

# The State of Working New York 2009: Unemployment and Economic Insecurity in the Great Recession

James A. Parrott, Ph.D.  
Deputy Director and Chief Economist  
FISCAL POLICY INSTITUTE

[parrott@fiscalpolicy.org](mailto:parrott@fiscalpolicy.org)

[www.fiscalpolicy.org](http://www.fiscalpolicy.org)

New York State Network for Economic Research

“A Focus on Human Capital”

Rockefeller Institute of Government

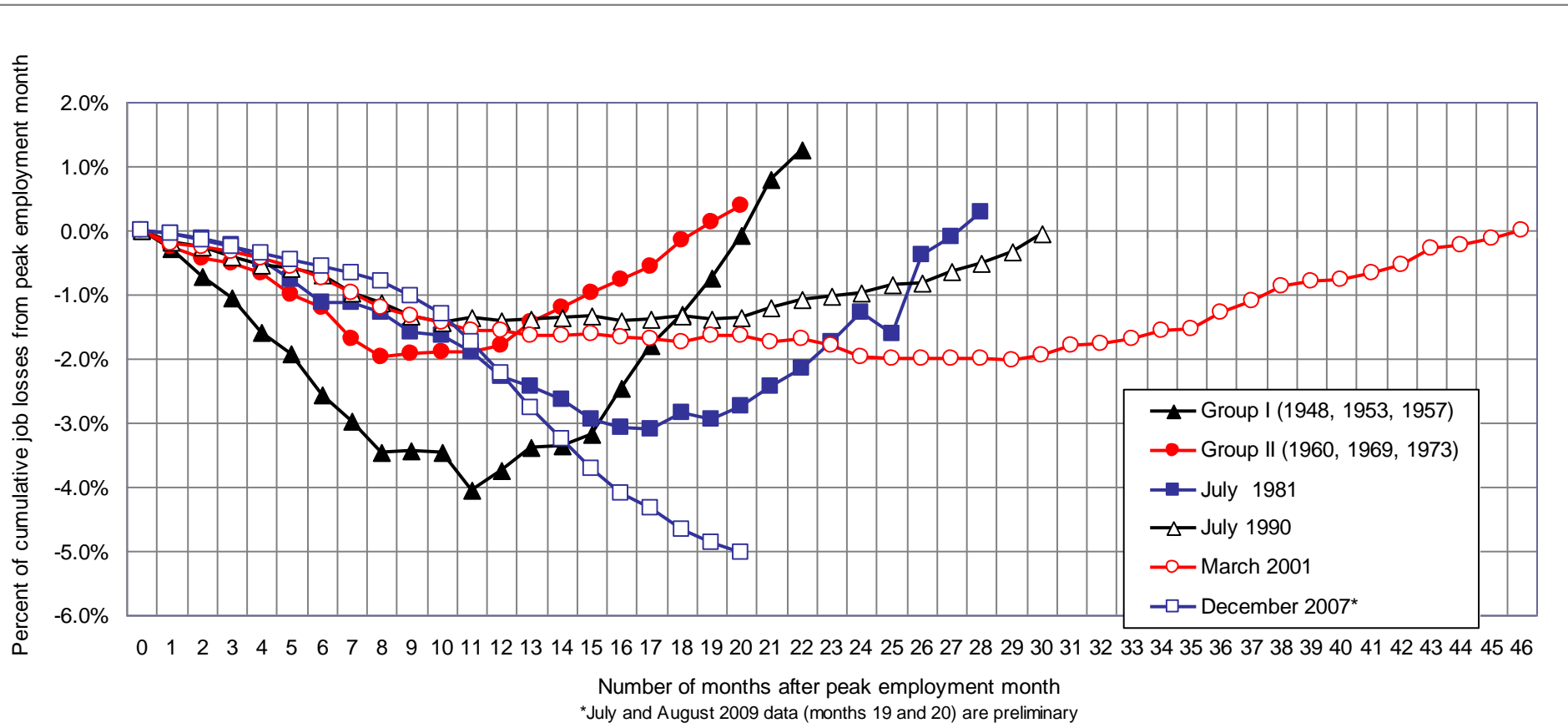
Albany

September 14, 2009

# Overview

- Great Recession
- Rising unemployment and economic insecurity
- NY in the national context
- The importance of federal stimulus
- Policies essential to recovery

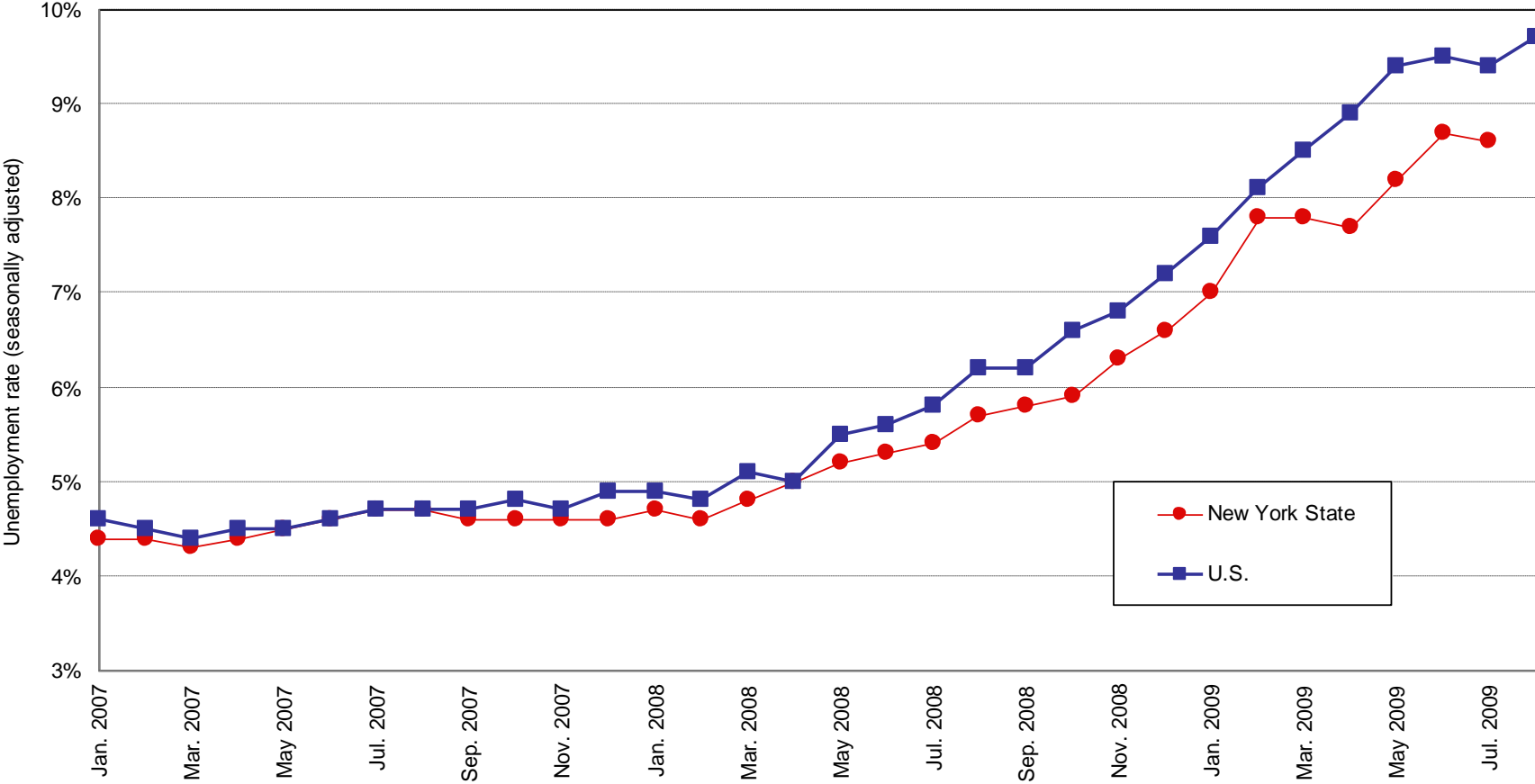
# The current Great Recession is likely to be both steep and long



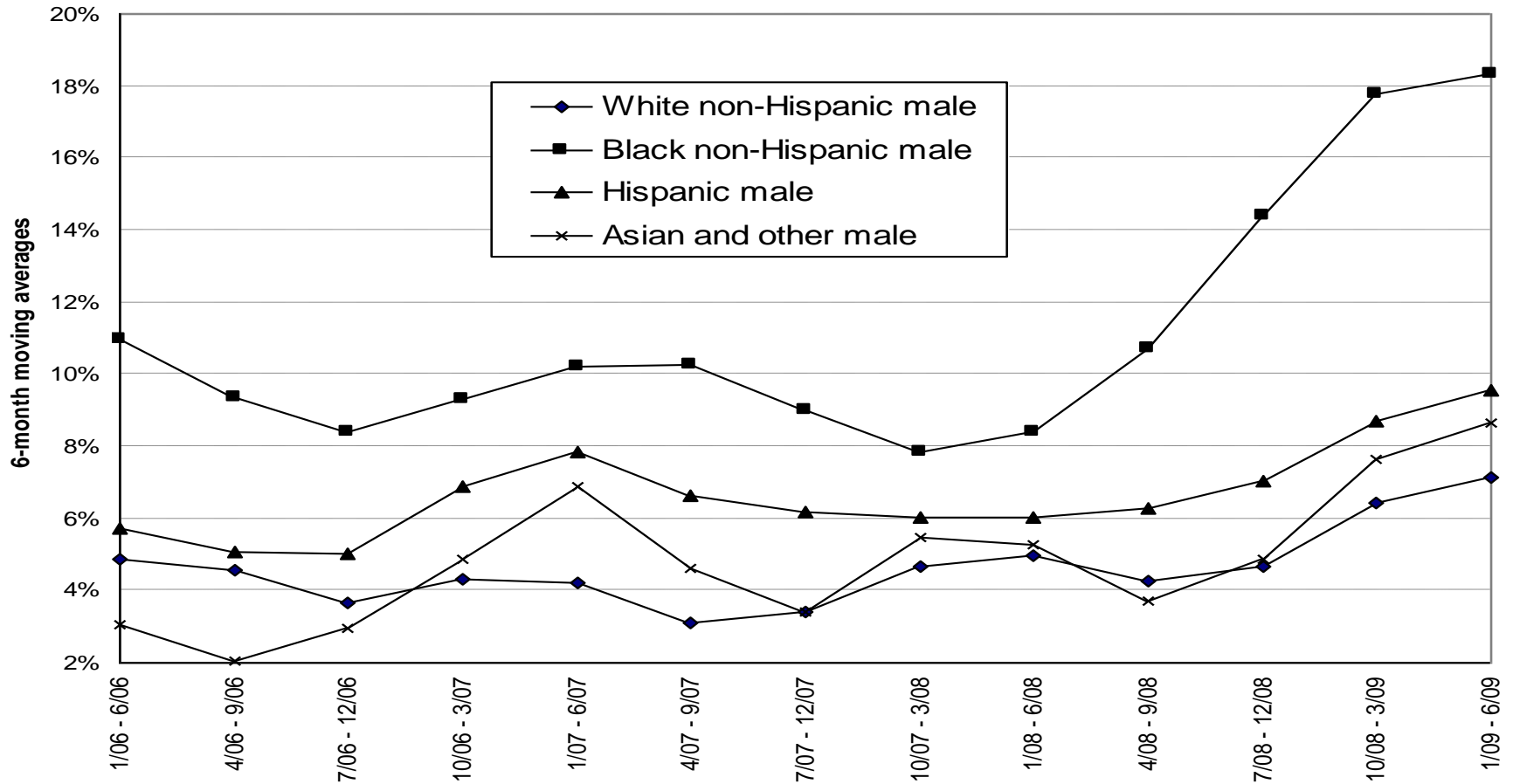
# NYS budget office projects record declines in wages and total incomes for 2009

- DOB projects that 2009 total wages paid in NYS will fall by 4.8%, and that total personal income will decline by 2.7%.
- These would be by far the largest single-year declines in the 50-year history of the BEA personal income series.
- The previous worst decline in wages was a 2.4% drop in 2002. The only prior year where income declined was 2002 (-0.3%)

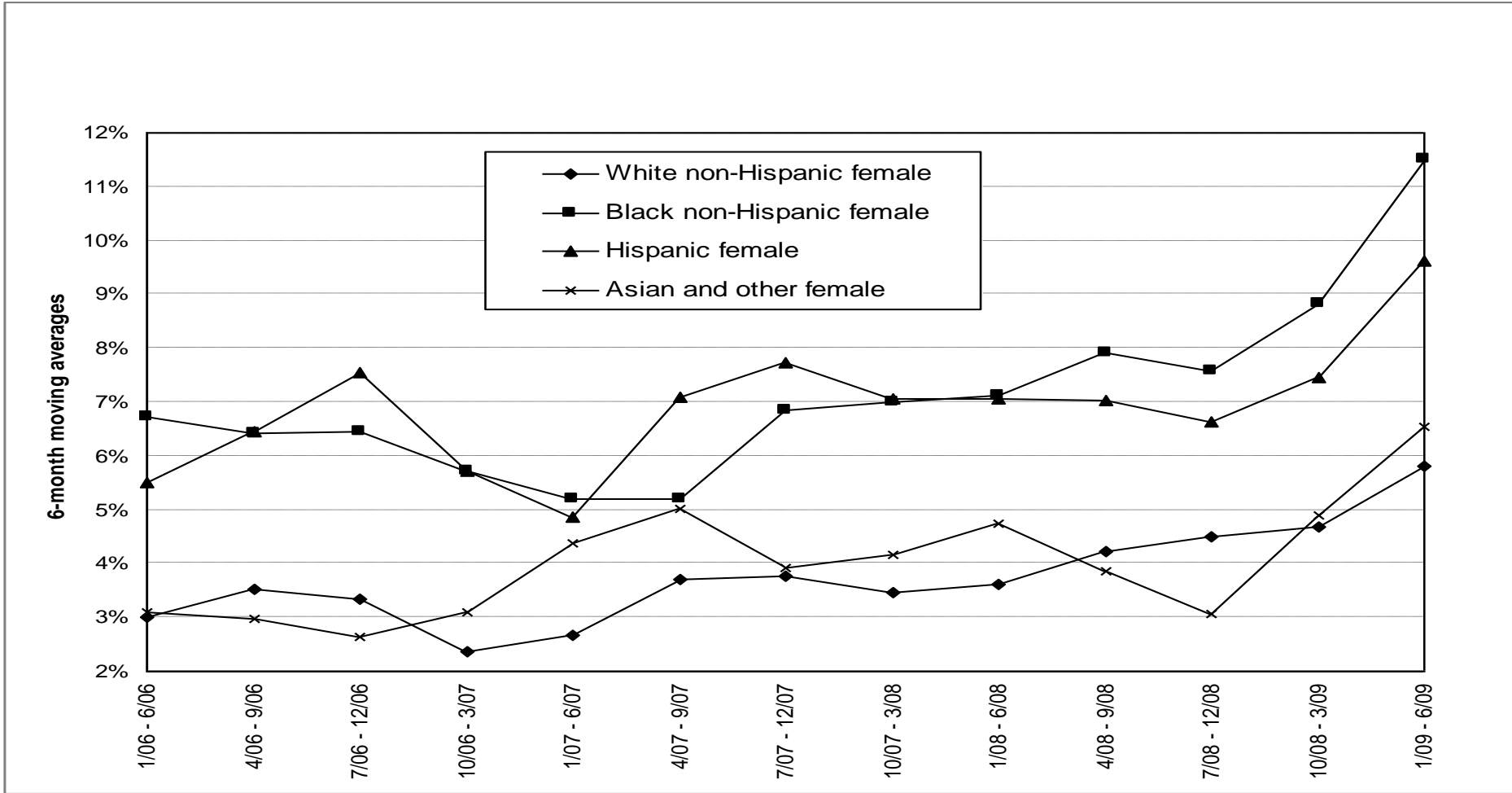
# New York's unemployment rate has risen sharply in the current recession, but not by as much as the U.S. unemployment rate



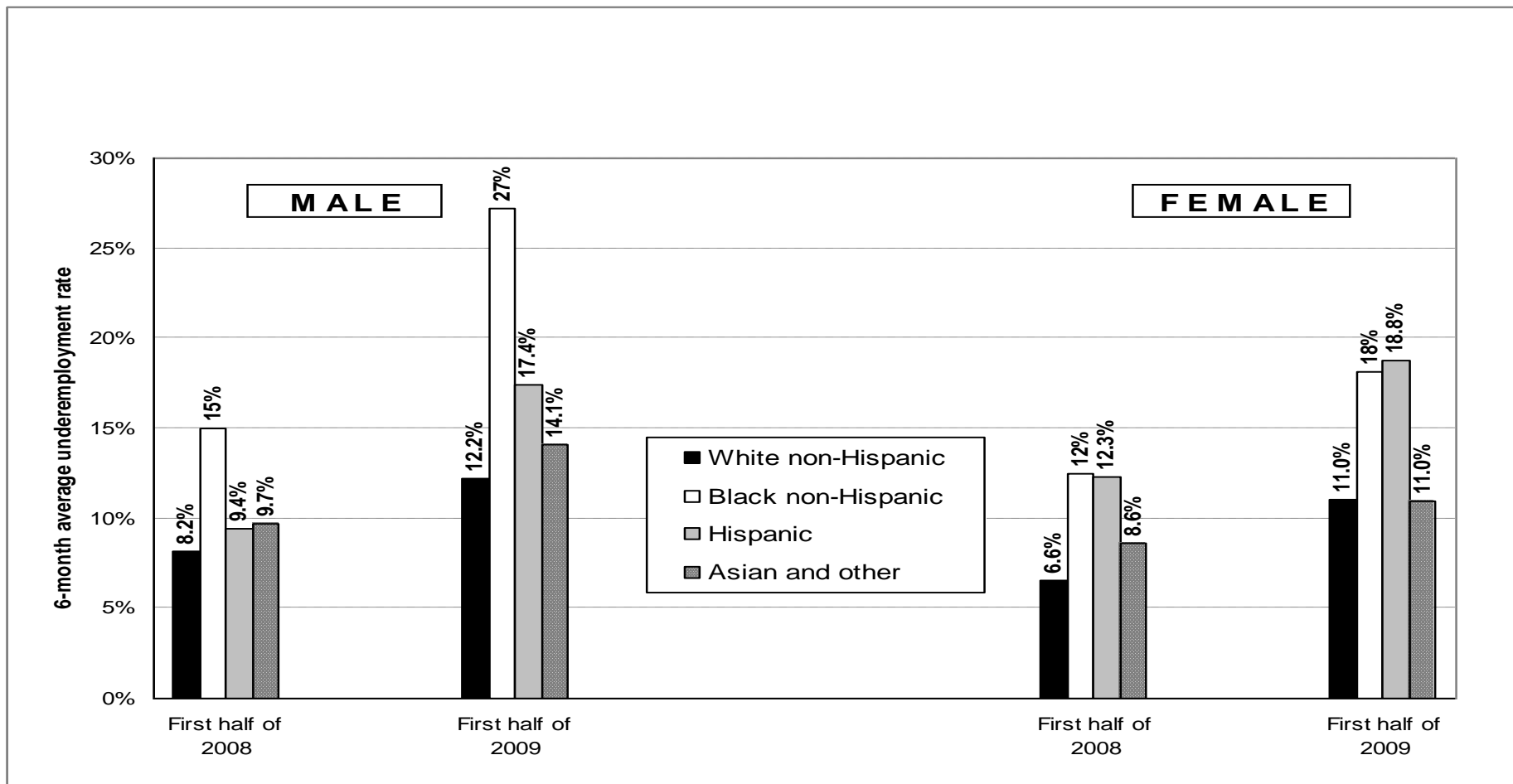
Male unemployment rates are rising rapidly in New York State, particularly for black men (whose unemployment rate is now about 20%)



# Female unemployment rates have started to rise rapidly in recent months, and are rising fastest for black and Hispanic females



When marginally attached (discouraged) workers and the underemployed are added to the conventional definition of the unemployed, the "real" unemployment rate is 27% for black men, 19% for Hispanic women and 18% for black women—and all these rates are headed upward.



# Rising economic insecurity

- Falling housing values
- High household debt burden, ruined credit
- Eroded retirement savings, and decline in employer-provided pensions
- Declining employer-provided health insurance, and rising premium costs
- High and rising real unemployment rates
- Bleak short- and long-term labor market outlook. E.g, 1/3 of projected job growth in NYS over next decade in low-wage jobs (\$14/hour or less). This is twice the 2006 low-wage share of all jobs.
- Barbara Ehrenreich: “Most salient and lasting effect of the current recession may turn out to be the decimation of the black middle class.”

# No consolation that other states worse off than New York

- Jul 08-Jul 09: NYS job loss 2.2% vs. 4.6% U.S.
- 40 states had greater job loss
- NYS unemployment rate in June was 23<sup>rd</sup> highest among states
- NYS ranking for 2008 foreclosure rates was 34<sup>th</sup> highest among states

# Most metro areas in New York State have had smaller job declines than metro areas in other states

<b>Metropolitan Statistical Areas (MSAs)</b>	<b>Changes from July 2008 to July 2009</b>	
	<b>Percent job change</b>	<b>Rank among 365</b>
<b>United States average</b>	<b>-4.2</b>	
Ithaca, NY	-0.3	26
Kingston, NY	-0.3	27
New York City, NY	-1.7	88
Syracuse, NY	-1.7	89
Utica-Rome, NY	-1.7	90
Putnam-Rockland-Westchester, NY	-1.8	100
Buffalo-Niagara Falls, NY	-2.1	113
Rochester, NY	-2.2	122
Albany-Schenectady-Troy, NY	-2.3	123
Poughkeepsie-Newburgh-Middletown, NY	-2.7	154
Nassau-Suffolk, NY Metropolitan Division	-2.8	163
Binghamton, NY	-3.1	181
Elmira, NY	-3.4	208
Glens Falls, NY	-4.7	294

# Why recession worse elsewhere?

- Regression analysis showed foreclosure rates the most significant explanatory factor
- NYS manufacturing intensity less than national average (40 states higher than NYS)
- Increase in state expenditures FY 07-09 negatively related to Jul 08-Jul 09 job loss
- Decline in finance employment not as great as feared (no banking employment decline in NYS over past year)

# Importance of ARRA to New York

- At \$140 B, single largest component is state/local fiscal relief. NY did well (1/8 of \$87B in FMAP increase.)
- NYS closed 31% of budget gap with ARRA fiscal relief.
- Increased unemployment insurance and other payments to individuals will amount to \$5B+ for New Yorkers.
- Analysis by Center on Budget and Policy Priorities indicates ARRA payments could protect 419,000 New Yorkers from poverty in 2009.
- Opportunities to draw down more federal dollars through TANF Emergency Contingency Fund.

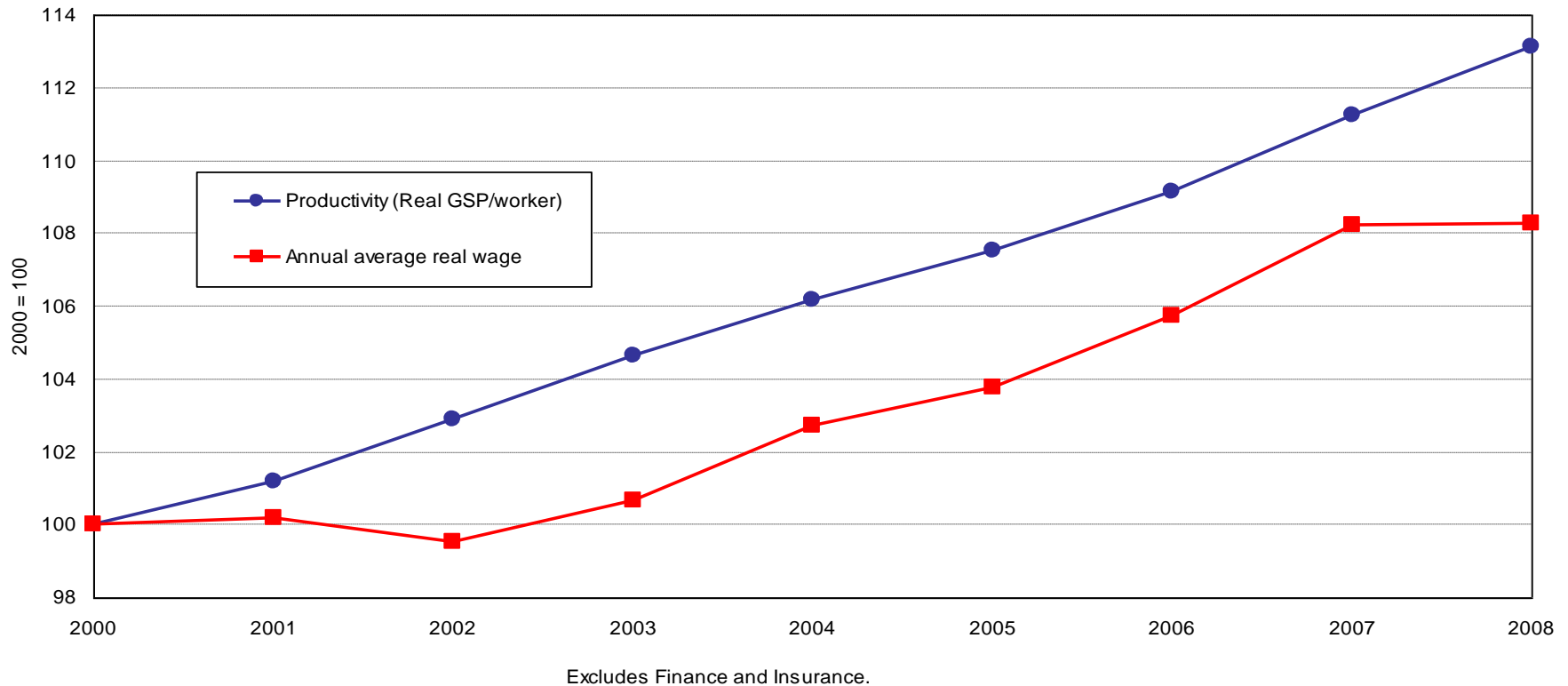
# Overall real median hourly wages in New York are still below their 2002 peak, and only 3.4% higher than in 1990



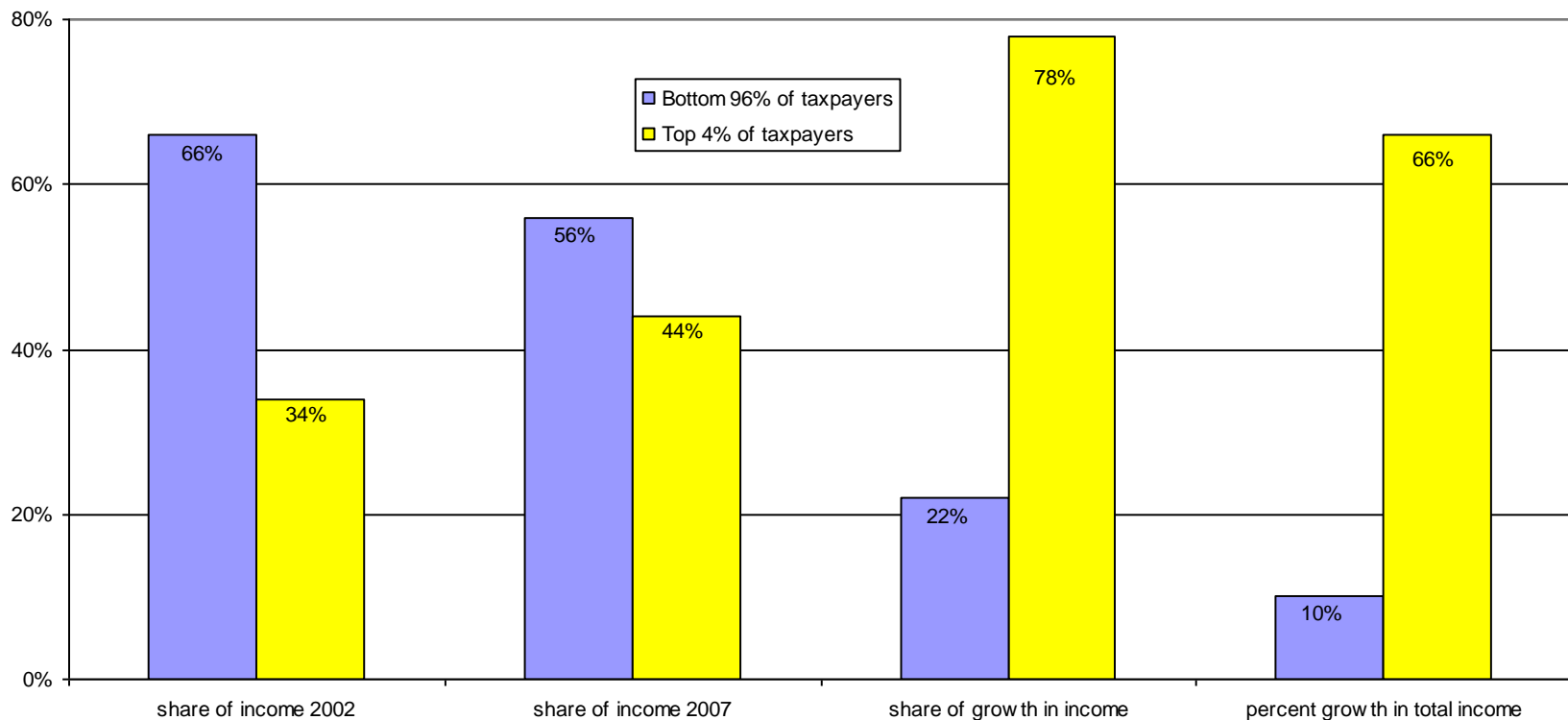
Real wages for most New York workers have not risen since 1990; white women and college-educated women have significantly higher wages

Real median hourly wages	1990-2008		1990/91-2007/08
	percent change		percent change
<b>All New York workers</b>	<b>3.4</b>		<b>by education attainment</b>
All males	-4.4	Bachelors or higher, males	3.3
All females	5.4	Some college, males	-12.4
		High school, males	-5.2
All white non-Hispanics	7.3	Less than high school, males	-11.0
All black non-Hispanics	-6.8		
All Hispanics	1.0	Bachelors or higher, females	12.7
		Some college, females	-7.1
White non-Hispanic males	0.8	Some college, females	-3.7
Black non-Hispanic males	-9.6	Less than high school, females	-7.3
Hispanic males	1.5		
White non-Hispanic females	12.5		
Black non-Hispanic females	-4.7		
Hispanic females	1.6		

# Average wages for New York workers have not kept pace with productivity since 2000



More than three-quarters of income growth in New York between 2002 and 2007 went to a small number of families at the top. The total income of the top 4 percent of New York taxpayers grew more than six times as fast as the total income of the other 96 percent.



# What is needed for sustainable recovery in NYS and U.S.?

- NYS recovery depends on national recovery
- Housing market has to stabilize first
- Financial market regulation to curb potential for asset bubbles, and ensure smooth credit market functioning
- Likely will need more federal stimulus
- How NYS balances its budget in the face of continued revenue pressures is important
- NY needs to modernize UI system and make sure it maximizes federal extended benefits
- Given high household debt burdens, in the absence of another asset bubble, economy needs sustained wage growth to have sustainable economic growth
- Policies to reverse the decimation of black middle class



11 Park Place, Suite 701  
New York, NY 10007  
212-721-5624  
[parrott@fiscalpolicy.org](mailto:parrott@fiscalpolicy.org)