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The Role of New York City in the Economy of New York State

James A. Parrott

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The Role of New York City in the Economy of New York State

Abstract
In August 2017, The Worker Institute convened high level leaders over the course of two days, around a discussion of Buffalo, NY Since the Great Recession. With presentations, panels, and a visit to the UAW Local 774, participants gained a deeper understanding of the economic restructuring that followed the Great Recession and where this large metropolitan area stands today. Here, you will find links to the resources that were presented during this two day convening.

Keywords
Buffalo, Economic Development, High Road Economic Development, Presentation, Other, PDF
Buffalo, NY Since the Great Recession
A Workshop on Economic Restructuring in the Rust Belt since the Great Recession

By: Dincer and Wheaton

August 14-15 2017
Cornell in Buffalo and UAW Local 774
PROGRAM

DAY 1, AUGUST 14, Cornell in Buffalo

Welcome, Arthur Wheaton, The Worker Institute, Cornell University
09AM-09.10AM

Introduction: The Contours of Economic Development in the Rust Belt since the Great Recession
Evren Dincer, Uludağ University
09.10AM-09.30AM

Session I

Main Trends and Issues of Economic Development in Buffalo
09.30AM-12PM

The Performance of the Buffalo Economy Since the Great Recession
Jaison Abel, Federal Reserve Bank of New York

Healing Buffalo’s Economy: The Buffalo Billion and Priorities for Economic Development
John Slenker, New York State Department of Labor

General Trends in the Labor Market
Cesar Cabrera, New York State Department of Labor

Labor Market and Challenges for Workforce Development
Heather Gresham, Executive Director, Buffalo and Erie County Workforce Investment Board

Labor’s Role in Economic Development and Organizing
Richard Lipsitz Jr., Western New York Area Labor Federation

Economic Development from a Social Justice Perspective
Franchelle C. Hart, Open Buffalo

Lunch Break: 12PM-1PM

Session II

Placing Buffalo in its Geographical and Economic Context:
Buffalo as part of New York State and the Rust Belt
1PM-2.45PM

The Role of New York City in the Economy of New York State
James Parrott, Center for New York City Affairs at The New School

Buffalo’s Economic Relations with Albany
Bruce Fisher, SUNY Buffalo State

The Role of Community Organizations in Buffalo’s Economic Revitalization in a Comparative Perspective
Ronald Applegate, Cornell University

Buffalo’s Economic Development Compared: Buffalo as Part of the Rust Belt
Evren Dincer, Uludağ University

Coffee Break, 2.45PM-3.00PM
Session III
Sectors in Perspective I
3PM-5PM

Buffalo’s Housing Market since the Great Recession
Sam Magavern, Partnership for the Public Good

Buffalo’s Agricultural Economy since the Great Recession
Diane Held, Cornell University Cooperative Extension

The Finance Sector in Buffalo since the Great Recession
Gary Keith, M&T Bank

Buffalo-Niagara Medical Corridor Experiment: Perspectives on a Project for Economic Revitalization
David Scott, Buffalo Niagara Medical Campus (TBC)

The Energy Sector, Community Development and Sustainability in Buffalo since the Great Recession
Rahwa Ghirmatzion, PUSH Buffalo

Concluding Remarks and Reflections on Day One
Rosemary Batt, Cornell University

DAY 2, AUGUST 15, UAW Local 774
Session IV, 09AM-12PM
Sectors in Perspective II
Manufacturing and the Auto Industry

A Historical Review of the Auto Industry in the U.S. and Western New York
Art Wheaton, The Worker Institute at Cornell University

Recent Trends in Auto Manufacturing in Western New York
Ian Greer, Cornell University

Canadian Auto Industry since the Great Recession: A Look at Buffalo from the other side of the Border
Mathieu Dupuis, School of Industrial Relations, University of Montreal

The Reindustrialization of the U.S.: Tonawanda Powertrain since the Great Recession
Evren Dincer, Uludağ University

Auto Manufacturing in Buffalo since the Great Recession: A Managerial Perspective
Steve Finch, Plant Manager, GM Tonawanda Powertrain

Labor Management Relations and Restructuring in Manufacturing since the Great Recession: A Union Perspective
Wenceslao Valentin III, President, UAW Local 774

For more information please contact:
Evren Dincer, email: emd224@cornell.edu, call or text (267) 438-9450
Art Wheaton, email: acw18@cornell.edu, call or text (716) 777-0303
Buffalo and New York City Since the Great Recession

for the Workshop on Economic Restructuring in the Rust Belt, Buffalo New York
Cornell University Worker Institute

James A. Parrott, Dir., Economic & Fiscal Policy Center for New York City Affairs, The New School New York City

ParrottJ@newschool.edu
jamesparrotnyc@gmail.com

August 14, 2017
Overview: Buffalo and NYC since the Great Recession

- The economic gravitational pull between Buffalo and NYC has dissipated considerably since the days of the Erie Canal, or the New York Central Railroad. However, both cities, and the various regional economies w/in NYS, are affected by state economic and fiscal policy choices decided in Albany.

- Since the housing bubble was not as severe in upstate, the 2008-09 contraction in Buffalo wasn’t as sharp as in much of the U.S. And like much of the “rust belt,” Buffalo’s recovery has been more modest.
  - But on a per capita basis, the Buffalo metro area has done better than most other rust belt metros, particularly if measured vs. 2007.

- The unprecedented Wall St. bailout moderated the recession in NYC, and NYC has seen strong & fairly diversified growth in the recovery, with significant wage and income gains.

- Since wages for most workers stagnated during the early recovery years, and much of the net job change in the recovery in both cities has been among low-wage industries, a phased-in $15 minimum wage is sound economic policy.
In the 1st 6 years of recovery, 2009-15, Buffalo’s real GDP growth was ½ of national GDP growth, but better than most NYS metros.

• With national growth averaging about 2% annually, this has been the weakest recovery since the 1930s, with sluggish productivity and wage growth, and extremely weak government spending (at all levels, federal, state and local).

• The broad, multi-state NYC metro region has averaged under 2% annual growth, 2009-15 (although NYC has been the fastest growing part of the metro area.)

• Albany and Buffalo have had the best real GDP growth among other NYS metro areas, but that growth has been only about 1% annually.

• Growth for Rochester and Syracuse only 0.3-0.4% annually in this recovery.

• But, keep in mind that the contraction during the recession was much less pronounced upstate and among all NYS metro areas.
Per capita real metro total GDP change since the start of the Great Recession, 2007-2015

- U.S. metros: 0.6%
- Buffalo: 8.3%
- Albany: 7.6%
- Glens Fall: 6.7%
- Elmira: 6.6%
- Watertown: 5.5%
- Binghamton: 2.8%
- NY NY-NJ-PA: 2.6%
- Utica-Rome: 2.6%
- Ithaca: 2.2%
- Kingston: 1.3%
- Rochester: 0.3%
- Syracuse: 0.2%
On a per capita basis, Buffalo GDP growth tops U.S. and all NYS metros since the start of the Great Recession.

- Buffalo’s relative performance looks much better when placed on a per capita basis, and when you look over the 2007-15 period that takes in the recession.
- Buffalo’s real GDP grew 2% during the Great Recession, while the U.S. contracted by 5.3% and the NYC metro area by 3.7%.
  - At -2.4%, Syracuse had the largest recession decline among upstate metro areas.
- Looking at all 109 metro areas in the NE-MW over the 2007-15 period, Buffalo’s 8.3% GDP growth ranked 9th.
  - Top 5: Williamsport PA; Canton OH; Pittsburgh; Lima OH; Toledo OH
  - Syracuse (+0.2%) ranked 62nd.
- Among all 382 metros in the U.S., Buffalo’s 2007-15 growth ranked 67th.
  - Many of those ranking above Buffalo benefitted from the energy boom 2009-14.
  - Syracuse ranked 168th; thus, all NYS metros among the top half.
  - For 211 metro areas (55% of 382), 2015’s real GDP level was still < 2007.
None of this is meant to gloss over Buffalo’s challenges, but perspective always helps.

- The manufacturing rebound in the recovery in Buffalo and NYS’s Western Region has fallen short of the modest national rebound since 2009.
- Job growth has averaged only 0.6% in the Buffalo metro area, and most of the net job gains in the Western Region has been in lower-wage industries. There has been a sharp drop in middle-wage gov’t employment (the largest sector overall.)
- Median household and family incomes were no higher in 2015 than before the recession.
- Poverty has inched up to 31% for the 2011/15 period, and child poverty has climbed to a distressing 49% level.
The Buffalo MSA has fallen a little short of the modest national manufacturing recovery since 2009.

- While its share of total private employment in NY’s Western Region has dropped to 12.9% in 2015, manufacturing accounts for 18.4% of all private wages.
  - Avg. mfg. wage of $60,800 in 2015, 43% > than priv. sector avg. of $42,500.

- From 2010-15, U.S. manufacturing employment rose 7%.
  - For NYS overall, mfg. employment fell by 0.8%.
  - In NY’s Western Region, mfg. employment grew by 3%,
  - But in the Buffalo MSA, the # of mfg. jobs increased 5%.

- However, the Buffalo metro area manufacturing sector didn’t rebound at all following the recessions of the early 1990s and the early 2000s.
Western Region and the Capital Region only NYS regions to see a rebound in manufacturing employment in this recovery.

- In the Western Region, Transp. equip. and machinery mfg. account for most of the mfg. rebound with 2010-15 growth of 21% and 11%, respectively, on a par with the nat’l recovery for those industries.
  - Transp. equip. is the highest paying mfg. industry in the region, $81,800, almost twice the average private sector wage.
  - Machinery mfg. also high-paying with avg. wage of $66,400.

- Among NY’s 10 regions, the Capital Region has had by far the best mfg. growth in the recovery, with a gain of 5,000 jobs, or 18%.
  - Capital region strong growth in computer & electronics, machinery mfg, and chemical mfg. Now 15,000 jobs in those 3 industries w/ avg. wage of $100K.

- Best mfg. ind. growth in NYS in recovery has been food mfg, w/ 11% growth, 2X the national growth. Food mfg. has been on the decline in the Western Region.
  - Avg. food mfg. wage statewide roughly $44,000, much < all mfg. average.
<table>
<thead>
<tr>
<th>Western NY Region</th>
<th>Average annual wage</th>
<th>Employment (second qtr)</th>
<th>Change</th>
<th>Share of total change^</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2010</td>
<td>2016</td>
<td>2010-2016</td>
</tr>
<tr>
<td>All industries</td>
<td>$42,764</td>
<td>619,277</td>
<td>636,456</td>
<td>17,179</td>
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<tr>
<td>High-wage industries ($53,000 and up)</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Utilities</td>
<td>$95,641</td>
<td>2,242</td>
<td>1,982</td>
<td>260</td>
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<tr>
<td>Management of Companies and Enterprises</td>
<td>$83,491</td>
<td>12,138</td>
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<td>1,997</td>
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<td>Finance and Insurance</td>
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<td>25,457</td>
<td>28,115</td>
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<td>Manufacturing</td>
<td>$59,295</td>
<td>64,513</td>
<td>66,410</td>
<td>1,897</td>
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<td>Professional and Technical Services</td>
<td>$58,637</td>
<td>28,286</td>
<td>27,396</td>
<td>891</td>
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<tr>
<td>Wholesale Trade</td>
<td>$58,131</td>
<td>21,273</td>
<td>22,079</td>
<td>807</td>
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<td>Information</td>
<td>$55,119</td>
<td>8,565</td>
<td>7,501</td>
<td>1,064</td>
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<td>Hospitals</td>
<td>$54,342</td>
<td>19,600</td>
<td>17,582</td>
<td>2,019</td>
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<td><strong>Subtotal high-wage industries</strong></td>
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<td>182,074</td>
<td>185,199</td>
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<td>Middle-wage industries ($32,000 - $52,999)</td>
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<tr>
<td>Construction</td>
<td>$51,748</td>
<td>21,001</td>
<td>23,774</td>
<td>2,773</td>
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<td>Ambulatory Health Care Services</td>
<td>$50,838</td>
<td>28,206</td>
<td>30,596</td>
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<td>Total, All Government</td>
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<td>120,576</td>
<td>111,198</td>
<td>9,378</td>
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<td>Arts, Entertainment, and Recreation</td>
<td>$44,338</td>
<td>7,977</td>
<td>9,517</td>
<td>1,540</td>
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<td>Transportation and Warehousing</td>
<td>$40,165</td>
<td>14,782</td>
<td>16,382</td>
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<td>Real Estate and Rental and Leasing</td>
<td>$37,857</td>
<td>7,108</td>
<td>7,968</td>
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<td>Educational Services</td>
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<td>16,062</td>
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<td><strong>Subtotal middle-wage industries</strong></td>
<td></td>
<td>214,977</td>
<td>215,496</td>
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<tr>
<td>Low-wage industries (under $32,000)</td>
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<td>Administrative and Waste Services</td>
<td>$31,262</td>
<td>34,092</td>
<td>31,916</td>
<td>-2,176</td>
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<td>Agriculture, Forestry, Fishing and Hunting</td>
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<td>Nursing and Residential Care Facilities</td>
<td>$27,623</td>
<td>22,819</td>
<td>22,654</td>
<td>-165</td>
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<tr>
<td>Retail Trade</td>
<td>$24,460</td>
<td>71,816</td>
<td>74,464</td>
<td>2,648</td>
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<td>Other Services, Ex. Public Admin</td>
<td>$23,560</td>
<td>22,282</td>
<td>23,168</td>
<td>886</td>
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<tr>
<td>Social Assistance</td>
<td>$22,195</td>
<td>14,810</td>
<td>17,566</td>
<td>2,756</td>
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<tr>
<td>Accommodation</td>
<td>$18,283</td>
<td>5,014</td>
<td>6,321</td>
<td>1,308</td>
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<tr>
<td>Food Services and Drinking Places</td>
<td>$15,646</td>
<td>47,882</td>
<td>53,783</td>
<td>5,901</td>
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<tr>
<td><strong>Subtotal low-wage industries</strong></td>
<td></td>
<td>221,061</td>
<td>232,473</td>
<td>11,413</td>
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<tr>
<td>Unclassified</td>
<td>461</td>
<td>2,877</td>
<td>2,416</td>
<td>change without unclassified</td>
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</tbody>
</table>

Source: Quarterly Census of Employment and Wages, NY State Dept. of Labor; 2014 average wages.
Most (3/4) of recovery net job growth for the Western Region has been in low-wage inds.; biggest decline in middle-wage gov’t jobs.

- From Q2 2010 to Q2 2016, Western R. had net job growth of 17,200, or 2.8%.
- 77% of that net job gain came in industries with avg. wages < $32,000.
  - The largest gain of any industry came in the lowest-paying, food services where average 2014 wage was $15,600.
  - Also large numerical gains in low-wage Social Assistance and Retail Trade.
- Among high-wage industries (> $53,000), besides the gain in mfg. jobs, significant gains in Management of Companies and Finance and Insurance.
- Among middle-wage industries, strong gains in Construction and Ambulatory Health Care (though that gain is largely offset by a decline in Hospitals.)
- The largest job change overall was the loss of 9,400 Gov’t jobs, nearly 8% of the total between mid-2010 and mid-2016, jobs where the average wage is a little over $50,000 annually, and often with decent fringe benefits.
  - Comparable gov’t job declines in all upstate regions (-5 to -12%).
Some evidence of Buffalo metro area inflation-adjusted wage growth but poverty remains extraordinarily high in Buffalo.

• While the American Community Survey showed fairly strong (and significant) real household income gains in 2015 (latest year) in NYC and the state overall, the Buffalo (city) gain was not statistically significant.
  o Buffalo decline betw. 5-year data sets 2006/10 and 2011/15 not significant.

• However, there is some evidence in the QCEW data of inflation-adjusted average wage gains for the Buffalo metro area during the recovery years, 2009-16.
  o For all employment, real average annual wages increased 5.3% over this 7-year period. Average mfg. wages rose about 2.5%.
  o In the fast-growing food services industry, real average wages have shot up by 17.3% over the past 7-years, thanks largely to increases in the state’s minimum wage that have taken it from $7.25 in 2009 to $9.75 at the beginning of 2016 in fast-food restaurant chains.
Turning to NYC—the unprecedented Wall St. bailout moderated the severity of the 2008-09 Great Recession, and the recovery has been diversified and the 1st since 1950s not driven by Wall Street.

- Although moderating in the past two years, NYC’s job growth since 2009 has surpassed the national pace.
- Unemployment has fallen to the low-4% range, and unlike at the national level, the employment-population ratio exceeds pre-recession levels.
- Incomes rose strongly in 2015, and are almost back to pre-recession levels.
- Wages have risen across the board since 2013, with blacks and Latinos experiencing much better wage growth than whites.
- Real estate pressures create problems for housing affordability and for small business rents.
- NYC has the highest income inequality among large cities, but the rising minimum wage is reducing poverty and raising living standards for many.
With moderate recession decline & stronger recovery, NYC's job level is 16.5% > Dec. 2007 vs. 5.8% for U.S.

Source: Bureau of Labor Statistics seasonally adjusted data.
NYC employment since 1980: net 25% gain to new high with three downturns moderating in severity
NYC’s seasonally-adjusted unemployment rate (%) at historic low in 2017

Source: NYS DOL June 2017.
<table>
<thead>
<tr>
<th>NEW YORK CITY</th>
<th>Average annual wage</th>
<th>Employment (2nd qtr.)</th>
<th>Change</th>
<th>Share of total change</th>
</tr>
</thead>
<tbody>
<tr>
<td>All industries</td>
<td>$84,752</td>
<td>3,605,264</td>
<td>4,161,552</td>
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<tr>
<td>High-wage industries ($75,000 and up)</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Finance and Insurance</td>
<td>$294,220</td>
<td>302,258</td>
<td>326,998</td>
<td>24,740</td>
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<td>60,905</td>
<td>66,469</td>
<td>5,564</td>
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<td>173,273</td>
<td>23,848</td>
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<td>310,266</td>
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<td>78,903</td>
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<td>Utilities</td>
<td>$101,892</td>
<td>15,851</td>
<td>15,295</td>
<td>-556</td>
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<tr>
<td>Performing Arts and Spectator Sports</td>
<td>$96,369</td>
<td>34,419</td>
<td>39,989</td>
<td>5,570</td>
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<td>Wholesale Trade</td>
<td>$87,206</td>
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<td>134,249</td>
<td>6,119</td>
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<td>159,388</td>
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<td><strong>Subtotal high-wage industries</strong></td>
<td></td>
<td>1,155,694</td>
<td>1,304,829</td>
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<td>Middle-wage industries ($45,000 - $74,999)</td>
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<tr>
<td>Construction</td>
<td>$74,071</td>
<td>109,397</td>
<td>140,308</td>
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<td>Private Colleges &amp; Universities</td>
<td>$73,283</td>
<td>72,771</td>
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<td>Real Estate and Rental and Leasing</td>
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<td>Ambulatory Health Care (exc. Home Health)</td>
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<td>104,368</td>
<td>122,412</td>
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<td>Total, All Government</td>
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<td>Accommodation</td>
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<td>Manufacturing</td>
<td>$54,032</td>
<td>76,495</td>
<td>75,510</td>
<td>-985</td>
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<td>Museums, Parks and Historical Sites</td>
<td>$53,674</td>
<td>11,814</td>
<td>14,452</td>
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<td>Transportation and Warehousing</td>
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<td>Administrative and Waste Services</td>
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<td><strong>Subtotal middle-wage industries</strong></td>
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<td>Low-wage industries (under $45,000)</td>
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<tr>
<td>Other Services, Ex. Public Admin</td>
<td>$44,975</td>
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<td>169,764</td>
<td>26,542</td>
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<td>Nursing and Residential Care Facilities</td>
<td>$39,193</td>
<td>76,566</td>
<td>73,934</td>
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<td>Retail Trade</td>
<td>$38,891</td>
<td>296,657</td>
<td>338,035</td>
<td>41,378</td>
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<td>Amusement, Gambling &amp; Recreation Ind</td>
<td>$31,119</td>
<td>20,921</td>
<td>30,627</td>
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<td>Social Assistance</td>
<td>$28,780</td>
<td>164,170</td>
<td>183,777</td>
<td>19,607</td>
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<td>Food Services and Drinking Places</td>
<td>$26,205</td>
<td>211,136</td>
<td>298,709</td>
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<td>Home Health Care Services</td>
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<td>Unclassified</td>
<td></td>
<td>10,526</td>
<td>40,523</td>
<td>29,996</td>
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NYC lost 140,000+ better-paying jobs in the recession, and while most of the job gains in the early recovery were low-wage, many recent gains have been in middle- and high-wage jobs.

- From Q2 2010-Q2 2016, NYC had a net gain of over 550,000 jobs (plus another 70,000 since Q2 2016), or 15%.
  - 45% were in low-wage industries, and about 290,000 were fairly evenly split between middle- and high-wage industries.
- For the first time since the 1950s, NYC’s expansion was not propelled mainly by Wall Street. Rather, NYC growth has been diversified, with all but 4 of the 26 industries shown in the previous table showing net growth in the recovery.
  - 10 middle- and high-wage industries have had job growth > 10%, including professional services, information, construction, and performing arts.
  - The tech sector has grown rapidly, w/ comp. services up > 50% since 2010.
  - There has also been a rebound of 25,000 very high-paying finance and insurance sector jobs.
- However, the 3 fastest growing industries (+152,000) were all low-wage, with food services and home health care being the two lowest paid of all industries.
Real NYC hourly wages have risen across the board since 2013; w/ 8.4% median increase > U.S. 2.8%
Unlike most parts of the U.S., NYC wages have been rising since 2013, and that’s been true across the wage spectrum.

- Three state minimum wage actions have helped lift wages at the bottom—the increase to $9 enacted in 2013, the fast food wage board $15 minimum in 2015, and the statewide $15 minimum enacted in 2016.
  - From $7.25 in 2013, the minimum rose to $9.00 at the beginning of 2016, and by the beginning of 2019, it will be $13.50 (employers < 10) or $15.00.

- The Economic Policy Inst. estimates that 35% of all NYC workers will directly or indirectly benefit from the increase to $15, with average wages rising by 23%.

- The NYC Mayor’s Opportunity Office estimates that the minimum wage increases to-date have lifted 280,000 city residents out of poverty.

- Over 60,000 chain-store fast-food workers are now receiving at least $12/hr.
  - Limited service food store employment has increased 23% since 2013, and continued to rise through the 1st half of this year.
NYC median family income rose 4.4% in 2015, but still lagged the 2008 level ($2015)
Incomes for NYC families in the bottom half of the income distribution rose 2013-2015, and poverty declined.

- Using the ACS data, the NYC Mayor’s Economic Opportunity Office estimates that real family incomes for those throughout the bottom half of the income distribution rose considerably between 2013 and 2015, with increases ranging from 5.4% at the 40th percentile to 16.3% at the 10th percentile.
  - Contributing factors to these wage gains include the rising wage floor, strong job growth, and declining unemployment.

- The Economic Opportunity Office also estimates that there was a statistically significant decline in the city’s overall poverty rate from 20.7% in 2013 to 19.9% in 2015, and nearly a two-percentage point drop in the poverty rate for children between 2010 (24.7%) and 2015 (22.8%).
To summarize:

1. 2008-09 recession more moderate in upstate NY
2. Buffalo metro real per capita GDP growth a leader in the Northeast-Midwest
3. Buffalo mfg. employment rebound in transp. eq. & machinery mfg. keeps pace
4. Much of recovery job growth in both Buffalo and NYC in low-wage industries
5. NY’s minimum wage increases lifting low wages in Buffalo & NYC
6. Real average wage growth in Buffalo since 2009, especially in food services
7. Buffalo poverty rates remain very high, particularly for children (49%)
8. Gov’t the biggest source of decline in middle income jobs in Western Region.
9. Recovery job growth in NYC >2X nat’l growth; now 500K above previous peak.
10. Diversified NYC recovery with most sectors adding jobs.
11. 1st time since 1950s NYC growth not propelled by Wall Street.
12. Strong real NYC wage growth across the wage distribution.
For questions or comments, contact:

James A. Parrott, Ph.D.
Director, Economic and Fiscal Policy
Center for New York City Affairs
The New School
New York City

ParrottJ@newschool.edu
jamesparrotnyc@gmail.com