

Regional Job Growth and Wage Trends Through Mid-Year 1998

by Gregory DeFreitas and Lonnie Stevans

New York City and Long Island led the state in job growth last year. Of the entire state's 134,500 new jobs in the period June 1997 to June 1998, three out of five were created in New York City. Another one in five were created in Nassau and Suffolk counties. The overall unemployment rate fell by a full two percentage points in the city. However, it was still higher than that of any other major urban center in the country, and the gap is even wider in terms of a broader "underemployment" measure. The latest labor force tabulations for African Americans, Latinos, and teenagers indicate that all these groups in New York City remain markedly less likely than their urban counterparts elsewhere to have jobs. While earnings in the finance sectors associated with the Wall Street boom have been growing rapidly, in both the city and Nassau-Suffolk, the typical worker's wage growth (adjusted for inflation) in the 1990s has been well below the previous two decades.

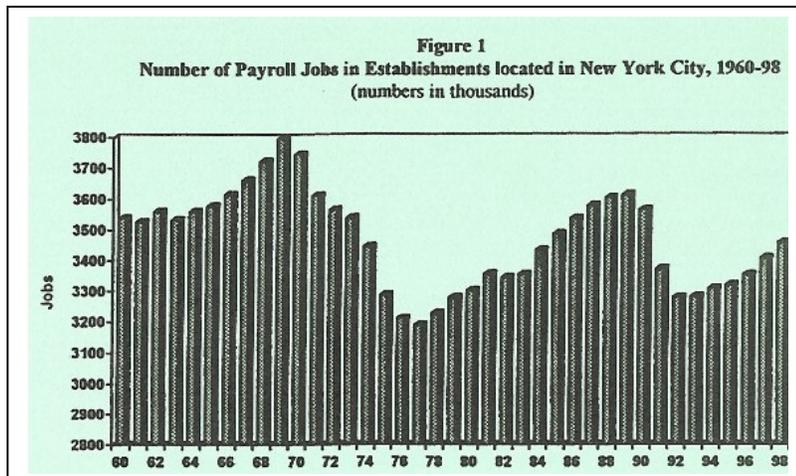
Job Growth

As the economy passed the halfway point in June 1998, New York State recorded the fastest growth in private sector jobs in 11 years: a year-to-year growth rate of 2 percent. Though continued shrinkage of the public sector dampened the overall increase in total jobs, the broader growth rate was still a healthy 1.6 percent. As the first table here shows, the same establishment survey found that the number of jobs based in New York City expanded at a still more rapid 2.3 percent. This exceeded both the current state average and the city's growth pace for the same period in 1996-97. Broader quarterly averages reflect a pattern similar to that suggested by the June-to-June monthly comparisons. The average number of jobs in April - June 1998 was 2.3 percent above that of the second quarter last year.

Number of Nonfarm Jobs (in thousands) by Place of Work: 1997-98

	June 1998	June 1997	% CHG
U.S.	126871.0	123622.0	2.6%
NY State	8233.3	8101.4	1.6
New York City	3502.8	3421.5	2.3
Nassau-Suffolk	1161.5	1136.0	2.2

Source: Establishment data (not seasonally adjusted) from NY State Dept. of Labor.



As welcome as this spurt of job growth is, it is long overdue. Unlike the rest of the country, New York City has still not replaced all the jobs lost in the last recession. The average number of jobs in the city so far this year -- 3.46 million -- is 147,000 short of the pre-recession peak in 1989. The late eighties recovery, in turn, never restored all the jobs lost since 1969 (when the city averaged 3.8 million).

Figure 2
NYC Job Growth by Industry: June 1997 - June 1998
 (in thousands of jobs, and percent change)

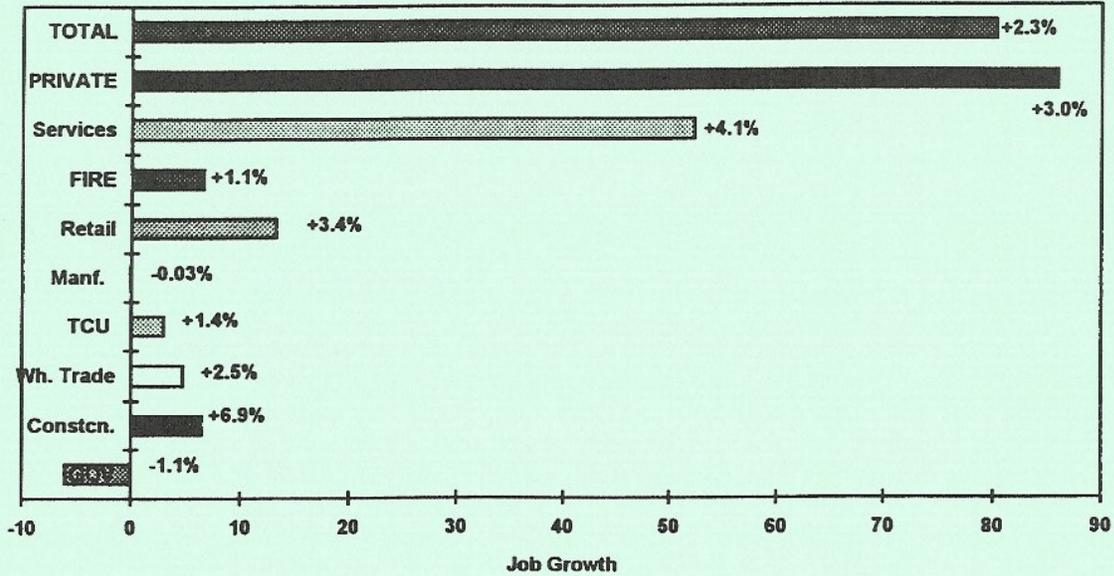
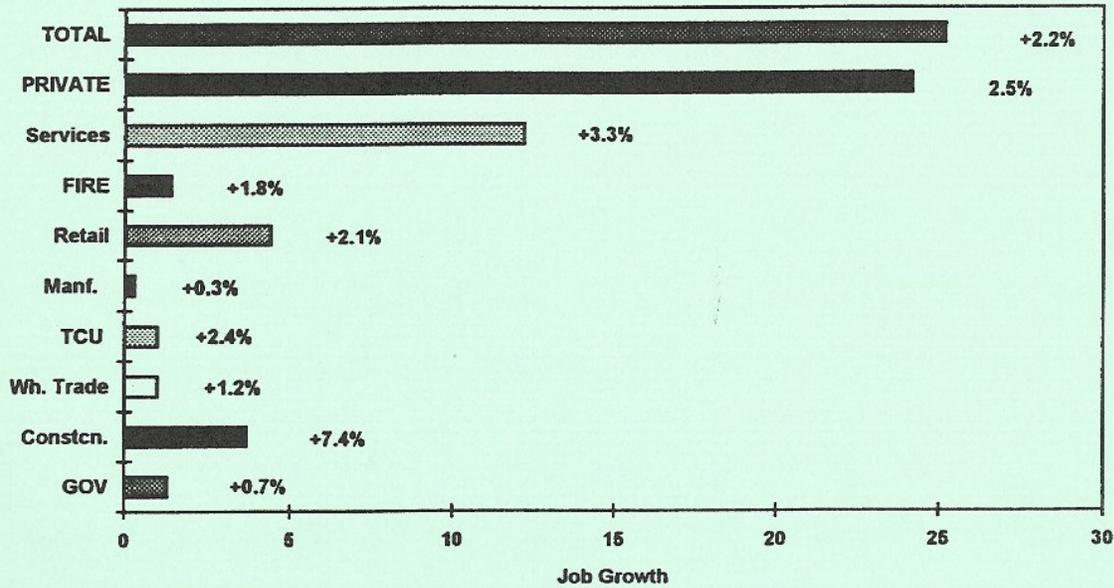


Figure 3
Nassau-Suffolk Job Growth by Industry: June 1997 - June 1998
 (in thousands of jobs, and percent change)



The city's additional 80,300 jobs over the past year were created primarily in two industries: services and retail trade. These two alone accounted for three out of four new jobs, compared to a contribution of just 9 percent from the securities and commodity sector. But Wall Street's disproportionate effect on incomes no doubt indirectly stimulated a big share of job growth elsewhere. For example, in services, two-fifths of all the new jobs (21,000) were in business services. One-half the 13,200 new jobs in retail were in restaurants and other eating and drinking places. On a percentage basis, construction had the most rapid employment jump in a year that set records for new home construction and renovation activity nationwide.

Of the declining industries, the net loss of about 100 jobs in manufacturing reflects the near-offsetting effects of slight growth in durable goods production (mainly electrical equipment, and building materials associated with the construction boom) and a small decline in nondurables. The latter saw the largest job loss in men's and boys' apparel and in commercial printing. The public sector shrank by another 6,000 positions over this period. Local government jobs were cut by 3,500, with smaller but still substantial reductions at both the state and federal levels.

The creation of 25,500 new jobs over the year on Long Island represented a nearly identical growth rate to that posted downtown. But the sources were more diverse, stemming from expansion in every major sector. Services were the single leading sector, though their contribution (+12,200) was 48 percent compared to 65 percent in the city. Health and social services experienced the largest hiring. Although some 200 state hospital jobs were cut, this was more than offset by other public sector hiring. Positions in local education went up by 1,200. Even manufacturing had a slight gain of 300. This was the result of new hires in chemicals, printing, and other nondurables that more than offset a drop of 700 jobs in instruments and other durables.

AREA	<u>Labor Force</u>		<u>Employed</u>		<u>Unemployed</u>		<u>Unemp. Rate</u>	
	June 1998	June 1997	June 1998	June 1997	June 1998	June 1997	June 1998	June 1997
U.S.	138799.0	137557.0	132265.0	130463.0	6534.0	7094.0	4.7%	5.2%
NYC	3338.9	3385.4	3091.8	3061.2	247.1	324.2	7.4	9.6
Brooklyn	941.4	957.3	863.1	854.6	78.3	102.7	8.3	10.7
Bronx	452.9	463.0	411.8	407.8	41.1	55.2	9.1	11.9
Manhattan	801.3	804.0	746.1	738.7	55.4	65.3	6.9	8.1
Queens	955.4	971.2	895.5	886.6	59.9	84.6	6.3	8.7
Staten Island	187.8	189.9	175.3	172.5	12.5	16.4	6.6	8.7
Nassau-Suff.	1425.2	1415.7	1377.7	1360.6	47.5	55.1	3.3	3.9
Nassau Co.	703.7	694.1	682.1	673.6	21.6	25.5	3.1	3.7
Suffolk Co.	721.5	716.5	695.6	686.9	25.9	29.6	3.6	4.1

Source: CPS household survey data (not seasonally adjusted.) from NY State Department of Labor, 1998

Employment and Unemployment

New York City's unemployment rate dropped sharply in the year since June 1997: from 9.6 percent to 7.4 percent. The number of unemployed shrank from 324,200 to 247,100. This trend was apparent in all five boroughs, though they started from very different levels. As the next table indicates, even after a nearly 3 percentage point drop, the jobless rate in the Bronx was still -- at 9.1 percent -- over 2 percentage points above that of Manhattan and Queens.

Who filled the new jobs? Did the decline in the city's jobless rate result from the unemployed shifting into paying jobs? Only in part. The household survey shows that the number of employed city residents rose by only 30,600 (or 1 percent) to 3,061,200 over the year through June. That is, the added number employed represents only 39.7 percent of the number leaving the ranks of the officially unemployed.

Where did the rest of the formerly unemployed go? They dropped out of the labor force, and thus vanished from the government's category "unemployed." The trend in labor force participation rates had been on an upward trajectory since the last recession, rising from a seasonally adjusted average of 55 percent in 1994 to 59.3 percent by July 1997. Improved job prospects often lure additional job seekers back into the active labor force.

But something else was also probably influential in this period. Starting in early 1995, the city began requiring more and more public assistance recipients to actively seek work or be placed in workfare assignments. Over 34,000 now hold such assignments, cleaning streets and offices, doing city park maintenance, and other such tasks. The 1996 national welfare overhaul imposed new work requirements and time limits on benefits which have driven unknown numbers of other newcomers into the labor market. It may be that the most employable have now claimed jobs and others have become too discouraged to continue looking. For the city's labor force participation rate has drifted downward to 57.9 percent in this year's April-June quarter. This explains most of the decline in unemployment among New York City residents.

If the number of payroll jobs located in the city jumped 2.3 percent over the past year, but the number of city residents with jobs rose just 1 percent, who filled the majority of the city's new jobs? One possible source of increased labor supply is increased multiple jobholding by New Yorkers trying to supplement the stagnant pay on their main job. A dual jobholder is counted once (i.e., as "employed") in the household survey, but the establishment survey counts both her jobs separately. The other most likely source is New Jersey commuters. New Jersey's northern counties experienced very sluggish job growth in the past year, averaging just 0.35 percent (+5200 new jobs) since last June. Residents had to take advantage of job openings across the Hudson, which helped hold down the northern counties' unemployment rates. Cross-Hudson passenger traffic estimates for the past year lend credence to the view that interstate job commuting has risen.

Some of the city's new jobs were doubtless filled by Long Islanders, but the year-to-year job growth in Nassau-Suffolk was, at 2.2 percent, nearly as robust as downtown. In fact, the establishment survey reports more new jobs (+25,500) at locally based firms than the number of newly employed Long Island residents (+17,100). So, two-thirds of new positions located on the Island are potentially attributable to newly employed local residents. What about the remaining 8400? Besides well-known discrepancies that can arise from survey differences between the establishment and household counts, this number likely reflects two phenomena. First, some unemployed city residents reverse-commuted to jobs on the Island. And (as the following article in this issue of RLR documents) multiple job holding in Nassau-Suffolk has increased far faster than the national rate.

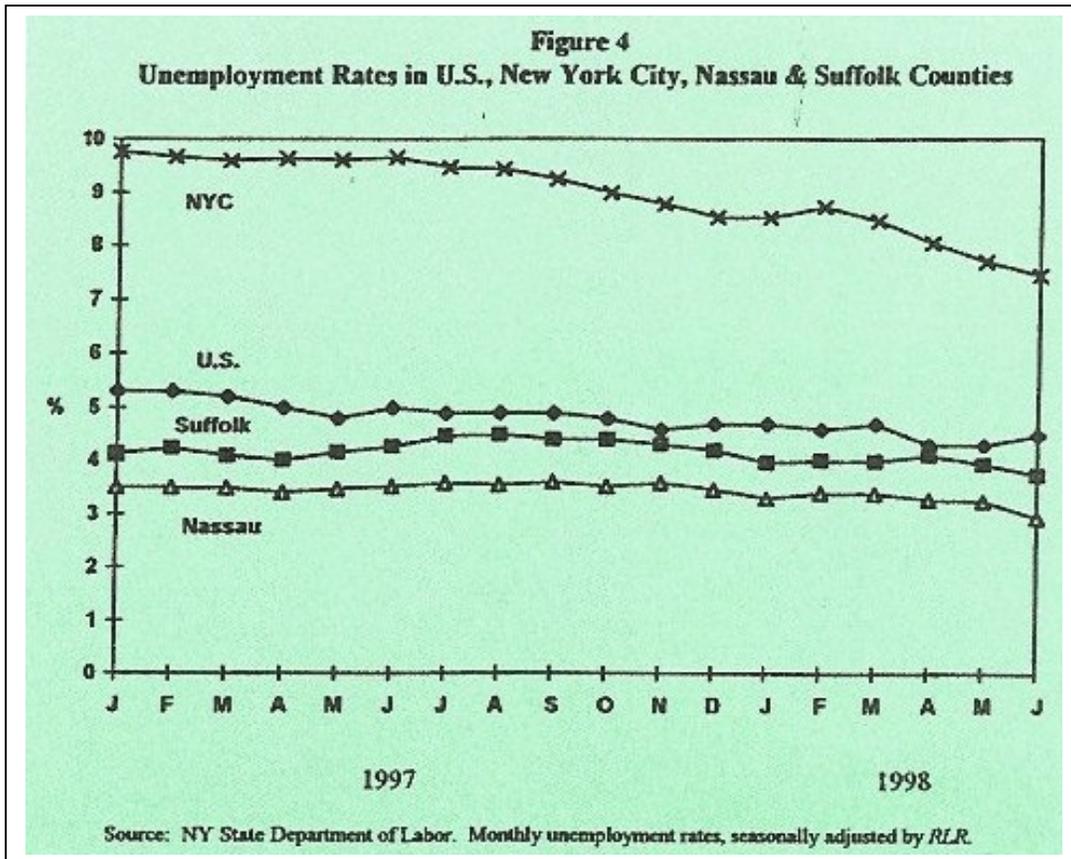
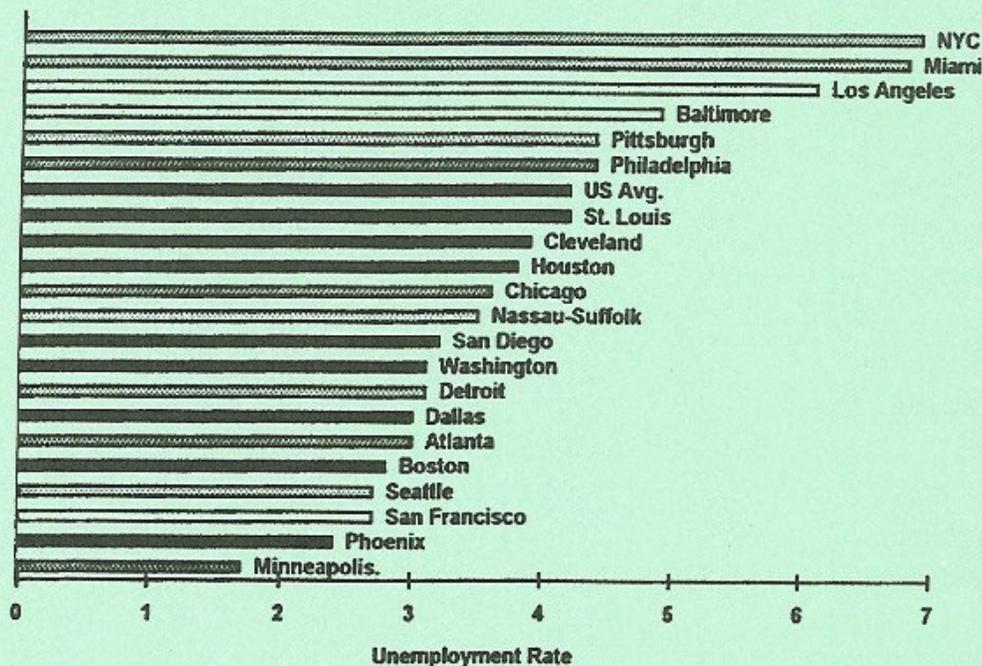


Figure 5
Unemployment Rates in NYC, Nassau-Suffolk,
And Other Largest U.S. Metro Areas, May 1998



Source: U.S. Bureau of Labor Statistics, *Metropolitan Area Employment and Unemployment: May 1998*.

Unemployment and Underemployment Differentials

While the recent job gains recorded in the metro area are impressive, they must be kept in perspective. New York still has the highest unemployment rate of the largest metro centers tracked by the Labor Department. Moreover, the monthly statistics published by the BLS are highly aggregate and give little indication of the differences or similarities in the labor status of major population subgroups at the local level. We exploited the latest available Current Population Survey data for March 1997 (the detailed "demographic file") in order to compare different groups in New York and Long Island with comparison subsets of large cities and of suburbs across the country. Regardless of gender, race, Spanish or foreign origin, or age, residents of New York City still average higher unemployment rates than their counterparts elsewhere. Just half of New Yorkers ages 16 and over hold a job, compared to over three-fifths in major cities and suburbs. Only 43 percent of non-Hispanic blacks, and just 13.4 percent of teenagers in New York are employed, far below national norms. Finally, we calculated an "underemployment rate" to count those "marginally attached" to the labor force as well as the official unemployed. By this broader measure, over one-fifth of all New Yorkers, one-third of the city's African Americans, and three-fifths of teenagers may be viewed as underemployed. In Nassau and Suffolk the rates are lower than downtown, but two to three times the standard unemployment rates reported for the land.

**Unemployment, Employment, & Underemployment Rates by Sex, Age, and Race/Ethnicity:
New York City, Nassau-Suffolk, and Other Large U.S. Cities and Suburbs, 1997**

<u>Unemploy.. Rate</u>	<u>All, ages 16 & Up</u>	<u>Males</u>	<u>Females</u>	<u>White, non-Span.</u>	<u>Black, non-Span.</u>	<u>Spanish Origin</u>	<u>Teens, 16 - 19</u>	<u>Foreign Born</u>
NYC	12.4	13.2	11.6	8.2	20.5	13.6	41.2	12.0
Big Cities	7.7	8.3	6.9	4.9	13.6	8.3	22.6	7.8
Nass/Suff.	2.9	3.5	2.1	2.6	6.3	4.2	10.2	3.1
Suburbs	4.6	4.9	4.2	3.8	7.6	8.5	15.0	5.9
<u>% of Popltn. Employed</u>								
NYC	50.1	58.1	43.4	53.7	43.0	47.1	13.4	52.2
Big Cities	61.0	68.4	54.1	65.9	50.7	62.3	35.6	61.6
Nass/Suff.	64.1	71.2	57.3	64.1	60.1	67.9	34.2	67.6
Suburbs	65.9	72.8	59.3	66.1	65.8	64.6	43.1	64.2
<u>Underemplt. Rate</u>								
NYC	22.0	21.8	22.3	14.5	33.8	24.6	60.9	21.8
Big Cities	15.4	15.3	15.6	10.6	24.3	18.4	38.0	17.2
Nass/Suff.	8.0	8.0	8.0	6.6	17.6	10.8	25.8	8.6
Suburbs	10.2	9.8	10.6	8.9	15.2	9.4	29.0	12.7

Source: Authors' calculations from March 1997 Current Population Survey. The "underemployment rate" is here measured as the total officially counted as "unemployed," plus those "marginally attached" to labor force who want a job now plus persons employed part time for economic reasons, expressed as a percent of the official labor force plus those counted as marginally attached.

Average Weekly Wages

In order to look at local earnings trends, we used Labor Department establishment survey data to calculate average weekly wages adjusted for inflation between 1975 and 1996 (the latest available year). Average weekly wages by industry for Suffolk County were generally above that of Nassau and New York City for the entire period 1975 through 1996. Weekly wages were generally higher in Nassau than in New York City during this same period.

Average weekly wages in manufacturing have tended to "level-off" in the 1990s relative to the 1980s in Nassau County and New York City. However, wages in Suffolk County have continued to increase in the 1990s. For the retail sector, average weekly wages have become somewhat stagnant in the 1990s for Nassau, Suffolk, and New York City. Average wages in the finance, insurance, and real estate industry have continued to increase throughout the 1980s and 1990s in both Nassau and New York City with a notably faster increase in Suffolk County. The same pattern exists for the service sector.

It is interesting to note that during the 1990s, the average percentage growth in weekly wages in Nassau, Suffolk, and New York City exceeded the national average of -.55 percent. Suffolk county was the highest (1.46 percent) as compared to Nassau county (.23 percent) and New York City (.43 percent). We believe this to be a result of the rather large wage increases in the finance, insurance, and real estate industries in Suffolk experienced during the 1990s (6.76 percent).

In contrast, the average growth in retail wages has been negative for each county during the 1990s: -.14 percent in Nassau, -.65 percent in Suffolk, and -.68 percent in New York City. Although not shown, the average growth in retail employment also declined slightly during this same period by -.4 percent in Nassau, -.71 percent in Suffolk, and -.98 percent in New York City. For each county, the finance, insurance, and real estate industry has realized the largest average rate of wage growth during the 1990s.

Growth in Average Weekly Wages (inflation-adjusted): 1975 - 1996

<u>Industry & Decade</u>	<u>New York City</u>	<u>Nassau Co.</u>	<u>Suffolk Co.</u>
<u>All Industries:</u>			
1970s	-1.92	-1.67	-1.46
1980s	1.27	1.29	1.93
1990s	0.43	0.23	1.46
<u>FIRE</u>			
1970s	-2.38	-1.66	0.38
1980s	2.00	2.44	4.94
1990s	4.49	2.37	6.76
<u>Services</u>			
1970s	-2.00	-0.78	-1.44
1980s	1.91	2.03	1.87
1990s	0.37	0.42	1.16

Source: Author's calculations from NY State Dept. of Labor establishment data.
FIRE = Finance, Insurance., Real Estate.

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