Is New York Still a Middle Class Town?

John Mollenkopf

Drum Major Institute and the
Baruch School of Public Affairs
April 2, 2007

The Paradox:
Growing Inequality Amidst Overall Prosperity

- A growing economy
  - Despite employment fluctuating around 3.5 million, real earnings have grown, driving up real estate prices, creating a housing construction boom, improving city's fiscal position

- But income distribution is increasingly unequal
  - More people live in households at the bottom (below $30K) and top (above $250K), fewer in the households in between
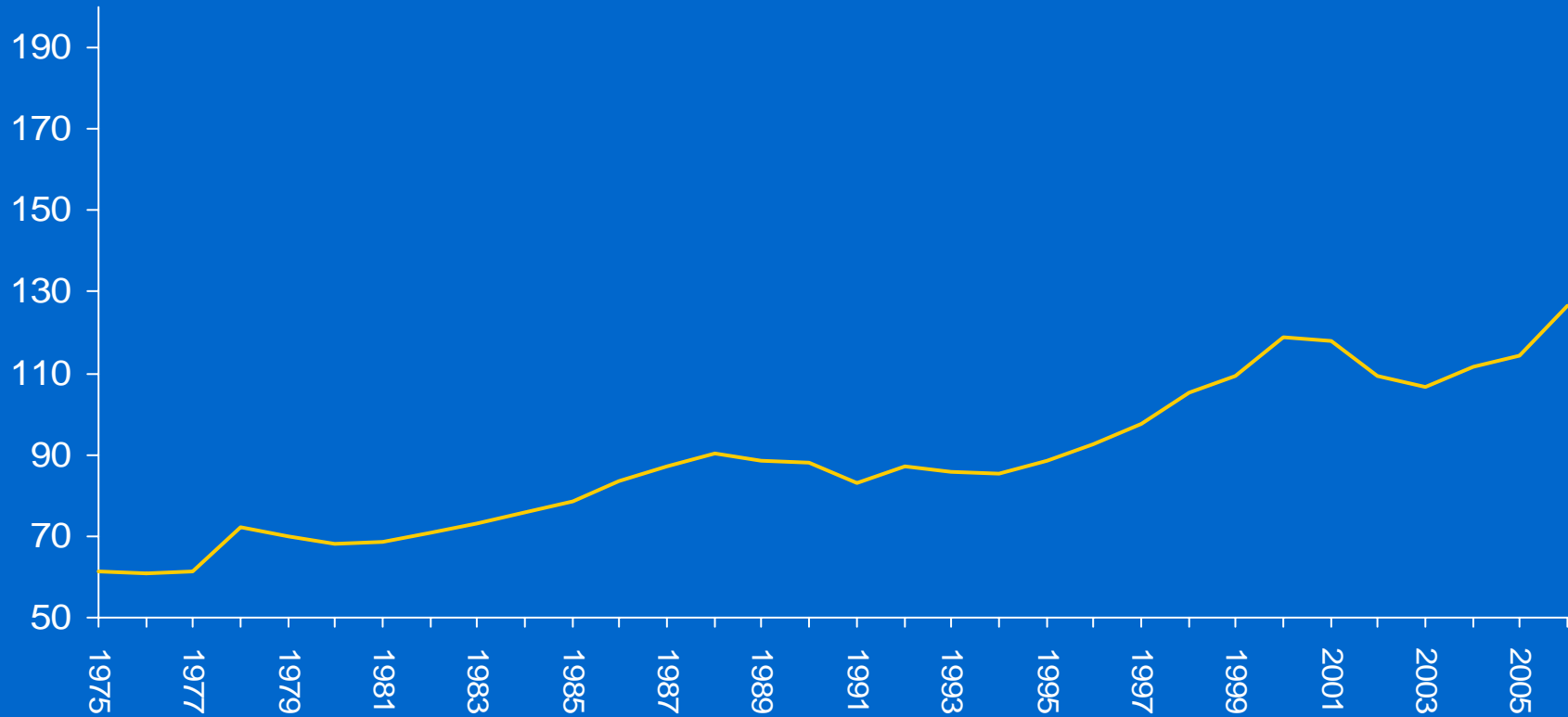
Total Payroll Employment in New York City 1958 - 2006
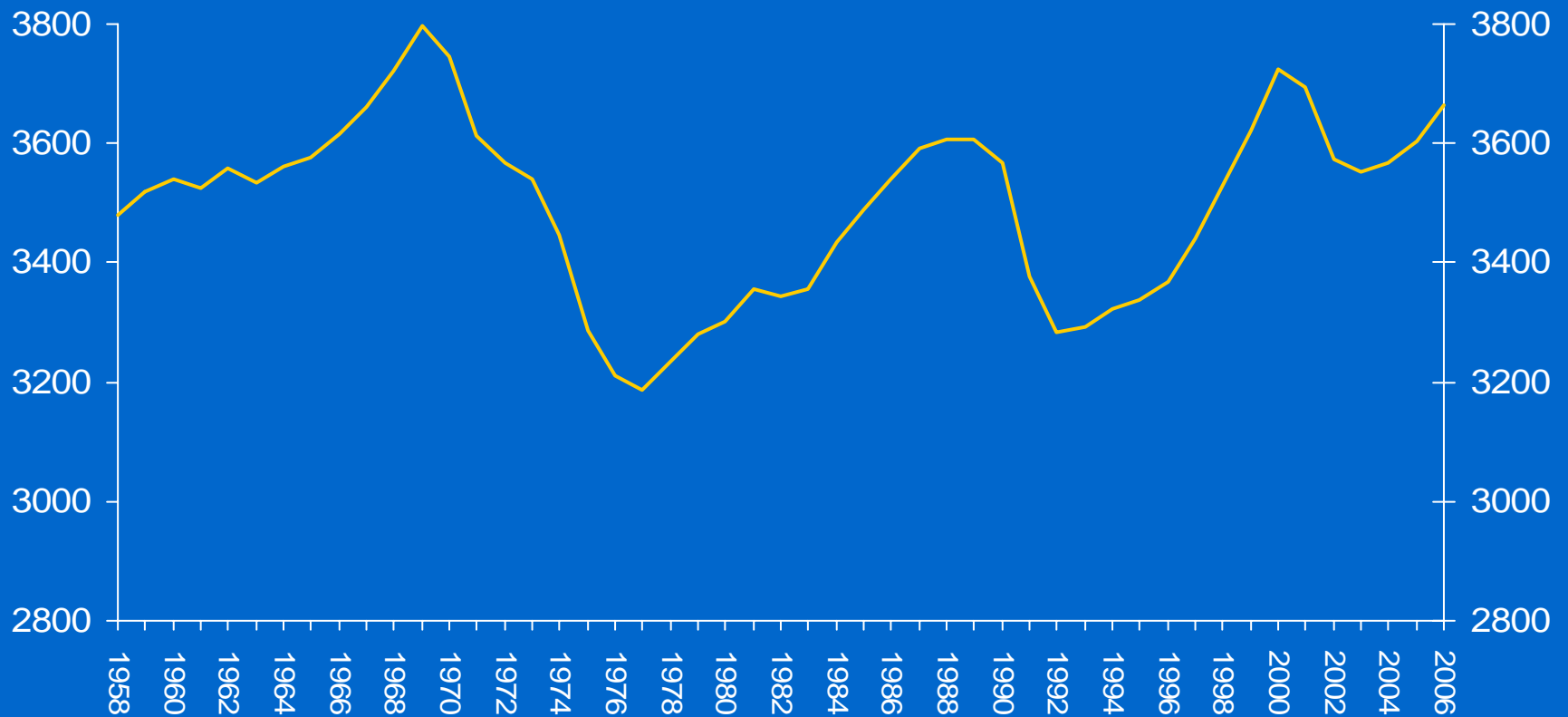
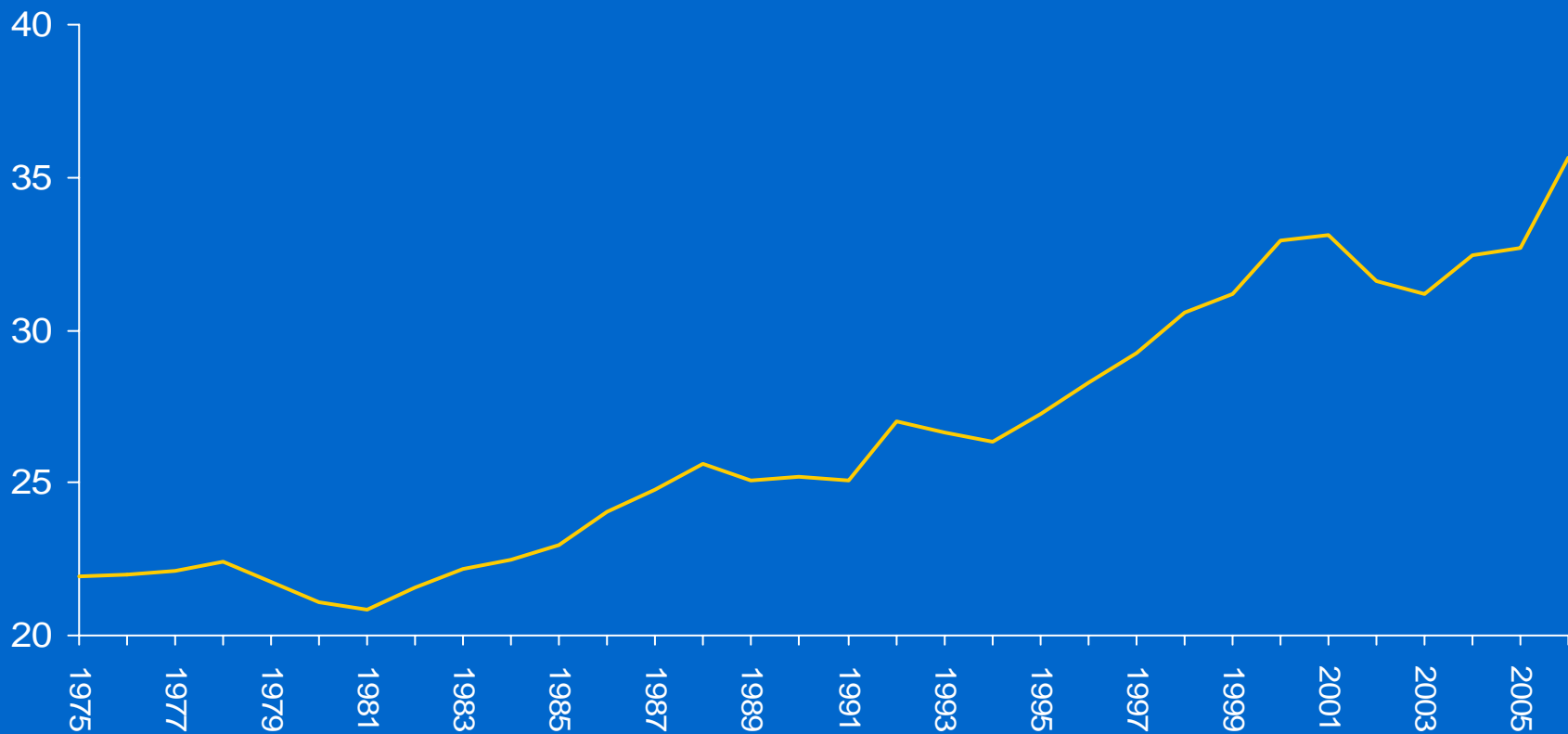# Total Real Wages for Workers in New York City 1975 – 2006
In Trillions of Constant Dollars 1982-1984 = 100/2006 = 215.0

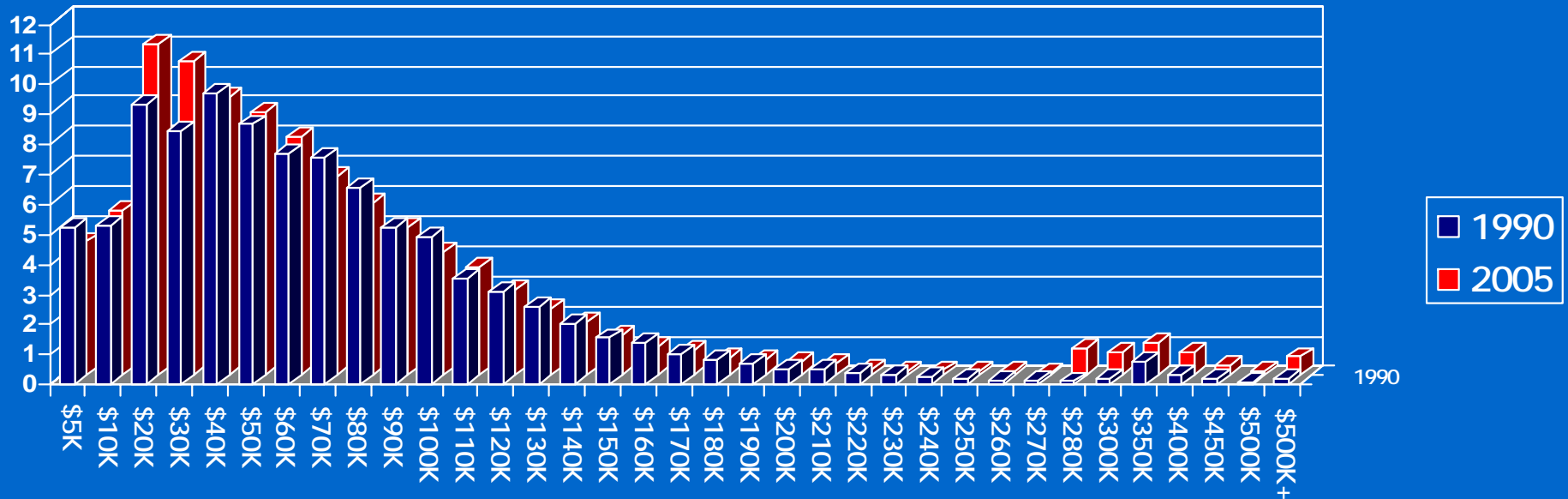Source: NYS DOL ES202/QCEW Series SIC 1975-2000, NAICS 2001-2006

Average Real Annual Wage in New York City 1975 – 2006
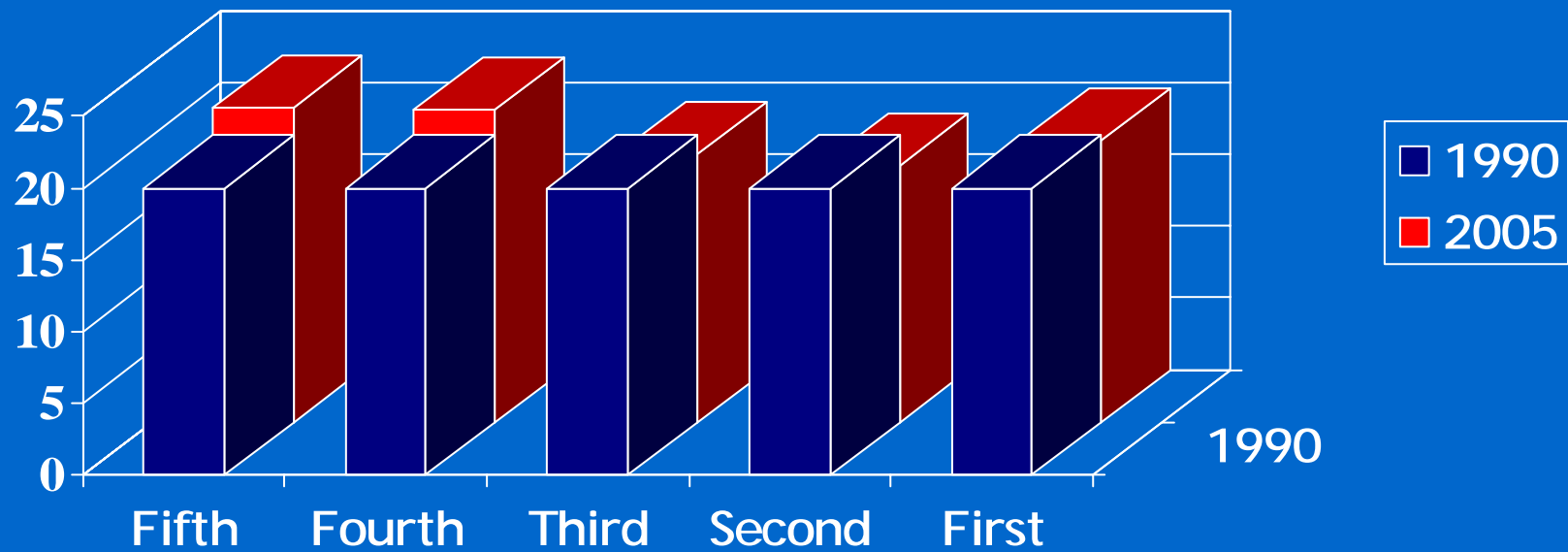In Thousands of Constant Dollars 1982-1984 = 100/September 2005 = 215.8

Changing Income Distribution 1990 – 2005

(Percent of People by Household Income, Constant $2005)
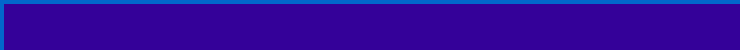

Legend: 1990, 2005

Source: 1990 Public Use Microdata Sample, 2005 ACS
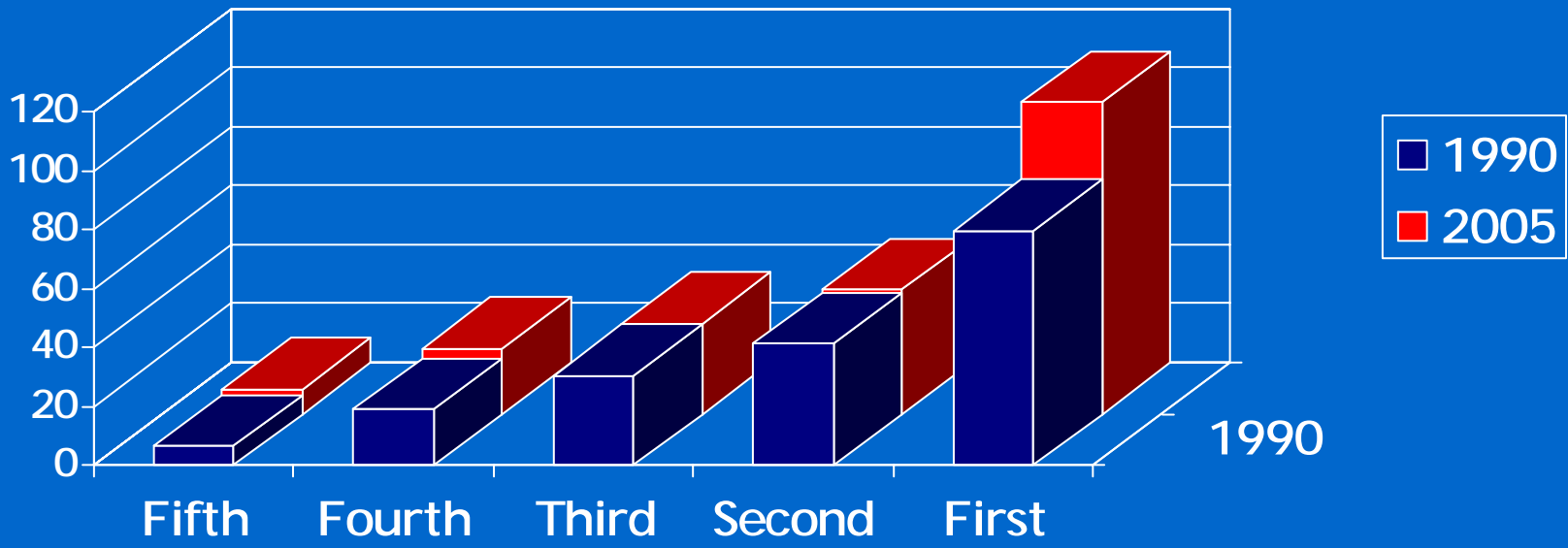
Population by 1990 Income Quintiles

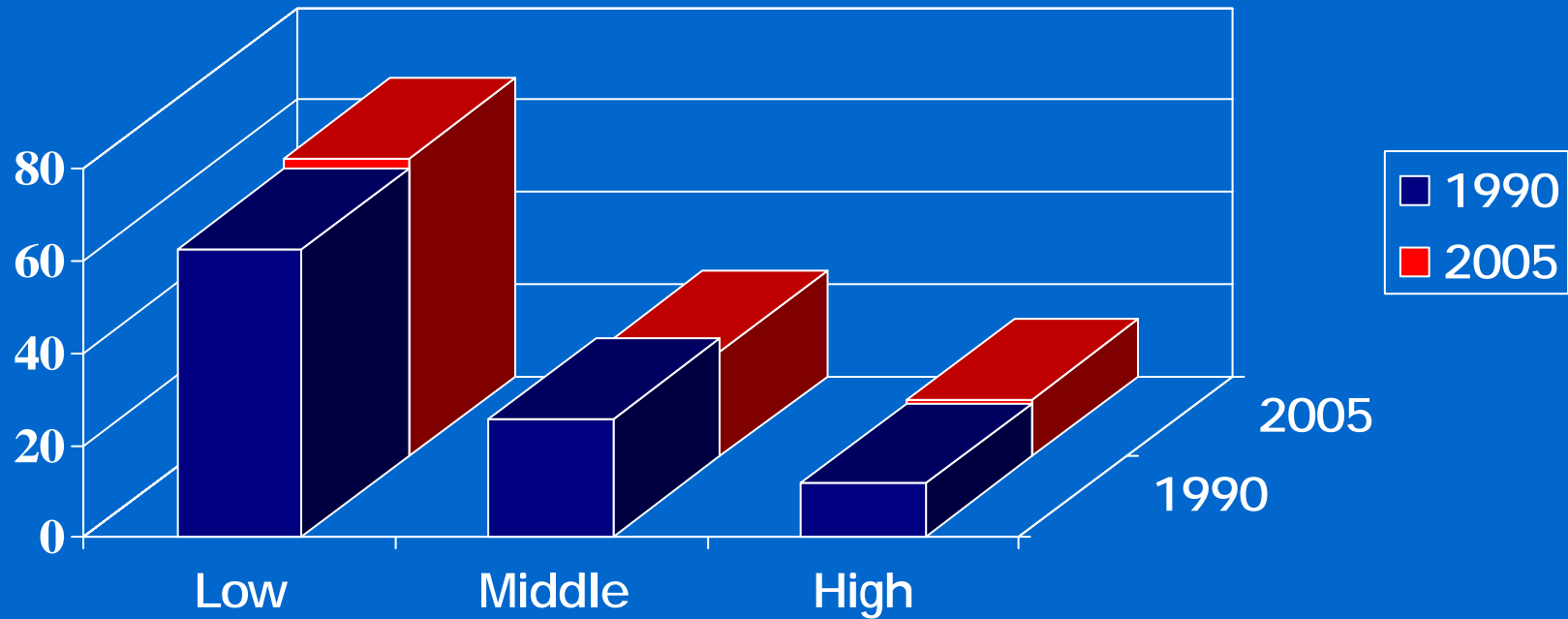# Total Earnings by 1990 Income Quintiles
(Trillions of $2005)

The DMI Brackets 1990-2005
(Singles = $45-90K, Families = $75-135K)

Poverty Brackets 1990-2005
(Low = < 2 X Poverty, Middle = 2 to 5 X Poverty, High = > 5 X Poverty)
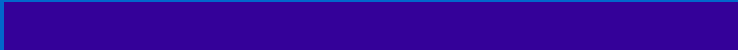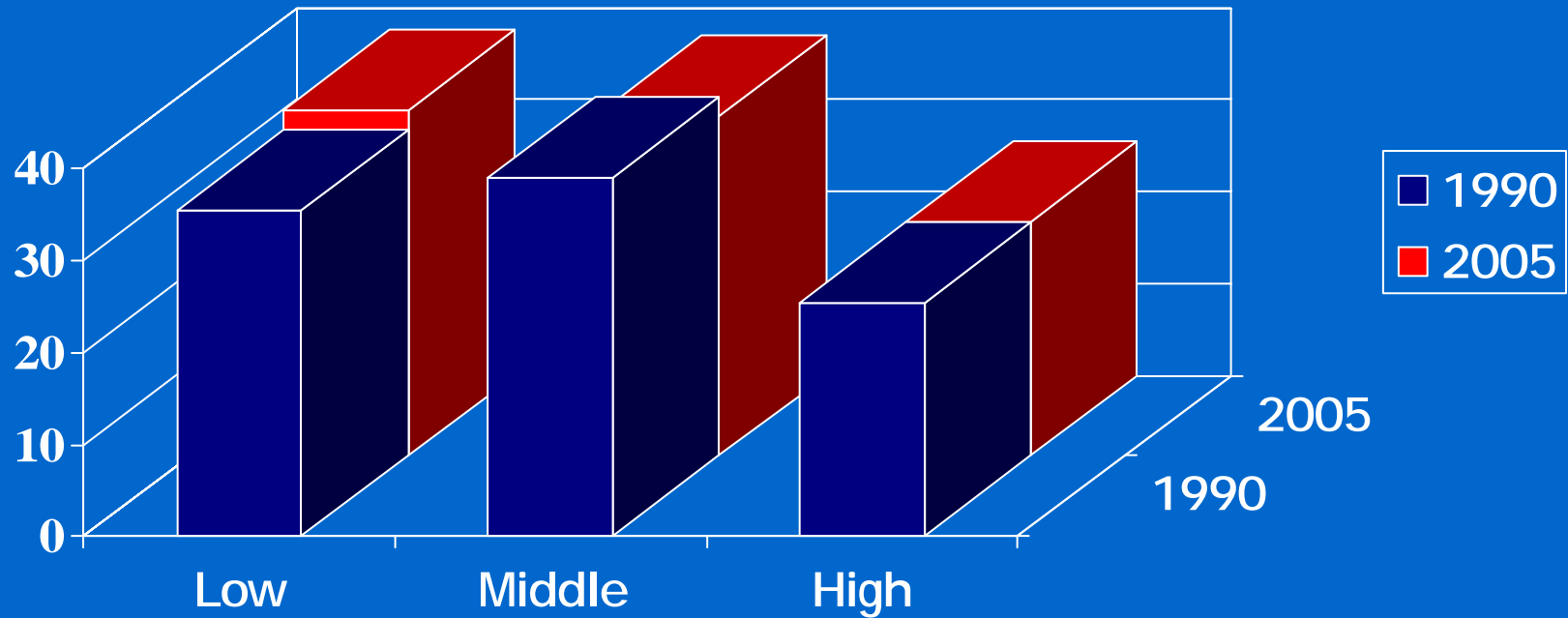
Any Way You Look At It…

- The number of people in the bottom and top parts of the income distribution are growing relative to those in the middle
- The top part is growing relative to the others not only in numbers, but in total income
- *Average* incomes are thus rising mainly because the top is pulling them up

Why Aren't People Feeling 'Relative Deprivation'?

- Who occupies the brackets changes over time
- The shrinking number of native white households is shifting markedly upwards
- To a far less extent, this is also true of native black and Hispanic households
- The growing number of immigrant white, black, and Asian households is fairly evenly distributed across brackets
- But Immigrant Hispanic households are clustered at the bottom

Household Income by Race (Native HH Head)

(People in Households – Low = Under 2 X Poverty, high = Over 5 X Poverty)

Legend:
- Low in 90
- Low in 05
- Middle in 90
- Middle in 05
- High in 90
- High in 05

Categories (depth axis): Low in 90, Middle in 90, High in 90

Categories (horizontal axis): Whites, Blacks, Hispanics, Asians

Vertical axis: 0, 200000, 400000, 600000, 800000, 1000000, 1200000
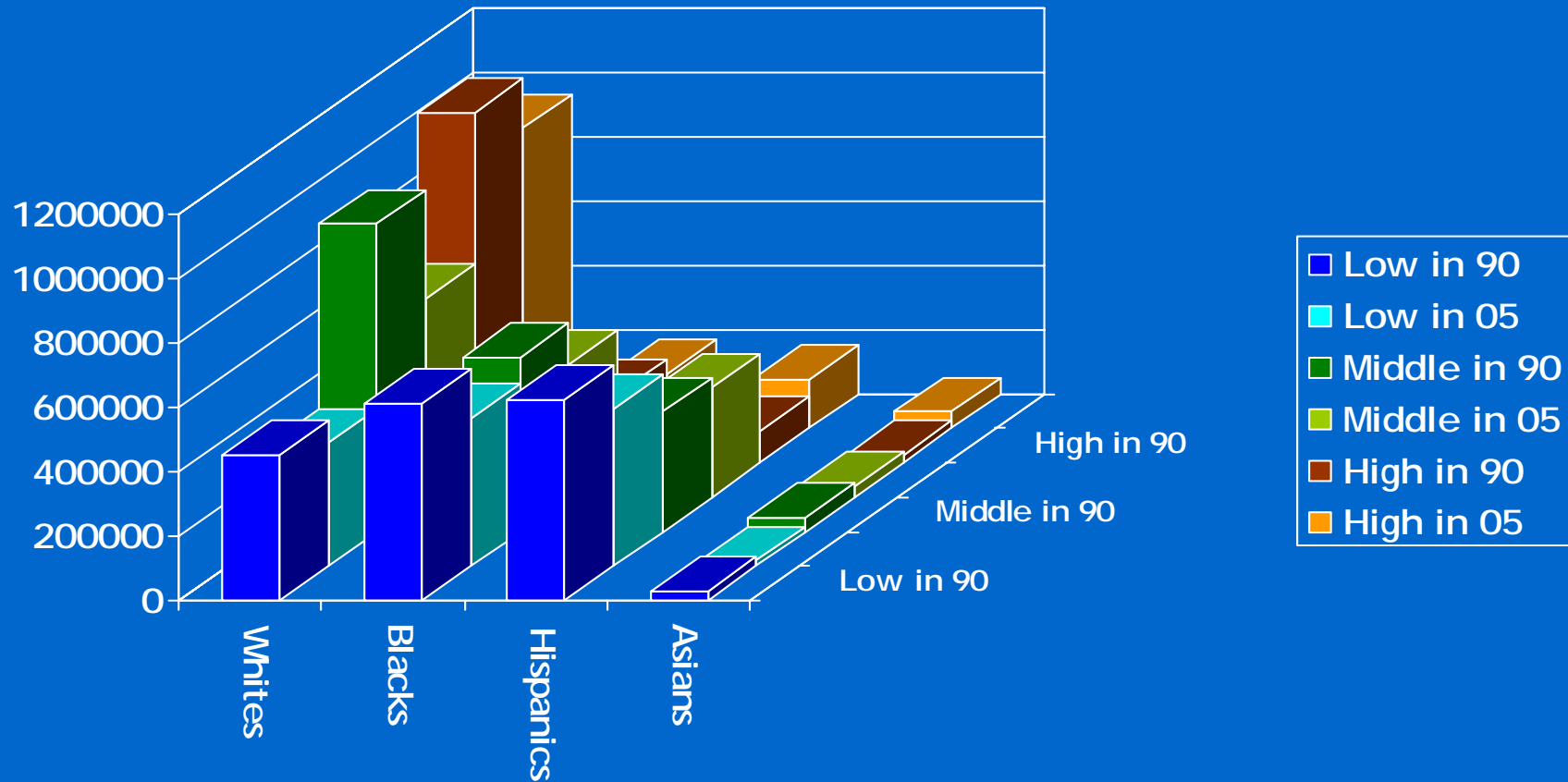
Source: 1990 Public Use Microdata Sample, 2005 ACS

Household Income by Race (**Foreign** HH Head)

(People in Households – Low = Under 2 X Poverty, High = Over 5 X Poverty)

Legend:
- Low in 90
- Low in 05
- Middle in 90
- Middle in 05
- High in 90
- High in 05
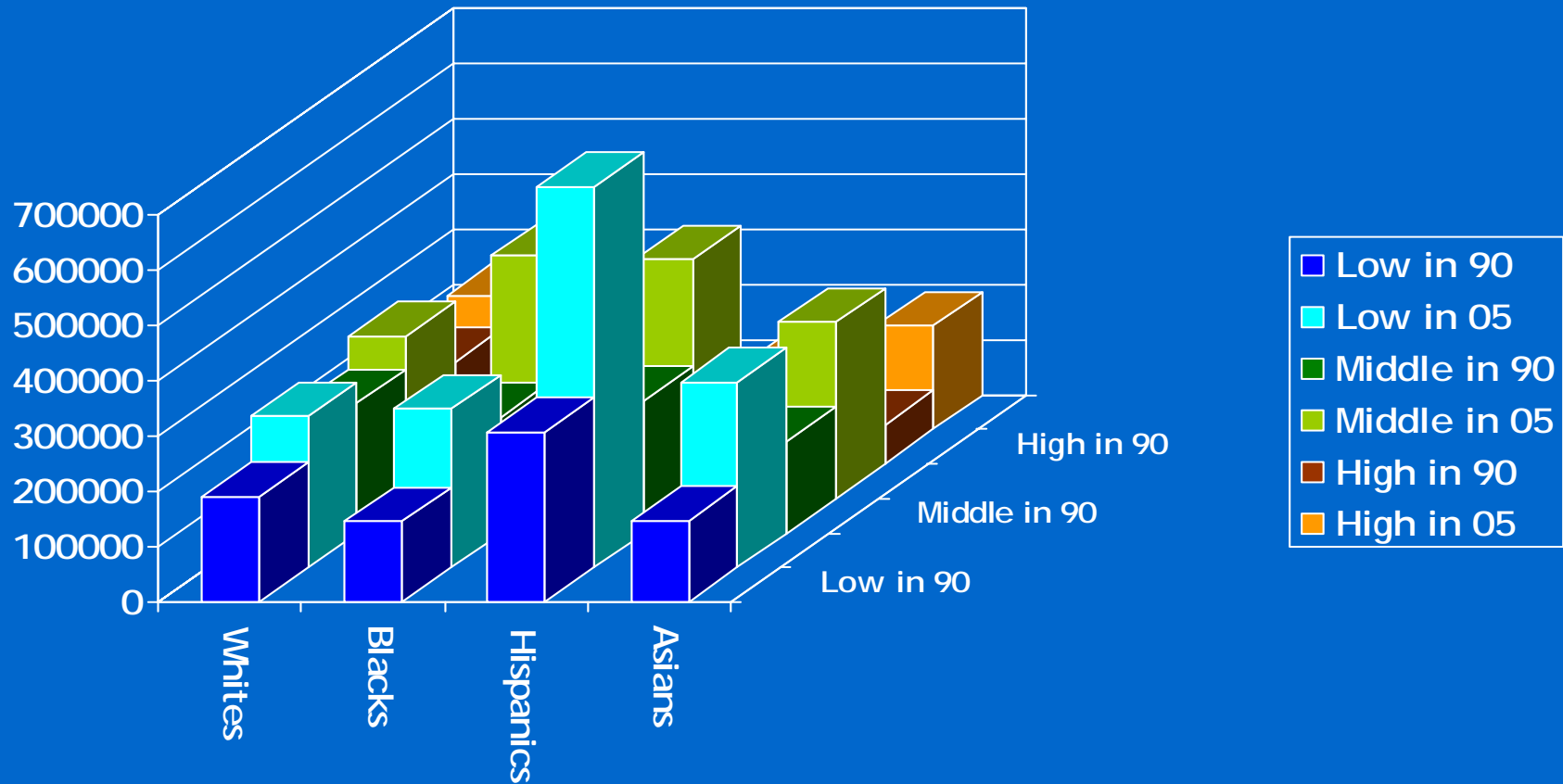
Source: 1990 Public Use Microdata Sample, 2005 ACS

Bottom Lines

- Growing income inequality does not prevent many households from being upwardly mobile
- Native households are diminishing part of overall population, especially at the low end
- White, black, and Asian immigrant households are growing all across income distribution
- But Hispanic immigrant households remain clustered at the bottom