New York City Low-Pay Jobs Explosion Shows U.S. Economy Is Collapsing

by Richard Freeman

During the past decade, especially since 1993, America has been called the "great jobs-creating machine." But, the example of New York City confirms a process that has been true for the nation as a whole: Most of the created jobs were low-paying. Stripped of its ornaments, the false claim that America is in the 119th month of an "economic expansion" has rested primarily on its supposed ability to create jobs, but a significant percentage of those jobs provide too little income to support human existence. During the past decade, if one were to classify all jobs into four annual pay-scale categories—jobs paying less than $25,000; $25,001 to $50,000; $50,001 to $75,000, and more than $75,000—then, in New York City, the greatest number of jobs created were those paying $25,000 or less per year.

The low-paying job creation represents the trajectory of an economy which, during the mid-1960s, had a post-industrial-society policy imposed upon it by the British financier oligarchy.

A key feature of that policy was the Aug. 15, 1971 decision to take the U.S. dollar off the gold-reserve standard, which divorced financial flows from actual production. That post-industrial-society policy shut down manufacturing, agriculture, and infrastructure, and built up non-productive services and a financial bubble. Over the last three decades, the financial bubble increasingly sucked the U.S. physical economy dry. The number of manufacturing jobs, which are necessary for the development of the economy and are also well-paying, contracted. Instead, there grew a proliferation of non-productive service-industry jobs, most low-paying, which were in the retail trade, day-care services, janitorial and cleaning work in office buildings, etc. A limited ration of the service jobs, however, created in the finance and real-estate fields, and reserved for the upper 20% of the population (by income class), was well-paying.

We look at the New York City study for 1989-99, to see the change in the composition of the labor force, and the sharp rise of low-paying jobs. Within that environment, we examine the shift away from manufacturing jobs to retail jobs. Finally, we see how this exhibits, in the microcosm, what is happening nationally.

Low-Wage Jobs Grow

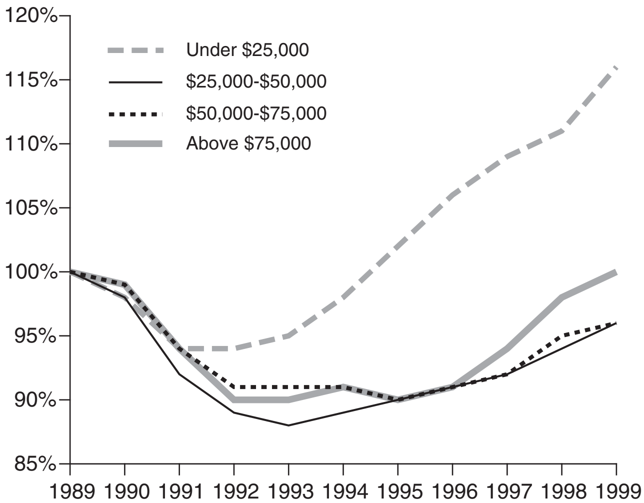
Figure 1 shows the change in New York City employment, by industry wage-interval. This figure and some additional data are taken from a September 2000 study, "Building a Ladder to Jobs and Higher Wages," prepared by the Community Service Society of New York, a community organization whose analysis of New York City employment is quite competent.[1] The study looks at the employment change between what economists call the "peaks of the business cycle," which supposedly occurred in 1989 and 1999. Though economists use this term to describe the climax of economic growth, what it really describes is the climax of job creation. And most of these jobs, as we will show, were low-paying. The real physical economy underneath, especially infrastructure, was not climaxing, but collapsing.

The study, to arrive at the category of "jobs paying under $25,000 annually," took all those industries which paid, in 1999, an average wage of less than $25,000 per year. Necessarily, if in 1999, an industry still did not pay an average wage to its workers of $25,000 per year, then, during the 1989-99 cycle, it did not pay a wage, in current dollar terms, of $25,000 per year. There were several sub-categories of industries, in which the average annual wage was less than $25,000 per year. The total employment in these industries and sub-categories of industries was added up, and a sum presented for each year from 1989 to 1999. The same process was undertaken to calculate the total number of workers for each pay-scale category.

We emphasize here, why an annual wage of less than $25,000 is of such great import as a marker of the deterioration of the economy. In 1999, the U.S. government established that the poverty level for a family of four was $16,700 per year. But that level is a cruel joke. In fact, *EIR* would establish a bare-minimum poverty level as that which the Commerce Department calls "150% of the poverty line," which, for a

1. The study is technically the product of the Working Group on the New York City Low-Wage Labor Market. However, this group was formed at the initiative of the Community Service Society, whose chief policy analyst, Mark Levitan, did most of the work in preparing the report.

FIGURE 1
Change in New York City Employment, by Industry Wage-Interval
(Percent of 1989 Level of Jobs)



Source: "Building a Ladder to Jobs and Higher Wages," a report by the Working Group on the New York City Low Wage Labor Market, and the Community Service Society.

TABLE 1
Changes in New York City Employment, by Industry Wage-Interval

Average Annual Wage	Employment (thousands) 1989	1999	Change 1989–99
Less than $25,000	508.94	589.86	+80.92
$25,001-$50,000	1,862.79	1,796.50	–66.29
$50,001-$75,000	482.60	462.82	–19.78
More than $75,000	638.06	641.01	+2.95

Sources: "Building a Ladder to Jobs and Higher Wages," a report by the Working Group on the New York City Low Wage Labor Market, and the Community Service Society; *EIR.*

family of four, qualifies as $25,050 per year. This is still not enough to raise children productively: In New York City, a family of four would require a pre-tax income of $50,000. Thus, someone who earns below $25,000 per year is, indeed, earning a level that is below bare-minimum poverty. It should also be kept in mind, that many of the jobs in the under-$25,000-per-year category, only pay $8-15,000 per year. So, even if a family has two of these jobs, they can still be earning below the poverty level.

Figure 1 starts by setting the level of employment in 1989 for each of the four annual pay-scale categories as equal to 100%; then, it expresses the level of employment for each subsequent year, as a percentage of the level that existed in the 1989 base year.

Two points about the performance of the four curves, become manifest. First, each begins to dip after 1989, reaching relative low points in either 1992 or 1993. Then, they all start rising. From the low-point of 1992-93, each of the four curves shows an employment gain.

Second, if instead of measuring employment level changes, starting with the nadir of 1992-93, the measurement is made from 1989, a more telling picture emerges. In this instance, two of the curves—the "middle income" jobs—never make it back to their 1989 employment level, and a third only barely exceeds its 1989 level. The only curve that makes a major gain relative to 1989, is the one representing jobs that pay under $25,000 per year.

To be concrete: In 1989, there were 508,942 workers employed in New York City, in industries which paid less than $25,000 per year. The 1989 employment level was set equal to 100%. In 1992, there were 477,996 workers employed in industries which paid less than $25,000 per year, which represented 93.9% of the 1989 level. This was a relative low point. However, by 1999, there were 589,862 workers employed in industries which paid less than $25,000 per year, which represented 115.9% of the 1989 level. Since 1989, there were 80,920 jobs paying under $25,000 per year added to the New York City workforce.

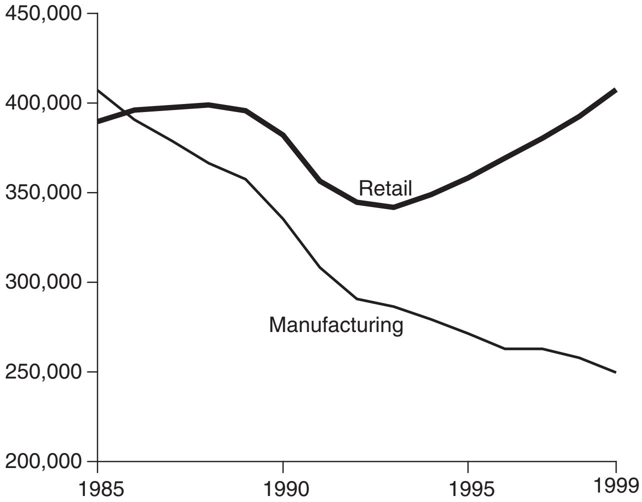
City Headed Backwards

Table 1 shows the gain or loss in employment between 1989 and 1999, for each of the four pay-scale categories. In this period, the pay-scale category of $25,001 to $50,000 per year lost 66,282 jobs, and the category of $50,001 to $75,000 per year lost 19,781 jobs. Together, these two categories lost 86,063 jobs. The pay-scale category of over $75,000 per year, registered a slight gain of 2,944 jobs. Thus, almost all the job growth in New York City occurred in jobs paying under $25,000 per year, that is, jobs paying below what *EIR* calls the real, bare-minimum poverty level.

Figure 2, showing the level of employment in New York City of manufacturing and retail, indicates a reason for the shift. In New York City, between 1985 and 1999, the number of manufacturing jobs dropped from 407,235 to 249,713, a fall of 39%. These jobs are indispensable for the development of the economy, and are also well-paying (with the exception of the low-paying jobs in the garment industry). By contrast, during this period, the number of retail jobs rose from 389,799 to 407,629, a gain of 5%. In addition, since 1985, there were 312,254 jobs created in the service area, many of them as aides and orderlies in health care, housekeepers at hotels, janitors and cleaners at office buildings, security guards, and so on.

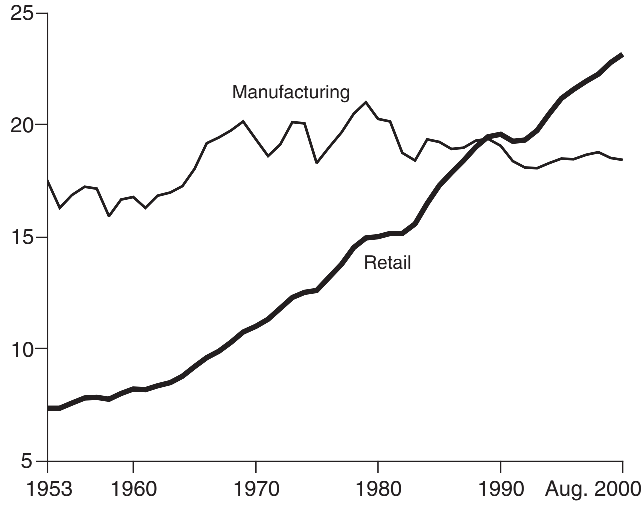
Whereas non-supervisory jobs in manufacturing pay

FIGURE 2
New York City Retail Employment Versus Manufacturing Employment



Sources: New York State Department of Labor; *EIR.*

FIGURE 3
United States Retail Employment Versus Manufacturing Employment
(Millions of Workers)



Sources: U.S. Department of Labor, Bureau of Labor Statistics; *EIR.*

$29,750 per year (itself not enough to support a family), nonsupervisory jobs in the retail trade pay $13,700 per year (these are U.S. Department of Labor figures for the nation as a whole, but the New York City levels do not differ significantly). Jobs in the service sector for housekeepers, janitors, and security guards pay the same low wage as jobs in the retail trade. In the case of security guards, many positions pay only $7 per hour.

Thus, New York City is headed backwards, with increasing numbers of low-paying jobs.

Just as *EIR* has done for the past ten years, the Community Service Society also focussed on the level of 150% of the poverty line. In its report, it writes, "measured by the standard of income adequacy, 150% of the Federal poverty line, nearly one-third (32.9%) of New York's working families do not have a sufficient income."

Further, even by the measure of the official poverty line, and not employing the more realistic 150% of that level, the poverty rate for New York City working families with children jumped from 11.0% in the late 1980s, to 19.2% in the late 1990s.

The collapse in living standards, as typified by the increase in low-paying jobs, is part of the collapse of the physical economy of New York City as a whole. Many New York City bridges are rated by the Federal Highway Administration as "structurally deficient," water mains and water systems break down frequently, and so on. As *EIR* has reported (see "Hyperinflationary Price Explosion in Housing Sweeping the U.S.," *EIR,* Sept. 15, 2000), by the late 1990s, the number of extremely-low-income renter households exceeded the number of available low-cost apartments by half a million, according to a study by the New York Coalition for the Homeless. *In 1999, more than 500,000 renter households in New York City paid more than half of their income for housing. This represented 27% of all New York City renters paying more than half of their income for housing.* Households cannot survive on that basis.

The Pattern for the Nation

The study of New York City job creation is an important lesson for the nation. While it is not representative of the nation in the respect that, between 1989 and 1999, it did not experience a total growth of jobs, in other respects, it is representative.

For example, the shift away from manufacturing jobs to retail jobs is also occurring nationally. **Figure 3** shows, for the United States as a whole, that since 1989, manufacturing employment has lost 926,000 jobs, while the retail trade has gained a whopping 3.690 million jobs. The manufacturing jobs are productive and well-paying; the retail jobs are nonproductive and low-paying.

The national economy has not experienced 119 months of economic expansion. It has experienced a deepening collapse of the physical economy, and a steady, but pronounced fall in living standards. The New York City study of the proliferation of low-paying jobs is a strong example of this trend in America's largest city.