New York Regains Jobs But Not Wage Growth

by Gregory DeFreitas

The U.S. economy notched up its 25th straight month of private sector job gains this March. Since hitting a low point in February 2010, net job growth at private employers has totaled over 4 million. The national unemployment rate – nearly 9% a year ago -- edged down further to 8.2%. Gross Domestic Product continued on an upward trend as well, expanding at an annual rate of 2.2% in the first three months of this year. Combined with an unusually mild winter and a recent pullback in gas prices, these trends may help explain polls suggesting more positive consumer confidence of late.

However, the pace of both GDP and employment gains has noticeably slowed so far this year. GDP is now growing at a much slower pace than the 3% in the last quarter of 2011. Monthly job growth has been cut in half: from an average of 246,000 in the last quarter of 2011, it slowed to only 120,000 in March (Table 1). At this pace, employers are only adding about one-third the number of new jobs that are needed each month between now and 2015 (about 10 million total) if the country is to recover all those lost in the recession, plus create openings for new labor force entrants.

Even though the unemployment rate has continued to slowly fall, the fraction of the population with any kind of job has not risen; it has been stuck at 58.5% over the past 12 months. The lower jobless rate reflects in part the discouragement with job prospects that has driven many to drop out of the labor force. The labor force participation rate (63.6% in March) has now plunged to a lower level than at any time since the deep 1982–83 recession. The broader "underemployment rate" takes into account discouraged workers as well as part-time employees unable to find full-time work. In March it stood at 14.5%, extremely high but still lower than a year earlier. This reflects the fact that, while the count of discouraged labor force dropouts has not fallen, the number of involuntary part-timers has.

Job seekers still far outnumber job openings, according to the main U.S. Labor Department survey.[1] The volume of job openings improved last year, but it is up only marginally so far in 2012. The estimated 3.74 million job openings this March, when there were 12.7 million unemployed people, meant an average of 3.4 job seekers for every job opening. This did represent better odds than 12 months before, when there were 4.27 unemployed per job opening. But it pales in comparison to the one-to-one ratio at the peak of the last boom in 2000. And it helps explain the painfully long-term joblessness of so many of the unemployed: 42.5% of them have been jobless for over six months.

African Americans, Latinos and teenagers are all still experiencing double-digit jobless rates. One in four teenage jobseekers is unemployed, a higher rate than at the same time last year. And the rate is a staggering 40.5% among black teens. A mere 14.9% of African American teens now has a job, compared to 28.6% of white teens. Is higher education the surest remedy for their job search frustrations? Although estimates show that the unemployment rate among college graduates is – at 4.2 % – less than half the national average, that refers to all adults ages 25 and over. Separate figures focused just on young high school grads (ages 17–20) and college grads (ages 21–24) make clear how badly the recession has hurt youth employment and income. According to analysis of the Current Population Survey (CPS) by the Economic Policy Institute, over the past 12 months through this March, unemployment averaged 31.1% among youth with just a high school degree, and 9.4% among young college graduates. More alarmingly, a majority (54%) of young high school grads have been "underemployed," as were nearly one in five (19.1%) of college grads.[2] So, while college educated youth are indeed much less likely to be unemployed than their noncollege peers, they are still vulnerable to the weak labor demand brought on by an historic economic crisis.

Lower employment and earnings options have been making college ever less affordable for teenagers and their families, as well as worsening the financial burden of paying back student loans for recent college grads. According to the latest report by Federal Reserve Bank economists, two-fifths of youth under age 30 now carry student loans. The average borrower owes outstanding debt of $23,300, but one in ten owe more that $54,000.[3] Current and future college students were offered some help in the expansion of the federal Pell Grant program that was included in the 2010 health care reform law. But since then Congress has made more lower-middle-income families ineligible for the maximum grant ($5,550), by cutting the income threshold to just $23,000. Moreover, as of this July, the interest rate on Stafford Loans is scheduled to double (to 6.8%). Legislation in Congress to delay this for at least a year (the "Stop The Student Loan Interest Hike Act") was defeated by Senate Republicans in early May.

Table 1

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

(monthly estimates, seasonally adjusted)

Month:	2012 March	2011 March	2011 Dec.		2000 Dec.	1992 Dec.	1982 Dec.
Job Growth (in 000s)							
Total, nonfarm	120	216	203	89	36	211	-14
Private Sector, nonfarm	121	230	220	47	92	174	-18
Unemployment Rate							
All ages	8.2%	8.8%	8.5%	5.0%	3.9%	7.4%	10.8%
Men, ages 20+	7.6	8.6	8.0	4.5	3.4	6.8	10.1
Women, ages 20+	7.4	7.7	7.9	4.4	3.3	6.5	9.3
Race/Ethnicity:							
White	7.3	7.9	7.5	4.4	3.5	6.5	9.7
Black	14.0	15.5	15.8	9.0	7.4	14.3	20.9
Hispanic	10.3	11.3	11.0	6.3	5.7	11.5	15.7
Age & Race:							
All ages 16-19	25.0	24.5	23.1	16.9	13.2	19.8	24.1
White, 16-19	22.5	21.6	20.3	14.5	11.6	16.6	21.5
Black, 16-19	40.5	42.1	42.1	33.4	26.3	39.9	48.0
Education:							
Less than HS	12.6	13.7	13.8	7.6	6.3	na	na
HS grad, no college	8.0	9.5	8.7	4.7	3.4	na	na
Some Coll. or Assoc. deg.	7.5	7.4	7.7	3.7	2.7	na	na
College grad, BA	4.2	4.4	4.1	2.2	1.6	na	na
Unemplt. > 26 weeks (%)	42.5	45.5	42.5	17.5	11.6	na	na
Underemployment (%)	14.5	15.7	15.2	8.8	na	na	na

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").

"Job growth" estimates by employers show change from previous month. Sources: Unemployment rates from household survey, Bureau of Labor Statistics (2012). Job growth estimates from CES establishment survey, Bureau of Labor Statistics (2012).

Some reports from college job fairs suggest a turnaround may be underway in entry-level hiring at larger firms. Amazon, Apple, Chrysler and General Electric are among those announcing sizable increases in internships and/or full-time positions. Commonly cited reasons are both short-term (improving sales since 2010) and long-term (the impending wave of baby boomer retirements). According to GE's global recruitment chief Steve Canale: We have an aging workforce and we had to replenish the pipeline."[4] Much clearly depends on whether this lasts beyond the summer hiring season and spreads to medium- and small-business employers.

New York City

While national job growth has so far recovered only about one-third of the recession's lost jobs, New York State has now regained its pre-recession job level. As Table 2 shows, the latest March establishment survey counted 8.7 million jobs, matching the number in March 2008. That is 260,000 more jobs than at the same time two years ago. The private sector accounts for 7.3 million of those jobs – an all-time high for the state. Tens of thousands of jobs were cut in the public sector. But New York's private sector jobs increased by 2% in 2010–2011, the 6th-fastest of any state in the country.

In New York City over this same span, private sector job growth was even faster: 2.7%. This has driven the city's job count up in March to the highest level on record: 3.82 million. Over just the past 12 months, of the total 65,000 jobs added, three out of four were concentrated in services. Within that supersector, professional and business services created the majority of new jobs, led by accounting, advertising, and management, scientific & technical consulting. Education and health services, which account for one-fifth of all jobs in the city, added 4,500 net new jobs last year. But the two subsectors in that category moved in opposite directions: 10,800 new health jobs were created as educational services shrank by 6,300 fewer positions. Continued strength in tourism boosted leisure and hospitality employment by 12,700, thanks largely to bars and restaurants (+9,100), sports and performing arts (+1,900) and hotels (+1,400). Retail firms also benefited, and they added another 16,100 jobs (+5.3%). Clothing and accessories stores led the hiring in this industry (+6,400).

Finance and real estate payrolls grew modestly (+1.5%) over the past 12 months. Wall Street firms added some 2,000 positions in the past year, but its job total is still 16,000 less than in the pre-recession days of March 2008. Information industries also managed only slight job growth (+4,000) since Spring 2011. But the job-creating potential of this and other high-tech sectors in New York have drawn considerable attention of late. Over the past five years, the city's high-tech job base has expanded an estimated 22%, to 90,700. Recent months have seen more firms join Google, Twitter, and Yelp in moving their national or regional headquarters to Manhattan to take advantage of the large skilled labor pool and huge customer base. The latest addition is Infor, a $2 billion software manufacturer soon to move its global headquarters to Soho.[5] City Hall expects far more newcomers to be attracted soon by "Cornell-NYC Tech," the new applied sciences campus that Cornell and Israel's Technion University have won approval to build on Roosevelt Island over the next five years. Its impact could be felt much sooner, now that Google has announced it will provide the venture 22,000 square feet of rent-free space in its Chelsea building for five years, starting this July.

The city's encouraging job news must be tempered by evidence of continuing shrinkage in construction, manufacturing and government. Though this has not been enough of a drag to prevent net job growth, it has contributed to the discouraging increase in unemployment of city residents over the past 12 months. Nearly 389,000 were unemployed in March – 47,400 more than at this time last year. The unemployment rate has also shot up to 9.8%. Brooklyn and the Bronx both have double-digit jobless rates, and they and every other borough recorded an increase in both the rate and the number unemployed.

Table 2

Number of Nonfarm Jobs (in thousands) by Place of Work: New York City, Long Island & All U.S., Dec. 2000–March 2012

(in thousands, not seasonally adjusted)

	March 2012	March 2011	Dec. 2011	Dec. 2010	Dec. 2000	% Change 2000-2011	% Change 2010-2012
U.S.	132,010.0	130,178.0	132,965.0	131,185.0	133,308.0	-0.3	1.4
NY State	8,708.2	8,560.1	8,809.2	8,719.9	8,834.2	-0.3	1.0
NYC	3,818.9	8,753.2	3,848.8	3,794.8	3,814.2	0.9	1.4
Long Island	1,234.8	1,214.9	1,260.3	1,253.8	1,258.0	0.2	0.5

Table 2 source: Establishment survey data from US Department of Labor 2012.
Note that data reflect regular revisions by Dept. of Labor.

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

AREA	Labor Force March 2012	Labor Force March 2011	Employed March 2012	Employed March 2011	Unemployed March 2012	Unemployed March 2011	Unemp. Rate March 2012	Unemp. Rate March 2011
U.S.	154,316.0	153,022.0	141,412.0	138,962.0	12,904.0	14,060.0	8.4%	9.2%
NYC	3,970.3	3,961.1	3,581.6	3,606.1	388.7	341.4	9.8	8.6
Brooklyn	1,125.4	1,119.2	1,008.3	1,015.2	117.1	104.0	10.4	9.3
Bronx	552.4	544.9	477.0	480.2	75.4	64.7	13.6	11.9
Manhattan	926.9	921.5	850.8	856.6	76.1	64.9	8.2	7.0
Queens	1,124.0	1,120.5	1,024.9	1,031.9	99.1	88.6	8.8	7.9
Staten Island	241.5	241.3	220.6	222.1	20.9	19.2	8.7	8.0
LONG ISLAND	1,452.3	1,447.1	1,347.4	1,343.5	104.9	103.6	7.2	7.2
Nassau Co.	676.9	674.3	631.3	629.5	45.6	44.8	6.7	6.6
Suffolk Co.	775.4	772.8	716.1	714	59.3	58.8	7.7	7.6

Table 3 source: CPS household survey data from NYS Department of Labor 2012.
Note that data reflect regular revisions by Dept. of Labor.

How can the positive news on payroll jobs be reconciled with the rise in unemployment? The job counts come from a monthly survey (Current Employment Statistics, CES) of New-York-based employers that asks how many workers are currently on payroll – but not whether those workers actually live in the city. Unemployment figures, in contrast, are derived from a survey of households (the Current Population Survey, CPS). According to the count of city residents responding to the latter, the number who said they were now in the active labor force rose (by 22,800), but the number who had a job dropped by 24,500 over the year. This suggests that most of the new jobs reported by the city's employers in the CES went instead to commuters from Long Island, Westchester, and elsewhere in the region.

Long Island

Like the city, Long Island recorded net job growth over the past year: 19,900 net new jobs were added, entirely due to more private sector hiring (+20,100) than public sector job cuts (-200) since last spring. The Island's job base, at 1.23 million, has now regained all but 16,000 of the jobs lost since March 2008. This growth has been dominated even more by services (86% of the total) than downtown. As Figure 2 shows, retail trade was another growth sector, with 2,100 more jobs. This is consistent with other evidence of rising consumer confidence and spending in recent months. In the first three months of 2012, sales tax revenues surged 8.5% in Nassau County and 7.4% in Suffolk. Wholesale trade, finance and even manufacturing also added jobs.

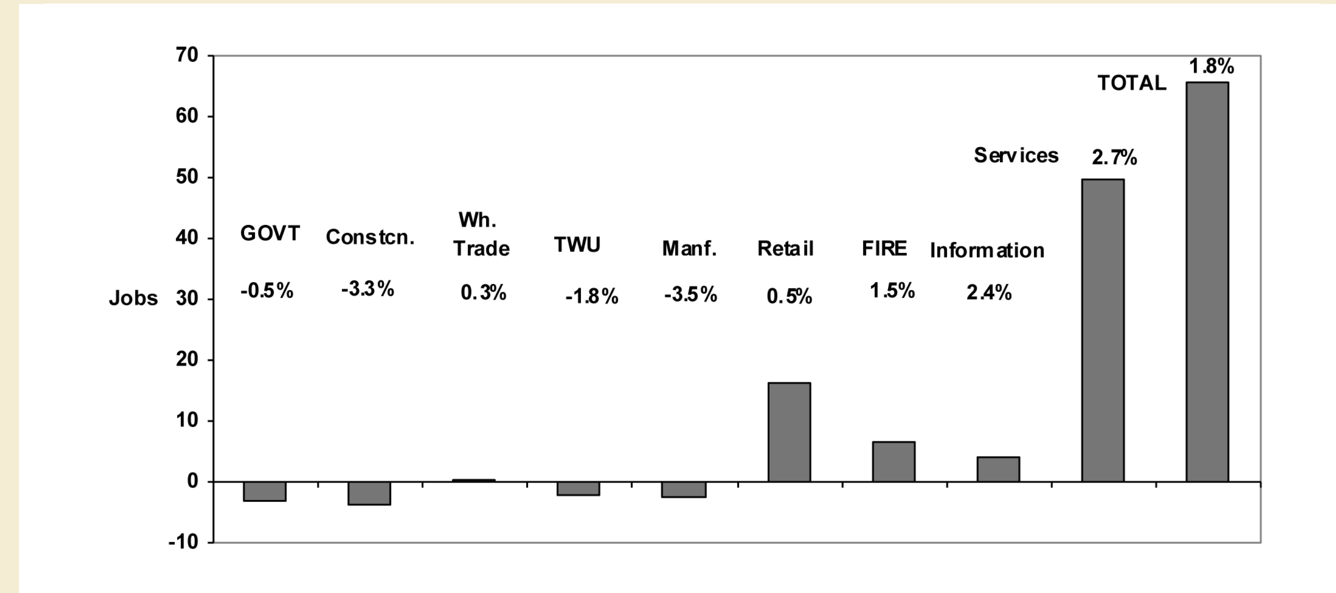
The biggest job loser has been construction, down by 3,600 jobs (-6.4%) over the past 12 months. The local housing market has still not improved enough to generate much new building or renovation. Home prices have continued to decline in most recent months on the Island and foreclosure filings are up sharply so far this year. The Long Island Association predicts that, in light of the government's settlement in the cases of home lenders' "robo-signing" practices, foreclosures could increase even more in coming months.[6]

Unlike city residents surveyed, Long Islanders are now more likely to report employment than last spring: the number of jobholders rose by some 4,000. Why then did the unemployment rate rise slightly, to 7.22% now from 7.16% (rounded to 7.2% in Table 3)? The main reason is that the number actively in the labor force grew by 5,000, likely inspired by glimmers of improving job prospects, both locally and in downtown New York. Some new entrants are typically unable to quickly find work, thereby swelling the ranks of the unemployed proportionately more than the labor force expanded. Since the unemployment rate is based on the ratio of the number unemployed to the number of labor force participants, the net effect was to raise the jobless rate.

Wages and New Policies

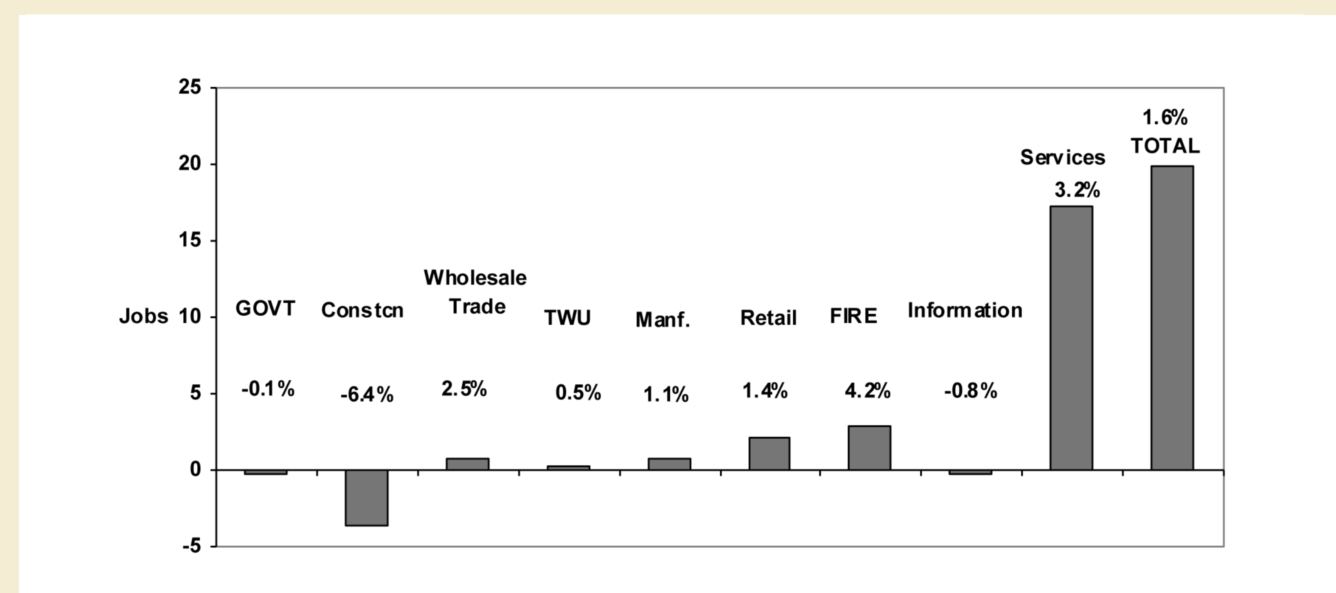
Although job numbers are up, job quality is not. According to the New York State Comptroller's Office, of the new jobs created since 2009, their average salary is 40% less than that of the jobs lost in 2008-2009.[7]

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



Figs. 1–2 Source: NYS Dept. of Labor: nonfarm payroll job data from CES establishment survey in Nassau and Suffolk counties. Year-to-year changes, not seasonally adjusted. Note: FIRE = Finance, Insurance & Real Estate; TW U= Transport, Warehousing & Utilities.

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



Two high-profile efforts are underway to improve wages for the lowest paid New Yorkers: raising the state minimum wage and expanding New York City's living wage. In early May, the New York State Assembly voted (Bill 9148) to raise the minimum wage statewide to $8.50 per hour and to inflation-index it so that it will rise automatically with future price hikes. Connecticut ($8.25), Massachusetts ($8.00) and Vermont ($8.46) and 15 other states already have statewide minimum wage rates above New York's current $7.25. And in 10 states the minimum wage is indexed to the inflation rate, so that it automatically increases as much as the cost of living rises over time. The change is supported by Governor Cuomo and by three-fourths of the public in a recent Sienna College poll. But the bill's current chances of success appear slim, given opposition by members of the Republican-dominated State Senate.

Of course, given New York City's high cost of living, $8.50 an hour is still poverty pay. Even if one were able to work year-round full-time at that hourly rate, total annual pay would be just $17,680. This has fueled a campaign for a higher living wage floor. On April 30th, the New York City Council passed a bill that would set a living wage of $10 per hour, plus health benefits (or $11.50 without such benefits) for employees of large, city-subsidized projects. The bill that ultimately passed was scaled back from its original version by Council Speaker (and mayoral hopeful) Christine Quinn to exempt already approved development projects and to limit the number of workers covered on future projects. Only firms that are direct recipients of $1 million or more of government economic development funds will be subject to the new law. And no more than 500 to 600 workers per year are expected to actually receive higher pay once it goes into effect. Still, Mayor Bloomberg promised, with remarkable vitriol, to veto the measure, claiming: "The last time we had a big managed economy was the USSR, and that didn't work out so well."[8]

Like the national pattern, New York's employment and output gains began to lose steam in the second half of last year. The state's own projections are for economic growth of just 1.7% in all of 2012. This is slower than the state's own recent growth and than national growth forecasts. The lost economic momentum nationwide so far this year has doubtless contributed to the Federal Reserve's decision in late April to downgrade its closely watched forecasts for national economic and employment growth. It now expects GDP to rise in a range of 2.4-2.9% over the full course of 2012, a rate too weak to pull the unemployment rate below 8% by year-end. A major contributing factor to this slow economic growth is the inability of most people still employed to bargain for better pay. Over the past 12 months through March, average hourly earnings nationwide did rise, but only by 2.1%. Since this was well below the rise in the cost of living (a 2.7% higher CPI), real inflation-adjusted wages fell -0.6%.

Constrained spending by too many debt-burdened consumers with stagnant pay, coupled with government job and spending cuts at both the national and local levels, and limited business investment, are among the most worrisome, if not the only potential threats to the U.S. economy this year. The Congressional brinkmanship that nearly forced a federal government default last year was only ended by an agreement that could require $1.2 trillion of automatic, across-the-board federal budget cuts in January 2013. The fact that this coincides with the expiration of large Bush era income tax cuts and the 2011-2012 payroll tax cut has led the Congressional Budget Office to issue an unusual warning: if the economy is allowed to fall off this "fiscal cliff," the result will be a new recession starting in the first half of 2013.[9] Added to this is the fact that Europe's already worrisome economic troubles have mostly gotten worse with recent GDP reports showing that two of its largest economies, England and Spain fell back into recession in the first three months of this year. The higher the unemployment and the lower the income growth of major trading partners like these, the dimmer are the sales and job prospects of American exporters. Unless the President and the lame-duck Congress can defy election-year odds to take action against these developments soon, employer, consumer and investor expectations could turn sharply negative this fall, dooming the still-fragile recovery.

1 US Bureau of Labor Statistics, *Job Openings & Labor Turnover: March 2012*: www.bls.gov/newsrelease/jolts

2 Shierholz, Heidi, Natalie Sabadish and Hilary Wething, "The Class of 2012: Labor Market for Young Graduates Remains Grim," *EPI Briefing Paper* (5/03/2012).

3 Federal Reserve Bank of New York, Research and Statistics Group, *Quarterly Report on Household Debt and Credit: 4th Quarter 2011* (2/2012).

4 Reuters, "After Grad Job Slump, Big Hiring is Back at U.S. Colleges," *NY Times* (4/01/2012).

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7 NY State Comptroller, "NY State's Economic Recovery May Be Losing Steam," *Economic Trends in New York State* (2/02/2012).

8 M. Powell, "The Revolution Will Be Minimized," *NY Times* (4/30/2012).

9 Congressional Budget Office, *Economic Effects of Reducing the Fiscal Restraint That Is Scheduled to Occur in 2013* (5/22/2012): <www.cbo.gov> The report projects a worst-case decline in real GDP at an annual rate of –1.3% in the first half of 2013.

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Latest Trends in Key Labor Market Indicators

by Bhaswati Sengupta

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

(Seasonally Adjusted)