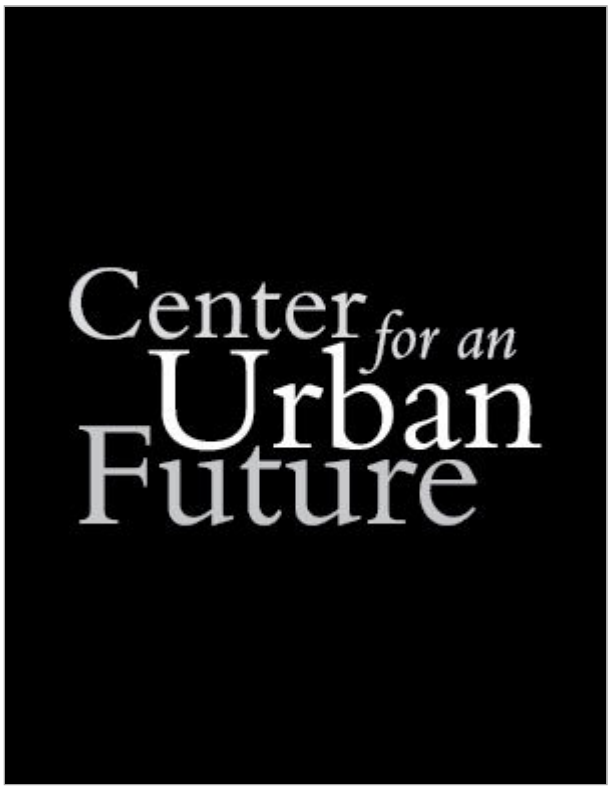


Testimony - September 2005

Poverty in New York City, 2005

CUF Project Director David Fischer testified at a Nov. 15 City Council hearing on the rising poverty rate in New York, focusing on the city's increasing "working poor problem."

by David Jason Fischer

I'm David Fischer of the Center for an Urban Future, a Manhattan-based non-partisan public policy think tank that conducts research on important issues concerning economic development, workforce development and social policy for New York City.

Poverty has always been with us, but the nature of poverty in 2005 is very different than that of 1965 or even 1985. A basic premise of our society is that those who work should not remain mired in poverty, but recent data should shake our confidence in this notion. The rise in poverty that is our topic today has not been matched by an increase in joblessness; the unemployment rate has been lower throughout this year than in any year since 2000, at the end of the last economic boom. Before that year, one would have to go back to 1988—-the end of the previous growth cycle—-to find consistently lower joblessness. To an extent we haven't seen in decades, today's poor are "working poor."

The Center for an Urban Future studied this phenomenon of working poor families in a report we released last year, titled "Between Hope and Hard Times." Its findings included that one of every four working families in the Empire State earns below twice the poverty line, and that fully one-third of the jobs in our state pay low wages. We estimated that approximately 60 percent of the state's low-income working families call New York City home. Copies of that report are available upon request.

The city's high cost of living, and its growing dearth of family-supporting jobs that don't require a college degree, renders the plight of these families here more desperate than that of their counterparts throughout the rest of the state. Those costs also mean that the federal poverty measure—-a universal standard that takes no account of regional differences in cost of living—-offers a woefully inadequate picture of the real level of economic insecurity: A report released last year by the Women's Center for Educational and Career Advancement found that the true cost of bare-bones self-sufficiency in New York City for a

single parent and two children ranges from about $50,000 per year to almost $78,000, depending on what borough they live in.

As I noted before, the rising numbers of working poor raise a very troubling question about how our economy, and our society, really function. I would doubt that anybody in this room could not claim an ancestor, probably within the last 100 years, who was poor—perhaps after first arriving in America. As we all know, successive waves of immigrants trod a path to prosperity marked by hard work and frugal living. The question I believe we need to address is whether this path still leads to upward economic mobility. A 2002 study by Federal Reserve Bank of Boston economists Katharine Bradbury and Jane Katz offers troubling evidence that economic mobility did decline during the 1990s compared to previous decades.

Combined with the recent stagnation in real wages for workers at all but the highest levels of educational attainment, this should worry us quite a bit. For decades after the end of World War II, it was almost impossible to work for years on end and not achieve some measure of economic security. But the shift from an industrial to a service economy changes the picture: the jobs we have seen created in New York City over the last few years have been concentrated in sectors like leisure and hospitality, health care and social assistance, and retail trade. They offer relatively lower pay, fewer benefits like health coverage and pensions, and fewer opportunities for advancement than job titles with declining local employment, like manufacturing and managerial positions. The Fiscal Policy Institute notes that since 2000, the sectors in which we have added jobs pay an average wage of just under $45,000; the average in sectors where jobs have been lost is over $85,000. These numbers go a long way toward explaining the seeming mystery of how we have both rising employment and rising poverty.

A policy response to the problems of poverty in New York City should include two components: an intensified short-term focus on ameliorating the effects of economic want on low-income families, and a sustained long-term commitment to transforming how we deliver education and employment services. The good news is that state and city policymakers have shown their willingness to extend a helping hand to those working but struggling; and some of the heavy lifting, as far as transforming the city's education and workforce development systems, is already underway. The City Council deserves great credit for the move to appropriate $14 million in tax-levied funds for the employment services program known as NYCWorks, managed by United Way of New York City. The Comprehensive Neighborhood Development plan the Council is pursuing, in coordination with the Economic Development Corporation, will also bear close watching.

In terms of short-term action, steps like the Council's passage, and subsequent veto override, of legislation designed to simplify the application process for food stamps are helpful. Every year, the city leaves hundreds of millions in federal dollars on the table because of enrollment gaps for programs that assist New York's poor. At a time when Congress and the White House are not likely to make many budgetary decisions that will support the worst-off in America's cities, it becomes even more important to take maximum advantage of programs currently on the books.

But greater attention should be paid as well to the expenses low-income families face as well. A Brookings Institution study from earlier this year, titled "The Price is Wrong," found that low-income working families in Philadelphia pay substantially higher prices than their better-off urban and suburban counterparts for a wide range of goods and services, from purchases of cars and home appliances to groceries, home heating, and insurance. This "poverty premium" can add up to thousands in higher costs over a year-—and eats up money that working poor families might otherwise use to invest in education, housing, retirement, or entrepreneurial projects. The Brookings researchers believe that this problem afflicts virtually every major U.S. city, including New York. Appropriate policy responses might include providing better information about prices and markets to low-income consumers, and tighter regulation to address market abuses that drive up prices.

The longer-term effort to give every New Yorker the tools for economic self-sufficiency will be a significantly more sustained and expensive undertaking. Among the actions we believe will be necessary are much better alignment of instruction between high school, post-secondary education and the workplace; stronger linkages between employers and education

providers at all levels; and a comprehensive commitment to policies that encourage “lifelong learning.” The city’s workforce development system has made progress on some of these fronts, led by a reinvigorated Workforce Investment Board and the Department of Small Business Services; efforts to align job training and employment services with the city’s economic development priorities are off to a strong start as well. Ultimately, however, city officials will have to find help from their counterparts in Albany and Washington, as well as engage in sustained collaboration with private sector, philanthropic and educational stakeholders, if we are to achieve the transformation that will be needed.



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