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OVERSIGHT: HOW IS THE IMPROVING ECONOMY AFFECTING
NEW YORK CITY'S LABOR MARKET?

Introduction

On April 30, 2013, the Committee on Civil Service and Labor, chaired by Council Member Michael Nelson, will hold a hearing entitled “Oversight: How is the Improving Economy Affecting New York City’s Labor Market?” Invited to testify are numerous good government groups, trade organizations, unions and other interested parties.

The State of the Economy

The national and local economies have been slowly and steadily improving since the economic downturn often referred to as the “Great Recession” culminated in 2008. Recently, certain economic indicators show that the overall economy is improving, although the recent “sequester” put in place by the United States Congress on March 1, 2013, mandating across the board budget cuts, including a continued reduction of military spending, may be slowing the economic recovery.

National

In the first quarter of 2013, the economy grew, but at a rate that was lower than had been forecast¹ and despite the biggest increase in consumer spending in two years.² Gross Domestic Product (GDP) went up by 2.5 percent according to U.S. Commerce Department data, whereas economists had predicted it would be 3 percent.³ Consumer spending (which accounts for 70 percent of the economy) during this period increased 3.2 percent.

Reductions in government spending accounted for the discrepancy between consumer spending and the lower-than-expected 2.5 percent increase in GDP.⁴ Defense spending alone dropped at a rate of 11.5 percent, after a 22.1 percent decrease in the last quarter of 2012, which

¹ Bloomberg, “Growth in U.S. Trails Forecasts as Defense Spending Falls,” April 26, 2013, available at: <http://www.bloomberg.com/news/print/2013-04-26/economy-in-u-s-grows-at-faster-pace-as-consumers-boost-spending.html>.

² *Id.*

³ *Id.*

⁴ *Id.*

was the largest decline in such spending since the end of the Korean War in 1954.⁵ The most recent decline is attributable to the ending of the Iraq War and reduction of forces in Afghanistan, however, due to the expected sequester budget cuts, this trend is expected to continue.⁶

Employment nationally barely changed in March. According to the U.S. Bureau of Labor Statistics, the economy added approximately 88,000 jobs, nudging the unemployment rate down from 7.7 percent to 7.6 percent.⁷ This is an improvement since March 2012, when the unemployment rate was 8.2 percent.⁸

New York State

According to the New York State Department of Labor, in March, the economy added 14,100 jobs, which is an all-time high for employment in the state.⁹ The unemployment rate fell in March from 8.4 percent to 8.2 percent.¹⁰ The number of unemployed New Yorkers was reduced from 806,900 to 784,800 since February.¹¹

Looking at the annual picture, the economy added 97,000 jobs since March 2012.¹² Sectors with the most job gains in this period were Education & Health Services (35,800), Professional & Business Services (32,600), Leisure & Hospitality (25,000), Trade, Transportation & Utilities (15,200) and Construction (7,300).¹³ The sectors with the most losses were Government (-17,200¹⁴), Manufacturing (13,500) and Financial Activities (-7,900).¹⁵

⁵ *Id.*

⁶ *Id.*

⁷ U.S. Dep't of Labor, Bureau of Labor Statistics, "Employment Situation Summary," April 5, 2013, available at: <http://www.bls.gov/news.release/empstat.nr0.htm>.

⁸ U.S. Dep't of Labor, Bureau of Labor Statistics, "Employment Situation Summary," April 6, 2012, available at: http://www.bls.gov/news.release/archives/empstat_04062012.htm.

⁹ New York State Dep't of Labor, "NYS Economy Adds 14,100 Private Sector Jobs in March 2013, State Reaches All-time Jobs High," April 18, 2013 available at: <http://labor.ny.gov/stats/pressreleases/pruistat.shtm>.

¹⁰ *Id.*

¹¹ *Id.*

¹² *Id.*

¹³ *Id.*

¹⁴ *Id.* N.B. Education is counted as non-governmental.

New York City

At \$583 billion, New York City has the largest city economy in the world.¹⁶ The City's economy has been growing faster than the nation as a whole; in the last two years, the GDP for the City was 3 percent for the past year, compared to 2.1 percent nationally¹⁷. The fastest growing sectors are high-tech, creative industries (media, arts, fashion) and tourism.¹⁸ The high-tech field mostly consists of digital media, social networking and advertising technology.¹⁹ The boom in the creative industries was comprised mostly of film and television production.²⁰ And in terms of tourism, in 2012, the City played host to a record 52 million visitors, which generated an estimated \$55.3 billion in total economic impact, with \$36.9 billion from direct spending.²¹

As some areas have grown in the last decade, other industries have continued a long slide downward, including construction/real estate, government, education and traditional manufacturing.²²

The unemployment rate in the City dropped in March from 9.1 percent to 8.9 percent.²³ Since March 2012, when the unemployment rate was 9.4 percent, the City added 54,200 jobs.²⁴

Conclusion

As the economy improves, and the GDP for the City is higher than that of the rest of the nation, the City's unemployment rate also hovers above the national rate. At the hearing, the Committee hopes to examine perspectives on how the labor market is adjusting to the improving economy and to understand why employment has not caught up with the rest of the recovery.

¹⁵ *Id.*

¹⁶ Partnership for NYC, "NYC Jobs Blueprint," April 2013, at 11, available at: <http://www.nycjobsblueprint.org/wp-content/uploads/2013/04/nyc-blueprint-report.pdf>.

¹⁷ *Id.*

¹⁸ *Id.*

¹⁹ *Id.*

²⁰ *Id.*

²¹ *Id.*

²² *Id.* at 12.

²³ *Id.* at 11.

²⁴ *Id.*