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Economic Inequality in New York State

Abstract

New York State was the state with the greatest income disparity between the rich and poor in the mid-2000s. At that time incomes in the bottom fifth of the population were 8.7 times lower than those in the top fifth. In New York City this gap was even wider. In the mid-2000s the City's top income quintile had an average income 9.5 times higher than the average income of the bottom quintile. Overall income in New York State grew between the 1980s and the mid-2000s but those at the top took the majority of this increase. The richest 20 percent's share of total personal income grew from 42 percent in the late 1980s to 47 percent in the mid-2000s with the share of the richest 5 percent increasing the most, from 16 percent in the late 1980s to 21 percent in the mid-2000s. Meanwhile, the other 80 percent of New Yorkers saw their total share of personal income decline.

Keywords

Buffalo, Poverty/Low Wage Work/Income Inequality, Economic Inequality, Fact Sheet, PPG, PDF

Economic Inequality in New York State Amy Kaslovsky



What is the current income disparity between New York State's wealthiest and poorest residents?

New York State was the state with the greatest income disparity between the rich and poor in the mid 2000s. At that time incomes in the bottom fifth of the population were 8.7 times lower than those in the top fifth.¹ In New York City this gap was even wider. In the mid 2000s the City's top income quintile had an average income 9.5 times higher than the average income of the bottom quintile. Overall income in New York State grew between the 1980s and the mid 2000s but those at the top took the majority of this increase. The richest 20 percent's share of total personal income grew from 42 percent in the late 1980s to 47 percent in the mid 2000s with the share of the richest 5 percent increasing the most, from 16 percent in the late 1980s to 21 percent in the mid 2000s. Meanwhile, the other 80 percent of New Yorkers saw their total share of personal income decline.²

What is the current income disparity between New York's upper and middle classes?

In the mid 2000s the income of New York's upper class was 2.8 times more than that of the middle class. This was the fourth largest gap between the rich and middle classes of any state in the country, with only Oklahoma, Mississippi and California faring worse. In New York City the gap was even more pronounced, with the ratio of upper

incomes to middle incomes standing at 3.3 to 1. In terms of the difference between the middle class and the top five percent, the gap in New York State was the widest of all the states, with the top five percent earning five times more than the middle class.³

How has income inequality increased in New York State since the 1980s?

From the late 1980s to the mid 2000s, only the top fifth of New York's population had an increase in their share of total income. Their share of total income increased from 41.7% to 46.7%. The next fifth saw a decrease from 23.9% to 22.1%. The middle fifth saw a decrease from 16.9% to 15.5%. The next lowest fifth's share decreased from 11.7% to 10.4%. The lowest fifth's share declined from 5.8% to 5.2%.⁴



How does income inequality in New York State compare to income inequality on a national scale?

The national income gap has been growing at a rate slower than that of New York State since the 1980s. From 1987 to 1989, the ratio of the income of the top quintile to that of the bottom quintile was 6.0 nationally and 6.7 in New York State. From 1998 to 2000 the ratios were 6.5 nationally and 7.9 in New York State. From 2004 to 2006 the ratios were 7.3 nationally and 8.7 in New York State.⁵

How much economic mobility is there in the United States?

Nationally, there has been a decline in the trend of upward economic mobility since the 1970s, especially at the bottom of the income spectrum. Studies show that 36 percent of children born into the bottom income quintile will remain there when they grow up and the figure is the same for those in the top quintile. A large factor in determining mobility for those in the bottom quintile is whether they have a college degree. Five percent of those in the bottom quintile without a college degree move up to the top quintile while 19 percent with such a degree move to the top quintile.⁶

What are some possible explanations for recent trends in New York State?

Wage Inequality

New York experienced an erosion of wages for workers with less than a college degree - those at the bottom 70 percent of the workforce in terms of income. Wages of the highest 20 percent of earners increased by a significant amount while wages of the rest of the workforce increased only minimally. This may be due to the shift in New York's economy from manufacturing to service jobs. Between 1990 and 2008, New York lost 448,400 manufacturing jobs and gained close to 800,000 service jobs with wages 18 percent lower than those of the manufacturing jobs. New York also lost membership in its unions, with unionization rates falling from 28.2 percent in 1990 to

25.2 percent in 2007. Nationally, wages rose at a greater rate for those at the bottom than they did in New York.⁷



Investment Income Inequality

New York State personal income tax returns for 1994 through 2006 show that the amount of income reported that was due to capital gains increased from 4 percent of total income in 1994 to 13 percent in 2006. The top earners in the state are the primary beneficiaries of this increase in capital gains.⁸

What is the relation between gender inequality and income inequality in New York?

The 2007 Census Bureau Report showed that New York was third best in the nation for ratios of women's income to men's. In New York women earned 82.3 percent of what men earned in 2007.⁹

What is the relation between racial inequality and income inequality in New York?

Data from a 2007 study show that the following percentages of racial groups were living at less than 50 percent of the poverty level: 3.9 percent of the white, non-Hispanic population; 10.3 percent of the Hispanic or Latino population; and 10.5 percent of the African American population. For those at less than 125 percent of the poverty level, the numbers were as follows: 11.8 percent of the white, non-Hispanic population; 30.9 percent of the Hispanic or Latino population; and 25.9 percent of the African American population.¹⁰

How is economic inequality measured?

One way social scientists examine economic inequality is through the Gini coefficient. This coefficient is a measure of disparity in distribution of income and it ranges from zero to one. Zero represents perfect equality and one represents a society where all the income is placed in the hands of a single individual. The United States has seen its Gini coefficient rise over time, from .35 in 1965 to .44 in 2008. This puts us on the same level as Sri Lanka, Mali, and Russia.¹¹

How does New York's Gini coefficient compare to other states'?

The Gini coefficient measures income inequality. It is a number that ranges from 0 to 1, with zero representing perfect equality and one representing a society where all the income is placed in the hands of a single individual. New York's Gini coefficient is estimated to be around 0.49 and this was the highest for all the states in the country. Just above New York, with Gini coefficients around 0.48 were Louisiana, Mississippi, Alabama, Connecticut, and California.¹²

How does Buffalo, New York's Gini coefficient compare to other cities'?

The Gini index is the Gini coefficient expressed as a percentage. It ranges from zero representing complete equality and 100 representing total inequality. The Buffalo-Niagara Falls Metropolitan area had a Gini index of 42.3 in 1999. The following were the indexes for other cities in 1999: 47.5 for NYC; 41.7 for Syracuse, NY; 40.1 for Rochester, NY; 40.8 for Flint, Michigan; and 41.7 for Cleveland, Ohio. So Buffalo's index was slightly higher than the index in cities that are comparable in terms of being rustbelt cities that are struggling economically right now. New York City was more unequal than Buffalo.¹³

What does economic inequality look like in Buffalo, New York?

Buffalo has been suffering from declining population and increasing poverty in recent years. As of 2006, 23.8 percent of families and 29.9 percent of individuals in the city lived below the poverty level.¹⁴ Additionally, at that time, about 57 percent of the population over 16 years of age was in the labor force and the median household income, in 2006 inflation-adjusted dollars was \$37,240 compared to the national median income of \$58,526.¹⁵ The number of households with income and benefits totaling less than \$10,000 was 22,914 and the number with \$10,000 to \$14,999 was 11,453. There were 1,269 households with income and benefits within the range of \$150,000 and \$199,999 and 865 with income and benefits of \$200,000.¹⁶



What policies contribute to economic inequality in Buffalo?

Buffalo had a manufacturing based economy and lost many jobs due to deindustrialization and the movement of jobs to the Sun Belt and overseas. The accompanying increase in service sector jobs did not help the economy as the increase was modest and these jobs are not as well paying as the manufacturing jobs that left the area. In addition, residential segregation, school segregation, delayed urban redevelopment, and highway construction have contributed to the concentration of poverty in Buffalo.¹⁷

What are some of the effects of income inequality on individuals in the lower income brackets?

Studies have indicated a relationship between health and life expectancy and income. Those at the bottom income levels tend to have poorer health and shorter life expectancies. Social scientists have identified the concept of relative deprivation, which refers to the fact that being poor in a society of great wealth exacerbates the negative psychological impact of being at the bottom of the economic spectrum. Some studies have shown that these negative emotions lead to physical effects, such as increased levels of stress hormones and poorer health.¹⁸

What are some of the effects of income inequality on society as a whole?

Research suggests that society as a whole is worse off as a result of income inequality. Greater economic disparities correlate with increased crime levels, lower levels of civic and political participation, decreased levels of racial harmony, lower levels of happiness, and lower levels of mental and physical health. Studies have also suggested that income inequality is associated with a loss of “social capital.” The term “Social capital” refers to cohesiveness and involvement in the community, “trust, reciprocity among friends and neighbors, and civic engagement.”¹⁹ There are stark consequences to the decline of social capital. These effects include the increasing alienation of those at the bottom and a greater chance that the rest of society will ignore the needs of the poor. This has been demonstrated by studies of welfare systems in the United States, as well as abroad, showing that the most generous welfare systems are in areas with the lowest levels of inequality. In addition, Alesina, Ropes professor of political economy, theorizes that the interests of the poor and rich are likely to be different, thereby alienating the poor even further since candidates who win political offices are more likely to share the interests of the rich while ignoring the interests of the poor.²⁰

¹ The Fiscal Policy Institute study split NY into groups of 20 percent of the population to make quintiles and compared the bottom fifth as the lower class to the upper fifth as the upper class.

The Fiscal Policy Institute, *Pulling Apart in New York: An Analysis of Income Trends in New York State* (April 2008), available at http://www.fiscalpolicy.org/FPI_PullingApartInNewYork.pdf.

² *Id.*

³ *Id.*

⁴ *Id.*

⁵ *Id.*

⁶ Economic Mobility Project, *Summary of Key Findings – “Getting Ahead or Losing Ground: Economic Mobility in America,”* available at http://www.brookings.edu/reports/2008/~media/Files/rc/reports/2008/02_economic_mobility_sawhill/02_economic_mobility_keyfindings.pdf.

⁷ *Id.*

⁸ *Id.*

⁹ Sam Roberts, *Less Poverty But More Inequality in New York*, The New York Times, available at <http://cityroom.blogs.nytimes.com/2008/08/26/less-poverty-but-more-inequality-in-new-york/>

¹⁰ U.S. Census Bureau, 2007 American Community Survey - Year Estimates, Selected Characteristics of People at Specified Levels of Poverty in the Past 12 Months, available at http://factfinder.census.gov/servlet/STTable?_bm=y&-qr_name=ACS_2007_1YR_G00_S1703&-geo_id=04000US36&-context=st&-ds_name=ACS_2007_1YR_G00_&-tree_id=307&-lang=en&-format=&-CONTEXT=st.

¹¹ Elizabeth Gudrais, *Unequal America*, Harvard Magazine, July-August 2008, available at <http://harvardmagazine.com/2008/07/unequal-america.html>.

¹² Professor Mark L. Burkey at North Carolina Agricultural and Technical State University. These numbers were calculated based on the 2000 Census. <http://www.ncat.edu/~burkeym/Gini.htm>

¹³ Buffalo – Niagara Falls, New York: Summary Profile, <http://diversitydata.sph.harvard.edu/profiles.jsp?ma=1280&dm=sum&sh=on&x=22&y=7>

¹⁴ U.S. Census Bureau, 2006 American Community Survey, available at http://factfinder.census.gov/servlet/ACSSAFFacts?_event=Search&geo_id=&_geoContext=&_street=&

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¹⁵ *Id.*

¹⁶ *Id.*

¹⁷ Neil Kraus, *Local Policy Making and Concentrated Poverty: the case of Buffalo, NY*, Cities (2004), available at http://www.sciencedirect.com/science?_ob=ArticleURL&_udi=B6V9W-4DTJRVN-3&_user=681891&_rdoc=1&_fmt=&_orig=search&_sort=d&view=c&_version=1&_urlVersion=0&_useri&_md5=1ee2c81f18b67e3507c99c0f5dbc8aa0

¹⁸ Elizabeth Gudrais, *Unequal America*, Harvard Magazine, July-August 2008, available at <http://harvardmagazine.com/2008/07/unequal-america.html>.

¹⁹ *Id.*

²⁰ *Id.*