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# Inequality in New York City: Does Local Policy Matter in the Age of the Covid-19 Pandemic?

June 2020

James A. Parrott

*2020 Inequality by the Numbers Workshop  
Stone Center for Socio-Economic Inequality  
CUNY Grad Center*

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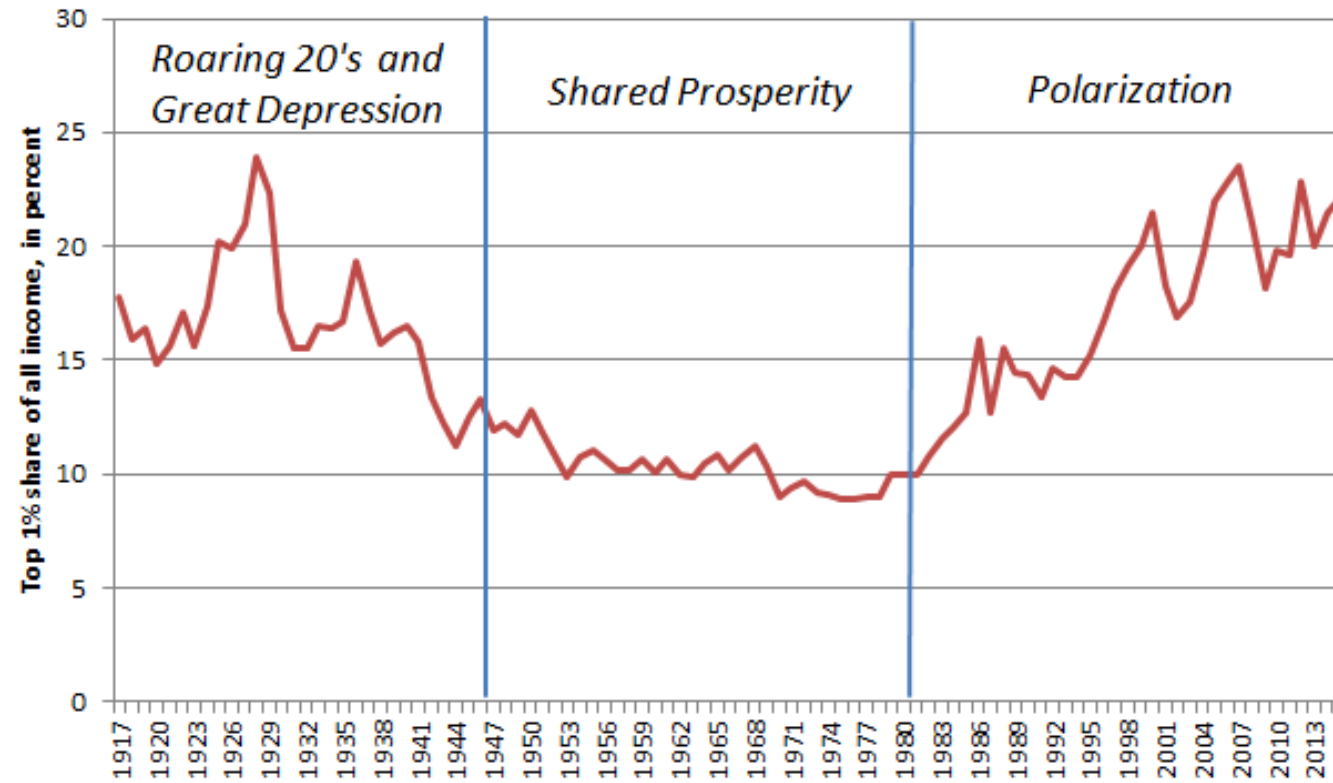
# Overview

1. New York City: the capital of inequality—sources and trends
2. Pre-pandemic, post-Great Recession decade of 2010s—rising incomes for the bottom half
3. A new strain of inequality with massive pandemic job losses

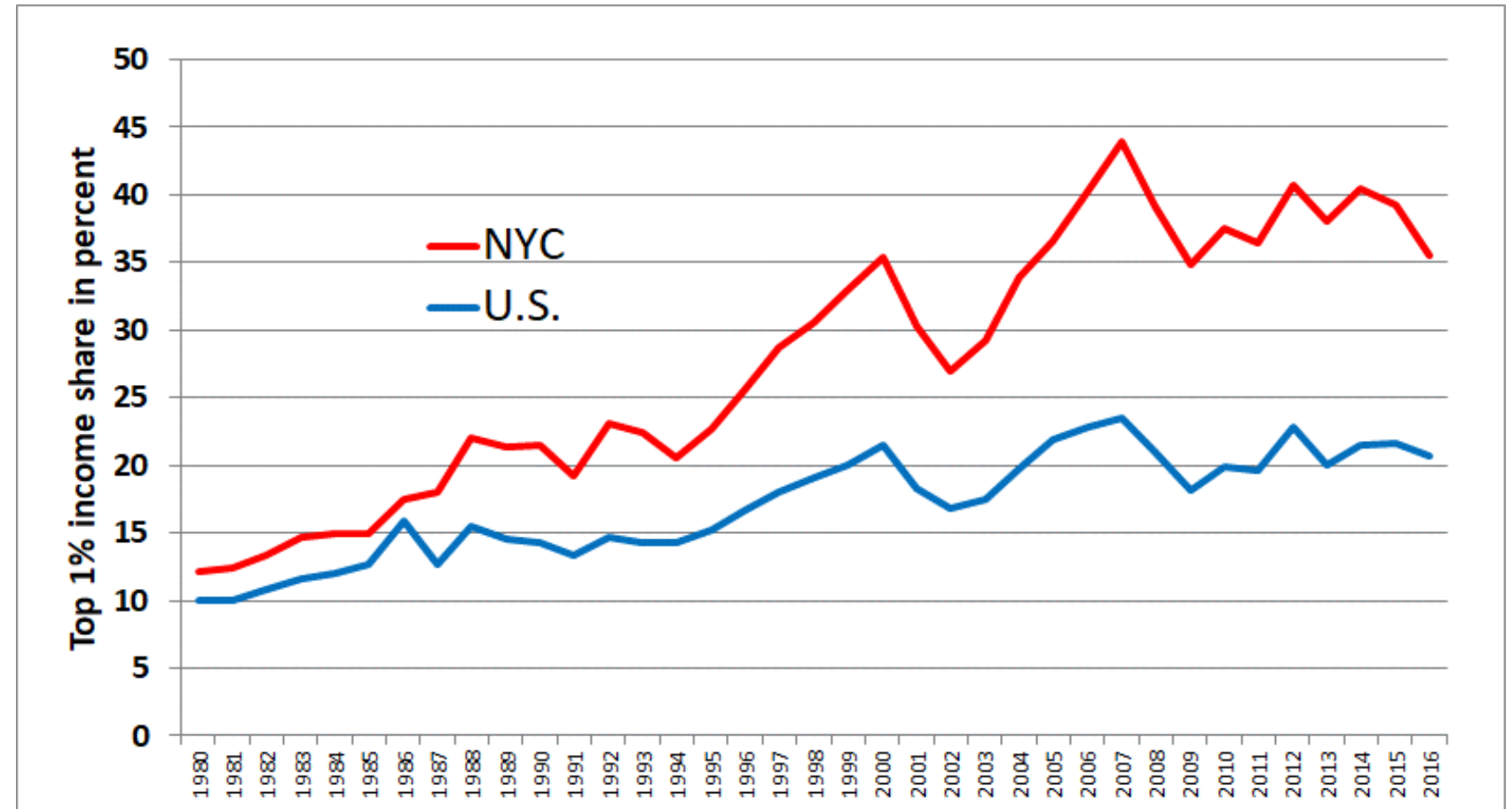
# 1. New York City: the capital of inequality—sources and trends

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**U.S. top 1% income share rises sharply after 1970s  
following three decades of "shared prosperity"**



Income share  
of top 1%  
much greater  
in New York  
City than in the  
U.S.



*1% share in NYC fell in 2015 due to capital gains decline, and in 2016 due to tax planning in anticipation of Trump tax cuts. Still, some slight improvement vs. U.S. trend.*

# What accounts for NYC's higher income concentration?



Large finance sector



Corporate HQ and professional  
services



Inherited and new wealth



Real estate

# Income sources for NYC's richest 1% in 2016

In 2016, wages were 36% of income for top 1%; capital gains and business income each about 25%, and dividends and interest were 12%.

Top 1% of NYC households had high shares of all forms of income:

- 36% all income
- 18% wage income
- 70% dividends and interest
- 71% business income
- 86% realized capital gains



Relate changes  
in the structure  
of NYC's  
economy in the  
post-1980 era to  
key income  
metrics and  
policy choices

For the bottom 95%, wages are 93% of all income--how did sector and occupational changes affect wages.

Consider the policy developments (both action and inaction) that influenced particular forms of economic change.

Consider how policy choices might have affected key measures of income inequality.

# Relate economic changes to policy changes post- 1980

Financial deregulation

Globalization, increased foreign investment, not regulating trade

Letting barriers to unionization remain

“Policy drift” in not responding to “fissuring” of the workplace

Allowing the minimum wage to falter

Fostering economic competition among states

## Local policy-influenced real estate development (both commercial and residential) evolved in a way that favored particular forms of economic change

Local real estate industry long wielded considerable influence in City (and State) land use choices involving re-zoning and mega-development projects. Choices since 1970s favored higher-valued commercial office development at expense of manufacturing.

Post-fiscal crisis economic development paradigm added greater reliance on property tax breaks for both office and residential projects.

**It also allowed private developers to reap all of the resulting value creation.** Local government not able to channel any of the created value for public purposes or even to fund infrastructure.

## Median family incomes rose across the board in 1980s, were flat or declined for families of color in 1990s-2000s, recent gains (particularly for blacks)

<i>2018 dollars</i>	1980	1990	2000	2010	2018	changes in median income				
						1980-1990	1990-2000	2000-2010	2010-2018	1980-2018
All NYC families	\$58,340	\$70,299	\$64,710	\$63,053	\$75,900	20.5%	-8.0%	-2.6%	20.4%	30.1%
White, non-Hispanic	\$74,118	\$93,793	\$94,450	\$98,839	\$120,000	26.5%	0.7%	4.6%	21.4%	61.9%
Black, non-Hispanic	\$44,021	\$58,917	\$55,594	\$53,509	\$68,000	33.8%	-5.6%	-3.7%	27.1%	54.5%
Latinx of any race	\$36,287	\$46,197	\$46,328	\$45,444	\$52,000	27.3%	0.3%	-1.9%	14.4%	43.3%
Asians and all other non-Hispanics	\$60,055	\$68,998	\$62,169	\$62,371	\$73,000	14.9%	-9.9%	0.3%	17.0%	21.6%

*Source: Analysis of 1980-2018 Census ACS microdata from IPUMS*

# Blacks and Latinx incomes rose in 1980s, following 1970s white flight

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## Following income declines in 1990s and 2000s, black, Latinx and Asian families have seen gains in the past decade

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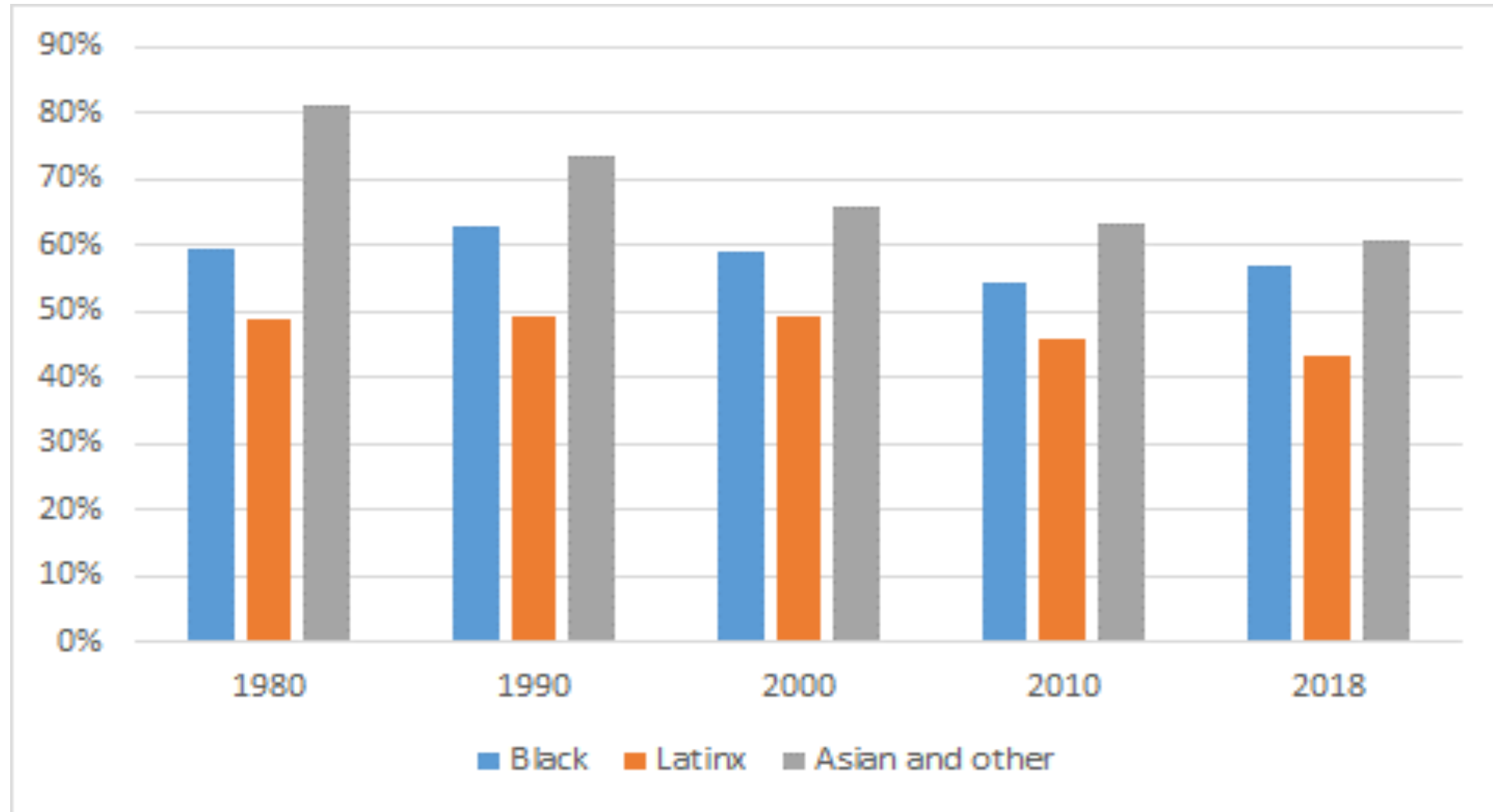
*Source: Analysis of 1980-2018 Census ACS microdata from IPUMS*

**Rise in Latinx and Asian shares of NYC population; decline, then flattening of white non-Hispanic share; slightly declining black share**  
*(rising immigrant shares within each not shown)*

	1980	1990	2000	2010	2018
<b>Number, all NYC families</b>	<b>1,771,000</b>	<b>1,742,000</b>	<b>1,863,000</b>	<b>1,863,000</b>	<b>1,826,000</b>
<b>share of all families</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>White, non-Hispanic</b>	<b>54.0%</b>	<b>44.8%</b>	<b>35.5%</b>	<b>33.1%</b>	<b>32.6%</b>
<b>Black, non-Hispanic</b>	<b>22.7%</b>	<b>24.8%</b>	<b>24.7%</b>	<b>23.8%</b>	<b>21.5%</b>
<b>Latinx of any race</b>	<b>19.7%</b>	<b>23.6%</b>	<b>26.4%</b>	<b>28.4%</b>	<b>27.9%</b>
<b>Asians and all other non-Hispanics</b>	<b>3.6%</b>	<b>6.9%</b>	<b>13.4%</b>	<b>14.8%</b>	<b>18.0%</b>

**Source: Analysis of 1980-2018 Census ACS microdata from IPUMS**

# NYC median family incomes relative to whites, 1980-2018





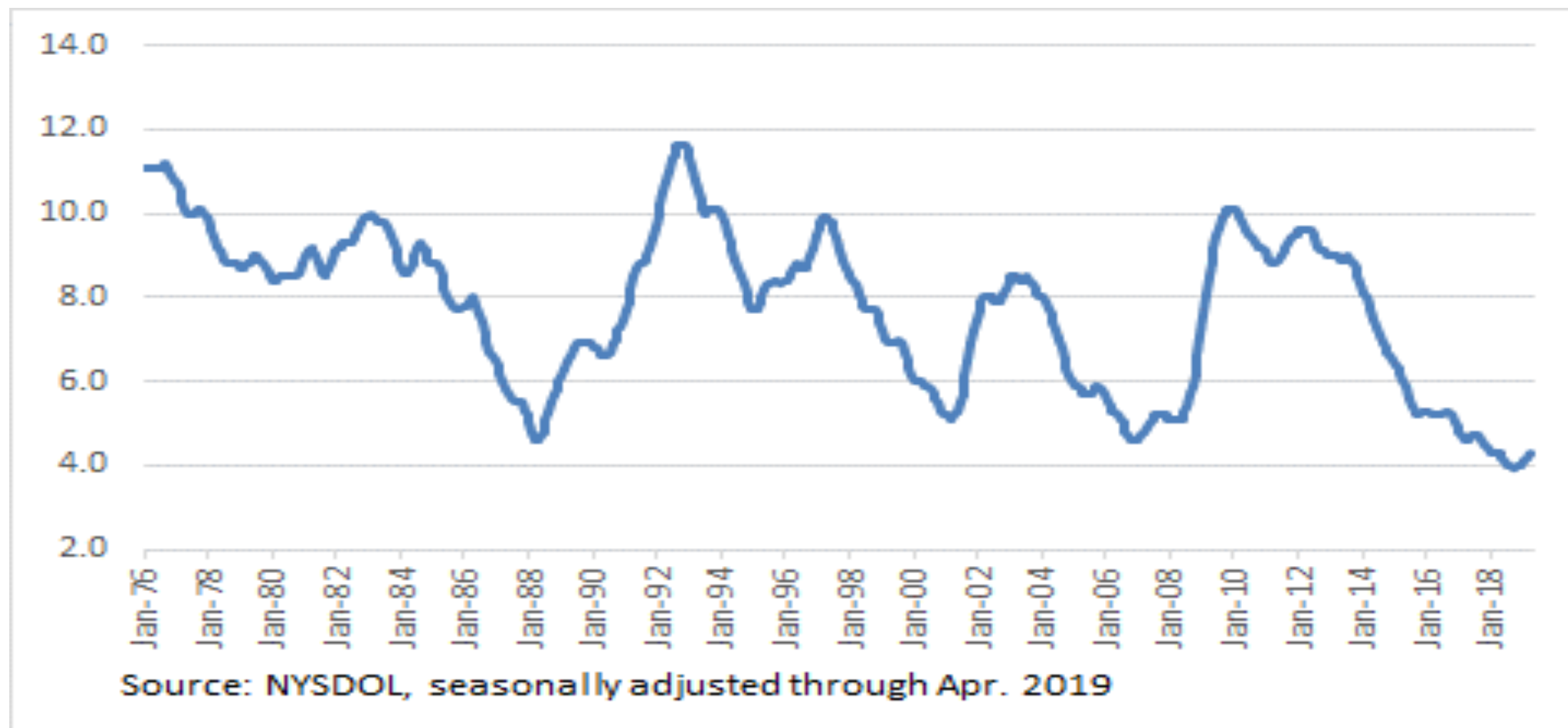
## 2. Pre-pandemic, post-Great Recession decade of 2010s—rising incomes for the bottom half

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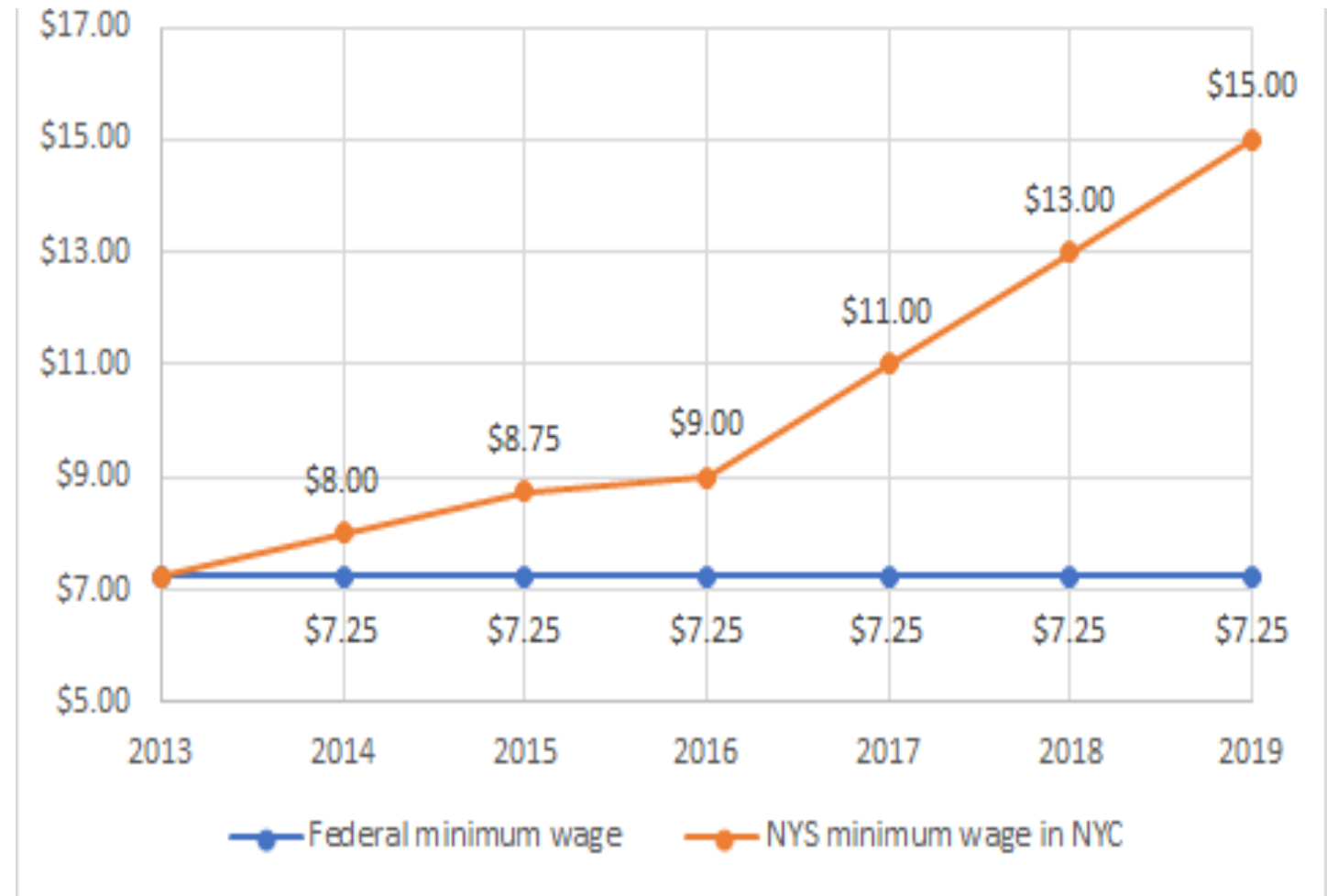
# Different kind of growth but underlying problems persist

- Real wage & income growth for the bottom half & for workers of color
- 1<sup>st</sup> time since 1960s NYC economic growth not Wall Street-dominated
- Some progress on labor protections but growth in gig economy and fraying of worker safety net
- Quality of life improves in most neighborhoods but housing segregation continues and rents and real estate values rise
- City actions boost real estate values but gains highly concentrated
- Income and wealth concentration remain high

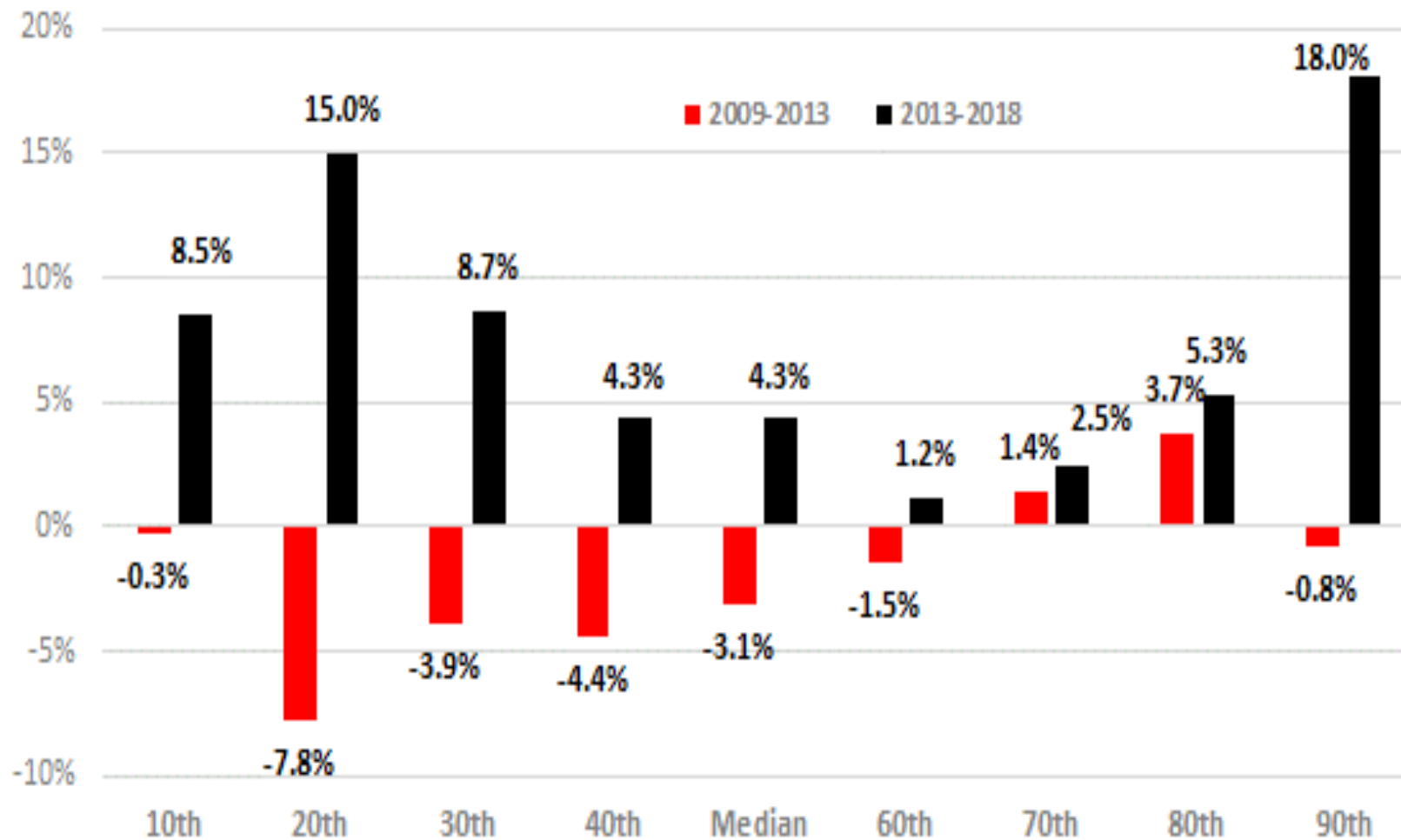
# NYC unemployment rate lowest in at least 40 years



NYS policy to raise  
minimum wage  
above federal  
level—  
more than  
doubled in 6 years

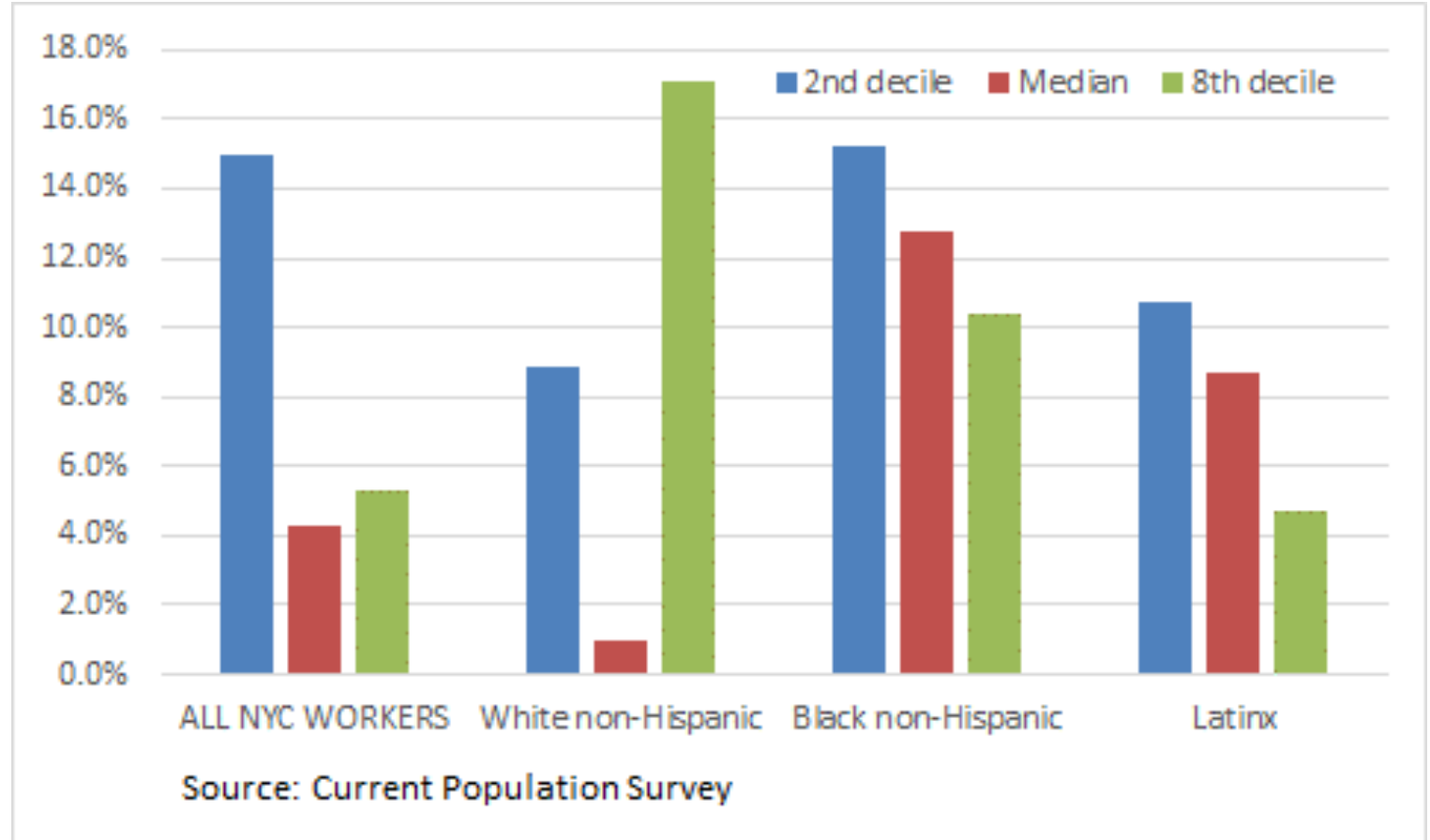


Strong real hourly wage gains for low-income NYC workers since 2013, largely due to minimum wage hikes



Source: Current Population Survey

Real wage gains  
for NYC low- and  
median-wage  
Black and Latinx  
workers, 2013-  
2018



Despite indicators of strong economic performance in recent years, also signs of considerable economic insecurity

For example, according to the Columbia Population Research Center, 23% of NYC residents had incomes < poverty in 2016, but 47% experienced poverty for at least one spell over a 3-year period.

The Community Service Society reports that 55% of low-income families and 38% of moderate income families (200-400% FPL) said housing affordability was a serious or very serious problem in 2018.

40% of NYC households lack adequate income to support a bare-bones family budget; 84% of such households have 1+ workers, according to 2018 Self-Sufficiency report by Univ. of Washington.

### 3. A new strain of inequality with massive pandemic job losses

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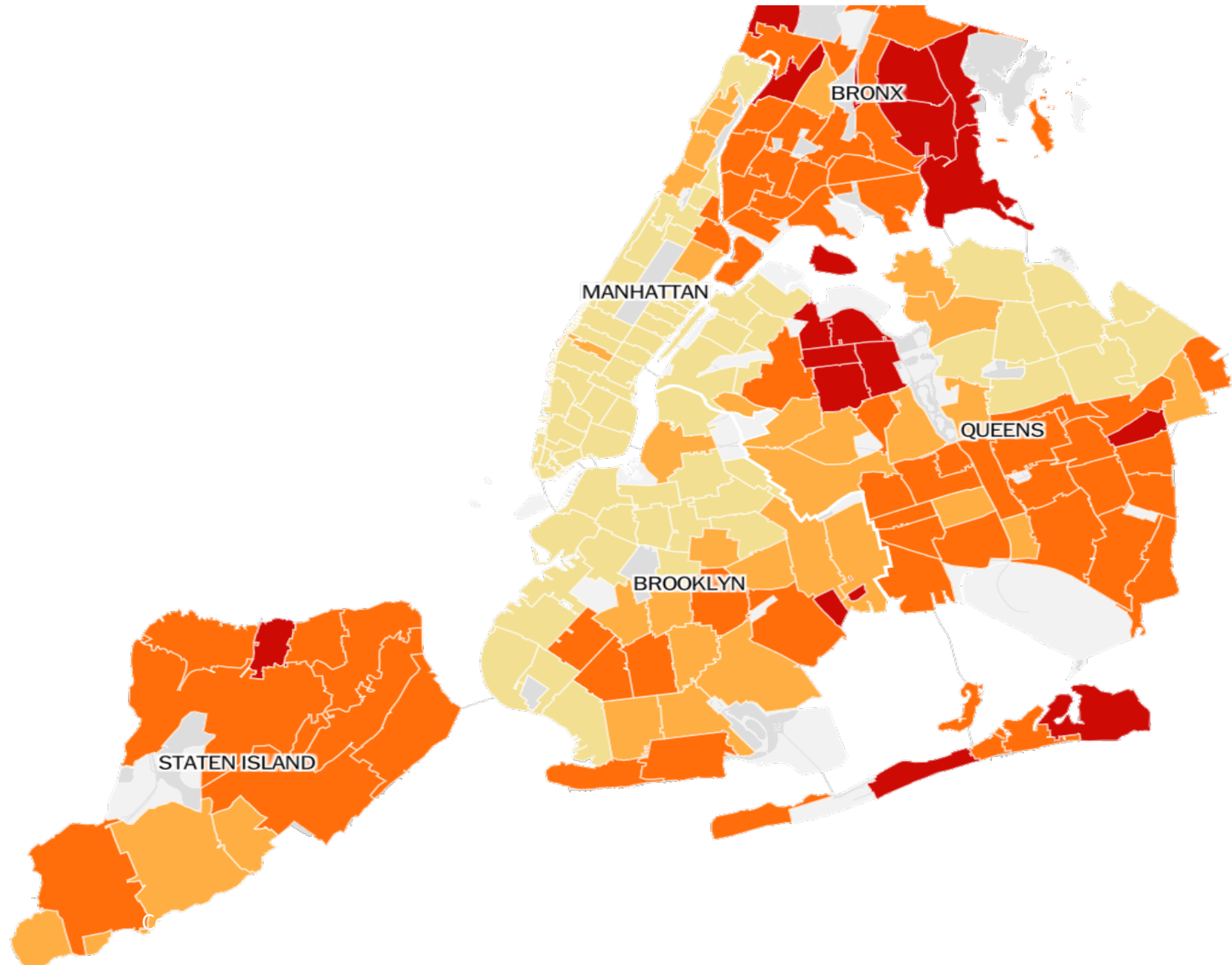
# **The New Strain of Inequality: The Economic Impact of Covid-19 in New York City**

**A report by James A. Parrott and Lina Moe**

**April 15, 2020**

# NYC Covid-19 cases concentrated in lower- income zip codes

(darker color means  
greater density of cases)



# Pandemic job losses different from recession

- Besides suddenness and very large scale, consider 3 categories of jobs:
  - Essential public health, safety and sustenance
  - Face-to-face local service jobs (restaurants, retail, personal services, and arts and entertainment)
  - Mainly professional and managerial jobs that can be done remotely

We estimated 1.2 million NYC jobs (27% of all private) lost by end of April, far greater than official NYC estimates of about 500,000

- 85% concentrated in mostly low-wage, face-to-face industries (restaurants, retail, local services, construction, and arts-entertain.)
- 2/3 of job losses among persons of color
- 2/3 among those earning less than \$40K/year
- Only 10% among those earning > \$100K
- 54% of job losses among immigrants, with nearly 200,000 undocumented workers losing jobs
- 34% of all young adults (18-24) lost jobs
- Many will lose health insurance also

While NYC economy began reopening recently (June 8), many jobs won't return and unemployment could stay high (> 15%) for many months

- Work and business practices have to accommodate social distancing to protect workers and reassure customers
- Many businesses won't survive months of much < 100% operation
- Supplemental UI payments set to expire July 31
- Many workers not able to access economic assistance (not sure how many); unclear how delayed rent payments will be made
- Unemployment is even more concentrated among persons of color and young workers than usually the case

More federal action needed on economic assistance and job creation, but unclear what the result will be, in July or beyond

Local (and state) policies can make a difference in many areas

- Minimizing budget cuts through progressive and business taxation at State level
- Enacting ABC test for independent contractor status to provide regular employment rights (and access to UI and workers comp) for hundreds of thousands of misclassified independent contractors
- Improving access and benefit levels for State UI and workers' comp
- Addressing health and housing inequities, and pay inequities

Some uncertainty now, as immediate post-9/11, about the future of dense cities like NYC, but also now must seriously address racial inequities

- Some functions can be done remotely, and some prefer to work that way. Could lead to reduction in Manhattan real estate values.
- City will need to find better ways to make and keep housing affordable, and to address health care inequities.
- Avoid long-standing practice of subsidizing real estate, as NYC has done since 1970s, and accelerated after 9/11 with massive subsidies for Hudson Yards and allowing real estate developers to pocket re-zoning gains.
- Focus instead on real gains for those who need them, as with minimum wage increases. More likely to see sustained and across-the-board gains.

These  
analyses  
might also be  
of interest

***New York City's \$15 Minimum Wage and Restaurant Employment and Earnings***

July 2019, by Lina Moe, James Parrott and Yannet Lathrop, Center for NYC Affairs and the National Employment Law Project

<http://www.centrernyc.org/new-york-citys-15-minimum-wage>

***The Magnitude of Low-Paid Gig and Independent Contract Work in New York State***

Feb. 2020, by Lina Moe, James A. Parrott and Jason Rochford

<http://www.centrernyc.org/the-magnitude-of-low-paid-gig-and-independent-contract-work-in-new-york-state>

***Time for a Real Look at How the New York State Workers' Compensation System Treats Workers***

Feb. 2020, by James Parrott and Nicholas Martin, Center for NYC Affairs

<http://www.centrernyc.org/reports-briefs/2020/4/13/time-for-a-real-look-at-how-the-new-york-state-workers-compensation-system-treats-workers>



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