Pay premiums among major industry groups in New York City

Although workers in New York City continue to earn substantially more on average than workers in lower-cost areas, most of the rise in New York City's pay premium is attributable to growth in average pay in the financial activities industries; despite a 2007–2009 decline, the financial activities pay premium nearly doubled during the 1990–2009 period

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New York City's pay premium—the percent by which people who work in the combined five counties of New York City were paid above the national average—has risen substantially since 1990.[1] Employees in New York City earned an average of $34,381 in 1990, which was 46 percent above the national average, and earned $73,845 in 2009, 62 percent above the national average.[2] After adjustment for inflation, average annual earnings of New Yorkers rose 26 percent over the 19-year period, while the earnings of U.S. workers rose 18 percent. In the City's financial activities industries, the growth in pay premiums was even more pronounced, rising from 83 percent in 1990 to 163 percent in 2009, with average annual pay among employees in New York financial firms rising from $52,227 to $183,925 over the same period. (See table 1.)

Given the City's widely acknowledged high cost of living, it is no surprise that, on average, people who work in New York City earned more than those in the Nation as a whole, nor is it any surprise that the City's financial activities employees earned significantly more than the national average for employees in the financial activities supersector. What is less clear is how the vast majority of people—those who worked outside the financial activities supersector, which is defined by the Bureau of Labor Statistics (BLS) as the finance and insurance sector plus the real estate and rental and leasing sector—shared in the overall pay premium growth. This report uses data from the BLS Quarterly Census of Employment and Wages (QCEW)[3] to shed light on how New York City's pay premium growth affected the pay of employees in both financial activities and non-financial activities. QCEW wage data are particularly well-suited for examining this relationship because they include cash payments, such as bonuses and profit distributions, as well as base wages and salaries. This comprehensive picture of total cash compensation is important when analyzing pay relationships in the financial activities supersector, where bonuses can represent a significant percentage of overall pay.

Because the QCEW produces county-level data, New York City data were generated by combining information for the city's component counties: Bronx, Kings (Brooklyn), New York (Manhattan), Queens, and Richmond (Staten Island). This report provides a close examination of employment and wages in New York City's five largest supersectors.[4] For each of the supersectors examined, employment and wages in the City are compared with employment and wages in the supersector for the Nation as a whole. The resulting pay premium, therefore, is the New York City premium paid compared to

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Table 1. Employment and wages for employees in New York City by selected BLS supersectors, 1990 and 2009 annual averages

Supersector	Employment[1]		Wages[2]			
	Level	As a percent of U.S. employment in supersector	Total wages (thousands)	Average annual wages	As a percent of U.S. total wages in supersector	New York City pay premium[3]
Total						
1990	3,488,340	3.2	$119,930,992	$34,381	4.7	46
2009	3,568,105	2.8	263,485,632	73,845	4.5	62
Financial activities						
1990	507,241	7.5	26,491,545	52,227	13.7	83
2009	426,660	5.6	78,473,336	183,925	14.8	163
Total except financial activities[4]						
1990	2,981,099	2.9	93,439,447	31,344	3.9	35
2009	3,141,445	2.6	185,012,296	58,894	3.5	34
Construction						
1990	112,261	2.2	4,209,125	37,494	3.1	42
2009	117,331	2.0	8,114,617	69,160	2.8	40
Trade, transportation, and utilities						
1990	584,995	2.6	17,555,629	30,010	3.7	41
2009	535,873	2.2	25,724,522	48,005	2.7	26
Information						
1990	164,989	5.9	7,725,438	46,824	8.8	47
2009	148,479	5.3	15,230,865	102,579	7.6	44
Professional and business services						
1990	474,743	4.5	19,305,612	40,665	6.8	49
2009	550,036	3.3	50,322,390	91,489	5.2	57
Education and health services						
1990	457,465	4.3	12,046,007	26,332	5.0	16
2009	701,754	3.8	33,573,780	47,843	4.3	11
Leisure and hospitality						
1990	209,895	2.2	4,010,258	19,106	4.2	88
2009	304,332	2.3	10,840,555	35,621	4.4	88
Other services						
1990	121,976	3.5	2,614,779	21,437	4.8	36
2009	141,960	3.2	5,979,276	42,119	4.7	46
Government						
1990	589,209	3.3	19,209,764	32,603	4.3	29
2009	547,961	2.5	30,609,183	55,860	3.0	17

[1] Excludes workers not covered by Unemployment Insurance or Unemployment Compensation for Federal Employees programs.

[2] Includes non-wage cash payments such as bonuses, the cash value of meals and lodging when supplied, tips and other gratuities, and, in some States, employer contributions to certain deferred compensation plans such as 401(k) plans and stock options.

[3] The pay premium can be calculated in the following ways:

(N.Y.C. share of U.S. total wages – N.Y.C. share of U.S. employment) /N.Y.C. share of U.S. employment)×100

[(N.Y.C. average wage/U.S. average wage)×100] – 100

Pay premiums were calculated using unrounded data.

[4] "Total except financial activities" includes the natural resources and mining supersector and the manufacturing supersector which are not shown separately because data are not available for these industries for Richmond County.

NOTE: Data for each of the BLS supersectors shown, except for government, are for private industry only.

SOURCE: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages.

the wages in the same supersector nationally.

The analysis begins with a focus on financial activities employment in the private sector. Then employment for all industries (both private and public sector) excluding the financial activities supersector is examined. (See table 1.) These non-financial industries accounted for 88 percent of New York City employment in 2009. Non-financial-activities employment is further subdivided into the following private-sector industries: education and health services; professional and business services; and trade, transportation, and utilities. Finally, the government supersector is examined. A brief discussion of real wage growth—that is, wages deflated by the Consumer Price Index—for both financial and non-financial industries over the 19-year period concludes the analysis.

Pay premiums by supersector

Financial activities. Throughout the period studied, the financial activities supersector was the single largest contributor to New York City's wage base. In 2009, this supersector alone accounted for 30 percent of the City's total wages. New York's financial supersector demonstrated great volatility in terms of its share of the Nation's financial activities wages, as demonstrated by chart 1. Cyclical changes included a rebound after the 1990–1991 recession, followed by a gradual build-up to the 2001 peak. Then the 2001 recession brought about a steep decline that was followed by a post-recession build-up beginning in 2003 and peaking in 2007. Finally, the effects of the most recent recession are clearly visible with the 2009 wage share decline. Nearly all of the upward movements in wage share during the 1990–2009 period were the result of increases in total wages in the financial activities supersector in New York City.

The financial activities supersector has followed the trend of the City's employment base as a whole by demonstrating, as also shown on chart 1, a gradual decline in its share of the Nation's employment. The percent difference between the supersector's relative wages and relative employment, which for the purposes of this report is called a pay premium, has also varied widely over this period. Reflecting this volatility, the premium was lowest in 1990 at 83 percent and highest in 2007 at 208 percent, clearly a substantial increase. Even considering the premium-dampening effects of the most recent recession, the City's financial activities supersector has benefited greatly from its steady hold on its share of the Nation's financial activities wages, in spite of the fact that the City's overall employment share is in decline and the financial activities supersector itself has lost 16 percent of its employment since 1990. (See table 1.)

As noted earlier, most New York City employees work in supersectors other than financial activities. As shown in chart 2, New York City's share of the Nation's non-financial-activities wages and employment is much smaller than that of financial activities. Also, both employment and wage shares in the non-financial-activities industries were relatively flat over the 19-year period. Removing financial activities employment and wages from the equation, the City shows remarkable stability in its shares of both employment and wages over time, with employment shares declining only 0.3 percentage point and wage shares declining 0.4 percentage point between 1990 and 2009. Even so, there is a premium paid to the City's non-financial-activities employees. That premium also shows remarkable stability, remaining in a narrow band of 33-to-38 percent over the period studied.

From 1990 to 2009, employees who worked outside of financial activities saw a 1.0-percentage-point drop in their pay premium, compared to the overall growth of 16 percentage points for employees in all industries combined. That is, the 88 percent of City employees who worked outside the financial activities supersector did not benefit, on average, from the run-up of the City's pay premium over the period examined.

Education and health services. The consistency in pay premiums over time does not hold, however, when individual supersectors are evaluated. In contrast to financial activities, the education and health services supersector experienced a slight percentage decline in both employment share (down 0.5 percentage point) and wage share (down 0.7 percentage point) since 1990. This supersector has seen a 5-percentage-point drop in its pay premium since 1990, from 16 to 11 percent. Although employment growth within the education and health supersector was slower in New York City than in the Nation as a whole, education and health continued to account for an increasing share of employment in New York City, growing from 13 percent in 1990 to 20 percent in 2009. BLS projections indicate that healthcare nationally will generate 3.2 million new wage and salary jobs between 2008 and 2018, more than any other industry. Moreover, 10 of the 20 fastest-growing occupations are related to healthcare.[5] Meanwhile, the education sector is projected to grow at a rate slightly above the average.[6]

Professional and business services. Professional and business services also lost both employment and wage shares, dropping by 1.2 percentage points and 1.6 percentage points, respec-

Chart 1. **New York City's share of U.S. financial activities employment and wages, 1990–2009 annual averages**

NOTE: Data are for private industry only and exclude workers not covered by Unemployment Insurance or Unemployment Compensation for Federal Employees programs. Wages include non-wage cash payments such as bonuses, the cash value of meals and lodging when supplied, tips and other gratuities and, in some States, employer contributions to certain deferred compensation plans.

SOURCE: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages.

Chart 2. **New York City's share of U.S. non-financial-activities employment and wages, 1990–2009 annual averages**

NOTE: Wages Include non-wage cash payments such as bonuses, the cash value of meals and lodging when supplied, tips and other gratuities and, in some States, employer contributions to certain deferred compensation plans.

SOURCE: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages.

tively. However, unlike the education and health supersector, the pay premium in professional and business services increased 8 percentage points from 49 to 57 percent over the 19-year period as average professional and business services supersector wages rose faster in New York City than in the nation as a whole. Although this supersector, with its 8-percentage-point rise in pay premium, had an increase that was smaller than the average for the City as a whole, it was the only other supersector of the five given close examination in this report to experience any growth in its pay premium.

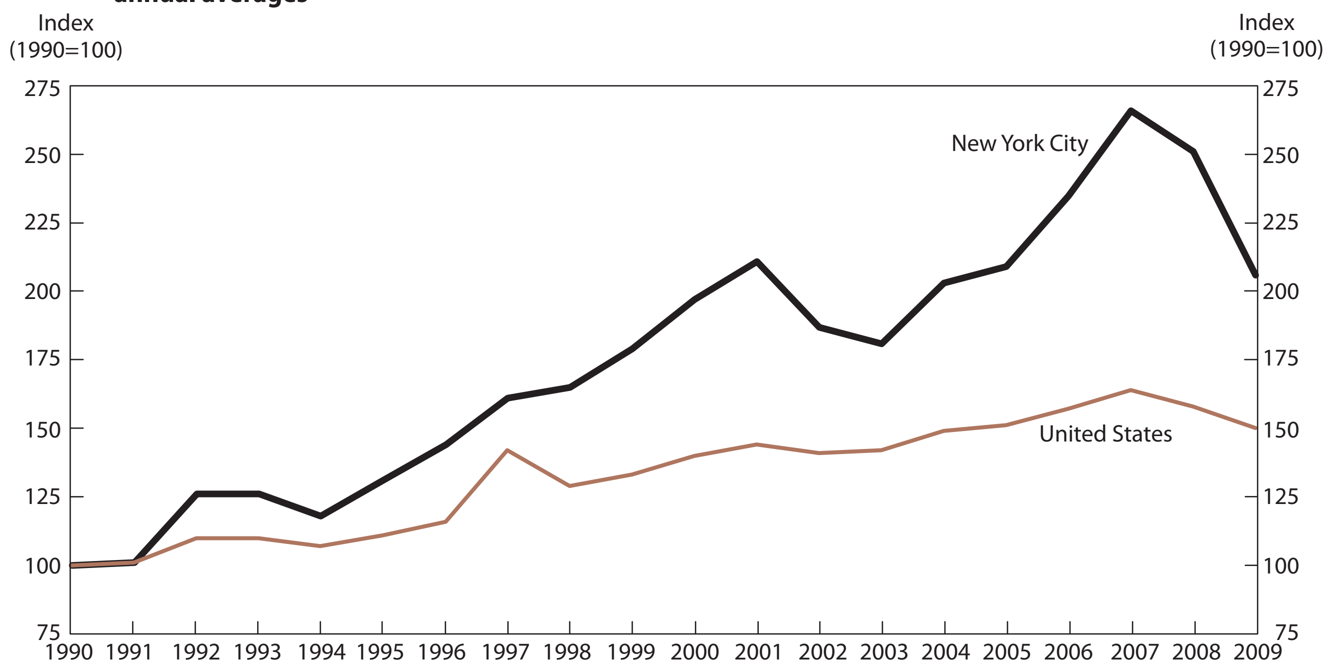
Trade, transportation, and utilities. The trade, transportation, and utilities supersector pay premium dropped by 15 percentage points since 1990, posting the greatest loss of the five major supersectors in New York City. In a pattern similar to that of education and health services, the wage share in this supersector dropped at a faster pace than the employment share. Unlike education and health services, the trade, transportation, and utilities supersector experienced a net loss in employment as its employment level declined 8 percent from 1990 to 2009.

Government. Government employment—Federal, State, and local—in New York City declined 7 percent over the period studied, compared to an employment growth rate of 2.3 percent for all industries combined. The pay premium for government employees dropped from 29 percent in 1990 to 17 percent in 2009; government employment as a proportion of U.S. employment declined 0.8 percentage point and total government wages as a proportion of total U.S. wages dropped by 1.3 percentage points. Nationally, government employment is expected to grow at a slower pace than the all-industry average through the projection period which ends in 2018.[7] Despite ongoing government employment declines in New York City, the government supersector was one of the City's largest supersectors and, in 2009, represented 15 percent of total New York City employment. These employees, on average, have seen a steady erosion of their pay advantage since 1990.

Real wages

In a pattern similar to the changes in its pay premium, New York City's financial activities supersector enjoyed a 166 percent increase in real wages from 1990 to 2007, and then lost 60 percentage points of that gain during the following two years, bringing the supersector's pay premium back to where it was around 2001. For the Nation as a whole, real wages in financial activities grew by 64 percent

Chart 3. Index of real wages for financial activities supersector, United States and New York City, 1990–2009 annual averages



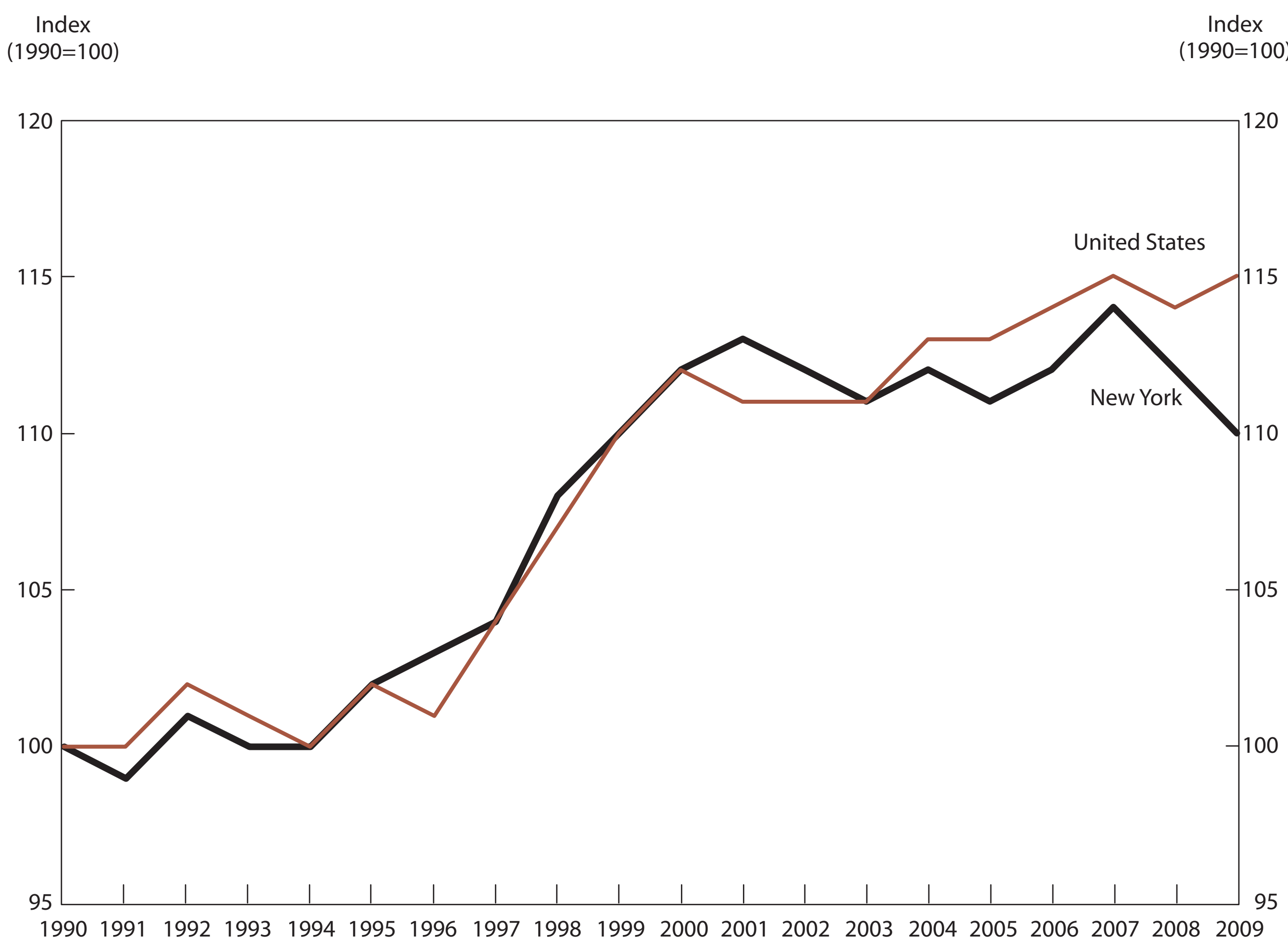
NOTE: Data are for private industry only and exclude workers not covered by Unemployment Insurance or Unemployment Compensation for Federal Employees programs. Wages include non-wage cash payments such as bonuses, the cash value of meals and lodging when supplied, tips and other gratuities and, in some States, employer contributions to certain deferred compensation plans.

SOURCE: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages.

from 1990 to 2007 and then lost 14 percentage points from the 2007 peak to 2009.[8] (See chart 3.) Meanwhile, real wage growth in the City's non-financial-activities sectors lagged that of the Nation; those rates were 10 percent and 15 percent, respectively. (See chart 4.)

THE PAY PREMIUM FOR FINANCIAL ACTIVITIES EMPLOYEES IN NEW YORK CITY INCREASED DRAMATICALLY during the 1990–2009 period, despite declines from 2007 to 2009. Furthermore, most recent data show that the supersector recovered some of its 2007–2009 losses in 2010. (The New York City premium was 178 percent in 2010, up 15 percentage points over the year, as the City's annual financial activities pay rose to $205,889, according to preliminary data.) Financial activities employment was the largest contributor to the City's pay premium growth over the 19-year period. In fact, among New York City's five largest supersectors, the pay of employees in three of them—trade, transportation, and utilities; education and health services; and government—actually lost ground since 1990, while the New York City professional and business services supersector experienced modest growth in its pay premium. When considered as a whole, at least 75 percent of New York City's non-financial-activities employment was located in supersectors where pay premiums remained relatively stable or declined. □

Chart 4. Index of real wages for all BLS supersectors except financial activities, United States and New York City, 1990–2009 annual averages



NOTE: Wages include non-wage cash payments such as bonuses, the cash value of meals and lodging when supplied, tips and other gratuities and, in some States, employer contributions to certain deferred compensation plans.

SOURCE: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages.

Notes

[1] Employment and pay data for New York City were calculated by summing published data from the Quarterly Census of Employment and Wages (QCEW) for Bronx, Kings, New York, Queens, and Richmond Counties for workers covered by Unemployment Insurance and Unemployment Compensation for Federal Employees programs.

The pay premium can be calculated in two ways, which both yield the same result. The pay premium expressed as the difference between payroll and employment shares is as follows:

(N.Y.C. share of U.S. total wages – N.Y.C. share of U.S. employment)/(N.Y.C. share of U.S. employment)×100.

Alternatively, because the average wage = total wages/employment, the pay premium expressed as a relationship between the City's and the Nation's average wages is as follows:

[(N.Y.C. average wage/U.S. average wage)×100] – 100.

[2] Included in average annual pay and total wages are non-wage cash payments such as bonuses, the cash value of meals and lodging when supplied, tips and other gratuities, and, in some States, employer contributions to certain deferred compensation plans such as 401(k) plans and stock options.

[3] The employment and wage data used in this summary were obtained from the Quarterly Census of Employment and Wages of the Bureau of Labor Statistics. All data presented here are for "covered employment"—that is, for workers covered by State and Federal unemployment insurance programs. Annual average data were used to smooth out quarterly variations in payroll data.

[4] The North American Industrial Classification System (NAICS) is based on grouping establishments into industries according to similarity in the processes used to produce goods or services. This analysis uses the BLS standard for aggregating industries into 11 supersectors: natural resources and mining; construction; manufacturing; trade, transportation, and utilities; information; financial activities; professional and business services; education and health services; leisure and hospitality; other services; and government.

[5] *Career Guide to Industries*, 2010–11 Edition, **http://www.bls.gov/oco/cg/**.

[6] *Ibid*.

[7] *Ibid*.

[8] In this report, the New York-Northern New Jersey-Long Island, NY-NJ-CT-PA, CPI-U was used to deflate New York City wages. This area is comprised of New York City, Dutchess, Nassau, Orange, Putnam, Rockland, Suffolk, and Westchester counties in New York State; Bergen, Essex, Hudson, Hunterdon, Mercer, Middlesex, Monmouth, Morris, Ocean, Passaic, Somerset, Sussex, and Union and Warren counties in New Jersey; Fairfield County and parts of Litchfield, Middlesex, and New Haven counties in Connecticut, and Pike County in Pennsylvania.