Economic Ills, Uneven Impacts & New Wage Battles

by Gregory DeFreitas

New York and most other states entered the second half of 2001 with economic activity weakening and job worries mounting. The nation's total production of goods and services, as measured by the inflation-adjusted Gross Domestic Product, crept up at an annual rate of just 0.7% from April through June -- compared to a 5.7% jump during the same quarterly period last year. In its mid-year report in early July, the U.S. Labor Dept. released a spate of worrisome findings. While the national unemployment rate rose only slightly, after seasonal adjustment, to 4.5%, it would have increased far more had not 600,000 people given up job seeking and thereby dropped off the official unemployment rolls since January. Black and Hispanic unemployment rates have jumped sharply to 8.4% and 6.6%, respectively. The black youth unemployment rate has leapt nearly 3 percentage points – to 28.2% -- since the same time last summer. Initial claims for unemployment benefits have hit the highest level since 1992.

In the private sector, an average of 117,000 jobs were lost each month from April through June – the worst quarterly job loss since the 1990-91 recession. Manufacturing has been the hardest hit industry: it shrank by 4% from June 2000 to June 2001. But early summer saw its woes spread to related wholesalers and trucking industries, where 27,000 positions were lost in June. And the huge service sector, source of most new jobs over the past decade, recorded its first quarterly decline since 1958. Much of the service jobs lost were temporary workers, particularly those doing factory jobs victimized by the continuing manufacturing recession. But a growing amount of service work at banks, brokerages, and call centers has also begun to face cuts. The summer's most stunning layoff headlines came in high tech. New Jersey-based Lucent, the nation's biggest telecommunications equipment maker, announced a new round of 20,000 layoffs – two-thirds of them in the U.S. Marking one of the fastest corporate declines in American history, Lucent will be cut in half: from 155,000 employees 1 year ago to about 60,000 by the end of 2001.

Optimists have pinned their hopes for a rebound on the Federal Reserve's 6 interest rate hikes since mid-1999, falling energy prices and business inventories, and tax rebate checks that began appearing in some mailboxes in late July. But many of the families most in need of tax relief will receive little if any. In New York, an estimated 29% of taxpayers, 2.5 million mostly low- and middle-income people, will receive nothing from the Bush tax cut. Analysts attribute this to the plan's exclusive focus on income tax cuts biased toward the wealthy rather than on trimming the payroll taxes that burden most working families far more. Moreover, the slowing economy has already slashed by 40% the year's estimated federal budget surplus, making it that much more likely that the $1.35 trillion tax cut will quickly begin threatening Social Security, Medicare, and other needed programs.

Job Growth

New York State's overall economy managed to resist recessionary pressures longer than much of the country, led by strong gains since the late 1990s in the New York City metro area. But signs of a stalling economy became unmistakably clear in May when, after seasonal adjustment, the state lost 3,800 jobs. The following month saw job cuts of 9,500 – the first back-to-back monthly job losses in the private sector since the mid-'90s. New York City lost a seasonally adjusted 2,400 jobs in June, following a 2700-job decline in May. Most of this reflected public sector job cuts of 1,700 jobs in June. But the private sector was also down, after seasonal adjustment, by 700 jobs in June, and some important industries had big losses. Business services, which include many Internet and new media companies, lost 6,200 jobs. Law firms cut 1,200 jobs, while engineering and management dropped 1,100. Retail and wholesale trade shrank by 1,900 jobs (see Figure 1).

The state of New York City's economy – and what to do about it – has drawn growing attention with the approach of the autumn elections for mayor and for most of the 51 City Council seats. Job and income growth have become increasingly dependent on Wall Street's erratic fortunes. For the fourth consecutive month, Wall Street cut still more jobs (1700) in June. Big declines in second quarter profits at brokerage giants Merrill Lynch (41% profits drop) and Charles Schwab (off 26%) led to July 18th announcements of new round of cost-cutting and, at Merrill Lynch, continued layoffs. Each firm had already cut close to 4000 staff jobs before the July announcement. On July 2nd, Citigroup's purchase of European American Bank was approved by the Federal Reserve Board. EAB has 97 branches in New York City and on Long Island, where it is headquartered in Uniondale. In May, Citigroup announced that it would shut 19 of those branches, as well as another 5 Citibank sites. A few weeks later, American Express revealed plans to slash 4,000 – 5,000 jobs.

Over the 12 months since June 2000, the city had net job growth of 44,400 -- a 1.2% increase – still well ahead of the 0.3% national growth rate. When federal government job cuts are subtracted, the private sector registered growth of 50,400, or 1.6%. Of these new jobs, 46,100 were in the service sector. That industry's job sources included 9,000 new positions in business services, 4,400 in film and TV production, and 4,200 at colleges and universities. Tourist-related services have been hit as well. According to the Federal Reserve's August appraisal of regional economic activity, the hotel occupancy rate in Manhattan (80%) fell to a 6-year low in the second quarter, a drop of 9 percentage points over the past 12 months – even though the average room rate was cut by the steepest annual amount since 1991. An extra 10,400 retail trade jobs were developed over the June-to-June period. Although jobs at food and department stores fell, 5,100 new bar and restaurant jobs and 2,600 jobs in clothing stores outweighed these declines. In contrast, wholesale trade shrank by 3,000 jobs.

Manufacturing suffered the largest 12-month losses of any industry: 10,500 jobs disappeared, a 4.3% shrinkage. About 7,200 of these were in apparel, with 5 out of 7 in the women's and misses outerwear category. In durable goods production, 600 jobs were lost in electronics and electrical equipment, and another 500 in fabricated metals.

Construction has held up better than most other sectors, but the latest government survey found it slowed in the second quarter. Multi-family housing permits fell substantially in June on a seasonally adjusted basis; for the second quarter overall multi-family permits fell by about a third from first-quarter levels and were more than 20% lower than a year ago. Most of the decline reflects a return to more normal levels of activity in New York City, following two boom years. Single-family housing permits also declined in June, and were down 5% in the quarter -- compared with both the first quarter and a year earlier.[1]

The city's public sector added another 4,200 teachers and other educational jobs, which raised local government to nearly 451,000 jobs. But this was outweighed by 9,700 federal job cuts (most related to Census 2000), shrinking total government by 6,000 over the 12-month period.

Long Island recorded a 1.8% growth in jobs since last June, much better than either New York City or the nation as a whole. The private sector grew by 18,700 jobs, and new government hires (mostly school-related) added another 3,800 to the total. Services continue to be the main growth sector, accounting for 12,600 new jobs. Retail trade (+4,100), transportation (+2,100) and construction (+1,900) also gained jobs. But manufacturing lost 2,200 positions, with cuts in nearly all major areas. Chemicals and allied products alone had net growth, but only by 800 jobs. And the echo effect of Wall Street's doldrums is evident in the loss of 300 banking and 200 other financial positions.

Unemployment and Underemployment

At a time when the U.S. unemployment rate stood at a seasonally adjusted 4.5%, New York City's level was still considerably higher: it grew to a seasonally adjusted 5.3 percent in June from 5.2 percent in May. The city's unemployment rate would have risen still more, but many former jobseekers gave up and left the labor force (thereby falling out of the official "unemployed" group). The labor force fell to 3.496 million this June from 3.572 million a year earlier, with declines in all 5 boroughs (see Table 2). According to the NYC Comptroller's Office, labor force participation rates in the city, which hit a high of 60.4% in May 2000, had shrunk 2.2 percentage points to 58.2% in June. With the national rate little changed at 66.8 percent, the City's activity rate fell further still below the national level.

Long Island has enjoyed a much lower unemployment level than the city for years, and it has continued to hold at a seasonally adjusted 2.8 – 3% month after month (see *Data File* later in this issue). While labor force dropouts have started outnumbering entrants in the city, the island had continued labor force growth (+36,400) over the year-to-year period. However, Table 2 shows that the number of unemployed rose slightly in Suffolk County, increasing to 23,200.

In order to develop clearer comparisons than those available in current government publications, in Table 3 we present separate estimates of unemployment rates, employment-population ratios, and underemployment rates by gender, race, Spanish Origin, age, and immigration status for 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 three months (the first quarter of 2000) of raw CPS household data, obtained from the U.S. Census Bureau.

The table reveals sharp racial differences, whether measured by the conventional unemployment rate or by the broader - - and much higher – "underemployment" measure. African Americans in New York City have a 8.8% unemployment rate – 3 times the white non-Hispanic rate – and 15.8% are underemployed. Among Latinos, 7.9% are unemployed and 15.1% underemployed. The employment-population ratios show how much smaller a share of most New Yorkers hold a job compared with most other parts of the country. Nationwide, 64.3% of big city dwellers hold jobs, but only 55.6% of New Yorkers do. The gap is especially wide among women: only 48.6% of female New Yorkers are employed, 9 percentage points below the national average. And the employment gap remains wider still among teenagers. Only one in five New York youth have a job vs. 36.4% of teens in other big cities.

Inequality and Discrimination

While much media coverage of the economic downturn has focused on Wall Street woes and dot-com layoffs, a spate of new research shows that high-income Americans have continued to capture a wildly disproportionate share of income growth – and that inequality will grow even worse as the Bush tax cuts are phased in. In May, the Congressional Budget Office released a study of the most comprehensive data available on household after-tax incomes. The CBO found that from the late 1970s to the late 1990s, after adjustment for inflation, the average after-tax income of the poorest 20% of American households fell slightly and that of the middle fifth rose 10%. But the richest 1% of households enjoyed a 157% jump in their after-tax income (+$414,000 on average). The income gap kept widening at least through 1997, and preliminary findings indicate the pattern persisted through 1999.[2]

Among the starkest evidence of this trend is the continued skyrocketing of corporate executives' pay. According to Business Week's annual national survey of CEOs at large corporations, the average CEO's total compensation last year was a staggering $13.1 million! This reflected a 6.3% raise over the previous year, compared with just a 4.3% increase for the average salaried employee, and even less for rank and file production workers. The average CEO's pay is now a stunning ***531 times*** greater than that of the average worker – compared to a ratio of just 85 to 1 a decade ago (see Fig. 3).[3] This boss-worker gap is far greater than in any other industrialized economy. Despite years of criticism of compliant boards of directors, most showed little restraint in fattening CEO wallets even as stock prices fell and rank and file layoffs mounted. Business Week awarded its "booby prize" for the most outsized pay-to-performance to Charles Wang, head of Long Island-based Computer Associates, for taking $698.2 million in pay while delivering a dismal shareholder return of –63%.[4]

Unless the Bush tax package is fundamentally changed before the huge tax breaks for the wealthy are phased in later this decade, these inequalities seem certain to become ever more severe. Reliable economic estimates show that about 37% of the benefits will be handed to the richest 1% of taxpayers, and that their percentage gain in average after-tax income will be 3 times larger than that of the middle class and 7 times that of the poorest fifth of taxpayers.[5] Tax avoidance by some of the wealthy seems certain to inflate their winnings even more. In July, Manhattan District Attorney Robert Morgenthau testified before a U.S. Senate committee that, according to previously secret Federal Reserve data, Americans' illegal use of offshore tax havens was far worse than earlier thought. He charged that these accounts are a "product of huge and growing tax evasion by wealthy Americans who have little if any fear of prosecution." Sen. Carl Levin noted that fewer than 6,000 of 1.1 million offshore bank accounts and businesses were properly disclosed and legal. The estimated annual losses to the U.S. are some $70 billion. Yet, in April, Treasury Secretary Paul O'Neill refused to join a new international effort to pressure the Cayman Islands and other havens to cooperate with criminal investigations of tax evasion and money laundering. After being publicly criticized by 7 former IRS Commissioners and called before the Senate committee, O'Neill would only promise to seek new treaties this year with, as he put it, "Half of the top 5 tax havens."[6]

According to a state-by-state analysis of Census Bureau data by the Center for Budget and Policy Priorities and the Economic Policy Institute, New York State and New York City have the worst income inequality in the entire country.[7] Inequality has risen markedly since the late 1970s throughout the state, but particularly in the New York City metropolitan area. The average income of the richest fifth of New York City families jumped to a level 20 times above the income of the bottom fifth of families by the late 1990s, more than double the city's rich-poor gap in the late seventies. The city's middle class has also lost ground to the rich over this same period. The median income of the top quintile of families has risen to a level 4 times that of the middle fifth of families.

Is this simply a reflection of a trend in which incomes are rising for all groups, but at a faster rate for the Wall Street rich? The data suggest otherwise. While the average annual family income (adjusted for inflation) of the richest fifth in New York City has leapt 18 percent since the late 1980s, the average incomes of the other four-fifths of families have actually *fallen*. Middle-income families suffered a 12 percent drop (to $38,416) and the poorest fifth saw their average income plunge 13 percent (to $7,774). In dollar terms, after inflation adjustments, middle-income families lost an average of $5,084 and low-income families lost $1,164, over the same period that the richest fifth of families enjoyed a $23,373 jump in yearly income to an average of $155,485 by decade's end.

New reports also indicate that racial inequality appears to still be far more widespread than expected. Its persistence as a national problem in companies large and small, was highlighted in the July 30, 2001 *Business Week* feature, "Racism in the Workplace: In an Increasingly Multicultural U.S., Harassment of Minorities is on the Rise." Reporting on its 2-month investigation, *Business Week* found that, since 1990, as the minority work force has risen 36%, racial harassment charges have jumped 100%. Most charges now involve multiple victims and few appear to be frivolous, given how difficult and time-consuming it is to file such charges and the serious risks of retaliation by employers and co-workers. According to the report:

> "Minority workers endure the oldest slurs in the book. They're asked if they eat 'monkey meat,' denigrated as inferior to whites, or find 'KKK' and other intimidating graffiti on the walls at work…Worse yet are hangman's nooses, a potent symbol of mob

lynchings in America's racial history. The EEOC has handled 25 noose cases in the past 18 months, 'something that only came along every 2 or 3 years before,' says Ida L. Castro, outgoing EEOC chairwoman."

New York has been very much part of that trend, in both its public and private sectors. New evidence came in July, when the Federal Government took the unusual step of suing the Giuliani administration for allowing hostile work environments for women, African Americans and Latinos to persist in city workfare jobs. According to U.S. Attorney Mary Jo White, City Hall had balked at taking the corrective steps recommended by a 1999 EEOC report critical of the city's handling of sexual harassment complaints. In fact, the mayor has long claimed that welfare recipients in such jobs were not "employees," and thus had no legal rights of protection against employment discrimination.

The City's Department of Parks and Recreation, and its long-time leader Henry J. Stern, have been the focus of most attention. A February report by the EEOC's New York district office found "reasonable cause" to conclude that the department illegally discriminates on the basis of race. It found that: "supervisory lines of authority are almost completely segregated by race and color." It charged that Civil Service procedures were routinely ignored, that promotions and raises often went to whites instead of to more experienced blacks and Latinos, and that workers who complained of discrimination were punished.[8] The EEOC study was sparked by complaints filed in 1999 by 20 current and former Parks Dept. employees. Parks Commissioner Stern, an outspoken opponent of affirmative action, at first dismissed the EEOC report as "a farce," but was quickly placed under a rule of silence by City Hall. Stern's 15-year tenure as Parks Commissioner has seen a growing focus on private investment and volunteerism. While Central Park, Bryant Park, and a few others in well-heeled neighborhoods have attracted enough private dollars for maintenance, most city parks in lower-income areas have deteriorated thanks to years of budget cuts. The number of full-time city park gardeners has plummeted by two-thirds since 1970, and even the number of workfare employees assigned to the parks has dropped just as sharply, to just 2000 today.[9]

A new survey of women working in major New York securities firms has revealed widespread perceptions of persistent gender discrimination on Wall Street. Catalyst, an independent research organization, surveyed nearly 500 junior and senior female employees, who averaged 10 years experience with their current firm.[10] Two out of every 3 women who responded said that they must work harder than men for the same rewards. One-third reported that they faced unwanted sexual attention at work and that their employer tolerated sexist comments. Most still felt blocked by a "glass ceiling:" only 1 in 5 said that women's promotional opportunities had increased greatly in the past 5 years. And there were suggestions that women in the industry must make greater personal sacrifices as well: only 2 out of 3 lived with a spouse or partner, compared to nearly 9 out of 10 male coworkers.

Corporate Welfare Up, Family Welfare Down

With each week bringing news of another dot-com collapse or securities sector setback, the city's economic policies for protecting its job base have come under unprecedented scrutiny. City Hall's version of economic development strategy has focused on "business retention deals" granting tax breaks, low-cost energy, and other incentives to large corporations that threaten to move out of the city. In June, the Independent Budget Office released a new study, *Full Disclosure? Assessing City Reporting on Business Retention Deals*. The study faulted the city and state economic development authorities for consistently failing to report the full costs and benefits of the packages they offer to big firms threatening relocation. In the most comprehensive independent study to date, the Center for an Urban Future drew on a wide variety of data to evaluate the costs and long-term consequences of City Hall's 12-year record of giving 80 big companies over $500,000 each in aid deals. The study found that the overwhelming majority were in banking, financial services, insurance and media, and concluded that:

> "A disturbingly large percentage of the firms that have benfited from city retention deals during the past decade have been acquired by other companies, put themselves up for sale, gone belly-up, moved major parts of their business out of the city or simply eliminated many jobs in New York shortly after taking advantage of city incentives. The end result, in case after case, has been a reduction in city jobs."[11]

A total of over $1 billion has been spent so far in these taxpayer-financed giveaways. But the city and state continue to pledge vast new sums unnecessarily to corporate giants. For example, few institutions are less likely to ever move out of the city than the New York Stock Exchange (NYSE) or the *New York Times.* But both the state and city governments have decided to lavish millions of tax dollars on new headquarters for each of them. The largest corporate subsidy in state history – a staggering $1.1 billion – is to be given to the NYSE for a new trading complex and office tower on Wall Street. Last December, the governor signed enabling legislation for the state to clear the site for new construction and for newly issued city bonds to finance the project. A huge public subsidy to the state's wealthiest institution would seem budgetary folly in any era. But with the growing shift to electronic trading and with large amounts of newly available office space already on the market downtown, the city's original defense of the subsidy rings ever more hollow. The same is true of city and state aid to the *NY Times* for the new 51-story headquarters it wants to erect on Eighth Avenue at 40th Street in Manhattan. The state is using its powers of condemnation to oust 11 current building owners from the 2-acre site, which it will then lease long-term to the *Times* at far below-market rates. In addition, City Hall is doling out some $29 million in tax breaks and other incentives for the new building.[12]

While there's no end in sight for such corporate welfare, this fall will mark the end of the 5-year lifetime limit on federal welfare benefits that was imposed by the 1996 national welfare overhaul. Some 63,000 families (about 200,000 people) in New York City face a cutoff of federal benefits. New York is one of a few states with its own "Safety Net" program, but how many former TANF recipients it will serve and how adequate its benefits will be are sources of concern in many quarters. Under Safety Net, a city agency, the Human Resources Administration, will attempt to directly pay each poor family's rent and utilities. But the agency's past record of delays and inefficiency has inspired little confidence in its ability to take on still more ambitious tasks. In addition, each recipient will receive a special debit card for small cash purchases. But, while current monthly TANF benefits average $577 for a 1 parent, 2 child family, the Safety Net card would allow them just $58 a month to cover a host of small expenditures on clothing, school trips, etc.[13]

This comes at a time when the number of homeless families in New York City has risen higher than ever, exceeding the previous peaks of the late 1980s and mid-1990s. City figures released in July revealed that a record 20,655 family members – including 11,594 children – were lodged nightly in temporary shelters that month. Applications for shelter have been 30% above last year's level. The City's shelter system is the only one in the nation operating under a court-ordered right to shelter for the truly homeless. Among the reasons for the jump in homelessness are: years of sharp rent hikes beyond the reach of many working families, shrinking job opportunities and welfare payments for low-income people, a growing refusal of landlords to accept federally subsidized Section 8 housing vouchers, and a sharp drop in low-cost apartment construction and renovation by the city since the 1980s. Rents on Manhattan apartments may have leveled off in recent months (at levels among the highest in the world), but rents in nearby parts of other boroughs are up 10-20% from a year ago, according to realty sources. Steven Banks, Director of the Legal Aid Society's Homeless Rights Project argues that: "The city has created an incentive and a market for landlords to rent apartments for 3 times what either a federal subsidy or a city subsidy would cover. The city's put itself in this bind by neglecting the housing needs of low-income and working families for 8 years."[14]

A decade after the end on the last national recession, over one-fifth of New York City residents still fall below the poverty line, nearly twice the national poverty rate. One out of every 3 New York City children lives in poverty.[15] While local poverty rates fell as job opportunities improved during the 1990s, they have not yet fallen below late-1980s levels. This is all the more startling in light of how outdated and unrealistically low the government's poverty estimates are today. Still based on an "emergency food budget" from the late 1950s, the poverty income level was crudely estimated by multiplying that food budget by a factor of 3 (assuming one-third went to food and two-thirds to other needs). Since then, it has only been increased to adjust for annual price inflation. But, the government's own consumer spending surveys have long shown that the rising costs of housing, health care, and transportation have forced families to allocate three fourths of the average budget to non-food items). Hence, a more realistic poverty threshold would require multiplying a minimal food budget by 4, not 3, and thereby producing a higher poverty line – and a much larger number of working poor falling below it at current wage rates.

A new study by the Economic Policy Institute, a well-known Washington think tank, estimates state-by-state, what a "basic family budget" costs today.[16] Such a budget includes only the minimal amounts an average family needs to feed, shelter and clothe itself, plus pay for basic health and child care, transportation, and taxes. It includes no money for such extras as entertainment, restaurant meals, savings, or emergencies. Based on 1999 Census Bureau income data, EPI found that, for the U.S. as a whole, a basic family budget for a average 2-parent, 2-child family costs $33,511 – nearly twice the federal poverty income level for such a family that year ($17,463). Among all major metropolitan areas in the country, Long Island has the highest-cost basic budget for a 4-person family: $52,114. New York City's basic budget cost is not far behind: $47,085. For a 1-parent, 1-child family, the basic income cutoff is $42,513 on Long Island and $36,899 in the city. Statewide, 1.25 million families – 37.5% of all families – have incomes below the level they need to afford a basic family budget.

If the minimum family income required to meet basic needs on Long Island is indeed over $52,000, then clearly growing numbers of families are in dire straits. Human service organizations report that shortages of decent-paying jobs and affordable housing are driving surprising numbers of Long Islanders to seek food assistance and temporary housing in shelters and transient motels. The homeless population is now estimated to be 50,000, of whom 20,000 are children. A survey of hundreds of individuals seeking aid at 22 outreach centers and 2 Food and Nutrition Centers across Nassau and Suffolk Counties found that, although two-thirds had at least a high school education and 45% were working, almost all earned below $20,000 a year.[17] Nearly one in three said they had gone without food for a day or more in the past month. And two-thirds had to pay over half their income just for rent.

Minimum or Living Wages?

The 1996 federal minimum wage hike, coupled with tight labor markets, clearly helped stem further earnings losses for most workers in the past decade. However, its current level of $5.15 is some 17 percent less than what it was two decades ago (after adjustment for inflation), and 27 percent below its 1968 peak. In the coming year, if both unemployment and inflation remain low, the timing appears ideal to raise the minimum wage to $6.15. But, Congressional opponents may require that even that modest increase must be phased in over several years. A growing number of states have raised their own wage floors above the low federal level, and there is now a legislative proposal to do the same in New York. Surprisingly, the state's minimum was stuck at $4.25 from 1991 to March 2000. As many as 375,000 New Yorkers are not covered by the federal law because they are employees of small firms without interstate commerce or are counted as seasonal workers. New York was among a minority of states across the country that failed to raise the state minimum wage after the federal minimum was increased in 1996. Though increases in the state rate have repeatedly been passed by the Democratic majority in the state Assembly, they failed to clear the Republican-run Senate until 1999. Since March 31, 2000, the state minimum has been $5.15 per hour and when the federal minimum wage is raised in coming years, the state minimum will automatically match the increase.

This June, over 80 New York-based economists, including professors from Columbia, Cornell, CUNY, Hofstra and SUNY, endorsed the NY State Assembly bill to increase the state minimum wage to $6.75 an hour. The economists' letter read, in part:

> Increasing the minimum wage to $6.75 in 2002 and tying further increases to the regional Consumer Price Index will significantly raise income for over 1 million New York workers. Most of the beneficiaries are adults, most are female, and the vast majority are members of low-income working families. This increase is certainly affordable in light of the fact that in 1968 the minimum wage was equivalent to well over $7.00 an hour expressed in current dollars, compared to $5.15 an hour now.
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> By increasing its minimum wage, New York would join a growing list of states where voters and political leaders have chosen to take control over wage policy rather than wait for Congress to act at the federal level. There are now ten states plus the District of Columbia with minimum wage levels above the current $5.15 federal level, including four neighbors: Vermont ($6.25), Massachusetts ($6.75), Connecticut ($6.70 as of 2002), and Rhode Island ($6.15). These states hold in common a high level of average income and a high cost of living, two factors that favor a state minimum higher than the inadequate national floor. In its 1999 Economic Report of the President, the Council of Economic Advisors remarked that "the weight of the evidence suggests that modest increases in the minimum wage have had very little or no effect on employment."

This spring, a widely publicized 3-week student sit-in at Harvard demanded that the wealthy university improve the pay of its low-wage janitorial staff by paying them a "living wage." The basic aim of such proposals is to reward the work of low-wage populace by ensuring that the earn at least enough to keep their families above the official poverty line ($17,029 for a family of four, or at least $8.19 per hour for those able to find a full-time, year-round job). At the federal minimum wage rate of $5.15, a full-time worker could only earn $10,700 yearly, far below the poverty line. One-fourth of all American workers, about 30 million Americans – 1 in 4 working people – today earn wages below the poverty level. Since 1994, 63 American cities have adopted living wage laws, as have several counties, local school boards, and 2 universities (Wesleyan and the University of Wisconsin). In Los Angeles, for example, the ordinance requires minimum pay of $8.76 per hour to 9000 low-wage employees of firms with city service contracts. Still, because of relatively narrow firms and employee coverage, only about 100,000 workers are protected by these laws.[18]

On July 27, Suffolk County's legislature made Suffolk the first county in the state – and the first Republican-led municipality in the nation -- to pass a "living wage" law. The new law, which goes into effect in July 2002, mandates payment of a living wage by all contract agencies, contractors, or subcontractors with 10 or more employees who provide the county with goods and services in excess of $10,000, as well as all who receive $50,000 in any form of county economic assistance. Originally passed in June by a 17-1 vote in legislature, the bill was vetoed on June 28th by Republican County Executive Robert Gaffney on the grounds that it might be too costly for the county and its service agencies and it might displace unskilled workers. But economic studies of living wage experiences elsewhere have so far found no significant impacts on local taxes or job displacement. And, thanks to Medicaid's cost-sharing formula, some 90% of added health care labor costs should be reimbursable to Suffolk by the state and federal governments. The legislature prevailed in overriding the Gaffney veto a month later. Among the new law's main provisions are:

- a living wage of at least $9 an hour with health benefits, or otherwise $10.25 an hour;
- annual cost-of-living adjustments in the living wage, indexed to the local CPI;
- part-time, temporary & full-time workers covered;
- at least 12 days off per year for sick leave, vacation or personal necessity, at the employee's request
- payroll records, including each employee's residence, hire date, occupation, hours worked, and wages & benefits, must be filed quarterly by covered employers;
- no covered employer can construe the law to reduce wages set by collective bargaining;
- 'Whistle-blower' rights: employees complaining of wage violations are protected from firings, wage/benefit cuts or other forms of employer retaliation;
- Suffolk County Dept. of Labor is in charge of record-keeping and administering the law.

As New York City approaches elections for mayor and most other city government posts this fall, a labor and community coalition has proposed a new living wage bill for the city. In fact, New York adopted its own, little-known living wage law in 1996 (over the veto of Mayor Giuliani). But, in response to opposition from nonprofit service providers worried about their own labor costs, it was narrowed down to cover only about 1400 cleaners, food service workers, and security guards at companies with city contracts. The new bill now aims to vastly improve the coverage and pay of the earlier law, while protecting the nonprofits. It sets a minimum floor of $10 an hour with health benefits, $11.50 otherwise, for all firms with city contracts, tax breaks, or subsidies, as well as their subcontractors and business partners. A "pass-through" wage provision requires the city to add enough extra to its contracts with service providers to cover their extra labor costs. In addition to union backers like CWA, SEIU 1199, UFCW and UNITE, the bill has won the active support of the large and influential Community Service Society.[19] But a fierce battle is expected against growing business opposition.

Table 1
Number of Nonfarm Jobs (in thousands) by Place of Work: 1999-2000

	June 2000	June 1999	% CHG
U.S.	132860.0	129767.0	2.4%
NY State	8702.8	8521.2	2.1
New York City	3706.2	3616.9	2.5
Nassau-Suffolk	1240.1	1209.6	2.5

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

Table 2
Civilian Labor Force, Employment & Unemployment:
New York City, Nassau-Suffolk & All U.S., June 1999 – June 2000
(in thousands, not seasonally adjusted)

	Labor Force		Employed		Unemployed		Unemp. Rate	
AREA	June 2000	June 1999	June 2000	June 1999	June 2000	June 1999	June 2000	June 1999
U.S.	142132.0	140666.0	136192.0	134395.0	5940.0	6271.0	4.2%	4.5%
NYC	3474.5	3435.5	3287.7	3210.5	186.8	225.0	5.4	6.5
Brooklyn	971.5	961.1	909.9	888.6	61.6	72.5	6.3	7.5
Bronx	467.5	462.2	436.0	425.8	31.5	36.4	6.7	7.9
Manhattan	836.6	826.5	797.4	778.6	39.2	47.9	4.7	5.8
Queens	1000.8	990.1	955.3	932.8	45.5	57.3	4.5	5.8
Staten Island	198.1	195.5	189.1	184.7	9.0	10.8	4.5	5.5
Nassau-Suff.	1467.3	1430.1	1424.0	1380.6	43.3	49.5	3.0	3.5
Nassau Co.	721.9	702.1	701.0	679.6	20.9	22.5	2.9	3.2
Suffolk Co.	745.4	727.9	723.0	700.9	22.4	27.0	3.0	3.7

Source: CPS household survey data from NY State Department of Labor, 2000. Note that these data reflect regular revisions made by the Dept. of Labor.

Figure 1
NYC Job Growth by Industry: June 2000 – June 2001
(in thousands of jobs, and percent change)

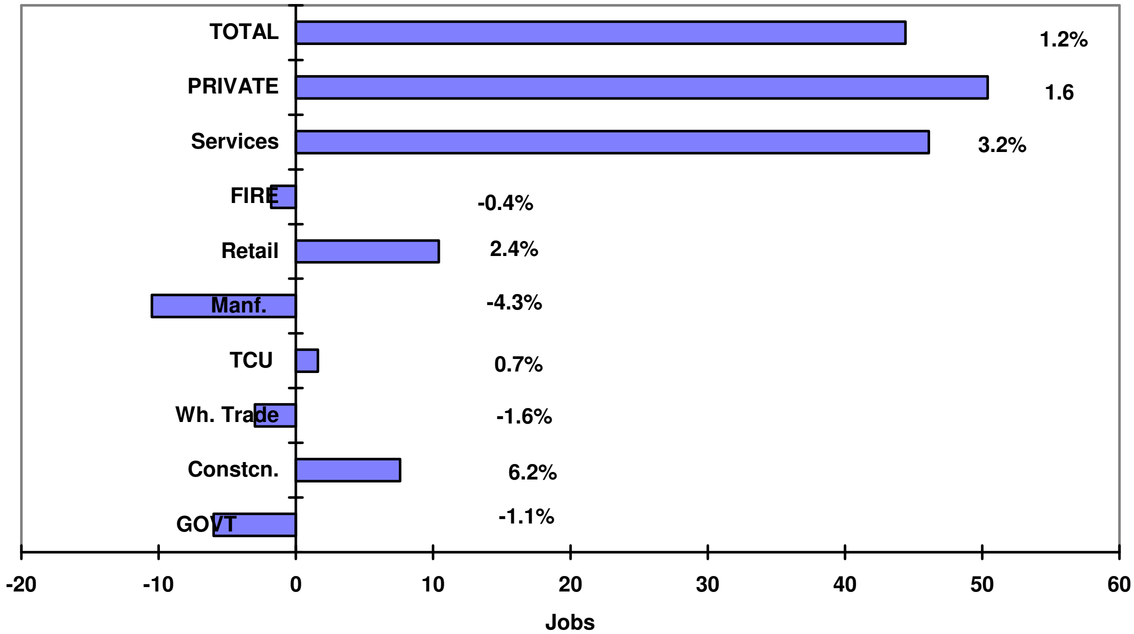
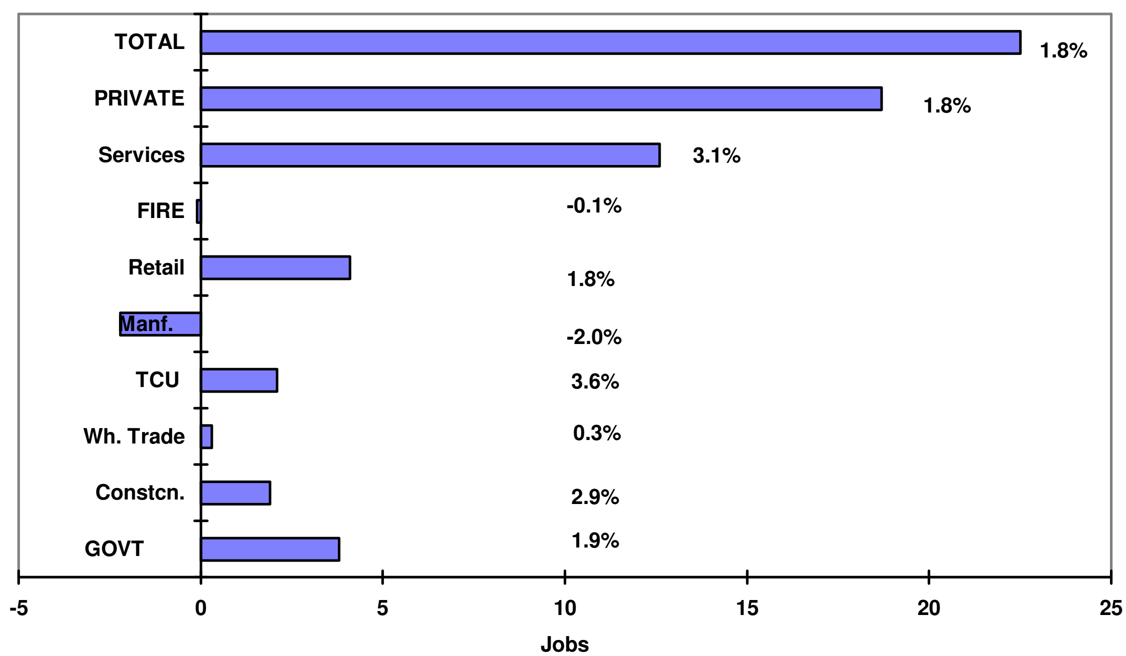


Figure 2
Nassau-Suffolk Job Growth by Industry: June 2000 – June 2001
(in thousands of jobs, and percent change)



Source: NY State Department of Labor. FIRE = Finance, Insurance, Real Estate; TCU = Transport, Communications, Utilities. Year-to-year changes, not seasonally adjusted.

Table 3
Unemployment, Employment & Underemployment Rates, by Sex, Age, and Race/Ethnicity: New York City, Nassau-Suffolk, and Other Large U.S. Cities and Suburbs, 2001:I

Unemploy. Rate	All Ages 16 & Up	Males	Females	White, Non-Span	Black, Non-Span	Spanish Origin	Teens, 16-19	Foreign Born
NYC	5.4	5.2	5.6	2.7	8.8	7.9	15.6	4.7
Big Cities	5.6	5.6	5.6	3.6	10.1	5.9	18.1	4.5
Nass/Suff.	3.6	4.8	2.1	3.2	4.2	4.3	10.2	5.6
Suburbs	3.8	4.1	3.5	3.3	5.6	6.4	11.6	4.2
% of Pop. Employed								
NYC	55.6	64.2	48.6	58.5	51.8	52.9	20.3	59.1
Big Cities	64.3	71.6	57.6	68.6	56.4	65.0	36.4	65.1
Nass/Suff.	61.4	66.3	56.6	61.5	59.7	62.3	36.7	55.8
Suburbs	66.6	73.5	60.1	66.3	69.0	66.1	44.4	66.0
Underemp. Rate								
NYC	10.7	9.7	11.8	6.1	15.8	15.1	27.9	10.4
Big Cities	10.5	10.6	10.4	6.8	16.9	12.1	30.6	10.8
Nass/Suff.	6.4	7.0	5.6	5.8	7.1	9.6	14.2	10.2
Suburbs	7.1	7.0	7.2	6.2	9.9	11.3	20.2	8.0

Source: Authors' calculations from Jan. – March 2001 Current Population Survey. 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 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.

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NOTES

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