

TROPMAN REPORT

UNDERSTANDING TRENDS IN POVERTY IN THE PITTSBURGH METROPOLITAN AREA

By

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In 2010, about one in eight residents (12.1 percent, or 280,000 people) in the Pittsburgh region had incomes below the poverty level, an increase of 8.5 percent since the Great Recession started in 2007. Although demographic factors such as the arrival of new immigrants and more single-parent households contributed to the growing number of people living at or near poverty, the economy was the driving force in changing poverty rates.

Defining and Measuring Poverty

The modern definition of poverty can be traced to economist Adam Smith, who defined poverty as “not only the commodities which are indispensably necessary for the support of life, but whatever the custom of the country renders indecent for creditable people, even of the lowest order to be without.” President Franklin D. Roosevelt introduced poverty into the political lexicon in his Second Inaugural Address (1937) by noting, “a substantial part of the [the United States] whole population are denied the greater part of what the very lowest standards of today call the necessities of life.” President Lyndon B. Johnson again brought the issue of poverty to the American public’s attention and declared a “war on poverty.”

The current poverty measure, developed in the 1960s at the Department of Agriculture, is based on the cost of a minimal but nutritionally adequate diet. Because families at that time spent about a third of their after-tax income on food, the cost of the economy food plan was multiplied by three to allow for other expenses. The measure was also adjusted for size and composition of the family and farm/nonfarm status. In the early 1980s, a few minor changes were made in how the poverty thresholds are determined, but the basic food basket approach has remained unchanged.

Many policy experts regard the U.S. poverty measure as antiquated because it fails to adequately account for such necessities as work-related expenses (e.g., transportation and child care) and health care costs that consume a larger share of today’s family budget and for geographic differences in the cost of living. In 2011, the U.S. Census Bureau released a report comparing the official poverty estimates with a newly formulated

supplemental poverty measure (SPM) that incorporates additional factors into the calculation. In general, the poverty thresholds are slightly higher when using SPM. For example, the threshold for two adults with two children in 2010 is \$24,343 using the SPM and \$22,113 using the official poverty measure. Also, the SPM thresholds rose slightly more between 2009 and 2010 (increased by \$489) than the official poverty thresholds (\$357). The SPM is still under development and has not replaced the official calculations.

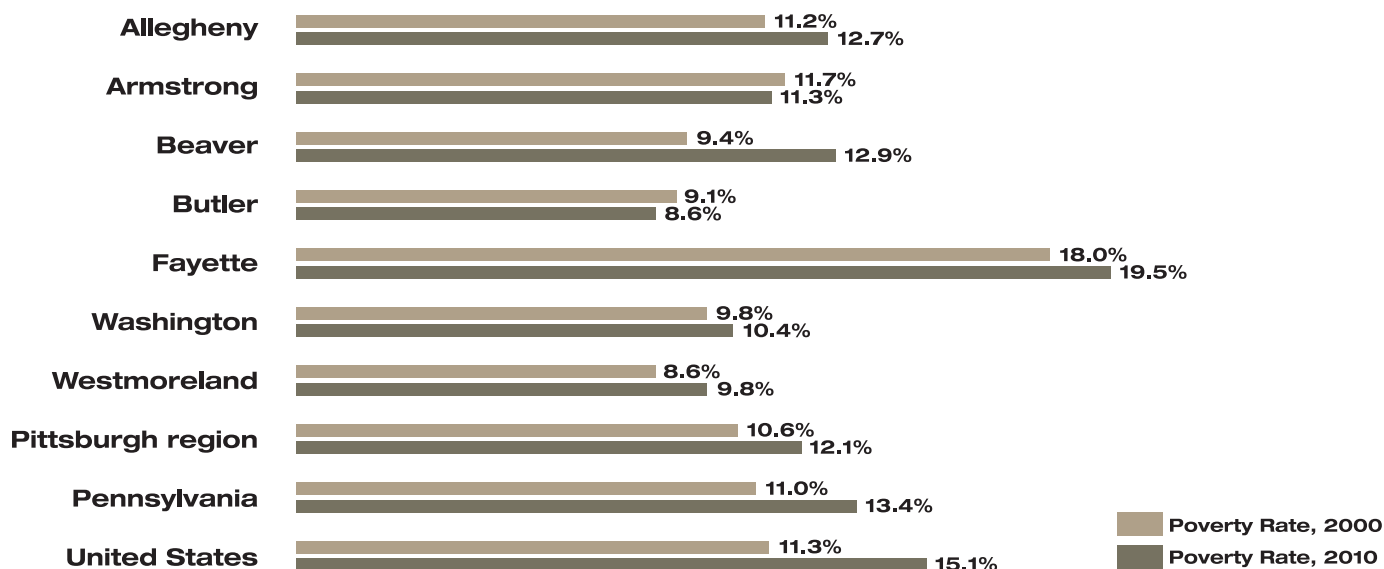
Poverty Trends in the Pittsburgh Metropolitan Area

The Great Recession contributed to growing levels of poverty throughout the United States, but the Pittsburgh region mitigated some of the sharp upswing that occurred nationally. The city of Pittsburgh’s robust labor force has been an advantage. With nearly 20 percent of its workforce in the education and health services sectors (sectors that continued to grow in the recession), the city was able to delay the effects of the economic recession.

Despite this economic advantage, poverty in the Pittsburgh metropolitan area grew from 10.6 percent in 2000 to 12.1 percent in 2010 (figure 1). By 2010, more than a quarter million people (277,300) lived in poverty. Poverty rates for counties in the region ranged from 8 to 19 percent. Except for Fayette County, the poverty rates for other counties have been at or below the national average. The U.S. poverty rate stood at 11.3 percent in 2000 and 15.1 percent in 2010.

The onset of the recession in 2007 generally spurred the growth in poverty. Allegheny had the most people

Figure 1. Poverty Rates for Counties in the Pittsburgh Region, 2000 and 2010



Source: U.S. Census Bureau, 2000 Census and 2008–10 American Community Survey.

in poverty in 2010 (150,600), followed by Westmoreland (35,000), and Fayette (26,000). Beaver County had the biggest relative increase in its poverty population. Between 2000 and 2010, the number of poor people in Beaver grew by 29 percent. Butler and Armstrong counties had the fewest people in poverty—15,400 and 7,800, respectively.

Populations Affected by Poverty

The risk of being in poverty varies among different population groups. In the Pittsburgh region, four groups stand out:

Children (under age 18) have been particularly affected by the economic downturn. Nationally, the 2010 child poverty rate was 20.1 percent; in the Pittsburgh region, it was 17.0 percent. The largest number of poor children lives in Allegheny County, but the child poverty rate is higher in Armstrong, Beaver, and Fayette counties than in Allegheny. Beaver had the largest

increase in child poverty rates. Many counties in the Pittsburgh region were making strides in reducing child poverty early in the decade, but the Great Recession wiped out these gains. By 2010, more than 80,200 children in the region were poor.

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Female-headed households had the largest increases in poverty levels. Poverty levels for female-headed households grew by 15.1 percent between 2000 and 2010, yielding 32,300 households in poverty by the decade’s end. More than half of these households were in Allegheny County (16,900), but the biggest increases were in Beaver, Butler, Westmoreland, Washington, and Fayette counties, which saw the number of poor, female-headed households grow by 30 to 40 percent.

¹ Kyle Fee, “Pittsburgh’s Labor Market Performance over the Recession,” Federal Reserve Bank of Cleveland, September 23, 2009, <http://www.clevelandfed.org/research/trends/2009/1009/01regact.cfm>.

Overall, poverty among the older population (age 65+) decreased during the decade.

But five counties (Allegheny, Armstrong, Butler, Washington, and Westmoreland) had substantial increases in the number of older individuals who fell into poverty after the recession hit. By 2010, the elder poverty rate for the Pittsburgh region was 8.4 percent—below the national average (9.4 percent). Advocates for the older population generally note, however, that these rates underestimate the number of elderly who are poor because the official poverty rate does not adequately incorporate health care costs into the measure.

The near-poor—individuals close to but not yet counted as officially poor—are at risk of falling into poverty.

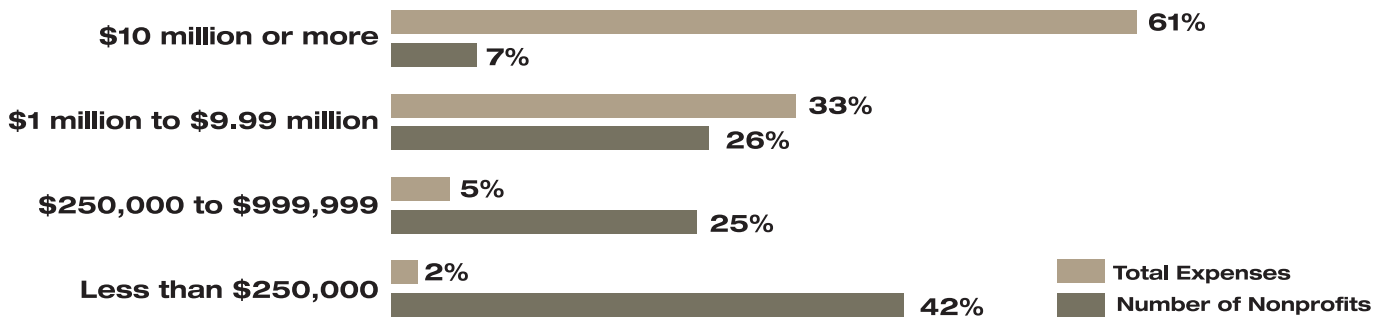
Macroeconomic conditions, such as the transition of the U.S. economy from manufacturing to service-sector jobs, more part-time and low-wage jobs, and falling rates of unionization, have affected the poor and near-poor alike. Service providers in the Pittsburgh region report seeing more middle-income individuals seeking services as lay-offs and cuts backs affect the middle class. Roughly 462,200 individuals were considered poor or near poor in 2010—a 3.7 percent increase over 2000.

Effects of the Recession on Nonprofit Health and Human Service Providers

The seven-county Pittsburgh metropolitan area housed more than 1,450 nonprofit health and human service public charities in 2010. This number translates into about six health and human service charities per 10,000 residents—a per capita figure similar to other cities of the same size. These groups provide a wide range of services including food distribution, domestic violence shelters, housing for seniors, job training, mental health treatment, utilities or heating assistance, adult education, pregnancy support, and more. For this study, hospitals and higher education facilities were omitted because of their enormous size and concentration of resources.

Most nonprofits in the region are small. About two in five (42 percent) operate on budgets of less than \$250,000 annually. In contrast, less than 10 percent of the organizations (7 percent) have budgets of \$10 million or more. The large organizations, however, account for most of the health and human service expenditures. As figure 2 illustrates, small nonprofits account for approximately 2 percent of expenditures, compared with 61 percent for the largest organizations.

Figure 2. Number and Expenditures of Nonprofit Health and Human Service Providers in the Pittsburgh Region, 2010



Source: The Urban Institute, National Center for Charitable Statistics, Core Files (Public Charities, 2010).
 Note: Percentages may not sum to 100 because of rounding.

Even without hospitals and higher education institutions, the finances of the region’s health and human service nonprofits are substantial. In 2010, these organizations reported a total of \$2.4 billion in revenue, \$2.3 billion in expenses, and \$2.8 billion in assets. But these funds are concentrated in the larger nonprofits. Revenues for the region’s health and human service nonprofits weathered some of the early effects of the Great Recession, but revenues began to decline in 2010, perhaps signaling the beginning of financial difficulties ahead. Smaller nonprofits have had more difficulty generating revenue than larger ones, and providers in Beaver County have been particularly hard hit.

The number of people seeking services increased during the recession. Between 2009 and 2011, two-thirds of health and human service providers reported increases in the number of clients seeking services. Both small and large organizations encountered increased service demand. While the region as a whole saw an increase, the demand was particularly high in Washington and Armstrong counties, where nearly 90 percent of nonprofits experienced a rise in the number of clients seeking services. About three-quarters of

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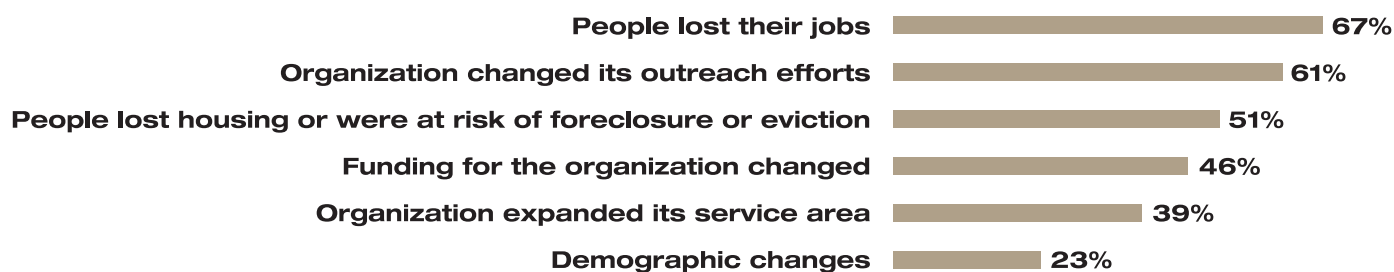
organizations in Butler and Beaver counties saw an increase in the number of people seeking assistance.

Unemployment and housing foreclosures or evictions were among the top reasons given for people seeking services (figure 3). Nonprofits also changed their outreach methods to let people know about the availability of services.

In a recent survey, nonprofits indicated that over the past two years they collectively served about 85,800 clients (individuals and families) in a typical month. These data suggest that the region’s nonprofits may be serving about 30 percent of the region’s poor population, although this calculation probably underestimates the real coverage because of data-reporting problems.

What happens to the people that cannot be served? Although some nonprofits were able to make referrals to other service providers, about one in five organizations were unable to refer clients successfully (9 percent) or had no other programs or services to refer the clients to (12 percent). Small organizations (20 percent) were twice as likely as large organizations (9 percent) to say that they knew of no other programs or services where they could refer clients. This finding suggests that small providers may lack networking opportunities to connect with other service providers and learn about other service programs in the region.

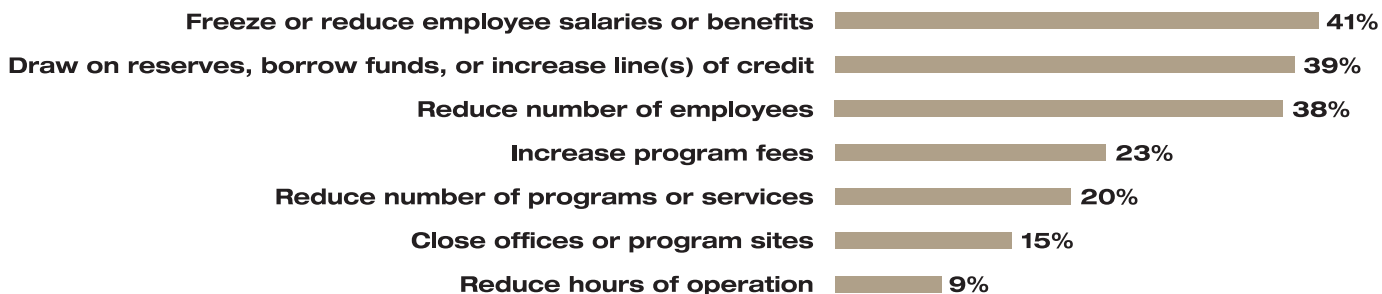
Figure 3. Reasons That Contributed to an Increase in the Number of Clients Served from 2009 to 2011



Source: The Urban Institute, 2011–12 Pittsburgh Survey of Health and Human Service Providers.
 Note: An example of a demographic change would be immigrant populations moving in to the area.

² This number includes people who may have received services from more than one provider.

Figure 4. Actions Taken since 2009 by Pittsburgh-Area Nonprofits to Scale Back Their Operations



Source: The Urban Institute, 2011–12 Pittsburgh Survey of Health and Human Service Providers.

Although nonprofits in the survey were optimistic that funding from nongovernmental sources will begin to increase over the next 12 months, it is not clear whether these increases will compensate for a decline in government dollars. Two-thirds of health and human service providers in the region have already begun to scale back their operation. The pattern since 2009 is that nonprofits first make cuts internally (freeze salaries or lay off employees) or try to borrow funds rather than cut programs or services to clients (figure 4).

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Almost half (49 percent) of health and human service providers performed multiple actions to cope with reduced revenues or growing demands. In Fayette County, about three-quarters pared down their operation and nearly two-thirds performed multiple actions.

Conclusions

Compared to the nation as a whole, the Pittsburgh region has weathered some of the most severe effects of the Great Recession. Many indicators of distress (such as percentage of people in poverty and unemployment and foreclosures rates) show the region better off than the national average. But these favorable comparisons do not negate the fact that more than 277,300 people in the region are poor and many others are just one paycheck away from falling into poverty. The data show that minorities, female-headed households, children, and people with disabilities in the Pittsburgh region are particularly vulnerable to being poor. However, the near-poor may be the most vulnerable group because they are often overlooked in public discussions of poverty and they often do not qualify for government programs or other types of assistance.

The causes and consequences of poverty are complex, and no one sector can address these issues alone. Government, business, and the nonprofit sector need to work together because community actions that are multisector, multidisciplinary and multidimensional are likely to have the greatest chance of success. Attacking

only one part of the problem is not likely to stem the growth and negative effects of poverty. Communities need to think creatively and holistically to increase their chances of eradicating poverty.

Effective programs and services require building partnerships and collaborations not only between funders and service providers, but also among providers to avoid duplication of effort and create a more comprehensive service system for clients. A piecemeal approach to service delivery will not help individuals who need a coordinated package of supportive services to become self-reliant and self-sufficient.

Similar to national patterns, government funding is the mainstay of support for the Pittsburgh region's health and human service nonprofits. Thirty-six percent of survey respondents said that government funding represented three-quarters or more of their total revenues; another 16 percent said it was at least half of their income base. All levels of government provide financial support for the region's nonprofits: three in four nonprofits work directly with state government agencies, two in three work with local government, and one in two work with the federal government. Anticipated declines in government funding are likely to have serious implications for the delivery of human service programs.

Given funding prospects, the region's leaders are likely to face some tough choices to determine how to sustain the important work of the health and human service sector and how to strengthen and build the sector's capacity to meet demand for its services. Sharing knowledge and best practices is one place to start. Building referral systems might facilitate and streamline the delivery process. Collaborations and mergers among nonprofit service providers is another option. Measuring program outcomes to determine what works and what is not working well will be critical. These tasks are not easy, but they are essential for addressing the needs of individuals and families, and for strengthening the economic and social fabric of the community.

No matter which path is taken, a key factor for success will be communication within the service delivery network. Nonprofits need to talk with one another, as well as with public and private funders. The general public should be educated about the contributions that nonprofit providers make to the community and the need for their services. Addressing the causes and consequences of poverty and lowering poverty rates requires a public dialogue, along with strong service delivery systems, to shed light on the challenges and opportunities facing the Pittsburgh region and the nation. Only by working together can further progress be made to alleviate poverty in the Pittsburgh region.

Data for the study are from several sources. The Urban Institute's Center on Nonprofits and Philanthropy conducted a survey (November 2011 to February 2012) of more than 600 randomly selected nonprofit health and human service organizations in the Pittsburgh area. The survey examined whether nonprofits are experiencing changes in demand for their services, and how these organizations are faring in the current economic climate. Financial data for Pittsburgh area nonprofits are from the Urban Institute's National Center for Charitable Statistics, which houses the Forms 990 that nonprofits filed with the Internal Revenue Service for fiscal year 2010. Finally, data on socioeconomic characteristics of the population, including poverty rates of local communities (city and county), are from the U.S. Census Bureau's American Community Survey.

To see a copy of the full report, go to <http://forbesfunds.org/applied-research/current-topics>.

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