

New York City's  
Recovery Finally Starts  
Generating Wage Gains



A Fiscal Policy Institute Report  
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April 13, 2015

## **Preface**

In addition to our analysis and public education work around the New York State and City budgets and tax policies, the Fiscal Policy Institute (FPI) regularly tracks economic and labor market trends in the City and the State and provides commentary and prepares issue briefs, reports, and policy proposals. Our interest in economic policy is rooted in a concern for broadly shared prosperity.

Previous FPI economic reports have documented the historically weak nature of the national recovery since the Great Recession of 2008-09. One of the unique aspects of this recovery has been the prolonged period of high unemployment and a concomitant wage and income stagnation experienced by most workers and their families. Various reports in recent years, by FPI and others, have documented the tendency during the recovery, and in recent decades, for the bulk of income gains to flow to those at the high end of the income distribution. With unemployment finally falling and as a result of two state minimum wage increases, it appears that wage growth has started to pick up in New York City over the past year. In addition, collective bargaining agreements providing for retroactive wage increases have been reached with 300,000 New York City and Metropolitan Transportation Authority workers since April 2014. This report examines wage trends over the course of the recovery and considers the outlook for further wage growth over the next few years, and discusses the role of policy actions in creating a more durable local economy.

This report was prepared and written by James Parrott, FPI's Deputy Director and Chief Economist. The data for this report were prepared by Brent Kramer, Senior Economist, and Chioma Osueke, Research Assistant. Discussions with FPI's Executive Director, Ron Deutsch and Senior Fellow, David Dyssegaard Kallick, have informed this analysis. Bryan LaVigne, Director of Administration and Development, formatted the figures and the report, and handled all communications and website responsibilities.

We would like to thank David Cooper of the Economic Policy Institute for technical assistance with Current Population Survey data.

We gratefully acknowledge the generous support of the Ford Foundation and the Charles Stewart Mott Foundation as well as that of the other foundations and numerous contributors who support FPI's work. We also thank the many religious, labor, human services, community and other organizations and individuals that use, disseminate and promote the Fiscal Policy Institute's analytical work.

April 2015

## Highlights

After years of wage and family income declines since the 2008-09 recession, several signs are emerging of real wage growth in New York City. The three major current government economic data sets all point to fairly widespread and firmly-established wage growth beginning in 2014.

- Bureau of Labor Statistics (BLS) average private hourly earnings data show a 2.7 percent real gain for the six months to February 2015 vs. the same period a year ago, compared to an annual average decline of 0.4 percent from 2009 to 2013. (This pronounced improvement in real wage gains is not mainly a result of the slowing of inflation since early 2014; the improvement is apparent whether the comparison is done in nominal or inflation-adjusted terms.)
- New York Labor Department census of employment and wage data show a 1.8 percent real increase in average private non-financial sector wages and a 2.2 percent real increase in average government wages for the first three quarters of 2014 compared to the same period a year earlier. Annual average real changes from 2009 to 2013 were 0.2 percent for private non-financial wages and -0.6 percent for government wages.
- Data from the Current Population Survey, sponsored jointly by Census and BLS, show real wage gains across the spectrum in 2014 after declines from 2009 to 2013; low wage New York City workers saw 2-to-3 percent real hourly wage gains while the median wage rose by 7 percent and wages rose by nearly 8 percent for higher-wage workers. In contrast, average annual real changes from 2009-2013 were -0.1 percent for the first wage decile, -2.0 percent for the second decile, 0.8 percent for the median (or the fifth decile), and -0.2 percent for the ninth decile.

While the wage trend is clearly up over the past year, average wages for the typical New York City worker are still below where they were before the recession. Inflation adjusted average annual wages were 2.1 percent lower in 2014 than in 2007 for private non-financial workers. Because average weekly hours have fallen by nearly four percent since the recession began, real private average weekly earnings were also 2.1 percent lower in early 2015 than in the same months in 2008. (Family income data for 2014 will not be available until late September.)

Why is this recovery finally starting to generate wage gains after so many years of stagnant or declining wages and incomes? Rising labor demand and falling unemployment are key factors.

- New York City's job growth continued strong in 2014 for a fifth consecutive year with a greater share of job growth in middle- and high-wage jobs than earlier in the recovery;
- Unemployment fell more sharply in 2014 than in prior years even though the city's labor force continued to grow.

Employers responded by raising wages in many sectors of the local economy. In addition, policy choices played an important role.

- Two state minimum wage increases have lifted the wage floor by 20 percent since 2013;
- 2014 saw a flurry of activity in the government sector where union contracts raised wages for 300,000 workers who had labored for several years under expired contracts. Also, 70,000 1199 SEIU members working at private hospitals received 3 percent wage increases, as did 30,000 32BJ SEIU building service workers in residential buildings.

As long as the economy continues its moderate growth pace, average wages should continue to rise 2 to 4 percent a year over the next few years. Most of the settled City labor contracts will provide annual increases through 2017 or 2018.

It is very welcome that the recovery is finally generating real wage gains in New York City. Strong job growth and lower unemployment should create tight enough labor market conditions so that employers need to offer workers better pay. These long overdue wage gains will help hundreds of thousands of families cope with the city's high living costs and will contribute to the sustainability of the recovery by pumping additional consumer spending into neighborhoods across the city. This will help extend the current expansion which is the first one in New York City since the 1960s that has not relied heavily on Wall Street.

Yet, further changes are needed so that the prosperity generated by the local economy is more broadly shared. Wage gains have been greatest for those who are already better-compensated. Public and private policies need to ensure better results for those lower down the wage spectrum.

Forty-two percent of New York City families, encompassing 2.7 million New Yorkers, have incomes below the level necessary to provide for basic family needs according to the new edition of the United Way-sponsored Self Sufficiency Standard for New York City.<sup>1</sup> Eighty three percent of the families below the self-sufficiency standard have one or more workers. Clearly, many workers just are not making wages adequate to sustain their families without having to turn to government for assistance. Government assistance is essential and should be available to aid families in need. But, wages for hundreds of thousands of low-wage workers continue to fall short in allowing them to provide for their families.

Additional policy actions will be needed to make sure that lower-wage workers see meaningful wage gains. For example, the sector of the city economy that pays the lowest average wages is Social Assistance, largely comprised of nonprofit organizations providing social services under contract to government, with the City by far the largest funding source. City government has a responsibility to fund wage increases in the Social Assistance sector where half of the workforce that is predominantly women of color earn less than \$15 an hour.

In addition, Albany should follow the lead of a growing number of other states that are raising minimum wages well above \$10 an hour. A target of \$15 an hour may seem like a lot compared to current minimum wage levels (\$7.25 federal, \$8.75 New York State). On an annual basis that comes to about \$31,000—roughly the supplemental poverty measure for a 4-person family as estimated by the City's poverty research office, the Center for Economic Opportunity.

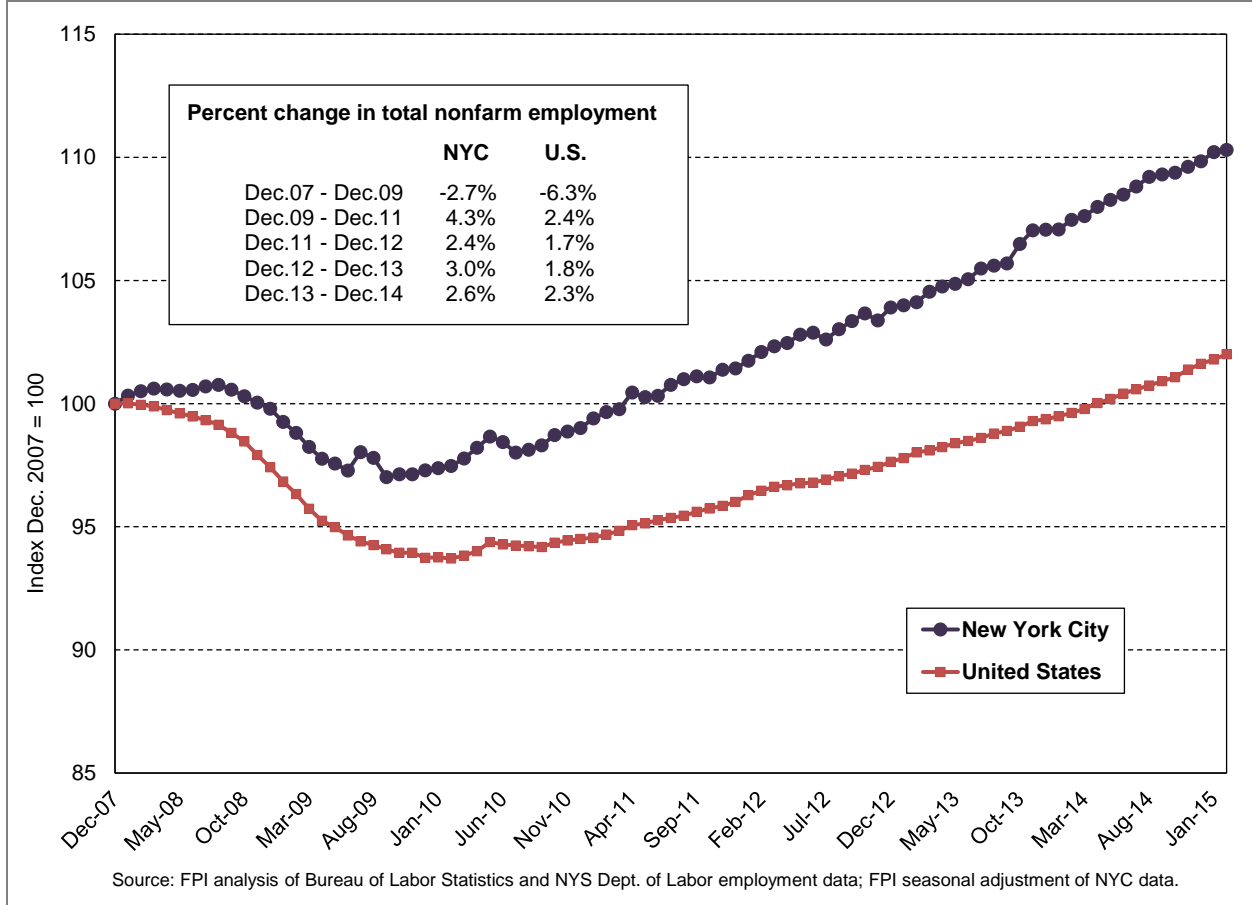
For wage gains to continue, it is important that the Federal Reserve keep interest rates low enough so that it doesn't choke off economic growth, and with it, the long-delayed promise of rising living standards for millions of New Yorkers. Inflation has averaged only 1.5 percent per year over the past two years and the Blue Chip Consensus forecasts projects consumer inflation of only 0.3 percent in 2015 and 2.2 percent in 2016. As long as inflation stays in the low single-digit range there is no basis for the Fed to put the brakes on economic growth.

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<sup>1</sup> Diana M. Pearce, *Overlooked and Undercounted, The Struggle to Make Ends Meet in New York City*, Prepared for the Women's Center for Education and Career Advancement with support from The United Way of New York City, The New York Community Trust, and City Harvest, December 2014. Seventy-eight percent of households with inadequate incomes are headed by a person of color.

## Job growth in New York City continues to out-pace the U.S.; NYC has gained 500,000 jobs during the recovery.

**FIGURE 1 Change in nonfarm employment since the start of the national recession**

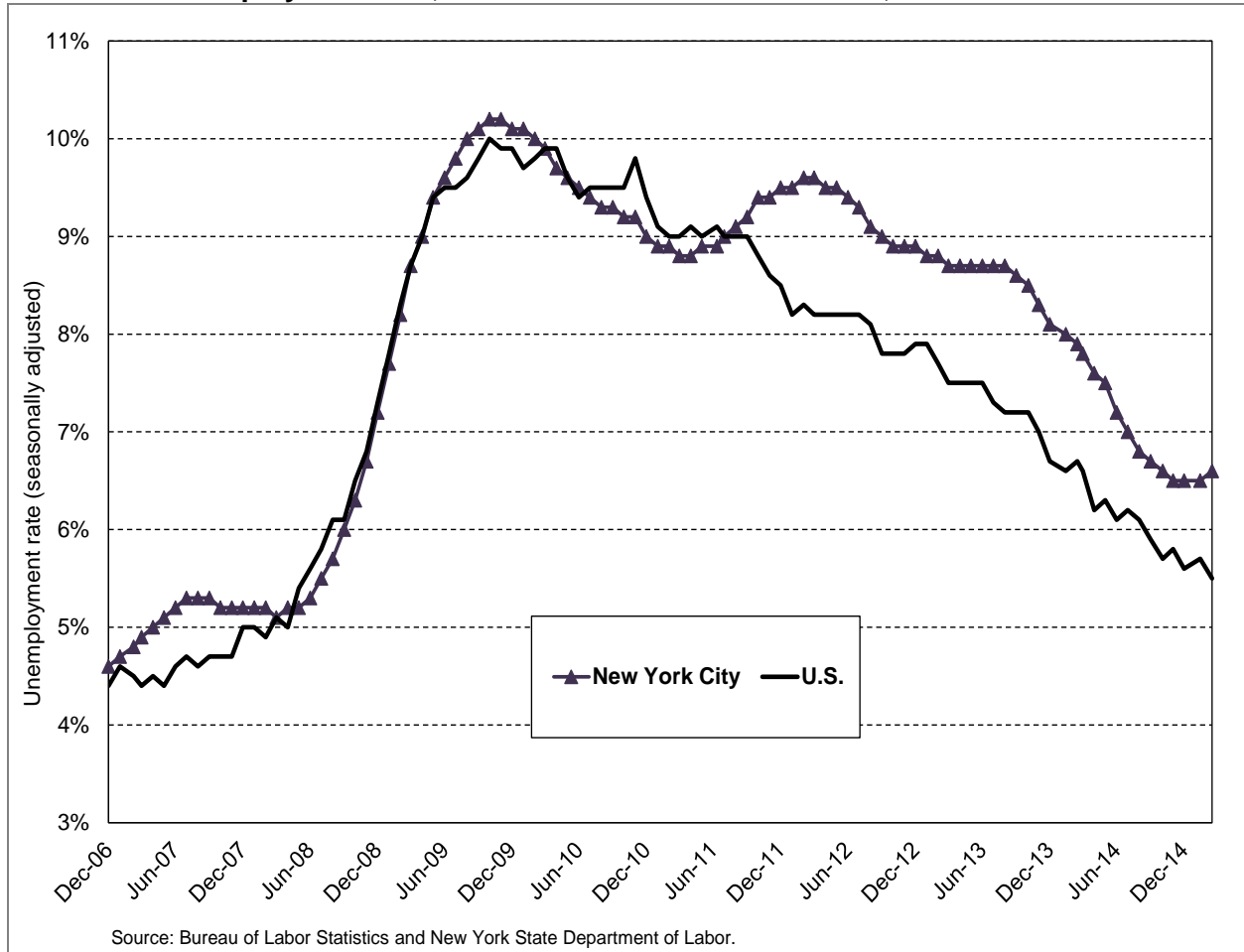


New York City is in the midst of one of its best periods of job growth in decades. The city has outpaced the nation's job growth each year since the recovery started in late 2009. The city gained 105,000 jobs in 2014, following the addition of nearly 120,000 jobs in 2013. Since the start of the recovery the city has added over 500,000 jobs and its total employment level is now nearly 4.2 million, 10 percent above the pre-recession peak level.

The nation overall experienced a much steeper job decline than the city during the Great Recession. Even with an improved pace of job growth in 2014, the nation's total employment level is only two percent above its pre-recession peak level.

**New York City's unemployment rate fell by 1.6% in 2014, greater than the 1.1% decline for the U.S. overall, but is still higher (6.6% in Feb. 2015) than pre-recession.**

**FIGURE 2 Unemployment rate, New York State & United States, Dec. 2007 - Feb. 2014**



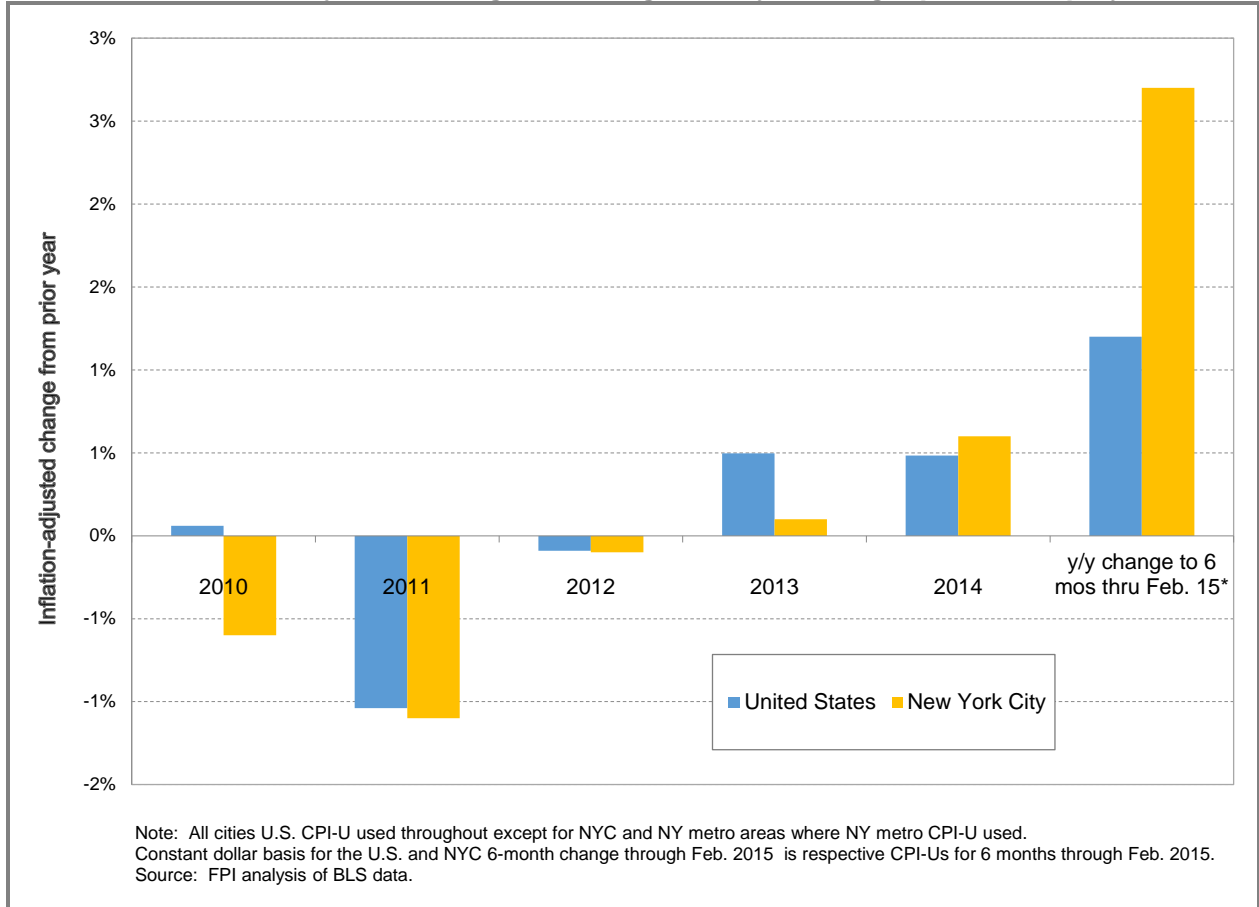
Unemployment fell sharply in New York City in 2014 but at 6.6 percent in February 2015, it is still much higher than it was prior to the onset of the Great Recession. In 2006 and early 2007, unemployment was five percent or less for several months.

The city's unemployment rate fell steadily in 2014 even though the labor force continued growing. The city's labor force is now more than six percent larger than it was before the recession. The employment rate, or employment-population ratio, is now about the same as it was pre-recession.

Unemployment is much higher among blacks and Latinos than it is for white, non-Hispanics.

**Following several years of wage stagnation, inflation-adjusted average hourly earnings of total private employees began to rise in New York City in 2014.**

**FIGURE 3 Inflation-adjusted change in average hourly earnings, private employees**

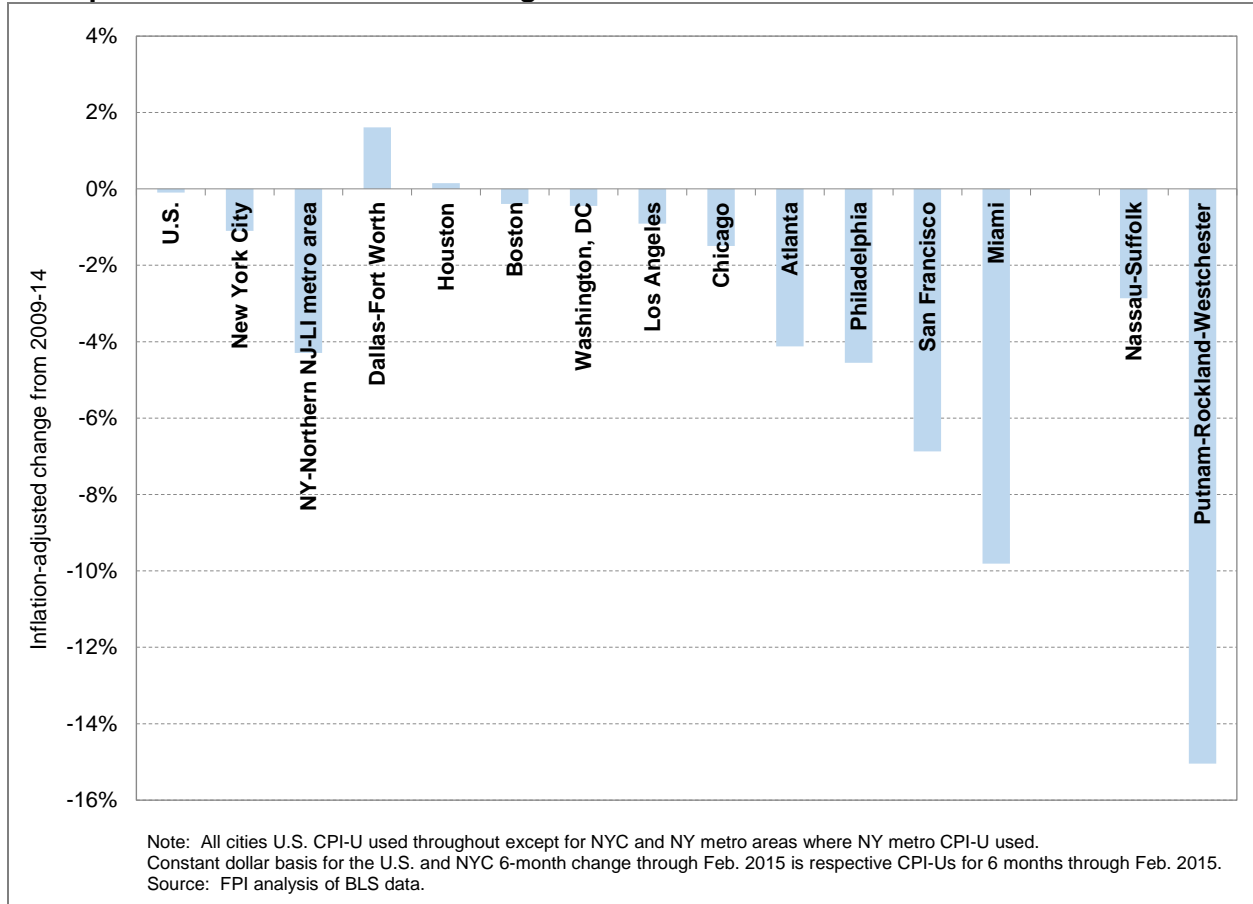


The three major government current data sets on employment and earnings all show that wages started to rebound in New York City beginning in 2014. Bureau of Labor Statistics (BLS) average private hourly earnings data (depicted above) show a 2.7 percent inflation-adjusted gain for the six months to February 2015 from the same period a year earlier. This contrasts sharply with an annual average decline of 0.4 percent from 2009 to 2013. For the six months through February of this year, New York City's private sector wage gain was greater than the increase for the nation overall.

This pronounced improvement in real wage gains is not mainly a result of the slowing of inflation since early 2014; the improvement is apparent whether the comparison is done in nominal or inflation-adjusted terms. Appendix Table 1 provides a comparison of nominal (before adjusting for inflation) and real (with inflation-adjustment) wage changes for the first four full years of recovery vs. data for 2014 for each of the three government data sets.

## Among the nation's 10 largest metro areas, only Dallas and Houston had real wage gains in the recovery's first 4 years.

**FIGURE 4** Real average private hourly earnings change 2009-14, U.S., NYC, the NY metropolitan area and the next 10 largest metro areas



Wage stagnation during the first several years of the recovery was the norm around the country. Of the 11 largest metropolitan areas in the country, only two, the Dallas-Fort Worth and Houston areas managed slight real private hourly wage gains from 2009 to 2014. The large New York metropolitan area had a four percent decline in average wages over this period, and four of the large metro areas had greater wage erosion than the New York area. Within the New York metro area, Nassau-Suffolk counties fared worse than New York City but there were particularly steep declines in New York City's northern suburbs of Putnam, Rockland, and Westchester counties.



## While low-wage jobs still account for the bulk of NYC job growth, middle-wage job growth has picked up since 2012.

**FIGURE 5 Net NYC job change for industries sorted by average wage**

	Share of change over period		
	Sept.09- Dec.12	Dec.12- Dec.13	Dec.13- Dec.14
High wage industries (avg. wages > \$75,000)	31%	27%	27%
Mid wage industries (avg. wages \$45,000-\$75,000)	15%	22%	29%
Low wage industries (avg. wages < \$45,000)	54%	51%	44%
Total NYC payroll employment	100%	100%	100%

Source: FPI seasonal adjustment and analysis of NYSDOL CES payroll employment data, 2014 benchmark. See Appendix Table 2 for industries comprising each wage group.

Why is the recovery finally starting to generate wage gains after so many years of stagnant or declining wages and incomes? Rising demand in the form of continued strong job growth and falling unemployment is critical in creating the conditions where employers need to offer workers better pay. Three other prominent factors are:

- A greater share of job growth over the past two years has occurred in middle- and high-wage jobs than earlier in the recovery;
- Wage gains were broad-based among many sectors in 2014, including in the government sector where union contracts raised wages for 300,000 workers, and in private hospitals and nursing homes and in the residential building service industry where union contracts covering a combined 100,000 workers provided for 3 percent wage increases; and
- Two state minimum wage increases have lifted the wage floor by 20 percent since 2013.

During the five-plus years of recovery beginning from the fall of 2009, low-wage industries have accounted for half of all net job growth in New York City. However, the middle-wage share of job growth has steadily increased as the recovery has progressed. In 2014, mid wage jobs accounted for 29 percent of job growth, nearly twice the share occurring in mid wage industries in the recovery through December 2012.

## **NYC average wage change rose in 2014 compared to the first four recovery years.**

**FIGURE 6 Average annual wages, New York City, nominal (before adjusting for inflation)**

<b>Broad Sector</b>	<b>Average annual change 2010-2013</b>	<b>Change from 2013 to 2014*</b>
All Industries	2.2%	5.9%
All Private	2.2%	6.0%
All Private (except Finance & Insurance)	2.3%	3.4%
All Government	1.5%	3.7%
Change in NY metro CPI	2.1%	1.5%

\* 2014 change is for the 1st three quarters  
Source: FPI analysis of Quarterly Census of Employment and Wage data from the NYS Dept. of Labor.

For all private sector New York City workers (leaving aside the very high-wage finance sector which enjoyed double digit wage gains in 2014), average wages rose by 3.4 percent in the first three quarters of 2014, up from an average annual 2.3 percent wage gain for the first four full years of recovery. The 2.3 percent average gain in the recovery's first four years was only slightly above the 2.1 percent annual inflation rate. For the first three quarters of 2014, inflation slowed to 1.5 percent, and has eased further since then.

These data are based upon administrative records compiled in connection with employer payment of unemployment insurance payroll taxes, and as such, constitute a "census" of employment and wages for all employers rather than a "survey" of a subset of employers, and is considered a more authoritative data source.

For the government sector, which includes all levels of government, average wage growth in 2014 more than doubled from the annual average 2010-2013 pace, increasing from 1.5 percent (less than inflation), to 3.7 percent. As the discussion accompanying Figure 8 below notes, the Metropolitan Transportation Authority and the City of New York began settling labor contracts covering the bulk of their respective workforces starting in the spring of 2014. Since most of these contracts had expired in previous years, some dating back to 2009 and earlier, the new contracts often provided wage increases for prior years in addition to wage gains for 2014.

## 2014 average wage gains widespread across many sectors.

**FIGURE 7 Average annual wages, New York City, nominal (before adjusting for inflation)**

<b>Broad Sector</b>	<b>Avg. annual change 2010-2013</b>	<b>Change from 2013 to 2014*</b>	<b>2013 annual avg. wage</b>
All Industries	2.2%	5.9%	\$80,454
All Private	2.2%	6.0%	\$83,869
All Private (except Finance & Insurance)	2.3%	3.4%	\$65,023
All Government	1.5%	3.7%	\$59,222
<i>(listed by average wage, highest to lowest)</i>			
Finance and Insurance	3.8%	13.1%	\$265,994
Management of Companies and Enterprises	5.4%	2.0%	\$187,697
Information	4.6%	7.2%	\$121,294
Professional, Scientific, and Technical Services	2.7%	4.9%	\$116,092
Wholesale Trade	3.8%	1.7%	\$85,460
Construction	1.3%	0.7%	\$72,955
Real Estate and Rental and Leasing	3.8%	7.4%	\$66,973
Arts, Entertainment, and Recreation	0.0%	4.3%	\$63,110
Educational Services	2.8%	4.4%	\$57,556
Health Care	0.9%	0.3%	\$56,635
Transportation and Warehousing	2.7%	5.3%	\$51,710
Manufacturing	0.1%	5.3%	\$51,637
Administrative and Support	2.5%	1.7%	\$51,443
Other Services (except Public Administration)	0.9%	2.5%	\$43,970
Retail Trade	2.4%	3.1%	\$37,584
Accommodation and Food Services	2.1%	3.4%	\$30,323
Social Assistance	0.6%	1.2%	\$28,333
Change in NY metro CPI	2.1%	1.5%	
* 2014 change is for the 1st three quarters			
Source: FPI analysis of Quarterly Census of Employment and Wage data from the NYS Dept. of Labor.			

Many broad sectors in the city's economy saw much higher wage gains in 2014 than during the earlier recovery years, from accommodation and food services to professional services to the highly-paid finance sector where average pay rose by 13 percent in 2014. Discussion here turns to the three sectors with the weakest 2014 wage gains. In **construction**, while highly-skilled journey craftspeople earn fairly high wages, most of the job growth has been among lower-paid apprentices and non-union workers, some of whom are paid fairly low wages. In **health care**, the bulk of job growth in recent years has occurred among home health aides, an occupation where annual earnings average around \$30,000, even though wage rates have risen recently. Weak wage gains also characterize the **social assistance** sector which is the lowest-paying of all broad sectors in the city economy with an average annual wage of only \$28,333. Social assistance is largely comprised of nonprofit organizations providing social services under contract to government, with the City by far the largest funding source. Inadequate City funding for its social service contracts has meant that half of social service workers make less than \$14 an hour.

## 2014 was a landmark year for labor contract settlements in New York City.

**FIGURE 8 Major public and private sector labor contract settlements in 2014 and early 2015**

Union	Employer	# Members covered	Date signed, 2014	Start date	Summary of economic terms
32BJ-SEIU	Residential Apartment Building Owners	30,000	Apr. 11	Apr. 2014	11.3% increases over 4 years with 1st increase Apr. 2014.
Transport Workers Union, Local 100	M.T.A.	34,000	Apr. 17	Jan. 2012	2% for prior years; 3 2% annual increases from Jan. 2014. \$1000 bonus, 4 2% increases for last round paid on a restructured basis with increases effective 2015-18 and lump sum payments made 2015-20; new round of 10% wage increase paid over 7 years, with 1st increase May 2013.
United Federation of Teachers	City of NY	110,000	Apr. 29	Nov. 2009	Similar to UFT agreement but 7.4 year term with 1st increase Jul. 2013.
NYS Nurses Association	City of NY/Health and Hospitals Corp.	8,000	June 19	Jan. 2010	Similar to UFT agreement with 1st increase Feb. 2013.
1199 SEIU	City of NY/Health and Hospitals Corp.	2,500	June 19	Aug. 2009	\$1000 bonus, 10% wage increase paid over 7.3 years with 1st increase Sept. 2011.
Dist. Council 37, AFSCME	City of NY	100,000	July 1	Mar. 2010	11% for prior years; 4 1.5% increases at 6-month intervals beg. June 2014.
Long Island RR Unions (8 unions)	M.T.A.	5,400	July 17	June 2010	13% increase over 4 years with 1st increase Oct. 2014.
1199 SEIU	League of Voluntary Hospitals & Homes	70,000	Aug. 1	Oct. 2014	Similar to DC 37 agreement but with 7.3 year term with 1st increase Aug. 2012.
Local 300 SEIU	City of NY	775	Aug. 20	Feb. 2011	Similar to DC 37 agreement but with 7.3 year term with 1st increase Jun. 2011.
United Probation Officers Association	City of NY	691	Aug. 22	Dec. 2009	Similar to DC 37 agreement but with 7.5 year term with 1st increase Mar. 2012.
Teamsters Local 237 (school safety agents)	City of NY	5,000	Aug. 26	Sept. 2010	Similar to UFT agreement with 1st increase Apr. 2011.
32BJ SEIU (school cleaners)	City of NY	4,200	Nov. 19	Oct. 2007	Similar to UFT agreement but 7.125 year term with 1st increase Sept. 2013.
Council of School Supervisors and Administrators	City of NY	6,000	Dec. 6	Mar. 2010	11% wage increase paid over 7 years with 1st increase Feb. 2012 to Jun. 2013.
Uniformed Superior Officers Coalition (USOC representing 8 unions)	City of NY	11,900	Dec. 9	ranges from Mar. 2011 to Jul. 2012	Similar to UFT agreement with 1st increase Jul. 2011.
IUOE Local 891 (school custodians)	City of NY	880	Dec. 30	Jan. 2008	Similar to UFT agreement with 1st increase Apr. 2011.
IUOE Local 94 (school firemen and stationary engineers)	City of NY	1,147	Dec. 30	Oct. 2007	
<b>2015</b>					
Communication Workers, Local 1180	City of NY	8,200	Feb. 19		Similar to DC 37 agreement but with 7.6 year term with 1st increase Apr. 2012.
Civil Service Bar Association (Teamsters Local 237)	City of NY	845	Feb. 19		Similar to DC 37 agreement but with 7.5 year term with 1st increase Aug. 2011.
Sergeants Benevolent Association	City of NY	4,600	Feb. 26		Similar to USOC agreement with 1st increase Aug. 2011.
City of New York union contracts		264,738			
MTA union contracts		39,400			
Private sector union contracts		100,000			
<b>Total</b>		<b>404,138</b>			

Sources: NYC Office of the Mayor press releases and various press reports.

Labor contracts covering roughly 400,000 workers in New York City were settled between April 2014 and March 2015. Three-fourths of these were public sector workers for the City of New York or the Metropolitan Transportation Authority (MTA) who had been working for several years—in many cases at least four years—without a current collective bargaining agreement. Many of the City of New York's labor agreements involved teachers, principals and other school employees, and two units of nurses at the City's Health and Hospitals Corporation (HHC), who had not received the two 4-percent wage increases from the 2008-2009 round of bargaining. These agreements were settled with those wage increases phased in through four annual increments over the 2015-18 period and lump sum payments over the 2015-20 period. The April 29, 2014 agreement with the United Federation of Teachers (UFT) was the first City contract settled in 2014 to address the previous bargaining round and it also set a new pattern of increases totaling 10 percent over 7 years with a \$1,000 bonus on ratification. The UFT settlement has been followed both for the other unions left out of the prior round, and for unions reaching agreement on the new round. The one exception is that contracts reached with superior officers in the uniformed services (Police, Fire, Corrections and Sanitation) included an additional one percent wage increase in place of the \$1,000 bonus.

The City labor contracts work out to be average annual wage increases of 2 percent over 9 years for the agreements covering both rounds, or less than 1.5 percent a year for 7 years in contracts covering only the new round. While these are very modest increases on an annual basis, the increases are bunched into a fewer number of years, generally 2014-2018, since the early years of the contract terms had already passed when the agreements were reached. And the school employees and nurses whose contracts covered the 2008-09 collective bargaining round will receive the bulk of their lump sum payments for that round in 2018, 2019 and 2020. Under the new round, the annual increases are back-loaded so that they rise to 2.5 percent and 3 percent in the final two years. This means, e.g., that the 100,000 members of District Council 37 will receive those increases in 2015 and 2016, the final two years of their new contract.

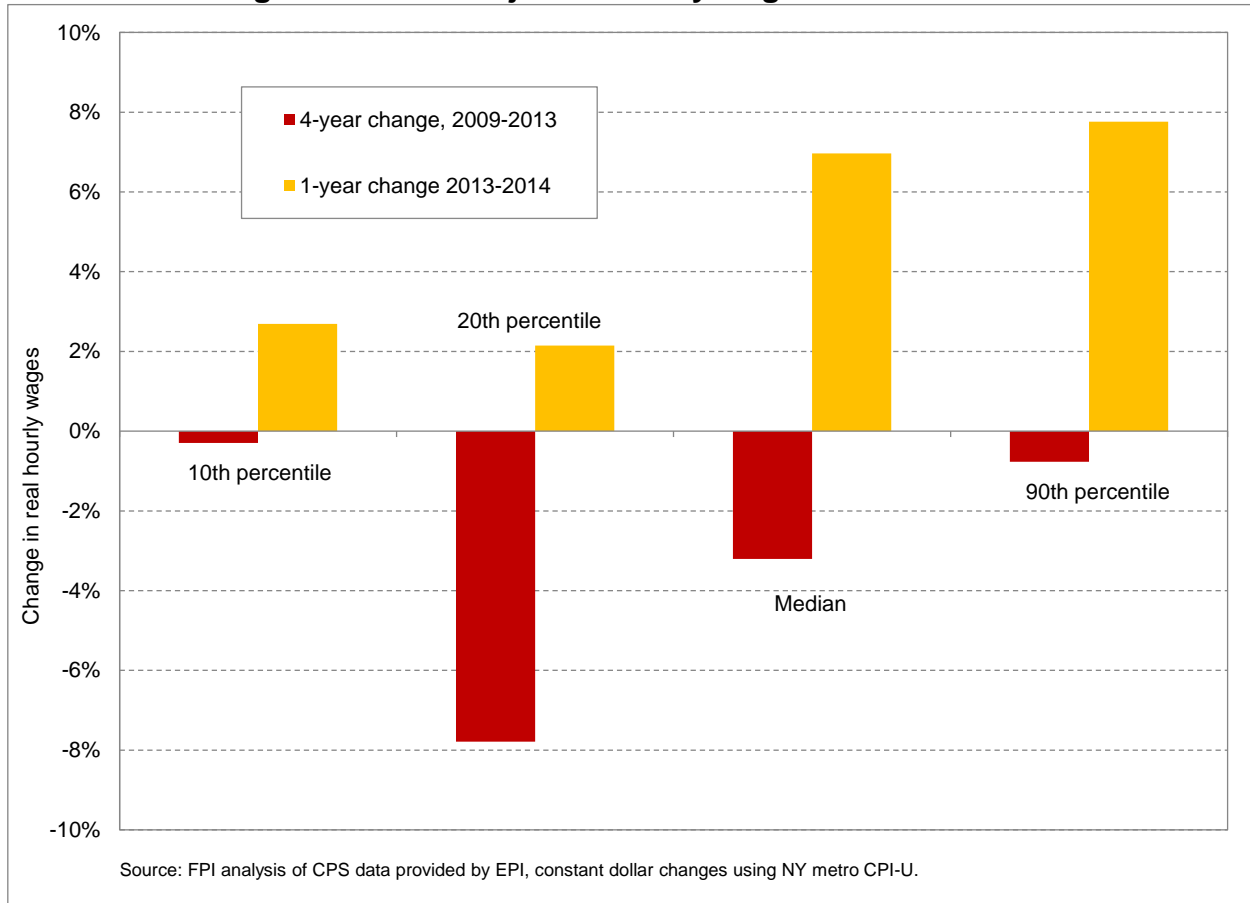
The MTA was in a similar position as the City in having allowed its major contracts that were agreed to in 2014 to go unsettled for 2 to 4 years. Workers covered by those agreements received substantial back-pay in 2014 totaling roughly \$400 million.

Two major contracts covering a total of 100,000 private sector workers were bargained in 2014. In an agreement with private hospitals and nursing homes, 70,000 1199 SEIU members received 3 percent wage increases last year under a July 2014 contract, and in residential apartment buildings, 30,000 32BJ SEIU building service workers received a 3 percent wage hike in April 2014. Both unions reached settlements before their contracts expired.

In addition to reaching a master agreement with the umbrella Municipal Labor Committee to seek substantial employee health care cost savings, some of the new labor contracts with the City established other innovative features. For example, the two agreements covering nurses at HHC set up employee training funds and childcare and eldercare funds for members' dependents. Several City agreements included a "gain-sharing" provision under which labor and management agreed to work together to generate workplace savings, to maximize the potential of the workforce, and to improve the quality of essential services. As the concept suggests, the two parties would negotiate how to share the resulting "gains" so that the workforce might realize additional compensation.

## New York City's real hourly wages increased across the spectrum in 2014 after declines 2009-2013.

FIGURE 9 Change in inflation-adjusted hourly wages

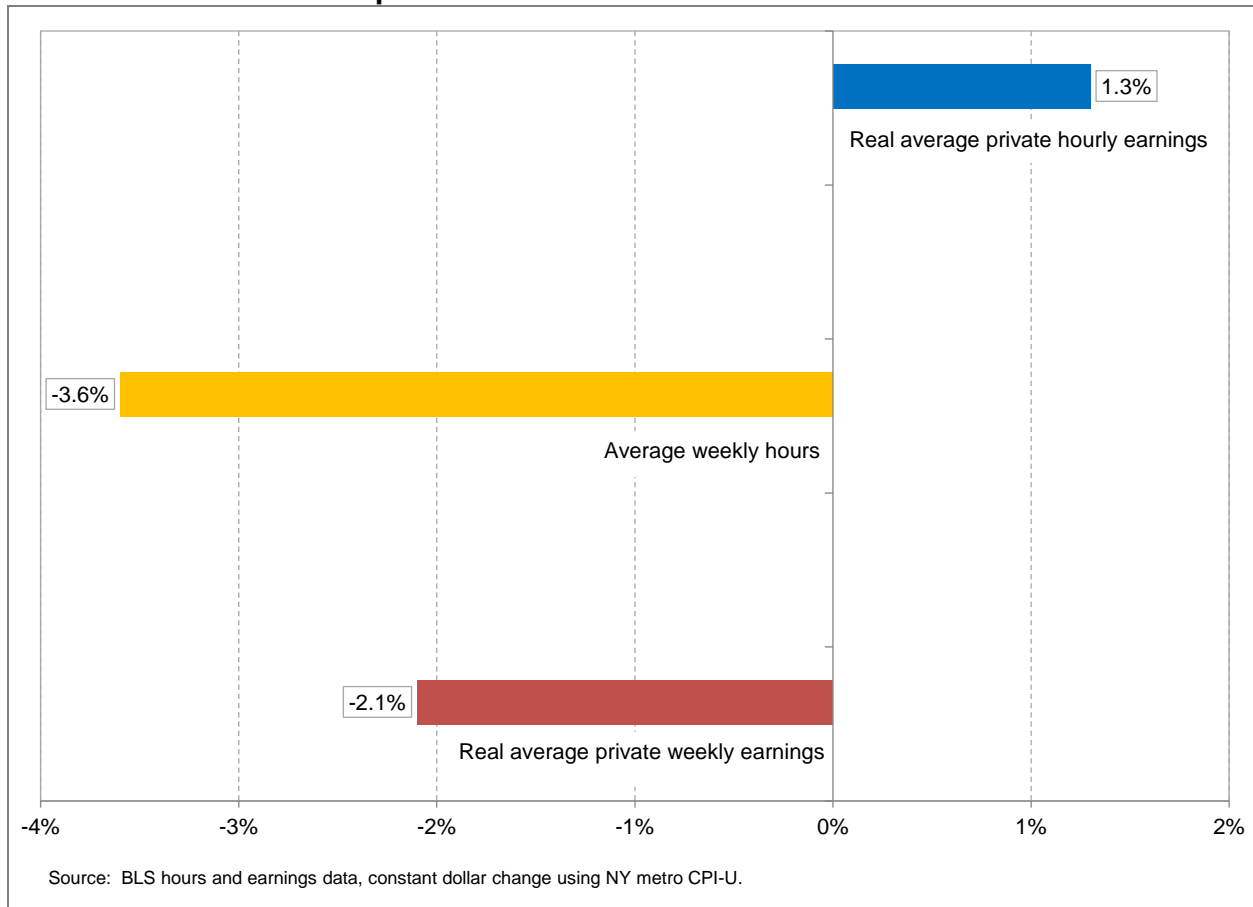


Workers across the wage spectrum experienced significantly better hourly wage gains in 2014 than on average for the first four years of the recovery when inflation-adjusted hourly wages declined at all wage levels. These data are from the Current Population Survey jointly conducted by the Bureau of Labor Statistics and the Census Bureau. Data were analyzed for New York City resident workers. New York City workers at the median, or 50<sup>th</sup> percentile in the wage level (\$19.23) distribution, saw inflation-adjusted wages rise by 7.0 percent, the highest-paid workers fared best of all, with workers at the 90<sup>th</sup> percentile (\$48.00) receiving a 7.8 percent wage boost.

Lower-paid workers, those at the 10<sup>th</sup> percentile (\$9.00 an hour) and the 20<sup>th</sup> percentile (\$10.35 an hour), saw more moderate wage gains of 2.7 percent and 2.1 percent, respectively. An increase in the state minimum wage from \$7.25 to \$8.00 an hour on the last day of 2013 raised the wage floor and helped ensure that low-wage workers would share in the broader wage gains. A further increase in the state minimum to \$8.75 on the last day of 2014 should translate into further wage improvement for the lowest-paid.

## A decline in average weekly hours worked is part of the reason for the decline in inflation-adjusted earnings since the recession began.

**FIGURE 10** Changes in NYC private weekly hours and hourly and weekly earnings, 6 months to Feb. 2008 compared to 6 months to Feb. 2015



While the wage trend is clearly up over the past year, average wages for the typical New York City worker are still below where they were before the recession. Based on Census of Employment and Wage data, inflation adjusted average annual wages were 2.1 percent lower in 2014 than in 2007 for private non-financial workers. Because average weekly hours have fallen by nearly four percent since the recession began, real private average weekly earnings were also 2.1 percent lower in early 2015 than in the same months in 2008. (Family income data for 2014 will not be available until late September.)

Average weekly hours worked in New York City has declined every year since 2008 and, in part, reflects large employment gains in restaurants and retail trade which tend to have shorter average work weeks.

## Outlook

As long as the economy continues its moderate growth pace, average wages should continue to rise 2 to 4 percent a year over the next few years. Most of the settled City labor contracts will provide annual increases through 2018.

It is very welcome that the recovery is finally generating real wage gains in New York City. Strong job growth and lower unemployment should create tight enough labor market conditions so that employers need to offer workers better pay. Policy actions such as two state minimum wage increases and several significant labor contract settlements in both the public and private sectors have also played an important role in the recent wage increases. These long overdue wage gains will help hundreds of thousands of families cope with the city's high living costs and will contribute to the sustainability of the recovery by pumping additional consumer spending into neighborhoods across the city. This will help extend the current expansion which is the first one in New York City since the 1960s that has not relied heavily on Wall Street.

Yet, further changes are needed to better ensure that the prosperity generated by the local economy is more broadly shared. Wage gains have been greatest for those who are already better-compensated. Public and private policies need to ensure better results for those lower down the wage spectrum.

Forty-two percent of New York City families, encompassing 2.7 million New Yorkers, have incomes below the level necessary to provide for basic family needs according to the new edition of the United Way-sponsored Self Sufficiency Standard for New York City.<sup>2</sup> Eighty three percent of the families below the self-sufficiency standard have one or more workers. Clearly, many workers just are not making wages adequate to sustain their families without having to turn to government for assistance. Government assistance is essential and should be available to aid families in need. But, wages for hundreds of thousands of low-wage workers continue to fall short in allowing them to provide for their families.

Additional policy actions will be needed to make sure that lower-wage workers see meaningful wage gains. For example, the sector of the city economy that pays the lowest average wages is Social Assistance, largely comprised of nonprofit organizations providing social services under contract to government, with the City by far the largest funding source. City government has a responsibility to fund wage increases in the Social Assistance sector where half of the workforce that is predominantly women of color earn less than \$15 an hour.

In addition, Albany should follow the lead of a growing number of other states that are raising minimum wages well above \$10 an hour. While a target of fifteen dollars an hour seems like a lot compared to current minimum wage levels (\$7.25 federal, \$8.75 New York State), on an annual basis that comes to about \$31,000—roughly the supplemental poverty measure for a 4-person family as estimated by the City's poverty research office, the Center for Economic Opportunity.

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<sup>2</sup> Diana M. Pearce, *Overlooked and Undercounted, The Struggle to Make Ends Meet in New York City*, Prepared for the Women's Center for Education and Career Advancement with support from The United Way of New York City, The New York Community Trust, and City Harvest, December 2014. Seventy-eight percent of households with inadequate incomes are headed by a person of color.



*New York City's Recovery Finally Starts Generating Wage Gains*

For wage gains to continue, it is important that the Federal Reserve keep interest rates low enough so that it doesn't choke off economic growth, and with it, the long-delayed promise of rising living standards for millions of New Yorkers and workers across the country. Inflation has averaged only 1.5 percent per year over the past two years and the Blue Chip Consensus forecasts projects consumer inflation of only 0.3 percent in 2015 and 2.2 percent in 2016. As long as inflation stays in the low single-digit range there is no basis for the Fed to put the brakes on economic growth.

## **APPENDIX Table 1 Comparison of Nominal and Real Wage Changes since 2009, New York City.**

	<b>Nominal</b>			<b>Real, \$2014</b>		
	<b>Annual avg. 2009-2013</b>	<b>2013-14</b>	<b>6 months Feb. 2014 to Feb. 2015</b>	<b>Annual avg. 2009-2013</b>	<b>2013-14</b>	<b>6 months Feb. 2014 to Feb. 2015</b>
<b>Bureau of Labor Statistics</b>						
Average private hourly earnings	1.6%	2.0%	3.3%	-0.4%	0.6%	2.7%
<b>Census of Employment and Wages</b>						
Average annual wages, private sector except Finance & Insurance	2.3%	3.4%		0.2%	1.8%	
Average annual wages, government	1.5%	3.7%		-0.6%	2.2%	
<b>Current Population Survey</b>						
Average hourly earnings						
First decile	2.0%	4.0%		-0.1%	2.7%	
Second decile	0.0%	3.5%		-2.0%	2.1%	
Median	1.2%	8.4%		0.8%	7.0%	
Ninth decile	1.9%	9.2%		-0.2%	7.8%	
Source: Wage data sources as indicated, metro NY CPI-U used to put values in constant dollars.						

## APPENDIX 2 New York City employment change by three wage tiers since the onset of the 2008-09 recession.

NYC seasonally adjusted employment	Aug. 2008 prior peak	Sept. 2009 trough	Jan. 2015	prior peak-to-trough change Aug. 2008-Sept. 2009	trough-to-Jan. 2015 change Sept. 2009 - Jan. 2015	prior peak-to-latest change Aug. 2008-Jan. 2015	% ch. Sept.09-Jan.15	2012 ann. avg. wage	
<b>High wage industries (avg. wages &gt; \$75,000)</b>									
Finance and Insurance	344,088	310,291	329,244	-33,797	18,953	-14,844	6.1%	\$266,617	
Management of Companies and Enterprises	62,744	61,453	71,596	-1,291	10,142	8,852	16.5%	\$192,074	
Computer Systems Design and Related Services	46,762	44,212	66,632	-2,550	22,420	19,870	50.7%	\$120,477	
Advertising and Related Services	56,934	51,951	71,224	-4,983	19,273	14,290	37.1%	\$118,747	
Information	169,717	164,282	186,835	-5,435	22,553	17,118	13.7%	\$115,856	
Utilities	15,851	16,171	15,423	320	-748	-428	-4.6%	\$115,237	
Prof., Sci., & Tech. Svcs, ex. Comp. & Adv.	241,056	218,295	250,777	-22,761	32,482	9,721	14.9%	\$112,903	
Performing Arts, Spectator Sports and Related Industries	37,669	35,862	44,395	-1,808	8,533	6,726	23.8%	\$94,779	
Wholesale trade	148,280	136,506	143,922	-11,773	7,416	-4,358	5.4%	\$88,262	
Hospitals	158,663	159,004	169,803	341	10,799	11,140	6.8%	\$75,429	
<b>Sub-total</b>	<b>1,281,764</b>	<b>1,198,028</b>	<b>1,349,851</b>	<b>-83,736</b>	<b>151,823</b>	<b>68,087</b>	<b>12.7%</b>		
<b>Middle wage industries (avg. wages \$45,000-\$75,000)</b>									
Construction	133,398	117,759	126,739	-15,638	8,980	-6,658	7.6%	\$71,692	
Real Estate	110,805	108,133	114,058	-2,672	5,925	3,253	5.5%	\$66,532	
Private Colleges/Universities*	90,893	91,585	115,241	692	23,655	24,348	25.8%	\$64,040	
Ambulatory Health Svcs, ex. Home Health Care*	100,291	102,897	123,051	2,606	20,154	22,760	19.6%	\$61,964	
Government	565,382	556,313	546,567	-9,068	-9,746	-18,814	-1.8%	\$58,676	
Accommodation	41,731	41,196	48,923	-535	7,728	7,192	18.8%	\$58,013	
Manufacturing	95,240	79,214	74,961	-16,027	-4,253	-20,279	-5.4%	\$51,933	
Admin. & Supp. and Waste Manage. & Remed. Svcs.	199,036	186,436	220,311	-12,600	33,875	21,275	18.2%	\$51,437	
Museums, Historical Sites, and Similar Institutions	12,134	11,355	13,021	-779	1,666	887	14.7%	\$50,720	
Transportation and Warehousing	111,026	104,272	110,149	-6,754	5,877	-877	5.6%	\$49,971	
<b>Sub-total</b>	<b>1,459,935</b>	<b>1,399,161</b>	<b>1,493,022</b>	<b>-60,775</b>	<b>93,861</b>	<b>33,086</b>	<b>6.7%</b>		
<b>Low wage industries (avg. wages &lt; \$45,000)</b>									
Other Services	161,436	160,247	183,473	-1,189	23,226	22,037	14.5%	\$43,095	
Private Educational Svcs., exc. Coll./Univs*	70,107	72,027	91,271	1,920	19,244	21,164	26.7%	\$39,741	
Nursing and Residential Care Facilities	75,920	76,408	74,749	488	-1,659	-1,171	-2.2%	\$38,896	
Retail Trade	301,537	293,583	355,884	-7,954	62,302	54,347	21.2%	\$36,529	
Social Assistance	162,793	164,249	179,580	1,456	15,331	16,787	9.3%	\$27,767	
Home Health Care Services*	61,243	69,650	116,262	8,407	46,611	55,019	66.9%	\$27,686	
Amusement, Gambling, and Recreation Industries	20,666	20,652	27,634	-13	6,982	6,969	33.8%	\$27,387	
Food Services and Drinking Places	200,431	202,890	279,989	2,459	77,099	79,558	38.0%	\$24,985	
<b>Sub-total</b>	<b>1,054,134</b>	<b>1,059,706</b>	<b>1,308,843</b>	<b>5,573</b>	<b>249,137</b>	<b>254,710</b>	<b>23.5%</b>		
<b>Sum of sub-totals</b>									
Total Nonfarm	3,795,833	3,656,894	4,151,716	-138,939	494,821	355,883	13.5%		
Total Private	3,806,186	3,664,898	4,163,941	-141,288	499,043	357,755	13.6%		
Total Public	3,243,492	3,109,605	3,614,790	-133,887	505,185	371,298	16.2%		
				<b>shares of total jobs</b>					
High Wage	33.8%	32.8%	32.5%	-6.5%	12.7%	5.3%			
Medium Wage	38.5%	38.3%	36.0%	-4.2%	6.7%	2.3%			
Low Wage	27.8%	29.0%	31.5%	0.5%	23.5%	24.2%			
Total Nonfarm (sum of subtotals)				-3.7%	13.5%	9.4%			
				<b>shares of net job growth</b>					
High Wage					31%	19%			
Medium Wage					19%	9%			
Low Wage					50%	72%			

Source: FPI's seasonal adjustment and analysis of establishment payroll employment data from NYS Department of Labor; average wages from NYS DOL Quarterly Census of Employment and Wages. Updated March 2015 for 2014 benchmark.

*The Fiscal Policy Institute ([www.fiscalpolicy.org](http://www.fiscalpolicy.org)) is an independent, nonpartisan, nonprofit 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.*