

# Introduction

**A**re working New Yorkers better off than they were three, 10 or 20 years ago? How do New York workers fare compared to workers in the rest of the U.S.? This edition of the *The State of Working New York* analyzes the developments in the incomes, wages and jobs of New Yorkers up to the middle of 2001, and compares these developments with the developments in the U.S. as a whole and with a set of six “benchmark states”. The benchmark states include five other large, Northern industrial states and California.

In general the analysis shows that the last three or four years before the onset of the current recession and the attacks on the World Trade Center were good for New York workers. But the overall effect of the last ten years was not. Incomes and wages went up during the expansion years 1993 to 2001, but not sufficiently to restore most workers to where they were a decade or even two decades ago. Those indicators that do show improvement since the late 1980s reflect only mild improvements.

Data about the current recession — beginning in the second quarter of 2001 — demonstrate that

layoffs were broadening, job growth slowing and New York workers were experiencing downward pressure on their wages even before the attacks on the World Trade Center. Financial pressures on many families are mounting. The recession and the economic fallout of the September 11 World Trade Center attacks are having profound adverse effects on low- and moderate-income New Yorkers.

The Wall Street securities industry, which is so crucial to the New York economy, started to contract in the spring of 2001. Securities profits and bonuses, which grew so phenomenally for most of the past decade, headed in the opposite direction as the stock market bubble began to deflate.

## New York’s great affluence, wasted potential

As Tables i.1 and i.2 indicate, the potential for all New Yorkers to do well is great. New York’s share of U.S. gross state domestic product in 1999 was 25% higher than the state’s share of U.S. workers, meaning that the value produced by a New Yorker is 25% higher than the value produced by a worker nationally. In 2000, per capita income in New York was 16% higher than per capita income in the

TABLE i.1

	New York’s Share of U.S. Population, Employment Gross Product and Personal Income		N.Y.’s Share of U.S. Total
	New York	U.S.	
Population, 2000	18,976,457	281,457,906	6.7%
Nonagricultural Employment, 2000	8,533,000	131,903,000	6.5%
Gross State/Domestic Product, 1999 (billions, \$1999)	\$755	\$9,269	8.1%
Personal Income, 2000 (billions, \$2000)	\$656	\$8,352	7.9%

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

TABLE i.2

	Comparison of New York and U.S. Average and Median Income and Wage Measures		
	New York	U.S.	N.Y.’s Share of U.S. Total Income
Per Capita Income, 2000	\$34,547	\$29,676	116%
Median Family Income, 2000	\$52,313	\$49,497	106%
			<b>Wages</b>
Average Annual Wage, 2000	\$44,942	\$35,296	127%
Median Hourly Wage, 2000	\$13.08	\$12.26	107%

SOURCES: BEA, Census 2000 Supplementary Survey, BLS.

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nation, and average wages were 27% higher. However, as Table i.2 shows, this affluence did not translate into economic prosperity for the average New York worker or family. The notion of “average” or “per capita” wage or income measures can be misleading if there is a concentration of wages or incomes in the upper ranges as there is in New York. In this case, the “median”, which represents the worker or family in the exact middle of the distribution, is a more meaningful measure to represent the typical worker or family.

In 2000, the median family income was 6%, and the median hourly wage was 7% higher in New York than in the nation. Since the cost of living is 13% higher in New York than it is in the nation, that means New York’s working families lag well behind working families in the rest of the country.<sup>1</sup>

Of the six benchmark states, only Pennsylvania had lower median family income than New York in the year 2000. Chapter 2 shows a similar picture for wages, which rose more slowly in New York than in the U.S. and in the six benchmark states.

Income inequality in New York has gone hand in hand with increasing poverty. Chapter 1 discusses poverty and demonstrates while 13.4% of New York families were poor by federal definition, 37% of New York families are unable to meet their basic needs. It also shows that in New York it is possible to work full time, have a traditional family and even a college degree, and still be poor. Chapters 2 and 3 explain why this is so.

Chapter 2 shows that wages in New York rose in the 1990s more slowly than in the U.S. in general, even when the comparisons are made within industries. Chapter 3 deals with the industrial structure of jobs, and it shows a shift has been taking place from good-paying manufacturing jobs to lower-paying service sector jobs, from permanent jobs to temporary jobs and from skilled jobs to unskilled jobs. These shifts are reflected not only in the wages that New Yorkers earn but also in a reduction of health and pension benefits that they receive.

TABLE i.3

	New York			U.S.		
	1979	1989	2000	1979	1989	2000
Less Than High School	19%	13%	11%	20%	14%	11%
High School	39%	35%	31%	38%	37%	32%
Some College	22%	25%	27%	23%	26%	30%
College	12%	15%	20%	11%	14%	19%
Advanced Degree	9%	12%	11%	8%	9%	9%

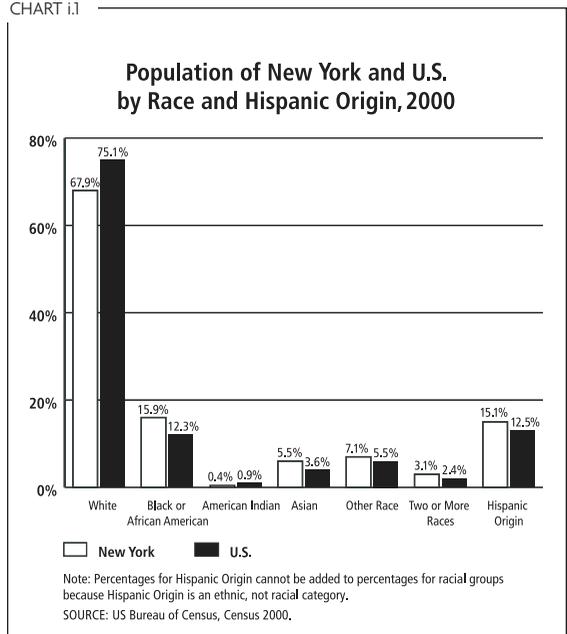
SOURCES: CPS data analyzed by the Economic Policy Institute (EPI).

### New York’s people

New York saw a remarkable addition of 986,000 people over the last decade. Nevertheless, this increase of 5.5% is well below the 13.2% increase for the nation between 1990 and 2000. Of the six other benchmark states, only Pennsylvania had a lower population growth.

Together with the rest of the nation but slightly ahead of it, New Yorkers are becoming more educated. As Table i.3 shows, the level of education of the population of the U.S. and of New York increased continuously since the late 1970s, but this increase was particularly significant during the last decade. During the 1990s the proportion of the population with a college degree increased by a third. In New York, 31% of the population has a college degree or more, compared to a slightly lower

CHART i.1



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28% in the U.S. Chapter 2 analyzes the effect that education has on wages. It points out that the payoff from education changed over the last decade. It was very high at the beginning of the decade, but less so toward the end. It also differs significantly for men and women and for different racial and ethnic groups.

Racially, New York is more diverse than the U.S., as can be seen in Chart i.1. Whites comprise 75% of the population of the U.S., but only 68% of the population of New York. Blacks or African Americans comprise 12% of the population of the U.S. but 16% of the population of New York. Hispanics comprise 12.5% of the population of the U.S. but 15.1% of the population of New York. The proportion of Asians is also higher in New York, 5.5% vs. 3.6%. As Chapter 2 indicates, race and gender are both important factors in determining workers' standard of living.

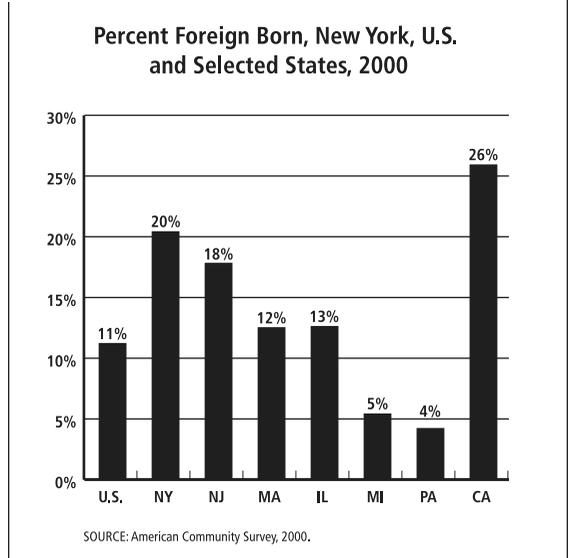
New York has always been an important port of entry to immigrants, and this is reflected in the proportion of its residents who are foreign-born, 20% in 2000. As Chart i.2 shows, this proportion is much higher than it is for the U.S., and also higher than it is for the six benchmark states except California — another gateway for immigrants.

### New Yorkers in the workforce

As Table i.4 indicates, between 1995 and 2000 the state's labor force participation rate increased 2.2 percentage points, to 63.1%. This increase was significantly greater than the nation's 0.5 percentage point increase over this period. Despite its above-average increase, however, New York's labor force participation rate remained lower than the nation's for both women and men, as well as for each racial and ethnic group. Overall, New York's participation rate is four percentage points below the nation's 67.2%.

Between 1995 and 2000, the participation rate of New York

CHART i.2



women increased 3.3 percentage points — more than double the national increase for women. Whereas the increase was similar for both white and black women (3.5 and 3.8 percentage points, respectively), the participation rate for New York's Hispanic women jumped 10.7 percentage points — the highest increase among any of the state's gender/racial cohorts and more than double the increase of Hispanic women nationally. Bucking the national trend of declining labor force participation rates for men, labor force participation rates for New York men rose 0.9 percentage points to 71%. While white and black men recorded modest rates of increase (0.7 and 0.9 percentage points, respec-

TABLE i.4

	New York			United States		
	1995	2000	Ppt. Change	1995	2000	Ppt. Change
<b>Total population</b>	<b>60.9%</b>	<b>63.1%</b>	<b>2.2</b>	<b>66.6%</b>	<b>67.2%</b>	<b>0.5</b>
All females	52.8%	56.1%	3.3	59.0%	60.2%	1.3
Black females	53.1%	56.9%	3.8	59.5%	63.2%	3.8
Hispanic females	43.3%	54.0%	10.7	53.9%	58.7%	4.8
White females	52.6%	56.1%	3.5	59.0%	59.8%	0.9
All males	70.1%	71.0%	0.9	75.0%	74.7%	-0.3
Black males	64.4%	65.3%	0.9	69.0%	69.0%	0.0
Hispanic males	68.8%	73.3%	4.5	82.4%	84.2%	1.8
White males	71.0%	71.7%	0.7	75.8%	75.4%	-0.3

SOURCE: New York State Department of Labor (NYSDDL).

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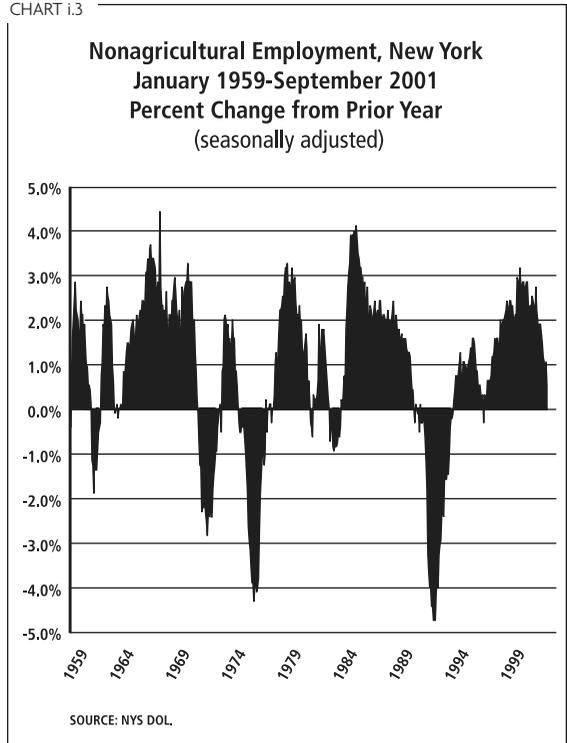
tively), the participation rate of New York's Hispanic men rose 4.5 percentage points, more than double the national increase for Hispanic men.

### Employment trends

As Chart i.3 makes clear, employment in New York is subject to wide fluctuations. The last major downturn, the 1989-92 recession, followed the 1987 stock market crash and the restructuring that ensued. A downward trend began in January of 2000.

Chart i.4 demonstrates that beginning in 1992 both the state's and the nation's unemployment rates began to decline, in tandem with the onset of economic recovery. This decline ended for the U.S. in January of 2001, and for New York two months later. The chart also demonstrates that throughout most of the recovery and until March of 2001, the rate of unemployment was higher in New York than in the nation. While for a period of six months beginning in March New York's rate of unemployment was lower than the U.S., in September 2001 the two rates were the same. (The September figures do not reflect the World Trade Center attacks.) The recent, on-going restructuring of the financial industry, coupled with the effects of the attacks,

CHART i.3



threaten to raise New York's unemployment rate above the nation's again.

### New York's job mix: light in manufacturing and retail, heavy in finance and services

As Table i.5 shows, New York has higher proportions of workers in the Services and Finance, Insurance and Real Estate (FIRE) industries than the U.S., while in manufacturing and retail its proportions are lower. Within services, the heaviest concentration of jobs in New York is in health, social services and education, in that order. The proportion of New Yorkers employed in each of these services exceeds this proportion in the U.S. population.

### New York's dependence on Wall Street

The high levels of new jobs, income flows and fiscal revenue streams generated by the Wall Street securities industry are discussed in Chapter 4. The chapter examines both the bull market of the

CHART i.4



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1990s and the recession that began in 2001.

The state's economic reliance on Wall Street is to a large degree responsible for an upstate/downstate division in economic growth. Chapter 5 examines the economic well being of workers in the state's 10 economic regions. It shows that while the downstate region posted solid job gains in the latter years of the 1990s, most of the upstate regions experienced only sluggish growth during that time. The chapter concludes with economic profiles of each region.

Finally, Chapter 6 — Recommendations — fleshes out a three-pronged strategy to build a more sustainable economic prosperity for New York workers in the future. This requires: 1. Building family economic security, 2. Promoting broadly-shared

TABLE 1.5

### Nonagricultural Employment Distribution New York and U.S., 2000

	<b>New York</b>	<b>U.S.</b>
Mining & Construction	3.9%	5.5%
Manufacturing	10.1%	14.0%
Transportation, Communication & Utilities	5.0%	5.3%
Wholesale Trade	5.2%	5.3%
Retail Trade	15.1%	17.7%
Finance, Insurance, and Real Estate	8.7%	5.7%
Services	35.1%	30.7%
Government	17.0%	15.7%
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>

SOURCES: BLS, NYS DOL.

prosperity, and 3. Encouraging balanced and sustainable growth.