

Study finds nearly half of New Yorkers living in or near poverty

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New York City, the capital of world finance, where the Wall Street elite is reaping record profits, is also one of the most economically unequal cities in the world. One, if incomplete, measure of this social disparity comes in a new study by the city's Commission on Economic Opportunity (CEO), which reports that as of 2011 over 20 percent of the residents in America's most populous city lived in poverty.

This newly published report, "The CEO Poverty Measure, 2005 - 2011," presents a view of the deteriorating economic conditions faced by a growing portion of the city's population.

Shortly after it was first established in 2006, the CEO concluded that the official national poverty measure, originally developed by the Census Bureau in the early 1960s, "no longer provides useful information." According to the CEO, the federal formula for calculating poverty substantially misrepresents the array of expenses, which make up the cost of living, undervaluing housing costs in particular.

The Commission therefore developed its own statistic, based on recommendations made by the National Academy of Sciences in 1995, which were subsequently ignored by the federal government. The CEO's new calculation consistently shows that over the past seven years the rate of poverty in New York City has been two to three percentage points higher than that indicated by the federal number.

The CEO's 2011 poverty threshold for New York City is an annual income of \$30,945 for a family of four (two adults and two children), as compared to the corresponding federal threshold of \$22,811. The CEO figure, however, still greatly underestimates the economic distress faced by the majority of New Yorkers who live in one of the most expensive cities in the world.

Although the report claims to show the beginnings of a "recovery" from the recession in 2011, four years after its

official end in 2009, the data does not bear this out. During the period encompassed by the CEO's study, from 2005 through 2011, the percentage of the city's population in poverty declined slightly in the years immediately preceding the onset of the recession then rose to a new high in the following years. The index ranged from 20.3 percent in 2005 to a low of 19.0 percent in 2008, reflecting conditions immediately preceding the effects of the crash, and then climbed to 21.3 percent in 2011, a full percentage point higher than in 2005.

Furthermore, in 2011, 46 percent of New Yorkers were living on less than 150 percent of the poverty rate, \$46,416 per year, a rise of 3 percent since 2009. In other words, nearly half of the city's population was living in or near poverty.

The report notes between 2008 and 2010, the city's poverty rate rose by 2.3 percentage points, despite increased use of existing "social safety net" mechanisms. Job losses and declining incomes caused a reduction in overall earnings for low-income families. The report states that subsequently, during 2011, although the rate of employment rose marginally, income did not. This contrast reflects an important feature of the so-called recovery—the increasing proportion of low-wage jobs. Wages for existing jobs are being cut and newly created jobs tend to have significantly lower pay than those lost since the start of the recession.

The CEO's poverty rate statistic rose from 20.9 to 21.3 percent between 2010 and 2011. According to the report, the only reason it did not increase further was the initiation of the federal payroll tax cut in 2011, which has now expired, and the increasing use of Food Stamps. The CEO estimates that without these buffering factors, the poverty rate in 2011 would have been 23.6 percent.

The employment to population ratio, the percentage New Yorkers 18 through 64 years of age who were holding a job at the time they were surveyed, was 67.0

percent in 2011, the same as it was in 2005. It had peaked at 70.8 in 2008, again just before the recession began to take effect. Given the increase in proportion of low-wage jobs and the deepening cuts in social services, this seeming recovery actually masks a significant worsening of economic conditions for the working class.

In another measure of worsening employment conditions, the proportion of workers with full time jobs, those working at least 50 weeks out of a 12-month period, declined from 59.8 percent in 2008 to 56.3 percent in 2010, a loss of 3.5 percentage points. This remained essentially unchanged in 2011.

The average earnings of families in the lower income range, including the 25th to 40th percentiles, show a marked decline from 2008 through 2011, with the effects being most pronounced among the lowest income earners. As shown in the table below, those in the 40th percentile lost 12.9 percent of their income over this four-year span, while the 25th percentile lost 14.3 percent.

In still another indication of severe effects of the recession on the New York City population, federal and CEO figures both show that the proportion of the population judged to be in extreme poverty—or below 50 percent of the poverty threshold—has increased from 2008 through 2011. The federal statistics show a rise from 6.9 to 7.9 percent, while the CEO figures rose from 5.1 to 5.6 percent.

Examination of poverty rates by age group shows that between 2008 and 2011, impoverishment increased for those under 18 and for those between 18 and 64, with only a marginal decline for the elderly. Youth poverty increased from 23.1 to 24.7 percent, a 1.6-point rise. For working-age individuals, there was a 3-point increase, from 16.9 to 19.9 percent. Over the same period, rates of poverty rose for all racial and ethnic groups.

The report concludes with an entirely unwarranted prediction that the rate of poverty will decline in the coming years, “all else equal.” This is immediately followed by a series of observations, which contradict this prediction.

“Food Stamp benefit levels have not increased since they were raised by the 2009 Obama stimulus program. The benefit formula will revert to its pre-stimulus rules in November 2013, creating a reduction in benefits. Some of the economic stimulus-related income tax credit programs expired at the end of 2010. The number of weeks that Unemployment Insurance is available to the long-term jobless was cut in 2012. The reduction in the payroll tax rate expired at the end of 2012.

“The sequester—the cuts in Federal government spending that began on March 1, 2013—also threatens programs important to low-income Americans. Unemployment Insurance benefit levels for the long-term jobless who are receiving federally-funded benefits could fall by 11 percent. The Center on Budget and Policy Priorities estimates that between 575,000 and 750,000 women and children will be denied WIC benefits by the end of the current Federal fiscal year. Funding for Federal housing programs, the backbone of the means-tested housing assistance so vital to low-income New Yorkers, will also suffer stiff reductions.”

These cuts, worsened by anemic job growth and reductions in wages and benefits mean that levels of poverty in New York City and across the country will continue to increase and accelerate over the coming years.

The Commission on Economic Opportunity was established under Mayor Michael Bloomberg ostensibly “to craft innovative approaches to reducing poverty in the City.” Quite to the contrary, however, under this administration income inequality among city residents has increased significantly.

The billionaire mayor’s bald-faced hypocrisy is currently highlighted by his policy toward school bus workers. The raw numbers tell the story. Prior to the city’s recent declaration that the employment protection program (EPP) was illegal, the average bus worker’s annual salary was approximately \$35,000, just barely above the 2011 poverty threshold established by Bloomberg’s own commission. The substantial cuts being implemented by the private bus companies, 7.5 percent wage reduction, elimination of holiday pay, and significant reduction in medical benefits will drive these workers into poverty, as defined by the mayor’s own commission while many workers will lose their jobs altogether.



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