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FALL 2000

America's Working Class Majority
Exclusive Excerpt of the New Book by Michael Zweig

Election 2000 and Local Labor Market Conditions

Why New York Needs a Manufacturing Revival
An Interview with Adam Friedman

Is Comparable Worth Pay Policy Really Worth It?

Scandal and Reform in New York City Unions

Selected portions of Fall 2000 issue. For full contents, see subscription information on last page.

HOFSTRA UNIVERSITY



THE CURRENT JOB OUTLOOK

by Gregory DeFreitas

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just 2.4%. According to the Energy Department, gasoline prices peaked on June 19 and production figures suggested that the ensuing decline could persist for months. With price inflation so low, it is difficult to see any serious justification for further interest rate hikes. As this region's current labor market indicators reviewed below suggest, recent gains have been impressive, but there remains much room for wage and employment progress in the current expansion.

Job Growth

New York City led the nation in over-the-year job growth in May, adding more new jobs (113,900) than any other metropolitan area in the country.² June saw a slackening of its employment pace from the prior month. But the June 1999-to-June 2000 addition of 89,300 positions exceeded (by 15,000) the job creation of the same period in 1998-99. This 2.5 percent growth rate surpassed both the state (2.1 percent) and the national pace (2.4 percent). The city's private sector alone accounted for 78,800 of all the new jobs, representing a 2.6 percent sectoral increase.

slowly from just 64,500 last June to 67,600 by April, then shot up to 88,600 in May, before receding to 74,500 in June. Even with this sharp one-month drop, the June-to-June difference in the entire public sector was +10,500 jobs, compared to the slow shrinkage of government positions experienced in the previous 12-month span.

The fall-off in federal jobs had little offset in local government, despite the introduction of mandatory summer school for large numbers of New York elementary and secondary school students. School staffing grew by a feeble 1500 over the 12 months, likely reflecting a growing teacher shortage worsened by below-average salaries. Downsizing, through both layoffs and retirement incentives, continues to threaten public hospital workers. The New York Health and Hospitals Corporation has responded to federal spending cuts by eliminating 1000 beds in city hospitals and adopting a hiring freeze. In the fiscal year that began July 1st, workforce reductions of about 1000 employees are planned.⁴ Private hospitals have scaled back as well, and St. Luke's-Roosevelt, Beth Israel, and Mt. Sinai have all announced planned staff reductions. If the city hiring freeze announced in July proves long-lasting, other agencies may be threatened with a similar fate.

Over the same period, Long Island

produce large enough samples to permit reliable statistical estimates of these geographic and demographic subsets, we pooled the most recent three months (the first quarter of 2000) of raw CPS household data, obtained from the U.S. Census Bureau.

The jobless rates in the first, leftmost column of the table reveal that, not only is New York's unemployment nearly twice that of major suburban areas, but it also exceeds the big-city average. Since the unemployment rate is defined only to include persons counted in the active labor force, it needs to be supplemented by alternative measures. The middle rows of Table 3 show our calculations of the fraction of the entire adult population with a job in each area. By this measure, the gap between New York and the other largest cities is much greater. Nearly 64% of big city residents hold jobs, but only 56.4% of New Yorkers. However, compared with our estimate of the city's employment rate (54%) for the first quarter of 1999, jobholding in New York has increased over the past year and edged closer to the urban average.

"Underemployment rates" are presented in the lower third of the table. This measure takes into account not only the officially unemployed, but also discouraged labor force dropouts and part-time employees unable to find full-time work. At 10.2%, underemployment in New York City is four percentage points higher than the city's standard unemployment rate. But it too has fallen (from 12.2%) since the first quarter of last year year.

Similar improvements are suggested by the employment estimates for African American and Latino New Yorkers. From the early months of 1999 to the same period this year, the proportion of non-Hispanic blacks employed rose from 49.4% to 54.3%. The fraction of the city's adult Latino population with a job also improved, from 49% to 52%. While these gains narrowed the gap in employment-population rates between whites and minorities, a sizable white advantage remains in New York, as well as in other big cities. The racial/ethnic gaps in unemployment and underemployment rates are even more pronounced. The Latino unemployment rate is 10.4% and their underemployment rate 16%, both far higher than the comparable white rates (3.9% and 6%, respectively).

About 7.2% of black non-Hispanics in the city are unemployed (down from 12.5% last year) and over

technicalities, and they cannot afford the legal help needed to reclaim it. Even Commissioner Rossotti admits to concern, stating that cuts in high-income audit rates were “risking the entire tax system.”

Unfair taxation of the working poor in New York City was a major finding of the Independent Budget Office’s analysis of the city’s Personal Income Tax . In its report, *NYC’s Tax on the Working Poor*, IBO found that over 99,000 households (including 273,000 persons) were too poor to owe any NY State or federal income

recent economic research has found little or no negative employment effects of either local or national increases in the wage floor.¹³ However, by the close of the state legislative session on June 23, its alleged “leftward movement” had failed to extend very far into the labor market. No agreement was reached to raise the state minimum wage, not even a last-minute proposal for setting it at only \$6.15. Remarkably, the Governor and his senate allies actually lowered the previously legislated minimum wage increase for tip-earning food-service workers. Under a Labor Department ruling, the state’s hourly minimum for waiters, busboys, and bartenders was

guidelines and standards. At its core are three main features: (1) “One-Stop” local centers where educational, training, and employment services are consolidated; (2) “Individual Training Accounts (ITAs),” a voucher-style system that aims to give qualified adults and dislocated workers more choice in the types of training they can obtain. And (3) devolution of most planning, implementation, and funding decisions to local Workforce Investment Boards (WIBs).

New York City is scheduled to receive the largest chunk of WIA funding (\$125.6 million over the next 12 months) of any local delivery area in the country. However, serious concerns have been voiced among policymakers and community-based organizations in recent months that the city government has been too slow to prepare and undemocratic in designing its own WIA program. As of mid-summer, the city still had not put in place its Workforce Investment Board, as required by the new law to implement the program. At hearings before the City Council’s General Welfare Committee in May, City Hall officials were sharply criticized, not only for this lack of preparation, but also for stacking the planning process with mayoral appointees who simply grafted the

2002, ALL deferred monies from the 'lag payroll' salaries shall be paid forthwith to the employees of ALL bargaining units at the then current rate.”

In reporting the results of the vote to his members, CSEA’s Regional President, Nick LaMorte said: “We believe this lifeline offered by the state may be the only way to get the county back on solid land. You have accepted the lag payroll and you have done your part to help with the fiscal crisis. Now the county must make the hard cuts by getting rid of patronage and personal contracts. If they don't, they may be looking at a full-fledged control board, which is risky at best.”¹⁵

The sight of a suburban Republican governor offering taxpayer-financed aid to a high-income suburban county long controlled by fellow Republicans, has not failed to attract criticism. After all, many point out, it was barely a year ago that the same governor helped repeal New York City’s commuter tax. The millions in lost city revenue go directly into the pockets of Nassau and other suburban residents who daily fill hundreds of thousands of jobs downtown. Hunter College economist Howard Chernick aptly summarizes the income redistribution critique: “The proposal marks but the most recent – and, of course, the most thoroughgoing – occasion in which the state of New York has intervened to the advantage of comparatively affluent citizens in free-spending Nassau – and to the detriment of the poorer residents and taxpayers of New York City. Hard as it may be for Nassau residents to hear at a time when their county government passes into de facto public receivership, their political leaders are continuing to reap the rewards of an unjust regional financing structure.”¹⁶

Table 1
Number of Nonfarm Jobs (in thousands) by Place of Work: 1999-2000

	<u>June 2000</u>	<u>June 1999</u>	<u>% CHG</u>
U.S.	132860.0	129767.0	2.4%
NY State	8702.8	8521.2	2.1
New York City	3706.2	3616.9	2.5
Nassau-Suffolk	1240.1	1209.6	2.5

Source: Establishment data (not seasonally adjusted) from NY State Dept. of Labor.
 Note that these data reflect regular revisions made by the Dept. of Labor.

Table 2
Civilian Labor Force, Employment & Unemployment:
New York City, Nassau-Suffolk & All U.S., June 1999 – June 2000
 (in thousands, not seasonally adjusted)

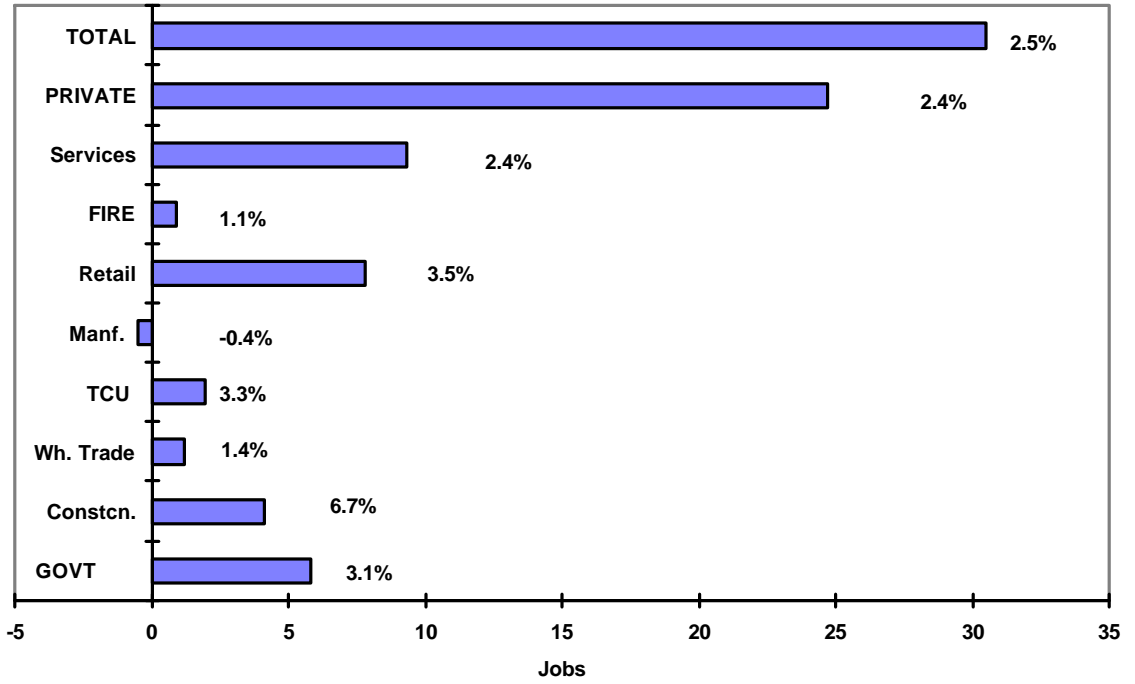
<u>AREA</u>	<u>Labor Force</u>		<u>Employed</u>		<u>Unemployed</u>		<u>Unemp. Rate</u>	
	<u>June 2000</u>	<u>June 1999</u>	<u>June 2000</u>	<u>June 1999</u>	<u>June 2000</u>	<u>June 1999</u>	<u>June 2000</u>	<u>June 1999</u>
U.S.	142132.0	140666.0	136192.0	134395.0	5940.0	6271.0	4.2%	4.5%
NYC	3474.5	3435.5	3287.7	3210.5	186.8	225.0	5.4	6.5
Brooklyn	971.5	961.1	909.9	888.6	61.6	72.5	6.3	7.5
Bronx	467.5	462.2	436.0	425.8	31.5	36.4	6.7	7.9
Manhattan	836.6	826.5	797.4	778.6	39.2	47.9	4.7	5.8
Queens	1000.8	990.1	955.3	932.8	45.5	57.3	4.5	5.8
Staten Island	198.1	195.5	189.1	184.7	9.0	10.8	4.5	5.5
Nassau-Suff.	1467.3	1430.1	1424.0	1380.6	43.3	49.5	3.0	3.5
Nassau Co.	721.9	702.1	701.0	679.6	20.9	22.5	2.9	3.2
Suffolk Co.	745.4	727.9	723.0	700.9	22.4	27.0	3.0	3.7

Source: CPS household survey data from NY State Department of Labor, 2000. Note that these data reflect regular revisions made by the Dept. of Labor.

Figure 1
NYC Job Growth by Industry: June 1999 – June 2000
(in thousands of jobs, and percent change)



Figure 2
Nassau-Suffolk Job Growth by Industry: June 1999 – June 2000
(in thousands of jobs, and percent change)



Source: NY State Department of Labor. FIRE = Finance, Insurance, Real Estate; TCU = Transport, Communications, Utilities.
 Year-to-year changes, not seasonally adjusted.

Table 3
Unemployment, Employment & Underemployment Rates, by Sex, Age, and Race/Ethnicity:
New York City, Nassau-Suffolk, and Other Large U.S. Cities and Suburbs, 2000:1

Unemploy.	All Ages	
<u>Rate</u>	<u>16 & Up</u>	<u>Males</u>

¹⁰ David C. Johnston, "IRS More Likely to Audit the Poor and Not the Rich." *NY Times* (4/16/2000): p. 1.

¹¹ Independent Budget Office. *NYC's Tax on the Working Poor* (3/98).

¹² Richard Perez-Pena, "Summary of Major Actions of the Legislature's 223rd Session," *NY Times* (6/25/2000): p. 32.

¹³ Jared Bernstein and John Schmitt, "The Impact of the Minimum Wage." *EPI Briefing Paper* (6/2000).

¹⁴ "List of Certified WIBs," NY State Dept. of Labor: www.wdsny.org (July 15, 2000).

¹⁵ Quoted in *CSEA Nassau Express* (June 2000).

¹⁶ Howard Chernick, "Nassau Bailout Hurts NYC Bottom Line." *Newsday* (6/18/2000): p. B5.

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