

Buffalo and New York City Since the Great Recession

*for the Workshop on Economic Restructuring
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Cornell University Worker Institute*

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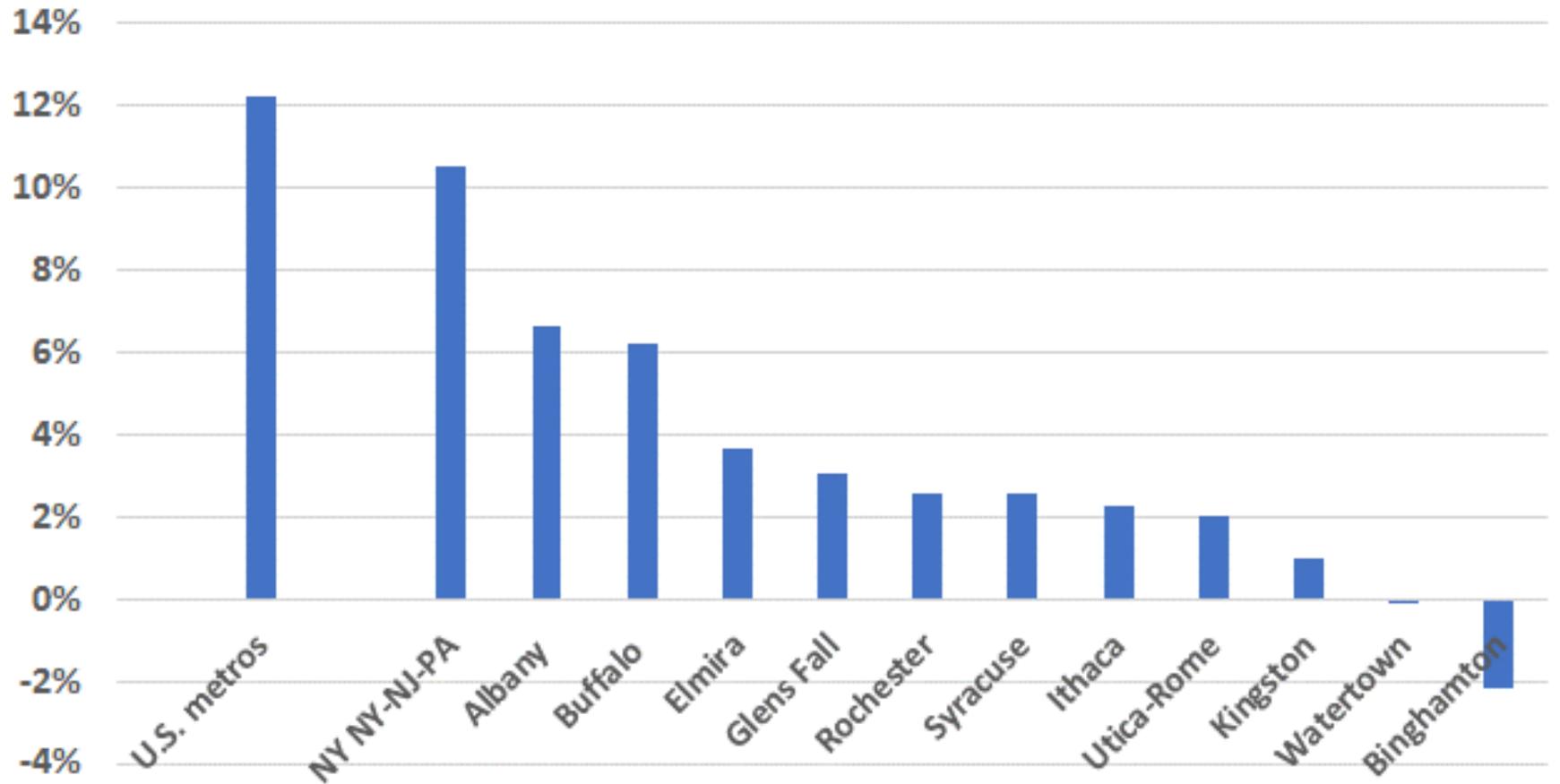
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Overview: Buffalo and NYC since the Great Recession

- 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.

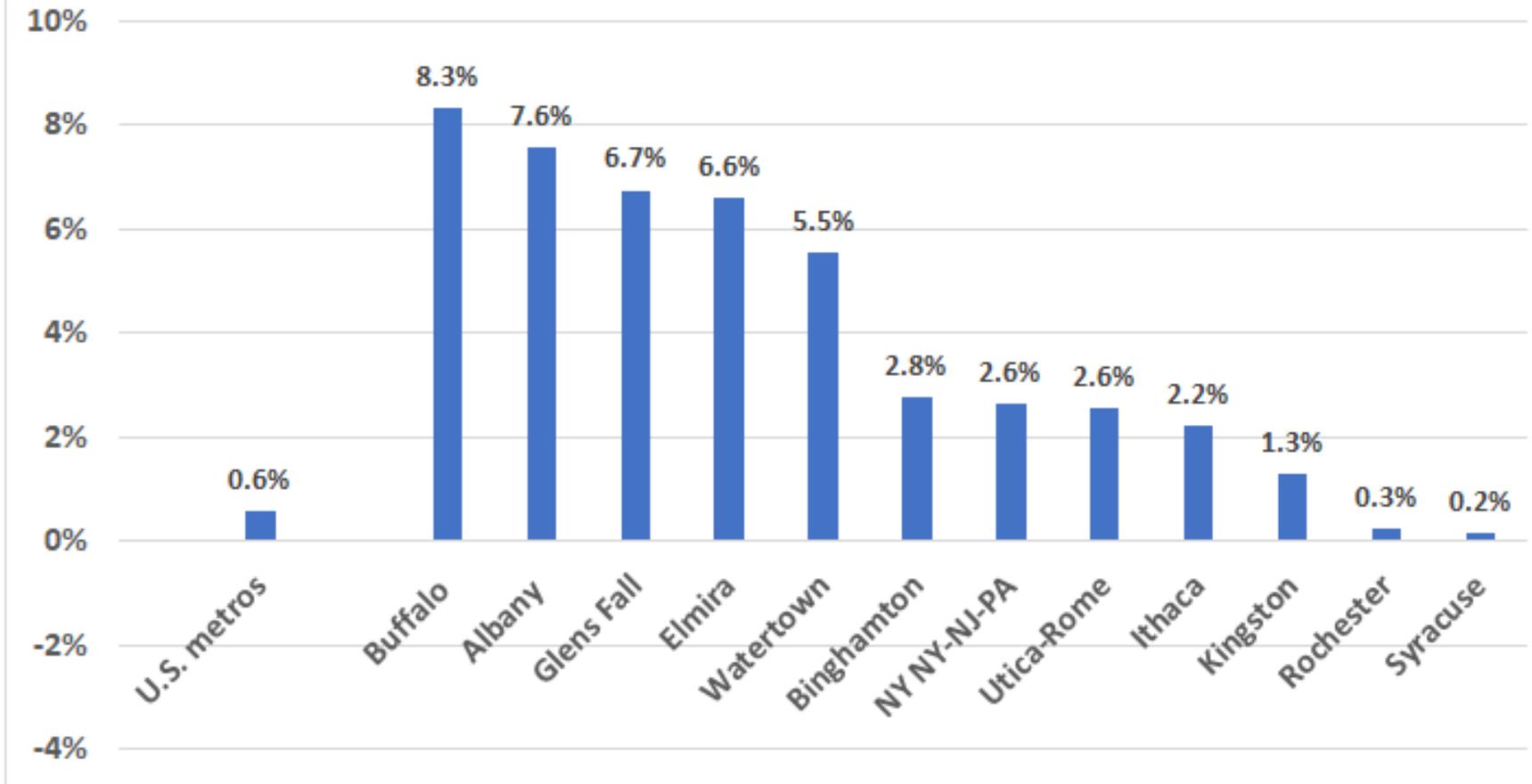
Real Metro Total GDP Change during the Recovery, 2009-2015



In the 1st 6 years of recovery, 2009-15, Buffalo's real GDP growth was 1/2 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



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.

Western NY Region	Average annual wage	Employment (second qtr)		Change		Share of total change^
		2010	2016	2010-2016		
All industries	\$42,764	619,277	636,456	17,179	2.8%	100.0%
High-wage industries (\$53,000 and up)						
Utilities	\$95,641	2,242	1,982	-260	-11.6%	
Management of Companies and Enterprises	\$83,491	12,138	14,135	1,997	16.5%	
Finance and Insurance	\$62,344	25,457	28,115	2,658	10.4%	
Manufacturing	\$59,295	64,513	66,410	1,897	2.9%	
Professional and Technical Services	\$58,637	28,286	27,396	-891	-3.1%	
Wholesale Trade	\$58,131	21,273	22,079	807	3.8%	
Information	\$55,119	8,565	7,501	-1,064	-12.4%	
Hospitals	\$54,342	19,600	17,582	-2,019	-10.3%	
Subtotal high-wage industries		182,074	185,199	3,125	1.7%	21.2%
Middle-wage industries (\$32,000 - \$52,999)						
Construction	\$51,748	21,001	23,774	2,773	13.2%	
Ambulatory Health Care Services	\$50,838	28,206	30,596	2,390	8.5%	
Total, All Government	\$50,207	120,576	111,198	-9,378	-7.8%	
Arts, Entertainment, and Recreation	\$44,338	7,977	9,517	1,539	19.3%	
Transportation and Warehousing	\$40,165	14,782	16,382	1,601	10.8%	
Real Estate and Rental and Leasing	\$37,857	7,108	7,968	860	12.1%	
Educational Services	\$34,574	15,328	16,062	734	4.8%	
Subtotal middle-wage industries		214,977	215,496	519	0.2%	3.5%
Low-wage industries (under \$32,000)						
Administrative and Waste Services	\$31,262	34,092	31,916	-2,176	-6.4%	
Agriculture, Forestry, Fishing and Hunting	\$28,036	2,346	2,601	255	10.9%	
Nursing and Residential Care Facilities	\$27,623	22,819	22,654	-165	-0.7%	
Retail Trade	\$24,460	71,816	74,464	2,648	3.7%	
Other Services, Ex. Public Admin	\$23,560	22,282	23,168	886	4.0%	
Social Assistance	\$22,195	14,810	17,566	2,756	18.6%	
Accommodation	\$18,283	5,014	6,321	1,308	26.1%	
Food Services and Drinking Places	\$15,646	47,882	53,783	5,901	12.3%	
Subtotal low-wage industries		221,061	232,473	11,413	5.2%	77.3%
Unclassified		461	2,877	2,416		
		change without unclassified		14,763		100.0%
Source: Quarterly Census of Employment and Wages, NY State Dept. of Labor; 2014 average wages.						

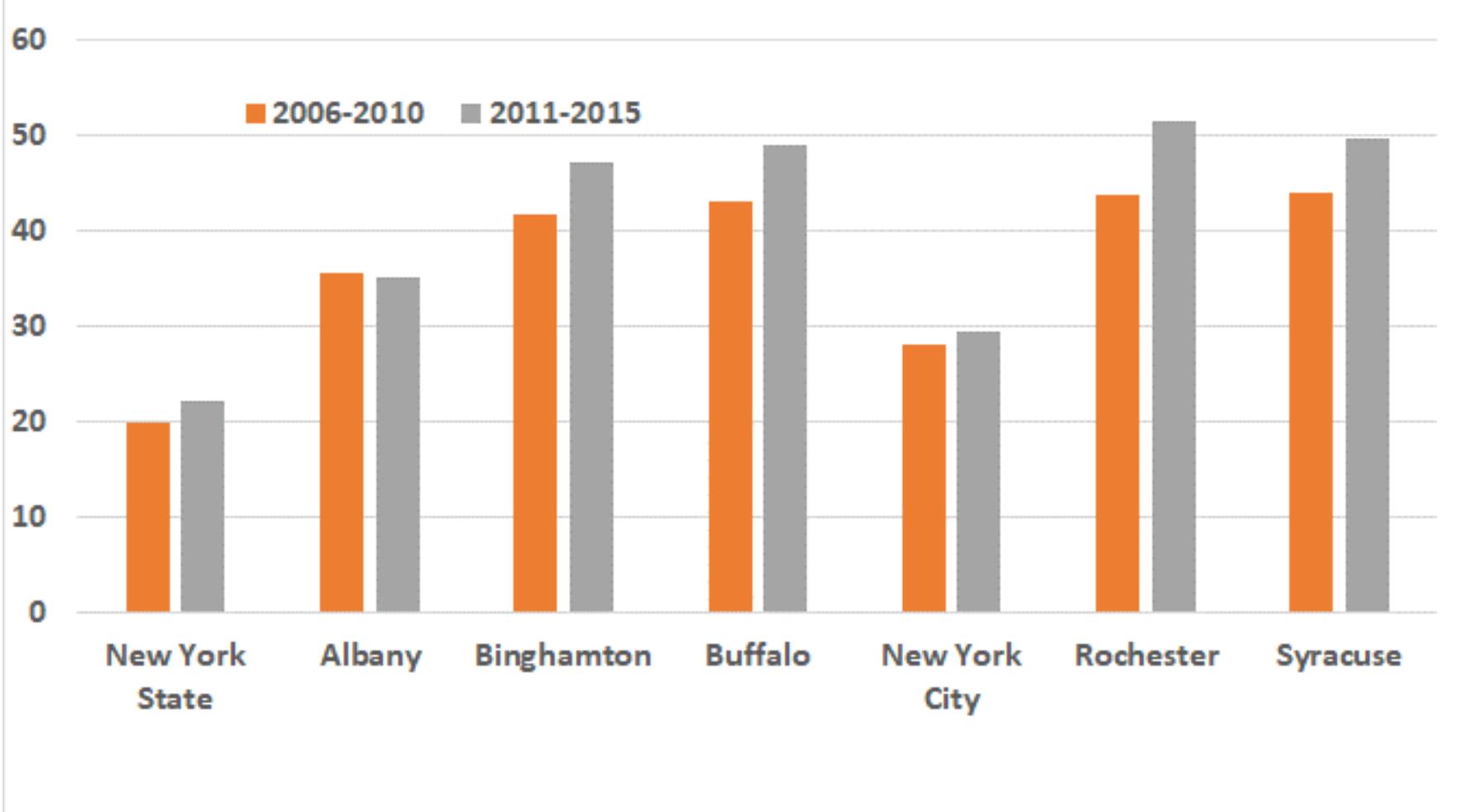
Most (3/4) of recovery net job growth for the Western Region has been in low-wage inds.; biggest decline in middle-wage gov't jobs.

- 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.
 - 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.
 - For all employment, real average annual wages increased 5.3% over this 7-year period. Average mfg. wages rose about 2.5%.
 - 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.

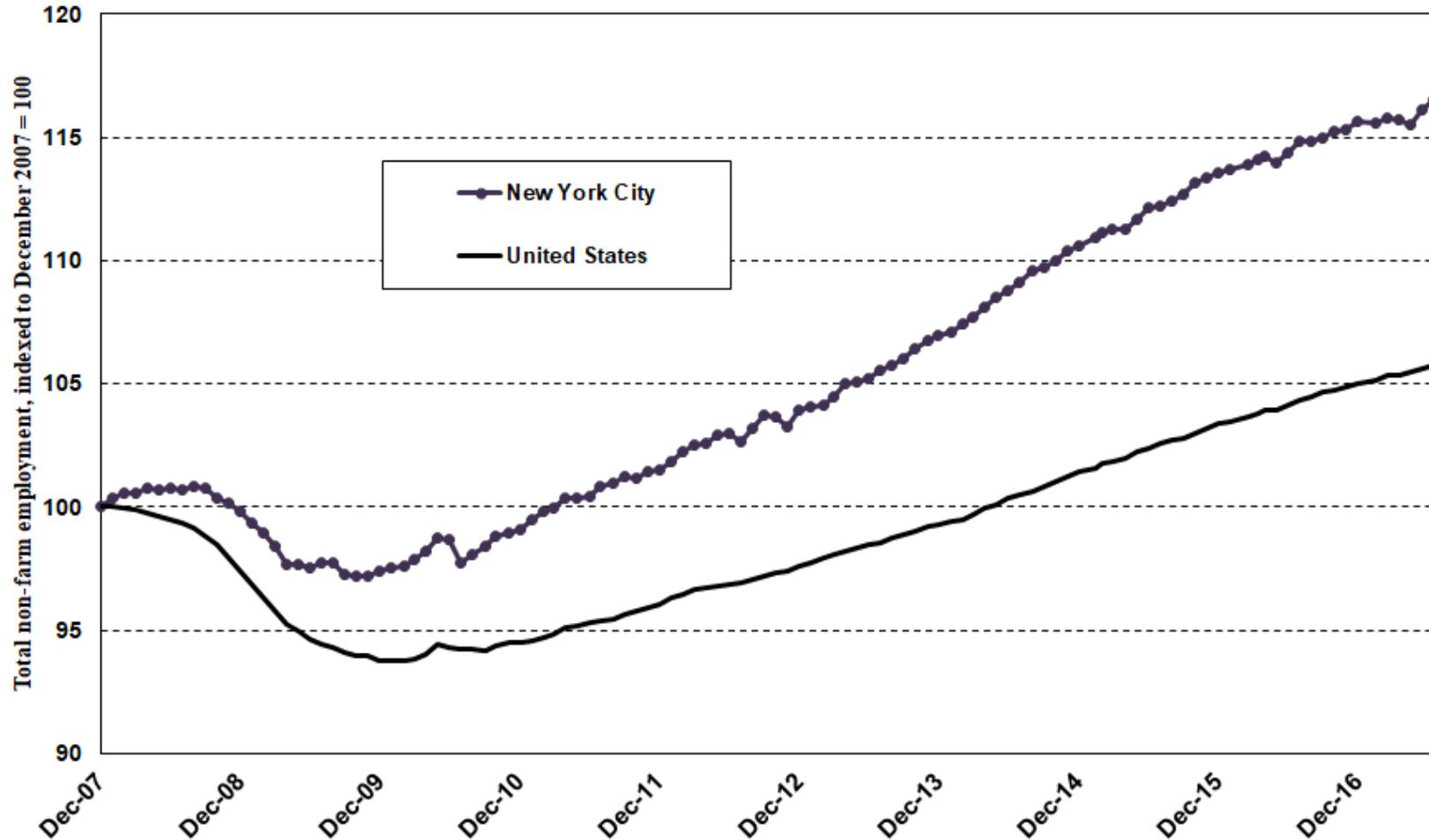
50% Child poverty Buffalo, up from 2006-10



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.

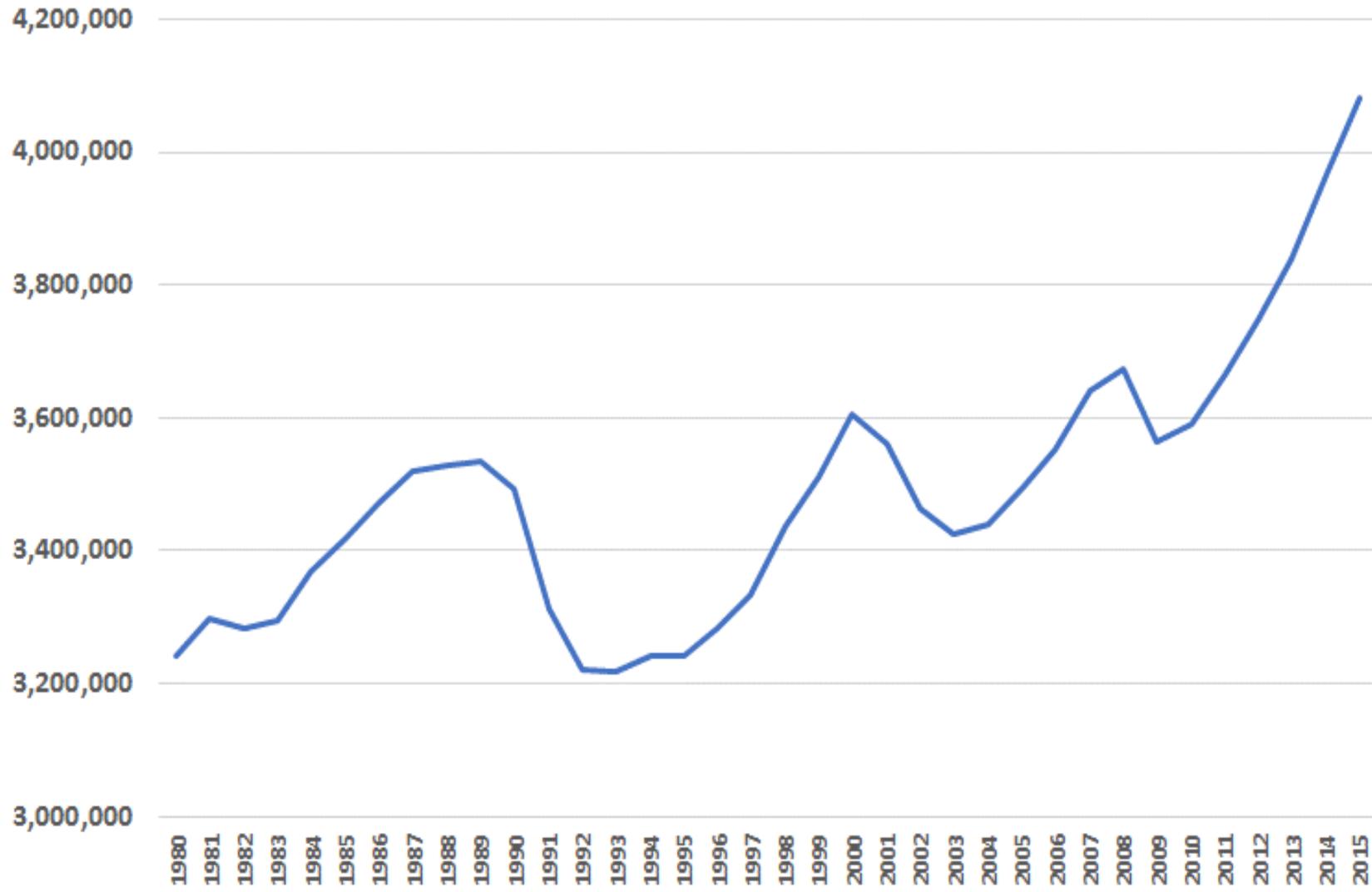
- Although moderating in the past two years, NYC’s job growth since 2009 has surpassed the national pace.
- Unemployment has fallen to the low-4% range, and unlike at the national level, the employment-population ratio exceeds pre-recession levels.
- Incomes rose strongly in 2015, and are almost back 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.

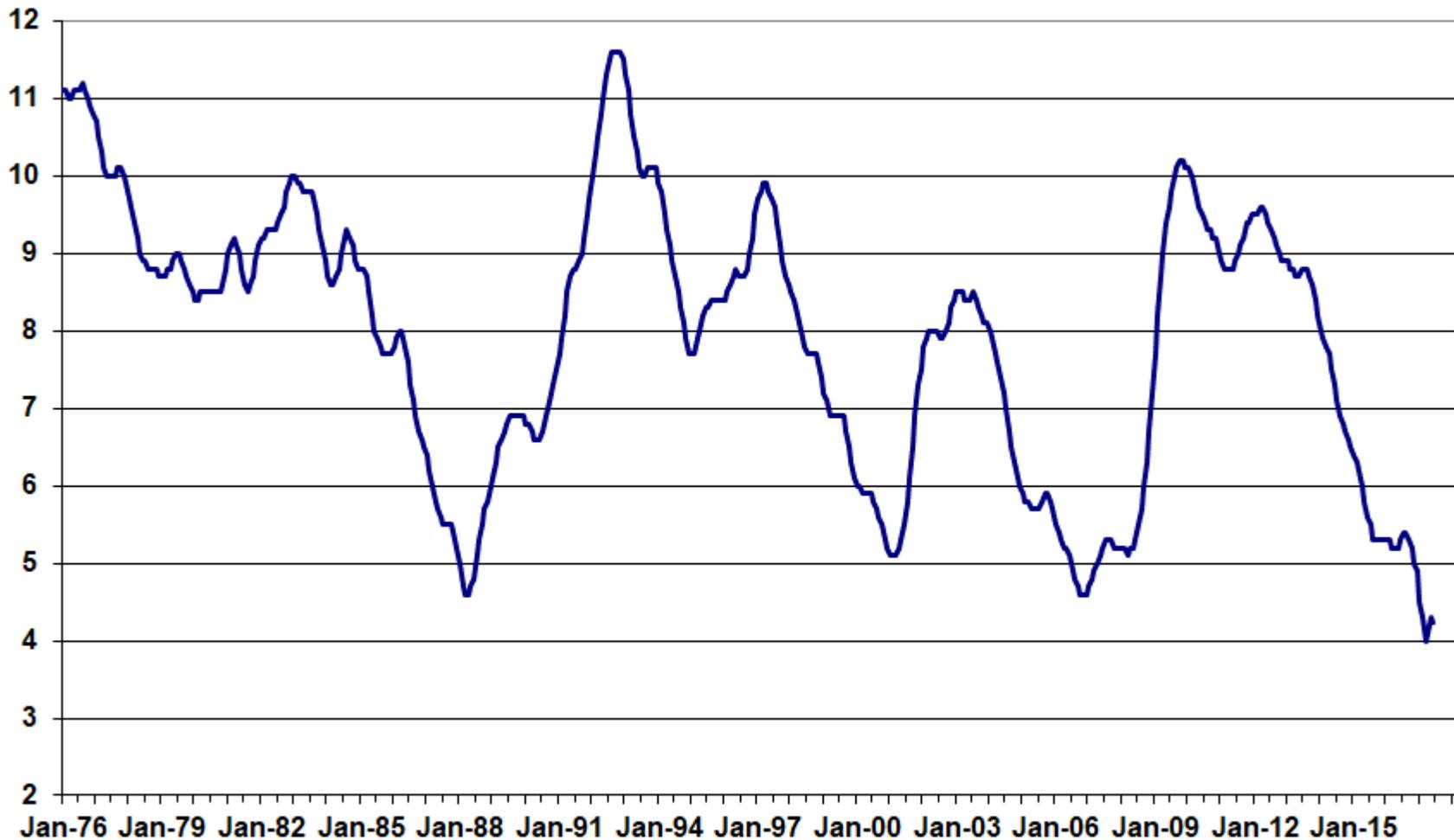


Source: Bureau of Labor Statistics seasonally adjusted data.

NYC employment since 1980: net 25% gain to new high with three downturns moderating in severity



NYC's seasonally-adj. unemployment rate (%) at historic low in 2017



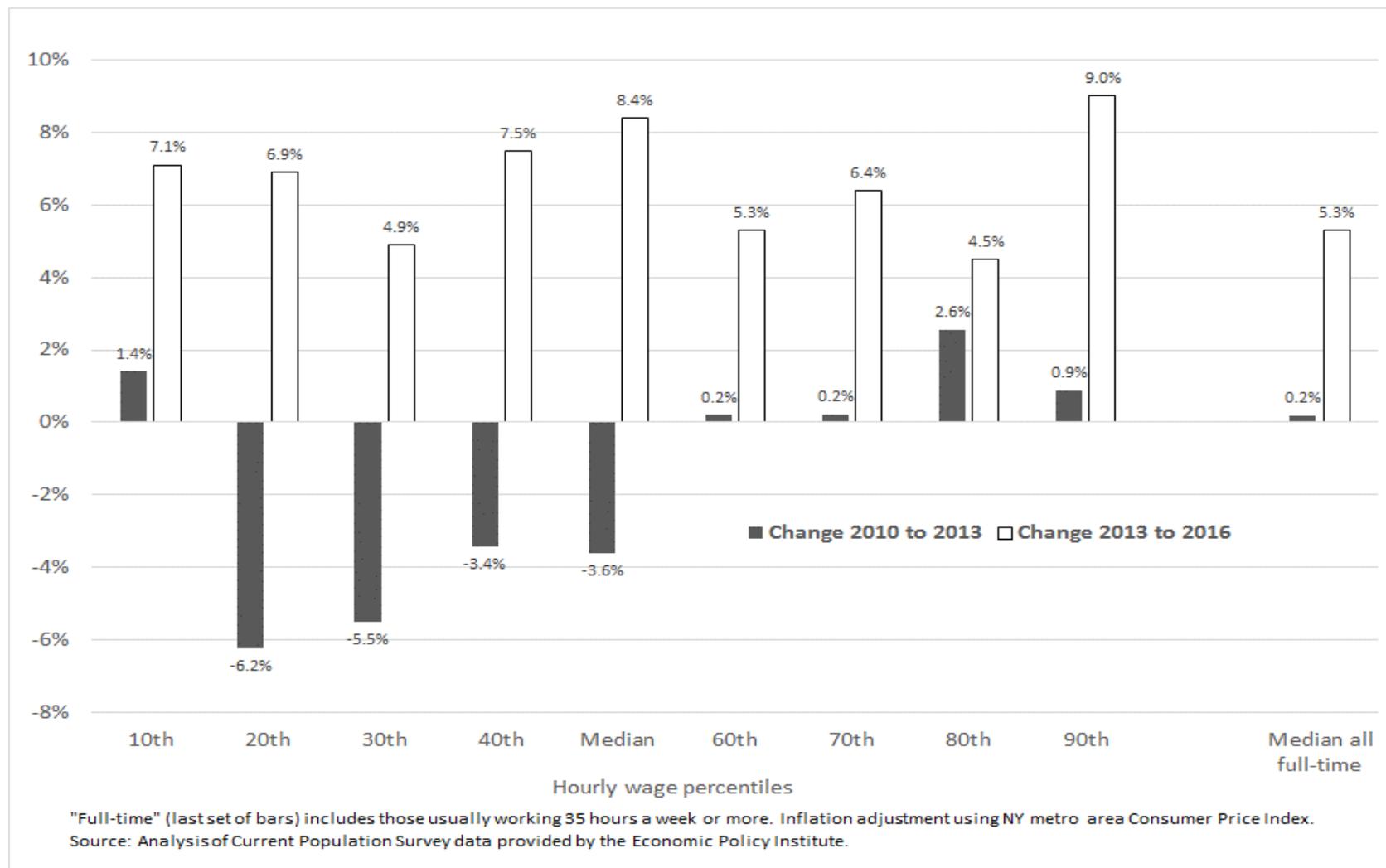
Source: NYS DOL June 2017.

NEW YORK CITY	Average annual wage	Employment (2nd qtr.)		Change		Share of total change
		2010	2016			
All industries	\$84,752	3,605,264	4,161,552	556,288	15.4%	100.0%
High-wage industries (\$75,000 and up)						
Finance and Insurance	\$294,220	302,258	326,998	24,740	8.2%	
Management of Companies and Enterprises	\$191,001	60,905	66,469	5,564	9.1%	
Information	\$130,335	149,425	173,273	23,848	16.0%	
Professional and Technical Services	\$122,078	310,266	389,169	78,903	25.4%	
Utilities	\$101,892	15,851	15,295	-556	-3.5%	
Performing Arts and Spectator Sports	\$96,369	34,419	39,989	5,570	16.2%	
Wholesale Trade	\$87,206	128,130	134,249	6,119	4.8%	
Hospitals	\$80,161	154,441	159,388	4,947	3.2%	
Subtotal high-wage industries		1,155,694	1,304,829	149,136	12.9%	28.3%
Middle-wage industries (\$45,000 - \$74,999)						
Construction	\$74,071	109,397	140,308	30,911	28.3%	
Private Colleges & Universities	\$73,283	72,771	88,055	15,284	21.0%	
Real Estate and Rental and Leasing	\$71,874	116,528	126,797	10,270	8.8%	
Ambulatory Health Care (exc. Home Health)	\$64,710	104,368	122,412	18,044	17.3%	
Total, All Government	\$61,677	564,362	541,012	-23,350	-4.1%	
Accommodation	\$60,069	41,968	51,117	9,149	21.8%	
Manufacturing	\$54,032	76,495	75,510	-985	-1.3%	
Museums, Parks and Historical Sites	\$53,674	11,814	14,452	2,638	22.3%	
Transportation and Warehousing	\$53,056	101,092	116,755	15,663	15.5%	
Administrative and Waste Services	\$52,605	181,438	223,111	41,673	23.0%	
Educational Services (exc. Private Colleges)	\$47,123	71,826	92,738	20,912	29.1%	
Subtotal middle-wage industries		1,452,058	1,592,268	140,210	9.7%	26.6%
Low-wage industries (under \$45,000)						
Other Services, Ex. Public Admin	\$44,975	143,222	169,764	26,542	18.5%	
Nursing and Residential Care Facilities	\$39,193	76,566	73,934	-2,632	-3.4%	
Retail Trade	\$38,891	296,657	338,035	41,378	13.9%	
Amusement, Gambling & Recreation Ind	\$31,119	20,921	30,627	9,707	46.4%	
Social Assistance	\$28,780	164,170	183,777	19,607	11.9%	
Food Services and Drinking Places	\$26,205	211,136	298,709	87,573	41.5%	
Home Health Care Services	\$25,779	74,019	128,676	54,657	73.8%	
Subtotal low-wage industries		986,691	1,223,522	236,831	24.0%	45.0%
Unclassified		10,526	40,523	29,996		
Source: Quarterly Census of Employment and Wages, NY State Dept. of Labor, 2014 average annual wages.						

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.

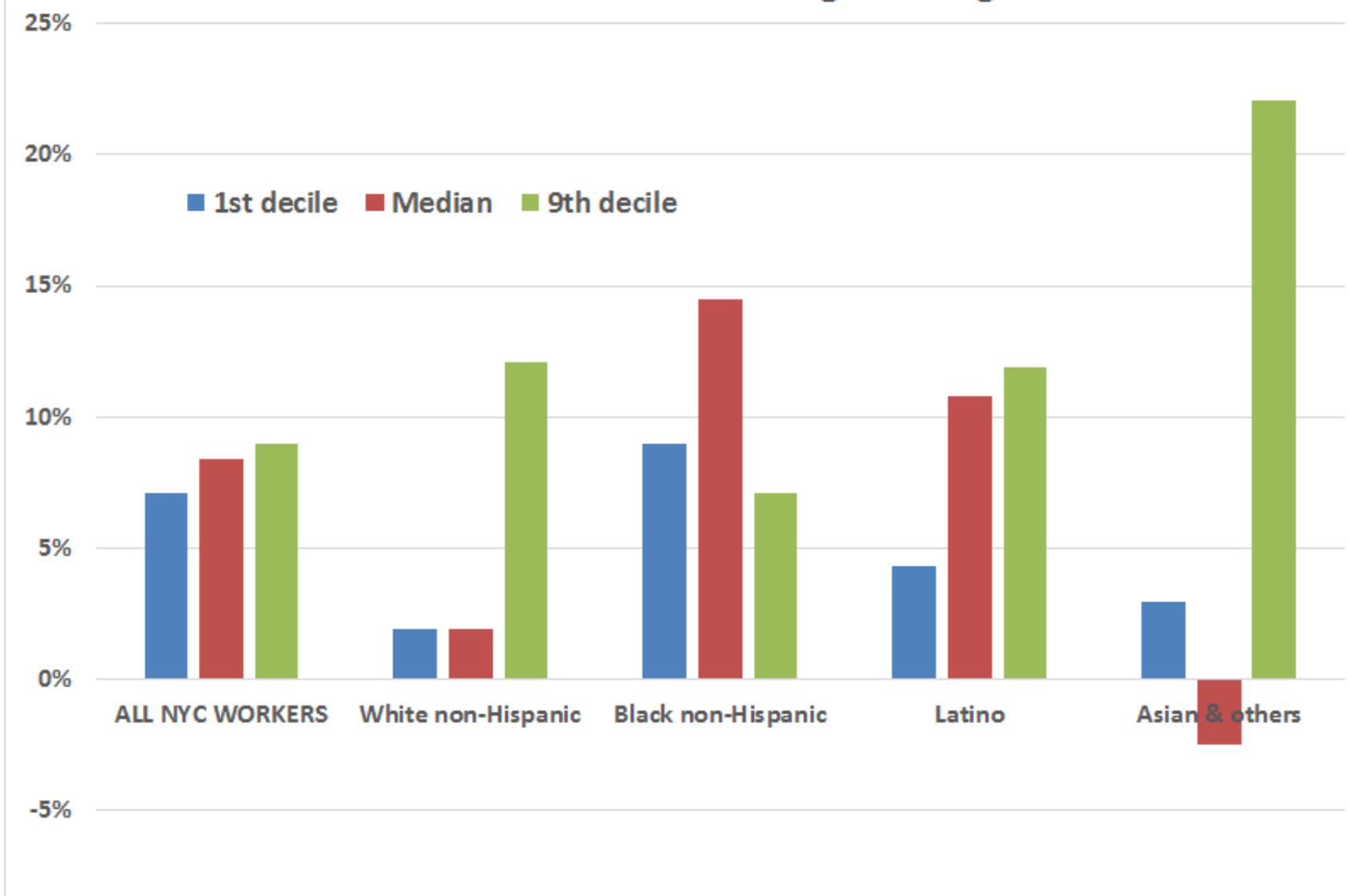
Real NYC hourly wages have risen across the board since 2013; w/ 8.4% median increase > U.S. 2.8%



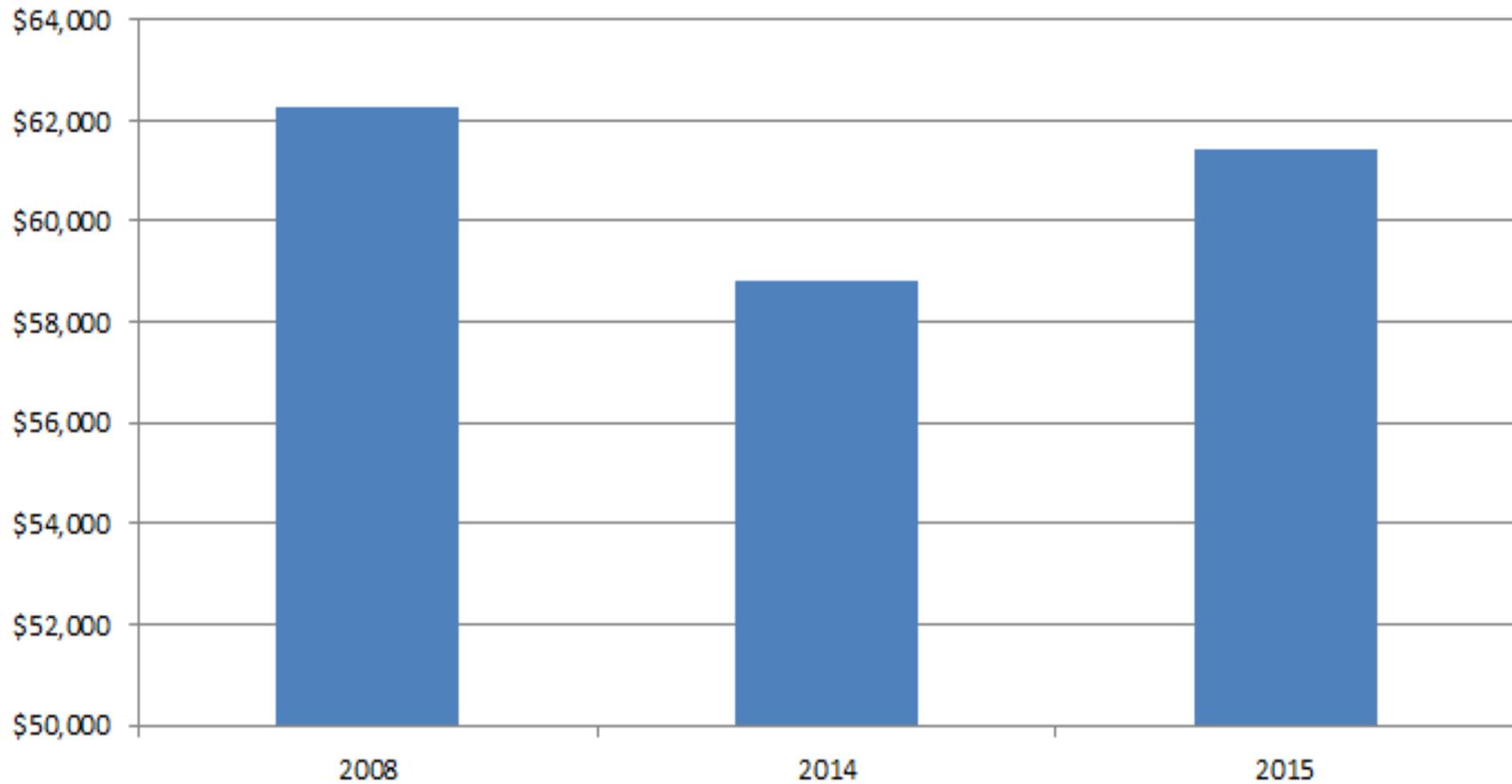
Unlike most parts of the U.S., NYC wages have been rising since 2013, and that's been true across the wage spectrum.

- 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 black and Latino wages rising 2013-16



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.
13. Real median wage growth > for NYC blacks & Latinos 2013-16.

For questions or comments, contact:

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