



News from the Fiscal Policy Institute

For Immediate Release

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NEW: http://www.fiscalpolicy.org/FPI_StateOfWorkingNewYork2011_Part1_20110831.pdf

One in seven New Yorkers out of work two years into “recovery”

New report documents New York’s continuing unemployment crisis in the context of the weak national economic recovery

New York (August 31, 2011): A new report released today by the **Fiscal Policy Institute** (FPI) shows that two years into the “recovery” from the Great Recession of 2008-2009, 1.4 million, or one in every seven, New York workers is unemployed, under-employed or has given up looking for work. Long-term unemployment is at record levels. Half of the unemployed have been out of work for more than six months and 29 percent have been jobless for a year or more.

The report, FPI’s 2011 annual edition of the “State of Working New York,” indicates a modest decline in the state’s unemployment rate over the past year, but shows that this decline is deceiving since it results solely from discouraged workers dropping out of the labor force. Adding back those workers would make the state’s July 2011 unemployment rate 9.6 percent, more than one-and-a-half percent higher than the official 8 percent unemployment rate for that month and higher than in late 2009, considered the recession “bottom” in the job market.

At a time when much of the political debate has been focused on the federal budget deficit, James Parrott, FPI Chief Economist and Deputy Director, stated: “The deficit that matters most for New Yorkers is the jobs deficit. New York would need 512,000 additional jobs today to return the unemployment rate to the 4.3 percent level that prevailed prior to the recession.”

New York has an unemployment crisis two years into the recovery mainly because this is the weakest recovery on record in the post-World War II period, the report demonstrates. In prior recoveries, real GDP averaged 5.4 percent annual growth through the first two years. In this recovery, GDP growth has averaged less than half that, 2.5 percent.

In examining trends within the state, the report finds that over the past three years of recession and recovery, New York City has had the smallest net payroll job loss (1.6 percent), followed by the six upstate metro areas west of the Hudson (from Utica-Rome to Buffalo-Niagara Falls) which had a combined 1.8 percent job loss. The non-metropolitan counties north and west of Albany had a 3.3 percent job loss, and the downstate suburban counties a 3.6 percent job loss. The Hudson Valley region from Newburgh to Glens Falls fared the worst within New York with a 4 percent job loss over the past three years.

Few of the economic sectors that lost jobs in the recession have totally re-gained their pre-recession job levels, only the government sector has lost more jobs during the recovery than during the recession. The 54,000 government jobs lost over the past three years in New York is more than in any other sector, including finance and insurance, except for manufacturing. It is expected that New York schools will open this fall with 12,000 fewer teachers and other staff.

The report provides detailed estimates showing how various demographic groups have fared during the recession and recovery. Blacks and Hispanics have been particularly hard hit, experiencing large unemployment increases during the recession, and with both groups having unemployment rates about twice the level for non-Hispanic whites. Unemployment for black non-Hispanic workers was an estimated 13.8 percent during the first half of 2011.

According to the FPI report, \$12.7 billion in unemployment insurance benefits have been paid in New York since the start of the national recession. However, the state's unemployment insurance program has not been updated in over a decade and has fallen behind nearly every other state in the extent to which it replaces lost wages. New York's average weekly benefit of \$305 replaces less than 27 percent of the average weekly wage, putting New York 48th compared to other states.

Among the report's policy recommendations for boosting job and economic growth are calls for immediate federal action to foster large scale job creation, federal fiscal relief to state governments, investing in rebuilding the nation's infrastructure, and promotion of long-term innovation and high-skill jobs through investment in developing advanced manufacturing capacity.

In addition to reforming the state's unemployment insurance system to restore the purchasing power lost over the past decade, the report makes several recommendations for steps New York can take to boost jobs and the state's economic future. The report urges improvements in public higher education, prioritizing the creation of good jobs and making decisions regarding subsidies to businesses more transparent and accountable, providing assistance to advanced manufacturing to support good-paying jobs, adequately funding transportation infrastructure needs, and exploiting the potential of the nation's largest mass transportation network to promote advanced transit-related manufacturing.

FPI's Executive Director, Frank Mauro, stated: "Not allowing New York's current high-end personal income tax surcharge to lapse in 2012 would make a huge difference in substantially reducing job cuts that would otherwise be necessary among state and local government employees, including school teachers and educational support staff."

The FPI report also recommends increasing New York's \$7.25 an hour minimum wage to restore its purchasing power which is 26 percent lower than it was in 1970, and suggests that the state launch a state-managed voluntary retirement fund in which small employers and individuals without a retirement plan could participate.

The report is available at:

http://www.fiscalpolicy.org/FPI_StateOfWorkingNewYork2011_Part1_20110831.pdf

The Fiscal Policy Institute (www.fiscalpolicy.org) is a nonpartisan research and education organization that focuses on tax, budget, and economic public policy issues that affect the quality of life and the economic well being of New York State residents.