

# **NEW YORK STATE'S LAGGING RECOVERY FROM THE COVID-19 PANDEMIC**

**A report by  
James A. Parrott**  
December 14, 2021



Center for  
New York City  
Affairs



# CENTER FOR NEW YORK CITY AFFAIRS

## New York State's Lagging Recovery From the Covid-19 Pandemic

A report by James A. Parrott

Center for New York City Affairs at The New School

December 14, 2021

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

### *Acknowledgments*

Funding support provided by the Robin Hood Foundation, JPMorgan Chase Foundation, New York City Workforce Development Fund, New York Community Trust, 21<sup>st</sup> Century ILGWU Heritage Fund, and Consortium for Worker Education. Thanks also go to Bruce Cory for editorial assistance, to Isabella Wang for designing the cover and the report webpage, and to Kristin Morse and Seth Moncrease for general support.

Copyright © 2021 The New School  
Center for New York City Affairs

[JamesParrott@NewSchool.edu](mailto:JamesParrott@NewSchool.edu)

<http://www.centernyc.org/Covid19-economic-impact>

This report documents several trends that have shaped the distinctive, and profoundly worrisome, Covid-19 economic and employment impact in New York. It concludes with suggestions on recommended State policy actions to support recovery and building back better.

## Highlights

- The pandemic has induced far steeper New York State job losses than any other economic event since at least 1939, and the Empire State's 805,000 pandemic jobs deficit as of October was three times that of the nation overall. With 6.4 percent of national jobs before the pandemic, New York now accounts for 19.2 percent of all the pandemic's U.S. job loss.
- The pandemic's employment impact is much different from what happens in a business cycle downturn. Job loss has been concentrated in service industries where face-to-face contact is the norm and that bore the brunt of government-mandated business restrictions. Normally in a business cycle downturn in New York, jobs in finance and professional services decline the most, but during the pandemic most workers in such industries have been able to work remotely, with relatively few workers losing jobs or benefits.
- New York State had a much steeper 20 percent job decline than the nation's 15 percent drop in March and April of 2020. While the country overall has regained 80 percent of jobs lost during those two months, New York has gotten back only 60 percent of its steeper loss. New York's 8.2 percent job loss as of October 2021 exceeded that of all other states by several percentage points, and New York City's 10.1 percent job loss surpassed all other large cities.
- New York State's lagging position is not solely due to New York City. The five Downstate suburban counties have an 8.0 percent pandemic jobs deficit while the combined Upstate regions have a 5.3 percent jobs deficit, itself nearly twice the national average and greater than in any other large state except Pennsylvania.
- Leisure and hospitality and retail trade account for most of New York's disproportionate job loss. The 22.9 percent accommodation and food services job decline here is three times the national average for that industry and the arts and recreation industry's 26.4 percent job loss is more than twice the U.S. average for arts and recreation. New York's manufacturing sector has not benefited greatly from the shift in consumer purchases toward goods during the pandemic. Weaker than national performance in financial activities and professional and technical services has cost New York State about 80,000 jobs.
- New York State's current (October) 6.9 percent unemployment rate understates the real extent of unemployment since it excludes those who have left the labor force and it doesn't reflect that many of those who have returned to work are only working part-time.
- New York's 7.4 percent third quarter of 2021 unemployment rate masks a wide disparity between workers of color and white workers. For Blacks, unemployment was nine percent,

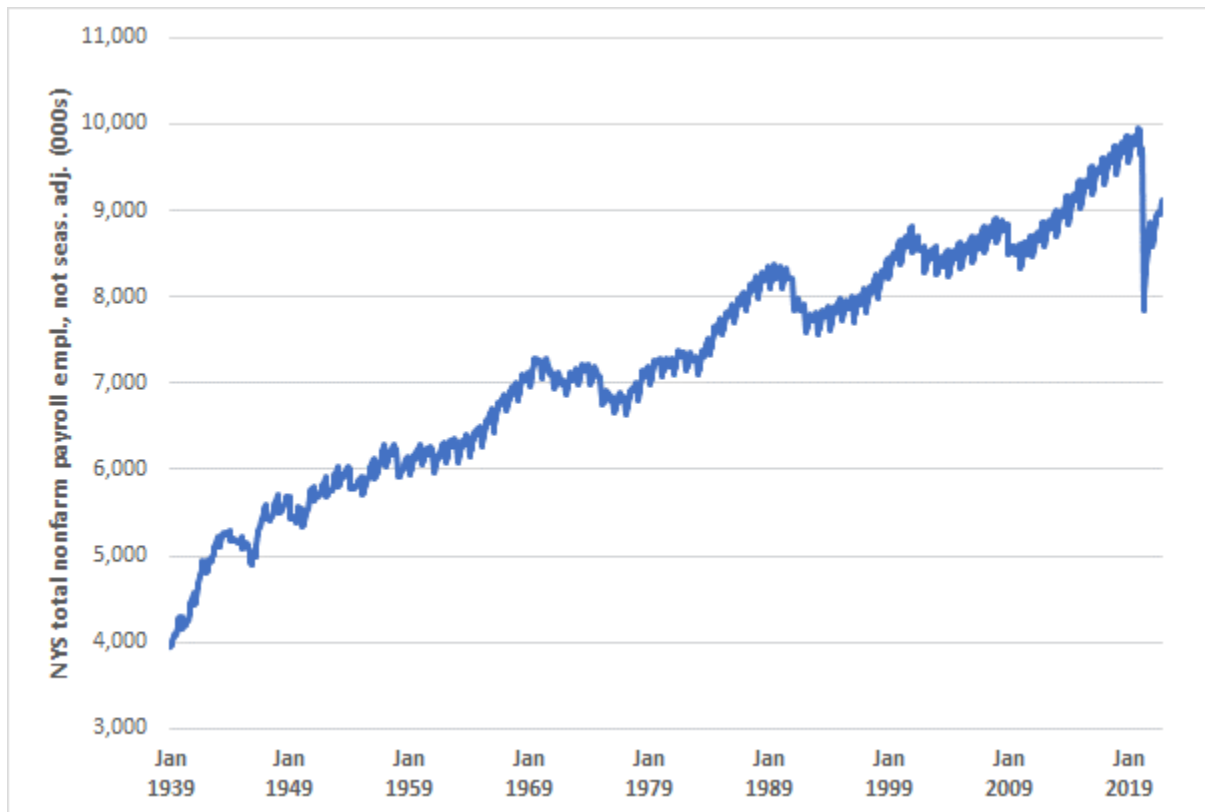
for Latinx workers it was 10.7 percent, and for Asian and other workers it was 7.9 percent, considerably higher than the 5.9 percent unemployment rate for whites.

- Workers in the face-to-face industries account for 79 percent of those who have lost jobs during the pandemic; employees in the remote-working sector account for 12 percent. Three-quarters of those losing jobs were earning less than \$60,000 a year, and 69 percent had less than a four-year college degree. Nearly half (48 percent) of Covid-dislocated workers were workers of color.
- Latinx workers were 17 percent more likely than workers on average to lose their jobs during the pandemic, and young adults ages 18-24 were 32 percent more likely than all workers to be affected, since they were heavily concentrated in restaurants and retail trade.
- Some 1.5 million New Yorkers lost unemployment benefits that averaged \$500-\$600 weekly when Federal benefits ran out on September 6. The loss of the Federal benefits meant \$4 billion in reduced consumer spending each month, further weakening New York's already-sluggish recovery. In the month following the expiration of Federal unemployment benefits, over 40 percent of New York's Black and Latinx households reported difficulty paying for usual household expenses, compared to 23 percent of white households. In the pandemic's wake, Medicaid rolls have surged by nearly 1.2 million people statewide.
- The job market everywhere under Covid-19 is unsettled, with unpredictable interruptions and imbalances. Nationally, there were still 3.6 million workers unable to work in November because their employers remained closed or had lost business due to Covid-19. Nearly 1.2 million people nationally were prevented from looking for work due to the pandemic. Many workers, particularly women, nationally and in New York have cited care-giving and child-rearing responsibilities as factors in why they haven't returned to work. Since February 2020, some 200,000 New Yorkers (2.9 percent) have dropped out of the labor force.
- Although much has been made nationally of record rates of job openings and workers quitting jobs, New York ranks lowest or second lowest among the 50 states in job openings, hires, and quits. As of this year's second quarter, there were few signs of significant wage increases in New York's face-to-face service industries, while, on the other hand, some of the highest average wage increases were recorded in finance and professional services.
- Following the last two economic downturns (2001-03 and 2008-09), it took New York four-six years to reach the previous employment peak. As bad as those downturns were, their peak-to-trough job declines were much smaller than the 20 percent drop during the first two months after the pandemic's onset or the 8.2 percent jobs shortfall that persisted 18 months later. The State budget office forecasts that the state will not re-gain its pre-pandemic employment level until the spring of 2024, four years after the onset of the pandemic.
- In New York City, slow economic recoveries have in the past been accompanied by several years of double-digit unemployment rates for Black and Latinx workers.

## New York State's lagging recovery from the Covid-19 pandemic

Figure 1

**New York State's pandemic-induced job losses have been historically steep and its partial recovery lags far behind the nation**



*Source: BLS, not seasonally adjusted payroll employment*

The pandemic has induced far steeper job losses in New York State than any other economic event since at least 1939. As the early epicenter of the Covid-19 outbreak in the United States, New York suffered a 20 percent job loss in the outbreak's first two months. While some jobs bounced back within the first six months after the first wave of virus infections subsided, New York's recovery has been exceptionally weak over the past year. And 20 months after the outbreak began, only about 60 percent of the jobs lost in the first two months have been recovered. Nationally, the initial job loss was not as steep, and 80 percent of lost jobs have been restored. As of October 2021, New York State had an 805,000 pandemic-related jobs deficit, nearly three times as severe as nationally (8.2 percent vs. 2.8 percent). The Empire State has the unenviable distinction of accounting for 19.2 percent of the entire national pandemic job loss, from a base of six percent of all jobs in the nation before the pandemic.

Figure 2

**3 COVID-19 Categories to group industries**

**FACE-TO-FACE:** Restaurants, hotels, retail, arts and entertainment, transportation, construction, building & admin. svcs., personal svcs.

**ESSENTIAL:** Health care, human services, utilities, public safety and services

**REMOTE-WORKING:** Finance, information, professional svcs., real estate, business headquarters.

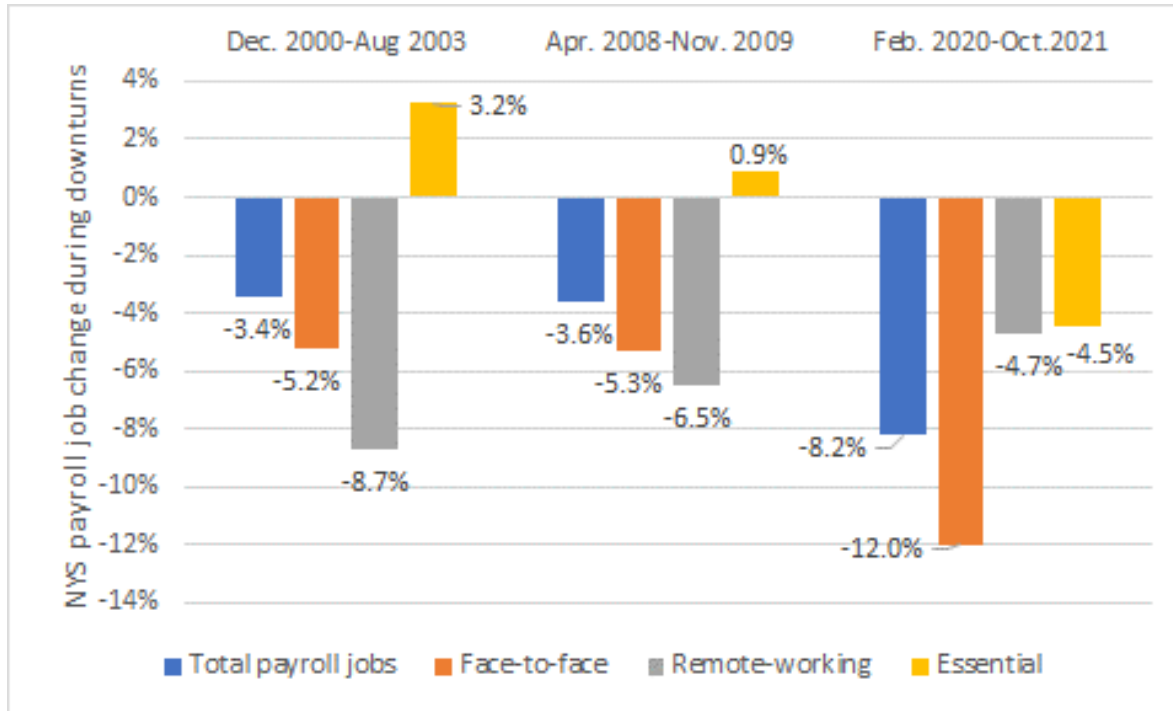
<b>NYS average annual salary:</b>	<b>All workers</b>	<b>\$75,400</b>
	Face-to-Face	\$53,300
	Essential	\$62,200
	Remote-working	\$153,400

---

The pandemic economy is best understood in terms of three groups of industries: Face-to-face industries; essential industries; and remote-working industries. The pandemic's economic impact has been extremely lopsided. While public health restrictions prevented workers in face-to-face industries from going to work, higher-paid workers in finance, information, professional services, and technology were able to work remotely, keeping their jobs, incomes, and benefits. We all benefited from the sacrifices made by essential workers who continued to work through the pandemic's horrifying early days, often putting themselves and their families at great personal health risk.

The pandemic's economic effects magnified disparate health effects. Lower-paid face-to-face service workers have borne the brunt of job dislocations just as lower-income communities often have had the highest incidence of coronavirus cases. The pandemic's pronounced lopsided economic impact is apparent in average pay data. Those in remote-working industries had salaries nearly three times those of face-to-face industry workers, and nearly two-and-a-half times the pay received by essential workers in health care, human services, and public service.

Figure 3

**Pattern of pandemic job loss different from business cycle downturns**

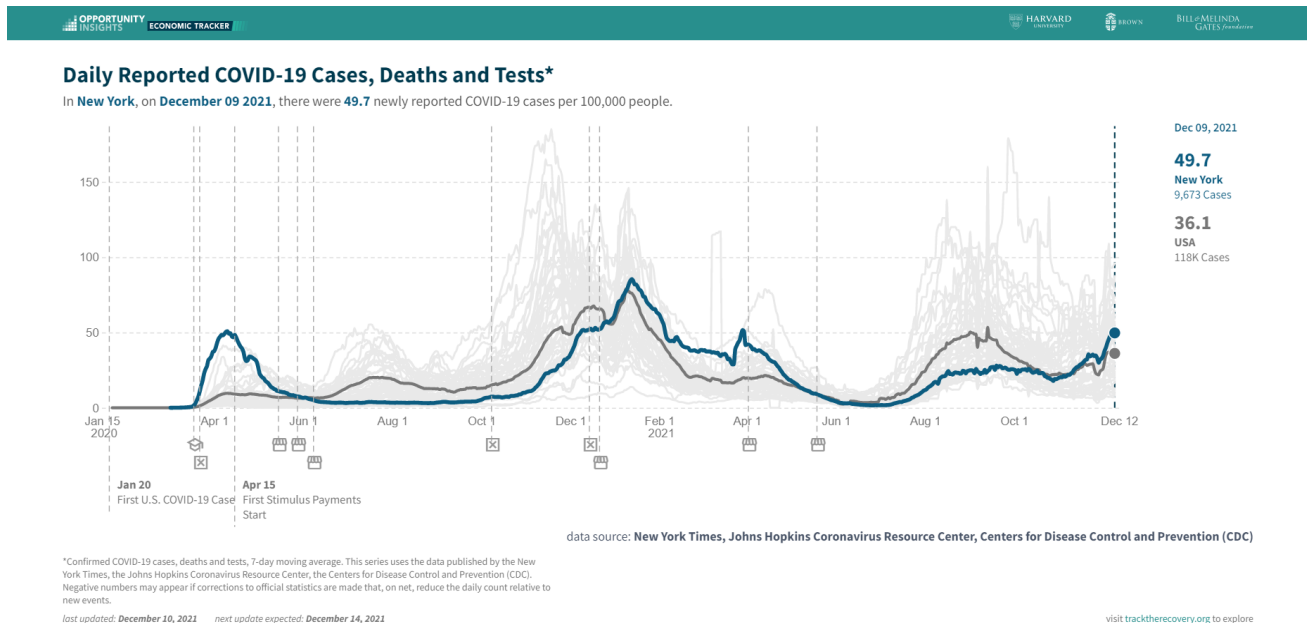
Source: NYSDOL, seasonally adjusted payroll employment

The pattern of pandemic job losses across these three sectors is the opposite of what usually happens in a business cycle downturn, when higher-paying industries see the greatest job losses. During the pandemic, the face-to-face industries in New York State have had a 12 percent job loss, more than twice the job decline experienced during the previous two downturns. On the other hand, the remote-working industries have had a pandemic job loss less than half that of the face-to-face industries, and a smaller job loss than during previous downturns. Mainly because of employment losses in social assistance, nursing homes, and State and local government, the essential group of industries has seen a 4.5 percent job decline during the pandemic, whereas these industries added jobs during the last two downturns in New York State.

Figure 4

## The ups and downs in the Covid-19 case rate have a lot to do with the rebound in lost jobs

(gray-shaded lines represent other states)



Source: Opportunity Insights, Economic Tracker. <https://opportunityinsights.org/tracker-resources/>

New York State was the nation's early epicenter of the pandemic; initially the death rate was much higher here than it is now. This helps explain the much steeper early New York job decline than in other states, as far-reaching business restrictions were imposed.

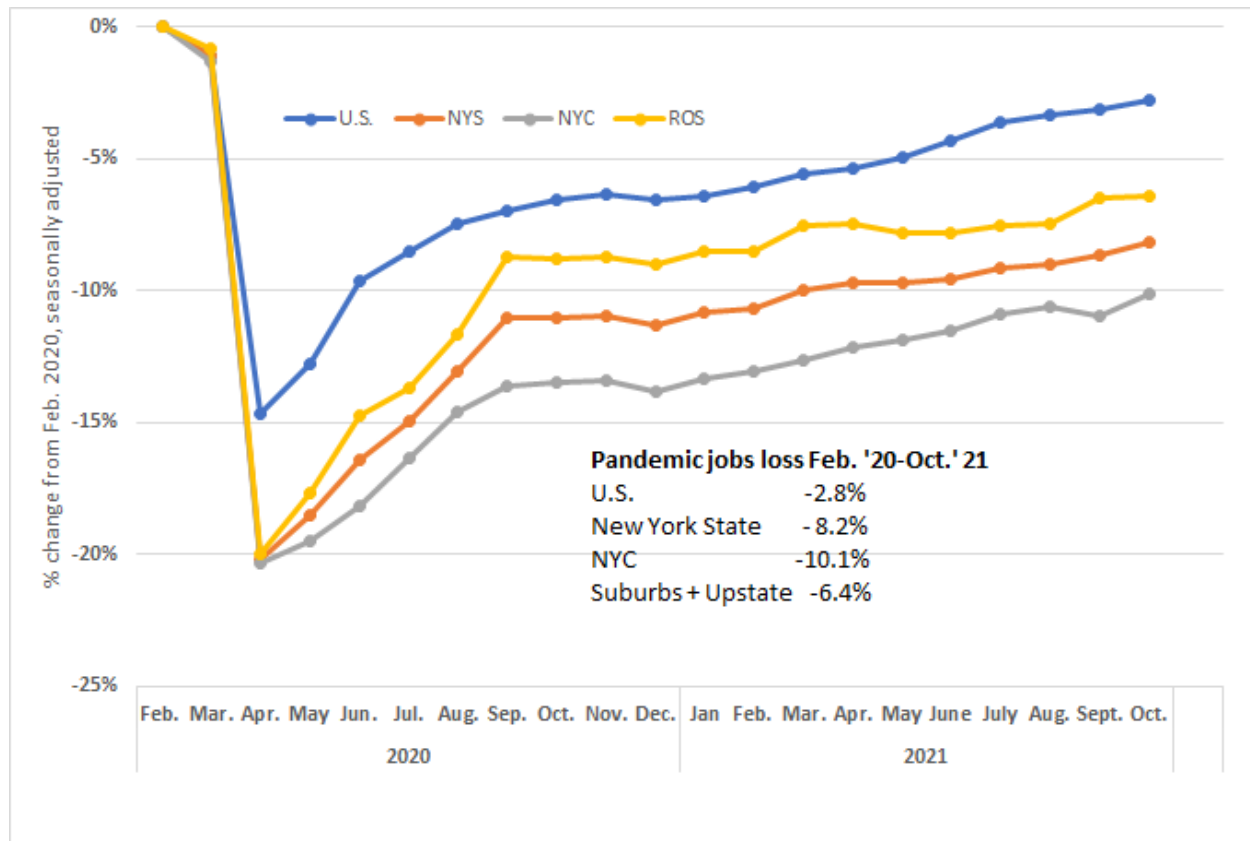
New York State had a strong job rebound in October 2021, but the Covid-19 case rate started to rise again in early November, well before the new Omicron variant was discovered. There's a troubling precedent here. The surge in infections at the end of 2020 stalled New York's initial job rebound. That could happen again, as a weakened national payroll job growth in November suggests. In early December, several states had higher infection rates than New York, but New York's infection rate is again running ahead of the nation's Covid-19 infection rate, and as of December 9, the new case rate is at roughly the same level as this time last winter.

As of early December, New York State's cumulative Covid-19 death rate was sixth highest among all states at 295 per 100,000 population, compared to the U.S. rate of 239 per 100,000. The five states with higher death rates were Mississippi, Alabama, New Jersey, Louisiana, and Arizona. At this date, New York's Covid-19 death toll is 57,300; for the U.S., 785,000.



Figure 5

**All regions of New York State are experiencing much greater pandemic job loss than the national average of 2.8 percent as of October**

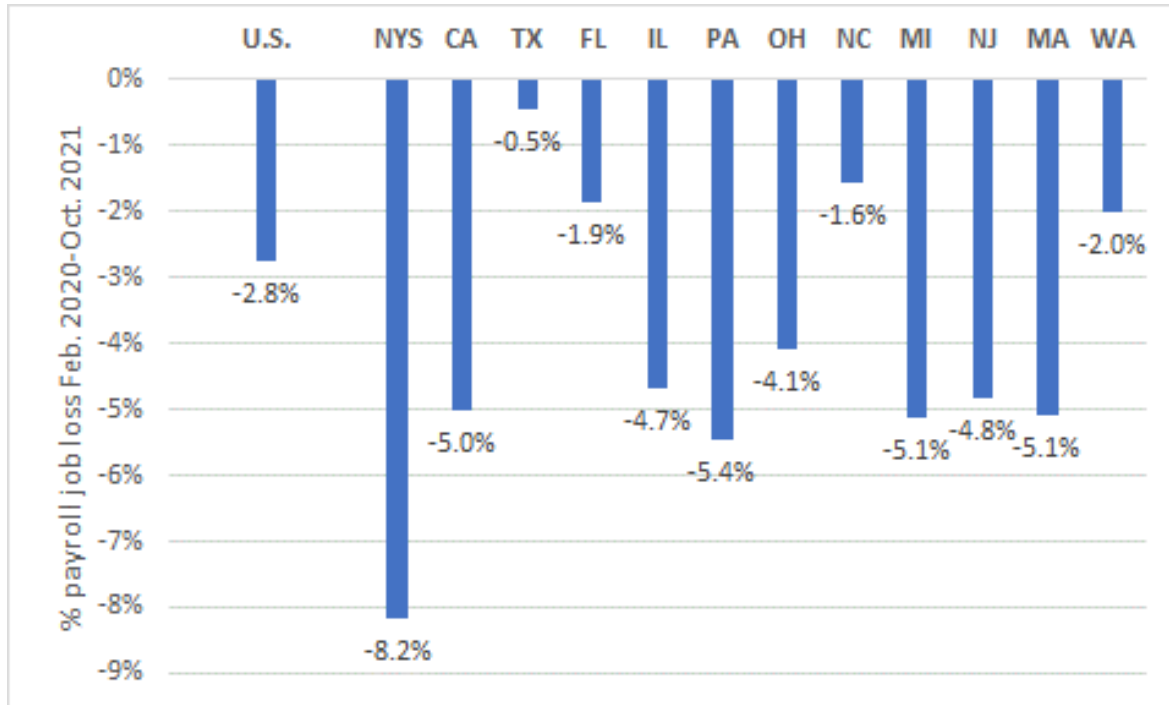


Source: BLS, NYSDOL, seasonally adjusted payroll employment

New York State had a much steeper initial pandemic-related job decline (20 percent vs. 15 percent for the U.S. as a whole), and New York's rebound has not yet made up for that steeper initial drop. In particular, while the "rest of the state" (or "ROS," taking in New York City's suburbs and also the Upstate regions) had a strong initial rebound in the summer of 2020, job growth then stalled with the second wave of infections in the fall of 2020, and has generally been weaker since. The 6.4 percent pandemic jobs deficit for the suburbs and Upstate as of October 2021 exceeds the job loss of any other state. New York City has been hit even harder, with an October 2021 10.1 percent seasonally adjusted pandemic jobs deficit, greater than for any large U.S. city.

Figure 6

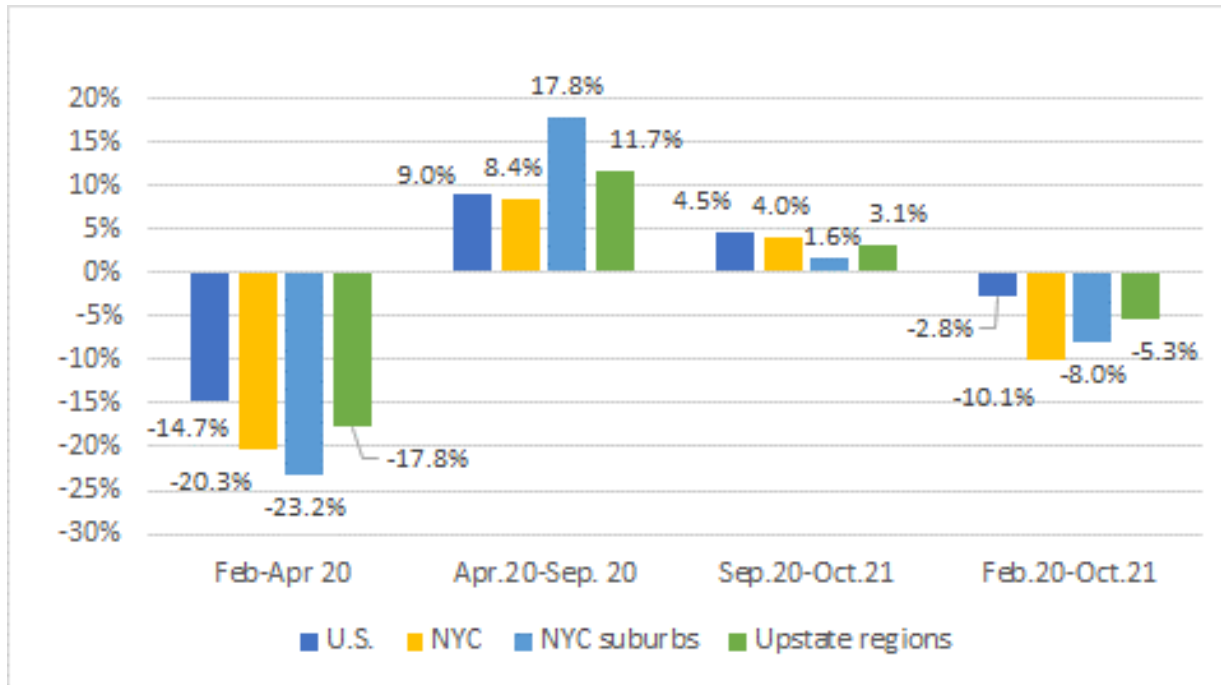
**New York State pandemic jobs deficit is more than three times as great as for the U.S., and greater than all other states (12 largest shown here)**



Source: NYSDOL, seasonally adjusted payroll employment

Because the pandemic hit New York first, and with horrendous consequences, and because we have a concentration of face-to-face industries that have borne the brunt of business restrictions, New York's job losses were steeper initially, and our recovery also has lagged the rest of the nation's. As of October 2021, the state's 8.2 percent job loss was more than three times as great as the national job decline, and our jobs deficit far exceeds that of every other state. As noted earlier, as of October, the state's jobs deficit accounted for 19.2 percent of the national pandemic jobs deficit (805,000 out of a national total of 4.2 million).

Figure 7  
**Job deficits for the suburbs and Upstate also lag far behind the U.S.**



Source: NYSDOL, seasonally adjusted payroll employment

New York's nation-leading jobs deficit is not due just to New York City's 10.1 percent jobs deficit. As of October, the Downstate suburbs had an 8.0 percent jobs deficit, and Upstate had a 5.3 percent deficit, nearly twice the 2.8 percent national jobs deficit.

Upstate's 5.3 percent jobs deficit is on par with that in the next three hardest-hit states: Michigan, Pennsylvania, and Massachusetts. New York City's 10.1 jobs deficit is over three times the national figure, and the city has a far worse jobs deficit rate than any other large city in the country.

Figure 8

**Job rebound over the past year lags U.S. for almost all NYS metro areas**

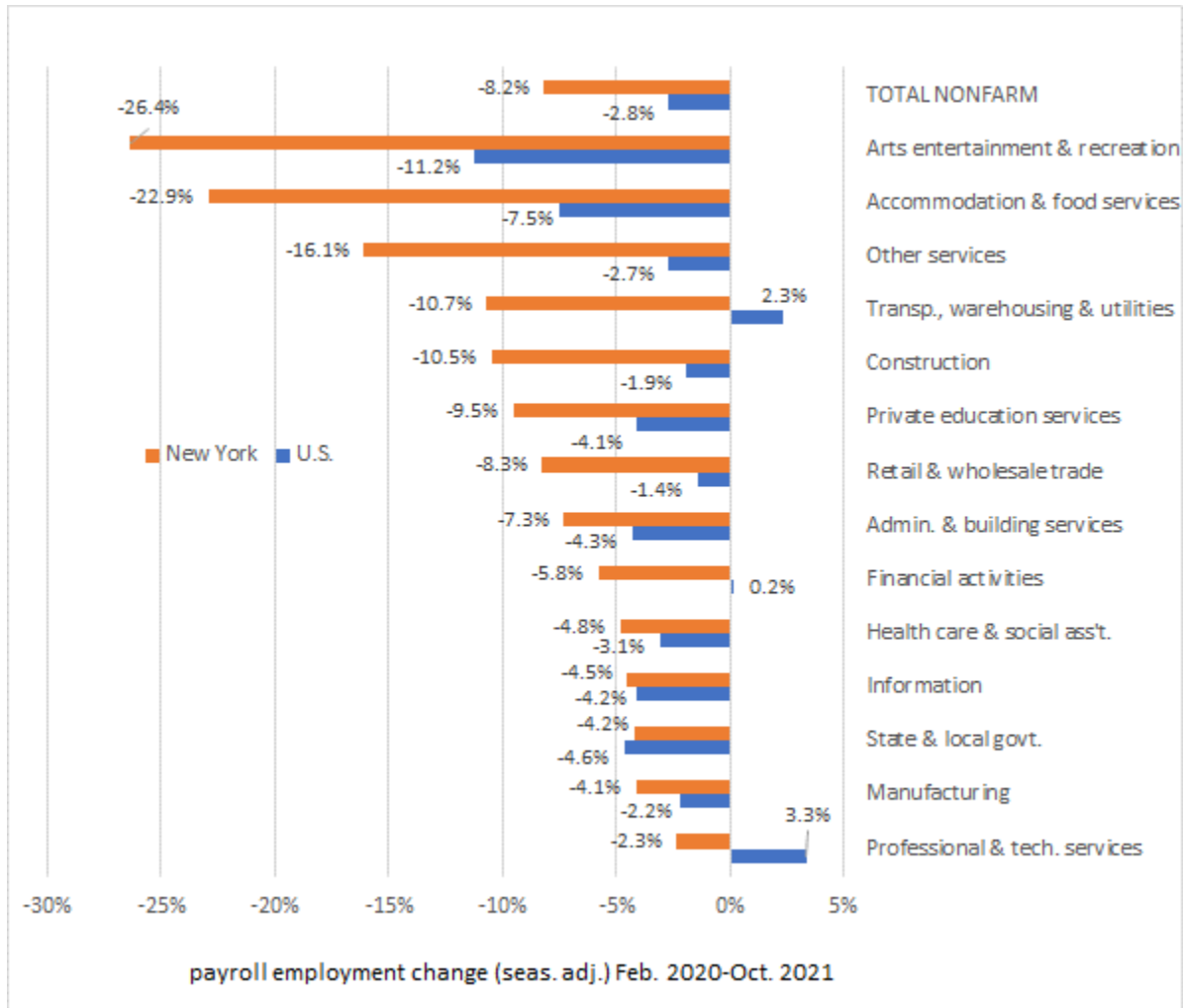
employment in 000s	Feb.2020	Oct. 2021	initial 2 mos. of pandemic decline	1st 5 mos. of recovery	next 13 mos. of recovery	20 mos. of pandemic period thru Oct.21	% re- bound	pandemic jobs deficit as of Oct. 21
			Feb.20- Apr.20	Apr.20- Sep.20	Sep.20- Oct.21	Feb.20- Oct.21		
<b>United States</b>	<b>152,523</b>	<b>148,319</b>	<b>-14.7%</b>	<b>9.0%</b>	<b>4.5%</b>	<b>-2.8%</b>	<b>81%</b>	<b>-4,204</b>
<b>NEW YORK STATE</b>	<b>9,835</b>	<b>9,030</b>	<b>-20.2%</b>	<b>11.4%</b>	<b>3.2%</b>	<b>-8.2%</b>	<b>59%</b>	<b>-805</b>
<b>New York City</b>	<b>4,703</b>	<b>4,226</b>	<b>-20.3%</b>	<b>8.4%</b>	<b>4.0%</b>	<b>-10.1%</b>	<b>50%</b>	<b>-477</b>
<b>Downstate suburbs</b>	<b>2,093</b>	<b>1,924</b>	<b>-23.2%</b>	<b>17.8%</b>	<b>1.6%</b>	<b>-8.0%</b>	<b>65%</b>	<b>-168</b>
Nassau-Suffolk	1,355	1,243	-23.9%	19.1%	1.1%	-8.3%	65%	-112
Orange-Rockland-Westchester	738	682	-22.0%	15.4%	2.5%	-7.6%	65%	-56
<b>Upstate metro areas</b>	<b>2,537</b>	<b>2,382</b>	<b>-18.5%</b>	<b>12.3%</b>	<b>2.6%</b>	<b>-6.1%</b>	<b>67%</b>	<b>-155</b>
Albany	472	448	-15.6%	10.2%	2.1%	-5.1%	67%	-24
Binghamton	102	95	-18.4%	12.6%	1.2%	-7.1%	62%	-7
Buffalo	568	530	-21.9%	15.3%	3.6%	-6.6%	70%	-38
Dutchess	149	134	-18.6%	11.8%	-1.2%	-10.1%	46%	-15
Elmira	37	35	-18.2%	12.4%	2.0%	-6.1%	66%	-2
Glens Falls	55	53	-19.2%	14.0%	4.0%	-4.2%	78%	-2
Ithaca	64	58	-16.2%	9.2%	0.0%	-8.5%	48%	-5
Kingston	62	57	-21.6%	14.9%	1.8%	-8.3%	61%	-5
Rochester	539	516	-18.0%	10.8%	5.4%	-4.2%	77%	-23
Syracuse	320	295	-18.1%	12.5%	0.1%	-7.8%	57%	-25
Utica-Rome	128	121	-17.4%	12.2%	1.6%	-5.8%	67%	-7
Watertown	41	40	-17.1%	15.0%	2.8%	-2.0%	89%	-1
<b>Upstate non-metro areas</b>	<b>503</b>	<b>498</b>	<b>-14.0%</b>	<b>8.9%</b>	<b>5.8%</b>	<b>-1.0%</b>	<b>93%</b>	<b>-5</b>

Source: NYSDOL, seasonally adjusted payroll employment

With the exception of Watertown, the state's 14 other metro areas are all experiencing pandemic jobs deficits more than twice the national average. After rebounding at a slightly faster pace than the nation overall in the first five-six months following the sharp employment drop in March and April 2020, most metro areas Upstate and Downstate have underperformed the national recovery pace over the past year. The one exception to this lagging role over the past year is Rochester, but its pandemic jobs deficit is still one-and-a-half times the national jobs deficit (-4.2 percent vs. 2.8 percent). Syracuse, Buffalo, and Binghamton have deep recession-magnitude jobs deficits of 6.6-7.8 percent. Dutchess County's 10.1 percent job loss matches that of New York City, and Long Island and the northern suburban counties (Orange, 8.3 percent) and Rockland and Westchester (each at 7.6 percent) are not far behind. The Upstate metro areas as a group have a 6.1 percent jobs deficit. While Upstate non-metro areas recorded a slight one percent jobs deficit as of October, this number tends to move around some since it is not directly estimated but calculated as a residual (the estimated statewide total minus the sum of estimates for all metropolitan areas).

Figure 9

**The pandemic job decline in New York State's face-to-face industries far outdistances national declines for those industries**

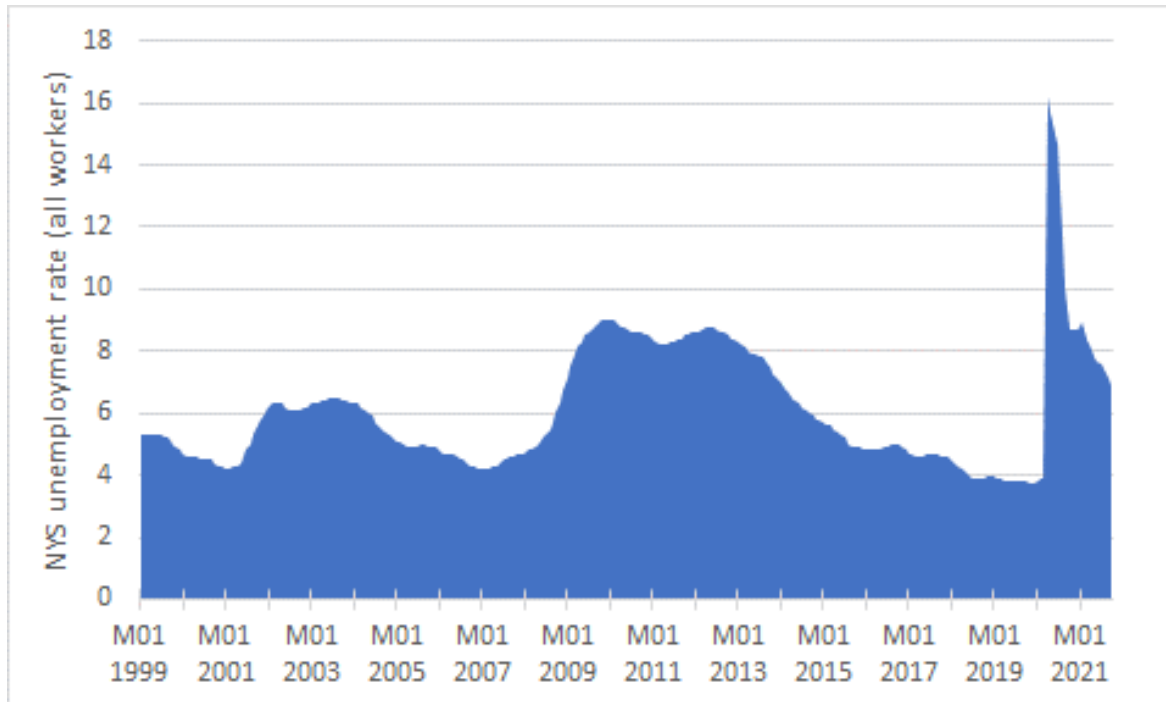


Source: BLS and NYSDOL

A handful of industries, led by leisure and hospitality and retail trade, account for most of New York State's disproportionate job loss. Leisure and hospitality encompasses hotels, restaurants, bars and coffee shops, and also arts, entertainment; and recreation. Other face-to-face industries heavily affected include other services, construction, transportation, nursing homes, and social assistance. New York's manufacturing sector has not benefited greatly from the pandemic-era shift in consumer purchases away from services and toward goods. Weaker-than-national performance in financial activities and professional and technical services has also cost New York State about 80,000 jobs.

Figure 10

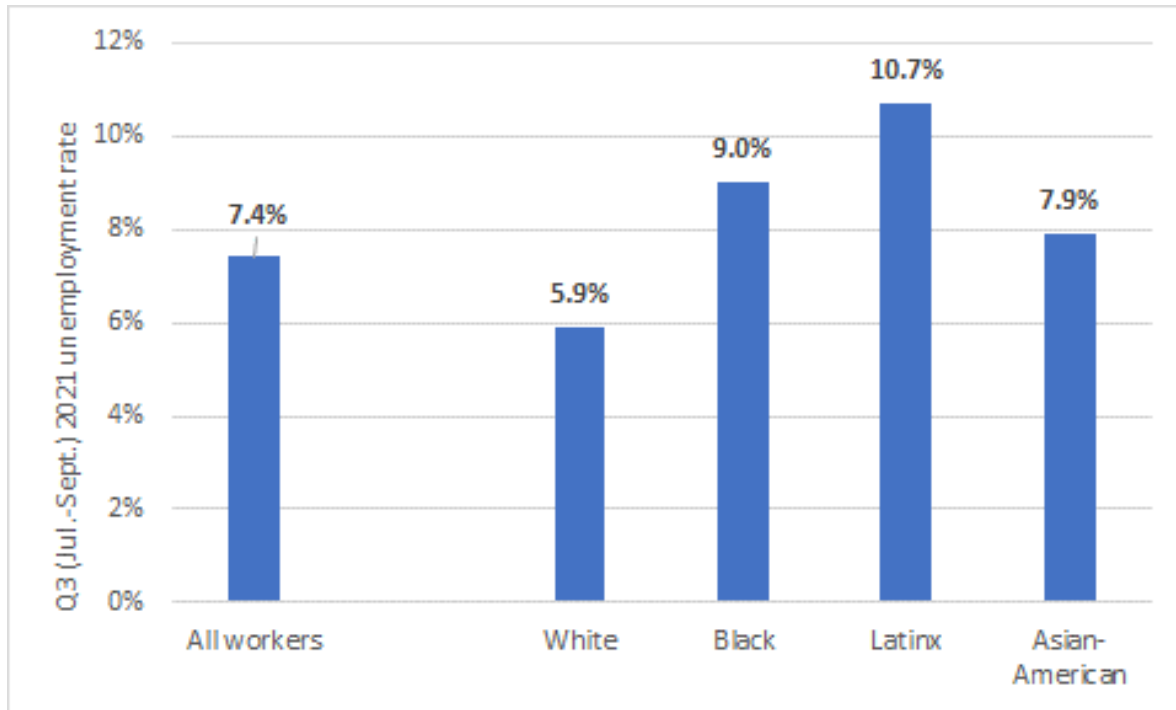
**New York's unemployment rate averaged < 4% for two years prior to the pandemic; the current 6.9% rate doesn't reflect those who've left the labor force and involuntary part-time employment**



Source: NYSDOL

The state's current (October) 6.9 percent unemployment rate understates the real extent of unemployment, since it excludes those who have left the labor force and also doesn't reflect that many of those who have returned to work are only working part-time although they want and need full-time work. Even at 6.9 percent, however, we are a long way from the four percent and under range where we were for two years prior to the pandemic's onset. Plus, many of the unemployed have been jobless for most of the past 20 months. In New York City, 60 percent of the unemployed are considered long-term unemployed (out of work for more than six months).

Figure 11

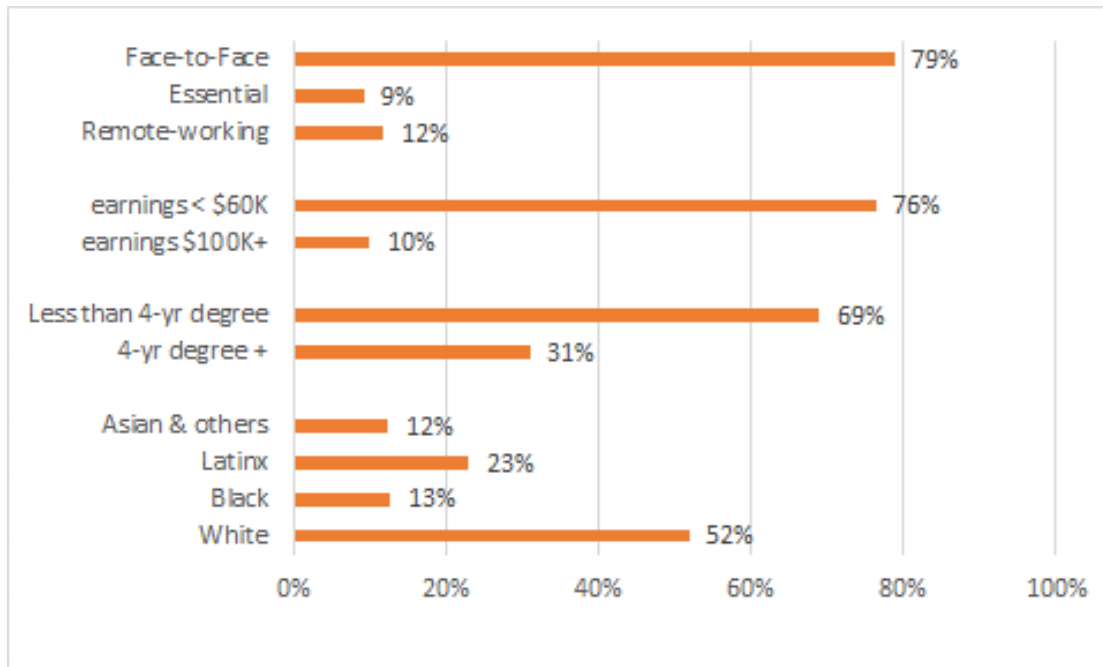
**NYS unemployment rates much higher for workers of color than for whites (Q3 2021)**

Source: Economic Policy Institute analysis of Current Population Survey

For 2021's third quarter overall, New York State's unemployment averaged 7.4 percent. But that masks a wide disparity between workers of color and white workers. For Blacks, unemployment in the third quarter was nine percent, for Latinx workers it was 10.7 percent, and for Asian and other workers it was 7.9 percent, considerably higher than the 5.9 percent unemployment rate for whites.

Figure 12

**Face-to-face workers, low-paid, and less-educated workers bore the brunt of New York State's pandemic job loss**

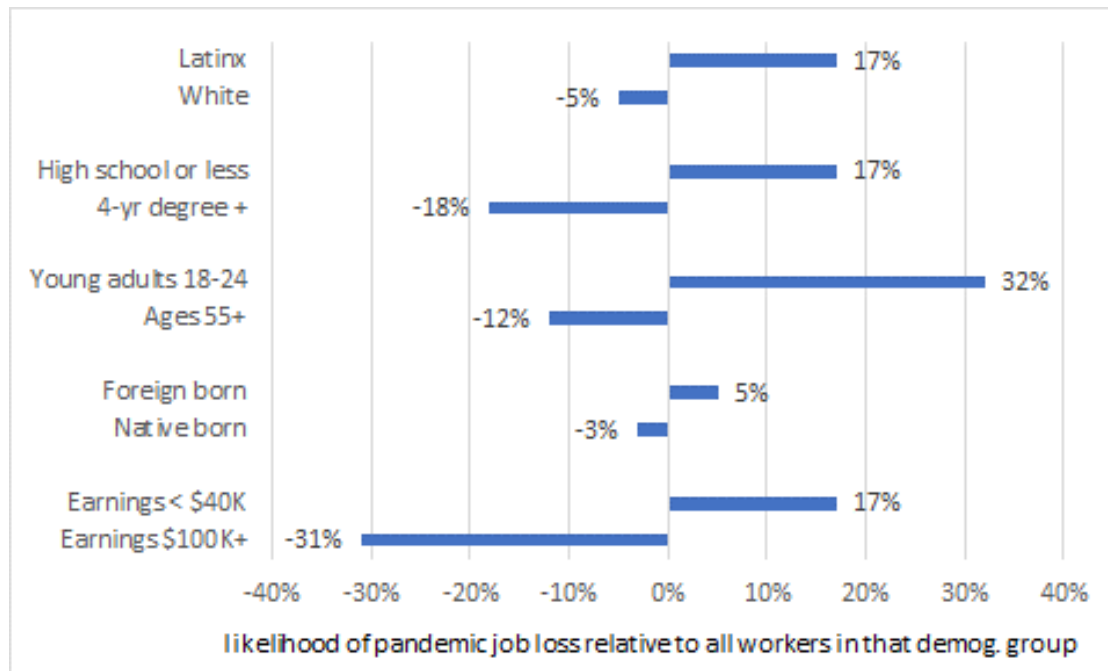


*Source: CNYCA analysis of American Community Survey and NYSDOL employment data*

Overall, face-to-face workers account for 79 percent of those losing jobs during the pandemic; employees in the remote-working set of industries account for a relatively slight 12 percent of the jobs lost. On the other hand, three-quarters of all those losing jobs were earning less than \$60,000 a year, and 69 percent had less than a four-year college degree. Nearly half (48 percent) of Covid-dislocated workers were workers of color.



Figure 13

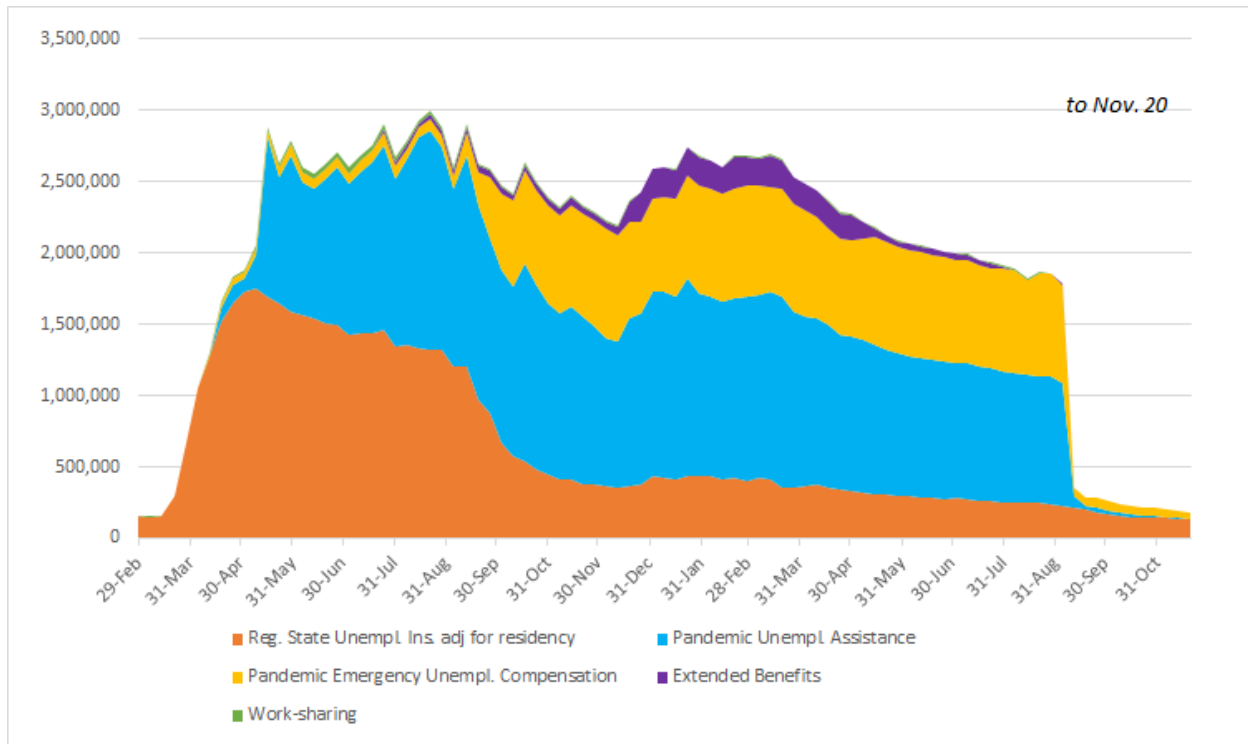
**Likelihood of pandemic job loss also much greater for Latinx and young workers**

Source: CNYCA analysis of American Community Survey and NYSDOL employment data

Latinx workers were 17 percent more likely than workers on average to lose their jobs during the pandemic, and young adults ages 18-24 were 32 percent more likely than all workers to be affected, since they were heavily concentrated in restaurants and retail trade. Those earning less than \$40,000 a year before the pandemic were 17 percent more likely to be dislocated while workers earning \$100,000 or more were 31 percent less likely to lose their jobs.

Figure 14

**With the expiration of Federal unemployment benefits on Sept. 6, 1.5 million New York State residents lost weekly benefits**

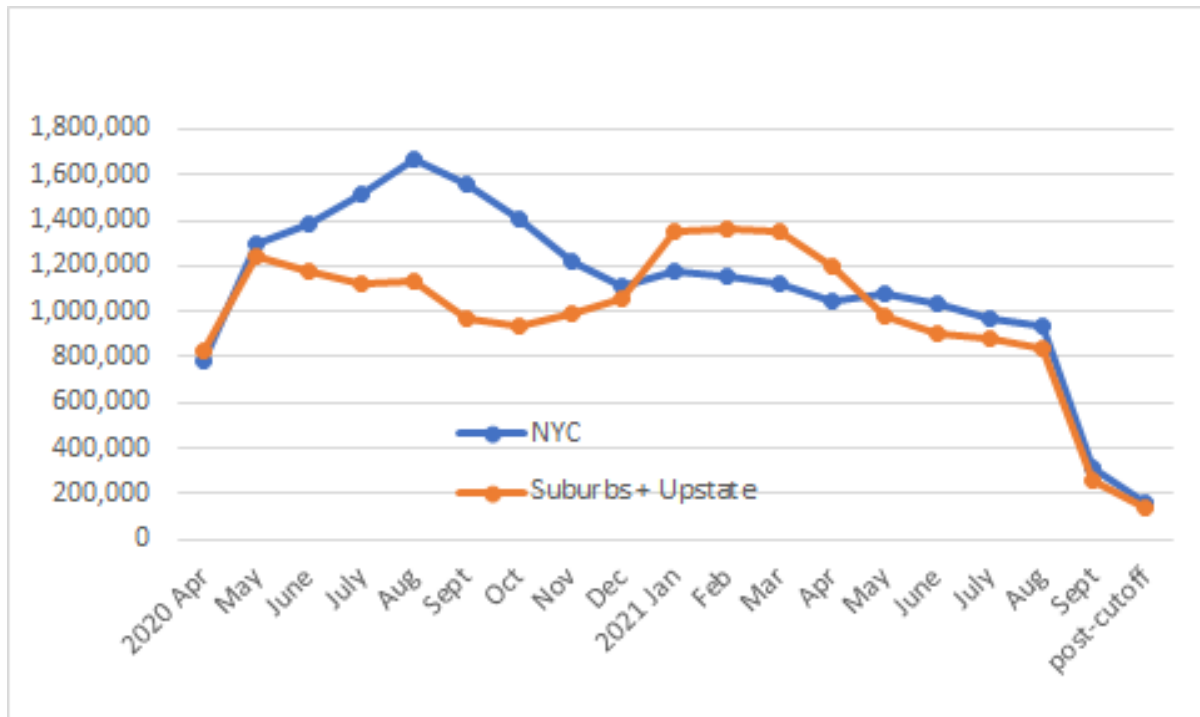


Source: U.S. Employment and Training Administration

Over \$100 billion in Federal and State unemployment benefits has been paid to New Yorkers since the onset of the pandemic, with over 80 percent funded by the Federal government. But when Federal benefits ran out on September 6, 2021, 1.5 million New Yorkers lost benefits that averaged \$500-\$600 weekly. The loss of the Federal unemployment benefits has meant \$4 billion in reduced consumer spending each month, further weakening an already-sluggish recovery. In October, the number of unemployment benefit recipients averaged 230,000 per week, and that dropped further to 194,000 for the first three weeks in November.

Figure 15

**Until Federal benefits expired, there were about one million unemployment insurance recipients in NYC and over 800,000 in the suburbs and Upstate**

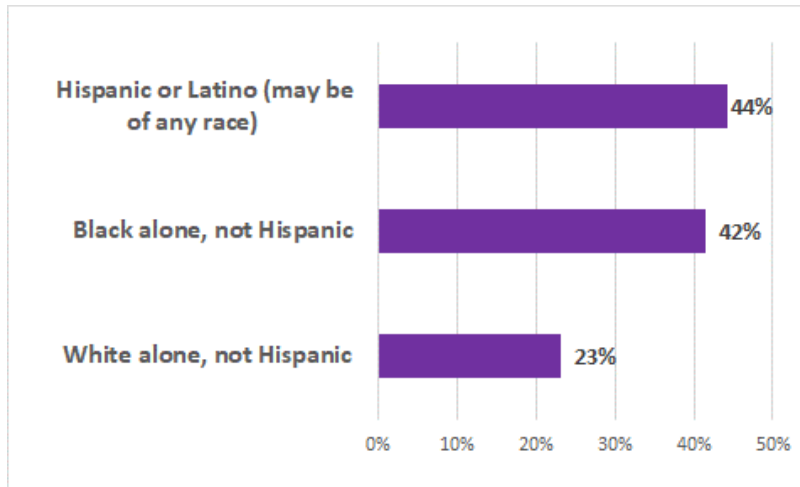


Source: CNYCA estimates based on NYSDOL data

For the first eight months of 2021, New York's two million-plus unemployment insurance (UI) recipients were fairly evenly divided between New York City and the rest of the state (the suburbs and Upstate).

Figure 16

### High percent of New York State Latinx and Black households having difficulty paying usual expenses, Sept. 15-Oct. 11, 2021

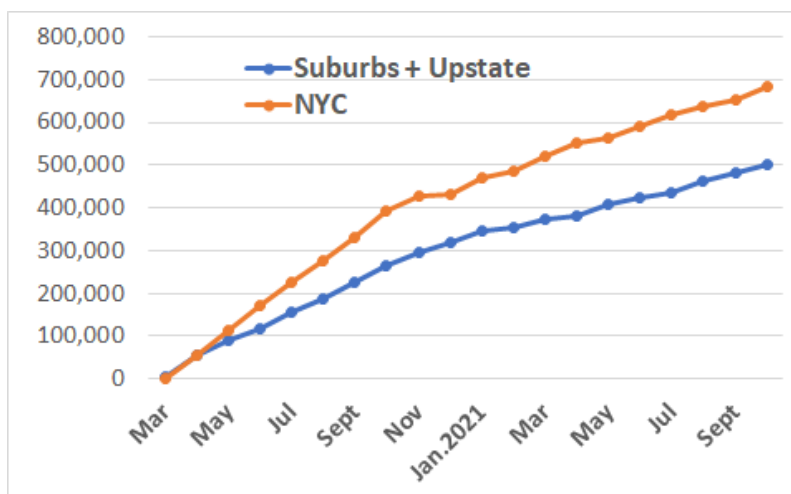


Source: CNYCA analysis of Census Bureau Household Pulse Survey

In the month following the expiration of Federal unemployment benefits, over 40 percent of Black and Latinx households reported difficulty paying for usual household expenses, compared to 23 percent of white households, according to the Census Bureau's Household Pulse survey.

Figure 17

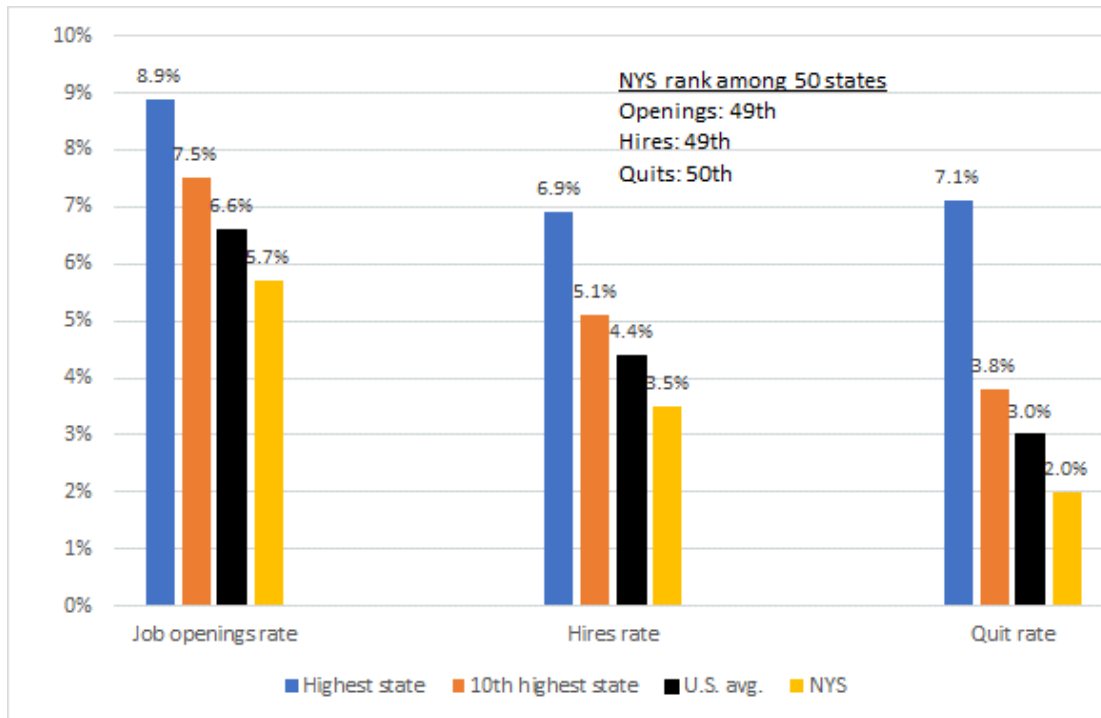
### New York State's Medicaid rolls have surged in the wake of Covid-19



Medicaid rolls have surged, with nearly 1.2 million enrollees added statewide (682,000 in New York City and 500,000 added in the suburbs and Upstate together).

Figure 18

**Are workers jobless by choice? New York State ranks either last or next to last among all states in job openings, hires, and quits (September)**



Source: BLS, State Job Openings and Labor Turnover Survey, Nov. 19, 2021

The job market everywhere under Covid-19 is unsettled, with unpredictable interruptions and imbalances. Nationally, there were still 3.6 million workers unable to work in November because their employers were closed or had lost business due to Covid-19. Nearly 1.2 million people (nationally) had been prevented from looking for work in the previous four weeks due to the pandemic. Many workers, particularly women, nationally and in New York have cited care-giving and child-rearing responsibilities as factors in why they haven't returned to work. Since February 2020, 200,000 New Yorkers (2.9 percent) have dropped out of the labor force.

The wide disparity in unemployment rates across states and across race-ethnic groups within New York State (Figure 11) suggests that factors such as the variance in business conditions and the continuing effects of past and present racial discrimination play a large role in explaining why particular workers are jobless.

Although much has been made nationally of record rates of job openings and workers quitting jobs, New York State ranks lowest or second-lowest in job openings, hires, and quits as indicated in Figure 18.

Figure 19

**Average wages for only a few detailed New York State face-to-face industries are 10 percent or higher than two years ago**

	employment			avg. wage		
	Q2 2019	Q2 2021	% change	Q2 2021 level	% change 2019-21	% change 2017-19
<b>All private sector</b>	<b>8,143,993</b>	<b>7,404,727</b>	<b>-9.1%</b>	<b>\$19,822</b>	<b>15.0%</b>	<b>7.7%</b>
<i>Selected face-to-face industries</i>						
Food service & drinking places	686,915	522,478	-23.9%	\$7,443	8.5%	11.8%
Food & beverage stores	217,983	204,891	-6.0%	\$7,479	8.1%	9.9%
Personal & laundry services	129,222	102,838	-20.4%	\$8,361	11.8%	2.7%
Building materials & garden supply	67,881	70,139	3.3%	\$9,903	7.9%	8.3%
Transit & ground pass. transport	77,290	55,116	-28.7%	\$10,752	5.4%	7.9%
Clothing stores	117,136	84,849	-27.6%	\$11,115	14.7%	17.2%
Hotels	102,743	56,266	-45.2%	\$11,804	-2.4%	5.2%
Warehousing & storage	31,504	43,899	39.3%	\$11,842	10.7%	-3.8%
Construction of buildings	108,317	95,694	-11.7%	\$18,675	5.8%	7.0%
Computer & electronics mfg.	55,890	52,409	-6.2%	\$26,970	3.9%	5.6%
<i>Selected essential industries</i>						
Social assistance	378,490	356,029	-5.9%	\$8,743	11.2%	8.2%
Nursing & residential care facilities	246,220	216,139	-12.2%	\$10,973	12.7%	8.3%
Hospitals	383,739	376,796	-1.8%	\$22,080	9.3%	7.6%
<i>Selected remote-working industries</i>						
Professional & technical services	683,896	664,268	-2.9%	\$31,718	14.2%	7.3%
Publishing	62,232	67,209	8.0%	\$35,034	9.2%	18.5%
ISPs, search portals & data processing	19,246	21,124	9.8%	\$35,666	4.3%	18.7%
Credit intermediation	169,597	164,271	-3.1%	\$35,735	10.8%	11.4%
Financial investment & related	197,986	194,598	-1.7%	\$73,944	18.3%	3.8%

Source: NYSDOL, Quarterly Census of Employment and Wages, Second Quarter, 2021.

In light of reports that some employers are offering higher wages to recruit workers, it is helpful to look at the latest data to see if higher wages are significant enough to affect industry-wide averages. The latest Quarterly Census of Employment and Wages (QCEW) data from the New York Department of Labor show a mixed picture of generally moderate wage increases for the two years from the second quarter of 2019 to the second quarter of 2021 for low-paying industries hard hit by pandemic job losses. (There's a five-month lag in the availability of the QCEW data for individual industries.) It may be that if wage pressures did not start to build until the second half of the year, second quarter data doesn't capture noticeable wage increases.

Among the face-to-face industries shown in Figure 19, clothing stores had a 14.7 percent average wage increase. This might reflect the need to pay higher wages to recruit workers back, although it was less than the 17.2 percent wage increase recorded during the two years between the second quarters of 2017 and 2019. (Change in average wages over two years is used since data for the second quarter of 2020 were unusually distorted by the initial pandemic impact.)

There also was a 10.7 percent increase in the average warehousing industry wage over the past two years, but this occurred during the rapid expansion in distribution center employment in New York State accompanying the e-commerce trend. Statewide warehouse employment rose by 39 percent over the past two years, making it the fastest-growing industry in the state.

Two industries that experienced sharp pandemic job losses had relatively small two-year wage increases, including food service and drinking places (8.5 percent), and transit and ground passenger transport (5.4 percent). In both cases, these industries had larger 2017-2019 wage gains. In hotels, the hardest-hit industry in terms of job loss over the past two years (-45 percent), average wages fell by 2.4 percent.

Average wages in nursing and residential care facilities rose by 12.7 percent over the past two years, but given that Covid-19 infections and deaths were particularly high in nursing homes, one might have expected a higher wage premium.

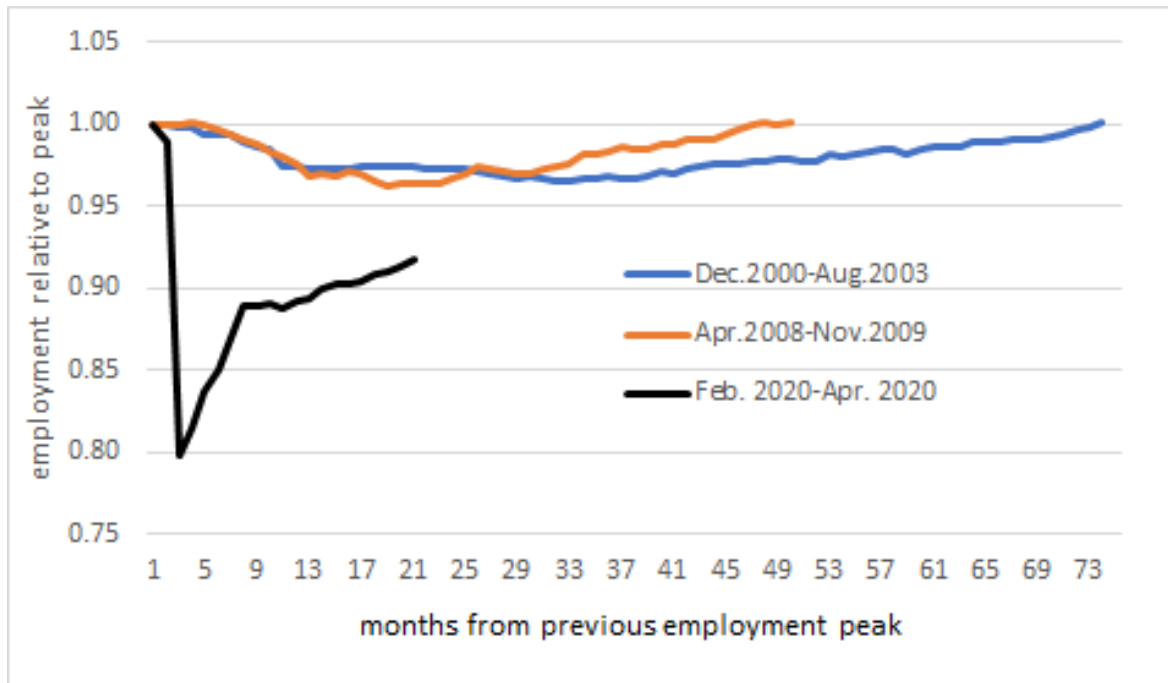
While the 15 percent 2019-2021 increase in second quarter average wages for New York State's overall private sector appears significant, it mainly reflects a shift in the job mix. There has been a greater proportionate drop in lower-paying jobs compared to higher-paying jobs, arithmetically boosting the difference in the overall private sector average wage over the two-year period.

In some respects, the pattern of wage changes across industries over the past two years may not be much affected by the pandemic. High-paying industries like professional services and financial investments, where job losses have been limited and employees shifted to working on a remote basis, had two of the largest average pay gains of all industries shown in the table: 14.2 and 18.3 percent, respectively.

When inflation is factored in, workers in nearly half of the detailed industries listed in Figure 19 saw real wage gains of less than two percent (or even negative growth) over the two years through this year's second quarter. The Consumer Price Index (CPI) rose by 6.7 percent from June 2019 to June 2021. The real wage picture likely has deteriorated since then, with the pickup in inflation. The CPI rose 7.6 percent over the 12 months through November 2021 (vs. only 1.3 percent over the prior 12 months).

Figure 20

**New York's employment recovery from the previous two downturns took four-six years, and the Covid-19 downturn was much steeper**



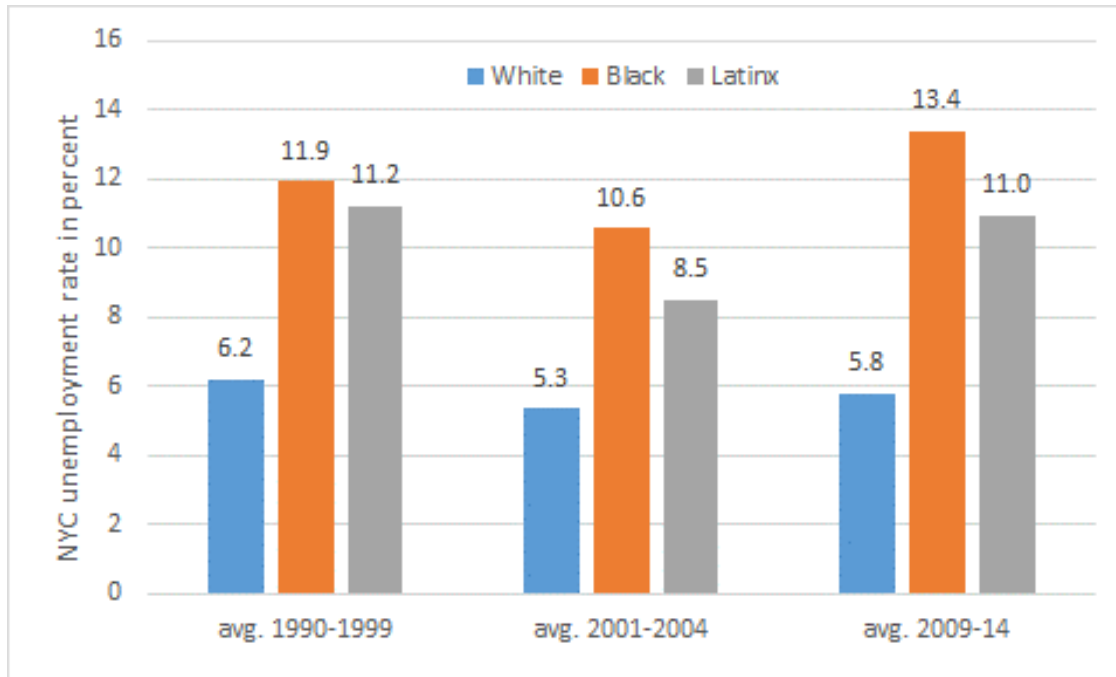
Source: NYSDOL

It took New York State six years to reach the previous employment peak following the 2001-2003 recession, and it took four years following the 2008-09 Great Recession. In both those cases, New York's peak-to-trough job loss was about 3.5 percent. In the first two months of the pandemic, New York's job loss was about 20 percent, and after 20 months job losses were still 8.5 percent of the pre-pandemic level. In its recent Mid-Year Budget Update, the State Division of the Budget forecast indicates that New York State will not re-gain its pre-pandemic employment level until the spring of 2024, four years after the onset of the pandemic. Without a more concerted economic policy response, however, New York's jobs recovery might take even longer, as it did after the 2000-2003 downturn.



Figure 21

**Following past economic downturns, Black and Latinx workers in New York City experienced double-digit unemployment rates for several years**



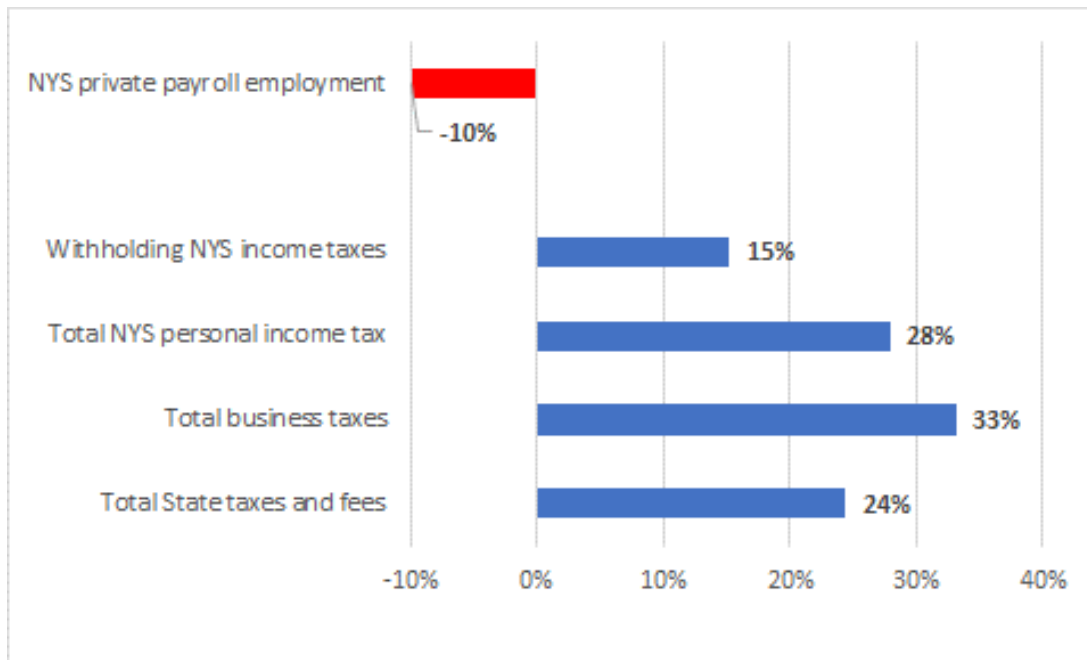
*Source: CNYCA analysis of Current Population Survey*

New York City's labor market has never smoothly adjusted in the wake of an economic downturn. It took over three years to make up for the jobs lost during the 2008-09 recession and six years following the 2001-03 dot.com-9/11 downturn. It took a full decade following the early 1990s recession to reach the 1989 employment level. And during these protracted labor market recoveries, the longstanding disparity in unemployment rates by race and ethnicity meant that Blacks and Latinx workers endured several years of double-digit unemployment rates.

The history is bad enough. When you factor in that the pandemic's impact has been concentrated among lower-income and workers of color to a far greater extent than any of those prior downturns, it is hard to imagine how an unaided labor market will recovery any time soon.

Figure 22

**The pandemic's lopsided economic impact is clearly evident in the wide disparity between job loss and the growth in tax collections over the past two years** (*change from April-September, 2019-2021*)



Source: CNYCA analysis of NYSDOL and NYS Department of Tax and Finance data

The pandemic's lopsided economic impact is clearly evident in the wide disparity between steep job losses and strong State tax collections. State tax collections for the first half of the Fiscal Year 2022 (April-September 2021) were up by 24.4 percent vs. the same months of 2019. Withholding tax collections were up by 15 percent. On the other hand, total employment was 10 percent less in the April-September 2021 months than it had been two years earlier.

Figure 23

**Federal Covid-19 relief funding allocated to New York State**

	(\$millions)	share of total
Individuals, families and businesses	\$188,959	66.8%
Unemployment assistance	\$83,729	29.6%
Business Assistance (mainly Paycheck Protection Program) *	\$46,029	16.3%
Economic Impact Payments (to tax filers with joint incomes < \$160,000)	\$46,025	16.3%
Food, rental, homeowner, and energy assistance to low-income households **	\$8,207	2.9%
Advanced Child Tax Credit (Jul.-Dec. 2021)	\$4,968	1.8%
State and Local Govt Fiscal Relief	\$34,539	12.2%
State/local gov't program funding	\$41,585	14.7%
Elementary and Secondary Education	\$14,794	
Transportation (mainly mass transit)	\$14,590	
Public Health	\$6,466	
Early Care and Education	\$2,785	
Human Services	\$1,678	
Housing	\$1,272	
Funding flowing to a mix of gov't entities, institutions, providers, and students	\$17,969	6.3%
Health Care Providers	\$12,428	
Higher Education	\$5,209	
Other (mainly connectivity for schools & libraries)	\$332	
<b>Total</b>	<b>\$283,051</b>	<b>100.0%</b>

Source: CNYCA analysis of Federal Funds Information Service (FFIS) data, supplemented with data from U.S. Treasury, Center on Budget and Policy Priorities, Urban Institute, and the Peter G. Peterson Foundation.

\* Excludes \$27 billion in Emergency Injury Disaster Loans to businesses that are non-forgiveable loans.

\*\* Includes EITC expansion for 2021 for workers without qualifying children, and those ages 19-24 and 65+.

New York State's people, businesses, governments, health care providers, and educational institutions have received \$283 billion in Federal Covid-19 relief funding since March 2020. Two-thirds of all of the relief funds have gone to individuals and businesses. New York's State and local governments, including the MTA, have received \$41.6 billion in aid targeted to specific program areas, and an additional \$34.5 billion in relatively flexible fiscal relief. The unprecedented scale of Federal aid kept poverty from skyrocketing. But at this point, almost all of the assistance to individuals and businesses has been paid out. The State budget is now flush with Federal aid that can be used through 2025, and tax collections are far exceeding forecasts of just a few months ago.

## **The severity of New York's lagging position warrants a comprehensive State policy response**

Undoubtedly there is a degree of tentativeness on the part of some workers regarding return to work in an environment of continuing health risks. Many are also struggling to cope with child care and family care responsibilities, and trying to help their families cope with mental health stresses and strains as the pandemic nears the two-year mark. But make no mistake, while Gross Domestic Product reaches new highs and other national economic indicators suggest a recovery, New York State's economy, and its labor market in particular, is lagging far behind. The Empire State's 8.2 percent jobs deficit is the most severe in 80 years and our relative job loss is three times the national average. New York has 805,000 fewer jobs than it did 20 months ago. That is over 19 percent of the nation's total jobs deficit.

The pandemic has changed the economy, and it has changed workers. Current widely experienced supply chain disruptions are just one manifestation of that. There are and will be others. Many businesses and jobs are not coming back, and many others are changing in response to health concerns, worker preferences, and technology. Some industries will expand faster than they were previously, and in different ways.

And yet our labor and re-employment policy essentially comes down to: "Everything will sort itself out just fine." That mindset is risky at the national level; for New York, it is a recipe for a prolonged and racially disparate unemployment crisis. New York's economic history and the current reality are pretty clear on that score.

The pandemic's economic effects have been extremely lopsided. Incomes have risen for the great majority of high-income earners not losing jobs 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. State tax revenues have rebounded, and Wall Street and big tech companies are flourishing. But the continuing economic hardships experienced by a substantial number of low-income New Yorkers all across the state call for a more targeted response to connecting these workers with promising job openings, and providing additional skills training or education where necessary so that these workers can embody "building back better."

New York State needs an active labor market policy. Some struggling small businesses might still be saved. A practical and workable solution is to provide wage subsidies on a targeted basis to workers and small businesses most in need. That should be coupled with greater State 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.

Debate about how to respond to the state's job challenge invariably will involve proposals for big-ticket economic development investments. New York's record on that score has been consistently abysmal over the past quarter-century. Officials have too often just thrown taxpayer dollars at projects without having an economic strategy and without needed transparency and accountability. President Biden's infrastructure and Build Back Better initiatives provide a sound and promising strategy for investing in modernizing our physical infrastructure, creating green job opportunities, and investing in our essential care infrastructure and workforce. New York should follow that lead and make sure that we train our workforce so that our entire economy and population can share in the benefits.

This will entail active 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.

To build and operate this labor market coordination system, and fund the necessary outreach, training and support programs should be a top priority for State policy makers. Fortunately, there are sufficient resources available through Covid-19 Federal aid to finance this active pandemic labor market response. Moreover, such an investment is a key purpose for which the American Rescue Plan funds were intended.

And on a final, related note: There likely will be discussion in the coming State legislative session about using Federal or State tax resources to pay down some of the Federal borrowing the State's unemployment trust fund undertook to keep paying regular State unemployment insurance benefits over the past year. That discussion should include addressing the need to improve New York's unemployment insurance benefits and the system's long-term financing. New York's unemployment insurance benefits are mediocre for a wealthy state. For example, all five of our neighboring states have average and maximum weekly benefits greater than New York's. The pandemic's far-reaching economic disruptions also underscored the need to address the precarious status of gig and other misclassified independent contract workers. Finally, New York's unemployment insurance system is woefully under-financed; our taxable wage base is well below the average across 50 states despite the fact that New York has the third-highest average wage of any state.