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**Testimony of Michael Jacobs**  
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**At the New York City Independent Budget Office**  
**To the New York City Council Community Development Committee**  
**On the Effect of the Recession on the City's Communities**

**October 28, 2010**

Good Morning Chairman Vann and members of the City Council Committee on Community Development. My name is Michael Jacobs and I am IBO's supervising analyst for economics and taxes. Thank you for the opportunity to speak at today's hearing on the effects of the recent economic downturn on the city's communities.

Although data is not yet available from the most recent Census that would allow us to develop a sharper analytical picture, IBO has reviewed some borough-level data and racial and ethnic data that enable us to outline some of the effects of the recession on communities in the city. When we compare data from August 2008, which marked the highpoint of employment before the downturn, to data from August 2010, we can see that although the recession has affected all segments of the city, the consequences have been considerably worse for some communities than for others.

Unemployment has increased significantly more in the Bronx and Brooklyn between August 2008 and August 2010 than in the other boroughs. During that period, the citywide unemployment rate grew from 5.9 percent to 9.5 percent, an increase of 3.6 percentage points. In the Bronx the unemployment rate grew by 5.1 percentage points, from 7.9 percent to 13.0 percent. In Brooklyn the unemployment rate climbed 4.1 percentage points over the same two-year period, from 6.4 percent to 10.5 percent. In August 2010 the Bronx and Brooklyn had the highest unemployment rates among New York State's 62 counties. In August 2008 the Bronx also ranked the highest, but Brooklyn had ranked fourth, slightly better than this year.

The Bronx and Brooklyn both have relatively large shares of black and Latino residents, and the unemployment rates for these populations nearly doubled over the two-year period. Unemployment among black workers increased from 8.2 percent to 15.8 percent citywide. For Latinos, it climbed from 7.7 percent to 14.9 percent. For white workers, the unemployment rate also rose, but the increase from 5.4 percent to 8.5 percent was not as sharp.

When looking at individuals who are unemployed long-term—out of work for a year or more but still looking for a job—one can see even bigger increases. Among Latinos, the share of unemployed workers out of work for at least a year more than doubled, rising from 16.3 percent of the unemployed in August 2008 to 42.8 percent in August 2010. Black workers also saw a doubling of long-term unemployment, which grew from 16.1 percent of the unemployed to 34.9 percent over the same period. It should be noted that in terms of long-term unemployment, the rate for white workers grew even more and exceeded that of black workers as of August 2010. Among unemployed white workers, the share unemployed for a year or more grew from 11.8 percent to 38.0 percent.

While data is not yet available to look at unemployment at the neighborhood level, data on foreclosures provides another gauge of communities' economic stress. From 2007 through 2009 there was a 40 percent increase citywide in foreclosure notices, from about 15,000 to about 21,000. Many of those notices were concentrated in southeastern Queens and north-central Brooklyn, in neighborhoods such as Jamaica and Bushwick.

Foreclosures also appear to be heaviest in neighborhoods where large shares of the population are nonwhite. New York University's Furman Center looked at Census tracts defined by the federal Department of Housing and Urban Development (HUD) as at-risk of high rates of foreclosure due to factors such as subprime lending, unemployment, and declining home values; at-risk neighborhoods are eligible for assistance through HUD's Neighborhood Stabilization Program. Furman found that 12 percent of the city's roughly 2,200 Census tracts are at-risk under HUD's definition. Most of the at-risk tracts are in Brooklyn and Queens and most are predominately nonwhite. In fact, nearly 9 out of every 10 at-risk Census tracts citywide are more than 90 percent nonwhite.

It is not clear that the tide of foreclosures has begun to recede. After a six-month period in which foreclosures slowed, there was a jump in August as new foreclosure notices were sent to 1,437 city homeowners compared with 1,043 in July.

The unemployment and foreclosure information cited in today's testimony provides some insight into why we have seen an increase from 2008 to 2009 in the Census Bureau's annual poverty rate for the city. Citywide, the poverty rate increased 0.3 percentage points in 2009, rising to 18.7 percent. The increases in the Bronx and Brooklyn were higher, with the poverty rate in the Bronx rising from 27.6 percent in 2008 to 28.5 percent in 2009 and in Brooklyn from 21.1 percent in 2008 to 21.8 percent in 2009. The poverty rate increased the most in Staten Island, growing 1.2 percentage points to 11.2 percent, was virtually flat in Queens at 12.6 percent, and fell in Manhattan from 17.4 percent to 16.6 percent.

Thank you for the opportunity to provide some information for today's discussion. I would be pleased to answer any questions you may have.