

AN ECONOMIC UPDATE from the Fiscal Policy Institute

January 21, 2004

New York's Job Shift from Higher-Paying to Lower-Paying Industries

In addition to New York's weak job growth over the past two years, there has been a pronounced shift from higher-paying to lower-paying industries. On average, industries gaining jobs in New York State pay \$20,500, or 38% less than the industries losing jobs in the two years since the national recession officially ended. New York not only has a shortage of jobs (a job "quantity" problem), but also a job "quality" problem. If these job quantity and quality trends persist, the continuation of middle class living standards for many New Yorkers will be jeopardized.

New York's job quantity problem is well understood. Although New York has started to gain jobs during the past six months, total employment in the Empire State in November of 2003 was still 77,000 below where it was two years earlier. The state's job growth over the last six months from May 2003 to November 2003, though slight, actually exceeded the nation's job growth over the period. (See FPI's December 31, 2003, ***Economic Update***, <http://www.fiscalpolicy.org/dec31economicupdate.pdf>.)

The national recession was officially declared to have ended in November of 2001. During the period of the national recession from March to November 2001, New York State lost 189,000 jobs. This amounted to a 2.2% job loss, much greater than the nation's 1.3% job decline during the 8 months of the official recession period.

New York's job quality problem can be seen by comparing the average wages for industries gaining jobs versus those industries losing jobs.¹ In the two years since the recession ended, New York has lost a net total of 77,000 jobs. This net number combines seven broad industries that gained 83,300 jobs and seven broad industries that lost 160,300 jobs. (See Table 1) This analysis was performed using changes in industry *shares* of total employment. Two industries, Financial Activities and Government, lost jobs from November 2001 to November 2003, but increased their job share (since their job losses were very small relative to their size) so they are included in the *job gaining* industries.

¹ The average wage for the growing and declining industry groups was computed by weighting the industry average wage by each industry's share of the change in the job share for that group. Industry average wage data are compiled by the New York State Labor Department in connection with the administration of the unemployment insurance system.

Table 1: ***New York State Job Gains and Losses, and Job Share Gains and Losses, by Industry, November 2001 to November 2003***

<u>Industry</u>	Employment Nov. 2001 (in 000s)	Employment Nov. 2003 (in 000s)	2002 Average Annual Pay in Industry	<u>Job Gain or Loss</u>		<u>Job Share Gain or Loss</u>	
				Change (000)	Gain or Loss?	Change	Gain or Loss?
Educational and Health Services	1,468.1	1,516.0	\$34,613	47.9	gaining jobs	+0.72%	gaining share
Leisure and Hospitality	621.0	648.3	\$21,184	27.3	gaining jobs	+0.39%	gaining share
Retail Trade	885.7	890.3	\$24,985	4.6	gaining jobs	+0.15%	gaining share
Other Services	345.5	351.5	\$26,307	6.0	gaining jobs	+0.11%	gaining share
Government	1,503.2	1,497.4	\$42,947	(5.8)	losing jobs	+0.09%	gaining share
Construction	337.6	341.2	\$47,721	3.6	gaining jobs	+0.08%	gaining share
Financial Activities	701.7	701.4	\$103,744	(0.3)	losing jobs	+0.07%	gaining share
<i>Subtotal, industries gaining job share¹</i>			\$34,081	83.3		+1.6%	
Natural Resources and Mining	5.5	5.2	\$26,190	(0.3)	losing jobs	-0.00%	losing share
Transportation and Utilities	273.9	266.9	\$43,410	(7.0)	losing jobs	-0.05%	losing share
Wholesale Trade	362.7	351.8	\$55,917	(10.9)	losing jobs	-0.09%	losing share
Manuf Non Durable Goods	290.2	265.9	\$42,763	(24.3)	losing jobs	-0.26%	losing share
Professional and Business Services	1,074.3	1,041.4	\$58,626	(32.9)	losing jobs	-0.27%	losing share
Information	319.7	280.1	\$66,569	(39.6)	losing jobs	-0.43%	losing share
Manuf Durable Goods	392.9	347.6	\$48,924	(45.3)	losing jobs	-0.49%	losing share
<i>Subtotal, industries losing job share¹</i>			\$54,537	(160.3)		-1.6%	
TOTAL	8,582.0	8,505.0	\$46,328	(77.0)			

Note: Employment data are not seasonally adjusted. Wage data are for 2002 from the Insured Employment series.

¹. The average wage for the growing and declining industry groups was computed by weighting the industry average wage by each industry's share of the change in the job share for that group.

Source: FPI and EPI analysis of U.S. Bureau of Labor Statistics data.

In 2002, the average wage across all industries in New York was \$46,328. Since most of the increased jobs over the last two years has occurred in Education and Health Services and Leisure and Hospitality -- two industries with below average wages -- the average wage for industries gaining jobs was \$34,081. Construction was the only industry with an average wage above the state average that experienced a net job gain over the last two years.

However, the average wage for the industries losing job share was much greater, \$54,537, since three broad industries paying above average wages (Durables Manufacturing, Information Services, and Professional and Business Services) together lost 118,000 jobs from November 2001 to November 2003.

Thus, New York suffered a deterioration in the quality of its job mix since the average wage in growing industries was \$20,457 (or 38%) less than in the declining industries.

For the most part, the change in the mix of high and low wage industries seen in New York tracks the national picture over this period. For the U.S. as a whole, Educational and Health Services also led the way in job growth, and Leisure and Hospitality added a significant number of jobs. However, Professional and Business services gained jobs and job share nationally, but lost jobs and job share in New York. As in New York, Manufacturing (both Durables and Non-durables) and Information Services experienced major job losses.

Despite these similarities, the decline in wages resulting from these net job changes was much greater in New York than in the nation. For the U.S. as a whole, the average wage of gaining industries was 21% less than declining industries, whereas in New York, gaining industries paid 38% less than industries losing jobs. The U.S. wage differential between growing and declining industries was \$9,120, or less than half the \$20,457 gap in New York.

In 48 out of the 50 states, in fact, jobs in higher-paying industries have given way to jobs in lower-paying industries over the past two years. (See Table 2) Only Nevada and Nebraska experienced a net improvement when comparing the wages of growing and declining industries. Only six states (MA, NJ, DE, WY, CA, and AK) had a wider percentage difference between growing and contracting industries than New York.

This broad trend in the substitution of lower-paying jobs for good-paying jobs is not new for New York. FPI's The State of Working New York biennial publications identified a similar pattern during the last recovery and expansion period from 1992 to 2000 and, using annual average employment data, for the 2000 to 2002 period.¹ Deterioration in the quality of jobs was evident for nine out of ten regions in New York State for the 2000 to 2002 period. Only the North Country region -- the region with the fewest number of jobs overall -- showed a slight improvement when comparing the wages of growing to declining industries.

¹ FPI, The State of Working New York, 2001: Working Harder, Growing Apart, and The State of Working New York, 2003: Unbalanced Regional Economies through Expansion and Recession.

Table 2: Average wages in growing and contracting industries, November 2001 to November 2003

	Average wage		Differ- ence		Average wage		Differ- ence
	Growing industries	Contracting industries			Growing industries	Contracting industries	
UNITED STATES	\$35,410	\$44,570	-21%				
NORTHEAST				SOUTH			
<i>New England</i>				<i>South Atlantic</i>			
Maine	27,963	37,364	-25%	Delaware	\$28,407	\$49,609	-43%
New Hampshire	29,559	45,750	-35%	Maryland	32,535	48,008	-32%
Vermont	29,070	40,976	-29%	Dist. of Columbia	42,413	62,721	-32%
Massachusetts	34,640	58,759	-41%	Virginia	29,375	46,323	-37%
Rhode Island	26,115	39,483	-34%	West Virginia	22,805	33,832	-33%
Connecticut	36,300	54,136	-33%	North Carolina	33,926	38,041	-11%
				South Carolina	31,012	36,986	-16%
				Georgia	34,418	44,481	-23%
				Florida	29,979	35,353	-15%
<i>Middle Atlantic</i>							
New York	34,081	54,537	-38%	<i>East South Central</i>			
New Jersey	34,401	55,952	-39%	Kentucky	29,035	37,371	-22%
Pennsylvania	31,055	40,175	-23%	Tennessee	31,844	36,881	-14%
				Alabama	\$28,584	36,577	-22%
MIDWEST				Mississippi	26,764	30,638	-13%
<i>East North Central</i>							
Ohio	29,418	41,287	-29%	<i>West South Central</i>			
Indiana	28,008	38,381	-27%	Arkansas	27,256	31,869	-14%
Illinois	30,879	46,533	-34%	Louisiana	26,408	39,550	-33%
Michigan	36,477	49,397	-26%	Oklahoma	25,259	35,917	-30%
Wisconsin	31,343	38,553	-19%	Texas	31,663	48,751	-35%
<i>West North Central</i>				WEST			
Minnesota	29,780	42,135	-29%	<i>Mountain</i>			
Iowa	29,073	35,931	-19%	Montana	22,698	32,001	-29%
Missouri	30,059	40,223	-25%	Idaho	29,593	34,188	-13%
North Dakota	23,640	30,450	-22%	Wyoming	25,161	41,819	-40%
South Dakota	22,561	30,362	-26%	Colorado	33,223	50,914	-35%
Nebraska	32,289	30,952	4%	New Mexico	27,784	36,122	-23%
Kansas	30,284	41,185	-26%	Arizona	32,937	46,415	-29%
				Utah	30,454	36,563	-17%
				Nevada	37,857	34,866	9%
				<i>Pacific</i>			
				Washington	36,838	52,351	-30%
				Oregon	29,964	40,991	-27%
				California	34,742	57,800	-40%
				Alaska	35,969	58,420	-38%
				Hawaii	33,328	35,557	-6%

Note: The average wage for the growing and declining industry groups for each state was computed by weighting the industry average wage by each industry's share of the change in the job share for that group.

Source: Economic Policy Institute, http://www.epinet.org/content.cfm/webfeatures_snapshots