

# Unemployment and poverty grip New York State

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Two new surveys issued by the Fiscal Policy Institute (FPI) highlight the increasingly bleak economic situation for New York State's workers and professionals.

Given that they were released in advance of the tumultuous events on Wall Street in recent days, with their dire implications for the economy in New York City and New York State, these reports on unemployment and poverty can perhaps best be seen as a rather dismal baseline from which conditions will inevitably enter into far deeper decline.

The FPI, a liberal watchdog group that tracks the effects of New York State's fiscal policy, has published a report, "New York's Rising Unemployment—The Other Crisis in Albany," which reviews the impact of the economic downturn thus far. New Yorkers, the report states, face a "shrinking economy and falling real wages as inflation rises to levels not seen in 17 years."

The FPI has also released a statement that notes that New York has the highest poverty rate of any northern state in the US.

New York State has the third-largest population in the United States, following California and Texas, with more than 19 million people. Of these, approximately 12 million live in and around New York City, whose metropolitan area includes a further 6 million residents in New Jersey and Connecticut.

The report on unemployment notes: "Most New Yorkers have not fared well through much of this decade. The steep decline in 2001 and 2002, with a national recession exacerbated by the economic aftermath of 9/11, was followed by jobless growth, then a weak recovery.

"When job growth did resume in mid-2003, it was weak, and largely driven by debt and an unprecedented housing market bubble. The 2003-2007 recovery and expansion never achieved a sound footing. By 2007, the bubble had burst, and the national economy began its decline, characterized by a sharp contraction in housing construction and the implosion of subprime lending and related high-risk credit market practices."

According to the most recent figures, in July, half a million workers were officially unemployed in the state, 5.3 percent of the workforce. This has undoubtedly grown with a rise in the national unemployment figure from 5.7 in July percent to more than 6 percent in August.

The report observes that 22.4 percent of those now jobless were defined as the "long-term unemployed", workers who have not found a job for over six months. New York State has the fifth-highest number of long-term unemployed of any state.

The report also considers the larger category of underemployed, which includes the unemployed but also workers who have become so discouraged that they have stopped looking for work and those trapped in part-time jobs who are seeking full-time work. In 2007, the number of underemployed in the state stood at 8.1 percent, much higher than the official 4.6 unemployment rate at the time.

The underemployment figures for minority workers were higher, with black workers at 12.5 percent and Hispanic workers at 10.5 percent.

Since the beginning of the year, the state has seen a surge in claims for unemployment insurance. Data for the middle of August show 20,000 new claims a week, primarily in New York City. At the beginning of 2008, figures in the city kept pace with the rest of the state, but since the summer, there has been a proportional increase in the city, partly due to the massive layoffs in the financial sector. Three of the wealthier suburban counties around New York City—Nassau, Westchester and Suffolk—have seen unemployment increases of 21 to 23 percent.

The report is critical of the current system of unemployment benefits. The maximum weekly benefit of \$405 was set in 2000, and its real-dollar value has declined 25 percent since then. This sum is about 35 percent of the average weekly wage in the state. Moreover, only 40 percent of the unemployed in the state can collect this insurance, excluding most part-time workers and many workers at low-wage jobs.

The report singles out the plight of seasonal, non-professional school employees, such as bus drivers and cafeteria workers, who are prevented by law from collecting benefits when they have a "reasonable chance" of being rehired after school breaks and summer vacations. These positions are almost entirely low-wage.

The report also notes that adjunct college professors, who earn far less than their full-time colleagues and seldom receive benefits such as health insurance, are excluded from eligibility for unemployment insurance.

The state is singularly unequipped to handle large increases in the number of those seeking unemployment insurance. It has been “chronically under-financed” since 2003, when it has paid more than \$36 million in fines and interest after the fund became depleted. According to the US Department of Labor’s assessment of the solvency of state unemployment insurance systems, New York ranks 49 out of 50 states, coming ahead of only Michigan, whose unemployment fund is insolvent.

The increases in unemployment take place in a state whose people have been beleaguered for years by the destruction of its manufacturing base, particularly in the northern counties, and by chronically high poverty rates in New York City and many smaller, upstate cities.

In its statement on poverty figures, the FPI observes that despite a modest economic growth in the last few years, recently released census data show that “New Yorkers were just as likely to be poor in 2007” as during the last recession in 2001. Income in the state has stagnated, and the FPI predicts that the situation will worsen with the new economic downturn.

Census Bureau statistics published in the last week of August show that New York State had a poverty rate of 14.3 percent of its population, higher than the national average (12.3 percent) and the highest of any state in the US outside of the South and Southwest. The next poorest state, according to a survey of two-year average poverty rates, is Alabama. The Census Bureau’s federal poverty threshold is set at a yearly income of \$16, 530 for a family of three.

The cities with the highest totals were Syracuse at 31.0 percent, Rochester at 29.1 percent, Buffalo at 28.7 percent, the State capital of Albany at 24.4 percent, and New York City at 18.5 percent. Buffalo remains the second-poorest major American city after Detroit.

Bronx County (the borough of the Bronx in New York City), the poorest urban county in the US, has a poverty rate of 27.1 percent. In absolute numbers, this amounts to 362,206 people. While Kings County (the borough of Brooklyn in New York City) has a lower percentage of impoverishment at 21.9 percent, with a larger population to start with this means 550,169 people in absolute numbers.

Brooklyn, therefore, has the highest concentration of poor people in the state, followed by the Bronx, then by New York County (Manhattan) with 279,532 and Queens County, also in New York City, with 270,066. These figures do not take into account the higher cost of living in New York City compared to the rest of the state.

Erie County, with a poverty rate of 13.8 percent, includes Buffalo and has the largest concentration of the poor of any upstate county with 122,338 people listed as living in poverty.

Also noteworthy is the fact that three of the four counties with the state’s lowest poverty rate (Westchester at 7.9 percent, Suffolk at 5.0 percent and Nassau at 4.4 percent) are those that registered some of the steepest percentages of growth in unemployment since the summer.

The FPI notes that the median income for working-age New York households was \$49,267 in 2006-2007 (compared to a US median income of \$50,223), not statistically different from the median income in 2000-2001.

“The lack of a substantial increase in income over the course of this past recovery, and our failure to reduce poverty, show that the benefits of economic growth haven’t been broadly shared,” said Trudi Renwich, the FPI’s senior economist. She added: “A lot of New York families are struggling harder and harder just to stay in place. Basic purchases like food and gasoline are getting much more expensive, and family incomes just aren’t keeping up. These figures illustrate that many New Yorkers are struggling to make ends meet.”

New York’s Democratic governor, David Paterson, with the complicity of both Democrats and Republicans in the State legislature, has enacted severe cuts in state spending for the coming year.

This was due partly to the shortfall of tax revenue from Wall Street firms battered by the recent credit crisis. Following last weekend’s bankruptcy filing by Lehman Brothers and the buyout of Merrill Lynch by Bank of America, Paterson indicated that he may be forced to call the state legislature back into emergency session before Election Day to enact still more sweeping budget reductions.

The cuts that are being undertaken will have a direct and severe impact on the conditions of life for poor and unemployed throughout the state. As the WSWS recently noted,

“Social service providers have warned that these reductions will lead to a significant deterioration in vital services. ‘The cuts that were enacted will inflict real pain on health care providers, health care workers, and the New Yorkers they serve,’ said the president of the Greater New York Hospital Association, Kenneth E. Raske.”

In New York City, the Metropolitan Transit Authority is planning to increase subway and bus fares, which have recently seen an increase in ridership with the rise in gas prices. The \$2.00 fare is already beyond the reach of many of the working poor in the city.



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