

An Economy Flying Into Political Headwinds

by Gregory DeFreitas

The national economic recovery has so far continued to bring modest positive job and output growth month after month. But its flight path seems more and more clouded by two major domestic obstacles: the drag on growth caused by the big annual federal budget cuts imposed by Congress and the high-risk conservative tactic of forcing a government shutdown and pushing the country to the brink of potentially disastrous default. Though the shutdown was ended by mid-October and a bipartisan deal averted default, the temporary nature of the extraordinary situation continues to unsettle businesses, workers and the global economy.

The latest employment statistics show how fragile and uneven the recovery remains and how vulnerable the job market is to the political turbulence ahead. According to preliminary estimates from the Bureau of Labor Statistics' establishment survey, net monthly job growth fell to 148,000 in September, well below the previous month and below the average of the past 12 months (185,000). The total national job count has still not regained its level five years ago (Table 1). And since the potential labor force has grown over those years, millions more new jobs are needed to approach full employment. Anything less than 300,000 net new jobs per month is unlikely to make full employment attainable within the next five years.

The official unemployment rate, based on the government's monthly household survey, has gradually sloped to just over 7 percent. This certainly compares well to the 7.8 percent rate last September – and to the 9.8 percent rate in the same month in 2009. But the fraction of the adult population employed has been stuck at an historically low 58.6 percent over the past 12 months. Nearly two-fifths of the unemployed have been out of work a half-year or

more. That helps explain why over 2.3 million adults have dropped out of the labor force in the past year but report that they still want jobs (“discouraged workers and others marginally attached”). And nearly 8 million of the employed want full-time jobs but could only locate part-time work. Adding these two groups to the officially unemployed (11.3 million) yields a broader “underemployment rate” at the still-elevated level of 13.6 percent.

Unlike the national pattern, New York City and the Long Island suburbs had both regained their 2008 job totals by this time last year. In the past 12 months, another 85,000 net new jobs were added in the city, and about 28,000 on the Island. Their 2.1% annual growth rates compare well to the 1.67 percent national average. But this growth has still not been robust enough to lower their unemployment rates to pre-recession levels (Table 2 & Figure 1). New York City's most recent, August rate of 8.7 percent is nearly 3 percentage points higher than at the same time five years ago. The gap is narrower on Long Island: 5 percent were unemployed there in August 2008, compared to 6.2 percent this August.

A major trend that the New York Metro Area shares with most of the country is stagnant wages for most working people. What job growth there has been exclusively in the private sector and dominated by services and retail – in which most jobs pay below-average earnings (Figures 2 and 3). Construction, a higher-wage industry badly hurt by the recession, has recorded some welcome new hiring over the past 12 months in both New York City (+4.2 percent) and Long Island (+7.3 percent). Their construction job totals are still down about 11 percent from 2008, and may include significant temporary employment rebuilding in the long wake of Superstorm Sandy.

		% Change				
		August 2013	August 2012	August 2008	2008-2013	2012-2013
U.S.		135,988	133,753	136,697	-0.52	1.67
NY State		8,905	8,785	8,781	1.42	1.37
NYC		3,952	3,867	3,783	4.46	2.18
Long Island		1,288	1,260	1,262	2.01	2.15

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

Table 1:
Number of Nonfarm Jobs
 (in thousands)
 by Place of Work:
 New York City, Long Island
 & All U.S.,
 August 2008-August 2013
 (in thousands,
 not seasonally adjusted)

Job instability and weak earnings usually translate into weak consumer spending, insofar as households are unable or unwilling to take on heavier debt loads. Whether these trends will hamper

sustainable employment and income growth now depends more than ever on the political battles looming over the winter months.

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

AREA	Labor Force		Employed		Unemployed		Unemp. Rate	
	August 2013	August 2012	August 2013	August 2012	August 2013	August 2012	August 2013	August 2012
U.S.	155,971	155,254	144,509	142,558	11,462	12,696	7.3%	8.2%
NYC	4,072	4,003	3,718	3,628	355	375	8.7%	9.4%
Brooklyn	560	552	493	481	67	71	12.0%	12.8%
Bronx	0	0	1,049	1,024	111	117	9.6%	10.2%
Manhattan	0	0	884	863	68	72	7.1%	7.7%
Queens	1,152	1,131	1,063	1,037	89	94	7.7%	8.3%
Staten Island	0	0	227	222	20	22	8.1%	9.0%
LONG ISLAND	1,519	1,499	1,370.5	1,387	94	112	6.2%	7.5%
Nassau Co.	710	699	668	649	42	50	5.9%	7.1%
Suffolk Co.	810	799	758	737	52	62	6.4%	7.8%

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

Figure 1
Unemployment Rates in U.S., NYC & Long Island, August 2008-August 2013
(monthly, seasonally adjusted)

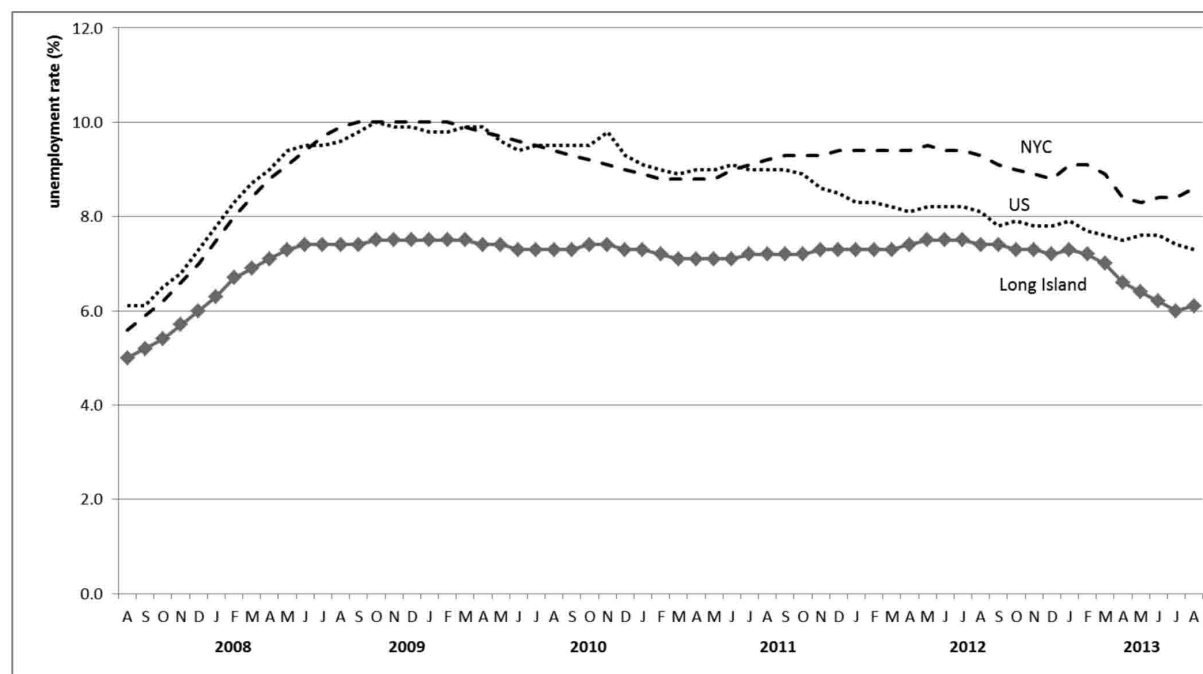


Figure 2
NYC Job Growth by Industry: August 2012-August 2013
(in thousands of jobs, and percent change)

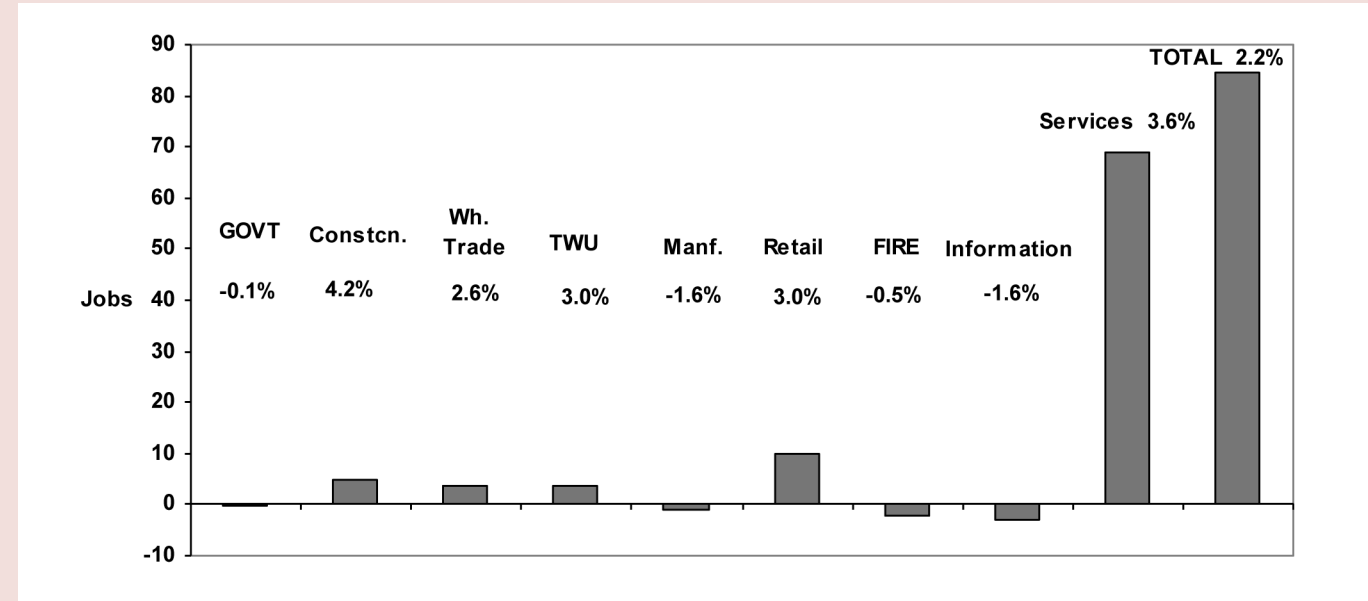
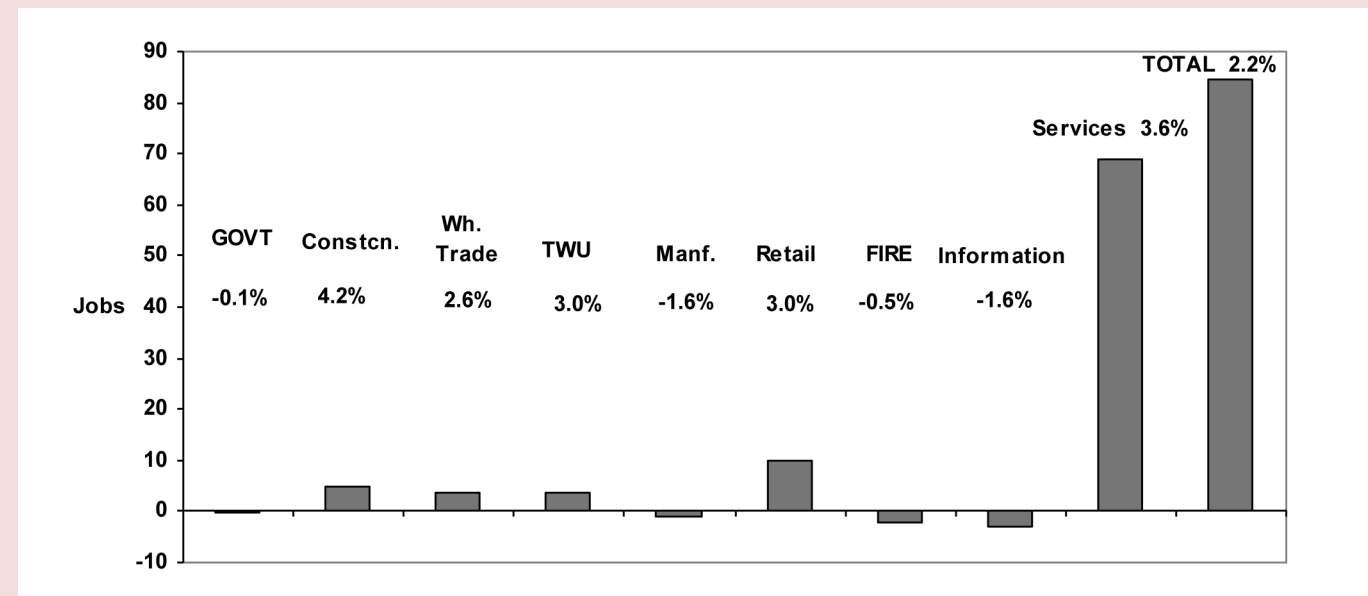


Figure 3
Long Island Job Growth by Industry: August 2012-August 2013
(in thousands of jobs, and percent change)



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