

AN ECONOMIC UPDATE from the Fiscal Policy Institute

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New York State "continues to outpace the national economy" in terms of job growth BUT the current national recovery is creating jobs at an unprecedentedly low rate.

The Pataki Administration's chief economist, Stephen Kagann, has pointed out for the last several months that the New York State economy has been outperforming the national economy in terms of job creation. That's good news. The bad news is that the national economy is doing pretty badly on this front.

In a statement issued the week before Christmas, Kagann reported that "New employment data from the Department of Labor shows that New York State's economy continues to outpace the national economy, with private sector job growth in Upstate substantially outpacing national growth. Private employment (seasonally adjusted) rose 9,900 in November 2003, the third consecutive increase. Over the last three months, the New York private sector added 27,300 jobs, an increase of 0.4 percent. Over the same period, the US increased private jobs 0.1 percent."

To place these comments into context, this economic update begins by reviewing New York's job losses and job increases relative to the rest of the nation during the recent recession and the subsequent "recovery." It then looks at the current national economic recovery in historical context.

New York's Job Creation Record Compared to the Rest of the Nation

The good news, as the Pataki Administration has pointed out, is that for the last several months, the New York State economy has been outperforming the national economy in terms of job creation. Unfortunately, as the second part of this economic update explains, the current national economic recovery is creating jobs at an unprecedentedly low rate.

Table 1, ***Job Losses and Job Gains in the 50 States during the 2001 Recession and the Subsequent "Recovery,"*** places the Pataki Administration's assessment and the actual performance of the New York State economy over the course of the last 32 months into comparative context. As this table shows, New York has gone from 46th among the 50 states during the recession itself, to 38th during the first 18 months of the "recovery," to 20th during the last six months.

- During the official recession period, March 2001 to November 2001, employment in New York State declined by 188,600 or -2.18%. This rate of job change placed New York 46th among the 50 states during this period. Only North Carolina (-2.21%), Colorado (-2.23%), Massachusetts (-2.26%) and Oregon (-2.41%) lost jobs at a greater rate

Table 1: Job Losses and Job Gains in the 50 States during the 2001 Recession and the Subsequent "Recovery"

	March 2001 to November 2001			November 2001 to May 2003			May 2003 to November 2003		
	The Recession - 8 Months			The First 18 Months of the Recovery			The Most Recent 6 Months		
	Job Change in 000s	% Job Change	% Job Change Rank	Job Change in 000s	% Job Change	% Job Change Rank	Job Change in 000s	% Job Change	% Job Change Rank
Alabama	(22.8)	-1.19%	28	(21.8)	-1.15%	43	(0.3)	-0.02%	32
Alaska	2.4	0.84%	2	7.7	2.66%	3	5.8	1.95%	2
Arizona	(24.5)	-1.08%	22	31.4	1.39%	7	25.6	1.12%	6
Arkansas	(12.4)	-1.07%	21	3.4	0.30%	16	(4.4)	-0.38%	39
California	(240.8)	-1.64%	35	(37.4)	-0.26%	27	(0.5)	0.00%	29
Colorado	(50.1)	-2.23%	48	(12.7)	-0.58%	33	(27.7)	-1.27%	48
Connecticut	(6.3)	-0.37%	9	(20.0)	-1.19%	45	(10.9)	-0.66%	40
Delaware	(7.7)	-1.82%	41	(4.5)	-1.08%	40	2.5	0.61%	11
Florida	(31.5)	-0.44%	13	133.4	1.86%	6	72.3	0.99%	7
Georgia	(68.6)	-1.72%	37	7.1	0.18%	17	57.1	1.46%	4
Hawaii	(11.1)	-1.99%	45	19.2	3.51%	1	4.5	0.79%	9
Idaho	(5.4)	-0.95%	18	1.9	0.34%	13	9.8	1.73%	3
Illinois	(111.1)	-1.84%	42	(94.1)	-1.59%	49	29.3	0.50%	13
Indiana	(47.1)	-1.59%	33	(38.8)	-1.33%	46	0.2	0.01%	26
Iowa	(20.6)	-1.40%	31	(8.2)	-0.56%	32	0.7	0.05%	25
Kansas	(8.8)	-0.65%	16	(6.6)	-0.49%	30	6.4	0.48%	15
Kentucky	(25.2)	-1.39%	30	(17.6)	-0.98%	37	2.0	0.11%	23
Louisiana	(18.8)	-0.98%	19	(10.0)	-0.52%	31	(1.3)	-0.07%	34
Maine	(3.8)	-0.62%	15	(0.3)	-0.05%	22	(1.7)	-0.28%	38
Maryland	1.0	0.04%	6	25.7	1.04%	9	(28.3)	-1.13%	47
Massachusetts	(75.9)	-2.26%	49	(70.0)	-2.13%	50	(30.6)	-0.95%	43
Michigan	(86.2)	-1.88%	43	(49.5)	-1.10%	42	(60.4)	-1.36%	50
Minnesota	(28.3)	-1.05%	20	(28.9)	-1.08%	41	(0.1)	0.00%	30
Mississippi	(12.9)	-1.14%	26	1.1	0.10%	18	5.8	0.52%	12
Missouri	(32.1)	-1.17%	27	(39.2)	-1.45%	47	(2.1)	-0.08%	36
Montana	(0.2)	-0.05%	7	7.5	1.91%	5	(1.1)	-0.28%	37
Nebraska	3.0	0.33%	3	(6.3)	-0.69%	35	(0.1)	-0.01%	31
Nevada	(17.0)	-1.61%	34	25.8	2.48%	4	28.2	2.65%	1
New Hampshire	(9.2)	-1.46%	32	(6.4)	-1.03%	39	2.0	0.32%	17
New Jersey	7.2	0.18%	5	12.8	0.32%	15	14.0	0.35%	16
New Mexico	1.6	0.21%	4	20.3	2.68%	2	1.3	0.17%	21
New York	(188.6)	-2.18%	46	(86.5)	-1.02%	38	16.5	0.20%	20
North Carolina	(87.3)	-2.21%	47	(17.5)	-0.45%	29	(1.3)	-0.03%	33
North Dakota	(1.3)	-0.39%	10	1.1	0.33%	14	1.6	0.48%	14
Ohio	(100.6)	-1.80%	40	(80.2)	-1.46%	48	(51.9)	-0.96%	44
Oklahoma	(7.0)	-0.46%	14	(17.8)	-1.19%	44	(14.9)	-1.00%	46
Oregon	(38.8)	-2.41%	50	(9.3)	-0.59%	34	0.1	0.01%	27
Pennsylvania	(69.7)	-1.22%	29	(5.2)	-0.09%	23	(4.3)	-0.08%	35
Rhode Island	(4.4)	-0.92%	17	5.2	1.09%	8	0.0	0.00%	28
South Carolina	(32.9)	-1.79%	39	(13.2)	-0.73%	36	(17.4)	-0.97%	45
South Dakota	(1.0)	-0.26%	8	0.0	0.00%	20	5.5	1.46%	5
Tennessee	(53.1)	-1.96%	44	11.1	0.42%	12	1.8	0.07%	24
Texas	(103.3)	-1.08%	24	(10.7)	-0.11%	24	27.6	0.29%	19
Utah	(11.7)	-1.08%	23	(2.6)	-0.24%	25	3.4	0.32%	18
Vermont	(1.3)	-0.43%	12	2.6	0.86%	10	(2.2)	-0.72%	42
Virginia	(39.3)	-1.11%	25	14.6	0.42%	11	21.7	0.62%	10
Washington	(47.9)	-1.76%	38	(6.5)	-0.24%	26	4.1	0.15%	22
West Virginia	(3.1)	-0.42%	11	(2.8)	-0.38%	28	(9.5)	-1.30%	49
Wisconsin	(46.7)	-1.65%	36	(0.3)	-0.01%	21	(18.5)	-0.66%	41
Wyoming	4.0	1.64%	1	0.2	0.08%	19	2.0	0.81%	8
U.S. Total	(1,660.0)	-1.25%		(914.0)	-0.70%		188.0	0.14%	

Source: Fiscal Policy Institute analysis of seasonally adjusted nonagricultural employment data from the U. S. Bureau of Labor Statistics

during this period. As a result of the following factors, which are discussed in greater detail in Chapter 1, "The Impact of the 2001-2003 Recession on the Empire State," of *The State of Working New York 2003: Unbalanced Regional Economies through Expansion and Recession*,¹ the New York economy was hit very hard during this period:

- the bursting of the Wall Street and dot com bubbles,
- the September 11, 2001, attacks, and
- the fact that this was primarily a manufacturing recession.

Both Upstate and Downstate were hurt by this recession since the first two factors had a particularly negative effect on New York City while the third factor was particularly bad for Upstate given its manufacturing base.

- During the first 18 months following the end of the recession (November 2001 through May 2003), New York, like the nation as a whole, continued to lose jobs. And, during this period, New York continued to lag behind the nation as a whole, losing 86,500 jobs or slightly more than 1% of its job base while employment nationally was declining by 7/10ths of 1%. But, New York's performance relative to the rest of the nation improved slightly, climbing to 38th among the 50 states during this 18-month period.
- During the most recent six months for which data is available (May 2003 through November 2003), New York's rate of job change, relative to the rest of the nation, has continued to improve. For this period, New York ranked 20th among the 50 states in terms of job growth. Moreover, New York's rate of job growth during this period (.2%) exceeded the national rate of growth (.14%). But as the following section of this update discusses, the national economy did very poorly in terms of job creation during this period relative to the performance of the national economy during comparable periods in previous recoveries.

The national recession and the national recovery in historical context

While the recession officially ended in November 2001, the national economy continued to lose jobs, leading many observers to refer to the period that followed as a "jobless recovery." It should probably be called "a *really* jobless recovery" or a "job-loss" recovery since the nation has actually lost jobs since the official end of the recession in November 2001. During the first 18 months of the current recovery (November 2001 through May 2003), the national economy lost an additional 914,000 jobs. More recently (May 2003 through November 2003), the economy moved into a period of modest job growth, with an average monthly increase of 15,667 jobs nationally.

¹ <http://www.fiscalpolicy.org/SOWNY2003/SOWNYChapterOne.pdf>

Table 2: **Comparative Analysis of the 1990 and 2001 Recessions and the Subsequent Recoveries**

		1990 recession and its aftermath					2001 recession and its aftermath					
	Month	Total Jobs in Thousands, U.S. Total	Job Change During Recession in Thousands	Percentage Job Change During Recession	Job Change During Recovery in Thousands	Percentage Job Change During Recovery	Month	Total Jobs in Thousands, U.S. Total	Job Loss During Recession in Thousands	Percentage Job Loss During Recession	Job Change During Recovery in Thousands	Percentage Job Change During Recovery
	Jan-90	109,144.0					Sep-00	132,129.0				
	Feb-90	109,397.0					Oct-00	132,137.0				
	Mar-90	109,618.0					Nov-00	132,345.0				
	Apr-90	109,652.0					Dec-00	132,445.0				
	May-90	109,801.0					Jan-01	132,436.0				
	Jun-90	109,820.0					Feb-01	132,560.0				
official start of recession	Jul-90	109,773.0					Mar-01	132,527.0				
	Aug-90	109,569.0	(204.0)	-0.19%			Apr-01	132,247.0	(280.0)	-0.21%		
	Sep-90	109,485.0	(288.0)	-0.26%			May-01	132,230.0	(297.0)	-0.22%		
	Oct-90	109,321.0	(452.0)	-0.41%			Jun-01	132,064.0	(463.0)	-0.35%		
	Nov-90	109,175.0	(598.0)	-0.54%			Jul-01	131,867.0	(660.0)	-0.50%		
	Dec-90	109,118.0	(655.0)	-0.60%			Aug-01	131,719.0	(808.0)	-0.61%		
	Jan-91	108,998.0	(775.0)	-0.71%			Sep-01	131,550.0	(977.0)	-0.74%		
	Feb-91	108,698.0	(1,075.0)	-0.98%			Oct-01	131,198.0	(1,329.0)	-1.00%		
official end of recession	Mar-91	108,542.0	(1,231.0)	-1.12%			Nov-01	130,900.0	(1,627.0)	-1.23%		
recovery	month	Apr-91	108,325.0		(217.0)	-0.20%	Dec-01	130,661.0		(239.0)	-0.18%	
	2	May-91	108,203.0		(339.0)	-0.31%	Jan-02	130,578.0		(322.0)	-0.25%	
	3	Jun-91	108,283.0		(259.0)	-0.24%	Feb-02	130,510.0		(390.0)	-0.30%	
	4	Jul-91	108,233.0		(309.0)	-0.28%	Mar-02	130,481.0		(419.0)	-0.32%	
	5	Aug-91	108,252.0		(290.0)	-0.27%	Apr-02	130,415.0		(485.0)	-0.37%	
	6	Sep-91	108,285.0		(257.0)	-0.24%	May-02	130,411.0		(489.0)	-0.37%	
	7	Oct-91	108,293.0		(249.0)	-0.23%	Jun-02	130,383.0		(517.0)	-0.39%	
	8	Nov-91	108,235.0		(307.0)	-0.28%	Jul-02	130,204.0		(696.0)	-0.53%	
	9	Dec-91	108,261.0		(281.0)	-0.26%	Aug-02	130,224.0		(676.0)	-0.52%	
	10	Jan-92	108,313.0		(229.0)	-0.21%	Sep-02	130,289.0		(611.0)	-0.47%	
	11	Feb-92	108,242.0		(300.0)	-0.28%	Oct-02	130,408.0		(492.0)	-0.38%	
	12	Mar-92	108,301.0		(241.0)	-0.22%	Nov-02	130,409.0		(491.0)	-0.38%	
	13	Apr-92	108,457.0		(85.0)	-0.08%	Dec-02	130,198.0		(702.0)	-0.54%	
	14	May-92	108,584.0		42.0	0.04%	Jan-03	130,356.0		(544.0)	-0.42%	
	15	Jun-92	108,640.0		98.0	0.09%	Feb-03	130,235.0		(665.0)	-0.51%	
	16	Jul-92	108,714.0		172.0	0.16%	Mar-03	130,084.0		(816.0)	-0.62%	
	17	Aug-92	108,851.0		309.0	0.28%	Apr-03	130,062.0		(838.0)	-0.64%	
	18	Sep-92	108,888.0		346.0	0.32%	May-03	129,986.0		(914.0)	-0.70%	
	19	Oct-92	109,061.0		519.0	0.48%	Jun-03	129,903.0		(997.0)	-0.76%	
	20	Nov-92	109,205.0		663.0	0.61%	Jul-03	129,846.0		(1,054.0)	-0.81%	
	21	Dec-92	109,418.0		876.0	0.81%	Aug-03	129,881.0		(1,019.0)	-0.78%	
	22	Jan-93	109,725.0		1,183.0	1.09%	Sep-03	130,006.0		(894.0)	-0.68%	
	23	Feb-93	109,962.0		1,420.0	1.31%	Oct-03	130,117.0		(783.0)	-0.60%	
	24	Mar-93	109,916.0		1,374.0	1.27%	Nov-03	130,174.0		(726.0)	-0.55%	

Source: Fiscal Policy Institute analysis of seasonally adjusted nonagricultural employment data from the U. S. Bureau of Labor Statistics. Data in boldface is for months in which employment was greater than in previous month.

Unfortunately, as the Washington, DC-based Economic Policy Institute has documented, the rate of job growth during the current recovery is falling short on the basis of every imaginable criteria:

- This is the first time in the nation's history that the national employment level, two years after the end of a recession, was lower than it had been at the end of the recession. While some individual states have taken more than two years to fully recover from some previous recessions, this has **never** before been the case for the nation as a whole.
 - Between November 2001, when the recent recession officially ended, and November 2003, the nation experienced a net loss of 726,000 jobs, a 0.55% contraction.
 - Two years into the "jobless recovery" of the early 1990s, employment was up by 1.374 million - a job growth rate of 1.27%.² If, over the last two years, employment had grown at the rate of the "jobless recovery" of the early 1990s, the nation would have 2.4 million more jobs today than it currently has.
 - In every other recovery, jobs had grown by at least 5% at this 2-year point in time.
 - This is the largest sustained post-recession loss of jobs since monthly job statistics began in 1939.
- The job growth of the last several months is falling short of the Bush Administration's own promises. When the Administration's "Jobs and Growth Plan" was enacted into law in May 2003, the President's Council of Economic Advisers projected that the implementation of this plan would result in the creation of 5.5 million jobs between July 2003 and the end of 2004 for an average of 306,000 additional jobs each month. Last month's nationwide increase of 57,000 jobs was 249,000 jobs short of this projection. Over the last five months since the plan took effect, only 271,000 jobs (an average of 54,200 jobs per month) were created for a cumulative shortfall of 1,259,000 jobs relative to the Administration's earlier promises.
- The current rate of job growth at the national level (+57,000 jobs in November and an average of +54,200 jobs per month since the implementation of the President's plan in July)
 - falls 114,000 jobs short of the 150,000 new jobs per month that were being created at this same point in the 1990s recovery.
 - falls 243,000 jobs short of the 300,000 new jobs per month that were being created at this point in the 1980s recovery and which would be required to absorb new entrants into the labor force while reducing the unemployment rate by 1% over the next twelve months.

² See Table 2, *Comparative Analysis of the 1990 and 2001 Recessions and the Subsequent Recoveries*.

Conclusion: The Impact of the National "Jobless Recovery" on New York State

The Pataki Administration is correct when it says that the New York economy is doing better than the rest of the nation when it comes to job creation. But, New Yorkers and residents of the rest of the United States would all be much better off if the national economy were recovering at the rate of the early 1990s recovery let alone at the rate of earlier recoveries.

Basic Facts About the Current Recovery and Its Impact on New York State

- New York had 258,600 fewer jobs in November 2003 than in March 2001 when the recession officially began--a decline of 3%.
- New York had 70,000 fewer jobs in November 2003 than in November 2001 when the recession officially ended--a decline of 0.8%.
- Based on the projections of the President's Council of Economic Advisors, the President's 'Jobs and Growth' tax cut should have increased employment in New York State by 74,500 between June 2003 and November 2003. During this period, the President's plan fell 53,200 jobs short of this figure.
- In November 2003, New York has 69,600 fewer manufacturing jobs than it did when the recession officially ended two years earlier - a decline of 10.2%. As the Economic Policy Institute points out, "The manufacturing sector occupies a special place in the U.S. economy. Productivity growth in manufacturing has historically been much faster than in the rest of the economy, driving increases in national living standards; this productivity differential persisted throughout the 1990s economic boom. Further, manufacturing has historically been a primary source for middle-class jobs characterized by decent wages and benefits, especially for workers without a college degree (still over 70% of the workforce). Manufacturing fosters solid supply-and-demand growth, providing the base for durable economic growth for the wider economy."