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New Report on the State of Working New York: Modest Improvements in Wages, but Troubling Long-Term Trends Upstate Regions Gain Jobs, Led by Buffalo Metro Area

Four years into an economic expansion, New Yorkers finally got a slight raise last year, according to this year's edition of *The State of Working New York*, released today by the Fiscal Policy Institute. Real median wages were up for the first time in four years, increasing by 1.7 percent in 2006.

One important reason earnings increased, the report concludes, is New York State's new minimum wage of \$7.15/hour. The minimum wage was raised in three stages since January of 2005. "Opponents of the increase predicted that it would cause widespread job loss," says James Parrott, chief economist of the Fiscal Policy Institute. "But today, we see the best of both worlds: job growth together with improvement in wages."

Still, on the whole, the increases are only modest. "It's encouraging finally to see some improvement in wages," says Fiscal Policy Institute's executive director, Frank Mauro. "But, four years into an economic expansion we would hope to see much stronger and more sustained gains than these."

An encouraging aspect of the recent growth is the evidence of growth in the upstate economy. Led by the Buffalo metropolitan area, payroll job growth in Western and Northern New York was 0.8 percent for the 12 months ending this past July, the best relative job growth for Western and Northern New York in over a decade. And between 2004 and 2006, most upstate metropolitan areas rose in national rankings of per capita income growth.

The modest gains are set against some worrisome long-term trends, according to the report.

Among the central concerns are:

- *A wage-productivity gap.* Productivity has been increasing rapidly, but workers are not sharing in the gains. Productivity has grown by a strong 1.7 percent a year, while wage growth averaged less than 0.2 percent a year.
- *A reduction in benefits and social insurance for workers.* Employers are misclassifying an increasing number of workers as “independent contractors,” stripping them of the protection of workers compensation and unemployment insurance, overtime pay, sick leave, and of employer co-payment of Social Security taxes. Employee misclassification now affects nearly 10 percent of all workers in New York.
- *Economic polarization and high levels of poverty.* Census data for 2006 show that New York again has the greatest level of economic polarization of all 50 states. Census data may even understate the extent of polarization. While the Census data show the top five percent of New York households receiving 25 percent of the income, the more definitive income tax data from the State Division of Budget show the wealthiest five percent of taxpayers accounting for nearly half (47 percent) of all income. New York also has the dubious distinction of having both high per capita income and high poverty. Poverty rates in the upstate cities are around 30 percent, much higher than the state overall, which in turn has a higher poverty rate than the nation as a whole.
- *Getting a job still isn't enough to lift families out of poverty.* The number of working families who are poor is much higher today than it was in 1990, despite a greater number of poor people who are working. The percentage of people in working families who are poor is up from six percent in 1990 to ten percent in 2005; some 800,000 New Yorkers from working families live in poverty. A third of all children in working families in New York State (nearly half, 47 percent, of those in New York City) live in families with incomes less than twice the poverty level.

“The New York economy looks better for workers today than it did a year ago, but it is still far from healthy,” according to Parrott. “Workers are taking home a decreasing fraction of the value they are creating, they have less economic security, and there is deep-seated economic polarization.”

The Fiscal Policy Institute (FPI) is a nonpartisan research and education organization that focuses on tax, budget, and economic issues that affect the quality of life and the economic well being of New York State residents. FPI reports are available at www.fiscalpolicy.org.

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