

# REGIONAL LABOR REVIEW

**VOLUME 8**

**FALL 2005**

---

- Unemployment Falls, Inequality Rises: New York's Uneven Recovery** p. 3  
*By Gregory DeFreitas*
- Latest Trends in Key Labor Market Indicators** p. 8
- Union Organizing among Low-Wage Suburban Immigrants** p. 9  
*A New Interview Series on Union Organizing Today*  
*by Niev Duffy*
- How Important is the Minimum Wage?** p. 23  
**Wage Contours and Job Impacts**  
*by Oren Levin-Waldman*
- Job and Business Growth Among New Migrants:**  
**Rising Self-Employment in New York City** p. 33  
*by Jonathan A. Schwabish & Jane E. Lynch*
- Living Labour: Life on the Line at Peugeot** p. 45  
*Book Review, by Janet Lenaghan*
- Calendar** p. 47

# Unemployment Falls, Inequality Rises: New York's Uneven Recovery

by Gregory DeFreitas

The second half of this year began with growing optimism in government and business circles that the U.S. economy was finally recovering from four years of recession and stagnation. Several signs of improvement appeared in output growth, corporate pay and profits, the unemployment rate, and labor productivity. But, Hurricane Katrina's devastation of New Orleans in August reawakened much of the public to persistent poverty and inequality in our midst. And the latest government figures reveal rising poverty, weak job markets, and falling wages and benefits for large numbers of working people, both nationally and locally.

From April through June, the country's overall economic activity, as measured by gross domestic product, adjusted for inflation, managed to grow at an annual rate of 3.3% and the number of jobs rose by 199,000 per month. The nation's unemployment rate dipped over the summer to 5% – a four-year low, though still far higher than the 3.9% rate achieved in late 2000.

However, the current economic growth rate has dipped by nearly a percentage point below last year's average real GDP rise of 4.2%. Job growth nationwide over the past year has averaged just 172,000 per month – lagging well behind the 310,000 job creation average of the 1990s recovery. Long-term unemployment (6 months or more) accounted for an unusually high 17.8% of all the unemployed in June. Normally, when the jobless rate has been in the 5% to 5.5% range, less than 11% are long-term unemployed. Given persistent labor market slackness, many others are too discouraged by the job shortage to continue looking for work. Labor Department estimates of the labor force participation rate show that the proportion of the population employed or actively looking for work is – at 66% today – still over one percentage point lower than when the 2001 recession began, and it has been falling in recent months. This means that the official unemployment rate increasingly understates the true depth and extent of joblessness.

Over the past year, the average earnings of full-time, year-round workers, after adjustment for inflation, has dropped –2.3% for men and –1% for women.<sup>1</sup> In sharp contrast, during the last economic expansion, 1995-2001, real wages grew an average of 1.3% each year. Minimum-wage workers are suffering steady erosion of their purchasing power every year that the federal government resists lifting it above \$5.15 per hour. Adjusted for inflation the federal minimum is now 17% lower than when it was last raised in 1997, and it is \$2.85 below its peak in 1968.<sup>2</sup>

The growing ranks of the working poor were revealed in late August when the U.S. Census Bureau released its annual findings on the previous year's income, poverty, and health insurance trends.<sup>3</sup> For the 5th straight year, average household income (\$44,389) failed to rise nationwide in 2004. This marks the longest period of income stagnation on record. Household income, after inflation adjustment, is now lower than at any time since 1997. The number of Americans living in poverty rose again last year, by 1.1 million more, for a total of 37 million people. The national poverty rate rose to 12.7%, compared to 11.3% in 2000 and 11.7% in the 2001 recession year. It is unprecedented for the poverty rate to be increasing between the second and third full years of a recovery and to still exceed the rate in the prior recession.

The number of workers with employer-provided health insurance coverage has fallen from 63.6% in 2000 to 58.9% in 2004. A major reason is the steady upward leap in the price of health insurance premiums, which have been rising at nearly three times the pace of overall price inflation. According to the annual health benefits survey of the Kaiser Family Foundation, the average premium for family health coverage has jumped 73% since 2000, reaching \$10,880 today – more than the total annual earnings of a full-time minimum-wage worker.<sup>4</sup>

As workers have generally faced shrinking real wages and benefits despite their high productivity gains, CEO pay and corporate profits have leapt upward. According to the IPS/UFE annual survey of the 500 largest corporations, total CEO compensation jumped an average of 54% last year alone. That makes the compensation of the average CEO today some 431 times higher than that of the average nonsupervisory worker! This ratio has shot up from 301-to-1 just one year ago, and from just 107-to-1 in 1990. Among senior management, military contractor CEOs appear to have captured above-average pay raises since the bloody Iraq conflict began. The study compares CEO pay at the 34 publicly traded top defense contractors with the median pay of military generals with 20 years of experience (\$168,509). Since September 2001, the average pay of private sector military contractor CEOs relative to that of experienced generals jumped from a ratio of 12-to-1 to a 2004 ratio of 23-to-1. For example, at Halliburton, Vice-President Cheney's former employer, his successor as CEO, David Lesar, was paid \$11.4 million last year – a 171% raise from 2003.<sup>5</sup>

## New York's Incomplete Recovery

New York State completed nearly two years of job growth in June, pushing the unemployment rate (seasonally adjusted) down to 4.9% -- the lowest it has been since

was, nonetheless, slower than the national pace (1.7%) and still left New York's total job count (3.61 million jobs) some 131,000 jobs below the 2000 peak. The job count is also well below local job totals of the late 1960s and late eighties [Figure 1].

Which sectors of the city's economy have expanded, and which have kept contracting over the past year? As Figure 2 reveals, nearly all the net job growth can be attributed to the 2.1% growth in the big services sector. Its additional 34,700 jobs came mainly from a few key subsectors: 11,900 new jobs in health care and social assistance; 11,600 more jobs in tourism-related leisure and hospitality (particularly hotels and restaurants); and 5,500 extra jobs in scientific and technical services. Three major sectors kept bleeding thousands of jobs: manufacturing (-7,900), government (-5,800), and transport, warehousing and utilities (-2,300). These losses were nearly matched by gains in finance, insurance and real estate (+7,500); retail trade (+5,700); and Information (+2,400).

How does the center city compare with nearby suburban areas? Long Island's 0.9% job growth over the past year was, like the city's, slower than the national average and confined mostly to the service sector (Figure 3). But, unlike the city, the island's job growth has already been strong enough to more

than replace the losses of the recession: a net gain of 26,500 jobs has been added since 2000.

In order to develop more detailed comparisons than those available in current government publications, in Table 3 we present separate estimates of 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 six months (January – June 2005) of monthly Current

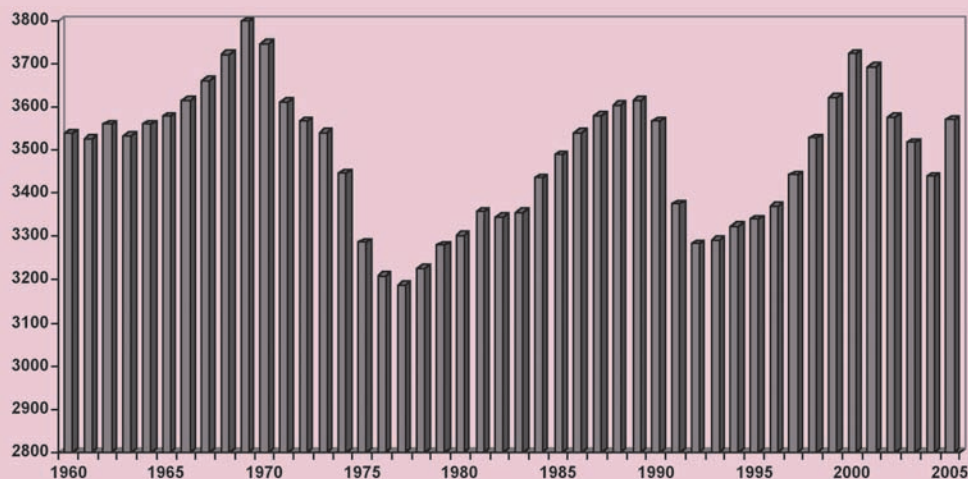
**Table 1**  
**Number of Nonfarm Jobs (in thousands) by Place of Work: 2000-2005**

	June 2005	June 2004	June 2000	% Change	
				2000-2005	2004-2005
U.S.	134,718.0	132,527.0	132,998.0	1.3%	1.7%
NY State	8,608.8	8,532.6	8716.6	-1.2	0.9
New York City	3,611.2	3,577.4	3742.2	-3.5	1.0
Long Island	1,262.8	1,249.6	1236.3	2.1	0.9

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

1990. Compared to the rest of the state, New York City's jobless rate is over half a percentage point higher. But it dropped two percentage points over the 12 months since June 2004, approaching the overall U.S. rate (see Data File below). Over the 12 months ending in June, the city gained 34,100 net new payroll jobs. This welcome increase (1%)

**Figure 1**  
**Number of Payroll Jobs in Establishments**  
**located in New York City, 1960-2005**  
**(numbers in thousands)**



Source: NYS Dept. of Labor, based on nonfarm establishment surveys, 1960-2005. Each bar through 2004 shows annual average number of jobs. Estimate for 2005 is average of first 6 months (seasonally adjusted).

Table 3 shows that teen employment rates fell markedly between 2000 and 2003, and have not improved since then.

Although New York City's official unemployment rate fell to 5.3% at midyear, this measure tends to understate job-search difficulties in weak labor markets like our own today. Chronic scarcities of good-paying full-time jobs can drive many into involuntary part-time work or out of the labor force entirely for a time. Such "marginally attached" workers, available for full-time jobs, are included in the broader measure of "underemployment." Our estimates in Table 3 indicate 10.1% underemployment this year in New York City – nearly double the official unemployment rate. Underemployment reaches 14.3% of African Americans, 12.5% of Latinos, and 28.8% of the city's teenagers.

Population Survey (CPS) household microdata, obtained from the U.S. Census Bureau.

The employment-population ratios in the first, leftmost column of the table reveal that, 62.7% of all New York City residents held jobs in the first half of 2005, a substantial improvement over the 53.7% rate at the same time in 2003. However, the city's fraction employed continues to be far lower than elsewhere, whether compared to other large cities (69.1% employed) or Long Island and other major suburban areas (nearly 73%).

Wide racial/ethnic jobholding gaps persist as well: the 68.4% employment rate among non-Hispanic whites is 10 percentage points higher than the black and Hispanic level. Youth employment rates remain unusually low, both in the city and in nearby suburbs. Only 15.7% -- fewer than 1 in 6 -- New York City teenagers is employed, far less than in other cities (27.7%) or in major suburbs (35.8%). And there has been a worrisome lack of improvement in recent years.

Most New Yorkers have seen their wages fall behind inflation of late at the same time that Wall Street bonuses have been increasing smartly. The result: a widening gap between the rich and the rest that last year gave Manhattan the distinction of having the most extreme income inequality of any county in the United States. The highest-income fifth of the population received average earnings (\$365,826) 52 times more than the poorest fifth (\$7,047). This gap has more than doubled over the past 25 years. A few subway stops north, the Bronx has the highest poverty rate of any urban county in the country. The city's overall poverty rate increased to 20.3% in 2004, up from 19% the year before.<sup>7</sup>

Most economic forecasts are now predicting weaker output and employment performance in coming months. The near-term wage and job prospects of most workers will depend heavily on rising fuel prices, health care costs, and interest rates, as well as on upcoming fiscal and labor market policy decisions in Washington.

**Table 2**  
**Employment & Underemployment Rates, by Sex, Age, and Race/Ethnicity:**  
**New York City, Long Island, and Other Large U.S. Cities and Suburbs, Jan. – June 2005**

% of Pop. Employed	ALL 16-65	Males	Females	White Non-Span	Black Non-Span	Spanish Origin	Teens	Foreign Born
NYC	62.7	69.9	56.2	68.4	58.4	58.2	15.7	67.1
Big Cities	69.1	75.3	62.8	74.9	57.6	68.0	27.7	70.9
Long Island	72.7	79.8	65.9	72.3	72.5	72.2	38.1	79.1
Suburbs	72.8	79.4	66.3	74.4	67.5	69.7	35.8	72.8
<b>Underemp. Rate</b>								
NYC	10.1	10.3	9.9	7.0	14.3	12.5	28.8	9.9
Big Cities	11.4	11.2	11.6	7.9	20.0	12.3	34.3	10.6
Long Island	5.1	5.4	4.7	4.9	5.3	7.4	13.4	5.1
Suburbs	8.0	8.1	7.9	7.0	12.6	10.6	22.8	9.1

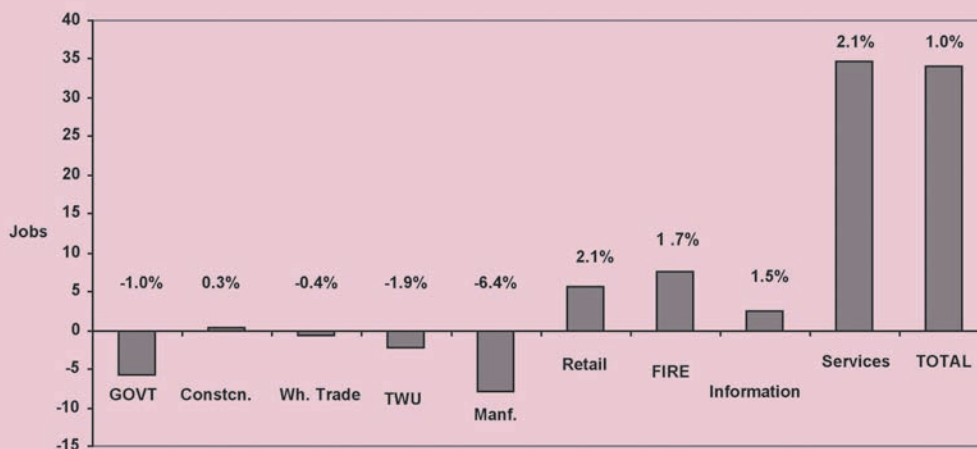
Source: Author's calculations from monthly Jan. – June 2005 Current Population Surveys (not seasonally adjusted). The “underemployment rate” is here measured as the total officially counted as “unemployed,” plus those “marginally attached” to the labor force who are discouraged workers (but have sought 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. 2005, 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 here.

**Table 3**  
**Employment/Population**  
**Rates of Teenagers, Ages 16-19: New York City & Long Island, 2000 - 2005**

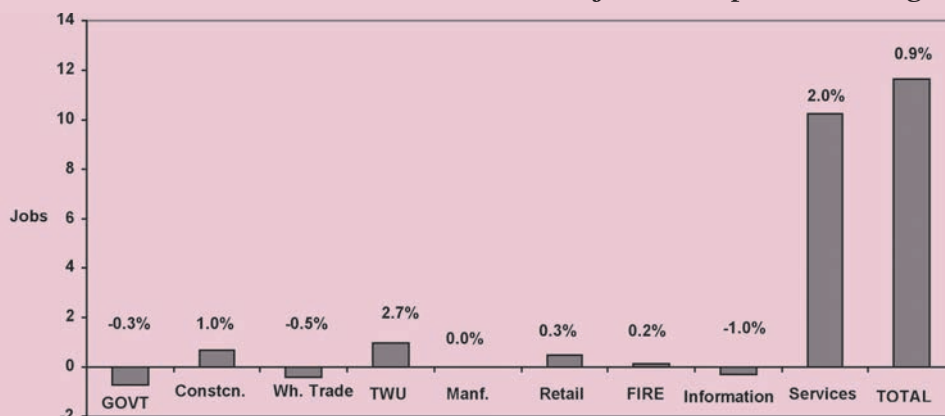
% of Teenage Population Employed	2000	2003	2005
New York City	27.6%	15.4%	15.7%
Long Island	42.6	38.0	38.1

Source: Author's calculations from monthly Jan. – June 2005 Current Population Surveys (not seasonally adjusted).

**Figure 2**  
 NYC Job Growth by Industry: June 2004 – June 2005 (in thousands of jobs, and percent change)



**Figure 3: Long Island Job Growth by Industry: June 2004 – June 2005**  
 (in thousands of jobs, and percent change)



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.

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

- <sup>1</sup> U.S. Bureau of the Census. *Income, Poverty, and Health Insurance Coverage in the U.S.: 2004* (August 2005).
- <sup>2</sup> Bernstein, Jared and Isaac Shapiro. "Unhappy Anniversary," *EPI Briefing Paper* (Washington DC: Economic Policy Institute, 2005): <www.epinet.org>.
- <sup>3</sup> U.S. Bureau of the Census. *Income, Poverty, and Health Insurance Coverage in the U.S.: 2004* (August 2005).

- <sup>4</sup> Kaiser Family Foundation. *Employer Health Benefits 2005 Annual Survey* (9/14/05 <www.kff.org>).
- <sup>5</sup> Anderson, Sarah, et. al. *Executive Excess 2005: 12th Annual CEO Compensation Survey* (Washington DC: Institute for Policy Studies, August 2005).
- <sup>6</sup> Analysis of 2004 CPS data performed for the NY Times, as reported in: Roberts, Sam. "In Manhattan, Poor Make 2 Cents for Each Dollar to the Rich," *NY Times* (8/31/05).
- <sup>7</sup> High as it is, the official poverty rate is likely to understate the full extent of poverty in New York and other areas with a high cost of living. Following a methodology set in the 1950s, the Census Bureau estimates a poverty-line income (\$19,157 for a family of four in 2004) that is only adjusted for age and family size, not for local differences in living costs.



## Latest Trends in Key Labor Market Indicators

**Table 1**  
**Civilian Labor Force, Employment & Unemployment:**  
**New York City, Long Island & All U.S., June 2004 – June 2005**  
 (in thousands, not seasonally adjusted)

Area	Labor Force		Employed		Unemployed		Unemployed Rate	
	June 2005	June 2004	June 2005	June 2004	June 2005	June 2004	June 2005	June 2004
U.S.	150327.0	148478.0	142456.0	139861.0	7870.0	8616.0	5.2%	5.8%
<u>NYC</u>	3698.1	3705.4	3502.2	3435.4	195.9	270.0	5.3	7.3
Brooklyn	1043.2	1047.1	983.9	965.1	59.4	82.0	5.7	7.8
Bronx	497.9	501.6	464.0	455.2	33.9	46.5	6.8	9.3
Manhattan	870.3	870.7	829.8	813.9	40.6	56.7	4.7	6.5
Queens	1062.2	1061.4	1010.7	991.4	51.5	70.0	4.9	6.6
Staten Island	224.4	224.7	213.9	209.8	10.6	14.9	4.7	6.6
<u>Long Island.</u>	1494.6	1479.4	1433.9	1411.4	60.7	68.0	4.1	4.6
Nassau Co.	706.9	733.6	677.9	667.3	29.0	32.6	4.1	4.7
Suffolk Co.	787.7	779.5	756.0	744.1	31.7	35.4	4.0	4.5

Source: CPS household survey data from NY State Department of Labor, 2005 Note that the data reflect regular revisions made by the Dept. of Labor.

**Unemployment Rates in New York City, Long Island, and the U.S.,**  
**Monthly, June 2004 - June 2005 (seasonally adjusted)**

