

Job Growth and Pay Declines in New York and Nationwide

by Gregory DeFreitas

Three years since the start of the Great Recession, both New York and the nation still struggled in Fall 2010 to recover from deep job and income losses. While the output recession officially ended when GDP bottomed out in mid-2009, the “jobs recession” has persisted far longer than in similar phases of past business cycles. As of this October, the cumulative net job losses since December 2007 still total nearly 8 million jobs nationwide, and the national unemployment rate has remained just under double digits. In fact, preliminary November estimates show the rate actually rose to 9.8 percent. In some recoveries, renewed job growth encourages discouraged workers to rejoin the jobseeking labor force – thereby temporarily raising the official unemployment rate. But this was not the source of the latest unemployment increase. Rather, it was more layoffs, particularly in state and local governments slashing budgets to cope with looming deficits.

The latest federal stimulus plan, unexpected bounces in holiday retail spending and home sales, and declines in initial claims for unemployment benefits have raised hopes that the economy’s fall might be stabilizing. In sharp contrast to the steep monthly job drops of 600,000+ in the winter of 2008-09, positive job growth has been the norm since late 2009. For example, the monthly establishment surveys in September and October showed a net gain (seasonally adjusted) of 172,000 jobs. Given the end of most 2010 Census jobs and state/local government cutbacks, nearly all the net increase (93%) was in private sector hires. Such signs of renewed private business hiring are encouraging, though the monthly increases have been very erratic and concentrated recently in part-time and temporary jobs.

The insecure nature of so many of these new jobs, coupled with mounting corporate and political pressures for wage and/or benefits freezes and/or cuts have resulted in stagnant or falling employee compensation in much of the country. In New York State, for example, personal income actually dropped (by 3.1%) in 2009 for the first time in 70 years of recordkeeping.ⁱ In New York City, real average wages plunged nine percent in 2009, the worst such decline in any modern recession. These pressures, together with the weak housing market and high indebtedness, have continued to limit consumers’ ability to spend. But they have also contributed importantly to record-breaking business profits. According to the U.S. Department of Commerce, corporate profits in the third quarter of 2010 rose \$44.4 billion, marking an annual rate of \$1.7 trillion – the highest ever since consistent recordkeeping began 60 years ago.ⁱⁱ

National opinion polls confirm that most Americans still see little if any improvement in their living standards or job security. This concern is understandably deepest among the 14.8 million people officially counted as unemployed in October – a 9.6% national unemployment rate, even after seasonal adjustment. That rate was 0.5 percentage points lower than at the same time the year before, when there were 800,000 more people unemployed. But among the unemployed, over two in five have been without work over half a year. In fact, as more and more have remained jobless for two to three years, the U.S. Labor Department has just been forced to expand its labor force survey measurements: instead of limiting its questionnaire options to a maximum duration of “two years or more,” it will now start asking about length of jobless spells up to a top code of five years or more.

The recession’s highly unequal impacts are painfully evident in Table 1. The year-end jobless rate among African Americans (15.7%) was nearly twice that of whites. In the Spanish origin labor force, 12.6% are still unemployed. The rates for all three demographic groups are over twice as high as the full-employment level in October 2000, the end of the last economic boom.

The hardest hit are youth and less-educated workers. High school dropouts and graduates with no college are two to three times more likely to be unemployed than college graduates. Even if college grads’ jobless rate (4.7%) is the lowest now, it is triple the rate in 2000. Moreover, many college grads are now only able to find part-time jobs for which they are overqualified. Among young people looking for work, nearly one in four white teens is unemployed today, down from 26.1% in 2009, but far above their 11.1% rate in 2000. And almost half (48%) of all jobseeking African American youth are unemployed – a finding made all the more startling by the fact that their jobless rate *worsened* by six percentage points over the past 12 months.

By some important measures, New York has made faster progress toward repairing the recession’s job damage than most other states. In October, the state added 40,500 private sector jobs – the biggest such monthly gain since April 2005 (seasonally adjusted). The state unemployment rate was still quite high, though at 8.3% it was over a percentage point below the national average. New York City had a shorter and shallower job decline and has had job growth resume more quickly and sharply than either the state or national patterns. In contrast, during both the 1989-92 and 2001-2003 slumps, recovery in the city lagged a year or more behind the rest of the country. Over the 12 months through this October, the city added a net increase of 41,600 jobs – all due to private sector hires (55,400) exceeding declines in the private sector. Table 2 shows that, modest and inadequate as these gains have been, New York’s job growth rate (+1.1%) is over twice the U.S. average.

Which sectors of the city’s economy have been job gainers since October 2009? As Figure 1 reveals, the services supersector dominated the city’s growth, adding 44,200 jobs (+2.5%) – accounting for 80% of all private

sector job gains. Within services, the hiring leaders were: professional and business services (+17,300, most in legal, accounting and employment services); health care and social assistance (+11,600); retail trade (+8,400); and food and drinking places (+4,800). Smaller but welcome job gains occurred in finance, insurance and credit (+3,600); real estate (+3,400); construction (+1,800); and transportation, warehousing and utilities (+1,000, mostly in airline services)

Job declines continued in manufacturing (-1,400), where the once huge apparel industry lost another 2,100 jobs (-11.8% !) Wall Street lost over 10,000 securities jobs. And the information sector was down by 2,600 positions from a year earlier. Publishing alone shrank by 3,100 jobs, and another 2,000 were lost in the city's motion picture industry. Only television and radio registered gains (+1,100) in this sector.

The steepest job plunge has been in government: there were 13,800 fewer jobs in this sector than a year ago. Job losses have been felt in both federal and state employment in the city, but most have been experienced by local government staffs. And more public sector layoffs are expected as the city and state wrestle with recession-ravaged budgets. For example, the NYC Health and Hospitals Corporation, faced with a \$1 billion deficit, plans to shrink its workforce by another 2,600 jobs in the current fiscal year (half by attrition). Budget cuts are closing some programs outright and merging others. HHC, the country's biggest public hospital system, is the primary health care resource for 1.3 million mostly low-income New Yorkers. But the city's hospital crisis is not confined to the public sector, as the closure of St. Vincent's Hospital Center in Greenwich Village demonstrated recently. Since 2000, 17 of the city's hospitals have closed and more will likely do so in the near future. Their debt loads and annual losses are far worse than the national average. Serving large low-income and elderly populations heavily dependent on Medicare and Medicaid for unusually lengthy in-patient care, local hospitals have been especially vulnerable to inadequate government reimbursements, state aid cuts, skyrocketing pay packages of top administrators, and the costly competition unleashed by former Governor Pataki's deregulation program in the 1990s.ⁱⁱⁱ As more shut their doors, thousands of X-ray technicians, maintenance and other hospital staff will doubtless have a far more difficult transition than will laid-off doctors and nurses.

The modest net job gains in the private sector have helped drive the city unemployment rate down by more than a percentage point over the year to 9.2%. Most major demographic and educational groups have seen their jobless rates improve in the same period. But the recent quarterly estimates (from the Census Bureau's Current Population Survey) shown in Table 4 reveal sharp differences between large elements of the population. While the unemployment rate is down to 5.2% among white New Yorkers, it is 15.3% among blacks and 13.3% among Latinos. Young people ages 16 to 24 suffer with a still higher 17.7% jobless rate. And

the long-term unemployed account for nearly half of all jobless New Yorkers: 49.3% have not had work in over half a year. And one in four of the unemployed have now been jobless one year or more.^{iv}

Have other parts of the metropolitan area fared any better or worse lately than New York City? Tables 2 - 3 and Figure 2 show job growth and unemployment trends for Long Island's Nassau and Suffolk counties over the same 12-month period. Like most higher-income suburban areas, even during recessions, unemployment there has long averaged well below the center-city levels. Over the 2009-2010 span, the jobless rate dipped slightly to 6.9%, well below either the NYC or national level. Long Island's job growth rate (0.5%) matched the national pace, but was half as fast as downtown. Like the city, its 12-month job gains (+5,700) reflected modest private sector hiring that outweighed sharp cuts in government jobs (-5,200). Services was the largest single sector in net hires, up by 7,000 positions (1.3%), with most in health care, education, and food and drink. Other improvements came in wholesale trade (=4,300 jobs), retail (+1,900) and construction (+1,600). Some 3,900 private sector jobs were lost in manufacturing; information; transportation, warehousing and utilities; and finance, insurance and real estate.

With the state, the city and the suburbs all struggling with tough choices on balancing their individual budgets, there is faint hope of any near-term new hiring in the public sector to supplement recent private sector growth. Even the more optimistic economic forecasts see little acceleration in the modest pace of improvement in private payrolls. For example, the Independent Budget Office now predicts that -- even if the city avoids a double-dip recession and enjoys revenue growth well above that expected by the Mayor's office -- job gains in 2011 will be little better (+41,700 jobs, or +1.1%) than in the past 12 months.^v These trends underscore the finding that in this Great Recession, even in a state like New York in which signs of potential recovery have appeared sooner than in most others, any firm conclusions about the depth or persistence of economic improvements are still premature.

Table 1
Unemployment Rates & Duration, 2000–2010

(national estimates, October, seasonally adjusted)

	<u>2010</u>	<u>2009</u>	<u>2000</u>
ALL	9.6%	#####	3.9%
<i>Age and</i>			
<i>Race/Ethnicity</i>			
White	8.8	9.4	3.4
Black	15.7	15.7	7.3
Hispanic	12.6	13.1	5.0
All, ages 16–19	27.1	27.6	12.6
Whites 16–19	23.6	26.1	11.1
Blacks 16–19	48.0	42.1	24.2
<i>Education:</i>			
HS grad, no college	10.1	11.2	3.5
College grad, BA	4.7	4.7	1.6
<i>Duration:</i>			
Unemployed>26 weeks (as % of unempld.)	41.8	36.0	11

Table 1 Notes: Estimates are for civilian, noninstitutional popltn. ages 16 and over, except for education subsets (ages 25+).

Table 1 Source: U.S. Bureau of Labor Statistics (2010).

Table 2
Number of Nonfarm Jobs (in thousands) by Place of Work:
New York City, Long Island & All U.S., Oct. 2009–Oct. 2010
(in thousands, not seasonally adjusted)

	Oct. 2010	Oct. 2009	Oct. 2000	<u>% Change</u>	
				2000-2010	2009-2010
U.S.	131,594.0	130,889.0	133,007.0	-1.1	0.5
NY State	8,612.8	8,577.6	8,719.3	-1.2	0.4
NYC	3,714.3	3,672.7	3,814.2	-2.6	1.1
Long Island	1,238.9	1,233.2	1,258.0	-1.5	0.5

Table 2 source: Establishment survey data from US Department of Labor.

Note that data reflect regular revisions by Dept. of Labor.

Table 3
Civilian Labor Force, Employment & Unemployment
(in thousands, not seasonally adjusted)

AREA	<u>Labor Force</u>		<u>Employed</u>		<u>Unemployed</u>		<u>Unemp. Rate</u>	
	Oct. 2010	Oct. 2009	Oct. 2010	Oct. 2009	Oct. 2010	Oct. 2009	Oct. 2010	Oct. 2009
U.S.	153,652.0	153,635.0	139,749.0	139,088.0	13,903.0	14,547.0	9.0%	9.5%
NYC	3,983.1	3,983.4	3,618.5	3,567.8	364.6	415.6	9.2	10.4
Bronx	540.2	539.4	472.8	466.2	67.4	73.2	12.5	13.6
Brooklyn	1,127.2	1,127.6	1,015.2	1,001.0	112.0	126.6	9.9	11.2
Manhattan	936.2	939.9	865.1	852.9	71.1	87.0	7.6	9.3
Queens	1,132.4	1,131.0	1,039.2	1,024.6	93.2	106.4	8.2	9.4
Staten Island	247.2	245.5	226.3	223.1	20.9	22.4	8.5	9.1
LONG ISLAND	1,486.6	1,477.4	1,384.2	1,372.9	102.4	104.5	6.9	7.1
Nassau Co.	694.4	690	647.3	642.0	47.1	48.0	6.8	7.0
Suffolk Co.	792.2	787.4	736.9	730.9	55.3	56.5	7.0	7.2

Table 3 source: CPS household survey data from NYS Department of Labor. Note that data reflect regular revisions by Dept. of Labor.

Table 4
NYC Unemployment by Age,
Race/Ethnicity & Education, 2008-2010
(3rd quarter each year)

	<u>2010</u>	<u>2009</u>	<u>2008</u>
ALL	9.5%	10.7%	5.6%
<i>Age and</i>			
<u>Race/Ethnicity</u>			
White	5.2	7.7	3.4
Black	15.3	16.4	9.2
Hispanic	13.3	12.5	7.2
Ages 16–24	17.7	29.6	15.3
Ages 25–54	8.7	9.1	4.8
Ages 55 & over	6.7	5.5	3.3
<u>Education:</u>			
No HS Diploma	16.1	15	12.1
HS grad, some college	11.3	12.4	5.5
College grad, BA	5.1	7.0	3.5
<u>Duration:</u>			
Unemployed > 26 weeks (as % of unempld.)	49.3	40.7	28.1

Table 4 Source: CPS microdata analysis by NYC Comptrollers' Office (10/2010).

Figure 1
NYC Job Growth by Industry: Oct. 2009 – Oct. 2010
 (in thousands of jobs, and percent change)

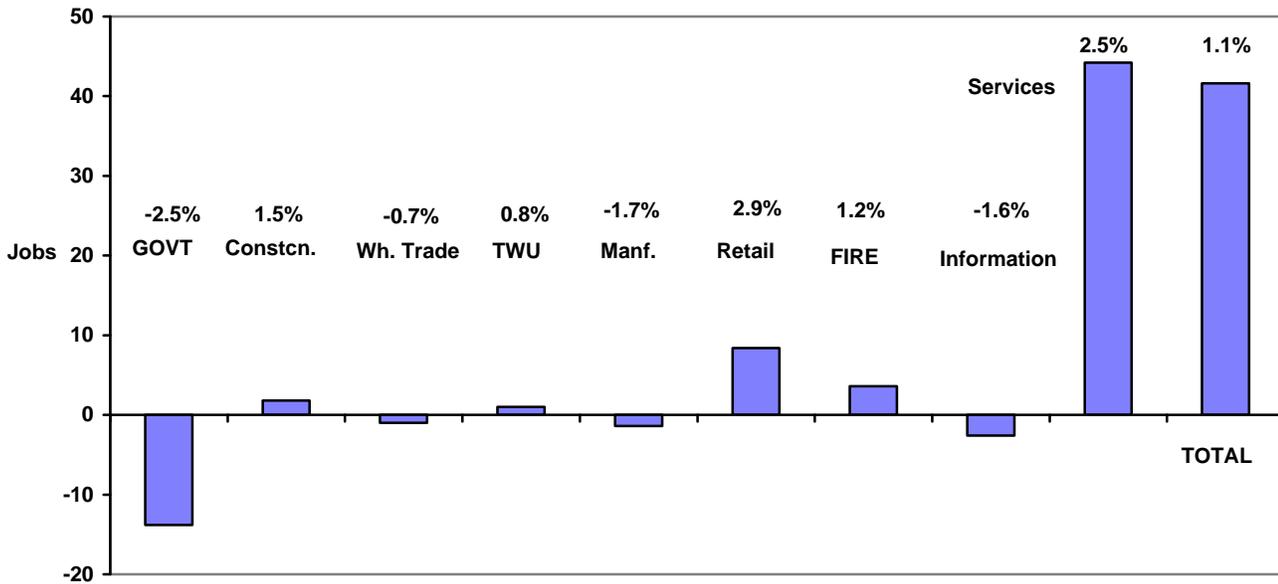
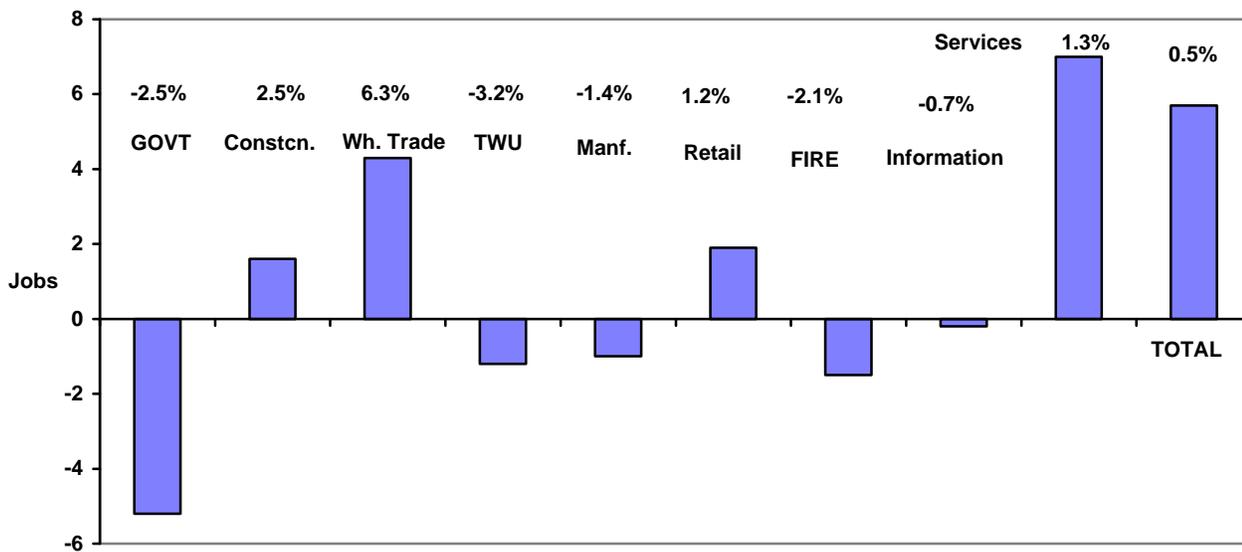


Figure 2
Long Island Job Growth by Industry: Oct. 2009 – Oct. 2010
 (in thousands of jobs, and percent change)



Figs. 2–3 Source: NYS Dept. of Labor: nonfarm payroll job data from CES establishment survey in Nassau & Suffolk counties. Year-to-year changes, not seasonally adjusted. Note: Constcn. = Construction, Mining & Natural Resources; FIRE = Finance, Insurance & Real Estate; TW U= Transport, Warehousing & Utilities.

Gregory DeFreitas is Professor of Economics at Hofstra University, Director of its Labor Studies Program, and Director, Center for the Study of Labor and Democracy.

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NOTES

- ⁱ Comptroller Thomas DiNapoli, quoted in "Income Posts a Rare Drop," *Wall Street Journal* (10/05/2010).
- ⁱⁱ US Dept. of Commerce, Bureau of Economic Analysis, *GDP: 3rd Quarter 2010* (11/2010): <www.bea.gov>
- ⁱⁱⁱ Levine, Mark, "St. Vincent's is te Lehman Brothers of Hospitals," *New York Magazine* (10/17/2010).
- ^{iv} New York City Comptroller's Office, *Persistent Disparities in NYC Unemployment* (10/28/2010).
- ^v NYC Independent Budget Office, While Tax Revenues Improve, Cuts in State Aid Could Widen Gaps," *Fiscal Outlook* <www.ibo.nyc.ny.us>