



It's bad, but not that bad

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The official Bloomberg administration forecast predicts that the city will lose about as many jobs in this recession as it did in the 1988-92 downturn. However, two noted local economists say this decline, while significant, will not be that bad. Here are their reasons why.

Few back-office, factory jobs to lose, but big fiscal woes

By Ronnie Lowenstein

With the city's unemployment rate jumping to 8.1% in February from 6.9% in January, many New Yorkers are asking: "How bad is it going to get?" The Independent Budget Office's latest economic forecast indicates it's likely to be severe, with the city losing 270,000 jobs from the first quarter of 2008 through mid-2010.

While that's a lot of jobs, it's considerably fewer than the 360,000 private-sector jobs lost in the 1988-92 recession. Given that the financial sector is at the heart of the current worldwide recession and that New York is at the center of the global financial industry, one might think the city would be hit even harder.

A key reason job losses won't be as deep this time around is that the share of jobs in local industrial sectors has changed markedly.

For example, manufacturing is usually hit hard in a recession. During the 1988-92 recession, the city lost a quarter of its 290,000 manufacturing jobs.

Today, there are simply fewer manufacturing jobs to lose. So our projected loss of about 9% of manufacturing jobs amounts to a relatively modest decline of 8,000 jobs.

Likewise, at the start of the 1988-92 recession, the city had a substantial share of back-office financial jobs. Many of those jobs never came back, emigrating across the Hudson and beyond. So we simply don't have as many of them to shed now.

But as manufacturing and back-office employment declined, jobs in the health and education sectors grew and now account for about 1 in 5 private-sector jobs here.

Employment in these sectors grew right through the 1988-92 and 2001 recessions, and we expect health care to grow through the current downturn while education remains flat.

Although today's downturn may result in fewer job losses than some expect, the fiscal consequences will nonetheless be quite severe.

Many of the job losses will be in the city's three highest-paying sectors—finance (77,000 jobs), business services (72,000) and information (24,000)—which is a major reason why IBO projects that city tax revenue will fall by \$2.6 billion this fiscal year and another \$1.5 billion next year.

Ronnie Lowenstein is director of the Independent Budget Office.

Something's slowing plunge: billions in taxpayer bailouts

By James Parrott

If you had asked me three months ago how many jobs New York City would lose during this downturn, I wouldn't have hesitated to say 300,000 or so. Today, I am not so sure.

Most forecasts calling for such job losses were premised on a substantial shrinkage of the finance sector. Yet here we are—more than a year after Wall Street started to shed jobs, and six months after September's market meltdown—and fewer than 25,000 finance jobs have evaporated. Something's going on to brake the plunge in Wall Street's head count. We can't be sure, but it must be the billions upon billions in taxpayer bailouts.

Since the city's job count peaked last August, we've lost nearly 100,000 jobs overall. Job losses in virtually every sector will mount for months to come. Unemployment will continue climbing well into 2010. Wages and incomes will suffer, and this recession will be one of the worst since the 1930s.

But for New York City, will this downturn be anything like the 1988-92 slump, when the city lost 360,000 private-sector jobs, 10% of the total? I don't think so. One, this downturn has socked, and socked hard, most parts of the country, not just New York. Two decades ago, many regions around the country barely noticed a mild recession.

Now, with the entire country reeling, there will be tremendous pressure on Washington to provide sufficient stimulus to spur an eventual rebound.

Just because we lagged entering the downturn does not mean that we will lag sharing in the recovery. In fact, if the next federal stimulus is anything like the current Obama stimulus, New York will do all right. State fiscal relief, infrastructure renewal and the promotion of a green economy favor states like New York.

A second reason this downturn is likely to be less severe for the city is that, unlike during the 1988-92 downturn, New York City's relative position is much stronger. Our quality of life is much higher, demographic and lifestyle changes have made large cities in general more desirable, and our population density is more compelling in an era when people are becoming more conscious of natural resource constraints.

A cynic would add that it doesn't hurt to be the financial capital when desperate policy makers are flooding financial institutions with taxpayer dollars.

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