Wage Inequality in the Region

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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

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

Most Unequal
- >7
- 6-7
- 5-6

Least Unequal
- <5

Sources: U.S. Census Bureau, Decennial Census (1980) and American Community Survey (2015).
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2015 90-10 Ratios for 2nd District Metro Areas

Note: The NYC-NNJ metro includes New York City, Long Island, parts of the Northern Suburbs, and much of Northern NJ.

Sources: U.S. Census Bureau, Decennial Census (1980) and American Community Survey (2015).
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

Sources: U.S. Census Bureau, Decennial Census (1980) and American Community Survey (2015).
Real Wage Growth in U.S. Metros
1980-2015 Percent Change by Percentile

Real Wage Growth in the Region

1980-2015 Percent Change by Percentile

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).