Trends in Earnings, Employment, and Economic Attitudes: Findings from the Newsday/Hofstra Poll, 1997-98

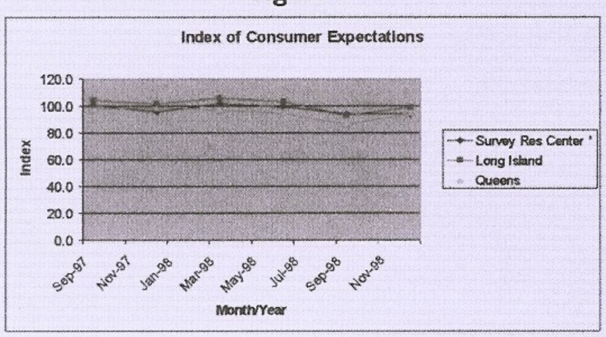
by Lonnie Stevans

The Newsday/Hofstra Poll has been an ongoing venture of *Newsday* and the Hofstra Business Development Center for over a year. Each March, June, September and December, a scientific sample of 1,400 households is selected from Nassau, Suffolk, and Queens. While survey questions do vary across each quarterly poll, there are some topics that are addressed on a regular basis: consumer sentiment, the state of the local labor market, and the stock market. Some of the more salient issues involving these three topics over 1998 will be analyzed and discussed. It is important to remember that since the data is self-reported, caution should be exercised in drawing definitive conclusions from the survey results.

Consumer Confidence

The Index of Consumer Expectations (ICE), Current Economic Conditions (ICC), and Consumer Sentiment (ICS) were computed from the Newsday/Hofstra poll and the University of Michigan Survey Research Center:

Figure 1

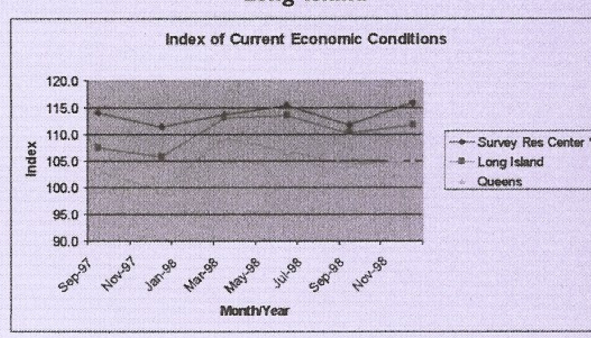


Between September 1998 and December 1998, consumer confidence for Long Island increased by 3.7 percent. In fact, over the period since the beginning of these surveys, (September 1997 to December 1998), the average rate of increase has been about .6 percent. The average rate of growth of consumer confidence at the national level has also been .6 percent over this same period. Relative to their national counterparts, it is clear from the above figures that our sample of Long Islanders has historically felt better about the future than the current economy: the index of consumer expectations has been consistently above the national index while the index of current economic conditions has been below the national figures. Moreover, it appears that the confidence of Long Island consumers approximately "mirrors" the national trend in each of the indices.

Between December of this year and December of last year, there has been no significant difference in the ICS for Long Island. This is due to the 5.6 percent increase in the ICC along with the three-percent decline in the ICE. As in previous survey results, Long Island respondents are apprehensive about the future, albeit no more so than consumers in the rest of the U.S.

How Long Island consumers feel about the local economy both short and long-term may be seen in Figure 2:

Figure 2
Long Island

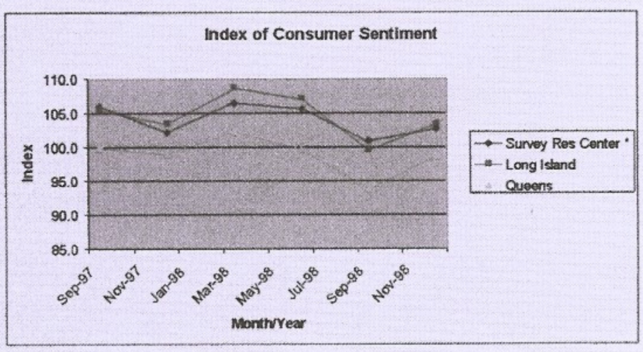


Overall, the proportion of respondents stating that there will be "good times" and "good times qualified" within the next twelve months has not changed significantly since the December 1997 survey (58 to 56 percent). However, the proportion of Long Island respondents expecting "bad times" or "bad times qualified" over the next twelve months has risen from 23 to 29 percent. All of this points to a degree of pessimism regarding the long-term performance of the local economy.

Consumer confidence increased by 5.1 percent in Queens between September 1998 and December 1998, with the average rate of growth since September 1997 being about .3 percent. This rate of growth is lower than the national rate of .6 percent over this same period. However, the index of consumer sentiment that was computed for our sample of Queens residents was about four percent below the national index in December 1998. As may seen from Figure 1, all of the Queens indices are consistently below the national values for each survey month (with one exception for the December 1997 index of consumer expectations). The index of current economic conditions has increased by 5.5 percent between the December 1997 and December 1998 surveys, while the index of consumer expectations declined by 4.4 percent.

Queens residents have not appreciably changed their perceptions about the New York City economy. As may be seen in Figure 3, the proportion of those stating that they expect "bad times" or "bad times qualified" has remained approximately the same between December 1997 and

Figure 3
Queens



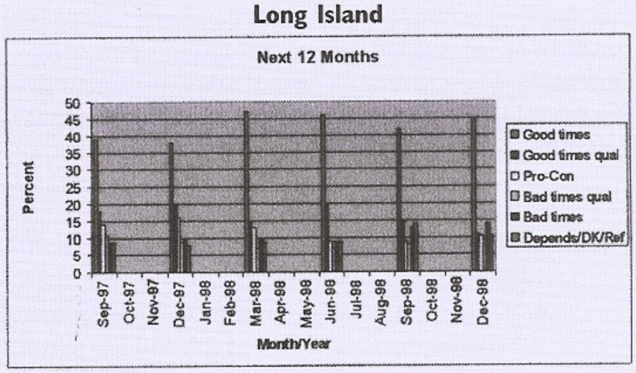
December 1998 (54 percent). These results are probably indicative of the slightly improving economic conditions in New York City. The unemployment rate in New York City appreciably lower than it was a year ago. Yet, the current and future economic expectations of Queens residents have been consistently below both that of Long Island and the U.S.

Wages

According to the December 1998 survey, the median pay increase for households in Long Island and Queens last year was five percent. The national figure was 3.4 percent for 1998 (up to November), so local households appear to be above the national average.[1] Moreover, a large majority of respondents in Long Island and Queens also expect a raise next year. It is also interesting to note that pay increases for respondents in Long Island and Queens tend to increase with income level; that is, higher income respondents received the larger pay increases.

The percentage of Long Island households who can "pay bills" and "live comfortably" is slightly larger in the December 1998 survey than in 1992. The proportion of respondents who do not have enough left over to pay bills in December 1998 is also at the same 1992 level. These results clearly coincide with the necessity of holding more than one job in the Long Island labor market.

Figure 4
Income Sufficiency
Long Island

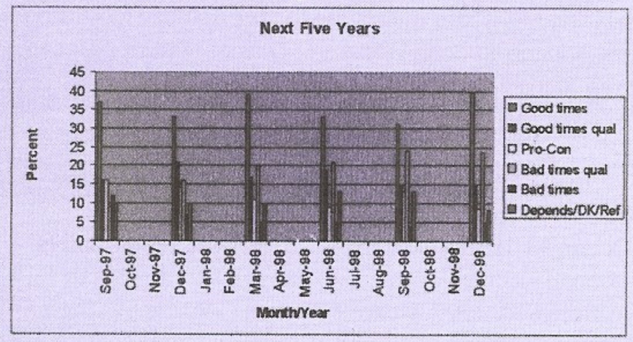


Employment

Hours worked per week for survey respondents are higher than the national average. In Long Island and Queens, the average number of hours worked per week is 40, while the national figure is 35.[2] Thus, workers in Long Island and Queens work 14 percent more on average than their national counterparts.

As may be seen from Figure 5, there is no clear trend in the proportion of full-time versus part-time workers on Long Island. The proportion of full-time workers in 1998 (55 percent) is less than it was in 1997, while the propor-

Figure 5
Full-Time versus Part-Time Workers Long Island



tion of part-time workers (10 percent) is at its lowest point since 1989. The percentage of part-time workers nationally was about 16 percent in November 1998—this is higher than the local statistics according to the survey: 10 percent part-time in Long Island and 11 percent part-time in Queens. However, given this "good" news, the survey profile of a typical part-time worker in Long Island and Queens is indicative of the presence of a secondary labor market:

1. African American and/or Hispanic,
2. income less than $30K,
3. single,
4. in a clerical or labor occupation,
5. between the ages of 18 and 29, and has a high school degree or less.

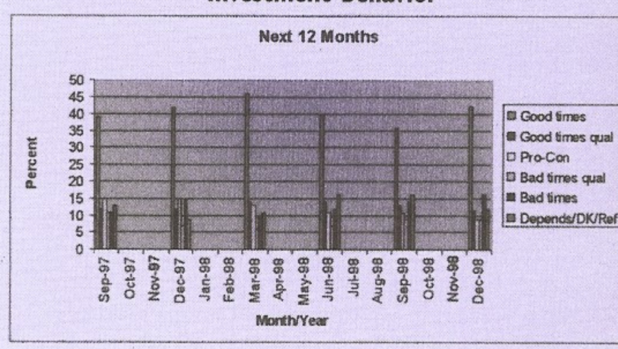
Eight percent of the respondents in Long Island and Queens have more than one job. The national rate in November 1998 was six percent. The difference between the local and national rate illustrates the local cost of living and therefore the need to supplement family income. This may also be seen by examination of the survey profile of a typical respondent who is working more than two jobs. Again, it appears that there is a secondary labor market in Long Island and Queens:

1. African American and/or Hispanic,
2. income less than $30K,
3. in a clerical or labor occupation,
4. has a high school degree or less,
5. between the ages of 30 and 49 and has one to three children.

Investment Behavior – Long Island and Queens

In a February 1997 poll by Time/CNN/Yankelovich, 76 percent of the respondents stated that they would "stand pat" in the event of a 10 percent decline in the market. In a poll of mutual fund investors done by the Investment Company Institute, two-thirds said that they would not sell even if the market declined by 15 percent over the next three months. In this current survey, about 72 percent of Long Island investors and 69 percent of Queens investors stated that they would "stand pat" if the stock market were to fall by 10 percent tomorrow. These proportions are both above December 1997 survey results and they are higher than the values in the last survey (September 1998) (Figure 6). This may appear strange, given what has transpired in international financial markets over the last few months, but these results indicate rational responses by Long Island and Queens's investors--given the long-term movement of the market and the superiority of the inflation-adjusted returns of stocks versus other investments. In Long Island, a smaller proportion of respondents in the December 1998 survey stated that they would buy (12 percent) and a higher percent said that they would sell (two percent) in the event of a 10 percent drop in the market (Figure 6).

Figure 6
Investment Behavior



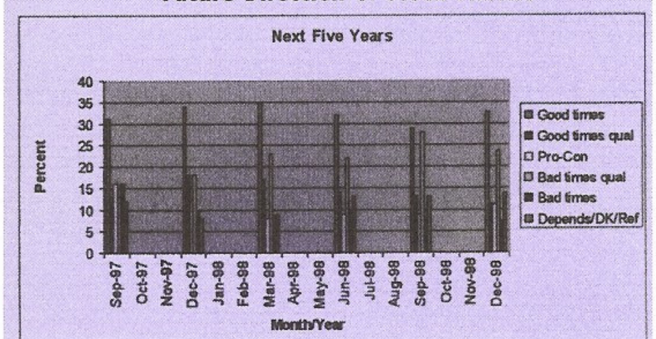
A typical "buyer" has the following characteristics or profile:

1. has income greater than $75K,
2. has a college education, and is a male.

Future Directions

Investors in Long Island and Queens are tempering their optimism about the future course of the market. About 57 percent of Long Islanders believe that the market will be up by more than ten percent or up somewhat, versus 24 percent who believe that the market will be down by more than 10 percent or a by a lesser amount. In Queens, the proportions are 51 and 26 percent, respectively (Figure 7). Note that these figures are down from a year ago (December 1997) and are less than the figures for September 1998. These future expectations have no doubt been affected by the "slump" in stock prices since Thanksgiving.

Figure 7
Future Direction of Stock Market



The survey profile of a typical Long Island/Queens investor who believes that the market will increase by 10 percent is:

1. a college graduate,
2. White or Hispanic,
3. works in a professional occupation, and male.

Stock Ownership

One of the most contentious issues regarding stocks and other financial instruments has been the ownership distribution of these assets by households. One study of this has been accomplished for 1992 U.S. data by researchers Kennickell, McManus, and Woodburn.[3] In 1992, the top one percent of households in terms of income owned 39 percent of the stock owned by individuals and 42 percent of the bonds. If, instead of income, the figures are analyzed in terms of stock ownership, the top 5 percent of stockowners held 94.5 percent of all publicly traded stock.[4]

The skewed ownership pattern of financial assets by income has also been clearly evident in Long Island and Queens according to the results of the Newsday/Hofstra surveys. About 86 percent of households in Long Island having an income greater than $75K own stocks or mutual funds. This is in contrast to 32 percent ownership of those having income less than $30K. Stock ownership on Long Island is also dependent upon education and occupation. About 74 percent of college graduates own mutual funds or stocks compared with 50 percent of those with a high school degree or less. Moreover, 81 percent of those who classified themselves as in a professional/managerial occupation own mutual funds or stocks, as compared to 41 percent of those who were laborers. While not reported, examination of the survey for households in Queens yielded similar distributional results.

The skewed ownership pattern of financial assets is also evident by examination of the profile of a typical survey respondent who owns stock:

a. has income greater than $75K,
b. has less than two children,
c. is a Republican,
d. has a college degree,
e. is White,
f. works in a professional occupation or has no occupation (retired),
g. is over 50 years of age, and lives in Nassau County.

Summary

While households in Long Island and Queens have felt more optimistic about the current state of the economy over the past year, this degree of optimism is not necessarily shared by all survey respondents. For example, the following are survey observations over the past year about consumer sentiment by race:[5]

1. African Americans feel worse about their current economic conditions than Whites or Hispanics,
2. In Long Island, African Americans and Hispanics are not as optimistic about future economic conditions as are Whites,
3. In Queens, expectations about future economic conditions as perceived by African Americans are grim: 17 percent below Whites and nine percent below Hispanics.

Households in Long Island and Queens have moved toward increasing income by working more hours. Whereas the proportion of part-time workers in Long Island and Queens is below the national average, we are still above the national average when it comes to the percentage of workers who are multiple jobholders. There appears to be a real need to hold more than one job in order to supplement household income, which is evidenced by those households who stated that they do not have enough income left over to pay bills: the response proportion in the December 1998 survey is the same as it was during the recession of 1992.

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Notes

1. http://www.bls.gov.
2. ibid.
3. Arthur Kennickell, Douglas A. McManus, and R Louise Woodburn, Weighting Design for the 1992 Survey of Consumer Finances, unpublished technical paper, 1996, Federal Reserve Board.
4. James M. Poterba and Andrew A. Samwick, Stock Ownership Patterns, Stock Market Fluctuations, and Consumption, Brookings Papers on Economic Activity 2, pp. 295-372.
5. Index of Consumer Sentiment by Race, Newsday/Hofstra Poll, 1998.

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