

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

Regional Spotlight

Poverty in Philadelphia, and Beyond

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

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The author thanks Annette Gailliot and Peter Psathas, who computed the city/suburb poverty ratios for all 384 MSAs.

The views expressed in this article are not necessarily those of the Federal Reserve.

Most stories on Philadelphia’s poverty rate bury the lede, if they report it at all: Poverty in the Philadelphia region is consistently lower than in the nation and lower than in most other metropolitan areas.¹ Moreover, the state shares responsibility for the city’s poverty problem.

It is true that the city of Philadelphia has a greater concentration of the region’s poor than other comparable cities. However, this is true for all Pennsylvania cities. An 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.

The oft-repeated factoid that Philadelphia is the nation’s poorest large city is also true (as narrowly defined).² 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 factoid unnecessarily draws attention away from the important relationship between the region’s economy and its poverty rate and from the crucial role that state government plays in local governance and intermunicipal relations.³

Most people likely support a more inclusive economy that will lower unemployment, raise income, and thereby reduce poverty. However, to reduce and alleviate poverty in the city of Philadelphia, we need to reframe our understanding of poverty by taking a regional perspective. At a minimum, Pennsylvania could incentivize regional cooperation so that local governments would work together more effectively to improve a region's economy.

Philadelphia's Regional Poverty Rate

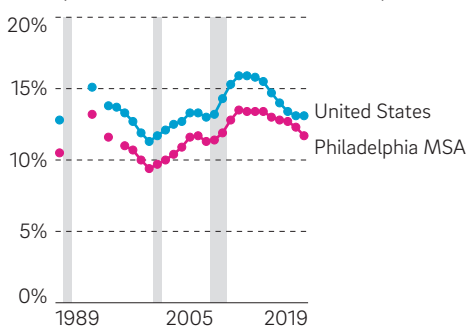
Over the past 30 years, the poverty rate in the Philadelphia region has fluctuated between 9.4 percent and 13.5 percent, in rhythm with the business cycle (Figure 1). This is about 2 percentage points lower than the national poverty rate, which has swung between 11.3 percent and 15.9 percent.⁴

In 2019, the Philadelphia region had more than 730,000 people in poverty—12.4 percent of the region's nearly 6 million residents.⁵ Still, Philadelphia's regional poverty rate was lower than the nation's rate of 13.4 percent and lower than the median rate among other regions.⁶ In fact, the Philadelphia region's 2019 poverty rate was lower than in two-thirds of all metro areas (Figure 2). The McAllen, TX, region (2019 population: 844,950) had the highest rate, at 29.7 percent.⁷

FIGURE 1

Philly Region Outperforms the U.S.

Local and national poverty rates both respond to the business cycle, but national poverty is consistently higher. Poverty rates, 1989–2019, U.S. and Philadelphia MSA



Source: Census Bureau, Small Area Income and Poverty Estimates (SAIPE) program, 1989–2019.

Note: Data for Philadelphia MSA missing for years 1990–1992, 1994, and 1996.

However, several peer regions had much lower poverty rates. How many people would be lifted from poverty if regional policymakers could strengthen the region's economy and attain the lowest poverty rate evident among other major metro areas?

To answer this question, I analyzed poverty in the 15 most populous U.S. metro areas. Seven of these metro areas had larger populations than Philadelphia's; seven were smaller. Similarly, seven had higher poverty rates and seven had lower rates. Riverside, CA (14.8 percent), and Miami (14.6 percent) had substantially higher regional poverty rates. 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 living in poverty.

Conversely, four of the 15 largest metro areas—Washington, D.C., San Francisco, Seattle, and Boston (which I call the Fab Four)—had substantially lower poverty rates.⁸ With a 7.8 percent regional poverty rate, Washington, D.C., represents a potential lower bound (as of 2019) for large metro areas. If the Philadelphia region's economy improved enough to reduce poverty to 8.0 percent, we would reduce the number of poor people by over a quarter million, to near 450,000.

Concentration of Poverty by Neighborhood

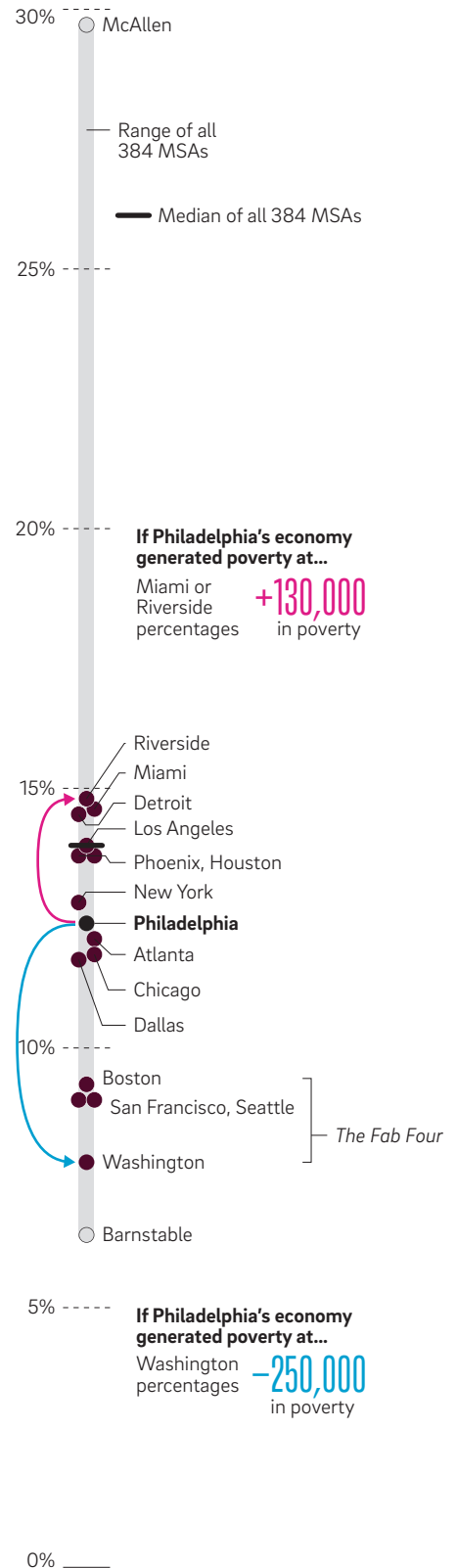
Economic and sociologic research on the plight of poor populations shows that poverty's problems are exacerbated when concentrated. In their recent synthesis of this research, Wayne State University economist George Galster and Princeton sociologist Patrick Sharkey note that economic segregation has joined racial and ethnic segregation as a critical dimension of one's neighborhood environment (home and school) and is associated with negative economic outcomes because of increased exposure to crime, violence, and environmental hazards.

Reviewing work by Galster and other researchers, Elizabeth Kneebone and Natalie Holmes of the Brookings Institution assert that "residents of poor neighborhoods face higher crime rates, and exhibit poorer physical and mental health

FIGURE 2

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

Poverty rate, 384 MSAs, 2019



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

outcomes. They tend to go to poor-performing neighborhood schools with higher dropout rates. Their job-seeking networks tend to be weaker and they face higher levels of financial insecurity.”

To assess the extent of concentrated poverty among the 100 most populous U.S. metro areas, Kneebone and Holmes computed the share of the poor population in census tracts with a poverty rate of 40 percent or higher using five-year estimates for 2010–2014. This provides a comprehensive and comparable measure of the degree to which concentrated poverty is a problem for an entire region, thereby avoiding the problem of comparing poverty rates and concentration of poverty based solely on jurisdictional boundaries, which can obscure substantial pockets of poverty in suburban areas beyond the city limits.

In the Philadelphia region, Kneebone and Holmes found, 21 percent of the poor population lived in tracts with a poverty rate of at least 40 percent—above the mean (15 percent) and median (13 percent) of all 100 metros. Among those 100 metros, the concentration of poverty ranged from 52 percent in the McAllen region to zero percent in the California regions of Oxnard and San Jose.

Of the 15 largest metros, only the Phoenix region (26 percent) and the Detroit region (32 percent) had higher concentrations than the Philadelphia region, while the Fab Four ranged from 3 percent to 6 percent.

In 2016, Harvard economist Raj Chetty and his coauthors demonstrated that upward mobility is significantly enhanced for individuals when they spend more time in a low-poverty community. The younger they are when they spend time in that community, and the longer they spend there, the better. However, these gains take a generation or more to be fully realized. Moreover, their analysis focuses on the individual, not the region. It is unclear whether the region also makes long-term progress toward a lower poverty rate when individuals spend more time in a low-poverty community.

Concentration of Poverty in Core Cities

Whether these tracts with concentrated poverty are themselves concentrated in a region’s core cities or are spread about the region affects the fiscal stability of municipalities. Kneebone and Holmes’ analysis also examined concentrations of poverty for the principal central (core) city and the remaining area of each region (including other central cities). They found that regions with a low overall poverty rate tend to exhibit a lower concentration of poverty, and the poverty rate is lower in all parts of the region. Among the 15 most populous metro areas, the Fab Four had the lowest percentages of concentrated poverty at the regional level, within their core cities, and in their respective outlying areas.

In contrast, Philadelphia is grouped tightly with Atlanta, Dallas, Houston, Miami, and Riverside, with poverty concentrations that ranged from 78 percent to 82 percent in their core cities. But beyond their core cities, only the Fab Four have lower concentrations of poverty than in Philadelphia’s outlying areas, at 30 percent. Poverty is more concentrated in the outlying areas of the other 10 regions.

Thus, a relatively high concentration of poverty emerges in the city of Philadelphia and a low concentration in its suburbs,

despite a better-than-average regional poverty rate. What prevents the city of Philadelphia from sharing its region’s lower poverty rate?

See *Impact of the Pandemic*.



A Pennsylvania Problem

Although the poverty rate in the Philadelphia region is lower than in other regions, Philadelphia is frequently described as “America’s poorest big city.”⁹ However, all Pennsylvania cities are disadvantaged compared to cities in other states, even though their respective metro area poverty rates are lower.

At 11.9 percent, Pennsylvania’s poverty rate across all of its metro areas is lower than the mean of 12.5 percent (across all 50 states plus Washington, D.C.). It is considerably lower than in New Mexico, which had an average poverty rate of 17.9 percent. New Mexico is the only state whose MSAs exhibited higher poverty rates in its suburbs than in its cities.

It is true that the city of Philadelphia’s poverty rate was 24.3 percent in 2019, higher than in the other nine largest U.S. cities. Rarely noted is that the poverty rates were higher still in the region’s other two principal cities: Wilmington (26.0 percent) and Camden (36.4 percent).¹⁰

With less than 30 percent of the region’s population, these three cities are home to nearly 60 percent of the region’s poor

Impact of the Pandemic and Stimulus Programs on Poverty

The pandemic has wreaked havoc on many lives—disrupting households with job losses, illness, and death. No amount of money will compensate for some of these losses. However, the stimulus programs have measurably helped with household budgets.

Local poverty estimates are not yet available for 2020 and 2021. However, estimates for the nation indicate that although the poverty rate rose during the pandemic, the federal stimulus packages lifted people out of poverty when measured by the supplemental poverty rate.

The Census Bureau’s official poverty rate for the nation rose to 11.4 percent in 2020 from 10.5 percent in 2019, with 3.3 million more people in poverty.¹⁸ However, the Census Bureau’s Supplemental Poverty Measure (SPM), which accounts for assistance—such as Social Security, unemployment insurance, and the stimulus payments from the COVID-19 relief packages—fell to 9.1 percent in 2020 from 11.8 percent in 2019.¹⁹

One measure of the success of the stimulus packages for pandemic relief is that this is the first year in which the SPM rate of poverty was lower than the official rate. Still, the burden grows on those who remain in poverty and on those who have lost jobs as living costs rise. As the *Washington Post* has reported, one measure of the gap in aid and of the financial toll of job loss is the recent sales growth at dollar stores around the country.

(417,509 people). The combined poverty rate for the three cities was 24.9 percent. When compared to the 7.4 percent poverty rate in the remaining, mostly suburban portion of the region, one can derive a city/suburb poverty ratio of 3.4 for the Philadelphia region.

My analysis of all U.S. MSAs shows that a 3.4 ratio is very high, but in Pennsylvania, the Philadelphia region is not unusual in this regard (Figure 3). At 5.1, the Reading region has the highest ratio in the country. The York, State College, and Johnstown regions have ratios ranging from 3.4 to 4.1. The lowest city/suburb poverty ratio for any Pennsylvania metro area is 1.6 in the East Stroudsburg region, which is just below the mean and median ratios across all MSAs.¹¹

Combining the city/suburb poverty ratio for all Pennsylvania metro areas produces a ratio of 3.0.¹² Wisconsin has the same ratio. New Hampshire's is slightly higher, but New Hampshire has only one metro area. New Mexico has the lowest ratio at 0.9. The mean and median for all states is 1.8 and 1.7, respectively.

States with city/suburb poverty ratios above the mean are primarily rust-belt states with an older governance structure and a more mature economy. However, Pennsylvania's ratios are highest even among the rust-belt states, which share a similar economic history and industrial structure. This is likely because the state's de facto barriers against annexation, or consolidation of a city and its suburbs, have been in place for nearly one hundred years.¹³ Therefore, Pennsylvania cities find it difficult to unilaterally maintain a sound, self-reliant fiscal footprint.

In a 1966 law review article, Boston city planner David Harrison summarized Pennsylvania's "annexation problem": "... for reasons which should be clear by now, municipalities of any size or importance are in scant danger of losing their political integrity by way of annexation. The courts evidently are most anxious to follow the legislature in such matters and the legislature, bound as it is by public opinion, is faced with the public's efforts to make the law of annexation in Pennsylvania the law against annexation."¹⁴

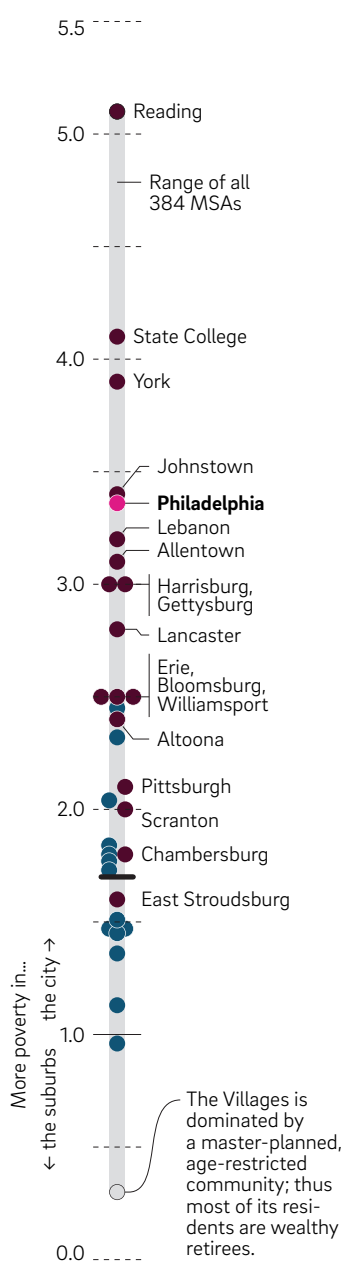
Pennsylvania state government holds absolute authority to change municipal boundaries, and it has not significantly

FIGURE 3 Pennsylvania Cities Experience More Concentrated Poverty

In large MSAs outside of Pennsylvania, there's less of a gap between suburban and urban poverty.

Poverty rate in an MSA's principal city/cities divided by poverty rate in the rest of the MSA, all Pennsylvania MSAs and 15 largest U.S. MSAs, 2019

City/Suburb Poverty Ratios
 ● Pennsylvania MSAs
 ● Top-15 largest MSAs
 — Median of all 384 MSAs



Source: Census Bureau, ACS 5-Year estimates, 2019.

changed its antiannexation policy stance in the 55 years since Harrison's article—despite increasing urban problems and deepening fiscal distress in most of the state's cities. While Columbus, OH, was annexing significant territory and Indianapolis was consolidating with Marion County, many residents of Reading, PA, were moving to one of the other 63 municipalities in Berks County, and many residents of Pittsburgh were moving to one of Allegheny County's other 129 municipalities.

What Local Government Can and Can't Do

Although poverty has a local face, it is primarily a national and state issue to resolve. Local poverty rates tend to move in unison in response to the national business cycle. Moreover, local governments have limited influence over the market economy's distributive characteristics and state and federal governments' redistributive characteristics, including school funding formulas.

Moreover, since state governments determine how local governments are delineated and organized, a state's choices can affect local economic health and help or hinder the success of local-government poverty programs. Cities may pursue efforts to expand access to affordable housing, child care, transit, and health care for the poor; and to improve schools, reduce crime, and attract suburbanites back to the city. However, a city has limited options when it can't capture sufficient fiscal resources from the regional economy it helped spawn, as is the case in Philadelphia and in Pennsylvania's other cities. Local efforts alone may drive more high-income residents away—creating greater concentrations of poverty in the housing stock that is left behind.

Even if it lacks the political will to legislate positive change, the state government can still create incentives for local governments to increase intergovernmental cooperation, if not consolidate. Just as the federal government requires metropolitan planning organizations to develop regional transportation infrastructure plans, Pennsylvania could require metropolitan governance to manage economic development, labor market initiatives, education, courts, prisons, and social services. All of these local functions address issues with spillover benefits among localities throughout a region. The benefits of this functional consolidation would be better aligned with the reality of poverty throughout the entire region than is the current status quo. **■**

See [Transit Access for the Poor.](#) →

Transit Access for the Poor

Prior to the pandemic, a *New York Times* Neediest Cases Fund article profiled a young man who had struggled with problems stemming from rising debt. Part of the assistance that put him back on his feet was a monthly MetroCard paid for by the fund. He described the card as “a golden ticket in the city.”

Fortunately, the city of Philadelphia has one of the most robust transit systems in the nation as measured by connectivity, frequency of service, access to households and jobs, and percentage of commuters using transit (Figure 4).

Philadelphia is one of just eight cities (among 301 places with a population greater than 100,000) that scored a 9.0 or better on a 2019 AllTransit performance score—a comprehensive measure of job accessibility via transit.¹⁵ Among other statistics, 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, and 295,876 low-income households (86.3 percent) are within a half-mile of high-frequency, full-day transit.¹⁶

The cities of Camden and Wilmington also had relatively high scores of 8.0 and 7.7, respectively.¹⁷ Thus, more than 60 percent of the region’s poor have good access to many of the region’s jobs.

However, scores for the suburban counties in our region were much lower: Bucks (2.6), Chester (2.3), Delaware (6.7), and Montgomery (4.5) in Pennsylvania; Burlington (2.7), Camden (5.2), Gloucester (2.8), and Salem (1.8) in New Jersey; New Castle (4.4) in Delaware; and Cecil (1.0) in Maryland.

So, while the region’s transit systems provide robust access for city residents and to city jobs (and may be a factor that concentrates

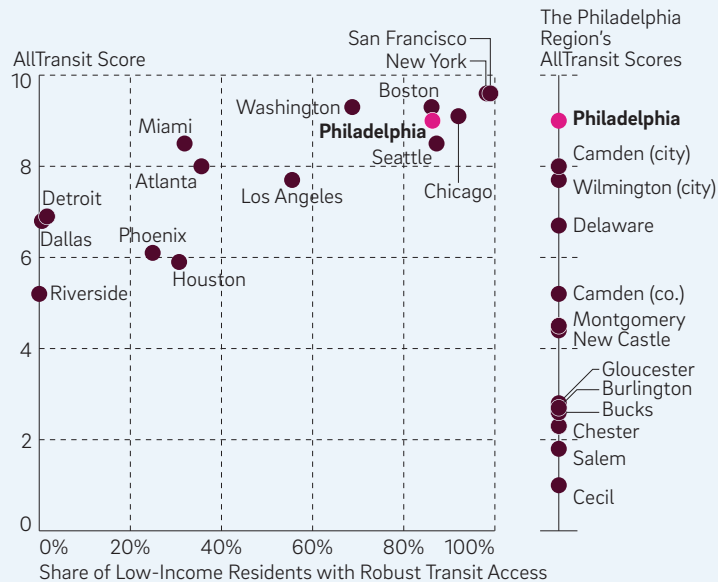
poverty in the cities), many poor residents in outlying counties lack easy access, and some far-flung job centers may be inaccessible from the city. Still, Philadelphia’s robust transit system offers an advantage that could be leveraged to further benefit poor residents throughout the region.

Transit-oriented development at stations in outlying counties would help. Apartments near these stations would ease access to city jobs for county residents, and the stations themselves could attract businesses from more far-flung suburban locations, thus increasing job access for city residents. Increasing affordability of transit fares for low-income workers and students would also increase access.

Past fare-free experiments, including in Austin, TX, and Denver, were deemed a failure because they did not tempt enough drivers from their cars (and thus enough cars from the highways). However, the idea is getting a second look because, during these experiments, transit ridership dramatically increased among poor people who did not own a car.²⁰ Prior to the pandemic, several U.S. cities, including Kansas City, MO, Lawrence, MA, and Olympia, WA, were preparing to launch free public transit. Since the pandemic, other cities have begun to offer free fares as an inducement to attract riders back to their transit systems.

FIGURE 4
Compared With Other Large Cities, Philadelphia Provides Robust Transit Access

However, the region’s suburban counties score lower. AllTransit Performance Score and share of low-income households within a half-mile of high-frequency, full-day transit, 15 largest cities, principal cities and all counties in Philadelphia MSA



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

Note: AllTransit bases its scores on connectivity, access to land area and jobs, frequency of service, and the percent of commuters who use transit to commute to work.

Notes

1 Unless otherwise noted, “region” and “metro area” refer to official metropolitan statistical area (MSA). Analysis in this article is based on data for each MSA as delineated in the Office of Management and Budget Bulletin 18-04, issued September 14, 2018. This article truncates each official name to the name of its largest principal city.

2 The city of Philadelphia does have the highest rate of deep poverty among the 10 largest U.S. cities. But if you include all cities, regardless of size, many sizeable ones, including Cleveland, Detroit, Fresno, CA, Memphis, TN, and New Orleans, have higher rates. Also, the rates of deep poverty within the municipal boundaries of Camden, NJ, Chester, PA, and Wilmington, DE, are higher than in Philadelphia.

3 It is long established by law that local governments are creatures of the state. Thus, states bear significant responsibility for the outcomes of local governance.

4 To capture the cyclical patterns of poverty over three decades, data from the Census Bureau’s Small Area Income and Poverty Estimates (SAIPE) program were used. The SAIPE model uses the American Community Survey (ACS) 1-year estimates of poverty as its primary input.

5 The poverty statistics in this section are drawn from the ACS 5-year estimates.

6 This fact is reported in an excellent 2017 article by the Pew Charitable Trusts, but that article focuses on residents of the city.

7 If the Philadelphia region’s poverty rate were as high as McAllen’s, our region’s population below the poverty threshold would rise by more than 1 million persons.

8 Regional differences in the cost of living can add to or detract from the general well-being of people whether they are above or below the poverty line. The next Regional Spotlight article will explore these relationships and the implications for local poverty programs.

9 Using annual Census Bureau estimates, the *Philadelphia Inquirer’s* Alfred Lubrano has reported over many years on Philadelphia’s “distinction of having the highest poverty rate among the 10 largest U.S. cities” and on the hardships faced by local families living in poverty.

10 Another municipal pocket of high poverty is the city of Chester, at 31.4 percent. Chester is not officially a principal city of the Philadelphia MSA.

11 Liberally scattered among the MSAs with high city/suburb ratios are smallish towns with large universities, such as Ithaca, NY, Ames, IA, Lawrence, KS, Lincoln, NE, Corvallis, OR, and State College, PA. Poverty rates are significantly higher in these towns because graduate and undergraduate students living off campus (typically on limited incomes) can be counted among the poor. Students living in dorms are excluded.

12 To compare states, I constructed a weighted average city/suburb poverty ratio by assigning each MSA to a state on the basis of its largest principal city. For example, the Philadelphia–Wilmington–Camden MSA is assigned to Pennsylvania.

13 State legislation in 1854 extended the boundaries of the city of Philadelphia to include all of Philadelphia County. Final functional consolidation would not occur until passage of a state constitutional amendment in 1951. Since the 1854 consolidation in Philadelphia, the only significant municipal merger in Pennsylvania was the 1907 annexation of the City of Allegheny into the City of Pittsburgh.

14 Harrison (1966).

15 The AllTransit Performance Score is a comprehensive score that looks at connectivity, access to land area and jobs, frequency of service, and the percentage of commuters who use transit to travel to work.

16 These statistics are not based on an official poverty measure. Rather, they are based on a definition of poverty as simply any and all households earning under \$50,000.

17 The AllTransit score for the City of Chester was 7.8.

18 Shrider et al. (2021).

19 Fox and Burns (2021).

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