

Balancing New York State's 2002-03 Budget: The Economic Context

Fiscal Policy Institute

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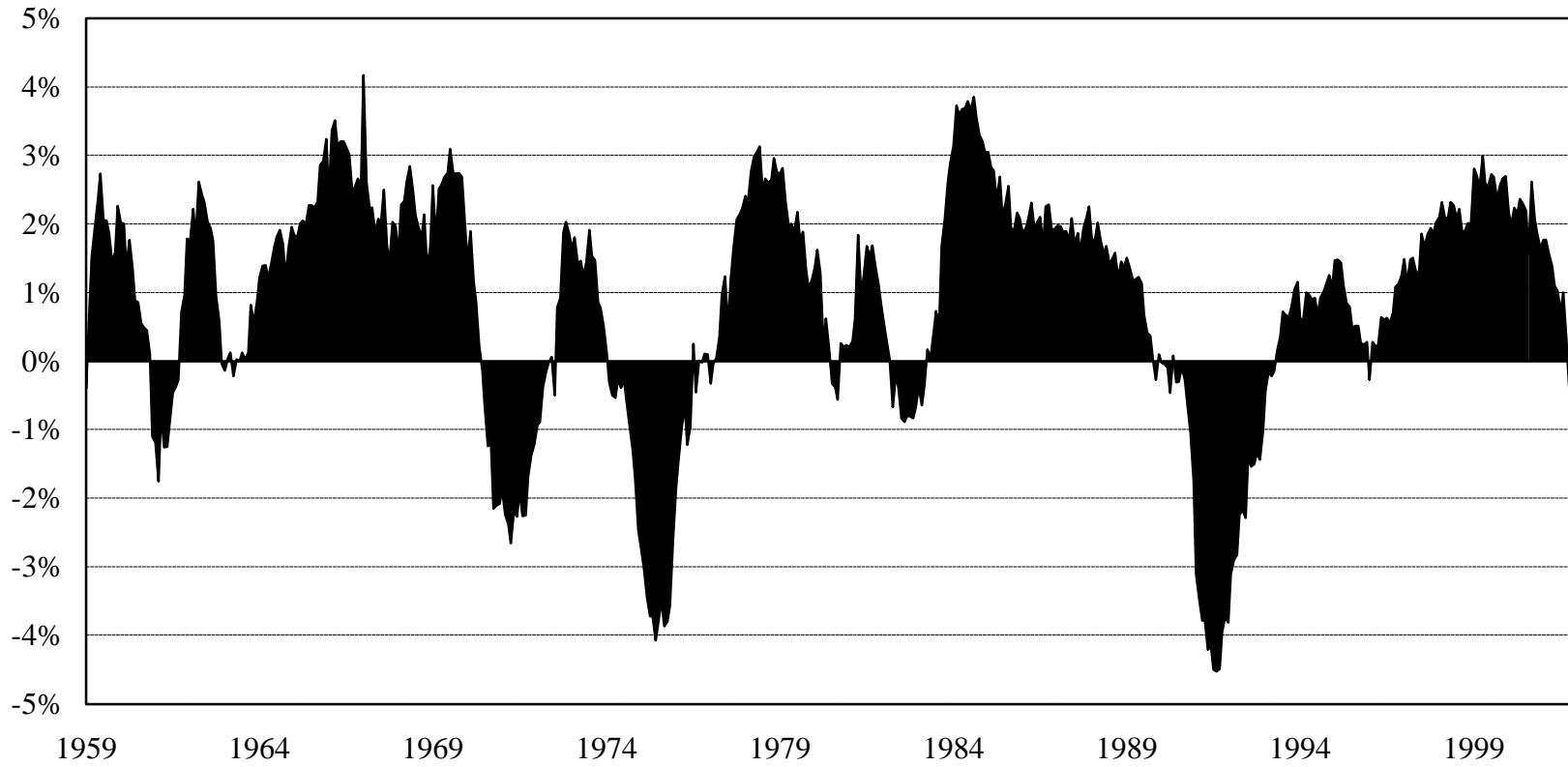
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New York State Nonagricultural Employment, January 1959 - December 2001
Percent Change from Prior Year

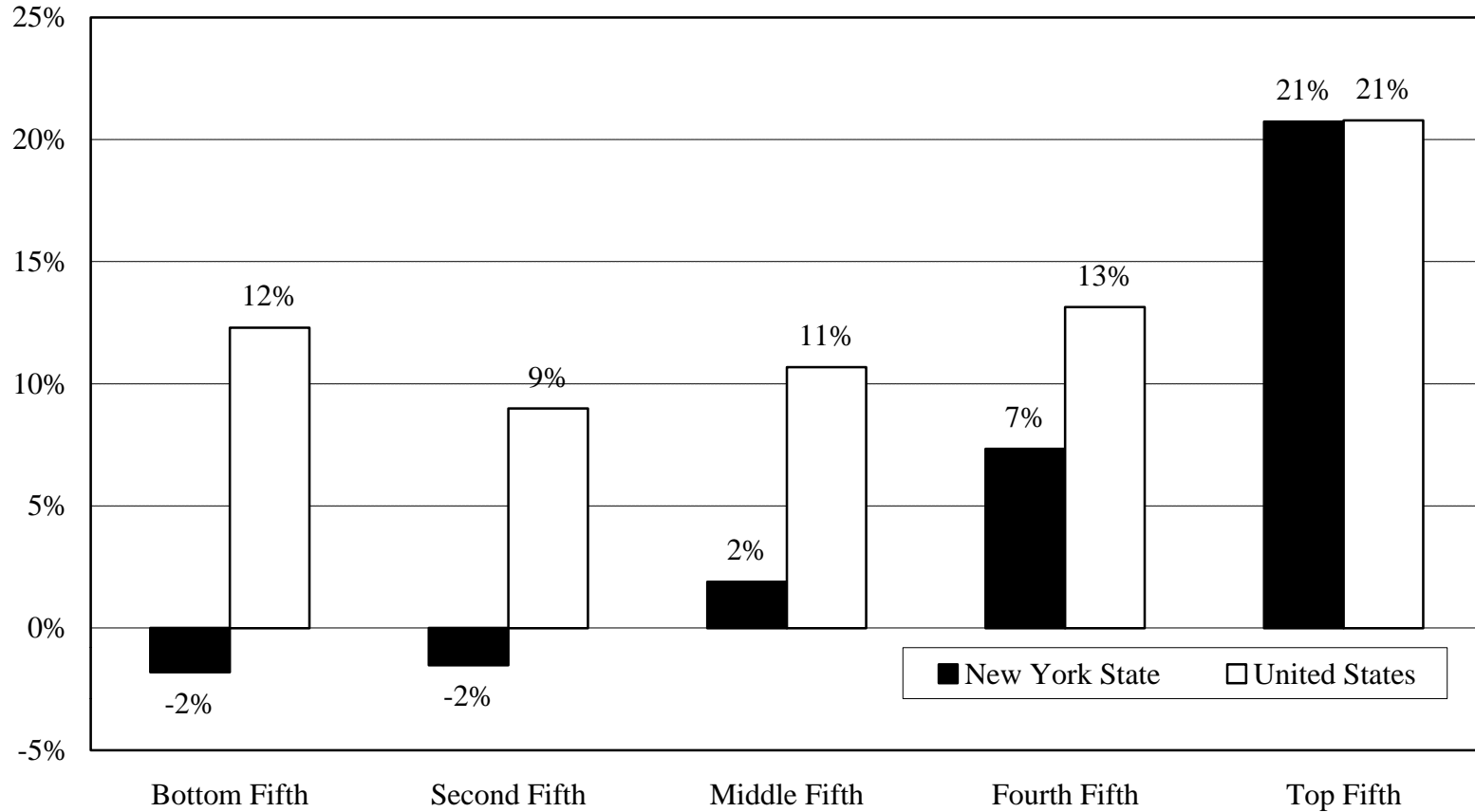
Figure 1



Source: NYS DOL.

Most New York families did not experience income gains in the 1990s.
(Percent Change in Average Income)

Figure 2



Note: Data are combined for three years, 1988/90 and 1998/00.

Source: CPS Data analyzed by EPI and the Center on Budget and Policy Priorities (CBPP).

High income families receive disproportionate shares of income, wages and capital gains in New York.

Figure 3
1998

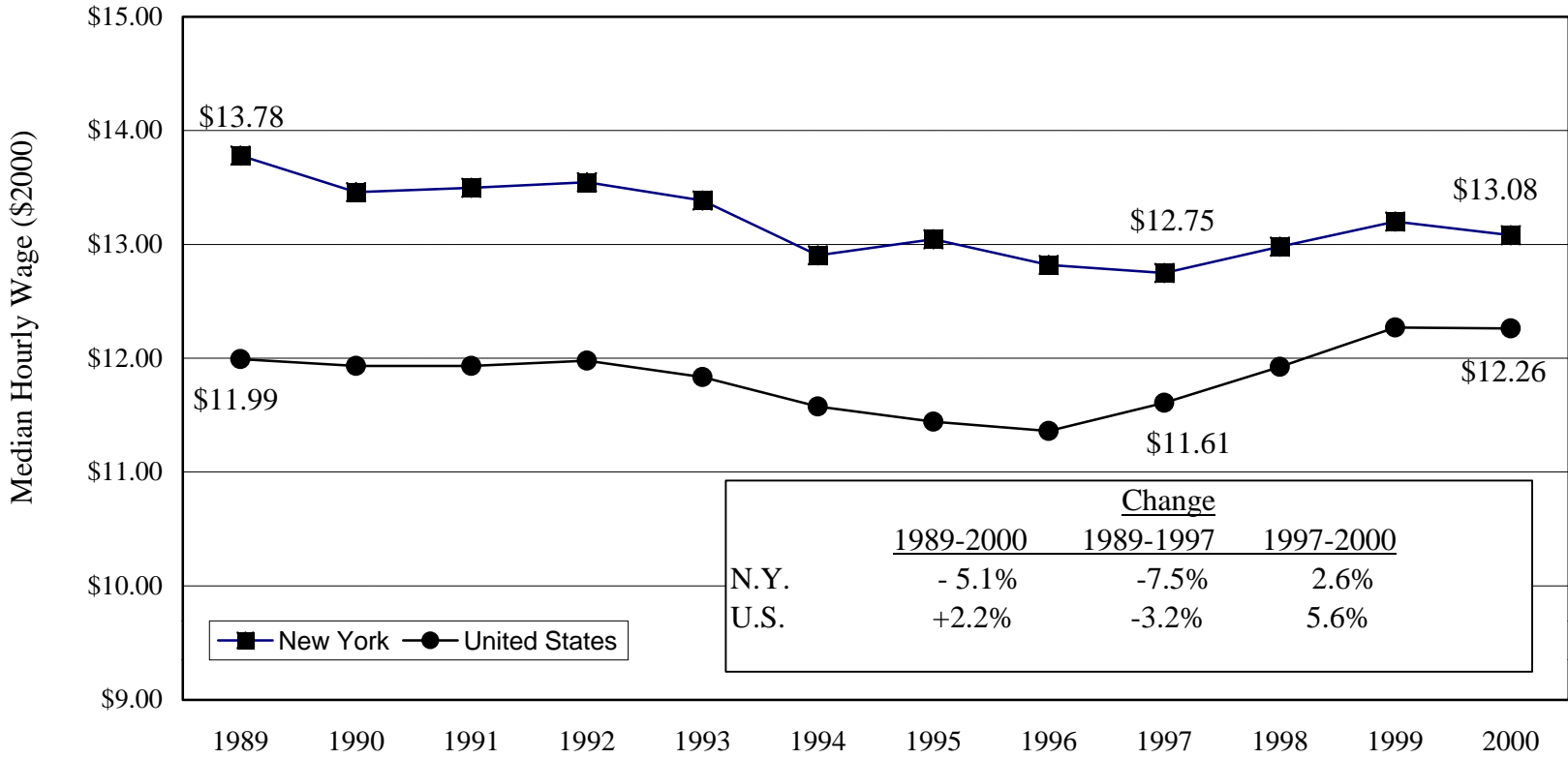
<i>AGI Range</i>	# Filers	# People	Share People	Share of AGI	Share of Wages & Salaries	Share of Capital Gains
Under \$10,001	1,094,669	1,810,471	12.1%	1.6%	1.7%	1.2%
\$10,001-\$30,000	2,511,523	4,610,451	30.8%	12.5%	14.2%	1.4%
\$30,001-\$50,000	1,451,256	3,004,277	20.1%	14.6%	17.6%	2.1%
\$50,001-\$75,000	990,066	2,500,137	16.7%	15.6%	18.4%	3.2%
\$75,001-\$100,000	478,852	1,331,962	8.9%	10.7%	12.3%	3.4%
\$100,001 and over	<u>607,613</u>	<u>1,687,662</u>	<u>11.3%</u>	<u>44.9%</u>	<u>35.7%</u>	<u>88.7%</u>
Total	7,133,979	14,944,960	100%	100.0%	100.0%	100.0%

Note: AGI is adjusted gross income.

Source: New York City Independent Budget Office analysis of New York State Tax and Finance Department data.

While the median wage in New York rose in 1997-1999, middle wage New Yorkers are worse off than they were in 1989.

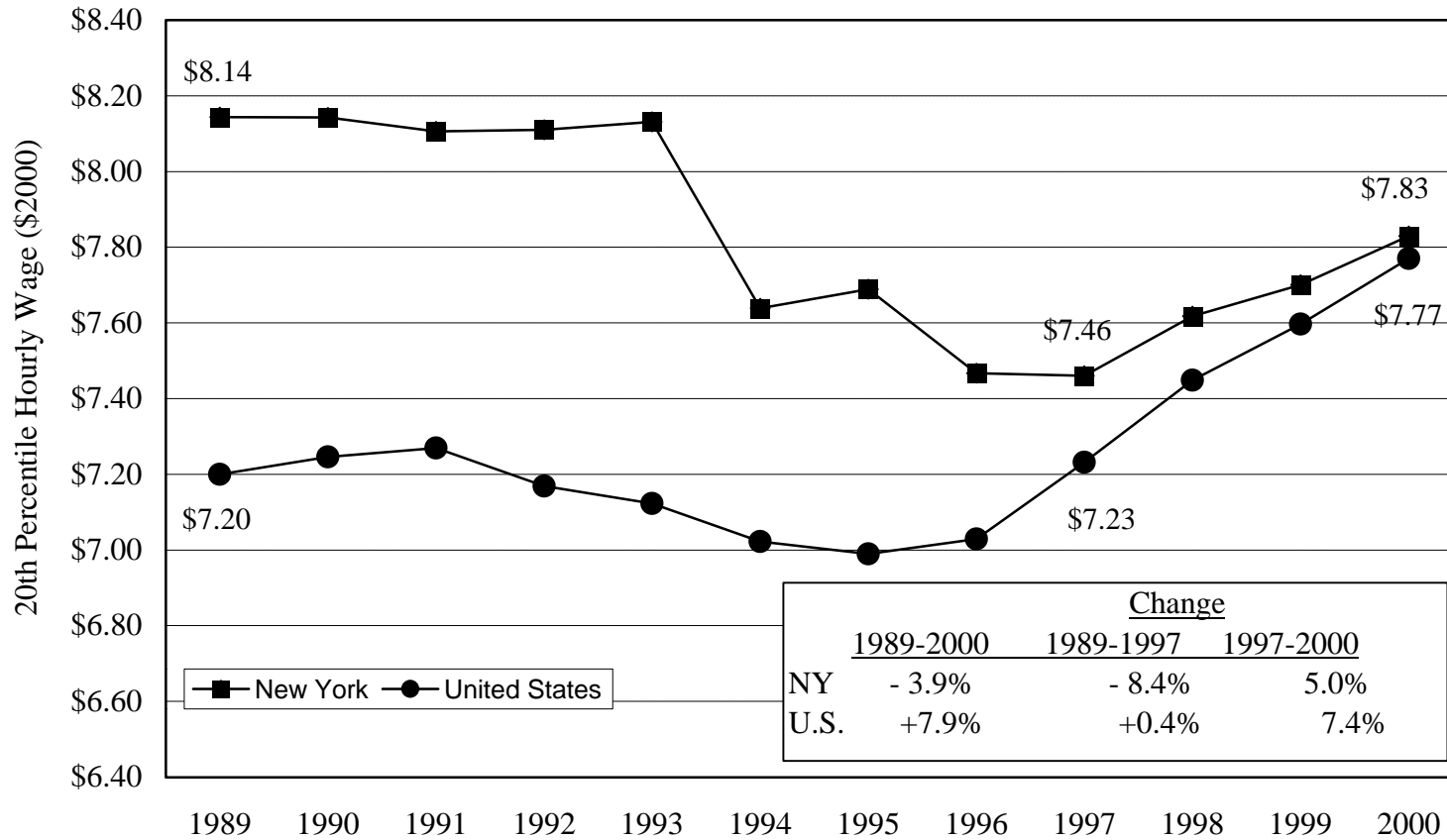
Figure 4



Source: Current Population Survey data analyzed by the Economic Policy Institute.

The wages of low wage workers have rebounded much more strongly in the United States than in New York State.

Figure 5



Source: Current Population Survey data analyzed by the Economic Policy Institute.

The median wage of male workers decreased over the last decade. The wage loss was greatest for Hispanic and Black male workers.

The median wage of female workers increased slightly over the decade. But the wages of Hispanic and Black female workers actually declined.

Figure 6

(2000 dollars)

	Male				
	Median	Non-Hispanic White	Non-Hispanic Black	Hispanic	Other Groups
1988/1989	\$16.01	\$17.47	\$13.89	\$11.64	\$14.56
1999/2000	\$14.86	\$16.52	\$12.40	\$10.00	\$14.06
Percent Change 1988/1989 to 1999/2000	-7.2%	-5.4%	-10.7%	-14.1%	-3.4%
Percent of Median 1999/2000	100%	111%	83%	67%	95%
	Female				
	Median	Non-Hispanic White	Non-Hispanic Black	Hispanic	Other Groups
1988/1989	\$11.64	\$12.50	\$11.64	\$10.19	\$13.10
1999/2000	\$11.89	\$12.50	\$11.00	\$9.30	\$11.63
Percent Change 1988/1989 to 1999/2000	2.1%	0.0%	-5.5%	-8.7%	-11.2%
Percent of Median 1999/2000	100%	105%	93%	78%	98%

Note: Data pooled for two-year periods.

SOURCE: CPS data analyzed by FPI.

From the peak of the 1980s expansion to the peak of the recent expansion, wages and benefits for most New York workers fared poorly.

- Across the state, as well as around the country, there has been an adverse shift in the mix of jobs from good-paying jobs to low-paying jobs.
- Even within industries, New York wages rose much less than in the nation as a whole from 1989-2000.
- From the late 1980s to the late 1990s, New York had a larger drop (-9 percentage points) in private employer-provided health insurance than in the nation (-4 percentage points).
- While nationally, there was a five percentage point increase in private employer-provided pension coverage during the 1990s, in New York there was no improvement.

Upstate job growth continues to lag downstate job growth.

Figure 7

	Nonagricultural Jobs						Average Annual Growth		
	(thousands)	% Change from Prior Year					1993-	1996-	1993-
	2001	1997	1998	1999	2000	2001	1996	2001	2000
New York State	8,690.6	1.6%	2.1%	2.7%	2.1%	0.7%	0.8%	1.8%	1.4%
10 County Downstate Area	5,529.0	2.0%	2.5%	2.9%	2.5%	0.8%	0.9%	2.1%	1.7%
New York City	3,740.3	2.2%	2.5%	2.6%	2.8%	0.5%	0.8%	2.1%	1.6%
Nassau/Suffolk	1,234.8	1.8%	2.4%	3.6%	2.2%	1.5%	1.3%	2.3%	2.0%
Westchester	419.5	1.6%	1.7%	2.9%	1.8%	1.2%	1.0%	1.8%	1.5%
Rockland	111.1	1.8%	4.1%	3.4%	1.4%	1.1%	0.2%	2.4%	1.5%
Putnam	23.3	4.1%	5.4%	5.1%	2.2%	1.0%	1.8%	3.5%	2.9%
Upstate	3,164.2	1.1%	1.4%	2.3%	1.4%	0.3%	0.5%	1.3%	1.0%
Upstate Metropolitan Areas	2,587.5	1.1%	1.3%	2.1%	1.3%	0.2%	0.5%	1.2%	1.0%
Albany-Schenectady-Troy	462.3	1.6%	1.7%	2.4%	1.5%	1.2%	0.2%	1.7%	1.1%
Binghamton MSA	120.4	2.6%	1.1%	2.6%	2.5%	0.2%	-0.9%	1.8%	0.8%
Buffalo-Niagara Falls MSA	556.7	0.9%	0.2%	1.6%	0.6%	-0.2%	0.7%	0.6%	0.7%
Dutchess County MSA	117.4	1.5%	1.7%	3.7%	2.4%	1.6%	0.5%	2.2%	1.5%
Elmira MSA	43.7	1.7%	2.3%	0.7%	-0.5%	-0.4%	1.7%	0.8%	1.1%
Glens Falls MSA	52.2	-0.2%	1.0%	2.0%	1.8%	0.7%	1.3%	1.1%	1.2%
Jamestown MSA	58.9	0.9%	0.7%	0.3%	1.5%	-1.4%	0.8%	0.4%	0.6%
Newburgh NY-PA MSA	132.9	1.9%	2.6%	3.9%	1.7%	1.1%	1.1%	2.3%	1.8%
Rochester MSA	552.4	0.8%	1.5%	1.6%	1.2%	-0.5%	0.7%	0.9%	0.9%
Syracuse MSA	353.9	0.7%	1.3%	2.3%	1.3%	0.4%	0.4%	1.2%	0.9%
Utica-Rome MSA	136.7	0.6%	2.2%	3.1%	1.9%	0.1%	0.5%	1.6%	1.2%
Non-metropolitan areas	576.7	1.3%	1.6%	3.1%	1.7%	0.6%	0.5%	1.6%	1.2%

SOURCE: NYS DOL.

Most Upstate areas had weak total wage growth in the 1990s, often accompanied by paltry job growth and population decline.

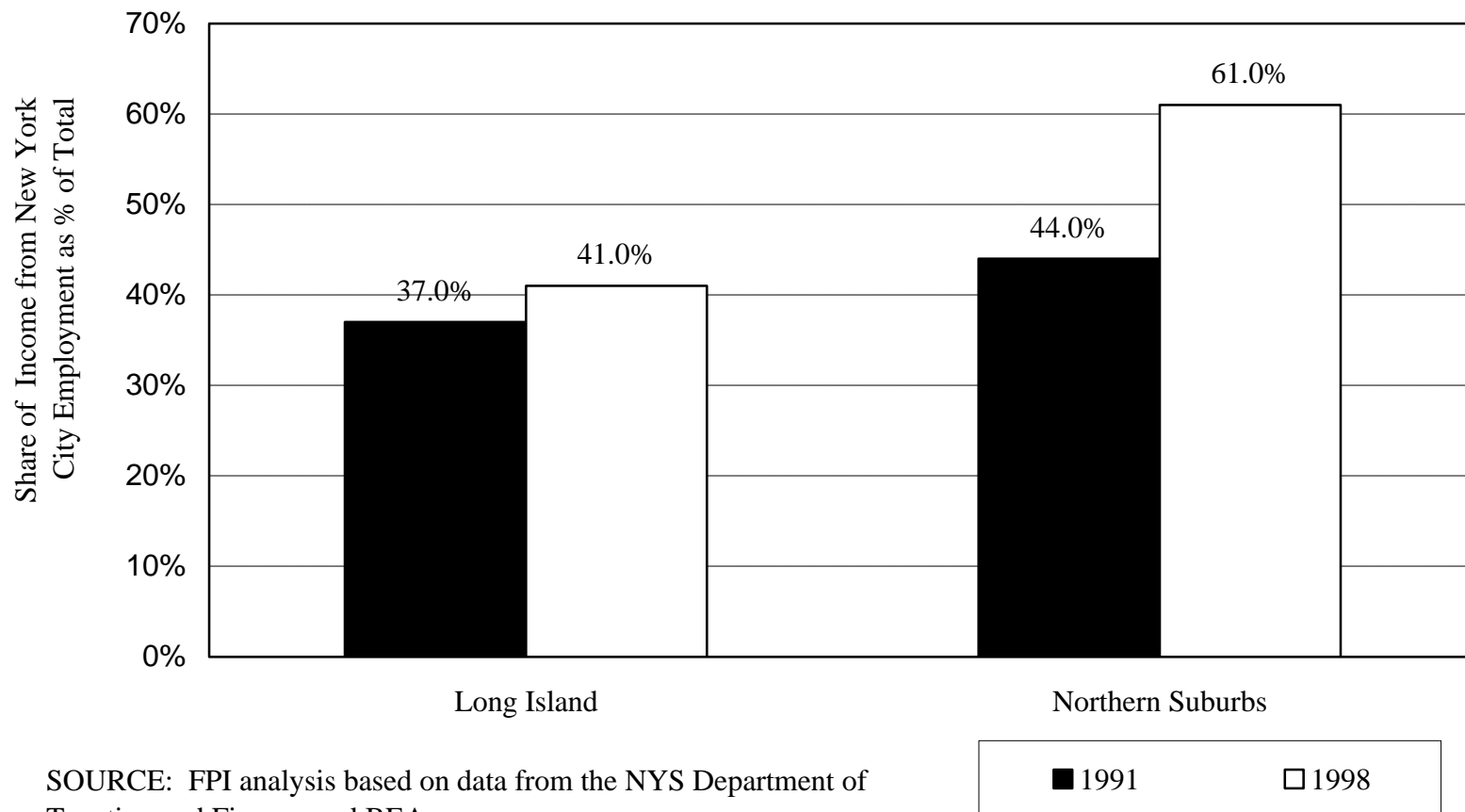
Figure 8

	<u>Total real wage growth 1990-1999</u>	<u>Total job growth 1989-2000</u>	<u>Population growth 1990-2000</u>
New York State	15.7%	4.3%	5.5%
Central New York	-0.4%	0.9%	-1.5%
Mohawk Valley	3.6%	7.8%	-3.5%
North Country	3.2%	6.0%	0.3%
Southern Tier	2.3%	1.8%	-1.7%
Western New York	6.3%	2.2%	-1.5%

SOURCE: NYS Department of Labor, U.S. Bureau of Economic Analysis.

Income earned through employment in New York City
as a share of total income increased dramatically over the decade
for residents in New York City's suburbs.

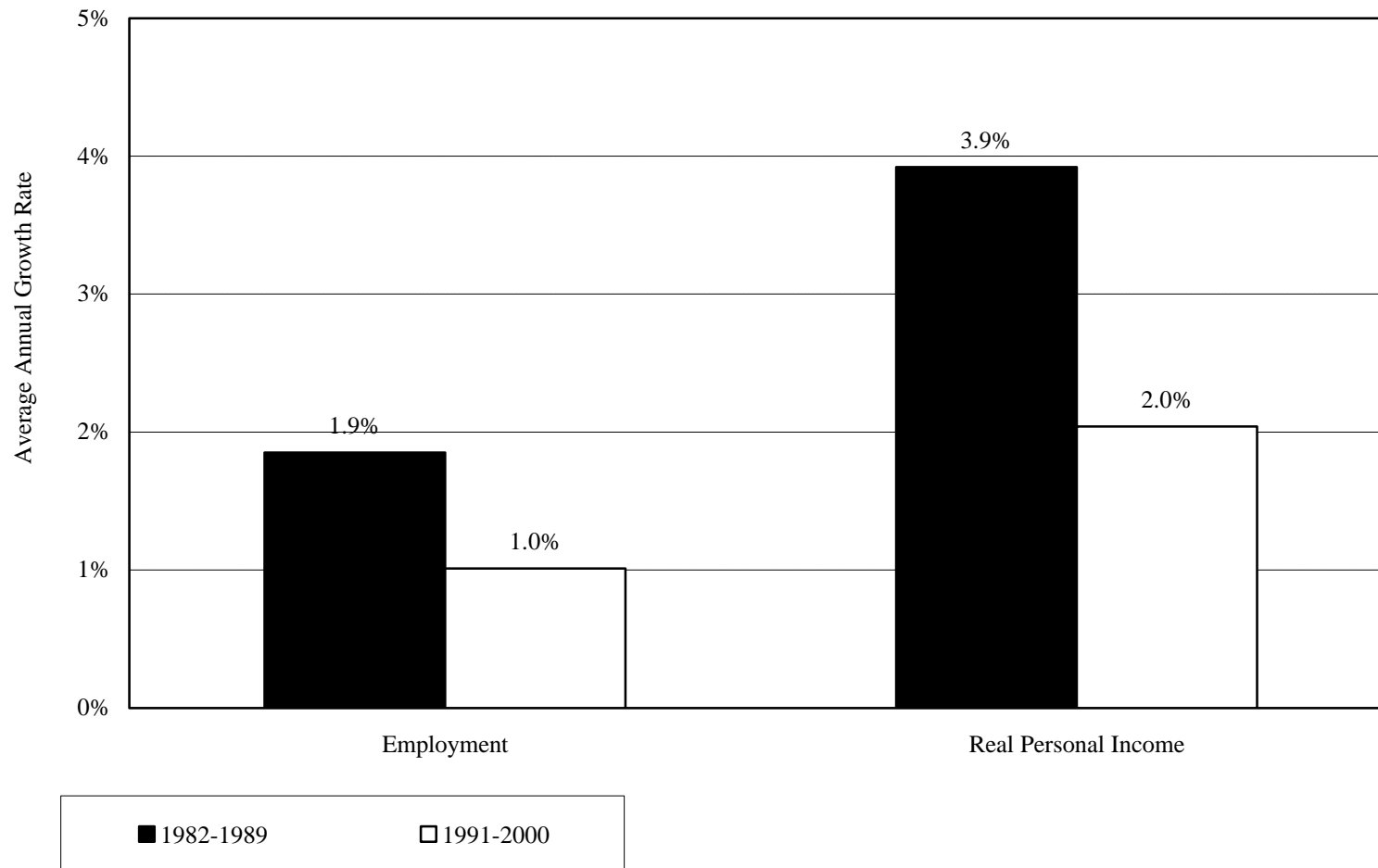
Figure 9



SOURCE: FPI analysis based on data from the NYS Department of Taxation and Finance and BEA.

Both income and employment growth in New York State were stronger in the economic expansion of the 1980s than in the expansion of the 1990s.

Figure 10



The Wall Street securities industry accounted for nearly half of the growth in gross state product during the 1990s expansion.

(Gross State Product, New York, millions, 1996 chained dollars)

Figure 11

<u>INDUSTRY</u>	Absolute Change		Share of Total GSP Change		Annual Growth Rate	
	<u>1982-89</u>	<u>1992-99</u>	<u>1982-89</u>	<u>1992-99</u>	<u>1982-89</u>	<u>1992-99</u>
Total Gross State Product	\$126,147	\$142,110	100%	100%	3.5%	3.1%
Security Brokers	\$12,343	\$67,581	9.8%	47.6%	13.4%	21.3%
All Other Industries	\$113,804	\$74,529	90.2%	52.4%	3.2%	1.8%
Construction	\$10,644	\$1,708	8.4%	1.2%	9.1%	1.3%
Manufacturing	\$11,062	\$4,474	8.8%	3.1%	2.2%	0.9%
Transportation & utilities	\$2,661	\$9,105	2.1%	6.4%	1.0%	2.7%
Wholesale & retail trade	\$22,603	\$27,272	17.9%	19.2%	5.0%	4.6%
FIRE (except securities)	\$20,115	\$13,425	15.9%	9.4%	2.3%	1.3%
Services	\$35,815	\$17,346	28.4%	12.2%	4.4%	1.7%
Government	\$7,930	\$1,381	6.3%	1.0%	1.7%	0.3%
Agriculture and mining	\$781	\$674	0.6%	0.5%	3.9%	2.7%

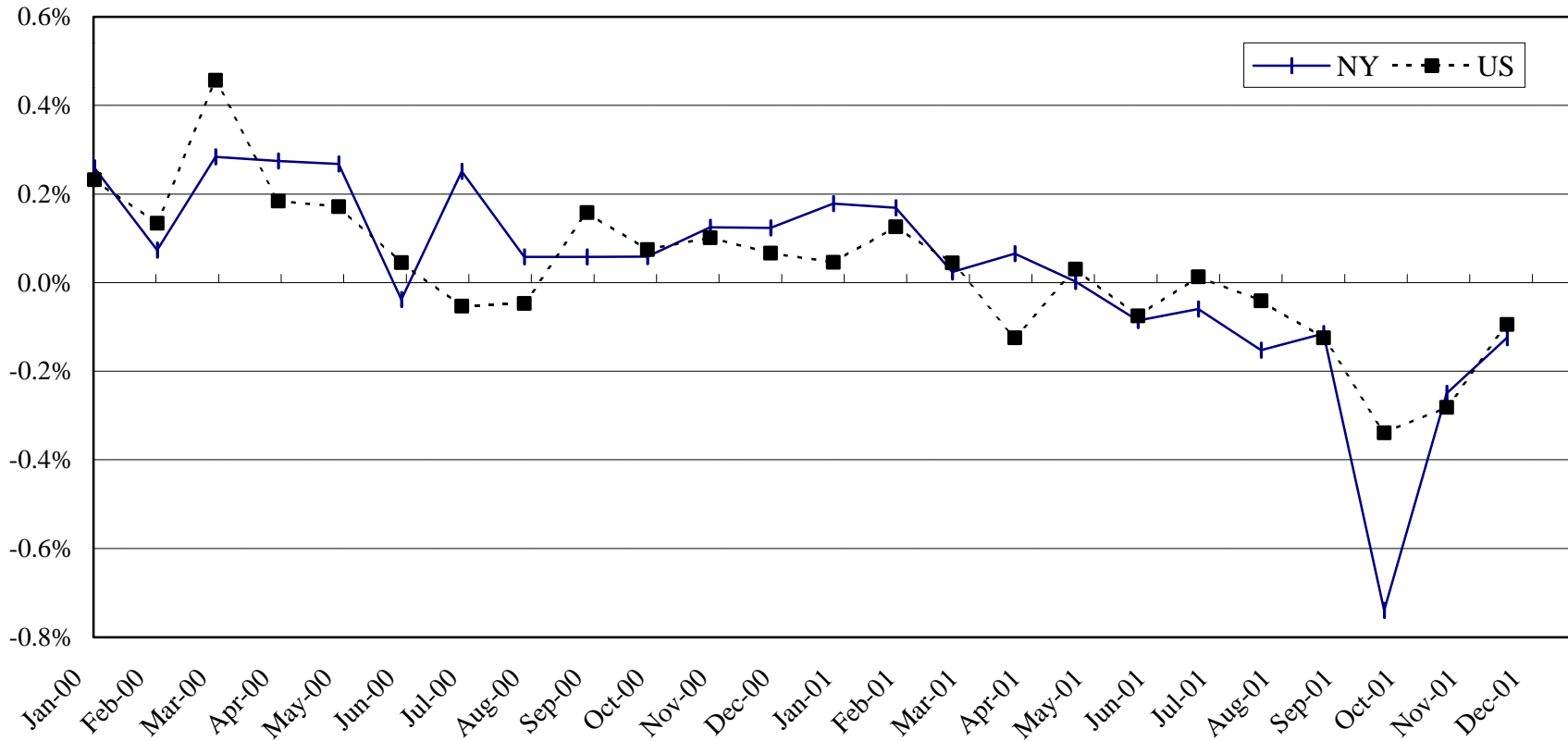
Note: Because not all output is allocated to an industry, major industries will not sum to total.

Sources: BEA & FPI linked 1992 and 1996-chained GSP.

New York's job growth was slowing before September 11, but New York entered the recession later than the U.S.

(seasonally adjusted month-to-month job change)

Figure 12



Note: New York's employment totals for August and September 2000 do not reflect an 18 day strike in the communications industry.
Source: BLS.

The recession in New York has been characterized by manufacturing declines upstate and the aftermath of the 9-11 WTC attacks in New York City.

- Most of New York State's job decline over the past year results from the 9-11 WTC terrorist attacks.
- Many upstate areas were hit earlier by the recession in manufacturing.
- Downstate suburbs and the Albany area have been least affected by job declines so far.
- The WTC-related job declines have been concentrated in securities brokers, retail and wholesale trade, air transport, and hotels.
- Business services, particularly dot-coms and temporary help agencies have also reduced thousands of jobs in New York over the past year.

New York City employment effects resulting from the World Trade Center attack

(estimated 4th quarter, 2001 impact)

Figure 13

Industry	Jobs Located Out of New York City	Jobs Lost Due to Layoffs in New York City	Jobs Lost Due to Relocations and Layoffs
TOTAL	25,500	79,700	105,200
Industries with major relocations outside of New York City			
Securities	22,000	2,300	24,300
Computer/Data Processing	1,500	2,900	4,400
Insurance Carriers	2,000	500	2,500
Major industries where job impacts likely involve layoffs			
Restaurants	0	15,500	15,500
Hotels	0	7,400	7,400
Air Transportation	0	5,800	5,800
Retail Trade	0	9,600	9,600
Building Services	0	3,300	3,300
Apparel Manufacturing	0	2,600	2,600
Wholesale Trade	0	2,300	2,300
Temporary Services	0	1,600	1,600
Theatrical Producers	0	1,500	1,500
Advertising	0	1,500	1,500
Accounting	0	1,500	1,500
Other Business Services	0	1,300	1,300
Commercial Printing	0	1,100	1,100
Additional employment losses by major sectors			
Construction	0	1,000	1,000
Other Manufacturing	0	2,400	2,400
Other Transport, Communications, Utilities	0	2,400	2,400
Other FIRE Industries	0	2,600	2,600
Other Services	0	9,000	9,000
Other	0	1,500	1,500

Source: Estimates by the Fiscal Policy Institute, Nov. 2, 2001.

The unemployment system is not meeting needs of New York's workers.

- New York's unemployment rate (seasonally adjusted) rose to 5.8% in December, up substantially from last January's low of 4.2% and the highest rate in nearly 4 years.
- Only 37% of New York's unemployed workers receive unemployment benefits. Many low income and contingent workers are not eligible and administrative changes have made it harder for some immigrant workers to receive unemployment insurance.
- In New York, 235,433 unemployed workers exhausted their unemployment insurance payments in 2001
- Unemployment claims surged in the wake of the September 11 WTC attacks, and while the initial claims level has subsided, for the last 3 months of 2001, 36% more people filed for unemployment benefits than in the year before.
- Extended benefits (for 13-weeks) could mean an additional \$1.7 billion for New Yorkers in 2002.

Although the outlook is for continued weakness through at least the first half of the year, this recession should not be as severe as the 1989-1992 recession.

- The 1989-92 recession was very steep downturn as a result of Wall Street restructuring and the commercial real estate bubble.
- New York's job growth was slow from to recover from that downturn because the recession was followed by the corporate downsizing wave, military production cutbacks and the 1994 bond market crash.
- The financial sector is in better shape than in the late 1980s, and the Federal Reserve has sharply lowered interest rates.
- New York's revenues should recover, with a lag, once Wall Street profits and bonuses improve.
- Rebuilding Lower Manhattan's financial center is important to the nation as well as to New York.