

Unemployment and Poverty in Western New York Owen Field

Executive Summary

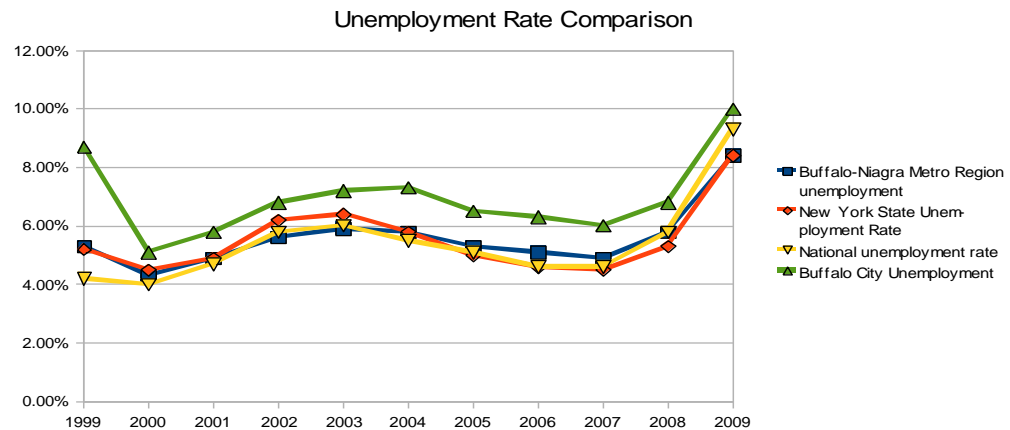
It is a common understanding that a high unemployment rate means that more people are out of work and therefore more people have fallen into poverty. But the relationship between unemployment and poverty is complex, and the two may not always relate very directly. It is necessary to examine states, counties, and even cities separately to determine the extent of this relationship and the possibilities of other influential factors.

In the Buffalo-Niagara metropolitan region, unemployment tends to move with the national and state averages but often with less sharp changes. The City of Buffalo experiences slightly higher rates, but trends still follow the norm. Labor force participation rates in the Buffalo-Niagara metro region are higher than national and state rates and appear to be increasing as the population is decreasing. The relationship between poverty and unemployment in the Erie County and the City of Buffalo is inconsistent and although there is some correlation, data indicates that there must also be other strong causal factors.

How are unemployment and poverty related generally?

Historically, the number of people in poverty in this country rises with unemployment.ⁱ But many economists have proposed that unemployment and poverty are not as strongly linked as people think.ⁱⁱ For example, if the poverty measure were raised to be more realistic and include more of the working poor, it would be even less sensitive to changes in unemployment.ⁱⁱⁱ These economists caution against an overreliance on reducing unemployment as a solution to poverty. Unemployment and poverty may have been strongly linked in certain decades but less so in others.^{iv}

How does Buffalo unemployment compare to state-wide and national unemployment?



Unemployed persons are all those who had no employment during a reference week who were available to work and had made some specific effort during the 4 week period ending in the reference week.^v The unemployment rate also includes those laid off waiting to be recalled. The unemployment rate is the percentage of unemployed persons in the pool of labor force participators.

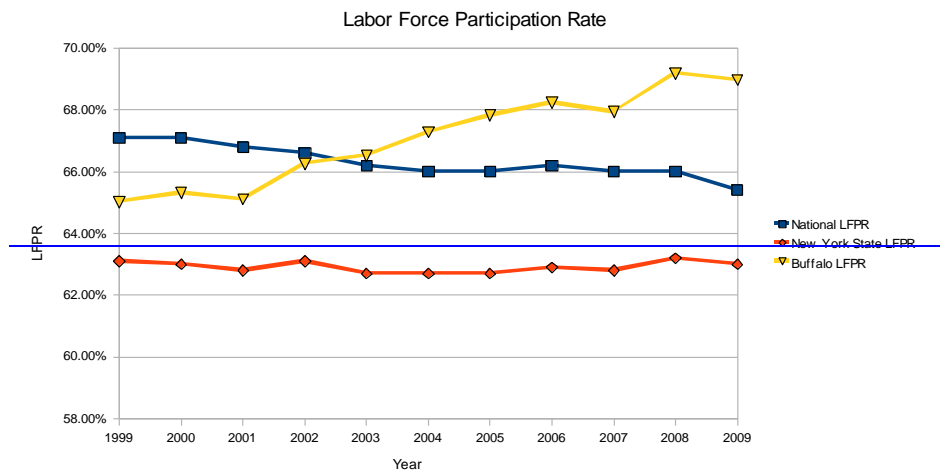
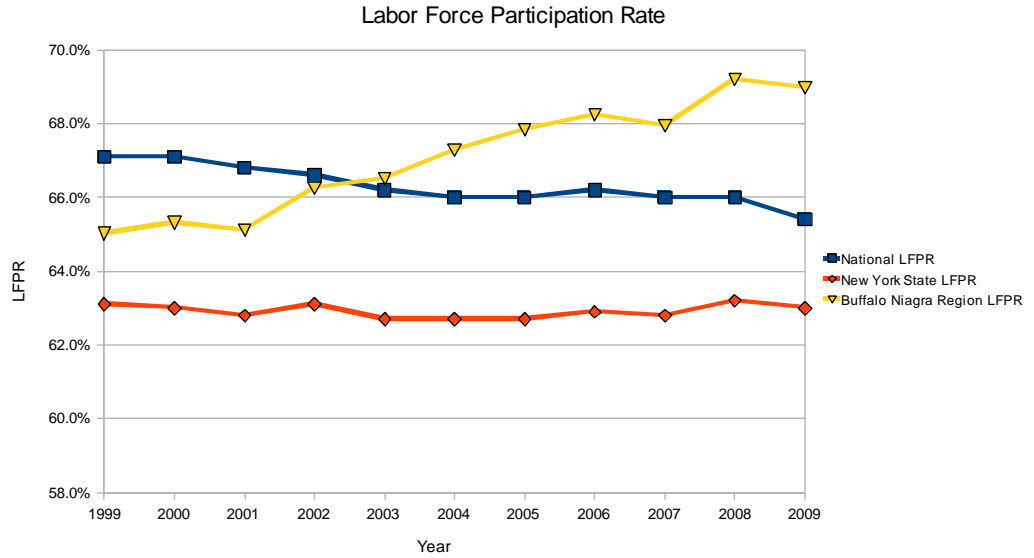
As the graph indicates, trends in the unemployment rate for the Buffalo-Niagara metropolitan region have followed national and state averages.^{vi} We must resist the temptation to think that Buffalo is particularly bad or strange. Local rates do seem to change less sharply than national rates. For example, national unemployment jumped from 5.8% in 2008 to 9.3% in 2009 while rates in the Buffalo-Niagara region only jumped from 5.8% to 8.4%. It is typical for city rates to be higher than rates for the metropolitan region, but, except in 1999, the City of Buffalo's unemployment rates, although somewhat higher, have moved with national and state averages as well.

In the past few years, New York State, and upstate New York in particular, has done better with job loss than the nation. While the nation lost 4.2% of jobs between July 2008 and July 2009, the Buffalo-Niagara Region only lost 2.1% of jobs.^{vii}

What is the significance of labor force participation for Buffalo?

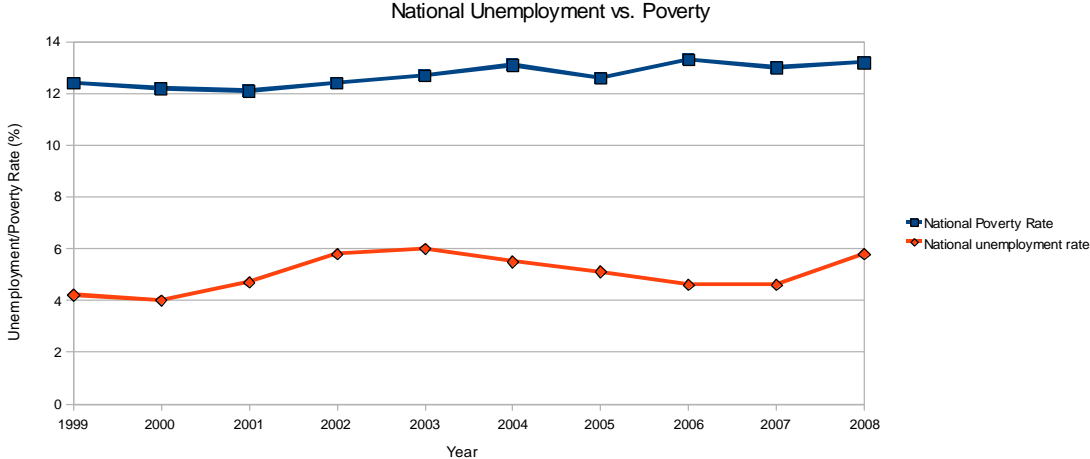
The labor force participation rate is "the percent of the total population that is working or actively seeking employment."^{viii} This index is calculated by dividing the total number of persons employed or looking for work (unemployed) by the total labor pool (persons age 16 or older who are not institutionalized).^{ix} Studies show that declines in the labor force participation rate can slow economic growth.^x One possible explanation for the lack of correlation between unemployment and poverty in Buffalo is the changes in labor participation rates,

which have been increasing steadily over the past ten years but often vary substantially. ^{xi}

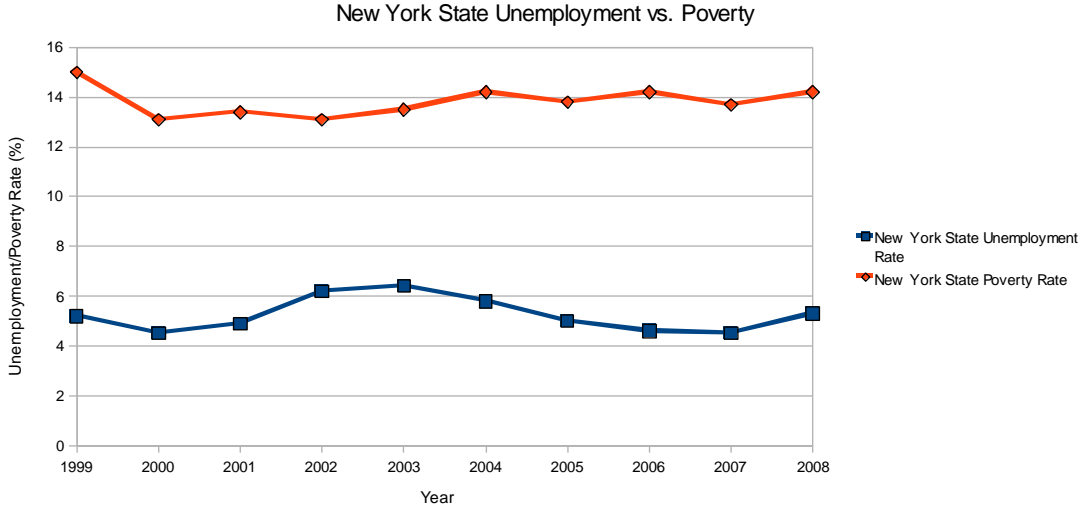


Even though the Buffalo-Niagara Region has been decreasing in population, it has been increasing in labor force participation. Factors causing this increase might include an increase in part time work, or an outflow of people who could not find work without a corresponding influx of people seeking work.

How do poverty and unemployment relate state-wide and nationally?



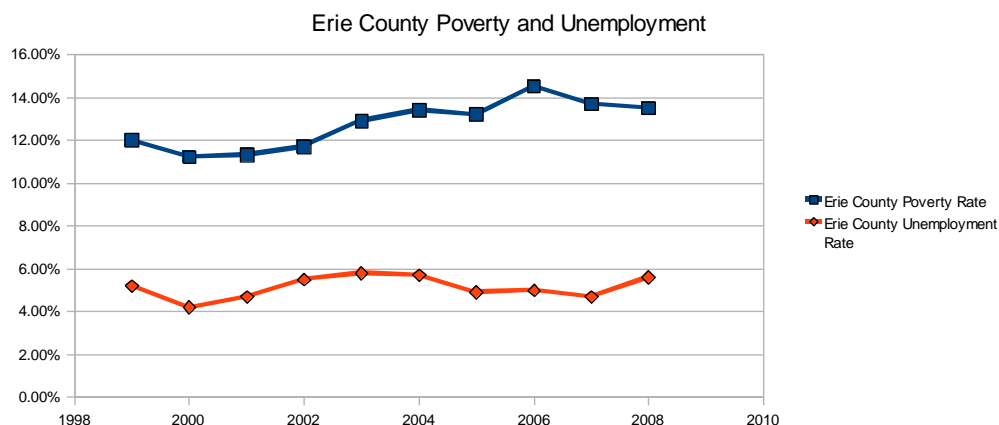
The above chart compares the trends in the poverty rate with the trends in the unemployment rate over the last ten years. Even though the spike in 2009 is absent from the chart because poverty data is not yet available, both measures have wavered in the past ten years but have not spun out of control. The correlation coefficient of these two measures is .33, which signifies that the two are related. Remember that correlation does not necessarily translate to causation, but does indicate the presence of common influential factors



Despite a lag at some points, in New York State the poverty rate often but not always moves with the unemployment rate. The correlation coefficient was not significant.

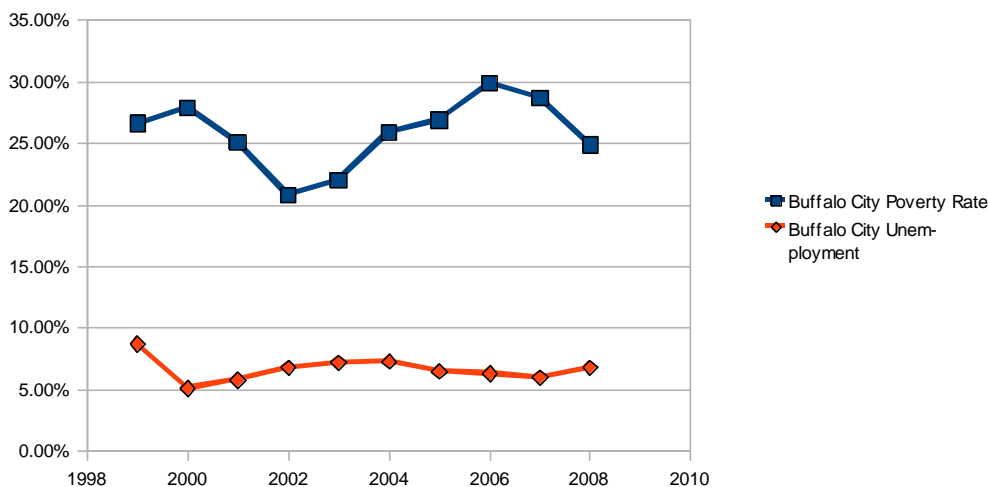
Although there is some relationship in this ten year period between poverty and unemployment on a statewide and national level, the exact nature of that relationship is hard to determine.

How do poverty and unemployment relate in the Buffalo area?



In Erie County, trends in the poverty and unemployment rates appear to be related in some years but not in others.^{xii} In all but two years (2003 and 2007), changes in poverty correspond with changes in unemployment. However some years a small change in one corresponds with a larger change in the other, as in 2005. In 2008 the poverty rate was 13.5%, down from 13.7% in 2007, while the unemployment rate was 5.6% up from 4.7% in 2008. The relationship above suggests that the two measures do influence each other, but there must be other factors with strong influences.

City of Buffalo Poverty and Unemployment



In the City of Buffalo, the past ten years shows uneven poverty rates with steady unemployment.^{xiii} This relationship suggests that there must be other influences on the poverty rate than just the unemployment rate.

What is the impact of underemployment on Buffalo?

Many people argue that unemployment rates paint an incomplete picture of the labor situation. The numbers do not represent parts of the population that are

either so discouraged that they are no longer looking for work or have compromised with jobs well below their skill levels or desired hours.

The U.S. Bureau of Labor Statistics reported the national unemployment rate to be 10.2% in October of 2009, including people who were registered, receiving unemployment benefits, and actively seeking work.^{xiv} However, if you include underemployed people, the rate would be 17.5%, or more than one in six workers. The number of underemployed persons had increased to 7% from 5% in 2008. “Underemployment” is a broader measure of under-utilization of workers than unemployment. Underemployment encompasses, in addition to those officially unemployed, workers who have become so discouraged about their prospects of finding a job that they have ceased looking and workers who would like to work full-time but can only find a part-time job.^{xv}

High numbers of underemployed persons do not receive unemployment so they are not counted in official numbers. The “U-6” measure is updated to measure “Total unemployed, plus all marginally attached workers, plus total employed part time for economic reasons, as a percent of the civilian labor force plus all marginally attached workers.”^{xvi} These are the numbers for NY State for 2007 and 2008 compared with the traditional unemployment measure.

	2007	2008
Traditional Unemployment Measure	4.5%	5.3%
U-6 Measure	8.1%	9.6%

This has a ripple effect on the economy because underemployment means less income and less consumer spending.^{xvii}

In the City of Buffalo, 33% of single persons below the poverty level worked part time. Even though workers who usually work full time are much less likely than other workers to live in poverty, there is still a large group of workers who live below the poverty threshold.^{xviii} In 2007, 82.1% of the working poor in the nation who usually worked full time experienced at least one of the following; low wages, periods of unemployment, or involuntary part time employment.^{xix}

What are other sources of poverty and job loss in the Buffalo area?

Buffalo has both similarities and differences to other cities that are not captured in common stereotypes. Nor can we group Western New York with the starkly different downstate metropolitan area and draw conclusions about New York State as a whole.

The Buffalo-Niagara metropolitan region has demonstrated its ability to not only grow, but exceed national growth rates. From 2006 to 2008 the U.S. experienced a 7.6% per capita income growth while the Buffalo-Niagara region had 8.3% per capita income growth. Meanwhile, Rochester was below the national average with an increase of 7.4%.

One factor may be that a source of rising unemployment and poverty across the country was the bursting of the housing bubble which Upstate and Western New York was able to bypass.^{xx}

The presence of disabled persons in poverty is staggering. Almost twice as many people in poverty are disabled and almost twice as many of the disabled are poor.^{xxi} In the City of Buffalo, 29.7% of disabled males were in poverty compared to only 18.1% in New York State.^{xxii} An in depth analysis would be needed to understand the relationship of poverty to disability in different parts of the state and country.

The type of family may also be a contributing factor. In the City of Buffalo, 76% of families with children in poverty are headed by a single female.^{xxiii} This indicates there is a high number of a single mothers in poverty; a vulnerable population that cannot work with proper supports. Erie County's recent move to eliminate child care subsidies for families between 125% and 200% of the poverty line could have a broader effect on the area's poverty than is being calculated.

Conclusion and Policy Implications

Unemployment and poverty are complex, and it cannot be said that either one exclusively causes the other. Within the City limits of Buffalo, the two measures are particularly unrelated. Therefore, we cannot assume that "more jobs" is the only solution to eliminating poverty.

We must measure the relationship accurately. If the threshold of the official poverty rate were raised to be more current and realistic, more working people would be included in the measure and the relationship would be even more unrelated.

To address some of the other factors influencing poverty, we must first ameliorate conditions and wages for existing workers who may be under-employed or paid low wages: these workers do not raise the unemployment rate, but they still live in poverty. We also must examine how we support people who are unable to work due to disabilities or family obligations. Providing supports for some of these vulnerable populations may improve the poverty rate for people who may not benefit from "more jobs."

ⁱ Defina, Robert H. "Does Lower Unemployment Reduce Poverty?" <http://web.ebscohost.com/gate.lib.buffalo.edu/ehost/pdfviewer/pdfviewer?vid=2&hid=113&sid=521b5461-d6ae-4528-a0f7-993d505040d2%40sessionmgr104>

ⁱⁱ Id.

ⁱⁱⁱ Id.

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- ^{iv} Robert Haveman, “Poverty and the Distribution of Economic Well-Being Since the 1960s,” in George L. Perry and James Tobin, eds., *Economic Events, Ideas, and Policies* (Washington, D.C.: Brookings Institution, 2000), p. 281
- ^v http://www.bls.gov/cps/eetech_methods.pdf
- ^{vi} http://www.bls.gov/cps/prev_yrs.htm
- ^{vii} *BLS, Fiscal Policy Institute*. http://www.fiscalpolicy.org/SWNY_TheGreatRecession2009.pdf
- ^{viii} <http://www.bls.gov/opub/ooq/2007/fall/art04.pdf>
- ^{ix} <http://www.policyarchive.org/handle/10207/bitstreams/11030.pdf>
- ^x Jack, Kevin. “The Labor Force Participation Rate: An Overlooked Indicator” *Employment in New York State*, June 2006. Retrieved on 4/20/10 from <http://www.labor.ny.gov/stats/PDFs/enys0606.pdf>
- ^{xi} Note: These numbers have been estimated using labor force participation from <http://www.bls.gov/cps/cpsaat1.pdf> and population data from <http://recenter.tamu.edu/data/popm00/pcbsa15380.html> and <http://quickfacts.census.gov/qfd/states/00000.html>
- ^{xii} Note: These measures cannot be compared in an absolute sense, since they are different measures. Data retrieved from <http://www.census.gov/cgi-bin/saipe/saipe.cgi> and <http://www.erie.gov/overview/>
- ^{xiii} Data retrieved from http://www.census.gov/cgibin/saipe/saipe.cgi?year=2006&type=county&table=county&submit=States%20%26%20Counties&areas=all&display_data=
- ^{xiv} Allen, Mike. “Rising Underemployment Figures Create Ripple Effect,” *San Diego Business Journal*, November 30th, 2009. Retrieved from <http://www.allbusiness.com/labor-employment/human-resources-personnel-management/13627596-1.html>.
- ^{xv} http://www.fiscalpolicy.org/FPI_UnemploymentTheOtherCrisis_August2008.pdf
- ^{xvi} “Tracking unemployment and underemployment in NYS.” *Employment in New York State*, April 2009. Retrieved from <http://www.labor.state.ny.us/stats/PDFs/enys0409.pdf>. (From CPS Survey)
- ^{xvii} U.S. Department of Labor, “A Profile of the Working Poor, 2007.” Retrieved on 4/20 from <http://www.bls.gov/cps/cpswp2007.pdf>
- ^{xviii} <http://www.city-data.com/poverty/poverty-Buffalo-New-York.html>
- ^{xix} *Id.*
- ^{xx} *BLS, Fiscal Policy Institute*. http://www.fiscalpolicy.org/SWNY_TheGreatRecession2009.pdf
- ^{xxi} “Poverty and Disability, The Endless Loop,” Retrieved on 4/21/10 from http://www.disabilityfunders.org/webfm_send/74
- ^{xxii} <http://www.city-data.com/poverty/poverty-Buffalo-New-York.html>
- ^{xxiii} <http://www.city-data.com/poverty/poverty-Buffalo-New-York.html>