

Pay Patterns on Long Island Since the Great Recession

by Gregory DeFreitas

Nearly six years since the official end of the 2008-09 recession, the hourly pay of most working adults on Long Island has barely recovered to pre-crisis levels. In this article I use newly released 2014 government household survey data to trace the main regional trends in hourly wages since the Great Recession and contrast them with pre-recession years.¹

Some notable findings are:

- Pay paralysis is nearly as common locally as nationally: the typical working person on Long Island today only makes 75 cents more per hour than in 2005 – or an hourly pay raise of just 8 cents more per year.
- Young men and women ages 16 to 34 have been hardest hit by wage erosion. Among men 24 and younger, hourly pay dropped from \$11.42 in the mid-2000s to \$10.31 in 2012–2014, nearly a 10 percent wage cut.
- The Long Island gender gap has not narrowed over the past decade: full-time working women still earn 20 percent less per hour than their male counterparts.
- Racial and ethnic earnings gaps have narrowed since the mid-2000s, but remain wide. Increases in the minimum wage have been particularly important in stemming wage erosion among lower-paid African American, Latino and immigrant workers.
- College grads still earn far more than those without degrees, but the size of that wage advantage has declined since the pre-recession years.
- Recent job growth in mostly lower-wage industries has contributed to the island’s wage stagnation.
- Jobs with union representation today average higher hourly pay than nonunion jobs in both the private and the public sectors. The union wage premium has been cut by over half in the private sector, but has increased in the highly unionized public sector.

Figure 1
Hourly Wage Rates in US, NYC & LI: (Median Wages in \$2014)

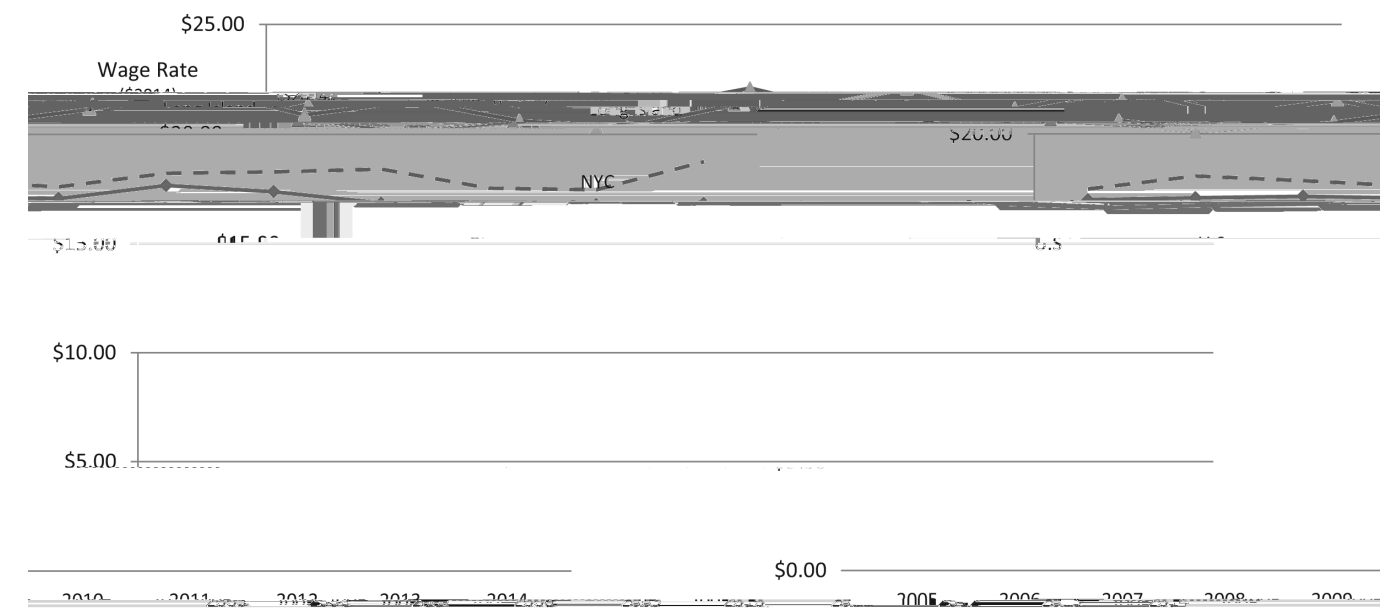


Figure 1 Source: Annual Economic Report, Long Island Council on Economic Policy

Pay Paralysis

Nationwide, for over three decades now, stagnant or falling pay has remained the frustrating norm for most working people.² Figure 1 shows the inflation-adjusted hourly wage at the median (50th percentile) from the pre-recession years 2005-2007 through the 2008-2009 recession and the post-recession years to 2014. Across the country, the median wage has been stuck at about \$17 or less (in 2014 dollars) over nearly all of these 10 years. A brief uptick occurred in 2008–2009 when price pressures in the slack economy eased so much that inflation-adjusted wages rose.

The same broad pattern has been true in New York City and Long Island, though wages in both are above the national level. From the end of the recession, -28.8(t)-1k City 0.084 Tw 10 0 0 10 31.4 225.5314 Tm[6(g)6.5(e h)-5.4(e 1)3084 -8.2ge at the medif

percent less than comparable men (Table 2, bottom rows). Among the prime-age work force 35-to-54-years old, the pay gap has widened: full-time working women earned 81 percent of the median male wage just before the last recession, but now earn only 78 percent as much.

The declines in the wage rates available to youth in the Long Island job market have worrisome implications for future labor force growth. The fraction of young Long Islanders under 25 who are employed has fallen sharply, from one in two youth with a job (55.6 percent) in 2005 to just over one in three (37 percent) today. The drop in job-holding has been steepest for young women: only 33.6 percent are employed now, compared to 58 percent in 2005. Part of this may reflect more college-related labor force withdrawal.

But the same is true elsewhere, yet the Long Island youth job decline has been far steeper. Nationwide, the employment-population rate of 16-to-24 year-olds fell only from 54 percent to 48 percent over this same period.

Racial, Ethnic & Immigrant Trends

As the Long Island population has rapidly diversified in recent decades, measurement of the economic progress of different racial and ethnic groups has lagged behind. This may have stemmed in part from past data limitations posed by small sample sizes in annual surveys of suburban minorities. Now that the African American, Asian and Hispanic populations have grown to over 30 percent of the Long Island population, data is becoming less of a constraint.

In Table 3, real wage rates in 2005–2014 are calculated from the 3-year pooled survey samples of non-Hispanic whites and blacks and of Hispanics (who may be of any race). The Asian subsamples were too small for reliable wage quartile estimates. Among the

majority non-Hispanic white work force, the median wage rate showed little progress over the past decade, rising less than 0.1 percent annually. The bottom quarter of white workers experienced a decline by 50 cents in their real hourly pay rate, and the bottom

tenth had nearly a 75 cent pay cut, down to \$9.28 per hour.

Median pay of African American workers is over seven dollars below the white wage rate. But it has risen slightly over this same period, from \$15.77/hour then to \$16.65 today. Hispanics have experienced even larger pay gains. Their median wage rate is now \$15.00, up an extra \$1.67 per hour over their pre-recession level.

Both black and Hispanic Long Islanders still earn less than 75 percent of the median wage of non-Hispanic white workers today. But their modest pay gains since the mid-2000s have increased the black/white median wage ratio from 69 percent in 2005-2007 to 72 percent in 2012-2014. Likewise, the Hispanic/non-Hispanic white ratio is up from 58 percent pre-recession to 65 percent today.

Even the lowest-paid tenth of blacks and Hispanics have seen a small pay improvement. Increases in the minimum wage, modest though they have certainly been, have played a particularly important role in stemming wage erosion among lower-paid African American, Latino and immigrant workers. Over the years of our study, the lowest-income 25% gained from several minimum wage increases in New York: in January 2005, the minimum wage rose from \$5.15 per hour to \$6.00. Thereafter it increased to \$6.75 (in January 2006); \$7.15 (January 2007); \$7.25 (July 2009); \$8.00 (12/31/2013); and \$8.75 (12/31/2014).

The immigrant work force on Long Island has also achieved small pay improvements over this period. At the median, foreign-born workers now earn \$16.57 per hour, 64 cents more than a decade ago (Table 4). Native-born workers median hourly earnings – over \$5 above the immigrant pay level – rose even less over these same years.⁴

Even College Grads' Pay Falls

How much of recent trends in wage stagnation and inequality can be explained by a widening gap between employers' modern skill needs and the human capital of today's work force? A widely influential hypothesis among economists, dubbed "skill-biased technical change" (SBTC) has focused much attention on such an alleged mismatch. The fact that today the average wage premium of college grads over noncollege workers is at a record high is often cited as supportive evidence.

In Table 5, median wage rates on Long Island are shown separately for employed men and women, ages 25 to 64, subdivided by highest level of education completed by the survey year. As expected, the island's college graduates today earn far more than less-educated workers: the median college grad's wage rate is 51 percent higher than that of workers with no more than a high school degree, and 37 percent above the wage of those with some college but no degree.

Union Wage Advantages

A growing number of economic studies has documented the sizable union advantage in wages and benefits over nonunion jobs, as well as the importance of shrinking union coverage nationwide in explaining pay paralysis and inequality.⁶ New York today has the highest rate of union membership of any state in the country. In New York City and Long Island, nearly one in four workers is a union member – over twice the national rate.⁷ And the highest union membership rates are among minority workers: Over one-third of African Americans and over one-fourth of Hispanics on Long Island are in unions. How has the pay of workers with union representation fared compared to nonunion employees in recent years?

Table 7 presents real hourly wage estimates for unionized and nonunionized workers ages 25 to 64 in non-managerial and non-supervisory jobs. Workers with union representation today average 30 percent higher hourly pay than nonunion Long Islanders. Of course, possible variations between these work forces in age, education, experience, job responsibilities and other factors may affect pay differentials. Studies like those referenced above have controlled for many such variables in research on larger data sets and generally found a still-considerable union pay advantage, positively related to relative bargaining strength. On Long Island, where union density is far higher in the public sector (75 percent) than in the private sector (13 percent), bargaining strength is likely to be stronger in the former than the latter, requiring separate analyses. The private sector figures in the table's middle rows reveal a dramatic difference: Over the past decade, the median union pay rate has been cut by over \$2 while the nonunion wage has risen slightly. The union wage premium in the private sector is now just 11 percent and has been cut by over half from its pre-recession level (26.3 percent).

In contrast, even after years of local government job cuts, the median wage in the more heavily unionized public sector rose nearly \$2 per hour among employees with union protection but fell by \$2 per hour among nonunion workers. That doubled the size of the public sector union pay advantage to 43.7 percent.

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REGIONAL LABOR REVIEW, vol. 17, no. 2 (Spring/Summer 2015).
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NOTES:

¹ This study uses microdata from the US Census Bureau's Current Population Survey, its monthly nationwide survey of 50,000 to 60,000 households. The CPS is a rolling panel survey that interviews sampled individuals for four straight months, leaves them alone for the following eight months, then re-interviews those same households in each of the next four months. I use the merged Outgoing Rotation Group eouproutns BtuS