



# UNDER ATTACK: NEW YORK'S MIDDLE CLASS AND THE JOBS CRISIS

**THE AMERICAN DREAM** used to mean that if you put in a hard day's work, you could expect good wages, benefits, and a better life for your kids. But the kinds of jobs that can provide a solid middle-class life in return for hard work are in short supply in New York—unemployment is up, earnings are down, and hard-won benefits are being lost. The future of the middle class, which has been the backbone of New York's economy for more than half a century, is at risk.

New York's strong and vibrant middle class didn't just happen. It was built brick by brick during the first half of the last century by the hard work of our parents and grandparents and the strength in numbers that came from the unions that represented them. Unions made sure that as our nation's wealth and productivity grew, so too did the income and benefits of the people who worked hard to create that wealth. For decades, our nation's prosperity was widely shared—wages increased and more employers provided their workers with health insurance, pensions, and paid time off. The middle class was also built by government policies that supported homeownership and made a college education accessible to a new generation. Parents without higher education

## THE STATE OF NEW YORK'S MIDDLE CLASS

- Declining access to benefits
- Dramatically rising inequality
- Loss of middle class population due to migration to other states
- In upstate New York, a lack of good jobs leads New Yorkers to seek opportunity elsewhere
- In New York City and its suburbs, a dearth of affordable housing pushes families out of the state
- Higher costs to raise a family
- College degree increasingly out of reach
- Diminished economic prospects for young people

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FUTURE  
MIDDLE  
CLASS

*This is a briefing paper in Demos' "Future Middle Class" series and is co-published with THE DRUM MAJOR INSTITUTE FOR PUBLIC POLICY.*

themselves proudly scrimped and saved to send their kids to college, made possible by affordable tuition at state universities and financial aid.

But all of this is changing and New York's middle class is in jeopardy. Once an example of smart policy choices and the home of a thriving manufacturing sector and a stable middle class, the state has been caught in a downward spiral that mirrors unfortunate national trends. Not only did the Great Recession cost the state 398,000 jobs, but the economic effects of those lost jobs reverberated to all corners of the state, particularly the already-strained finances of the state government. We estimate that the jobs lost due to the recession have cost Albany over \$1.5 billion annually in lost sales and income tax revenues, on top of other revenue losses from the recession, putting thousands more middle-class jobs at risk. If the state's unemployment rate were at pre-recession levels, that lost billion would return to the state government's coffers and could be used to help thousands of young people attend college, maintain dozens of state parks, or hire, for example, as many as 10,000 teachers or 9,600 nurses. These lost and endangered jobs, in turn, will only exacerbate the extreme income inequality that has defined New York for decades, and managed to coexist for decades with the state's thriving middle class.

One bright spot, however, is New York's relatively high rate of unionization which mitigates the state's inequality, helping to secure middle-class jobs in an economy increasingly divided between well-paid professionals and everyone else. Yet unions' mitigating power has sharp limitations: retail sales, the restaurant industry, and other service jobs remain largely nonunion. Not coincidentally, these sectors offer low wages and few benefits. Unfortunately, they are also among the fastest growing areas of the state's economy, a trend which may accelerate as the state cuts back its support for better-paid sectors like health care and education and continues to lay off middle-class public employees.

New York's best hope lies in the potential for smart public policy to strengthen and expand the state's middle class. Renewed state investment in critical public goods like education and transit infrastructure would cultivate middle-class jobs while at the same time improving New Yorkers' mobility and access to quality education. Reauthorizing and strengthening New York's rent laws would help ensure that families could afford to remain in New York City. The recent passage of promising legislation, such as the first-in-the-nation Domestic Workers' Bill of Rights, and the Wage Theft Prevention Act suggests that New York continues to take the concerns of working people seriously and may yet step up to the plate to bolster its faltering middle class.

### NEW YORK CITY

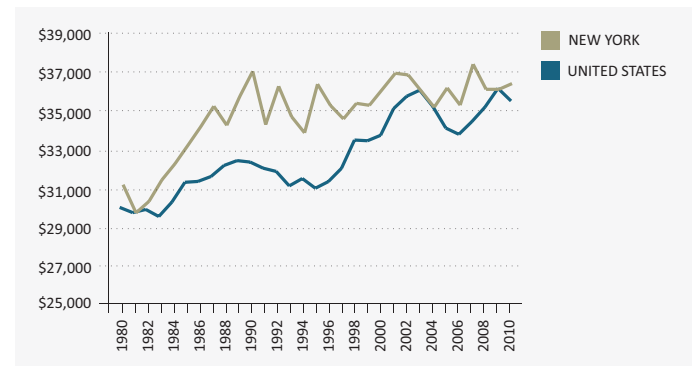
Nowhere is the state's inequality more pronounced than in New York City, where a ten minute trip on the Lexington Avenue subway line will take you from the nation's richest congressional district to the nation's poorest (from District 14 on the Upper East Side of Manhattan to District 16 in the South Bronx).<sup>1</sup> In the Big Apple, income is extremely concentrated among the city's wealthiest, including the chieftains of Wall Street, with the top one percent of income earners taking home 44 percent of all of the city's income.<sup>2</sup>

At the same time, robust investment in public transportation, parks, and cultural institutions have made New York City a global magnet for private investment, real estate development, and human talent. A vast and successful public housing system provides affordable housing to a population greater than the city of Oakland, California. A high level of union membership has transformed some industries, such as building services, from low-paying industries into those that provide middle-class jobs. But with such high levels of inequality, more must be done to improve working conditions for the vast majority of New York City's working families.

# EARNINGS<sup>3</sup>

Over the last 30 years, median annual earnings for New York workers (ages 18-64) have fluctuated with changes in the economy. New York median earnings have peaked in the \$37,000 range at several points in the last 30 years. In 2010 they stood at \$36,720. Current median earnings are slightly higher than national levels (see Figure 1). On the surface this seems to paint a rosy picture. However when combined with the other factors detailed in this brief, New Yorkers are actually left in a precarious position. These factors include: higher living and education expenses, higher out-of-pocket healthcare costs due to lack of employer-sponsored insurance, and decreased access to retirement savings at work.

**FIGURE 1. MEDIAN ANNUAL EARNINGS OF WORKERS IN NEW YORK AND THE U.S., 1980-2010 (2011 DOLLARS)**

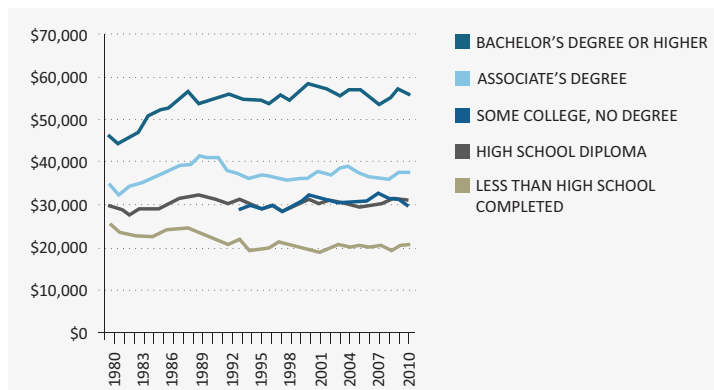


SOURCE: Dēmos analysis of Current Population Survey data

## EDUCATION

In New York as elsewhere, a college degree is the surest path to a middle-class income. New York workers with at least a bachelor's degree earn 83 percent more than those with only a high school diploma (\$56,000 versus \$30,600 in 2010). The state also tracks national trends in the widening earnings gap between education levels. Workers with college degrees are the only ones to see rising wages over the past three decades, as the earnings of workers with no college degree have stayed flat or even fallen (see Figure 2).

**FIGURE 2. MEDIAN ANNUAL EARNINGS OF NEW YORK WORKERS BY EDUCATION, 1980-2010 (2011 DOLLARS)**

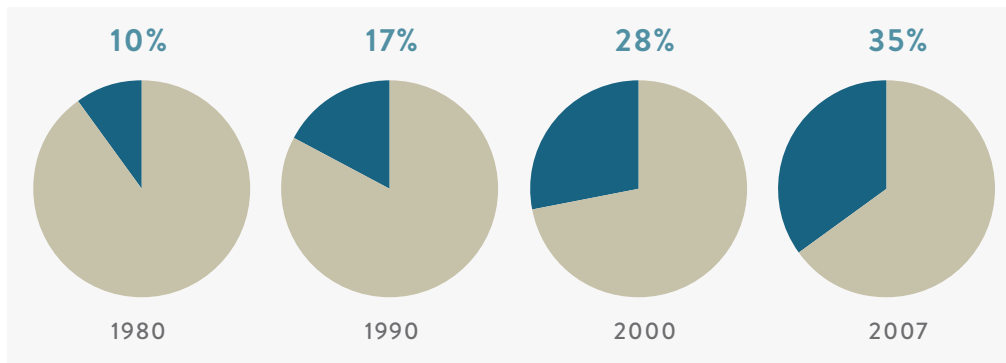


SOURCE: Dēmos analysis of Current Population Survey data using 3-year averages

## GENDER

Men still typically earn more than women in New York. However the gender gap has narrowed considerably over the last 30 years. Median earnings for men were about \$12,000 higher than those for women in 2010 (\$44,880 versus \$32,640). The lion's share of gains in median earnings since 1980 has been garnered by women. Between 1980 and 2010, the median earnings of female workers increased by 46 percent. The earnings of male workers increased by 10 percent over this same period.

FIGURE 3. SHARE OF INCOME EARNED BY TOP 1% OF EARNERS IN NEW YORK, 1980-2007



SOURCE: Fiscal Policy Institute, *Grow Together or Pull Further Apart: Income Concentration Trends in New York, December 2010*

### RISING INCOME INEQUALITY

Income inequality is greater in New York than in any other state. This inequality is driven by the financial markets in New York City, but it is by no means limited to the metro area. Throughout the state as throughout the nation, the share of income earned by the rich has grown over time (see Figure 3). In 1980 the top one percent of earners in New York State earned a little under 10 percent of all income. By 1990 that had increased to 17 percent. By 2000 it was 28 percent. By 2007, the top one percent of earners were bringing home 35 percent of all income earned in New York state. Put another way, more than one out of every three dollars earned in the state goes into the pockets of just 1 percent of earners. In fact, the top 5 percent of earners take home about 50 percent of all income earned in the state.<sup>4</sup>

## JOBS AND BENEFITS

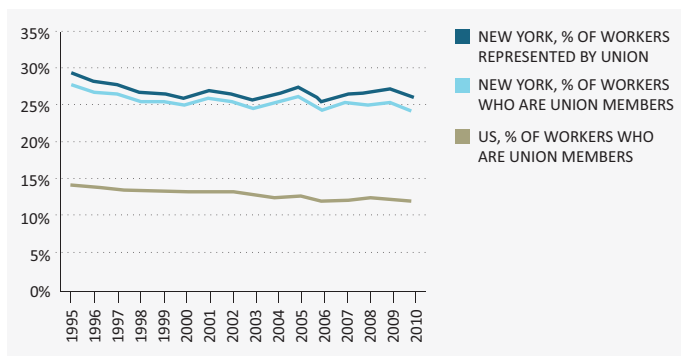
Access to well-paying jobs with good health and retirement benefits is the cornerstone of a middle-class life, and unions have historically played an important role in securing better pay and benefits.

### UNION MEMBERSHIP

Historically New York has had higher union participation rates than the rest of the nation. In 2010, 24 percent of all private and public sector workers in New York were union members; this is double the national figure of 12 percent. New York's percentage has declined slightly over the last few decades, as has the percentage of jobs represented by unions. However, compared to the nation as a whole, union participation is still strong (see Figure 4). Yet, the fastest growing areas of the state's economy—retail sales, food service and other service jobs—remain largely non-union and offer low wages and few benefits.

These occupations will likely only continue to grow as the state cuts back its support for better-paid sectors like health care and education, leaving an increasing number of New Yorkers without needed health and retirement benefits.

**FIGURE 4.** UNION MEMBERS AS A PERCENT OF NEW YORK WORKERS, 1995–2010



SOURCE: *Dēmos analysis of Bureau of Labor Statistics data*

### HEALTH INSURANCE

High out-of-pocket medical expenses are one of the primary causes of bankruptcy among the middle class, underscoring the importance of health insurance coverage. The percent of New Yorkers with access to health coverage at work has declined from 79 percent in 1996 to 74 percent in 2010. Put another way, in 1996 about one in five New York workers (21 percent) lacked access to health insurance. Today that number has increased to more than one in four (26 percent).

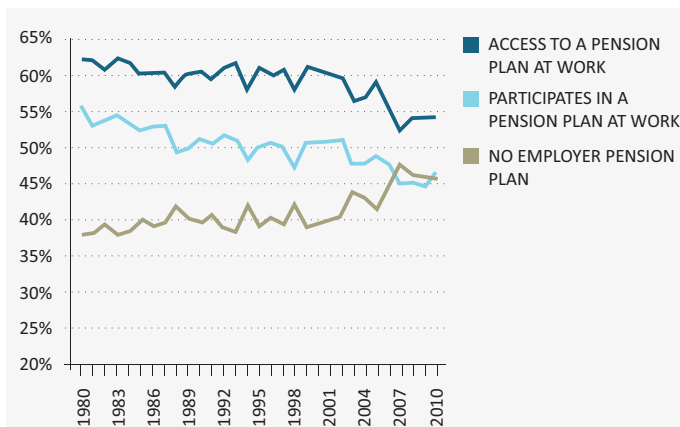
New York, however, has been a leader in extending affordable public health coverage to more of the uninsured. Child Health Plus and Family Health Plus, enacted by the state in 1990 and 2002 respectively, provide low-cost health insurance to uninsured children and adults who are not eligible for Medicaid. Without these high-quality public programs, many more New Yorkers would go without health coverage.

## RETIREMENT BENEFITS

New York workers have much to fear when it comes to having a secure retirement. Only about half (54 percent) of the state's workers currently have access to a retirement plan at work, a figure that has declined since 1980 (see Figure 5). This means that a full 46 percent of New York workers do not even have access to an employer-sponsored retirement plan.

In fact, access to such plans peaked in 1983 at 63 percent. Since then such plans have gradually shifted from traditional pensions—whose costs and financial risks are borne almost exclusively by employers—to 401(k)-type plans that rely on worker contributions and expose individuals to the vagaries of the stock market and high fees which eat away at returns. Nationally, roughly 70 percent of employer-sponsored retirement plans are now 401(k)s or something similar.

**FIGURE 5. NEW YORK WORKERS' ACCESS TO AND PARTICIPATION IN EMPLOYER-SPONSORED RETIREMENT PLANS, 1980-2010**



SOURCE: Dēmos analysis of Current Population Survey data using 3-year averages

## UNEMPLOYMENT

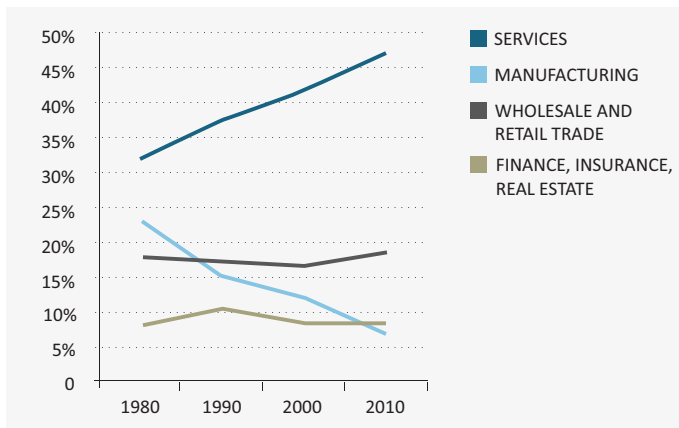
Historically New York's unemployment rate has swung up and down in time with the peaks and valleys of the nation's rate. According to Dēmos' calculations, New York's unemployment rate for 2010 was 8.5 percent, below the national figure of 9.6 percent. Even though New York's 2010 unemployment rate is better than that of the nation as a whole, it still reflects one of the highest levels of unemployment in the state in the last 30 years. The 2010 figure is on par with previously high levels on unemployment seen in 1982-1983 and 1993 (8.6-8.7 percent).

Between December of 2007 and December 2009, New York State lost 372,000 jobs. Between December 2009 and July 2010, 73,400 jobs of those jobs were restored. Most of that restoration took place in the financial sector in New York City, leaving other areas of the state behind in terms of recovery. Despite this, New York State as a whole has done better in terms of job loss than many other states.<sup>5</sup>

WHERE THE JOBS ARE

Over the last thirty years, the employment landscape in New York has seen the near decimation of manufacturing jobs and the rise of lower wage service sector positions. Finance, insurance and real estate as well as wholesale and retail trade positions round out the employment picture and have remained relatively constant as a percentage of overall employment over this time period.

**FIGURE 6.** MANUFACTURING, SERVICE AND SELECT INDUSTRIES AS A PERCENTAGE OF TOTAL EMPLOYMENT IN NEW YORK, 1980-2010



SOURCE: Dēmos analysis of Current Population Survey data

In 1980, 23 percent of jobs in New York State were in manufacturing and 33 percent were in the service sector. By 2010 only 7 percent of jobs were in manufacturing. Meanwhile, the percentage of service jobs has climbed to 48 percent (see Figure 6). This change is a fundamental threat to the stability of the middle class. The manufacturing sector provided generations of workers with a consistent route to the middle class, offering jobs with benefits and stability. In contrast, the service sector does not reward special skills and offers few benefits, if any, and little stability.

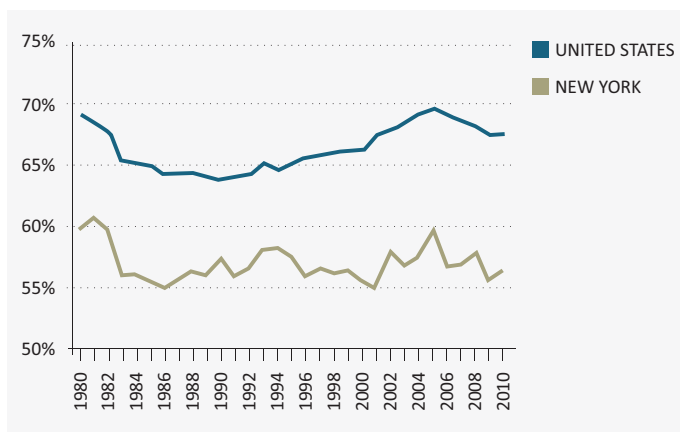
# RAISING A FAMILY

Americans pride themselves on trying to ensure a better life for their children, but over the last generation, this dream has become increasingly out of reach. Even with two parents in the labor force, families struggle to meet the high costs of housing and child care, let alone save for a rainy day or invest in the future.

## HOMEOWNERSHIP

New York homeownership rates have traditionally been lower than in the rest of the nation. This is due to the large number of renters and high housing costs in New York City. With some fluctuations, homeownership among New York workers has remained between 55 and 60 percent since the 1980s (see Figure 7). However, as in the rest of the nation, homeownership has declined in recent years due to the economic crisis—the homeownership rate among New Yorker workers was 60 percent in 2005 and 56 percent in 2010. In addition, New Yorkers are devoting a larger share of income to housing costs: in 2008, 41 percent of New York homeowners spent more than 30 percent of their incomes on housing.

**FIGURE 7. HOMEOWNERSHIP AMONG NEW YORK WORKERS, 1980-2010**



SOURCE: Dēmos analysis of Current Population Survey data

## CHILD CARE

Child care can be one of the largest expenses families face, in some cases equaling or exceeding housing costs. On average, annual full-time in-home child care in New York costs \$10,187 for an infant and \$9,474 for a four-year-old; center-based care costs even more (see Figure 8). Center-based care for two preschoolers costs more than \$24,000 a year or 31 percent of family income for a two-earner couple earning median wages.

**FIGURE 8. AVERAGE ANNUAL PRICE OF FULL-TIME CHILD CARE IN NEW YORK**

	CHILD CARE CENTER	FAMILY CHILD CARE HOME
Infant, full-time	\$13,630	\$10,187
4 year old, full time	\$10,541	\$9,474

SOURCE: National Association of Child Care Resource and Referral Agencies, "2011 Child Care in the State of New York."



# THE FUTURE MIDDLE CLASS: A LOOK AT YOUNG PEOPLE

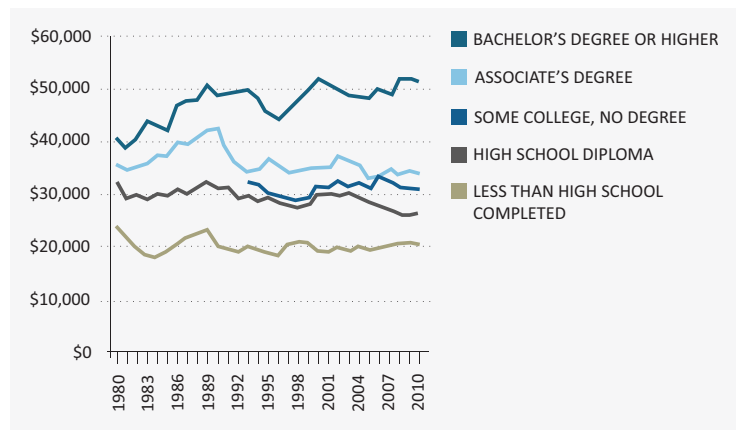
The trends facing young New Yorkers seeking to build and maintain a middle-class life are worrisome. On the one hand, the returns from a four-year college degree are evident in the form of higher earnings versus those who lack such a degree. Yet college tuition costs have soared and students are accumulating greater amounts of debt.

## LABOR MARKET

In 2010, median earnings for workers aged 25-34 with at least a bachelor’s degree were \$51,000 in New York—92 percent higher than the earnings of a typical high school graduate in the same age range (\$26,520). While current wages of workers of all education levels are down from previous peaks, those with a college degree are the only workers who have seen their wages increase (by 25 percent) since 1980. Those with a two-year college degree have seen their earnings decrease by 20 percent since their peak in 1990, and those with high school diplomas have seen their earnings decrease by 20 percent (see Figure 9).

In 2010, the national unemployment rate for workers under age 25 and not enrolled in school was 18.4 percent—nearly double the overall U.S. unemployment rate of 9.6 percent. Unemployment among young high school graduates is particularly high at 22.5 percent nationally in 2010 compared to 9.3 percent among young workers with a four-year college degree.<sup>6</sup>

**FIGURE 9. MEDIAN EARNINGS BY EDUCATION LEVEL OF NEW YORK WORKERS AGED 25-34, 1980-2010 (2011 DOLLARS)**



SOURCE: Dēmos analysis of Current Population Survey data

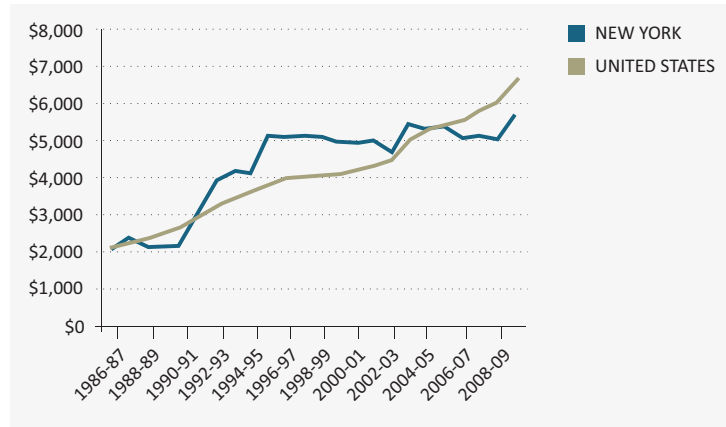
### COLLEGE TUITION

At \$5,834 for 2009-10, in-state tuition at New York's colleges and universities is below the national average of \$6,829.<sup>7</sup> However tuition costs have increased steadily in New York over the past 20 years—198 percent in total (see Figure 10). Note that these figures do not include room and board.

### STUDENT DEBT

About two-thirds (63 percent) of college graduates in New York entered the labor force with student debt in 2009, and their average debt—\$25,739—was the 15th highest in the nation.<sup>8</sup> Both the percent of college graduates with debt and the amount have risen rapidly in New York and elsewhere. And growing numbers of students are accumulating debt without completing a degree, putting them on a shaky path to the future.

FIGURE 10. ANNUAL IN-STATE COLLEGE TUITION IN NEW YORK AND THE U.S.

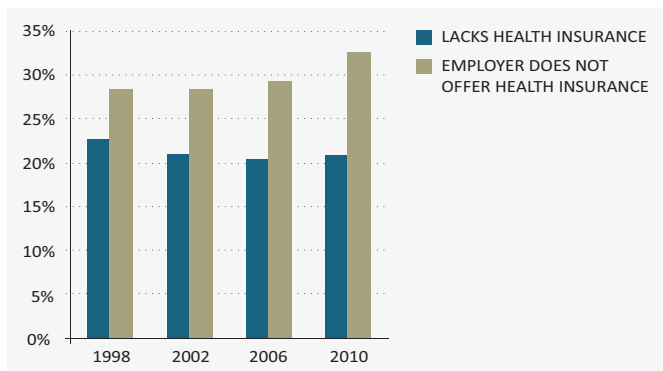


SOURCE: Digest of Education Statistics

### HEALTH AND RETIREMENT BENEFITS

Young workers aged 25-34 in New York are disproportionately likely to lack health insurance. More than 21 percent lack any coverage whatsoever, a figure that has not improved over the last decade. One out of three

FIGURE 11. HEALTH INSURANCE ACCESS AMONG NEW YORK WORKERS AGES 25-34



SOURCE: Dēmos analysis of Current Population Survey data

(33 percent) workers lack access to health insurance through their employer—a figure that has grown dramatically in recent years (see Figure 11). Only about half (51 percent) of New York's young workers have access to an employer-sponsored retirement plan and even fewer (44 percent) actually participate.<sup>9</sup> And most of these plans are risky, expensive 401(k)-type plans rather than traditional pensions.

# CONCLUSION

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**THE AMERICAN DREAM** came to life in New York in the form of a strong and vibrant middle class that sustained the state's economy for decades. But for the first time in generations, more people are falling out of the middle class than joining its ranks. The economy is still productive, but the gains are accruing primarily to the top and the vast majority of workers are no longer getting their fair share. Nationally, the top 1 percent of earners now takes home more than the entire middle class combined, while most workers are living from paycheck to paycheck. It doesn't have to be this way. Just as the post-war middle class was built, it is possible to rebuild it and strengthen it for the next generation. That will require the strength of workers coming together to reclaim the American Dream and demanding that our elected officials work for workers.

## ENDNOTES

1. Data from the American Human Development Project, an initiative of the Social Science Research Council. For data, visit <http://measureofamerica.org/>
2. Fiscal Policy Institute, "Grow Together or Pull Further Apart? Income Concentration Trends in New York." [http://www.fiscalpolicy.org/FPI\\_GrowTogetherOrPullFurtherApart\\_20101213.pdf](http://www.fiscalpolicy.org/FPI_GrowTogetherOrPullFurtherApart_20101213.pdf)
3. All earnings data cited in this brief are from Dēmos analysis of the Current Population Survey (CPS) March and Annual Supplement.
4. Fiscal Policy Institute, *Grow Together or Pull Further Apart: Income Concentration Trends in New York*, December 2010.
5. Fiscal Policy Institute, *The State of Working New York 2010*, September 2010.
6. Heidi Shierholz and Kathryn Anne Edwards, *The Class of 2011: Young Workers Face a Dire Labor Market Without a Safety Net*, Economic Policy Institute, April 2011. [http://epi.3cdn.net/c7d6ec52122ea9c188\\_rbm6bc14a.pdf](http://epi.3cdn.net/c7d6ec52122ea9c188_rbm6bc14a.pdf)
7. Digest of Education Statistics, "Average undergraduate tuition and fees and room and board rates paid by full-time-equivalent students in degree-granting institutions by control of institution and by state."
8. The Project on Student Debt, *Student Debt and the Class of 2009*, October 2010. <http://projectonstudentdebt.org/files/pub/classof2009.pdf>
9. Dēmos analysis of the Current Population Survey (CPS).



## ABOUT DĚMOS

Dēmos is a non-partisan public policy research and advocacy organization. Headquartered in New York City, Dēmos works with advocates and policymakers around the country in pursuit of four overarching goals: a more equitable economy; a vibrant and inclusive democracy; an empowered public sector that works for the common good; and responsible U.S. engagement in an interdependent world. Dēmos was founded in 2000.

In 2010, Dēmos entered into a publishing partnership with The American Prospect, one of the nation's premier magazines focussing on policy analysis, investigative journalism and forward-looking solutions for the nation's greatest challenges.

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The Drum Major Institute for Public Policy is a non-partisan, non-profit think tank generating the ideas that fuel the progressive movement. From its origins as the bail fund for Martin Luther King, Jr., DMI works to advance equality, justice, democracy, and sustainability in today's public policy debates.

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