

Why now?

The Loss of Economic Security

5

Goal: This unit profiles the rising economic insecurity over the past three decades that has intensified since the 2008 economic collapse. The traditional poor are falling deeper into poverty and many middle class households face poverty for the first time, underscoring the need for an economically literate human services workforce.

By 2008, it became clear to most people that the United States was facing the first economic crisis of the 21st century. Dubbed “The Great Recession”, it represented the greatest economic upheaval since the Great Depression of the 1930s. The suffering has been enormous and the economic recovery far too slow. The resulting hardship has placed financial concerns front and center for both the people who were poor before the onset of the meltdown and for the new poor who have been driven out of the working and middle classes.¹

As employers continue to downsize, relocate in search of cheaper labor, or make do with fewer workers, Americans face growing competition for increasingly scarce jobs, longer than usual spells of joblessness, and/or paychecks that are shrinking along with their housing and retirement nest eggs.² As the government continues to cut cash and social programs that serve the traditional poor, countless individuals and families find themselves sicker, hungrier and living in poor housing or on the street.

Hoping to stimulate change, advocates and researchers have documented the loss of economic security within the wider population. According to the Brandeis University Economic Security Index by 2007 (before the current economic meltdown)

fewer than one-in-three families had the necessary combination of income, financial assets, education, and affordable health care to ensure middle-class security.³ One in four middle-class families risked slipping out of the middle class altogether -- with higher risks for families of color.

Based on its recently created Economic Insecurity Index, the Rockefeller Foundation also reported that a growing share of Americans are economically insecure. Economic insecurity is defined as suffering an income decline of 25% or more in one year without having the financial resources or assets to offset that loss. The Foundation counted approximately 46 million Americans as insecure in 2007, up from 28 million in 1985 with some trends dating back to 1960.⁴ Public opinion polls regularly report that Americans are deeply worried about their jobs and finances.⁵

Economic Insecurity Looms Largely in NYC

Economic insecurity is especially intense among NYC's poor. Long before the current downturn, it had already become clear that steady work does not lift everyone out of poverty. In the mid-2000s, The Office of Financial Empowerment of the New York City Department of Consumer Affairs offered the following financial profile of the typical working poor family in New York City: "a typical family has an income of \$15,000, relies on check cashers for basic financial transactions, holds multiple credit cards with outstanding balances and has less than \$500 in savings, if they have any savings at all".⁶ By 2012, more than 21% of all New Yorkers (over 1.7 million) lived below the official, but understated federal poverty line (\$23,314 for a family of four).⁷

Economic insecurity is closely linked to problems of unemployment, poverty and inequality, issues that are more fully discussed in the next units. Not surprisingly, more and more individuals, agencies, and communities turn to human service agencies for all kinds of help. As our profession becomes more economically literate, we can respond more effectively to these pressing economic needs, help to reduce economic stress and increase economic well-being.

For Discussion:

1. Have you seen the continuing impact of the recession and the associated jobless recovery on your clients, agency or your family/friends? If so, what trends have you observed? What kind of coping mechanisms, responses or strategies have you witnessed?
2. How do you see the trends discussed above affecting your work? Your clients? Your agency?

NOTES

UNIT FIVE

1. Wheary, Jennifer, Thomas M. Shapiro & Tamara Draut (2007, November 28) By a Thread: The New Experience of America's Middle Class. Retrieved from: <http://iasp.brandeis.edu/pdfs/2007/By%20A%20Thread%20New%20Experience.pdf>
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3. Wheary, Jennifer, Thomas M. Shapiro & Tamara Draut (2007, November 28) By a Thread: The New Experience of America's Middle Class. Demos: A Network for Ideas & Action and the Institute on Assets and Social Policy at Brandeis University. Retrieved from <http://iasp.brandeis.edu/pdfs/2007/By%20A%20Thread%20New%20Experience.pdf>
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5. Gallup.com (2010) Polls: Business and Economy. About 40% of Americans worrying about money. Retrieved August 19, 2010 from www.gallup.com/tag/Business%2band%2bEconomy.aspx
6. New York City, Office of Financial Empowerment, Department of Consumer Affairs (2010, June) Financial Empowerment Brief.
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