

The Great Recession Lingers in New York City and Its Neighborhoods

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Background on the Fiscal Policy Institute (FPI)

- The Fiscal Policy Institute (FPI) is an independent, nonpartisan, nonprofit research and education organization committed to improving public policies and private practices to better the economic and social conditions of all New Yorkers.
- Founded in 1991, FPI works to create a strong economy in which prosperity is broadly shared. FPI has offices in the Albany area and in New York City.
- FPI monitors the NYS and NYC budgets and works closely with human service organizations and others to better understand budget choices and challenges and funding options.
- FPI works closely with two national networks of state-based organizations with broadly similar missions to FPI's: the State Fiscal Analysis Initiative (SFAI) coordinated by the Center on Budget and Policy Priorities; and the Economic Analysis and Research Network (EARN) coordinated by the Economic Policy Institute.

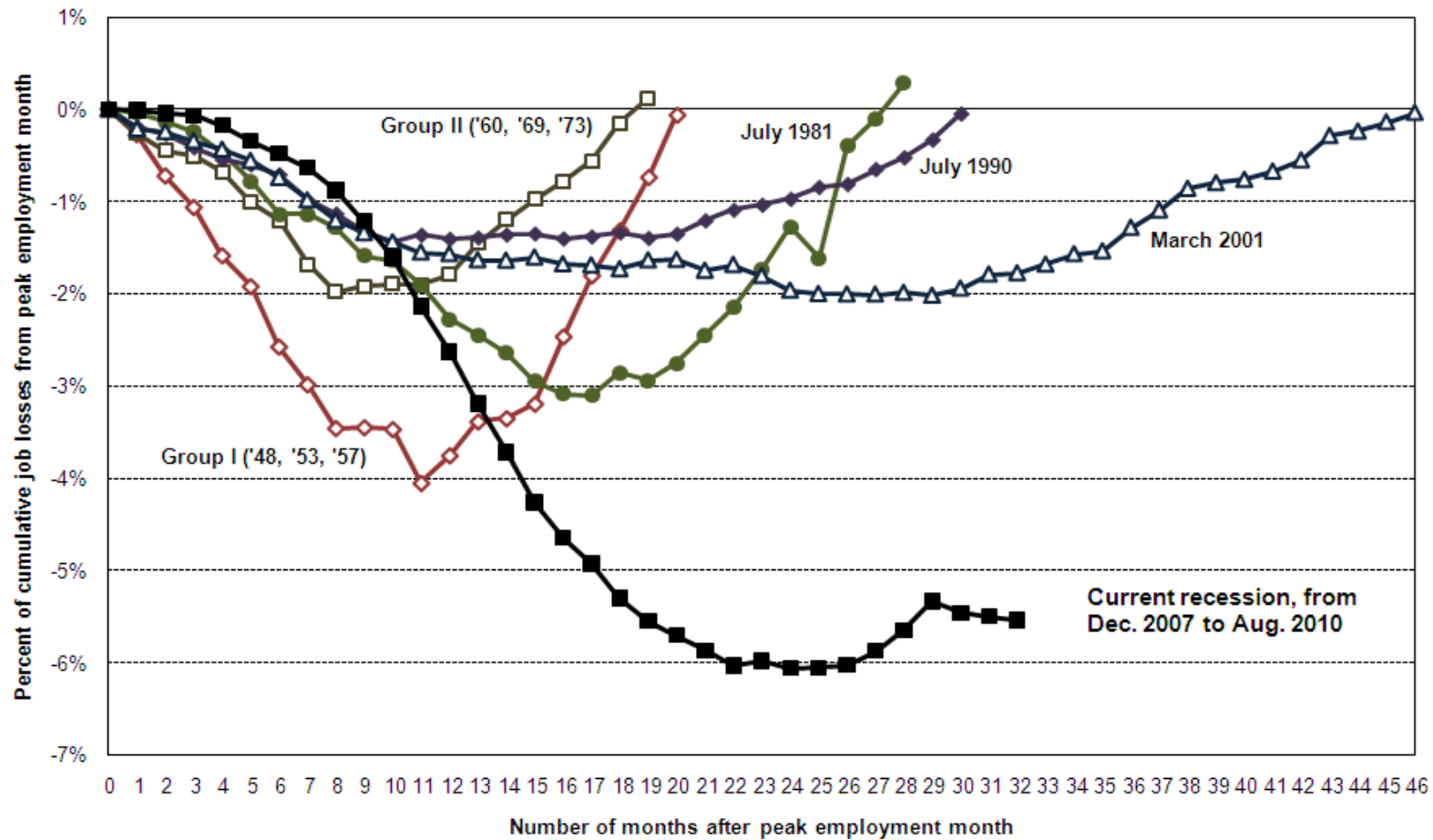
Introduction to FPI's Economic Analysis Work

- FPI informs its budget and economic policy work through an up-to-date and in-depth understanding of how short- and long-term developments affect the economic well-being of low-, moderate- and middle-income New Yorkers.
- FPI is a leading source of reliable, informed analysis of the NY economy and frequently consulted by public officials, the nonprofit sector and the media.
- FPI regularly publishes in-depth analyses of city and state economic trends, and provides technical assistance to many public policy initiatives that seek to better the conditions of low- and moderate-income families.
- Examples of economic analysis work:
 - Documented the fact that low-income workers were hardest hit by the economic fallout from the 9-11 World Trade Center attacks.
 - FPI report on the benefits of minimum wage increase cited by Cong. George Miller when he introduced 2007 legislation to raise the federal minimum wage.
 - FPI's estimates of neighborhood unemployment rates by gender and race-ethnicity featured in New York Times and Wall Street Journal.
 - Immigration Initiative documents positive economic contribution of immigrants.

NYC Economic Overview

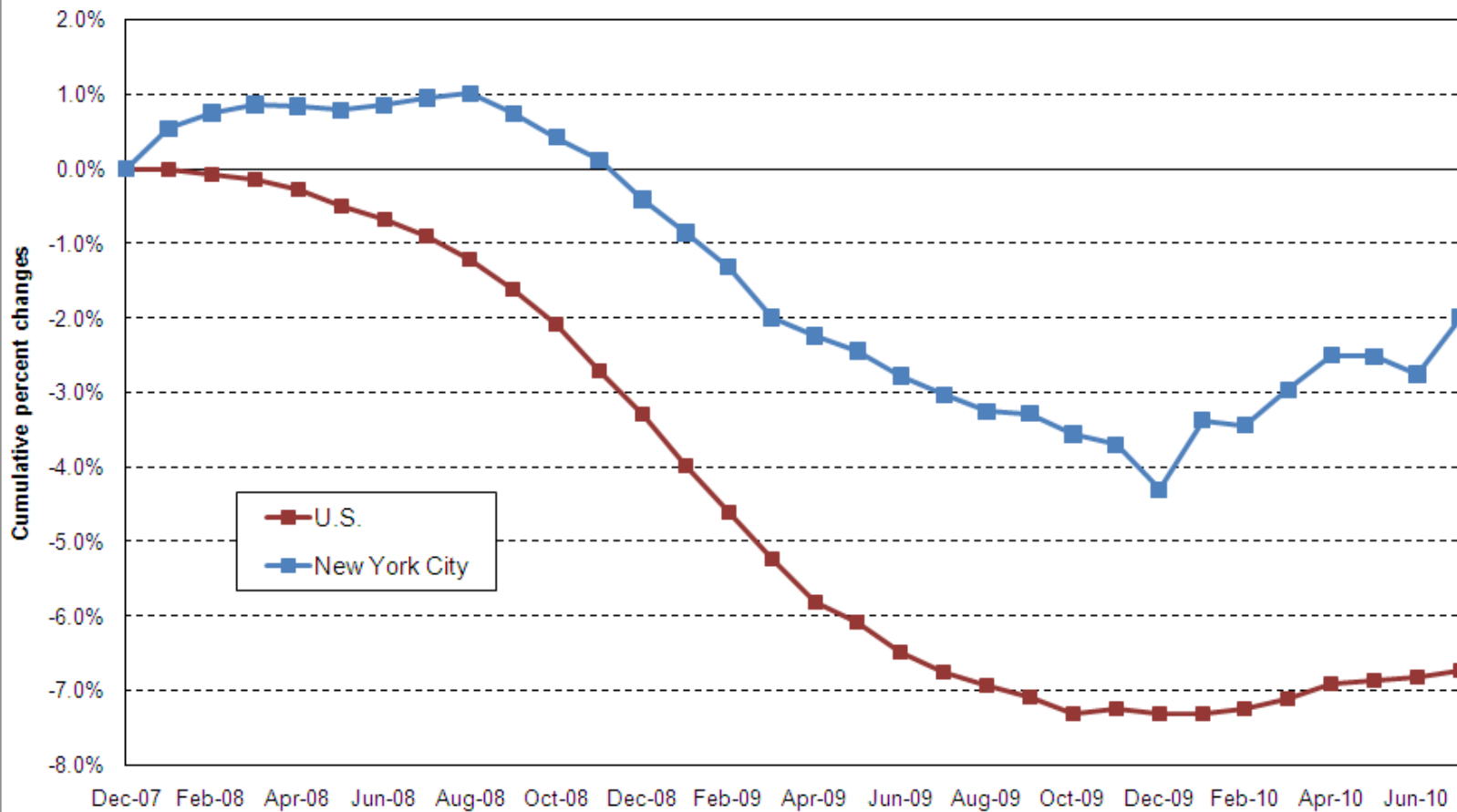
- Wall Street may have recovered but for the average New York worker and family, this is still the Great Recession.
- Like most states, NYS has severe budget problems and not enough Fed. aid.
- Bulk of NYC job loss suffered by moderate- and middle-income workers (blue collar, lower-wage white collar, service workers, and public sector.)
- Total wages in NYC outside of the finance sector dropped by 5.5% in 2009—the most since 1970s. Median weekly earnings for non-managerial/non-professional workers have fallen by 4% since 2007.
- Unemployment has doubled, most is long-term (6 months+), and likely to stay high for an extended period. This will further restrain wage growth.
- NYC poverty rate 22% in 2008. Huge increase in working poor since 1990; 20% of families with a full-time, year-round worker live in poverty.

The Great Recession, which began in December 2007, is the longest and steepest recession since the 1930s.



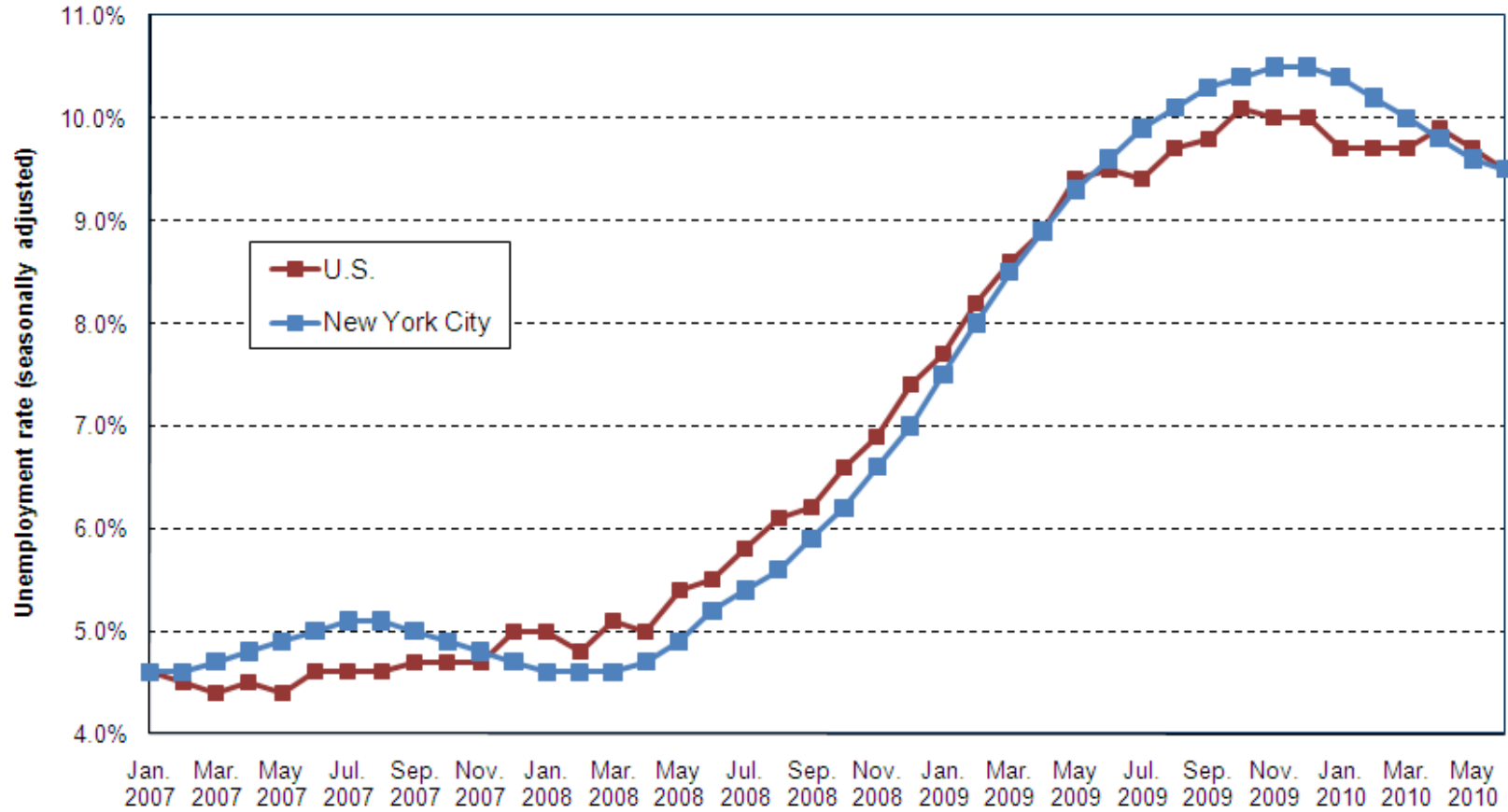
Source: U.S. Bureau of Labor Statistics total non-farm employment (seasonally adjusted).

Since the start of the recession in Dec. 2007, New York City's job loss has been much less than that of the U.S. as a whole. NYC's private job growth so far in 2010 has surpassed the national average.



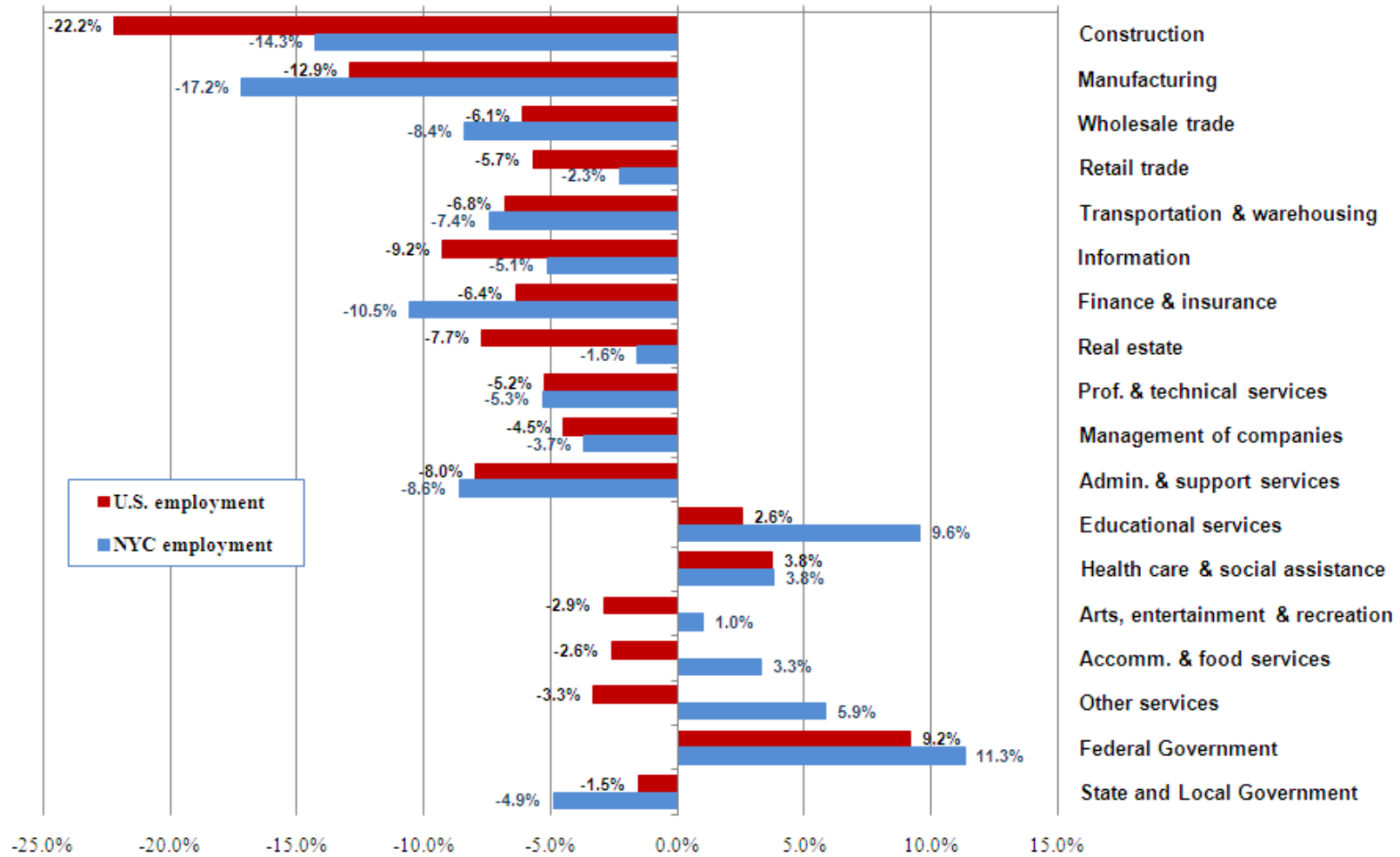
Source: FPI analysis of NYS DOL and BLS private payroll employment data (seasonally adjusted).

Although unemployment rates have declined in 2010, they are still much higher in New York and the U.S. than before the recession began.



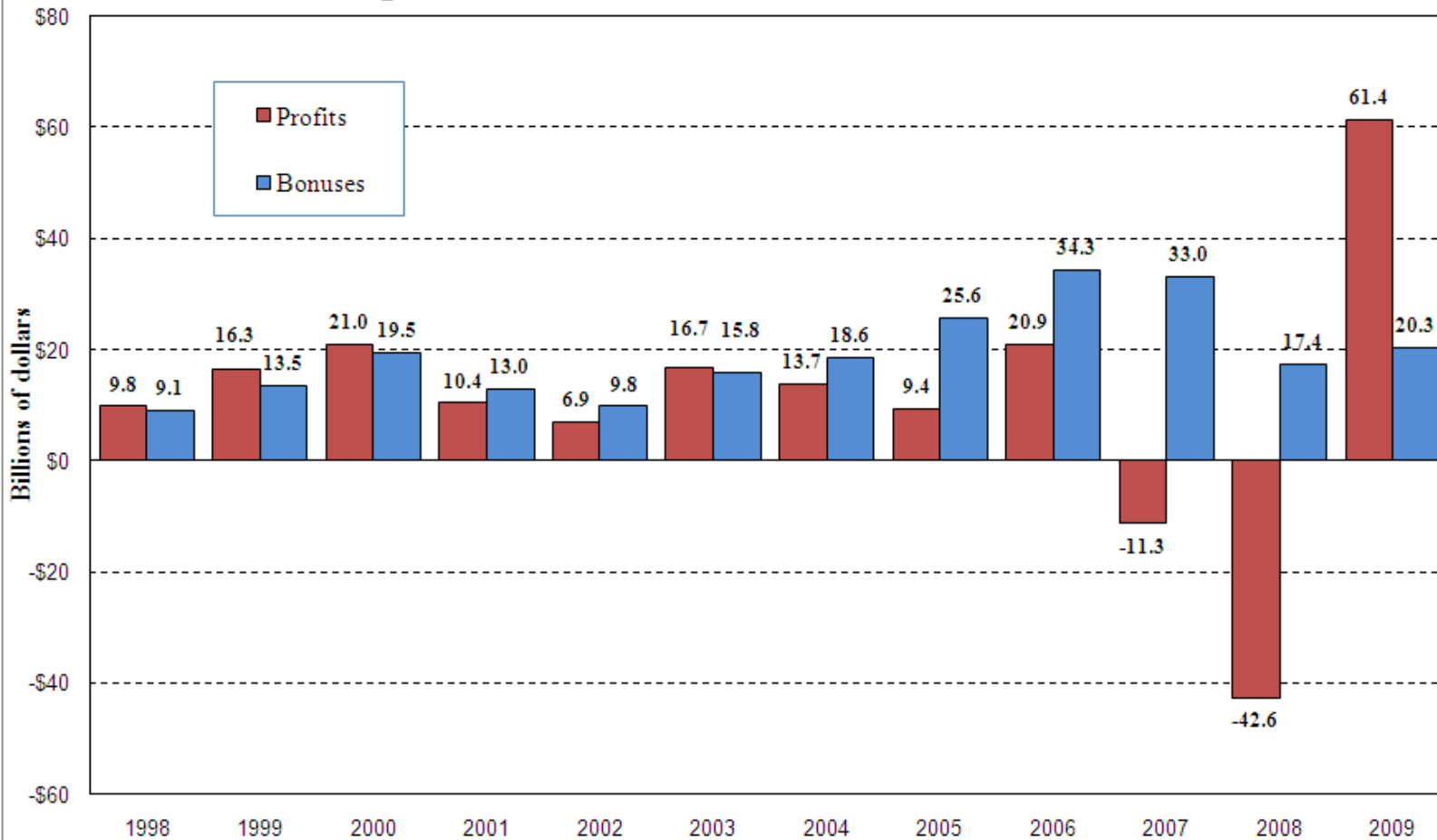
Source: NYS Department of Labor and U.S Bureau of Labor Statistics.

NYC job losses concentrated in manufacturing, finance, construction, wholesale trade, admin. & support services, and state and local government, July 2008–July 2010



Source: BLS for seasonally adjusted US employment and FPI's seasonal adjustment of NYC employment data

Wall Street Profits surged to over \$61 billion in 2009, three times the previous record.



Source: NYSE member firms' net profits from Securities Industry and Financial Markets Association, Office of Management and Budget; NYC Securities industry bonuses from Office of the State Comptroller, Feb. 23, 2010 (2008-09 figures are estimates).

New York City workers suffer worse wage decline in this recession.

Percent change from prior year

	Worst year of each recession		
	1991	2002	2009
Decline in NYC payroll jobs	-6.0%	-2.9%	-3.0%
Personal income change	1.8%	-1.0%	-3.0%
Total wage decline	-1.4%	-5.3%	-10.8%
Total Non-finance wage decline	-2.3%	-1.3%	-5.5%

Sources: U.S. Bureau of Economic Analysis; New York State Department of Labor; 2009 personal income forecast by FPI.

NYC unemployment increase is much greater in this recession.

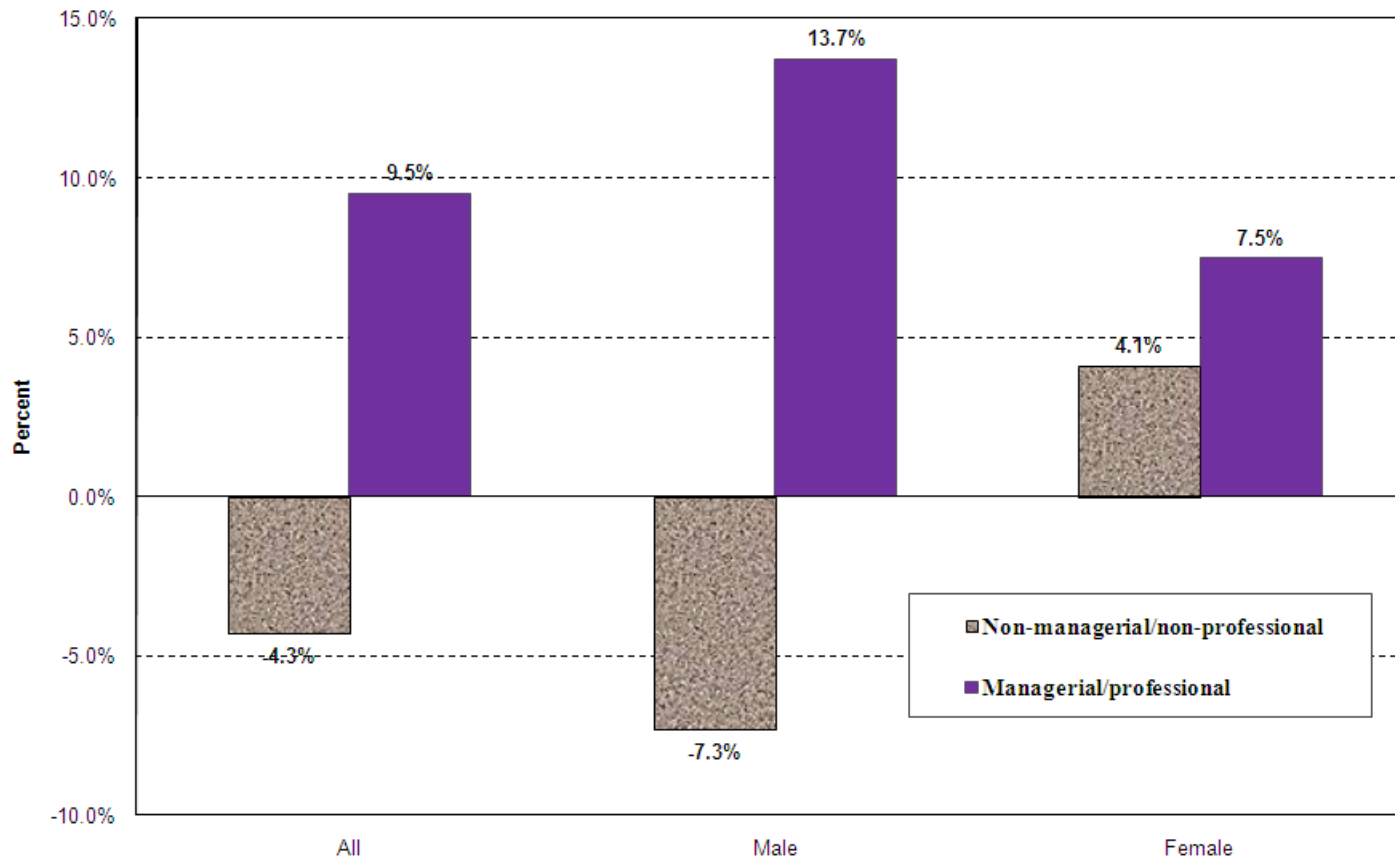
<i>Change from peak to trough months</i>	1989-1992 recession	2001-2003 recession	2008-2009 recession
Total recession loss in payroll jobs located in NYC	-360,000	-235,000	-175,000
Increase in number of NYC residents unemployed	174,900	120,400	238,700
Percent increase in number of unemployed residents	84%	61%	133%
Percentage point increase in city resident unemployment rate	5.2%	3.1%	5.9%
Decline in city resident household employment	-158,100	-40,400	-160,600

Source: New York State Department of Labor.

Weekly earnings for many New York non-managerial, non-professional workers have declined over the past three years, while earnings for NYC managerial/professional workers have increased.

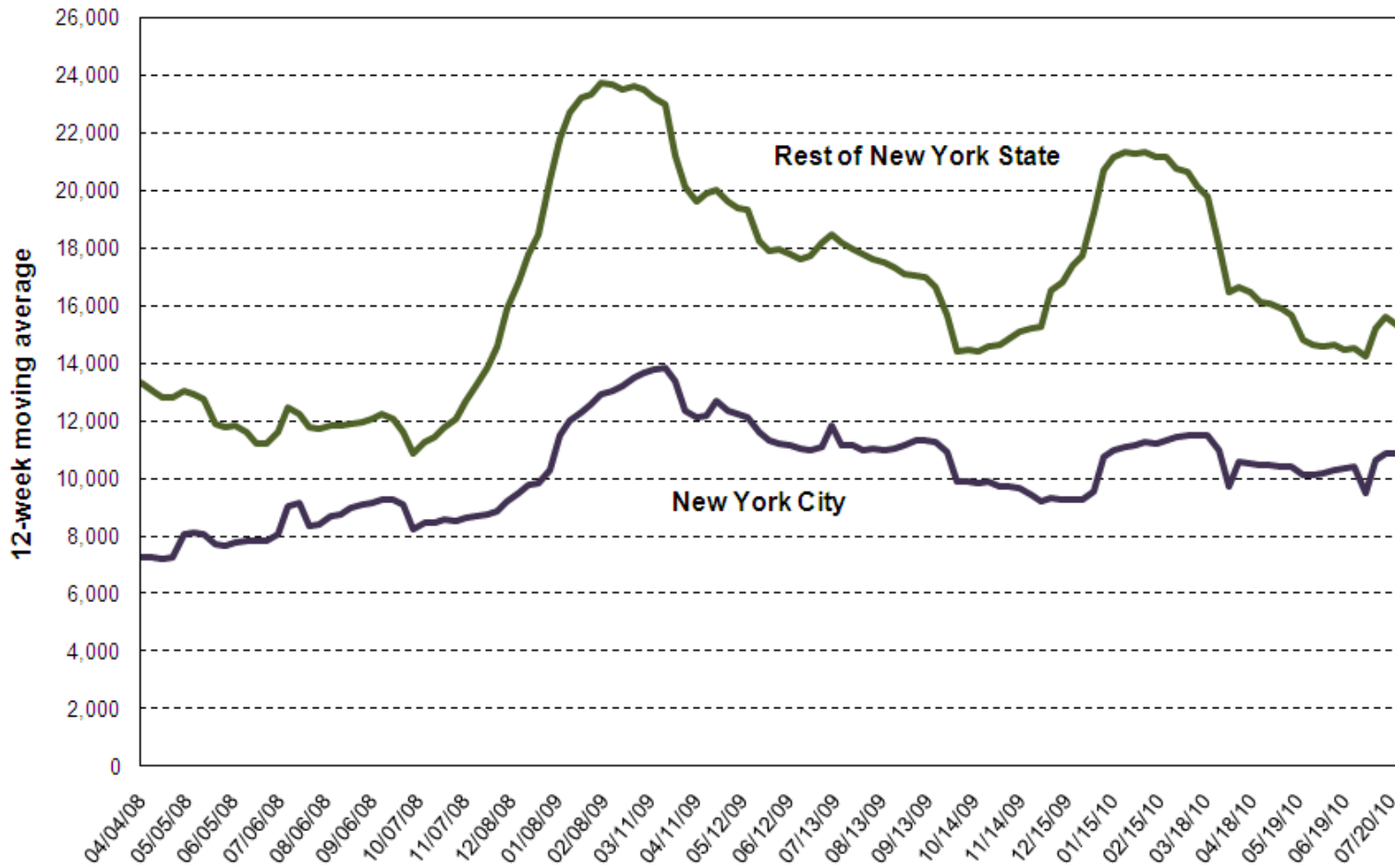
NYC Median Weekly Wages by Occupational Group, first half 2007 and first half 2010				
	First half 2007	First half 2010	Absolute change	Percent change
Nonmanagerial/nonprofessional				
All	\$515	\$493	-\$22	-4.3%
Male	\$611	\$567	-\$45	-7.3%
Female	\$428	\$446	\$18	4.1%
Managerial/professional				
All	\$958	\$1,049	\$91	9.5%
Male	\$998	\$1,135	\$137	13.7%
Female	\$917	\$986	\$69	7.5%
Notes: Median weekly wages are adjusted to 2009 annual average dollars using CPI-US city average. Managerial/professional includes Standard Occupational Classifications (SOC) 11-29, plus SOC 41 except for cashiers and retail salespersons; Non-managerial/non-professional occupations includes SOC 31-39 and 43-53, plus retail salespersons and cashiers from SOC 41, and includes healthcare support; protective service; food preparation and serving related; building and grounds cleaning and maintenance; personal care and service; retail salespersons and retail cashiers; office and administrative support; farming, fishing, and forestry; construction and extraction; installation, maintenance, and repair; production; transportation and material moving.				
Source: FPI analysis of Current Population Survey.				

The median weekly wages of New York City's managerial/professional workers showed strong growth even during the recession.



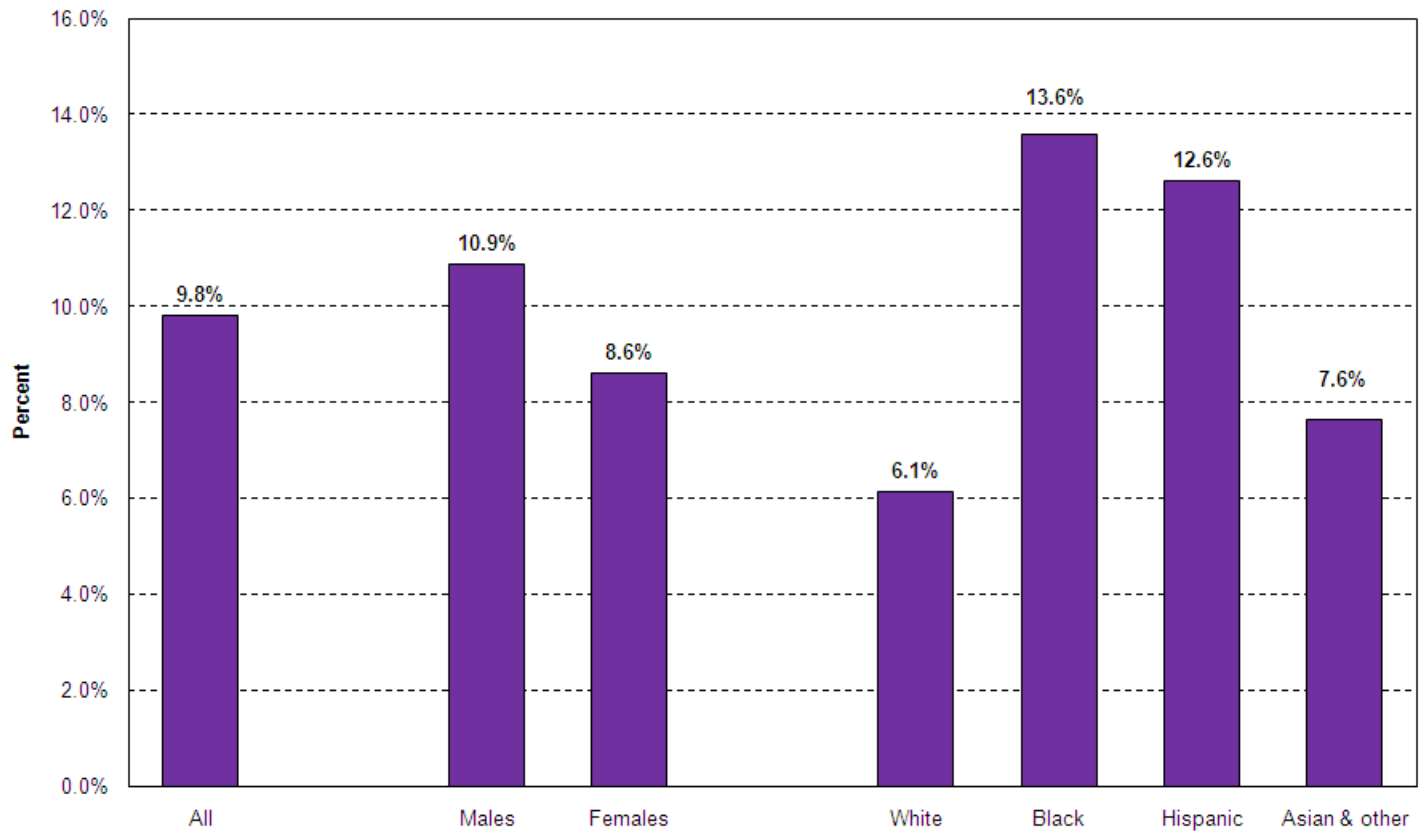
Source: FPI analysis of Current Population Survey.

Initial unemployment claims in NYC and the rest of the state are down from a year ago but 30% higher than before the recession.



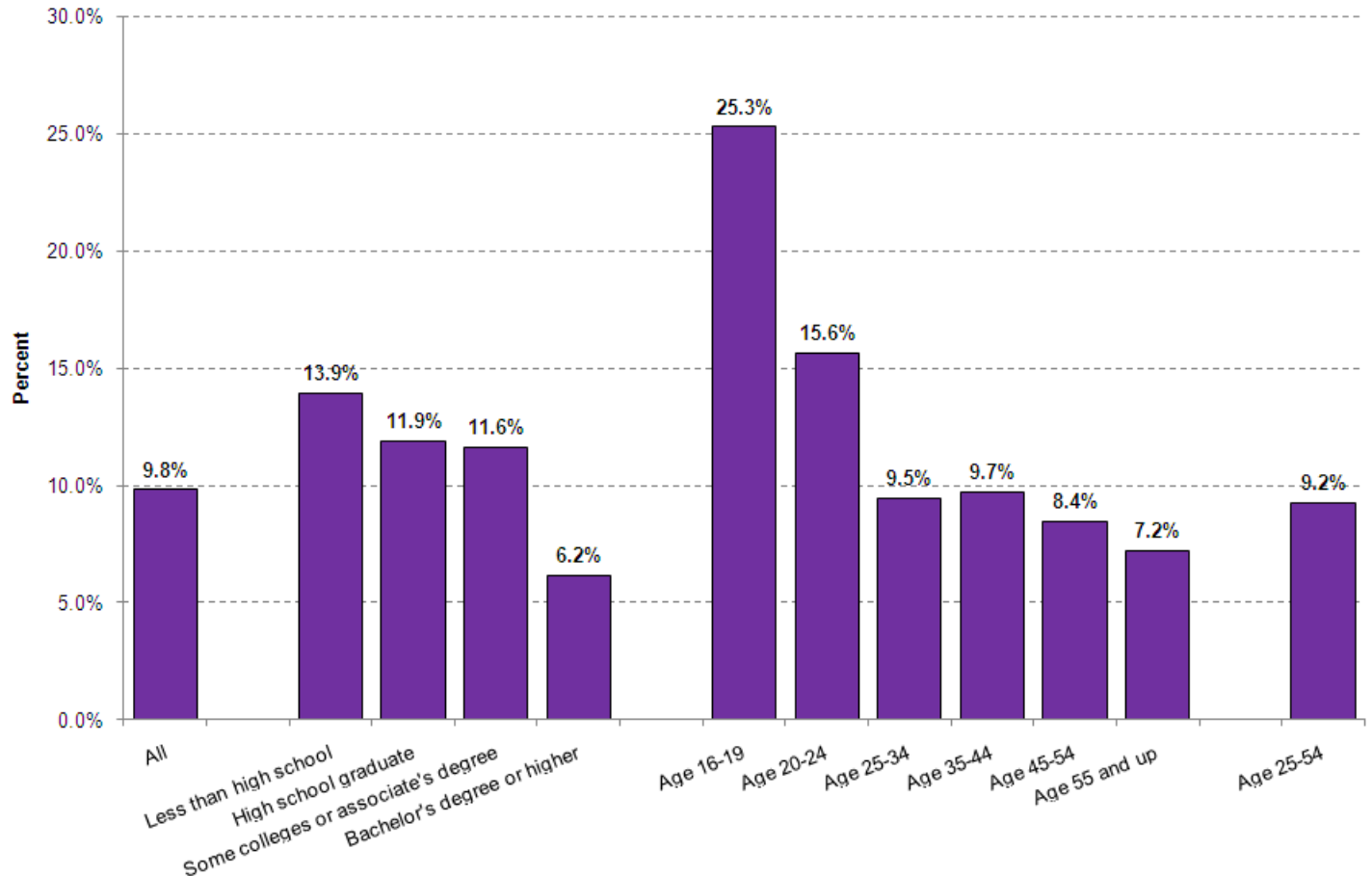
Source: New York State Department of Labor. The recession started later in New York than in the rest of the US, in Spring-Summer of 2008.

Unemployment in New York City was higher for men, blacks and Hispanics in the first half of 2010.



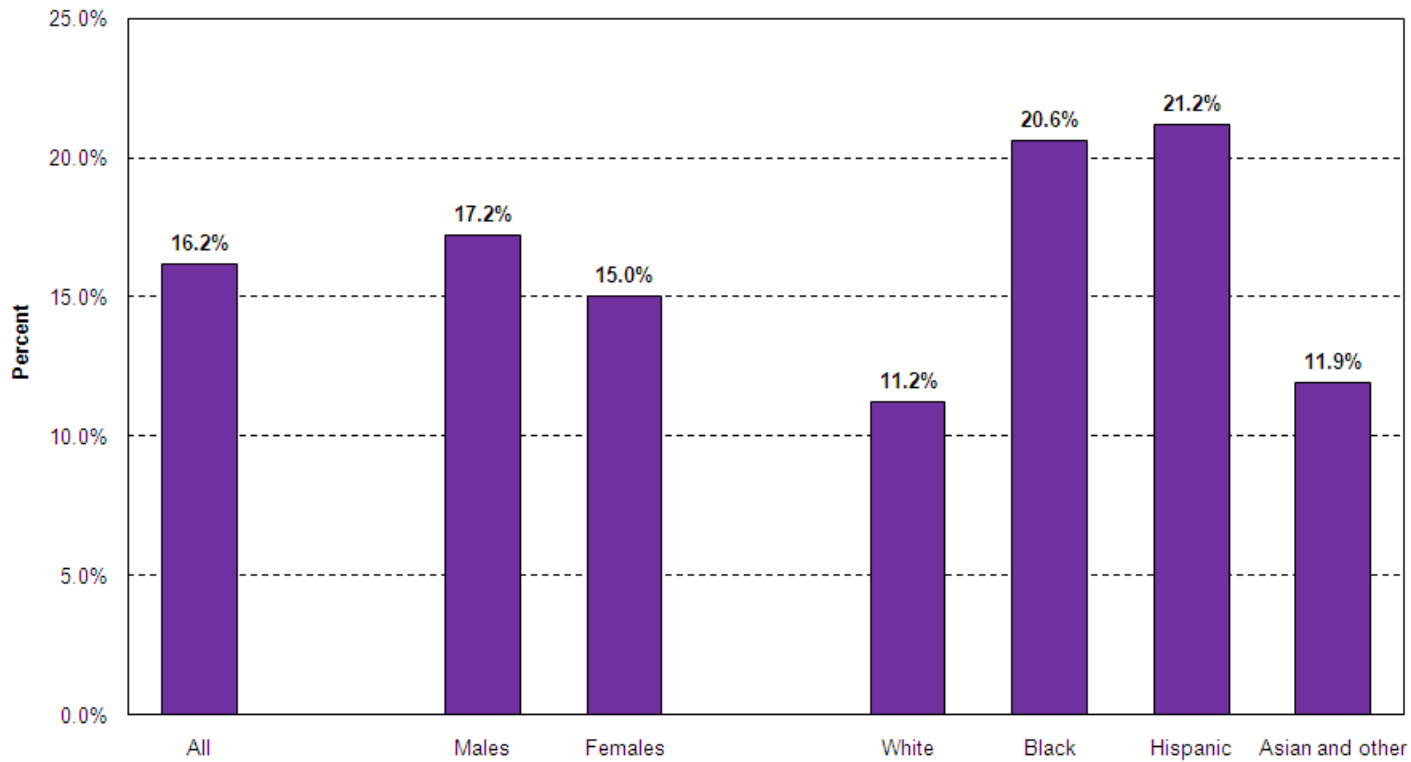
Source: FPI analysis of Current Population Survey data for first five months of 2010; adjusted to NYS Department of Labor Local Area Unemployment Statistics data.

New York City's unemployment rates are higher among less educated and younger workers (Jan.-Jun. 2010)



Source: FPI analysis of Current Population Survey data for the first six months in 2010; adjusted to NYS DOL LAUS data

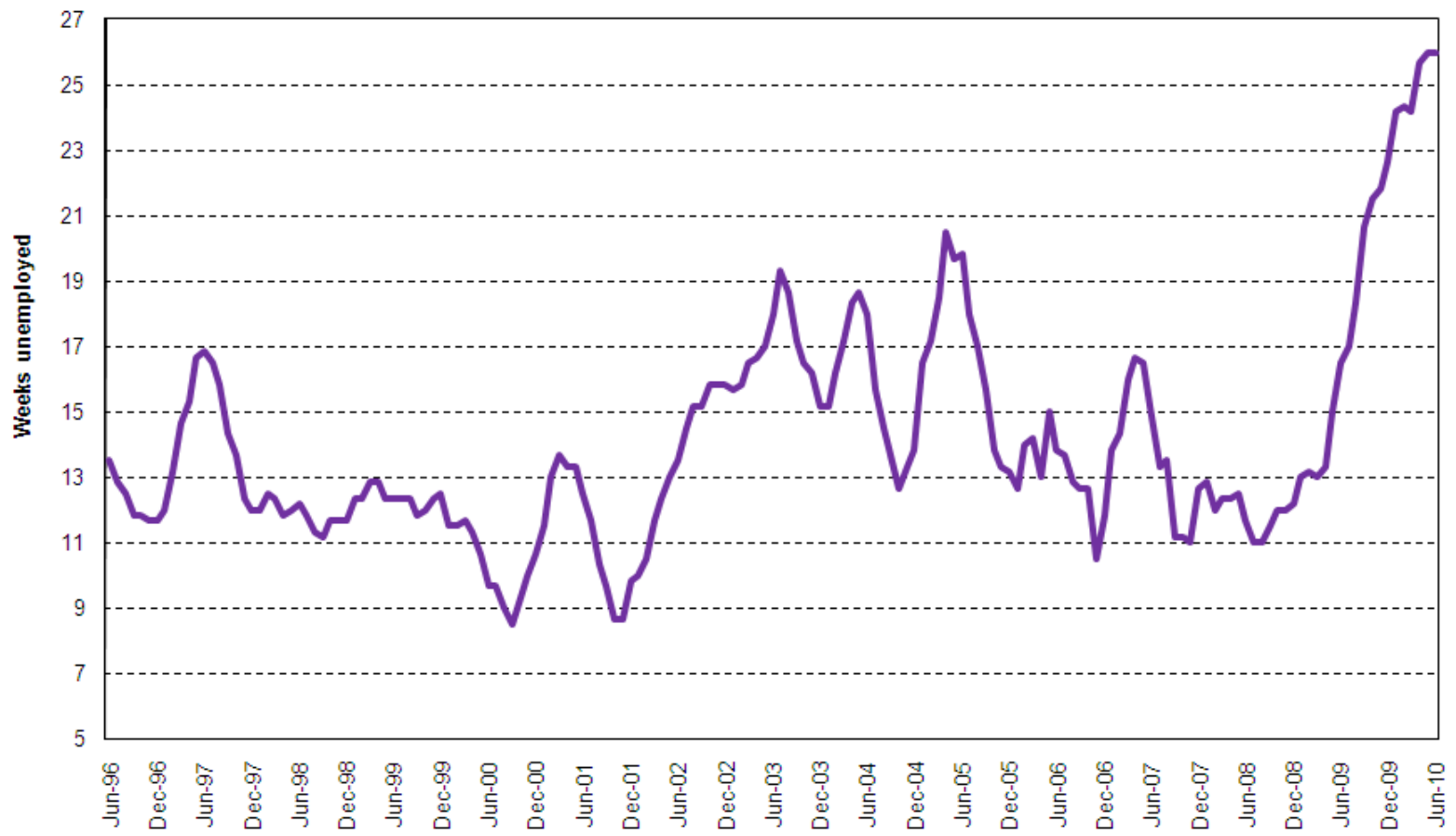
NYC unemployment is even higher—in all categories—when discouraged workers and involuntary part-timers are included.



Source: FPI analysis of Current Population Survey data for first five months of 2010, adjusted to NYS Department of Labor Local Area Unemployment Statistics data.

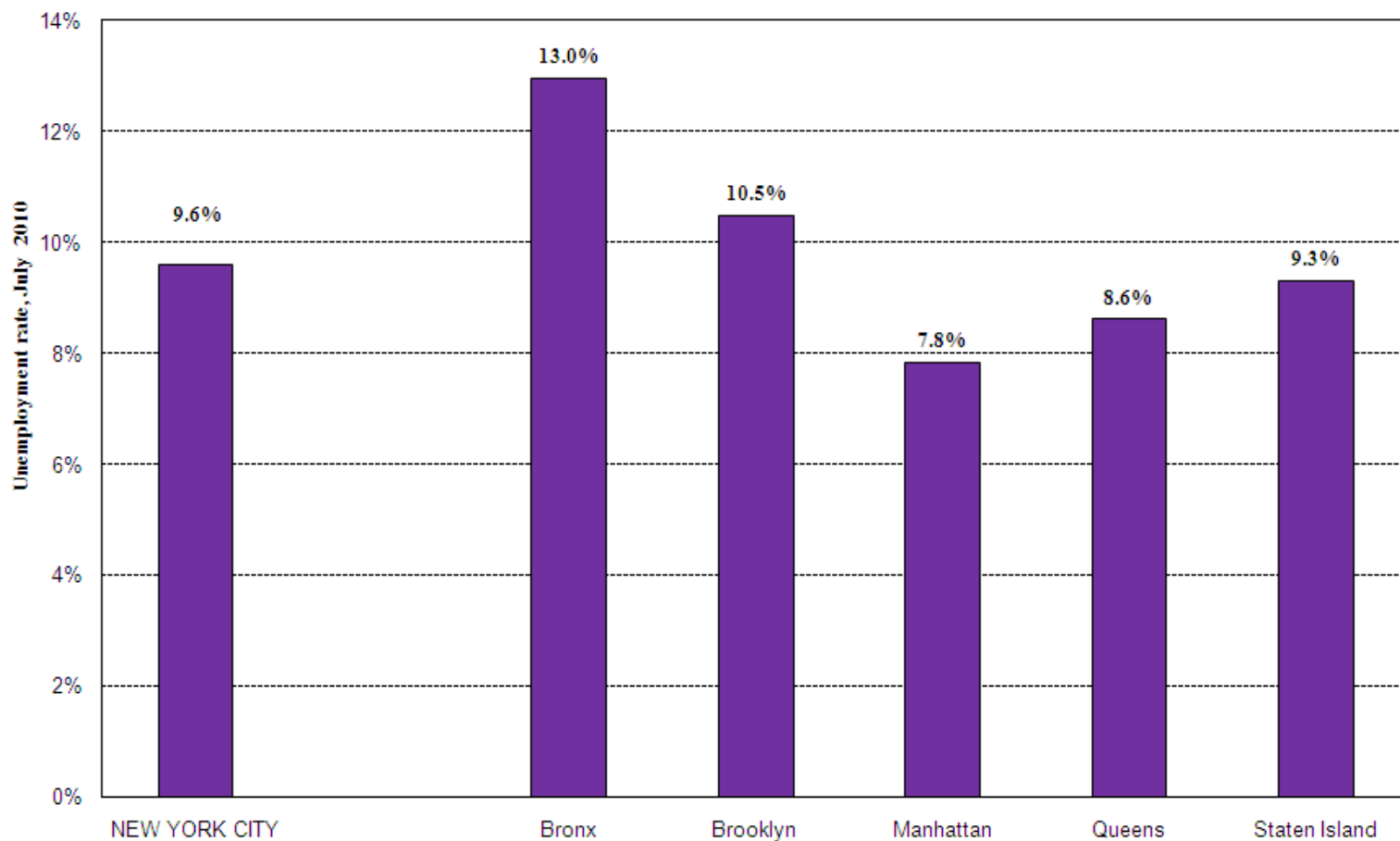
Note: U-6 is an alternative unemployment rate specified by the Bureau of Labor Statistics th

The median period of unemployment in New York City has reached six months, a significant jump from previous recessions.



Source: FPI analysis of Economic Policy Institute Current Population Survey data, June 1996 - June 2010.

Unemployment is highest in the Bronx and Brooklyn



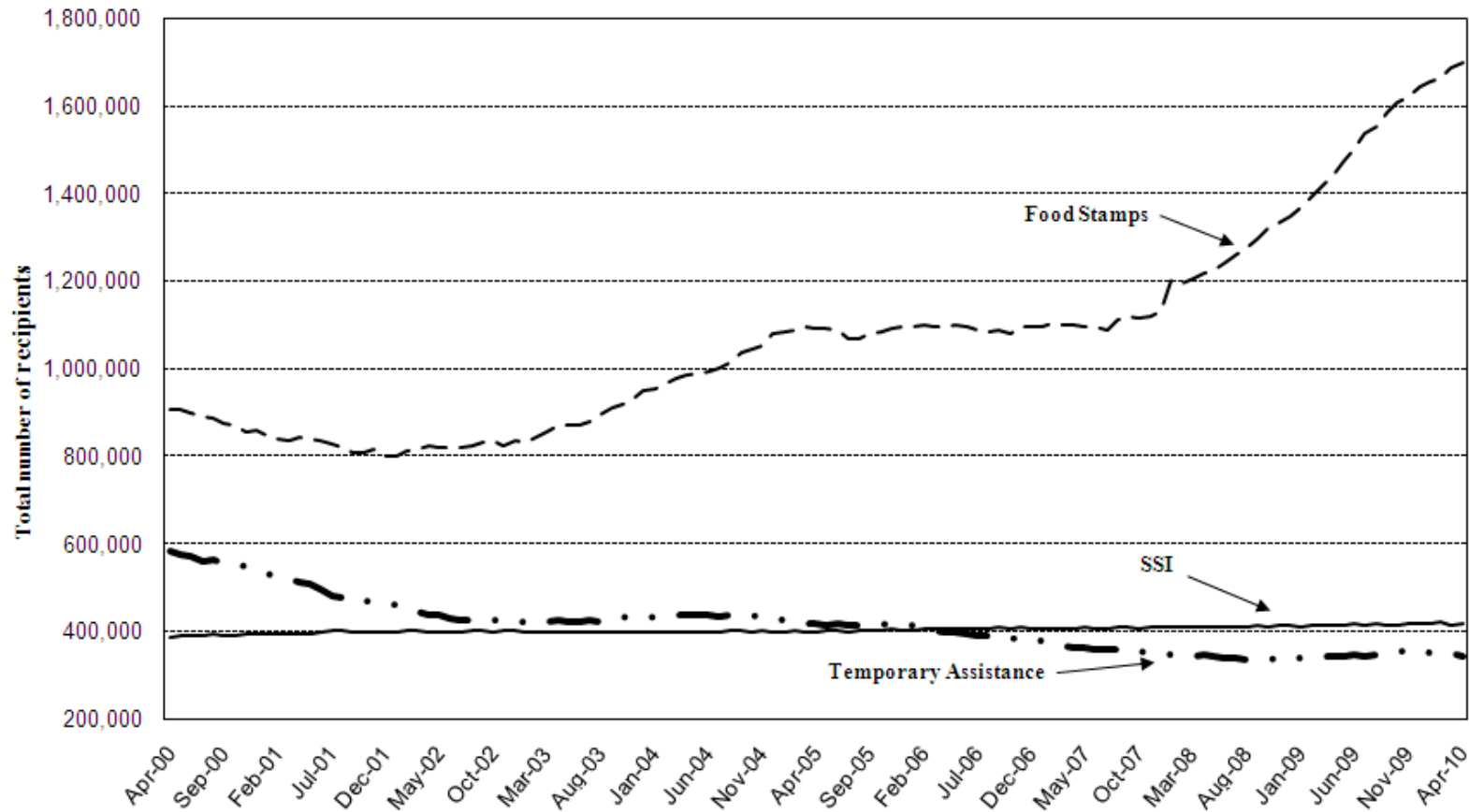
Source: New York State Department of Labor (not seasonally adjusted)

New York City unemployment highest among blacks and Hispanics and in poorer neighborhoods

- The Labor Department only publishes NYC unemployment rates for all workers—no detail by gender, race, ethnicity, age, etc.
- FPI uses monthly Current Population Survey to examine detailed labor market trends, including unemployment, by demographic.
- FPI analysis of unemployment rates by gender and race/ethnicity at a neighborhood level published in December by Wall Street Journal and New York Times.
 - http://s.wsj.net/public/resources/documents/st_nyjobs_20091215.html
 - <http://cityroom.blogs.nytimes.com/2009/12/29/a-localized-breakdown-of-joblessness-in-new-york/>

Projections call for slow NYC job growth								
		2008 actual	2009 actual	2010 forecast	2011 forecast	2012 forecast	2013 forecast	2014 forecast
NYC nonfarm employment (000s)								
NYC Office of Management and Budget	change from prior year			-58	12	40	41	31
	annual average	3,794	3,687	3,629	3,641	3,681	3,722	3,753
NYC Independent Budget Office	change from prior year			-21	21	57	67	64
	annual average	3,794	3,687	3,666	3,687	3,743	3,810	3,875
Source: NYC IMB, July 2010; NYC IBO, May 2010								

The total number of food stamp recipients in New York City increased 50 percent since December 2007, while the number of temporary assistance recipients has declined slightly during the same time.



Source: NYS Office of Temporary and Disability Assistance

ARRA is helping moderate the recession's severity

- The 2009 Recovery Act (ARRA) has infused nearly \$16 billion into the NYC economy, helping to offset the recession's cost in lost wages and taxes.
- Wide range of funding streams from NYC (and NYS) budget relief to new social spending (by NYC and non-profits), R&D, infrastructure, energy efficiency and various payments to individuals.
- NYC government receives nearly \$5B in budget relief, over \$1B for new spending, and \$2B for infrastructure.
- \$5B in direct payments to individuals in NYC for unemployment insurance, food stamps, Pell grants, tax credits, etc.
- ARRA has created or saved an estimated 88,500 jobs in NYC (May 2010).
- ARRA kept an estimated 283,000 NYC residents from falling into poverty in 2009, according to the Center on Budget and Policy Priorities.

Recovery Act (ARRA) Funding in New York City		
(\$ millions)		
New York City Budget		\$8,127.7
Medicaid and Schools budget relief		\$4,888.8
New spending (social services, jobs, criminal justice, etc.)		\$1,088.5
Infrastructure (schools, transportation, water quality)		\$2,150.4
Other Infrastructure (Public Housing, MTA, Port Authority, weatherization)		\$1,835.0
NIH and NSF research, Non-profits, Community Development Finance, etc.		\$727.5
Direct Payments to Individuals		\$4,989.0
Unemployment Insurance		\$1,760.6
Food Stamps		\$837.8
Pell Grants		\$360.3
\$250 Economic Recovery Payments		\$282.6
TANF Emergency Contingency Fund (Back to School Allowance)		\$85.8
Making Work Pay Tax Credits		\$1,661.9
TOTAL RECOVERY ACT FUNDING COMING TO NEW YORK CITY		\$15,679.2
Note: Spending through May 2010 except for NYC budget (five fiscal years).		
Source: FPI analysis of data from Federal, NYS and NYC governments, July 2010.		

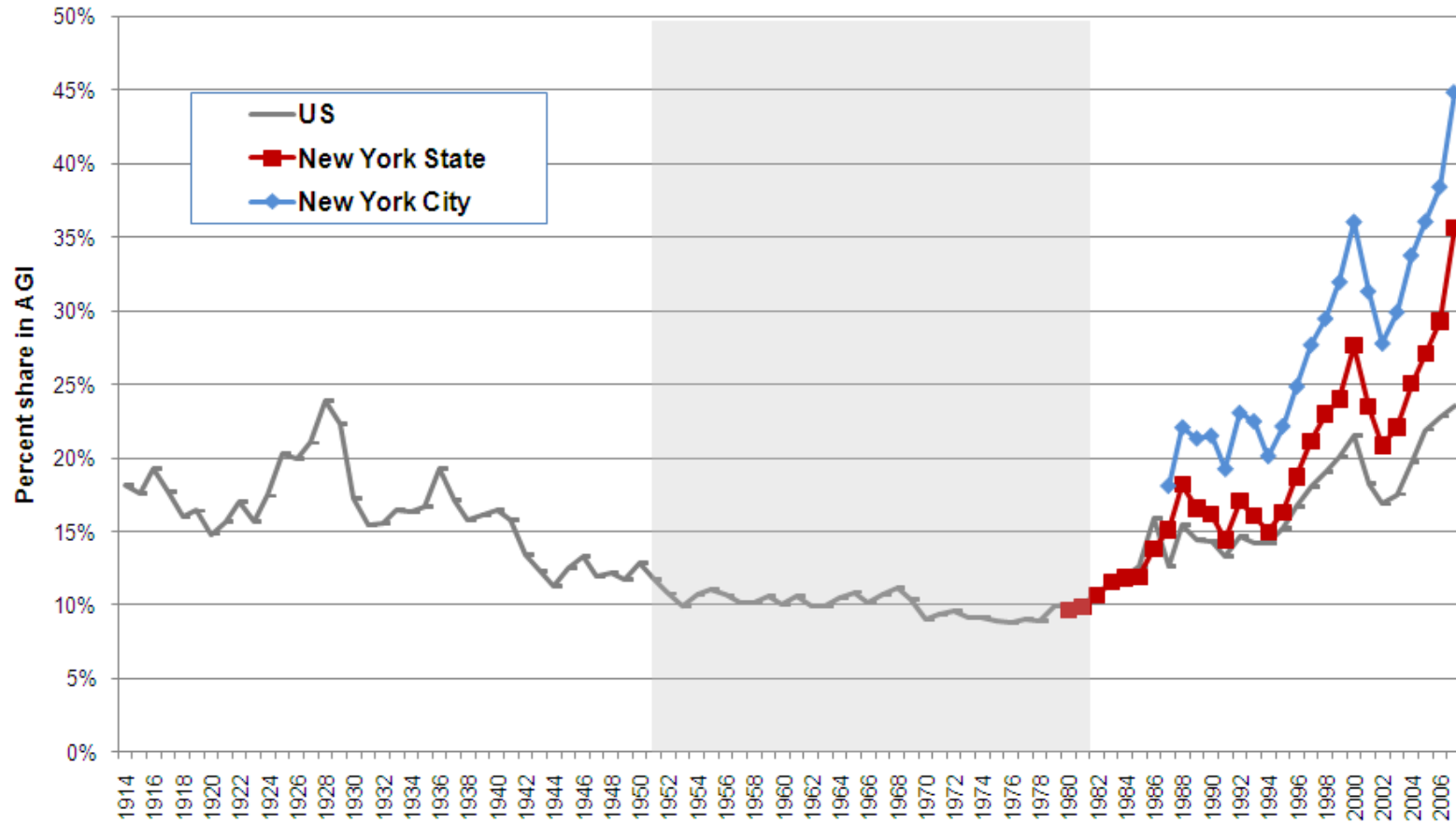
NYC's major economic challenges

- The Great Recession has taken a heavy toll in jobs and wages; unemployment likely to remain high for some time.
- Unemployment particularly high among blacks and Hispanics and concentrated in neighborhoods in Brooklyn and the Bronx.
- Huge increase in working poor in recent years; 20% of families with a full-time, year-round worker live in poverty. A much higher proportion of families fall short of the income needed for a Self-Sufficiency family budget.
- Too many of New York's jobs pay wages that are inadequate to allow families to be self-sufficient.

Before the recession, NYC median wages had fallen sharply for both women and men

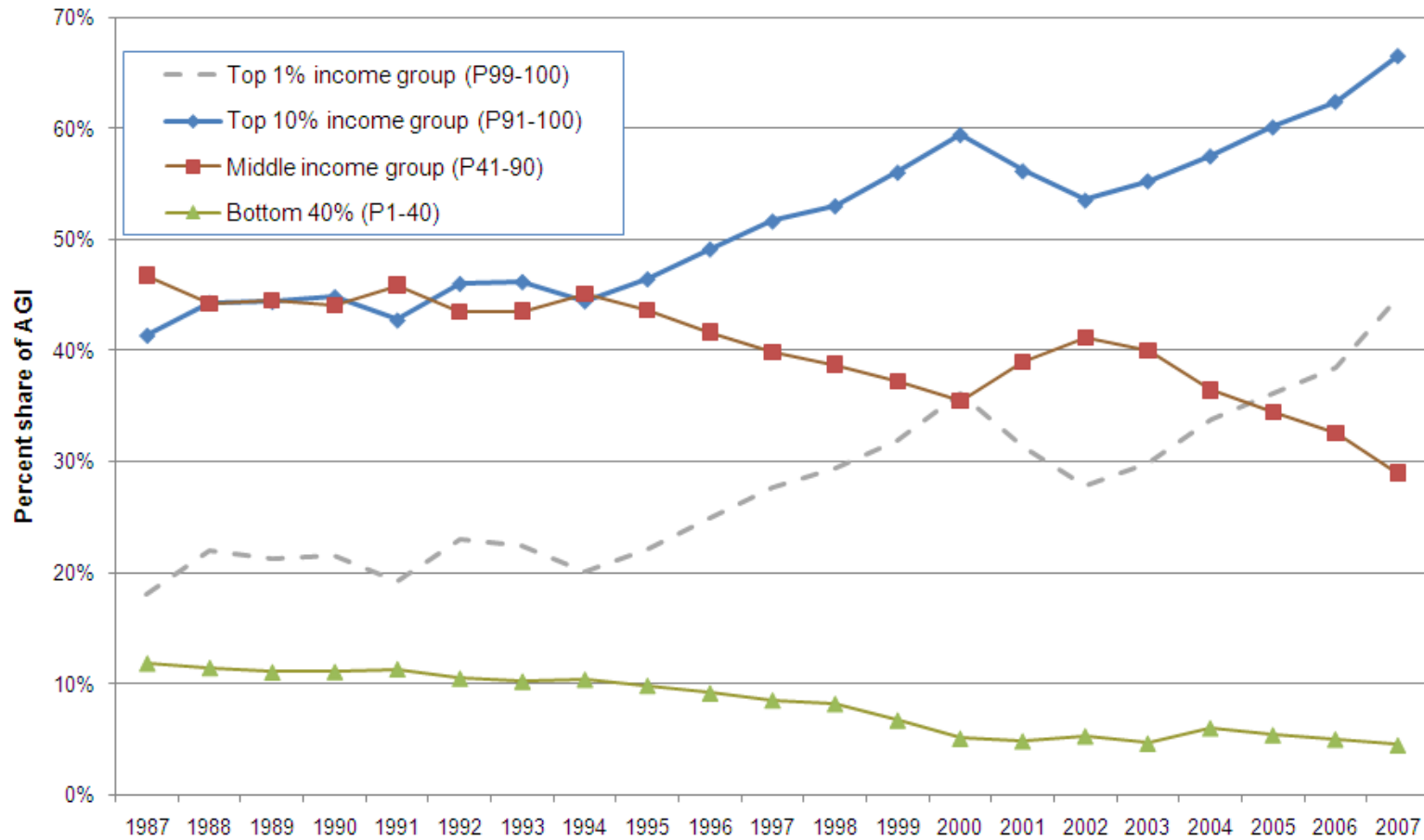
	1989/90	2001/02	2007/08	1989/90-- 2001/02	2001/02-- 2007/08	1989/90-- 2007/08
All	\$18.05	\$16.80	\$16.00	-6.9%	-4.8%	-11.4%
Male	\$19.62	\$18.00	\$17.38	-8.3%	-3.5%	-11.5%
Female	\$17.02	\$15.58	\$15.00	-8.5%	-3.7%	-11.9%
Male						
White, non-Hispanic	\$25.54	\$24.57	\$24.00	-3.8%	-2.3%	-6.0%
Black, non-Hispanic	\$16.26	\$15.12	\$14.84	-7.0%	-1.9%	-8.7%
Hispanic	\$14.98	\$12.66	\$14.40	-15.5%	13.7%	-3.9%
Asian and other	\$16.34	\$17.20	\$16.62	5.3%	-3.4%	1.7%
Female						
White, non-Hispanic	\$20.31	\$19.66	\$19.98	-3.2%	1.6%	-1.6%
Black, non-Hispanic	\$15.12	\$14.74	\$13.84	-2.5%	-6.1%	-8.5%
Hispanic	\$13.09	\$12.29	\$12.00	-6.1%	-2.3%	-8.3%
Asian and other	\$15.13	\$15.12	\$14.86	-0.1%	-1.7%	-1.8%
All wages in 2008 \$ using NY metro area CPI.						
Source: FPI analysis of Current Population Survey data.						

During the heyday of America's middle class (1950-80), the wealthiest top 1% had about 10% of total income. Now, it is back up to 23.5%. Inequality has become even more extreme in NY State and NY City.



Source: US income distribution data from Piketty-Saez (<http://elsa.berkeley.edu/~saez>); NYS and NYC estimates by FPI based on NYS Dept. of Taxation and Finance personal income tax

Over the past 20 years, the NYC income share going to the top 10% (and top 1%) has risen sharply



Source: FPI analysis of NYS personal income tax data from IBO & Dept. of Taxation and Finance

New York City's economic outlook

- The pace of national economic growth is the main determinant of NYC's outlook. Severe problems related to housing, consumer debt burdens and small business finance likely will operate to keep the pace of recovery slower than that following most recessions.
- For both NYC and the U.S., most projections foresee a weak and gradual recovery for the job market, with the unemployment rate not reaching pre-recession levels for several years.
- NYC needs 400,000 jobs (80,000 a year for 5 years) just to bring the current 10% unemployment rate down to 5.5 to 6.0%.
- Unless there are policy changes, NYC workers will remain under severe wage pressure and will face rising cost of living.