

Poverty in New York City, 2003: Where Is the Recovery? Where Was the Recession?

A CSS Annual Report

September 2004

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The latest data from the U.S. Bureau of the Census indicate that the end of the recession has yet to end the rise in poverty. In 2003, one-in-eight Americans was poor. The nation's poverty rate rose for a third year in a row, to 12.5 percent, from its pre-recession low of 11.3 percent in 2000. Much of the increase in poverty from last year was due to an increase in poverty among children, in particular, among children living in single mother families.

The impact of the recovery on poverty is also missing in New York, where one-in-five of the city's residents continues to live below the federal poverty line. The poverty rate in 2003/2002 was 20.7 percent, essentially unchanged from the 2002/2001 poverty rate of 20.5 percent. The latest estimate is a 1.0 percentage point increase from the 2000/1999 low of 19.8 percent. (Because of the limited sample size for New York City residents in the Current Population Survey, data are reported as two-year moving averages. Differences are taken from un-rounded numbers.)

The uptick in the city poverty rate from its boom-induced low is of a similar magnitude to the rise, over the same time period, for the nation. But, because it is based on a small sample, New York's increase is not large enough to be statistically significant. Even if the rise had passed statistical muster, the climb in the city's poverty rate would be a modest one considering the severity of the local recession, the extended duration of the "jobless recovery," and the steep climb in the New York poverty rate that has accompanied prior economic downturns.

The recovery's lack of impact on either the national or local poverty rate is not much of a mystery. The National Bureau of Economic Research has established November 2001 as the end of the recession and the start of a new economic expansion.¹ The recovery in output, however, did not herald a recovery in the job market. Employment (as measured by the Bureau of Labor Statistics' survey of establishments) continued to decline in both New York and the U.S. until August 2003. Any increase in employment since last summer has been much too recent (and perhaps too tepid) to affect the 2003 poverty rate.

The question, then, that takes center stage in this CSS annual report on poverty in New York City concerns what didn't happen. Why didn't a very bad situation become significantly worse? The levels of poverty in New York City remain staggeringly high, especially for its most vulnerable groups such as children and female-headed families. But, given the continued weakness of the local economy, the news could have been worse.

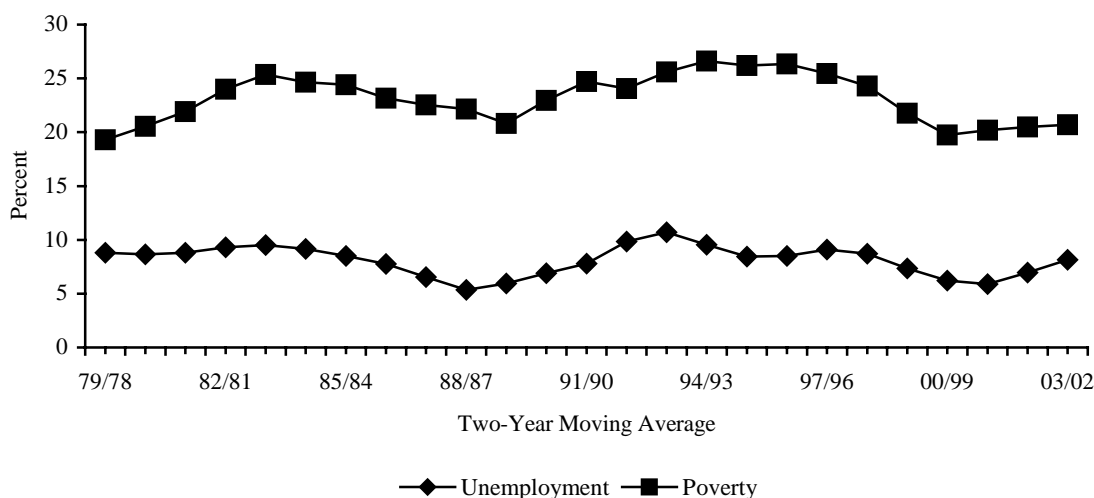
The report begins with an exploration of why the city poverty rate has been relatively stable in the most recent recession. A second section compares poverty in the city to poverty in the nation at large. The implication of these trends and differences is that, although poverty did not increase in recent years, there is no reason for complacency. The outlook for the rest of 2004 and forecasts the next several years offer New Yorkers little prospect for a return to the "hot" economy and declines in poverty of the late 1990s. There is ample reason to anticipate that – and to act as if – the city's high poverty rate will show little improvement in the foreseeable future. An appendix discusses differences between the data used in this report, which are derived from the U.S. Bureau of the Census' Annual Economic and Social Supplement to the Current Population Survey, and data published by Bureau from its American Community Survey.

¹ <http://www.nber.org/cycles/main.html>

New York City Poverty, Then and Now

The recession that began in early 2001 ended the decline in the New York City poverty rate that characterized the late 1990s. Since the onset of the downturn, however, there has not been a jump in poverty similar to those the city suffered in prior economic contractions. Figure One provides a long-term perspective on the relationship between the business cycle and poverty by plotting the local unemployment rate and the poverty rate from the late 1970s to the present. The relationship has, historically, been a strong one. When the economy weakens, fewer city residents are working, and more live in poverty.

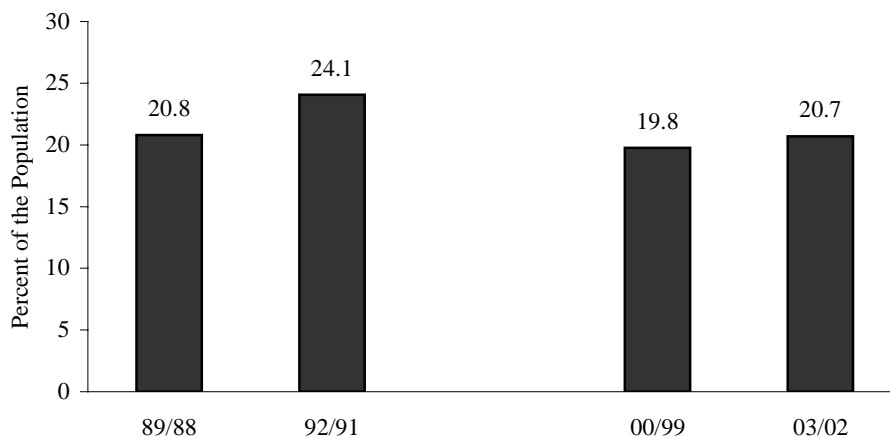
Figure One: Poverty and Unemployment Rates in NYC



Source: CSS tabulations from the Current Population Survey.

The recent stability of the city poverty rate stands in particularly stark contrast to the rise in poverty in the prior recession. From 1989/1988 to 1992/1991 New York's poverty rate rose 3.3 percentage points, from 20.8 percent to 24.1 percent. By contrast the increase in the poverty rate from 2000/1999 to 2003/2002 was a statistically insignificant 1.0 percentage point. (See Figure Two.)

Figure Two: The NYC Poverty Rate in Two Recessions



Source: CSS tabulations from the Current Population Survey.

The latest downturn did not lack severity. Payroll employment in New York City fell by 6.4 percent from December 2000 to December 2003. By contrast, the decline in employment nationally was a much more modest 1.8 percent. Yet, one reason why the city's poverty rate has not climbed like it did in the early nineties is that, for New York, the prior recession was even more severe than the more recent one. From December 1988 to December 1991, employment in the city had plunged by 8.1 percent.²

When the number of jobs in the city declines, so does jobholding among city residents. The lesson in the current downturn is that the effect of job loss on the poverty rate depends very much on who lost their jobs. Poverty, as measured by the Bureau of the Census, is a family affair. Whether an individual lives below the poverty line is determined, not by his or her personal income, but by their family's total income.³ If, for example, one member of a two-wage earner family losses his job, that family would certainly suffer an economic loss, but would be

² Employment data are calculated from the U.S. Bureau of Labor Statistics' Current Employment Survey.

³ See <http://www.census.gov/hhes/poverty/povdef.html> for how the Census Bureau measures poverty. One reason why the family in this example, doesn't fall into poverty is that the threshold is so low. A family of two adults and two children, for example, only needs an annual pre-tax income of \$18,660 to reach the Bureau's poverty line. A full-time, year-round worker (with 2000 hours of employment) earning \$9.66 an hour would achieve this.

unlikely to fall into poverty if the second earner continues to hold a steady job. If a person who is living alone was unemployed for much of the year, that person might fall into poverty, but his misfortune would result in just one person being added to the ranks of the poor. Job loss has the greatest impact on poverty rates when it hits families with a sole breadwinner. In that case, the job loser and all her dependents could be thrown into poverty.⁴

Data from the Current Population Survey suggest that the pattern of job loss in the current recession has spared many such vulnerable to poverty families from that fate. As Table One details, declines in jobholding from 2000 to 2003 have been more severe for men than women, 5.4 percent points against 2.2 percent points. And among men, it was younger men – with a plunge of 11.6 percentage points – that suffered the largest losses. The decennial Census finds that two-thirds of the younger men are living with their parents or grandparents and only 4 percent are living with one or more of their own children. It is unlikely, therefore, that many of these males are the main breadwinners in their families.⁵ In sharp contrast to all these declines, a larger share of New York City’s single mothers was employed in 2003 (62.1 percent) than in 2000 (59.0 percent).

Trends in single mother employment weigh especially heavily on the New York City poverty rate because a relatively large share of the city population lives in female-headed families. As Table Two details, 24.0 percent of the city’s population lives in such families against 14.8 percent in the nation. At the same time, a much smaller share of New Yorkers lives in husband-wife families (51.3 percent locally compared with 64.1 percent nationally). What these data suggest is that the ability of many of the city’s single mothers to retain their levels of

⁴ Public assistance would probably not rescue this family from poverty. The welfare grant is far too small.

⁵ Community Service Society tabulations from the 2000 Census Public Use Micro Sample.

employment – despite the recession and the prolonged labor market slump – has kept their families above the poverty line, and, thereby, retarded the rise in the citywide poverty rate.

Table One:
Employment-Population Ratios for NYC
(Numbers are percent of the population.)

	Average 2003	Average 2000	Change
All Males	67.5	72.9	-5.4
By Age:			
16-24	35.1	46.7	-11.6
25-64	75.4	80.1	-4.7
All Females	55.9	58.1	-2.2
By Age:			
16-24	38.3	41.4	-3.1
25-64	60.2	62.0	-1.7
Single Mothers	62.1	59.0	+3.1

Ratios are for persons 16 through 64, except Single Mothers who are any age.

Differences are taken from un-rounded numbers.

Source: CSS tabulations from the Current Population Survey.

Table Two:
Distribution of the Population by Family Type

Type:	US	NYC
Husband-Wife	64.1%	51.3%
Male Head	4.3%	4.8%
Female Head	14.8%	24.0%
Not a family member	16.7%	19.9%
Total	100.0%	100.0%

Source: CSS tabulations from the Current Population Survey.

A major reason why so many women have escaped the brunt of the decline in employment is provided in Table Three, which details the change in New York City employment by industrial sector. Only three sectors – Educational and Health Services, Leisure and Hospitality, and Other Services – gained employment from 2000 to 2003. The standout among

these exceptions is Educational and Health services, which is overwhelmingly (72.0 percent) female, the largest industrial sector in the city, and provides employment to one out of three of New York's working women. While employment shrank by 194,600 citywide, this sector gained 39,000 jobs.

Table Three:
Industrial Distribution of NYC Employment Loss

Industry	Employment*		Change*	Percent
	2000	2003	2000-2003	Female
Total Non-Farm Employment	3723.1	3528.5	-194.6	46.9%
Natural Resources & Mining	0.1	0.1	0.0	0.0%
Construction	120.4	112.4	-8.0	7.8%
Manufacturing	176.8	126.2	-50.6	44.8%
Trade, Wholesale & Retail	436.6	415.3	-21.3	40.8%
Transportation, Warehousing, Utilities	133	118.1	-14.9	21.7%
Information	187.3	164.1	-23.2	49.7%
Financial Activities	488.8	434.1	-54.7	47.2%
Professional and Business Services	586.5	535.6	-50.9	47.7%
Educational and Health Services	620.1	659.1	39.0	72.0%
Leisure and Hospitality	256.7	258	1.3	34.3%
Other Services	147.4	148.9	1.5	56.1%
Government	569.5	556.7	-12.8	42.0%

* In thousands.

Employment Data are from the BLS Establishment Survey.

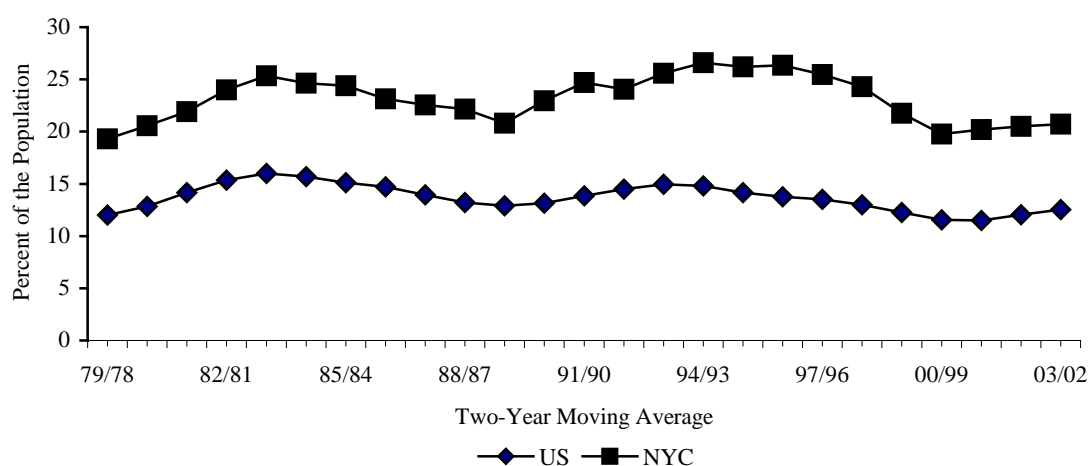
Percent female is for NYC residents. Tabulated from the Current Population Survey..

Poverty in New York City and the Nation

One out of five (20.7 percent) New York City residents is poor, compared with one out of eight Americans (12.5 percent) nationwide. The number of New York City residents who live in poverty (1.7 million) is enormous. If they resided in their own municipality, New York's poor would constitute the fifth largest city in the United States; only Houston, Chicago, Los Angeles,

and the rest of New York would have a larger population. As illustrated in Figure Three the city/nation disparity has been a constant one for decades. Poverty rates for New York and the U.S. have run on two separate, but parallel, tracks from the late 1970s on – rising in recessions and falling in recoveries. Throughout the last quarter century the city poverty rate has averaged 1.7 times the national rate.

Figure Three: Poverty Rates in the US and NYC

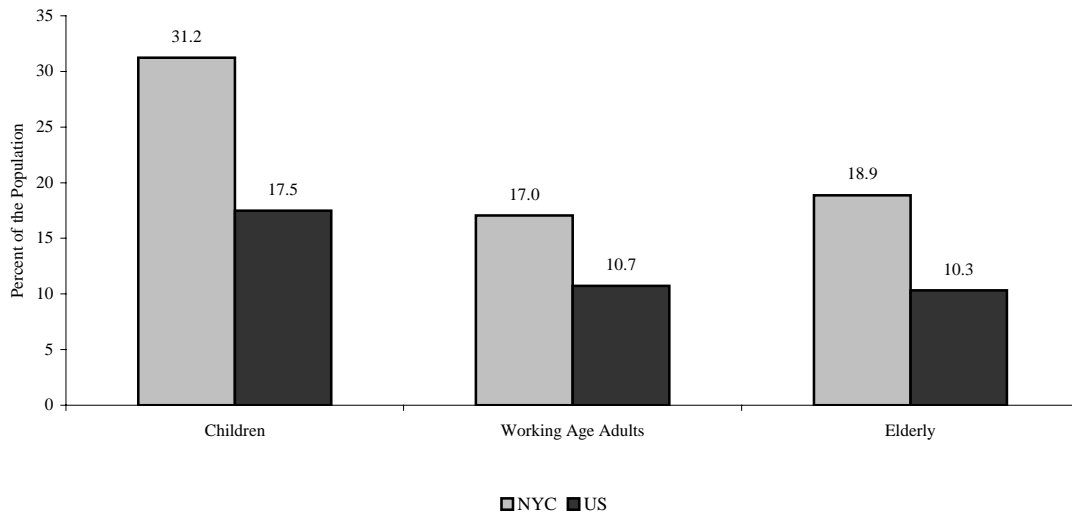


Source: CSS tabulations from the Current Population Survey.

Comparing New York City to Total U.S. Poverty Across Specific Groups

Poverty Rates by Age Group: The wide New York City/United States disparity is most pronounced for children. As Figure Four indicates, nearly one-in-three (31.2 percent) of New York City’s children lives in poverty compared to roughly one-in-six children (17.0 percent) in the nation. The disparities are more modest for adults. For working age adults (persons 18 through 64 years of age), the poverty rate for the city is 17.0 percent compared to 10.7 percent for the nation. The poverty rate for elderly New Yorkers is 18.9 percent against 10.3 percent for the U.S.

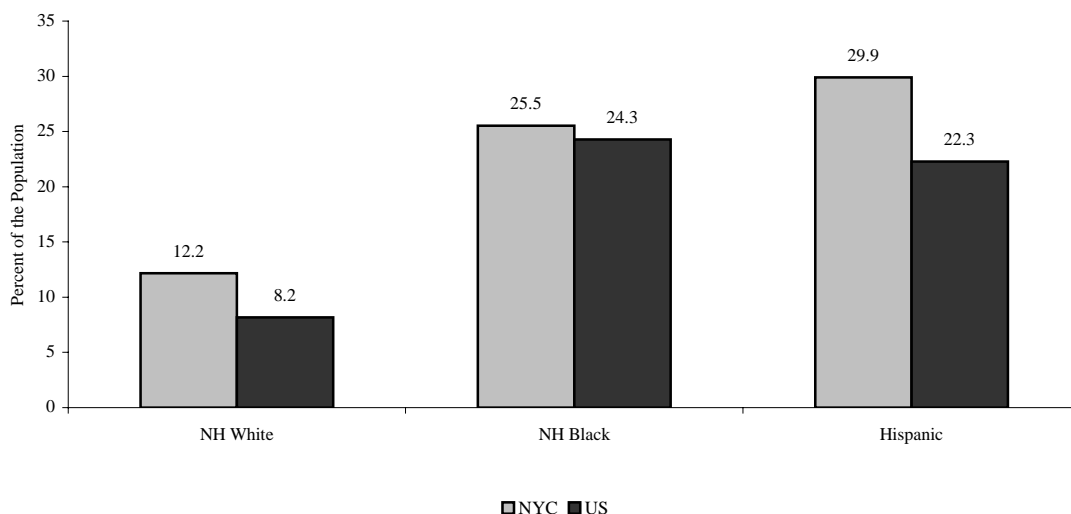
**Figure Four: Poverty Rates for the US and NYC, 2003/2002,
By Age Group**



Source: CSS tabulations from the Current Population Survey.

Poverty Rates by Race/Ethnic Group: Poverty rate disparities are uneven across race/ethnic groups. As Figure Five indicates, Non-Hispanic White New Yorkers and Hispanic New Yorkers have higher poverty rates than Non-Hispanic Whites and Hispanics nationally; 12.2 percent versus 8.2 percent for the former group and 29.9 percent versus 22.3 percent for the latter. Poverty rates for Non-Hispanic Blacks in the city and the nation, by contrast, are statistically identical, 25.5 percent in New York City, compared to 24.3 percent in the U.S.

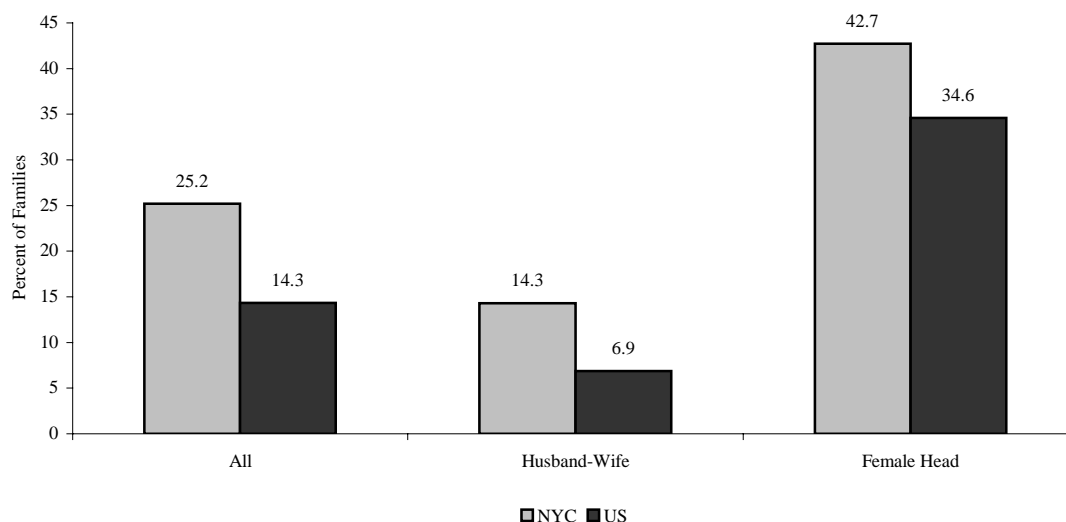
**Figure Five: Poverty Rates for NYC and US, 2003/2002,
By Race/Ethnicity**



Source: CSS tabulations from the Current Population Survey.

Poverty Rates by Family Type: Table Two, which indicated that a much higher share of the city population than the nation's lives in female-headed families, suggests one characteristic of the city that may account for much of the disparity between New York and the U.S. poverty rate. But a focus on differences in family composition is too simple; it ignores the differences in poverty rates between New York City and the nation for the same types of families. As Figure Six illustrates, the poverty rate for all families with children nationally was 14.3 percent, compared with a 25.2 percent poverty rate for New York City. The city/nation difference in poverty rates is nearly as large for the two most common family types, husband-wife families (14.3 percent vs. 6.9 percent) and female-headed families (42.7 percent vs. 34.6 percent).

**Figure Six: Poverty Rates for NYC and US, 2003/2002,
For Families with Children**



Source: CSS tabulations from the Current Population Survey.

Conclusion

Although the latest data do not show a significant rise in New York City's poverty rate, this is hardly a time for complacency. The city faces more years of slow job growth, which is sure to keep New York's poverty rate from resuming the kind of decline the city enjoyed during the recent boom. Forecasts from the Mayor's Office of Budget and Management, for example, project employment gains averaging just over 40,000 annually through 2008. This is a far cry from the 90,000 jobs per year rate the city enjoyed in the late 1990s when the local poverty rate was in decline.⁶

The recent stability of the poverty rate and the continued gains in employment among the city's single mothers are impressive and raises the question of whether changes in welfare policy have dramatically altered the scope of poverty in New York. The national data should be taken as a strong warning against a rush to judgment. In contrast to the city, single mother

⁶ Office of Management and Budget. *Monthly Report on Current Economic Conditions*. August 2004.

employment has fallen nationally, and the increase in poverty for children living in single mother families accounted for much of the increase in the child poverty rate across the U.S.⁷ It is hard to see why welfare policy, as opposed to differences in labor market dynamics, would explain the disparity between the New York City and national poverty trends. If the pattern of job loss in the city had been different, there is every reason to expect that the local poverty rate would have climbed.

For all that is positive in the late 1990s drop in poverty and the steadiness of poverty rate in the face of a severe economic downturn, it is obvious that New York is still a city of tremendous poverty. With one in five residents living below the poverty line, a sense of relief must not become a reason for complacency.

⁷ Center on Budget and Policy Priorities. *Employment Rates for Single Mothers Fell Substantially During Recent Period of Labor Market Weakness*, July 2004 and *Census Data Show Poverty Increased, Income Stagnated, and the Number of Uninsured Rose to a Record Level in 2003*, August 2004.

Appendix

This year, when the Bureau of the Census released its annual report on poverty and income from data derived from its Annual Economic and Social Supplement to the monthly Current Population Survey (CPS), it also published income and poverty estimates from the 2003 American Community Survey (ACS). Both surveys contain data that can be used to compute New York City poverty rates. The Census Bureau has provided descriptions of differences between the two surveys and recommendations for their use. The Bureau advises that the CPS be used for national and state estimates of poverty (using two or three-year averages for the latter). For one-year state and sub-state areas the Bureau recommends the ACS.⁸

The American Community Survey is a new Census Bureau program intended to provide an annual source of income and related data for small geographical areas. The first round of data from the ACS for New York City was collected in 2000. This report, like prior CSS reports on poverty in New York City, uses data from the CPS. What follows is a discussion of the most pertinent differences between the two surveys in the context of New York City. Its purpose is not to argue that one survey is superior to the other and should be used as the sole source of data, but rather to explain why there is continued value in using CPS-derived estimates.

An immediate question is how do the estimates of poverty in this report compare with those from the ACS? Table Four provides New York City poverty rates from the four survey years of the ACS and CPS-derived estimates using two-year averages. Because of the rolling sample methodology of the ACS (explained below) each of these estimates cover roughly the same time frame. The picture of poverty in the two surveys is quite similar. The poverty rates are of the same order of magnitude (roughly one-fifth of the population in poverty, although the ACS estimates are somewhat lower than those from the CPS) and exhibit the same stability over time.

⁸ See <http://www.census.gov/hhes/income/guidance081904.html>.

Although the ACS is drawn from a much larger sample of NYC households than the CPS (see below), the small increase in the ACS-derived poverty rate from 2000 to 2003 is not statistically significant.

**Table Four:
Comparing Poverty Rates For NYC**

	ACS Survey Year				Change
	2003	2002	2001	2000	03-00
	19.0	19.0	19.2	17.9	1.1
	CPS Two-Year Average				Change
	2003/2002	2002/2001	2001/2000	2000/1999	03/02-00/99
	20.7	20.5	20.2	19.8	1.0
CPS-ACS Difference	1.7	1.5	1.0	1.9	-0.1

Source: U.S. Bureau of the Census and CSS tabulations from the CPS.
Change and Differences are taken from un-rounded numbers.

There are several differences between the ACS and CPS that suggest that the CPS should still be considered as a tool for analyzing poverty in New York City.

- Method of data collection: The ACS uses a self-administered questionnaire mailed out to and in by respondents. Households that do not respond by mail are interviewed in person or by telephone. Nationally 50 percent of the ACS is via mail. The CPS is conducted exclusively by telephone or in-person interviews with Census Bureau professional staff.
- Time frame: The ACS uses a rolling sample, interviewing one-twelfth of its annual sample in each month. Respondents are asked about their income in the prior 12 months. Thus data from the 2003 survey, for example, are not annual data; a household interviewed in January of 2003, would be providing data about its income in the December 2002-January 2002 period. The CPS ASEC is conducted in February through April and asks about income in the prior calendar year.

- Degree of Detail: The ACS inquires about eight sources of income as well as Food Stamps. The CPS provides data about 50 sources of income, federal and state taxes, the Earned Income Tax Credit, and non-cash benefits such as Food Stamps, Medicaid, Housing Assistance, etc.
- Sample size: The ACS samples some 800,000 households nationally per year. The CPS ASEC sample is roughly 100,000 households. In New York City, the 2003 ACS obtained interviews from 14,665 households, while the CPS interviewed a total of 3,414 households in 2004 and 2003.
- Sampling error: Because of its greater sample size, standard errors and confidence intervals from ACS-derived estimates are smaller than those for the CPS. For example, the 90 percent confidence interval for the most ACS estimate of the New York City poverty rate is plus or minus 0.8 percentage points. For the CPS (using a two-year average) it is plus or minus 1.5 percentage points.

Clearly each survey has different strengths and weaknesses. The key advantage of the ACS and its central purpose is that it provides a large sample for small areas. This means smaller “margins of error” and the ability to generate meaningful poverty estimates for the city’s boroughs. If quantity is the strength of the ACS, there is reason to suspect that the quality of the CPS data might be higher. The CPS is conducted exclusively via interviews conducted by Census professional staff. There is good reason to believe that such interviews produce less “measurement error” than questionnaires filled out by respondents working on their own.⁹ The CPS also includes a far richer set of questions about sources of income than the ACS. To date

⁹ See the discussion in *Comparing Employment, Income, and Poverty: Census 2000 and the Current Population Survey*. September 2003. U.S. Bureau of the Census.

the Census Bureau has conducted evaluations comparing the ACS to the decennial Census' long form survey. Extensive comparisons to the CPS have yet to be published.

Beside these methodological issues there is a very practical reason for continuing to use the CPS for some time to come.

- Only the CPS can be used to explore long-run trends. The ACS only provides data from four surveys. Relying on the ACS would make the kind of historical comparisons used in reports such as these impossible.
- The lack of detail in the ACS limits its usefulness. Without data on many important public benefits and taxes, for example, it is more to explore questions such as how well public policy is addressing the needs of low-income families.
- The ACS only provides published tables for local analysis. Micro data are not available at the sub-state level, restricting the ability of researchers to explore alternative ways of looking at the data.

The ACS is still in its infancy. The Census Bureau, if funding comes through, plans to expand the ACS sample and continue to evaluate its results. If its ambitions are realized, some of these limitations may become less important. For now there is a strong case for continuing to use the CPS for analyses of New York City poverty trends.