

Regional Job Growth and Wage Trends in 1998

by Gregory DeFreitas and Lonnie Stevans

As the national economy registered its longest peacetime expansion in December, the New York metropolitan area achieved historical records of its own. Private sector job growth in New York City for all of 1998 was the highest in the 47 years that such data has been kept. The city's unemployment rate dropped from 9.4 percent in 1997 to an annual average of 8 percent last year – a percentage point decline nearly three times that of the nation as a whole. The Long Island jobless rate also fell faster than the U.S. average, and hit a new low of 2.5 percent in December. Private sector jobs in Nassau and Suffolk Counties jumped by 21,800 (or 2.3 percent) over the 12-month period since December 1997. This was the island's best job growth in a decade. Throughout the region, low-wage workers, particularly minorities, finally began to experience sizable improvements from the tightening labor market, as reflected in both their falling unemployment rates and rising wages since 1997.

While the overall figures for the past year were markedly better than in 1997, the final months of 1998 showed some clear signs of strain in the region's expansion. New York City's jobless rate bottomed out in August at a seasonally adjusted 7.4 percent (the lowest since 1990), then rose steadily to 8 percent by December. The city's jobless count swelled by 11,300 in the year's last quarter, reversing a one and one-half year downward trend. The fourth quarter also saw initial claims for unemployment benefits increase and the number of help-wanted ads decrease from their levels one year before.¹ New York still hasn't regained all the jobs lost in the last recession, and its unemployment rate is nearly double the national average and ranks as the highest of any large city in the country.

Job Growth

New York State ended 1998 with a monthly rise in the number of private sector jobs for the 22nd time in the past 23 months. Both New York City and Long Island shared in this expansion and managed to outpace the state's 2.1 percent annual job growth. In December 1996, the monthly establishment survey recorded 3.063 million private sector jobs located in the city, over 100,000 more than in the previous December. This represented a 3.4 percent increase – a full percentage

point higher than the rates of either Nassau-Suffolk or the state. After taking into account the continuing decline in the public sector, the growth rate of total nonagricultural jobs was a lower but still robust 2.8 percent in New York City and 2.1 percent on Long Island.

Table 1
Number of Non-farm Jobs (in thousands) by Place of Work: 1997-98

	<u>Dec. 1998</u>	<u>Dec. 1997</u>	<u>% CHG</u>
U.S.	127976.0	125123.0	2.3%
NY State	8332.9	8192.1	1.7
New York City	3584.4	3486.8	2.8
Nassau-Suffolk	1174.2	1149.8	2.1

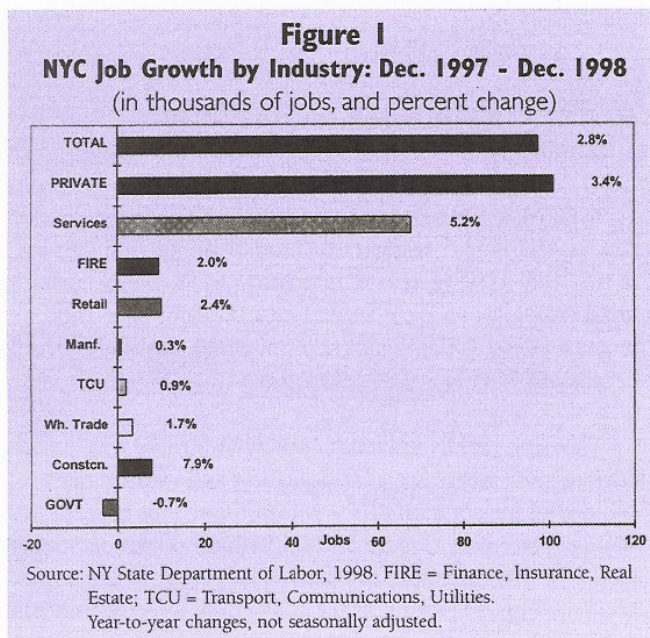
Source: Establishment data (not seasonally adjusted) from NY State Dept. of Labor.

Even with this welcome increase in job opportunities, the city has still not yet restored the more than 360,000 jobs lost in the 1989-1992 recession. In contrast to the much more rapid recoveries on Long Island and nationally, New York remains nearly 100,000 jobs short of where it was almost a full decade ago.

The most rapidly growing industry in the city was construction, where low mortgage rates and vacancy rates contributed to the addition of 7.9 percent more jobs over the year through December (Figure 1). But the huge service sector generated 68,000 more jobs over this same period, which alone accounted for 70 percent of the city's entire job growth. Within services, the fastest growing areas were motion pictures (17.1 percent), followed by business services (8.5 percent), engineering and management services (6.7 percent), and museums (6.5 percent). The 23,700 new positions in business services represented over one-third of the service sector's expansion. Some of this new hiring was the direct or indirect result of activity on Wall Street, which itself added another 5600 positions in securities and commodities brokerages.

The New York City industry hardest hit by job loss was government, which shrank by 3500 or 0.7 percent. Nearly half of the positions cut were in local government. Another 1200 were in federal offices and most of the rest were in state hospitals and other institutions. In contrast, Nassau and Suffolk Counties added another 2600 public sector jobs over this same period. While the federal sector and state-run hospitals contracted, this was more than offset by an extra 700 state positions and 2200 new teachers and other school personnel.

Like the city, Long Island's leading growth industry was services, though its 12,800 new jobs accounted for a smaller share of total job growth (52.5 percent). The strongest hiring here was in health services, which grew by 1.8 percent to a total of 116,000 positions. The construction boom generated 3300 new jobs, up 6.5 percent over the year. Manufacturing was flat, with small declines in durable goods matched by a weak uptick in nondurables. But the wholesale and retail trade job total expanded by some 3000.



Unemployment and Underemployment

New York City's unemployment rate was close to 10 percent at the beginning of 1997, but it declined sharply that fall to end the year at a seasonally adjusted 8.4 percent. This downward trend continued in the first half of 1998, and the

rate bottomed out at 7.4 percent in August.² As Table 2 shows, the number of labor force participants officially counted as unemployed decreased by 6500 city-wide in the 12 months beginning December 1997. Both the jobless counts and the unemployment rate fell in all five boroughs. The 9 to 9.3 percent rates in Brooklyn and the Bronx are, however, still far higher than elsewhere in the city.

Despite the improved unemployment numbers, New York City's rate is nearly twice the national average. Even among the country's largest urban areas, New York ranks worst in unemployment. In contrast to the New York metro area's 7.6 percent last December, jobless rates were under 3 percent in Boston, San Francisco, and Washington, and not much higher in Chicago and Philadelphia.

It is also important to look beyond the highly aggregate figures published monthly to try to determine the infrequently reported unemployment rates of racial minorities and other important subgroups within major cities. The relatively small sample size of each such group in the cities surveyed by the Census Bureau each month makes detailed analyses difficult. So we have pooled the three monthly surveys for the last quarter of 1998 to increase sample size and the statistical reliability of our estimates. Our findings are reported in Table 3.

Within each racial, ethnic, and gender grouping in the table, New Yorkers are less likely to hold a job. For example, the white non-Hispanic unemployment rate is 4.9 percent in New York City at a time when it averages 3.5 percent in the largest 20 cities nationwide. Only 53 percent of African Americans, half of Latinos, and one-fifth of teenagers in New York have a job. — all far lower employment-population ratios than elsewhere. Racial and ethnic disparities within the city remain stark: black and Hispanic unemployment rates are twice the white non-Hispanic level. Unemployment is considerably lower on Long Island, but is over twice as high among blacks, Latinos, and immigrants as it is for whites.

The official unemployment rate has long been criticized for understating labor market slackness. We used the raw CPS data files to calculate a broader "underemployment rate" that counts "marginally attached workers" (discouraged labor force dropouts still wanting work plus part-timers wanting full-time jobs) together with the official unemployed. The estimates in the bottom rows of Table 3 reveal that underemployment is

roughly twice as common as the narrower unemployment measure. Among New Yorkers ages 16 and over, 16.1 percent are underemployed, compared to 12.4 percent in other cities and 5.2 percent in Nassau-Suffolk. Racial differentials are quite wide: over one-fifth of the city's blacks and Hispanics are underemployed. More than two out of five youth in New York are underemployed, compared to just over one in three in other cities.

Wages

The effects of a tighter labor market and of the minimum wage hike were finally felt by the lowest-paid New York workers last year. In retail trade, 1997 saw average hourly wages inch up just 2.1 percent, barely keeping pace with inflation. But by the 4th quarter of 1998, the retail average had jumped 5.5 percent (to \$10.21) over the same quarter a year earlier. Construction wages also improved, if less sharply, by 3.5 percent. But in the stagnant manufacturing sector, hourly pay crept up by an average of just 1.5 percent (to \$12.19).

Table 2
Civilian Labor Force, Employment & Unemployment:
New York City, Nassau-Suffolk & All U.S., Dec. 1997 - Dec. 1998

AREA	Labor Force		Employed		Unemployed		Unemp. Rate	
	Dec. 1998	Dec. 1997	Dec. 1998	Dec. 1997	Dec. 1998	Dec. 1997	Dec. 1998	Dec. 1997
U.S.	138297.0	136742.0	132732.0	130785.0	5565.0	5957.0	4.0%	4.4%
NYC	3385.1	3326.7	3126.7	3061.8	258.4	264.9	7.6	8.0
Brooklyn	959.3	941.1	872.9	854.8	86.4	86.3	9.0	9.2
Bronx	459.3	452.3	416.5	407.8	42.8	44.5	9.3	9.8
Manhattan	808.4	794.0	754.5	738.9	53.9	55.1	6.7	6.9
Queens	969.6	953.3	905.6	886.8	64.0	66.5	6.6	7.0
Staten Island	188.5	186.2	177.2	173.6	11.3	12.6	6.0	6.7
Nassau-Suff.	1406.0	1403.3	1370.4	1355.9	35.6	47.4	2.5	3.4
Nassau Co.	694.0	692.0	678.5	671.3	15.5	20.7	2.2	3.0
Suffolk Co.	712.0	711.3	691.9	684.6	20.1	26.7	2.8	3.8

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

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, 1998:IV

Unemploy. Rate	All, ages 16 & Up	Males	Females	White, non-Span.	Black, non-Span.	Spanish Origin	Teens, 16 - 19	Foreign Born
NYC	7.9	7.8	8.0	4.9	11.2	10.9	24.6	6.9
Big Cities	6.0	5.8	6.1	3.5	9.8	7.7	20.8	6.5
Nass/Suff.	2.2	2.1	2.4	1.6	4.3	6.8	5.6	4.8
Suburbs	3.4	3.3	3.4	2.8	5.8	5.9	11.4	4.3
% of Pop. Employed								
NYC	54.1	62.9	46.2	54.8	53.2	50.6	20.0	56.7
Big Cities	63.5	71.1	56.4	67.8	55.8	63.3	35.8	63.2
Nass/Suff.	68.1	76.6	69.8	67.2	70.3	77.2	55.1	61.6
Suburbs	66.7	74.7	59.2	66.7	68.5	66.2	45.8	64.6
Underemp. Rate								
NYC	16.1	14.6	18.1	10.0	23.0	21.8	42.6	15.2
Big Cities	12.4	11.2	13.7	7.8	19.2	16.0	35.8	13.0
Nass/Suff.	5.2	4.4	6.2	4.4	9.9	9.7	12.5	8.0
Suburbs	7.4	6.8	8.2	6.3	10.7	12.7	21.9	9.9

Source: Authors' calculations from Oct. - Dec. 1998 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.

Despite several months of earnings growth in low-wage industries, earnings inequality between workers at the top and those at the bottom remains unusually wide in this region and has worsened over the 1990s at a rate much faster than elsewhere. New research has shown that the growing earnings disparities in the New York Metro area reflect both above-average raises for the best-paid 10 percent of employees and steep real wage drops for the lowest paid. Among year-round, full-time male workers in our region, the ratio of average annual earnings at the 90th percentile to that at the 10th percentile jumped from 4.6 in 1989 (identical to the national ratio) to 6.8 in 1996 – over one-third higher inequality than for the nation as a whole.³

The latest poverty estimates for the city reflect the continuing impact of years of shrinking real wages among the working poor. In its annual analysis of Census Bureau survey data, the Community Service Society found that, on average, 24.6 percent of New York City residents were poor in 1997.⁴ While slightly lower than the 26.2 percent rate in 1996, the current poverty rate is twice the national rate. Among important population subgroups in the city, poverty rates are still startlingly high: 27.3 percent of blacks, 38.1 percent of Hispanics, and 38.1 percent of all children (under age 18) live in poverty.

Moreover, the same report found a dramatic decline in the public benefits available to cushion poverty. The proportion of poor New Yorkers receiving public assistance payments fell from 54.2 percent in 1996 to 41.7 percent just a year later. The fraction obtaining Medicaid or food stamps also dropped sharply, from about two-thirds to one-half of the poor.

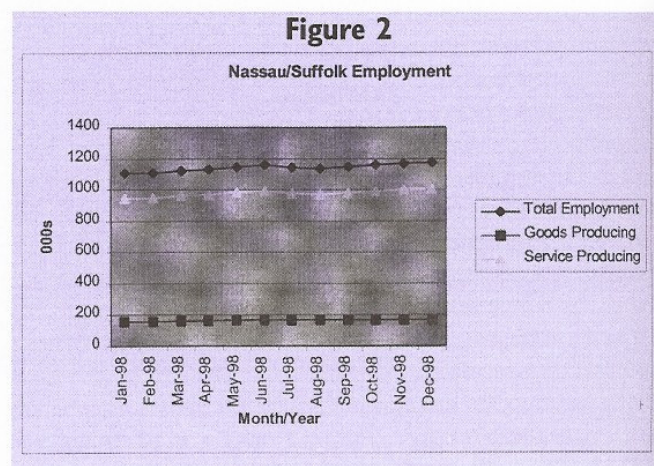
Sectoral Dependence or Diversification?

While few economists expect to see job growth in the New York metro area end in the coming year, most are predicting a marked slowdown in growth for both the region and the nation. The continuing recession in much of Asia, particularly Japan, helped produce the nation's worst-ever trade deficit last year, as well as considerable volatility on Wall Street. The disproportionate and growing impact of the latter on the city's fortunes was re-emphasized in a much-discussed report last August by the State Comptroller's Office.⁵ Though the securities industry employs just 5 percent of the local work force, the report found that it accounted for 56 percent of real earnings growth between 1992 and 1997. This was over twice as large a share of the city's real earnings gain as Wall Street rep-

resented in the 1980s boom. Recognizing recent job growth in tourism, construction, and new media, the report nonetheless predicted sharp losses following a sustained market downturn. Local politicians and economists were thus especially relieved that the 10 percent slide in stock indexes last summer was ended by a sharp rebound. Independent forecasters now estimate that, without that rebound, the city's job growth would have been cut in half.

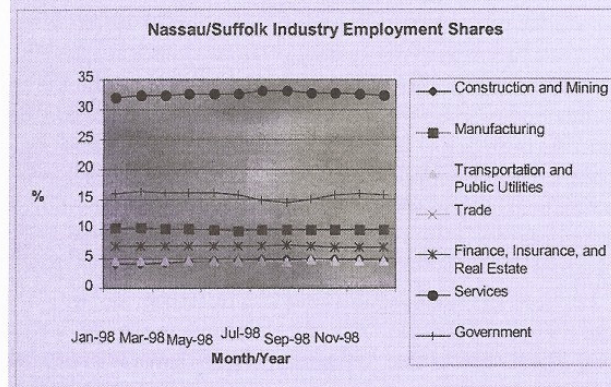
New York's worsening economic dependence on Wall Street in a period of skyrocketing real estate prices has also dramatically hiked the price of taxpayer-financed "corporate retention" deals. Although Rudolph Giuliani criticized such deals when running for mayor in 1993, from 1994 through last November he handed out \$445.4 million in tax subsidies to 20 securities firms.⁶ Last year closed with the city and the state offering nearly \$500 million in cash and \$100 million in tax breaks to the New York Stock Exchange to build a new trading complex in lower Manhattan. The subsidy was over twice as large as any offered to a single company. Meanwhile, garment, printing, and other manufacturing firms threatened with displacement by soaring rents have complained about receiving far less attention or assistance from City Hall.

In Nassau and Suffolk Counties, the 1990s recovery from the shrinkage of local defense manufacturers like Grumman has raised hopes for a far more broad-based, diversified economy. But, a sizeable share of new employment may be even more dependent than in decades past on Wall Street's unpredictable fortunes. Moreover, a closer look at the latest data reveals some potential problems when the employment situation by industry is analyzed. As may be seen in Figure 2,



employment in service producing industries far exceeds employment in goods producing industries on Long Island -- by an average factor of six to one! Employment in both industries has grown by about two percent since December 1997.

Figure 3



Delineating industry employment even further yields differences that signify the nature of the job problem in the region. In Figure 3, the share of total employment in each industry is depicted. For all of 1998, employment in wholesale and retail trade has been second only to employment in services, while government employment was in third place and employment in the goods producing sectors was among the last. While the relatively large employment in the service sector is not particularly a problem for Long Island, considering that many of the jobs in this sector are in health, education, and legal services and are high paying with benefits, the same may not be said of employment in wholesale and retail trade. This sector includes many jobs that are low paid and part-time.

The average monthly growth of employment in each industry sector may be found in Table 4. The largest growth occurred in construction, followed by services, and then wholesale and retail trade. Although construction has realized the highest job growth, it would have had to increase by 460 percent on average during 1998 in order to "catch-up" to total employment in trade! During 1998, the share of construction, trade, and services of total employment increased slightly, while the shares of the remaining industry categories declined (Table 5). While employment growth rates are important, their significance in this case is masked by the underlying structural problems associated with the Long Island labor market.

The large share of wholesale and retail trade in total employment remains a problem for the Long Island economy, given the nature of the jobs in this sector. This is in fact evidenced by the responses given to some of the labor market questions in the December 1998 Newsday/Hofstra Poll. It was found in this survey, that Long Islanders work an average of 40 hours per week, while the national average in 1998 was 35. In addition, eight percent of Long Islanders stated that they hold two or more jobs: the national average was approximately six percent in 1998. There was also an increase in the December 1998 proportion of households, (relative to 1992), who responded that they do not have enough income left over to pay bills. Given the large share of Long Island workers who work in the trade sector, these results are not surprising.

Table 4
Nassau-Suffolk Monthly Employment Changes by Industry

Industry	Average Monthly % Change in Employment
Total Employment	.55
Goods Producing	.60
Service Producing	.54
Construction and Mining	1.6
Manufacturing	.19
Transportation and Public Utilities	.50
Trade	.56
Finance, Insurance, and Real Estate	.29
Services	.66

Table 5
Nassau-Suffolk Industry Employment Share Changes

Industry	Average Monthly % Change in Employment Share
Construction and Mining	1.0
Manufacturing	-.35
Transportation and Public Utilities	-.05
Trade	.008
Finance, Insurance, and Real Estate	-.25
Services	.11
Government	-.10

Notes

- 1 NYC Office of the Comptroller, Economic Notes (February 1999).
- 2 For monthly statistics over the past two years, see "Key Labor Market Indicators" later in this issue.
- 3 Federal Reserve Bank of New York, Research and Market Analysis Group, "Earnings Inequality: NY-NJ Region," Current Issues in Economics and Finance (July 1998).
- 4 Community Service Society of New York, Poverty in New York City: An Update (New York: 1999).
- 5 NY State Office of the Comptroller, New York City's Economic and Fiscal Dependence on Wall Street, Report 5-99 (Albany: August 13, 1999).
- 6 C. Bagli, "Wall Street Plays Relocation Card and City Pays," NY Times (Nov. 8, 1998): p. 39.