# *New York Unemployment Near Record Lows, But Are Major Job Sources at Risk?*

*by Gregory DeFreitas*

The summer of 2017 marks the eighth year of economic expansion from the depths of the Great Recession. As the U.S. upturn has matured and as major fiscal policy changes have been proposed by the new administration in Washington, more and more questions have been raised about the prospects for continued job growth. Here I first briefly summarize the latest labor market indicators, both nationally and in the New York metropolitan area. Then I highlight two major sources of past job growth now undergoing changes that may have potentially important implications for our employment future.

Job growth nationwide has continued with record-breaking regularity since 2010. For 84 straight months through this March, the private sector has posted more job gains than losses. Even including the public sector (where job cuts lasted far into 2010), overall payroll jobs have increased for 78 consecutive months. By the end of the first quarter this year, these job gains had driven down the official unemployment rate to 4.5% – the lowest since the pre-recession months of 2007. The broader underemployment measure (U6), taking into account adults marginally attached to the labor force and involuntarily part-time workers, has been cut in half to 8.9%.[1] These positive job trends have been spread widely if unevenly. Large unemployment differentials persist between blacks and whites, young and old, college grads and the less-educated. Yet each of these groups has been experiencing large reductions in their joblessness. There is room for it to fall even lower: unemployment was down to 3.8-4 % in the spring of 2000, with little price inflation. This has now tightened the labor market enough to produce long-overdue, if modest wage hikes for nonmanagerial employees. Over the past 12 months, average nominal hourly earnings rose 2.6%, though the inflation-adjusted real earnings increase was just 0.3%.[2]

Nearly nine out of ten of the nation's metropolitan areas have lower unemployment today than 12 months ago.[3] New York City's jobless rate hovered well above the national and nearby suburban levels until 2015 (Figure 1). But it has now fallen to its lowest level in over 40 years of consistent records. With a population and labor force more numerous than ever, the city's unemployment rate is now 4.1%, below the national average and identical to that in suburban Long Island. And, as Table 2 shows, the rate in Manhattan and Queens is just 3.6%.

Where have all these jobs been coming from? New York's additional 57,900 jobs since this time last year are overwhelmingly in service industries. Aside from that sector, construction (up 2.5%, or +3,600 jobs), motion pictures and a few other information industries (up 2.2%, or +4,200), all non-services sectors were flat or declined. Moreover, the pace of total job growth has been nearly cut in half in the first quarter of this year. Every month from October 2013 through December 2016 saw a net increase of over 100,000 net new jobs (+2.5-3.5%) over the same month in the previous year. Thus, in March 2016 there were 136,600 more jobs (or +3.3%) in the city than 12 months before. Compare that with the 2016-17 job change: less than half as many new jobs at a rate two percentage points slower than in 2016.

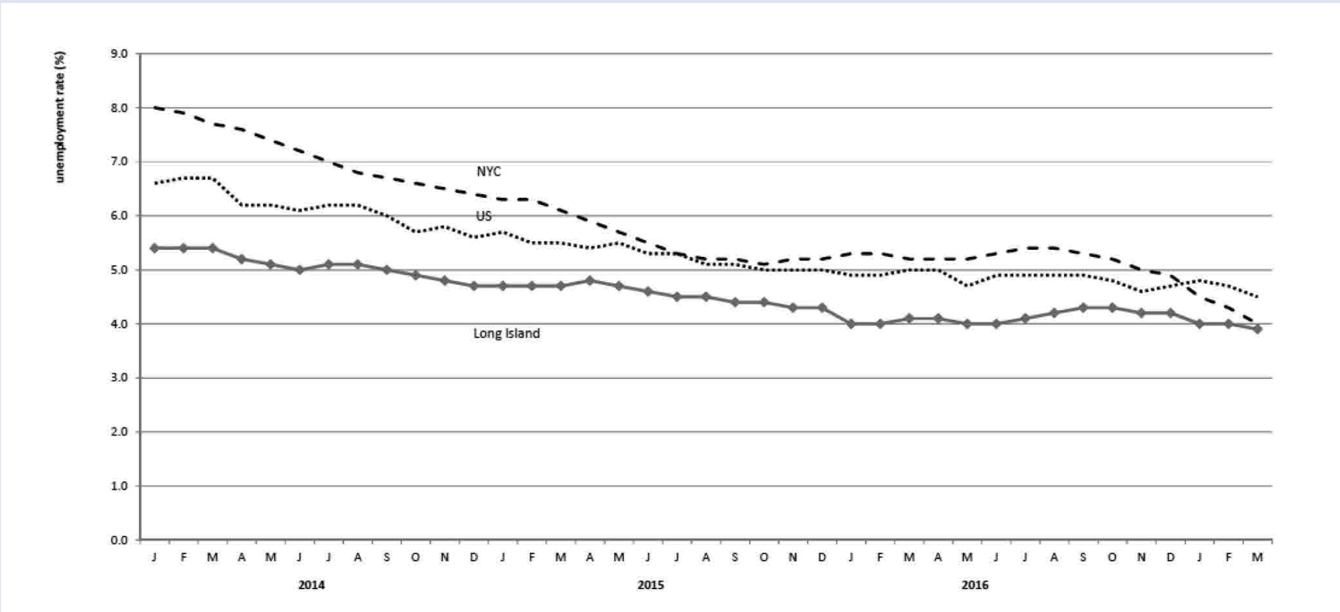
Like the city, Long Island is also experiencing a job growth slowdown. The 12-month rate of job increases was running above 2% each month from November through February. But the additional 19,800 jobs created between March 2016 and March 2017 represents only a 1.52% increase. Still, more sectors were job sources than downtown: net hires were up 2% in retail, 3.9% in wholesale trade, 4.5% in transport/warehousing/utilities, 1.7% in government and 1.9% in services.

## Is Retail At Risk?

Retail trade is one big slow-growth industry drawing increasingly anxious attention in recent months. A key source of once-reliable summer and fall employment, particularly for youth and immigrants, the industry managed over the last 12 months to add 1,200 net new jobs in New York City and another 3,200 on Long Island. But Figures 4 and 5 reveal that most of the new jobs have for some time been concentrated in just two main components of the sector: food and beverages (grocery stores, liquor and wine shops and specialty food stores) and clothing and accessories.

Department store employment has been noticeably flat in city and suburb. After recent announcements by giants Macy's, Sears and J.C. Penney that each plans to shutter over 100 stores this year, media reports have talked of a coming "torrent of closures," "earthquake," "sea change," and "historic tipping point."[4] Insofar as the locations to be closed are mall anchor stores, the fear is they could also threaten neighboring specialty stores by hollowing out

**Figure 1**
Unemployment Rates in U.S., NYC & Long Island, 2014-17
*(monthly, seasonally adjusted)*




each mall's customer base. In contrast to politicians' noisy focus on factory workers and coal miners in recent months, there is said to be a "silent crisis of retail employment" in which the number of department store jobs has fallen 18 times more than the number of coal miners since 2001.[5]

It is true that nationwide department store employment today is one-half million lower than at this time in 2001. But the 15.9 million total retail jobs today are 1.03 million more than there were then.[6] In New York City, total annual retail employment has been flat over the past three years. Still, at 350,000, the city's retail job count is 78,000 higher than in 2001. So far, only a handful of the Macy's, Sears and JC Penney store closings have been announced for New York State.[7]

E-commerce is routinely singled out as the main threat to department stores. It will no doubt continue to be a serious challenge to most brick-and-mortar retailers and their responses may well be wrenching and costly for employers, employees and the labor unions that seek to represent them. But several trends are already visible in what is likely to be a complex transition period. First, most analysts expect the decades-long power shift from traditional department stores to big-box stores to persist. Their advantages include not only generally lower prices but also more effective expansion of online sales. WalMart's purchase of Amazon rival Jet.com last summer is the most recent, so far successful example of this. Second, as suggested by the continuing job growth at New York area brick-and-mortar stores selling clothing and accessories (among the most vulnerable to e-commerce competition), some retailers are finding ways to Amazon-proof themselves. These include niche brands, artisanal foodmakers, luxury goods and flash-fashion stars like H&M and TJ Maxx.

Another, if still-embryonic trend is the building of physical stores by well-established e-commerce firms. Amazon's moves in this direction have drawn the most attention, though they so far have just experimented with five bookstores (in Seattle, San Diego, Portland, Dedham, MA and, as of late May, Manhattan). New York-based Warby Parker began to market its eyewear seven years ago exclusively online. As its modern styles, $95 frames and free-returns policy built its brand, in 2013 it began seeking urban locations where customers could try on glasses in person. It now has over 50 stores and plans at least another 20 more later this year. According to co-founder Dave Gilboa: "E-commerce is taking share, but it's doing so more slowly than I think we thought when we launched. If we were just to focus on online at this time, we'd only be able to address about 3% of the overall eyewear market."[8] Among recent related examples are Casper's Mattresses and Harry's Razors which also first built customer interest through solely online sales, but recently have struck agreements with Target to have a physical presence in the giant retailers' stores.

Then there is the broader question how the new online jobs created by e-commerce firms will compare in number and in quality to the retail jobs that are lost. Amazon alone already employs over 300,000 people and it announced in January that it will increase its

Table 1
Number of Nonfarm Jobs (in thousands) by Place of Work: New York City, Long Island & All U.S., March 2010-March 2017
*(in thousands, not seasonally adjusted)*

| | March 2017 | March 2016 | March 2010 | % Change 2010-2017 | % Change 2016-2017 |
|---|---|---|---|---|---|
| U.S. | 144,949 | 142,814 | 129,089 | 12.29 | 1.49 |
| NY State | 9,403 | 9,283 | 8,428 | 11.56 | 1.29 |
| NYC | 4,367 | 4,309 | 3,697 | 18.12 | 1.34 |
| Long Island | 1,320 | 1,301 | 1,205 | 9.56 | 1.52 |

**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)*

| | Labor Force | | Employed | | Unemployed | | Unemp. Rate | |
|---|---|---|---|---|---|---|---|---|
| AREA | March 2017 | March 2016 | March 2017 | March 2016 | March 2017 | March 2016 | March 2017 | March 2016 |
| U.S. | 159,912 | 158,854 | 152,628 | 150,738 | 7,284 | 8,116 | 4.6% | 5.1% |
| NYC | 4,223.7 | 4,175.8 | 4,050.4 | 3,951.3 | 173.3 | 224.5 | 4.1 | 5.4 |
| Bronx | 619.4 | 615.6 | 584.3 | 570.0 | 35.1 | 45.6 | 5.7 | 7.4 |
| Brooklyn | 1,247.2 | 1,234.0 | 1,195.4 | 1,166.2 | 51.8 | 67.8 | 4.2 | 5.5 |
| Manhattan | 939.5 | 926.8 | 905.3 | 883.2 | 34.2 | 43.6 | 3.6 | 4.7 |
| Queens | 1,192.2 | 1,176.7 | 1,149.3 | 1,121.2 | 42.9 | 55.5 | 3.6 | 4.7 |
| Staten Island | 225.4 | 222.7 | 216.1 | 210.7 | 9.3 | 12.0 | 4.1 | 5.4 |
| LONG ISLAND | 1,464.6 | 1,477.6 | 1,406.0 | 1,414.9 | 58.6 | 62.7 | 4.0 | 4.2 |
| Nassau Co. | 673.0 | 669.0 | 647.3 | 641.6 | 25.7 | 27.4 | 3.7 | 3.9 |
| Suffolk Co. | 771.6 | 778.8 | 738.7 | 743.4 | 32.9 | 35.4 | 4.3 | 4.5 |

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

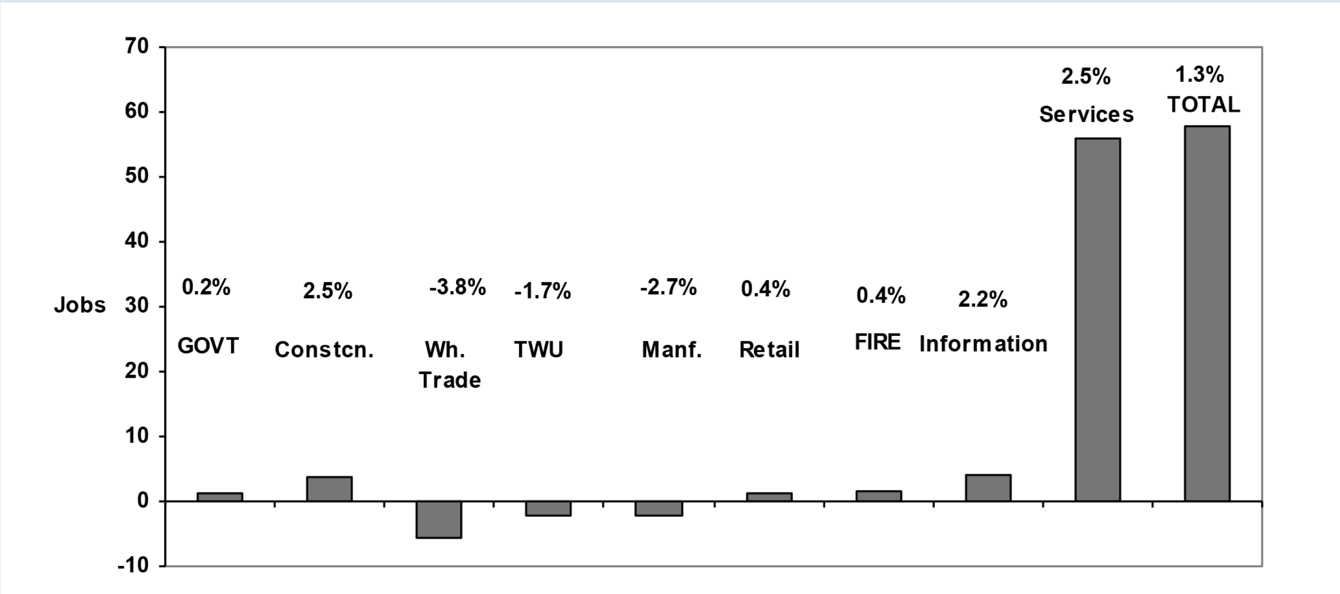
U.S.-based employment by 100,000 by mid-2018.[9] But most corporations do not regularly make public their payrolls. So, in order to estimate employment for all of e-commerce, one must rely upon the large monthly establishment surveys of the U.S. Bureau of Labor Statistics. However, this data is organized by industry categories which imperfectly capture the full scope of modern e-commerce. For example, Amazon early this year listed its employment in Kentucky as 12,000, but the BLS only counted 2,640 payroll workers at all Kentucky establishments in its "electronic shopping and mail-order houses" industry (NAICS 4541). Its state employment figure for the related "general warehousing" industry (NAICS 49311, which includes e-commerce fulfillment centers) was nearly 10 times larger.

A recent economic study merged national BLS establishment data on both general warehousing and the electronic shopping and mail-order industries to estimate employment and wages in e-commerce.[10] Its findings will surprise many. In the past 10 years, e-commerce jobs grew by 355,000 – dwarfing the decline of 51,000 general retail jobs. How does pay compare? Hourly wages of non-supervisory production workers average $17.41 in e-commerce–26% higher than the $13.83 wage in general retail. This pay

## Figure 2

NYC Job Growth by Industry: March 2016-March 2017

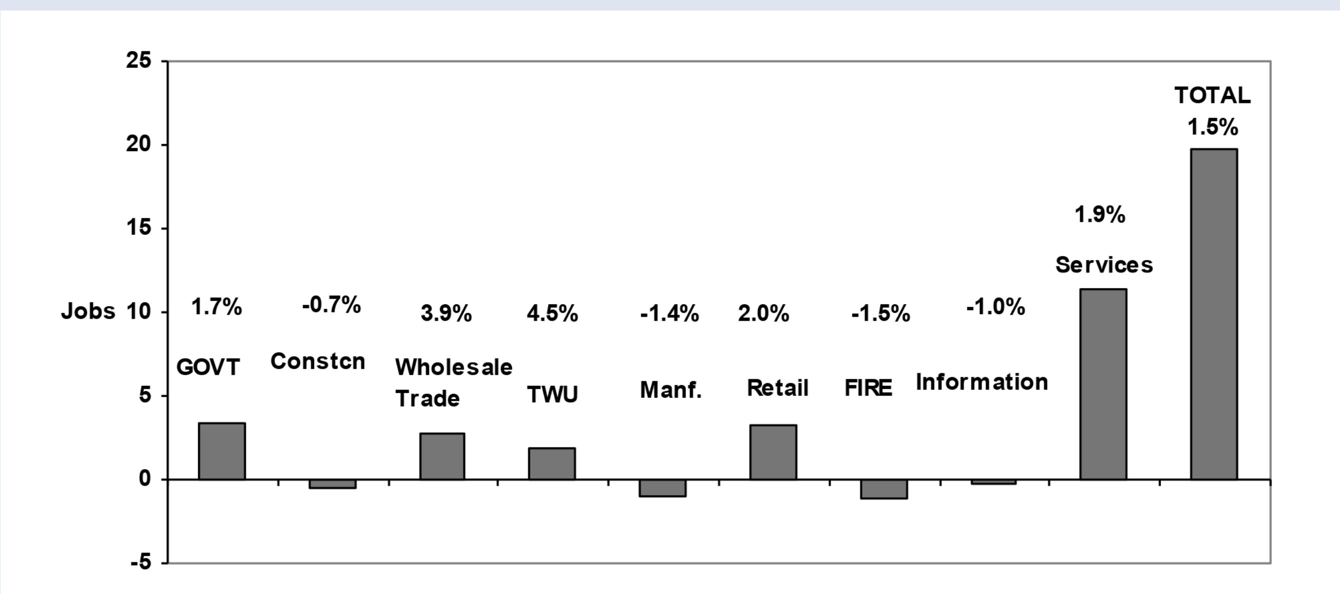
*(in thousands of jobs, and percent change)*




## Figure 3

Long Island Job Growth by Industry: March 2016-March 2017

*(in thousands of jobs, and percent change)*




**Figs. 2–3 Source:** NYS Dept. of Labor: nonfarm payroll job data from CES establishment survey in Nassau & Suffolk counties. Year-to-year changes, not seasonally adjusted. Note: FIRE = Finance, Insurance & Real Estate; TW U= Transport, Warehousing & Utilities.

premium reflects in part the web design and other high-skill jobs more common in e-commerce, as well as the sector's higher productivity growth. But sizeable pay differentials were found even in similar occupations. For example, customer service representatives average 17% higher hourly pay in e-commerce than in general retail.

If average pay and job growth are higher in e-commerce, the sector's labor practices have long been in question. Amazon has justifiably been much criticized over the years for Walmart-style anti-unionism, a high-stress work pace and little job security.[11] And those losing their jobs in brick-and-mortar retail do not necessarily live in the same geographic areas where there is e-commerce hiring, or possess the qualifications most desirable to such employers. Should job shrinkage in department stores and other sectors accelerate in coming years, driving large numbers of laid-off employees to seek work in e-commerce, the spillover effects of this increased supply could put downward pressure on wages and working conditions. Preventing this will require, at a minimum, stricter enforcement of labor standards, increased labor union organizing in the industry, and far more private and government assistance for retraining and relocating displaced workers.

## Health Care's Job Prospects

As new hiring in most industries in the metro area has slowed in recent months, health care has come to represent a correspondingly larger share of total employment growth. In the years just before Obamacare went into full effect in 2013-14, the 12-month rate of health care job increases in the metro area was running about 1-2.4% each month. For example, between March 2012 and March 2013, the industry's job count rose by just 0.8% (+4,900 new jobs) in New York City. But over the next 12 months through March 2014, the health care growth rate more than doubled to 2.34% (+13,900). It kept rising above 3% in each of the next three years, then rose still more to 4.4% in the past 12 months as the industry added another 29,800 jobs.

Long Island's health care sector has followed a roughly similar pattern. Between March 2012 and March 2013, the industry's job count rose by just 0.56%. However, in every month from April 2015 through March 2017, the 12-month job growth rate has been far higher: between 3% and 6%. Since March 2016, an extra 10,200 jobs were created, an increase of 4.75%.

As shown in Table 3, in the immediate pre-recession years 2006–07, the health care industry accounted for just 11.7% of all job growth in New York City and for 28.1% on Long Island. Now, a decade later, the industry accounts for over half of all the region's new jobs.

This growing dependence on health care as the dominant local job source is happening just as the industry enters a tumultuous period of potentially massive disruption. Should the Republican-dominated Congress carry out its long-promised dismantling of the Affordable Care Act (ACA, or Obamacare) and replace it with the alternative passed last month in the House of Representatives (the so-called American Health Care Act, AHCA), the health care industry will likely face a massive reduction in funding and patients. According to the projections of the nonpartisan Congressional Budget Office, the AHCA will deprive 23 million people of their health insurance coverage over the coming 10 years.[12] In addition to slashing ACA's health insurance aid by $1.85 trillion over the decade, $610 billion would be cut from Medicaid. The CBO also projects skyrocketing insurance premiums in many states once the ACA is gutted, especially for the elderly and anyone with pre-existing conditions. These changes will drive down the disposable income of the affected households, forcing them to tighten their budgets, thereby hurting the businesses and jobs that depend on consumer spending.

In a detailed state-by-state analysis, Josh Bivens has estimated a standard all-else-equal economic model of the impacts on potential job loss caused by the GOP replacement of Obamacare.[13] Nationwide, the AHCA could reduce potential job growth by 409,000 jobs in 2019 and by an additional 4.5 million jobs by 2022. Local impacts will be most severe in those states with large Medicaid expenditures or lower shares of wealthy households. In New York, the potential job loss will total 206,122 jobs over the next five years.

## Regressive Tax & Spending Cuts

Many of the same low- and middle-income households most likely to lose health insurance under the Republican's AHCA plan may also lose other cash and in-kind support from proposed cuts in food stamps, welfare, disability benefits, home energy assistance and educational financing. The new austerity plan seeks to abolish the low-income home energy assistance program, cut food stamps (Supplemental Nutrition Assistance Program, or SNAP) by over one-fourth, shrink welfare (Temporary Assistance for Needy Families, or TANF) by $22 billion and the Social Security Disability program by $72 billion through 2026. Even though work requirements have been built into TANF for the past 20 years, the GOP claims big savings will come from tying benefits eligibility even more tightly to jobholding efforts. But it is also arguably making job readiness that much more difficult by slashing federal training grants by 40% and by eliminating the popular program that forgives federal college loans for graduates who agree to follow certain public service careers in teaching and public safety. In fact, the 2018 budget proposals would also eliminate thousands of public service jobs in AmeriCorps, Peace Corps, Senior Corps and Vista.

The administration tries to defend its steep non-defense spending cuts as necessary to fund an extra $100 billion in military spending and massive corporate and personal income tax cuts. Although the Trump tax plan has so far only been presented in brief, 1-page outline form, its central elements are: major reductions in the top business income tax rate (down from 35% to 15%) and in the top marginal income tax rate (from 39.6% to 35%), elimination of the alternative minimum tax, the estate tax and the two taxes that fund Obamacare. The latter were a 0.9% Medicare tax on the earned

Figure 4
Retail Employment by Subsector: NYC
*(in thousands; March 1997-2017; not seasonally adj.)*

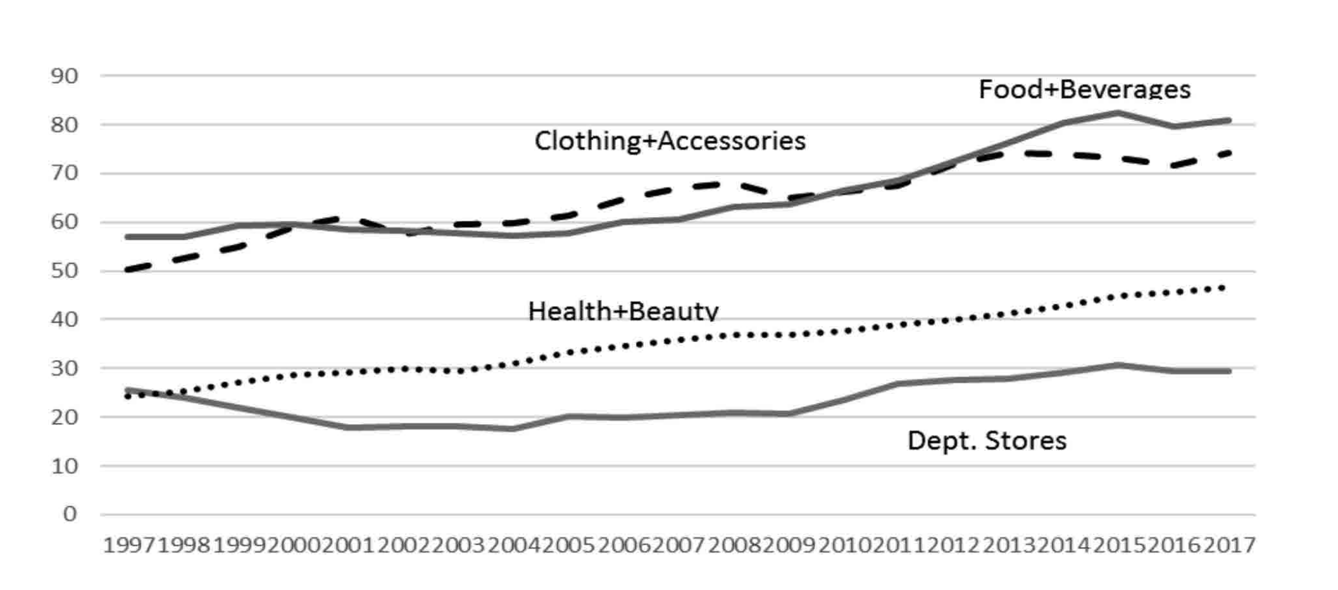



Figure 5
Retail Employment by Subsector: Long Island
*(March 1997-2017; not seasonally adj.)*

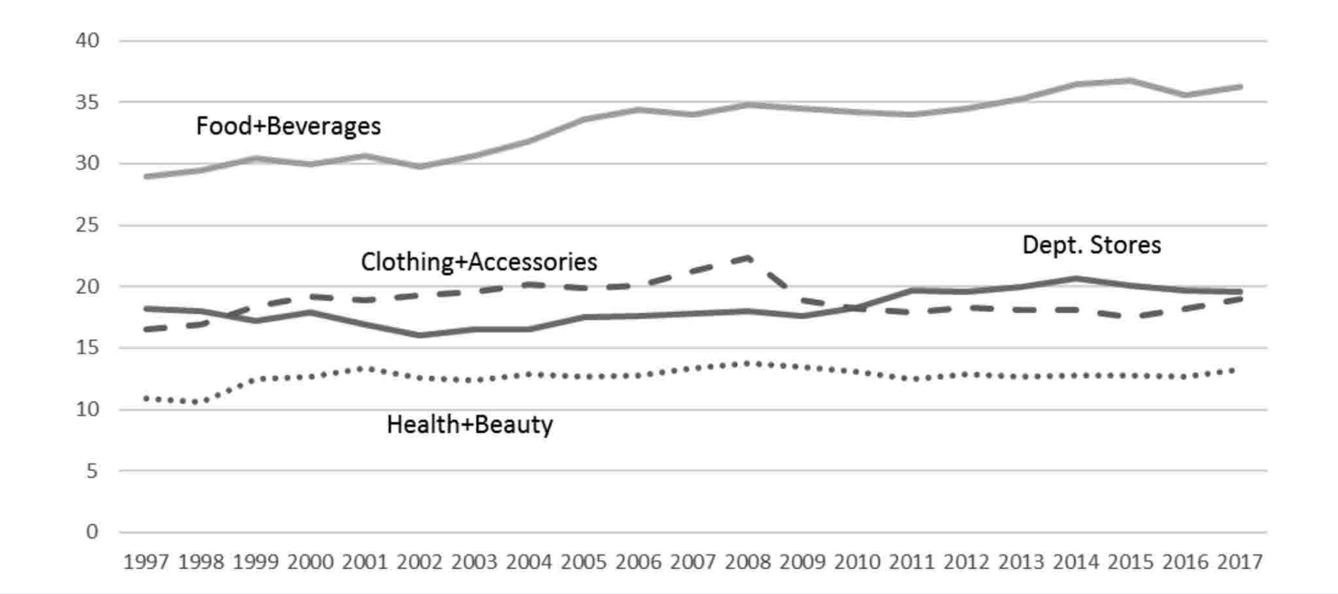


**Table 3:**
Rising Dependence of Net Job Growth on Health Care Expansion in US, NYC & Long Island, March 2007-March 2017
*(payroll jobs in thousands, not seasonally adjusted)*

| | Total Health Care Jobs | | Health Care Jobs as % All Jobs | |
|---|---|---|---|---|
| | 2007 | 2017 | 2007 | 2017 |
| U.S. | 15,460.0 | 19,323.3 | 11.3 | 13.3 |
| NYC | 545.5 | 703.7 | 14.7 | 16.1 |
| Long Island | 175.0 | 225.1 | 14.1 | 17.8 |
| | **Changes in Health Care Jobs** | | **Changes in Health Care Jobs as % of Total Changes in All Jobs** | |
| | **2006-07** | **2016-17** | **2006-07** | **2016-17** |
| U.S. | 436,400.0 | 430,500.0 | 25.7 | 20.2 |
| NYC | 9,600.0 | 29,200.0 | 11.7 | 50.4 |
| Long Island | 5,400.0 | 10,200.0 | 28.1 | 51.5 |

**Note:** Health Care job category includes Social Assistance.
**Source:** Establishment survey payroll data from US Dept. of Labor.

income of high-income individuals and a 3.8% net investment tax. These cuts overwhelmingly benefit the highest-income households. This is most blatant in the case of the estate tax, which is only paid by the richest 0.2% of adults. According to the most recent estimates by the Tax Policy Center, the Republican plan would cut the income taxes of the richest 1% of Americans by an average of $214,690 per year – winning the 1-percenters over 47% of the total tax savings from the Trump plan! In stark contrast, the average middle-income (middle 20%) household can expect a tax cut of no more than $1,010.[14] And the loss of government revenue is projected to drive up the federal debt by at least $7 trillion in the first 10 years, creating that much more political pressure against any future government spending stimulus.

The result may be a short-term burst of spending and related job growth once millions of low- and middle-income taxpayers see their taxes lowered slightly. But the history of the similarly regressive 2001-2003 tax cuts of President GW Bush suggests that relatively little of the tax givebacks to the wealthy will go anywhere but savings and financial speculation. Insofar as the fall in disposable income from the GOP health plan and steep non-defense spending cuts overwhelm any stimulus from lower income taxes, the net long-term effect will be to weaken aggregate demand and future job and pay prospects in New York, and across the country.

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*REGIONAL LABOR REVIEW, vol. 19, no. 2 (Spring/Summer 2017).*


## NOTES:

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