

Unemployment and Joblessness in New York City, 2006 *Recovery Bypasses Youth*

A CSS Annual Report

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In 2006 New York City enjoyed a third full year of economic recovery. The most impressive indicator of health of the labor market is New York's unemployment rate, which fell to an annual average of 4.9 percent. The 2006 unemployment rate is not only lower than the 5.7 percent rate the city experienced in 2000, the peak year of the prior economic expansion, it is the lowest New York City unemployment rate in recent memory.

The local job market is indeed improving. But the record-low unemployment rate, this CSS annual report finds, overstates its strength and fails to capture important areas of weakness. The share of the city's population that is holding a job does not exceed, but is equal to, the jobholding rate in 2000. And important groups within the population, such as Black and Hispanic men, have not regained all of the employment they lost in the 2000 to 2003 recession.

Most strikingly, the recovery has completely bypassed New York's youth. There has been no decline in the teen unemployment rate from its recession-related high of 28.7 percent. Moreover, just over a third (34.6 percent) of 16 through 24 year-old city residents were holding a job in 2006, 9.5 percentage points below their 2000 jobholding rate of 44.1 percent.

Another sign of the slack in the labor market is wage trends. Despite a recent up tick, when adjusted for inflation, 2006 weekly earnings for New York's full-time wage and salary earners at the middle and lower rungs of the wage ladder remain 3.2 percent and 3.3 percent, respectively, below their 2001 highs.

This report fills out and provides a needed balance to the incomplete and overly rosy picture of the labor market provided by the citywide labor market. It proceeds as follows. It first presents estimates of unemployment rates across a variety of demographic groups. It then provides another view of the labor force status of the city's adult residents by exploring trends in employment-population ratios, the proportion of the city's population that is holding a job. The failure of wages to keep pace with inflation is a third topic. Finally, the discussion turns to implications for local policy making.

The study measures the state of the labor market with annual average estimates tabulated from the U.S. Bureau of Labor Statistics' Current Population Survey, a monthly survey of some 60,000 households across the U.S. To put the estimates in context, it provides data for three years, 2000, the peak of the 1990's business cycle expansion; 2003, the low point of the subsequent recession; and 2006. These years provide a comparison between the growth of unemployment and decline in jobholding that occurred during the economic downturn and the extent to which ground has been regained in the recent recovery. An Appendix discusses a variety of issues about the data.

Technical Note on Labor Market Concepts

The schema below illustrates the conceptual framework used to measure the labor force status of the population. It follows standard U.S. Bureau of Labor Statistics (BLS) definitions. The population is composed of individuals who are 16 years of age and older and are neither in the military nor institutionalized. (Persons who are incarcerated, therefore, are not included in the population.)

Members of the *population* are classified as either being employed, unemployed, or not in the labor force. The *employed* are those persons who were holding a job during the reference week of the monthly Current Population Survey. The *unemployed* are persons who meet the following three conditions.

1. They were not employed during the reference week.
2. They were available for work during that week.
3. They had made specific efforts to find work in the four-week period ending in the reference week.

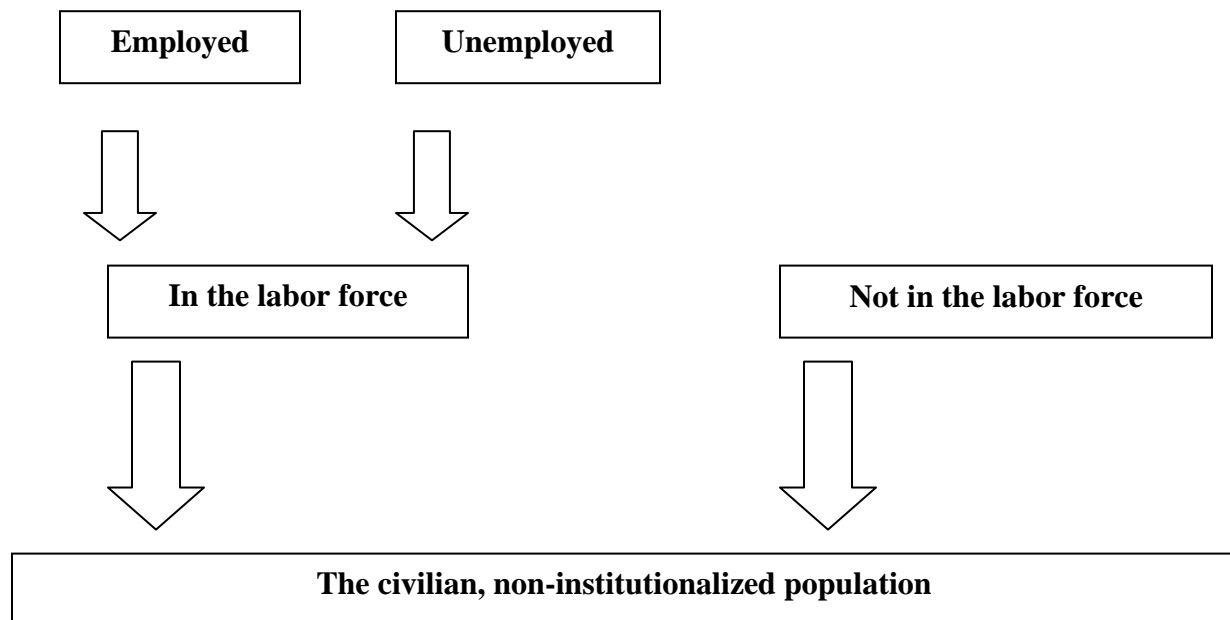
The employed and the unemployed together constitute the *labor force*. All other persons are classified as not in the labor force.

The *unemployment rate* is the share of the labor force that is unemployed.

The *employment-population ratio* is the share of the population that is employed.

The *labor force participation rate* is the share of the population that is in the labor force.

In most data reported by the BLS, the civilian, non-institutionalized population includes persons 16 and over. Readers should note that in various sections of this report the population is restricted to the “working age” population, persons 16 through 64 years of age.



The Study's Key Findings

- The citywide unemployment rate stood at 4.9 percent in 2006, a notable improvement from the 2003 rate of 8.5 percent and 2000's 5.7 percent. Despite the decline, many groups of New Yorkers continue to suffer recession level unemployment rates. This includes: teens, 28.4 percent; young adults, 10.9 percent; Blacks, 7.4 percent; Hispanics, 6.1 percent; as well as people with less than a high school degree, 6.5 percent.
- The lowest-on-record 2006 unemployment rate overstates the strength of the local labor market relative to 2000, the peak year of the prior economic expansion. A comparison of the labor market status of the population in these two years indicates that an equal share of New Yorkers was employed in 2006 as in 2000. The reason why the unemployment rate was lower in 2006 than in 2000 is that a larger proportion of city residents who were not employed were out of the labor force. Their joblessness is not captured by the unemployment rate.
- The similarity between the citywide employment-population ratios in 2000 and 2006 masks a striking difference between them; compared against 2000, there has been a dramatic rise in jobholding by New Yorkers who are 55 through 64 years of age (by 7.2 percentage points) and are 65 and older (by 5.0 percentage points). On the other end of the age distribution, the employment-population ratio for 16 through 24 year-old city residents has plunged by 9.5 percentage points, from 44.1 percent in 2000 to 34.6 percent in 2006.
- Young people are not the only group in the city that has yet to fully benefit from the rising tide of employment. Among men, jobholding by Whites has reached its pre-recession 77.8 percent rate. But employment among Blacks and Hispanics at 60.3 percent and 70.6 percent, respectively, remain below their 2000 high water marks.
- After adjusting for the rising cost of living, weekly earnings are down from their 2001 peak. Despite an uptick from 2005, 2006 earnings were off by 3.3 percent at the 25th percentile and down by 3.2 percent at the median of the earnings distribution. By contrast, wages are up a modest 1.7 percent at the 75th percentile.
- These continued weaknesses of the local job market remain a challenge to the city's leadership. There are areas where local leaders can make a difference.

1. They can voice their opposition to the cuts to job training and vocational educational programs that are contained in President Bush's Fiscal Year 2008 budget request.
2. They can advocate for the creation of an Earned Income Tax Credit for young adults.
3. They can create a "Growth and Opportunity" Trust fund to finance workforce development programs in the city.
4. They can press for state legislation that would create more apprenticeships and remove barriers facing the formerly incarcerated.
5. They can establish a second chance system for young New Yorkers with the greatest barriers to steady employment.

Unemployment Rates

The unemployment rate for New York City residents (16 through 64 years of age) stood at 4.9 percent in 2006, a marked improvement from recession's high of 8.5 percent rate posted in 2003. The 2006 unemployment rate is not only lower than the 5.7 percent rate the city experienced in 2000, the peak year of the prior economic expansion, it is the lowest unemployment rate in recent memory.¹ The decline in unemployment rates from 2003 was fairly uniform across demographic groups. The notable exception to that pattern is the lack of improvement in the teen unemployment rate, which – at 28.4 percent – is unchanged from 2003 and 9.5 percentage points higher than its 2000 level of 18.9 percent. And although they have seen declines from 2003, unemployment remains high for young adults, Blacks, Hispanics, and those without a high school degree.

Table One provides annual average unemployment rates for 2006, 2003, and 2000 for city residents by gender, age, race/ethnicity, and educational attainment. Its final three columns report the percentage point growth in the group's unemployment rate over the course of the recession (comparing 2003 to 2000), the change from the trough of the recession to the most recent year (from 2003 to 2006) and the difference in rates between 2006 and 2000.²

- Gender: The 2006 unemployment rate for the city's males is 5.1 percent, essentially equal to its 2000 rate of 5.3 percent. The female unemployment rate was 4.7 percent, a 1.4 percentage point improvement from 2000's 6.1 percent rate.
- Age: Unemployment rates for younger New Yorkers remain in double digits. The unemployment rate for teens has not improved in the recovery and stands at 28.4 percent,

¹ The BLS Local Area Unemployment Survey (LAUS) program reports 5.8 percent unemployment rates for 2000 and 5.0 percent for 2006. These data are subject to revision. See the Appendix for a discussion of the differences between the CPS-derived and LAUS data.

² Readers should interpret small changes with caution. See the Appendix for a discussion of sample size and statistical significance.

9.5 percentage points higher than it was in 2000. Young adults (persons 20 through 24 years of age) suffered a 10.9 percent unemployment rate. Older workers had markedly lower rates of unemployment, 3.7 percent for 25 through 54 year-olds and 3.2 percent for city residents 55 through 64. Looking across the age categories, it is evident that all the improvement in the citywide unemployment rate, for 2000 to 2006 is due to the 1.0 percentage point decline in the unemployment rate for New Yorkers who are 25 through 54 years of age.

- Race/Ethnicity:³ Despite a marked improvement from 2003's 12.9 percent, Black New Yorkers continue to suffer the worst unemployment rate among the city's largest race/ethnic groups, 7.4 percent. The unemployment rate for Hispanics was 6.1 percent, a 2.0 percentage point improvement over 2000. The Whites unemployment rate was 3.4 percent, essentially equal to its 3.6 rate in 2000.
- Education: Unemployment rates fall as levels of educational attainment rise. City residents without a high school degree endured a 6.5 percent unemployment rate in 2006. At the opposite end of the spectrum, the unemployment rate for New Yorkers with a bachelor's degree or higher level of education was 2.2 percent. Among the educational categories, only the less than high school degree group's 2006 unemployment rate is appreciably below (by 2.1 percentage points) its 2000 rate.

³ The racial/ethnicity categories used in this report are mutually exclusive: Non-Hispanic Whites, Non-Hispanic Blacks, and Hispanics of any race. To avoid cumbersome terminology, the terms White, Black and Hispanic are used in the text. The data for 2003 and 2006 reflect new Census race definitions. See the Appendix for more details.

Table One:
Unemployment Rates
For Working Age NYC Residents
(Averages are the percent of the labor force 16 through 64)

	<i>Annual Average</i>			<i>Percentage Point Change</i>		
	<u>2006</u>	<u>2003</u>	<u>2000</u>	<u>06-03</u>	<u>03-00</u>	<u>06-00</u>
<i>All</i>	4.9	8.5	5.7	-3.6	2.8	-0.8
<i>By Gender</i>						
Male	5.1	8.7	5.3	-3.6	3.3	-0.3
Female	4.7	8.4	6.1	-3.6	2.3	-1.4
<i>By Age</i>						
16-19	28.4	28.7	18.9	-0.3	9.7	9.5
20-24	10.9	13.1	10.3	-2.2	2.8	0.6
25-54	3.7	7.8	4.8	-4.0	3.0	-1.0
55-64	3.2	4.7	2.9	-1.5	1.8	0.3
<i>By Race/Ethnicity</i>						
Non-Hispanic White	3.4	6.2	3.6	-2.7	2.6	-0.2
Non-Hispanic Black	7.4	12.9	7.5	-5.4	5.3	-0.1
Hispanic, Any Race	6.1	9.6	8.0	-3.5	1.6	-2.0
<i>By Education, persons age 25 through 64</i>						
Less than H.S.	6.5	11.2	8.6	-4.8	2.7	-2.1
H.S. Degree	4.7	6.6	5.1	-2.0	1.5	-0.5
Some College	3.5	9.7	4.3	-6.2	5.4	-0.8
Bachelors and Higher	2.2	5.2	2.4	-3.1	2.8	-0.3

Notes: 2003 & 2006 data reflect new Census race definitions.

Changes are taken from unrounded numbers.

Source: CSS tabulations from the Current Population Survey.

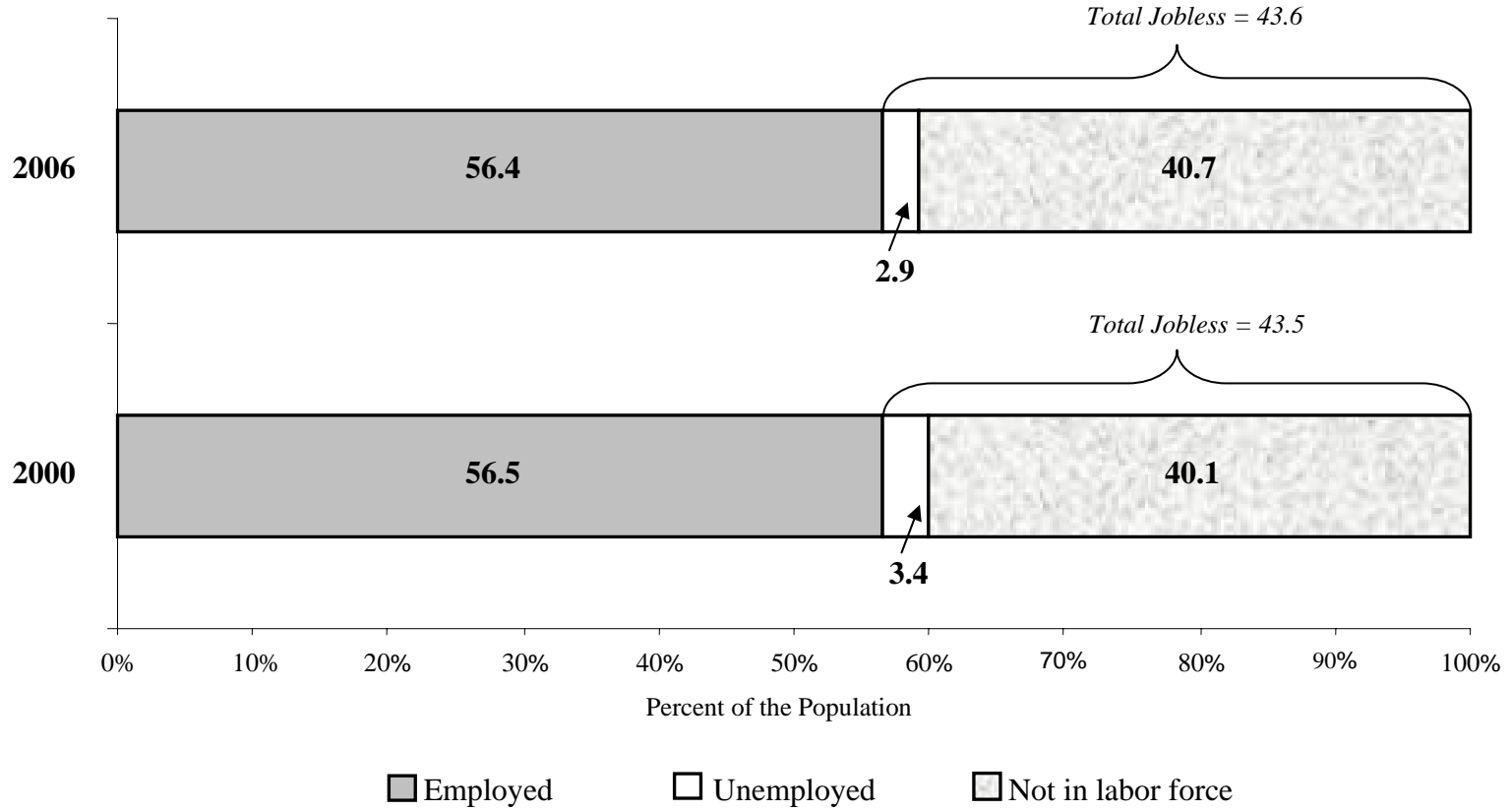
Is the Labor Market as Strong as the 2006 Unemployment Rate Suggests?

A 4.9 percent unemployment rate suggests that the city labor market has not only made an impressive rebound from the 2000 to 2003 recession, but now exceeds its performance during the boom of the 1990's. Unfortunately, the low unemployment rate speaks as much of the limitations of this labor market indicator as it does of the state of the job market. As elaborated in the technical note, the unemployment rate is the proportion of the labor force that is not at work. People are counted as in the labor force if they are either employed or they are unemployed (jobless, currently available for and actively seeking employment). If potential jobseekers are no longer in the hunt for work, they are not in the labor force and their joblessness is not captured by the unemployment rate.

Figure One illustrates that statistically identical proportions of the city's 16 and older population was employed in 2000 and 2006, 56.5 percent and 56.4 percent, respectively. Yet a slightly smaller proportion of the population was unemployed in 2006 than in 2000, 2.9 percent versus 3.4 percent.⁴ This implies just what is illustrated in the rightmost section of the two bars in Figure One; a slightly larger fraction of the population was not in the labor force in 2006 (40.7 percent) than in 2000 (40.1 percent). Adding the unemployed together with the not in the labor force categories reveals that a statistically identical share of the population was jobless in 2006 and 2000, 43.6 percent compared to 43.5 percent. The difference, in sum, between the 2006 and 2000 unemployment rates masks equality in joblessness for the two years.

⁴ This proportion is not the unemployment rate. It is the percent of the population that is unemployed.

**Figure One:
Distribution of NYC Population
By Labor Force Status**



Source: CSS Tabulations from the Current Population Survey.

While Jobholding by Older New Yorkers Rises, Youth Employment Plunges

Although the citywide jobholding rate in 2006 and 2000 are essentially identical, there has been a dramatic change in the city workforce; employment among older New Yorkers has risen dramatically while jobholding among younger city residents has tumbled. As reported in Table Two, employment-population ratios in 2000 and 2006 are essentially equal for all New Yorkers 16 and older as well as for city residents who are in the prime working age group, those 25 through 54. In sharp contrast, there has been a steep rise (of 7.2 percentage points) in jobholding among those who are 55 through 64 years of age along with a marked increase (of 5.0 percentage points) for city residents who are 65 and older.

These increases were offset by a 9.5 percentage point plunge in the employment-population ratio for New Yorkers 16 through 24. The jobholding rate for younger people is typically well below that of the prime age (25 through 54) population because many young people are still in school and have yet to enter the job market. If the decline in youth employment were simply the result of an increase in the rate of school enrollment, it might not be a source of alarm. Indeed, the proportion of the city's 16 through 24 year old population that reported it was enrolled in school rose from 49.3 percent in 2000 to 55.4 percent in 2006.⁵ However, this was not the primary source of the decline in youth jobholding.⁶ Table Two identifies what was driving this fall, the employment-population ratio for young people who are out of school plummeted by 7.9 percentage points from 2000 to 2006.

⁵ CSS tabulations from the Current Population Survey.

⁶ A decomposition of difference calculation of the 2000 to 2006 change in the youth employment-population ratio indicates that the rising share of young people attending school accounts for only 25 percent of this decline in jobholding.

**Table Two:
Employment/Population Ratios for NYC Residents**

	Annual Average		Percentage Point Change
	<u>2006</u>	<u>2000</u>	<u>06-00</u>
All (16 and older)	56.4	56.5	-0.1
Prime age (25 thru 54)	74.3	73.9	0.5
Older (55 thru 64)	59.2	52.0	7.2
Elderly (65 and older)	14.0	9.0	5.0
All youth (16 thru 24)	34.6	44.1	-9.5
Out of school youth (16 thru 24)	56.3	64.2	-7.9

Source: CSS tabulations from the Current Population Survey.

Jobholding Lags for Black and Hispanic Men

Table Three continues the exploration of recent employment trends by providing employment-population ratios for working age (persons 16 through 64) New Yorkers differentiated by gender. Across the age, race/ethnic, and educational attainment groups a general pattern emerges; declines in jobholding in the 2000 to 2003 downturn are followed by increases from 2003 to 2006. But underlying the general trend is a more varied picture, gains in employment-population ratios from 2003 to 2006 are not always a mirror image of the job loss in the 2000 to 2003 downturn. Thus, some groups have higher and some groups have lower rates of jobholding than they did in 2000. Relative to 2000, employment-population ratios are down for both male and female youth and for Black, Hispanic, and less educated men. The one group with a dramatically higher rate of jobholding compared with 2000 is women with less than a high school degree.

- Gender: The shifting fortunes of men and women during the recession and first years of recovery trace a familiar pattern. Because males tend to work in industries that are more

sensitive to the ups and downs of the business cycle, they suffer larger declines in jobholding during contractions but make greater gains when employment begins to expand. Thus, the employment-population ratio for the city's females declined by only 2.2 percentage points from 2000 to 2003, while the fall in jobholding among males was a more dramatic 5.4 percentage points. In the first three years of recovery, it has been males who have experienced the larger gains in jobholding, of 3.8 percentage points, while females have experienced a 2.1 percentage point improvement. Despite the larger gains for males, their 2006 employment-population ratio, at 71.3 percent, remains somewhat (1.6 percentage points) below 2000's 72.9 percent rate. By contrast, the 2006 employment-population ratio for the city's females – 58.0 percent – is essentially equal to its pre-recession level of 58.1 percent.

- Age: The lagging recovery in employment among men is due to the lack of growth in jobholding among younger males. At 36.3 percent in 2006, the employment-population ratio for 16 through 24 year old males was 10.4 percentage points below its 2000 level. Among women there is a similar but not identical pattern of change by age. The 2006 employment-population ratio for females 25 through 64 years of age is somewhat higher (by 1.6 percentage points) than it was in 2000. Like their male counterparts, the 2006 jobholding rate for females 16 through 24 is well below its 2000 rate (32.9 percent against 41.4 percent). The difference in the pattern of change by age between the genders is that the employment-population ratio for young females had continued to decline in the recovery; from 2003 to 2006 it fell by 5.4 percentage points.
- Race/Ethnicity: White males have regained all the employment they lost in the recent recession; their employment-population ratio was 77.8 percent in both 2000 and 2006.

By contrast, the rise in jobholding among Black and Hispanic men has failed to make up for their recession-related declines. At 60.3 percent the Black male employment-population ratio was 3.7 percentage points below its 2000 level. The 2006 Hispanic male jobholding rate of 70.6 percent was 2.2 percentage points below that of 2000.

The 2006 employment-population ratio for White women, 65.4 percent, now exceeds its 2000 level by 1.4 percentage points. Jobholding rates for Black and Hispanic women are essentially equal to their 2000 high water mark. Among females, Latinas continue to suffer the lowest rate of jobholding, 51.7 percent were employed in 2006 compared with 59.0 percent for Black women and 65.4 percent for White women.

- Education: Jobholding rates vary considerably with education, although the gap from least to most educated is much greater for women than for men. Thus, in 2006, employment-population ratios for males ranged from 67.5 percent for those with less than a high school degree to 87.9 percent for those with a bachelor's degree or more educational attainment. Among women, employment-population ratios varied from 45.7 percent for the least educated to 78.2 percent for the most educated group.

Males with less than a high school degree have yet to reach their pre-recession rate of jobholding. By contrast the 2006 employment-population ratio for men who have some college but have not attained a bachelor's degree exceeded their 2000 rate by 2.8 percentage points. The opposite pattern holds for women. The 2006 employment-population ratio for females with less than a high school degree was an impressive 5.9 percentage points above its 2000 rate, while jobholding among those with some college is off by 6.2 percentage points from 2000.

Table Three:
Employment-Population Ratios for Working Age New York City Residents
(Averages are the percent of the population 16 through 64)

	MALES						FEMALES						
	Annual Average			Percentage Point Change			Annual Average			Percentage Point Change			
	<u>2006</u>	<u>2003</u>	<u>2000</u>	<u>06-03</u>	<u>03-00</u>	<u>06-00</u>	<u>2006</u>	<u>2003</u>	<u>2000</u>	<u>06-03</u>	<u>03-00</u>	<u>06-00</u>	
All	71.3	67.5	72.9	3.8	-5.4	-1.6	58.0	55.9	58.1	2.1	-2.2	-0.2	
By Age													
16-24	36.3	35.1	46.7	1.2	-11.6	-10.4	16-24	32.9	38.3	41.4	-5.4	-3.1	-8.5
25-64	80.4	75.4	80.1	5.0	-4.7	0.3	25-64	63.5	60.2	62.0	3.3	-1.7	1.6
By Race/Ethnicity													
Non-Hispanic White	77.8	75.7	77.8	2.1	-2.1	0.0	Non-Hispanic White	65.4	61.4	64.0	4.0	-2.6	1.4
Non-Hispanic Black	60.3	51.8	64.0	8.5	-12.2	-3.7	Non-Hispanic Black	59.0	57.1	58.9	1.9	-1.8	0.1
Hispanic, Any Race	70.6	65.7	72.8	4.9	-7.1	-2.2	Hispanic, Any Race	51.7	47.7	51.9	4.0	-4.2	-0.2
By Education, persons age 25 through 64													
Less than H.S.	67.5	62.8	70.2	4.7	-7.4	-2.7	Less than H.S.	45.7	39.8	39.5	5.9	0.3	6.2
H.S. Degree	76.6	72.9	77.2	3.7	-4.2	-0.6	H.S. Degree	55.9	56.6	58.2	-0.7	-1.6	-2.3
Some College	82.1	74.5	79.3	7.6	-4.8	2.8	Some College	63.4	62.8	69.2	0.6	-6.4	-5.8
Bachelors and Higher	87.9	85.5	89.1	2.3	-3.5	-1.2	Bachelors and Higher	78.2	74.4	77.0	3.7	-2.6	1.2

Notes: 2003 & 2006 data reflect new Census race definitions.
Changes are taken from unrounded numbers.
Source: CSS tabulations from the Current Population Survey.

The Impact of Changes in Industry Employment on Black Male Jobholding

Trends in the employment-population ratio for New York City's Black men have been a particular focus of the CSS annual reports on unemployment and joblessness. There is ample reason for this. A much smaller proportion of Black men are employed than White or Hispanic men. And over the past six years, the change in jobholding rates for New York's Black men has been particularly dramatic. From 2000 to 2003 their employment-population ratio plunged by 12.2 percentage points and has recovered, from 2003 to 2006, by a more modest 8.5 percentage points.

Table Four offers some insight into the source of this pattern by illustrating which industries are significant providers of employment to Black men and by detailing the changes in payroll employment by major industrial sector from 2000 to 2003 and from 2003 to 2006.⁷ The table highlights the important role of the public sector, which provided a job to nearly one-out-of-five (19.0 percent) Black men in 2000. Government, along with the next top four private sector industries, employed 60.4 percent of Black men in 2000. This industrial concentration put them at the wrong place at the wrong time. These five industries lost 106.1 thousand jobs from 2000 to 2003, 55.4 percent of total decline in employment. From a by-industry perspective, the recovery has not been a mirror image of the recession. From 2003 to 2006 employment in the five industries grew by 44.4 thousand, accounting for only 36.4 percent of all the jobs gained over the period.⁸ The disadvantageous concentration of Black men in the city's industrial structure points to one source of their labor market difficulties and suggests that workforce development efforts should be mindful of the need to connect job aspirants with growth sectors of the economy.

⁷ Payroll employment is the number of persons employed by an industry.

⁸ The table, readers should note, offers an insight into the volatility of Black male employment. It does not offer insight into the historic disparity between Black, White, and Hispanic jobholding rates.

Table Four:
Industry Growth & Black Male Employment

Industrial Sector	Share of Black Male Employment (Percent) 2000	Change in Industry Employment (In Thousands)		
		2003- 2000	2006- 2003	2006- 2000
Government	19.0	-12.3	-2.3	-14.6
Construction	11.0	-7.8	3.1	-4.7
Transportation & Utilities	10.6	-14.5	0.4	-14.1
Wholesale & Retail Trade	10.0	-21.6	17.6	-4.0
Professional & Business Services	9.9	-49.9	25.6	-24.3
Education & Health Services	9.8	38.1	38.7	76.8
Leisure & Hospitality	9.2	3.6	24.7	28.3
Manufacturing	6.7	-50.2	-16.2	-66.4
Financial Activities	6.6	-55.2	21.9	-33.4
Other Services	4.7	1.7	7.5	9.2
Information	2.6	-23.4	1.0	-22.4
Total	100.0	-191.4	121.9	-69.5

Note: Industry employment data are subject to revision.

Sources: CSS tabulations from the Current Population Survey & NYS Department of Labor Current Employment Series.

Wage Rates Fail to Keep Pace with Inflation

Employment trends capture one aspect of the performance of the labor market. Another vantage point is offered by trends in earnings. Recent wage trends have lagged changes in employment. When adjusted for inflation, wage rates reached a high point in 2001 and hit bottom in 2005, suggesting that there was considerable slack in the labor market until very recently. Despite an uptick from 2005 to 2006, real earnings have yet to regain their prior peak for workers near the bottom and at the mid-point of the wage distribution.

Table Five provides the details, reporting weekly earnings for New York City residents who are full-time wage and salary workers stated in constant (2006) dollars.⁹ Earnings are measured

⁹ Full-time is defined as 35 or more hours per week.

at three points in the wage distribution; the 25th percentile (the wage of the person who is earning more than 25 percent, but less than 75 percent of all workers), the median, or 50th percentile (the wage of the person who is earning more than 50 percent and less than 50 percent of all workers), and the 75th percentile (the wage of the person who is earning more than 75 percent, but less than 25 percent of all workers).

Looking at the percentage change in real wages from 2001 to 2005 at these three points in the wage distribution indicates that wages fell more dramatically at the bottom of the wage distribution than at the middle and upper tiers, 6.1 percent versus 3.8 percent and 3.0 percent, respectively. There has been some recovery in wage rates from 2005 to 2006; an uptick of 3.0 percent and 4.9 percent for workers at the 25th percentile and 75th percentile, respectively. Workers at the 50th percentile enjoyed little change. The net result of these changes is that, compared against 2001, real wages for workers at the bottom and middle rungs of the wage ladder are down by 3.3 percent, 3.2 percent, respectively. The 75th percentile wage rate in 2006 is 1.7 percent higher than where it stood in 2001.

Table Five:
Usual Weekly Earnings
NYC Full-Time Wage and Salary Earners
(In 2006 Dollars)

	Annual Average			Percentage Change		
	<u>2006</u>	<u>2005</u>	<u>2001</u>	<u>05-01</u>	<u>06-05</u>	<u>01-06</u>
25th ntile	\$434	\$422	\$449	-6.1%	3.0%	-3.3%
50th ntile	\$668	\$664	\$690	-3.8%	0.6%	-3.2%
75th ntile	\$1,093	\$1,042	\$1,075	-3.0%	4.9%	1.7%

Note: Earnings are adjusted using the CPI-U for the New York Metro Area.

Source: CSS tabulations from the Current Population Survey.

CSS Recommendations for Public Policy

The ongoing recovery has lowered the unemployment rate and fostered gains in jobholding, but all is not well in the city labor market. The most dramatic failure of the rising tide is that it has yet to lift the boat of youth employment. More job growth alone will not address the needs of those New Yorkers who face significant barriers to work at a living wage. Progress will depend on public policy as well as prosperity. That reality has been recognized by Mayor Bloomberg's Commission for Economic Opportunity, which identified young people, 16 through 24, as a target for new programmatic initiatives. In addition to the innovations that will come from this effort, CSS offers the following proposals for federal, state and city policy making.

1. **New York's leadership must voice strong opposition to the cuts to job training, employment services, and vocational and adult education programs that are contained in President Bush's fiscal year 2008 budget request.** The Bush proposal cuts funding in Department of Labor sponsored job training programs for adults, dislocated workers, and youth along with employment services by more than \$1 billion or 16 percent. The budget also consolidates the funding for these job training and employment services programs into a single block grant that would be used to fund "Career Advancement Accounts." Because states would be required to spend a majority of their grant on these accounts, they would have considerably less ability to focus job training resources on populations most in need or to strategically partner job training programs with economic development initiatives.

In addition there are other cuts in the Bush proposal that will have a particular impact on youth. These include a cut of \$29.1 million in programs for prisoner reentry, a decline from \$1.6 billion to \$1.5 billion for the Job Corps program and flat funding (at \$50 million) for Youth Build.

Department of Education programs that fund opportunities for workers are also subject to cutbacks. Most significantly, the Bush budget cuts the Perkins Vocational and Technical Education Program, which funds training programs in high schools and community colleges by 50 percent.¹⁰ Because the vast majority of city expenditures in most of these areas are dependent of federal funds, cutbacks made in Washington translate directly into fewer services for New Yorkers in need.

2. **Create an Earned Income Tax Credit for young workers.** The Earned Income Tax Credit (EITC) receives strong support across the political spectrum, and deservedly so. It rewards work and a wide body of research indicates that it provides a strong incentive for parents (particularly single mothers) to enter the work force. The federal, state, and city EITCs are most generous for workers raising two or more children. In tax year 2006 such a worker could receive a federal credit of up to \$4,536, a New York State credit of up to \$1,361 and a New York City credit of up to \$227. Workers with one or no child receive a less generous credit. A serious omission in this tax program is that workers who are younger than 25 and are without a “qualifying child” receive no credit at all.

In light of positive impact the credit has had on other groups of low-wage workers and the lack of employment growth revealed in this report, policy makers should extend the Earned Income Tax Credit to workers who reach the age of 19 during the tax year and are no longer claimed as a dependent child by another tax filer. Because the state and city credits are designed as “piggybacks” on the federal credit, it would be best if the credit were initially created at the federal level.¹¹ A modest step forward would be to eliminate the age restriction for younger workers. This could create a federal credit of up to \$412, a state credit of up to

¹⁰ *Washington Update: Bush Administration Releases Fiscal Year 2008 Budget.* The Workforce Alliance. February 2007.

¹¹ The New York State and City credits are set at 30 percent and 5 percent, respectively, of the federal credit.

\$124 and a city credit of up to \$21 for these childless workers. An additional step would be for the federal and city governments to follow New York State's lead in creating a special credit for workers who are not custodial parents, but who are paying child support.¹²

3. **Establish a “Growth and Opportunity Trust Fund” to increase money available for workforce development.** The Mayor's Office of Management and Budget projects a FY 2007 surplus of nearly \$4 billion. The city should take advantage of this opportunity to invest in the future and set aside 2.5 percent of this surplus (roughly \$100 million) as a one-time funding commitment to establish a “Growth and Opportunity Trust Fund.” The fund would be used as a dedicated funding stream to connect disadvantaged populations to growing sectors of the New York City economy. The fund would provide a 50 percent match available to individual employers, or consortia of employers, or employer and trade union partnerships who agree to establish recruitment and training programs that will open employment opportunities to members of the follow populations:

1. Out of school youth.
2. Formerly incarcerated persons who are returning to the community.
3. Public Assistance recipients.
4. Job seekers who have exhausted their Unemployment Insurance.
5. Workers living below 200 percent of the federal poverty line.

Grants from the fund would be offered on a competitive basis for a maximum of three years. Funds would help defray costs for programs or services such as vocational training, remedial education, social services, and child care subsidies. They could also be used to establish wage subsidy programs such as paid internships or transitional jobs. Grants would

¹² Qualifying workers can claim the greater of 2.5 times the federal credit for a childless worker or 20 percent of the federal credit they would receive if they had one custodial child.

be evaluated on the basis of the degree to which the proposals addressed the needs of participants to secure family-supporting employment. Grant recipients would be expected to guarantee a job placement to any participant who successfully completes their program. The starting wage for program completers should be no less than 1.5 times the New York State minimum wage.

This proposal is modeled on the “Workforce Development Trust Fund” recently created by the State of Massachusetts. The fund would be administered by the city’s Department of Small Business Services and would build on the expertise the department has developed through its New York City Sectors Initiative and Business Solutions Training Grants. The city would maintain the fund as a separate entity. Money still in the fund at the end of a fiscal year would remain in the fund for future use.

4. **New York State should create more apprentice opportunities to connect youth to living wage jobs.** A number of Western European nations have developed extensive apprenticeship systems as both a workforce development tool and as a mechanism to transition non-college bound young people from school to work.¹³ In the United States apprenticeships are largely confined to the unionized segment of the construction industry, where they successfully provide employers with a highly skilled workforce and offer participants a path toward a family-supporting career. The attraction of apprenticeships for out of school youth is that apprentices earn a wage while they are mastering a trade.

Policy makers should look beyond the confines of the construction industry to expand the apprenticeship model. As a start, the New York State Department of Labor (DOL) could use discretionary funds provided by the federal Workforce Investment Act to offer seed money

¹³ Ryan, Paul. “The School-to-Work Transition: A Cross-National Perspective.” Journal of Economic Literature. March 2001.

and technical assistance to industry partners who want to establish apprenticeship programs in their industries. The DOL should issue a request for proposals from employer associations and trade unions that are interested in creating programs for their industry. As part of the criteria for awarding funds, proposals should be required to address the ways in which the programs will reach out and actively recruit economically disadvantaged youth.

- 5. Create a second chance system based on transitional jobs.** Young people who are out of school and out of work need a second chance to succeed in the job market. Many of them have significant educational deficits, lack work experience, and are in need of continuing social services. Not surprisingly, employers shy away from them. Of the various approaches available to policy makers, subsidized employment programs hold out the most promise for these individuals. Transitional jobs programs provide a wage, work experience, and on the job training. In addition, participants can be provided with remedial education and social services. The city should expand existing local initiatives such as the Parks Opportunity Program (for welfare recipients) and the Center for Employment Opportunities' Neighborhood Work Project (for the formerly incarcerated) and initiate a transitional jobs program specifically targeted at out of school youth.

Appendix: Notes on the Data

This report makes use of annual averages constructed from the Bureau of Labor Statistics' Current Population Survey (CPS). The CPS is a monthly survey of some 60,000 households across the U.S. Respondents provide data on the labor market status of household members who are 16 years of age or older. In addition, information is gathered about a host of demographic attributes for each household member, such as their age, race, gender, marital status, and educational attainment. The responses to these questions form the raw material of this study.

The race/ethnicity categories used in this report reflect the two separate questions the CPS asks. One is about a person's race; the other is about Hispanic ethnicity. All those who indicate that they are of Hispanic ethnicity are grouped together in the Hispanic category. All Non-Hispanics are then grouped into categories defined by their answer to the CPS question about race. In the report, tabulations are provided for three mutually exclusive groups: Non-Hispanic Whites, Non-Hispanic Blacks, and Hispanics of any race. Other racial groups are too small a share of the city population to generate statistically meaningful estimates. In 2003 the CPS introduced a change in its racial categorization that now allows individuals to choose more than one race. To maintain a mutually exclusive set of race/ethnic categories, the small numbers of persons who are Non-Hispanic and identify themselves as being of more than one race are excluded from the White and Black categories.

CPS Sample Size and Standard Errors

The rates reported in the study are estimates derived from a sample. The CPS generates data on the labor force status of about 1,750 persons age 16 and older. Over the course of year, the CPS New York City sample contains roughly 21,000 persons.¹⁴ As in any survey, the estimates

¹⁴ Because individuals rotate in and out of the survey over the course of a 16-month period, these are not surveys of 21,000 different persons.

derived from it are subject to “sampling error,” the difference between the estimates derived from the sample and what would be derived from a full census of the population. The size of this potential difference is measured by the standard error of the estimate. There is about a 90 percent probability, or level of confidence, that the sample estimate and the “true” population value will differ by no more than 1.6 times the estimate’s sample error. This implies that small differences between estimates may not reflect actual differences in the populations from which the sample is drawn. As a rule of thumb, the 90 percent confidence interval for the citywide unemployment rate is plus or minus 0.5 percentage points. It is 1.4 percentage points for the citywide employment-population ratio. Standard errors for estimates for subgroups of the population are larger. The text draws readers’ attention to those differences that appear to be large enough to be statistically significant.

The Difference Between Unemployment Estimates Derived from the CPS and the Bureau of Labor Statistics Local Area Unemployment Statistics Program

As noted in the text, the citywide unemployment rates reported in this study differ slightly (by one-tenth of one percentage point) from those that are published by the Bureau of Labor Statistics (BLS). The BLS issues monthly and annual average estimates of citywide employment and unemployment that are derived from a statistical model that incorporates data from the CPS, along with the Current Employment Statistics Survey (which provides estimates of payroll employment), and the Unemployment Insurance System.¹⁵ The model does not provide data for specific groups within the population.

¹⁵ A description of the Local Area Unemployment Statistics estimation methodology is available at <http://stats.bls.gov/lau/laumthd.htm>.