

CHAPTER 1

Income

Breaking a long spell of stagnation, American families' incomes rose significantly during the economic expansion years of 1997-1999. Median four-person family income grew by 8.3% during this two-year period. (See Table 1.1) (All figures are presented on an inflation-adjusted basis; results for 2000 and 2001 are not yet available.) Like families nationwide, New York families also benefited from this expansion. But as the data in the table indicate, median four-person family income in New York increased by only 3%, less than half the national rate. New York's family income growth was also well below the rates for the six benchmark states.

As the table indicates, over the entire decade from 1989 to 1999, median four-person family income in New York grew by 1.8%, much less than the national increase of 9.5%. Among all fifty states, only one — Ohio — had a smaller gain in median four-person family income in the 1990s. By 1999, median four-person family income in New York State was \$59,755, just slightly under the U.S.¹

While median four-person family income for New Yorkers grew by only 1.8% from 1989 through 1999, per capita income — all incomes received in New York State divided by all the people — grew by 14.9% over this period, to reach \$33,901. Per capita

income was also 16% higher in New York than in the U.S. in the year 2000.²

New York families did not share in their state's income gains

The fact that median family income grew so much more slowly than per capita income in New York State during the 1990s means that New Yorkers did not share equally in the overall income gains of the last decade. In fact, income inequality has increased in New York over time, and it is currently much higher in New York than in the rest of the nation. As Table 1.2 shows, 80% of the people in New York families with children experienced slight declines or, at best, slight increases in family incomes during the 1990s. Only the richest 20% of New York families saw their incomes grow substantially, by 21% on average, between the late 1980s and the late 1990s.

Thus, for most New York families, average real incomes did not improve during the decade of the 1990s. This is in contrast to the picture at the national level where the first four quintiles of people in families experienced real income gains of approximately 10%. This lack of income improvement for most New York families is also in sharp contrast to

TABLE 1.1

Median Four-Person Family Income, New York, U.S. and Selected States
(1999 dollars)

	1989	1997	1999	Total Percent Change			Annual Percent Change		
				1989-99	1989-97	1997-99	1989-99	1989-97	1997-99
U.S.	\$54,767	\$55,378	\$59,981	9.5%	1.1%	8.3%	0.9%	0.1%	4.1%
New York	\$58,704	\$58,036	\$59,755	1.8%	-1.1%	3.0%	0.2%	-0.1%	1.5%
California	\$57,521	\$57,316	\$63,100	9.7%	-0.4%	10.1%	0.9%	0.0%	4.9%
Illinois	\$57,247	\$60,008	\$66,356	15.9%	4.8%	10.6%	1.5%	0.6%	5.2%
Massachusetts	\$69,594	\$67,483	\$71,689	3.0%	-3.0%	6.2%	0.3%	-0.4%	3.1%
Michigan	\$57,537	\$59,707	\$65,467	13.8%	3.8%	9.6%	1.3%	0.5%	4.7%
New Jersey	\$71,516	\$69,894	\$75,425	5.5%	-2.3%	7.9%	0.5%	-0.3%	3.9%
Pennsylvania	\$54,285	\$57,491	\$59,546	9.7%	5.9%	3.6%	0.9%	0.7%	1.8%

SOURCE: Bureau of the Census, deflators applied by FPI.

the record of the 1980s, when the average incomes for the second, third and fourth quintiles of families grew by 11% to 20%, although the average income of the lowest quintile declined by 4%.

Table 1.3 indicates that although inequality increased both in the U.S. and in New York in the 1990s it increased even faster in New York. At the end of the 1980s inequality in New York was essentially the same as in the nation. But the “Top-to-Bottom Ratio” in New York is now 12.8 while in the nation it is 10.0. The “Top-to-Middle Ratio” is also higher and growing faster in New York than in the nation.

Inequality is increasing not only between the richest New Yorkers and the rest of the population, but among virtually all other groups as well. The ratio of the middle quintile to the one immediately below it has increased from the late 1980s to the late 1990s, as has the ratio of the fourth quintile to the middle quintile.

Tax data reflect income concentration at the top

Data from state tax records reinforce the conclusion that income is highly concentrated in New York and that this concentration increased over the last decade. In 1998, tax returns reporting adjusted gross incomes of \$100,000 or more covered 11.3% of all returns filed by New York residents. (Table 1.4) Returns in this income range accounted for \$176.6

TABLE 1.3

Income Inequality Ratios Comparing Average Family Incomes of Top, Middle and Bottom Quintiles (2000 dollars)			
	Late 1970s	Late 1980s	Late 1990s
Top-to-Bottom Ratio			
New York State	7.8	10.4	12.8
United States	7.4	9.3	10.0
Top-to-Middle Ratio			
New York State	2.4	2.6	3.1
United States	2.3	2.6	2.9

Note: Data are combined for three-year periods: 1978/80, 1988/90, 1998/2000.
SOURCE: CPS data analyzed by EPI and the CBPP.

billion in adjusted gross income, 44.9% of the state total. This was a substantial increase over the 34.6% share that \$100,000-plus returns (in constant \$1998) accounted for in 1990.

The family income data presented earlier was based on the personal income definition used in the Current Population Survey. Personal income excludes realized capital gains, the receipt of which reflects ownership of financial and real assets. The extended stock market surge during the 1990s generated enormous capital gains realizations. Tax returns reporting income of \$100,000 or more accounted for 88.7% of the capital gains realizations in New York in 1998. These high income tax filers also tended to receive high wage and salary earn-

TABLE 1.2

Average Income by Quintile and Rates of Change, Families with Children Late 1970s, Late 1980s, Late 1990s (2000 dollars)							
New York State	1978/80	1988/90	1998/2000	Change		Change	
				Late 1970s to Late 1980s		Late 1980s to Late 1990s	
Bottom Quintile	\$13,433	\$12,871	\$12,639	-\$562	-4%	-\$232	-2%
Second	\$28,990	\$32,189	\$31,699	\$3,199	11%	-\$490	-2%
Middle	\$44,260	\$50,753	\$51,709	\$6,493	15%	\$956	2%
Fourth	\$60,536	\$72,553	\$77,876	\$12,017	20%	\$5,323	7%
Top	\$105,046	\$134,061	\$161,858	\$29,015	28%	\$27,797	21%
United States							
Bottom Quintile	\$13,646	\$13,018	\$14,618	-\$628	-5%	\$1,600	12%
Second	\$29,339	\$30,023	\$32,721	\$684	2%	\$2,698	9%
Middle	\$43,529	\$46,229	\$51,164	\$2,700	6%	\$4,935	11%
Fourth	\$59,593	\$65,909	\$74,573	\$6,316	11%	\$8,664	13%
Top	\$101,361	\$120,869	\$145,985	\$19,508	19%	\$25,116	21%

Note: Data are combined for three-year periods: 1978/80, 1988/90, 1998/2000.
SOURCE: CPS data analyzed by EPI and the Center on Budget and Policy Priorities (CBPP).

TABLE 1.4

Share of Adjusted Gross Income, Wages and Capital Gains, New York, 1998

AGI Range	# Filers	# People	Share of People	Share of AGI	Share of Wages & Salaries	Share of Capital Gains
Under \$10,001	1,094,669	1,810,471	12.1%	1.6%	1.7%	1.2%
\$10,001-\$30,000	2,511,523	4,610,451	30.8%	12.5%	14.2%	1.4%
\$30,001-\$50,000	1,451,256	3,004,277	20.1%	14.6%	17.6%	2.1%
\$50,001-\$75,000	990,066	2,500,137	16.7%	15.6%	18.4%	3.2%
\$75,001-\$100,000	478,852	1,331,962	8.9%	10.7%	12.3%	3.4%
\$100,001 and over	607,613	1,687,662	11.3%	44.9%	35.7%	88.7%
Total	7,133,979	14,944,960	100.0%	100.0%	100.0%	100.0%

Note: AGI is adjusted gross income.
SOURCE: New York City Independent Budget Office analysis of New York State Tax and Finance Department data.

Defining poverty

The poverty threshold, as defined by the U.S. Census and used in Chart 1.1, was \$17,463 annually for a family of four with two children in the year 2000. This figure is not adjusted for the cost of living in dif-

ferent locations, and while there may be parts of the country where a family could survive — albeit in poverty — on this sum, this is clearly not the case in New York. A research team headed by Dr. Diana Pearce, of the University of Washington, has developed a “Self-Sufficiency Standard” for each of the counties in New York State. The standard reflects the income level necessary to meet basic family needs (i.e. housing, child care, food, trans-

ings, and received 58.6% of the increased wage earnings received in New York from 1990 to 1998.

New York’s poverty rate higher in 2000 than at the previous business cycle peak

As Chart 1.1 indicates, the percent of New York’s population below the federal poverty threshold was 13.4% in 2000.³

Although this represented a 3.3 percentage point decrease from the most recent peak of 1998, the rate of poverty in New York was still higher in 2000 than it had been in 1989. Nineteen eighty nine is a benchmark year because in 1989 the rate of poverty in New York was the lowest it had been over the last twenty years, and because in that year it was slightly below the rate for the U.S., 12.6% vs. 12.8%. Since 1989, New York’s poverty rate has exceeded the nation’s. Whereas in the nation the rate of poverty in 2000 was below its 1989 level, in New York, it was above it.

New York’s rate of poverty is also higher than the rate of poverty in each of the benchmark states of Table 1.1. New Jersey, New York’s neighbor and the state with the highest median household income in the nation, ranked 40th on the poverty scale. There are only nine states in the nation that have a higher poverty rate than New York.

The poverty rate of New York’s children is higher than the overall poverty rate. According to the American Community survey, the child poverty rate was 19.3% in 2000. Thus about one in five of New York children live in poverty. For the nation as a whole this rate was 17.1% in 2000.

CHART 1.1

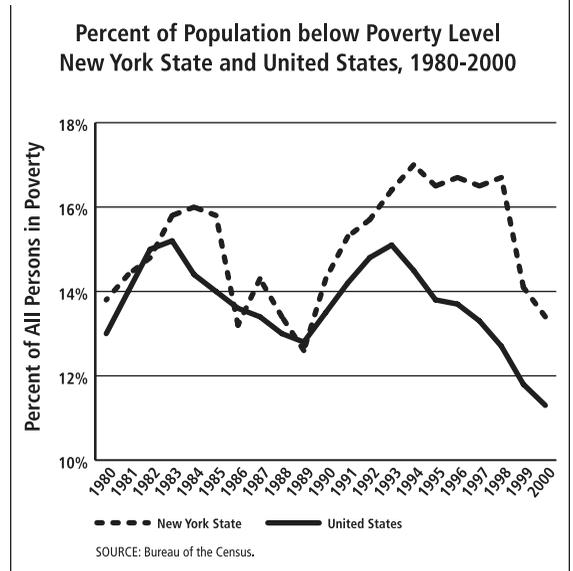


TABLE 1.5

The Self-Sufficiency Standard Selected Areas of New York, 2000			
Albany	\$34,202	Dutchess County	\$46,195
The Bronx	\$46,508	Rockland County	\$46,798
Buffalo	\$33,552	Suffolk County	\$57,212

SOURCE: Pearce, Diana, with Jennifer Brooks, The Self-Sufficiency Standard for New York, New York State Self-Sufficiency Standard Steering Committee, September 2000.

portation, health care) without public or private subsidy. The standard also takes family structure into consideration. Some examples of the Self-Sufficiency Standard required to support a family of two adults with one preschooler and one school age child are shown in Table 1.5.⁴

Thus the standard is 2 to 3 times higher than the federal poverty threshold. While the Self-Sufficiency Standard has been developed for each county in New York and for counties in other states, the Economic Policy Institute has developed a similar measure, a Basic Family Budget, to be used for comparison among all the states. The proportions of families with incomes below the basic budget levels in New York and the six benchmark states are presented in Chart 1.2. The chart shows that New York's share of families living below the Basic Family Budget is high relative to other states, but more importantly it points to the fact that 37.5% of New York families do not have sufficient income to meet their basic needs.

Working but poor

New York has 435,000 families with children whose income places them below the poverty threshold, and 60% of these have a worker in the family. (Table 1.6) In 23% of all poor families there is an adult who works full time year-round, and an additional 40% of working poor parents either work part time or work part year because they cannot find a full-time or a permanent job. Among the nearly poor (those at less than twice the poverty threshold), 67% of families with children have a full-time working

TABLE 1.6

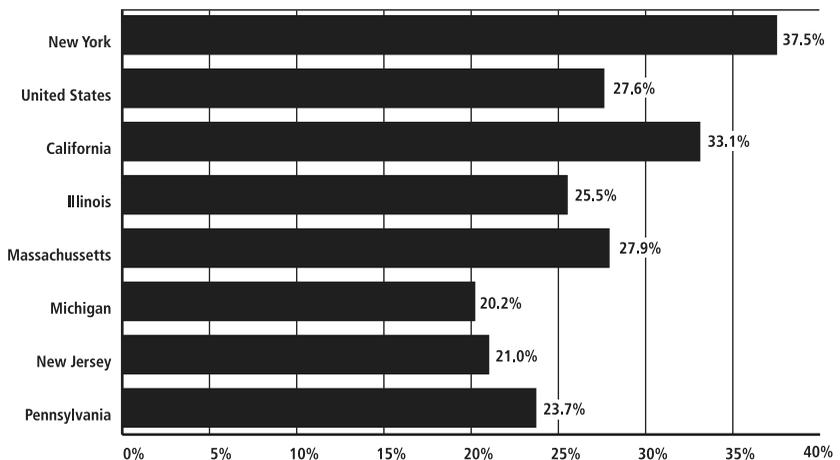
**Working Poor Families and Individuals
New York State, 1997/99**

Poor Families with Children	
Number in which adults not ill, disabled, or retired	435,000
Number w/ a worker	262,000
Percent w/ a worker	60%
Number of people in working poor families	993,000
Number of children in working poor families	570,000
Average number of weeks worked by families	41
Number w/ a full-time year-round worker	98,000
Percent w/ a full-time year-round worker	23%
Number of working poor parents	288,000
Number of working poor parents who worked part-time or part-year for economic reasons	114,000
Percent of working poor parents who worked part-time or part-year for economic reasons	40%
Poor Families and Individuals without Children	
Number in which adults not ill, disabled or retired	373,000
Number w/ a worker	189,000
Percent w/ a worker	51%
Number of people in these households	247,000
Average number of weeks worked	35
Number w/ a full-time year-round worker	51,000
Percent w/ a full-time year-round worker	14%
Near Poor Families with Children	
Income between 100% and 200% of poverty	
Number in which adults not ill, disabled, or retired	420,000
Number w/ a full-time year-round worker	281,000
Percent w/ a full-time year-round worker	67%
Near Poor Families and Individuals without Children	
Income between 100% and 200% of poverty	
Number w/ a worker	418,000
Number w/ a full-time year-round worker	222,000
Percent w/ a full-time year-round worker	53%

Note: Data are combined for the three years from 1997 to 1999.
SOURCE: CPS data analyzed by CBPP.

CHART 1.2

**Share of Families with Income below EPI's Basic Family Budget
New York, U.S. and Selected Industrial States 1997/99**



Note: The pool of families measured is families with 1 to 2 adults and 1 to 3 children under 12 years of age.
SOURCE: EPI.

TABLE 1.7

Characteristics of Working Poor Families with Children, 1997/99

	U.S.	New York
Family Type		
Married Couples	42%	44%
Female-Headed	52%	49%
Male-Headed	6%	7%
Race and Ethnicity		
White	44%	37%
Black	24%	23%
Hispanic	28%	33%
Other	5%	7%
Education of Family Head		
Less than High School	36%	33%
High School or GED	39%	35%
Some College	20%	23%
College or More	5%	9%
Age of Family Head		
Under 25	16%	11%
25-34	39%	36%
35-44	33%	34%
45 or older	12%	18%

Note: Data are for working poor families with children in which parents worked a combined total of more than 13 weeks per year. Data are combined for the three years from 1997 to 1999. SOURCE: CPS data analyzed by CBPP.

adult, while for families without children this figure is 53%.

How is it possible that so many New Yorkers are working full time and are still poor? Chapters 2 and 3 address that question when analyzing wage developments and changes in the structure of jobs in New York. As Table 1.7 indicates, substantial numbers of working poor are found among people of all family types, races, and educational backgrounds. Forty-four percent of all working poor families are headed by a married couple, 37% of the

poor are white and 67% of poor families' heads have a high school education or higher.

New Yorkers are working longer hours

As Table 1.8 shows, New York's married couple families are working longer hours: 3,531 hours per year in the late 1990s as compared to 3,339 hours per year in the late 1980s, a difference of 192 hours per year. Assuming fifty weeks worked per year, this is equivalent to 70.6 hours per week in the late 1990s as compared to 66.8 hours per week in the late 1980s, a difference of 3.8 hours per week. This increase of 5.8% is comparable to the 6.1% growth in hours worked by married couple families nationally over the same period.

New York families in all income quintiles except the top worked more hours by the end of the decade. The lowest income quintile of married-couple families in New York saw its average annual number of work hours increase 2.3% over this period, while the second, third and fourth quintiles recorded increases of 15.7%, 8.8% and 8.6%, respectively. In contrast, the average annual number of hours worked by the top quintile in New York fell by 3.9%. It should be noted, however, that this top income quintile still works significantly longer hours than the other quintiles, as is generally the case nationally.

New York's single-parent families also experienced an increase in their average number of hours worked per week between 1987/89 and 1997/99. The average number of hours worked by New York's single-parent families increased to 1,575

TABLE 1.8

Average Annual Hours Worked per Year by Married Couple Families with Children, by Income Quintile, New York and U.S., 1987/89 and 1997/99

	All married couple families	INCOME QUINTILE					
		Bottom	Second	Middle	Fourth	Top	
New York	1987/89	3,339	2,343	2,910	3,363	3,740	4,333
	1997/99	3,531	2,396	3,368	3,660	4,063	4,164
	% Change	5.8%	2.3%	15.7%	8.8%	8.6%	-3.9%
Total U.S.	1987/89	3,482	2,433	3,208	3,561	3,941	4,259
	1997/99	3,693	2,624	3,503	3,856	4,156	4,313
	% Change	6.1%	7.8%	9.2%	8.3%	5.5%	1.3%

Note: Family heads, age 25-54. SOURCE: CPS data analyzed by EPI.

Income Inequality and the Quality of Public Services in New York City and Rochester, NY

High and rising income inequality is a problem because it can result in a deterioration in the quality of public services provided for all citizens. Vastly unequal wealth invariably leads to unequal access to politicians and the political process, and very likely, to unequal service provision. Those who can afford it often withdraw from the public sphere and purchase private services rather than using public ones. When the quality of services that the rich receive is not tied to the quality of services provided to the general public, support for public services falters and the quality of services everyone else receives deteriorates.

PUBLIC PARKS The stark difference between the maintenance of parks in poor and rich neighborhoods in New York City is well known. For example, Central Park and Bryant Park in Manhattan sparkle — and are financed by dedicated private donations — while many parks in less affluent neighborhoods wither. In spite of this inflow of private donations — \$17 million each year to Central Park alone — Manhattan still gets more than its fair share of the City's parks budget. Per resident it gets 35% more than Brooklyn, 30% more than Queens and 9% more than the Bronx.

Since 1970, the staff of the NYC Parks and Recreation Department has been reduced by two thirds. The privatization of the maintenance of Central Park and Bryant Park may have been important factors ultimately leading to the deterioration in service provision in the city's other parks.

AMBULANCES AND PUBLIC HEALTH Hospitals are required by law to attend to emergency cases regardless of the patient's ability to pay, but the reality of emergency care is often quite different. In New York City, private ambulances, which are either owned by private hospitals or by a contractor of the private hospitals, handle one fourth of emergency calls. The city does not pay the private hospitals for the ambulance services they provide, but an investigation by the City Comptroller reveals that these ambulances transport insured patients to private hospitals, and uninsured patients to public ones.

Thus, an insured patient picked up by a private ambulance most often ends up in a private hospital even when the public hospital is closer. On the other hand, an uninsured patient picked up by a private ambulance is up to three times more likely to end up in a public hospital than an insured patient. This would make no difference to the patients if the quality of care provided by the public hospitals were just as good. But the state and the city have been cutting funding for the public hospitals with the result that in the period June 1994-June 1998 staffing at the public hospitals was reduced by 22%. Due to managed care, staffing was reduced in private hospitals as well, but this reduction was just 5% over a slightly shorter period, February 1995-June 1998.⁵

STREET MAINTENANCE In Rochester, the quality of services that wealthy neighborhoods receive is by law different from the quality of services in poor neighborhoods. The greenery on the streets of affluent neighborhoods has been designated parkland, and as such is maintained by the parks department rather than the environmental services department. The neighborhoods that are "parks" are assessed an "embellishment" tax to pay for their special treatment. Therefore the quality of public services received by each group reflects their unequal wealth, rather than equal citizenship.

In New York City similar results are achieved through a slightly different route. The city claims to clean and beautify all streets equally, but it allows landlords to organize themselves into Business Improvement Districts (BIDs). BIDs hire their own workers to provide additional cleaning and other services. The city does not finance the BIDs, yet it collects the taxes on their behalf. The difference in cleanliness and appearance between the two types of neighborhoods is obvious. Yet equalizing street appearance among all neighborhoods is nowhere on the agenda. Senator Schumer recently convened a "Group of 35" to propose an office-space development plan for the city. To assure that the streets in the new office zones are clean and beautiful, the plan calls for the establishment of BIDs. Thus, private street management has become a matter of course on the streets of New York.

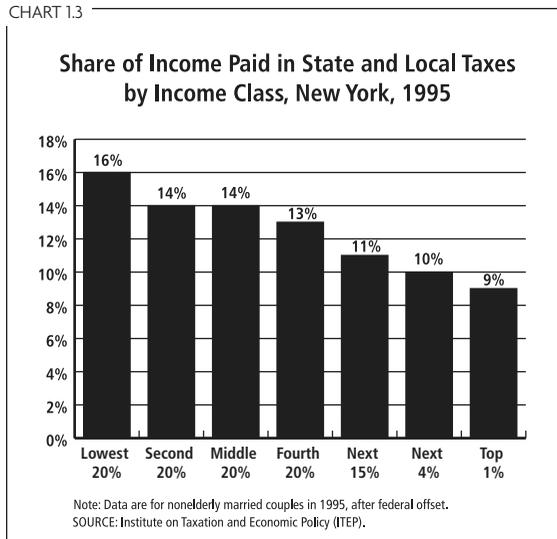
annually during this period, up from 1,545 in the late 1980s. This increase was small, however, relative to the 11.2% increase in hours worked experienced by single-parent families nationally.

As was the case for married-couple families, the increase in annual hours worked was not uniformly experienced across income quintiles. In fact, in New York, only those single-parent families falling into the first and second income quintiles recorded increases, albeit large ones (52.4% and 94.4%, respectively) in annual hours worked. This is probably the result of welfare reform, which forced single mothers to work. Single-parent families in the upper three income quintiles experienced declines in annual hours worked.

New York maintains a regressive state-local tax system

The most comprehensive analysis of New York’s tax structure, compiled by the Washington-based Institute on Taxation and Economic Policy, found New York’s tax structure to be regressive. That is to say, middle- and low-income New Yorkers paid a higher share of their income in state and local taxes than did better-off New Yorkers. (Chart 1.3) The state’s personal income tax is progressive in its impact — low-income residents pay a smaller

CHART 1.3



percentage of their income, and high-income residents pay more. But the progressive effect of the income tax is more than offset by the regressive nature of property, sales and excise taxes.

The tax cuts enacted since 1994 will reduce state revenues by over \$16 billion per year when they are fully phased in. These cuts have disproportionately favored New Yorkers with the greatest incomes. Although Chart 1.3 is based on the 1995 tax structure, the tax changes enacted since then have not substantially altered the regressive overall incidence of state and local taxes in New York.