

FEDERAL RESERVE BANK *of* NEW YORK

Wage Inequality in the Region

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The views expressed here are those of the presenter and do not necessarily represent those of the Federal Reserve Bank of New York or the Federal Reserve System.

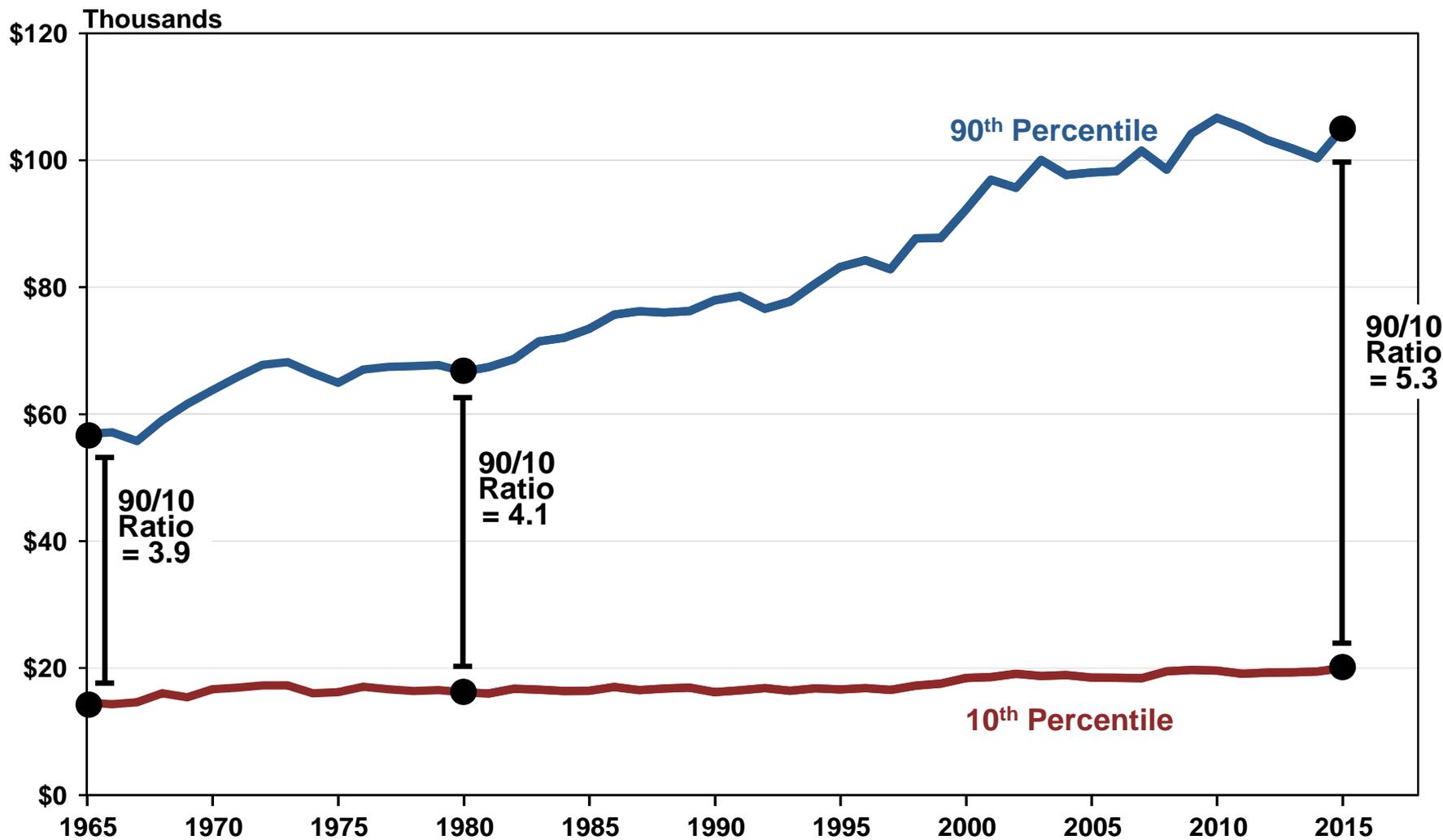
Overview

- Since the early 1980s, wage inequality has increased among all workers in the United States, not just between those at the top and bottom.
- Some places are much more unequal than others. In fact, the NY-NNJ region is home to some of the most unequal and least unequal areas in the country.
- The most unequal places tend to be large metros with strong wage growth for those at the top of the wage distribution.



Annual Wages in the United States

Full-Time Workers, Constant 2015 Dollars



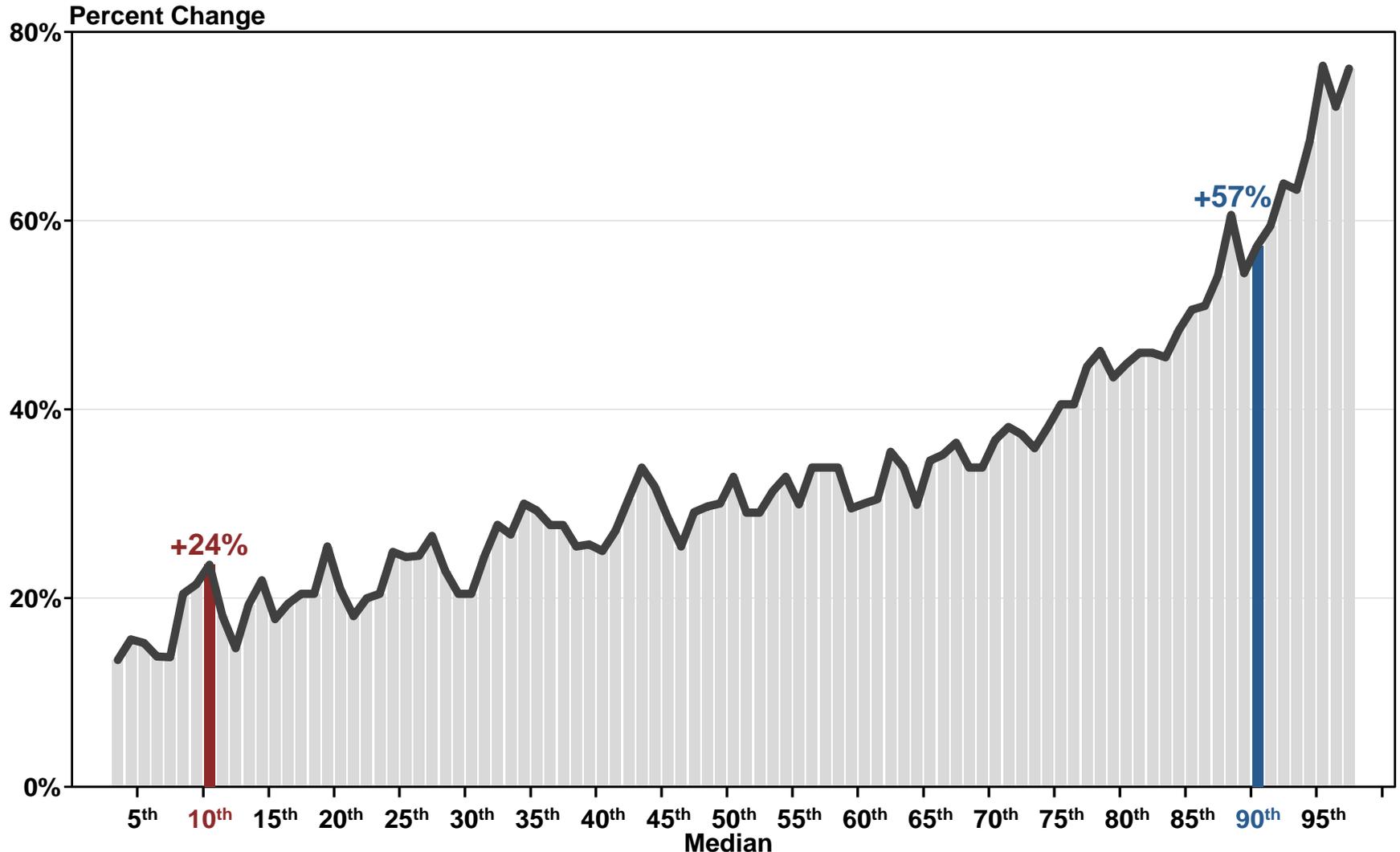
Source: U.S. Census Bureau and Bureau of Labor Statistics, Current Population Survey; U.S. Bureau of Economic Analysis, PCE Price Index.

Note: Full-time workers are those aged 16 to 64 working at least 35 hours per week and 40 weeks per year.



Real Wage Growth in the United States

1980-2015 Percent Change by Percentile



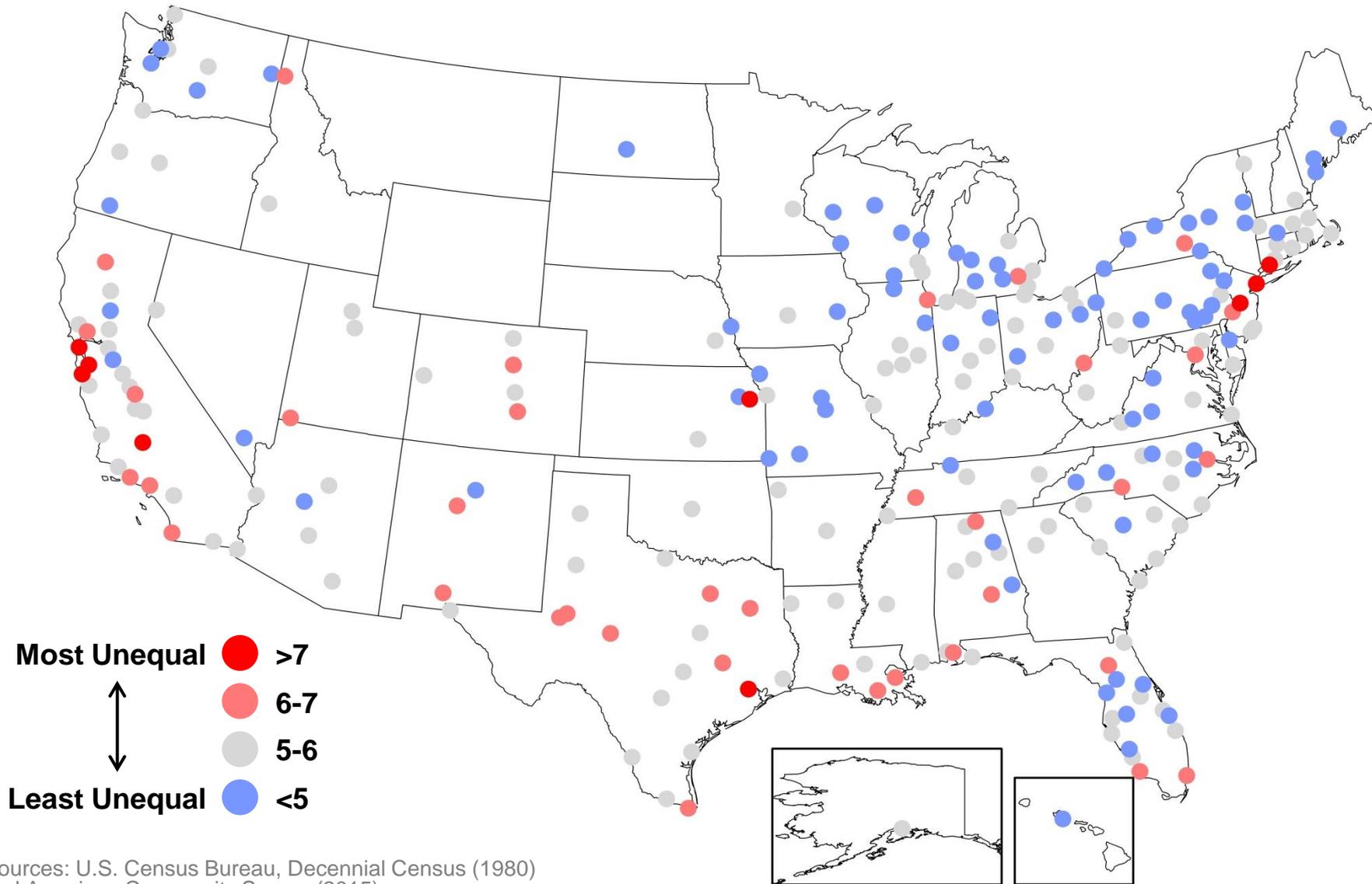
What's Driving Wage Inequality?

- Technological change and globalization have changed the pattern of demand for workers.
 - Strong demand for skilled workers has resulted in larger wage gains for workers toward the top of the wage distribution.
 - Demand for lesser skilled workers has been weaker, stifling wage growth for workers at the middle and bottom of the wage distribution.
- Other contributing factors include the decline in unions and the falling real value of the minimum wage.



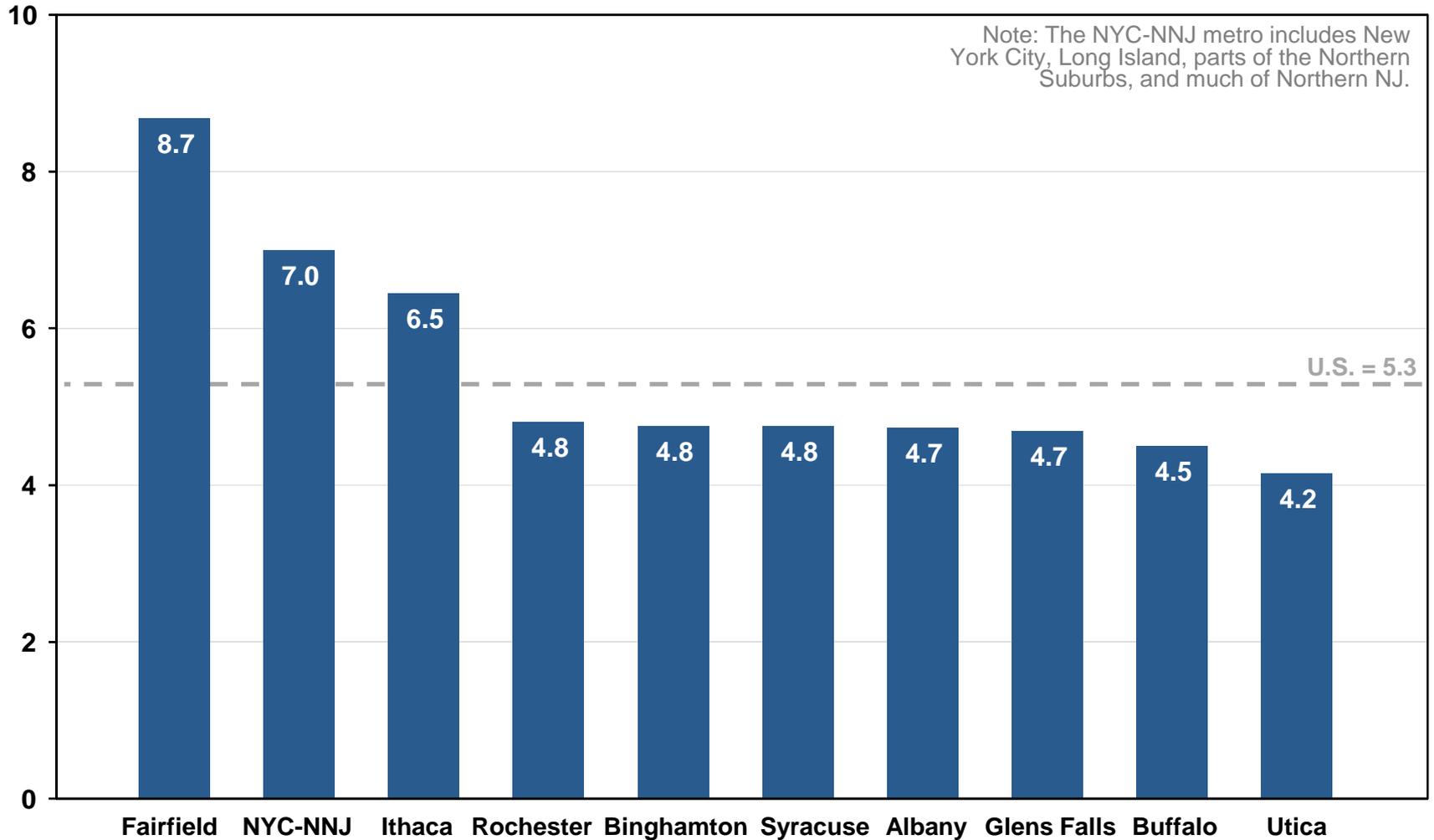
The Geography of Wage Inequality

2015 90-10 Ratio for U.S. Metropolitan Areas



Wage Inequality in the Region

2015 90-10 Ratios for 2nd District Metro Areas



Why Are Some Places More Unequal?

- **Differences in Local Demand for Workers**

- Demand for skilled workers has been particularly strong in some metros leading to outsized wage gains for those at the top.
- Decline in demand for lesser skilled workers has been geographically concentrated, stifling wage growth for workers toward the middle and bottom of the wage distribution.

- **Agglomeration Economies**

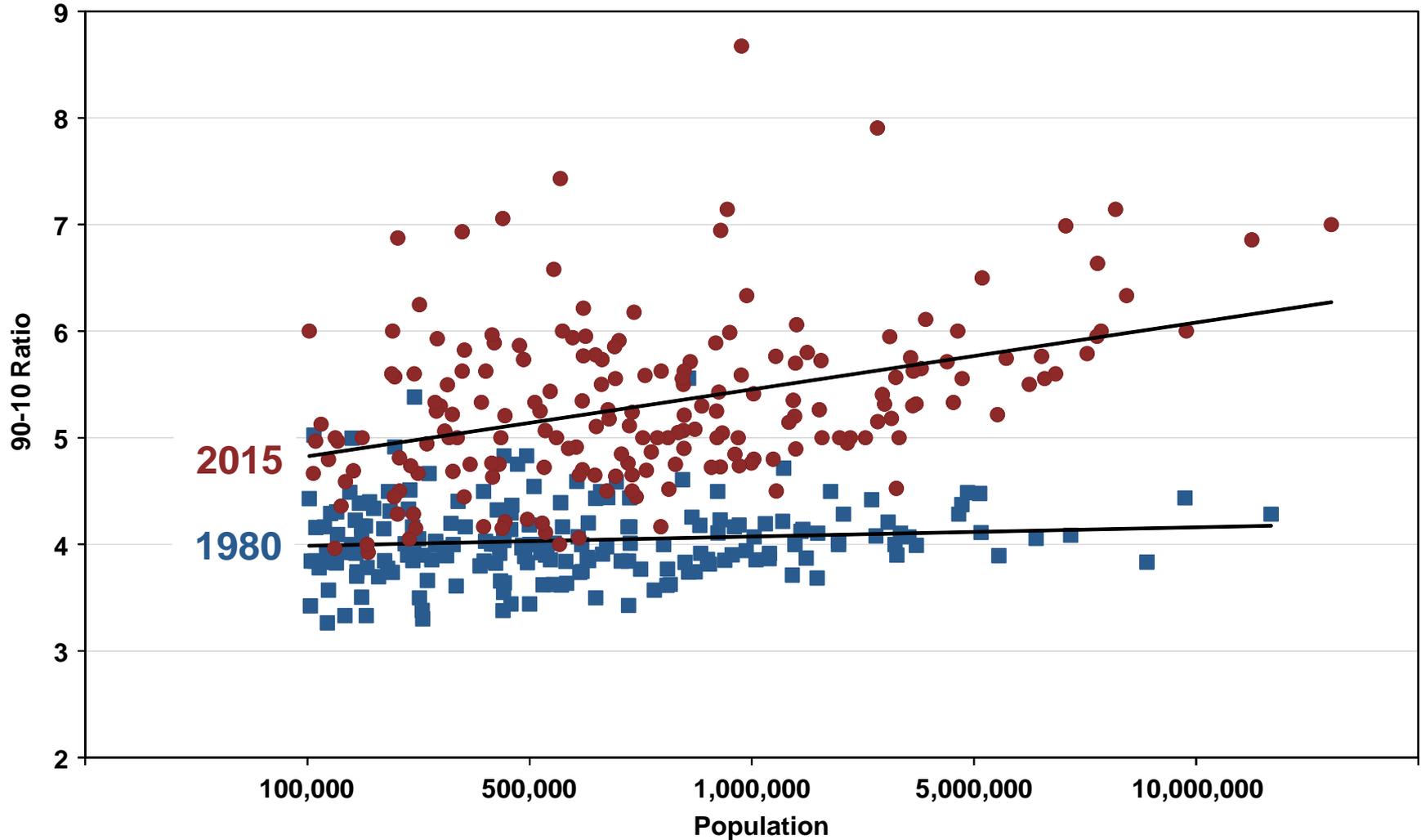
- Productivity benefits from clustering together in cities have been particularly strong for skilled workers located in large metros.

- **Migration**

- Skilled workers are increasingly moving to large metros that offer urban amenities and higher wages.

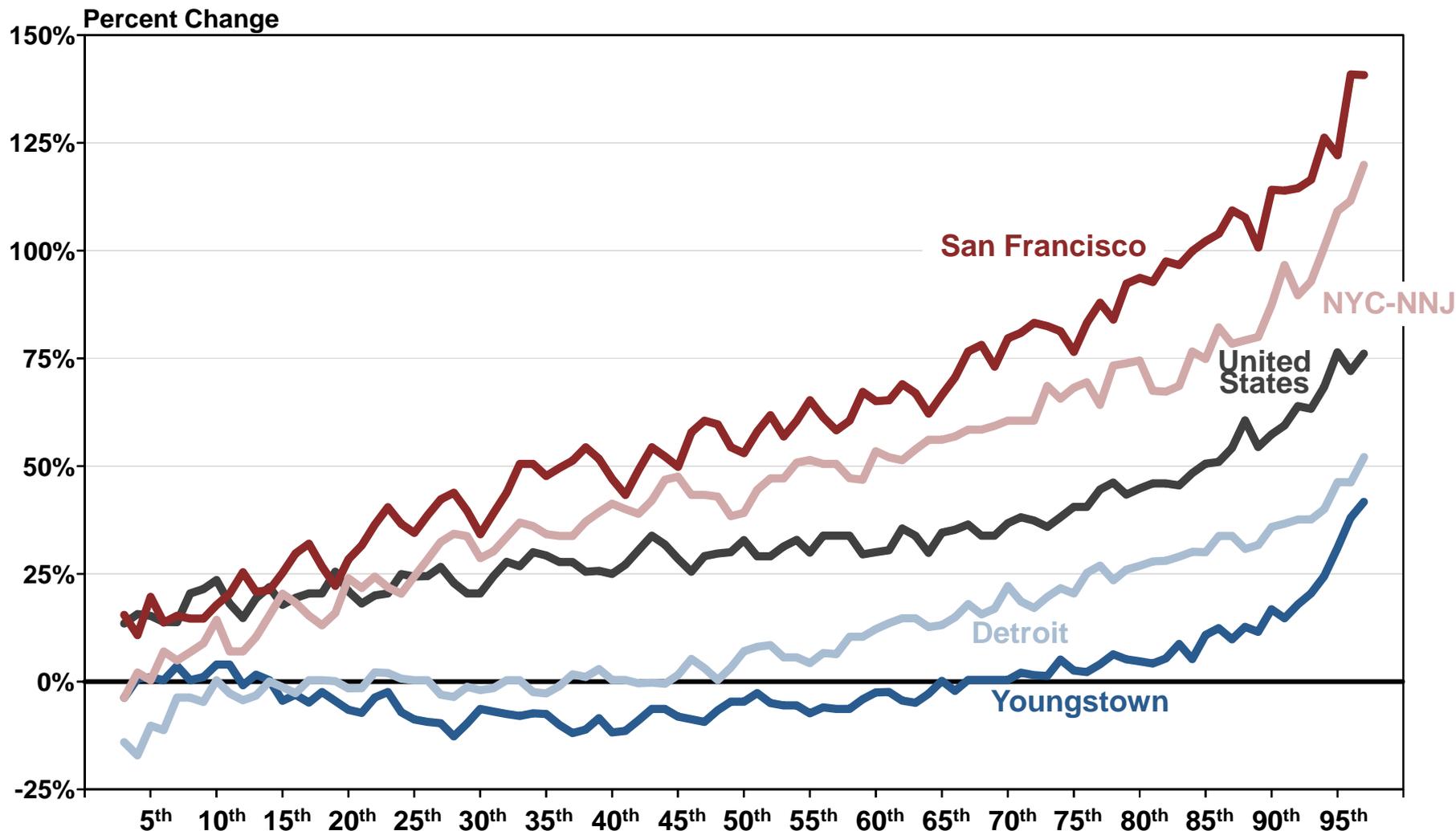


Larger Metros Now Tend to Be More Unequal than Smaller Metros



Real Wage Growth in U.S. Metros

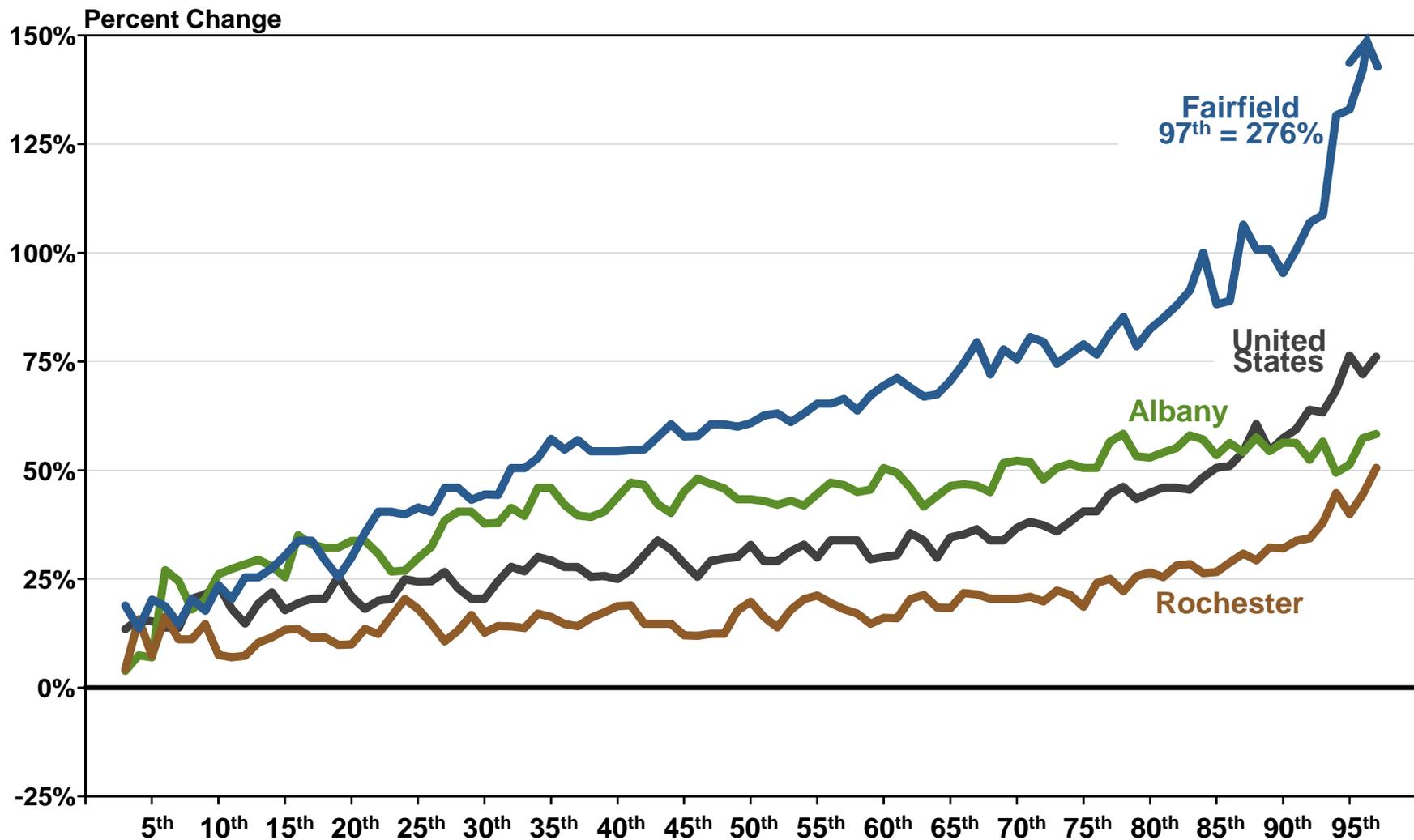
1980-2015 Percent Change by Percentile



Sources: U.S. Census Bureau and Bureau of Labor Statistics, Current Population Survey; U.S. Census Bureau, Decennial Census (1980); American Community Survey (2015); U.S. Bureau of Economic Analysis, PCE Price Index.

Real Wage Growth in the Region

1980-2015 Percent Change by Percentile



Sources: U.S. Census Bureau and Bureau of Labor Statistics, Current Population Survey; U.S. Census Bureau, Decennial Census (1980); American Community Survey (2015); U.S. Bureau of Economic Analysis, PCE Price Index.

Summary

- Wage inequality has increased in nearly every metro since the early 1980s, though it has increased much more in some places than others.
- The most unequal places tend to be large metros with strong demand for skill, agglomeration economies, and appeal for skilled workers (e.g., NYC-NNJ Metro).
- The least unequal places tend to have lackluster wage growth across the board, due in large part to weak demand (e.g., most metros in upstate New York).

