New York City:
A Tale of Two Recessions

A Fiscal Policy Institute Report
www.fiscalpolicy.org

November 19, 2009

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Executive Summary

This December will mark the second anniversary of the start of the "Great Recession"—the steepest and longest downturn in the U.S. since the 1930s. Although the third quarter increase in Gross Domestic Product may signal the technical end to the recession, most economic forecasts expect anemic growth through at least the end of 2010 and that unemployment will stay very high for the next two to three years.

The Great Recession started later here. Since August 2008, New York City has lost 114,000 payroll jobs and tens of thousands of workers have seen their work hours curtailed. Unemployment has skyrocketed, more than doubling over the past year to 10.3 percent in September—the sharpest rise in the 34-year history of monthly unemployment data. There are over 400,000 unemployed persons in New York City—the highest number on record.

Over the last business cycle, New York's median wage fell, contrary to the typical pattern in which most workers enjoy a wage gain from one business cycle peak to the next. With the onset of the recession, the specter of falling wages has been overshadowed by surging unemployment. As high as the official unemployment rate is, it masks deeper troubles in the city's labor market: large numbers of long-term unemployed, underemployed and discouraged workers, as well as labor market entry spurred by economic hardship. The recession's impact in New York reveals once again the disparities that characterize the city, with unemployment rates and economic well-being clearly diverging along lines of race and ethnicity.

Within New York City, a "Tale of Two Recessions" is emerging. New York's financial sector, which helped precipitate this calamitous downturn, is recovering sooner than anyone anticipated and its job losses are tapering off at a level much below that which was feared in the immediate wake of the September 2008 financial market meltdown.

The unprecedented federal government financial bailout measures have had a demonstrable effect in moderating the expected finance sector shrinkage. While those actions helped avert a total paralysis of the global economic system, they have done little so far to rekindle widespread business lending essential for normal economic activity. Still, the effect of the bailout measures in curtailing the dramatic downsizing of the finance sector and in contributing to renewed profitability on Wall Street has translated into fewer job losses in the New York City economy.

But, in the meantime, the damage inflicted by the financial market-precipitated recession on the non-financial Main Street economy—businesses, families and workers—has been profound. Consumer spending plummeted and job losses mushroomed. During the six months following the financial meltdown, New York City lost nearly 90,000 jobs, two-thirds of them outside the finance sector, most of those in sectors paying low and moderate wages. Although payroll job losses have moderated since March 2009, many New York residents are feeling the full brunt of the Great Recession. Away from Wall Street, unemployment is 13.3 percent in the Bronx and 11 percent in Brooklyn.

New York City consumer spending dropped by 11 percent over the past year. Worker insecurities have escalated as workers lose jobs and health insurance coverage, and as employer-provided pensions continue to erode or disappear. Fifty thousand New York City homeowners have lost their homes through mortgage foreclosures over the past two and a half years and personal and business bankruptcies are skyrocketing.

Despite the fact that—thanks to the effect of the financial bailout—New York City's payroll job decline is only half that of the nation's, the unemployment crisis is every bit as severe here as it is nationwide. There are seven reasons for this assessment.

1. Most of the 114,000 payroll job loss in New York City has been outside the finance sector and there are few indications that job growth will return to these sectors within the next year.

2. Resident employment—which includes self-employment and independent contractor status as well as payroll employment—has declined at a far greater pace than during the last two local recessions, both of which were very severe.

3. While the weekly pace of initial unemployment claims has slowed from the beginning of 2009, claims continue at a rate of 10,000 per week, indicating significant job losses and that the unemployment rate is headed higher.

4. While the city's overall unemployment rate was 10.3 percent in the third quarter, the black unemployment rate was 15.5 percent, more than twice the 7.3 percent white, non-Hispanic unemployment rate. The Hispanic unemployment rate was 11.8 percent. Together, blacks and Hispanics are half of the city's labor force.

5. A greater share of New York City's unemployed are re-entrants or new entrants to the labor force than at the national level, likely reflecting, in part, the economic hardship many low- and moderate-income families are facing as they send more household members into the labor force in search of work.

6. Long-term unemployment is even higher in New York City than the record-high national levels, with an average duration of seven months and 40 percent of the unemployed without work for more than six months.

7. In addition to the 200,000 increase over the past year in the number of New Yorkers officially unemployed, there has been a 100,000 increase in the under-employed and those who want a job but are not currently looking and thus not considered in the labor force. All told, there are 660,000 New Yorkers officially unemployed, under-employed or who want a job. This translates into a real, alternative unemployment rate for New York City of nearly 16 percent. For blacks and Hispanics, real unemployment exceeds 20 percent.

With no recovery in sight for New York's Main Street economy, a tale of two distinct recessions is emerging for the city.

Chapter 1—The Great Recession in New York City

This December will mark the second anniversary of the start of the "Great Recession"—the steepest and longest downturn in the U.S. since the 1930s. Although the third quarter increase in Gross Domestic Product may signal the technical end to the recession, most economic forecasts expect such anemic growth through at least the end of 2010 that unemployment will stay very high for the next two to three years. [1] The $787 billion federal stimulus had a lot to do with the third quarter GDP growth. It is not at all clear that growth will be sustained and the economy could start shrinking again unless there is further federal stimulus and actions to jump-start job growth.

While the national economy turned down in December 2007, New York City's economy did not start to seriously decline until August 2008. But then, with the financial market meltdown in September of 2008, the roof fell in on the economy, in New York as well as around the nation and around much of the world. Over the course of a few days in mid-September 2008, Lehman Brothers filed for bankruptcy, Merrill Lynch was swallowed by Bank of America, the Federal Reserve pumped an unheard of $85 billion into insurance giant AIG, and the after-shocks of these developments pushed the global economy into a tailspin.

Sharply rising unemployment

Since August 2008, New York City has lost 114,000 payroll jobs and tens of thousands of workers have seen their work hours curtailed. Unemployment has skyrocketed over the past year or so, more than doubling to 10.3 percent in September. This was the sharpest unemployment rise in the 34-year history of monthly unemployment data for New York. (See Figure 1.) There are over 400,000 unemployed persons in New York City—also the highest number on record—and more than twice the number as recently as the middle of 2008. [2] (See Figure 2.)

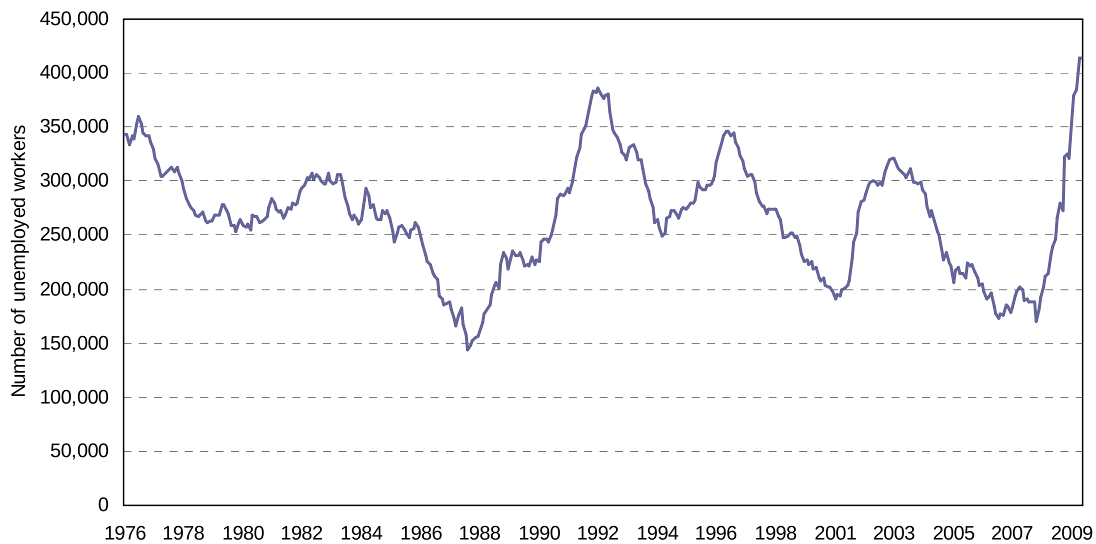
Over the course of a year during a severe recession such as this one, many more people endure some period of unemployment. While the pace of job loss in New York City has moderated since the early spring, an average of 10,000 New Yorkers per week have filed initial claims for unemployment insurance during 2009. Job losses have moderated some, but hiring has failed to take off and economically hard-pressed families have sent more people into the labor force looking for work, further increasing the unemployment rate.[3]

[1] For example, in its August 25, 2009, economic forecast, the Congressional Budget Office predicts that the national unemployment rate will average 8.5 percent in the fourth quarter of 2011. http://www.cbo.gov/budget/econproj.shtml.

[2] For a detailed discussion of employment and unemployment trends in New York State and the rising economic insecurity felt by New Yorkers, see Fiscal Policy Institute, *The State of Working New York 2009: Unemployment and Economic Insecurity in the Great Recession*, September 2009. http://www.fiscalpolicy.org/SOWNY2009.html.

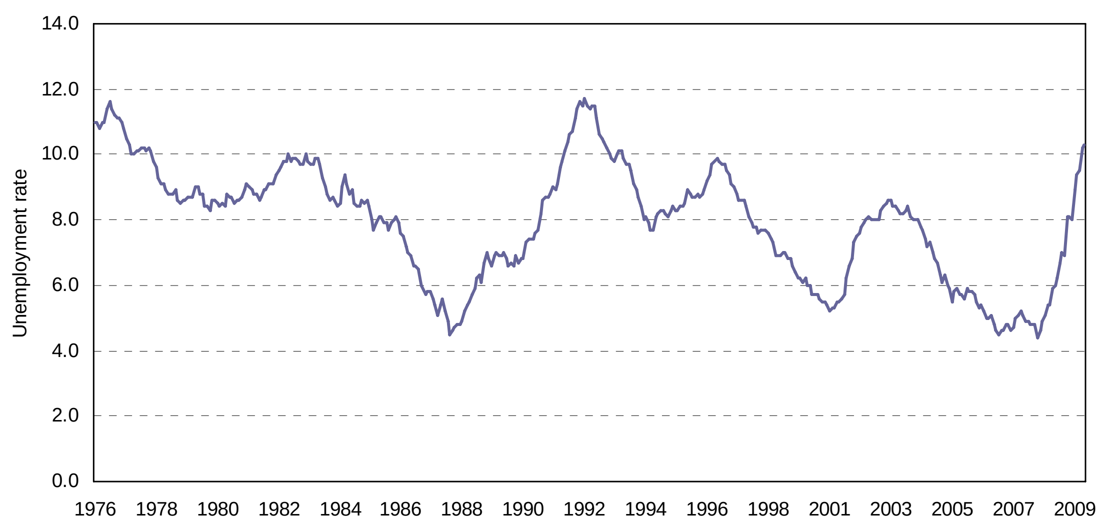
[3] While the size of the U.S. labor force has declined slightly in recent months, New York City's labor force has continued to increase, rising by two percent for the 12 months through September 2009. As discussed

Figure 1. Unemployment in New York City, January 1976 - September 2009.



NYS Department of Labor, Local Area Unemployment Statistics (LAUS) series, seasonally adjusted.

Figure 2. New York City unemployment rate, January 1976 to September 2009.



NYS Department of Labor, Local Area Unemployment Statistics (LAUS) series, seasonally adjusted.

Long-term unemployment is already at record levels—41 percent of New York's unemployed have been without work for over six months.

New York City's unemployment rate kept increasing even after the pace of job losses began to moderate after March of 2009. During the period of sharp payroll job declines from August 2008 to March 2009, the city's unemployment rate increased by 2.2

later in this report, New York City has a much higher share of new labor force entrants and re-entrants among its unemployed than the nation overall.

percentage points. However, while the pace of job loss slowed in the six months after that, the unemployment rate continued to climb by another 2.2 percentage points. There are two basic reasons why unemployment has continued to increase—there has been a decline in self-employment and independent contractors, and hard-pressed households have sent members into the workforce looking for jobs.

The steepest and longest downturn since the 1930s

The current economic calamity is aptly called the "Great Recession." It has already claimed eight million payroll jobs around the country and nearly 16 million Americans were officially unemployed as of October 2009. Since the recession began in December 2007, the United States has lost 5.2 percent of its total employment. Figure 3 shows the cumulative job loss for this recession compared to the nine other post-World War II recessions. Job losses during the current recession have been steep and much more persistent than in previous post-1930s recessions. And, as is evident in Figure 3, the trend has been for recent recessions to involve protracted recovery periods before the employment level returns to where it was at the recession's start. The last two recessions were also characterized by serious financial sector problems, and both involved extraordinarily long recovery periods. Given how steep the job loss has been in this downturn, there is every indication that this recovery will be drawn out over several years.

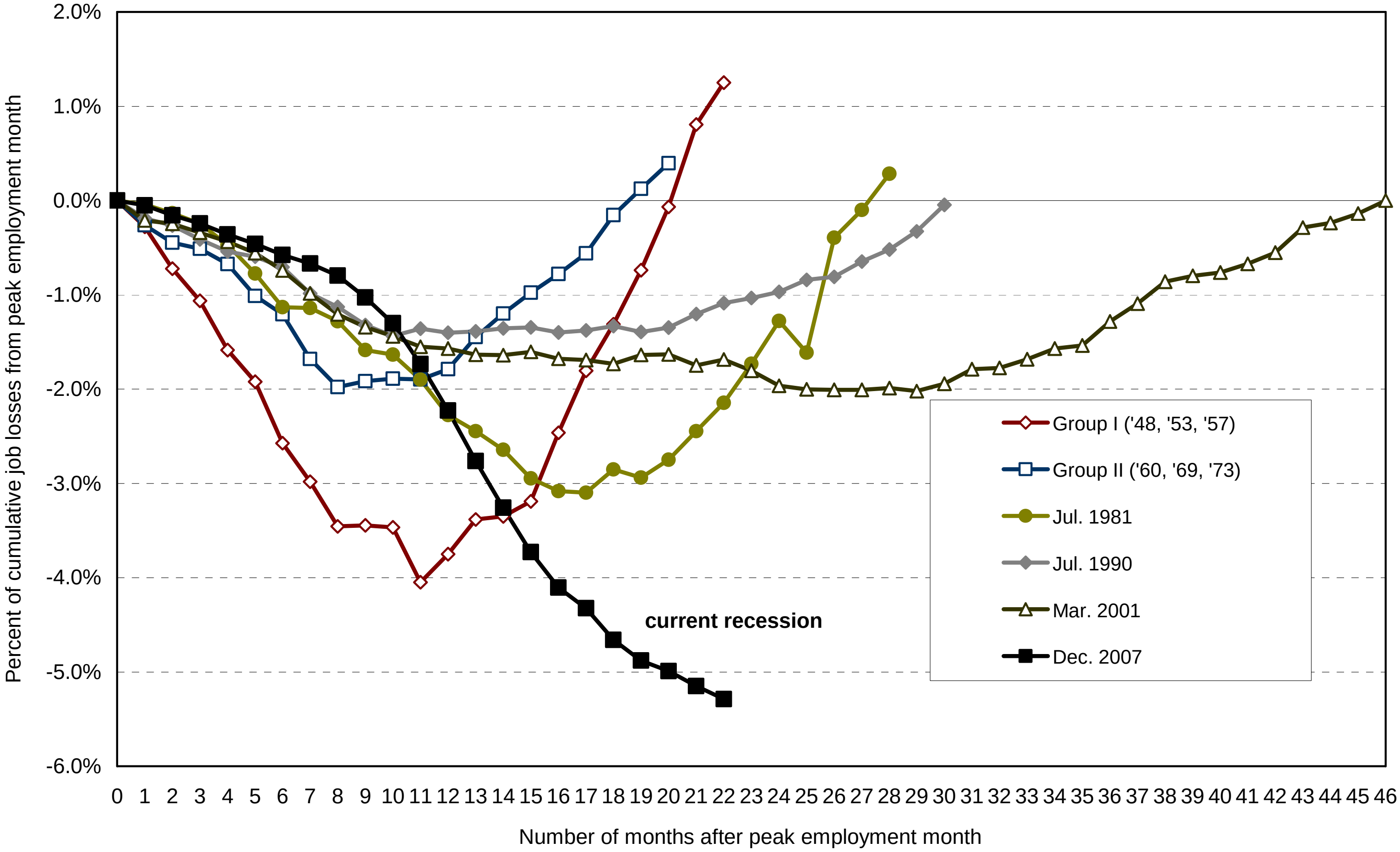
Origins of the Great Recession

The Great Recession is mainly the consequence of poorly regulated financial institutions that went on a spree of excessive debt and risk-taking, destructive lending practices, and the use of ill-advised exotic financial instruments. The national economic expansion following the economy's slump from 2001 to 2003 was dominated by unsustainable and dangerous bubbles in housing and the financial markets. It was also characterized by excessive borrowing by Americans struggling to maintain their standard of living while their real wages fell.

In New York, the current recession started later because the housing and commercial construction boom continued well into 2008. Tourism and activity in the professional services sector also continued strong. Although parts of the finance sector were certainly beginning to visibly falter early on—financial powerhouse Bear Stearns failed and was taken over with the help of a $28 billion federal bailout in March—Wall Street had paid record bonuses at the end of 2007 and was still riding high during the first half of 2008.

Following the September 2008 financial meltdown, a full-fledged national and international credit freeze set in immediately, paralyzing economic activity everywhere. Since the nerve center of the international financial system is based in New York and Wall Street is a hometown industry, New York's economy could no longer sidestep the suddenly worsening recession.

Figure 3. Cumulative percent changes in non-farm payroll employment in the U.S. during major post-war recessions.



Source: U.S. Bureau of Labor Statistics, National Bureau of Economic Research.

Seeing the cataclysm in the financial markets, many regional economists last fall estimated that New York City would lose 50,000 or 60,000 financial sector jobs, and that most of these jobs would permanently disappear as the industry consolidated further. [4] Most believed that tighter regulation would be inescapable and, with restrictions on excessive borrowing by financial firms and controls on exotic financial instruments, that stratospheric profitability and compensation would become a thing of the past.

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[4] A report prepared by the New York State Department of Labor is typical in this regard. The State Labor Department projected a cumulative finance sector job decline in the downstate portion of New York State of 73,800 in 2009, rising to 110,000 in 2011. Bureau of Labor Market Information, Division of Research and Statistics, New York State Department of Labor, "Turmoil on Wall Street: The Impact of the Financial Sector Meltdown on New York's Labor Market," June 2009.

The financial bailout slows New York City's expected job losses

However, unprecedented federal government financial bailout measures have had a demonstrable effect in putting a hold on the expected shrinkage of the finance sector. While those actions did help avert a total paralysis of the global economic system, they have done little so far to rekindle widespread business lending essential for normal economic activity. Still, the effect of the bailout measures in curtailing the dramatic downsizing of the finance sector and in contributing to renewed profitability on Wall Street have translated into fewer job losses in the New York City economy.

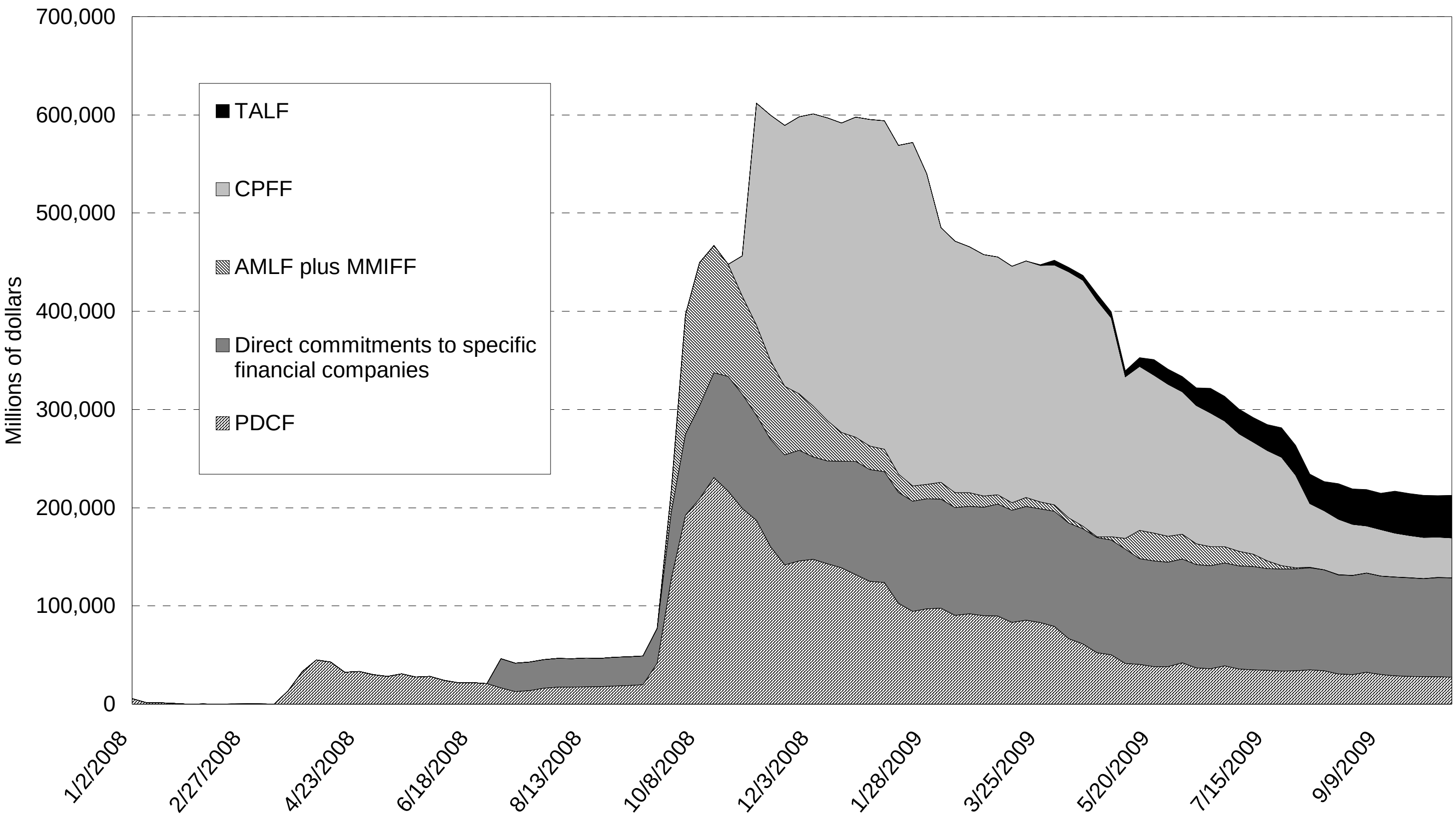
In the wake of the financial meltdown, aggressive measures were taken by the Federal Reserve, the U.S. Treasury Department, and the Federal Deposit Insurance Corporation involving hundreds of billions of taxpayer dollars, massive borrowing by the largest financial institutions from the Federal Reserve at fractional interest rates, and guarantees on money market deposits and new bank debt.

The $700 billion Troubled Asset Recovery Program (TARP) was only one form in which taxpayers funded the financial bailout. Just as important, however, was the $600 billion in unconventional rescue actions taken by the Federal Reserve beginning in March of 2008 at the time Bear Stearns was taken over by JP Morgan Chase, then ratcheting up quickly last fall with the Federal Reserve's $85 billion infusion of funds into AIG. These unorthodox measures included, in addition to directly funding the bailout of several troubled institutions, extending the Federal Reserve's credit to major Wall Street operations, and establishing special purpose funding facilities to support money market mutual funds and to re-start commercial paper lending until major financial institutions were sufficiently recovered to resume that function. (See Figure 4.)

The scale and nature of the financial bailout measures have clearly benefited at least the twenty or so very largest financial institutions, many of which are based and/or have substantial operations in New York City. One consequence of this has been that the remaining financial powerhouses have increased their market share, registered surprisingly robust profits, and appear intent on continuing much-criticized compensation practices that richly reward the industry's top tier of executives, investment bankers and traders.

This has created the anomalous situation in which New York's financial sector is recovering and its job losses are tapering off while much of the local New York economy remains mired in a severe recession with no recovery in sight. The financial sector may yet undergo further changes, and it is possible that it will look a lot different a few years from now. But, in the meantime, the damage inflicted by the financial market-precipitated recession on the non-financial sector—businesses, families and workers—has been profound. Consumer spending plummeted and job losses mushroomed, in New York and around the country. During the six months following the September financial meltdown, 625,000 jobs were lost each month across the country. In New York City, nearly 90,000 jobs were lost over those six months, two thirds of them outside the finance sector.

Figure 4. The Fed's emergency measures to rescue financial institutions, January 2, 2008 through October 14, 2009.



Source: FPI analysis of Federal Reserve Board of Governors H.41 series.
Notes: PDCF: Primary dealer and other broker-dealer credit. TALF: Term Asset-Backed Securities Loan Facility. CPFF: Commercial Paper Funding Facility LLC. AMLF: Asset-Backed Commercial Paper Money Market Mutual Fund Liquidity Facility. MMIFF: Money Market Investor Funding Facility. Direct commitments to specific financial companies: AIG credit, Maiden Lane LLC, Maiden Lane II LLC, and Maiden Lane III LLC.

As an important first step, President Obama and Congress appropriately applied a substantial $787 billion dose of stimulus to halt the economic freefall in the wake of the meltdown. However, policy makers have yet to commit to effective corrective action to deal with the mortgage foreclosure crisis or the mountain of bad debts held by major financial institutions. Recovery will be hampered by continuing high joblessness and high debt burdens that are holding back household spending, the main driving force behind the national economy. Recently, attention has turned in Washington to consideration of how best to foster job creation and retention on a national scale.

The chapters that follow examine the shallowness of the previous expansion from 2003 to 2007 before the onset of the Great Recession and the recession-related job losses and rising economic insecurities. The final chapter explores in detail the character and extent of unemployment in New York City.

Chapter 2—New Yorkers treading water before the deluge

Most New Yorkers did not fare well during the expansion preceding the Great Recession. Although New York workers increased their productivity during the 2003 to 2007 expansion, median real wages fell, and job growth was weak. On an inflation-adjusted basis, the median income for New York City families and households was no higher in 2008 than at the peak of the previous expansion in 2000.[5]

Real wages for most New York City workers have fallen since the early 1990s

Median hourly wages for New York City workers, adjusted for the local inflation rate, fell by 4.8 percent from 2002 to 2008.[6] (Even though the1992-2000 expansion ended in December 2000, real wages increased until 2002.) United States workers overall have usually experienced real wage gains during expansion periods. Wage earnings always suffer during downturns so for there to be gradual improvements in living standards, real wages have to rise during growth periods. The 2003-to-2007 expansion was the first in which inflation-adjusted wages for U.S. workers did not increase. New York City workers have not experienced wage gains during the last two expansions and, since 1990, the real median hourly wage has dropped by 11.4 percent.

On an annualized basis, the real median wages of New York City workers declined at a slightly faster pace in this decade (0.8 percent per year), than they had in the 1990s (0.6 percent per year.)

Median wages for female and male New York City workers declined at about the same pace between 2002 and 2008. For females, median hourly wages declined by 3.7 percent, and for male workers, median wages fell by 3.5 percent. The overall median real wage fell by more (4.8 percent) than either the female or male wage separately since the proportion of females in the New York City workforce increased slightly between 2002 and 2008. (See Figure 5.)

Wages for most gender/race-ethnic groups declined by two to three percent from 2002 to 2008. (See Figures 6 and 7.) Black women had the steepest decline (6.1 percent) in real median hourly wages, while white women saw their median wage increase by 1.6 percent. The median wage for Hispanic males increased by an impressive 13.7 percent between 2002 and 2008, although this followed a 15.5 percent decline from 1990 to 2002. Over the past two decades, the real median wage for Hispanic men has fallen by 3.9 percent.

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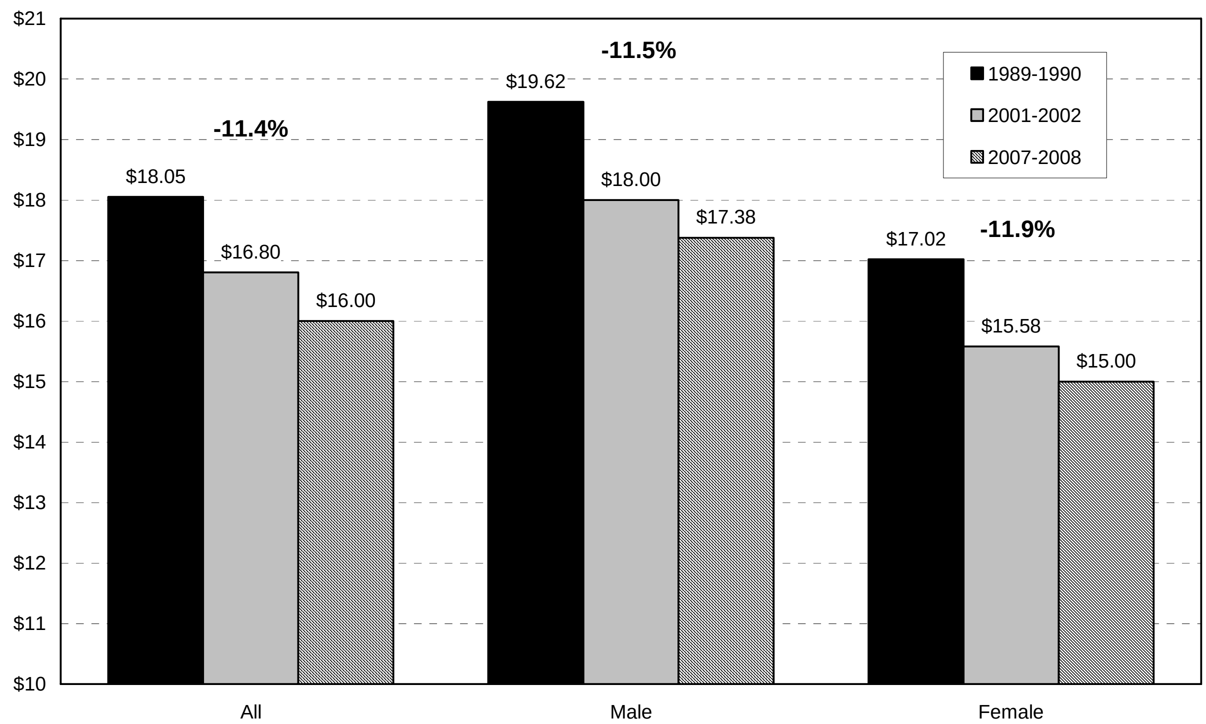
[5] American Community Survey data adjusted by the New York metro region Consumer Price Index. Inflation-adjusted changes from 2000 to 2008 were within the margin of error.

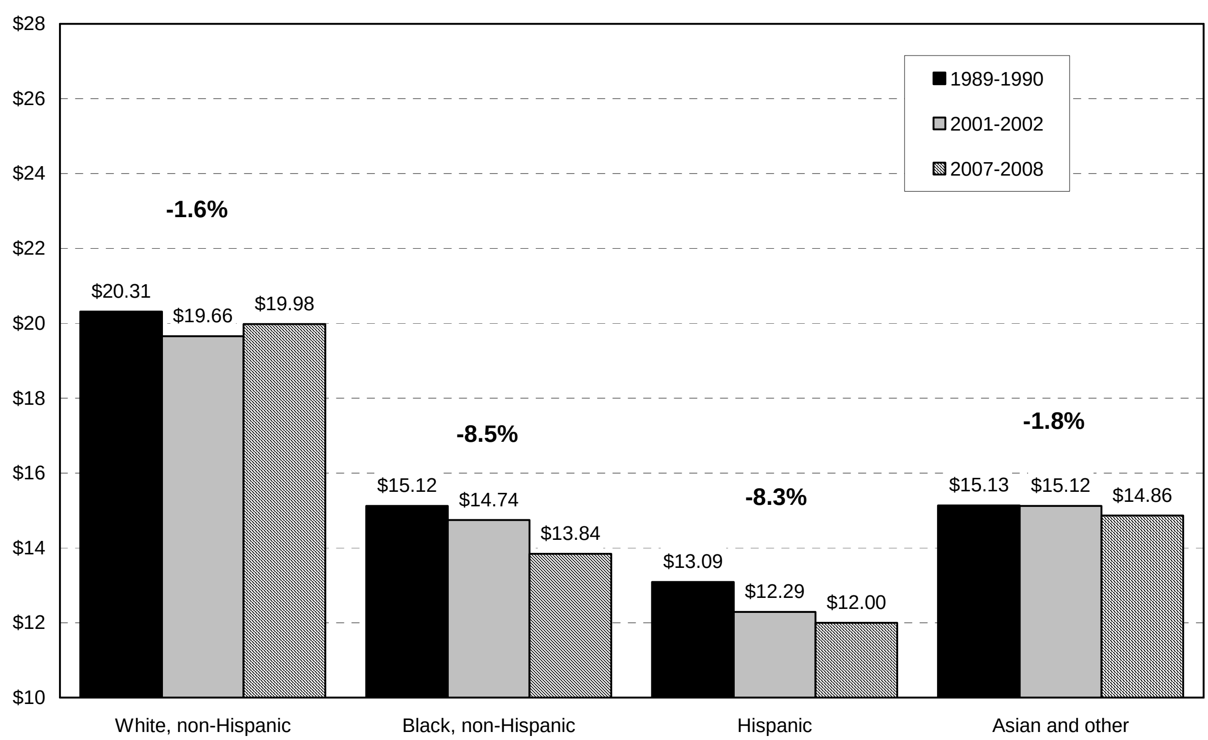
[6] Wage trends for New York City workers were analyzed in this report using two-year averages of Current Population Survey data in order to ensure sufficient sample size for gender and race-ethnic subgroups. For ease of discussion, the two-year averages are identified by the second year. Thus, wage data for 2001/2002 are identified as 2002 data, and wage data for 2007/2008 are referred to as 2008 data. Appendix Figure 1 shows changes for each demographic group between 1989/1990 and 2001/2002 and between 2001/2002 and 2007/2008.

Figure 5. Real median wages, two-year moving averages, 1989-1990 to 2007-2008.



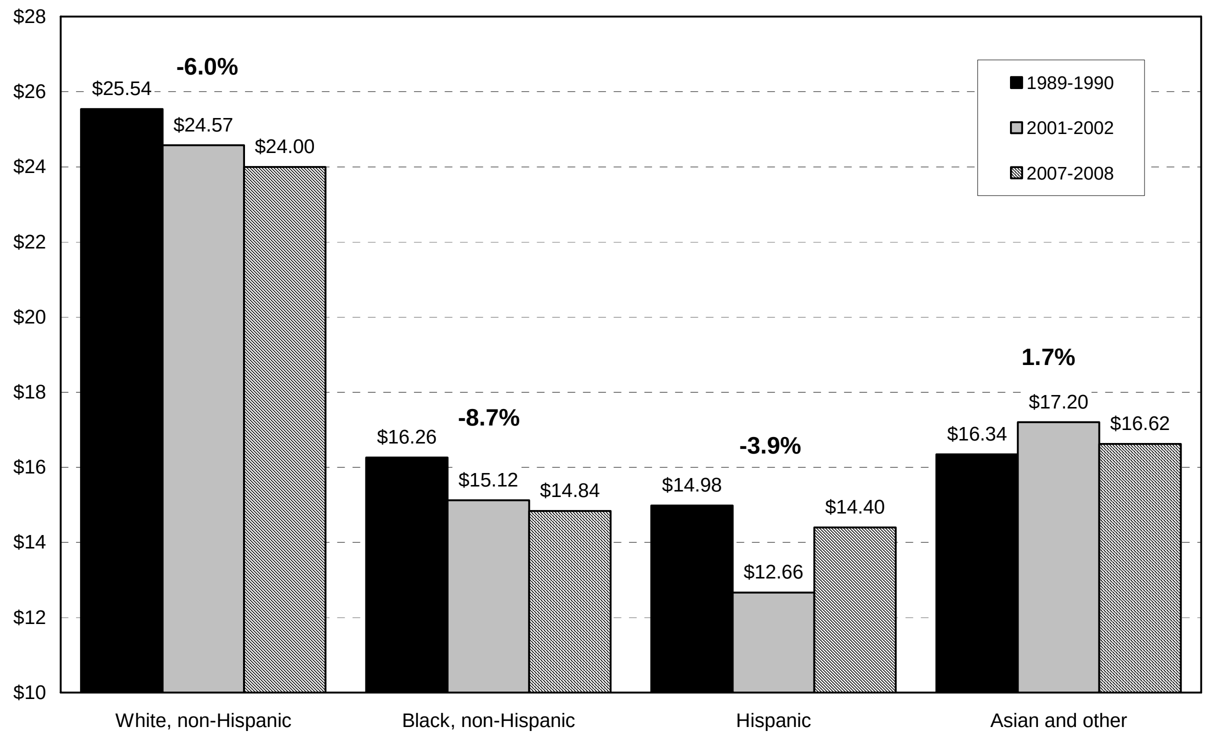
Source: FPI analysis of Current Population Survey data.

Figure 6. Real median wages, females, two-year moving averages, 1989-1990 to 2007-2008.



Source: FPI analysis of Current Population Survey data.

Figure 7. Real median wages, males, two-year moving averages, 1989-1990 to 2007-2008.



Source: FPI analysis of Current Population Survey data.

The bulk of New York's income growth from 2002 to 2007 went to the top four percent

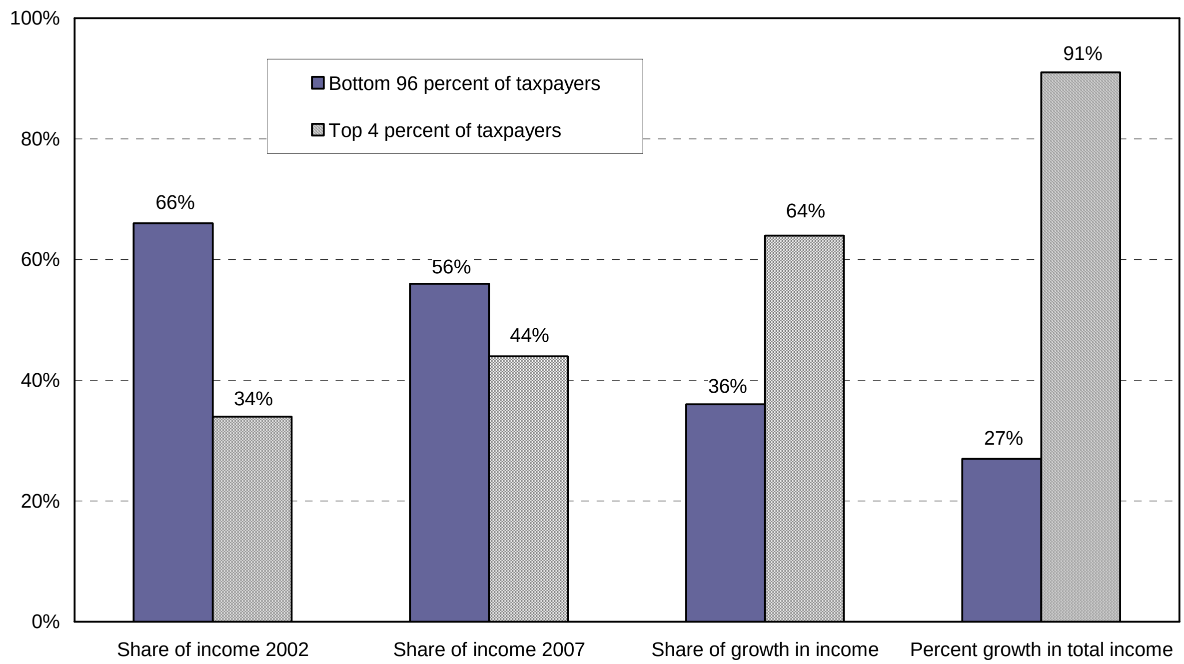
Although the average New York worker did not see a real wage increase during the most recent expansion, total income grew significantly in the state between 2002 and 2007 (the latest year for Internal Revenue Service total income data). For the state overall, total incomes increased by nearly 50 percent in nominal terms (i.e., before adjusting for inflation), rising from $455 billion to $676 billion. New York's rising productivity, as represented by value added per worker, helped contribute to the growth in total incomes.[7]

The wage-productivity gap and the fact that the real estate-financial market bubble tremendously inflated capital gains during the expansion meant that income gains were highly concentrated at the top of the income spectrum. (Capital gains are highly concentrated at the top.)

[7] Productivity per worker increased by about 13 percent from 2000 to 2008 while average wages grew by only 8 percent over that period. Average wages grew while the median hourly wage declined because the wages, salaries and bonuses of highly-compensated workers were much higher in 2008 than in 2000 or than in 2002. For a discussion of the wage-productivity gap in New York State, see Fiscal Policy Institute, *The State of Working New York: Unemployment and Economic Insecurity in the Great Recession*, September 2009, p. 40. Capital gains also increased substantially from 2002 to 2007.

Nearly two thirds of total income gains accrued to the top four percent of taxpayers. The top four percent of New York State households in 2007 had incomes of $200,000 and up. The great majority of New Yorkers—the other 96 percent—experienced much slower income growth than the top four percent—less than one third slower. (See Figure 8.) On an inflation-adjusted basis, American Community Survey data indicate that the median income for working-age New York households was no higher in 2007 than at the peak of the previous expansion.

Figure 8. Nearly two thirds of income growth in New York between 2002 and 2007 has gone to the wealthiest four percent.



Source: FPI analysis of IRS data.

New York City has a significant edge in value added per worker

Despite the declining real hourly wages for New York City workers discussed in Chapter 2, productivity per worker in New York City is considerably higher than the average for the nation for most of the major sectors of the economy. While New York City's edge in value added per worker (or productivity) is greatest in finance, real estate and the management of corporations sector (i.e., corporate headquarters), New York workers have a significant edge over the national average in almost every sector of the economy for which data are available, except for manufacturing.[8] Even in lower-wage sectors, New York City workers are more productive, on average, than their counterparts nationally. In retail trade, for example, value added per worker is 39 percent above the national average, and in accommodation and food services (i.e., hotels and restaurants), value added per worker is 75 percent higher than the national average. (See Figure 9.) In the middle wage and partly unionized construction sector, New York City workers are 43 percent more productive than their national counterparts.

Figure 9. New York City's value added per worker exceeds the national average in almost every major sector.

	United States	**New York City**	**Ratio of NYC value added per worker to U.S. average**
Private industries	$78,420	$144,140	1.84
Agriculture, forestry, fishing, and hunting	$43,551		
Mining	$279,228		
Utilities	$488,160		
Construction	$52,473	$75,048	1.43
Manufacturing*	$111,413	$105,075	0.94
Wholesale trade	$120,959	$138,153	1.14
Retail trade	$46,288	$64,444	1.39
Transportation and warehousing	$69,159		
Information	$165,753	$279,254	1.68
Finance and insurance	$129,473	$388,576	3.00
Real estate, rental, and leasing	$211,216	$542,374	2.57
Professional and technical services	$84,928	$138,991	1.64
Management of companies and enterprises	$138,027	$281,511	2.04
Administrative and waste services	$37,129	$58,955	1.59
Educational services	$33,794	$45,840	1.36
Health care and social assistance	$52,592	$55,090	1.05
Arts, entertainment, and recreation	$35,818	$47,448	1.32
Accommodation and food services	$30,971	$54,064	1.75
Other services, except government	$31,125	$43,991	1.41
Government	$68,068	$80,559	1.18
Total private excluding finance and insurance and real estate	**$66,042**	**$89,961**	**1.36**
All industries	$75,801	$136,508	1.80

Sources: U.S. figures calculated using Bureau of Economic Analysis (BEA) data for 2007: GDP by industry divided by total employment (wage and salary workers plus proprietors). NYC figures estimated by FPI using NYC share of total state employment (wage and salary workers plus proprietors) by industry and state GDP data from BEA. Blanks indicate information not disclosed by BEA.

[8] Much of New York City's manufacturing is nondurables as distinct from durables. Typically, value added per worker is much less in nondurables. Still, the dollar value of value added per worker in manufacturing in New York City ($105,075) is much higher than it is in construction, retail trade or most service industries.

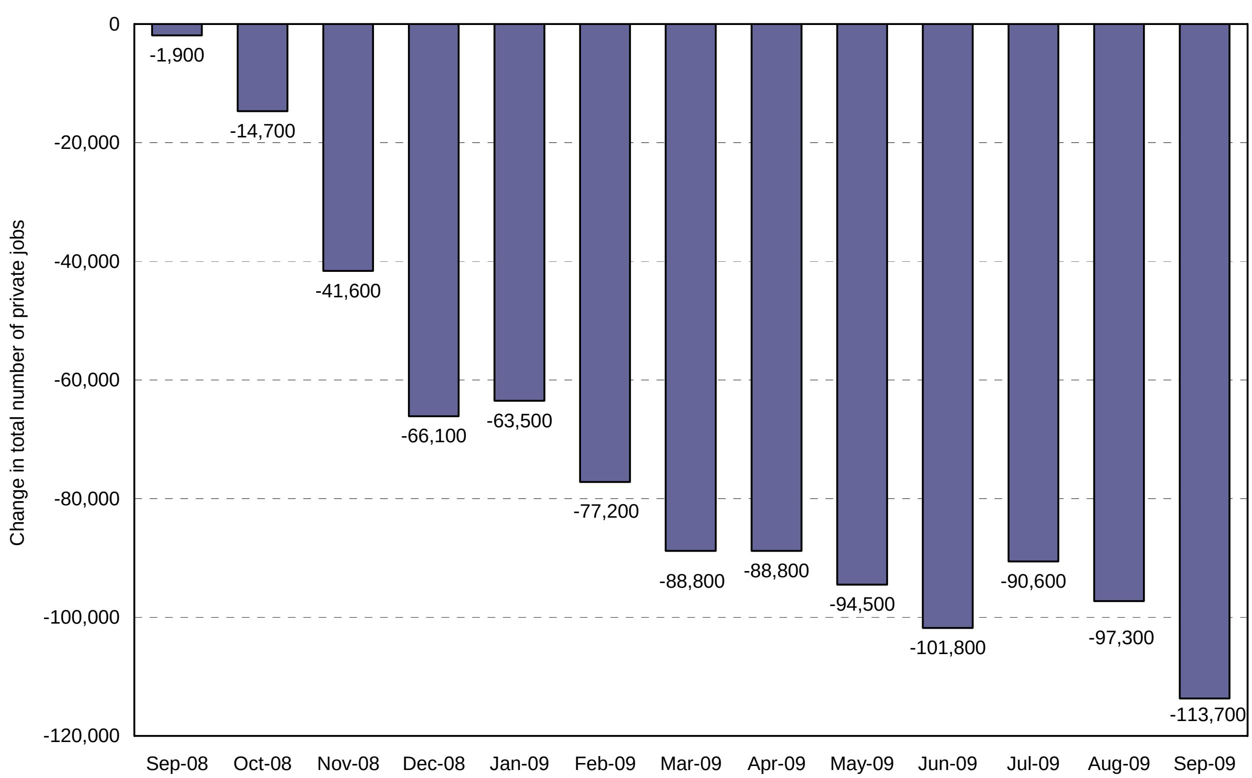
Chapter 3—New York City job losses and rising economic insecurity

While New York City did not enter the recession until August 2008, eight months later than the nation overall, it lost payroll jobs rapidly in the six months following the financial market meltdown. Although payroll job losses have moderated since March 2009, New York's residents are feeling the full brunt of the Great Recession. Resident employment, which includes the self-employed and independent contractors as well as those holding payroll jobs, has fallen sharply. Tens of thousands more who are still employed have seen their pay and weekly hours decline. New York's families have reined in spending over the past year. Worker insecurities have escalated as workers lose jobs, health insurance coverage, and employer-provided pensions continue to erode or disappear. Home mortgage foreclosures and both personal and business bankruptcies are rising rapidly.

Payroll employment declines extend far beyond Wall Street

Since the August 2008 New York City employment peak, the city has lost 114,000 private payroll jobs, a 3.5 percent decline. Payroll jobs are counted by the state Labor

Figure 10. Cumulative changes in private payroll employment in New York City, August 2008 - September 2009.



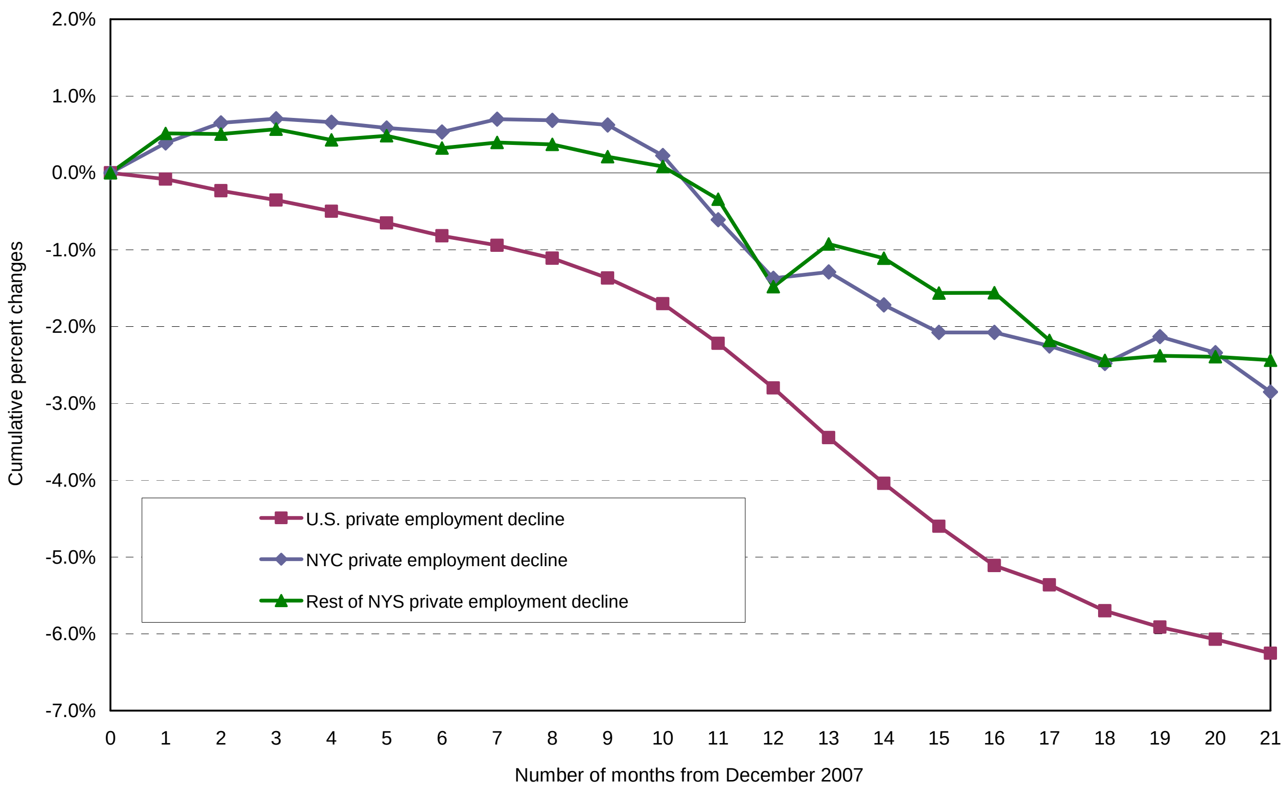
Source: FPI analysis of NYS Department of Labor payroll employment data.

Department's monthly survey of business establishments and generally encompass workers covered by the unemployment insurance system. More than three fourths of that job loss occurred in the six months after Wall Street's meltdown. Since March, the pace of job loss has eased, but job losses continue. (See Fig. 10.) The government sector has lost about 2,000 jobs during the recession.

Recession job declines in New York City and the rest of New York State have been much less than in the nation as a whole. Compared with the recession's start in December 2007, the September 2009 private employment level in the United States was down by 6.3 percent, whereas in New York City, the September level was down by less than half that at 2.8 percent and, for the rest of the Empire State, private employment was down by 2.4 percent. (See Fig. 11.)

The New York City finance and insurance sector began to lose jobs toward the end of 2007, well before most other sectors in New York started to experience job losses. Over the 22 months since the peak finance sector employment level reached in November 2007, New York City has lost 37,000 finance and insurance jobs. While such losses are significant, it is beginning to appear that the finance sector will lose far fewer jobs than what many regional economists once anticipated, especially in the months immediately following the September 2009 meltdown. For example, in a report issued in June 2009,

Figure 11. Private payroll employment in New York City and the rest of New York State since the start of the recession in December 2007 has fallen much less than in the nation.

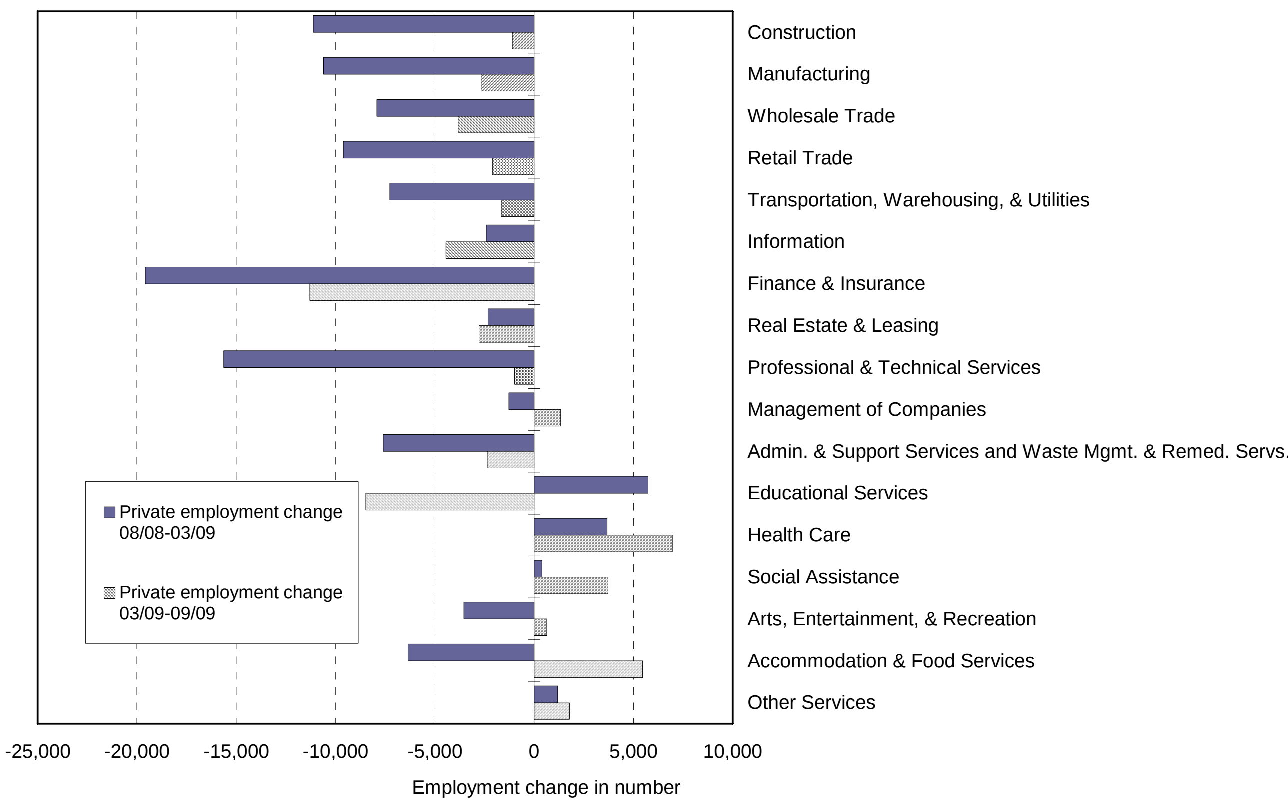


Source: FPI analysis of NYS Department of Labor and Bureau of Labor Statistics payroll employment data.

the New York State Labor Department projected that the downstate finance and insurance sector would see a decline of 65,000 jobs in the annual average level of employment for the sector in 2009 compared to the annual average for 2007. At this point, with three months to go to finish out 2009, it looks like the two-year decline will be 35,000 to 40,000, much less than the Labor Department projection.[9]

Despite the tremors emanating in all directions from the financial market meltdown last fall, over the 13 months from August 2008 to September 2009, the finance sector nationally has lost jobs at a rate no greater than for nonfarm payroll employment overall. The finance sector lost jobs at a 4.9 percent pace compared to the 5.3 percent drop in private jobs. However, what is most surprising is that the commercial banking component of the finance sector has lost jobs at a much slower pace—3.0 percent—notwithstanding the large numbers of bank failures. And, in New York City, there has not been any decline at all in the employment level in commercial banking from August 2008 to September 2009.

Figure 12. New York City employment declines have eased in most major sectors since March 2009 compared to the first seven months of New York City's recession.



Source: FPI analysis of NYS Department of Labor payroll employment data.

[9] The NYS Department of Labor projections encompassed New York City, Long Island and the Hudson Valley. New York State Department of Labor, "Turmoil on Wall Street: The Impact of the Financial Sector Meltdown on New York's Labor Market. An Economic Report to the Workforce System," June 2009. The NYS Labor Department projects a further 30,000 decline in finance and insurance employment in New York State over the next two years—2010 and 2011.

The various actions by the U.S. Treasury Department and the Federal Reserve Bank to bail out the finance sector appear to have had the effect, if nothing else, of preserving jobs in the banking sector, particularly in places like New York City where the largest banks are headquartered.

Notwithstanding the less-than-anticipated shrinkage in the city's financial sector, most sectors in the local economy have been badly battered by the recession. Professional services have lost the most jobs after the finance sector. From August 2008, the finance sector lost nearly 30,900 jobs while professional services lost 16,600 jobs. A third high-wage sector, information, has lost 6,900 jobs (See Figure 12.)

Several blue collar sectors have each lost in excess of 10,000 jobs since August 2008; these include construction (12,200), manufacturing (13,300), and wholesale trade (11,700). Transportation and warehousing was not far behind with a loss of 8,900 jobs. Low- and moderate-paying sectors losing large numbers of jobs are retail trade (11,700) and administrative and support services (10,000). Together, these predominantly blue collar and low- and moderate-paying sectors have lost a combined total of 67,800 jobs, a quarter higher than the combined 54,400 jobs lost in the high-wage finance, professional services and information sectors.

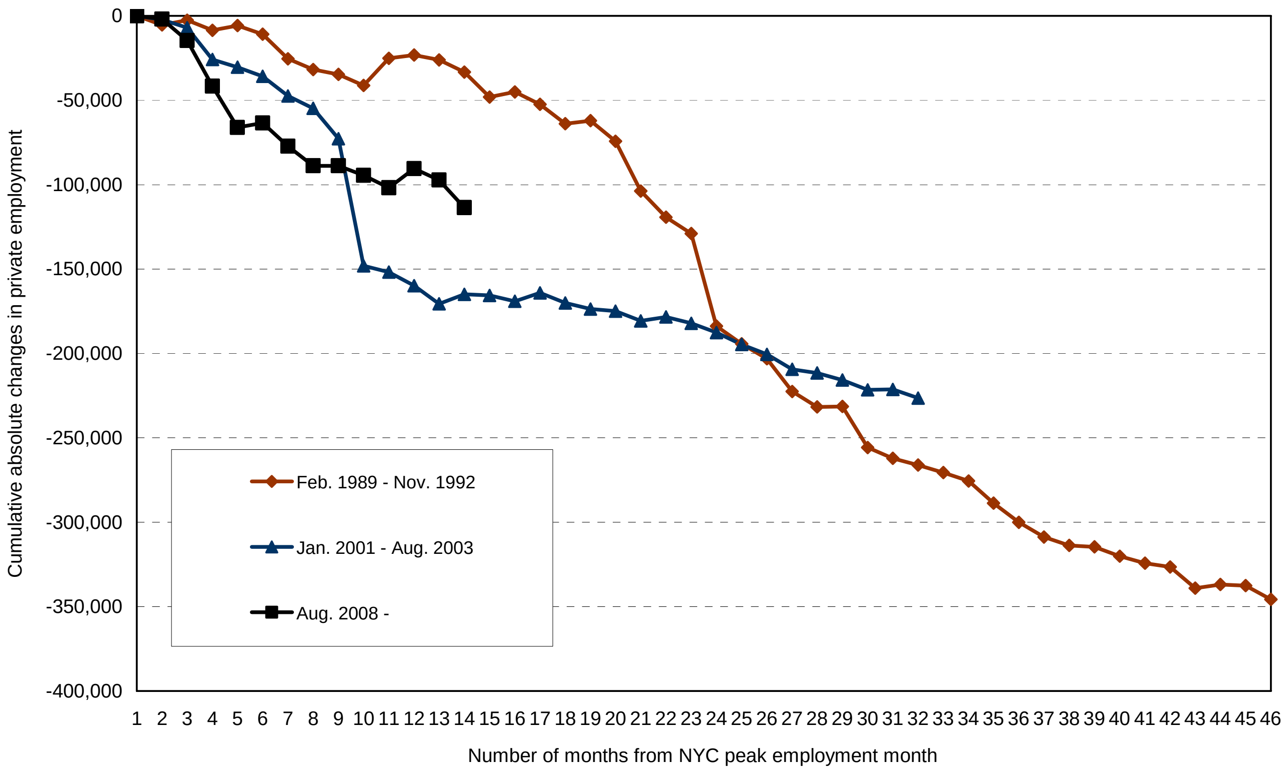
Figure 12 separates the employment change for each sector into the August 2008-to-March 2009 subperiod of steep job decline and the March 2009-to-September 2009 subperiod when New York City's job losses slowed. The easing of the pace of job loss is evident in almost all sectors that have lost jobs during the recession. The exceptions are information, where the pace of job loss increased in the past six months; accommodation and food services where job gains during the past six months have largely offset job declines recorded in the August 2008-to-March 2009 subperiod; and educational services, which had a 5,700 job gain during the first subperiod more than offset by an 8,500 job decline during the most recent six months. The arts and entertainment sector saw a 600 job gain in the past six months, following the loss of 3,500 jobs during the first seven months of the local recession.

Three sectors dominated by non-profit organizations—health care, social assistance, and other services—have added jobs during the recession: 10,600, 4,100, and 3,000, respectively.

Compared to the two previous recessions, payroll job decline has been less but resident job decline is much greater

Although the current national recession is the most severe downturn in the United States since the Great Depression, it is not clear if that will turn out to be the case for the recession in New York City. While national recessions are demarcated by the National Bureau of Economic Research, a non-governmental body of economists, the timing for local recessions is determined by local employment levels. Figure 13 shows the cumulative job loss for the current recession, which began in August 2008 when local employment reached a peak, and the two previous recessions—the 1989-1992 recession

Figure 13. Cumulative absolute changes in New York City private employment in this recession and the two previous recessions.



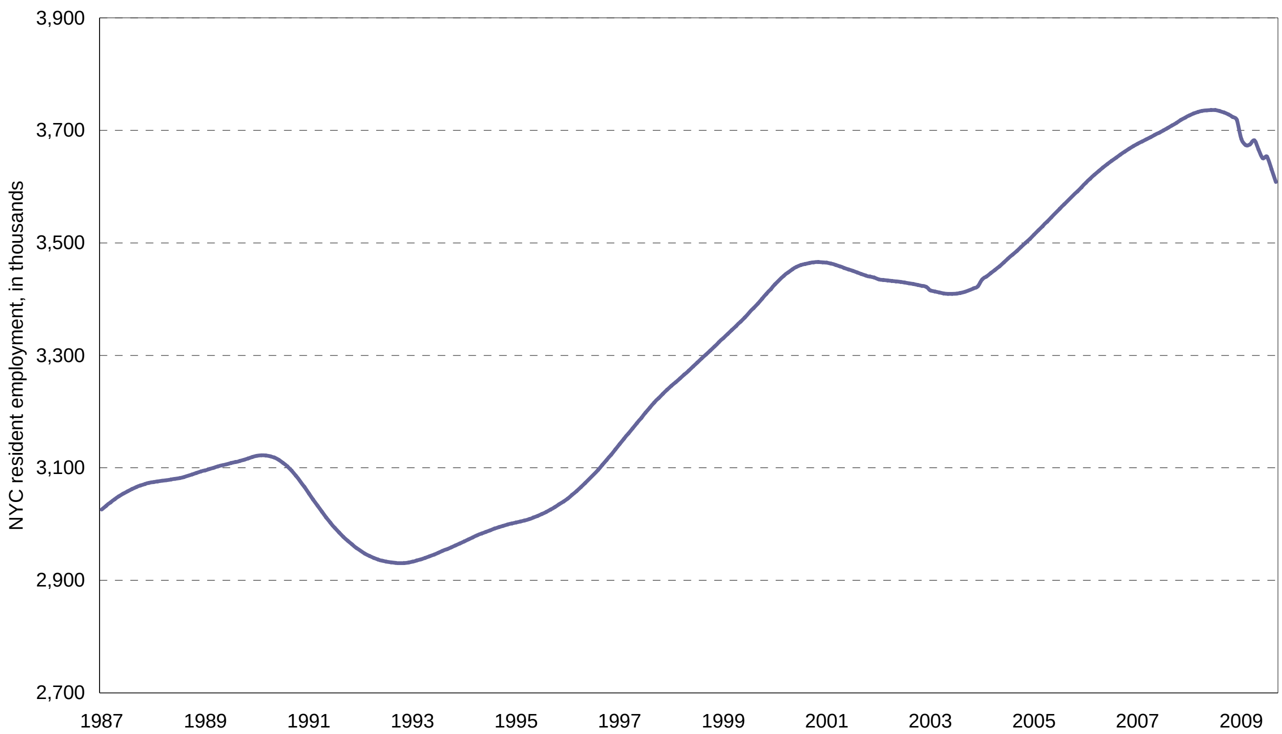
Source: FPI analysis of NYS Department of Labor payroll employment data.

and the 2001-2003 recession. The prior national recession lasted from March to November of 2001. Locally, employment had peaked in January 2001, and job losses continued through August of 2003. As of September, New York City's private job loss of 113,700 was only half of the 2001-2003 recession, and less than one third of the 345,800 job loss during the 1989-2002 recession. Up to this point, by far the worst economic downturn in New York City since the Great Depression occurred in the 1970s when the city lost 600,000 jobs in a slump that lasted for most of the decade.

The four previous figures all pertain to changes in payroll employment levels. As noted earlier, payroll jobs are counted by the state Labor Department's monthly survey of business establishments and generally encompass workers covered by the unemployment insurance system. Payroll employment refers to all payroll jobs in businesses located in New York City, whether the jobs are held by New York City residents or commuters. The Labor Department also counts resident employment from the monthly household survey—this is the main survey used to compute the monthly unemployment rate. Resident employment counts all jobs held by city residents, including self-employment, and independent contractors as well as payroll employment. (Resident employment also encompasses jobs held by city residents that may exist outside of the city, but this is a relatively small fraction of the total.)

While resident employment change almost always moves in the same direction as payroll employment change, the magnitudes can differ significantly, since people who lose payroll jobs may decide to work for themselves (i.e., become self-employed), and in some cases, the loss of a payroll job may reflect the substitution of an independent contractor for a payroll employee.[10] In the early 1990s recession, the decline in resident employment equaled 55 percent of the decline in payroll employment. In the 2001-to-2003 recession, resident employment's decline was only 25 percent of the payroll job loss. In the current downturn through September 2009, however, the resident employment falloff has exceeded the magnitude of the payroll job loss (128,000 vs. 114,000). Figure 14 shows this recent steepness in the decline of resident employment. This recent sharp falloff in resident employment levels signifies a marked deterioration in conditions in the broader job market. It indicates some combination of a greater concentration of payroll job loss among city residents (as opposed to commuters) and less propitious conditions for self-employment.

Figure 14. New York City resident employment has fallen much more sharply in the current recession than in the recessions of the early 1990s and early 2000s.



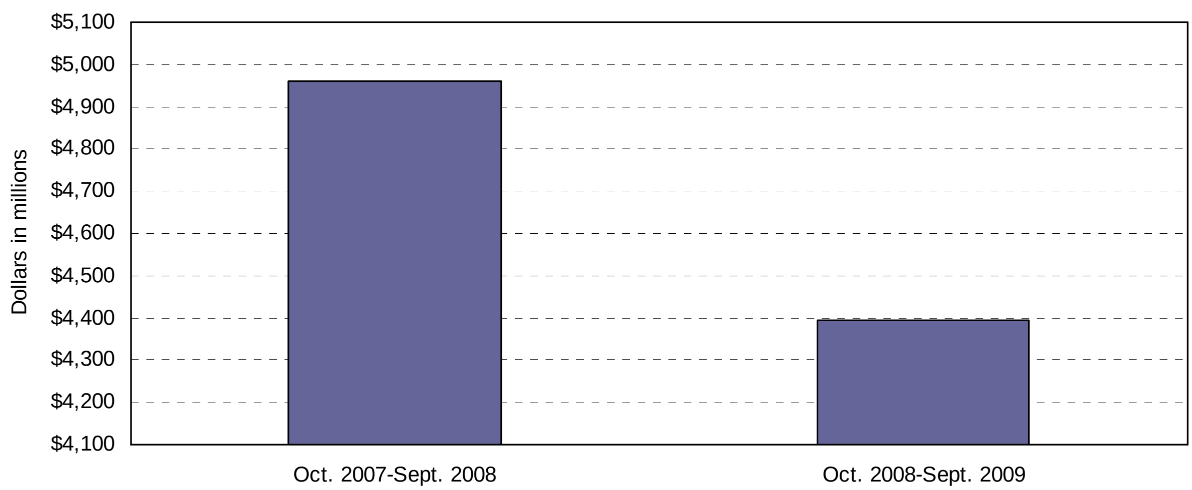
NYS Department of Labor, Local Area Unemployment Statistics (LAUS) series, seasonally adjusted.

[10] While the substitution of a contract worker for a payroll employee is sometimes legally permissible under certain conditions, many times it is not. For the early 2000s growth in the misclassification of workers as independent contractors by employers seeking to shift payroll costs to their employees, see Fiscal Policy Institute, *The State of Working New York 2007: Encouraging Recent Gains but Troubling Long-term Trends*, 2007, pp. 21-23.

Reduced consumption spending and rising foreclosures and bankruptcies

Rising unemployment, greater job insecurity, and signs of mounting household financial distress have combined to sharply reduce consumption spending by New Yorkers. Since New York's sales tax applies to most retail purchases of non-food goods and to food and beverages sold by restaurants and taverns, sales tax collections provide a good barometer of consumption spending in New York City. For the twelve months from October 2008 through September 2009, collections of sales and use taxes dropped by 11.4 percent compared to the year-earlier October 2007 to September 2008.[11] (See Figure 15.)

Figure 15. New York City sales tax collections fell by 11.4 percent in the year following the September 2008 financial meltdown.



Source: NYS Tax and Finance Department; FPI adjustments for Aug. 1, 2009, NYC sales tax rate increase.

While the housing bubble was much worse in many parts of the country (notably, California, Florida, Nevada, and Arizona), housing prices did rise rapidly in New York City and the downstate suburbs, and questionable mortgage lending practices were prevalent in parts of the city. As is the case in other parts of the country, within New York City it is clear that predatory lending practices that have led to very high foreclosure rates were concentrated in neighborhoods where the majority of residents are people of color. According to an analysis by the NYU Furman Center for Real Estate and Urban Policy, 88 percent of census tracts in New York City considered at the highest risk of foreclosure and destabilization are more than 90 percent non-white.[12] Most of these at-risk neighborhoods of color are in Queens and Brooklyn.

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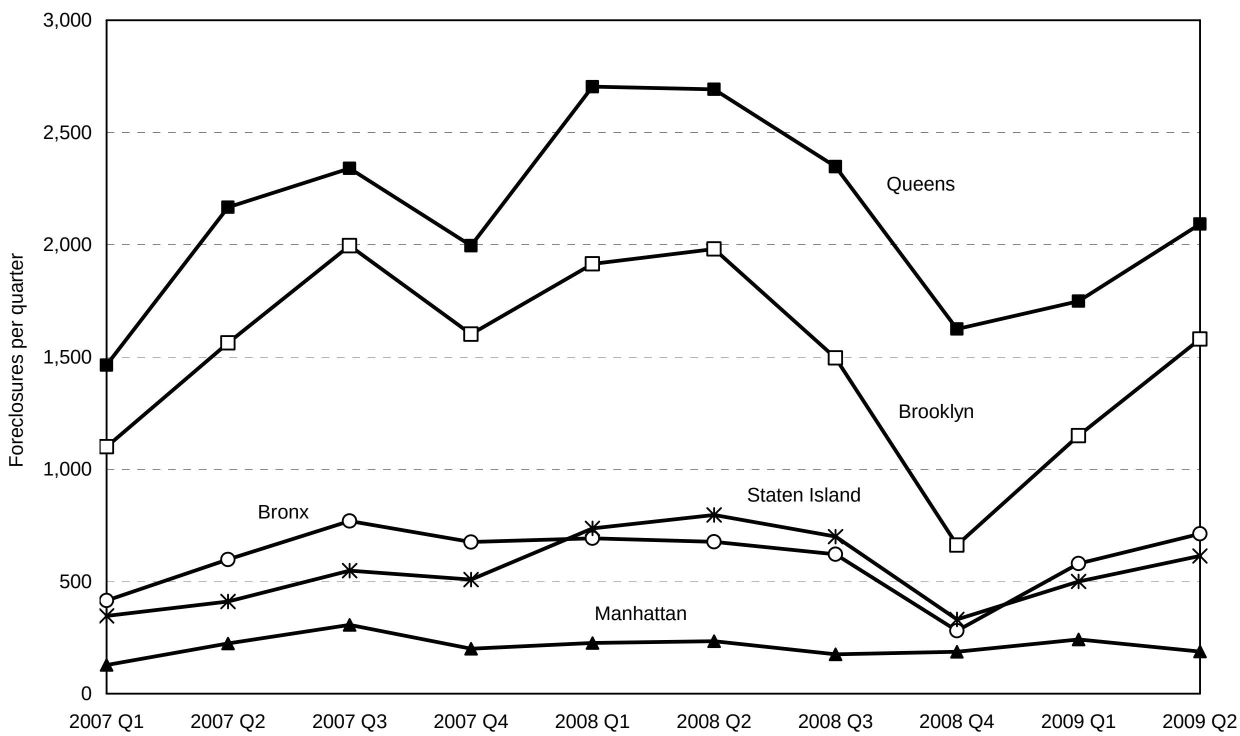
[11] New York's sales and use tax also applies to, among other things, utilities, gasoline and diesel fuel sold for highway use, and hotel occupancy. A decline in tourism has also contributed to less retail spending and lower sales tax collections.

[12] Furman Center for Real Estate and Urban Policy, New York University, "An Opportunity to Stabilize New York City's Neighborhoods: A Fact Sheet on the Neighborhood Stabilization Program," July 8, 2009.

In 2007/2008, 40,000 New York City homeowners lost their homes to foreclosure. The quarterly pace of foreclosures fell sharply in the fourth quarter of 2008 after the state introduced a waiting period before banks could proceed with the foreclosure process. Since then, the pace of foreclosures has picked up again, with 9,400 homeowners losing their homes during the first half of 2009. (See Figure 16.)

Figure 16. The pace of foreclosures is rising again after having slowed at the end of 2008; Queens and Brooklyn have the greatest number of foreclosures.

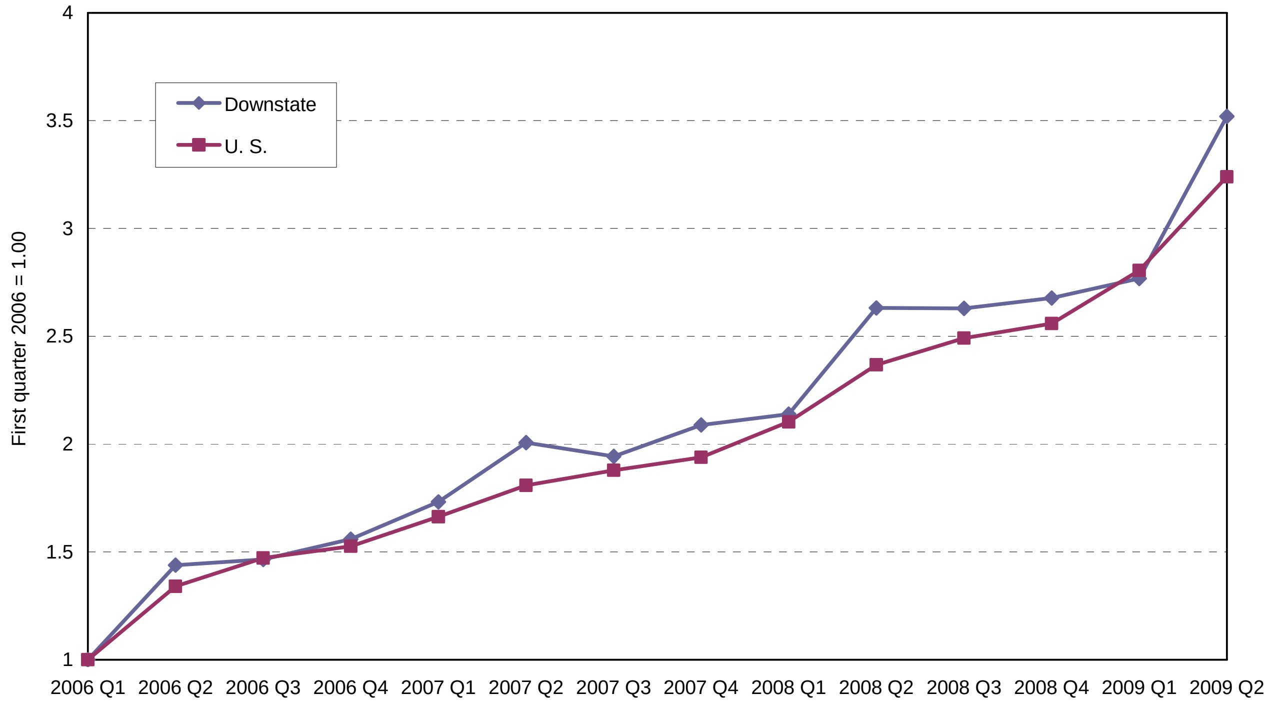


Source: New York State Banking Department & RealtyTrac (residential + commercial).

One manifestation of the fact that the 2003-to-2007 expansion was heavily fueled by an unprecedented increase in household debt is the sharply rising rate of personal bankruptcies in recent years. Many American households took on unsustainable levels of credit card, home equity and mortgage debt. Debt levels were particularly unsustainable given the wage stagnation experienced by most American families. The Great Recession and skyrocketing rates of job loss have compounded what was already a mounting problem.

Bankruptcy data are reported by Federal court district. Part of New York City is in the Eastern District of New York and part is in the Southern District of New York. Suburban counties to the east are also included in the Eastern District and suburban counties to the north of New York City are included in the Southern District. Altogether, 13 downstate counties (eight suburban counties plus the five boroughs of New York City which are also counties) constitute the combined Eastern and Southern Districts of New York. Over the past three and a half years, personal bankruptcies have increased slightly faster in downstate New York than in the United States as a whole. In the second quarter of 2009, personal bankruptcies in downstate New York were 2.52 times as great as in the first quarter of 2006. For the U.S., personal bankruptcies were 2.24 times as great. (See Figure 17.) Downstate bankruptcies have increased by one third over the past year and the 8,900 filings in second quarter would total over 35,000 if sustained over the next three quarters.

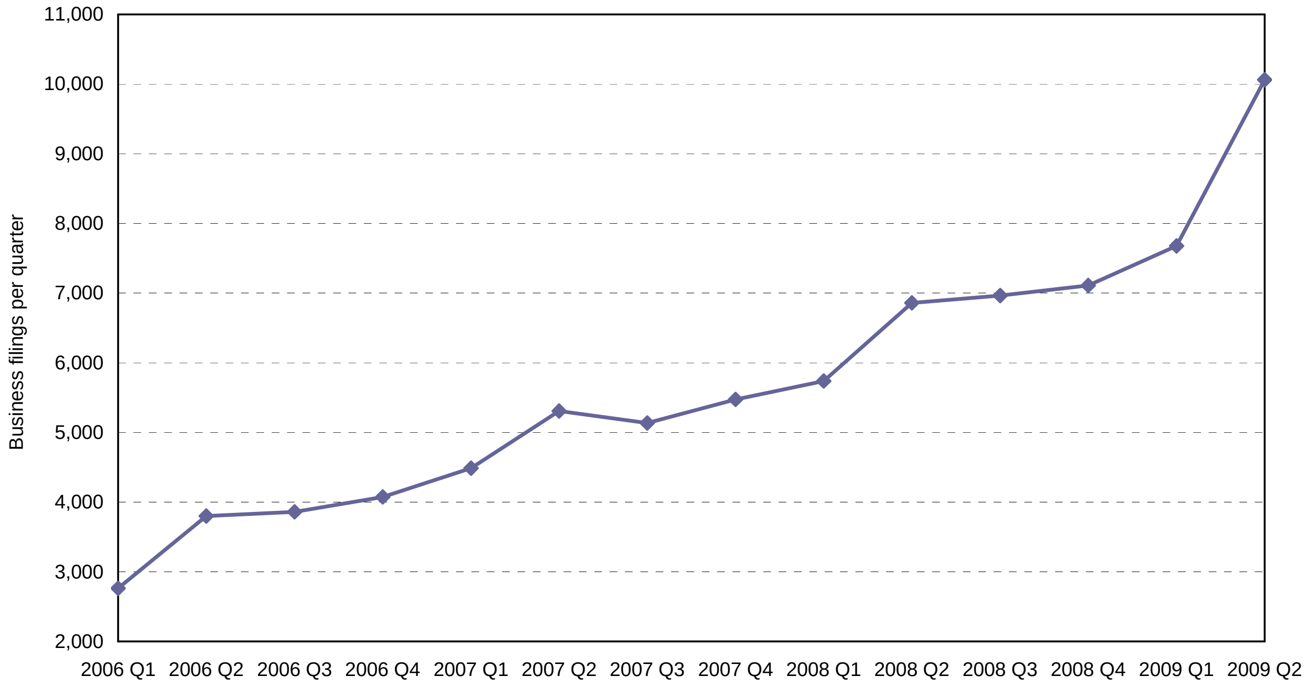
Figure 17. Personal bankruptcies in downstate New York have been rising rapidly and in line with the nation overall.



Source: American Bankruptcy Institute (ABI). "Downstate" is the Southern District of NY (Bronx, Dutchess, New York, Orange, Putnam, Rockland, Sullivan & Westchester counties) and Eastern District of NY (Kings, Nassau, Queens, Richmond, & Suffolk counties). ABI does not break out New York City. Calculations by Fiscal Policy Institute.

The pace of business bankruptcies in the downstate area has also accelerated recently. Through the second half of 2008 and the first half of 2009, there were 31,800 business bankruptcies in the 13 downstate counties. This is more than twice the number (14,500) that occurred in 2006. (See Figure 18.)

Figure 18. Business bankruptcies in downstate New York had been rising steadily, and then jumped sharply in the second quarter.



Source: American Bankruptcy Institute (ABI). Data is for Southern District of NY (Bronx, Dutchess, New York, Orange, Putnam, Rockland, Sullivan & Westchester counties) and Eastern District of NY (Kings, Nassau, Queens, Richmond, & Suffolk counties). ABI does not break out New York City.

Chapter 4—A detailed look at unemployment in New York City

The nation is facing its worst unemployment crisis since the 1930s. While the nation's 10.2 percent October unemployment rate is approaching the post-World War II high of 10.8 percent reached in November of 1982, all predictions are that unemployment will continue to rise and will not recover quickly. Already, a record share of the unemployed are considered long-term unemployed, that is, without a job for over six months. Nearly 31 million Americans are officially unemployed and actively seeking a job, are working fewer hours than they would like to, or want a job but cannot find one. The alternative unemployment rate that reflects this broader understanding of unemployment was 17.5 percent for October.

Seven reasons why New York City is facing a severe unemployment crisis

Despite the fact that New York City's payroll job decline is only half that of the nation's—largely due to the effect of the financial bailout on the city's dominant financial sector—the unemployment crisis is every bit as severe here as it is nationwide. There are several reasons for this assessment:

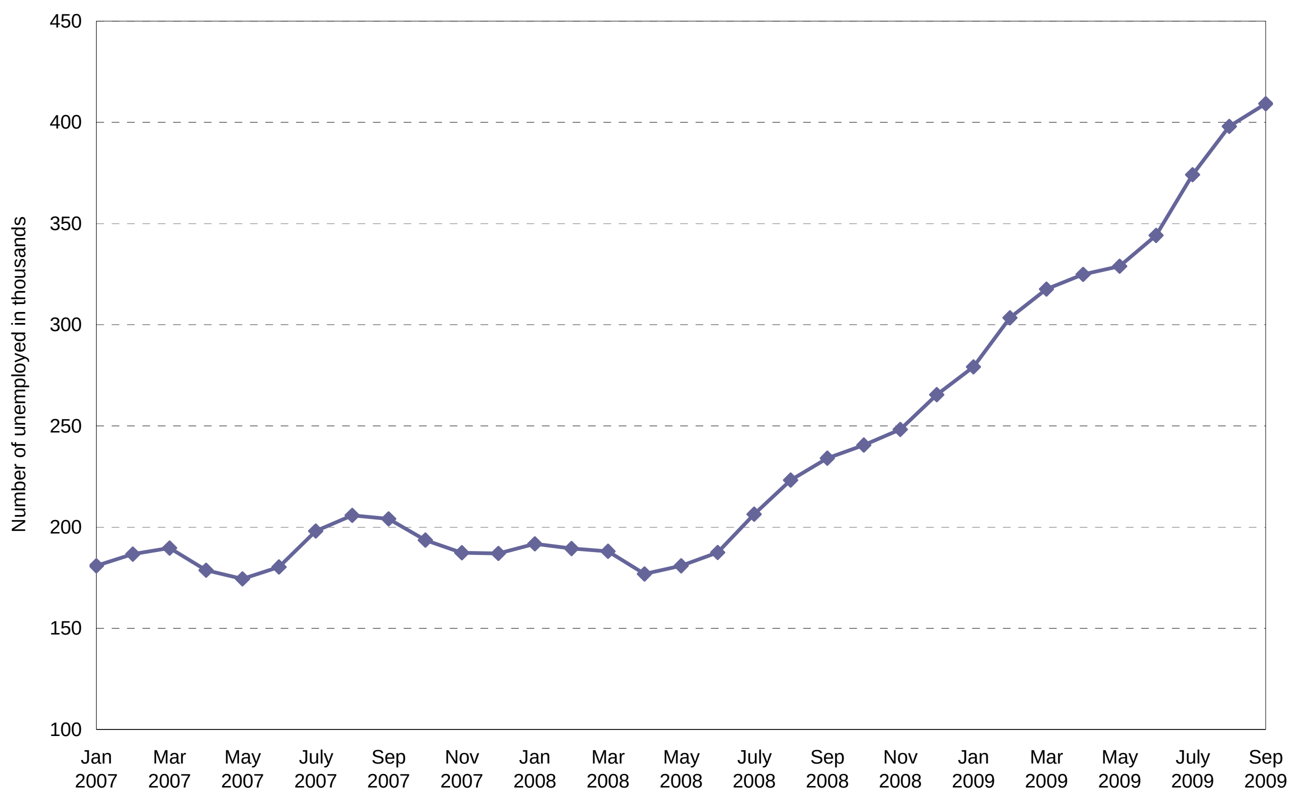
1. Most payroll job loss in New York City has been outside the finance sector and there are few indications that job growth will return to these sectors within the next year.
2. Resident employment—which counts all jobs held by city residents, including self-employment and independent contractor status as well as payroll employment—has declined at a far greater pace than during the last two local recessions, both of which were very severe.
3. While the weekly pace of initial unemployment claims has slowed from the beginning of the year, claims continue at a level higher than during the last few months of 2008, suggesting that significant job losses are continuing and the unemployment rate likely is headed higher.
4. While the city's official unemployment rate was 10.3 percent in the third quarter, the black unemployment rate was 15.5 percent, more than twice the 7.3 percent white, non-Hispanic unemployment rate. The Hispanic unemployment rate was 11.8 percent. Together, blacks and Hispanics represent 48.5 percent of the city's labor force.
5. A greater share of New York City's unemployed are re-entrants or new entrants than at the national level, likely reflecting, in part, the economic hardship many low- and moderate-income families are facing as they seek to send more household members into the labor force in search of work.
6. Long-term unemployment is even higher in New York City than the record-high national levels.
7. In addition to a 200,000 increase over the past year in the number of New Yorkers officially unemployed, there has been a 100,000 increase in the under-employed and those who want a job but are not currently looking and therefore not considered in the labor force. All told, there are 660,000 New Yorkers officially unemployed, under-employed or who want a job. This translates into a real, alternative unemployment rate for New York City of nearly 16 percent.

This chapter reviews evidence from previous chapters or presents new evidence for each of these factors. Chapter 3 noted that nearly 68,000 payroll jobs in low- and moderate-paying sectors had been lost during the recession in New York City compared to 31,000 jobs in the finance and insurance sector (Reason #1). Chapter 3 also noted that resident employment in New York City—which includes self-employment and those classified as independent contractors as well as those with payroll jobs—had declined by more than the falloff in payroll jobs, a marked change from the two previous recessions when resident employment fell by a fraction of the payroll job decline (by 55 percent in early 1990s recession, and by 25 percent in the early 2000s recession.) Resident employment falling by more than payroll employment indicates an even tighter constriction of employment opportunities for the self-employed and independent contractors (Reason #2).

Roughly 10,000 New Yorkers file initial unemployment claims each week

The number of people officially unemployed in New York City has doubled since mid-2008 and now exceeds 400,000. (See Figure 19.) The weekly level of initial unemployment claims filed in New York City averaged between 8,000 and 9,000 during the last half of 2008. After shooting up to a weekly average range of 12,000 to 14,000 during the first four months of this year, the pace of initial claims has receded since then

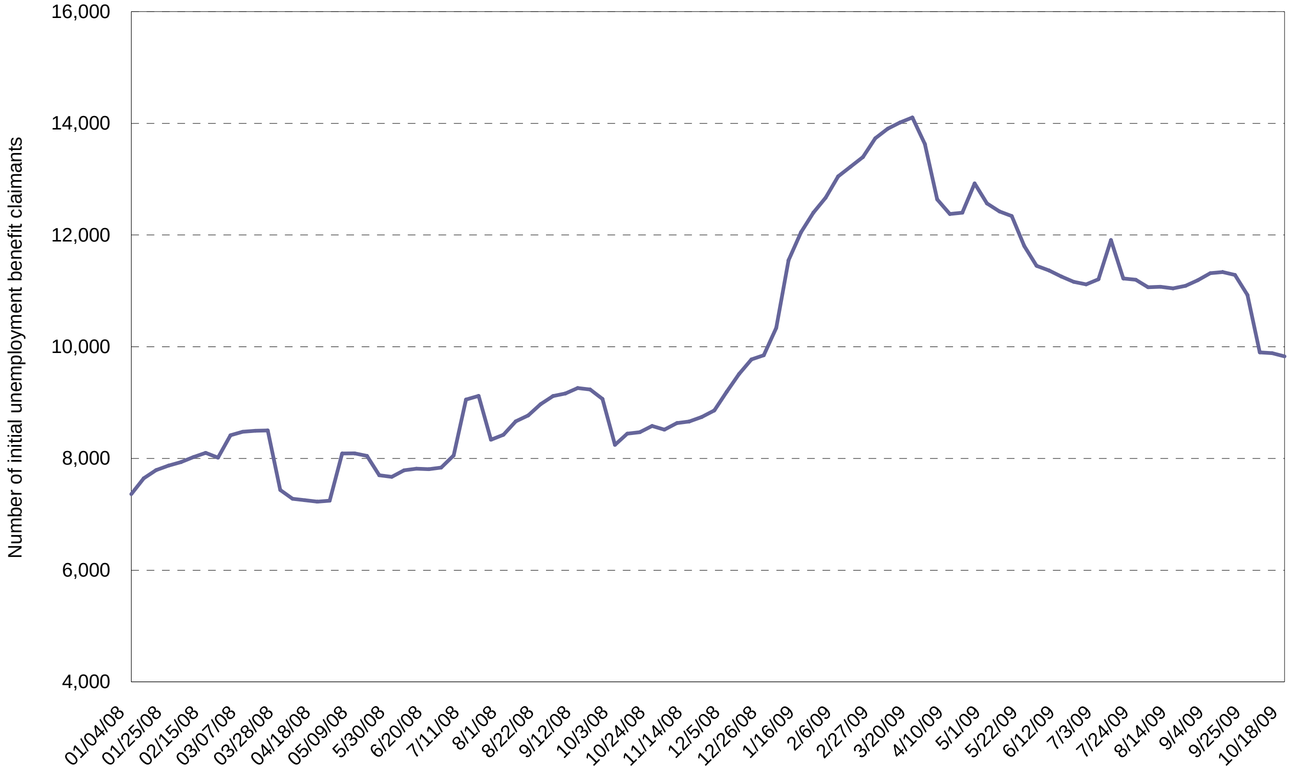
Figure 19. The number of people unemployed in New York City has doubled since mid-2008 and now exceeds 400,000.



Source: NYS Department of Labor, Local Area Unemployment Statistics.

to about 10,000 to 11,000 per week. The recent level is still higher than during the latter part of 2008, and suggests that job losses will continue and that the city's unemployment rate is likely to increase further (Reason #3.) (See Figure 20.)

Figure 20. Initial unemployment claims in New York City have receded from a peak of 14,000 per week in March to 10,000 per week in October.

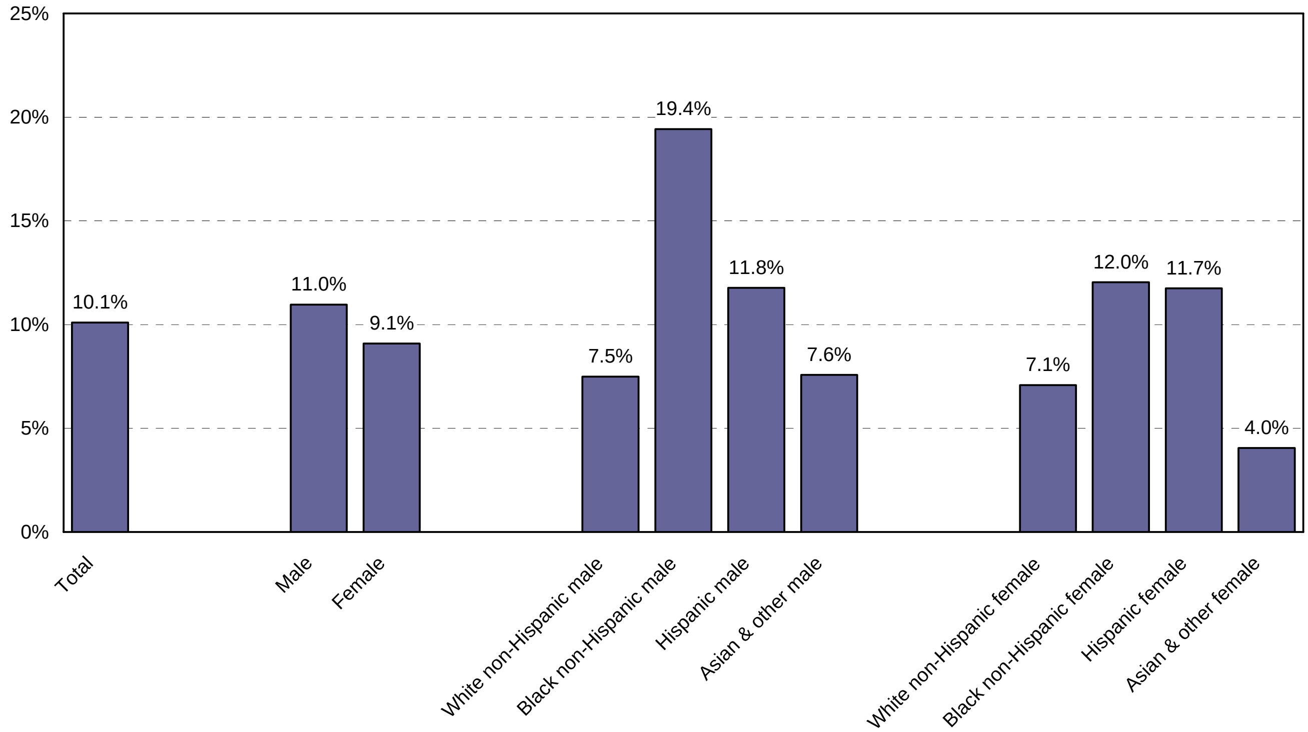


Source: NYS Department of Labor, unpublished initial claims data.

Blacks and Hispanics have borne the brunt of the city's unemployment

Unemployment is not affecting all New Yorkers equally. Men, people of color, less-educated and young workers are being hit particularly hard. While the overall city unemployment rate averaged 10.1 percent for the third quarter of 2009, the male unemployment rate of 11.0 percent was nearly two percentage points higher than for females (9.1 percent.) The third quarter unemployment rate for black non-Hispanic males was a staggering 19.4 percent, more than two and a half times the 7.5 percent white male unemployment rate, and nearly double the overall unemployment rate. Hispanic males and females had unemployment rates of 11.8 percent and 11.7 percent, respectively. Black females had a 12.0 percent unemployment rate, while the unemployment rate for white females was 7.1 percent. In the Asian and other category, the male unemployment rate was 7.6 percent, and the female unemployment rate was only 4.0 percent. Blacks and Hispanics constitute nearly half of the city's labor force. Thus, half of the workforce is experiencing unemployment rates that range from roughly 12 to 20 percent (Reason #4.) (See Figure 21.) Away from Wall Street, unemployment is 13.3 percent in the Bronx and 11 percent in Brooklyn.

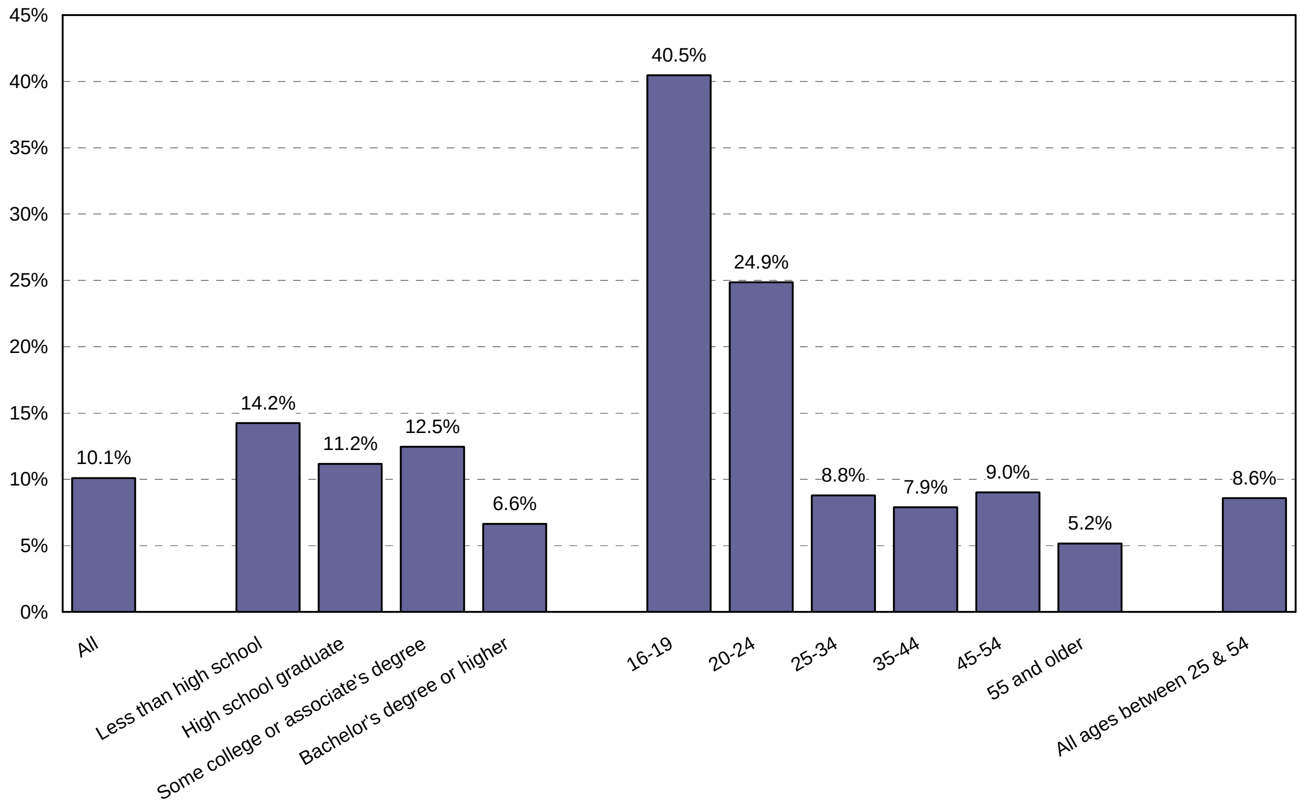
Figure 21. New York City unemployment rates are much higher for minorities than for non-Hispanic whites.



Source: FPI analysis of Current Population Survey data, third quarter of 2009.

Generally, the pattern of unemployment in New York City by educational attainment is that the more education one has, the lower the probability of being unemployed. The 15 percent of the workforce with less than a high school education had the highest unemployment at 14.2 percent, and the 25 percent of the workforce with only a high school education had 11.2 percent unemployment. The 20 percent of the workforce with an associate's degree or some college had a slightly higher unemployment rate, at 12.5 percent. Unemployment was lowest (6.6 percent) among the nearly 40 percent with a bachelor's degree or higher. (See Figure 22.)

Figure 22. New York City unemployment, by education and age group.



Source: FPI analysis of Current Population Survey data, third quarter of 2009.

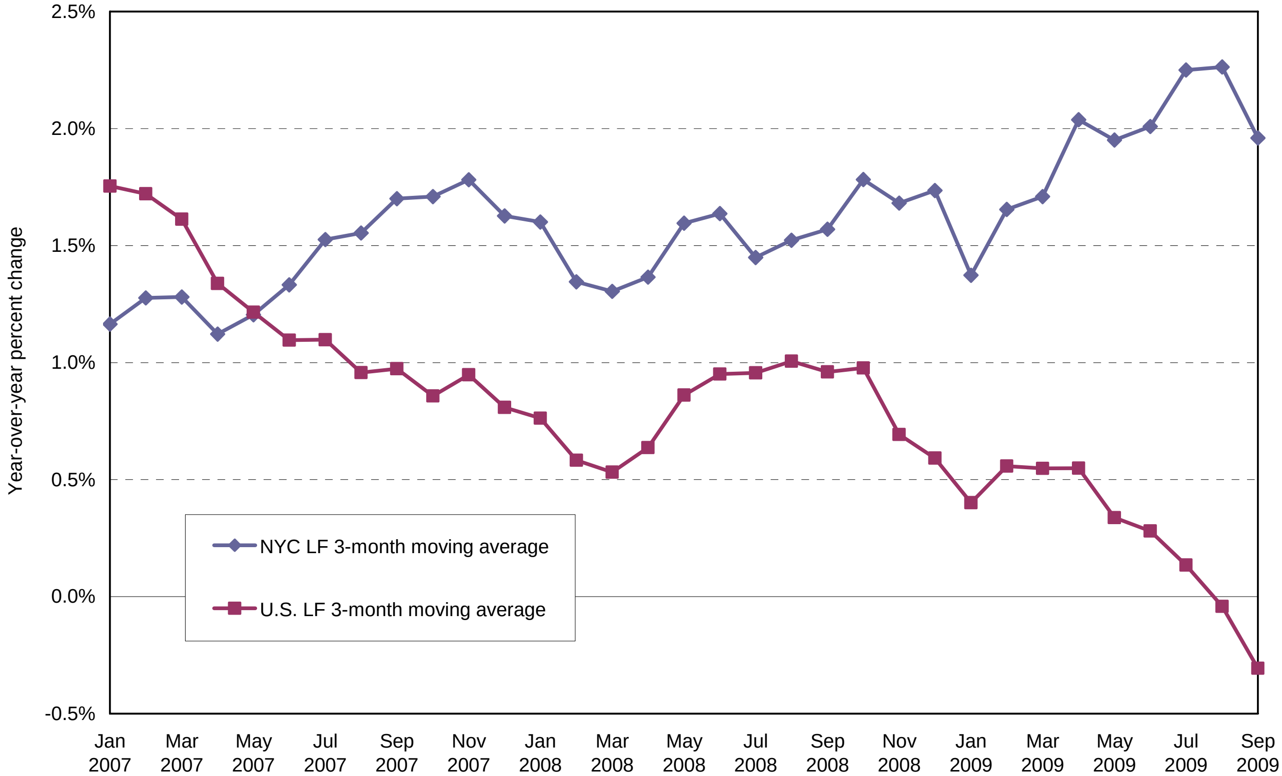
Young workers face 25 to 40 percent unemployment rates

Nearly a third (31 percent) of New York's unemployed are young people, either teenagers, or in the 20-24 age bracket. Their unemployment rates are sky-high: 40.7 percent for teenagers, and 24.9 percent for those in their early twenties. For those in the prime working age bracket of 25 to 54, the third quarter unemployment rate was 8.6 percent. For those 55 and older, unemployment was 5.2 percent. (See Figure 22.)

The city's labor force has grown, but not because people are moving in

In part, New York City's unemployment rate has risen rapidly because the size of the city's labor force has grown over the past year and was two percent greater in September 2009 compared to September of 2008. For the nation as a whole, on the other hand, the size of the labor force this September was roughly the same as in September of 2008. (See Figure 23.)

Figure 23. The labor force has been growing steadily in New York City while its growth has slowed sharply at the national level.



NYS Department of Labor, Local Area Unemployment Statistics; Bureau of Labor Statistics.

New York City's labor force growth meant that the size of the workforce was nearly 75,000 greater during the first nine months of 2009 compared to the year before. And yet, only a small part of the labor force growth resulted from an increase in the size of the city's working age population. Over the same period (the first nine months of 2009 compared to the year before), the city's working age population increased by 17,000.[13] The balance of the increase (58,000) in the city's labor force resulted from New York City residents re-entering or newly entering the workforce. To some extent, new entrants or re-entrants are people graduating from (or just leaving) high school or college. However, the share of the unemployed who are re-entrants or new entrants was much higher in New York City (37 percent) in the third quarter than in the United States overall (31 percent). (See Figure 24.) This suggests that New York City has a disproportionately high incidence of people entering or returning to the labor force, which in the midst of a severe employment contraction, might reflect the economic hardships experienced by low- and moderate-income families seeking to buttress household income with an additional earner. (Reason #5.)

[13] The working age population was imputed using data from the NYS DOL on the size of the New York City labor force and the city's labor force participation rate.

Figure 24. Re-entrants and new entrants to the labor force are a larger share of the unemployed in New York City than in the U.S.

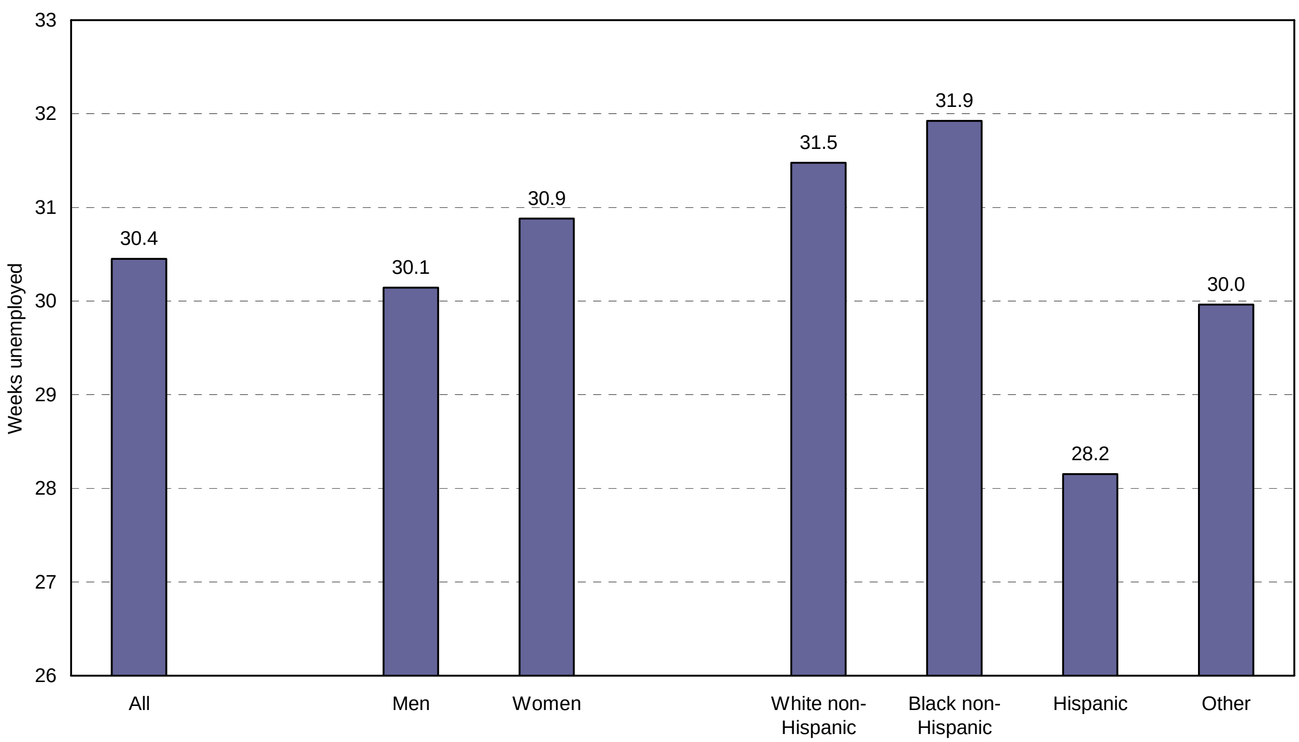
	Unemployment rate	Job losers and leavers	Re-entrants and new entrants
		Percent of total unemployed	
New York City	10.1%	63.0%	37.0%
United States	9.6%	68.9%	31.1%

Source: Bureau of Labor Statistics and FPI analysis of the Current Population Survey for New York City, third quarter of 2009.

Large numbers unemployed for long periods

The long duration of this recession has meant that a large portion of those unemployed have been without work for several months. Even in New York City, where the recession started eight months later than at the national level, long-term unemployment (defined as those unemployed more than 26 weeks, or six months) has been extraordinarily high. The average duration of unemployment for the 400,000-plus unemployed New Yorkers was 30.4 weeks (about seven months) during July to September 2009. (See Figure 25.)

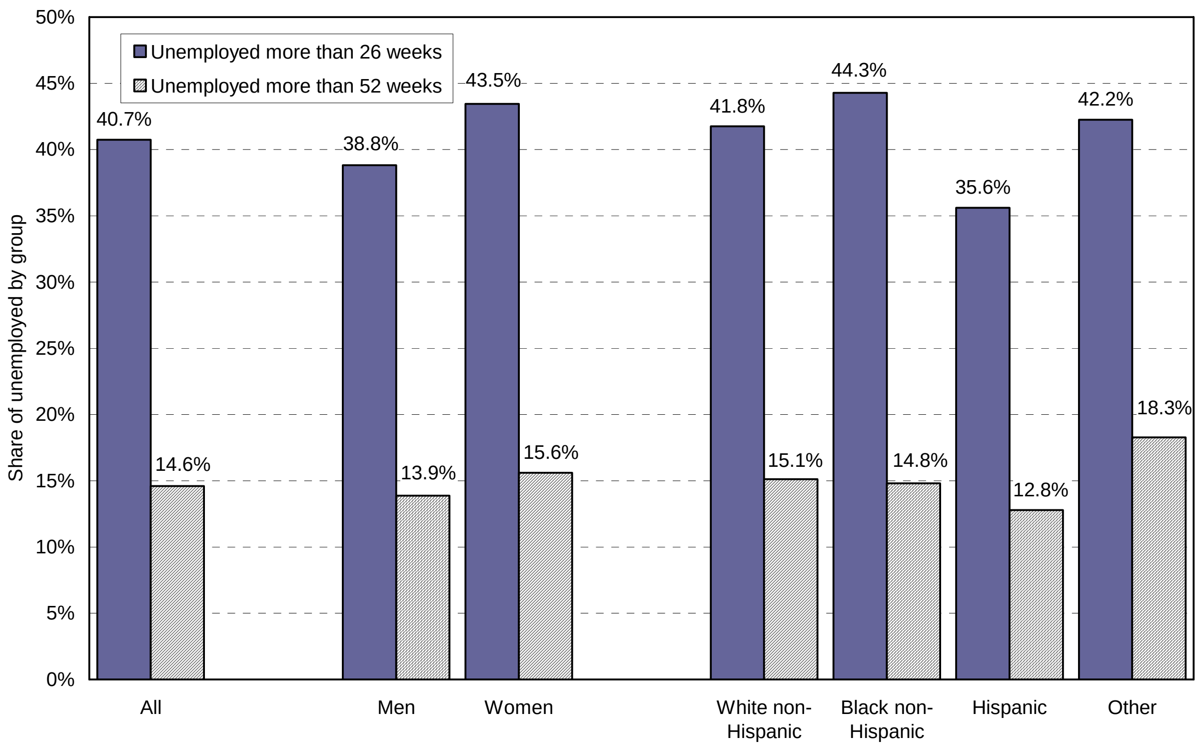
Figure 25. Average unemployment duration in New York City exceeds six months, and is highest for blacks.



Source: FPI analysis of Current Population Survey data, third quarter of 2009.

At the national level long-term unemployment reached a record 34.7 percent in the third quarter of 2009. In New York City, however, those unemployed for more than six months represented 40.4 percent of the unemployed. Nearly 60,000 New Yorkers (14.6 percent of the unemployed) had been unemployed for more than a year by the third quarter of 2009. (Reason #6.) Long-term unemployment is more prevalent among women than among men, and is highest for blacks among all racial/ethnic groups. (See Figure 26.)

Figure 26. Two-fifths of unemployed New York City residents have been out of work more than six months, and one in seven for over a year.



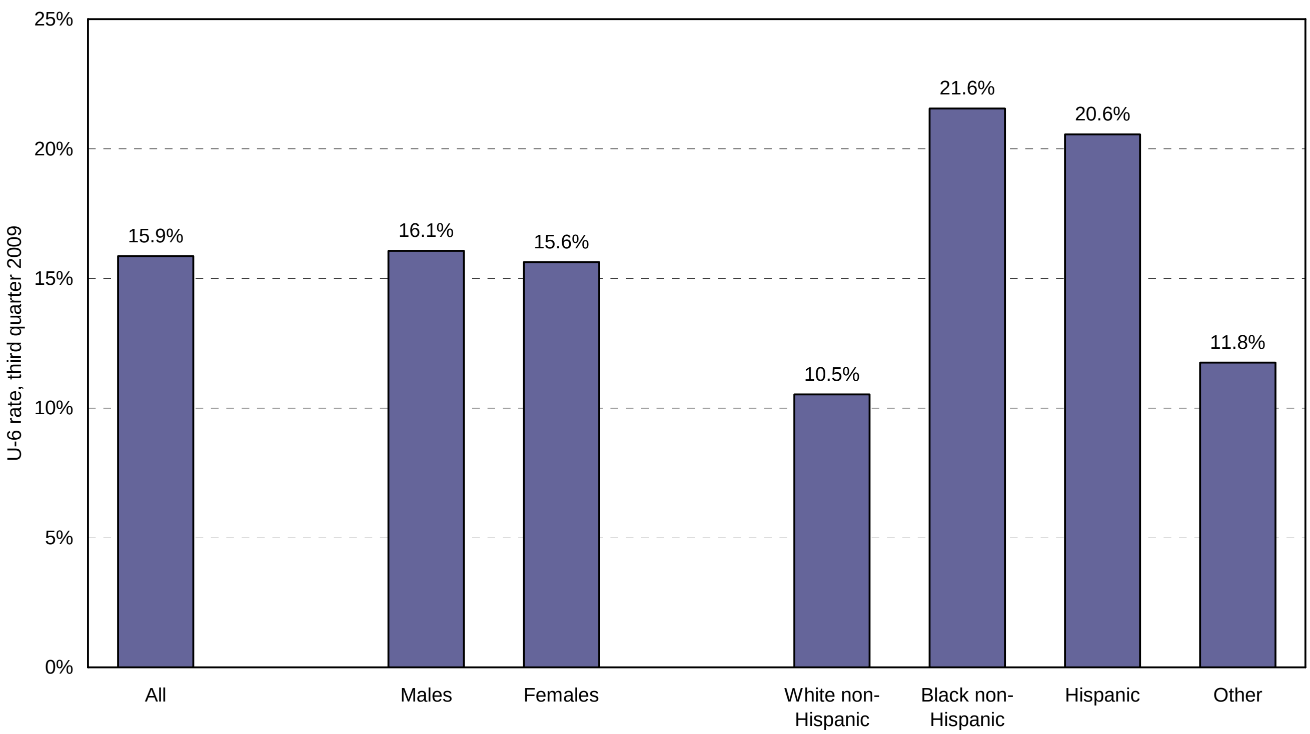
Source: FPI analysis of Current Population Survey data, third quarter of 2009.

Real unemployment is nearly 16 percent, almost 60 percent greater than the official unemployment rate

When the economy sours so profoundly, many job seekers throw in the towel and stop actively looking for work. When this happens, they are no longer included in the standard definition of unemployment. So-called "discouraged workers" are part of a larger group of workers considered by government surveyors to be "marginally attached" to the labor force. "Marginally attached" workers want a job, but since they are not actively seeking employment, they are not counted as part of the labor force, and hence, not technically considered unemployed. The official unemployment rate also understates job market difficulties by not reflecting the tens of thousands of workers whose employers reduce their hours and, thus, their weekly pay. Likewise, many workers take part-time jobs but would prefer full-time positions. Involuntary part-time employment—the number of individuals who are underemployed—increased by 70 percent between the first half of 2008 and the first half of 2009 in New York City.

In addition to the 409,000 New Yorkers officially unemployed during the third quarter of 2009, there were 47,000 discouraged workers, another 49,000 other "marginally attached" workers who wanted a job, and 154,000 workers who were under-employed. Altogether, there were 659,000 New Yorkers unemployed, under-employed or who wanted a job in the third quarter of 2009. This translates into a real, alternative unemployment rate of close to16 percent, nearly 60 percent higher than the 10.1 percent official unemployment rate. (Reason #7.) (See Figure 27.)

Figure 27. New York City unemployment rates are much higher when discouraged workers and the under-employed are included.



Source: FPI analysis of Current Population Survey data, third quarter of 2009.

For black New York workers, the real, alternative unemployment rate was 21.6 percent during the third quarter of 2009, twice the level for white, non-Hispanics. Hispanics were close behind with an alternative unemployment rate of 20.6 percent. A very high incidence of under-employment among Hispanics boosts their alternative unemployment rate close to that for blacks. For the official unemployment rate, the black unemployment rate is four percent higher than for Hispanics. Proportionately more black workers are discouraged than among Hispanic workers.

Conclusion

With a recession of national scale, the most important policy responses must come from the federal and state level. Further federal stimulus funding is needed, and, now more than ever, the state must reform its outdated Unemployment Insurance system. Yet while the Governor, the Mayor and city officials do not control the macroeconomic environment driving the recession, they can respond thoughtfully and vigorously to the conditions now affecting the state and city economy. In Washington, they can advocate for adequate federal support for the state and the city. Here at home, they can skillfully manage the state and city budgets to protect vital services, minimize further damage to the local economy, and bring much-needed progressivity to the city's income tax system. And for the Mayor and city officials, wisely managing the city's resources includes ensuring that the millions of dollars the city grants in economic development subsidies result in good jobs that build and sustain New York's middle class.

Appendix

Appendix Figure 1. Median wages in New York City, 1989 to 2008.

	1989-1990	2001-2002	2007-2008	1989/1990-2001/2002	2001/2002-2007/2008	1989/1990-2007/2008
All	$18.05	$16.80	$16.00	-6.9%	-4.8%	-11.4%
Male	$19.62	$18.00	$17.38	-8.3%	-3.5%	-11.5%
Female	$17.02	$15.58	$15.00	-8.5%	-3.7%	-11.9%

Female	1989-1990	2001-2002	2007-2008	1989/1990-2001/2002	2001/2002-2007/2008	1989/1990-2007/2008
White, non-Hispanic	$20.31	$19.66	$19.98	-3.2%	1.6%	-1.6%
Black, non-Hispanic	$15.12	$14.74	$13.84	-2.5%	-6.1%	-8.5%
Hispanic	$13.09	$12.29	$12.00	-6.1%	-2.3%	-8.3%
Asian and other	$15.13	$15.12	$14.86	-0.1%	-1.7%	-1.8%

Male	1989-1990	2001-2002	2007-2008	1989/1990-2001/2002	2001/2002-2007/2008	1989/1990-2007/2008
White, non-Hispanic	$25.54	$24.57	$24.00	-3.8%	-2.3%	-6.0%
Black, non-Hispanic	$16.26	$15.12	$14.84	-7.0%	-1.9%	-8.7%
Hispanic	$14.98	$12.66	$14.40	-15.5%	13.7%	-3.9%
Asian and other	$16.34	$17.20	$16.62	5.3%	-3.4%	1.7%

Source: FPI analysis of Current Population Survey data.
Notes: All wages in 2008 dollars using New York City metro area CPI. Sample restricted to individuals aged 16-64.

The Fiscal Policy Institute is a nonpartisan research and education organization that focuses on tax, budget, and economic issues that affect the quality of life and the economic well being of New York State residents.

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