

# Patterns of Income Polarization in New York City

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Social Movements in 21<sup>st</sup> Century New York City

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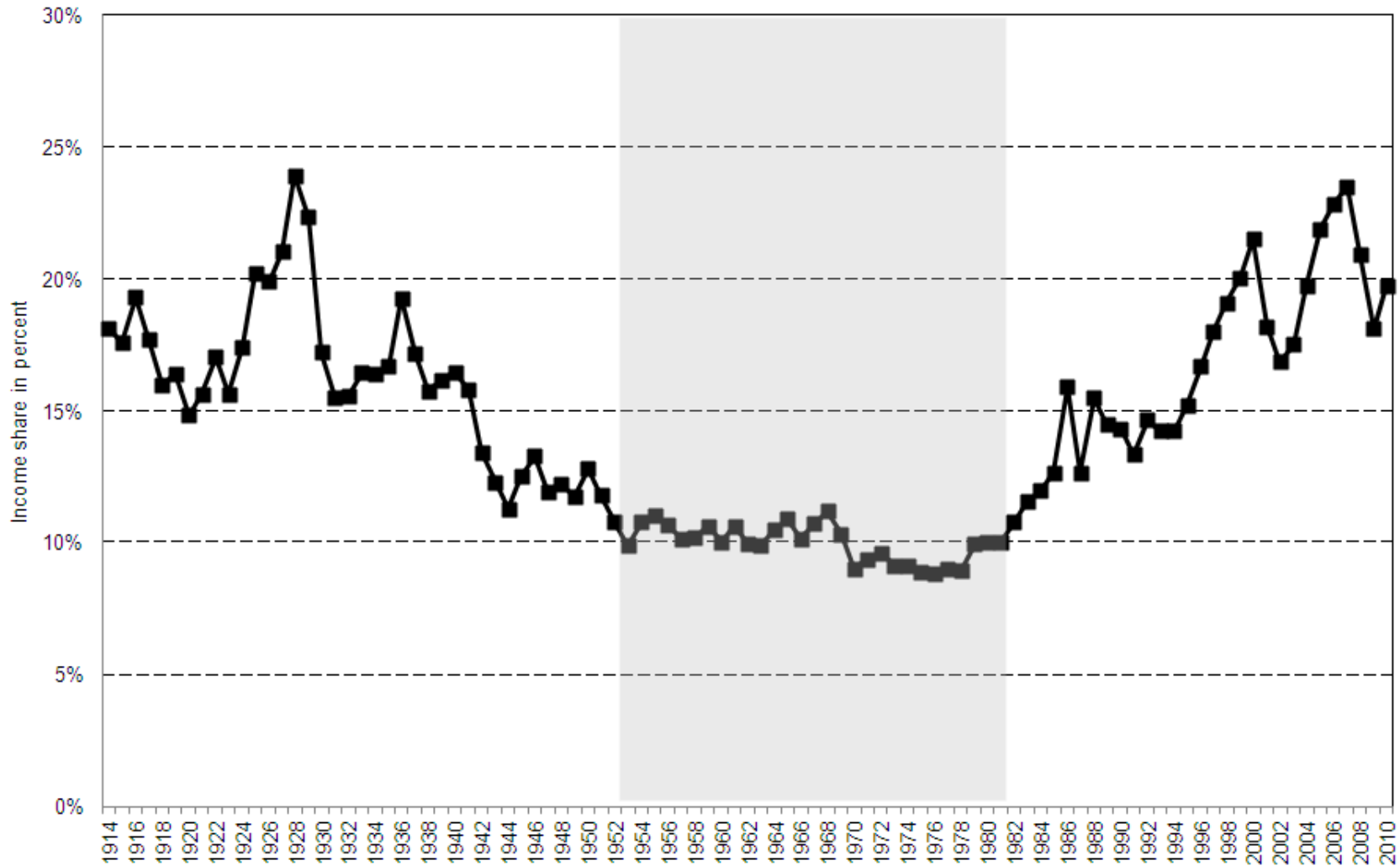
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# Overview

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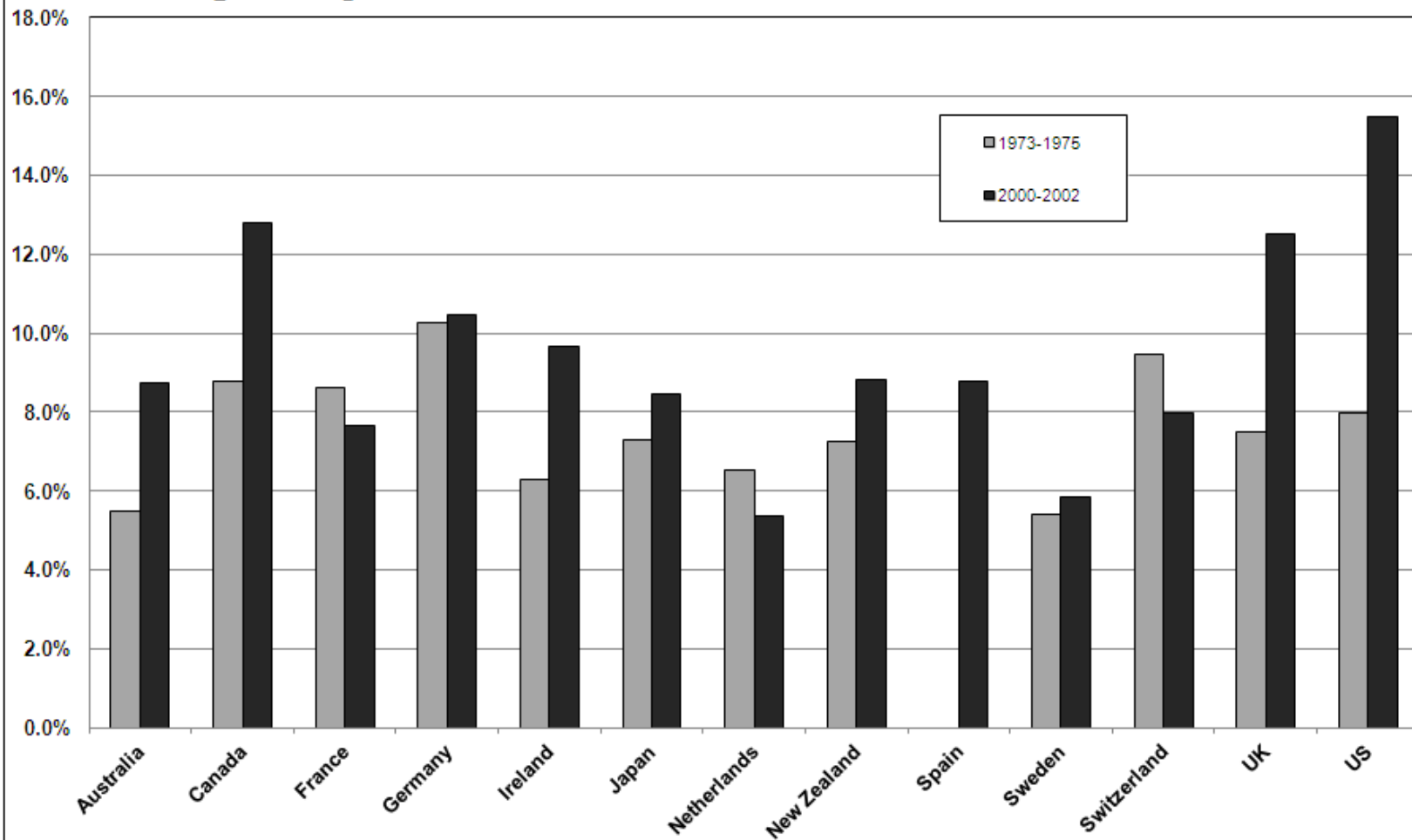
- National context of pronounced income polarization
- New York City trends
- Factors affecting NYC trends
- Policy matters, even (especially) at a local level

**During the heyday of America's middle class (1950-80), the top 1% had about 10% of total income. Now, it is back to 20%**



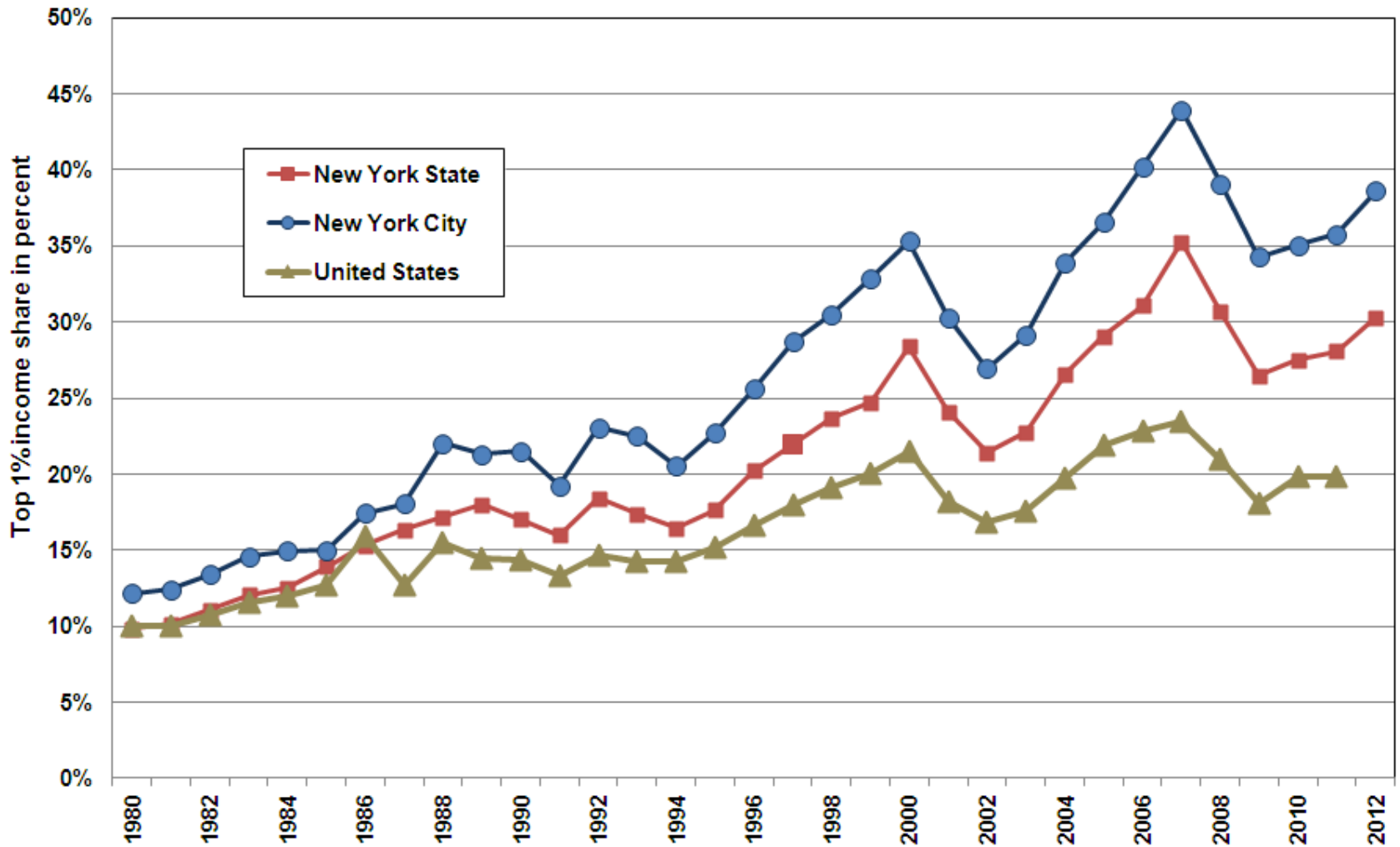
Source: Piketty and Saez's analysis of the US income share (<http://www.econ.berkeley.edu/~saez/index.html>)

## Income concentration at the top is greater in the United States than in other leading developed countries



Source: Andrew Leigh's compilation of international comparison of top 1% income share in selected countries (<http://people.anu.edu.au/andrew.leigh/>)

**Polarization is not over; the income share of the top 1% in New York has started to rise again, as was the case after previous recessions.**



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, 2010-2012 projected.

**There has been considerable growth in the NYC economy since 1990 (2.9% annually), and higher educational attainment but it has not meant lower poverty, or higher real wages or higher family income for most New Yorkers; however, the income share of the top 5% and average Wall Street doubled.**

	1990	2007	1990-2007
Real NYC Gross Domestic Product (billions, \$2005)	\$365.3	\$595.0	62.9%
Per Capita Real Personal Income, NYC (\$2007)	\$42,332	\$50,725	19.8%
Real Hourly Median Wage, NYC (\$2007)	\$17.00	\$15.53	-8.6%
Real average annual Wall Street salary (including cash bonus) (\$2007)	\$190,400	\$403,358	111.8%
Real Median Family Income, NYC (\$2007)	\$46,017	\$45,000	-2.2%
Poverty Rate, NYC	19.3%	18.5%	- 0.8 ppts
Percent of age 25-64 workforce with bachelor's degree or higher, NYC	26.0%	35.3%	+ 9.3 ppts
Avg. earnings for F-T, yr.-rd. NYC worker w/ B.A. or better, age 25-34	\$60,627	\$57,000	-6.0%
<b>Income Shares</b>			
(9) Share of Total NYC income received by the top 5 percent ( in 2007, incomes above \$167,400)	30.0%	58.0%	+ 28.0 ppts
(10) Share of Total NYC income received by the "middle" 45 percent (the 51st to the 95th percentile, in 2007, income range from \$28,800	53.2%	34.1%	- 19.1 ppts
(11) Share of Total NYC income received by the "bottom" 50 percent (in 2007, incomes below \$28,800)	15.8%	7.9%	- 7.9 ppts.

Sources: NYC OMB, BEA, CPS, ACS and FPI analysis of NYS tax data.

**While New York City real median family incomes were flat between 2000 and 2010, median family incomes rose an average of 55 percent in 8 high-income neighborhoods.**

	Median family income (2010)	% change in real median family income 2000-10	% poor or near-poor	ppt. change in poor or near-poor 2000-10
<b>New York City, all neighborhoods</b>	\$53,000	0.4%	37.3%	2.3%
<b>High-income neighborhoods</b> Median family incomes of \$91,000 and above	\$129,100	55.1%	18.4%	0.3%
<b>Middle-income neighborhoods</b> Median family incomes between \$50,000 and \$85,000	\$61,600	-3.0%	30.6%	3.1%
<b>Low-income neighborhoods</b> Median family incomes between \$24,000 and \$47,000	\$38,000	-0.2%	49.9%	2.2%

Source: Fiscal Policy Institute analysis of 2000 Census and 2010 American Community Survey.

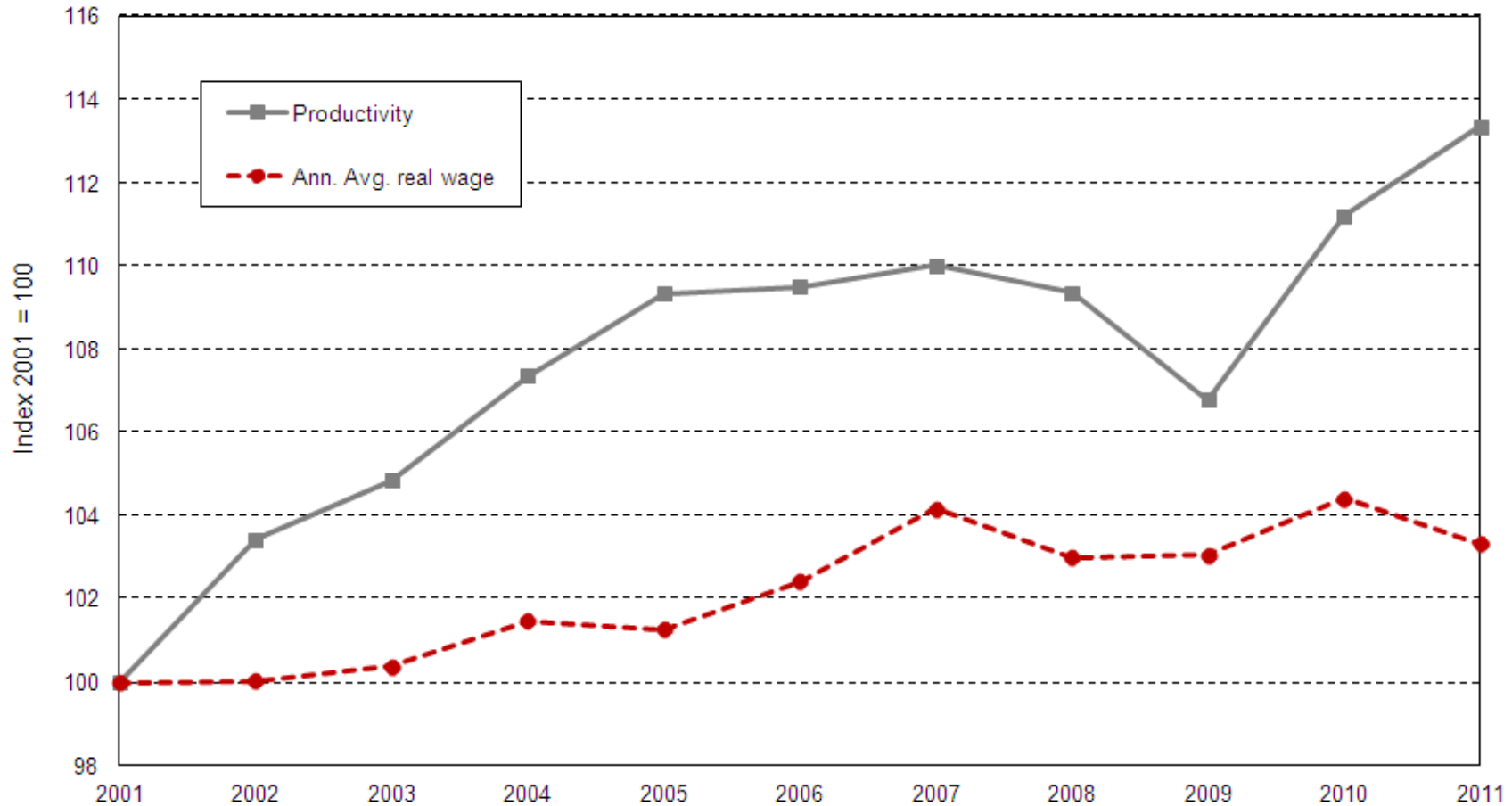
## Gini index in 25 largest cities in the US, 2011

City	State	Gini Index *	Ranking
New York City	NY	0.543	1
Boston	MA	0.541	2
Dallas	TX	0.541	3
Houston	TX	0.529	4
Los Angeles	CA	0.529	5
Chicago	IL	0.519	6
San Francisco	CA	0.515	7
Charlotte	NC	0.511	8
Philadelphia	PA	0.507	9
Denver	CO	0.504	10
Memphis	TN	0.502	11
Baltimore	MD	0.496	12
Detroit	MI	0.496	13
Austin	TX	0.492	14
Seattle	WA	0.491	15
Nashville	TN	0.484	16
Jacksonville	FL	0.473	17
Phoenix	AZ	0.472	18
El Paso	TX	0.469	19
Indianapolis	IN	0.468	20
Fort Worth	TX	0.467	21
San Diego	CA	0.465	22
San Antonio	TX	0.457	23
Columbus	OH	0.454	24
San Jose	CA	0.454	25

Source: FPI analysis of 2011 American Community Survey data

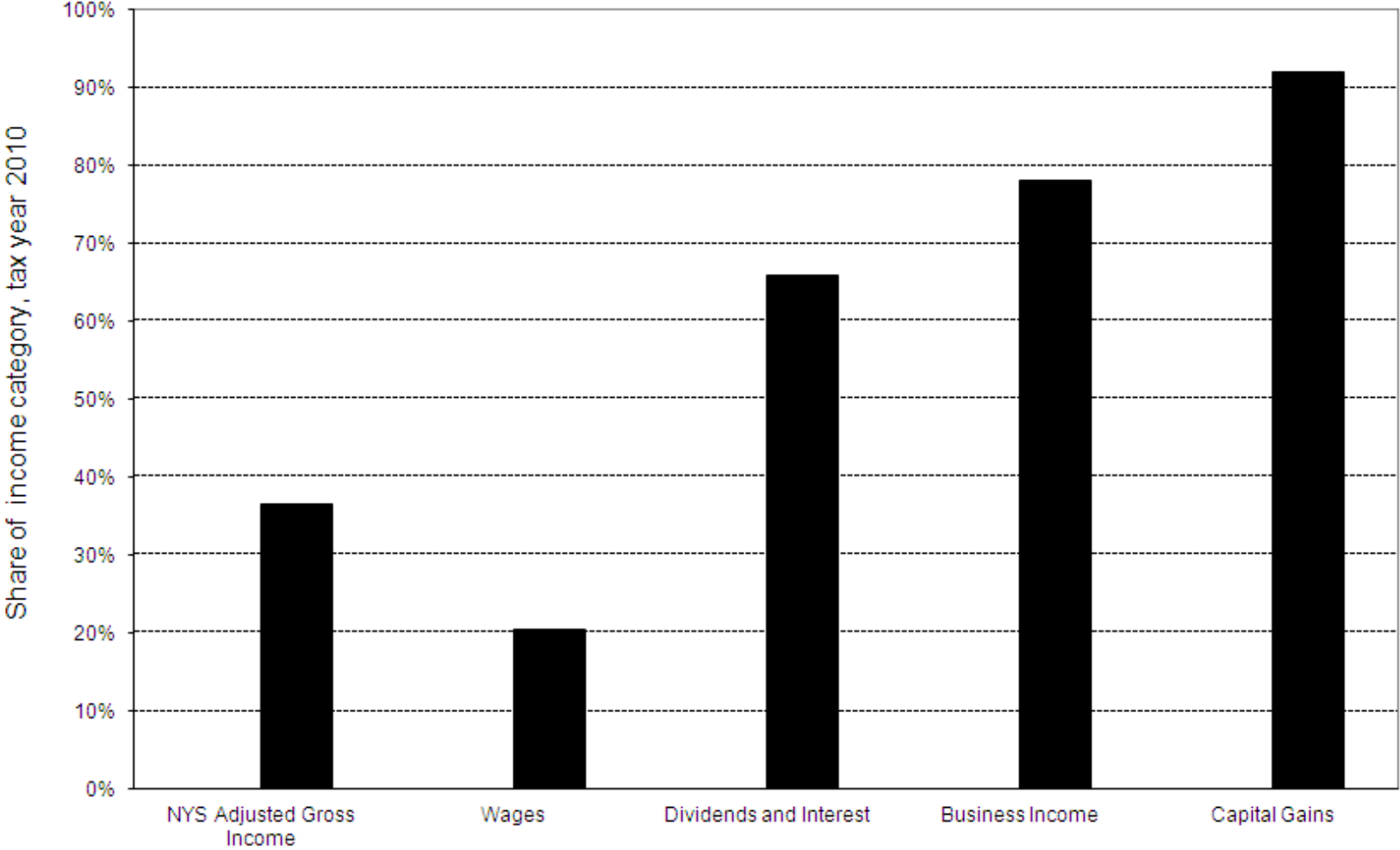


**Average wages for New York State workers have not kept pace with productivity over the past decade; productivity gains have boosted profits instead.**

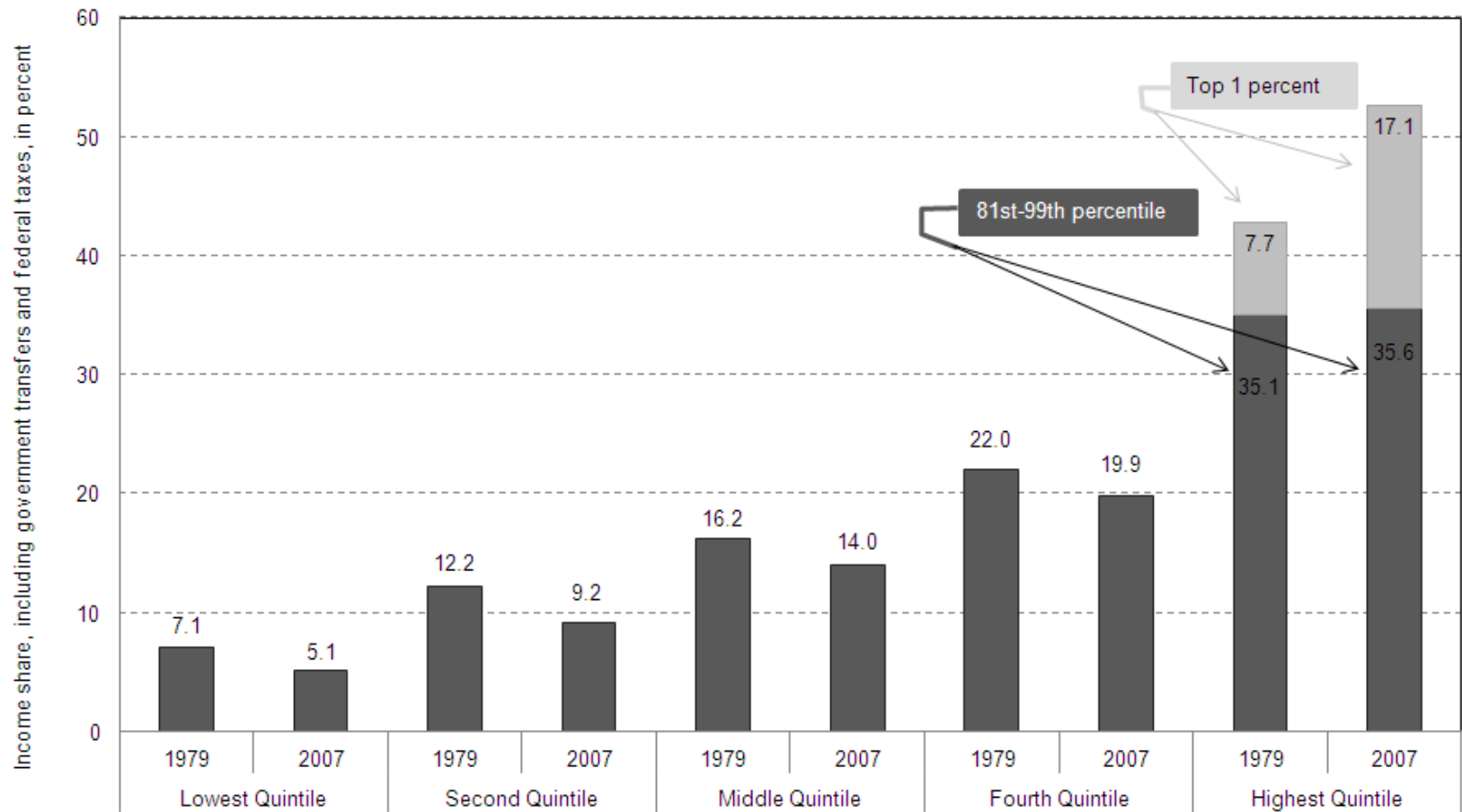


Source: FPI analysis of Bureau of Economic Analysis NYS non-finance GDP and employment data and NYS DOL annual average wage data, excluding finance, insurance and real estate.

# NYC's top 1% has 20% of all wages, and 65-90% of other major forms of income

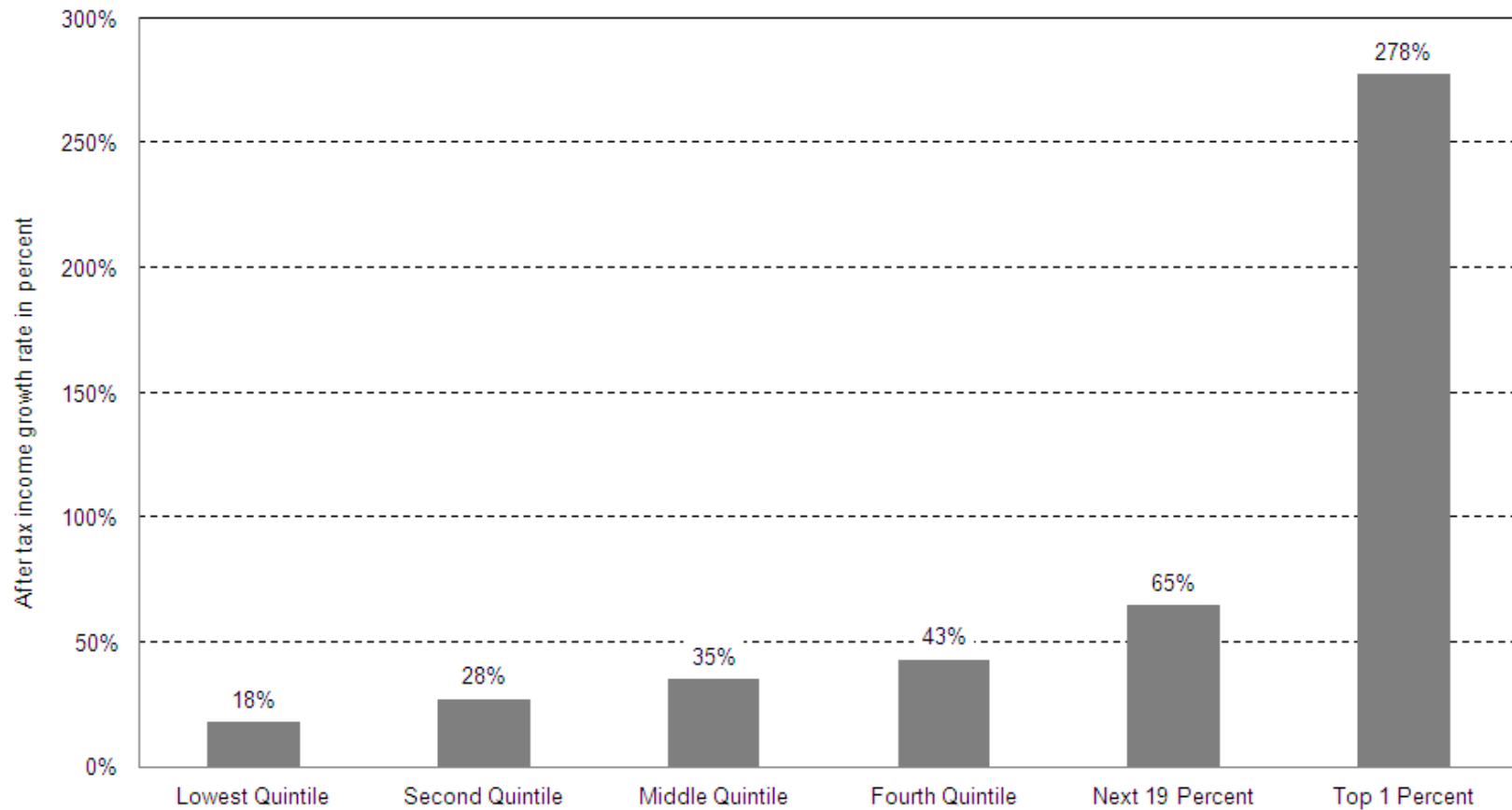


## Income concentration at the top was not significantly moderated by federal taxes and government transfers, U.S., 1979-2007.



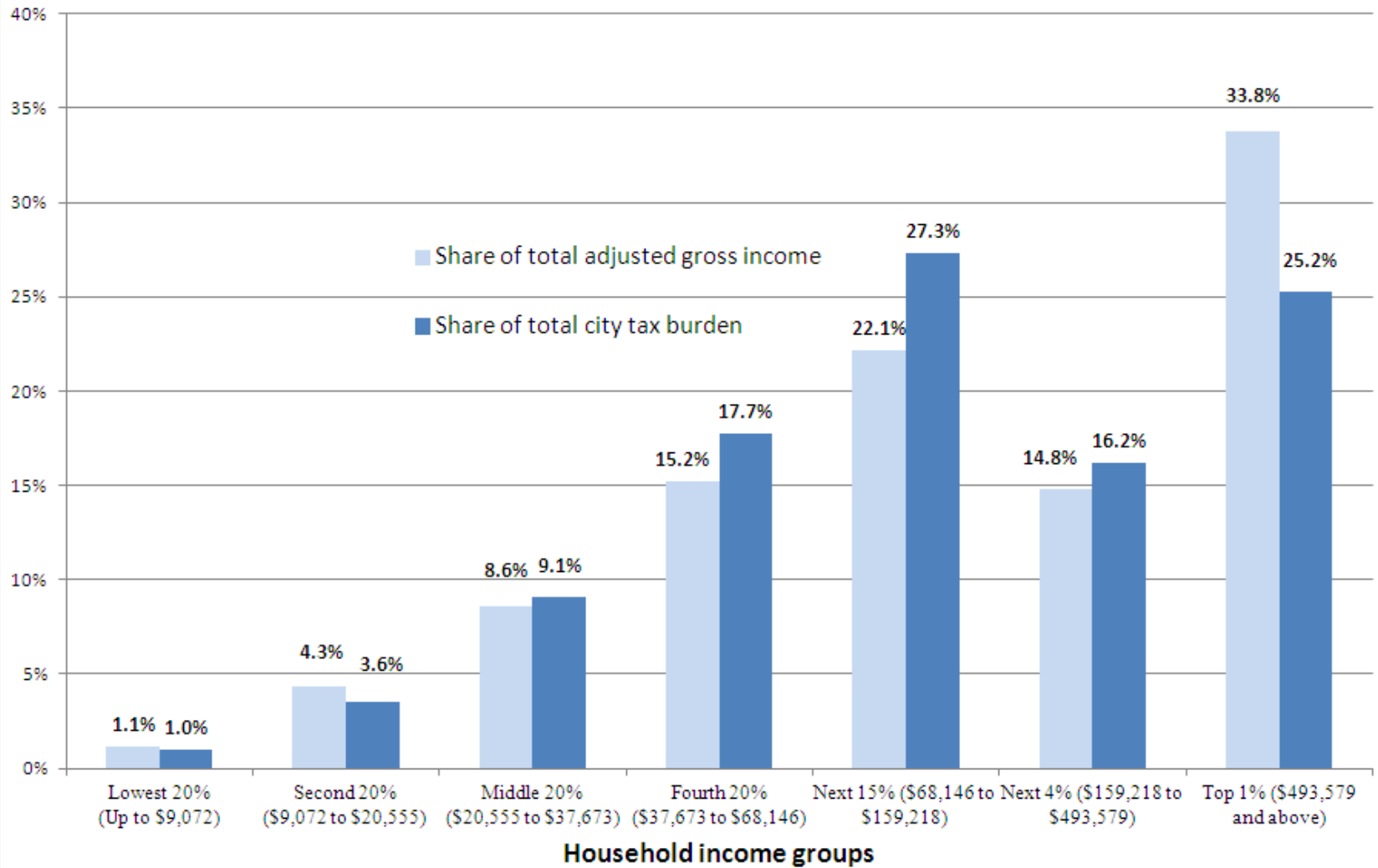
Source: Congressional Budget Office, *Trends in the Distribution of Household Income Between 1979 and 2007*, Washington, D.C.: Oct. 2011.

**Real after-tax income grew much faster for the top 1 percent than for all others from 1979 to 2007.**

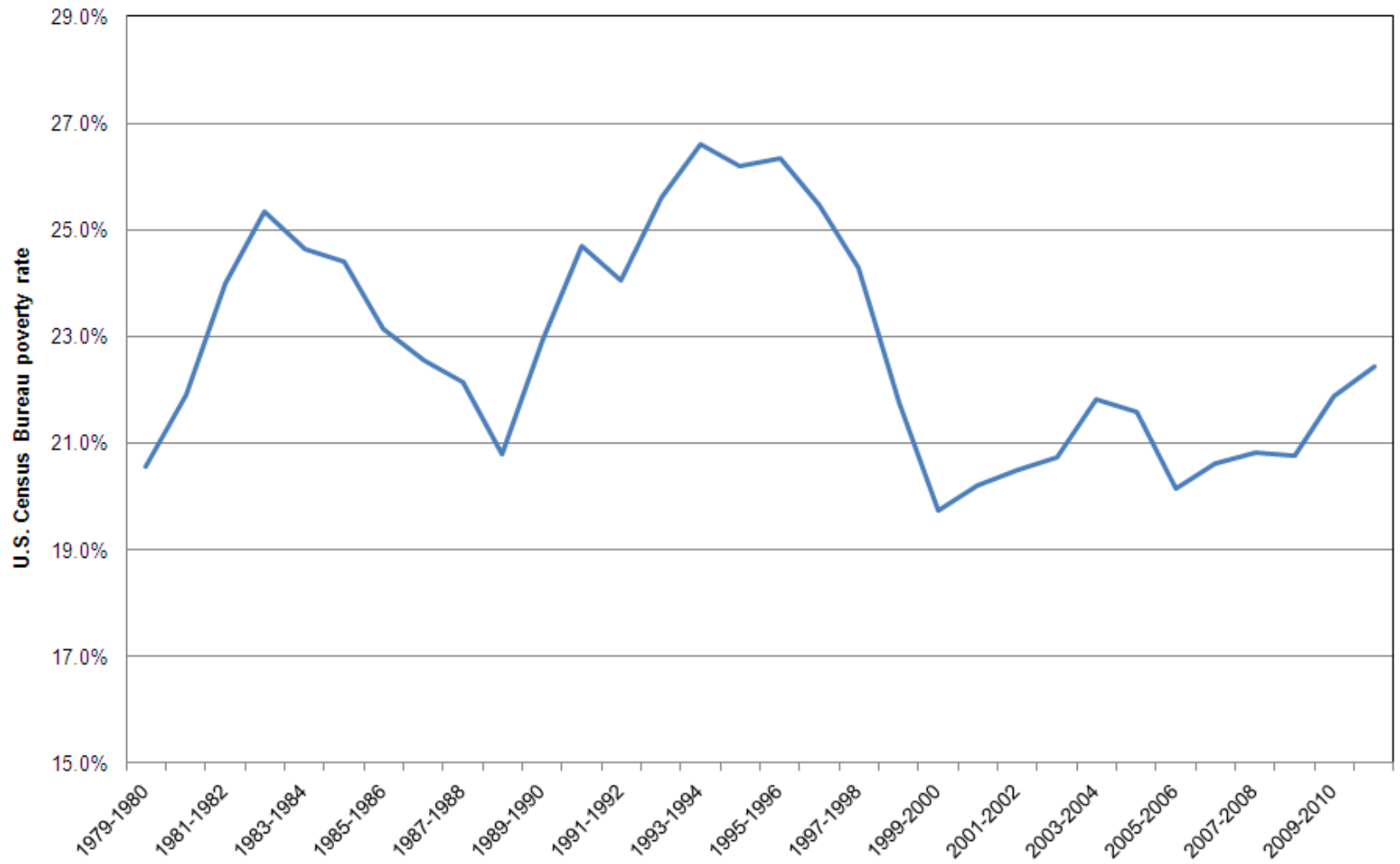


Source: Congressional Budget Office, *Trends in the Distribution of Household Income Between 1979 and 2007*, Washington, D. C.: October 2011.

## Income group shares of total city income and total city taxes, New York City, 2010

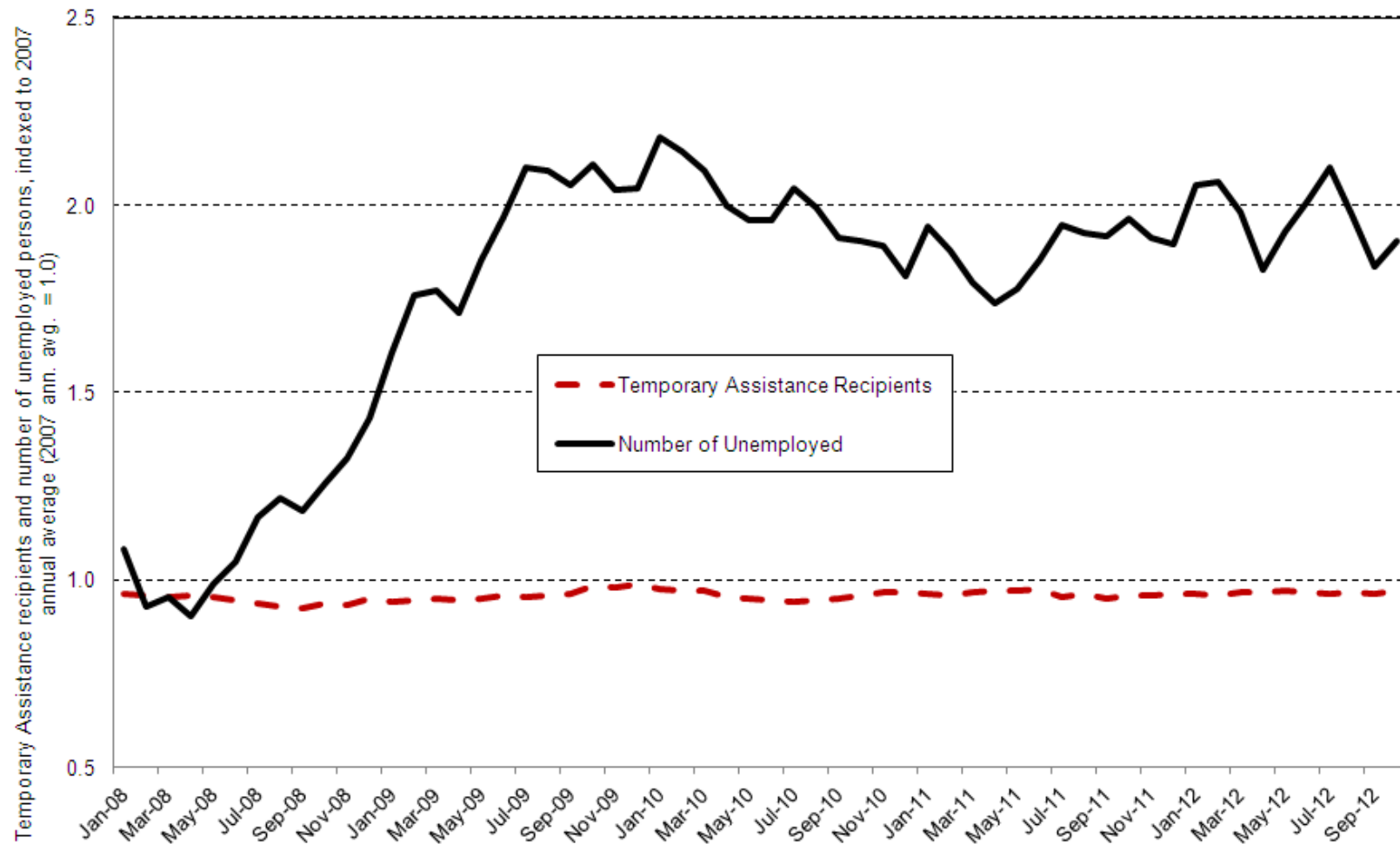


### **There has been no sustained reduction in poverty in New York City over decade or over the past 30 years**



Source: Tabulated from U.S. Bureau of the Census, Current Population Survey, March 1968-2012

**Since 2008, unemployment in New York City has increased sharply, while the number of Temporary Assistance recipients is unchanged.**



Source: FPI analysis of Office of Temporary Disability Assistance and New York State Department of Labor LAUS unemployment data (not seasonally adjusted).

# Equality of Opportunity Project findings

Composite Ranking Among 20 Largest CZs, Three Major Mobility Measures			Absolute Mobility	Relative Mobility (lowest ranks highest)				Rank among 20 largest areas
Commuting Zone	State	Population (2000)	Expected Child Income Rank for Parents with at the 25th Pctl in National Distribution	Avg. Pctl. For Child Born to Richest Parents minus Avg. Pctl. For Child Born to Poorest Parents	Probability Child with Parent Income in the First Quintile Reaches the Fifth Quintile		Composite average rank	
San Francisco	California	4,642,561	4	3	1	✓	2.7	1
San Diego	California	2,813,833	5	2	2	✓	3.0	2
Boston	Massachusetts	4,974,945	1	8	5	✓	4.7	3
Los Angeles	California	16,393,360	7	1	7	✓	5.0	4
Seattle	Washington	3,775,744	8	6	3	✓	5.7	5
Sacramento	California	2,570,609	11	4	4	✓	6.3	6
<b>New York</b>	<b>New York</b>	<b>11,781,395</b>	<b>6</b>	<b>10</b>	<b>6</b>	✓	<b>7.3</b>	<b>7</b>
Newark	New Jersey	5,822,286	2	14	9	✓	8.3	8
Minneapolis	Minnesota	2,904,389	3	12	10	✓	8.3	9
Washington DC	Maryland	4,632,415	9	11	8	✓	9.3	10
Houston	Texas	4,504,013	12	9	11	✓	10.7	11
Miami	Florida	3,955,969	13	5	15	✓	11.0	12
Phoenix	Arizona	3,303,211	15	7	13	✓	11.7	13
Bridgeport	Connecticut	3,405,565	10	15	16	✓	13.7	14
Dallas	Texas	3,405,666	16	13	16	✓	15.0	15
Philadelphia	Pennsylvania	5,602,247	14	18	14	✓	15.3	16
Chicago	Illinois	8,183,799	17	19	17	✓	17.7	17
Detroit	Michigan	5,327,827	19	16	19	✓	18.0	18
Cleveland	Ohio	2,661,167	18	20	18	✓	18.7	19
Atlanta	Georgia	3,798,017	20	17	20	✓	19.0	20



# Impact of Obama 2009 stimulus in keeping poverty from rising even more

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- The Great Recession reduced earned income at the 30% percentile by 15%, 2008-10
- NYC poverty rose for families with kids by 3 ppts.
- American Recovery and Reinvestment Act
  - Enhanced low income tax credits
  - One-time \$250 payments, UI supplement, and health insurance benefit
  - Increased food stamp allowance
- NYC poverty rate for families with kids would have risen 4.5% more

# Policy matters, even (especially) at a local level

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- Raise wage floor through budget and econ. policies
- Tax credit and spending policies to reduce poverty
- Tax and investment policies to spur more balanced growth
- Shape labor market institutions to affect market outcomes