

Prospects dim for low-income workers

Weak economic recovery misses those on bottom job rungs

By Sara Foss
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CAPITAL REGION — At the Schenectady Community Action Project, the numbers of people seeking help continue to climb.

Many of them were out of work before the recession. Some have exhausted their unemployment benefits, and are looking for housing assistance from SCAP, which aids low-income families and individuals.

Deb Schimpf, SCAP's executive director, estimated that the number of people visiting SCAP each day has increased 25 percent since the start of the recession. "We're seeing people we've never seen before," Schimpf said. "We're not seeing a lot of relief in sight."

A modest economic recovery is under way, but its impact has yet to be felt at SCAP, whose clients struggle to find jobs in boom times. New reports suggest that the job picture for New Yorkers is grim, and will remain grim for some time — most likely through 2011.

Though the state is starting to see job growth, high unemployment persists, and workers have yet to benefit, according to a new report released by the Fiscal Policy Institute, "The State of Working New York 2010."

"We've gotten back some of the jobs we've lost, but it's a pretty small number," said James Parrott, deputy director and chief economist of the Fiscal Policy Institute, a liberal, non-partisan research organization with offices in both Latham and New York City.

Most of New York's job growth has occurred in New York City, which experienced a net increase of 67,000 jobs during the first seven months of 2010. The rest of the state — the New York City suburbs and upstate — experienced a net gain of fewer than 10,000 jobs. Between the first half of 2008 and the first half of 2010, upstate New York experienced a 50 percent increase in unemployed people, compared to a 93 percent increase downstate and 89 percent in the U.S.

"There's not a lot of growth upstate," Parrott said. "The forecast is for unemployment to stay high, and there's no reason to think New York can buck that trend."

Upstate, people with managerial and professional jobs experienced a 1 percent erosion in earnings between the first half of 2007 and the second half of 2010, while people in non-managerial/non-professional jobs experienced a 5.9 percent erosion. In New York City, people in managerial and professional jobs experienced median weekly earnings growth

of 9.5 percent, while weekly earnings for workers in non-professional/non-managerial jobs fell by 4.3 percent.

The jobs that are being created are usually low-wage jobs, in social services, health care and retail, Parrott said. “New York has lost a lot of middle income jobs.”

some worse off

And yet New York hasn’t suffered as much as other states.

For the most part, the housing bubble that led to the recession bypassed upstate, and so the area hasn’t experienced the same lows — or highs — as other parts of the country. Job growth upstate was flat before the recession, and remains so, said E.J. McMahon, director of the conservative Empire Center for New York State Policy.

On Friday, the Empire Center released a report suggesting that this has been a lost decade for employment in New York, because the total number of jobs in the state is now below the 2000 level. Much of that job loss, according to the report, has been concentrated in the private sector: as of July, New York’s private firms employed 122,000 fewer people than they did in July 2000, and 247,900 fewer than in 2008.

McMahon said it isn’t clear where the state’s job growth will come from. “What are the prospects for job growth a decade from now?” he said. “Where are the jobs going to come from, especially upstate?” The economic decline upstate predates the recession, he said.

The report also notes that New York’s state and local governments employ 28,600 more people than they did a decade ago, even after a recession-induced decline. In most counties, the average salary for state and local government jobs is higher than the private-sector average, and from 2007 to 2009 the average private wage dropped 4.2 percent, while the average state and local government wage rose 5.7 percent.

McMahon said the problem with public jobs is that they’re subsidized by taxpayers; when people point to health care as a potential area for growth, what they’re usually talking about are jobs at government-subsidized non-profits. “Somebody has got to pay for government jobs,” he said. “They’re not the same as private jobs. They’re more costly than private jobs.”

McMahon said the state should consider lifting both its corporate tax and capital gains tax to drive private business growth.

In July, New York’s unemployment rate was 8.4 percent. Upstate, the unemployment rate was about 7.8 percent.

Overall, one in every six New York workers is unemployed or underemployed, and half of the unemployed have been without work for more than six months.

Between December 2007 and December 2009, New York lost 250,000 jobs, a decline of 2.8 percent. Forty states fared worse, according to the FPI report. In New York, the bulk of the job losses have occurred in manufacturing, finance, construction, state and local government and retail.

some job growth

The nation has started to see some job growth, and last week the U.S. Department of Labor reported that companies added a net total of 67,000 new jobs in August. But this growth made little dent in the nation's unemployment rate, which rose from 9.5 percent in July to 9.6 percent in August.

The economy lost nearly 8.4 million jobs in 2008 and 2009; this year, private employers have added 763,000 jobs.

State tax revenue has also been slow to rebound, according to a new report from the Nelson A. Rockefeller Institute of Government.

Between April and June, 30 states showed increases in revenues compared to the same period a year earlier, with collections from major tax sources increasing 2.2 percent. This growth is still far below pre-recession levels — approximately 17 percent, according to the report —and shows no sign of picking up steam anytime soon. This means that states are likely to struggle with budget shortfalls and revenue uncertainty for the foreseeable future, said Bob Ward, deputy director of the Rockefeller Institute.

Sales tax revenues grew 5.9 percent from April to June, while personal income taxes grew 1.6 percent. The report notes that revenues in both categories were bolstered by tax increases; Ward said “some strength in the economy” also helped boost revenues.

Ward said that New York has experienced slightly lower revenue growth than the rest of the country, and that tax revenue is still down quite sharply from where it was two years ago, before the economy collapsed. New York, he said, relies more heavily on income tax than other states, but the income tax revenue isn't growing as quickly as sales tax revenue.

Jessica Bassett, a spokeswoman for the New York State Division of the Budget, said the Rockefeller Institute report is accurate. “The rebound is slow, and it's going to continue to be slow,” she said. “It's going to take a long time to catch up.”

After five consecutive years of growth averaging 9.5 percent a year, base tax receipts fell by 3 percent in 2008 and 2009, and then plunged 12.3 percent in 2009-2010, Bassett said. But in 2010-2011, base receipts are expected to grow 2.2 percent, and that figure should improve once employment picks up in earnest. Because of tax increases, quarterly growth from 2008 to 2009 was overstated by 1.6 percent, she said.

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Parrott believes there's more the government could do to stem the loss of jobs; he supports enacting a second stimulus package, though he acknowledges that it would be difficult to get a measure like that through Congress. He said the first stimulus package, the American Recovery and Reinvestment Act, probably saved or created 200,000 jobs in New York, but that this wasn't enough to foster a sustained recovery.

Long-term unemployment is "detrimental to the economic health of most people in the U.S.," Parrott said.