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## *Will New York's Recovery Stall in a National Economic Downshift?*

*by Gregory DeFreitas and Bhaswati Sengupta*

The U.S. economy has slowed noticeably over the past year, and few economists expect much acceleration anytime soon. Surprising resilience in consumer spending has staved off recessionary pressures so far. But, the nation's economic growth in output of goods and services (real GDP), was up just 2.5% after inflation adjustment in the last three months of 2006, -- less than half the pace in the year's first quarter.<sup>1</sup> Gloomy new figures on the pivotal housing market have raised fresh concerns about the health not only of real estate and construction industries, but also of big sub-prime mortgage lenders and consumer finances. Sales of existing homes (85% of the housing market) plunged 8.4% in 2006, the worst decline in 17 years. And the downturn has been widespread, with falling home sales in four out of five states nationwide.

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Of the other big expanding industries, finance, insurance and real estate (FIRE) added 8,200 positions, but real estate was by far the weakest contributor.

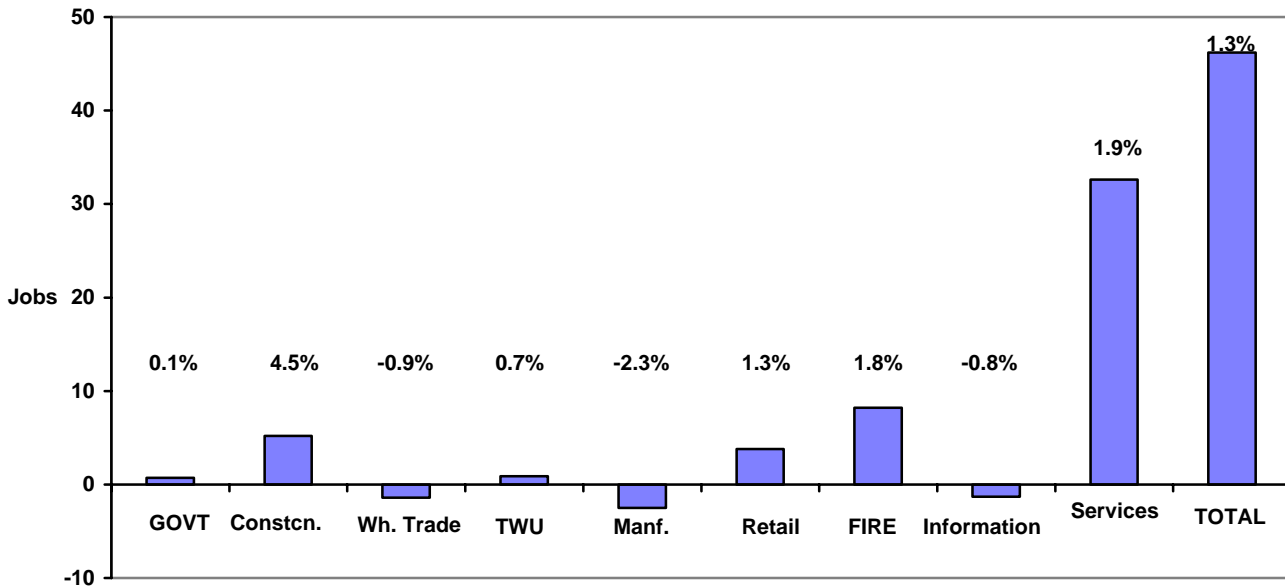
Manufacturing jobs continued to decline, as the city lost another 2,500 (-2.3%) over the past year. All the major manufacturing industries suffered employment declines, led by apparel (-9.1%) and miscellaneous durable goods (-15.4%). Long Island also experienced sizable manufacturing layoffs last year, losing 1,700 net jobs. Still more job losses were announced early in 2007. Photocircuits, a half-century-old circuit board maker in Glen Cove, bowed to sluggish sales and closed down, leaving 740 workers without jobs or severance pay. Northrop Grumman plans imminent layoffs of 200 to 300 with completion of a contract for Navy Hawkeye aircraft. The other sector to contract markedly was finance, insurance and real estate. In contrast to FIRE's expansion downtown, Long Island lost 1,200 jobs in all parts of the sector. But, the services supersector added a total of 5,900 jobs, led by hiring in health care, education and professional and business service industries. Still, net job growth on Long Island was only 0.8%, well below the New York City or national rates.

To better understand these patterns, it may be helpful to note that most analyses of shifts in local labor market conditions concentrate mainly on employment in the *private* sector, since the *public* sector accounts for under one-fifth of all jobs and does not vary much in the short term, reducing its value as a cyclical indicator. Even though unemployment has fallen far below its pre-recession high (January 2001) rate, payroll employment still remains substantially below its pre-recession level. Typically, seasonal factors generally create a lot more jobs in the last four months of a year than in others. While the city's job count did advance by 69,000 between August and December of last year, this performance has been its poorest in five years. Moreover, the increase in private sector jobs from November to December remained substantially below its average in the last ten years.<sup>8</sup> In sharp contrast, the increase in the number of private sector jobs on Long Island in 2006 resulted in its highest number ever recorded for the month of December.<sup>9</sup> For Long Island, the high payroll employment trends are consistent with its falling unemployment figures, so why is the same not apparent for New York City?

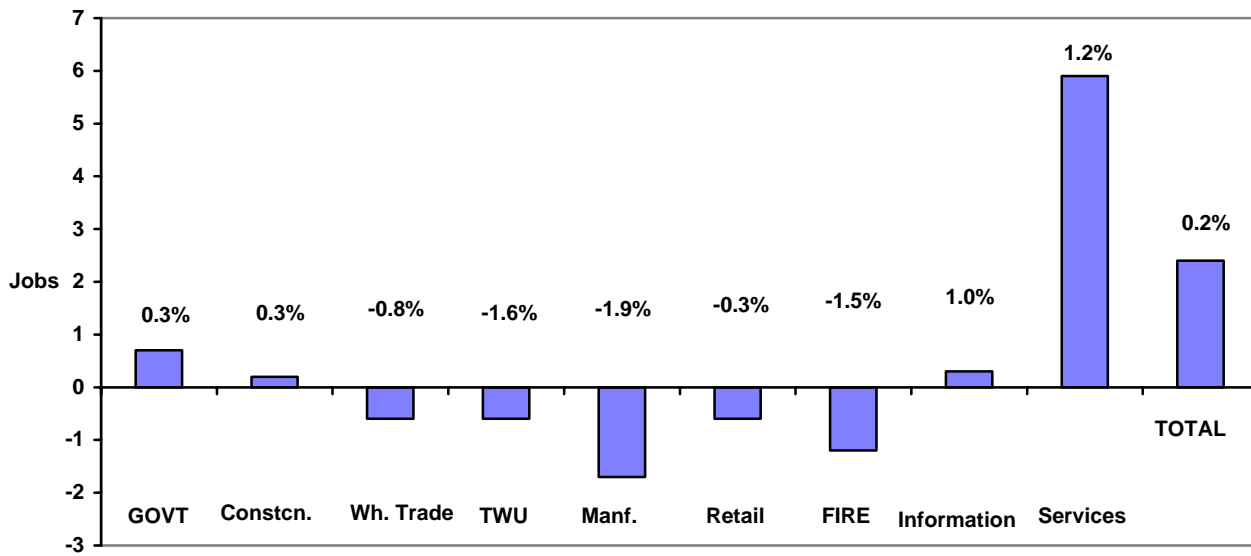
One of the main reasons for this inconsistency may lie in *how* payroll employment is measured. Payroll employment figures do not take into account the number of people who are self-employed, counting only wage and salary workers and recent evidence suggests that the former is

the average (50

**Figure 1**  
**NYC Job Growth by Industry: Dec. 2005 – Dec. 2006**  
 (in thousands of jobs, and percent change)



**Figure 2**  
**Long Island Job Growth by Industry: Dec. 2005 – Dec. 2006**  
 (in thousands of jobs, and percent change)



Figs 1-2 source: NYS Dept. of Labor: nonfarm payroll job data from CES establishment surveys. Year-to-year changes, not seasonally adjusted. Note: FIRE = Finance, Insurance & Real Estate; TW U= Transport, Warehousing & Utilities.

**Table 1**  
**National Economic Indicators in the 2002-06 Economic Cycle**  
**Compared to All Other Post-WWII Cycles**

<i>Avg. Annual Growth Rate in:</i>	<u>Past Recoveries</u>	<u>Current Recovery</u>
<b>CORPORATE PROFITS</b>	4.9%	12.1%
<b>OUTPUT (Real GDP)</b>	3.7	2.7
<b>EMPLOYMENT</b>	2.0	0.5
<b>BUSINESS INVESTMENT In equipment &amp; software</b>	5.8	2.3

Table 1 source: Bivens (2007).

**Table 2**  
**Number of Nonfarm Jobs (in thousands) by Place of Work: 2000-2006**

Table 2 source: Establishment data (not seasonally adjusted) from US Dept. of Labor & NY State Dept. of Labor.  
 Note: the data reflect regular revisions made by Dept. of Labor.

**Table 3**  
**Civilian Labor Force, Employment & Unemployment:**  
**New York City, Long Island & All U.S., Dec. 2005 – Dec. 2006**  
 (in thousands, not seasonally adjusted)

<u>AREA</u>	<u>Labor Force</u>		<u>Employed</u>		<u>Unemployed</u>		<u>Unemp. Rate</u>	
	<u>Dec. 2006</u>	<u>Dec. 2005</u>	<u>Dec. 2006</u>	<u>Dec. 2005</u>	<u>Dec. 2006</u>	<u>Dec. 2005</u>	<u>Dec. 2006</u>	<u>Dec. 2005</u>
U.S.	152571.0	149874.0	146081.0	142918.0	6491.0	6956.0	4.3%	4.6%
NYC	3724.0	3763.6	3574.6	3552.2	149.4	211.4	4.0	5.6

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## NOTES

<sup>1</sup> According to the Commerce Dept.'s final estimates for 2006, the year's annual growth rate (3.3%) was almost identical to 2005, but well below the 3.9% rate of 2004.

<sup>2</sup> U.S. Bureau of Labor Statistics. 2007. *The Employment Situation: December 2006*. <[www.bls.gov](http://www.bls.gov)>

<sup>3</sup> Bivens, L. Josh. 2007. "Current Recovery Great for Profits, Poor by Most Other Measures," *Economic Snapshots*, Economic Policy Institute, April: <[www.epinet.org](http://www.epinet.org)>

<sup>4</sup> In a January 18<sup>th</sup> press release, Mayor Bloomberg credited the low unemployment rates in the last four months of 2006 to "five years of innovation, accountability and fiscal responsibility." Office of the Mayor, New York City. 2007. "Mayor Bloomberg Announces City Achieved Lowest-Ever Annual Unemployment Rate in 2006," Press Release, January 18: <[www.nyc.gov](http://www.nyc.gov)>

<sup>5</sup> Schmitt, John and Dean Baker. 2006. "Missing Inaction: Evidence of Undercounting of New Workers in the C.P.S." *CEPR Briefing Paper*, Center for Economic and Policy Research, January: <[www.cepr.org](http://www.cepr.org)>

<sup>6</sup> Levitan, Mark. 2007. "Unemployment and Joblessness in New York City, 2006: Recovery Bypasses Youth," *Community Service Society Annual Report* <[www.cssny.org](http://www.cssny.org)>

<sup>7</sup> See, for example, Mermin, et. al. 2006. "Why Do Boomers Plan to Work So Long?" *Urban Institute Retirement Project Discussion Paper #06-04* (December).

<sup>8</sup> The City added 6,900 private sector jobs between November and December (not seasonally adjusted), well below its 10-year average gain of 17,300 during these months.

<sup>9</sup> The gains were highest in professional and business services and educational and health services, while trade, transportation and utilities and manufacturing recorded a net decrease in the number of jobs in Long Island.

<sup>10</sup> See *Economic Notes*, a quarterly report published by the Office of the New York City Comptroller, January 2007.

<sup>11</sup> These numbers imply that self-employed workers rose from 12 to 17 percent of the City's job base.

<sup>12</sup> From 1997-2004, the fastest growth in non-employer businesses were in personal service occupations, such as home health care and child care workers which reflect the changing demographics and lifestyles of the City's population. Non employer businesses are notoriously hard to track by the BLS, which also biases pay