

Full Employment and Raising Wages: New York City's Twin Economic Challenges in Emerging from the Pandemic

James A. Parrott

March 2022



Center for
New York City
Affairs



Center for New York City Affairs

James A. Parrott is Director of Economic and fiscal Policies at the Center for New York City Affairs at The New School

Acknowledgments

We would like to acknowledge research support by Sally Svenlen and Brent Kramer, and to thank Bruce Cory and Kristin Morse for editing the report, Isabella Wang for design and website support, and Seth Moncrease for general support.

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Center for New York City Affairs
JamesParrott@NewSchool.edu
<http://www.centernyc.org>

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Executive Summary

New York City's recovery from an economy wracked by Covid-19 will hinge on how policy makers face two critical challenges: 1) returning to the full employment that prevailed in the two years before the onset of the pandemic; and 2) ensuring that wages steadily rise for workers in the bottom half of the wage distribution. Meeting these twin imperatives will help ensure that economic growth and progress will be broadly shared and that New York City can make headway to reduce our pronounced income and wealth inequality. These objectives are not fanciful. New York City managed both full employment and steady wage growth for the bottom half of the income distribution in the five years before the coronavirus landed here. For the first time in nearly 50 years, the city saw strong growth in wages and family incomes for the bottom half, declining poverty, and a flattening in income inequality.

In the pre-pandemic decade 2010-2020, the combination of the doubling of the minimum wage, the establishment of other wage standards (such as prevailing wages), and strong employment growth (full employment during the last two years of that decade) fostered the strongest gains for the lowest-paid half of all workers in New York City in at least a half century. After steadily rising for three decades (1980-2010), income inequality flattened and edged down in the last decade.

Still, even at the beginning of 2020 before the onset of the Covid-19 pandemic, stark income inequalities continued in New York City, and significant pay, health, and other disparities existed across racial and ethnic groups. Pre-pandemic, from a third to half of the city's households of color had incomes that were insufficient to provide for basic family budget needs, and wealth inequality is more pronounced than income disparities.

The pandemic's extreme lopsided economic impacts have exacerbated these disparities. Low-paid workers of color have borne the brunt of job dislocation, and racial unemployment disparities widened over the course of 2021. The city's pandemic jobs deficit is three times the national average.

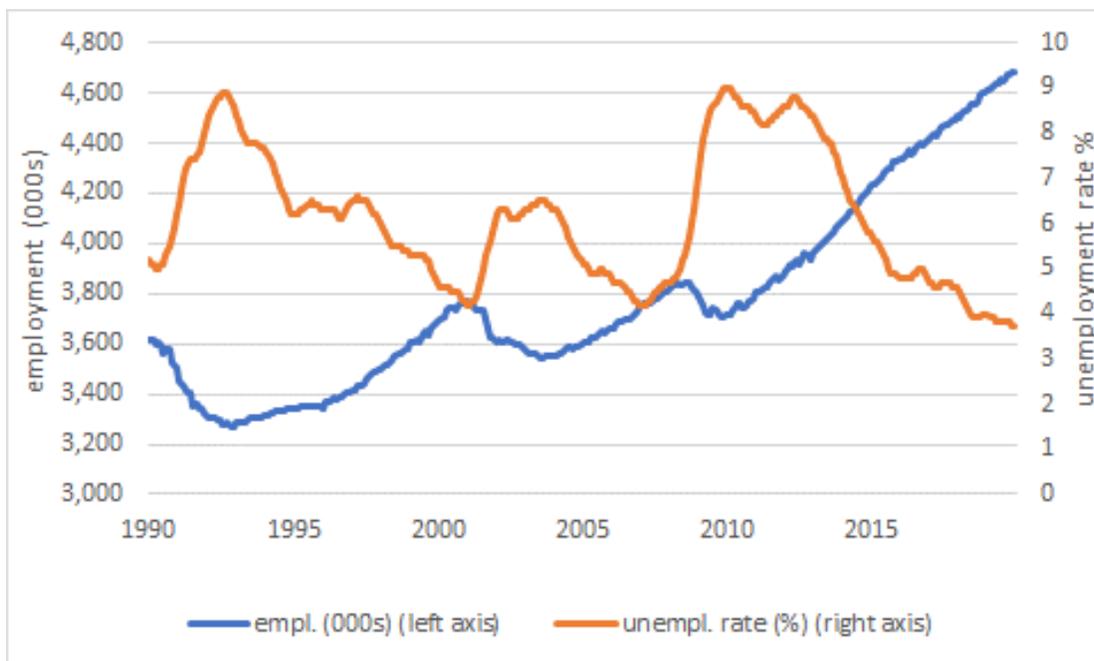
In the wake of past economic downturns, the City and the State have taken a *laissez faire* approach to the labor market with the unfortunate result that unemployment rates for workers of color stayed high for several years. New York City needs an active labor market policy to bring down unemployment and to ensure that more workers share in the benefits of a recovering economy. The City and the State should act to raise pay for underpaid care workers, support labor protections and standards for gig and other low-paid workers, adjust the minimum wage for inflation and productivity growth, and extend prevailing wage standards.

Improving the compensation for more workers will lift families out of poverty, reduce the need for public expenditures to care for the poor, and will have important benefits for parenting and child development, as well as community involvement and civic engagement as families are more financially secure. No single policy will fix the city's polarized economy, but as we saw in the previous decade, a full employment economy coupled with rising labor standards can make a powerful difference.

1. Substantial economic progress in the pre-pandemic decade

The decade before the pandemic, particularly the years 2014-2019, saw rapid job growth and steadily declining unemployment. (See Figure 1.) Unemployment averaged four percent or less for the two years before the pandemic, signaling an essentially full employment economy that aided workers in realizing steady wage gains and reducing poverty.

Figure 1
New York City added one million jobs from Jan. 2010-Jan. 2020 and
unemployment averaged 3.9 percent for the two years before the pandemic



Source: BLS, seasonally adjusted monthly data.

State and City policies over the past decade significantly raised wages. In 2012, the City attached prevailing wage standards for building services work to its financial assistance programs and to City leases. Bold action in Albany doubled the minimum wage from \$7.25 in 2013 to \$15 an hour for New York City employers with more than 10 workers. (See Figure 2.) In 2013, the State raised the minimum wage in stages to \$9.00 by the end of 2015. Responding to the nationwide Fight for \$15 Campaign, New York's governor used a State administrative power known as a wage board procedure in 2015 to start raising the pay floor for fast food workers. And in early April 2016, New York, along with California, became the first two states to start phasing in a \$15 an hour minimum wage, with the minimum wage in New York City reaching \$15 at the end of 2018.

In 2015 the State required that building service and construction workers be paid the prevailing wage for developments receiving the 421-a tax abatement. The following year New York City extended prevailing wage to cleaners and handypersons employed at City schools. In 2018, the Port Authority of New York and New Jersey raised the wage floor for various service workers at the New York City airports, and the New York City Council enacted legislation to enable the City's Taxi and Limousine Commission (TLC) to establish a minimum compensation standard that provided the independent contractor equivalent of \$15 an hour, raising the pay for nearly 100,000 app-dispatched drivers (the first such pay regulation anywhere).¹

Figure 2
New York City minimum wage levels

Effective date	ALL NYC workers	Fast food Workers	Workers for small employers*	Workers for large employers*	LGA & JFK airport service worker	NYC TLC HV-FHV drivers**	Building service prevailing wage, commercial ***	Building service prevailing wage, residential ***
2009-2011	\$7.25							
2012	\$7.25						\$22.65	\$20.77
2013	\$7.25						\$22.97	\$21.34
2014	\$8.00						\$23.42	\$21.98
2015	\$8.00						\$23.93	\$22.51
2016	\$8.75	\$10.50					\$24.62	\$23.01
2017	\$9.00		\$10.50	\$11.00			\$25.22	\$23.75
2018		\$13.50	\$12.00	\$13.00	\$13.60/15.00		\$25.82	\$24.33
2019		\$15.00	\$13.50	\$15.00	\$15.00/\$15.60	\$17.22	\$26.60	\$24.90
2020			\$15.00		\$16.20	\$17.47	\$27.25	\$25.62
2021					\$17.00		\$27.95	\$26.45
2022					\$18.00	\$18.41	\$28.65	
2023					\$19.00		\$29.47	

* Small employers with <11 employees; large employers >10 employees

** Minimum compensation standard for independent contract drivers working for High Volume For Hire Vehicles companies; TLC per trip pay standard set to provide these equivalent hourly amounts, including 90 cents for paid time off and "employer" share of payroll taxes, based on 58 percent "utilization rate" (average passenger time share).

*** The building service wage rate does not include any benefits or leave component, however the prevailing wage schedule includes an hourly supplement benefit and paid time off for workers in those job classifications. The above rate is the most common and illustrative of a schedule of rates that vary by building class; there is also a lower rate for the first five years for new hires.

Sources: NYS DOL; Port Authority of New York and New Jersey, NYC Taxi and Limousine Commission; and 32BJ SEIU.

(However, unlike other states and cities that have raised minimum wages well above the \$7.25 national wage floor, New York State did not index its minimum wage to rise along with the consumer price index. Thus, there has not been an increase in the wage floor for most New York City workers in over three years, a period when inflation has risen by nearly 12 percent.)

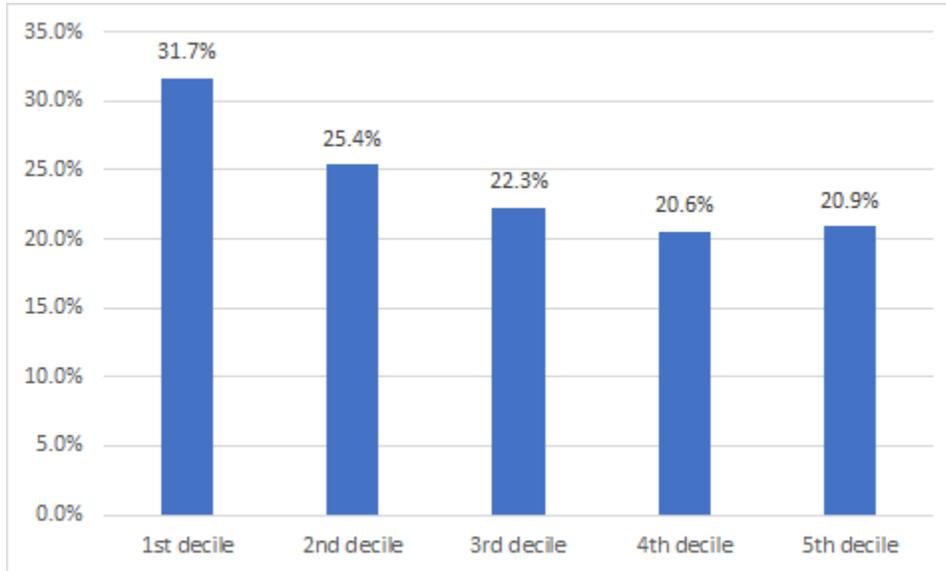
The higher minimum wage floor combined with the expansion of prevailing wage standards had a dramatic effect in boosting wages for workers in the bottom half of the wage distribution. For example, the worker at the 10th percentile wage saw a 31.7 percent increase in inflation-adjusted

¹ The TLC pay standard provided drivers with the independent contractor equivalent of the \$15 minimum wage, \$0.90 an hour for paid time off, and included coverage for expenses. It was implemented through a pay formula with

wages between 2014 and 2019, and there were increases of at least 20 percent for all of the decile levels up to the fifth decile. (See Figure 3.)

Figure 3

Substantial inflation-adjusted 2014-19 wage change for deciles in the bottom half



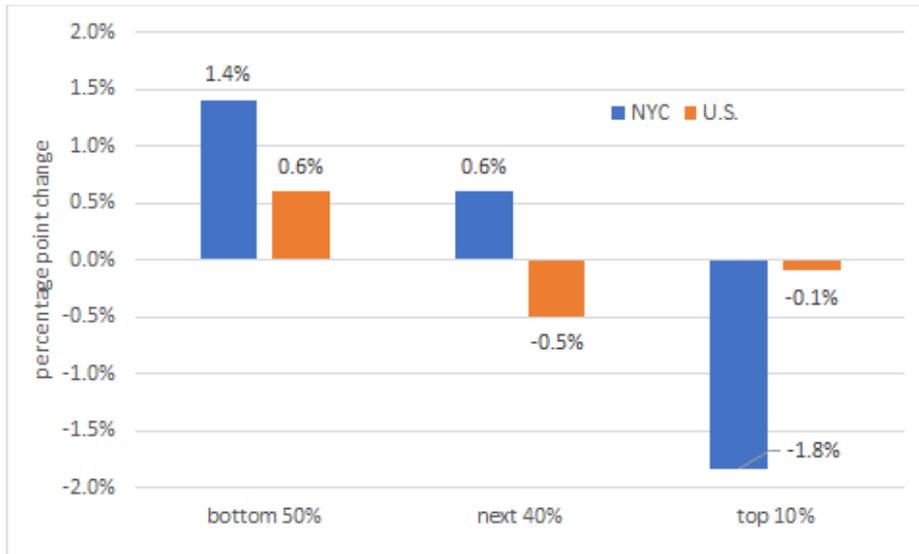
Source: New York City Mayor's Office for Economic Opportunity, *New York City Government Poverty Measure 2019*, December 2021.

Higher wages for the lower half of earners were so significant that they translated into a higher share of total wages paid in New York City over that period, according to income tax data. From 2014 to 2019, the share of total wages going to those in the bottom half rose by 1.4 percentage points in the city. This was much greater than the 0.6 percentage point gain for those in the bottom half across the entire country. (See Figure 4.) The increasing share for those at the bottom came at the expense of the richest 10 percent of New York City households whose share of total wages fell by 1.8 percent over the period.

The rising wage share for households in the bottom half helped lift their income share as well, with a two percentage point increase. The income gain for those in the bottom half of the income distribution in New York City was far greater than the 0.2 percentage point increase nationally. (See Figure 5.) The sharp income share increase for the bottom half in the city was accompanied by a 3.8 percentage point decline in the share of total incomes going to the richest 10 percent.

Figure 4

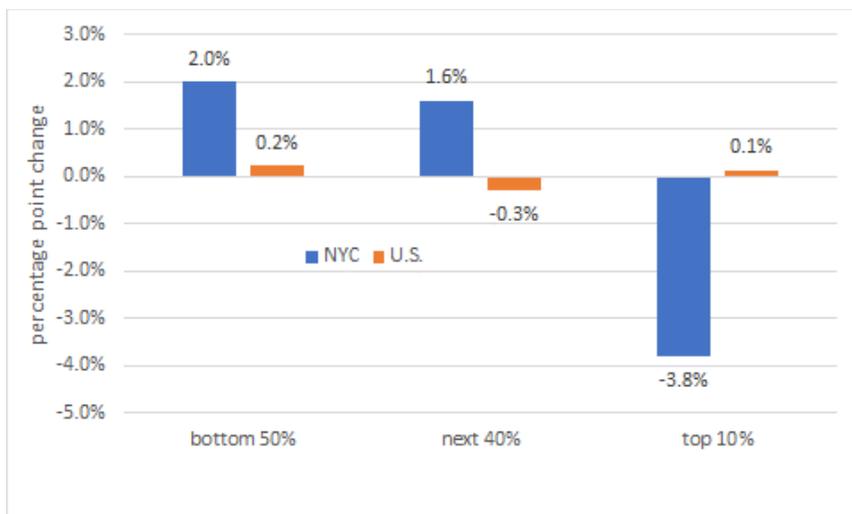
The share of total New York City wages going to households in the bottom half of the income distribution rose from 2014-19 while it fell for the top 10 percent



Source: CNYCA analysis of income tax data from the New York City Independent Budget Office and the Internal Revenue Service Statistics of Income.

Figure 5

The rising wage share contributed to a higher share of total income, 2014-19

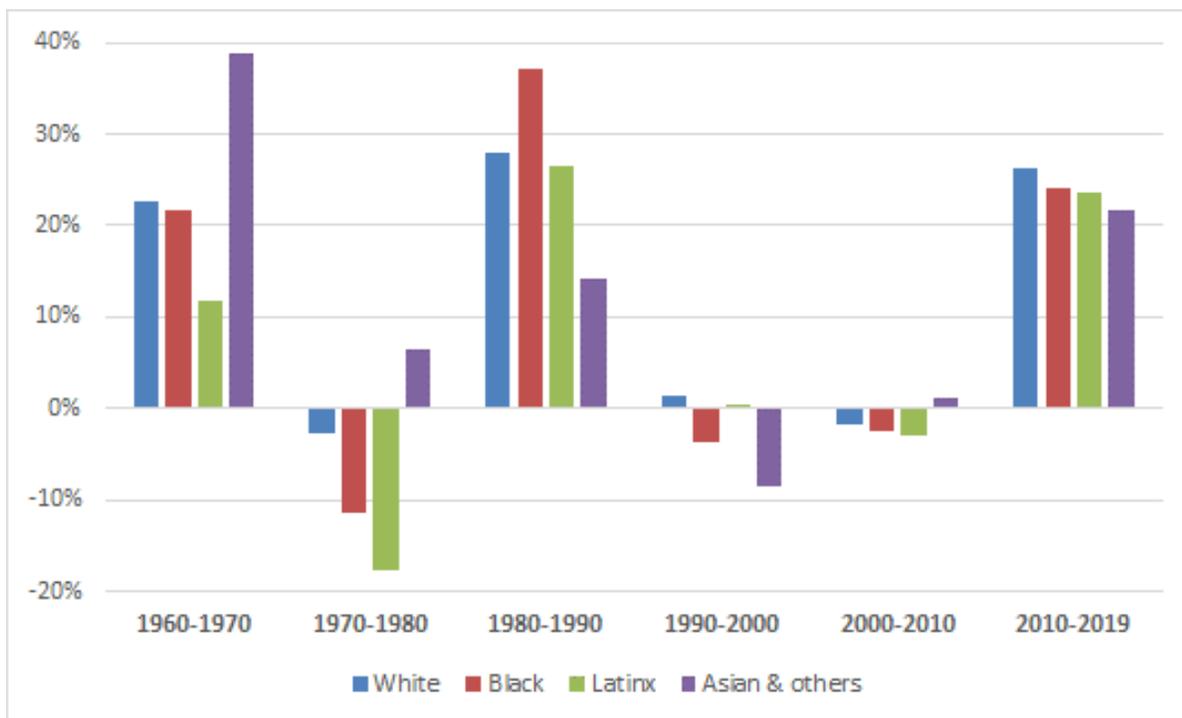


Source: CNYCA analysis of income tax data from the New York City IBO and the IRS.

Nationally, there was not a meaningful change in the income share of the top 10 percent over the 2014-19 period. City and State actions to raise the wage floor in New York combined with the expansion of prevailing wages may have been decisive in pushing up the wage share at the bottom. Sustained job growth in many parts of the country pushed down the national unemployment rate, and strong job growth in the city’s tech sector over these years would – absent City and State action on wages – likely have lifted the wage share in the upper half of the wage distribution, but not necessarily in the lower half.

Figure 6 puts New York City inflation-adjusted median income growth for the 2010-19 decade in the context of real income growth over the past six decades, back to 1960. The 20 percent-plus median income growth by race and ethnic group for the 2010-19 decade is striking in contrast to the two previous decades of stagnant or declining real incomes. The fact that each of the four race/ethnic groups had median income gains in a relatively narrow band from 21.8 percent for Asian and others to 26.4 percent for white families is also noteworthy.

Figure 6
Strong increases in inflation-adjusted median family income 2010-19
following two decades of declines

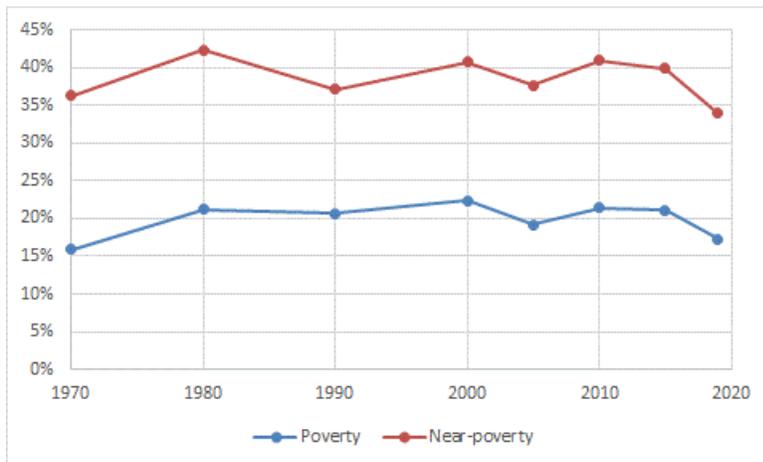


Source: CNYCA analysis of Census and American Community Survey data from IPUMS.

The income gains of the 2010-19 period were slightly better than the gains of the 1960s; the nearly 40 percent jump in median family income for the category Asians and others is tempered by the fact that that group was only about one percent of all families during the 1960s.² Except for Asian and others, the income gains from 1980-1990 were better than in the 2010-19 decade. It should be kept in mind, however, that the income gains of the 1980s were measured against a relatively low starting point of reduced incomes in 1980 as a result of a previous decade of New York City economic decline. The city's economy underwent a sustained rebound in the 1980s and Black family incomes grew by 37 percent as many Blacks moved into professional jobs in City government and in the private sector in the wake of significant white outmigration.

However, as will be seen in Figures 7 and 8, poverty did not decline nearly as much in the 1980s as it did during 2010-19. The 1980s also was a period when income polarization started to climb sharply whereas the 2010-19 period was the first decade since then when the income polarizing trend stabilized and declined moderately. (See Figure 9 in the next section.)

Figure 7
NYC poverty and near-poverty declined more in the past decade than at any time in the past half-century



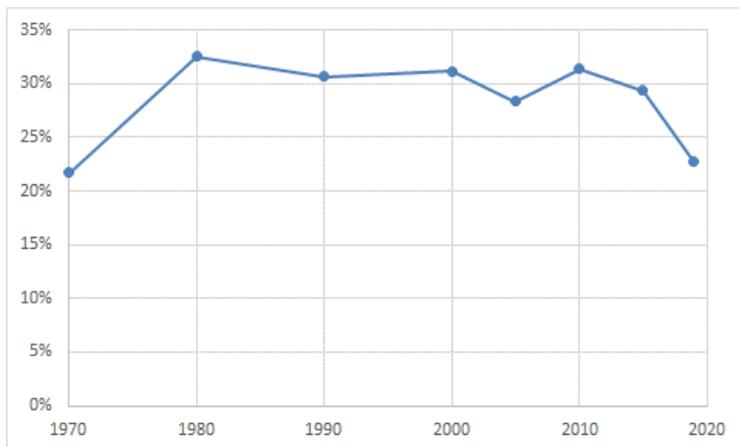
Source: CNYCA analysis of Census and American Community Survey data from IPUMS.

Considering the significant growth in the city's economy over the past half-century, it is perhaps a little puzzling that the proportion of children living poverty, as measured by the Federal poverty standard, was not lower in 2019 (17 percent) than it was in 1970 (16 percent). Child

² Asians average about five percent of all New York City families in the 1980s. By 2019, the Asian and other category accounted for 17 percent of all New York City families, Blacks were 21 percent, Hispanics were 27 percent, and whites were 35 percent.

poverty was also a percentage point higher in 2019 (23 percent) than in 1970 (22 percent). However, the three poverty measures presented in Figures 7 and 8 all fell more in the past decade than at any time in the past 50 years. Near poverty (defined here as 200 percent of the Federal poverty threshold) fell from 41 percent in 2010 to 34 percent in 2019, all poverty fell from 21 percent to 17 percent, and child poverty dropped by a quarter, falling from 31 percent in 2010 to 23 percent in 2019.

Figure 8
Child poverty fell by one-quarter from 2010 to 2019 (31 to 23 percent)



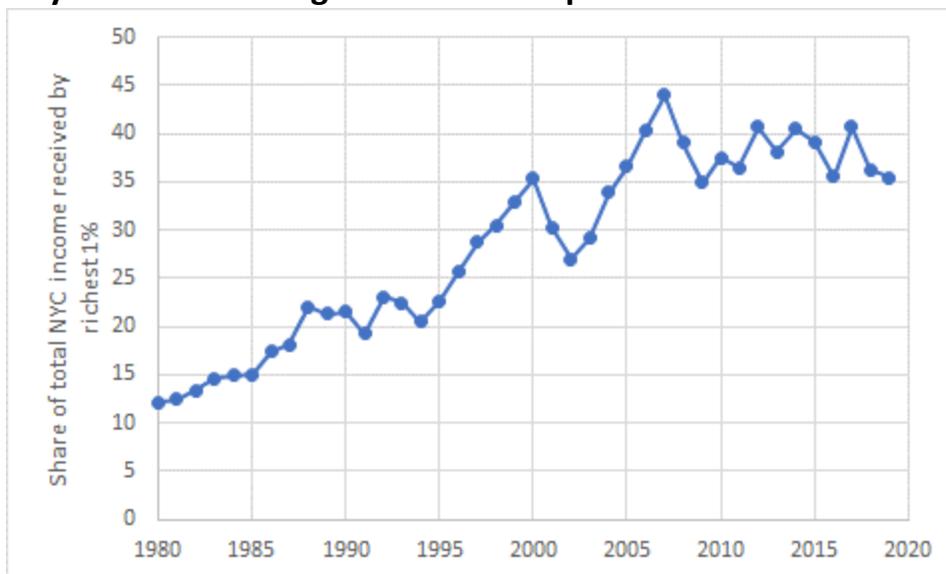
Source: CNYCA analysis of Census and American Community Survey data from IPUMS.

2. On the eve of the pandemic, stark inequalities existed in New York City

While income concentration, as measured by the share of all incomes received by the richest one percent, did not increase further over the past decade, at 35 percent in 2019 it was still three times as great as in 1980. (See Figure 9.)

Figure 9

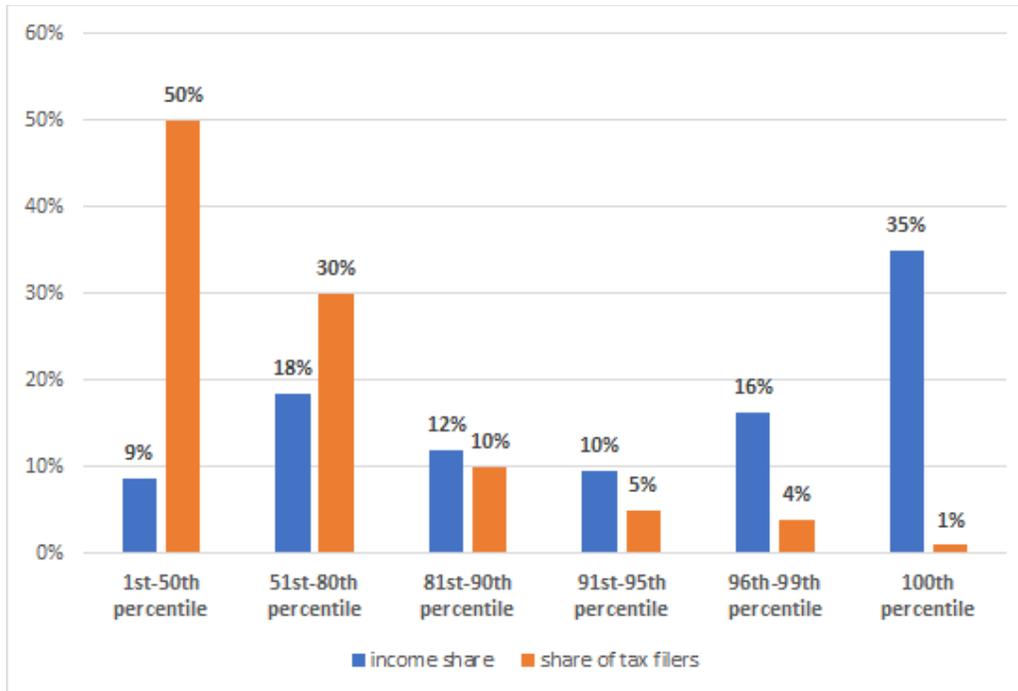
After increasing sharply during the economic expansions of the 1980s, 1990s and 2000s, the share of income going to the richest one percent in New York City stabilized during the 2010-20 expansion but still hovers around 35 percent



Source: CNYCA analysis of NYS income tax data for New York City (2006-2019 provided by the New York City Independent Budget Office).

The richest one percent's 35 percent share of all New York City income matched the share held by 83 percent of tax filers in 2019. While the share of income going to the lower half rose in the 2014-19 period, it was still less than nine percent of all income in 2019. The next 30 percent of tax filers received 18 percent of income. (See Figure 10.)

Figure 10
The richest one percent of New York City tax filers have as much income as 83 percent of filers



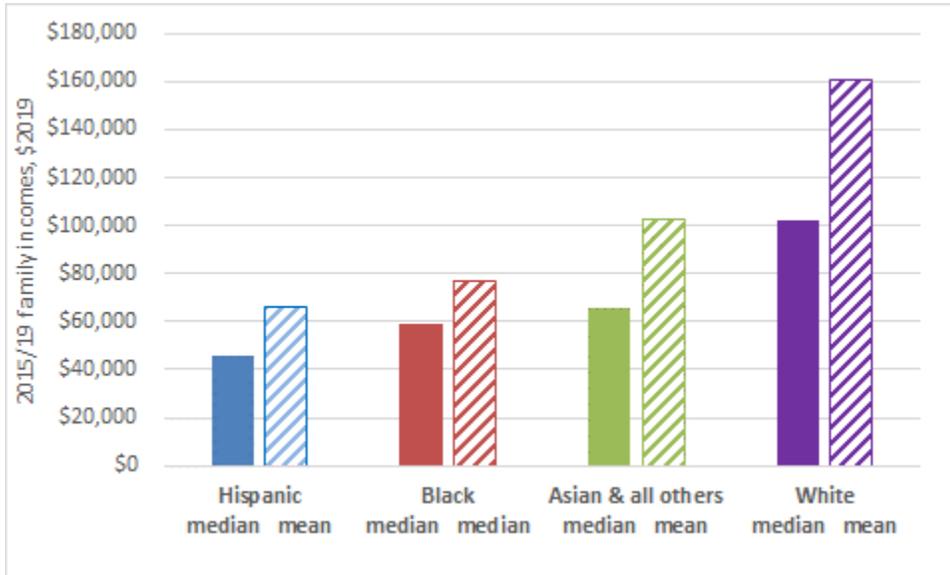
Source: CNYCA analysis of NYS tax data for NYC provided by the New York City Independent Budget Office.

Despite the fairly even growth in family incomes by race/ethnicity over the 2010-19 period, there are still very significant income differences between families of color and white families. For the five-year period 2015/19, the \$46,000 (in 2019 dollars) median Hispanic family income was just 45 percent of the \$102,000 median white family income.³ (See Figure 11.) Median Black family income of \$59,000 was about 58 percent of median white income, and for Asian and others median family income of \$66,000 was 65 percent of median white family income. Because the incomes of some white families are very high, average white family income was nearly \$161,000, 60 percent higher than for Asian and other families, and more than twice that of Black and Hispanic families.

Figure 12 shows that the racial income gap widens as income increases. While the ratio of Black family income to white family income at the medians is 58 percent, at the 95th percentile the ratio of Black to white family income is only 32 percent.

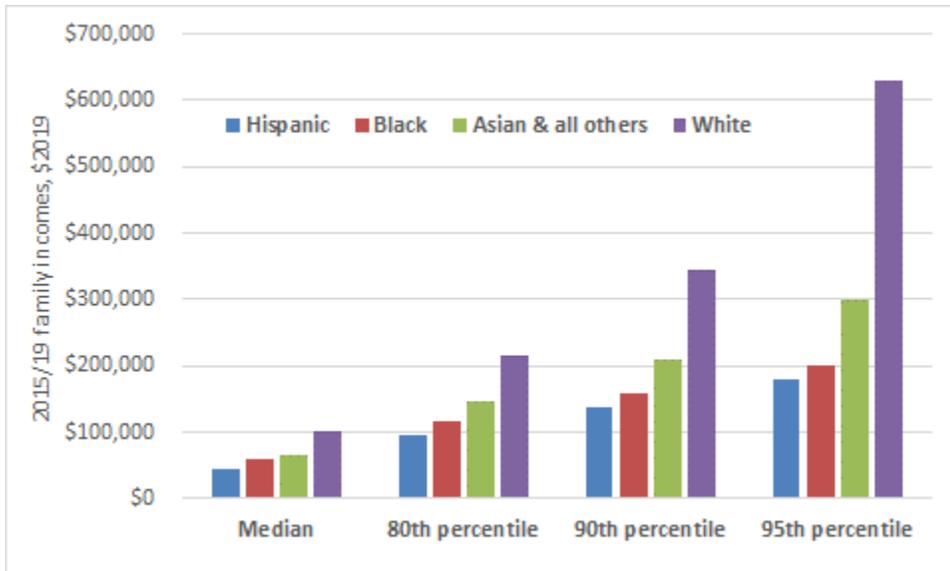
³ We use the five-year 2015/19 American Community Survey for this analysis to focus on comparisons between race/ethnic groups.

Figure 11
New York City incomes for families of color lag considerably relative to white families, 2019



Source: CNYCA analysis of 2015/19 American Community Survey data from IPUMS.

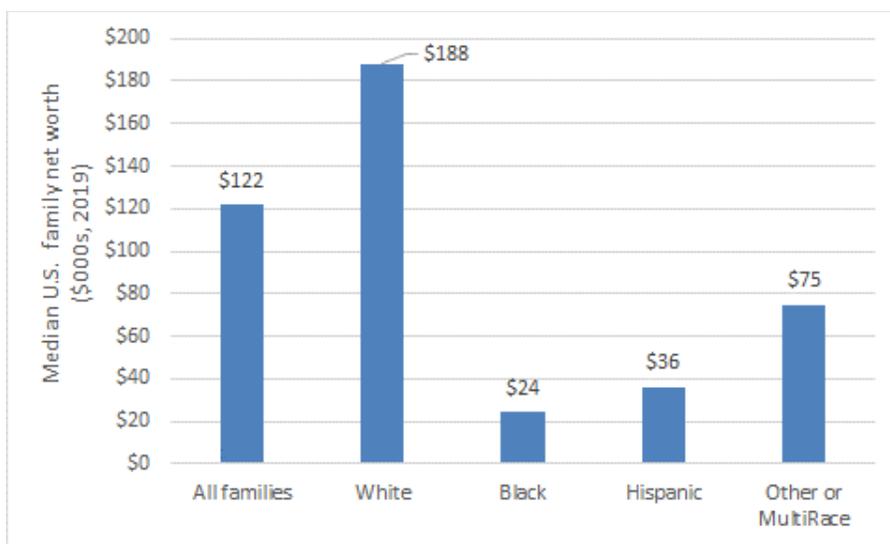
Figure 12
At the 95th percentile, New York City white family incomes are more than twice that of Asian and other families, and more than three times 95th percentile Black and Hispanic family incomes



Source: CNYCA analysis of 2015/19 American Community Survey data from IPUMS.

Wealth is more concentrated in the United States than income.⁴ While there are no readily available data on wealth distribution in New York City, national data from the Federal Reserve Board’s Survey of Consumer Finance provide some indication of wealth disparities that are likely to exist in New York City. As with income distribution, polarization in wealth distribution is likely to be greater in the city than nationally. In 2019, the typical white U.S. family had a net worth of \$188,000, nearly eight times the \$24,000 median net worth for a Black family, and over five times the \$36,000 median net worth for a Hispanic family. (See Figure 13.)

Figure 13
Median U.S. family net worth, by race and ethnicity, 2019



Source: Federal Reserve Board of Governors, 2019 Survey of Consumer Finances.

There are similar wide racial disparities in average family net worth. For example, in 2019 the average net worth of white families was almost \$1 million (\$983,000), nearly seven times that of average Black families and nearly six times that of average Hispanic families.⁵

The ability of families with moderate incomes to generate family wealth depends heavily on whether or not they are able to afford home ownership. With New York City’s high real estate costs, most New Yorkers are renters. But with home ownership wide disparities by race also exist, and households of color have higher median rent burdens and higher shares who are severely rent-burdened, as Figure 14 indicates. Among white households, 41 percent own their

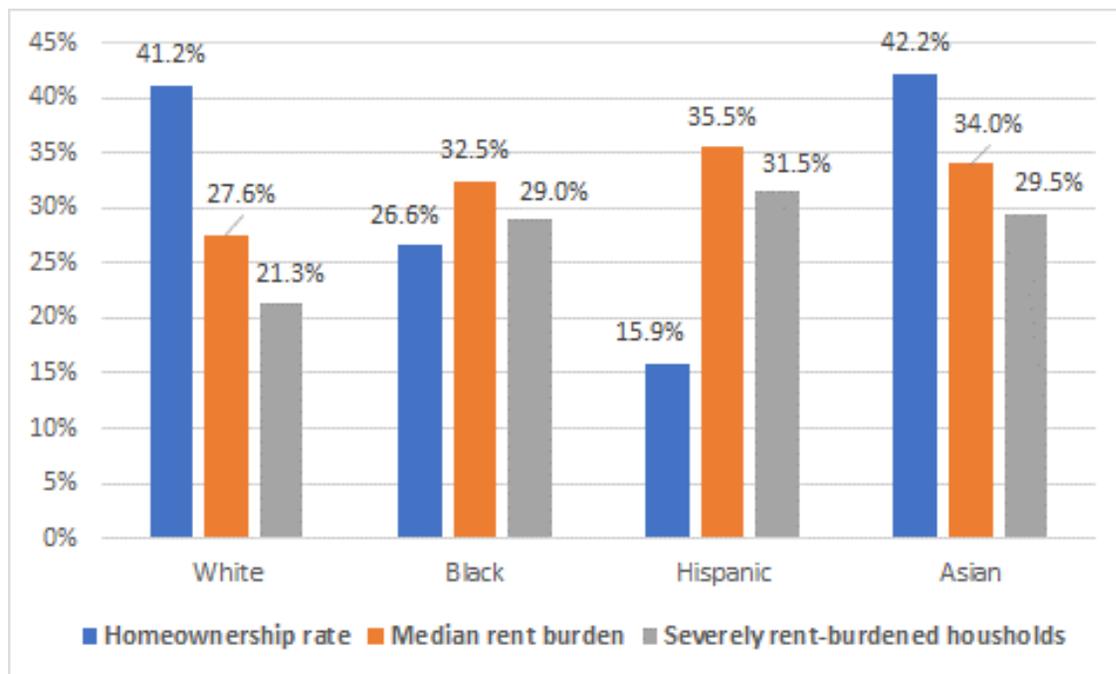
⁴ The Federal Reserve Board’s Survey of Consumer Finance defines wealth as the difference between a family’s gross assets and its liabilities. Wealth, or net worth, consists of the value of a home, other real estate, and financial assets, including retirement savings.

⁵ Federal Reserve Board of Governors, 2019 Survey of Consumer Finances.

own homes, one-and-a-half times the 27 percent Black homeownership rate and more than two-and-a-half times the Hispanic homeownership rate. Asian and other households had a slightly higher ownership rate than whites in 2019.

Figure 14

Racial disparities in New York City homeownership and rent burdens, 2019



Source: NYU Furman Center for Real Estate and Urban Policy, State of New York City's Housing and Neighborhoods in 2020.

Despite wages and family incomes rising in the past decade, far too many New York City families still experience great difficulty in making ends meet. Occupational data from the New York State Department of Labor indicate that the median annual salary across all occupations in New York City is \$58,260 in 2021 dollars.⁶ This is not that much higher than the near-poverty threshold for a four-person household according to the NYC Government Poverty measure for 2019 (\$52,566) if it were adjusted for inflation.⁷ Thus, the median annual salary is not enough to keep a family out of near-poverty and it falls far short of the income needed to provide for a family's basic budget needs. Depending on the number of earners and children in a family, an

⁶ New York State Department of Labor, *Long-Term Occupational Employment Projections, 2018-2028*.

⁷ City of New York, Mayor's Office for Economic Opportunity, *New York City Government Poverty Measure 2019*, An Annual Report from the Office of the Mayor, December 2021, pp. 5-6.

adequate income, given the cost of living in New York City, would be from about \$70,000 to \$100,000.

Figure 15 provides information on the income that representative types of families need to cover basic family budget needs in Brooklyn and the Bronx, two boroughs home to many typical workers. These figures are from the “self-sufficiency” budgets periodically compiled using a widely accepted methodology developed by Center for Women’s Welfare at the University of Washington. The self-sufficiency budgets are based on average costs for market-rate housing, child care, food, transportation, health care, and taxes in each borough without reliance on any government assistance or subsidy from other family members. These are meant to be bare bones family budgets that do not provide for any savings for college or retirement, or any vacations, or even take-out food or dining out.

Figure 15
Basic family self-sufficiency budgets, Bronx and Brooklyn*, select family types

	Bronx County			Kings County (Brooklyn)*		
	1 adult, pre-schooler	1 adult, pre-schooler, school-age	2 adults, infant, pre-schooler	1 adult, pre-schooler	1 adult, pre-schooler, school-age	2 adults, infant, pre-schooler
Monthly costs						
Housing	\$1,806	\$1,806	\$1,806	\$1,831	\$1,831	\$1,831
Child care	\$1,285	\$1,924	\$2,637	\$1,285	\$1,924	\$2,637
Food	\$435	\$657	\$802	\$502	\$759	\$926
Transportation	\$127	\$127	\$254	\$127	\$127	\$254
Health care	\$535	\$555	\$605	\$535	\$555	\$605
Miscellaneous	\$419	\$507	\$610	\$428	\$520	\$625
Taxes (net of credits)	\$1,072	\$1,197	\$1,429	\$1,115	\$1,290	\$1,499
Monthly total	\$5,679	\$6,773	\$8,143	\$5,823	\$7,006	\$8,377
Annual family budget	\$68,148	\$81,276	\$97,716	\$69,876	\$84,072	\$100,524

* Brooklyn (excluding northwest Brooklyn)

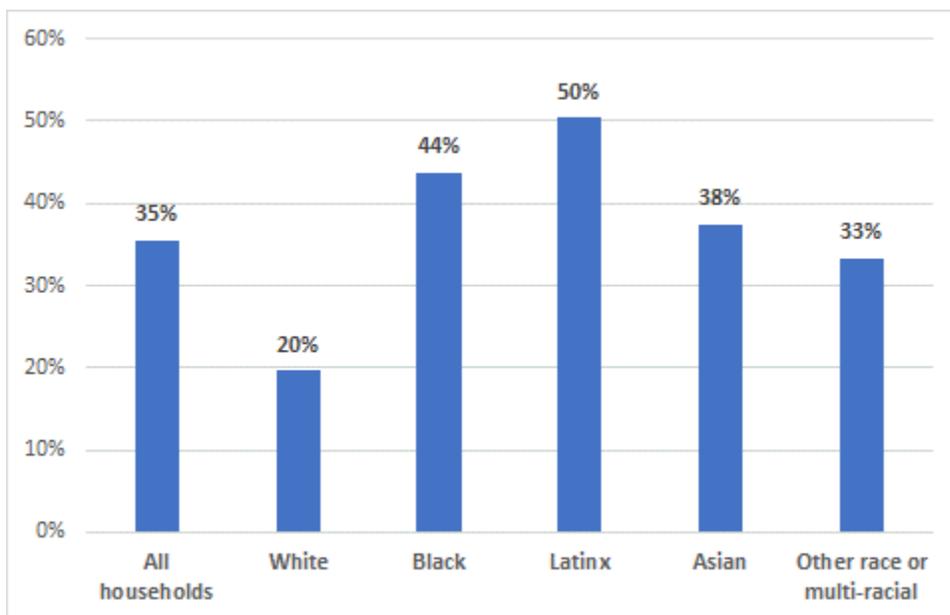
Source: Annie Kucklick and Lisa Manzer, The Self-Sufficiency Standard for New York 2021, Center for Women's Welfare, Univ. of Washington School of Social Work, Prepared for FPWA, March 2021.

The latest “Self-Sufficiency Standard” report analyzed the earnings of all New York City workers from the 2019 American Community Survey in relation to the family-specific budget needs. The report found that 35 percent of all households had earnings that fell short of the amount needed to meet budget adequacy, and that 84 percent of all households falling short had at least one worker. Figure 16 shows that a much higher percentage of households of color have inadequate incomes than white households. Thus 44 percent of all Black households have

earnings that are lower than the amount needed to meet budget adequacy, and among Latinx households, half had earnings below the budget adequacy level.⁸

Figure 16

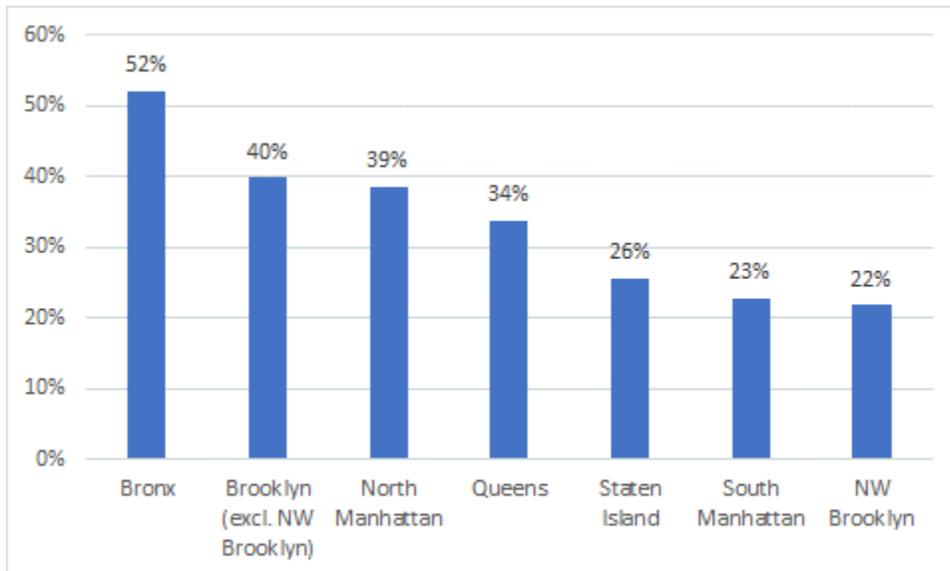
Thirty-five percent of all New York City households have earnings that fall short of the amount needed to afford a basic, “no-frills” family budget



Source: Annie Kucklick & Lisa Manzer, *Overlooked & Undercounted 2021: Struggling to make Ends Meet in New York City*, Center for Women’s Welfare, University of Washington School of Social Work, June 2021. Prepared for the Women’s Center for Education and Career Advancement

Figure 17 indicates that the Bronx, Brooklyn (except for higher-income northwest Brooklyn neighborhoods), and Northern Manhattan have the highest shares of households with inadequate earnings.

⁸ Annie Kucklick & Lisa Manzer, *Overlooked & Undercounted 2021: Struggling to make Ends Meet in New York City*, Center for Women’s Welfare, University of Washington School of Social Work, June 2021. Prepared for the Women’s Center for Education and Career Advancement.

Figure 17**Shares of households with earnings inadequate to meet basic family budget needs, by borough (or sub-borough area)**

Source: Annie Kucklick & Lisa Manzer, *Overlooked & Undercounted 2021: Struggling to make Ends Meet in New York City*, Center for Women's Welfare, University of Washington School of Social Work, June 2021. Prepared for the Women's Center for Education and Career Advancement

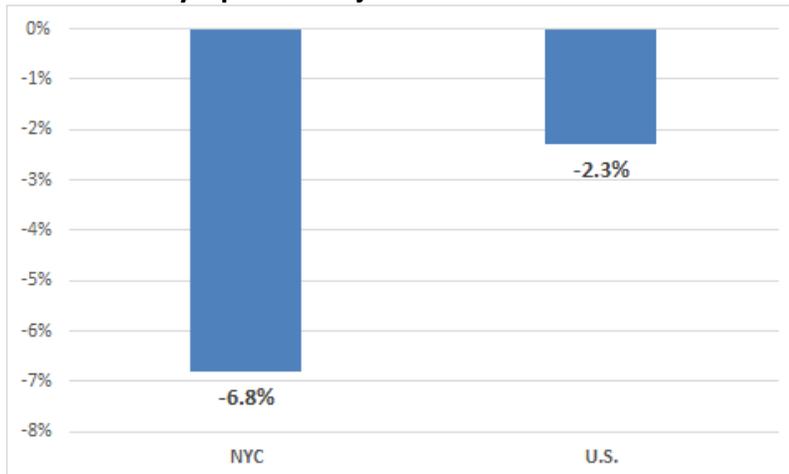
3. The pandemic exacerbated economic racial/ethnic disparities

In addition to causing the deaths of over 34,000 city residents (disproportionately affecting Black and Latinx households), the pandemic's economic effects also have been fundamentally lopsided. While hundreds of thousands of low-paid workers and small business owners in face-to-face service industries lost their livelihoods to protect public health, incomes have risen for the great majority of high-income earners not losing jobs. More than three-quarters of the jobs lost in New York City have occurred among the low-paid face-to-face industries where annual wages are a fraction of the pay received by workers in finance, tech, information, and professional services where most workers continue to work (safely and conveniently) on a remote basis. Wall Street and big tech companies have flourished. On the other hand, those without a four-year college degree suffered more than two-thirds of pandemic job losses. Workers ages 18-24 were disproportionately affected, and dislocated workers were much more likely to be workers of color.⁹ Essential workers in health and human services on the frontlines, sectors where Blacks are disproportionately represented, have seen their ranks thinned by job burnout while job demands and health risks have mounted.

As of January, 2022, New York City's pandemic jobs deficit compared to pre-pandemic levels was 6.8 percent (317,000 jobs), three times the national jobs deficit. (See Figure 18.)

Figure 18

New York City's pandemic jobs deficit three times the nation's, Feb. 2020-Jan. 2022



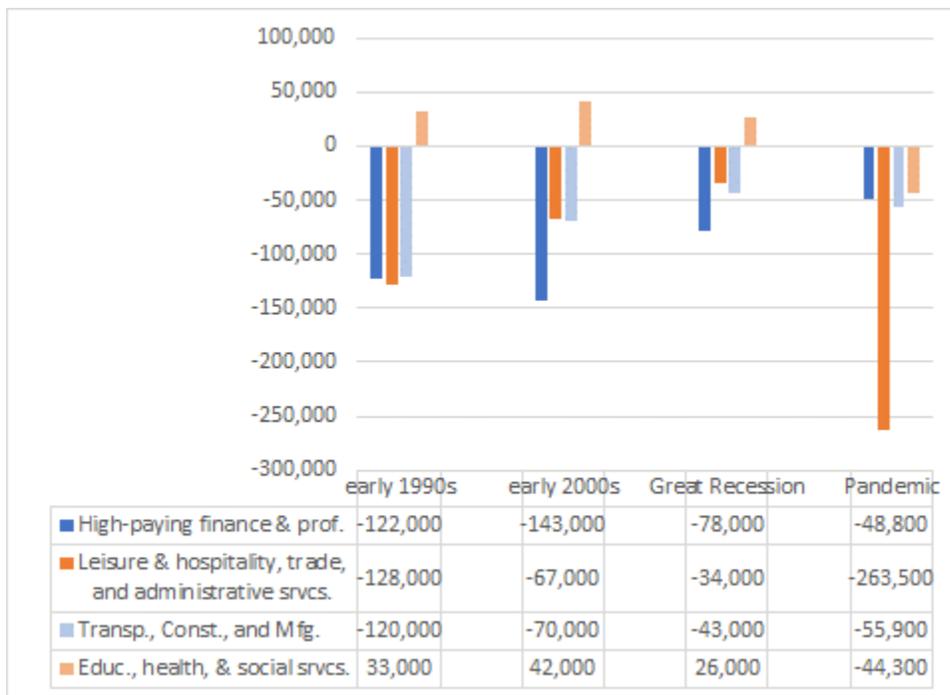
Source: BLS, current employment statistics, not seasonally adjusted.

⁹ For details of the demographic and industry characteristics of Covid-19 job displacements, see Figures 12 and 13, James A. Parrott, *New York State's Lagging Recovery from the Covid-19 Pandemic*, Center for New York City Affairs at The New School, December 14, 2021.

Much more so than during a business cycle downturn, lower-paid workers in leisure and hospitality, retail and wholesale trade, administrative and building services, transportation, and education, health and human services have borne the brunt of the pandemic job and income dislocations. During New York City’s last three business cycle downturns – the early 1990s, the early 2000s, and the 2008-09 Great Recession – high-paying finance and professional services saw sizable job losses. As a result of the pandemic, however, job losses in high-paying industries at the end of 2021 (nearly two years after the onset of the coronavirus contagion) were less than half the average of the last three business cycle downturns. On the other hand, more than three-quarters of the city’s pandemic job losses were concentrated in lower-paying sectors. (See Figure 19.) The contrast between the effects on workers in high-paying sectors versus those in lower-paying sectors is even more pronounced when you consider that the business cycle-related job losses shown were measured from the peak to the trough (or low point) during each cycle whereas the job losses during the pandemic are reported as of December 2021, more than a year-and-a-half into a very gradual recovery. Pandemic job losses at the low point reached in April of 2020 were far greater than more than 20 months into the recovery as shown in Figure 19.

Figure 19

Pandemic job dislocations have been concentrated among low-paying workers in contrast to the pattern during New York City’s past business cycle downturns

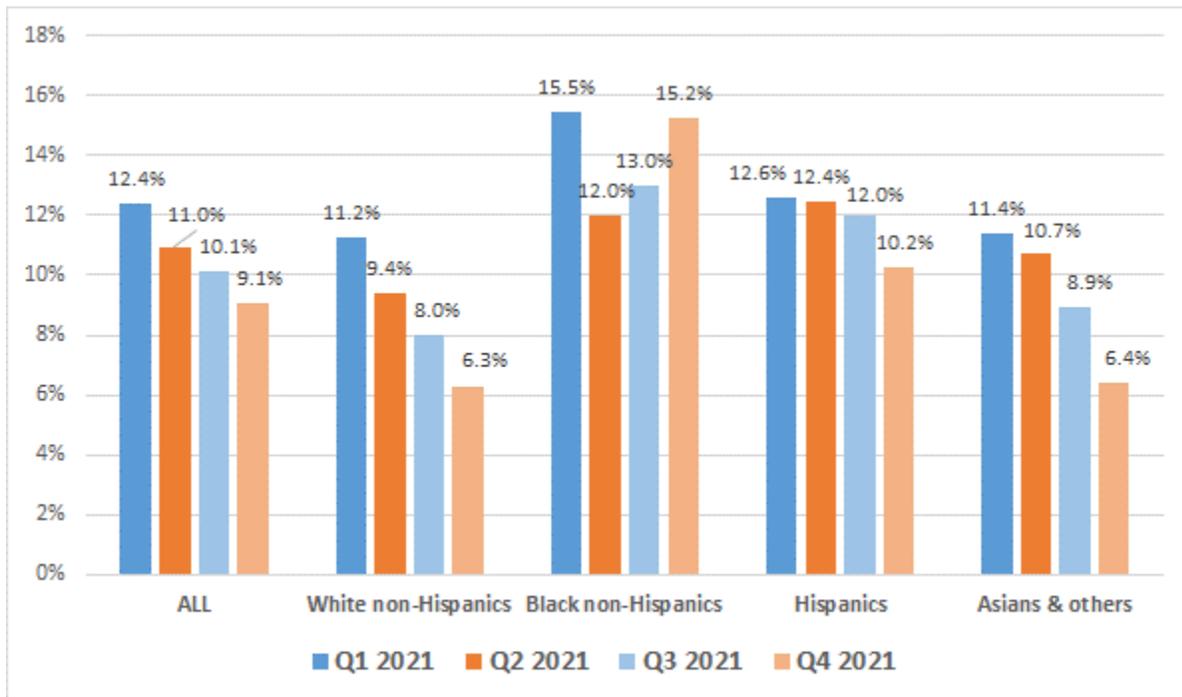


Source: CNYCA analysis of New York City seasonally adjusted employment data from NYC OMB.

The city's unemployment rate fell by about one percentage point each quarter in 2021. However, the gradual improvement overall was not shared by all race and ethnic groups. As the chart below shows, the fourth quarter unemployment rate for Black non-Hispanics was 15.2 percent, more than twice the 6.3 percent rate for white non-Hispanics. The Black unemployment rate also showed little improvement over the year, whereas the white unemployment rate declined steadily. There was some improvement in the Hispanic unemployment over the course of 2021 but the unemployment rate was still 10.2 percent during the last quarter of the year.

Figure 20

While NYC's unemployment rate has been declining slowly, it has been rising for Blacks, and the improvement for Hispanics has been limited

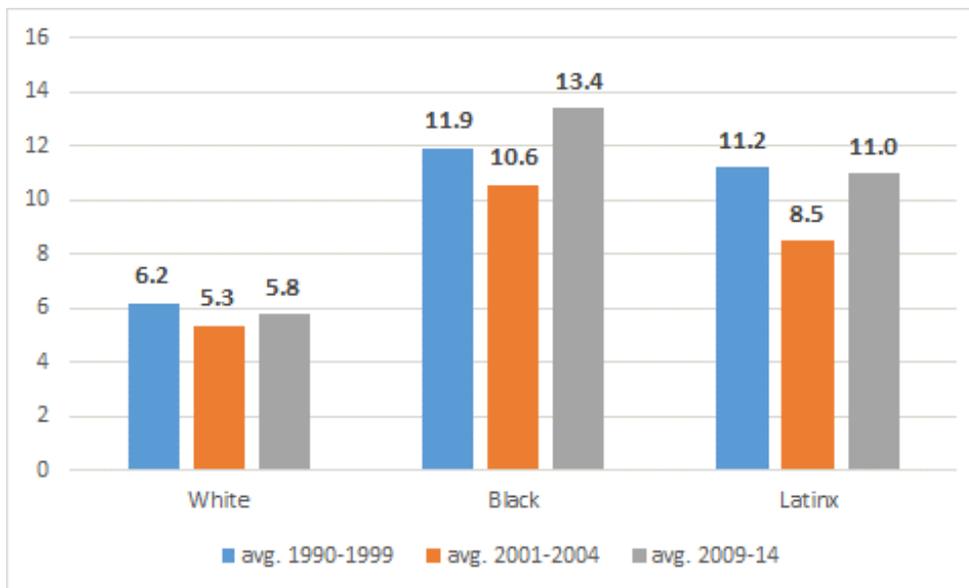


Source: CNYCA analysis of the Current Population Survey.

Factoring in involuntary part-time employment and discouraged workers, the city's under-employment rate was 13.5 percent in the fourth quarter: 19 percent for Blacks, 16.8 percent for Hispanics, 10.2 percent for whites, and 9.3 percent for Asian and others.

The February 2022 City Office of Management and Budget economic forecast does not expect total New York City employment to return to the pre-pandemic job level until early 2025, and the Independent Budget Office does not see a return to the pre-pandemic job level until late 2025.¹⁰ Considering the disproportionate impact of Covid-19 job dislocations and New York City’s experience following the three most recent economic downturns here (early 1989-93, 2001-03, and 2008-09), this means that unemployment rates for Black and Latinx workers could stay in double digits for the next two to four years. (See Figure 21.)

Figure 21
Following past downturns, NYC Black and Latinx workers faced double-digit unemployment for several years

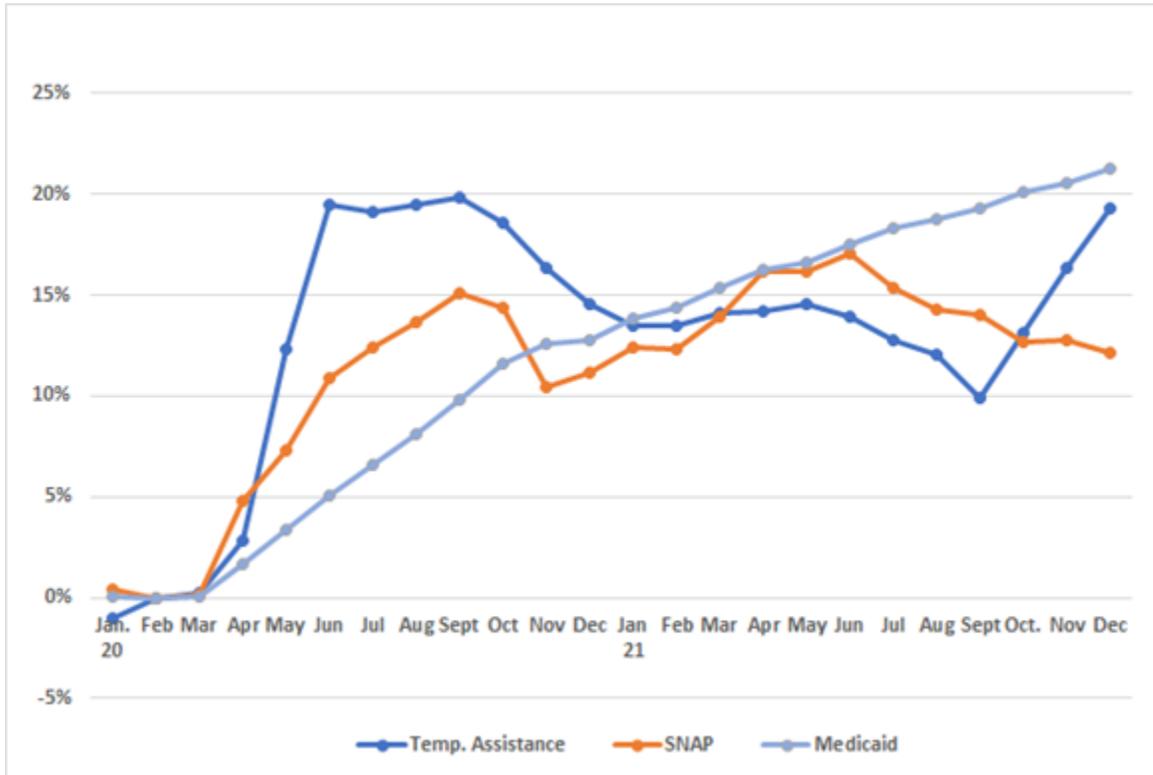


Source: CNYCA analysis of the Current Population Survey.

Many low-wage workers have been permanently dislocated from their jobs and thousands of women have left the labor force to shoulder the burden of caring for family members through the pandemic. Temporary cash assistance rolls have nearly doubled since September 2021 when all Federal unemployment assistance ended. Hardships, and poverty, are likely to increase further in 2022 with the December 2021 expiration of enhanced Federal Child Tax Credits. (See Figure 22.)

¹⁰ The City of New York Executive Budget, February 2022 Financial Plan Detail, February 16, 2022, p.15; New York City Independent Budget Office, “Modest Budget Shortfalls Projected, but risks To Outlook Increase as Infections Surge,” January 4, 2022.

Figure 22
Pandemic economic disruptions have pushed up reliance on temporary cash assistance and Medicaid by 20 percent in New York city since February 2020



Sources: New York State Office of Temporary and Disability Assistance, *Monthly Caseload Statistics*, and New York State Department of Health, *Medicaid Enrollment Trends*.

4. Meeting New York City's twin economic challenges: full employment and wage growth for lower-paid workers

Building on previous experience, New York City and New York State can use governmental actions to meet the twin economic challenges of full employment and wage growth for lower-paid workers. During the years before 2020, the City and the State took a series of actions to raise the wage floor while also targeting specific sectors where the City and State have some proprietary interest or provided a benefit to employers, and those actions helped workers in the lower half of the income distribution take advantage of rising employment and realize historically significant wage and income gains.

Achieving a return to full employment in New York City within the next two years is a tall order considering that the pandemic has put many small employers out of business. It will require an active labor market policy to respond to a changing economy. That policy should maximize the ability of city's workers to fill the broad range of job openings that will emerge as the economy recovers, growth resumes in the tech and health care sectors, and as investments increase in infrastructure, clean energy, and climate resiliency.

Many jobs are changing in response to health concerns, worker preferences, technology, and the ways that businesses are adapting to pandemic-wrought changes. Our mid-January policy brief laid out recommendations for how the City and State could combine wage subsidies on a targeted basis to workers and small businesses. We also urged greater investment in workforce retraining programs to enable more residents to trade up to better jobs, including to fill openings in tech-related fields, health care, and other businesses that could grow provided they have a skilled workforce. Wider use of apprenticeship programs can play a critical role in boosting the earnings potential for non-college-bound young adults and meeting business needs for higher-skilled workers.¹¹

An active labor market policy is needed that will entail outreach to dislocated workers and a capacity to assess their abilities and aspirations and identify what training and supports are needed. An active labor market policy also requires a capacity to consult employers regarding their skill needs, identify and respond to labor market problems and developments, and anticipate emerging labor market opportunities. It requires a high degree of consultation at a local and regional level among employers, community colleges, workforce development providers, labor union training programs, labor market researchers, and government officials. Such consultation does not currently exist in New York that focuses on meeting the current unemployment crisis.

¹¹ See James A. Parrott, *New York State's Unprecedented Covid-19 Unemployment Crisis Requires a Comprehensive, Immediate Active Labor Market Response*, Center for New York City Affairs at The New School, January 13, 2022, <http://www.centrernyc.org/reports-briefs/new-york-states-unprecedented-covid-19-unemployment-crisis-requires-a-comprehensive-immediate-active-labor-market-response>

These programs should be part of a broader commitment to effectively address systemic problems at the root of racial and gender pay inequities and promote the full range of career choices needed by New Yorkers. These workforce investments must occur alongside stable housing access, an equitable, and appropriately career focused, K-12 and higher education system, and a broadening of affordable, accessible, and quality child care to enable parents, particularly mothers, to re-engage in the labor force.

Wages have been rising for some low-wage New York City workers over the past year. Given the extremely unsettled state of the labor market, with a roller coaster of coronavirus outbreaks related to more transmissible Covid-19 variants, it is not surprising that some employers raised wage offers to attract workers back. But these wage increases have been very uneven, and they have come at a time when consumer prices have risen at their fastest pace over the past four decades. As a result, most low-paid workers are not seeing real wage gains.

New York made substantial progress before the pandemic in phasing in a \$15 minimum wage for fast food and other low-paid workers. However, New York's minimum wage is not indexed to inflation or growth in labor productivity. It should be, with a provision to "catch-up" for the lack of an adjustment for the past three years. The Taxi and Limousine Commission's minimum compensation standard for high-frequency for-hire vehicle drivers was recently increased by 5.3 percent as a result of a cost-of-living-adjustment that was part of the 2018 regulation establishing the pay standard.¹²

As of December 2021, four low-paying industries in New York City have added a total of 45,000 jobs since the onset of the pandemic; these include home health care, delivery services, warehousing, and employment services firms including temp agencies.¹³ Because these industries are likely to see further growth in the years ahead, improved wage standards and labor protections are needed. Home health care is the lowest-paying industry in the state, with annual earnings around \$30,000. There is an active campaign in Albany this year to raise the pay of home care works to 150 percent of the minimum wage. Raising the pay for underpaid child care workers is also a central part of an active Albany campaign to increase public investments in child care accessibility and quality.

The rapid growth in delivery service and warehouse employment results from the acceleration of e-commerce during the pandemic. Amazon's rapid expansion is the main driving force behind this growth. Amazon distribution center jobs are very physically demanding with extensive health and safety concerns, and many of the related delivery jobs are outsourced through firms contracting with Amazon, limiting opportunities for compensation improvements.

¹² Mayor's Office, City of New York, *Mayor Adams Delivers Raise for Essential Gig Workers*, press release, February 11, 2022.

¹³ James A. Parrott, *CNYCA's Covid-19 Economic Update, February 24, 2022*, Center for New York City Affairs at The New School.

Prevailing wage standards provide a better floor to pay and benefits than a minimum wage. They come closer to meeting a worker's family budget needs while also providing for health, retirement, and paid time off benefits, and supporting training investments to bolster the productivity of and earnings potential for workers. Prevailing wages for building services workers have been an essential element in ensuring that tens of thousands of New York City residents are able to share in the prosperity of a robust and diverse economy.¹⁴

Recent actions have extended prevailing wage requirements further. In 2020, the State extended the building service prevailing wage to cleaners and security guards at certain utility sites, and in 2021 added a building service prevailing wage requirement to the cooperative and condominium tax abatement. Last year, New York City extended the prevailing wage to security guards at the City's privately contracted shelters. Both the State and the City should explore similar ways to use their powers as proprietors and as grantors of financial assistance to ensure that the private sector jobs they are indirectly creating are paying adequate compensation, such as by requiring the payment of prevailing wages.

It is worth noting that long-established wage standards such as the building service and construction prevailing wage serve as bulwarks for a racially diverse population to achieve self-sufficiency. This is particularly important as the 421-a abatement and its prevailing wage requirement are up for renewal in Albany this year.

It is critical for the City and State to further extend coverage of prevailing wage standards and fine tune the minimum wage to compensate for cost of living increases. To address the glaring 20-35 percent compensation disparities between a predominantly women of color nonprofit human services workforce and similar public sector workers, the City should adopt a prevailing wage approach for these workers and establish a living wage floor for nonprofessional contract workers.¹⁵

Elevating wage standards is key to raising living standards, reducing poverty, and improving opportunities for upward mobility. Further, it is an important concrete step toward addressing the deep economic and racial divides across New York City neighborhoods. Higher wages improve the city's tax base and, as more families are lifted out of poverty, will reduce expenditures needed to care for the poor. There will also be important benefits for parenting and child development, as well as community involvement and civic engagement as families are more financially secure. No single policy will fix the city's polarized economy, but as we saw in the previous decade, a full employment economy coupled with rising labor standards can make a powerful difference.

¹⁴ James A. Parrott, *Raising the Floor: How Wage Standards Protect Workers, Build Communities and Strengthen our City*, Fiscal Policy Institute, August 2014.

¹⁵ James A. Parrott and L.K. Moe, *The Case of Ending Poverty Wages For New York City's Human Services Workers*, Center for New York City Affairs at The New School, March 2022.