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Pennsylvania Intergovernmental Cooperation Authority  
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# Poverty in Philadelphia, and Beyond

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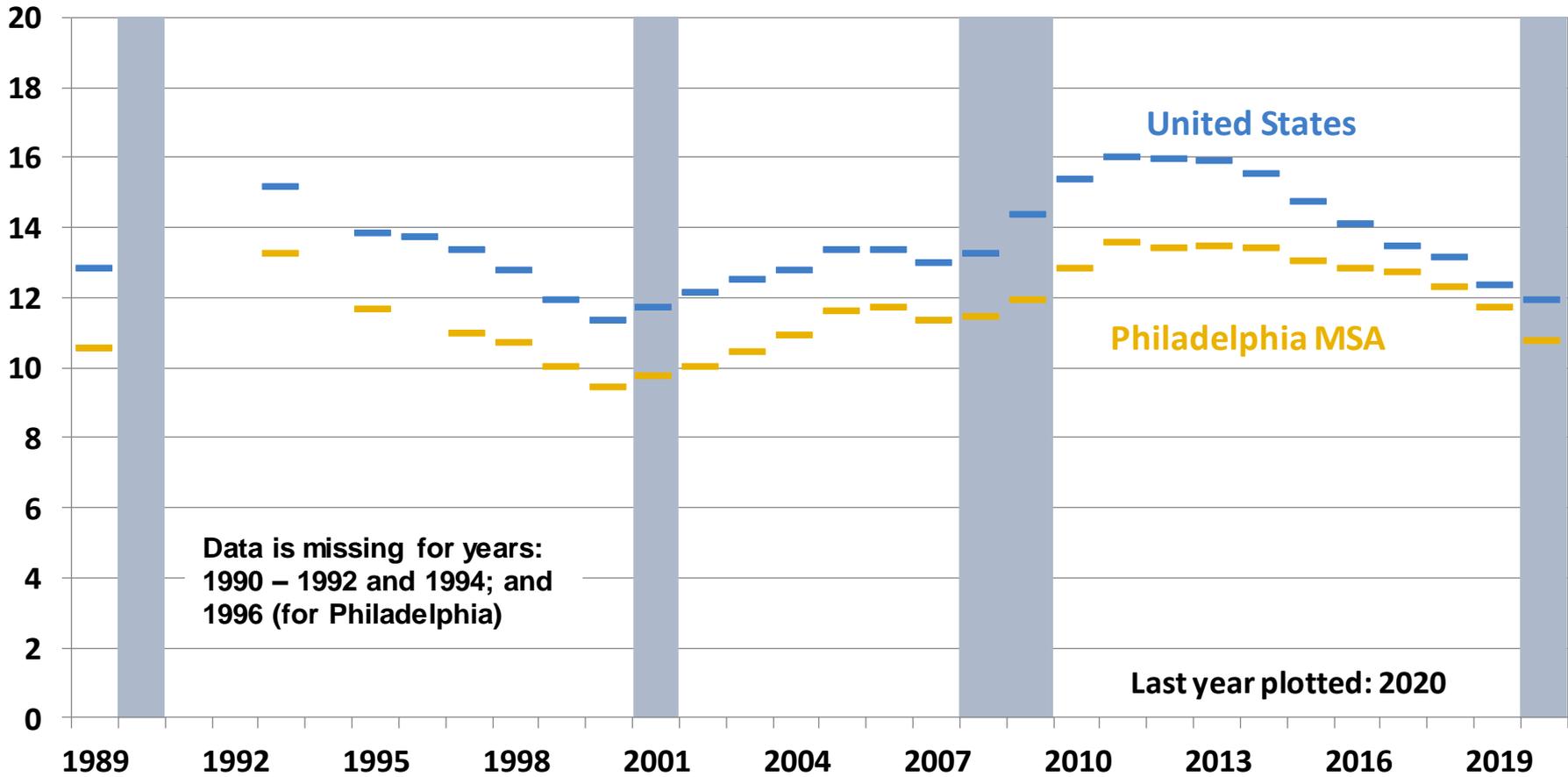
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My remarks today reflect my own views,  
not the views of the Federal Reserve, nor others in the Federal Reserve.

# Most reports of Philadelphia's poverty bury the lede

*Poverty in the Philadelphia region is consistently lower than in the nation*

## Poverty rate



Data is missing for years:  
1990 – 1992 and 1994; and  
1996 (for Philadelphia)

Last year plotted: 2020

Source: U.S. Census Bureau, Small Area Income and Poverty Estimates (SAIPE) program – based upon ACS 1-year estimates

# To bury factoids; not perpetuate them!

*The focus on poverty within the city of Philadelphia misses the bigger picture—and the state's role*

The oft-repeated factoid that Philadelphia is the nation's poorest large city is true – as narrowly defined – which is to say that the statistics exclude all but the ten largest cities.

- In fact, many sizeable cities, including Cleveland, Detroit, Fresno, Memphis, and New Orleans, have higher rates of deep poverty.
- Moreover, neighboring Camden, Chester, and Wilmington have higher rates, as well.

The key take-away *should be* that the city of Philadelphia has a greater concentration of the region's poor than other comparable cities.

- This is important, as poverty creates fiscal stress for the city, negative neighborhood effects for its residents, and upward tax pressure on residents and local businesses.

**However, this is true for all Pennsylvania cities.**

This analysis of the relative poverty rates for city-suburb pairs across all metro areas in the U.S. shows that Pennsylvania cities are disadvantaged relative to cities in nearly all other states even though regional poverty rates in Pennsylvania are lower.

Thus, to reduce and alleviate poverty in the city of Philadelphia, we need to reframe our understanding of poverty by taking a regional perspective and by considering the state's responsibility for local governance.

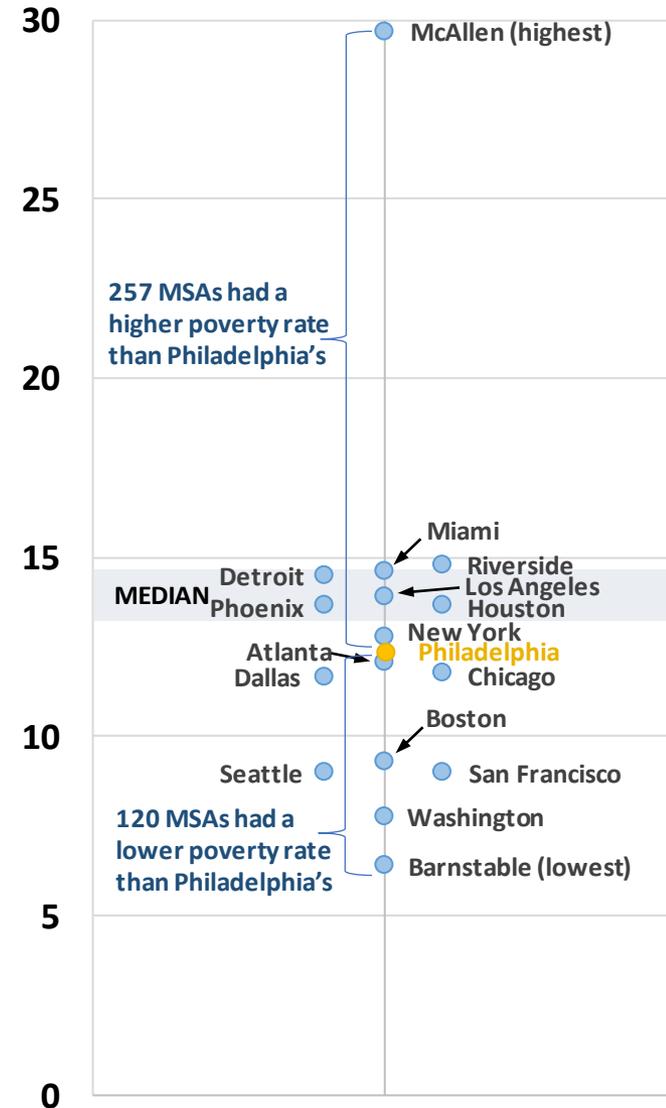
# RESULTS

## Among U.S. Metro Areas, Philadelphia's Poverty Rate Is Below the Median

*In fact, Philadelphia's 2019 poverty rate was lower than in two-thirds of all metro areas*

- In 2019, the Philadelphia region had more than 730,000 people in poverty—12.4 percent of the region's nearly 6 million residents
- If the Philadelphia region's economy generated poverty rates as high as Miami's or Riverside's, then our region would be home to an additional 120,000 to 140,000 people
- Conversely, were the Philadelphia region's economy to improve enough to match Washington, D.C.'s 7.8 percent poverty rate, we would reduce the number of poor people by over a quarter million, to near 450,000

Poverty Rate (percent), 384 MSAs, 2019



Source: U.S. Census Bureau, American Community Survey (ACS) 5-year estimates, 2019

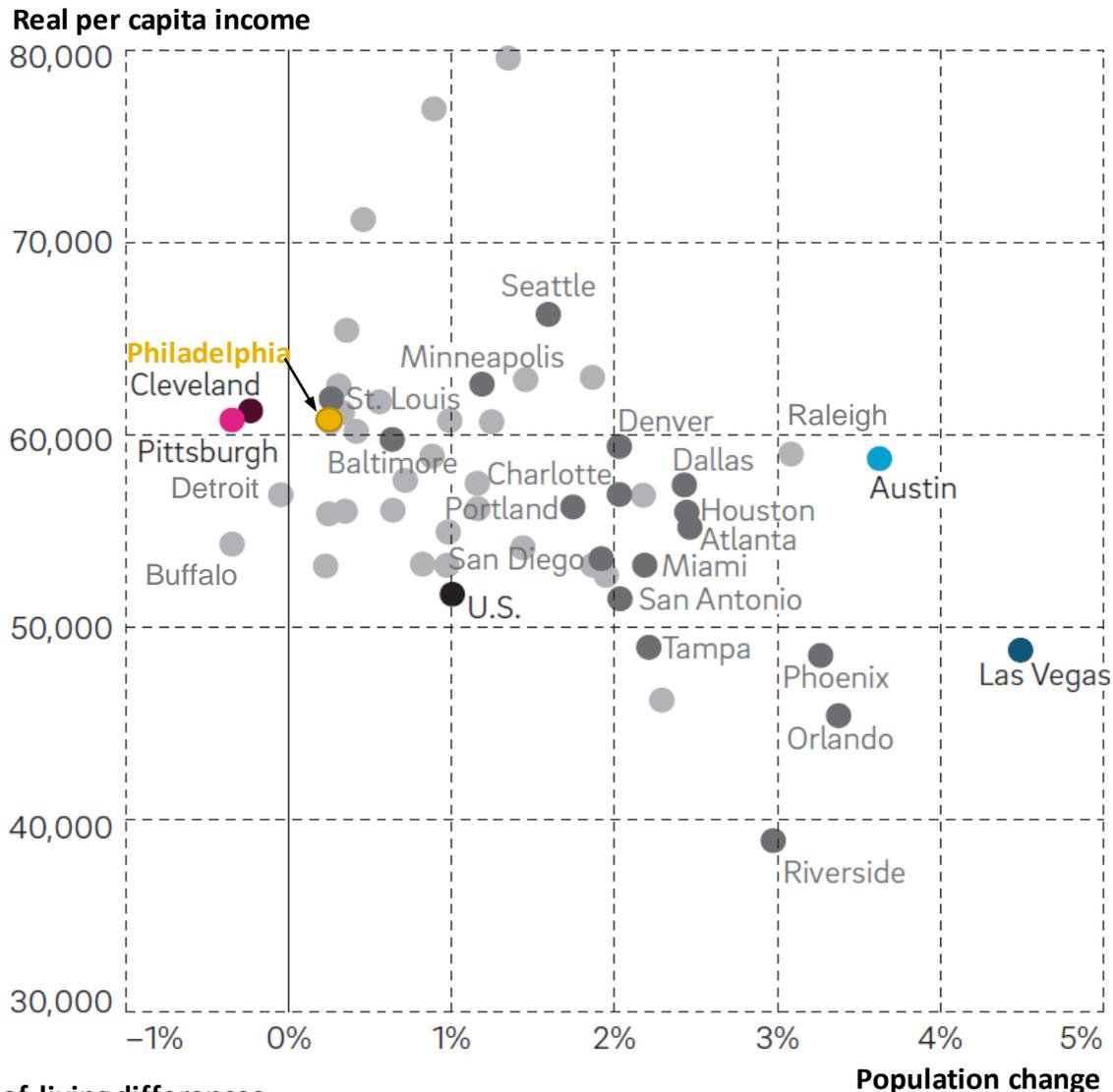
# REALISTIC PROSPECTS

## Population Growth Does Not Determine Levels of Income ...

Real per capita income (2016) adjusted with regional price parities (2018 \$) vs. annualized percent change in population (1969 to 2017)

*Growth of high-skill, high-wage sectors or low-skill, low-wage sectors has important implications for the long-term health of the region and its households*

- In 2016, the distribution of real per capita incomes adjusted by regional price parities demonstrated a lack of correlation with population growth
- Rather, real per capita income reflected the industrial structure



Note: Income has been adjusted for regional cost-of-living differences

Source: Bureau of Economic Analysis and U.S. Census Bureau

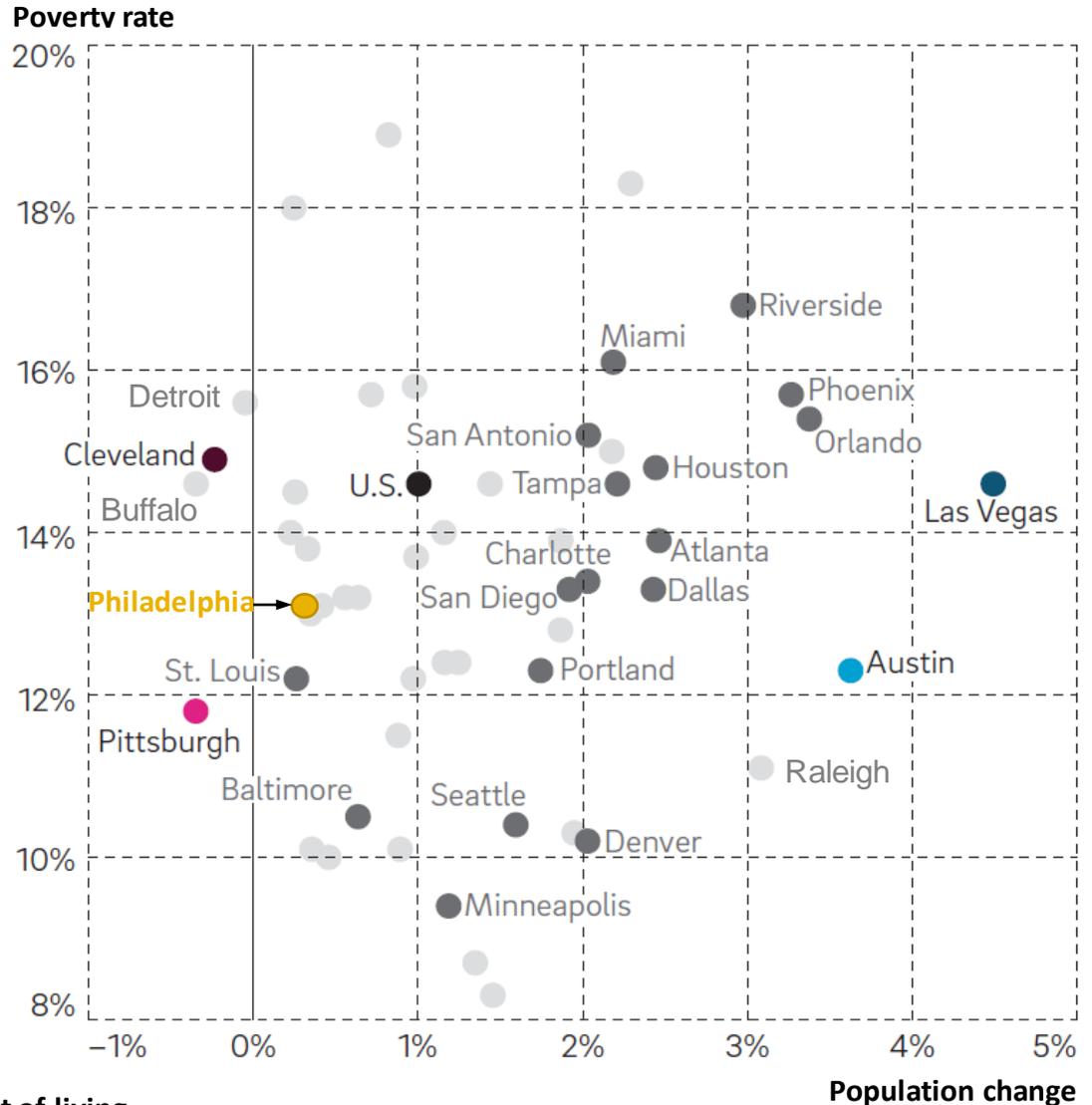
# REALISTIC PROSPECTS

## ... Nor Poverty Rates

Five-year poverty rate estimates (2017) vs. annualized percent change in population (1969 to 2017)

*Concentrations of low-wage jobs, as in, call centers, warehousing, tourism, and construction, can cause a region to grow poorer, while growing larger*

- 2017 poverty rates also showed a distribution uncorrelated with population growth
- Austin, Cleveland, Las Vegas, and Pittsburgh were once again located in separate quadrants of the scatter plot – reflecting differences in their industrial structure



Note: Poverty rates are not adjusted for regional cost of living

Source: Bureau of Economic Analysis and U.S. Census Bureau

# The economic base still matters

*Tell me what your industries are, and I will tell you your future*

**Top 5 location quotients for sectors of > 5,000 workers; weighted average weekly wage of all export base employment**

| 2017 data                                 | Low population growth  | High population growth  |
|---|--|---|
|   | <b>Pittsburgh, PA (\$1,346)</b>  | <b>Austin, TX (\$1,841)</b>   |
| <b>High real per capita income growth</b> | Iron and steel mills and ferroalloy mfg. employed <b>5,447</b> at <b>\$74,625</b> annual wage (location quotient of 8.6) | Semi conductor and electronic component mfg. employed <b>13,490</b> at <b>\$127,952 (5.5)</b> |
|   | School and employee bus transportation employed <b>5,611</b> at <b>\$21,159 (3.7)</b>                                    | Commercial equipment merchant wholesalers employed <b>21,860</b> at <b>\$95,953 (5.2)</b>     |
|   | Colleges and universities employed <b>26,711</b> at <b>\$64,114 (2.8)</b>  | Computer systems design and related services employed <b>32,523</b> at <b>\$118,400 (2.5)</b> |
|   | Other ambulatory health care services employed <b>5,116</b> at <b>\$58,035 (2.3)</b>                                     | Office administrative services employed <b>7,807</b> at <b>\$68,392 (2.4)</b>                 |
|   | Residential mental health facilities employed <b>10,568</b> at <b>\$30,897 (2.2)</b>                                     | Software publishers employed <b>5,112</b> at <b>\$116,221 (2.2)</b>                           |
|   | <b>Cleveland, OH (\$1,245)</b>   | <b>Las Vegas, NV (\$793)</b>  |
| <b>Low real per capita income growth</b>  | Machine shops and threaded product mfg. employed <b>8,246</b> at <b>\$52,761 (3.3)</b>                                   | Taxi and limousine service employed <b>9,824</b> at <b>\$28,115 (18.6)</b>                    |
|   | Other general purpose machinery mfg. employed <b>6,068</b> at <b>\$71,470 (3.3)</b>                                      | Traveler accommodation employed <b>166,057</b> at <b>\$40,399 (13.5)</b>                      |
|   | General medical and surgical hospitals employed <b>67,293</b> at <b>\$64,671 (2.1)</b>                                   | Other support services employed <b>10,857</b> at <b>\$40,852 (5.3)</b>                        |
|   | Nursing care facilities, skilled nursing employed <b>19,976</b> at <b>\$30,176 (1.7)</b>                                 | Drinking places, alcoholic beverages employed <b>7,366</b> at <b>\$32,292 (2.9)</b>           |
|   | Management of companies and enterprises employed <b>26,101</b> at <b>\$109,868 (1.6)</b>                                 | Business support services employed <b>14,439</b> at <b>\$31,763 (2.4)</b>                     |

Source: Bureau of Labor Statistics, Go to: [https://data.bls.gov/cew/apps/data\\_views/data\\_views.htm#tab=Tables](https://data.bls.gov/cew/apps/data_views/data_views.htm#tab=Tables)

# Philadelphia's economic base is relatively sound

*With strong contributions from finance, higher education, and pharmaceuticals*

**Top 10 location quotients for sectors of > 5,000 workers; weighted average weekly wage of all export base employment**

| Philadelphia, PA MSA (2021)                        |      | Weighted average weekly wage of all export base employment <b>\$1,829</b> |             |  |
|--|------|---|-------------|--|
| 4-digit Industry                                   | LQ   | Employment  | Annual Wage |  |
| Other financial investment activities              | 2.90 | 28,240  | \$171,291   |  |
| Colleges, universities, and professional schools   | 2.53 | 56,759  | \$91,675    |  |
| Pharmaceutical and medicine manufacturing          | 2.50 | 15,482  | \$155,346   |  |
| Scientific research and development services       | 1.94 | 29,897  | \$68,392    |  |
| Personal care services                             | 1.88 | 23,324  | \$116,222   |  |
| Individual and family services                     | 1.84 | 92,173  | \$28,115    |  |
| Legal services                                     | 1.66 | 35,715  | \$40,399    |  |
| Department stores                                  | 1.52 | 26,730  | \$40,852    |  |
| Drugs and druggists' sundries merchant wholesalers | 1.50 | 6,836   | \$32,292    |  |
| Management of companies and enterprises            | 1.43 | 62,541  | \$166,984   |  |

Source: Bureau of Labor Statistics, Go to: [https://data.bls.gov/cew/apps/data\\_views/data\\_views.htm#tab=Tables](https://data.bls.gov/cew/apps/data_views/data_views.htm#tab=Tables)

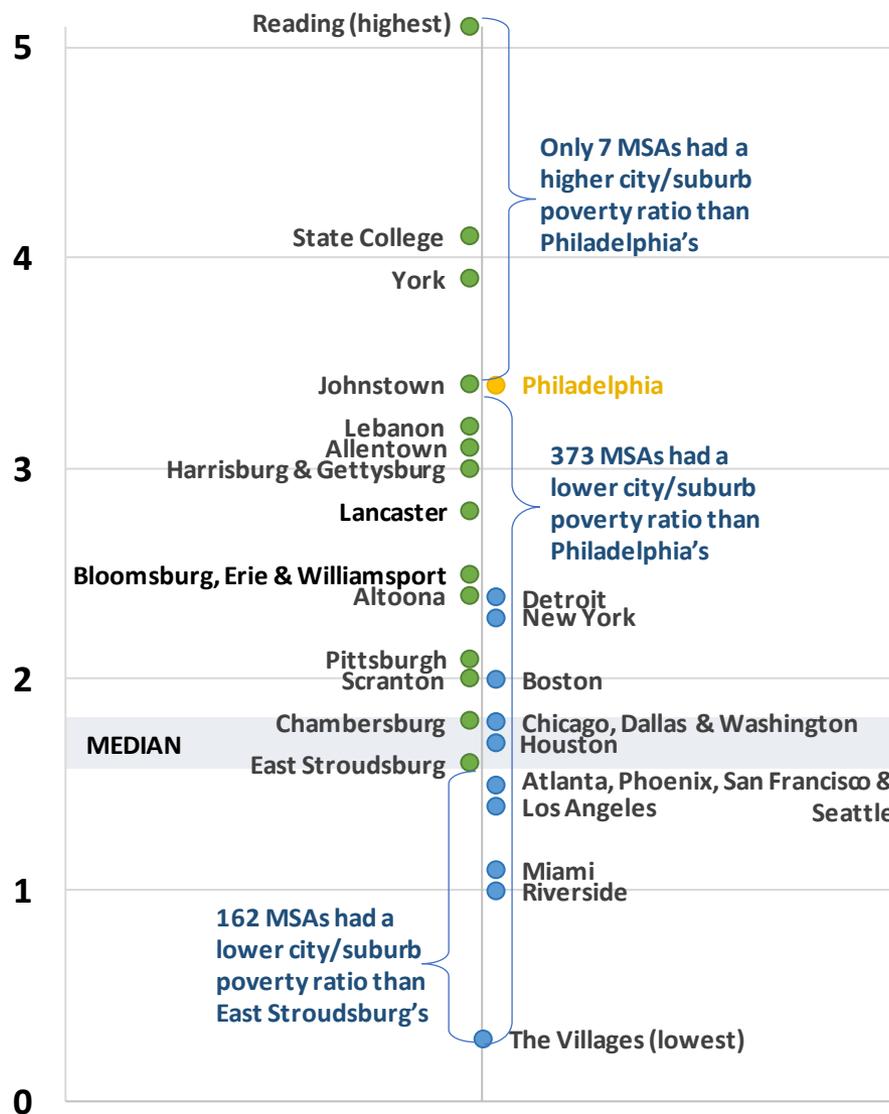
# RESULTS

## However, Pennsylvania Cities Experience More Concentrated Poverty

*For historical reasons, Pennsylvania cities struggle to unilaterally maintain a sound, self-reliant fiscal footprint*

- The Philadelphia region has a city/suburb poverty ratio of 3.4 – the combined poverty rate for the three cities in the Philadelphia MSA of 24.9 percent over the 7.4 percent rate in the remaining, mostly suburban portion of the region.
  - Reading leads the country with a 5.1 ratio
  - Small-town regions with large universities, like State College, pepper the top of the list, because graduate students are “poor”
  - Regions with ratios near (or below) one tend to be tourist-oriented in which low-income workers are fully priced out of the urban core
- Combining the city/suburb poverty ratio for all Pennsylvania metro areas produces a ratio of 3.0
  - Wisconsin has the same ratio; New Hampshire’s is slightly higher, but New Hampshire has only one metro area
  - States with city/suburb poverty ratios above the mean are primarily rust-belt states with an older governance structure and a more mature economy

City/Suburb Poverty Ratios, 384 MSAs, 2019



Source: U.S. Census Bureau, American Community Survey (ACS) 5-year estimates, 2019

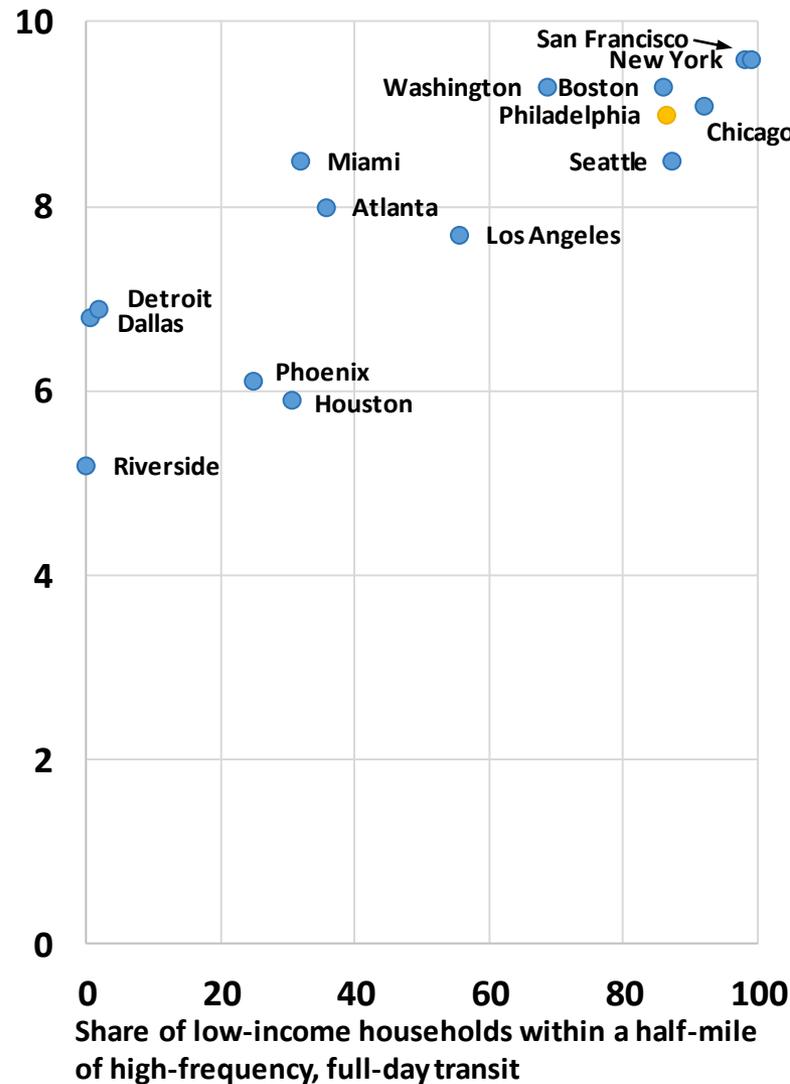
# A SILVER LINING

## Philadelphia Offers Robust Transit Access Compared With Other Cities

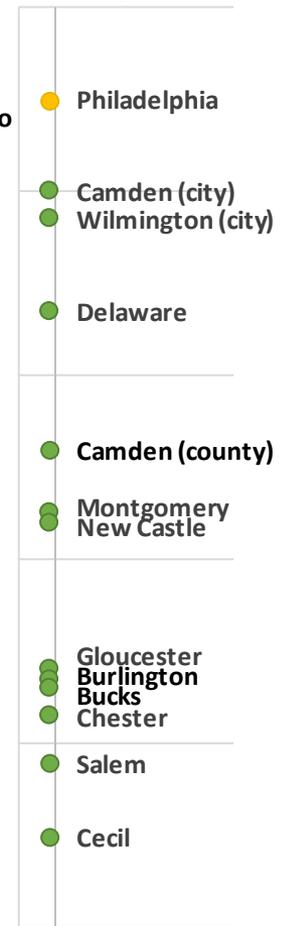
However, the region's suburban counties score lower

- Philadelphia is one of just eight cities (among 301 places with a population greater than 100,000) that scored a 9.0 or better
- Philadelphia's AllTransit fact sheet notes:
  - 667,440 jobs (98.4 percent) are located within a half-mile of transit
  - 378,628 jobs are accessible within a 30-minute transit ride (a weighted average across all households)
  - 342,478 low-income households (99.9 percent) are within a half-mile of transit
  - 295,876 low-income households (86.3 percent) are within a half-mile of high-frequency, full-day transit
- A Philadelphia family pays \$187 for transportation, whereas an Allegheny family pays \$808 (from *Making Ends Meet*)

AllTransit Performance Scores, 2019  
... for the 15 largest cities



... for the principal cities and counties in the Philadelphia MSA



Source: Center for Neighborhood Technology 2019, AllTransit™, alltransit.cnt.org

# Policy implications

- Poverty has a local face, but is a national and state issue to resolve
  - Local poverty rates move with the national business cycle
  - Federal and state governments set funding levels and formulas
  - State governments delineate and organize local governments and bear ultimate responsibility for their performance
- While waiting for Harrisburg and Washington, Philadelphia could ...
  - Convene *as a region* to discuss the issues and the options
  - Reduce barriers to building more affordable housing
  - Expand access to affordable child care, health care, and transit
  - Improve schools and reduce crime

... as resources allow

To access the research on which this presentation was based, see the following articles:

[Regional Spotlight: Poverty in Philadelphia, and Beyond \(philadelphiafed.org\)](http://philadelphiafed.org)

[Regional Spotlight: Smart Growth for Regions of All Sizes \(philadelphiafed.org\)](http://philadelphiafed.org)

[Regional Spotlight: Making Ends Meet \(philadelphiafed.org\)](http://philadelphiafed.org)



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For our latest data and research, go to <https://www.philadelphiafed.org/surveys-and-data>  
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