

Has the Weak-Wage Recovery Picked Up Pace?

by Gregory DeFreitas

Six years into our slow-motion recovery, more and more economic indicators have begun pointing in a positive direction. Gross Domestic Product has risen a healthy 3.9 percent or more in each of the past two quarters, after inflation adjustment. Job growth reported by employers nationwide in September reached a seasonally adjusted 256,000, well above the average increases over the prior 12 months. The unemployment rate has dropped below six percent for the first time since the Great Recession. And that decline is no longer mainly a result of discouraged job-seekers abandoning the labor force: the employment-to-population ratio has been stable for four months in a row. That has helped drive down the broader underemployment measure (including part-timers unable to find full-time jobs, discouraged former job-seekers, and other marginally attached workers, plus the official unemployment count). The underemployment rate has fallen to 11.8 percent – nearly two percentage points lower than last year at this time. And the number of people applying for unemployment benefits fell in September to the lowest level in 14 years. The odds of finding some kind of job have continued to improve: the number of unemployed job-seekers per job opening is now down to just two. Twelve months ago that ratio was still three-to-one. And preliminary government figures for October indicate that all these encouraging trends are continuing.

However, November’s midterm election results spotlighted the public’s gloomy mood on the economy, with exit polls showing over three-fourths of voters were very or somewhat worried about the economy’s future and two-thirds saying it was getting worse. Long-term unemployment, though it has fallen with the GDP recovery, still affects one-third of jobless Americans. Unemployment among African Americans (11.1 percent) and teenagers (20 percent) is still at double-digit rates. Average work hours per week, though up from the recession trough, have been stuck at 34.5 hours since last September. Hourly pay is also still flat: average earnings per hour were unchanged in September and up just two percent over the past year. With such wage creep barely keeping workers up with inflation, there has lately been bipartisan support for state-level

increases in the minimum wage. The same November elections that went Republican in most states nonetheless also saw majorities back minimum wage hikes in Alaska, Arkansas, Nebraska, and South Dakota.

Like the national pattern, the pace of economic growth in the New York metro area speeded up markedly last spring, as real, inflation-adjusted Gross City Product (GCP) rose by a second quarter average of 3.1 percent, compared to just 1.9 percent growth in the first quarter’s harsh winter weather (see Figure 1). Although slower second quarter growth than the national GDP average (+4.6 percent), the city’s mild GCP growth in January through March contrasted well with the nationwide GDP decline of -2.1 percent over that same period.

The more consistent local growth pattern is well reflected in unemployment and job counts. In September 2013, 8.5 percent of the city’s labor force was still unemployed – 1.5 percentage points above the national rate. Since then New York has recorded an

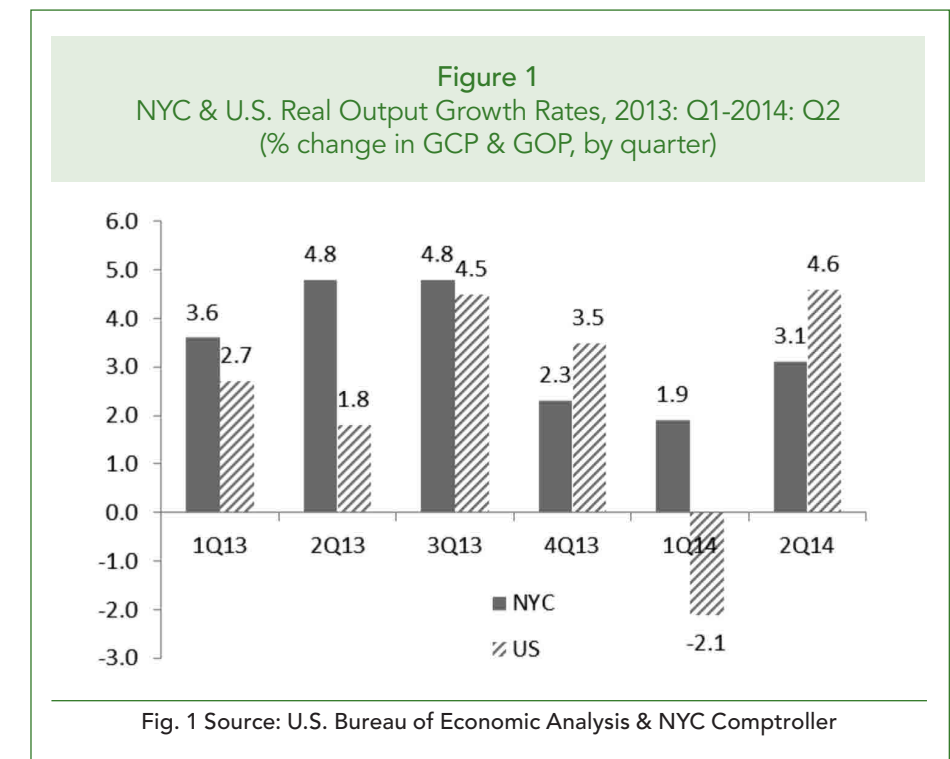


Table 1
Number of Nonfarm Jobs
(in thousands) by Place of
Work: New York City,
Long Island & All U.S.,
Sept. 2008-Sept. 2014
(in thousands,
not seasonally adjusted)

	% Change				
	September 2014	September 2013	September 2008	2008-2014	2013-2014
U.S.	139,753	136,800	137,119	1.92	2.16
NY State	9,026	8,936	8,785	1.71	1.01
NYC	4,066	3,973	3,788	4.88	2.35
Long Island	1,298	1,281	1,260	1.65	1.34

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)

AREA	Labor Force		Employed		Unemployed		Unemp. Rate	
	March 2014	March 2013	March 2014	March 2013	March 2014	March 2013	March 2014	March 2013
U.S.	155,903	155,536	146,941	144,651	8,962	10,885	5.7%	7.0%
NYC	4,071.6	4,057.1	3,822.6	3,711.4	249.0	345.7	6.1	8.5
Bronx	555.0	558.0	507.6	492.9	47.4	65.1	8.5	11.7
Brooklyn	1,157.8	1,157.0	1,081.0	1,049.6	76.8	107.4	6.6	9.3
Manhattan	957.8	950.9	909.1	882.6	48.7	68.3	5.1	7.2
Queens	1,155.5	1,147.9	1,093.0	1,061.2	62.5	86.7	5.4	7.6
Staten Island	245.6	243.2	231.9	225.1	13.7	18.1	5.6	7.4
LONG ISLAND	1,459.4	1,519.4	1,389.6	1,425.8	69.8	93.6	4.8	5.9
Nassau Co.	684.2	709.6	652.2	668.0	32.0	41.6	4.7	5.8
Suffolk Co.	775.2	809.8	737.4	757.8	37.8	52.0	4.9	6.1

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

unusually steep decline in joblessness. As seen in Table 2 and Figure 2, the local unemployment rate had plunged to 6.1 percent by this September, narrowing the gap with the national rate to just 0.4 percentage points. In August and September alone, unemployment recorded the largest two-month rate drop in the city on record (dating to 1976). The number of unemployed New Yorkers dropped by nearly 100,000 as the number employed grew even more, by 111,200. Clearly, the improving job market has drawn even more residents into the labor force. Each of the five boroughs shared in this pattern of employment growth.

Compared to the same period 12 months ago, the city's total payroll job count has increased 2.35 percent -- over twice the statewide rate and faster than the nationwide average (1.93 percent). The 4.066 million jobs by September ended a quarter in which New York recorded more jobs than at any time in the city's history (Table 1). Three out of four of the 93,500 new jobs over this period have come in the services supersector. Within services, one-fourth of these new positions are in health care and social assistance, led by a 9.7 percent jump in home health aides. Another one-fifth of new service positions came in professional and business services, led by more

Table 3.
Weekly Wage Growth by County, 2013-14

Area	Avg. Wage/week		Rank
	2014	% Chg 2013-14	Counties by % Chg
U.S..	\$1,027	3.8	
Bronx	\$881	2.2	199
Brooklyn	\$760	0.8	296
Manhattan	\$2,749	12.0	2
Queens	\$911	1.3	268
Staten Island	\$802	1.8	230
LONG ISLAND			
Nassau Co.	\$1,091	1.8	230
Suffolk Co.	\$1,029	-0.4	329

Table 3 Source: 2013:Q1-2014:Q1 wages in BLS QCEW establishment survey (9/18/14).

hiring in accounting, management consulting, administrative, and computer design services. Tourism-related industries, buoyed by an all-time high 54 million visitors in 2013, added another 15,700 new staff in hotels, bars and restaurants since last fall. And educational services, even with the loss of 1,000 elementary and secondary school personnel, grew by 7,600 net new positions.

The city's only other industries with substantial job gains over the last 12 months have been retail trade (+15,700 jobs), construction (+2,300) and finance/insurance/real estate (+7,500). The latter shrank by nearly 38,000 jobs between September 2007 and September 2010. Over the past 12 months, it regained 2,900 jobs in banking, 2,600 in real estate and 1,100 in securities and commodities trading. Even with its 1.7 percent job growth this year, the FIRE sector's 444,400 job count is still smaller (by over 24,000 positions) than in pre-recession 2007.

Job losses in New York over the past 12 months were concentrated in government (-1,900) and information (-3,900, led by publishing cuts). Long Island also lost jobs in these sectors, while gaining enough in services (mostly health care), retail, construction, transportation and warehousing to post modest overall job growth of 17,200 (+1.3 percent). But, far from rebounding, its financial sector shrank (by -1,500 positions). Since falling by 7,700 jobs from September 2007 to the recession low point of September 2010 (70,400), the total number of finance jobs has only risen by 1,600 as of this September. This represents a sectoral recovery roughly half that in the city over the same span.

Figure 2
Unemployment Rates in U.S., NYC & Long Island, 2008-2014
(monthly, seasonally adjusted)

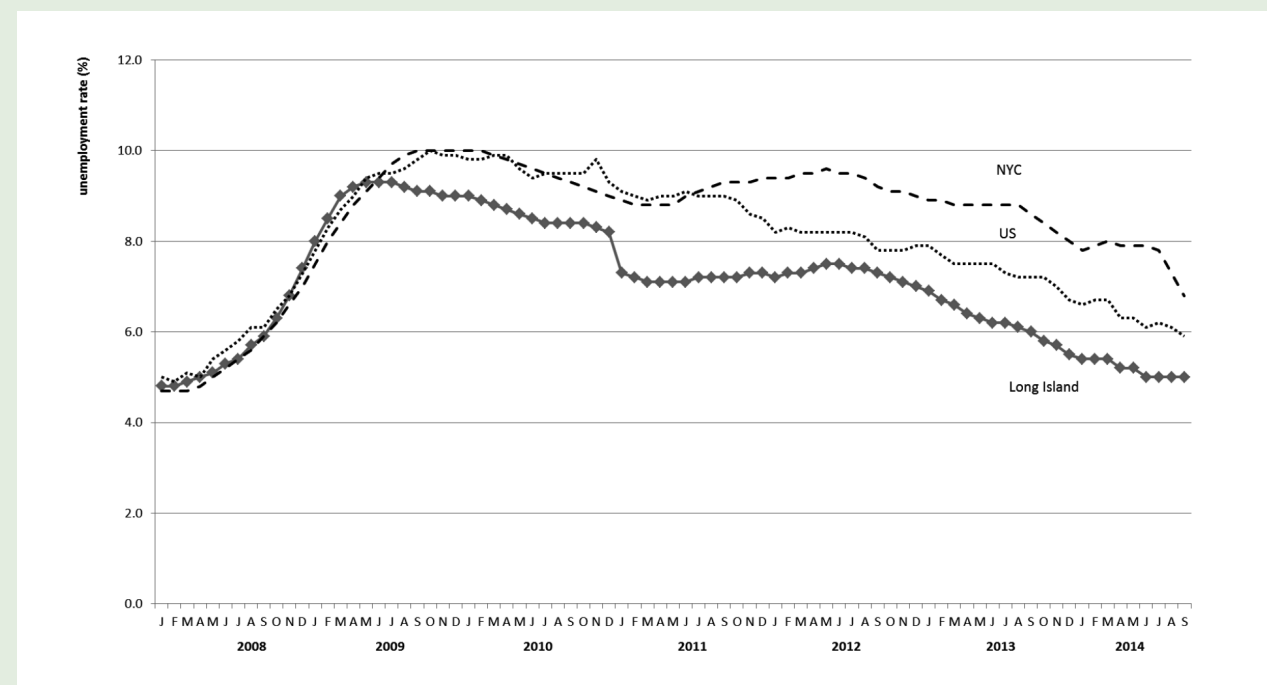


Figure 3
 NYC Job Growth by Industry: Sept. 2013-Sept. 2014
 (in thousands of jobs, and percent change)

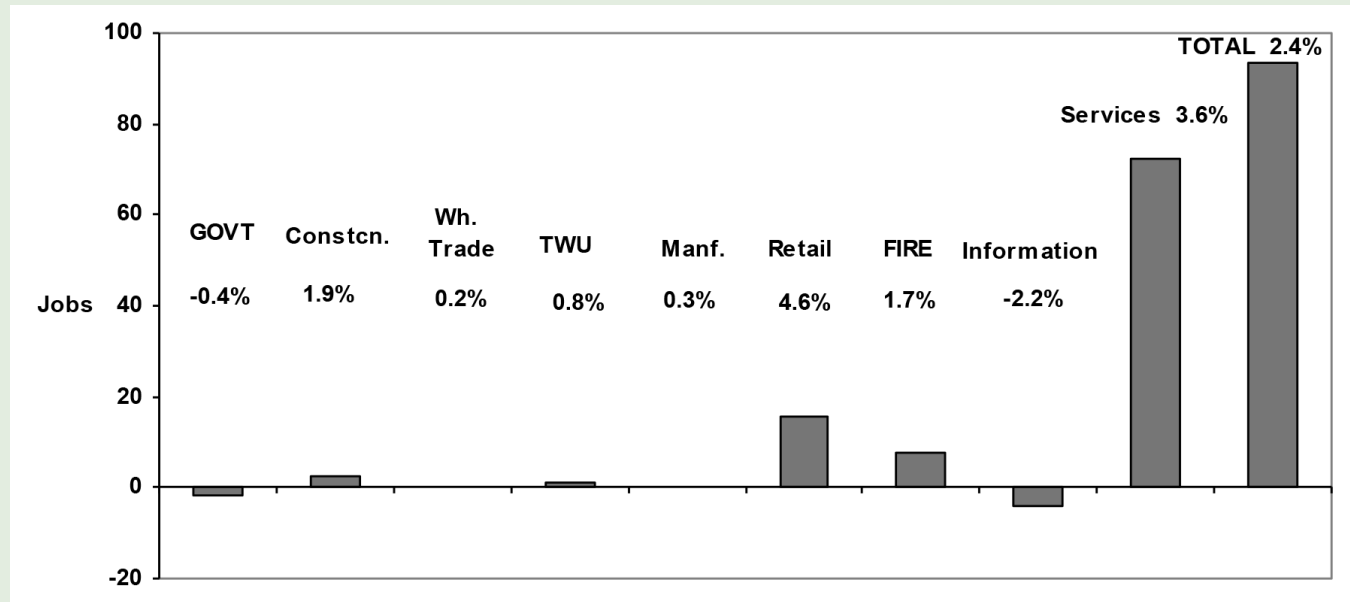
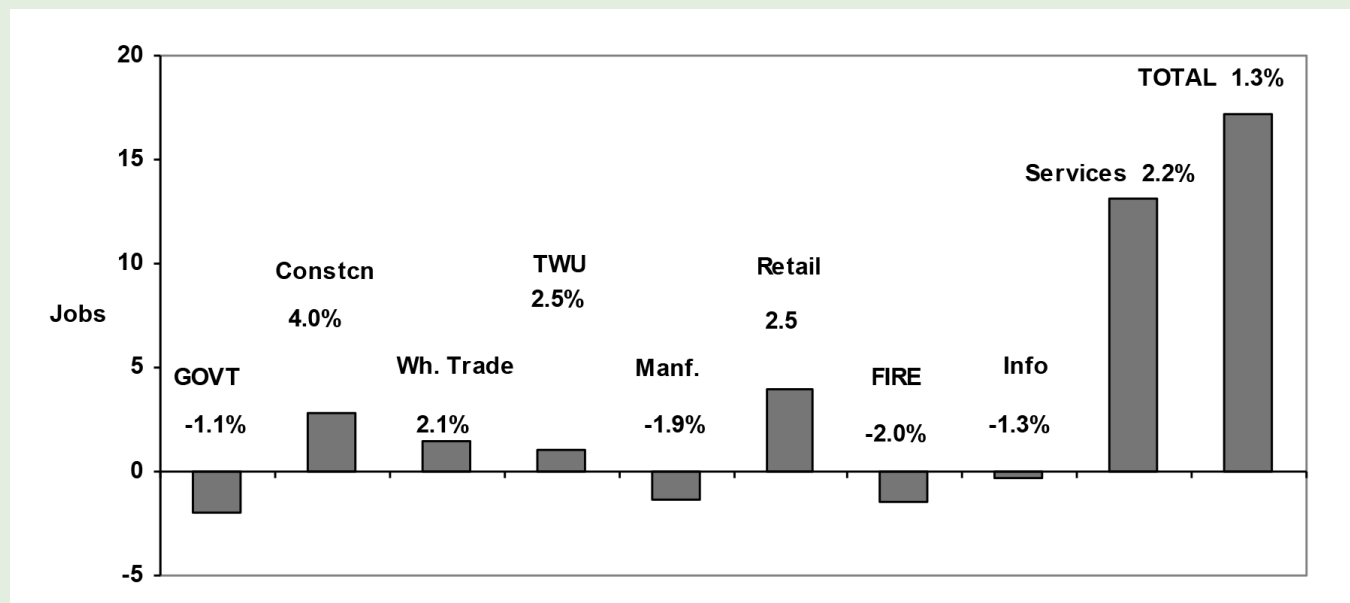


Figure 4
 Long Island Job Growth by Industry: Sept. 2013-Sept. 2014
 (in thousands of jobs, and percent change)



Long Island's unemployment rate has continued to fall over the past year, dropping a full percentage point to 4.8 percent (or 5 percent if seasonally adjusted). This reflects, in part, a decline in the number counted as unemployed (by -18,400). However, the number employed over this same period has also declined (by -7,300). That is, the lower unemployment rate is in part caused by the fact that the labor force has shrunk in the past year by -25,700. In fact, the labor force has declined in all three quarters of this year, and is now nearly 29,000 workers smaller than at the same time in 2008. Given the Island's somewhat older age distribution compared to the national norm, some of this decline reflects the leading edge of baby boomer retirements. But it may well also be driven by accelerating out-migration (particularly of youth) to the faster-growing job markets of New York City and several other large cities.

Has the tightening labor market started to reverse the pay paralysis experienced by most New Yorkers? According to the latest annual census income report, the city's median household received \$52,223 in 2013, up from \$51,640 the year before. But the 2013 median is still over \$3,000 below the 2008 level and, after adjusting for local price inflation, is actually 0.5 percent lower than in 2012. Coupled with sharply rising rents in more and more once-affordable neighborhoods, this helps explain why the city's poverty rate remains stuck at 21 percent and why its homeless population counts have risen to record levels this year.

If we narrow the focus to work earnings, the quarterly figures on weekly wages in Table 3 reveal little improvement in most of New York City or Long Island over the past year. Average wages in Manhattan skyrocketed by 12 percent, over three times the national average and the second-fastest wage hike of any county in the country. The partial recovery of hiring in the financial sector, as well as the continuing displacement of middle-income families by rising Manhattan rents, no doubt account for some of this trend. Among the rising fraction of other New Yorkers now holding jobs, nominal wage changes over the same 12 months ranged from a high of 2.2 percent in the Bronx to a slight pay drop of -0.4 percent in eastern Long Island. Since consumer prices in the NY Metro Area rose by 1.43 percent over this period, this means that real, inflation-adjusted wages rose by 10.57 percent in Manhattan, but changed at most by 0.8 percent (the Bronx) elsewhere in the city, by +0.4 percent in Nassau County and declined by -1.0 percent in Suffolk.

If the average New Yorker's real income is still well below pre-recession levels, the latest statistics show clearly an income surge underway at the top, especially in Manhattan. The richest 5 percent (average household income: \$864,394) now capture 88 times as much as the bottom 20 percent – the most extreme income inequality of any county in the nation.

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NOTES:

- ¹ US Bureau of Labor Statistics, *Job Openings and Labor Turnover – August 2014* (10/7/2014) <www.bls.gov/jlt>
- ² NYC Office of the Comptroller, *NYC Quarterly Economic Update* (8/2014) <www.comptroller.nyc.gov>
- ³ NYC Department of Homeless Services, *Hope 2014: The NYC Street Survey* (2/2014) <www.nyc.gov/dhs>; As of early November, even with seasonally mild weather, the number of homeless counted in the city's shelters was 57,676, in addition to several thousand who slept on the streets. Lisa Foderaro, "Tensions Over Park Behavior as Homelessness Rises in New York City," *NY Times* (11/14/2014).
- ⁴ US Bureau of Labor Statistics, *County Employment and Wages: First Quarter 2014* (9/18/2014) <www.bls.gov/qcew> These estimates are based on the Quarterly Census of Employment & Wages (QCEW) samples of workers covered by state and federal unemployment insurance. They may be subject to time-series variability from changes in UI coverage, government and private sector pay scheduling practices and other factors described in the technical notes in the above document.
- ⁵ Sam Roberts, "Gap Between Manhattan's Rich and Poor is Greatest in U.S., Census Finds," *NY Times* (9/17/2014). For more detail on the city's inequality trends over the past decade, see: Citizen's Housing and Planning Council, *Making Neighborhoods: Understanding New York City Transitions 2000-2010* (11/2014): <www.chpcny.org>