
The City's Economic Recovery Must Also Be a Powerful Declaration on Racial Justice

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SUMMARY

QUESTION: HOW ARE EQUITY AND RACIAL JUSTICE INEXTRICABLY LINKED TO NEW YORK CITY'S ECONOMIC RECOVERY?

WHY IMPORTANT:

1. *As a paradigm, the Federal Poverty Line (1963) influences multiple decisions about how we resource our city, shape economic development, and engineer responses to problems as fundamental as defining wage adequacy. This paradigm undercounts those in need.*
2. *For the city to achieve racial justice, it needs to understand the pervasive and systemic racial bias that underlies why our measures and goals are what they are today. Committing to a new paradigm that sets our city's sights plainly on economic advancement for all as the goal - using the measures and data that can help get us there - is a powerful declaration that we are serious about rectifying hundreds of years of racial inequities.*
3. *FPWA's Self-Sufficiency Standard provides critical data on the income needed for working-age families to cover their most basic life needs, including childcare, food, housing, transportation, healthcare, taxes and more. The Standard accounts for the varying costs of living across different geographic areas, down to the county level, varies the costs of children by age group and makes distinctions across a greater number of family types.*

RECOMMENDATIONS:

1. *Create local policy decisions based on the Self-Sufficiency Standard.*
2. *Use self-sufficiency standard as a metric for the city's economic resilience track and report progress in achieving the Self-Sufficiency Standard alongside the NYCgov poverty numbers.*

CONSTRAINTS:



1. *The mechanisms for achieving this can be varied and will reflect the traditions and strengths of the locality, but some commonalities have been noted that are worth our consideration.*
2. *Local action can't solve every problem; Mayor must advocate for change at the federal level.*



INTRODUCTION

Since the start of the pandemic, America has experienced the steepest rise in the number of people living in poverty in the past 50 years. Prolonged joblessness and economic insecurity going into the crisis are the primary culprits. As with the pandemic itself, Black and brown people of low income have been disproportionately affected. The pandemic recession is widely regarded as the most unequal in modern history.¹ This is true along both economic and racial lines. Projections on recovery don't offer much solace either. By many accounts, the economic recovery for low-income people of color — especially for Black women² — is anticipated to be steeper and longer than for others.³

In too many ways, the experience of low-income Black and brown communities in the pandemic is simply a deepening of the economic desperation that existed before it. Black and Hispanic Americans are more likely to have experienced job and other income losses during the pandemic, and those who have lost income are more likely to have found themselves in deep financial holes. Further, about 6 in 10 Hispanics and about half of Black Americans say their households are still facing the impacts of income loss, compared with about 4 in 10 white Americans.⁴ At the same time, the

¹ Heather Long, Andrew Van Dam, Alyssa Fowers, and Leslie Shapiro, “The covid-19 recession is the most unequal in modern U.S. history,” *Washington Post*, September 30, 2020, <https://www.washingtonpost.com/graphics/2020/business/coronavirus-recession-equality/>.

² Ibid.

³ Andre Dua, Kweilin Ellingrud, Michael Lazar, Tucker Van Aken, Ryan Luby, and Sanjay Srinivasan, “Achieving an inclusive US economic recovery,” *McKinsey & Company*, February 3, 2021, <https://www.mckinsey.com/industries/public-and-social-sector/our-insights/achieving-an-inclusive-us-economic-recovery#>.

⁴ Aaron Morrison, Kat Stafford, and Emily Swanson “AP-NORC poll: People of color bear COVID-19's economic brunt,” *AP*, March 12, 2021, <https://apnews.com/article/ap-norc-poll-people-of-color-covid-19-economy-421f0582650c02a42508fb46aa461a7b>.



recovery from this crisis gives us an opportunity to center on economic equity for low-income people of color. Doing so is both a matter of economic vitality for our city and of racial justice. To chart a new course, however, will take the will and a commitment to altering the paradigm in which we view economic measures intended to eliminate poverty and raise economic stability. Indeed, it starts with reexamining how we define that powerful word — poverty — and who we regard as in need.

When the federal government created the federal poverty line (FPL) in 1963, roughly 19% of Americans were considered to be poor. The new measure was intended to provide a way of identifying those in need and to measure the success of the then-new social safety net programs such as SNAP (i.e., food stamps), Medicaid, and Medicare. This was a crucial step at the time. Now, however, the federal poverty measure has remained largely unchanged for 50 plus years. It is widely seen as antiquated and woefully unrealistic in identifying who is in need. As has been widely discussed, the measure does not account for a number of basic needs, such as childcare, transportation, and housing costs. It is also not sensitive to local cost of living differences. While other measures have tried to address some of these deficits, the FPL is still the measure used by the federal, state, and local governments to determine access for individuals and families to safety net programs.

The result is a continuing undercount of who is in need. The implications of this undercount are significant and range from who has access to safety net benefits — and on what terms — to whether or not families are able to advance and break cycles of intergenerational poverty. The false paradigm set in motion by this undercount influences multiple decisions about how we resource our city, shape economic development, and engineer responses to problems as fundamental as defining wage adequacy.



PURSUING A NEW FRAMEWORK

Rebuilding NYC post-pandemic must include a mandate to step away from this false paradigm. A meaningful shift includes embracing a new metric for measuring need and therefore our responses to the driving forces creating it. Better yet, let's commit to an entirely new framework. At best, we are currently measuring deprivation. Instead, let's honestly define what is required to reach economic stability and to prosper in our city, not simply meet basic needs. Then, let's use this as the organizing principle for decisions about how to rebuild in multiple, interdependent areas of city life.

How can this be done? There have been past attempts to compensate for the deficits of the FPL and to use a more locally sensitive standard where possible. NYC's Office



for Economic Opportunity created an NYCgov poverty measure in 2008 that is more responsive to the costs of living in NYC. According to the Office, “In addition to pre-tax cash (the income measure used in the official measure), our measure includes the effect of income and payroll taxes, and the value of in-kind nutritional and housing assistance. Non-discretionary spending for commuting to work, childcare, and out-of-pocket medical care are accounted for as deductions from income.”⁵ In a 2017 annual report, the Office went on to argue this results in a “more accurate and realistic poverty rate, a better understanding of who is in poverty, and a measure of how City programs work to alleviate poverty.”⁶ Like the Supplemental Poverty Measure, a federal compliment to the FPL developed during the Obama administration that also attempts to get closer to people’s lived experience, New York City’s CEO Poverty Measure takes into account both a greater array of costs that an individual or family typically has to cover (e.g., childcare, transportation, and healthcare) and the impact of benefits on net income.

As forward thinking as the NYCgov Poverty Measure has been, anchoring recovery policies to any of these measures today is unlikely to get us far enough. It may help some New Yorkers out of immediate crisis, but not much more. It will not advance economic opportunity or create economic security. Nor will it actively seek to engage the large number of low-income New Yorkers as co-drivers of economic recovery, with once again many Black and brown New Yorkers effectively treated as bystanders in their own city.

THE SELF-SUFFICIENCY STANDARD

FPWA, the organization that I lead, has anchored some of its policy work in a different standard, the Self-Sufficiency Standard. Created by the Center for Women’s Welfare at the University of Washington, the Self-Sufficiency Standard provides critical data on the income needed for working-age families to cover their most basic life needs, including childcare, food, housing, transportation, healthcare, taxes, and more. The Standard also takes into account the varying costs of living across different geographic areas, down to the county level, varies the costs of children by age group, and makes distinctions across a greater number of family types.

To illustrate the difference that the measure makes when centering our policies, consider that the FPL identifies as “poor” a single mother living in the Bronx with a preschooler and a third grader at an income of \$21,720 or less. Using the Self-

⁵ Mayor’s Office for Economic Opportunity, “Data Tool: NYC Government Poverty Measure,” *City of New York*, <https://www1.nyc.gov/site/opportunity/poverty-in-nyc/data-tool.page>.

⁶ Mayor’s Office for Economic Opportunity, “Equity, Evidence, and Innovation: NYC Opportunity 2017 Annual Report,” *City of New York* (December 2017): 12, <https://www1.nyc.gov/assets/opportunity/pdf/2017AnnualReport-NYCOppportunity-WEB.pdf>.



Sufficiency Standard, we can see that that family actually needs \$81,284 in income to meet their basic needs, which is 374% of the FPL and 257% of the minimum wage. As a two-parent household in the Bronx with the same composition of children, the income needed is \$85,507, or 326% of the FPL and 270% of the minimum wage.⁷

The Standard is an affordability measure. It informs us not only about what the real cost of living is for different family types in different locales, but what the wage adequacy threshold is for each place and how a family's income does or does not bring it to adequacy. It can also show the impact of benefits and work supports on reaching wage adequacy, and conversely how far off the mark a family would be without those assists. Equally important, it can highlight how our current benefits system can have cliff effects and financial gaps that either prevent a family from receiving the support it needs, or that throw it suddenly off an economic precipice simply because they've made even the most modest of progress in improving their economic situation.

New York City can again be a national leader in redefining how we regard economic stability for all residents by committing to anchoring future local policy decisions in the Self-Sufficiency Standard. The Standard could inform how wages for contracted workers are set, for example. It could come into play when the City is negotiating new economic development packages, with business subsidies dependent on a commitment to salaries in line with the local Standard. These are just two areas in which committing to a local standard that uses self-sufficiency, rather than staying just above deprivation as the bellwether of success, could have a substantial impact. Analysis of other opportunities to align local policies with a new standard would undoubtedly yield many more.

It would also yield a bolder path forward for the city on achieving racial justice. An important aspect of understanding the need for a paradigm shift is understanding the pervasive and systemic racial bias that underlies why our measures and goals are what they are today. These flaws are the progeny of a long line of economic measures intended to keep people of color from being full-fledged beneficiaries of American prosperity. Committing to a new paradigm that sets our city's sights plainly on economic advancement for all as the goal — using the measures and data that can actually help get us there — is a powerful declaration that we are serious about rectifying hundreds of years of racial inequities.

This step would be economically advantageous to our city's recovery. There is sufficient evidence to show that, when low-income people are included in economic revitalization, the benefits to the whole of the economy are quantifiable. These include the obvious — for example, spending fewer taxpayer dollars on benefits programs,

⁷ Annie Kucklick and Lisa Manzer, "The Self-Sufficiency Standard for New York 2021," *FPWA*, March 2021, https://www.fpwa.org/wp-content/uploads/2021/03/NY2021_SSS.pdf.



and increased contributions to the local economy as workers spend their newfound dollars in their communities.⁸

CONCLUSION

Though it has been demonstrated that economically healthy cities tend to be cities that are also inclusive, there is a cautionary note to strike.⁹ An economic recovery doesn't automatically produce inclusion. Not only do inclusive recoveries require intentionality by both the public and private sectors, but they also require that the daily lived experiences and voices of those who have traditionally been left outside the door be brought into the house and seated at the table for discussion. The mechanisms for achieving this can be varied and will reflect the traditions and strengths of the locality, but some commonalities have been noted that are worth our consideration.¹⁰

Local action can't solve every problem. Change at the federal level will still be crucial, and New York City should be a leader in pushing for it. The next mayor should use the power of the office to advocate, along with other mayors around the country, for an improved federal poverty measure more aligned with the Self-Sufficiency standard. This is a clear and simple recommendation with the potential for significant impact.

Yet the city must go much farther. The new mayor must commit upfront to a recovery that is both economically and racially inclusive and put the mechanisms and resources in place to fulfill that vision.

He or she should commit to anchoring future policy decisions in the Self-Sufficiency Standard. And they should use this standard as a metric for the city's economic resilience and wellbeing, and track and report progress in achieving the Self-Sufficiency Standard alongside the NYCgov poverty numbers.

The COVID-19 pandemic has delivered a hard blow to our city in multiple ways, and profoundly so economically. The impact has not been equivalent, however. Entrenched inequity has made the consequences in every instance that much more dire for Black and brown New Yorkers. Building a recovery plan gives the next mayor the opportunity to address historic injustices and create a more resilient and inclusive

⁸ Lily Roberts and Ben Olinsky, "Raising the minimum wage would boost an economic recovery," *Center for American Progress*, January 27, 2021, <https://www.americanprogress.org/issues/economy/news/2021/01/27/495163/raising-minimum-wage-boost-economic-recovery-reduce-taxpayer-subsidization-low-wage-work/>.

⁹ Erika Poethig, Solomon Greene, Christina Plerhoples Stacy, Tanaya Srini, and Brady Meixell, "Inclusive Recovery in US Cities," *Urban Institute*, April 25, 2018, https://www.urban.org/research/publication/inclusive-recovery-us-cities/view/full_report

¹⁰ Ibid.



New York. That effort starts with the acknowledgement that a recovery that returns nearly 1 in 5 New Yorkers to living below a poverty line¹¹ that we already know undercounts the true magnitude of need is not a recovery — it is an ongoing crisis. And it includes a stated commitment to the importance of an economically and racially inclusive recovery, backed by the mechanisms and resources to accomplish it, and a forward-thinking embrace of better measures with which to anchor and gauge the success of our policies.

FPWA is an anti-poverty and advocacy organization committed to economic opportunity and upward mobility for low-income New Yorkers.

¹¹ “QuickFacts: New York City, New York; United States,” *U.S. Census Bureau*, <https://www.census.gov/quickfacts/fact/table/newyorkcitynewyork.US/PST045219>

