<u>NEW ISSUE!</u>

REGIONAL LABOR REVIEW

Fighting for Basic Human Rights in the Workplace
Lewis Maltby and the National Workrights Institute

Profits and Productivity Up, Jobs and Wages Down
Mixed Prospects in a Jobless Recovery

Surprising Gains for Women and Workers
In the New Supreme Court Rulings

Nontraditional Organizing of Academic and Cultural Employees

Clashing Labor Views in the Welfare to Work Debate

FALL 2003

THE CURRENT JOB OUTLOOK

Profits and Productivity Up, Jobs and Wages Down: Mixed Prospects for the Jobloss Recovery

by Gregory DeFreitas

War, unemployment, local fiscal crises and exploding federal budget deficits cast a heavy pall over much of 2003. The second half of the year began with rising optimism in business circles that the surprisingly long and painful economic downturn was bottoming out. Scattered signs of improvement were glimpsed in output growth, the stock market, corporate profits, and labor productivity. However, none of that has trickled down to the labor market, still suffering the worst sustained job losses of any comparable period in over 60 years.

Overall economic activity, as measured by gross domestic product, managed to grow at an annual rate of 3.1% from April through June, over a percentage point faster than in the two previous quarters. While the White House claimed that its huge tax cuts deserved credit, most economists pointed instead to other causes. Nearly three-fourths of the GDP spike was attributable to government spending: specifically, the invasion of Iraq was paid for by the biggest hike in U.S. military expenditures since 1951. The rest of the spring economic upturn largely reflected the continuing efforts of house and car purchasers to take advantage of low interest rates.

Worker productivity also jumped in the April-June quarter, as output per work hour rose at a 6.8% annual rate. The benefits of this trend have begun to appear at corporate headquarters and in the stock market. The profits of the nation's 900 largest companies leapt 31% in the spring, the second consecutive quarter of double-digit increases.[1] Large retailers like Wal-Mart as well as some high-tech firms like IBM enjoyed profit surges. Among the most widely-noted turnarounds was that of engineering giant Halliburton, formerly headed by Vice-President Dick Cheney. Its second quarter profit of $26 million marked a sharp improvement over its nearly $500 million loss at the same time a year earlier. A major reason was that the government granted Halliburton the earliest no-bid contracts for rebuilding Iraq's damaged oil facilities.

However, while increasing worker productivity is fattening corporate profits, workers themselves have so far seen little benefit. Employers have continued to layoff workers and/or resist new hiring or pay raises. Over 9.5 million Americans were still unemployed at mid-summer. Productivity gains have mostly come from firms squeezing more effort out of smaller work forces, rather than from any revival of business investments in new plant and equipment. Nationwide, August saw the biggest monthly job decline since March 2002. The number of jobs shrank by another 93,000 in August, and by a total of 463,000 over the previous 12 months (seasonally adjusted).[2] According to newly revised government figures, the net job decline has reached –3.3 million in the private sector since the latest recession began in March 2001. Since November 2001 (the official start of the “economic recovery”), the country has lost 1.1 million jobs, an employment record so dismal that this ranks as the worst recovery since modern record keeping began in 1938!

The nation’s unemployment rate has remained above 6% since April – still far higher than the 3.9% low in late 2000. Although the rate dipped from a nine-year high of 6.4% in June to 6.1% by summer’s end, this mainly reflected the larger number of long-term unemployed and others too discouraged by job shortages to continue looking for work. This means that the official unemployment rate increasingly understates the true depth and extent of joblessness. Some 2.2 million Americans have dropped out of the labor force since August 2002. Among adult black men, the unemployment rate actually rose over the summer to 10.4%, even after seasonal adjustment. African American men have been disproportionately hurt by the deep cuts in manufacturing, long a source of better paying, unionized jobs.

Unemployment has often lagged behind past recoveries in business activity, as employers delay new hiring until a convincing sales upturn is underway for several months. However, jobless workers have good reason for anxiety about the speed and strength of any employment rebound. A new study by economists at the New York Federal Reserve Bank shows that a far larger share of recent layoffs have been permanent, rather than the temporary cyclical layoffs dominant in most previous recessions. If indeed a structural adjustment in business employment practices is underway, many of the jobs lost over the past three years may never be replaced.[3] Among the possible causes is the fact that U.S.-based corporations have begun indulging as never before in the export of both blue-collar and skilled white-collar jobs to lower-wage countries. Starting with back-office operations (bookkeeping, customer service, and marketing), the rush to outsource has moved rapidly up the skills ladder to a widening array of computer, financial and business service positions. As many as one in three American jobs may be vulnerable to outsourcing, according to recent estimates.[4]

The current “labor market recession” has also been notably harsh on the long-term unemployed. By August, the average length of joblessness had lengthened to 19 weeks and two million people -- over one-fifth of the unemployed -- had been out of work for one-half year or more. In late May, another extension of unemployment insurance (beyond the normal 26 weeks) was approved through the end of 2003. While welcome, it ignores 1.1 million long-term unemployed who have exhausted all benefits (including previously extended benefits) and will receive nothing from the newly approved 13-week extension. The current law has such an unrealistically stringent definition of “high unemployment states,” that only 6 states – none in the Northeast -- qualify for an extra 26 weeks of UI (California, Illinois, Louisiana, Michigan, North Carolina, Ohio & Texas).[5]

Wage and salary growth has been another victim of job cuts and labor’s weakened bargaining power. Average pay levels, adjusted for price inflation, have fallen for 4 consecutive quarters.[6] This is the longest such sustained wage erosion since 1990. Coupled with the job shortage, it helped increase by 1.3 million the number of Americans with incomes below the poverty line in 2002.[7] One-fifth of small children now live in poverty, a far higher child poverty rate than in most other developed nations. Should these trends continue, the likely result will be to constrain consumer demand and stifle recovery hopes in the near future.

Despite White House promises about the job-creation potential of the latest tax cuts (put into effect in July), the majority of Americans will receive less than $100 in new tax relief – while the richest 10% are given two-thirds of the benefits. Most economists expect that the lost tax revenues will drive the government far deeper into debt, thereby forcing future cuts in public sector services and in needed job training and job creation programs. Most state and local governments, facing severe fiscal crises of their own, are in no position to restore these jobs and services anytime soon.

New York's Persistent Recession

New York State accounts for one in ten of all the jobs lost across the country since the recession began.[8] And New York City, hit with three-fourths of the state's job losses, remains deep in recession. Over the 12 months ending in June, the city lost another 65,600 payroll jobs. This 1.8% decline is *6 times worse* than the national job loss rate (Table 1). Figure 1 compares the current downturn to other post-1960 business cycles. Although today's job count has not fallen as far as in the mid-'70s or early-'90s recessions, all the hard-won job gains of 1999-2001 have been wiped out.

Which sectors of the city's economy have been hardest hit over the past year? Nearly every major industry has fewer jobs than in 2002, but some have been much hurt much more than others. As Figure 2 reveals, 4 major sectors bled over 10,000 jobs: Information (-17,000), government (-15,000), finance (-13,500) and manufacturing (-10,500).[9] Modest improvements in construction, health care, and a few subsectors have been enough to nudge the city's total monthly job counts slightly higher since April (after seasonal adjustment), though by far too little thus far to replace last fall's losses.

The hardest hit of information industries were those related to motion pictures and videos, which had 11,800 fewer positions than a year earlier. Another 5,500 jobs were cut in telecommunications firms. In manufacturing, 9 out of 10 jobs that were lost were in apparel production. (down 21.4%, to 33,500 employees in just 12 months).

Wall Street's long bear market and the post-9/11 displacement of major firms is evident in securities losses of 9,300 positions, and 4,800 more were eliminated in the related banking sector. While brokers' profits have improved and most large securities firms have kept their headquarters in lower Manhattan, they continue to disperse thousands of employees to suburban locations. For example, Morgan Stanley (the World Trade Towers' largest tenant) is moving 1,400 brokerage and trading employees from the city to a sprawling White Plains campus. Once complete, the relocation will leave just 9,000 of the firm's employees in Manhattan.

Transportation experienced continued job declines, particularly in air travel The airline industry, one of the single biggest employers in Queens and on Long Island, suffered for much of the year from the multiple blows of war, anxiety over terror attacks, and the SARS scare. New figures for 2002 show about the same total number of visitors (35 million) as in 2001, but 7 to 10% drops in business and foreign tourists, who tend to be higher spenders. Though international tourism to the metropolitan area improved a bit this past summer, major lines have continued cutting flights and pressuring employees for wage concessions. For example, American Airlines is slashing 7000 jobs worldwide, including 150 at JFK and LaGuardia. Over the 12 months through June, all carriers together cut another 2,300 jobs, a 9% reduction.

Tourism-related services, other than airlines, had slight, but uneven growth. Broadway theaters have been drawing back audiences so well that the past year broke past box office records in revenues. This helped hotels improve their spring and summer bookings. Occupancy rates fell in the January-March quarter to the lowest level since the same period of 1994. The harsh winter weather was clearly part of the reason. However, the occupancy rate rose modestly in April and by summer had climbed back to its level just prior to September 2001. Still, the fraction of rooms filled in June was, at 74.6%, the second lowest quarterly rate in a decade.[10] And average room rates had to be lowered to attract more visitors, thereby dampening revenue growth. Hotel jobs were up by just 600 for the year as a whole. Otherwise, the sector's only other real job gainers were amusement, gambling and other recreational businesses (+1,200 jobs).

While the huge services sector had little net overall change, there were sizable counterbalancing shifts in component industries. Professional and business services lost 14,400 jobs, led by computer systems design, advertising, employment services and enterprise management. In sharp contrast, health care and social assistance gained 13,300 positions and higher educational institutions added 3,500.

Construction was the only major industry group to post a solid gain. The nearly 124,000 building trades jobs in June represented a 4.7% improvement over the same time in 2002. Specialty trade contractors drove the sector's growth. Building permits increased 7.4% in April-June, though Manhattan office vacancy rates still high and rental rates falling.

All levels of government reduced their work forces in the city, but the 11,800 positions eliminated by City Hall dominated. The city government payroll has been whittled down to its lowest level since the mid-'80s. Six fire companies have been closed and thousands of teacher aides and school paraprofessionals have been laid off, slashing the full-time, city-paid work force to just over 200,000. Even worse layoffs would have come if Gov. George Pataki had enacted the steep education and other service cuts he proposed to close the state's huge budget deficit. Instead, an odd coalition of major labor unions, progressive New York City Council members, and state legislators angry over the scale of education cuts won restoration of most of proposed cuts. In massive lobbying efforts and in costly radio and print ads by a number of unions, like the New York State United Teachers and the Public Employees Federation, lawmakers and the public were persuaded to go against the stream and accept a temporary income tax surcharge on the wealthiest taxpayers over harsh spending cuts aimed largely at low- and middle-income families. Combined with painful hikes in sales and property taxes, the income tax surcharge will generate about $3 billion for the city. With a much smaller, $2 billion budget gap to fill in the coming year, there will be less pressure for any large-scale layoffs. But nearly all municipal employee unions have contracts up for renegotiation, and prospects are dim for meaningful new public sector hiring or pay improvements anytime soon.

Long Island also lost thousands of manufacturing, transportation and business service jobs over the same period. In fact, the private sector has been so weak that increased government hiring was the only reason for the island's slight increase in total payroll jobs over the year. As Figure 3 shows, manufacturers reported 4,800 fewer payroll jobs in June than at the same time in 2002 (a 5.2% decline). And the summer closed with news of further layoffs at giant Arrow Electronics and at Symbol Technologies. Symbol's latest cut of 55 engineering and marketing positions in Holtsville adds to the hundreds of jobs it has eliminated at its Bohemia plants over the past two years. But other local manufacturers have begun to benefit from the surge in Washington's military and security spending. Northrop Grumman just received a $1.9 billion contract to work on the Navy E-2C Hawkeye patrol plane. As Long Island's biggest Pentagon contract since the Cold War ended, the Hawkeye has the new job potential both for Grumman and for an array of subcontractors. BAE Systems (Melville), DHG Industries (Carle Place), and Telephonics (Farmingdale) are among other manufacturers recently accepting smaller, but substantial new military contracts.[11]

As the home of many employees at JFK and LaGuardia, as well as MacArthur airport in Suffolk County, Long Island continues to suffer from the sluggish air travel climate. The number of airline jobs based on the island was down –2,300 over the year ending in June. One consistent survivor has been low-cost Southwest Airlines, which has embarked on construction of a new terminal at MacArthur. Still more construction work at the airport has been generated by its new Hilton Hotel.

While Finance and Information posted steep payroll cuts in New York City, Long Island gained 1.8% new jobs in both sectors over the same period. More new banking jobs are expected through year end from expansions like Commerce Bank's addition of 10 new branches and of Bankers Life's new hiring in Woodbury. Retail trade jobs also grew (+1,300), in contrast to a loss of 2,000 downtown. Recent displacement from Kmart's bankruptcy is being at least partially repaired by new job vacancies, particularly along Riverhead's Route 58 corridor. Along with a new Home Depot and Wal-Mart, the Riverhead Centre complex is seeking to hire some 500 employees.

The public sector payroll increased by 2,700 jobs over the year through June. This solely reflected local hiring, mostly by school districts. Federal and state jobs declined by 3,800. Some new government job creation has been proposed by the Suffolk County executive, Robert Gaffney. In his final proposed budget before his December retirement, Gaffney backed a 6% expansion of the county's 2,678-member police force and increased staff to administer Medicaid, housing, and other social services.

Long Island's prospects remain cloudy, however. Even with growth in some sectors, the total number of jobs at mid-summer was up by a mere 0.3% over the same period last year. According to an August survey of employers, less than 1 in 10 planned any new hiring in the October-December quarter – a sharp drop from the 1 in 3 employers planning new hires a year ago.[12] And, with county governments still struggling to cope with budget shortfalls, there will be little job or pay growth in the public sector to help stimulate the local economy. Nassau County's long-running budget woes led its new county executive, Democrat Thomas Suozzi, to cut the county work force by 1,200, pass a 19.4% hike in the county portion of property taxes, and demand millions in pay concessions from public sector unions. In September, the best that Suozzi could promise in his proposed 2004 budget was to refrain from any new layoffs. However, by allowing attrition to further reduce county police ranks by 300 this year, he will push the total force to an historic low of 2,500 officers. A coalition of Nassau labor leaders warned in June that downsizing police and 911 operations could endanger public safety at a time of heightened national security concerns.[13] The county executive just signed a new contract with the police union forcing them to accept a 18-month wage freeze plus concessions on night-shift bonuses and paid holidays. Even with these and other union givebacks, Suozzi argues that balancing the coming year's budget will require a nearly $5 million cut in subsidies to the county bus line. The resultant service reductions could have painful impacts on the working poor dependent on public transit.

To the east in Suffolk County, the sagging economy also drove County Executive Robert Gaffney to push for layoffs and tax hikes earlier this year. To close a $111 million budget gap, Gaffney reimposed a regressive 4.5% sales tax on clothing priced under $110, cut 300 jobs through early retirement, and increased the county portion of the property tax. In the summer, Gaffney cited county finances in his attempt to overturn the county's living wage law. Passed in 2001 (over Gaffney's veto) the new law aims to improve the pay of low-wage workers. Companies that win contracts with the county must agree to either pay a minimum hourly wage of $10.25, or to provide health benefits and a minimum wage of $9. The county executive claimed that the law was so costly that it would drive away businesses. However, given the strong opposition of labor unions and Gaffney's lame-duck status, his efforts found little public or legislative support.

Unemployment and Discouraged Workers

New York City's monthly unemployment rate surged to a peak of 8.7% in February, before heading slowly downward to 8.4% in April and then to 8.2% in May-June, after seasonal adjustment.[14] Nearly 282,000 New Yorkers are unemployed in the government's official count. Though this is about the same number as last year, it fails to capture the large numbers of labor force dropouts giving up job search after months of futile efforts. These "discouraged unemployed" are not included in government estimates of the "unemployed labor force." But the continuing recession certainly appears to have increased their numbers: the fraction of city residents either employed or still looking for work (the labor force participation rate) dropped sharply from 64.7% in June 2002 to 57.4% in June 2003.[15]

Since the government does not regularly publish detailed unemployment figures by gender, race, Spanish Origin or age group for individual metropolitan areas, we use Census Bureau data to calculate them ourselves. Table 3 shows separate estimates of unemployment rates, employment-population ratios, and underemployment in the 20 center cities of the largest metropolitan areas and the suburbs of all metropolitan areas, as well as New York City and Long Island. To produce large enough samples to permit reliable statistical estimates of these geographic and demographic subsets, we pooled the most recent six months (January through June, 2003) of raw CPS household data, obtained from the U.S. Census Bureau.

Black non-Hispanics have the city's highest unemployment rate at 13.2%, followed by the 9% rate among Latinos. Both are well above the 6.4% of white non-Hispanics in the city, though their unemployment is over a percentage point higher than the white rate in other big cities. Black men have been hit much harder than women in this recession, both in New York and nationally. The city's unemployment rate is 17.4% among black men, compared to 9.9% for black women (separate tabulations, not shown here). Racial gaps are also apparent, though markedly smaller, in the suburbs: Just 4.2% of Long Island whites are unemployed, compared to 5.6% of blacks and 4.6% of Hispanics.

The employment-population ratios in the first, leftmost column (of the table's middle set of rows) reveal that, just 53.7% of New York City residents 16 and over still held jobs in the first half of the year, compared to over 60% in the country's other largest cities and nearly 65% on Long Island. This is consistent with our findings of high underemployment.

The "underemployment rate" is here measured as the total officially counted as "unemployed," plus those "marginally attached" to the labor force who are discouraged workers (but have sought work in the past year and are available to work now) plus persons employed part time for economic reasons, expressed as a percent of the sum of the official labor force plus those counted as marginally attached. The rate of underemployment in the city has increased to 12.8% overall, and there are large race/ethnic differences. White non-Hispanics have a rate of 9.7%, compared to 17.6% of blacks and 14.6% of Latinos. These rates are comparable to those for the other biggest cities, but well above suburban levels. Again, underemployment is especially severe among black men: 24.5% are underemployed in New York, compared to 14.2% of black women in the city.

Young people have been suffering through their worst job market in many years. Nationwide, the fraction of teenagers finding summer jobs was the lowest since 1948, and their unemployment rate was the highest in a decade![16] The problem is worst in New York City. Only 1 in 7 city teenagers has a job, far fewer than in other cities, and less than half the suburban teen employment rate (Table 3). Nearly 42% of New York teenagers are underemployed, and the rate soars to over one-half of African American youth.

Does the city's low youth employment simply reflect a larger fraction choosing to attend school than elsewhere in the country? Not according to our estimates in Table 4. The New York school enrollment rate is similar to that in other big cities, yet the fraction finding jobs is lower among both enrolled students and out-of-school youth. For example, among teenagers, only 11.1% of the city's enrolled students have a job, compared to one-fifth of students in other big cities and over one-third on Long Island. Among out-of-school teens, 32.6% in the city have jobs, compared to 45.3% in other cities and 62.6% on Long Island.[17]

Like many young people across the country, New York teenagers have suffered multiple blows from the recession and government spending cuts. First, as more adults have been driven to desperation in their job search, they have been forced to take low-wage retail and service jobs that traditionally were only acceptable to young people. Increased competition with adults has reached the point where fast-food and large retailers like Wal-Mart and Home Depot can set formal or informal minimum hiring ages of 18 or older. Even recent college graduates have often grown so frustrated with the paucity of job offers, that they have hung on to menial "temporary" jobs far longer than anticipated, thereby closing off more potential opportunities for younger people. These trends have been even worse in New York, which has relatively few big-box retailers and a huge number of college grads (including many actors and musicians holding part-time jobs) compared to other cities. Another blow has been the inadequate government response, especially in cash-strapped New York. For example, the city's Summer Youth Employment Program was deprived of $15 million because of deficit-cutting battles between the governor and Albany legislators. This meant that there were 13,000 fewer jobs for youth that could be funded at nonprofit agencies. Also, the ability of unemployed youth to enroll in college has been reduced by the state's decision to sharply hike tuitions at the once-free City University of New York and the State University of New York.

Government Aid or Neglect?

Despite the massive and lasting harm that the 9/11 attacks inflicted on the New York area economy, to date neither the federal nor the state governments have provided much-needed assistance. Two years since President Bush promised $21.4 billion in recovery aid, a mere $5.6 billion has actually been received by the city. While another $11.5 billion has been earmarked for approved projects, it will only be spent here "in coming years," according to a new report by the city comptroller's office.[18] Another $3.7 billion in promised federal aid has still not been designated for specific projects and these "at risk" funds may never be received. Even so, Gov. Pataki continues to rely on the promise of future federal dollars as well as the state's budget deficit to defend Albany's own failure to help speed the downstate recovery.

The fact that over 3 million jobs have been lost in New York and across the country since early 2001 is daunting enough, but the jobs deficit is deeper still. Since population growth adds a million or more new jobseekers to the labor force each year, another 2 million new jobs are needed in addition to replacing the 3 million just lost if we are to return to full employment soon. Where will these 5 million jobs come from?

What impacts can we expect from federal government policies? In May, the White House pushed through the Republican-dominated Congress its latest huge income tax cut, labeled the "Jobs & Growth Act." Among its main changes are: (1) a sharp cut in the marginal tax rate on high incomes to 35% from 38.6%; (2) lowering to

15% the income tax rate on dividends and capital gains from stocks; (3) a first-year tax break for equipment that companies purchase through 2004; (4) a $400 per child increase in the child credit on income taxes; (5) a small temporary reduction in the marriage tax penalty; and (6) $20 billion in federal aid to states with the severest budget crises. The 2003 tax package was said by backers to cost the government about $350 billion in lost revenue over the next decade. That, however, depends whether its built-in "sunset" provisions are allowed to end most of the specific tax cuts between 2005 and 2010. Since the law's main supporters openly stated their hope to make the cuts permanent, the full cost to government revenue and services is estimated as closer to $660 billion.

The Bush/Cheney administration dismissed critics of the new tax cut by claiming it would be a bonanza for the unemployed, creating over 1 million new jobs! However, the president's own Council of Economic Advisers predicted in February that – even without any new tax cuts – the U.S. should expect 4.4 million new jobs over the next 2 years. So, the only way the Bush claims for 1 million new jobs from the new tax cut can be defended is if at least *5.4 million new jobs somehow appear before Election Day 2004*.[19] No economists expect anything close.

Will Washington's latest income tax cuts help to revive job and wage growth? In the very short term, new spending by those families receiving increased child credits and by firms using investment tax credits could help bolster a mild business upturn.

But, the sad fact is that the majority of Americans will get little or nothing back from this tax cut in 2003, and less in later years. Independent economic estimates reveal that:

In 2003: 49% of taxpayers nationwide (and 52% of New Yorkers) will get $100 or less from the tax cut;

In 2004: 47% get $100 or less back in lower taxes;

In 2005: 74% get $100 or less back in lower taxes; and

In 2006: 88% get $100 or less back in lower taxes.

Who *does* win big from the tax cut? The richest 10% of taxpayers will get two-thirds of the tax cut's benefits! While the bottom 60% of taxpayers will get back an average of under $100 in the next 4 years, <u>the richest 1% will receive an average windfall of $96,634</u> ! Millionaires (fewer than 200,000 households) will reap about $90 billion in new tax cuts over the coming decade.[20]

Among the most contentious parts of the final tax package was a last-minute decision by its backers to withhold the $400 per child tax credit from 6.5 million low-income families (with some 12 million children) with incomes between $10,000 and $26,625. Stung by a public outcry, the Senate voted in June to extend the child credit to these minimum-wage families. But the measure became stalled in the House where Tom DeLay, the House majority leader, refused to consider it unless the tax credit is also granted to more high-income families in the $110,000-$150,000 bracket.

It is all the more startling that federal taxes on high-income Americans are being slashed just as defense expenditures are skyrocketing. In justifying its initial request for $79 billion for the invasion of Iraq, the Bush/Cheney administration claimed that Iraqi oil revenues would be used to minimize further costs. Those claims continued even as the administration approved another $350 billion tax cut in May. Only in mid-summer, after months of failed attempts to restore the oil and electricity infrastructure and to quell a guerrilla war against American troops, did Defense Secretary Donald Rumsfeld admit that U.S. military costs there had doubled to nearly $4 billion per month. Barely a month later, the president announced that another $87 billion more was needed for the coming fiscal year, two-thirds of it for military spending on the Iraqi occupation.

To try to put this in some perspective, the total $166 billion Iraq bill so far is equivalent to:

- 2 and ½ times the entire federal budget for education
- 4 times the annual national spending on unemployment benefits
- 21 times the entire budget of the Environmental Protection Agency
- 25 times the U.S. share of the 1991 Gulf War

So long as the occupation draws as little international support as the invasion itself, these costs must be borne by American taxpayers into the foreseeable future. As the human and dollar costs of the occupation of Iraq have mounted, so have the concerns of many observers about exploding budget deficits and prospects for robust U.S. job growth anytime soon. When the Bush/Cheney administration took office, the federal government's budget was in the black and on track toward a $5.6 trillion surplus in the coming decade. After the administration pushed successfully for its first, $1.3 trillion tax cut package in early 2001, the projected surplus began dwindling quickly. Now, just 2 years later, economists at the Republican-led Congressional Budget Office estimate that the current annual budget deficit is a record-breaking $480 billion. And most economic forecasts predict $4 trillion in added debt over the coming decade, unless the recent tax cuts are scaled back.

One prominent exception to this view has been Stanford's Michael Boskin, former chair of George H. Bush's Council of Economic Advisers. Boskin grabbed headlines in June with a paper claiming that the administration's tax cuts would not cause massive future budget deficits. Once retiring baby boomers began withdrawals from their tax-deferred pension accounts, he reasoned, their tax payments would create an uncounted windfall to the Treasury of $12 trillion over the next 40 years. Unfortunately, as a number of tax specialists were quick to point out, Boskin's error-ridden paper wildly overestimated the amount of such revenues not already included in deficit projections. Barely a month after his paper was released to the media, Boskin was forced into an embarrassing public retraction.[21]

Criticisms of the Bush/Cheney economic policies have come from an unusually wide range of economists, including 10 Nobel Laureates and over 450 others in a full-page attack ad in the *New York Times*. While most saw the stimulative value of a modest, temporary tax cut carefully targeted on the hardest-hit low- and moderate-income families, they rejected the huge 2001-2003 tax packages as wasteful, budget-busting giveaways to the wealthy. Once still-another tax cut was passed this May, one eminent economist rarely heard on national issues denounced White House policies as "a form of looting." George Akerlof, the 2001 Nobel Laureate, told an interviewer:

> "I think this is the worst government the U.S. has ever had in its more than 200 years of history. It has engaged in extraordinarily irresponsible policies, not only in foreign and economic but also in social and environmental policy. This is not normal government policy. Now is the time for people to engage in civil disobedience."[22]

But even many moderate Republican policymakers have questioned White House economic measures. Former U.S. Secretary of Commerce Peter G. Peterson, a lifelong Republican, charged that the current "cut taxes/starve government" approach was potentially disastrous for today's youth:

> "The numbers are simply breathtaking. When President George W. Bush entered office, the 10-year budget balance was officially projected to be a surplus of $5.6 trillion – a vast boon to future generations that Republican leaders "firmly promised" would be committed to their benefit by, for example, prefinancing the future cost of Social Security. Those promises were quickly forgotten. A large tax cut and continued spending growth, combined with a recession, the shock of 9/11 and the bursting of the stock market bubble, pulled that surplus down to a mere $1 trillion by the end of 2002. Unfazed by this turnaround, the Bush administration proposed a second tax-cut package in 2003 in the face of huge new fiscal demands, including a war in Iraq and an urgent 'homeland security' agenda. By midyear, prudent forecasters pegged the 10-

year fiscal projection as a deficit of well over $4 trillion. So there you have it: in just 2 years there was a $10 trillion swing in the deficit outlook… For some 'supply side' Republicans, the pursuit of lower taxes has evolved into a religion, indeed a tax-cut theology that simply discards any objective evidence that violates the tenets of the faith. So long as taxes are cut, even dissimulation is allowable."[23]

Table 1
Number of Nonfarm Jobs (in thousands) by Place of Work: 2002-2003

	June 2003	June 2002	% CHG
U.S.	130,994.0	131,423.0	-0.3%
NY State	8,472.6	8,531.5	-0.7
New York City	3,539.8	3,605.4	-1.8
Nassau-Suffolk	1,235.6	1,232.0	+0.3

Source: Establishment data (not seasonally adjusted) from NY State Dept. of Labor.
Note that the data reflect regular revisions made by the Dept. of Labor.

Table 2
Civilian Labor Force, Employment & Unemployment:
New York City, Long Island & All U.S., June 2002 – June 2003
(in thousands, not seasonally adjusted)

	Labor Force		Employed		Unemployed		Unemp. Rate	
AREA	June 2003	June 2002	June 2003	June 2002	June 2003	June 2002	June 2003	June 2002
U.S.	148117.0	145940.0	138468.0	137181.0	9649.0	8758.0	6.5%	6.0%
NYC	3663.4	3752.6	3381.3	3468.5	282.1	284.1	7.7	7.6
Brooklyn	1032.5	1054.8	944.3	968.7	88.2	86.1	8.5	8.2
Bronx	514.2	524.9	465.8	477.8	48.4	47.1	9.4	9.0
Manhattan	819.0	844.6	756.6	776.1	62.4	68.5	7.6	8.1
Queens	1084.5	1109.5	1015.0	1041.1	69.5	68.4	6.4	6.2
Staten Island	213.3	218.8	199.7	204.8	13.6	14.0	6.4	6.4
Nassau-Suff.	1526.1	1499.0	1463.9	1435.2	62.2	63.8	4.1	4.3
Nassau Co.	741.6	728.6	712.0	698.0	29.6	30.6	4.0	4.3
Suffolk Co.	784.5	770.4	751.9	737.2	32.6	33.2	4.2	4.3

Source: CPS household survey data from NY State Department of Labor, 2003 Note that the data reflect regular revisions made by the Dept. of Labor.

Table 3
Employment, Unemployment & Underemployment Rates, by Sex, Age, and Race/Ethnicity: New York City, Long Island, and Other Large U.S. Cities and Suburbs, Jan. – June 2003

Unemploy. Rate	All Ages 16 & Up	Males	Females	White, Non-Span	Black, Non-Span	Spanish Origin	Teens, 16-19	Foreign Born
NYC	8.5	9.0	8.0	6.4	13.2	9.0	22.7	8.0
Big Cities	8.2	8.6	7.7	5.2	13.9	9.0	31.2	7.9
Nass/Suff.	4.5	5.0	3.9	4.2	5.6	4.6	11.9	4.3
Suburbs	5.5	5.9	5.1	5.0	8.2	6.7	16.8	6.2
% of Pop. Employed								
NYC	53.7	59.6	48.5	55.3	49.7	51.6	15.4	57.1
Big Cities	60.1	66.8	59.7	64.5	49.2	62.8	26.2	61.8
Nass/Suff.	64.8	72.0	58.2	63.2	66.4	76.4	38.0	67.5
Suburbs	64.4	71.3	58.2	64.4	65.2	65.5	37.3	63.8
Underemp. Rate								
NYC	13.5	13.6	13.4	10.6	18.8	15.1	41.8	13.1
Big Cities	13.8	14.2	13.2	8.6	20.2	17.8	37.9	16.6
Nass/Suff.	7.5	8.6	6.1	7.2	6.9	8.1	19.6	8.0
Suburbs	9.1	9.5	8.6	7.9	12.5	12.8	23.8	11.3

Source: Author's calculations from monthly Jan. – June 2003 Current Population Surveys (not seasonally adjusted). The "underemployment rate" is here measured as the total officially counted as "unemployed," plus those "marginally attached" to the labor force who are discouraged workers (but have sought work in the past year and are available to work now) plus persons employed part time for economic reasons, expressed as a percent of the sum of the official labor force plus those counted as marginally attached. The "big cities" category consists of the subsample of center city residents in the 20 largest metropolitan areas, excluding New York City. And "other suburbs" are the suburban regions of those 20 large metro areas. Starting in Jan. 2003, the U.S. Bureau of Labor Statistics began limiting race-specific statistical estimates to persons self-identifying by a single race (i.e., as "whites only" or "blacks only"). That practice is followed in our estimates here.

Table 4
School Enrolment and Employment Rates among Youth 16 – 24:
New York City, Long Island, and Other Large U.S. Cities and Suburbs, Jan. – June 2003

	School Enrolment Rate	Job-holding Rate of Non-Students	Job-holding Rate of Students
AGES 16 - 19			
NYC	79.8%	32.6%	11.1%
Big Cities	75.6	45.3	20.0
Long Island	88.9	62.6	34.9
Suburbs	78.9	56.2	32.3
AGES 20 -24			
NYC	35.4	62.1	36.6
Big Cities	32.3	72.4	49.3
Long Island	42.2	78.9	52.0
Suburbs	34.8	76.9	51.9

Source: Author's calculations from monthly Jan. – June 2003 Current Population Surveys (not seasonally adjusted). The "enrolment rate" is here measured as the proportion of each age group currently enrolled in school. The "employment rate" is the proportion of each age group currently employed. The "big cities" category consists of the subsample of center city residents in the 20 largest metropolitan areas, excluding New York City. And "other suburbs" are the suburban regions of those 20 large metro areas.

Figure 2
NYC Job Growth by Industry: June 2002 – June 2003
(in thousands of jobs, and percent change)

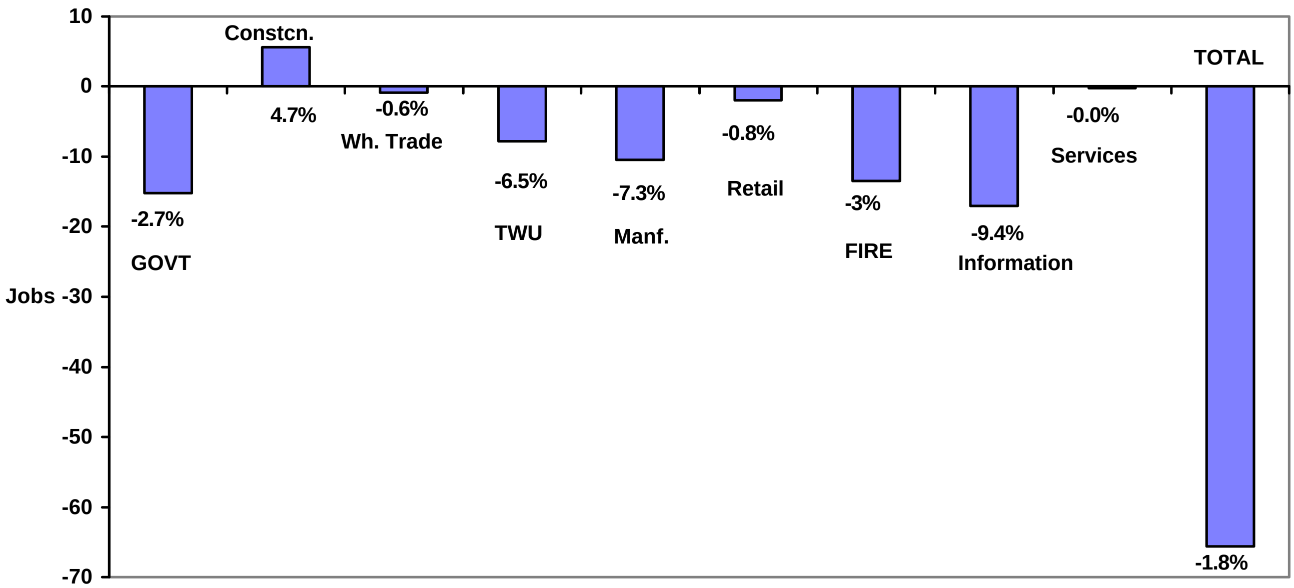
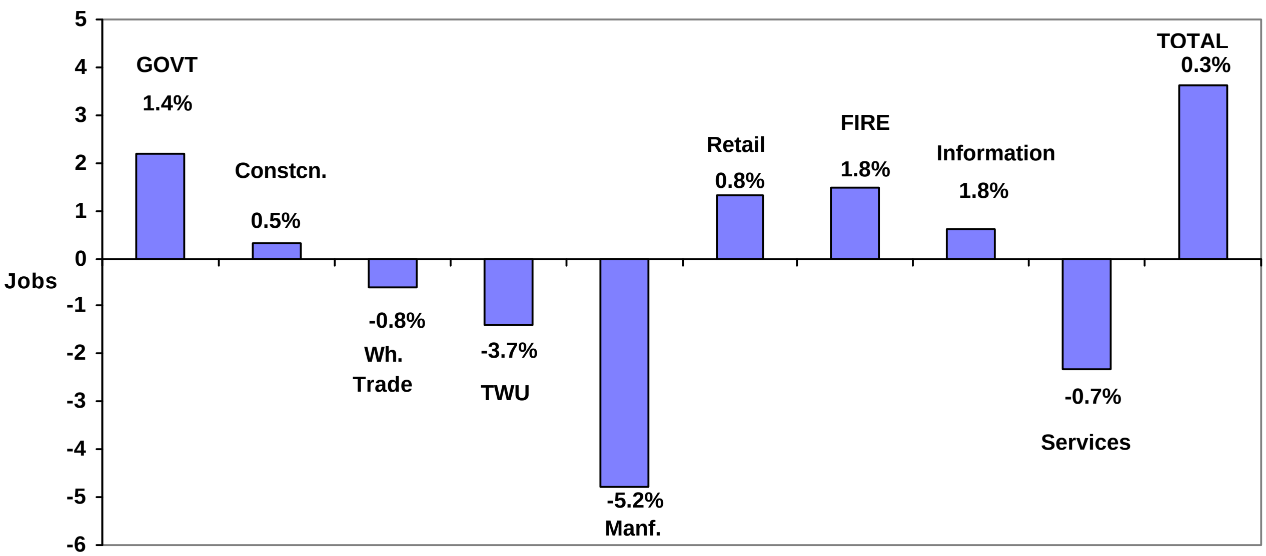


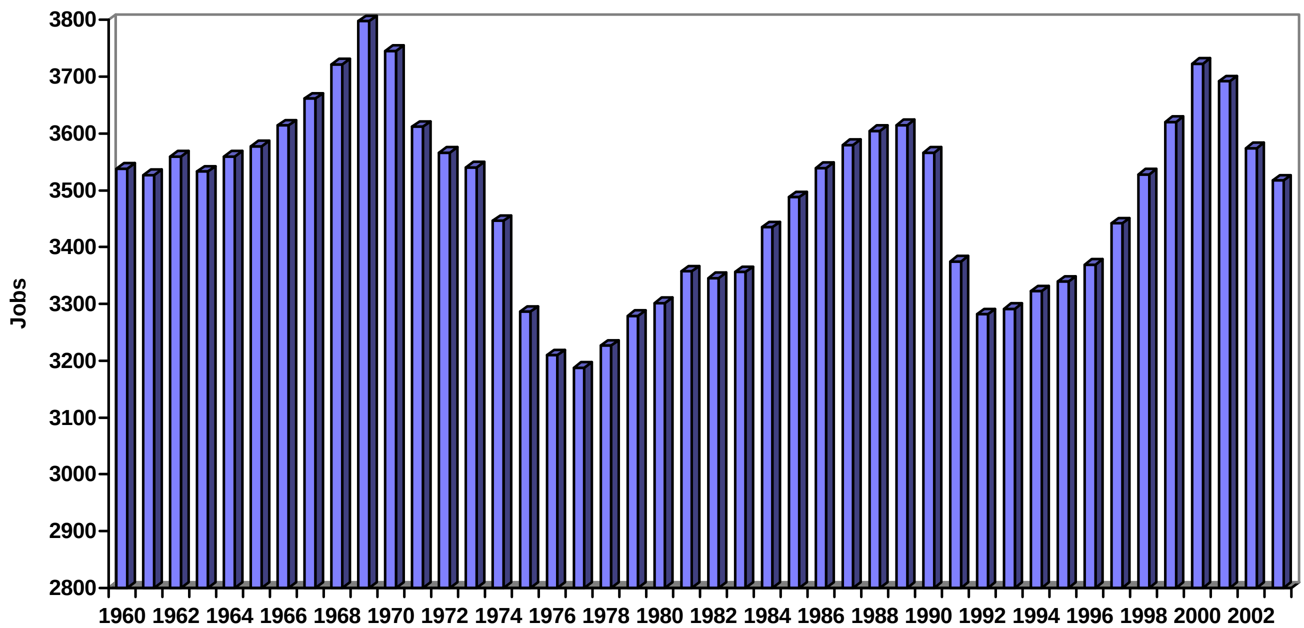
Figure 3
Nassau-Suffolk Job Growth by Industry: June 2002 – June 2003
(in thousands of jobs, and percent change)



Source: NYS Dept. of Labor: nonfarm payroll job data from CES establishment survey. Year-to-year changes, not seasonally adjusted.
Note: FIRE = Finance, Insurance & Real Estate; TW U= Transport, Warehousing & Utilities. These data are based on the new North American Industry Classification System (NAICS), which replaced the Standard Industrial Classification (SIC) system in March.

Figure 1

Number of Payroll Jobs in Establishments located in New York City, 1960-2003
(numbers in thousands)



Source: New York State Department of Labor, based on nonagricultural establishment surveys, 1960-2003. Each bar through 2002 shows annual average number of jobs (not seasonally adjusted). Estimate for 2003 is average of first 6 months.

Gregory DeFreitas is Professor of Economics at Hofstra University, Director of its Labor Studies Program, and Director, Center for the Study of Labor and Democracy.

NOTES

[1] Andrew Park, "Corporate Scoreboard," *Business Week* (8/11/03).
[2] US Dept. of Labor, Bureau of Labor Statistics, *The Employment Situation: August 2003* (9/5/03).
[3] Erica L. Groshen and Simon Potter, "Has Structural Change Contributed to a Jobless Recovery?" *Current Issues in Economics and Finance,* Federal Reserve Bank of NY (August 2003) vol. 9, no. 8.
[4] Kathleen Madigan, "Outsourcing Jobs: Is It Bad?" *Business Week* (8/25/03).
[5] Isaac Shapiro and Jessica Goldberg, *1.1 Million* "Exhaustees' Left Out of Extension of Temporary Federal Unemployment Benefits*", Center on Budget & Policy Priorities Report* (5/23/03) <http://www.cbpp.org>
[6] Lawrence Mishel and Jared Bernstein, "Grading the Bush "Jobs and Growth" Plan," Testimony Before the U.S. Senate Democratic Policy Committee Hearing (6/6/03) <http://www.epinet.org>
[7] U.S. Bureau of the Census, *American Community Survey 2002* <www.census.gov>
[8] Fiscal Policy Institute, *The State of Working New York 2003* (New York: Fiscal Policy Institute, 2003).
[9] The data reported here reflect the introduction this March of the new North American Industry Classification System (NAICS), replacing the Standard Industrial Classification system (SIC), used since the 1930s. The U.S. Bureau of Labor Statistics designed the NAICS to follow a process-oriented approach, grouping firms by *how* they produce rather than by *what* they produce (as in the SIC). Among the changes most affecting New York of this updated system are: (1) most publishing firms and corporate headquarters of manufacturers have been shifted from the Manufacturing sector to new sectors: Information (including everything from newspapers to software publishers and satellite telecommunications) and Management of Companies and Enterprises (part of the Services supersector), respectively. Given the traditional importance of publishing and corporate headquarters in the New York, the effect has been a sharp overnight reduction in the count of manufacturing firms and workers. Likewise, the large subcategory of eating and drinking places has been cut from Retail Trade and shifted into a new supersector: Accomodation and Food Services. To avoid confusing these technical changes with real business trends, the year-to-year changes reported here use comparable NAICS data for both the start and end dates. See the description in: Teresa Morisi, "Recent Changes in the National Current Employment Statistics Survey," *Monthly Labor Review* (June 2003).
[10] NYC Office of the Comptroller, *Economic Notes* (August 2003).
[11] Hiring and layoff information from the NYS Dept. of Labor, *Long Island Briefing:* <www.workforcenewyork.org/li>
[12] Manpower Inc., *Manpower Employment Outlook Survey: Fourth Quarter 2003* (September 2003) <www.manpower.com>
[13] Monte Young, "Labor: Nassau's Cost Saving Hurts Public Safety," *Newsday* (6/3/03).
[14] See month-to-month unemployment trends in "Key Labor Market Indicators," further on in this issue of *RLR*.
[15] NYC Office of the Comptroller, *Economic Notes* (August 2003).
[16] Kate Zernike, "Teenagers Face Hard Competition for Jobs," *NY Times* (7/14/03).
[17] Black and Latino youth in New York have both lower school enrollment and lower employment rates than white non-Hispanics. For example, among 20 to 24-year-olds, 39% of whites are enrolled, but only 36% of African Americans and 31.4% of Latinos (separate tabulations, not shown here). Even wider gaps exist among out-of-school youth in their early 20s: 77% of whites have a job, compared to just 45% of blacks and 60% of Latinos.
[18] NYC Office of the Comptroller, *9/11: Two Years Later: An Analysis of Federal Aid* (September 2003).
[19] Lawrence Mishel and Jared Bernstein, "Grading the Bush "Jobs and Growth" Plan," *op.cit.*
[20] Robert McIntyre, *Final Tax Plan Tilts Even More Toward Richest* (5/22/03) <www.ctj.org>
[21] Michael Mandel, "So I Was Off By A Few Trillion," *Business Week* (8/11/03).
[22] George Akerlof , interviewed by *Der Speigel* (8/1/03) *<http://www.Spiegel.de>*
[23] Peter G. Peterson, "Deficits and Dysfunction: How the Republicans (and Democrats) Have Sold Out Our Future," *NY Times Magazine* (6/8/03): p. 16.