

# **The State of Working New York**

The Illusion of Prosperity: New York in the New Economy

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## CHAPTER 2

# Wages and Compensation

While the average wages and productivity of New York's workers have increased over the last decade, most New Yorkers, as most Americans in fact, experienced real wage declines between 1989 and 1998. Only the highest paid 20 percent have had wage gains and wage inequality has increased much faster than it has for the nation. Adding to these unfavorable compensation trends is the fact that employer-provided health and pension coverage are declining.

### All but the highest-paid see real wage declines, and more New Yorkers earn poverty wage

Data on average and median wages for New Yorkers present two very different pictures about wages. (Chart 2.1) (All wage data in this report are expressed in 1998 dollars). Average wages in New York grew much faster than the nation between 1989 and 1997, at 12.8 percent, compared to the nation's 3.9 percent growth rate. However, the difference in growth rates is partly attributed to the securities industry, whose employees are highly compensated and have received substantial wage and bonus increases in the 1990s. Removing the securities industry from the analysis brings the average wage growth rate to 7.1 percent, still much greater than the national growth. Paradoxically, however, average wages do not reveal much about the "average" New Yorker. As with any average, the number can be easily biased by a few data points at the very high end or low end of the earnings scale.

A better idea of how the typical worker is doing is indi-

cated by the median wage, which pinpoints the status of the worker ranking in the middle of all New York residents in terms of wages. During the 1980s, New York's median wage increased from \$12.88 in 1979 to \$13.12

CHART 2.1

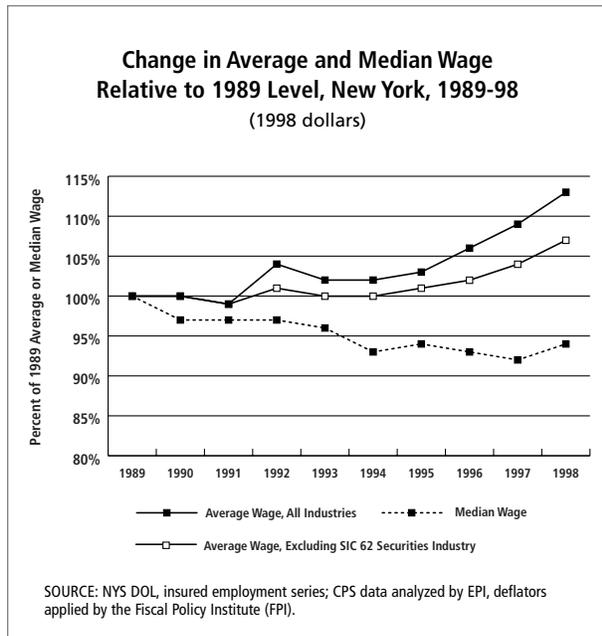


TABLE 2.1

**Median Wage Rates for U.S. and NEON States, 1979-98**  
(1998 dollars)

	Median Wage 1979	Median Wage 1989	Median Wage 1998	Change in Median Wage 1979-89	Change in Median Wage 1989-98
U.S.	\$11.63	\$11.35	\$11.29	-2.4%	-0.6%
New York	\$12.88	\$13.12	\$12.29	1.8%	-6.3%
New Jersey	\$13.21	\$13.93	\$13.59	5.4%	-2.4%
Massachusetts	\$12.06	\$13.40	\$13.15	11.1%	-1.8%
Illinois	\$12.99	\$12.09	\$12.17	-6.9%	0.6%
Michigan	\$13.52	\$12.02	\$12.16	-11.1%	1.1%
Pennsylvania	\$12.82	\$11.40	\$11.60	-11.1%	1.7%
Wisconsin	\$12.12	\$10.80	\$11.50	-10.8%	6.5%
Ohio	\$12.60	\$11.39	\$11.50	-9.6%	1.0%
Indiana	\$11.48	\$10.40	\$11.28	-9.4%	8.5%

SOURCE: CPS data analyzed by EPI, deflators applied by FPI.

## WAGES

in 1989, an increase of 1.8 percent. Over the 1990s, however, New Yorkers lost these wage gains. The median wage for New York State residents actually declined by 6.3 percent between 1989 and 1998, undoing the gains many workers made in the 1980s. In New York City, the rate of median wage decline was almost twice that amount.<sup>1</sup> Perhaps even more remarkable in a state where average wages are higher and growing faster than the nation's, is the fact that New York's 1990s median wages dropped more rapidly than those of the nation, which lost 0.6 percent in value over the economic expansion.

Productivity as measured by output per worker (excluding securities) has risen by 7.9 percent from 1989-97. Even in manufacturing, where productivity gains usually are the most pronounced, the average production worker wage in durable goods manufacturing has declined by 3.3 percent since 1989, and the production worker wage in nondurable goods manufacturing dropped 4.9 percent over the 1989-98 period.

Table 2.1 indicates that in the 1980s, the median wage in New York increased, as it did with Massachusetts and New Jersey. Workers in the other six states (the Midwestern states and Pennsylvania) lost ground between 1979 and 1989. In the 1990s, however, these trends reversed. New York's median wages fell faster than for the U.S., New Jersey and Massachusetts.

This decline in wages occurred for all but the highest-paid New Yorkers. (Table 2.2) Workers at the 90th percentile wage in New York experienced wage gains of

5.6 percent from 1989-98. The 50th percentile, or the median wage, earner was paid \$12.26 in 1998, almost one dollar less than the 1989 median. Approximately 80 percent of New York workers saw wage declines over this period. Median wage workers and workers in lower wage deciles experienced wage declines in the 6.6-8.1 percent range and fared worse over time than their counterparts in the 60th, 70th, and 80th deciles, who experienced less steep declines ranging from 0.1 to 4.4 percent.

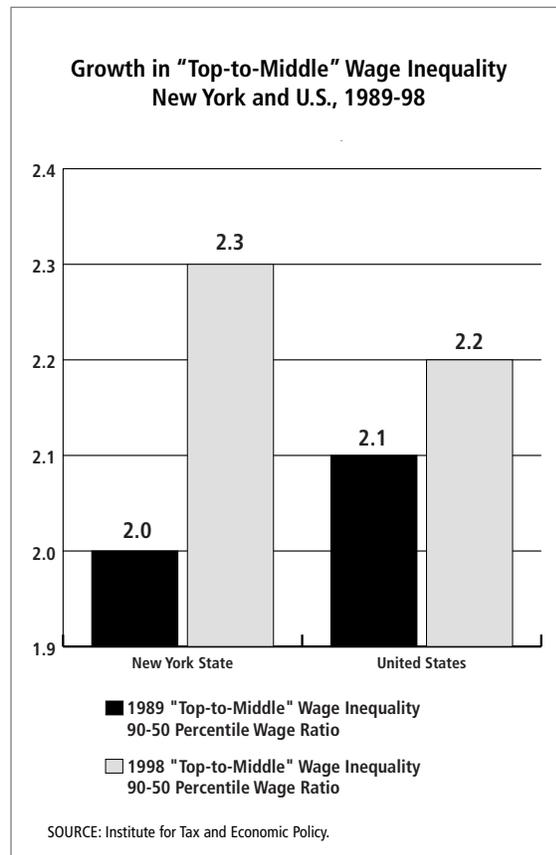
These wage declines have impoverished many New York workers. In 1998, 23.8 percent of all New York workers earned below \$7.95, the hourly equivalent of the poverty level for a family of four working full-time full-year.<sup>2</sup> Increasing numbers of people earning such low wages tended to push more family heads into poverty. Of all working family heads, 19.4 percent earned a poverty wage in 1995/97, up from 12.6 percent in 1987/89.<sup>3</sup> In New York City, 24.5 percent of all working family heads earned a poverty wage in 1995/97.

TABLE 2.2

<b>Wages by Population Decile, New York, 1989-98</b> (1998 dollars)			
Population Decile	Decile Wage 1989	Decile Wage 1998	Decile Wage Change 1989 - 98
1	\$6.28	\$5.84	-7.0%
2	\$7.75	\$7.21	-7.0%
3	\$9.40	\$8.64	-8.1%
4	\$11.03	\$10.20	-7.5%
5	\$13.12	\$12.26	-6.6%
6	\$15.32	\$14.65	-4.4%
7	\$17.75	\$17.37	-2.1%
8	\$21.13	\$21.12	-0.1%
9	\$26.71	\$28.20	5.6%

SOURCE: CPS data analyzed by EPI, deflators applied by FPI.

CHART 2.2



**New York's wage inequality exceeds the nation's**

According to a common measure of wage inequality, the ratio of "top-to-middle" earnings — those of 90th to 50th percentile workers — increased from 2.0 to 2.3. (Chart 2.2) This pattern follows the national trend toward increasing inequality in the wage distribution between the upper and middle ends of the earnings spectrum. However, the rate of growth in wage inequality in New York was more than twice as high as the nation.

The distance between earnings of the highest and lowest-earning populations, or the "top-to-bottom" wage ratio, also increased in New York, whereas it did not for the nation. (Chart 2.3) The ratio of earnings of 90th to 10th percentile workers increased during the 1990s from 4.3 to 4.8, whereas it declined slightly in the United States as a whole, from 4.4 to 4.3.

A recent report by the Federal Reserve Bank of New York showed that these wage inequality trends held for upstate New York as well as for the New York City metropolitan area. (Table 2.3) While the inequality ratio for the

"top-to-bottom" for male and female wages were less for upstate than for the U.S., these ratios increased from 1989-96. The New York City metropolitan economy had both higher inequality ratios for men and women and also greater increases in inequality for 1989-96.<sup>4</sup>

**Wall Street and CEO compensation**

In addition to real declines in wages for most of the population, the substantial pay gains at the top of the income scale have exacerbated the levels of inequality in New York State. Two groups have reaped sizable rewards from the economy in this decade: Wall Street

TABLE 2.3

Growth in "Top-to-Bottom" Wage Inequality New York City Metropolitan Area and Upstate New York, 1979-96						
	Men			Women		
	1979	1989	1996	1979	1989	1996
U.S.	3.6	4.6	5.0	2.9	3.9	4.3
Upstate New York	3.3	3.6	4.3	2.5	3.5	3.6
New York City Metro Area	3.7	4.6	6.8	3.0	4.0	4.8

SOURCE: David Brauer, Beethika Khan, and Elizabeth Miranda, "Earnings Inequality: New York-New Jersey Region," Federal Reserve Bank of New York, *Current Issues in Economics and Finance*, July 1998.

CHART 2.3

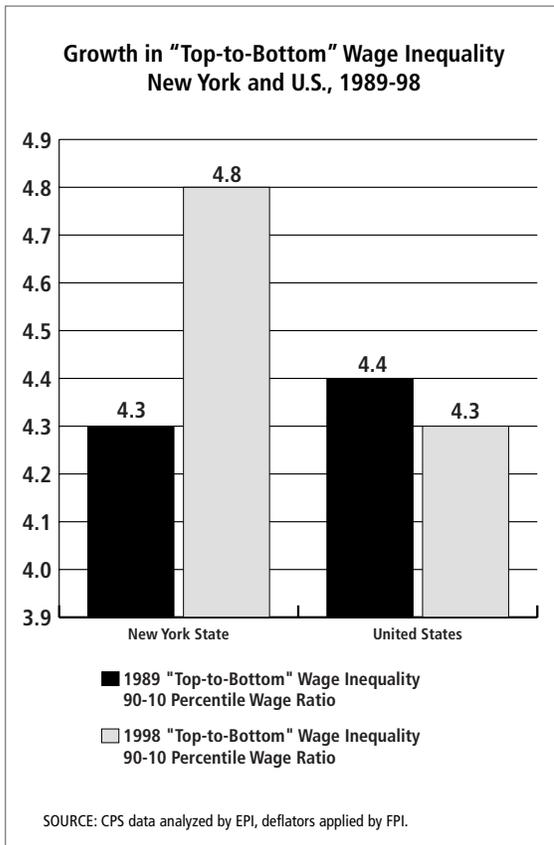
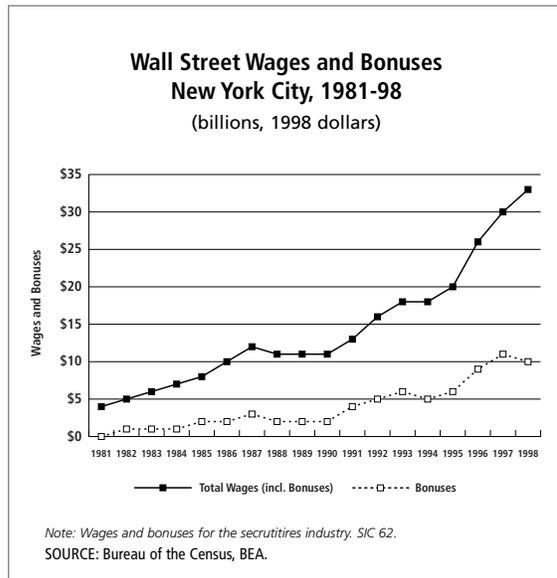


CHART 2.4



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investment bankers and securities brokers, and top corporate executives. On Wall Street, securities firms provide bonuses that can range into the several millions of dollars to valued bankers or traders. In recent years, bonuses paid by securities firms in New York City have risen to about \$10 billion, compared to an average of less than \$2 billion in the 1980s. Average wage and salaries on Wall Street, adjusted for inflation, have grown by 198 percent on a real basis since 1989. (Chart 2.4)

In the U.S., executive pay doubled in real terms from 1989-97, as did the ratio of CEO pay to that of the average worker. U.S. CEOs at major companies received compensation that was 116 times that of the average worker in 1997.<sup>5</sup> New York City executives earned proportionately more income than their counterparts in the nation overall. According to *Crain's New York Business*, the total pay of the top 100 highest paid chief executives in the New York City area was \$1.287 billion in 1998, up by 34 percent from \$963 million in 1997. (Table 2.4) The top 10 on the list averaged \$62.5 million in salary, bonuses, and options in 1998. This was over 1,600 times the average workers' annual pay in New York State.

Recent New York CEO pay practices seem to reflect the view that top executives should receive the lion's share of profits generated by a company's entire workforce. For example, the top three executives of one New York firm received a \$1.1 billion stock bonus package that cost 43 percent of the firm's net income for the prior three years. This \$1.1 billion package was equivalent to the combined annual pay of 17,000 workers earning the firm's industry average salary.<sup>6</sup>

### The gender gap narrows largely due to male wage declines

Median wages for both female and male New Yorkers declined over the last decade, but the gap between female and male

TABLE 2.5

Population Decile	Decile Wage 1989	Decile Wage 1998	Decile Wage Change 1989-98
<b>Male</b>			
1	\$6.72	\$6.10	-9.3%
2	\$8.90	\$7.79	-12.5%
3	\$10.73	\$9.73	-9.2%
4	\$13.03	\$11.53	-11.5%
5	\$15.03	\$13.80	-8.2%
6	\$17.29	\$16.02	-7.3%
7	\$20.11	\$18.95	-5.7%
8	\$24.02	\$23.02	-4.1%
9	\$30.70	\$30.90	0.7%
<b>Female</b>			
1	\$5.69	\$5.59	-1.8%
2	\$6.87	\$6.83	-0.6%
3	\$8.23	\$7.96	-3.2%
4	\$9.70	\$9.44	-2.7%
5	\$11.16	\$11.03	-1.2%
6	\$13.10	\$13.06	-0.3%
7	\$15.24	\$15.50	1.7%
8	\$17.99	\$18.94	5.3%
9	\$22.69	\$24.82	9.4%

SOURCE: CPS data analyzed by EPI, deflators applied by FPI.

wages remains high. One cause of the wage gap between women and men is that female-dominated occupations pay less per hour than comparable occupations held by predominantly male workers.<sup>7</sup>

The median wage for women in New York was \$11.03 in 1998, 20 percent lower than the male median

TABLE 2.4

1998 rank	CEO	Firm	Total pay 1998
1	Sanford I. Weill	Citigroup Inc.	\$167,095,400
2	Linda J. Wachner	Warnaco Group Inc.	\$91,198,100
3	Henry R. Silverman	Cendant Corp.	\$63,959,100
4	Charles A. Heimbald Jr.	Bristol-Myers Squibb Co.	\$56,337,600
5	Philip J. Purcell	Morgan Stanley Dean Witter & Co.	\$53,397,400
6	Reuben Mark	Colgate-Palmolive Co.	\$46,581,900
7	Louis V. Gerstner Jr.	International Business Machines Corp.	\$46,526,000
8	W.C. Steere Jr.	Pfizer Inc.	\$38,401,500
9	Maurice R. Greenberg	American International Group Inc.	\$31,207,800
10	Charles B. Wang	Computer Associates International Inc.	\$30,015,400
Total Compensation, top 10			\$624,720,200
Total Compensation, top 100			\$1,286,962,700

SOURCE: *Crain's New York Business*, 1999.

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wage. (Table 2.5) On the other hand, median wages for women declined by less (-1.2 percent) over the decade than for men (-8.2 percent). The top-earning 40 percent of the female wage population actually experienced wage increases over this time, whereas only the top 10 percent of males experienced a gain since 1989. Low wage males saw very large declines over this period, up to -12 percent, compared to declines for low wage women ranging between 0 and 3 percent.

Because women have fared somewhat better in the labor market over the last decade, the gender wage ratio of female to male median wages has increased at both the state and national level. By 1998, the gender wage ratio nationally had increased from 0.73 to 0.78 since 1989. (Table 2.6) The bulk of this improvement was due to a decline in male wages as opposed to growth in female wages.<sup>8</sup> In New York State, the gender earnings ratio is slightly higher than the nation, at 0.80.

### **Racial-ethnic status plays large role in compensation rates**

Table 2.7 shows the significant differences in the levels and degree of change in median wages earned between males and females of various racial-ethnic groups over the last decade.<sup>9</sup> For 1997/98 (data were pooled for a two year period for statistical purposes), Black and Hispanic workers in New York State earned much less than the median wage, while in Other racial-ethnic groups, males fared worse than the median, and women were on par

with the median. Hispanic males in New York State earned just 68 percent of the median, while their White counterparts earned 113 percent. Black males also earned significantly less (83 percent) compared to the state median. Males in Other racial-ethnic categories (which includes all Asians and Pacific Islanders and Native Americans) also earned less, at 89 percent of the median. Differences in earnings of females of these racial-ethnic groups were somewhat less than males, but still significant. Black females in the State earned just 91 percent of the median wage in 1997/98, while Hispanic females earned even less, at 79 percent. Only females in Other racial-ethnic categories had roughly the same wages as the state median wage.

TABLE 2.6

<b>Gender Wage Ratio, New York and the U.S., 1989 and 1998</b>		
	<b>Gender Wage Ratio</b>	
	<b>1989</b>	<b>1998</b>
<b>U.S.</b>		
Female to Male Median Wage Ratio	0.73	0.78
<b>New York</b>		
Female to Male Median Wage Ratio	0.74	0.80

SOURCE: CPS data analyzed by EPI, deflators applied by FPI.

TABLE 2.7

<b>Wage Differentials by Racial-Ethnic Group, New York, 1988/89 and 1997/98</b>					
(1998 dollars)					
	<b>Median Male</b>	<b>Non-Hispanic White Male</b>	<b>Non-Hispanic Black Male</b>	<b>Hispanic Male</b>	<b>Other Groups Male</b>
1988/89	\$15.09	\$16.43	\$13.15	\$11.09	\$13.78
1997/98	\$13.50	\$15.23	\$11.17	\$9.14	\$12.00
Percent Change 1988/89 to 1997/98	-10.5%	-7.3%	-15.0%	-17.6%	-12.9%
Percent of Median by Sex 1997/98	100.0%	112.8%	82.8%	67.7%	88.9%
	<b>Median Female</b>	<b>Non-Hispanic White Female</b>	<b>Non-Hispanic Black Female</b>	<b>Hispanic Female</b>	<b>Other Groups Female</b>
1988/89	\$11.20	\$11.57	\$10.85	\$9.86	\$12.40
1997/98	\$10.96	\$11.50	\$10.01	\$8.65	\$11.00
Percent Change 1988/89 to 1997/98	-2.1%	-0.6%	-7.7%	-12.2%	-11.3%
Percent of Median by Sex 1997/98	100.0%	104.9%	91.3%	78.9%	100.4%

Note: Data are combined for two-year periods: 1988/89 and 1997/98.  
Source: CPS data analyzed by Heather Boushey.

**Education becomes an increasingly important factor in wage compensation, but has not prevented wage declines for many groups**

In the last decade, the wage premium paid to individuals with more education has increased, as has the wage penalty for less education. (Table 2.8) At the same time, however, even some highly educated workers have experienced wage declines.

Within groups of similar sex or racial-ethnic categories, education was highly related to the level of earnings received. For example, New York State women with a college degree in 1998 earned 47 percent more than the average wage for women. Women with some college, high school, or no high school completion earned progressively less, with females with no high school degree earning just 55 percent of the average. Wage ratios for men varied in a similar way across educational categories.

New Yorkers reported significant wage declines overall unless they held a college degree or higher. As Charts 2.5 and 2.6 illustrate, only women with a college degree or more education experienced significant gains over the decade, a 7 percent increase in average wages. College-educated women who were Hispanic or in Other racial-ethnic groups actually experienced wage declines. The wages for men with a college degree stagnated in the 1990s, having undergone insignificant growth since 1989, and men who were Black or in Other racial-ethnic groups saw wage declines. Males and females of all other educational groups remained at or below their 1989 wage by the end of the decade. Males with no high school education suffered the most. Their wages dropped by 17 percent between 1989 and 1998.

In New York City, wage declines over time for all educational classes and both sexes were even more severe than at the state level.<sup>10</sup>

While educational differences do play an important role in affecting earnings, they cannot account for the aforementioned wage differentials between New Yorkers of varying sex and race. (Chart 2.7) Across all educational categories, females as a whole earned significantly less than males.

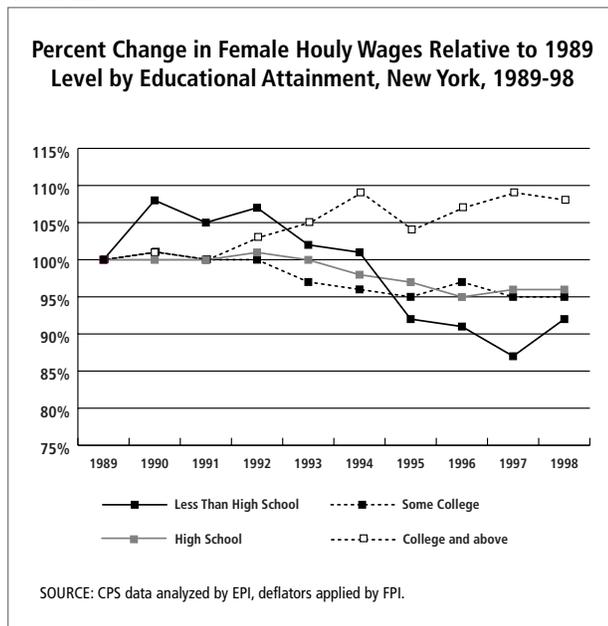
Individuals across racial-ethnic categories also experienced very different wage levels, independent of their educational attainment. For example, Black males with some college education earned less than White males with just a high school degree. Males who were Black, Hispanic and of Other racial-ethnic categories earned significantly less than the median wage received by males for the same educational attainment. This pattern held true for Hispanic women and women of Other racial-ethnic groups with a college or greater education and high school or less education. These

TABLE 2.8

Changing Value of Educational Attainment New York, 1989-98 (1998 dollars)			
	1989	1998	1989-98
<b>Average Wage of Male Workers</b>	<b>\$17.59</b>	<b>\$16.77</b>	<b>-4.6%</b>
Less Than High School	\$11.86	\$9.86	-16.9%
High School	\$14.99	\$13.48	-10.1%
Some College	\$16.43	\$14.71	-10.5%
College and above	\$25.02	\$25.05	0.1%
<b>Average Wage of Female Workers</b>	<b>\$13.13</b>	<b>\$13.64</b>	<b>3.8%</b>
Less Than High School	\$8.23	\$7.49	-8.9%
High School	\$10.97	\$10.48	-4.4%
Some College	\$12.45	\$11.75	-5.6%
College and above	\$18.71	\$20.03	7.0%

SOURCE: CPS data analyzed by EPI, deflators applied by FPI.

CHART 2.5



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women earned significantly less than the median, although the differences between racial-ethnic groups were less extreme than for males.

### Health insurance and pension coverage decline

New Yorkers are less able in the 1990s to rely on their employers for health insurance and pension coverage. New York residents once enjoyed a higher rate of health insurance coverage than the nation. A higher percent of New York's private sector workers were covered, and the large number of poor people in New York meant that Medicaid coverage was similarly broad. That has changed. Since 1994, New York's uninsured rate has been above the nation's. In 1997, it was nearly 20 percent, compared to 18 percent for the U.S. (Chart 2.8)

Private sector employers across the country cover proportionately fewer workers than they used to. In New York, the drop-off in employer provided health coverage has been even greater, with most of that decline occurring in the 1980s. (Table 2.9) As a result, the percent-

age of New Yorkers without health insurance has increased. Since the advent of welfare reform in the mid-1990s, the number of public assistance recipients has declined sharply. One result of this is a decline in the number of Medicaid participants, partly because some of them may now be working (most likely for a company not providing health coverage) and partly since changes in the administration of welfare programs have acted to limit program participation.

Private sector pension coverage rates are lower now than in 1979. In New York, the decline in pension coverage has continued in the 1990s, although it rose in the

U.S. over the 1989-96 period. New York once had a significantly greater degree of private pension coverage than the nation. Now, the state stands on a par with the nation.

CHART 2.6

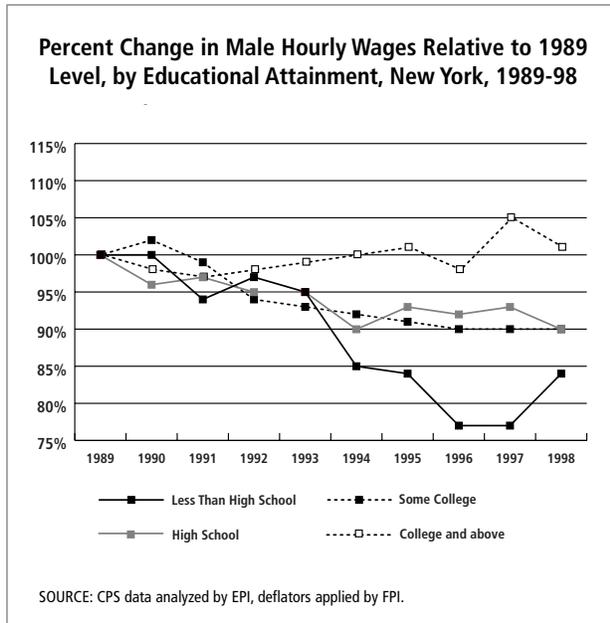
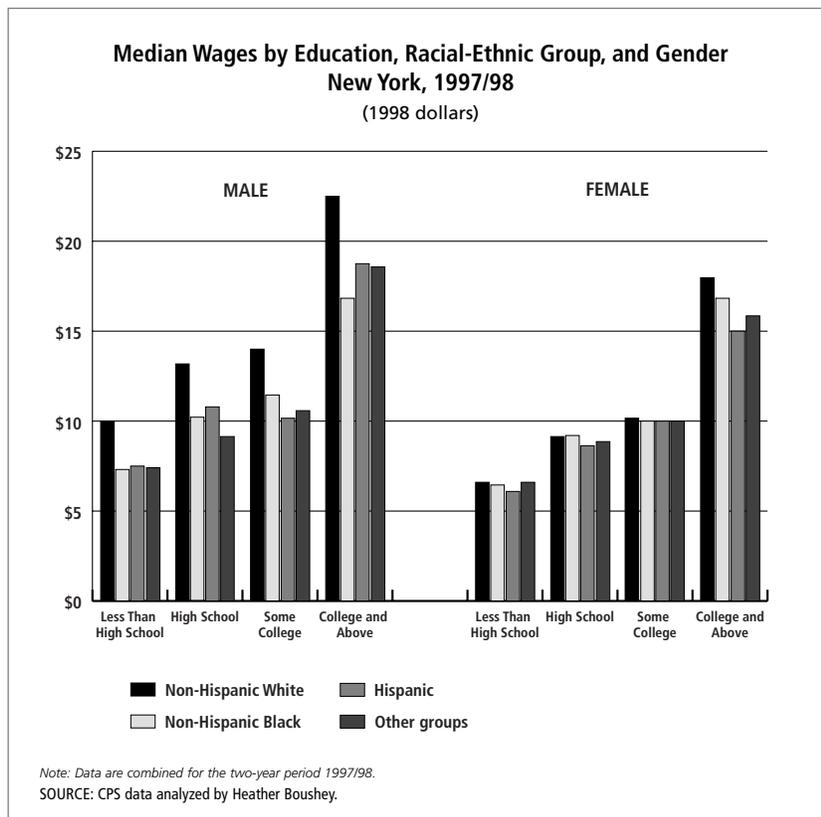


CHART 2.7



## WAGES

### Minimum wage standards can stabilize wage erosion at the bottom of the income scale

A number of factors lie behind eroding real wages and widening wage inequality in the state: the loss of jobs in higher-paying industries and strong job growth in lower wage services; the declining influence of labor unions; declining compensation rates for most workers; the failure to keep the minimum wage abreast of inflation; and the substantial compensation increases received by Wall Street employees and top corporate executives.

The minimum wage can be a powerful policy tool to sustain wages. Chart 2.9 indicates the declining value of the minimum wage over the last thirty years. During the 1960s and 1970s, legislation kept the minimum hourly wage generally at or above \$6.00. During the 1980s, inflation was allowed to devalue the minimum wage so that it lost two dollars in value. Over the last decade, the minimum wage underwent two series of legislated increases in 1991/92 and 1996/97, between which time its value eroded due to inflation. The most recent increases made in the Fall of 1996 and 1997 brought the value of the minimum wage to \$5.15. As of July 1999, the \$5.15 minimum wage was just 79 percent of the value of the minimum wage in 1979, and 73 percent of its value in 1968.

In New York State in 1998, about 1.8 million workers earned less than \$7.65 an hour, placing them within a range that could be affected by any change in the minimum wage.<sup>11</sup> Overall, the majority of these workers were female (56 percent), White (56 percent), and of adult age (84 percent). A disproportionate number of these workers were female, Black, or Hispanic.

### Number of unionized workers declines

In New York State as nationwide, union representation declined in the 1990s, continuing a downward trend in unionization rates set the decade before. Declining unionization has had significant repercussions on workers' wages, compensation, and overall worker bargaining power. For example, at the national level, unionized workers earned 15 percent higher wages in 1997 than their nonunionized counterparts, taking into account differences in experience, education, region, industry, occupation, and marital status.<sup>12</sup>

With about 1.9 million union workers in 1998, New

CHART 2.8

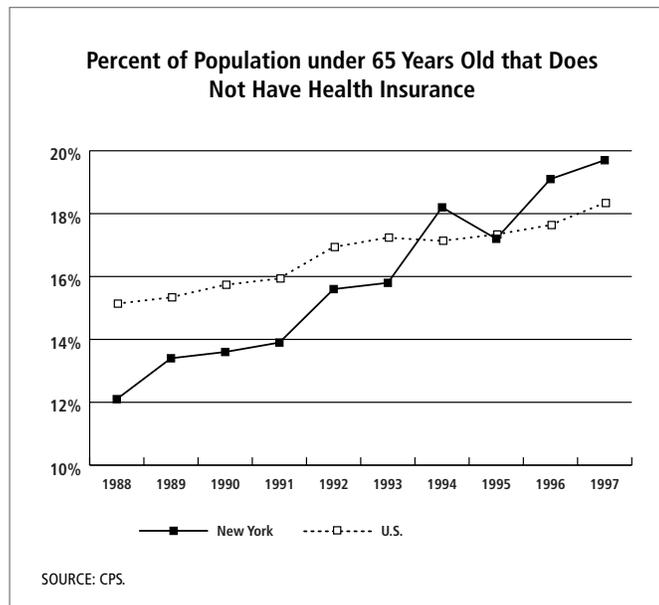


TABLE 2.9

### Change in Private Sector Employer-Provided Health Insurance and Pension Coverage, New York and U.S., 1979-96

	1979	1989	1996	Change		
				79-89	89-96	79-96
<b>Health Insurance Coverage</b>						
New York	72.6%	64.3%	61.4%	-8.3%	-2.9%	-11.2%
United States	70.2%	63.1%	62.6%	-7.1%	-0.5%	-7.6%
<b>Pension Coverage</b>						
New York	55.4%	48.0%	47.5%	-7.4%	-0.6%	-8.0%
United States	51.1%	44.3%	47.0%	-6.8%	2.8%	-4.1%

Note: Private sector, wage and salary workers, ages 18-64, who worked at least 20 hours per week and 26 weeks per year.  
SOURCE: CPS data analyzed by EPI.

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York had the second highest union density in the country (Hawaii was first), with 25.4 percent of all wage and salary workers as union members. (Table 2.10) On average in the state, unionized workers earned a higher wage than nonunionized workers in 1998. While the

state nonunion wage was \$15.19 an hour in 1998, average union wages were higher, at \$16.82 per hour.

Over the last decade, New York experienced a greater erosion of union members relative to the nation, largely as a result of a 40 percent, or 120,000, decline in unionized manufacturing workers from 1988

to 1998. Unionization declined by 6.5 percent in New York compared to the nation's 4.6 percent decline over the past decade.

TABLE 2.10

<b>Union Membership, Density and Employment, New York, 1988-98</b> (union membership and employment, in thousands)				
	<b>1988</b>	<b>1998</b>	<b>Change 1988-98</b>	<b>% Change 1988-98</b>
<b>Total Wage and Salary Employment</b>	7231.1	7482.2	251.1	3.5%
Total Union Members	2031.9	1899.8	-132.1	-6.5%
Percent Union	28.1%	25.4%	-2.7%	
<b>Private Employment</b>	5886.4	6079.1	192.7	3.3%
Total Union Members	1122.9	933.6	-189.3	-16.9%
Percent Union	19.1%	15.4%	-3.7%	
<b>Manufacturing Employment</b>	1227.8	936.7	-291.1	-23.7%
Total Union Members	302.3	182.2	-120.1	-39.7%
Percent Union	24.6%	19.5%	-5.1%	
<b>Public Employment</b>	1244.7	1403.0	158.3	12.7%
Total Union Members	909	966.3	57.3	6.3%
Percent Union	67.6%	68.9%	1.3%	

SOURCE: Barry T. Hirsch and David A. Macpherson, *Union Membership and Earnings Data Book: Compilations from the Current Population Survey*, Washington, D.C.: Bureau of National Affairs, Inc., 1999.

CHART 2.9

