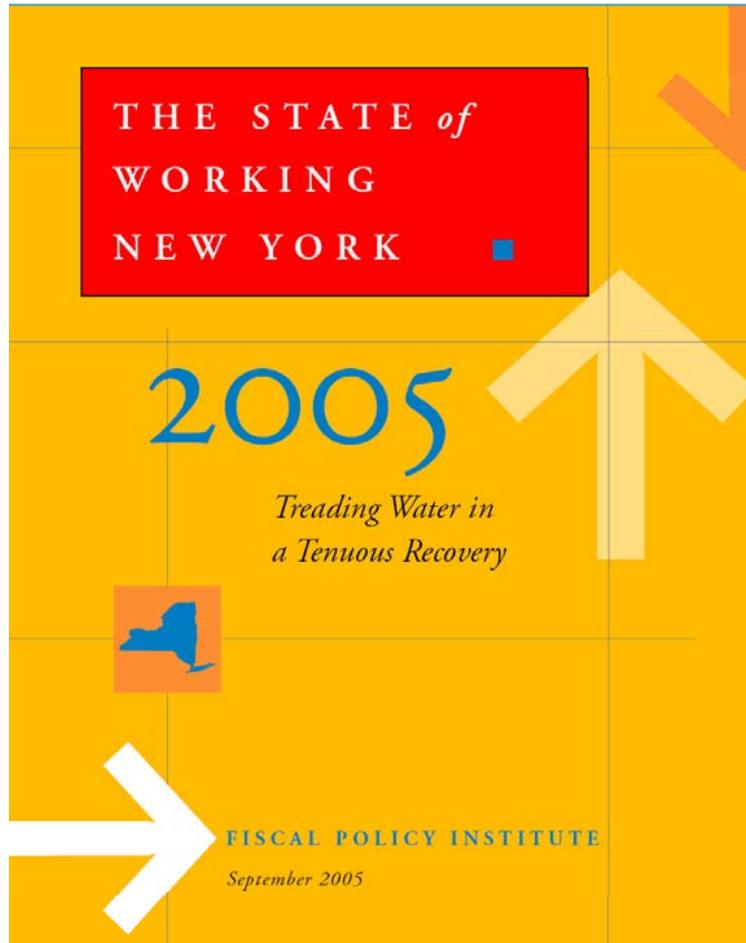


The State of Working New York City 2005



A special supplement to
The State of Working New York 2005

FISCAL POLICY INSTITUTE

11 Park Place, Suite 701
New York, NY 10007

and

One Lear Jet Lane
Latham, NY 12110

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www.fiscalpolicy.org

This special supplement to The State of Working New York 2005: Treading Water in a Tenuous Recovery focuses on New York City.

The full State of Working New York 2005 report is available at:
<http://www.fiscalpolicy.org/SOWNY2005.stm>

For more information, contact FPI's Deputy Director and Chief Economist, James Parrott, 212-721-5624, parrott@fiscalpolicy.org

September 27, 2005

Highlights

- **Background**

For a while at the end of the 1990s, New York City's job growth surpassed the nation's. But the economy of that period was super-charged by the Wall Street and dot-com bubbles, and was unsustainable. And while real wages finally rose for most workers after several years of declines in the aftermath of the early 1990s recession, the bulk of income gains went to those at the top and polarization grew.

- **2001-2003 recession**

The bursting of the Wall Street and dot-com bubbles, together with the economic fallout from 9/11, plunged New York City into a much steeper recession and downturn than the U.S. as a whole. The City lost 240,000 jobs between the end of 2000 and the spring of 2003. This 6% job loss was three times the 2% national job loss.

- **Tenuous recovery since mid-2003**

NYC has been gaining jobs since the recovery started in mid-2003, but the city's job growth has been only half that of the nation's. At the current city growth rate of 1% annually, it will take another four years (to 2009) to get back to the job level that existed in 2000.

- *Nationally, the recovery has been tenuous with the economy growing slowly and much of the growth propelled by debt. The pace of national job growth in this recovery substantially trails all of the recoveries from the nine previous recessions since 1949. Total national debt -- household, government and corporate -- has grown one-and-a-half times faster than the 22% increase in nominal gross domestic product between early 2001 and early 2005. Corporate profits have grown several times faster than total wages and consumers have had to rely on borrowing to sustain consumption.*

Highlights, continued

- *In New York City, the suburbs and the Hudson Valley corridor, consumption spending and the rapid rise in housing prices and the explosion in home equity borrowing and home mortgage debt have been the driving economic forces.*
- *Tourism is booming and finance and some professional service industries are recovering but net job growth remains modest. The continuation of the recovery may be jeopardized by rising interest rates since the Federal Reserve Board of Governors seems determined to cool the super-heated housing market and has boosted short-term interest rates 12 times since June 2004.*
- **Workers treading water**
The generally weak labor market and the loss of tens of thousands of middle- and high-paying jobs has meant that New York City workers and their families have, at best, been treading water economically.
- *The net quality of the city's job growth has worsened. The average annual pay for the industries increasing job share since 2000 is about \$45,000, well below the \$85,000 average for the industries that have been losing job share. While jobs in the expanding sectors like health and educational services are much-needed, economically they are not equivalent to jobs lost in manufacturing, information or finance.*
- *The inflation-adjusted median hourly wage in New York City, that is, the wage paid to the worker in the exact middle of the city's wage distribution, was 4.8% lower in the first half of 2005 compared to the first half of 2000. In contrast, median hourly wages for the U.S. as a whole have inched up by 3.1% over the past five years. For black and Hispanic workers, median wages in NYC have declined much more than for white, non-Hispanics.*
- *Statewide data for New York echo the worrisome trend seen at the national level since 2001: the economy is growing, but workers are getting few of the benefits of economic growth. New York is following the national trend of corporate profits increasing much faster than wages.*

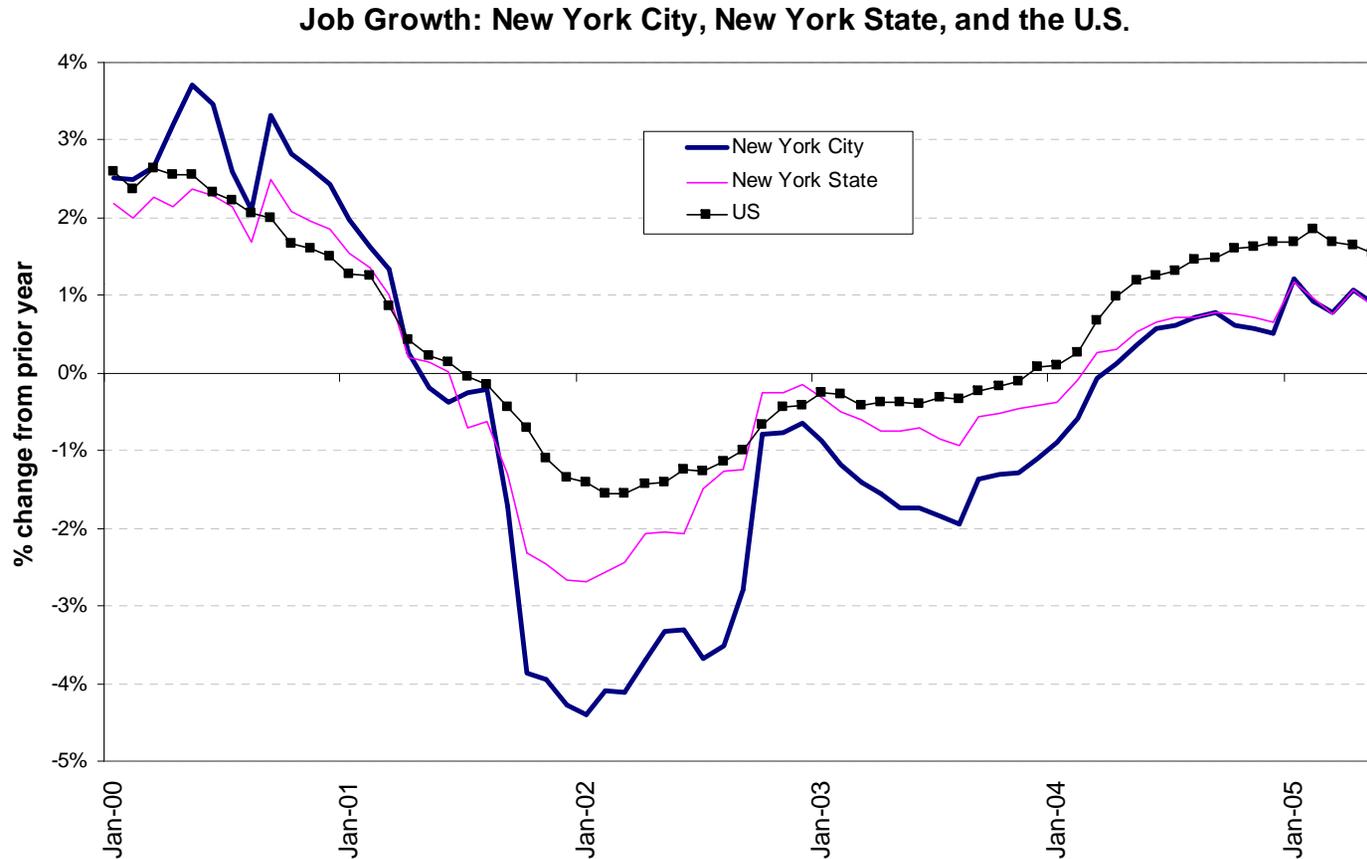
Highlights, continued

- **Declining middle**

Because New York City has lost so many well-paying jobs and had a very high rate of domestic out-migration, the city has experienced a sharp decline in its middle class. From 2000 to 2004, the share of city families in the \$35,000 to \$150,000 income range fell at a much greater rate than nationally.

- *Median NYC family income declined by 5.3% from 2000 to 2004, four times the national decline. More families are being pushed into poverty as a result of the squeeze on the middle. The poverty rate is on the rise in New York City, with most of the increase coming from married couple families with children.*
- *One bright spot is the 3-stage increase in the New York state minimum wage that was passed last year. The first increase to \$6.00 an hour took effect on January 1, 2005. Contrary to the claims made by opponents of the increase, employment has grown in industries employing the most low-wage workers. In fact, New York City's employment in retail trade and in restaurants increased much faster in the first half of 2005 than in neighboring state or in the U.S. as a whole.*
- *While the city's official unemployment rate, as reported by the New York State Department of Labor, has fallen below 6%, this relatively low level by city standards should not be equated with a healthy labor market. In fact, several indicators suggest continued weakness and unfavorable labor market conditions: zero labor force growth during the recovery, extremely high long-term unemployment, a significant number of discouraged workers and high underemployment, particularly among black and Hispanic workers.*
- *The housing bubble has exacerbated NYC's affordability problem. Housing prices have been increasing by double digit rates annually since 2000 and the gap between housing prices and incomes has widened significantly. The percent of renting households paying more than 35% of income in rent has jumped to over 42% in 2004.*

Since mid-2003, NYC has been adding jobs, but at a slow pace...reflecting sluggish national job growth.



Since 2001, U.S. economic growth has been fueled mainly by debt

- *Low interest rates have contributed to a surge in mortgage debt which, in turn, has helped fuel a housing bubble, making housing expenditures the major force behind economic growth.*

Nominal GDP grew by 21.7% between the first quarter of 2001 and first quarter of 2005, but residential investment surged by 55.8%. Household indebtedness rose sharply as home mortgage debt (+57.7%) increased much faster than wages and salaries (+13.8%).

- *Weak wage growth has forced households to increase borrowing (partly through home equity loans) to sustain consumption.*

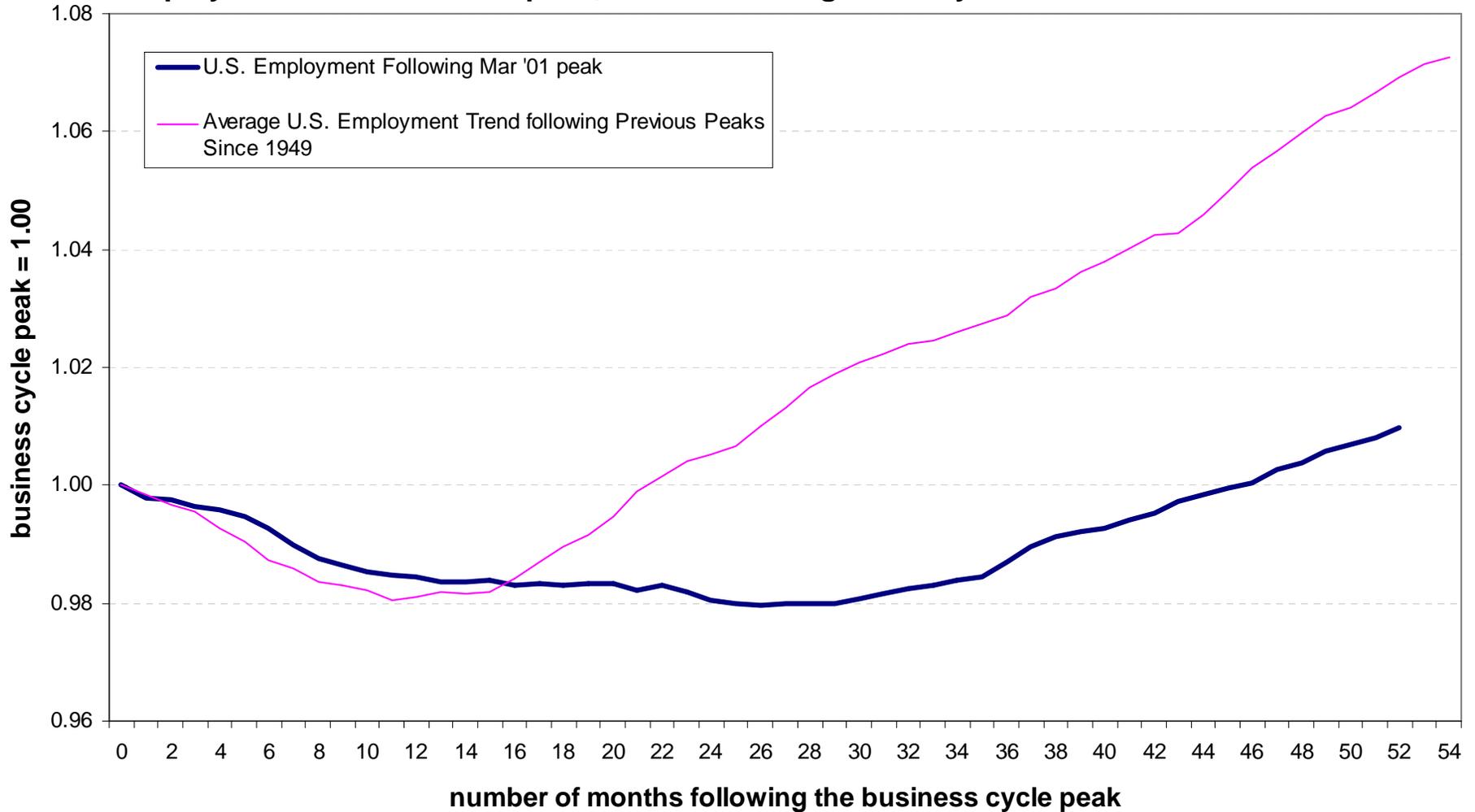
Consumption has grown by 22.8% since 2001, but total wages and salaries have grown by only 13.8% (corporate profits rose by 65.4% during this period).

- *Massive federal tax cuts have contributed to an explosion in government borrowing.*

Federal government debt (+34.2%) increased much faster than GDP and national income (+19.6%).

U.S. job growth during this recovery has been the weakest of the 10 recovery periods since 1949.

Employment levels fall from peak, then rise during recovery.



During the recession and the “job-loss recovery” period, NYC job losses were significantly greater than the nation.

In the recovery since mid-2003, job gains in NYS and NYC have been about half the rate of the nation.

Employment in the U.S., New York State, and New York City During and Since the Recession

Employment (in thousands, seasonally adjusted)	U.S.	New York State	New York City
March 2001 (National peak)	132,511	8,671	3,741
May 2003 (National employment trough)	129,827	8,399	3,529
June 2005	133,588	8,528	3,577
March 2001 - May 2003 (Recession and job-loss recovery)			
Change	-2,684	-272	-213
% change	-2.0%	-3.1%	-5.7%
May 2003 - June 2005 (25 months of recovery)			
Change	3,761	129	48
% change	2.9%	1.5%	1.4%

Source: Bureau of Labor Statistics (BLS), New York State Dept. of Labor, NYS and NYC seasonal adjustment by FPI.

During the last two years of recovery, most NYC job growth has occurred in leisure and hospitality, health care and social assistance, and retail trade ... while the city continued to lose manufacturing, information and construction jobs

Job Change by Major Sector, NYC, May 2003 to July 2005

	Number	Percent
Total Nonfarm	51,058	1.4%
Construction	-2,220	-2.0%
Manufacturing	-13,093	-10.3%
Wholesale Trade	-1,194	-0.8%
Retail Trade	11,270	4.2%
Utilities	-544	-3.7%
Transportation and Warehousing	-356	-0.3%
Information	-2,625	-1.6%
Finance and Insurance	3,113	1.0%
Real Estate Rental and Leasing	2,580	2.2%
Professional, Scientific, and Technical Services	9,355	3.3%
Management of Companies and Enterprises	-2,100	-3.5%
Admin. & Supp. and Waste Manage. & Remed. Servs.	4,033	2.1%
Educational Services	7,792	5.5%
Health Care and Social Assistance	18,412	3.6%
Leisure and Hospitality	21,712	8.4%
Other Services	4,475	3.0%
Government	-9,109	-1.6%

Source: NYSDOL, seasonal adjustment by Fiscal Policy Institute

Compared to the Dec. 2000 peak, 6 major NYC sectors are still down by double digit rates (manufacturing, information, transportation, finance and insurance, construction and professional services)

Job Change by Major Sector, NYC, December 2000 to July 2005

	Number	Percent
Total Nonfarm	-177,043	-4.7%
Construction	-14,638	-11.7%
Manufacturing	-56,876	-33.3%
Wholesale Trade	-9,359	-6.0%
Retail Trade	-5,870	-2.1%
Utilities	-724	-4.8%
Transportation and Warehousing	-16,138	-13.6%
Information	-30,792	-16.0%
Finance and Insurance	-49,023	-13.2%
Real Estate Rental and Leasing	-2,268	-1.9%
Professional, Scientific, and Technical Services	-35,644	-10.8%
Management of Companies and Enterprises	3,662	7.0%
Admin. & Supp. and Waste Manage. & Remed. Servs.	-18,541	-8.6%
Educational Services	14,646	11.0%
Health Care and Social Assistance	35,375	7.1%
Leisure and Hospitality	18,970	7.2%
Other Services	3,909	2.6%
Government	-14,295	-2.5%

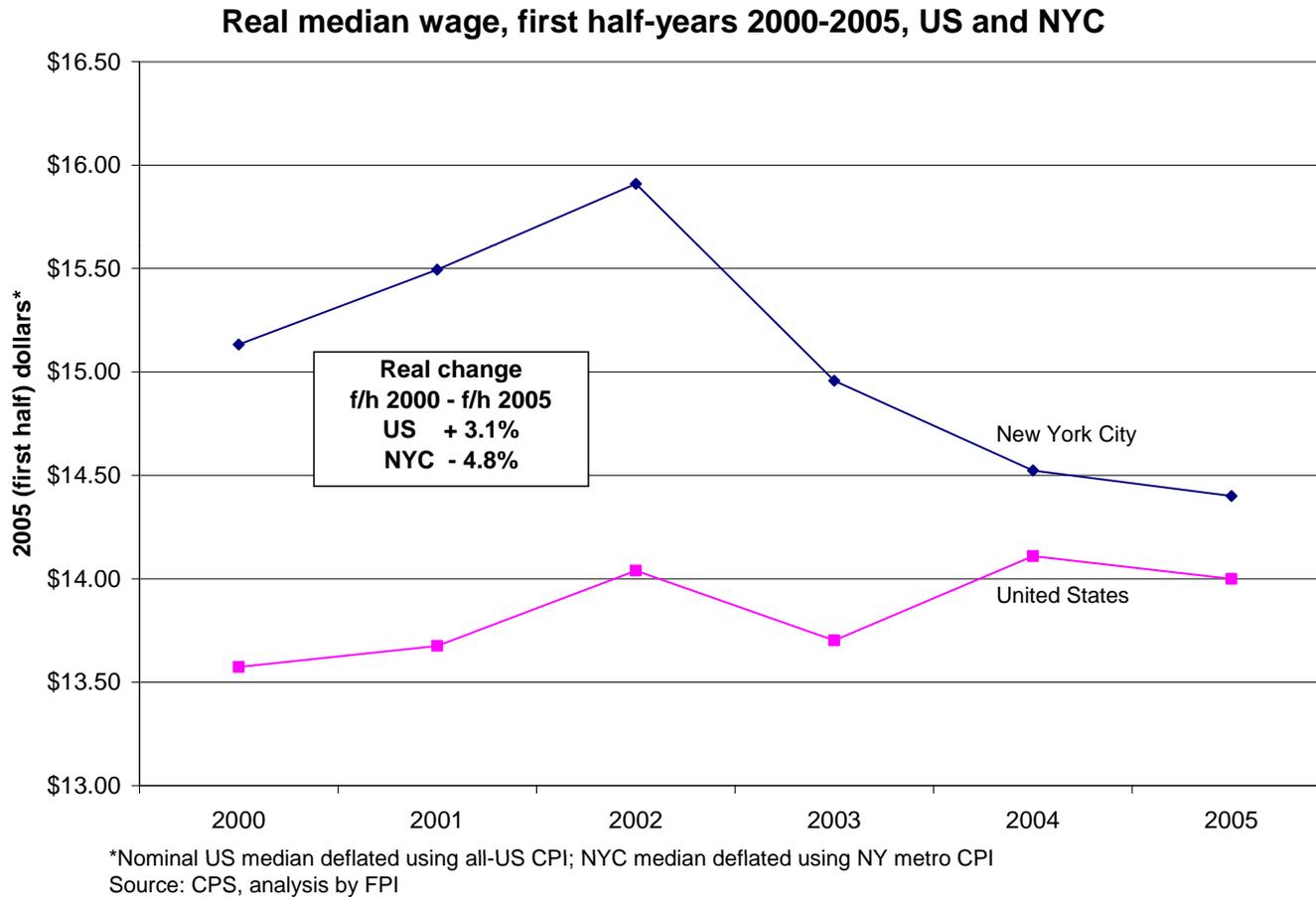
Source: NYSDOL, seasonal adjustment by Fiscal Policy Institute.

Since 2000, NYC sectors which increased their share of jobs paid an average annual wage that was much less than the average annual wage paid in industries that have experienced declines in their employment share.

New York City's Job Gaining and Losing Industries	Employment (thousands)		2004 Average Annual Wage
	2000	2004	
Industries gaining job share			
Health Care and Social Assistance	477.6	513.3	\$40,636
Government	549.1	544.6	\$51,291
Educational Services	106.3	122.1	\$41,082
Food Services and Drinking Places	156.1	165.7	\$20,991
Retail Trade	274.3	268.2	\$31,459
Arts, Entertainment, and Recreation	54.9	58.4	\$55,468
Management of Companies and Enterprises	51.3	54.6	\$150,274
Other Services	135.0	131.9	\$35,237
Real Estate and Rental and Leasing	115.8	113.5	\$50,374
Accommodation	39.1	39.1	\$43,158
Utilities	14.5	14.3	\$84,335
Subtotal, industries gaining job share	1974.0	2025.6	\$44,763
Industries losing job share			
Manufacturing	172.3	119.6	\$45,034
Information	189.2	150.2	\$89,322
Finance & Insurance	357.9	312.9	\$195,857
Professional, Scientific, and Technical Services	312.3	280.1	\$89,675
Administrative and Support Services	202.0	176.9	\$38,030
Transportation & Warehousing	145.0	126.9	\$45,163
Wholesale Trade	150.9	137.4	\$65,266
Construction	117.2	107.5	\$57,337
Waste Management and Remediation Services	5.6	5.3	\$44,821
Subtotal, industries losing job share	1652.4	1416.8	\$85,579
Total Nonfarm	3606.0	3437.5	\$64,773

Source: NYS Dept. of Labor, Fiscal Policy Institute

NYC's real median wage has fallen since 2002, and is 4.8% below 2000, while median wages rose by 3.1% for the U.S. as a whole.



Between 2000 and 2005, the real median hourly wage for all NYC workers fell by nearly 5% ... females, Blacks and Hispanics fared the worst...wages only increased for workers with a bachelors or higher degree.

Change in NYC Real Median Hourly Wages, 1st H 2000 to 1st H 2005

	2000	2005	% change
All NYC resident workers	\$15.13	\$14.40	-4.8%
Males	\$16.59	\$15.42	-7.1%
Females	\$14.55	\$13.23	-9.1%
White, non-Hispanic	\$19.16	\$18.16	-5.2%
Black, non-Hispanic	\$13.97	\$12.85	-8.0%
Hispanic	\$11.64	\$10.00	-14.1%
Less than high school	\$9.31	\$9.00	-3.3%
High school	\$13.30	\$12.00	-9.8%
Some college	\$13.97	\$13.50	-3.4%
Bachelors and higher	\$23.28	\$23.85	2.4%
Native born	\$17.22	\$15.85	-8.0%
Foreign born	\$13.30	\$13.00	-2.3%

note: NY area CPI used to deflate nominal wages.

source: CPS, analysis by FPI.

The share of NYC families with incomes in the middle range (\$35,000 to \$150,000) declined by over 3 percentage points from 2000 to 2004, a much sharper decline than in the rest of the U.S.

Family Income and Benefits, NYC, NYS, and Balance of U.S., by Income Range Shares, 2000 and 2004

income range	share of all families, by income range (2004\$)						percentage point change		
	NYC		NYS		balance of U.S. *		2000-2004		
	2000	2004	2000	2004	2000	2004	NYC	NYS	balance of U.S.
All families	1,795,855	1,802,009	4,603,388	4,614,684	66,372,525	69,271,269			
less than \$35,000	35.9%	38.6%	28.8%	29.9%	29.9%	30.6%	2.7%	1.1%	0.8%
less than \$10,000	10.0%	10.0%	6.3%	6.3%	4.8%	5.4%	0.0%	0.0%	0.6%
\$10,000 to \$14,999	4.9%	5.9%	3.9%	4.0%	3.9%	4.0%	1.0%	0.1%	0.1%
\$15,000 to \$24,999	9.8%	12.6%	8.8%	9.8%	10.0%	10.1%	2.8%	1.0%	0.1%
\$25,000 to \$34,999	11.2%	10.1%	9.8%	9.8%	11.2%	11.1%	-1.1%	0.0%	-0.1%
\$35,000 to \$149,999	56.7%	53.4%	62.3%	60.6%	63.2%	62.5%	-3.3%	-1.7%	-0.6%
\$35,000 to \$49,999	14.7%	14.2%	14.7%	14.1%	16.0%	15.7%	-0.5%	-0.6%	-0.3%
\$50,000 to \$74,999	18.7%	17.2%	20.3%	19.4%	22.0%	21.4%	-1.5%	-0.9%	-0.6%
\$75,000 to \$99,999	12.5%	10.9%	14.0%	13.5%	13.6%	13.5%	-1.6%	-0.5%	-0.1%
\$100,000 to \$149,999	10.8%	11.1%	13.3%	13.6%	11.6%	11.9%	0.3%	0.3%	0.3%
\$150,000 or more	7.4%	7.9%	8.8%	9.4%	6.9%	7.1%	0.5%	0.6%	0.2%
\$150,000 to \$199,999	3.6%	3.2%	4.4%	4.4%	3.5%	3.7%	-0.4%	0.0%	0.1%
\$200,000 or more	3.8%	4.7%	4.4%	5.0%	3.3%	3.4%	0.9%	0.6%	0.1%
Median family income	\$49,346	\$46,717	\$57,478	\$56,556	\$54,419	\$53,692	-5.3%	-1.6%	-1.3%
Mean family income	\$72,024	\$70,575	\$76,923	\$77,768	\$69,770	\$69,593	-2.0%	1.1%	-0.3%

* median family income is for U.S.

Source: U.S. Census Bureau, American Community Survey, August 2005 release.

Since 2000, the poverty rate has increased much more in NYC than nationally . . . poverty increased the most for married couple families with children.

U.S. & NYC Poverty Rates, 2000 to 2004

	2000	2001	2002	2003	2004	percentage point change, 2000-04
U.S. - all people	12.2%	12.1%	12.4%	12.7%	13.1%	0.9%
<u>New York City</u>						
All people	17.9%	19.2%	19.0%	19.0%	20.3%	2.4%
Married couple families with related children under 18	9.5%	12.2%	12.0%	11.7%	13.5%	4.0%
Families with female householder, no husband present, with related children under 18	42.4%	41.4%	42.3%	39.6%	42.6%	0.2%

Source: U.S. Census Bureau, American Community Survey.

The growth in output and productivity in the NYS economy has greatly exceeded the growth in real wages since 2001 with profits soaking up the difference.

Wage Growth in New York State trails output growth, 2001-2004

	<u>Percent Change</u>
<i>Output and productivity measures</i>	
Real Gross State Product (GSP) (billions of chained 2000 dollars) % Change Prior Year	7.6%
Real non-securities GSP (billions of chained 2000 dollars) % Change Prior Year	6.1%
Real non-securities GSP per worker* (chained 2000 dollars) % Change Prior Year	5.9%
<i>Wage measures</i>	
Total non-securities wages (billions of 2004 dollars) % Change Prior Year	0.3%
Average non-securities wage (billions of 2004 dollars) % Change Prior Year	1.8%
20th percentile hourly wage (2004 dollars) % Change Prior Year	0.2%
Median hourly wage (2004 dollars) % Change Prior Year	0.4%
80th percentile hourly wage (2004 dollars) % Change Prior Year	2.3%

Note: There are no government data for New York City output or gross product.

* The employment measure used to put this on a per worker basis includes wage and salary employees and sole proprietors.

Source: BEA and NYSDOL data analyzed by Fiscal Policy Institute. CPS data analyzed by Economic Policy Institute.

Is immigration a factor in NYC's adverse wage and income trends since 2000?

- *Immigration is a significant, and complicated, factor in the city's population and labor force dynamics. But immigration was also significant during the 1990s and research for the 10 largest cities then showed that there was no direct relationship between a rising immigrant population share and adverse wage and income trends. Even with a high immigrant share of the labor force, real wages for low- and middle-wage NYC workers rose at the end of the late 1990s economic expansion.*
- *Just as it did in the aftermath of the early 1990s recession, immigration has played a critical role in helping to stabilize the city's population in the wake of the departure of hundreds of thousands of residents since 2000. But rather than immigration being the decisive factor in the labor market in this decade, it's much more likely that the adverse wage and income trends this analysis has observed result from the larger economic factors that characterize this period: the weak labor market, sharp deterioration in the pay levels of gaining vs. declining sectors, and slow wage growth relative to profits.*

It is also worth noting the following trends:

- *Immigrants account for 48% of NYC's labor force, about the same as in 2000.*
- *While NYC immigrant workers have a median hourly wage of \$13.00 vs. \$15.85 for native born workers, the median wage of immigrant workers declined less (-2.3%) between 2000 and 2005 than did that of native-born workers (-8.0%).*
- *Immigrants have a higher labor force participation rate than native born workers (63.5% vs. 56.0%).*

Between 2000 and 2004, median full-year earnings for males increased marginally but declined for females ... for both NYC males and females, growth rates for full-year earnings were significantly lower than for the nation as a whole.

Median Full-Time, Full-Year Earnings by Gender, NYC and U.S., 2000 and 2004

Median FT, FY Earnings (2004\$)		Males	Females
2000	NYC	\$39,939	\$36,623
	US	\$40,396	\$29,810
2004	NYC	\$40,314	\$35,205
	US	\$41,761	\$31,550
% change 2000-2004	NYC	0.9%	-3.9%
	US	3.4%	5.8%

Source: U.S. Census Bureau, American Community Survey.

The official unemployment provides a misleading picture of the condition of NYC's labor market. Long term unemployment (35%) is much higher than nationally (22%). NYC's under-employment rate is 10.2%. Among blacks, underemployment is 15% and for Hispanics, 12.6%.

Labor force statistics, New York City, July 2004 - June 2005

	By gender			By race/ethnicity			
	All	Males	Females	White only	Black only	Hispanic	Other
Labor force participation rate	59.4%	68.1%	51.7%	60.0%	57.8%	59.3%	60.5%
Employment to population rate	55.8%	64.0%	48.6%	57.7%	52.4%	54.6%	58.7%
Unemployment rate	6.0%	6.0%	6.1%	3.9%	9.4%	8.0%	2.8%
Long-term unemployment share	35.4%	39.0%	31.4%	37.7%	37.9%	30.0%	40.6%
Underemployment rate	10.2%	9.7%	10.7%	6.8%	15.0%	12.6%	6.6%
Part-time workers share	16.7%	12.5%	21.6%	16.4%	18.1%	16.9%	15.1%
Part-time for economic reasons share	16.1%	19.4%	13.9%	11.3%	19.8%	21.8%	12.4%
Share of labor force	100.0%	53.4%	46.6%	38.5%	23.5%	24.8%	13.3%
Labor force	3,783,757						

Source: Fiscal Policy Institute analysis of Current Population Survey (CPS) data

Good news in the increase in the NYS minimum wage to \$6.00 this past January (with 2 more annual increases to \$7.15). Contrary to the claims of opponents, jobs in sectors employing the most low-wage workers grew strongly in the first half of 2005.

Employment in New York State, New York City, four neighboring states, and the U.S. Before and after January, 2005, New York minimum wage change

	Employment (thousands)		Change
	First half of 2004	First half of 2005	
New York City			
All non-farm	3,522	3,556	1.0%
Retail trade	266	275	3.1%
Food service	165	173	4.6%
New York State			
All non-farm	8,383	8,463	1.0%
Retail trade	849	864	1.8%
Food service	441	453	2.7%
Four neighboring states (NJ, PA, MA, CT)			
All non-farm	14,365	14,532	1.2%
Retail trade	1,655	1,679	1.5%
Food service	841	863	2.7%
United States			
All non-farm	130,518	132,708	1.7%
Retail trade	14,866	14,998	0.9%
Food service	8,741	8,993	2.9%

Note: Retail trade and food services are the largest employers of minimum-wage workers.

Sources: Bureau of Labor Statistics, NYS Dept. of Labor

The housing bubble has exacerbated NYC's affordability problem ...

- ***Housing prices have risen by double digits annually since 2000***
- ***Rapidly widening gap between housing prices and incomes***
- ***Tenuous recovery and rising energy prices could spell trouble for highly-mortgaged homeowners***
- ***Renters also are paying more with the percent of NYC renters paying more than 35% of household income in rent rising from 35.3% in 2000 to 42.2% in 2004.***

Conclusions

- ***While NYC's economy has been in recovery since mid-2003, the pace of job growth is modest, largely because of historically weak national job growth. Tourism is booming and finance and professional jobs are increasing but remain well below 2000 peak levels.***
- ***Most sectors adding jobs in this decade pay wages below the average.***
- ***The housing bubble and the tenuous recovery may come to an end as the Federal Reserve has increased interest rates 12 times since mid-2004 and is intent on cooling the over-heated housing market.***
- ***At best, NYC workers and their families are treading water economically. Median wages and incomes have fallen and poverty has risen, particularly among married couple families with children.***
- ***The share of NYC families with incomes in the middle range has declined sharply since 2000, with most moving downward.***
- ***Official unemployment understates labor market difficulties – under-employment and long-term unemployment are both very high in NYC.***