

# **The State of the NYC Economy: The Local Context for Retirement Insecurity**

Retire NYC Conference—NYC Central Labor Council and the Schwartz Center for Economic Policy Analysis, New School

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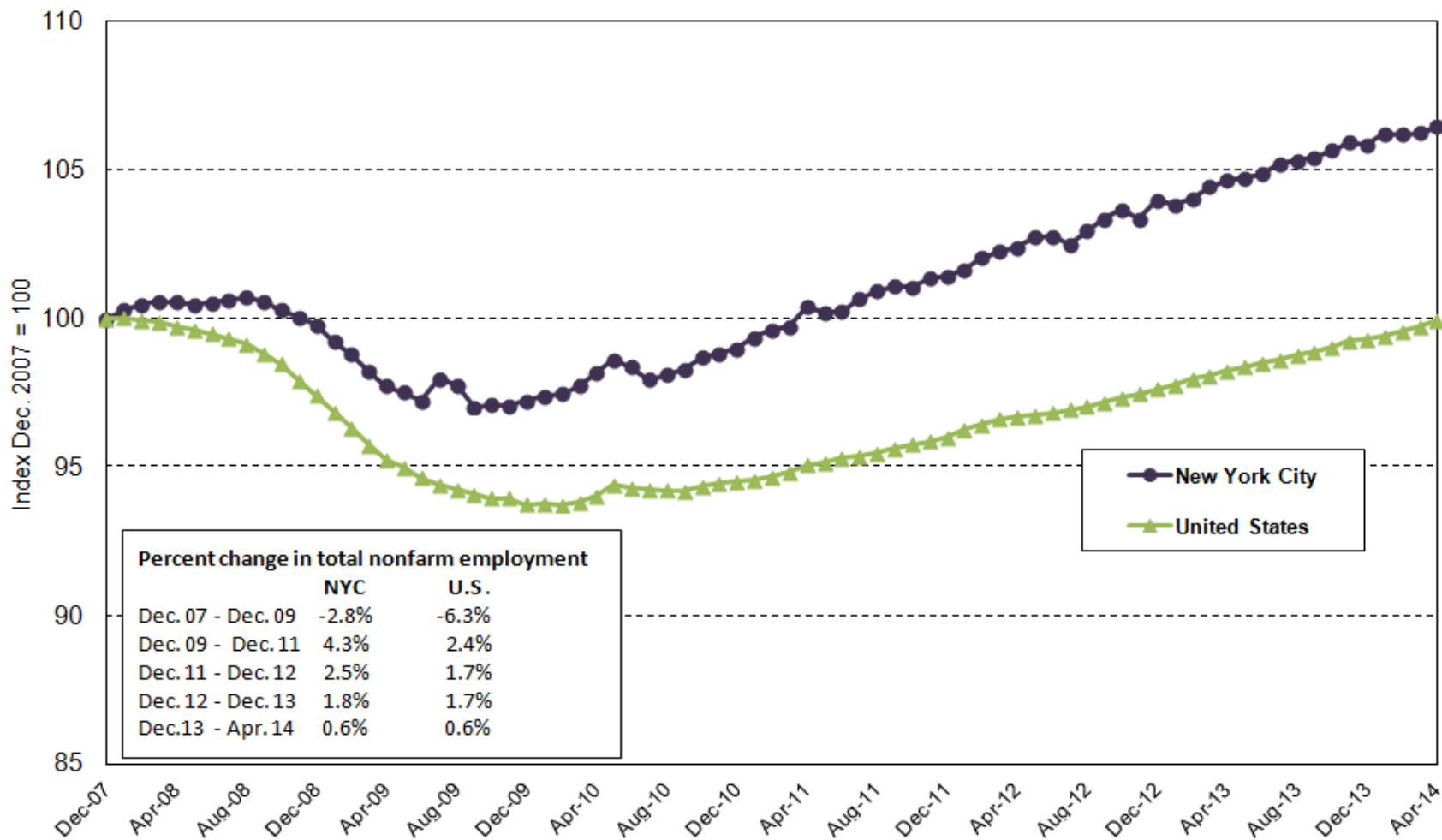
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# **The State of the New York City economy**

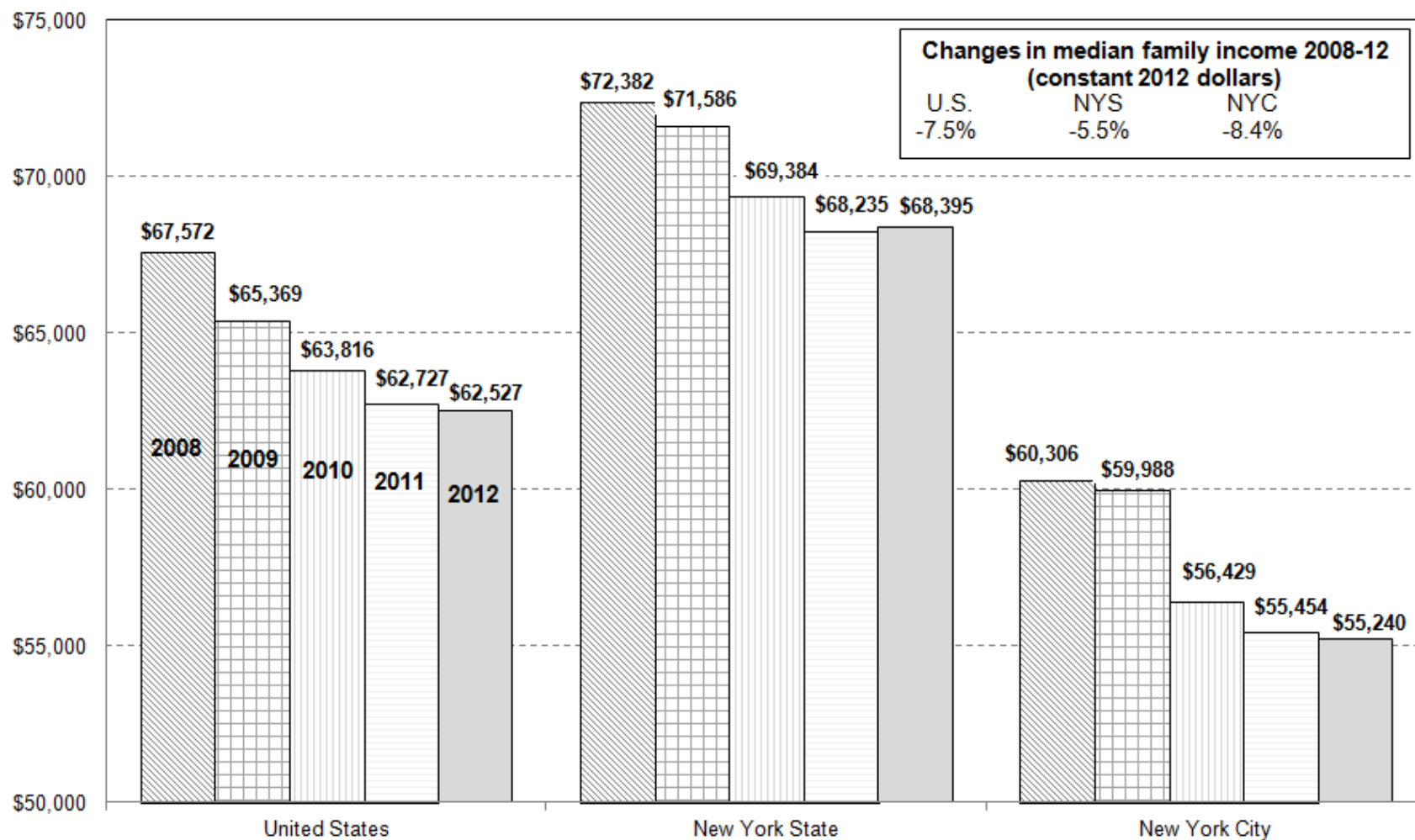
- **Weakest recovery since the 1930s.**
- **While NYC fared better than most parts of the country, median incomes have fallen and poverty has risen.**
- **High and prolonged unemployment continues into a 6<sup>th</sup> year.**
- **Most of the city's job growth has been in low-wage jobs.**

## NYC's job growth in the recovery has out-paced the U.S., which just regained its pre-recession level in May.



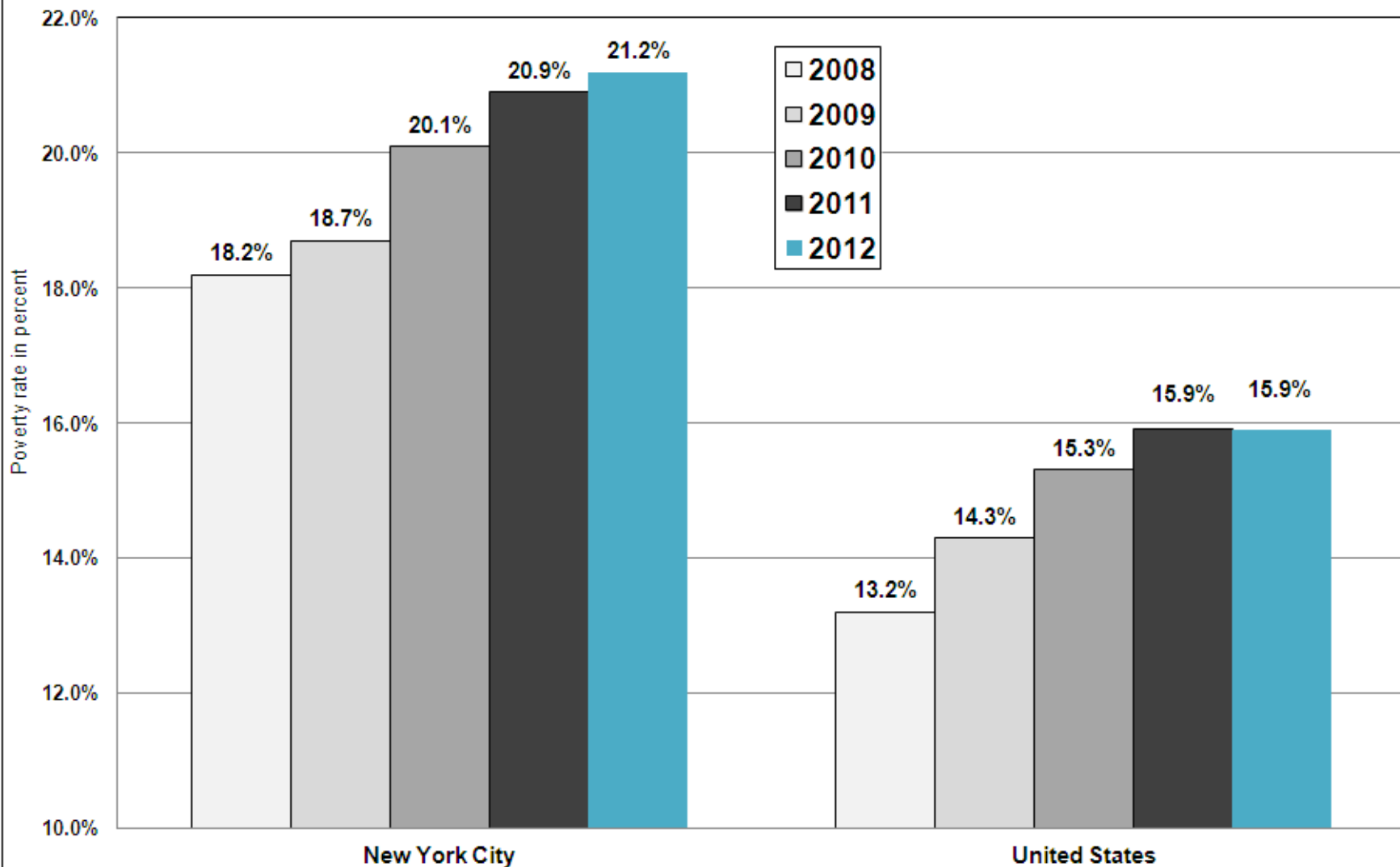
Source: FPI analysis of Bureau of Labor Statistics and NYS Dept. of Labor employment data; FPI seasonal adjustment of NYC employment data.

## Inflation-adjusted median family income has fallen sharply nationally and in New York City and the nation since the 2008-09 recession.



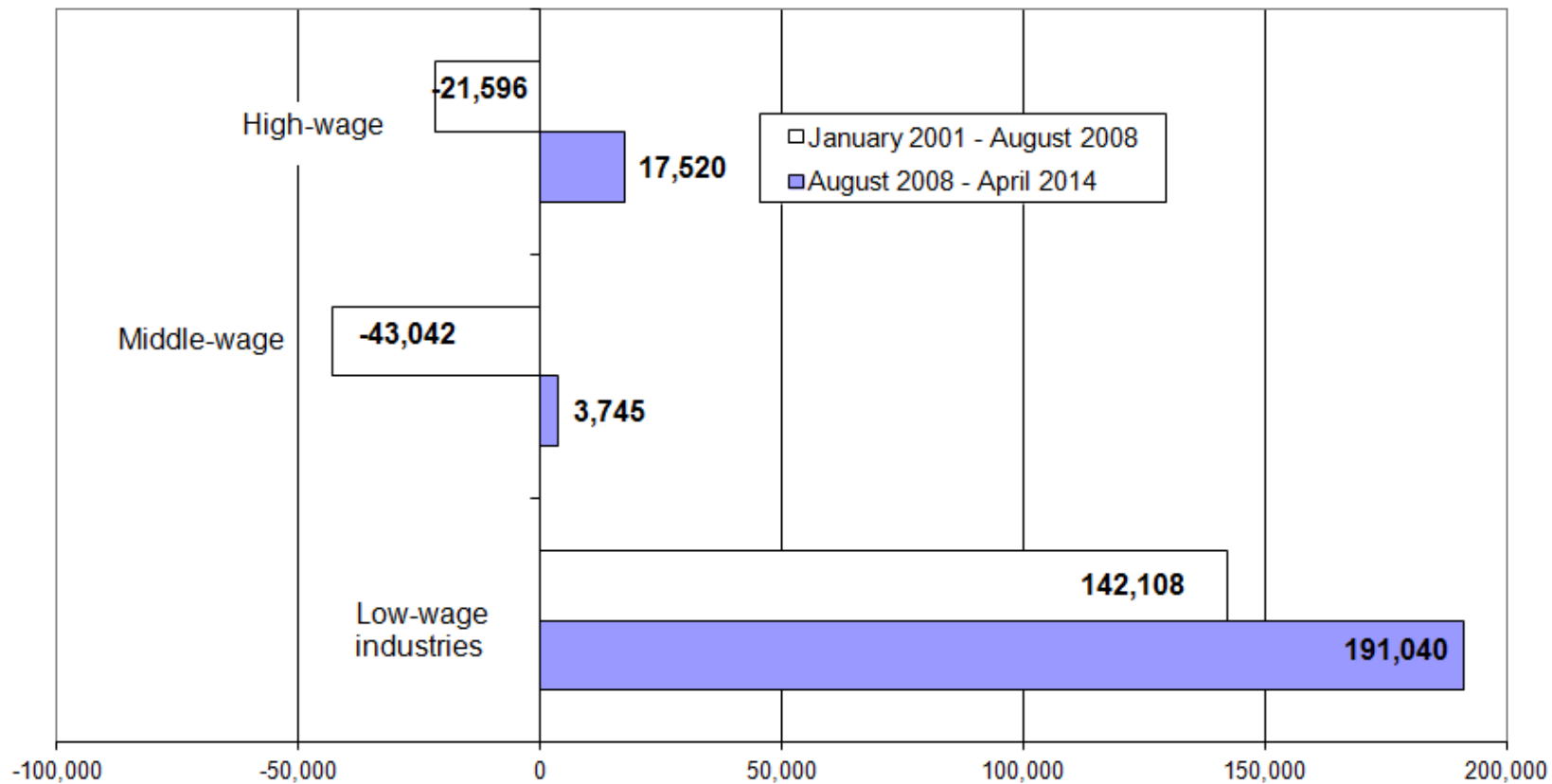
Source: FPI analysis of the American Community Survey (ACS) data for 2008-2012 1-year estimates.

## Poverty has risen sharply in NYC and the U.S. since the onset of the recession.



Source: FPI's analysis of the American Community Survey (ACS) 1-year estimates data 2008-2011

## New York City job growth concentrated in low-wage jobs, Jan. 2001 to Aug. 2008 & Aug. 2008 to Apr. 2014



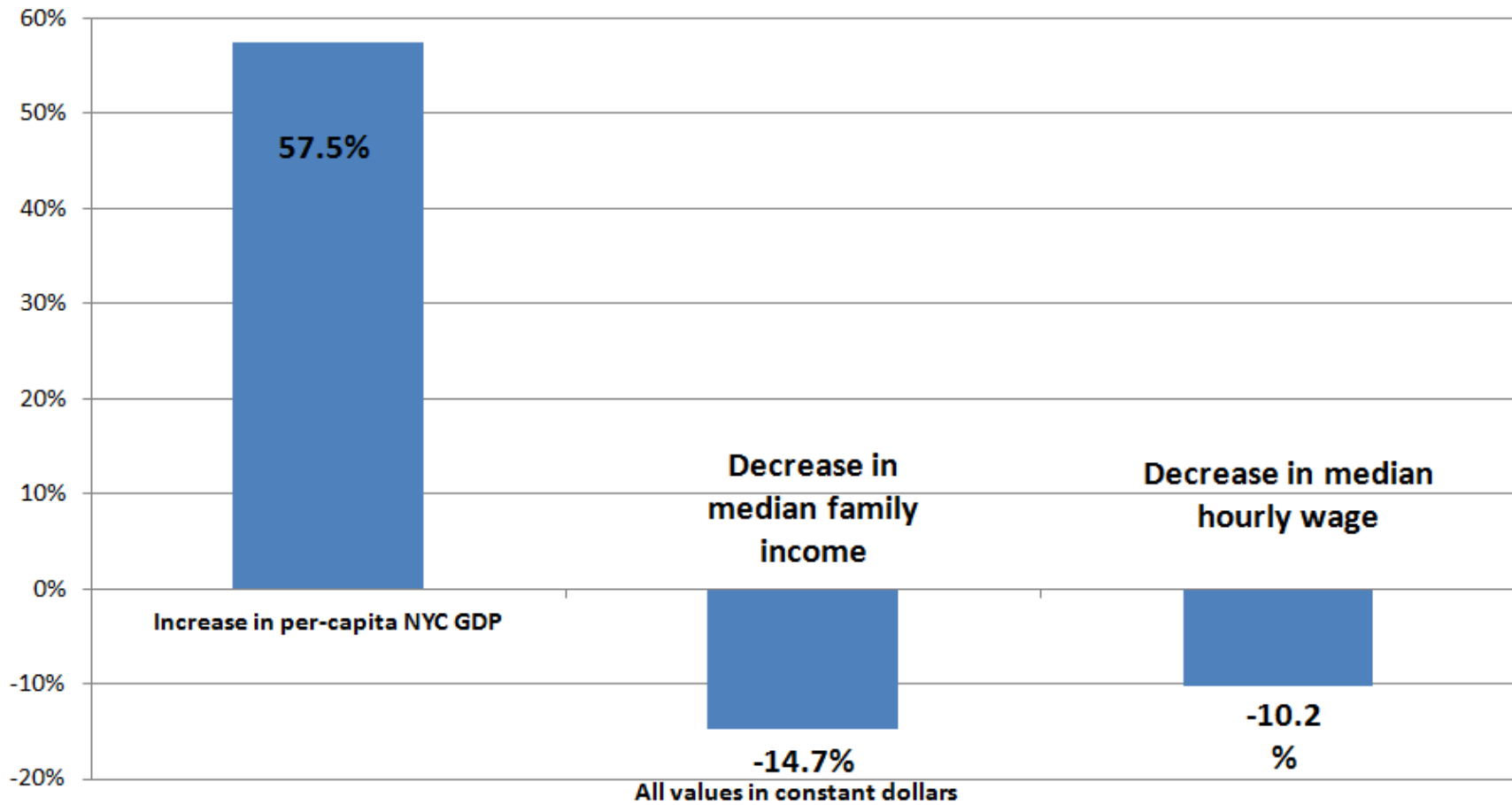
Fiscal Policy Institute analysis. Employment from Current Employment Survey; average wages (2012\$) from Quarterly Census of Employment and Wages. Low-wage industries are those with average wages below \$45,000; High-wage industries have average wages above \$75,000; Middle-wage industries are between \$45,000 and \$75,000.

# **NYC's economic challenge—economic security and opportunity for all**

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- **Economic security entails good jobs, affordable housing, opportunity for children to do better, affordable health care, and retirement security.**
- **Lack of broadly shared prosperity. Polarization is particularly a problem if living standards do not rise for most people.**
- **Increase in working poor and in share of employed city residents making less than \$15 an hour.**
- **Polarization limits growth; increase in wages would boost growth.**

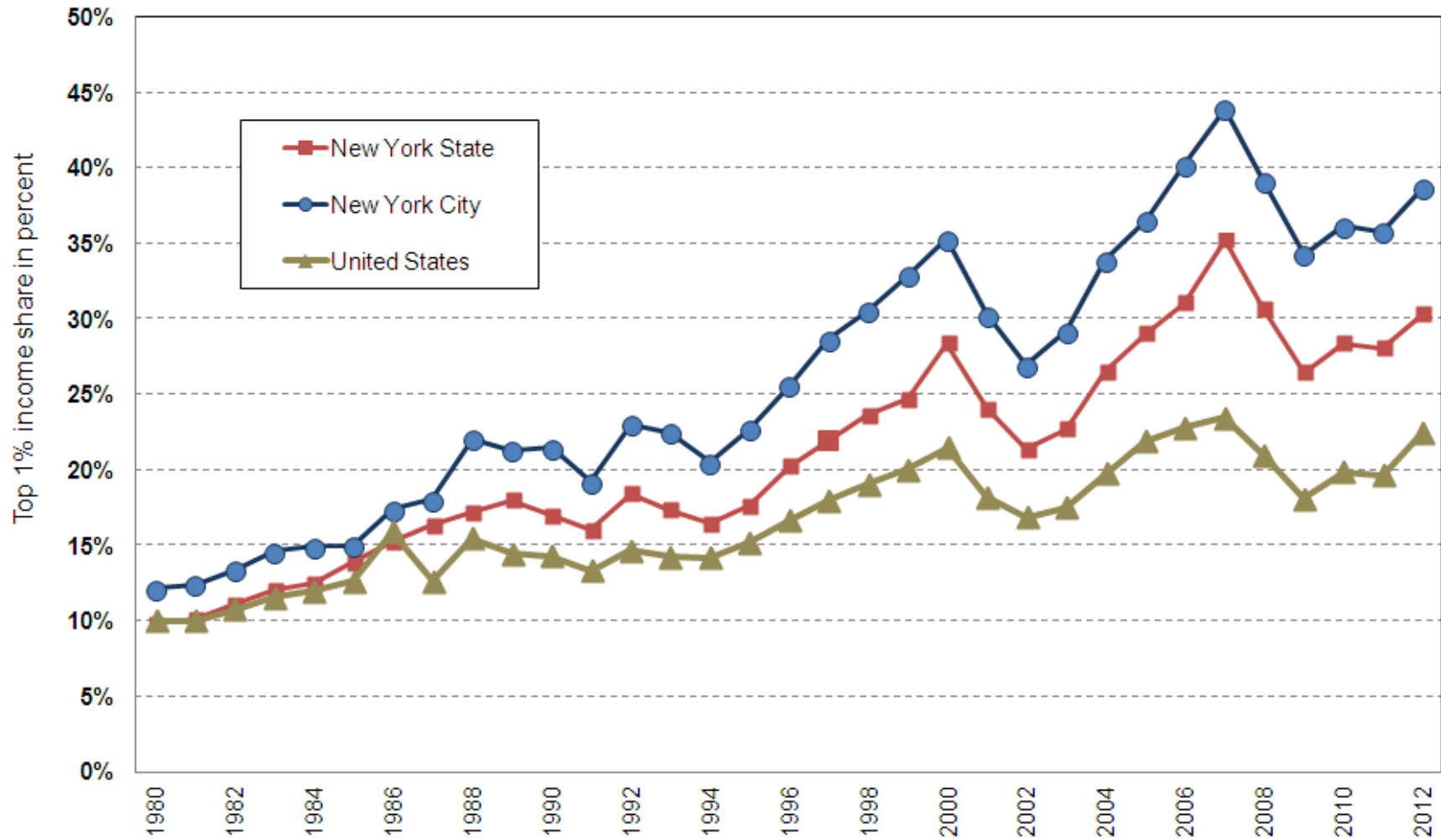
**Most people are not benefitting from NYC's growth. While NYC's per capita real GDP grew by 58 percent from 1990 to 2012, real median family income and hourly wages have fallen sharply.**



Fiscal Policy Institute analysis of data from NYC Office of Management and Budget, NYC Independent Budget Office, NYC City Planning Department; U.S. Census Bureau; Analysis of CPS microdata. Income and wages deflated using NY Metro CPI.



**The income share of the top 1% in the U.S. and New York rose sharply in 2012; in NYC, the top 1% has 39% of all income, three times its 1980 share.**

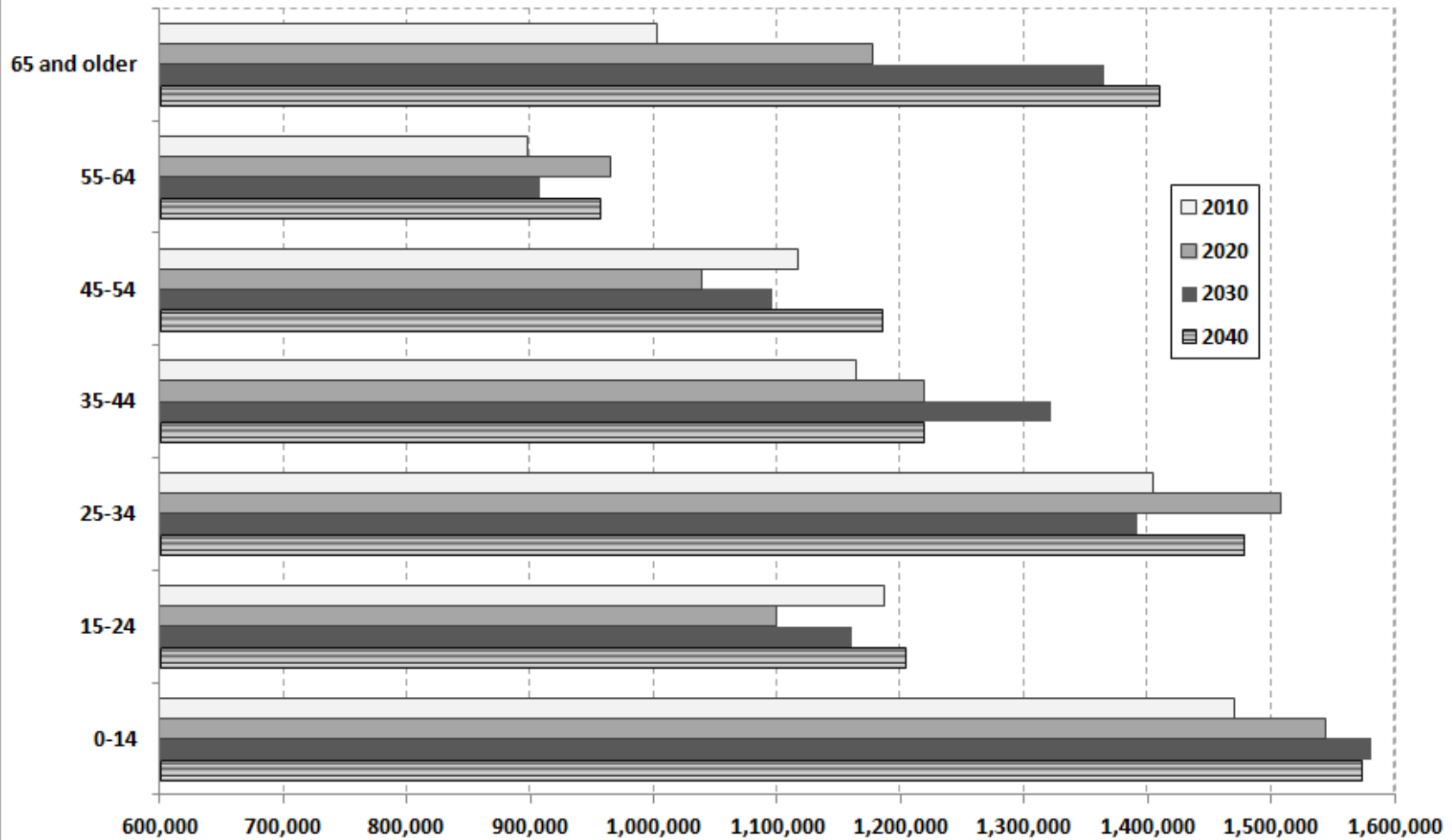


Source: Piketty and Saez's top 1% income share for the US and FPI analysis of NYS Department of Tax and Finance and Division of the Budget data for NYS and NYC top 1% income share, 2011-2012 projected.

# **NYC's aging population and workforce**

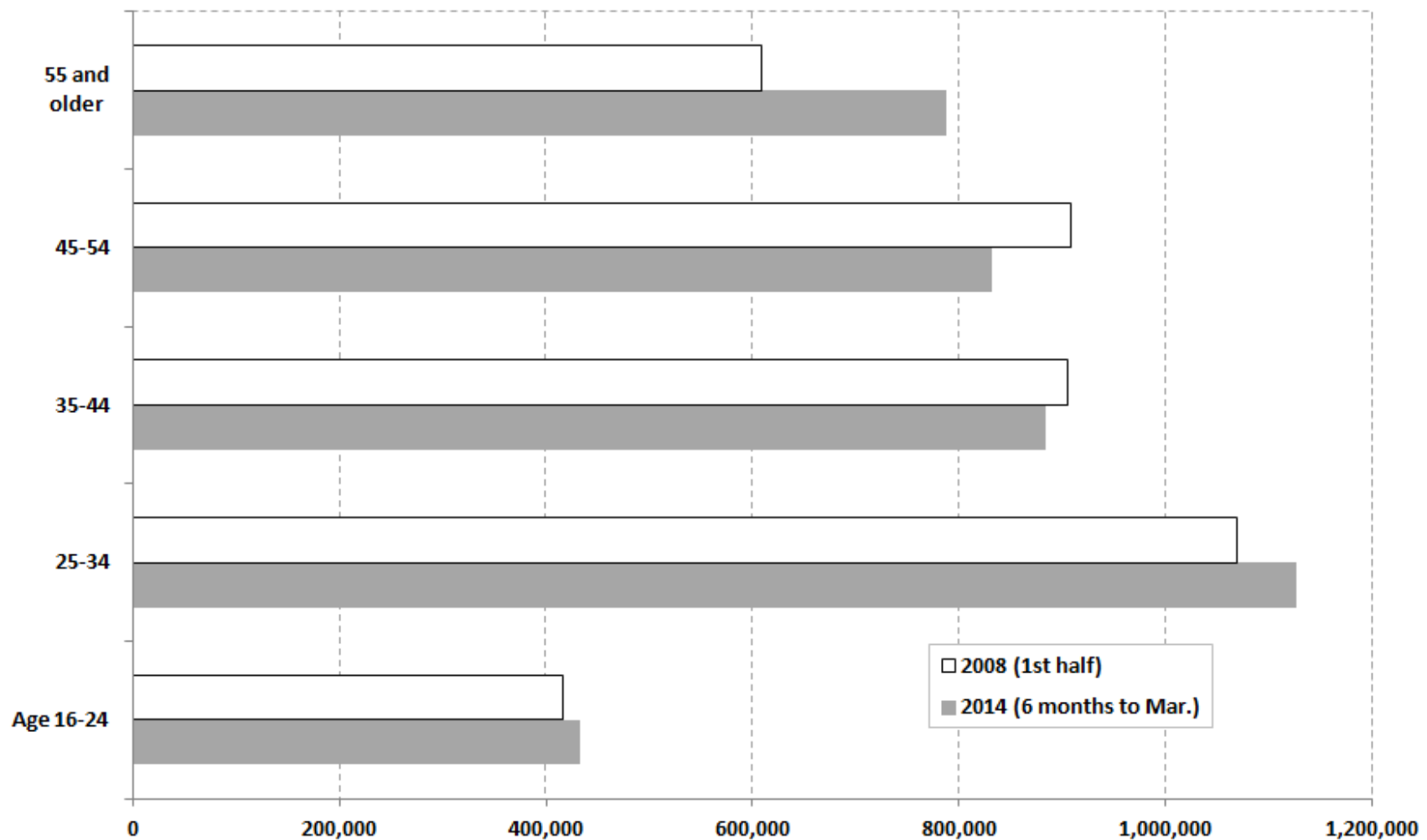
- **2010-40: 40% increase 65+ vs. 10% overall increase.**
- **Over past 6 years (2008-14), the increase in the number of workers 55+ in the NYC workforce accounted for all of the net growth in the city workforce. The increase was several times greater than the growth in the number of those 20-34.**
- **Increased labor force participation among older workers complicates opportunities for younger workers.**

**NYC's total population is projected to grow by 10% from 2010-2040, but the age 65+ component will increase by 40%.**



Note: Total population projection estimates for 2010, 2020, 2030, and 2040 are 8,243,000, 8,551,000, 8,821,000, and 9,025,000 respectively.  
 Source: City of New York Department of City Planning, New York City Population Projections by Age/Sec & Borough, 2010-2040, December 2013.

**With the aging of the baby boom generation, and less retirement security, the 55+ segment is the fastest growing part of NYC's workforce.**



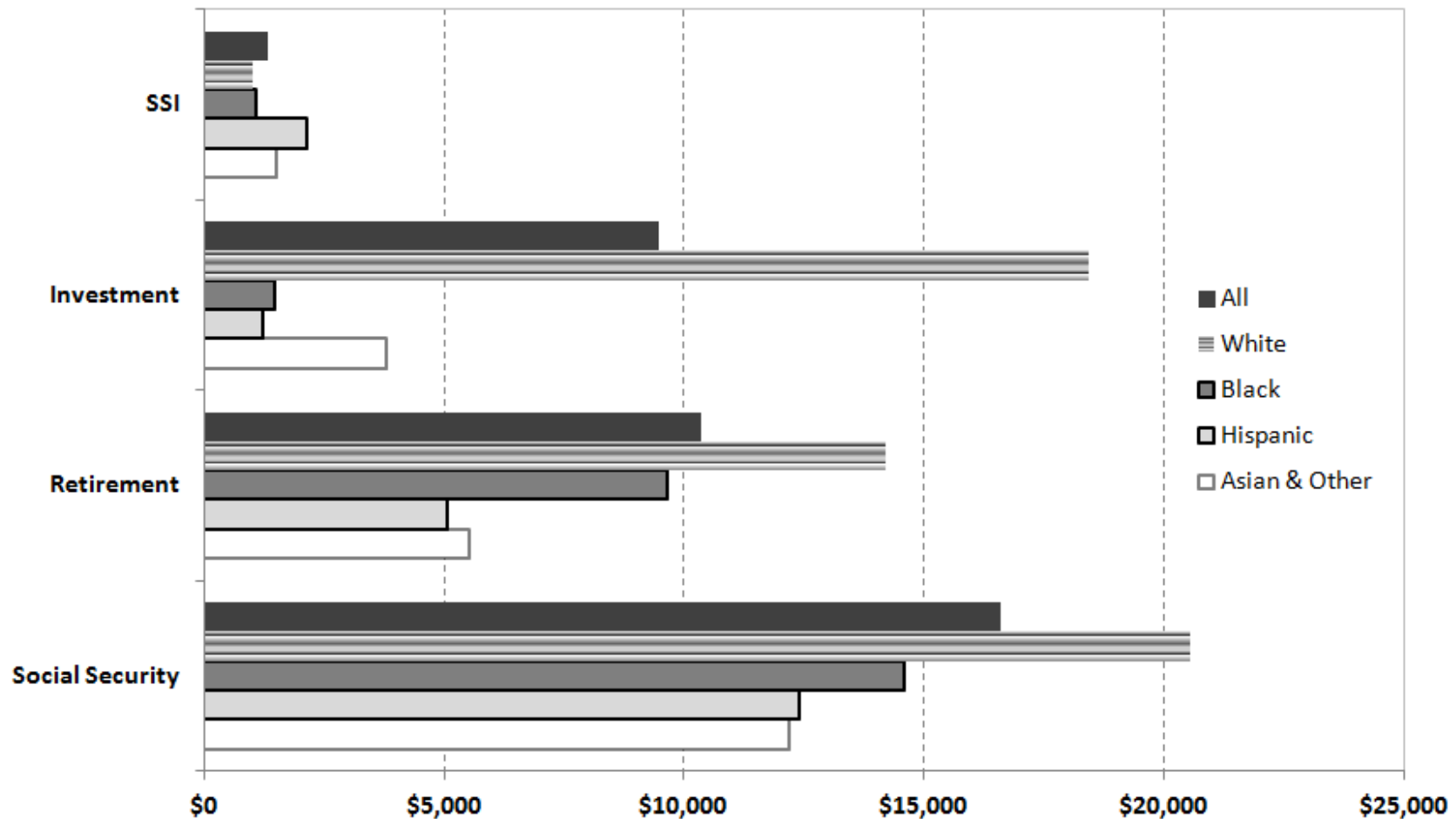
Note: Total NYC labor force estimates for 2008 (1st half) and 2014 (6 months to Mar.) are 3,907,800 and 4,063,600 respectively.  
Source: FPI analysis of Current Population Survey.

**While it is critical to protect Social Security, we should also act to enhance retirement security at a local level.**

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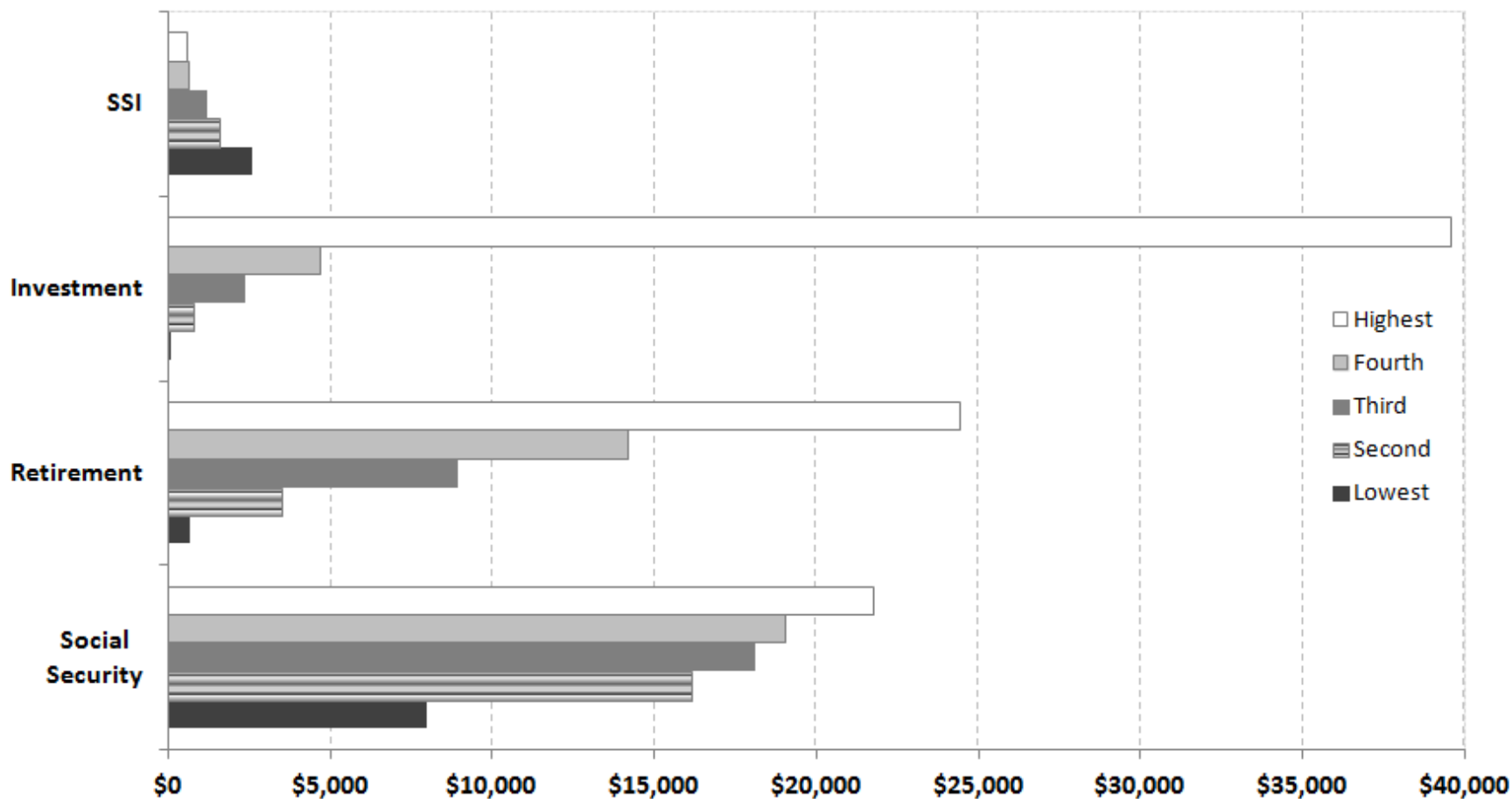
- **Social Security is universal with a long track record.**
- **24% of NYC households receive SS, on average, \$15,422 in 2012. Particularly important for low-income households.**
- **Of the two other legs of the 3-legged retirement stool:**
  - **significant decline in employer-provided pensions,**
  - **most elderly households have very little savings.**
- **When progress to enhance Social Security is not possible, consider other approaches, including at a local level.**

**While white elderly households receive more of each of the three main types of retirement income, the disparity is less for Social Security; NYC, 2010-2012.**



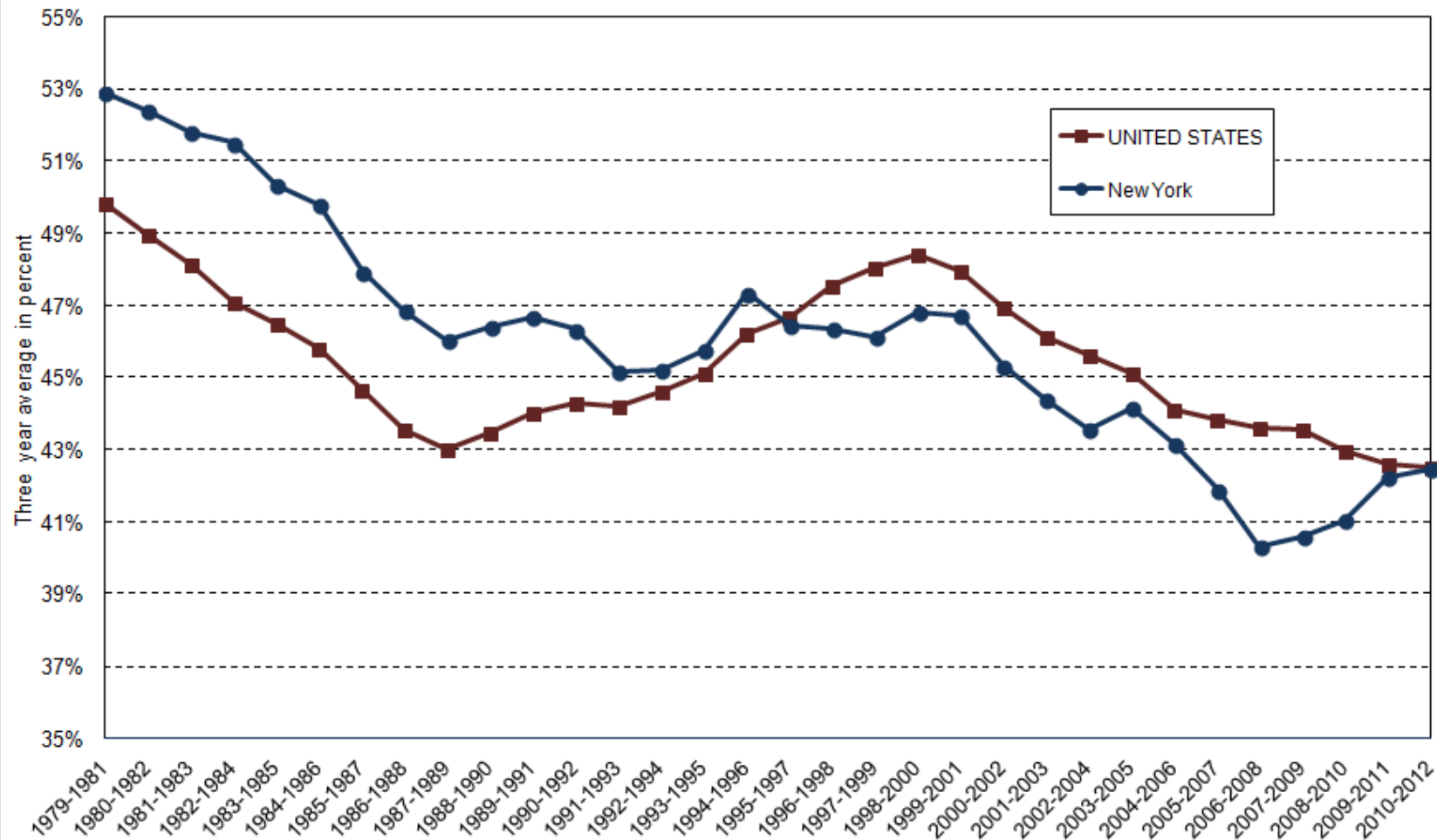
Note: Elderly households with "head of household" 65 or older, race-ethnicity defined by "head of household."  
 Source: FPI analysis of 2010-2012 ACS microdata provided by IPUMS.

**Social Security is the main income source for elderly NYC households; those in the bottom three quintiles receive little from pensions or savings.**



Note : NYC households headed by person 65+; quintile cuts for families at \$21,147; \$38,072; \$63,234; \$109,300.  
 Source: FPI analysis of 2010-2012 ACS microdata provided by IPUMS.

## The portion of New York State private sector workers with employer-provided pensions is much smaller than 30 years ago.



Source: EPI analysis of Current Population Survey March supplement.



# Key summary facts on retirement insecurity in NYC

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- Aging of baby boom generation coupled with less retirement security means greater labor force presence of older workers, yet fewer middle income jobs.
- Decline in employer-provided pensions, and increasingly, those take the form of higher-risk defined contribution rather than defined benefit plans (SCEPA: 59% NYC workers ages 25-64 don't have retirement plan).
- Lack of retirement plan more prevalent among NYC persons of color (SECPA: 45% of white non-Hispanics lack a plan, but 50-59% of persons of color lack a retirement plan).
- Many households have limited savings (SCEPA: 40% of households 55-64 have less than \$10,000 in liquid assets).
- Social Security is the main form of income in retirement for all but the wealthiest 20% of New Yorkers; 60% of households receive less than \$11,000 a year between pension and investment income to supplement Social Security.

# Policy conclusions

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- Address broader economic insecurity rooted in the job market
  - Raise low wages
  - Increase unionization
  - Improve enforcement against misclassification and wage theft
- Enhance retirement security
  - Protect and expand Social Security
  - Maintain public and private sector pensions, maintain DB vs. DC
  - Examine local government-operated retirement security approaches