



## METROPOLITAN POLICY PROGRAM

# Losing Ground: Income and Poverty in Upstate New York, 1980–2000

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### Findings

A study of income and poverty data for Upstate New York finds that:

- **Personal income in Upstate grew at just half the national rate in the 1990s, and by 2000 lagged the country by 11 percent.** Over half of Upstate's meager income growth was accounted for by increases in government transfer payments from such sources as Social Security, Medicare and Medicaid, and the earned income tax credit.
- **Hour for hour, Upstate workers receive lower wages than people of similar age, race, sex, and educational backgrounds nationwide.** Upstate's workers also work fewer hours, and a smaller share of Upstate adults participate in the workforce, contributing to Upstate's comparatively low wages per capita.
- **Upstate's highest-income households earn substantially lower incomes than the national average.** Upstate's 80th-percentile household—whose income is higher than 80 percent but lower than 20 percent of all households—earned about \$74,300 in Upstate in 1999, compared with over \$81,100 nationwide.
- **Upstate's lowest income households experienced little income growth in the 1990s.** These households saw slow relative earnings growth and a substantial decrease in welfare income over the decade so that by 1999, their income had fallen from about 8 percent above the national average to about 1 percent below it.
- **Upstate poverty rates grew for families, individuals, and children during the 1990s, while they decreased for all three of these groupings nationwide.** Traditionally a low-poverty region, by 2000 Upstate's poverty rate was 11 percent, closing in on the national average of 12.4 percent.
- **Concentrated poverty is on the rise in Upstate even as it declines across the nation.** The share of concentrated poverty neighborhoods in the United States, and the share of poor households living in such neighborhoods, dropped in the 1990s. The opposite was true for Upstate.

Upstate has two income problems requiring two sets of responses. Policies are needed to create better income opportunities for well-educated workers, who otherwise leave the region. Also, policies are needed that will directly improve the income of low-income households and low-wage workers and reduce their residential concentration in Upstate cities.

*“Arresting decline  
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## Introduction

Over the past several decades, Upstate New York has transitioned from a stable middle-income region to one with serious income and economic problems. In 1969, per capita personal income (PCPI) in Upstate exceeded that of the United States, but by 2000, it trailed the national average by 11 percent. These lagging incomes likely contribute to the substantial out-migration of mobile residents from the area—especially in the mid-1990s—which in turn is threatening economic growth. At the same time, many of those who stay increasingly lack the resources to pay for goods and services that other U.S. residents enjoy, further exacerbating economic stagnation in the region. Both of these trends—population decline and economic malaise—are the subjects of other recent reports in this series.<sup>2</sup>

In the United States, concerns about income primarily revolve around increasing disparities between rich and poor. After decades of decline or stability, the 1970s and early 1980s brought rapid inflation and growing income gaps, followed by economic restructuring, growth in wage instability, and substantial demographic changes. At the same time, people who were living below the poverty line became more concentrated throughout the country—a trend now thought to have corresponded with both the shifting income distribution and rising opportunities for low-income minorities to live outside concentrated areas of poverty, leaving the poorest households behind in uniformly poor neighborhoods.<sup>3</sup>

Things began to change in the 1990s, when a long economic expansion helped raise purchasing power for the poorest American households. The number of people in poverty fell from about 39 million in 1993 to just 33.9 million in 1999, and the poverty rate

fell from over 15 percent to 12.4 percent, the lowest level since the 1970s.<sup>4</sup> For blacks, the decline in poverty was even more striking, from 33 percent in 1993 to 22.5 percent in 2000. With this decline in the poverty population and the poverty rate, concentrated poverty also began to abate; populations dropped sharply in the most impoverished neighborhoods, and incomes rose broadly enough to reduce the number of such neighborhoods.<sup>5</sup>

The economic boom of the 1990s lifted the incomes of the highest-earning households much more than it helped low-income families, however. The average real income of the lowest-income 20 percent of U.S. households increased 10 percent in the 1990s, while that of the highest-income 20 percent grew by 28 percent—and that of the highest 5 percent grew by a stunning 42 percent.<sup>6</sup> Consequently, income inequality did not stop widening, even though its underlying dynamic may have changed from polarization (decline at the bottom and rise at the top) to disparate gains. As a result, income inequality in the United States today is now at its highest level in recorded history.

In Upstate New York, the story diverges considerably from the national picture. Income inequality is not the dire problem in Upstate New York that it is in California and in Downstate New York. Instead, as we detail in this report, Upstate has two separate income problems. First, the best-educated and highest-skilled Upstate workers earn low wages compared to similar workers elsewhere in the United States, encouraging these workers to leave for regions where they can anticipate higher earnings. Second, the lowest income Upstate residents are not benefiting from positive national trends: Incomes at the bottom in Upstate are rising less rapidly than in the country as a whole, poverty is rising while falling nationwide, and the number of high-poverty

neighborhoods in the region is increasing.

These wage and income trends affect all Upstate New Yorkers, with particularly devastating consequences for Upstate's poorest residents. Public policy can help address some of these disadvantages, but given the severity of the trends—and the time it will take for new policies to bear fruit—arresting decline in Upstate will require a bold and rapid response.

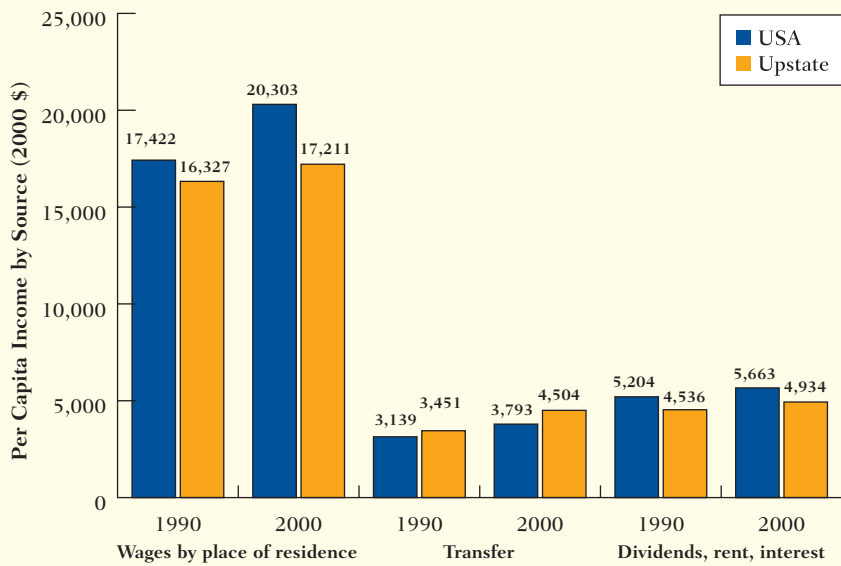
## Methodology

For this study, Upstate New York consists of the 52 counties north and west of the New York Primary Metropolitan Statistical Area (PMSA). Of those 52 counties, 28 are part of 11 metropolitan areas, and 24 are non-metropolitan. The analysis covers the period from 1980 to 2000, focusing on the 1990s.

The data used for this report are from two main sources: the Regional Economic Information System (REIS) of the Bureau of Economic Analysis, and the U.S. Census. REIS provides data on population and personal income annually back to 1969, and we used this source to generate data on per capita personal income and transfer payments. The REIS is a more complete source of income information than the decennial Census because it is updated annually and relies on data from numerous sources, not just self-reported income. It is not available, however, for small areas, nor does it provide detail on the distribution of income to workers and individuals according to their sex, age, race, occupation, and industry.

The report also relies on several versions of the U.S. Census of Population and Housing. We used the 2000 Public Use Microsample (PUMS) to extract detailed information about Upstate's workers. The PUMS is a weighted sample of approximately 5

**Figure A. Upstate personal income lags the nation due to anemic wages and investment income**



percent of the individual records returned by households who complete the long form of the Census, which is received by about one of every six households in the U.S. With access to these individual records, we could get more insights into Upstate New Yorkers' employment and educational status as of 2000: their industry (i.e., the main product of the company or agency for which they worked); their occupation (i.e., their main job); the number of hours and weeks they worked; their annual earnings in 1999; their age and sex; and so on. The summary files (Summary File 3) provide access to these subjects in summaries, one or two subjects at a time; the PUMS allows researchers to cross-tabulate and create finely detailed tables. The results are subject to imprecision because they are based on samples; furthermore, not everyone gives an accurate accounting of their earnings and income when they respond to the Census. We did not perform statistical significance tests and report primarily on combinations of industry, occupation, earnings, age, sex, and educa-

tional attainment with non-trivial numbers of responses. The report complements data from the PUMS—which we extracted thanks to the University of Minnesota's IPUMS project—with corollary data from the U.S. Census's 2000 Supplementary Survey, a national database with questions parallel to those on the decennial census but with a different sampling frame.<sup>7</sup>

We also used Summary Tape File 3 (STF3, 1990) and Summary File 3 (SF3, 2000) to identify census tracts according to their poverty rates. We classified all tracts in the United States according to whether their poverty rates were below 10 percent; between 10 percent and 20 percent, 20 percent and 30 percent, and 30 percent and 40 percent; or over 40 percent in 1979, 1989, and 1999. We then summarized the number of people, the number of people below poverty, and the number of black and Hispanic residents living in tracts of each type in each census year. We defined high-poverty tracts as those with over 20 percent poverty rates;

about one in five census tracts nationwide met this definition. Tracts with poverty rates exceeding 40 percent were defined as extreme poverty tracts; less than one in 20 tracts nationally met this high threshold in 2000.<sup>8</sup> We also used the household income distributions as reported in the summary files (STF3 1980 and 1990, SF3 2000) to estimate the 80th percentile incomes in 1979, 1989, and 1999.

## Findings

**A. Personal income in Upstate grew at just half the national rate in the 1990s, and by 2000 lagged the country by 11 percent.**

In the late 1960s, per capita personal income (PCPI) in Upstate New York was slightly higher than in the United States as a whole. But with the recession of the early 1970s, Upstate's PCPI failed to grow as fast as elsewhere in the country, largely because of Upstate's reliance on hard-hit manufacturing industries. Economic recovery in the early 1980s revived incomes in Upstate to the national average by mid-decade, but growth began to lag that of the country again in 1986 and has not kept pace since. In the 1990s, Upstate's PCPI grew by only 8 percent compared with over 15 percent in the nation as a whole. As a result, by 2000 Upstate's PCPI trailed the U.S. average by over 11 percent—\$26,260 compared to \$29,760.

Upstate's troubling personal income statistics become alarming when further broken down by source: earnings; transfer payments; and dividends, rent, and interest (Figure A). In a healthy economy, investment and work account for most income, and transfer payments from government are less important. Upstate lags the United States in both earnings and investment, however. In 2000, the region's earnings per capita—that is, the total earnings of Upstate's resident workers divided by the Upstate population—

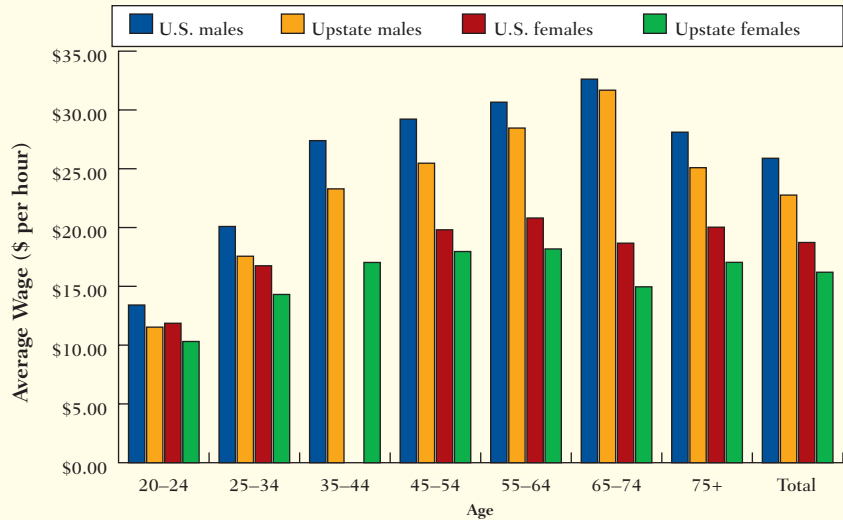
were only \$17,211, or 85 percent of the national average of \$20,303.<sup>9</sup> Moreover, real per capita earnings grew only 5.4 percent in the 1990s, compared with 16.4 percent growth nationally. In addition, Upstate receives about 13 percent less per capita in dividends, rent, and interest than the country as a whole, a relationship that has not changed since about 1980.

Transfer payments, by contrast, are higher in Upstate than they are in the United States, and they are growing faster. Over half—53 percent—of the growth in Upstate’s PCPI during the 1990s came from growing transfer payments, including such sources as social security, government and private-sector pensions, Medicare, and Medicaid. Between 1990 and 2000, Upstate’s per capita transfer payments increased 30 percent, to \$4,504, compared with the national increase of 21 percent, to \$3,793. By 2000, transfer payments constituted 17 percent of Upstate’s total PCPI, compared with 13 percent nationally.

The two largest sources of transfer payments—accounting for 84 percent of the total—are retirement and disability payments. These primarily consist of social security, and medical payments disbursed through Medicare and Medicaid programs. Upstate’s per capita take from government retirement and disability sources was 22 percent above the national average in 2000, and its per capita level of Medicare and Medicaid was 18 percent higher. New York has more generous Medicaid payments than any other state.<sup>10</sup>

This heavy dependence on retirement and disability payments is partly a result of the high concentration of seniors in Upstate. In 2000, 14 percent of Upstate’s residents were over 65 years old, compared with 12 percent nationwide, and nearly 28 percent of Upstate seniors were over 80 years old in 2000, compared with just over 26 percent of U.S. seniors.

**Figure B. Upstate’s college grads earned lower wages in 2000 than the U.S. average, even after accounting for race, age, and sex (Full time white workers with college degrees not currently enrolled in school)**



But non-elderly Upstate residents also receive more in transfer payments than do their counterparts at the national level. Among the four other main categories of transfer payments, Upstate received in 2000 a higher amount per capita in three: 22 percent more in income maintenance and benefit payments, much of which comes in the form of the earned income tax credit; 13 percent more in unemployment insurance benefits; and 40 percent more in federal education and training assistance.<sup>11</sup> Upstate receives about the national average per capita veterans’ benefit payments.

***B. Hour for hour, Upstate workers receive lower wages than people of similar age, race, sex, and educational backgrounds nationwide.***

Since earnings constitute the largest share of income, we looked more deeply at earnings and wages for this report to better understand why incomes are lagging in Upstate. In doing so, we found that Upstate’s workers earn lower wages on average than their counterparts across the country, for four primary reasons.

First, and most importantly, hourly wages for workers of the same age, educational level, sex, and race are lower in Upstate New York than the national average. Second, Upstate’s male workers tend not to work in high-wage occupations. Third, Upstate’s workers work less than their national counterparts, and residents participate less in the labor force than the national average. Each reason is discussed below in turn.

***1. Upstate jobs pay low hourly wages—especially its high-skill jobs.***

The PUMS data show that on average, Upstate’s hourly wages are about 96.4 percent of the national average, with men taking home slightly less than the Upstate average (95.8 percent) and women slightly more (97.5 percent).<sup>12</sup> Full-time male and female workers in Upstate earn about 97 and 99 percent of national average wages, respectively. Part-time workers earn much less than the national average, however, especially men who work part time.<sup>13</sup> On average, Upstate’s male part-time workers—about 16 percent of its workforce—earn only about 80 per-

cent of what their counterparts at the national level earn per hour. Upstate women who worked part-time in 2000 earned roughly 92 percent of their national counterparts.

This wage gap is not simply a product of differences in levels of education, age, or race in Upstate compared to the nation. In fact, since whites, older workers, and college-educated workers earn more than other workers, one would expect overall earnings to be higher than average in Upstate, if only because its labor force is whiter, older, and better-educated than the U.S. average. On the contrary; holding age, race, sex, and education levels constant, and considering only those workers not currently enrolled in school, Upstate's wages per hour are still much lower than those nationwide:

- In every age group between 20 and 65 years old, college-educated white men and women who worked full-time in 2000 earned less than 93 percent of the national hourly average wage for people of the same age, sex, and race (Figure B).<sup>14</sup> And the most mobile segment of the population—the white full-time workers with college degrees aged 25 to 34—earned 87 percent (males) and 85 percent (females) of the national average wage. Upstate's labor markets thus offer these recent college graduates strong wage disincentives against building careers in the region.
- Part-time male workers who were white, had high school diplomas but no college, and were not in school earned much lower wages than similar men nationwide; 35- to 44-year-olds, for example, earned just 84 percent of the national average for part-time workers of their age, sex, and race. Part-time female workers with high-school diplomas earned wages slightly closer to national averages, holding race and age constant.

The fact is Upstate workers in certain occupation groups—particularly those at the higher end of the pay spectrum—are simply getting paid less than their counterparts nationwide. To examine this effect, we grouped occupations at the national level into five wage-based quintiles, each of which had equal numbers of workers. (That is, the lowest quintile includes those occupations with the 20 percent of workers who earned the lowest average hourly wage; the second quintile includes occupations with the 20 percent of workers earning the second lowest tier of wages, and so on.) This procedure was conducted separately for men and women to account for the gendering of occupations. The top tier consists mostly of managerial and professional occupations, the bottom of production, food-service, and transportation occupations.<sup>15</sup>

Using the U.S. occupational quintiles as the standard, we are able to see Upstate's comparative wage disadvantage, particularly in the uppermost quintiles. Upstate men in the top occupational quintile earn only 91 percent of the national average hourly wage, and women only 93 percent (Table 1). In the lowest quintile, by comparison, both men and women in Upstate earn more on average than the national average hourly wage for that quintile.

This advantage at the bottom appears mainly to be an effect of higher-than-average compensation in Upstate for workers whose education has gone no further than a high-school diploma.<sup>16</sup> Only in the third occupational quintile do a majority of white, college-educated Upstate workers of either sex earn more than the average hourly wage for similarly educated

**Table 1. Upstate men in the top occupational quintile (OQ) in 1999 earned only 91 percent of the national average hourly wage, and women only 93 percent**

	Upstate	USA	UP/USA
OQ1	\$9.73	\$9.34	104.2
Male	10.78	10.45	103.1
Female	8.29	7.89	105.1
OQ2	\$12.40	\$12.20	101.6
Male	13.71	13.52	101.4
Female	10.54	10.22	103.1
OQ3	\$14.59	\$14.57	100.1
Male	16.14	16.12	100.1
Female	12.07	12.27	98.4
OQ4	\$17.99	\$18.43	97.6
Male	20.42	20.71	98.6
Female	15.18	15.82	95.9
OQ5	\$26.48	\$28.99	91.3
Male	30.62	33.51	91.4
Female	21.16	22.71	93.2

Sources: Upstate from 5% 2000 Census Public Use Microsample (PUMS), extracted from IPUMS. U.S. from Census 2000 Supplementary Survey, extracted from IPUMS. Steven Ruggles and Matthew Sobek, with Trent Alexander, Catherine A. Fitch, Ronald Goeken, Patricia Kelly Hall, Miriam King, and Chad Ronnander. Integrated Public Use Microdata Series: Version 3.0 [Machine-readable database]. (Minneapolis: Minnesota Population Center, 2004). Available: <http://www.ipums.org>.

white workers of the same age nationwide. This is true, furthermore, only for men; for white women, college education practically never pays off in Upstate to the extent it does nationwide. The best example of this tendency toward low wages for the best-educated workers is in health care occupations (Table 2). Upstate's female registered nurses (OQ5) and licensed practical nurses (OQ4) earn 91 percent and 95 percent, respectively, of the national average hourly wage for their occupations. By contrast, Upstate's nursing, psychiatric, and home health care aides (OQ2) earn 7 percent more than the national average.<sup>17</sup>

The main exception to the rule of low compensation at the top and better compensation at the bottom is in elementary and secondary education. School teachers—who are in occupational quintile 4 for men and occupational quintile 5 for women—earned about 17 percent more per hour in Upstate than the national average. But female teacher's assistants (OQ2), who do not enjoy the benefits of unionization, earn only about the national average wage for that occupation. Occupations in elementary, secondary, and postsecondary education are all important constituents of the Upstate labor force, with concentrations of Upstate workers in these occupations ranging from 15 to 70 percent higher than the national average.<sup>18</sup>

For Upstate's 200,000 black workers, the picture is more complicated, especially since their smaller numbers make estimation too imprecise at the fine level of detail that can be attained for white workers. There are two patterns that emerge from a coarse analysis, however.

First, the majority of black workers in Upstate earn hourly wages that are at least as high as those earned by workers of the same sex and race and similar age, educational level, and occupational quintile nationally. These

workers include about 115,000 black workers between 20 and 44 years old without college degrees and another 55,000 workers aged 45 and older with all levels of education. For example, black women aged 45 to 64 with college degrees—of whom there are approximately 8,000 in Upstate—appear to earn higher wages in Upstate than the national average for black women in this age range with college degrees.

But for young, college-educated black workers, a second—countervailing—trend emerges as well. Upstate has around 30,000 college-educated black workers—both men and women—who are between the ages of 20 and 44, and who, on average, earn lower wages than their national counterparts. These well-educated young workers tend disproportionately to find employment in low-wage occupations (those in occupational quintiles 1 through 3), compared with either college-educated white workers in Upstate or nationwide or college-educated black workers nationwide. And even when they find employment in the highest occupational quintiles, they earn lower wages per hour than college-educated workers of the same sex, race, age range, and occupational quintile nationally.

Ultimately, Upstate's comparatively low wages have a substantial impact on its aggregate wages. If the region's white college-educated workers whose hourly wages in 1999 were below the national average were raised to the national average for those of similar ages and educational levels, it would be worth nearly \$5.6 billion, a 5.5 percent increase in total wages for Upstate, assuming no changes in the age structure, educational attainment level, and occupational structure of Upstate's workers.<sup>19</sup> Raising the average wage of white workers without college degrees to at least the national average would yield another \$1.3 billion, adding up to a 6.8 percent increase in total wages for the region.

## *2. Upstate's male workers are less likely to work in high-wage occupations than the national average.*

Compounding the net effect of low hourly wages within the uppermost occupational quintiles, Upstate has a relatively low concentration of male workers in the highest quintile (high wage, high skill) and a high concentration in the third (medium wage, medium skill) quintile. This is true of both black and white male workers. Upstate's female workers concentrate in both the second-lowest and the highest occupational quintiles, and do not differ as much from the national occupational distribution as do its male workers.

Occupational structure also has a substantial impact upon Upstate's aggregate wages, but most of this impact is for men. For example, if Upstate's white workers had the same occupational (quintile) structure as other white workers of the same approximate age and educational attainment, while leaving wages and hours worked unchanged, male earnings would be almost 6 percent higher. Equalizing the occupational structure for white women, by contrast, would increase their aggregate earnings by less than 2 percent, compared with 6.2 percent for raising the average hourly wage to at least the national average. Overall, if the occupational structure more closely resembled that of the country, aggregate wages for Upstate's white workers would be \$4.4 billion higher (4.4 percent higher than actually realized).

## *3. Upstate's workers work fewer hours, and its adults are more likely not to work, than the national average.*

Upstate workers also work fewer hours per week than workers nationwide. One-third of Upstate women workers had part-time jobs in 2000, compared with only 29 percent nationwide. On average, Upstate women worked 30 hours per week, compared with 31.1 hours per week nationally. The same

**Table 2. Upstate’s best-educated workers earn less than the national average**

Occupational quintile, sex, and occupation	Average hourly wage			Upstate Workers	Percent of workers by sex		
	Upstate	USA	UP / USA		Upstate	USA	Location Quotient
<i>Occupational Quintile 1</i>							
Males							
Janitors and building cleaners	\$12.16	\$11.43	106.4	46,213	2.4%	2.0%	1.16
Laborers and freight, stock, and material movers, hand	12.56	12.02	104.4	44,689	2.3%	2.4%	0.95
Cooks	8.66	8.32	104.1	32,543	1.7%	1.5%	1.14
Females							
Cashiers	\$7.70	\$7.93	97.1	70,613	4.0%	3.7%	1.07
Waiters and waitresses	7.79	8.35	93.2	44,429	2.5%	2.2%	1.14
Child care workers	6.96	6.75	103.1	36,702	2.1%	2.1%	0.97
<i>Occupational Quintile 2</i>							
Males							
Driver/sales workers and truck drivers	\$14.17	\$13.77	102.9	81,876	4.2%	4.2%	1.00
Carpenters	14.07	14.27	98.6	36,562	1.9%	1.9%	0.98
Automotive service technicians and mechanics	13.10	12.91	101.4	27,585	1.4%	1.7%	0.83
Females							
Nursing, psychiatric, and home health aides	\$10.18	\$9.54	106.7	58,007	3.3%	2.4%	1.35
Retail salespersons	9.33	11.03	84.7	50,950	2.9%	3.0%	0.95
Teacher assistants	9.60	9.58	100.2	37,298	2.1%	1.2%	1.69
<i>Occupational Quintile 3</i>							
Males							
First-line supervisors of retail sales workers	\$17.31	\$17.74	97.6	43,631	2.2%	2.2%	1.02
Retail salespersons	14.53	15.99	90.9	41,311	2.1%	2.2%	0.95
Bailiffs, correctional officers, and jailers	19.19	17.16	111.8	21,397	1.1%	0.3%	3.34
Females							
Secretaries and administrative assistants	\$12.59	\$12.72	99.0	110,132	6.2%	6.4%	0.97
Customer service representatives	11.85	12.42	95.4	38,539	2.2%	2.0%	1.08
Office clerks, general	11.86	11.82	100.3	37,529	2.1%	1.8%	1.16
<i>Occupational Quintile 4</i>							
Males							
First-line supervisors of production and operating workers	\$18.88	\$18.95	99.6	26,807	1.4%	1.4%	1.00
Elementary and middle school teachers	25.76	21.96	117.3	22,669	1.2%	0.9%	1.31
First-line supervisors of construction trades workers	20.15	19.72	102.2	20,291	1.0%	1.2%	0.84
Females							
Bookkeeping, accounting, and auditing clerks	\$12.77	\$12.78	99.9	38,525	2.2%	2.3%	0.95
First-line supervisors of office and administrative workers	14.85	15.35	96.7	29,443	1.7%	1.9%	0.89
Licensed practical and licensed vocational nurses	13.20	13.92	94.9	22,246	1.3%	0.8%	1.51
<i>Occupational Quintile 5</i>							
Males							
Managers, all other	\$28.47	\$30.75	92.6	29,019	1.5%	2.0%	0.74
Sales representatives, wholesale and manufacturing	21.76	24.69	88.1	24,575	1.3%	1.5%	0.83
Postsecondary teachers	25.34	24.97	101.5	23,945	1.2%	0.8%	1.55
Females							
Elementary and middle school teachers	\$22.51	\$19.17	117.4	72,494	4.1%	3.6%	1.15
Registered nurses	19.39	21.33	90.9	68,757	3.9%	3.0%	1.30
Postsecondary teachers	19.02	20.02	95.0	17,133	1.0%	0.7%	1.40

Sources: Upstate from 5% 2000 Census Public Use Microsample (PUMS), extracted from IPUMS. U.S. from Census 2000 Supplementary Survey, extracted from IPUMS. Steven Ruggles and Matthew Sobek, with Trent Alexander, Catherine A. Fitch, Ronald Goeken, Patricia Kelly Hall, Miriam King, and Chad Ronnander. Integrated Public Use Microdata Series: Version 3.0 [Machine-readable database]. (Minneapolis: Minnesota Population Center, 2004). Available: <http://www.ipums.org>.

was true of men in Upstate. About 16 percent of Upstate male workers had part-time jobs in 2000, compared with 14 percent nationwide. On average, men in Upstate worked 36.6 hours per week compared with 37.8 hours per week nationwide. The deficit in hours worked persists even accounting for educational attainment, race, and occupational position; if Upstate's white workers had worked as many hours in 1999 as workers of their sex, age, occupational position, and educational level nationwide, while retaining the same average hourly wage, they would have brought in about \$1.8 billion more in wages, 1.8 percent more than they actually earned.

*4. Upstate residents participate less in the labor force than the national average.*

A final factor that contributes to low wages per capita is that only 75 percent of Upstate men 16 and older worked in 1999, compared with 79.5 percent nationwide. Upstate's labor force participation (i.e., the percent of adults who worked at least one week in 1999) is especially low for men without high-school diplomas. Women's labor-force participation, by contrast, was higher in Upstate than the U.S. average for all age groups under 55. Overall female labor force participation, however, was lower in Upstate because 32 percent of Upstate's working-age population (those over 16) were 55 or older in 2000, compared with only 29 percent in the United States as a whole, and older women in Upstate were less likely than average to participate in the labor force.<sup>20</sup> The difference was less than 1 percentage point for those 55 to 64 but 2.2 percentage points for those 65 and older.

*C. Upstate's highest-income households earn substantially lower incomes than the national average.*

Low wages for the best-educated, highest-occupation workers translate

into low incomes for its highest-income households. The 80th-percentile household—whose income is higher than 80 percent but lower than 20 percent of all households—earned about \$74,300 in Upstate in 1999, compared with over \$81,100 nationwide. This 8 percent gap represents a substantial deterioration for Upstate since 1990, when Upstate's 80th-percentile household earned just 3 percent less than its national counterpart.

What this means, of course, is that Upstate's upper-income households failed to enjoy income gains on pace with the United States as a whole; the decennial Census indicates that income at the top nationwide grew by 9.7 percent in the 1990s (adjusted for inflation), compared with only 3.4 percent in Upstate. In fact, only three states—Alaska, Hawaii, and Connecticut—had slower growth at the top than Upstate. Moreover, these three states already have top incomes ranging between \$10,000 and \$20,000 above the national 80th-percentile level. Connecticut's 80th percentile household income in 1999 was \$100,500, second only to New Jersey (\$104,000). In light of Upstate's low level as well as its abysmal growth in income at the top, it should come as no surprise that so many Upstate residents leave, especially its college graduates.

Upstate's cost of living does not make up for these low incomes.<sup>21</sup> Food and utilities are uniformly more expensive in Upstate than the national average. Transportation costs exceed the national average in all Upstate metro areas except Buffalo, driven up by high gas prices and expensive auto insurance. Both sales tax and the state income tax are higher than the national average in New York, especially for upper-income households. Almost the only advantage Upstate has over the rest of the country is in fact a disadvantage in disguise for upper-income households: Housing costs are lower than elsewhere, but this is a

consequence of a combination of very low purchase prices for houses and property tax rates that are among the highest in the nation. This means Upstate households enjoy a smaller return on their investment in housing than households nationwide; typically, their homes also appreciate at lower rates than elsewhere in the country.

*D. Upstate's lowest income households experienced little income growth in the 1990s.*

With a traditionally strong—albeit declining—manufacturing base and a mostly white non-Hispanic population, Upstate's lowest-income households have tended to command higher incomes than households elsewhere in the United States. But Upstate's lowest-income households are in an increasingly vulnerable position, especially its non-senior households. While the lowest-income households nationwide enjoyed substantial growth in earnings in the 1990s, the gains were modest in Upstate. Upstate's lowest income households now have lower incomes, on average, than those nationwide, although they had more as recently as 1989. They also depend more on government transfer payments. The decennial Census PUMS provides a crucial window into these issues that the REIS cannot.<sup>22</sup>

The vulnerability of Upstate's lowest-income households begins with their low level of income and income growth compared with the rest of the country. On average, the lowest (first) quintile of U.S. households had incomes of about \$9,720 in 1999, up nearly 11 percent from \$8,770 in 1989.<sup>23</sup> By contrast, Upstate's lowest quintile households earned considerably more than their U.S. counterparts in 1989—about \$9,515—but averaged only \$9,625 by 1999, after experiencing only a 1.2 percent increase during the previous decade. In other words, Upstate's lowest-income households dropped from about 8 percent above the national average income to about



1 percent below it over the ten years.

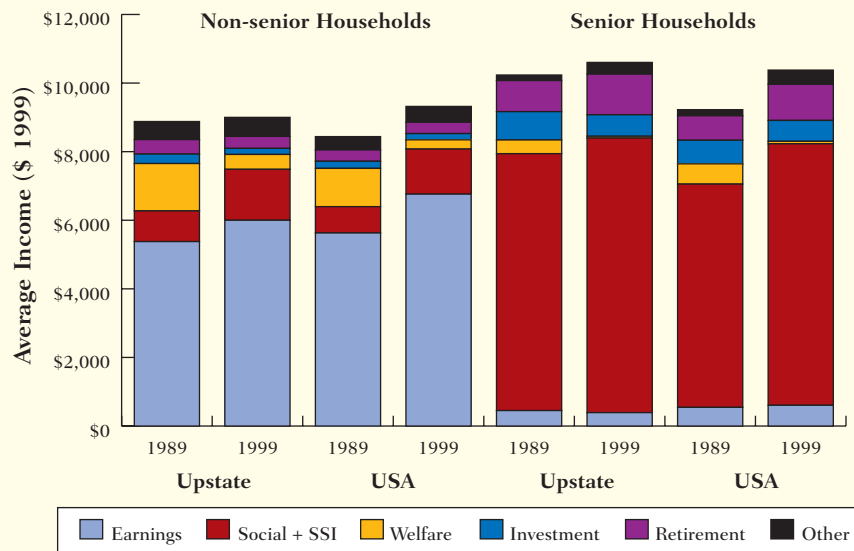
But senior and non-senior households in the first quintile differ substantially from one another.

Combining statistics about them and their income sources thus obscures as much as it reveals. Senior households in the first quintile rely primarily on social security income, somewhat on retirement payments, and modestly on investment income, with only a small amount coming from earnings. Non-senior households in the first quintile, by contrast, rely mainly on earnings. Given that Social Security has been stable and protected, senior households in the first quintile are better off on average than non-senior households, both in the United States and in Upstate (Figure C).

Upstate's senior households in the first quintile are generally more affluent, in fact, than those nationwide, thanks largely to their significantly higher incomes from Social Security and retirement funds, incomes that in turn are a consequence of their comparatively high lifetime wages. But to the extent that Upstate is losing its wage advantage now, Upstate's seniors will also lose their retirement income advantage over the rest of the nation. The Upstate-U.S. gap already closed substantially in the 1990s, as Social Security and retirement payments for the average first-quintile senior nationwide increased 17 percent and 48 percent respectively, while those in Upstate grew only 7 percent and 31 percent.

Upstate's non-senior first quintile households differ markedly from its seniors, however. Nationwide, the long economic expansion of the 1990s raised earnings of non-senior first-quintile households by about \$1,160, from \$5,600 in 1989 to \$6,760 in 1999, a 20 percent gain. These higher earnings, coupled with sizeable gains in social security and supplemental security income for disabled non-senior households, allowed the average income to rise from \$8,440 to \$9,320,

**Figure C. Upstate's lowest-income non-senior households lag the country in income and wages; lowest-income seniors enjoy higher-than-average incomes**



a 10.4 percent real gain over the decade. These gains in income occurred despite an average decline of \$850 in welfare income over the decade for these households.

But the strong economy of the 1990s did not benefit Upstate's non-senior first-quintile households to the extent it reached other low-income households nationwide; their average real earnings grew only \$620, from \$5,380 to \$6,000 (a 12 percent gain) (Figure C). Furthermore, welfare reform took a bigger absolute bite from their incomes: The average welfare income for non-senior first-quintile households in Upstate dropped by \$950 in the 1990s, and was only partially buffered by increases (nearly \$600) in Social Security and SSI payments. While Upstate's average welfare income per household in 1999 remained higher than the national average (\$435, compared with \$270 nationally), its substantial decrease over the decade helps explain why Upstate's non-senior first quintile households saw only a 1.3 percent gain in their overall income. But even

with the substantial reduction in income from welfare, Upstate's non-senior first-quintile households still derive over one-quarter of their income on average from transfer payments, compared with about 20 percent on average for the country outside New York.

***E. Upstate poverty rates grew for families, individuals, and children during the 1990s, while they decreased for all three of these groupings nationwide.***

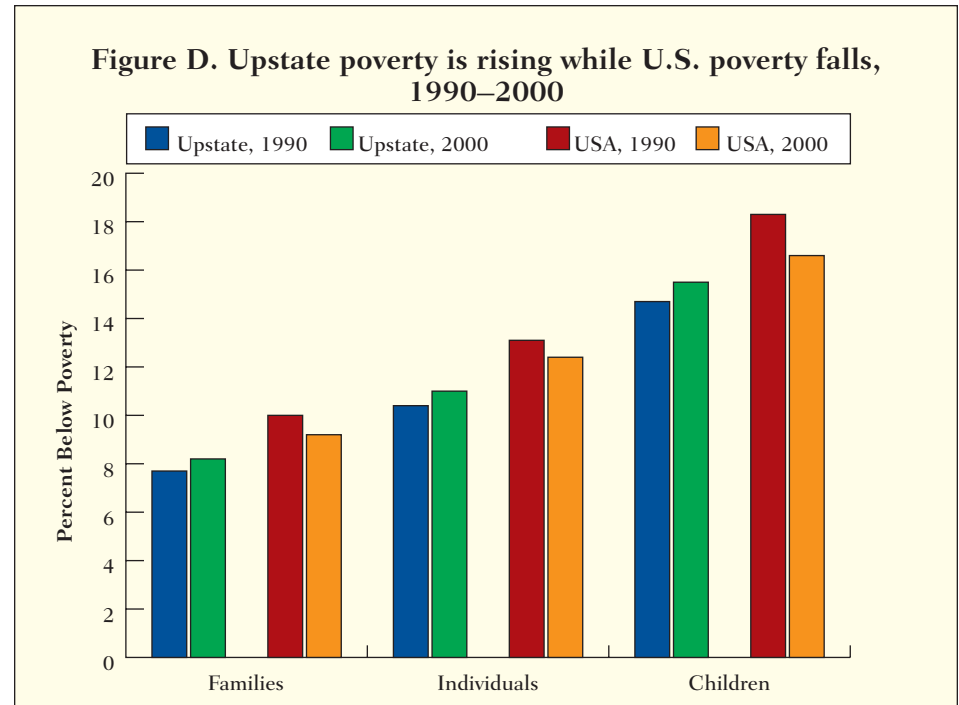
The stagnation and deterioration of incomes at the low end are reflected in Upstate's poverty statistics, which exceed those of neighboring states and have begun to converge on those for the United States.

Upstate New York has traditionally been a low-poverty region. But in the 1990s, as poverty declined nationally, it edged up in Upstate. In fact, the number of residents living below poverty in Upstate grew by 7.9 percent in the 1990s—faster than the growth in the number of below-poverty residents nationwide (6.8 percent) and

much faster than Upstate's anemic 1.1 percent overall population growth rate.

Moreover, poverty increased in Upstate for families, all individuals, and children as it declined for all three of these groupings nationwide (Figure D). Across the country, the family poverty rate dropped from 10 percent to 9.2 percent in the 1990s, while it rose in Upstate from 7.7 percent to 8.2 percent. For all individuals, the U.S. individual poverty rate dropped from 13.1 to 12.4 percent in the 1990s while the Upstate individual poverty rate increased from 10.4 to 11.0 percent. For children, whose poverty rate is higher than that of other individuals, the trend was even more disturbing. The U.S. average child poverty rate dropped 1.7 percentage points (from 18.3 percent to 16.6 percent), whereas the rate in Upstate grew by 0.8 percentage points (from 14.7 percent to 15.5 percent). The youngest children in Upstate—those less than five years old—have the highest poverty rate of all, 18.7 percent. Elderly residents in Upstate, like their counterparts across the nation, have much lower poverty rates than average; only 6.6 percent of those aged 65 to 74 and 9 percent of those 75 or older lived below the poverty line in 2000.

Low wages contribute to Upstate's increasing poverty rate. Poverty afflicts over 300,000 households in Upstate New York. In the 1960s, poverty primarily affected the elderly population, but thanks mainly to Social Security, this is no longer the case; almost 250,000 of the 300,000 below-poverty households (81 percent) in Upstate include no elderly members. Furthermore, poverty is not solely a product of joblessness. On the contrary; about 160,000 households in Upstate New York—40,000 more households than live in Albany County—are below the poverty line, have at least one person working part time or full time, and include no persons over the age of 65.<sup>24</sup> In other words, nearly two-thirds



of non-senior households who live below the poverty line have at least one part-time worker. More startling still, 105,000 households who live below poverty—as many households as live in Rochester—include at least one member who works full-time. About 16,000 households include at least one male and one female who both work full-time.

***F. Concentrated poverty is on the rise in Upstate even as it declines across the nation.***

Upstate's poverty not only grew, but also became more spatially concentrated during the 1990s, while falling nationally (Table 3). About 21 percent of tracts nationwide had poverty rates that exceeded 20 percent in 2000, compared with 19.3 percent of tracts in Upstate; but the share of such "high-poverty" tracts fell nationally in the 1990s (from 24 percent) while rising in Upstate (from 16.9 percent). The share of national residents in high-poverty tracts fell from 20.7 percent to 18.4 percent; meanwhile, the share of Upstate residents in such tracts grew from 13 percent to 14.7

percent. And the national share of below-poverty residents living in high-poverty tracts fell from 49.5 percent to 44.4 percent while rising in Upstate from 36.8 to 39 percent.

Upstate's population growth was slow between 1980 and 2000, but its population living in high-poverty tracts grew rapidly. In 1980, 744,500 Upstate residents lived in high-poverty census tracts. Between 1980 and 1990, the population in high-poverty tracts increased by a dramatic 19 percent, to about 885,000, while the population as a whole in Upstate had only grown by 2.2 percent. By 2000, just over 1 million Upstate residents lived in high poverty tracts, a 14 percent increase from 1990 during a decade in which Upstate's population grew by only 1 percent (Figure E). The population in low-poverty tracts, meanwhile, declined in Upstate in the 1990s after healthy gains in the 1980s.

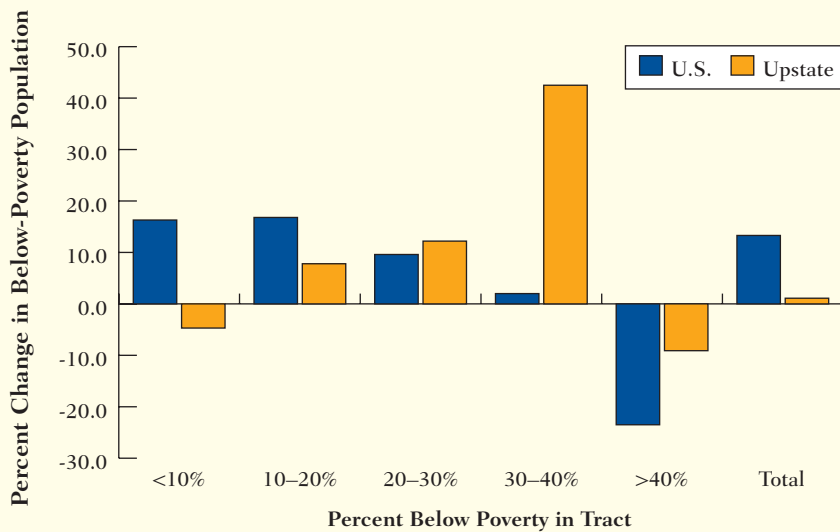
Population growth in high-poverty tracts is a dynamic outcome of population changes and movements. The number of people below poverty in a tract can grow from migration into the tract by poor people; by reduction of

**Table 3. Concentrated poverty rises in Upstate New York while falling in the United States, 1990–2000**

	USA				Upstate			
	Population (million)		Tracts		Population (000)		Tracts	
	1990	2000	1990	2000	1990	2000	1990	2000
Total	248	281	59,658	65,004	6,817	6,890	1,758	1,773
<b>Percent of Total by Tract Poverty Rate</b>								
Below 10%	51.6	53.0	47.6	50.1	60.2	56.7	54.8	51.2
10–20%	27.7	28.6	28.3	28.7	26.9	28.6	28.3	29.6
20–30%	11.3	10.9	12.4	11.7	7.0	7.8	8.4	9.4
30–40%	5.2	4.7	6.0	5.6	2.9	4.1	3.7	5.6
Over 40%	4.2	2.8	5.7	3.9	3.0	2.7	4.8	4.2
Over 20%	20.7	18.4	24.1	21.2	13.0	14.7	16.9	19.3

Source: U.S. Census of Population and Housing, 1990 and 2000, STF3 / SF3

**Figure E. Upstate’s population grew fast in the 1990s in high-poverty neighborhoods, while U.S. population grew fastest in low-poverty neighborhoods**



established residents’ incomes; or even by a change in the number of persons in a family.<sup>25</sup> These dynamics aren’t possible to register using the decennial Census. The *percent* of people in the tract in poverty—and thus the label of the tract as “high-poverty” based on its exceeding a threshold—grows as either the numerator (number of people in poverty) grows or the denominator (number of people in a tract) falls. To

address how numerator vs. denominator shifts affected concentrated poverty, if not the reasons why the numerator changed, we classified Upstate’s 1,791 populated tracts (as of 2000) into four categories: persistently high-poverty through the 1990s (greater than 20 percent neighborhood poverty in 1990 and 2000), transitional into high-poverty, transitional out of high-poverty, and persistently

low-poverty (less than 20 percent neighborhood poverty in 1990 and 2000).<sup>26</sup>

Upstate’s population became more concentrated in high-poverty neighborhoods in the 1990s because 98 tracts with nearly 315,000 residents in 2000—more than the entire population of Buffalo—transitioned from low to high poverty in the 1990s (Table 4). These 98 “transitional-high” tracts were mainly declining neighborhoods adjacent to persistent poverty tracts in cities (Map 1), with 79 losing population in the 1990s. Interestingly, 71 transitional-high tracts gained poor residents even as they lost even larger numbers of non-poor ones; only eight tracts lost both poor and non-poor residents. Only four transitional-high tracts gained any non-poor residents. In all, the transitional-high tracts actually lost about 24,000 people in the 1990s, but all 315,000 of their residents shifted from the “non-poverty” to the “poverty” side of the tract balance sheet in 2000.

This shift swamped two countervailing shifts of people and tracts out of concentrated poverty. First, Upstate’s 240 persistent poverty tracts—home to 30 percent of Upstate’s poor population in 2000 (240,000 people)—lost about 69,000 people overall and



**Table 4. Over 300,000 residents transitioned from low- to high-poverty status (>20% of residents below poverty), 1990–2000**

Tract poverty	Tracts (2000)		Total population				Percent by tract poverty status	
	Number	Percent	Total		Change, 1990-2000		1990	2000
			1990	2000	Absolute	Percent		
Persistently high	240	13.4	754,007	685,200	-68,807	-9.1	11.0	9.9
Transitional-high	98	5.5	338,617	314,547	-24,070	-7.1	5.0	4.6
Transitional-low	38	2.1	134,253	138,221	3,968	3.0	2.0	2.0
Persistently low	1,415	79.0	5,607,486	5,770,341	162,855	2.9	82.0	83.5
Total	1,791	100.0	6,834,363	6,908,309	73,946	1.1	100.0	100.0

Tract poverty	Population below poverty				Percent by tract poverty status	
	Total		Change, 1990-2000		1990	2000
	1990	2000	Absolute	Percent		
Persistently high	253,408	240,474	-12,934	-5.1	33.7	29.8
Transitional-high	53,541	79,837	26,296	49.1	7.1	9.9
Transitional-low	35,966	22,960	-13,006	-36.2	4.8	2.8
Persistently low	409,653	463,065	53,412	13.0	54.4	57.4
Total	752,568	806,336	53,768	7.1	100.0	100.0

*Definitions:*

*Persistently high: Above 20% poverty in 1990 and 2000*

*Transitional-high: Below 20% in 1990, above 20% in 2000*

*Transitional-low: Above 20% in 1990, below 20% in 2000*

*Persistently low: Below 20% poverty in 1990 and 2000*

*Sources: U.S. Census of Population and Housing 1990 and 2000, STF3 / SF3.*

*Authors estimated population in poverty by tract as of 1990 imposed on 2000 boundaries based on block-group poverty estimates (STF3) and block-level population counts (STF1).*

13,000 poor residents. This movement of population out of concentrated poverty has a negative impact on those left behind in these neighborhoods, as they are now surrounded not only by poverty but also by increasing isolation and in some cases a loss of threshold densities to support economic, social, religious, and political institutions. Second, 38 tracts with 138,000 residents transitioned away from high poverty. Most of these transitional-low poverty tracts (24 of the 38) also lost population, but these population losses were small on average, compared with large average population gains in the other 14 tracts. On net,

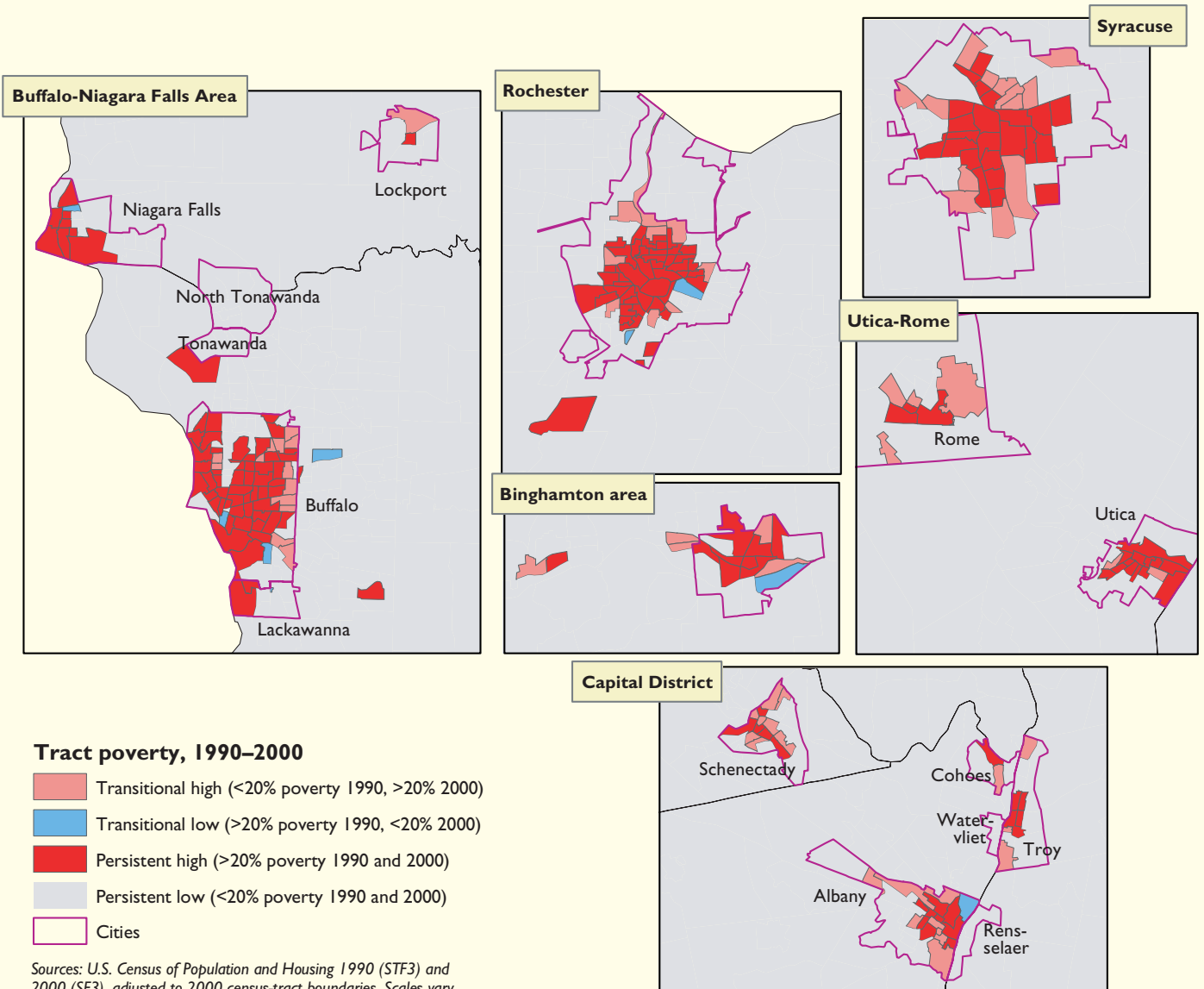
the population of transitional-low poverty tracts grew about 3.0 percent in the 1990s, well over twice the Upstate growth rate.

Concentrated poverty in Upstate is practically synonymous with city poverty: 313 of the 342 high-poverty tracts are in Upstate cities. Considered from a different angle, 313 of the 575 city-based census tracts<sup>27</sup> in Upstate are high-poverty tracts, and only 13 small cities among Upstate's 53 cities had no high-poverty tracts.<sup>28</sup> The concentration of poverty in cities is especially troubling because low-income children are segregated into a limited number of school districts. About one-

quarter of Upstate's children lived in its cities in 2000, but just over 50 percent of its children below poverty lived in cities. Towns outside village boundaries, by contrast, accommodated 61 percent of Upstate's children but only 36 percent of the children in poverty.<sup>29</sup> There are over 500 school districts in Upstate and about 1.7 million children under the age of 18. Nearly one-quarter of the 260,000 children who lived below poverty lived in Buffalo, Rochester, and Syracuse, even though only 10 percent of all children lived in these three cities.

Some of Upstate's concentrated poverty occurs in neighborhoods domi-

Map 1. Concentrated poverty intensifies in Upstate cities



nated by college students, especially in smaller cities and villages. Ithaca, for example, is dominated by high-poverty tracts populated disproportionately by college students with low incomes; Albany, Binghamton, Buffalo, Cortland, Oneonta, Oswego, Plattsburgh, and Syracuse also have smaller student neighborhoods of between one and three census tracts each.<sup>30</sup> The college villages of Geneseo, Alfred, Potsdam, and New Paltz also include or are incorporated within high-poverty tracts. These student neighborhoods probably cause few of the problems for their residents that many social scientists think other high-poverty neighborhoods do. They still deserve recognition, though, because they place heavy burdens on local budgets and usually raise rents, reducing housing affordability for non-students.

Finally, black and Hispanic residents are much more likely to live in high-poverty neighborhoods than non-Hispanic whites. In 2000, 59 percent of Upstate's black residents and 37 percent of its Hispanic residents lived in high-poverty tracts, compared with just under 15 percent of the total population. Blacks and Hispanics also were more likely to live in "extreme-poverty" tracts, those exceeding 40 percent poverty: 16 percent of blacks, and 10 percent of Hispanics, lived in these direly impoverished tracts, compared with only 3 percent of all Upstate residents. Upstate's black residents are even more concentrated in high- and extreme-poverty tracts than the average black or Hispanic U.S. resident. Only 46 percent and 9 percent of blacks nationwide live in high- and extreme-poverty tracts, respectively. Upstate's Hispanic residents are slightly less likely to live in high-poverty tracts than the average Hispanic person nationwide (40 percent of whom live in high-poverty tracts), but more likely to live in extreme-poverty tracts (6.5 percent nationwide).

If left unaddressed, this dire racial and ethnic segregation will exacerbate

the concentration of poverty. Upstate's black and Hispanic populations are increasing—by 43 percent and 160 percent, respectively, between 1980 and 2000—while the white non-Hispanic population is in decline, having dropped 3.5 percent over the same two decades.

## Conclusions and Policy Implications

**O**ur analysis shows that Upstate New York faces two separate income problems. First, Upstate's highest earners are failing to keep up with those with similar education and skills elsewhere in the United States. Upstate's highest-earning households today earn incomes on par with those of the highest-income U.S. households in 1990. At the same time, Upstate is becoming more like the rest of the United States at the low end of the income scale, with rising poverty rates and stagnant purchasing for the lowest-income households. In addition, the concentration of poverty increased in the 1990s to levels approaching the U.S. concentration, which has recently been falling.

These problems will not be resolved soon. At the upper level of the income scale, Upstate's new economy pays too little for the best-educated workers, meaning that low per capita incomes will likely continue into the future. At the low end of the income scale, seniors will continue to constitute a higher-than-average share of Upstate's population; as a result, total income will not rise as fast as in regions with younger populations. Upstate may even come to match national average poverty levels in the next 10 years, despite having a population that is better educated and has a much smaller share of foreign born residents—whose poverty rate is higher than that of native-born Americans—than the national average. And past history suggests, too, that the

concentration of poverty in cities and the concentration of poor children in a limited number of struggling school districts will not abate.

Urgent attention needs to be directed to policies that address what we believe are consequences of a demand deficiency problem at the high and the low ends of the income scale. At the high end, we recommend strategies that will improve the demand—and thus increase wages—for high-skill workers in Upstate. At the low end, we recommend measures to raise incomes and to reduce the concentration of poverty. These strategies reinforce one another indirectly, but for the most part they will need to be pursued on their own terms and for their own reasons.

### *A. Existing economic development policies and incentives should enhance demand—and increase wages—for the entire Upstate workforce.*

Job creation is an inherent goal of all economic development efforts. We recommend the following steps to maximize the job creation benefits of economic development programs.

- Existing economic development programs should be evaluated to insure that state monies to create jobs are being used as effectively as possible. For example, competition among upstate jurisdictions simply often shifts the same jobs from one location to another in the state. This does not benefit the Upstate economy or its workforce. Legislation should be passed at the state level to discourage inter-jurisdictional competition within regional labor markets.
- Elsewhere, we have argued that the state of New York needs to develop a systematic approach to economic development that capitalizes on Upstate's rich endowment of educational and health-care institutions. Such an approach would necessarily

increase the demand within Upstate for well-educated workers and boost wages at the top. Job-creating economic development initiatives should be developed around Upstate's key information economy assets, such as health and educational institutions, encouraging these institutions to invest in their local communities and surrounding regions and to use local small businesses as major suppliers.

- Economic development programs, including Empire Zones and Industrial Development Agencies (IDAs) need to link tax subsidies and other economic development incentives directly to participation in the programs of labor market intermediaries. These intermediaries, including public entities such as Workforce Investment Boards and those organized by community development corporations, can enhance their effect on labor demand by targeting sectors rather than firms, and by working with employers to expand hiring sources and improve the hiring process.

### ***B. Stem the loss of educated and skilled workers.***

In a recent Brookings Institution report, Paul Gottlieb notes that policy makers throughout the United States have become concerned that their young, well-educated workers are leaving. Regions are developing “brain drain” initiatives to create the demand for a supply of talented workers. In the process, they are going beyond traditional approaches to a unified view that the main goal of policy should be to improve worker quality rather than simply increasing the quantity of workers. Since Upstate is unlikely to catch up with the growth rate of the rest of the United States, such a quality-based approach makes sense, especially given Upstate's comparatively well-educated population and specialization in higher education. New York

needs to adopt policies that will to stem the departure of well-educated workers for other states.

In 2003, New York increased undergraduate tuition at its SUNY campuses, and graduate education also grew more expensive. Financial aid has not kept pace with these increases. The state could and should restructure its financial aid to encourage more graduates to stay in Upstate by providing scholarships to promising graduates that would convert to repayable loans if the student takes a job outside Upstate. More broadly, a federal version of this approach—which has been used successfully to encourage doctors to work in underserved areas—could target selected fields of study to encourage location in lagging regions throughout the United States. To be successful, however, any such policy would need to be closely linked with demand-based programs, because an increase in the supply of well-educated labor would depress wages in the absence of heightened demand.

### ***C. Bolster incomes and reduce concentrated poverty.***

Policy makers at both the state and federal levels will have to act in order to improve the situation for the workers and children who live in and near poverty in Upstate New York. New York has taken some steps to improve the situation of low-wage earners in the state. The most important initiatives, such as a state minimum wage and earned income tax credit, reduce poverty by putting extra money in the pockets of the wage earning poor. Although New York legislators agreed in summer 2004 to raise the minimum wage by \$2.00 per hour over two years, as of September 2004, that increase is in doubt, stalled by a gubernatorial veto. The last time New York increased the state minimum wage (from \$4.15 per hour to \$5.15 per hour) was in 2000. Although there is strong state support for increasing the state minimum wage, New York

*“Upstate New York  
faces two separate  
income problems.”*

*“The state can play an important role now by insuring that programs and policies are in place for the creation and retention of good jobs and a skilled workforce.”*

has lagged behind other states in addressing the minimum wage issue. Twelve states and the District of Columbia currently have minimum wages above the federal standard.

For an individual working full-time (2000 hours per year), the proposed increase could mean an additional \$4000 annually. Such income-enhancing programs have an additional benefit in increasing consumer expenditures in the state. Low-wage earners are more likely to spend additional income locally, giving a boost to the economies where they live. Other programs—such as the Health Plus program to provide health care for children in low-income families, or school lunch programs—help to ameliorate the affects of poverty. These programs don’t decrease poverty but are critical to maintaining the health and well-being of New York’s poorer citizens. We believe two additional policies should be explored and acted on to assist people at the bottom of the income scale.

*1. Expand Federal and state earned income tax credits.*

One of the most successful policies to decrease poverty is the Earned Income Tax Credit. After federal adoption of the EITC in 1986, States, including New York, began to adopt a state EITC. Statewide, the number of families claiming the credit has increased from 1,177, 630 in 2000 to an estimated 1,235,065 for 2003. A study by the Brookings Institution on Earned Income Tax Credit filing across U.S. geographic areas indicates that New York State has the highest percentage of rural filers for EITC among all the Northeastern states (14.7 percent). While New York has been a leader in adopting a state EITC that is refundable—that is, refunds taxes paid even to those who do not owe taxes—an increased EITC rate would also be a direct way to increase the incomes of New York’s lowest wage earners. New York could also increase the spending

power of its low-income citizens by undertaking a campaign to increase use of the EITC by those eligible for it.

*2. Promote more housing choice and mobility among low-income families.*

As the other reports in this series have shown, Upstate’s cities have been severely affected by changes in the economy, high transportation costs, and suburban sprawl. The concentrated poverty in some of these cities has multiple sources and requires more coordinated and targeted efforts. The failure of investment-driven initiatives such as Empire Zones to produce tangible results for the places most in need of help demonstrates the need to focus on policy developed by Upstate New York cities to meet their needs to improve quality of life and promote real, sustainable economic development.

Concentrated poverty is also partly caused by rampant exclusionary zoning and housing discrimination in affluent suburbs. These suburbs routinely use their land-use regulations to zone out the kinds of housing low-income and minority residents need, thereby keeping low-income kids out of the state’s better school districts. Furthermore, it is likely that ethnic and racial minorities continue to face widespread discrimination from private-sector real estate interests when they try to find housing in suburban areas. The state has a fundamental interest in seeing that low-income children receive a good education; with a stronger education, they will make greater economic contributions to the state. But they simply cannot count on obtaining a decent education in school systems in which over 80 percent of children qualify for free or reduced-cost school lunches. The state therefore needs housing policies and regulatory reform that allow multi-family housing and affordable single-family homes to be built in stable neighborhoods with access to good



schools, better jobs, and other opportunities. This reform must be coupled with much stronger enforcement of fair housing law to reduce the segregative effects of racial and ethnic discrimination.

New York needs to rebuild the Upstate economy. In the longer term, federal policies to increase labor demand and invest in the infrastructure that will link upstate to national and global markets are essential to the region's economic sustainability. The state can, however, play an important role now, insuring that programs and policies are in place to make the best use of resources that lead to the creation and retention of good jobs and a skilled workforce.

## Endnotes

1. Rolf Pendall is an associate professor of city and regional planning at Cornell University. Susan Christopherson is a professor in that department.
2. See Rolf Pendall, "Upstate New York's Population Plateau: The Third-Slowest State" (Washington: Brookings Institution, 2003); Rolf Pendall, Matthew Drennan, and Susan Christopherson, "Transition and Renewal: The Emergence of a Diverse Upstate Economy" (Washington: Brookings Institution, 2004).
3. Paul A. Jargowsky, "Take the Money and Run: Economic Segregation in U.S. Metropolitan Areas," *American Sociological Review* 61 (1996): 984–998; Janice F. Madden, *Changes in Income Inequality in U.S. Metropolitan Areas* (Kalamazoo: Upjohn Institute Press, 2000); William J. Wilson, William, *The Truly Disadvantaged: The Inner City, the Underclass, and Public Policy* (University of Chicago Press, 1987).
4. 1993 data are from U.S. Census Bureau, Current Population Statistics, Historical Poverty Tables, Poverty Status of People by Family Relationship, Race, and Hispanic Origin: 1959 to 2002. Available on-line at <http://www.census.gov/hhes/poverty/histpov/hstpov2.html> (March 2004). 1999 data are from U.S. Census Bureau, 2000 Census of Population and Housing, SF3.
5. Paul Jargowsky, "Stunning Progress, Hidden Problems: The Dramatic Decline of Concentrated Poverty in the 1990s" (Washington, Brookings Institution, 2003).
6. U.S. Census Bureau, Current Population Statistics, Historical Income Tables, Households: Mean Income Received by Each Fifth and Top 5 Percent of Households (All Races): 1967 to 2001. Available at <http://www.census.gov/hhes/income/histinc/h03.html> (March 2004).
7. Steven Ruggles and Matthew Sobek, with Trent Alexander, Catherine A. Fitch, Ronald Goeken, Patricia Kelly Hall, Miriam King, and Chad Ronnander. Integrated Public Use Microdata Series: Version 3.0 [Machine-readable database]. (Minneapolis: Minnesota Population Center, 2004). Available at <http://www.ipums.org>.
8. We used the 20 percent threshold rather than the 40 percent threshold used by Jargowsky (see citation above) mainly because we wanted to identify the tracts that were *high* poverty as well as those with very high and extreme levels of poverty. The high-poverty tracts, by our definition, account for the 20 percent of U.S. tracts in which the incidence of poverty is highest. Limiting the discussion to the 5 percent of tracts in which poverty is at its most extreme may obscure important trends in poverty in the tracts in which poverty is also undesirably high but not extreme.
9. Resident workers are the Upstate residents who work somewhere; some of these may work in Downstate, across state lines, or in another country.
10. In addition, New York is among the states that have developed subsidized and sometimes free health insurance for low-income families and children, increasing to an extent the payouts that might register as transfer payments. Much of this budget, however, would be counted as a budgetary expenditure and not as transfer payments.
11. Education and training assistance amounted to only \$55 per capita, however, and is higher than the national average only in the Hudson Valley region; other regions are at or below the national average.
12. Hourly wages are computed as aggregate earnings (wages, salary, and self-employment income) as reported in the PUMS divided by the product of hours worked per week times weeks worked per year.
13. Part time workers are defined as those working fewer than 35 hours per week; full time workers work at least 35 hours. Both part- and full-time workers sometimes hold more than one job, but the Census does not report on the incidence of multiple job holding.
14. Too few workers of other races were represented in the sample to allow this detailed comparison between Upstate and the nation.
15. A complete listing of occupations by wage quintile by sex is available from the authors on request.
16. We did not control for whether workers were foreign-born; foreign-born workers earn lower wages than native-born residents. Many jobs in low-wage occupations are occupied by foreign-born workers, but Upstate has few foreign-born residents. We also did not control for Hispanic origin; Hispanics can be of any race. Again, to the extent that low-wage jobs are held by Hispanics, the apparent advantage held by Upstate's low-wage white workers may be a consequence of their predominantly non-Hispanic ethnicity.
17. This comparison does not control for race, age, or years of education; any of these factors might translate into lower wages for Upstate nurses aides since Upstate's female workforce is whiter and older than the national work force.

18. These concentration figures are associated with location quotients; see Table 2. Location quotients divide the proportion of workers in the occupation in Upstate with the proportion of workers in the occupation nationwide, such that a location quotient above 1 indicates a higher-than-average concentration.
19. The simulations described here require the computation of average hourly wages for white workers by sex for selected age groups (16–19, 20–24, 25–34, 35–44, 45–54, 55–64, 65–74, and 75+), educational attainment (less than high school, high school only, some college, college degree only, graduate degree), and occupational quintile. For example, the average hourly wage nationwide for 35- to 44-year-old white men with college degrees in occupational quintile 4 was \$24.61; equalizing the wages in this instance would mean that Upstate's white, college-educated men aged 35 to 44 in occupational quintile 4 would earn an average of \$24.61 rather than \$21.76.
20. It is likely that the lower labor-force participation for women between 55 and 64 is a consequence of retirement from public education and government jobs; up to age 55, white women with college and graduate degrees have higher participation in Upstate than in the United States, but after age 55, participation by these women drops substantially below national-average levels.
21. See Sperling's Best Places cost of living statistics at [www.bestplaces.net/col/col.aspx](http://www.bestplaces.net/col/col.aspx).
22. The REIS contains gross figures on income and population; its income data are more complete than those in the decennial Census because they include a broader range of transfer payments and probably more accurate because they are based on employers' reporting rather than on a sample of households' responses. The Census, however, allows investigation of sub-populations that are impossible to identify using the REIS.
23. The crisis in health care, however, probably erased gains for many low-income households, who often have no health insurance.
24. For this section, we define a below-poverty household as one in which the majority of members lived below 100% of the federal poverty rate in 1999. In households that include non-related individuals, this means that even if the "reference person" (householder) is below the poverty line, the household will not be counted as below poverty unless the majority of household members also qualify as earning below-poverty incomes. The Census Bureau computes poverty only for families (adjusted for family size) and for unrelated individuals, with each unrelated individual earning a set percentage of the federal poverty threshold.
25. Because poverty is measured in part based on family size, the growth in a family might move the family into poverty even with a modest increase in income.
26. The reconciliation of 1990 and 2000 tract boundaries results in slight differences in the categorization of some tracts as high- or non-high poverty. The 14.1 percent increase in people in high poverty tracts is computed based on 1990 and 2000 tracts. Figures differ somewhat using 2000 boundaries because some tracts were split or merged in the 1990s.
27. In all but a few of Upstate's cities, tract boundaries coincide with city boundaries. Ithaca and Middletown are exceptions to this rule.
28. Batavia, Beacon, Canandaigua, Corning, Johnstown, Little Falls, Mechanicsville, North Tonawanda, Oneida, Saratoga Springs, Sherrill, Tonawanda, and Watervliet.
29. New York has three main types of general purpose local government jurisdictions: cities, villages, and towns. Villages are constituent units within towns; most of rural and suburban Upstate New York is made up of towns outside village boundaries.
30. High-poverty student neighborhoods were identified as those in which more than about a third of the below-poverty population consisted of people between the ages of 18 and 24.

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Using data from the U.S. Census of Population and Housing, the Regional Economic Information System, County Business Patterns, and the U.S. Department of Agriculture's National Resources Inventory, this series of five publications explores trends in Upstate New York over the past two decades. The first report in the series focused on patterns of population change across Upstate. A second looked at urban sprawl in the region, examining land use trends in Upstate's metropolitan areas. A third report provides an analysis of the Upstate economy, focusing on the impacts of 30 years of industrial restructuring on the region. This survey is the fourth in the series. The final report examines the accomplishments of the state's K–12 educational system, and its efforts to prepare Upstate's future workforce.

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