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Inequality in New York City and the Impact of Local Policy

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<http://www.centernyc.org/covid19-economic-impact>
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Inequality by the Numbers Workshop
Stone Center for Inequality, CUNY Grad Center
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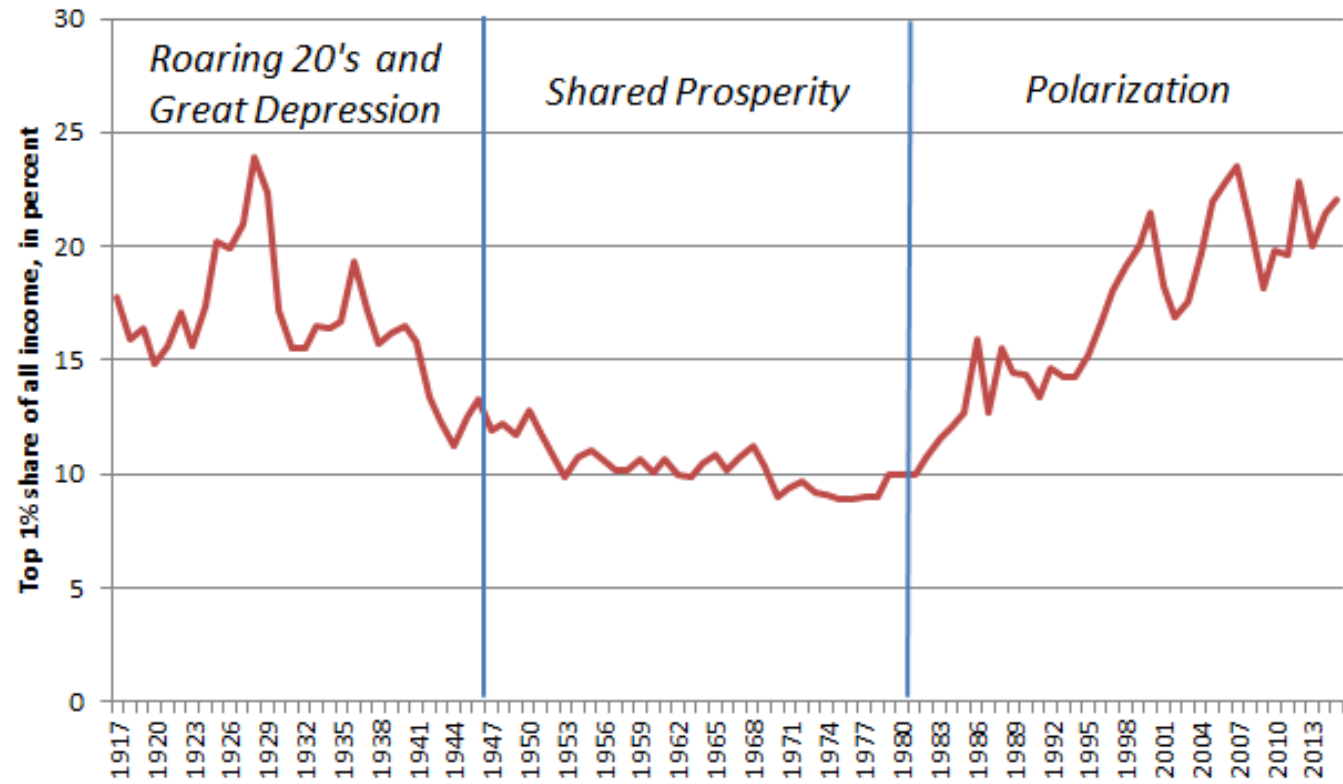
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Overview

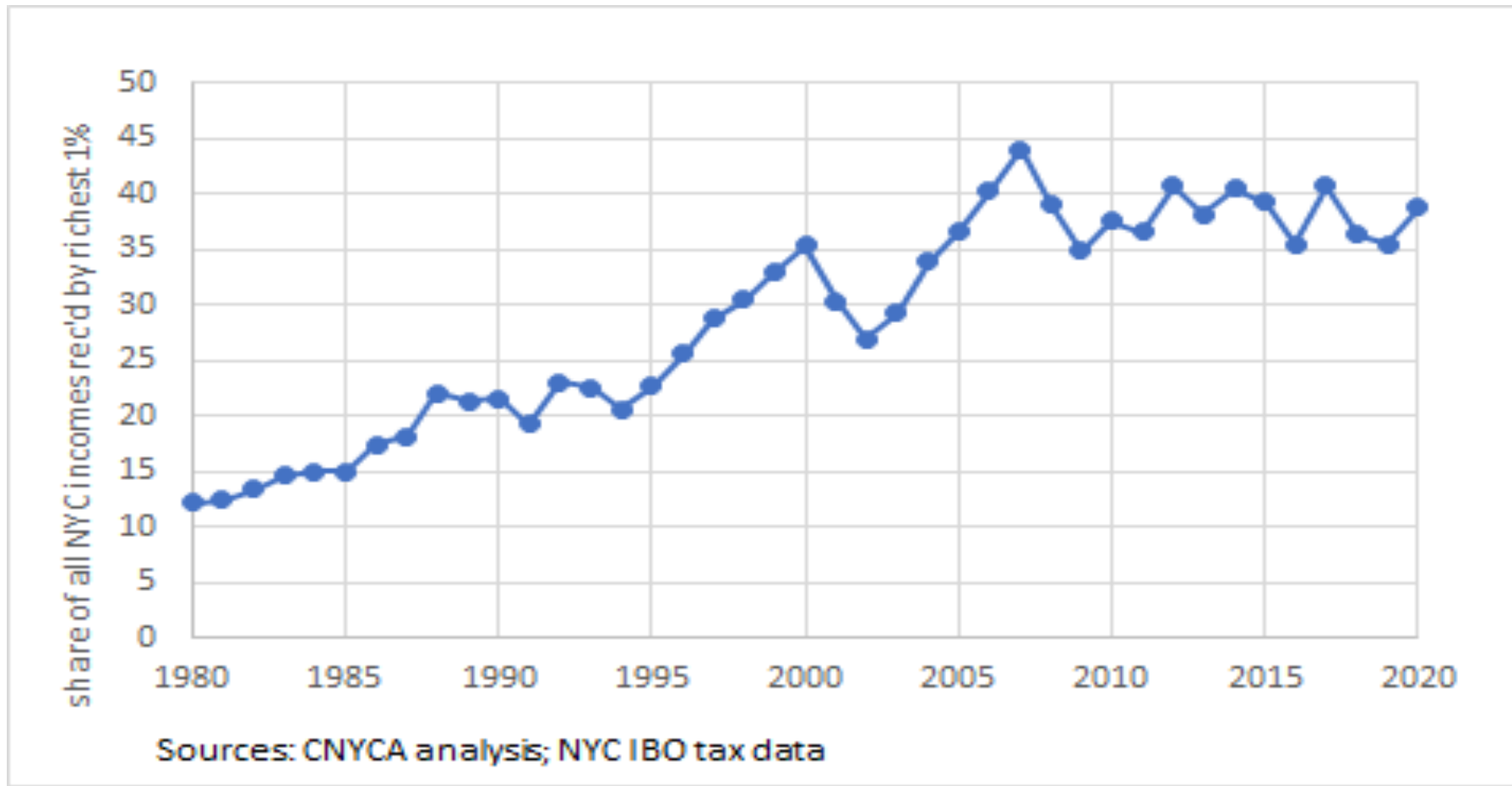
1. New York City: the capital of inequality—sources and trends
2. Pre-pandemic, post-Great Recession decade of 2010s—rising incomes for the bottom half
3. A new strain of inequality with lopsided pandemic economic effects
4. NYC policy priorities for shared prosperity because local policies matter

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

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



Since 1980, the 1%'s income share rose rapidly in NYC through 2007, but leveled off during the late 2010's expansion, and rose in 2020.



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.

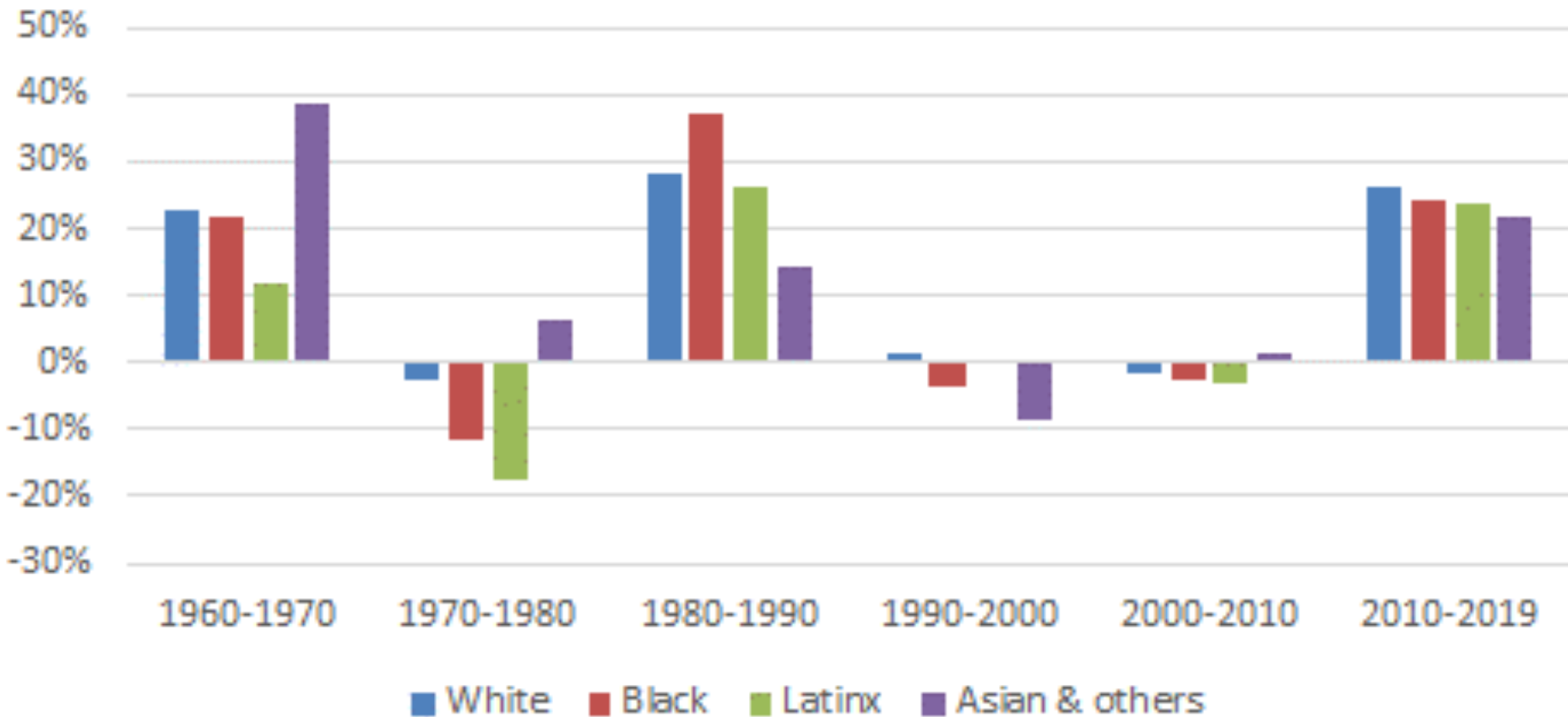
It also allowed private developers to reap all of the resulting value creation. Local government not able to channel any of the created value for public purposes or even to fund infrastructure.

Median family incomes rose across the board in 1960s and 1980s, were flat or declined for families of color in 1990s-2000s, but rose again in 2010s

2019 dollars	1960	1970	1980	1990	2000	2010	2019	change in median income						
								1960-1970	1970-1980	1980-1990	1990-2000	2000-2010	2010-2019	1960-2019
White non-Hispanic	\$56,894	\$69,779	\$67,961	\$86,994	\$88,180	\$86,540	\$109,350	22.6%	-2.6%	28.0%	1.4%	-1.9%	26.4%	92%
Black non-Hispanic	\$36,428	\$44,346	\$39,325	\$53,974	\$52,031	\$50,733	\$62,985	21.7%	-11.3%	37.3%	-3.6%	-2.5%	24.2%	73%
Latinx of any race	\$35,584	\$39,781	\$32,789	\$41,459	\$41,632	\$40,390	\$49,950	11.8%	-17.6%	26.4%	0.4%	-3.0%	23.7%	40%
Asians and all other non-Hispanics	\$37,604	\$52,171	\$55,584	\$63,526	\$58,118	\$58,830	\$71,650	38.7%	6.5%	14.3%	-8.5%	1.2%	21.8%	91%

Source: Analysis of 1960-2010 Census, and 2019 ACS microdata from IPUMS.

Strong increases in inflation-adjusted median family incomes 2010-19 following two decades of decline

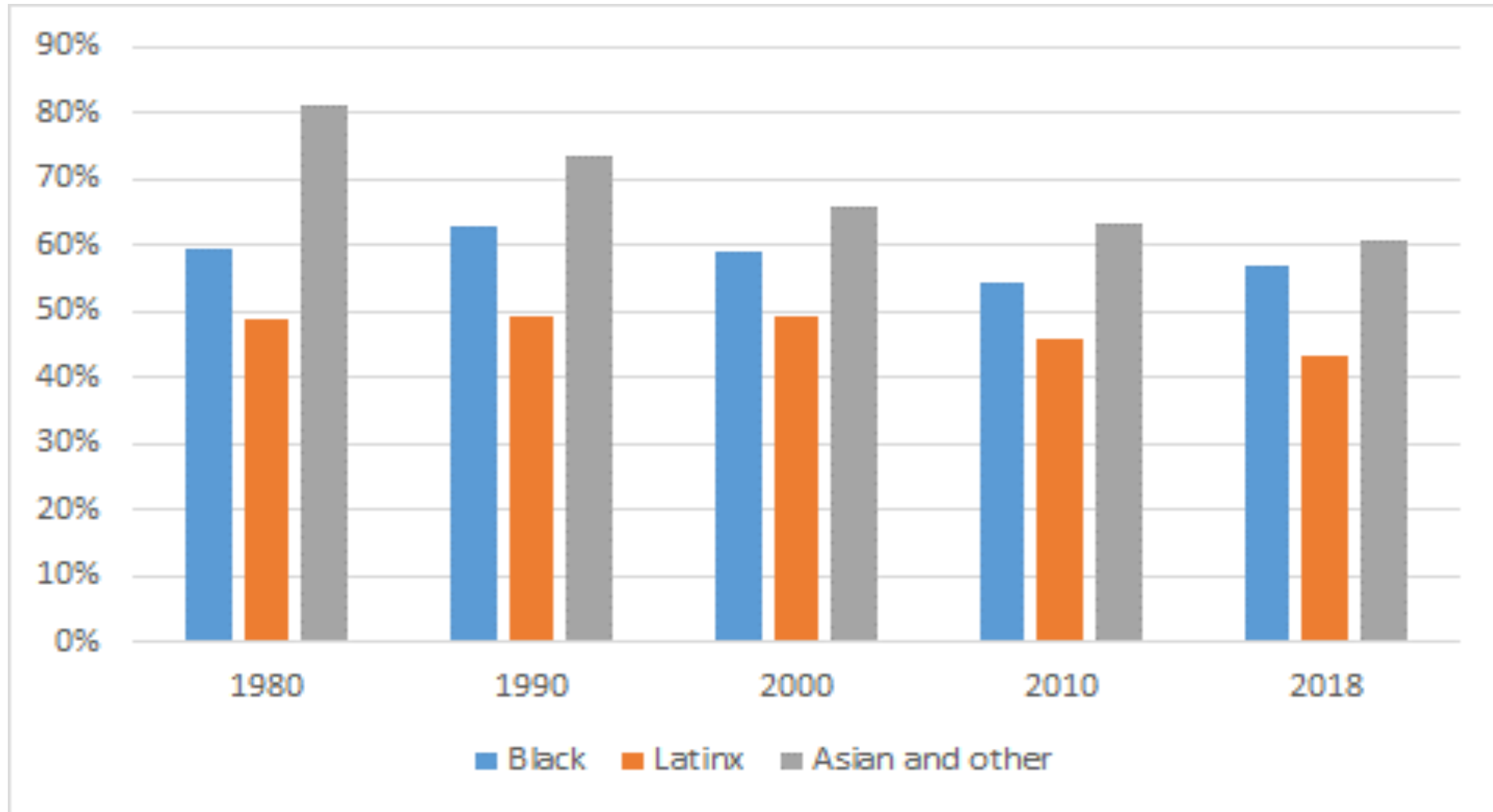


Rise in Latinx and Asian shares of NYC population; decline, then flattening of white non-Hispanic share; slightly declining black share
(rising immigrant shares within each not shown)

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

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

NYC median family incomes relative to whites, 1980-2018

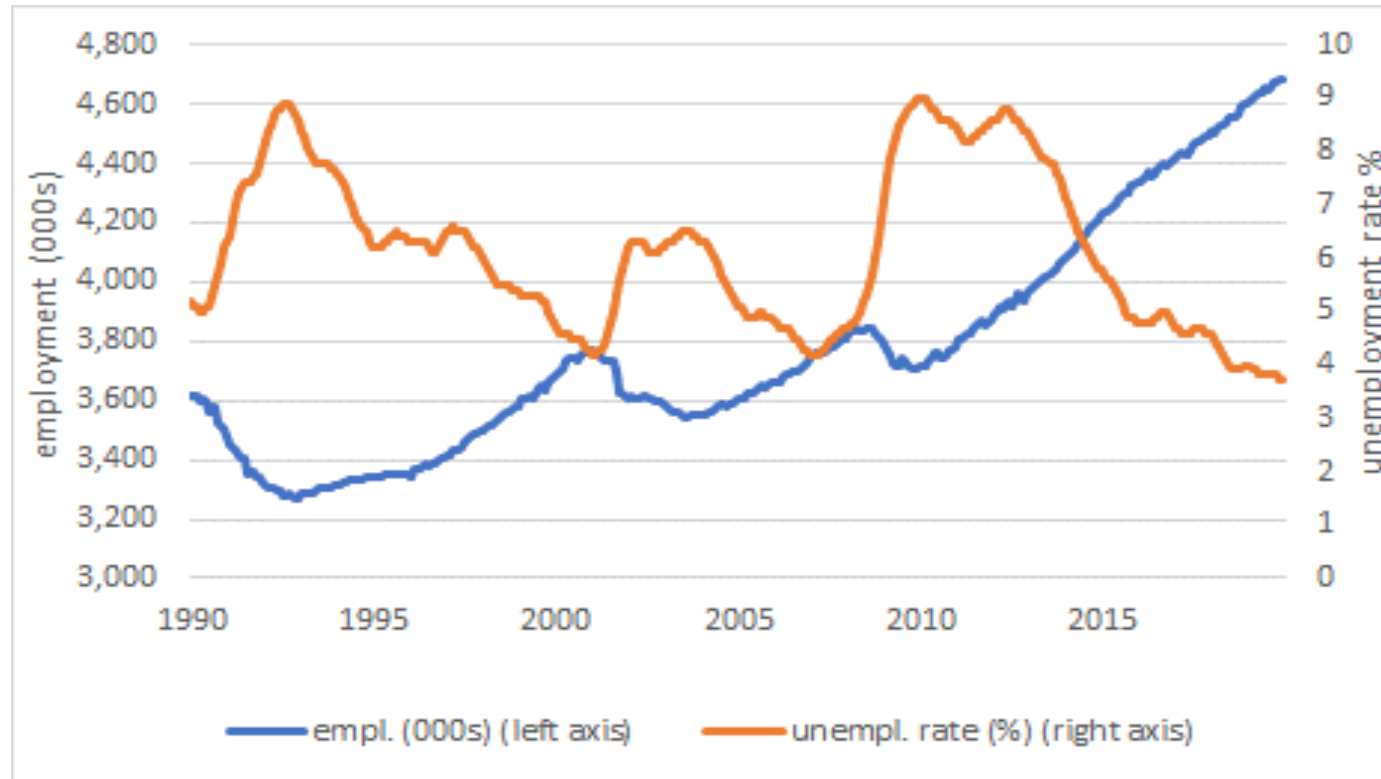


2. Pre-pandemic, post-Great Recession decade of 2010s—rising incomes for the bottom half

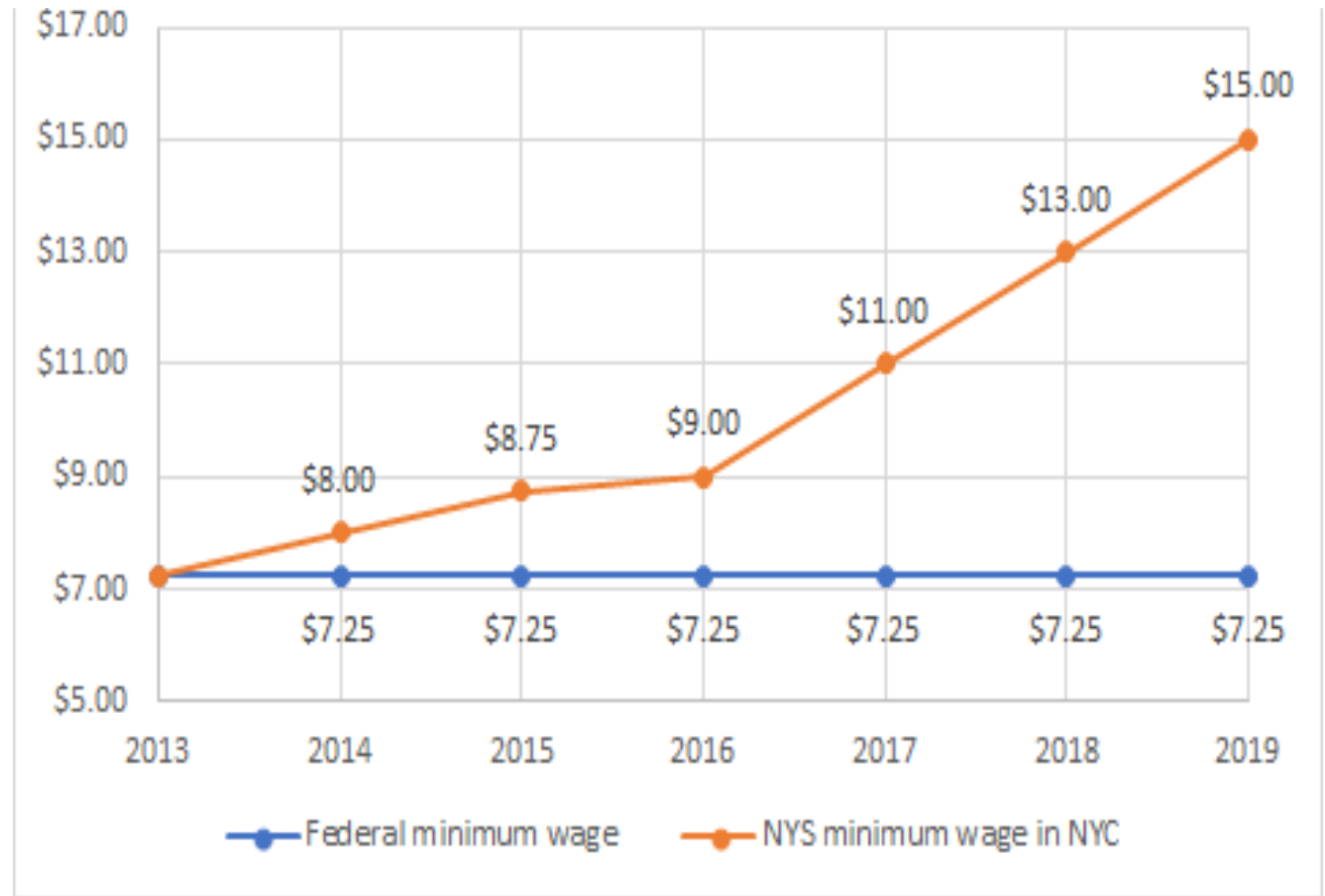
Different kind of growth but underlying problems persist

- Job growth in tech, professional services and hospitality (w/ many low-wage jobs), but historic doubling of the minimum wage
- Real wage & income growth for the bottom half & for workers of color
- 1st 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
- City actions boost real estate values but gains highly concentrated
- Income and wealth concentration remain high

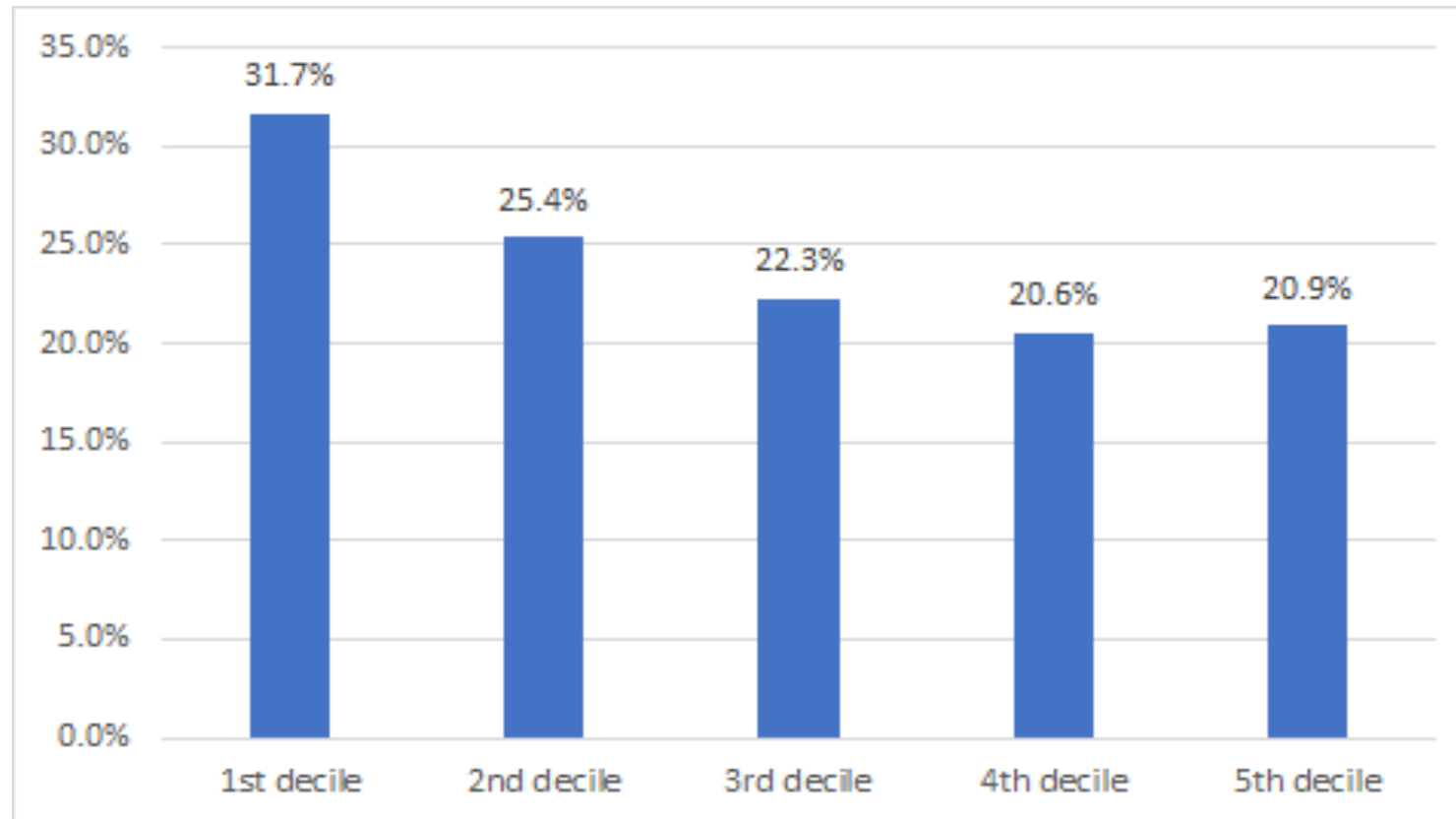
Strong job growth in the pre-pandemic decade and lowest unemployment rates in at least 40 years



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

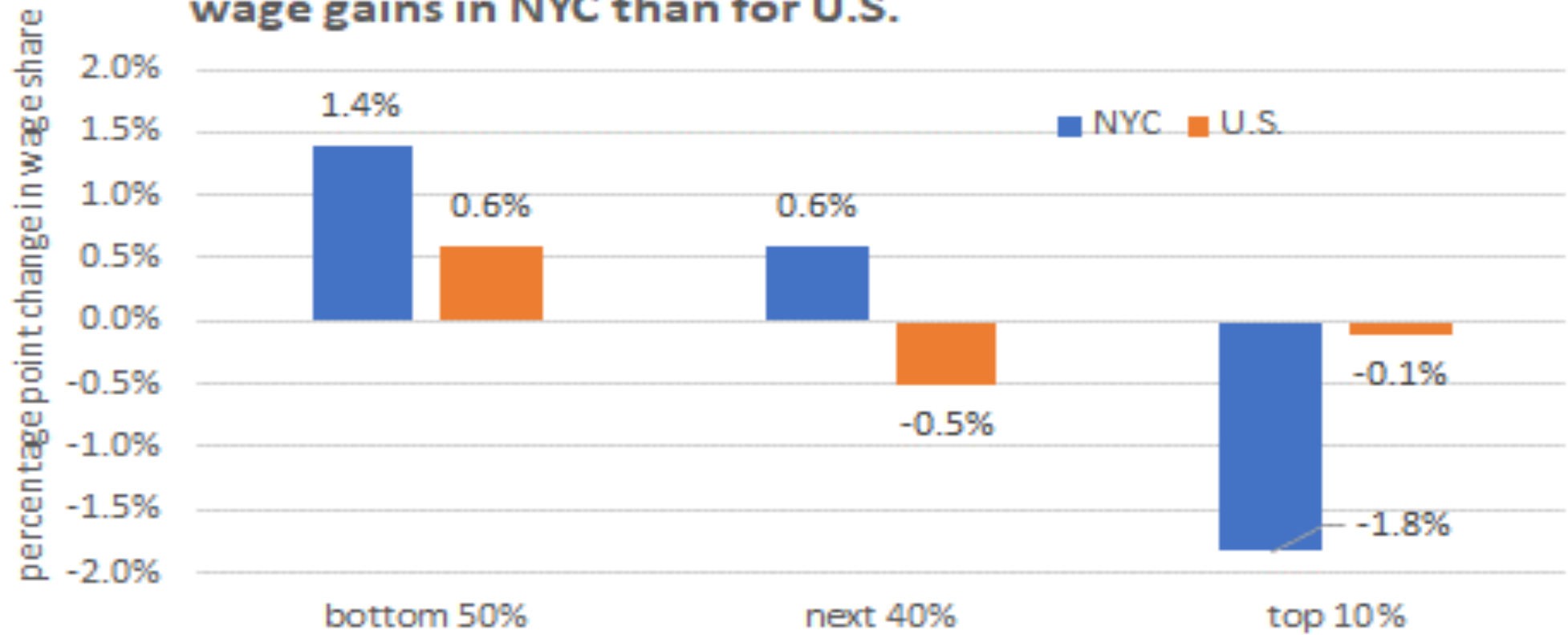


From 2014-19, those in the bottom half of the income distribution experienced substantial cumulative real wage gains



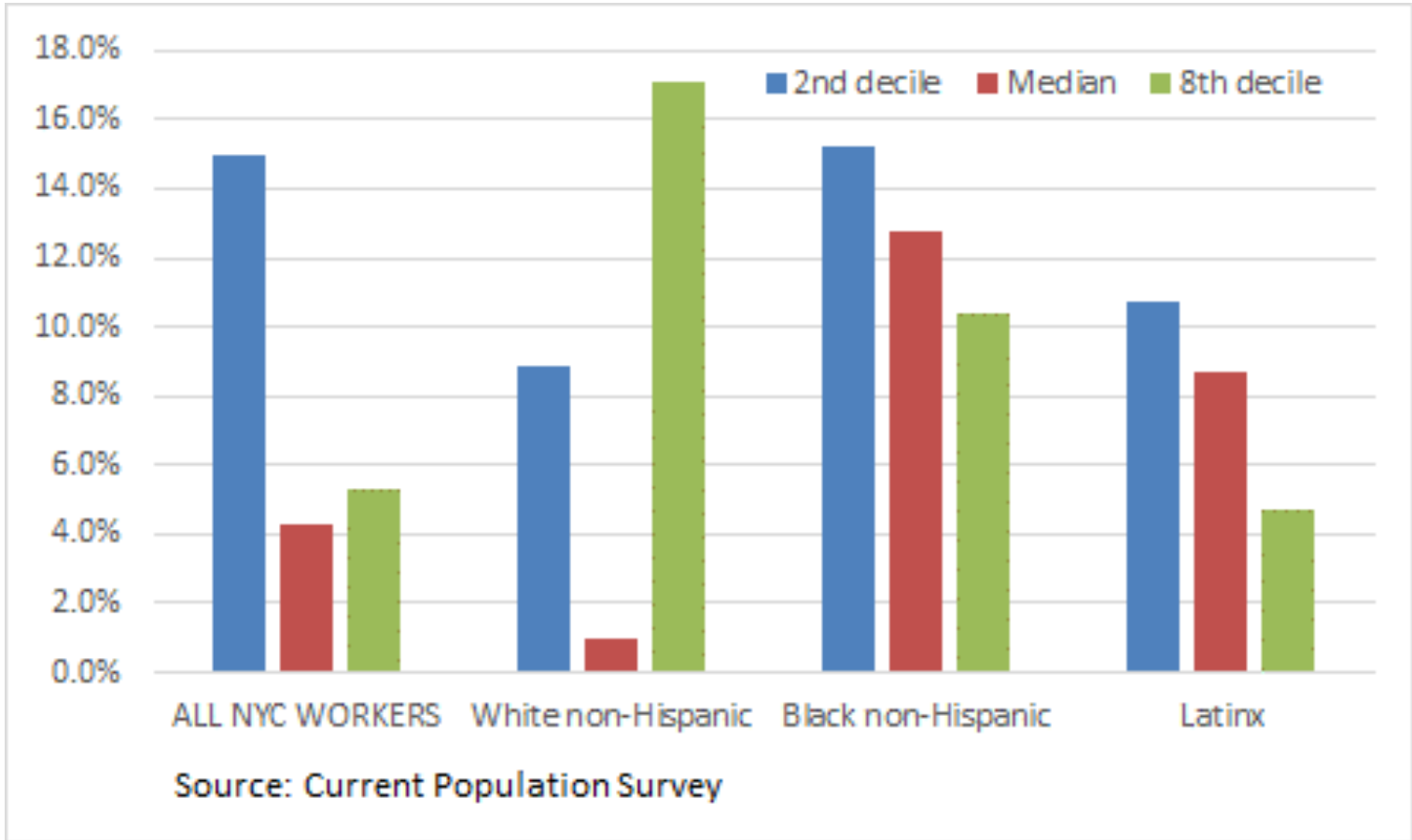
Source: NYC Mayor's Office for Economic Opportunity, New York City Government Poverty Measure 2019, December 2021.

The share of total NYC wages (2014-19) going to the bottom half rose while it fell for the top 10%; greater wage gains in NYC than for U.S.

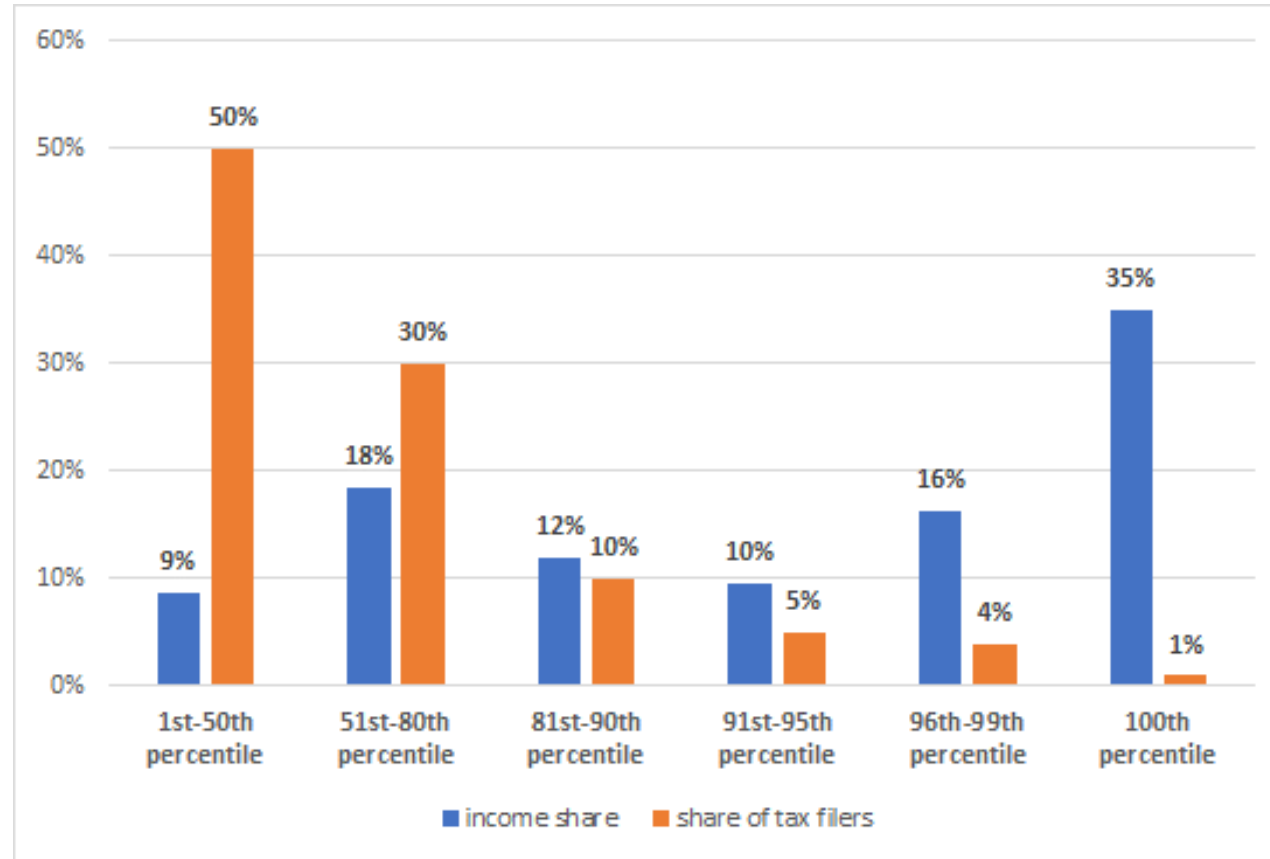


Source: CNYCA analysis of income tax data from the NYC IBO and the IRS.

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

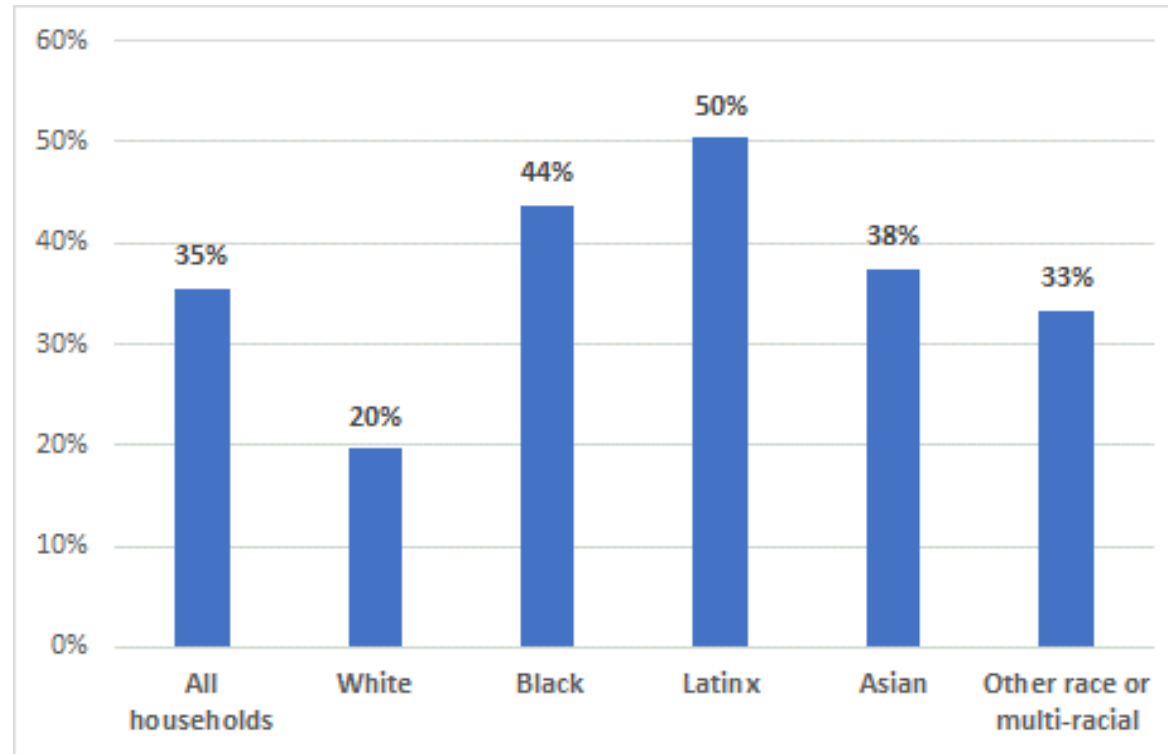


NYC's richest 5% had 51% of total income in 2019, > 5x the share received by the bottom half.



Source: NYC Independent Budget Office.

Percent of NYC households, by race, with incomes below 2019 self-sufficiency standard

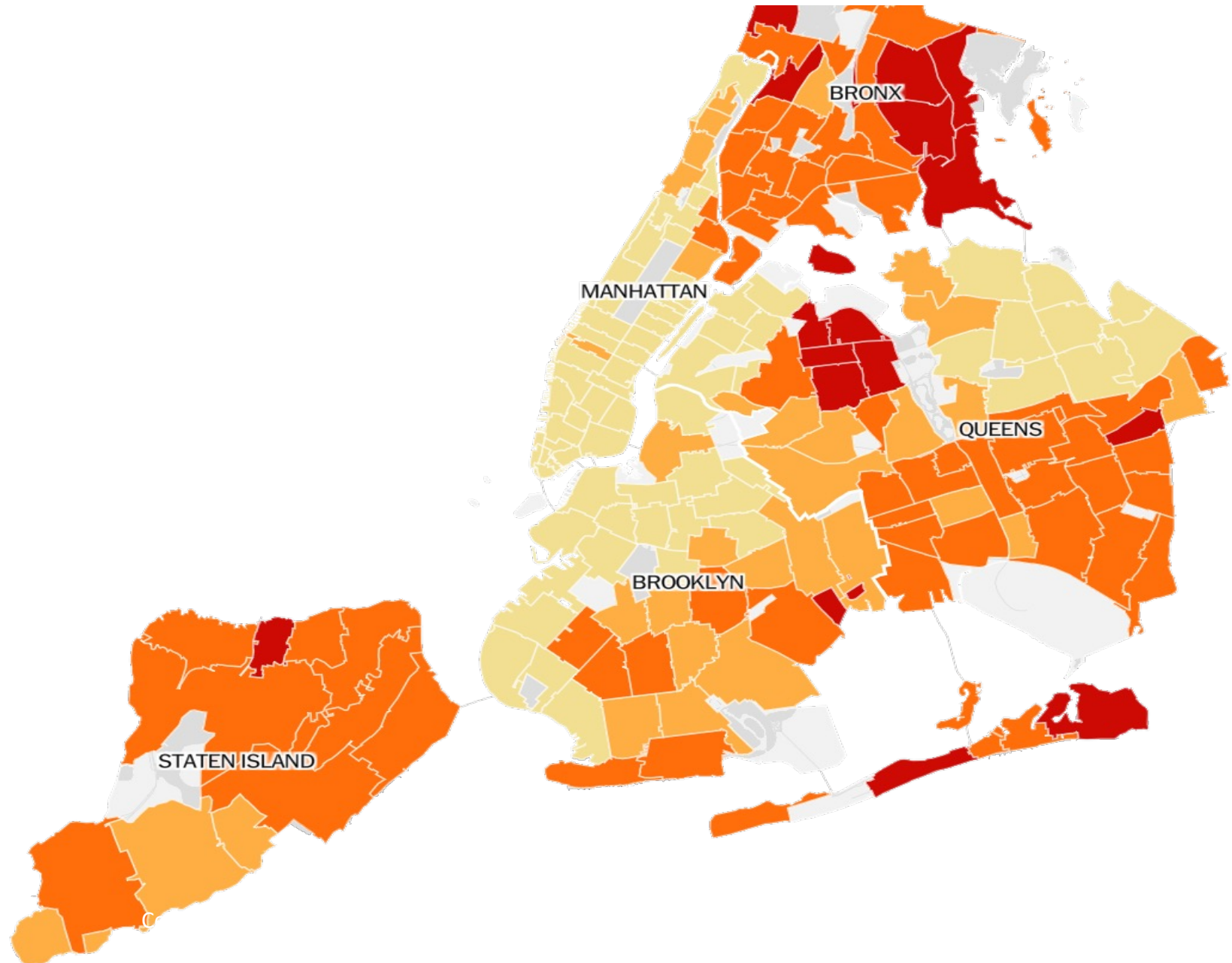


Source: Annie Kucklick & Lisa Manzer, *Overlooked & Undercounted 2021: Struggling to Make Ends Meet in NYC*, Center for Women's Welfare, University of Washington School of Social Work, June 2021.

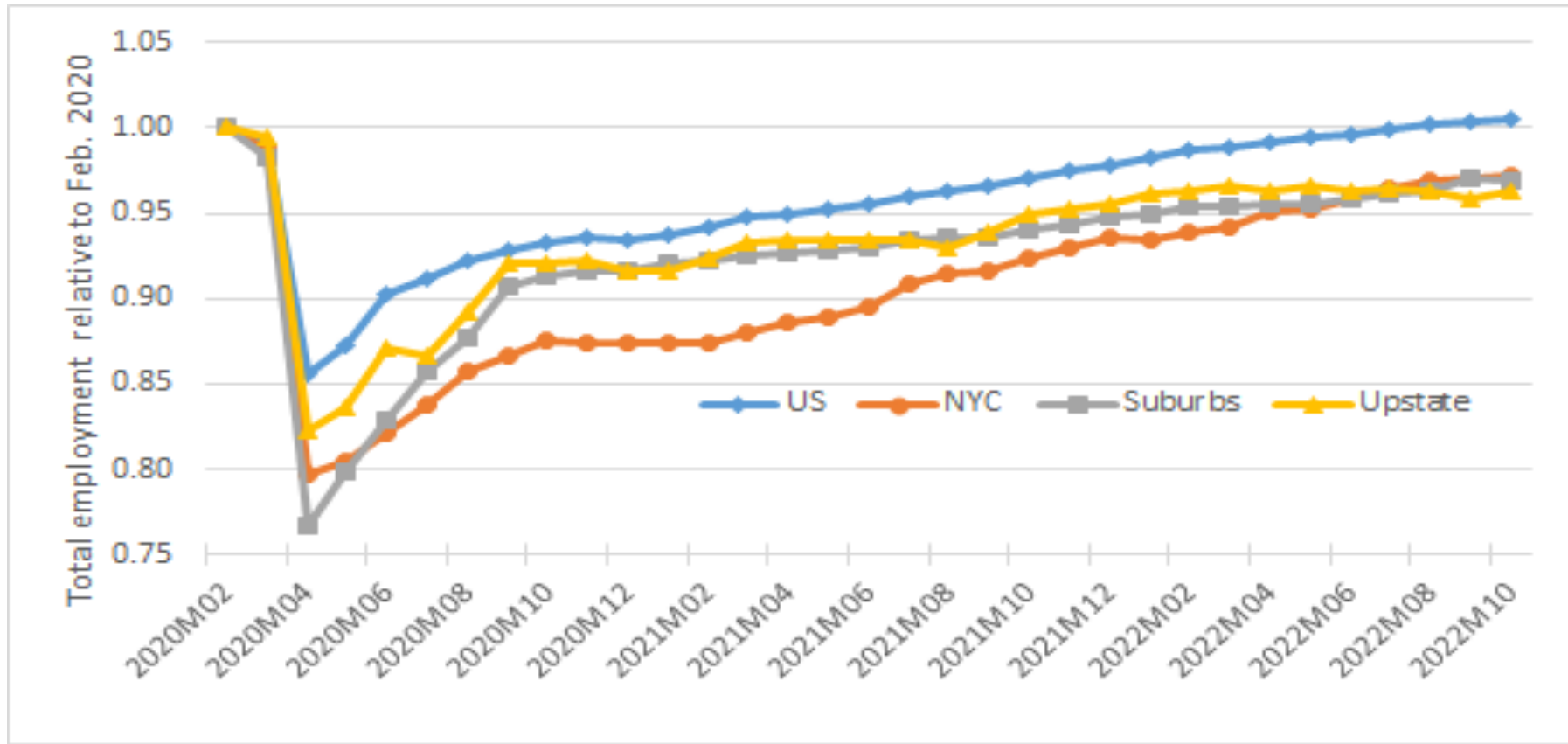
3. A new strain of inequality with massive pandemic job losses

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

(darker color means greater density of cases)



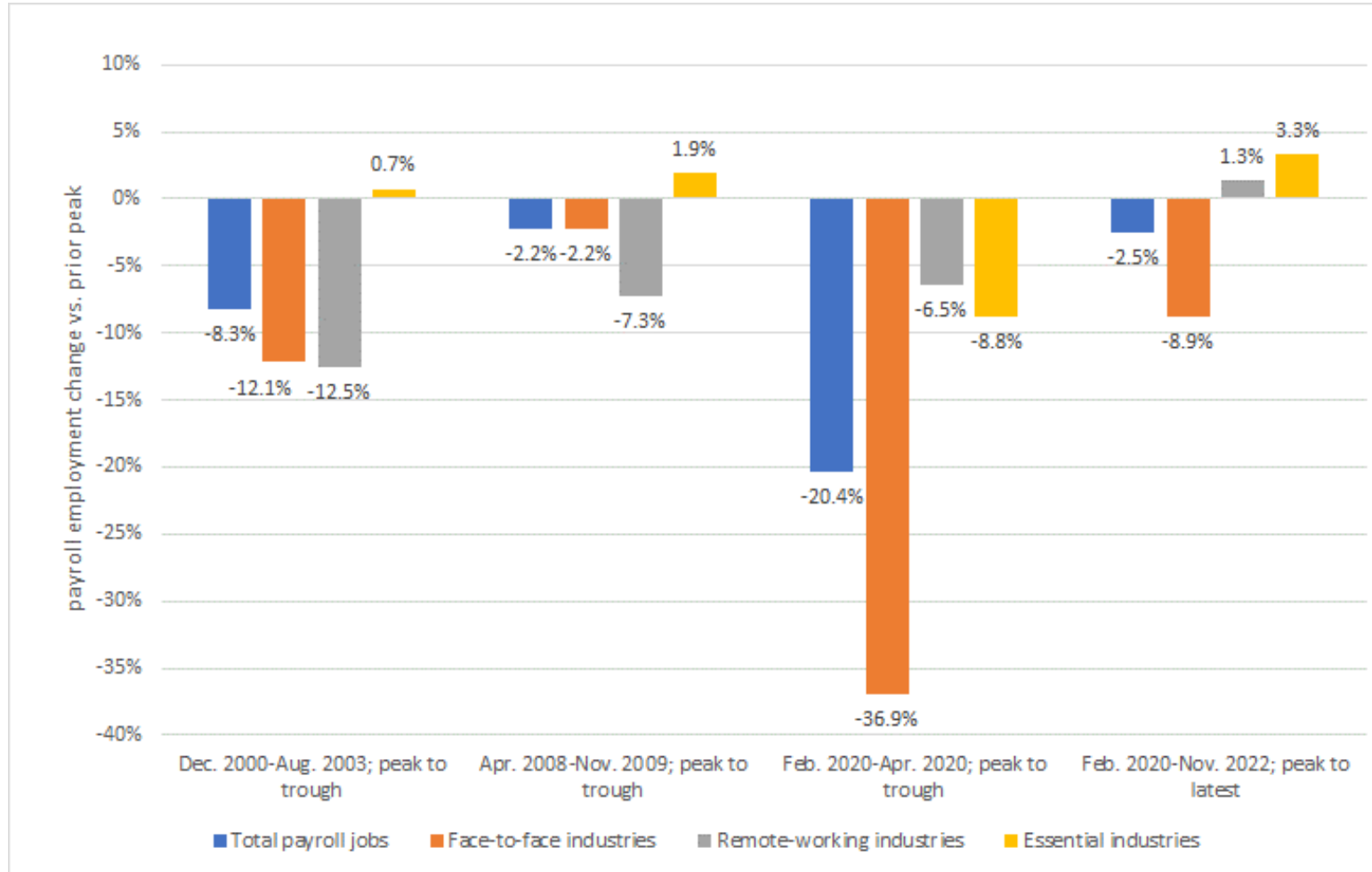
While the nation's job level has regained the pre-pandemic Feb. 2020 level, NYC's pandemic jobs deficit as of November 2022 is 116,200 (2.5%)



3 Covid-19 industry categories

- Covid-19 business and job dislocations resulted from gov't-mandated restrictions to protect public health
 - Different than a business cycle downturn
 - Highly uneven economic & health impacts
 - Ability of high-income workers to work remotely
- 3 Covid-19 industry categories (w/ disparate avg. pay)
- Face-to-Face: restaurants, hotels, retail, arts, transp., construction, building services, local services
 - Essential: health care, human services, public safety and services
 - Remote-Working: finance, professional services, tech and information

Pandemic's distinctive pattern of NYC job losses



NYC's labor market in flux

- NYC's recovery is lagging the rest of the U.S. mainly because Covid-19 hit NYC early when it was at its most lethal, coupled with the pandemic's impact on leisure & hospitality/tourism, and NYC's large office sector.
- Dramatically uneven impact: workers hardest hit are lower-paid, young, less-educated, immigrants, and workers of color.
 - Pre-pandemic systemic disparities exacerbated
- High small business turnover: EDC analysis found that 26,300 businesses exited but 17,100 new businesses started during 1st 4 Qs of pandemic.
- Much has changed:
 - workers' attitudes, family pressures
 - mix of industries, employer demands (incl. changing skill needs)
 - use of tech has accelerated; exacerbating the digital divide
- Many of the jobs being added are low-paying with few benefits.
- Great resignation?
 - NYC LF participation rate has recovered (but some population out-migration)
 - Average weekly hours and real average hourly earnings down, not up

As of November, most pandemic job loss is concentrated in 5 industries with double-digit losses vs. Feb. 2020

employment (000s)	Feb-20	Nov 22	Feb.-Apr. 2020	Apr. 20-Nov. 22	Feb 2020-Nov. 2022		% regained as of Nov 22
					# change	% change	
Total Nonfarm	4,702.8	4,586.5	-957.1	840.8	-116.3	-2.5%	88%
Total Private	4,108.4	3,995.0	-946.9	833.6	-113.4	-2.8%	88%
Essential industries	1,433.1	1,480.3	-126.4	173.7	47.3	3.3%	137%
Health Care & Social Assistance	823.5	874.0	-116.1	166.5	50.5	6.1%	144%
Utilities	15.1	14.8	-0.2	-0.1	-0.3	-2.0%	-32%
Government	594.4	591.5	-10.1	7.2	-2.9	-0.5%	71%
Face-to-face industries	2,034.9	1,854.8	-750.8	570.7	-180.1	-8.9%	76%
Construction	162.6	141.2	-74.9	53.5	-21.4	-13.2%	71%
Manufacturing	65.9	59.0	-28.1	21.2	-6.9	-10.5%	75%
Retail Trade	346.1	301.1	-115.9	70.9	-45.0	-13.0%	61%
Wholesale Trade	139.8	128.2	-31.6	20.0	-11.6	-8.3%	63%
Transportation & Warehousing	135.0	134.4	-36.2	35.6	-0.6	-0.4%	98%
Administrative Services	262.9	269.6	-56.6	63.4	6.8	2.6%	112%
Educational Services	256.4	230.1	-27.0	0.7	-26.2	-10.2%	3%
Arts, Entertainment & Recreation	95.7	82.2	-45.0	31.6	-13.5	-14.1%	70%
Accommodation & Food Services	374.4	325.3	-268.7	219.6	-49.1	-13.1%	82%
Other Services	196.1	183.5	-66.9	54.2	-12.6	-6.4%	81%
Remote-working industries	1,234.8	1,251.4	-79.8	96.4	16.6	1.3%	121%
Information	229.2	244.2	-25.1	40.1	15.0	6.5%	160%
Finance and Insurance	348.6	347.9	-4.3	3.6	-0.7	-0.2%	84%
Real Estate	138.5	130.0	-13.7	5.2	-8.6	-6.2%	38%
Professional, Sci. & Tech. Svcs.	446.0	459.6	-28.7	42.3	13.6	3.1%	148%
Management of Companies	72.5	69.7	-8.1	5.3	-2.8	-3.9%	65%

Source: NYC Office of Management and Budget, seasonally adjusted employment series, March 2022 revision.

Two-thirds of NYC's working poor are employed in face-to-face industries

	# of working poor	share of working poor	% of workers who are working poor
ALL INDUSTRIES	871,000	100.0%	21.4%
Face-to-Face Inds.	581,000	66.7%	29.4%
Essential Inds.	215,000	24.7%	18.2%
Remote-Working Inds.	75,000	8.6%	8.2%

6 industries with high concentrations of working poor

Restaurants, bars, & coffee shops	42.4%
Social assistance	36.2%
Other services (e.g., nail salons)	34.3%
Retail trade	30.8%
Admin. & support services	29.9%
Transp. & warehousing	29.7%

Source: American Community Survey, 2015-19; share of workers with family incomes < 200% federal poverty.

Since nearly 2/3 of young adults (18-24) work in Face-to-Face industries, they have been disproportionately affected by pandemic job dislocations.

- Young adult share of all workers: 8.7%

- Restaurants 19%
- Retail 19%
- Priv. educational services 13%
- Arts, entertainment & recreation 13%

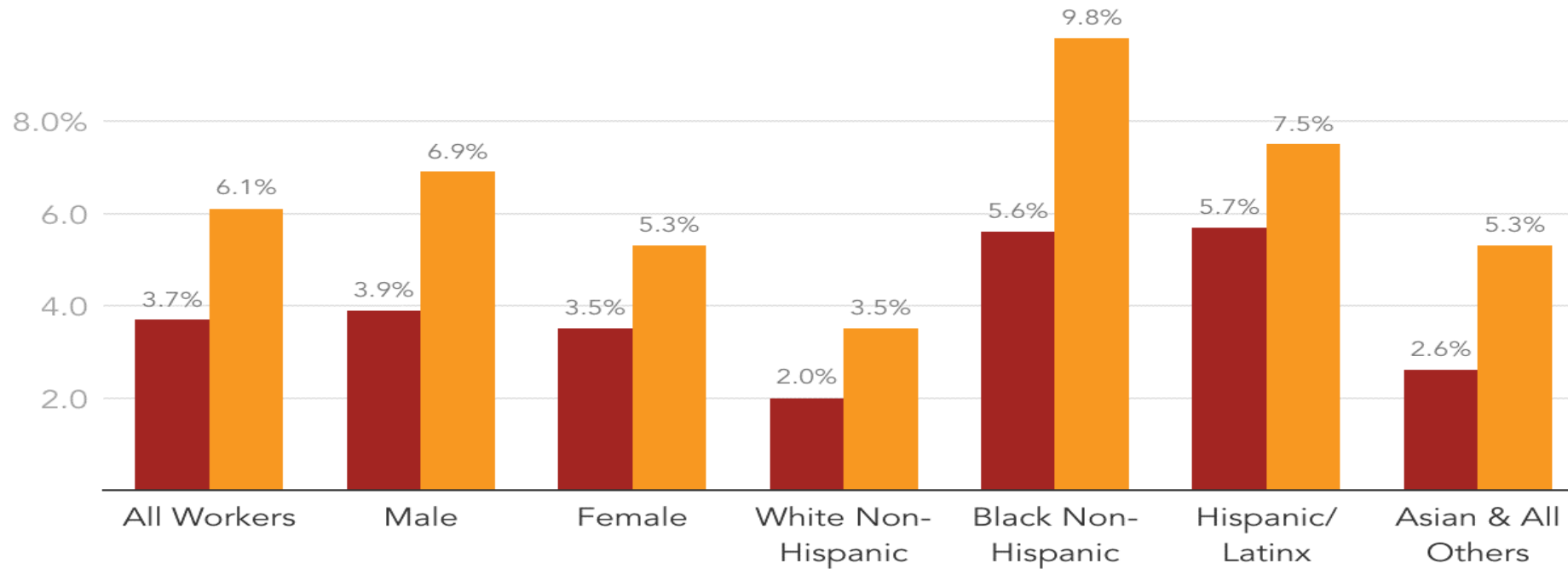
[these 4 = half of all working young adults]

- If job losses allocated in line with prior demographic distribution, young adults 42% more likely to be dislocated.

NYC unemployment rates disaggregated by race/ethnicity and gender; glaring disparities

Unemployment rate by group and by quarter in New York City

■ 2020 Q1 ■ 2022 Q3

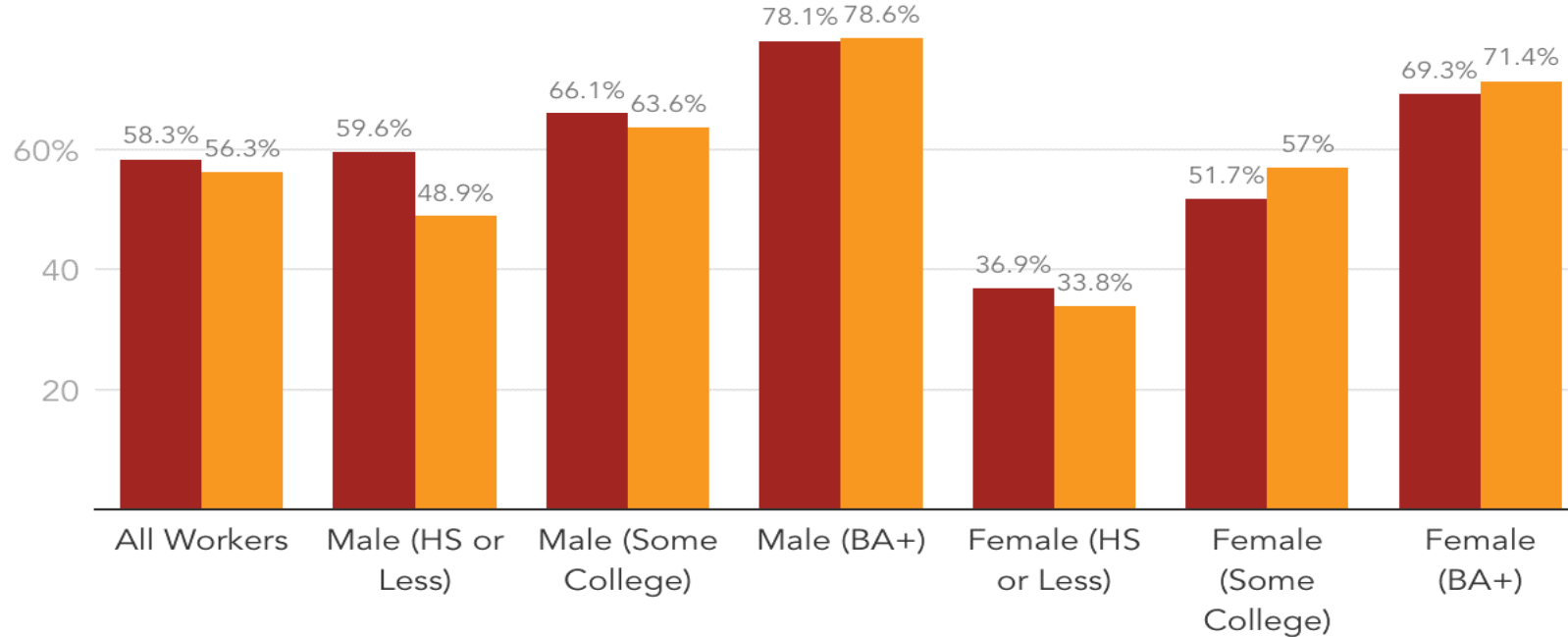


Source: CNYCA analysis of the Current Population Survey, seasonally adjusted

Employment rates have fallen sharply for NYC's less educated males and females, while they have risen for workers with a 4-year degree+

Employment rates by gender and education levels

■ Q4 2019 & Q1 2020 ■ Q2 & Q3 2022

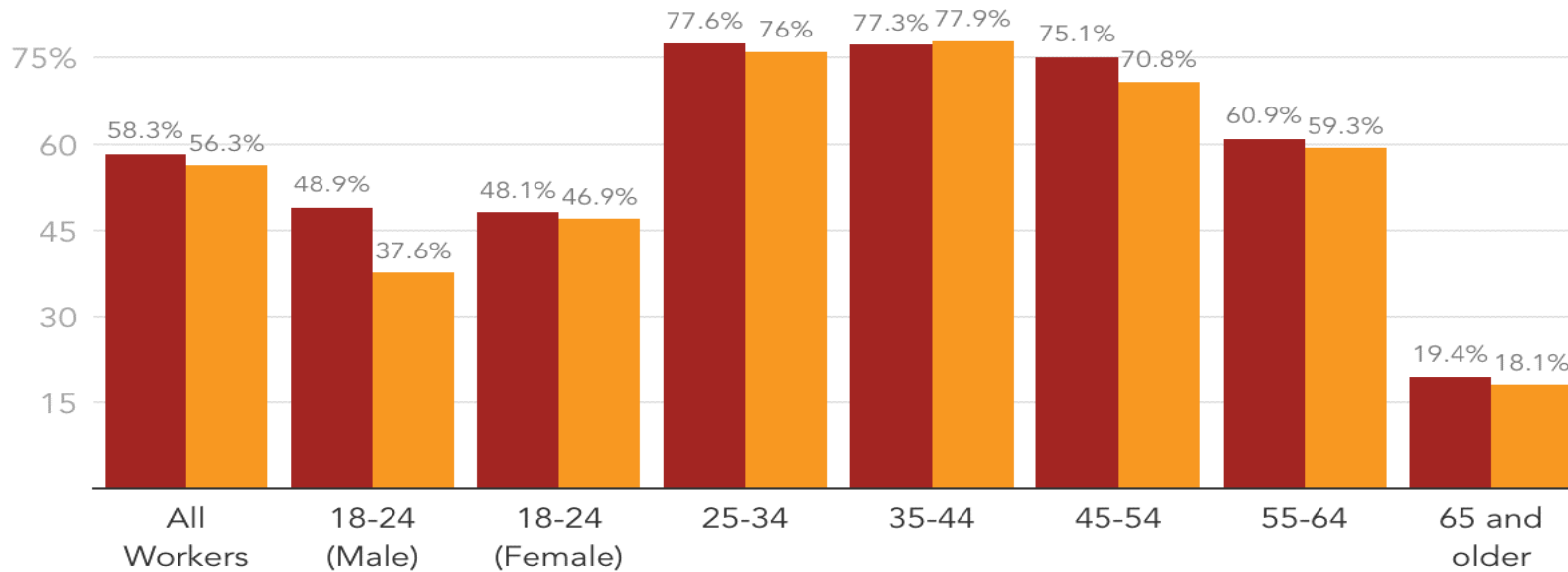


Source: CNYCA analysis of Current Population Survey data, seasonally adjusted

The employment-to-population ratio for NYC young males has fallen sharply to 38%

Employment rate by age group

■ Q4 2019 & Q1 2020 ■ Q2 & Q3 2022



Note: The 18-26 age group is split according to respondent gender.

Source: CNYCA analysis of Current Population Survey data, seasonally adjusted

Need to capture more of good NYC jobs for young adult workers growing up here

- In thinking about young adult job market, important to keep in mind the extent to which young workers are moving into NYC (“crowding-in”).
 - E.g., according to the ACS data (2015-19), 12% of young adult NYC workers resided outside of NYC the prior year. For all workers 18+, only 5% lived somewhere else in the prior year.
 - Some move in to go to college, others move in following graduation.
 - For workers 25-29, prior year in-migrants held sizable shares of Information jobs (16%), Prof. serv. jobs (15%), & Finance (13%)
 - NYC is the top migration destination for young people from high income families
- 15-24 age cohort increases as share of NYC population by nearly half (12%→18%) 10 years later.

20 NYC industries have added net jobs during the pandemic, Feb. 2020-Nov. 2022; over half are low-paying

Industry	Feb 20 - Nov 22 Change (000's)	Feb 20 - Nov 22 Change (%)	Share of Jobs in Growing Industries	Avg. Annual Pay, 2021
Group A, Low- or moderate-paying industries				
Home Health Care Services	37.5	17.2%		\$30,700
Employment Services	19.2	21.9%		\$69,500
Individual and Family Services	14.1	8.6%		\$34,400
Warehousing	8.4	40.4%		\$51,200
Offices of Physicians	6.6	23.0%		\$42,800
Couriers and Messengers	4.1	2.4%		\$93,800
Hospitals	3.7	6.2%		\$97,100
Outpatient Care Centers	2.6	12.0%		\$69,500
Community, Food, Housing, & Emerg. Svcs	1.8	14.3%		\$53,200
Subtotal, Group A industries	98.0	12.5%	63.8%	
Group B, Tech industries				
Internet Publishing & Web Search Portals	11.4	16.5%		\$190,400 - \$277,300
Software Publishing	8.0	12.3%		\$198,900
Mgmt, Sci. & Tech. Consulting Svcs	6.4	8.3%		\$207,800
Computer Systems Design & Related Svcs	6.4	31.0%		\$206,900
Subtotal, Group B industries	32.2	13.9%	21.0%	
Group C, Finance and other high-paying ind.'s				
Motion Picture & Sound Recording	9.4	17.0%		\$121,200
Portfolio Mgmt. & Oth. Investment Activities	5.5	6.9%		\$544,400
Performing Arts, Spectator Sports and Related	2.5	3.5%		\$149,800
Advertising, PR, & Related Svcs	2.0	2.4%		\$197,841
Nondepository Credit Intermediation	1.7	3.6%		\$157,055
Legal Services	1.5	11.4%		\$236,500
Architectural, Engineering, & Related Svcs	0.8	2.1%		\$115,300
Subtotal, Group C industries	23.4	6.0%	15.2%	
Total, these 20 industries	153.6	11.0%	100.0%	

Source: CNYCA analysis of NYSDOL Current Employment Statistics, not seasonally adjusted

NYC growth industries fall into 3 buckets

A: Mainly lower-paid face-to-face or essential industries, like home health care, warehouse, or temporary help jobs

- Accounted for 64% of jobs added in these 20 growth industries
- Many are quality-challenged with low pay, and few benefits or advancement opportunities.
- Some, like the hospital and other health-related, may offer advancement opportunities

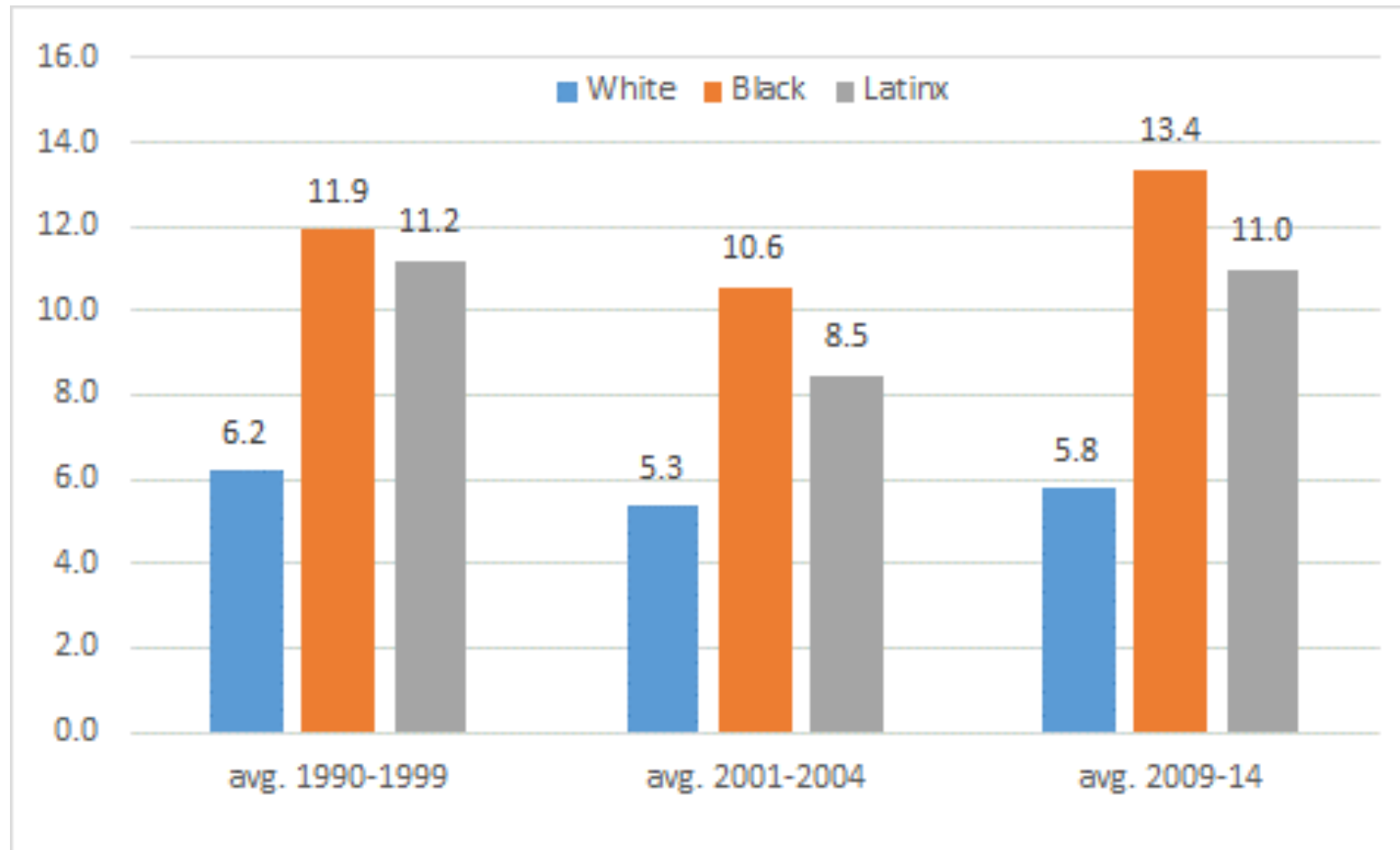
B: Tech industries that grew rapidly in the prior decade w/ 14% job growth over past 2.5 years; 32,000 (21%) of jobs added

- Many jobs are open to those with < a 4-year degree, w/ advancement opportunities
- Facebook, Twitter and other tech companies have started layoffs after rapid growth

C: High-paying jobs where NYC has competitive edge; 15% of jobs added in growth industries

- Motion picture and TV production accounted for 40% of this growth

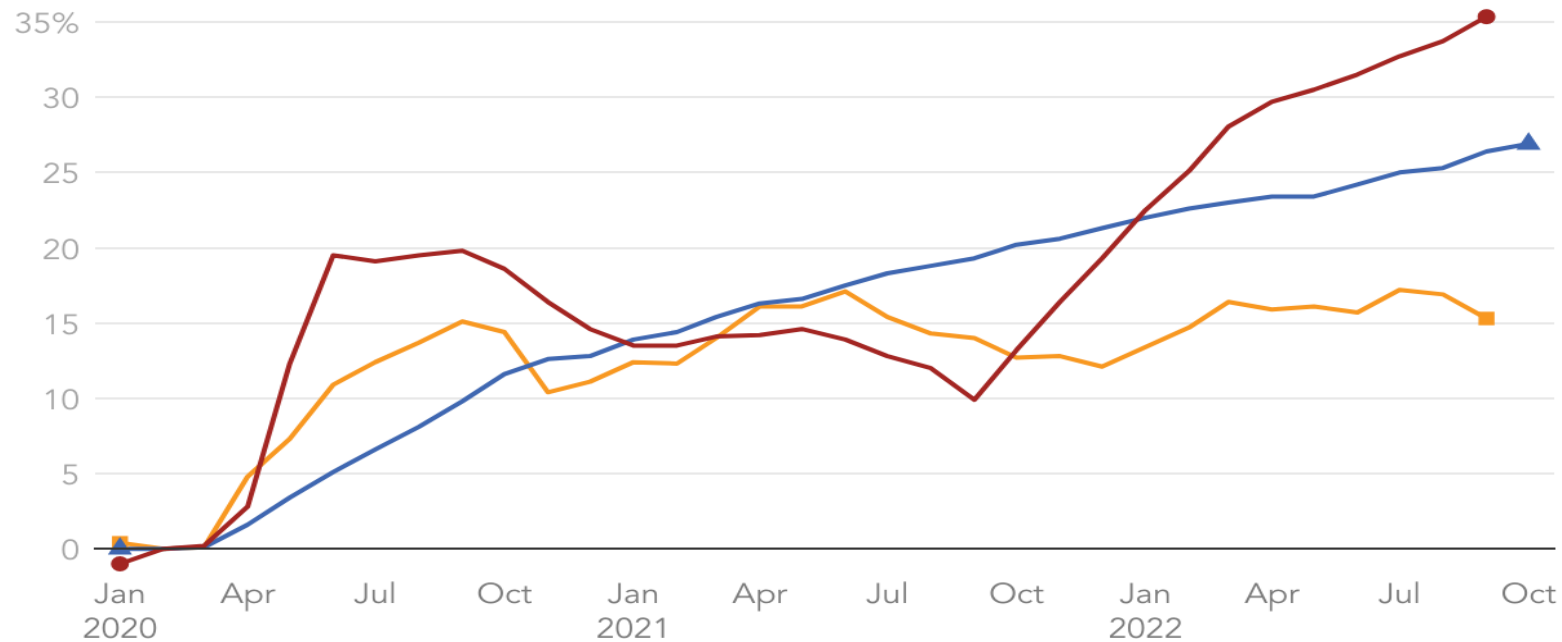
Unmistakable caution flag: following past NYC downturns, Black and Latinx workers faced double-digit unemployment for several years; many were young adults.



Hardships on the rise: since the expiration of federal unemployment benefits in Sept. 2021, sharp increase in reliance on public assistance

Change from Feb. 2020 in NYC residents receiving public assistance, by type

Temp. Cash Assistance SNAP Medicaid

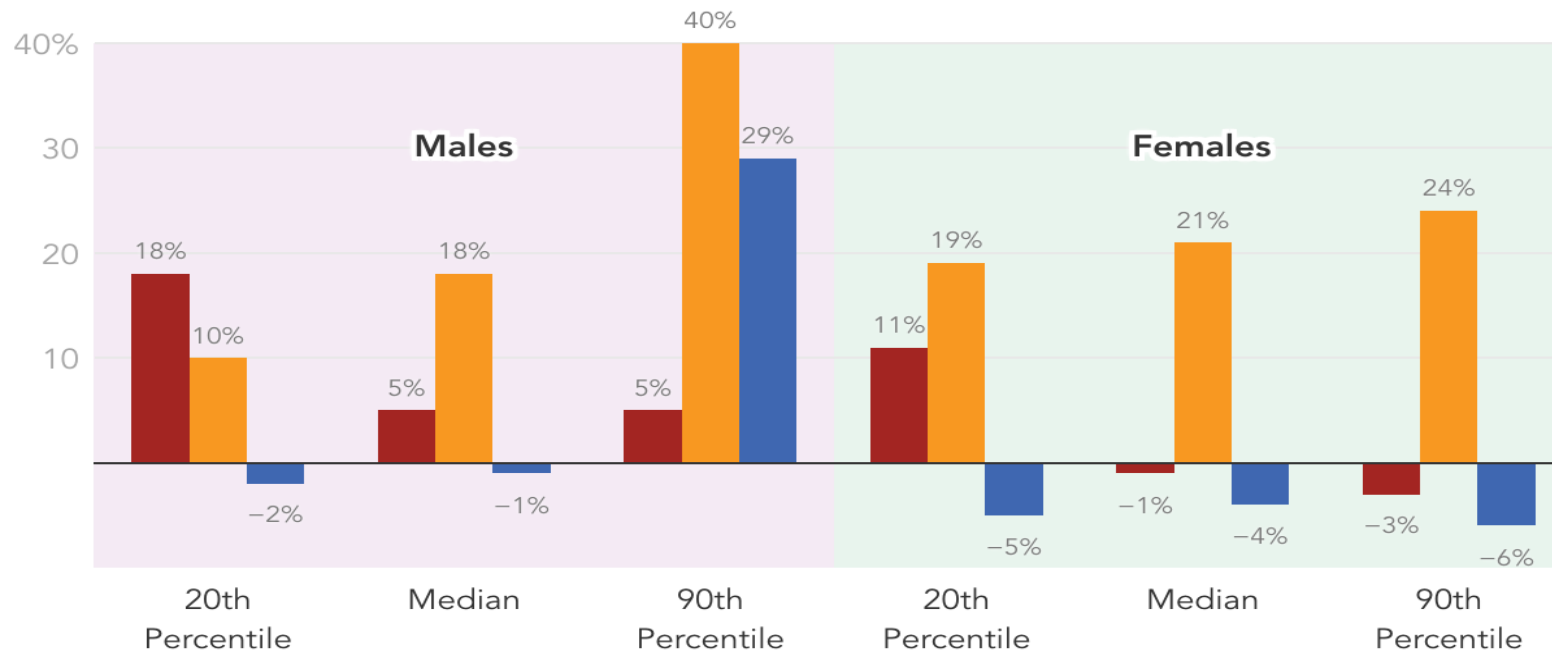


Source: CNYCA analysis of data from NYS Office of Temporary & Disability Assistance and NYS Dept. of Health

Low-wage workers fared the best 2013-19 when the min. wage doubled; over the past year, only high-wage males had real wage growth

Change in New York City real wages at three percentiles, by time and gender

■ 2013-2019 ■ 2019-2021 ■ Q1-3 2021-Q1-3 2022



Source: CNYCA analysis of Current Population Survey data, seasonally adjusted

Local and State policy priorities to foster shared prosperity in NYC

- Active labor market policy to re-connect workers, and provide skills needed to trade up to better jobs
- Raise wages; index the NYS minimum wage and provide for a “catch-up” increase for inflation 2019-2022
- Pay equity in care jobs, expand child care
- Curb misclassification and expand gig worker protections
- Property tax reform

These
analyses
might also be
of interest

For One in 10 New York Workers, ‘Independent Contractor’ Means Underpaid and Unprotected

June 2022 by James A. Parrott and Lina Moe, Center for NYC Affairs

<https://tinyurl.com/54nc3bwa>

Full Employment and Raising Wages: NYC’s Twin Economic Challenges in Emerging from the Pandemic

March 2022 by James A. Parrott, Center for NYC Affairs

<http://www.centrernyc.org/reports-briefs/full-employment-and-raising-wages-new-york-citys-twin-economic-challenges-in-emerging-from-the-pandemic>

The Case of Ending Poverty Wages for NYC’s Human Services Workers

March 2022, by James A. Parrott, 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>

Also: see <http://www.centrernyc.org/covid19-economic-impact>

Thank you.

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