

# **The State of Working New York**

The Illusion of Prosperity: New York in the New Economy

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# Introduction

**W**hat is the state of working New York? Or, to put it another way, how have New York's working families fared in the 1990s? This report tries to answer that question.

The state's economy rebounded from a steep recession early in the decade and has been enjoying, over the last two years, relatively strong job growth, rising real wages, and low inflation. Elected officials in Albany and New York City are dealing with record budget surpluses, fed by a robust Wall Street. There is talk of a "Digital Economy"; and internet companies are proliferating in Manhattan's Silicon Alley. Public assistance rolls have plummeted, unemployment has fallen. New York is trumpeted by the Governor as the tax reduction capital of the nation. The real estate market sizzles. Observers proclaim times have rarely been better and that New York will enter the new millennium on a wave of prosperity.

At the national level, a similar refrain is heard. As the expansion approaches the all-time record for the post- World War II era, a "new economy" of faster, non-inflationary growth is heralded. Information technology and globalization embody the dynamism of this new economy, which demands higher skill requirements and promises greater financial rewards to the market savvy.

At the national level, economic growth has been seriously lopsided, with the highest earners reaping the bulk of prosperity's benefits. Does New York's experience parallel that of the nation?

New York's job and income growth in the 1990s has lagged compared to the nation. And while no one expects New York to keep pace with sunbelt states that benefit from national migration and population trends, New York's performance has lagged when compared to similarly situated mature, urban industrial states. In particular, the 1992-98 durable goods manufacturing boom largely by-passed upstate manufacturing communities while durable goods manufacturing flour-

ished in much of the rest of the so-called "Rustbelt". What has this meant for residents of the Hudson Valley and the metro areas along the Erie Canal route from Albany to Buffalo, or in the Southern Tier or North Country?

Downstate New York has fared much better, but has trailed most other major metropolitan areas in job growth. New York City and the entire downstate metropolitan area saw significant restructuring earlier in the 1990s, with successive waves of "downsizing" displacing tens of thousands of workers in military production, banking, corporate headquarters and local government. Since then, several industries have expanded and added jobs, especially on Wall Street, but also in entertainment and media, internet-related activities, tourism, and business and professional services.

The New York metro area is the commercial and financial capital of the U.S. and one of the top business centers in the world. How have the workers who occupy positions across the spectrum in this "Global City" and its environs fared in the decade of the 1990s? Have the two New Yorks — the City and the State — become too dependent on Wall Street?

To answer these questions and to assess the state of working New York, this report examines a range of government data on economic and population changes in the 1990s. It explores how the economy has changed, and how it has affected different groups and regions within New York State. To help assess the relative performance of New York's economy, comparisons are made to the U.S. as a whole, to a group of eight other mature urban industrial states, and to New York's own performance in the 1980s. The eight states that comprise the reference group of mature urban industrial states of the Northeast and Midwest include: New Jersey, Pennsylvania, Massachusetts, Ohio, Michigan, Indiana, Illinois and Wisconsin. Together with New York, these states will be referred to as the NEON states (with NEON standing for Northeast and Old Northwest).<sup>1</sup>

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The balance of this Introduction considers New York in a national context and outlines broad employment trends and characteristics. The report looks, in successive chapters, at developments in incomes, wages, and jobs, and examines several dimensions of New York's slow growth in the 1990s. The fifth chapter explores these trends for each of the state's 10 regions, and the report concludes with an outline of policy directions.

### **New York in a national context**

With 18.2 million people in 1998, the Empire State now ranks third in population behind California and Texas. New York's economy ranks second among states to California, and if it were a separate nation, its economic output would rank tenth in the world.

New York's workers and businesses are more productive than the norm. New York represents 6.7 percent of the U.S. population, and 6.5 percent of total payroll employment, but it accounts for 8.0 percent of the nation's overall output of goods and services. (Table i.1) This productivity edge — the state's disproportionate share of output relative to employment — results partly from New York's richness in human capital, education and technology resources, and it makes possible higher incomes.

New York has an 8.1 percent share of total personal income. Per capita income was \$31,679 in New York in 1998, 20 percent higher than the national average. The average annual wage in New York in 1997 was \$39,239, 27 percent higher than the nation. (Table i.2) With a higher cost of living, particularly for housing in the downstate area, average living standards may not be that far above the national norm. However, averages can be misleading. On the basis of median income or wages, New

York is not much above the nation, reflecting a higher concentration of income and wages at the top.

### **New York's people**

New York has a highly educated population. While the state accounts for only 6 percent of the nation's high school graduates each year, its students comprise over 10 percent of National Merit Scholars. On the other hand, many of its inner city schools share the fate of urban schools across the country and are failing to turn out educated young citizens. In 1998, almost 32 percent of New York workers had a college degree or better, compared to the national average of under 27 percent. (Chart i.1) About the same proportion (11 percent) of its workers do not have a high school diploma, and like the U.S., the percent of New York workers without a high school education has been creeping up since 1995.

New York's 300-plus institutions of higher education enrolled over 1 million students in 1996 and educate

TABLE i.1

<b>New York's Share of U.S. Population, Employment GDP and Personal Income</b>			
	<b>New York</b>	<b>U. S.</b>	<b>New York's Share of U.S. Total</b>
<b>Population, 1998</b>	18,175,301	270,298,524	6.7%
<b>Non-Agricultural Employment, 1998</b>	8,228,700	125,826,000	6.5%
<b>Gross State/Domestic Product, 1997</b> (billions, 1992 dollars)	\$579.7	\$7,269.8	8.0%
<b>Personal Income, 1997</b> (billions)	\$548.9	\$6,770.7	8.1%

SOURCES: Bureau of the Census, Bureau of Labor Statistics (BLS), Bureau of Economic Analysis (BEA).

TABLE i.2

<b>Comparison of New York and U.S. Average and Median Income and Wage Measures</b>			
	<b>New York</b>	<b>U.S.</b>	<b>New York as % of U.S.</b>
<b>INCOME</b>			
Per Capita Income, 1998	\$31,679	\$26,482	120%
Median Four-Person Family Income, 1997	\$55,911	\$53,350	105%
<b>WAGES</b>			
Average Annual Wage, 1997	\$39,239	\$30,816	127%
Median Hourly Wage, 1998	\$12.29	\$11.29	109%

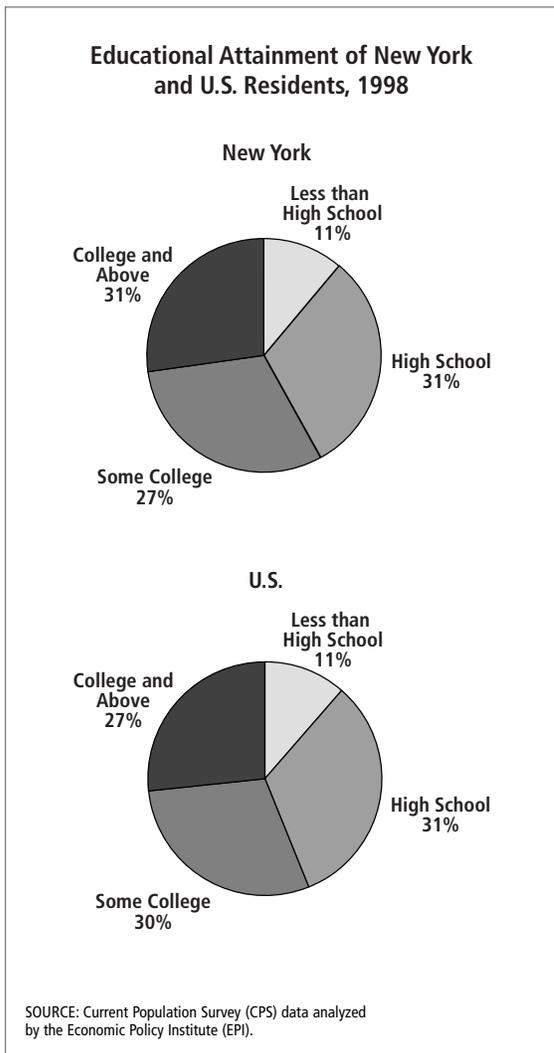
SOURCES: BEA, Bureau of the Census, BLS, New York State Department of Labor (NYS DOL).

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about 8 percent of the nation's college students. New York annually awards 44,000 graduate degrees in science and engineering, 9 percent of the U.S. total. Research-and-development activities are more extensive only in California and Michigan, and last year New Yorkers garnered 7.9 percent of all patents issued in the nation. New York has become one of the busiest hubs for internet activity, ranking second only to the Golden State.

New York has one of the most diverse populations in the country as well as in the world. Almost 20 percent of the state's population is foreign-born, twice the national figure. As a measure of the state's demographic and cultural diversity, 18 percent of New York's population is Black, 14 percent is Hispanic, and 6 percent Asian/Pacific Islander.

CHART i.1



**Labor force participation is at a peak**

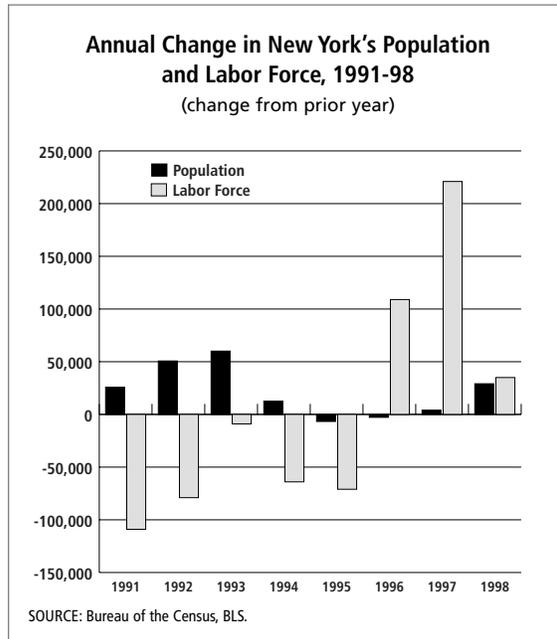
In 1998, New York's civilian labor force stood at an all-time high of 8,870,000, slightly ahead of 1990's previous peak. The state's overall labor force declined every year between 1990 and 1995, during and after the steep 1989-92 recession, before starting to rebound. (Chart i.2) Labor force participation is also at an all-time high of 63.2 percent, up from 60.9 percent in 1995.

The composition of the labor force has shifted since 1990. The white civilian labor force has declined by 349,000 to 7 million in 1998. During the same time period, the Black civilian labor force has grown by 231,000, or 20 percent, to 1,363,000. The Hispanic labor force has grown 44 percent since 1990, adding another 369,000 people for a total of 1,209,000 in 1998.

**Employment trends from the 1960s to the 1990s**

Chart i.3 provides the broad sweep of employment change in New York over the last forty years. During this span, the most sustained employment upturns occurred in the 1960s and 1980s. The major downturns took place in the 1970s and the 1989-92 recession. In the seventies, several corporate headquarters exited from New York City and the state began losing manufacturing jobs in large numbers. The 1989-92 recession,

CHART i.2



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which was much steeper in the downstate area than nationally, was characterized by a massive restructuring on Wall Street in the wake of the 1987 stock market crash, retrenchment in the construction and real estate industries and a general fall-off in retail trade stemming from job and income declines. Corporate and military downsizing-related job cuts were at their peak from the late 1980s to the mid 1990s and added to the recession woes downstate as well as other areas around the state.

### Unemployment trends

After being below the national average in the 1980s, New York's unemployment rate has exceeded the nation's since 1992. While the national unemployment rate has been below 5 percent for the last two years, New York's unemployment rate was 6.4 percent in 1997, and 5.6 percent in 1998. For the first half of 1999, New York's unemployment rate was 5.4 percent, compared to 4.4 percent for the U.S. (*Chart i.4*)

### New York's job mix weighted toward finance and services

Compared to the national average employment composition, New York has a greater proportion of Finance, Insurance and Real Estate (FIRE) and Services activities and a slightly higher job share in government. (*Table 1.3*) Within services, New York has high shares of employment in health, education and social services. New York has smaller shares of manufacturing and retail.

One of the most distinctive features of the state's economy is the disproportionate influence of the financial sector. The FIRE sector, which includes securities, banking, insurance and real estate, employs 735,000 people, 8.9 percent of the state total. Because New York City is the nation's financial center and home to the largest Wall Street firms and many of the largest banks, insurance and real estate companies, the high wages and profits of the FIRE sector translate into a

substantial share, 30 percent, of the state's total economic activity.

TABLE i.3

<b>Nonagricultural Employment Distribution New York and U.S., 1998</b>		
	<b>New York</b>	<b>U.S.</b>
Mining & Construction	3.5%	5.2%
Manufacturing	11.1%	14.9%
Transportation, Communication & Utilities	5.0%	5.2%
Wholesale Trade	5.3%	5.4%
Retail Trade	14.9%	17.7%
Finance, Insurance, & Real Estate	8.9%	5.9%
Services	34.0%	29.8%
Government	17.2%	15.8%
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>

SOURCES: BLS, NYS DOL.

CHART i.3

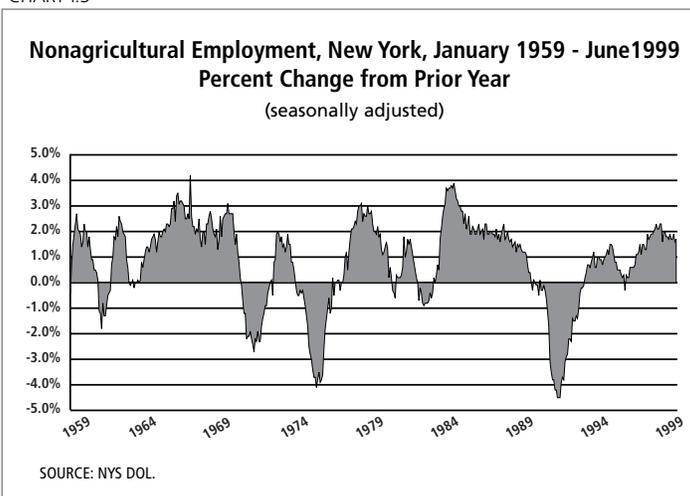


CHART i.4

