THE STATE *of* WORKING NEW YORK

2009

Unemployment and Economic Insecurity in the Great Recession

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Acknowledgments

This is the seventh edition in the Fiscal Policy Institute's *State of Working New York* series. It is intended to be an up-to-date, integrated data compendium and analysis of the current recession and how it is affecting New York workers and their families. This report, earlier editions in this series, and numerous other FPI materials are available on the FPI website, www.fiscalpolicy.org.

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Executive Summary

The current economic downturn is already the longest and the deepest recession since the 1930s. The downturn has been aptly termed the “Great Recession;” it has already claimed more than seven million jobs nationally. As of August 2009, 15 million Americans were unemployed. The nation is on the verge of double-digit unemployment, a condition that may last for several more months.

The Great Recession is largely the consequence of poorly regulated financial markets that went on a spree of excessive debt and risk-taking, destructive lending practices, and the use of ill-advised exotic financial instruments. The economic expansion from 2003 to 2007 was dominated by unsustainable and dangerous bubbles in housing and the financial markets, and was characterized by excessive borrowing by Americans struggling to maintain their standard of living while their wages failed to keep pace with productivity growth in the economy.

President Obama and congress appropriately authorized a $787 billion dose of stimulus to halt the economic freefall that occurred in the six months following the September 2008 financial market meltdown. Policy makers are still seeking effective corrective action to deal with the foreclosure crisis and the mountain of bad debts held by major financial institutions. Recovery will be hampered by continuing high joblessness and high debt burdens that are holding back household spending, the main driving force behind the national economy.

While New York State entered the recession later than the nation overall, New York began losing jobs rapidly in the six months following the September 2008 financial market meltdown. New Yorkers are now feeling the full brunt of the Great Recession.

- New York State’s unemployment rate is expected to continue rising for the next few months and has already jumped by over four percentage points to 8.6 percent in July. New York City’s 9.6 percent unemployment matches the national rate.
- Joblessness in New York State has increased by almost 400,000 since early 2008, affecting every region and workers in almost every industry.
- As tens of thousands have lost jobs, and many who have retained their jobs have seen a decline in pay and weekly hours, New York’s families have reduced their consumer spending by more than eight percent.
- New York wages and incomes are projected to decline by record amounts in 2009, with total wages paid in New York dropping by 4.8 percent and total personal income falling by 2.7 percent.
- Declining incomes mean declining state and local tax collections, leading to crises at every level of public spending at the very moment that New Yorkers need the support only government can give.

More than in most prior recessions, the official unemployment rate in this downturn understates the real extent of job market weakness. The official unemployment rate does not reflect the steep rise in the number of discouraged workers or the equally steep increase in under-employment—workers who have been reduced to part-time status even though they want to work full-time. When these workers are factored in, the “real” unemployment in New York in the first half of the year was 14.1 percent, nearly three-fourths again as much as the official 8.2 percent unemployment rate for the first six months. Blacks and Hispanics in New York have been hit particularly hard.

- By the standard definition, the unemployment rate for black men for the first half of 2009 was 18.3 percent, and the “real” black male unemployment rate was a devastating 27 percent.
- The real unemployment rate was almost 19 percent for Hispanic women, 18 percent for black women, and over 17 percent for Hispanic men.

The economic insecurity of New York workers has escalated during the downturn as workers lose jobs, pay, and health insurance coverage. Retirement security is jeopardized both by declining employer-provided coverage and by sharp reductions in the value of individual retirement savings. Crushing household debt burdens and the slumping real estate market have contributed to a growing number of home foreclosures and personal bankruptcies among New York families. Some parts of the safety net, such as the federal food stamps program, are responding to heightened economic need, while other parts, such as New York's unemployment insurance system or the state's temporary assistance program, need to be revamped. These programs are doubly important since, in addition to helping families weather the economic storm, they also serve as "automatic stabilizers," pumping money into the economy during a downturn while reducing spending during an expansion.

While the economic downturn is claiming a heavy job toll and is exacerbating economic insecurity for many New York families, other states have fared even worse. The recession started later in New York, and the housing bubble was less pronounced in many parts of the state. As a result, the recession's cumulative effects—at least so far—have been somewhat less drastic in New York than in other states. Most upstate New York metropolitan areas have fared better in terms of jobs and per capita income growth than many of their counterparts around the country. In an analysis of the private sector job loss across all states during the recession, the Fiscal Policy Institute found that the single most significant factor was a state's foreclosure rate. Increases in state government spending over the past two years was less significant than the foreclosure rate, but still was associated with fewer lost jobs.

The federal stimulus package—the American Recovery and Reinvestment Act (ARRA)—has made a significant difference around the country in moderating job losses that might otherwise have occurred. Two components of the stimulus plan—state/local fiscal relief and aid to these unemployed and needy individuals—are having particularly beneficial effects in New York. The Empire State will receive about 10 percent of ARRA's overall $140 billion in state/local fiscal relief, and has used the first portions of that in the spring to close nearly one-third of the state's $20 billion budget gap for fiscal years 2009 and 2010. Federal fiscal relief enabled New York and other states to preserve public health, education, and other essential services and helped prevent additional budget cuts or tax increases that would have exacerbated the downturn.

New Yorkers will also receive nearly $5 billion under four major ARRA programs that provide temporary payments to the unemployed and needy individuals. These programs, together with three individual tax reduction provisions, will prevent an estimated six million Americans, including 419,000 New Yorkers, from falling below the federal poverty line in 2009.

Many New Yorkers are struggling economically during this downturn, but for many workers the prior economic expansion did not hold much good news either. Uncharacteristically for an expansion, median wages did not rise during that period. Today, median wages are only slightly above 1990 levels despite considerable productivity growth over this period.

Because New York wages performed especially poorly in this decade, most New York workers have not seen meaningful wage gains since 1990. White women and college-educated women are the only groups to have seen significant wage gains. Median wages fell nearly 10 percent for black men and nearly five percent for black women. Median wages rose only 3.3 percent for men with a bachelor's degree or better, and fell by double digits for men who didn't complete college or high school. Median wages for women in those categories fell by 7 percent.

Income inequality is at an all-time high in the United States. Still, it is rather staggering to note that over three quarters of income gains in New York between 2002 and 2007 went to the wealthiest four percent of taxpayers, who now receive 44 percent of all income. Meanwhile, although there were significant increases in the state's minimum wage since 2004, the purchasing power of the state's minimum wage is still 20 percent below the 3-person federal poverty line and well below levels that existed through the 1960s and 1970s.

Under Governors Spitzer and Paterson, the New York State Labor Department has started to vigorously enforce state labor standards. Enforcement efforts have identified 85,000 workers misclassified by their employers as independent contractors in an effort to skirt compliance with mandatory social insurance programs such as unemployment insurance and workers' compensation. Curbing such labor abuses not only benefits exploited workers, it also helps law-abiding employers by leveling the playing field among businesses when it comes to compliance with long-standing labor standards.

Significant improvement in New York's economy in the wake of this Great Recession hinges heavily on recovery at the national level and smart policy leadership aimed at sustainable growth. Several federal actions are prerequisites:

- While ARRA, President Obama's stimulus package, halted the economy's freefall, even when gross domestic product picks up the country is likely to be in for many months of "jobless recovery." Another substantial round of stimulus spending will be necessary to put millions of people productively back to work.
- The federal government has invested hundreds of billions of dollars in rescuing large financial firms from certain ruin. The government now needs to ensure that the finance sector acts more decisively to resolve the foreclosure crisis still threatening millions of homeowners and communities across the country.
- Robust financial regulatory reform is critical to restoring reasonable credit market access necessary to allow the economy to function properly and to prevent ill-advised and excessive leveraging, risk-taking and use of poorly understood financial instruments.

Restructuring the health-care system will be critical to the health of millions of uninsured and under-insured Americans, and the global competitiveness of American businesses. The system must become more cost-effective, of better quality, and capable of providing universal health care. The number of New Yorkers without health insurance rose to 2.7 million in 2008 (14.1 percent). During the 2001 to 2003 downturn, New York made impressive progress in expanding health coverage—bringing down the state's uninsured rate at the same time it soared nationally—but that feat came at considerable expense. It is doubtful that the state could repeat that given the current economy. Despite progress, the lowest that the state's uninsured rate has gotten in this decade was 12.7 percent in 2004. Even that is far too high.

There are also several important actions that New York's state and local governments can take to help propel New York toward a strong and sustainable recovery.

- The first order of business should be to update New York's unemployment insurance system. Today, unemployment insurance in New York provides a maximum benefit lower than all of our neighboring states and, unlike many states, New York does not provide a special allowance for low-wage workers.
- If there is a second round of federal stimulus spending, New York will likely gain new jobs from that. Meanwhile, if Governor Paterson signs legislation passed by the assembly and senate, a new public-private initiative, Green Jobs/Green Homes New York, will direct private investment into residential energy efficiency retrofits that will save New Yorkers money on their utility bills and is projected to create thousands of new jobs. The employment opportunities stemming from the stimulus and this new initiative should be targeted to high unemployment communities.
- State and local government subsidies for development projects should always be linked to job standards, including family-supporting wages and benefits, with clearly defined mechanisms in place to ensure transparency and accountability in the use of these tax dollars.
- The state should adequately invest in its system of public higher education—SUNY and CUNY—to maintain the productivity of the state's economy and provide critical opportunities to workers seeking to re-train and further their education.
- Progress made in recent years by state government in vigorously enforcing labor standards to curb worker misclassification and other abuses should be continued, as should the involvement of labor and community groups in enforcement of labor standards. Labor standards enforcement means not only that workers' legal rights are respected but also that law-abiding employers will face their

competitors on a level playing field.

- The purchasing power of New York's minimum wage should be restored to its 1970 peak value, allowing a full-time worker earning the minimum wage to support a family of three above the federal poverty level.

- The state's safety net programs, such as the basic cash assistance grant, should be strengthened so that vital resources are available to the poorest New Yorkers who need them, especially during the economic downturn.

- Paid family leave—already enacted in New Jersey—should finally become a reality in New York, easing the strain on New York workers juggling jobs and family caregiving responsibilities.

New York State and local governments continue to face serious budget challenges, but leaning too heavily on spending cuts can offset the positive economic effects of federal stimulus funds. Also, to the extent that tax or fee increases are proposed to moderate budget reductions, those increases should make New York's overall tax structure more, rather than less, progressive. The combination of state personal income tax reductions in the 1990s together with increases in local sales and property taxes in recent years has made New York's tax structure more regressive.

Federal, state, and local governments should keep one final issue clearly in mind as they take actions to move the economy out of the recession. Occupational projections indicate that a disproportionate number of new jobs in the United States will be low-wage, paying less than 150 percent of the poverty level. While there is no doubt that individual workers are likely to achieve more success in the labor market with a college education, it is far from clear that the economy on its current track will produce a sufficient supply of high quality jobs to accommodate all who receive post-secondary schooling. Public policies and private practices are needed to raise the skill requirements of jobs, and to increase the pay for the large majority of jobs that will not require a college degree.

Chapter 1 — Financial market meltdown triggers the Great Recession

The current economic downturn is the longest and the deepest recession since the 1930s, and its end is not clearly in sight. Aptly called the "Great Recession," it has already claimed more than seven million private jobs nationally. As of August 2009, 15 million Americans were unemployed, and the nation is on the verge of double-digit unemployment, a condition that may last for several more months.

Since the recession began at the end of 2007, the United States has lost 5.0 percent of its total employment and 6.1 percent of its private-sector employment through August 2009. Figure 1.1 shows the cumulative total job loss for this recession compared to the nine other post-World War II recessions. Job loss during the current recession is dramatically steeper than in previous recessions. And, in its 21st month as of September, the Great Recession is already five months longer than the longest previous recession.

The Great Recession mainly is the consequence of poorly regulated financial institutions that went on a spree of excessive debt and risk-taking, destructive lending practices, and the use of ill-advised exotic financial instruments. The economic expansion following the economy's slump from 2001 to 2003 was dominated by unsustainable and dangerous bubbles in housing and the financial markets. It was also characterized by excessive borrowing by Americans struggling to maintain their standard of living while their real wages fell.

Most New Yorkers did not fare well during the expansion preceding the Great Recession. Although produc-

The current Great Recession is likely to be both steep and long

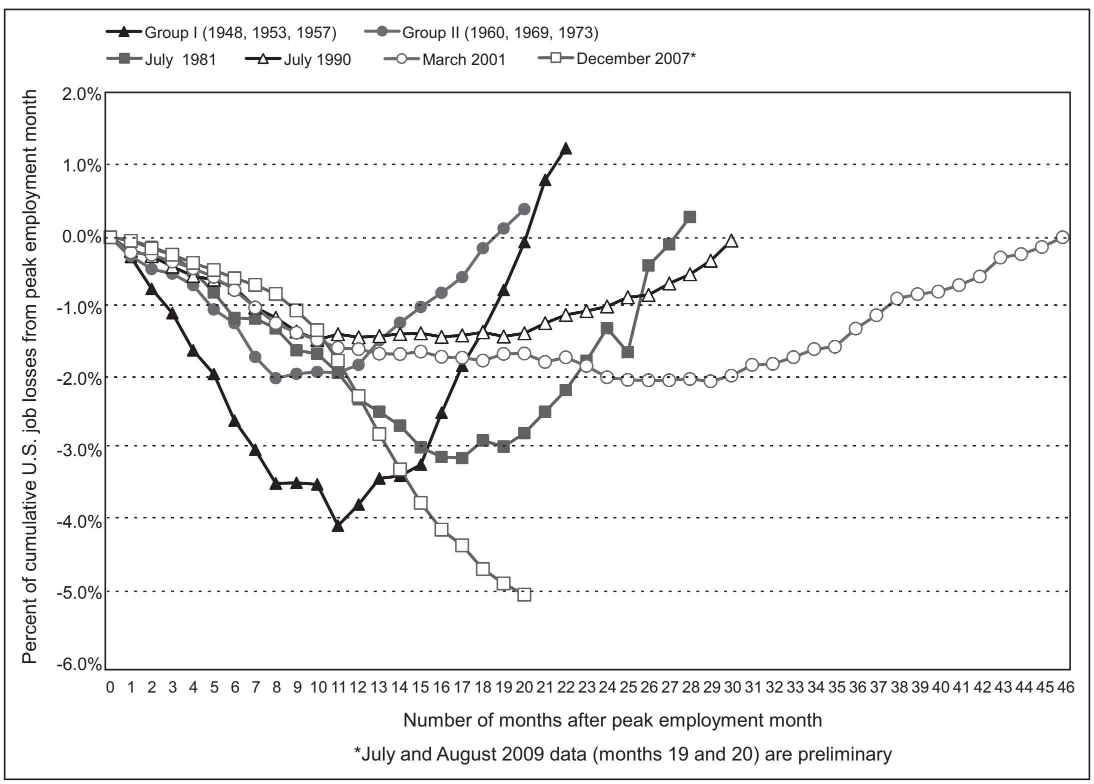

Figure 1.1
Source: Bureau of Labor Statistics; National Bureau of Economic Research.

tivity increased, median real wages fell, and job growth was weak. On an inflation-adjusted basis, the median income for working-age New York households was no higher in 2007 than at the peak of the previous expansion. Nearly 80 percent of total income gains accrued to the top 4 percent of taxpayers. The great majority of New Yorkers—the other 96 percent—saw a five percent drop in their combined income once inflation is taken into account.[1]

The current recession started later in New York because the housing boom bypassed upstate, while in New York City the boom continued through the first half of 2008. Tourism and activity in the professional services sector also continued strong. Although parts of the finance sector were certainly beginning to visibly falter early on—financial powerhouse Bear Stearns failed and was taken over with the help of a $28 billion federal bailout in March—Wall Street had paid record bonuses at the end of 2007 and was still riding high during the first half of 2008.

Last September's financial meltdown was ushered in mid-month by the failure of Lehman Brothers, the takeover of Merrill Lynch by Bank of America, and the unprecedented $85 billion bailout of insurance giant AIG by the Federal Reserve. A full-fledged credit freeze, not only national but global in scope, set in immediately, paralyzing economic activity everywhere. Since the nerve center of the international financial system is based in New York and Wall Street is a hometown industry, New York's economy could no longer sidestep the suddenly worsening recession.

Seeing the cataclysm in the financial markets, many New York regional economists last fall estimated that New York City would lose 50,000 or 60,000 financial sector jobs, and that most of these jobs would permanently disappear as the industry consolidated further. Most believed that tighter regulation would be inescapable and, with restrictions on excessive borrowing by financial firms and controls on exotic financial instruments, that stratospheric profitability and compensation would become a thing of the past.[2]

In the wake of the financial meltdown, aggressive measures were taken by the Federal Reserve, the U.S. Treasury Department, and the Federal Deposit Insurance Corporation involving hundreds of billions of taxpayer dollars, limitless borrowing from the Federal Reserve at fractional interest rates, and guarantees on money market deposits and new bank debt.

But the damage to the non-financial sector—businesses, families and workers—began to be felt immediately, and it was profound. Consumer spending plummeted and job losses mushroomed, in New York and around the country. During the six months following the September financial meltdown, an average of 625,000 jobs were lost each month across the country. In New York, over 170,000 jobs were lost over those six months.

President Obama and Congress appropriately applied a substantial $787 billion dose of stimulus to halt the economic freefall in the wake of the meltdown. Policy makers are still seeking effective corrective action to deal with the mortgage foreclosure crisis and the mountain of bad debts held by major financial institutions. Recovery will be hampered by continuing high joblessness and high debt burdens that are holding back household spending, the main driving force behind the national economy.

The chapters that follow examine the character of the Great Recession in New York State and its effects on workers, their families and their communities around the state as they attempt to cope with rapidly rising unemployment and economic insecurities. The report also discusses the largely beneficial impacts of the Obama stimulus package, and looks at factors that hinder achieving a sustainable recovery leading to broadly shared prosperity.

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[1] Median household income and median wage data from the Current Population Survey; tax data on income growth from the Internal Revenue Service.

[2] A report prepared by the New York State Department of Labor is typical in this regard. The State Labor Department projected a cumulative finance sector job decline in the downstate portion of New York State of 73,800 in 2009, rising to 110,000 in 2011. Bureau of Labor Market Information, Division of Research and Statistics, New York State Department of Labor, "Turmoil on Wall Street: The Impact of the Financial Sector Meltdown on New York's Labor Market," June 2009.

Chapter 2 — New Yorkers and rising economic insecurity in the Great Recession

While New York State did not enter the recession until July 2008, seven months later than the nation overall, it began losing jobs rapidly in the six months following the September 2008 financial market meltdown. New Yorkers are now feeling the full brunt of the Great Recession. Unemployment has increased by 300,000 over the past year, affecting every part of the state and workers in almost every industry. Beyond those losing their jobs outright, tens of thousands more have seen their pay and their weekly hours decline. New York's families have sharply reined in spending over the past year. Worker insecurities have escalated during the downturn as workers lose jobs, health insurance coverage, and employer-provided pensions continue to erode or disappear. Crushing household debt burdens and the slumping real estate market have contributed to a growing number of home foreclosures and personal bankruptcies among New York families. Some parts of the safety net, such as the federal food stamps program, are responding to heightened economic need. Other parts, such as New York's unemployment insurance system or the state's temporary assistance program, will not benefit New York families and the economy as much as they could unless and until they are revamped.

Employment declines widespread since mid-2008

Since July 2008, the peak month for payroll employment in the Empire State, New York has lost 208,600 private jobs, a 2.8 percent drop. However, since most parts of the U.S. entered the recession at the end of 2007, New York has lost proportionately fewer jobs so far in the recession. As rapid as the pace of New York's job loss has been over the past year, the country has lost jobs at an even steeper pace (see Figure 2.1).

New York State private payroll jobs continued to increase until mid-2008 and since then have dropped sharply--but not by as much as the national job decline

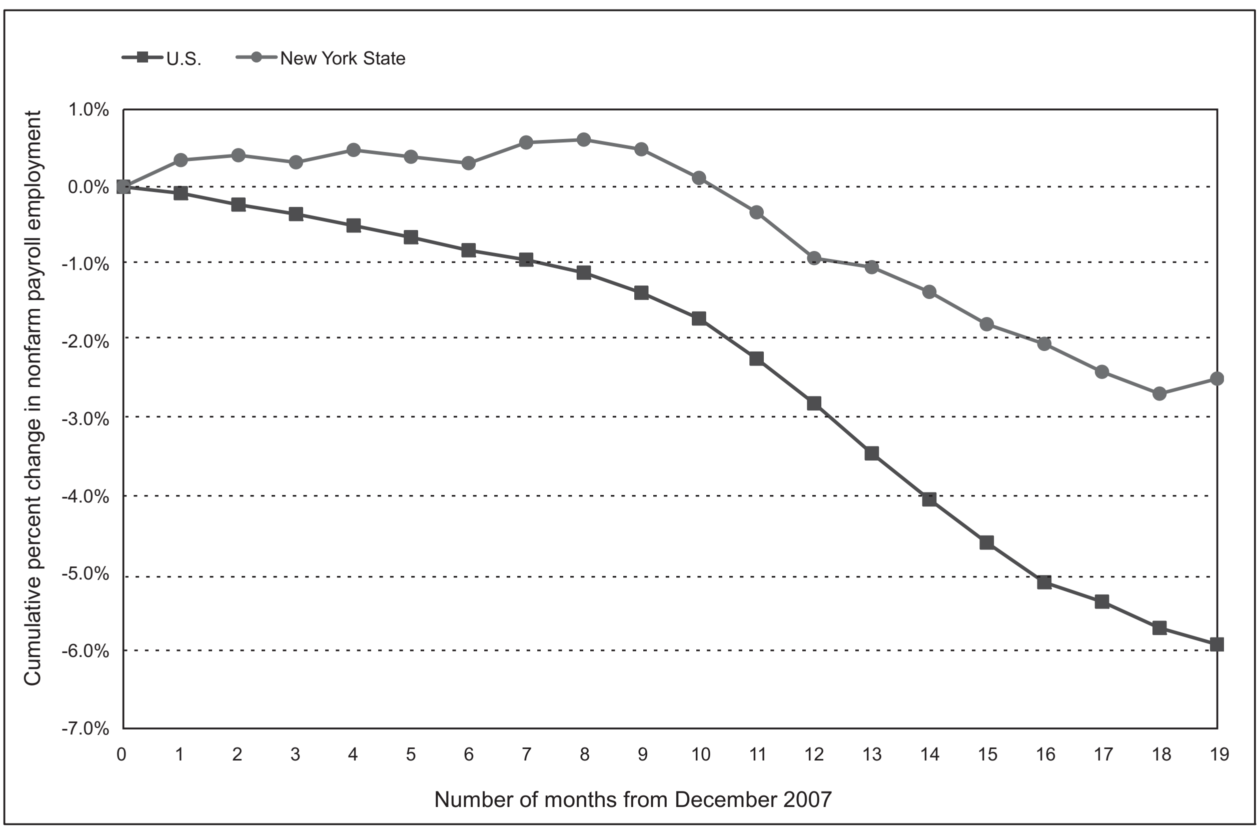

Figure 2.1
Source: Bureau of Labor Statistics.

New York's private payroll employment declines from July 2008 to July 2009 have been distributed fairly evenly across the state. Remarkably so, the rate of private job loss across the three major regional groupings in New York clusters in a narrow range from 2.6 percent for Western and Northern New York to 3.0 percent for Eastern New York, with New York City's job decline in between at 2.9 percent. (See Figure 2.2.) Every metropolitan area in the state has lost jobs in the past year, as has every non-metropolitan county except for Fulton and Schuyler, where there was no change, and Wyoming, which gained 200 jobs (for a 2.1 percent increase.) Among the state's nine large metropolitan areas with over 100,000 jobs, only two had job losses over three percent—Long Island (Nassau-Suffolk Counties) with a 3.4 percent job loss, and the Poughkeepsie metro area with a 3.1 percent job decline.

Nearly all areas within New York State have seen considerable private job losses over the past year

	July 2008	July 2009	Change	
United States	**115,714,000**	**109,900,000**	**-5,814,000**	**-5.0%**
New York State	**7,359,900**	**7,151,300**	**-208,600**	**-2.8%**
New York City	**3,227,400**	**3,134,200**	**-93,200**	**-2.9%**
Eastern New York	**2,263,300**	**2,196,300**	**-67,000**	**-3.0%**
Nassau-Suffolk, NY Metropolitan Division	1,077,400	1,041,100	-36,300	-3.4%
Putnam-Rockland-Westchester	489,200	479,200	-10,000	-2.0%
Albany-Schenectady-Troy, NY MSA	346,500	337,100	-9,400	-2.7%
Glens Falls, NY Metropolitan Statistical Area	48,800	46,500	-2,300	-4.7%
Kingston, NY Metropolitan Statistical Area	48,000	46,900	-1,100	-2.3%
Poughkeepsie-Newburgh-Middletown, NY MSA	203,700	197,400	-6,300	-3.1%
Columbia County	16,900	16,300	-600	-3.6%
Greene County	10,700	10,200	-500	-4.7%
Sullivan County	22,100	21,600	-500	-2.3%
Western and Northern New York	**1,869,200**	**1,820,800**	**-48,400**	**-2.6%**
Metropolitan Areas	*1,449,000*	*1,411,800*	*-37,200*	*-2.6%*
Binghamton, NY MSA	92,300	88,500	-3,800	-4.1%
Buffalo-Niagara Falls, NY MSA	461,100	448,500	-12,600	-2.7%
Elmira, NY MSA	34,200	32,700	-1,500	-4.4%
Ithaca, NY MSA	53,100	52,800	-300	-0.6%
Rochester, NY MSA	441,200	430,900	-10,300	-2.3%
Syracuse, NY MSA	266,500	260,200	-6,300	-2.4%
Utica-Rome, NY MSA	100,600	98,200	-2,400	-2.4%
Non-metropolitan areas	*420,200*	*409,000*	*-11,200*	*-2.7%*
Allegany County	12,000	11,500	-500	-4.2%
Cattaraugus County	22,900	22,700	-200	-0.9%
Cayuga County	21,100	20,700	-400	-1.9%
Chautauqua County	49,000	48,200	-800	-1.6%
Chenango County	34,200	32,700	-1,500	-4.4%
Clinton County	27,600	27,100	-500	-1.8%
Cortland County	14,600	14,100	-500	-3.4%
Delaware County	12,700	11,800	-900	-7.1%
Essex County	11,800	11,400	-400	-3.4%
Franklin County	11,600	11,100	-500	-4.3%
Fulton County	14,800	14,800	0	0.0%
Genesee County	19,100	19,000	-100	-0.5%
Hamilton County	1,900	1,800	-100	-5.3%
Jefferson County	33,000	32,700	-300	-0.9%
Lewis County	4,300	3,900	-400	-9.3%
Montgomery County	16,700	16,500	-200	-1.2%
Otsego County	22,200	21,500	-700	-3.2%
St. Lawrence County	30,500	29,300	-1,200	-3.9%
Schuyler County	4,200	4,200	0	0.0%
Seneca County	8,400	8,200	-200	-2.4%
Steuben County	32,000	30,500	-1,500	-4.7%
Wyoming County	9,500	9,700	200	2.1%
Yates County	6,100	5,600	-500	-8.2%
10-county downstate area	**4,794,000**	**4,654,500**	**-139,500**	**-2.9%**
52-county upstate area	**2,565,900**	**2,496,800**	**-69,100**	**-2.7%**

Figure 2.2
Source: NYS DOL; U.S. BLS, Current Employment Surveys. Not seasonally adjusted.

The widespread character of New York's job losses is clearly reflected in Figure 2.3, which shows the decline in payroll employment by major industry sector between July 2008 and July 2009. Manufacturing tops all sectors in both the absolute job loss and the relative job loss columns, with a decline of 44,500 jobs (8.3 percent.) The finance and insurance sector is second in job losses, with a decline of 36,300, or 6.7 percent. Closely following finance is the administrative support services sector which lost 32,500 jobs, a loss that was greater in percentage terms (7.8 percent) than the decline in the finance sector. Retail trade had the fourth greatest job loss, with a decline of 31,900. Job losses over the past year were in the 20,600-22,600 range for construction, professional services and wholesale trade.

Employment in educational services and the health care and social assistance sectors seems to be fairly immune to business cycle downturns. Both sectors had sizable employment gains from July 2008 to July 2009, with an increase of 14,200 jobs in educational services and a 17,600 increase in health care and social assistance employment. These sectors have maintained roughly that magnitude of growth each year in this decade, regardless of whether employment in the broader economy was contracting or expanding.

The largest year-over-year job gain (28,500) in the state came in the government sector and is the product of the large summer youth jobs program that New York City was able to mount in 2009, courtesy of the federal stimulus package. Fifty-two thousand young people got temporary jobs through the City's summer youth jobs program. New York's government sector will likely show year-over-year job losses once the summer youth program ends.

Employment in the accommodations and food services sector (i.e., hotels and restaurants) appears to have bounced back since January after declining sharply in the last few months of 2008. From July 2008 to July 2009, the sector registered a net gain of 2,500 jobs.

Finance sector declines could be much less than once thought

The finance and insurance sector began to lose jobs in the middle of 2007, well before most other sectors in New York started to experience job losses. Over the two years since July 2007, 46,000 finance and insurance jobs have disappeared in New York. While such losses are significant, it is beginning to appear that the finance sector will lose far fewer jobs than what many regional economists once thought, especially in the months immediately following the September 2008 financial market meltdown. For example, in a report issued in June 2009, the New York State Labor Department projected that the state's finance and insurance sector would see a decline of 65,000 jobs in the

Several sectors within the New York economy have had job declines of 4 percent or more over the past year

Sector	Change, July 2008 to July 2009	
Total Nonfarm	-172,008	-1.9%
Total Private	-203,761	-2.8%
Construction	-22,590	-6.2%
Manufacturing	-44,497	-8.3%
Wholesale Trade	-20,608	-5.8%
Retail Trade	-31,892	-3.5%
Transportation, Warehousing, and Utilities	-11,535	-4.2%
Information	-9,059	-3.4%
Finance and Insurance	-36,263	-6.7%
Real Estate	214	0.1%
Professional, Scientific, and Technical Srvcs.	-21,844	-3.7%
Management of Companies	-828	-0.6%
Administrative Support Services	-32,498	-7.8%
Educational Services	14,243	3.8%
Health Care and Social Assistance	17,606	1.4%
Arts, Entertainment, and Recreation	-4,816	-3.3%
Accommodation and Food Services	2,486	0.4%
Other Services	9,691	2.6%
Government	28,516	1.9%

Figure 2.3
Source: NYS Department of Labor payroll employment, seasonally adjusted by the Fiscal Policy Institute.

annual average for the sector in 2009 compared to the annual average for 2007. At this point, it would take a tripling in the average monthly job decline from the levels of the first 7 months of the year to generate that magnitude of a two-year decline in average employment. The two-year decline in the annual average is on track to reach about 52,000, about 20 percent less than the Labor Department projection.[1]

Despite the tremors emanating in all directions from the financial market meltdown last fall, nationally, over the 12 months through July 2009, the finance sector lost jobs at a slower rate than nonfarm payroll employment overall. The finance sector lost jobs at a 3.8 percent pace compared to the 5.0 percent drop in nonfarm jobs. However, what is most surprising is that the commercial banking component of the finance sector has lost jobs at an even slower pace—2.9 percent—notwithstanding the large numbers of bank failures. And in New York City, there has barely been any decline at all in the employment level in commercial banking from July 2008 to July 2009: only 200 jobs disappeared, a 0.5 percent decrease.

The various actions by the U.S. Treasury Department and the Federal Reserve Bank to bail out the finance sector appears to have had the effect, if nothing else, of preserving jobs in the banking sector, particularly in New York City where some of the largest banks are headquartered.

Record declines in New York total wages and personal income in 2009

In its most recent analysis of the state economy, the New York State Division of the Budget expects that the current recession will continue in New York until the second half of 2010. The budget office expects employment to continue its decline and very slight wage and income growth in 2010.[2] (See Figure 2.4.) The state budget office projects that total wages paid in New York will fall by 4.8 percent, and that total personal income will decline by 2.7 percent in 2009. These would be by far the largest single-year declines in wages and income for the state, and only the third time, in the 50-year history of the personal income series published by the federal government, that total wages have fallen. The previous worst decline in wages was a 2.4 percent drop in 2002.[3]

In order to try to jump-start an economic recovery, the federal American Recovery and Reinvestment Act (ARRA) has boosted several categories of transfer payments. The resulting surge in personal transfer receipts going to New Yorkers will help moderate the falloff in wages and personal income. Double-digit or near double-digit increases are likely in unemployment benefits, food stamps, and possibly Medicaid payments. The impact of ARRA is discussed in detail in Chapter 4.

The projected 2.7 percent drop in New York personal income in 2009 will be the steepest in at least half a

The New York State Division of the Budget forecasts a steep drop in 2009 and a weak recovery beginning in late 2010

	Percent change from prior calendar year		
	Estimate	Forecast	
	2008	2009	2010
Nonagricultural employment	0.7	-2.3	-0.3
Wages	2.0	-4.8	2.1
Personal income	3.3	-2.7	1.8

Figure 2.4
Source: NYS Division of the Budget, 2009-2010 Financial Plan, First Quarterly Update, July 30, 2009.

[1] The NYS Department of Labor projections encompassed New York City, Long Island and the Hudson Valley. New York State Department of Labor, "Turmoil on Wall Street: The Impact of the Financial Sector Meltdown on New York's Labor Market. An Economic Report to the Workforce System," June 2009. The NYS Department of Labor also projects a further 30,000 decline in finance and insurance employment in New York State over the next two years—2010 and 2011.
[2] New York State Division of the Budget, *New York State 2009-2010 Financial Plan First Quarterly Update*, July 30, 2009, p. 37.
[3] U.S. Commerce Department, Bureau of Economic Analysis, State and Local Area Personal Income series.

century. The only prior year with a decline in New York personal income was 2002 when there was a slight decline, 0.3 percent. Personal current transfer receipts by New Yorkers totaled $156 billion in 2008, and represented one sixth of total personal income. By comparison, net earnings, which includes wages, salaries and proprietors' income received by New Yorkers, was two thirds of all personal income.

Reduced consumption spending and rising foreclosures and personal bankruptcies

Rising unemployment, greater job insecurity, and signs of mounting household financial distress have combined to sharply reduce consumption spending by New Yorkers. Since New York's sales tax applies to most retail purchases of non-food goods and to food and beverages sold by restaurants and taverns, state sales tax collections provide a good barometer of consumption spending. For the ten months from November 2008 through August 2009, collections of sales and use taxes dropped by 8.6 percent compared to the year-earlier November 2007 to August 2008.[4]

While the housing bubble bypassed much of upstate New York, housing prices did rise rapidly in New York City and the downstate suburbs, and questionable mortgage lending practices were prevalent in parts of upstate as well as downstate. As is the case in other parts of the country, within New York City it is clear that predatory lending practices that have led to very high foreclosure rates were concentrated in heavily minority neighborhoods. According to an analysis by the NYU Furman Center for Real Estate and Urban Policy, 88 percent of census tracts in New York City considered at the highest risk of foreclosure and destabilization are more than 90 percent non-white.[5]

In 2008, 53,245 New York homeowners lost their homes to foreclosure. The quarterly pace of foreclosures in the state fell sharply in the fourth quarter of 2008 after the state introduced a waiting period before banks could proceed with the foreclosure process. Since then, the pace of foreclosures has picked up again, with nearly 25,000 homeowners losing their homes during the first half of 2009. (See Figure 2.5.)

Foreclosures in New York dropped dramatically after the state introduced a waiting period, but have resumed increasing

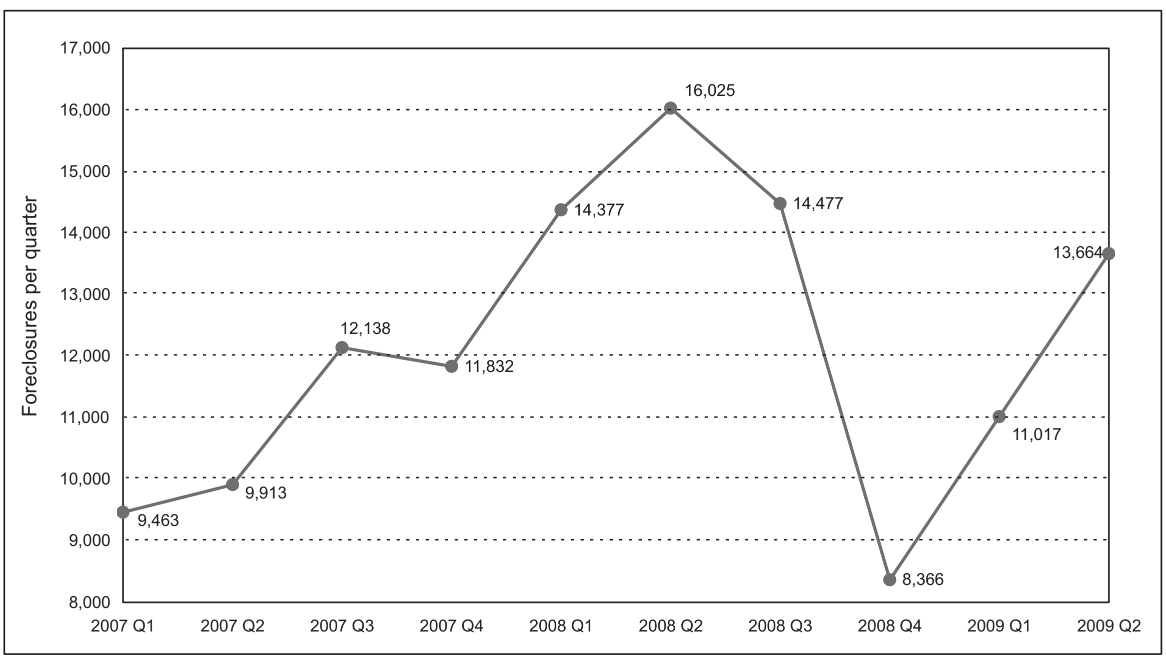

Figure 2.5
Source: New York State Banking Department & RealtyTrac

[4] New York Department of Taxation and Finance, Monthly Tax Collection Reports. New York's sales and use tax also applies to, among other things, utilities, gasoline and diesel fuel sold for highway use, and hotel occupancy. A decline in tourism has also contributed to less retail spending and lower sales tax collections.
[5] Furman Center for Real Estate and Urban Policy, New York University, "An Opportunity to Stabilize New York City's Neighborhoods: A Fact Sheet on the Neighborhood Stabilization Program," July 8, 2009.

Over the past two and a half years, four downstate counties—Queens, Suffolk, Nassau, and Kings (Brooklyn) counties—have accounted for half of all foreclosures in the state. Two upstate counties—Monroe (Rochester) and Erie (Buffalo)—have also had substantial numbers of foreclosures, ranking fifth and sixth among all counties in 2008.[6]

While foreclosures have been much more prevalent in New York since 2007 than previously, as noted in Chapter 4 below, New York ranks well down the list of states in terms of the rate of foreclosures (foreclosures as a percent of all housing units). In 2008, according to data service firm RealtyTrac.com, New York ranked 35 among the 50 states in terms of foreclosure rates in 2008. Topping the list were Nevada, Florida, Arizona, California, and Colorado.

The number of individuals filing for bankruptcy in New York State and in the U.S. is much higher than in 2006 and 2007. Personal economic distress has led nearly 50,000 New Yorkers to file for bankruptcy in the four quarters ending with the second quarter of 2009. The number of personal bankruptcies in New York was 55 percent higher in the second quarter than in the fourth quarter of 2007. (See Figure 2.6.)

Faltering health security and retirement security

In the past, New York's private employers were more likely to provide health insurance and pension coverage to their employees than private employers nationally. However, the difference has disappeared in recent years, and New York now has either the same or lower coverage rates. In 2008, employer-provided health insurance coverage rates were not significantly differ-

Personal bankruptcies have increased sharply over the past year in New York and across the country

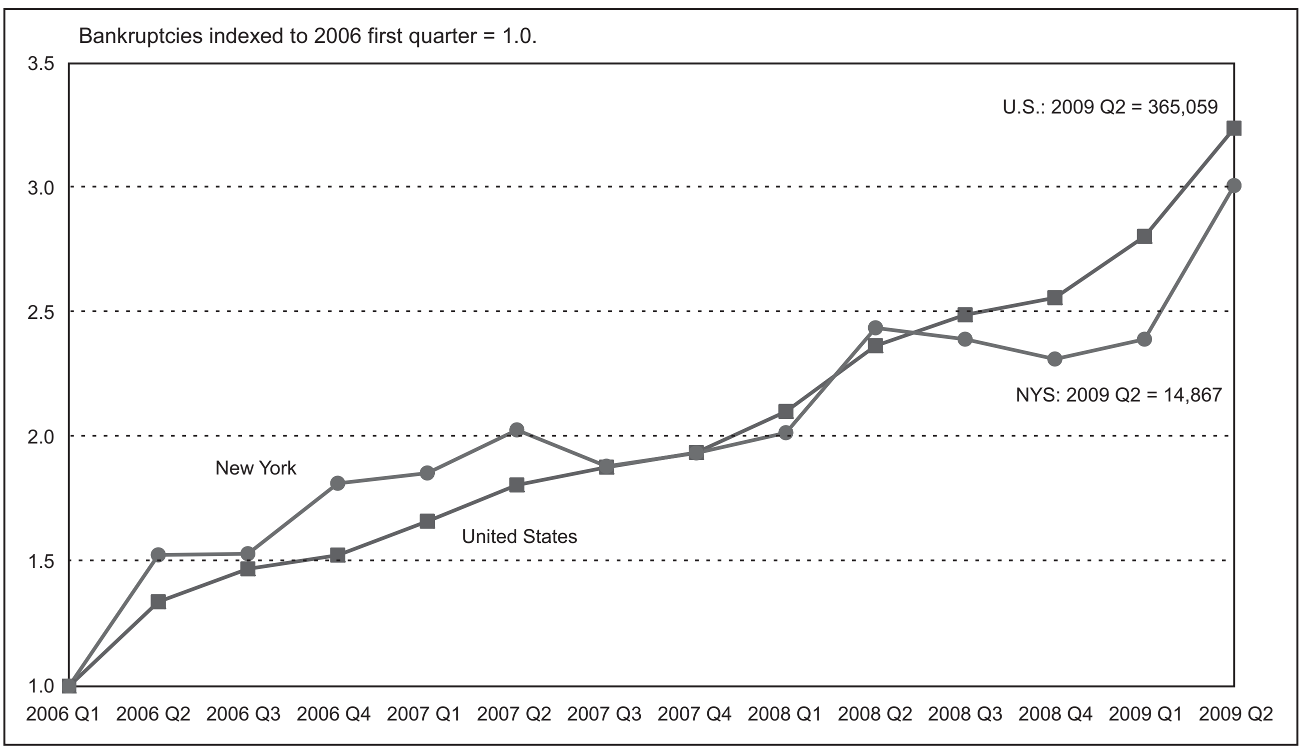

Figure 2.6
Source: American Bankruptcy Institute, quarterly non-business filings by district.

[6] New York State Banking Department and Realty Trac.

ent, with New York at 58.7 percent and the national average at 58.5 percent. (See Figure 2.7.)

The amount that New Yorkers pay for health insurance premiums has been rising rapidly, much faster than overall inflation. Between 2000 and 2008, the average employee contribution for family health insurance in New York increased by 128 percent, five times as fast as the national Consumer Price Index. Employees have gone from paying an average 21 percent of total premiums in 2000 to over 26 percent in 2008. While the cost for New York workers of family health insurance has increased by 82 percent in constant dollars from 2000 to 2008, real median hourly pay in the state increased by only 3.1 percent over these eight years.[7] (The final section of this chapter examines health insurance coverage.)

In the early 1980s, 53 percent of New York workers had employer-provided pensions. That figure has fallen to 42 percent for 2005-2007, and is below the 44 percent average coverage for U.S.

The past decades have seen a tremendous shift away from employer-provided pensions that specify the amounts retirees will receive (defined benefit plans), to savings plans for which employees bear all the risks of changes in the market (defined contribution plans), mainly so-called 401(k) plans. These plans have become many Americans' only significant supplement to Social Security for retirement income.

While 401(k) plans have never been adequate for most retirees,[8] the fact that they are mostly invested in stocks[9] has created an even more serious problem. These

After rising briefly in 2003 and 2004, the percent of New York's population with employment based health insurance has been declining

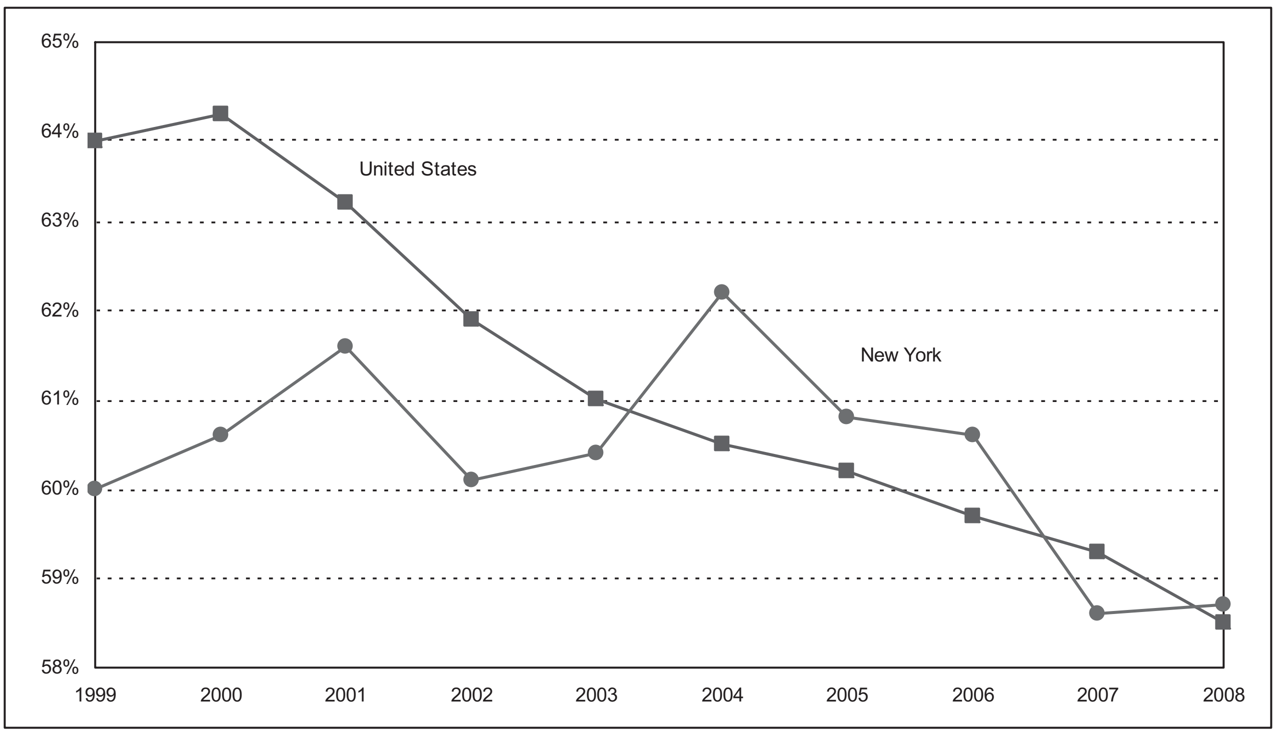

Figure 2.7
Source: Source: U.S. Census Bureau, http://www.census.gov/hhes/www/hlthins/historic/index.html, Chart HIA-4.

7 FPI analysis of Medical Expenditure Panel Surveys (MEPS); Kaiser State Health Facts, www.statehealthfacts.org. Private industry employees only.

8 In 2006, even before the 2008-2009 stock market collapse, "the median 401(k) account balance was only $25,000-$40,000 for workers approaching retirement age. In other words, half of those who had a 401(k) were nearing retirement with less than $40,000 in their account." Ross Eisenbrey, "Why we need Retirement USA," Economic Policy Institute release March 10, 2009.

9 "More than 70 percent of assets in defined contribution pension plans were held either directly or indirectly in the stock market." Dean Baker, "The Problems of the Current System of Retirement Income," http://www.cepr.net/index.php/publications/testimony/problems-retirement-income/.

New York used to be higher than the national average in employer-provided pensions, but has fallen below the average

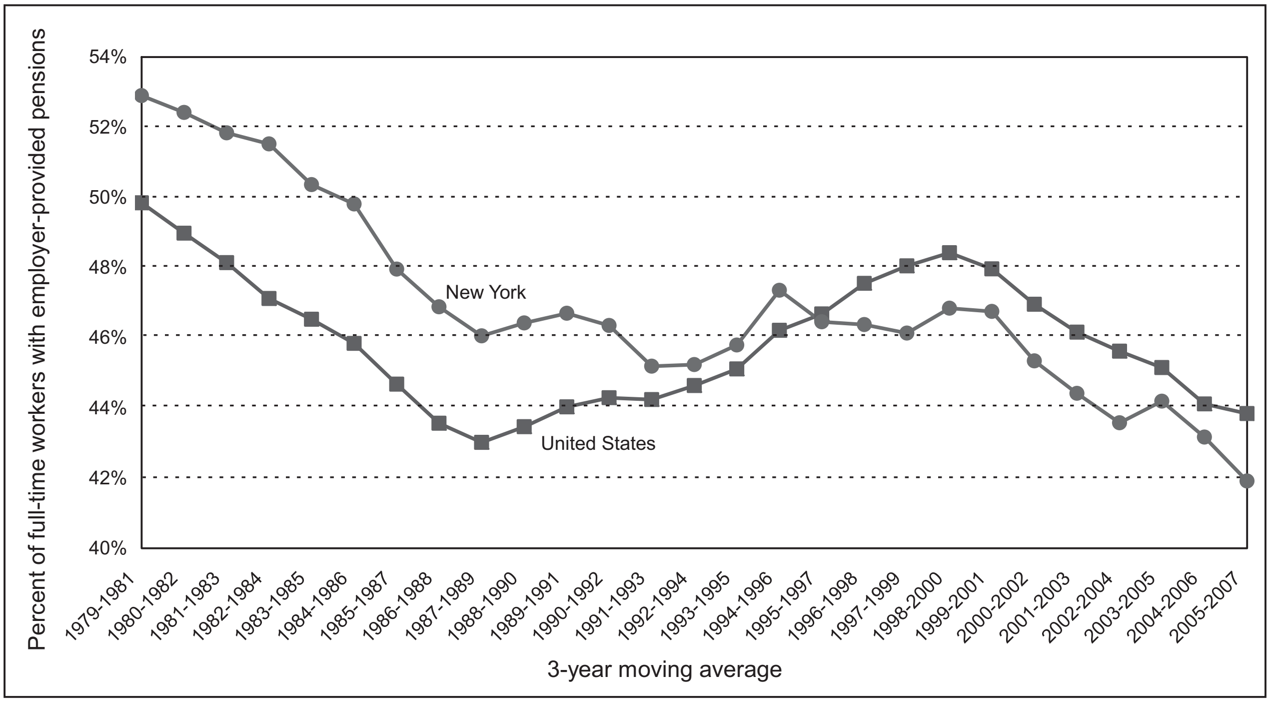

Figure 2.8
Source: Economic Policy Institute analysis of CPS March supplement data.
Census has not yet released 2008 data.
Full-time workers are private-sector wage and salary workers, ages 18-64, who worked at least 20 hours per week and 26 weeks per year.

accounts (and the Individual Retirement Accounts they resemble) lost substantial value over the past year as stock values shrank.[10] Many workers were seriously hurt and it is unclear whether their hard-earned savings will ever recover. For those nearing retirement, many will be forced to continue working beyond the age when they had hoped to retire comfortably.

Americans have been exhorted to base our retirements on the "three-legged stool:" Social Security, employer pensions, and private savings. With a near-zero private savings rate, the recession-caused evaporation of value in defined contribution, stock-based pension plans has exposed New Yorkers, and all Americans, to senior years in which we must either get by at a much lower standard of living than expected, or continue working much longer than planned.

Recession highlights the strong and weak elements in New York's social safety net

The state unemployment insurance system is the first line of defense against downward spiraling incomes for tens of thousands of New York's working families facing a worsening recession. As discussed in Chapter 3, maximum weekly unemployment benefits are much less in New York than in all of the neighboring states, and New York's unemployment system sorely needs modernization to raise the wage replacement rate and expand eligibility. Unemployment insurance not only provides a degree of wage replacement for workers losing their jobs through no fault of their own, but it also functions as an automatic stabilizer, helping to put a brake on the downward spiral of disappearing jobs and declining wages.

At a time of rapidly rising economic need due to the recession, New York City and New York State have facilitated a 20 percent increase in food stamp recipiency between the second quarter of 2008 and the second quarter of 2009. As of June of this year, over 2.4

[10] The average 401(k) balance dropped from $79,600 in 2007 to $57,200 at the end of 2008," a loss of 28%. Hewitt Associates press release May 13, 2009, at http://www.hewittassociates.com.

While food stamp roles are increasing rapidly as the economic need grows, New York's temporary assistance program has been slow to respond

	Apr - Jun 2008	Apr - Jun 2009	Change	
Food stamps recipients	1,986,287	2,383,662	397,375	20.0%
Supplemental Security Income (SSI) recipients	654,460	665,927	11,467	1.8%
Temporary Assistance (TA) recipients	512,268	522,713	10,445	2.0%
	Oct - Dec 2007	**Oct - Dec 2008**	**Change**	
Medicaid recipients	3,428,412	3,520,854	92,442	2.7%

Figure 2.9
Source: New York State administrative data.
Census has not yet released 2008 data.
Note: Recipiency figures are three-month averages.

million New Yorkers were benefiting from the federally funded food stamp program. Temporary public assistance rolls in New York under the federal Temporary Assistance to Needy Families (TANF) or the state Safety Net Assistance (SNA) programs have declined dramatically since the onset of welfare "reform" in the mid-1990s. However, over the past year, there has been a two percent increase in temporary assistance recipients. Statewide, there were just over 526,000 temporary assistance recipients in June 2009. (See Figure 2.9.)

Until a three-year increase was enacted with this year's state budget, the amount of New York's basic welfare cash assistance allowance amount had not been raised since 1990. From 1990 through this year, the purchasing power value of the welfare grant had been eroded by 40 percent. The cash assistance allowance was raised by 10 percent on July 1, 2009, and will increase by 10 percent in each of the next two years. The real value of the cash assistance allowance will still be 25 percent below its 1990 level when the three-step increase is fully phased in.

There is a considerable lag in the release of the official poverty data. According to data for 2008 just released on September 10 of this year, New York's poverty rate for 2008 was 14.2 percent—still higher than the national poverty rate, even though the national rate rose substantially in 2008. New York has the unenviable distinction of having the highest poverty rate among Northern states. The state's poverty rate is 13th highest in the nation; the 12 states with greater poverty are all in the South.[11]

It is very likely that the severity of the Great Recession will push up New York's poverty rate in 2009 and 2010, and that many more New Yorkers will be thrust into severe economic hardship. At the national level, the Center on Budget and Policy Priorities (CBPP) estimates that the economic dislocations caused by the current recession could result in large increases in poverty and push millions of people into "deep poverty," with incomes below half of the poverty line. Assuming that the national unemployment rate could be 9 percent by the fourth quarter of 2009 (it was 9.7 percent in August 2009), the Center late last year estimated that this could increase the number of people in poverty by between 7.5 million and 10.3 million. The number of persons in deep poverty could rise by between 4.5 million and 6.3 million.[12] This estimate was developed prior to the passage of the $787 billion American Recovery and Reinvestment Act (ARRA) stimulus package in February. As discussed in Chapter Four, another CBPP study recently concluded that several provisions of ARRA that benefit low-income populations and the unemployed will prevent six million people nationally from falling into poverty, including 419,000 New Yorkers.

[11] Based on two-year average poverty rates for 2007 and 2008 from the Current Population Survey.
[12] Sharon Parrott, Recession could Cause Large Increases in Poverty and Push Millions into Deep Poverty, Center on Budget and Policy Priorities, November 24, 2008.

Lack of health insurance coverage soars in New York in 2008

The number of New Yorkers without health insurance jumped by 200,000 in 2008 to 2.7 million. That figure refers to the number of people who did not have health insurance at any time during the year. New York's health uninsurance rate increased from 13.2 to 14.1 percent. For the U.S., 15.3 percent of the population was not covered by any health insurance in 2008.

During the 2001-to-2003 downturn, New York dramatically increased the number of people receiving Medicaid (including Child Health Plus and Family Health Plus). From two million persons on Medicaid during the fourth quarter of 2001, there was a 50 percent increase to 3 million by the end of 2003. There was a further increase of over 300,000 during 2004. (See Figure 2.10.) This dramatic expansion in the number of Medicaid enrollees is the main reason that New York was the only state in the nation to significantly reduce the portion of its population without health insurance between 2000 and 2005.

New York's Medicaid rolls grew sharply during the 2001-2003 downturn and and since then have hovered between 3.4 and 3.5 million

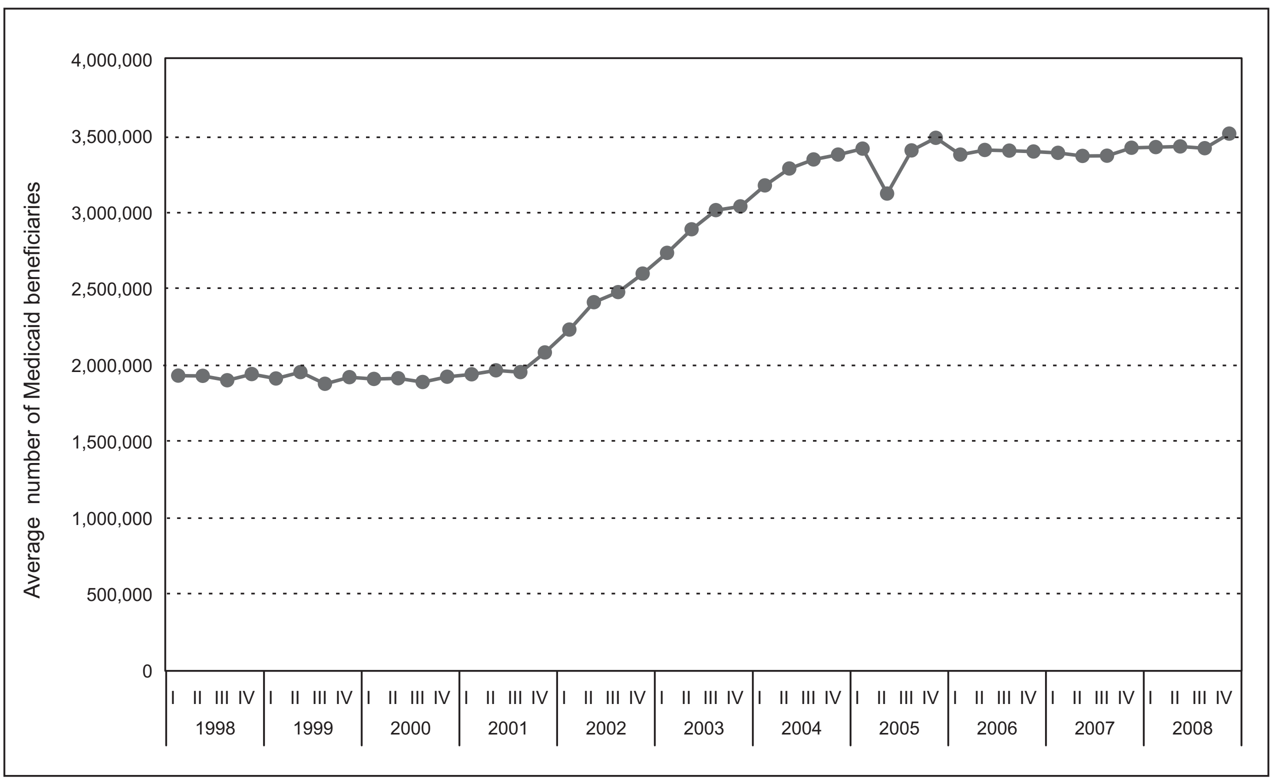

Figure 2.10
Source: NYS Department of Health.Census has not yet released 2008 data.

Chapter 3 — New York's rising unemployment is affecting every part of the state, and hitting certain communities very hard

Recovery from the current economic slump rides heavily on the consumer. And widespread and persistent unemployment depresses consumer sentiment and inhibits recovery. Joblessness has risen rapidly over the past year, and there are many indications that it is likely to stay high well into 2010. In this downturn, more than in most prior recessions, the official unemployment rate understates the real extent of weakness in the labor market. The official rate cited in news headlines does not reflect the steep rise in the number of discouraged workers or the equally steep increase in underemployment—that is, part-time employment held by workers who would prefer to work full-time. Joblessness and the related manifestations of weakening employment demand have hit blacks and Hispanics in New York particularly hard. New York's failure to update its unemployment insurance system not only hurts the families of the unemployed, it also impedes recovery. Weekly unemployment payments have fallen far behind inflation and are much lower here than in neighboring states.

Unemployment's steep ascent over the past year

The recovery and expansion that ran from mid-2003 to early 2008 reduced New York's unemployment rate to less than five percent for several months. Since then, New York's unemployment has jumped by well over three percentage points. In July, the state's unemployment rate was 8.6 percent. New York City's unemployment, which had also dipped below five percent in 2007 and early 2008, soared to 9.6 percent by July of 2009, putting it slightly above the national rate for that month. In the rest of the state, joblessness has risen by about three and a half percentage points. (See Figures 3.1 and 3.2.)

New York's unemployment rate has risen sharply in the current recession but not by as much as the U.S. unemployment rate

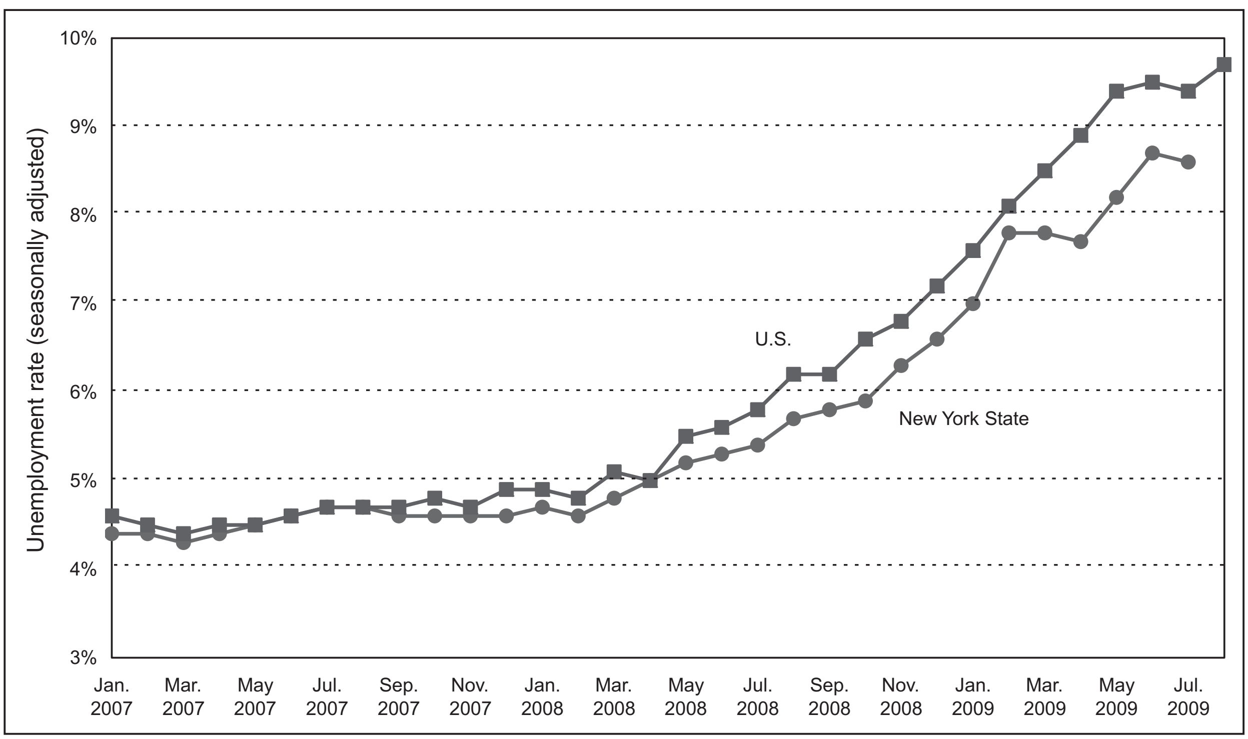

Figure 3.1
Source: NYS Department of Labor. New York data for August 2009 not available as of publication.

Unemployment has risen more in New York City than in the rest of the state

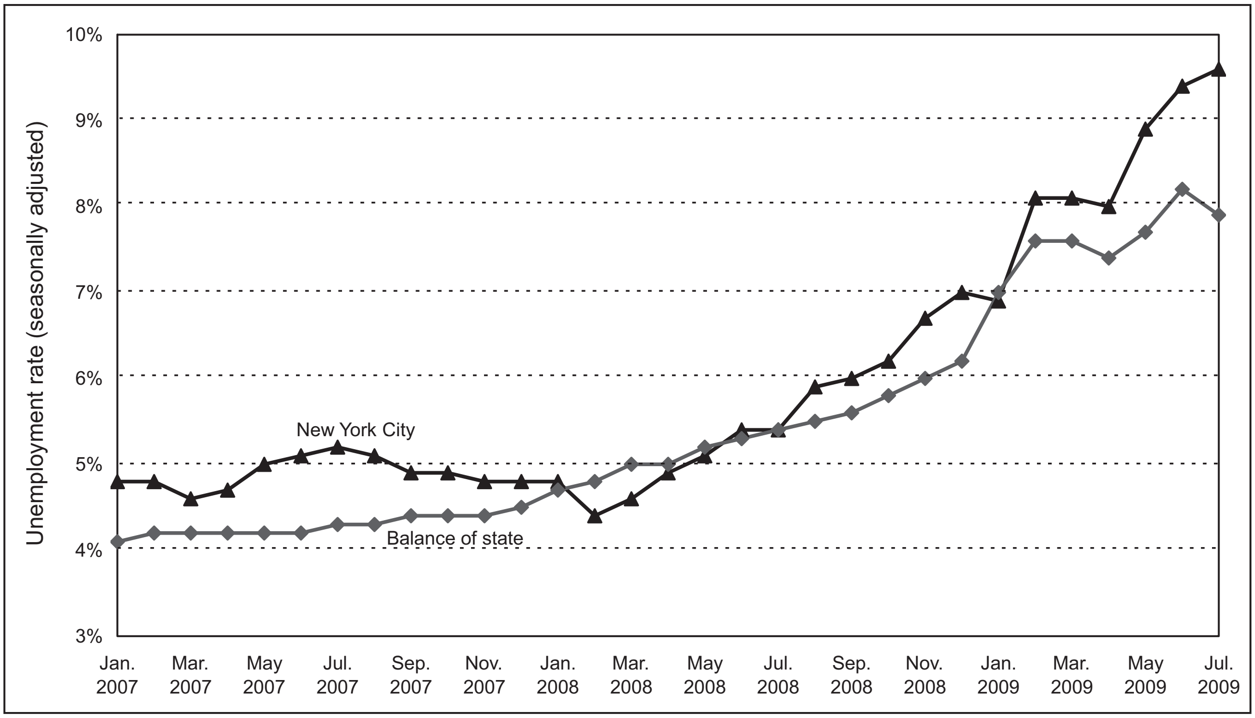

Figure 3.2
Source: NYS Department of Labor.

Between the first half of 2008 and the first half of 2009, the number of people unemployed increased by half or more in every region of the state. For the state overall, 300,000 more people were unemployed in this year's first six months compared to the prior year. That's a 62 percent increase. The largest year-over-year increase was in New York City, up 76 percent, not only because the city lost a lot of jobs but also because the labor force continues to expand more than in most of the state. (See Figure 3.3.)

The six months immediately following last September's financial market meltdown was arguably the worst economic period since the Great Depression. During that time, consumer and business confidence plummeted and job losses skyrocketed. Initial unemployment claims soared. In New York, the increase in initial unemployment claims shot up more rapidly in New York City than in the rest of the state, although statewide the year-over-year increase exceeded 50 percent. The pace of job loss has eased in New York City in recent months, although it is still 25 percent higher than a year ago. For the rest of the state, the pace of growth of initial unemployment claims has stayed around or slightly over 50 percent higher than the corresponding period one year before and has not yet shown signs of easing. (See Figure 3.4.)

Blacks and Hispanics have borne the brunt of unemployment crisis

The 300,000 increase in unemployment in the first half of 2009 compared to the prior year has affected New Yorkers in every demographic category and has pushed up the overall unemployment rate by 3.3 percentage points, from an average of 5.6 percent in the first half of 2008 to 8.9 percent for the first half of this year.[1] Blacks have been particularly hard hit, with unemployment doubling among black men statewide over the past year. The official unemployment rate for black men jumped by almost 10 percentage points, from 8.4 percent for the first half of 2008 to 18.3 percent for the first half of 2009. (See Figure 3.5.) For black women, unemployment climbed from 7.1 percent to 11.5 percent. (See Figure 3.6.)

[1] In order to more accurately estimate unemployment for specific demographic subgroups of the population, six months of Current Population Survey data were pooled at quarterly intervals from the first half of 2006 through the first half of 2009.

The number of unemployed New Yorkers has jumped by 62 percent with substantial increases all across the state

Number of people unemployed	First half 2008	First half 2009	Change	
United States	8,082,800	13,819,800	5,737,000	71%
New York State	480,417	780,167	299,750	62%
New York City	187,733	330,800	143,067	76%
Eastern New York	150,583	233,867	83,283	55%
Nassau-Suffolk, NY Metropolitan Division	66,950	105,900	38,950	58%
Putnam-Rockland-Westchester	31,250	49,350	18,100	58%
Albany-Schenectady-Troy, NY MSA	22,300	32,567	10,267	46%
Glens Falls, NY Metropolitan Statistical Area	3,817	5,800	1,983	52%
Kingston, NY Metropolitan Statistical Area	4,750	7,067	2,317	49%
Poughkeepsie-Newburgh-Middletown, NY MSA	16,300	25,350	9,050	56%
Columbia County	1,500	2,400	900	60%
Greene County	1,400	2,117	717	51%
Sullivan County	2,317	3,317	1,000	43%
Western and Northern New York	**142,100**	**215,500**	**73,400**	**52%**
Metropolitan Areas	*100,100*	*152,433*	*52,333*	*52%*
Binghamton, NY MSA	6,700	10,450	3,750	56%
Buffalo-Niagara Falls, NY MSA	34,433	52,233	17,800	52%
Elmira, NY MSA	2,167	3,933	1,767	82%
Ithaca, NY MSA	2,167	3,200	1,033	48%
Rochester, NY MSA	28,883	43,450	14,567	50%
Syracuse, NY MSA	17,833	27,800	9,967	56%
Utica-Rome, NY MSA	7,917	11,367	3,450	44%
Non-metropolitan areas	*42,000*	*63,067*	*21,067*	*50%*
Allegany County	1,583	2,233	650	41%
Cattaraugus County	2,583	3,850	1,267	49%
Cayuga County	2,233	3,717	1,483	66%
Chautauqua County	3,633	5,800	2,167	60%
Chenango County	1,583	2,350	767	48%
Clinton County	2,633	4,050	1,417	54%
Cortland County	1,533	2,417	883	58%
Delaware County	1,367	2,050	683	50%
Essex County	1,317	1,917	600	46%
Franklin County	1,650	2,167	517	31%
Fulton County	1,800	2,833	1,033	57%
Genesee County	1,950	2,767	817	42%
Hamilton County	217	267	50	23%
Jefferson County	3,400	4,700	1,300	38%
Lewis County	900	1,317	417	46%
Montgomery County	1,817	2,550	733	40%
Otsego County	1,817	2,583	767	42%
St. Lawrence County	3,517	5,267	1,750	50%
Schuyler County	617	917	300	49%
Seneca County	1,000	1,433	433	43%
Steuben County	2,750	4,800	2,050	75%
Wyoming County	1,417	2,133	717	51%
Yates County	683	950	267	39%
10-county downstate area	285,933	486,050	200,117	70%
52-county upstate area	194,483	294,117	99,633	51%

Figure 3.3
Source: Bureau of Labor Statistics and NYS Department of Labor.

Initial unemployment claims have subsided for New York City but remain well over last year's level for the rest of the state

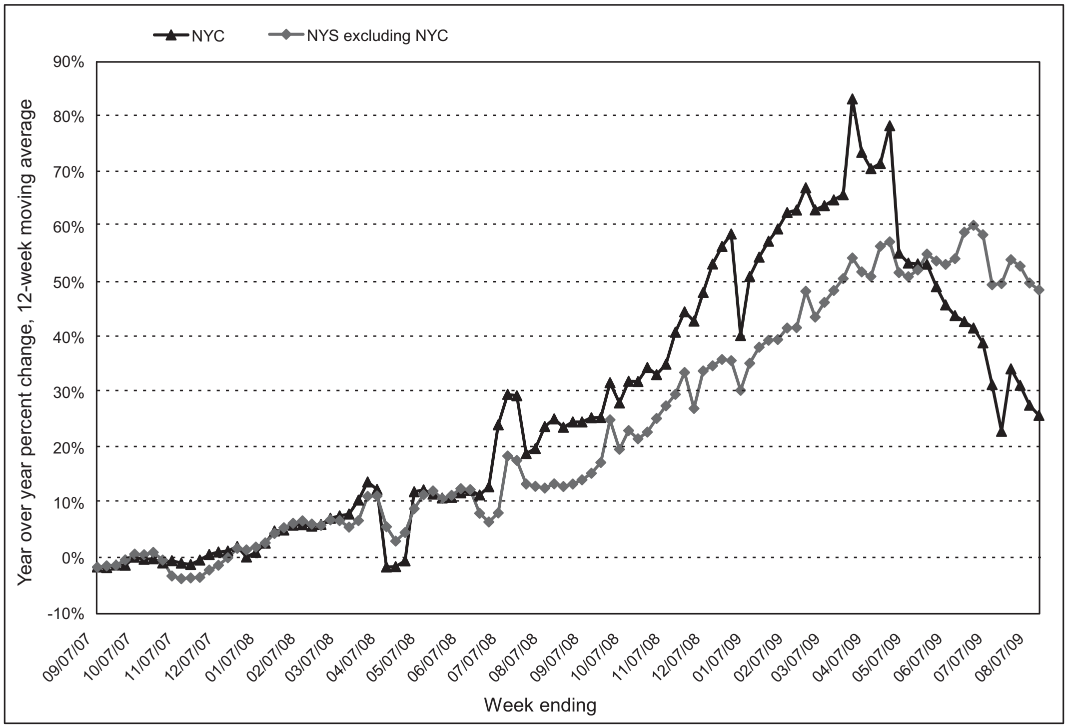

Figure 3.4
Source: NYS Department of Labor.

Male unemployment rates are rising rapidly in New York State, particularly for black men

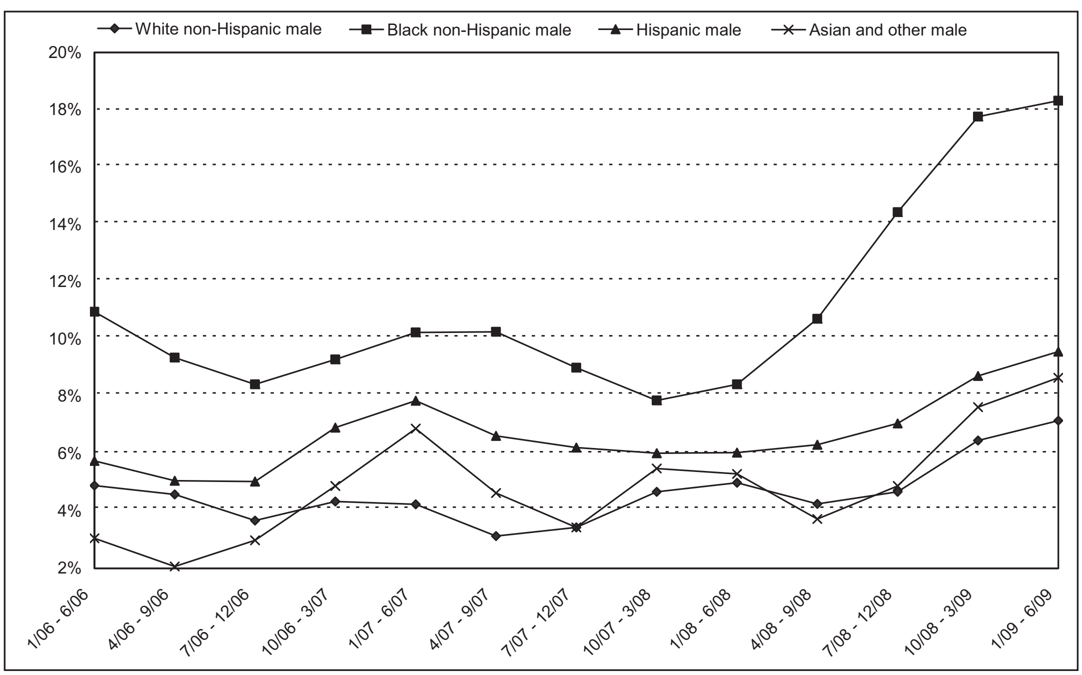

Figure 3.5
Source: Fiscal Policy Institute analysis of Current Population Survey data.

Female unemployment rates have started to rise rapidly in recent months, and are rising fastest for black and Hispanic females

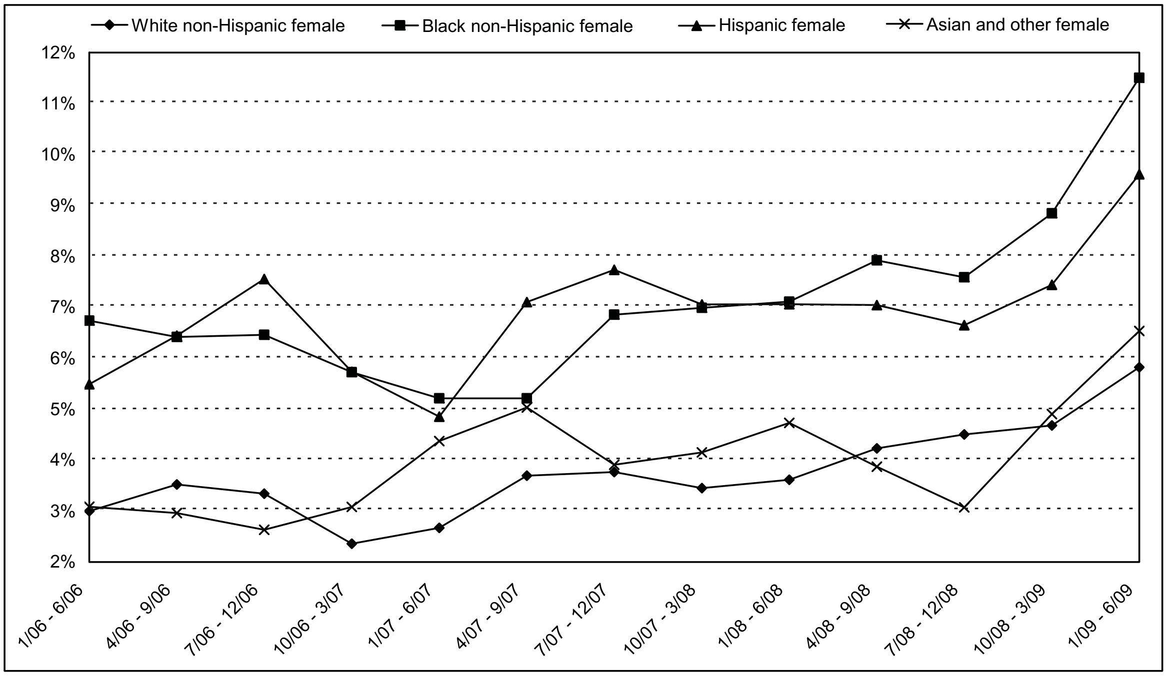

Figure 3.6
Source: Fiscal Policy Institute analysis of Current Population Survey data.

For white non-Hispanics, both men and women, unemployment increased by 2.2 percentage points. However, the jobless rate for white men was 7.2 percent for the first part of this year compared to 5.8 percent for white women. Hispanic men and women and Asian and other men all had unemployment rate increases of 2.5 to 3.6 percentage points. Women in the Asian and other category had the smallest increase (1.8 percentage points).

When the economy sours so profoundly, many job seekers throw in the towel and stop actively looking for work. When this happens, they are no longer included in the standard definition of unemployment. So-called "discouraged workers" are part of a larger group of workers considered by government surveyors to be "marginally attached" to the labor force. Given that the number of unemployed black males has more than doubled over the past year, it is not surprising that labor market discouragement is also steeply rising among black men. The number of black males in the "discouraged workers" category also more than doubled over the past year. When discouraged and other "marginally attached" workers are included in an alternatives unemployment rate calculation, call it the "unemployment rate with marginally attached workers," the black male unemployment rate was 22.5 percent during the first half of 2009. It was 12.9 percent for black females and 9.7 percent for all New Yorkers. (See Figure 3.7.)

The official unemployment rate also understates job market difficulties by not reflecting the tens of thousands of workers whose employers reduce their hours and, thus, their weekly pay. Likewise, many workers take part-time jobs but would prefer full-time positions. For every 100 unemployed New Yorkers, there are 55 workers forced to work fewer hours than they would like. Involuntary part-time employment

Gaps widen when discouraged and other marginally attached workers are added to the officially unemployed

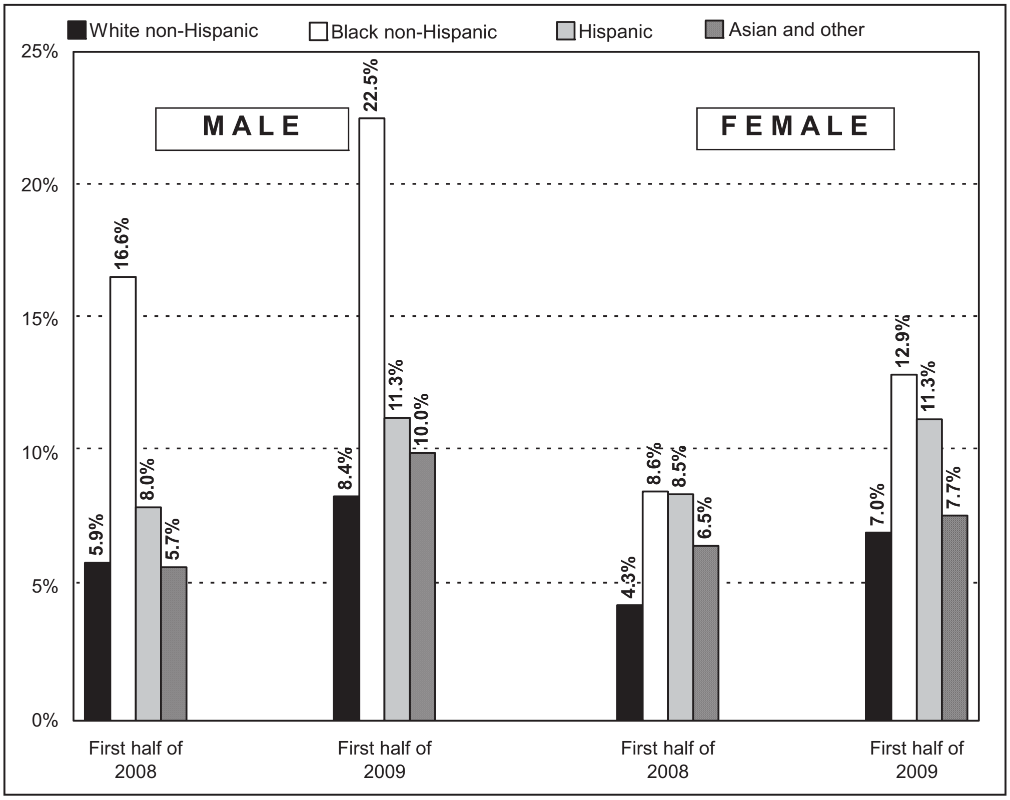

Figure 3.7
Source: Fiscal Policy Institute analysis of Current Population Survey data.

increased by 73 percent between the first half of 2008 and the first half of 2009 in New York, rising from 256,000 to 442,000. Hispanics have borne the brunt of shorter hours, or "under-employment." For Hispanic men, the increase was 162 percent; for Hispanic women, 110 percent. White non-Hispanic men and women also saw huge increases in involuntary part-time employment, with increases of 72 percent and 83 percent, respectively.

Real unemployment is more than 50 percent higher than the official measure

Another alternative unemployment measure developed by the Bureau of Labor Statistics is one that adds to the standard unemployment measure those who are marginally attached and those who are involuntarily working only part-time. Call this alternative measure the "unemployment rate with marginally attached and the underemployed." In many ways, this is the "real" unemployment rate. Figure 3.8 shows this real unemployment rate for the first half of 2009: 14.1 percent for all New York workers on average. This is well more than 50 percent greater—in fact, 72 percent greater—than the official unemployment rate measure, which was 8.2 percent in the first half of this year.

For black men, the real unemployment rate was 27.2 percent in the first half of 2009, nearly twice the real unemployment rate for the overall population. And, it is in the mid- or high teens for Hispanic women (18.8 percent), black women (18.1 percent), Hispanic men (17.4 percent), and Asian and other men (14.1 percent). (See Figure 3.8.)

When marginally attached workers and the underemployed are added to the conventional definition of the unemployed, the "real" unemployment rate is 27 percent for black men, 19 percent for Hispanic women and 18 percent for black women

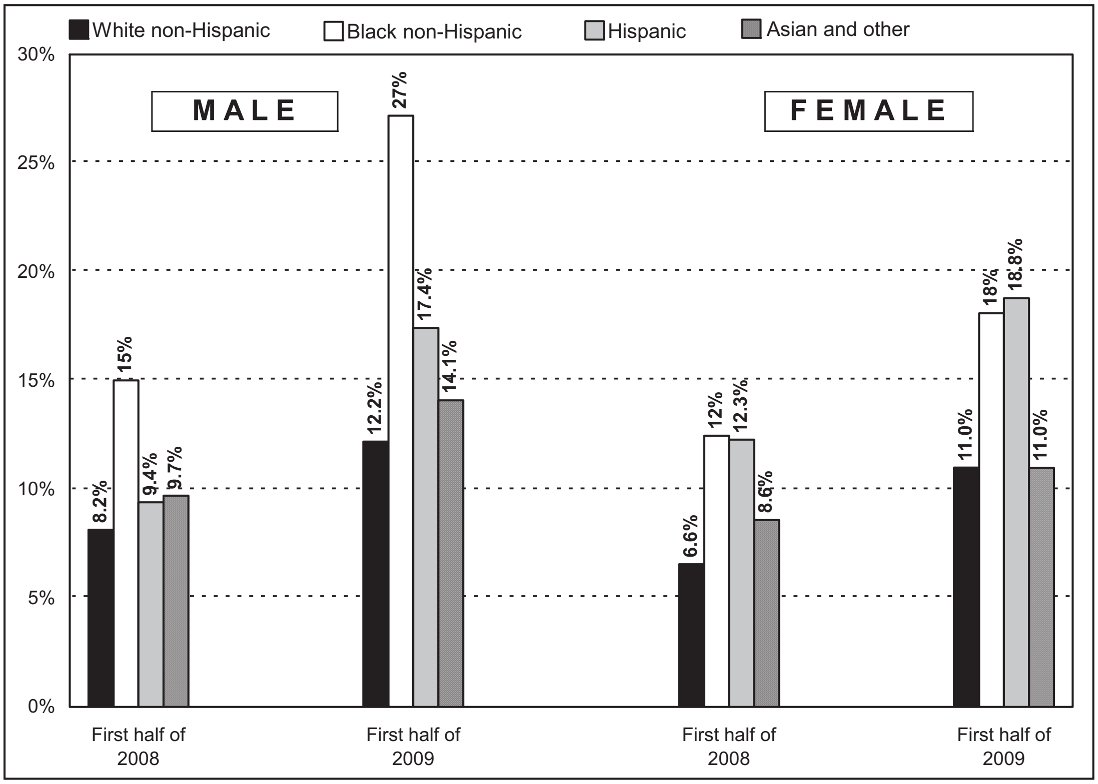

Figure 3.8
Source: Fiscal Policy Institute analysis of Current Population Survey data.

The standard definition of unemployment leaves out substantial numbers of marginally attached workers and underemployed workers. For the first half of 2009, nearly as many white, non-Hispanic workers (270,000) were marginally attached or underemployed as were unemployed according to the official definition of unemployment (300,000). (See Figure 3.9.) One hundred thousand Hispanic workers were officially unemployed in New York State during the first half of 2009, and a slightly higher number were either marginally attached or underemployed.

This demographic portrait of unemployment in New York State is not just a function of high unemployment for people of color in New York City. In analyzing the Current Population Survey data, black and Hispanic unemployment rates are very similar for both New York City and New York State as a whole. Additionally, American Community Survey data for 2007—the latest year available as this is written—show double-digit black unemployment rates for most large upstate New York cities.

Reform of New York's unemployment insurance system is long overdue

The unemployment insurance (UI) program provides an essential safety net for New York workers who lose

The standard definition of unemployment leaves out substantial numbers of marginally attached (including discouraged) and underemployed workers in New York

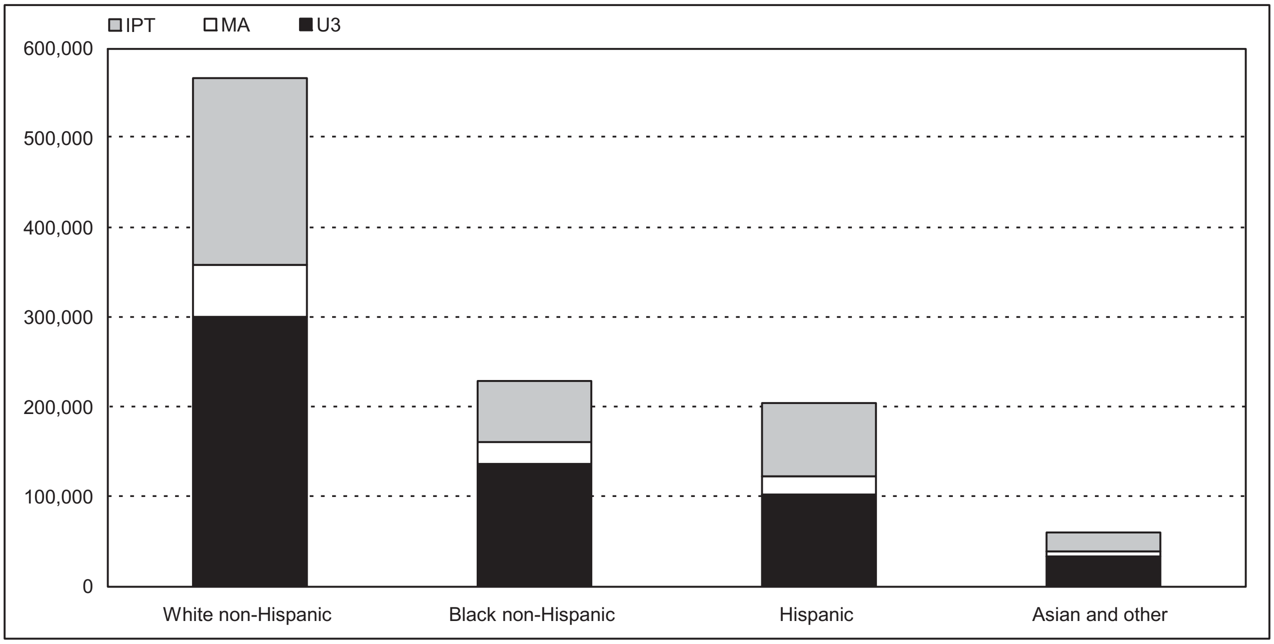

Figure 3.9
Source: Fiscal Policy Institute analysis of Current Population Survey data.
Notes: U3 includes unemployed and actively seeking employment. MA includes marginally attached; not actively seeking employment but have looked for employment within past year. (Includes discouraged workers, those who have ceased job search because of discouragement about job prospects.) IPT includes involuntary part-time workers, employed part-time for economic reasons but would prefer full-time employment.

jobs through no fault of their own. UI payments also aid the economy generally as a partial "automatic stabilizer," boosting spending on necessities such as housing, food, transportation, and medical care. Thus, UI payments provide a targeted economic stimulus in precisely those areas that have been hard hit by high levels of job loss. Through the middle of August, 1,060,630 New York workers have filed initial claims for unemployment insurance in 2009. That is, every week, on average more than 32,000 workers turn to the UI system for support.

However, New York's UI program has not been updated in recent years, and New York has fallen behind nearly every other state in the extent to which it replaces wages lost when workers become unemployed. New York's maximum weekly unemployment insurance benefit has been frozen at $405 since 2000. At the time the maximum was set, in 1999, $405 replaced half of the average weekly wage in New York. Since then the consumer price index has increased by 25 percent, and in the downstate metropolitan area, by 30 percent. And New York's average wages have risen. Today, $405 replaces only 35 percent of average weekly wages in the state. New York's average weekly UI benefit of about $310 replaces less than 27 percent of the average weekly wage, putting New York in 48th place compared to other states in terms of how well its UI benefits support recipients and their families.

New York's maximum unemployment benefit lags behind all our neighboring states

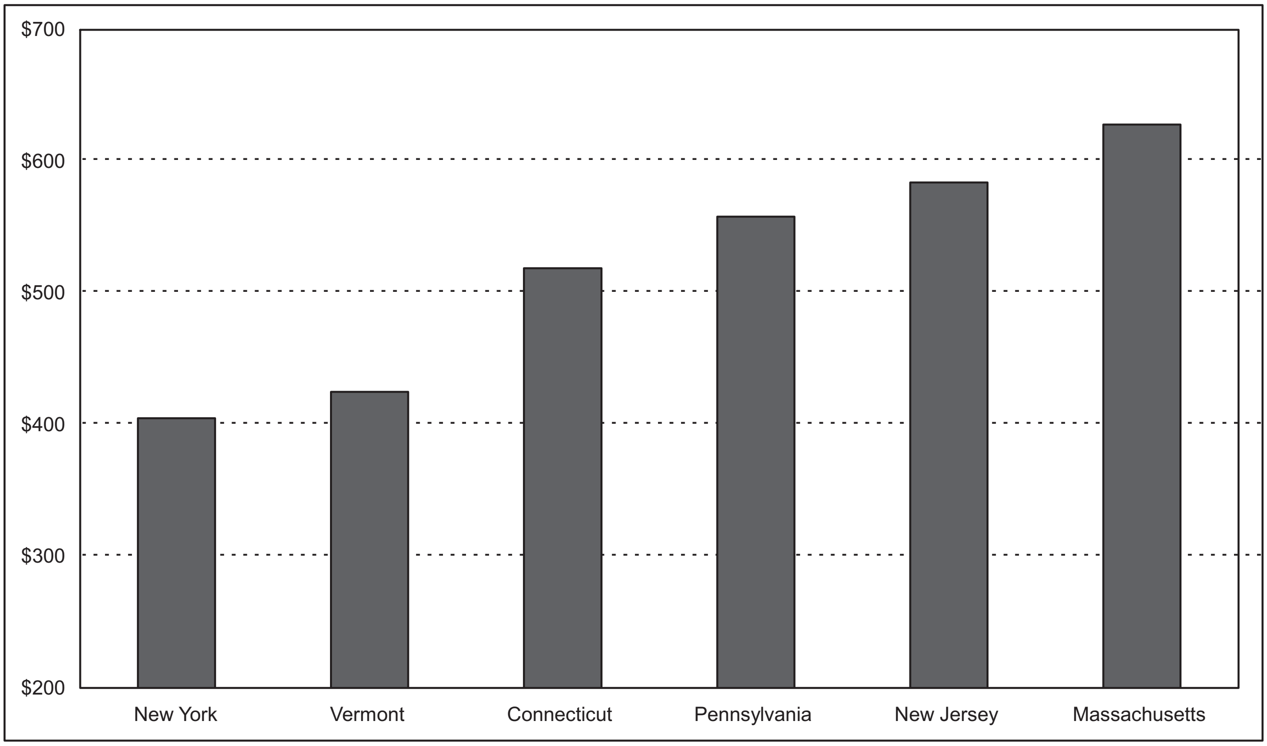

Figure 3.10
Source: U.S. Employment and Training Administration.

All of New York's neighboring states have maximum weekly benefit levels that surpass New York's. Laid-off workers qualify for up to $558 per week in Pennsylvania, up to $584 per week in New Jersey, and up to $628 weekly in Massachusetts. (See Figure 3.10.)

Many of New York's neighboring states also configure their UI benefit systems to raise the wage replacement for low-wage workers, something that New York has not yet done. New Jersey, for example, provides a single mother with two dependents laid off from an $8 per hour job with $213 in weekly benefits compared to just $160 in New York.

Also, two thirds of states index weekly UI benefits so that they increase automatically with the average weekly wage. More than a third of these states have pegged their maximum benefits to at least two thirds of average weekly wages.

Pending state legislation would raise the maximum benefit in the first year to $475. Had New York's maximum weekly benefit been $475 last year instead of $405, nearly $267 million in additional benefit dollars would have been distributed to an estimated 283,000 New Yorkers.[2] Pending legislation would also increase the taxable wage base on which employers pay unemployment insurance payroll taxes. New York's current taxable wage base of $8,500 is well below the national average of $11,832. Gradually increasing the taxable wage base would put New York's UI trust fund on a path to long-term solvency. With such a low taxable wage base, New York's trust fund has been severely under-funded in recent years, forcing the state to

[2] See Fiscal Policy Institute and National Employment Law Project, *Casualty of Chaos: The Cost of Albany's Inaction on Jobless Benefit Increases*, July 2009. Eleven counties across the state would have seen an increase in benefits of ten percent or more. On a per capita basis, several upstate counties would have seen the largest increases. www.fiscalpolicy.org/FPI-NELP_Report_UnemploymentInsuranceCasualtyOfChaos.pdf.

repeatedly borrow from the federal government to continue paying regular UI benefits.

Without federal action, thousands of New Yorkers will exhaust UI benefits by the end of 2009

The severity of the Great Recession has meant that in July 2009, a record high share (33.8 percent) of unemployed U.S. workers were out of work for more than six months.[3] Such workers are considered “long-term unemployed.” In New York, 32 percent of unemployed workers were long-term unemployed during the second quarter of 2009. For the U.S. for the same period, long-term unemployment was 28 percent.[4]

High levels of long-term unemployment mean that many workers will exhaust unemployment benefits, despite the fact that the federal government has extended benefits in three rounds for a total of 53 weeks beyond the 26 weeks of regular state UI benefits. New Yorkers will begin to exhaust their UI benefits in October. By the end of December 2009, the National Employment Law Project estimates that unless the federal government acts again to extend federally funded UI benefits 103,275 unemployed New Yorkers will exhaust all UI benefits.[5] It is important that trigger levels included in any further federal extension of UI benefits be set at a level that will enable New York State’s unemployed workers to qualify.

[3] National Employment Law Project, “Record Breaking Long-Term Unemployment, Even as Job Losses Slow,” August 7, 2009.
[4] Analysis of the Current Population Survey by FPI.
[5] National Employment Law Project, “Over Half a Million to Exhaust Benefits by End of September; 1.5 Million by End of ’09, Federal Stimulus Provided Critical Help to Unemployed—But More Needed Soon,” July 24, 2009.

Chapter 4 — New York in the national context and the beneficial effects of the American Recovery and Reinvestment Act

While the economic downturn is claiming a heavy job toll in New York and is exacerbating economic insecurities for many New York families, many other states have fared much worse during the Great Recession. The country as a whole entered the recession earlier than New York, making the cumulative effects—at least so far—less pronounced in the Empire State. In addition, most upstate metropolitan areas have fared better in job and per capita income growth than their counterparts around the country.

Another reason the downturn has been less pronounced in New York is that the housing bubble largely bypassed the upstate regions, and some of the recession's worst effects are related to the bursting of the bubble. There also are indications that the federal government's approach to countering the recession has made a significant difference around the country in moderating job losses that might otherwise have occurred. Two components of the stimulus plan—state/local fiscal relief and aid to the unemployed and needy individuals—are having particularly beneficial effects in New York.

New York job loss has been less than in most states

In the last two recessions—in the early 1990s and in the early part of this decade—New York experienced sharper employment downturns than most other states, and New York's recovery from the early 1990s recession took much longer than for most other states. (Technically, the 2001 national recession ended in November of that year. However, job growth did not resume nationally until the spring of 2003. New York's job recovery from that recession got underway just a few months later.)

As noted earlier, in the most recent economic cycle, New York's employment level peaked in July of 2008, seven months after the national employment peak in December 2007—the month officially designated as the start of the current recession. Between December 2007 and June 2009, New York recorded the loss of 193,700 jobs. This magnitude of job loss placed New York ninth among the 50 states, but in percentage terms, the state's 2.2 percent job loss was 41st among all states. That is, 40 states had experienced a steeper *rate* of job loss since the recession began. The five states with the greatest relative job loss were Michigan (9.3 percent) Arizona (9.0 percent), Nevada (7.8 percent), Florida (7.2 percent), and Oregon (6.4 percent). (See Figure 4.1.)

Largely because of New York City's large summer youth jobs program, New York State showed a seasonally adjusted employment increase of 62,100 jobs in July.[1] Job losses in many other states moderated in July, but nationally there was still a 276,000 decline in payroll jobs. If the job loss numbers in Figure 4.1 had been calculated based on July's employment, New York's relative position would have been even better.

While New York State's job decline has been severe, job losses have been greater in many states

Employment changes from December 2007 through June 2009

State	Rank	Change in jobs (thousands)	State	Rank	Change in jobs (percent)	State	Rank	Unemployment rate, June 2009	State	Rank	Unemployment percent point change
United States		**-6,417**	**United States**		**-4.6%**	**United States**		**9.5%**	**United States**		**4.6**
New York	**9**	**-193.7**	**New York**	**41**	**-2.2%**	**New York**	**23**	**8.7%**	**New York**	**25**	**4.1**
California	1	-904.3	Michigan	1	-9.3%	Michigan	1	15.2%	Michigan	1	7.9
Florida	2	-571.9	Arizona	2	-9.0%	Rhode Island	2	12.4%	Oregon	2	6.9
Michigan	3	-396.2	Nevada	3	-7.8%	Oregon	3	12.2%	Nevada	3	6.8
Ohio	4	-318.5	Florida	4	-7.2%	South Carolina	4	12.1%	Rhode Island	4	6.4
Illinois	5	-305.1	Oregon	5	-6.4%	Nevada	5	12.0%	Alabama	5	6.3
Georgia	6	-249.7	Georgia	6	-6.0%	California	6	11.6%	South Carolina	6	6.3
Arizona	7	-239.5	Idaho	7	-6.0%	Ohio	7	11.1%	Indiana	7	6.2
North Carolina	8	-225.0	California	8	-6.0%	North Carolina	8	11.0%	North Carolina	8	6.0
New York	9	-193.7	Ohio	9	-5.9%	Kentucky	9	10.9%	Florida	9	5.8
Pennsylvania	10	-182.3	Indiana	10	-5.8%	Tennessee	10	10.8%	California	10	5.7

Figure 4.1
Source: Bureau of Labor Statistics, analysis by Economic Policy Institute and Fiscal Policy Institute.

[1] New York State Department of Labor, August 20, 2009 press release. On a seasonally adjusted basis, New York

Figure 4.1 also summarizes data on a ranking of states by unemployment rate and change in unemployment rate since the beginning of the recession. New York's 8.7 percent unemployment state unemployment rate between December 2007 and June 2009 was 25th highest among all states.

Most of New York's metropolitan areas are faring better in job loss and income growth than the national average

Considering that New York's employment peak occurred in mid-2008 and that the period of sharpest national job decline was during the last few months of 2008 and the first few months of 2009, it might be more appropriate to examine comparative employment declines over the 12 months from July 2008 to July 2009. Even on this basis, New York State ranked 41 in relative job loss. The state experienced a 2.2 percent decline compared to the national average decline of 4.2 percent over that 12-month period. Eleven states—including Michigan, North Carolina, Florida, California, and Georgia—had rates of job loss of five percent or greater. New York's neighboring states also generally fared better than the national average and most states. For the July 2008 to July 2009 period, Connecticut's 3.9 percent job loss ranked 22, Massachusetts' 3.3 percent decline ranked 30, Pennsylvania's 3.2 percent decline ranked 32, and New Jersey's 3 percent decline ranked 34.[2]

Over the 12 months from July 2008 to July 2009, all but one of New York's 14 metropolitan areas[3] experienced a lower rate of job loss than the national average decline of 4.2 percent. The Glens Falls MSA had a 4.7 percent job loss. The Ithaca MSA and the Kingston MSA both had job losses of only 0.3 percent over this period. New York City, the Syracuse MSA and the Utica-Rome MSA all had 1.7 percent declines. Figure 4.2 shows the 12-month job declines for the state's 14 metropolitan areas and how they rank in terms of job loss among all 365 metropolitan areas in the United States for which the Bureau of Labor Statistics tracks payroll employment on a monthly basis, with MSAs ranked from smallest to largest relative job losses. Twelve of New York's 14 metropolitan areas ranked in the top half of states, that is, the areas with the smallest job declines. The four major upstate MSAs—Syracuse, Buffalo-Niagara Falls, Rochester, and Albany-Schenectady-Troy—all ranked in the top half of MSAs nationally.

Most metro areas in New York State have had smaller job declines than metro areas in other states

	Changes from July 2008 to July 2009	
Metropolitan Statistical Areas (MSAs)	**Percent job change**	**Rank among 365 MSAs**
United States average	-4.2	
Ithaca, NY	-0.3	26
Kingston, NY	-0.3	27
New York City, NY	-1.7	88
Syracuse, NY	-1.7	89
Utica-Rome, NY	-1.7	90
Putnam-Rockland-Westchester, NY	-1.8	100
Buffalo-Niagara Falls, NY	-2.1	113
Rochester, NY	-2.2	122
Albany-Schenectady-Troy, NY	-2.3	123
Poughkeepsie-Newburgh-Middletown, NY	-2.7	154
Nassau-Suffolk, NY Metropolitan Division	-2.8	163
Binghamton, NY	-3.1	181
Elmira, NY	-3.4	208
Glens Falls, NY	-4.7	294

Figure 4.2
Source: BLS, Fiscal Policy Institute.
Note: The New York portion of the New York-Northern New Jersey-Long Island MSA is separated into New York City, and Nassau-Suffolk and Putnam-Rockland-Westchester metropolitan divisions.

[2] BLS Current Employment Statistics, analysis by Fiscal Policy Institute.
[3] The federal government recognizes 12 Metropolitan Statistical Areas (MSAs) in New York. Where data are readily available, we have separated the greater New York City metropolitan area into three metropolitan groupings that fall within New York State: New York City, the Nassau-Suffolk metropolitan division, and the Putnam-Rockland-Westchester area.

Around the country, the single factor most closely associated with employment decline in the Great Recession is contraction from the bursting of the housing construction and real estate bubble. And for the most part, most areas in upstate New York were bypassed by the housing bubble. Because they have mostly been spared the adverse consequences of the bursting housing bubble, New York's upstate metropolitan areas have fared much better than average in per capita income growth from 2006 to 2008. Nine of twelve New York MSAs[4] had per capita income growth over this two-year period greater than the U.S. average of 7.6 percent. The metro areas of the four large upstate metro areas had income growth greater than the national average; the Rochester metro area had income growth of 7.4 percent, slightly below the 7.6 percent national average. (See Figure 4.3.)

An increasingly common indicator of the housing bust in many parts of the country is a rising incidence of bank-owned homes—banks taking title to houses through foreclosure when the homeowner defaults on their mortgage. Not surprisingly, the metro areas with the highest rates of bank-owned properties relative to the number of mortgageable properties are concentrated in California, Florida, Nevada, and Arizona, the states where housing bubble excesses were greatest. At the other extreme, three out of four of the large upstate New York metro areas had some of the *lowest* rates of bank-owned homes among the 100 largest metropolitan areas in the country. The Syracuse metro area had the lowest rate of bank-owned homes in the country, the Albany metro area had the second lowest, and the Buffalo metro area had the fourth lowest rate of bank-owned homes in the U.S. The other large upstate metro area, Rochester, had the 14th lowest rate of bank-owned homes.[5]

A further examination of home foreclosures and other factors in explaining employment losses by state

In an effort to better understand differences among states' private sector employment changes in the recession, the Fiscal Policy Institute employed a regression analysis to examine the role of various factors. Because most U.S. manufacturing industries have suffered structural declines in recent years and because manufacturing employment typically declines sharply during recessions, we expected that states with higher shares of their employment in manufacturing industries would fare worse than others. Given the intensity of the housing bubble in certain parts of the country, and the severity of the damage created in the wake of the bursting of the housing bubble, we expected job declines during the recession (that is, since December 2007) to be more pronounced in states with a high

Most metro areas in New York State had faster per capita income growth than the U.S. from 2006 to 2008

	Per capita income		Per capita income growth	Growth rank among 366
	2006	2008		
United States	$36,794	$39,582	7.6%	
Binghamton, NY (MSA)	$29,733	$32,632	9.8%	74
Elmira, NY (MSA)	$28,912	$31,675	9.6%	80
Ithaca, NY (MSA)	$29,229	$32,011	9.5%	83
New York-No. N.J. -Long Island, NY-NJ-PA	$49,642	$54,222	9.2%	97
Syracuse, NY (MSA)	$32,882	$35,657	8.4%	133
Utica-Rome, NY (MSA)	$28,679	$31,093	8.4%	136
Albany-Schenectady-Troy, NY (MSA)	$37,755	$40,909	8.4%	139
Buffalo-Niagara Falls, NY (MSA)	$33,611	$36,408	8.3%	145
Poughkeepsie-Newburgh-Middletown, NY (MSA)	$35,907	$38,784	8.0%	163
Rochester, NY (MSA)	$35,602	$38,234	7.4%	203
Glens Falls, NY (MSA)	$29,296	$31,440	7.3%	211
Kingston, NY (MSA)	$32,570	$34,904	7.2%	217

Figure 4.3
Source: Bureau of Economic Analysis, Fiscal Policy Institute.
Note: Per capita income figures in nominal dollars.

[4] In the income data provided by the Bureau of Economic Analysis (BEA), the greater New York City metropolitan area is presented as one MSA. This reduces the number of MSAs in New York from 14 to 12. Also, the BEA provides income data for 366 MSAs nationwide (the BLS provided payroll employment data for 365 MSAs).
[5] Brookings Institution, Metropolitan Policy Program, "Tracking Economic Recession and Recovery in America's 100 Largest Metropolitan Areas," June 2009.

home mortgage foreclosure rate in 2007. But we also suspected that John Maynard Keynes' argument that public spending can cushion economic downturns is true—that states that increased spending rather than cut their budgets might experience fewer job losses, even in the private sector. Finally, since companies with multi-state operations might be expected to curtail operations in lower-productivity states first, we included a labor productivity variable in the analysis.

This analysis was not intended as a general model of the determinants of relative state employment performance. We did not examine the relationship of these factors to private employment change by state for earlier periods, including periods of expansion as well as contraction. Still, the regression analysis did produce interesting results regarding differences in job declines during the current recession. We compared state-by-state private job loss rates between July 2008 and July 2009,[6] with manufacturing employment shares, 2007 housing foreclosure rates, state budget changes from FY 2007 (actual) to FY 2009 (planned), and labor productivity (as measured by 2007 state Gross Domestic Product per employee). This type of analysis enables us to look at the effect of each variable while controlling for variation in the other factors.

These factors together explained 43 percent of the variation among the fifty states (plus the District of Columbia) in percent of private sector jobs lost over the 12 months of the recession with the greatest seasonally adjusted losses. The analysis found that by far the most important factor in explaining differences in state job loss was the home foreclosure rate. On average, each percentage point increase in a state's 2007 foreclosure rate corresponds with a 1.5 percentage point increase in job loss rate. The other factors—manufacturing intensity, labor productivity, and changes in state spending—all provided some explanatory power, although much less than the foreclosure rate. As indicated in Figure 4.4, job loss was higher where manufacturing intensity was higher, the 2007-to-2009 change in state spending lower, and labor productivity lower. (Appendix Figure 4.4 provides the data used in the analysis.)

The negative relationship between job loss and state spending in the regression analysis suggests that, all other things being equal, state spending increases have moderated private job losses during the current recession. States that increased spending more in the two years from fiscal year 2007 to fiscal year 2009—that is, in budgets largely decided before the worst of the recession occurred beginning in the fall of 2008—experienced slightly less job loss on average in the first 19 months of the recession. This relationship also provides strong support for the fiscal relief component of the Obama stimulus package as discussed in the next section. Having the federal government provide fiscal relief to the states to enable them to maintain state spending on public services and transfer payments to the needy will moderate job declines during an economic downturn.

Relative strength of factors explaining private job loss by states, July 2008-July 2009

	Relative strength in explaining private job loss	Percentage point impact on job loss rate of a one percentage point increase
Manufacturing employment intensity 2007	medium	0.112
Foreclosure rate 2007	strong	1.455
Change in state government spending, FY 2007 (actual) - FY2009 (planned)	weak	-0.040
Labor productivity (2007 GDP by state per employee) (see note)	weak	-0.174

Figure 4.4
Notes: Percentage point impact figure for labor productivity is that due to a $10,000 increase in productivity. Results are based on a regression with percent private job loss as the dependent variable; R squared (the portion of variation explained by these variables) is 0.429. Relative strength of explanatory variables based on omitted variable analyses. R squared drops to 0.141 when foreclosure rate is omitted. R squared drops to 0.360 to 0.415 when other variables are omitted. See Appendix figure 4.4 for data and sources used in the regression.

[6] In part this period was chosen because it falls after nearly all the state budgets involved were finalized, so the job losses analyzed could not influence the FY09 budgets.

The role of the American Recovery and Reinvestment Act (ARRA) in moderating New York's job losses

The economic freefall in the wake of last September's Wall Street meltdown and credit crunch triggered massive layoffs around the country. In the six months following the meltdown, over 600,000 jobs were lost each month, nearly four times the job loss rate during the recession's first nine months. Consumer and business confidence evaporated, causing Gross Domestic Product—the broadest measure of the level of economic activity—to shrink at a 6 percent annual rate during last year's fourth quarter and this year's first quarter.

By late fall of 2008, most economists agreed that a massive stimulus in the form of federal government spending was urgently needed to brake the freefall. Within a month of taking office, President Barack Obama pushed through and signed the American Recovery and Reinvestment Act (ARRA). ARRA consisted of a broad range of spending initiatives totaling nearly $500 billion, and included $288 billion in individual and business tax cuts.

Figure 4.5 lists the major components of the $787 billion package. Broadly, the chief aims of the spending components of the stimulus bill are to:

- Provide fiscal relief to states to avert severe state budget and local education cuts that would otherwise result from shrunken tax revenues and would exacerbate the downturn
- Fund increased temporary payments to individuals in need including those on unemployment, food stamp and public assistance recipients, and social security and veteran's benefit recipients in order to boost consumer spending
- Invest in education and skills training to increase long-term growth potential
- Promote job creation and long-term growth by funding ready-to-go transportation, waste water systems, and other infrastructure needs such as renovating public housing
- Promote job creation and energy conservation by funding weatherization programs and other "green" jobs.

With a total price tag representing roughly five percent of national GDP, the various funding streams of ARRA were meant to stimulate different segments of the economy: retaining and creating jobs in a range of sectors, providing aid to the unemployed and vulnerable individuals and families, and funding strategic investments to increase long-term growth potential as well as encouraging energy efficiency and development.

As Figure 4.5 indicates, at $140 billion, the largest spending category is state/local fiscal relief. With state and local government budgets imperiled by falling tax revenues, the state/local fiscal relief component was intended to prevent even more drastic reductions in state budgets and local education spending—developments that would have further increased unemployment and worsened the economic downturn.

By design, not all of ARRA's spending streams were channeled immediately into the economy. The first installment of state/local fiscal relief was available to help close state budget gaps this past spring, and a second round will be available next year since states will still be grappling with reduced tax collections. While the emphasis in the infrastructure category was on "shovel-ready" projects for which design requirements were either not needed or had been completed, it still

American Recovery and Reinvestment Act (ARRA) major components

In billions of dollars.	
State/Local Fiscal Relief	$140
Health, Education and Training	$87
Aid to Unemployed and Individuals	$102
Infrastructure	$90
Energy Efficiency and Development	$61
Scientic Research, Public Safety and Other	$19
Subtotal, spending programs	$499
Tax Cuts	$288
TOTAL, spending and tax cuts	$787

Figure 4.5
Source: American Recovery and Reinvestment Act; programs areas re-grouped by FPI.

takes time to finalize contracts and ensure accountability before workers are hired and taxpayer funds prudently flow out the door. Social Security recipients received a one-time $250 increase this past May, but increased federal spending on unemployment insurance benefits will continue until the end of 2010, and increased food stamp allotments will run for five years. And some investments, such as in early childhood education or in areas such as biomedical, climate change and alternative energy research, will provide both a short-term employment benefit as well as yield long-term economic benefits. Thus, ARRA's economic impact will be spread over 2009, 2010, and to some extent, future years.

While it is difficult to precisely estimate ARRA's employment impact, several noted economists have pointed out the substantial and positive economic benefit of the stimulus package. Nobel prize winner Paul Krugman estimates that the stimulus plan saved a million jobs. Economists Mark Zandi of Moody's Economy.com and Dean Baker of the Center on Economic Policy Research both think that GDP in the second quarter of 2009 was 2.5 to 3 percentage points greater than it would have been absent ARRA, a magnitude that translates into a million fewer lost jobs by mid-2009.[7] In its first quarterly report on ARRA, President Obama's Council of Economic Advisers use various modeling techniques to show that ARRA and other policy actions resulted in an August employment level more than one million jobs higher than it otherwise would have been.[8] Were New York to benefit from the one million jobs saved through ARRA in proportion with the state's 6.4 percent share of national population, approximately 64,000 jobs will have been saved statewide. According to this estimate, New York would have lost about a third more jobs over the past year without ARRA.

Much, but not all, of ARRA spending is allocated on the basis of existing program formula and flows through state governments. Some spending goes directly to localities or is disbursed on a competitive grant basis to governments or non-profits.

ARRA will provide at least $27.6 billion in new federal spending to New York State and its residents, with most of that occurring in 2009 and 2010.[9] Over half of New York's $27.6 million allocation is expected to come in the state/local fiscal relief category ($14.1 billion). Mainly because New York has a large Medicaid program, it will receive 12.7 percent of the $87 billion in funds nationally distributed as an increase in the federal share of Medicaid expenditures. States were given some flexibility to use this aid for certain non-Medicaid purposes.

ARRA helped New York close nearly a third of its state budget gap this year. New York State used $6.1 billion in state fiscal relief funds to avert health, public school aid, and social services spending cuts as the state faced a $20 billion two-year budget gap caused by a dramatic reduction in tax revenues. Among other things, health care cuts and the layoff of public school teachers were avoided.[10]

The state also used some of the federal funds to restore $328 million in revenue sharing to New York City. The New York City budget office estimates that $1.6 billion in state/local fiscal relief will flow to the New York City budget and will allow the City to reduce some of its proposed spending cuts.[11]

In examining variations in employment across states in the first six months of the implementation of ARRA, the Council of Economic Advisers concluded that states that received more fiscal relief, as New York clearly did, experienced better employment outcomes than states that received less.[12]

[7] Shamin Adam and Liza Lin, "US stimulus plan saved one million jobs, says top economist," Independent, August 10, 2009; Mark Zandi, "U.S. Fiscal Stimulus Revisited," June 22, 2009, cited in James R. Hornel, Nicholas Johnson, and Lawrence J. Hass, "Correcting Five Myths About the Stimulus Bill, Center on Budget and Policy Priorities, July 10, 2009; and Dean Baker, "Stimulus Works, Give Us More!" Truthout, August 3, 2009. Jan Hatzius, Goldman Sachs chief U.S. economist, projects that the U.S. economy will grow by 3.3 percent in the third quarter. Hatzius told the *Wall Street Journal* that, "Without that extra stimulus, we would be somewhere around zero." Deborah Solomon, "U.S. Economy Gets Lift From Stimulus," *Wall Street Journal*, September 2, 2009.

[8] Executive Office of the President, Council of Economic Advisers, "The Economic Impact of the American Recovery and Reinvestment Act of 2009," September 10, 2009.

[9] New York State (http://www.recovery.ny.gov/DirectAid/aidnewyork.htm), accessed September 7, 2009. The State's $27.6 billion figure is based only on ARRA's spending components and does not include certain spending categories (such as health information technology, high-speed rail, or broadband access and expansion) that have not yet been allocated. As noted in Figure 4.6 below, New York and its residents will receive an additional $880 million, $720 million through the $250 one-time payment to OASDI Social Security recipients, and $160 million in additional TANF Emergency Contingency Funds.

[10] Phil Oliff, Jon Shure, and Nicholas Johnson, "Federal Fiscal Relief Is Working as Intended: The Cases of New York and Virginia," Center on Budget and Policy Priorities, May 26, 2009.

[11] Office of the State Deputy Comptroller for the City of New York, "Review of the Financial Plan of the City of New York," July 2009, Report 7-2010.

[12] Executive Office of the President, Council of Economic Advisers, "The Effects of State Fiscal Relief," September 10, 2009.

ARRA payments to individuals will total nearly $5 billion in New York

In millions of dollars.	
Unemployment insurance (UI) benefit extension and administration	$1,609
UI modernization	$442
UI weekly benefit increase	$510
Food stamp increase	$1,289
Social Security recipients' one-time $250 payment	$720
Supplement Security Income recipients' one-time $250 payment	$166
TANF Emergency Contingency Fund	$167
Total, ARRA payments to individuals, NYS residents	**$4,903**

Figure 4.6
http://www.recovery.ny.gov/DirectAid/aidnewyork.htm, accessed September 8, 2009; FPI estimate for Social Security recipients. The State's website shows $7 million from the TANF Emergency Contingency Fund (ECF). An updated amount is $167 million reflecting, in addition to the $7 million,
$20 million in ECF funds for a new transitional jobs program, and $140 million in ECF funds for a Back-to-School Allowance for the families of 800,000 school-age New York children in families on food stamps or basic assistance.

In addition to the $6.1 billion in federal funds used to close the state budget gap, New York will receive $4.6 billion in federal funding in the 2009-2010 budget year to increase spending in areas such as transportation infrastructure, health care, weatherization, public education, public assistance, child care subsidies, Community Services Block Grants, and criminal justice programs. To help close the state's 2010-2011 budget gap, the state will receive $4.4 billion from the second year of ARRA's state/local fiscal relief.[13]
The second largest category of ARRA stimulus spending is aid to unemployed and needy individuals. New Yorkers will receive an estimated $4.9 billion under the four major ARRA spending streams providing temporary payments to the unemployed and needy individuals.[14] The National Employment Law Project estimated that ARRA's $25 weekly unemployment insurance increase provided $260 million to New Yorkers in ARRA's first six months through July 2009.[15] New York's 2.4 million food stamp recipients will receive a 13 percent increase in their monthly food stamp allowances. ARRA provided for a one-time $250 payment to be sent in May to all of New York's 3.5 million recipients of Social Security and/or Supplemental Security Income. Public assistance recipients in New York will also receive at least $167 million through the TANF Emergency Contingency Fund (ECF) established by ARRA.[16] (See Figure 4.6.) Not included in the above figures is an estimate for New York's share of ARRA's $24.7 billion to provide a 65 percent subsidy of health insurance premiums for the unemployed under the COBRA program.

The funding streams listed in Figure 4.6 are all part of the "personal transfer receipts" category of personal income. An estimated 10 percent growth in personal transfer receipts expected in New York this year will partially offset some of the recession-induced decline in wages and salaries.

New Yorkers are also benefiting from several individual tax reduction provisions, including the "Make Work Pay" reductions in the payroll tax paid by individuals, increased Earned Income Tax Credits, expand-

[13] New York State Division of the Budget, *New York State 2009-10 Enacted Budget Financial Plan*, April 28, 2009.
[14] The state website lists a $4.0 billion figure for aid to the unemployed and individuals, including $1.6 billion designated for federally-funded unemployment benefit extensions and administration. In addition, the $250 one-time payments to Social Security recipients would amount to $775 million for New York's 3.1 million recipients of OASDI. The state figures include only Supplemental Security Income payments.
[15] National Employment Law Project, August 2009. NELP also estimates that New Yorkers received several hundred million dollars in emergency and extended UI benefits attributable to ARRA during the February-July 2009 period.
[16] The ARRA's ECF offers the potential for New York to receive up to $654 million in additional federal resources during the remainder of 2009 and the first nine months of 2010, provided that the state, directly or through some non-federal funding source, can supply a required 20 percent match, and use the funds in one of three ways: to increase basic assistance, provide non-recurrent short-term benefits, or fund subsidized employment or transitional jobs for public assistance recipients. See three FPI issue briefs, "The TANF Emergency Contingency Fund in the American Recovery and Reinvestment Act," http://www.fiscalpolicy.org/tanf_contingencyfunds.html.

ed child tax credit, the expanded credit for college tuition, and the ARRA provision that temporarily excludes from federal taxation the first $2,400 an individual receives in unemployment insurance benefits. Based on New York's 6.4 percent share of the national population, New Yorkers could see a $15.2 billion increase in their disposable income as a result of ARRA's $237 billion in individual tax cuts.

Thus, certainly through its two major spending categories—state/local fiscal relief and aid to unemployed and needy individuals—ARRA is fulfilling its promise to put the brakes on the economy's freefall in the months following the September 2008 financial market meltdown. The Center on Budget and Policy Priorities (CBPP) estimates that ARRA is helping to close 30 to 40 percent of state budget shortfalls nationally, enabling many states to balance their budgets with fewer cuts in essential public services that would harm residents and worsen economic decline.[17] At a national level, the increased aid to the unemployed and individuals provided by ARRA helped to offset a five percent decline in wage payments during the second quarter of 2009. Together with the individual tax cuts, the increased aid to individuals boosted disposable personal income by 4.6 percent in the second quarter, helping to sustain consumer spending.[18]

The Center also estimated the effects of seven provisions of ARRA—two related to unemployment insurance, three tax credits for working families, the increase in food stamps, and the one-time $250 payment for retirees, veterans, and people with disabilities—and found that those provisions alone would prevent more than six million Americans, including 419,000 New Yorkers, from falling below the poverty

[17] Phil Oliff, Jon Shure, and Nicholas Johnson, "Federal Fiscal Relief is Working as Intended: The Cases of New York and Virginia," Center on Budget and Policy Priorities, May 26, 2009.
[18] Bureau of Economic Analysis, "Personal Income and Outlays: June 2009," August 4, 2009, Table 6.
[19] Arloc Sherman, "Stimulus Keeping 6 Million Americans Out of Poverty in 2009, Estimates Show," Center on Budget and Policy Priorities, September 9, 2009.

Chapter 5 — New York's wage patterns and an update on troubling long-term trends

Even before the recession set in, many New York workers did not benefit to the degree one would typically expect during the business cycle expansion from 2003 to 2008. Real median wages did not rise in the expansion, and are only slightly above 1990 levels despite considerable productivity growth over this period. Most New York workers have not seen meaningful wage gains since 1990. White women and college-educated women are the only groups to have seen significant wage gains.

Several other troubling trends in New York's economy persist. Nearly 80 percent of income gains in New York between 2002 and 2007 went to the wealthiest four percent of taxpayers, who now receive 44 percent of all income. Meanwhile, despite several minimum wage increases since 2004, the purchasing power of the state's minimum wage is still 20 percent below the 3-person federal poverty line and well below levels that existed through the 1960s and 1970s. New York's labor enforcement efforts have identified 85,000 workers misclassified by their employers as independent contractors in an effort to skirt compliance with mandatory social insurance programs such as unemployment insurance and workers' compensation. Occupational projections indicate that a disproportionate number of new jobs will be low-wage, paying annual wages of less than 150 percent of the average of the three-person and the four-person poverty level.

Real wages for most New York workers have not risen since 1990; only white women and college-educated women have seen significant wage growth

Typically over a business cycle, workers' wages end the cycle at a higher point than at which they started. At the peak of the last expansion, this did not hold true in New York or at the national level. As of 2008, the New York median wage had still failed to regain its 2002 peak of $17.08. In fact, from 2002 to 2008 the median wage decreased 1.7 percent in the state. Nationally, while the median wage rose to a high of $15.95 during this period, it ended 2008 where it had begun in 2002.

Looking at longer-term trends, the median wage of New York workers, adjusted for inflation, grew only 3.4 percent between 1990 and 2008. This was little more than a third of the 9.7 percent growth in the median wage nationwide. The difference between the median wages of New York and the nation as a whole decreased over this time period, with the United States median growing from 88 percent that of New York's in 1990 to 94 percent of New York's in 2008. (See Figure 5.1.)

Real median wages in New York are still below 2002 peak

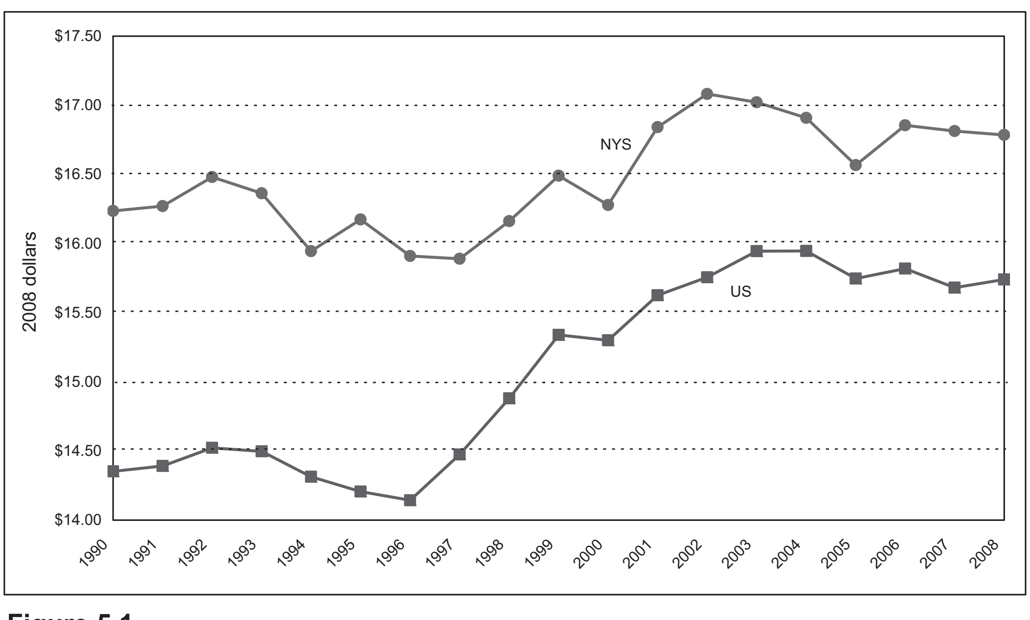

Figure 5.1
Source: Economic Policy Institute analysis of Current Population Survey data.

The real median wages of men and women in New York have moved in opposite directions since 1990. Women's median wages have displayed a generally upward but decidedly uneven trend over this span, increasing by 5.4 percent. Men, however, have seen a decline in their median wage of 4.4 percent over these 18 years, with a spike in 2002 only pushing the male median 18 cents per hour above its 1990 level. (See Figure 5.2.)

Since 1990, median wages of New York men have dropped 4.4 percent, but women's median wages have risen by 5.4 percent

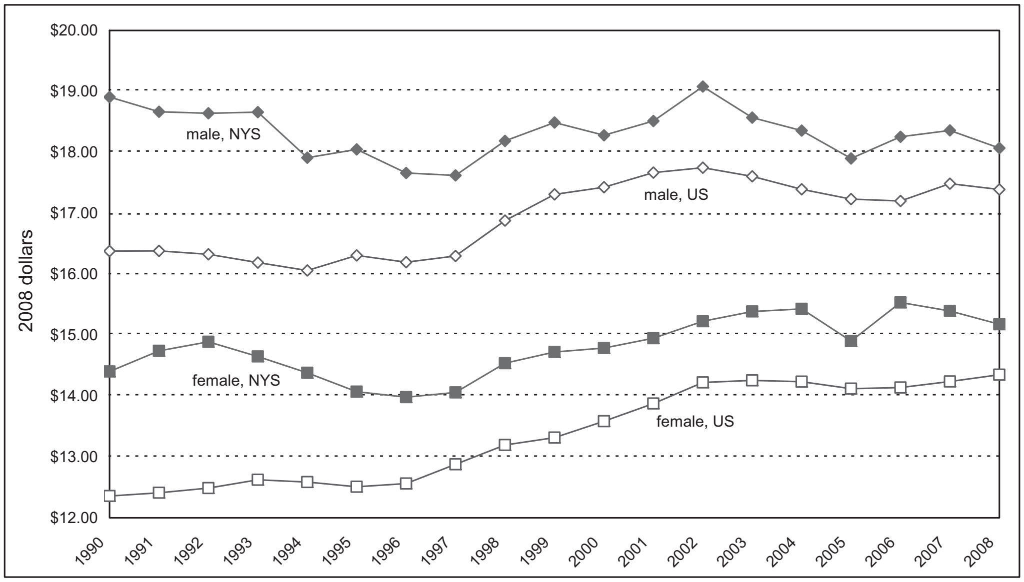

Figure 5.2
Source: Economic Policy Institute analysis of Current Population Survey data.

The gender gap in real median wages in New York shrank ten percent between 1990 and 2008, but it is still substantial

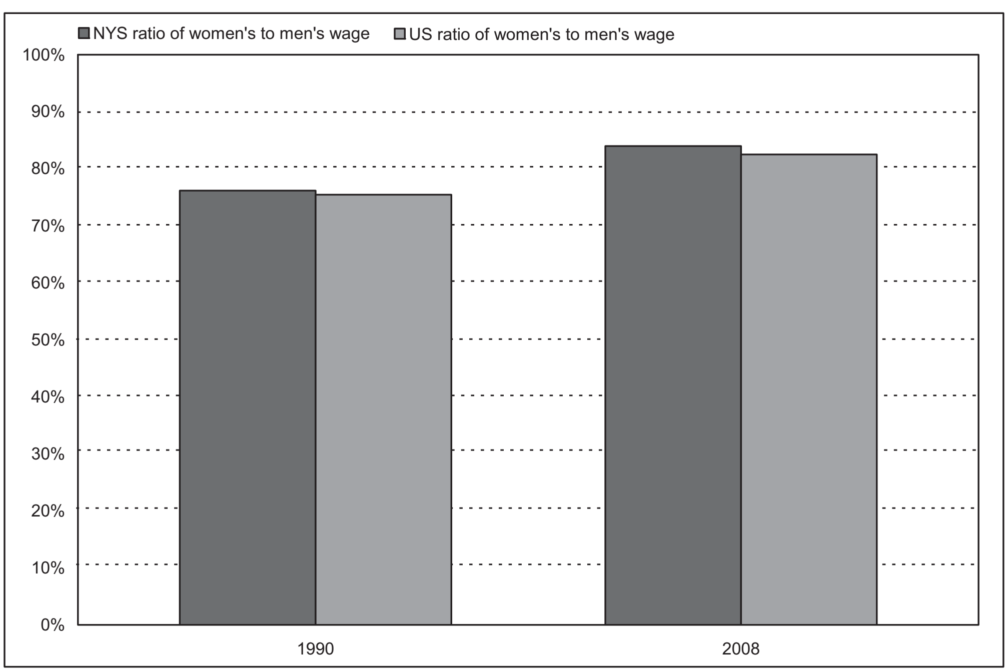

Figure 5.3
Source: Economic Policy Institute analysis of Current Population Survey data.

As a percentage of men's median wages, New York women's median wages have drawn somewhat closer, reaching 84 percent of men's in 2008. (In 2006, the gender gap was at its most narrow in New York, with the typical woman earning 85 cents for every dollar earned by a man.) Nationally, the gender gap in median wages has followed a similar pattern over this time period. (See Figure 5.3.)

Between 2002 and 2008, New York men's median wages suffered a decline of more than five percent. However, the median wage of women dropped by less than a third of one percent between these same years.

White non-Hispanic males in New York have seen their median wages drop by more than five percent between the 2002 peak and 2008. Looking further back to 1990, the subsequent 18 years largely present a picture of stagnation for this group. In real terms, the 2008 wages of these workers are less than one percent higher than they were in 1990, whereas the wages of their national counterparts registered a 7.5 percent increase over the same time span.

The median wages of white non-Hispanic males in New York have stagnated, while those of black non-Hispanic males have seriously declined, dropping by 9.6 percent between 1990 and 2008. As with white non-Hispanics, black non-Hispanic median wages peaked in 2002, reaching a high of $16.47. But this peak was short-lived, and the median has fallen precipitously to $14.20 in 2008, a decline of 13.8 percent. This percentage drop in real wages is more than two and a half times the size of that experienced by white non-Hispanic males between 2002 and 2008.

The median wage of the state's Hispanic males ended up in 2008 only 1.5 percent higher than where it started in 1990. However, in recent years the median wage of this group appears to have bucked the trends shown by the wages of non-Hispanic white and black males, dropping when the other groups' wages peaked in 2002 and then gaining 11.7 percent between 2002 and 2008. In 2008, Hispanic male median wages effectively matched those of the state's black non-Hispanic males. (See Figure 5.4.)

White and black males' wages have fallen from their 2002 peak in New York, but Hispanic males have progressed in recent years

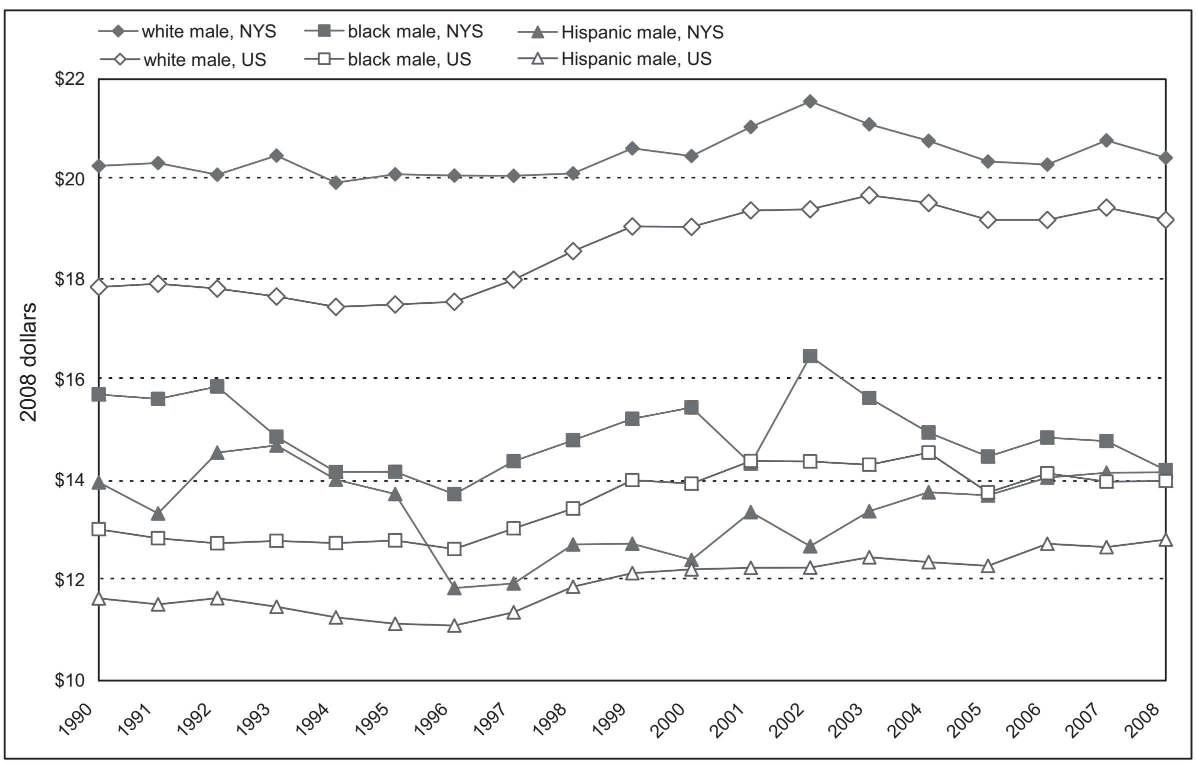

Figure 5.4
Source: Economic Policy Institute analysis of Current Population Survey data.

Women's wage trends in New York diverge by race and ethnicity

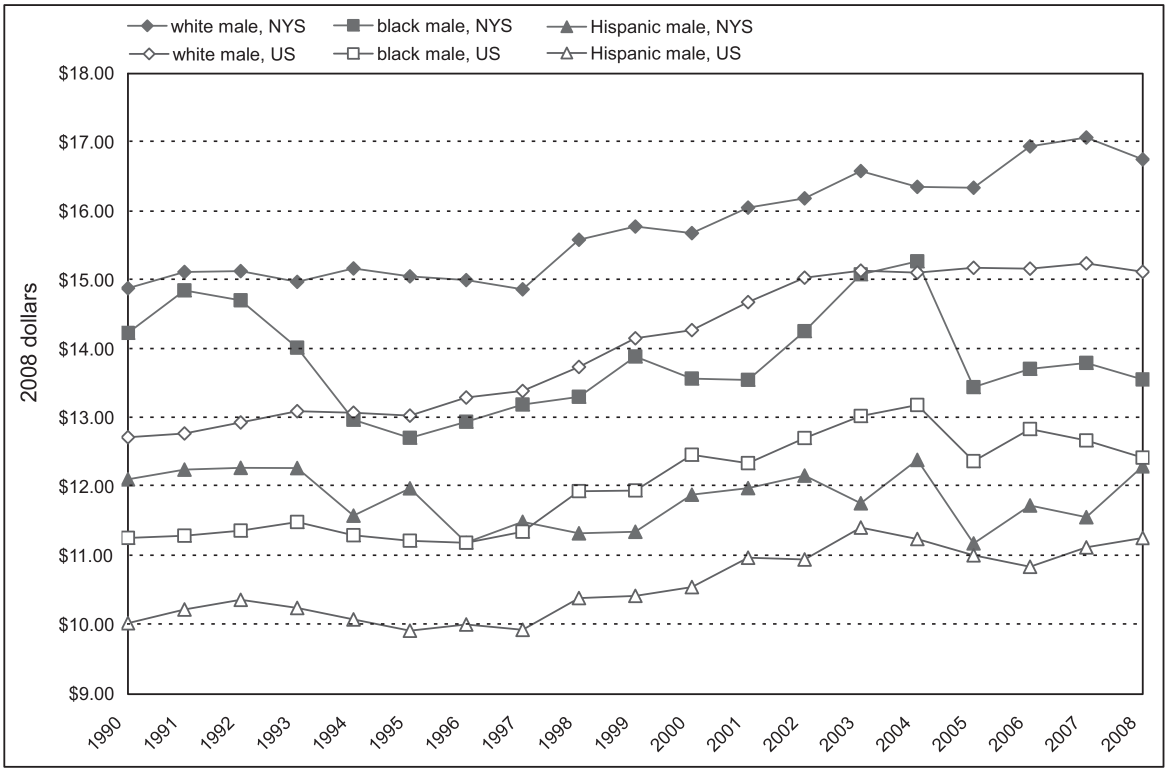

Figure 5.5
Source: Economic Policy Institute analysis of Current Population Survey data.

For New York's women, the wage picture is also mixed when race and ethnicity are considered. Over the 1990-2008 period, white non-Hispanic women's median wages in New York increased 12.6 percent in real terms. And while the overall state median, the male median, and the non-Hispanic white and black male medians all peaked in 2002, the white non-Hispanic female median wage reached its high of $17.07 five years later in 2007.

The state's black non-Hispanic women experienced a decline in real median wages of 4.8 percent between 1990 and 2008. Since 2004—the peak year for this group—wages have dropped by 11.3 percent.

The wages of New York's Hispanic women are the lowest of these three groups. Since 1990, their median wages when adjusted for inflation have barely budged, increasing by only 1.6 percent. As with black non-Hispanic females, their real wages peaked in 2004.

New York males are losing their higher wage status relative to the national average

Since 1990, New York's male workers have almost always maintained higher real median wages than their national counterparts with the same level of educational attainment. However, over the past six years, there has been a convergence between the real median wages of men in all of the state's educational attainment groups and those of their peers at the national level. In 1990, a New York male with at least a Bachelor's degree had a median wage that was 7.8 percent higher than that for workers with the same educational attainment nationwide. In 2008, the difference was less than one percent. For males with some college (either an Associate's Degree or some college coursework), the national median has been drawing closer to New York's for over a decade, and it surpassed New York's in 2008. In the same year, the median wage of New York males with a high school diploma remained above that of the national median

Males in New York no longer enjoy a significant wage premium in comparison to their national peers with similar levels of educational attainment

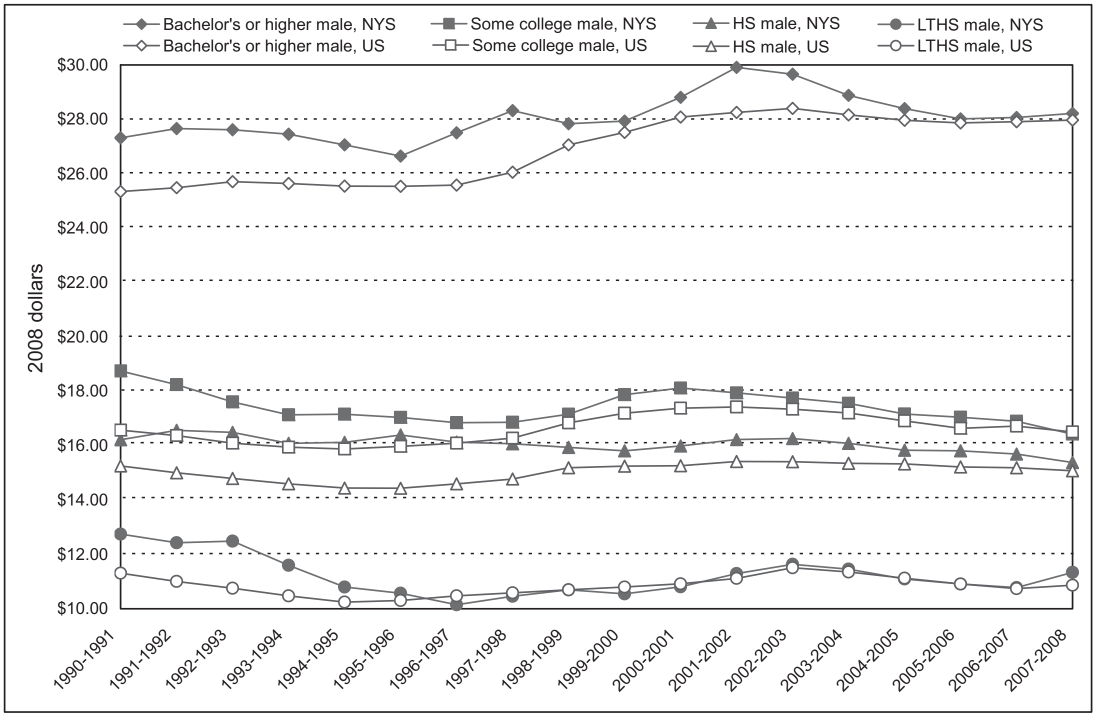

Figure 5.6
Source: Economic Policy Institute analysis of Current Population Survey data.

In New York, only women with at least a Bachelor's degree have maintained their wage advantage over their national counterparts

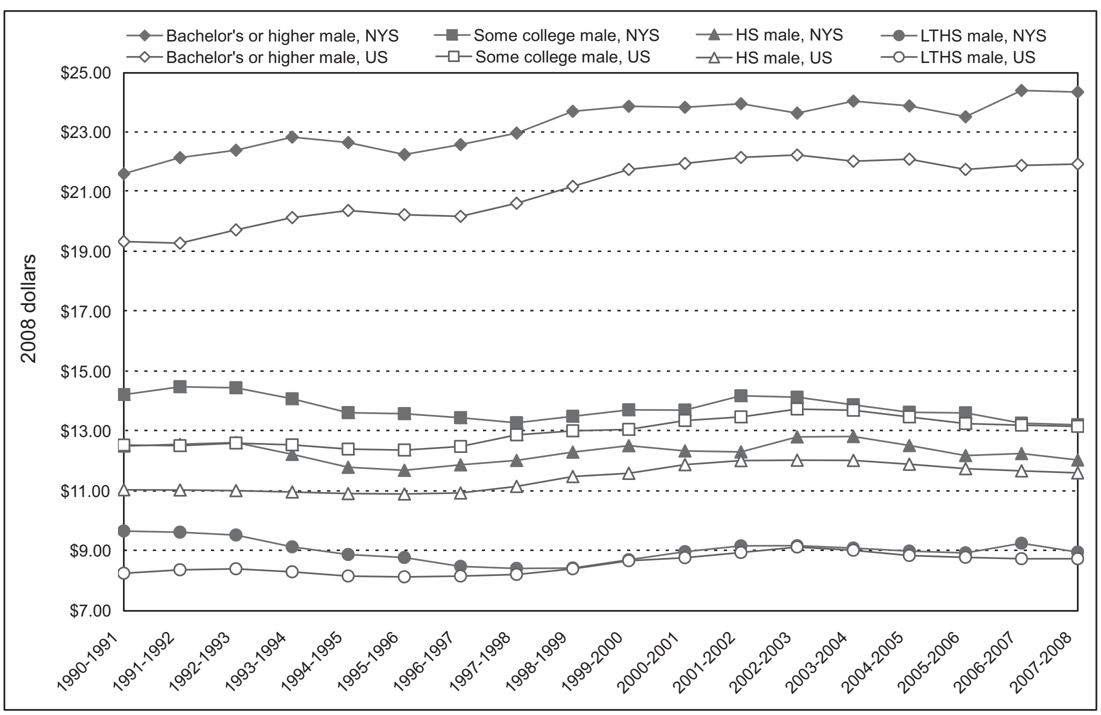

Figure 5.7
Source: Economic Policy Institute analysis of Current Population Survey data.

but only by two percent. For males without a high school diploma, the state's median converged with the national in 2005, although in 2008 it gained an advantage of 4.4 percent. (See Figure 5.6.)

New York women with a Bachelor's degree maintain a wage advantage over their national counterparts

For New York's female workers, there has also been convergence with the national median wages at lower levels of educational attainment, but women with at least a Bachelor's degree have continued to have a fairly large advantage (+11 percent) over their national counterparts. The wage advantage of the state's women with some college, a high school diploma, or no high school diploma is small to negligible when compared with the national median for women with similar levels of educational attainment. (See Figure 5.7.)

Worker productivity outpaces wage gains

Wages and productivity in New York grew in tandem during the late 1990s but since 2000, modest productivity growth has exceeded average wage growth. Productivity growth is measured by the change in real gross domestic product per worker, and the average annual real wage is total inflation-adjusted wage payments divided by the number of wage and salary workers.[1] Productivity per worker increased by about 13 percent from 2000 to 2008 while average wages grew by only 8 percent over that period. (See Figure 5.8.) The figures used in Figure 5.8 represent all New York sectors except for the volatile finance and insurance sector. Since wage growth has been highly concentrated at the upper end of the pay spectrum in recent years,[2] average wages have increased faster than the median wage received by the typical worker in the middle of the wage distribution. The median real

Average wages for New York workers have not kept pace with productivity since 2000

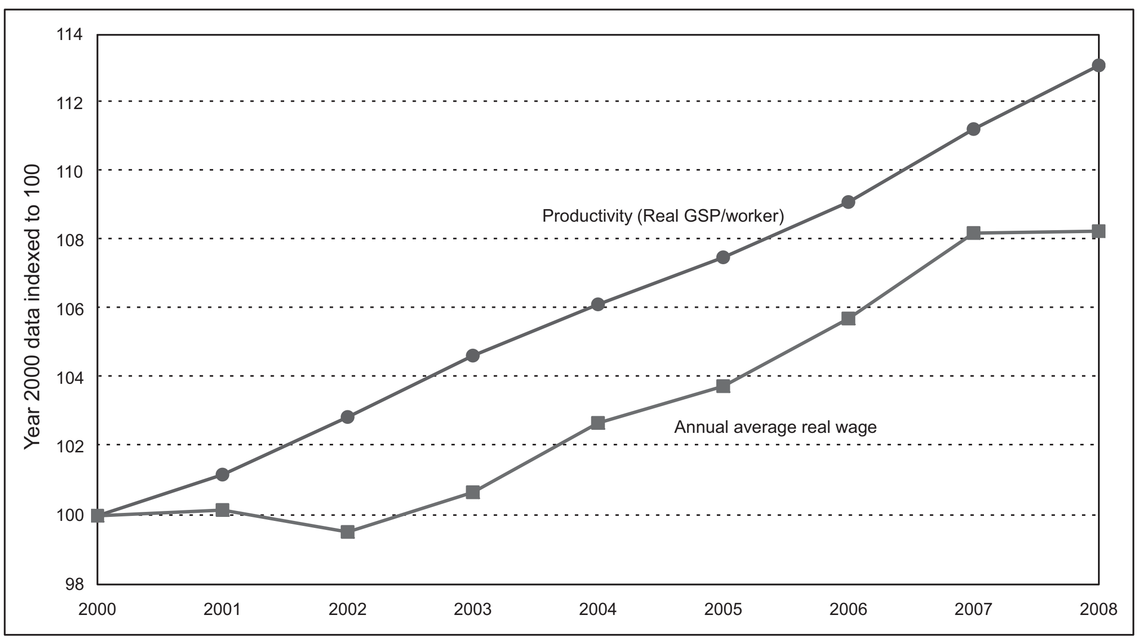

Figure 5.8
Source: FPI analysis of New York State Depatment of Labor and Bureau of Economic Analysis data. Productivity calculated as ratio of real GDP (in 2000 dollars) for New York to Bureau of Economic Analysis employment figures. Average wage from Quarterly Census of Employment and Wages, converted to 2000 dollars using CPI-URS. All data updated as of August 2009.
Notes: Excludes Finance and Insurance.

[1] The Bureau of Economic Analysis employment series, which includes proprietors and the self-employed as well as wage and salary workers, is used to calculate productivity per worker.
[2] From 1995 to 2006, the real hourly median wage in New York increased by 4.5 percent, while the 95th percentile real hourly wage rose by 12.0 percent. FPI, *The State of Working New York 2007: Encouraging Recent Gains but Troubling Long-Term Trends*, September 2007, p. 34.

hourly wage received by New York workers rose by only 3 percent from 2000 to 2008.[3]

New York maintains a strong edge in worker productivity

In the federal government's gross domestic product (GDP) accounting framework, "value added" is the key concept measuring net economic output. In 2008, New York's economy created $1.144 trillion in value added. Value added consists of wages (and other forms of compensation), profits, and tax payments. New York's workers are among the most productive in the United States. In 2007, the latest year for which GDP data by sector are available, New York's value added per private sector worker was 37 percent greater than the national average, and the highest among the 10 largest states. (See Figure 5.9.)

New York's productivity edge holds even when the very high-wage finance and insurance and real estate sectors are excluded from the calculation—the remaining private sector workers are 15 percent more productive than their counterparts nationally. The state's productivity edge is extremely broad-based. In 11 out of 19 private sector industries, New York ranks highest among the 10 largest states in worker productivity. In two other sectors, New York's productivity per worker ranks second highest.

The bulk of New York's income growth from 2002 to 2007 went to the top 4 percent

Incomes have become dramatically more concentrated at the top in the United States since the early 1980s. According to researchers Piketty and Saez, the share of total income going to the top one percent of taxpayers peaked in 1928 at 24 percent, then gradually and steadily receded and stayed below 10 percent throughout most of the 1950s, '60s and '70s. The share going to the wealthiest one percent started to climb in the early 1980s and, by 2007, it was back to the level it reached in 1928.[4]

With national income inequality matching its all-time

Almost all New York sectors have a strong productivity edge - compared to the national average, and compared to other large states

	Real value added per employee, 2006-2007		Ratio of NY value added per employee to US total	New York's rank among 10 largest states
	U.S.	New York		
Private industries	**$66,799**	**$91,456**	**1.37**	1
Agriculture, Forestry, Fishing, and Hunting	$117,507	$79,586	0.68	9
Mining	$113,318	$47,837	0.42	7
Utilities	$370,331	$380,994	1.03	5
Construction	$30,659	$36,599	1.19	1
Manufacturing	$108,332	$110,020	1.02	4
Wholesale trade	$104,606	$114,610	1.10	1
Retail trade	$46,819	$52,885	1.13	2
Trans. and Warehousing, excl. USPS	$64,150	$53,881	0.84	10
Information	$206,051	$307,378	1.49	1
Finance and Insurance	$114,006	$261,377	2.29	1
Real estate, Rental, and Leasing	$176,167	$275,237	1.56	1
Professional and Technical Services	$73,802	$90,521	1.23	1
Management of Companies and Enterprises	$91,345	$146,673	1.61	1
Administrative and Waste Services	$30,177	$40,727	1.35	1
Educational Services	$23,344	$27,693	1.19	1
Health Care and Social Assistance	$42,309	$42,762	1.01	2
Arts, Entertainment, and Recreation	$27,877	$31,055	1.11	4
Accommodation and Food Services	$24,399	$31,918	1.31	1
Other Services, except Government	$23,055	$27,307	1.18	1
Government	$49,799	$53,690	1.08	2
Total private excluding Finance and Insurance and Real Estate	**$57,415**	**$66,002**	**1.15**	1
All industries	$116,597	$145,146	1.24	1

Figure 5.9
Source: Bureau of Economic Analysis Real GDP by States (2000 USD Chained), 2006-2007 (June 2008); Bureau of Economic Employment employment data, 2006-2007 (SA25N, June 2008).

[3] Current Population Survey data analyzed by the Economic Policy Institute.
[4] Emmanuel Saez, University of California at Berkeley, "Income and Wealth Inequality, Updated Tables and Figures, Updated to 2007," August 2009. http://elsa.berkeley.edu/~saez/

More than three-quarters of income growth in New York between 2002 and 2007 has gone to a small number of families at the top: total income of the top 4 percent grew more than six times as fast as total income of the other 96 percent

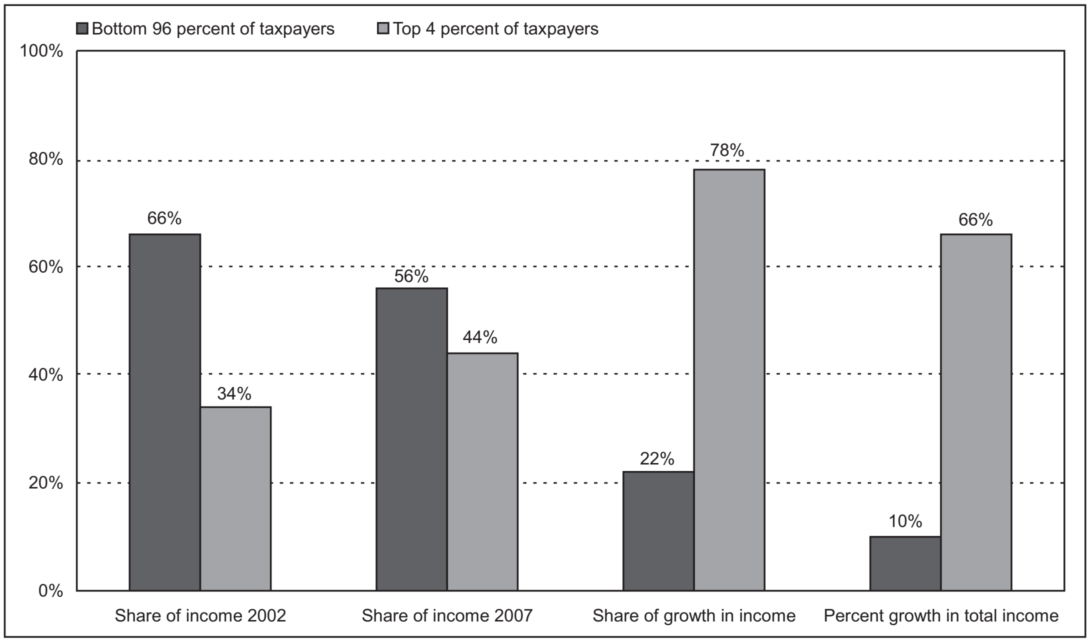

Figure 5.10
Source: Fiscal Policy Institute analysis of Internal Revenue Service data.

high level, it is perhaps not surprising that 78 percent of all income gains in New York between 2002 and 2007 went to the wealthiest four percent of taxpayers, who now receive 44 percent of all income. Incomes for the top four percent grew by 66 percent from 2002 to 2007, while incomes for the other 96 percent of taxpayers increased by only 10 percent, less than the 15.2 rate of inflation over that five-year period. (See Figure 5.10.)

New York's minimum wage still is well below the 1970 peak in purchasing power

New York's minimum wage increased in three steps between 2005 and 2007, rising from $5.15 to $7.15. The third and final step of a federal increase in July 2009 effectively brought the New York minimum to $7.25. Earning this wage, a full-time, year-round worker will gross $15,080 annually. This represents less than 83 percent of the bare-bones federal poverty level for a family of three ($18,310). Further, $7.25 still falls 21 percent below the peak value New York's minimum wage reached in 1970. Taking inflation into account, New Yorkers earning the minimum wage today would need a wage of $9.23 to regain the purchasing power of their 1970 counterparts.

The earnings of New Yorkers who would benefit from a restoration of the state minimum wage's purchasing power are vital to their family's wellbeing. Approximately sixty percent of these workers contribute the largest share of their family's earned income.[5] Among these workers, four out of ten of those in families with children are the sole source of their family's earnings.

A disproportionate number of the workers to benefit from the increased minimum wage are women—not surprising given women's higher probability of being low-wage workers. Raising the minimum wage, there-

[5] Estimates regarding affected workers and family income from Economic Policy Institute analysis of Current Population Survey data.

A full-time worker earning minimum wage in New York makes less than the federal poverty level for a family of three

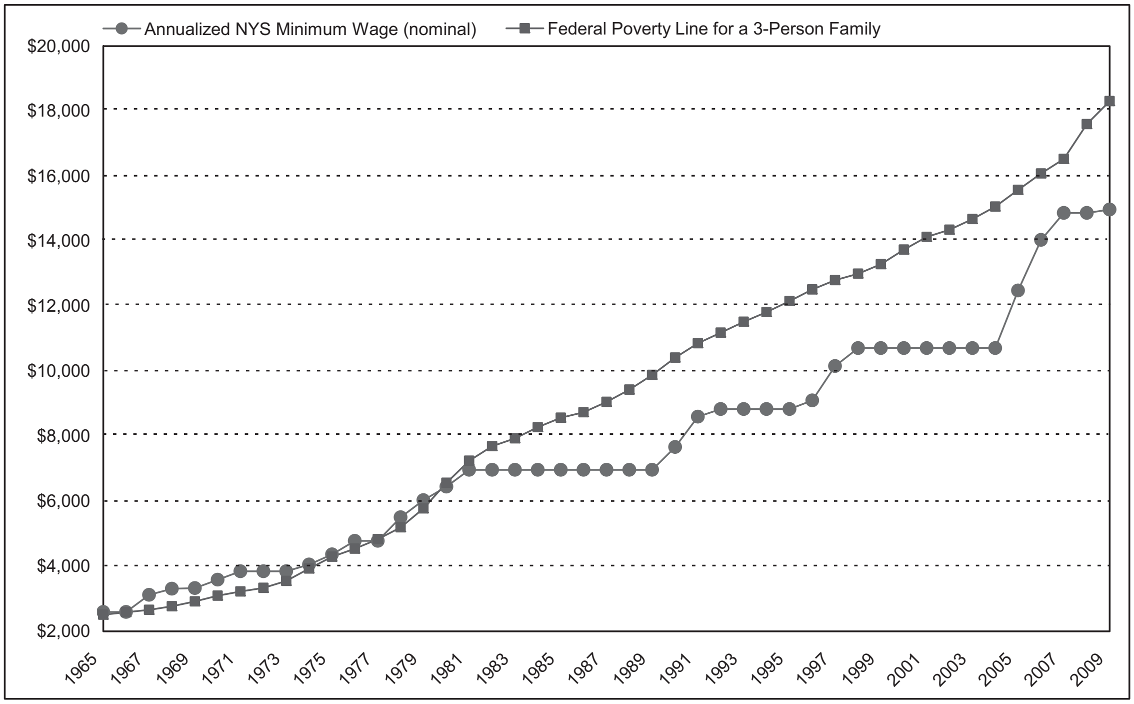

Figure 5.11
Source: NYS Department of Labor; U.S. Department of Health and Human Services.

fore, is one step towards closing the state's gender wage gap between men and women. Research has also demonstrated the role that the erosion of the real value of the minimum wage has played in contributing to increased wage inequality, again with the impact even more pronounced for women workers.[6]

New York State has made significant progress in combating worker misclassification, but the problem remains widespread

One of the labor market developments over the past decade that has undermined the living standards of many workers is the broader emergence of misclassification by employers of workers as "independent contractors." Employers treat workers as independent contractors when they are actually employees in order to circumvent employer liability for payroll taxes and social insurance premiums. Employee misclassification creates significant problems for workers. Misclassified workers are not covered by workers' compensation or unemployment insurance. Their employers do not contribute to the Social Security and Medicare payroll tax, so the employee becomes liable for the full amount (15.3 percent). Such workers also lose overtime pay and access to employer-provided health insurance and other benefits, such as retirement benefits and paid time off. They also lose the right to unionize.

In a 2007 study, researchers from the Cornell Industrial and Labor Relations School examined state unemployment insurance audits to estimate the extent of employee misclassification in New York. Their study estimated that about 705,000 New York workers were misclassified as independent contractors.[7] In its report on widespread non-compliance with workers' compensation in New York, FPI underscored the prominent role that misclassification played in workers' compensation fraud.[8]

Under Governors Spitzer and Paterson, the New York

[6] Nicole M. Fortin and Thomas Lemieux. "Institutional Changes and Rising Wage Inequality: Is there a Linkage?" The Journal of Economic Perspectives, Vol. 11, No. 2 (Spring 1997), 75-96.
[7] Linda H. Donahue, James Ryan Lamare, and Fred B. Kotler, "The Cost of Worker Misclassification in New York State," Cornell University ILR School, February 2007.
[8] Fiscal Policy Institute, "New York State Workers' Compensation: How Big Is the Coverage Shortfall?" January 24, 2007.Vol. 11, No. 2 (Spring 1997), 75-96.

New York has made progress cracking down on the misclassification of workers as independent contractors

NYS data on enforcement against employee misclassification	
Instances of employee misclassification	12,300
Misclassified workers identified	85,000
Unreported wages	$ 15.7 million
Unpaid wage assessments	$12.2 million
Unemployment taxes assessed	$ 4.8 million
Unemployment insurance fraud penalties	$ 1 million
Workers' compensation fines and penalties	$1.1 million

Figure 5.12
Source: Annual Report of the Joint Enforcement Task Force on Employee Misclassification (New York), February 1, 2009.
Note: Employee misclassification is usually associated with employer noncompliancewith state unemployment insurance and workers' compensation requirements.

State Labor Department has started to vigorously enforce state labor standards. In an annual report submitted 16 months after the formation of an enforcement task force, the Labor Department reported that enforcement efforts identified 85,000 misclassified workers, issued assessments for $12.2 million in unpaid wages, and assessed some 12,000 employers millions of dollars in unemployment and workers' compensation taxes, fines and penalties. (See Figure 5.12.) Curbing such labor abuses not only benefits exploited workers; it also helps law-abiding employers by leveling the playing field among businesses when it comes to compliance with long-standing labor standards.

Occupational projections to 2016 show disproportionate growth in low-wage jobs

New York State Labor Department occupational projections to the year 2016 indicate that over one-third (34.4 percent) of the net new jobs projected for New York will be in low-wage occupations paying less than $14 an hour, such as home health aides, retail salespersons, waiters, or janitors. This $14 threshold is equal to 150 percent of the average of the federal poverty level for a three-person family and for a four-person family. However, in 2006, low-wage occupations represented only about one-sixth (16 percent) of all jobs. Thus, the projection to 2016 is that low-wage jobs will account for a share of net job growth that is more than twice their share of jobs in 2006. (See Figure 5.13.)

Low wage jobs dominate 11 of the 20 occupations projected to add the most jobs in New York State over the coming decade

		Employment			Annual wages		
Low-wage jobs	Title	2006 employment	Projected employment change	Share of new jobs	Median	Entry	Experienced
	All occupations	**9,317,650**	**574,400**	**100%**	**$37,610**	**$20,840**	**$63,240**
•	Home Health Aides	138,290	52,320	9.1%	$21,570	$17,430	$25,190
•	Retail Salespersons	280,650	28,170	4.9%	$21,500	$16,800	$31,540
•	Personal and Home Care Aides	74,680	26,110	4.5%	$22,320	$19,010	$23,650
	Registered Nurses	169,400	24,120	4.2%	$69,690	$50,370	$82,690
	Customer Service Representatives	136,160	19,040	3.3%	$31,800	$21,550	$40,690
•	Janitors and Cleaners, except Maids and Housekeeping Cleaners	190,410	16,220	2.8%	$25,170	$17,700	$32,040
	Executive Secretaries and Administrative Assistants	147,060	14,470	2.5%	$46,010	$33,850	$55,930
	Accountants and Auditors	106,960	13,510	2.4%	$69,900	$50,050	$92,540
	Computer Software Engineers, Applications	32,250	12,240	2.1%	$89,330	$62,720	$107,200
	Nursing Aides, Orderlies, and Attendants	104,210	12,100	2.1%	$30,850	$22,520	$34,500
•	Child Care Workers	119,200	12,100	2.1%	$23,070	$17,040	$26,890
•	Office Clerks, General	206,100	11,740	2.0%	$26,280	$18,130	$32,190
•	Waiters and Waitresses	130,830	11,390	2.0%	$22,110	$16,410	$29,680
•	Security Guards	100,550	10,700	1.9%	$25,360	$18,430	$32,790
•	Receptionists and Information Clerks	87,120	10,700	1.9%	$27,230	$20,530	$31,950
	Bookkeeping, Accounting, and Auditing Clerks	142,830	10,610	1.8%	$35,540	$25,130	$42,320
	Carpenters	69,260	10,550	1.8%	$47,350	$30,270	$63,340
	Elementary School Teachers, except Special Education	97,210	10,390	1.8%	$61,870	$42,080	$75,790
•	Food Preparation Workers	88,540	10,270	1.8%	$19,870	$16,430	$24,610
•	Combined Food Preparation and Serving Workers, including Fast Food	73,580	8,000	1.4%	$16,250	$15,680	$19,140
	Total of 20 fast-growing occupations		**324,750**	**56.5%**			
•	**Total of 11 low-wage occupations**	**1,489,950**	**197,720**	**34.4%**			

Figure 5.13

Source: NYS Department of Labor.

Notes: The wage needed to sustain a family of three at 150% of the federal poverty level for 2008 was $26,400; for a family of four it was $31,800. We use the average of these, $29,100, as the "low-wage" cutoff for the median occupational wage. Employment in the 11 low-wage occupations was 16.0 percent of all 2006 employment. Annual wages are in 2008 dollars. Entry wage is the average of the bottom third of wages in an occupation. Experienced wage is the average of the top two thirds of wagesin an occupation.

Chapter 6 — Recommendations

The *State of Working New York 2009* comes out as the country hobbles through the worst economic crisis since the 1930s. The fact that New York State has been hit less badly than other states gives little grounds for celebration. Knowing that the economy is worse elsewhere will provide little comfort to the more than 850,000 New Yorkers who are currently out of work. But there are significant ways that the federal, state, and local governments can help put the economy back on a better course.

Federal government actions

The recession is a national downturn, and improvements in the New York economy will depend on the national recovery. In a recession, it falls to the federal government to act: consumer spending is weak, private sector investment is down; in a worldwide recession exports cannot take up the slack; and state and local governments have limited ability to make big new investments—in fact they will be struggling just to avoid making big cuts in spending or increases in taxes.

What should the federal government do?

Create another stimulus package. Congress and the Obama Administration's rapid and strong response to the recession were laudable, and the stimulus package is showing clear results. It is already apparent, however, that even once gross domestic product picks up, the country is likely to be in for many months of "jobless recovery." Another substantial round of stimulus spending will be necessary to set the economy on a path toward real and sustainable job growth.

Implement robust regulatory reform. For some six decades after the Great Depression, effective regulation played an important role in preventing a major financial meltdown. The failure of regulation to keep up with the finance industry in recent years was a crucial lesson of this past year's crisis. Robust financial regulatory reform is critical to restoring reasonable credit market access necessary to allow the economy to function properly and to prevent ill-advised and excessive leveraging, risk-taking and use of poorly understood financial instruments.

Respond to the foreclosure crisis. Sub-prime mortgages were at the heart of the financial crisis. Yet, as of September 2009, the federal government has invested vast sums in saving the banking industry, but done very little to help the individuals most hurt by the crisis—people who are losing their homes to foreclosures. A huge and growing wave of foreclosures is wiping out all the wealth that huge numbers of Americans have, and is unfairly hitting low-income communities and people of color especially hard. Foreclosures have a negative impact on other home values, and neighborhoods suffer when houses stand empty. In cases where mortgage holders truly cannot afford the monthly payments on their mortgage, lenders should be required to allow people to stay in their homes as renters, at affordable rents. Whatever the answer, the federal government should focus on a powerful and direct response to this crisis that is wiping out the wealth of millions and destroying communities in the process.

Pass the Employee Free Choice Act. The federal government cannot allow the jobs created in the recovery from this recession to be predominantly low-wage jobs without benefits. Supporting unionization is one of the best ways to make sure that workers are paid fairly, and that wages rise as productivity increases. The Employee Free Choice Act (EFCA) would reform labor law to make it far more difficult for employers to prevent workers from forming unions if they choose to do so.

Reform the country's health-care system. Restructuring the way health-care is organized in the United States will be critical to the health of millions of uninsured and under-insured Americans, and to the global competitiveness of American businesses. The system must become more cost-effective, provide better quality, and be capable of providing universal health care. It is bad for the economy—as well as for families—when workers are trapped in jobs because they have "pre-existing health conditions." The current system is inefficient and ineffective, and needs to be reformed.

State and local government actions

State and local governments cannot play the lead role in countering the recession, but there are important actions they can take to propel New York toward a strong and sustainable recovery.

Workforce, employment, and the social safety net

Invest in higher education. In an economic downturn, more workers seek out re-training and the chance to further their education. Yet CUNY and SUNY—the state's public institutions of higher education—faced declining per capita funding and increasing enrollment even before the recession took hold and the state faced big budget gaps.[1] Investments in higher education are key to maintaining a productive workforce and expanding the middle class; in a recession, they are also an important way to provide options for people who are out of work while upgrading the workforce for when the economy improves.

Target job creation at communities with high unemployment. Given the extraordinarily high levels of unemployment in some communities, job creation should pay particular attention to communities where unemployment is extraordinarily high. For example, if there is another round of federal stimulus spending, that will provide opportunities for job creation that can be targeted to communities with high levels of unemployment. If Governor Paterson signs legislation passed by the assembly and senate, a new public-private initiative, Green Jobs/Green Homes New York, will direct private investment into residential energy efficiency retrofits that will save New Yorkers money on their utility bills and create thousands of new jobs. The state's Empire Zones program is scheduled to sunset in 2010 and the Paterson Administration has announced that it is developing a proposal for a replacement program. Whether the Empire Zones program is reformed or replaced, its original focus on distressed areas should be restored, and it should include provisions to monitor whether the benefits promised are in fact realized.

Modernize New York's unemployment insurance system. unemployment insurance helps displaced workers replace a portion of their lost earnings and thereby helps to stabilize the larger economy, keeping consumer spending from dropping as much as it otherwise would when jobs are lost. Yet, New York's out-of-date system isn't up to the task. Maximum weekly benefit levels need to rise (putting them on par with those in neighboring states) and to be indexed to keep pace with average wages. Solvency and stability need to be restored to the system by increasing the wage base used to determine unemployment insurance payroll taxes. Had New York's maximum weekly benefit been $475 last year instead of $405—pending state legislation would raise the maximum benefit in the first year to $475—nearly $267 million in additional benefit dollars would have been distributed to 283,000 New Yorkers.

Unemployment insurance, like several other safety net programs, also serves an important economic function as an "automatic stabilizer." When the economy worsens, spending on Unemployment Insurance, Food Stamps, and many other safety net programs goes up. When the economy improves, payments decrease. These actions happen immediately—often before economists are even aware there is a change in the economic climate. In a downturn, automatic stabilizers put money into the hands of people who will spend it, which in turn pumps money into the economy and dampens the severity of the downturn.

Ensure that the state's safety net is adequate and accessible. Public assistance, such as the state's basic cash assistance grant, helps maintain a minimum level of economic security for the most vulnerable New Yorkers. After being allowed to erode for nearly two decades, the grant was finally raised this year for the first time since 1990. Yet even after the final projected increase in 2011, its purchasing power will only be at 75 percent of its 1990 value. New York should restore the value of the grant and review policies governing eligibility so that assistance remains accessible to the truly needy in a time of increased economic stress.[2]

[1] See New York's Underinvestment in Public Higher Education, Fiscal Policy Institute, January 2009, http://www.fiscalpolicy.org/UnderinvestmentPublicHigherEd.html.
[2] See New Federal Dollars for New York: The TANF Emergency Contingency Fund in the American Recovery and Reinvestment Act of 2009, Fiscal Policy Institute, August 2009, http://www.fiscalpolicy.org/tanf_contingencyfunds.html.

The federal TANF Emergency Contingency Fund could be used through September 2010 towards such restoration of the cash assistance grant.

Provide hard-hit families more help in getting jobs. State government can take advantage of the remaining $654 million in federal Emergency Contingency Fund money—available to New York through the Temporary Assistance for Needy Families program—to expand current subsidized employment programs or to develop new services to provide more training and public- and private-sector employment. These funds could be used also to provide emergency assistance and time-limited help with the following: security deposits and moving expenses for housing; short-term legal services; transportation support; and other one-shot stimulus payments or lump-sum diversion payments. The recently-announced partnership between New York State and George Soros' Open Society Institute to provide over 800,000 children in households on food stamps and/or public assistance with $200 each as a back-to-school allowance is a good start to using this funding stream as it was intended—to increase economic security for needy families during this recession.[3]

Establish paid family leave. Workers should not have to choose between caring for a sick child or other family member and receiving their paycheck, let alone keeping their job. New York's legislators should follow the lead of other states, including New Jersey, that have enacted paid family leave legislation. A proposal to allow up to 12 weeks of leave at 50 percent of a worker's average weekly wage would help to ease the burden on workers trying to balance the demands of caregiving and employment.

Improve wages for working New Yorkers

Economic expansions in recent years have relied on one form or another of bubble because stagnant or declining worker wages have not provided a firm foundation for sustainable growth. Instead, wage suppression has allowed income polarization to reach historic levels. A sustainable recovery leading to broadly shared prosperity will not occur without various policy actions at all levels. In addition to EFCA at the national level, state and local governments can play an important role.

Increase the minimum wage. New York's current minimum wage of $7.25 can leave workers and their families well below the poverty level. The minimum wage should be raised in steps to restore its purchasing power and thereafter indexed to inflation so that its real value is consistently maintained.

Link economic development policy to job standards. New York State and local governments provide subsidies to numerous development projects, from the World Trade Center site to the Near West Side Initiative in Syracuse to the Kingsbridge Armory in the Bronx. Yet, rarely is there any assurance from the private sector that the jobs created with the support of government investments will be good jobs. Clear standards should always apply to ensure that jobs created with public support pay family-supporting wages and benefits, with clearly defined mechanisms in place to ensure transparency and accountability in the use of these tax dollars. In addition, "clawback" provisions should provide for the recapture of the public's money if the project fails to provide the jobs promised. A vigorous statewide coalition has proposed clear standards that should apply to any development project receiving Industrial Development Agency support. The standards also should apply to New York State's expanded bonding authority associated with the federal American Recovery and Reinvestment Act of 2009.

Continue improvements in labor law enforcement. A shocking number of workers in New York State are paid below the minimum wage, not paid overtime, or are misclassified as independent contractors rather than employees, among a wide range of violations of labor law. Under the Spitzer and Paterson administrations, the New York State Department of Labor has made impressive progress in addressing these employer violations with its misclassification task force, New York Wage Watch, and other initiatives. There is, however,

[3] See New Federal Dollars for New York: The TANF Emergency Contingency Fund in the American Recovery and Reinvestment Act of 2009, Fiscal Policy Institute, August 2009, http://www.fiscalpolicy.org/tanf_contingencyfunds.html; and "Governor Paterson and George Soros Announce Back-to-School Assistance Program for Hundreds of Thousands of New York Children," http://www.ny.gov/governor/press/press_0811091.html.

still a long way to go, and these initiatives should be continued and expanded to make sure that there is a solid floor under all workers, and that employers are not subject to unfair competition from businesses that are breaking the law.

Federal, state, and local governments should keep one final issue clearly in mind as they take actions to move the economy out of the recession. Occupational projections indicate that a disproportionate number of new jobs in the United States will be low-wage, paying less than 150 percent of the poverty level. While there is no doubt that individual workers are likely to achieve more success in the labor market with a college education, it is far from clear that the economy on its current track will produce a sufficient supply of high quality jobs to accommodate all who receive post-secondary schooling. Public policies and private practices are needed to raise the skill requirements of jobs, and to increase the pay for the large majority of jobs that will not require a college degree.

New York State and local budget challenges ahead

Don't counteract the stimulus. New York State and local governments continue to face serious budget challenges, but leaning too heavily on spending cuts can offset the positive economic effects of federal stimulus funds. Also, to the extent that tax and/or fee increases are proposed to moderate budget reductions, increases should make New York's overall tax structure more, rather than less, progressive. The combination of state personal income tax reductions in the 1990s together with increases in local sales and property taxes in recent years has made New York's tax structure more regressive.

Appendix

Data used in analyzing factors affecting differences in private employment losses by state, July 2008 - July 2009

	Private job loss July 08-July 09	Manufacturing employment intensity 2007	Home foreclosure rate 2007	Labor productivity (value added per employee) 2007	Change in projected state spending FY 07-FY 09
Alabama	5.77%	0.186	0.0027%	$62,842	5.1%
Alaska	0.75%	0.056	0.0049%	$100,863	8.6%
Arizona	8.71%	0.081	0.0152%	$69,860	-2.9%
Arkansas	3.48%	0.194	0.0051%	$59,222	8.6%
California	5.90%	0.110	0.0192%	$84,807	2.0%
Colorado	5.48%	0.076	0.0192%	$73,338	11.1%
Connecticut	4.27%	0.133	0.0083%	$94,957	10.7%
Delaware	5.72%	0.091	0.0027%	$112,282	4.7%
District of Columbia	1.42%	0.004	0.0028%	$113,693	12.4%
Florida	5.90%	0.057	0.0200%	$69,463	-8.6%
Georgia	5.98%	0.127	0.0157%	$70,367	11.7%
Hawaii	3.99%	0.030	0.0020%	$71,028	2.2%
Idaho	6.76%	0.121	0.0061%	$54,998	14.9%
Illinois	5.60%	0.133	0.0125%	$81,144	4.3%
Indiana	5.84%	0.220	0.0103%	$66,857	8.0%
Iowa	3.76%	0.183	0.0031%	$63,842	13.6%
Kansas	4.66%	0.167	0.0020%	$63,047	14.2%
Kentucky	5.30%	0.170	0.0027%	$62,380	6.1%
Louisiana	1.41%	0.103	0.0020%	$82,400	2.5%
Maine	3.91%	0.118	0.0004%	$57,841	2.3%
Maryland	2.68%	0.063	0.0083%	$76,924	3.5%
Massachusetts	3.57%	0.105	0.0066%	$83,876	11.1%
Michigan	8.10%	0.174	0.0195%	$69,654	3.8%
Minnesota	4.72%	0.147	0.0051%	$70,872	9.0%
Mississippi	4.19%	0.189	0.0011%	$55,898	17.8%
Missouri	3.32%	0.131	0.0091%	$62,519	12.7%
Montana	2.48%	0.057	0.0027%	$52,926	16.4%
Nebraska	2.58%	0.133	0.0047%	$64,527	11.4%
Nevada	6.99%	0.044	0.0338%	$77,595	6.2%
New Hampshire	2.63%	0.143	0.0021%	$68,183	13.9%
New Jersey	3.34%	0.093	0.0090%	$89,950	6.9%
New Mexico	4.77%	0.058	0.0036%	$67,396	3.4%
New York	**3.04%**	**0.077**	**0.0049%**	**$100,094**	**9.3%**
North Carolina	6.29%	0.159	0.0074%	$71,503	14.4%
North Dakota	-0.27%	0.094	0.0008%	$58,518	24.4%
Ohio	5.40%	0.169	0.0180%	$67,720	10.9%
Oklahoma	3.40%	0.124	0.0052%	$63,150	0.2%
Oregon	6.92%	0.140	0.0054%	$68,218	19.1%
Pennsylvania	3.83%	0.133	0.0030%	$72,993	7.4%
Rhode Island	3.64%	0.122	0.0041%	$75,891	2.9%
South Carolina	4.72%	0.160	0.0022%	$60,488	4.1%
South Dakota	2.27%	0.130	0.0001%	$62,378	11.8%
Tennessee	5.37%	0.163	0.0098%	$65,446	16.1%
Texas	3.10%	0.110	0.0094%	$81,126	-14.2%
Utah	5.41%	0.124	0.0085%	$63,070	11.7%
Vermont	5.27%	0.143	0.0001%	$57,618	4.3%
Virginia	3.71%	0.093	0.0051%	$77,820	-5.3%
Washington	4.42%	0.120	0.0057%	$78,577	7.7%
West Virginia	4.35%	0.104	0.0005%	$62,780	19.3%
Wisconsin	5.06%	0.209	0.0049%	$64,924	7.7%
Wyoming	4.93%	0.047	0.0015%	$80,929	-4.1%
Mean (unweighted)	4.41%	0.120	0.0070%	$72,329	7.7%

Appendix Figure 4.4

Note: Mean is of 50 states plus DC.

Sources: BLS (Current Employment Survey for job losses, and Quarterly Census of Employment and Wages for manufacturing intensity); RealtyTrac.com (foreclosure rate); BEA (labor productivity); and National Association of State Budget Officers for state expenditure changes.