)

97,300

90,367

-6,933

7.1%

Children's Services

7,103

6,529

-574

8.1%

Health and
Mental Hygiene

5,268

4,789

-479

-9.1%

Housing
Preservation & Development

694

536

-158

-22.8%

Parks

6,520

4,791

-1,729

-26.5%

Source: NYC, OMB, Fiscal 2009, Fiscal 2012 Adopted Budgets.

Overall, the city-funded workforce has declined from 269,461 in May 2008 to 253,850 in 2012, a loss of 5.8 percent. Although it is not clear what the savings from this downsizing are, if we assumed $65,000 savings per worker, the savings would be roughly $1 billion a year. Across agencies there is wide variance, both among uniformed workers and among anti-poverty staff. There is certainly no evidence of shared sacrifice.

There is, however, a much greater variance in several agencies that serve poor and working class New Yorkers. The above table shows that headcount cuts ranged from six to 26.5 percent.

The rhetoric of the mayor's privately funded anti-poverty pilots stresses the importance of education, child care, training, and preventive health measures in moving poor youngsters and young adults out of poverty. Yet the mayor's budgets for the city cuts these very services.

For example, even though the new budget saved the jobs of 4,100 teachers the mayor had planned to lay off in 2012, the Department of Education nevertheless has lost nearly 7,000 teachers over the past four years, a 7 percent cutback in the teaching staff. The focus on the threatened layoffs has repeatedly obscured this attrition, a product of not replacing teachers who retire or resign.

These losses, though, have an effect on schools. The Independent Budget Office recently

found that average class sizes in grades kindergarten through eight increased for three consecutive years, rising from 23.0 students per class in the 2007-2008 school year to 24.6 in the 2010-2011 school year.

The Administration for Children's Service , which oversees preventive services and childcare services, has lost 8 percent of its city-funded staff in four years, while the health department has lost over 9 percent. The parks department , which has developed job-training and entry-level jobs, has lost more than a quarter of its city-funded positions.

Then there is the Department of Homeless Services . Two time-limited rent subsidy programs have been abandoned . The Coalition for the Homeless estimates it will cost some $370 million to find shelter for those losing their subsidies. Furthermore, staffing in both the homeless services and housing agencies have been cut, by 6 and nearly 23 percent respectively over four years.

Amid these changes, the Coalition for the Homeless' 2011 report found an all-time record 113,553 homeless people -- including 42,888 children -- slept in city-funded shelters in fiscal 2010, a 37 percent increase from fiscal 2002, the mayor’s first year in office.

Taxing the Poor

The revenue side of the budget shows the same bias against the poor. City tax policy is far less progressive today than it was in the 1990s, when the top personal income tax rate was 4.46 percent. From 2003 to 2005 it was 4.45 percent. But in 2006 it reverted to 3.65 percent where it remained as the series of budget cuts unfolded. (The state added a top rate of 3.876 in 2010 for those earning over $500,000.)

Even a partial return to earlier, more progressive top rates â€“ a 4.264 percent rate would have raised $450 million in 2012, according to the Independent Budget Office's Budget Options report . This money could have seriously slowed the cutbacks in education and social welfare programs. But the mayor's only tax revenue initiative in the past four years was to raise the city sales tax -- the tax that most disproportionately hits poor New Yorkers -- from 4.0 to 4.5 percent in August 2009.

The Private Effort

All this stands in sharp contrast to the mayor's focus on anti-poverty pilot programs. This remains essentially a non-governmental effort: funded mostly by the philanthropic Mayor's Fund to Advance New York City, designed and evaluated by MDRC, a national research organization, implemented by non-profit community groups, and managed by the Center for Economic Opportunity, a small unit in the mayor's office. The pilots will now be introduced in seven other cities as well as New York.

What is the point of those efforts?

A recent New York Times article noted that a large number of Bloomberg administration pilot programs, especially in transportation, were designed to avoid public scrutiny. For instance, a 10-school education pilot, called the Innovation Zone, which emphasizes online learning, is set to expand to hundreds more schools, at a cost of $100 million, in spite of at least one report that warned of negative parent responses.

In 2007, Deputy Mayor Linda Gibbs said the mayor used private funds for his first round of poverty programs "to protect it a little bit from the criticism that we knew would come with the initiative."

More significantly though, the mayor may be turning to private funds because the surviving pilots have little or nothing to do with city policy or programs â€“ and have had little to no effect. They are, rather, a curious attempt to take some very preliminary findings from two decades of narrow economic research on poverty in developing countries and make them relevant in urban America.

Innovation and Evaluation

The intent of the Social Innovation Fund Learning Network, which oversees the projects, is two-fold. It is intended to develop new, promising programs and to evaluate them using a

scientific technique developmental economists called randomized control trials. Under this method, some individuals participate in the program and others, the control group, do not. If the programs work, its participants will benefit and those in the control group will not.

On the first score â€“ innovation -- four of the five pilot programs sponsored by the mayor and other private funders in the eight-city network (New York, Cleveland, Memphis, Newark, San Antonio, Tulsa, Youngstown and Kansas City, Mo.,) are hardly groundbreaking.

Jobs-Plus will take job-training services into public housing developments; SaveUSA will show poor families how to save money; the Young Adult program supports internships for young adults; and Work Advance is a sector-focused, skills-building workforce program. They all sound promising, just as they did in the 1960s. It's the conditional cash transfer program, the Family Rewards
pilot, that raises the most doubts. As first tried in Mexico in 1997, mothers were paid if their children attended school regularly. Several other countries, including Colombia, Jamaica and Turkey, have adopted variations of this program.

In the mayor's 2007-2009 version, this meant paying families and some older students for achieving certain goals, such as school attendance, school graduation, making dental appointments, having health check-ups, etc.

The Scientific Background

The testing of Family Rewards and the other pilot programs will follow the pattern described by economists working in several developing countries. Two recent books provide comprehensive (and readable) reviews of this research over the past two decades: Poor Economics: A Radical Rethinking of the Way to Fight Global Poverty
, by Abhijit V. Banerjee and Esther Duflo, and
More Than Good Intentions: How a New Economics is Helping To Solve Global Poverty
, by Dean Karlan and Jacob Appel.

Their titles suggest the problem of relevance for the mayor's pilot programs. One assumes fighting global poverty in Mexico, India, and Bangladesh is not going to be the same thing as fighting poverty in the Bronx or Kansas City. And indeed the two books have no specific suggestions about how the anti-poverty results in developing countries might apply to urban areas in advanced economies.

The use of the randomized control trials has, nevertheless, proved useful in measuring the success of such programs as micro-lending and micro-saving in developing countries. In fact, MDRC's nearly 400-page evaluation of the mayor's 2007-2009 Family Rewards program showed the effectiveness of some of the cash incentives, such as for school achievement and seeking preventive health, although "the effects that have been observed so far are generally not large."

But the two books raise a larger question that may help explain why Bloomberg and the private foundations are interested in such a project. Banerjee and Duflo see two competing schools of thought here â€“ two ideologies really. One, represented by the economist Jeffrey Sachs at Columbia, says developing countries need foreign aid to overcome their countries' economic problems. In other words, government is key.

The other side, represented by economist William Easterly at NYU, sees the free market as the answer. For this school, say the two authors, "The best bet for poor countries is to rely on one simple idea: When markets are free and the incentives are right, people can find ways to solve their problems." Changing human behavior is key.

Bloomberg's initiatives seems to arise from a version of the Easterly thinking. They address poverty by focusing on the individual, not by government action. The hope then is that small amounts of money will serve as incentives that empower poor individuals to improve their economic condition.

As for the research itself, Easterly himself cites its limitations. Randomized control trials, he wrote, are "infeasible for many of the big questions in development, like the economy-wide effects of good institutions or good macroeconomic policies. â€¦ Embracing RCTs has led development researchers to lower their ambitions."

Bloomberg's embrace of this type of program demonstration is odd not only because it surfaces so late in his tenure and has so little to do with the city's day-to-day public programs, but also because it incorporates no long-term goal for the city. It may, though, simply indicate his ideological preference for private, not public, answers to public policy issues.

The MDRC evaluation hinted at the anti-poverty project's limitations: "As a short-term intervention layered on top of an already well-developed social safety net, Family Rewards serves as a supplemental program rather than as the core welfare system, as in Mexico and a number of other countries."

The social safety net may be less well developed in 2012 and beyond. But "short-term intervention" and "supplemental program" seem rather modest goals for a national experiment â€“ and for a mayor who has set such lofty goals in other areas, such as public health and environmental sustainability. In any case, in New York, the second stage of Family Rewards has shrunk dramatically. A program that served 2,400 families from 2007-2009 will serve only 600 New York families over the next five years.

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