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News from the
Fiscal Policy Institute

For immediate release: November 29, 2011

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NEW REPORT: http://www.fiscalpolicy.org/SOWNY2011.html

Great Recession Takes a $31 Billion Toll on New Yorkers

New data show that New York families face smaller incomes, fewer opportunities, more hardship

The Great Recession of 2008-2009 and the historically weak recovery cost New York State workers and small businesses 504,000 jobs and $31 billion in lost earnings in 2011, according to a report being released on Tuesday, November 29, by the Fiscal Policy Institute (FPI).

Over 400,000 of those lost job opportunities are wage and salary positions, and nearly twenty percent—96,000—represent fledgling businesses that haven't been started because of the reduced wage earnings and consumer spending associated with continuing high unemployment. These estimates of lost job opportunities and lost earnings reflect growth in the state's working age population since the recession began and are based on an unemployment rate of 4.5 percent, the unemployment rate that existed in 2007 before the recession began.

"These figures underscore just how costly the recession and weak recovery are for New York workers and their families," said James Parrott, FPI's Chief Economist and Deputy Director. Parrott said, "It's not just a matter of restoring the number of jobs lost during the recession. We need to restore the employment rate, that is, the ratio of jobs to the working age population. More jobs are needed since the population has grown over the past three years."

The FPI report also shows that only the low-wage sector has shown net job gains over the past three years. Industries paying low wages—annual average wages under $45,000—have added 82,000 jobs, led by restaurants, educational consulting services, and home health care services. The picture is similar in New York City, with a net gain of 69,000 low-wage jobs. Over this period, the state has lost more than 250,000 middle- and high-wage jobs in sectors such as manufacturing, construction, government, and finance. New York City lost 120,000 middle- and high-wage jobs.

Median household incomes in New York State, adjusted for inflation, fell by 3.2 percent from 2007 to 2010, and weekly earnings have fallen for New York workers in the bottom half of the pay spectrum. New York City workers in business management and financial occupations, on the other hand, have seen their real weekly pay rise nearly 18 percent over the past four years.

The recession and recovery have done nothing to alter a trend that pre-dates the recession: New York workers and their families aren't sharing in the broader growth in the state's economy. Since the last expansion began in 2003, Gross Domestic Product (GDP) per worker in New York State has grown more than twice as fast as annual average wages, with the result that corporate profits have grown six times as fast as average wages.

Dramatic income polarization also predates the Great Recession, and indications are that it will resume after declining slightly in 2008 and 2009. FPI's Parrott said, "If New York had enjoyed broadly shared prosperity over the past twenty years instead of the hyper-concentration of income that took place, median family income would have been $96,000 instead of $64,000 in 2007. Broadly shared prosperity would also have meant that poverty would be much lower and the minimum wage would be over $12 an hour rather than the $7.25 level that exists today."

Poverty rose sharply during the recession, increasing by well over one percent in New York City (to 20 percent) and the state (to 15 percent) from 2008 to 2010. There has also been an increase in people living in households that are "near-poor," that is, between 100 percent and 200 percent of the poverty line. Combining the numbers for those in poverty and "near-poverty" means that nearly one-third (31.9 percent) of the state's population are either poor or near-poor. In New York City, it is 40 percent.

Poverty is extraordinarily high in the upstate cities, ranging from 28 percent in Albany, to 30 percent in Buffalo and to 34 percent in Rochester and Syracuse. Child poverty is higher still: 30 percent in New York City, and 43 to 51 percent in the four major upstate cities.

A telling indication of increased hardship is that 1.2 million more New Yorkers are receiving food stamps than before the recession, a staggering 65 percent increase. To qualify for food stamps, the annual income for a 3-person family has to be under $24,096.

Since the recession began, the number of New Yorkers without health insurance has risen by 550,000 to 2.9 million. The percent without health insurance coverage—public or private—has increased much faster in New York than in the nation as a whole.

New York's private pension coverage has fallen so much that it has the lowest coverage rate among the 21 states in the Northeast and Midwest. Only 10 states—all in the South and West—have a lower private pension coverage rate than New York's 40.6 percent.

The report adds to FPI's 2011 edition of the "State of Working New York," which in August showed that two years into the "recovery" from the Great Recession, one in every seven New York workers is unemployed, under-employed or has given up looking for work.

The new report is available at http://www.fiscalpolicy.org/SOWNY2011.html.

The Fiscal Policy Institute (www.fiscalpolicy.org) is a nonpartisan research and education organization committed to improving policies and practices to better the economic and social conditions of all New Yorkers. Founded in 1991, FPI works to create a strong economy in which prosperity is broadly shared.

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