Study: State slow to get jobs back, Growth held to low-paying areas

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CAPITAL REGION — A new report paints a dismal portrait of the economic recovery, noting that unemployment has been high for years and the state's modest job growth is concentrated among low-wage industries.

Despite this, New York has actually fared better than other states, according to the Latham-based Fiscal Policy Institute's annual "State of Working New York" report, released today.

James Parrott, the institute's deputy director and chief economist, said that over the past four years, only five states have done better than New York in terms of net job growth: North Dakota, Texas, Arkansas, Oklahoma and Louisiana. Even so, no state had a higher increase in unemployment over the past two years than New York. Since July 2008, the state has experienced the net loss of 144,000 middle-wage jobs and 29,000 high-wage jobs, and a net gain of 194,000 jobs in low-wage industries.

One problem area has been the state's manufacturing sector, which has only grown by 0.5 percent over that period of time, compared to 3.8 percent nationally and 4 percent in Midwestern industrial states. Much of New York state's growth has been in restaurants and retail, Parrott noted.

Unemployment in New York has hovered around 8 percent or higher for the past 31⁄2 years, the longest stretch since the 1970s, while the average stretch of unemployment is eight months. Nationally, job growth has been about one-third of what it has been in prior recoveries.

"Prolonged high unemployment is economically and socially very detrimental," Parrott said. "We shouldn't tolerate it and can do something about it with the right federal and state policies. It is certainly not inevitable."

Unemployment has remained high because the state's job growth has been accompanied by growth in its workforce—about 100,000 new workers, over the past four years, according to the institute.

The state Labor Department's July report on unemployment rates throughout the state found the percentage of job seekers re-entering the labor force or entering the labor force for the first time increased 9.8 percent from July 2011 to July 2012, compared to a 0.4 percent increase throughout the country. In July, the state's unemployment rate was 9.1 percent, according to state labor officials.

In the Capital Region, unemployment has increased over the past year, from 7.2 percent in July 2011 to 8 percent this July.

New workers

"Our population has grown," said James Ross, a labor market analyst with the state Labor Department. "We don't need to get back to the number of jobs we were at five years ago—we need more."

He suggested that many people cannot afford to retire, so baby boomers are not exiting the workforce as quickly as they might have prior to the recession. Some retirees have even re-entered the work force as a result of sharp declines in their investments.

Ross said local job growth is concentrated in professional and business services, a category that includes scientific and technical jobs, as well as manufacturing, education and health services. Areas that have suffered include retail and information services, a category that includes the media. The public sector has also suffered big losses, as states, counties and municipalities struggle to balance budgets during a time of diminished revenue.

The institute report suggests the state's unemployment rate is overstated by about a percentage point.

The weakness of the recovery can be partially explained by the severity of the recession, and also by slack consumer spending as a result of high household debt and unemployment and a slowdown in government spending.

"During the first three years of previous recoveries, state and local spending grew at an average annual rate of 3 percent; during the first three years of the current recovery, state and local spending declined on average by 2.3 percent per year," the report notes.

Parrott said he doesn't think the weak recovery will worsen, but he doesn't see it getting dramatically better any time soon, either.

"On the one hand, the housing market is becoming less of a drag," he said in an email. "On the other, Europe's recession is hurting the U.S. and global growth. However, if federal spending is sharply cut, that will bring our very slow growth to barely a crawl, maybe worse."

Party's over

Ross said the country was living on debt during the boom years and is now adjusting to a new normal where credit is more restricted and the country's long-term growth is slower.
"Financial institutions were creating wealth out of nothing," Ross said. "Our wealth was going up for no reason whatsoever. ... We are not going to recover to the same level we were at before, when we were essentially overspending."

Kajal Lahiri, a professor of economics at the University at Albany, said economic recoveries have been weakening for some time.

“After the recession ended in 1990, employment didn’t pick up as fast,” he said. “Now that is sort of built into the system.”

Lahiri said a lot of companies used the recession as a “cleansing period,” an “opportunity to fire people.”

He said the post-recession economy is more “service-oriented,” with more of an emphasis on technical jobs that require educated employees. As a result, unskilled workers have suffered. What’s needed, he said, is more education and training to give people the skills they need for this new economy.

Parrott said he believes the main problem is a lack of demand, not a lack of skills.

“Everything we know from how the economy operates is that if there is strong demand, employers will hire and train workers,” he said.