

Job Growth, Unemployment and Wage Trends at Mid-Year 1999

by Gregory DeFreitas and Lonnie Stevans

The first half of 1999 closed with the nation marking its 99th month of economic expansion and with New York City belatedly climbing back to its pre-recession job levels. Rapid growth in the city's job count occurred over the same period that its official unemployment rate was dropping below 7 percent for the first time in a decade. However, it appears that most of the local unemployment decline was the result of city residents dropping out of the ranks of unemployed jobseekers, rather than acquiring new employment. The welcome increase in New York's job opportunities has, at least in recent months, largely benefited commuters and multiple jobholders rather than jobless New Yorkers. In contrast, Nassau and Suffolk counties' even faster job growth has been generating comparable increases in labor force participation and in the number of employed Long Islanders. Among the principal sources of concern over the sustainability of the region's job gains are mounting real estate cost pressures on city-based firms and the deterioration of Nassau County's financial problems.

Job Growth

New York City's 3.6 million job total at mid-year represented a jump of 74,400 over the preceding 12 months. In no summer since 1989 has the city produced more jobs. The city's economy's rapid growth has finally enabled it to climb almost back to its pre-recession peak (See Figure 1). This 2.1 percent growth rate well exceeded the state average (1.7 percent) and nearly matched the national pace (2.2 percent).

An industry-by-industry analysis of NY State Labor Department data reveals that construction again had the fastest job growth rates, both in the city and the suburbs (Figures 2 and 3). Thanks to a continuation of new hotel-building and office and residential construction and renovation, the industry added 6.1 percent more jobs downtown over the year through June. However, this fast pace only translated into a net addition of 6200 jobs. In contrast, the huge service sector generated 59,000 more jobs over this same period, which alone accounted for over three-fourth's of the city's entire job growth. Within the broad sector, the largest gains were in business services (+22,900 jobs), health (+8500), motion pictures (+7400), and social services (+5200). Rising college enrollments were reflected in an additional 2500 professors and other staff on local campuses. Wall Street brokerages and the thriving real estate firms added 6400 positions, a modest contribution in light of their surging incomes. Meanwhile, commercial banks cut another 2000 jobs over the same period.

The New York City industry hardest hit by job loss was manufacturing, where the net decline of 3500 positions matched that of the 12 previous months in 1997-98. Only a few specific industries within the nondurables sector registered small gains, particularly food processing, bakeries, and publications. The slow, if steady, downtrend in manufacturing has now put the industry's job total at 260,000. Though a shadow of its former size decades ago, it still provides over twice as many jobs as the fast-growing construction trades. The real estate boom fueling the latter's current expansion is driving ever more manufacturers, including those with products now much in demand, out of the city and the region.

Government was the other main sector with a net decline, falling by 1000 jobs from the mid-'98 level to a new total just shy of 556,000. While elementary and secondary school hires were up by 3700, this was more than offset by cuts in other local government positions as well as in both federal and state offices. If the public sector is excluded from the job figures, private sector job growth over the last 12 months was a healthy 2.5 percent.

It is important to keep these most welcome improvements in the job count in perspective. Over nine years after the end of the last national recession, the city is only now managing to generate the number of jobs it held a decade ago. In fact, as of mid-summer, the job tally was still some 30,000 short of the 1989 peak, which was itself some 200,000 less than the 1969 level. The costs of this glacial recovery in long spells of joblessness and income losses were, for many New Yorkers, enormous. Moreover, while the current job totals approach those of the late eighties, the relative quality and income prospects of many of the new jobs, their dependence on the fickle fortunes of Wall Street and of tourist trends, the smaller numbers with collective bargaining rights, and the large share held by commuters rather than city residents remain subjects of considerable debate.

Over the same period, Nassau and Suffolk counties added another 28,200 net new jobs. Like the city, Long Island's leading growth industry over the past 12 months was services, though its 12,400 new jobs accounts for a smaller share of total job growth (50 percent). The strongest hiring was in health services, which grew by 1600 positions, followed by social services (+1500), and education (+1300). The construction boom continues, generating 5300 new jobs (+9.6 percent) over the year. More signs of strong consumer demand were evident in wholesale and retail trade, which pushed their job totals up by 4100. The public sector also expanded by some 4200 jobs, thanks to new hires in elementary and secondary schools, as well as 1700 additional state jobs. But, manufacturing remained relatively flat; only electronics, chemicals and allied products expanded, by about 800 jobs.

Unemployment and Underemployment

New York City's unemployment rate averaged 7.1 percent in the first half of the year. It fell from nearly 10 percent in the first half of 1997, to 8.3 percent in early 1998. From March through June the rate (seasonally adjusted) has stayed below 7 percent – the lowest levels the city has seen since the summer of 1990. Over the June-to-June period, both the jobless counts and the unemployment rate fell in all five boroughs. The 7.6 to 7.9 percent rates in Brooklyn and the Bronx are, however, still far higher than the sub-6-percent rates in Manhattan, Queens, and Staten Island. And the city's seasonally adjusted jobless rate rose three-tenths of a percentage point from May to June, though month-to-month changes are often unreliable long-term signals.

Does the lower unemployment rate actually reflect increased job holding by New Yorkers? This is not a simple question to answer, since the job tallies collected by the Labor Department come from establishment surveys that record the location and number of jobs, but not the residential or demographic characteristics of each firm's employees. On the other hand, the monthly Current Population Survey asks household members directly about their age, race, sex, current employment, and residence, but does not match this individual information to the establishment data on jobs. Attempts to do so, while necessary, need to be recognized as approximations.

The latest CPS household information on the numbers of local residents employed and unemployed is presented in Table 2. Clearly, the number counted as unemployed dropped (by over 34,000) over the same 12 months since June 1998 that the unemployment rate fell (from 7.5 to 6.6 percent). But the number of city residents employed was unchanged at 3.18 million. The decline in the number reported as unemployed thus appears to be far more the result of a withdrawal from the active labor force of unemployed jobseekers than an increase in the number holding jobs. A disproportionately large fraction of the labor force dropouts were in the Bronx and Brooklyn, the two boroughs long plagued by the weakest labor demand throughout the past decade. The roles played by discouragement over hiring prospects, skills mismatches, and other factors behind recent trends in local labor force participation have been explored in a new report from the city's Office of the Comptroller.¹ Whatever the explanation, the gross imbalance between job increases in the city and stagnant employment of city residents suggests that, at least in recent months, most of the new jobs have been going to commuters and, to a lesser extent, to multiple jobholders.

Despite the improved unemployment numbers, New York City's rate is nearly two full percentage points above the national average. In its most recent May comparison of the country's metropolitan areas, the Bureau of Labor Statistics reported that New York's 1.1 percentage point drop in its unemployment rate over the past year was a larger improvement than in any other metro area except New Orleans and Providence. But New York still ranks among the two worst in unemployment. At 6.4 percent, Miami's unemployment in May exceeded the 5.8 average of the New York PMSA (NYC, plus Putnam, Rockland, and Westchester counties). Jobless rates were under 3 percent in Atlanta, Boston, Minneapolis, San Francisco, and Washington, and 3 to 4 percent in Chicago, Detroit, Nassau-Suffolk, Philadelphia, and seven other large metro centers.

In a region with as diverse a work force as New York's, it is essential to go beyond city-wide or county averages to look at the particular experiences of major demographic groups. Table 3 presents separate estimates of unemployment, employment-population, 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. 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 1999) of raw CPS household data, obtained from the U.S. Census Bureau.

The first column of estimates show that New York still has a somewhat higher unemployment rate than most other large cities, and a far lower fraction of the adult population with jobs (54 percent, compared to 63 percent in the average city). In nearby Long Island, the employment-population rate is over ten percentage points higher than downtown. By the broader measure of "underemployment" (taking into account discouraged labor force dropouts and part-timers unable to find full-time work), 12.2 percent of New Yorkers are underemployed, as are 11.1 percent in the large city sample, but only 5 percent of Long Islanders.

All major racial/ethnic groups represented in the table have lower employment-population rates in New York than do their counterparts in large cities or suburbs. But a wide gulf still separates the jobholding success of white non-Hispanics from that of African Americans and Latinos. While only 3.5 percent of whites were counted as unemployed in the city, Hispanic unemployment was more than double that, and the black rate higher still at 12.5 percent. Slightly less than half of blacks and Hispanics hold jobs. And

the figures for teenagers are as startling as ever: only one in five New York youth has a job, compared to 32 percent of teens in other large cities and nearly half of Long Island youth.

Earnings Trends

After two decades of painful real wage erosion for most working people, particularly those without college backgrounds, some tenuous wage gains have been won over the past two years.² This is evident both from widely reported national data, and from the local data we have examined. As we noted in the Spring 1999 issue of *RLR*, a number of relatively low wage industries in New York reported wage growth among non-supervisory production workers in the fourth quarter of last year. This was based on the limited, establishment-level earnings summaries published monthly by the NY State Labor Department. We have conducted our own wage analysis of the latest available household data in the Current Population Survey for the first quarter of 1999, as well as that for the same three months in 1998. We looked only at employees ages 18 and over who indicated that they were not currently enrolled students, who worked in non-managerial, non-supervisory occupations in nonfarm industries, and who reported positive earnings.

The findings in Figure 4 contrast the 1999 average weekly earnings levels of nonsupervisory employees who have no more than a high school degree with those who have completed one or more years of college. Figure 5 plots the percentage changes in average, inflation-adjusted earnings over the year since 1998's first quarter. Though the average nonsupervisory worker resident on Long Island earned nearly \$40 more per week than his counterpart living in the city, the latter experienced a 1.7 percent annual wage hike while the Long Island averages declined. New York City's non-college residents won an average earnings increase of 6.7 percent, more than double that of New Yorkers with a college background (+2.3 percent). Both were well ahead of the average national growth rates, though the national pattern has also been one of far larger wage growth rates of late among the less-educated.

Separate estimates for major race/ethnicity groupings reveal more rapid earnings progress in the most recent period for minority workers than for white non-Hispanics. In New York City, Latino workers experienced the largest earnings hikes, followed by African Americans. The result has been an increase in their average earnings relative to whites. Over the year since early 1989, the black-white earnings ratio rose from .67 to .73, and the Hispanic/white non-Hispanic ratio jumped from .50 to .62. Clearly, more than one or two years of such wage hikes will be needed to erode these still-wide earnings gaps.

Recent improvements in worker compensation have, in some quarters, begun to awaken fears of new labor cost pressures on producer prices, which might then cause the Federal Reserve to adopt more aggressive anti-inflation measures than its small interest rate hike in June. This was apparent in the worried Wall Street reaction to the second quarter compensation statistics released in July. The Employment Cost Index, the most closely watched Labor Department measure of total labor compensation, rose by 1.1 percent – triple its first quarter rate, making it the largest increase in eight years.

Aside from the ever-more-dubious linkage of labor costs with price inflation and unemployment levels, recent compensation trends are a misplaced target for such concerns. Close examination of the quarterly figures shows that the rise in the compensation index was from an unusually low base in the previous two quarters. In fact, over the past 12 months, private industry's compensation levels crept up just 3.3 percent, compared to 3.5 percent growth the year before.

Far less investor anxiety has been heard about other recent compensation increases. In its annual survey of executive pay, Business Week revealed that, in 1998, the average CEO of a large U.S. corporation made \$10.6 million. This breathtaking annual sum represented a 36 percent hike from just the year before. Over the same year, the average white-collar employee's pay rose a mere 3.9 percent, and that of the average blue-collar worker inched up just 2.7 percent. Over the period since 1990, during which most workers real pay rose little if at all, the average CEO paycheck has climbed 442 percent. The average chief executive now receives 419 times the pay of the average blue-collar worker, far more than in earlier decades or in most other industrialized nations.³

Table 1
Number of Nonfarm Jobs (in thousands) by Place of Work: 1998-99

	<u>June 1999</u>	<u>June 1998</u>	<u>% CHG</u>
U.S.	129542.0	126804.0	2.2%
NY State	8449.7	8309.1	1.7
New York City	3610.3	3535.9	2.1
Nassau-Suffolk	1195.7	1167.5	2.4

Source: Establishment data (not seasonally adjusted) from NY State Dept. of Labor.
 Note these data are from the revised 1992-98 payroll jobs estimates released in March by the Dept. of Labor.

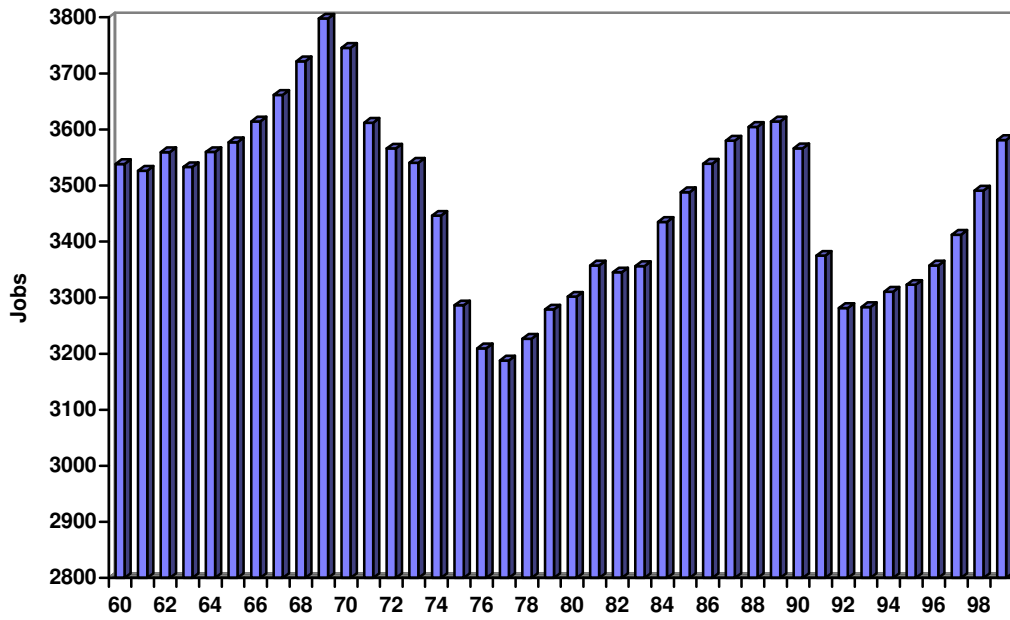
Table 2
Civilian Labor Force, Employment & Unemployment:
New York City, Nassau-Suffolk & All U.S., June 1998 - June 1999

<u>AREA</u>	<u>Labor Force</u>		<u>Employed</u>		<u>Unemployed</u>		<u>Unemp. Rate</u>	
	<u>June 1999</u>	<u>June 1998</u>	<u>June 1999</u>	<u>June 1998</u>	<u>June 1999</u>	<u>June 1998</u>	<u>June 1999</u>	<u>June 1998</u>
U.S.	140666.0	138798.0	134395.0	132265.0	6271.0	6534.0	4.7%	4.5%
NYC	3403.4	3439.4	3179.3	3180.8	224.1	258.6	6.6	7.5
Brooklyn	950.6	962.6	878.5	878.9	72.1	83.7	7.6	8.7
Bronx	459.6	467.9	423.4	423.6	36.3	44.4	7.9	9.5
Manhattan	819.6	827.8	772.0	772.4	47.6	55.4	5.8	6.7
Queens	980.1	985.8	922.8	923.2	57.4	62.6	5.9	6.4
Staten Island	193.4	195.2	182.7	182.8	10.7	12.5	5.5	6.4
Nassau-Suff.	1451.0	1423.0	1401.9	1377.8	49.0	45.4	3.4	3.2
Nassau Co.	715.0	701.7	692.7	680.8	22.3	20.9	3.1	3.0
Suffolk Co.	735.9	721.4	709.2	697.0	26.7	24.5	3.6	3.4

Source: CPS household survey data (not seasonally adjusted.) from NY State Department of Labor, 1999.

Figure 1

Number of Payroll Jobs in Establishments located in New York City, 1960-99
(numbers in thousands)



Note: 1999 estimate is average of Jan. – June seasonally adjusted jobs data.
Source: New York State Department of Labor, based on nonagricultural establishment surveys, 1960-1999.

Figure 2
NYC Job Growth by Industry: June 1998 - June 1999
(in thousands of jobs, and percent change)

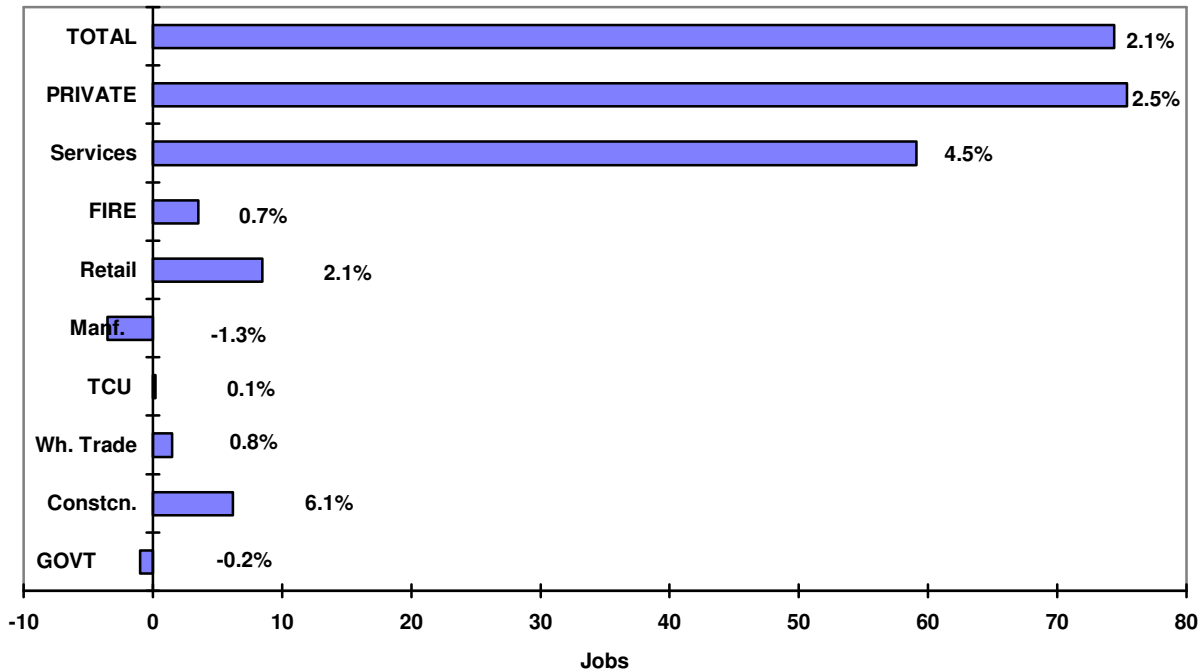
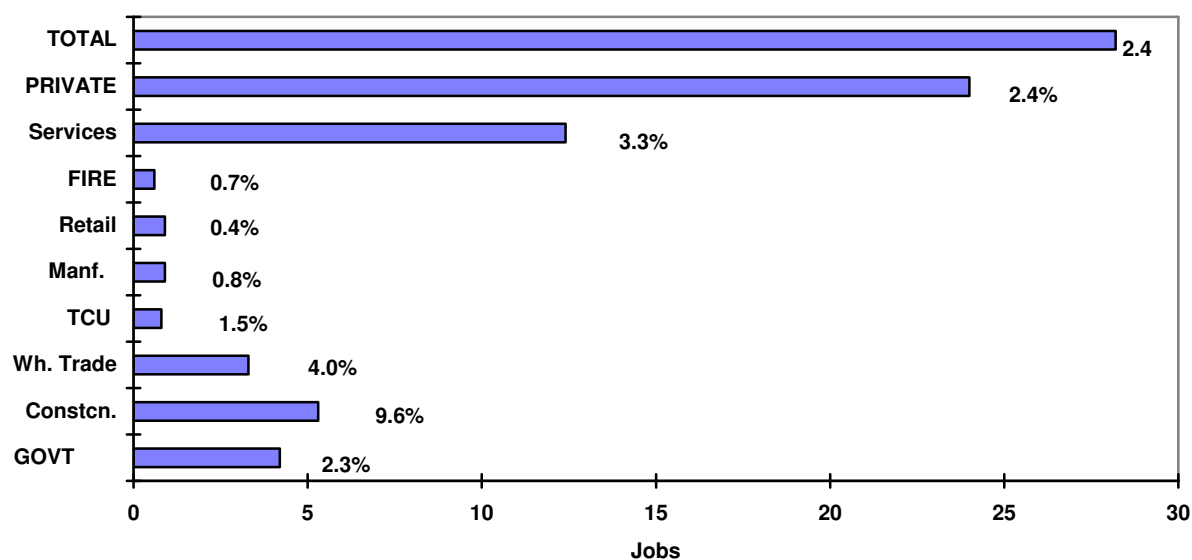


Figure 3
Nassau-Suffolk Job Growth by Industry: June 1998 - June 1999
(in thousands of jobs, and percent change)



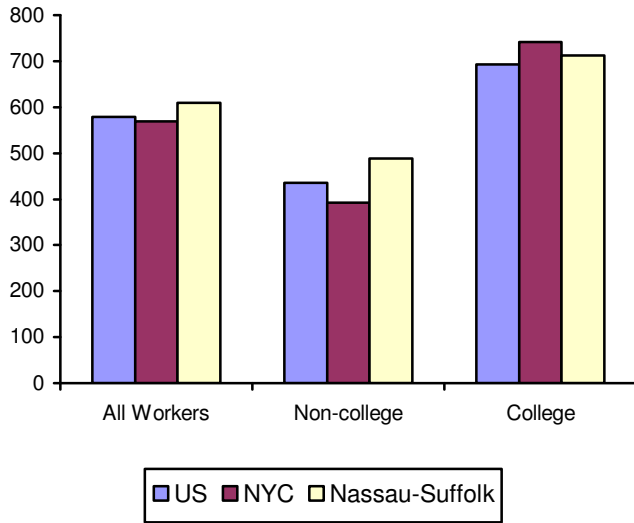
Source: NY State Department of Labor, 1999 FIRE = Finance, Insurance, Real Estate; TCU = Transport, Communications, Utilities.
 Year-to-year changes, not seasonally adjusted.

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, 1999:1

Unemploy. Rate	All Ages			White, Non-Span	Black, Non-Span	Spanish Origin	Teens, 16-19	Foreign Born
	16 & Up	Males	Females					
NYC	7.3	6.7	8.1	3.5	12.5	10.3	26.2	7.1
Big Cities	6.0	5.6	6.5	4.2	9.4	6.2	21.8	5.6
Nass/Suff.	2.8	3.1	2.5	2.1	4.4	7.4	7.8	5.6
Suburbs	3.9	4.1	3.6	3.4	6.3	6.1	13.0	5.0
% of Pop. Employed								
NYC	54.0	62.8	46.4	58.3	49.4	48.9	20.7	56.4
Big Cities	62.9	70.5	55.8	66.5	56.1	64.2	31.6	62.3
Nass/Suff.	65.4	72.2	59.7	65.6	69.4	64.8	49.3	61.4
Suburbs	66.0	73.6	59.4	66.2	66.9	66.3	44.7	64.4
Underemp. Rate								
NYC	12.2	11.2	13.4	6.1	20.1	16.8	40.9	11.9
Big Cities	11.1	10.4	12.0	7.9	16.4	12.8	35.1	11.6
Nass/Suff.	5.0	5.0	5.1	4.2	4.4	12.3	12.4	8.2
Suburbs	7.2	7.2	7.4	6.2	11.5	11.5	20.6	9.7

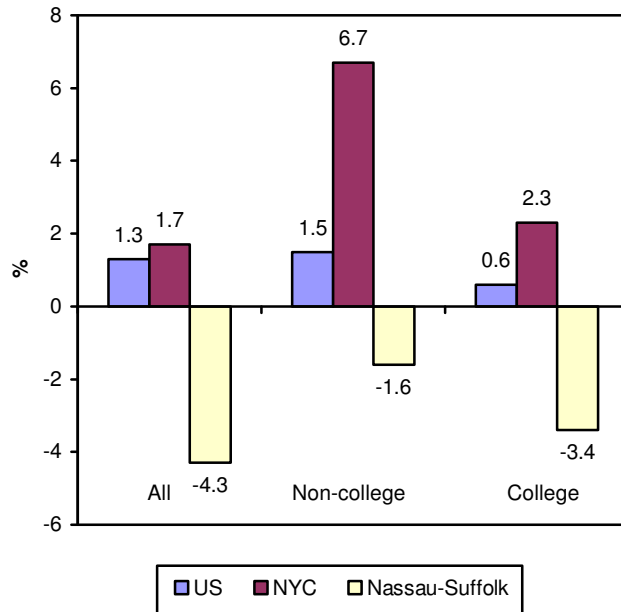
Source: Authors' calculations from Jan. – March 1999 Current Population Survey. The "underemployment rate" is here measured as the total officially counted as "unemployed," plus those "marginally attached" to the labor force who are discouraged workers plus persons employed part time for economic reasons, 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.

Figure 4
Average Weekly Earnings of Nonsupervisory Workers, by Education Level,
All U.S., NYC and Nassau-Suffolk, 1st Quarter 1999



Source: Calculations of Jan. – March monthly CPS data files.
 Sample includes only nonfarm employees ages 18 and over,
 not enrolled students, in non-managerial or supervisory jobs.

Figure 5
Earnings Changes for Nonsupervisory Workers, by Education Level,
All U.S., NYC and Nassau-Suffolk, 1998:Q1 – 1999:Q1
(% Change in Average Weekly Earnings, inflation-adjusted)



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NOTES

¹ NYC Office of the Comptroller, "NYC's Labor Force Challenges," Economic Notes, Spring 1999.

² See Jared Bernstein, "Real Median Wages Finally Recover 1989 Level," Quarterly Wage and Employment Series, Economic Policy Institute, 1999.

³ Business Week, "49th Annual Executive Pay Survey," April 19, 1999. For a more recent survey of CEO pay on Long Island, see Newsday, "The \$20 million Club," June 21, 1999.

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