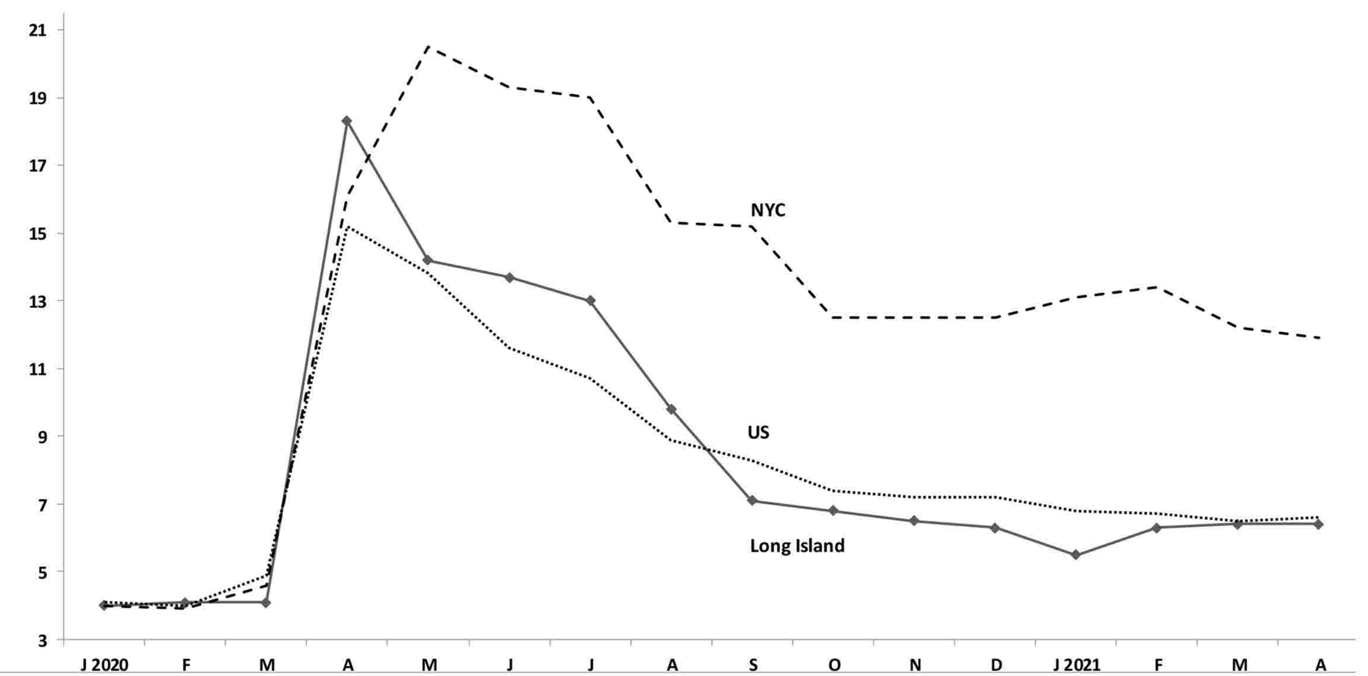
New York's Post-Pandemic Economy: Will Recovery Reshape Labor Prospects?

by Gregory DeFreitas

As 2021 hits the mid-year mark, health and job gains have surged apace with public hopes of a new beginning. COVID-related deaths in the U.S. peaked this January at 26,000/week. Since then, half the population has received vaccinations and the weekly death rate has plunged by 90%. With growing confidence in public safety and relaxation of business restrictions have come increased signs of health in job markets. Thanks to many months of public health efforts and rising vaccination rates, the country was able to start blinking its way out of The Great Confinement in the first half of this year. Continued massive federal aid packages kept total incomes and spending from cratering. By gauging progress to date, at both the national and local levels, we may be better able to chart promising economic policy paths forward.

The COVID-19 pandemic shrank the national economy by 3.5% in 2020. That April, the national lockdown caused the official unemployment rate to nearly quintuple to 14.7% in April and the number of unemployed jobseekers quadrupled to 21 million – the biggest monthly increase in over 70 years of government records (Figure 1). That same month, the $2 trillion federal CARES aid began flowing, thereby preventing even worse joblessness, income loss and business failures. In the following months, as one state after another, sector by sector, gradually emerged from lockdowns, job growth resumed. By September, nearly 12 million jobs had been regained. But that was still barely half the jobs lost in April and the unemployment rate hovered at twice the pre-COVID level. With key parts of the CARES aid package about to expire at summer's end, Congressional Democrats pushed for passage of the

Figure 1:
Unemployment Rates in U.S., NYC & Long Island, 2020-2021(% monthly, seasonally adjusted)



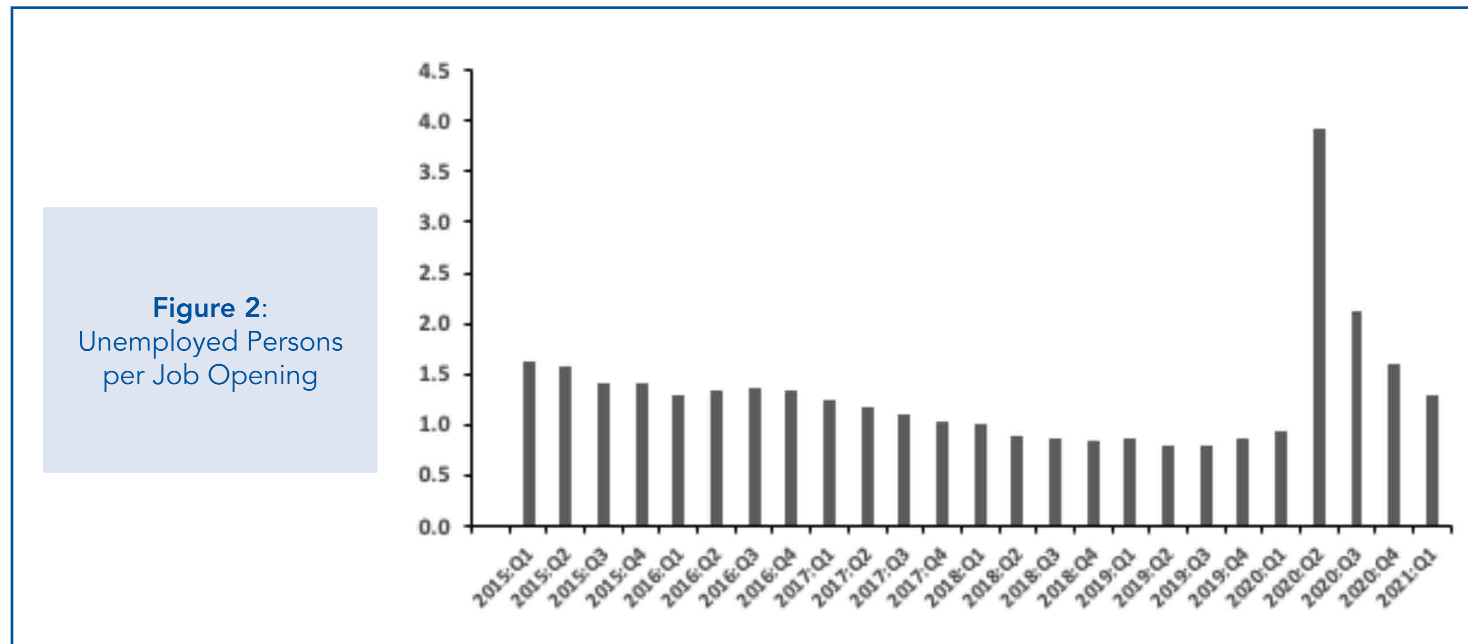


Figure 2: Unemployed Persons per Job Opening

HEROES Act. This would have extended through December the employer mandate for emergency paid sick leave and family medical leave; the $600 UI supplementary federal benefit as well as PUA coverage of the self-employed and gig workers; and the Paycheck Protection Program of business loans. Additional, controversial elements were: a second, one-time "recovery rebate" payment of up to $1200/adult; health insurance assistance for those laid off during the pandemic: federal aid to state & local governments & the US Postal Service to avoid layoffs and disruption of vital services; and a Heroes Fund to ensure that essential workers received hazard pay and child care assistance.

The Republican-led Senate killed the HEROES aid bill, arguing that its benefits would remove incentives for job search by unemployed workers just as the job market was rebounding. But, with no resumption of federal aid through the autumn, job growth slowed to a feeble 0.4% and the job deficit was still over 10 million by December. Late that month, Congress finally passed the $900 billion CARES-2 Act. It updated parts of the initial $2 trillion CARES Act by including among its main components:

- Direct one-time payments to eligible households of up to $600/ adult and $600/child;
- Unemployment Insurance Supplement of $300/week from the federal government, on top of state UI benefits;
- Pandemic Unemployment Assistance, extending UI temporarily to freelancers and independent contractors;
- Eviction Moratorium extended to February 28, 2021;
- Child Care Providers supported by $10 billion of funding;
- Expanded internet access for low-income communities via $50/ month subsidies for broadband expenses;
- Paycheck Protection Program (PPP) extended with another $285 billion in loans to small & medium-size businesses;
- Educational assistance to K-12 schools ($54 billion), colleges and universities ($23 billion).

Once the new Biden administration took office in late January, it moved quickly to seek a more ambitious program to provide both broad stimulus and target more aid toward groups disproportionately harmed by the pandemic – particularly working mothers and low-income African Americans, Hispanics and Native Americans. President Biden signed the $1.9 trillion American Rescue Plan Act (ARPA) into law in mid-March. Its provisions include:

- Direct one-time payments to eligible households of up to $1400/ adult and $1400/child (phased out as income rises above a threshold level);
- Unemployment Insurance Supplement of $300/week from the federal government, on top of state UI benefits, until Sept. 6, 2021;
- Pandemic Unemployment Assistance, extending UI temporarily to freelancers and independent contractors;
- Emergency Rental Assistance Program adds $25 billion to state/ local govt. funds to aid high-need households struggling with rent and utility bills;
- Paycheck Protection Program (PPP) extended with another $7.25 billion in loans to small & medium-size businesses, plus tax-exempt nonprofits; deadline for applications remained 3/31/2021.
- Higher Educational assistance to colleges and universities (increased to $39.6 billion).
- State & Local Fiscal Recovery Fund of $350 billion to state, local and tribal governments to cover pandemic-related public health and other costs, as well as to fund child care providers and improve infrastructure (including broadband access for lower-income households);
- Child Income Tax Credits extended to 93% of children and benefits increased to $300/child age 5 & under, $250/child ages 6-17. For example, a single mother with income under $112,000 raising two young children could qualify for $7,200/year (paid monthly, to ease cash flow), plus SNAP and Medicaid;

The ARPA child benefits only last one year, but could slash child poverty nearly in half, according to a new Columbia University study.[1] If made permanent, they would move the U.S. far closer to EU-style "family allowances and thus "have the makings of a policy revolution," in the words of one poverty policy specialist.

However, Republican opposition forced two key proposals to be dropped from the final law. One would have gradually raised the federal minimum wage – stuck at $7.25 for over a decade – to $15 per hour by 2025. The other would have set the Unemployment Insurance Supplement from the federal government at $600/week – restoring it to the level in the original 2020 CARES Act.

Worker Shortage or Wage Shortage?

Republican critics, including those who voted last year for the $600/month federal UI supplement in the original CARES Act, refused to allow passage of the entire Biden rescue package if it included the same supplement level. Why? Their argument was based on claims that the economy was fast pulling out of the recession and employers were planning more hiring. The main government job vacancies survey did show a slight improvement in the ratio of jobless adult to job openings early this year, though it was still higher than pre-pandemic levels (Figure 2). Also, initial claims for unemployment insurance have been steadily dropping since early January. But conservatives insisted that higher UI benefits would be a disincentive for low-wage individuals to seek employment. Similar conservative claims were made to sink the HEROES aid bill last fall, inspiring a number of new empirical studies to test the UI-unemployment duration claim. Their findings so far fail to support such fears.[2]

In fact, the relatively low-wage leisure and hospitality sector, hardest hit by the 2020 recession has been recording the most rapid job growth this year. This runs directly counter to the argument that, the closer UI benefits rise to a worker's expected earnings from work, the less likely that worker is to opt for a job over a government check. Nationwide from December to May, the all-industry job count has grown by 2.4 million (a 1.7% increase). Compare that with the 9.4% job growth in leisure and hospitality. And among teenagers, a traditional hiring target for that sector's employers, labor force participation has risen and unemployment fallen more than for other age groups. African American teenagers' unemployment rate – 35% in May 2020 – 12 months later has dropped to 12.1% – the lowest on record.[3]

Nonetheless, retailers and restaurants have been grabbing more media attention with complaints of a "worker shortage" leaving them with inadequate staffing. Such claims are having real consequences. Half the states – all Republican-led – have now ended distribution of federal supplemental benefits to their unemployed residents. Even though those extra funds cost each state's treasury nothing and would otherwise run through September 6th !

How do we really know if there's a true "worker shortage?" The textbook economics answer is to first look at wage levels. Capitalist markets are supposed to signal deficient supply by pushing up the price of labor – the hourly wage. While some nominal wage increases have started in restaurants and other industries, overall these have still been too small and too counterbalanced by stagnant pay elsewhere to raise inflation-adjusted wages (Figure 3). As of this April, the average hourly wage of non-supervisory production workers, after inflation adjustment, is 3.4% ***below*** its April 2020 level! Turning to wages per week: even with a 2.7% expansion of weekly hours of employment, real earnings per week also fell, from $882 per week down to $875 – a 0.8% decline.[4]

If workers' wages have not been rising rapidly, why has price inflation suddenly become a hot media topic? It's true that the Consumer Price Index went up by 5% in May compared to 12-months earlier? That is mostly explained by a sharp rise in both vehicle and gasoline prices. The former was driven by a slowdown in major automakers' production lines, caused by their supply shortages of car computing components made in Asian factories. The gas price jump seems largely due to two forces: first, increased commuting to newly reopened stores and workplaces. And second, a shocking ransomware shutdown of a major U.S. pipeline operator by a Russian hacking collective. The result: fuel shortages, a spike in gasoline prices, long lines of desperate car owners at gas stations from Texas up the East Coast, and chaos at airlines. The situation only eased once Colonial Pipeline paid millions in ransom. In early June, the US Justice Department announced it had seized much of the Bitcoin ransom from the hackers.

With retail, leisure and hospitality industries facing more of a "wage shortage" than a worker shortage, the pandemic also has fully revealed their disadvantages in erratic scheduling, inadequate health insurance, sick leave or parental leave and often dangerous working conditions, worsened by aggressive customers ignoring mask and distancing standards. Little wonder that two-thirds of the unemployed now tell surveyors that they've "seriously considered" changing their field of work, according to a January Pew Research poll.[5]

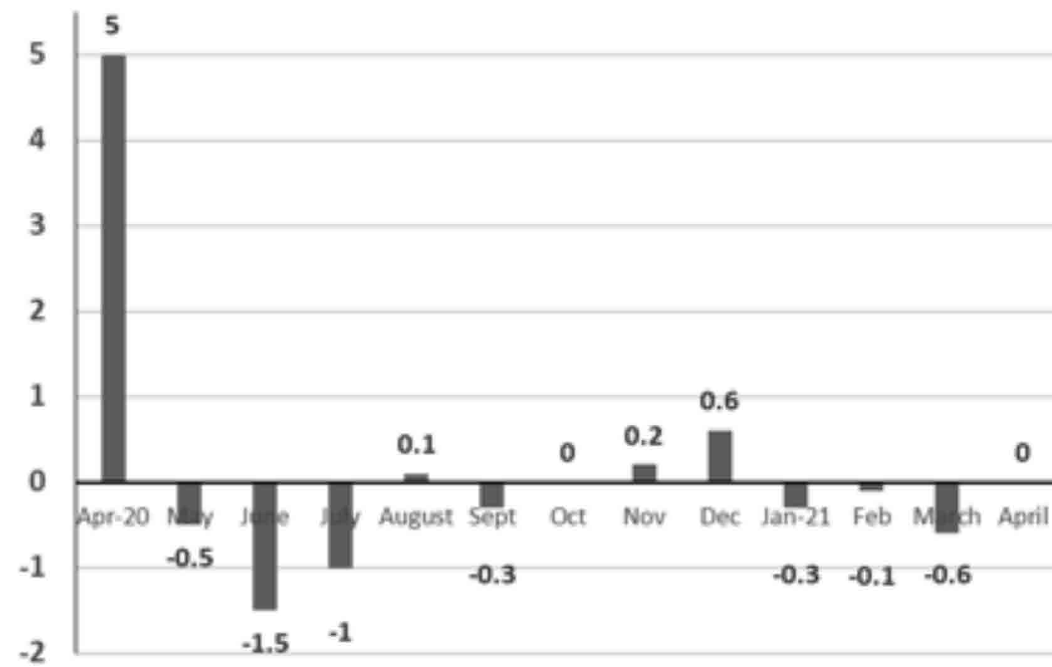
Workers surviving the past year's job hazards – most with no hazard pay supplements – may be responding to the continued weak real pay growth by demanding employers dig deeper in their wallets to sweeten starting pay. The New York Federal Reserve Bank's Survey of Consumer Expectations has, since 2014, been asking a nationwide sample of household heads to reveal the lowest acceptable wage offer they'd demand to take a new job.[6] The latest results show that both those with and without college degrees have raised their minimum "reservation wage" over the past 12 months (Figure 4). The same is true of both men and women, though the latter continue to experience a wide gender pay gap. (Figure 5).

Profitability is no excuse for the lack of hazard pay or benefits at some of the biggest firms in the country. A new Brookings study of the largest 13 retail giants found that, in 2020, their profits soared 40% and their share prices nearly as much. Yet, out of their

extra $16.7 billion in profits, they inched up the hourly pay of frontline workers by just +10% (+$1.11/hour, on average). In contrast to Amazon, CVS and Walmart's extraordinary stinginess, Best Buy, Home Depot and Target all responded to the pandemic with hazard pay and a variety of benefit offerings.[7]

Even some far smaller businesses with far thinner profit margins are now reassessing their outdated employment policies. An example of employers now taking a "high-road" approach to hiring is Amanda Cohen, owner of an award-winning restaurant in New York City, who told the *Guardian*:[8]

Figure 3: 2020-2021Changes in Real Hourly Wages (%)



> "Over the course of the year, I reevaluated the business and realized that we have to start paying our employees more, and we have started offering them more Even before there were rumblings of a huge labor shortage, my goal had always been to change the Dirt Candy house model, to offer my employees a much better living wage, I have been offering them benefits, and offering them sort of all the extras and perks that you would get in a more standard office, like paid days off and more sick days than the ones that are regulated by the government." Cohen said most of her employees received raises between $8 and $10 an hour, and they had no problem finding workers as restaurants began reopening this spring.

City & Suburbs

New York City and Long Island – the early epicenter of the country's pandemic – initially led the nation in infections and deaths from the coronavirus. In its first month, from mid-March to April 2020, the city's lockdown caused a job plunge of -843,000,– an 18.3% decline. Three-fourth's of NYC jobs lost were in mostly low-paid "face-to-face" industries, such as education, entertainment, hospitality, non-food retail, and restaurants. Industry-by-industry stats showed that no sector was unharmed, but the single largest monthly job loss was in the leisure and hospitality sector: closure of its bars, restaurants, cafes, hotels and unique cultural and entertainment facilities cost 317,600 jobs (67% of the entire industry group). And since new hotels were among some 118 building projects in the development/construction pipeline, that sector's woes also caused large construction job losses.

The spring labor market hemorrhaging ended last May with the addition of 20,000 net new jobs. From then through last December, the total job count rose by 304,300. So far this year through April, another 122,300 have been added. The positive take on this is that, on a 12-month April-to-April basis, there's been a gain of 376,000 positions (+10%). But that progress still leaves the city with 550,000 fewer jobs (-11.8%) than last February just before the pandemic hit here.

These job figures make New York's far above-average unemployment rate understandable. In the city last spring, the seasonally adjusted jobless rate more than tripled to 14.2% in April. It then kept rising sharply to 18.3% in May, before peaking the next month at a record-shattering 20%. Despite falling to 12% by October, it plateaued for months thereafter. According to the latest April figures, the jobless rate of 11.4% in the city is still almost twice as high as that of nearby suburbs or the national average.

Where is recent job growth coming from? The most rapidly growing sector since April 2020 has been leisure and hospitality. With few movie theaters, museums or other cultural institutions fully open and Broadway dark until at least the fall, the arts and entertainment subsector played no role in this. But new hiring at hotels drove the job count up by 95,000, a 59% increase over the 12 months through this April. At least as much growth will be needed in coming

months to narrow the sector's 200,000 jobs deficit compared with pre-pandemic months. (For these and other industry figures, see the charts below in "Latest Trends in Key Labor Market Indicators: Mid-2021."

Other rapid employment gains have come in relatively smaller sectors of construction (+55.5%) and manufacturing (+40%). The 27% jump in retail positions is largely attributable to hiring at reopened clothing and department stores. Traditional job generators like the educational/health services sector showed less than half as rapid expansion. Though health and social assistance added 89,600 jobs, education hiring remained stagnant. The latter characterization also applies to both Wall Street and the information sector. And state government lost 2,500 positions, though was spared deeper cuts by the Biden administration's new ARPA federal funding.

Employment in the transportation, warehousing and utilities supersector (TWU) has been particularly dynamic, pulled in conflicting directions by the pandemic. The collapse of nearly all air travel and much office commuting led taxi owners to mothball their licensed cabs. So from 13,500 medallion taxis, the available number on the road is still down by nearly half. Uber, Lyft and other for-hire services also scaled back, forcing many former drivers to grab whatever alternative work they could find. As the lockdown was relaxed and more workers needed to resume commuting, they faced often dramatically higher for-hire ride rates. The result has been that essential workers and others still needing to commute have had to rely solely on public transit – which many were hoping to avoid as protection from infection.

The main job alternative for unemployed drivers has been deliveries. With the public largely sheltering at home for months, Amazon rapidly scaled up its presence in the metro area. In addition to its first sprawling JFK8 warehouse in Staten Island, it is building a million-sq.-ft. facility in Queens and has bought or leased 12 New York City warehouses and another 14 in Long Island and New Jersey. The company's rapid influx of thousands of desperate new workers has drawn fresh scrutiny to its low-wage, high-turnover, tightly monitored employment practices. According to one recent report, Black employees are 50% more likely to be fired than white coworkers — whether for productivity, misconduct or absenteeism. Union organizing drives have so far been no match for the company's deep pockets and fierce union-busting tactics, but are expected to multiply with its expansion in a union-friendly city.[9]

Going forward, the NYC Independent Budget Office (IBO) expects the city to end this year with a net job gain of +264,000 jobs, followed by another nearly 200,000 in 2022.[10] But this will still replace only three-fourths of New York's lost jobs. It may take until 2024 to see net job growth. Why is the city having a more protracted recovery than the nation? One reason is that New York depends far more than most cities on a robust leisure and hospitality sector, driven importantly by both domestic and higher-spending foreign visitors. So long as countries struggle with elevated viral infection rates and limited access to vaccinations, the ability and desire to travel abroad will remail depressed. This will, in turn, slow the NYC recovery.

Slow growth and double-digit unemployment in the city may also constrain the recovery of Long Island, Westchester and other suburban areas partially dependent on the economy downtown. But their greater industrial diversification and attraction to new homebuyers fleeing the city have been proving valuable for recovery. The initial April 2020 lockdown shocked the unemployment rate up to nearly 18% on Long Island (seasonally adjusted; see Figure 1). But since then, the job rebound has pushed unemployment (at 5.9%) far below that in the city and close to the national average. As downtown, the fastest growth on the Island has come in leisure and hospitality, with 47,000 new jobs – 92% growth over the past 12 months. Over four out of five of these new jobs have been in restaurants and bars. A pandemic job deficit remains, though far smaller than in the city: As of this April, Long Island was 91,000 fewer jobs (-7%) short of its February 2020 total.

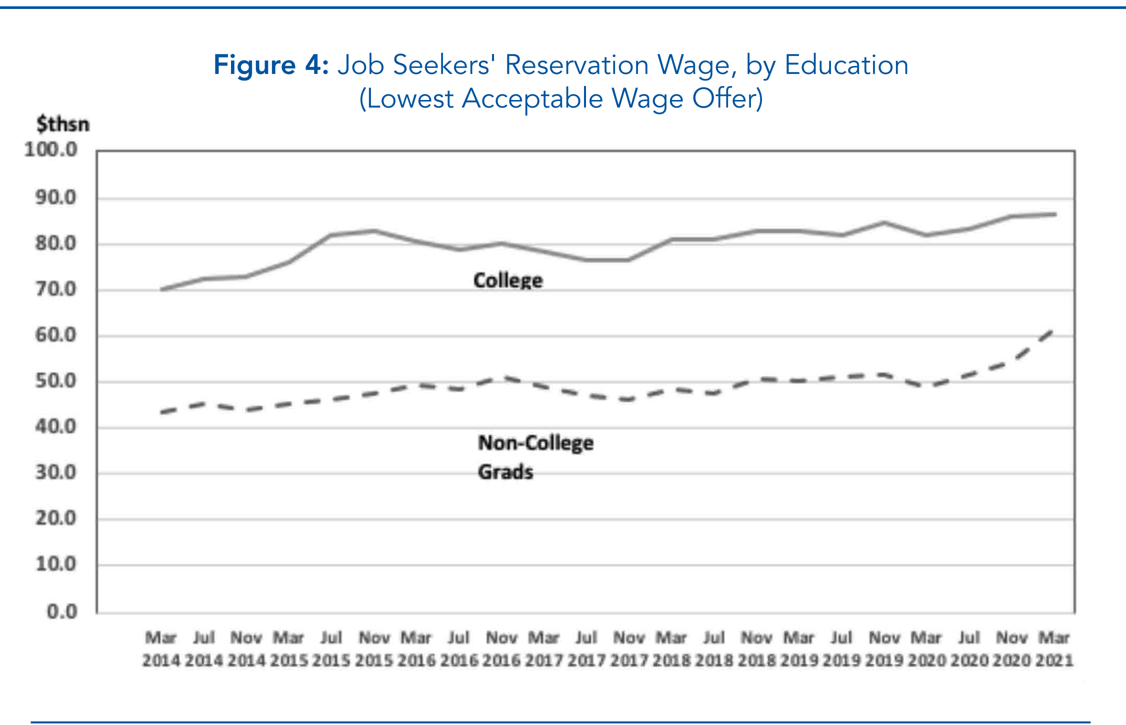
Recovery Prospects & Proposals

What does the near future hold for working people? Whether 2021 shows a speedy or gradual recovery depends on the course of the pandemic and the distribution of vaccines, as well as local and national political decisions. The $1.9 trillion American Rescue Plan, passed in mid-March, is only now beginning to buoy individual incomes, reopened businesses and state/local government budgets ripped apart by the virus's public health and economic damage. GDP is now forecast to resume its pre-crisis trend, but job count may be depressed until 2023-24 [CBO]

Much depends on the progress of vaccinations beyond the current 50% of the population and on the course the disease takes in coming months, as well as on how much if any of the ambitious Biden 2022 budget proposal squeeks through GOP opposition. The administration's 2022 budget proposes a $6 trillion American Jobs Plan – including major new long-term investments upgrading US infrastructure and dramatically expanding federal aid for child care, universal pre-K, and community college financial aid. Among its main components are:

- **Infrastructure plan:** The budget outlines the president's desired first year of investment in his American Jobs Plan, which seeks to fund improvements to roads, bridges, public transit and more with a total of $2.3 billion over eight years.
- **Families plan:** The budget also addresses the other major spending proposal Biden has already rolled out, his American Families Plan, aimed at bolstering the United States' social safety net by expanding access to education, reducing the cost of child care and supporting women in the work force.
- **How Biden would pay for it:** Funding will mostly come by raising taxes on corporations and high earners, which would begin to shrink budget deficits in the 2030s. Administration officials have said tax increases would fully offset the jobs and families plans over the course of 15 years, which the budget request backs up. In the meantime, the budget deficit would remain above $1.3 trillion each year.

Most major economic forecasts, whether by government agencies or independent academics, now expect that 2021 will register faster recovery in real GDP than in employment. But even if the Biden administration plans manage to win passage, its predictions of subsequent economic growth have been cautiously in line with independent economic forecasts such as those of the Congressional Budget Office (CBO) and academic models: fairly strong growth through 2022 back to the pre-pandemic path of the 2010s (averaging 2.3%/year). Followed by milder 1.8-2% growth rates the following year. Earlier this year, the CBO projected GDP growth of 3.7% in 2021.[11] But that reflects in part the depth of decline last year. In 2021-25, the economy is expected to expand by a far more modest 2.6% annually.



Figs. 4-5 Source: Survey of Consumer Expectations (2013-2021). Federal Reserve Bank of New York (FRBNY).

Congressional Republicans have so far this year consistently blocked Democratic efforts to strengthen the job and earnings prospects of working families. In addition to opposing a long-overdue increase in the federal minimum wage and extension of supplemental unemployment benefits, Republicans continue to militantly oppose the most important piece of labor legislation since the 1930s: the Protecting the Right to Organize Act. (PRO). As in Canada, it would allow more workers to conduct organizing campaigns and add penalties for companies that violate workers' rights. The act would also weaken so-called "Right-To-Work" laws that now allow employees in a majority of states to freeload off union legal and bargaining services by skipping dues payment. The bill would also close legal loopholes that allow employers to shirk tax and benefits obligations by misclassifying their employees as "supervisors" and "independent contractors." House Democrats passed the PRO Act on February 6th and President Biden promised to sign it. But it faces diehard opposition by Senate Republicans and their leading corporate backers.

And the Senate GOP in early June cut off debate on the Paycheck Fairness Bill. Passed by the Democratic majority in the House in April, the bill would combat pay discrimination against women and L.G.B.T.Q. workers by requiring employers to prove that pay disparities between men and women are job related. It would also strengthen the hand of plaintiffs using class-action lawsuits to battle pay discrimination.

If Congressional Republicans keep blocking pro-worker proposals, some states and cities are taking the lead. This January, 22 states hiked their minimum wage levels – directly raising pay for nearly 7 million of the lowest-paid workers, as well as indirectly pressuring pay hikes for millions more middle-wage employees too. In New York City, where the "Fight for $15" was born and succeeded in pushing up the pay floor for low-wage workers, has now strengthened their job security as well. Working women account for about two-thirds of the city's 66,000 fast-food sector employees – and roughly 90 percent are people of color. So they stand to benefit disproportionately from the City Council passage of a new bill that protects workers at large fast-food chains industry from being fired without a valid reason. An appeals process was also established over firings, based on arbitration. A companion bill requires fast food restaurants are also required to conduct layoffs according to worker seniority. Labor unions and other proponents argue that such industry-specific job protections could serve as a useful model for other metropolitan areas across the country.

Gregory DeFreitas is Professor of Economics at Hofstra University and Director, Center for the Study of Labor and Democracy.

REGIONAL LABOR REVIEW, vol. 23, no.2 (Spring/Summer 2021).
© 2021 Center for the Study of Labor and Democracy, Hofstra University

NOTES

1. Center on Poverty & Social Policy, Columbia University, The Potential Poverty Reduction Effect of President-Elect Biden's Economic Relief Proposal (Jan. 2021): www.cupop.org.; Jason DeParle, "In the Stimulus Bill: A Policy Revolution in Aid for Children," NY Times (3/07/2021).
2. See the recent work of multiple U. of Chicago and JPMorgan Chase researchers: P. Ganong, et al., "Spending and Job Search Impacts of Expanded Unemployment Benefits: Evidence from Administrative Micro Data," Becker Friedman Institute Working Paper (Feb. 2021): www.bfi.uchicago.edu.
3. US Bureau of Labor Statistics, The Employment Situation – May 2021 (June 2021): www.bls.gov.
4. US Bureau of Labor Statistics, Real Earnings – April 2021 (May 2021): www.bls.gov.
5. Long, Heather, "It's Not a 'Labor Shortage.' It's a Great Reassessment of Work in America," Washington Post (5/07/2021).
6. Federal Reserve Bank, Survey of Consumer Expectations (2014-2021). The SCE is a nationally representative, Internet-based survey of a rotating panel of approximately 1,300 household heads. Respondents participate in the panel for up to twelve months, with a roughly equal number rotating in and out of the panel each month.
7. Kinder, Molly, et al., "How the Biggest Retail Companies are Compensating Essentia; Workers during the COVID-19 Pandemic," Brookings Report (11/2020): www.brookings.org. See also: Corkery, Michael & Sapna Maheshwari, "Virus Cases Rise, but Hazard Pay for Retail Workers Doesn't," NY Times (11/19/2020).
8. Sainato, Michael, "The Restaurants that are Tackling Labor Shortages: 'We have to pay more,' " Guardian (6/09/2021).
9. Kantor, Jodi, et al., "Power and Peril: 5 Takeaways on Amazon's Employment Machine," NY Times (6/15/2021); Hayasaki, Erika, "Amazon's Great Labor Awakening," NY Times (2/18/2021).
10. NYC Independent Budget Office, "An Infusion of Federal Funds Boosts City's Bottom Line, As Vaccines Bring Optimism for Economic Recovery," Focus On the Executive Budget (May 2021): www.ibo.gov
11. Congressional Budget Office, Additional Information About the Economic Outlook: 2021 to 2031 (2/2021): www.cbo.gov.