The U.S. economy entered 2011 on the back of encouraging improvements in output growth and employment. In the October-through-December fourth quarter, the country’s overall economic activity, as measured by Gross Domestic Product (adjusted for inflation), continued its upswing since hitting bottom in mid-2009. Fourth quarter growth in real GDP rose a healthy 3.1% on an annual basis. After job shrinkage nearly every month in 2009, nearly every month of 2010 brought job growth. According to the regular employer survey of the U.S. Labor Department, in the 12 months through December 2010 nearly one million more jobs were created or preserved than were destroyed. Continued payroll job gains were racked up in the first three months of this year (+410,000). In March alone, after seasonal adjustment, the private sector added 230,000 new jobs (Table 1). The national unemployment rate also improved. It dropped by nearly a full percentage point to 8.8% this March from its 9.7% level 12 months earlier. (Unlike the monthly employer survey of payroll job counts, the unemployment rate is derived from a different monthly survey of 50,000 households.)

Corporate profits jumped by 29% in 2010 – the fastest rate in 60 years – according to the U.S. Commerce Department. This marked nearly two years of double-digit profit growth. In the first quarter of 2011, profits were 26% higher than in the same period last year at most of the largest 500 firms reporting. Exxon Mobil led the pack with profits higher by 69% over the first quarter of 2010. Financial firms drove the upswing: Wall Street’s 2010 profits were higher than at any time except the record-setting year 2000. It is now clear that these profits were largely thanks to government bailout funds, low interest rates and layoff-driven cost cutting. And they have been the basis of record pay packages for the fortunate few at the top. Average CEO compensation rose over the year by 1% to a median $9.3 million at the largest 250 publicly traded companies. Goldman Sachs CEO Lloyd Blankfein tripled his salary in the course of 2010 and his counterpart at Bank of America enjoyed a 67% pay raise.

Unfortunately, evidence is still hard to find that any of that has trickled down to the job and pay prospects of the average working family. Average employee earnings per hour have been so stagnant that their purchasing power has been slashed by faster-rising price inflation. In just the 12 months through December, the average hourly wage dropped – 1.5%, after adjustment for inflation, among nonfarm production and nonsupervisory workers in the private sector. Corporate America, having successfully amassed a cash hoard of $940 billion, has been increasing spending on plant and equipment, but is still largely reluctant to invest substantially in creating good-paying jobs domestically.

Meanwhile, according to a new U.S. Commerce Department report, from 2000 through 2009, American multinationals have cut their domestic workforces by 2.9 million but have simultaneously added 2.4 million jobs overseas. But statistics released in April showed how fragile and reversible the recent gains may have been. The U.S. economic rebound slowed markedly in the first three months of 2011, managing real GDP growth of just 1.8%. A number of prominent economists dismissed this as a “pause” or “wobble,” and the Federal Reserve still forecasts GDP growth in 2011 of 3.4–3.9%. But much of the public seems far less optimistic. Nearly three in ten Americans think the economy is in “a depression,” according to an April Gallup poll. And both consumer confidence and consumer expectations for the economy dropped in March to their lowest levels since 2009, according to the University of Michigan’s monthly survey. Fuel and food prices continued their rise, squeezing household budgets and their other consumption options. The market value of homes dropped 3% in the latest January-to-March quarter, the steepest quarterly fall since late 2008. With a still-vast supply of foreclosed homes depressing values, home prices have declined for 57 consecutive months. Temporary federal tax credits for homebuyers expired last summer, and sales and prices have been declining ever since in many areas. Recovery of consumer spending, jobs and government revenues depends crucially on recovery of the housing market.

The availability of more good-paying jobs is clearly the most important economic indicator for most Americans. And while the number unemployed is declining, it is moving far more slowly than at the same stage in previous recessions. As the seasonally adjusted rates in Table 1 show, unemployment is high for nearly all demographic and skill groups, but far higher for males, African Americans, Latinos, youth and those without college degrees. Joblessness among both blacks and Hispanics is still well into double digits (15.5% and 11.3%, respectively). The duration of joblessness has become ever more worrying, with 6.8 million people – nearly half the unemployed (45.5%) – out of work for 27
weeks or more, and two and one-half times as high a long-term jobless rate as at the recession’s start.

Over 13.5 million are still unemployed jobseekers, but underemployment runs far deeper. The official underemployment figures mask the fact that many more Americans have either given up looking for work or have reluctantly settled for generally lower-paying part-time jobs. The national rate of labor force participation was down to 64.2% this March, compared to 64.9% at the same time in 2010. The fact that despair over failed job search pushed more than 9.2 million discouraged workers away from current job search explains most of that trend. Some 8.43 million of those with jobs report that they are only working part-time involuntarily, because they are discouraged labor force dropouts, involuntary part-timers and other marginally attached workers, together with the official unemployed, the broader Labor Dept. survey measure of “labor underutilization” shows that 15.7% were still underemployed in March. This was a full percentage point lower than 12 months earlier, but still near historic highs.

Underemployment has been most severe among young people, including the college-educated. In the 60 years that data on youth unemployment have been consistently collected, 2010 broke the record for worst-ever joblessness. Among 16-to-24-year-olds, the official unemployment rate averaged 18.4% – nearly twice that year’s overall national rate (9.6%). The recession drove 2010 unemployment up to 22.5% among nonenrolled youth with no more than a high school degree, nearly double their 2007 jobless rate. More surprisingly, among young college grads no longer enrolled in school, unemployment jumped from 5.4% in 2007 to 9.3% last year. Racial disparities widened as well: 2010 unemployment in the 16-24 cohort of college grads was 8.4% for whites, 13.8% for Latinos and 19% for blacks.9

Even though the average worker’s real earnings are falling and the incidence and duration of underemployment persist at extraordinarily high levels harming many millions of people, the political momentum since the November elections has shifted away from expanded job creation policies in favor of government budget cuts and attacks on public sector workers and their unions by many governors and legislators. While clearly concerned and confused about many politicians’ apocalyptic claims about deficit impacts, the majority of Americans surveyed in late February opposed reducing the pay, benefits or collective bargaining rights of public workers. When questioned in the NY Times/CBS News Poll about their choice of policies to reduce their state’s budget deficit, 56% opposed cutting the pay or benefits of public employees. Likewise, 60% were against stripping them of their collective bargaining rights. In contrast, 40% of those surveyed favored tax increases to lower state budget deficits.8 How does New York compare to other states in its employment and fiscal conditions and in its government responses to them?

New York’s Jobs & Joblessness

New York State’s economy expanded in 2010 at an annual rate of 2.2%, reversing two consecutive years of shrinking output (Gross State Product).9 A similar turnaround occurred in nearly all the state’s metropolitan areas. In New York City, Gross Metro Product (GMP) rose 2.1% in 2010, compared to a steep

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**Figure 1 source:** U.S. Department of Labor

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### Unemployment & Job Changes in U.S. 1982-2011

**Table 1**

Unemployment & Job Changes in U.S. 1982-2011

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<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Job Growth (in 000s)</td>
<td>216</td>
<td>192</td>
<td>121</td>
<td>36</td>
<td>211</td>
</tr>
<tr>
<td>Unemployed Rate</td>
<td>8.8%</td>
<td>9.7%</td>
<td>9%</td>
<td>3.9%</td>
<td>7.4%</td>
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<tr>
<td>Men, ages 20+</td>
<td>8.6</td>
<td>10.0</td>
<td>9.4</td>
<td>3.4</td>
<td>6.8</td>
</tr>
<tr>
<td>Women, ages 20+</td>
<td>7.7</td>
<td>8.0</td>
<td>8.1</td>
<td>3.3</td>
<td>6.5</td>
</tr>
<tr>
<td>Age &amp; Race:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All ages 16-19</td>
<td>24.5</td>
<td>26</td>
<td>25.4</td>
<td>13.2</td>
<td>19.8</td>
</tr>
<tr>
<td>White, 16-19</td>
<td>21.6</td>
<td>23.7</td>
<td>22.5</td>
<td>11.6</td>
<td>16.6</td>
</tr>
<tr>
<td>Black, 16-19</td>
<td>42.1</td>
<td>41.1</td>
<td>44.2</td>
<td>26.3</td>
<td>39.9</td>
</tr>
<tr>
<td>Education:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than HS</td>
<td>13.7</td>
<td>14.4</td>
<td>15.3</td>
<td>6.3</td>
<td>na</td>
</tr>
<tr>
<td>HS grad, no college</td>
<td>9.5</td>
<td>10.8</td>
<td>9.8</td>
<td>3.4</td>
<td>na</td>
</tr>
<tr>
<td>Some Coll. or Assoc. deg.</td>
<td>7.4</td>
<td>8.2</td>
<td>8.1</td>
<td>2.7</td>
<td>na</td>
</tr>
<tr>
<td>College grad, BA</td>
<td>4.4</td>
<td>4.8</td>
<td>4.8</td>
<td>1.6</td>
<td>na</td>
</tr>
<tr>
<td>Unemplt. &gt; 26 weeks (%)</td>
<td>45.5</td>
<td>43.9</td>
<td>44.9</td>
<td>11.6</td>
<td>na</td>
</tr>
<tr>
<td>Underemployment (%)</td>
<td>15.7</td>
<td>16.8</td>
<td>16.7</td>
<td>na</td>
<td>na</td>
</tr>
</tbody>
</table>

Notes: Unemployment estimates are for civilian, noninstitutional population ages 16+ except for education subsets (ages 25+). UNEMP > 26 weeks is % of the unemployed.

The “underemployment rate” equals the officially unemployed, plus all marginally attached workers, all part-time for economic reasons, as a percent of the civilian labor force plus all marginally attached workers. BLS alternative measure “U-6”.

-4.4% decline in 2009. Long Island too suffered a big 2009 GMP drop (-4.4%) that year, before rebounding last year by a more modest 1.4%.

New York State’s private sector added 61,000 net new jobs last year, a 0.88% increase. But the state and localities eliminated 25,800 public sector jobs in the same period through December. So the state’s net change in the total job count was just 35,200 – a 0.4% increase even more feeble than the 0.7% national pace (Table 2). And much ground remains to be regained before the state’s job base can recover its pre-recession peak. The 8.66 million jobs counted in the state this December were 262,500 fewer than in December 2007 (the first month of the recession).

Three-fourths of all the state’s total job gains last year were added in New York City. The private sector added 39,000 jobs as the public sector was losing 12,000 positions (most in local government). The overall net addition of 27,000 jobs represented the modest 1.1% rise in the state’s net change in the total job count.

In the state, employment fell 2.7% in December from a year earlier. But that employs a broader definition of the labor force than does the federal government. And not all of the job losses in the state can be straightforwardly translated into layoffs. As Table 3 shows, employment at the establishment level fell 2.4% last year, but the labor force participation rate in the state fell 0.6% during the same period. In fact, the number of unemployed New Yorkers had declined to 339,000 – compared to 10.4% the previous December. By year’s end, the city’s unemployment rate fell last year, ending 2010 at 8.6%, compared to 9.7% the previous December. The city’s unemployment rate masks a wide gulf between three of its boroughs (Manhattan, Queens and Staten Island) with jobless rates of 7.0%, 7.7% and 8.4%, respectively.

Which sectors of the city’s economy expanded, and which kept contracting over the past year? As Figure 2 reveals, services dominated job gains, increasing by 46,200 (2.6%) over the 12 months ending December 2010. That sector, which counts in 21,000 in professional and business services, 19,000 in education and health care and 10,000 in leisure and hospitality. Wall Street added 6,500 positions, but declines in real estate (other than FIRE sector) lowered the sector’s net change in the total job count.

Wholesale trade and information sector had flat job performance, and retail trade created just 1,200 more jobs over the year, reflecting a disappointing late-year holiday season. The largest number of job cuts came in government (-12,100, or -2.2%). All levels lost thousands of jobs over the year: -2,400 federal jobs; -2,300 state jobs and -7,400 local positions. The latter is poised to shrink even more under proposed budget cuts in the 2012 fiscal year, which opens July 1st. Mayor Michael Bloomberg has proposed eliminating 6,100 teaching positions (two-thirds through layoffs, the rest via attrition), closing at least 20 fire companies, and cutting the staffs at public libraries (-740 jobs), social services (-407), and children’s services (-256). Critics have denounced the cuts as unnecessarily costly in both jobs and public services. They point to the fact that the city still has some $5.6 billion in rainy-day reserves to draw upon, only $3.9 billion of which is now being used toward balancing the budget. Also, increased business activity of late has brought an unexpected 9% rise in the city’s personal income tax (PTT) revenue and revenues from the banking tax, property tax, and sales tax have also improved.10 Moreover, the mayor, Governor Cuomo, and legislative leaders have ruled out such alternative revenue-generating proposals as reactivation of the income tax surcharge on the wealthy and the stock transactions tax.

In the private sector, job losses were driven by construction (-7,800, or -6.7%), transport, warehousing and utilities (-2,400, or -1.9%) and manufacturing (-2,100, or -2.7%). Construction suffered the largest percentage decline in private sector jobs last year and faces especially difficult short-term prospects. The industry workforce is smaller than at any time since 2004 and construction spending is now down to the lowest volume the city has seen since 2005. Annual additions of new homes and apartments have plunged from 34,400 at the peak of the latest boom to just 5,400 last year. The still-depressed state of the housing market sharply limits the incentive for residential construction. In the New York Metropolitan Area, average home values are little improved from their 2009 recession trough and are now 23% below their mid-2006 peak. In the city, only Manhattan has experienced modest price rises. Housing sales in parts of New York City started to rise this spring. But sales seem to have been concentrated in the low-priced end of the market, where the federal homeowner tax credit was especially influential until its expiration last year. In contrast, the related demand for rental housing is up and with it the average rent, rising in the city at a rate (4.3%) twice the national pace since 2009.11 Worse still for workers, as 30 collective bargaining agreements come due for renegotiation by June 30th, the Building Trades Employers Association is demanding at least 20% pay and benefit concessions from unionized labor, with or without explicit union agreement.12 Some relief for the industry may be provided by several large new hotel and residential projects. Two dozen new hotels are now planned or underway in the city. Among those opening this year in Manhattan are: the NoMad, a new hotel downtown on Dufferield Street, the 19-story, 128-room Hotel and the Dream Downtown. Brooklyn has also attracted a number of companies to the city soon, one announced for Douglastown, Queens. Seven-Eleven is mounting a major expansion: two stores have just opened in Manhattan’s Murray Hill neighborhood and plans are afoot to open another 15 or more in the city by late 2012.

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Bronx remains the nation's poorest county and a major source of the city's swollen homeless population. Last year, a record number of 113,553 homeless persons (including 42,888 children) slept in New York's municipal shelters – an 8% increase from the year before. According to analysis of data from the NY Department of Homeless Services by the Coalition for the Homeless, on a single night at the end of February, the shelter system counted a record 39,542 homeless individuals using its facilities. Though City Hall disputes some of the report's findings, the mayor admits that the homeless population could increase with the state's closure of a program for transitioning the homeless into permanent housing.16

Long Island

How does the city employment picture compare with nearby suburban areas? Unemployment on Long Island was at the same 7% rate in December as it was 12 months previous (Table 3). Though still below the U.S. and New York City jobless rates, this is historically high unemployment for the Island and for its suburban counterparts. Job growth in 2010 was too weak to budge the number unemployed, stuck at about 100,000. The number of labor force participants, at 1.47 million, has also remained fairly constant over the year. Given its insubstantial population growth of late, this suggests that Long Islanders have been less likely than city residents to respond to the recession's job search frustrations by dropping out of the labor force entirely.

Long Island, which lost 24,500 jobs in 2009, gained 6,400 in 2010. This 0.5% change was smaller than both the New York City and the national job creation rates. Despite recent improvement, the region is still about 47,600 jobs (3.7%) short of its pre-recession level in late 2007. As in the city, the services sector, led by education and health care (+4,300 jobs, or +2%), drove most of what private sector job growth there has been (Figure 3). Another 2,500 positions were added in the leisure and hospitality sector (mostly in food services) and another 1,700 in professional and business services. Wholesale trade, site of no significant growth in the city, added a sizeable 6.1% (+4,400) more jobs on Long Island.

The industries in Nassau and Suffolk Counties suffering the largest job cuts were retail trade (-2,100), construction (-1,800), and information (-1,700). Another 1,000 positions were lost in finance, insurance and real estate (FIRE) and some 800 fewer manufacturing jobs existed at year end. Some good news for Long Island’s high-tech manufacturing sector has come from a number of recent Pentagon and non-defense contracts. For example, the U.S. Army has ordered $275 million in communications gear from Melville-based Com Tech Telecom. A $12 million communications satellite project is being designed and built by Frequency Electronics Inc. of Uniondale. Ford Motors has contracted with Levitron in Suffolk County to manufacture home chargers for their new line of Ford Focus models. And at Brookhaven National Labs in Suffolk, 200 workers are building a solar energy farm.
Latest Trends in Key Labor Market Indicators

by Bhaswati Sengupta

Unemployment Rates in New York City, Long Island, and the U.S.,

(Seasonally Adjusted)

NOTES