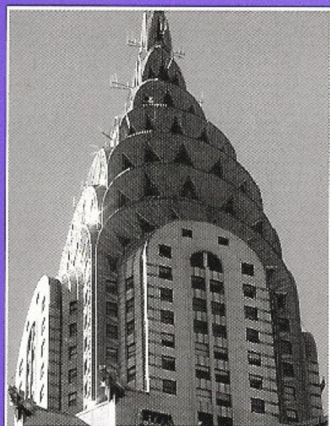
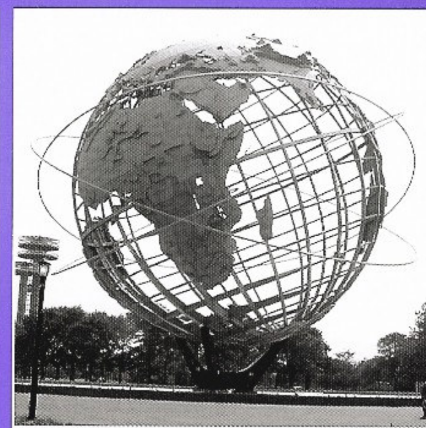
Regional Labor Review





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The Real World of the Working Poor

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REGIONAL LABOR REVIEW

Of the New York Metropolitan Area

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Jobless Recovery, Fiscal Crisis and Anti-labor Policies: Must Working Families Pay for War and Tax Cuts?

by Gregory DeFreitas

How will war abroad affect economic security at home? Since World War II, many have assumed a strong correlation between economic expansions and military expansions, at least for the victors. But the record-breaking 1992-2000 peacetime boom seemed to sharply challenge that view. Now the question is being raised anew by the Anglo-American invasion of Iraq and the declaration of a long-term "war on terrorism:" Will billions in new military spending and the prospect of many billions more for protracted domestic counter-terrorism finally help revive job and income growth?

Two million fewer jobs since the official start of the latest recession, the U.S. economy began 2003 with unemployment rising and with surprisingly large job losses of over 300,000 in February. Consumer confidence has crashed to its lowest level in 9 years, business investment remains low and idle factory capacity remains stubbornly high. The Bush/Cheney administration's only major economic policy has been income tax cuts heavily favoring the wealthiest 10% of households. Instead of substantially relieving the job and income deficits of most middle- and low-income families, the White House 2003 budget proposed to disproportionately aid mostly high-income households by eliminating federal taxation of dividends. A tidal wave of criticism followed. In a full-page ad in the *NY Times*, 10 Nobel Laureates and over 450 other economists condemned the administration's so-called "Jobs and Growth Plan":[1]

> "Passing these tax cuts will worsen the long-term budget outlook, adding to the nation's projected chronic deficits. This fiscal deterioration will reduce the capacity of the federal government to finance Social Security and Medicare benefits as well as investments in schools, health, infrastructure, and basic research. Moreover, the proposed tax cuts will generate further inequalities in after-tax income."

Critics gained more ammunition when Fed chief Alan Greenspan, in his February comments to Congress, doubted the stimulative value of the tax cuts for the economy and expressed concern about the budget deficits they would create. Once the White House belatedly announced it needed at least $75 billion to pay for the first 6 months of its Iraq invasion, the Senate, by a thin margin of Democrats and centrist Republicans, voted to reduce by half, though not eliminate, the costly tax plan. With no job creation initiatives coming from Washington, fiscally strapped states and cities have increasingly been driven to tax increases and public sector cutbacks to keep budgets balanced and still provide basic services. No region has been harder hit than the New York metropolitan area.

New York's Jobs Crisis

New York City entered 2003 bleeding jobs. The monthly unemployment rate surged from 8.3% in December to 9.1% by February, even after seasonal adjustment. The city's recession has persisted for 2 years, with its economy shrinking even more in 2002 (-2.2% drop in gross city product) than in 2001 (-0.3%).[2] The city's working people suffered a loss of another 43.400 jobs in the 12 months through December, with two-thirds of the losses in the last 3 months (see Table 1). These losses come on top of the 98,600 jobs that disappeared from the city in 2001, over twice as steep a rate of loss as the national average. Since the December 2000 economic peak, New York has lost nearly 200,000 jobs. Although these losses were accelerated by the September 11 attacks, in the preceding 8 months the national recession and Wall Street's woes had already caused the job count to drop by 43,000. New York City's 1.2% decline in jobs was a full percentage point worse than the rate in nearby Long Island or the entire U.S.

During the past year, job losses occurred in nearly every major sector. As Figures 1 and 2 reveal, the public sector manufacturing, and the FIRE sector (finance, insurance & real estate) have suffered the largest numeric declines. Government employment fell by 12,300, with by far the greatest cutbacks in local government (-11,400). Only the wholesale trade and service industries were unchanged.

Wall Street. A major cause of the city's unusually severe economic woes is its unhealthy dependence on Wall Street, now in the third year of a bear market. One-fifth of the city's personal income today comes from the financial sector alone, a four-fold increase since

1980. Securities employment dropped by another 9800 jobs in 2002. High-profile downsizings include J.P. Morgan Chase's decision to slash 4000 investment banking jobs. These cuts come on top of the 10,000 jobs lost following the merger of J.P. Morgan and Chase in Sept. 2,000. Goldman Sachs, despite an 11% rise in quarterly profits, announced staff cuts of about 800 people, on top of the 2,800 it eliminated last year. Both First Boston and Merrill Lynch also plan new waves of layoffs, this time reaching over 1,000 each. In the broader FIRE sector, insurance and nondepository institutions added 2000 net jobs, despite a continued exodus of some firms. Insurance giant New York Life plans to shift 1000 employees from Madison Avenue to Westchester County. And another insurer, AIG, is transferring 800 jobs from Lower Manhattan to Jersey City.

Tourism: Hotel hiring increased slightly in 2002 (+1400 jobs), but still remains dampened by the shortage of international visitors. The hotel occupancy rate averaged 75.4% in 2002, the lowest in a decade. On Jan. 6, 2003, Mayor Bloomberg proudly announced that the Republican Presidential Convention of August 2004 will be held in New York City for the first time ever. As part of the mayor's incentive package, the Central Labor Council signed an agreement for a no-strike pledge by union workers at the convention. The city also promised to spend $25 million of its own money toward the convention's security expenses and to reserve 9,000 hotel rooms at below-market $150/night rates for convention delegates. In return, the mayor's staff hopes that the convention will generate about $150 million in spending here. However, the net job benefit will probably be minimal: August is normally an active tourist month anyway, and taking 9000 hotel rooms off the market will not help reverse the decline in higher-paying foreign tourists

Airlines: The war has worsened the already deep problems of the airline industry, one of the single biggest employers in Queens and on Long Island. With more and more trips being cancelled by anxious travelers, American Airlines (the world's largest carrier) is teetering on the brink of bankruptcy. It may follow last year's bankruptcies at United, the 2nd-largest line, and at U.S. Airways. All are demanding harsh sacrifices by their employees. American is pushed its unions for $1.8 billion in wage, benefit and work rule concessions. Even with such concessions, it is threatening to also layoff some 1000 pilots. United asked bankruptcy judges in mid-March to void all the labor contracts it had signed with its unions, so that management could unilaterally set lower pay scales. After weeks of staunch resistance and offers of alternative restructuring approaches, United's pilots agreed to $1.1 billion in annual concessions. United plans pay and benefit cuts for all the flight attendant, mechanics, pilots and other workers it is shifting into its new, low-cost Starfish domestic air fleet. A common excuse relied on by airline management is that such labor givebacks are needed to qualify for the White House's $15 billion airline assistance program set up after the 9/11 attacks. In April, Congress moved to approve an additional bailout package of over $3 billion.

Services. The massive service sector, normally the source of most new jobs, only managed to produce a net increase of 1100 jobs over the 12-month span since last December (Figure 1). Business services, which include many Internet and new media companies, lost 14,300 positions. But this was counterbalanced by new jobs added in three areas: health (+6200), social (+5300), and educational services (+2700).

Telecomm. Verizon laid off 1180 employees in New York City and another 450 on Long Island just before Christmas, claiming it had no choice in the poor economic climate. But 2 months later it announced a huge increase in profits, reaching $2.3 billion in the fourth quarter of 2002. The Communications Workers of America, representing most of the installation and repair workers, point to the earnings surge as clear evidence that Verizon could well afford to avoid such layoffs. According to Bob Master, CWA District 1 political director: "There's no question we're in the middle of a major battle here that will be revisited next summer…They're investing in executives instead of service."[3]

Retail trade. Retail trade is down by 700 jobs from the same period a year ago. Although there was a net hiring increase of 1700 new jobs in bars and restaurants, this was offset by job cuts of 1500 in furniture stores and about 500 in department stores. Even discount retailers have been hurt. Kmart announced in January that it was laying off 35,000 workers nationwide and closing over 300 stores, including one in Brooklyn and another in Queens. Retail prospects could worsen further if Gov. Pataki succeeds in his plan to reimpose the 4% state tax on low-cost clothing and footwear sales.

Manufacturing. Manufacturing employed nearly 223,000 workers in December 2001, but shrank over the year by another 5%. Almost 2000 of the jobs lost were in printing and publishing, mostly at magazines and commercial printers. Garment factories in Chinatown, barely half a mile from ground zero, have still not fully recovered from Sept. 11 damage and the general slowdown in consumer spending. Women's outerware companies had the greatest job cuts (-3400) over the past year.

Construction. Once the fastest growing sector in the city, construction lost another 3,700 jobs over the last 12 months. This 2.7% decline represents a worsening of the job loss rate: building trades jobs fell by 1.8% over the same time span in 2000-2001.

Public sector. Government employment fell sharply over the year: there were 12,300 fewer jobs in December than at the same time last year. This 2.2% decline largely reflected local city job reductions of 11,400, largely through attrition during the current hiring freeze. There were also job cuts of 900 in state offices and 1000 at post offices. In a time of heightened concern over the threat of terrorism, the number of city police has shrunk over the past year by 4,200 (to 36,500), another 1900 officers are expected to quit or retire by summer, and the department is being asked to cut $94 million from its budget. Without the budget cuts, the mayor threatens the first police layoffs in 3 decades.

Over the same period in the region's suburbs, Long Island had almost no net change in the number of jobs. Manufacturing shrank by some 5,700 jobs, 4 out of 5 in durable goods firms. Bristol Myers-Squibb plans to close its Garden City drug production unit soon, at a cost of 350 jobs. IBM is also to shut down its Melville operations, but has offered to relocate the 125 full-time employees. Hardware producer Danaher Motion/Thomas Industries will move all its operations to Mexico, putting all its 175 employees out of work. Local defense contractors are capturing some of the White House's huge new military outlays. CPI Aerostructures, Globecomm Systems, Orbit International and Telephonics (all in Suffolk County) received new military aviation or electronics contracts in recent months. But Northrup Grumman admitted in March that it is considering closing its radar design plant in Melville employing 100 workers. After years of downsizing, the firm now has just 2000 employees left on Long Island, mostly in Bethpage.

Wholesale trade companies closely linked to manufacturers cut their work forces by a net 2,100 jobs since last December. Some retail segments also have contracted, leading to the disappearance of major stores like Stern's, Pergament Home Centers, and The Wiz. Three store closings this spring (in Syosset, Stony Brook and Westbury) will cost 500 jobs. But some of these lost jobs will be recouped by openings such as Wal-Mart's two Suffolk stores that opened in January in Islandia and South Setauket. Later in 2003, more store openings will include: a new Target in Riverhead, Lowe's Warehouse in Garden City, Home Depot in Shirley, and 2 more Wal-Marts in Nassau County, one in Massapequa (to employ 400), the other in Valley Stream.[4] Construction, transportation and retail also had job losses, though far smaller

The shock waves from Wall Street continued to hold down the job count at local banks and brokerages. Reuters, the financial news organization, plans to cut 250 jobs at its Hauppauge technology center. But service industries, led by health care and social services, added 3,800 new positions to the payroll and local hiring for schools and other areas pushed up public sector jobs by 2,300.

While Long Island's public sector job count was 1.2% above last year's level, there is little prospect of more growth in coming months. In addition to local government layoffs in response to county budget gaps, the federal government is shutting down part of its Internal Revenue Service center in Holtsville. After 3 decades of processing federal income tax returns, the workforce will be slashed by 2500, at a cost to the local economy of at least $60 million in lost payroll.

Unemployment: Blue & White Collar

The unemployment rate jumped from 8 to 8.4% (seasonally adjusted) in New York City from November to December. At a time when the U.S. unemployment rate stood at 5.7%, New York City's level was 8.2% (not seasonally adjusted) at year end – up more than a full percentage point over the City's jobless rate at the same time last year. Month-to-month, seasonally-adjusted estimates trace a steady worsening of unemployment from 7.1% in January to 8.1% by May, followed by a few months of modest reductions before worsening markedly in the final 3 months of the year.[5] The unemployment rate has continued to rise despite a slight increase over the year in the number of people who have reported being employed. This is explained by the fact that, while labor force participation rates in the City at first fell in response to last year's slowdown, they have been rising again since last fall. As more jobseekers enter the labor force, they are added to the official count of the unemployed until they land a new job. As Table 2 shows, for the 12-month span through December, the total number unemployed jumped (by 44,600) to 292,100, swamping the additions to employment (+21,000). The number unemployed has risen in every borough. The Bronx has the highest jobless rate at 10.3%, followed by Brooklyn (9.1%) and Manhattan (7.8%).

Compared to the city, Long Island follows its longstanding pattern of far lower jobless rates. In December, the rate was 3.6% in Nassau County and 4.2% to the east in Suffolk County. But each is at least as high as at the same time last year, and the number unemployed rose in both counties. In contrast to the city, the number of additional Long Islanders claiming a job rose by much more (+28,000) than did the number unemployed (+4,400).

In order to develop clearer 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 three months (the 4th quarter of 2002) of raw CPS household data, obtained from the U.S. Census Bureau.

The employment-population ratios in the first, leftmost column of the table reveal that, just over one-half of New York City residents 16 and over still held jobs by the last 3 months of the year compared to over 60% in the rest of the country. Only 1 in 5 city teenagers was employed, also far less than in other cities. Separate tabulations by race (not shown) indicate that only 17% of black teens held a job. The rate of underemployment in the city has increased to 12.8% overall, and there are large race/ethnic differences. White non-Hispanics have a rate of 9.7%, compared to 17.6% of blacks and 14.6% of Latinos. These rates are comparable to those for the other biggest cities, but well above suburban levels. Nearly 37% of New York teenagers are underemployed, and the rate soars to 55.3% among black youth. Racial gaps are also apparent in the suburbs: Just 4.4% of Long Island whites are underemployed, compared to 13.2% of blacks and 7.4% of Hispanics.

As the number of long-term jobless continues to rise, the number exhausting all their unemployment benefits has swollen. Less than half of New York's unemployed are receiving jobless benefits, compared with about three out of four in Connecticut. And New York State's UI fund has been running in the red since December. The state has had to ask the federal government to borrow $1.6 billion so far, at a cost of 6.1% interest.

New York's Budget Crisis

At the very moment when the plight of the unemployed and the barely employed is growing worse, the ability of state and local government to help them is shrinking. Most northeastern states face fiscal problems, but far smaller deficits than New York. Connecticut expects a $650 million budget gap this fiscal year, and a $1.5 billion gap in FY 2004. Governor John Rowland at first demanded that government employees accept $450 million in wage and benefit reductions. When unions resisted the large concessions, the governor fired 1200 health care workers, clerical staff and other state workers. Another round of 700 layoffs was scheduled for the following month. Rowland, whose 1994 election platform backed abolition of the state income tax, nonetheless agreed in December to a "millionaires' tax hike" on top income earners.
New Jersey's new governor, Democrat James McGreevey, has so far chosen deep program and service cuts over layoffs in closing the $5 billion FY 2004 budget deficit that he inherited from his Republican predecessors.

Nassau County's long-running budget woes have led its new county executive, Democrat Thomas Suozzi to cut the county work force by 1,200, propose a 19.4% hike in the county portion of property taxes, and demand that the police union accept a 3-year pay freeze. millions in pay concessions from public sector unions. Without the police concessions, Suozzi claims he will be forced to cut day care, parks, public transit and other services. Neighboring Suffolk County is facing "the most serious financial problem in a generation," according to County Executive Robert Gaffney. To close a looming $111 budget gap next year, Gaffney has proposed reimposing a regressive 4.5% sales tax on clothing priced under $110, cutting 300 jobs through early retirement, and increasing the county portion of the property tax by 6% in Western Suffolk and by 2.55% in the eastern end of the county.

New York City faces a $3.4 billion budget deficit in the coming 2003-2004 Fiscal Year that begins in July. It has already made sharp service cuts and imposed an 18.5% mid-year property tax hike to close the last fiscal year's $6 billion deficit. Much of the mayor's focus is on demanding concessions from the city's unions. Just before Christmas, the City Hall's demand for a wage freeze in the transit workers brought the city to the brink of a crippling bus and subway strike, The Transit Workers Union finally settled with the city on an agreement that will freeze wages the first year, then increase wages 3% in each of the following two years. The union managed to win a key demand that the MTA pay $280 million to insure the solvency of the union health care fund. Currently locked in tough negotiations with the 125,000-strong DC37 municipal workers union, City Hall threatens up to 15,000 layoffs if it and other unions refuse to accept $600 million in concessions.

According to the NYC Comptroller's Office, the prospects are unlikely to improve anytime soon:

> "If the Federal and State governments refuse to offer meaningful assistance and City unions do not offer savings proposals, the City will be forced to adopt draconian budgetary measures. These actions can be expected to include deep cuts in essential City services that will in turn further degrade the City's revenue base. As a result, the City will likely suffer long-term economic consequences."[6]

Mayor Bloomberg and the City Council have sought more state assistance as well as state approval for a tax on suburban commuters who work in the city (expected to yield $1 billion/year). Yet it became clear early this year that, far from aiding the city and its suburbs, Governor George Pataki's policies will cut much state funding for education and health care and charge New Yorkers more for a range of basic purchases. Pataki was silent about the state's looming fiscal crisis throughout his fall re-election campaign, deflecting serious questions with sunny pronouncements about his intent to continue his record of cutting 19 different state taxes. Barely one month after his November election, he suddenly announced that the state did indeed face a sizable, $2.2 billion deficit that had to be closed by the end of the 2002-03 fiscal year, March 31. A month after that, in his January 8 annual address to the state legislature, Pataki finally admitted that the state faces "a fiscal crisis today of a magnitude we have not confronted in our lifetime." A huge gap of $9.3 billion must be closed in the 2003-04 fiscal year. And $3 to $4 billion state deficits are also projected in each of the following years, even assuming an economic rebound.

What explains this fiscal crisis? The governor has repeatedly placed all blame on the 9/11 attacks and the national recession. These have unquestionably been very costly for the state and New York City. But budget experts warned well before 2001 that the governor's massive corporate and income tax cuts would soon produce large deficits. Now that those deficits have exploded into the open, however, he insists that he will refuse any increases in what he labels "job-killing" taxes, namely corporate or income taxes. No consideration is being given to the proposals broadcast in ads by a number of unions, like the NY State United Teachers and the Public Employees Federation, for a temporary income tax surcharge on the wealthiest taxpayers. Instead, a host of harsh spending cuts and explicit or implicit tax hikes form the basis of the his budget balancing:

Education. Funds for elementary and secondary school districts throughout the state will be slashed a massive $1.24 billion, the largest cut in decades. New York City schools will lose $448.5 million in state aid, Nassau County will see an aid drop of $70.5 million and Suffolk will lose $114.4 million. The funding cuts will make it that much harder for millions of youngsters to pass tougher new requirements – 3 Regents exams by 2004 and 5 exams by 2005 – in order to earn diplomas.[7] Three popular new programs that helped the governor win re-election – universal pre-K, full-day kindergarten, and smaller class sizes through 3rd grade – will be stripped of all state funding.

Higher education opportunities will be hurt as well, if the governor's plans to raise tuition 35% for students at the City University of New York and the State University of New York. CUNY students, three-fifths of whom are in low-income families, will see tuition jump $120o to $3200/year. At SUNY, a similar increase will push tuition to $3400. Yet, less financial aid will be offered them to pay these steep increases: Gov. Patakii plans to chop $600 million from the state's Tuition Assistance Program. The colleges' pain doesn't stop there: state funding for staff and programs at SUNY and at public community colleges is to be reduced by 15%, and another $81.7 million will be cut from CUNY's 4-year colleges.

Health care. Programs for low-income New Yorkers also are targeted for major cutbacks:

Family Health Plus, championed by Local 1199 SEIU to offer health insurance coverage to the near-poor, will have its eligibility requirements stiffened. At present, families with incomes up to 150% of the poverty line have been eligible. The governor proposes cutting off any family with more than 133% of poverty-line income. The effect will be to deny thousands of low-income working families either Medicaid or any other health care coverage.

Instead of relieving the local Medicaid burden, as requested by New York City and Long Island leaders, the state will shift more of its $12 billion Medicaid burden (the 2nd largest state expenditure) onto localities. Hospitals will be forced to pay a 0.7% tax on local revenues and home care providers must pay).6%. The local share of hospital and clinic charges to Medicaid will jump from one-fourth now to 37%. This will hurt especially hard in the city, where over one-third of Medicaid expenditures are now accounted for by hospitals and clinics. And the elderly will be charged 10% more to participate in the state's prescription drug plan for seniors.

Transit Fares. Like so much else in New York City, the transit system is under the control of the governor, through his Metropolitan Transit Authority. Based on hotly contested claims of its own budget gap, the MTA has approved a sharp one-third hike in basic bus and subway fares, to $2 per ride.

Sales Tax. The state is reimposing a 4% sales tax on clothing purchases under $110. Like the transit hike, this is a highly regressive tax that will disproportionately hurt low- and middle-income people, as well as diminish store sales.

Other Tax Hikes. The governor has also proposed a new 2% tax on life insurance premiums. And he wants to postpone planned increases in property tax relief (under the STAR program) for all non-elderly homeowners.

Government vs. Labor

At all levels – federal, state and local – labor unions currently find themselves under extraordinary pressure to accept wage freezes or large wage and benefit concessions, as well as new policy changes designed to curtail their organizing and bargaining capacity. Among the most prominent such White House policies are:

1. Planned privatization of 850,000 federal government jobs, wiping out half the federal unionized workforce;

2. Stripping 170,000 federal employees of contract protections as a requirement for establishing the new Homeland Security Dept.

3. Repeal of the family-friendly "Baby UI" rule that allowed states to use unemployment compensation funds to provide benefits to workers needing to care for newborn or newly adopted children.

4. Lowering ergonomic and other job safety standards and reliance on unenforced voluntary compliance.

5. Sweeping new pension proposals that will enable many more companies to switch from traditional pension plans to "cash-balance" plans that will cut billions from the retirement pay of older workers. Unlike standard pension plans, which grow more rapidly the longer an employee works, cash balance plans offer no such premium for longer job tenure. The losses of conversion to a long-time employee can reach hundreds of thousands of dollars. Hence, when IBM threatened to switch to a cash-balance pension plan, a nationwide revolt among worried workers and retirees led the Internal Revenue Service in 1999 to begin a moratorium on future conversions. Now the Bush/Cheney administration is trying to end this moratorium, thereby permitting an expected flood of corporations dropping their traditional pensions. This threat to retirement security could be even more damaging if the problems of the government's pension watchdog agency worsen. The Pension Benefit Guaranty Corporation, the FDIC-like agency that insures 44

million pensions, has increasingly been asked to cover pension defaults at near-bankrupt airlines and manufacturing companies. As a result, it finished 2002 with a $3.6 billion deficit, compared to its $7.7 billion surplus in 2001.

6. Filing suit against the affirmative action policies of the U. of Michigan.

7. Ever-more regressive income tax proposals tilted heavily toward the wealthiest 10% of taxpayers, with little for tax relief or job creation benefits for the other 90%. According to the latest Economic Report of the President, The White House's supply-side economists are now seriously seeking the out and out elimination of the federal income tax, the only mildly progressive tax we have. It would be replaced by stiff consumption taxes, which burden working families far more than the wealthy.

8. Excluding Workers from Overtime Pay
In March the administration proposed a dramatic weakening of traditional overtime pay protections. Millions of workers in high-tech occupations would be redefined as ineligible for overtime pay. And The Republican House bill H.R. 1119 would make it optional for employers to either pay overtime or instead grant "comp time" in the future. Among the dangers to employees are the possibility that employers would refuse overtime work to employees preferring time-and-a-half pay and the risk that delayed comp time would never be paid due to business failure, fraud, or employee turnover.

9. Hiding Job Loss Data: On Christmas Eve, Secretary Elaine Chao's Labor Dept. quietly eliminated the only government data collection on mass layoffs.

More and more unions opposing such policies have also questioned the massive diversion of taxpayer funds to high-income tax cuts and rising military spending. While labor unions are as divided as the public at large over foreign policy, a surprisingly large number of unions expressed opposition to invasion of Iraq without UN approval. AFL-CIO President Sweeney and his British counterpart at the TUC wrote an open letter to President Bush and Prime Minister Tony Blair urging a peaceful course relying on UN efforts and tough inspections. The estimated 400,000 to 500,000 people who participated in the massive February 15 New York City protest included the largest labor antiwar presence to date. Labor speakers at the rally were Dennis Rivera, President of 1199SEIU; Larry Cohen, Executive Vice-President of CWA; and Brenda Stokely, NYCLAW Co-Convener and President of AFSCME DC 1707. In fact, on the eve of war a majority of New York area residents opposed a U.S. invasion of Iraq without U.N. backing, according to recent opinion surveys. Nearly three-fourths of New York City respondents and 62% of Long Islanders opposed military action against Iraq without U.N. approval, according to a Newsday/NY 1-TV telephone poll on February 27-March 2. In fact, 42% of New Yorkers and 23% opposed a U.S. invasion even if the U.N. had approved.[8]

In resolutions passed across the country just before the invasion, many unions questioned the need for massive war expenditures at a time of disproportionately large tax breaks for the wealthy and wage and social service cuts for working families. For example, UNITE, New York's largest manufacturing union, approved the following strong resolution:

> "This war is a cynical attempt to distract attention away from the real concerns of American citizens – a faltering economy, declining education budgets, state and local fiscal crises, increasing unemployment, inadequate social services, the erosion of civil liberties, and a federal government that is giving massive tax breaks to the rich.
> We know first-hand that if there is a war with Iraq, we will do the fighting and we will suffer the consequences. Our families will be changed forever. And for what? This war is not about security for Americans. It is about George Bush's reelection campaign.
> It is about oil."

The early signs appear to be that the Anglo-American invasion of Iraq, with scant international support, coupled with rising military and domestic security spending, threaten to bring unexpectedly high economic and social costs, stretching well into the future. While some defense- and oil-related sectors may reap sizable new contracts and job gains, most of the direct and indirect effects of current national policies have worrisome implications for working families' employment and incomes in New York and most other states. Even if the invasion of Iraq brings stability in that country soon, there will remain widespread concerns that the White House foreign policy of unilateral action may compel American taxpayers to fund many billions in reconstruction funds and in future interventions elsewhere, as well as protracted anti-terrorism measures at home. The so-called Bush Doctrine states that go-it-alone measures are preferable to international treaties and defends preemptive action by the U.S. not only against terrorist attacks, but against any country that the U.S. deems a challenger to its superpower dominance. Such a policy is as risky and controversial as it is likely to be costly for both our country and for most others. If working people are bearing a disproportionate share of the burden now, business and government will not long be immune to the consequences. Thus *Business Week* wrote on the eve of invasion:

> "The price the Bush Administration is paying for its failed diplomacy is high, and it promises to rise even further. A world divided between multilateral economic and unilateral security policies is an uncertain and risky place. It is not likely to encourage economic growth or prosperity. The Administration risks turning what was once trumpeted as the American Century into the Anti-American Century."[9]

Table 1
Number of Nonfarm Jobs (in thousands) by Place of Work: 2001-2002

	Dec. 2002	Dec. 2001	% CHG
U.S.	131,604.0	131,703.0	-0.2%
NY State	8,634.2	8,679.9	-0.5
New York City	3,645.6	3,689.0	-1.2
Nassau-Suffolk	1,250.0	1,253.7	-0.3

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

Table 2
Civilian Labor Force, Employment & Unemployment:
New York City, Nassau-Suffolk & All U.S., Dec. 2001 – Dec. 2002
(in thousands, not seasonally adjusted)

	Labor Force		Employed		Unemployed		Unemp. Rate	
AREA	Dec. 2002	Dec. 2001	Dec. 2002	Dec. 2001	Dec. 2002	Dec. 2001	Dec. 2002	Dec. 2001
U.S.	142298.0	142685.0	134235.0	134232.0	8066.0	7678.0	5.7%	5.4%
NYC	3564.1	3498.1	3272.0	3250.6	292.1	247.5	8.2	7.1
Brooklyn	995.1	974.7	904.8	898.8	90.3	75.9	9.1	7.8
Bronx	482.9	468.8	432.9	430.0	50.0	38.8	10.3	8.3
Manhattan	860.4	848.8	793.3	788.0	67.1	60.8	7.8	7.2
Queens	1021.3	1005.5	950.6	944.2	70.7	61.3	6.9	6.1
Staten Island	205.1	200.3	190.9	189.6	14.1	10.7	6.9	5.3
Nassau-Suff.	1435.3	1402.5	1379.4	1351.0	55.9	51.5	3.9	3.7
Nassau Co.	701.8	687.1	676.6	662.7	25.2	24.4	3.6	3.6
Suffolk Co.	733.4	715.3	702.7	699.3	30.7	27.0	4.2	3.8

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

Table 3
Employment & Underemployment Rates, by Sex, Age, and Race/Ethnicity:
New York City, Nassau-Suffolk, and Other Large U.S. Cities and Suburbs, 2002:IV

% of Popltn. Employed	All Ages 16 & Up	Males	Females	White, Non-Span	Black, Non-Span	Spanish Origin	Teens, 16-19	Foreign Born
NYC	53.1	57.8	53.8	54.4	52.4	48.7	20.5	58.1
Other Big Cities	60.4	67.6	49.1	64.2	52.4	62.6	28.7	62.4
Nassau/Suffolk.	66.2	73.2	59.6	66.5	61.9	69.1	35.9	67.7
Other Suburbs	64.7	71.6	58.2	64.8	64.8	63.5	38.9	63.0
Underemployment Rate								
NYC	12.8	13.7	11.9	9.7	17.4	14.6	36.9	11.5
Other Big Cities	13.3	13.1	13.4	8.7	18.8	17.6	32.6	14.9
Nassau/Suffolk.	5.2	5.2	5.1	4.4	13.2	7.4	10.0	6.7
Other Suburbs	8.6	8.3	8.9	7.5	13.2	12.3	22.8	11.1

Source: Authors' calculations from Oct. – Dec. 2002 Current Population Survey (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 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.

Figure 1
NYC Job Growth by Industry: Dec. 2001 – Dec. 2002
(in thousands of jobs, and percent change)

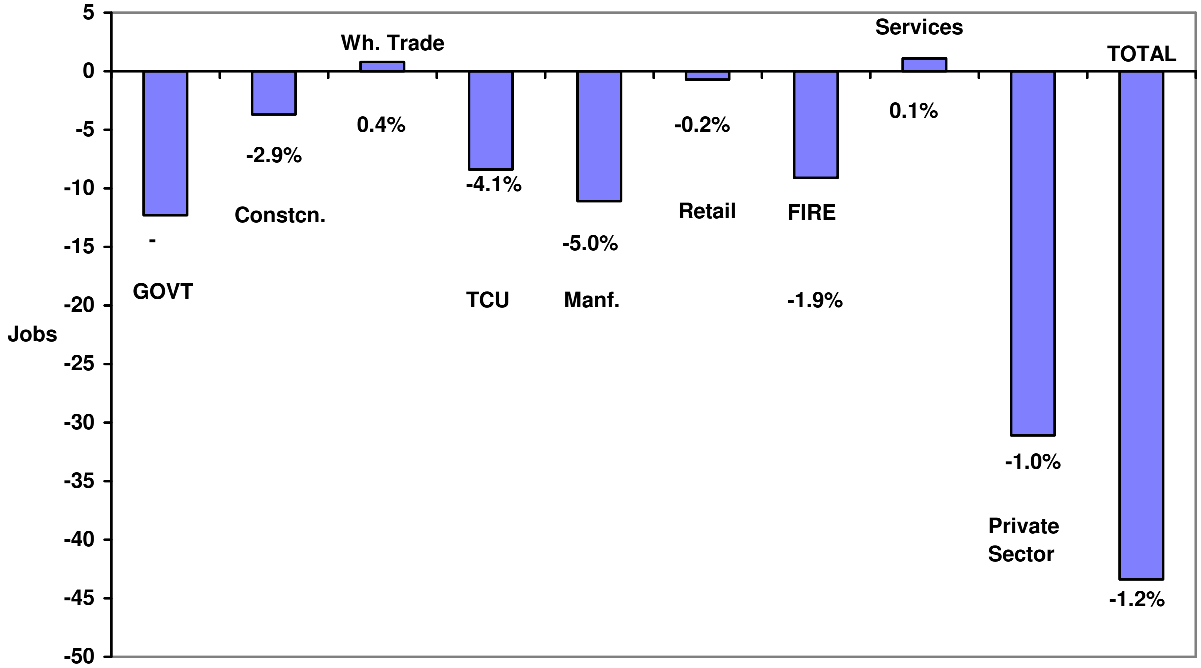
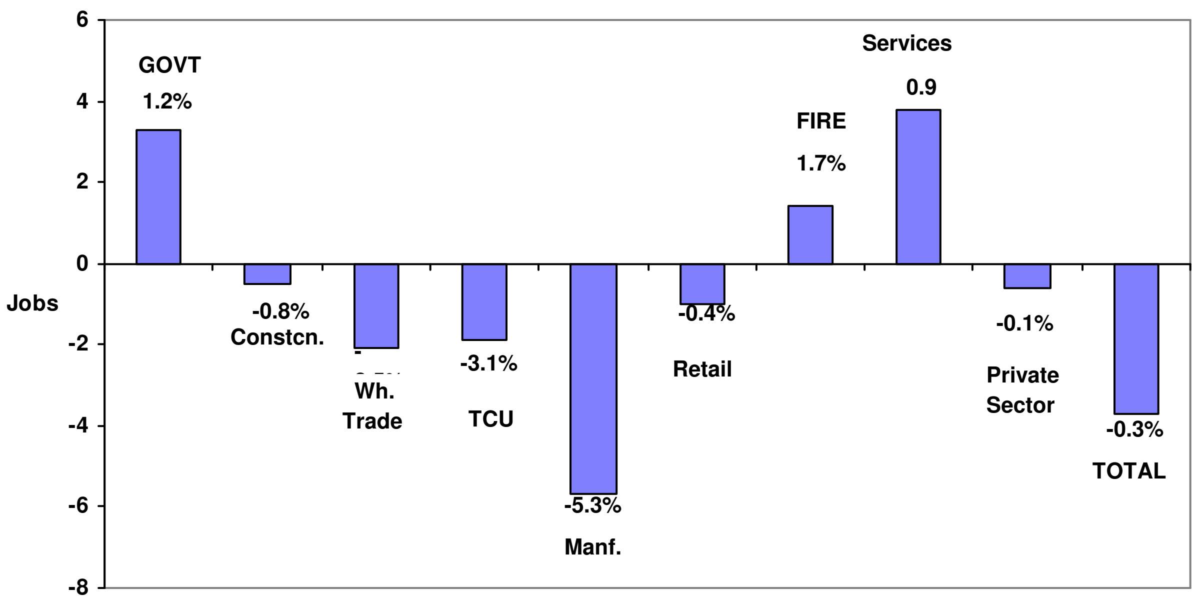


Figure 2
Nassau-Suffolk Job Growth by Industry: Dec. 2001 – Dec. 2002
(in thousands of jobs, and percent change)



Source: NYS Dept. of Labor: nonfarm payroll job data from CES establishment survey. Year-to-year changes, not seasonally adjusted.
Note: FIRE = Finance, Insurance, Real Estate; TCU = Transport, Communications, Utilities..

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NOTES

[1] "Ten Nobel Laureates Say the Bush Tax Cuts are the Wrong Approach," *NY Times* (2/11/03): p. A11.
[2] NYC Office of the Comptroller, *Economic Notes* (March 2003).
[3] "Verizon May Slash 3500 Jobs in New York," *Newsday* (12/13/02).
[4] Hiring and layoff information from the NYS Dept. of Labor, *Long Island Briefing:* <www.workforcenewyork.org/li>
[5] See month-to-month unemployment trends in "Key Labor Market Indicators," this issue.
[6] NYC Office of the Comptroller, *The Comptroller's Comments on the Preliminary Budget for FY 2004 & the Financial Plan for FY 2004-07* (March 2003): p. iv.
[7] K. Schuster and J. Hildebrand, "The State Budget Crisis: L.I. Schools Take a Hit," *Newsday* (1/30/03).
[8] "Wary of War," *Newsday* (3/4/03).
[9] Bruce Nussbaum, "The High Price of Bad Diplomacy, " *Business Week* (3/24/03).