Job Growth Without Pay Growth: New York's Uneven Recovery After Five Years

by Gregory DeFreitas

March 2014 will go into the record books for two historic milestones: the national economy racked up its 50th straight month of private sector job growth, and it regained its total pre-recession job count (116 million). Even with continued government cuts, payrolls overall have expanded by 2.2 million in the 12 months since last March (Table 1). This has helped drive down the unemployment rate to 6.8 percent, the lowest in over five years.

Sadly, few Americans are in the mood to celebrate the March records. It has taken far too long – over four-and-one-half years – just to replace the 8.8 million jobs lost in 2008-10 and creep back to the pre-recession level. Meanwhile, growth in the working-age population has added another 7.8 million to the ranks of potential jobseekers. Even college graduates continue to face daunting odds. The Class of 2014 enters a labor market in which 8.5 percent of young college grads ages 21 to 24 are currently unemployed (one-third higher than the pre-recession rate). And the below-par pay and benefits of most of the new jobs created so far, as well as the persistence of long-term underemployment of millions, have done nothing to reverse ongoing trends of pay paralysis and more extreme income inequality.[1]

The New York Metropolitan Area approaches the fifth anniversary of recovery this summer with some clear advantages over many other parts of the state and the country. Despite some business slowdowns over the harsh winter, the city's employers added 73,600 more jobs over the past 12 months, a 1.9% increase. This pace of new hiring exceeds both the national (1.6 percent) and statewide rates (1.2 percent). While the country as a whole has only just recovered its pre-recession job count, New York now has 218,000 more jobs (or 5.8 percent) than at this same time in 2008 (Table 1).

Detailed industry data reveal that almost every major sector has increased payrolls since last spring. By far the major sources of new hires have been services (+55,100) and retail (+12,200). Within the services supersector, the job leaders have been: home health care (+8,400), bars and restaurants (+8,200), colleges (+8,200), computer systems (+5,400), hospitals (+2,800) and social assistance (+2,700).

New Yorkers' job prospects in coming months could brighten in some high-tech fields as planned expansions get underway by a large number of firms, including IBM, Google, Facebook, Microsoft, LinkedIn, Spotify, Dropbox and ADP Technology. Online retail giants Amazon and eBay have also both just announced that they plan to expand their Manhattan footprints – at the same moment that bankrupt old-line retailer Loehmann's closed all its stores in March, laying off 300 here.[2]

Government stands out as the sector that has contracted most over the past 12 months. As of March, there are 3,500 fewer public sector jobs in the city, nearly all local school teacher and support staff positions. New York's current government work force of 541,300 is 22,000 less than at this same time in 2008 and is the lowest it has been in over 25 years. The other large sector with above-average pay levels, financial services, has slowly regained

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

	March 2014	March 2013	March 2008	% Change 2008-2014	% Change 2013-2014
U.S.	137,136.0	134,917.0	137,003.0	0.1	1.6
NY State	8,898.0	8,794.4	8,720.3	2.0	1.2
NYC	3,998.0	3,924.4	3,780.3	5.8	1.9
Long Island	1,260.6	1,250.0	1,252.1	0.7	0.8

Table 1 source: Establishment survey data from US Department of Labor. Note that data reflect regular revisions by Dept. of Labor about 10,000 positions lost in the Great Recession. But it still has 33,000 fewer jobs than five years ago, and its lagging growth today offers faint hope that it will regain them anytime in the near future.

Compared to the depths of the Great Recession, the city's latest job stats may seem to indicate a relatively strong recovery is well underway, at least in most of the private sector. Since February 2009, the number unemployed has fallen by over 70,000, the unemployment rate has dropped 2 percentage points (from 10 percent), and the fraction of the adult population with a job (employment-population rate) has risen from 53.9 percent to 55.4 percent. Yet in a slightly longer perspective, the lingering damage from the 2008 financial meltdown is still painfully evident. New York's unemployed today number 328, 197 – still 80 percent more than at this time six years ago (181,949). The unemployment rate then was just 4.7 percent, compared to 8 percent now (Figure 1). And the employment-population rate (56.6 percent) was over a percentage point higher than now.

Outside the city, the northern and eastern suburbs have had mixed recovery experiences. Westchester, Putnam and Rockland counties still have 17,000 fewer jobs than at this time five years ago, and most of their industries have had little or no payroll growth since last spring. But Long Island regained its pre-recession job count last year and has had forty-eight consecutive months of net job increases. This continued in March, as private sector employers added another 14,100 positions more than at the same time in 2013.

As in the city and much of the country, retail trade and services were the sources of most hiring. Within these sectors, job growth was strongest in health care services (particularly ambulatory services like home health aides), restaurants, bars and hotels. Wholesalers, warehouses and transportation added 5,000 to their payrolls, in part reflecting the relative improvement in retail. Manufacturing had a small uptick in hiring (+500 since March 2013), but is still down by 8,000 jobs since the spring of 2008.

Job cuts were deepest in the public sector, where 3,500 fewer were employed than one year ago. Nearly all of these were local school teachers and support staff. As seen in Table 1, the continuing government contraction dragged down the area's total 12-month job growth to +10,600, a 0.8 percent net increase (half the national rate). Other shrinking sectors on the island over this period have been: professional, scientific & technical services (-1,500), finance (-1,200), information (-600) and construction (-200).

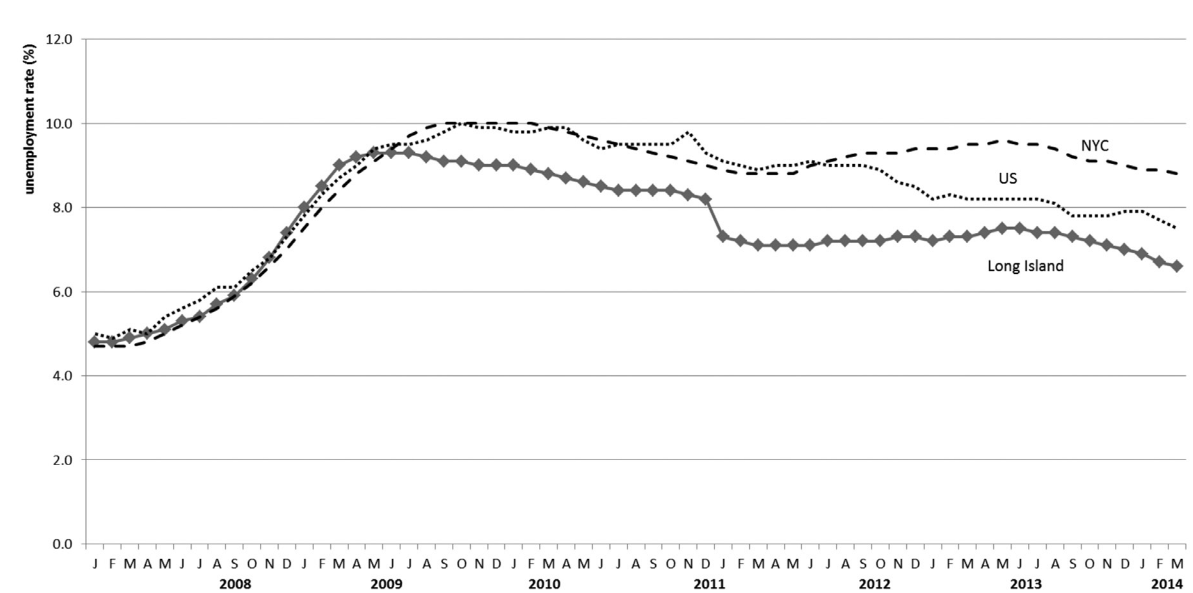
Recent declines in construction jobs contrast with the improved hiring of 2012-13 that added 7,000 to Long Island builders' payrolls. Some of the latest cuts reflect a winding down of reconstruction projects after Superstorm Sandy and a sharp drop in home sales in Nassau County since this time a year ago (-19.7 percent). Despite some positive signs in the housing market here and elsewhere in the Northeast, tight mortgage lending, weak household income growth and a falloff in young people willing or able to buy rather than rent since the depths of the financial crisis do not bode well for residential construction. Large nonresidential

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

	Labor Force		Employed		Unemployed		Unemp. Rate	
AREA	March 2014	March 2013	March 2014	March 2013	March 2014	March 2013	March 2014	March 2013
U.S.	155,627.0	154,513.0	145,090.0	142,698.0	10,537.0	11,815.0	6.8%	7.5%
NYC	4,108.7	4,033.3	3,767.7	3,685.7	341	347.6	8.3	8.6
Bronx	566.6	555.0	500.4	489.5	66.2	65.5	11.7	11.8
Brooklyn	1,168.5	1,148.8	1,065.5	1,042.3	103.0	106.5	8.8	9.3
Manhattan	960.7	944.4	896.1	876.5	64.6	67.9	6.7	7.2
Queens	1,165.5	1,142.9	1,077.3	1,053.8	88.2	89.1	7.6	7.8
Staten Island	247.5	242.2	228.6	223.6	18.9	18.6	7.6	7.7
LONG ISLAND	1,470.2	1,469.6	1,387.0	1,373.0	83.2	96.6	5.7	6.6
Nassau Co.	686.9	686.9	651.0	644.4	35.9	42.5	5.2	6.2
Suffolk Co.	783.3	782.7	736.0	728.6	47.3	54.1	6.0	6.9

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

Figure 1
Unemployment Rates in U.S., NYC & Long Island, 2008-2014
(monthly, seasonally adjusted)



projects, like the five-year state-financed rebuilding of Jones Beach and the huge new Nassau Coliseum complex will ultimately create thousands of construction openings, though most are not expected until next spring.

With most job growth in the New York Metro Area still concentrated in lower-wage services and retail, the already high income inequality here continues to worsen. Most New Yorkers appear, from recent opinion polls and election results, eager to find solutions to this troubling trend. In presenting his first executive budget since his landslide election last fall, New York Mayor Bill deBlasio recognized that:

"Much of the recovery has happened with some of the industries, unfortunately, that have the lowest paying jobs…We have to expand the economy of this city, further diversify it, create a large number of new jobs, while pushing up the wage and benefit levels, trying to particularly intensify those sectors that do a better job of providing strong wages and benefits."[3]

In the past 20 years, he noted, the richest one percent of New Yorkers have increased their slice of the city's total income pie from just under one-fourth in 1994 to 36 percent today. Meanwhile, the fraction of residents who are poor or near-poor has jumped to 46 percent.

Elected on a self-described progressive agenda aimed at reducing the city's rising income inequality, the new mayor has already expanded the reach of the new paid sick leave law to cover an additional 500,000 employees, secured state funds to offer free universal pre-K to the city's four-year-olds, and approved modest pay increases for transit workers and teachers in new contracts with the TWU and UFT unions. He has also announced "Housing New York," a 10-year plan to build 80,000 new affordable apartments and renovate 120,000 more. The plan depends on rezoning certain areas for higher density and using municipal funds to leverage private development. If it succeeds, another 194,000 jobs could be added to construction payrolls over the coming decade, according to current projections.[4]

Any ambitious agenda by a New York City mayor is heavily contingent on approvals from New York State. In February, Governor Andrew Cuomo, who faces re-election this fall, proposed what amounts to an austerity budget for 2014-15, extending and deepening state spending freezes or cuts in many education and social service programs that have been made over the past six years. According to an analysis by the Fiscal Policy Institute, the State University of New York system has already had its state funding cut by 40 percent in inflation-adjusted dollars over these years. And, of the large reductions in business and estate taxes in the governor's budget, about half the total savings generated, once the cuts are fully implemented, will go to the wealthiest New York households.[4]

Facing often contrary pressures from Albany and Washington, as well as multi-billion dollar structural budget deficits after 2015,

Figure 2
NYC Job Growth by Industry: March 2013 – March 2014
(in thousands of jobs, and percent change)

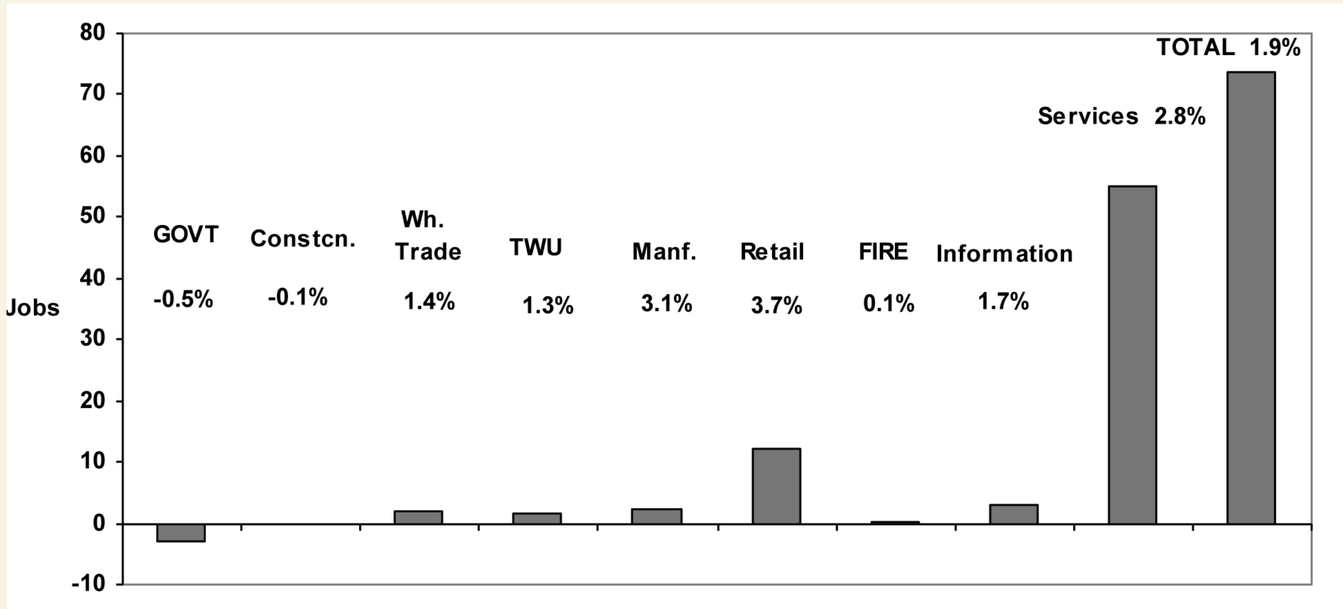
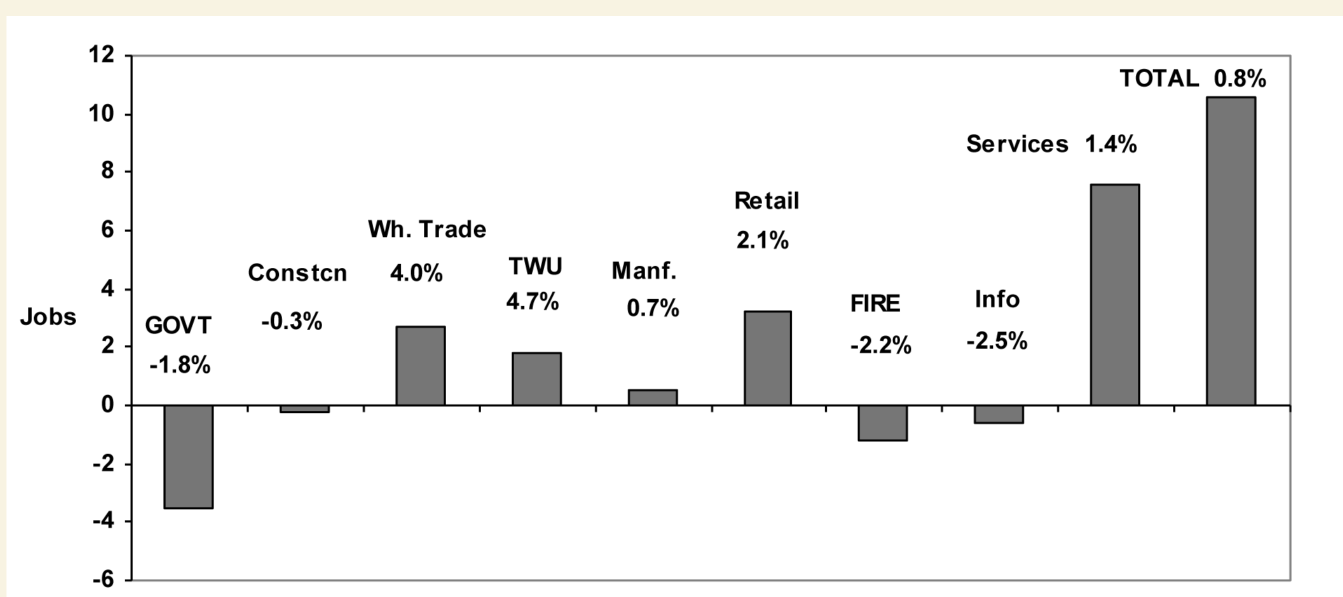


Figure 3
Long Island Job Growth by Industry: March 2013 – March 2014
(in thousands of jobs, and percent change)



Mayor deBlasio has pledged to forge ahead with his own agenda to expand job, educational and housing opportunities in a way that is "both progressive and fiscally prudent." His efforts at that balancing act could have enormous labor market consequences over the next year for both the city and the wider metropolitan area.

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NOTES:

1 Shierholz, Heidi, Alyssa Davis & Will Kimball, *The Class of 2014: The Weak Economy is Idling Too Many Young Grads.* Economic Policy Institute (5/01/2014): <www.epi.org>

2 Eliot Brown and Keiko Morris, "Space Quest: Google Needs More Offices in New York: Internet Giant Launches Search for Room to Hold More than 3,000 Workers," *Wall Street Journal* (4/13/2014).

3 Mayor Bill deBlasio, *Transcript: Mayor deBlasio Issues Executive Budget for FY 2015* (5/8/2014): ,www.nyc.gov/office-of-the-mayor/news>

4 Fiscal Policy Institute, *New York State Economic and Fiscal Outlook 2014-15* (2/2014): <www.fiscalpolicy.org>