

Latest Trends in Key Labor Market Indicators

by Bhaswati Sengupta

The recent behavior of key labor market indicators for New York City and Long Island confirm the grim projections made last year – the lag behind the national economic downturn would be brief and unremarkable, and the region would soon find itself in a serious and protracted contraction. New York City, the financial capital of the world, experienced relative calm as the proverbial eye of the storm, expanding for a few months after the national economy slowed down. Through the first half of 2008, expansions in sectors such as Information, Leisure and Hospitality and Professional Services acted to counteract steady job losses in the financial sector, which had peaked in employment in October 2007, two months before the beginning of the national recession. By the middle of the year, the slowing global economy and a stronger dollar hurt the long-booming tourism industry in the city.¹ The Leisure and Hospitality sector began to experience serious job losses, an additional factor contributing to the rapid incline in the city's unemployment rate, starting in August 2008². The New York City Index of Coincident Economic indicators (CEI), a statistic used by the Federal Reserve Bank of New York to track economic activity, also began to decrease around this time³.

While the unemployment rates for the city and the nation have been on somewhat different paths for the last two years (see Figure 1), both started under 4.5% in December 2006 and reached 7.2% at the end of last year. The most recent numbers suggest that even worse is to follow. The January unemployment rate for the nation is 7.6% and the total job loss since the beginning of the recession now stands at 3.5 million, the steepest contraction since the early '80s⁴. This number is projected to rise to 5 million by the end of the year. Over the same period, New York State lost more than 122,000 private sector jobs, of which approximately 20,000 originated in the financial sector⁵. The Office of Management and Budget projects that Wall Street will keep shedding jobs at a rapid rate, and forecasts a total loss of 46,000 jobs from the beginning of the recession to the second quarter of 2010. Since financial sector jobs are on the higher end of the pay scale and the average taxes paid by a worker in this sector are higher than elsewhere, loss of these jobs will continue to have a disproportionate impact on the local economy⁶. Over all, New York City has lost 49,100 jobs since the beginning of the recession. Currently, more than 420,000 New York State residents are collecting unemployment checks, a markedly higher number than the 175,000 from a year ago.

Long Island ended the year with many dismal "firsts", shedding 6,500 jobs from November to December, when seasonal demand is typically supposed to boost retail hiring. This is the *only* November to December drop in the total number of jobs on record at the Labor Department. The unemployment rate actually increased by 0.6% percent through these two months. This puts the Island's total private sector job loss at 21,600 for the year,

¹See Fiscal Policy Institute, "New York City Unemployment in 2009 – the Emerging Crisis:" <www.fiscalpolicy.org>.

²The Office of Budget and Management forecast a further loss of 24,000 jobs in this sector over the next two years.

³The CEI is constructed using data on employment, real earnings, the unemployment rate and average weekly hours worked in manufacturing.

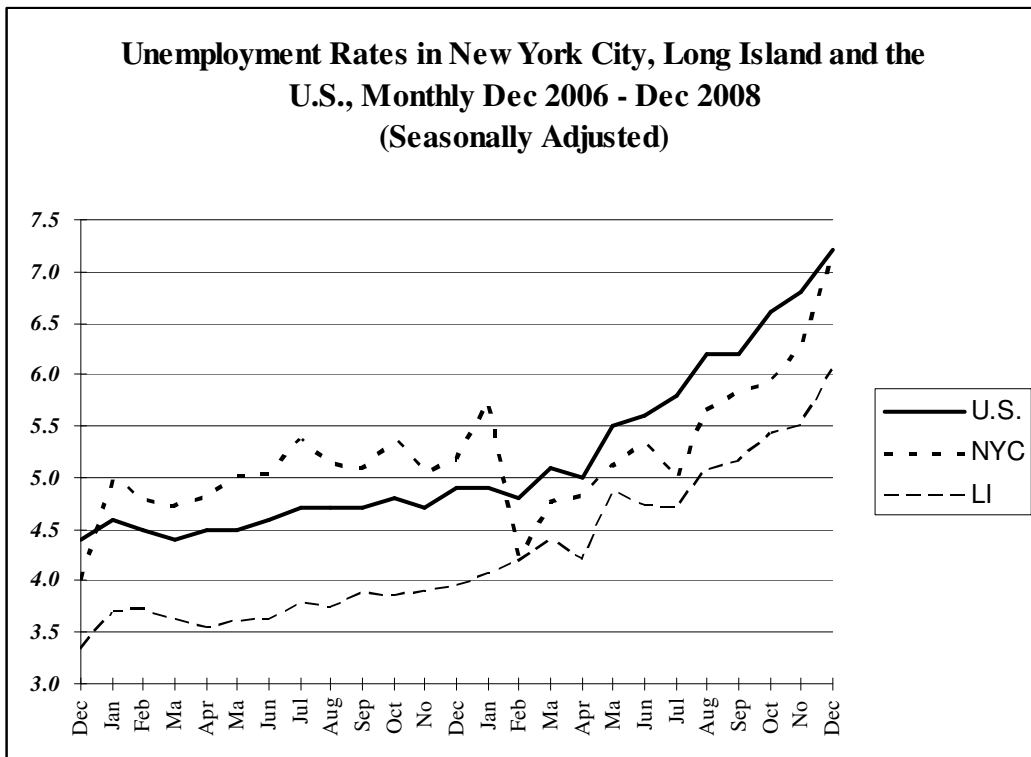
⁴The recession was officially dated by the NBER to begin in December 2007.

⁵Trade, transportation and utilities registered the largest drop of 34,000 jobs in New York State.

⁶An average worker in this sector pays \$13,928 in taxes followed by the Legal Services sector, where an average worker pays \$10,041.

resulting in a 5.8% unemployment rate in December – the highest December rate seen in the last eighteen years⁷. Also for the first time in 20 years, the Nassau and Suffolk county governments are seeing an unsettling trend of declining sales tax collections, a major source of revenue for these counties, prompting austere Fiscal measures for the coming year⁸. The deepening banking crisis, a severely stricken housing market and the contagion of low consumer and investor confidence leave Long Island less insulated from swings in the city’s economy than in past recessions. Moreover, the 20% of the Island’s workforce who commute to the city further magnify the interdependence and common fortunes of this region’s workers.

Figure 1. Unemployment Rates in New York City, Long Island, and the U.S.,
[seasonally adjusted]



⁷ The Chief Economist of the Long Island Association, Pearl M. Kamer, projects a further cut of 35,000 - 50,000 jobs in 2009, given the recent trends (*Newsday*, 1/31/2009).

⁸ Nassau County Executive, Thomas Suozzi appealed for a 7% pay cut for all county employees, or face layoffs of a 1000 workers and cuts in popular programs. Suffolk County Executive, Steve Levy described the situation as “an economic climate not seen in the last 80 years” (*New York Times*, 2/07/2009).

Table 1:
New York City -- Civilian Employment and Unemployment, June 2006-June 2008
(Seasonally Adjusted)

	Employment (1000s)	Unemployment (1000s)	Unemployment Rate (%)	Labor Force (1000s)
<u>2006-2007</u>				
December	3578	149	4.0	3732
January	3637	189	5.0	3828
February	3631	183	4.8	3814
March	3651	180	4.7	3824
April	3635	183	4.8	3824
May	3644	192	5.0	3830
June	3640	195	5.0	3837
July	3652	208	5.4	3849
August	3654	198	5.1	3853
September	3669	198	5.1	3868
October	3658	208	5.4	3869
November	3685	197	5.1	3884
December	3676	198	5.2	3881
<u>2008</u>				
January	3671	224	5.7	3901
February	3661	160	4.2	3820
March	3650	184	4.8	3826
April	3672	186	4.8	3865
May	3669	199	5.1	3864
June	3684	207	5.3	3892
July	3687	192	5.0	3866
August	3687	221	5.7	3909
September	3694	229	5.8	3923
October	3693	233	5.9	3929
November	3672	248	6.3	3920
December	3637	279	7.2	3924

Table 2:
Long Island -- Civilian Employment and Unemployment, June 2006-June 2008
(Seasonally Adjusted)

	Employment (1000s)	Unemployment (1000s)	Unemployment Rate (%)	Labor Force (1000s)
<u>2006-2007</u>				
December	1435	51	3.3	1486
January	1434	55	3.7	1489
February	1433	55	3.7	1487
March	1435	54	3.6	1488
April	1433	53	3.6	1486
May	1432	54	3.6	1482
June	1432	54	3.6	1486
July	1430	56	3.8	1485
August	1428	55	3.7	1483
September	1432	57	3.9	1488
October	1428	58	3.9	1489
November	1434	58	3.9	1494
December	1430	59	4.0	1492
<u>2008</u>				
January	1435	61	4.1	1495
February	1434	63	4.2	1497
March	1430	67	4.4	1497
April	1432	63	4.2	1496
May	1431	71	4.9	1499
June	1432	71	4.7	1502
July	1430	70	4.7	1499
August	1426	76	5.1	1501
September	1427	79	5.2	1505
October	1427	81	5.4	1510
November	1412	83	5.5	1496
December	1400	92	6.0	1493

Source: NY State Dept. of Labor. These estimates reflect 2008 Dept. of Labor revisions, and supersede earlier estimates. Seasonal adjustments by *Regional Labor Review*.

Bhaswati Sengupta is an Assistant Professor of Economics at Hofstra.

REGIONAL LABOR REVIEW, vol. 11, no. 2 (Spring/Summer 2009): 12 - 14.

© 2009 Center for the Study of Labor and Democracy, Hofstra University