Chapter 2
New York's Working Families Have Been Treading Water Since 2000

After two-and-a-half years of job losses and a little over two years of recovery, most of New York's working families are treading water - with no real improvement, since 2000, in their economic well-being. Jobs are being recovered and wages are improving but the pace is slow, and several well established trends, such as increasing income inequality, declining private health insurance and pension coverage, and the declining relative fortunes of Western and Northern New York, are continuing.

Family and household income changes

Total personal income in the state is rising again, but many workers were hard hit by the protracted downturn, and the recovery in family and household income has been uneven. Depending on the measure, family incomes are about back to where they were in 2000, or down slightly. Median *family income* in New York State in 2004 was $56,556, 1.6% below where it was in 2000, measured in constant dollars. This decline is about the same as at the national level, where median family incomes fell by 1.3%. Median *household income* in 2004 in New York was $44,664, about the same as in 2000, while nationally, median household income fell by 3.6% from 2000 to 2004.[1] **(See Figure 2.1.)**

When incomes are compared for a 4-person family, the median income of New York's 4-person families increased 0.6% in constant dollars from 2000 to 2003 (the latest data available at this writing), while nationally, the median income of such families dropped by 2.1%. In the 1990s, the constant dollar median income of a 4-person family increased by 14.3%, while at the national level, a 17.5% gain was recorded. **(See Figure 2.2.)**

Although family incomes are about back to where they were in 2000, general economic well-being has been eroded by the rapid rise in housing and energy costs and the decreased availability of private employer-provided health insurance and pension coverage. An economic security index that accurately reflected these changes would almost certainly show a declining trend for New York in this decade. All of the above calculations that put incomes in constant dollar terms use the national consumer price index (CPI). While there is no CPI measure specifically for New York State, the New York metropolitan area CPI has increased considerably faster than the national, all-city CPI since early 2000. Between the first half of 2000 and the first half of 2005, the national CPI increased by 13.1%. The New York metropolitan CPI, however, increased one-quarter faster, by 16.4%.

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[1] *Family income* data are from the American Community Survey, while *household income* data are from the Current Population Survey Annual Social and Economic Supplement (formerly called the March supplement to the Current Population Survey). Families, which are comprised of related individuals, are a subset of households. Households also include unrelated individuals residing together in the same housing unit.

None of the CPIs used by the federal government adjust for the increased expenses borne by families when they are forced to pay for their own health insurance, or to pay more for health insurance coverage because of changes made by their employers in health insurance. Similarly, there is no adjustment in the consumer price index that captures the effect on a family's economic security when employer-provided pensions are reduced.

Declining private employer provided health insurance and pension coverage

New York State's private employers used to provide a greater degree of health insurance and pension coverage than private employers generally in the nation. In the early 1990s that differential narrowed considerably, then the lines crossed and now, proportionately fewer private sector workers in New York have these benefits than nationally. For the 2002 to 2004 period, only slightly more than half, 54.9%, of New York's private sector workers had employer provided health insurance. Less than half, 43.6%, of New York's private workers have employer-provided pension coverage. **(See Figure 2.3.)**

The further declining middle in New York

Past editions of **The State of Working New York** have documented the polarization of income distribution, with much of the income gains in the 1990s flowing to the richest 5% or 10% of the population. Data from the American Community Survey, which provides family incomes by constant income ranges for 2000 to 2004, show a decline of slightly over 70,000 New York families with incomes between $35,000 and $150,000. This 1.7 percentage point decline in the share of families with middle class incomes was much greater than in the rest of the nation which had a much smaller, 0.6 percentage point, decline in the middle. For both New York and the rest of the nation, from 2000 to 2004, the increase in the share of families at the bottom substantially exceeded the increase at the top of the income distribution. **(See Figure 2.4.)**

The share of families with high incomes ($150,000 or more) has increased more in New York than in the U.S., with most of New York's increase occurring in 2002 and 2003, while the high income share only increased for the rest of the U.S. in 2004.

Because it lost so many well-paying jobs and had a very high rate of net domestic out-migration, New York City experienced an even sharper decline in the middle-income range than the state overall. New York City's middle income range shrank by 3.3 percentage points (versus the 1.7 percentage point state decline and the 0.6 percentage point decline for the rest of the U.S.) The share of the city's families with middle incomes was 53.4% in 2004, well below the 62.5% share for the balance of the U.S. The city had a comparable gain in the high-income share between 2000 and 2004, but a much larger increase in the share of families in the low-income range.

Poverty still higher in New York than in the U.S. as a whole

Since the early nineties, New York has consistently had poverty rates above that of the nation. In 2004, 15.0% of New Yorkers lived in poverty compared to 12.7% in the U.S. **(See Figure 2.5.)** The share of New York children living in poverty has fluctuated but increased in 2004 to 21.3% compared to 17.8% for the nation. The number of individuals at 200% of the poverty level has increased since 2000 at both the state and national levels, to 31.9% and 31.2%, respectively.

New York wage growth has not kept pace with productivity growth

National growth in recent years has been marked by faster productivity growth than average wage growth. Thus, workers have not been sharing fully in the fruits generated through the expanded production of goods and services. At the national level, this historic disparity is evident in the U.S. Commerce Department data from Figure 1.2 in the previous chapter showing that corporate profits have increased five times faster than total wages between the first quarter of 2001 and the first quarter of 2005.

While data on corporate profits generated by New York-based economic activity are not compiled by any level of government, a similar wage-productivity disparity is evident in New York. The Commerce Department collects data on New York's real gross state product (GSP) and various wage measures for 2001 to 2004 **(see Figure 2.6)**. As an approximation of "productivity," we calculate GSP per worker[2] and compare the growth in GSP per worker to the growth in wages. From 2001 to 2004, real total output produced in New York grew by 6.1% and output per worker increased by 5.9%, while average wages increased by only 1.8%. But even this measure reflects faster wage improvement on the part of more highly paid workers. The 80th percentile worker saw a gain several times that of the median worker. (Hourly wage trends are discussed more fully below.)

Hourly pay declined slightly in 2004, but still higher than in 2000

Median hourly pay in New York has fallen slightly since peaking in 2002, and, at $14.83 in 2004, is still above the 2000 level of $14.28 (measured in constant, 2004 dollars). However, while median wages in New York improved in the 1990s, they improved more for the Northeastern states generally and much more at the national level. **(See Figure 2.7.)** From 1990 to 2004, median hourly wages increased 3.6% in New York, 6.1% in the Northeast, and 10.2% in the U.S.

A similar trend is evident in looking at the 20th percentile hourly wage. **(See Figure 2.8.)** A typical low-wage New York worker received an hourly wage in 2004 that was only 1.6%

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[2] We exclude the Wall Street securities industry from this calculation because the extremely high wage compensation in that industry, and its volatility, distorts the broader trend affecting most New York workers.

higher in real terms than in 1990. Nationally, such a worker experienced a 12.2% wage gain, more than seven times greater than in New York.

Disparities in New York's wage trends by pay level, education, race/ethnicity and gender

As mentioned above, New York workers at the higher end of the wage spectrum have also benefited from higher wage increases. **See Figure 2.9** for the ratio of the 80th percentile hourly wage to the median hourly wage. The generally rising trend in these lines indicates higher wage increases for workers at the 80th percentile. Such workers have benefited even more in New York.

Increasingly, the extent to which hourly pay improves depends on educational attainment. While the median wage for New York workers with a bachelor's degree or higher has increased by 8.7% since 1990, workers with less than a high school education have seen their wages decline by 13.3%. However, the results are mixed for the groups in between. Workers with only a high school education make roughly the same real hourly wages as in the 1990s, but those with some college have actually seen nearly a five percent decline in their hourly wages. New York has a higher percentage of its 25-year plus population with a bachelor's degree (30.5%) than the nation (27.0%). New York and the U.S. have basically the same share (16.1%) of their 25-year plus population with less than a high school diploma. **(See Figure 2.10.)**

Racial disparities in New York wages have also continued unabated since the early 1990s. In The median wage for Hispanic workers started the 1990s at just under $12 an hour (measured in constant 2004 dollars), then dropped to almost $10 an hour in 1996, before recovering to just under $12 an hour in 2004. Blacks saw wages go from over $13 an hour in 1990 to under $12 an hour in 1996, then gradually climbing back to slightly over $13 an hour in 2004. Whites have consistently been paid more, with hourly wages of over $15 in 1990, rising by 6% to over $16 an hour in 2004. **(See Figure 2.11.)**

For low-wage workers in New York – those at the 20th percentile wage – Hispanic workers still earn less than blacks, but low-wage Hispanic workers have experienced a five percent gain since 1990, while the real hourly pay for black workers is 2.2% less in 2004 than in 1990. The 20th percentile white, non-Hispanic worker saw a 5.1% gain since 1990, and has an hourly wage of $9.63, about $1.50 higher than black workers and nearly $2.00 higher than Hispanic workers. **(See Figure 2.12.)**

Gender disparities have narrowed marginally since 1990. In 1990, the median New York female worker was paid 76% of the median male hourly wage. With female wages increasing by 6.6% from 1990 to 2004, while male wages declined by 3.9%, by 2004, female hourly pay was 84% of median male hourly pay ($13.54 an hour for females vs. $16.10 for males).

New York's full-time wage earnings lag behind the nation's since 2000

The median earnings of a full-time, full-year male worker in New York remained about the same between 2000 and 2004, while his national counterpart saw a 3.4% improvement. New York's women workers fared better than New York's men, with a 3.0% gain. But even that was outpaced by women at the national level who experienced a gain nearly twice that rate. **(See Figure 2.13.)**

Effects of New York's minimum wage raise

On January 1, 2005, the first phase of a three-stage minimum wage increase went into effect in New York State after the legislature overrode a veto by Governor Pataki. Instead of the $5.15 federal minimum, New York employers must now pay $6.00 or more per hour to all employees except tipped workers in restaurants.[3] New York joined twelve other states[4] and the District of Columbia in adopting a higher-than-federal minimum wage, although $6.00 is the lowest among these higher minimums. What was the impact of this change on employment?

The increase in the minimum wage did not lead to lower levels of employment

Minimum-wage-increase opponents often argue that increases will cause businesses to reduce employment of low-wage workers, hurting the very people the legislation is intended to help. We found that just the opposite has happened since the January 1st increase. The largest concentrations of minimum-wage workers are in the retail trade and food service sectors of the economy. Figure 2.14 shows employment levels for the whole economy and for retail and food services for New York, the four neighboring states, and the nation, for the first six months of 2004 and the first six months of 2005. **(See Figure 2.14.)**

As discussed in previous sections of this report, overall job growth in New York State has been lagging the nation during this recovery. However, from the first half of 2004 to the first half of 2005, retail trade employment in New York went up 1.8%, at least as fast as it did in the four-state region (+1.5%), and considerably faster than in the nation (+0.9%). For food service, the increase in New York (2.7%) was equal to the four-state region, and only marginally below the increase in the nation (2.9%). Given this job growth picture, it is difficult to argue that the minimum wage increase reduced employment in New York.

It might be that employers who had to increase wages when the new minimum took effect tried to keep their costs down by reducing employees' hours of work, thus keeping employees' weekly income about the same, and not improving their standard of living.

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[3] On January 1st, 2006, the New York minimum will go to $6.75, and on January 1st, 2007, to $7.15.

[4] The twelve are AK, CA, CT, DE, HI, IL, ME, MA, OR, RI, VT, and WA. Florida raised its minimum to $6.15 on May 2, 2005, and Wisconsin went to $5.70 on June 1, 2005; with New York, this brings the current total to 15 states plus DC. Several states have increases scheduled to take effect later in 2005 or in 2006; several others have bills pending.

During this period of generally slow economic growth, hours worked for those in the lowest decile of the wage distribution actually increased in the first half of 2005 compared to the first half of 2004.

Increased Medicaid coverage lowers percentage of New Yorkers without health insurance

In the last two years, there have been proportionately fewer New Yorkers without health insurance than in the country as a whole, something not seen since the early 1990s. In 2004, 14.2% of New Yorkers were without private or publicly-provided health insurance. This is down from 16.3% in 2000. For the U.S., however, the proportion without health insurance increased from 14.2% in 2000 to 15.7% in 2004. The improvement in New York's health insurance coverage since 2000 is largely due to an increase in Medicaid-funded coverage. Since 2000, Medicaid-funded health coverage has increased by 650,000 in New York. **(See Figure 2.15.)**

New York's union density still the highest among all states and twice the nation

New York has been able to maintain its 25.3% union density, the highest in the nation, over the past five years, despite the vagaries of the business cycle. Michigan and California also managed this feat during a time when the country's overall union density declined by about one-tenth, from 13.9 to 12.5%. Among New York's neighboring states, Massachusetts and Pennsylvania both experienced sharper declines than the nation's while New Jersey had a smaller decline. **(See Figure 2.16.)**

Off-shoring complicates New York's recovery

While solid data on the extent of the off-shoring of non-manufacturing business activity from New York is not compiled by any government entity, considerable anecdotal evidence indicates that this trend has restrained the recovery of employment. For many years, manufacturing employment in New York and the U.S. has been eroded as industrial jobs have been sent out of the country on a scale much greater than the jobs added here producing goods for export. In the last few years, more and more examples have come to light where financial service, information technology, customer service, and even research and development activities that used to be performed in New York have been sent abroad. This was one of the reasons it took so long for securities employment to start to turn around in New York after the financial markets recovered. This was particularly the case for information technology positions within the financial sector and helps explain why the rebound in computer-related employment was delayed much longer in New York than in the nation following the winding down of the dot.com bust.