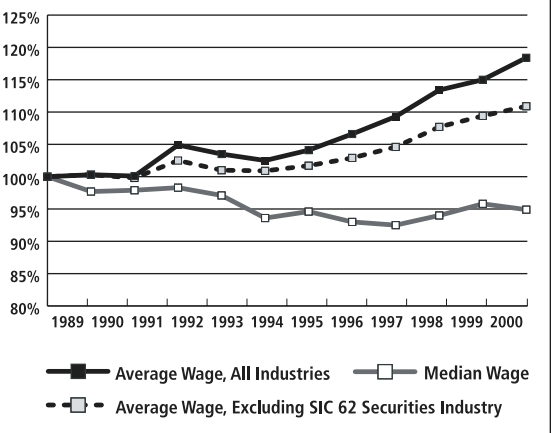
CHAPTER 2
Wages

This chapter examines changes in the wages of New York workers during the past decade. It also considers the extent of income inequality across wage earners, and the relationship between inequality on the one hand, and race, gender and level of formal education on the other. The chapter concludes with a discussion of trends in the minimum wage level and in rates of union membership in New York State.

CHART 2.1

Change in Average and Median Wage, Relative to 1989 Level, New York, 1989-2000
(2000 dollars)



SOURCE: NYS DOL, insured employment series; CPS data analyzed by FPI; deflators applied by FPI.

Median wage improves recently but still lags a decade ago

After several years of wage decline, the years 1997-2000 saw an inflation-adjusted increase in the median wage for New York workers from $12.75 to $13.08/hour, or 2.6%. However, in the year 2000, the median wage of $13.08 remained well below its 1989 level of $13.78 (-5.1%). *(Table 2.1 and Chart 2.1)*

Chart 2.1 also reveals that the gap between the average wage and median wage has been increasing steadily over the last decade. This gap is a result of wages at the top of the scale rising faster than wages at the bottom and in the middle of the scale. In part, this wage inequality can be attributed to differences in race, gender and education, all of which are discussed in detail below. The chart also makes clear that wages in the securities industry have been rising much faster than the average for all other industries.

As Table 2.1 shows, the median wage in New York is 6.7% higher than in the nation as a whole. However, according to researchers at Harvard's Kennedy School of Government, New York's cost of living is 13% higher than the nation's overall.[1] Thus,

TABLE 2.1

Median Wage Rates for New York, U.S. and Selected States, 1979-2000
(2000 dollars)

	Median Wage				Change in Median Wage			
	1979	1989	1997	2000	1979-89	1989-2000	1989-97	1997-2000
U.S.	$12.29	$11.99	$11.61	$12.26	-2.4%	2.2%	-3.2%	5.6%
New York	$12.84	$13.78	$12.75	$13.08	7.4%	-5.1%	-7.5%	2.6%
California	$13.71	$13.73	$12.27	$13.10	0.2%	-4.6%	-10.6%	6.7%
Illinois	$13.77	$12.81	$12.63	$13.06	-7.0%	1.9%	-1.4%	3.4%
Massachusetts	$12.02	$14.07	$13.56	$14.11	17.1%	0.3%	-3.6%	4.1%
Michigan	$14.34	$12.74	$12.42	$13.09	-11.2%	2.8%	-2.5%	5.4%
New Jersey	$13.16	$14.63	$13.83	$14.47	11.2%	-1.1%	-5.5%	4.6%
Pennsylvania	$12.78	$11.98	$12.00	$12.27	-6.2%	2.4%	0.2%	2.2%

SOURCE: CPS data analyzed by EPI except 1997 by FPI. Median wages reported by the EPI are smoothed.

when adjusted for New York's higher cost of living, New York's median worker earns less than the median worker does nationally.

Inflation-adjusted wage gains during the 1990s for the typical New York worker also lagged behind the median worker in the nation and in the benchmark states. As Table 2.1 shows, New York's median wage fell faster than the U.S. median wage from 1989 to 1997, when median wages were falling, and lagged behind the U.S. in 1997-2000, when median wages were rising. Real U.S. wages grew 5.6% from 1997 to 2000, while New York wages grew only 2.6% during that period. New York's median wage growth in this recent period also lags behind all of the benchmark states in the table except for Pennsylvania.

As noted earlier, over the decade of the 1990s, the median real wage in New York fell by 5.1%. Nationally, the median wage increased by 2.2% from 1989 to 2000. For the decade, all six of the benchmark states had an increase in the median wage or a smaller decline than New York. As with the trend in average incomes for most New York families with children, the improvement in real median wages was much greater in New York in the 1980s than in the 1990s. During the 1980s, the median wage rose by 7.4% in New York, a period during which there was a national decline in real median wages of 2.4%.

TABLE 2.3

Percent Changes in Median Wages by Industry New York and U.S. 1997-2000

INDUSTRY	N.Y.	U.S.
Total	**1%**	**4%**
Agriculture	2%	12%
Construction	5%	3%
Manufacturing, Durable Goods	0%	6%
Manufacturing, Non Durable Goods	2%	6%
Transportation	-6%	2%
Communications	-7%	4%
Utilities and Sanitary Services	-17%	2%
Wholesale Trade	1%	5%
Retail Trade	7%	7%
Finance, Insurance, Real Estate	2%	11%
Services, Private Household	-3%	9%
Business, Auto and Repair Services	30%	17%
Personal services, excluding private households	5%	9%
Entertainment and Recreation Services	21%	17%
Hospitals	0%	4%
Medical Services, Excluding Hospitals	3%	6%
Education Services	9%	6%
Social Services	11%	8%
Other Professional Services	-1%	7%
Public Administration	-7%	3%

SOURCE: CPS data analyzed by FPI.

New York wages falter in the current slowdown

As Table 2.2 shows, the economic slowdown hit New York hard even before the attack on the World Trade Center. A comparison of the median wage for the period from June 1999 to May 2000 and the period from June 2000 to May 2001 shows that the median wage in New York declined in that interval by 1%. The median wage for the U.S. has increased 0.5% while of all the states in the table, only one other, Michigan, experienced a decline of the median wage during that period.

Between the periods June 1998/May 1999 and June 1999/May 2000, the median wage increased by roughly the same amount in New York and the U.S.

TABLE 2.2

Median Wage Rates for New York, U.S. and Selected States, June 1998 to May 2001
(2000 dollars)

	Median Wage			Change in Median Wage	
	1998/ 1999	1999/ 2000	2000/ 2001	1998/99 to 1999/2000	1999/2000 to 2000/2001
U.S.	$12.29	$12.46	$12.52	1.4%	0.5%
New York	$13.31	$13.49	$13.35	1.3%	-1.0%
California	$12.87	$13.18	$13.41	2.4%	1.7%
Illinois	$13.06	$13.11	$13.23	0.4%	0.9%
Massachusetts	$13.93	$14.29	$14.49	2.6%	1.4%
Michigan	$13.24	$13.46	$13.17	1.7%	-2.2%
New Jersey	$14.70	$14.63	$14.83	-0.4%	1.3%
Pennsylvania	$12.41	$12.50	$12.75	0.8%	1.9%

Note: Each time period runs from June to May of the following year.
SOURCE: CPS data analyzed by EPI.

Why New York wages lag: isolating the effect of changes in the industrial mix

In attempting to isolate the precise cause of New York's lagging median wage as compared to the rest of the nation, it is necessary to separate the effect of changes in the industrial mix of jobs from the effect of wage changes within a given sector. Table 2.3 compares the growth of wages within industries in the U.S. and New York State for the years 1997-2000. (The median wage comparisons here differ slightly from those presented in Table 2.1.) Fifty-eight percent of the jobs that New Yorkers held in 2000 were in industries that saw higher wage increases in the U.S. than in New York. The rates of growth were identical in the retail sector, which accounts for 15% of all jobs.

The following analysis shows that the median wage in New York was kept low both because jobs shifted from high paying industries to low paying industries and because within individual industries New York wages failed to rise at the same pace as they did at the national level.

In order to isolate the effect of wage developments within industries between 1997-2000 from the effect of the changes in the industrial structure of jobs, the following calculation was made: the number of jobs within each industry was held at its 1997 level and then each job within an industry was assigned the median wage for that industry in the year 2000. A new median was then calculated. With a 1997 industrial structure of jobs and 2000 wages for these industries, the 2000 median wage in New York State would have been $14.00, or 10% above its 1997 level. However, the actual 2000 median wage was $13.00, 2% above its 1997 level. This suggests that the change in the industrial structure of jobs in the years 1997-2000 served to depress the median wage in the state by approximately 8%.

The U.S. economy underwent a structural change of its own during these years, however, and with the 1997 industrial structure and 2000 structure of within industry wages, the median wage for the U.S. in 2000 would have been $13.25, or 14% above its 1997 level. Thus, had both New York and the U.S. maintained their 1997 industrial structures, the gap in wage growth between them would have been even larger than it is currently. This suggests that the median wage grew more slowly in New York than in the nation not because of changes in the industrial mix of jobs, but because of the failure of wages to rise as fast within the same industries in New York. In fact, had wages within industries in

CHART 2.2

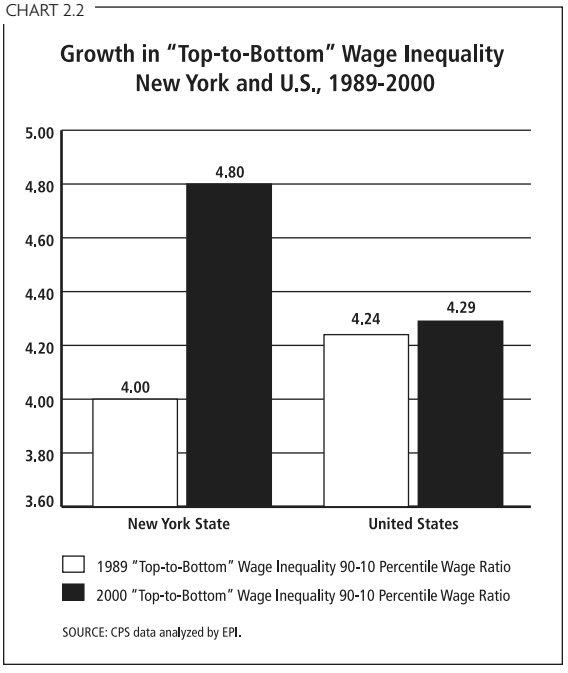
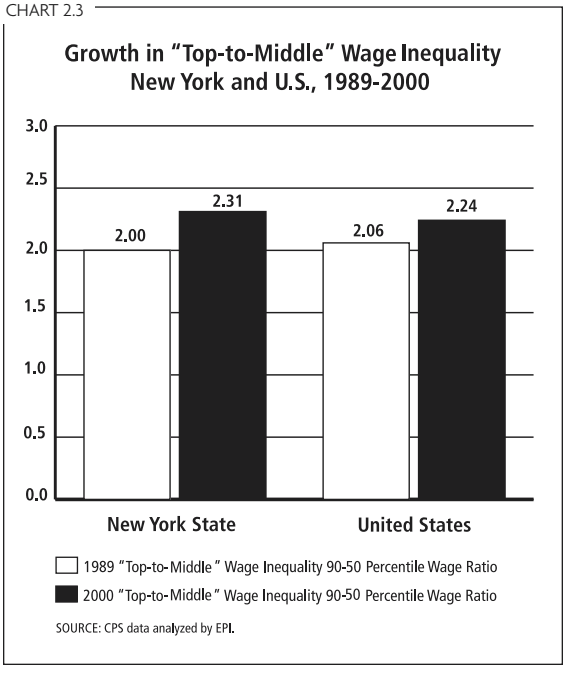


CHART 2.3



New York risen at the same rate that they rose in the U.S., New York's median would have been $14.28 instead of $13.08, or 12% above its 1997 level and well above the 5.6% national increase.

The limited growth of New York's wages is particularly striking when a comparison is made of wage levels within industries in New York and New Jersey. In 2000, wages in 19 out of 21 industries were lower in New York than in New Jersey, while in one industry they were the same in both states. There was only one industry, entertainment, in which wages in New York were higher than in New Jersey. A similar result holds when a comparison is made of wages within occupations. Registered nurses in New York earn almost $4.00/hour less than registered nurses in New Jersey, elementary school teachers earn $5.00/hour less, truck drivers earn $0.88/hour less, and cashiers earn $0.75/hour less in New York than in New Jersey. Overall, 71% of New York workers earn a lower wage than New Jersey workers in the same occupation.

New York's wage inequality exceeds the nation's

While New York lags behind the nation in wage growth, wage inequality is higher in New York than in the United States. *(Charts 2.2 and 2.3)* Both "Top-to-Middle" and "Top-to-Bottom" decile wage ratios are higher in New York State than they are in the U.S., and both have increased more in New York State than in the U.S. over the 1989-2000 period. It should be noted that in the years 1997-2000 the "Top-to-Bottom" ratio decreased somewhat in the U.S.; in 1997 it was 4.4. In New York, however, this ratio continued to increase during the same years, from 4.5 to 4.8.

TABLE 2.4

Gender Wage Ratio, New York and the U.S. 1989, 1997 and 2000

	1989	1997	2000
United States			
Female to Male Median Wage Ratio	0.75	0.79	0.79
New York State			
Female to Male Median Wage Ratio	0.82	0.85	0.81

SOURCE: CPS data analyzed by EPI.

Recent increases in the gender wage gap reverse previous gains

As Table 2.4 shows, the years 1989 to 1997 saw a narrowing in the wage gap between men and women, both in the U.S. and in New York. However, during the years 1997 to 2000, the gender wage gap stayed the same for the U.S., while in New York the wage gap increased substantially, wiping out the advances made during the earlier period. In New York, the median wage for women was 82% of the median wage for men in 1989; by 1997, this ratio increased to 85%. However, by 2000 the gender wage ratio dropped to 81%.

Across most of the decile wage spectrum, New York male wages rose faster than female wages during the 1997 to 2000 period. *(Table 2.5)* While the bottom decile rose much faster for

TABLE 2.5

Decile Wages by Sex, New York, 1989, 1997, and 2000
(2000 dollars)

Population Decile	Decile Wage 1989	1997	2000	Decile Wage Change 1989-2000	1989-1997	1997-2000
Male						
1	$6.94	$6.44	$6.75	-2.8%	-7.3%	4.9%
2	$9.72	$8.58	$8.30	-14.6%	-11.7%	-3.3%
3	$11.11	$9.66	$10.00	-10.0%	-13.1%	3.6%
4	$13.89	$11.80	$12.50	-10.0%	-15.0%	5.9%
5	$15.28	$13.95	$14.84	-2.9%	-8.7%	6.4%
6	$18.05	$16.09	$17.30	-4.2%	-10.9%	7.5%
7	$20.83	$20.39	$20.19	-3.1%	-2.1%	-0.9%
8	$25.00	$24.68	$25.00	0.0%	-1.3%	1.3%
9	$31.94	$32.19	$34.00	6.4%	0.8%	5.6%
Female						
1	$5.55	$5.36	$6.00	8.0%	-3.4%	11.8%
2	$6.94	$7.51	$7.25	4.4%	8.2%	-3.5%
3	$8.33	$8.58	$8.60	3.2%	3.0%	0.2%
4	$9.72	$9.66	$10.00	2.9%	-0.7%	3.6%
5	$12.50	$11.80	$12.00	-4.0%	-5.6%	1.7%
6	$13.89	$13.95	$13.75	-1.0%	0.4%	-1.4%
7	$16.66	$16.09	$16.23	-2.6%	-3.4%	0.8%
8	$19.44	$19.31	$20.00	2.9%	-0.7%	3.6%
9	$23.61	$25.75	$26.43	11.9%	9.1%	2.6%

SOURCE: CPS data analyzed by FPI.

women than for men during 1997-2000, the bottom decile for men is still 12.5% higher than it is for women. The gender gap, combined with an increase in the share of women in the working population (from 48.3% to 48.9% in these years), explains why — despite a 6.4% increase in the median wage of New York men from 1997 to 2000 — the median wage of the population as a whole increased by only 2.6%.

TABLE 2.6

Median Wage by Racial-Ethnic Group, New York, 1988/89 and 1999/2000
(2000 dollars)

	Male				
	Median	Non-Hispanic White	Non-Hispanic Black	Hispanic	Other Groups
1988/89	$16.01	$17.47	$13.89	$11.64	$14.56
1999/2000	$14.86	$16.52	$12.40	$10.00	$14.06
Percent Change 1988/89 to 1999/2000	-7.2%	-5.4%	-10.7%	-14.1%	-3.4%
Percent of Median 1999/2000	100%	111%	83%	67%	95%
	Female				
	Median	Non-Hispanic White	Non-Hispanic Black	Hispanic	Other Groups
1988/89	$11.64	$12.50	$11.64	$10.19	$13.10
1999/2000	$11.89	$12.50	$11.00	$9.30	$11.63
Percent Change 1988/89 to 1999/2000	2.1%	0.0%	-5.5%	-8.7%	-11.2%
Percent of Median 1999/2000	100%	105%	93%	78%	98%

Note: Data pooled for two-year periods.
SOURCE: CPS data analyzed by FPI.

Even though men's wages rose faster than women's wages during the later years of the 1990s, from business cycle peak to business cycle peak (1989 to 2000), men's wages in New York fell throughout the bottom seven deciles of the wage distribution (there was no change in the eighth decile). For women, the four bottom deciles experienced real wage gains from 1989 to 2000, while the next three deciles saw declines. The top decile for both men and women saw by far the greatest gains over the decade.

terms of wage change from the late 1980s to the late 1990s. Between 1988/89 and 1999/2000[2], the median wage of non-Hispanic white men in New York fell by 5.4% while it fell by 10.7% for black men and by 14.1% for Hispanic males. *(Table 2.6)* The median wage of non-Hispanic white women remained unchanged during this period, while it fell by 5.5% for black women and by 8.7% for Hispanic women.

In the years 1997 to 2000, increases in the median wage of non-Hispanic white men lagged behind the median wage increases of all other racial groups. For women, the opposite was true: the increase in the median wage of non-Hispanic

The racial wage gap: not closed by education

Table 2.6 makes clear that race and gender both influence a worker's earnings. Men are better paid than women regardless of their race, and non-Hispanic white workers are paid more than members of other racial or ethnic groups are regardless of their gender. It should be noted, however, that the differences due to race are substantially larger among males than among females.

There are also striking differences between men and women in

TABLE 2.7

Median Wage Comparison by Education, Racial-Ethnic Group and Gender, New York, 1999/2000

Median Wage Relative to Non-Hispanic White — MALE

	Less Than HS	High School	Some College	College & above
Non-Hispanic Black	0.97	0.75	0.86	0.74
Hispanic	0.83	0.79	0.83	0.71
Other group	0.95	0.81	0.78	0.86

Median Wage Relative to Non-Hispanic White — FEMALE

	Less Than HS	High School	Some College	College & above
Non-Hispanic Black	1.03	0.96	1.02	0.91
Hispanic	1.00	0.93	1.00	0.87
Other group	0.89	0.94	0.93	0.87

Note: Data pooled for 1999 and 2000.
SOURCE: CPS data analyzed by FPI.

white women was larger than that for any other group. For both men and women, these wage developments reverse the racial ordering that prevailed during the years 1989 to 1997. During that period, the wages of non-Hispanic white men fell more slowly than the wages of members of other racial groups, while the wages of non-Hispanic white women fell faster than the wages of members of other racial groups.

Table 2.7 reveals that part of the effect of race on wages depends on education level. For both men and women, the gap between non-Hispanic white workers and other racial groups is greatest for those with college education and above. Thus, whereas education increases the wages of workers in all racial groups, these gains have not been significant enough to reverse income disparity along racial lines.

The figures in Table 2.7 make clear that the racial gap is in many cases significant. The median-earning Hispanic man with a college education or more makes only 71% percent of the wage of his white counterpart. A black college-educated man is only slightly better off, at 74%. A Hispanic man with less than high school education makes only 83% of the wage of his white counterpart.

For women, the racial gap is less pronounced. Black women who did not complete high school or who completed some college earned a higher median wage than non-Hispanic white women. But for those with a college degree, the income advantage of being white is much more pronounced.

The value of education

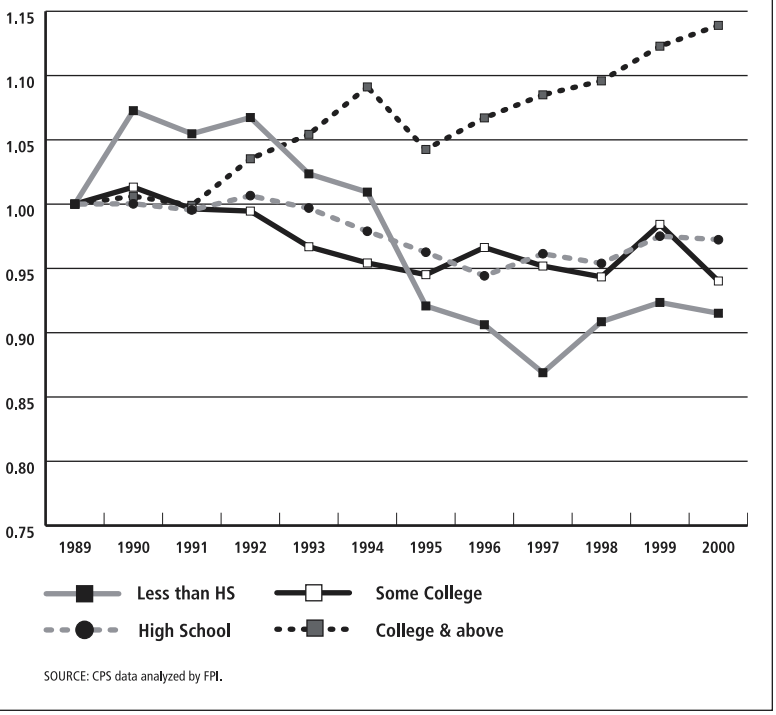
As Charts 2.4 and 2.5 show, the years 1989-97 saw a dramatic decline in the wages of both working men and women who have not completed high school. The years 1997-2000 saw some improvement in the wages of these workers, but even in 2000 their median wage levels were unquestionably insufficient to support families. The number of workers to whom this applies is significant.

Based on Current Population Survey data, there are an estimated 334,000 working women with less than a high school education in New York. Eighty percent of them are at least 24 years old, and 50% of them are at least 38 years old. The largest group among them (31,000) are women who work as nursing aides, orderlies and attendants for $7.14/hour (median wage). The second largest group (25,000) are women who work as cashiers in stores earning a median wage of $6.50/hour. The third largest group (20,000) are women who work as house cleaners, earning a median wage of $6.25/hour. Overall, the median wage of working women without a high school diploma is $7.10.

The estimated number of male workers in New

CHART 2.4

Change in Female Mean Hourly Wages Relative to 1989 Level by Educational Attainment, New York 1989-2000



SOURCE: CPS data analyzed by FPI.

York without a high school diploma is even larger, 479,000, and they are younger, though the vast majority of them are also adults. Eighty percent are at least 22 years old and 50% are at least 35 years old. The largest group among them (40,000) are men working as janitors with the median workers earning $8.00/hour. The second largest group (35,000) are men working as cooks for $7.00/hour, while the third largest group (28,000) are men working as truck drivers earning $10.67/hour. The median wage of all male workers who have not completed high school, $10.25/hour, is significantly higher than the median wage of female workers with a similar level of education.

TABLE 2.8

Changing Value of Education Attainment
New York, 1989-2000
(2000 dollars)

	1989	2000	1989-2000
Average Wage Male Workers	$18.54	$18.57	0.2%
Less Than High School	$12.57	$10.25	-18.5%
High School	$15.84	$14.44	-8.8%
Some College	$17.35	$16.91	-2.6%
College & above	$26.08	$27.49	5.4%
Average Wage Female Workers	$13.88	$14.80	6.6%
Less Than High School	$8.71	$7.97	-8.5%
High School	$11.61	$11.29	-2.8%
Some College	$13.17	$12.38	-6.0%
College & above	$19.67	$22.41	13.9%

SOURCE: CPS data analyzed by FPI.

Over the 1989 to 2000 period, as Table 2.8 indicates, only those New York workers with a college degree saw an increase in their average wage. The increase was significantly higher for women than for men, but as Table 2.9 makes clear, college-educated women are still far behind, making on average $22.41/hour while men with similar education are making $27.49/hour, or 23% more. In the more recent period, 1997 to 2000, education has become less important in predicting wage growth.

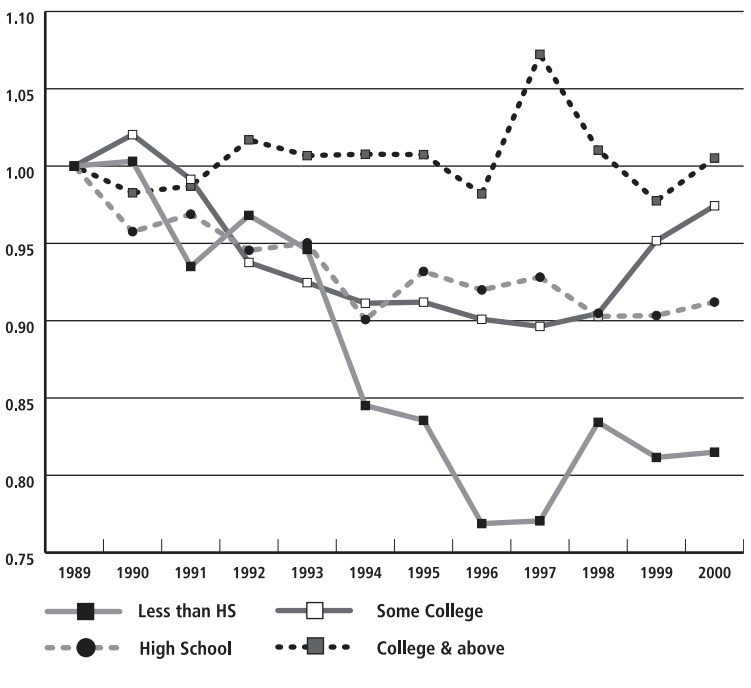
For a high-wage state, New York has a low minimum wage

Several issues underlie the erosion of real wages and increasing inequality in New York. Among the most important are the continued loss of jobs in high-paying industries, strong job growth in low-wage industries, the decline in labor union influence, and the failure to counteract the impact of inflation on the value of the minimum wage.

As Chart 2.6 shows, today's real minimum wage is far below its late 1960s level. During most of the 1980s Congress did not raise the federal minimum wage and as a consequence its real value fell dramatically due to inflation. Increases in the fed-

CHART 2.5

Change in Male Mean Hourly Wages Relative to 1989 Level by Educational Attainment, New York 1989-2000



SOURCE: CPS data analyzed by FPI.

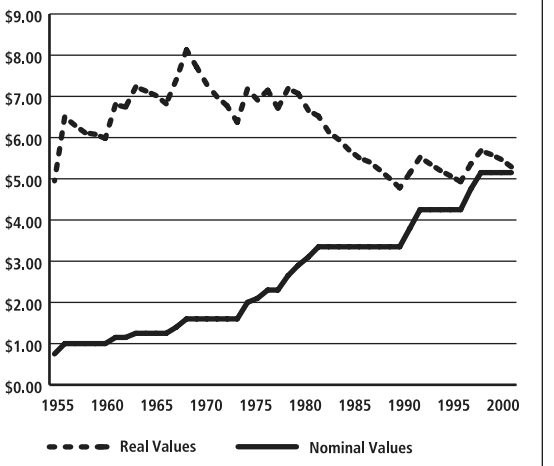
eral minimum wage in the early 1990s, together with increases in 1996 and 1997, restored some of the minimum wage's real value. However, the minimum wage's real value remains 37% below its 1968 peak.

Eleven states have acted to increase their minimum wage above the federal $5.15 an hour level. Washington State's minimum wage is now $6.90 an hour, and rises with inflation. In Massachusetts, the minimum wage is $6.75 an hour. California's minimum wage increased to $6.75 in January of 2002. Connecticut's increased to $6.70 an hour in January of 2002. Of all high wage states, New York has the lowest minimum wage relative to average wages. *(See Table 2.9)* For a 40-hour week, New York's minimum wage yields only 23.8% of the average weekly wage, well below the 38.7% ratio in Washington or the 34.1% ratio in California.

Proposed state minimum wage legislation would benefit over 700,000 New Yorkers. Due to likely spillover effects, an additional 500,000 persons, those earning up to a dollar above the minimum wage, would also gain. These 1.2 million beneficiaries of a minimum wage increase represent 16.1% of all workers in the state. Of those making between $5.15 and $6.74 per hour, 78% are adults, and 56% work full-time, while another 27% work between 20 and 34 hours per week. Three out of five workers at the minimum wage are women.

CHART 2.6

Federal Minimum Wage, Nominal and Real Values
(June 2001 dollars)



SOURCES: BLS, analysis by FPI.

Union membership and density decline over the decade

Consistent with the national trend, the percentage of New York's workforce represented by unions continued to decline during the 1990s, as it did during the previous decade. As Table 2.10 shows, between 1990 and 2000, the number of union members statewide fell by an estimated 125,700 to 1,958,000. This represented a 6% decline from the 1990 level of 2,083,700. The decline in union membership, coupled with an increase in total private and public employment statewide during the decade, brought the share of New York's workforce represented by unions down to 25.5%, from 28.2% in 1990. This rate of unionization was, nevertheless, still the highest in the country.

While declines in union membership took place in both the public and private sectors, nearly 94% of the total loss in union membership during the decade occurred within the private sector. Private sector union members accounted for 49% of all union members statewide in 2000, down from 51% in 1990. In 2000, just 15.3% of New York's private sector workforce was unionized, significantly below the 70.6% rate of unionization within the public sector.

TABLE 2.9

Minimum Wage Relative to Average Wage for High-Wage States

	Average Wage Weekly Wages 2000	Current Minimum Wage	Minimum Wage Weekly Earnings as Share of Avg Weekly Wages*
Washington	$713	$6.90	37.7%
Delaware	$705	$6.15	34.9%
Massachusetts	$852	$6.75	31.7%
California	$792	$6.75	31.6%
Alaska	$675	$5.65	33.5%
Connecticut	$874	$6.70	29.3%
Maryland	$699	$5.15	29.5%
Michigan	$712	$5.15	28.9%
Illinois	$732	$5.15	28.1%
New Jersey	$840	$5.15	24.5%
New York	$864	$5.15	23.8%

*Calculation based on 40-hour work week.
SOURCE: US DOL and BLS.

The decline in union membership in New York was almost entirely concentrated within the manufacturing sector. During the decade, the state's manufacturing sector shed 289,400 jobs, nearly one-quarter of its 1990 total. Union membership among manufacturing workers fell by 121,800 or 40.4%. The share of manufacturing workers represented by a union fell to 19.9%.

TABLE 2.10

Union Membership, Density and Employment, New York, 1990-2000
(union membership and employment, in thousands)

	1990	2000	Change 1990-2000	% Change 1990-2000
Total Wage and Salary Employment	7,390.1	7,683.0	292.9	4.0%
Total Union Members	2,083.7	1,958.0	-125.7	-6.0%
Percent Union	28.2%	25.5%	-2.7 ppts.	
Private Employment	5,944.8	6,273.2	328.4	5.5%
Total Union Members	1,080.0	962.6	-117.4	-10.9%
Percent Union	18.2%	15.3%	-2.9 ppts.	
Manufacturing Employment	1,193.1	903.7	-289.4	-24.3%
Total Union Members	301.5	179.7	-121.8	-40.4%
Percent Union	25.3%	19.9%	-5.4 ppts.	
Public Employment	1,445.3	1,409.9	-35.4	-2.4%
Total Union Members	1,003.7	995.5	-8.2	-0.8%
Percent Union	69.4%	70.6%	1.2 ppts.	

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., 2001.