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

Source: New York State Department of Labor, Current Employment Statistics Survey, Annual Averages
Total Real Wages for Workers in New York City 1975 - 2006
In Trillions of Constant Dollars 1982-1984 = 100/2006 = 215.0

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)

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

- Fifth
- Fourth
- Third
- Second
- First

1990 vs 2005
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)

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)

Source: 1990 Public Use Microdata Sample, 2005 ACS
• 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