

New York's Earnings Slowdown

by Gregory DeFreitas

This September marked an impressive economic milestone: nine full years in which U.S. employers hired more people than they fired in every single month. Starting in the fall of 2010, the number of net new jobs has increased in 108 consecutive months. That growth helped cut the unemployment rate in half between the end of the Great Recession (a 10% seasonally adjusted 2009 peak rate) and the 2016 election (4.7% that November). Since then it has continued to fall, if far less, to 3.5% in September – the lowest rate in a half-century.

However, the latest available government data confirms a generally weakening trend in job growth. While once-per-decade census hiring has bolstered the public sector count, average net private sector job gains have dropped from 215,000 per month in 2018 to 143,000 in 2019, and to just 114,000 in September. Manufacturing averaged monthly job growth of +22,000 last year, compared to a 2019 average of +5,000. In September, manufacturing did even more poorly: it lost 2,000 jobs. Retail trade fared even worse: from a 2018 average of +1,200 extra jobs per month, so far in 2019 it has lost an average of 8,600 jobs monthly – and September posted an above-average loss (-11,400).

Wage growth has slowed as well. The year-over-year increase in nominal wages was just 2.9% in September. Since price inflation robbed earnings of 1.7% of purchasing power over these same months, the real wage gain was a paltry 1.2%. That is below the minimum wage growth rate needed for workers to finally share some of the benefits of the post-recession declines in unemployment. The standard measure is the sum of hourly productivity growth (a rate recently averaging about 1.5%) plus the Fed's annual price inflation target (2% per year). By that standard, any nominal pay growth below 3.5 to 4% per year – particularly in a low-unemployment environment – undercompensates the workforce.

How do these national trends compare to recent experience in major metropolitan labor markets? New York City, center of the largest metro area, is now in its longest economic expansion since World War II. Since emerging from the recession in mid-2009, the city has created over 800,000 net new private sector jobs – more than all but three states – and has registered its lowest unemployment rate (4.1%, seasonally adjusted) on record.¹ Over the most recent 12 months through this September, it gained another 84,000 jobs, at a rate (+1.8%) faster than the national pace (Table 1).

The city's latest job growth was led by services, particularly the health care, professional/business services and leisure/hospitality supersectors (Figure 2). Hiring in the latter has been driven by record-breaking tourism over nine consecutive years. Over 65 million visitors ate, slept and enjoyed performing arts here over the past year.² As the top U.S. destination for international tourists, the local economy benefits from their higher average expenditures per visit. Other sources of new service sector jobs were: accounting, advertising and home health aides. But both construction and manufacturing were job losers.

In contrast, the nearby Long Island suburbs gained jobs in both construction (+7,500) and manufacturing (+1,000). The latter stems in large part from the local expansion of firms making generic drugs and nutritional supplements. Over the last decade, the pharmaceutical industry job count grew by 40% on Long Island.³ Other big job gains were made in ambulatory health care (+4,400) and social assistance (+5,500). Overall, the region's 11,000 net new jobs over the past 12 months represent only a 0.8% growth rate – slower than the national pace

and less than half that of the city. Still, with the total job count up to historic levels and population growth slowing, unemployment has been unchanged at 3.4%.

The national wage deceleration has become evident in New York and other large metro areas. Across the country, average metro real wage levels were up a mere \$12 per week (+1%) over the 12 months through this September (Table 3, row 1). And even less change (+0.46%) occurred for New York area workers (Table 3, row 2: NY-NJ-PA MSA). Over this same period, pay growth also inched up less than 1% in Manhattan, Queens, Nassau and Suffolk Counties, after adjustment for inflation. At both the national and local metro levels, the pace of real wage growth has trended downward since at least 2016.

In Table 4 and Figure 4, the rates of real wage change in seven specific industry supersectors are displayed for three annual intervals, each starting the first quarter of the year: 2016-17, 2017-18 and 2018-19. They reveal that the weakest wage growth has been in the fastest-growing, lowest-wage industries: Educational Services, Health Services & Social Assistance; Leisure & Hospitality; Trade (Wholesale and Retail) and Transportation.

Why, if the job market is as tight as unemployment stats suggest, are most workers not seeing the benefits in their wage packets? Likely explanations for these trends have been explored in much recent research. They include steep deunionization since the 1970s and a host of factors that weaken worker bargaining clout and create a rigged labor market. As I noted in a previous piece, about one in four American workers today must sign a “non-compete agreement” as a condition for employment.⁴ Though often defended as protective of “trade secrets,” non-competes have spread even to low-skill retail, including a majority of fast-food franchises. If an employee quits a job with a noncompete agreement, her former employer can litigate and have that worker barred or ousted from a new job by court order. Still another major obstacle to worker mobility, occupational licensing, has been extended from technical jobs to even hair stylists. And the spread of mandatory arbitration agreements in job contracts has further limited employees bargaining power when they seek to oppose unfairness in promotions, compensation or other job conditions. Over the last two decades, the fraction of employees subject to such agreements has more than doubled.

In response, worker organizations and their supporters have mounted notable fightback efforts in recent months. These include a successful 40-day national strike at General Motors by nearly 50,000 UAW workers – the first auto strike in over a decade – that won substantial pay and benefits hikes and ended the two-tier system disadvantaging newer workers. The wave of teachers’ strikes that began last year resumed with 32,000 Chicago teachers shutting down the school system in October. And, with opinion polls now showing nearly two-thirds of the public supports unions, recent Congressional proposals to sharply raise the minimum wage, reduce legal obstacles to union organizing and require corporate management to engage in good-faith collective bargaining have moved toward the center of 2020 campaign debates⁵

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**Table 1: Number of Nonfarm Jobs:
New York City, Long Island & All U.S., 2018–2019**
(in thousands, not seasonally adjusted)

	Sept.	Sept.	<u>2018-2019 Change</u>	
	2019	2018	<u>Net</u>	<u>%</u>
U.S.	151,949	149,793	2,156	1.4
NY State	9,792	9,668	124	1.3
NYC	4,626	4,542	84	1.8
Long Island	1,355	1,344	11	0.8

Table 1 Source: Establishment survey data from US Department of Labor.
Note that data reflect regular revisions by Dept. of Labor.

Table 2: Civilian Labor Force, Employment & Unemployment
(in thousands, not seasonally adjusted)

<u>AREA</u>	<u>Labor Force</u>		<u>Employed</u>		<u>Unemployed</u>		<u>Unemp. Rate</u>	
	Sept.	Sept.	Sept.	Sept.	Sept.	Sept.	Sept.	Sept.
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
U.S.	163,943	161,957	158,478	156,191	5,465	5,766	3.3%	3.6%
NYC	4,078.3	4,098.3	3,924.9	3,941.1	153.4	157.2	3.8	3.8
Bronx	599.3	601.3	568.6	570.3	30.7	31.0	5.1	5.2
Brooklyn	1,199.3	1,205.8	1,152.9	1,158.1	46.4	47.7	3.9	4.0
Manhattan	909.8	914.9	879.3	883.5	30.5	31.4	3.3	3.4
Queens	1,151.4	1,156.7	1,113.6	1,118.1	37.8	38.6	3.3	3.3
Staten Island	218.5	219.6	210.5	211.1	8.0	8.5	3.7	3.7
LONG ISLAND	1,483.7	1,483.7	1,432.9	1,435.4	50.8	48.3	3.4	3.4
Nassau Co.	707.6	707.8	683.5	685.1	24.1	22.7	3.4	3.4
Suffolk Co.	776.2	775.8	749.5	750.3	26.7	25.5	3.4	3.4

Table 2 Source: CPS household survey data from NYS Dept. of Labor. Data reflect regular revisions by DoL.

Table 3: Weekly Wage Growth, US, NY Metro, NYC & L.I., 2010-19

AREA	<u>Avg. Wage/week</u> (\$2019)			<u>% Chg. Real Wage</u>	
	<u>2019</u>	<u>2018</u>	<u>2010</u>	2018-19	2010-19
<u>ALL U.S. METROS</u>	\$1,218	\$1,206	\$1,074	1.00	13.41
<u>NY-NJ METRO</u>	\$1,766	\$1,758	\$1,686	0.46	4.74
Bronx	1,086	1,057	932	2.74	16.52
Brooklyn	954	935	844	2.03	13.03
Manhattan	3,153	3,144	2,832	0.29	11.33
Queens	1,099	1,089	954	0.92	15.20
Staten Island	1,006	994	851	1.21	18.21
<u>LONG ISLAND</u>					
Nassau Co.	\$1,215	\$1,215	\$1,157	0.00	5.01
Suffolk Co.	1,171	1,162	1,098	0.77	6.65

Table 3 Sources: 2010:Q1-2019:Q1 wages in all establishments, from U.S. BLS.
 QCEW establishment survey. Wages adjusted for inflation by national
 & Northeast Regional CPI: www.bls.gov

Table 4: Real Weekly Wage by Industry, NY-NJ Metro: 2009-2019

<u>Year</u>	<u>ALL</u>	<u>Constrcn</u>	<u>Info</u>	<u>Finance, Profnl,Biz</u>	<u>Educ, Health</u>	<u>Hotels, Restrntrts</u>	<u>Sales, Trans</u>	
				<u>Real Est.</u>	<u>Servcs</u>			
2009	\$1,604	na	\$2,479	\$4,907	\$1,962	\$1,003	\$615	\$1,026
2010	1,686	na	2,520	5,711	2,114	985	604	1,023
2011	1,726	\$1,327	2,613	6,157	2,136	982	614	1,037
2012	1,693	1,362	2,711	5,454	2,200	1,013	643	1,070
2013	1,641	1,339	2,740	5,373	2,062	1,014	618	1,044
2014	1,721	1,307	2,888	6,211	2,137	1,009	617	1,052
2015	1,720	1,306	2,911	6,073	2,210	1,013	619	1,058
2016	1,689	1,382	2,976	5,823	2,141	1,014	632	1,071
2017	1,752	1,424	3,017	6,229	2,202	1,045	651	1,108
2018	1,758	1,418	3,150	6,199	2,199	1,046	660	1,097
2019	1,766	1,440	3,191	6,173	2,240	1,042	672	1,111

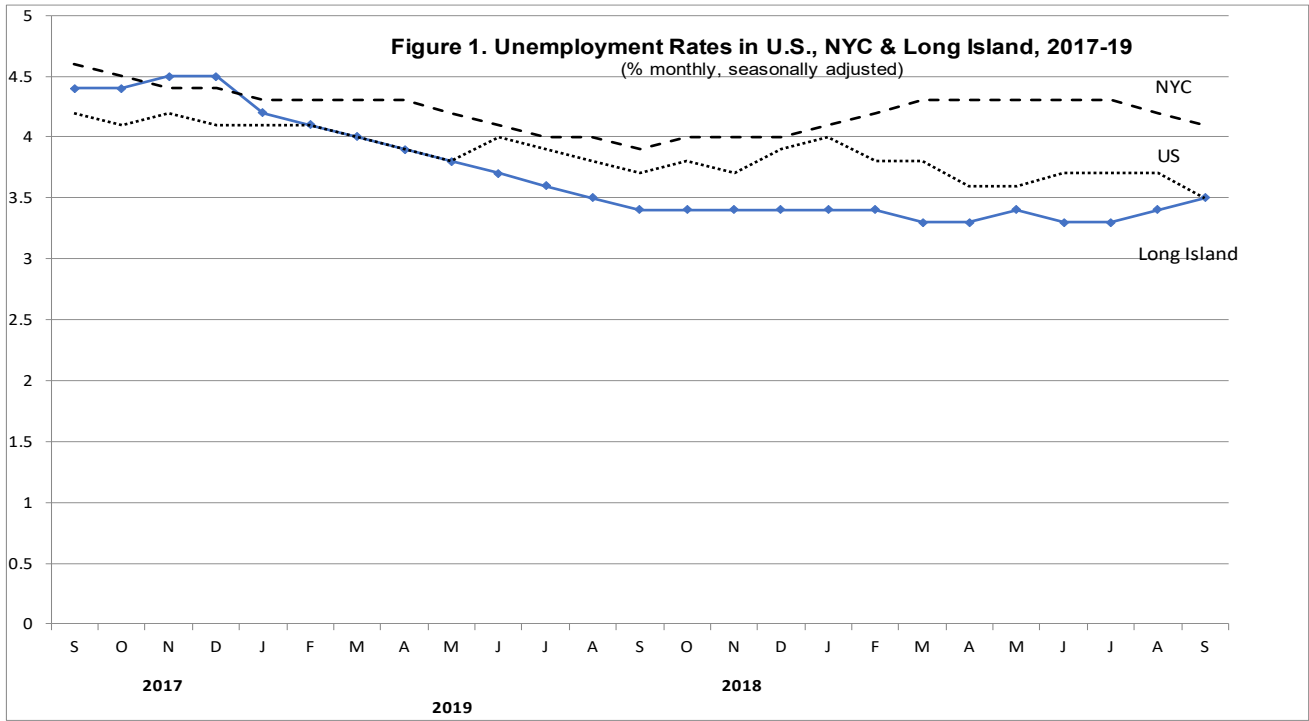


Figure 1 Source: U.S. Bureau of Labor Statistics

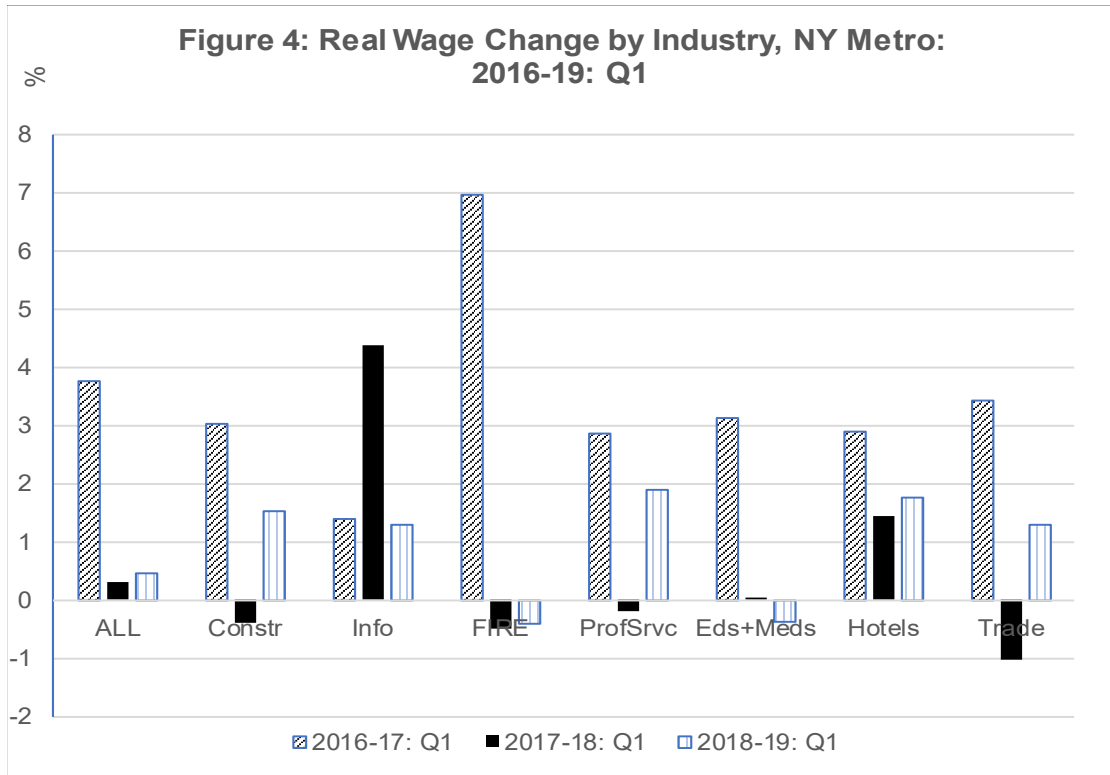


Figure 2

NYC Job Growth by Industry: Sept. 2018 – Sept. 2019

(in 1,000s of jobs, and percent change)

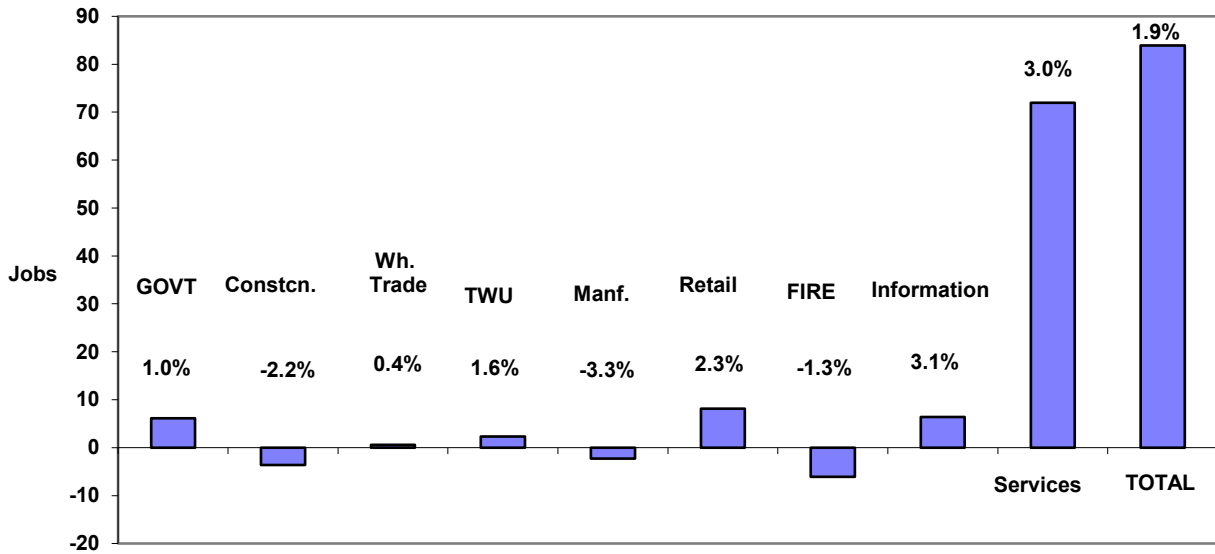
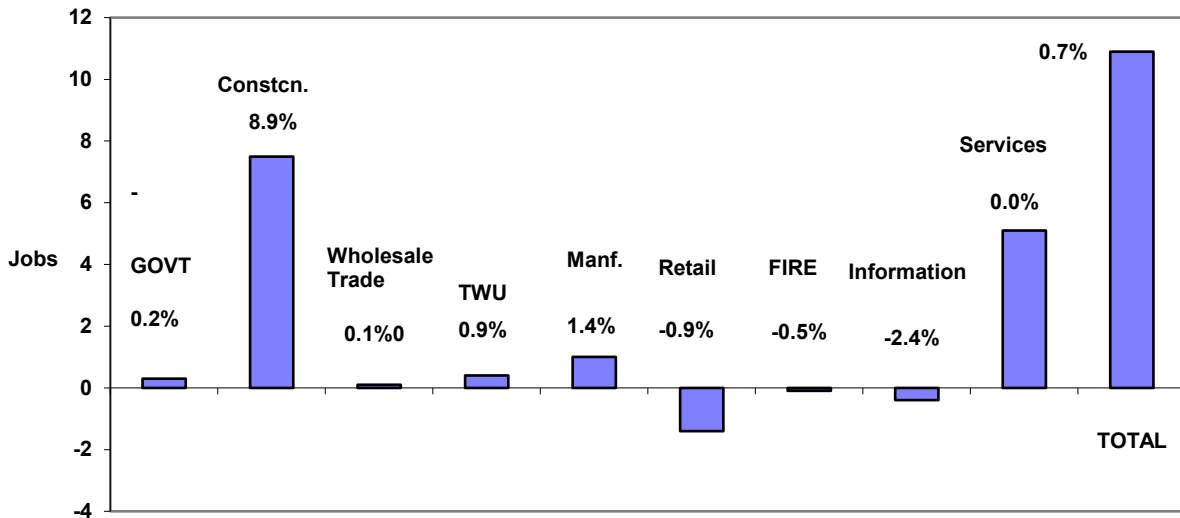


Figure 3

Long Island Job Growth by Industry: Sept. 2018 – Sept. 2019

(in 1,000s of jobs, and percent change)



NOTES

¹ New York State’s job counts are drawn from the U.S. Dept. of Labor’s monthly employer survey of 18,000 establishments statewide (CES). Unemployment estimates are derived from responses by about 3,100 New York households interviewed in the separate monthly Current Population Survey (CPS). See Volovelsky, E. “NYC Enjoys Largest and Longest Expansion Since WWII,” *Employment in New York State* (Sept. 2019); <https://labor.ny.gov/stats>.

² NYC and Co. *NYC Travel and Tourism Trend Report 2018* (2019); www.nycgo.com.

³ Total pharmaceutical employment on the Island is now 10,800. See Patel, S. “Pharmaceutical Manufacturing Thrives on Long Island,” *Employment in New York State* (August 2019): <https://labor.ny.gov/stats>.

⁴DeFreitas, Gregory. “Why Is Wage Growth So Weak When Unemployment Is So Low?” *Regional Labor Review* (Fall 2018): 5-14.

⁵ Jones, Jeffrey. “As Labor Day Turns 125, Union Approval Near 50-Year High,” *Gallup News* (8/28/2019): www.gallup.com.